

**REVERE LOCAL SCHOOL DISTRICT
SUMMIT COUNTY**
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEARS ENDED JUNE 30, 2007, 2008 AND 2009
FORECASTED FISCAL YEARS ENDING JUNE 30, 2010 THROUGH JUNE 30, 2013

Line Number	Fiscal Yr 2007 ACT	Fiscal Yr 2008 ACT	Fiscal Yr 2009 ACT	Ave. Annual CHANGE	Fiscal Yr 2010	Fiscal Yr 2011	Fiscal Yr 2012	Fiscal Yr 2013	Fiscal Yr 2014
Revenue:									
1.010	20,897,177	21,450,379	21,715,003	1.94%	22,406,000	22,492,090	20,529,471	18,691,384	19,111,941
1.020	1,073,957	876,860	622,916	-23.66%	141,000	91,000	48,000	48,000	48,000
1.030	0	0	0	0.00%	0	0	0	0	0
1.035	2,345,056	2,367,439	2,343,303	-0.03%	2,163,000	897,000	897,000	897,000	897,000
1.040	81,328	69,331	61,303	-13.17%	65,000	60,000	58,800	57,600	56,400
1.045	0	0	0	0.00%	137,000	137,000	0	0	0
1.050	3,190,573	3,706,142	4,200,766	14.75%	4,376,000	4,521,000	4,601,000	4,681,000	3,899,588
1.060	1,049,162	1,287,608	633,208	-14.05%	760,000	598,000	514,000	504,000	504,000
1.070	28,637,253	29,757,759	29,576,499	1.65%	30,048,000	28,796,090	26,648,271	24,878,984	24,516,929
Other Financing Sources									
2.010	0	0	0	0	0	0	0	0	0
2.020	0	0	0	0.00%	0	0	0	0	0
2.040	0	0	0	0.00%	0	0	0	0	0
2.050	133,260	255,344	186,799	32.38%	375,000	255,000	255,000	255,000	255,000
2.060	7,720	8,405	25,191	104.29%	5,000	5,000	5,000	5,000	5,000
2.070	140,980	263,749	211,990	33.73%	380,000	260,000	260,000	260,000	260,000
2.080	28,778,233	30,021,508	29,788,489	1.77%	30,428,000	29,056,090	26,908,271	25,138,984	24,776,929
Expenditures:									
3.010	16,684,303	17,371,062	18,089,287	4.13%	18,975,000	19,833,130	20,968,897	21,650,386	22,120,001
3.020	5,550,081	5,862,611	5,609,034	0.65%	6,288,847	6,138,847	7,025,009	7,376,260	7,892,598
3.030	3,158,559	3,248,726	3,491,731	5.17%	4,150,832	4,358,374	4,598,084	4,873,969	5,190,777
3.040	1,136,891	997,820	1,037,280	-4.14%	855,018	957,769	1,315,657	1,261,440	1,074,512
3.050	279,337	523,035	364,836	28.50%	408,753	655,191	1,227,950	749,348	786,815
3.060	0	0	0	0.00%	0	0	0	0	0
4.010	0	0	0	0.00%	0	0	0	0	0
4.020	0	0	0	0.00%	0	0	0	0	0
4.030	0	0	0	0.00%	0	0	0	0	0
4.040	0	0	0	0.00%	0	0	0	0	0
4.050	0	0	0	0.00%	0	0	0	0	0
4.055	0	0	0	0.00%	0	0	0	0	0
4.060	0	0	0	0.00%	0	0	0	0	0
4.300	479,985	492,892	541,091	6.23%	526,539	858,131	909,619	964,196	1,022,048
4.500	27,289,156	28,496,146	29,133,259	3.33%	31,204,989	32,801,441	36,045,217	36,875,600	38,086,752
Other Financing Uses									
5.010	49,000	79,134	125,000	59.73%	184,000	184,000	184,000	184,000	184,000
5.020	110,344	241,799	375,737	87.26%	241,000	241,000	241,000	241,000	241,000
5.030	0	0	0	0.00%	0	0	0	0	0
5.040	159,344	320,933	500,737	78.72%	425,000	425,000	425,000	425,000	425,000
5.050	27,448,500	28,817,079	29,633,996	3.91%	31,629,989	33,226,441	36,470,217	37,300,600	38,511,752

Attachment T-6

Line Number	Fiscal Yr 2007 ACT	Fiscal Yr 2008 ACT	Fiscal Yr 2009 ACT	Ave. Annual CHANGE	Fiscal Yr 2010	Fiscal Yr 2011	Fiscal Yr 2012	Fiscal Yr 2013	Fiscal Yr 2014
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses									
6.010	1,329,733	1,204,429	154,493	-48.30%	-1,201,989	-4,170,351	-9,561,946	-12,161,615	-13,734,823
Cash Balance July 1 - Excluding Proposal Renewal/ Replacement and New Levies									
7.010	12,084,832	13,414,565	14,618,994	9.99%	14,773,487	13,571,498	9,401,147	-160,799	-12,322,414
7.020	13,414,565	14,618,994	14,773,487	5.02%	13,571,498	9,401,147	-160,799	-12,322,414	-26,057,237
8.010	1,152,795	1,212,537	1,155,984	0.26%	950,000	950,000	950,000	950,000	950,000
Reservation of Fund Balance:									
9.010	0	0	0		0	0	0	0	0
9.020	0	0	0		0	0	0	0	0
9.030	0	0	0		0	0	0	0	0
9.040	0	0	0		0	0	0	0	0
9.045	0	0	0		0	0	0	0	0
9.050	0	0	0		0	0	0	0	0
9.060	0	0	0		0	0	0	0	0
9.070	0	0	0		0	0	0	0	0
9.080	0	0	0		0	0	0	0	0
10.010	12,261,770	13,406,457	13,617,503	5.45%	12,621,498	8,451,147	-1,110,799	-13,272,414	-27,007,237
Revenue from Replacement / Renewal Levies:									
11.010	0	0	0		0	0	2,300,000	4,600,000	4,600,000
11.020	0	0	0		0	0	0	0	0
11.030	0	0	0		0	0	2,300,000	6,900,000	11,500,000
12.010	12,261,770	13,406,457	13,617,503	5.45%	12,621,498	8,451,147	1,189,201	-6,372,414	-15,507,237
Fund Balance June 30 For Certificates of Contracts, Salary Schedules, and Other Obligations									
Revenue from New Levies:									
13.010	0	0	0		0	0	6,500,000	6,500,000	6,500,000
13.020	0	0	0		3,250,000	3,250,000	6,500,000	6,500,000	6,500,000
13.030	0	0	0		0	3,250,000	9,750,000	16,250,000	22,750,000
14.010	Revenue from Future State Advancements								
15.010	12,261,770	13,406,457	13,617,503	5.45%	12,621,498	11,701,147	10,939,201	9,877,586	7,242,763
ADM Forecasts									
20.010	163	165	165		152	154	158	162	166
20.015	2,664	2,697	2,690		2,704	2,745	2,813	2,884	2,956

