

CANTON CITY SCHOOL DISTRICT - - STARK COUNTY
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES FOR THE FISCAL YEARS ENDED
JUNE 30, 2005, 2006, AND 2007 ACTUAL;
FORECASTED FISCAL YEARS ENDING JUNE 30, 2008 THROUGH 2012

	Actual			Forecasted				
	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Revenue:								
1.010 General Property Tax (Real Estate)	17,272,807	19,668,886	20,998,344	20,366,960	21,167,654	21,380,061	21,582,359	21,582,359
1.020 Tangible Personal Property Tax	10,768,674	13,625,095	9,260,081	7,256,959	4,822,558	2,631,598	2,631,598	2,631,598
1.030 Income Tax	0	0	0	0	0	0	0	0
1.035 Unrestricted Grants-in-Aid	56,438,032	56,404,828	54,729,580	54,808,680	57,169,567	58,282,593	59,316,987	60,113,224
1.040 Restricted Grants-in-Aid	8,434,151	8,726,885	10,072,159	10,719,950	11,282,674	11,413,085	11,543,898	11,674,773
1.050 Property Tax Allocation	2,839,699	3,093,334	5,670,468	6,629,320	7,591,843	8,528,937	7,778,593	6,819,763
1.060 All Other Revenues	4,250,814	2,835,914	4,045,213	4,428,977	4,451,122	4,473,378	4,495,744	4,518,223
1.070 Total Revenues	100,004,177	104,354,942	104,775,845	104,210,846	106,485,418	106,709,652	107,349,179	107,339,940
Other Financing Sources:								
2.010 Proceeds from Sale of Notes	0	267,824	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.	81,518	0	1,082,473	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
2.050 Advances-In	5,570,758	5,824,228	3,479,443	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
2.060 All Other Financing Sources	127,471	218,175	588,764	633,252	250,000	250,000	250,000	250,000
2.070 Total Other Financing Sources	5,779,747	6,310,227	5,150,680	5,133,252	4,750,000	4,750,000	4,750,000	4,750,000
2.080 Total Revenues and Other Financing Sources	105,783,924	110,665,169	109,926,525	109,344,098	111,235,418	111,459,652	112,099,179	112,089,940
Expenditures:								
3.010 Personal Services	60,262,848	58,203,574	58,259,609	57,633,504	61,974,341	61,023,700	62,549,292	64,113,025
3.020 Employees' Retirement/Insurance Benefits	21,862,785	22,181,770	22,916,053	21,859,807	24,128,961	25,326,684	27,081,301	28,991,927
3.030 Purchased Services	16,795,921	17,152,093	18,361,583	20,013,204	20,749,809	21,506,412	22,290,683	23,111,965
3.040 Supplies and Materials	1,766,477	2,338,900	1,881,347	2,497,195	2,022,110	2,082,774	2,145,257	2,209,615
3.050 Capital Outlay	697,509	781,904	329,286	362,215	773,082	796,274	820,162	844,767
3.060 Intergovernmental	0	0	0	0	0	0	0	0
Debt Service:								
4.010 Principal-All (History Only)	0	680,000	746,956	0	0	0	0	0
4.020 Principal-Notes	0	0	0	0	0	0	0	0
4.030 Principal-State Loans	0	0	0	0	0	0	0	0
4.040 Principal-State Advancements	0	0	0	0	0	0	0	0
4.050 Principal-HB 264 Loans	0	0	0	0	0	0	0	0
4.055 Principal-Other	746,956	746,956	746,956	746,956	746,956	746,956	746,956	746,956
4.060 Interest and Fiscal Charges	114,580	108,056	89,848	62,095	39,016	14,068	0	0
