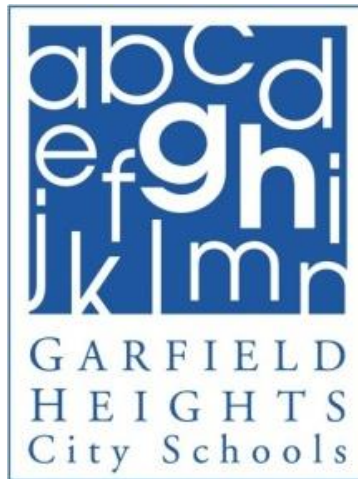


Garfield Heights City Schools



Five Year Financial Forecast

Fiscal Years 2015 through 2019

Board Of Education

Joseph M. Juby, President

Robert A. Dobies, Sr., Vice-President

June A. Geraci

Christine A. Kitson

Gary Wolske

Terrance S. Olszewski, Superintendent

Allen D. Sluka, Treasurer/CFO

October 2014
October 2014



TO: READERS

This forecast is intended to assist board members and administrators of the school district in the financial management of resources. The forecast will provide trend information to help in the determination of local tax levy needs, union negotiations, program resource allocation, and overall effort to balance the district's budget. The forecast is also intended to provide insight into the future, rather than reaction to the past.

Board members will find information regarding key revenue and expenditure assumptions as well as the resulting implications. Particular attention should be given to not only the relationship of expenditures to revenue, but the rate of any adverse trend (expenditures exceeding revenue). Cash balance reserves should be recognized as the stabilizing resource that they are rather than as a revenue source to support ongoing operations. A variety of events will ultimately impact the latter years of the forecast, such as state budgets (adopted every two years), tax levies (new/renewal/ replacement), salary increases, or businesses moving in or out of the district. The five-year forecast encourages district management to examine future years' projections and identify when challenges will arise. This then helps district management and the Board of Education to be proactive in meeting those challenges.

In a financial forecast, the numbers only tell a small part of the story. For the numbers to be meaningful, the reader must review and consider the *Assumptions to the Financial Forecast* before drawing conclusions or using the data as a basis for other calculations. The assumptions are very important to understanding the rationale of the numbers, particularly when a significant increase or decrease is reflected. There will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected and those differences may be material. Extra caution is urged when analyzing the out years of these fiscal projections. Because we are attempting to look four years into the future, several significant assumptions were made that have an impact on the bottom line.

Allen D. Sluka
Treasurer/CFO

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

FOR THE FISCAL YEARS ENDED JUNE 30, 2012, 2013 AND 2014 ACTUAL;
FORECASTED FISCAL YEARS ENDING JUNE 30, 2015 THROUGH 2019

Line Number	Actual			Forecasted					
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	
	2012	2013	2014	2015	2016	2017	2018	2019	
Revenues									
1.010	General Property Tax (Real Estate)	11,394,050	13,257,452	15,431,937	13,897,882	13,456,884	11,704,098	8,839,022	7,097,931
1.020	Tangible Personal Property Tax	446,612	504,718	639,671	681,422	641,479	553,228	430,899	356,877
1.030	Income Tax	0	0	0	0	0	0	0	0
1.035	Unrestricted State Grants-in-Aid (All 3100's except 3130)	17,077,677	16,880,229	16,827,992	18,613,635	19,617,744	20,650,223	21,728,176	22,882,394
1.040	Restricted State Grants-in-Aid (All 3200's)	(572,312)	297,274	1,291,452	1,266,795	1,234,458	1,222,339	1,215,765	1,186,494
1.045	Restricted Federal Grants-in-Aid - SFSF/Ed Jobs (4220)	1,370,113	0	0	0	0	0	0	0
1.050	Property Tax Allocation (3130)	2,316,682	2,487,558	2,845,883	2,889,714	2,620,219	2,077,792	1,765,288	1,186,846
1.060	All Other Revenues except 1931,1933,1940,1950,5100, 5200	1,017,720	962,166	1,047,257	947,258	947,257	947,257	947,257	947,257
1.070	<i>Total Revenues</i>	<u>33,050,542</u>	<u>34,389,397</u>	<u>38,084,192</u>	<u>38,296,706</u>	<u>38,518,041</u>	<u>37,154,937</u>	<u>34,926,407</u>	<u>33,657,799</u>
Other Financing Sources									
2.040	Operating Transfers-In (5100)	0	0	0	0	0	0	0	0
2.050	Advances-In (5200)	818,657	441,685	125,650	300,000	300,000	300,000	300,000	300,000
2.060	All Other Financing Sources (including 1931 and 1933)	0	2,000	874	0	0	0	0	0
2.070	<i>Total Other Financing Sources</i>	<u>818,657</u>	<u>443,685</u>	<u>126,524</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
2.080	<i>Total Revenues and Other Financing Sources</i>	<u>33,869,199</u>	<u>34,833,082</u>	<u>38,210,716</u>	<u>38,596,706</u>	<u>38,818,041</u>	<u>37,454,937</u>	<u>35,226,407</u>	<u>33,957,799</u>
Expenditures									
3.010	Personal Services	20,367,296	20,044,096	21,284,928	22,023,726	22,241,807	22,783,284	23,316,185	23,861,551
3.020	Employees' Retirement/Insurance Benefits	6,963,631	7,155,939	7,178,829	7,651,913	7,879,183	8,333,099	8,849,089	9,408,069
3.030	Purchased Services	5,245,280	5,652,450	6,010,690	6,551,652	7,141,301	7,784,018	8,484,579	9,248,192
3.040	Supplies and Materials	547,844	814,071	989,384	1,514,118	1,044,401	1,065,289	1,086,595	1,108,327
3.050	Capital Outlay	80,621	56,148	177,505	301,055	187,076	190,818	194,634	198,527
3.060	Intergovernmental (7600 and 7700 functions)	0	0	0	0	0	0	0	0
Debt Service:									
4.010	Principal-All (History Only)	734,085	282,814	282,814	0	0	0	0	0
4.050	Principal-HB 264 Loans	0	0	0	0	0	0	0	0
4.055	Principal-Other	0	0	0	282,820	282,820	282,820	0	0
4.060	Interest and Fiscal Charges	0	0	0	0	0	0	0	0
4.300	Other Objects	846,464	566,536	698,552	592,523	604,374	616,461	628,790	641,366
4.500	<i>Total Expenditures</i>	<u>34,785,221</u>	<u>34,572,054</u>	<u>36,622,702</u>	<u>38,917,807</u>	<u>39,380,962</u>	<u>41,055,789</u>	<u>42,559,872</u>	<u>44,466,032</u>
Other Financing Uses									
5.010	Operating Transfers-Out	157,942	200,371	204,700	250,000	250,000	250,000	250,000	250,000
5.020	Advances-Out	441,685	429,200	238,300	300,000	300,000	300,000	300,000	300,000
5.030	All Other Financing Uses	0	0	0	0	0	0	0	0
5.040	<i>Total Other Financing Uses</i>	<u>599,627</u>	<u>629,571</u>	<u>443,000</u>	<u>550,000</u>	<u>550,000</u>	<u>550,000</u>	<u>550,000</u>	<u>550,000</u>
5.050	<i>Total Expenditures and Other Financing Uses</i>	<u>35,384,848</u>	<u>35,201,625</u>	<u>37,065,702</u>	<u>39,467,807</u>	<u>39,930,962</u>	<u>41,605,789</u>	<u>43,109,872</u>	<u>45,016,032</u>
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses									
6.010	<i>Other Financing Uses</i>	(1,515,649)	(368,543)	1,145,014	(871,101)	(1,112,921)	(4,150,852)	(7,883,465)	(11,058,233)