Attachment T-6

Line Number		Fiscal Yr 2007 ACT	Fiscal Yr 2008 ACT	Fiscal Yr 2009 ACT	Ave. Annual CHANGE	Fiscal Yr 2010	Fiscal Yr 2011	Fiscal Yr 2012	Fiscal Yr 2013	Fiscal Yr 2014
	State Fiscal Stabilization Funds									
21.010	Personal Services SFISF					97,000	97,000			
21.020	Employees Retirement/Insurance Benefits SFISF					32,350	32,350			
21.030	Purchased Services SFISF									
21.040	Supplies and Materials SFISF					7,650	7,650			
21.050	Capital Outlay SFISF									
21.060	Total Expenditures - SFISF					137,000	137,000			

See accompanying summary of significant forecast assumptions and accounting policies

Includes: General fund, Emergency Levy Fund, Textbook fund and any portion of Debt Service fund related to General Fund debt

Revere Local School District

Please Visit Also the Ohio Department of Education Website at
<ftp://ftp.ode.state.oh.us/geodoc/5-yrForecast/>

Five-Year Forecast

Fiscal Years 2007 to 2009 Historical Data

Fiscal Years 2010 to 2014 Forecasted Data

Board Approval Date of May 18, 2010

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What is the Five-Year Forecast

The five-year forecast was created in 1978 through H.B. 412. The purpose of the forecast was three fold:

1. To provide schools with a long range financial planning tool
2. Create a standard method by which a schools financial condition could be readily assessed by the legislature, the Ohio Department of Education, and the State Auditor's Office
3. Determine a school district's financial ability to enter into and fulfill contracts with vendors, unions and other parties with whom the school conducts business

The forecast is required to be updated two times per year which takes place in October and then in May of each year. However, there is no restriction as to the number of times or required time intervals under which updated forecasts can be submitted by a district. The five-year forecast consists of a two page financial statement that provides revenue and expenditure data to the user of the report. The report presents three years of historical data and five years of projected data which includes the current year of operation. Enrollment data is also part of the two page financial statement. Finally, written assumptions must also be included in the forecast to help the reader understand how the financial data is arrived at.

General Approach to Preparation of Forecast and Related Assumptions

The forecast is developed through a comprehensive process involving the district's management team. They assess instructional needs, facility issues, incorporate identified goals, revisit the strategic plan which is in place and focus on staffing related impacts over this forecasted five year period. Underlying assumptions are also made relative to financial markets, national and state wide economic trends, as well as current and pending legislation. The financial assumptions relied upon in this forecast regarding market conditions were largely influenced by the Monetary Policy Report issued to Congress in July of 2008 by The Federal Reserve Board. These assumptions were further updated based on the report of the International Monetary Fund on the U.S. Economy for 2009. Additional external sources are heavily relied upon in developing the forecast which would include data from the Ohio Department of Taxation, the Ohio Department of Education, the Federal Reserve Bank, trade associations such as the Ohio School Board Association, Summit County Fiscal Officer and peer review protocols. Critical to this process is the recognition of the fact that every decision made by the district has an impact not only in the current school year but also those years which follow. It is prudent in developing the forecast, that the management team not be risk takers but be diligent in focusing on probable outcomes on both the revenue and expenditure side.

Accounting Protocols

The five-year forecast is prepared on a cash basis and not on an accrual basis for both revenue and expenditures. Cash basis accounting recognizes revenue when received not earned and recognizes expenditures as paid rather than incurred.

All budgets are developed under governmental accounting standards which rely upon the identification of function and object. Function pertains to the responsibilities for which a department is charged with such as instruction of students or maintenance of facilities, to contrast two different areas of responsibility. The object further defines the purpose of the budget underneath the function. For example, salaries are a distinct object and those budgets are developed separately from other purposes such as benefits or supplies. Finally, the District isolates various activities by using fund accounting. The five-year forecast reflects only activity for the “general” fund of the District which is the primary operating account. There are many other types of funds under the responsibility of the Board of Education. A representative list would include a health care fund, a debt retirement fund, a food service fund, Federal funds or student activity funds.

Overview of the District

The Revere Local School District has four primary instructional buildings consisting of a high school, middle school, 4th -5th grade elementary building and a kindergarten to 3rd grade elementary building. In addition, the district operates an annex building housing a required pre-school program, an athletic field house, bus garage and administrative building. Geographically, the district serves a 51 square mile area consisting primarily of residential neighborhoods of a more rural setting without a consistent network of sidewalks. District boundaries fall within Richfield Township, Richfield Village, Bath Township, and small parts of Copley Township and the City of Akron.

Governance of the Revere Local School District is overseen by an elected five member Board of Education and is a separate distinct unit of government. Public schools in Ohio as is the case with other forms of government have the power to act as a taxing authority subject to voter approval with the exception of inside millage and the unvoted debt limit of 1/10th of 1% of the District's Valuation.

The District employs on a contracted basis approximately 325 staff members. The majority of the staff is made up of licensed instructionally based employees but this also includes secretaries, administrative personnel, cooks, custodians, drivers and other support staff. These employees are represented by a local union affiliated with the Ohio Education Association or The Ohio Association of Public School Employees.

The Impact of Ohio's School Funding Formula (Prior to the adoption of HB 1 Effective 7/1/09)

Property taxes are a root component of the school funding formula in Ohio. The Revere Local School District has historically been defined as a “Guarantee” district and is a “Zero” state share district. These descriptors are given to the District since the local property values, when compared to other schools, are well above the state average and categorize the system as a high wealth district.

The reader of this forecast should understand that a key component of the State's funding formula is tied directly to wealth.

Consequently, the Revere Local School District as a zero share, guarantee district is impacted in the following ways in relation to funding from the State of Ohio:

1. The District's State Funding is capped and has been placed on a guarantee which means that the funding received from the State of Ohio is frozen, with some minor exceptions.
2. Funding paid to the Revere Schools is not tied to enrollment. The District does not receive the per pupil funding amount as provided for by the State's funding formula and consequently when a student moves into the District no additional funding is received from the State for that pupil
3. The majority of the supplemental programs in the State's funding formula, such as those for special needs students, are tied to the state share percentage. As a zero state share district we do not receive the supplemental funding so badly needed by those students. The programs are still funded by the District but through local tax dollars.

The end result is that based upon the wealth of the district as defined by property value we are almost entirely reliant on local property taxes to fund the school system.

