



Loveland City Schools

Five Year Forecast Financial Report

October, 2016

Brett Griffith, CFO

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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.

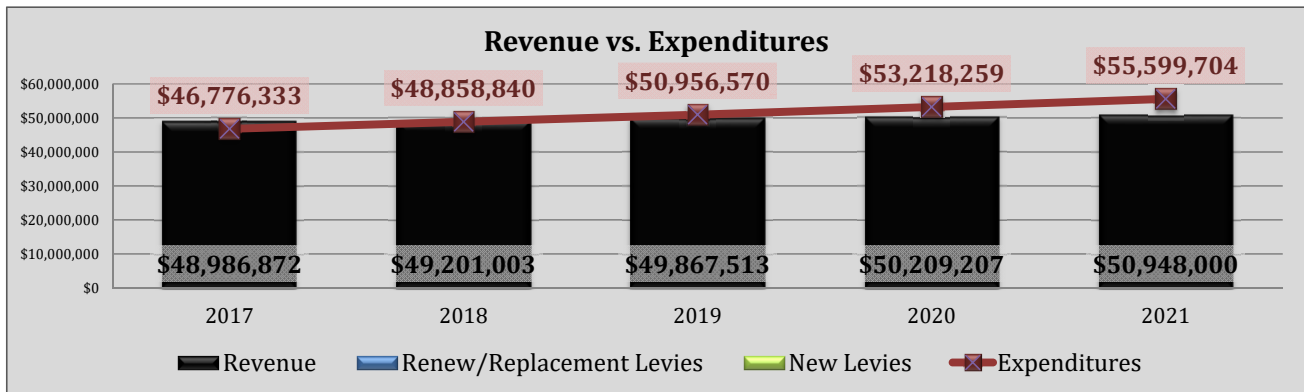
Five Year Forecast - Simplified Statement

	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
Beginning Balance	12,433,258	14,643,797	14,985,961	13,896,903	10,887,852
+ Revenue	48,986,872	49,201,003	49,867,513	50,209,207	50,948,000
+ Proposed Renew/Replacement Levies	-	-	-	-	-
+ Proposed New Levies	-	-	-	-	-
- Expenditures	(46,776,333)	(48,858,840)	(50,956,570)	(53,218,259)	(55,599,704)
= Revenue Surplus or Deficit	2,210,539	342,163	(1,089,057)	(3,009,052)	(4,651,704)
Ending Balance	14,643,797	14,985,961	13,896,903	10,887,852	6,236,148
Revenue Surplus or Deficit w/o Levies	2,210,539	342,163	(1,089,057)	(3,009,052)	(4,651,704)
Ending Balance w/o Levies	14,643,797	14,985,961	13,896,903	10,887,852	6,236,148

Summary:

The district continues to maintain an operating forecast that indicates that the 2014 levy will last at least five years. In other words, a new levy request may not be needed until at least 2019. The current forecast does not include any additional (new) operating levies.

As reported in past forecasts the district continues to trend toward revenue shortfall. In response, the district will annually assess its spending decisions to provide needed student services with an eye toward financial stewardship and stability. The district projects to maintain a positive cash balance through FY 2021.

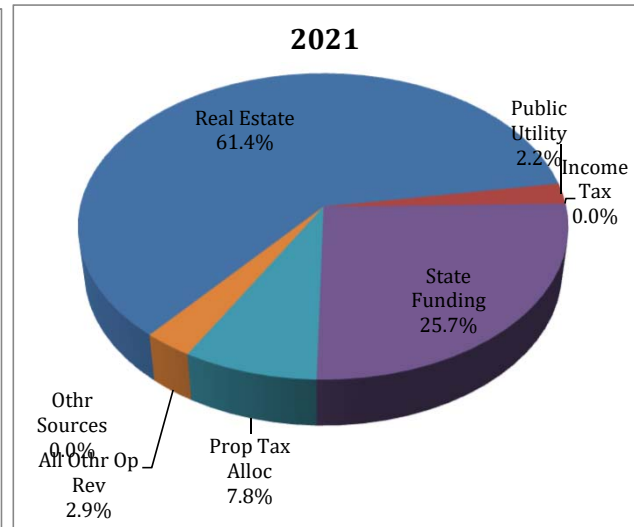
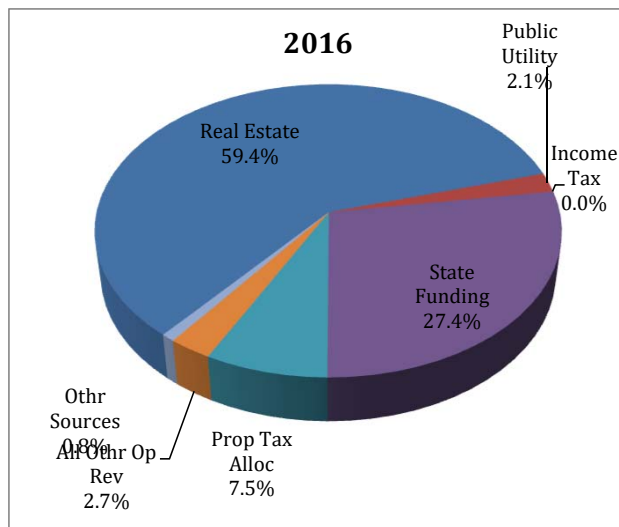


Revenue Overview

	Prev. 5-Year Avg. Annual Change	PROJECTED					5-Year Avg. Annual Change
		Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	
Revenue:							
1.010-Real Estate	5.79%	0.25%	1.72%	1.63%	1.49%	1.98%	1.41%
1.020-Public Utility	15.05%	2.11%	1.00%	1.00%	1.00%	1.00%	1.22%
1.030-Income Tax	n/a	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
1.035-State Funding	5.11%	1.24%	-2.29%	0.56%	-1.68%	0.00%	-0.43%
1.040-Restricted Aid	86.89%	-19.44%	-0.39%	-0.06%	-0.07%	-0.11%	-4.02%
1.045-Restr Federal SFSF	-100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
1.050-Property Tax Alloc	-1.75%	0.98%	1.58%	1.70%	1.65%	2.11%	1.61%
1.060-All Other Operating	5.23%	2.10%	1.80%	2.59%	2.62%	2.64%	2.35%
1.070-Total Revenue	4.33%	0.55%	0.59%	1.35%	0.69%	1.47%	0.93%
2.070-Total Other Sources	353.21%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2.080-Total Rev & Other Srcs	4.50%	-0.14%	0.44%	1.35%	0.69%	1.47%	0.76%

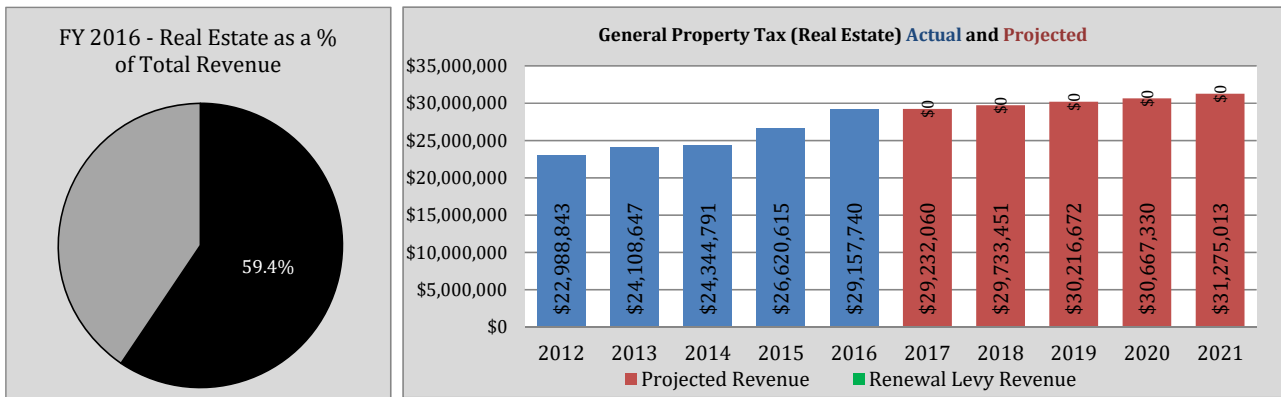
The district's historical revenue change increased because of a new levy passed in calendar year 2014 for collection in calendar year 2015, thus impacting FY 2015 and FY 2016. No new levies are reflected in the current forecast period ending FY 2021.

State revenue is projected to decline slightly in response to reductions in the state's guarantee funding. The state will provide initial budget information in February, 2017 for FY's 2018 and 2019. If the state's budget provides for a higher guaranteed funding level then the district's forecast will be updated. An improvement in the district's guarantee amount would range from approximately \$200,000 to \$600,000 per year in additional revenue.



1.010 - General Property Tax (Real Estate)

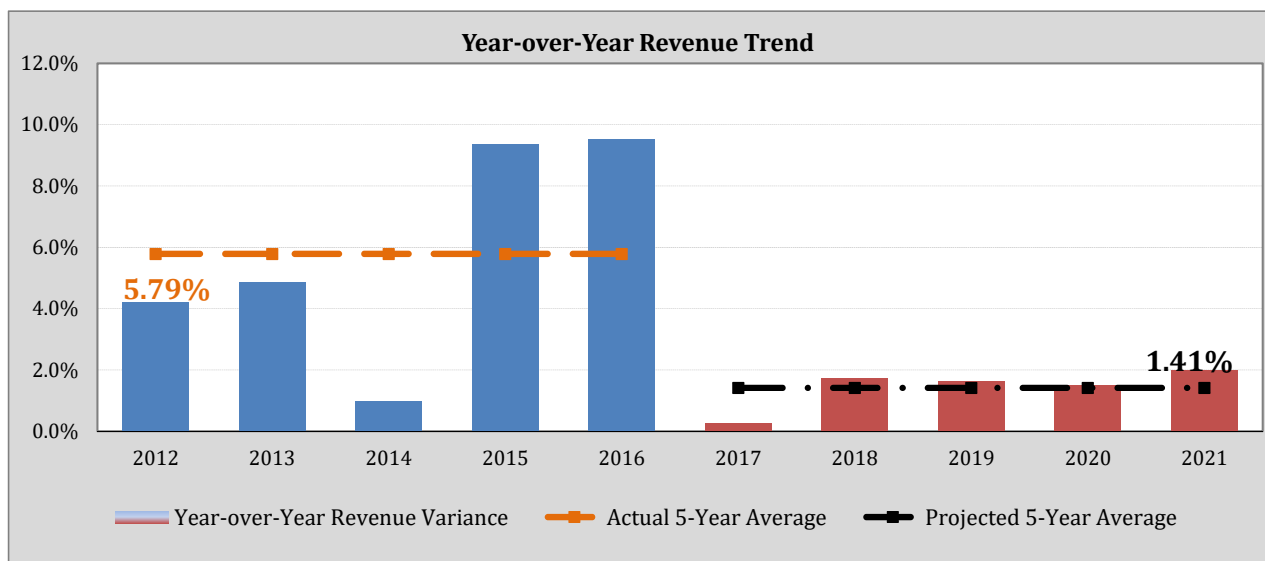
Revenue collected from taxes levied by a school district by the assessed valuation of real property using effective tax rates for class I (residential/agricultural) and class II (business).



