

FIELD LOCAL SCHOOL DISTRICT FIVE-YEAR FORECAST NOTES FY 2018-2022

Overview

The required financial five-year forecast was enacted by the General Assembly in 1997-98 under Sub. H.B. 412. Its intent is to provide both the Ohio Department of Education and the State Auditor's Office the ability to identify school districts with potential financial difficulty. The five-year forecast once approved by the Board of Education also serves as a guide for determining the districts ability to certify the requirements of Section 5705.412 (Certification of Available Funds).

The five-year forecast takes into account a district's following funds:

- General fund (001)
- Any special cost center associated with the general fund
- Emergency levy funds (016)
- Any debt service (002) activity that would otherwise have gone to the general fund

Financial forecasts are prepared on the cash basis, which is required for budgetary purposes. Under the cash basis, revenues are recognized when received rather than earned, and expenditures are recognized when paid rather than when obligated. Like all state government, a school districts fiscal year runs from July 1 through June 30.

The five-year forecast is a key management tool and encourages the district management team to examine both current and future years' projections and identify when challenges will arise. A variety of events will ultimately impact the forecast, such as state budgets (adopted every two years), tax levies (new/renewal/ replacement), state and local economic conditions, negotiated agreements and in all likelihood, additional un-funded state mandates. This then helps district management to be proactive in meeting those challenges. School districts are encouraged to update their forecasts with ODE when events take place that will significantly change their forecast or, at a minimum, when required under statute.

Field's Revenue Assumptions

The District's primary sources of revenue are from the levying of property taxes on real property located within the District boundaries, and from the State of Ohio through the State Foundation program. The following notes provide information with respect to the revenue categories.

1.010 General Property Tax – Local property taxes are established based on historical data and information provided by the Portage County Auditors Office.

1.020 Tangible Personal Property Tax – Tangible Personal Property Tax has undergone several changes over the years. Initially, House Bill 66 phased out the tax on the tangible personal property of general business, telephone and telecommunications companies, and railroads. The tax on general business and railroad property (which is public utility property) was eliminated in 2009, and the tax on telephone and telecommunications property was eliminated in 2011. Reducing the assessment rate on the property each year phased out the tax. At the same time, the bill was supposed to replace the revenue lost due to phasing out the tax. Under House Bill 66, school districts and local governments were supposed to be fully reimbursed through 2010, with gradual reductions in the reimbursement amount from 2011 through 2018. Under House Bill 1, Tangible Personal Property was to be reimbursed at 100% through 2013 with gradual reductions thereafter. After all of the previous amendments as noted above, newly enacted H.B. 64 has drastically reduced TPP for eligible districts in FY 16 and has virtually phased out all TPP for most districts still eligible effective with FY 17. Currently, Field is no longer eligible for TPP reimbursement.

1.030 Income Tax – The District does not have an income tax.

1.035 Unrestricted Grants in Aid – This line represents the State Basic Aid to schools as defined in the current year's budget bill. The state budget is adopted in odd numbered years and implemented beginning in even numbered fiscal years. The previous adopted State Evidence Based Model (EBM) funding methodology has been discarded and new funding methods have been put in place. State funding for schools is based on several factors all of which are subject to deliberations and approval of the Ohio General Assembly. The district is slated to receive a decrease in FY 18 over FY 17 and FY18 through FY 22 are held constant at FY 18 projected levels. It is important to note that one of the critical factors of the State Foundation program for Field is contingent on student enrollment. Currently, State aid, it is not enough to sustain the district financially in lieu of additional local revenue. Casino revenue is also included in this line item.

1.040 Restricted Grants in Aid – Funds received through the State Foundation Program or other allocations that are restricted for specific purposes. Over the years, the bus purchase allocation and poverty based assistance funds have been eliminated. Catastrophic Aid, Career Technology and Economic Disadvantaged funding are the only remaining items comprising the districts restricted grants in aid. Currently, there is no strong supportive data to warrant any anticipated increase in this line item.

1.045 Restricted Federal Grants-in-Aid – SFSF - This line item was new in FY 10 to reflect the State Fiscal Stabilization Fund. **This revenue was not additional funding for the district.** It was simply Federal monies passing through the State to us, which filled the void in the States budget. New for FY 12 was the Ed Jobs Funding which was additional revenue for FY 12 only.

