

AUDITOR OF STATE BULLETIN 98-015
DECEMBER 21, 1998

TO: School District Treasurers
School District Board of Education Presidents
School District Superintendents
County Auditors
IPAs

SUBJECT: Five Year Forecasts and Ohio Rev. Code §5705.412 Certifications

The State Auditor's Office recognizes the difficulties the preparation of the initial forecast has caused. We also understand that some of the changes that have been made in this Bulletin and the accompanying Bulletin on reserve (set-aside) requirements may create a need for further analysis of a district's approach to meeting the requirements of H.B. 412. **For these reasons, the State Auditor's Office and the Department of Education have agreed to extend the deadline for the filing of the initial forecast. The forecast will be due by January 31 rather than December 31. The State Auditor's Office will not require the forecast as documentation for Ohio Rev. Code §5705.412 certifications until February 1, 1999. This does not eliminate the need for documentation to support the certification; it simply means that the documentation does not have to be in the exact form of the new forecast.**

This Bulletin is divided into several segments. Each of these segments has previously been published on the Auditor of State's web site and distributed at numerous presentations. In response to comments and suggestions from treasurers, several additions have been made. These additions include:

Highlights of the certification requirements of Ohio Rev. Code §5705.412 have been added on page 2.

A definition of adequate educational program is presented on page 5.

Documentation requirements for certification under Ohio Rev. Code §5705.412 is presented on page 6.

Question 5 has been expanded to address the forecast as it relates to the certification requirements of Ohio Rev. Code §5705.412.

Question 11 has been added to address certifying contracts that initially create a deficit in one of the future years covered by the Ohio Rev. Code §5705.412 certification.

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This summary presents a very high level overview of the forecast

and certification requirements of H.B. 412.

Five Year Forecast Legislation 3

The code section from H.B. 412 that requires the submission of a five year forecast is reproduced in this segment.

Synopsis of the Forecast and Certification Rules 4

This section provides more detail regarding the rules which have been jointly adopted by the Department of Education and the Auditor of State to implement the forecast and certification requirements.

Forecast and Certification Rules 7

These are the rules as adopted. The rules outline the district's responsibilities for submission of the forecast as well as the roles of the Department of Education and the Auditor of State's Office once the forecast is received.

Forecast Spreadsheets 18

This section contains the format for the three forecast spreadsheets. Only the first spreadsheet will be submitted to the department of education. The other two are provided based on requests from treasurers.

Guidelines for the Five Year Forecasts 18

The guidelines provide additional instructions for creating the forecast including identifying the funds to be included, defining the accounts that appear on the forecast, and discussing the estimation of year-end reserve balances.

Assumptions 21

This segment highlights disclosures that should be addressed in the assumptions which must be submitted with the forecast spreadsheet.

Forecasting Foundation Revenue 24

This section was included to provide some suggestions for forecasting foundation revenue. Included is a worksheet prepared by the Department of Education identifying the adjusted cost of doing business factors by county and the amounts per pupil for the next five years.

Equity Aid Calculation 28

For those districts receiving equity aid, this section provides a method

for estimating future year receipts.

Projecting Formula Aid for Set Asides

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One of the components of the forecast is an estimate of the reserve that will be carried over from one year to the next. This calculation requires an estimate of the base for the set asides for each of the next five years. This section of the Bulletin provides guidance for making an estimate of formula aid, one of the components of the base.

Questions and Answers

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This section contains some of the more frequently asked questions about the forecast and certification requirements.

SUMMARY OF FORECAST AND CERTIFICATION REQUIREMENTS

Forecast Requirements

The financial forecast required by revisions to section 5705.391, R.C. enacted in Sub. H. B. 412 is intended to provide a method for the State Department of Education and the State Auditor's Office to identify school districts that are headed toward financial difficulty. The format of the forecast has also been designed as a guide for determining the ability to certify obligations under the requirements of section 5705.412, R.C.

The forecast package consists of three spreadsheets. The first spreadsheet will be submitted to the Department of Education to satisfy the requirements of H.B. 412. A second spreadsheet is intended to assist in the recognition of amounts that may require additional analysis and the identification of trends. This spreadsheet presents the average percentage change in revenue and expenditure accounts over the three year period covered by the actual data and calculates the percentage change in the projected amounts from year to year. Summary information pulled from the forecast and presented on a third spreadsheet is intended to inform board members about the district's financial direction. The use of the second and third spreadsheet is not required.

Responsibility for the preparation of the forecast, the accuracy of the presented figures and the reasonableness of the assumptions on which they are based rests with the school district administration and the board of education. The automatic retrieval of historical data does not relieve the district of the responsibility for insuring that those numbers are reasonable and accurate.

Highlights of the Forecast Rule

- All city, local, exempted village and joint vocational school districts are required to file a forecast with the Department of Education.
- The format of the forecast is included in this Bulletin. It includes three years of historical and five years of forecasted data. It must be accompanied by assumptions that explain the reasoning behind the forecasted amounts.
- The forecast includes the general, emergency levy, textbook and DPIA funds. It also includes debt service payments that were paid from money that otherwise would have gone to the general fund but were diverted to the debt service fund.
- The forecast is submitted at the time of the adoption of the annual appropriation measure (See Bulletin 98-012) or by December 31, whichever occurs first.
- The forecast, including the assumptions, will be submitted through EMIS. Hard copy filings will not be accepted. If you have already adopted your annual appropriation measure, please wait to file your initial forecast until the EMIS submission is available.

- A worksheet is available on the Department of Education's web page at www.ode.ohio.gov This worksheet allows you to enter historical data directly from state software.
- Spreadsheets are also available on the State Auditor's web page, at www.auditor.ohio.gov/auditor These spreadsheets are available in lotus, excel and quattro pro but do not allow for entering historical data from state software.
- The data for the EMIS report can be keyed in or downloaded from one of the spreadsheets provided by the Department of Education or the Auditor of State.

Certification Requirements

H.B. 412 did not significantly change the language of the certification requirement of Ohio Rev. Code §5705.412, but H.B. 412 and the rules adopted to implement the legislation do impact the certification process. First, they establish guidelines for estimating future revenues. Second, they link the ability to certify under §5705.412 to the five year forecast; and third, they create requirements to document each certification.

- Guidelines for estimating revenues are established in Admin. Rule 3301-92-05.
- Certifications under Ohio Rev. Code §5705.412 are to be based on the current five year forecast. If the revenue or expenditure estimates or assumptions for the certification differ from the forecast, the forecast must be updated to reflect the new information. Changes to the forecast must be approved by the Board of Education.
- Forecasts should be dated and maintained as part of the documentation to support the §5705.412 certification.
- Each district must maintain a record of contracts certified under §5705.412, including vendor name, contract amount, contract amount allocated by year, purchase order number and date.
- All information, records and documentation used to estimate resources and any changes made to the forecast must be retained by the district and made available during an audit.
- Each certification must be dated.