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

FOR THE FISCAL YEARS ENDED JUNE 30, 2012, 2013 AND 2014 ACTUAL;
FORECASTED FISCAL YEARS ENDING JUNE 30, 2015 THROUGH 2019

Line Number	Actual			Forecasted					
	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	
7.010	<i>Cash Balance July 1 - Excluding Proposed Renewal/ Replacement and New Levies</i>								
	2,751,274	1,235,625	867,082	2,012,096	1,140,995	28,074	(4,122,777)	(12,006,244)	
7.020	<i>Cash Balance June 30</i>	1,235,625	867,082	2,012,096	1,140,995	28,074	(4,122,778)	(12,006,242)	(23,064,477)
8.010	<i>Estimated Encumbrances June 30</i>	412,781	619,022	548,537	350,000	350,000	350,000	350,000	350,000
10.010	<i>Fund Balance June 30 for Certification of Appropriations</i>	822,844	248,060	1,463,559	790,995	(321,926)	(4,472,778)	(12,356,242)	(23,414,477)
11.010	Revenue from Replacement/Renewal Levies								
	Income Tax - Renewal	-	-	-	0	0	0	0	0
11.020	Property Tax - Renewal or Replacement	-	-	-	0	1,340,623	4,135,713	7,562,137	9,938,244
11.300	Cumulative Balance of Replacement/Renewal Levies	-	-	-	-	1,340,623	5,476,336	13,038,473	22,976,717
12.010	<i>Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations</i>	822,844	248,060	1,463,559	790,995	1,018,697	1,003,558	682,231	(437,760)
15.010	<i>Unreserved Fund Balance June 30</i>	\$ 822,844	\$ 248,060	\$ 1,463,559	\$ 790,995	\$ 1,018,697	\$ 1,003,558	\$ 682,231	\$ (437,760)

See accompanying summary of significant forecast assumptions and accounting policies

**GARFIELD HEIGHTS CITY SCHOOL DISTRICT
CUYAHOGA COUNTY**

FOR THE FISCAL YEARS ENDED JUNE 30, 2012, 2013 AND 2014 ACTUAL;
FORECASTED FISCAL YEARS ENDING JUNE 30, 2015 THROUGH 2019