Real estate property tax revenue comprises 59.4% of the district's revenue. Tax rates and property values are its key components. Revenue increased in FY 2015 due to a 5.6 mill levy that was passed in May, 2014. Full collections on that new levy were realized by FY 2016. The district's residential effective tax rate (operating levies) was 42.14 in tax year 2015, for collections in 2016, which is \$4.21 per \$1,000 of assessed property valuation. Residential valuation is assessed at 35% of appraised.

Gross collections for real estate taxes, including current taxes paid and delinquencies, have remained very consistent at a near 99% rate. Projected collections are expected to continue at this level. As a result, overall dollars generated from collections are expected to exhibit modest growth over the forecasted period.

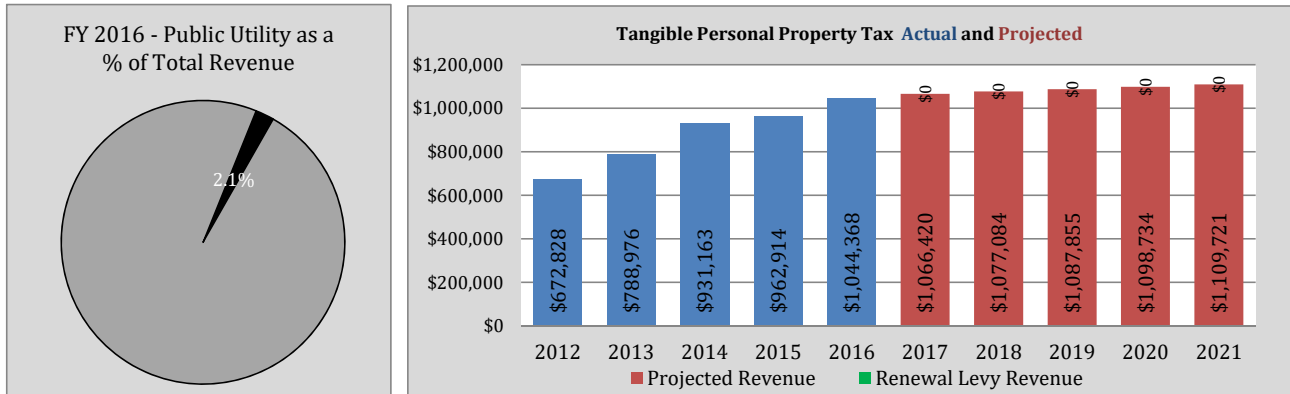
The district's taxpayers continue to pay taxes at an average of 99% of taxes billed. The forecast is modeling a consistent collection rate for the forecasted period. As much as an additional 1% could be realized beyond these modeled assumptions, and if the full 1% in potential revenue is realized then the annual revenue would increase by about \$280,000.



*Projected % trends include renewal levies

1.020 - Public Utility Personal Property

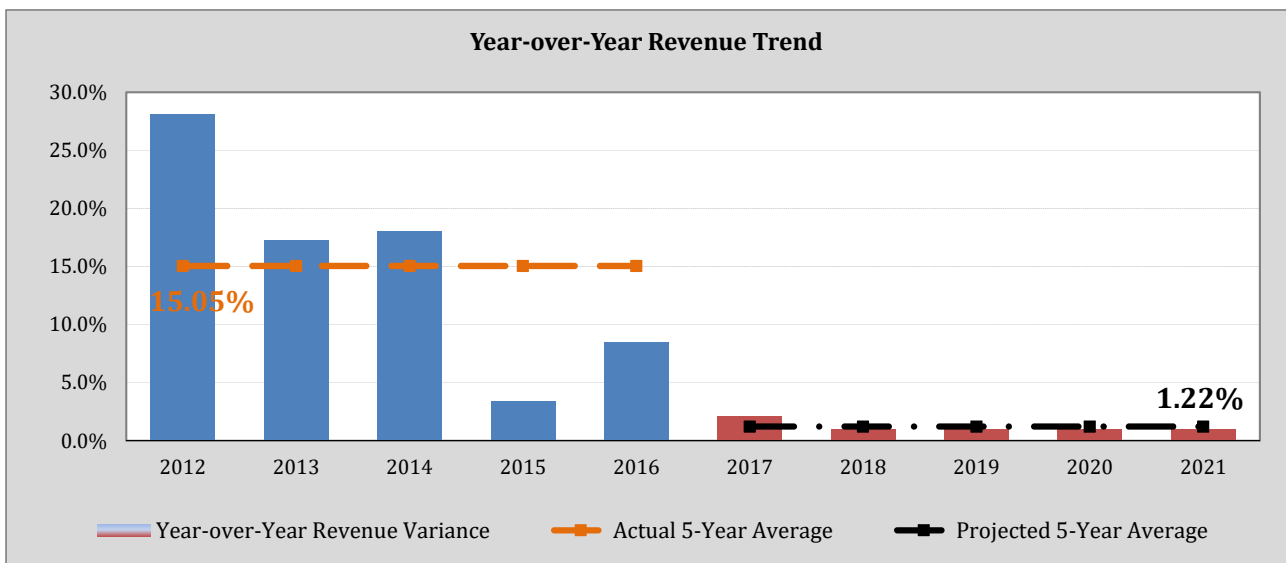
Revenue generated from public utility personal property valuations multiplied by the district's full voted tax rate.



Public utility property (gas lines, power grids, etc.) generates only 2.1% of the district's revenue. The valuation is taxed at the district's full voted tax rate, which was 75.34 mills (\$7.53 per \$1,000 of assessed valuation) in tax year 2015.

Approximately \$78,000 of the increase in public utility tax collections for FY 2014 is believed to be due to prior year delinquencies paid in the first half of calendar year 2014. The revenue settlement information provided to the district does not offer this documentation. However, had this \$78,000 been received in 2014 for prior year amounts owed, then the revenue would have been about \$853,000 instead of \$931,163. This is worth documenting because the new levy would be expected to generate a larger increase in 2015 relative to 2014. The year-over-year increase is diminished because of the inflated 2014 basis.

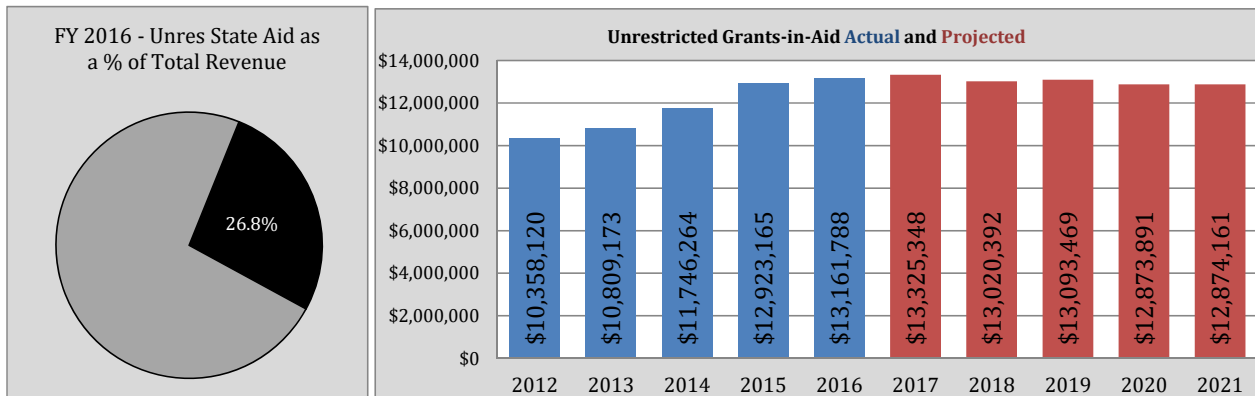
Future valuations, FY 2017 and beyond, are expected to grow at the rate of about 1% per year over the forecast period, which explains the gradually increasing revenue estimates for this category.



*Projected % trends include renewal levies

1.035 - Unrestricted Grants-in-Aid

Funds received through the State Foundation Program with no restriction.

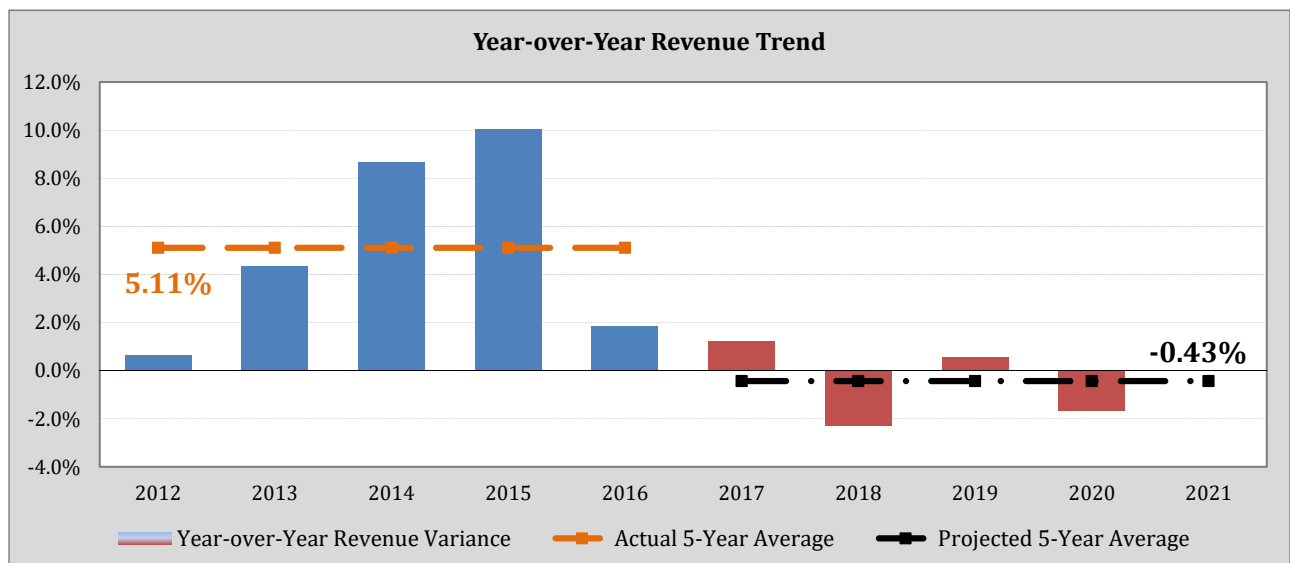


The state's per pupil funding formula generates 26.8% of the district's revenue. Beginning in FY 2014, Ohio implemented a new funding formula. That particular formula provided noteworthy funding increases for Loveland, but the totals were limited by funding caps imposed by the state due to the fact it could not fully fund the statewide calculated amounts. With the caps in place, Loveland had more than \$500,000 in calculated formula funding still owed to it at the end of FY 2015.