The Impact of Ohio's New School Funding Formula (Under HB 1, Adopted 7/1/09)

HB 1 negatively impacts the Revere LSD with an originally projected reduction of School Foundation funding estimated at 1% in FY 10 and 2% in FY 11. Recently information was released by O.D.E. indicating that the loss in funding would be fully implemented in FY 11 in the amount of \$1,266,9000.

The previous and new funding models have a multiplier that is used to re-distribute the finite State resources to poorer school districts which at the same time penalizes districts such as Revere. That multiplier in the new funding formula is called the Educational Challenge Factor which is comprised of data pertaining to property value, the community's Federally adjusted income, the number of residents with higher education degrees and the level of poverty in the community. In the prior funding model a guarantee existed under which schools like Revere were protected from a further erosion of State support. That guarantee has now been eliminated with the new funding bill.

The reader of this report must understand that the Board of Education, Superintendent and CFO/Treasurer recognize the importance of providing equal resources to schools that are disadvantaged. Our concern is not the State's effort to direct greater resources to the poorest schools in Ohio but the reduction of the current minimal State support received by the Revere LSD. Our district has consistently achieved Academic Excellence with Distinction. We accept the fact that additional resources are not available but what is the logic in eroding the resources of successful schools that are leaders in public education.

The program aspect of HB1 contains a number of unfunded mandates which will have a significant negative impact on the Revere Schools. This includes programs such as all day

kindergarten. All day kindergarten, we project, would have an impact of over **\$2 M** in new expenditures that are now reflected in this forecast. When those programs are better understood and interpreted, including associated time lines, by the Ohio Department of Education, this forecast will be appropriately modified.

The constituents of the Revere L.S.D. must decide what they want their schools to look like and the services to be provided. From that decision, the system would either have to seek additional revenue from the community in the way of tax levy support or eliminate programming. The other essential task which is already in place and continually being evaluated is the ongoing process of identifying ways to reduce and contain costs i.e. doing more with less.

Executive Summary of Forecast

The re-submission of the forecast in May of each year is an update to the forecast submitted in the prior October. Since the fiscal year runs from July 1st through June 30th, both reports reflect data for the same fiscal period.

In May of 2010, the District was on the ballot for new operating funds and proposed a ten year emergency levy in the amount of 6.86 mills with an estimated collection of \$6,728,000.

This initiative was not supported at the ballot. In evaluating the information received from the community a central issue related to the compensation of the certified staff. The compensation methodology is based upon three factors including years of service, training, and a base salary component. It is critical for the reader of this forecast to know that this model was established by the State of Ohio and is not unique to the Revere L.S.D.

There are significant differences in the forecast and the underlying assumptions when comparing the October submission to the May submission. Those differences are highlighted in the following paragraphs.

In reference to expenditures the following factors were incorporated into the revised forecast:

1. the number of certified positions being eliminated as part of the employee severance plan
2. implementation of all day kindergarten in FY 12 impacting staffing and capital expenditures as mandated by the State of Ohio along with other unfunded mandates
3. the re-evaluation of bargaining platforms with both unions when compared to over 10 years of historical trends
4. funding costs associated with the Employee Severance Plan which impacts four fiscal years
5. the assumption of the need for more reliance on the general fund for certain capital expenditures without a bond initiative for facilities

In relation to revenues the following factors were incorporated into the forecast: full implementation of the new funding bill resulting in a loss of \$1.2 M in FY11 and the assumption that the Tangible hold harmless provision will expire and not be approved by the legislature resulting in an additional loss of \$1.4 M. Both of these losses in revenue are driven by the State of Ohio's continuing financial crisis.

Under the forecast submitted in October of 2009 the District was able to overcome a cash deficit position in 2014 of less than \$500,000 so that a major deficit occurred in 2015. Under the revised May forecast the District now faces a cash deficit one year later in 2016. Ultimately the more aggressive staffing related expenditure assumptions only delay for one fiscal year the need for operating money.

As of the date of submission of the forecast, the Board of Education and the Administrative Team have not finalized a strategy in reference to the need for additional General Fund operating revenue. The decision has been made to not be on the ballot in August of 2010 with the next possibility being the November of 2010 election.

General Economic Trends

(Excerpts from the FOMC Report to Congress February 2010)

The Federal Open Market Committee (FOMC) is made up of Federal Reserve Bank Presidents and Board Members. In their February report, they identified that after 18 months of declining economic activity there has been some improvement seen in financial conditions. This shift is driven by monetary and fiscal policies. However, the recovery will be tempered by the need to rebuild wealth, very tight credit conditions and weakness in labor markets. Although the housing market showed the start of a rebound in the first half of 2009 it flattened in the second half of the year.

Focusing on real estate trends, credit markets for households remained constrained in the second half of 2009, even as interest rates declined for mortgages and many consumer type loans. Restrictive bank lending policies to individuals likely were due importantly to banks' concerns about the ability of consumers to repay loans in an environment of high unemployment. In addition, senior bank loan officers reported weakening loan demand from households throughout 2009. In 2009 nominal household debt experienced its first annual decline since the beginning of the data series in 1951. Although sales of existing single-family homes moved up noticeably through November, they fell back sharply in December, suggesting that some of the earlier strength reflected sales that had been pulled forward in anticipation of the expiration of the first-time homebuyer tax credit.

Even with house prices showing signs of stabilization, home values remained well below the remaining amount of principal on mortgages (so-called underwater loans) for many borrowers in the second half of 2009. With this background, and with a very high unemployment rate, delinquency rates on all types of residential mortgages continued to move higher. As of December, serious delinquency rates on prime and near prime loans had climbed to 16 percent for variable-rate loans and to over 5 percent for fixed rate loans. The delinquency rate on all subprime loans was about 35 percent in December. Foreclosures remained exceptionally elevated in the second half of 2009. The heightened level of foreclosures has been particularly notable among prime borrowers, for whom the number of foreclosure starts moved up a bit in the second half of the year; by contrast foreclosure starts for subprime borrowers dropped back somewhat.

From a non-real estate perspective, the economic recovery from the recent recession was expected to be gradual, with real gross domestic product (GDP) expanding at a rate that was only moderately above FOMC members assessment of its longer-run sustainable growth rate and the unemployment rate declining slowly over the next few years. It is also anticipated that

inflation would remain subdued over this period. Few members made modest upward revisions to their projections for real GDP growth in 2010. Beyond 2010, however, the trend for participants' projections for economic activity and inflation were little changed, with participants continuing to expect that the pace of the economic recovery will be restrained by household and business uncertainty, only gradual improvement in labor market conditions, and slow easing of credit conditions in the banking sector. It is generally expected that it would take some time for the economy to converge fully to its longer-run path with a sustainable rate of output growth and rates of employment. Many members hold the view that the convergence process between unemployment and GDP, in order to meet the Federal Reserve's targets, could take more than five to six years.

