



**Five Year Forecast
Financial Report &
Assumptions**

October, 2017

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Forecast Purpose/Objectives

Ohio Department of Education's purposes/objectives for the five-year forecast are:

1. To engage the local board of education and the community in the long range planning and discussions of financial issues facing the school district.
2. To serve as a basis for determining the school district's ability to sign the certificate required by O.R.C. §5705.412, commonly known as the "412 certificate."
3. To provide a method for the Department of Education and Auditor of State to identify school districts with potential financial problems.

Five Year Forecast - Simplified Statement

	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022
Beginning Balance	11,814,036	11,209,887	9,941,494	8,884,096	8,089,956
+ Revenue	37,964,086	37,969,960	38,301,119	38,686,527	38,924,003
+ Proposed Renew/Replacement Levies	-	-	-	-	-
+ Proposed New Levies	-	-	-	-	-
- Expenditures	(38,568,234)	(39,238,353)	(39,358,517)	(39,480,667)	(39,933,468)
= Revenue Surplus or Deficit	(604,148)	(1,268,393)	(1,057,398)	(794,140)	(1,009,465)
Ending Balance	11,209,887	9,941,494	8,884,096	8,089,956	7,080,492
Revenue Surplus or Deficit w/o Levies	(604,148)	(1,268,393)	(1,057,398)	(794,140)	(1,009,465)
Ending Balance w/o Levies	11,209,887	9,941,494	8,884,096	8,089,956	7,080,492

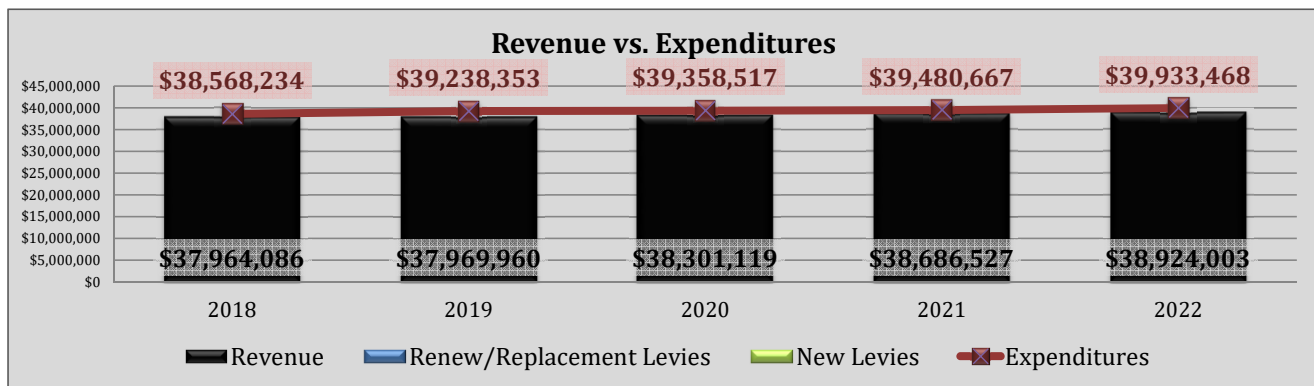
Summary:

Executive Summary:

As a tool, the district five year forecast is a barometer that highlights pressures and trends that need to be addressed. As shown in the summary above, although the cash position of Kenston's operating fund is positive throughout the forecast period, the district's operating deficit continues to degrade the district's cash balance.

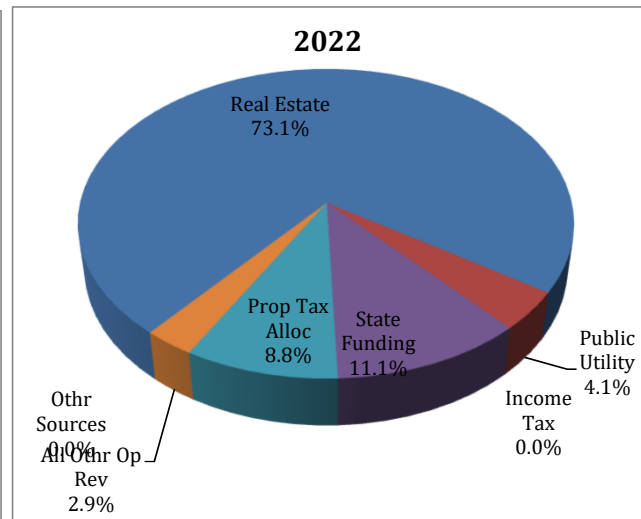
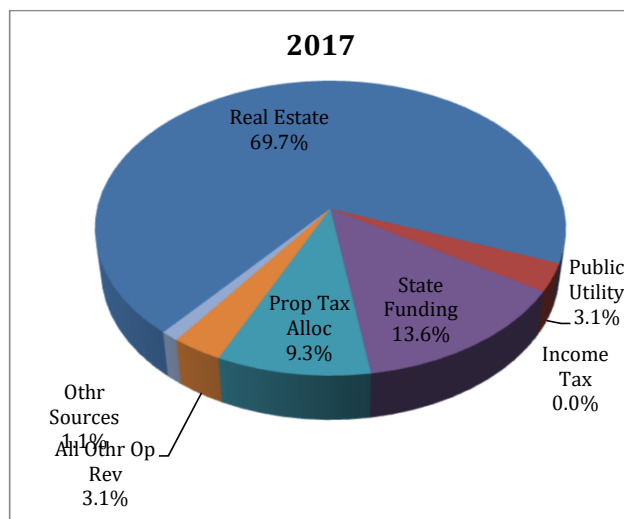
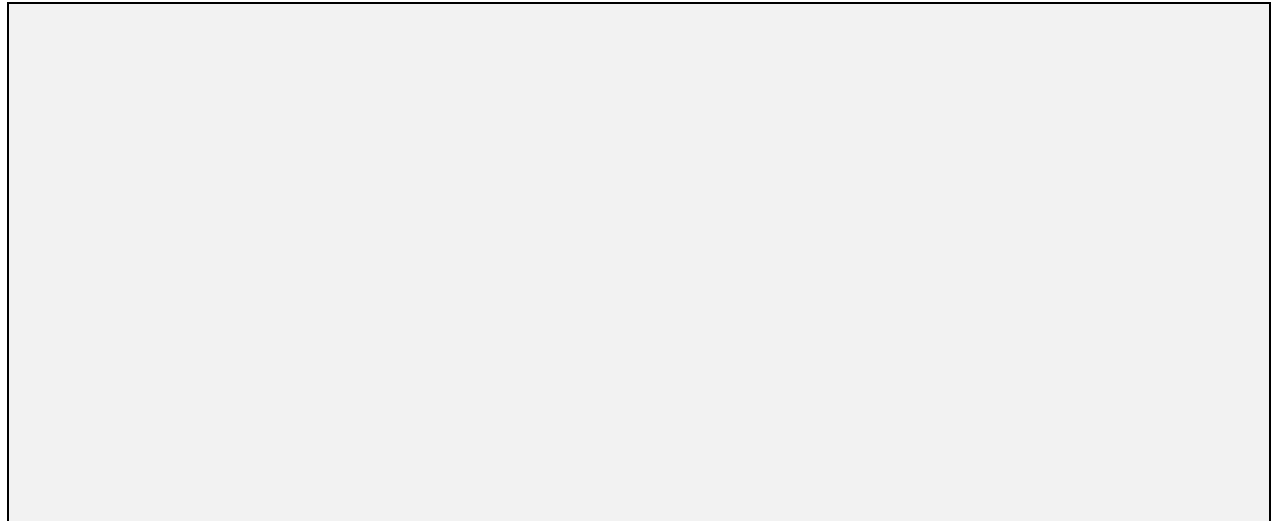
HB 49, the states 18/19 biennium budget brought about the loss of state revenue due to the legislated loss of personal property tax reimbursement, as well as the loss of state hold harmless funding, amounts to the effective annual loss of approximately \$1.7 million. This can be seen when you closely examine total revenue for FY 16 vs. FY 17. In addition, as expected, expenditures subject to inflationary pressures steadily grow throughout the forecast period.

There are several key budgetary factors affecting the district as we approach the 10/31/17 forecast deadline. These include final 2017 values, retirement contribution estimates, health insurance increases, and budgeting for several key district projects. We have the capacity to enact budgetary change now that will have a positive effect over the course of the entire forecast period.



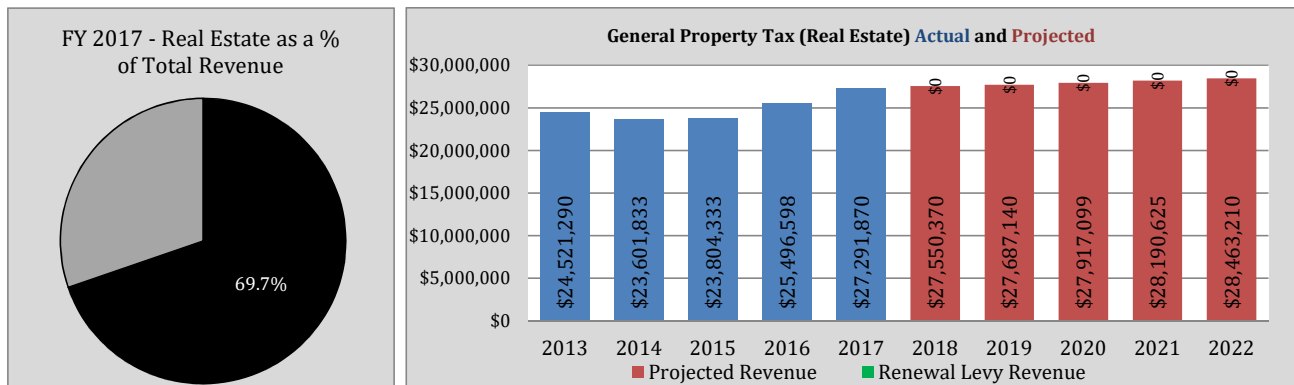
Revenue Overview

	Prev. 5-Year Avg. Annual Change	PROJECTED					5-Year Avg. Annual Change
		Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	
Revenue:							
1.010-Real Estate	2.78%	0.95%	0.50%	0.83%	0.98%	0.97%	0.84%
1.020-Public Utility	-23.60%	8.60%	4.80%	4.80%	4.80%	4.80%	5.56%
1.030-Income Tax	n/a	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
1.035-State Funding	5.83%	-15.92%	-5.43%	-0.05%	-0.02%	-0.03%	-4.29%
1.040-Restricted Aid	-5.37%	0.91%	-0.02%	-0.02%	-0.01%	-0.01%	0.17%
1.045-Restr Federal SFSF	-79.91%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
1.050-Property Tax Alloc	-7.26%	-10.06%	1.07%	0.95%	1.13%	1.12%	-1.16%
1.060-All Other Operating	70.32%	-7.74%	0.00%	0.50%	0.50%	0.50%	-1.25%
1.070-Total Revenue	2.81%	-2.31%	0.02%	0.88%	1.01%	1.01%	0.12%
2.070-Total Other Sources	9.85%	-65.03%	0.00%	0.00%	0.00%	-100.00%	-33.01%
2.080-Total Rev & Other Srcs	2.68%	-3.00%	0.02%	0.87%	1.01%	0.61%	-0.10%



1.010 - General Property Tax (Real Estate)

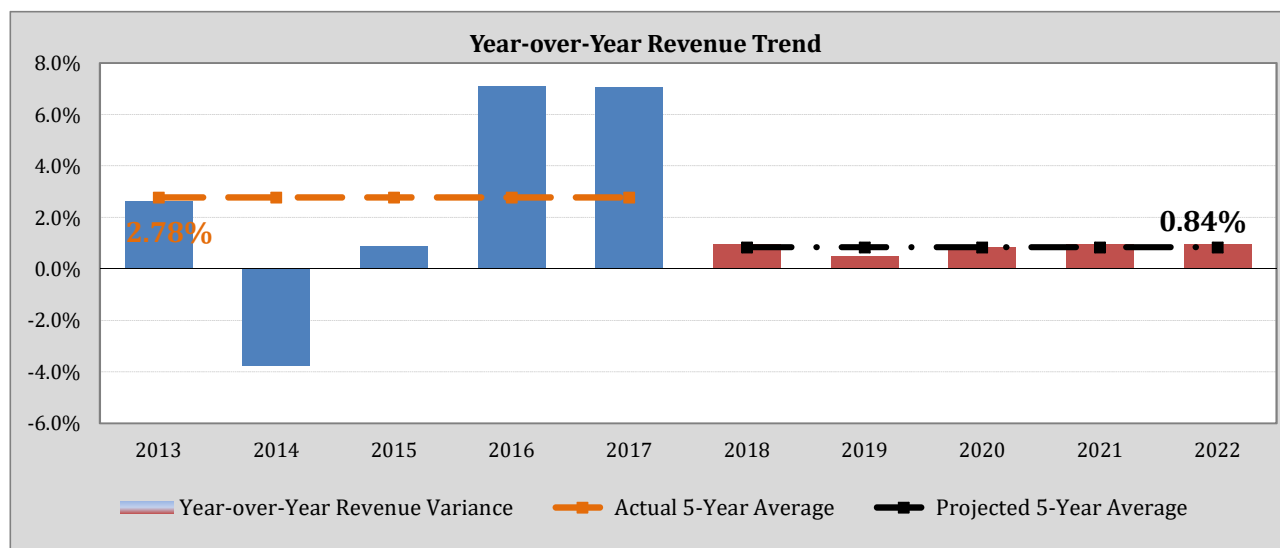
Revenue collected from taxes levied by a school district by the assessed valuation of real property using effective tax rates for class I (residential/agricultural) and class II (business).



