

South Euclid-Lyndhurst City Schools
Cuyahoga County
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE HISTORICAL FISCAL YEARS ENDED JUNE 30, 2015, 2016 & 2017
ACTUAL FORECASTED FISCAL YEARS ENDING JUNE 30, 2018 THROUGH 2022

Line Number	Fiscal Year 2015 ACTUAL	Fiscal Year 2016 ACTUAL	Fiscal Year 2017 ACTUAL	Ave. Annual CHANGE	Fiscal Year 2018 FORECAST	Fiscal Year 2019 FORECAST	Fiscal Year 2020 FORECAST	Fiscal Year 2021 FORECAST	Fiscal Year 2022 FORECAST
Revenue:									
1.010 General Property (Real Estate)	41,751,670	42,246,997	41,554,579	-0.23%	41,919,000	40,200,000	40,200,000	40,200,000	40,200,000
1.020 Tangible Personal Property Tax	0	0	0	0.00%	0	0	0	0	0
1.030 Income Tax	0	0	0	0.00%	0	0	0	0	0
1.035 Unrestricted Grants-In-Aid (All 3100's except 3130)	7,120,097	7,886,219	8,162,407	7.13%	8,351,000	8,174,000	8,174,000	8,174,000	8,174,000
1.040 Restricted Grants-In-Aid (All 3200's)	952,971	783,691	956,151	2.12%	854,000	845,000	845,000	845,000	845,000
1.045 Restricted Federal Grants-In-Aid - SFSF (4220)	0	0	0	0.00%	0	0	0	0	0
1.050 Property Tax Allocation (3130)	6,125,574	6,044,898	5,983,129	-1.17%	5,941,000	5,903,000	5,903,000	5,903,000	5,903,000
1.060 All Other Rev except 1931,1933,1940,1950,5100 & 5200	3,345,636	3,118,921	2,233,625	-17.58%	2,966,000	2,195,000	2,145,000	2,095,000	2,045,000
1.070 Total Revenue	<u>59,295,948</u>	<u>60,080,726</u>	<u>58,889,891</u>	<u>-0.33%</u>	<u>60,031,000</u>	<u>57,317,000</u>	<u>57,267,000</u>	<u>57,217,000</u>	<u>57,167,000</u>
Other Financing Sources									
2.010 Proceeds From Sale of Notes (1940)	0	0	0	0.00%	0	0	0	0	0
2.020 State Emergency Loans & Advancements (Approved - 1950)	0	0	0	0.00%	0	0	0	0	0
2.040 Operational Transfers-In (5100's)	150,000	164,000	195,000	14.12%	225,000	0	0	0	0
2.050 Advances-in (5200's)	18,000	27,000	24,000	19.44%	325,000	20,000	20,000	20,000	20,000
2.060 All Other Financing Sources (1931 & 1933)	467,195	516,091	378,051	-8.14%	231,000	25,000	25,000	25,000	25,000
2.070 Total Other Financing Sources	<u>635,195</u>	<u>707,091</u>	<u>597,051</u>	<u>-2.12%</u>	<u>781,000</u>	<u>45,000</u>	<u>45,000</u>	<u>45,000</u>	<u>45,000</u>
2.080 Total Revenues and Other Financing Sources	<u>59,931,143</u>	<u>60,787,817</u>	<u>59,486,942</u>	<u>-0.36%</u>	<u>60,812,000</u>	<u>57,362,000</u>	<u>57,312,000</u>	<u>57,262,000</u>	<u>57,212,000</u>
Expenditures:									
3.010 Personnel Services	32,236,272	32,471,437	32,414,689	0.28%	32,613,000	34,000,000	36,100,000	36,822,000	37,558,440
