



Berkshire Local School District -
Geauga County

Five Year Forecast Financial Report

May, 2018

Table of Contents

	<u>PAGE #</u>
Table of Contents	2
Executive Summary	3
Revenue Overview	4
1.010 - General Property Tax (Real Estate)	5
1.020 - Public Utility Personal Property	6
1.030 - Income Tax	7
1.035 - Unrestricted Grants-in-Aid	8
1.040 & 1.045 - Restricted Grants-in-Aid	9
1.050 - Property Tax Allocation	10
1.060 - All Other Operating Revenues	11
2.070 - Total Other Financing Sources	12
Expenditures Overview	13
3.010 - Personnel Services	14
3.020 - Employee Benefits	15
3.030 - Purchased Services	16
3.040 - Supplies and Materials	17
3.050 - Capital Outlay	18
3.060 - 4.060 - Intergovernmental & Debt	19
4.300 - Other Objects	20
5.040 - Total Other Financing Uses	21
Forecast Compare	22
Five Year Forecast	23
Supplemental Data - Enrollment Estimates	24

Forecast Purpose/Objectives

Ohio Department of Education's purposes/objectives for the five-year forecast are:

1. To engage the local board of education and the community in the long range planning and discussions of financial issues facing the school district.
2. To serve as a basis for determining the school district's ability to sign the certificate required by O.R.C. §5705.412, commonly known as the "412 certificate."
3. To provide a method for the Department of Education and Auditor of State to identify school districts with potential financial problems.

Five Year Forecast - Simplified Statement

	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022
Beginning Balance	3,437,437	3,528,214	3,382,019	2,912,446	2,232,851
+ Revenue	17,092,002	16,950,949	17,030,825	17,020,146	17,004,768
+ Proposed Renew/Replacement Levies	-	-	-	-	-
+ Proposed New Levies	-	-	-	-	-
- Expenditures	(17,001,225)	(17,097,144)	(17,500,398)	(17,699,741)	(17,966,030)
= Revenue Surplus or Deficit	90,777	(146,195)	(469,573)	(679,595)	(961,263)
Ending Balance	3,528,214	3,382,019	2,912,446	2,232,851	1,271,588
Revenue Surplus or Deficit w/o Levies	90,777	(146,195)	(469,573)	(679,595)	(961,263)
Ending Balance w/o Levies	3,528,214	3,382,019	2,912,446	2,232,851	1,271,588

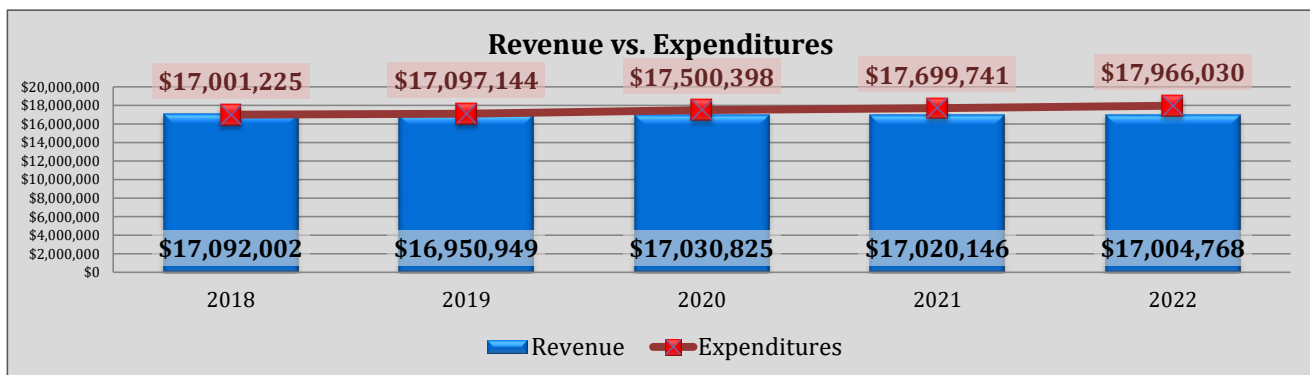
Summary:

The District is projecting to operate within its revenues for 2018 with a \$90,777 projected surplus.

Revenues are expected to be .5% less than forecasted in the October 2017 forecast.

Expenditures are expected to be 3% less than forecasted in October 2017 forecast. This reduction is a direct reflection of the Administration's efforts to operate more efficiently.

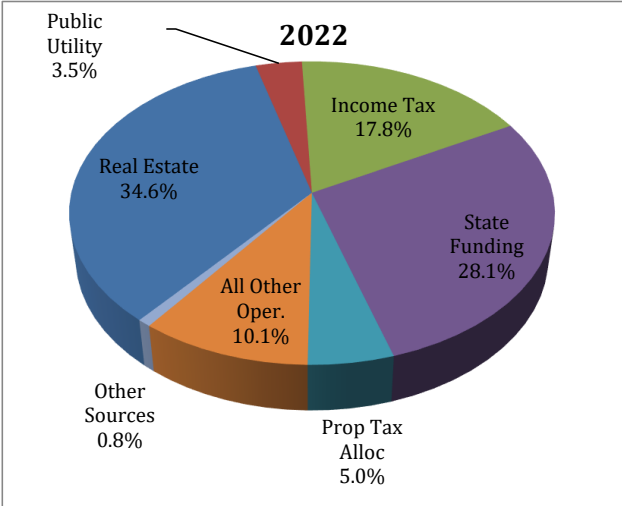
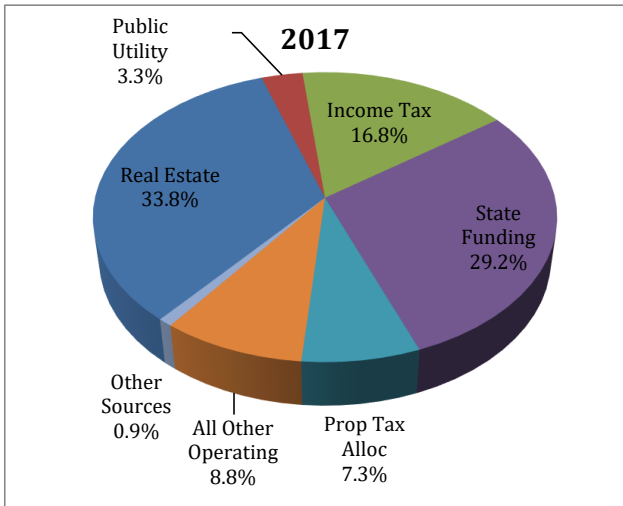
Beginning in fiscal year 2019, the district is deficit spending. Expenditures are projected to exceed revenues through fiscal year 2022 slowly eating away at the fund balance resulting in an ending balance of \$1,271,588.



