May 11, 2021

FREDERICKTOWN LOCAL SCHOOL DISTRICT
Five Year Forecast Assumptions
2021-2025

All estimates are conservative and in no way a guarantee what is to happen in the estimated years.

REVENUES

Line 1.01 Local Tax Revenue - Property tax revenue estimates are based on historical growth patterns, including scheduled updates and reappraisals, and are sustained by information provided for the upcoming fiscal year from the county auditor. Due to the effects of HB 920, any increases in current property values will not cause a significant increase in revenue to the district. The amounts do not anticipate the automatic passage of a replacement levy. Although new levies may be proposed during this time period, no new levies are included in these amounts. The amounts do not anticipate the automatic pass of replacement levy.

Nearly 28% percent of real estate property tax makes up the district's revenue. Residential values in Knox County are approved by the Ohio Department of Taxation and in 2020 Knox County went through a reappraisal which increased residential and agriculture by 20%. Current Agriculture Use Value (CAUV) value decreased by 38.94% in 2020 and commercial increased by 12%.

The district's tax rates are a function of levies approved by voters and property values. In general, tax rates are reduced commensurate with board of revision or inflationary change in value thereby limiting inflationary/deflationary real estate property tax growth.

The district hit the 20-mill floor in 2020 which will create new revenue of $256,000 for the district. It is projected the districts tax rates will increase by .02 mills in 2021 and 2022 but will be back on the 20-mill floor projected in 2023. As property values increase, this will increase additional revenue in Class I (Residential/Ag). Voted millage rates are decreased so that school districts don't collect any additional money on voted millage due to inflation. Over time, millage rates could be reduced to near zero. To keep this from happening, Ohio law establishes a minimum millage level, or floor, that millage rates cannot fall below. This minimum level is 20 mills. Once a district's total millage is reduced to 20 mills, it cannot be reduced any further, hence the 20 mill floor.

The district did not experience an increase in delinquencies during FY20. In FY21 delinquencies increased by 9% due to the COVID-19 pandemic. Collection rate is anticipated to return to 99.6% beginning with 2022 through 2024. Normal collection rate for the district is 99.6% and this collection rate is projected through 2025.

Line 1.02 Public Utility Personal Property – PUPP continues to experience increases. FY13 9.45%, FY14 4.91%, FY15 5.56%, FY16 17.22%, FY17 17.97%, FY18 7.93%, FY19 15.98%, and FY20 $17.67%. Starting with FY21, I have projected a conservative increase of 6.65%.

Line 1.035 Unrestricted Grants-in-Aid (State Foundation) –The district educated average daily membership (ADM) was 1,166 in 2020 and is projected to be 1,154 in 2021, for a total change of 12. Enrollment will drive H.B. 166 additional aid categories. The district's historical average annual change in state revenue from 2015 through 2020 was 7.83%. The projected average annual change for 2021 through 2025 is 3%.

The district experienced several decreases in funding during FY20. The decreases include preschool special education and state aid. Preschool special decreased 36% which totaled $31,665 due to enrollment changes and a 4% decrease in state aid which totaled $211,709 due to COVID-19. State aid was restored to 2019 levels in February, 2021 which increased state aid by $116,109 or 2% increase. State aid is anticipated to increase in 2022 by 2.3% and return to normal in 2023.

Casino revenue was phased in at the following rates: FY16 $65,196, FY17 $65,382, FY18 $65,945, FY19 $67,636 and FY20 $69,045. Due to COVID-19 casino revenue decreased in FY21 from $52 per pupil to $40 per pupil, which caused a $15,000 decrease or 47% drop in funding for casino revenue. Casino revenue did increase in January, 2021 by 50% or $17,700. Casino revenue is projected to increase to $50 in 2022, 2023, 2024 and return to $52 per students beginning in 2025.

In July, 2019 the state of Ohio passed H.B. 166 as the state's 2020 and 2021 state budget. Included in the budget are additional state aid for student wellness, supplemental student wellness and growing district aid. These aid items were added to the district's FY2019 base SFPR funding. In terms of revenue the district is expected to receive additional funding in FY20 and FY21. However, expenditures for tuition could mitigate any growth.

Line 1.04 Restricted Grants-in-Aid – This amount includes Vocational Aid and Economic Disadvantage Funding. Vocational Aid must be allocated to the Vo-Ag program only. Revenues must be allocated at no more than 25% for salaries and benefits and the rest must be spent on educational supplies, materials and equipment. Restricted aid is approximately .8% of total district revenue.

In FY19 the district experienced a 36.1% decrease in Economic Disadvantage students which totaled a $30,000 decrease in revenue. This is a loss of 78 students qualifying for free and reduced lunch in the district. The funding level remained in FY20 and is flat lined moving forward.

Line 1.05 Property Tax Allocation – Property tax allocation consists of homestead and rollback reimbursements from the state. Personal property tangible tax has a partial phase out at this time and is expected to end FY21.

