North Royalton City School District

Five Year Forecast
Fiscal Years 2015 - 2019

May 2015

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Five-Year Forecast
Fiscal Years 2015 - 2019

May 2015

Notes to the Five-Year Forecast

Note 1 - Nature and Purpose of Presentation

This financial projection presents, in accordance with the mandates of House Bill No. 412 (H. B. 412), the expected revenues, expenditures, and fund balance of the General Fund of the North Royalton City School District (the "District") for each of the fiscal years ending June 30, 2015 through June 30, 2019, with historical information presented for the fiscal years ended June 30, 2012, 2013, and 2014.

A. Basis of Accounting

This financial projection has been prepared on the cash receipts and disbursements basis, which is the required basis (non-GAAP) of accounting used for budgetary purposes. Under this system, revenues are recognized when received rather than when earned, and expenditures are recognized when paid rather than when the obligation is incurred. Under Ohio law, the District is also required to encumber legally binding expenditure commitments and to make appropriations for the expenditure and commitment of funds.

B. Fund Accounting

The District maintains its accounts in accordance with the principals of "fund" accounting. Fund accounting is used by governmental entities, such as school districts, to report financial position and the results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions and activities. The transactions of each fund are reflected in a self-balancing group of accounts, which presents an accounting entity that stands separate from the activities reported in other funds. The General Fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is disbursed or transferred in accordance with Ohio law. The assumptions disclosed herein are those that the District believes are significant to the projection. However, because circumstances and conditions assumed in projections frequently do not occur as expected, and are based on information existing at the time projections are prepared, there will usually be differences between projected and actual results.

Note 2 - Description of the School District

A. The Board of Education and Administration

The Board of Education of the North Royalton City School District (the "Board") is a political and corporate body charged with the responsibility of managing and controlling the operations of the District, and is, together with the School District, governed by the general laws of the State of Ohio (the "Ohio Revised Code"). The Board is comprised of five members who are locally-elected to overlapping four-year terms. The Board elects its President and Vice President annually, and appoints two officials: the Superintendent, who serves as the Chief Executive Officer, and the Treasurer, who serves as the Chief Financial Officer.

B. The School District and its Facilities

The School District is located in a suburban area south of Cleveland, Ohio. It is located in Cuyahoga County and encompasses nearly all of the City of North Royalton and a portion of the City of Broadview Heights. It is staffed by 247 classified employees and 310 certified personnel who provide services to 4,647 students and other school district residents. The School District currently operates three elementary schools, one middle school, one high school, an administrative building, a maintenance facility and a transportation facility. The district also leases four buildings from the City of Broadview Heights. These four facilities, the Early Childhood Center, provide a learning environment for all kindergarten and preschool students in the district. These facilities also provide office space for the Pupil Services Department.

Note 3 – National, State and Local General Assumptions

A number of general assumptions about the national, state and local economies are factored into this forecast. In addition, assumptions regarding federal and state legislation are included. These assumptions are:

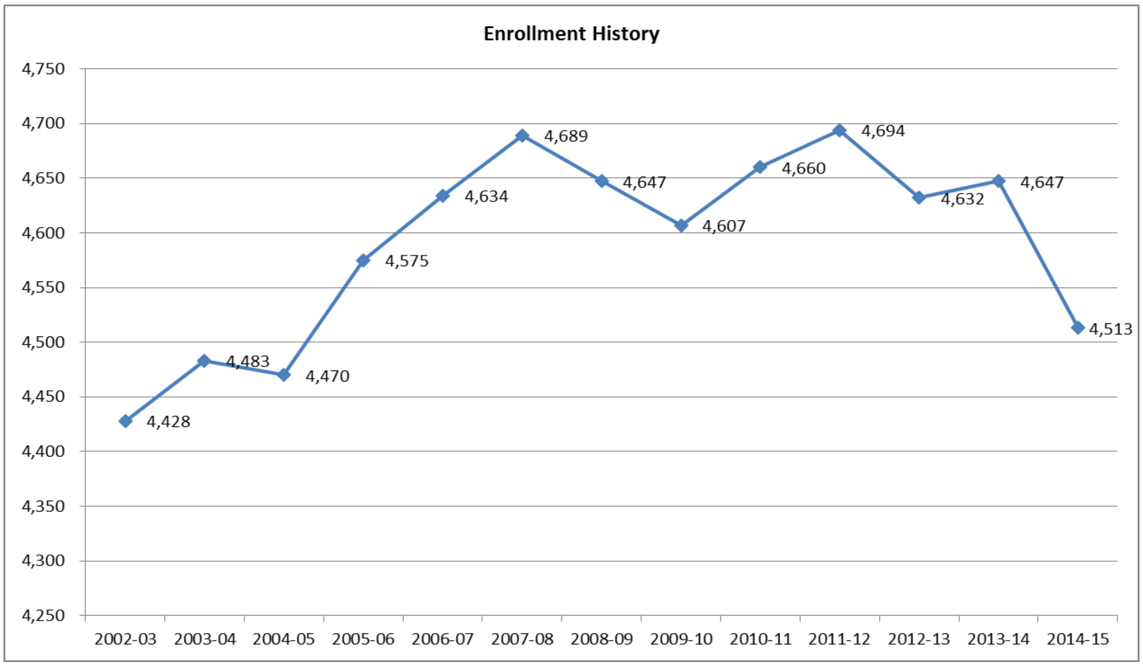
- The local and national economy will continue to improve on the same pace as we have witnessed over historical past.
- Core inflation will continue to rise modestly as projected.
- The federal government will not enact legislation that thrusts new unfunded mandates onto school districts without providing funds to implement the legislation.
- The Ohio General Assembly will not adopt legislation that will radically alter the funding method currently in place nor will they enact legislation that requires new programs or higher levels of expenditures than those projected.

Note 4 – Enrollment and Staffing Assumptions

Summarized below are the significant general assumptions underlying the financial forecast.

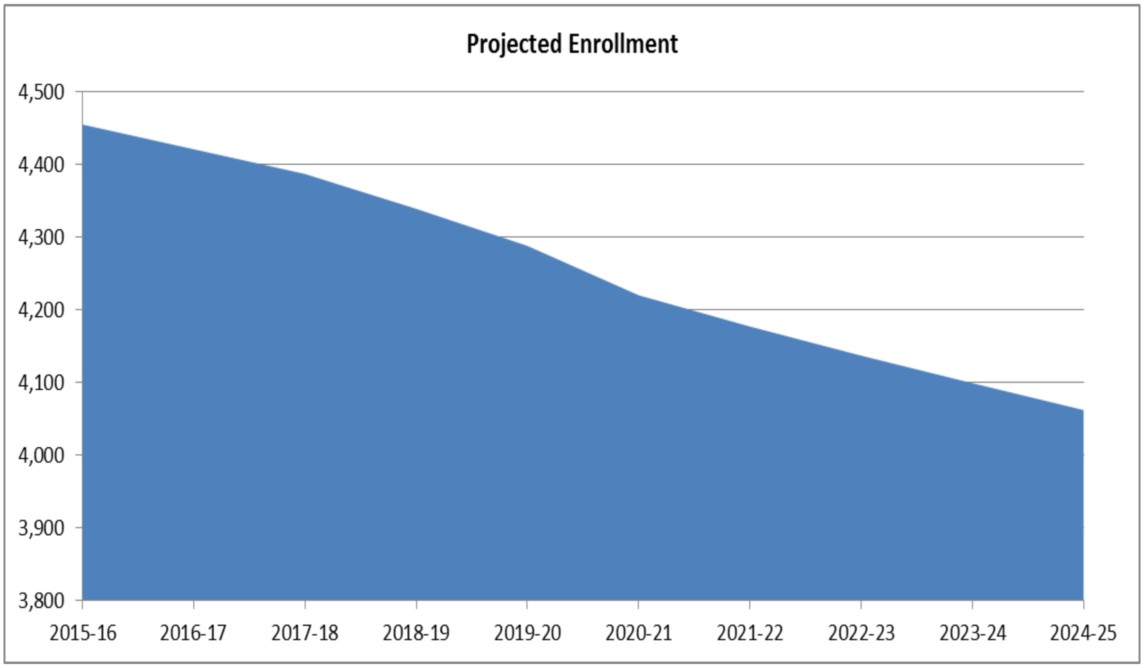
A. Enrollment/Average Daily Membership (ADM)

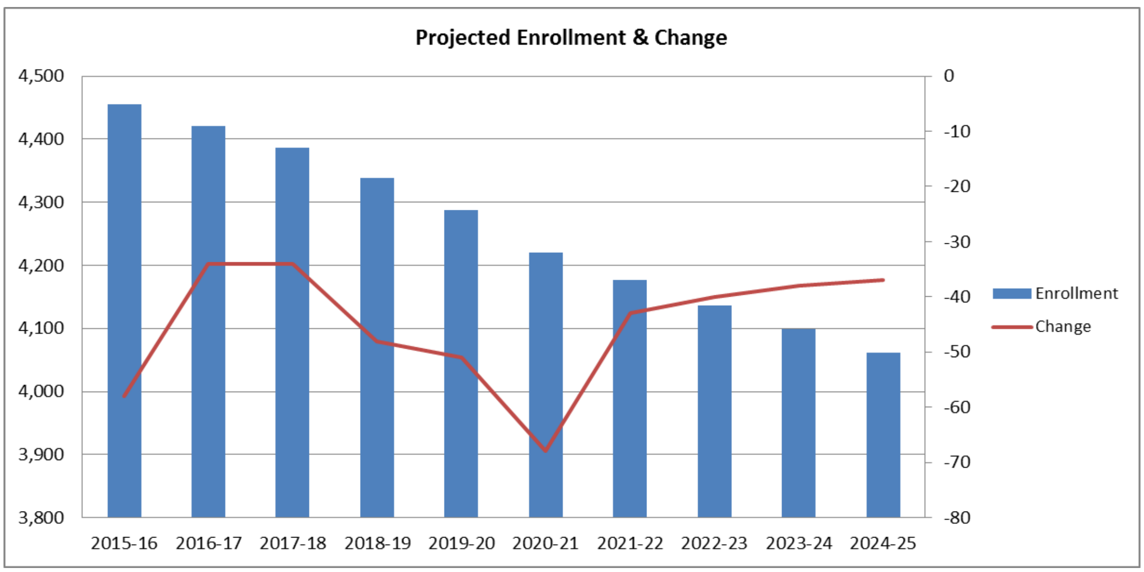
Enrollment refers to the number of students registered with the District with the expectation to attend school. Average Daily Membership (ADM) is the number of full time equivalent (FTE) students for which the State funds the District. ADM is a smaller number than enrollment typically due to unexcused absences by enrolled students during the year, which used to be the first full week of October resulting in the State's official ADM count week.



The District commissioned Future Think formerly DeJong-Healy to update the enrollment projections in 2003, 2004, 2007, 2008, 2012, and again in April 2015. The enrollment projections were completed on three levels, a low, moderate and high projection. Each takes into account fluctuations in live birth rates, cohort survival ratios, housing developments and economic conditions.