1.010 General Property Taxes (Real Estate):

A. New Construction – Valuation decreases increases from Class I/Class II new construction have averaged .99%/.59% over the last four years. We are not expecting this to change significantly in the coming years. We will assume a .99%/.59% increase in-between reappraisal/update years. This trend may indeed change.

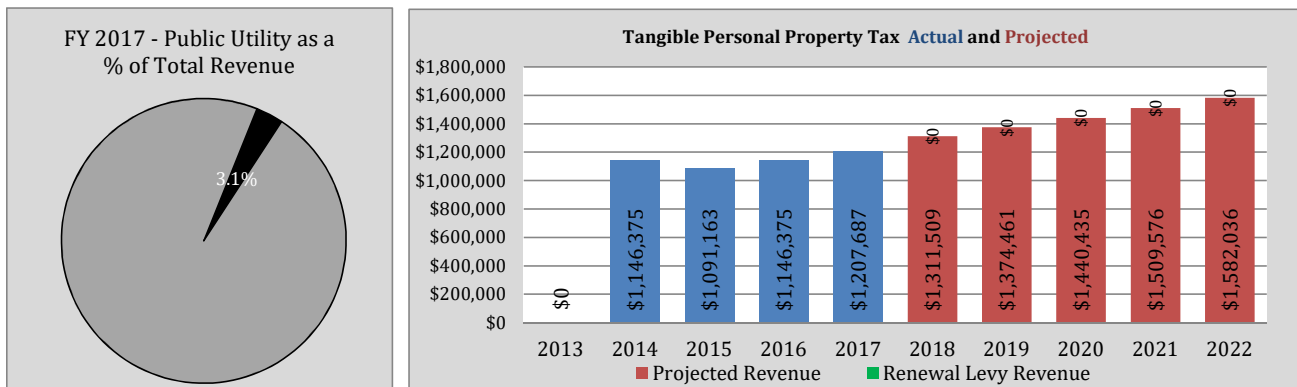
B. Reappraisal/Update – Because of the more recent recession, the districts valuation declined significantly during the last two updates. The 2011 re-appraisal yielded a decline of 3.5%. The district went through an update in 2014 yielding a decline in value of .67%. The department of taxation has advised that it will take a full 6 year cycle to recover from the 2008 recession. The district is showing very good signs of recovery. Preliminary indications are showing Residential/Agricultural reappraisal figures at 3.27%. Class II commercial reappraisal figures are currently looking to be in range of 2%. Unfortunately, Industrial values are approximating -3.5%. More investigation and analysis is needed in the commercial /industrial valuation trends.



**Projected % trends include renewal levies*

1.020 - Public Utility Personal Property

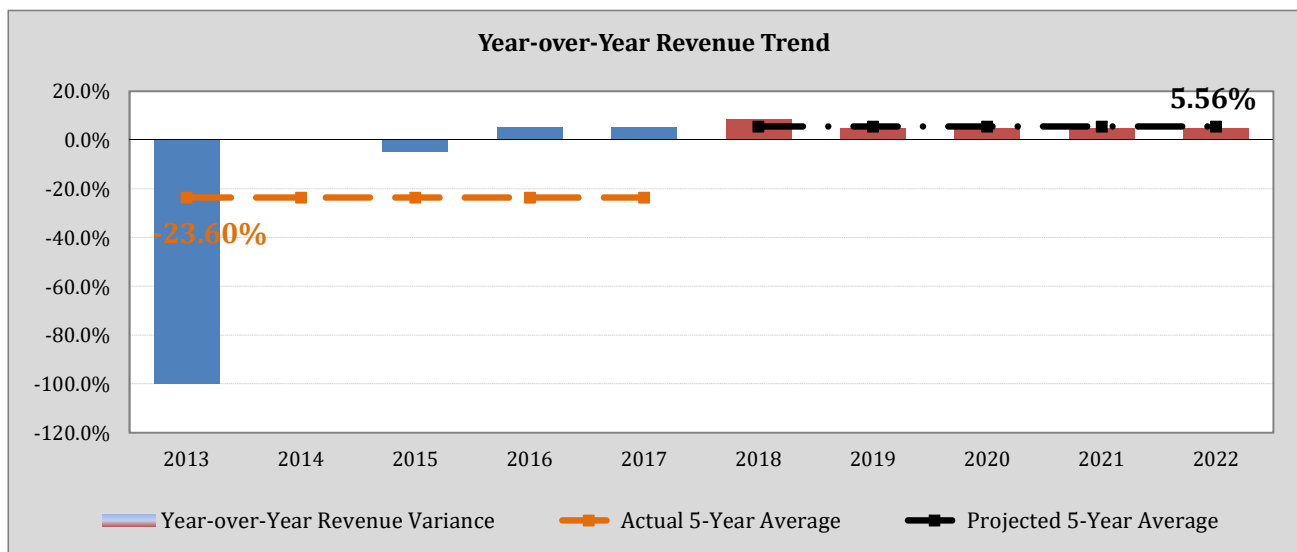
Revenue generated from public utility personal property valuations multiplied by the district's full voted tax rate.



1.020 Personal Tangible Taxes:

Personal Tangible Taxes - Tangible personal property was completely phased out in tax year 2010. The revenue lost due to phasing out the tax was reimbursed by the Department of Education at 100% through FY11. HB 153 in 2012 reduced this reimbursement in 2012 and reduced it further in FY 2013. The state reduced the reimbursement to balance its budget. With HB 64, the 2015-16 biennial budget, the Governor made it clear he was not going to support this tax and opted to shift this tax burden from businesses to residential taxpayers. The state reimbursement of this tax (which amounts to \$401,000 in FY17 and appears on line 1.050) is now completely phased out.

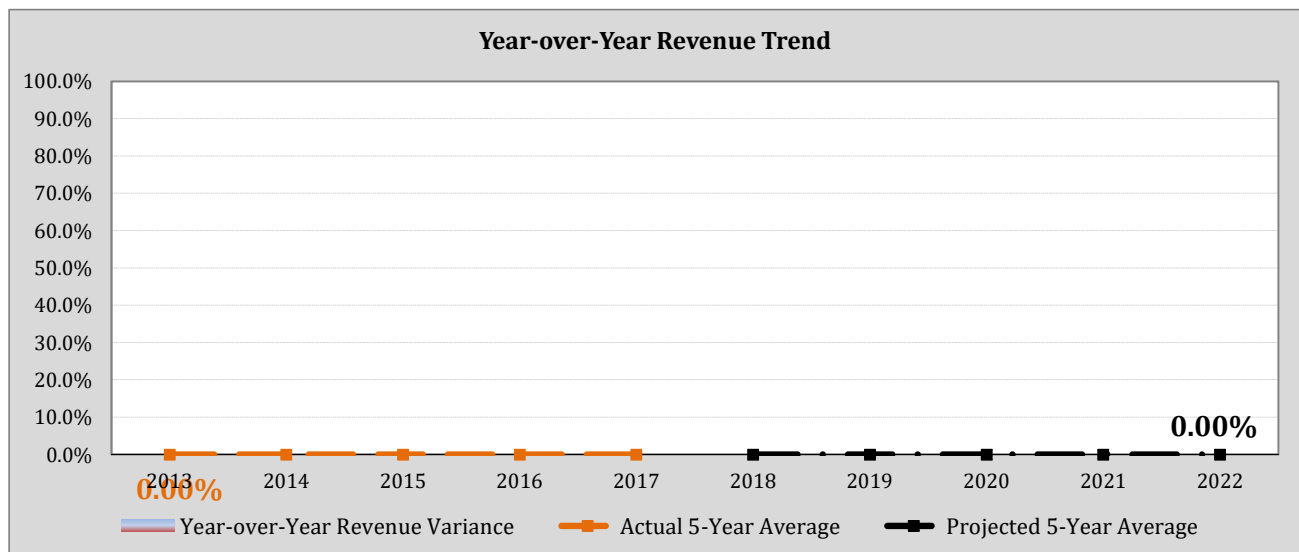
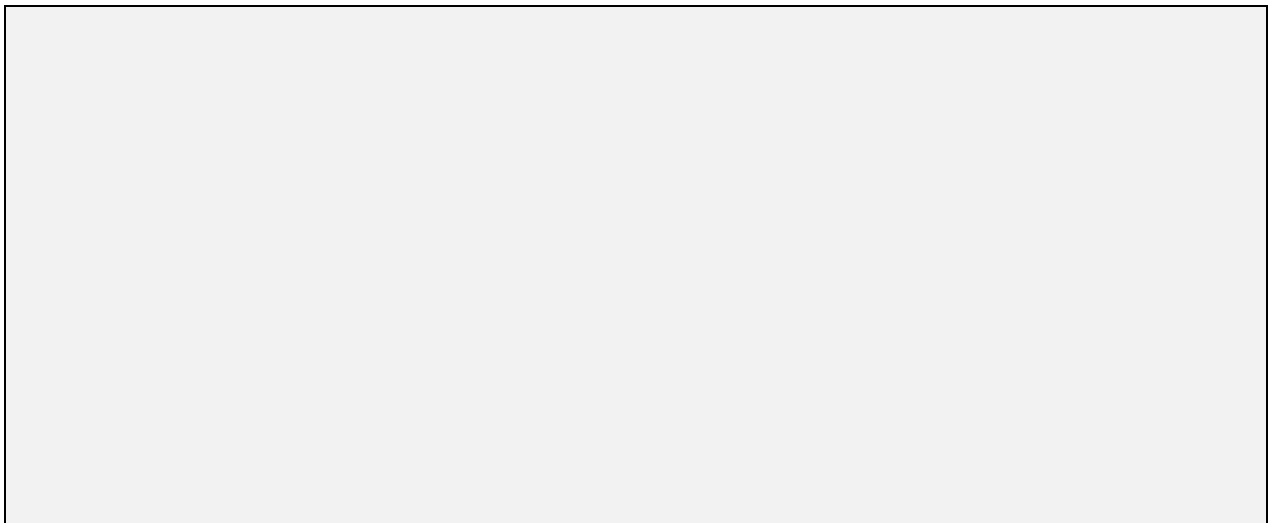
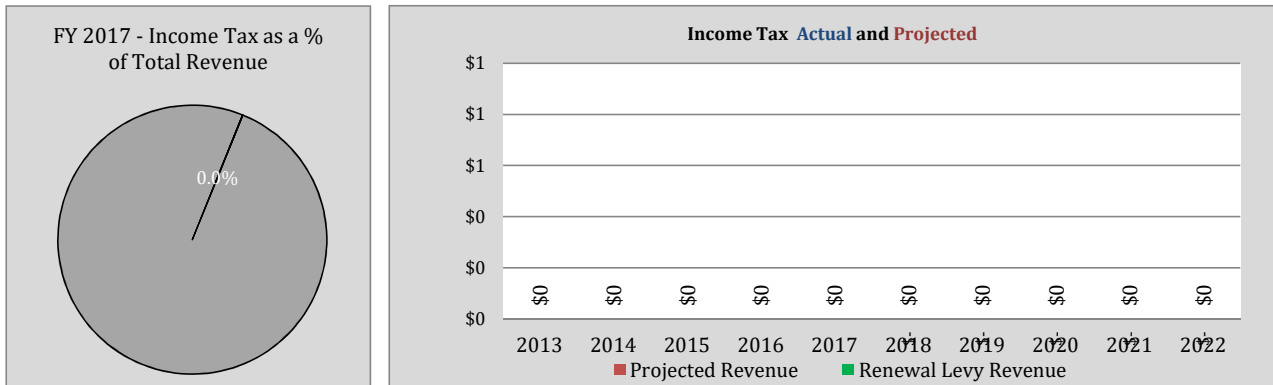
Public Utility Taxes - The remainder of this revenue stream is entirely composed of public utility personal property and has grown very well over the past few years. We are assuming growth of 4.8% per year based on historical patterns.



