

Berkshire Local Schools

May 2013 Forecast

Financial Overview

- ✓ The District ended FY 2013 with \$434,581 more than anticipated in our fund balance from the October 2012 forecast. Additional revenues were realized totaling \$194,410. Of this total, \$102,000 was received in delinquent property taxes. Expenditures are predicted to be \$248,733 less than anticipated in October 2012. This was due to unanticipated increases in Title I funding that covered general fund salaries and decreases to special education purchase services.
- ✓ The District continues in a deficit spending situation due to declining revenues.
- ✓ The District is forecasted to have a negative fund balance on June 30, 2016.

Revenue Assumptions

Fiscal year 2014 is a precarious year due to many uncertainties. State funding for schools is based upon several factors all of which are subject to deliberations and approval of the Ohio General Assembly. The current biennial budget expires on June 30, 2013. Several income sources to schools are under much debate at the state level. They include:

- ***State Foundation Guarantee*** - Berkshire is currently under the State guarantee. This means that reductions in student enrollment will not decrease foundation revenues.
- ***Tangible Personal Property Reimbursement*** - Under the current law (HB 153) this money is guaranteed. However, there is much deliberation that funding source will be eliminated.
- ***Casino Tax Revenue*** - Casino tax revenue is included in the forecast based upon the current law legislating the allocation of casino revenues. While this money is assumed to supplement school funding, there is the thought that it will become supplanted revenue under the new budget bill. Amounts forecasted are based upon estimates provided by the Department of Taxation. Actual revenues could be increased or reduced based upon the earnings of the casinos.

The District benefited from expanding the open enrollment to all grade levels for fiscal year 2013. Revenues increased by \$142,769 over FY12. For FY13, 16 students are open enrolled to Burton Elementary and 29 are enrolled to the High School. 31 students have enrolled in other school districts. Currently, the State provides \$5,700 for each open enrollee.

Expenditure Assumptions

The District continues to monitor expenditures closely. Employee benefits, purchase services, materials and supplies, capital outlay and transfers out are all expected to increase in fiscal year 2014. Purchase service is the most uncertain as it includes expenditures for utilities, transportation fuel and costs for special education services. All other categories are expected to decline from FY13 levels.

Berkshire Local Schools

Geauga County

Schedule of Revenues, Expenditures and Changes in Fund Balances For the Fiscal Years Ended June 30, 2010, 2011 and 2012 Actual; Forecasted Fiscal Years Ending June 30, 2013 Through 2017