Line 1.06 All Other Operating Revenue - Revenue from all other sources are based on historical patterns that include tax abatements. This includes open enrollment in, excess cost for special education, interest, building rentals and Medicare reimbursement. Open enrollment in makes up 18% of total district enrollment. All other revenue sources are 14% of total district revenue.

EXPENDITURES

Line 3.01 Personal Services – Salaries are a large part of any school district's budget. The year-over-year change, both historically and projected are impacted by many factors including: negotiated base salary hourly changes or "index" change, employee experience or degree changes on the salary index, retirement/replacement variance, additional staff, reduced staff, etc. In FY21 overtime and substitute positions are projected to increase by 8% due to COVID-19 and then experience a decrease in FY22.

The current negotiated agreements reflects a 2% increase for the FY20, FY21 and a 2.5% increase in FY22. The district will enter into negotiations for FY23-25. The district did replace all staff retirements and resignation in FY21 and added one new Language Arts position. In FY22 a new special education teacher and classroom aide is built into the forecast. Staff members' moving between steps makes up approximately 5.8% of the increase and salaries make up 53.14% of total expenditures.

In the last three months of 2020 the district had a total of 23 employees participate in the Families First Coronavirus Response Act (FFCRA). The Board of Education passed a resolution in February, 2021 to extend the FFCRA leave through June 30, 2021. During this time period the district had an additional 15 employees participate.

Line 3.02 Employee's Retirement/Insurance Benefits – The district received an increase for medical premiums of a 0% increase in FY19, a 2.53% increase in FY20 and a 0% increase in FY21 and FY22. A 2% increase is projected for FY23-FY25. The district observed an insurance moratorium in FY21with a savings of $163,000 and another insurance moratorium will be observed in FY23. The district experienced a decrease in enrollment in FY21 in single coverage for a savings of $19,000. Currently, our annual premium for single is $11,880 and $27,858 for family. Retirement and benefits make up 22.82% of total expenditures.

Line 3.03 Purchased Services - Purchased services includes open enrollment out, community school, CCP, all utilities and connectivity for the district. ESC services and property insurance also fall within this category. Community School enrollment increased in FY21 by 18 students which totaled an increase of $155,900. Purchase services make up 16.18% of total expenditures.

Line 3.04 Supplies and Materials - HB 412 requires each district maintain a level of expenditures equal to 3% of the prior year's base revenue to be spent on educational supply and materials and capital equipment. The purpose of this law is to make sure districts allow for the incidental classroom expenses that could easily be eaten away by inflationary increases in items such as diesel, or employee benefits. The district is in compliance with HB 412.

New textbooks are budgeted for FY21-25. In FY20 the district expended $130,354 for textbooks and in FY21 it is projected to expend $65,000. Starting in FY22 $60,000 is forecasted for textbooks. A steady increase in supplies and materials has been built into the forecast through FY25. Supplies and materials make up 3.9% of total expenditures.

Line 3.05 Capital Outlay - Capital outlay expenditures have been historically low because they did not include new buses or anticipated any large purchases from the General Fund.

All major capital outlay, such as repairs to roofs, building, boilers, etc. are usually budgeted to the Permanent Improvement and Classroom Facilities Funds. The district purchased computer carts and chromebooks' in FY20. A bus will be purchased in FY21 with the help of the School Bus Purchase Program. The grant will cover $41,775 of the $94,000 cost of the bus. In FY23 another school bus will be purchased. Building improvements have been budgeted for FY21 to FY25.

A permanent budget amount of $50,000 has been built into the budget for technology through FY25. Capital outlay makes up .9% of total expenditures.

Lines 3.06 and 4.06 H.B. 264 Loan – HB 264 loan is budgeted in this line item. Effective FY11, repayment of the Energy Conversation Note begins. This is a fifteen year loan that will apply to the energy conservation the district receives from the updates to lights and boilers. The final payment for HB 264 will be May, 2023. Loans make up .5% of total expenditures.

Line 4.30 Line Other Objects – Other objects include: County Auditor/Treasurer fees, Election expense, computer consortium fees, Knox County ESC fees, liability insurance and State Audit fees. The Knox County Auditor reduced fees for collection January - December, 2021. Fees will return to normal amounts January, 2022. Other objects make up 2% of total expenditures.

Line 5.01 Operating Transfers – No General Fund Transfers are budgeted at this time.

Line 6.01 Revenue over/ (under) Expenditures- This line is the gauge to a school district's health. When this line becomes a negative, it means that expenditures are outpacing revenue, this depleting the district's cash balance.

Line 10.010 Fund Balance June 30 for Certification – This line is the combination of carryover cash from prior fiscal year and line 6.01 – Revenue over/ (under) Expenditures, less line 8.01 – Encumbrances.

The five year forecast is used as a planning tool for the Fredericktown Local School District. It reflects three years of actual data regarding general operations of the District and estimates for 5 years. H.B. 412 requires that the five-year forecast be filed with the Ohio Department of Education in November and May of each year.