

Hilliard City School District

Five-Year Forecast

For the Projected Years Ending

June 30, 2011 through June 30, 2015

June 2011 Revision

HILLIARD CITY SCHOOL DISTRICT - - FRANKLIN COUNTY
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
ACTUAL AND FORECASTED OPERATING FUND

	Actual			Forecasted				
	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015
Revenue:								
1.010 General Property Tax (Real Estate)	71,713,880	82,150,911	89,937,225	89,776,763	89,163,368	89,519,707	89,878,980	90,754,297
1.020 Tangible Personal Property Tax	9,629,742	8,445,186	4,596,161	3,844,175	3,821,851	3,783,633	3,764,619	3,764,619
1.030 Income Tax	0	0	0	0	0	0	0	0
1.035 Unrestricted Grants-in-Aid	37,439,232	37,457,413	35,128,465	34,012,697	34,110,670	36,595,798	37,307,998	38,034,442
1.040 Restricted Grants-in-Aid	220,005	285,923	2,420,891	2,602,476	1,938,000	68,000	68,000	68,000
1.050 Property Tax Allocation	14,468,646	18,401,751	21,824,213	22,017,660	18,958,184	15,913,415	15,962,906	16,052,248
1.060 All Other Revenues	9,211,391	6,451,747	4,386,122	4,150,372	4,025,372	4,165,626	4,207,282	4,249,355
1.070 Total Revenues	142,682,896	153,192,931	158,293,077	156,404,143	152,017,446	150,046,178	151,189,785	152,922,961
Other Financing Sources:								
2.010 Proceeds from Sale of Notes	0	0	0	0	0	0	0	0
2.020 State Emergency Loans and Advancements	0	0	0	0	0	0	0	0
2.040 Operating Transfers-In.	0	46,258	0	0	0	0	0	0
2.050 Advances-In	10,000	0	0	0	0	0	0	0
2.060 All Other Financing Sources	58,978	26,773	178,440	205,000	60,000	60,000	60,000	60,000
2.070 Total Other Financing Sources	68,978	73,031	178,440	205,000	60,000	60,000	60,000	60,000
2.080 Total Revenues and Other Financing Sources	142,751,874	153,265,962	158,471,517	156,609,143	152,077,446	150,106,178	151,249,785	152,982,961
Expenditures:								
3.010 Personal Services	95,774,305	98,117,990	103,503,567	106,276,703	106,629,508	95,094,901	94,072,896	97,797,302
3.020 Employees' Retirement/Insurance Benefits	32,643,779	33,024,555	33,645,630	36,198,324	36,451,848	35,593,645	36,731,401	39,091,685
3.030 Purchased Services	9,803,212	11,008,523	10,974,350	10,995,317	11,117,623	11,192,276	11,318,321	11,546,788
3.040 Supplies and Materials	4,483,410	3,529,952	5,282,249	4,287,894	4,373,652	4,461,125	4,550,347	4,641,354
3.050 Capital Outlay	198,898	153,220	109,741	109,741	109,741	109,741	109,741	109,741
3.060 Intergovernmental	0	0	0	0	0	0	0	0
Debt Service:								
4.010 Principal-All (History Only)	320,000	320,000	320,000					
4.020 Principal-Notes				0	0	0	0	0
4.030 Principal-State Loans				0	0	0	0	0
4.040 Principal-State Advancements				0	0	0	0	0
4.050 Principal-HB 264 Loans				320,000	0	0	0	0
4.055 Principal-Other				0	0	0	0	0
4.060 Interest and Fiscal Charges	35,161	24,965	14,990	5,043	0	0	0	0
4.300 Other Objects	3,124,278	3,398,656	3,382,276	3,416,099	3,450,260	3,484,762	3,519,610	3,554,806
4.500 Total Expenditures	146,383,043	149,577,861	157,232,803	161,609,120	162,132,631	149,936,450	150,302,317	156,741,676
Other Financing Uses								
5.010 Operating Transfers-Out	0	4,930	0	0	353,921	1,210,333	1,210,333	1,210,333
5.020 Advances-Out	0	0	0	0	0	0	0	0
5.030 All Other Financing Uses	287	1,023	1,034	0	0	0	0	0
5.040 Total Other Financing Uses	287	5,953	1,034	0	353,921	1,210,333	1,210,333	1,210,333
5.050 Total Expenditures and Other Financing Uses	146,383,330	149,583,814	157,233,837	161,609,120	162,486,552	151,146,783	151,512,650	157,952,009
Excess of Rev & Other Financing Sources over (under) Expenditures and Other Financing Uses								
6.010	-3,631,456	3,682,148	1,237,680	-4,999,977	-10,409,107	-1,040,605	-262,865	-4,969,048
Cash Balance July 1 - Excl Proposed Renewal/ Replacement and New Levies								
7.010	16,933,806	13,302,350	16,984,498	18,222,178	13,222,201	2,813,094	1,772,489	1,509,624
7.020 Cash Balance June 30	13,302,350	16,984,498	18,222,178	13,222,201	2,813,094	1,772,489	1,509,624	-3,459,424
8.010 Estimated Encumbrances June 30	1,784,307	2,893,747	1,462,929	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Reservation of Fund Balance								
9.010 Textbooks and Instructional Materials	0	0	0	0	0	0	0	0
9.020 Capital Improvements	0	0	0	0	0	0	0	0
9.030 Budget Reserve	0	0	0	0	0	0	0	0
9.040 DPIA	0	0	0	0	0	0	0	0
9.050 Debt Service	0	0	0	0	0	0	0	0
9.060 Property Tax Advances	0	0	0	0	0	0	0	0
9.070 Bus Purchases	0	0	0	0	0	0	0	0
9.080 Subtotal	0	0	0	0	0	0	0	0
Fund Balance June 30 for Certification								
10.010 of Appropriations	11,518,043	14,090,751	16,759,249	11,722,201	1,313,094	272,489	9,624	-4,959,424
Rev from Replacement/Renewal Levies								
11.010 Income Tax - Renewal				0	0	0	0	0
11.020 Property Tax - Renewal or Replacement				0	0	0	0	0
11.030 Cumulative Balance of Replacement/Renewal Levies	0	0	0	0	0	0	0	0
Fund Balance June 30 for Certification of Contracts, Salary and Other Obligations								
12.011	11,518,043	14,090,751	16,759,249	11,722,201	1,313,094	272,489	9,624	-4,959,424
Revenue from New Levies								
13.010 Income Tax - New				0	0	0	0	0
13.020 Property Tax - New				0	0	0	0	0
13.030 Cumulative Balance of New Levies	0	0	0	0	0	0	0	0
14.010 Revenue from Future State Advancements								
15.010 Unreserved Fund Balance June 30	11,518,043	14,090,751	16,759,249	11,722,201	1,313,094	272,489	9,624	-4,959,424
ADM Forecasts								
20.010 Kindergarten - October Count				0	0	0	0	0
20.015 Grades 1-12 - October Count				15,503	15,658	15,814	15,972	16,132
20.02 Kindergarten - February Count				0	0	0	0	0
20.025 Grades 1-12 - February Count				15,503	15,658	15,814	15,972	16,132

