

Valley View Local Schools
SUMMARY OF SIGNIFICANT GENERAL FUND FINANCIAL FORECAST
ASSUMPTIONS
October 2017 (Updated May 2018)

INTRODUCTION – DISTRICT SUMMARY

While the attached state mandated forecasting format is useful for tracking expenses by category, it does not entirely reflect the budgeting methods used by the Valley View Local Schools Board and Administration in managing the resources of the district. The data presented is accurate and inclusive as of the date of its presentation; however, to gain further understanding of the district's management practices or achievement of goals it may be necessary for the reader to consider the district's budgeting process and plan as it is monitored and reported on a monthly basis. Projections take into consideration information received from the Montgomery County Auditor, Ohio Department of Taxation, the Ohio Department of Education, the State of Ohio Budget and the Federal Government.

INTRODUCTION – FORECAST SUMMARY

This financial forecast includes three years of historical data and five years of projected data in the district's General Fund. The current fiscal year, 2017-2018, is the first year of projected data. While this document provides the reader with material assumptions it is recommended that interested parties contact the treasurer's office for information on changes and assumptions.

Key Influences on the Forecast:

Unrestricted State Grants-in-Aid – The State of Ohio approves a biennium budget every two years. FY 2018 is the first year of a two year budget. The State of Ohio is required to have a budget approved by July 1st. As of the submission of this forecast, the FY 2018 budget has been approved by the State of Ohio and assumptions are based on simulations of the current version of the budget bill.

Levy Renewal - In accordance with state law, anticipated revenue from renewal levies is presented separately from real and personal property tax revenue.

Collective Bargaining Unit – Public education is a service based “industry”. Consequently, over 75% of our cost is associated with personnel. Assumptions regarding the pay, benefits, and additions/reductions of personnel are subject to a great deal of change based on the district's bargaining to efficiently meet district goals.

REVENUES

1.010 General Property Tax (Real Estate).

General Property Tax revenue is money collected from taxes assessed on property within the district. Property values tend to be adversely related to the values of those in Montgomery County as a result of the volume of agricultural property within the district. The district passed its last new money request, 6.97 mills, in May 2013 as a continuous levy. The district has no termed levies to renew.

1.020 Tangible Personal Property Tax.

Tangible Personal Property Revenue is money paid to the district in form of taxation on machinery, inventory, and other equipment owned by local businesses. The elimination of the tangible personal property tax is factored into the forecast. Public Utility Personal Property tax for FY 2018 is based on the actual tax collected fiscal year to date and future projections through the end of the fiscal year.

1.030 Income Tax

Valley View has been collecting an income tax since 1992. It accounts for approximately 17% of general fund revenues. There are two income tax levies: 0.75% and 0.5%. Both of these income tax levies were passed as continuous levies on the May 2015 ballot. Valley View watches income tax collection closely as it can fluctuate with the economy and job market.

1.35 Unrestricted Grants-in-Aid (State Foundation).

State funding can have significant changes from biennial budget to biennial budget. In the forecast, Valley View plans on receiving \$9,132,613 in State Foundation for the current year and a decrease of \$9,000 for FY2019. The forecast assumes no changes in State Foundation support after FY2019.

1.04 Restricted Grants-in-Aid – These are miscellaneous grants acquired by Valley View Schools for specific purposes, which are primarily Economically Disadvantage state funding and Career Tech state funding.

1.045 Restricted Grants-in-Aid (Federal Stabilization Funds) – Revenue from the American Reinvestment and Recovery Act as identified and passed through by the state of Ohio. These funds covered fiscal years 2010 and 2011 and are now expired.

1.050 Property Tax Allocation (Rollback and Home site Reimbursement).

The rollback and homestead reimbursements are tax credits by the State of Ohio granted to owners of real estate property. A 10% reduction in the property taxes paid by the owner is paid by the state to the school district. If the property owner occupies the property, then an additional 2.5% reduction in the property taxes is paid by the state to the school district

instead of the property owner. This line also reflects the state's reimbursement of lost personal property taxes except those the state shifted (.5 mills) to our taxpayers.

1.060 All Other Revenues.

Other local taxes include investment earnings, proceeds from rental of our facilities, transportation fees, tuition and tuition for special education students. These revenue items can greatly fluctuate from year-to-year.

1.070 Total Revenues.

The revenue projections are based on the best information available at this time. It should be noted that while necessary for effective management, there is a great deal of volatility in forecasting five-year's of revenue in a state that budgets two years at a time. Variations to the forecast are expected. Income tax is a significant and volatile portion of Valley View's overall revenue. The district is closely monitoring changes in revenue to adjust as quickly as possible to material weaknesses.

2.050 Advances-In

The General Fund is required to advance funds to Federal and/or State Grant funds to cover fiscal year end expenditures while waiting for final settlements to the district. The advances are repaid to the general fund upon receipt of the Federal and/or State Grant funds.

EXPENDITURES

3.010 Personal Services (Salaries).

This line accounts for all salaries. FY18 plans on a 5.2% increase due to the hiring of new positions and negotiated increases and step recoveries. FY20 and beyond are forecasted with the remaining years accounting for a 2% annual increase and steps.

3.020 Employees' Retirement/Insurance Benefits.

This line accounts for the fringe benefits (board paid contributions to employee retirement systems, medical, dental and life insurance premiums, Medicare, and workers compensation) of the entire staff.