	Actual				Forecasted				
	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012	Average Change	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017
Revenues									
1.010 General Property Tax (Real Estate)	3,828,996	3,796,102	3,707,158	-1.6%	3,807,794	3,793,278	3,962,463	4,046,694	4,087,161
1.020 Tangible Personal Property Tax	278,038	274,759	273,027	-0.9%	291,967	306,387	306,387	306,387	306,387
1.030 Income Tax	1,577,032	1,626,657	1,748,433	5.3%	1,756,995	1,756,995	1,756,995	1,756,995	1,756,995
1.035 Unrestricted State Grants-in-Aid	3,014,121	2,887,601	2,879,392	-2.2%	2,912,925	2,942,339	2,934,905	2,880,089	2,880,089
1.040 Restricted State Grants-in-Aid	14,149	14,857	20,973	23.1%	0	0	0	0	0
1.045 Restricted Federal Grants-in-Aid - SFSF	203,005	407,340	4,339	0.9%	0	0	0	0	0
1.050 Property Tax Allocation	1,535,873	1,550,613	1,282,481	-8.2%	1,057,561	1,043,628	1,043,628	1,043,628	1,043,628
1.060 All Other Revenues	324,652	586,834	590,497	40.7%	658,997	622,634	570,334	458,184	468,084
1.070 Total Revenues	10,775,866	11,144,763	10,506,300	-1.2%	10,486,239	10,465,261	10,574,712	10,491,978	10,542,345
Other Financing Sources									
2.010 Proceeds from Sale of Notes	0	0	0	0.0%	0	0	0	0	0
2.020 State Emergency Loans and Advancements (Approved)	0	0	0	0.0%	0	0	0	0	0
2.040 Operating Transfers-In	139,122	71,100	0	-74.4%	0	0	0	0	0
2.050 Advances-In	350	6,000	180,116	2258.1%	135,000	135,000	135,000	135,000	135,000
2.060 All Other Financing Sources	9,900	17,228	13,686	26.7%	3,000	3,000	3,000	3,000	3,000
2.070 Total Other Financing Sources	149,372	94,328	193,802	34.3%	138,000	138,000	138,000	138,000	138,000
2.080 Total Revenues and Other Financing Sources	10,925,238	11,239,091	10,700,102	-1.0%	10,624,239	10,603,261	10,712,712	10,629,978	10,680,345
Expenditures									
3.010 Personal Services	6,054,040	5,990,291	5,964,837	-0.7%	5,658,821	5,506,611	5,598,803	5,681,441	5,765,553
3.020 Employees' Retirement/Insurance Benefits	1,728,906	1,935,777	1,775,324	1.8%	1,832,890	1,800,662	1,819,611	1,761,247	1,787,322
3.030 Purchased Services	1,621,643	1,962,174	2,098,266	14.0%	2,302,421	2,178,763	2,187,489	2,187,490	2,187,491
3.040 Supplies and Materials	370,556	391,159	261,858	-13.7%	308,072	311,370	337,148	315,000	315,000
3.050 Capital Outlay	719,409	99,023	41,218	-72.3%	98,074	123,411	114,066	114,066	114,066
3.060 Intergovernmental	0	0	0	0.0%	0	0	0	0	0
Debt Service:									
4.010 Principal-All (Historical Only)	0	0	0	0.0%	0	0	0	0	0
4.020 Principal-Notes	0	0	0	0.0%	0	0	0	0	0
4.030 Principal-State Loans	0	0	0	0.0%	0	0	0	0	0
4.040 Principal-State Advancements	0	0	0	0.0%	0	0	0	0	0
4.050 Principal-HB 264 Loans	0	0	0	0.0%	0	0	0	0	0
4.055 Principal-Other	0	0	0	0.0%	0	0	0	0	0
4.060 Interest and Fiscal Charges	0	0	0	0.0%	0	0	0	0	0
4.300 Other Objects	405,257	454,478	490,854	10.1%	458,474	468,308	465,000	465,000	465,000
4.500 Total Expenditures	10,899,811	10,832,902	10,632,357	-1.2%	10,658,752	10,389,125	10,522,116	10,524,243	10,634,432
Other Financing Uses									
5.010 Operating Transfers-Out	549,722	524,826	446,843	-9.7%	493,130	500,000	500,000	500,000	500,000
5.020 Advances-Out	350	6,000	180,116	2258.1%	135,000	135,000	135,000	135,000	135,000
5.030 All Other Financing Uses	0	0	0	0.0%	0	0	0	0	0
5.040 Total Other Financing Uses	550,072	530,826	626,959	7.3%	628,130	635,000	635,000	635,000	635,000
5.050 Total Expenditures and Other Financing Uses	11,449,883	11,363,728	11,259,316	-0.8%	11,286,882	11,024,125	11,157,116	11,159,243	11,269,432
6.010 Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	(524,645)	(124,637)	(559,214)	136.2%	(662,643)	(420,864)	(444,404)	(529,265)	(589,087)
7.010 Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	3,306,826	2,782,181	2,657,544	-10.2%	2,098,330	1,435,687	1,014,823	570,419	41,154
7.020 Cash Balance June 30	2,782,181	2,657,544	2,098,330	-12.8%	1,435,687	1,014,823	570,419	41,154	(547,933)
8.010 Estimated Encumbrances June 30	30,261	104,331	211,057	173.5%	115,000	115,000	115,000	115,000	115,000
Reservation of Fund Balance									
9.010 Textbooks and Instructional Materials				0.0%	0				
9.050 Debt Service				0.0%					
9.070 Bus Purchases				0.0%		0	0	0	0
9.080 Subtotal	0	0	0	0.0%	0	0	0	0	0
10.010 Fund Balance June 30 for Certification of	2,751,920	2,553,213	1,887,273	-16.7%	1,320,687	899,823	455,419	(73,846)	(662,933)
Revenue from Replacement/Renewal Levies									
11.010 Income Tax - Renewal				0.0%					
11.020 Property Tax - Renewal or Replacement	0	0		0.0%		0	0	0	
11.300 Cumulative Balance of Replacement/Renewal Levies	0	0	0	0.0%	0	0	0	0	0
12.010 Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations	2,751,920	2,553,213	1,887,273	-16.7%	1,320,687	899,823	455,419	(73,846)	(662,933)
15.010 Unreserved Fund Balance June 30	2,751,920	2,553,213	1,887,273	-16.7%	1,320,687	899,823	455,419	(73,846)	(662,933)
ADM Forecasts									
20.010 Kindergarten - October Count	62	62	62	0.0%	60	60	60	60	60
20.015 Grades 1-12 - October Count	1,015	1,021	977	-1.9%	954	907	869	829	829
State Fiscal Stabilization Funds									
21.010 Personal Services SFSF	83,542	21,568	0	-87.1%					
21.020 Employees Retirement/Insurance Benefits SFSF	3,468	48,207	0	595.0%					
21.030 Purchased Services SFSF	12,682	17,584	0	-30.7%					
21.040 Supplies and Materials SFSF	80,353	158,333	0	-1.5%					
21.050 Capital Outlay SFSF	20,761	2,200	0	-94.7%					
21.060 Total Expenditures - SFSF	200,806	247,892	0	-38.3%	0	0	0	0	0

See accompanying summary of significant forecast assumptions and accounting policies

Includes: General fund, Emergency Levy fund, DPIA fund, Textbook fund and any portion of Debt Service fund related to General fund debt

BERKSHIRE LOCAL SCHOOL DISTRICT ASSUMPTIONS
Five Year Forecast – FY12 - FY17

REVENUES

1.010: Real Property Tax

Real property tax is the largest source of revenue for the Berkshire Local School District. The district does not include delinquent taxes in the revenue forecast and the auditor certifies 98% of the collection on real property.

