

Ottawa Hills Local School District

Five Year Forecast Financial Report

November, 2021

Bradley Browne, Treasurer/CFO

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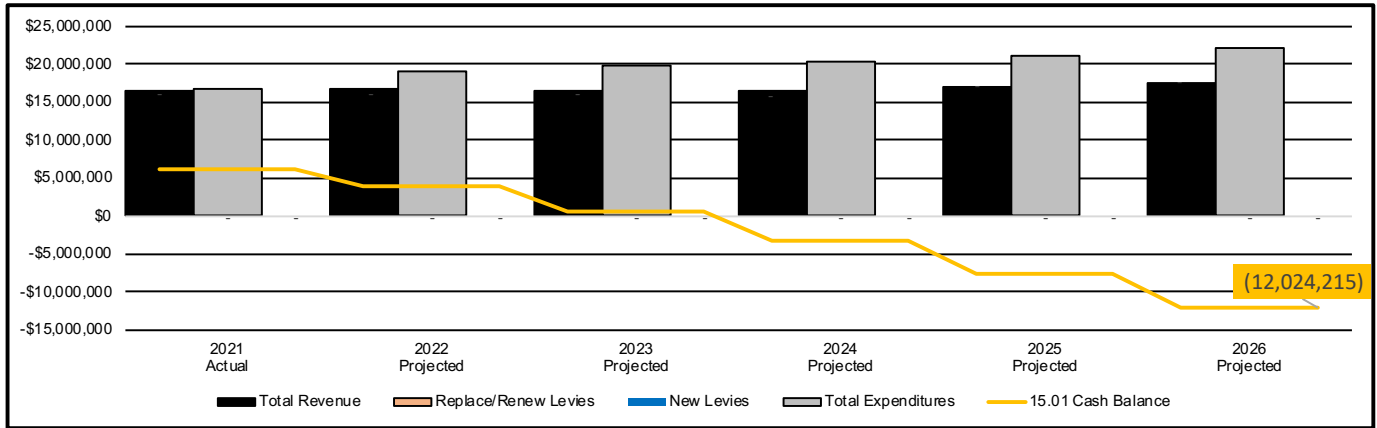
Forecast Purpose/Objectives

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.

Forecast Summary



Note: Cash balance (Line 7.020) plus any existing levy modeled as renewed or new during the forecast.

Financial Forecast

	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026
Beginning Balance (Line 7.010) Plus Renewal/New Levies Modeled	6,207,355	3,916,132	553,661	(3,285,416)	(7,591,750)
+ Revenue	16,749,220	16,419,029	16,654,440	16,945,902	17,669,914
+ Proposed Renew/Replacement Levies	-	-	-	-	-
+ Proposed New Levies	-	-	-	-	-
- Expenditures	(19,040,443)	(19,781,500)	(20,493,517)	(21,252,236)	(22,102,379)
= Revenue Surplus or Deficit	(2,291,223)	(3,362,471)	(3,839,077)	(4,306,334)	(4,432,465)
Line 7.020 Ending Balance with renewal/new levies	3,916,132	553,661	(3,285,416)	(7,591,750)	(12,024,215)

Analysis Without Renewal Levies Included:

Revenue Surplus or Deficit w/o Levies	(2,291,223)	(3,362,471)	(3,839,077)	(4,306,334)	(4,432,465)
Ending Balance w/o Levies	3,916,132	553,661	(3,285,416)	(7,591,750)	(12,024,215)

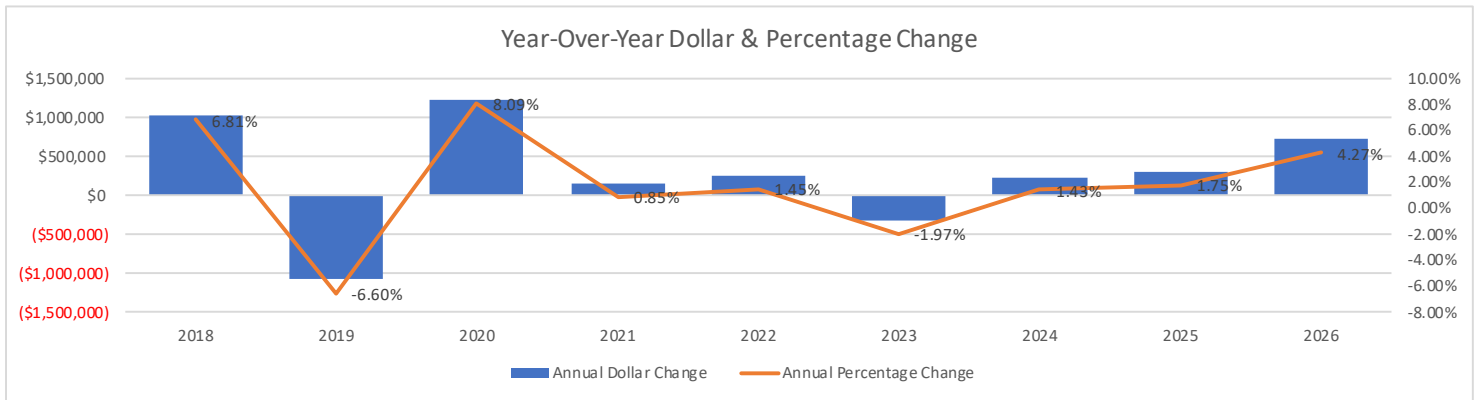
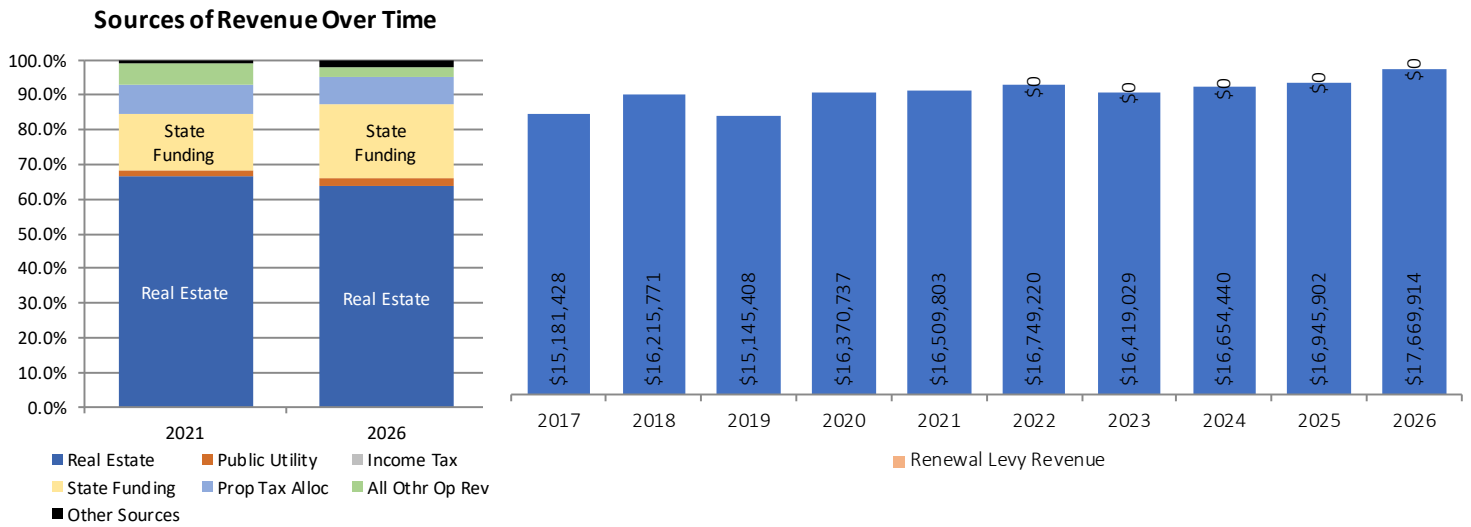
In FY 2022 a revenue shortfall is expected. This means that expenditures are expected to be greater than revenue by \$2,291,223 in FY 2022. By the last year of the forecast, FY 2026, the district is expected to have a revenue shortfall where expenditures are projected to be greater than revenue by \$4,432,465. The district would need to cut its FY 2026 projected expenses by 20.05% in order to balance its budget without additional revenue.