The State adopted a new budget to fund schools in FY 2016 and FY 2017. The core formula is very similar to the immediate past formula which relies upon a state share percentage calculated by utilizing a combination of valuation per pupil and median income per pupil. The district's state share in FY 2016 and 2017 is 35.1%, which will only provide \$2,104 of the state's core aid per pupil of \$6,000 to Loveland this fiscal year.

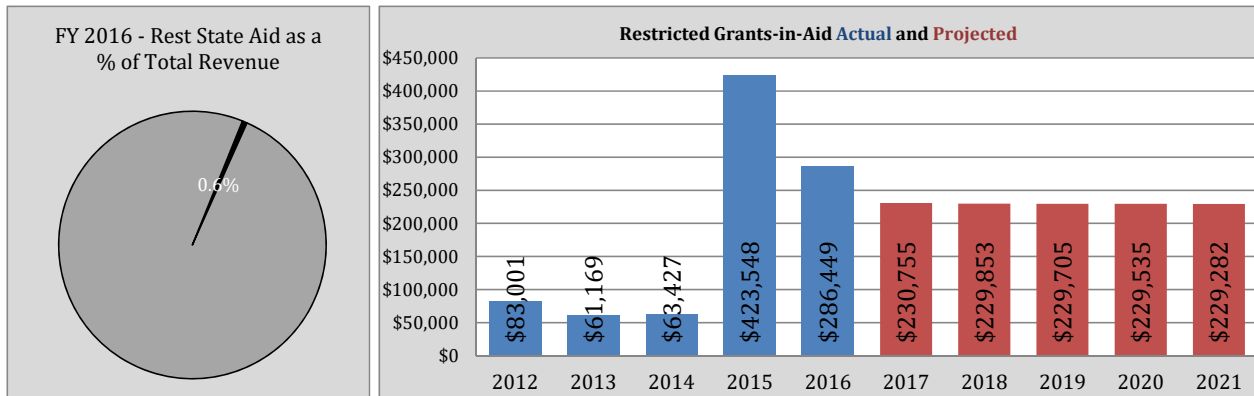
State funding is expected to peak in FY 2017 and transition to a guarantee amount by FY 2020. Although the current legislation only runs through FY 2017, the forecast assumes a continuation of the current formula though 2021. The forecast also assumes a guarantee of 100% of the amount received in 2015. It is the 2015 guarantee basis that causes the district's funding to drop from FY 2018 through FY 2020.

This line item also includes casino revenue which is estimated at \$51.85 per pupil.



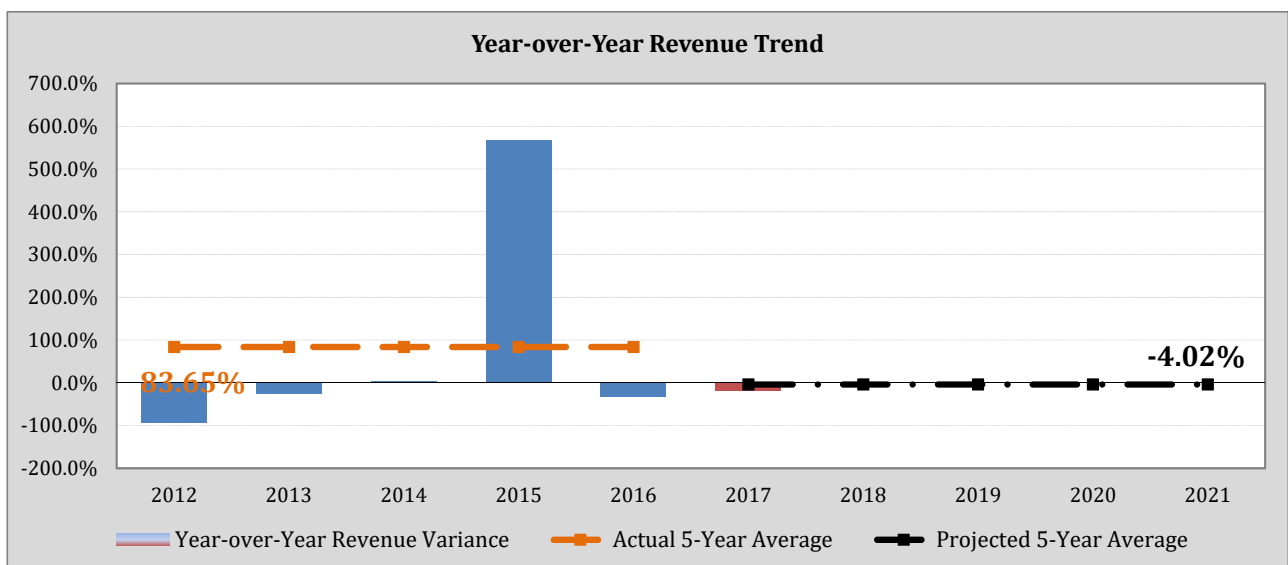
1.040 & 1.045 - Restricted Grants-in-Aid

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



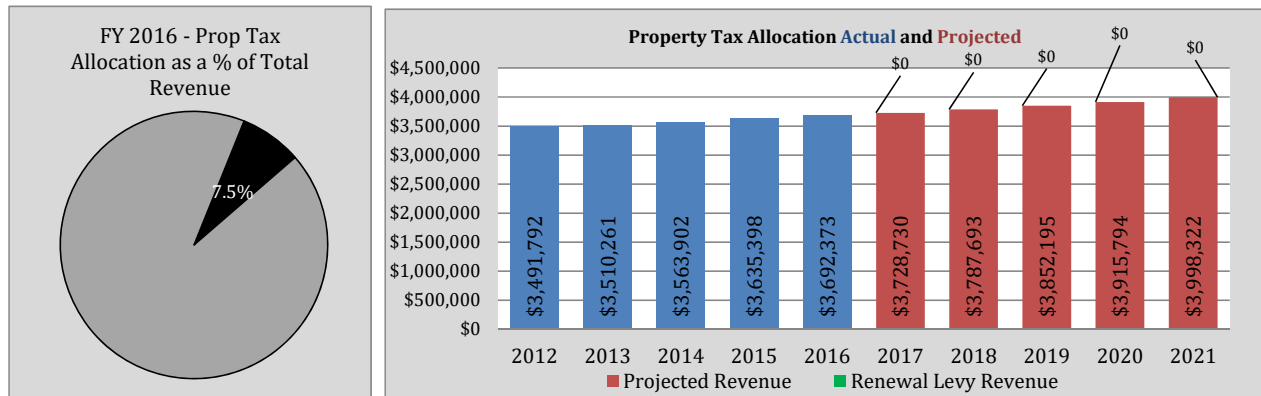
A portion of the district's per pupil formula funding must be classified as restricted. This is funding for economic disadvantaged (\$17,451 in FY 2017), and career technical program reimbursement (\$68,303 in FY 2017).

In addition, the district receives catastrophic special education funding that is classified as restricted. These revenue sources are projected to remain relatively unchanged through the forecast period. The district did receive two-years of catastrophic reimbursement in FY 2015, but going forward the forecast models a single year's reimbursement for FY 2017 through FY 2021.



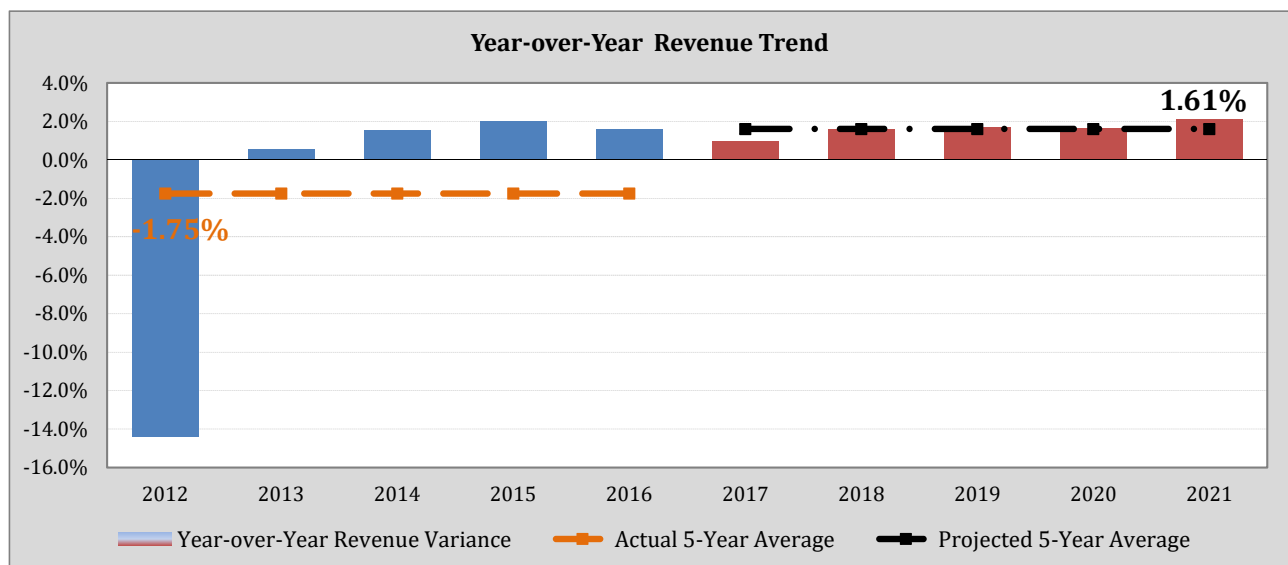
1.050 - Property Tax Allocation

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



The state's reimbursement for local property taxes made up approximately 7.5% of the district's revenue in FY 2016. The primary sources for this revenue are residential rollback (12.5% on owner/occupied), which is projected to be \$3,297,529 in FY 2017, and homestead is projected to be \$431,202.