Revenue Overview

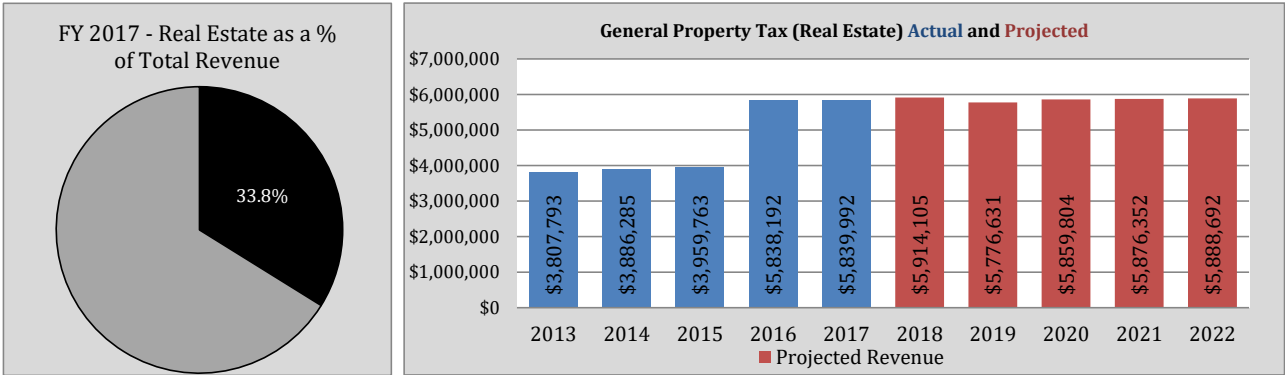
	Prev. 5-Year Avg. Annual Change	PROJECTED					5-Year Avg. Annual Change
		Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	
Revenue:							
1.010-Real Estate	10.83%	1.27%	-2.32%	1.44%	0.28%	0.21%	0.18%
1.020-Public Utility	16.84%	5.50%	-0.48%	0.27%	0.27%	0.26%	1.16%
1.030-Income Tax	12.75%	2.77%	0.49%	0.50%	0.50%	0.50%	0.95%
1.035-State Funding	14.34%	-1.24%	-0.51%	-1.00%	-0.97%	-0.98%	-0.94%
1.040-Restricted Aid	108.69%	-16.62%	-1.07%	1.10%	-0.10%	-0.15%	-3.37%
1.045-Restr Federal SFSF	-100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
1.050-Property Tax Alloc	0.02%	-26.14%	-8.29%	0.38%	0.30%	0.21%	-6.71%
1.060-All Other Operating	21.08%	2.01%	8.98%	1.40%	0.00%	0.00%	2.48%
1.070-Total Revenue	11.78%	-1.15%	-0.53%	0.48%	-0.06%	-0.09%	-0.27%
2.070-Total Other Sources	-3.47%	22.83%	-27.83%	0.00%	0.00%	0.00%	-1.00%
2.080-Total Rev & Other Srcs	11.54%	-0.94%	-0.83%	0.47%	-0.06%	-0.09%	-0.29%

Revenue projections are relatively flat over the life of the forecast. The historical growth rate of 11.54% is a result of the territory transfer with Ledgemont LSD that occurred on July 1, 2015.



1.010 - General Property Tax (Real Estate)

Revenue collected from taxes levied by a school district by the assessed valuation of real property using effective tax rates for class I (residential/agricultural) and class II (business).



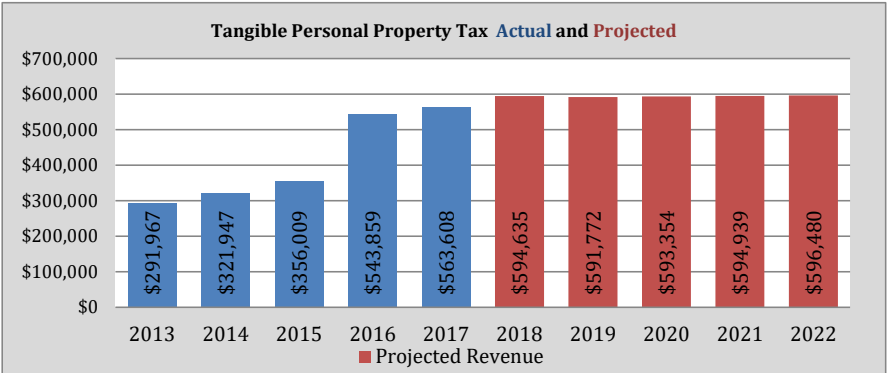
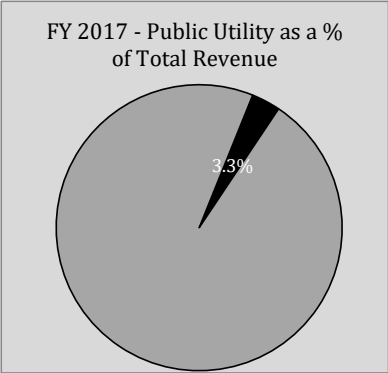
Real property taxes provide 33.8 % of the total operating revenue in the district. Revenue can grow in only two ways, through valuation growth on inside millage at reappraisal or triennial update or through construction of new buildings.

In Geauga County, 2017 was a reappraisal year. Valuations released by the County Auditor declined in agricultural and commercial properties with a slight increase in residential properties. Berkshire is currently at the 20 mill floor, instituted by the Ohio Legislature. In essence, Ohio law requires that school property tax rates for current operating purposes, cannot be reduced below 20 mills, including the inside millage. As such, as reappraisal or equalization causes real property values to increase, the operating tax rate of a school district cannot be reduced below 20 mills. By law, certain tax levies are excluded in the 20 mill guarantee calculation. Bond issues, permanent improvement levies and emergency operating levies and income tax levies are all excluded from the 20 mill guarantee calculation.

Over the life of the forecast real property taxes are expected to remain relatively flat.

1.020 - Public Utility Personal Property

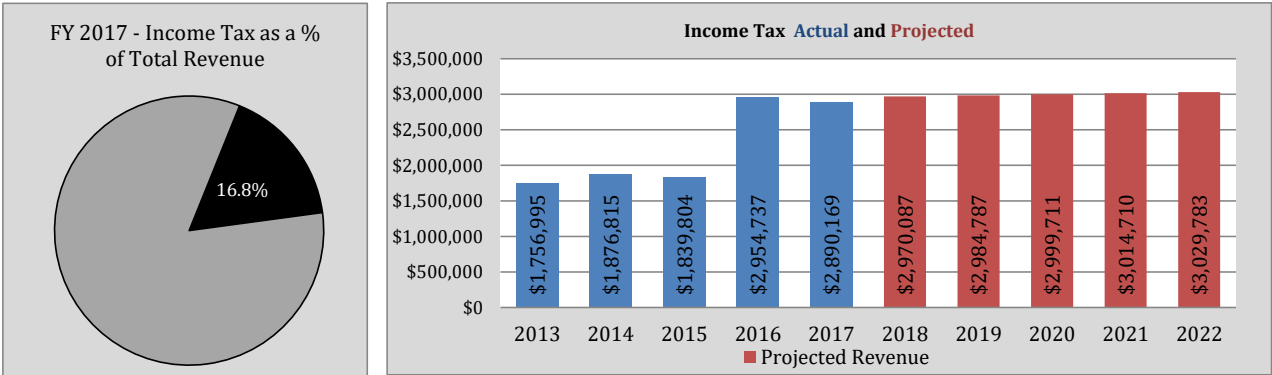
Revenue generated from public utility personal property valuations multiplied by the district's full voted tax rate.



