

**NOTES TO THE FIVE YEAR FORECAST
GENERAL FUND ONLY
October 12, 2005**

REVENUE ASSUMPTIONS

REAL AND PERSONAL PROPERTY ASSUMPTIONS (1.010 & 1.020)

Property values are established each year by the County Auditor based on new construction and complete or updated appraisal values if applicable. The district completed its last reappraisal in 2002. New construction for calendar 2004 was \$10.3 million.

During calendar year 2004 Residential/Agricultural values grew by 2.98% and Commercial/Industrial values grew by 1.29%. In addition, the district experienced slight growth in the amount of 2.28% in Public Utility value and experienced a 6.91% decline in Personal Tangible value. Historically the district has grown between \$7 to \$10 million dollars a year in new construction.

Value increases associated with New Construction and Reappraisal/Triennial Update are forecasted based on historical information. This information can be found in the appropriate five-year forecast schedules associated with tax revenue.

The forecast reflects a decline in Personal Tangible Tax Revenue as a result of HB66. It is projected that all Tangible Tax Revenue will be gone by FY2009. HB66 provides for direct payments to the district to offset losses in Tangible Tax Revenue. These direct payments have been factored into the forecast based on state estimates.

Real Estate/Personal Property/Property Tax Allocation revenues have been projected to decrease in fiscal year 2004 & 2005 due to the shifting of 2 mills of inside millage to the Permanent Improvement Fund.

INCOME TAX

The District passed a 1% Income Tax on November 2, 2004. It is anticipated to generate \$3.9 million annually. The projected revenue stream is based on the average annual collections provided by the Ohio Department of Taxation. It will take approximately 18 months to fully collect the tax.

NEW AND EXISTING TAX LEVIES (13.020)

New and existing levies are estimated to be collected at 98.5% of the annual gross amount. This allows for 1.5% delinquency in collections. Also, 54% of new Res./Ag. And Comm./Ind. is expected to be collected in February tax settlements and 46%

collected in August tax settlements. Public Utility taxes are estimated at 50% in February and August. Public Utility and Tangible Personal Property Taxes are estimated at 68% in the first half of the fiscal year with the balance of 32% coming in the last half of the fiscal year. These timing estimates are very important to estimating when new levy tax dollars will be available to the district.

STATE REVENUE ESTIMATES (1.035 & 1.040)

Effective July 1, 2005 State Funding is subject to the new provisions of HB66. Other provisions of the bill dealing with tax code are reflected throughout the forecast document. As a result of the changes in HB66 we will be on the transitional aid guarantee for FY2006 and FY2007 and beyond based on current projections. Current enrollment projections are declining throughout the forecast document. The amounts reflected in the forecast represents the Department of Education's estimate based on our latest SF-3 and simulations for FY06 and FY07. For years 2008-10, we are assuming to remain on the transitional aid guarantee. It is anticipated that the district would need to increase its enrollment by approximately 500 students to come off the guarantee under the current state funding model. In addition to funding received under the foundation formula, other state reimbursements/allocations are made as reflected on the attached State funding worksheet.

Tax-exempt funding has now become a part of basic aid for those districts that qualify.

STATE ROLLBACK & HOMESTEAD REIMBURSEMENT (1.050)

These funds are reimbursements from Ohio for tax credits given owner occupied residences equaling 12.5% of the gross property taxes charged residential taxpayers and up to 10% for commercial and industrial taxpayers. HB66 eliminated the 10% rollback on commercial property shifting the tax burden to the commercial taxpayer. While the impact is revenue neutral to the school district changes will be reflected in the Real Estate Tax Revenue and Property Tax Allocation line of the forecast. These amounts will grow along with new levies and new construction in Res./Ag. and Comm./Ind. Property classifications. These amounts are represented in the forecast under Property Tax Allocations.

OTHER LOCAL REVENUES (1.060)

These amounts are estimated based on past trends and researching activity over the past two years in detail. Our tuition revenue is projected to remain steady over the life of the forecast. Effective with the 2005/06 school year, the District participated in open enrollment. We have forecasted \$100,000 in additional revenue associated with open enrollment each year throughout the forecast period. Rental income is also projected to remain steady throughout the forecast period. Interest income is determined on available cash flows and market conditions of interest rates. We are projecting interest income to increase given our projected cash flow forecast. It should be noted that the district doesn't invest in high-risk derivative investment options. Funds are predominately

invested in Star Ohio, T-bills, T-notes, CD's and interest bearing sweep accounts. Security is the top priority of the investment philosophy of the treasurer's office.

