

**Cardinal Local School District  
Organizational Meeting  
January 11, 2017**

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The **Organizational Meeting** of the Cardinal Board of Education held at 5:30 p.m. on January 11, 2017, was attended by Ken Klima, Greg McClain, Linda Smallwood and Katie Thomas.

The meeting was called to order by President Pro Tempore, Mr. Klima.

**Nominations for President**

The President Pro Tempore, Mr. Klima, asked for nominations for President of the Cardinal Local School Board of Education for the year 2017 (second not required).

Mrs. Smallwood nominated Mr. Klima. Mr. Klima closed the nominations for President.

Mr. McClain moved and Mrs. Thomas seconded the motion to elect Mr. Klima as President of the Cardinal Local School Board of Education for the year 2017.

Roll call vote: Mr. McClain, aye Mrs. Smallwood, aye Mr. Klima, aye Mrs. Thomas, aye

**Nominations for Vice-President**

The President Pro Tempore, Mr. Klima asked for nominations for Vice-President of the Cardinal Local School Board of Education for the year 2017 (second not required).

Mr. Klima nominated Mrs. Anderson. Mr. Klima closed the nominations-Vice President.

Mrs. Thomas moved and Mr. McClain seconded the motion to elect Mrs. Anderson as Vice-President of the Cardinal Local School Board of Education for the year 2017.

Roll call vote: Mr. McClain, aye Mrs. Smallwood, aye Mrs. Thomas, aye Mr. Klima, aye

**Officer's Oath of Office**

Mr. Klima was sworn in by Treasurer Merry Lou Knuckles. Mrs. Anderson will be sworn in at the next meeting.

**PRESIDENT**

Do you solemnly swear that you will support the Constitution of the United States and the Constitution of the State of Ohio, and that you will faithfully and impartially discharge your duties as President of the Board of Education of the Cardinal Local School District, Geauga County, Ohio, to the best of your ability, and in accordance with the laws now in effect and hereby to be enacted during your continuance in said office, and until your successor is elected and qualified:

The answer is "I do". Mr. Klima responded, "*I do*".

The new officer took his elected position and the meeting continued.

**Authorization and Business:**

**Regular Meetings for 2017**

Mr. McClain moved and Mrs. Thomas seconded a motion to approve the schedule of regular meetings of the Cardinal Local Schools Board of Education, to be held as follows:

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The standard regular meeting day is the **second Wednesday of each month** with a special/work session meeting on the fourth Wednesday of each month; there are some exceptions in the following schedule. Dates may have to be adjusted due to other meeting conflicts. **All meetings will be held in the Board Office.**

January 11, 2017	5:45 p.m. Budget Hearing 6:00 p.m. Regular Meeting
January 25, 2017	6:00 p.m.
February 8, 2017	6:00 p.m.
February 22, 2017	6:00 p.m.
March 8, 2017	6:00 p.m.
March 22, 2017	6:00 p.m.
April 12, 2017	6:00 p.m.
April 26, 2017	6:00 p.m.
May 10, 2017	6:00 p.m.
May 24, 2017	6:00 p.m.
June 14, 2017	6:00 p.m.
June 28, 2017	6:00 p.m.
July 12, 2017	6:00 p.m.
July 26, 2017	6:00 p.m.
August 9, 2017	6:00 p.m.
August 23, 2017	6:00 p.m.
September 13, 2017	6:00 p.m.
September 27, 2017	6:00 p.m.
October 11, 2017	6:00 p.m.
October 25, 2017	6:00 p.m.
November 8, 2017	6:00 p.m.
December 13, 2017	6:00 p.m.
December 27, 2017	6:00 p.m.
January 10, 2018	5:30 p.m. Organizational 5:45 p.m. Budget Hearing 6:00 p.m. Regular Meeting

Roll call vote: Mrs. Smallwood, aye   Mrs. Thomas, aye   Mr. Klima, aye   Mr. McClain, aye

**Business Operations**

Mr. Klima moved and Mrs. Thomas seconded a motion to adopt all of the following items by one single motion unless a member of the Board or the Superintendent requests that any such item be removed from the list and voted upon separately. No such requests were made.

