

**Cardinal Local School District  
Work Session/Special Meeting  
September 28, 2016**

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The Work Session/Special Meeting of the Cardinal Board of Education held at 5:00 p.m. on September 28, 2016, was attended by Ken Klima, Wendy Anderson, Linda Smallwood and Katie Thomas. Greg McClain was absent.

**Discussion Item:**

**Five-Year Forecast** – Ms. Knuckles shared a draft of the Five-Year Forecast for FY 2017 with the Board for discussion purposes only. The final Forecast will be approved on October 12, 2016. The purpose of this discussion is to review the revenues and expenditures of the District, where they come from, how much we are to expect each year, where the issues were this past year and what to expect in FY 2017 and forward. This will give the Board time to review the information and ask questions before approving the final report. The permanent budget approved in September is the starting point for the Forecast. The Five-Year Forecast is a cruel joke on school treasurers as the State expects us to project out what will happen in the next five years. It is impossible to tell what will happen with any accuracy in three months let alone three years. We are required by law to show three years of actual information, the current year budget and then four years of estimated figures of what the future will look like. Ms. Knuckles established worksheets for revenues and expenditures to help the Board understand the figures and the process used to put this report together.

**Revenues:**

All known revenue information has been applied to forecasted figures as shown in the Forecast Worksheets. Little to no growth in revenues is expected to be received. **Tax Revenues** are based on 98% of expected collection at this time. The full collection will be reflected in the May 2017 Forecast. According to the County Auditor our delinquent tax revenues are dwindling as folks are catching up on their payments due. When a levy is nearing the time for expiration, the amount of taxes collected for that levy are deducted from the tax revenue line item (See line 1.010) and are accounted for at the bottom of the Forecast if the Board is intending to put the levy up for renewal or replacement. (See line 11.020).

**Unrestricted Grants** - Basic foundation formula is based on student enrollment each month. The amount calculated for the state funding changed each month. We saw significant decreases in basic state funding, but ups and downs with the other funding line items contained in the foundation settlement report each month. According to the ODE reports, our enrollment for FY 2017 dropped from 1,101 to 1,097. (See line 1.035). We used to be on the guarantee but that money went away in 2013 and then in 2016 we started to receive transitional assistance monies. We do not know how long or how much this will continue to be. The formula can change every two years with the governor's budget.

*Mrs. Anderson asked if there is a specific day they use for attendance when they make the foundation calculations.* Ms. Knuckles did not know and has not seen anything to determine what date they use. The District gets a foundation payment twice a month, usually the 2<sup>nd</sup> and 4<sup>th</sup> Friday of the month. *Mrs. Anderson asked if we could substantiate that figure in our IC system.* Dr. Hunt doubted we would be able to. We enter the information into the system but do not know when they pull it. We could ask. The formula is not just based on attendance. It is a head count they run through the formula.

**Restricted Grants** – State funding formula changes have affected many areas of the budget including our MRDD state pass-thru monies. We received \$245,000 less in FY 2016 than in FY 2015. The loss of funding was basically unknown until the money hit the bank. We knew the formula was being reviewed but did not know the impact it

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would have on our funding. They also recalculated the FY 2015 amount and we took another \$66,000 loss in revenues. (See line 1.040). We do appreciate the monies received. However, the monies do not come close to covering the over \$1.5 million in special education costs associated with educating those students in the public schools and not at Metzenbaum. The FY 2013 Medicaid Audit was completed in FY 2016 and according to code the money due to the District was to be received by June 30, 2016. It was not. Receiving this money would have helped our bottom line for FY 2016. We finally received our \$216,000 on September 27, 2016. The FY 2014 audit has begun, it is unknown when it will be completed and how much if anything will be due to the District.

Property Tax Allocation – For the last two fiscal years, the amount for the homestead and rollback taxes were estimated at a higher amount than received on our tax budget. This fiscal year it has been adjusted to reflect a more reasonable number. It is much easier to start off lower than actual and then adjust the budget down in March due to less revenues being received with our settlement. (See line 1.050). Property Tax Loss Make-up payments were subjected to the phase out period beginning in FY 2016. This news came after the governor told folks the payments would stay at the FY 2013 values from here forward. We saw an initial distribution \$237,257 less than the FY 2015 amount. The 80% supplemental payment for \$138,433 was received in April 2016, but the additional 20% to bring us up to the FY 2015 amount was never received, leaving us \$66,173 short. For FY 2017 the County Auditor reported an amount of \$1,668,572 but the ODE site shows an estimated \$1,516,545. After the initial receipt is received in November 2016 an adjustment will be made if necessary. This will be a big loss for the District going forward with no replacement monies in sight.

Other Revenues includes tuition, interest, pay-to-participate, rentals and donations among other items. (See line 1.060) We currently have 118 open enrolled students from other districts attending Cardinal. We are expected to receive \$699,660 for those students. The per student allocation amount was increased to \$6,000 per student. The District receives additional tuition or excess costs for special education students from other districts attending Cardinal. Over \$88,000 from FY 2016 was not received from the state until FY 2017. This makes the current budget larger than the previous year.

