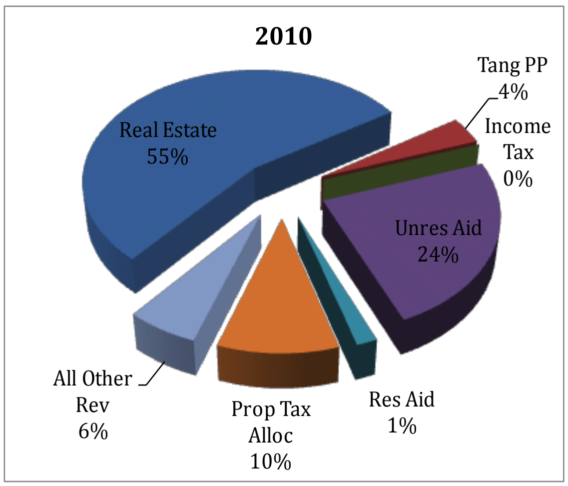
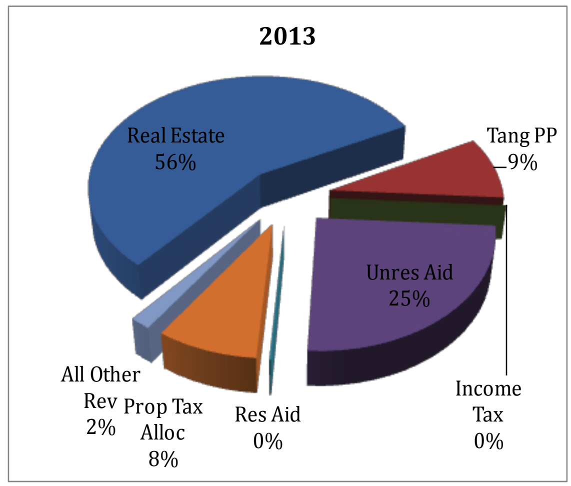
SPRINGBORO COMMUNITY CITY SCHOOLS

FIVE YEAR FORECAST 2013-2017
Approved May 23, 2013

REVENUE ASSUMPTIONS

The forecast requires that assumptions be made about future events to support projections. The following assumptions were made in preparing this forecast





General Property Tax Line 1.01

The district's real estate tax revenue is impacted by operating tax rates and taxable property values. While the district's tax rates have not been increased by vote, the taxable property values have been impacted by the economy:

- The County Auditor has conducted a triennial update for 2012. The resulted in changes to valuations. The forecast assumes a change of -3% in residential values and commercial values. New construction continues to add to the valuation of the District. During the past three years new construction added about 1.27% each year. A projected 1% increase for new construction is assumed in the forecast for residential values. Evidence of a stronger economy will be required to increase these estimates.
- The District assumes that the County Auditor is collecting taxes at a 98.2% rate based on historical collection rates. Delinquent taxes are assumed to be collected at \$250,000/year, which may be a conservative estimate and may understate revenues.
- The general property tax revenue represents 56% of the district's revenue.

Tax Revenue	Fiscal Year >>	2012	2013	2014	2015	2016	2017
Total Taxes Levied for Fiscal Year		27,472,645	27,325,242	23,156,367	19,091,468	19,311,924	19,535,579
Rollback and Homestead from Ohio		(3,483,136)	(3,485,228)	(2,952,960)	(2,432,822)	(2,456,580)	(2,480,575)
Current Taxes Unpaid		(175,917)	(360,817)	(301,635)	(249,922)	(252,874)	(255,869)
Adjustment for Collection Split		(316,435)	546	(94,440)	2,803	2,913	2,904
Past Delinquencies Collected		498,273	250,000	250,000	250,000	250,000	250,000
Other Adjustme		20,487	-	-	-	-	-
Total	23,982,777	24,015,918	23,729,743	20,057,333	16,661,528	16,855,383	17,052,040
Dollar Change over Prior year		(432,804)	(286,175)	(3,672,410)	(3,395,805)	193,855	196,657
Percentage Change over Prior Year		-1.77%	-1.19%	-15.48%	-16.93%	1.16%	1.17%

The emergency levy is reflected to expire to in 2014. The above graph shows the reduction of half of the collection in FY14 and half in FY15. The 2008 emergency levy expires on 12/31/2013. The renewal levy revenue is included in line 11.20 of this forecast.

