Louisville City School District

Stark County

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2017, 2018 and 2019 Actual;
Forecasted Fiscal Years Ending June 30, 2020 Through 2024

OCTOBER 2019

		Actual				Forecasted				
		Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Average Change	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024
	Revenues									
1.010	General Property Tax (Real Estate)	$7,699,326	$7,882,031	$8,070,280	2.4%	$8,552,242	$8,680,526	$8,810,734	$8,942,895	$8,292,908
1.020	Tangible Personal Property Tax	704,747	731,196	749,368	3.1%	1,006,846	1,251,795	1,254,055	1,256,620	1,214,067
1.035	Unrestricted State Grants-in-Aid	14,278,460	14,437,415	14,276,453	0.0%	14,386,038	14,386,038	14,386,038	14,386,038	14,386,038
1.040	Restricted State Grants-in-Aid	283,406	320,099	270,252	-1.3%	269,700	254,700	254,700	254,700	254,700
1.050	Property Tax Allocation	1,284,558	1,278,818	1,454,125	6.6%	1,360,254	1,370,708	1,381,394	1,392,314	1,183,946
1.060	All Other Revenues	1,671,381	1,531,658	1,608,837	-1.7%	1,583,000	1,514,000	1,454,000	1,414,000	1,414,000
1.070	*Total Revenues*	25,921,878	26,181,217	26,429,315	1.0%	27,158,080	27,457,767	27,540,921	27,646,567	26,745,659
	Other Financing Sources									
2.040	Transfers-In									
2.050	Advances-In					57,500	57,500	62,499		
2.060	All Other Financing Sources	3,540	18,165	138,274	537.2%	179,243	82,000	35,000	35,000	35,000
2.070	*Total Other Financing Sources*	3,540	18,165	138,274	537.2%	236,743	139,500	97,499	35,000	35,000
2.080	*Total Revenues and Other Financing Sources*	25,925,418	26,199,382	26,567,589	1.2%	27,394,823	27,597,267	27,638,420	27,681,567	26,780,659
	Expenditures									
3.010	Personnel Services	14,115,394	14,516,101	15,010,823	3.1%	15,406,932	15,984,040	16,492,173	17,110,387	17,557,620
3.020	Employees' Retirement/Insurance Benefits	5,310,455	5,827,018	5,796,799	4.6%	6,743,333	8,134,986	8,751,597	9,417,697	10,142,283
3.030	Purchased Services	4,408,940	3,641,429	3,781,360	-6.8%	3,995,297	3,946,878	3,997,760	4,031,920	4,071,216
3.040	Supplies and Materials	702,451	746,748	667,475	-2.2%	603,900	654,700	675,200	682,700	690,200
3.050	Capital Outlay	283,259	651,182	216,989	31.6%	296,732	309,132	314,000	330,000	346,000
	Debt Service:									
4.055	Principal-Other	62,498	114,956	143,220	54.3%	201,680	199,333	167,985	172,513	176,385
4.060	Interest and Fiscal Charges	8,650	12,823	12,874	24.3%	13,876	10,380	11,959	10,333	12,556
4.300	Other Objects	331,822	340,847	319,070	-1.8%	327,185	326,899	321,599	334,800	337,500
4.500	*Total Expenditures*	25,223,469	25,851,104	25,948,610	1.4%	27,588,935	29,566,348	30,732,273	32,090,350	33,333,760
	Other Financing Uses									
5.010	Transfers-Out	32,727	55,579	19,100	2.1%	35,000	35,000	35,000	35,000	35,000
5.020	Advances-Out			177,499						
5.040	*Total Other Financing Uses*	32,727	55,579	196,599	161.8%	35,000	35,000	35,000	35,000	35,000
5.050	*Total Expenditures and Other Financing Uses*	25,256,196	25,906,683	26,145,209	1.7%	27,623,935	29,601,348	30,767,273	32,125,350	33,368,760
6.010	*Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses*	669,222	292,699	422,380	-6.0%	229,112-	2,004,081-	3,128,853-	4,443,783-	6,588,101-
7.010	Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	4,344,641	5,013,863	5,306,562	10.6%	5,728,942	5,499,830	3,495,749	366,896	4,076,887-
7.020	*Cash Balance June 30*	5,013,863	5,306,562	5,728,942	6.9%	5,499,830	3,495,749	366,896	4,076,887-	10,664,988-
8.010	*Estimated Encumbrances June 30*	453,298	434,744	431,024	-2.5%					
	Reservation of Fund Balance									
9.070	Bus Purchases	66,371	51,771	47,771	-14.9%	47,771				
9.080	*Subtotal*	66,371	51,771	47,771	-14.9%	47,771				
10.010	*Fund Balance June 30 for Certification of Appropriations*	4,494,194	4,820,047	5,250,147	8.1%	5,452,059	3,495,749	366,896	4,076,887-	10,664,988-
	Revenue from Replacement/Renewal Levies									
11.020	Property Tax - Renewal or Replacement									942,719
11.300	Cumulative Balance of Replacement/Renewal Levies									942,719
12.010	*Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations*	4,494,194	4,820,047	5,250,147	8.1%	5,452,059	3,495,749	366,896	4,076,887-	9,722,269-
15.010	*Unreserved Fund Balance June 30*	4,494,194	4,820,047	5,250,147	8.1%	5,452,059	3,495,749	366,896	4,076,887-	9,722,269-
	ADM Forecasts									
20.010	Kindergarten - October Count	181	192	189	2.3%	178	185	185	185	185
20.015	Grades 1-12 - October Count	2,685	2,677	2,624	-1.1%	2610	2595	2580	2565	2550