Public utility taxes represent 3.3% of total revenue. Unlike real property taxes, the District does see full growth in public utility revenue when valuations grow.

1.030 - Income Tax

Revenue collected from income tax earmarked specifically to support schools with a voter approved tax by residents of the school district; separate from federal, state and municipal income taxes.

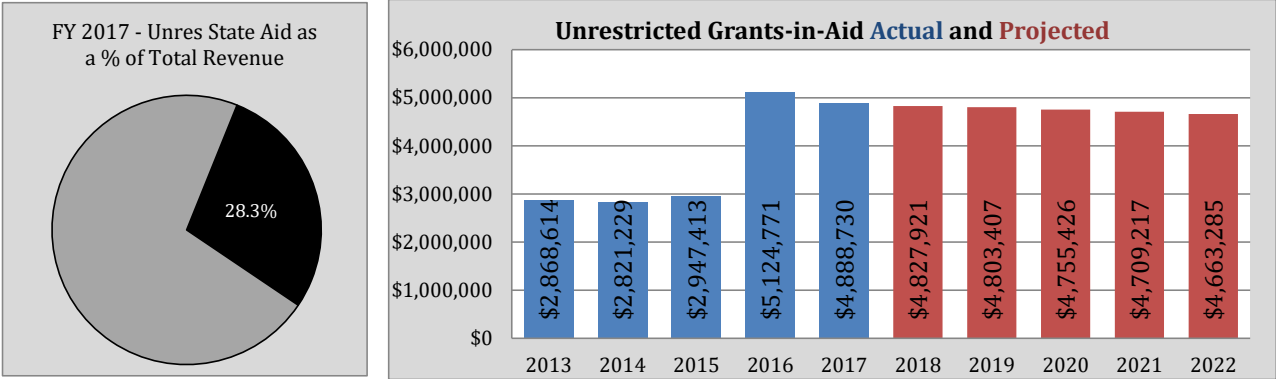


Income tax represents 16.8% of total revenues.

The District collects an earned income tax of 1%. Collections in fiscal year 2018 were up over prior year by 2.77%. Slight growth is projected through the forecast.

1.035 - Unrestricted Grants-in-Aid

Funds received through the State Foundation Program with no restriction.



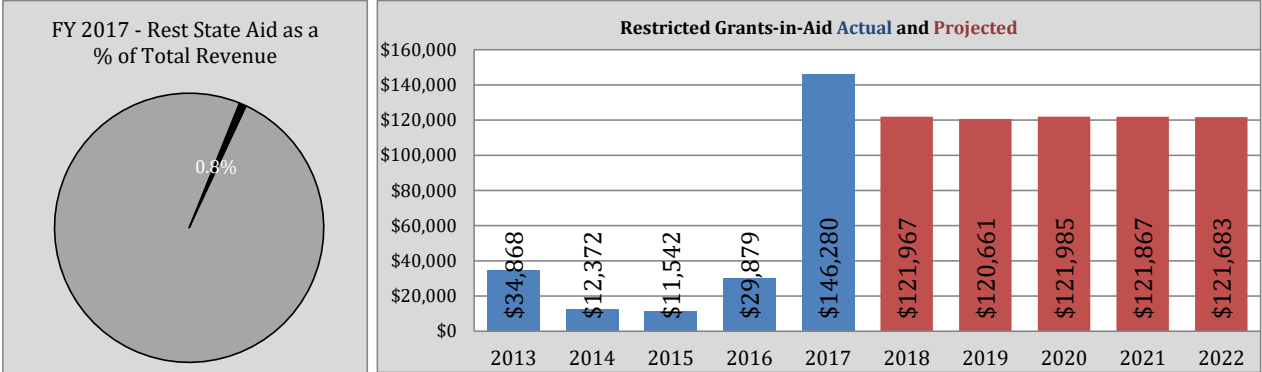
Unrestricted grants-in-aid represent funds received through the State Foundation statement settlements from the Ohio Department of Education (ODE). The State funding for schools is based on several factors all of which are subject to deliberations and approval of the Ohio General Assembly. As part of the Territory Transfer, that occurred on July 1, 2015, the District is guaranteed to receive the same core funding amount in State Foundation monies through fiscal year 2018.

In 2009, Ohio voters approved the construction of four full-service casinos in the State of Ohio. The Constitutional Amendment directs that school districts receive a portion of the gross casino revenue based on student populations for students who are residents of the county in which the School resides. The revenue is intended to supplement current State aid, not supplant. The estimates used are based on current enrollment and revenues supplementing, not supplanting. The amounts used are \$49.50 per student for FY18 through FY22. FY18 casino revenues are estimated at \$63,848.

Unrestricted Grants-in-Aid represents 28.3% of total District revenue.

1.040 & 1.045 - Restricted Grants-in-Aid

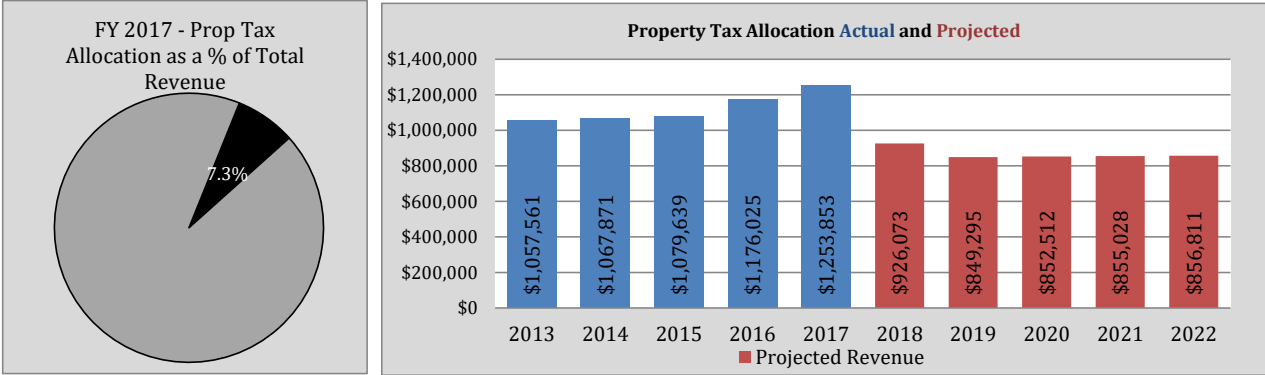
Funds received through the State Foundation Program or other allocations that are restricted for specific purposes.



Restricted grants-in-aid consist primarily of payments for career technical education and special education catastrophic costs. In FY17, there was a large increase in catastrophic cost revenues. These are revenues the district receives for educating special needs students with costs that are higher than average.

