

# South Range Local School District

Mahoning County

Schedule of Revenues, Expenditures and Changes in Fund Balances  
For the Fiscal Years Ended June 30, 2014, 2015 and 2016 Actual;  
Forecasted Fiscal Years Ending June 30, 2017 Through 2021

**OCTOBER FY17 ORIGINAL**

	Actual				Average Change	Forecasted				
	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016			Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
<b>Revenues</b>										
1.010 General Property Tax (Real Estate)	\$4,914,802	\$5,223,044	\$5,337,162	4.2%	\$5,443,905	\$5,552,783	\$5,663,839	\$5,380,616	\$4,416,228	
1.020 Tangible Personal Property Tax										
1.030 Income Tax										
1.035 Unrestricted State Grants-in-Aid	4,739,719	4,803,906	4,732,714	-0.1%	4,732,714	4,732,714	4,732,714	4,732,714	4,732,714	
1.040 Restricted State Grants-in-Aid										
1.045 Restricted Federal Grants-in-Aid - Open Enrollment	511,307	1,195,309	1,527,662	80.8%	1,770,000	1,915,000	2,060,000	2,205,000	2,350,000	
1.050 Property Tax Allocation	785,938	803,882	813,235	1.7%	832,918	849,576	866,587	844,757	875,683	
1.060 All Other Revenues	110,339	162,197	242,798	48.3%	237,974	237,974	237,974	237,974	237,974	
1.070 <b>Total Revenues</b>	<b>11,062,105</b>	<b>12,188,338</b>	<b>12,653,569</b>	<b>7.0%</b>	<b>13,017,511</b>	<b>13,288,047</b>	<b>13,561,094</b>	<b>13,401,060</b>	<b>12,412,599</b>	
<b>Other Financing Sources</b>										
2.010 Proceeds from Sale of Notes										
2.020 State Emergency Loans and Advancements (Approved)										
2.040 Operating Transfers-In	102,799	101,275	88,737	-8.9%						
2.050 Advances-In					12,165					
2.060 All Other Financing Sources										
2.070 <b>Total Other Financing Sources</b>	<b>102,799</b>	<b>101,275</b>	<b>88,737</b>	<b>-8.9%</b>	<b>12,165</b>					
2.080 <b>Total Revenues and Other Financing Sources</b>	<b>11,164,904</b>	<b>12,289,613</b>	<b>12,742,306</b>	<b>6.9%</b>	<b>13,029,676</b>	<b>13,288,047</b>	<b>13,561,094</b>	<b>13,401,060</b>	<b>12,412,599</b>	
<b>Expenditures</b>										
3.010 Personal Services	8,355,645	6,595,218	6,542,021	1.5%	6,803,702	7,062,243	7,302,359	7,521,430	7,747,072	
3.020 Employees' Retirement/Insurance Benefits	2,392,326	2,423,739	2,704,858	6.5%	2,948,295	3,213,642	3,502,870	3,818,128	4,161,759	
3.030 Purchased Services	1,342,843	1,300,703	1,493,415	5.8%	1,580,033	1,671,675	1,788,832	1,871,213	1,979,743	
3.040 Supplies and Materials	351,973	381,754	345,417	-0.5%	350,000	350,000	350,000	350,000	350,000	
3.050 Capital Outlay	44,606	159,294	185,917	138.9%	188,465	188,465	188,465	100,000	188,465	
3.060 Intergovernmental										
Debt Service:										
4.010 Principal-All (Historical Only)										
4.020 Principal-Notes										
4.030 Principal-State Loans										
4.040 Principal-State Advancements										
4.050 Principal-HB 264 Loans										
4.055 Principal-Other										
4.060 Interest and Fiscal Charges										
4.300 Other Objects	590,245	593,736	672,020	27.9%	949,681	978,171	1,007,516	1,037,742	1,068,874	
4.500 <b>Total Expenditures</b>	<b>11,077,638</b>	<b>11,454,444</b>	<b>12,193,648</b>	<b>4.9%</b>	<b>12,820,178</b>	<b>13,464,195</b>	<b>14,119,842</b>	<b>14,698,512</b>	<b>15,495,914</b>	
<b>Other Financing Uses</b>										