3.020 Employees' Retirement/Insurance Benefits	13,337,806	12,367,188	12,382,162	-3.58%	12,719,000	14,000,000	15,540,000	17,249,400	19,146,834
3.030 Purchased Services	9,044,785	8,678,094	9,199,420	0.98%	10,162,000	11,000,000	11,000,000	11,000,000	11,000,000
3.040 Supplies and Materials	1,570,814	2,051,643	2,269,500	20.61%	2,033,000	2,400,000	2,400,000	2,400,000	2,400,000
3.050 Capital Outlay	539,485	851,141	453,407	5.52%	225,000	250,000	100,000	100,000	100,000
3.060 Intergovernmental (7600 and 7700 Functions)	0	0	0	0.00%	0	0	0	0	0
Debt Service:									
4.010 All Principal - (Historical Only)	0	0	0	0.00%	0	0	0	0	0
4.020 Principal-Notes	0	0	0	0.00%	0	0	0	0	0
4.030 Principal-State Loans	0	0	0	0.00%	0	0	0	0	0
4.040 Principal-State Advancements	0	0	0	0.00%	0	0	0	0	0
4.050 Principal-HB 264 Loans	0	0	0	0.00%	0	0	0	0	0
4.055 Principal other	0	0	0	0.00%	0	0	0	0	0
4.060 Interest and Fiscal Charges	0	0	0	0.00%	0	0	0	0	0
4.300 Other Objects	1,050,566	1,079,241	1,070,304	0.95%	1,093,000	1,200,000	1,200,000	1,200,000	1,200,000
4.500 Total Expenditures	<u>57,779,728</u>	<u>57,498,744</u>	<u>57,789,482</u>	<u>0.01%</u>	<u>58,845,000</u>	<u>62,850,000</u>	<u>66,340,000</u>	<u>68,771,400</u>	<u>71,405,274</u>
Other Financing Uses									
5.010 Operational Transfers-Out	803,020	1,350,000	1,100,000	24.80%	1,400,000	1,100,000	1,100,000	1,100,000	1,100,000
5.020 Advances-Out	27,000	24,000	325,000	621.53%	20,000	20,000	20,000	20,000	20,000
5.030 All Other Financing Uses	0	0	0	0.00%	0	0	0	0	0
5.040 Total Other Financing Uses	<u>830,020</u>	<u>1,374,000</u>	<u>1,425,000</u>	<u>34.62%</u>	<u>1,420,000</u>	<u>1,120,000</u>	<u>1,120,000</u>	<u>1,120,000</u>	<u>1,120,000</u>
5.050 Total Expenditures and Other Financing Uses	<u>58,609,748</u>	<u>58,872,744</u>	<u>59,214,482</u>	<u>0.51%</u>	<u>60,265,000</u>	<u>63,970,000</u>	<u>67,460,000</u>	<u>69,891,400</u>	<u>72,525,274</u>
Excess Of Revenues and Other Financing Sources over(under) Expenditures and									
6.010 Other Financing Uses	1,321,395	1,915,073	272,460	-20.42%	547,000	-6,608,000	-10,148,000	-12,629,400	-15,313,274
Cash Balance July 1 - Excluding Proposal Renewal/									
7.010 Replacement and New Levies	13,452,333	14,773,728	16,688,801	11.39%	16,961,261	17,508,261	10,900,261	752,261	-11,877,139
7.020 Cash Balance June 30	<u>14,773,728</u>	<u>16,688,801</u>	<u>16,961,261</u>	<u>7.30%</u>	<u>17,508,261</u>	<u>10,900,261</u>	<u>752,261</u>	<u>-11,877,139</u>	<u>-27,190,413</u>
8.010 Estimated Encumbrances June 30	696,973	491,883	606,583	-3.05%	605,000	525,000	525,000	525,000	525,000