<u>Tangible Personal Property Tax – Line 1.02</u>

- Rockies Pipeline filed a tax appeal with the State to lower their values. The forecasted revenue projections are all based on the lower appealed values.
- The additional revenue of 419,947 received for 2012/13 school year was due to Rockies. At the time the County Auditor certified budget figures Rockies was going to pay on a tax value of 30,259,140. The final close out value for 2011 Tax Year in our district was 35,035,650. The new value in our district for 2012 Tax Year is 34,152,190. This adds an additional revenue of $2,475,215 over this forecast period.
- A decrease in taxes is reflected in the forecast starting in FY14 due to expiration of current 2008 emergency levy
- The renewal of the 2008 emergency levy revenue is included in line 11.20 of this forecast.

<u>Unrestricted Grants-In-Aid – Line 1.035</u>

- For the years 2013 through 2017 the district is projecting line 1.035 state funding to increase slightly each year. The District is waiting for the State to approve a new budget before making any other adjustments. Any changes will be made in the October 2013 forecast.

- Additionally the district is projecting to continue receiving a subsidy for high performance that amounted to $97,913 in 2013 only. The District is unsure of the status of this revenue of the new State budget.
- The district is also projecting to receive special education transportation funding of $99,695 and preschool funding of $13,295. The district is currently projecting these revenue sources to continue at 2012 levels in 2013 through 2017. The District is waiting for the State to approve a new budget before making any other adjustments. Any changes will be made in the October 2013 forecast

Restricted Grants-In-Aid - Line 1.04

- The district also is projecting to receive funding for career technical education of $6,400, and catastrophic special education funding (state's partial reimbursement for high-cost special needs children) of $46,600 for each year of the forecast (2012 through 2017).
- The district will continue to monitor and apply for grants that will help the district meet the needs of the community.

Property Tax Allocation – Line 1.05

The primary source of revenue in this line item is the state's reimbursement for discounted local real estate property taxes. In essence, Ohio discounts residential tax bills by 12.5%. Additionally, there is a discount applied for taxpayers with handicap or elderly status. These discounts are known as rollback and homestead deductions.

In 2012 the district also received a phased down payment for its loss of personal property tax revenue. The personal property tax revenue was lost due to Ohio's tax policy changes in 2005. The reimbursement has dwindled to only $42,000 in 2012, and there is no reimbursement starting in 2013.

The renewal of the 2008 emergency levy revenue is included in line 11.20 of this forecast

All Other Revenues – Line 1.06

The Board of Developmental Disabilities agreed to pay the district $5,000 per special needs pre-school student, per year, beginning September 1, 2009. This amounts to an estimated $480,000 per year for 3 years. FY12 will be the last year the district receives this revenue.

The district will be moving extra-curricular revenue to the 300 fund. This will result in Pay-to-Participate revenue to be moved, reducing the general fund revenue by approximately $379,000.

Casino revenue will start to flow to schools starting in FY13. Estimates have shown that we will receive $296,400 in FY14 and $285,000 in FY15-17.

The District will be starting the Preschool program in FY14. This program will be charging tuition which will result in revenue of $77,600. This is based on $45/week from 48 students for 36 weeks)

- SPRINGBORO COMMUNITY CITY SCHOOLS

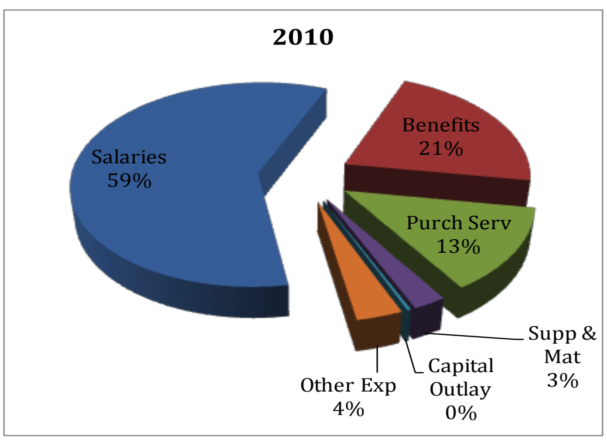
REVISED FIVE-YEAR FORECAST 2013-2017
Updated May 23, 2013