1.050 Property Tax Allocation – This line item is comprised of Homestead and Rollback, and the “ten thousand dollar exemption” where businesses are exempt from paying the first \$10,000 of property tax. This line item also accounts for the district’s Hold Harmless amount from the State for the phase out of tangible personal property as noted above. Currently, Field is no longer eligible for TPP reimbursement.

1.060 All Other Revenue – This line consists of class fees, pay to participate fees, building rental, donations, e-rate subsidy, tuition payments, open enrollment, interest monies and other misc. items. Investment income is also accounted for here and is directly correlated to the district’s cash balance and current/anticipated market conditions. The district utilizes the State Treasury Asset Reserve of Ohio as a means to invest in a portfolio of investment securities. STAR Ohio has continued to maintain its AAA rating from Standard & Poor’s, the highest rating possible for a Government Investment Pool. The district also utilizes the local bank of Huntington and other various banking institutions for Certificates of Deposit. All Certificates of deposit fall within FDIC insurance guidelines. This is consistent with State law.

1.070 Total Revenues

2.010 Proceeds from Sale of Notes

2.020 State Emergency Loans & Advancements

2.040 Operating Transfers-in

2.050 Advances-In – Advances-In are based on repayments from a prior fiscal year from various state/federal and or other district funds. Please note this amount is offset by Advances-Out.

2.060 All Other Financing Sources – This line item comprises of miscellaneous sale of assets and refunds from prior year expenditures.

2.070 Total Other Financing Sources

2.080 Total Revenues and Other Financing Sources

Field's Expenditure Assumptions

The following notes provide information with respect to expenditure categories.

3.010 Personal Services – Schools are service-oriented entities, salaries and wages represent the bulk of school district expenditures. Salary projections reflect current negotiated agreements and staffing levels. Fluctuations may occur due to retirement levels, or changes in enrollment which may cause staffing levels to differ. The Board of Education realizes the importance of staying within the parameters of the five-year forecast while at the same time being competitive in which to retain quality individuals.

3.020 Employee Retirement/Insurance Benefits – Benefits include retirement contributions to STRS and SERS, Medicare, workers compensation, unemployment benefits, severance payments, and hospitalization. Some of these have a direct correlation to the Personal Services line item. The school district recently realized savings by leaving the Stark County COG Consortium and joined the Portage Area Schools Consortium for health care benefits. As a result, the district received a one-time check for run out claims that will be utilized to pay any additional run out claims and subsidize future health care premiums in FY 17, 18 & 19. Factors that could cause inconsistencies from year to year in this line item may include mandated state increased employer retirement contributions, workers compensation rating, and the number of additional staff/retirements from year to year. One item of concern for the district is the unknown cost associated with the newly created Affordable Health Care Act.

3.030 Purchased Services – This line represents amounts paid for personal services rendered by personnel who are not on the payroll of the school district, and other services, which the school district may purchase both educational and non educational. Examples include but are not limited to, contracted professional and technical services, repairs and maintenance, pupil transportation, property insurance, utilities, and tuition paid for students attending other school districts, including open enrollment and community schools. The district does participate in several consortiums in order to obtain favorable pricing. Areas of concern for the district are maintaining utility costs and special education costs due to increased federal and state regulations. The district also entered into a H.B. 264 program for energy conservation. This has greatly helped with minimizing the rising cost of utilities, as well as prolonging some of the useful life expectancies of our current mechanical equipment. On an ongoing basis, the district continues to review its purchased services.

3.040 Supplies and Materials – This line item includes amounts paid for material items of an expendable nature that are again both educational and non educational. These items are generally consumed, worn out, or deteriorated from use. Examples include but are not limited to educational supplies, textbooks, office supplies, software, building and grounds supplies and transportation supplies including fuel. The district also takes advantage of consortium pricing for supplies and materials as well

3.050 Capital Outlay – This category represents expenditures for the acquisition of or additions to fixed assets, such as equipment purchases, technology hardware, improvements of building and grounds, furnishings and busses to name a few. The district anticipates expending dollars in this category to maintain and improve its current facilities and bus fleet. Items have been identified and prioritized as funds allow.

3.060 Intergovernmental

4.010 All Principal (Historical)

4.020 Principal – Notes

4.030 Principal – State Loans

4.040 Principal – State Advances

4.050 Principal – HB 264 Loans – This line item represents the principal amount due for the district undertaking an energy conservation program.