Reservation of Fund Balance:										
9.010	Textbook and Instructional Materials	0	0	0	0.00%	0	0	0	0	0
9.020	Capital Improvements	0	0	0	0.00%	0	0	0	0	0
9.030	Budget Reserve	0	0	0	0.00%	0	0	0	0	0
9.040	DPIA	0	0	0	0.00%	0	0	0	0	0
9.045	SFSF	0	0	0	0.00%	0	0	0	0	0
9.050	Debt Service	0	0	0	0.00%	0	0	0	0	0
9.060	Property Tax Advances	0	0	0	0.00%	0	0	0	0	0
9.070	Bus Purchases	0	0	0	0.00%	0	0	0	0	0
9.080	Subtotal	<u>0</u>	<u>0</u>	<u>0</u>	0.00%	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance June 30 For Certification										
10.010	of Appropriations	14,076,755	16,196,918	16,354,678	8.02%	16,903,261	10,375,261	227,261	-12,402,139	-27,715,413
Revenue from Replacement / Renewal Levies:										
11.010	Income Tax - Renewal	0	0	0	0.00%	0	0	0	0	0
11.020	Property Tax - Renewal or Replacement	0	0	0	0.00%	0	0	0	0	0
11.300	Cumulative Balance of Renewal / Replacement Levies	<u>0</u>	<u>0</u>	<u>0</u>	0.00%	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance June 30 For Certificates of Contracts,										
12.010	Salary Schedules, and Other Obligations	14,076,755	16,196,918	16,354,678	8.02%	16,903,261	10,375,261	227,261	-12,402,139	-27,715,413
Revenue from New Levies:										
13.010	Income Tax - New	0	0	0	0.00%	0	0	0	0	0
13.020	Property Tax - New	0	0	0	0.00%	0	0	0	0	0
13.030	Cumulative Balance of New Levies	0	0	0	0.00%	0	0	0	0	0
14.010	Revenue from Future State Advancements	<u>0</u>	<u>0</u>	<u>0</u>	0.00%	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
15.010	Unreserved Fund Balance June 30	<u>14,076,755</u>	<u>16,196,918</u>	<u>16,354,678</u>	8.02%	<u>16,903,261</u>	<u>10,375,261</u>	<u>227,261</u>	<u>-12,402,139</u>	<u>-27,715,413</u>
20.010	Kindergarten - October Count					250	240	230	220	210
20.015	Grades 1-12 - October Count					3,150	3,125	3,100	3,050	3,000
21.010	Personal Services SFSF	0	0	0	0.00%	0	0	0	0	0
21.020	Employees Retirement/Insurance Benefits SFSF	0	0	0	0.00%	0	0	0	0	0
21.030	Purchased Services SFSF	0	0	0	0.00%	0	0	0	0	0
21.040	Supplies and Materials SFSF	0	0	0	0.00%	0	0	0	0	0
21.050	Capital Outlay SFSF	0	0	0	0.00%	0	0	0	0	0
21.060	Total Expenditures - SFSF	<u>0</u>	<u>0</u>	<u>0</u>		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