The district's cash balance is positive at year-end in FY 2022 and is projected to worsen by FY 2026. A worsening cash balance can erode the district's financial stability over time.

This forecast includes the Fair School Funding Plan (FSFP) adopted by Ohio starting in FY 2022. The district expects a combined impact of \$72,662 in FY 2022. This forecast includes a CFO adjusted trend calculation of the FSFP impact using current information. As information changes the estimates will be updated. The district is considered a guarantee district in FY 2022. A detailed state funding supplement to this forecast has been prepared and should be reviewed and considered part of the forecast assumptions.

guarantee district in FY 2022.

Revenue Sources and Forecast Year-Over-Year Projected Overview



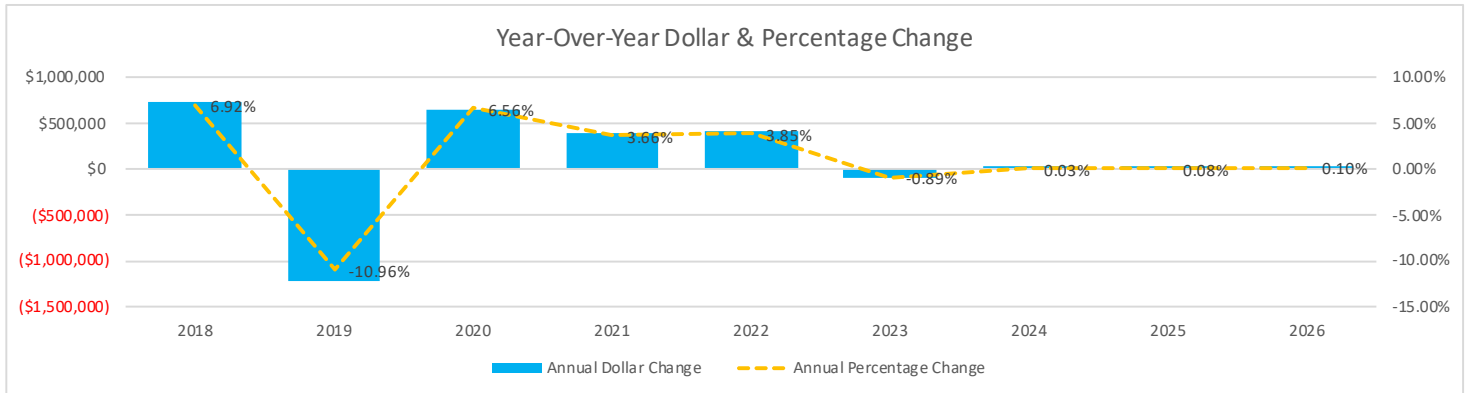
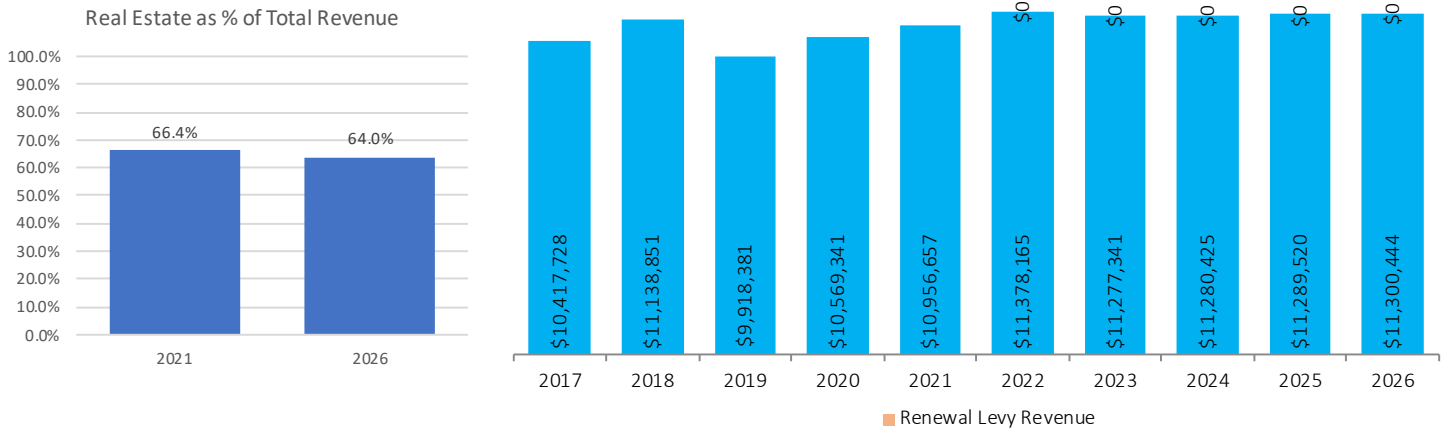
3-Year Historical Actual Average Annual Dollar Change
Compared to 5-Year Projected

	Historical Average Annual \$ Change	Projected Average Annual \$ Change	Projected Compared to Historical Variance	Total revenue increased 0.61% or \$98,011 annually during the past five years and is projected to increase 1.37% or \$232,022 annually through FY2026. All Othr Op Rev has the most projected average annual variance compared to the historical average at -\$285,777
Real Estate	(\$60,731)	\$68,757	\$129,488	
Public Utility	\$15,515	\$8,353	(\$7,162)	
Income Tax	\$0	\$0	\$0	
State Funding	\$18,223	\$217,568	\$199,345	
Prop Tax Alloc	(\$8,479)	(\$12,124)	(\$3,645)	
All Othr Op Rev	\$196,478	(\$89,299)	(\$285,777)	
Other Sources	(\$62,995)	\$38,767	\$101,762	
Total Average Annual Change	\$98,011 0.61%	\$232,022 1.37%	\$134,012 0.76%	

Note: Expenditure average annual change is projected to be > \$1,045,246 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).