10.21.2019

See accompanying summary of significant forecast assumptions and accounting policies.
Includes: General fund, Emergency Levy fund and any portion of Debt Service fund related to General fund debt.

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LOUISVILLE CITY SCHOOL DISTRICT
Stark County, Ohio

Notes to the Five Year Forecast
October 2019



Derek L. Nottingham, Treasurer

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OVERVIEW

While the Louisville City School District is focused on providing excellent educational programming for students, the District is also committed to fiscal responsibility and transparency. The five year forecast is required by State law to be updated and filed with the Ohio Department of Education twice each fiscal year. It is a valuable tool for assessing the District's financial outlook, which aids the Board of Education and administration in making decisions with regards to all district operations while focusing on continued financial sustainability. The Louisville City Board of Education has a long history of a strong commitment to providing the best opportunities to the students of Louisville while being fiscally responsible with public funds and support from the community.

REVENUES

1.010 General Property (Real Estate) Tax

Real Estate Tax is the second highest revenue source for the Louisville City School District's general operating fund. These revenues are generated from both the District's inside and outside (voted) millage.

In November 2017, the emergency levy originally passed in 2013 was renewed for another 5 year term which will end with tax year 2023. As such, the forecast shows the final collection for this levy in fiscal year 2024. In that fiscal year, the District will only receive a half years' worth of the property tax unless it is renewed again. The tax revenue that would be collected for the second half of fiscal year 2024, assuming the renewal, is presented on line 11.020 of the forecast.

The real estate market continues to strengthen. Following the 2012 sexennial reappraisal, the District saw its total valuation drop from $341 million to $313 million. Stark County completed the triennial update process in tax year 2015. As a result, the District's assessed valuation realized an increase in tax year 2015 to $358 million which was only slightly greater than the pre-recession values in 2006. Tax year 2018 was another reappraisal year resulting in an increase in assessed valuation to a total of $408,110,230. Calendar year 2021 will be the next triennial update.

With the significant reappraisal increases, the District hit the 20 mill floor on Class I property for the first time in fiscal year 2019. Based on state law, the District's effective millage for voted operating levies cannot be reduced below a 20 mill threshold. As a result, the District will receive increased tax revenue to maintain the minimum effective millage level.

Modest increases to account for other inflationary increases and new construction have been taken into account each year of the forecast.

Due to the fact that the District is anticipating deficit spending during fiscal year 2020 and beyond, the Board of Education has taken the necessary steps to place a new emergency operating levy on the November 2019 ballot. If approved, the levy will generate $2,815,000 annually for a five year period. These tax proceeds are not included on the forecast.

1.020 Tangible Personal Property Tax

This line item reflects the taxes raised from the only companies still required to pay tangible personal property tax: utility companies. Gradual growth is assumed moving forward. Modest increases for current public utility tax collections has been forecasted for fiscal years 2020 through 2024.

The District has a portion of the Nexus Pipeline running through it. Since the pipeline became operation in calendar year 2018, the related valuation has been reported for the first time on the calendar year 2019 tax duplicate. In early October 2019, the State of Ohio finalized the pipeline's valuation and forwarded it to the County Auditor. Per the County Auditor's Office, the valuation for the District's portion of the pipeline will be $10,516,050 which will generate approximately $495,000 in new general fund revenue for the district in calendar year 2020. Public utility personal property tax is depreciated over time, so this annual revenue yield will be reduced each year until it reaches the threshold established by State statute.

