

## **Circleville City School District**

### **From the Office of the Treasurer**

#### **Notes to the Five Year Forecast – October 2017**

The 5 year forecast is an important tool for planning and discussing. Please keep in mind it is also a “work – in-progress”. As more information and data becomes available, revisions take place. As economic situations change, and as we make financial decisions in our district, revisions will take place. With this in mind, we will strive to present an accurate forecast.

#### **Revenue**

##### **General Property Tax (Real Estate)**

**1.01** This figure represents the property tax revenue received from the County Auditor. Historical data was used to calculate the forecasted amounts. This line accounts for the agricultural/residential and commercial/industrial real estate property taxes received by the district. The district receives real estate taxes twice a year. The last triennial update was in calendar year 2014, paid in 2015. The district saw very little change from the update, due to the fact that the major changes occurred in soil values which effect agricultural values. We are currently in a reappraisal year.

##### **Tangible Personal Property Tax**

**1.02** This figure represents the personal property tax revenue received from the County Auditor for tax on public utilities. In 2009, tangible personal property tax on business equipment and inventory was eliminated. So now only public utility tangible personal property tax is collected. This funding is received in August and March of each year.

##### **Income Tax**

**1.03** The district passed the 0.75% continuing Earned Income Tax in November of 2005. This figure is an estimate of that revenue, based on past income tax collections. The general rule of thumb is that income goes up from year to year; therefore, income tax receipts should go up also. This money is collected on a quarterly basis. Over the past five years, we have experienced growth in this category of just over 5%. Since this growth has remained consistent a 5% increase each year has been forecasted.

##### **Unrestricted State Grants-in-Aid**

**1.035** This figure represents the state funding. From 2012 – 2015 this category remained stagnate. During this time the state utilized different funding formulas which generated very little change in revenue for the district. The district is funded on the “formula” and will benefit from enrollment increases. This is the first year of the biennial budget, so the funding level should remain similar to last year. However, due to uncertainty in school funding and the continuous change in formulas, this figure was flat lined for the remaining forecasted years. Included in this category is casino revenue which started in the spring of FY13. This funding is received twice a year, in August and January. This generates an average of \$106,000 per year.

## **Restricted State Grants-in-Aid**

**1.04** This figure represents state funding for economic disadvantaged. This funding allocation started in FY14, but was not coded as restricted until FY16. From FY15 to FY16 the district received about an 18% increase in the category. I have included the description of Economic Disadvantaged Funding, taken directly from the foundation formula. Currently, the district has an economically disadvantaged percentage of 74.3%.

### **Economic Disadvantaged Funding [Section 3317.022(A)(5)]**

This additional funding is provided to address economic disadvantage (poverty) and its effects on educational outcomes. Its calculation is based on a per-pupil amount of \$272 equalized by the Economically Disadvantaged Index of the district. Economically Disadvantaged index is calculated by simply obtaining the square of the ratio of the individual district's economically disadvantaged percentage to the statewide economically disadvantaged percentage. Students who qualify for a free or reduced price lunch are considered economically disadvantaged. This represents students in poverty, but also students of families with low incomes that meet eligibility requirements for a free or reduced price lunch (which extends above the poverty line).

**(Number of Economically Disadvantaged Students) X \$272 X (Economically Disadvantaged Index)**

## **Property Tax Allocation**

**1.05** This figure includes Homestead and Rollback property tax allocations along with the hold harmless payments for the elimination of the tangible personal property tax. The major change in this line is due to HB 66 and the tangible personal property reimbursement. The hold harmless agreement was included in the biennium budget for FY15. The hold harmless payment received in FY12 was \$835,593 and in FY13, FY14 and FY15, the district received \$416,788. HB 64 resumed the phase out for FY16 and \$97,817.30 was received. For forecasting, no "hold harmless" payments are anticipated.

## **All Other Revenue**

**1.06** This figure includes tuition, investment earnings, rental income, donations, commissions, E-rate, MSP (previously CAFS) and open enrollment into the district. The district has more open enrollment students leaving the district than coming into the district. This has been a constant trend since FY09. While open enrollment dollars into the district totals about \$600,000, the cost of students leaving the district is over \$800,000. Currently, there are 106 students coming into the district on open enrollment. The donations from the Circleville City Schools Foundation (CCSF) to the Champions Complex are accounted for in this line. The CCSF has paid the contributions to the district as is as follows: FY14 - \$200,000, FY15 - \$400,000. The district currently has about \$400,000 in Champions Complex funds held by CCSF. This figure line also includes the subsidy payment from the IRS for the QSCB bonds issued for in the amount of \$7,000,000 for the locally funded initiative portion of the construction project. The full subsidy payment should be \$192,500 and should be received twice a year. However, due to the sequestration, the subsidy payments have been reduced. For forecasting purposes, we used \$178,000 instead of the full \$192,500. These payments are received twice a year.

