

NORTHEASTERN LOCAL SCHOOL DISTRICT-CLARK COUNTY
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES FOR THE FISCAL YEARS ENDED
JUNE 30, 2015, 2016 and 2017 ACTUAL
FORECASTED FISCAL YEARS ENDING
JUNE 30, 2018 THROUGH 2022



Forecast Provided By
Northeastern Local School District
Treasurer's Office
Dale R. Miller, CPA, Treasurer/CFO
937-505-2814
May 2018

Northeastern Local School District

Clark County

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2015, 2016 and 2017 Actual;
Forecasted Fiscal Years Ending June 30, 2018 Through 2022

| | Actual | | | | Average Change | Forecasted | | | | |
|--|---------------------|---------------------|---------------------|---------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Fiscal Year 2015 | Fiscal Year 2016 | Fiscal Year 2017 | | | Fiscal Year 2018 | Fiscal Year 2019 | Fiscal Year 2020 | Fiscal Year 2021 | Fiscal Year 2022 |
| Revenues | | | | | | | | | | |
| 1.010 General Property Tax (Real Estate) | 10,660,604 | 10,484,345 | 10,741,064 | 0.4% | 10,773,288 | 10,642,196 | 10,674,379 | 10,707,380 | 10,743,342 | |
| 1.020 Tangible Personal Property | 506,095 | 536,850 | 589,438 | 7.9% | 650,059 | 614,415 | 635,985 | 657,555 | 679,125 | |
| 1.030 Income Tax | - | 245,908 | 2,815,410 | 0.0% | 4,271,000 | 4,350,000 | 4,437,000 | 4,514,648 | 4,593,654 | |
| 1.035 Unrestricted State Grants-in-Aid | 12,976,423 | 12,965,880 | 13,048,997 | 0.3% | 13,025,164 | 13,028,225 | 13,031,366 | 13,034,587 | 13,037,891 | |
| 1.040 Restricted State Grants-in-Aid | 456,733 | 260,151 | 336,103 | -6.9% | 315,355 | 316,311 | 317,276 | 318,251 | 319,236 | |
| 1.045 Restricted Fed. SFSF Fd. 532 FY10&11/Ed Jobs Fd.504 F | 0 | 0 | - | 0.0% | - | - | - | - | - | |
| 1.050 Property Tax Allocation | 2,017,138 | 1,961,954 | 1,829,471 | -4.7% | 1,754,828 | 1,689,335 | 1,691,248 | 1,693,166 | 1,695,864 | |
| 1.060 All Other Revenues | 2,795,221 | 2,500,539 | 2,733,338 | -0.6% | 2,802,055 | 2,827,551 | 2,853,302 | 2,879,311 | 2,905,580 | |
| 1.070 Total Revenues | 29,412,214 | 28,955,627 | 32,093,821 | 4.6% | 33,591,749 | 33,468,033 | 33,640,556 | 33,804,898 | 33,974,692 | |
| Other Financing Sources | | | | | | | | | | |
| 2.010 Proceeds from Sale of Notes | - | - | - | 0.0% | - | - | - | - | - | |
| 2.020 State Emergency Loans and Advancements (Approved) | - | - | - | 0.0% | - | - | - | - | - | |
| 2.040 Operating Transfers-In | - | - | - | 0.0% | - | - | - | - | - | |
| 2.050 Advances-In | 22,820 | 27,205 | 115,954 | 172.7% | 50,949 | 30,000 | 30,000 | 30,000 | 30,000 | |
| 2.060 All Other Financing Sources | 381,149 | 268,392 | 156,038 | -35.7% | 155,873 | 155,873 | 155,873 | 155,873 | 155,873 | |
| 2.070 Total Other Financing Sources | 403,969 | 295,597 | 271,992 | -17.4% | 206,822 | 185,873 | 185,873 | 185,873 | 185,873 | |
| 2.080 Total Revenues and Other Financing Sources | 29,816,183 | 29,251,224 | 32,365,813 | 4.4% | 33,798,571 | 33,653,906 | 33,826,429 | 33,990,771 | 34,160,565 | |
| Expenditures | | | | | | | | | | |
| 3.010 Personal Services | \$17,214,069 | \$17,314,691 | \$17,772,400 | 1.6% | \$18,044,087 | \$18,446,030 | \$18,945,401 | \$19,492,875 | \$20,056,219 | |
| 3.020 Employees' Retirement/Insurance Benefits | \$6,278,647 | \$6,218,826 | \$6,334,507 | 0.5% | \$6,397,310 | \$6,663,550 | \$7,012,847 | \$7,400,840 | \$7,815,631 | |
| 3.030 Purchased Services | \$3,449,555 | \$4,032,267 | \$5,187,813 | 22.8% | \$5,578,500 | \$5,743,054 | \$5,931,372 | \$6,126,569 | \$6,310,186 | |
| 3.040 Supplies and Materials | 713,465 | 712,096 | 929,633 | 15.2% | 912,500 | 939,875 | 968,071 | 997,113 | 1,027,027 | |
| 3.050 Capital Outlay | 99,514 | 216,170 | 432,973 | 108.8% | 560,000 | 560,000 | 560,000 | 560,000 | 560,000 | |
| 3.060 Intergovernmental | - | - | - | 0.0% | - | - | - | - | - | |
| Debt Service: | | | | | | | | | | |
| 4.010 Principal-All (Historical Only) | - | - | - | 0.0% | - | - | - | - | - | |
| 4.020 Principal-Notes | - | - | - | 0.0% | - | - | - | - | - | |
| 4.030 Principal-State Loans | - | - | - | 0.0% | - | - | - | - | - | |
| 4.040 Principal-State Advancements | - | - | - | 0.0% | - | - | - | - | - | |
| 4.050 Principal-HB 264 Loans | - | - | - | 0.0% | - | - | - | - | - | |
| 4.055 Principal-Other | - | - | - | 0.0% | - | - | - | - | - | |
| 4.060 Interest and Fiscal Charges | - | - | - | 0.0% | - | - | - | - | - | |
| 4.300 Other Objects | \$354,655 | \$328,973 | \$340,527 | -1.9% | \$348,109 | \$352,579 | \$357,131 | \$361,766 | \$366,487 | |
| 4.500 Total Expenditures | 28,109,905 | 28,823,023 | 30,997,853 | 5.0% | 31,840,506 | \$32,705,088 | 33,774,822 | 34,939,163 | 36,135,549 | |
| Other Financing Uses | | | | | | | | | | |
| 5.010 Operating Transfers-Out | \$59,803 | \$48,383 | \$42,305 | -15.8% | \$42,000 | \$42,000 | \$42,000 | \$42,000 | \$42,000 | |
| 5.020 Advances-Out | 27,205 | 129,939 | 50,949 | 158.4% | - | - | - | - | - | |
| 5.030 All Other Financing Uses | \$0 | \$0 | \$0 | 0.0% | \$0 | \$0 | \$0 | \$0 | \$0 | |
| 5.040 Total Other Financing Uses | 87,008 | 178,322 | 93,254 | 28.6% | 42,000 | 42,000 | 42,000 | 42,000 | 42,000 | |
| 5.050 Total Expenditures and Other Financing Uses | 28,196,913 | 29,001,345 | 31,091,107 | 5.0% | 31,882,506 | 32,747,088 | 33,816,822 | 34,981,163 | 36,177,549 | |
| 6.010 Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses | 1,619,270 | 249,879 | 1,274,706 | 162.8% | 1,916,065 | 906,818 | 9,607 | (990,393) | (2,016,984) | |
| 7.010 Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies | 4,963,922 | 6,583,192 | 6,833,071 | 18.2% | 8,107,777 | 10,023,842 | 10,930,660 | 10,940,267 | 9,949,874 | |
| 7.020 Cash Balance June 30 | 6,583,192 | 6,833,071 | 8,107,777 | 11.2% | 10,023,842 | 10,930,660 | 10,940,267 | 9,949,874 | 7,932,890 | |
| 8.010 Estimated Encumbrances June 30 | 202,809 | 475,168 | 238,114 | 42.2% | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | |

