

Defiance City School District

Five Year Forecast Financial Report

November, 2020

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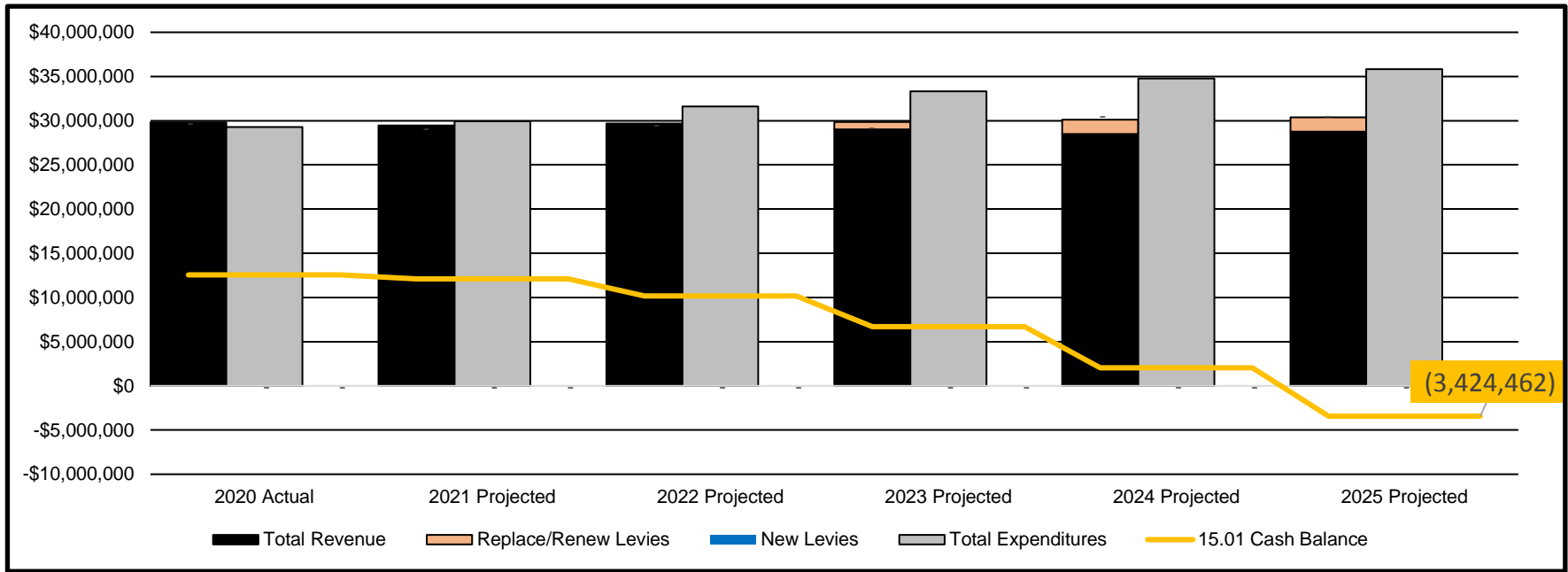
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Forecast Purpose/Objectives

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.

Forecast Methodology - This forecast is prepared based upon historical trends and current factors. This information is then extrapolated into estimates for subsequent years. The forecast variables can change multiple times throughout the fiscal year and while cash flow monitoring helps to identify unexpected variances no process is guaranteed. The intent is to provide the district's financial trend over time and a roadmap for decisions aimed at encouraging financial sustainability and stability.



Note: Cash balance includes any existing levy modeled as renewed during the forecast.
Cash balance is not reduced for encumbrances.

Financial Forecast	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025
Beginning Balance	12,557,273	12,112,710	10,191,444	6,710,884	2,045,707
+ Revenue	29,476,065	29,686,725	29,035,625	28,495,445	28,739,836
+ Proposed Renew/Replacement Levies	-	-	812,312	1,624,789	1,624,884
+ Proposed New Levies	-	-	-	-	-
- Expenditures	(29,920,628)	(31,607,991)	(33,328,498)	(34,785,411)	(35,834,888)
= Revenue Surplus or Deficit	(444,563)	(1,921,266)	(3,480,561)	(4,665,177)	(5,470,168)
Ending Balance with renewal levies Note: Not Reduced for Encumbrances	12,112,710	10,191,444	6,710,884	2,045,706	(3,424,461)

Analysis Without Renewal Levies Included:

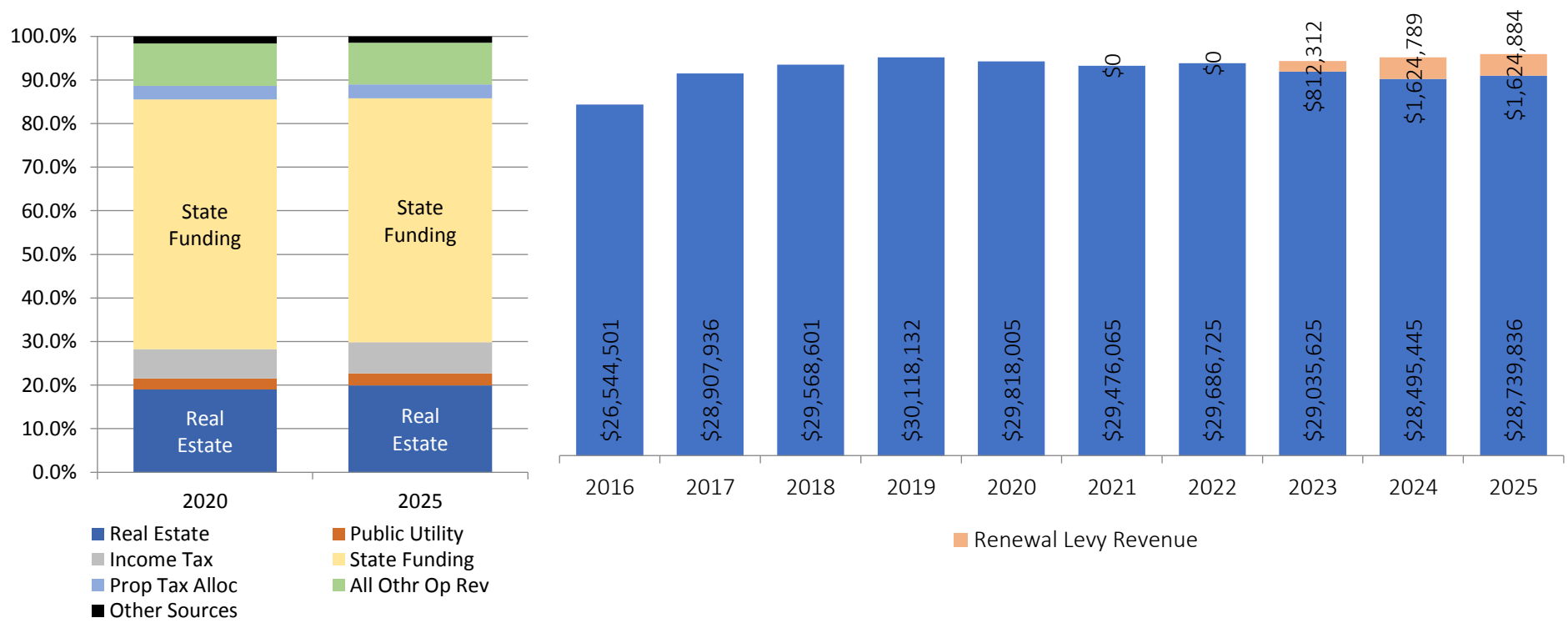
Revenue Surplus or Deficit w/o Levies	(444,563)	(1,921,266)	(4,292,873)	(6,289,966)	(7,095,052)
Ending Balance w/o Levies	12,112,710	10,191,444	5,898,572	(391,395)	(7,486,447)

In FY 2021 a revenue shortfall is expected. This means that expenditures are expected to be greater than revenue by \$444,563 in FY 2021. By the last year of the forecast, FY 2025, the district is expected to have a revenue shortfall where expenditures are projected to be greater than revenue by \$7,095,052. The district would need to cut its FY 2025 projected expenses by 19.80% in order to balance its budget without additional revenue.

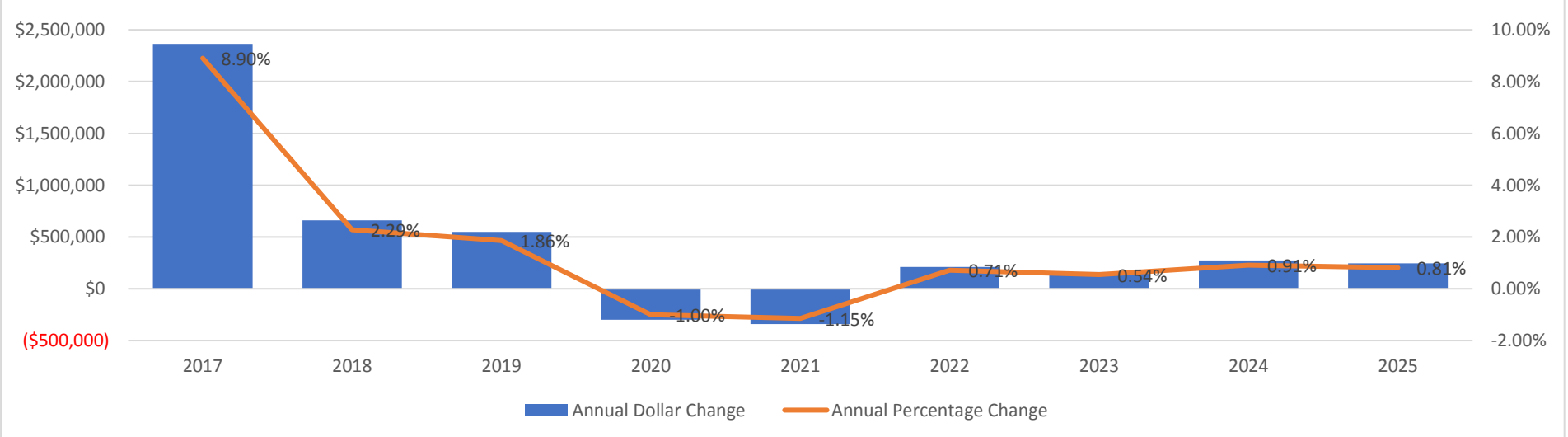
The district's cash balance is positive at year-end in FY 2021 and is projected to worsen by FY 2025. A worsening cash balance can erode the district's financial stability over time.

Revenue Sources and Forecast Year-Over-Year Projected Overview

Sources of Revenue Over Time



Year-Over-Year Dollar & Percentage Change



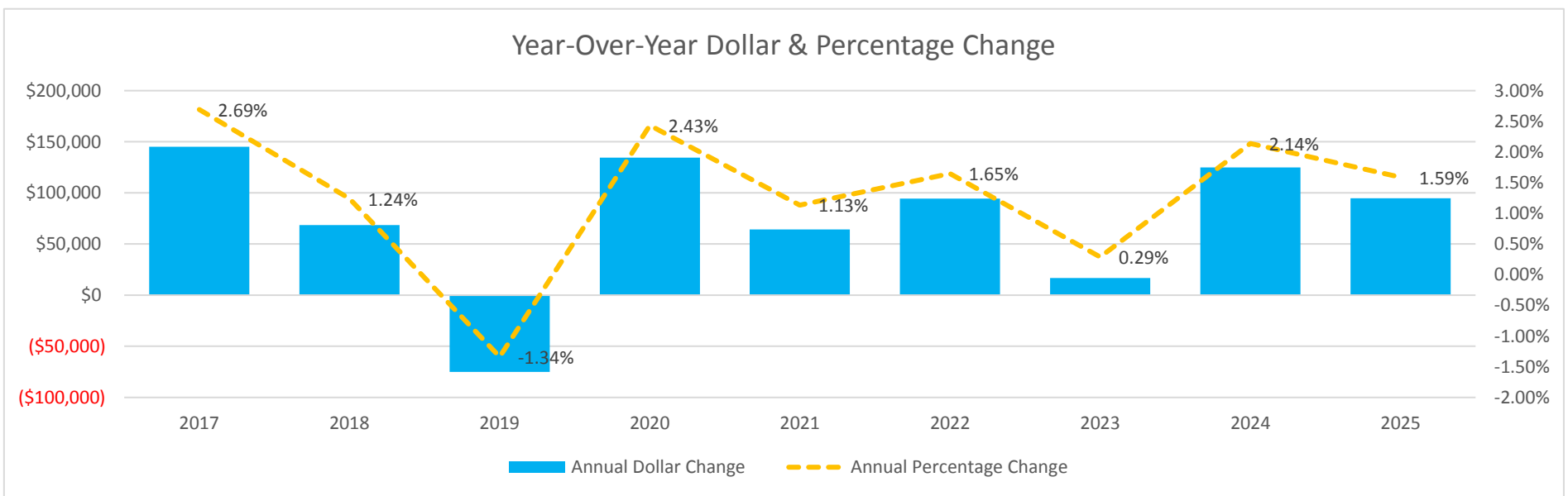
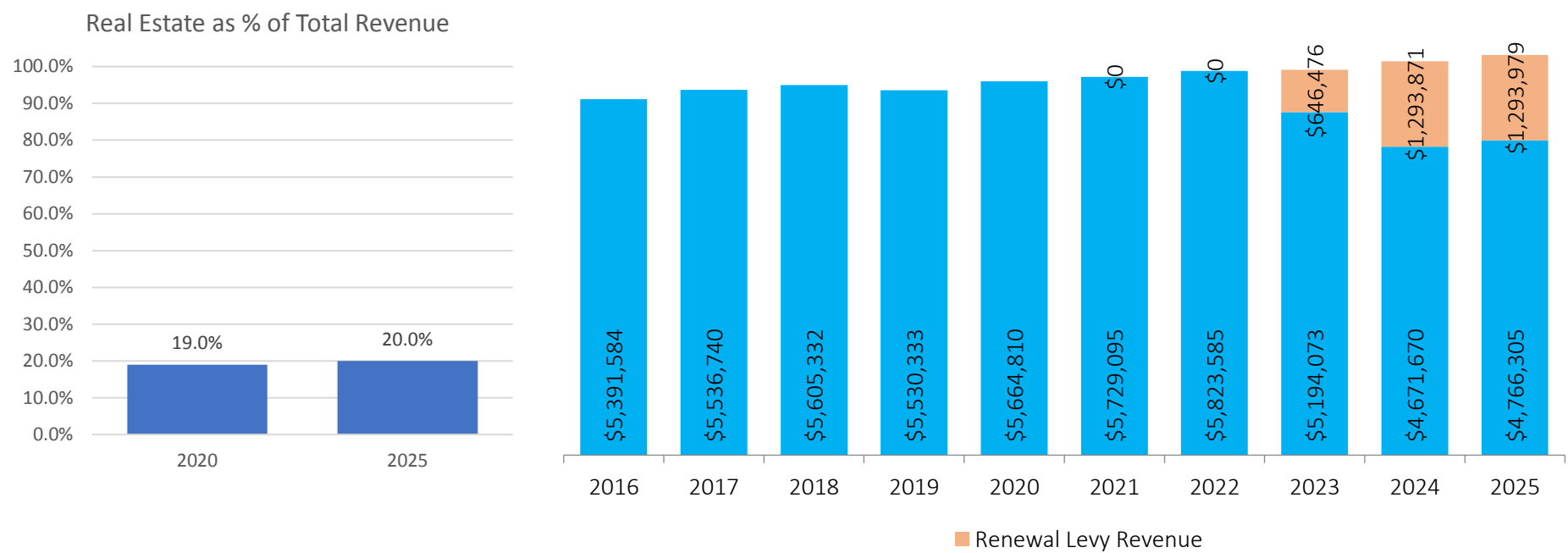
3-Year Historical Actual Average Annual Dollar Change Compared to 5-Year Projected

	Historical Average Annual \$ Change	Projected Average Annual \$ Change	Projected Compared to Historical Variance	
Real Estate	\$42,690	\$79,095	\$36,405	Total revenue increased 1.05% or \$303,356 annually during the past five years and is projected to increase 0.37% or \$109,343 annually through FY2025. All Othr Op Rev has the most projected average annual variance compared to the historical average at -\$114,236
Public Utility	\$21,256	\$12,952	(\$8,304)	
Income Tax	\$69,152	\$40,335	(\$28,817)	
State Funding	\$9,733	(\$26,393)	(\$36,125)	
Prop Tax Alloc	(\$29,749)	\$8,568	\$38,318	
All Othr Op Rev	\$116,021	\$1,785	(\$114,236)	
Other Sources	\$74,254	(\$7,000)	(\$81,254)	
Total Average Annual Change	\$303,356	\$109,343	(\$194,013)	
	1.05%	0.37%	-0.68%	

Note: Expenditure average annual change is projected to be > \$1,308,731. On an annual average basis, expenditures are projected to grow faster than 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).