**Projected % trends include renewal levies*

1.030 - Income Tax

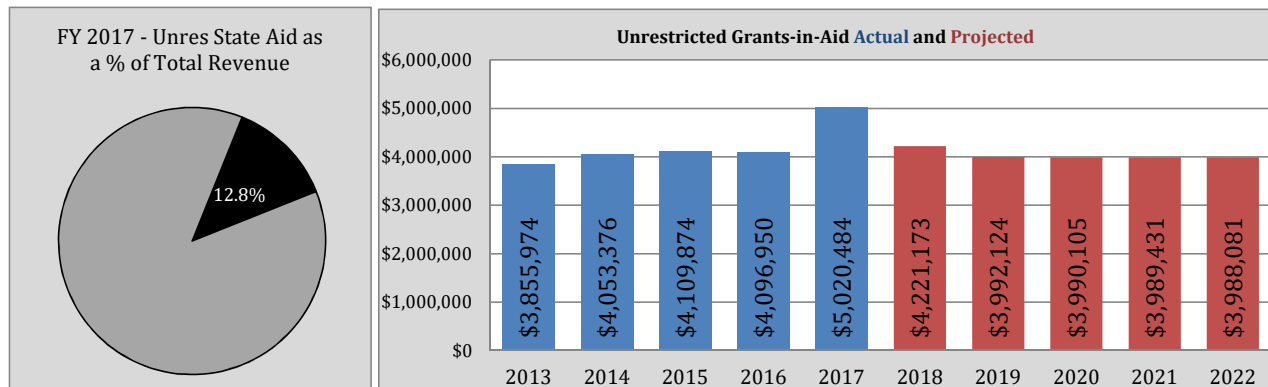
Revenue collected from income tax earmarked specifically to support schools with a voter approved tax by residents of the school district; separate from federal, state and municipal income taxes.



**Projected % trends include renewal levies*

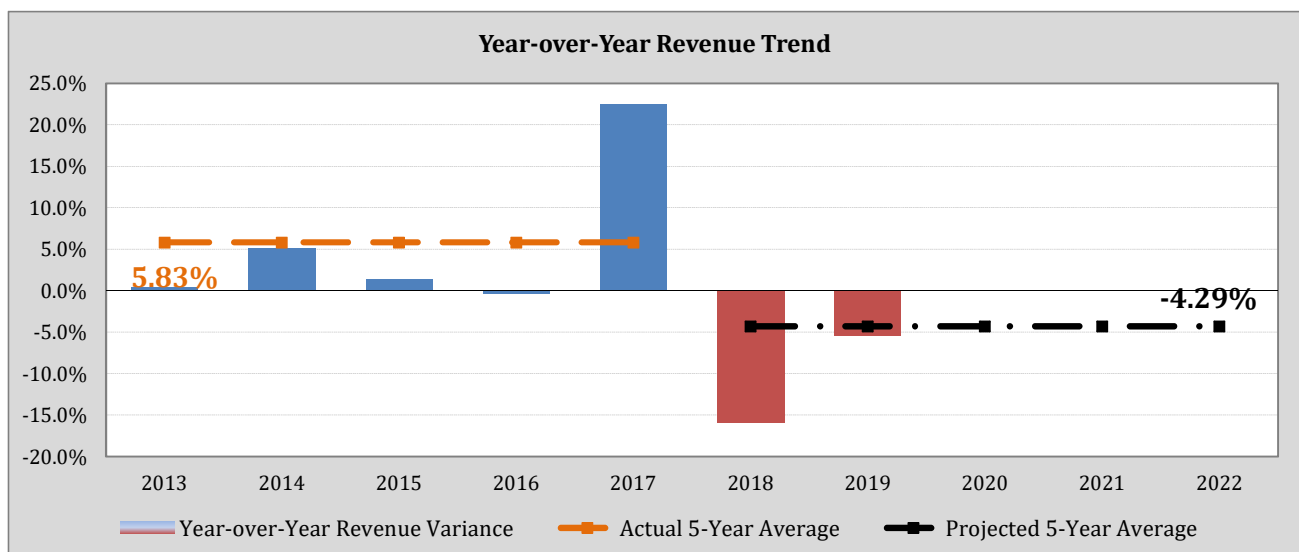
1.035 - Unrestricted Grants-in-Aid

Funds received through the State Foundation Program with no restriction.



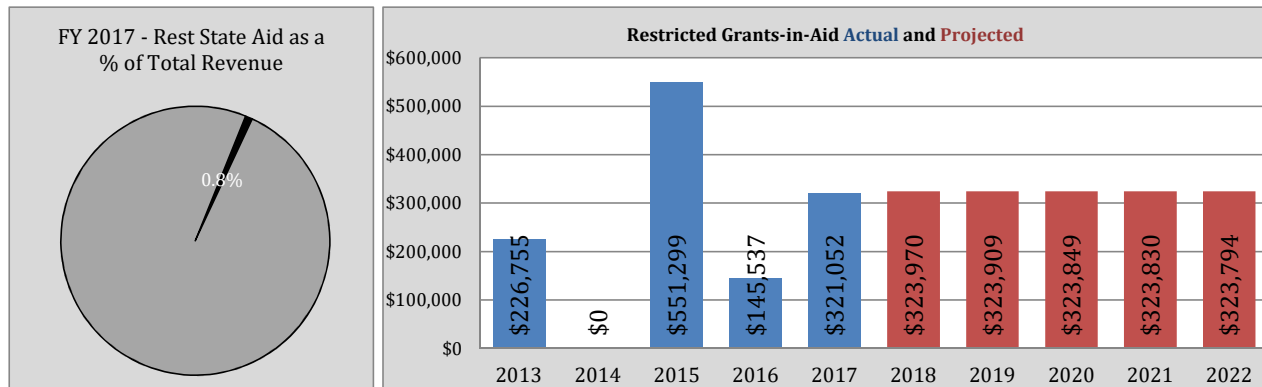
1.035 Unrestricted/Restricted Grants-in-Aid:

The district is on the Guarantee in the amount of \$1.5 million and will in all likelihood stay there. Enrollment has been declining, a state-wide trend. For 2017 enrollment has leveled off. However, mild declines could continue for years to come, a trend that will need to be monitored. The district received the TPP hold harmless supplement in FY 2017 in the amount of \$1.1 million. This was a temporary measure in HB 64. The biennial budget bill, HB 49, eliminated the hold harmless payment resulting in an immediate \$1.1 million loss to the district. At this time we will assume that the state is not going to eliminate the guarantee or phase it down after the 18/19 biennium.



1.040 & 1.045 - Restricted Grants-in-Aid

Funds received through the State Foundation Program or other allocations that are restricted for specific purposes.

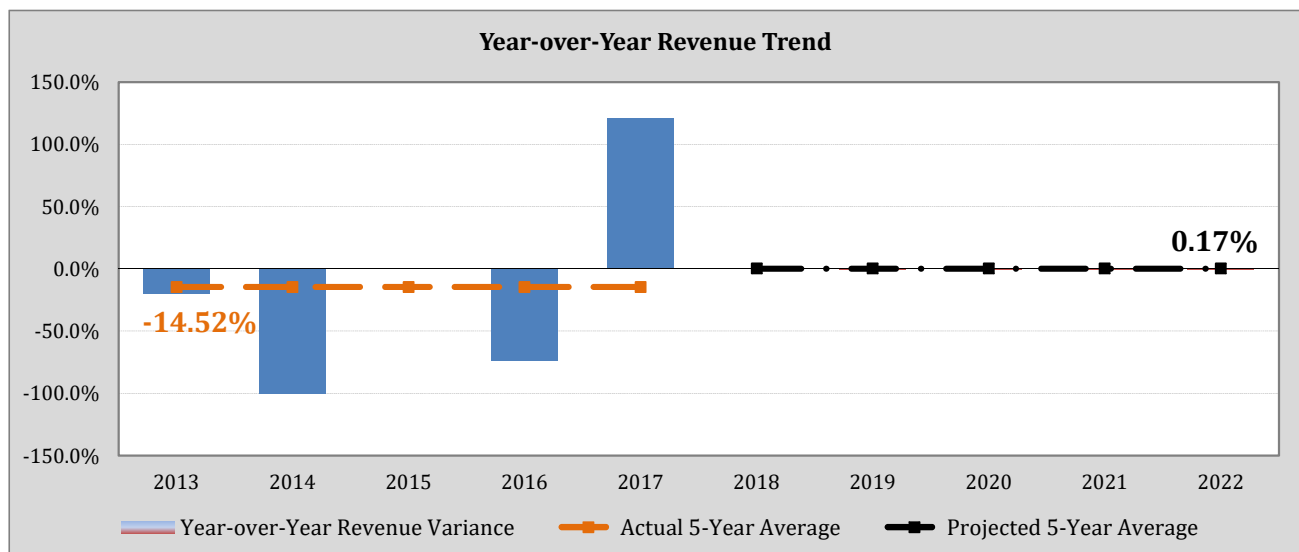


1.040 Restricted Grants-In-Aid:

Restricted grants included in this category are:

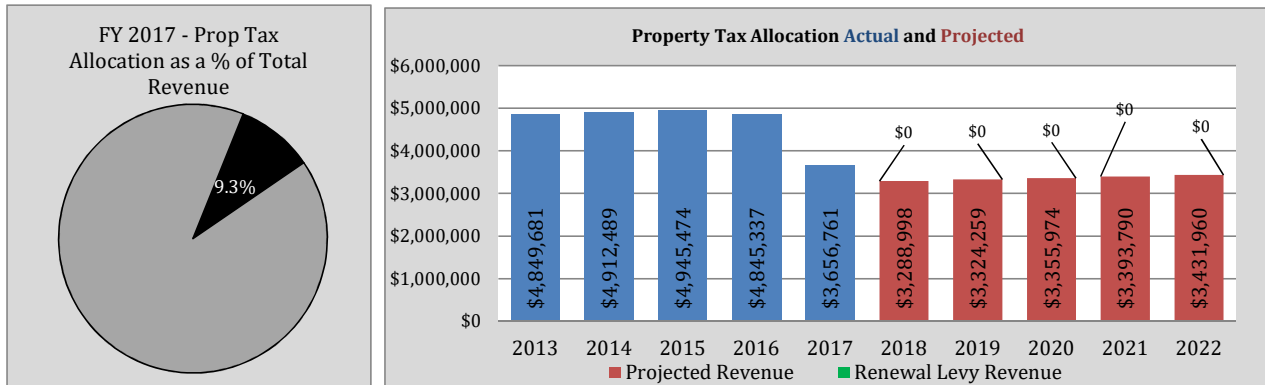
A. Catastrophic Aid: Additional funding for students with high expenditure handicaps. We are expecting increased catastrophic aid in 2017 and beyond.

B. Career tech funding – funding for students attending career technical eligible programs within the district. This funding has been reflected in the general operating budget in the amount of about \$4,823.



