

# South Range Local School District

Mahoning County

Schedule of Revenues, Expenditures and Changes in Fund Balances  
For the Fiscal Years Ended June 30, 2016, 2017 and 2018 Actual;  
Forecasted Fiscal Years Ending June 30, 2019 Through 2023

	Actual				Forecasted				
	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Average Change	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023
<b>FY18 November Update Forecast</b>									
<b>Revenues</b>									
1 010 General Property Tax (Real Estate)	\$5,337,182	\$5,345,707	\$5,398,399	0.8%	\$5,418,322	\$5,469,475	\$5,524,170	\$5,579,412	\$5,635,208
1 020 Tangible Personal Property Tax									
1 030 Income Tax									
1 035 Unrestricted State Grants-in-Aid	4,732,714	4,719,449	4,532,953	-1.1%	4,580,057	4,587,017	4,587,017	4,587,017	4,587,017
1 040 Restricted State Grants-in-Aid									
1 045 Restricted Federal Grants-in-Aid - SFSP	1,827,862	1,783,832	1,880,343	13.0%					
1 050 Property Tax Allocation	813,235	803,368	783,834	-3.1%	743,308	779,400	787,194	795,088	803,017
1 060 All Other Revenues	242,798	248,244	272,505	18.8%	2,479,038	2,530,078	2,688,870	2,788,820	2,819,879
1.070 Total Revenues	12,663,589	13,050,584	13,048,034	1.8%	13,217,723	13,368,982	13,667,961	13,751,015	13,845,210
<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									
2 050 Advances-In	88,737	107,826	44,444	-18.8%	5,999				
2 060 All Other Financing Sources									
2 070 Total Other Financing Sources	88,737	107,826	44,444	-18.8%	5,999				
2.080 Total Revenues and Other Financing Sources	12,742,306	13,158,410	13,092,478	1.4%	13,223,722	13,368,982	13,567,961	13,751,015	13,845,210
<b>Expenditures</b>									
3 010 Personal Services	6,542,921	6,787,824	7,029,856	3.7%	6,983,850	7,287,888	7,458,057	7,721,058	7,991,293
3 020 Employees' Retirement/Insurance Benefits	2,704,858	2,878,303	2,822,303	4.0%	3,005,992	3,200,423	3,408,480	3,630,000	3,865,950
3 030 Purchased Services	1,400,418	1,681,208	1,893,333	8.8%	1,888,813	1,995,381	2,181,198	2,319,208	2,600,338
3 040 Supplies and Materials	345,417	378,883	394,084	6.9%	388,780	370,000	370,000	370,000	370,000
3 050 Capital Outlay	165,917	305,872	233,182	20.3%	130,000	180,000	130,000	180,000	130,000
3 060 Intergovernmental									
<b>Debt Service:</b>									
4 010 Principal-All (Historical Only)									
4 020 Principal-Notes									
4 030 Principal-State Loans									
4 040 Principal-State Advancements									
4 050 Principal-HB 284 Loans									
4 055 Principal-Other									
4 060 Interest and Fiscal Charges									
4 300 Other Objects	822,828	811,075	782,078	-8.9%	799,080	781,852	805,308	829,487	854,381
4.500 Total Expenditures	12,193,848	12,822,785	13,034,824	3.4%	13,078,683	13,738,325	14,324,915	15,048,731	15,711,832
<b>Other Financing Uses</b>									
5 010 Operating Transfers-Out	81,940	84,213	12,099	-41.4%					
5 020 Advances-Out	12,165	3,887	5,990	-6.9%	18,100				
5 030 All Other Financing Uses									
5 040 Total Other Financing Uses	94,105	88,100	18,089	-42.3%	18,100				
5.050 Total Expenditures and Other Financing Uses	12,287,953	13,010,885	13,052,913	3.1%	13,096,783	13,738,325	14,324,915	15,048,731	15,711,832
6 010 Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	454,563	87,845	37,848	-70.0%	126,937	388,383	786,984	1,296,716	1,708,722
7 010 Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	1,642,154	2,086,707	2,184,362	18.2%	2,231,898	2,358,835	1,989,472	1,222,508	78,207
7 020 Cash Balance June 30	2,086,707	2,184,362	2,231,898	3.2%	2,358,835	1,989,472	1,222,508	78,207	1,842,930
8 010 Estimated Encumbrances June 30	158,422	119,283	27,081	-51.0%	100,000	100,000	100,000	100,000	100,000
<b>Reservation of Fund Balance</b>									
9 010 Textbooks and Instructional Materials									
9 020 Capital Improvements									
9 030 Budget Reserve									
9 040 DPIA									
9 045 Fiscal Stabilization									
9 050 Debt Service									
9 060 Property Tax Advances									
9 070 Bus Purchases									
9 080 Subtotal									
10 010 Fund Balance June 30 for Certification of Appropriations	1,838,285	2,075,089	2,204,817	6.7%	2,258,835	1,889,472	1,122,508	178,207	1,842,930
<b>Revenue from Replacement/Renewal Levies</b>									
11 010 Income Tax - Renewal									
11 020 Property Tax - Renewal or Replacement									
11.300 Cumulative Balance of Replacement/Renewal Levies									
12 010 Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations	1,838,285	2,075,089	2,204,817	6.7%	2,258,835	1,889,472	1,122,508	178,207	1,842,930
<b>Revenue from New Levies</b>									
13 010 Income Tax - New									
13 020 Property Tax - New									
13.030 Cumulative Balance of New Levies									
14 010 Revenue from Future State Advancements									
15 010 Unreserved Fund Balance June 30	1,838,285	2,075,089	2,204,817	6.7%	2,258,835	1,889,472	1,122,508	178,207	1,842,930
<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 SFSP									
21 020 Employees Retirement/Insurance Benefits SFSP									
21 030 Purchased Services SFSP									
21 040 Supplies and Materials SFSP									
21 050 Capital Outlay SFSP									
21.060 Total Expenditures - SFSP									