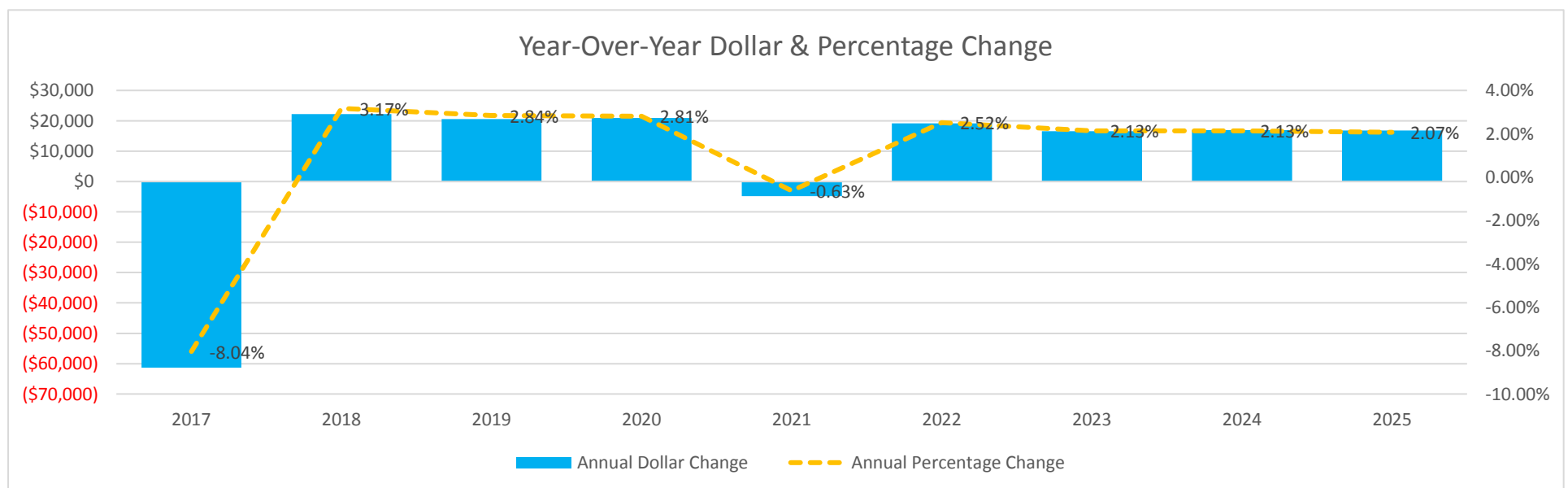
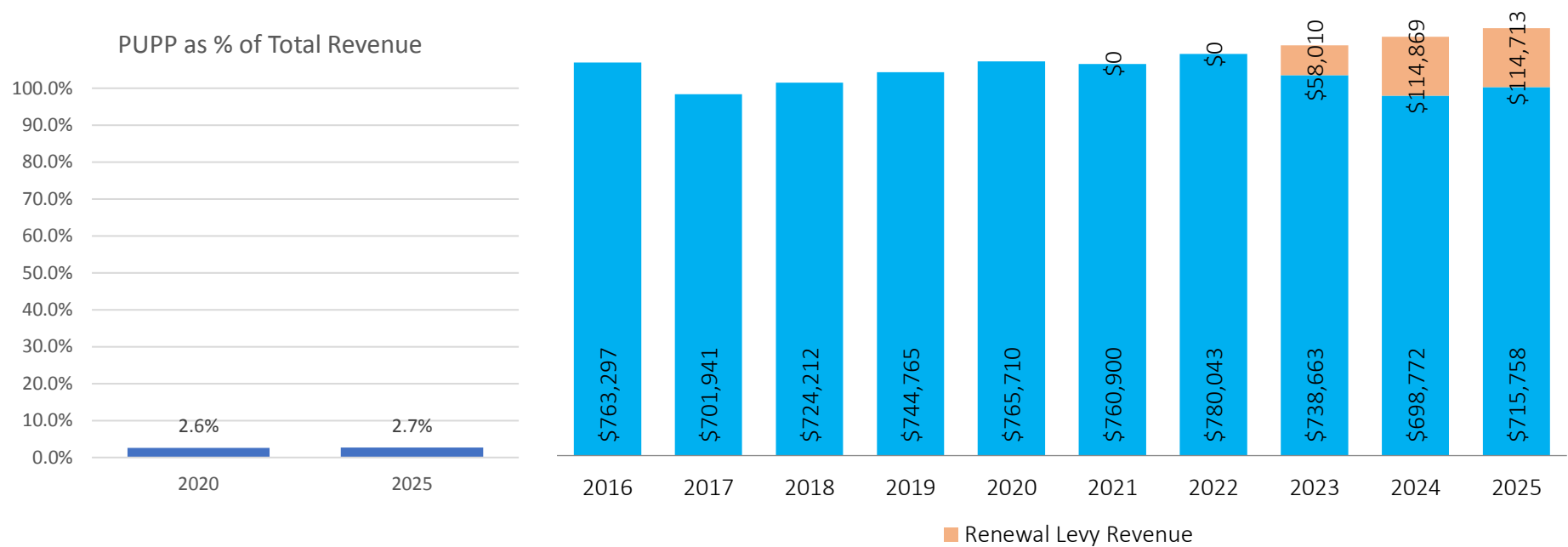
Values, Tax Rates and Gross Collections							Gross Collection Rate Including Delinquencies
Tax Yr	Valuation	Value Change	Class I Rate	Change	Class II Rate	Change	
2019	246,586,340	(3,400,660)	26.05	-	29.04	-	99.4%
2020	254,986,340	8,400,000	26.02	(0.03)	29.04	0.00	99.6%
2021	255,461,340	475,000	26.07	0.05	29.05	0.01	99.6%
2022	256,421,340	960,000	26.03	(0.05)	29.00	(0.05)	99.6%
2023	269,486,340	13,065,000	25.74	(0.29)	28.29	(0.71)	99.6%
2024	269,856,340	370,000	25.74	0.00	28.25	(0.04)	99.6%

Real estate property tax revenue accounts for 19.00% of total revenue. Class I or residential/agricultural taxes make up approximately 79.52% of the real estate property tax revenue. The Class I tax rate is 26.02 mills in tax year 2020. The district is modeling the renewal of real estate property taxes levies through 2024. The projections reflect an average gross collection rate of 99.6% annually through tax year 2024. The revenue changed at an average annual historical rate of 0.78% and is projected to change at an average annual rate of 1.36% through FY 2025.

*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.



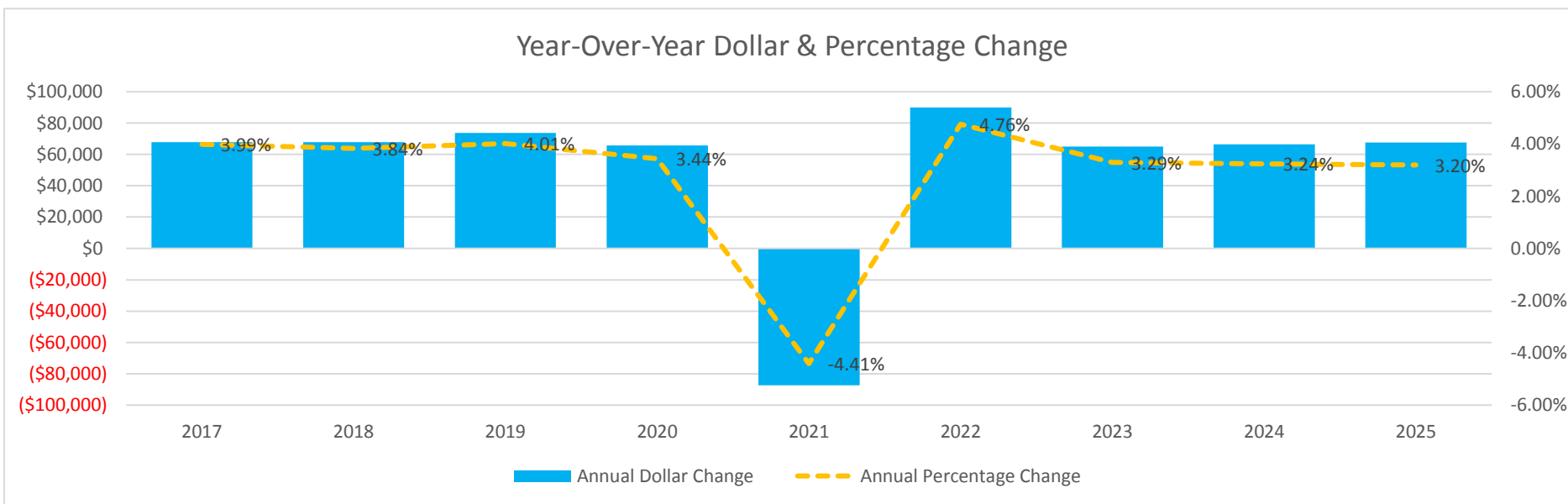
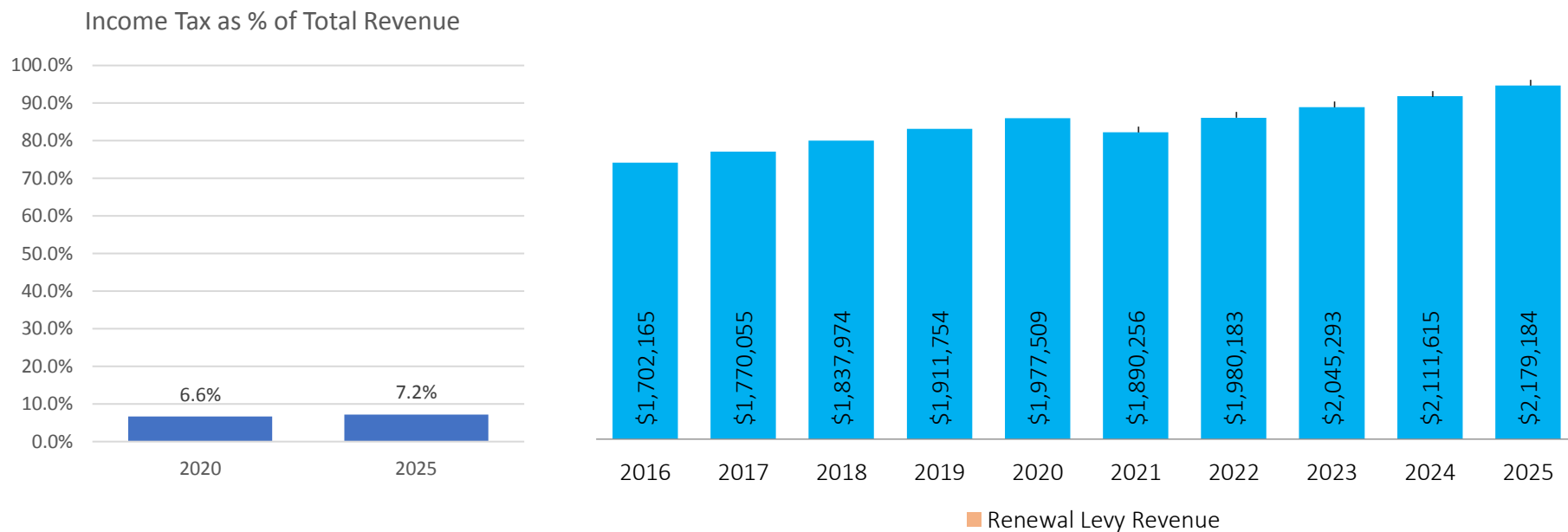
Values and Tax Rates					Gross Collection Rate Including Delinquencies
Tax Year	Valuation	Value Change	Full Voted Rate	Change	
2019	17,855,080	660,290	43.50	0.05	100.0%
2020	18,455,080	600,000	43.52	0.02	87.6%
2021	18,855,080	400,000	43.56	0.03	95.9%
2022	19,255,080	400,000	43.53	(0.03)	95.9%
2023	19,805,080	550,000	43.24	(0.28)	95.9%
2024	20,205,080	400,000	43.23	(0.02)	95.9%

The public utility personal property tax revenue is generated from the personal property values, additions, and depreciation reported by the utility companies. This category currently makes up 2.57% of total district revenue. The property is taxed at the full voted tax rate which in tax year 2020 is 43.52 mills. The forecast is modeling an average gross collection rate of 94.22%. The revenue changed historically at an average annual dollar amount of \$21,256 and is projected to change at an average annual dollar amount of \$12,952 through FY 2025.