FIVE YEAR FORECAST LEGISLATION

5705.391(B) - No later than July 1, 1998, the Department of Education and the Auditor of State shall jointly adopt rules requiring school districts to include five year forecasts of revenues and expenditures in the spending plan required by this section. The rules shall provide for the auditor or the department to examine the five year forecasts and to determine whether any further fiscal analysis is needed to ascertain whether a district has the potential to incur a deficit during the first three years of the five year period.

The Auditor and the Department may conduct any further audits or analyses necessary to assess any district's fiscal condition and shall immediately notify any district of any potential to incur a deficit in the current fiscal year or of any strong indications that a deficit will be incurred in either of the ensuing two years.

A district notified under this section shall take immediate steps to eliminate any deficit in the current fiscal year and shall begin to plan to avoid the future deficits.

(C) The State Board of Education, in accordance with sections 3319.31 and 3319.311 of the Revised Code, may limit, suspend, or revoke a license as defined under section 3319.31 of the Revised Code that has been issued to any school employee found to have willfully contributed erroneous, inaccurate, or incomplete data required for the submission of the appropriation measure and spending plan required by this section.

SYNOPSIS OF REPORTING DATA RULE
(FIVE YEAR FORECASTS)

- Application: City, local, exempted village and joint vocational school districts.
- Requirements: Each school district must submit a financial forecast to the Department of Education. The forecast is submitted annually at the time the permanent appropriation measure is adopted but not later than December 31. The forecast must cover the remainder of the current fiscal year and the four following years.
- Format: The format will be jointly prescribed by the AOS and ODE. Information that is requested will be limited to the general fund and those funds that may impact the general fund balance. The report will require identification of the significant assumptions upon which the numbers are based. The format will include historical information for comparison purposes.
- Purpose: ODE is required to review the forecasts for any indication that a school district may incur a deficit within the first three years of the forecast. If ODE feels additional information or analysis is necessary, ODE may request that the AOS complete an on-site examination of the forecast. If ODE and AOS determine that there is a potential for a deficit, notification will be sent to the district.
- School district response: Any school district receiving a notification must submit a plan to eliminate the projected deficits.
- Update: Any change in estimates of either revenues or expenditures of five percent or more requires the submission of an update to the forecast by June 30.

SYNOPSIS OF CERTIFICATION OF ADEQUATE REVENUES RULE
(5705.412, R. C. CERTIFICATIONS)

- Application: City, local, exempted village and joint vocational school districts
- Requirements: Section 5705.412, R.C. requires the treasurer, superintendent and president of the board of education to certify that adequate revenues will be available to maintain all personnel, programs and services essential to the provision of an adequate educational program for a specified number of days.
- Adequate Educational Program: The Office of the Auditor of State believes that what constitutes an adequate educational program is a determination made locally by the board of education. The adequate educational program of each district is reflected in its five year forecast adopted by the board.
- Term of Certificate

In general, the certificate covers the remainder of the current fiscal year and two succeeding fiscal years. There are two exceptions:

The certificate attached to an appropriation measure covers only the fiscal year in which the appropriation measure is effective.

The certificate attached to a contract covers either the remainder of the current fiscal year and two succeeding fiscal years or the term of the contract, whichever is longer.
- Scope: The certification must be attached to all appropriation measures except for temporary measures when the temporary measure does not appropriate more than twenty-five percent of the total resources available last year for any fund, the measure will not be in effect for more than thirty days after the earliest date the district could pass an annual appropriation measure, and an amended certificate of available revenues has not been certified to the district under section 5705.36, R.C.

The certification must be attached to all negotiated agreements, contracts for benefits, increased salary or wage schedules and construction contracts.
- Tax Levies: The certification of an appropriation measure may not anticipate the renewal or replacement of an existing property tax levy nor the approval to extend an existing income tax levy beyond its current expiration. All other certifications may anticipate the renewal or

replacement of existing property tax levies and the approval to extend an existing income tax levy beyond its current expiration.

- Penalties
Obligations that have not been certified as required are considered void. No payments may be made on void obligations. Anyone knowingly executing an obligation contrary to this section, anyone knowingly expending or authorizing the expenditure of public funds contrary to this section, and anyone knowingly authorizing or making payment of public funds on a void obligation, is liable for the full amount paid on the obligation, up to \$20,000.

Anyone who knowingly issues a certificate which contains any false statements is liable for the full amount of public funds paid on the related obligation, up to \$20,000.
- Purpose of Rules: The rules adopted under H.B. 412 provide methods for estimating revenue. The rules address the following revenue sources: property taxes, income taxes, state aid, homestead, rollback and the personal property tax exemption, and grants. The rules also address the amounts that may be estimated as a result of borrowing.
- Documentation: Each school district must maintain a continuing record of the contracts which have been certified. This record must include, but is not limited to, vendor name, contract amount, contract amount allocated by year, purchase order number and date.

All information, records and documentation used to estimate available resources or any change made to the five-year forecast including, but not limited to, the current annual estimate of state funding, property tax calculations, fee schedules and average daily membership calculations must be retained by the school district and be made available to the auditor of state or the independent public accountant at the time the school district is audited pursuant to section 117.11 of the Revised Code.
- Link to forecast: The rules link the ability to certify under Ohio Rev. Code §5705.412 to the five year forecast. To be able to certify a new contract, negotiated agreement, or other contract covered under §5705.412, the addition of the proposed new expenditures to the forecast must not generate a deficit in one of the years covered by the certificate. The rules require that the forecast be updated for changes in estimates or changes in assumptions and that the changes be approved by the board of education. Any change must be supported by documentation that is maintained and made available during an audit.

FORECAST AND CERTIFICATION RULES

3301-92-04 REPORTING DATA

3301-92-05 CERTIFICATION OF ADEQUATE REVENUES

3301-92-04 REPORTING DATA

(A) UPON THE ADOPTION OF AN ANNUAL APPROPRIATION MEASURE BUT NO LATER THAN DECEMBER 31 OF THE CURRENT FISCAL YEAR A SCHOOL DISTRICT SHALL SUBMIT TO THE DEPARTMENT OF EDUCATION A FIVE (5) YEAR PROJECTION OF REVENUES AND EXPENDITURES FOR THE CURRENT FISCAL YEAR AND THE ENSUING FOUR (4) FISCAL YEARS.

(B) THE PROJECTION SHALL CONTAIN INFORMATION AND BE IN A FORMAT AS PRESCRIBED BY THE DEPARTMENT OF EDUCATION AND AUDITOR OF STATE.

(C) THE DEPARTMENT OF EDUCATION OR AUDITOR OF STATE MAY REQUIRE HISTORICAL FINANCIAL INFORMATION AS PART OF THE REPORT.