4.300 Other Objects	662,231	777,147	628,979	705,269	712,322	719,445	726,640	733,906
4.500 Total Expenditures	102,162,351	102,223,444	103,213,665	103,880,245	111,146,597	112,216,313	115,613,335	120,005,205
Other Financing Uses								
5.010 Operating Transfers-Out	302,765	345,927	1,658,465	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
5.020 Advances-Out	4,555,910	6,554,647	2,697,163	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
5.030 All Other Financing Uses	242,109	156,452	543,524	250,000	250,000	250,000	250,000	250,000
5.040 Total Other Financing Uses	5,100,784	7,057,026	4,899,152	4,750,000	4,750,000	4,750,000	4,750,000	4,750,000
5.050 Total Expenditures and Other Financing Uses	107,263,135	109,280,470	108,112,817	108,630,245	115,896,597	116,966,313	120,363,335	124,755,205
6.010 Excess of Rev & Other Financing Sources over (under) Expenditures and Other Financing Uses	-1,479,211	1,384,699	1,813,708	713,853	-4,661,179	-5,506,662	-8,264,156	-12,665,265
7.010 Cash Balance July 1 - Excl Proposed Renewal/ Replacement and New Levies	2,810,572	1,331,361	2,716,060	4,529,768	5,243,621	582,442	-4,924,220	-13,188,375
7.020 Cash Balance June 30	1,331,361	2,716,060	4,529,768	5,243,621	582,442	-4,924,220	-13,188,375	-25,853,640
8.010 Estimated Encumbrances June 30	949,585	826,919	1,801,626	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	80,000	220,000	750,000	750,000	1,250,000	1,750,000	2,250,000	2,750,000
9.020 Capital Improvements	0	0	0	0	0	0	0	0
9.030 Budget Reserve	0	0	621,203	1,445,303	2,368,803	3,327,903	4,323,003	5,318,103
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	80,000	220,000	1,371,203	2,195,303	3,618,803	5,077,903	6,573,003	8,068,103
10.010 Fund Balance June 30 for Certification of Appropriations	301,776	1,669,141	1,356,939	1,548,318	-4,536,361	-11,502,123	-21,261,378	-35,421,743
Rev from Replacement/Renewal Levies								
11.010 Income Tax - Renewal	0	0	0	0	0	0	0	0
11.020 Property Tax - Renewal or Replacement	0	0	0	0	0	0	0	0
11.030 Cumulative Balance of Replacement/Renewal Levies	0	0	0	0	0	0	0	0
12.011 Fund Balance June 30 for Certification of Contracts, Salary and Other Obligations	301,776	1,669,141	1,356,939	1,548,318	-4,536,361	-11,502,123	-21,261,378	-35,421,743
Revenue from New Levies								
13.010 Income Tax - New	0	0	0	0	0	0	0	0
13.020 Property Tax - New	0	0	0	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	0	0	0	0	0	0	0	0
15.010 Unreserved Fund Balance June 30	301,776	1,669,141	1,356,939	1,548,318	-4,536,361	-11,502,123	-21,261,378	-35,421,743
ADM Forecasts								
20.010 Kindergarten - October Count				775	767	760	752	744
20.015 Grades 1-12 - October Count				10,118	10,017	9,917	9,818	9,720
20.02 Kindergarten - February Count				775	767	760	752	744
20.025 Grades 1-12 - February Count				10,118	10,017	9,917	9,818	9,720