☼ Please note that the above economic summary establishes the background under which the assumptions in this forecast were made in reference to real estate taxes which is the District's primary source of revenue. Of particular concern is the housing market, resulting property values & growth, the State's deficit spending, the State's weakened revenue streams and the tax payers propensity to assume additional taxes which are contained in this five year forecast.

IMF Report and Update on United States Economy:

The 2009 IMF report points out that signs of stabilization are starting to appear and that this is driven by unprecedented public policy directed at economic recovery. This trend has spurred moderate growth in the second half of 2009. Although both housing and inventory numbers are more favorable the rate of unemployment continues to grow and is expected to peak sometime in 2010. The disparaging rise in unemployment has a direct impact on consumer attitudes towards on both investment and consumption. One major variable that is unknown is whether or not a second round of monetary and fiscal support measures will be implemented. A premature withdrawal of support before full financial recovery would have a negative impact on both the national and world wide economies. The debt trajectory for the Federal Government is of concern and it is not clear if this can be sustained long term. This concern even grows further under the possible reforms to health care and stress on the pension systems with our aging population. Health care can only be expanded under budget-neutral programs that act to contain costs or the Federal deficit could grow to as high as 110% of GDP by the year 2014. Although the economic news grows more favorable there are many unanswered questions.

The Public Policy Impact of HB 119 and SB 3 and 287

House Bill 119, passed by the legislature, became effective on July 1, 2007. This bill established the two year biennial budget for the State of Ohio as required by law and under which we are currently operating. HB 119 committed to a 3% increase in per pupil funding which did not benefit the Revere LSD as noted in the discussion above regarding the State's funding formula. HB 66 the previous 2 year budget bill created sweeping reform in the tax structure of the State. These changes have a direct impact on both the economy of the State and on public school funding. The Educational Tax Policy Institute projected that these structural tax changes will result in a loss of revenue to the State by fiscal year 2009/2010 of \$3.5B.

Changes to the tax structure are as follows:

1. Elimination of tangible taxes paid by businesses (forecast line 1.020)
2. Phase out of the Corporate Franchise Tax over 5 years

3. Replacement of the temporary 1 cent sales tax with a permanent ½ cent tax increase
4. Enact an untested Commercial Activity Tax (CAT Tax) on gross business receipts

HB 66 did include a hold-harmless clause which will insulate schools from the tax revenue losses incurred by the elimination of the tangible tax value. This hold harmless provision, however, is not permanent but will begin to be phased out in fiscal year 2012 and be eliminated in fiscal year 2019. Other limitations include the fact that the base year used for the reimbursement calculation was 2004. Compounding the impact of this loss in tax value and the corresponding revenues is that there was no consideration given to future increases in tangible tax collections which would have occurred and directly benefited public schools.

The phase out schedule and loss of property value is shown below for the Revere LSD in Table I.

TABLE I

Revere LSD Tangible Personal Property Value Loss							
	Machinery	Inventory	Furniture Fixtures	Telephone	Total Value	Annual Loss	Total Loss
Base Year 2004	1,963,790.00	5,349,338.00	19,759,146.00	5,297,817.24	32,370,091.24		
TY 2006	663,761.02	1,337,334.50	4,939,786.50			6,940,882.02	6,940,882.02
TY 2007	1,203,803.27	2,209,276.59	9,879,573.00			6,351,770.84	13,292,652.86
TY 2008	1,629,945.70	3,081,218.69	14,819,359.50			6,237,871.02	19,530,523.89
TY 2009	1,963,790.00	3,953,160.78	19,759,146.00	3,178,690.34		9,324,263.24	28,854,787.13
TY 2010				4,238,253.79		1,059,563.45	29,914,350.57
TY 2011				5,297,817.24		1,059,563.45	30,973,914.02

SB 3 and 287 enacted by the 123rd General Assembly reduced the assessment rate for certain tangible personal property of electric utilities and all tangible personal property of gas utilities. For electric utilities, including rural electric utilities, all property except transmission and distribution property will have its assessment rate reduced to 25 percent. All natural gas personal property goes to 25 percent from 88 percent. The two changes combined have been estimated to reduce property taxes by about \$300 million on a state wide basis. The impact to the Revere LSD was the loss of \$9,000,000 in assessed value and a corresponding loss of revenue of \$444,000. There is currently a hold harmless provision that will expire in 2016 or sooner. The provision is tied to a formula involving increases in state foundation funding resulting from a loss in tax value which does not impact Revere as a 0% share district.

Enrollment

Three of the primary communities that populate the school system, Bath Township, Richfield Township and Richfield Village, have comprehensive land use plans in place which control the

growth of residential development. Consequently, the District is not experiencing significant growth in student enrollment. However, because of the high quality of life in our community, which includes the school system's academic achievement, our district is a desirable location and will continue to experience a modest growth in enrollment over time. The one exception to this conservative growth pattern is the southern most region of the district along Route 18. This area is growing rapidly and allows for high density residential developments. The Superintendent continues to monitor the enrollment growth coming from this sector. At the current time the district is at capacity in two of our four academic buildings and close to capacity in the other two buildings. The District's current strategic plan includes a component for facilities and is an issue in the forefront of short and long term planning. In contrast to long range planning the community's support of a building initiative is divided. The forecast does contain enrollment data on line 20.010 and 20.015.

Facilities

The District continues to focus on an ongoing facilities maintenance program and those costs are partially reflected in both the purchase service and supply budgetary categories. There is a clear recognition by the Board of Education and the administration of the age of our buildings. And as mentioned under enrollment above there is an actively managed strategic plan in place that is examining this critical issue to the future of the District. This forecast does not reference specific building initiatives in that building projects are typically funded by the permanent improvement fund or bond initiatives and not the general fund. A facilities committee was established by the Board of Education in late fall of 2007 to develop a comprehensive master plan for land use and facilities. This committee has been meeting for all of 2008 and continues to work on the master planning document. To assist in this process, the architectural and engineering firm of GPD has been hired by the Board to work in an advisory capacity.

The District's facilities are old and incorporated into this forecast are line-item expenditures for maintenance supplies and purchase services. This increasing investment is necessary in order to insure a safe and productive instructional environment for staff and students.