1.050 - Property Tax Allocation

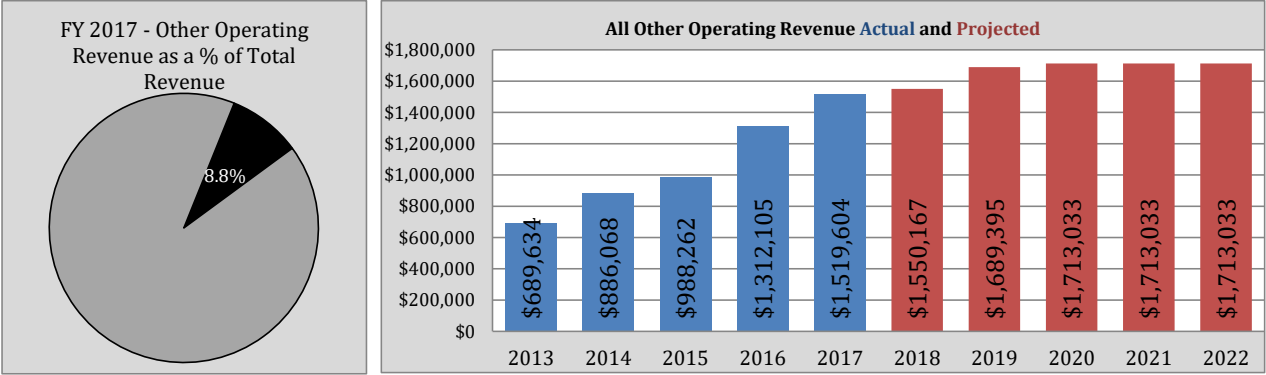
Includes funds received for Tangible Personal Property Tax Reimbursement, Electric Deregulation, Homestead and Rollback.



Property tax allocation accounts for 7.3% of total District revenue. The property tax allocation consists of homestead and 2.5 % rollback reimbursement and the personal property replacement known as the Tangible Personal Property Replacement (TPP) and SB3 Electric Deregulation. In FY18, the District received its last TPP reimbursement which accounts for the decline in revenues from FY17 to FY18.

1.060 - All Other Operating Revenues

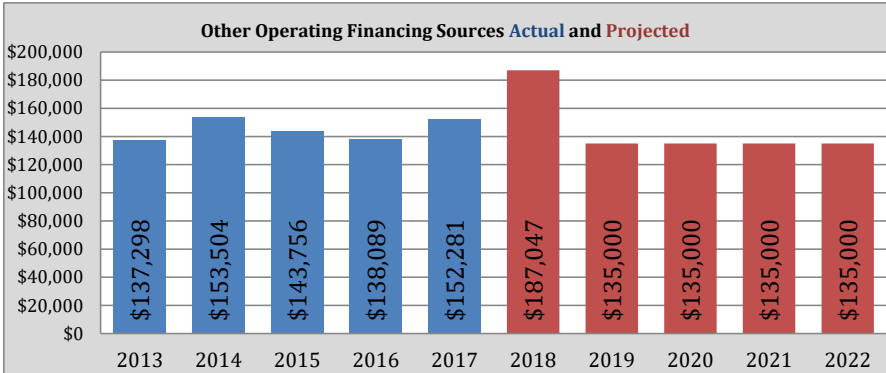
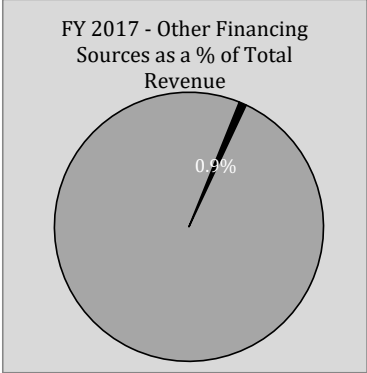
Operating revenue sources not included in other lines; examples include tuition, fees, earnings on investments, rentals, and donations.



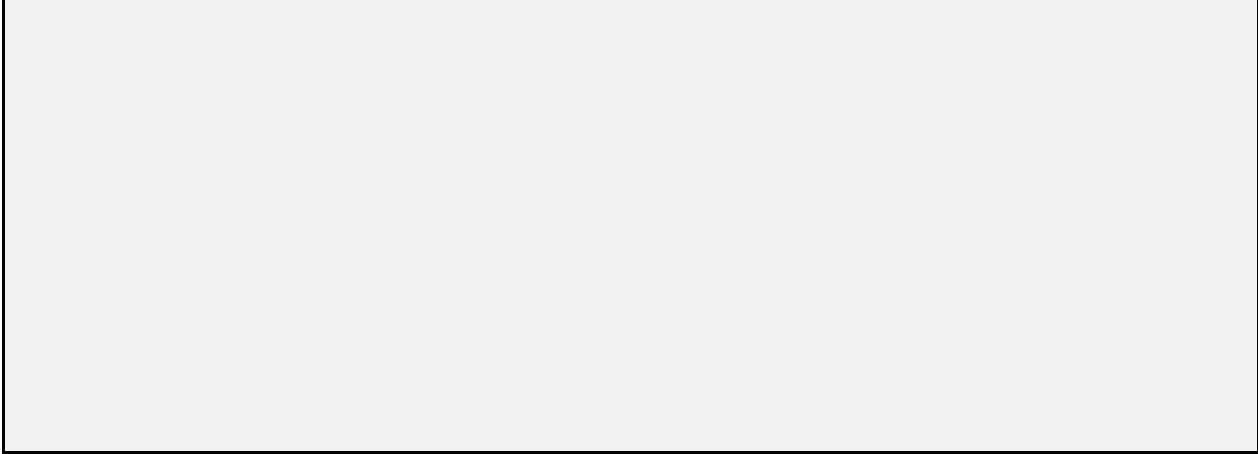
Other revenue represents 8.8% of total revenue. This revenue line item includes all other local revenue, open enrollment, manufactured home revenue, Medicaid reimbursements and interest earnings. Open enrollment revenue is expected to increase slightly in FY19 (9 students) and FY20 (10 students).

2.070 - Total Other Financing Sources

Includes proceeds from sale of notes, state emergency loans and advancements, operating transfers-in, and all other financing sources like sale and loss of assets, and refund of prior year expenditures.



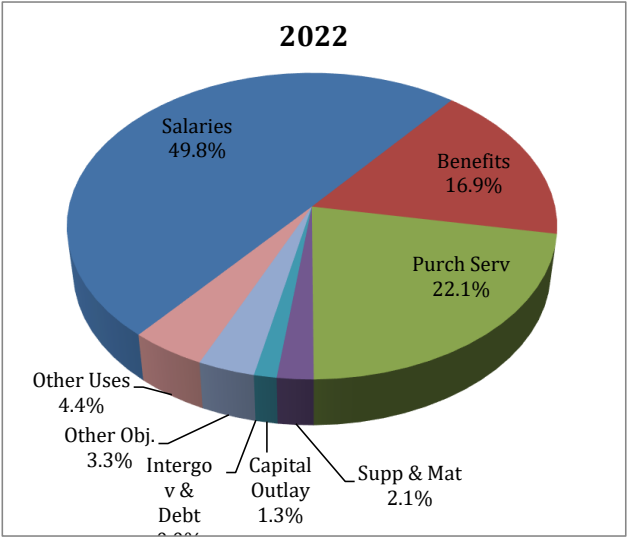
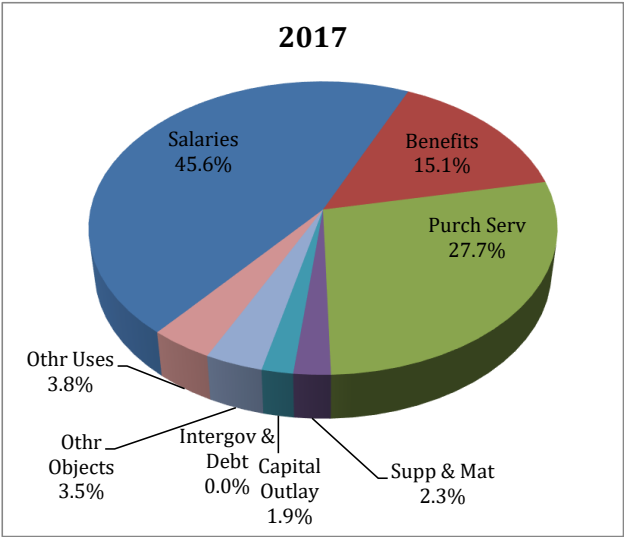
This revenue line item represents other revenue sources such as sale and loss of Assets and refund of prior year expenditures. Advances represents temporary movement of monies between funds.