See accompanying summary of significant forecast Assumptions and accounting policies.

Includes: General Fund, Emergency Levy Fund, SDFSF, PBA fund, and any portion of debt service fund related to general fund debt.

South Euclid-Lyndhurst City School District
Cuyahoga County
Five-Year Forecast Assumptions
Fiscal Year 2018-2022

The following assumptions are an integral part of the 5-Year financial forecast and are provided to assist the reader in understanding the basis and determination of the figures presented in the 5-Year financial forecast. For the most part, the 5-Year financial forecast reflects conservative estimates of revenue and expenditure expectations for the five-year period beginning July 1, 2017 and ending June 30, 2022. The five-year forecast is designed to assist management in making well informed decisions regarding educational programming while recognizing the financial impact of such decisions. Unfortunately, given the financial climate and the unforeseen financial and economic variables that often exist within school districts in Cuyahoga County, the 5-Year forecast tends to be a “moving target”. With that said, the reader should be cognizant of the fact that the 5-Year forecast is only as accurate as the information that was available at the time it was prepared. Thus, one should not place a high level of reliance on the accuracy of the forecasted figures beyond the first couple years.

REVENUE ASSUMPTIONS

Line 1.01 – General Property Tax - Real Estate (69%)

Fiscal Year 2018

This line represents the expected tax collections on residential properties, commercial and industrial properties and public utility properties on the majority of properties located in the City of South Euclid, all of properties located in the City of Lyndhurst and a small portion of properties located in the City of Richmond Heights. Because taxes are the largest revenue item in the General Fund (about 70% of the General Fund’s yearly estimated revenue), a significant amount of time is dedicated to analyzing data provided by the County Auditor’s Office and to analyzing historical trends and data maintained by the district as well as current economic conditions that exist within our district boundaries with respect to property values and tax collection rates.

The original estimate for fiscal year 2018 was \$40,592,000 for all general property taxes. This amount was approximately \$1,000,000 less than what was actually received in fiscal year 2017. Key factors in arriving at the estimate for fiscal year 2018 were overall tax collection rates related to real estate, commercial and public utility properties over the past few years, delinquent taxes received over the past few years and the anticipation of refunds of taxes already paid.

The revised estimate for fiscal year 2018 is \$41,919,000, which is about \$1.3 million more than the original estimate of \$40,592,000. To date, delinquent tax collections are just under \$500,000 more than originally anticipated. Commercial real estate taxes are approximately \$600,000 higher than anticipated and that is a result of a pending refund that will be made to Hilltop Plaza before the end of calendar year 2018. Residential property tax collections are approximately \$250,000 higher than originally anticipated as well.

Fiscal Years 2019-2022

The 5-Year forecast reflects a decrease of about \$1.7 million in FY 2019 from the FY 2018 estimate. This decrease is anticipated as a result of the reappraisal of all properties in Cuyahoga County in calendar year 2018 and the anticipated refund to Hilltop Plaza. The estimate for FY 2020-2022 is the same as FY 2019.

Line 1.035 – Unrestricted Grants-in-Aid (14%)

Fiscal Year 2018

This line represents the expected revenue from the State Foundation Program and revenue generated from the Ohio Casino Tax (imposed in fiscal year 2013). According to initial reports from the Ohio Department of Education, the school district was expected to receive approximately \$8 million from the State Foundation Program. This amount is almost exactly what the district received last fiscal year. The district’s original estimate for fiscal year 2018 was \$7,950,000 from the State Foundation Program.

Last fiscal year the district received just over \$173,000 from the Casino Tax and based on the fact that this revenue source has declined each year since it was imposed, the original estimate for this fiscal year was \$165,000.

The original estimate for unrestricted grants-in-aid in total for fiscal year 2018 was \$8,115,000. The revised estimate is \$8,351,000. Revenue from the State Foundation Program is expected to be \$8,177,000 and revenue from the Casino Tax is expected to be \$174,000.

Fiscal Years 2019-2022

Beginning in Fiscal Year 2019, the 5-Year forecast reflects a decrease of \$177,000 from what is expected to be received in fiscal year 2018. For Fiscal Years 2020-2022, there is no expectation of an increase or decrease from the estimate for Fiscal Year 2019.

Line 1.04 – Restricted Grants-in-Aid (1.5%)

Fiscal Year 2018

This line represents the expected revenue from the Ohio Department of Education for Catastrophic Special Education Reimbursement, Economically Disadvantaged Funding and Career Tech Funding. The original estimate for this revenue line account was \$930,000 for fiscal year 2018. Below are the amounts received last fiscal year and the original estimates for this fiscal year:

	<u>FY 17</u>	<u>FY 18</u>
Catastrophic Special Education Reimbursement	\$ 91,516	\$ 75,000
Economically Disadvantaged Funding	\$779,690	\$775,000
Career Tech Funding	<u>\$ 84,946</u>	<u>\$ 80,000</u>
Total	\$956,152	\$930,000

The revised estimate for Fiscal Year 2018 is \$854,000. The decrease is a result of less funding related to Economically Disadvantaged Funding, which will be approximately \$85,000 less than the original estimate of \$775,000.