INCOME ASSUMPTIONS

Forecast Line 1.010
Forecast Line 1.020

General Property Taxes (Real Estate)
Tangible Personal Property Taxes

Property taxes are levied and collected on a calendar year (CY) basis in contrast to a school district's fiscal year which runs from July 1st to June 30th of each year. Compounding the complexity of forecasting tax collection revenues both the effective millage rate and the total assessed valuation change from one year to the next. Consequently, property tax revenues received by a school district are the combination of two different tax years' assessments and valuations. Changes to value and assessment rates occur primarily as a result of new construction, reappraisal, tax appeals received by the county and levies newly approved by voters. The State of Ohio requires that residential and commercial property be appraised once every three years. For Summit County, CY 2005 was a triennial update and CY 2008

represented a full re-appraisal, after which this rotation between full and triennial updates will continue every three years.

The 2008 re-appraisal, payable in CY 09, resulted in an increase in over all assessed value of 3.5%. This outcome was not anticipated based upon the U.S. and State economies along with the drop in housing starts and the increase in foreclosures.

The tables which follow in this section are provided to help the reader of this forecast understand the base assumptions associated with real estate tax and tangible personal property tax revenues.

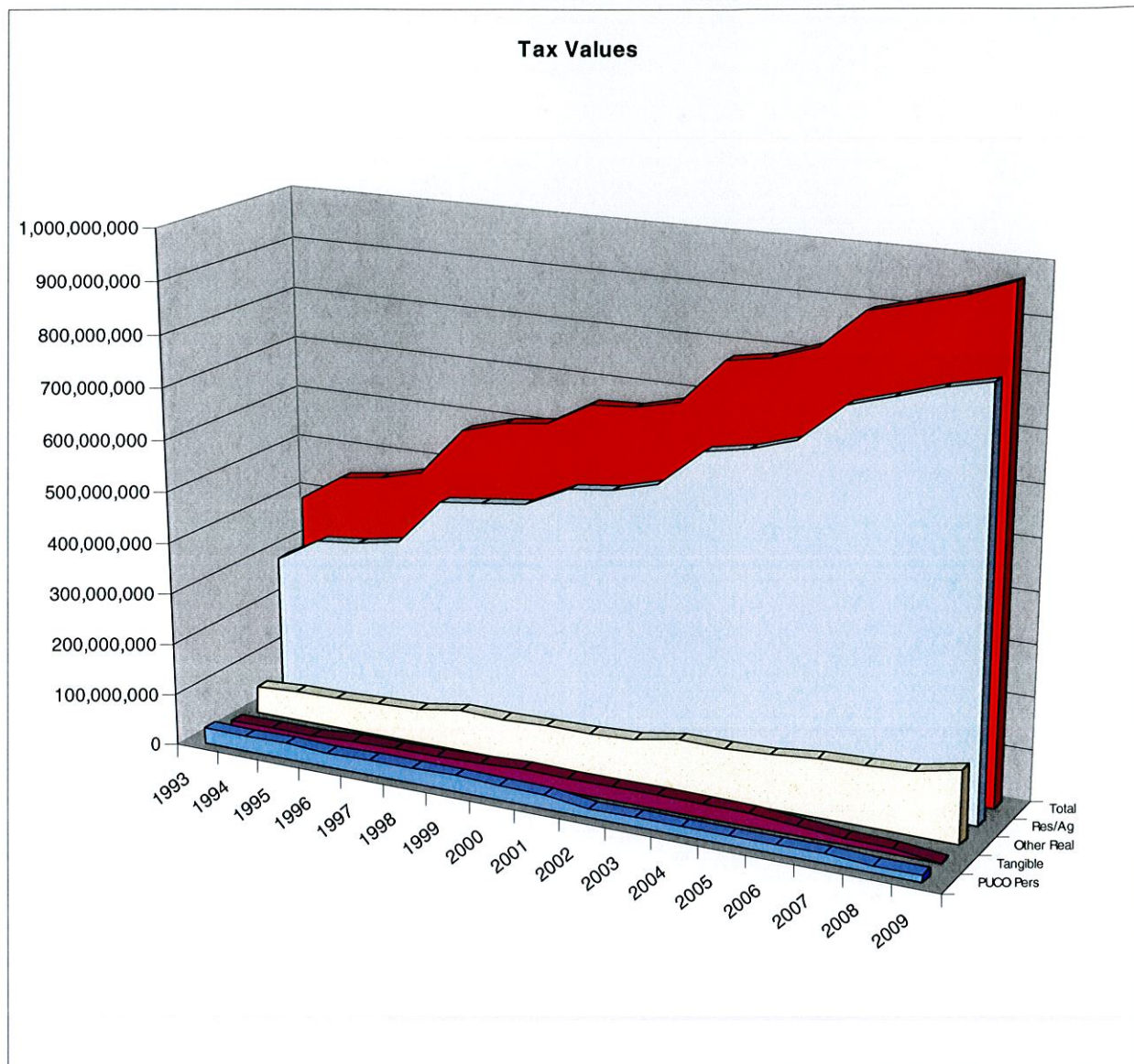
Graph II-A, below, shows that the majority of the District's tax values are associated with primarily residential and then commercial property. This table also shows that the residential property values have increased predictably from year to year and have doubled over ten years. The increase in property tax value which results from higher appraised values does not generate new revenue because of HB 920. There are some exceptions to this rule, but HB 920 in simple terms requires by law that when property values increase through re-appraisal that the millage is reduced so that the revenue received by a school district from the community as a whole remains flat. Individual tax payers may however have a different experience, so that some tax bills may go down and others go up at different rates, but as a community the collection is flat.

Tax value growth from new construction or new value does provide new revenue as it is recognized by the county and added to the tax roles. Based upon overall economic trends it is predicted that historical trends in new property growth will not occur as has been the case in the past 15 years.

One of the exceptions to HB 920 occurs when the original voted millage is rolled back, over time, and falls to what is called the 20 mill floor. When that happens new taxes are levied on the increased valuation through re-appraisal and there is no roll back of millage as previously occurred under re-appraisal. Stated differently, increased tax values through re-appraisal do provide a school district with new revenue when the 20 mill floor is hit. The Revere LSD has hit the 20 mill floor on residential value with the re-appraised that took place in CY 2005 and was payable in CY 2006. The tax collection from CY 2006 impacts FY 2007 and FY 2008. Even though the District is at the 20 mill floor and did see values increase through reappraisal, this result was tempered by delinquency rates and foreclosures.

In FY 2012 the reader will see a significant drop in tax revenue in the amount of \$2,300,000 which represents a half years collection on the existing emergency levy. The emergency levy has a five year term and it would be in 2012, if not renewed, when the revenue would start to fall off. Under the guidelines in which the five year forecast is prepared this revenue is reinserted on line 11.020 of the forecast since the continuation of this levy is subject to voter approval. The revenue from the emergency levy would be essential to the operation of the District. In FY 2011, a new operating levy is shown in the forecast and was calculated at just under 7 mills. This new levy is entered on lined 13.020. With the renewal of the emergency levy and the approval of this new operating levy the District would operate in the black until FY 2014.