Northeastern Local School District

Clark County

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2015, 2016 and 2017 Actual;
Forecasted Fiscal Years Ending June 30, 2018 Through 2022

| | Actual | | | | Average Change | Forecasted | | | | |
|---|---------------------|---------------------|---------------------|-------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Fiscal Year 2015 | Fiscal Year 2016 | Fiscal Year 2017 | | | Fiscal Year 2018 | Fiscal Year 2019 | Fiscal Year 2020 | Fiscal Year 2021 | Fiscal Year 2022 |
| Reservation of Fund Balance | | | | | | | | | | |
| 9.010 Textbooks and Instructional Materials | - | - | - | 0.0% | - | - | - | - | - | |
| 9.020 Capital Improvements | - | - | - | 0.0% | - | - | - | - | - | |
| 9.030 Budget Reserve | - | - | - | 0.0% | - | - | - | - | - | |
| 9.040 DPIA | - | - | - | 0.0% | - | - | - | - | - | |
| 9.045 Fiscal Stabilization | - | - | - | 0.0% | - | - | - | - | - | |
| 9.050 Debt Service | - | - | - | 0.0% | - | - | - | - | - | |
| 9.060 Property Tax Advances | - | - | - | 0.0% | - | - | - | - | - | |
| 9.070 Bus Purchases | - | - | - | 0.0% | - | - | - | - | - | |
| 9.080 <i>Subtotal</i> | - | - | - | 0.0% | - | - | - | - | - | |
| <i>Fund Balance June 30 for Certification of</i> | | | | | | | | | | |
| 10.010 <i>Appropriations</i> | 6,380,383 | 6,357,903 | 7,869,663 | 11.7% | 9,773,842 | 10,680,660 | 10,690,267 | 9,699,874 | 7,682,890 | |
| Revenue from Replacement/Renewal Levies | | | | | | | | | | |
| 11.010 Income Tax - Renewal | | | | 0.0% | - | - | - | - | - | |
| 11.020 Property Tax - Renewal or Replacement | | | | 0.0% | - | - | - | - | - | |
| 11.300 Cumulative Balance of Replacement/Renewal Levies | | | | 0.0% | - | - | - | - | - | |
| 12.010 <i>Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations</i> | 6,380,383 | 6,357,903 | 7,869,663 | 11.7% | 9,773,842 | 10,680,660 | 10,690,267 | 9,699,874 | 7,682,890 | |
| Revenue from New Levies | | | | | | | | | | |
| 13.010 Income Tax - New | | | | 0.0% | - | - | - | - | - | |
| 13.020 Property Tax - New | | | | 0.0% | - | - | - | - | - | |
| 13.030 Cumulative Balance of New Levies | - | - | - | 0.0% | - | - | - | - | - | |
| 14.010 Revenue from Future State Advancements | | | | 0.0% | - | - | - | - | - | |
| 15.010 <i>Unreserved Fund Balance June 30</i> | 6,380,383 | 6,357,903 | 7,869,663 | 11.7% | 9,773,842 | 10,680,660 | 10,690,267 | 9,699,874 | 7,682,890 | |

Northeastern Local School District – Clark County
Notes to the Five Year Forecast
General Fund Only
May 2018

Introduction to the Five Year Forecast

All school districts in Ohio are required to file a five (5) year financial forecast by October 31, and May 31, in each fiscal year (FY). The five-year forecast includes three years of actual and five years of projected general fund revenues and expenditures. Fiscal year 2018 (July 1, 2017-June 30, 2018) is the first year of the five year forecast and is considered the baseline year. Our forecast is being updated to reflect the most current economic data available to us for the May 2018 filing. This forecast is presented in April to reflect the passage of a 7.96 mil bond levy that will effect some expenditure lines. If the bond issue fails we will need to update the capital plan and expenditure lines and submit an adjusted May 2018 forecast.

Forecast Risks and Uncertainty:

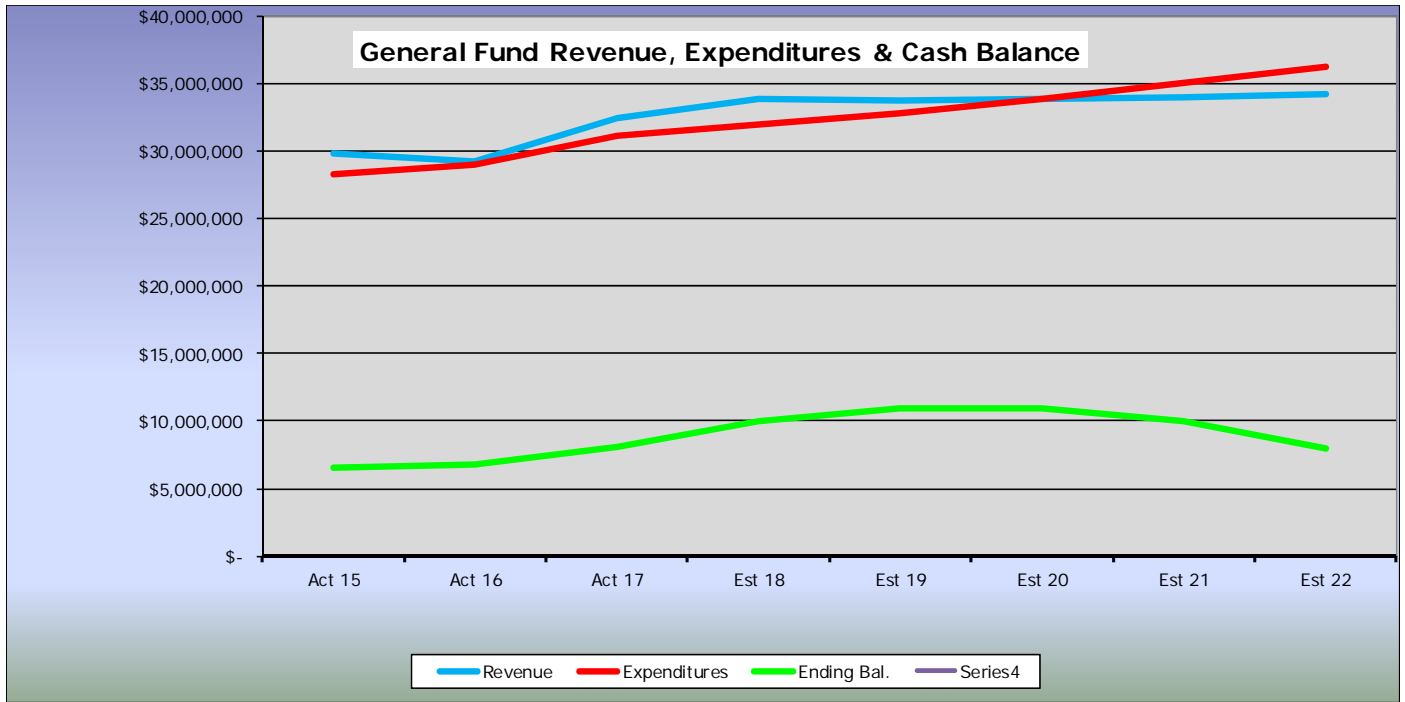
A five year financial forecast has risks and uncertainty not only due to economic uncertainties but also due to state legislative changes that will occur in the spring of 2019 and 2021 due to deliberation of the next two (2) state biennium budgets for FY20-21 and FY22-23, both of which affect this five year forecast. We have estimated revenues and expenses based on the best data available to us at the time of this forecast. The items below give a short description of the current issues and how they may affect our forecast long term:

- I. The State Budget represents 39.5% of district revenues, which means it is a significant area of risk to revenue. The risk comes in FY20 and beyond if the state economy worsens or if the funding formula in future state budgets reduce funding to our district. There are two future State Biennium Budgets covering the period from FY20-21 and FY22-23 in this forecast. Future uncertainty in both the state foundation funding formula and the state's economy makes this area an elevated risk to district funding long range through FY22. The risk is compounded with the fact that Northeastern Local School District is a "Guaranteed" funded district which equates to an additional cut in funding between \$30,000 and \$100,000 based on the district's actual enrollment for only FY18 and could increase in future years.
- II. Clark County experienced a reappraisal update in the 2013 tax year to be collected in FY14. The 2016 update for collections in 2017 increased overall assessed values by \$23.3 million or an increase of 4.9%, of that increase \$19 million was Class I agricultural property and adjustments will occur with the reappraisal in tax year 2019 for collection in FY20. The forecast includes and estimated adjustment in assessed value for the CAUV in FY20.
- III. In 2015 the District's passed a 1% ten year earned income tax, income tax receipts are projected to take 18 month to reach full funding. The amount collected in FY18 will be slightly higher on timing an the amount projected at \$4.3 million will grow moving forward. The income tax will become the backbone of the district revenues sources. The district earned income tax levy that will expire on December 31, 2026. The renewal of these levies is necessary to keep the district financially healthy long term.
- IV. There are many provisions in the current state budget bill HB49 that will continue to draw funds from our district through continuing school choice programs such as College Credit Plus and increases in amounts deducted from our state aid in the 2017-18 school years. The cost of each Peterson Special Needs voucher and Autism Scholarship Program increased sharply FY16 from \$20,000 to \$27,000 each, a 35% increase. College Credit Plus costs continue to increase as this program becomes more understood. These are examples of new choice programs that cost the district money. Expansion or creation of programs such as these exposes the district to new expenditures that are not currently in the forecast. We are monitoring any new threats to our state aid and increased costs very closely.

V. Labor relations in our district have been amicable with all parties working for the best interest of students and realizing the resource challenges we face. We believe as we move forward our positive working relationship will continue and will only grow stronger.

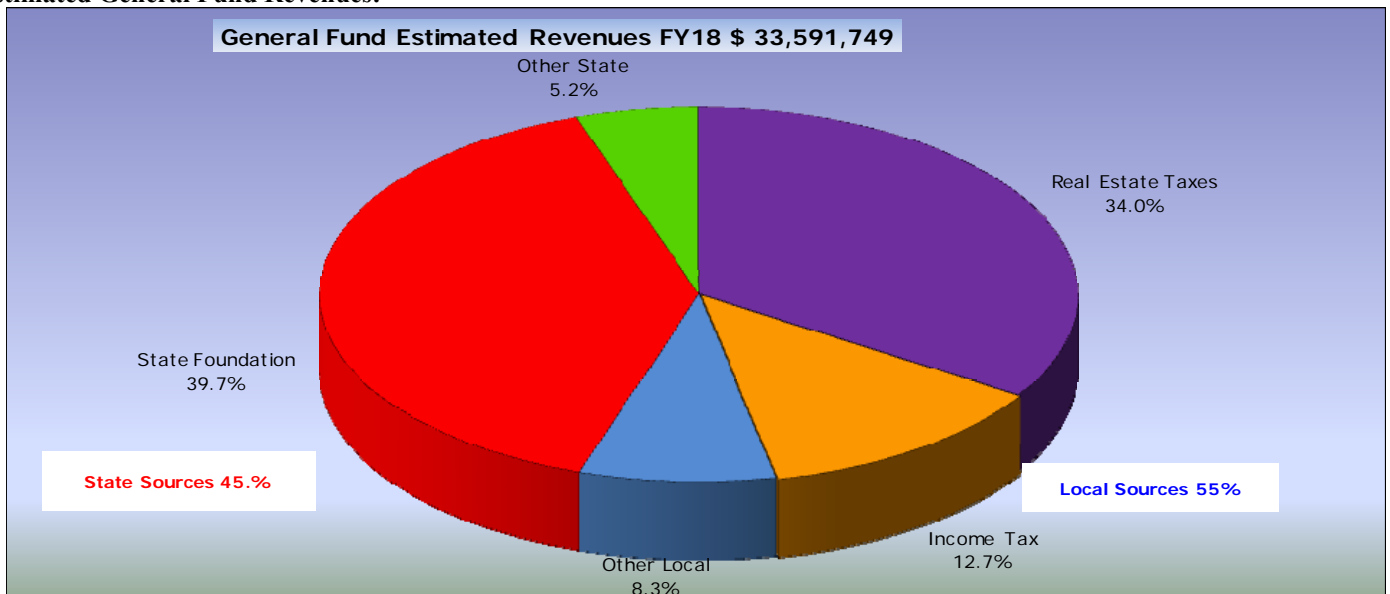
The major categories of revenue and expenditures on the forecast are noted below in the headings to make it easier to reference the assumptions made for the forecast item. It should be of assistance to the reader to review the assumptions noted below in understanding the overall financial forecast for our district. If you would like further information please feel free to contact Mr. Dale R. Miller, Treasurer/CFO of Northeastern Local School District at 937-325-7616.

General Fund Revenue, Expenditure and Ending Cash Balance:



Revenue Assumptions

Estimated General Fund Revenues:



Real Estate Value Assumptions – Line # 1.010

Property values are established each year by the County Auditor based on new construction and complete reappraisal or updated values. An update of the district property value occurred for 2016 values collected in calendar year 2017. Residential values increased by 4.77% or \$21,486,100 as a result of the update. Assessed values increase in 2016 to for the first time since 2007, the effect of the taxes with the lower values and slow economy resulted in the property tax reviews remaining flat.

ESTIMATED ASSESSED VALUE (AV) BY COLLECTION YEARS

| Classification | Actual TAX YEAR2017 COLLECT 2018 | Estimated TAX YEAR2018 COLLECT 2019 | Estimated TAX YEAR2019 COLLECT 2020 | Estimated TAX YEAR2020 COLLECT 2021 | Estimated TAX YEAR2021 COLLECT 2022 |
|---|--|---|---|---|---|
| Res./Ag. | \$437,257,630 | \$437,807,630 | \$436,869,935 | \$437,419,935 | \$437,969,935 |
| Comm./Ind. | \$49,390,560 | \$49,590,560 | \$49,790,560 | \$49,990,560 | \$50,190,560 |
| Public Utility Personal Property (PUPP) | \$13,992,340 | \$14,492,340 | \$14,992,340 | \$15,492,340 | \$15,992,340 |
| Tangible Personal Property (TPP) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| Total Assessed Value | <u>\$500,640,530</u> | <u>\$501,890,530</u> | <u>\$501,652,835</u> | <u>\$502,902,835</u> | <u>\$504,152,835</u> |

ESTIMATED REAL ESTATE TAX (Line #1.010)

| Source | <u>FY18</u> | <u>FY19</u> | <u>FY20</u> | <u>FY21</u> | <u>FY22</u> |
|------------------------|--------------|--------------|--------------|--------------|--------------|
| General Property Taxes | \$10,773,288 | \$10,642,196 | \$10,674,379 | \$10,707,380 | \$10,743,342 |

Property tax levies are estimated to be collected at 98% of the annual amount. This allows a .25% delinquency and 1.75% auditor and treasurer fees. Typically, 55% of the new residential/agriculture (Res/Ag) and commercial/industrial (Comm/Ind) is expected to be collected in the February tax settlements and 45% is expected to be collected in the August tax settlements.

Renewal and Replacement Levies – Line #11.02

No renewal or replacement levies are modeled in this forecast.

New Tax Levies – Line #13.030

No new levies are modeled in this forecast.

Estimated Tangible Personal Tax & Public Utility Personal Property – Line#1.020

Revenues posted on this line are Public Utility Personal Property (PUPP) taxes which are collected at the districts’ gross tax rates not subject to reduction factors. We have estimated past trend growth in these values for future years. The phase out of tangible personal property tax (TPP), as noted earlier, began in fiscal year 2006 and was completely eliminated after fiscal year 2011.

| Source | <u>FY18</u> | <u>FY19</u> | <u>FY20</u> | <u>FY21</u> | <u>FY22</u> |
|---|------------------|------------------|------------------|------------------|------------------|
| Public Utility Personal Property (Line#1.020) | <u>\$650,059</u> | <u>\$614,415</u> | <u>\$635,985</u> | <u>\$657,555</u> | <u>\$679,125</u> |

School District Income Tax –Line #1.030 - The school district has one 1% earned income tax levy which passed in August 2015 and will expire on December 31, 2026 unless renewed. The Ohio Department of Taxation suggests that the tax will take 18 month to reach full collection. Then the collection should level off with increases based on earned income growth of our taxpayers. The forecast includes a 2% increase each year.

| Source | <u>FY18</u> | <u>FY19</u> | <u>FY20</u> | <u>FY21</u> | <u>FY22</u> |
|----------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| School District Income Tax | <u>\$4,271,000</u> | <u>\$4,350,000</u> | <u>\$4,437,000</u> | <u>\$4,514,648</u> | <u>\$4,593,654</u> |

Other Local Revenues – Line #1.060

All other revenue detailed line items should remain consistent during the forecast period. Open enrollment is expected to remain stable after several years of decreases in students entering the district students. An overall increase of 1% is factored through FY 2022.