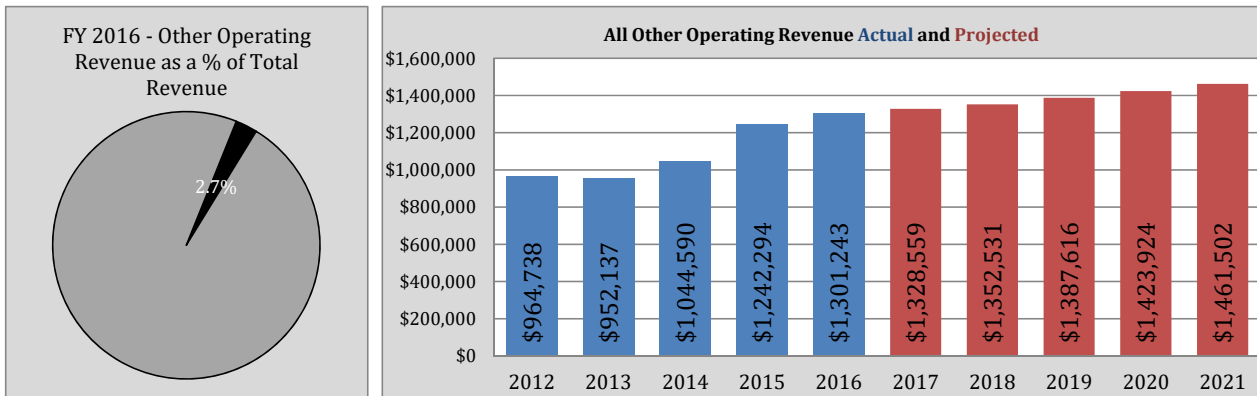
The district's new 2014 levy does not qualify for state reimbursement of the 10% and 2.5% rollback. As such, there was no increase in reimbursement in 2015 commensurate with the local property tax revenue increase. Property tax allocation revenue is a percentage function of Class I residential taxes billed. With the new levy included, about 12.8% of the district's millage does not qualify for reimbursement. This change in state tax policy shifts more cost onto the local taxpayer and less on the state as a whole.



*Projected % trends include renewal levies

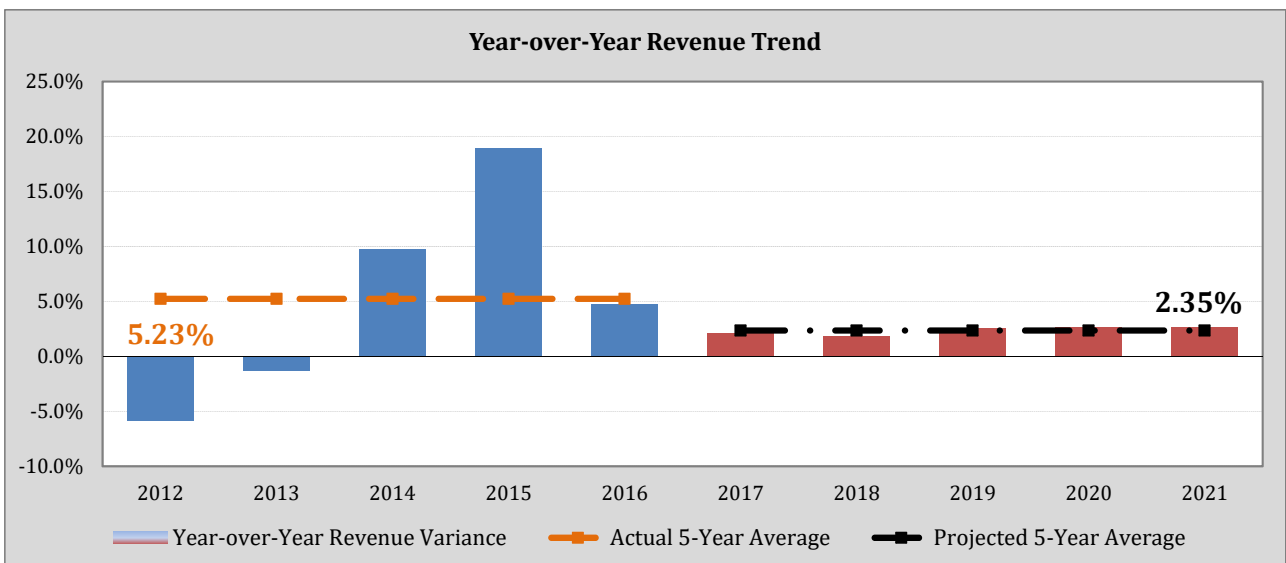
1.060 - All Other Operating Revenues

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



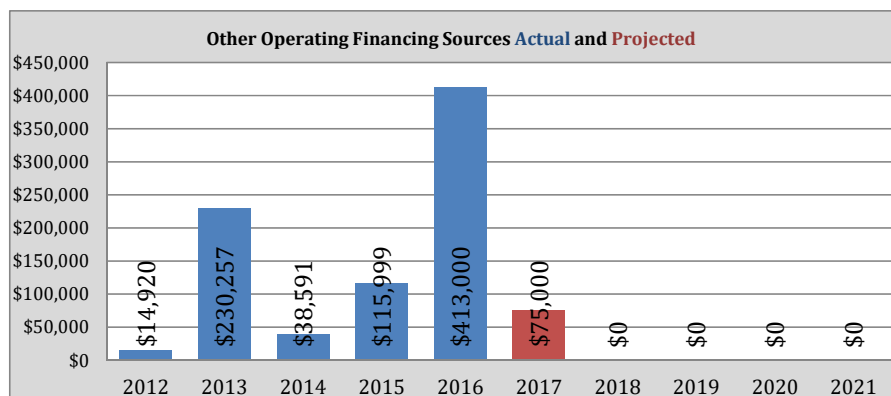
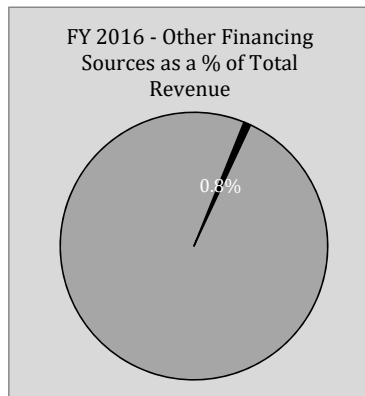
Tuition received from others is about 26%, or \$283,871 of the total category in FY 2016. Various fees (including classroom) account for about 36%, or \$479,044 of the category. Alternative property tax compensation amounted to \$388,613 in FY 2016.

FY 2017 and beyond projections are based upon the historical levels established in FY 2015 and FY 2016.

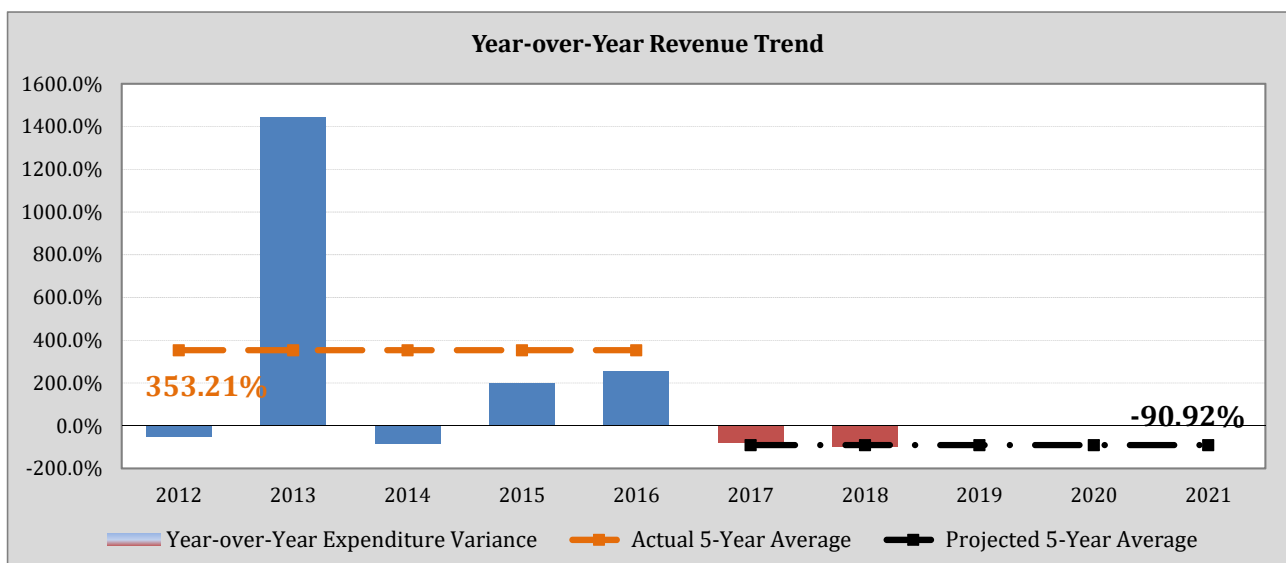


2.070 - Total Other Financing Sources

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.



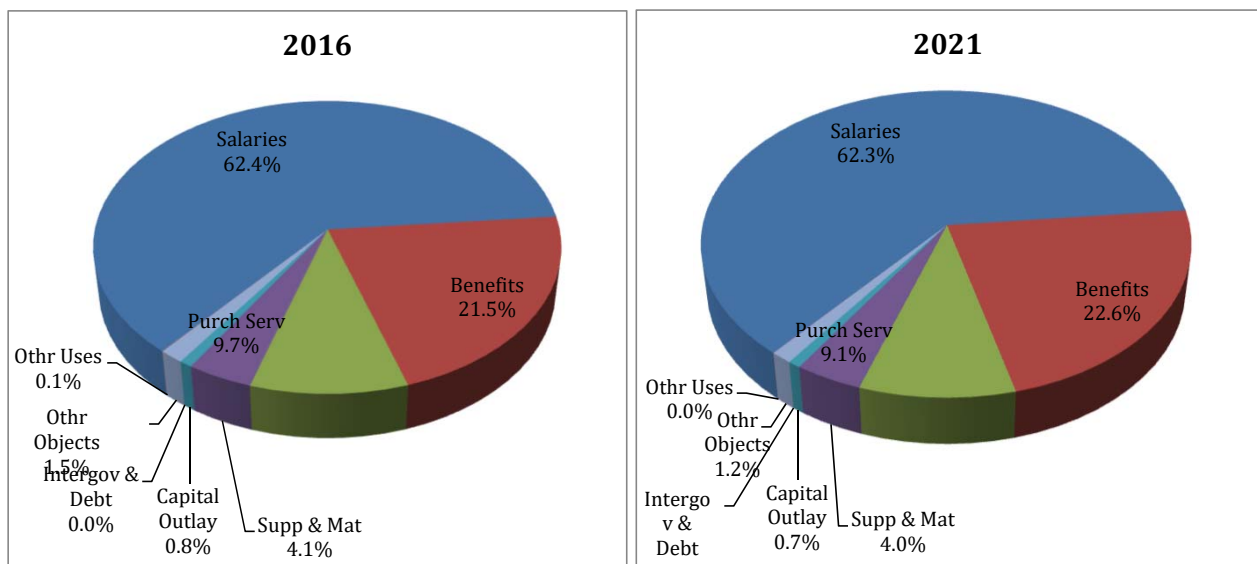
Total other sources include refunds and reductions to prior year expenditures.