Graph II-A



Graph II-B, below, shows the percentage changes in tax value from year to year. The reader should observe the following:

- that in years of re-appraisal the increase in values are much larger
- increases in revenue as a result of new construction coming onto the tax duplicate in the two tax years prior to the full re-appraisal of values payable in CY 2009 were 2.09% and .63% respectively.
- percentage increases from re-appraisal are inconsistent yet clearly greater than percentage increases from new value
- the loss in value due to HB66 which was referenced earlier is readily apparent with the tangible value shaded light blue.

- the loss in value attributable to Senate Bills 3 and 287 is also seen in the yellow shaded areas associated with the reduction in the assessment rates on this classification of property

Graph II-B

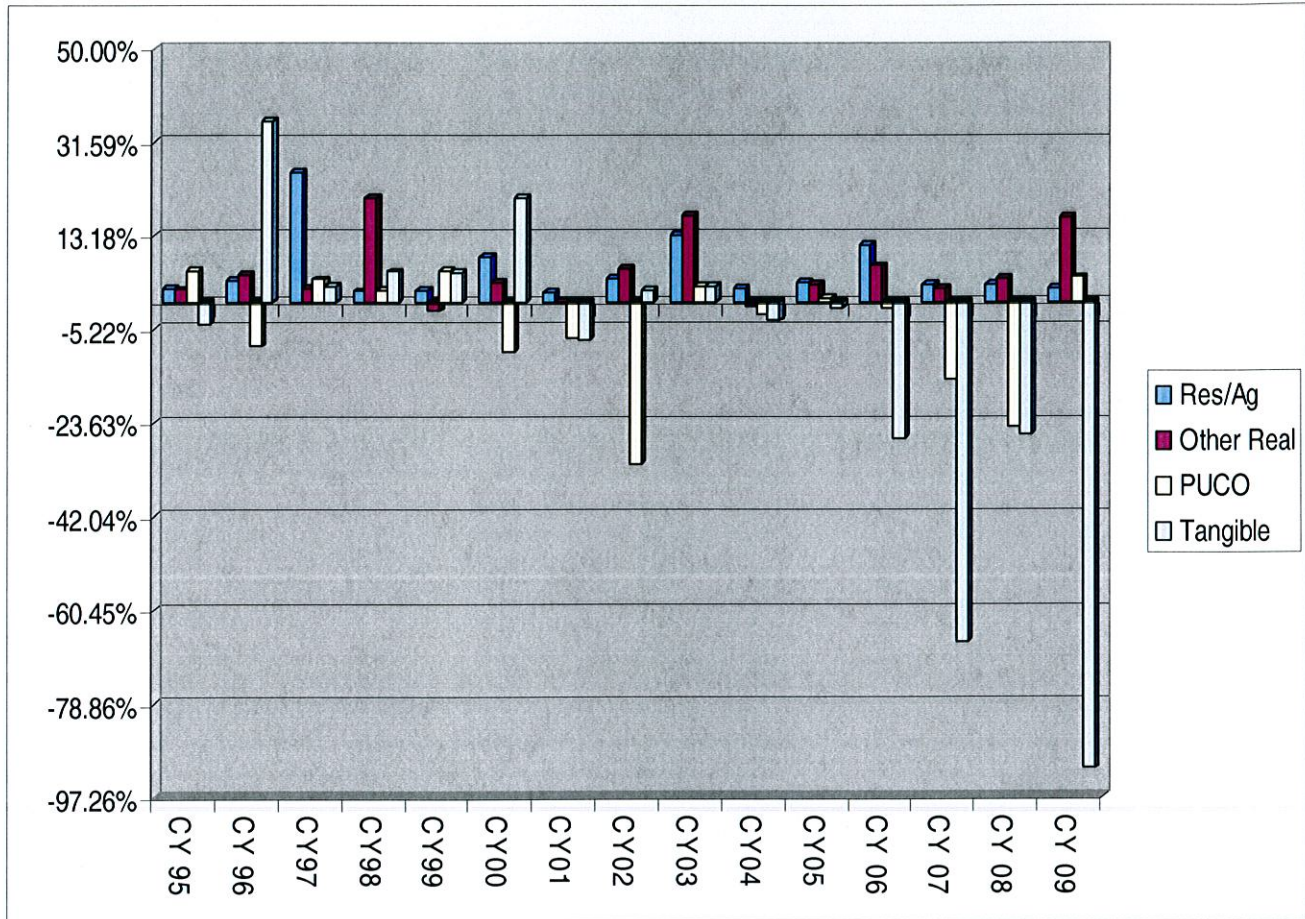


Table II-C

Revenue Categories as a Percentage of Total Revenue for Fiscal Year 2009

	Real Estate Property Taxes	Tangible Personal Property Taxes	Unrestricted State Funding	Restricted State Funding	Rollback, Homestead and Other Reimbursements	Other Revenue
Percentage of Total Revenue	73%	2%	7.8%	0.20%	14.00%	3.00%
Forecast Line Reference	1.010	1.020	1.035	1.040	1.050	1.060 & 2.070

Table II-D

Valuation by Category as a Percentage of Total Assessed Value

	Real Estate Residential/Agricultural	Commercial	Public Utility	Tangible Personal Property Taxes
Percentage of Total Valuation	83.88%	14.55%	1.49%	.08%

Summary

Based on the general economic outlook including the national and global economies, the impact to property values from new growth and re-appraisal have been significantly tempered in this forecast over historical results. Additionally, the probability of increased delinquency rates and foreclosures also has been incorporated in the projected revenue numbers. Based upon the projections for the real estate market both locally and nationally, the impact of the district hitting the 20 mill floor on residential/agricultural value will be minimized at this time. The loss in tangible personal property value and the corresponding revenues, as depicted in Table I, are also evident in the financial forecast. The assumption for percentage increases in revenue for residential/agricultural and commercial real estate are shown in the Table II-E. These percentage increases were developed after evaluating historical trends, economic factors, anticipated new construction, reappraisals and the current assessed values and tax estimates received from the Summit County Fiscal Office.

Part of these tax revenue assumptions is the knowledge that the TIF transaction impacting the Embassy Parkway Commercial area was paid off early by Summit County which will interject \$338,000 in new revenue to the District on an annual basis not including future adjustments due to re-appraisal. 50% of this revenue or \$169,000 will be received in FY 2009 and then the full amount of \$338,000 will be in the districts tax revenue base annually thereafter. There was a tangible tax payment in the amount of \$87,673 which will appear in the tangible receipts for FY 2009 due to a settlement with Adelphia. This is a one time payment. There has also been a significant increase in delinquent tax collections as identified by the Summit County Fiscal Office which impacts FY 10. It is assumed that this trend will not continue into FY 11 and forward.