**Canton City School District
Stark County**

**Significant Forecast Assumptions
Fiscal Years 2008 through 2012**

The Five Year Financial Forecast for the Canton City School District is based on assumptions derived from the best information as of this point in time. It is understood that the forecast will change as the financial components pertaining to the district's funding changes.

Canton City School District has been making expenditure reductions since 2001 in attempts to balance the budget each year. The most recent operating levy passed was a 7.9 mill continuing operating levy in March 2004. The District placed an 8.0 mill continuing operating levy on the May 8, 2007 ballot. Unfortunately, the levy was defeated by a 53% voter rejection rate. On March 22, 2007 Canton City Schools was declared in a state of Fiscal Caution by the Ohio Department of Education (ODE). The Fiscal Caution proposal approved by the Board of Education and submitted to ODE reflected a \$3,700,000 reduction in expenditures for the 2008 fiscal year. The District has decided to place an 8.0 mill operating levy on the November 6, 2007 ballot. Should this levy pass, approximately \$6,500,000 of additional revenues would be generated per year. Canton City Schools continues to be in a position in which additional revenues are needed and/or additional reductions in expenditures must be made. The District will review its financial situation early in calendar year 2008 to determine what reductions are needed to be made for fiscal year 2009.

Material Revenue Factors:

1. Due to the state of Ohio's economic condition, and that of many urban cities, the real estate market could remain stagnant at best. On a positive note the City of Canton and the Canton City School District have an extremely strong relationship and are working together to make every attempt to enhance the City's environment, as well as economic condition.
2. Tangible personal property tax revenue has historically generated approximately 10 mills for this district on an annual basis. The phase out of these revenues is a major concern for Canton City Schools in the near future. When the state's "hold harmless" period begins phasing out reimbursement revenues, will there be a revenue source to offset the revenue losses?
3. A few significant concerns pertaining to the state's unrestricted grants-in-aid and restricted grants-in-aid funding are the following:
 - A. Will the state's inadequate funding formula be corrected? Additional unrestricted revenues must be provided to school districts across the state in order to meet expected and desired educational standards.
 - B. Birth rates in the City of Canton are at a historic low. The District continues to realize a period of declining enrollment. The forecast projects a 1.0% student decline (approximately 100 students) in enrollment each year. Will this continue?
 - C. Community schools have drastically impacted many school districts in Ohio. Canton City School's state funding report currently reflects a negative adjustment of approximately \$7,000,000 of lost revenues to community schools for fiscal year 2008 alone. Will this continue?

Material Expenditure Factors:

1. The forecast projects a 1.0% increase on the negotiated base salary for all employees during fiscal years 2009 through 2012. Based on the district's projected deficit, the Treasurer would be unable to certify adequate revenues to pay for the negotiated wage increases. However, 1.0% is used in order to place a modest increase in the forecast as a placeholder for additional expenses.

Other Material Factors:

1. Canton City Schools has created a Facilities Study Committee. This committee is comprised of many district employees and community members. The purpose of the committee is to provide building consolidation recommendations to the Superintendent and Board of Education by December 2007/January 2008. As stated above, declining enrollment continues to be an issue with Canton City Schools. In order for the District to operate at an optimal efficiency level, significant building consolidation decisions may need to be made in the near future.
2. The District has taken an active role attempting to engage the Ohio Department of Education and the Ohio Auditor of State Office over the last twelve months. The Board of Education understands the District's current financial situation and absolutely has no desire to reach a state of Fiscal Emergency. A performance audit is currently being completed by the Ohio Auditor of States Office. This report should be available by the end of the 2007 calendar year. The intentions of the District are to use the performance audit, as well as recommendations made by the Facilities Study Committee, to make informed expenditure reduction decisions later in the 2008 fiscal year (effective fiscal year 2009). The outcome of the November 6, 2007 levy will have a substantial impact in determining the volume of expenditure reductions which will need to be implemented in the future.

Line 1.01

Calendar year 2006 was Stark County's reappraisal year, which means the effects of the reappraisal were realized in the second half of fiscal year 2007 and the first half of fiscal year 2008. Stark County's update year is calendar year 2009. General Property Tax is estimated to be \$20,366,960 for fiscal year 2008 and \$21,167,654 for fiscal year 2009. Please note that an \$800,000 advance for 2008 revenues was received in fiscal year 2007. The \$800,000 advance reduces the fiscal year 2008 projection accordingly. General Property Tax is estimated to increase 3.9% in fiscal year 2009 due to the lower revenues realized in fiscal year 2008 because of the tax advance received in fiscal year 2007. Fiscal year 2010 is estimated to increase 1.00% and fiscal year 2011 is projected to increase 0.95% based on anticipated property value updates during the 2009 update tax year. Fiscal year 2012 is projected to remain stagnant at 0% due to stagnant growth and updated property valuations being realized completely by fiscal year 2011.