**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.

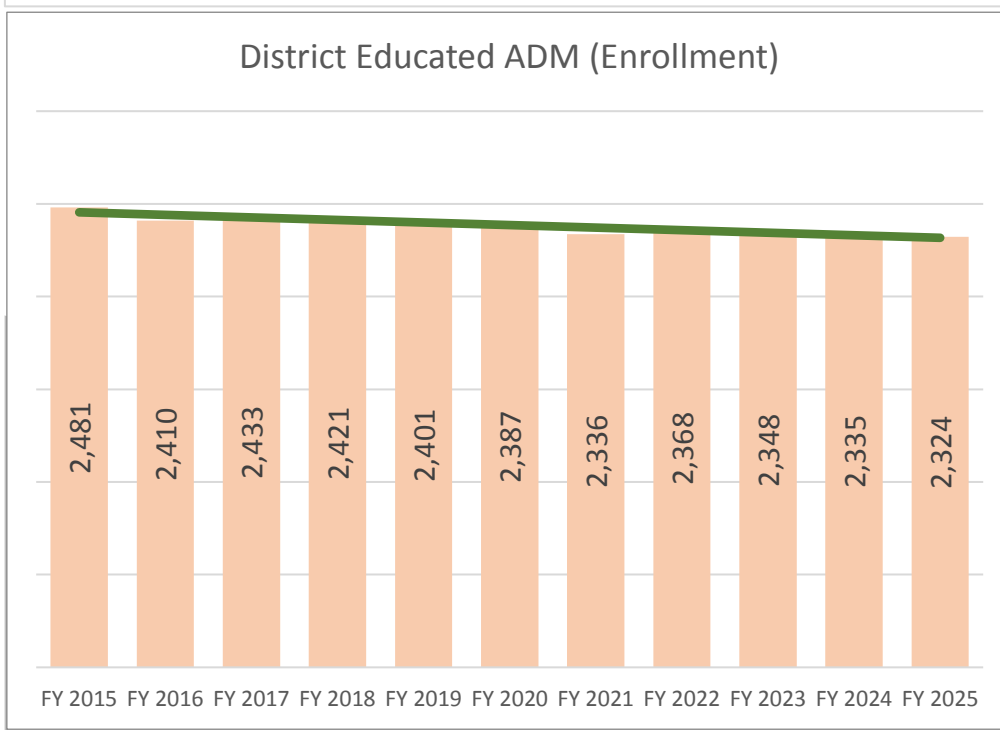
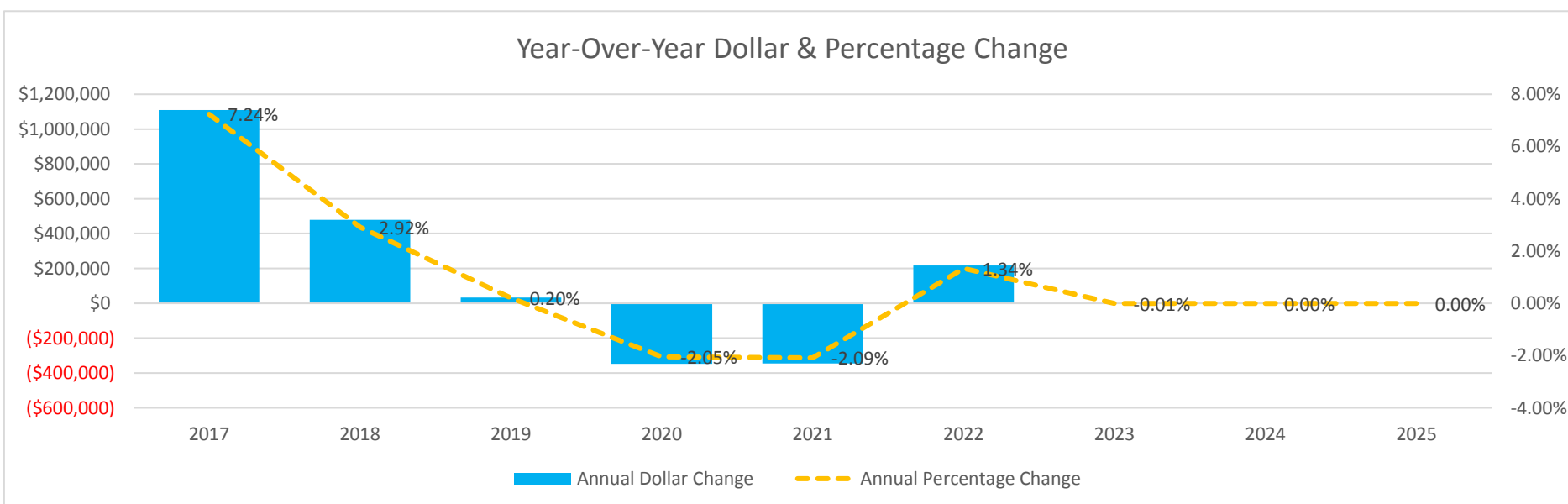
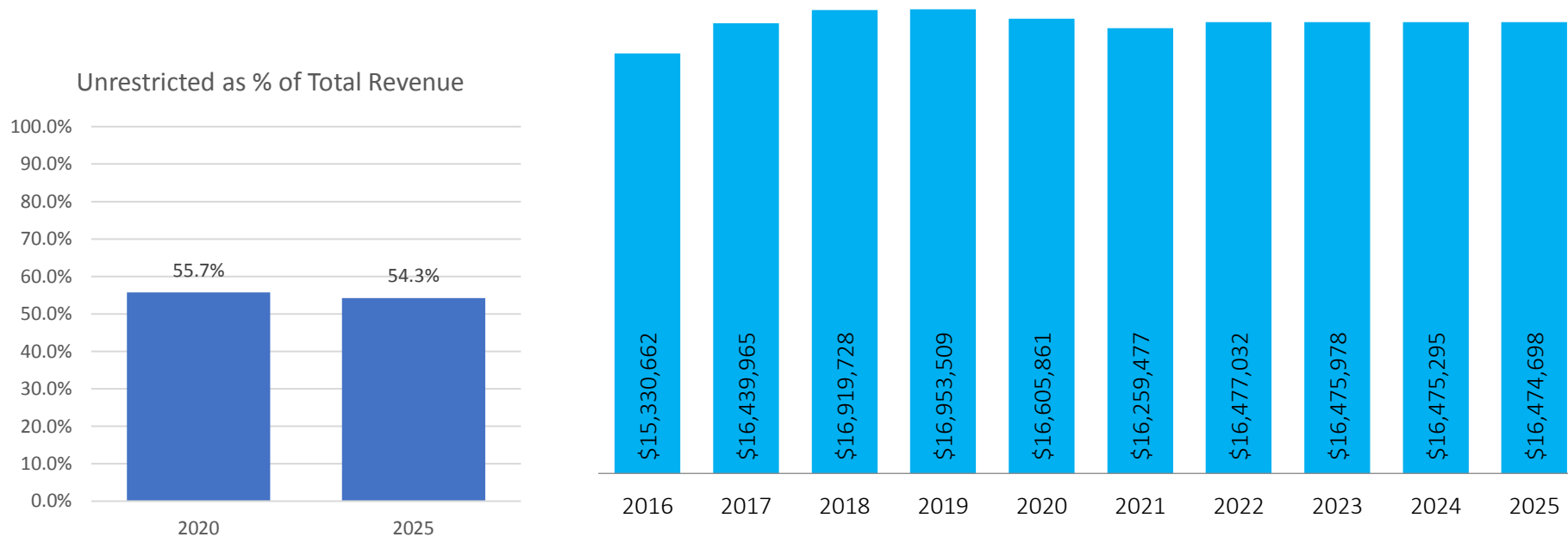


The district maintained one income tax levy in FY 2020. The average annual dollar change in total income tax revenue is forecasted to be \$40,335 through FY 2025. Income tax revenue is projected to account for 7.2% of total district revenue in FY 2025.

*Projected % trends include renewal levies

1.035 - Unrestricted Grants-in-Aid

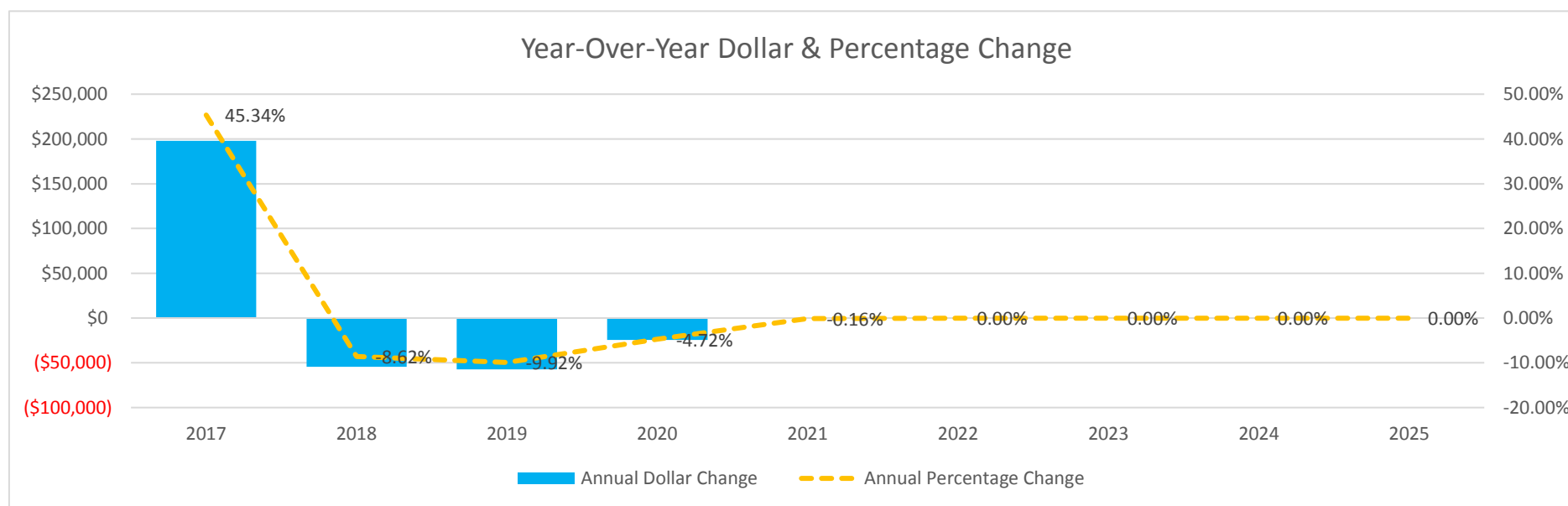
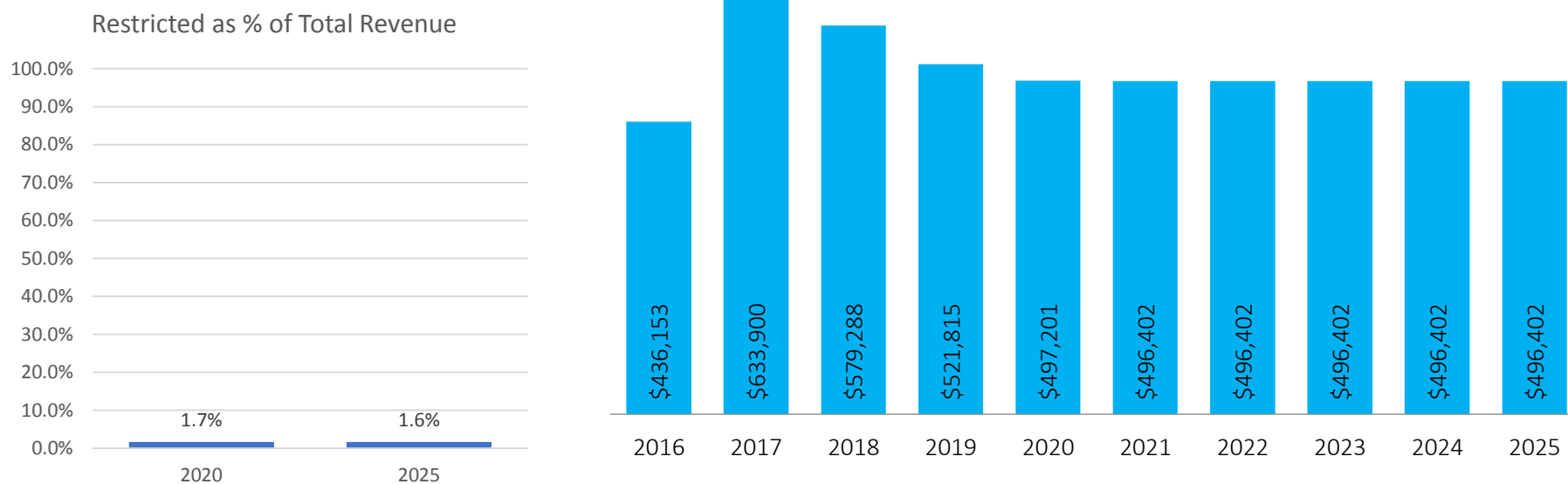
Funds received through the State Foundation Program with no restriction.



The FY 2019 per pupil and foundation revenue amount is the base aid amount used in FY 2021. In addition to its FY 2021 base funding amount of \$16,266,551 the district calculated FY 2021 categorical funding such as spec. ed., preschool, casino of \$473,025. Projected amounts less than the FY 2019 base indicate state budget cuts and other assumed change. For fiscal year 2022 - 2025, the district is projecting an average annual increase of 0.33% Note: Wellness funding is not included in these calculations.