Line Number	Prev 3 Yr Avg Annual % Change	Fiscal Year 2015 Forecasted	Fiscal Year 2016 Forecasted	Fiscal Year 2017 Forecasted	Fiscal Year 2018 Forecasted	Fiscal Year 2019 Forecasted	Five-Year Avg. Annual % Change	
Revenues								
1.010	General Property Tax (Real Estate)	16.38%	-9.94%	-3.17%	-13.03%	-24.48%	-19.70%	-14.06%
1.020	Tangible Personal Property Tax	19.87%	6.53%	-5.86%	-13.76%	-22.11%	-17.18%	-10.48%
1.030	Income Tax	n/a	n/a	n/a	n/a	n/a	n/a	n/a
1.035	Unrestricted State Grants-in-Aid (All 3100's except 3130)	-0.73%	10.61%	5.39%	5.26%	5.22%	5.31%	6.36%
1.040	Restricted State Grants-in-Aid (All 3200's)	91.24%	-1.91%	-2.55%	-0.98%	-0.54%	-2.41%	-1.68%
1.045	Restricted Federal Grants-in-Aid - SFSF (4220)	#DIV/0!	n/a	n/a	n/a	n/a	n/a	n/a
1.050	Property Tax Allocation (3130)	10.89%	1.54%	-9.33%	-20.70%	-15.04%	-32.77%	-15.26%
1.060	All Other Revenues except 1931,1933,1940,1950,5100, 5200	1.69%	-9.55%	0.00%	0.00%	0.00%	0.00%	-1.91%
1.070	<i>Total Revenues</i>	7.40%	0.56%	0.58%	-3.54%	-6.00%	-3.63%	-2.41%
Other Financing Sources								
2.010	Proceeds from Sale of Notes (1940)	0.00%	n/a	n/a	n/a	n/a	n/a	n/a
2.020	State Emergency Loans and Advancements (Approved 1950)	0.00%	n/a	n/a	n/a	n/a	n/a	n/a
2.040	Operating Transfers-In (5100)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2.050	Advances-In (5200)	-58.80%	138.76%	0.00%	0.00%	0.00%	0.00%	27.75%
2.060	All Other Financing Sources (including 1931 and 1933)	0.00%	-100.00%	0.00%	0.00%	0.00%	0.00%	-20.00%
2.070	<i>Total Other Financing Sources</i>	-58.64%	137.11%	0.00%	0.00%	0.00%	0.00%	27.42%
2.080	<i>Total Revenues and Other Financing Sources</i>	6.27%	1.01%	0.57%	-3.51%	-5.95%	-3.60%	-2.30%
Expenditures								
3.010	Personal Services	2.30%	3.47%	0.99%	2.43%	2.34%	2.34%	2.31%
3.020	Employees' Retirement/Insurance Benefits	1.54%	6.59%	2.97%	5.76%	6.19%	6.32%	5.57%
3.030	Purchased Services	7.05%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%
3.040	Supplies and Materials	35.07%	53.04%	-31.02%	2.00%	2.00%	2.00%	5.60%
3.050	Capital Outlay	92.89%	69.60%	-37.86%	2.00%	2.00%	2.00%	7.55%
3.060	Intergovernmental (7600 and 7700 functions)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Debt Service:								
4.010	Principal-All (History Only)	-30.74%	-100.00%	0.00%	0.00%	0.00%	0.00%	-20.00%
4.020	Principal-Notes	0.00%	n/a	n/a	n/a	n/a	n/a	n/a
4.030	Principal-State Loans	0.00%	n/a	n/a	n/a	n/a	n/a	n/a
4.040	Principal-State Advancements	0.00%	n/a	n/a	n/a	n/a	n/a	n/a
4.050	Principal-HB 264 Loans	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
4.055	Principal-Other	0.00%	0.00%	0.00%	0.00%	-100.00%	0.00%	-20.00%
4.060	Interest and Fiscal Charges	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
4.300	Other Objects	-4.88%	-15.18%	2.00%	2.00%	2.00%	2.00%	-1.44%
4.500	<i>Total Expenditures</i>	2.66%	6.27%	1.19%	4.25%	3.66%	4.48%	3.97%
Other Financing Uses								
5.010	Operating Transfers-Out	14.51%	22.13%	0.00%	0.00%	0.00%	0.00%	4.43%
5.020	Advances-Out	-23.65%	25.89%	0.00%	0.00%	0.00%	0.00%	5.18%
5.030	All Other Financing Uses	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
5.040	<i>Total Other Financing Uses</i>	-12.32%	24.15%	0.00%	0.00%	0.00%	0.00%	4.83%
5.050	<i>Total Expenditures and Other Financing Uses</i>	2.39%	6.48%	1.17%	4.19%	3.62%	4.42%	3.98%
6.010	<i>Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses</i>	-243.19%	-176.08%	27.76%	272.97%	89.92%	40.27%	50.97%
7.010	<i>Cash Balance July 1 - Excluding Proposed Renewal/ Replacement and New Levies</i>	-42.46%	132.05%	-43.29%	-97.54%	-14785.39%	191.22%	-2920.59%
7.020	<i>Cash Balance June 30</i>	51.11%	-43.29%	-97.54%	-14785.40%	191.22%	92.10%	-2928.58%

GARFIELD HEIGHTS CITY SCHOOL DISTRICT

Summary of Significant Assumptions to the Five Year Forecast

Forecasted Fiscal Years 2015 through 2019

This forecast is a financial planning tool for the Garfield Heights City School District (the “District”) and presents the expected revenues, expenditures, and operating balance of the District’s operating fund, for each of the fiscal years ending June 30, 2015 through June 30, 2019, with historical information presented for the fiscal years ended June 30, 2012, 2013 and 2014. The assumptions disclosed herein are those that management believes are significant to the forecast. However, because circumstances and conditions assumed in projections frequently do not occur as expected, and are based on information existing at the time projections are prepared, there will usually be differences between projected and actual results.

A. Basis of Accounting

This financial forecast is prepared on a cash basis, which is the required basis (non-GAAP) of accounting used for budgetary purposes. Under this system, revenues are recognized when received rather than when earned, and expenditures are recognized when paid rather than when the obligation is incurred. Under Ohio law, the District is also required to encumber legally binding expenditure commitments and to make appropriations for the expenditure and commitment of funds.

B. The Board of Education and Administration

The Board of Education of the District (the “Board”) is a political and corporate body charged with the responsibility of managing and controlling the affairs of the District; and is, together with the District, governed by the general laws of the State of Ohio (the “Ohio Revised Code”). The Board is comprised of five members who are locally-elected to overlapping four-year terms. The Board elects its President and Vice President annually, and hires two officials: the Superintendent, who serves as the Chief Executive Officer, and the Treasurer, who serves as the Chief Financial Officer.