OTHER FINANCING SOURCES (2.010 – 2.080)

These are non-operating revenues which are the repayment of short term loans to other funds over the previous fiscal year and reimbursements for expenses received for a previous fiscal year in the current fiscal year. All advances over year-end are planned to be returned in the succeeding fiscal year. Transfers-In represents money being placed into the required set-aside funds.

EXPENDITURE ASSUMPTIONS

PERSONAL SERVICES (3.010)

FY 2006-2010 % has been factored in to cover experience and education increases annually.
The following pay raises have been forecasted for all employee groups:

2005/06	2.50%
2006/07	2.75%
2007/08	3.00%
2008/09	3.25%
2009/10	3.50% (Not Negotiated and/or approved)

Changes in personnel are driven by the District's Continuous Improvement Plan. In addition, additional personnel will be needed for the opening of the new elementary school in the 2006-07 school year. Replacement savings as a result of resignations/retirements and the associated severance payments are budgeted when realized.

FRINGE BENEFIT ESTIMATES (3.020)

The following percentages have been forecasted for Fringe Benefits:

Retirement, Workers' Comp, Medicare	Same percentage increase as wages
Health Care Insurance	10% (FY06-FY10)

Changes in personnel are driven by the District's Continuous Improvement Plan. In addition, additional personnel will be needed for the opening of the new elementary school in the 2006-07 school year. Replacement savings as a result of resignations/retirements and the associated severance payments are budgeted when realized.

PURCHASED SERVICES (3.030)

A rate of 10% is built in for the forecast period.

The district is currently in year 3 of a 4 year contract with Laidlaw Educational Services associated with the district's student transportation system. These amounts have been reflected in the most recent forecast. The forecast reflects an approximate 50% increase in utility costs for FY06 and we believe the 10% inflation rate takes into consideration the cost of fuel in the future. In addition, FY07 reflects an increase in utility costs associated with opening a new elementary school.

MATERIALS AND SUPPLIES (3.040)

A rate of 3% is built in for the forecast period. The majority of instructional supply expense associated with the SB345 set-aside requirement deals with textbooks and technology and is purchased from the Permanent Improvement Fund. The district transferred 2 inside mills in 2004 to cover the costs associated with SB345. The forecast reflects a 50% increase in fuel costs for FY06.

CAPITAL OUTLAY (3.050)

Capital Outlay is projected to grow by 5% over the forecast period. The district is experiencing significant increases in capital outlay due to the conditions of the existing facilities. The district has been unsuccessful in getting a bond referendum passed to provide for ongoing capital needs, therefore, it must rely on operating dollars to maintain the facilities. The majority of capital expense associated with the SB345 set-aside is purchased from the Permanent Improvement Fund. The district transferred 2 inside mills in 2004 to cover the costs associated with SB345.

DEBT SERVICE (4.010-4.060)

This expense group accounts for general fund debt service associated with HB 264 projects and/or Capital Leases that are obligations of the General Fund. There is currently no outstanding debt for the General Fund.

OTHER EXPENSES (4.300)

This expense group accounts for auditor and treasurer fees; County Board of Education deductions for participation in the SB 140 City/County Agreement; liability insurance and other miscellaneous expenses. Auditor and Treasurer fees and County Board deductions increase with additional revenue from property taxes and state aid. In addition, the district has experienced large increases in insurance premiums in both property and liability insurance.

NON OPERATING EXPENSES (5.010 – 5.050)

This expense group primarily accounts for board transfers to the set-aside funds and year-end advances.

ENCUMBRANCES (8.010)

There are outstanding purchase orders that have not been approved for payment as goods were not received in the fiscal year in which they were ordered. These estimates are based on historical data.

ENDING UNENCUMBERED CASH BALANCE (15.010)

This amount must not go below \$-0- or the district General Fund will violate all Ohio Budgetary Laws. Any multi-year contract, which is knowingly signed, which will cause a negative unencumbered balance is a violation of 5705.412, ORC, punishable by personal liability of \$20,000.

HB 412 RESERVE BALANCE (9.010 – 9.030)

SB 345 changed the calculation for the HB 412 set-asides. Beginning in FY 2002 the instructional material and capital maintenance calculation will use the base cost allocation multiplied times the district ADM. SB 345 also reduced the requirements for the Budget Reserve Fund to the amount received from Workers' Compensation rebates. This significantly impacted the district forecast.

This financial forecast includes the new requirements of SB 345. In addition, the forecast currently reflects \$202,876 in the Budget Reserve Fund.

CONTINGENCY PLAN

In the event these assumptions should change that would create a negative balance for purposes of certification or if the district is forecasting a deficit balance within the three year period, a contingency plan will be implemented in order to offset any projected shortfall. Said contingency plan may include additional millage and/or necessary budget cuts to address any projected shortfalls.