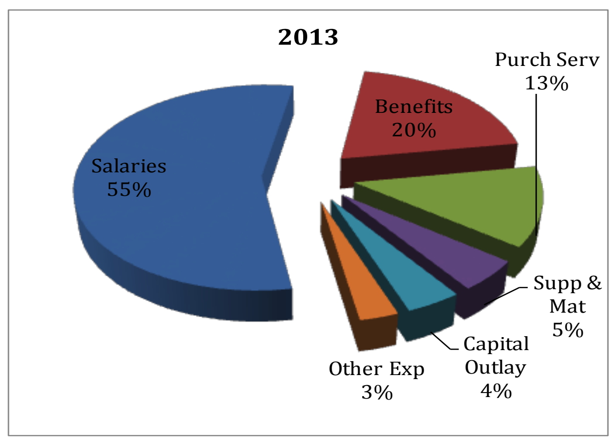
EXPENDITURE ASSUMPTIONS

The forecast requires that assumptions be made about future events to support projections. The following assumptions were made in preparing this forecast.

In 2013, the district will spend 88% of its budget on three categories:

- Personal Services (Salaries) 55%
- Employee Benefits 20%
- Purchased Services 13%





<u>Zero-Base Budgeting</u>

Staring in FY2013, the district will be using zero-based budgeting. All budgets being at $0 and must be built based on needs.

This approach allowed each administrator to build the budget to meet the needs of their school/department to ensure the needs of all students are being met. Administrators shared their budget with the Budget and Finance Committee. The committee appreciated the review and has not made changes to the budgets. The district will have to further review budgets and may make some changes to achieve a balanced budget.

Elementary Merger

During the 2012-13 school year, the District merged the four elementary buildings into two. This will allow the District to function at a high instructional level and be cost effective. This resulted in reducing administrator's salaries by $30,000 in FY13. This will save $150,000 from FY14-FY17. Also, there will be in no new teaching staff hired in FY14 based on student enrollment numbers.

Personal Services – Line 3.01

Line 3.01 reflects all general fund salaries for the district. Salaries account for 55% of the district's expenditures in 2013. Salaries are projected to change as follows:

- Movement from one degree to another, known as an education 'column increase' in pay for staff members is estimated to cost approximately $70,000 for 2013.
- There is no provision for any negotiated increases or experience steps throughout the forecasted period.
- There was a merit pay stipend paid in 2012, it amounted to $222,317 and is projected to continue at this level in 2013 per the negotiated agreement. One hundred percent of all employees received the excellence stipend.
- All band and athletic extra-curricular salaries will be moved to the 300 fund, resulting in a decrease of salary cost to the general fund.
- The board's approved staffing plan is included in 2013. This includes additional staffing levels that are projected to increase the salaries by $175,000.
- The current five-year forecast includes only those obligations that are currently negotiated. Because the current negotiated agreements are in place through June 2013, it is impossible to forecast future salary step and base increase/decrease expenses over and above the current cost. Changes to the benefit package are subject to negotiations. Therefore, there are no changes in the five-year forecast until the conclusion of negotiations.
- Enrollment numbers will be reviewed every year to determine the actual need. The assumption is based on census and historical is information.
- Starting in FY14, the District will be running the Preschool program. In the past this program has been run by the Warren County ESC. This program increases salaries by $636,000/year. The expenses paid to Warren County ESC will be reduced in Purchased services (see note 3.03)
- During the 2012-13 school year, the central office administrative team reviewed the efficiencies of the teaching staff of the District. The following efficiencies will be relative and real time student data.
  - The following will be reduced: 3.5 High school positions, Some supplemental and extended day contracts, stipends for evening events, Paraprofessional, and reduction in salary for HS work coordinator and gifted coordinator (savings of $495,000)

- The following will be added: 3 Reading Intervention teachers, 1.5 gifted teachers, .5 Language Arts Teachers at JH, Tech Staff, Secondary Specialist at Central Office and Professional Development for Staff (cost of 495,000)
- This plan is cost neutral resulting in no increase or decrease to any cost area of the forecast.

- The District did an EPC retirement buyout in June 2013. 34 staff members will be retiring between June 2013 and July 2014. Those at the higher end of salary schedule are retiring and being replaced by those at the beginning per the EPC buyout plan. The savings for those retiring begins in FY14. The savings per is as follows: FY14 is $436,298 and FY15 is 170,688. The total savings over this 5- year forecast is $2,257,256.
- The EPC retirement buyout included a severance package for the employee. The cost of the severance package is as follows: FY14 = 284,594 FY15 = 435,677 FY16 = 435,677 and FY17 = 151,301. The total cost is $1,307,249.

