

SHELBY CITY SCHOOL DISTRICT-RICHLAND COUNTY
SCHEDULE OF REVENUE, 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



Forecast Provided By
Shelby City School District
Treasurer's Office
Barbara Donohue, Treasurer/CFO
May 2019

Shelby City School District – Richland County
Notes to the Five Year Forecast
General Fund Only
May 2019

Introduction to the Five Year Forecast

For fiscal year 2019 (July 1, 2018 – June 30, 2019) school districts in Ohio are required to file a five (5) year financial forecast by October 31, 2018, and May 31, 2019. HB87 became effective November 1, 2018, and will change the filing date from October 31 to November 30 beginning with the November filing in 2019. The May 31 filing date will remain unchanged. The five-year forecast includes three years of actual and five years of projected general fund revenues and expenditures. Fiscal year 2019 (July 1, 2018-June 30, 2019) is the first year of the five year forecast and is considered the baseline year. Our forecast is being updated to reflect the most current economic data available to us for the May 2019 filing.

May 2019 Updates:

Revenues:

The overview of revenues shows that we have started to receive tangible tax for the new pipeline. We have received \$1 million for the current year and have forecast the same amount to continue for all years of the forecast. The remaining areas of revenue are substantially on target with original estimates at this point in the year. Total General Fund revenues (line 1.07) are estimated to be \$21,581,000 or 4.9% higher than the October forecasted amount of \$20,567,000.

Expenditures:

Total General Fund expenditures (line 4.5) are estimated to be \$20,028,000 for FY19 which is the same as the original estimate in the October forecast. The expenditure lines all appear to be on target with the original projections. We have increased in wages and benefits in the future years of the forecast which are primarily offset by reductions in other expenses for bringing staff on that n paid for by the ESC.

Unreserved Ending Cash Balance:

With revenues increasing slightly over estimates and expenditures ending on target, our ending unreserved cash balance June 30, 2019 is anticipated to be roughly \$14.0 million. The ending unreserved cash balance on Line 15.010 of the forecast is anticipated to be a positive accumulative balance through 2023 if assumptions we have made for state aid in future state budgets remain close to our estimates.

Forecast Risks and Uncertainty:

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

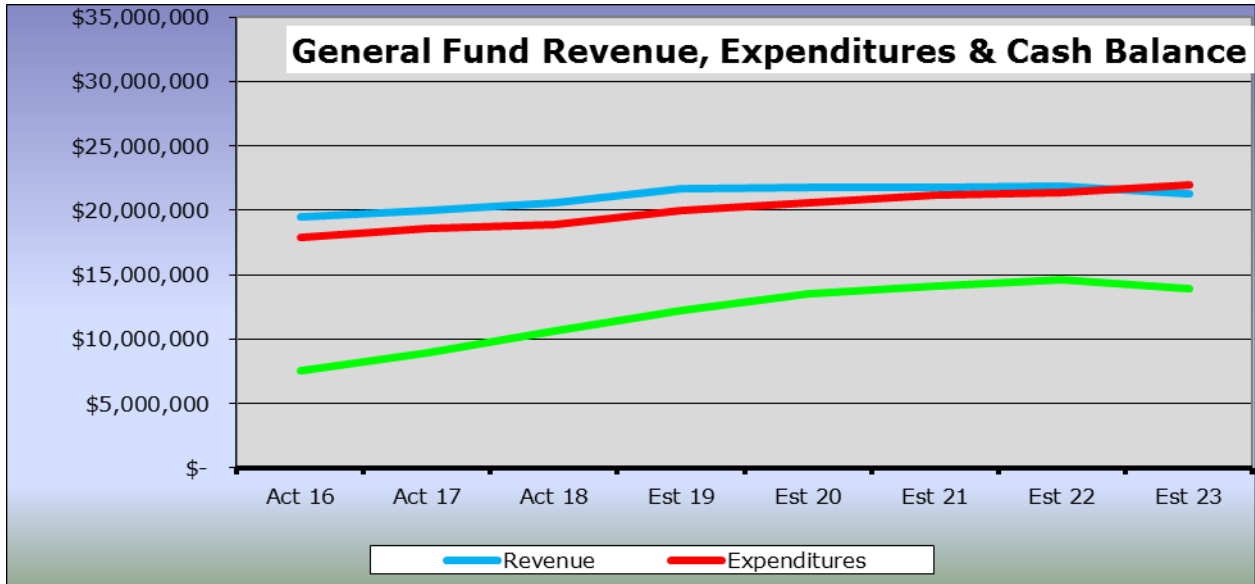
- I. The State Budget represents 50.9% of district revenues and is an area of risk to revenue. The future risk comes in FY20 and beyond if the state economy worsens or if the funding formula in future state budgets reduce funding to our district. There are two future State Biennium Budgets covering the period from FY20-21 and FY22-23 in this forecast. Future uncertainty in both the state foundation funding formula and the state's economy makes this area an elevated risk to district funding long range through FY23. We have projected our state funding to be inline with our current estimates through FY23 which we feel are conservative and should be close to whatever the state approves for the FY20-21 biennium.