Expenditures Overview

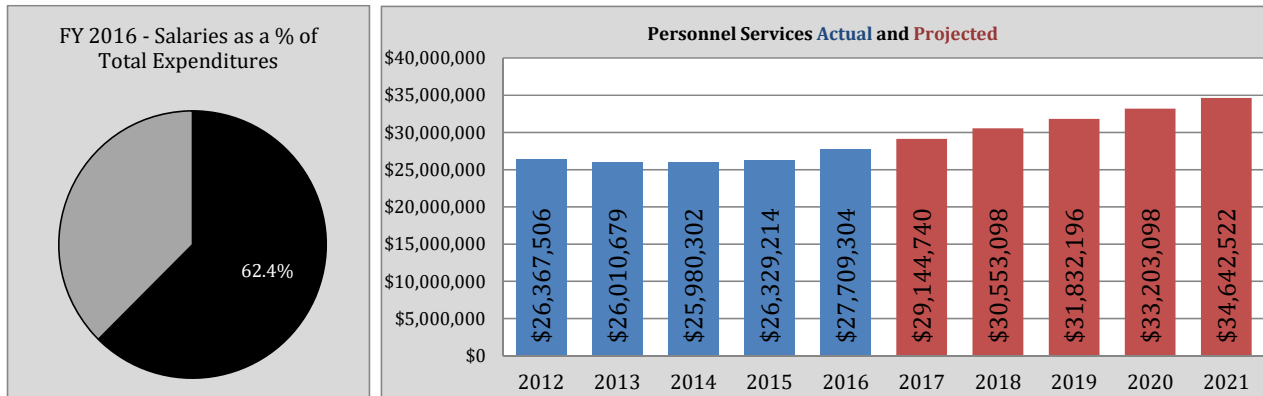
	Prev. 5-Year Avg. Annual Change	PROJECTED					5-Year Avg. Annual Change
		Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	
Expenditures:							
3.010-Salaries	1.86%	5.18%	4.83%	4.19%	4.31%	4.34%	4.57%
3.020-Benefits	1.67%	3.10%	6.39%	6.08%	6.33%	6.39%	5.66%
3.030-Purchased Services	7.59%	5.25%	2.86%	2.90%	2.93%	2.82%	3.35%
3.040-Supplies & Materials	6.88%	15.28%	1.61%	1.62%	1.63%	1.63%	4.35%
3.050-Capital Outlay	2729.21%	54.22%	-23.97%	0.00%	0.00%	0.00%	6.05%
3.060-Intergov	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4.010-4.060-Debt	-20.00%	n/a	n/a	n/a	n/a	n/a	n/a
4.300-Other Objects	6.24%	-2.50%	2.01%	2.01%	2.01%	2.01%	1.11%
4.500-Total Expenditures	2.39%	5.43%	4.45%	4.30%	4.44%	4.48%	4.62%
5.040-Total Other Uses	5.75%	-11.11%	0.00%	0.00%	0.00%	0.00%	-2.22%
5.050-Total Exp & Other Uses	2.36%	5.42%	4.45%	4.29%	4.44%	4.47%	4.62%

Expenditures grew at an average annual rate of 2.39% over the past five years. The forecast provides that expenditures will grow at an average annual rate of 4.62% for the period FY 2017 through FY 2021. This trend is in-line with the previous forecast.



3.010 - Personnel Services

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

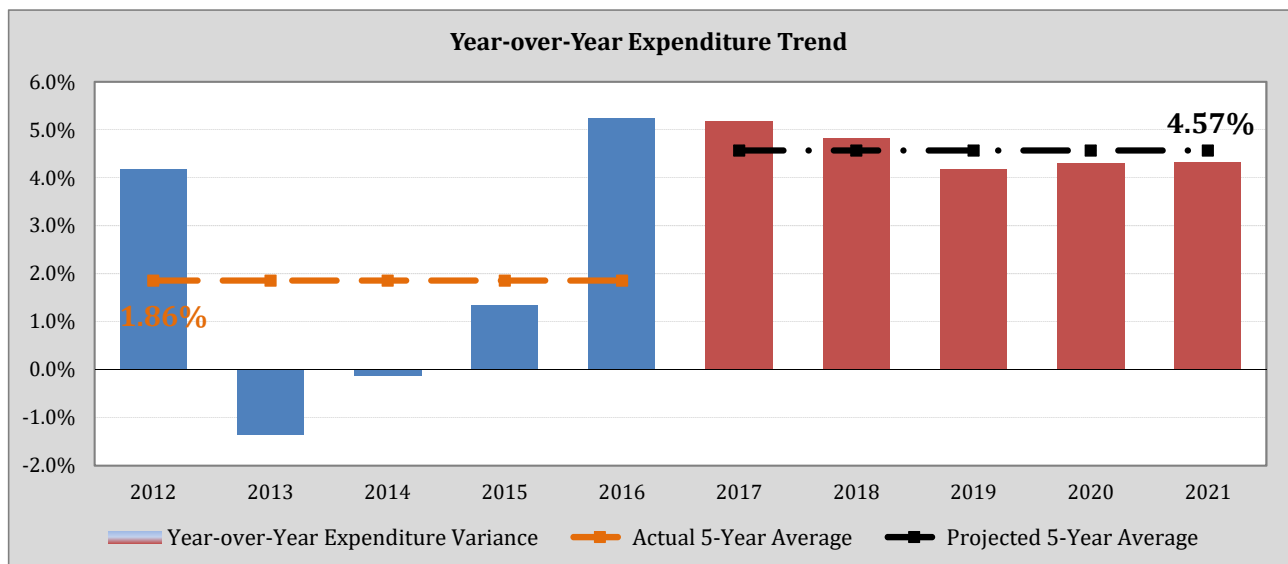


Salary costs are 62.4% of the budget, and have been contained to an average annual growth rate of 1.86% over the past five years.

The year-over-year change in projected salaries reflected above is a function of both the number of employees and changes in salaries paid. Certified teacher FTEs are projected to grow by 2.5 (2.0 at HS and 0.5 for Kg) in FY 2017, and 2.5 in FY 2018 (1.0 HS and 1.5 Kg), and in response to enrollment the forecast includes 1.0 in FY 2019, 2.0 in FY's 2020 and FY 2021. The administrative FTE will increase by 1.0 in FY 2017.

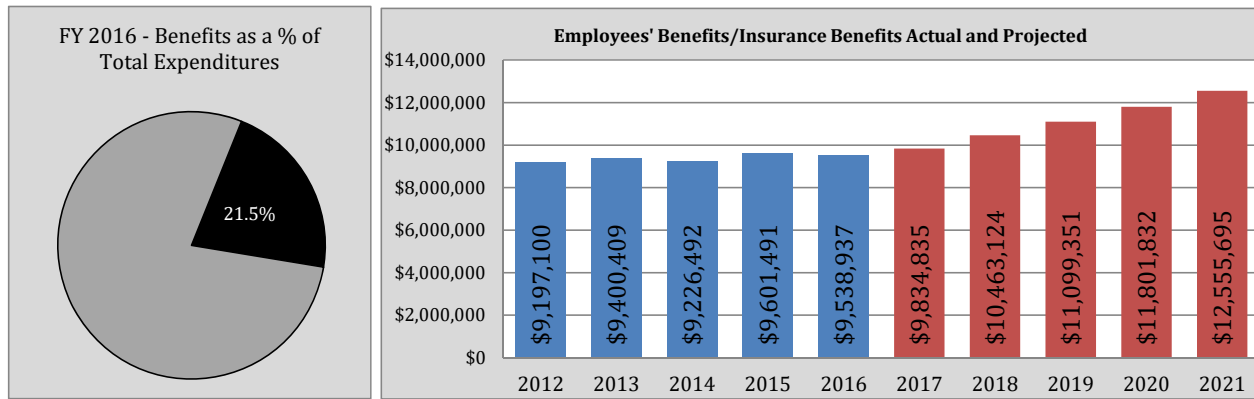
The classified FTEs are not projected to change.

Changes in salaries paid are for experience, education changes, and negotiated salary changes. Certified employees comprise about 72% of total salaries, classified is 21.7%, and administrative is 4.7%. The average annual increase of 4.57% through FY 2021 is modeled based upon current negotiations, trends and FTE projections.



3.020 - Employees' Benefits

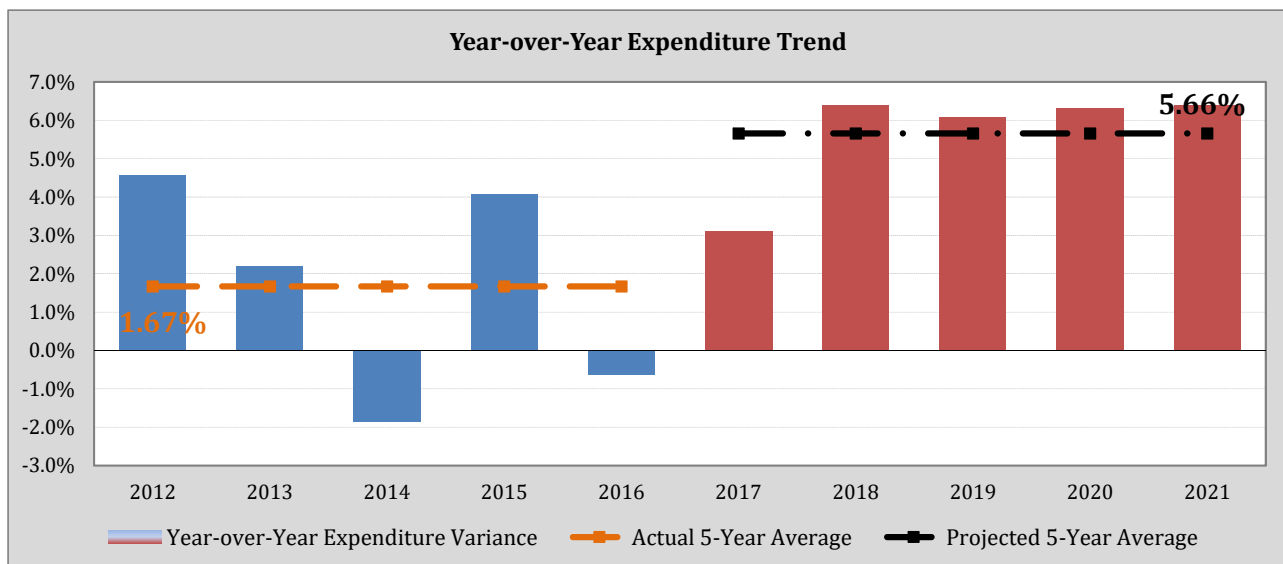
Retirement for all employees, Workers Compensation, early retirement incentives, Medicare, unemployment, pickup on pickup, and all health-related insurances.



Benefits are 21.5% of the district's yearly expenditures. Health insurances (medical, dental, life, etc.) accounted for just over 52% of total benefits, with the remainder allocated for salary-driven fringe benefits such as employer retirement contributions.