  The Net EPC savings to the District is $1,266,109, including benefits below.

<u>Employees Retirement/Insurance benefits - Line 3.02</u>

Line 3.02 represents about 20% of the district's expenditures. Expenditures include 14% of salaries as the employer share of payment to the State Teachers Retirement System, 2% of salaries for worker's compensation insurance, and costs associated with employee medical benefits.

During FY 2011, the district enrolled with EPC, a large health care consortium. EPC presented the District's FY13 health insurance premium, which decreased by 1%.

The Patient Protection and Affordable Care Act is starting to take shape. EPC has informed the District that due to the provisions of this law, the District's health insurance insurance's premiums in FY14 and FY15 will increase 6.5% each year. The Act also has specific requirements for benefits for employees that exceed 29 hours/week. The administration will review this requirement and revaluate for the next forecast.

- The retirement pick-up for administrators is being phased out and will end in FY14. The total reduction once fully eliminated is $90,000 per year.
- The Employee portion of health insurance is 15% of the premium
- The FY13 health insurance decreased by 1%, but the dental insurance increased by 8%, resulting in a net -0- change.
- The current five year forecast includes only those obligations that are currently negotiated. Because the current negotiated agreements are in place through June 2013, it is impossible to forecast future benefit increase/decrease expenses over and above the current cost. Our current commitment for health benefits will carry us through October 2013. Changes to the benefit package are subject to negotiations. Therefore, there are no changes in the five year forecast until the conclusion of negotiations.

- The EPC retirement buyout, mentioned above in 3.01, will decrease retirement and medicare benefits. The reductions will be $61,081 in FY14 and $23,896 in FY15. The total savings for this 5-year forecast is 316,012.

Purchased Services – Line 3.03

Purchased services consume about 13% of the district's budget. This line item covers utilities, tuition paid to other districts and community schools, salaries (instructional services), as well as other types of services (repairs, attorneys, etc.) used by the district.

The Board of Education legal services has increased by $250,000 based on upcoming negotiations and other legal needs. The District will also budget $130,000 for day-to-day legal expenses.

Starting in FY14, the District is adding $30,000 for each CPR training and Safety & Security training.

The Board of Education is budget $75,000 for budget initiative, such as student speech contests.

Not all of our students are able to be transported by buses. In those cases, we contract with other carriers to transport those students. Based on the needs of those students are cost are expected to increase $60,000 starting in FY13.

Starting in FY14, the District will be starting its own school program. The cost paid to Warren County ESC, which did handle the program will be eliminated. The cost was $667,152.

3 teachers + 6 aides	$517,143.30
Part time Itinerant teachers	$97,917.51
Therapy (OT: 3 days, PT: 3 days, SLP: 5 days)	$181,972.00
TOTAL SALARIES:	$797,032.81

· Credit (unit funding)***	-$52,120.44
Total: Paid by Springboro to WESC	$667,152.37

<u>Supplies and Materials – Line 3.04</u>

The supply budget comprises about 5% of the district's budget.

The FY13 adjustment to actual is based on the budgets that the administrators prepared using the zero-based budget model to meet the needs of the students. $120,000 of the adjustment is for a one-time purchase of textbooks to supplement the common core curriculum being implemented. This purchase has been removed for future years.

- The forecast includes the provision for textbook adoption, textbooks purchased that are the basis for instruction for all students. $600,000 will be the budget for years FY13-FY16 to purchase replacement cost of textbooks and the new adoption. The new adoption plan is currently being realigned and is discussed in unmet needs.