Retirement

Retirement costs increases are in direct, positive correlation to salary and wage increases.

Medical insurance

It is assumed that medical benefit costs will remain steady with the implementation of an insurance committee. FY19 plans for a 3% increase and FY20 and beyond a 5% increase annually in medical benefit costs.

Dental insurance

The district is planning on FY18 3% increase, FY19 5% increase, FY20 3% increase, FY21 5% increase and FY22 3% increase in dental insurance rates.

Medicare

Only employees hired at Valley View since April 1, 1986 are required to pay Medicare taxes. The district is required to pay a matching 1.45% of all salaries and wages for those employees.

3.030 Purchased Services.

The main budget items in this area include all utilities (gas, electric, water, sewer, garbage), equipment repairs, liability, property and fleet insurance, postage, college credit plus tuition, special education tuition and Montgomery County Educational Service Center state foundation deductions for services provided by MCECSC. These budget items are generally considered the fixed cost items to operating the district. The district participates in the Educational Purchasing Council and purchases gas and electricity as a group thereby obtaining a lower rate than if we were to purchase separately.

Transportation

As a direct result of the cost reduction plan put into place the district has contracted for Transportation services starting in FY14. It is estimated that these charges are nearly \$1,250,000 annually with a 2.5% increase annually in the contracted service and a 1% increase in fuel costs.

3.040 Supplies.

The amount spent on supplies, materials and textbooks can vary significantly annually. The curriculum and subsequent textbook purchase cycle primarily account for this variation. In addition, timing may also play a significant role in cost reporting depending upon when the textbooks are ordered, delivered, and when the bill is paid.

3.050 Capital Outlay.

Capital outlay includes all new and replacement equipment for the district. Examples of these items include microscopes, calculators, and computers/technology. This is an area that is governed by the House Bill 412 and Senate Bill 345 requirements mandating purchases toward capital improvements and maintenance. These forecasted figures comply with those mandates. However, capital outlay can vary significantly each fiscal year depending upon need, funding, timing, and the PI fund. The district expects minimal capital outlay as a result of the PI fund for every year of the forecast. Anticipated increased needs in both technology and facilities are expected to be covered through the PI funds.

4.300 Other Objects.

The main budget items in this area include Montgomery County Auditor and Treasurer fees for collecting our local property taxes and distributing them to our district, election expenses, fees paid to the State of Ohio for collecting and distributing the School District Income tax, bank charges, and the annual financial audit. It is assumed that the County Auditor will continue to collect fees at an increased level as the district has experienced in the past few years.

5.020 Advances Out

The General Fund is required to advance funds to Federal and/or State Grant funds to cover fiscal year end expenditures while waiting for final settlements to the district. The advances are repaid to the general fund upon receipt of the Federal and/or State Grant funds.

8.010 Encumbrances.

Encumbrances are financial obligations the district has made to vendors but not paid in full (example, open purchase orders).

Encumbrances are similar to an accounts payable in business. Budgetary accounting uses encumbrances as a method to reserve fund balance for future payment of goods and services ordered. In effect, it ensures that the district will not spend the funds on something else when it has already been committed for a particular purpose, unlike an accounts payable, which is only established when the goods or services are actually received. Since all purchases are required to be encumbered when ordered, the amount of encumbrances at year-end is directly related to the timing of ordering, delivery and subsequent payment of the bill. As a result of those timing issues, the ending encumbrances as of June 30 each year can vary significantly.

The only impact of a deviation is that if encumbrances increase then expenditures will have decreased from forecasted levels or vice versa. The impact on available funds is zero.

RESERVATION OF FUND BALANCE

9.010 Textbooks and Instructional Materials

On an annual basis, the textbook and instructional supplies set-aside requirements should be met through General Fund expenditures already projected in the forecast; therefore, there are no additional reservations required.

9.020 Capital Improvements

On an annual basis, the capital improvements and maintenance set-aside requirements should be met through General Fund expenditures already projected in the forecast; therefore, there are no additional reservations required.

9.030 Budget Reserve.

There is no longer a requirement to place additional funds into this reserve.

REVENUE FROM REPLACEMENT/RENEWAL LEVIES

11.010 Income Tax – Renewal.

The district currently has no levies which require renewal. The income tax levies were voted to be continuous levies on the May 2015 ballot.

11.020 Property Tax – Renewal or Replacement

The district passed its last new money request, 6.97 mills, in May 2013 as a continuous levy. The district has no termed levies to renew.

UNRESERVED FUND BALANCE

15.010 Unreserved Fund Balance June 30.

This is the bottom line for the district once all of the revenues, expenditures, debt payments, and HB412 requirements are accounted for. Every fiscal year must end with a positive unreserved fund balance.

ARRA STABILIZATION FUNDS

21.03 Note regarding federal dollars passed through the state of Ohio

All stabilization dollars coming from the federal government through the state of Ohio are expired.

CONCLUSION

Finally, this financial forecast represents the information available and known at this time. The fiscal planning is more volatile and necessary than it has been in the last decade, and those wishing to understand district funding are encouraged to contact the treasurer for the most recent and accurate district information. Revisions made on this May 2018 forecast are basically small updates to some of the actual revenue figures known at this time. The spending is on track with the original forecast presented in October and no significant changes in budgeting and planning have taken place.