1.035 Unrestricted Grants-in-Aid

Unrestricted Grants-in-Aid is the District's largest revenue source and is determined by the state funding formula for schools in Ohio. In July 2017, the State Legislature approved the new biennium budget which kept the same funding formula as the previous two bienniums with only minor changes. The various components of the formula were based on student enrollment and the relative wealth of the District in comparison to districts around the state. The relative wealth, as calculated by ODE, determines how large of a percentage the District will receive of the per pupil amount the state allocates (state share index, or SSI). The District's SSI for fiscal years 2016 and 2017 was 59.58%. For fiscal years 2018 and 2019, it decreased to 54.50% due to increased property valuations and decreased student enrollment.

With this large fluctuation in the District's SSI, the District was on the Guarantee for fiscal years 2018 and 2019. Being on the Guarantee means the formula calculates a funding amount lower than what the District received previously. While on the Guarantee, the State has historically subsidized the funding difference between the calculated amount and the actual amount received by the District the previous fiscal year.

The new biennium covering fiscal years 2020 and 2021 was passed in July 2019. The result for Ohio school districts is two-fold. First, the state formula was essentially eliminated and each District's funding level was frozen to the amount they received in fiscal year 2019 with some minor adjusting factors. Secondly, Governor DeWine proposed additional Student Wellness and Success funds to provide additional funds to support related initiatives to make a positive impact on students. The District is estimated to receive approximately $633,500 over the two year period. These funds are required to be accounted for in a separate fund and are not able to be included in this five year forecast. However, a portion of these funds will be used for expenditures that were previously forecasted to be paid out of the general fund, so the related expenditures have been reduced in the forecast. The reductions are anticipated to be $208,653 in fiscal year 2020, $216,392 in fiscal year 2021, and $166,403 in fiscal year 2022.

In addition to state foundation revenue, casino tax revenue is included on this revenue line item which accounted for $149,232 in fiscal year 2018 and $150,256 in fiscal year 2019.

1.040 Restricted Grants-in-Aid

Restricted Grants-in-Aid includes state funding for both Career and Technical Education and Economically Disadvantaged Aid. The state has established guidelines for what specifically these dollars can be used for. The District is expecting about $113,000 in Career and Technical Education Funding and $116,000 in economically disadvantaged funding in fiscal year 2020.

Revenue from Catastrophic Aide, a State partial-reimbursement program for high cost special needs student, is also included on this line item. The District received $26,601, $52,132, and $48,814 in fiscal years 2017, 2018 and 2019, respectively. For forecasting purposes, the District is forecasting $40,000 for fiscal year 2020 and $25,000 annually thereafter.

1.050 Property Tax Allocation

This allocation includes state reimbursements for Homestead Exemption and 10%/2.5% Rollback. Homestead and Rollback are state deductions taxpayers receive on their local property taxes based on certain requirements. The State, in turn, reimburses the District for revenue lost from these deductions. In the 2014-15 biennium, the State made some very drastic changes to these allocations. New levies passed after November 2013 are no longer eligible for the rollback exemption. Fortunately, the District's emergency levy was not impacted by this when it renewed in 2017 since it is was a renewal of the same levy with no modifications. Historically, this line item mirrors line 1.010 in growth or decline because it is a function of property tax collections.

1.060 All Other Operating Revenue

The largest revenue item classified here is funding for open enrollment students. In fiscal year 2018, the District received $801,273 for open enrollment. That figure increased to $849,138 in fiscal year 2019. The forecast is assuming that the level of open enrolled students will remain consistent.

Another revenue stream included in this category is the collection of fees charged to students who participate in sports and other activities. These fees help cover the cost of offering extracurricular programming and only cover a small portion of total cost. The total amount collected from these fees was $87,162 in 2019 and is forecasted at $87,000 each year throughout the forecast.

The District also receives reimbursements from Medicaid for a small portion of the costs incurred providing services to special needs students. Average projected revenues over the forecast period are $132,000 each year for Medicaid reimbursements.

Investment earnings accounted for $56,463 is fiscal year 2017, 115,143 in fiscal year 2018 and $157,237 in fiscal year 2019. This revenue stream has increased significantly over the past few years based on a recovering market and a more robust investment plan.