Please note all years in this line item are significantly decreased compared to the previous forecast. The reason for the decrease was that public utility personal property revenues were reclassified out the general property tax line item and placed into the tangible personal property tax line item in efforts to accurately place this category of revenues. There is a \$0 net effect in total revenues making this reclassification.

Line 1.02

Tangible Personal Property Tax is projected to be approximately \$7,256,959 in fiscal year 2008. Due to state legislation, a tangible personal property tax phase-out period began in calendar year 2006. The effects of the revenue phase-out period for this line item began in fiscal year 2007, and will be completely realized by fiscal year 2011. A "hold harmless" clause has been implemented by state legislation. Current law requires the state of Ohio to fund the lost tax revenues back to the District for a fixed period of time. The state of Ohio will

provide reimbursement revenues beginning in fiscal year 2007 through fiscal year 2010. These revenues will be reflected in the Property Tax Allocation (line item #1.050). In fiscal year 2011 the state of Ohio will begin phasing-out the “hold harmless” revenues which were being provided. The revenue stream related to the majority of the “old” tangible property tax revenues will be phased out 100% by fiscal year 2017. This will be a devastating impact on our school district. Public utility personal property revenues will not be reduced based on current legislation.

Please note all years in this line item are significantly increased compared to the previous forecast. The reason for the increase was that public utility personal property revenues were reclassified out the general property tax line item and placed into the tangible personal property tax line item in efforts to accurately place this category of revenues. There is a \$0 net effect in total revenues making this reclassification.

Line 1.035

Unrestricted Grants-in-Aid is estimated to be approximately \$54,808,680 during fiscal year 2008 and \$57,169,567 for fiscal year 2009 based on information from the state SF-3 report, the new biennium budget and actual receipts to date. A 2.0% increase in base funding is projected for fiscal years 2010 and 2011, while a 3.0% increase in base funding is projected for fiscal year 2012. Based on the District’s continued declining enrollment, a projection of 1.0% declining student enrollment (approximately 100 students per year) has been assumed for each fiscal year.

Line 1.04

Restricted Grants-in-Aid is estimated to be approximately \$10,719,950 during fiscal year 2008 and \$11,282,674 for fiscal year 2009 based on information from the state SF-3 report, the new biennium budget and actual receipts to date. Approximately 1.20% is projected for fiscal years 2010, 2011 and 2012. The restricted grants-in-aid line item primarily consists of career tech, poverty based assistance and bus purchase subsidy funding.

Line 1.05

Property Tax Allocation is projected to be \$6,629,320 in fiscal year 2008. Due to state legislation, a tangible personal property tax phase-out period began in calendar year 2006. The effects of the revenue phase-out for the tangible personal property tax line item #1.020 will directly impact this line item. A “hold harmless” clause has been implemented by state legislation. Current law requires the state of Ohio to fund the lost tax revenues back to the District for a certain period of time. The tangible personal property tax revenue will continue to be phased-in fiscal year 2008 through 2010, but then begin to phase-out in fiscal year 2011. These revenues will be reflected in this line item. In fiscal year 2011 the state of Ohio will begin phasing-out the “hold harmless” revenues which were being provided. The entire revenue stream related to the “old” tangible property tax revenues will be phased out 100% by fiscal year 2017. This line item also accounts for homestead and rollback tax revenues.

Line 1.06

All Other Revenues are estimated to be \$4,428,977 for fiscal year 2008. The primary sources of revenue for this line item are tuition, excess cost, investments, rentals and donations. Fiscal year 2009 is projected to be \$4,451,122. Fiscal years 2009 through 2012 are projected to increase 0.50% each year.