Fiscal Years 2019-2022

For these fiscal years, the 5-Year forecast reflects a slight decrease from what is expected to be received in fiscal year 2018.

Line 1.05 – Property Tax Allocation (10%)

Fiscal Year 2018

This line represents the expected revenue from the State of Ohio for Homestead and Rollback reimbursements. The State of Ohio contributes 10% of the real estate taxes for all homeowners in the State of Ohio. The State of Ohio also contributes 2.5% of the real estate taxes for owner occupied homes in the State of Ohio. Finally, the State of Ohio contributes a portion of real estate taxes for qualified senior or disabled citizens, regardless of income, on the dwelling that is the individual’s principal place of residence. This portion of taxes paid by the State of Ohio to school districts is known as the Homestead Exemption.

The original estimate for fiscal year 2018 was \$5,938,000, which is approximately \$45,000 less than what the district received in fiscal year 2017. This particular revenue source has been declining since 2012. In FY 13, the district received just under \$6.2 million and has fallen to about \$6 million in FY 17, which is a decline of about \$217,000 over 4 years.

The revised estimate for Fiscal Year 2018 is \$5,941,000, which is just \$3,000 higher than the original estimate.

Fiscal Years 2019-2022

The 5-Year forecast reflects a decrease of \$38,000 in FY 19 from the estimate of FY 2018. For FY 2020-2022, there is no increase or decrease from what is expected to be received in fiscal year 2019.

Line 1.06 – All Other Revenue (5%)

Fiscal Year 2018

This line represents the other local revenue that is received by the school district and the original estimate for FY 2018 was \$2,624,000. Below are the revenue sources, the FY 18 estimate and the FY 17 actual amount received.

<u>Source</u>	<u>2018 Estimate</u>	<u>2017 Actual</u>
Tuitions from all sources	\$2,072,000	\$1,094,415
Interest Earnings	\$ 240,000	\$ 237,490
Pay to Participate Fees	\$ 72,000	\$ 76,725
Class Fees	\$ 40,000	\$ 50,436
Miscellaneous Revenue	\$ 75,000	\$ 149,177
Revenue in Lieu	\$ 000	\$ 40,000
Income Tax – TIF	\$ 20,000	\$ 102,792

Insurance Proceeds	\$ 000	\$ 000
Medicaid Reimbursement	\$ 100,000	\$ 482,589
Total	\$2,619,000	\$2,233,624

The reason for the increase in estimated revenue in FY 2018 compared to what the district actually received in FY 2017 primarily has to do with tuition revenue but is also impacted negatively by Medicaid reimbursement and to a lesser degree miscellaneous revenue and income tax.

The increase in tuition revenue of almost \$1 million is a result of a timing issue related to last fiscal year. The district expected to receive tuition revenue from the home school of regular education and special education students who reside in foster homes in our district in August 2016 and February 2017. However, the Department of Education changed the reporting “window” for the second half of the year from December 2016 to June 2017. Because of this change, the district did not receive payment in the second half of the school year but was assured it will receive the appropriate tuition revenue in July 2017. The estimate for FY 18 includes an estimate in July of \$625,000, an estimate in November of \$625,000 and an estimate in May of \$625,000.

The decrease of about \$382,000 in FY 18 in Medicaid reimbursement has to do with the fact that in FY 17 the district received just over \$380,000 in settlements for years 2012-2013 and 2013-2014. Settlements are not anticipated or expected in any given fiscal year and; therefore, are not included in forecasted estimates.

The decrease in income tax from the City of Lyndhurst in FY 18 has to do with the expectation of only receiving city income tax paid by those employees employed at the new Hyatt Hotel at Legacy Village (the result of a negotiated TIF agreement). The amount received in FY 17 included the income tax paid by trade workers involved in building the hotel.