2.060 All Other Financing Sources

Advance-in receipts are included in fiscal years 2020 through 2022. This is the anticipated return of advance-out expenditures in fiscal year 2019 with regards to the final turf replacement payment out of the permanent improvement fund and advanced funds needed in the district's food service fund.

Other miscellaneous reimbursements and refunds are included on this line. Fiscal year 2019 shows a big increase due to the District receiving a Bureau of Workers' Compensation (BWC) rebate in the amount of $61,924 and AEP rebates of $30,585 related to the LED lighting project. In fiscal year 2020, the District has received another large rebate from the BWC in the amount of $76,890. Each of these rebates is a one-time payment, so the remaining fiscal years are anticipating only $35,000 annually.

EXPENDITURES

3.010 Personal Services

Personnel Service expenditures include employee salaries and stipends. Since the District is primarily a service agency, this is the largest expenditure category. In January 2017, the District settled the labor contract with the Louisville Education Association to replace the one that expired June 30, 2016. The contract covers the period of July 1, 2016 through June 30, 2019 and has salary increases which include steps each year, a 1% base increase on January 1, 2017, a 1.5% base increase for the 2017-18 school year, and a 1.5% base increase for the 2018-19 school year. In May 2018, the District settled an early settlement agreement with the Louisville Education Association for the period July 1, 2019 through June 30, 2022. Related salary increases are as follows: 2% base increase with step plus a 1% lump sum in fiscal year 2020, 2.5% base increase with step plus a 1% lump sum in fiscal year 2020, and 3% contingent base increase with step in fiscal year 2022. These increases are incorporated into the forecasted amounts for the respective fiscal years. Fiscal years 2023 and 2024 are forecasted with a 2% base increase.

The District settled the labor contract with classified staff in October 2016. Their contract includes wage increases including steps, a 0.5% base increase on July 1, 2016 increased to 1.0% on January 1, 2017, a 1.5% base increase in fiscal year 2018, and 2% base increases in both fiscal years 2019 and 2020. In addition, a 1% lump sum payment is included in fiscal years 2020. In August 2018, the District settled an early settlement agreement with the classified staff for the period July 1, 2021 through June 30, 2023 mirroring the certified settlement for fiscal years 2021 and 2022. Fiscal year 2023 includes a “me too” clause related to salary as it will be negotiated with the teachers. These increases are incorporated into the forecasted amounts for the respective fiscal years. Fiscal year 2024 is forecasted with a 2% base increase.

Beginning in fiscal year 2018, certified substitutes were no longer paid by the District through payroll. That cost is now represented in purchased services.

3.020 Employees’ Retirement/Insurance Benefits

The District's second highest expenditure is Employees' Retirement/Insurance Benefits which includes Board-paid pension benefits, medicare, and worker's compensation, as well as the Board-paid share of Medical, Prescription, Dental, Vision and Life insurances.

Pension, medicare, and workers' compensation are all percentage based and are calculated based on the forecasted salaries.

Insurance is calculated based on assumed annual increases to the premium. For fiscal years 2018 and 2019, premiums increased by 4.5 percent and 6.85 percent, respectively. For fiscal year 2020, the premiums for medical/prescription coverage will only increase by 3.25% while the premiums for dental and vision will have no increase. For the remainder of the forecast period, an annual increase of 10 percent is included. Another factor with the forecasted insurance amounts deals with premium holidays. Since the health plan is partially self-funded, based on the claims experience, each year the plan reserves are analyzed and if the reserves are higher than the required limit, the plan can and has awarded premium holidays, or a specified number of months where the premiums are reduced/waived. Since the plan experienced a great year in fiscal year 2017, the reserves were healthy, and the District was awarded two premium holidays to take advantage of in fiscal year 2018. Likewise, three premium holidays were approved for fiscal year 2018 to

be taken in fiscal year 2019. These three premium holidays accounted for approximately $1,080,000 in savings. The District has been awarded two premium holidays for fiscal year 2019 to be taken in fiscal year 2020. These holidays are included in the forecast; however, due to the fact that premium holidays are awarded on an annual basis and not guaranteed each year, no premium holidays have been included in the forecasted amounts in any of the remaining forecasted years.

3.030 Purchased Services

Purchased Services include utilities, tuition, property insurance, health services, repair services, and other contracted services. In addition to these, the State deductions for Community Schools and Open Enrolled Out students are included here.

The District's utility costs are forecasted to remain fairly consistent. Although rates continue to increase, the District has implemented and continues to implement measurers to improve utility consumption throughout the District.