(D) THE DEPARTMENT OF EDUCATION SHALL EXAMINE, AT NO COST TO THE DISTRICT, THE FIVE (5) YEAR PROJECTIONS AND DETERMINE WHETHER ANY FURTHER FISCAL ANALYSIS IS NEEDED TO ASCERTAIN WHETHER A DISTRICT HAS THE POTENTIAL TO INCUR A DEFICIT DURING THE FIRST THREE YEARS OF THE FIVE (5) YEAR PERIOD. IF THE DEPARTMENT OF EDUCATION DETERMINES THAT FURTHER FISCAL ANALYSIS IS NEEDED, IT SHALL FORWARD THE DISTRICT'S FIVE (5) YEAR PROJECTION TO THE AUDITOR OF STATE WHO WILL DETERMINE WHETHER NOTIFICATION PURSUANT TO SECTION 5705.391 OF THE REVISED CODE IS WARRANTED. NOTIFICATION SHALL CONSIST OF A LETTER FROM THE DEPARTMENT OF EDUCATION AND THE AUDITOR OF STATE IDENTIFYING THE YEAR(S) AND AMOUNT(S) OF POTENTIAL DEFICITS.

(E) A DISTRICT NOTIFIED UNDER DIVISION (B) OF SECTION 5705.391 OF THE REVISED CODE SHALL SUBMIT A PLAN TO ELIMINATE ANY CURRENT DEFICITS AND AVOID THE PROJECTED FUTURE DEFICITS.

(F) A SCHOOL DISTRICT SHALL BE REQUIRED TO UPDATE ITS FIVE (5) YEAR PROJECTION BY JUNE 30 IF THE SCHOOL DISTRICT EXPERIENCES A DEVIATION OF REVENUES OR EXPENDITURES IN A NET AMOUNT OF FIVE (5) PERCENT OR MORE FROM ITS ORIGINAL PROJECTIONS.

3301-92-05 CERTIFICATION OF ADEQUATE REVENUES

(A) THE EVENTS FOR WHICH EACH SCHOOL DISTRICT SHALL CERTIFY THE AVAILABILITY OF REVENUE PURSUANT TO SECTION 5705.412 OF THE REVISED CODE INCLUDE, BUT ARE NOT LIMITED TO:

- (1) NEGOTIATED AGREEMENTS;
- (2) APPROPRIATION MEASURES;
- (3) CONTRACTS FOR BENEFITS;
- (4) INCREASED SALARY OR WAGE SCHEDULES;
- (5) CONSTRUCTION CONTRACTS.

(B) FOR THE PURPOSE OF CERTIFYING REVENUE PURSUANT TO SECTION 5705.412 OF THE REVISED CODE, A SCHOOL DISTRICT MAY USE THE FOLLOWING GUIDELINES FOR ESTIMATING REVENUE:

(1) PROPERTY TAXES;

(a) FOR CURRENT YEAR REVENUES, ESTIMATES MAY BE BASED ON ASSESSED VALUES AND EFFECTIVE TAX RATES.

(b) FOR FUTURE YEARS, REVENUE GROWTH MAY BE BASED ON HISTORICAL PATTERNS INCLUDING, BUT NOT LIMITED TO, REAPPRAISAL, UPDATES, UNUSUAL GROWTH OR DECLINES IN VALUATION, COLLECTION RATES AND REFUNDS.

(c) CERTIFICATIONS OF APPROPRIATION MEASURES UNDER SECTION 5705.412 OF THE REVISED CODE SHALL NOT ANTICIPATE THE RENEWAL OR REPLACEMENT OF EXISTING LEVIES NOR ANTICIPATE THE REVENUE FROM A NEW LEVY.

(d) ALL OTHER CERTIFICATIONS UNDER SECTION 5705.412 OF THE REVISED CODE MAY ANTICIPATE THE RENEWAL OR REPLACEMENT OF EXISTING LEVIES.

(2) INCOME TAXES;

(a) INCOME TAX ESTIMATES MAY BE BASED ON ESTIMATES PROVIDED BY THE DEPARTMENT OF TAXATION.

(b) CERTIFICATIONS OF APPROPRIATION MEASURES UNDER SECTION 5705.412 OF THE REVISED CODE SHALL NOT ANTICIPATE THE APPROVAL TO EXTEND A CURRENT INCOME TAX BEYOND ITS EXPIRATION NOR ANTICIPATE THE

REVENUE FROM A NEW LEVY.

(c) ALL OTHER CERTIFICATIONS UNDER 5705.412 OF THE REVISED CODE MAY ANTICIPATE THE APPROVAL TO EXTEND A CURRENT INCOME TAX BEYOND ITS EXPIRATION.

(3) STATE AID;

(a) ESTIMATES MAY BE BASED ON THE MOST CURRENT ANNUAL ESTIMATE OF STATE FUNDING AND HISTORICAL PATTERNS AND MODIFICATIONS MAY BE MADE BASED ON CHANGES IN AVERAGE DAILY MEMBERSHIP, VALUATION, AND OTHER FACTORS THAT MAY RESULT IN SIGNIFICANT ADJUSTMENTS TO FUNDING LEVELS. THESE OTHER FACTORS INCLUDE, BUT ARE NOT LIMITED TO, EQUITY FUNDING OR OTHER SIMILAR PROGRAMS FOR WHICH THE SCHOOL DISTRICT CAN REASONABLY ASSUME CONTINUED FUNDING.

(4) PROPERTY TAX ALLOCATION;

(a) CALCULATE THE AVERAGE PERCENTAGE OF PROPERTY TAX ALLOCATION RECEIPTS TO PROPERTY TAX RECEIPTS OVER THE PRIOR THREE FISCAL YEARS. FOR EACH YEAR OF THE CERTIFICATION, MULTIPLY ESTIMATED PROPERTY TAX RECEIPTS BY THE AVERAGE PERCENTAGE OF PROPERTY TAX ALLOCATION RECEIPTS TO CALCULATE THE ESTIMATE.

(5) STATE AND FEDERAL GRANTS;

(a) ESTIMATES MAY INCLUDE THE CONTINUATION OF EXISTING PROGRAMS THAT ARE REASONABLY EXPECTED TO CONTINUE.

(b) ESTIMATES SHALL NOT INCLUDE NEW PROGRAMS THAT HAVE NOT BEEN APPROVED BY THE GRANTING AUTHORITY.

(C) A SCHOOL DISTRICT MAY INCLUDE:

(1) ANTICIPATED PROCEEDS FROM THE ISSUANCE OF DEBT AS ESTIMATED REVENUE FOR THE PURPOSE OF CERTIFICATION.

(2) AS PART OF THE REVENUE, ESTIMATE PROCEEDS FROM BORROWING UNDER SECTION 133.301 OF THE REVISED CODE AT THE PERCENTAGE AUTHORIZED BY THAT STATUTE.

(D) A SCHOOL DISTRICT SHALL NOT INCLUDE:

(1) ADVANCEMENTS MADE UNDER SECTION 3316.20 OF THE REVISED CODE AS A REVENUE SOURCE UNTIL THE ADVANCEMENT HAS BEEN APPROVED BY THE SUPERINTENDENT OF PUBLIC INSTRUCTION.