This forecast reflects the district experiencing enrollment decline at a moderate level of the projections completed by Future Think. The following estimates of enrollment are incorporated in the forecast using the present enrollment and the moderate growth rate reflected in the projection for grades preschool through 12, fiscal 2016 – 4,495; fiscal 2017 – 4,4421; fiscal 2018 – 4,387; fiscal 2019 – 4,4339 and fiscal 2020 – 4,288.





B. Staffing

Staffing assumptions have changed significantly over the last several years in response to legislative and budgetary adjustments. At the beginning of the 2008-2009 fiscal year the District employed 595 staff members. In response to the failure of the November 2008 operating levy the District reduced staff via reductions in force provisions in the negotiated agreements. Following the approval of the operating levy in May 2009 the District continued to monitor and reduce staff through attrition when and where possible with the goal of extending the operating levy as long as possible while minimizing the impact on student achievement levels.

The revenue reductions contained in the State's 2012 – 2013 biennium budget reinforced the need to keep staffing levels at reduced levels. Since the beginning of the 2008-2009 fiscal year the District has reduced certificated staff by 23 positions and support staff positions by 13. This forecast does not include adding any additional staff throughout the forecast period, but also does not reflect the reduction of any additional staff. Enrollment levels will dictate staffing levels.

Revenue Assumptions

The District's primary sources of revenue are from the levying of property taxes on real and personal property located within the District boundaries, and from the State of Ohio through the State Foundation program. The following notes provide information with respect to the revenue categories.

Note 5 - Property Taxes (Lines 1.01 & 1.02)

A. General Property (Real) and Tangible Personal Property Taxes

Property taxes are levied and assessed on a calendar year basis and include amounts levied against all real public utility, and tangible personal (used in business) property located in the school district. Assessed values for real property taxes are established by state law at 35% of the appraised market value. All real property is required to be revalued every six years and updated mid-way through the six-year period.

In 1976, during periods of high inflation, the Ohio General Assembly passed House Bill No. 920. This law provides that real property owners receive tax credits equal to any tax increase caused by an increase in value of all real property in taxing districts as a result of reappraisal, update or readjustment. This does not apply to inside non-voted millage, tangible personal property or public utility personal property. In effect, House Bill 920 removes inflationary revenue growth from the applicable real property by requiring an adjustment to the voted millage rate, thereby resulting in a lower effective millage rate. The law further provides that the total of a district's inside millage and effective outside voted millage cannot be reduced under twenty mills. The District's general fund millage has been reduced through this process to an effective 21.3 mills on residential and agricultural properties.

Senate Bills 3 and 287 reduced the listing percentages on electric utility and natural gas utility tangible personal property from 88 percent to 25 percent. These changes took place in tax year 2001. The lower listing percentages resulted in large decreases in the taxable value of the effected property. The bills contained a hold harmless provision to theoretically prevent schools and other local governments from seeing lower tax revenue as a result of the lower taxable values.

The State Department of Taxation has calculated that the North Royalton City Schools realized a reduction in their public utility taxable value of approximately $7,525,527 which corresponds to a revenue loss of $346,927. The State of Ohio will reimburse the district in the amount of $160,000 directly with the remaining impact being calculated into the state foundation formula.

The hold harmless provision of these bills stayed in effect for five years, expiring in fiscal 2007.

At that point a calculation was made by the Department of Taxation to determine if further reimbursement is required. First a determination was made of the increase in school aid between fiscal year 2002 and the current fiscal year. That amount was then compared with the school district loss calculated in O.R.C. 5727.84, adjusted for inflation from January 1, 2002 to June 30th of the current year. If the school aid increase was greater than the inflation adjusted loss, no further reimbursement payments are made. If the inflation adjusted loss was greater, full reimbursements are made during the following tax year. This determination is repeated each year through 2016. No reimbursements are made after 2016.

The Governor's fiscal 2012 – 2013 budget eliminated this reimbursement. The forecast reflects this loss of revenue effective with fiscal 2012.

The Property Tax Administration Fund was created in the Department of Taxation by a provision in House Bill 95. This fund will be used to pay the Department's costs of administering the property taxes and overseeing the equalization of real property values. Local taxing districts will see their tax revenues reduced by the following formula to fund this new provision:

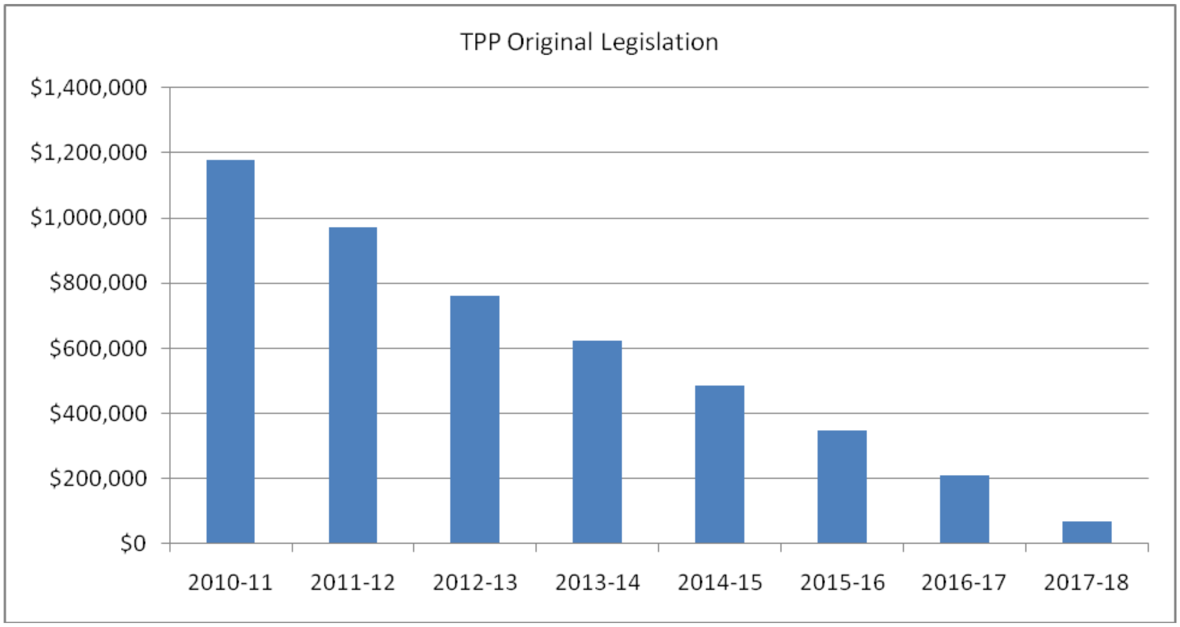
- 0.3% of the 10% real property rollback reimbursement,
- 0.15% of the taxes charged against public utility personal property,
- 0.75% of the taxes charged against tangible personal property of businesses with property in more than one county.

This provision reduced district tax collections approximately $25,000 each year.

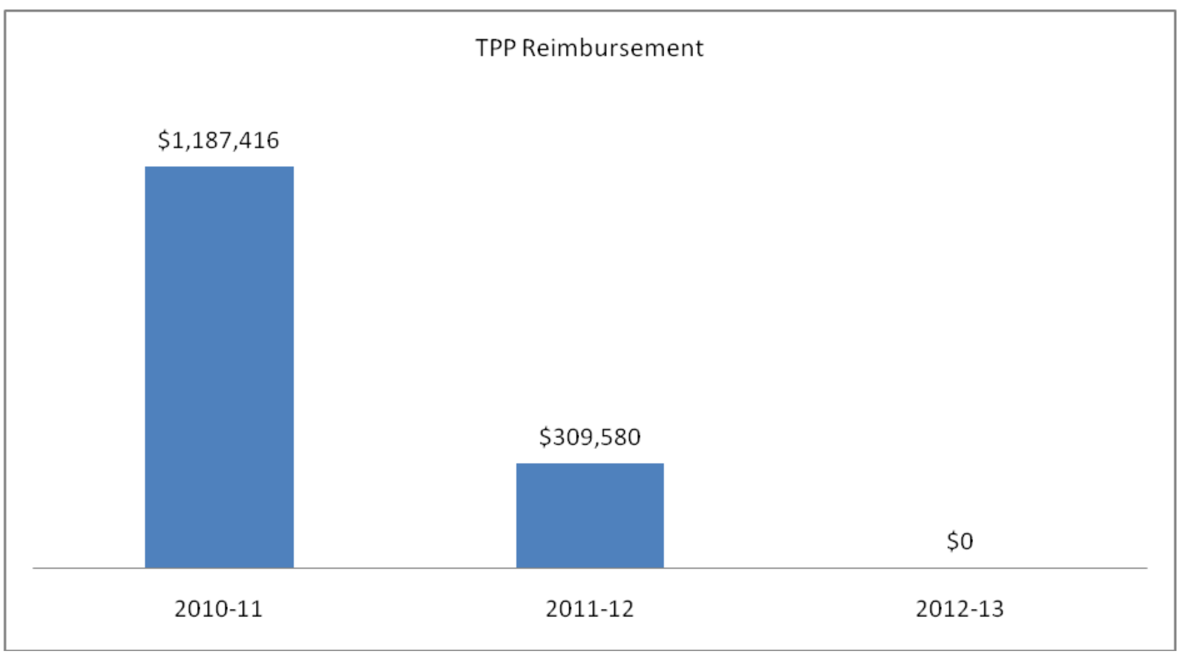
House Bill 66, the state budget bill for fiscal years 2006 and 2007, contained a number of significant changes to the tax structure of the state. This legislation repealed the corporate franchise tax and the tangible personal property tax. It created a completely new tax on business – the Commercial Activities Tax.

The most significant effect of H.B. 66 on school districts, as far as the tax restructuring, is the elimination of the tangible personal property tax. State wide this tax supplies $1.7 billion to local governments with the majority of that, over $1 billion, going to school districts. The tax will be phased out over five years and there is a reimbursement mechanism included in the bill.

The 2010-2011 biennium budget contained a provision to fund the reimbursement at the full amount during the 2012-2013 biennium budget. The October 2010 forecast assumed that this provision would not remain and the original phase out schedule would be reinstituted.



The 2012-2013 state biennium budget accelerated this phase out. In our situation the reimbursement went from just under $1.2 million in fiscal 2011 to $300,000 in fiscal 2012 and nothing the year after.



A few years ago there was discussion among some state legislators about pooling all the tangible personal property tax in the state and then redistributing it on a per pupil basis. This came to be called the Robin Hood proposal because it would have taken taxes from local school districts where businesses were located and sent those dollars across the state. That proposal was rejected. The reimbursement that local districts are now receiving is based on what was once locally generated taxes. The State is responsible for taking those dollars and redistributing to the various school districts.

Prior to H.B. 95 all taxpayers owning personal property with a taxable value of less than $10,000 were required to file a return and were exempt from paying taxes on that amount. The state reimbursed local taxing districts for the revenue lost due to the $10,000 exemption. Beginning in tax year 2004 this state reimbursement began to be phased-out over ten years. The phase-out of the exemption reimbursement reduced general fund revenue by approximately $22,000 each year and this was to continue through 2012. H.B. 66 contained a provision to accelerate the phase out which ended the reimbursement in 2008. To recap, in 2002 the District received $234,000 from this source which was completely eliminated by 2008.