<u>Capital Outlay (4%) – Line 3.050</u>

In October of 2012, the District commissioned and received a capital improvement budget prepared by Steed Hammond & Paul. This plan is being used as a template to address district long term capital needs and deficiencies. The total plan over the 2013-2017 forecast term reflected $5.8M. The district has prioritized $2.8 million, described below. The remaining balance of $3.0 million is noted as an unmet need which will be reviewed annually and may be adjusted accordingly pending available funding

Capital improvement over the next five years include replacing the roof at Clearcreek Elementary, repaving and resurfacing the districts blacktop, repairing brick and stucco in various buildings, patching roof sections in other buildings, upgrading some mechanical items, and repairing bleachers. The following amounts are included each year for capital improvements:

FY13	FY14	FY15	FY16	FY17
$221,100	$1,239,836.94	$956,714.24	$701,050.02	$603,507.02

The sum of this plan is $3,722,208.22

The District will be investing $310,069 in FY13. This will bring all the district building up to current wireless standards. The district has developed a "Project 21" technology plan that is being implemented during the 2013 fiscal year and will be carried out for the next 5 years. This plan focuses on making sure that classrooms are equipped with the latest instructional tools for both students and staff, ensures high density wireless access in all building for both instructional purposes and assessment purposes (PARCC). "Project 21" is a technology plan that focuses on bringing instructional tools and district infrastructure up to a level needed to meet the demand and rigor of 21st century skills.

$911,799 of technology devices will be purchased during the 2014-2018 school year. This technology will be strategically placed throughout the District to give our students the best learning environment and ensure that the District is test ready. Below is the technology plan:

	2013-14	2014-15	2015-16	2016-17	2017-18
Teachers					
Grades K-2		iPad Mini/Tablet	iPad Mini/Tablet	iPad Mini/Tablet	
		60 ipads @ $329.00	60 ipads @ $329.00	60 ipads @ $329.00	
		$19,470	$19,470	$19,470	
Grades 3-5	Chromebook 1 cart per ELA	Chromebook 1 cart per ELA		Replacement/maintain Chrome	Replacement/maintain Chrome
	10 carts= 300 devices, plus cart	4 carts=120 devices, plus cart		$15,000	$15,000
	$271 each device, $1400 cart (10)	$271 each device, $1400 cart (4)			
	$95,300	38,120			
	Replacement/Fix Chrome Books	Replacement/Fix Chrome Books	Replacement/Fix Chrome Books		
	$5,000	$5,000	$10,000		
	LABS/ELA	LABS	LABS	LABS? STEM?	
	Replace with teacher machines	Replace Dennis Instructional Lab	Replace FP Instructional Lab		
	$0	$20,000	$20,000		
Grades 6-8	BYOD/Blended Learning		BYOD	BYOD	BYOD
	Supplemental Chrome Cart	Supplemental Chrome Cart			
	SI	1 carts=30 devices, 1 cart (1400)			
	3 carts =90 devices, 0 cart	$9,530			
	$271 each device, 0 carts				
	$24,390				
	JH				
	3 carts =90 devices, cart				
	$271 each device, $1400 cart (3)				
	$28,590				
	LABS-replace w/ teacher machines	Replace Lab 1-SI	Replace 1-JH (have monitors)		
		$20,000	$10,000		
Grades 9-12	BYOD/Blended Learning				
	Supplemental Chrome Cart		BYOD	BYOD	BYOD
	HS				
	4 carts =120 devices, 4 carts				
	$271 each device, $1400 cart (4)				
	$38,120				
	LABS-replace w/ teacher machines	Replace Instructional Lab			
	1 Art lab	$40,000	Replace Instructional Lab		
	$20,000	1 Art lab	$20,000		
		$20,000			
Chrome Boks	600 total chrome books	150 chrome books			
PAARC					
	Lease 36 month	Lease 36 month	Lease 36 month	Buy lease $1 each	$122,500
Teacher Laptops	$92,163	$92,163	$92,163	$350	
Total Cost	$303,563	$264,283	$171,633	$34,820	$137,500

An additional $95,000 will be spent in on Project 21 to bring all classroom tech ready for the 21st Century. This a total technology investment of 1,006,799.

Starting in 2016, $50,000 has been placed in the forecast each year to replace batteries for technology equipment.

The Administration recently developed a replacement schedule for the aging bus fleet. This schedule projects the bus needs to effectively estimate useful live using generally accepted standards for age and mileage. This plan will be evaluated to insure it meets the district fiscal restraints as an ongoing need to transport our children safely.

The District recently sold approximately $1M for 11 busses in FY13 (see notes 4.050). The replacement plan is as follows: FY14: 4 busses FY15: 2 busses (special Ed) FY16: 2 busses FY17: 2 busses. This is a total cost of $850,000. This plan will be evaluated annually before the purchases are made.