C. The District and its Facilities

Geographically, the District encompasses all but a small northeastern portion of the City of Garfield Heights. The District’s total area is approximately 9 square miles. The District moved to a new configuration of three elementary schools (K-5), one middle school (6-8), and one high school (9-12).

D. District Employees

The District’s instructional/support facilities are staffed by 173 classified employees, 253 certificated full-time and part-time teaching personnel, 15.5 exempt staff, 7.5 qualified staff and 22 administrators who provide services to approximately 3,600 students.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT

Summary of Significant Assumptions to the Five Year Forecast

Forecasted Fiscal Years 2015 through 2019

General Assumptions

A. Enrollment/Average Daily Membership (ADM)

Enrollment refers to the number of students registered with the District. Average Daily Membership (ADM) is the full time equivalent (FTE) students. ADM is a smaller number due to the loss of student counts for unexcused absences during the first full week of October each year, the State's official ADM count week. Kindergarten students count as 100 percent. ADM estimates are included in the forecast. The forecast assumes no significant change in enrollment. The District continues to closely monitor enrollment numbers to assess the academic needs of our students. Current ADM (October 2013 Count) is 4,150.16 and current Formula ADM is 4,067.16 for calculating our State Foundation Funding.

B. Staffing

Staffing levels increased by 6 FTE. We are projecting no increase in staffing levels for the forecasted years 2016 through 2019.

Key Revenue Assumptions

The District's primary sources of revenue are property taxes on real and public utility tangible personal property located within the District's boundaries, and from the State of Ohio through the State Foundation program.

A. Property Tax Revenues

- 1. General Property Tax (Real Estate) (1.010)** consists of Residential/Agricultural (Class I) and Other-Commercial/Industrial (Class II). Property values are established each year by the County Auditor based on new construction and current appraised real estate values. Revaluation of real estate property takes place every three years. The next revaluation takes place in calendar year 2015.

There are three components to the district's real estate tax collections: Taxable Values, Tax Rates and Collection Rates (reflected below as prior year delinquent + current taxes collected/current taxes levied).

GARFIELD HEIGHTS CITY SCHOOL DISTRICT

Summary of Significant Assumptions to the Five Year Forecast

Forecasted Fiscal Years 2015 through 2019

The following are real estate property valuation, tax rates, and collection rates for tax years 2009 through projected 2018 on which our general property tax forecasted revenues are based:

Tax Year	Real Property	Annual	Effective		Effective		Gross Collection* Rate (All Taxes)
	Valuation	Change	Residential Tax Rate	Annual Change	Commercial Tax Rate	Annual Change	
2009	\$ 427,404,400	(56,869,551)	34.34		32.74		106.3%
2010	\$ 428,285,200	880,800	34.41	0.07	32.74	-	90.3%
2011	\$ 417,190,590	(11,094,610)	34.36	(0.05)	32.9	0.16	90.9%
2012	\$ 342,154,290	(75,036,300)	54.73	20.37	49.47	16.57	90.7%
2013	\$ 333,567,960	(8,586,330)	57.60	2.87	52.19	2.72	98.5%
2014	\$ 333,567,960	-	57.60	-	52.19	-	87.0%
2015	\$ 323,958,983	(9,608,977)	57.60	-	52.19	-	95.0%
2016	\$ 323,958,983	-	57.60	-	52.19	-	96.0%
2017	\$ 323,958,983	-	57.60	-	52.19	-	96.0%
2018	\$ 323,958,983	-	57.60	-	52.19	-	100.0%
*- Includes forecasted delinquency tax collected amounts							

- First half calendar year tax collections are received in the second half of the fiscal year. Second half calendar year tax collections are received in the first half of the following fiscal year.
- Real property (residential/agricultural and commercial/industrial) is assessed at 35% of the appraised market value in accordance with State law.
- Revenue projections are vulnerable to fluctuations downward due to actual tax collections being less than expected as well as the loss of tax revenue due to unfavorable findings by the County Board of Revisions. The District retains legal counsel as its representative in tax complaints to protect and preserve the District's tax base.
- The severity of the revenue reduction beginning in fiscal year 2016 is the result of the way property tax renewals are reported in this forecast. Although, the District can assume the passage of renewal tax levies, the tax collections must be reduced in the revenue portion of this forecast and the combined tax collections are shown on line 11.020.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT

Summary of Significant Assumptions to the Five Year Forecast

Forecasted Fiscal Years 2015 through 2019

Based on the above factors, the chart below shows projected General Property Tax revenue (Real Estate) by fiscal year:

	FY15	FY16*	FY17*	FY18*	FY19*
Tax Revenue	\$13,897,882	\$13,456,884	\$11,704,098	\$8,839,022	\$7,097,931
\$ Change	-1,534,055	-440,998	-1,752,786	-2,865,076	-1,741,091
% Change	-9.94%	-3.17%	-13.03%	-24.48%	-19.70%

*Does not include renewal levies.

The District has three five-year emergency levies which expire at the end of Calendar Years 2015, 2016 and 2017, respectively. The chart below shows the projected Property Tax revenue (Real Estate and PUPP) that these levies generate by fiscal year if they are renewed.

	FY15	FY16*	FY17*	FY18*	FY19*
Levy Renewals	\$0	\$1,340,623	\$4,135,713	\$7,562,137	\$9,938,244
\$ 2,500,000	Y				
\$ 2,850,000		Y			
\$ 4,100,000			Y		

Y-Calendar Year levy needs to be renewed in.

