

FISCAL YEAR 2009
A REPORT TO THE LOGAN-HOCKING LOCAL BOARD OF EDUCATION

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Recap of Fiscal Year 2009

The Logan-Hocking Local School District recently “closed the books” for Fiscal Year 2009 (July 1, 2008 through June 30, 2009). After Non-Operational Net Uses of Funds totaling \$765,113, General Fund revenues exceeded expenditures by \$163,851. The District ended the year with a carryover cash balance of \$6,701,399 of which \$380,213 has been encumbered. FY 2009 marked the fourteenth (14th) consecutive year that the School District has operated in the black. School year 1995 was the last year that operational expenditures exceeded revenues.

General Fund Revenues Total \$33,067,936

Of this, \$22,399,947 (68%) came from the State of Ohio. Local taxpayers provided \$8,753,981 (26%) via real estate and personal property taxes. Revenues from investment earnings and other sources equaled \$1,914,008 (6%).

General Fund Expenditures Total \$32,138,972

As a service industry, salaries and fringe benefits make up the majority of these expenditures. In FY 2009, salaries and benefits totaled \$27,107,784 (84%) of total operating expenses. Purchased services equaled \$3,461,354 (11%) and materials, supplies, and textbook expenses totaled \$992,750 (3%).

Net Non-Operational Uses Totaled \$765,113

In FY 2009, there were transfers to Capital Projects Funds totaling \$720,000. This included \$400,000 for bus purchases, \$200,000 for textbooks, \$70,000 for track and field equipment, and \$50,000 for miscellaneous permanent improvements. Net non-capital project transfers/advances totaled \$45,113.

Operational Revenues Increased \$502,259 (1.5%) over FY 2008 Levels

Local revenues, in total, increased \$191,892 (1.8%) from a year ago.

General property taxes increased \$175,572 (2.4%). The School District is at the “20 mill floor” and thus realizes increased local revenues as a result of state-mandated re-valuations of real estate in the School District’s territory. (Note that a similar amount of state funding is reduced as a result of this). Personal tangible property tax revenues decreased \$215,482 (13.7%) as the state continues to phase out the personal tangible tax and replaces it with a commercial activity tax.

Despite declining interest rates, local investment income and other miscellaneous income increased \$231,802 (13.8%) as the School District continued to actively manage its investment portfolio and work with local and regional financial institutions.

Net State revenues increased by \$310,367 (1.4%) over the prior year. This is one of the smallest annual increases in recent history. State per pupil funding increased from

\$5,565 in FY 08 to \$5,732 in FY 09 (a 3.0% increase). However, the School District's funded number of students decreased by 50 students as a result of lower enrollment. Fortunately the School District was under the "Transitional Aid Guarantee" in FY 2009. This guarantee helps protect a school district from a sudden decline in state aid. State funded property tax subsidies increased by \$148,578 (11.7%). This increase is directly related to the increase in property tax values / property taxes in the School District.

Operational Expenditures Increased by \$1,972,334 (5.7%)

Salaries and wages expense increased \$875,010 (4.7%), largely due to current negotiated agreements with labor unions (LEA and OAPSE), the expansion/reduction of staff to meet the needs of changes in student enrollment and programming demands, and an increase in substitute compensation. Fringe benefits expense increased by \$432,707 (6.1%). This includes health insurance expense increase of \$409,797 (11.6%). Workers compensation increased \$48,671 (33%) in FY 2009, following a decrease of 49,940 in FY 2008 (compared to FY 2007). Retirement contributions decreased \$53,466 (1.9%) mainly as a result of a prior period adjustment.

As anticipated, Purchased Services increased as the School District transitioned into the new Logan High School, increasing by a huge \$512,607 (17.4%). Included herein was an increase in electricity expense (\$130,852, or 29.9%), natural gas (\$31,448, or 13.3%), telephone service (\$19,957, or 62.8%), and data processing services (\$85,397, or 133%). It is anticipated that telephone service and data processing services expenses will decrease in FY 2010 as a result of one-time transition expenses in FY 2009. The School District also incurred an increase in professional and technical services expense in FY 2009 OF \$198,291. Tuition paid to "Community Schools" increased \$67,869 (14.3%) and open enrollment tuition paid to other school districts decreased \$88,971 (13.6%).

Materials, supplies, and textbook expense increased by a net \$20,213 (2.1%). While instructional supplies (+\$157,595) and computer software (+\$16,185) increased as a result of the transition to the new high school, vehicle fuel expense decreased by \$112,906 (30.4%) and vehicle supply and parts expense decreased by \$13,274 (16.3%). In Fiscal Year 2008 vehicle fuel expense increased \$112,473 (43.5%) from \$258,325 in FY 2007 to \$370,798. Capital outlay (equipment) expenditures increased \$57,782, as the School District equipped its new high with items not included in the construction budget. In anticipation of the needs at the new high school, expenditures in the prior year (FY 2008) for capital (\$53,133) were lower than the typically budgeted amount of \$100,000 for the General Fund.

Variations from the FY 2009 Forecast

The net surplus for FY 2009 was \$163,851 greater than anticipated when the FY 2009 forecast was updated in February 2009.

Net revenues were \$172,292 greater than forecasted. The majority of this (\$175,553) related to timing issues related to the receipt of investment income on several large certificates of deposit received prior to June 30. Expenditures as a whole were right on target, varying only \$8,441 (Note: Considering that total expenditures were just over \$33 million, to be within \$8,441 is outstanding and worth noting. I doubt that we will ever be this close again!).

Historical Revenues and Expenditures

The District continues to rely on the State of Ohio for 68% of its General Fund funding. Note that since 1990, there has been an 8% shift in the source of the District's funding from the local taxpayers to the State of Ohio. Since 1999 there has been virtually no change, percentage wise, regarding the source of revenues for the School District.

The School District has operated in "the black" for fourteen consecutive years and for eighteen out of the last twenty-two years. The last operating levy for the School District was passed over twenty seven years ago – in 1981 - virtually unheard of in the State of Ohio!

Outlook for Fiscal Year 2010 and Beyond

The School District continues to be in stable but vulnerable financial condition. It is in the process of updating its five year financial forecast for actual FY 2009 activity and for anticipated changes in the future. The current forecast calls for state revenues to decline slightly over the next two years. Adding to this is the evaporation of local investment income which is a result of the current economic environment. Investment income has historically been a significant, steady source of funding for the General Fund in the past. Operational expenditures will continue to increase. A full year of expenses relating to the new high school, two additional elementaries (Green (opening 8/09) and Central (opening spring 2010)), and an expanded and renovated Middle School (opening 8/09) must now also be planned for. Potential for fuel prices increases and increases in utilities expenses pose a major threat to the School District. Now more than ever the School District must continue to monitor its financial condition closely and make wise and prudent decisions. Stimulus funds received from the Federal government will be used to supplement state and local funding, where permissible, and will hopefully help Logan-Hocking School District, and others, to weather this current economic storm. Before it is all over, the School District may have to dig deep into its carryover funds.

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