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

**South\_Range-048363**

**South Range Local School District  
ASSUMPTIONS FOR 5 YEAR FORECAST FY2018  
11/19/18**

**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 balances in the first two forecasted years. Deficits shown in years four and five of the October 2018 forecast assume current programming. The Board of Education took action in March, 2018 to reduce programming expenses to accomplish this end. Ohio public schools must operate with balanced budgets. As such, financial cuts in this updated forecasted have been made in the areas of personnel, bus purchases, materials and supplies and contingency funding. School districts are governmental subdivisions and are prohibited by Ohio law from operating with deficit balances. The district's revenue over expenditures (line 6.010) still shows the eventual need to raise revenue or make even further cuts in expenditures (programming), although the revenue over expenditure line item 6.010 is positive until 2020 due to a stronger ending balance last FY18 including the cuts mentioned above and throughout this forecast.

South Range continues to benefit from an influx of open enrollment funds equaling over 10 mills of "would be" property taxes. The last new general operating levy at South Range was in 2004. Prior history illustrates a need for new levies every eight years (1988, 1996, 2004) to maintain programming. Services have been reduced beginning in 2012 when the last passed levy (2004) lost its impact. The Board has no immediate plans for a new money levy in this forecast. The alternatives going forward will be to financially support programming with expansion of open enrollment as kindergarten class sizes continue to be much lower than they were historically, and to take action to reduce programming if necessary to reduce costs.

For several years, the Governor had been suggesting the "guarantee" provision for districts to receive a minimum dollar amount in State support be eliminated. The current biennium (HB49) effective July 1, 2017 through June 30, 2019 includes a provision to reduce the "guarantee." South Range Local Schools is losing \$173,494.00 each year during the current biennial budget (FY18 and FY19) on the "guarantee" line item.

Depending on the next Governor, and the next legislature, the guarantee may or may not be further attacked in the next biennium. This factor could have a significant impact on South Range Schools' finances in either direction.

Three years of actual history are included on the forecast. In some cases, the three actual years, and the twenty-five 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, so alternative forecasting tools must also be utilized. Simply "adding up" known costs is an obvious method, but does not account for unknown events in the same way as trend analysis. "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 considered and implemented. This in fact is the purpose of running the five year forecast considering what might happen given the Board's current modus-operandi.

Economic and legislative events have resulted in South Range Local School's reduction of the quantity of services provided by reducing the employment of the people who provide said services in the last decade. With the reduction of many of its employees through attrition, consolidations, and lay-offs, and addition of open enrollment revenue, the district has remained solvent much longer than it otherwise could have without a new levy. Three emergency levies have been combined with voter approval on November 6, 2018. There is no longer a need to put these three renewals on separately in 2019, 2020 and 2023. Of course, renewals do not increase tax rates. The approval to combine these three renewals will reduce tax collection rates 4/10ths of a mill (.4 mill) beginning tax year 2018/collection year 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 will continue a slow growth. The district receives valuation increases on the 5.1 inside mills (unvoted millage.) Voted levy (outside) millage are effectively flat lined by the HB920 reduction factor and the specific dollar amount emergency levy – increases are not realized by the district unless the twenty mill floor is hit and the non-emergency levies are raised by the State Department of Taxation to meet the 20 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 2017 payable in tax year 2018. A 1% increase is forecasted in future years. An additional consideration in this update is a real estate tax loss due to legislative action to repair the effect of CAUV values which previously experienced an unusually high increase to farm properties after the 2008 financial crisis. This legislation relieves farm property owners of some of the higher property taxes they experienced when the CAUV formula caused the high increase issue.