*Mrs. Smallwood asked where the excess tuition comes from.* Ms. Knuckles replied it is a deduction from the foundation statement after the state funding calculation is completed. Other districts who are educating our students can complete an SF-14 or SF-14-H to claim excess costs for educating our student. When that is filed it is then deducted on the foundation statement. If a form is not filed, we have to bill that district for their students attending here or they will bill us.

Pay-to-participate fees collected are over \$215,000 a year to cover the cost of coaches and transportation. In FY 2016 the District had to contribute over \$100,000 to cover those costs. We reduced costs and added a family cap but the outside donations did not come in as expected.

The Total Revenues for FY 2017 are not much higher than FY 2016 and they will drop off in the next four years as state revenues are phased out. (See line 2.080)

Expenditures:

All known expenditure information has been applied to forecasted figures. (See Forecast Worksheet) Our biggest expenditure is Personal Services – over 47% of the total budget. (See line 3.010) We made over \$995,000 in reductions at the end of FY 2016 to begin FY 2017. All but one of the classified RIF positions were recalled due to special education student needs in the classroom or on the vans – cost of \$201,835. Our assistant principal on the RIF list moved to a full-time special education director. We needed to recall the JE/CIS Intervention Specialist

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position and had to hire a new person as our RIF person found another job. During July we had several resignations and a couple of retirements so we had to shuffle people around or hire replacements for those positions costing over \$366,866. We hired a speech teacher and two psychologists to save money from our ESC contracted services at a cost of \$199,404. We received over \$119,000 less in grant funding for salaries in FY 2017, so those costs were bounced back into the general fund.

Benefits are the second largest expenditure in the budget – 24.48%. (See line 3.020). The largest moving target is the cost of medical and dental insurance premiums. Our history of illnesses drives the costs up. We saw a 22% increase in medical premiums and an 8% increase in dental premiums during FY 2016. The Administration and Union Leaders are meeting to work on reducing our costs while continuing to provide good benefits to our employees. Our next renewal date is November 1, 2016. It is unknown what the increase will be at this time.

Purchased Services is the third largest sources of expenditures. (See line 3.030). This line includes utilities, services and the big one – special education services for our students outside of the regular classroom. Supplies include office supplies as well as cleaning supplies, maintenance supplies and repair items for the buildings and vehicles. (See line 3.040)

Capital Outlay accounts for equipment purchases including vans and buses. (See line 3.050) Our bus leases are accounted for in this line item. Principal is for the Energy Conservation bonds. (See line 4.050) Our last payment is in FY 2025. Other is mainly the fee charged by the auditor and treasurer to collect and distribute our taxes and other various fees and dues. (See line 4.300)

Bottom Line:

We started off this fiscal year with a negative cash balance due to not receiving the cash due to us from the state. We called the Department of Medicaid and asked about the status of the money since we were told it had to be distributed by June 30<sup>th</sup> and they told us they were overloaded and it should be received by September 30<sup>th</sup>. It would have been nice to end the school year with a positive balance. The District is not currently receiving enough revenues to cover the basic costs at current levels. This is evident on line 7.020. Even with the passage of the 9.7 renewal levy in calendar year 2017, the district will not make it past FY 2017 without a deficit cash balances and without additional cuts. Mainly this is due to the decrease in tangible property tax and the increase in insurance costs. (See line 12.010). The district is placing a 4.5 mill new money levy on November 8, 2016. This will bring \$1,368,202 a year to the district. (See line 13.020).

Even with the passage of the 4.5 mill new additional money levy, the district will only slide by with low ending cash balances as we have proven in FY 2016. These low balances do not cover the cash flow required to cover all district obligations at the time they are due. (See line 15.010) The budget itself will meet our needs for the full year, but the timing of cash flows is our problem. This is why we need to have cash in the bank at the end of the school year. We will have another year of tight cash flows but the debt will be paid at all costs. It is very important to the survival of Cardinal Local Schools to pass this levy. Failing to do so will result in severe cuts in programming, increased class sizes and other adjustments as the Board deems necessary to continue providing a quality education on a very limited budget. Without cuts in FY 2018 and forward the state will have no choice but to come in and possibly declare the district in fiscal watch or even fiscal emergency.

If you have any questions or concerns, please contact Ms. Knuckles. This has been a stressful time juggling the changes and the losses during the year, but we will continue to move forward as best we can.

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**Superintendent's Report:**

**Personnel**

Mr. Klima moved and Mrs. Smallwood seconded a motion to approve the resignation of Jeremy Hunter, HS Principal, effective January 17, 2017.

Roll call vote:

Ken Klima, aye    Wendy Anderson, aye    Katie Thomas, aye    Linda Smallwood, aye

**Executive Session:**

Mrs. Anderson moved and Mrs. Smallwood seconded a motion to retire to executive session for the purpose of discussion of the Personnel Contracts and Treasurer's Evaluation.

Motion Approved at:    5:32 P.M.

Time Retired:            5:37 P.M.

Time Returned from Executive Session:            7:20 P.M.

Roll call vote:

Wendy Anderson, aye    Katie Thomas, aye    Linda Smallwood, aye    Ken Klima, aye

**Adjournment:**

Mrs. Anderson moved and Mr. Klima seconded a motion to adjourn the meeting.

Meeting adjourned at 7:30 P.M.

Roll call vote: unanimous yes.

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Kenneth Klima, President

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Merry Lou Knuckles, Treasurer