Line 2.04

Operating Transfers-In are projected to be \$1,000,000 for fiscal years 2008 through 2012 based on history of previous transfers. The primary reason for these transfers is due to a negotiated early retirement incentive

which results in revenues being transferred from General Fund unrestricted cash to General Fund restricted cash each year. Operating Transfers-Out will primarily offset this line-item.

Line 2.05

Advances-In are projected at \$3,500,000 for fiscal years 2008 through 2012 based on advances already made, history of advances, and anticipated repayment of advances-in and advances-out throughout each fiscal year. Activity in this line item is primarily due to a result of cash flow operating procedures. Please note this amount is offset by \$3,500,000 Advances-Out during these years.

Line 2.06

All Other Financing Sources for Fiscal year 2008 is projected to be \$633,252 based on fiscal year 2008 and fiscal year 2007 reclassification of Poverty Based Assistance fund revenues. This activity has a net effect of zero between PBA forecast revenues and General Fund salary expenses. This activity is not projected in fiscal years 2009 through 2012 and therefore the projection is \$250,000 based on previous history of this line item.

Line 3.01

Personal Service costs are estimated to be approximately \$57,633,504 during fiscal year 2008. Due to the District's current financial situation approximately \$1,928,606 in salary reductions have been implemented and were effective July 1, 2007. There were approximately \$321,434 in accrued wages associated with these reductions for the months of July and August 2007 which will be actual savings realized in fiscal year 2009. A 1.50% incremental step increase is projected fiscal years 2009 through 2012. A projection of a negotiated 1.0% increase on base salary has been made for each year fiscal year 2009 through fiscal year 2012. However, based on the district's current financial condition the 1.0% negotiated increase could not be certified at this time, and therefore a 0% negotiated increase is possible should the financial position of the district not become more favorable. Fiscal year 2009 is a 27 pay year, which results in approximately a \$2,500,000 increase in expenses for only that year, which is the reason for a reduction in the salary for fiscal year 2010. Fiscal year 2009 also allows for an increase in the amount of \$700,000 per year based on the uncertainty of future Early College High School grant monies.

Line 3.02

Fringe Benefits are estimated at \$21,859,807 for fiscal year 2008. Based on the District's salary reductions referred to in line item 3.01, a material amount of reductions in fringe benefit expenditures have been implemented and were effective July 1, 2007. There were accrued benefits associated with these reductions for the months of July and August 2007 which will be actual savings realized in fiscal year 2009. Employee STRS and SERS expenditures are projected to increase each fiscal year based on the salary step increments and negotiated increases referred to in line item 3.01. Fiscal year 2009 through 2012 projections also take into account an inflationary rate of 10.0% per year in the District's insurance premiums. Fiscal year 2008 projects increased unemployment costs due to reduction in positions. Fiscal Year 2008 is the first year the district was eligible to realize a one month health insurance premium holiday, which reduces expenses for the year by approximately \$1,100,000. The insurance holiday is projected to be available for each of the remaining years in the forecast. Another fiscal year 2008 one time reduction in expenditure is \$500,000 in payments that will not be made by the General fund to the Workers Compensation fund due to an adequate Workers Compensation fund balance at this time.

Line 3.03

Purchased Services are anticipated to be approximately \$20,013,204 for fiscal year 2008. Beginning in fiscal year 2008, a \$1,000,000 increase in expenses is projected for each year due to the increased funding in restricted Poverty Based Assistance monies. An increase of approximately 3.65% per year is projected fiscal years 2009 through 2012.

Line 3.04

Supplies and Materials are projected to be \$2,497,195 for fiscal year 2008. Actual fiscal year 2007 expenses in this line item were \$1,881,347. A reading textbook adoption was purchased in fiscal year 2007, and will be paid for in fiscal year 2008. This is the reason for the substantial fiscal year 2008 increase. A 3.0% increase is projected for each fiscal year remaining in the forecast period.