We will make adjustments to the forecast in October when factual data is available following adoption of the state budget in late June 2019.

- II. Richland County experienced a reappraisal in the 2017 tax year to be collected in FY18, the reappraisal increased overall assessed values by \$90K or an increase of .04%, marked by a decrease in residential/agricultural values and increases in commercial and public utility.
- III. The District's \$950K emergency levy will expire December 31, 2022. This levy provides a significant source of operating revenue and will need to be successfully renewed to maintain stability of our operations.
- IV. In 2005 the District's passed a 1.0% continuing traditional income tax. The income tax provides a reliable source of revenue with annual growth of 1% anticipated.
- V. There are many provisions in the current state budget bill HB49 that will continue to draw funds from our district through continuing school choice programs such as College Credit Plus and increases in amounts deducted from our state aid in the 2018-19 school year. College Credit Plus costs continue to increase as this program becomes more understood. These are examples of new choice programs that cost the district money. Expansion or creation of programs such as these exposes the district to new expenditures that are not currently in the forecast. We are monitoring any new threats to our state aid and increased costs very closely.
- VI. Labor relations in our district have been amicable with all parties working for the best interest of students and realizing the resource challenges we face. We believe as we move forward our positive working relationship will continue and will only grow stronger.

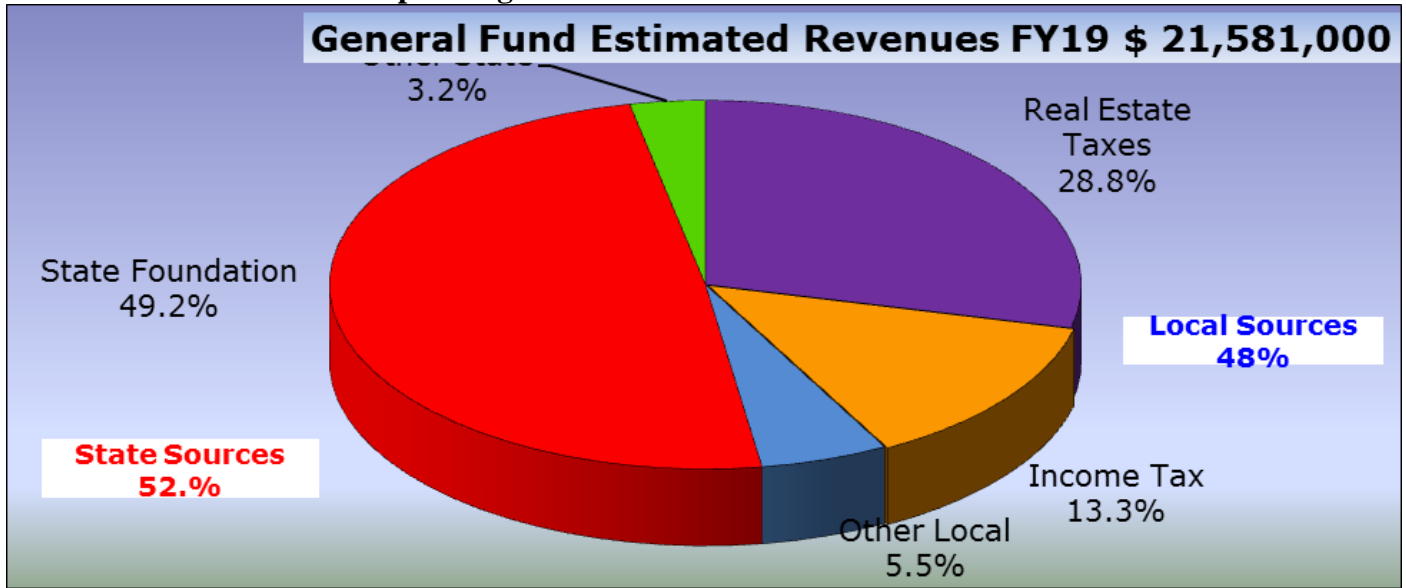
The major categories of revenue and expenditures on the forecast are noted below in the headings to make it easier to reference the assumptions made for the forecast item. It should be of assistance to the reader to review the assumptions noted below in understanding the overall financial forecast for our district. If you would like further information please feel free to contact Ms. Barbara Donohue, Treasurer/CFO of Shelby City School District at (419) 342-3530.