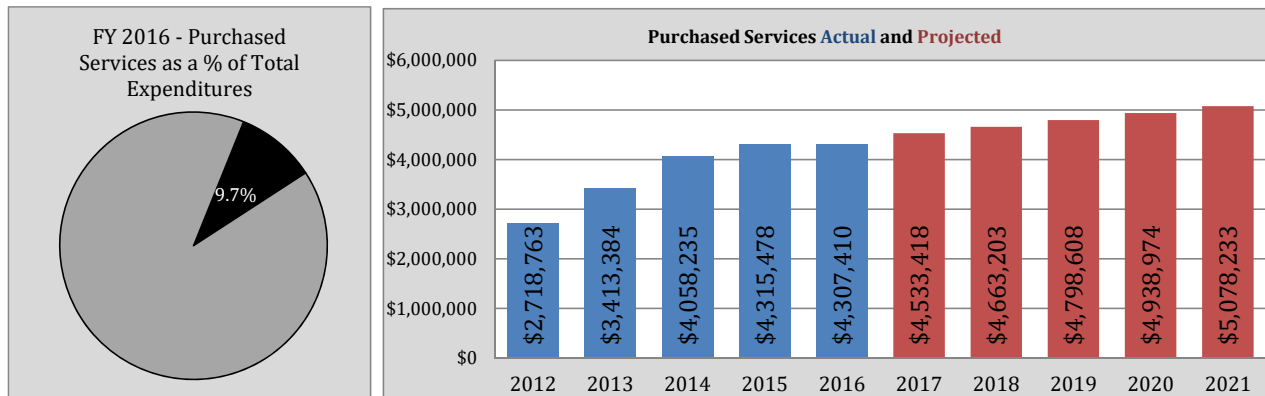
The district's benefit cost increased above trend in FY 2015 because of a one-time advance payment made to establish health insurance premiums as current status rather than a one-month delay. The elimination of this one-time payment in FY 2016 reduces the district's growth below historical trends. The district's FY 2017 health insurance premium is remaining at the FY 2016 level (0.0% change). Health insurance premiums are projected to increase 8.0% annually in FY's 2018 through 2021.

Outside of health insurance benefits (medical, dental & life insurance), most other benefits (such as retirement, workers compensation and Medicare) are salary driven and reflect increases consistent with projected staffing and wage increases.



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.

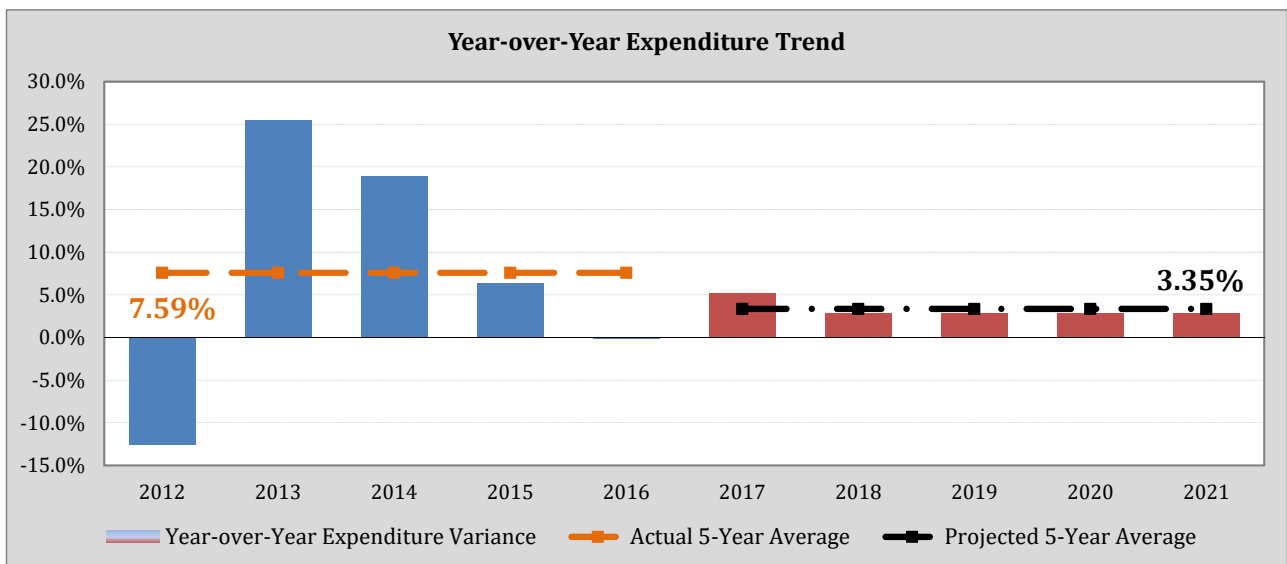


Purchased services are expenses for costs such as contracted transportation, utilities, tuition paid to other districts, etc., and accounted for 9.7% of the district's total expenditures.

Tuition cost for district students attending elsewhere totaled 34% of the purchased service expense in FY 2016. Special education tuition costs make up about 65% of total tuition cost.

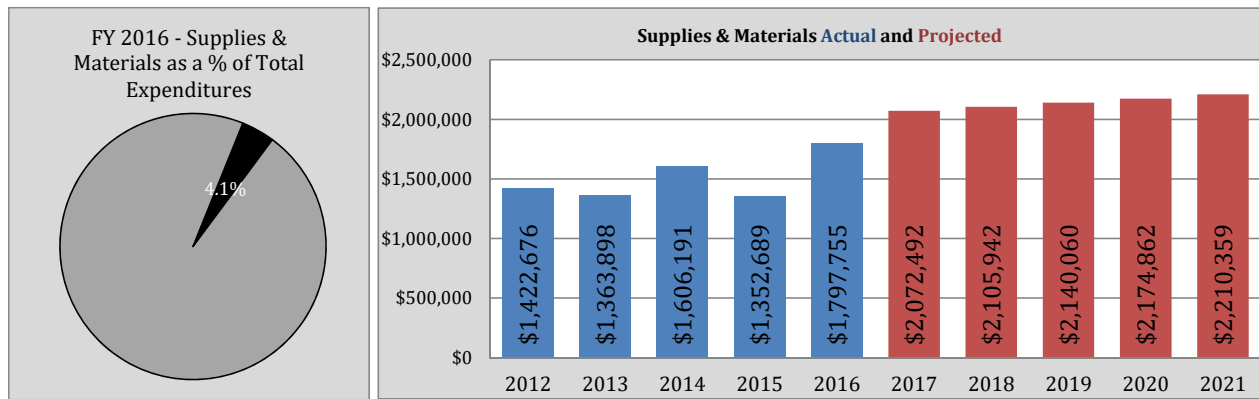
Utility costs were 22% of purchased service costs in FY 2016, and dropped by about \$80,000 from FY 2015 levels.

All other purchased services includes professional and technical services such as special needs student services.

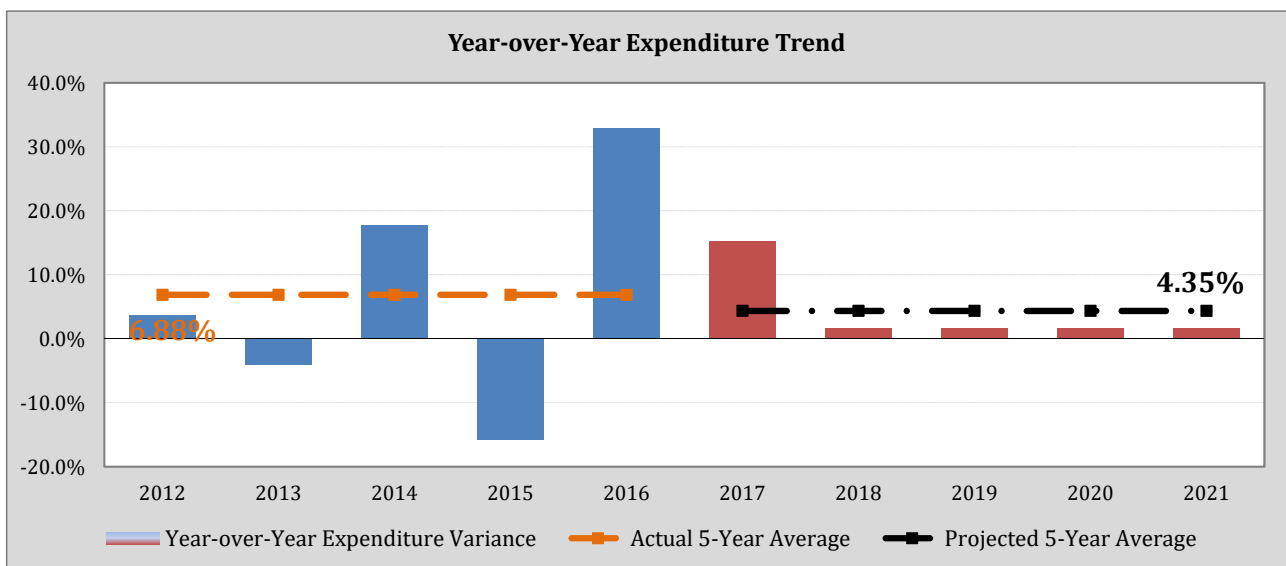


3.040 - Supplies & Materials

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

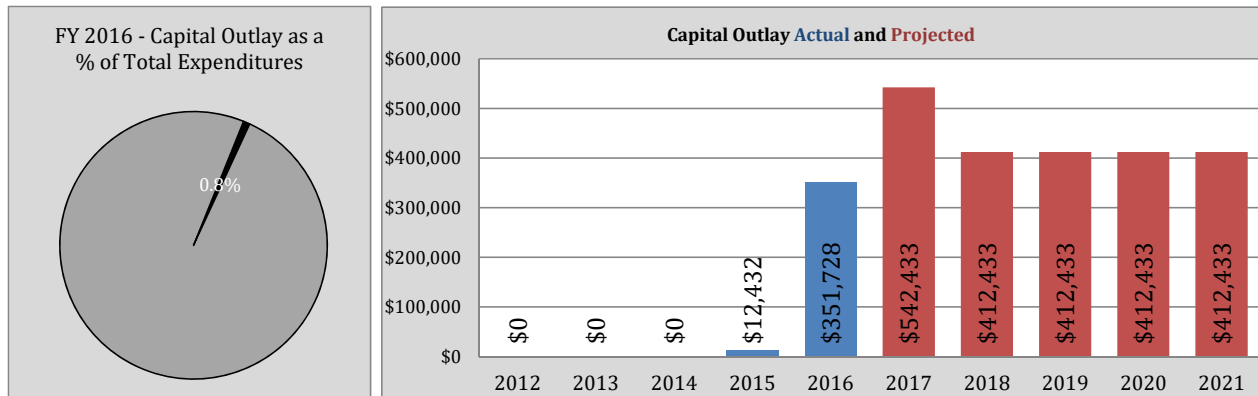


Supplies and materials represent 4.1% of the district's budget and have seen increases in recent years due to an increase in investment for instructional supplies and textbooks. The FY 2017 level is the threshold that the district desires to maintain in support of academic instruction in future years.