H.B. 66 also contained a provision to eliminate the 10% rollback on real property owned by businesses. This provision is effective in calendar 2006. Previous to this businesses received this credit in the same manner as did residential homeowners. Homeowners also receive a 2 ½% credit on their primary residence. This change, while revenue neutral to the school district, is an effective 10% property tax increase to businesses. The change is reflected in the forecast by moving this revenue from line 1.05 Property Tax Allocation to line 1.01 General Property Tax.

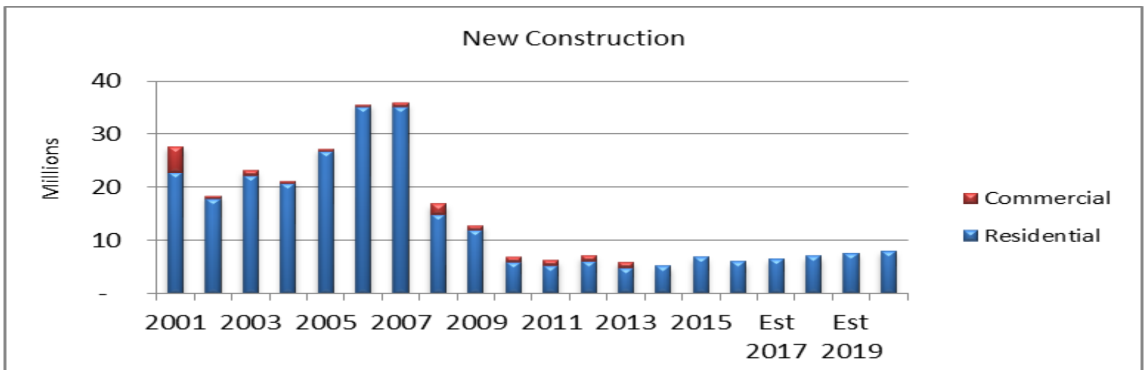
Estimates for real property tax revenue are based on the most recent information from the Cuyahoga County Fiscal Office and historical patterns. The sexennial reappraisal of property values by the Cuyahoga County Fiscal Office was completed during calendar year 2012. Reflecting the decline of property values from the financial crisis of 2008 that reappraisal resulted in the reduction of assessed property values in the amount of $28,000,000. While significant, that reduction was on the low end of those across the county. The next triennial update will take place in 2015. The forecast reflects the assumption that this update will increase residential and commercial values by .75%.

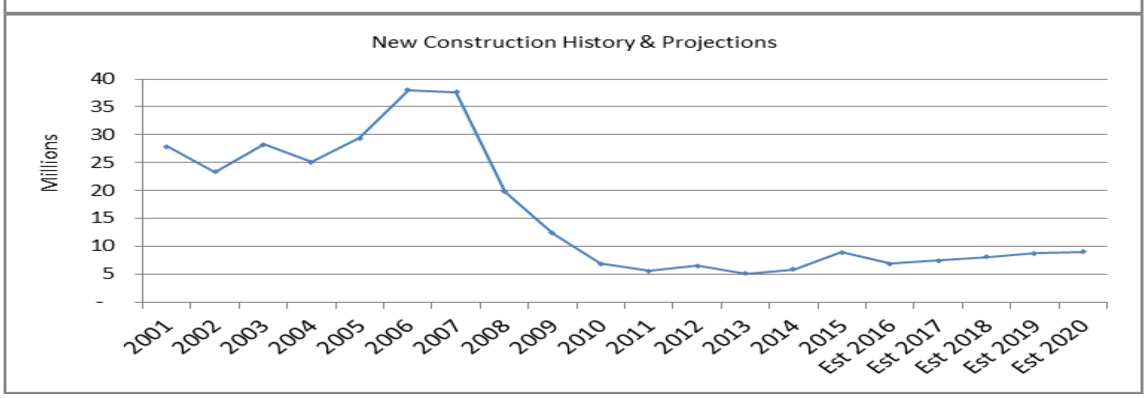
The cities of North Royalton and Broadview Heights continue to attract new residents. An ample supply of developable land in both cities has resulted in significant new residential construction over the past decade. The New Hampton development in Broadview Heights added 604 new homes alone. The bursting of the housing bubble and the following fiscal crisis has dramatically slowed new construction here as in other communities. The forecast assumes the recovery will be slow and measured reflecting limited new construction.

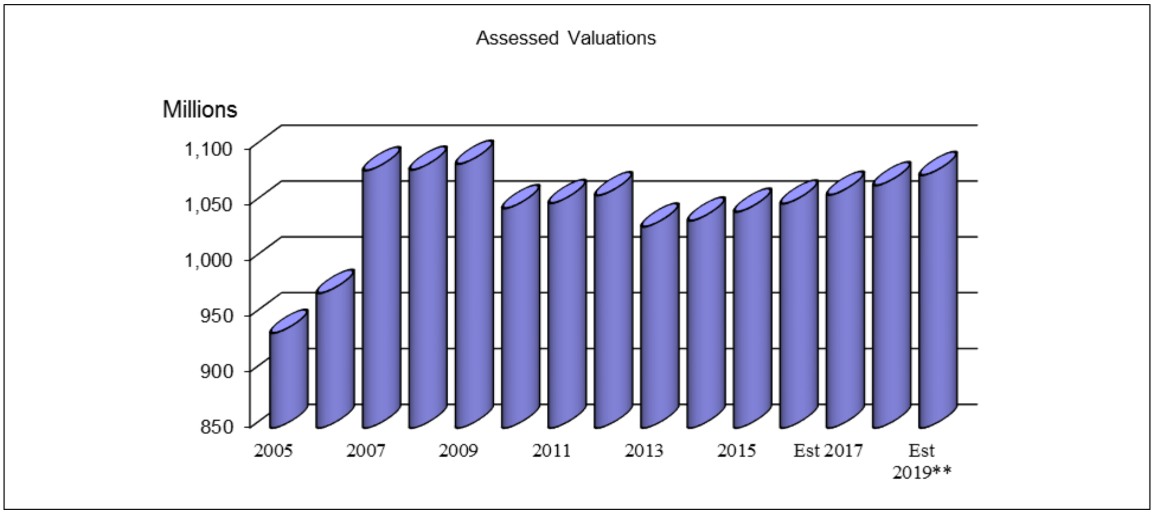
The following tables and graphs reflect the history of new construction, total valuations and projections for the coming five years.

New Construction History & Projections

	Residential	Commercial	Industrial	Total
2003	22,103,540	6,121,380	0	28,224,920
2004	20,650,120	4,399,420	14,460	25,064,000
2005	26,694,920	2,540,830	97,850	29,333,600
2006	35,195,850	2,818,040	10,430	38,024,320
2007	19,085,450	1,971,700	510,720	21,567,870
2008	14,753,810	4,983,900	0	19,737,710
2009	11,895,130	448,320	0	12,343,450
2010	5,869,480	1,016,130	0	6,885,610
2011	5,094,720	468,270	0	5,562,990
2012	5,941,090	488,710	0	6,429,800
2013	4,693,590	422,250	0	5,115,840
2014	5,084,110	736,080	0	5,820,190
2015	6,805,850	2,121,280	0	8,927,130
Est 2016	5,993,750	875,000	0	6,868,750
Est 2017	6,475,000	945,000	0	7,420,000
Est 2018	7,000,000	1,022,000	0	8,022,000
Est 2019	7,568,750	1,104,250	0	8,673,000
Est 2020	7,918,750	1,104,250	0	9,023,000



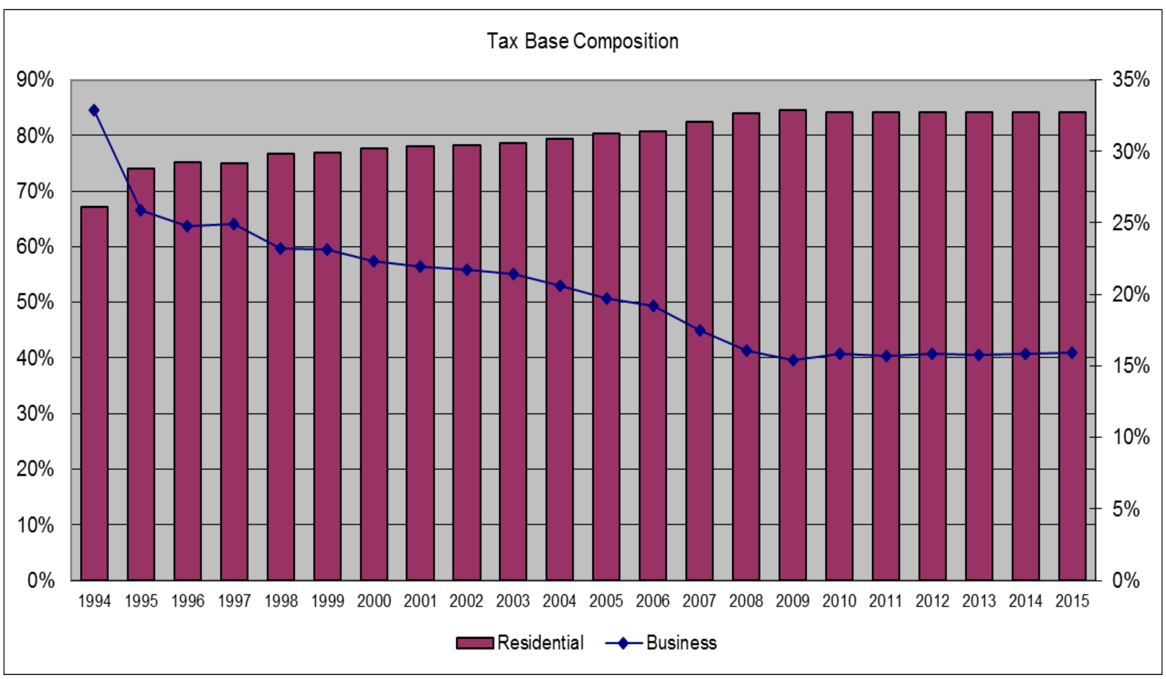




The District had a five-year emergency levy expiring in 2012. The question of renewing this levy for ten years was placed on the November 2011 ballot and it was approved by a 59% plurality.

In May 2009 the district passed a 6.2 mill ten year emergency operating levy. First collection of this levy began in 2010. This was the last new operating revenue issue in the District.

The following table illustrates the change in the District's tax base over the last twenty one years. In 1994 business properties accounted for 32.87% of the district's tax base with residential properties making up 67.13%. Changes in law and residential growth in both cities has changed the makeup of the tax base. In 2015 businesses accounted for 15.91% and residential property 84.09%. This change in composition was accelerated with the phase out of the tangible personal property tax.