1.040 & 1.045 - Restricted Grants-in-Aid

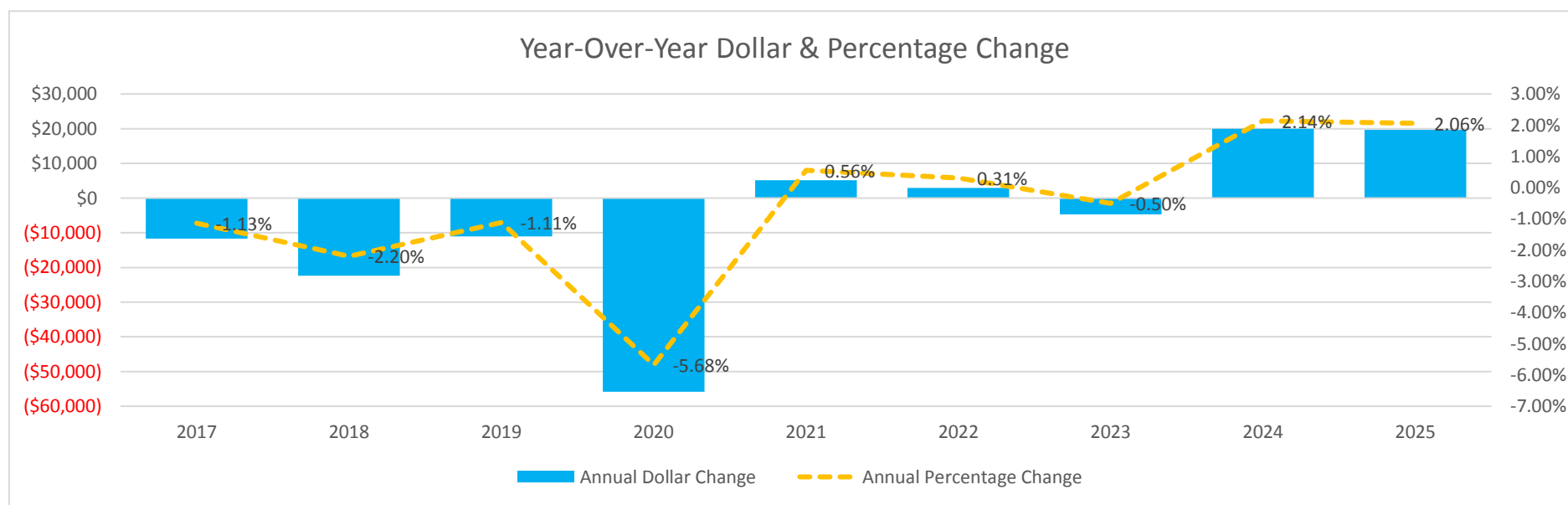
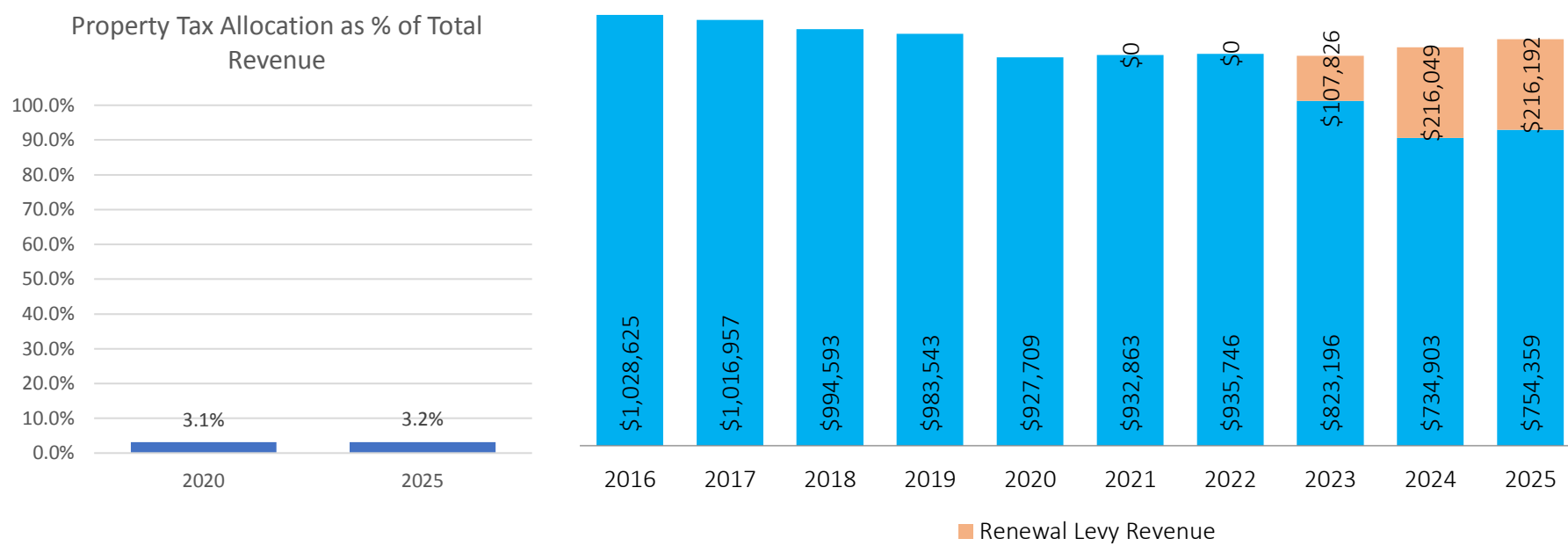
Funds received through the State Foundation Program or other allocations that are restricted for specific purposes.



Restricted aid is the portion of state per pupil funding that must be classified as restricted use. Historically the district's restricted state aid changed annually on average by -\$45,566 and is projected to change annually on average by -\$160. Restricted funds represent 1.67% of total revenue.

1.050 - Property Tax Allocation

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

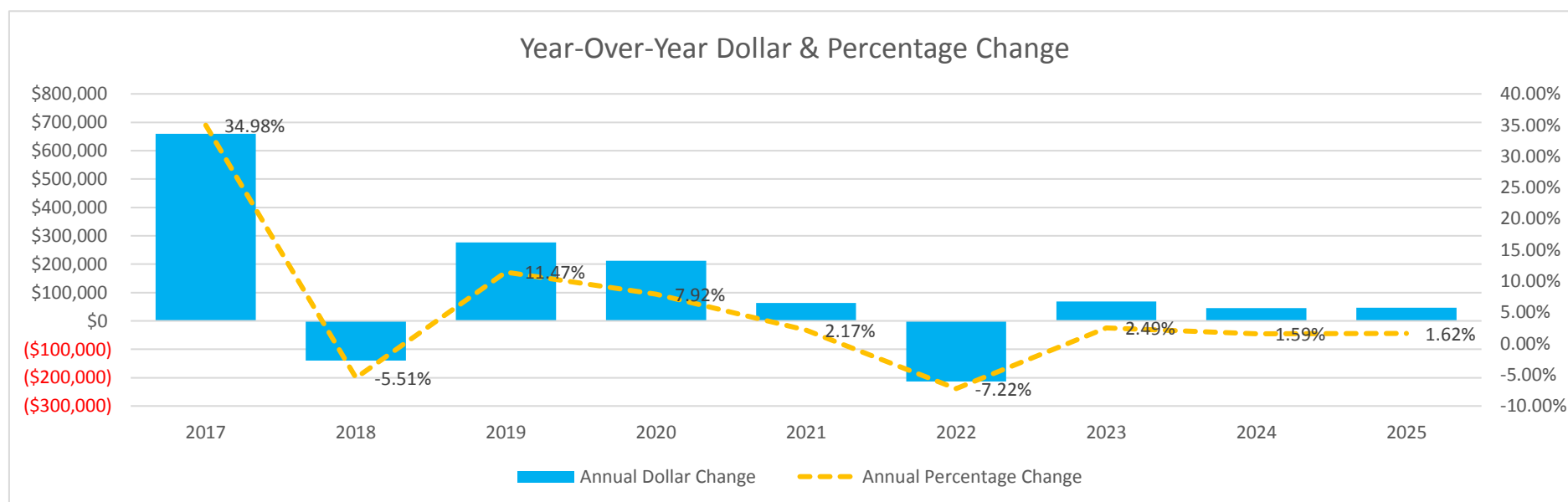
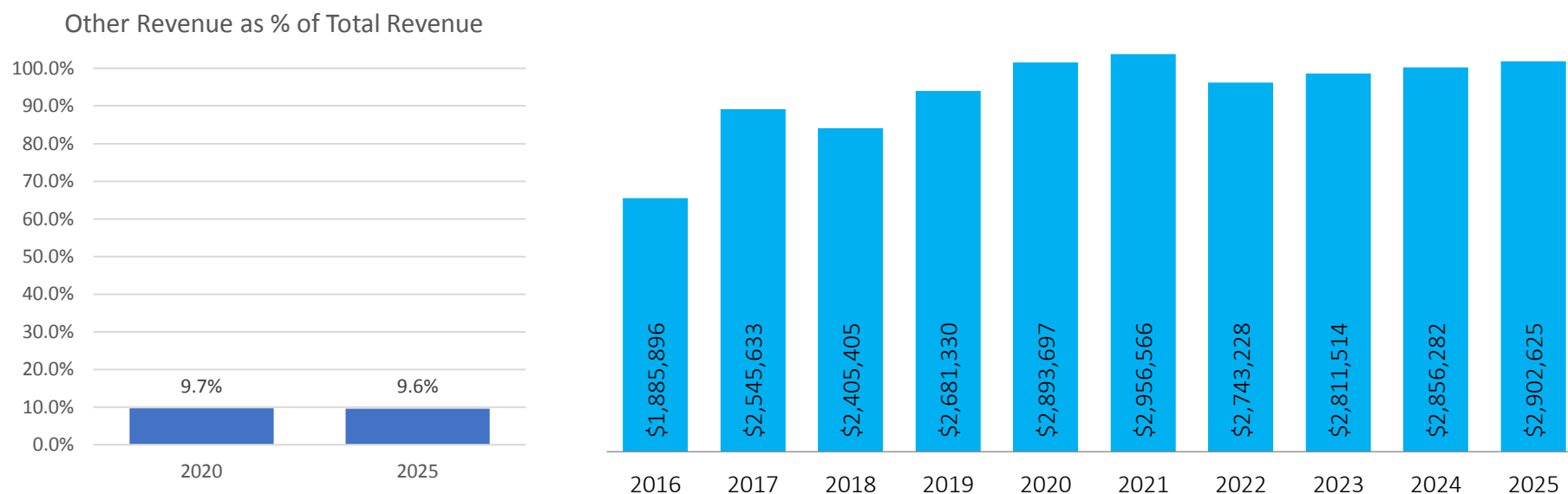


Property tax allocation primarily consists of reimbursements from the state of Ohio for local taxpayer credits or reductions. The state reduces the local taxpayer's tax bill with a 10% rollback credit, and 2.5% owner-occupied rollback credit, plus a homestead credit for qualifying taxpayers. In FY 2021, approximately 11.8% local residential property taxes will be reimbursed by the state in the form of rollback credits and approximately 5.0% will be reimbursed in the form of qualifying homestead exemption credits.

*Projected % trends include renewal levies

1.060 - All Other Operating Revenues

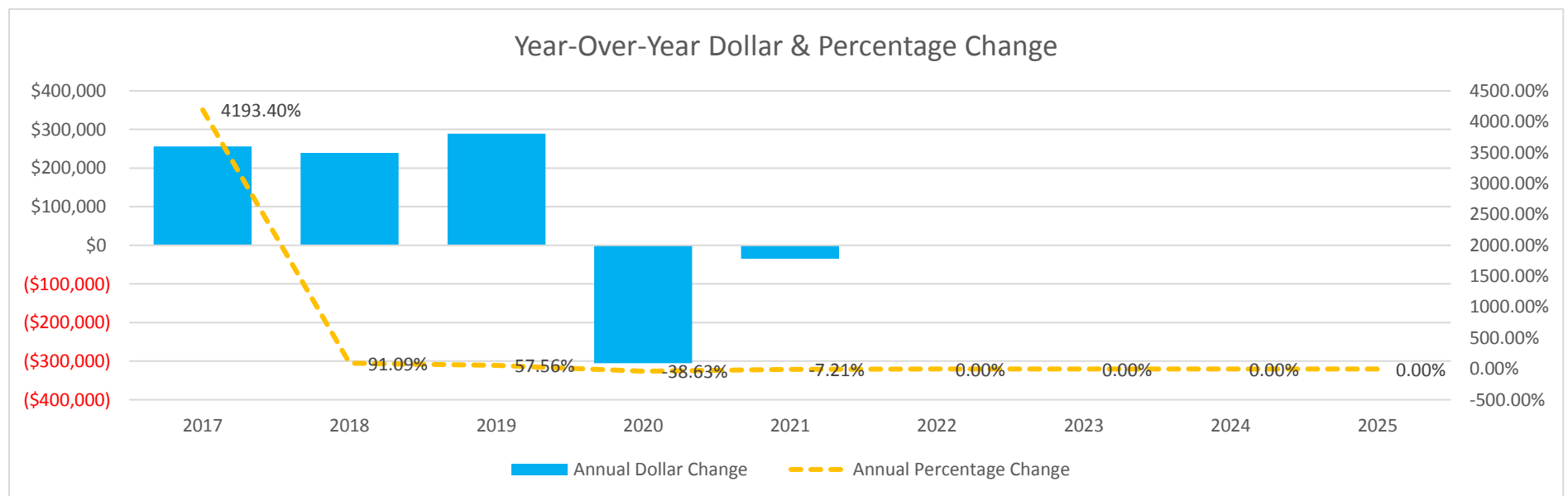
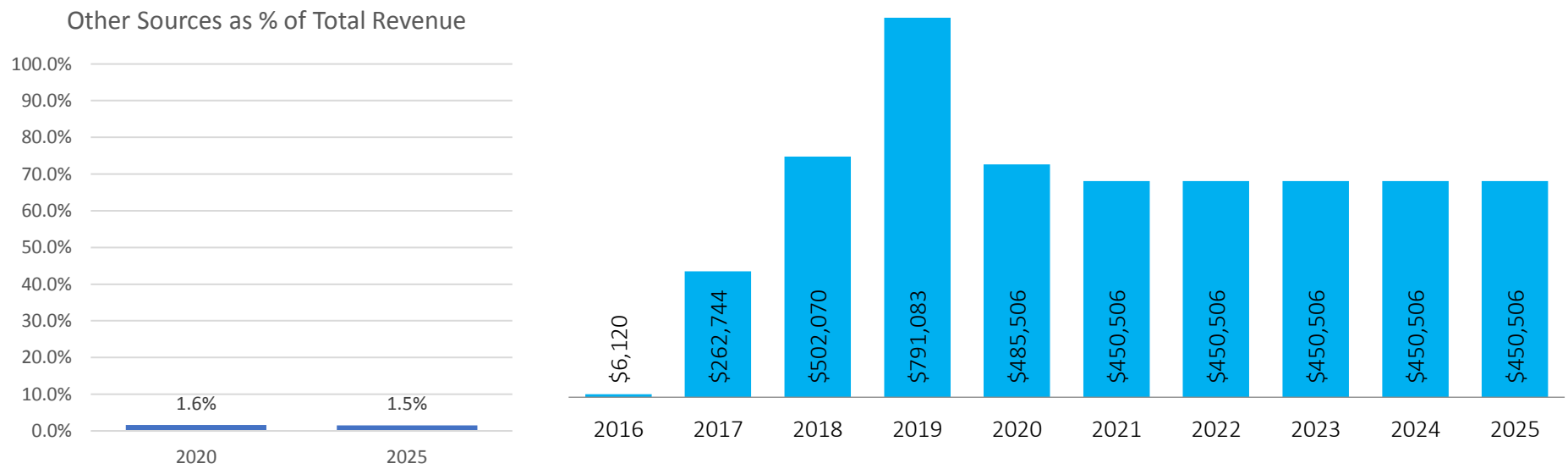
Operating revenue sources not included in other lines; examples include tuition, fees, earnings on investments, rentals, and donations.



Other revenue includes tuition received by the district for non-resident students educated by the district. It also includes interest income, payments in lieu of taxes, and miscellaneous revenue. The historical average annual change was \$116,021. The projected average annual change is \$1,785 through FY 2025.

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.