Hilliard City School District
Summary of Significant Forecast Assumptions

***** Ending Unencumbered Cash Balance*****

This amount cannot go below \$0 or the district general fund will be in violation of Ohio budgetary laws. Any multi-year contract, which is knowingly signed and will cause negative unencumbered cash balance is a violation of Ohio Revised Code 5705.412 and is punishable by a personal fine of \$10,000.

In order to approve the current proposed labor contracts the District has to assume the worst case scenario which means the District does not pass a levy in 2012 or 2013. This results in the following reductions in this forecast.

THIS FORECAST ALSO ASSUMES NO TAX LEVY PASSED WHICH MEANS THE FOLLOWING REDUCTIONS WOULD TAKE PLACE:

FY13 Reduction in personnel and fringe benefits in the amount of \$12,200,000

FY14 Reduction in personnel and fringe benefits in the amount of \$3,050,000

Hilliard City School District Summary of Significant Forecast Assumptions

Note 1 - Nature and Purpose of Presentation

This financial projection presents in accordance with the mandates of House Bill No. 412 (H. B. 412), the expected revenues, expenditures, and fund balance of the General Fund of the Hilliard City School District (the "District") for each of the fiscal years ending June 30, 2011 through June 30, 2015, with historical unaudited information presented for the fiscal years ended June 30, 2008, 2009, and 2010. Additionally, the ARRA State Fiscal Stabilization Fund, USAS fund number 532, and the Education Jobs Bill Fund, USAS fund number 504, are included in the forecast for fiscal year 2010 through fiscal year 2012, as required by H. B. 412.