Interest income will increase and decrease as the cash position of the General Fund fluctuates over the forecast period. The district's balances available for investment vary month to month due to cash flow needs. The stable interest rates and fund balance will equate to a stable revenue source of investment earnings; however increased fund balance will assist in growth of this revenue source as well as providing the opportunity for longer term investment to increase the yield. Security of the public funds collected by the district is the top priority of the treasurer's office.

| Source | FY18 | FY19 | FY20 | FY21 | FY22 |
|---------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Open Enrollment Gross | \$1,901,894 | \$1,920,913 | \$1,940,122 | \$1,959,523 | \$1,979,118 |
| Interest | \$130,000 | \$130,000 | \$130,000 | \$130,000 | \$130,000 |
| Class Fees & Student Fees | \$269,242 | \$271,931 | \$274,647 | \$277,390 | \$280,161 |
| Tuitions | \$378,839 | \$382,627 | \$386,453 | \$390,318 | \$394,221 |
| Other Income and rentals | <u>\$122,080</u> | <u>\$122,080</u> | <u>\$122,080</u> | <u>\$122,080</u> | <u>\$122,080</u> |
| Total Line # 1.060 | <u>\$2,802,055</u> | <u>\$2,827,551</u> | <u>\$2,853,302</u> | <u>\$2,879,311</u> | <u>\$2,905,580</u> |

State Taxes Reimbursement/Property Tax Allocation

a) Rollback and Homestead Reimbursement

Rollback funds are reimbursements paid to the district from the State of Ohio for tax credits given owner occupied residences equaling 12.5% of the gross property taxes charged residential taxpayers on tax levies passed prior to September 29, 2013. HB59 eliminated the 10% and 2.5% rollback on new levies approved after September 29, 2013, which is the effective date of HB59. HB66 the FY06-07 budget bill previously eliminated 10% rollback on Class II (commercial and industrial) property.

Homestead Exemptions are also credits paid to the district from the state of Ohio for qualified elderly and disabled. In 2007 HB119 expanded the Homestead Exemption for all seniors over age 65 years of age or older or who are disabled regardless of income. Effective September 29, 2013 HB59 changes the requirement for Homestead Exemptions. Individual taxpayers who do not currently have their Homestead Exemption approved or those who do not get a new application approved for tax year 2013, and who become eligible thereafter, will only receive a Homestead Exemption if they meet the income qualifications. Taxpayers who currently have their Homestead Exemption as of September 29, 2013 will not lose it going forward and will not have to meet the new income qualification. This will reduce homestead reimbursements to the district, and as with the rollback reimbursements above, increase the taxes collected locally on taxpayers. On the District revenue, if n existing levy is not renewed we would never regain this revenue on any levies in the future.

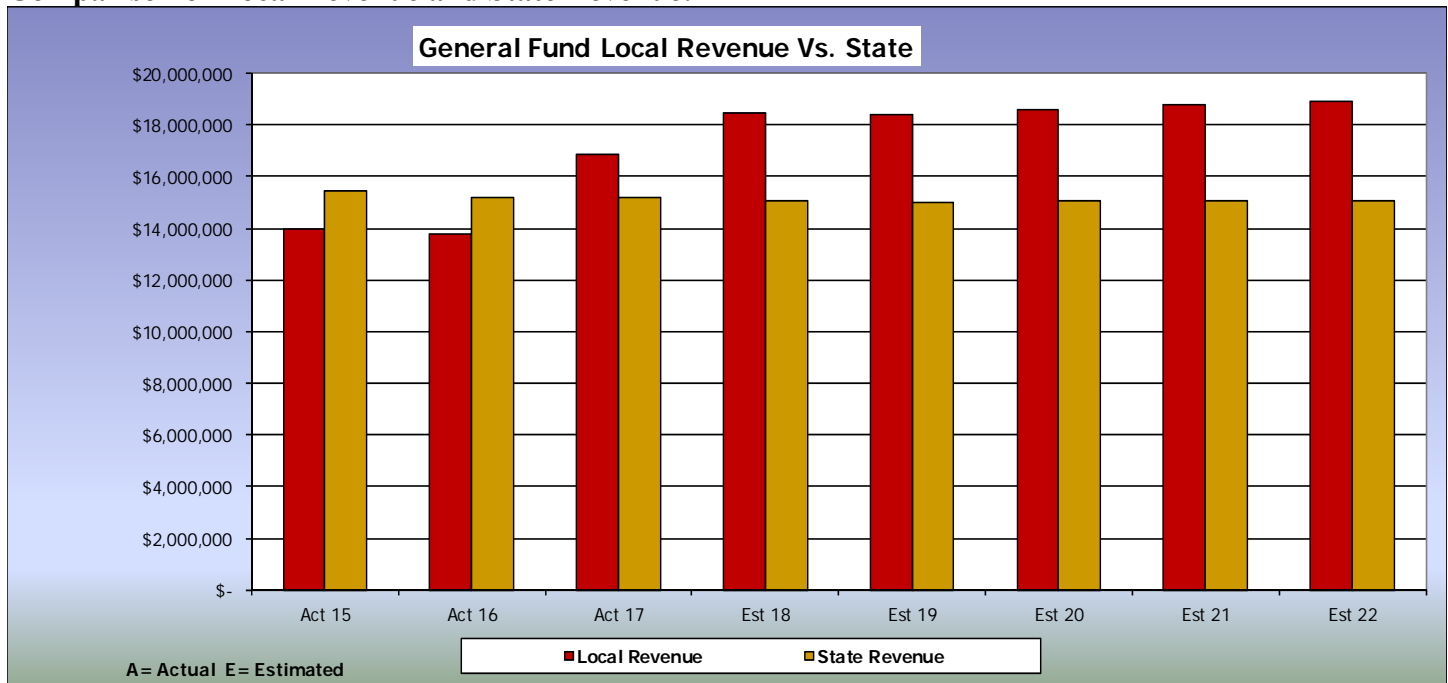
b) Tangible Personal Property Reimbursements – Fixed Rate/Fixed Sum

The District no longer receives fixed rate or fixed sum TPP reimbursements.

Summary of State Tax Reimbursement – Line #1.050

| Source | FY18 | FY19 | FY20 | FY21 | FY22 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Rollback and Homestead | <u>\$1,754,828</u> | <u>\$1,689,335</u> | <u>\$1,691,248</u> | <u>\$1,693,166</u> | <u>\$1,695,864</u> |
| Total Tax Reimb./Prop. Tax Allocations #1.050 | <u>\$1,754,828</u> | <u>\$1,689,335</u> | <u>\$1,691,248</u> | <u>\$1,693,166</u> | <u>\$1,695,864</u> |

Comparison of Local Revenue and State Revenue:



State Foundation Revenue Estimates

HB49 largely retains the current funding formula used to determine the amount and allocation of state aid to school districts, however there were various changes made to the formula for FY18 and FY19. The amounts estimated for state funding are based on component computations from the Legislative Service Commission (LSC) July 7, 2017 funding simulation of HB49 for FY18 and FY19. If the LSC simulations are correct, then our state foundation estimates should be accurate. Changes to our forecasted data could occur if there are large adjustments made by ODE based on the final FY18 SFPR reconciliation and the actual formulization of the HB49 variables expected in the next few months. We are projected to be a Guarantee district regarding state funding in FY18 and 19.