### **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 once received over \$391,000 per year in TPP. Part of the Commercial Activity Tax (CAT) that replaced TPP was promised by past legislatures to be apportioned to schools to replace the loss, but it has not happened to date.

### **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 September, 2018 Foundation report amount which considers HB49 guarantee reduction of \$173,494 per year.

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

There is no current revenue in this line item.

**Line 1.045 – Restricted Grants-In Aid SFSF**

There is no current revenue in this line item. We previously showed Open Enrollment revenue separately on this line item. The State is now mandating that Open Enrollment be shown on line 1.060 "All Other Revenues." Open enrollment is \$2,104,638 of the "All Other Revenues" total in FY2019. We assumed an increase of twenty students in each of the following years and 3% increases in the other components of "All Other Revenue." This translates to an overall increase in All Other Revenue of 2.1% in FY20, 5.1% in FY21, 4.9% in FY22, and 4.7% in FY23.

**Line 1.050 – Property Tax Allocation**

Every homeowner is credited up to 12.5 % on their local tax property bill which the State of Ohio pays on their behalf for levies passed prior to the November, 2013 elections. Current renewal levies also benefit from this advantage. 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 new money levies passed beginning with the November 2013 elections and thereafter are not eligible for this "tax credit" and the full levy amount is borne by the homeowner. None of the South Range School levies have been affected by the 2013 legislative change – all are eligible for the tax credit. The forecasted amounts in this line item take this into consideration. A percentage of 14% to 15 % of real estate receipts is used based on historical trend.

**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 and Open Enrollment revenue make up this line item. Open Enrollment had previously appeared on line 1.045 since it was not in use for its intended purpose. The State is now requiring that it be included in "All Other Revenues – Line 1.060.

**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 – FY18 Advance Returns.**

**Line 2.060 - Prior Year Refunds.**

**Line 2.070 – Subtotal**

**Line 2.080 - Total Revenue**

- *Note: the November Update has not changed any expenditure estimates.*

## **EXPENDITURES**

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

The district has greatly reduced its personnel over the past eight years. Attrition, job consolidations and combinations, and reductions in force have all been tools used to keep our budgets in the black as required by law. Like businesses, the District must offer competitive wages to attract the best teachers and other school employees. Following a long pay freeze, modest increases were granted. Employees received a 1% base increase the past two years. Overall salary increases have been near 3.5%. As such a 3.5 overall increase has been calculated for forecasted years except the current year (FY9) which also considers the reductions in force (RIF's) enacted by the Board of Education in March of 2018 effective July 1, 2018. Salaries are actually forecasted to be reduced about 1% in FY19 compared to FY18.

### **Line 3.020 – Fringe Benefits**

South Range is a member of the Ohio School Benefits Cooperative consortium. OSBC is a relatively large consortium of about fifty school districts. Considering healthcare costs and the other salary driven benefit costs like retirement, workers' compensation, and Medicare payments, we are assuming a 6.5% increase in this line item for the forecasted years, except FY19 increases which like salaries considers effects of the March 2018 RIF. FY19 is 2.8% higher than FY18.

### **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 schools out, and potentially voucher payments out (HB49 provision) could increase this line item beyond projections. A 7.8% annual increase has been assumed based on our historical averages and leveling of new services.

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

Materials and supplies expenses have been forecasted to remain near \$370,000 in the near future. This is an area that we have the most control. Although it is an area where we have the most control, it is a relatively small percentage of the total expenditures budget at about 2.5% 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. Some overage on the budgeted amount could result as our support organizations (booster clubs and Foundation) often donate to help offset over budget expenditures of unanticipated or additional supplies.

### **Line 3.050 – Capital Outlay**

This line item includes computers and networking equipment, maintenance machinery, busses, plant and other building related purchases. If we replace only 1 bus each year, many older and well used vehicles are left to be carefully maintained. The cost of a bus is about \$85,000 less trade value of discarded bus. 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 have 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. We hope to skip a year or two between bus purchases.

**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 need student services that may be required in a given year. Re-alignments of the Educational Service Center contract services have caused large year to year variances in the actual columns and can be volatile if special student needs require contracted services with the MCECSC.

**Line 4.5 – Subtotal**

**Line 5.010 – see line 5.03**

**Line 5.020 – See line 5.03**

**Line 5.030 – Contingency budgets have been suspended due to budgetary constraints.**

**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 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 will eventually 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 \$100,000 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 less trade-in of an old bus. 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**

The passage of the November 6, 2018 combination renewal levy has eliminated a need for this line item for the near future. All three existing levies on our tax duplicate have been combined and will not need to be put up for renewal until 2028. This will also strengthen our financial position with creditors and vendors.

**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.**

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.*