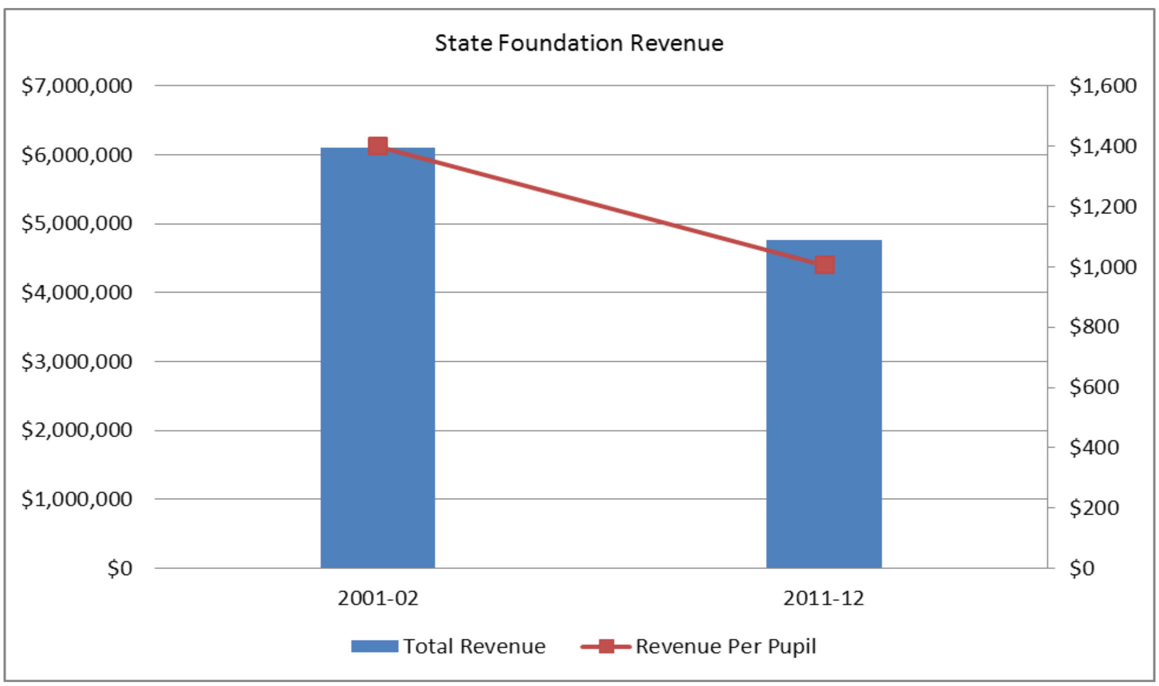


Note 6 - Unrestricted Grants-In-Aid (Line 1.035)

Through Fiscal 2009, State Foundation payments under the Ohio Revised Code were calculated by the State Department of Education on the basis of pupil enrollment, classroom teacher ratios, plus other factors for transportation, special education units, extended service and other items of categorical funding. House Bill No. 1 (H.B. No. 1), the State's biennial budget bill for the 2010-2011 fiscal years, incorporated the Governor's Evidence Based Model (EBM) for education. The rules and requirements for the EBM will be developed by the Ohio Department of Education (ODE) and are to be implemented over the next ten years. Compared to the previous funding levels the District experienced a one percent decrease in fiscal 2010 and will see a two percent decrease in fiscal 2011.

The State utilized significant Federal dollars from the American Recovery and Reinvestment Act (ARRA), aka Stimulus Funds, to fill a gap in its 2010-11 two-year biennial budget. The State Fiscal Stabilization Fund (SFSF) monies received by the District amounted to $340,301 in Fiscal 2010. A total of $367,444 of SFSF funds was received in Fiscal 2011. These funds were available for only the 2010 and 2011 fiscal years. Subsequent Federal legislation created the Education Jobs Fund, for which the District expects to receive $248,724 to be used to fund District jobs. The District used these funds in Fiscal 2011.

The State funding for schools is based on several factors all of which are subject to deliberations and approval of the Ohio General Assembly. The 2012-2013 biennium budget maintained the District's State Foundation revenue at the same level as Fiscal 2011. It should be noted that the District's Foundation revenue has decreased since Fiscal 2002 while enrollment has increased since that time.



House Bill 59, the state budget for the 2013-2014 and 2014-2015 fiscal years contains the fourth new funding formula for primary and secondary education since 2009. This formula is different from those of the past as it does not contain an equilization component driven by an individual district's tax base. This formula includes a State Share Index that measures a district's wealth. The three components of the State Share Index are:

- Valuation Index, this is the district's average property value per pupil for tax years 2010, 2011 and 2012 compared to the statewide average valuation per pupil;
- Median Income Index, this is residents's tax year 2011 median income compared to statewide median income and is used to measure the ability of the district's residents to pay property taxes;
- Wealth Index, this calculation uses two thirds of the Valuation Index and one third of the Median Income Index to determine a district's wealth.

The State Share Index is then applied to the other compoents of the formula to determine a district's funding. The other components are:

- Opportunity Grant – Per pupil amount of $5,745 in fiscal 2014 and $5,800 in fiscal 2015
- Targeted Assistance – Tier I based on wealth and Tier II based on the percentage of the district's agricultural assessed value
- Special Education Aid – calculated on six categories of disabilities
- K – 3 Literacy – Two tiers here also and based on K-3 enrollment
- Economically Disadvantaged Aid – determined on the number of economically disadvantaged students in the district and these dollars must be used for specific purposes
- Career Technical Funding – calculated on the student enrollment in five different categories of programs
- Limited English Proficiency – calculated in three categories based on the students level of proficiency
- Gifted – calculated based on average daily membership
- Transportation – based on the greater of cost per rider or cost per mile for each district

The amounts included in the forecast for fiscal years 2014 and 2015 are those from the simulations prepared by the Legislative Service Commission following passage of HB 59 and also assume that the funding for preschool special education and special education transportation will be provided at the same level as in fiscal 2013. The foundation funding for the years following the present biennium budget are assumed to have minimal fluctuation.

The three casinos in the State of Ohio are now online and the District received the first revenue from this source. The forecast reflects the District receiving $95,664 in Fiscal 2013, $234,205 in Fiscal 2014, $235,000 in Fiscal 2015 and $230,000 through Fiscal 2019. The anticipated revenue is based on $52 per student.

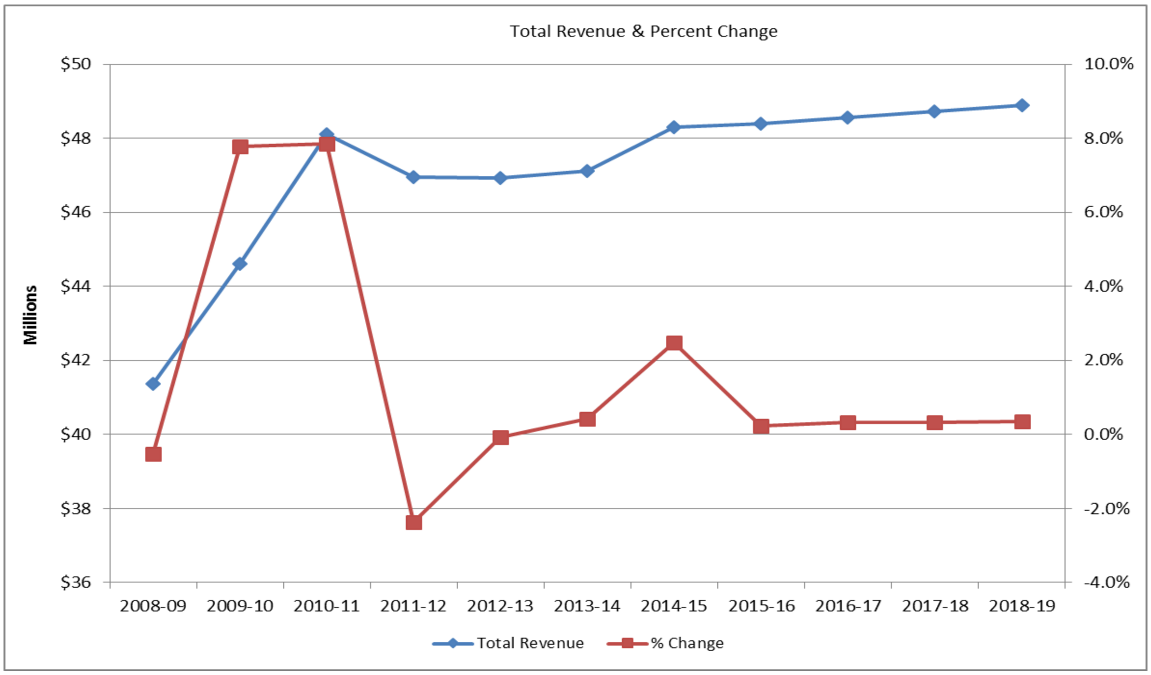
Note 7 - Property Tax Allocation (Line 1.05)

State law grants tax relief in the form of a 10% reduction in real property tax bills. In addition, a basic 2.5% rollback is granted on owner occupied residential property taxes and additional relief is granted to qualified elderly and disabled homeowners based on income. The State reimburses the school district for the loss of real property taxes as a result of such provisions in the law. This has been the case since 1971when this provision was included as part of the legislation adopted instituting the state income tax. A provision of HB 59 ends this reduction for homeowners for all new or replacement levies adopted after August 2013.

As previously noted the 10% reduction for business real property was eliminated in H.B. 66. The state reimbursement for the phase out of the tangible personal property tax and the telephone company property assessment declines is reflected here in the amounts calculated by the Ohio Department of Taxation.

Note 8 - All Other Revenues (Line 1.06)

The estimates for all other revenues are based on historical information and the most current estimates of investment earnings, rentals, fees and other miscellaneous local revenue. Fees for two classes of all-day kindergarten are reflected here beginning with the 2012-2013 school year. A third all-day class was added for the 2013-14 school year.



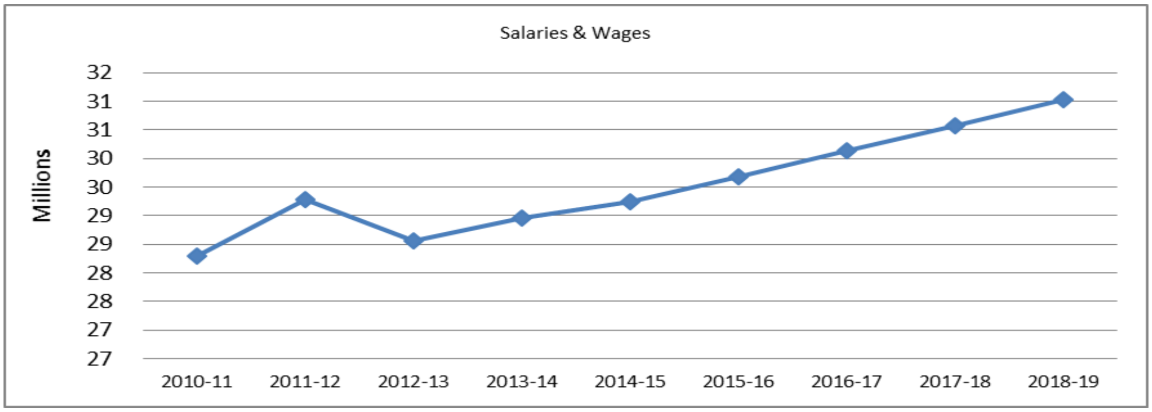
Expenditure Assumptions

Note 9 - Personnel Services - Salaries and Wages (Line 3.01)

The estimates of salaries and wages reflect the current negotiated agreements and the current and projected staffing levels for the forecast period. The negotiated agreement with the North Royalton Teachers Association is in effect through July 31, 2017. The negotiated agreement with the Ohio Association of Public School Employees is in effect through July 31, 2017. For fiscal 2018 the assumption included is that the current contract structures will be maintained with amounts equal to the step increase for those staff members eligible factored into total salaries with one percent base increases.