HB49 continues to use the State Share Index (SSI) as a key district wealth measure. The SSI is the formula's measure of a districts capacity to raise local revenue. The higher a district's ability to raise taxes based on wealth the lower the SSI will be, and vice versa. The index is derived from a district's wealth index, which is based on a valuation index, and for certain districts, an income index. Property wealth per pupil is still the major factor in the SSI. Generally, the higher the property valuation per pupil, the lower a district's SSI and therefore the percentage of state aid. The SSI for FY18 and FY19 will be calculated using Tax Year 2014, 2015, and 2016 average assessed values for the district. It will be calculated once for both fiscal year 18 and 19. The SSI is applied to the per pupil opportunity grant calculation and many of the other categorical funding items in the state foundation formula as noted below:

- 1) Opportunity Grant – Per pupil amount increased .17% from \$6,000 in FY17 to \$6,010 in FY18 and .17% to \$6,020 in FY19. Well below inflation rates.
- 2) Targeted Assistance – Tier I based on wealth and Tier II based on percentage of district agricultural assessed value. Higher the percentage of agricultural value, higher the targeted assistance.
- 3) Special Education Additional Aid – Based on six (6) weighted funding categories of disability.
- 4) Limited English Proficiency – Based on three (3) funded categories based on time student enrolled in schools.
- 5) Economically Disadvantaged Aid- Based on number and concentration of economically disadvantaged students compared to state average.

- 6) K-3 Literacy Funds - Based on district K-3 average daily membership and two funded Tiers.
- 7) Gifted Funds –Based on average daily membership at \$5.05 in FY18 & FY19.
- 8) Career-Technical Education Funds – Based on career technical average daily membership and five (5) weighted funding categories students enrolled in. Funding guaranteed at FY17 levels individually and is in addition to the Cap in FY18 and FY19. Most of the revenue is passed to the Global Impact Stem Academy
- 9) Transportation Aid – Funding based on total ridership rather than qualifying ridership in determining statewide cost per rider. Reduces state minimum share from 50% to 37.5% in FY18 and 25% in FY19.

HB49 continues additional funds that can be earned by a district or is intended to help a district who has an undue burden or inability to raise local revenue; however, some items are now included in CAP district payments:

- 1) Capacity Aid – Provides additional funding for districts where income generated for one mill of property tax is below the state median for what is generated. Included in FY18 and FY19 Guarantee payments and moved to be inside the Cap amount for districts. Not in addition to the Cap payments.
- 2) Transportation Supplement – Provides additional funding for districts with rider density (riders per square mile) less than 35 students in FY18 and 50 in FY19. Provides additional funding based on rider density and the number of miles driven by the school buses. Included in FY18 and FY19 Guarantee payments and moved to be inside the Cap amount for districts. Not in addition to the Cap payments.
- 3) 3rd Grade Reading Proficiency Bonus - Provides a bonus to districts based on third grade reading results, is included in FY18 & 19 guarantee at FY17 levels and is in addition to the Cap payments.
- 4) High School Graduation Rate Bonus - Provides a bonus to districts based on high school graduation rates up to approximately \$450 per student and is included in FY18 & 19 guarantee at FY17 levels and is in addition to the Cap payments.

Transitional Guarantee Phase-Out- For the first time HB49 includes a phase-out of funding for districts on the guarantee. If a guarantee district's average daily membership (ADM) over three (3) years from FY14-FY16, on average fell by 10% or more, they will lose 5% of their funding from FY17 levels. If the average ADM loss is less than 5% then they will be guaranteed at 100% of FY17 levels. If average ADM loss is between 5% and 10% loss then funding is cut on a sliding scale of loss up to 5%.

Our ADM change for the three year average from FY14 to FY16 was 2.1%, therefore, we are a guarantee district at 100% of FY17 levels for FY18 and FY19.

Our current SFPR estimates for FY18 are using March #2 SFPR average daily membership (ADM) and subtracting an average 10 students each year through FY22. Beginning in FY16, the state changed the way it measures student ADM. Student counts are now supposed to be updated October 31, March 31, and June 30 of the fiscal year. In most cases the district will not know its actual student funded ADM until the end of June 2018, and then there will be adjustments into the succeeding fiscal year.

Future State Budgets: Our funding status for the FY20-22 will depend on two (2) new state budgets which are unknown. We have been very conservative in our estimates of future state funding lowering per pupil growth to .5% per year FY20-FY22, due to the potential for the economy to be slower. The district is constantly at risk on the portion our funding that is labeled as guarantee.

On November 3, 2009 Ohio voters passed the Ohio casino ballot issue. This issue allowed for the opening of four (4) casinos one each in Cleveland, Toledo, Columbus and Cincinnati. As of March 4, 2013 all four (4) casinos were open for business and generating Gross Casino Tax Revenues (GCR). Thirty-three percent (33%) of the gross casino revenue will be collected as a tax. School districts will receive 34% of the 33% GCR that

will be paid into a student fund at the state level. These funds will be distributed to school districts on the 31st of January and August each year which began for the first time on January 31, 2013.

The state indicated recently that revenues from casinos are not growing robustly as originally predicted but are still growing slowly as the economy has improved. Actual numbers generated for FY17 statewide were 1,799,220 students at \$49.66 per pupil. For FY18-22 we estimated another 3 tenths of 1% decline in pupils to 1,793,800 and GCR increasing to \$90.3 million or \$50.34 per pupil. We will increase estimates for out years when actual casino revenues show signs of stronger increases.

A) Unrestricted State Foundation Revenue – Line #1.035

| Source | <u>FY18</u> | <u>FY19</u> | <u>FY20</u> | <u>FY21</u> | <u>FY22</u> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| Basic Aid-Unrestricted | \$12,632,123 | \$12,631,167 | \$12,630,202 | \$12,629,227 | \$12,628,242 |
| Additional Aid Items | \$223,864 | \$223,864 | \$223,864 | \$223,864 | \$223,864 |
| Basic Aid-Unrestricted Subtotal | \$12,855,987 | \$12,855,031 | \$12,854,066 | \$12,853,091 | \$12,852,106 |
| Ohio Casino Commission ODT | <u>\$169,177</u> | <u>\$173,194</u> | <u>\$177,300</u> | <u>\$181,496</u> | <u>\$185,785</u> |
| Total Unrestricted State Aid Line # 1.035 | <u>\$13,025,164</u> | <u>\$13,028,225</u> | <u>\$13,031,366</u> | <u>\$13,034,587</u> | <u>\$13,037,891</u> |

B) Restricted State Revenues – Line # 1.040

HB64 continues funding two restricted sources of revenues to school district which are Economic Disadvantaged Funding and Career Technical Education funding. We have incorporated this amount into the restricted aid amount in Line # 1.04 throughout the forecast.

| Source | <u>FY18</u> | <u>FY19</u> | <u>FY20</u> | <u>FY21</u> | <u>FY22</u> |
|---|------------------|------------------|------------------|------------------|------------------|
| Economically Disadvantaged Aid | \$95,582 | \$96,538 | \$97,503 | \$98,478 | \$99,463 |
| Career Tech - Restricted | <u>\$219,773</u> | <u>\$219,773</u> | <u>\$219,773</u> | <u>\$219,773</u> | <u>\$219,773</u> |
| Total Restricted State Revenues Line #1.040 | <u>\$315,355</u> | <u>\$316,311</u> | <u>\$317,276</u> | <u>\$318,251</u> | <u>\$319,236</u> |

C) Restricted Federal Grants in Aid – line #1.045

No amounts are included in the forecasted years 2017 through 2021.

| Summary of State Foundaton Revenues | <u>FY18</u> | <u>FY19</u> | <u>FY20</u> | <u>FY21</u> | <u>FY22</u> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Unrestricted Line # 1.035 | \$13,025,164 | \$13,028,225 | \$13,031,366 | \$13,034,587 | \$13,037,891 |
| Restricted Line # 1.040 | \$315,355 | \$316,311 | \$317,276 | \$318,251 | \$319,236 |
| Rest. Fed. Grants - SFSF & Ed Jobs Line #1.045 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total State Foundation Revenue | <u>\$13,340,519</u> | <u>\$13,344,536</u> | <u>\$13,348,642</u> | <u>\$13,352,838</u> | <u>\$13,357,127</u> |

Short-Term Borrowing – Lines #2.010 & Line #2.020

There is no short term borrowing planned for in this forecast at this time from any sources.