(2) AS ESTIMATED REVENUE, PROCEEDS FROM BORROWING UNDER DIVISION (H) OF SECTION 133.10 OF THE REVISED CODE FOR PURPOSES OF CERTIFYING THE CURRENT YEAR APPROPRIATION MEASURE.

(E) EACH SCHOOL DISTRICT SHALL MAINTAIN SUFFICIENT DOCUMENTATION TO JUSTIFY EACH CERTIFICATION MADE UNDER SECTION 5705.412 OF THE REVISED CODE AND MUST IDENTIFY THE ACTUAL DATE OF CERTIFICATION:

(1) EACH SCHOOL DISTRICT SHALL MAINTAIN A CONTINUING RECORD OF THE CONTRACTS WHICH HAVE BEEN CERTIFIED. THIS RECORD INCLUDES, BUT IS NOT LIMITED TO, VENDOR NAME, CONTRACT AMOUNT, CONTRACT AMOUNT ALLOCATED BY YEAR, PURCHASE ORDER NUMBER AND DATE.

(2) ALL INFORMATION, RECORDS AND DOCUMENTATION USED TO ESTIMATE AVAILABLE RESOURCES OR ANY CHANGE MADE TO THE FIVE-YEAR (5) PROJECTION INCLUDING, BUT NOT LIMITED TO, THE CURRENT ANNUAL ESTIMATE OF STATE FUNDING, PROPERTY TAX CALCULATIONS, FEE SCHEDULES AND AVERAGE DAILY MEMBERSHIP CALCULATIONS SHALL BE RETAINED BY THE SCHOOL DISTRICT AND BE MADE AVAILABLE TO THE AUDITOR OF STATE OR THE INDEPENDENT PUBLIC ACCOUNTANT AT THE TIME THE SCHOOL DISTRICT IS AUDITED PURSUANT TO SECTION 117.11 OF THE REVISED CODE.

(F) THE CERTIFICATION UNDER SECTION 5705.412 OF THE REVISED CODE SHALL BE BASED ON THE CURRENT FIVE-YEAR (5) PROJECTION. IF THE REVENUE ASSUMPTIONS OR THE REVENUE ESTIMATES USED AS A BASIS FOR THE CERTIFICATE DIFFER FROM THE CURRENT FIVE-YEAR (5) PROJECTION, THE PROJECTION NEEDS TO BE UPDATED TO REFLECT THE NEW INFORMATION. IF THE CERTIFICATE IS ASSOCIATED WITH A CONTRACT OR OBLIGATION THAT RESULTS IN ADDITIONAL COSTS OR CHANGES IN THE EXPENDITURE ASSUMPTIONS IN THE CURRENT FIVE-YEAR (5) PROJECTION, THE PROJECTION MUST BE UPDATED TO REFLECT THE NEW INFORMATION. ANY CHANGE TO THE FIVE-YEAR (5) PROJECTION MUST BE APPROVED BY THE BOARD OF EDUCATION. EACH SCHOOL DISTRICT SHALL MAINTAIN SUFFICIENT DOCUMENTATION TO SUPPORT THESE CHANGES.

NOTE: [CLICK HERE TO DOWNLOAD 5 YEAR FORECAST SPREADSHEETS](#)

GUIDELINES FOR THE FIVE YEAR FORECASTS

General Guidelines

Time period - The forecast is to include three years of historical data and five years of projected data. The first year of projected data will be the year in which the forecast is submitted.

Projected data for the current year should not be based on the current appropriation measure unless those figures are still considered reasonable.

Funds included - The forecast is to include the following funds: general fund, emergency levy fund passed under the provisions of 5705.194, R.C., the textbook fund and the DPIA fund. If a school district has put bus money in a separate fund, that fund should also be included.

Debt payments - Debt payments that were paid from money that otherwise would have gone to the general fund but were diverted to the debt service fund should be included in the historical data as both revenue and principal and interest expenditures.

Entering amounts - All amounts entered into the spreadsheets should be rounded to the nearest dollar.

Transactions between combined funds - The school district should eliminate transfers or advances between funds that are combined in the preparation of the forecast. For example, if general fund revenue was transferred to the debt service fund to pay debt and the activity of the debt service fund is combined with the general fund in the forecast, the transfer in and the transfer-out should be eliminated.

Assumptions - Written assumptions that explain the reasoning behind the projected amounts must be included in the forecast for every major revenue and expenditure category. Sample assumptions are provided as part of the forecast package. The purpose of the sample is to provide an indication of the scope and detail of the required narrative. It is essential that the assumptions that accompany a forecast relate specifically to that school district.

Revenues and Other Financing Sources

Grants-in-Aid - Unrestricted grants-in-aid and restricted grants-in-aid are shown separately, following the recent changes in the 3100 and 3200 USAS receipt codes. Historical information should be presented using the same classifications.

Renewal and replacement levies - Anticipated revenue from the renewal and replacement of existing levies is presented separately from real and personal property tax money. When certifying an appropriation measure, the requirements of section 5705.412, R. C. prohibit including the anticipated revenue from the renewal or replacement of an existing levy unless the levy has actually been approved by the electors and is available for appropriation. The

requirements permit the district to anticipate the renewal or replacement of existing levies when certifying anything other than an appropriation measure.

New levies - A new levy is any levy that does not represent the renewal or replacement of an existing levy. Money from a new levy may never be considered for determining the ability to certify an obligation under the requirements of section 5705.412, R.C. unless the levy has already been passed by the electorate.

Income tax levies - The Auditor of State will treat income tax levies in the same manner as property tax levies. The approval of an existing income tax levy that is scheduled to expire may be anticipated when certifying an obligation; approval may not be anticipated when certifying an appropriation measure.

NOTE: Renewal, replacement and new levies (including income tax levies) are not incorporated into the revenue section until they are passed by the electorate. Prior to their passing they are shown at the bottom of the schedule. The amount anticipated to be received each year is presented in the appropriate line item account. Amounts received in prior years are added to the current year estimate and reported in the "cumulative balance" line.

Property tax allocation - Money received from the homestead and rollback provisions of State statute and for reimbursement of the \$10,000 personal property tax exemption are to be presented separately from the real and personal property tax amounts.

State emergency loans and advancements - Anticipated receipts from advancements are presented at the bottom of the forecast in a separate line until approved. Once approved, the amount may be shown as an other financing source.

Expenditures and Other Financing Uses

The expenditures follow the object codes as defined in USAS. However, intergovernmental expenditures include items charged to function 7600 or 7700 regardless of object. Forecasted debt service expenditures for principal are presented based on the type of debt being repaid following the recent changes in USAS. Principal expenditures for fiscal 96, 97 and 98 are presented on one line - "Principal - All (History Only)".

Cash Balance July 1

The July 1 forecasted cash balance does not include forecasted receipts from replacement, renewal or new levies. It also does not include forecasted receipts from future state advancements.