2. **Tangible Personal Property Tax (1.020)** consists of Public Utility Personal Property (PUPP).

- For the PUPP tax, revenue amounts are estimated for each of the forecasted fiscal years using the Calendar Year 2013 actual valuation for PUPP property. At the time of this forecast, we do not know Calendar Year 2014 actual valuation for PUPP property.
- The PUPP valuation increased for Calendar Year 2013 to \$10,571,000 (9.37% from calendar year 2011). Ohio legislative action also phases out telecommunication public utility valuations beginning in 2010 and this reduction in valuation is reflected in forecasted fiscal years 2014 through 2018.
- PUPP revenues are projected to be flat lined for forecasted years 2015 through 2019.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT

Summary of Significant Assumptions to the Five Year Forecast

Forecasted Fiscal Years 2015 through 2019

Based on the above factors, the chart below shows projected PUPP tax revenue by fiscal year. PUPP valuations are assessed at the full tax rate.

	FY15	FY16*	FY17*	FY18*	FY19*
PUPP Tax Revenue	\$681,422	\$641,479	\$553,228	\$430,899	\$356,877
\$ Change	-278	-33,740	-65,472	-65,472	-65,472
% Change	0.0%	-5.0%	-10.2%	-11.8%	-15.2%

*Does not include renewal levies.

B. Unrestricted Grants-In-Aid/State Basic Aid (1.035)

- The Unrestricted Grants-In-Aid reflects the simulated amounts as calculated by the Ohio Department of Education (ODE).
- The State funding for schools is based on several factors all of which are subject to deliberations and approval of the Ohio General Assembly. School funding basic aid was set as part of the State's biennial budget for fiscal years 2014 and 2015.
- State Foundation revenue amounts shown for fiscal years 2014 and 2015 are the amounts as determined by State Legislature in the two year budget bill. Also included is the Preschool, Special Education Transportation, and Casino Revenue
- Fiscal years 2016 through 2019, state basic aid was calculated using the current formula, projected ADM, projected core funding per pupil amount, and projected wealth targeted assistance funding amounts.
- The State Core Funding Per Pupil amount, as passed by the Legislature, uses a State Share of Core Funding percentage based on a Per Pupil amount of \$5,800.
- Casino Revenues are an 'Other Unrestricted State Grant-In-Aid. The projected rate moving forward will be \$26 per pupil amount as established by State Legislature.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT

Summary of Significant Assumptions to the Five Year Forecast

Forecasted Fiscal Years 2015 through 2019

	FY15	FY16	FY17	FY18	FY19
Core Aid/Targeted Assistance	\$ 18,193,635	\$ 19,197,744	\$ 20,230,223	\$ 21,308,176	\$ 22,462,394
Preschool	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
Special Education Transportation	\$ 80,000	\$ 80,000	\$ 80,000	\$ 80,000	\$ 80,000
Casino Revenue	\$ 190,000	\$ 190,000	\$ 190,000	\$ 190,000	\$ 190,000
Other State Funding					
Total Unrestricted Grants-In-Aid	\$ 18,613,635	\$ 19,617,744	\$ 20,650,223	\$ 21,728,176	\$ 22,882,394

C. Restricted Grants-In-Aid (1.040)

- An additional component of the State’s Funding formula, the district receives Economic Disadvantage Aid. This formula amount is deemed restricted by the Ohio Department of Education and the formula amount is reflected here. Economic Disadvantage projected amounts were calculated using the current formula.
- The District receives career/technical aid, catastrophic aid reimbursement and special education cost reimbursements.
- The district has seen significant reductions in catastrophic aid and special education reimbursements. These amounts are projected to remain flat over forecasted fiscal years 2014 through 2018.

	FY15	FY16	FY17	FY18	FY19
Economic Disadvantage	\$ 1,224,795	\$ 1,192,458	\$ 1,180,339	\$ 1,173,765	\$ 1,144,494
Career Tech	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000	\$ 17,000
Special Education Catastrophic	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 25,000
Total Restricted Grants-In-Aid	\$ 1,266,795	\$ 1,234,458	\$ 1,222,339	\$ 1,215,765	\$ 1,186,494

GARFIELD HEIGHTS CITY SCHOOL DISTRICT

Summary of Significant Assumptions to the Five Year Forecast

Forecasted Fiscal Years 2015 through 2019

D. Property Tax Allocation (1.050)

- The projections for the Homestead and Rollback payments are based upon the historical relationship to actual tax collections (12.5% on residential). As tax collections decrease, so do the rollback reimbursements.
- The State of Ohio was holding harmless school district's who lost revenues from Tangible Personal Property (TPP) tax elimination (House Bill 66). The forecasted amounts were determined using a formula and spreadsheet developed by the Ohio Department of Education and the Ohio Department of Taxation. However, under the current state budget bill (House Bill 153), the district had a significant amount of their TPP reimbursement phased out in prior years. The remaining amounts not phased out are shown in the forecasted fiscal year 2015 through 2019.

E. All Other Revenues (1.060)

Local revenues include the following: Tuition, Interest Income, and Pay-to-Participate Fees, Building Rentals, and Miscellaneous /Other.