General Fund Revenue, Expenditure and Ending Cash Balance:



Revenue Assumptions

Operating Revenue Sources General Fund FY19



Real Estate Value Assumptions – Line # 1.010

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

ESTIMATED ASSESSED VALUE (AV) BY COLLECTION YEARS

Classification	Actual	Estimated	Estimated	Estimated	Estimated
	TAX YEAR2018	TAX YEAR2019	TAX YEAR2020	TAX YEAR2021	TAX YEAR2022
	COLLECT 2019	COLLECT 2020	COLLECT 2021	COLLECT 2022	COLLECT 2023
Res./Ag.	\$168,679,020	\$169,229,020	\$169,779,020	\$170,329,020	\$170,879,020
Comm./Ind.	\$32,547,870	\$33,047,870	\$33,547,870	\$34,047,870	\$34,547,870
Public Utility Personal Property (PUPP)	\$10,613,270	\$11,113,270	\$11,613,270	\$12,113,270	\$12,613,270
Tangible Personal Property (TPP)	\$0	\$0	\$0	\$0	\$0
Total Assessed Value	<u>\$211,840,160</u>	<u>\$213,390,160</u>	<u>\$214,940,160</u>	<u>\$216,490,160</u>	<u>\$218,040,160</u>

ESTIMATED REAL ESTATE TAX (Line #1.010)

Source	FY19	FY20	FY21	FY22	FY23
General Property Taxes	\$4,569,000	\$4,548,000	\$4,538,000	\$4,553,000	\$4,089,000

Property tax levies are estimated to be collected at 98% of the annual amount. This allows a .25% delinquency and 1.75% auditor and treasurer fees. Typically, 58% of the new residential/agriculture (Res/Ag) and commercial/industrial (Comm/Ind) is expected to be collected in the February tax settlements and 42% is expected to be collected in the August tax settlements.

Renewal and Replacement Levies – Line #11.02

No renewal or replacement levies are modeled in this forecast.

New Tax Levies – Line #13.030

No new levies are modeled in this forecast.

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

Revenues posted on this line are Public Utility Personal Property (PUPP) taxes which are collected at the districts’ gross tax rates not subject to reduction factors. We have included the new pipeline revenue and estimated past trend growth in these values for future years.

Source	FY19	FY20	FY21	FY22	FY23
Public Utility Personal Property (Line#1.020)	\$1,643,000	\$1,620,000	\$1,645,000	\$1,669,000	\$1,664,000

School District Income Tax –Line #1.030 - The school district has one 1% traditional continuing income tax levy which passed in May 2005. The forecast includes a 1% increase each year.

Source	FY19	FY20	FY21	FY22	FY23
School District Income Tax	\$2,846,000	\$2,904,000	\$2,963,000	\$3,023,000	\$3,085,000
Inflationary increase	\$29,000	\$29,000	\$30,000	\$31,000	\$31,000
Total to Line #1.030	\$2,875,000	\$2,933,000	\$2,993,000	\$3,054,000	\$3,116,000

State Foundation Revenue Estimates – Lines #1.035 and 1.040

The amounts estimated for state funding are based on component computations from the most recent State Foundation Payment Report for FY19. We are projected to be a Formula district regarding state funding in FY19, which means the District will receive the full amount of funding that the state formula calculates we should be receiving.

The current formula continues to use the State Share Index (SSI) as a key district wealth measure. The SSI is the formula’s measure of a districts capacity to raise local revenue. The higher a district’s ability to raise taxes based on wealth the lower the SSI will be, and vice versa. The index is derived from a district’s wealth index, which is based on a valuation index, and for certain districts, an income index. Property wealth per pupil is still the major factor in the SSI. Generally, the higher the property valuation per pupil, the lower a district’s SSI and therefore the percentage of state aid. Shelby’s state share index is 61.4% based on the 1st October school funding report. This percentage tends to remain relatively stable over time. The SSI for FY18 and FY19 will be calculated using Tax Year 2014, 2015, and 2016 average assessed values for the district. It will be calculated once for both fiscal year 18 and 19. The SSI is applied to the per pupil opportunity grant calculation and many of the other categorical funding items in the state foundation formula as noted below:

- 1) Opportunity Grant – Per pupil amount increased .17% from \$6,000 in FY17 to \$6,010 in FY18 and .17% to \$6,020 in FY19. Well below inflation rates. Given our 61.4% index, our actual per pupil amount is \$3,721 per pupil or \$6,658,265 for FY19. The Opportunity Grant accounts for 66% of our Basic Aid.
- 2) Targeted Assistance – Tier I based on wealth and Tier II based on percentage of district agricultural assessed value. Higher the percentage of agricultural value, higher the targeted assistance.
- 3) Special Education Additional Aid – Based on six (6) weighted funding categories of disability.

- 4) Limited English Proficiency – Based on three (3) funded categories based on time student enrolled in schools.
- 5) Economically Disadvantaged Aid- Based on number and concentration of economically disadvantaged students compared to state average.
- 6) K-3 Literacy Funds - Based on district K-3 average daily membership and two funded Tiers.
- 7) Gifted Funds –Based on average daily membership at \$5.05 in FY18 & FY19.
- 8) Career-Technical Education Funds – Based on career technical average daily membership and five (5) weighted funding categories students enrolled in. Funding guaranteed at FY17 levels individually and is in addition to the Cap in FY18 and FY19.
- 9) Transportation Aid – Funding based on total ridership rather than qualifying ridership in determining statewide cost per rider. Reduces state minimum share from 50% to 37.5% in FY18 and 25% in FY19.