Reserves of Fund Balance

The forecast includes several reserves of fund balance at the end of each fiscal year. These reserves could represent set-aside money or restricted dollars.

A reserve for set-aside money represents the amount of cash that will be carried forward to the next fiscal year for a particular purpose. The amount represents the amount carried forward from the previous fiscal year, plus the amount of the current year set-aside, minus the amount of the set-aside that will be expended during the current fiscal year, minus any current year receipts that qualify as off-sets. For example, if a school district carried forward \$20,000 of set-aside money reserved for capital improvements from fiscal 1999, was required to set-aside an additional \$75,000 in fiscal 2000, during fiscal 2000 planned to spend \$30,000 for capital improvements, and during fiscal 2000 anticipated receiving \$60,000 in property tax receipts from a section 5705.21 levy, the reserve for capital improvements projected as of June 30, 2000, would be \$5,000. ($\$20,000 + \$75,000 - \$30,000 - \$60,000$).

A reserve for restricted dollars represents amounts included in the unencumbered cash balance which are restricted as to use. For example, DPIA, debt service, property tax advances and bus purchase money.

Certification of Appropriation Measures

When certifying appropriation measures, it is no longer adequate to merely compare the amount of the appropriations to the amount of the amended certificate of estimated revenues. The anticipated reserves of fund balance for the set-asides and the reserve balance allocation must be considered since by law these must be funded, i.e. represented by cash at year-end. To determine appropriate levy money to consider for this certification, see the previous discussion of renewal and replacement levies, new levies and income tax levies.

Certification of Contracts, Salary Schedules and Other Obligations

To determine additional levy money which can be considered for this certification, see the previous discussion of renewal and replacement levies, new levies and income tax levies.

REVENUE ASSUMPTIONS

Property Taxes (General and Tangible Personal)

Property tax revenue estimates are usually based on historical growth patterns, including scheduled updates and reappraisals, and are substantiated by information provided for the upcoming fiscal year from the county auditor. Rates of assumed growth should be disclosed as well as update and reappraisal years. The property tax figures should be based on historical collection levels.

Property tax revenue amounts should not anticipate the automatic passage of a replacement or renewal levy. That means that when a levy is scheduled to expire, the estimated property tax revenue should have a corresponding decline. Although new levies may be proposed during the forecast period, no new levies are to be included in these amounts. New, replacement and renewal levy proceeds should be included on the separate lines provided on the forecast. The year a levy expires as well as the year, duration and proposed rate of new or renewal/replacement levies should be disclosed.

Unusual activities or events that are outside the historical pattern and that result in significant variations from those patterns should be included and disclosed. Examples of such events include required refunds, company bankruptcies or departures, and unusual collection efforts.

Income Tax

Estimates for income tax revenue are based on information provided by the department of taxation. (The only variation from these figures would be based on reasonably anticipated, significant future development that should be related to the enrollment forecasts.)

Disclose the final year of collection or identify the levy as continuing. Collections after the year of expiration should not be included as income tax revenue in following years. New or replacement income tax levy proceeds should be included on the lines provided and duration and rate should be disclosed.

Unrestricted/Restricted Grants-in-Aid

Unrestricted Grants-in-Aid

Revenue from unrestricted grants-in-aid is expected to continue to increase based on the current State formula and anticipated growth based on historical patterns or other indicators included in new legislation. (Any variation should be disclosed and explained).

Restricted Grants-in-Aid

These amounts should remain fairly constant or present increases based on anticipated inflation rates unless there is a specific, disclosed reason for a forecasted increase or decrease.

Property Tax Allocation

The property tax allocation may be calculated as a fixed percentage of property tax receipts. The fixed percentage may be calculated as an average of this percentage from the prior three years. The growth in this revenue parallels the anticipated growth (or decline) in property taxes.

All Other

Revenues from all other sources is based on historical patterns. (Variations, such as the anticipated receipt of an advancement under section 3316.20, R.C. should be disclosed.)

Note Proceeds

Include a description of the debt issued and the code section authorizing the issuance.

Advances and Transfers

Anticipated revenues in these areas are based on historical patterns or should be explained based on changing circumstances.

EXPENDITURE ASSUMPTIONS

Personal Services and Employees' Retirement/Insurance Benefits

The amounts for salaries and benefits should be based on existing negotiated agreements. For periods beyond the current agreements, historical patterns regarding salary and benefit increases should be used. Do not overlook substitutes and extended service.

Any significant additions or deletions should be addressed, such as the opening of a new building, the implementation of an early retirement incentive program or a significant reduction in force.

Purchased Services, Supplies and Other

Anticipated expenditures in these areas are normally based on historical patterns. Variations from historical patterns should be identified and explained.

Capital Outlay

Capital outlay expenditures are based on historical patterns. Variations from historical patterns should be identified and explained.

Significant increases for purchases or construction should be identified and explained. A correlation should exist between construction of new class rooms and projected salaries.

Other, Advances and Transfers

Anticipated expenditures in these areas are normally based on historical patterns.

Debt Service

All debt service requirements will be paid timely. Identify outstanding debt being paid from the funds included in the forecast.

Encumbrances

Estimated encumbrances are normally based on historical patterns and should include the STRS advance.

RESERVE ASSUMPTIONS

The forecast should include an assumption that the district will set aside those amounts required by H.B. 412.

FORECASTING FOUNDATION REVENUE

For the purpose of the forecast, foundation revenue may be split into three components:

- formula aid
- other unrestricted aid
- restricted aid

FORMULA AID

There are four primary factors that have to be addressed when forecasting formula aid. They are:

- formula ADM
- per pupil funding levels
- adjusted cost of doing business factor
- adjusted recognized valuation

FORMULA ADM: A separate handout entitled “Calculation of Formula ADM” may be used to calculate formula ADM using the current statutory definition. Note that for FY 1999, formula ADM now includes both special education and vocational education students. The formula also now includes students placed with an MR/DD board to the extent the number has increased since FY 1998. Forecasted amounts may be based on average rates of growth or decline in prior years and the treasurer’s knowledge of current development within the district.

PER PUPIL FUNDING LEVELS: The level of per pupil funding for the following years is:

FY 2000	\$4,038
FY 2001	\$4,226
FY 2002	\$4,414
FY 2003	\$4,538
FY 2004	\$4,665

ADJUSTED COST OF DOING BUSINESS (ACODB) FACTOR: Adjusted cost of doing business factors have been calculated for each county by the Department of Education and are included as a separate handout.

ADJUSTED RECOGNIZED VALUATION: The adjusted recognized valuation is your district’s total assessed valuation reduced by a portion of the inflationary increase in valuation identified during an update or reappraisal and adjusted based on a comparison of the district’s median income to the statewide school district median income. A district may forecast its adjusted recognized valuation by calculating a ratio between the adjusted recognized valuation to the total assessed valuation in prior years and then applying that ratio to the estimated total valuation in future years.