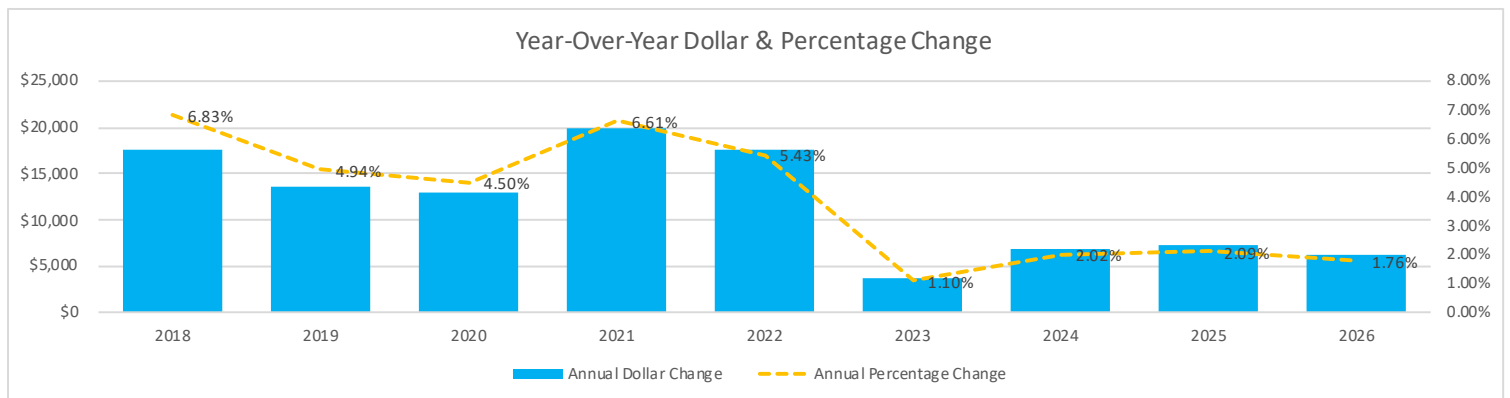
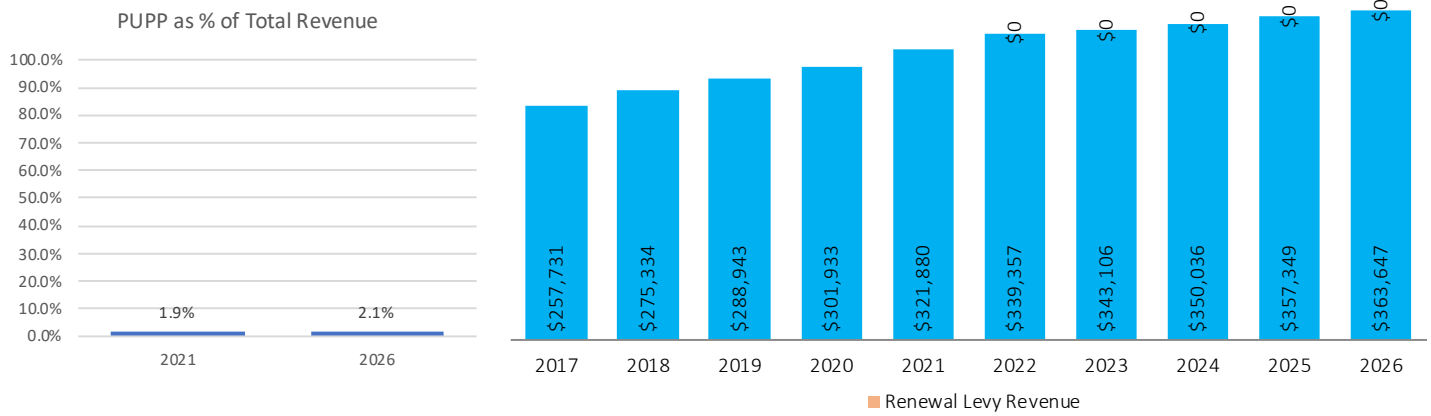
Values, Tax Rates and Gross Collections							Gross Collection Rate Including Delinquencies
Tax Yr	Valuation	Value Change	Class I Rate	Change	Class II Rate	Change	
2020	160,788,160	(20,210)	79.74	-	113.63	-	98.9%
2021	167,008,160	6,220,000	76.86	(2.88)	114.27	0.64	98.9%
2022	166,583,160	(425,000)	77.06	0.20	114.90	0.62	98.9%
2023	166,158,160	(425,000)	77.26	0.20	115.53	0.64	98.9%
2024	169,278,160	3,120,000	75.89	(1.37)	116.19	0.66	98.9%
2025	168,868,160	(410,000)	76.08	0.19	116.58	0.39	98.9%

Real estate property tax revenue accounts for 66.36% of total revenue. Class I or residential/agricultural taxes make up approximately 97.67% of the real estate property tax revenue. The Class I tax rate is 76.86 mills in tax year 2021. The projections reflect an average gross collection rate of 98.9% annually through tax year 2025. The revenue changed at an average annual historical rate of -0.58% and is projected to change at an average annual rate of 0.61% through FY 2026.

*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.



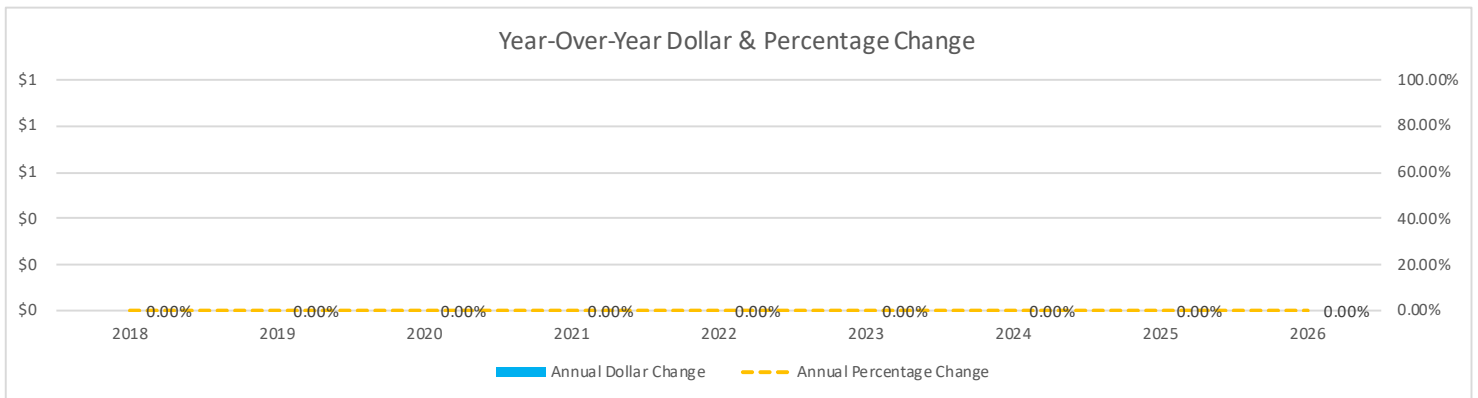
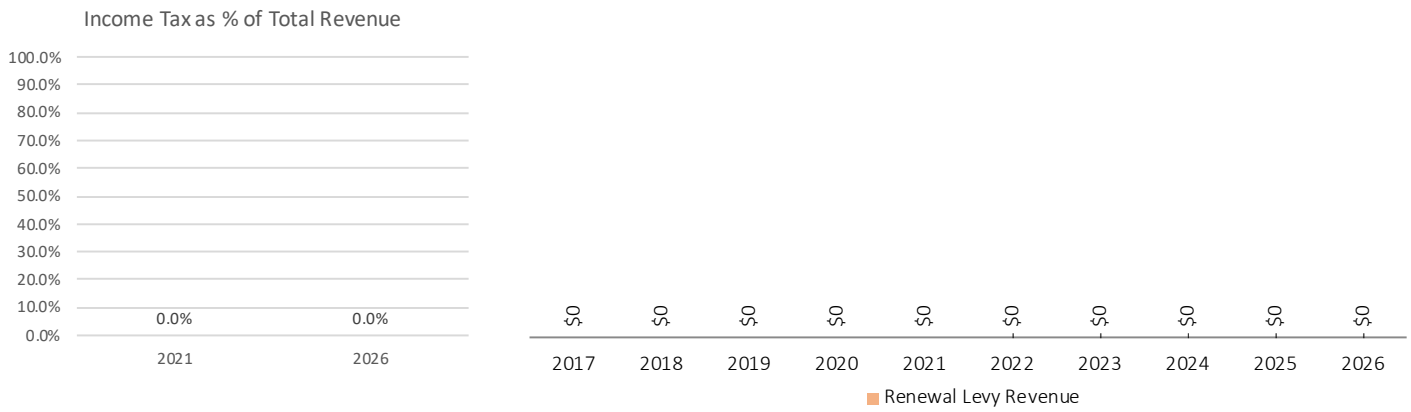
Values and Tax Rates					Gross Collection Rate Including Delinquencies	
Tax Year	Valuation	Value Change	Full Voted Rate	Change		
2020	2,399,840	119,930	139.95	4.90	100.0%	
2021	2,449,840	50,000	139.95	0.00	100.0%	
2022	2,499,840	50,000	139.95	-	100.0%	
2023	2,549,840	50,000	139.95	-	100.0%	
2024	2,599,840	50,000	139.95	-	100.0%	
2025	2,639,840	40,000	139.95	-	100.0%	

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 1.95% of total district revenue. The property is taxed at the full voted tax rate which in tax year 2021 is 139.95 mills. The forecast is modeling an average gross collection rate of 100.00%. The revenue changed historically at an average annual dollar amount of \$15,515 and is projected to change at an average annual dollar amount of \$8,353 through FY 2026.