A. Basis of Accounting

This financial projection has been prepared on the cash receipts and disbursements 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. Fund Accounting

The District maintains its accounts in accordance with the principles of "fund" accounting. Fund accounting is used by governmental entities, such as school districts, to report financial position and the results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions and activities. The transactions of each fund are reflected in a self-balancing group of accounts, which presents an accounting entity that stands separate from the activities reported in other funds. The General Fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is disbursed or transferred in accordance with Ohio law. The assumptions disclosed herein are those that the District believes are significant to the projection. 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.

Note 2 – Description of the School District

A. The Board of Education and Administration

The Board of Education of the Hilliard City School 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 School 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 appoints two officials: the Superintendent, who serves as the Chief Executive Officer, and the Treasurer, who serves as the Chief Financial Officer.

Hilliard City School District

Summary of Significant Forecast Assumptions

B. The School District and its Facilities

Organized in the late 1800's, the Hilliard City School District serves an area of approximately 60 square miles in northwest Franklin County, including all of Norwich and Brown townships; part of Washington, Franklin and Prairie townships; the City of Hilliard; part of the cities of Columbus and Dublin; and less than one square mile in Union County.

The District currently serves more than 15,680 students in grades preK-12 through three high schools, three middle schools, two sixth-grade schools, 14 elementary schools and a preschool. About 46% of the children served reside in Columbus, 39% in Hilliard, and 15% in the townships and the City of Dublin (8/2010).

Note 3 – Revenue Assumptions

The following represents the significant assumptions made to create the revenue portion of the five-year forecast.

A. General Property Tax (Real Estate)

Property values are established each year by the County Auditor based on new construction and complete or updated values. A reappraisal of district property values will occur in 2011 collectible in 2012. This reappraisal has been factored into the projection for district property values along with the corresponding tax reduction factors affecting outside voted millage. 2010 assessed taxable values collectible in 2011 are:

Residential/agriculture -	\$1,826,855,880
Commercial/industrial -	<u>542,263,530</u>
Total real estate assessed value	\$2,369,119,410

For Fiscal Year 2012 residential/agriculture values are estimated to decrease 8% with the 2011 reappraisal and increase an additional 0.2% with new growth. Commercial/industrial values are estimated to increase 2% with the 2011 reappraisal and increase an additional 1% with new growth.

For fiscal year 2013 residential/agriculture values are estimated to increase 0.5% with new growth. Commercial/industrial values are estimated to increase 1% with new growth.

For fiscal year 2014 residential/agriculture values are estimated to increase 0.5% with new growth. Commercial/industrial values are estimated to increase 1% with new growth.

For fiscal year 2015 residential/agriculture values are estimated to increase 3% with the 2014 triennial update and increase 1% with new growth. Commercial/industrial values are estimated to increase 2% with the triennial update and 1% with new growth.

Hilliard City School District
Summary of Significant Forecast Assumptions

B. *Tangible Personal Property Tax*

In 2010 the only personal property that is still taxed is personal property owned by public utilities and telephone personal property (with an assessed value of \$53,187,490). There are still over \$2 million in outstanding dollars owed on personal property by businesses located in the District. It is not possible to forecast when or if we will receive these delinquent taxes.

For fiscal year 2011 public utility personal property values are estimated to remain flat. Telephone values per changes in Ohio Revised Code will be reduced 50%.

For fiscal year 2012 public utility personal property values are estimated to remain flat. Telephone values per changes in Ohio Revised Code are eliminated for tax purposes.

For fiscal year 2013 and beyond public utility personal property values are estimated to remain flat at \$52,129,059.

C. *Unrestricted Grants-in-Aid*

The State of Ohio will implement a new funding model in FY2013.

For FY2012 the District will be flat funded in school foundation aid. The District has received this information from the Legislative Service Commission.