Example:

	Adjusted Recognized <u>Assessed Valuation</u>	Total <u>Assessed Valuation</u>	<u>Ratio</u>
FY 1997	\$520,000,000	\$560,000,000	.93
FY 1998	525,000,000	590,000,000	.89
FY 1999	530,000,000	602,000,000	.88

(These amounts are available from the SF-12 for 97 and 98 and the SF-3 for 99).

Average ratio = $(.93+.89+.88)/3 = .90$

If for FY 2000, the district forecasts total assessed valuation for purposes of calculating property tax revenue as \$610,000,000, then the district could multiply this amount by .90 for forecasting the adjusted recognized valuation used to calculate formula aid. This same ratio could be used for all years of the forecast.

CALCULATION: The calculation of formula aid once these factors have been determined follows:

Formula ADM X per pupil funding level X ACODB factor	<u> </u>
Minus: Adjusted recognized valuation X .023	<u>()</u>
Forecasted formula aid	<u> </u>

OTHER UNRESTRICTED AID

Other unrestricted aid includes the special education weighted calculation, unrestricted DPIA, extended service, gifted, transportation and equity funding. A district may use current amounts or current amounts adjusted for inflationary increases for each of these components except equity funding. Equity funding is being phased out. For FY 1999, 228 low wealth district will receive this funding. In FY 2000, the number is reduced to 162; for FY 2001, the number is 117; and for FY 2002, the number is 0. The current list of districts by valuation per pupil is available on the Department of Taxation's web site at www.state.oh.us/tax under the heading statistics. Funding is at 12 mills for FY 99, 11 for FY 2000 and 10 for FY 2001. A separate handout entitled "Forecasting Equity Aid" may be used to calculate this figure.

GUARANTEE DISTRICTS

Districts that are subject to the guarantee should forecast unrestricted grants-in-aid as line 16 of the SF-3 minus 70% of DPIA received for fiscal 98. This amount may be used for each year of the forecast that the district believes it will be subject to the guarantee.

OHIO DEPARTMENT OF EDUCATION - Division of School Finance

Formula Amounts and Adjusted Cost of Doing Business Factors

		FY2000	FY2001	FY2002	FY2003	FY2004
Formula Amount		\$4,038.00	\$4,226.00	\$4,414.00	\$4,538.00	\$4,665.00
CDB Multiplier		12.4/7.5	13.8/7.5	15.2/7.5	16.6/7.5	18.0/7.5
County	Base Year CDB	FY2000	FY2001	FY2002	FY2003	FY2004
Adams	1.0100	1.0165	1.0184	1.0203	1.0221	1.0240
Allen	1.0272	1.0450	1.0500	1.0551	1.0602	1.0653
Ashland	1.0362	1.0599	1.0666	1.0734	1.0801	1.0869
Ashtabula	1.0540	1.0893	1.0994	1.1094	1.1195	1.1296
Athens	1.0040	1.0066	1.0074	1.0081	1.0089	1.0096
Auglaize	1.0300	1.0496	1.0552	1.0608	1.0664	1.0720
Belmont	1.0101	1.0167	1.0186	1.0205	1.0224	1.0242
Brown	1.0218	1.0360	1.0401	1.0442	1.0483	1.0523
Butler	1.0662	1.1095	1.1218	1.1342	1.1465	1.1589
Carroll	1.0180	1.0298	1.0331	1.0365	1.0398	1.0432
Champaign	1.0432	1.0714	1.0795	1.0876	1.0956	1.1037
Clark	1.0489	1.0808	1.0900	1.0991	1.1082	1.1174
Clermont	1.0498	1.0823	1.0916	1.1009	1.1102	1.1195
Clinton	1.0287	1.0475	1.0528	1.0582	1.0635	1.0689
Columbiana	1.0320	1.0529	1.0589	1.0649	1.0708	1.0768
Coshocton	1.0224	1.0370	1.0412	1.0454	1.0496	1.0538
Crawford	1.0174	1.0288	1.0320	1.0353	1.0385	1.0418
Cuyahoga	1.0725	1.1199	1.1334	1.1469	1.1605	1.1740
Darke	1.0360	1.0595	1.0662	1.0730	1.0797	1.0864
Defiance	1.0214	1.0354	1.0394	1.0434	1.0474	1.0514
Delaware	1.0512	1.0847	1.0942	1.1038	1.1133	1.1229
Erie	1.0414	1.0684	1.0762	1.0839	1.0916	1.0994
Fairfield	1.0383	1.0633	1.0705	1.0776	1.0848	1.0919
Fayette	1.0281	1.0465	1.0517	1.0569	1.0622	1.0674
Franklin	1.0548	1.0906	1.1008	1.1111	1.1213	1.1315
Fulton	1.0382	1.0632	1.0703	1.0774	1.0845	1.0917
Gallia	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Geauga	1.0608	1.1005	1.1119	1.1232	1.1346	1.1459
Greene	1.0418	1.0691	1.0769	1.0847	1.0925	1.1003
Guernsey	1.0091	1.0150	1.0167	1.0184	1.0201	1.0218
Hamilton	1.0750	1.1240	1.1380	1.1520	1.1660	1.1800
Hancock	1.0270	1.0446	1.0497	1.0547	1.0598	1.0648
Hardin	1.0384	1.0635	1.0707	1.0778	1.0850	1.0922
Harrison	1.0111	1.0184	1.0204	1.0225	1.0246	1.0266
Henry	1.0389	1.0643	1.0716	1.0788	1.0861	1.0934
Highland	1.0177	1.0293	1.0326	1.0359	1.0392	1.0425
Hocking	1.0164	1.0271	1.0302	1.0332	1.0363	1.0394
Holmes	1.0275	1.0455	1.0506	1.0557	1.0609	1.0660
Huron	1.0348	1.0575	1.0640	1.0705	1.0770	1.0835