4.055 Principal – Other

4.060 Interest and Fiscal Charges – This line item represents the interest amount due for the district undertaking an energy conservation program.

4.300 Other Objects – The primary components listed here consists of membership dues and fees, ESC contract deductions, County Auditor/Treasurer fees, audit expenses, election expenses, etc.

4.500 Total Expenditures

5.010 Operating Transfers-Out

5.020 Advances-Out – Advances-Out are based on state/federal and or other district funds cash balances at fiscal year end. By law, no fund can end the fiscal year in the red. Upon receipt of monies, the advances are repaid to the General Fund.

5.030 All Other Financing Uses

5.040 Total Other Financing Uses

5.050 Total Expenditures and Other Financing Uses

6.010 Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses - This line can be used to gauge the district's fiscal health. A positive number indicates that a school district spent within its revenue for the fiscal year. A negative number indicates that a school district's expenditures exceeded the revenue generated for the fiscal year resulting in a reduction to any surplus the district may hold.

7.010 Cash Balance July 1

7.020 Cash Balance June 30 – Line 6.010 plus line 7.010

8.010 Estimated Encumbrances June 30 – The amount of money already requested through a purchase order. The funds have been obligated, but a check has not yet been written. Funds may be encumbered (obligated) in one fiscal year and paid in another.

Reservation of Fund Balance

9.010 Textbook and Instructional Materials – No longer required.

9.020 Capital Improvements – O.R.C. 3315.18 requires a 3% set aside each fiscal year for maintenance and capital improvements.

9.030 Budget Reserve – No longer required, but some school districts use this line as a “rainy day fund”. As the forecast shows, the district will begin drawing down the Budget Reserve Fund to pay for the normal operating expenses of the district.

9.040 Poverty Based Assistance (PBA) – PBA has replaced the DPIA funding. The amount of funds a school district receives is based on the overall poverty levels within the school district. PBA funds are restricted funds.

9.050 Debt Service - This includes any loans or other debt for which repayment by the district is essential during the fiscal year.

9.060 Property Tax Advances – County Auditors may advance property tax payments (if money is available to the County Auditor through pre-payment of taxes) to school districts at the conclusion of a fiscal year to be spent at the beginning of the next fiscal year. This practice allows a school district to start the fiscal year with money for operations.

9.070 Bus Purchases

9.080 Subtotal

10.010 Fund Balance June 30 for Certification of Appropriations – All reserved funds are “backed out” and therefore not available for the school district to use in school operations.

Revenue from Replacement/Renewal Levies:

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

Revenues from New Levies:

13.010 Income Tax – New
13.020 Property Tax – New
13.030 Cumulative Balance of New Levies

14.010 Revenue from Future State Advances

15.010 Unreserved Fund Balance June 30

20.010 Kindergarten – October Count
20.015 Grades 1-12 October Count

21.010 Personal Services SFSF – This line item is new to reflect expenditures charged to the State Fiscal Stabilization Fund.

21.020 Employees Retirement/Insurance Benefits SFSF – This line item is new to reflect expenditures charged to the State Fiscal Stabilization Fund.

21.030 Purchased Services SFSF – This line item is new to reflect expenditures charged to the State Fiscal Stabilization Fund.

21.040 Supplies and Materials SFSF – This line item is new to reflect expenditures charged to the State Fiscal Stabilization Fund.

21.050 Capital Outlay SFSF – This line item is new to reflect expenditures charged to the State Fiscal Stabilization Fund.

21.060 Total Expenditures - SFSF

Summary

This forecast breaks down ending cash balances into three distinct areas. The first area does not take into consideration the passage of the 7.3 renewal operating levy. (line #7.020) The second area takes into consideration the passage of the 7.3 renewal operating levy along with the corresponding years of collection (line #12.010) and the third area takes into consideration the passage of the current 8.3 mill five year operating levy request which will be on the November , 2017 ballot along with the corresponding years of collection (line# 15.010). It is vital to the district that both the new 8.3 mill five year operating issue and the 7.3 mill renewal operating issue pass for financial solvency.

It is important to note that while the district has worked to implement sound practices as appropriate to maintain the financial health of the district, the uncertainty in both Real Estate collections and State Funding along with uncertainty in some key expenditure areas could significantly impact these projections outside of the district's control. The Board of Education is committed to provide the best education possible to our students while living within the district's means.