1. TAX ADVANCE and FUND-to-FUND ADVANCES

To authorize the Treasurer of the Cardinal Local School District to request the Geauga County Auditor to advance taxes from the proceeds of the tax levies to meet current expenses, as needed, from the period of January 1, 2017, through December 31, 2017, pursuant to ORC 321.34.

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For the purposes of closing a month or a fiscal year, the Treasurer is authorized to make fund-to-fund advances in anticipation of collection of outstanding revenues. Fund-to-fund transfers shall be made by the Treasurer pending Board approval at the next regular meeting of the Board.

2. PERMIT PAYMENT OF PURCHASES

To dispense with the adoption of individual, separate, monthly, or regular resolutions authorizing the purchase or sale of property (except real estate) or personal property valued up to \$10,000, the payment of debts or claims, and the salaries of the Superintendent, teachers or other employees; or approving warrants for the payment of any claim from school funds when provisions therefore are made in the annual appropriations resolution, pursuant to ORC 3313.18.

3. PERMIT NECESSARY BORROWING

To authorize the Treasurer and the President of the Board to borrow necessary money, including borrowing between funds on a temporary basis, prior to the next regularly scheduled Board meeting, pursuant to the provisions of law.

4. INVESTMENT OF FUNDS

To authorize the Treasurer to invest interim funds not needed to meet current expenditures at the most productive interest rate, pursuant to Board Policy 6144.

5. PURCHASING AGENT

To authorize the Superintendent or designee to serve as the purchasing agent for the school district, pursuant to Administrative Guidelines 6320A.

6. ADVISORY COMMITTEES

To authorize the following committees: Curriculum Committee, Facilities Committee, Financial Committee, Public Relations Committee, and the District Records Commission during 2017, as necessary; and to authorize the Board President or designee to make such adjustments in their membership as may be required to fill vacancies or to fulfill the obligations of the committee.

7. LEGAL COUNSEL

To authorize the Superintendent to secure necessary legal assistance as conditions require, pursuant to ORC 309.10, 33313.35 and 3313.18.

8. SPECIAL EDUCATION SERVICES

To authorize the Superintendent to secure Special Education Support Services as individual student needs require.

9. BOARD MEMBER COMPENSATION

To authorize compensation of the Board members, pursuant to ORC 3313.12 and Board policy 0147. Newly elected Board members, beginning a term in office in January, 2004 and thereafter, will receive \$125 per meeting, limited to twenty-four meetings annually. Other compensation is approved as written in policy 0147.

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10. DISPENSE WITH READING BOARD MINUTES

To waive the reading of the minutes of the Board, as authorized and governed by ORC 3313.26.

11. AUTHORITY TO FILE APPLICATIONS FOR PROJECTS

To grant the Superintendent or designee authority to file applications for all projects considered desirable for the Cardinal Local School District, pursuant to Board policy 6111A.

12. HIRING AUTHORITY

To authorize the Superintendent to employ personnel/accept resignations between meetings and employ temporary personnel, pursuant to ORC 3313.18, 3313.47 and 3319.01.

13. PROFESSIONAL MEETINGS

To permit the Board Members, Superintendent and Treasurer to attend necessary local, state and national meetings within available appropriations, pursuant to ORC 3313.18 and Board policy 0147.

14. REAFFIRM POLICIES

To reaffirm that all Board policies in effect at the date of this meeting are continued in full force and effect unless modified by subsequent action of the Board, pursuant to ORC 3301-35-02 and 3301-35-03.

15. ROBERT'S RULES OF ORDER

To adopt Robert's Rules of Order, Newly Revised, as the parliamentary procedure guidelines for Board meetings and meetings of its committees.

16. HOMEBOUND INSTRUCTION

To authorize homebound instruction for all qualified handicapped students, pursuant to ORC 3323.01. The rate of compensation for tutoring shall be \$24.00 per hour.

17. OPEN AND TABULATE BIDS

To authorize the Treasurer of the School District to be empowered to open and tabulate bids for the Board's consideration at the next scheduled meeting, pursuant to Ohio Revised Code 3314.46.