1.050 - Property Tax Allocation

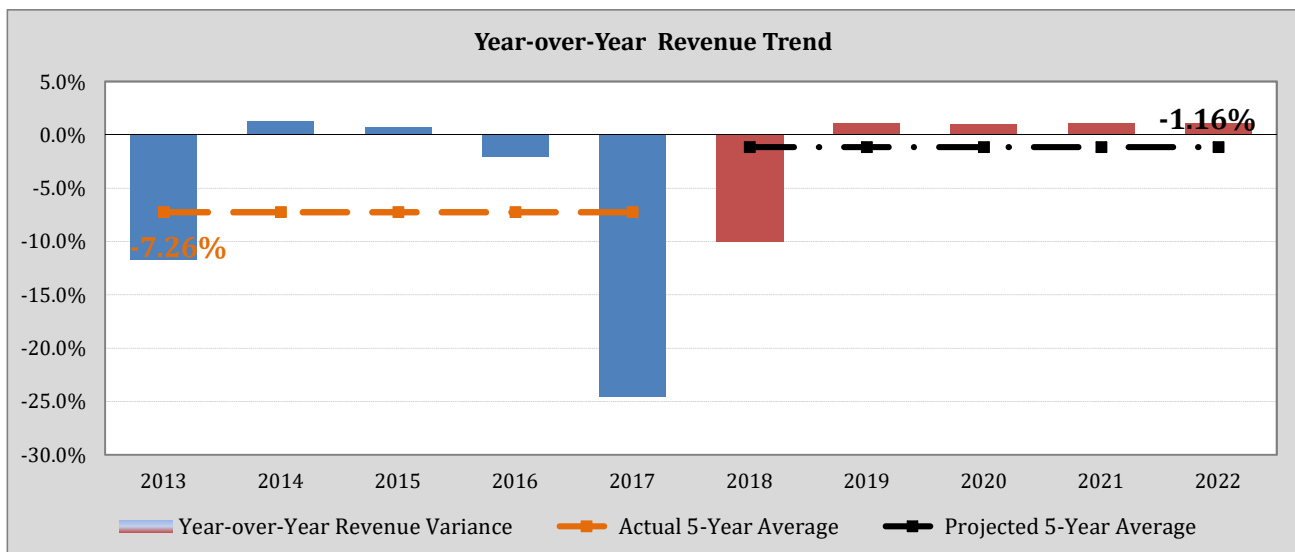
Includes funds received for Tangible Personal Property Tax Reimbursement, Electric Deregulation, Homestead and Rollback.



1.050 Property Tax Allocation:

A. Homestead & Roll back – represents tax breaks given to tax payers that are reimbursed by the state. Therefore, these tend to grow at the same rate as real estate.

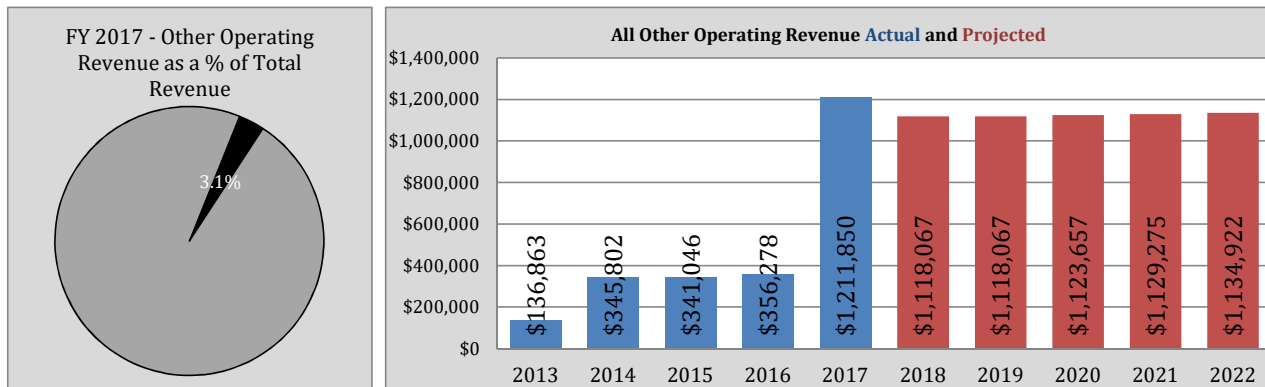
B. Personal Tangible Phase Out Reimbursements – Direct reimbursements from the state for the phase out of personal tangible taxes are recorded here. As noted on line 1.020, the last remaining state reimbursement of \$401,000 is now completely phased out. Total personal tangible funding, \$1.7 million, was completely eliminated by the state from FY15 to FY 17 as noted in the executive summary and in the note for Forecast Line 1.02.



**Projected % trends include renewal levies*

1.060 - All Other Operating Revenues

Operating revenue sources not included in other lines; examples include tuition, fees, earnings on investments, rentals, and donations.

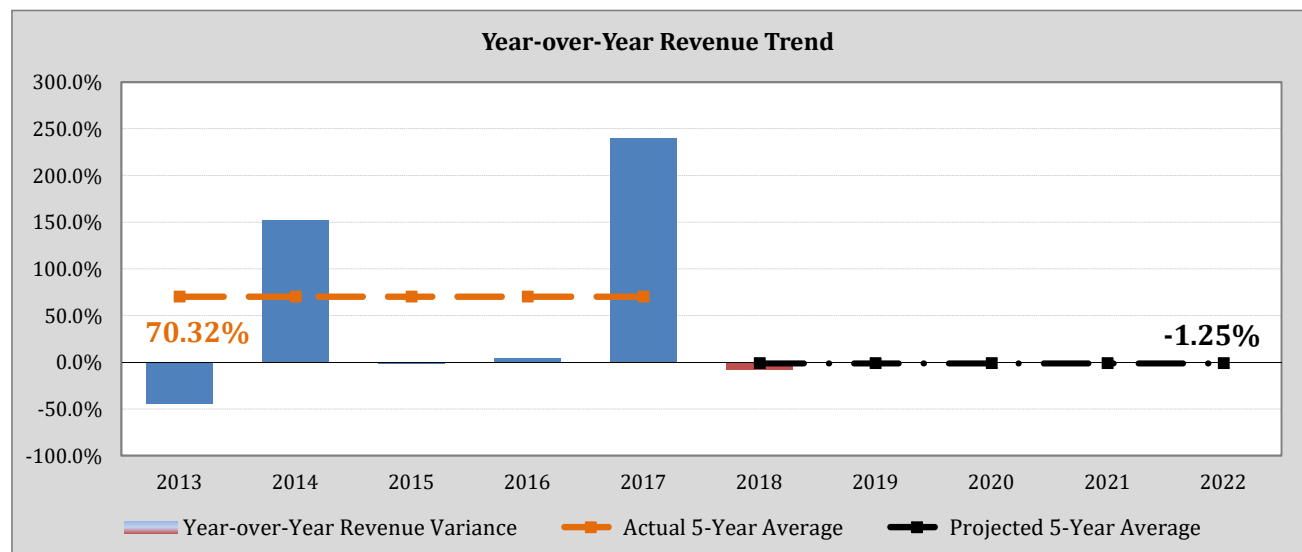


1.060 All Other Revenue:

Includes all other locally collected revenue and can include the following: Interest income, open enrollment, tuition payments, and tuition from other districts.

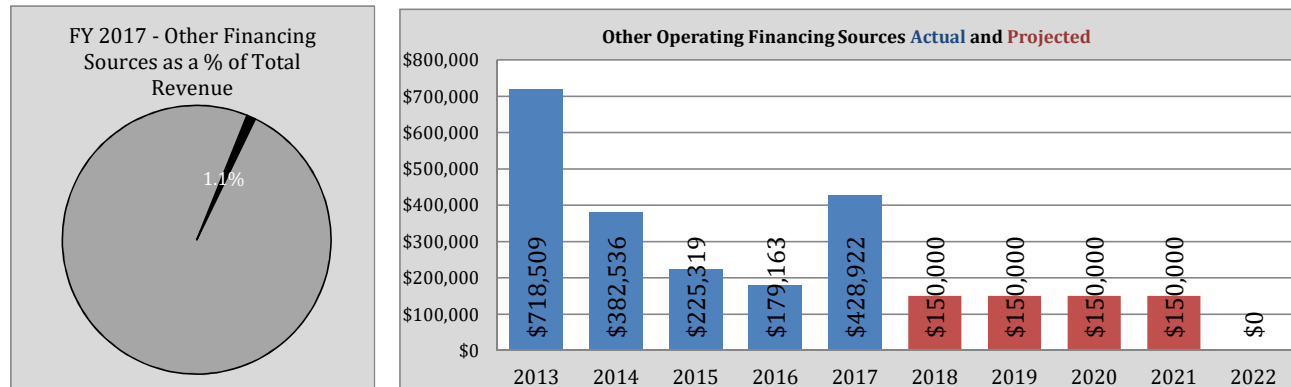
All other revenue is based on historical patterns. Note: In FY17 funding from all day kindergarten is reflected here for the first time. In the past, all day kindergarten was accounted for in a separate 020 fund.

In addition, MRDD funding of \$174,000 will now be reflected in the districts operating revenue and it will be included on this line.



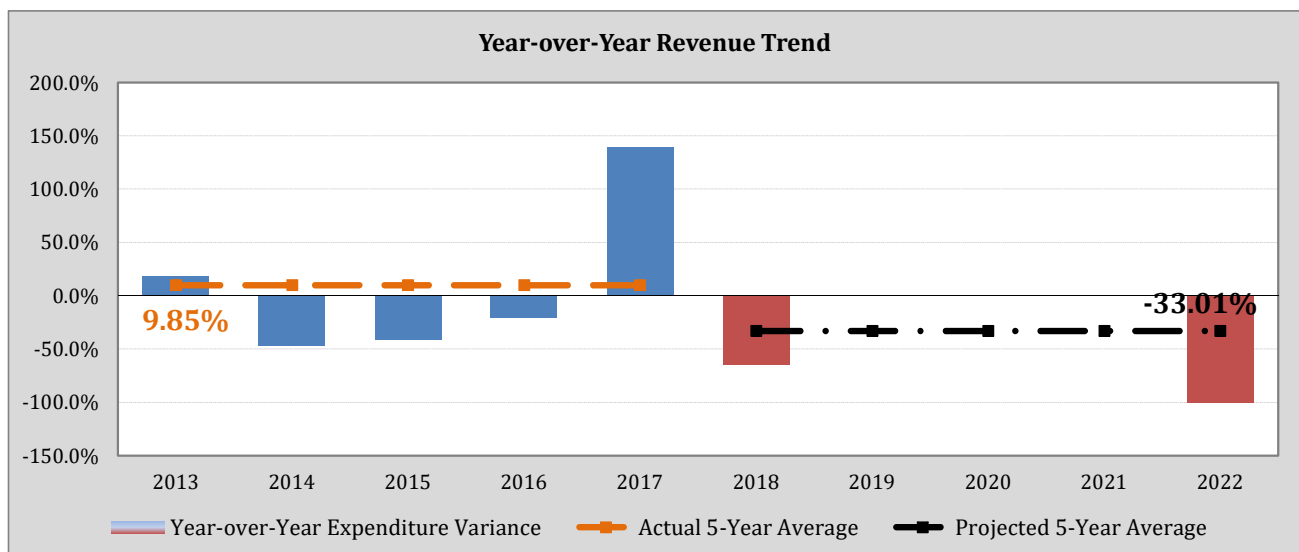
2.070 - Total Other Financing Sources

Includes proceeds from sale of notes, state emergency loans and advancements, operating transfers-in, and all other financing sources like sale and loss of assets, and refund of prior year expenditures.