Principal Notes – Line 4.050 and 4.055

- In FY02 the District borrowed funds to complete HB 264 building projects on 5 of the school buildings.
- In FY13 the District is borrowing approximately $1M for 11 busses over 5 years. Paying for this loan will begin in 2014.
- The chart below represents the payback of the building projects and bus loan from FY12 to FY17.

4.055 - Principal - Other		Projections are not Based Upon Previous Fiscal Year					
Bus			-	15,000	205,000	210,000	215,000
Building		211,000	211,000	211,000	211,000	211,000	211,000
Note 2		-	-	-	-	-	-
Total [4.055]	211,000	211,000	211,000	226,000	416,000	421,000	426,000

Operating Transfers-Out – Line 5.010

This line increased $180,000, 2013 due to the transfer of funds to the 300 fund to cover extra-curricular cost. A breakdown of that amount is as follows:
$105,000 District subsidy from FY12
$75,000 for the District Service Program for student athletes who work to reduce their PYP by up to $100.

It has been determined that the following amounts of funding may not be available from our athletic booster organizations which include $75,000 for District Sports marketing revenue and $100,000 from reducing the PYP for FY13. Any identified gap must be evaluated by the administration and / or athletic department.

During FY14, the District with subsidy the athletic program $180,000 - $105,000 district subsidy and $75,000 for the District Service Program

Further discussion is needed between the Athletic Department and all Athletic booster groups to determine how size and scope of all athletic programs, inclusive of how they will be funded starting in FY14. This information will be updated in the October 2013 forecast.

Unmet Needs

The district will annually monitor technology. The budget to actual should be brought the Budget & Finance committee quarterly. The committee would like to evaluate an evening tech support plan between now and the October 2013 forecast.

A detailed maintenance / capital plan has been created. The district has not allocated money to address the ongoing cost of replacing carpet, painting, refinishing floors, installing tile, and upgrading its temperature control system. The district is exploring the possibility of a House Bill 264 project where it could upgrade some of its lighting, HVAC equipment, and other electrical components to capture a savings, the savings from this could be reinvested to address some of these unmet needs.

The administration will provide quarterly updates to the Budget and Finance Committee regarding expenditures against plan and any updates as may be necessary regarding capital items. The unmet capital needs budget is $2,127,336.

This schedule will project the bus needs to effectively estimate useful live using generally accepted standards for age and mileage. This plan will be evaluated to insure it meets the district fiscal restraints as an ongoing need to transport our children safely.

There is currently discussion to renovate the Springboro High School Library. At is time, a plan has not been determined or any cost determined. Once this is determined, it will be brought to the Board for approval.

The District will begin to assess and evaluate possible alternatives to the Jonathon Wright building. A facility use plan will be provided to the Budget and Finance Committee for a broader Board of Education and community discussion by the October 2013 forecast.

All third party service contract providers will be evaluated by the district to determine if outsourcing is still efficient and cost effective.

Textbook re-alignment

- The District is currently having extensive conversations with two textbook companies (evaluation of materials) to review all considerations for the transition from all textbooks to textbooks/e-books. The planning and process for the e-book transition will require some additional research, development and criteria for this adoption.
- Much of this work will be done in the Spring/Summer of FY 13 and the Fall of FY14 school year. This work will require that the technology plan/infrastructure is approved and completed and in order for implementation, the planning and release of BYOT and/or BYOT and district, the financial flexibility within the allotted textbook adoption dollars to purchase within the designated grade levels (example: adopt 6-12 Language Arts and K-12 Math during the FY 13/FY 14 school year). I have asked the textbook companies to develop a flexible cost proposal that would allow for the transitions to e-books (print text available as well) / ongoing partnerships for professional development / stakeholder commitment and support (parent,

teachers and administration), etc. In working with the above textbook companies we will evaluate Social Studies and Sciences materials as well (evaluation of materials is not exclusive to these two companies).

- This adoption would cost $600,000 would include a detailed plan.

Security committee is currently evaluated the safety needs of the district. It is estimated that the initial cost for the total program will be $250,000.

State Legislation – The State of Ohio has currently passed or is currently debated staff evaluation, professional development and third grade guarantee. The District is aware that there may be cost to implement these programs.