**Projected % trends include renewal levies*

1.030 - No 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.

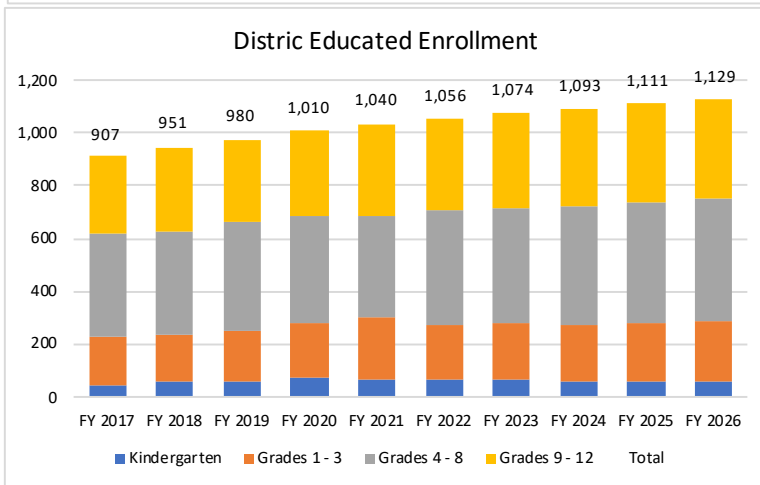
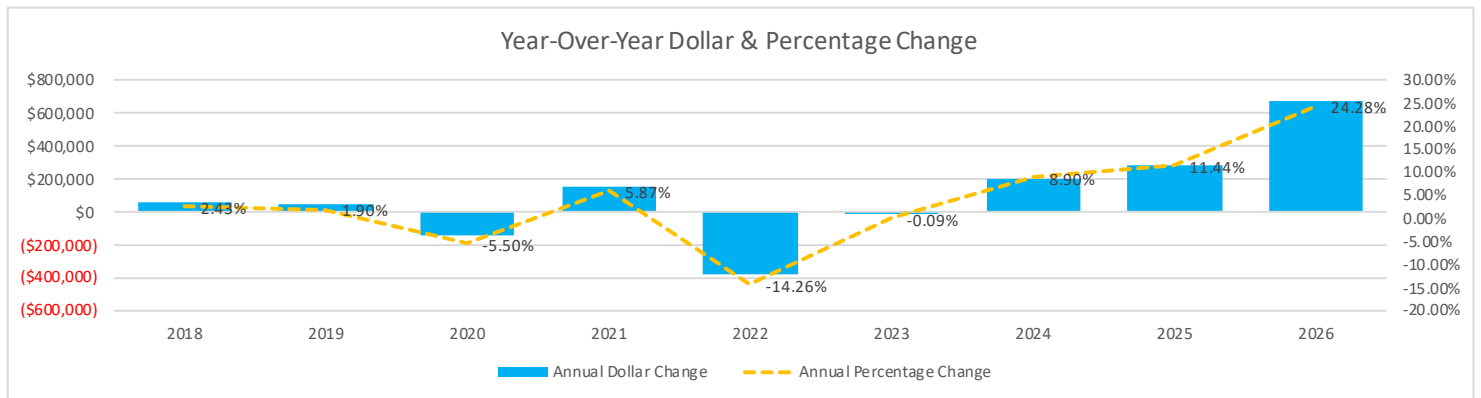
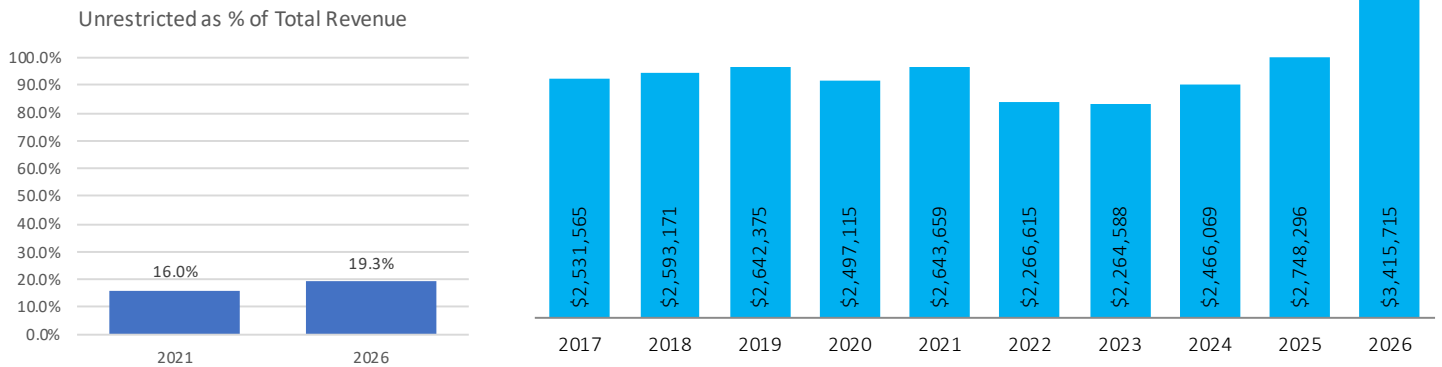


The district does not have an income tax levy.

**Projected % trends include renewal levies*

1.035 - Unrestricted Grants-in-Aid

Funds received through the State Foundation Program with no restriction.