Table II-E

Percentage Change Assumption on Real Estate Values Impacting Collection

	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015
% Change Over Prior Year	1.50%	1.50%	2.50%	2.50%	3.50%
		**	**		

** 50% of Emergency Levy revenue moves to line 11.02 of forecast based upon the expiration of the levy and the assumption of a ballot renewal initiative.

Forecast Line 1.035 Unrestricted Grants-in-Aid

This forecast line represents revenue received from the State of Ohio for the education of our resident students. As explained above the District is on the guarantee and does not receive a per pupil amount from the State. The guarantee amount includes a partial reimbursement of transportation costs of \$640,000. Confusing the reader is the fact that the hold harmless reimbursements for tangible and public utilities were previously in this line item and have now been moved to line 1.050. For FY 2007 forward, this line item will only be made up payments attributable from the State's school funding model. Based on HB 1, discussed above, there was originally a 1% reduction in FY 10 and a 2% reduction in FY 11. HB 1 will be fully implemented in FY 11 instead of over 4 biennium budgets which will result in a loss of revenue of \$1,266,000.

Forecast Line 1.040 Restricted Grants-in-Aid

The District applies for reimbursement of excess costs associated with special needs students and is also eligible to received partial funding for the purchase of a new bus. For this forecast it is assumed that these revenue sources will continue at reduced levels when compared to historical receipts. The excess cost portion will fluctuate based upon the number of students generating reimbursements.

Forecast Line 1.050 Property Tax Allocation

As with forecast line 1.035 above, what is to be included in this line item has changed and therefore the reader of the forecast will see significant swings in value when looking at historical revenue figures.

For all residential home owners the State of Ohio forgives or rolls back 10% of the tax bill and this amount is paid by the State to the public entity that levied a real estate tax. This also holds true for the 2.5% homestead exemption. These amounts are semi-annually aggregated and paid as a reimbursement by the State to the schools in Ohio. This payment is one of the primary components of line 1.050. The homestead/rollback payment mirrors for the most

part changes in value that take place in residential property. This figure will possibly increase as it will be impacted by the elimination of the income restriction that was previously applied to applicants for the homestead exemption. The impact is however not known nor reflected in the forecast. Since back in FY 05 and FY 06 the only item on this line was for the homestead/rollback reimbursement, the reader can quickly see how much this single item represented. The percentage changes listed above for real estate are also applied to this category based upon the nature of the payment.

Starting in FY 07, schools are required to post hold harmless reimbursements for the loss of tangible personal property value and changes from the reduction public utility assessment rates on this line of the forecast. These amounts are listed on Table III-A below.

Under HB 1 the Hold Harmless reimbursements are now extended through FY 2013 but will not continue from that point forward but will be phased out as originally approved by the State.

Table III-A

Hold Harmless Reimbursements

	FY09	FY10	FY11	FY12	FY13
Tangible Personal Property Tax	\$1,027,536	\$1,431,744	\$1,476,572	\$1,476,572	\$1,476,572
Public Utility Reimbursement	\$444,752	\$444,752	\$444,752	\$444,752	\$444,752
Total of Reimbursements	\$1,472,288	\$1,876,496	\$1,921,324	\$1,921,324	\$1,921,324

Forecast Line 1.060

All Other Revenue

This line item is made up of revenue from investment income, excess cost reimbursement, tuition and other miscellaneous fees. The changes reflected are representative of the loss of investment income due to declining cash balances and falling investment rates. Under fund accounting, the District does invest other monies in addition to general fund balances but those earnings are not all allocated to the general fund and reflected in the five year forecast. In addition, in FY 10 the District received two years of excess cost tuition from Nordonias Schools. This double payment is adjusted for in the forecast.

Forecast Line 2.040

Operational Transfers In

Forecast Line 2.050

Advances In

The District routinely advances cash to other funds which have not received the full cash allocation approved by the funding source. This typically occurs with Federal or State funds at year end. The amount advance is then repaid in the following fiscal year when the full funding is received from the governing agency. For the purpose of this forecast, historical advance amounts were utilized for the projected revenues.

EXPENSE ASSUMPTIONS

General Assumptions for All Expense Related Projections

- Based upon the enrollment projections listed in the forecast overall enrollment changes are very small. However, not all class sizes are the same and as students move from grade to grade we need to track the enrollment impact.
- Percentage increases were developed after evaluating historical trends, the economic environment, and key expenditure areas where specific inflationary trends were identified such as with fuel and energy related costs.
- A detailed general fund Revenue and Expenditure Report is developed each year for the upcoming school year. This report is prepared through a building and department based budgetary process and contains a line item budget for all general fund expenditures. It is from this report that the expenditures for the upcoming school year are developed (FY2009) and this information also is heavily relied upon in developing this five year forecast.

Forecast Line 3.010

Personnel Services

Personnel service expenditures represent compensation paid to all staff members including substitutes, part-time employees, board members and all full time employees. The majority of the staff are represented by a labor union. The licensed staff, except administrators, are represented by the Revere Education Association which is part of the National Education Association and the classified staff are represented by the Ohio Association of Public School Employees (OAPSE).

The REA contract and the OAPSE contract expire on June 30, 2011. The normal term of a negotiated agreement is three years. Typical to school union contracts is an indexed salary schedule which provides for increases in salary based on completed years of service and education. The service increase is referred to as a “step” adjustment. For purposes of this forecast it is assumed that the indexed salary schedules will remain similar to the current salary schedules. The average cost to the district for step adjustments is 2%. In addition to the step adjustment the unions negotiate a base salary adjustment which is comparable to the cost of living increase in the private sector. Consequently the annual salary increase amount is determined by adding the base adjustment amount to the cost of the step. Salary and benefits represents 80% of the District’s general fund budget which is below average compared to other public schools in Ohio.

For this forecast, a major change relates to the negotiation parameters which will be forwarded by the Board at the expiration of the current negotiated agreements. This change is driven by the feedback provided by the community prompted by the May operating levy campaign. The percentage associated with staffing has been reduced from 5.5%, which included programming enhancements, to 3.25%.

In addition, the Board has approved a 5.83 FTE reduction in staff starting in FY 11. This change impacts 4.83 certified staff members and 1 administrative FTE. Classified staffing size will continue to be evaluated. All of these reductions were made possible with the implementation of the employee severance plan approved by the Board in FY 10.