Transfers In / Return of Advances – Line #2.040 & Line #2.050

These are non-operating revenues which are the repayment of short term loans to other funds during the previous fiscal year and reimbursements for expenses incurred in the previous fiscal year. All advances during the current year are planned to be returned in the succeeding fiscal year.

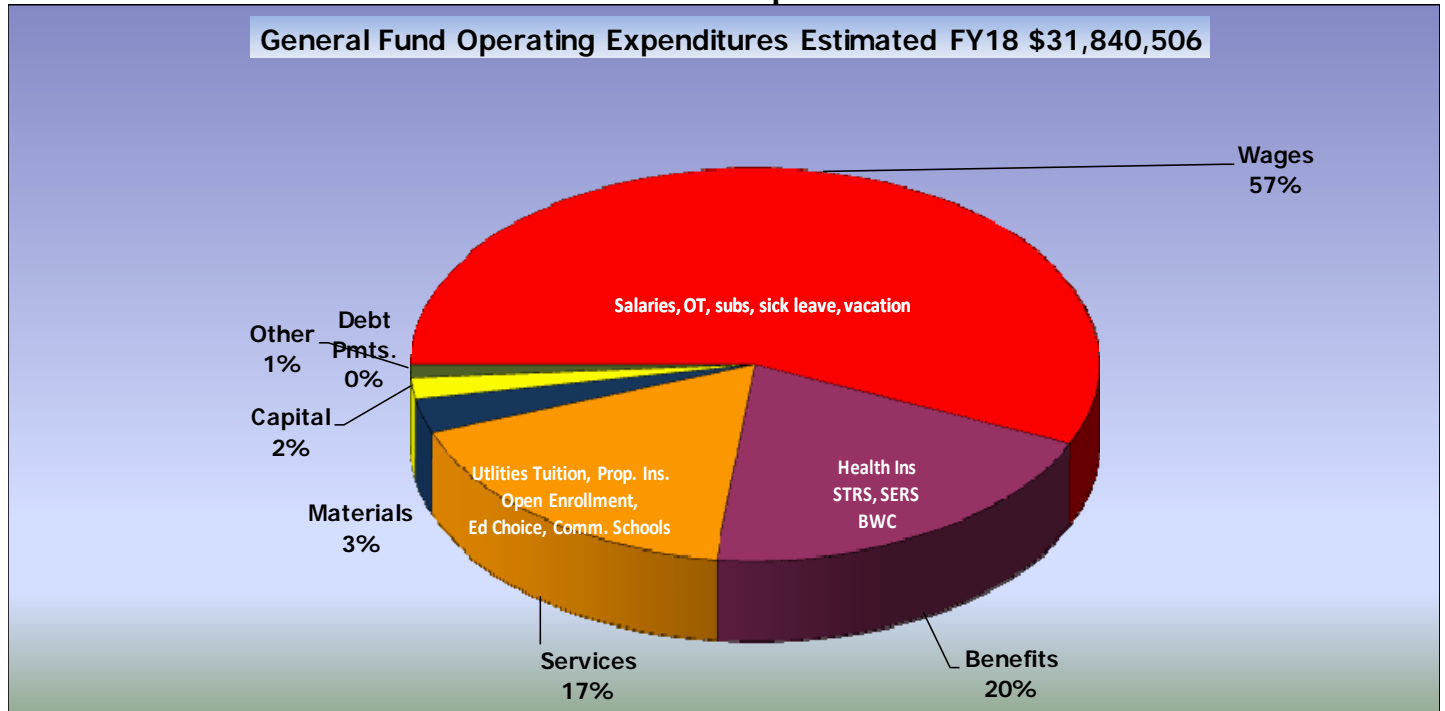
| Source | <u>FY18</u> | <u>FY19</u> | <u>FY20</u> | <u>FY21</u> | <u>FY22</u> |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Transfers In - Line 2.040 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Advance Returns - Line 2.050 | <u>\$50,949</u> | <u>\$30,000</u> | <u>\$30,000</u> | <u>\$30,000</u> | <u>\$30,000</u> |
| Total Transfer & Advances In | <u>\$50,949</u> | <u>\$30,000</u> | <u>\$30,000</u> | <u>\$30,000</u> | <u>\$30,000</u> |

All Other Financial Sources – Line #2.060

| Source | FY18 | FY19 | FY20 | FY21 | FY22 |
|------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Refund of prior years expenditures | <u>\$155,873</u> | <u>\$155,873</u> | <u>\$155,873</u> | <u>\$155,873</u> | <u>\$155,873</u> |

Expenditures Assumptions

Estimated General Fund Expenditures for FY18:



Wages – Line #3.010

In August 2017, the Board ratified a contract with the Northeastern Local Education Association (NELEA) effective August 1, 2017. A contract with the Northeastern Local Association of School Employee/OEA-NEA effective September 1, 2017 is to be approved by the Board of Education. We included a 1% increase in base wages and 2.3% increase for step and training adjustments for fiscal years 2018 through fiscal year 2022 based on these negotiated agreements.

The focus of the Board of Education and Administration for fiscal year 2018 and onward was right size the staffing to the lower enrollment in the past few years. The Board and Administration made the cuts to maintain the level of services to our students but remain financially accountable to the community. During the budget process all positions are reviewed and considered.

| Source | FY18 | FY19 | FY20 | FY21 | FY22 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Base Wages | \$16,752,214 | \$17,171,019 | \$17,566,745 | \$18,059,563 | \$18,601,350 |
| Increases/ Merit Based Pay / Timing Adjust | \$251,283 | \$394,933 | \$351,335 | \$361,191 | \$372,027 |
| Growth | \$0 | \$0 | \$0 | \$0 | \$0 |
| Unfunded Recapture | \$0 | \$0 | \$0 | \$0 | \$0 |
| Substitutes | \$406,603 | \$410,669 | \$414,775 | \$418,923 | \$423,112 |
| Supplementals | \$633,987 | \$640,327 | \$646,730 | \$653,198 | \$659,730 |
| Staff Reductions | \$0 | (\$170,918) | (\$34,184) | \$0 | \$0 |
| Total Wages Line 3.010 | <u>\$18,044,087</u> | <u>\$18,446,030</u> | <u>\$18,945,401</u> | <u>\$19,492,875</u> | <u>\$20,056,219</u> |

Fringe Benefits Estimates Line 3.02

This area of the forecast captures all costs associated with benefits and retirement costs, which all except health insurance are directly related to the wages paid.

A) STRS/SERS

The district pays 14% of each dollar paid in wages to either the State Teachers Retirement System or the School Employees Retirement System as required by Ohio law.

B) Insurance

The estimated increases for medical and dental insurance are 11.6% for fiscal year 2018-2019. The above increases include adjustments for inflation and the cost of actual claims. For the current benefit year October 2017 to September 2018 the district had no increase.

Patient Protection and Affordable Care Act (PPACA) Costs- the Patient Protection and Affordable Care Act (PPACA) commonly called Obamacare or the Affordable Care Act (ACA), is a United States federal statute signed into law by President Barack Obama on March 23, 2010. Together with the Health Care and Education Reconciliation Act, it represents the most significant regulatory overhaul of the country's healthcare system since the passage of Medicare and Medicaid in 1965. Many of the significant provisions of the PPACA that were scheduled to be implemented by employers on January 1, 2014 were delayed until January 1, 2015.

It is uncertain to what extent the implementation of PPACA will effect costs in our district. There are numerous new regulations that potentially will require added staff time, at least initially due to increased demands, and it is likely that additional employees will be added to insurance coverage that do not have coverage now. The Transition Reinsurance fee due January 15, 2015, is a fee due the IRS for \$5.25 per covered member per month for the prior year (2014). This will be \$63 for each employee who had a full year of coverage in the prior year. This tax could equate to a roughly a 2% annual increase in fiscal year 2015. Longer-term, a significant concern is the 40% "Cadillac Tax" that will be imposed in 2020 for plans whose value of benefits exceed \$10,200 for individual plans and \$27,400 for family plans. The rules and implementation of the PPACA is an ongoing issue we are watching closely to evaluate the effect on our district.