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

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

Our current SFPR estimates for FY19 are using September #1 SFPR average daily membership (ADM) and remaining steady each year through FY23. Beginning in FY16, the state changed the way it measures student ADM. Student counts are now supposed to be updated October 31, March 31, and June 30 of the fiscal year. In most cases the district will not know its actual student funded ADM until the end of June 2019, and then there will be adjustments into the succeeding fiscal year.

Future State Budgets: Our funding status for the FY20-23 will depend on two (2) new state budgets which are unknown. We have been very conservative in our estimates of future state funding lowering per pupil growth to 0% per year FY20-FY23, due to the potential for the economy to be slower.

On November 3, 2009 Ohio voters passed the Ohio casino ballot issue. This issue allowed for the opening of four (4) casinos one each in Cleveland, Toledo, Columbus and Cincinnati. As of March 4, 2013 all four (4) casinos were open for business and generating Gross Casino Tax Revenues (GCR). Thirty-three percent (33%) of the gross casino revenue will be collected as a tax. School districts will receive 34% of the 33% GCR that will be paid into a student fund at the state level. These funds will be distributed to school districts on the 31st of January and August each year which began for the first time on January 31, 2013.

The state indicated recently that revenues from casinos are not growing robustly as originally predicted but are still growing slowly as the economy has improved. Actual numbers generated for FY18 statewide were 1,791,647 students at \$51.37 per pupil. That is a decline of 4 tenths of 1% from the prior year. For FY19-23 we estimated another 4 tenths of 1% decline in pupils to 1,784,480 and GCR increasing to \$92.9 million or \$52

per pupil. We will increase estimates for out years when actual casino revenues show signs of stronger increases.

A) Unrestricted State Foundation Revenue – Line #1.035

Source	FY19	FY20	FY21	FY22	FY23
Basic Aid-Unrestricted	\$9,968,000	\$10,059,000	\$10,032,000	\$9,960,000	\$9,889,000
Additional Aid Items	\$221,000	\$221,000	\$221,000	\$221,000	\$221,000
Basic Aid-Unrestricted Subtotal	\$10,189,000	\$10,280,000	\$10,253,000	\$10,181,000	\$10,110,000
Ohio Casino Commission ODT	\$102,000	\$104,000	\$106,000	\$108,000	\$110,000
Total Unrestricted State Aid Line # 1.035	<u>\$10,291,000</u>	<u>\$10,384,000</u>	<u>\$10,359,000</u>	<u>\$10,289,000</u>	<u>\$10,220,000</u>

B) Restricted State Revenues – Line # 1.040

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

Source	FY19	FY20	FY21	FY22	FY23
Economically Disadvantaged Aid	\$274,000	\$277,000	\$277,000	\$277,000	\$277,000
Career Tech - Restricted	\$46,000	\$46,000	\$46,000	\$46,000	\$46,000
Total Restricted State Revenues Line #1.040	\$320,000	\$323,000	\$323,000	\$323,000	\$323,000

C) Restricted Federal Grants in Aid – line #1.045

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

Summary of State Foundation Revenues	FY19	FY20	FY21	FY22	FY23
Unrestricted Line # 1.035	\$10,291,000	\$10,384,000	\$10,359,000	\$10,289,000	\$10,220,000
Restricted Line # 1.040	\$320,000	\$323,000	\$323,000	\$323,000	\$323,000
Rest. Fed. Grants - SFSF & Ed Jobs Line #1.045	\$0	\$0	\$0	\$0	\$0
Total State Foundation Revenue	<u>\$10,611,000</u>	<u>\$10,707,000</u>	<u>\$10,682,000</u>	<u>\$10,612,000</u>	<u>\$10,543,000</u>

Other Local Revenues – Line #1.060

All other revenue detailed line items should remain consistent during the forecast period. Open enrollment is expected to remain stable after several years of decreases in students entering the district students. An overall increase of 1% is factored through FY 2023.