Staff increases are anticipated in FY 12 based upon the State's requirement that all day kindergarten be implemented in Ohio. The District has requested a waiver in reference to this major programming change for FY11 but it is not know if future waivers will be granted. All day kindergarten would require the addition of 6 teachers, 2 certificated support staff and 2 classified support staff. A certified staff position for Civic and Community Engagement services was also added based upon state mandate in FY 11.

All adds to staff are analyzed and presented to the Board of Education prior to any employment action being undertaken. The prior forecast incorporated openings for regular education instruction for advanced course subjects including Chinese, transportation, special education support, grounds and pupil support services.

Also incorporated into staffing costs is the cost of the early severance plan which is expensed over four years and in the total amount of \$234, 000 in FY 11, \$365,000 in FY 12 & FY 13, and \$131,000 in FY 14. Without this severance program the District would have had to lay off entry level teachers in double the numbers instead of a voluntary program which targets the highest compensated teachers.

Forecast Line 3.020

Employee Retirement/Insurance Benefits

Expenditures within this category include all medical premiums, payments to the SERS and STRS retirement systems, medicare, workers compensation and unemployment insurance. Retirement contributions and workers compensation are true payroll taxes and change as wages are modified at a similar percentage.

The District in FY 2005 through FY 2009 has taken premium holidays in each of those fiscal years. The premium holiday is taken when a favorable balance is generated in the health care fund due to a lower than anticipated claims experience. A one month premium holiday is approximately a savings of \$250,000. The District renewal rates for health care premiums have averaged under 8% prior to FY 2009. However in FY 2009 the District's claims experience grew significantly and that trend is shown in the succeeding fiscal years based upon experience. The District has joined a health care consortium to help contain health care related costs. With this past renewal effective July 1, 2008 there was an annual savings of \$31,000 based on the District's participation in a medical consortium for fixed costs. Beginning with the health care renewal effective July 1, 2010 the District is giving serious consideration to expanding the consortium participation for pooled claims to level swings in claims paid. With the most recent negotiations completed with both unions there will be savings generated through plan design. However, it is most significant that wellness provisions were agreed to that will provide a long term reduction in health care costs through reduced utilization and improved employee health.

In FY 11 there are several significant benefit assumptions including a 5% increase in health care with the July 2010 renewal which represents \$180,000, a reduction of \$48,000 with reduced staffing numbers and a premium holiday of \$400,000. These changes would be non-routine in nature and in addition to expected trends.

In FY 12, projected benefit costs will be impacted by the addition of kindergarten staff and the absence of a premium holiday taken in the prior year, all of which will generate an increase of \$579,000 in this expense category.

There is a pending proposal to increase the percentage that employers and employees pay into the retirement system. The proposed increase is 5% which is to be split between the employer and the employees and to be phased in over five years. With such a phase in the annual increase in costs would be estimated at \$92,000 per year for the employer's share. These increases are not yet incorporated into the forecast but should be mentioned as a potential future liability.

Forecast Line 3.030 Purchased Services

Purchase services includes expenditures for utilities, tuition paid to other districts, repairs and maintenance, contracted professional and technical services, open enrollment costs to other districts, post-secondary fees and excess costs for special education. There is an assumption that these costs will increase at a rate significantly above the three year historical trend based upon special education costs and the increasing rate at which students are identified, energy and utility related forecasts, facility maintenance needs, bus repair and maintenance on an aging fleet of over 40 buses and greater demand for student support services.

Forecast Line 3.040 Supplies and Materials

This category of expenditures includes instructional supplies, text books, library books including periodicals, office supplies, software, building maintenance supplies and vehicle supplies.

The primary factors impacting variances in this category over prior year actuals would be diesel fuel, bus repair parts/supplies and the planned textbook adoption cycle.

In FY 2007 the District completed a math and partial social studies textbook adoption which cost over \$360,000. Based on new State academic standards the curriculum adoption cycle is not known but assumptions were made that adoptions will occur in FY12 and FY 13 with an adjustment in each of those years of \$250,000. Also there will be an adjustment in FY 12 to cover the kindergarten curriculum and instructional supply start-up cost of \$120,000.

Transportation costs are estimated to increase in FY 2010 by 11% to cover the increased cost of fuel, tires and repair supplies.

Forecast Line 3.050 Capital Outlay New and Replacement Equipment

Under the equipment forecast line funds are allocated to purchase everything from desks, to microscopes, to computer technology to buses. The defining parameter is that the equipment being purchased have a usable lifespan of five years. The District has a pre-defined replacement cycle for technology which must be upheld in order for these items to not become obsolete. The assumption in the forecast is that there will be less reliance on the PI fund to cover bus acquisition and classroom technology. This assumption is based upon significant increases/demands in facility maintenance including roofs, parking lots and other major facility projects in the absence of a bond initiative or borrowing for facilities.

Forecast Line 4.300**All Other Objects**

This category includes liability insurance, performance bonds, Summit County Auditor and Treasurer Tax Collection charges, banking fees, audit fees and the Summit County Educational Service Center deduction. Of the \$479,000 spent last year in this line item, the greatest single expenditure in this category are the county Auditor and Treasurer fees which were \$323,000 in FY 2007 and \$354,000 in FY 2008. This fee represents the costs associated with tax collection and are passed along to the entity levying the tax. In election years when the District is on the ballot these fees increase to cover the cost of the polling locations. In FY 2010 a budgetary reserve amount of \$250,000 was built into this forecast line. The reserve amount will remain in the forecast and of high consideration for FY 10 and FY 11 is the necessary replacement of the District's technology backbone over which the student based technology applications, security system, phone system, payroll system, accounting system and internet access all operate. The expansion of IP based applications and technology virtualization which represent significant cost savings initiatives are also dependent upon our network backbone. This reserve was established for programming that the District is investigating but has not yet committed to as well as for unanticipated expenditures that could not have been forecasted. One of the key projects that was studied and implemented in FY 2008 & FY 2009 included document storage and retrieval as well as moving forward with various projects utilizing architectural services. For those projects undertaken which will impact the reserve amount those expenditures will be re-booked to the appropriate budgetary and line item category in the financial records.

Forecast Line 5.010**Operational Transfers Out****Forecast Line 5.020****Advances Out**

Within these categories the transfer and advance of funds from the general fund to other local, state, and federal grants are budgeted. Transfers are funds that are moved out of the general fund and into other funds without expectation of repayment. The primary example for the Revere LSD would be athletics. The general fund supplements the athletic fund each year. Typically up to \$50,000 is needed to balance the athletic budget which relies on primarily ticket sales to fund its programs. Advances are timing dependent and are temporary movements of cash from the general fund to another fund with an expectation of repayment. A prime example of an advance would be a Federal grant wherein the funding agency delays disbursement of the full grant amount.

Questions About the Five Year Forecast

Questions should be directed to:

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