Expenditures Overview

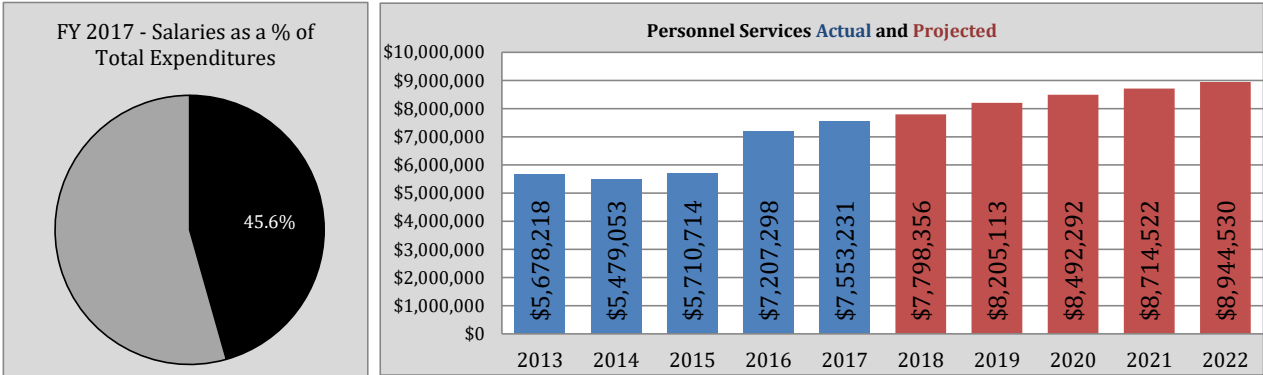
	Prev. 5-Year Avg. Annual Change	PROJECTED					5-Year Avg. Annual Change
		Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	
Expenditures:							
3.010-Salaries	5.38%	3.25%	5.22%	3.50%	2.62%	2.64%	3.44%
3.020-Benefits	7.82%	2.05%	8.97%	3.50%	2.62%	2.64%	3.96%
3.030-Purchased Services	21.41%	-3.47%	-8.52%	-0.60%	-1.41%	0.00%	-2.80%
3.040-Supplies & Materials	9.45%	15.66%	-12.76%	0.00%	0.79%	0.00%	0.74%
3.050-Capital Outlay	56.36%	27.75%	-31.51%	16.50%	-13.84%	-15.11%	-3.24%
3.060-Intergov	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4.010-4.060-Debt	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4.300-Other Objects	4.77%	4.07%	-0.58%	-1.41%	0.07%	0.07%	0.44%
4.500-Total Expenditures	9.58%	1.94%	0.44%	2.44%	1.19%	1.58%	1.52%
5.040-Total Other Uses	1.21%	20.23%	3.11%	0.63%	0.00%	0.00%	4.79%
5.050-Total Exp & Other Uses	9.16%	2.64%	0.56%	2.36%	1.14%	1.50%	1.64%

Expenditures are projected to increase 1.64% over the life of the forecast. Salaries and benefits comprise the largest increase however they will be offset by declines in purchase services.



3.010 - Personnel Services

Employee salaries and wages, including extended time, severance pay, supplemental contracts, etc.



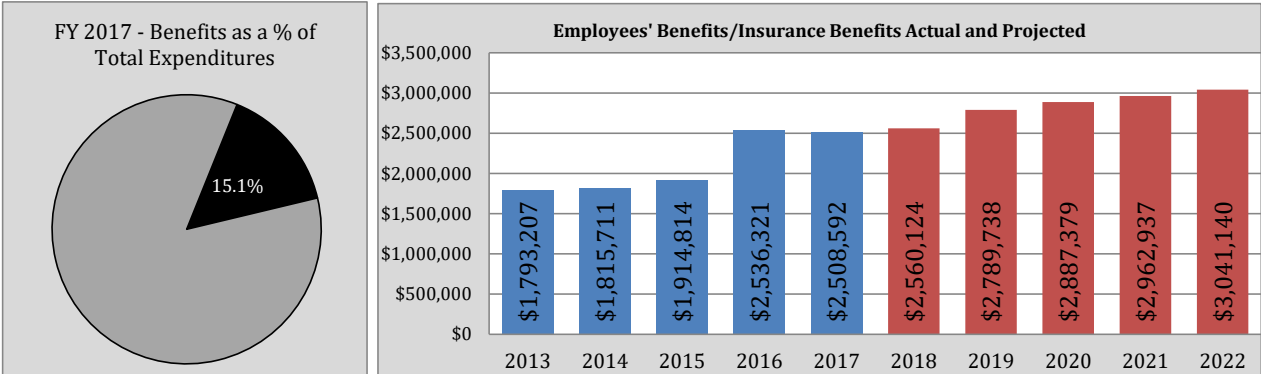
Salaries represents 45.6% of total expenditures.

Forecasted salary and benefit amounts are based on current negotiated contracts and non-negotiated employees. The current negotiated contract for Certified and Classified employees expires at the end of FY18. Personnel Services include all salaries, substitutes, long term substitutes, certified extra classes, and overtime costs. The forecast reflects \$200,000 to be allocated to Title I salaries. While the outcome of negotiations will affect this line item, a 2 percent increase to base salaries is forecasted.

In FY19, the District will be hiring two school psychologist previously employed through the County ESC. No retirements are expected in FY 19 however, retirements are anticipated in FY21 and FY22.

3.020 - Employees' Benefits

Retirement for all employees, Workers Compensation, early retirement incentives, Medicare, unemployment, pickup on pickup, and all health-related insurances.