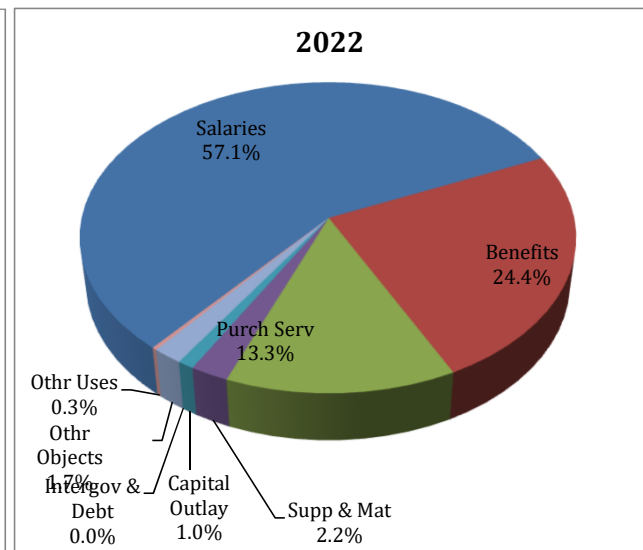
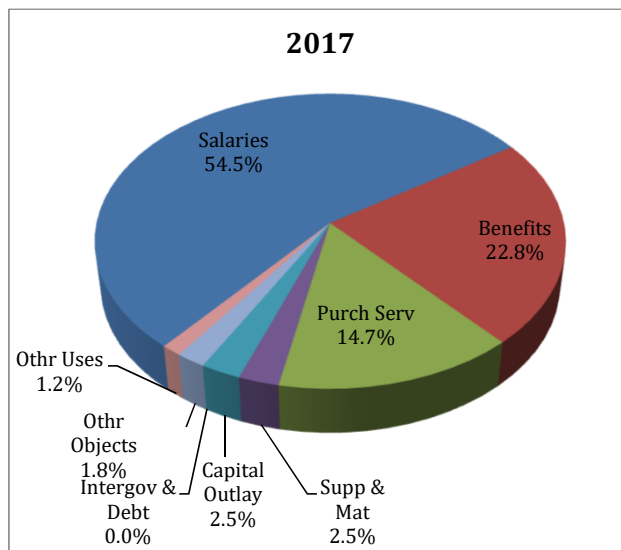
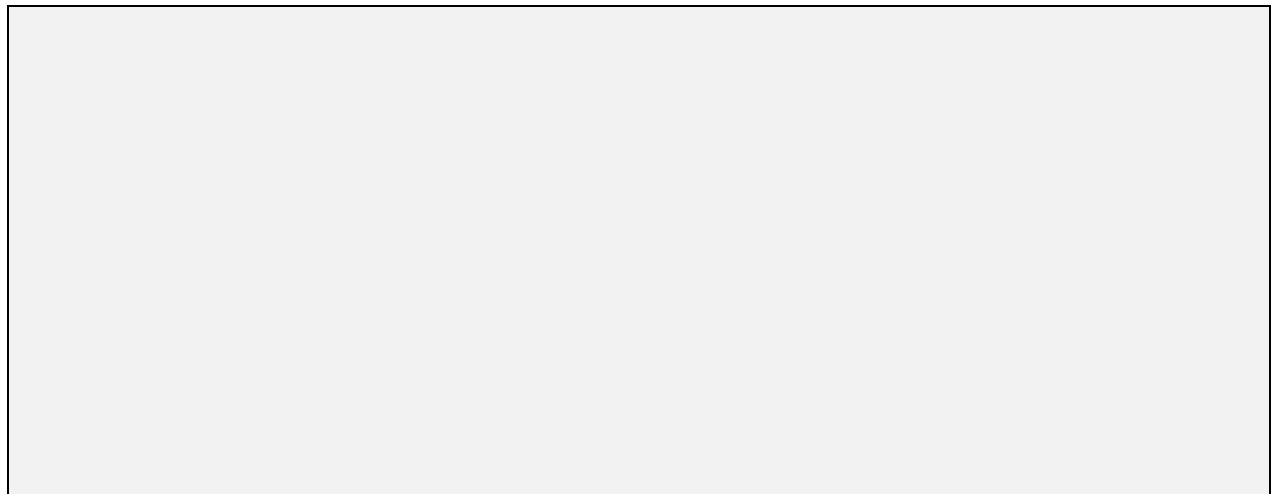
2.070 Total Other Financing Sources:

Items included here can represent amounts refunded from a prior year such as Medicaid funding. More research needs to be conducted to forecast this line going forward.



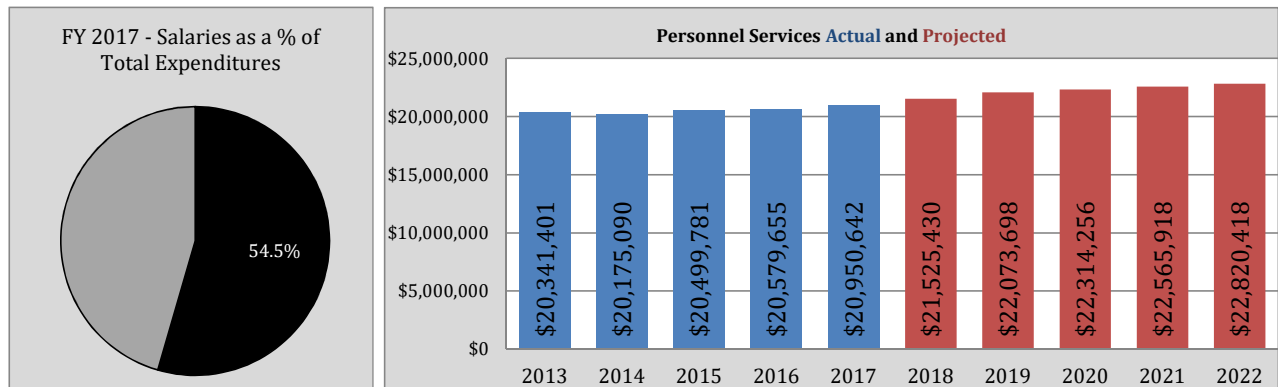
Expenditures Overview

	Prev. 5-Year Avg. Annual Change	PROJECTED					5-Year Avg. Annual Change
		Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	
Expenditures:							
3.010-Salaries	0.64%	2.74%	2.55%	1.09%	1.13%	1.13%	1.73%
3.020-Benefits	8.52%	2.59%	1.96%	2.00%	2.04%	2.08%	2.13%
3.030-Purchased Services	10.22%	-6.85%	0.20%	0.20%	0.20%	0.00%	-1.25%
3.040-Supplies & Materials	-0.47%	-7.95%	0.00%	0.00%	0.00%	0.00%	-1.59%
3.050-Capital Outlay	54.53%	-0.83%	1.06%	-25.17%	-46.49%	0.00%	-14.29%
3.060-Intergov	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4.010-4.060-Debt	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4.300-Other Objects	-6.30%	-1.00%	0.00%	0.00%	0.00%	0.00%	-0.20%
4.500-Total Expenditures	3.32%	0.85%	1.95%	0.50%	0.31%	1.15%	0.95%
5.040-Total Other Uses	28.80%	-45.26%	-28.68%	-40.21%	0.00%	0.00%	-22.83%
5.050-Total Exp & Other Uses	3.45%	0.28%	1.74%	0.31%	0.31%	1.15%	0.76%



3.010 - Personnel Services

Employee salaries and wages, including extended time, severance pay, supplemental contracts, etc.



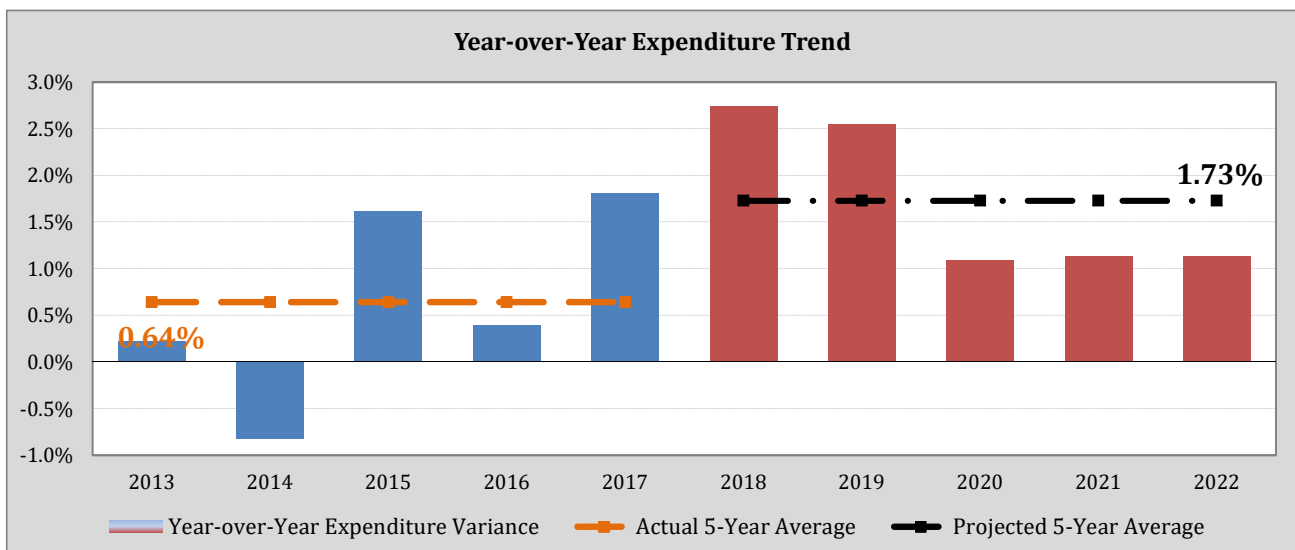
3.01 Personal Services:

A. Fiscal Year 2017-19: The amounts for salaries and benefits are based on existing negotiated agreements through FY19. A factor is included for step increases during this period and base increases of 1%, 2.0%, 2.0%. Although we assume future negotiations will result in future base increases, at this time these are not forecasted.

B. Step increase are projected through the forecast period.

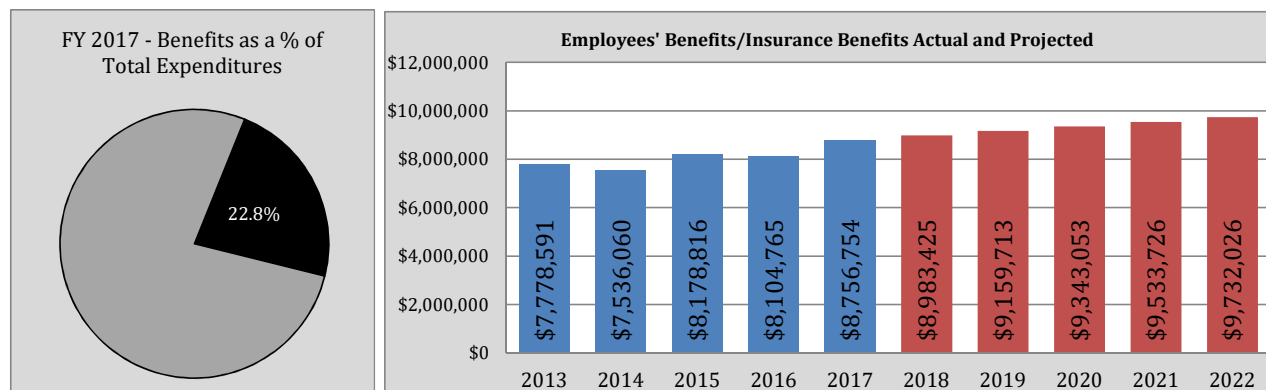
C. Retirements affecting FY 15 & FY 16 resulted in a significant decrease in salaries and benefits. Future retirements will be projected for savings as we receive retirement confirmations through the year.

D. The district will save approximately \$212,994 due to administrative staffing changes. In addition, the administrative team in cooperation with KEA organized a staffing realignment that resulted in additional savings.



3.020 - Employees' Benefits

Retirement for all employees, Workers Compensation, early retirement incentives, Medicare, unemployment, pickup on pickup, and all health-related insurances.



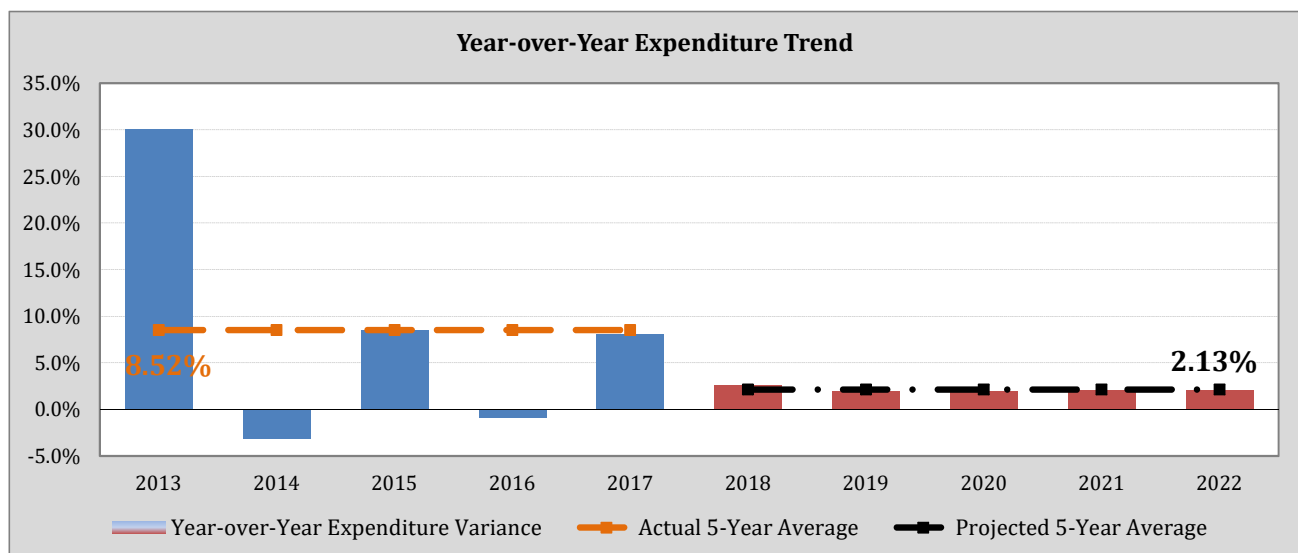
3.020 Employee Retirement & Benefits:

A. Employee benefits for retirement and Medicare are driven by salaries. Reductions in salaries will translate into savings in these benefits.