The District's FY13 tax revenue is based on actual receipts and the FY14 revenue is based upon the auditor's certificate of resources. Comparing FY13 to FY14, the forecast is reflecting a decrease of \$14,516 in property tax revenue. This is because FY13 includes \$102,018 in delinquent real estate collections. Current outstanding delinquencies of real property total \$163,740 however due to the uncertainty of collection, this amount have not been included in the forecast. FY14 includes tax revenues totaling \$86,645 for a tax abatement on Great Lakes Cheese due to expire in tax year 2013. FY15 includes tax revenues totaling \$44,608 for tax abatement on Saint Gobain due to expire in tax year 2014.

1.020: Personal Property Tax

This line item includes Personal Property tax and Public Utility tax. Personal property tax revenue has been eliminated for non-utility producing entities. As a reminder, this is the result of the Ohio General Assembly tax restructuring policy adopted via HB66. The only remaining revenue in Line 1.02 will be Public Utility personal property tax. Current outstanding delinquencies for personal property total \$705.

1.030: Income Tax

The District added ¼ % in 2008 along with a change from a traditional tax to an earned income tax. The total tax is 1%. The forecast reflects FY14 through FY17 revenue based upon actual FY13 collections. This line item will need to be revisited quarterly as it is an unpredictable revenue source due to the economy. Current outstanding delinquencies were not available as of the release of this forecast.

Grants-In-Aid

1.035: Unrestricted Grants-in-Aid

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.

School funding for fiscal year 2014 is based upon the current simulations by the ODE under the state's funding guarantee. Under the guarantee, drops in enrollment will not result in less funding unless the state lowers its 100% guaranteed funding threshold. State Foundation revenues for fiscal years 2014 and 2015 are presented at the same funding level

as fiscal year 2013. Fiscal year 2016 and 2017 reflect a 2% decrease. The State Budget is currently being deliberated by the Ohio General Assembly and the final funding numbers will not be available until mid-July 2013.

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 \$21.40 per student for FY13, \$52 per student for FY14, and \$50 per student for FY15 and beyond.

1.040: Restricted Grants-in-Aid

Restricted Grants-in-Aid represents funding for monies that are restricted for a specific purpose such as: special education excess cost reimbursement, bus purchases and career technology.

1.045: Restricted Federal Grants-in-Aid

Restricted Federal Grants-in-Aid represents funding for Budget Stabilization (SFSF) through the federal stimulus monies and Education Jobs federal monies. These monies have been eliminated beginning FY12.

The following represents Grants-In-Aid past and future payments for the District:

	Actual				
	2008	2009	2010	2011	2012
Unrestricted	3,173,551	3,179,697	3,014,121	2,887,601	2,879,392
Restricted State	22,306	36,181	14,149	14,548	20,973
Restricted Federal - SFSF	-	-	203,005	245,692	-
Education Jobs				161,648	4,339
	<u>3,195,857</u>	<u>3,215,878</u>	<u>3,231,275</u>	<u>3,309,489</u>	<u>2,904,704</u>
	Estimated				
	2013	2014	2015	2016	2017
Unrestricted	2,892,055	2,892,055	2,835,739	2,808,145	2,808,145
Casino Revenue	20,870	50,284	42,850	44,350	44,350
Restricted State	-	-	-	-	-
Restricted Federal - SFSF	-	-	-	-	-
Education Jobs	-	-	-	-	-
	<u>2,912,925</u>	<u>2,942,339</u>	<u>2,878,589</u>	<u>2,852,495</u>	<u>2,852,495</u>

1.050: Property Tax Allocation

The property tax allocation represents the Homestead and Rollback reimbursement and the personal property replacement known as the Tangible Value Loss Replacement (TVLR) and

SB3 Electric Deregulation. The forecast reflects the TVLR replacement to continue through FY17. It should be noted that this reimbursement is under much debate by the legislature and has the potential for elimination in future budget bills. Current funding is legislated through HB153 which expires at the end of fiscal year 2013.

SB3 deregulation, enacted in June 1999, made both regulatory and tax changes for electric and gas utilities. The changes resulted in reduced property tax revenues for schools. Losses were guaranteed to be reimbursed for five years. This reimbursement was discontinued in FY12

The following is a schedule of past and future reimbursements.