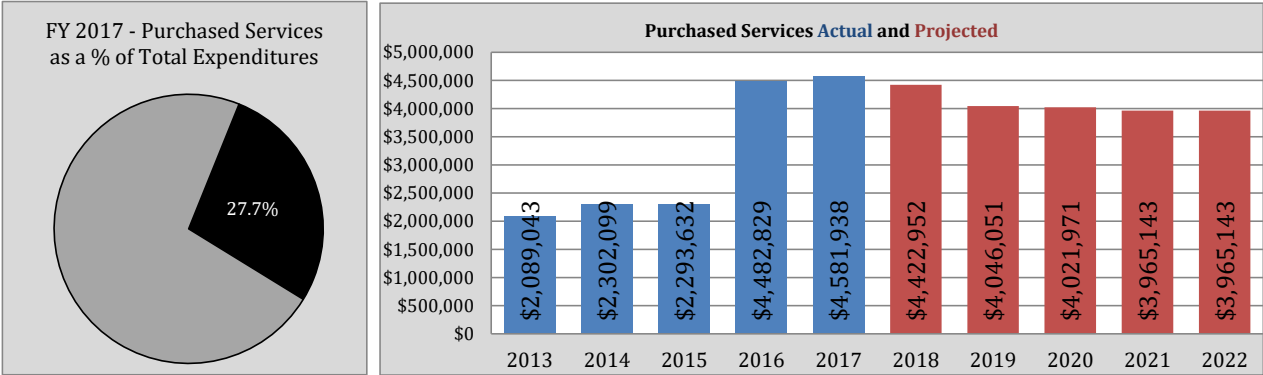


Benefits represents 15.1% of total expenditures.

Benefits include: retirement, Medicare, worker's compensation, unemployment compensation, life insurance, health and dental insurance. The District is currently negotiating with healthcare providers for an August 1st renewal. Calculations for FY19 through FY22 are calculated based upon historical cost percentages of salaries.

3.030 - Purchased Services

Amounts paid for personal services rendered by personnel who are not on the payroll of the school district, and other services which the school district may purchase.



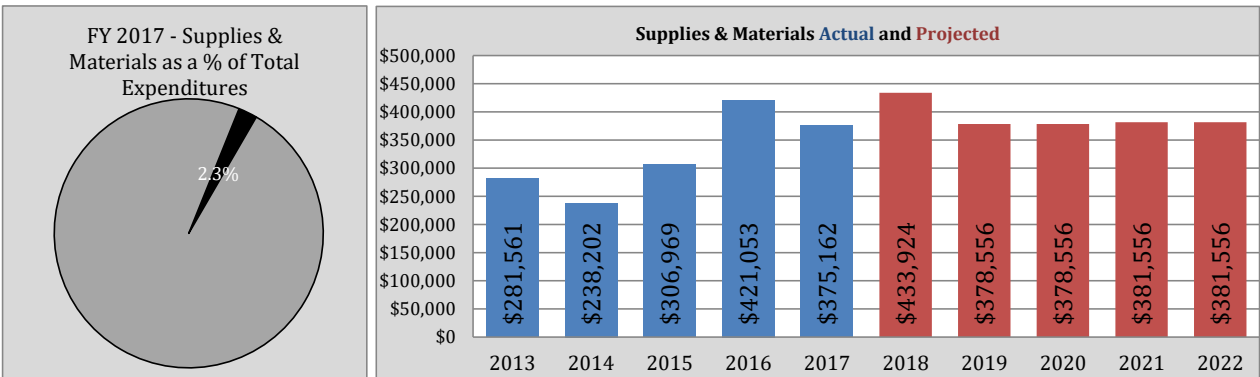
Purchase Services represents 27.7% of total expenditures.

This category represents amounts paid for personal services rendered by personnel who are not on the payroll of the school district along with tuition costs to other districts and utilities. The largest expenditure in this category is for special education services followed by open enrollment out. Open enrollment out is forecasted to decline in FY19 and FY20. In FY19, the District will hire two school psychologist rather than purchasing the services through the Education Service Center resulting in a decline in this category. Over the life of the forecast, a 2.80 % decline is anticipated.

It is important to note that any unanticipated spikes in these categories will require a reprioritization within and among the costs included.

3.040 - Supplies & Materials

Expenditures for general supplies, instructional materials including textbooks and media material, bus fuel and tires, and all other maintenance supplies.

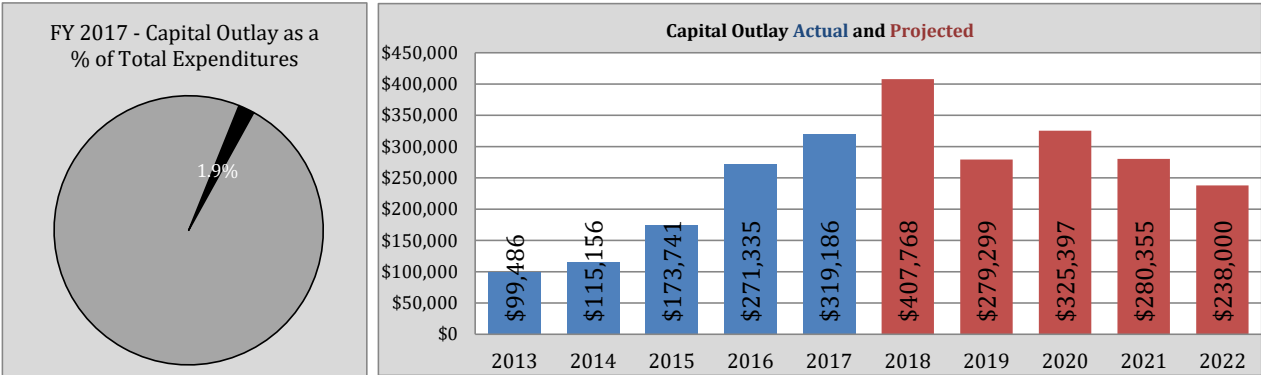


Supplies represents 2.3% of total expenditures.

Supplies and materials are comprised of classroom supplies, textbooks, janitorial and transportation fuel and supplies costs. FY19 reflects a drop in costs due to a multi-year curriculum subscription was purchased in FY18.

3.050 - Capital Outlay

This line includes expenditures for items having at least a five-year life expectancy, such as land, buildings, improvements of grounds, equipment, computers/technology, furnishings, and buses.

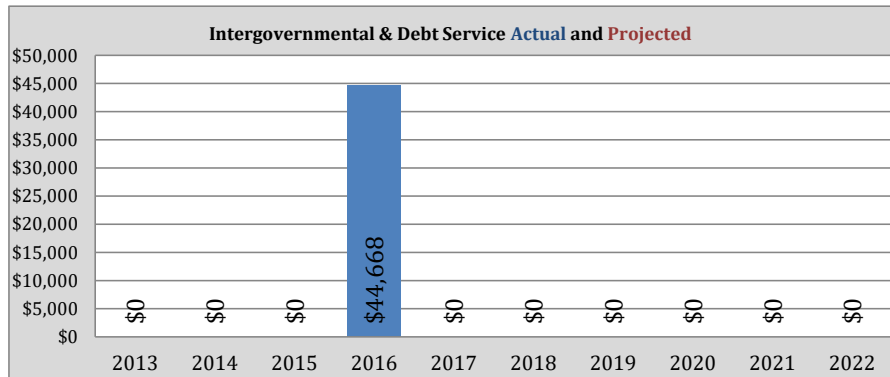
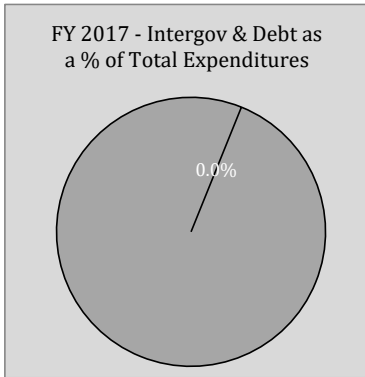


Capital outlay represent 1.9% of operating expenditures.