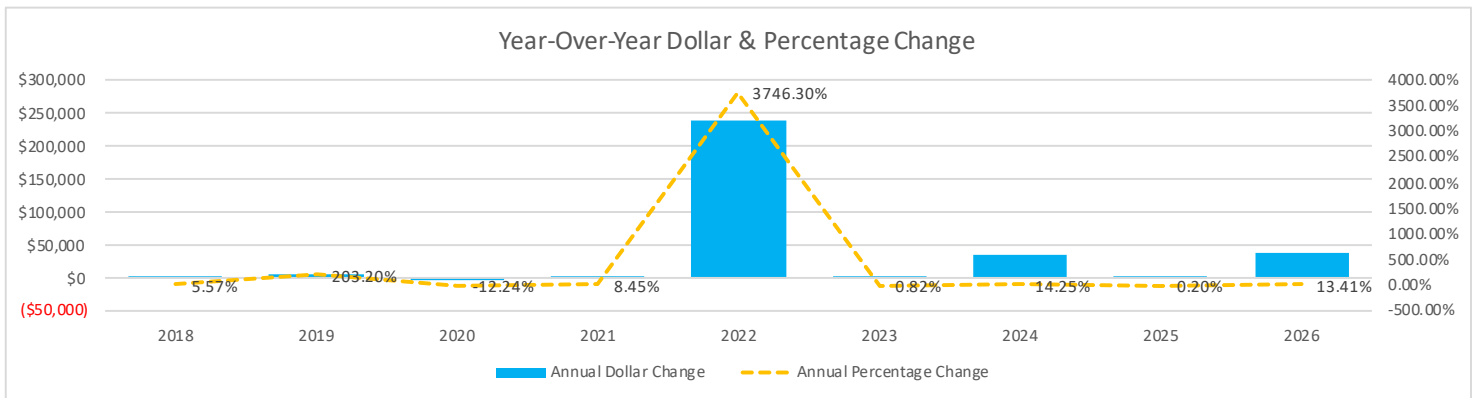
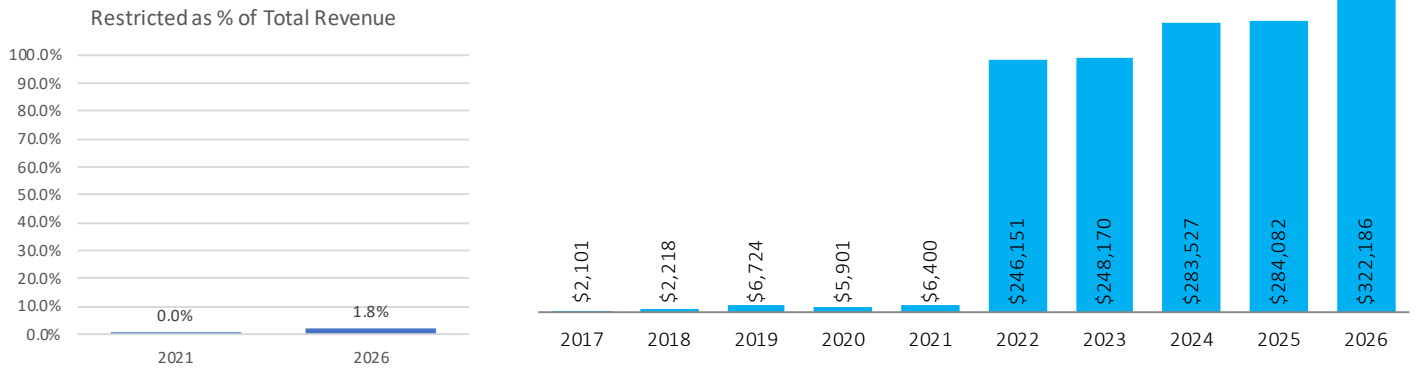
Beginning in FY 2022 Ohio adopted the Fair School Funding Plan (FSFP). Funding is driven by a base cost methodology that incorporates the four components identified as necessary to the education process. The Base Cost is currently calculated for two years using a statewide average from historical actual data.

For Ottawa Hills Local School District the calculated Base Cost total is \$7,745,137 in FY 2022. The state's share of the calculated Base Cost total is \$2,104,903 or \$1,993 per pupil.

The FSFP change to district educated enrollment will reduce funded enrollment but also potentially reduce tuition cost. In FY 2021, the district had approximately \$251,178 in possible tuition cost reductions. These reductions will be reflected in the purchased services expenditure note.

1.040 & 1.045 - Restricted Grants-in-Aid

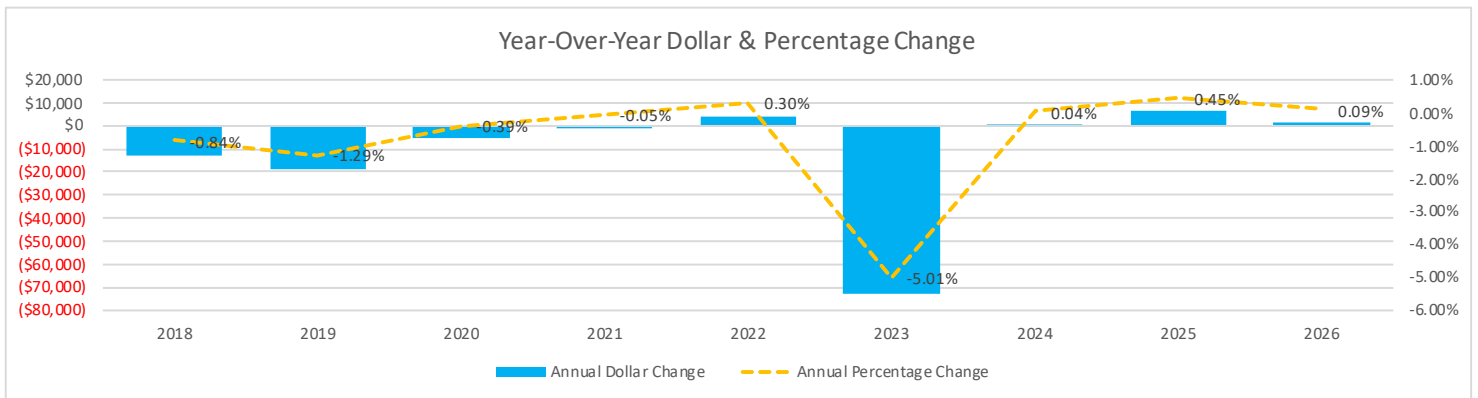
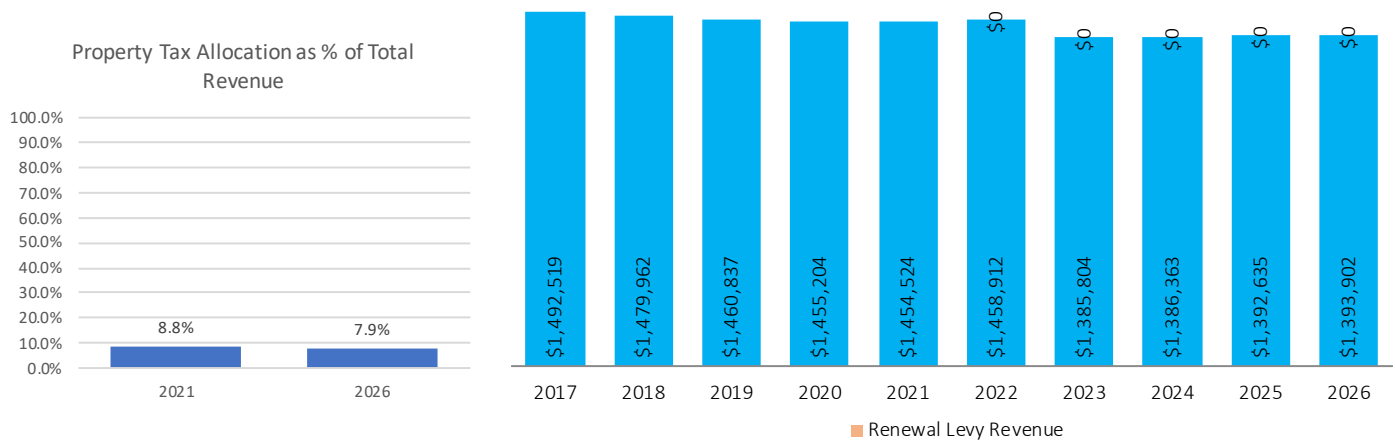
Funds received through the State Foundation Program or other allocations that are restricted for specific purposes.



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 \$1,394 and is projected to change annually on average by \$63,157. Restricted funds represent 0.04% of total revenue. Starting in FY 2022 the district's Success & Wellness funding is considered restricted, the state's share of this funding is recorded as restricted is \$101,703. This funding has implications on general fund expenditures in that certain spending now occurring in a fund external to the general fund could shift to the general fund. The expenditures in this forecast are adjusted to reflect this change.

