

## **Circleville City School District**

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

#### **Notes to the Five Year Forecast – October 2015**

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 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.

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

**1.02** This figure represents the personal property tax revenue received from the County Auditor. Beginning with tax year 2007, all telephone and telecommunication personal property, is now included on the personal property tax duplicate instead of the real estate tax duplicate. HB66, the budget bill of 2005, phases out the tangible personal property tax and provides districts with a reimbursement for the lost tax revenue. After FY2010, only public utilities tangible personal property tax is collected.

##### **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 three years, we have experienced four percent growth in this category.

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

**1.035** This figure represents the state funding. Due to uncertainty in the funding formula and possible changes that may occur, this figure was flat lined for future years. In FY13, districts received their first distribution of casino revenue, in the amount of \$44,643.00. The casino revenue for FY14 totaled \$107,900.58 and FY15 it totaled \$104,415.95.

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

**1.04** This figure represents state funding for economic disadvantaged. This funding allocation started in FY14.

## **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. Currently, HB 64 has resumed the phase out for FY16 and payments will be received in November and May.

## **All Other Revenue**

**1.06** This figure includes open enrollment tuition, investment earnings, rental income, donations, commissions, E-rate and MSP (previously CAFS). The district did not charge elementary fees for FY11 and eliminated Middle School and High School fees in FY13. Open enrollment numbers had been declining since FY09. In FY12, the district had a net open enrollment total of minus twenty students, in FY13, minus twelve students and in FY14 minus 26 students. In FY15, we have a net positive four students on open enrollment. Hopefully, with the construction of new schools this trend will continue and revenue in this category will increase. The donations from the Circleville City Schools Foundation to the Champions Complex are accounted for in this line. The contribution is as follows: FY14 - \$200,000, FY15 - \$400,000, FY16 - \$300,000 and FY17 - \$300,000. This figure represents 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.

## **All Other Financing Sources**

**2.07** This category includes sale of fixed assets and refunds of prior year expenditures. Included in the forecast is \$120,000 for FY13, \$45,000 for FY14 and \$35,000 for FY15 for the lease/purchase of Mound Street Elementary. Also included is \$390,000 in FY15 for the sale of Court Street Elementary. In February 2015, Everts Middle School was sold to the City of Circleville for \$19.16. (The building was built in 1916.)

## **Expenditures**

### **Personal Services**

**3.01** This figure represents the payroll expenses, more commonly termed "salaries". A three year contract for July 1, 2013 – June 30, 2016, with the certified union was negotiated in April 2013. A raise of 1.75% for each year was agreed upon and is reflected in the forecast for FY14, FY15 and FY16. The classified handbook was adopted for the same time period. A salary increase of 1.75% was approved for FY14. After FY14, there will no longer be automatic step increases. Performance based salary increases will be given based on individual staff member evaluations for all classified staff members. Increases of 0% to 3% may be given to classified staff.

### **Personal Services – cont.**

The district had a staffing analysis performed by the ODE area coordinator in March of 2012. Based on this report coupled with the transition into the new school facilities, some reduction in staff was anticipated. Due to recent retirements, the district has also been able to replace some higher salary positions with entry level personnel in an effort to reduce cost.

### **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 elsewhere

Also, included in this line is the General Fund portion of Locally Funded Initiatives for the building project, of \$930,000.00, in FY14 and \$1,947,000 in FY15. Aside from the construction project, a modest increase was used in calculating the change in this area.

### **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, it includes the purchase of 5 new buses over a four year period. The bus purchases are as follows: 1 in FY13, 2 in FY14, 1 in FY15 and 1 in FY16. We also anticipate a bus purchase in FY18. Included in this figure for FY14 and FY15, was the purchase of the athletic equipment and the construction of the athletic field house. This cost was \$80,000 in FY14 and \$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. 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 on behalf of Berger Hospital that needs to be returned due to the tax exempt status of the hospital. The deduction is \$90,000, in FY16 and \$80,000, in FY17.

## **Operating Transfers Out**

The district supplemented the athletic department with \$30,000/year for FY13 and FY14. This was due to the construction of a new outdoor athletic facility, which partially funded by the boosters. Due to the booster club needing to focus their resources on the project, it is anticipated that they will not be able to support the athletic department in the purchasing of uniforms, etc. until the project is complete.

Due to the reform of the retirement systems, especially the changes to STRS, the district established an Employee Benefit Fund. This fund will be used to set aside the anticipated amount of money needed to fund the severance benefits. The district transferred \$100,000 into this fund in FY 13 and FY14.

## **General Comments:**

It is critical that the district consistently monitor spending. This is further illustrated by looking at line 6.010. We are forecasting an upward swing for FY16 and FY17, 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 2020.

Respectfully submitted, Kristen Rhoads, Treasurer