18. ELECTRONIC FUNDS TRANSFER

To authorize the electronic transfer of tax revenues as follows:

Treasurer of Geauga County is hereby designated agent and Fiduciary for the Cardinal Board of Education for the limited and specific purpose of receiving tax advance warrants from the Geauga County Auditor and the immediate transfer of tax advances directly to the Board's depository account, towit: Middlefield Banking Company, Cardinal Business Account Number.

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19. POSITION BONDS

To set the position bonds for Board President, Treasurer and Superintendent at \$20,000 effective January 1, 2017, to comply with HB412.

20. LEGAL LEVEL OF APPROPRIATIONS

To authorize the legal level of appropriation to be the Fund, major object level for the General Fund and "Fund Level" for all other Board Funds.

Roll call vote: Mrs. Thomas, aye Mr. Klima, aye Mr. McClain, aye Mrs. Smallwood, aye

**Student Achievement Liaison**

Mr. Klima complimented Mrs. Thomas on her job as Student Achievement Liaison last year and asked her to continue in that position. Mrs. Thomas accepted.

Mr. Klima moved and Mr. McClain seconded a motion to appoint Katie Thomas as the Student Achievement Liaison to the Ohio School Boards Association.

Roll call vote: Mr. Klima, aye Mr. McClain, aye Mrs. Thomas, aye Mrs. Smallwood, aye

**Legislative Liaison**

Mr. Klima complimented Mrs. Anderson on her job as Legislative Liaison last year and in her absence the Board hoped she would continue in that position and nominated her to do so.

Mr. Klima moved and Mrs. Smallwood seconded a motion to appoint Mrs. Anderson as the Legislative Liaison to the Ohio School Boards Association.

Roll call vote: Mr. McClain, aye Mrs. Thomas, aye Mrs. Smallwood, aye Mr. Klima, aye

**Auburn Career Representative**

The Board nominated Mr. Klima at a previous meeting for this position as requested by Maggie Lynch from Auburn, as they requested it be done prior to December 31, 2016.

**Open Meeting**

Mr. McClain moved and Mrs. Smallwood seconded a motion for the following recommendation - that the Board of Education establish that all actions and meetings of the Board will be as directed and in compliance with the requirement of law. (ORC 121.22)

Roll call vote: Mrs. Smallwood, aye Mrs. Thomas, aye Mr. Klima, aye Mr. McClain, aye

**TAX BUDGET PUBLIC HEARING - 5:45 p.m.**

In accordance with the published notice of the proposed budget for the period July 1, 2017, through June 30, 2018, this document is open for hearing of said public. No action required. Public comments accepted.

Ms. Knuckles presented a slide presentation "Tax Budget – Putting the Pieces Together" Ms. Knuckles stated the budget hearing is required by law and was to review the proposed Tax Budget for the next Fiscal Year. The purpose of the Tax Budget is to establish a need for local tax collections so tax rates can be set by the County

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Budget Commission and to provide financial information for the County Budget Commission to create the Certificate of Available Estimated Resources.

A Tax Budget shows the money expected to be collected by the school district for the next fiscal year based on current tax levies and collections and the estimated expenditures so they can operate. There are vast differences in how a school district is obligated by code to operate and how a county, village or business is able to operate. If costs go up, the county, village or business can simply raise the costs of doing business, BUT the school district cannot. The District's only option to receive an increase in revenues is to put a tax levy on the ballot.

The Tax Budget document as presented to the County Auditor and Tax Budget Commission lists the current tax levies for the District, shows a brief detailed look at the history and current budget for those funds that receive property tax revenues, includes a Statement of Fund Activity for all other funds of the District which includes an estimate of revenues and expenditures for FY 2018, and a Schedule of Indebtedness for all outstanding District debt requirements. The figures included here are the basis for the Temporary Budget for the start of FY 2018, which covers July 1, 2017, through June 30, 2018.

A Tax Budget is included for each fund that receives tax revenues; the General Fund, the Middle School Bond Retirement Fund, the Library Bond Retirement Fund and the Permanent Improvement Fund. Once the Tax Budget document is completed, we are required to approve the Tax Budget by January 15<sup>th</sup> and submit it to the County Auditor by January 20<sup>th</sup> for approval at the Tax Budget Hearing held by the Tax Budget Commission in February. This Tax Budget sets the beginning numbers for the District's budget for the next Fiscal Year and is based on expected tax revenues which are the District's biggest revenue source. This is considered our Temporary Budget and will be approved at the June 2017 Board meeting. Several documents are used to put the Tax Budget together.