The revised estimate for Fiscal Year 2018 is \$2,966,000, which is approximately \$350,000 higher than the original estimate. It is anticipated that the district will receive approximately an additional \$80,000 in tuition revenue as a result of the newly created Excel Tecc program (ESSR) at Brush High School. The district also expects to receive an additional \$180,000 in interest earnings and an additional \$55,000 from the Medicaid program in the form of a settlement

Fiscal Years 2019-2022

The estimate related to FY 2019 reflects the expectation of a full year of tuition revenue related to regular education and special education students who reside in foster homes in our district. The estimate for FY 2020-2022 reflects a slight decrease from that of FY 2019.

Line 2.05 – Advances-In (0%)

Fiscal Year 2018

This line represents the return of funds advanced to other funds (fund accounts) at the end of the last fiscal year. In fiscal year 2018, the return of advances from the previous year will be \$325,000.

Fiscal Years 2019-2022

For these fiscal years, an estimate of \$20,000 is being reflected.

Line 2.06 – All Other Financing Sources (0%)

Fiscal Year 2018

This line represents the sale of assets and refunds of prior year's expenditures. This line varies from year to year and is typically not a large source of revenue. However, the past 5 years have seen significant revenue in the area of refunds, but there is little expectation this fiscal year or beyond. The original estimate for fiscal year 2018 was \$26,000. The revised estimate is \$231,000, which is approximately \$200,000 higher than the original estimate and is primarily a result of refunds the district received this fiscal year.

Fiscal Years 2019-2022

For these fiscal years, an estimate of \$25,000 is being reflected.

EXPENDITURE ASSUMPTIONS

Line 3.01 – Personnel Services (54%)

Fiscal Year 2018

This line represents the salary expectations for all employees of the School District that are paid out of the General Fund based on current contractual obligations. Personnel services include administrative staff, teachers, classified personnel, some substitutes but not all, supplemental contracts, overtime and other salary related items.

Because school districts are a service industry, costs associated with personnel are the largest expenditure. In many school districts, personnel costs (salaries and benefits) account for between 80-85% of the total budget of a school district (we are closer to 76%). As a result of that fact, fiscal prudence requires extensive monitoring and extensive data analysis regarding salaries and benefits of all employees of the district.

The District has three (3) unions, one inclusive of all teaching staff and two (2) support staff unions representing all classified personnel such as secretaries, custodians, bus drivers, cafeteria workers, etc. School district administrator's both certified and classified are not represented by a union nor are the five (5) administrative secretarial assistants. All three (3) unions are under a contract through June 30, 2018.

The original estimate for personnel services for fiscal year 2018 was \$33,055,000 and includes all current staff (except cafeteria staff, which are paid out of a different fund and a handful of teachers paid out of Federal Grant Funds). Historical trends and a thorough analysis were used to determine an estimate for substitute costs, supplemental contracts and overtime.

A major change took place at the beginning of school year 2014-2015 with respect to substitute teachers. The district entered into a contract with a third party that provided substitute teachers when necessary. This cost of teacher substitutes will no longer be reflected as a personnel cost but will be included in purchased services costs and other objects. In the 2015-2016, the district entered into a contract with the same third party to provide substitute Intervention Specialist Assistants. Lastly, in

the 2016-2017 school year, a change in the accounting practice related to severance pay was made whereby the severance pay amount was no longer charged to the General Fund but was instead charged to the newly created “Severance Fund”.

The revised estimate for Fiscal Year 2018 is \$32,613,000 and is about \$440,000 less than the original estimate.

Fiscal Years 2019-2022

Personal services are expected to increase by 4% in Fiscal Years 2019 and 2020 based on an anticipated Cost of Living Adjustment (COLA) of 2% for all staff plus an additional 2% overall increase which represents a step increase for those employees who may be entitled to one. It is important to understand that this increase does not assume that all staff will receive a 2% step increase in each of these years. For Fiscal Years 2021 & 2022, personal services are expected to increase by 2% which represents the aforementioned step increase only. A COLA increase will not occur until one is negotiated.