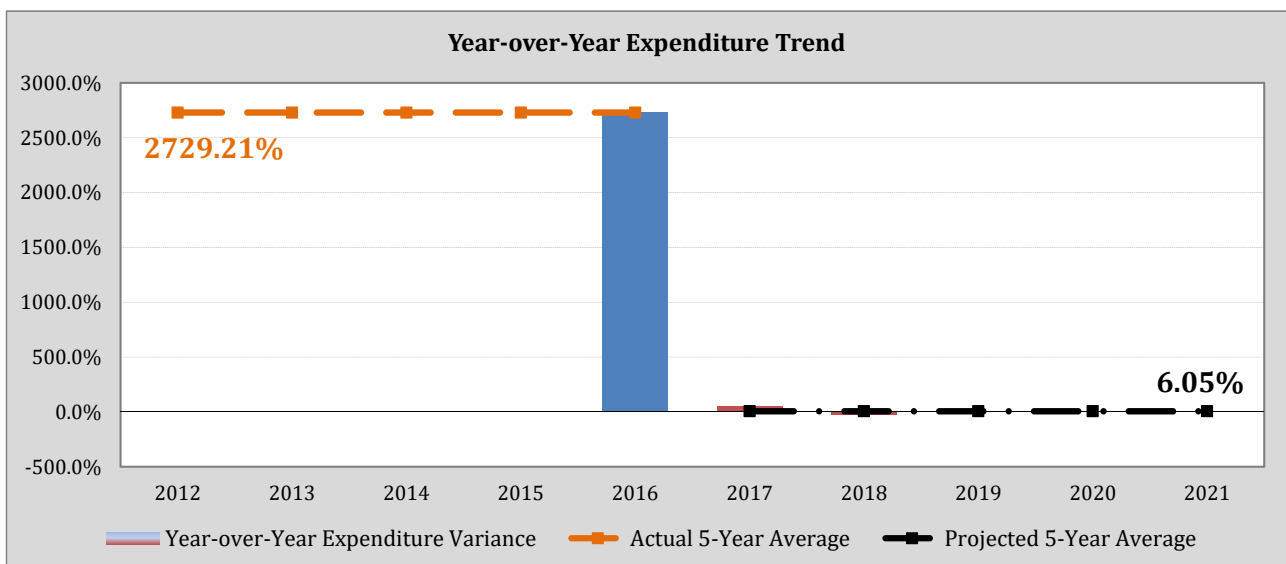


3.050 - Capital Outlay

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.

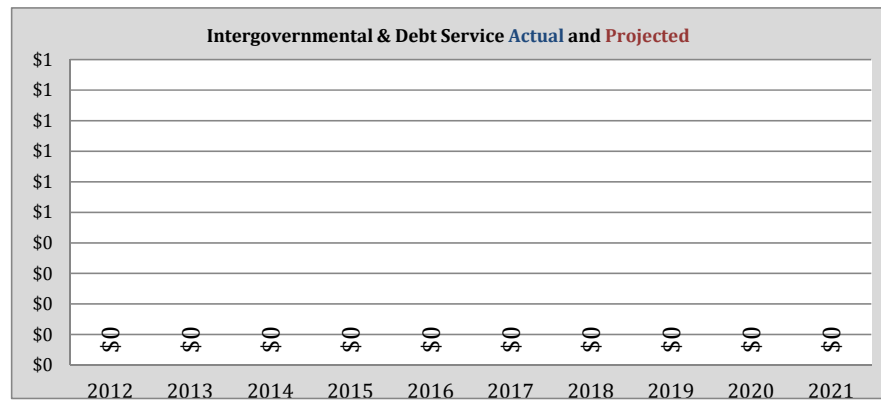
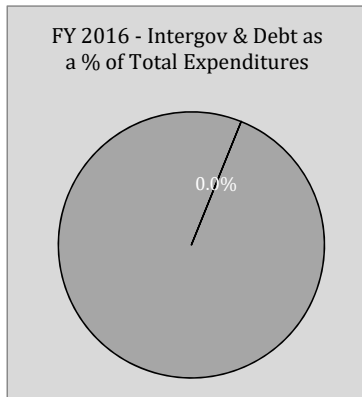


The district began investing general fund resources in its instructional technology in FY 2016, the investment is projected to be sustained through the forecast period ending FY 2021.

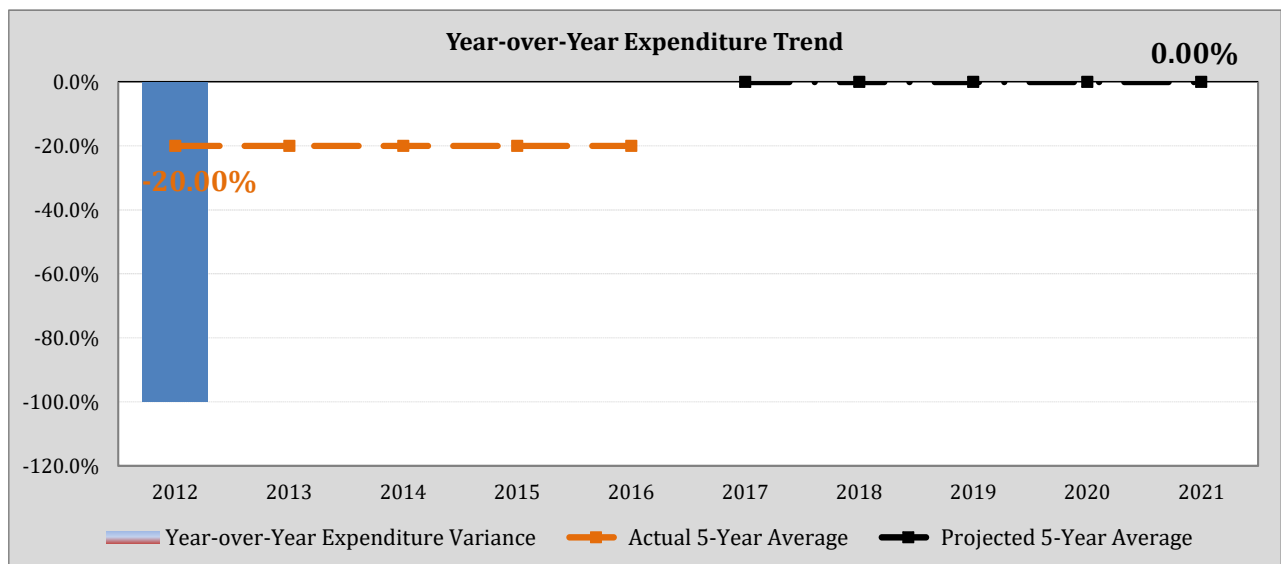


3.060-4.060 - Intergovernmental & Debt

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.

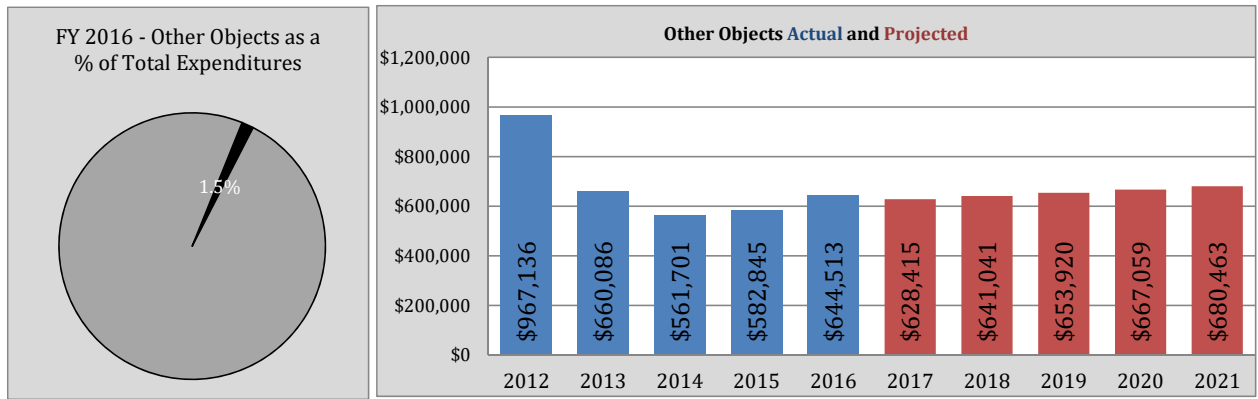


There is no general fund debt.