Traditionally the District has used the Permanent Improvement levy for capital improvements to their buildings. Since the addition of the Ledgemont Elementary building in 2015 the General fund has supplemented the permanent improvement fund, we do not anticipate supplementing in FY19 through FY22. Two bus lease-purchases per year are forecasted through FY22.

3.060-4.060 - Intergovernmental & Debt

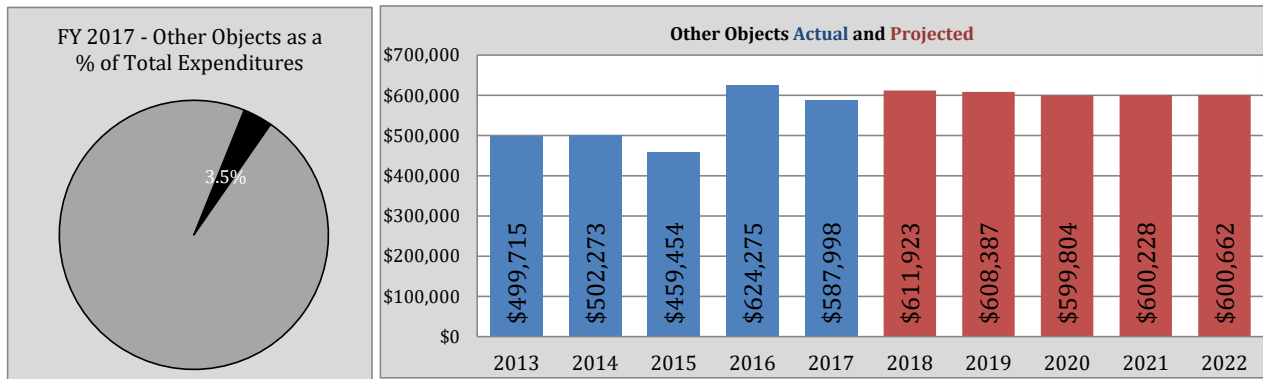
These lines account for pass through payments, as well as monies received by a district on behalf of another governmental entity, plus principal and interest payments for general fund borrowing.



The District does not currently have any intergovernmental expenditures or debt.

4.300 - Other Objects

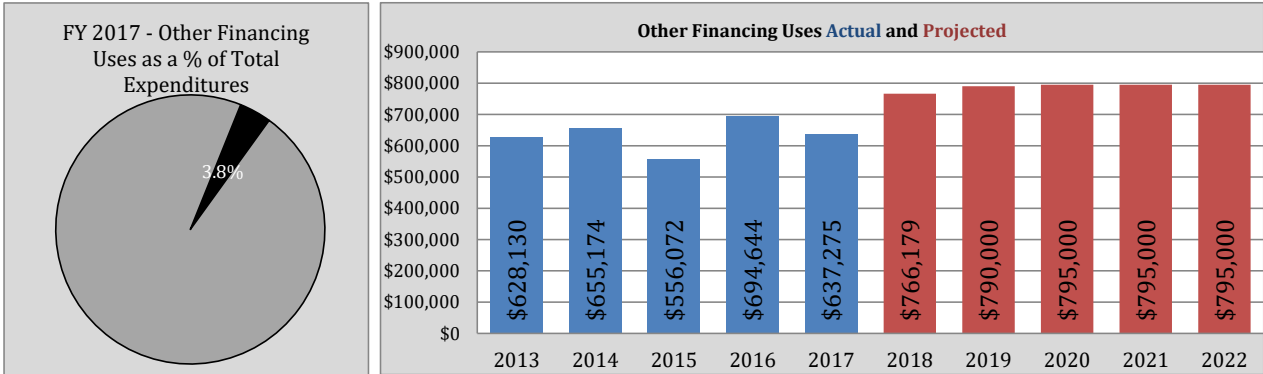
Primary components for this expenditure line are membership dues and fees, ESC contract deductions, County Auditor/Treasurer fees, audit expenses, and election expenses.



Other objects represent 3.5% of operating expenditures and include expenditures such as County Auditor and Treasurer fees and costs associated with the County Educational Service Center and audit costs.

5.040 - Total Other Financing Uses

Operating transfers-out, advances out to other funds, and all other general fund financing uses.



Other Financing Uses are 3.8% of total operating expenditures.

These are Transfers-Out and Advances-Out to other funds. Advances-Out are sometimes made to other funds that have not received all revenue due them by June 30th (fiscal-year-end). Whatever amounts that are Advanced-In one year must be repaid in the following year, resulting in a net zero impact.

The District also maintains a fund to account separately for severance payments for retiring employees. Transfers are made to this fund based on annual estimates of staff who are expected to leave employment. This amount is higher or lower in any given yearly estimate.

	Actual	Projected				
	2017	2018	2019	2020	2021	2022
		Projections are not Based Upon Previous Fiscal Year				
Self Insurance Fund	325,000	475,000	500,000	500,000	500,000	500,000
Athletics	25,000	25,000	30,000	30,000	30,000	30,000
Termination Benefits	97,275	95,582	70,000	75,000	75,000	75,000
Misc Fund	-	-	5,000	5,000	5,000	5,000
Cafeteria	70,000	70,000	60,000	60,000	60,000	60,000
Uniform Supplies	-	-	-	-	-	-
	-	-	-	-	-	-
	507,275	517,275	665,582	665,000	670,000	670,000

Forecast Compare

Comparison of Previous Forecast Amounts to Current Forecasted Numbers
F.Y. 2018

		Column A	Column B	Column C	Column D
		Previous	Current	Dollar Difference Between Previous and Current	Percent Difference Between Previous and Current
		Forecast Amounts For F.Y. 2018 Prepared on: 10/9/2017	Forecast Amounts For F.Y. 2018 Prepared on: 5/3/2018		
Revenue:					
1	Real Estate & Property Allocation	\$6,933,952	\$6,840,178	-\$93,774	-1.4%
2	Public Utility Personal Property	\$565,428	\$594,635	\$29,207	5.2%
3	Income Tax	\$2,893,059	\$2,970,087	\$77,027	2.7%
4	State Foundation Restricted & Unrestricted	\$5,115,756	\$4,949,889	-\$165,867	-3.2%
5	Other Revenue	\$1,541,792	\$1,550,167	\$8,375	0.5%
6	Other Non Operating Revenue	\$135,000	\$187,047	\$52,047	38.6%
7	Total Revenue	\$17,184,987	\$17,092,002	-\$92,985	-0.5%
Expenditures:					
8	Salaries	\$7,728,524	\$7,798,356	\$69,832	0.9%
9	Fringe Benefits	\$2,762,174	\$2,560,124	-\$202,050	-7.3%
10	Purchased Services	\$4,957,852	\$4,422,952	-\$534,900	-10.8%
11	Supplies, Debt, Capital Outlay & Other	\$1,455,233	\$1,453,615	-\$1,618	-0.1%
12	Other Non Operating Expenditures	\$620,000	\$766,179	\$146,179	23.6%
13	Total Expenditures	\$17,523,783	\$17,001,225	-\$522,558	-3.0%
14	Revenue Over/(Under) Expenditures	-\$338,796	\$90,777	\$429,573	2.5%*
15	Ending Cash Balance	\$3,098,641	\$3,528,214	\$429,573	2.5%*

*Percentage expressed in terms of total expenditures

Total Revenue has declined by \$92,985 (.5%) versus the October Forecast. The decrease is driven by lower than expected valuation increases resulting in lower real property tax revenues and a decrease in expected state funding.