Jackson	1.0176	1.0291	1.0324	1.0357	1.0390	1.0422
Jefferson	1.0090	1.0149	1.0166	1.0182	1.0199	1.0216
Knox	1.0276	1.0456	1.0508	1.0559	1.0611	1.0662
Lake	1.0627	1.1037	1.1154	1.1271	1.1388	1.1505
Lawrence	1.0154	1.0255	1.0283	1.0312	1.0341	1.0370
Licking 1.0418	1.0691	1.0769	1.0847	1.0925	1.1003	
Logan	1.0376	1.0622	1.0692	1.0762	1.0832	1.0902
Lorain	1.0573	1.0947	1.1054	1.1161	1.1268	1.1375
Lucas	1.0449	1.0742	1.0826	1.0910	1.0994	1.1078
Madison	1.0475	1.0785	1.0874	1.0963	1.1051	1.1140
Mahoning	1.0465	1.0769	1.0856	1.0942	1.1029	1.1116
Marion	1.0289	1.0478	1.0532	1.0586	1.0640	1.0694
Medina 1.0656	1.1085	1.1207	1.1329	1.1452	1.1574	
Meigs	1.0016	1.0026	1.0029	1.0032	1.0035	1.0038
Mercer	1.0209	1.0346	1.0385	1.0424	1.0463	1.0502
Miami	1.0456	1.0754	1.0839	1.0924	1.1009	1.1094
Monroe	1.0152	1.0251	1.0280	1.0308	1.0336	1.0365
Montgomery	1.0484	1.0800	1.0891	1.0981	1.1071	1.1162
Morgan	1.0168	1.0278	1.0309	1.0340	1.0372	1.0403
Morrow	1.0293	1.0484	1.0539	1.0594	1.0649	1.0703
Muskingum	1.0194	1.0321	1.0357	1.0393	1.0429	1.0466
Noble	1.0150	1.0248	1.0276	1.0304	1.0332	1.0360
Ottawa	1.0529	1.0875	1.0973	1.1072	1.1171	1.1270
Paulding	1.0216	1.0357	1.0397	1.0438	1.0478	1.0518
Perry	1.0185	1.0306	1.0340	1.0375	1.0409	1.0444
Pickaway	1.0350	1.0579	1.0644	1.0709	1.0775	1.0840
Pike	1.0146	1.0241	1.0269	1.0296	1.0323	1.0350
Portage	1.0595	1.0984	1.1095	1.1206	1.1317	1.1428
Preble	1.0523	1.0865	1.0962	1.1060	1.1158	1.1255
Putnam	1.0308	1.0509	1.0567	1.0624	1.0682	1.0739
Richland	1.0232	1.0384	1.0427	1.0470	1.0513	1.0557
Ross	1.0111	1.0184	1.0204	1.0225	1.0246	1.0266
Sandusky	1.0361	1.0597	1.0664	1.0732	1.0799	1.0866
Scioto	1.0082	1.0136	1.0151	1.0166	1.0181	1.0197
Seneca	1.0265	1.0438	1.0488	1.0537	1.0587	1.0636
Shelby	1.0274	1.0453	1.0504	1.0555	1.0606	1.0658
Stark	1.0330	1.0546	1.0607	1.0669	1.0730	1.0792
Summit	1.0642	1.1061	1.1181	1.1301	1.1421	1.1541
Trumbull	1.0465	1.0769	1.0856	1.0942	1.1029	1.1116
Tuscarawas	1.0109	1.0180	1.0201	1.0221	1.0241	1.0262
Union	1.0488	1.0807	1.0898	1.0989	1.1080	1.1171
Van Wert	1.0181	1.0299	1.0333	1.0367	1.0401	1.0434
Vinton	1.0065	1.0107	1.0120	1.0132	1.0144	1.0156
Warren	1.0678	1.1121	1.1248	1.1374	1.1501	1.1627
Washington	1.0124	1.0205	1.0228	1.0251	1.0274	1.0298
Wayne	1.0446	1.0737	1.0821	1.0904	1.0987	1.1070
Williams	1.0316	1.0522	1.0581	1.0640	1.0699	1.0758
Wood	1.0431	1.0713	1.0793	1.0873	1.0954	1.1034
Wyandot	1.0227	1.0375	1.0418	1.0460	1.0502	1.0545

EQUITY AID CALCULATION

Necessary Information:

1. *Threshold Valuation Per Pupil*
 - a. FY98 - 229th lowest school district's adjusted valuation per pupil (\$62,202)
 - b. FY99 - 163rd lowest school district's adjusted valuation per pupil (estimated to be \$58,125)
 - c. FY00 - 118th lowest school district's adjusted valuation per pupil (estimated to be \$55,699)

2. *Adjusted Valuation Per Pupil*
 - a. The average of your District's prior 3 years' total assessed valuations (for FY99, need FY96, 97, and 98)
 - b. Your District's Prior Year Formula ADM
 - c. Income Factor:
Your District's Median Income and the Statewide School District Median Income. The Department of Taxation will provide new median income data for TY96 to be used in subsequent calculations. (The current factor may be used for future years until new information becomes available.)

3. *Equity Aid Millage Rate*
 1. FY99- 12 mills (0.012)
 2. FY00- 11 mills (0.011)
 3. FY01- 10 mills (0.010)

Calculations:

I. To determine your District's Adjusted Valuation per pupil:

Adjusted Valuation per pupil = (The average of your District's prior three total assessed valuations/your District's prior year ADM) - 30,000 x (1- income factor)

Step 1: Average of prior three total assessed valuations

Add:	assessed valuation for FY X1 \$ _____		
	assessed valuation for FY X2 _____		
	assessed valuation for FY X3 + _____		
	Total		<u>\$ _____</u> (A)

Divide:	_____ (A)		
	3	=	_____ (B)

Step 2:

Divide:	_____ (B)		
	prior year's ADM	=	_____ (C)

Multiply:	\$30,000 x (1 - *income factor)		
		=	_____ (D)

Subtract:	(C) - (D)		
		=	_____ (E)

*where the income factor = Your District's Median Income/Statewide School District Median Income

II. To determine your District's FYX4 Equity Aid:

FYX4 Equity Aid = FYX4's Threshold Valuation Per Pupil - your District's Adjusted Valuation Per Pupil x FYX4's Equity Aid Millage Rate x your District's Prior Year ADM

Step 1:

Subtract:	FYX4's threshold valuation per pupil - Your District's adjusted valuation per pupil (E above)		
		=	_____ (A)

Multiply:	(A) x equity aid millage rate for current year		
		=	_____ (B)

Multiply:	(B) x your district's prior year ADM		
		=	_____ (C)

PROJECTING FORMULA AID FOR SET ASIDES

Definition of Formula for Set Asides:

State basic aid for the regular student population plus adjustments pursuant to divisions (B), (C) and (D) of section 3317.03.

Formula for Calculation of Formula for the Regular Student Population:

Regular student population X amount per student X adjusted cost of doing business factor minus adjusted recognized valuation x .023 x regular student population/formula ADM

Definition of Regular Student Population (3317.023 (A) (4)):

Formula ADM plus open enrollment students attending the district minus students reported under 3317.023 (A) (2), minus the FTE of students reported under divisions (B) (5), (6), (7), or (8) of 3317.023 who are enrolled in a vocational education class or receiving special education and minus one-fourth of students enrolled concurrently in a JVSD.