5.010 Operating Transfers-Out	79,539	100,926	81,940	4.0%						
5.020 Advances-Out	2,845		12,165							
5.030 All Other Financing Uses (3% Expenditure Contingency)					128,202	134,642	141,198	146,985	154,959	
5.040 <b>Total Other Financing Uses</b>	<b>82,384</b>	<b>100,926</b>	<b>94,105</b>	<b>7.9%</b>	<b>128,202</b>	<b>134,642</b>	<b>141,198</b>	<b>146,985</b>	<b>154,959</b>	
5.050 <b>Total Expenditures and Other Financing Uses</b>	<b>11,160,022</b>	<b>11,555,370</b>	<b>12,287,753</b>	<b>4.9%</b>	<b>12,948,377</b>	<b>13,598,837</b>	<b>14,261,040</b>	<b>14,845,497</b>	<b>15,650,873</b>	
6.010 <b>Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses</b>	<b>4,682</b>	<b>734,243</b>	<b>454,553</b>		<b>81,298</b>	<b>310,790-</b>	<b>699,946-</b>	<b>1,444,436-</b>	<b>3,238,274-</b>	
7.010 <b>Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies</b>	<b>903,029</b>	<b>907,911</b>	<b>1,642,154</b>	<b>40.7%</b>	<b>2,096,707</b>	<b>2,178,005</b>	<b>1,867,215</b>	<b>1,167,270</b>	<b>277,167-</b>	
7.020 <b>Cash Balance June 30</b>	<b>907,911</b>	<b>1,642,154</b>	<b>2,096,707</b>	<b>54.3%</b>	<b>2,178,005</b>	<b>1,867,215</b>	<b>1,167,270</b>	<b>277,167-</b>	<b>3,515,441-</b>	
8.010 <b>Estimated Encumbrances June 30</b>	<b>125,889</b>	<b>136,656</b>	<b>158,422</b>	<b>12.2%</b>	<b>110,000</b>	<b>110,000</b>	<b>110,000</b>	<b>110,000</b>	<b>110,000</b>	
<b>Reservation of Fund Balance</b>										
9.010 Textbooks and Instructional Materials										
9.020 Capital Improvements										
9.030 Budget Reserve										
9.040 DP/IA										
9.045 Fiscal Stabilization										
9.050 Debt Service										
9.060 Property Tax Advances										
9.070 Bus Purchases										
9.080 <b>Subtotal</b>										
10.010 <b>Fund Balance June 30 for Certification of Appropriations</b>	<b>782,022</b>	<b>1,505,498</b>	<b>1,938,285</b>	<b>60.6%</b>	<b>2,066,005</b>	<b>1,757,215</b>	<b>1,057,270</b>	<b>387,167-</b>	<b>3,825,441-</b>	
<b>Revenue from Replacement/Renewal Levies</b>										
11.010 Income Tax - Renewal										
11.020 Property Tax - Renewal or Replacement								396,500	1,072,000	
11.300 <b>Cumulative Balance of Replacement/Renewal Levies</b>								396,500	1,468,500	
12.010 <b>Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations</b>	<b>782,022</b>	<b>1,505,498</b>	<b>1,938,285</b>	<b>60.6%</b>	<b>2,066,005</b>	<b>1,757,215</b>	<b>1,057,270</b>	<b>9,333</b>	<b>2,158,941-</b>	
<b>Revenue from New Levies</b>										
13.010 Income Tax - New										
13.020 Property Tax - New										
13.030 <b>Cumulative Balance of New Levies</b>										
14.010 <b>Revenue from Future State Advancements</b>										
15.010 <b>Unreserved Fund Balance June 30</b>	<b>782,022</b>	<b>1,505,498</b>	<b>1,938,285</b>	<b>60.6%</b>	<b>2,066,005</b>	<b>1,757,215</b>	<b>1,057,270</b>	<b>9,333</b>	<b>2,158,941-</b>	
<b>ADM Forecasts</b>										
20.010 Kindergarten - October Count										
20.015 Grades 1-12 - October Count										
<b>State Fiscal Stabilization Funds</b>										
21.010 Personal Services SFSF										
21.020 Employees Retirement/Insurance Benefits SFSF										
21.030 Purchased Services SFSF										
21.040 Supplies and Materials SFSF										
21.050 Capital Outlay SFSF										
21.060 <b>Total Expenditures - SFSF</b>										