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

Source	FY19	FY20	FY21	FY22	FY23
Open Enrollment Gross	\$581,496	\$581,496	\$581,496	\$581,496	\$581,496
Interest	\$299,399	\$299,399	\$299,399	\$299,399	\$299,399
Class Fees & Student Fees	\$16,200	\$16,200	\$16,200	\$16,200	\$16,200
Tuitions	\$111,728	\$111,728	\$111,728	\$111,728	\$111,728
Other Income and rentals	<u>\$175,177</u>	<u>\$175,177</u>	<u>\$175,177</u>	<u>\$175,177</u>	<u>\$175,177</u>
Total Line # 1.060	<u>\$1,184,000</u>	<u>\$1,184,000</u>	<u>\$1,184,000</u>	<u>\$1,184,000</u>	<u>\$1,184,000</u>

State Taxes Reimbursement/Property Tax Allocation

a) Rollback and Homestead Reimbursement

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

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

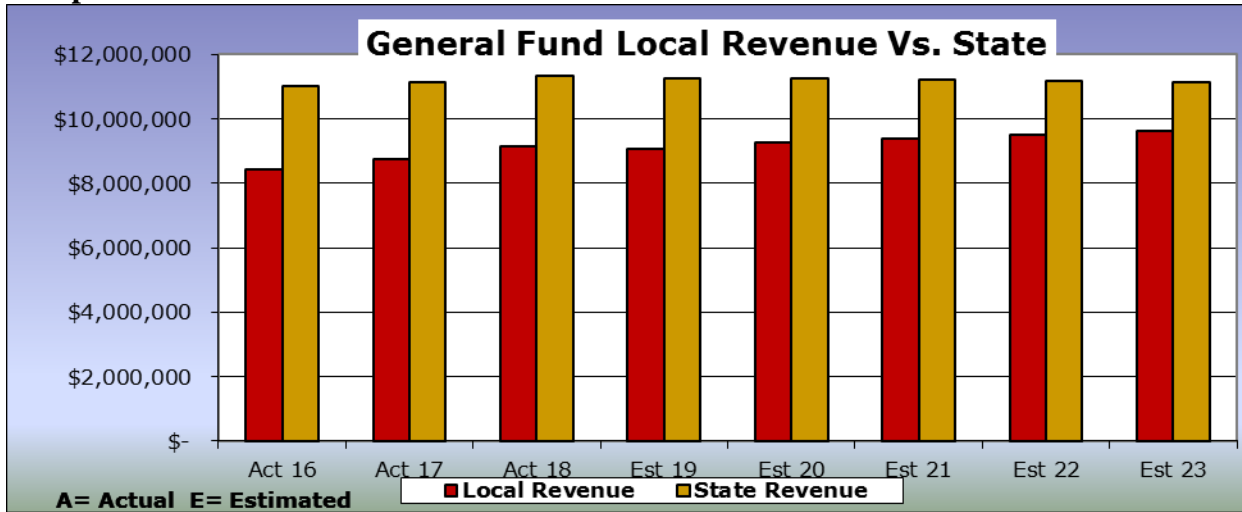
b) Tangible Personal Property Reimbursements – Fixed Rate/Fixed Sum

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

Summary of State Tax Reimbursement – Line #1.050

Source	FY19	FY20	FY21	FY22	FY23
Rollback and Homestead #1.050	<u>\$699,000</u>	<u>\$691,000</u>	<u>\$697,000</u>	<u>\$699,000</u>	<u>\$639,000</u>

Comparison of Local Revenue and State Revenue:



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

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

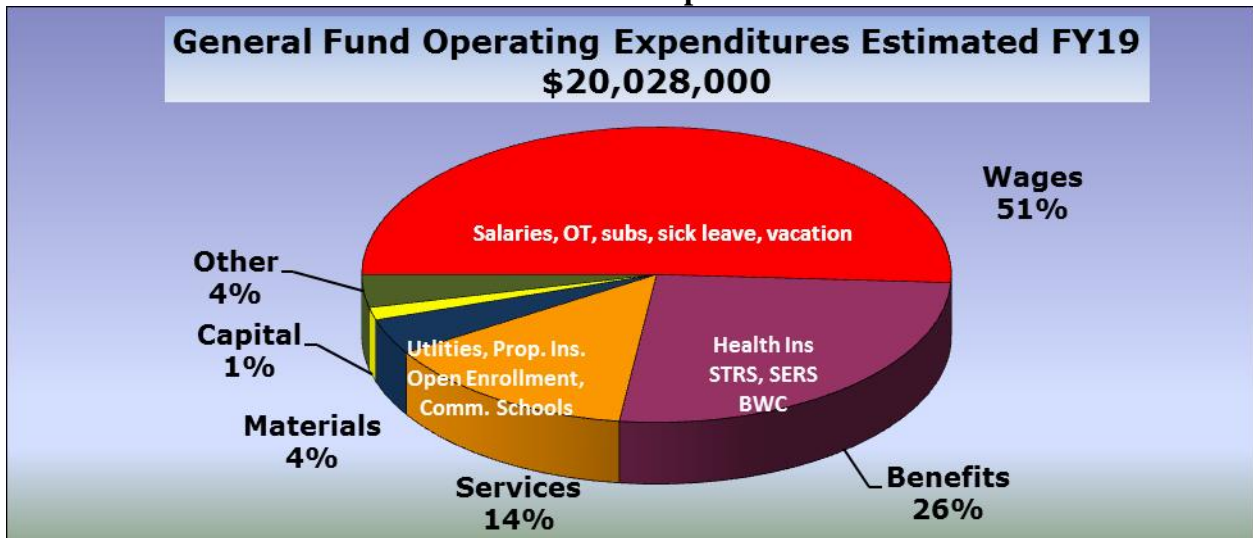
Transfers In / Return of Advances – Line #2.040 & Line #2.050