1.050 - Property Tax Allocation

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

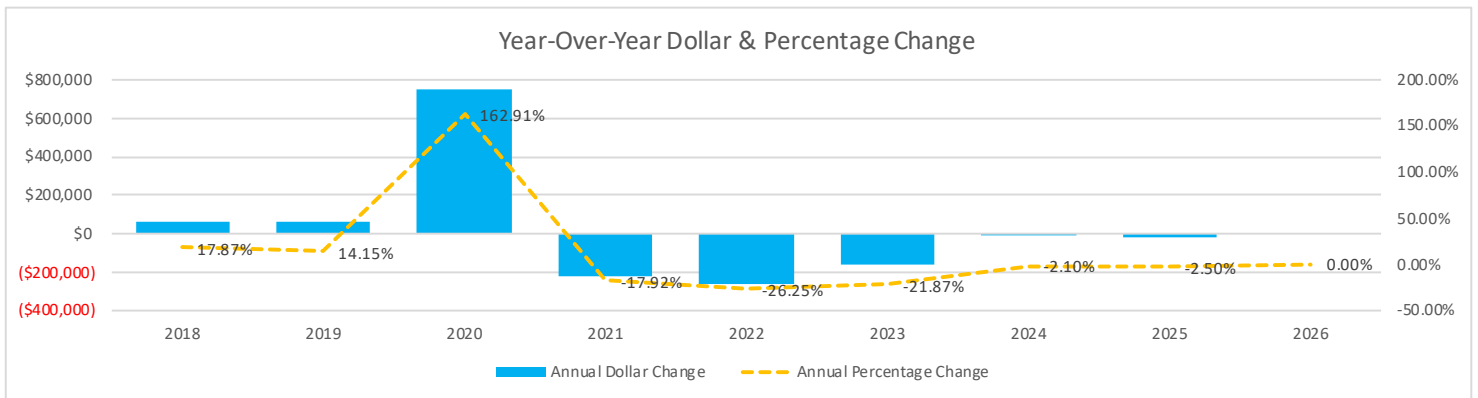
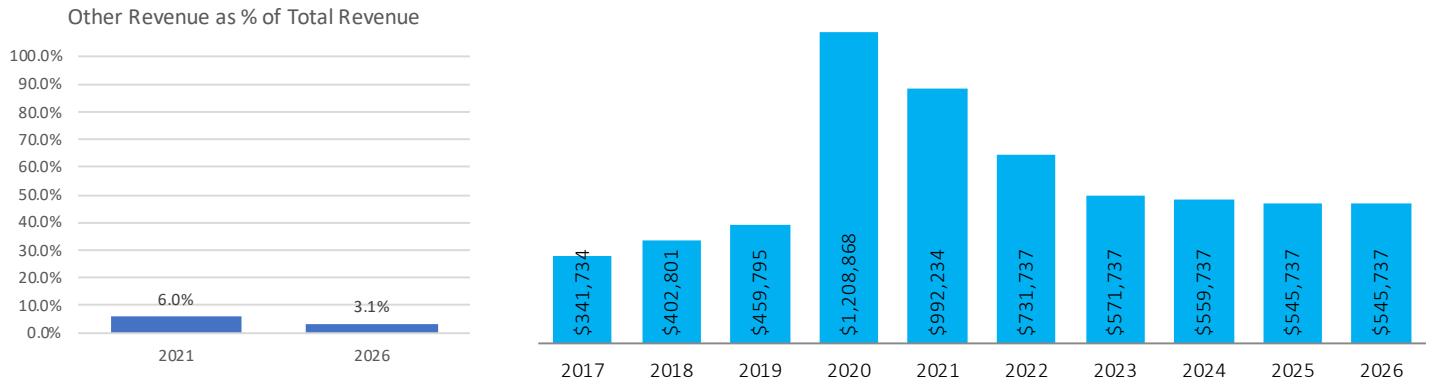


Property tax allocation primarily consists of reimbursements from the state of Ohio for local taxpayer credits or reductions. The state reduces the local taxpayer's tax bill with a 10% rollback credit, and 2.5% owner-occupied rollback credit, plus a homestead credit for qualifying taxpayers. In FY 2022, approximately 10.5% local residential property taxes will be reimbursed by the state in the form of rollback credits and approximately 1.2% will be reimbursed in the form of qualifying homestead exemption credits.

**Projected % trends include renewal levies*

1.060 - All Other Operating Revenues

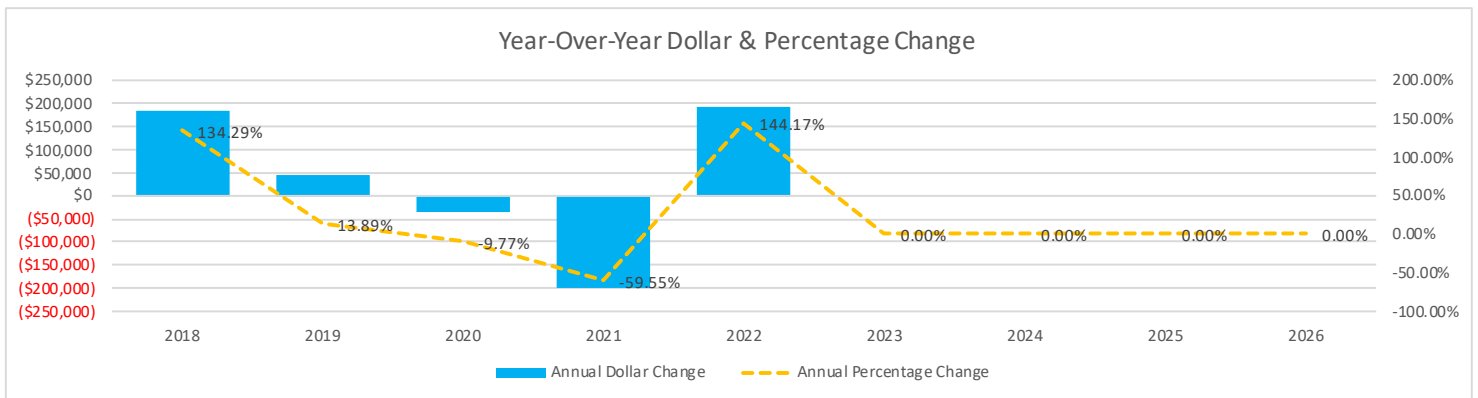
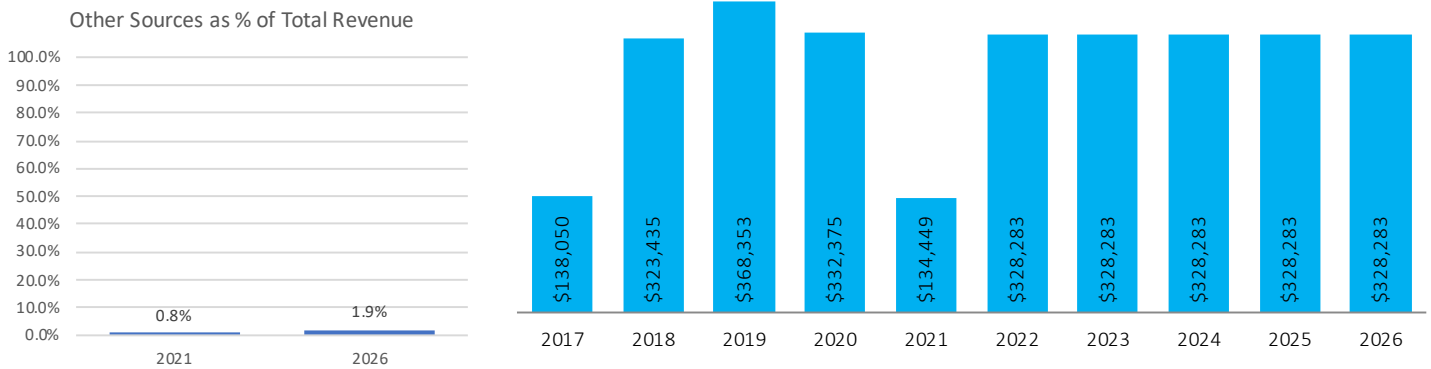
Operating revenue sources not included in other lines; examples include tuition, fees, earnings on investments, rentals, and donations.