See accompanying summary of significant forecast assumptions and accounting policies  
Includes General fund, Emergency Levy fund (Open Enrollment displayed on line 1.045)

## South\_Range-048363

### South Range Local School District ASSUMPTIONS FOR 5 YEAR FORECAST FY2017 10/19/16

#### GENERAL:

The forecasting methodology of the South Range Local School District utilizes **reasonable assumptions** to **project** what the financial condition of the district might look like in the future given current operations based on today's financial snapshot in time.

The assumptions contained herein are based on maintaining as many student offerings as possible while avoiding deficit spending. School district governmental subdivisions are prohibited by Ohio law from operating with deficit balances. The district's revenue over expenditures (line 6.010) shows the eventual need to raise revenue or make further cuts in expenditures (programming.)

South Range is benefiting from an influx of funds totaling over nine mills of property tax due to open enrollment. The normal eight year levy cycle (1988, 1996, 2004) continues to be stretched into its thirteenth year via expenditure reductions and open enrollment. The Board has been sensitive to citizens concerns in consideration of the 2008 recession and the 2007 Bond issue approval. The alternatives going forward will be to support programming or to take action to reduce programming to reduce costs. The alternative of expanding open enrollment could also provide additional support going forward.

The Governor had been warning for several years that the guarantee provision for districts to receive a minimum amount based on prior years would expire at the end of the last biennium (6/30/15.) The legislature blocked the part of the Governor's plan to eliminate the transitional aid guarantee. House Bill 64 (biennial budget for 7/1/15 thru 6/30/17) reduced only the tangible personal property tax portion of the guarantee. Since the Governor is not currently stating that he will resume his quest to eliminate guarantees in the next biennium, the district is assuming that the guarantee, reinstated for the current biennium, will continue in future biennial budgets. It is important to note that the threat of guarantee elimination is a little stronger today than it was in October, 2015 because Governor Kasich really wants the guarantee provision eliminated. Now that his presidential bid is over, some school finance analysts speculate that he will refocus on some of his previous unrealized goals in Ohio such as elimination of the guarantee.

Three years of actual history are included on the forecast. In some cases, these three years, and the twenty-four years of historical trends maintained by the South Range Local School District Treasurer's office, are used to apply trend analysis to project future years. Statistical trending (regression analysis) becomes less reliable in times of extreme economic change and alternative forecasting tools must be utilized. Simply "adding up" known costs is an obvious method, but does not account for unforeseen events in the same way that trend analysis does. "Best guess" contingency allowances are applied where deemed necessary to replace areas where trending has been temporarily suspended due to unacceptable variances.

The first column on the projection side of the forecast represents the year in which we are currently doing business. The last four columns chronologically illustrate what the financial condition of the district might look like given the strength of the assumptions applied in the detail below (REVENUE/EXPENDITURES.) If the future year five actuals were to be

compared to today's forecast, they would not look the same. Year five will look very different because the Board will need to take action to mitigate deficit spending (Line 6.010 and deficit balance Line 12.010.) Additional expense reduction and revenue generating plans will need to be implemented. This in fact is the purpose of running the forecast considering what might happen given the Board's current modus-operandi.

Economic and legislative events have caused South Range Local Schools to reduce the quantity of services provided by reducing the employment of the people who provide said services. With the reduction of many of its employees through attrition, consolidations, and layoffs, the district should remain solvent for a few more years. South Range began accepting open enrollment students in school year 2013/2014. This coupled with additional inter-district job consolidations, bus route re-programming, and other purchased services and materials and supplies cuts has helped with the projected ability to get through FY19 or FY20 assuming the emergency levy is renewed in 2019.

The following is a summary of assumptions used in the development of the five year financial forecast for the South Range Local School District.