- *Tuition* revenues are derived from the pre-school handicapped program, intervention, and summer school programs. The tuition program for the pre-school handicapped continues to include students, who pay tuition. Assuming no additional tuition increases, projected years are assumed to remain flat-lined.
- *Interest income* revenue for fiscal year 2015 is projected to increase slightly assuming the same economic market and available cash in the projected fiscal years. Interest income is projected to continue to remain constant using the current amount earned this fiscal year.
- *Pay-to-Participate* (PTP) is not projected to significantly change for fiscal years 2015 through 2019. It is also assumed that the number of participants and the fee amount will not change during the projected years.
- *Building rental* revenue is projected to remain constant based on fiscal year 2014 actual amount. At this time, it is assumed that the number of rentals and rental rates are not projected to significantly change for fiscal years 2015 through 2019.
- *Miscellaneous/Other Revenues* include fees/fines, reimbursements, and donations, not covered under the other revenue line items. This amount is not projected to significantly change for fiscal years 2015 through 2019 based on fiscal year 2014 actual amounts.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT

Summary of Significant Assumptions to the Five Year Forecast

Forecasted Fiscal Years 2015 through 2019

- In fiscal year 2013, the district received \$356,410 as their share from the CityView Tax Increment Finance (TIF) agreement. However, CityView is in receivership and current indicators point to potential reductions in this TIF payment going forward into the projected years 2014 through 2018.

	FY15	FY16	FY17	FY18	FY19
Tuition	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000
Interest	15,000	15,000	15,000	15,000	15,000
PTP	55,000	55,000	55,000	55,000	55,000
Rentals	27,000	27,000	27,000	27,000	27,000
Misc/Other	150,258	150,257	150,257	150,257	150,257
TIF+	350,000	350,000	350,000	350,000	350,000
Total	\$947,258	\$947,257	\$947,257	\$947,257	\$947,257

F. Transfers/Advances In (2.040, 2.050)

- No significant transfers-in will be received in future forecasted years.
- Advances-in would be offset in the previous year with an initial advance-out.

G. All Other Financing Sources (2.070)

- It is assumed that the amount of revenue from other financing sources will be insignificant and remain constant over the years projected.

H. Total Revenues and Other Financing Sources (2.080)

The bottom line changes in total revenues assuming passage of the renewal levies and not including 'Other Financing Sources' show an average annual revenue increase of 2.67% over the forecasted five years. This is based on two key factors: continued collection of delinquent taxes and the state's basic aid funding formula remaining the same.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT

Summary of Significant Assumptions to the Five Year Forecast

Forecasted Fiscal Years 2015 through 2019

Key Expenditure Assumptions

The expenditure projections are based upon several key assumptions. Wage freezes, including a step freeze, have been accepted by all employees in the prior years and these steps will not be made up in future negotiated agreements. Additional assumptions are that the change in student enrollment, as predicted by enrollment projections, (General Assumptions “A”) will **not require significant additional staffing** over the life of the projections other than what is included in the current projections. It is also assumed that the **general economy will remain stable, and that inflation will be no greater than two to three percent in each of the projected years**. Lastly, that Ohio Legislature and the United States Congress will **not impose any new unfunded mandates or make any changes to current legislation that we are currently aware of that significantly impacts the General Fund**.

A. Personal Services (3.010)

The district currently has five major employee classifications: Certified Staff (GHSA), Classified Staff (OAPSE), Exempt Staff (Central Office), Qualified Staff (Social Workers), and Administrative Staff.

- Staffing changes for fiscal year 2015 include the following:
 1. Hiring of 3.5 Certified Teaching/Tutor positions
 2. Hiring of 2 Administration positions
 3. Hiring of .5 Qualified positions
- The District is currently in negotiations with the teachers union whose contract expired. In forecasted years 2015 through 2019, forecast amounts reflect previous contract language.
- The District agreed to a three year contract agreement with the classified employees’ union (OAPSE). For forecasted years 2015 through 2019, forecast amounts reflect current contract agreement.
- Wage amounts projected for administration are based on contract agreements. For forecasted years 2015 through 2019, amounts include the equivalent of a step increase.
- Wage amounts projected for the exempt staff are based on established salary schedules, experience level, and level of responsibility. For forecasted years 2015 through 2018, amounts shown reflect salary schedule step movements for those affected employees.
- Wage amounts projected for the qualified staff are based on established salary schedules, experience level, and level of responsibility. For forecasted years 2015 through 2019, amounts shown reflect salary schedule step movements for those affected employees.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT

Summary of Significant Assumptions to the Five Year Forecast

Forecasted Fiscal Years 2015 through 2019

- Step movements for administrators, exempt and qualified staff are not automatic and movement is at the discretion of the Board of Education.
- Longevity amounts follow negotiated agreements and are not projected to change significantly in any of the classifications
- Supplemental contracted amounts are projected to follow the Garfield Heights Teachers' Association negotiated agreement base salary amount and no increase to that base salary is projected in the forecasted fiscal years.
- Substitutes are assumed to remain constant. The district has contracted with a private company to handle and assign certified/teacher substitutes with minimal additional costs for administrative fees. A majority of this cost has been moved and projected in the purchased service area. Substitute rates are not projected to change significantly over the forecast period.
- Severance payments and early retirement incentive program costs, for those employees having retired, are projected to decrease slightly in the forecasted years based on past history.
- Overtime, extra time, incentives and extended times wage amounts are projected to remain constant in forecasted years 2015 through 2019. This amount is based on past history.

Over the past three years, Personal Services had averaged a 2.3% increase. Based on the above assumptions and the hiring of additional staff members, Personal Services is projected to increase 3.47% in fiscal year 2015 and have an overall average of 2.31% annually in each of the forecasted fiscal years 2015 through 2019.

B. Employees' Retirement/Insurance Benefits (3.020)

Fringe benefits consist of retirement, Medicare, health care, workers compensation, and unemployment.