B. Workers compensation costs are showing some signs of decline as the districts workers compensation discount rate has improved slightly.

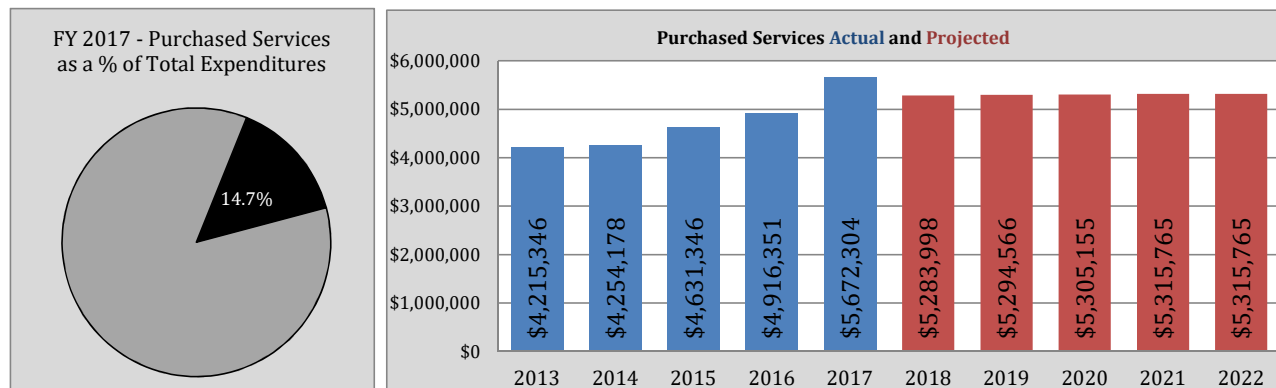
C. Health Insurance: Insurances are assumed to increase based on historical trends at 4.5 %

D. Retirements: See 3.01. The district may see some additional retirements in the next few years that could produce savings.



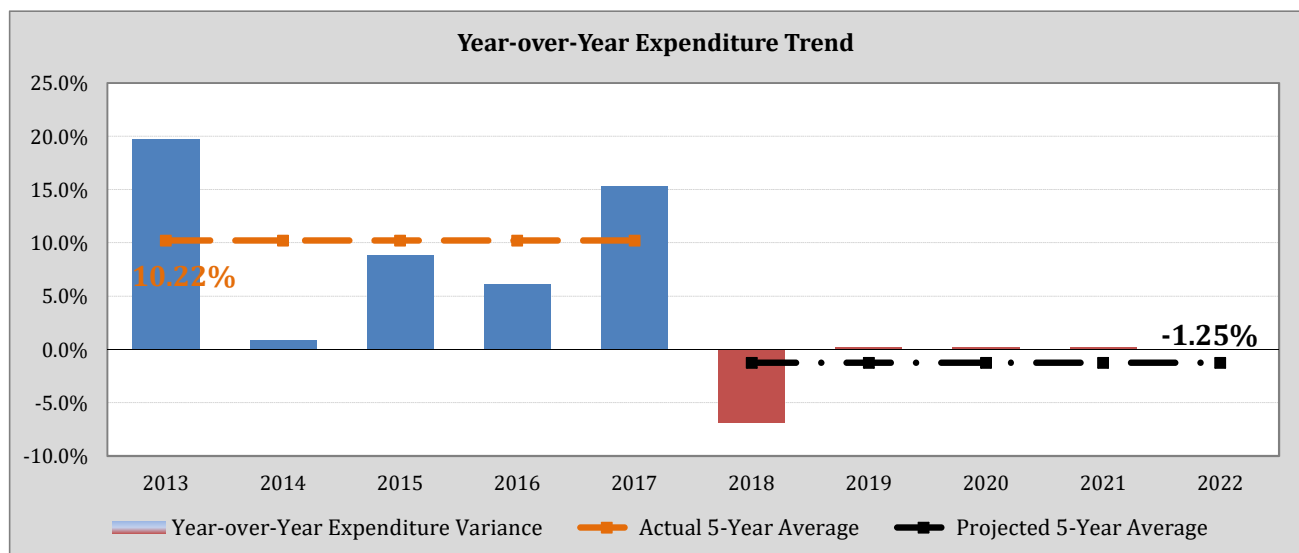
3.030 - Purchased Services

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.



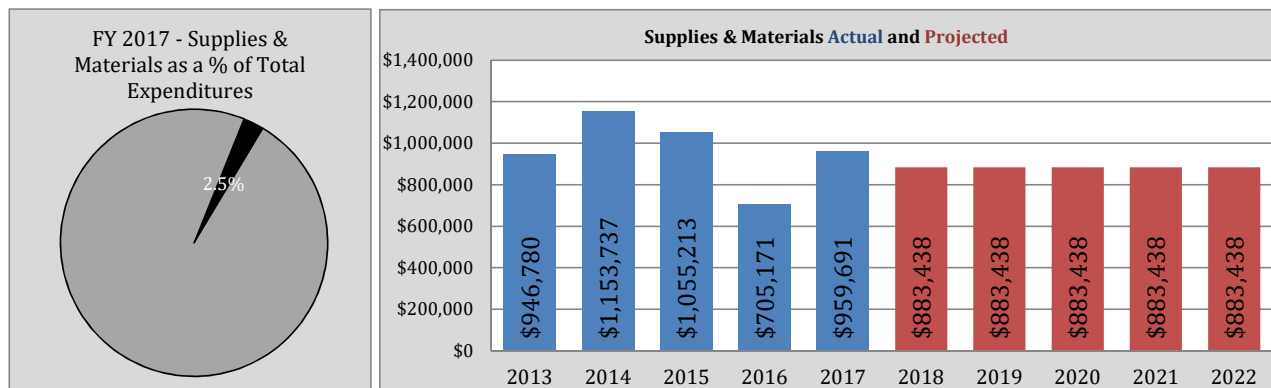
3.030 Purchased Services:

A significant expenditure in this area is tuition paid out to other districts through open enrollment community schools, and special education. Tuition paid out has increased historically. In addition, a material and significant expense for the district are special education contracted services. These total approximately \$2,500,000 and are included on this line of the forecast. The future estimates are based on input from the building principals and supervisors as well as historical patterns. Inflationary increases are built in at .20 percent. This line item also includes utilities and other such expenses that are more difficult to control.



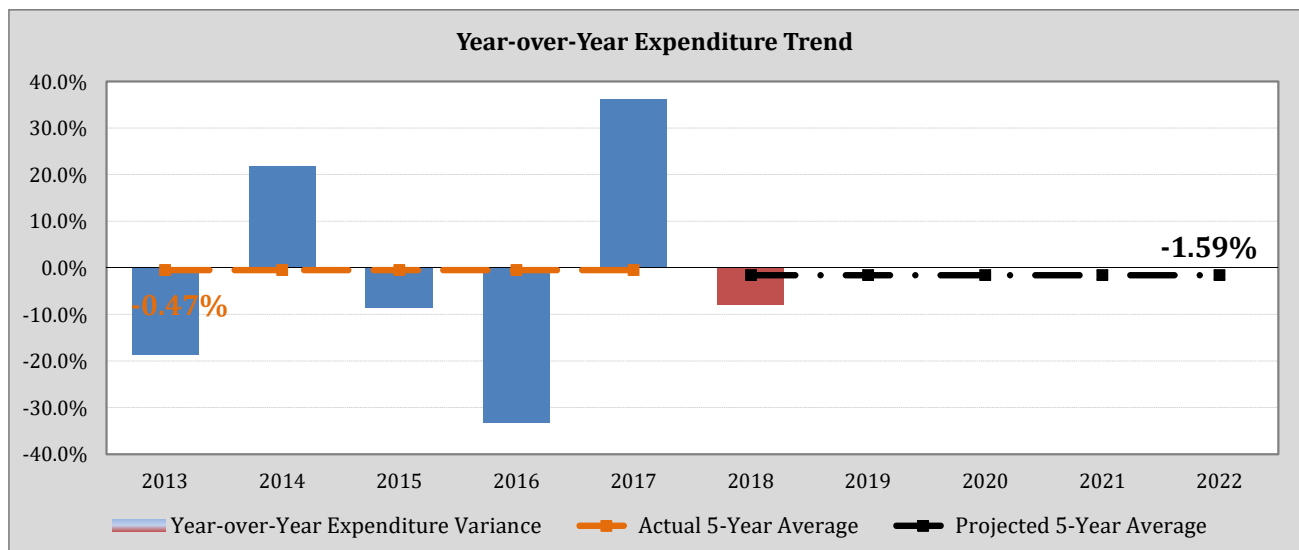
3.040 - Supplies & Materials

Expenditures for general supplies, instructional materials including textbooks and media material, bus fuel and tires, and all other maintenance supplies.



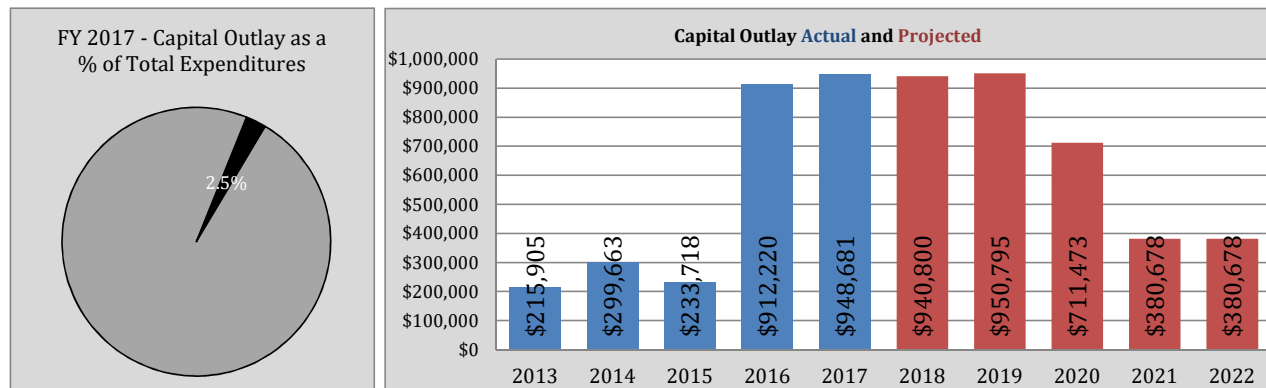
3.05 Supplies and Materials:

The future estimates are based on input from the building principals and supervisors as well as historical patterns. No inflationary increases are built in at this time.



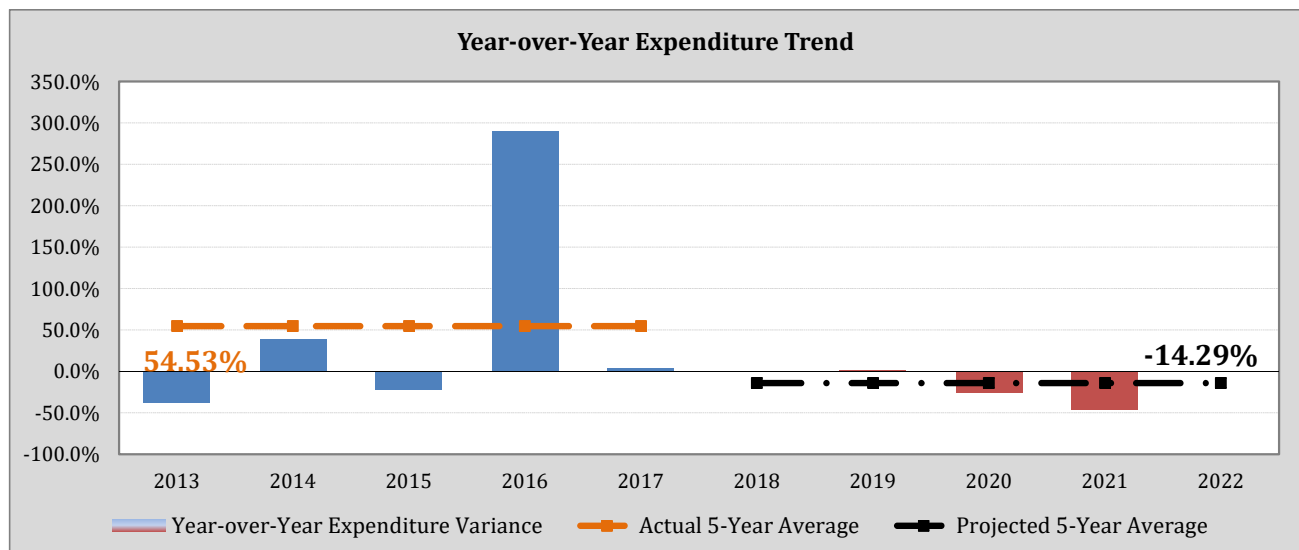
3.050 - Capital Outlay

This line includes expenditures for items having at least a five-year life expectancy, such as land, buildings, improvements of grounds, equipment, computers/technology, furnishings, and buses.