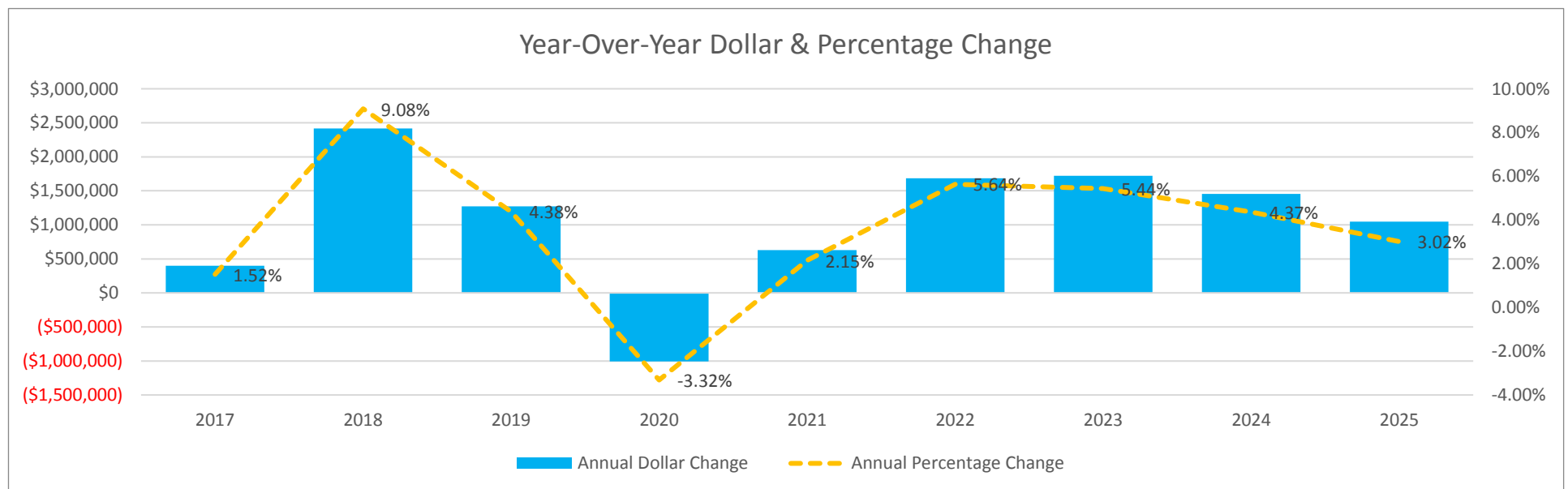
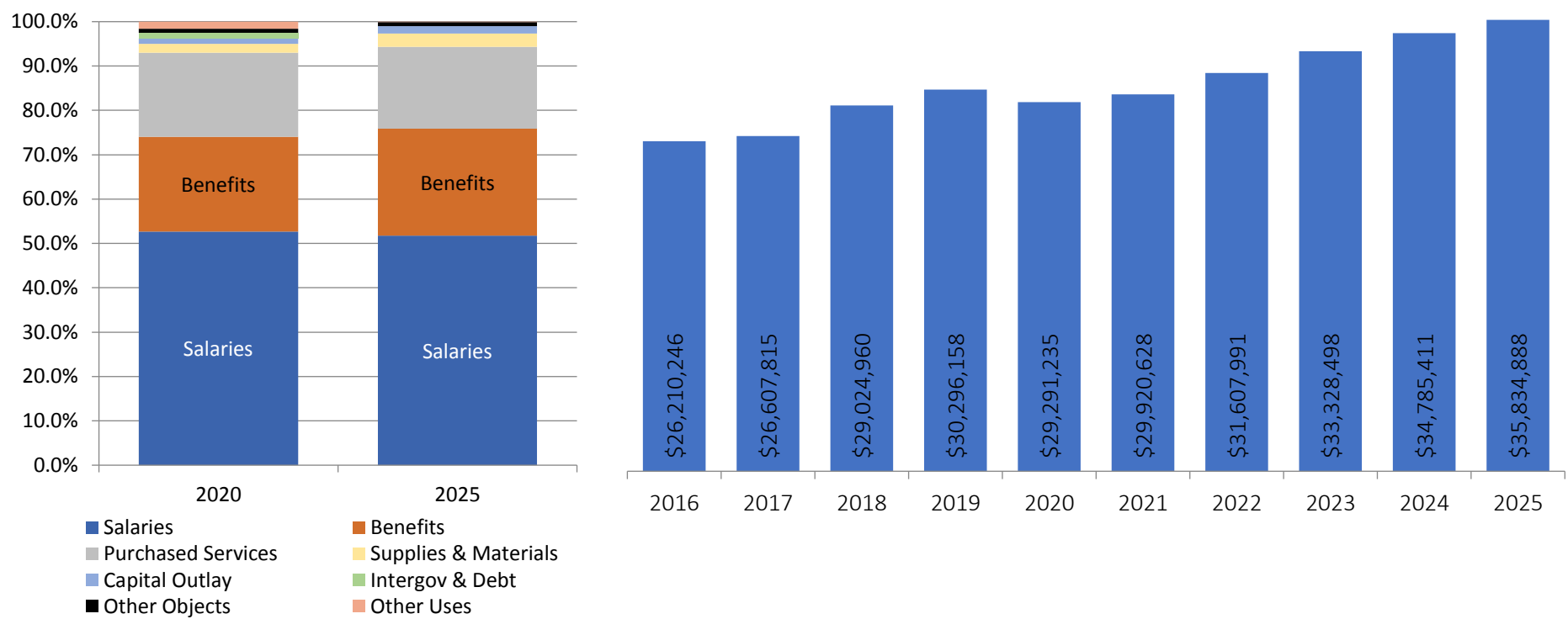


	2020	2021	2022	2023	2024	2025
Transfers In	445,245	410,245	410,245	410,245	410,245	410,245
Advances In	-	-	-	-	-	-
All Other Financing Sources	40,261	40,261	40,261	40,261	40,261	40,261

Other sources includes revenue that is generally classified as non-operating. It is typically in the form of advances-in which are the repayment of temporary loans made from the general fund to other district funds. In FY 2020 the district received \$0 as advances-in and is projecting advances of \$0 in FY 2021. The district also receives other financing sources such as refund of prior year expenditures in this category. The district is projecting that all other financing sources will be \$40,261 in FY 2021 and average \$40,261 annually through FY 2025.

Expenditure Categories and Forecast Year-Over-Year Projected Overview

Expenditure Categories Over Time



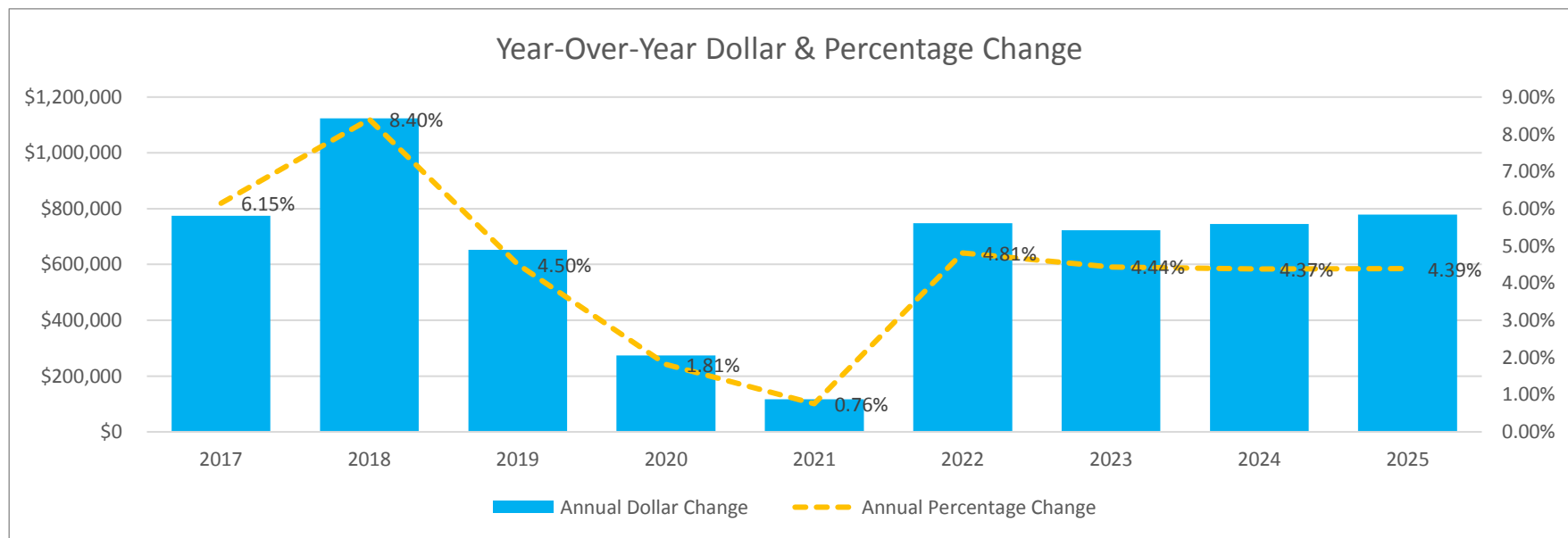
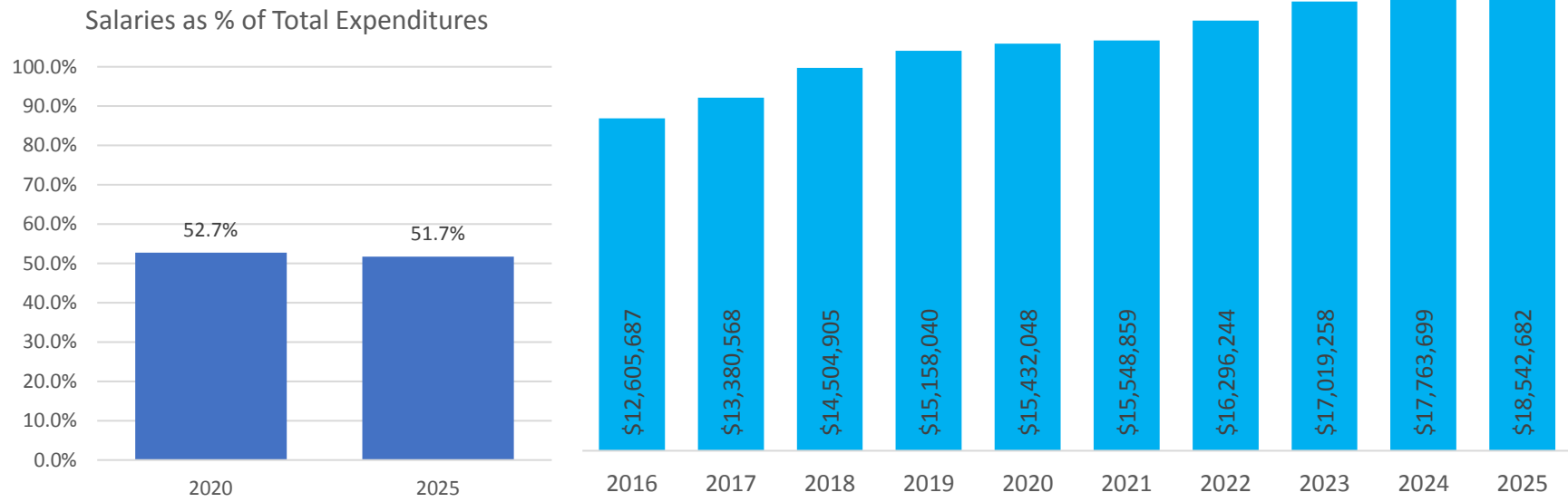
3-Year Historical Actual Average Annual Dollar Change Compared to 5-Year Projected

	Historical Average Annual \$\$ Change	Projected Average Annual \$\$ Change	Projected Compared to Historical Variance	Total expenditures increased 3.38% or \$894,474 annually during the past five years and is projected to increase 4.47% or \$1,308,731 annually through FY2025. Purchased Services has the largest projected average annual variance compared to the historical average at \$248,104.
Salaries	\$683,827	\$622,127	(\$61,700)	
Benefits	\$328,608	\$474,221	\$145,613	
Purchased Services	(\$35,779)	\$212,325	\$248,104	
Supplies & Materials	(\$79,559)	\$103,319	\$182,878	
Capital Outlay	(\$137,174)	\$45,155	\$182,329	
Intergov & Debt	\$31,844	(\$70,866)	(\$102,710)	
Other Objects	\$46,853	\$8,344	(\$38,509)	
Other Uses	\$55,854	(\$85,894)	(\$141,749)	
Total Average Annual Change	\$894,474 3.38%	\$1,308,731 4.47%	\$414,257 1.09%	

Note: Expenditure average annual change is projected to be > \$1,308,731 On an annual average basis, revenues are projected to grow slower than expenditures.