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

All Other Financial Sources – Line #2.060

Source	FY19	FY20	FY21	FY22	FY23
Refund of prior years expenditures	<u>\$80,000</u>	<u>\$80,000</u>	<u>\$80,000</u>	<u>\$80,000</u>	<u>\$80,000</u>

Expenditures Assumptions
Estimated General Fund Expenditures for FY19



Wages – Line #3.010

In August 2017, the Board ratified contracts with the Shelby Education Association and the Shelby Association of School Support effective July 1, 2017 and ending June 30, 2020. We included a 3% increase in base wages for FY19 and 2% for FY20 in addition to 2.3% increase for step and training adjustments for fiscal years 2019 through fiscal year 2023 based on these negotiated agreements.

The focus of the Board of Education and Administration for fiscal year 2019 and onward was right size the staffing to the lower enrollment in the past few years. During the budget process all positions are reviewed and considered.

Source	FY19	FY20	FY21	FY22	FY23
Base Wages	\$9,172,000	\$9,539,000	\$10,173,000	\$10,305,000	\$10,439,000
Increases/ Merit Based Pay / Timing Adjust	\$367,000	\$262,000	\$132,000	\$134,000	\$136,000
Substitutes	\$295,000	\$301,000	\$301,000	\$301,000	\$301,000
Supplementals	\$355,000	\$362,000	\$362,000	\$362,000	\$362,000
Staff Additions(Reductions)	\$0	\$372,000	\$0	\$0	\$0
Total Wages Line 3.010	\$10,189,000	\$10,836,000	\$10,968,000	\$11,102,000	\$11,238,000

Fringe Benefits Estimates Line 3.02

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

A) STRS/SERS

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

B) Insurance

The estimated increases for medical and dental insurance are 7.4% for fiscal year 2018-2019. We estimate future increases to be 5% each year.

Patient Protection and Affordable Care Act (PPACA) Costs- the Patient Protection and Affordable Care Act (PPACA) commonly called Obamacare or the Affordable Care Act (ACA), is a United States federal statute

signed into law by President Barack Obama on March 23, 2010. Together with the Health Care and Education Reconciliation Act, it represents the most significant regulatory overhaul of the country's healthcare system since the passage of Medicare and Medicaid in 1965. Many of the significant provisions of the PPACA that were scheduled to be implemented by employers on January 1, 2014 were delayed until January 1, 2015.

It is uncertain to what extent the implementation of PPACA will cost our district in additional funds especially since it is being reviewed carefully at the federal level for amendment or repeal. There are numerous new regulations that potentially will require added staff time, at least initially due to increased demands, and it is likely that additional employees will be added to insurance coverage that do not have coverage now. Longer-term, a significant concern is the 40% “Cadillac Tax” that may be imposed in 2022 for plans whose value of benefits exceed \$10,200 for individual plans and \$27,400 for family plans. The rules and implementation of the PPACA is an ongoing issue we are watching closely to evaluate the effect on our district.

C) Workers Compensation & Unemployment Compensation

Workers Compensation is expected to remain at about .55% of wages after fiscal year 2019 due to a moderated claim experience over prior years. Unemployment Compensation has been negligible and is anticipated to remain as such as we plan our staffing needs carefully.

D) Medicare

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

Summary of Fringe Benefits – Line #3.020

Source	<u>FY19</u>	<u>FY20</u>	<u>FY21</u>	<u>FY22</u>	<u>FY23</u>
A) STRS/SERS	\$2,139,000	\$2,230,000	\$2,248,000	\$2,267,000	\$2,286,000
B) Insurance's	\$2,884,000	\$3,117,000	\$3,273,000	\$3,437,000	\$3,609,000
C) Workers Comp/Unemployment	\$63,000	\$65,000	\$67,000	\$69,000	\$71,000
D) Medicare	\$150,000	\$161,000	\$167,000	\$174,000	\$181,000
Other/Tuition	\$0	\$0	\$0	\$0	\$0
Total Line 3.020	<u>\$5,236,000</u>	<u>\$5,573,000</u>	<u>\$5,755,000</u>	<u>\$5,947,000</u>	<u>\$6,147,000</u>

Purchased Services – Line #3.030

In FY19-23, an overall inflation of 3% is being estimated for all categories of this area.