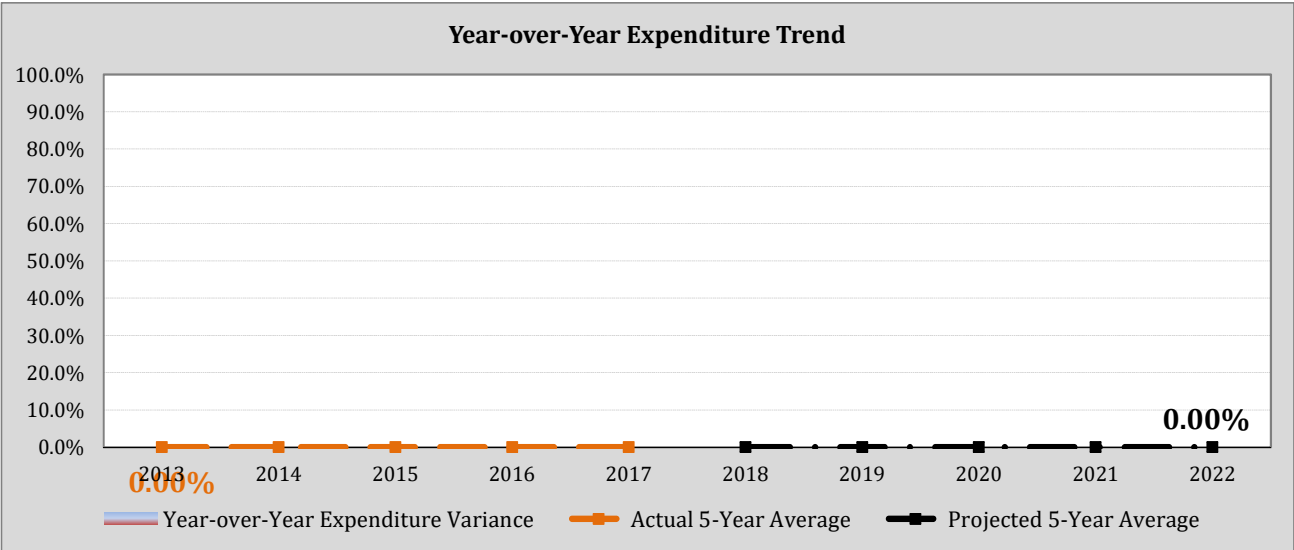
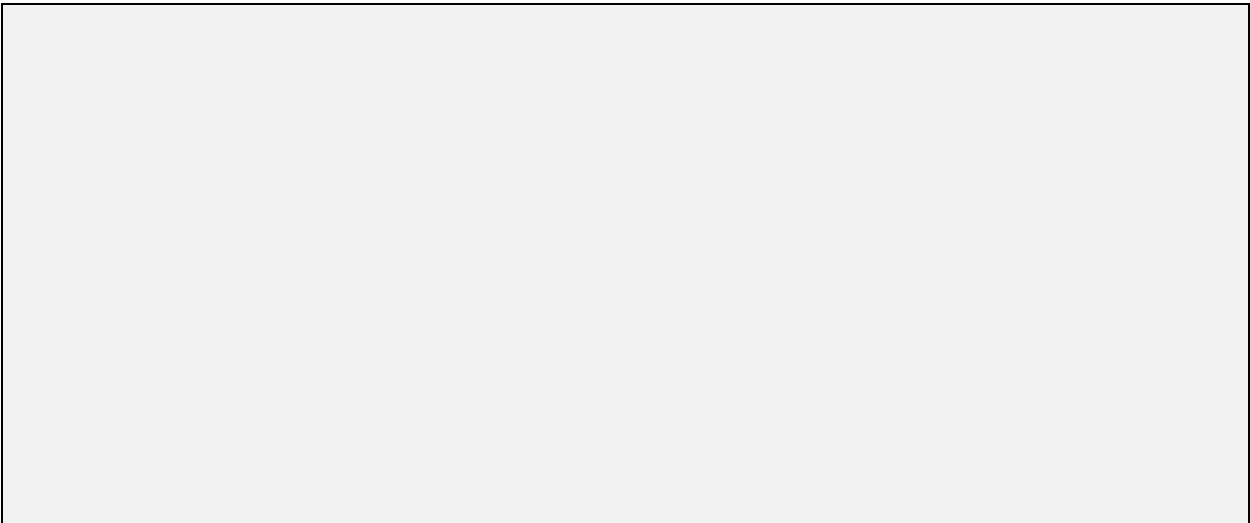
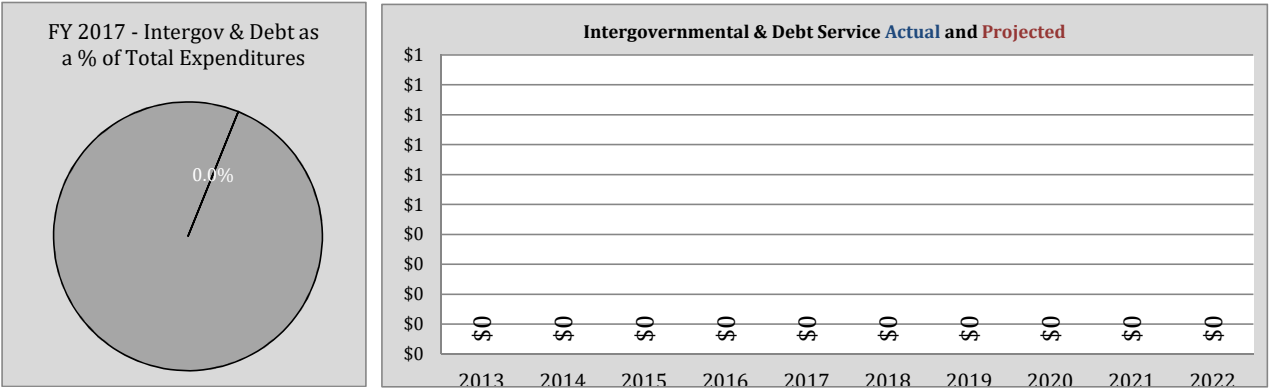
3.060 Capital Outlay:

The future estimates are based on input from the building principals and supervisors as well as historical patterns. No inflationary increases are built in at this time.



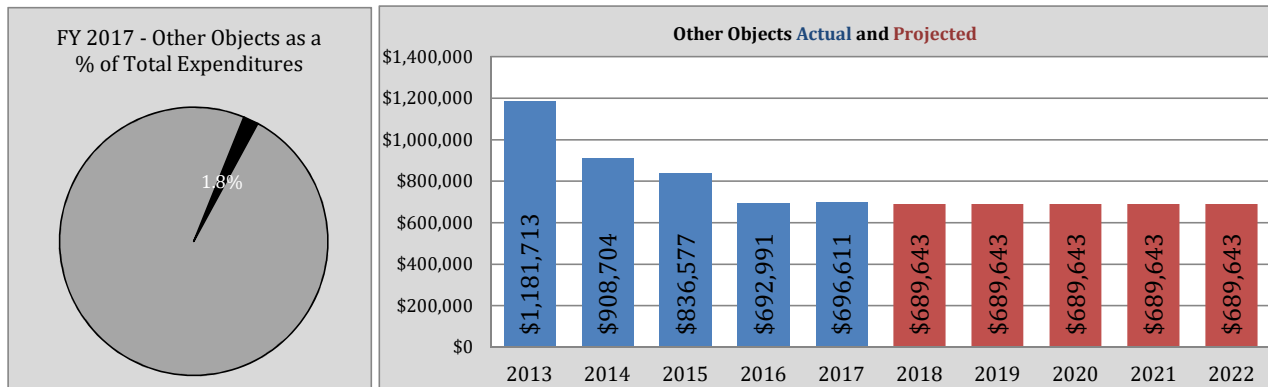
3.060-4.060 - Intergovernmental & Debt

These lines account for pass through payments, as well as monies received by a district on behalf of another governmental entity, plus principal and interest payments for general fund borrowing.



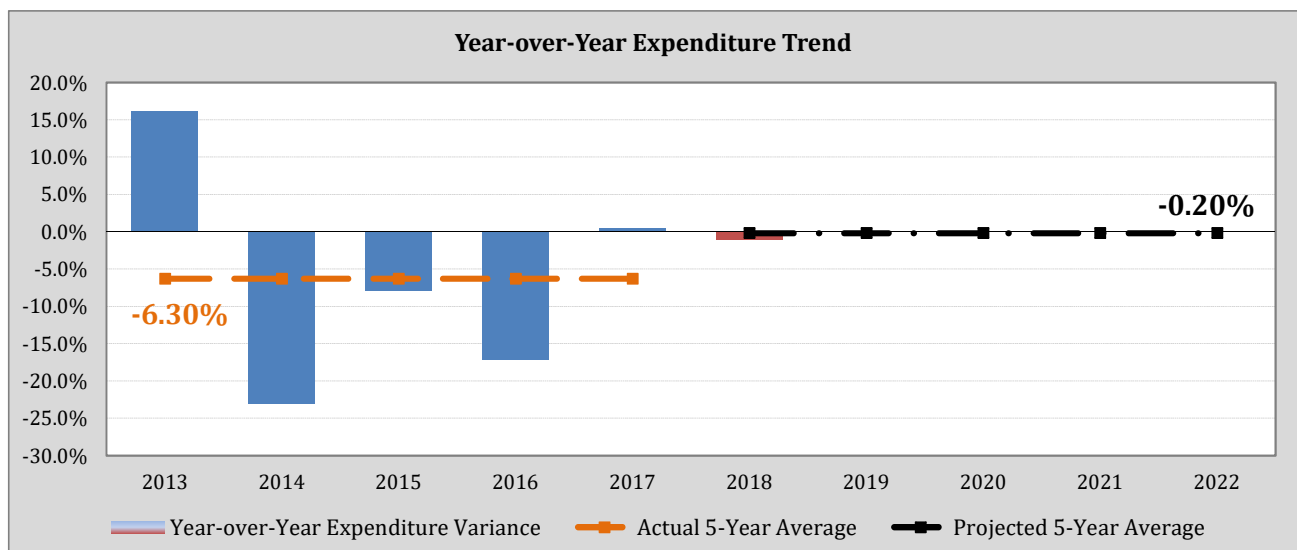
4.300 - Other Objects

Primary components for this expenditure line are membership dues and fees, ESC contract deductions, County Auditor/Treasurer fees, audit expenses, and election expenses.



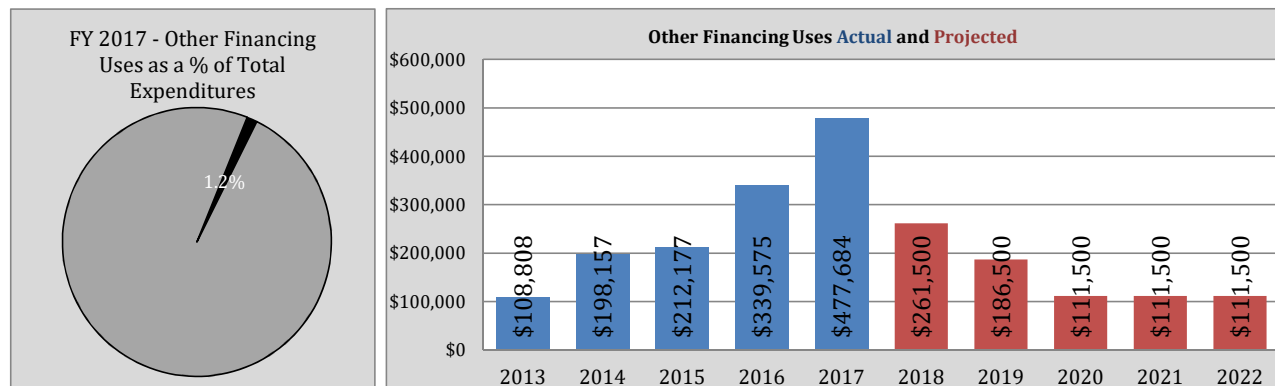
4.030 Other Objects:

This line includes debt service on the districts bus lease that began in fiscal year 2016. For Fiscal year 2017 and beyond this lease will be classified as capital outlay. Also included on this line are payments made to other governmental entities for certain fees.