3.010 - Personnel Services

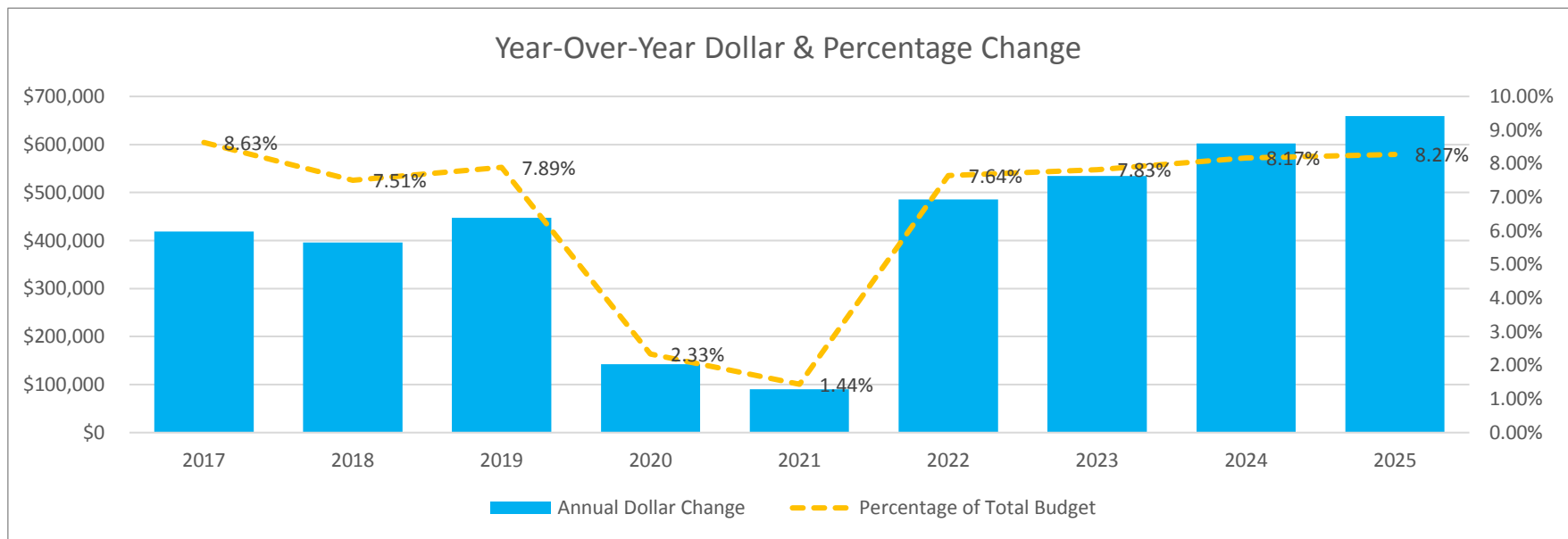
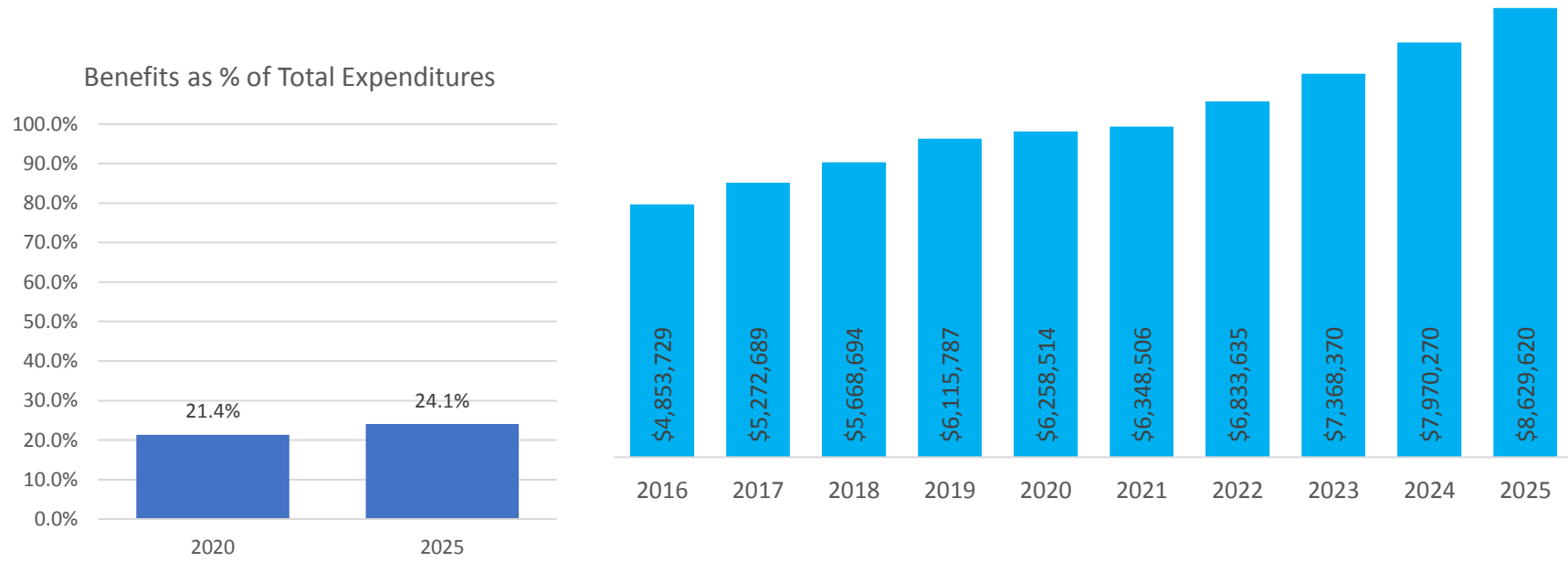
Employee salaries and wages, including extended time, severance pay, supplemental contracts, etc.



Salaries represent 52.68% of total expenditures and increased at a historical average annual rate of 4.90% or \$683,827. This category of expenditure is projected to grow at an average annual rate of 3.75% or \$622,127 through FY 2025. The projected average annual rate of change is -1.15% less than the five year historical annual average.

3.020 - Employees' Benefits

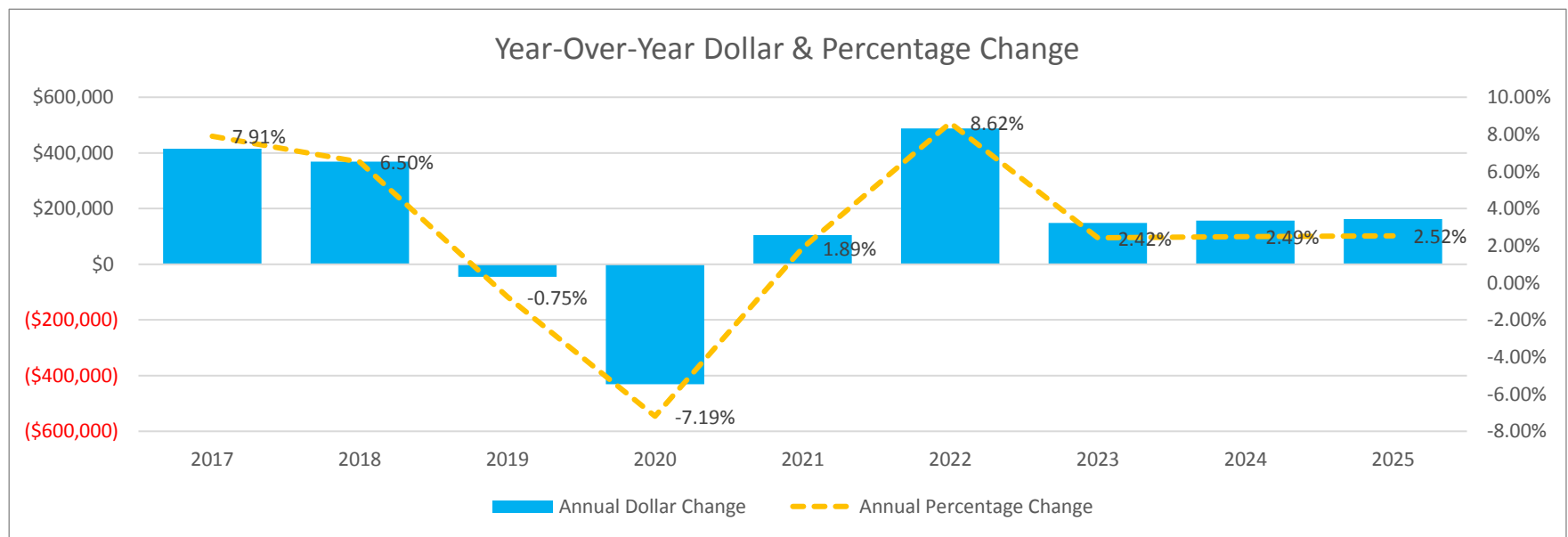
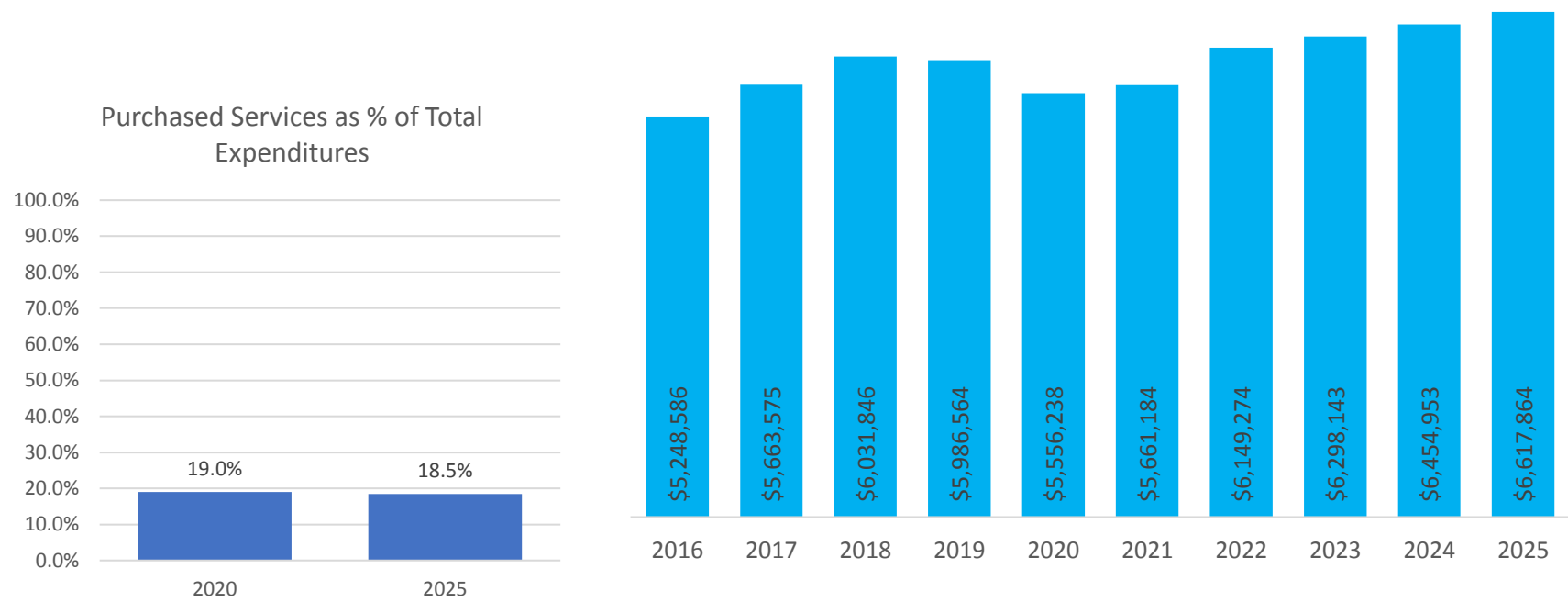
Retirement for all employees, Workers Compensation, early retirement incentives, Medicare, unemployment, pickup on pickup, and all health-related insurances.



Benefits represent 21.37% of total expenditures and increased at a historical average annual rate of 5.91% This category of expenditure is projected to grow at an annual average rate of 6.67% through FY 2025. The projected average annual rate of change is 0.76% more than the five year historical annual average.

3.030 - Purchased Services

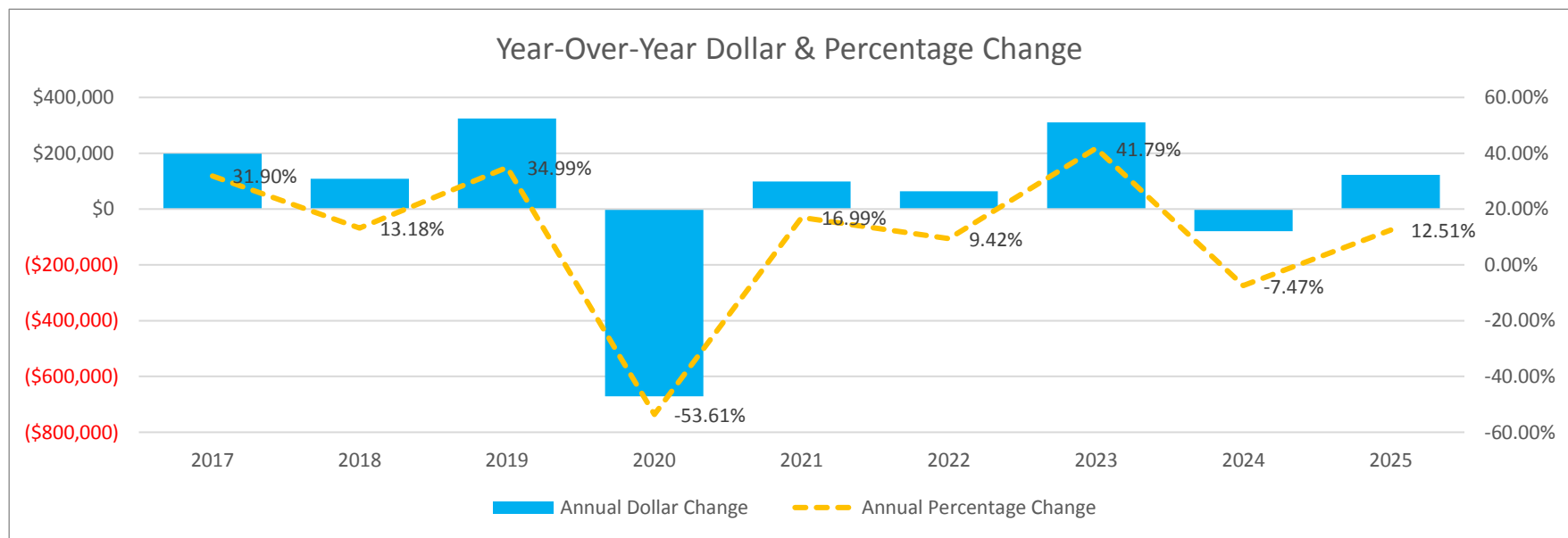
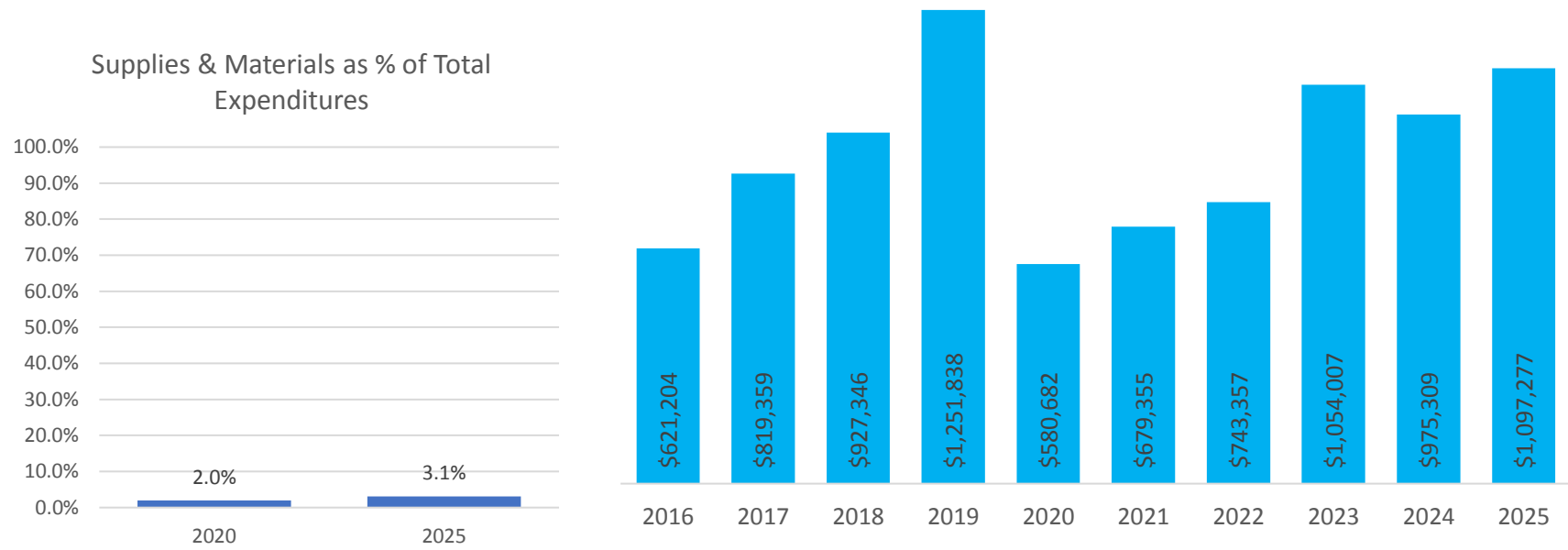
Amounts paid for personal services rendered by personnel who are not on the payroll of the school district, expenses for tuition paid to other districts, utilities costs and other services which the school district may purchase.