## **All Other Financing Sources**

**2.07** This category includes sale of fixed assets and refunds of prior year expenditures. In FY15, the final payment for the lease/purchase of Mound Street Elementary of \$35,000 was received along with \$390,000 for the sale of Court Street Elementary. In addition, in February of 2015, Everts Middle School was sold to the City of Circleville for \$19.16. (The Everts building was built in 1916.)

In FY16, \$13,400 was received for the sale of equipment from the closing of the original school buildings.

## **Expenditures**

### **Personal Services**

**3.01** This figure represents the payroll expenses, more commonly termed "salaries". A three year contract for July 1, 2016 – June 30, 2019, with the certified union was negotiated in the spring of 2016. A raise of 2% for FY17, 1.75% for FY18, and 1.5% for FY19 was agreed upon and is reflected in the forecast. A classified handbook was adopted in June of 2013, effective July 1, 2013. A salary increase of 1.75% was approved for FY14. After FY14, performance based salary increases based on individual staff member evaluations determine the salary increase from year to year. The increases range from 0% to 3%.

### **Employees' Retirement/Insurance Benefits**

**3.02** This figure represents the cost of benefits for employees. This would include:  
Retirement Benefits (STRS and SERS)  
Insurance costs for health, prescriptions, dental, vision and life insurance  
Workers Compensation and Unemployment Benefits

### **Purchased Services**

**3.03** This figure represents the following:  
Legal and Professional service fees  
Utilities – electric, gas, water, oil, trash removal  
Telephone  
Property Insurance  
Lease Agreements  
Postage  
Mileage

Open Enrollment – Students leaving Circleville to go other public school districts  
(Currently 141 students)

Community School - Students leaving Circleville to go to community schools  
(Currently 95 students)

Also, included in this line is the General Fund portion of Locally Funded Initiatives for the building project. Expenditures totaled \$850,000.00 in FY14, and \$2,675,000 in FY15, and \$280,000 in FY16. There is a balance of \$1,300,000 in the LFI and Champions Complex Funds. As projects are planned for these areas, the expenditures will most likely come from this category and the forecasted figures will need to be revised.

## **Supplies and Materials**

**3.04** This figure represents general instructional supplies, textbooks, and library books. It also includes bus fuel, maintenance supplies, cleaning supplies, toilet paper and hand towels, etc. The district has instituted departmental budgets in an effort to monitor these expenditures closely and try to reduce spending.

## **Capital Outlay**

**3.05** This figure represents expenditures that typically have a useful life of five years or more. This would include equipment, vehicles, school busses, buildings and improvements to the buildings and grounds. Currently, 7 new buses have been purchased over the past six years. The bus purchases are as follows: 1 in FY13, 2 in FY14, 1 in FY15 through FY18. We are also anticipating the purchase of a bus in FY19 and FY21. Included in this figure for FY15, was the purchase of the athletic equipment and the construction of the athletic field house. This cost was \$620,000 in FY15.

## **Principal**

**4.010** This line represents the bond payments (sinking fund) for the \$7,000,000 in QSCB's that were sold for the locally funded initiative (LFI) portion of the construction project. Prior to FY15 all subsidy receipts were deposited into the debt service fund and all debt payments were paid out of the debt service fund. With the refinancing of the debt and the elimination of some of the subsidy receipts a change was made pertaining to the LFI debt. The LFI subsidy receipts are now receipted into the general fund and the LFI debt payments made from the general fund.

## **Other Objects**

**4.3** This line represents the Auditor and Treasurer Fees, membership fees, and audit costs. This line also includes payments to the Pickaway ESC that are not covered by grants. In FY14, income tax fees were also included in this line. These fees totaled \$51,875 in FY14, and \$85,902 in FY15 and \$89,912 in FY16. Prior to FY14, the income tax revenue was recorded net of the fees.

## **All Other Financing Uses**

**5.03** This line includes the refund of prior years' personal property taxes received in error. This money is being returned due to the tax exempt status of the entity. The deduction is \$90,000, in FY16 and \$80,000, in FY17, and \$50,000 in FY18.

## **General Comments:**

It is critical that the district consistently monitor spending. This is further illustrated by looking at line 6.010. We experienced an upward swing for FY16 and FY17 and the forecasted FY18. However, this is followed by deficit spending for the remainder of the forecast. Steps must be taken to insure that we do not spend more than we receive. Expenditures should not exceed revenue and when this occurs, corrective measures must be taken. In order to make sure that we meet the guidelines of the district's debt policy, we will need to continually manage our spending. Ending on a positive note, the current forecast meets the guidelines of the district's debt policy through fiscal year 2022.

The debt policy of the district is to recommend cash financing under the following circumstances:

1. When unreserved cash balance in the District's General Fund equal or greater than 40% of the General Fund Expenditures.
2. Cash funding will be recommended for projects in a year in which the General Fund balance will fall to 25% of expenditures or lower.
3. To finance the purchase of assets with average lives of five years or shorter, such as equipment and maintenance related items.
4. When market conditions are unstable or unattractive, making it difficult to achieve acceptable borrowing terms and interest rates.

Respectfully submitted, Kristen Rhoads, Treasurer