For Fiscal Year 2013 the Legislative Service Commission estimates school foundation funding will increase \$1,499,000 for our District. They are making this estimate without a new funding model in place. This increase is included in our revenue projections but it is certainly subject to change.

For Fiscal Year 2014 School Foundation aid is estimated to increase 2%. This is slightly below School Foundation aid received in fiscal year 2008.

For Fiscal Year 2015 School Foundation aid is estimated to increase 2%. This forecast assumes that State tax revenue has now sufficiently recovered to partially fund the school funding formula created in fiscal year 2010.

D. *Restricted Grants-in-Aid*

Fiscal Year 2011 restricted grants-in-aid represent \$2.5 million in federal stimulus funding and \$68,000 in career tech funding from the state. The ARRA federal stimulus dollars are revenues provided to the state to alleviate budget difficulties as a result of the 2008-09 recession.

Fiscal Year 2012 restricted grants-in-aid include \$1.87 million of a second round of federal stimulus dollars and \$68,000 of career tech funding.

Fiscal Year 2013 and beyond assumes there will not be a third round of federal stimulus dollars. The only revenue in restricted grants-in-aid is \$68,000 of career tech funding, which is restricted to vocational programs at the high school level. These funds are estimated to remain essentially unchanged through the course of the forecast.

Hilliard City School District
Summary of Significant Forecast Assumptions

E. Property Tax Allocation

Property tax allocations or the Homestead and Rollback include a 10% property tax rollback for all residential real property owners. In 1979, an additional 2.5% rollback was enacted for owner occupied homes. These tax credits are reimbursed to the district through the state and are calculated by applying the appropriate percentages to residential property tax collections. This revenue grows at the same pace as residential real estate assessed valuation (see note 3 A.). It will also grow if a new tax levy is enacted.

Tangible Personal Property Tax Replacement Revenues – The district is required to classify this revenue source in this category. It is important to remember these revenues are replacing local tax revenues eliminated by H.B. 66. The following represents this revenue source by fiscal year:

FY11 - \$12 million
FY12 - \$9 million
FY13 - \$6 million
FY14 - \$6 million
FY15 - \$6 million

The FY10-11 state biennium budget provided for these replacement revenues to make the district whole until FY13 and then phase out these revenues annually until completely eliminated after 2018 following the schedule implemented in H.B. 66.

The Governor's proposed biennium budget for FY12-13 changed this schedule dramatically to eliminate these revenues by FY15. Our reimbursement would decrease approximately \$3 million annually. The House of Representatives amended the Governor's budget to allow for the reduction of the replacement revenues following the Governor's schedule through this biennium budget but then allow the replacement revenues to continue at this reduced rate in future years.

Hilliard City School District
Summary of Significant Forecast Assumptions

F. All Other Revenues

For fiscal year 2011 all other revenues includes tuition of approximately \$370,000, investment income of approximately \$300,000, student fees of approximately \$900,000, rental income of approximately \$190,000, payments in lieu of taxes of approximately \$1,600,000, E-rate and MSP (Federal Medicaid program) of \$189,000, print shop revenue of \$200,000, transportation revenue of \$153,000, and other miscellaneous receipts of \$248,000.

For fiscal year 2012 it is estimated that interest rates will remain flat which will lead to a decrease of \$100,000 in interest income. Payments in lieu of taxes will decrease \$125,000 due to timing issues related to the collection of revenues, and other miscellaneous revenue will decline \$100,000.

For fiscal year 2013 it is estimated that inflationary increases will generate another 1% in revenue. It is also estimated that interest rates will begin to increase to the point that the district will generate an additional \$100,000 in interest income.

For fiscal year 2014 and 2015 revenues are estimated to increase by 1% annually.

G. Other Sources

Advances from the General Fund are required to eliminate deficit balances in other funds of the district. The funds are required to pay back these advances. Another source of this type of revenue is refunds of prior year expenditures. In the first quarter of fiscal year 2011 the School Employees Retirement System refunded approximately \$100,000 to the district. This line item will normally be immaterial and is estimated as such through the balance of the forecast.

Note 4 – Expenditure Assumptions

The following represents the significant assumptions made to create the expenditure portion of the five-year forecast.

A. Personal Services

The personal services category represents all salaries and wages for the employees of the school district paid from the General Fund. Current negotiated agreements with certificated and classified unions are factored into this projection.