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 \$196,478. The projected average annual change is -\$89,299 through FY 2026. The FSFP includes per pupil funding for any open enrollment in students the district is educating. This revenue, if any, was recorded in 'other revenue' prior to FY 2022. Fiscal year 2022 and beyond will not include any open enrollment in revenue. The district did not post any revenue code 1227 open enrollment in revenue in FY 2021.

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.

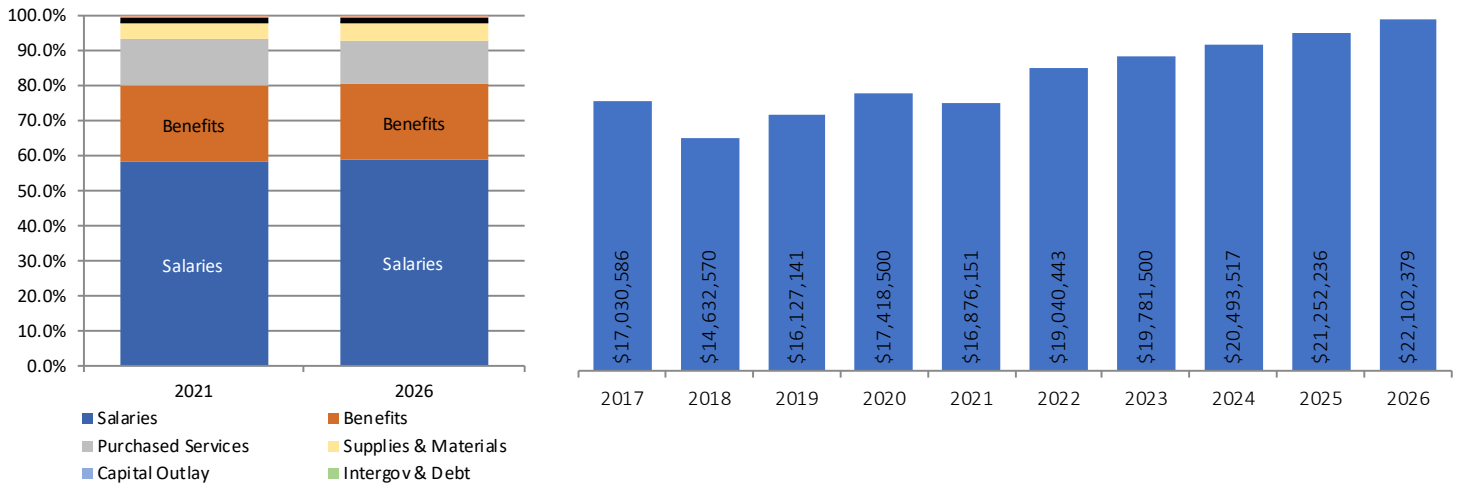


	2021	FORECASTED				
		2022	2023	2024	2025	2026
Transfers In	-	-	-	-	-	-
Advances In	-	240,000	240,000	240,000	240,000	240,000
All Other Financing Sources	134,449	88,283	88,283	88,283	88,283	88,283

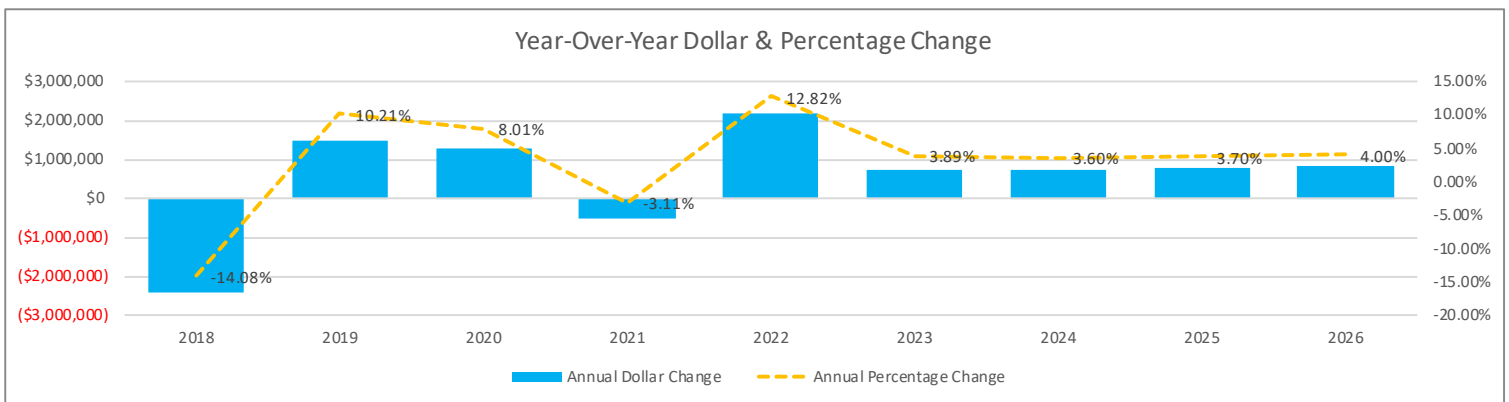
Other sources includes revenue that is generally classified as non-operating. Return advances-in are the most common revenue source. In FY 2021 the district received \$0 as advances-in and is projecting advances of \$240,000 in FY 2022. The district also receives other financing sources such as refund of prior year expenditures in this category. The district is projecting that all other financing sources will be \$88,283 in FY 2022 and average \$88,283 annually through FY 2026.