Purchased Services represent 18.97% of total expenditures and decreased at a historical average annual rate of -0.48%. This category of expenditure is projected to grow at an annual average rate of 3.59% through FY 2025. The projected average annual rate of change is 4.07% more than the five year historical annual average.

3.040 - Supplies & Materials

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

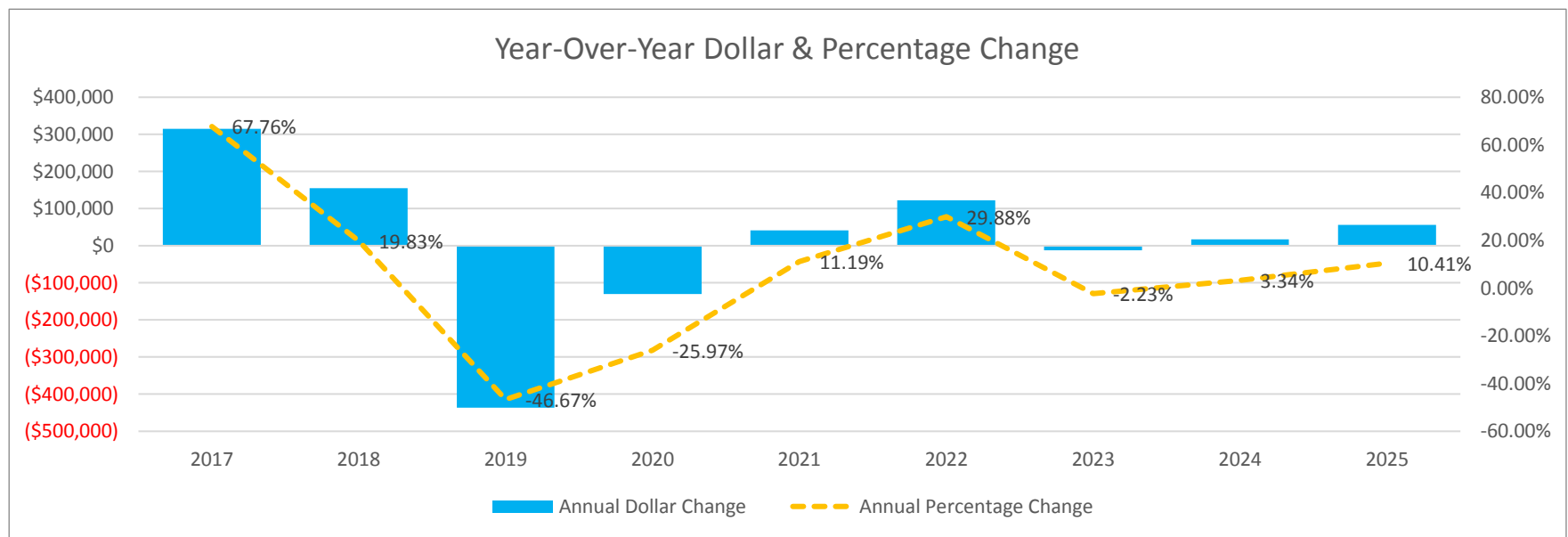
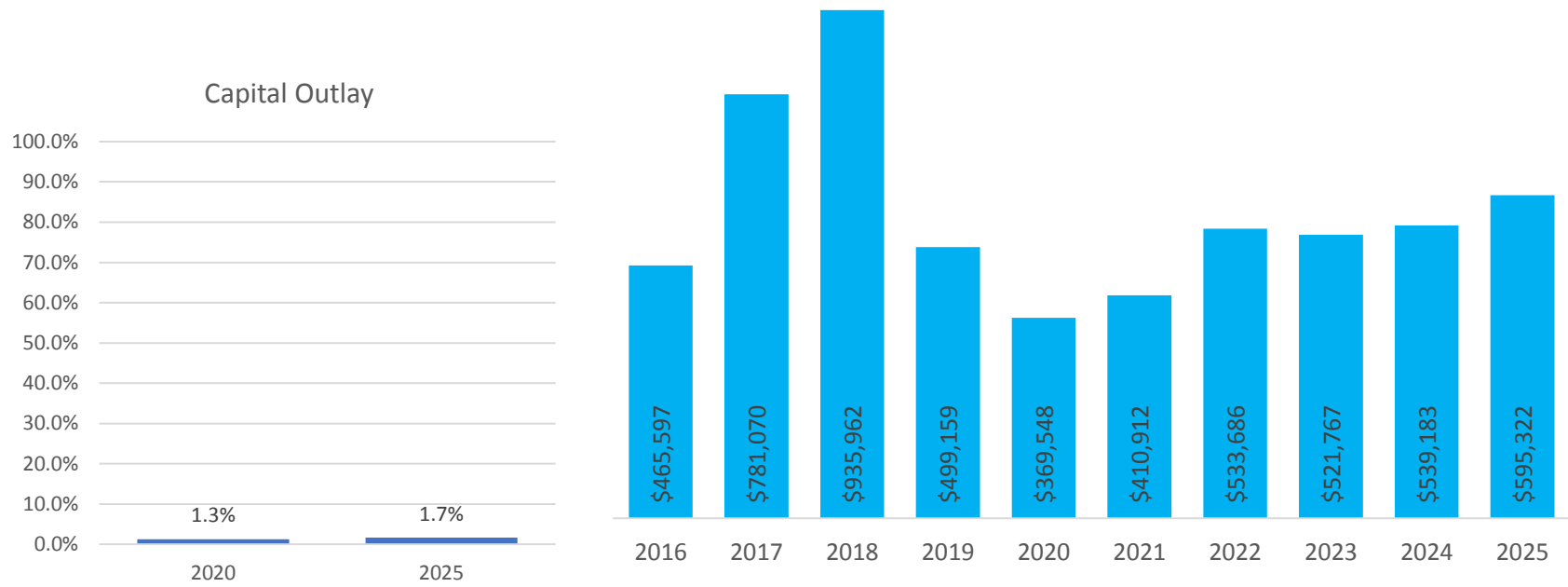


Supplies & Materials represent 1.98% of total expenditures and decreased at a historical average annual rate of -1.81%. This category of expenditure is projected to grow at an annual average rate of 14.65% through FY 2025. The projected average annual rate of change is 16.46% more than the five year historical annual average.

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.

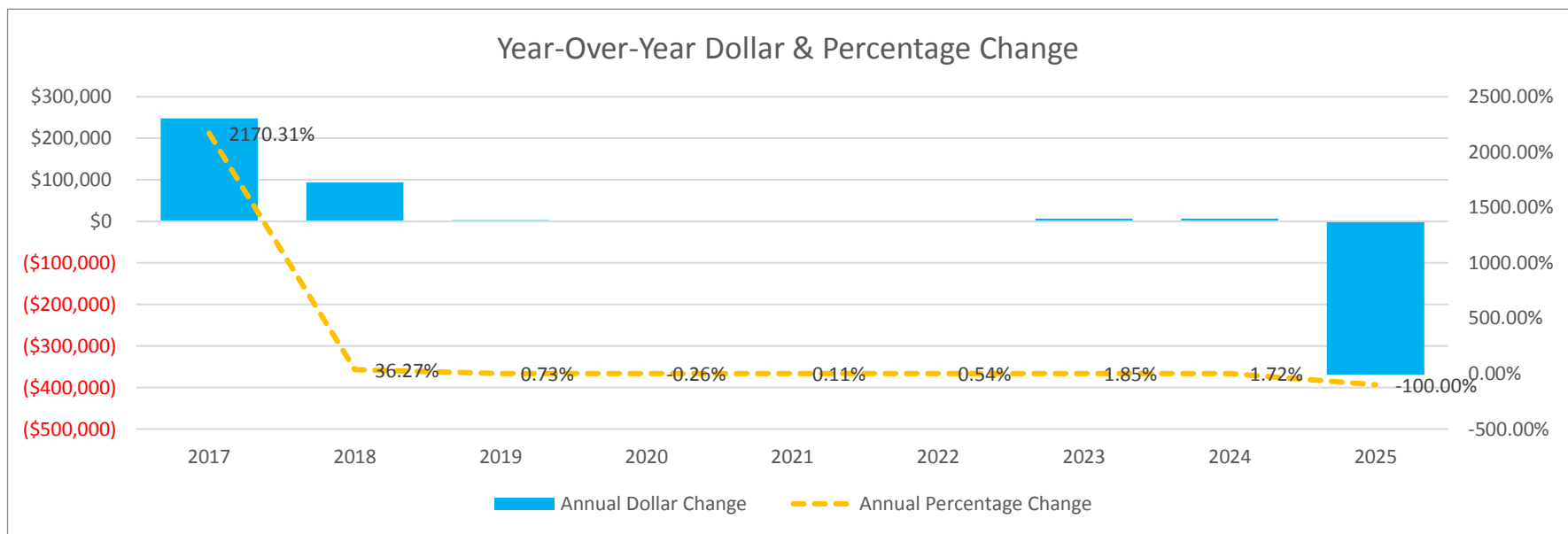
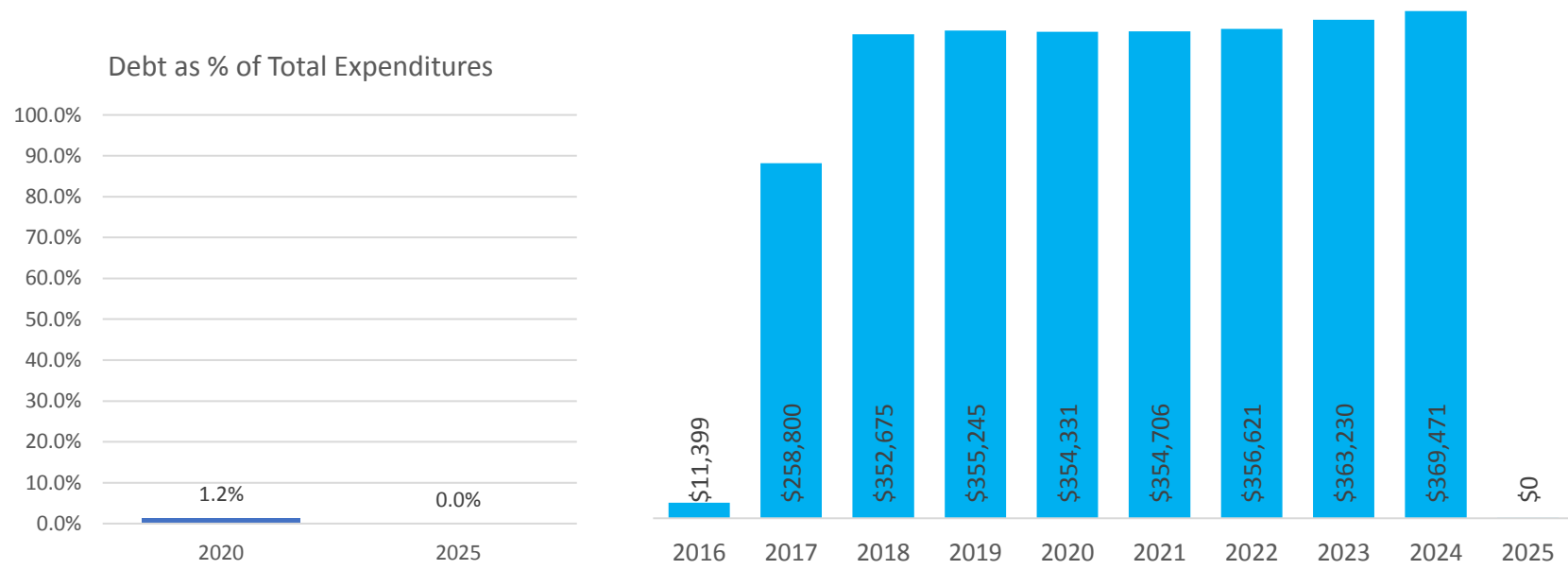
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Capital Outlay represent 1.26% of total expenditures and decreased at a historical average annual amount of -\$137,174. This category of expenditure is projected to grow at an annual average amount of \$45,155 through FY 2025. The projected average annual change is more than the five year historical annual average.

