New Richmond Exempted Village Board of Education
Five Year Financial Forecast Assumptions

This is a cash basis projection. This projection is for management purposes only and is only intended as a tool. Only the audited financial statements of the district report the district's financial condition. This projection does not take into consideration Governmental Accounting Standards Board #34 or any other accrual or modified accrual accounting principals.

The following assumptions affect the conclusions drawn about the schools fiscal condition. These notes are crucial to understanding the meaning of the numbers contained in the forecast. These projections are based upon the best knowledge of conditions on October 19, 2009. Since the factors included in the forecasts are subject to change, the forecast will vary in the future depending upon the changes in each event or assumption. The Ohio Department of Education and Ohio Department of Taxation prepared revenue calculations for fiscal year 2010, 2011, 2012, 2013 and 2014 based upon the interpretations and implementation of HB1t. This document has been prepared to be in compliance with ODE requirements. Only the district's General Fund and Poverty Based Assistance Funds are included it this forecast. Allowances have not been made for changes in other state or federally funded programs.

This projection includes three years of historical data, fiscal years 2007, 2008 and 2009 and five years of cash basis financial projections extending from 2010 through 2014. Caution is advised when reviewing this projection. Many non-controllable factors will determine the financial future of the district such as the stability of the economy, inflation, enrollment, impact of the federal legislation "No Child Left Behind", and the State's ability to maintain or increase educational funding. Controllable budget variables such as staffing levels (some legislative restrictions), salaries, benefits, program offerings, transportation services, capital improvements, and discretionary spending are continually analyzed by district management to control deficit spending.

REVENUES

1.010 General Property Taxes (Real Estate)

The current fiscal year tax revenues are based upon the most recent certificate of tax values provide by Linda Fraley, Clermont County Auditor, as of *December 31, 2008.* Effective mi1lage rate for Class I property (Real Estate and Agriculture) is 20 mills (the floor). Property tax revenue is based upon the historical growth patterns of the district's tax duplicate. Projected increases in assessed valuation are calculated at 1% for Residential and Agriculture for the next triennial update, December 31, 2011 and a 1% increase in the same values for the next reappraisal, December 31, 2014.

The effective millage rate and taxable values for Class II property (Commercial and Industrial) have been projected to remain at 21 mills and values flat, respectfully.

Historically, the district has had a delinquency rate of 1.5%; a 2% delinquency rate has been used to determine tax collections, which are not shown on the county's information, but is taken into account for our purposes.

1.02 Personal Property and Public Utility Personal Property

Two bills enacted by the 123rd General Assembly reduced the assessment rate for certain tangible personal property of electric utilities and all tangible personal property of gas utilities. For electric utilities, including Duke Energy, Dayton Power and Light, and Columbus Southern, our three largest taxpayers, all property except transmission and distribution property had their assessment percent reduced from 100% and 88% of true value to 25%. Additionally, all natural gas personal property assessment rates have been reduced from 88 % to 25%. During the scope of this projection these values are estimated to be flat.

Tangible Personal Property Tax

House Bill 66 phases out the tangible personal property of general businesses, telephone, and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by 2009, and the tax on telephone and telecommunications property will be eliminated by 2011. The tax is phased out by reducing the assessment rate on property each year. In the first five years, school districts and local governments are reimbursed for lost revenues; in the following seven years the reimbursements are phased out.

Telephone Company Property Provisions

Until House Bill 66, Ohio law distinguished between telecommunications property (the property of long distance and cellular companies) and telephone company property (the property of local telephone companies). Prior to HB 66, both these types of property were treated as public utility property but were taxed at different assessment percentages. All long distance and cellular property and local telephone property first subjected to taxation in 1995 or after were assessed at 25%. Local telephone company legacy property – that is, property first placed in service before 1995 – was assessed at 88%. To equalize assessment percentages for all such property, HB 95 of the 125th General Assembly included a provision that provided for the phased–down of the assessment percentages on local telephone company legacy property. Accordingly, local telephone legacy property was assessed at 67% in 2005 and 46% in 2006, and would have been assessed at 25% in 2005 if not for the changes made in HB 66. HB 66 combines telecommunications and telephone company property into one classification – telephone company property –tax year 2007, reclassified it as general business property rather than public utility property. Since telephone company property is to be classified as general business property, it will be included in the elimination of the general business tax, but HB 66 gives it a unique phase out schedule. Other tangible property will be phased out over four years began in 2006, but telephone company property will be phased out over five years which began in 2007. Furthermore, reimbursements on all other types of property end in 2017 while reimbursements on telephone company property end 2018.

Second, since public utility property taxes, like real property taxes, are paid in the year following the tax year (e.g., 2008 taxes are paid in 2009), but tangible property taxes are paid during the tax year (2008 taxes paid in 2008). In 2007 – the year of transitions from public utility to general tangible property – local governments received payment of both public utility tax levied in 2006 and the general tangible property tax levied in 2007. Because of the double payment in 2007 to school districts and local governments, the state reimbursement payment for telephone company property assessment rate declines will not begin until *tax year* 2009.