Line 3.02 – Employees’ Retirement/Insurance Benefits (21%)

Fiscal Year 2018

This line represents the cost of benefits for all employees of the School District that are paid out of the General Fund based on current contractual obligations. These benefits include expenses for retirement (STRS and SERS), healthcare benefits (hospitalization, dental, vision and life insurance), Medicare, unemployment compensation and other employee reimbursements. Fiscal prudence requires extensive monitoring and extensive data analysis regarding benefits similar to that of the extensive monitoring and data analysis done in the area of salaries.

Beginning this fiscal year, a change in the accounting practice related to the premium for worker’s compensation will take place. This premium will no longer be accounted for within the General Fund and will be accounting for in a separate fund specifically designated for this premium payment. This fund will be funded by a transfer from the General Fund at the end of the year to cover the premium payment made in December/January.

The original estimate for fiscal year 2018 was \$13,125,000 and includes all benefits for current staff (except cafeteria staff, which are paid out of a different fund and a handful of teachers paid out of Federal Grant Funds). The district has projected a 12% increase to healthcare benefits to begin in October.

The revised estimate for fiscal year 2018 is \$12,719,000, which is approximately \$400,000 less than the original estimate.

Fiscal Years 2019-2022

For fiscal years 2019-2022 an 11% increase to the previous years estimate has been utilized for illustration purposes. This increase does not assume that all benefits items will increase by 11% each year, but that overall benefit expenditures will increase by 11%.

Line 3.03 – Purchased Services (17%)

Fiscal Year 2018

This line represents the cost of purchased services for the district. This expenditure category consists of a variety of subcategories which include but are not limited to: legal services, contract services (including certified teaching substitutes and ISA substitutes paid to a third party), property insurance, travel/meeting expenses, utilities, postage, maintenance services, tuition, excess costs, community school deduction, post secondary options deduction and open enrollment deductions.

The original estimate for fiscal year 2018 was \$10,027,000. The actual expenditures last fiscal year were just under \$9.2 million. The district is anticipating significant increases this year in the area of tuition related to PEP Programs, excess costs, open enrollment, community school deduction and autism scholarship deductions.

The revised estimate for fiscal year 2018 is \$10,162,000, which is approximately \$135,000 higher than the original estimate.

Fiscal Years 2019-2022

For these fiscal years, the estimate reflects an increase of about \$800,000 from the revised estimate for FY 18. The district anticipates an increase in purchased services expenses in these years.

Line 3.04 – Supplies and Materials (3%)

Fiscal Year 2018

This line represents the cost of supplies and materials for the district. This expenditure category consists of a variety of subcategories which include but are not limited to: instructional supplies, software, textbooks, workbooks, library books, custodial/maintenance supplies, bus supplies and bus fuel. The original estimate for fiscal year 2018 was \$2,165,000, which is about \$100,000 less than actual expenditures last fiscal year. The primary reason for the decrease is because the district made a large Chromebook purchase last school year that will not be repeated in fiscal year 2018.

The revised estimate for fiscal year 2018 is \$2,033,000, which is approximately \$130,000 less than the original estimate.

Fiscal Years 2019-2022

For these fiscal years, the estimate reflects an increase of about \$350,000 from the revised estimate for FY 18. The district anticipates an increase in supply and material purchases in these years.

Line 3.05 – Capital Outlay (<1%)

Fiscal Year 2018

This line represents the cost of new and replacement equipment. The original estimate for fiscal year 2018 was \$295,000 and the revised estimate is \$225,000.

Fiscal Years 2019-2022

A slight increase (about \$25,000) is reflected for FY 2019. For fiscal years 2020-2022, the estimate reflects a decrease of about \$150,000 from the estimate of FY 19. The district anticipates a decline in equipment purchases in these years.