Total Expenditures declined \$522,558 (3.0%) versus the October Forecast. The decrease is primarily in lower than expected purchase services amounts primarily in special education expenditures.

The net result is that the forecast has improved.

Berkshire Local School District - Geauga County

Fiscal Year:	Actual	FORECASTED				
	2017	2018	2019	2020	2021	2022
Revenue:						
1.010 - General Property Tax (Real Estate)	5,839,992	5,914,105	5,776,631	5,859,804	5,876,352	5,888,692
1.020 - Public Utility Personal Property	563,608	594,635	591,772	593,354	594,939	596,480
1.030 - Income Tax	2,890,169	2,970,087	2,984,787	2,999,711	3,014,710	3,029,783
1.035 - Unrestricted Grants-in-Aid	4,888,730	4,827,921	4,803,407	4,755,426	4,709,217	4,663,285
1.040 - Restricted Grants-in-Aid	146,280	121,967	120,661	121,985	121,867	121,683
1.045 - Restricted Federal Grants - SFSF	-	-	-	-	-	-
1.050 - Property Tax Allocation	1,253,853	926,073	849,295	852,512	855,028	856,811
1.060 - All Other Operating Revenues	1,519,604	1,550,167	1,689,395	1,713,033	1,713,033	1,713,033
1.070 - Total Revenue	17,102,236	16,904,955	16,815,949	16,895,825	16,885,146	16,869,768
Other Financing Sources:						
2.010 - Proceeds from Sale of Notes	-	-	-	-	-	-
2.020 - State Emergency Loans and Adv	-	-	-	-	-	-
2.040 - Operating Transfers-In	-	-	-	-	-	-
2.050 - Advances-In	120,000	100,597	125,000	125,000	125,000	125,000
2.060 - All Other Financing Sources	32,281	86,450	10,000	10,000	10,000	10,000
2.070 - Total Other Financing Sources	152,281	187,047	135,000	135,000	135,000	135,000
2.080 - Total Rev & Other Sources	17,254,517	17,092,002	16,950,949	17,030,825	17,020,146	17,004,768
Expenditures:						
3.010 - Personnel Services	7,553,231	7,798,356	8,205,113	8,492,292	8,714,522	8,944,530
3.020 - Employee Benefits	2,508,592	2,560,124	2,789,738	2,887,379	2,962,937	3,041,140
3.030 - Purchased Services	4,581,938	4,422,952	4,046,051	4,021,971	3,965,143	3,965,143
3.040 - Supplies and Materials	375,162	433,924	378,556	378,556	381,556	381,556
3.050 - Capital Outlay	319,186	407,768	279,299	325,397	280,355	238,000
3.060 - Intergovernmental	-	-	-	-	-	-
Debt Service:						
4.010 - Principal-All Years	-	-	-	-	-	-
4.020 - Principal - Notes	-	-	-	-	-	-
4.030 - Principal - State Loans	-	-	-	-	-	-
4.040 - Principal - State Advances	-	-	-	-	-	-
4.050 - Principal - HB264 Loan	-	-	-	-	-	-
4.055 - Principal - Other	-	-	-	-	-	-
4.060 - Interest and Fiscal Charges	-	-	-	-	-	-
4.300 - Other Objects	587,998	611,923	608,387	599,804	600,228	600,662
4.500 - Total Expenditures	15,926,107	16,235,046	16,307,144	16,705,398	16,904,741	17,171,030
Other Financing Uses						
5.010 - Operating Transfers-Out	507,275	665,582	665,000	670,000	670,000	670,000
5.020 - Advances-Out	130,000	100,597	125,000	125,000	125,000	125,000
5.030 - All Other Financing Uses	-	-	-	-	-	-
5.040 - Total Other Financing Uses	637,275	766,179	790,000	795,000	795,000	795,000
5.050 - Total Exp and Other Financing Uses	16,563,382	17,001,225	17,097,144	17,500,398	17,699,741	17,966,030
6.010 - Excess of Rev Over/(Under) Exp	691,135	90,777	(146,195)	(469,573)	(679,595)	(961,263)
7.010 - Cash Balance July 1 (No Levies)	2,746,302	3,437,437	3,528,214	3,382,019	2,912,446	2,232,851
7.020 - Cash Balance June 30 (No Levies)	3,437,437	3,528,214	3,382,019	2,912,446	2,232,851	1,271,588
8.010 - Estimated Encumbrances June 30	-	-	-	-	-	-
9.080 - Reservations Subtotal	-	-	-	-	-	-
10.010 - Fund Bal June 30 for Cert of App	3,437,437	3,528,214	3,382,019	2,912,446	2,232,851	1,271,588
Rev from Replacement/Renewal Levies						
11.010 & 11.020 - Income & Property Tax-Renewal	-	-	-	-	-	-
11.030 - Cumulative Balance of Levies	-	-	-	-	-	-
12.010 - Fund Bal June 30 for Cert of Obligations	3,437,437	3,528,214	3,382,019	2,912,446	2,232,851	1,271,588
Revenue from New Levies						
13.010 & 13.020 - Income & Property Tax-New	-	-	-	-	-	-
13.030 - Cumulative Balance of New Levies	-	-	-	-	-	-
15.010 - Unreserved Fund Balance June 30	3,437,437	3,528,214	3,382,019	2,912,446	2,232,851	1,271,588

Supplemental Page 1 - Enrollment Estimates

Head Count Summary/Analysis		Berkshire Local School District - Geauga County				
		2018	2019	2020	2021	2022
Prior Year Actual/Estimated Enrollment (October Count)		1,244	1,244	1,240	1,230	1,221
Projected Changes to Prior Year Enrollment						
Net All-Grade Level Mobility Factor (Change) to Prior Year		49	46	48	48	47
Net Aggregate Manual Adjustments to Mobility Factor		-39	-42	-48	-48	-47
New Kindergartners In		93	93	93	93	93
Loss of Seniors from Prior Year		-103	-101	-103	-102	-107
Net Change in Outgoing and Incoming Pupils		-10	-8	-10	-9	-14
Current Year Estimated Enrollment (Simulated October Count)		1,244	1,240	1,230	1,221	1,207
District Head Count						
Grade						
K		93	93	93	93	93
1		94	93	93	93	93
2		89	94	93	93	93
3		94	89	94	93	93
4		95	94	89	94	93
5		88	95	94	89	94
6		92	89	95	94	89
7		99	93	89	95	94
8		87	100	93	89	95
9		107	88	100	93	89
10		102	107	88	100	93
11		103	102	107	88	100
12		101	103	102	107	88
Total Can Differ by Rounding		1,244	1,240	1,230	1,221	1,207
Year-Over-Year Percentage Change		0.00%	-0.32%	-0.81%	-0.73%	-1.15%

Historic vs. Projected Enrollment