CALCULATION OF REGULAR STUDENT POPULATION

FORMULA ADM:

On an FTE basis, all students in grades 1 - 12 receiving educational services from the district plus half of all kindergarten students. _____

Subtract: Students receiving educational services from the district who are:

- Enrolled in adult education classes _____
- Enrolled under open enrollment (3313.98) _____
- Receiving services under a compact, cooperative agreement, or contract but who are entitled to attend school in another district (3313.64, 3313.65) _____
- Tuition students (3317.081, 3323.141) _____

(_____)

Add: Students entitled to attend school in the district but receiving educational services in grades k - 12 from:

- A community school _____
- Cleveland scholarship pilot project _____
- A college under post-secondary option _____
- Another district under open enrollment _____
- An ESC or cooperative education district _____
- Another district under a compact, cooperative agreement or contract _____

Add: One fourth of the FTE students enrolled in a JVSD _____

Add: The difference between the number of handicapped children, other than handicapped preschool children,

Who are placed with a county MR/DD board _____
Who were placed with an MR/DD board in fiscal 1998 (_____) _____
(If this number is negative, use zero)

TOTAL FORMULA ADM _____

- ADD: OPEN ENROLLMENT STUDENTS ATTENDING THE DISTRICT _____

SUBTRACT: STUDENTS REPORTED UNDER 3317.023 (A) (2) (students entitled to attend school in the district but receiving educational services in grades k - 12 from):

A community school _____
Cleveland scholarship pilot project _____
A college under post-secondary object _____
Another district under open enrollment _____
An ESC or cooperative education district _____
Another district under a compact, cooperative agreement
or contract _____

SUBTRACT: THE FTE OF STUDENTS REPORTED UNDER DIVISIONS (B) (5), (6), (7), or (8) of 3317.023:

Special education category 1 students _____
Special education category 2 students _____
Special education category 3 students _____
Students enrolled in vocational education programs
operated by the district, or another district other
than a JVSD, or by an ESC _____

)
SUBTRACT: ONE FOURTH OF THE FTE STUDENTS ENROLLED IN A JVSD (_____
)

REGULAR STUDENT POPULATION _____

CALCULATION OF FORMULA FOR THE REGULAR STUDENT POPULATION

Regular student population x amount per student x A.C.O.D.B.F. _____

Adjusted recognized valuation x .023 x regular student population / formula adm (_____
)

FORMULA AID FOR THE REGULAR STUDENT POPULATION _____

CALCULATION OF FORMULA AID FOR SET ASIDES

Formula Aid for the Regular Student Population _____

Subtract: Adjustments pursuant to division (B) of section 3317.03:

1. Number of FTE classroom teachers x 25 _____

2. Line 1. minus the regular student population _____

3. Line 2. x \$752 _____ (_____

)

Add: Adjustments pursuant to division (C) of section 3317.03:

1. Mean annual salary of all FTE classroom teachers employed by the district _____

2. Mean annual salary of all such teachers for all school districts receiving payment under this section _____

3. Line 1. minus line 2. _____

4. Line 3. x one half the number of FTE classroom teachers _____

Subtract: Adjustments pursuant to division (D) of section 3317.03:

1. Number of FTE educational service personnel divided by five one-thousandths _____

2. Line 1. minus the regular student population _____

3. Line 2. x \$94 _____ (_____

)

Calculated formula aid for set asides _____

Formula aid for set asides from the previous fiscal year x 1.10 _____

FORMULA AID FOR SET ASIDES (The lesser of the calculated formula aid and last year's formula aid for the regular student population multiplied by 1.10) _____

If the school district is under the guarantee, use line 11 of the SF-12 for fiscal 1998 as the formula aid to be used in calculating the base. Use this amount for as many years as you think you will be on the guarantee.

QUESTIONS AND ANSWERS

FIVE-YEAR FORECAST

- 1. Should revenues from new or replacement levies stay at the bottom of the forecast or in subsequent years be moved up to property taxes?**

These receipts should remain at the bottom of the forecast until passed.

- 2. We renewed a levy that is part operating and part permanent improvement. The board changed the allocation of the millage. How should this be presented on the forecast?**

The portion that is for operating should be presented as revenue from a renewal levy at the bottom of the forecast. Any significant change in revenue should be explained in the assumptions.

- 3. What software will be used to generate these forecasts? When will it be available?**

The idea is to have software available on USAS. The system will pull in the required prior year amounts and the district will enter the projected figures. The software is being worked on and should be available for the first forecast required to be submitted to the Department of Education by December 31. However, since school districts are required to be certifying contracts under Revised Code Section 5705.412, they should be creating forecasts internally to determine if certification is appropriate.

- 4. Requirements for updated forecast submission - if net 5% change from original projections. Is that in any one year or in all five years?**

This is in any one year.

- 5. Does forecast have to be approved by the board?**

The forecast must be approved by the board because it also serves as the basis for certifying under 5705.412, Revised Code. If the revenue assumptions or the revenue estimates used as a basis for the certificate differ from the current five-year forecast, the forecast must be updated to reflect the new information. If the certificate is associated with a contract or obligation that results in additional costs or changes in the expenditure assumptions in the current five-year forecast, the forecast must be updated to reflect the new information. Any change to the five-year forecast must be approved by the board of education. Each school district must maintain sufficient documentation to support these changes.

- 6. Our district does not receive permanent appropriations from County Auditor until**

January or February. When should we submit our forecast?

It still needs to be submitted by December 31.

- 7. We received a suggestion to switch placement of items on forecast document: Switch “Fund balance at 6/30 for certification of appropriations” with “Fund balance at 6/30 for certification of contracts, salary schedules, etc.” It was suggested that the switch would make the forecast more consistent with the SM-7.**

The forecast has been designed to match legal requirements.

- 8. Will the forecast format calculate base for set-asides?**

The original design would allow for such a calculation, however since several additional items have been identified as part of the base (such as revenues in lieu of taxes and income taxes shared with a city) this is no longer possible.

5705.412 CERTIFICATIONS

- 9. Clarify the rule on which contracts must be accompanied by a certificate. Define “contract” in the rule and set materiality standards for which contracts must have a certificate. Consider giving more information about the types of contracts AOS auditors would examine for compliance.**

Each board of education should establish a policy for which contracts require a certificate under Revised Code Section 5705.412. This policy should be created in consultation with legal counsel. Audit will review the five types of contracts listed in the rule and other major written contracts entered into during the year by the district.

- 10. If I certify a contract that only lasts for a year, what period does the certification cover? The statute says the length of the contract or the current fiscal year plus the next two fiscal years, whichever is longer.**

The certification would cover the current fiscal year plus the next two fiscal years even though the contract lasts one year. For example, the certificate for a contract entered into on July 15, 1999, would cover the remainder of the 2000 fiscal year and fiscal year 2001 and fiscal year 2002, even if the contract itself only covered fiscal year 2000.

- 11. My board wants to enter into a new negotiated contract but we are not able to certify it because it generates a deficit in the last year of the contract. Is there any way we could certify under 5705.412?**

The contract may be certified if it contains a provision that expressly grants to the board the unilateral authority to make necessary reductions or reductions in force that would

allow the contract to fall within anticipated resources. The reductions have to be reductions in the payments that would need to be made under this contract. The five year forecast would have to be revised to identify as part of the assumptions the reductions the board would make. These reductions would be carried forward into the forecasted expenditures. This would eliminate the forecasted deficit and would allow the district to certify the agreement. The new forecast would have to be approved by the board.