For fiscal year 2011 all wages are projected to increase 1.5% with step increases averaging 2.3%. Bargaining unit contracts are on a calendar year basis rather than a fiscal year basis. Because of this, wage increases are a blend of two calendar years in a contract. For FY2011 employees have six months of a 3% increase and six months of a 0% increase. Additional staffing with a cost of approximately \$500,000 is included this year to add staffing for the first senior class at Bradley High School. Reductions in staffing district wide will reduce personal services by \$1,000,000. Compensation to teachers who attain Master's degrees will increase costs approximately \$120,000 annually throughout the forecast. Reduced salaries through new teachers replacing those retiring or resigning should save the district approximately \$300,000.

Hilliard City School District Summary of Significant Forecast Assumptions

For fiscal year 2012 all wages are projected to increase 0%. Step increases are eliminated for a savings of \$2,364,000. \$700,000 in salaries move back into the General Fund as the Federal IDEA Part B stimulus fund is no longer available for this purpose. With the defeat of the May 2011 levy, reductions in the number of employees will result in savings of \$2,000,000. Teacher retirement incentive induces 75% of eligible teachers to retire. This causes salaries earned in 2012 which are normally paid in 2013 to move into 2012 at a cost of \$1.5 million.

For fiscal year 2013 all wages are projected to increase .22%. Teacher step increases are delayed until February of 2013 for a savings of \$1,320,000. with average step increases of 2.3%. Additional staffing is projected with a cost of \$500,000. From the Teacher Retirement incentive results in net savings in personal services of \$2,970,000. \$1,500,000 is the result of the salaries pushed into FY12 as mentioned above. There is also a cost of \$860,000 that is listed under the expenditure line item other uses.

THIS FORECAST ALSO ASSUMES NO TAX LEVY PASSED WHICH MEANS THE FOLLOWING REDUCTIONS WOULD TAKE PLACE:

FY13 Reduction in personnel in the amount of \$10,000,000

For fiscal year 2014 all wages are projected to increase .61% with average step increases of 2.3%. Teacher Retirement Incentive reduces costs by \$2,730,000.

THIS FORECAST ALSO ASSUMES NO TAX LEVY PASSED WHICH MEANS THE FOLLOWING REDUCTIONS WOULD TAKE PLACE:

FY14 Reduction in personnel in the amount of \$2,500,000

For fiscal year 2015 all wages are projected to increase 1% with average step increases of 2.3%. Additional staffing is projected with a cost of \$500,000.

B. Employees' Retirement/Insurance Benefits

The two largest items in this category are employee health insurance costs and employee pension costs. Contributions to the State Teachers Retirement System and the School Employees Retirement System are 14% of employee salaries and wages. Health Insurance costs for FY11 include half a year with an 11.8% increase in premium and a 4.8% increase for the second half of the year. Employees are contributing 10% towards their health insurance premiums annually.

The School Employees Retirement System (SERS) which provides retirement benefits to non-certified employees (custodians, bus-drivers, secretaries, etc.) is requiring all districts in the State to make payments without a six month lag. In order to comply with this new requirement without placing an undue burden on school districts, SERS will phase this in over 6 years. This will provide additional costs of approximately \$260,000 annually for the district for the next six years.

Hilliard City School District
Summary of Significant Forecast Assumptions

Due to timing issues with payments to the State Teachers Retirement System an additional cost of \$650,000 is included in 2011. This cost then decreases \$156,000 in fiscal year 2012 and fiscal year 2013.

In FY12 health insurance costs increase 2.1% or \$400,000. Health insurance rates are estimated to increase 11% half way through the year but all employees increase their health insurance contribution from 10% to 15% reducing the health insurance increase by approximately \$850,000. Savings of approximately \$420,000 will result with the reduction of employees due to the levy defeat in May.

FY13 and beyond health insurance costs are estimated to increase 8% annually.

THIS FORECAST ALSO ASSUMES NO TAX LEVY PASSED WHICH MEANS THE FOLLOWING REDUCTIONS WOULD TAKE PLACE:

FY13 Reduction in personnel results in a reduction in fringe benefit costs in the amount of \$2,200,000

FY14 Reduction in personnel results in a reduction in fringe benefit costs in the amount of \$550,000

C. Purchased Services

Expenditures in this category include, but are not limited to, all district utilities, maintenance and repairs, charter school payments, autism scholarships, payments to other public entities for Hilliard students attending school at these other entities, property and liability insurance premiums, postage and data processing services.