1.030 School Income Tax
Currently the district does not have an income tax.

Line 1.035 State Foundation
The district is currently a guarantee district. Although per Ohio law, we can only anticipate the districts revenue during the current biennium budget, state foundation revenues are projected to continue and remain relatively constant for the next three years due to SB #3. In fiscal year 2012, state funding revenue has been decreased by 6.4%, $265,000; the amount of money currently being deposited into the 543 fund, Federal Stimulus money flowing through the state foundation formula.

In Tax Year 2001 (payments collectable in calendar year 2002), the district experienced a significant reduction in the valuation of Personal Property Public Utility. The district's valuation decreased $260 million dollars in tax year 2000, pursuant to SB #3(*). To replace the funds previously received the state has levied a kilo-watt-hour tax with the district receiving from the Ohio Department of Taxation, approximately eight million dollars in each fiscal year from the kilo-watt-hour revenue source. This de-regulation payment will decrease in future years based upon increases in the state foundation program.

1.050 Property Tax Allocation
The rollback reimbursement is distributed twice a year, approximately 30 days after the county auditor certifies the February and August real estate settlements to the ODT. Rollback and homestead taxes have been calculated based upon changes in assessed valuation for the next five years.

1.060 Other Revenue
Other revenue includes interest receipts, student fees, rental income, and vending receipts. These sources of revenue are projected to increase by minimal amounts per year. It has also been projected to receive an annual yield of 1.5% for core-invested dollars.

(*) Maximum Assessed Value per Ohio Revised Code. Effective 2002, generating public utility personal property will be assessed at 25 percent rather than 100 percent of true value. Pursuant to SB #3, the anticipated revenue loss will be replaced with a kilowatt per hour tax. Hence, combined public utility tax and state foundation will be flat through 2016.

2.070 Other Financing Sources

Other Financing Sources represents transfers within the general fund to fund building and department budgets. Any differences between lines 2.070 and 5.010 represent transfers made to the permanent improvement fund.

B. EXPENDITURES

3.010 Personal Services

Staffing levels of teachers, non-certificated and administrators are continually being evaluated. For this fiscal year, wages and benefits total 78% of expenditures. For fiscal years, 2010 through 2014 an increase of 2.25% has been applied to the NREA salary schedule. For fiscal year, 2010 a 2.25 has been applied to the OAPSE salary schedule, and a 2.25% for all subsequent years. Additionally, step increases have been calculated at 1.8% per year. Severance and super severance payments are estimated at $200,000 per year.

Although, federal funds are excluded from this projection, it is assumed that federal funding will increase by 5% per year and continue to fund wages of staff employed in federal and state grant funded programs. This projection assumes any reductions in these programs will result in reduced services and the general fund not absorbing these expenditures.

3.020 Employee Retirement and Insurance Benefits

Health benefits are estimated to remain constant for fiscal year 2010, and then increase 5% for fiscal years 2011 through 2014. The board portion of retirement is estimated to remain 14% of gross earnings. It is also assumed that the board's payments for unemployment to increase by 3% per year and a maximum payment to the Ohio Bureau of Workers Compensation of $100,000 per year.

3.030 Purchased Services

Purchased services are projected to decrease by approximately $250,000 this year due to cost saving measures in electricity and garbage collection and charging previously expended excess cost to federal programs. An increase of 5.0% for the next five fiscal years has been projected.

3.040 Supplies and Material

District supplies and materials including general supplies, textbooks, library books, newspapers, operational supplies for maintenance and repair to district facilities are projected to increase by 5% for each fiscal year.

3.050 Capital Outlay

For fiscal years, 2010 through 2014 capital expenditures are projected to increase 5% per year with additional dollars budgeted for roof replacement and improvements to the facility.

4.300 Other Objects

These expenditure items include county auditor and treasurer's fees, rollback and homestead collection fees, memberships, student awards and other miscellany expenditures. These items are projected to increase 3% per year for the next five years as compared to the past three years average expenditures.

5.010 Operation Transfers

The district has historically transferred dollars to a permanent improvement fund to cover large capital improvement projects. This projection includes dollars for normal maintenance and repairs of $1,000,000.

In addition, this projection would provide one million dollars to be transferred to the permanent improvement fund for fiscal year 2010 for construction of additional athletic fields. In the past, general fund dollars have been used to support other agency and enterprise funds. This forecast assumes no additional transfers to food service, student athletic or extracurricular programs, hence these funds will provide there sources of revenue via fundraising activities.

8.010 Estimated Encumbrances

Open purchase orders are estimated to be $750,000 for this year and thereafter.

9.080 Set Asides

Textbook and Instructional Material, Capital Improvements, Poverty Based Assistance, and Bus Purchase dollars for set asides are projected to be spent in each fiscal year for the next five years.

15.010 Unreserved Fund Balance June 30

The districts ending unreserved cash balance cannot be negative or the district will violate Ohio Budgetary Laws. Any multi-year contract which is knowingly signed which cause negative unencumbered cash will balance is a violation of ORC 5705.412, punishable by personal liability of $10,000.00