Source	FY19	FY20	FY21	FY22	FY23
Base Services	\$86,000	\$89,000	\$92,000	\$95,000	\$98,000
Excess Cost County ESC-471-475	\$549,000	\$565,000	\$582,000	\$599,000	\$617,000
Open Enrollment Deduction-477	\$500,000	\$515,000	\$530,000	\$546,000	\$562,000
Community School Deductions-478	\$475,000	\$489,000	\$504,000	\$519,000	\$535,000
Other Tuition Including Ed Scholarship-479	\$122,000	\$126,000	\$130,000	\$134,000	\$138,000
Professional Support	\$445,000	\$458,000	\$472,000	\$486,000	\$501,000
Building Maintenance Repairs	\$254,000	\$262,000	\$270,000	\$278,000	\$286,000
Utilities	\$394,000	\$406,000	\$418,000	\$431,000	\$444,000
Budget Reserves or (Reductions)	\$0	\$0	\$0	\$0	\$0
Total Line 3.030	<u>\$2,825,000</u>	<u>\$2,910,000</u>	<u>\$2,998,000</u>	<u>\$3,088,000</u>	<u>\$3,181,000</u>

Supplies and Materials – Line #3.040

An overall inflation of 0% is being estimated for this category of expenses which are characterized by textbooks, copy paper, maintenance supplies and fuel. The District is working on updating the curriculum over the next few years.

Source	FY19	FY20	FY21	FY22	FY23
Supplies	\$510,000	\$510,000	\$510,000	\$510,000	\$510,000
Textbooks	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Building Maintenance	\$82,000	\$82,000	\$82,000	\$82,000	\$82,000
Transportation	<u>\$180,000</u>	<u>\$180,000</u>	<u>\$180,000</u>	<u>\$180,000</u>	<u>\$180,000</u>
Total Line 3.040	<u>\$782,000</u>	<u>\$782,000</u>	<u>\$782,000</u>	<u>\$782,000</u>	<u>\$782,000</u>

Equipment – Line # 3.050

The administration will prepare five year capital plan which will include the Permanent Improvement Fund and the Capital Outlay objects in the General Fund. The expenditures remaining within the equipment object line are the ongoing investment annually in miscellaneous equipment and the bus fleet as necessary.

Source	FY19	FY20	FY21	FY22	FY23
Capital Outlay	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Replacement Bus Purchases	<u>\$225,000</u>	\$0	<u>\$165,000</u>	\$0	<u>\$165,000</u>
Total Line 3.050	<u>\$275,000</u>	<u>\$50,000</u>	<u>\$215,000</u>	<u>\$50,000</u>	<u>\$215,000</u>

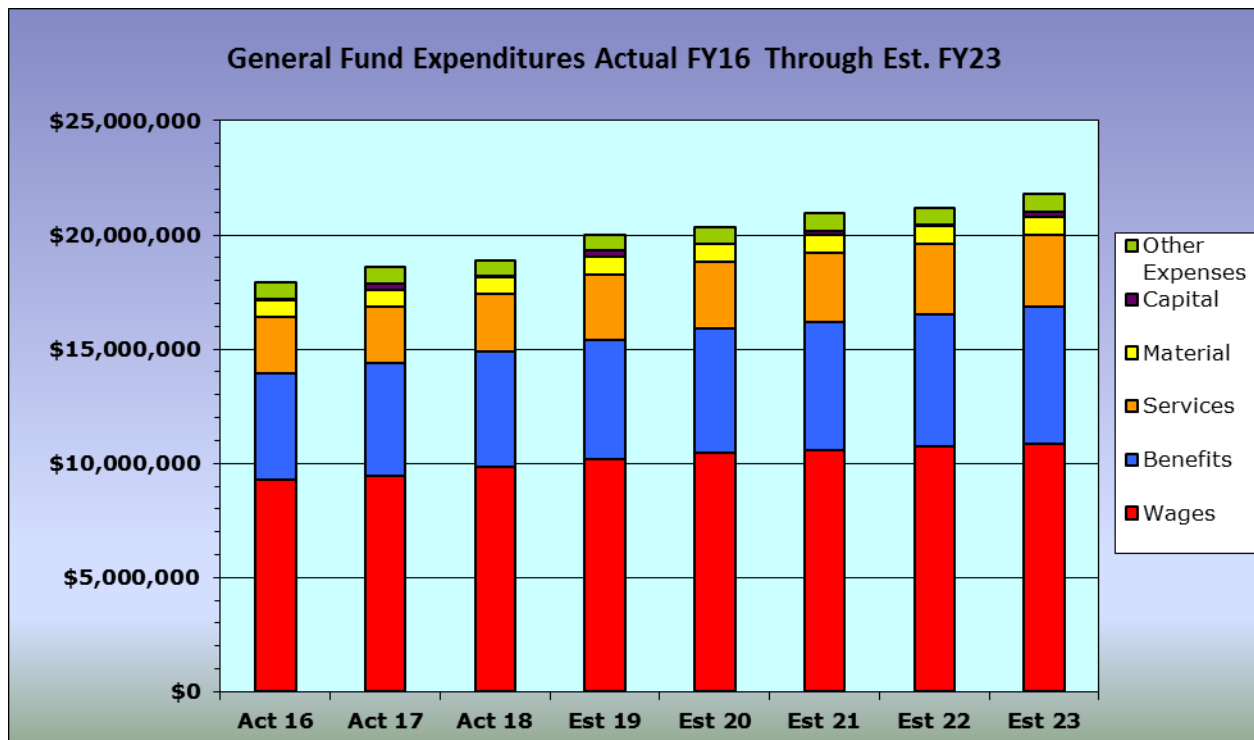
Other Expenses – Line #4.300

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

reducing the ESC cost as we will be bringing these services in house with new staffing for next year in this forecast.