As previously noted the District has reduced, mostly through attrition, 35 positions since the 2008-2009 fiscal year. The forecast reflects the addition of no certificated and classified staff throughout the forecast period. Retirements of current staff have been anticipated and the forecast reflects the replacement of each retiring teacher with a new staff member average two year experience and a bachelor's degree. The forecast reflects the assumption that fourteen teachers will retire and or resign at the end of the 2014-15 school year and five at the end of each of the following years.

Salaries and wages for Fiscal 2012 reflect 27 pay periods falling into that time period. This happens approximately every seven years for districts that pay on a biweekly schedule. The decrease in wages the following year is then reflective of reverting back to 26 pay periods falling in that fiscal year.



Note 10 - Fringe Benefits (Line 3.02)

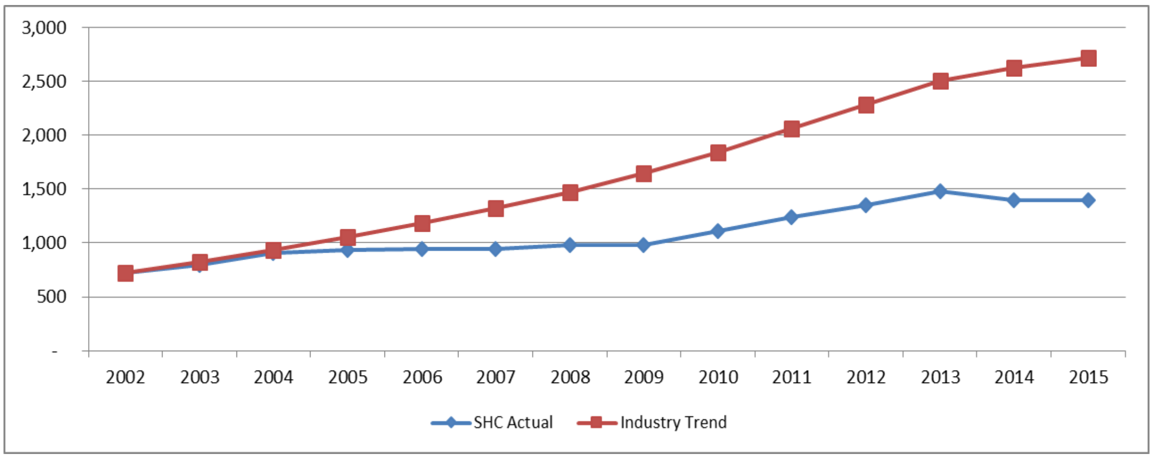
The District is a member of the Suburban Health Insurance Consortium. The Suburban Health Consortium is a shared risk pool created pursuant to State statue for the purpose of administering health care benefits. The council is governed by an assembly, which consists of one representative from each participating school district (usually the superintendent or treasurer). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the operation of the council. All council revenues are generated from the charges for services received from the participating schools districts, based on the established premiums for the insurance plans. Each school district reserves the right to terminate the plan in whole or in part at any time. If it is terminated, no further contributions will be made, but the benefits under the insurance contract shall be paid in accordance of the terms of the contract.

To date, the Suburban Health Consortium has been an overwhelming success. The total annual increases have been:

- 8.90% in 2003
- 6.60% in 2004
- 7.70% in 2005
- 8.00% in 2006
- 0.00% in 2007
- 4.36% in 2008
- 0.00% in 2009

- 12.95% in 2010
- 12.07% in 2011
- 8.54% in 2012
- 9.67% in 2013
- 0.00% in 2014
- 0.00% in 2015

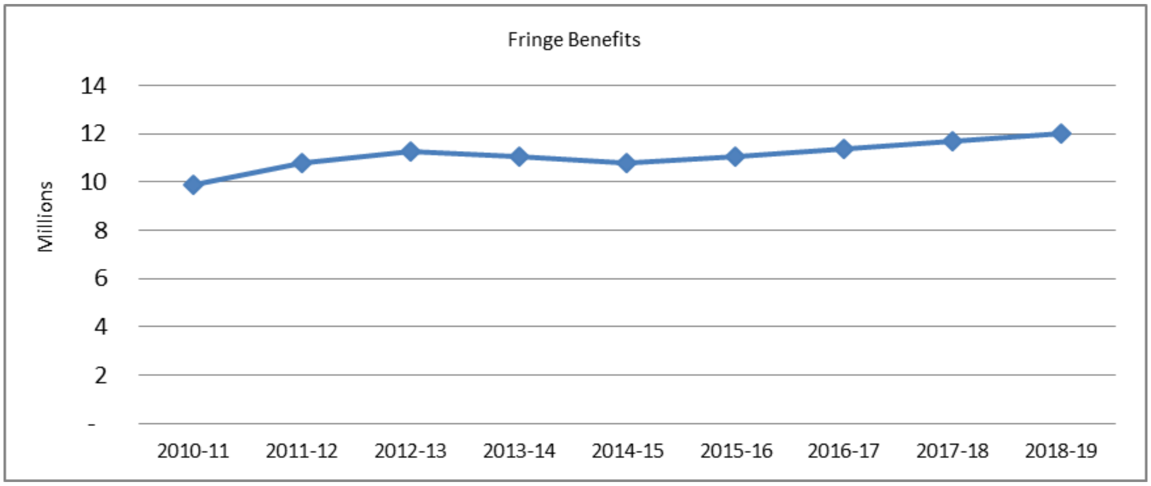
These increases have come during a period that has seen industry health and prescription drug insurance premiums trend at rates between 10 and 15 percent. The following chart compares the district's costs for medical and prescription drug insurance as a result of participating in the Suburban Health Consortium versus what the cost would have been if the district had experienced the health industry inflationary trends for the same time period.



Health insurance costs reflect the rate renewal effective October 1, 2014. The projection assumes that health insurance costs for fiscal year 2014 will be the same as fiscal year 2015 and have a modest increase through fiscal year 2019. Vision insurance is self-funded and reflects claims staying basically flat. Insurance costs also reflect the provisions of the present negotiated agreements. Effective with the 2013-2014 fiscal year all staff members will contribute 10% of the premium cost of health insurance. That contribution increases to 12.5% in 2014-15 and 15% in 2015-16. The contribution is capped at $100/month for single coverage and $200/month for family coverage for the certificated staff and $75/month for single coverage and $125/month for family coverage for the classified staff.

Effective with the 2013-14 fiscal year all staff members with family health insurance coverage whose spouses work and their employers offer health insurance are required to have their spouse enroll with their employer. In accordance with the provisions of the SHC consortium this change resulted in a 15% reduction of the family health insurance premium.

Contributions to the State Teachers Retirement System and the School Employees Retirement System are based on the current rules of the system and state law. It has been assumed that the contribution requirements for employers will not change during the forecast period. Life insurance premiums are anticipated to remain relatively constant. Workers compensation costs are projected to increase proportionately to wages. Medicare costs are projected to increase proportionately to the number of staff members who are subject to the Medicare tax.



Note 11 - Purchased Services (Line 3.03)

This category reflects expenditures for services provided by personnel who are not employees of the District and or companies which the District contracts with for certain services. All utilities are included in this category as is tuition paid to other school districts for regular education, special education and vocational education provided to students whose parents or guardians are residents but whose children attend other facilities due to special circumstances.

The estimates for purchased services reflect an increase of 7.9% in fiscal 2015 following a 5.26% increase in fiscal 2014, a 3.26% increase in fiscal 2013, a 3.65% increase in fiscal 2012 and a 12.62% increase in fiscal year 2011. The increase in 2011 was due to the District utilizing federal stimulus funds to supplement general fund expenditures in fiscal 2009 and 2010. The remaining years of the forecast reflects an annual increase of .7% in fiscal year 2016 due to the elimination of the cost associated with leasing of the Broadview Center (ECC $101,267) and a 3% increase through fiscal year 2019.

The District participates in the Ohio Schools Council consortium to procure property, fleet and liability insurance. Premiums for these insurances have stabilized in recent years and the forecast reflects normal inflationary increases in the next four years.

OSC partnered with the Ohio School Boards Association (OSBA), Ohio Association of School Business Officials (OASBO) and the Buckeye Association of School Administrators (BASA) to negotiate with First Energy Solutions for electric generation savings beginning June 1, 2011. The four education associations established the Power4Schools Program to endorse an electricity supplier, bringing savings on electricity and budget certainty to Ohio public schools. The program is for 8 ½ years. For the first three years the rate is $0.0528 cents per kWh for electric generation in First Energy territories (Ohio Edison, The Illuminating Company and Toledo Edison). Similar savings, depending on market conditions, will continue for the remaining 5 ½ years of the program. The 251 districts participating in the program used 815 million kWh in FY13. Members saved a total of $8.2 million during the second year of the program, a 16% savings. The total savings since the inception of the program is $20.9 million.

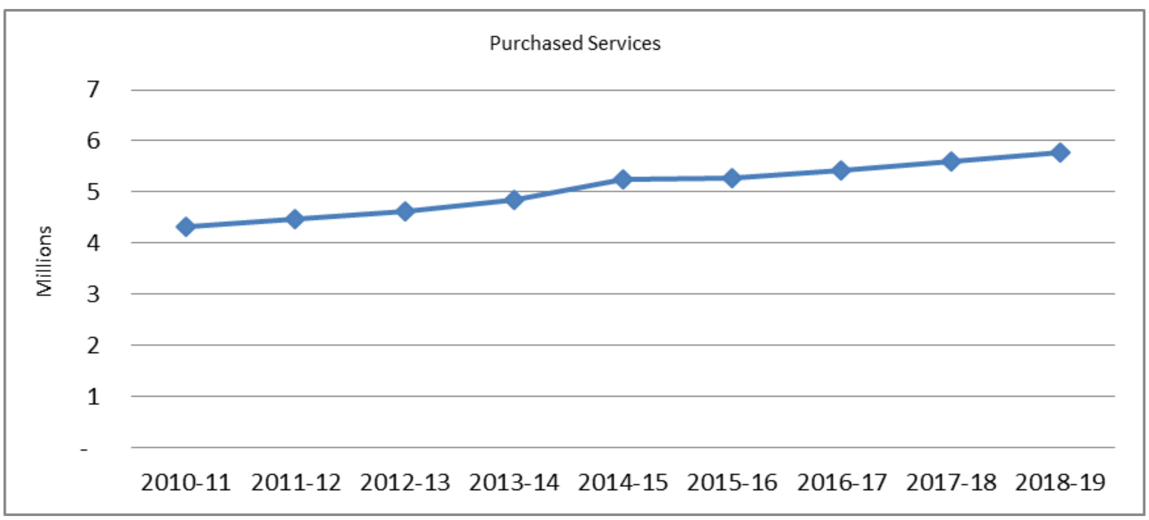
The OSC Natural Gas Program has 150 member school districts throughout northern Ohio. The OSC received proposals from seven suppliers to be the supplier and manager beginning in October 2010. Compass Energy Gas Service, Inc. was selected.