Property Tax Reimbursements

	Actual				
	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Fiscal Year 2012
Personal Property	492,076.97	257,276.95	18,261.99	-	-
Homestead	60,380.07	109,920.91	113,915.33	77,706.27	97,914.64
2 1/2 % Rollback	440,402.54	442,483.05	443,359.47	489,960.26	469,704.22
TVLR	537,201.79	713,149.00	900,443.91	910,725.29	710,655.00
SB3 Electric Dereg	72,028.79	71,922.48	72,135.60	72,221.07	4,208.00
Total for Year	1,602,090.16	1,594,752.39	1,548,116.30	1,550,612.89	1,282,481.86
	Estimated				
	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017
Personal Property	-	-	-	-	-
Homestead	81,839.00	81,839.00	81,839.00	81,839.00	81,839.00
2 1/2 % Rollback	468,983.00	455,050.00	455,050.00	466,648.00	466,648.00
TVLR	506,739.00	506,739.00	506,739.00	506,739.00	506,739.00
SB3 Electric Dereg					
Total for Year	1,057,561.00	1,043,628.00	1,043,628.00	1,055,226.00	1,055,226.00

1.060: All Other Revenue

This revenue line item includes all other local revenue, Medicaid reimbursements and interest earnings. The largest category is open enrollment income, currently estimated at \$275,000 for FY14. Currently the District receives \$5,700 per student. For FY14 through FY17, it is assumed that current open enrollment levels will be maintained.

FY14-FY17 revenue includes \$175,000 to be received from the Mental Retardation and Developmental Disabilities (MRDD) Agency. These monies are calculated based upon the number of special needs children that are categorized under MRDD guidelines. These monies are not guaranteed funding and are subject to enrollment numbers.

The District is currently undergoing a Medicaid audit that could potentially result in monies being held at the State of Ohio to be released based upon the audit. At this time the monies are estimated at \$150,000, however, due to the uncertainty of the release of these monies, they have not been included in the forecast.

2.050: Advances In

Advances In represents temporary movement of monies between funds.

2.060: All Other Financing Sources

This revenue line item represents other revenue sources such as sale and loss of Assets and refund of prior year expenditures.

EXPENDITURES

3.010: Personal Services

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 FY13.

Personnel Services include all salaries, substitutes, long term substitutes, certified extra classes, overtime costs. The forecasted amount for FY14 includes the retirement of six teachers and the resignation of one. It also assumes that \$150,000 will be available in Title I salaries. It is believed that IDEA monies will be reduced in FY14, therefore salaries reflect the addition of the Special Education Secretaries salary.

3.020: Employees' Retirement/Insurance Benefits

Benefits include: retirement, Medicare, workers compensation, unemployment compensation, life insurance, health and dental insurance. Projected increases reflect increases in health insurance premiums of five percent and associated costs with step increases. Calculations for FY14 through FY17 are calculated based upon historical cost percentage of salaries.

3.030: Purchased Services

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.

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

Supplies and materials are comprised of textbooks, janitorial and transportation fuel and supplies costs.

3.050: Capital Outlay

For FY13, two new vans were purchased for pupil transportation purposes and two new seventy one passenger buses were leased for five years. FY14 through FY17 includes the lease payments from the FY13 purchase as well as lease payments for two additional buses.

4.300: Other Objects

Other objects include expenditures such as County Auditor and Treasurer fees and costs associated with the County Educational Service Center.

5.010: Transfers

The following represents the scheduled transfers from the general fund to various other funds:

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2016</u>
Self Insurance Fund	275,000	275,000	275,000	275,000	275,000
Cafeteria Fund	50,000	50,000	50,000	50,000	50,000
Termination Benefits Fund	135,777	125,000	125,000	125,000	125,000
Athletics	25,000	25,000	25,000	25,000	25,000
Miscellaneous Funds	7,353	25,000	25,000	25,000	25,000
	<u>493,130</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>

The transfer to the Termination Benefits Fund represents a set-aside for future severance payments for exiting employees upon their retirement. The amount is derived from the accrual calculation in the preparation of financial statements.

5.020: Advances-Out

Advances-Out are typically approved prior to the fiscal year end for state and federal funds and these advances are anticipated to be returned to the general fund within the same fiscal year.

8.010: Encumbrances

Encumbrances are projected not to change each fiscal year. The FY13 through FY16 carryover encumbrances are based upon historical average amounts.

9.010: Budget Reserve

At this time, there is no budget reserve.

NOTICE

The district's five-year forecast is based on the above assumptions known at this point in time. As with all forecasting models, operating fiscal results of each fiscal year will change if the original assumptions are modified. The five-year forecast includes only the General Fund and SFSF monies.