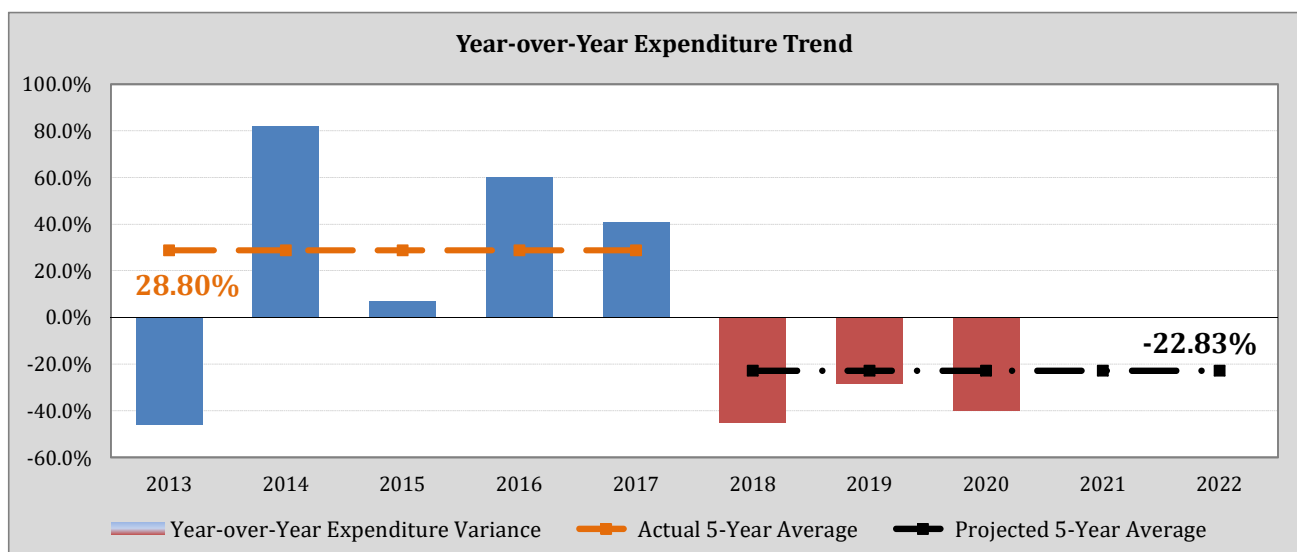
5.040 - Total Other Financing Uses

Operating transfers-out, advances out to other funds, and all other general fund financing uses.



5.010 Transfers / Advances:

This line item includes amounts forecasted for transfers and advances. Transfers are expenditures for the one-time movement of funds from the general operating fund to other district funds; usually to make up for short falls in those funds. Advances are expenditures for loans made from the general fund to other funds. It is a good policy to ensure that funds are loaned out and repaid within the same fiscal year. This year transfers are expected to be needed primarily for the districts food service fund. A significant financial goal of the district is to minimize or eliminate these interfund transfers.

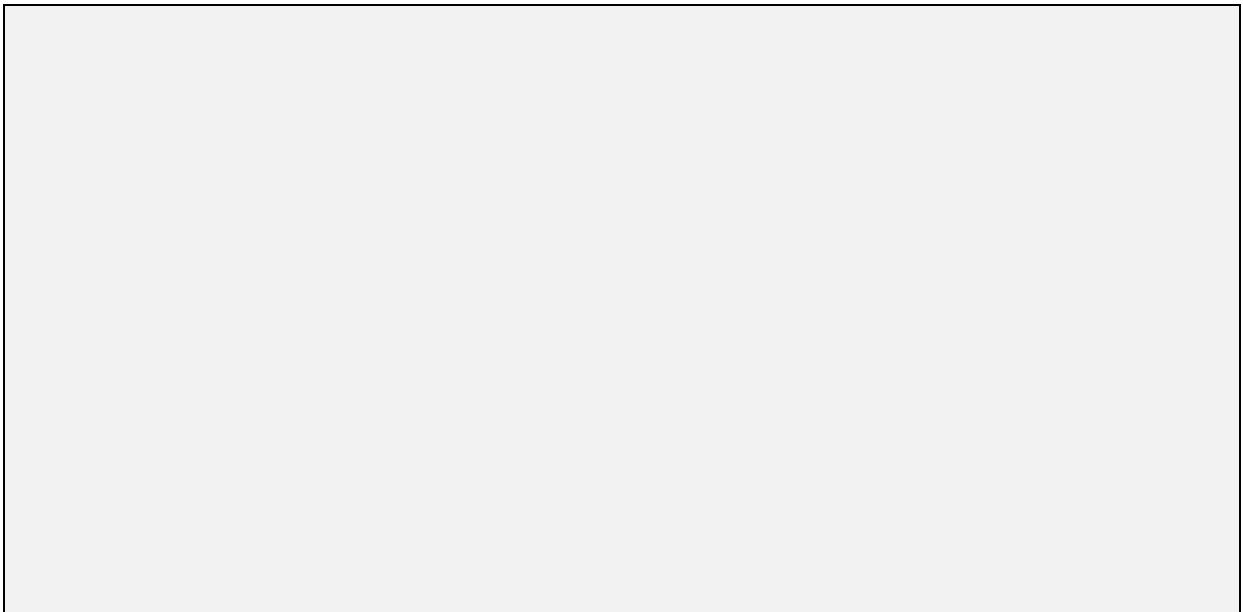


Forecast Compare

Comparison of Previous Forecast Amounts to Current Forecasted Numbers
F.Y. 2018

		Column A	Column B	Column C	Column D
		Previous	Current	Dollar Difference Between Previous and Current	Percent Difference Between Previous and Current
		Forecast Amounts For F.Y. 2018 Prepared on: 05/24/2017	Forecast Amounts For F.Y. 2018 Prepared on: 10/30/2017		
Revenue:					
1	Real Estate & Property Allocation	\$30,685,609	\$30,839,368	\$153,759	0.5%
2	Public Utility Personal Property	\$1,311,509	\$1,311,509	\$0	0.0%
3	Income Tax	\$0	\$0	\$0	n/a
4	State Foundation Restricted & Unrestricted	\$4,200,333	\$4,545,143	\$344,810	8.2%
5	Other Revenue	\$1,138,380	\$1,118,067	-\$20,313	-1.8%
6	Other Non Operating Revenue	\$150,000	\$150,000	\$0	0.0%
7	Total Revenue	\$37,485,831	\$37,964,086	\$478,255	1.3%
Expenditures:					
8	Salaries	\$21,333,071	\$21,525,430	\$192,359	0.9%
9	Fringe Benefits	\$8,858,086	\$8,983,425	\$125,339	1.4%
10	Purchased Services	\$5,583,455	\$5,283,998	-\$299,457	-5.4%
11	Supplies, Debt, Capital Outlay & Other	\$2,979,748	\$2,513,881	-\$465,867	-15.6%
12	Other Non Operating Expenditures	\$125,000	\$261,500	\$136,500	109.2%
13	Total Expenditures	\$38,879,360	\$38,568,234	-\$311,126	-0.8%
14	Revenue Over/(Under) Expenditures	-\$1,393,529	-\$604,148	\$789,381	2%*
15	Ending Cash Balance	\$10,445,336	\$11,209,887	\$764,551	2%*

*Percentage expressed in terms of total expenditures



Kenston Local Schools

Fiscal Year:	Actual	FORECASTED				
	2017	2018	2019	2020	2021	2022
Revenue:						
1.010 - General Property Tax (Real Estate)	27,291,870	27,550,370	27,687,140	27,917,099	28,190,625	28,463,210
1.020 - Public Utility Personal Property	1,207,687	1,311,509	1,374,461	1,440,435	1,509,576	1,582,036
1.030 - Income Tax	-	-	-	-	-	-
1.035 - Unrestricted Grants-in-Aid	5,020,484	4,221,173	3,992,124	3,990,105	3,989,431	3,988,081
1.040 - Restricted Grants-in-Aid	321,052	323,970	323,909	323,849	323,830	323,794
1.045 - Restricted Federal Grants - SFSF	-	-	-	-	-	-
1.050 - Property Tax Allocation	3,656,761	3,288,998	3,324,259	3,355,974	3,393,790	3,431,960
1.060 - All Other Operating Revenues	1,211,850	1,118,067	1,118,067	1,123,657	1,129,275	1,134,922
1.070 - Total Revenue	38,709,704	37,814,086	37,819,960	38,151,119	38,536,527	38,924,003
Other Financing Sources:						
2.010 - Proceeds from Sale of Notes	-	-	-	-	-	-
2.020 - State Emergency Loans and Adv	-	-	-	-	-	-
2.040 - Operating Transfers-In	-	-	-	-	-	-
2.050 - Advances-In	225,645	-	-	-	-	-
2.060 - All Other Financing Sources	203,277	150,000	150,000	150,000	150,000	-
2.070 - Total Other Financing Sources	428,922	150,000	150,000	150,000	150,000	-
2.080 - Total Rev & Other Sources	39,138,626	37,964,086	37,969,960	38,301,119	38,686,527	38,924,003
Expenditures:						
3.010 - Personnel Services	20,950,642	21,525,430	22,073,698	22,314,256	22,565,918	22,820,418
3.020 - Employee Benefits	8,756,754	8,983,425	9,159,713	9,343,053	9,533,726	9,732,026
3.030 - Purchased Services	5,672,304	5,283,998	5,294,566	5,305,155	5,315,765	5,315,765
3.040 - Supplies and Materials	959,691	883,438	883,438	883,438	883,438	883,438
3.050 - Capital Outlay	948,681	940,800	950,795	711,473	380,678	380,678
3.060 - Intergovernmental	-	-	-	-	-	-
Debt Service:						
4.010 - Principal-All Years	-	-	-	-	-	-
4.020 - Principal - Notes	-	-	-	-	-	-
4.030 - Principal - State Loans	-	-	-	-	-	-
4.040 - Principal - State Advances	-	-	-	-	-	-
4.050 - Principal - HB264 Loan	-	-	-	-	-	-
4.055 - Principal - Other	-	-	-	-	-	-
4.060 - Interest and Fiscal Charges	-	-	-	-	-	-
4.300 - Other Objects	696,611	689,643	689,643	689,643	689,643	689,643
4.500 - Total Expenditures	37,984,683	38,306,734	39,051,853	39,247,017	39,369,167	39,821,968
Other Financing Uses						
5.010 - Operating Transfers-Out	477,684	261,500	186,500	111,500	111,500	111,500
5.020 - Advances-Out	-	-	-	-	-	-
5.030 - All Other Financing Uses	-	-	-	-	-	-
5.040 - Total Other Financing Uses	477,684	261,500	186,500	111,500	111,500	111,500
5.050 - Total Exp and Other Financing Uses	38,462,367	38,568,234	39,238,353	39,358,517	39,480,667	39,933,468
6.010 - Excess of Rev Over/(Under) Exp	676,258	(604,148)	(1,268,393)	(1,057,398)	(794,140)	(1,009,465)
7.010 - Cash Balance July 1 (No Levies)	11,137,777	11,814,036	11,209,887	9,941,494	8,884,096	8,089,956
7.020 - Cash Balance June 30 (No Levies)	11,814,036	11,209,887	9,941,494	8,884,096	8,089,956	7,080,492
8.010 - Estimated Encumbrances June 30	273,979	150,000	150,000	150,000	150,000	150,000
9.080 - Reservations Subtotal	-	-	-	-	-	-
10.010 - Fund Bal June 30 for Cert of App	11,540,057	11,059,887	9,791,494	8,734,096	7,939,956	6,930,492
Rev from Replacement/Renewal Levies						
11.010 & 11.020 - Income & Property Tax-Renewal	-	-	-	-	-	-
11.030 - Cumulative Balance of Levies	-	-	-	-	-	-
12.010 - Fund Bal June 30 for Cert of Obligations	11,540,057	11,059,887	9,791,494	8,734,096	7,939,956	6,930,492
Revenue from New Levies						
13.010 & 13.020 - Income & Property Tax-New	-	-	-	-	-	-
13.030 - Cumulative Balance of New Levies	-	-	-	-	-	-
15.010 - Unreserved Fund Balance June 30	11,540,057	11,059,887	9,791,494	8,734,096	7,939,956	6,930,492