

**LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT
NOTES TO THE FISCAL YEAR 2011 FIVE YEAR FORECAST**

NATURE OF PRESENTATION

The Five Year Forecast for the Lorain County Joint Vocational School District (LCJVS) is an estimate of the most probable financial position for the current and future fiscal years. “Most probable” means the assumptions have been based on management’s judgment of the most likely set of conditions and courses of action.

The Five Year Forecast is derived through an evaluation of history, constraints, pressures and politics at the point in time the forecast is created. The forecast is also created on management’s assumptions of future events based on present circumstances and information currently available, including both internal and external data. Other factors that affect the Five Year Forecast (favorably or unfavorably) are changes in law and general economic conditions.

The Five Year Forecast of the District’s General Fund has been based upon the following assumptions:

REVENUES

1.010 General Property Taxes (Real Estate)

Real Estate property values are established by the County Auditor based on new construction and reappraised/updated values. Under state law real property is reappraised every six years and updated in the third year following each six year reappraisal. Based on the outcome of the reappraisal/update and the type of levy’s the District has, the effective millage rates may be adjusted upward/downward or remain the same.

Lorain county went through a triennial update in 2009 (effective January 2010) and valuations for LCJVS dropped 3.6%. This drop in property valuation adjusted the effective millage for LCJVS from 2 mills to 2.12 mills allowing the school to collect roughly the same amount in real estate taxes before the update. It is expected property valuations will not change very much between now and the six year reappraisal in 2012 (effective January 2013) nor the triennial update in 2015 (effective January 2016) leaving real estate collections virtually the same during the duration of this forecast.

Delinquency collections make up approximately \$800,000 of the revenue in this section of the forecast. This amount is consistent over the last couple of years and is expected to remain consistent over the duration of this forecast. The current delinquency rate presented by the County Auditor is around 4.5%.

Although the current economic conditions have reduced the amount of new construction each year, new construction still contributes approximately a one percent increase to Real Estate collection each year.

The current five year operating levy of .75 mills will expire December 2011 and the last payment will be made to LCJVS in the first half of fiscal year 2013. This is reflected in fiscal year 2013 through 2015 of the forecast as not being renewed thus removing General Property Tax collection related to this levy. The anticipated revenue related to this levy (if renewed) is reflected in section 11.020 (Property Tax – Renewal or Replacement) further down in the forecast.

1.020 Tangible Personal Property Tax

Several laws over the last few years have all but eliminated personal property at this point as a revenue source for all school districts. Telephone Tangible Personal Property tax collection is currently the only personal property tax being recorded in this section of the forecast due to the elimination of the other categories of personal property. 2010 was the last year for Telephone Tangible Personal Property tax collection to be received in fiscal year 2011. Any collections beyond 2010 will be the collections of delinquencies. The amount represented on the forecast under 2011 are an estimate based on what has been presented by the Lorain County Budget Commission, the remaining years are expected to be zero.

1.035 Unrestricted Grants in Aid

The revenue in this category consists of school foundation payments.

Starting in 2010 House Bill One has changed the way Joint Vocational Schools foundation payments are calculated as compared to the past. Fiscal year 2011 shows only a .75% increase over the previous year's total state foundation aid. Since there is nothing in current law addressing how Joint Vocational Schools are to be funded in years 2012 through 2015 and any increases or decreases from the state are just speculation at this point, it is assumed the funding level will be at the same level as 2011 at this time.

1.050 Property Tax Allocation

Revenue here is represented of homestead, rollback, tangible personal property reimbursements and personal property utility reimbursements.

Changes in this category parallel the anticipated changes in general property taxes. Approximately one million dollars of this category is tangible personal property tax reimbursement from the state. This reimbursement will continue through 2013 and then it will begin to be phased out starting in 2014. The Department of Taxation has calculated the anticipated reimbursements for 2014 and 2015 and they are reflected in the forecast. It is also expected the state will make the JVS whole for 2014 and 20015 with revenue from the CAT tax.

The current five year operating levy of .75 mills will expire December 2011 and the last payment will be made to LCJVS in the first half of fiscal year 2013. This is reflected in fiscal year 2013 through 2015 of the forecast as not being renewed thus removing homestead and rollback revenues related to this levy. The anticipated revenue related to this levy (if renewed) is reflected in section 11.020 (Property Tax – Renewal or Replacement) further down in the forecast.

1.060 All Other Financing Resources

The revenue in this section consists of interest income and miscellaneous receipts (selling of depreciated equipment, recycling, etc). Interest rates are at historic lows resulting in lower interest income in this section compared to past years. However, there have been several investments the school has invested in that will lead to doubling the investment income received in fiscal year 2011 compared to fiscal year 2010. It is expected that interest revenue will grow approximately one percent each fiscal year from fiscal year 2012 on.

Miscellaneous receipts can vary from year to year and are expected to be lower than in the past due to a couple of one time receipts received in fiscal year 2010 (reimbursement from LCCC for the Adult Education Director and insurance proceeds for the farm house).

2.050 Advances-In

It is expected the revenue in this section mirrors the advances out in section 5.020 of the previous year.

2.060 All Other Financing Resources

Revenues in this section are reimbursements of prior year expenditures. These revenues are unique from year to year and are highly unlikely to reoccur in future years. As an example in year 2008 there was a onetime reimbursement of \$504,000 for skills competition making up most of the \$510,000 revenues for that year. The revenue in this section should be relatively low over the timeframe of the forecast. The forecast will be updated at the time any unforeseen circumstances occur in a given year resulting in a significant change in revenue for that year.

EXPENDITURES

3.010 Personal Services

Personal services expenditures are projected using proposed contract language and salary schedules with an increase of 2.5% (2011), 2.5% (2012), and 2.25% (2013). A 2.0% increase is expected in 2014 and 2015. One extra math position is included in this assumption starting in 2011.

3.020 Employees Retirement/Insurance Benefits

Retirement, Medicare and Workers Compensation are expected to change respectively with changes in personal services expenditures. Insurance premiums increased by a blended rate of 7.5% for medical and prescription insurance and 0% for dental and vision for 2011. For the remaining years (2012 – 2014) an inflation or trend rate of 11% is being used. Also reflected in this section is the additional pick up of insurance premium by the employee of 1% (2011), 1% (2012) and 2% (2013).

3.030 Purchased Services, 3.040 Supplies, 3.050 Capital Outlay

Fiscal year 2011 represents the current budget for the fiscal year. Currently for fiscal year 2012 through 2015 management's direction is to operate within a 1 % increase; however management

will be meeting in November 2011 and several times afterwards to review areas/items that can be reduced or eliminated.

4.300 Other Objects

The expenditures in this section consist mainly of uncontrollable costs such as County Auditor and Treasurer fees, State Department of Taxation fees, audit costs and property and liability insurance. Projections on these expenditures are based on historical trends and current issues.

5.010 Operating Transfers – Out

Operating transfers out are to the LCJVS foundation fund (\$50,000), adult education fund (\$25,000) for full service center matching requirements, and to the capital project fund (\$775,000 in 2010 and \$375,000 in 2012) for the E-wing project. The transfers to the foundation fund and the adult education fund are expected to remain constant over the forecast. The transfers to the capital project fund are expected to stop after the E-wing project until the current economic conditions change.

5.020 Advances – Out

It is expected to advance \$75,000 each year of the forecast to cover grants the school district did not receive full reimbursement for by year end.