## **REVENUE**

### **Line 1.010 – General Property Tax**

We are assuming the South Range property valuation overall will grow, although more slowly than historical trends prior to 2008. Past historical trends of three to five percent growth per year in property tax revenue are not likely to return over the next several years. The triennial update increase of 2015 helped boost collections slightly above the "new normal" growth rate. The district receives valuation increases on the 5.1 inside mills (unvoted millage.) Voted levy (outside) millage are effectively flat lined by the HB 920 reduction factor and specific dollar amount emergency levies – increases are not realized by the district unless the twenty mill floor is hit and the non-emergency levies are raised to meet the 20 mill floor. The district can receive additional property tax revenue to fill the gap between actual applicable reduced millage and the twenty mill floor. The district also receives increases on new construction in the first year the property tax is applied to the tax duplicate. The current year forecast is built using the County Auditor's Rate Resolution Worksheet for tax year 2015 payable in tax year 2016. A 2% increase is forecasted in future years. Half of the \$793,000 emergency levy (\$396,500) is deducted from the FY20 calculation due to its pending expiration on December 31, 2019. Half of the \$558,000 emergency levy (\$396,500) is deducted from the FY21 calculation due to its pending expiration on December 31, 2020. The levy millage is currently 4.3 mills and 3 mills respectively. They were originally approved by voters in 2004 and 1996. The original voted levy millage was 5.9 and 6.9 mills respectively. These levies are re-introduced on line 11.02.

### **Line 1.020 – Tangible Personal Property tax**

The Tangible Personal Property Tax has been completely phased out by the 2004 Taft tax reform plan beginning calendar year 2010. South Range received over \$391,000 per year in TPP in its peak years.

### **Line 1.030 – Income Tax**

The South Range Local School District receives no income tax.

### **Line 1.035 – Unrestricted Grants-In Aid**

We have used the current State Foundation and Payment Report (10/7/16) data in this line item modified slightly to include last year's actual State Foundation. HB64 which is the current biennial budget for FY16 and FY17 has preserved the transitional aid guarantee. The Governor

had wished to eliminate the guarantee. South Range is currently on the guarantee in the amount of \$512,889.42 as shown on the October 7, 2016 SFPR (State Foundation Payment Report.)

**Line 1.040 – Restricted Grants-In Aid**

There is no current revenue in this line item.

**Line 1.045 –Open Enrollment**

The first year of open enrollment brought near 90 additional students to the district. The second year, brought over 100 additional students. The FY16 count was 266. Although capacities will someday prohibit acceptance of additional students, we are conservatively adding 25 additional open enrollment students in each of the forecasted years FY17 which currently has allowed 60 additional students. A past average revenue of OE per student revenue is used to compute amounts.

**Line 1.050 – Property Tax Allocation**

Each homeowner is credited up to 12.5 % on their local tax property bill which the State pays in on their behalf **for levies passed prior to the November, 2013 elections.** For example, if your total property tax bill is \$100, you are credited \$12.50 for Homestead and Rollback (or property tax allocation). You pay the resulting \$87.50 for your local tax bill and the State pays the \$12.50 on your behalf to the School District. **Any levies passed beginning with the November 2013 elections are not be eligible for this “tax credit”** and the full levy amount is borne by the homeowner. The forecasted amounts in this line item take this into consideration. This line item also includes the state reimbursement for tangible personal property tax phased out in line 1.02, however the new biennial budget is cutting this reimbursement which was to continue until 2018 when a new funding method would have replaced these funds.

**Line 1.060 - All Other Revenues**

There are several relatively small dollar value line items of revenue that the school receives. Some examples would be interest earned, student fees, rental of school property, loss of assets, etc. Added together, these items make up a small percentage of school general fund revenue.

**Line 1.07 – Subtotal of Revenue**

**Line 2.010 - No Tax Anticipation Notes listed at this writing.**

**Line 2.020 - None Anticipated.**

**Line 2.040 - None Anticipated.**

**Line 2.050 - None Anticipated.**

**Line 2.060 -**

**Line 2.070 – Subtotal**

**Line 2.080 - Total Revenue**

## **EXPENDITURES**

### **Line 3.010 – Personal Services**

Base salaries had been frozen from the 2010/2011 to the 2014/2015 . Cuts and consolidations of jobs helped reduce salaries nearly \$600,000 from FY12 to FY14. It is necessary to “stay within the market” in terms of competitiveness in salaries to continue to attract the best and brightest. While the benefits of the cost saving actions will continue to help this line item in to the future, small increases in base salaries will affect this line item. The **range** of “all in” salary increases verses decreases is 8.1% in 2001 to -6.1% in 2013. The change factors are affected by increases in salaries, and reductions or additions of personnel. All considered, the net projections at this time for the forecasted years is a 3.8% FY17; 3.4% FY18, 3.0% FY19 and FY20 increase in total “all in” salaries each year over the previous year.