C) Workers Compensation & Unemployment Compensation

Workers Compensation is expected to remain at about 1% of wages after fiscal year 2018 due to a moderated claim experience over prior years. Unemployment Compensation has been negligible and is anticipated to remain as such as we plan our staffing needs carefully.

D) Medicare

Medicare will continue to increase at the rate of increase of wages. Contributions are 1.45% for all new employees to the district on or after April 1, 1986. These amounts are growing at the general growth rate of wages.

Summary of Fringe Benefits – Line #3.020

| Source | <u>FY18</u> | <u>FY19</u> | <u>FY20</u> | <u>FY21</u> | <u>FY22</u> |
|------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| A) STRS/SERS | \$2,882,029 | \$2,946,884 | \$3,024,921 | \$3,111,636 | \$3,201,555 |
| B) Insurance's | \$3,159,257 | \$3,351,864 | \$3,611,809 | \$3,900,754 | \$4,212,814 |
| C) Workers Comp/Unemployment | \$46,110 | \$47,115 | \$48,364 | \$49,732 | \$51,141 |
| D) Medicare | \$256,278 | \$264,051 | \$274,117 | \$285,082 | \$296,485 |
| Other/Tuition | <u>\$53,636</u> | <u>\$53,636</u> | <u>\$53,636</u> | <u>\$53,636</u> | <u>\$53,636</u> |
| Total Line 3.020 | <u>\$6,397,310</u> | <u>\$6,663,550</u> | <u>\$7,012,847</u> | <u>\$7,400,840</u> | <u>\$7,815,631</u> |

Purchased Services – Line #3.030

In FY18-22, an overall inflation of 3% is being estimated for all categories of this expense except for the Community School, Open Enrollment and Other Tuition categories. The estimated increase for these categories has been estimated at 7.5% as the students leaving for EdChoice and Community School will continue to absorb our savings in other areas of purchased services. The expenditure for our students attending elsewhere is one the fastest growing expenditures since fiscal year 2010. The increase in EdChoice vouchers has offset the decrease in community school enrollments in the previous years.

We have assumed the utilities to increase 3% in FY 18 due to an increase in electricity transmission fees. We estimate FY 19-22 utility costs will remain flat. This estimate is due to the District continuing to be aggressive regarding costs and we believe other cost cutting measures will maintain a flat charge throughout the forecast.

| Source | <u>FY18</u> | <u>FY19</u> | <u>FY20</u> | <u>FY21</u> | <u>FY22</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Base Services | \$652,062 | \$671,624 | \$691,773 | \$712,526 | \$733,902 |
| Excess Cost County ESC | \$98,991 | \$101,961 | \$105,020 | \$108,171 | \$111,416 |
| Open Enrollment Deduction-477 | \$1,387,884 | \$1,429,521 | \$1,472,407 | \$1,516,579 | \$1,562,076 |
| Community School Deductions-478 | \$1,405,211 | \$1,433,315 | \$1,461,981 | \$1,491,221 | \$1,521,045 |
| Other Tuition Including Ed Scholarship-479 | \$301,540 | \$316,617 | \$332,448 | \$349,070 | \$366,524 |
| Professional Support | \$919,080 | \$965,034 | \$1,013,286 | \$1,063,950 | \$1,117,148 |
| Building Maintenance Repairs | \$225,000 | \$236,250 | \$248,063 | \$260,466 | \$273,489 |
| Utilities | \$588,732 | \$588,732 | \$606,394 | \$624,586 | \$624,586 |
| Budget Reserves or (Reductions) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| Total Line 3.030 | <u>\$5,578,500</u> | <u>\$5,743,054</u> | <u>\$5,931,372</u> | <u>\$6,126,569</u> | <u>\$6,310,186</u> |

Supplies and Materials – Line #3.040

An overall inflation of 3% is being estimated for this category of expenses which are characterized by textbooks, copy paper, maintenance supplies and fuel. The District is working on updating the curriculum over the next few years, FY17 includes approximately \$230,000 each fiscal year for a update to the district curriculum.

| Source | <u>FY18</u> | <u>FY19</u> | <u>FY20</u> | <u>FY21</u> | <u>FY22</u> |
|----------------------|------------------|------------------|------------------|------------------|--------------------|
| Supplies | \$365,262 | \$376,220 | \$387,507 | \$399,132 | \$411,106 |
| Textbooks | \$233,000 | \$239,990 | \$247,190 | \$254,606 | \$262,244 |
| Building Maintenance | \$44,157 | \$45,482 | \$46,846 | \$48,251 | \$49,699 |
| Transportation | <u>\$270,081</u> | <u>\$278,183</u> | <u>\$286,528</u> | <u>\$295,124</u> | <u>\$303,978</u> |
| Total Line 3.040 | <u>\$912,500</u> | <u>\$939,875</u> | <u>\$968,071</u> | <u>\$997,113</u> | <u>\$1,027,027</u> |

Equipment – Line # 3.050

The administration will prepare five year capital plan which will include the Permanent Improvement Fund and the Capital Outlay objects in the General Fund. The May 2018 Bond Issue will relieve the stress on the General Fund capital budget and allowing the District General Fund to maintain financial stability. The expenditures remaining within the equipment object line is the ongoing investment annually in the student one-to-one technology and update the bus fleet as necessary. Without the passage of the levy in May 2018 the district will need to invest in repairs, maintenance, and consolidation within the available dollars in the capital plan.

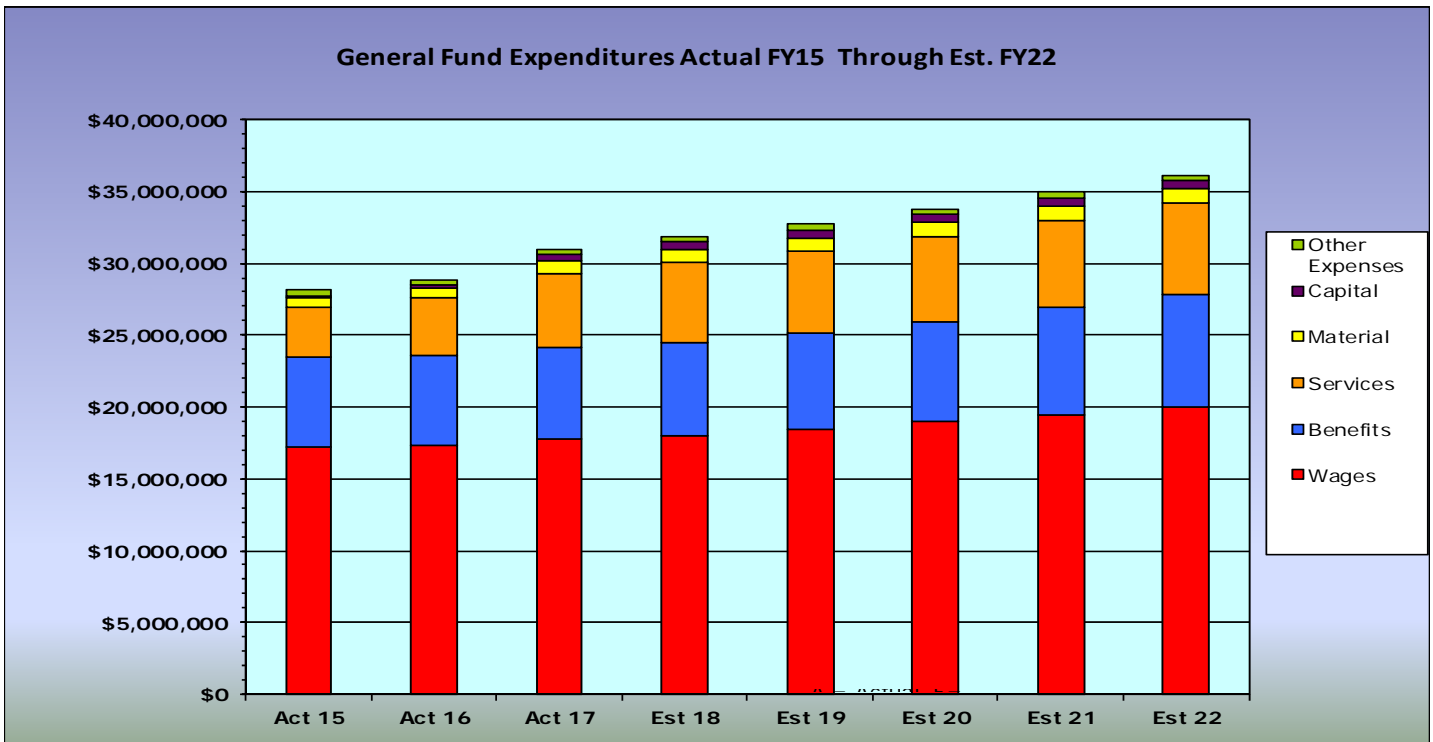
| Source | <u>FY18</u> | <u>FY19</u> | <u>FY20</u> | <u>FY21</u> | <u>FY22</u> |
|---------------------------|------------------|------------------|------------------|------------------|------------------|
| Capital Outlay | \$400,000 | \$400,000 | \$400,000 | \$400,000 | \$400,000 |
| Replacement Bus Purchases | \$160,000 | \$160,000 | \$160,000 | \$160,000 | \$160,000 |
| Budget Reserve | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Line 3.050 | <u>\$560,000</u> | <u>\$560,000</u> | <u>\$560,000</u> | <u>\$560,000</u> | <u>\$560,000</u> |