Springboro Community Schools recently sold bonds to finance buses and had to go through a rating analysis with Moody's. Below is the analysis:

NEW YORK, February 13, 2013 -- Moody's Investors Service has assigned a Aa3 rating to Springboro Community City School District's (OH) $995,000 School Bus Acquisition Bonds, Series 2013 (Limited Tax). Concurrently, we have affirmed the Aa3 rating on the district's outstanding general obligation unlimited tax debt. Including the current offering, the district has $67.18 million of outstanding general obligation unlimited tax and limited tax debt.
The lack of distinction between unlimited and limited tax rating is due to the statutory 10-mill limitation that provides for priority of debt service obligation of the total 10 mills, which is shared among all overlapping districts for debt and operating expenses. The bonds will finance the purchase of 11 new school buses and will amortize over 5 years.

SUMMARY RATINGS RATIONALE

The Aa3 rating is based on the district's moderate and growing tax base with strong and improving residential wealth indices, healthy financial operations supported by satisfactory reserves, and above average debt profile.

Strengths:

-Strong management team, focused on improving operational efficiencies

-Reasonable plans to maintain healthy reserve levels, without the need for new voter approved levies

-Moderating enrollment growth that limits need for additional debt or more rapid increases to the operating budget

Challenges:

-Long term health of state shared pension funds to which the district
contributes could require increased contributions in the longer term

-Open union negotiations and pending levy renewal poses a modest level of budget uncertainty in the near term

DETAILED CREDIT DISCUSSION

WEALTHY DAYTON SUBURB EXPERIENCING MODEST BUT STEADY GROWTH, DESPITE ECONOMIC DOWNTURN

Recent trends point to continued growth in this moderately sized, wealthy residential tax base. Located along Interstate-75 between Dayton (GO rated Aa2/STA) and Cincinnati (GO rated Aa1/STA), the district has faced an extensive period of tax base and enrollment growth that has moderate in recent years. Tax base growth has remained relatively stable, despite the recent recession. The district's tax base declined by 9.1% during the 2009 triennial update assessment, which includes an adjustment for a notable appeal by Duke Energy that was recently awarded. Favorably, the district's 2012 valuation includes a $34 million assessed valuation for the Rockies Express natural gas pipeline, which helped to offset other valuation losses, netting a modest 0.7% growth for 2012. As of 2012, the district's tax base is a healthy $2.58 billion, just under the previous high point of $2.6 billion in 2008, just before the impacts of the economic downturn were incorporated into valuations. Going forward, we expect the base to grow modestly, due in part to expected stabilization of real estate values and reported increases in new housing construction. Also supporting expectation of tax base expansion, enrollment has continued to grow at approximately 100 new students annually throughout recent years, reflecting net inflow of new families to the district. Resident wealth indices are healthy, with per capita and median family income at 143% and 162% of US rates, respectively. Warren County unemployment levels are also healthy at 5.5% as of October 2012, reflecting adequate employment opportunities in the region.

IMPROVED GENERAL FUND RESERVES WITH THE IMPLEMENTATION OF OPERATING EFFICIENCIES

Recent improvements to General Fund reserve levels, management efforts to improve operating efficiencies, and expected voter support for levy renewals point to continued healthy financial operations for the district. The district's audited General Fund reserves have been healthy in recent years, at 10.8% and 13.5% in fiscal 2011 and fiscal 2012, respectively. Note that the fiscal 2012 audit has been released by the district's independent third party auditor, but has not yet been officially reviewed and accepted by the Ohio Auditor of State. While fiscal 2009 and fiscal 2010 audits are not comparable as they were reported on a cash basis, General Fund net cash across all four years was also healthy, fluctuating between 10% and 14% of General Fund revenues. On a nominal basis, the district's fiscal 2012 General Fund total reserves were a healthy $5.9 million.

Ohio school district's typically manage and track their financial performance with the five year forecast for which they are required to submit updates each May and October to the Ohio Department of Education. The forecast includes actual results for the three most recent fiscal years and projections for the next five. This is used as an important tool for managing district finances over the long-term, which is a particularly critical practice given most Ohio school districts' reliance on voter support for new levies. Property tax levies are usually defined by a fixed dollar amount or by a millage rate that is rolled back for any market increases in assessed valuation. Over time, inflationary growth in expenditures eventually outpaces revenue growth, necessitating voter approval for new levies.