### **Line 3.020 – Fringe Benefits**

The Mahoning County School Employee School Consortium has experienced higher than average medical/Rx premiums the last few years. The drug portion of these costs has been rising nationwide at extremely high rates. The Mahoning County consortium drug costs have risen near 25% contributing to a 12% Medical/Rx premium hike. Total healthcare costs have traditionally attributed about half of the benefits line item. Considering healthcare costs and the other salary driven benefit costs like retirement, workers’ compensation, and Medicare payments, we are assuming a 9% increase in this line item for the forecasted years.

### **Line 3.030 – Purchased Services**

Purchased services include gas, electric, phone, garbage, well, sewage, and other facility utility related costs as well as technical services for electrical, computer related and other such work that may be required throughout the year. Utility costs are another item that could rise above and beyond average estimates if there is an unusually harsh summer/winter season. This volatility can have an effect on all energy costs throughout the United States, and does not exempt South Range Schools. Deductions to our State Foundation payments for open enrollment out, community and charter/community schools out, and potentially voucher payments out (HB59 provision) could increase this line item beyond projections. A 5.8% annual increase has been assumed based on our recent historical averages.

### **Line 3.040 – Supplies and Materials**

Materials and supplies expenses have been forecasted to remain near \$350,000 in the near future, which is less growth than previous years. This is an area that we have the most control. Although it is an area where we have the most control, it is a relative small percentage of the total expenditures budget at about 3% of total GF expenses. We do not have absolute control because we must clean the facilities for safety and health purposes and provide restroom supplies, salt for snow and ice control ... etc. Our “paperless initiative” continues to show the intended result of purchasing far less paper, and printer and copier supplies in favor of electronic documents. We are attempting to hold steady the amount spent on this line item.

### **Line 3.050 – Capital Outlay**

This line item includes computers and networking equipment, maintenance machinery, busses, plant and other building related purchases. There are 22 busses in our fleet. If we replace only 1 bus each year, many older and well used vehicles are left to be carefully maintained. Our fleet is very well maintained, but cannot be prolonged in such a manner that extends bus life indefinitely. South Range gets between two and three hundred thousand miles out of each bus. We had been delaying purchases of busses as much as possible to help deal with budget constraints, but are now forced to replace older units as they become too expensive to repair.

**Line 3.060** N/A

**Line 4.010** N/A

**Line 4.020 – Short Term Notes**

In difficult financial times, the district has had to borrow money in order to operate. While it is a possibility this could occur during the timeframe of this forecast, it is impossible to know for what amount at this time, or exactly when it would be needed. Of course it is our hope that our success will be appreciated and that South Range constituents will not allow the district to fall into the situation which would demand borrowing funds. Although sometimes necessary, it creates interest expense and legal costs to the district that would otherwise be unnecessary.

**Line 4.030** N/A

**Line 4.040** N/A

**Line 4.050** N/A

**Line 4.055** N/A

**Line 4.060** N/A

**Line 4.300 – Other Expenses**

This line item includes liability insurance premiums, Mahoning County Auditor and Treasurer fees for tax collection services, dues and fees, and licensing for elevators, septic system and water operation ... etc. Most Mahoning County ESC services are also coded to this line item. We have assumed an annual increase of 3% each year, but this line item can be very volatile depending on special student services that may be required in a given year. Re-alignments of the Educational Service Center contract services has caused large year to year variances in the actual columns and can be volatile if special student needs require contracted services with the MCESC.

**Line 4.5 – Subtotal**

**Line 5.010 - No transfers are planned**

**Line 5.020 - No advances are planned**

**Line 5.030** – We have assumed \$110,000 per year based on prior year averages (Contingencies are unexpected expenses and advances/transfers.)

**Line 5.040 - “Other” financing subtotal**

**Line 5.050 - Total Expenditures and other financing uses**

This line is the total of all the above expenditure line items.