The OSC's Natural Gas Program supplies natural gas to member districts in Dominion East Ohio (DEO) and Columbia Gas of Ohio (COH) territories. Our current supplier and manager is Compass Energy Gas Services, LLC. From October 1, 2010 through March 31, 2013, Compass supplied DEO natural gas accounts at the monthly NYMEX price plus $.398 per city gate Dth and to COH natural gas accounts at the monthly NYMEX price plus $.575 per city gate Dth. In December 2012, OSC extended the base contract for sale and purchase of Natural Gas with Compass Energy Gas Services, LLC from April 1, 2013 until March 31, 2016. This new contract reduced prices $0.156 per city gate Dth for DEO accounts and $0.266 per city gate Dth for COH accounts. DEO accounts are priced at the monthly NYMEX LDS price plus $.242 per city gate Dth and Columbia Gas of Ohio accounts are priced at monthly NYMEX LDS price plus $.309 per city gate Dth. In FY13 (July 2012 to June 2013), 150 members saved a total of $1,021,795 on 2,873,495 Mcf of gas. The average price of Natural Gas for fiscal year 2013 was $4.24 Mcf for Columbia Gas of Ohio and $4.52 Mcf for Dominion East Ohio Gas.

Also included in this category is the lease of the Broadview Center which houses the kindergarten and preschool programs of the District. A new two year lease was signed with the City of Broadview Heights effective with the 2014-2015 school year and was subsequently terminated with the 2015-2016 school year reducing our lease expense by $101,267.

Special education services such as physical therapists, occupational therapists, audiologists, braillists and teachers for hearing and visually impaired students are included in this category. The student population requiring these services continues to increase.

Out-of-district tuition costs are also major cost drivers in this category. These tuition costs include those for special needs students, students placed by court order, students choosing an open enrollment option offered by other districts, students choosing to attend community and charter schools and students participating in the post secondary enrollment option. These costs are projected to increase three percent per year.

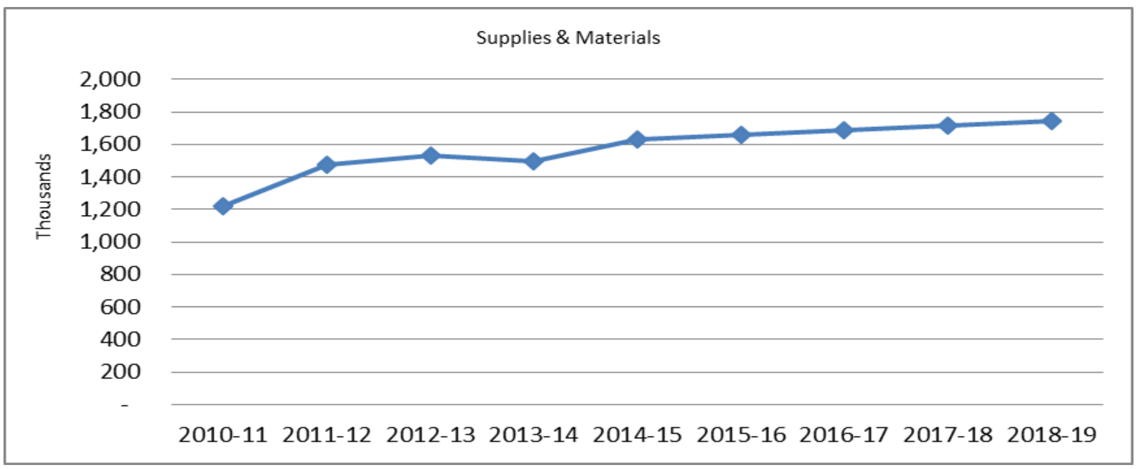


Note 12 - Materials, Supplies, and Textbooks (Line 3.04)

This category represents expenditures for items that are consumed, worn out or deteriorated from use. Included here are instructional supplies, textbooks, library books, software, supplies for custodial and maintenance operation and supplies for the transportation operation including fuel.

Instructional supplies, office supplies, health supplies and software was trending between two and three percent. The estimates for supplies and materials reflect the continuation of the current instructional program and support services. The estimate for textbooks reflects the anticipated adoption cycle. These textbook adoptions range from $250,000 to $300,000 annually. The definition of a textbook adoption has changed significantly the last few years. The use of online and digital materials with associated software and audio visual enhancements is supplementing the use of hardback textbooks.

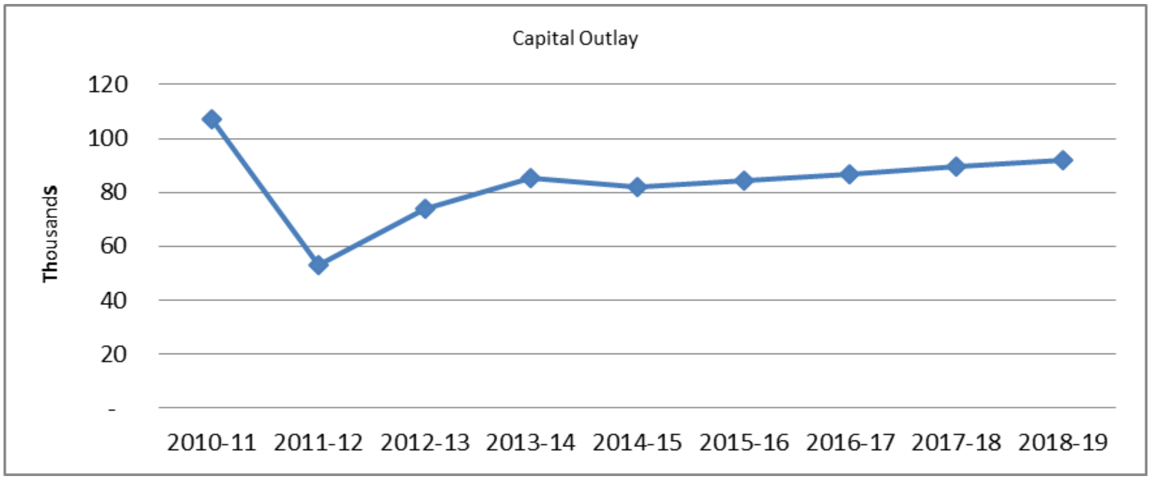
Diesel fuel and gasoline estimate reflects current prices. The price of diesel fuel has significantly increased the last several years. The district spent $263,000 in fiscal 2010 for diesel fuel and $441,000 in fiscal 2014. Obviously diesel fuel, gasoline and those supplies that are petroleum based are subject to rapid and significant price fluctuations dependent on market conditions. We have seen a recent reduction in diesel prices. For forecast purposes the cost of diesel is projected to be flat. Maintenance supplies for buildings and property were trended at two percent.



Note 13 - Capital Outlay (Line 3.05)

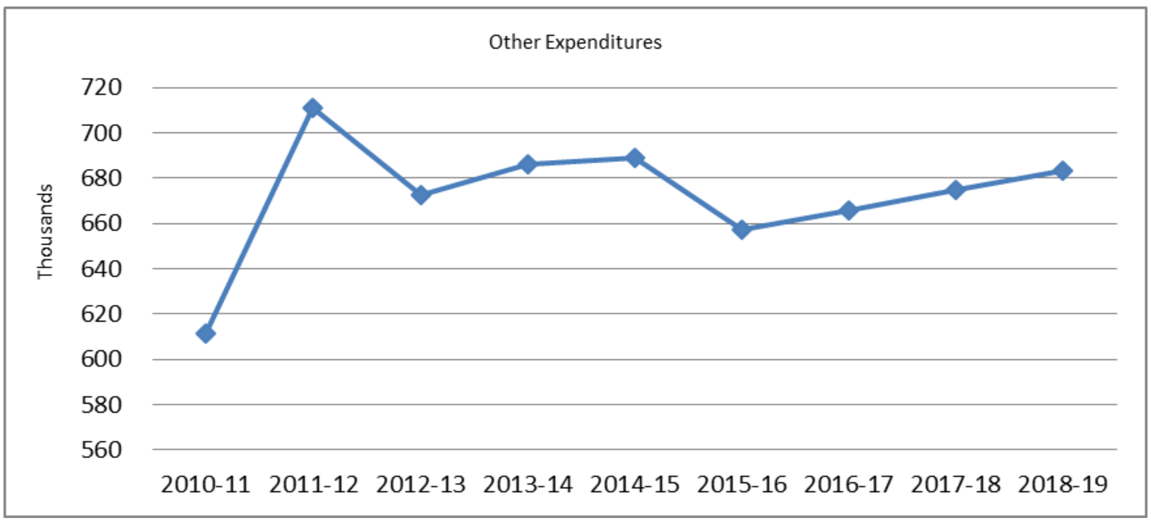
This category represents expenditures for the acquisition of or additions to fixed assets, such as equipment purchases, technology hardware, improvements of buildings and grounds, furnishings and vehicles.

The estimate for this category assumes that a minimum amount of new and replacement equipment will be purchased with General Fund dollars. Additional capital outlay expenditures will be met with funds from the Permanent Improvement Fund.



Note 14 - Other Objects (Line 4.30)

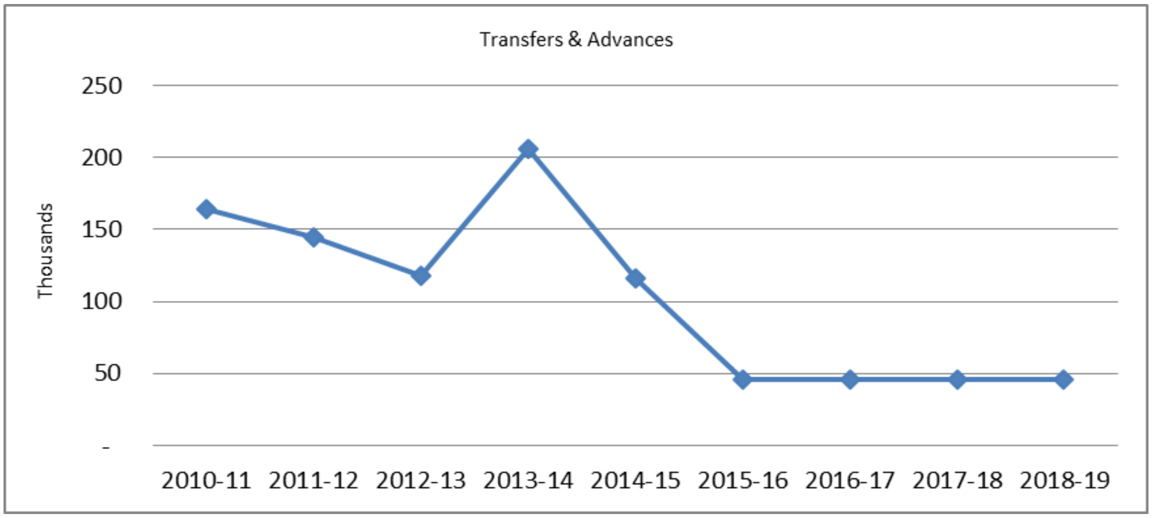
This category represents those expenditures not previously defined. The main components of this category are Cuyahoga County Fiscal Office & Treasurer fees which are assessed for the collection of tax revenue and audit costs incurred through the Office of the Auditor of State for the annual financial audit. These two costs represent 85% of the total for this category. It has been assumed that increases will average one and half percent through fiscal year 2019.