Springboro's five-year forecast shows a typical levy cycle trend, with the General Fund cash carryover declining in fiscal years 2008 and 2009 to a narrow, but still adequate $3.8 million, or 8.9% of General Fund receipts. Beginning in fiscal 2010, the district began to rebuild cash reserves by approximately $2 million annually, reaching $10.1 million or a healthy 23.4% of General Fund receipts by fiscal 2012. This is particularly notable as the district had not received any new levy dollars since 2005 and was able to rebuild cash despite five failed attempts to win approval for new levies from March 2008 through November 2010. This is largely due to significant expenditure reductions beginning in fiscal 2010, including salary cuts, early retirement buyouts, and increased operating efficiencies. On the revenue side, the district has benefitted from the new Rockies Express Pipeline, which began to report valuation in 2010, and now generates nearly $2 million of revenue for the General Fund as of the 2012 valuation update. Reductions in staff and expenditures were possible given a moderation in the district's enrollment growth trends. Through fiscal 2008, enrollment increased by approximately 500 students annually, with a five year average annual growth rate of 6.1%. In fiscal 2008, the growth rate dropped to 2.4% and has remained at or below 2%, leading to a much lower five year average annual growth rate of 2.8% as of fiscal 2012, or fewer than 100 students annually. More moderate enrollment growth has allowed the district to contain expenditures and balance the budget without any new levies. This trend is expected to continue going forward, with district management seeking further expenditure efficiencies, some of which it hopes will be reflected in the teacher contract renewal for fiscal 2014. Negotiations for the contract will begin later this spring.

The district's $9 million operating levy expires this year unless it is approved by voters for renewal in time for the 2013 levy year. District voters have historically supported levy renewals, approving all four renewal referenda since 1998. While the district continues to seek additional expenditure efficiencies, a failure to renew the levy would require further expenditure reductions that could pose significant operating challenges for the district. We expect timely renewal of the levy and continued healthy financial operations.

ABOVE AVERAGE DEBT BURDEN DUE TO PREVIOUSLY RAPID ENROLLMENT GROWTH EXPECTED TO MODERATE

While the district's debt burden is currently above average, we expect it to moderate over time given ongoing tax base growth and no additional borrowing planned at this time. The district's direct debt burden of 3.1% and overall debt burden of 3.8% are both above average, largely due to significant capital needs in past years to accommodate rapidly growing enrollment. As growth has now moderated, the district has no major building plans on the horizon and plans to address any capacity needs with existing infrastructure. A small portion of the district's debt is comprised of unrated loans, the majority of which were issued in accordance with House Bill 264, for energy savings projects. Those loans and the current offering are paid from the General Fund and do not benefit from an unlimited dedicated levy. The district has also issued some debt on behalf of Miami Valley Hospital (rated Aa3/STA), for which the hospital is primarily responsible for the repayment of debt. The debt was issued to construct and improve certain hospital facilities shared with or adjacent to district facilities. There is just under $10 million remaining on that debt, representing approximately $1 million of annual loan payments. The district has limited exposure for this debt due to the hospital's strong credit quality and likelihood to repay. However, if the hospital were to cease payments, the district would have to assume the payments or face losing access to the financed projects. The district has no variable rate debt outstanding and is not party to any derivative arrangements.

What could change the rating - UP (or change the outlook to positive)

-Maintenance of General Fund reserves at current or healthier levels

-Substantial tax base growth

What could change the rating - DOWN (or change the outlook to negative)

-Inability to maintain structural balance, leading to fund balance deterioration

-Weakening of tax base through valuation loss or decline in socioeconomic measures

KEY STATISTICS

2011-2012 Enrollment: 5,810 (2.8% five- year average annual growth)

2012 Estimated full value:$2.58 billion

2012 Full value per capita: $87,276

2006-2010 Per capita income: 155% of State and 143% of US

2006-2010 Median family income: 171% of State and 162% of US

Warren County unemployment rate: 5.5% (October 2012)

Fiscal 2012 General Fund balance (GAAP): $5.9 million (13.5% of GF revenues)

Fiscal 2012 General Fund cash carryover (5 year forecast): $10.1 million
(23.4% of GF receipts)

Direct debt burden, including lease obligations: 3.1% (overall: 3.8%)

Ten year amortization of principal: 54%

General obligation unlimited tax debt outstanding: $66.185 million

General obligation limited tax debt outstanding: $995,000