**Line 6.010 - Sources over/under expenditures and other financing uses**

Simply put, this line item compares revenue to expenditures. **When the number in this line item is negative, the district is obviously spending more than it is bringing in.** Since carryover funds eventually are exhausted, the district is financially insolvent long term. Unlike business, we cannot raise prices or shut down the math or english departments. We cannot turn away students who may cost more than average to educate due to physical and/or mental disabilities. In short, “the Pontiac and Oldsmobile lines cannot be discontinued due to unprofitability” - we cannot make the same cost cutting decisions that a private, for profit business or private school would make because we are a non-profit governmental educational

service with social responsibilities mandated by law to provide educational services to all children. The economy generally affects governments a few years after it affects non-government or private business. Recovery from the 2008 recession has continued to be very slow. Today's anti-tax political environment makes it extremely difficult to replace State and Federal cuts with local levy dollars. Without long term community support, the quality of the school district and its surrounding community could be compromised.

**Line 7.010 - Replacement levies N/A**

**Line 7.020 - Cash Balance June 30, 20XX**

This line item is the cash balance, which does not include encumbrances. Encumbrances are expenditures that have been committed, but for which the check has not yet been issued. When a family receives its electric bill and it is put on the pile of bills to be paid, it is analogous to an encumbrance. The funds have been committed, but not yet paid during the fiscal year.

**Line 8.010 - Estimated encumbrances June 30**

We always strive to keep current in terms of paying bills. By law, we cannot pay a bill unless we have an original invoice from the vendor, and certification from the South Range Employee who ordered the item or service that the item or service has been received in good order. This can cause some purchases made in a particular school year from actually being paid for during that same school year. Encumbrances can vary greatly from year to year depending on large equipment purchases such as busses or computer labs. We have used \$110,000 per year based on the previous year's amounts.

**Line 9.010 - Textbook & Materials fund reserve**

This requirement has been lifted.

**Line 9.020 - Capital Improvements fund reserve  
Not Applicable**

**Line 9.030 - Budget Reserve**

Eliminated Beginning FY02 – No longer required

**Line 9.040 – DPIA**

Line item not used.

**Line 9.050 - Debt Service**

We currently have no general fund debt.

**Line 9.060 - Property Tax Advance**

Line item not used.

**Line 9.070 - Bus Purchase Fund**

Line item not used – bus purchases are included in line 3.050. There are never enough funds to reserve in this line item as the district no longer receives separate bus funds from the State. A new bus costs about \$85,000. Because these funds are no longer subsidized by the State, they must be transferred and paid from funds received in the foundation aid formula.

**Line 9.080 – Subtotal**

**Line 10.010 - Fund Balance June 30<sup>th</sup> for Certification of Appropriations**

This line item reflects the amount of money the Treasurer/CFO can legally obligate by purchase order during said fiscal year.

**Line 11.010 - Income Tax Renewal**

South Range Schools has no income tax.

**Line 11.020 - Property Tax renewal or replacement**

There are two expiring emergency levies during this forecast. The \$793,000 emergency levy will expire at calendar year end 2019 which is half way through our fiscal year 2020. As such, \$396,500 is listed to replace half of the expiring levy. The \$558,000 emergency levy will expire at calendar year end 2020 which is half way through our fiscal year 2021. As such, \$279,000 is listed to replace half of the expiring levy.

**Line 11.030 - Cumulative Balance of Replacement/Renewal Levies**

Self-explanatory.

**Line 12.010 -Fund Balance June 30<sup>th</sup> for Certification of Contracts, Salaries, and other obligations.**

Having reintroduced limited levies into the total amount assumed to be available, this is the line item that shows the amount we can legally use to certify the specific items described in the line item description.

**Line 13.010 - Income Tax (New)**

We have no plans to ask for an income tax.

**Line 13.020 - Property Tax**

No new levies have been contemplated.

**Line 13.030 - Cumulative balance of new levies.**

This line item shows the annual total produced by all new levies shown in line 13.020

**Line 14.010 Revenue from future state advancements**

Not applicable at this time.

**Line 15.010 Unreserved fund balance June 30<sup>th</sup>**

Lines 20.010 through 21.06 are student number notes and are optional.