A few of the high dollar costs in this expenditure category revolve around special education. The District contracts for occupation therapy, physical therapy, interpreter services, and other excess costs and tuition related to the District's special education needs. These are expenditures that are needed to service the specific needs of current students and can fluctuate greatly from one year to the next. For that reason, it is difficult to forecast these costs; however, over the last several years, these costs have continued to climb, so the forecast includes a continuation of trends.

The District incurs costs related to the College Credit Plus program and must pay credit hour costs and class textbooks. The tuition cost is projected at average of $124,000 for fiscal years 2020 and beyond.

In 2018, the District began paying for teaching subs through a service contract with the Stark County ESC instead of through payroll, so the related expense is now forecasted on this line.

3.040 Supplies and Materials

Supplies and Materials include not only instructional supplies, textbooks, and office supplies but also custodial supplies, transportation supplies, and bus fuel.

For fiscal years 2017, 2018 and 2019, fuel costs totaled $118,261, $130,258, and $155,784, respectively. Increases to fuel costs are anticipated and forecasted for future years.

General supply budgets were reduced across the district in fiscal year 2020 and are anticipated to increase annually throughout the forecast period.

3.050 Capital Outlay

Capital outlay includes building equipment, technology equipment, musical instruments, and buses/vehicles.

The District addressed some capital needs during fiscal year 2018 which is reflected in the increase of this line item for this year. One of these included a LED lighting project for interior and external lighting at LMS, NN, and the bus garage as well as just external lighting upgrades at LHS. This was an energy conservation project and is anticipated to save the District over $60,000 in utility and material costs annually.

Additionally, the District will continue to prioritize and budget for various capital improvement, technology and building equipment needs throughout the forecast period.

4.050/ Principal
4.060 Interest and Fiscal Charges

The District purchased four buses through a lease-purchase agreement in the summer of 2015. The District purchased four additional buses through a lease-purchase agreement in October 2017. The amounts included as principal and interest correlate specifically to the payments required per those agreement. The District plans to continue this cycle and obtain 4 new buses in fiscal years 2020, 2022, and 2024. The associated costs are included in the forecast.

4.300 Other Objects

The Other Object expenditure category includes audit fees, liability insurance, ESC deductions, and County Auditor/Treasurer fees. These costs are forecasted to remain fairly consistent through the forecast period.

5.040 Other Financing Uses

All student fee expenditures are accounted for in a separate fund. Beginning in fiscal year 2017, the student fee account was reconciled at the end of the school year, and the general fund now transfers money over annually to subsidize the fee-related expenditures for those students who do not pay fees because of qualifying for free/reduced lunch.

For fiscal year 2018, an additional $25,000 transfer was made to sustain the general athletic fund. No additional transfers are anticipated during the forecast period.

In fiscal year 2019, an advance to the permanent improvement fund was made in relation to the final payment for the turf replacement. The permanent improvement fund will repay this advance back to the general fund in subsequent years. Also, an advance of $95,000 was made to the District's food service fund due to a negative cash balance at fiscal year-end. This will also be repaid in future years.

CASH BALANCE

6.010 Excess of Revenues and Other Financing Sources over/(under) Expenditures and Other and Other Financing Uses

This line is the most important line on the forecast and is a good measure of the District’s financial health. A positive balance indicates revenues are sufficient to cover expenditures on an annual basis. As demonstrated on the forecast, this was the case for several years prior to current fiscal year. However, based on revenue increases not keeping pace with inflationary expenditure increased, the District is looking at deficit spending beginning in fiscal year 2020. Unfortunately, this deficit spending is forecasted to grow significantly in the remaining forecasted years.

The Board of Education and District leadership has worked for many years to run the District as efficiently as possible while providing for all of the needs of students. In fact, to support this claim, in fiscal year 2018 (latest available), Louisville ranked number 576 lowest out of the 607 Ohio school districts in the amount spent on a per pupil basis. That means only 30 districts in the State spent less per student than Louisville. Ultimately, the

District has a revenue problem. State funding, the District's major revenue source has been reduced over the last decade and is anticipated to remain flat in the near future. Based on these circumstances, the District has decided to place an emergency operating levy on the November ballot to address the deficit spending situation.

15.010 Unreserved Fund Balance June 30

At the end of fiscal year 2019, the District had a general fund cash balance of $5,728,942. Based on the deficit spending described above, it is anticipated that the District will be in a deficit cash situation as early as fiscal year 2023.