The District's textbooks, materials, and supplies set-aside requirement is approximately \$1,700,000 per year. As of June 30, 2006 this requirement was not met by \$220,000. The forecast reflects this amount in the fiscal year 2006 Reservation of Fund Balance – Textbooks and Instructional Materials (line 9.01). The forecast assumes this set-aside amount is not met by \$500,000 in fiscal year 2007 and fiscal year 2009 through 2012, which is the reason for the increasing reserve carry over in line 9.01. It is assumed the reserve is met in fiscal year 2008 due to the reading adoption series purchased in fiscal year 2007 being paid for in 2008.

Please note the District utilizes the Senate Bill 345 method to determine the requirements for the instructional materials, supplies and textbooks set-aside.

Line 3.05

Capital Outlay is anticipated to be \$362,215 for fiscal year 2008. There has been a substantial reduction in this line item due to the District's attempt to reduce expenditures in the General Fund. There were no school buses purchased in fiscal year 2007, and none are projected to be purchased in fiscal year 2008. Five school buses are projected to be purchased per year fiscal years 2009 through 2012. Please note that due to the District's financial condition this line item is projected extremely low. There are no allowances projected for unusual and infrequent emergency needs, nor are there dollars projected to be used for meeting the District's computer and technology needs. The longer the District operates without making regular computer and technology upgrades, a greater amount of dollars will be needed in the future to remedy these neglected areas.

Line 4.055 and 4.060

Debt service principal and interest payments exist fiscal years 2007 through 2010 for a combination of two debt issuances. In 2004 the District issued tax anticipation notes to meet short-term cash flow needs, as well as issued debt to purchase school buses.

Line 4.30

Other Objects expenditures are projected to be \$705,269 for fiscal year 2008. Other Objects expenditures are projected to increase 1.0% fiscal years 2009 through 2012.

Line 5.01

Operating Transfers-Out are projected to be \$1,000,000 for fiscal year 2008 through 2012 based on history of previous transfers. The primary reason for these transfers is due to a negotiated early retirement incentive which results in revenues being transferred from General Fund unrestricted cash to General Fund restricted cash each year. Operating Transfers-In will primarily offset this line-item.

Line 5.02

Advances-Out are projected at \$3,500,000 for fiscal year 2008 through 2012 based on advances already made, history of advances, and anticipated repayment of advances-in and advances-out throughout each fiscal year. Activity in this line item is primarily due to a result of cash flow operating procedures. Please note this amount is offset by \$3,500,000 Advances-In during these years.

Line 5.03

All Other Financing Uses is projected at \$250,000 for fiscal years 2008 through 2012 based on previous history in this line item.

Line 8.01

Estimated Encumbrances are projected to be \$1,500,000 fiscal years 2008 through 2012.

Line 9.01

The Reservation of Fund Balance for Textbooks and Instructional Materials reflected a reserve of \$220,000 not met as of June 30, 2006. The District's textbooks, materials, and supplies set-aside requirement is approximately \$1,700,000 per year. The forecast assumes this set-aside amount is not met by \$500,000 in fiscal year 2007 and fiscal year 2009 through 2012. That is the reason for the increasing reserve carry over in line 9.01. It is assumed the reserve is met in fiscal year 2008 due to the reading adoption series purchased in fiscal year 2007 being paid for in 2008.

Should expenses in line item #3.04 exceed the set-aside requirement, this line item will be reduced accordingly. However, if expenses in line item #3.04 are less than the set-aside requirement this line item will be increased accordingly.

Please note the District utilizes the Senate Bill 345 method to determine the requirements for the instructional materials, supplies, and textbooks set-aside.

Line 9.03

The Reservation of Fund Balance for Budget Reserve is based on an early retirement incentive health reimbursement account that has been negotiated with the Canton Professional Educator's Association. A specified dollar amount is required to be placed into a separate account on an annual basis. As expenditures are paid, this reservation will become reduced accordingly.