Note 15 - Transfers and Advances In and Out (Lines 5.01 and 5.02)

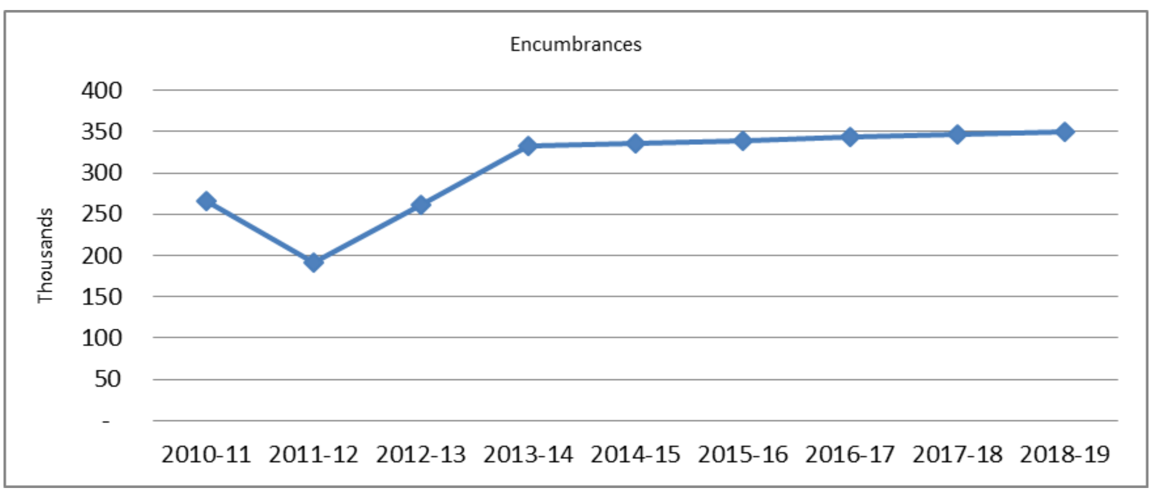
Projected advances to state and federal grants for cash flow purposes are based on historical data. Advances are made to state and federal grants to off-set month end deficits pending receipt of funds from those sources. Upon receipt of the state or federal grant monies the advances are repaid to the General Fund. These advances do not have an impact on the financial statements and therefore projected to be zero.

Also included in this category are transfers to the bond retirement fund for the reduction of the debt issued to fund the installation of a voice over internet phone system, copy machine replacement and an energy management system. The final transfer is scheduled to be $73,000 in fiscal 2015 which will retire the unvoted debt issued for the aforementioned improvement and capital purchases. The district has also transferred $45,000 annually to the athletic fund and the forecast reflects the continuation of this practice.



Note 16 - Encumbrances (Line 8.01)

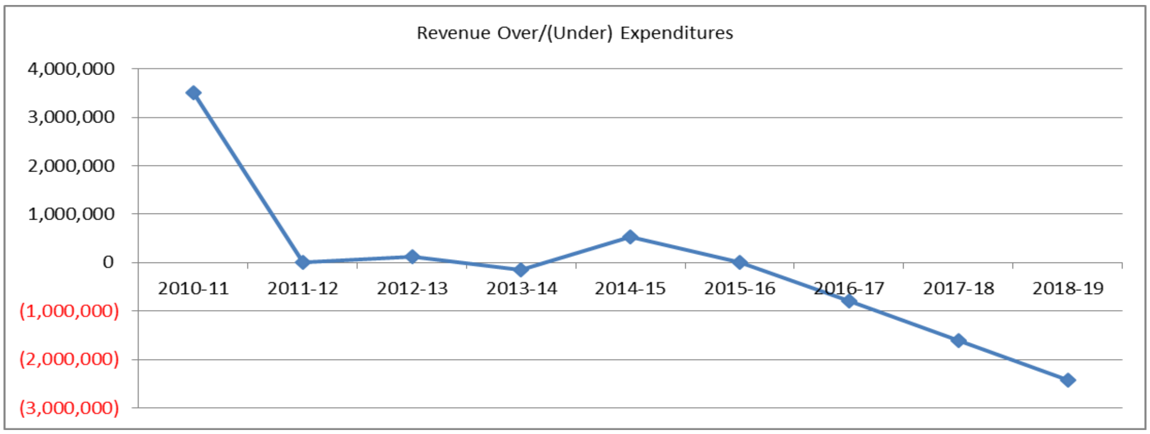
The District uses the encumbrance method as part of formal budgetary and management control. Under this method, purchase orders, contracts, resolutions and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation for future payment. Encumbrances outstanding at year-end represent planned expenditures which were budgeted in the fiscal year but which were not paid for as of year-end. The forecast reflects an increase of approximately one percent annually throughout the forecast period.



Summary

On May 5, 2009 residents approved a 6.2 mill operating levy. This levy was vital to allow the District to generally maintain its current programs but not reinstate all program reductions instituted over the previous year. The levy was structured to last three years. While economists have deemed the recession has ended and many have now ruled out the likely hood of a double dip recession the number of variables that may change for the worst are numerous, underscoring the importance of responding timely and appropriately to changes in economic circumstances.

Amended Sub HB 153, the Governor's 2012-2013 2-year budget bill, reduced the District's state funding by approximately three million dollars over the period. The District has reduced, mostly through attrition, 35 positions since the 2008-2009 fiscal year. While these reductions will impact the educational delivery system the intent is to operate as closely to normal as possible and continue to offer the programs now in effect. The goal being to extend the life of the 2009 levy until the economy improves. The staffing reductions have achieved that, but the District will now begin to see expenditures exceed revenue over the forecast period.



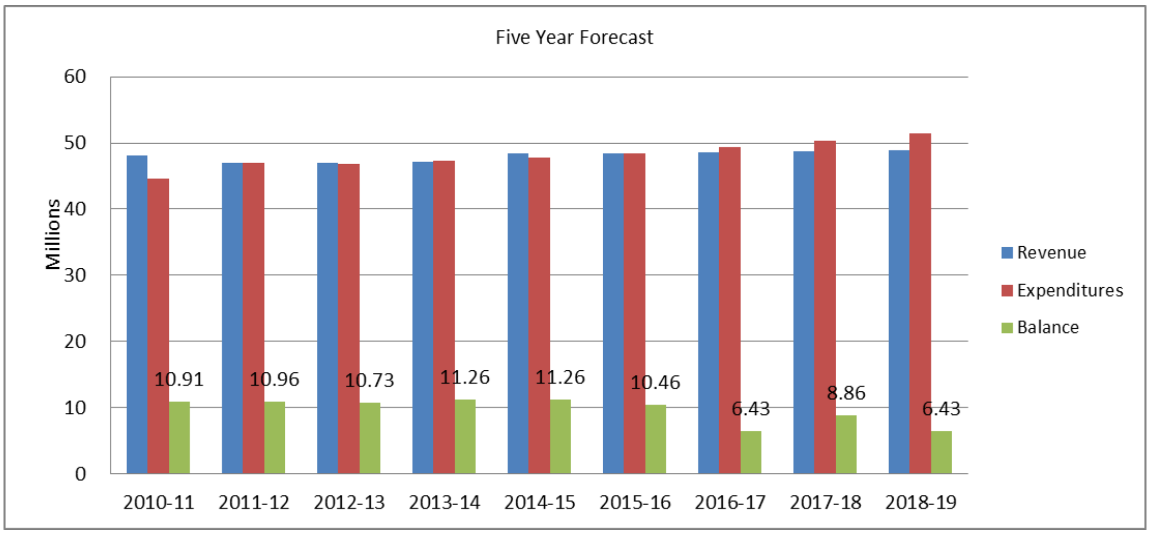
The Governor presented his biennial budget proposal for the 2014 and 2015 fiscal years to the Legislature in February. His budget contained a new school funding model. The Republican majority in the House and the Senate presented their own school funding proposal following hearings on the Governor's proposal. The budget then went to conference committee resulting in a document that emerged the last week of June and contained some provisions that surprised both parties. The forecast reflects the District's State Foundation revenue in accordance with the Legislative Service Commission's estimate.

In November 2009 voters approved an amendment to the Ohio Constitution that authorized the construction and operation of four casinos in the state. These casinos are now under construction and close to beginning operations. A provision in the amendment imposes a 33% tax on the casinos gross receipts with the tax then being distributed to counties (51%), public school districts (34%), the casino's host city (5%) and the remainder to law enforcement and gambling addiction programs.

Funds began to flow to school districts in fiscal 2013. An estimate of future revenues from this source has been included in this forecast.

While additional revenue from the casino tax is welcomed, history dictates that a note of caution must also accompany any announcement of new funding for schools. The present state lottery system was touted as a new and additional source of funding for public education when it was being proposed and that did not happen. While lottery funds do go towards funding public education, those funds supplanted and did not supplement the state's funding of K-12 education.

In 2002 the Board established a Financial Advisory Committee and in 2014 the Board changed the Financial Advisory Committee name to the Financial Advisory and Audit Committee, the committee is composed of residents with a financial/business background to review and analyze the financial condition of the district and lend advice and counsel to the Board and administration. This committee has met various times per year beginning in January 2003 and has provided invaluable time and advice. While the future poses significant challenges, the District is committed to continuing to provide an excellent education for our students at a cost that gives a sound return on investment to our residents.