The Tax Budget is mainly based on the Schedule B as prepared by the County Auditor's Office. Each levy that is currently being collected within our District is listed at the voted millage, the effective rate, and the tax revenue values at 100% collection value, 98% and 95%. For FY 2018 the assessed valuation for the School District increased from \$300,869,310 to \$309,430,870, an increase of \$8,561,514 in value. The effective rate is the millage the tax levy is currently being collected at. Each levy can only collect the amount of taxes it was originally voted in for. As the assessed valuation goes up, the effective rate will go down to keep the collection the same and vice versa. The District receives 3.5 mills of inside millage at 100% of value – this is the only growth in revenues for the District. Also, the District has four continuing levies and one levy that is renewable every five years on the books.

- 1976 and prior levy is for 20.20 mills that collects at 3.97 mills.
- 1977 levy is for 5.70 mills that collects at 1.12 mills.
- 1981 levy is for 7.50 mills that collects at 1.83 mills.
- 1985 levy is for 4.50 mills that collects at 1.63 mills.
- 2007 levy is for 9.70 mills that collects at 9.36 mills and is renewable every five years.

The District moved 1 mill of inside millage to the Permanent Improvement fund that collects at 100% of value. The District also has two bond levies.

- 1999 Middle School Construction Bond levy is for 2.70 mills that collects at 2.23 mills.
- 2001 Library Construction Bond Levy is for .85 mills that collects at .73 mills.

The County Auditor has historically certified the tax revenues at 98% of the assessed valuation. The FY 2018 calculation for 100% expected tax revenues is \$7,593,381 for the General Fund, \$309,431 for the Permanent Improvement Fund, \$690,030 for the Middle School Debt and \$225,884 for the Library Debt. 10% of this tax

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revenue is classified as Homestead and Rollback reimbursement amounts. The property owner will see a deduction for homestead and rollback on all levies passed prior to 2015 on their tax bills. This money is then reimbursed to the School District by the state after a property tax settlement. In FY 2015, the state decided to do away with this deduction on any new levies added to the tax roll. The difference between the 98% value and the 10% homestead and rollback is the expected tax revenues to be received by the District.

Tangible Property Tax Loss Value Make-up revenue payments are certified at 100% of their value. We are to expect \$1,199,000 in these payments to the General Fund. With the last bi-ennum budget, the phase out period for the make-up payment was restarted.

- FY 2015 – received \$1,903,179.
- FY 2016 – received \$1,837,006.
- FY 2017 – to receive \$1,668,572 (per county auditor).
- FY 2018 – to receive \$1,199,000 (per county auditor).
- To be completely phased out by FY 2021 with no replacement monies.

A Tax Budget Worksheet is completed to calculate the numbers used in the Tax Budget. The current budget and the Five-Year Forecast are the next major documents used to complete the worksheets. The revenues and expenditures from the last three years and the current fiscal year and next fiscal year amounts are entered from the Five-Year Forecast as approved by the Board on October 12, 2016. The current budget is reviewed to see if there are any major changes since the October Forecast and all of this information is entered into the Tax Budget document to be approved.

Our Energy Conservation Bonds are included separate from the General Fund. The cost savings from the energy changes made to the District are used to pay the debt. These revenues are classified as tax revenues and must be subtracted from the General Fund tax revenues. Debt Service Funds revenues and expenditures are included in the Tax Budget Document. Debt Service payments for principal and interest for FY 2018 come from the Debt worksheet from our FY 2016 Financial Report. Permanent Improvement Fund revenues and expenditures are included in the Tax Budget Document. The principal and interest payments for the PI Roof Bonds are included. The Permanent Improvement Fund receives 1 mill of inside millage each year as approved in 2007 to provide monies for building upkeep, improvements and technology.