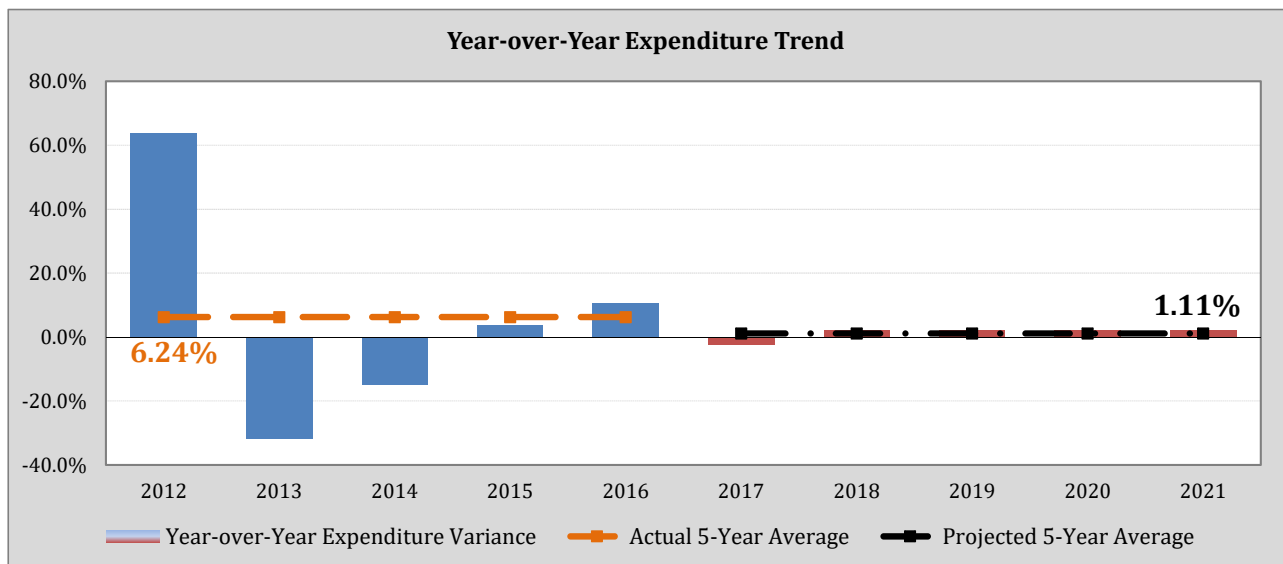


4.300 - Other Objects

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

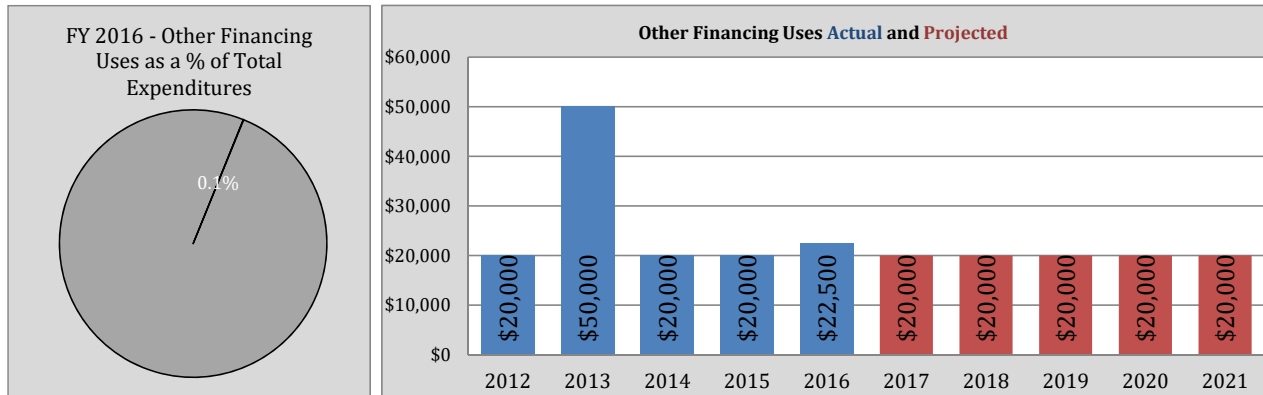


Other objects total 1.5% of the district's budget and are projected to increase modestly in-line with historical trends.

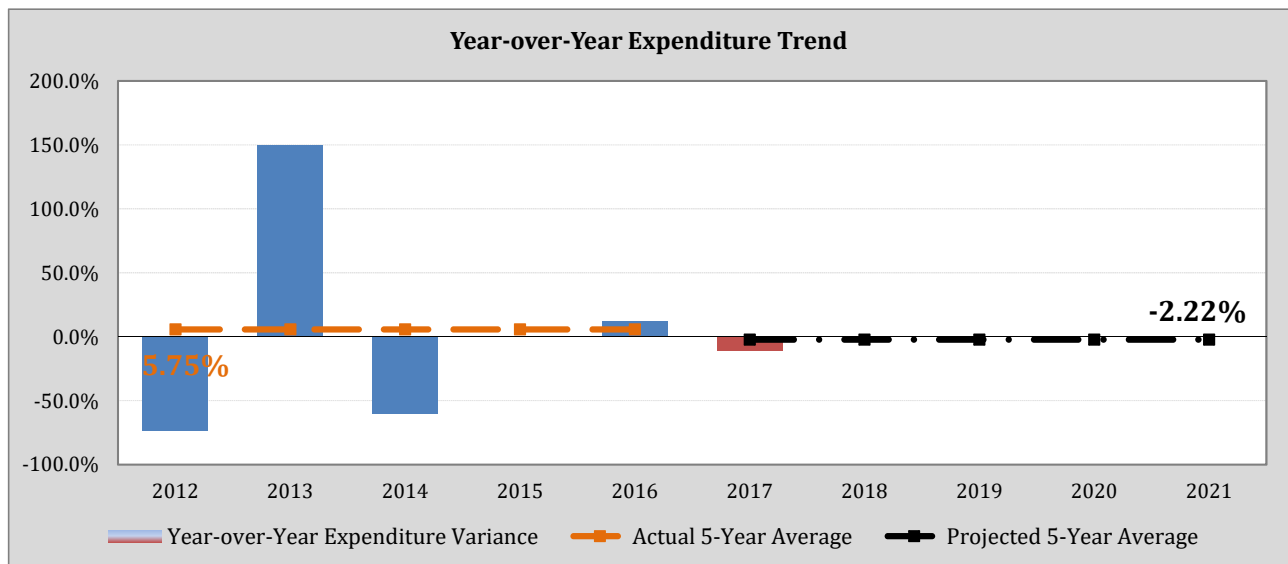


5.040 - Total Other Financing Uses

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



The district's forecast includes small transfers to other funds as required; the amount is about 0.1% of the annual total expenditures.



Forecast Compare

Comparison of Previous Forecast Amounts to Current Forecasted Numbers
F.Y. 2017

		Column A	Column B	Column C	Column D
		Previous	Current	Dollar	Percent
		Forecast	Forecast	Difference	Difference
		Amounts For	Amounts For	Between	Between
		F.Y. 2017	F.Y. 2017	Previous	Previous
		Prepared on:	Prepared on:	and	and
		05/02/2016	10/5/2016	Current	Current
Revenue:					
1	Real Estate & Property Allocation	\$32,928,838	\$32,960,790	\$31,952	0.1%
2	Public Utility Personal Property	\$1,051,621	\$1,066,420	\$14,799	1.4%
3	Income Tax	\$0	\$0	\$0	n/a
4	State Foundation Restricted & Unrestricted	\$13,429,583	\$13,556,103	\$126,520	0.9%
5	Other Revenue	\$1,318,576	\$1,328,559	\$9,983	0.8%
6	Other Non Operating Revenue	\$0	\$75,000	\$75,000	n/a
7	Total Revenue	\$48,728,618	\$48,986,872	\$258,254	0.5%
Expenditures:					
8	Salaries	\$28,852,719	\$29,144,740	\$292,021	1.0%
9	Fringe Benefits	\$9,745,786	\$9,834,835	\$89,049	0.9%
10	Purchased Services	\$4,554,114	\$4,533,418	-\$20,696	-0.5%
11	Supplies, Debt, Capital Outlay & Other	\$2,846,635	\$3,243,340	\$396,705	13.9%
12	Other Non Operating Expenditures	\$20,000	\$20,000	\$0	0.0%
13	Total Expenditures	\$46,019,254	\$46,776,333	\$757,079	1.6%
14	Revenue Over/(Under) Expenditures	\$2,709,364	\$2,210,539	-\$498,825	-1.1%*
15	Ending Cash Balance	\$14,226,518	\$14,643,797	\$417,279	0.9%*

*Percentage expressed in terms of total expenditures

The district's FY 2017 cash balance is projected to be about \$417,279 higher than projected in May, 2016. The primary reason for the improved cash balance is that the district did not use some of its capital and supply forecasted amounts. In addition, the district received about \$200,000 in additional real estate tax revenue after the forecast was filed.

FY 2017 expenditures are now projected to be about 0.6% higher than the May forecast. The largest line item variance, at \$396,705, is the capital expenditure line item. This increase is a matter of timing as some FY 2016 transactions were not received and paid until early FY 2017. In addition, salaries are projected higher in response to negotiated agreements put in place after the May forecast.

Overall, FY 2017 revenue and expenditures are within 1.1% the May forecasted amounts.

Loveland City Schools

Fiscal Year:	Actual	FORECASTED				
	2016	2017	2018	2019	2020	2021
Revenue:						
1.010 - General Property Tax (Real Estate)	29,157,740	29,232,060	29,733,451	30,216,672	30,667,330	31,275,013
1.020 - Public Utility Personal Property	1,044,368	1,066,420	1,077,084	1,087,855	1,098,734	1,109,721
1.030 - Income Tax	-	-	-	-	-	-
1.035 - Unrestricted Grants-in-Aid	13,161,788	13,325,348	13,020,392	13,093,469	12,873,891	12,874,161
1.040 - Restricted Grants-in-Aid	286,449	230,755	229,853	229,705	229,535	229,282
1.045 - Restricted Federal Grants - SFSF	-	-	-	-	-	-
1.050 - Property Tax Allocation	3,692,373	3,728,730	3,787,693	3,852,195	3,915,794	3,998,322
1.060 - All Other Operating Revenues	1,301,243	1,328,559	1,352,531	1,387,616	1,423,924	1,461,502
1.070 - Total Revenue	48,643,961	48,911,872	49,201,003	49,867,513	50,209,207	50,948,000
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	-	-	-	-	-	-
2.060 - All Other Financing Sources	413,000	75,000	-	-	-	-
2.070 - Total Other Financing Sources	413,000	75,000	-	-	-	-
2.080 - Total Rev & Other Sources	49,056,961	48,986,872	49,201,003	49,867,513	50,209,207	50,948,000
Expenditures:						
3.010 - Personnel Services	27,709,304	29,144,740	30,553,098	31,832,196	33,203,098	34,642,522
3.020 - Employee Benefits	9,538,937	9,834,835	10,463,124	11,099,351	11,801,832	12,555,695
3.030 - Purchased Services	4,307,410	4,533,418	4,663,203	4,798,608	4,938,974	5,078,233
3.040 - Supplies and Materials	1,797,755	2,072,492	2,105,942	2,140,060	2,174,862	2,210,359
3.050 - Capital Outlay	351,728	542,433	412,433	412,433	412,433	412,433
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	644,513	628,415	641,041	653,920	667,059	680,463
4.500 - Total Expenditures	44,349,647	46,756,333	48,838,840	50,936,570	53,198,259	55,579,704
Other Financing Uses						
5.010 - Operating Transfers-Out	22,500	20,000	20,000	20,000	20,000	20,000
5.020 - Advances-Out	-	-	-	-	-	-
5.030 - All Other Financing Uses	-	-	-	-	-	-
5.040 - Total Other Financing Uses	22,500	20,000	20,000	20,000	20,000	20,000
5.050 - Total Exp and Other Financing Uses	44,372,147	46,776,333	48,858,840	50,956,570	53,218,259	55,599,704
6.010 - Excess of Rev Over/(Under) Exp	4,684,814	2,210,539	342,163	(1,089,057)	(3,009,052)	(4,651,704)
7.010 - Cash Balance July 1 (No Levies)	7,748,444	12,433,258	14,643,797	14,985,961	13,896,903	10,887,852
7.020 - Cash Balance June 30 (No Levies)	12,433,258	14,643,797	14,985,961	13,896,903	10,887,852	6,236,148
8.010 - Estimated Encumbrances June 30	-	-	-	-	-	-
9.080 - Reservations Subtotal	-	-	-	-	-	-
10.010 - Fund Bal June 30 for Cert of App	12,433,258	14,643,797	14,985,961	13,896,903	10,887,852	6,236,148
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	12,433,258	14,643,797	14,985,961	13,896,903	10,887,852	6,236,148
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	12,433,258	14,643,797	14,985,961	13,896,903	10,887,852	6,236,148