1. Retirement

- The district is required to contribute 14% of an employee's salary to either the State Teachers' Retirement System (STRS) or the School Employees' Retirement System (SERS). As personal service (salaries, wages) costs increase/decrease from staff reductions, step movements, other compensation, retirement costs are projected to follow.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT

Summary of Significant Assumptions to the Five Year Forecast

Forecasted Fiscal Years 2015 through 2019

- It is assumed that there will be a continuation of the current 14% employer contributions for both STRS and SERS during each year of the projected years.
- The SERS surcharge on non-teaching employees is calculated on part-time employees. The rate after calculations amounts to 2% of all non-certificated employees' wages or the statewide limit of 1.5% of the statewide payroll, whichever is lower. This current surcharge amount is not projected to change significantly in the forecasted fiscal years.

2. Medicare

Any employee hired after 1986 is required to have contributions of 2.9% of their salary paid into Medicare. The district, under federal law, is responsible for 1.45%, and the employee is responsible for 1.45%. As personal service (salaries, wages) costs increase/decrease from staff reductions, step movements, other compensation, Medicare costs are projected to follow.

3. Health Care

- The medical, prescription, dental and vision health care coverage is currently with Medical Mutual of Ohio (MMOH). The district joined the Suburban Health Consortium (SHC) in January 2006. This was done to help stabilize rates over future years.
- All employees currently contribute towards their health insurance coverage. This contribution amount is based on current negotiated agreements.
- Health insurance rate projections include not only forecasted increases but any negotiated employee contribution amounts. The following are forecasted rate increases for fiscal years 2015 through 2019:

Coverage	FY15	FY16	FY17	FY18	FY19
Medical	0%	8.78%	10.0%	10.0%	10.0%
Prescrptn/Drug	0%	8.78%	10.0%	10.0%	10.0%
Dental	0%	1.36%	2.5%	2.5%	2.5%
Vision	0%	1.36%	2.5%	2.5%	2.5%
Overall % Inc.	0%	8.2%	9.4%	9.4%	9.4%

GARFIELD HEIGHTS CITY SCHOOL DISTRICT

Summary of Significant Assumptions to the Five Year Forecast

Forecasted Fiscal Years 2015 through 2019

4. Workers' Compensation

The workers' compensation rate is projected to remain constant and follow projected personal service amounts where applicable.

Over the past three years, Employee Retirement/Insurance Benefits had averaged a 1.54% increase. Employee Retirement/Insurance Benefits is projected to increase 6.59% in fiscal year 2015 and have an overall average of 5.57% annually in each of the forecasted fiscal years 2015 through 2019.

C. Purchased Services (3.030)

This category includes contractual services, special education services, legal services, rentals and leases, travel and mileage, utilities, and building/equipment repairs.

Over the past three years, Purchased Services had averaged a 7.05% increase. However, the district is anticipating significant increases in special education and utility costs. Therefore, Purchased Services is projected to increase 9% annually in each of the forecasted fiscal years 2015 through 2019.

D. Supplies and Materials (3.040)

This category includes educational supplies, library books/supplies, office supplies/postage, maintenance supplies, transportation supplies, and textbooks.

Over the past three years, Supplies and Materials had averaged a 35.07% increase due in large part to the General Fund absorbing the cost for workbooks that was previously paid for with student fees. For fiscal year 2015, the district is planning on purchasing a significant dollar amount for classroom textbooks in the different subject areas. Supplies and Materials is then projected to increase an inflationary 2% annually in each of the forecasted fiscal years 2016 through 2019.

E. Capital Outlay (3.050)

Capital outlay includes the purchase of new instructional equipment, special education equipment, building improvements, replacement vehicles/busses and replacement educational equipment including technology items.

Capital Outlay saw a significant increase in 2014 due to upgrading the District's computer system to be ready for state testing. These computer purchases will continue in fiscal year 2015 and then increase an inflationary 2% annually in each of the forecasted fiscal years 2016 through 2019.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT

Summary of Significant Assumptions to the Five Year Forecast

Forecasted Fiscal Years 2015 through 2019

F. Debt Service (4.055)

The district has two debt service obligations from the General Fund. These obligations are the repayment of two Qualified Zone Academy Bonds. Repayment amortization schedules have been established for each of the two QZAB debt issuances the amounts are reflected in the forecast under Principal-Other. Both of these bonds mature in 2017.

G. Other Objects (4.300)

This category includes Insurance premiums for fleet and general liability insurance both of which increased for fiscal year 2015 (actual costs are known). Property tax collection fees which are based on the amount of property taxes collected as set by Ohio Law and Other/Miscellaneous expenses. These expenses include bank service charges, audit fees, organization dues and membership fees, County Educational Service Center deductions, and election expenses.

Over the past three years, Other Objects has fluctuated greatly with property tax fees and election expenses. Election expenses are projected drop slightly in 2015 and then Other Object expenditures assume an inflationary 2% annual increase in each of the forecasted fiscal years 2016 through 2019.

H. Other Financing Uses (5.010, 5.020, 5.030)

This category shows the transfers/advances of monies to other funds that cannot generate enough revenues to offset their expenditures.

- **Transfers Out** is projected constant over the forecasted period and that no other funds will need a transfer.
- **Advances Out** has been required in previous years. Projected Advances Out are offset through an Advance In in the following fiscal year, thus creating no financial impact on the overall forecast.

I. Total Expenditures and Other Financing Uses (5.050)

The bottom-line changes in total expenditures including 'Other Financing Uses' show an average annual expenditure increase of 3.98% over the forecasted five years as compared to an actual average annual expenditure increase of 2.39% over the previous 3 years.