Other Expenses – Line #4.300

The category of Other Expenses consists primarily of the County ESC deductions for specialized services provided to the District and Auditor & Treasurer (A&T) fees. Auditor and Treasurer Fees will increase sharply anytime a new operating levy is collected. Also new construction will cause A&T fees to increase as more dollars are collected. A&T fees will decline with emergency levies expiring, however it is anticipated that they will be replaced. As a result, A&T fees noted below are maintained at current levels. Currently, we are estimating annual increase of 1% for this forecast.

| Source | <u>FY18</u> | <u>FY19</u> | <u>FY20</u> | <u>FY21</u> | <u>FY22</u> |
|---------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Clark County Auditor & Treasurer Fees | \$261,173 | \$263,785 | \$266,423 | \$269,087 | \$271,778 |
| Clark County ESC | \$25,000 | \$25,000 | \$25,000 | \$25,000 | \$25,000 |
| Other expenses | \$61,936 | \$63,794 | \$65,708 | \$67,679 | \$69,709 |
| Increased A&T Fees for New Levies | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Line 4.300 | <u>\$348,109</u> | <u>\$352,579</u> | <u>\$357,131</u> | <u>\$361,766</u> | <u>\$366,487</u> |

Total Expenditure Categories Actual Fiscal Year 2015 Through Fiscal Year 2017 and Estimated Fiscal Year 2018 Through Fiscal Year 2022



Transfers Out/Advances Out – Line# 5.010

This account group covers fund to fund transfers and advances (end of year short term loans) from the General Fund to other funds until they have received reimbursements to repay the General Fund. These amounts are limited in impact to the General Fund as the amounts are repaid as soon as dollars are received in the debtor

fund. The transfers are permanent and will not be paid back to the General Fund, the Food Service Fund is the only transfer in this forecast.

| Source | <u>FY18</u> | <u>FY19</u> | <u>FY20</u> | <u>FY21</u> | <u>FY22</u> |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Operating Transfers Out Line #5.010 | \$42,000 | \$42,000 | \$42,000 | \$42,000 | \$42,000 |
| Advances Out Line #5.020 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total | <u>\$42,000</u> | <u>\$42,000</u> | <u>\$42,000</u> | <u>\$42,000</u> | <u>\$42,000</u> |

Debt Service:

The District currently has no General Fund Debt issues.

Encumbrances –Line#8.010

These are outstanding purchase orders that have not been approved for payment as the goods were not received in the fiscal year in which they were ordered. .

| | <u>FY18</u> | <u>FY19</u> | <u>FY20</u> | <u>FY21</u> | <u>FY22</u> |
|------------------------|-------------|-------------|-------------|-------------|-------------|
| Estimated Encumbrances | \$250,000 | \$250,000 | \$250,000 | \$250,000 | \$250,000 |

Ending Unencumbered Cash Balance “The Bottom-line” – Line#15.010

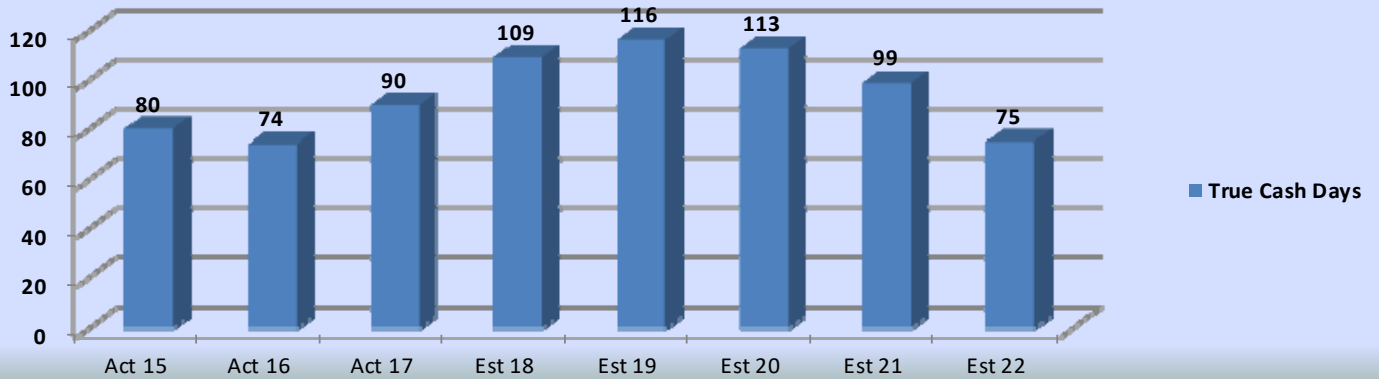
This amount must not go below \$-0- or the district General Fund will violate all Ohio Budgetary Laws. Any multi-year contract which is knowingly signed which results in a negative unencumbered cash balance is a violation of Ohio Revised Code section 5705.412, punishable by personal liability of \$10,000, unless an alternative “412” certificate can be issued pursuant to House Bill 153 effective September 30, 2011. The cash balance below includes the 1% Income Tax.

| | <u>FY18</u> | <u>FY19</u> | <u>FY20</u> | <u>FY21</u> | <u>FY22</u> |
|----------------------------------|--------------------|---------------------|---------------------|--------------------|--------------------|
| Ending Unencumbered Cash Balance | <u>\$9,773,842</u> | <u>\$10,680,660</u> | <u>\$10,690,267</u> | <u>\$9,699,874</u> | <u>\$7,682,890</u> |

True Cash Days Ending Balance

Another way to look at ending cash is to state it in ‘True Cash Days’. In other words, how many days could the district operate at year end if no additional revenues were received. This is the Current Years Ending Cash Balance divided by (Current Years Expenditures/365 days) = number of days the district could operate without additional resources or a severe resource interruption. The Government Finance Officers Association (GFOA) recommends no less than two (2) months or 60 days cash to be on hand at year end but could be more depending on each district’s complexity and risk factors for revenue collection. This is calculated including transfers as this is predictable funding source for other funds such as for severance payments. This calculation does not include renewal of the SDIT. Renewing this levy is important to maintain a 60 day or better ending true day cash balance.

Ending Cash Balance in True Cash Days



Conclusion

The forecast presented includes assumptions and facts that can be altered by external and internal issues. For the entire forecast period through June 30, 2022, the district forecast has adequate reserves to continue the instructions and programs as provided currently.

- The forecast is currently projected with the 7.96 mil Bond Issue and .5 maintenance levy approved by the voters on May 8, 2018. The impact on the forecast from the passage relieves the General Fund of Capital Outlay to address issues in our current building.
- A second issue with a possible major impact is the state funding formula in the current state budget and two additional state budgets within this forecast. Understanding the fact that Northeastern Local School District is a “guaranteed” district and the related issues to the district’s finances. Depending on enrollment and state formula revenues could be negatively impacted.
- The Income Tax will be at full collection through the remaining forecast period, the timeline involved in collections of Income Tax revenues will take 18 month to reach. At the end of April 2018 the district will reach full funding on the tax.