All of the remaining funds of the District which do not receive tax revenues are listed in the Statement of Activity showing an estimated beginning cash balance as of July 2017, estimated revenues and expenditures expected and the estimated ending cash balance as of June 30, 2018. The estimated activity is based on the actual activity from FY 2016 and FY 2017. A Schedule of Indebtedness is also included in the Tax Budget based on the debt schedule from the FY 2016 financial audit. These figures are used to verify the amount of taxes needed to be collected to pay the debt issues outstanding each year. If the Commission feels there is too much money sitting in the debt service funds, they will adjust the effective rate down so it would collect less money in the next tax year.

Bringing all the Puzzle Pieces together – Once all the pieces are put together, the Tax Budget is approved and submitted to the County Auditor prior to January 20<sup>th</sup> for the Tax Budget Hearing. The Revenues and Expenditures in the Tax Budget will be used as the Temporary Budget for Certified Revenues and Appropriations for the start of FY 2018. Adjustments will be made by September as needed and approved by the Board at the September regular meeting to meet the Permanent Budget requirements by October 1<sup>st</sup>. These figures help to set the operations of the District for FY 2018. Looking at the anticipated revenues and the Forecast will guide the Board to decide what cuts will or will not be needed to balance the budget for FY 2018.

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Food for Thought – We have scrutinized the budget to push out our cash balance from a potential deficit situation in FY 2014 to a positive cash balance until FY 2017. However, the estimated cash balance is very small on the Forecast. The passage of the 9.7 mill levy in November 2017, will not get the District through FY 2018 before rendering a deficit cash balance in the General Fund. Therefore significant reductions will be needed to begin the next school year.

The timing of the cash received by the General Fund is a major concern when looking at the monthly payment obligations. Our main source of revenues is our Tax Revenues which are received in August and February, but we have to pay our bills on a monthly basis. It is VERY IMPORTANT to have an ending cash balance of at least \$500,000 at the end of the fiscal year so we can cover this slow revenue period which normally hits in November through January.

Problem Areas/Areas of Concern – One major area of concern is the reinstatement of the phasing out of Tangible Personal Property Tax Loss Make-up payments from the State with no funding elsewhere to make up for this loss of revenues. The District will not see any major increases to tax revenues for this budget period and there is uncertainty about State funding. When a levy is passed in one year it will not be collected until the next calendar year – one half in February/March collection and the other half in the August collection. TIMING IS EVERYTHING!

Increases in areas such as repairs, maintenance, transportation costs, and special education instructional costs are why the District must use caution when planning the budget and future projects and expenditures. The largest areas of expenditures are controlled by contracted obligations such as salaries and benefits and purchased services.

The need for new monies in FY 2018 and beyond is very apparent when you look at the Five-Year Forecast. Based on our current Forecast – if new monies are not approved/passed by January 2018, the District will face a deficit situation for FY 2018 and beyond. The Department of Education will do a calculation based on the FY 2016 total revenues to decide if our deficit warrants further analysis and declaration of Fiscal Caution, Watch, or Emergency. The State Auditor's office will then be called in to do an analysis of our finances and we could be placed in Fiscal Watch or Fiscal Emergency at that time. We have worked hard with the needs based budget to keep the District moving forward, and if we do not do our due diligence we will be facing the State putting us in Fiscal Watch. We need to educate ourselves and our community on how to best avoid that situation with the ever-changing face of school finance.

Ms. Knuckles asked if there were any questions and welcomed folks to contact her at the school or by email.

*Mrs. Thomas stated people have asked or stated the state can come in and increase the tax rates. She did not think that was correct.* Ms. Knuckles told Mrs. Thomas she was right. The state cannot come in and increase tax rates. They can make cuts to salaries, benefits, and contract services to reduce the operating costs. They will review the figures and help with getting a tax levy on the ballot. They want you to continue to put a levy on until you pass one that will cover your needs. They will loan you solvency assistance loans, but those have to be paid back with your tax revenues. So, this becomes a vicious cycle.

*With no other questions, the budget hearing was adjourned.*



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**Adjournment:**

Mrs. Thomas moved and Mr. McClain seconded a motion to adjourn the meeting.

Meeting adjourned at 6:03 P.M.

Roll call vote: unanimous yes.

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Kenneth Klima, President

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Merry Lou Knuckles, Treasurer