Line 4.3 – Other Objects (2%)

Fiscal Year 2018

This line represents the cost of other objects also referred to as dues and fees. This expenditure category consists of a variety of subcategories which include but are not limited to: State audit charges, Cuyahoga County ESC deductions, County Auditor/Treasurer fees related to tax collections, third party fees for all substitutes, bank service charges, liability insurance, etc. The original estimate for fiscal year 2018 was \$1,113,000 and the revised estimate is \$1,093,000.

Fiscal Years 2019-2022

For these fiscal years, an estimate of \$1,200,000 is being reflected.

Line 5.01 – Operational Transfers Out (2%)

Fiscal Year 2018

This line represents transfers from the General Fund to other funds in the district that require a transfer of funds to cover any deficit. The largest transfer is typically made to the Nutrition Services Fund (cafeteria).

Over the past number of years when the actual ending cash balance in April was significantly higher than the estimated ending cash balance, the Board of Education has entertained the notion of adding to existing reserve accounts through a transfer in either May or June. However, for the purpose of financial planning, transfers to reserve funds are not included in any estimate in any year because of the timing of when transfers to reserve funds could be a possibility.

The original estimate for fiscal year 2018 was \$1,100,000. Below is a list of the funds that are expected to need a transfer and the anticipated transfer amounts:

Building Fund	\$ 85,000 (HB 264 Loan payment)
Nutrition Service Fund	325,000
Korb Field Repl.	50,000
Worker’s Comp Fund	350,000
Severance Fund	100,000
Student Activity Funds	10,000
Athletics	<u>180,000</u>
Total	\$1,100,000

The revised estimate is \$1,400,000 and includes transfers to a few reserve accounts and an additional transfer to the district renovation fund.

Fiscal Years 2019-2022

For these fiscal years, the estimate of \$1,100,000 is being utilized.

Line 5.02 – Advances-Out (0%)

Fiscal Year 2018

This line represents advances from the General Fund to other funds in the district that require an advance to end the fiscal year with a positive cash balance. An advance is different from a transfer in that an advance must be repaid to the General Fund in the next fiscal year and a transfer of funds is not to be repaid. Typically, advances are made to Federal Funds due to the fact that most Federal Funds require funds to be spent before Federal Funds are released to the school district. Most of the time, the advance is only necessary to cover the amount of purchase orders that are on the system at the end of the fiscal year. The original estimate for advances for fiscal year 2018 was \$20,000 and the revised estimate is unchanged.

Fiscal Years 2019-2022

For these fiscal years, the estimate of \$20,000 is being utilized.

Line 7.02 – Cash Balance June 30

Fiscal Year 2018

This line represents the actual ending cash balance of the General Fund. A negative ending cash balance indicates deficit spending and corrective action must be taken to ensure the ending cash balance is no longer negative. The original estimated ending cash balance for June 30, 2018 was \$14,611,261 and the revised estimate is \$17,508,261.

Fiscal Years 2019-2022

The ending cash balance is expected to decline by about 40% in FY 19 and 90% in FY 20. The cash balance is expected to fall from \$17.9 million in FY 18 to \$11.2 million in FY 19 to \$1.1 million in FY 20. This is a typical cycle; however, corrective action will occur over the next couple of years in an effort to reduce anticipated expenses in order to delay, as long as possible, the need for additional tax revenue.

Line 10.01 – Fund Balance June 30

Fiscal Year 2018

This line represents the actual ending fund balance of the General Fund. The fund balance is calculated by subtracting outstanding encumbrances from the actual ending cash balance at the end of the year. A negative ending fund balance is not permitted under Ohio Law. The original estimated ending fund balance for June 30, 2018 was \$14,011,261 and the revised estimate is \$16,903,261. For reference, there is a direct correlation between line 7.02 and line 10.01 with respect to the ending fund balance figures.

Fiscal Years 2019-2022

To avoid the estimated deficit of approximately \$12 million at the end of fiscal year 2021 and based solely on the figures presented in the 5-year forecast and the information provided in this assumption narrative, it would appear that the most financially prudent decision would be to present a ballot issue to residents requesting additional funding through a tax levy in November 2019.