Utilities are some of the most significant costs in this category. Natural Gas is estimated to cost \$500,000 for FY11. Electric is estimated to cost \$2.5 million for FY11.

The next segment of purchased services with a great deal of uncertainty includes payments to charter schools, payments to other public entities educating Hilliard students and autism scholarships. In fiscal year 2011 the district will pay \$1.97 million to charter schools educating approximately 268 students. The forecast assumes that the number of district students attending charter schools does not significantly increase through the balance of the forecast. Payments to other public entities such as other school districts in the state, Franklin County Board of Developmental Disabilities, and payments for Autism scholarships account for \$1.4 million of expenditures for FY11.

For fiscal year 2012 these expenditures are estimated to increase \$122,000.

For fiscal years 2013 through 2015 these expenditures are estimated to increase at 1% annually. This slight increase is the result of an energy savings HB 264 project which should result in significant utility savings.

Hilliard City School District
Summary of Significant Forecast Assumptions

D. Supplies and Materials

Expenditures in this category include, but are not limited to, fuel for district buses and other vehicles, educational supplies and materials which can include new textbook adoptions, light bulbs, toilet paper, and anything in between.

For fiscal year 2011 this category is estimated to decrease \$1 million as two major textbook adoptions in the prior year are not being duplicated.

For fiscal year 2012 and beyond it is estimated this category will grow by 2% annually. This 2% increase could result in reductions in order to live within this estimated annual increase.

E. Capital Outlay

The district passed a 2 mill permanent improvement levy in May of 2006. For fiscal year 2011 and forward most capital outlays will take place in the permanent improvement levy fund. Most expenditures in this category are restricted grants funds to be used for vocational education purchases or smaller capital items purchased through the operations budgets. Capital outlays are estimated to remain relatively constant through this forecast.

Hilliard City School District
Summary of Significant Forecast Assumptions

F. Debt Service

In fiscal year 2006 the District started a HB264 energy saving project. A HB 264 project allows the district to issue debt for an energy saving project as long as the energy savings results in cash flow savings large enough to pay the debt service on the debt issue. The project replaced lighting in school buildings district wide and also replaced boilers in several of the older school buildings in the district. The debt issued for this project will be paid off in FY11.

G. Other Objects

This category is estimated to have over \$3.4 million in expenditures for FY11. The largest item in this category is County Auditor & Treasurer fees, which for FY11 are estimated to be \$1.37 million. Also included in this category are payment to the Columbus City Schools for the Win-Win agreement at \$1.05 million, county board of education fees which are estimated to be \$400,000, a capital lease payment of \$55,000 for copiers, memberships in various organizations at \$69,000, audit fees of \$34,000, and other miscellaneous expenditures.

Auditor and treasurer fees will increase sharply anytime a new operating levy is collected. New construction will also cause these auditor and treasurer fees to increase as additional tax dollars are collected. To account for this growth and other increases in this category, increases of 1% annually are factored into the forecast.

Note 5 – Other

A. Other Financing Uses (Operating Transfers Out)

The District issued bonds for a new HB264 Energy savings project in March of 2011. This debt issuance took advantage of the Qualified School Construction Bond program which is a program of the federal government that provides an annual payment to supplement the cost of bond interest. We believe this debt will be paid through the bond retirement fund with a transfer from the General Fund for the debt service less the federal funds. The amount on this line in 2012 and beyond represents this amount. Beginning in 2013 the district will transfer annually for five years \$860,000 into a teacher retirement incentive fund. Please see the Personal Services note for additional information.

B. Encumbrances

Encumbrances 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. For this forecast the assumption is made that encumbrances will remain steady around \$1.5 million annually.

C. Ending Unencumbered Cash Balance

This amount cannot go below \$0 or the district general fund will be in violation of Ohio budgetary laws. Any multi-year contract, which is knowingly signed and will cause negative unencumbered cash balance is a violation of Ohio Revised Code 5705.412 and is punishable by a personal fine of \$10,000.