3.060-4.060 - Intergovernmental & Debt

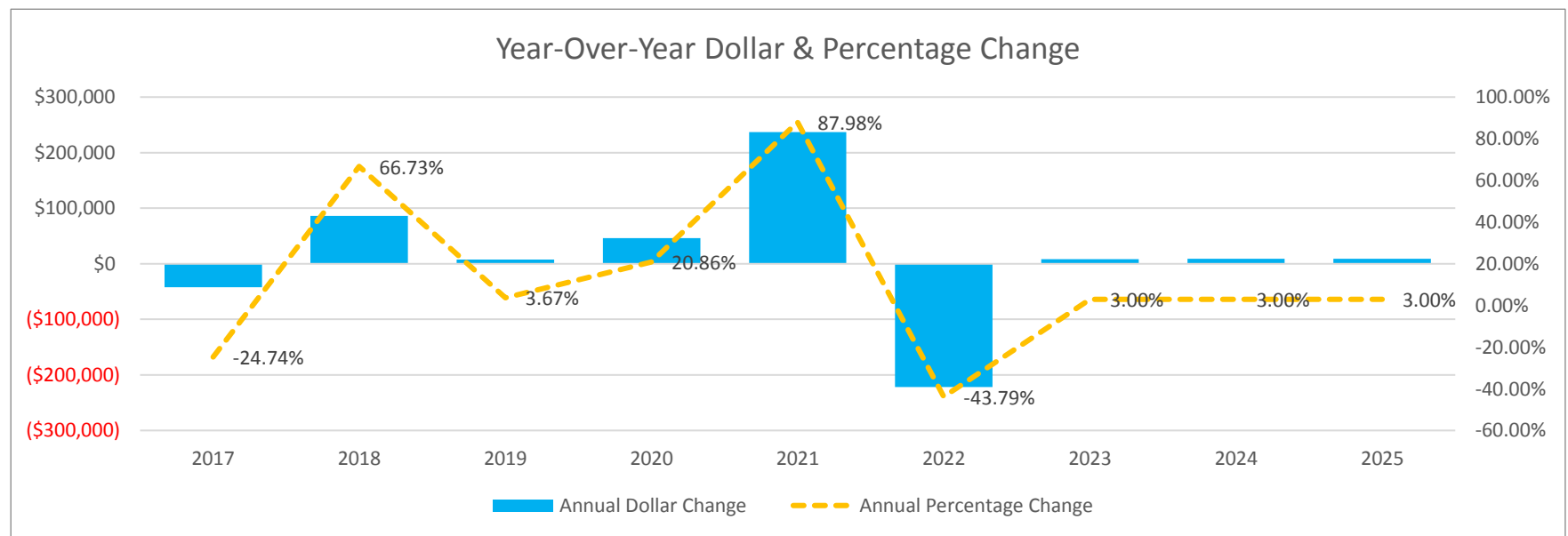
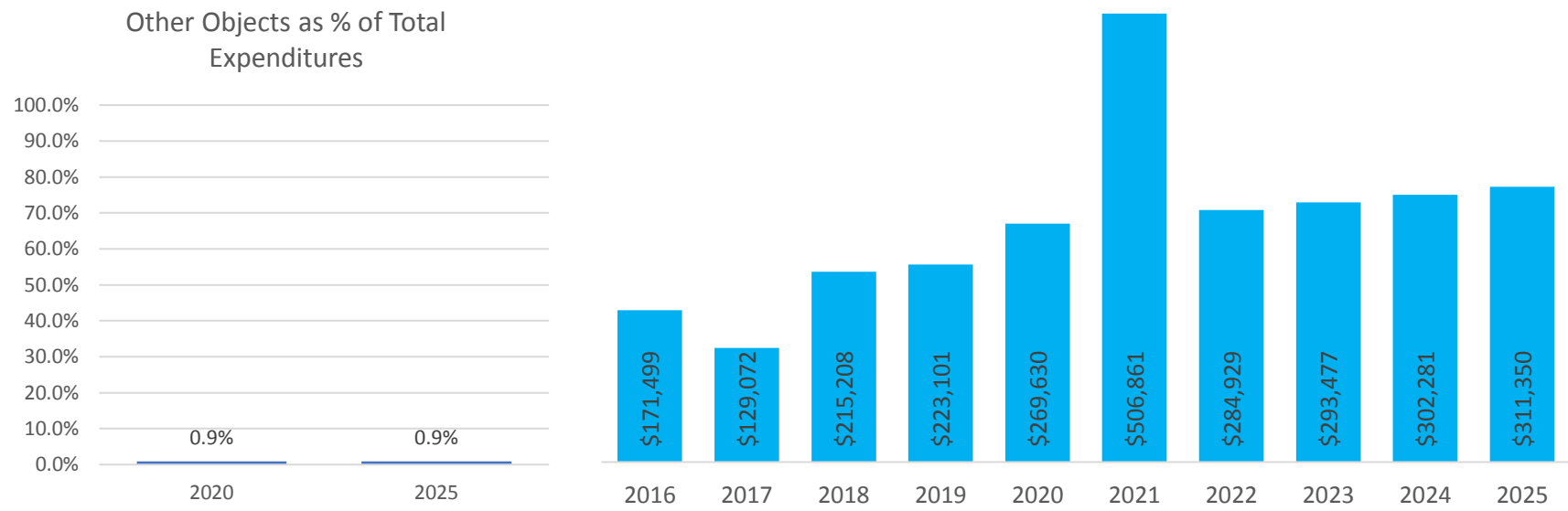
These lines account for pass through payments, as well as monies received by a district on behalf of another governmental entity, plus principal and interest payments for general fund borrowing.



The Intergovernmental/Debt expenditure category details general fund debt issued by the District.

4.300 - Other Objects

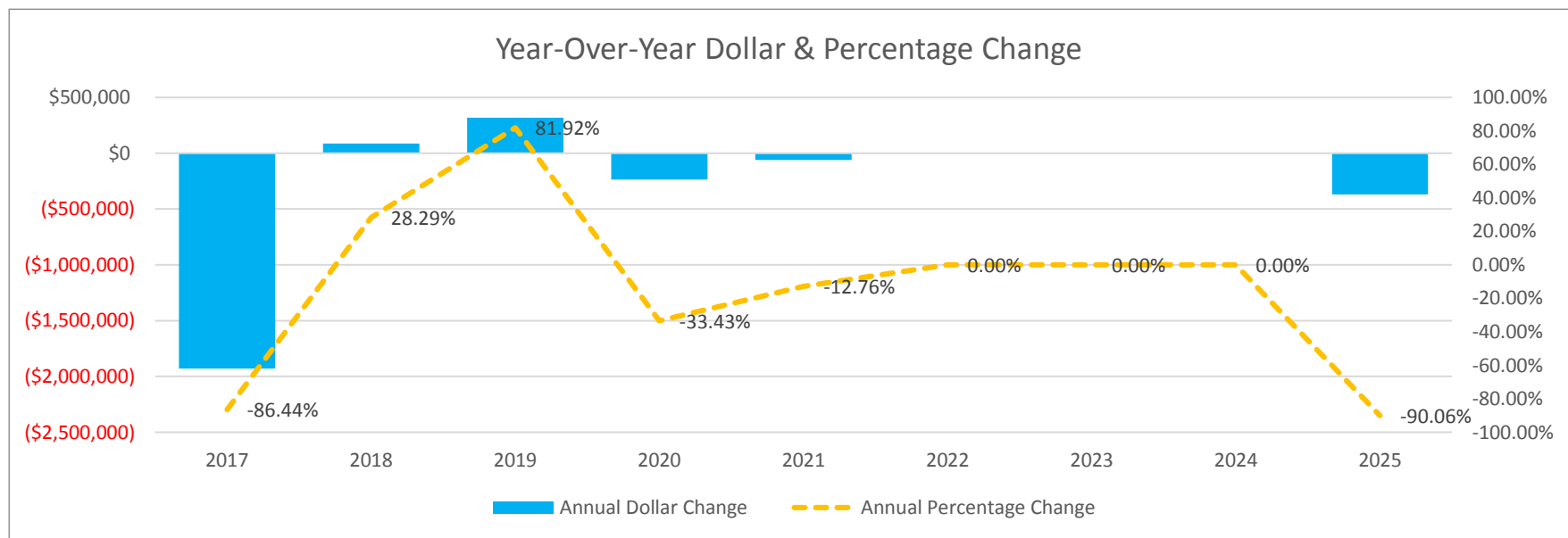
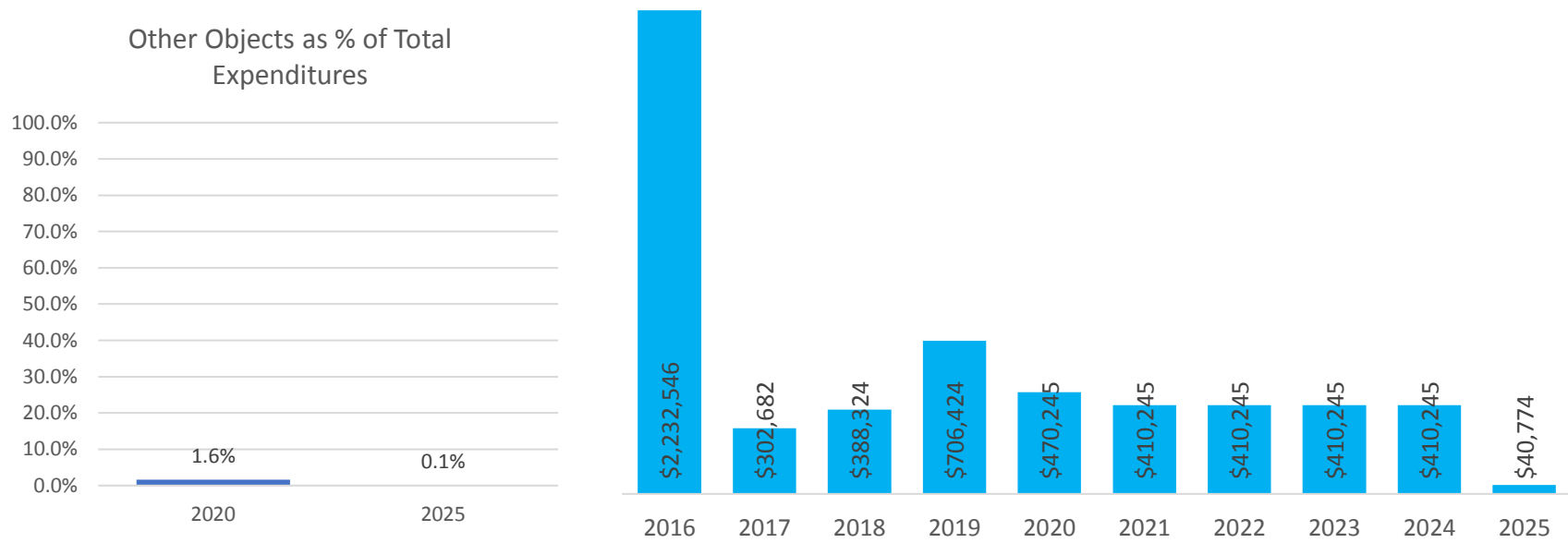
Primary components for this expenditure line are membership dues and fees, ESC contract deductions, County Auditor/Treasurer fees, audit expenses, and election expenses.



Other Objects represent 0.92% of total expenditures and increased at a historical average annual rate of 30.42%. This category of expenditure is projected to grow at an annual average rate of 10.64% through FY 2025. The projected average annual rate of change is -19.78% less than the five year historical annual average.

5.040 - Total Other Financing Uses

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



	2020	2021	2022	2023	2024	2025
Transfers Out	470,245	410,245	410,245	410,245	410,245	40,774
Advances Out	-	-	-	-	-	-
Other Financing Uses	-	-	-	-	-	-

Other uses includes expenditures that are generally classified as non-operating. It is typically in the form of advances-out which are then repaid into the general fund from the other district funds. In FY 2020 the district had no advances-out and has no advances-out forecasted through FY 2025. The district can also move general funds permanently to other funds and as the schedule above presents, the district has transfers forecasted through FY 2025. The table above presents the district's planned advances and transfers. The district can also have other uses of funds which is reflected in the table above.

Defiance City School District

Five Year Forecast

Fiscal Year:	Actual	FORECASTED				
	2020	2021	2022	2023	2024	2025
Revenue:						
1.010 - General Property Tax (Real Estate)	5,664,810	5,729,095	5,823,585	5,194,073	4,671,670	4,766,305
1.020 - Public Utility Personal Property	765,710	760,900	780,043	738,663	698,772	715,758
1.030 - Income Tax	1,977,509	1,890,256	1,980,183	2,045,293	2,111,615	2,179,184
1.035 - Unrestricted Grants-in-Aid	16,605,861	16,259,477	16,477,032	16,475,978	16,475,295	16,474,698
1.040 - Restricted Grants-in-Aid	497,201	496,402	496,402	496,402	496,402	496,402
1.050 - Property Tax Allocation	927,709	932,863	935,746	823,196	734,903	754,359
1.060 - All Other Operating Revenues	2,893,697	2,956,566	2,743,228	2,811,514	2,856,282	2,902,625
1.070 - Total Revenue	29,332,499	29,025,559	29,236,219	28,585,119	28,044,939	28,289,331
Other Financing Sources:						
2.010 - Proceeds from Sale of Notes	-	-	-	-	-	-
2.020 - State Emergency Loans and Adv	-	-	-	-	-	-
2.040 - Operating Transfers-In	445,245	410,245	410,245	410,245	410,245	410,245
2.050 - Advances-In	-	-	-	-	-	-
2.060 - All Other Financing Sources	40,261	40,261	40,261	40,261	40,261	40,261
2.070 - Total Other Financing Sources	485,506	450,506	450,506	450,506	450,506	450,506
2.080 - Total Rev & Other Sources	29,818,005	29,476,065	29,686,725	29,035,625	28,495,445	28,739,836
Expenditures:						
3.010 - Personnel Services	15,432,048	15,548,859	16,296,244	17,019,258	17,763,699	18,542,682
3.020 - Employee Benefits	6,258,514	6,348,506	6,833,635	7,368,370	7,970,270	8,629,620
3.030 - Purchased Services	5,556,238	5,661,184	6,149,274	6,298,143	6,454,953	6,617,864
3.040 - Supplies and Materials	580,682	679,355	743,357	1,054,007	975,309	1,097,277
3.050 - Capital Outlay	369,548	410,912	533,686	521,767	539,183	595,322
Intergovernmental & Debt Service	354,331	354,706	356,621	363,230	369,471	0
4.300 - Other Objects	269,630	506,861	284,929	293,477	302,281	311,350
4.500 - Total Expenditures	28,820,990	29,510,383	31,197,746	32,918,253	34,375,166	35,794,114
Other Financing Uses						
5.010 - Operating Transfers-Out	470,245	410,245	410,245	410,245	410,245	40,774
5.020 - Advances-Out	-	-	-	-	-	-
5.030 - All Other Financing Uses	-	-	-	-	-	-
5.040 - Total Other Financing Uses	470,245	410,245	410,245	410,245	410,245	40,774
5.050 - Total Exp and Other Financing Uses	29,291,235	29,920,628	31,607,991	33,328,498	34,785,411	35,834,888
6.010 - Excess of Rev Over/(Under) Exp	526,770	(444,563)	(1,921,266)	(4,292,873)	(6,289,966)	(7,095,052)
7.010 - Cash Balance July 1 (No Levies)	12,030,503	12,557,273	12,112,710	10,191,444	5,898,572	(391,395)
7.020 - Cash Balance June 30 (No Levies)	12,557,273	12,112,710	10,191,444	5,898,572	(391,395)	(7,486,447)
		Reservations				
8.010 - Estimated Encumbrances June 30	-	-	-	-	-	-
9.080 - Reservations Subtotal	-	-	-	-	-	-
10.010 - Fund Bal June 30 for Cert of App	12,557,273	12,112,710	10,191,444	5,898,572	(391,395)	(7,486,447)
Rev from Replacement/Renewal Levies						
11.010 & 11.020 - Renewal Levies	-	-	-	812,312	1,624,789	1,624,884
11.030 - Cumulative Balance of Levies	-	-	-	812,312	2,437,101	4,061,985
12.010 - Fund Bal June 30 for Cert of Obligations	12,557,273	12,112,710	10,191,444	6,710,884	2,045,706	(3,424,462)
Revenue from New Levies						
13.010 & 13.020 - New Levies	-	-	-	-	-	-
13.030 - Cumulative Balance of New Levies	-	-	-	-	-	-
15.010 - Unreserved Fund Balance June 30	12,557,273	12,112,710	10,191,444	6,710,884	2,045,706	(3,424,462)