Five Year Forecast Fiscal Years 2015 - 2019

North Royalton City School District

Cuyahoga

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2012, 2013 and 2014 Actual;
Forecasted Fiscal Years Ending June 30, 2015 Through 2019

		Actual				Forecasted				
		Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Average Change	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019
	Revenues									
1.010	General Property Tax (Real Estate)	$34,699,218	$34,444,865	$33,965,767	-1.1%	$34,472,040	$34,575,456	$34,679,182	$34,783,220	$34,887,570
1.020	Tangible Personal Property Tax	$1,111,507	$1,178,319	1,268,498	6.8%	1,378,231	1,365,853	1,401,365	1,438,221	$1,475,615
1.030	Income Tax									
1.035	Unrestricted State Grants-in-Aid	$5,032,565	$5,022,066	5,411,963	3.8%	6,135,000	6,232,630	6,242,821	6,241,053	$6,238,557
1.040	Restricted State Grants-in-Aid	$304,115	$151,730	254,370	8.8%	116,100	73,950	75,696	77,491	$79,336
1.045	Restricted Federal Grants-in-Aid - SFSF									
1.050	Property Tax Allocation	$5,032,304	$5,044,800	5,054,540	0.2%	5,087,049	5,087,762	5,103,020	5,118,323	$5,133,672
1.060	All Other Revenues	775,044	988,926	1,127,137	20.8%	1,069,200	1,124,427	1,117,171	1,125,263	1,134,506
1.070	*Total Revenues*	46,954,753	46,830,706	47,082,276	0.1%	48,257,620	48,460,078	48,619,255	48,783,571	48,949,255
	Other Financing Sources									
2.010	Proceeds from Sale of Notes									
2.020	State Emergency Loans and Advancements (Approved)									
2.040	Operating Transfers-In									
2.050	Advances-In	4,032	26,200	99	225.1%	88,361				
2.060	All Other Financing Sources	1,091	100,758	101,117	4569.0%	2,709	2,000	2,000	2,000	2,000
2.070	*Total Other Financing Sources*	5,123	126,958	101,215	1179.0%	91,070	2,000	2,000	2,000	2,000
2.080	*Total Revenues and Other Financing Sources*	46,959,876	46,957,665	47,183,491	0.2%	48,348,690	48,462,078	48,621,255	48,785,571	48,951,255
	Expenditures									
3.010	Personnel Services	29,289,267	28,558,214	28,958,838	-0.5%	29,245,341	29,682,653	30,126,511	30,577,012	31,034,258
3.020	Employees' Retirement/Insurance Benefits	10,808,891	11,272,222	11,052,300	1.2%	10,818,420	11,054,491	11,375,743	11,691,192	12,014,977
3.030	Purchased Services	4,467,297	4,612,750	4,855,579	4.3%	5,239,380	5,276,339	5,434,629	5,597,668	5,765,598
3.040	Supplies and Materials	1,474,048	1,532,634	1,495,319	0.8%	1,628,989	1,656,165	1,683,877	1,712,138	1,740,959
3.050	Capital Outlay	53,026	74,104	85,243	27.4%	81,763	84,216	86,742	89,345	92,025
3.060	Intergovernmental									
	Debt Service:									
4.010	Principal-All (Historical Only)									
4.020	Principal-Notes									
4.030	Principal-State Loans									
4.040	Principal-State Advancements									
4.050	Principal-HB 264 Loans									
4.055	Principal-Other									
4.060	Interest and Fiscal Charges									
4.300	Other Objects	711,240	672,738	686,386	-1.7%	689,013	657,408	665,992	674,719	683,592
4.500	*Total Expenditures*	46,803,768	46,722,662	47,133,665	0.4%	47,702,906	48,411,271	49,373,494	50,342,073	51,331,409
	Other Financing Uses									
5.010	Operating Transfers-Out	118,000	118,000	118,099	0.0%	116,480	45,000	45,000	45,000	45,000
5.020	Advances-Out	26,200		88,361						
5.030	All Other Financing Uses									
5.040	*Total Other Financing Uses*	144,200	118,000	206,459	28.4%	116,480	45,000	45,000	45,000	45,000
5.050	*Total Expenditures and Other Financing Uses*	46,947,968	46,840,662	47,340,124	0.4%	47,819,386	48,456,271	49,418,494	50,387,073	51,376,409
6.010	*Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses*	11,908	117,003	156,633-	324.4%	529,304	5,807	797,238-	1,601,502-	2,425,153-
7.010	Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	11,093,409	11,105,317	11,222,319	0.6%	11,065,687	11,594,990	11,600,797	10,803,559	9,202,057
7.020	*Cash Balance June 30*	11,105,317	11,222,319	11,065,687	-0.2%	11,594,990	11,600,797	10,803,559	9,202,057	6,776,903
8.010	*Estimated Encumbrances June 30*	191,296	262,019	332,968	32.0%	336,300	339,700	343,100	346,500	350,000
	Reservation of Fund Balance									
9.010	Textbooks and Instructional Materials									
9.020	Capital Improvements									
9.030	Budget Reserve									
9.040	DPIA									
9.045	Fiscal Stabilization									
9.050	Debt Service									
9.060	Property Tax Advances									
9.070	Bus Purchases									
9.080	*Subtotal*									
10.010	*Fund Balance June 30 for Certification of*	10,914,021	10,960,301	10,732,719	-0.8%	11,258,690	11,261,097	10,460,459	8,855,557	6,426,903
	Revenue from Replacement/Renewal Levies									
11.010	Income Tax - Renewal									
11.020	Property Tax - Renewal or Replacement									
11.300	Cumulative Balance of Replacement/Renewal Levies									
12.010	*Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations*	10,914,021	10,960,301	10,732,719	-0.8%	11,258,690	11,261,097	10,460,459	8,855,557	6,426,903
	Revenue from New Levies									
13.010	Income Tax - New									
13.020	Property Tax - New									
13.030	Cumulative Balance of New Levies									
14.010	Revenue from Future State Advancements									
15.010	*Unreserved Fund Balance June 30*	10,914,021	10,960,301	10,732,719	-0.8%	11,258,690	11,261,097	10,460,459	8,855,557	6,426,903
	ADM Forecasts									
20.010	Kindergarten - October Count	316	314	353	5.9%	304	270	267	263	248
20.015	Grades 1-12 - October Count	4,329	4,318	4,295	-0.4%	4,210	4,185	4,154	4,124	4,091
	State Fiscal Stabilization Funds									
21.010	Personal Services SFSF	$24,747								
21.020	Employees Retirement/Insurance Benefits SFSF									
21.030	Purchased Services SFSF									
21.040	Supplies and Materials SFSF									
21.050	Capital Outlay SFSF									
21.060	*Total Expenditures - SFSF*	24,747								

See accompanying summary of significant forecast assumptions and accounting policies
Includes: General fund, Emergency Levy fund, DPIA fund, Textbook fund and any portion of Debt Service fund related to General fund debt

North Royalton City School District
Election History
1976 - 2014

Date	Issue	Millage	Vote Totals Yes	No	Percent Passing	Outcome
Nov-76	Operating-Renewal	5.80	3,418	2,350	59.26%	Pass
Jun-77	Operating-Renewal	2.90	813	411	66.42%	Pass
Nov-77	Operating	2.50	2,895	2,795	50.88%	Pass
Nov-78	Permanent Improvement Renewal	1.50	2,909	1,543	65.34%	Pass
Jun-79	Operating	5.80	845	1,079	43.92%	Fail
Sep-79	Operating	5.80	2,937	3,219	47.71%	Fail
Nov-79	Operating	5.80	3,052	3,327	47.84%	Fail
Jan-80	Operating-Emergency 4 Yr-$685,000	4.30	1,970	1,291	60.41%	Pass
May-84	Operating-Emergency 4 Yr-$685,000	3.24	3,191	2,748	53.73%	Pass
	Permanent Improvement	1.00	2,539	3,393	42.80%	Fail
Nov-84	Permanent Improvement	1.00	4,149	4,880	45.95%	Fail
Nov-85	Operating-2 Yr	4.75	2,422	2,545	48.76%	Fail
Feb-86	Operating-2 Yr	4.75	1,702	1,145	59.78%	Pass
Nov-87	Bond Issue $7.75 M	2.71	3,542	3,447	50.68%	Pass
	Operating	1.50	3,339	3,649	47.78%	Fail
Feb-88	Operating	1.50	1,551	1,306	54.29%	Pass
May-88	Operating-2 Yr Renewal	4.75	2,633	1,760	59.94%	Pass
	Operating-Emergency 4 Yr-$685,000	2.57	2,433	1,938	55.66%	Pass
May-90	Operating-Income Tax 1%		1,825	5,351	25.43%	Fail
Aug-90	Operating-5 Yr	9.75	1,085	2,492	30.33%	Fail
Nov-90	Operating-Emergency 5 Yr-$2.9 M	8.41	4,961	4,598	51.90%	Pass
Jun-92	Operating-Emergency 4 Yr-$685,000	1.54	3,806	3,125	54.91%	Pass
Nov-92	Bond Issue $11.885 M	2.13	5,768	6,769	46.01%	Fail
Feb-93	Bond Issue $11.885 M	2.01	1,721	2,789	38.16%	Fail
Nov-93	Bond Issue $24 M	3.49	4,128	4,429	48.24%	Fail
Feb-94	Bond Issue $24 M	3.3	2,212	2,210	50.02%	Pass
May-95	Operating-Emergency 5 Yr-$2.9 M	5.48	3,301	2,280	59.15%	Pass
Mar-96	Operating-Emergency 5 Yr-$3.795 M	6.94	2,755	4,532	37.81%	Fail
Aug-96	Operating-Emergency 5 Yr-$3.795 M	6.94	1,962	3,107	38.71%	Fail
Nov-96	Operating-Emergency 5 Yr-$3.795 M	6.94	7,113	6,538	52.11%	Pass
Nov-99	Operating-Emergency 5 Yr-$2.9 M	4.5	4,995	4,347	53.47%	Pass
Nov-00	Bond Issue $21.5 M	1.9	5,640	8,242	40.63%	Fail
May-01	Bond Issue $21.5 M	1.9	2,714	4,338	38.49%	Fail
	Operating-Emergency 5 Yr-$3.795 M	4.9	3,582	3,226	52.61%	Pass
Nov-01	Bond Issue $15 M	1.2	3,176	5,077	38.48%	Fail
Nov-02	Operating-Emergency 5 Yr - $4.395 M	5.5	6,463	6,020	51.77%	Pass
May-05	Oper-Emergency Combining the $2.9M & $3.795 renewals w/ the $3.795M issue renewing one yr early	7.2	3,353	1,631	67.28%	Pass
Nov-06	Oper-Emergency 5 Yr - $4.395 M Renewal	4.6	8,131	6,100	57.14%	Pass
Mar-08	Operating-Emergency 5 Yr - $5.3 M	4.9	4,979	7,456	40.04%	Fail
Nov-08	Operating-Emergency 10 Yr - $6.3 M	5.9	8,672	10,189	45.98%	Fail
May-09	Operating-Emergency 10 Yr - $6.7 M	6.2	5,964	5,573	51.69%	Pass
May-10	Oper-Emergency 10 Yr - $6.695 M Renewal	6.5	5,185	3,723	58.21%	Pass
Nov-11	Oper-Emergency 10 Yr - $4.395 M Renewal	4.4	7,477	5,186	59.05%	Pass
Nov-12	Bond Issue $54.3 M	2.65	8,508	9,320	47.72%	Fail
Nov-13	Bond Issue $49.83 M	2.44	4,820	5,452	46.92%	Fail
May-14	Bond Issue $49.83 M	2.56	4,474	4,957	47.44%	Fail
Nov-14	Bond Issue 28 Yr-$28.4M / 1 Mill P.I.	1.66 / 1	5,718	7,022	44.88%	Fail