Source	FY19	FY20	FY21	FY22	FY23
County Auditor & Treasurer Fees	\$91,000	\$91,000	\$92,000	\$92,000	\$92,000
County ESC	\$335,000	\$0	\$0	\$0	\$0
Other expenses	\$295,000	\$295,000	\$340,000	\$340,000	\$340,000
Total Line 4.300	\$721,000	\$386,000	\$432,000	\$432,000	\$432,000

Total Expenditure Categories Actual Fiscal Year 2016 Through Fiscal Year 2018 and Estimated Fiscal Year 2019 Through Fiscal Year 2023



Transfers Out/Advances Out – Line# 5.010

This account group covers fund to fund transfers and advances (end of year short term loans) from the General Fund to other funds until they have received reimbursements to repay the General Fund. There are no amounts forecast in this area.

Debt Service:

The District currently has no General Fund Debt issues.

Encumbrances –Line#8.010

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

	FY19	FY20	FY21	FY22	FY23
Estimated Encumbrances	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000

Reservations of Fund Balance Line #9.010-9.080

Reservations of fund balance are either required set asides per state law or by resolution of the board of education. The District currently has a fiscal stabilization reserve set aside in case of emergency.

Source	FY19	FY20	FY21	FY22	FY23
Fiscal Stabilization - Line 9.045	\$223,449	\$223,449	\$223,449	\$223,449	\$223,449
Total Reservations of Balance- Line#9.080	\$223,449	\$223,449	\$223,449	\$223,449	\$223,449

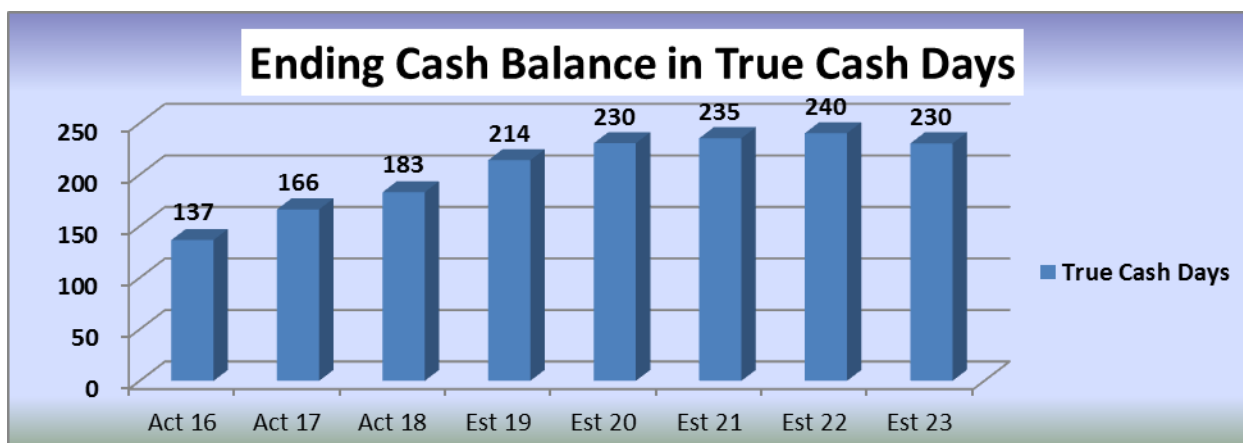
Ending Unencumbered Cash Balance “The Bottom-line” – Line#15.010

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

	FY19	FY20	FY21	FY22	FY23
Ending Unencumbered Cash Balance	\$11,888,408	\$13,114,408	\$13,783,408	\$14,233,407	\$14,028,407

True Cash Days Ending Balance

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



Conclusion

The forecast presented includes assumptions and facts that can be altered by external and internal issues. For the entire forecast period through June 30, 2023, the district forecast has adequate reserves to continue the instructions and programs as provided currently.

- The forecast is not currently projected with the 2.8 mil Bond Issue. If the issue is approved by the voters on November 6, 2018, we have committed \$2 million from the General fund upon passage.
- A second issue with a possible major impact is the state funding formula in the current state budget and two additional state budgets within this forecast. It is important to understand that Shelby City School District is a formula district and the related issues to the district's finances. Depending on enrollment and state law, formula revenues could be negatively impacted.
- Additional revenue from the Rover pipeline PUPP is now included in this forecast, and should continue for an indefinite period.