GARFIELD HEIGHTS CITY SCHOOL DISTRICT

Summary of Significant Assumptions to the Five Year Forecast

Forecasted Fiscal Years 2015 through 2019

J. Estimated Encumbrances (8.010)

The District uses the encumbrance method as part of formal budgetary and management control. Under this method, purchase orders, contracts, resolutions and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation for future payment. Encumbrances outstanding at year-end represent planned expenditures which were budgeted in the fiscal year but which were not paid for as of year-end. The estimated encumbrance amount is not expected to change drastically throughout the forecast period.

Future Outlook

Income and Expense Simplified Statement - Projected Fiscal Years

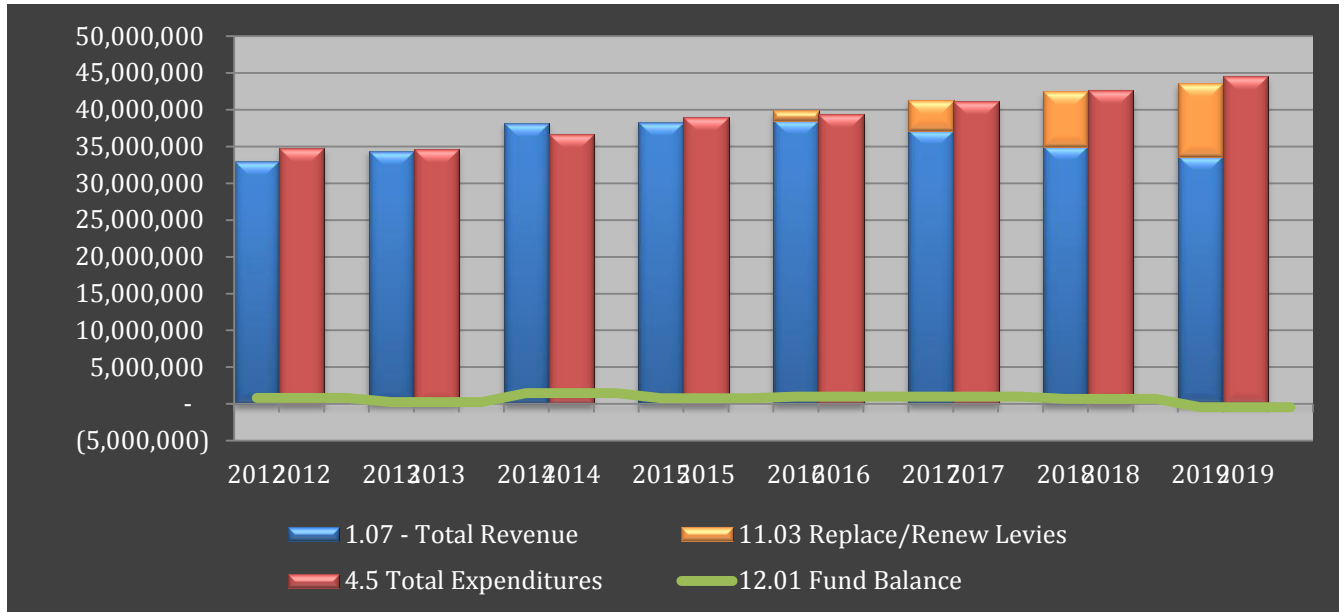
	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019
Beginning Balance	2,012,096	1,140,995	1,368,696	1,353,558	1,032,228
+ Revenue	38,596,706	38,818,041	37,454,937	35,226,406	33,957,799
+ Proposed Renew/Replacement Levies	-	1,340,623	4,135,713	7,562,137	9,938,244
+ Proposed New Levies	-	-	-	-	-
- Expenditures	(39,467,807)	(39,930,962)	(41,605,788)	(43,109,873)	(45,016,030)
= Revenue Surplus or Deficit	(871,101)	227,701	(15,138)	(321,330)	(1,119,987)
Ending Balance	1,140,995	1,368,696	1,353,558	1,032,228	(87,759)
Revenue Surplus or Deficit w/o Levies	(871,101)	(1,112,921)	(4,150,851)	(7,883,466)	(11,058,231)
Ending Balance w/o Levies	1,140,995	28,073	(4,122,778)	(12,006,244)	(23,064,475)

GARFIELD HEIGHTS CITY SCHOOL DISTRICT

Summary of Significant Assumptions to the Five Year Forecast

Forecasted Fiscal Years 2015 through 2019

Operating Revenue, Expenditures & Year End Fund Balance - Including Renewal & Replacement Levies



- Due to the passage of an additional five-year emergency operating levy in March of 2012 and the increase in State Basic Aid from the biennial budget, and further assuming the passage of the renewal levies, Total Revenues and Other Financing Sources are projected to **increase** annually by an average of 2.41% over the forecasted years 2015 through 2019, while Total Expenditures and Other Financing Uses are projected to **increase** annually by an average of 3.58%. Based on these current projections, it is anticipated that the district will need additional revenues beginning in fiscal year 2019.
- The state legislature has passed a school funding formula for the 2014-2015 biennium state budget. This formula included an increase of state basic aid to the district. However, beyond the two year biennium budget, the future of state funding for public schools is still unknown. With over 55% of the school district’s revenue coming from the state, the district will need to closely monitor the state’s economic outlook.
- Actions by the Ohio Department of Education, the U.S. Department of Education, the State Legislature, Ohio Board of Taxation, the Ohio Supreme Court, the Cuyahoga County Board of Revision, and other governmental bodies will impact these projections and the results of their actions could seriously threaten the accuracy of the forecast and assumptions.