Expenditure Categories and Forecast Year-Over-Year Projected Overview

Expenditure Categories Over Time



Year-Over-Year Dollar & Percentage Change



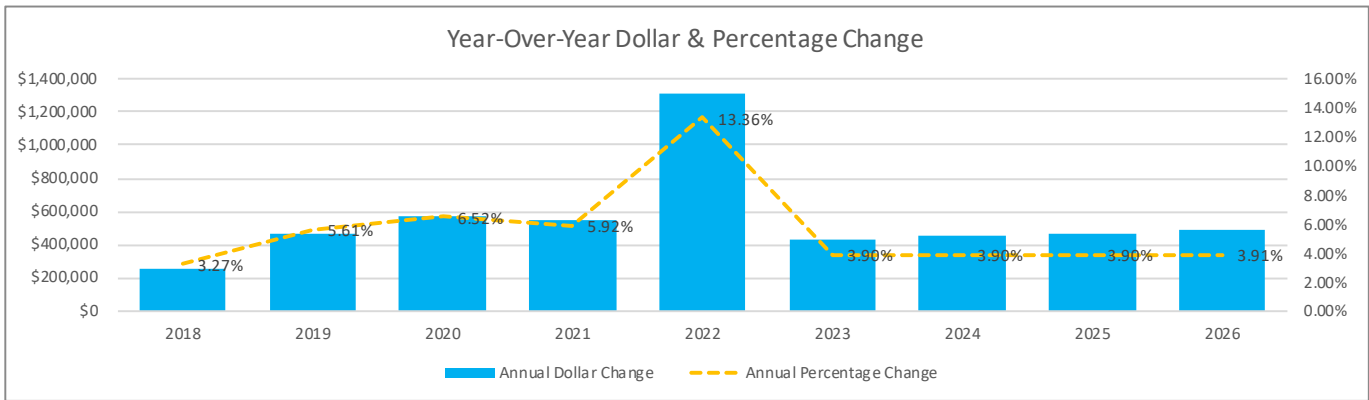
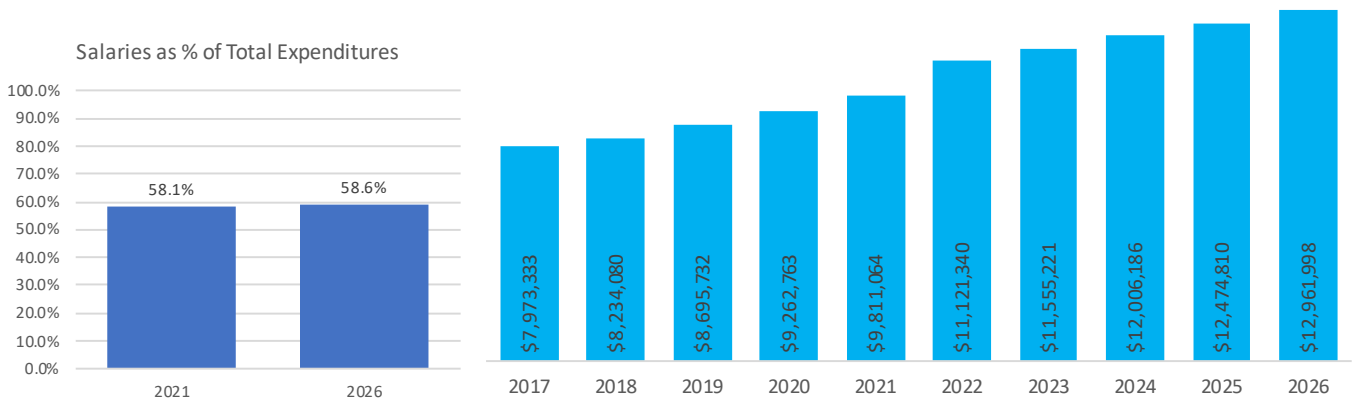
3-Year Historical Actual Average Annual Dollar Change Compared to 5-Year Projected

	Historical Average Annual \$\$ Change	Projected Average Annual \$\$ Change	Projected Compared to Historical Variance	Total expenditures increased 4.45% or \$747,860 annually during the past five years and is projected to increase 6.19% or \$1,045,246 annually through FY2026. Salaries has the largest projected average annual variance compared to the historical average at \$104,526.
Salaries	\$525,661	\$630,187	\$104,526	
Benefits	\$142,427	\$233,003	\$90,576	
Purchased Services	\$73,590	\$89,365	\$15,775	
Supplies & Materials	\$62,039	\$71,472	\$9,433	
Capital Outlay	(\$58,914)	\$1,789	\$60,702	
Intergov & Debt	\$0	\$0	\$0	
Other Objects	(\$1,276)	\$16,031	\$17,307	
Other Uses	\$4,333	\$3,400	(\$933)	
Total Average Annual Change	\$747,860 4.45%	\$1,045,246 6.19%	\$297,385 1.74%	

Note: Expenditure average annual change is projected to be > \$1,045,246 On an annual average basis, revenues are projected to grow slower than expenditures.

3.010 - Personnel Services

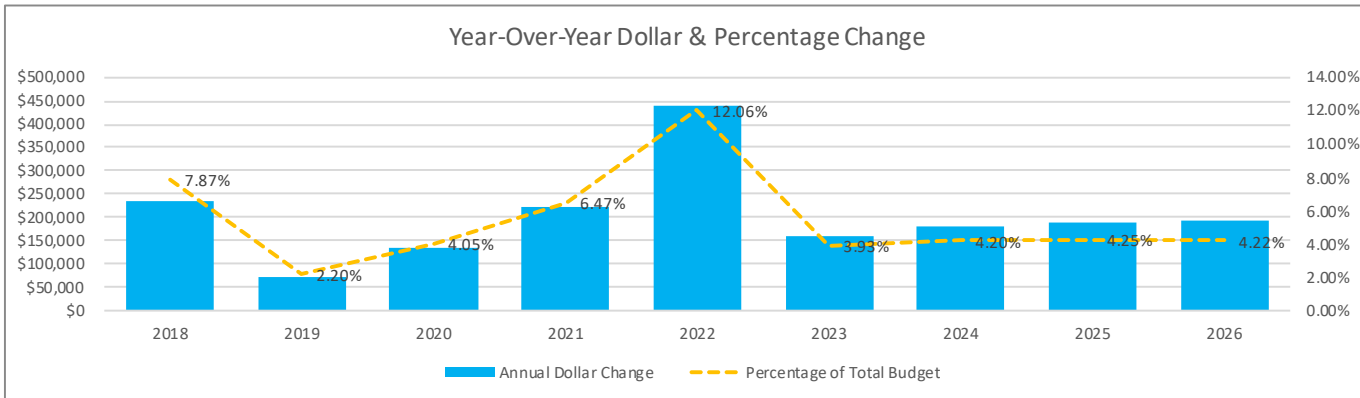
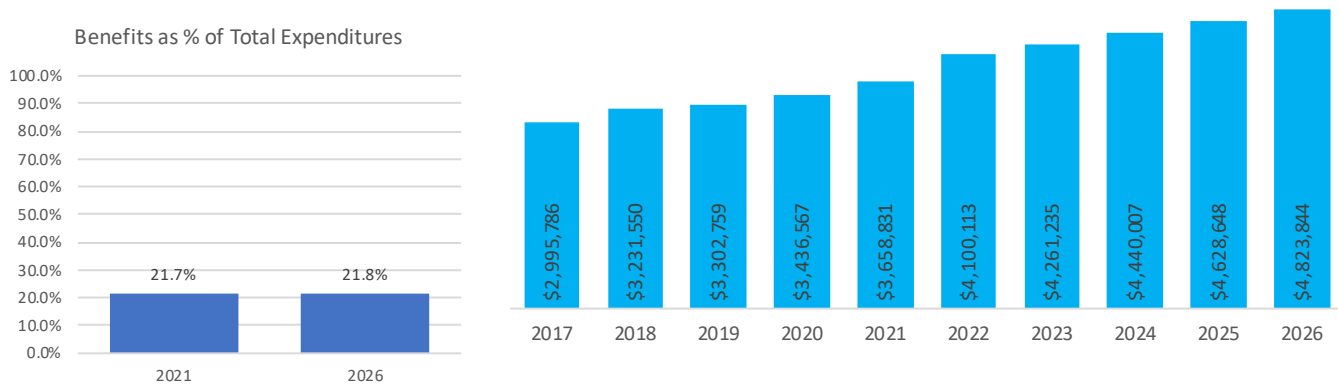
Employee salaries and wages, including extended time, severance pay, supplemental contracts, etc.



Salaries represent 58.14% of total expenditures and increased at a historical average annual rate of 5.68% or \$525,661. This category of expenditure is projected to grow at an annual average rate of 5.24% or \$630,187 through FY 2026. The projected average annual rate of change is -0.44% less than the five year historical annual average.

3.020 - Employees' Benefits

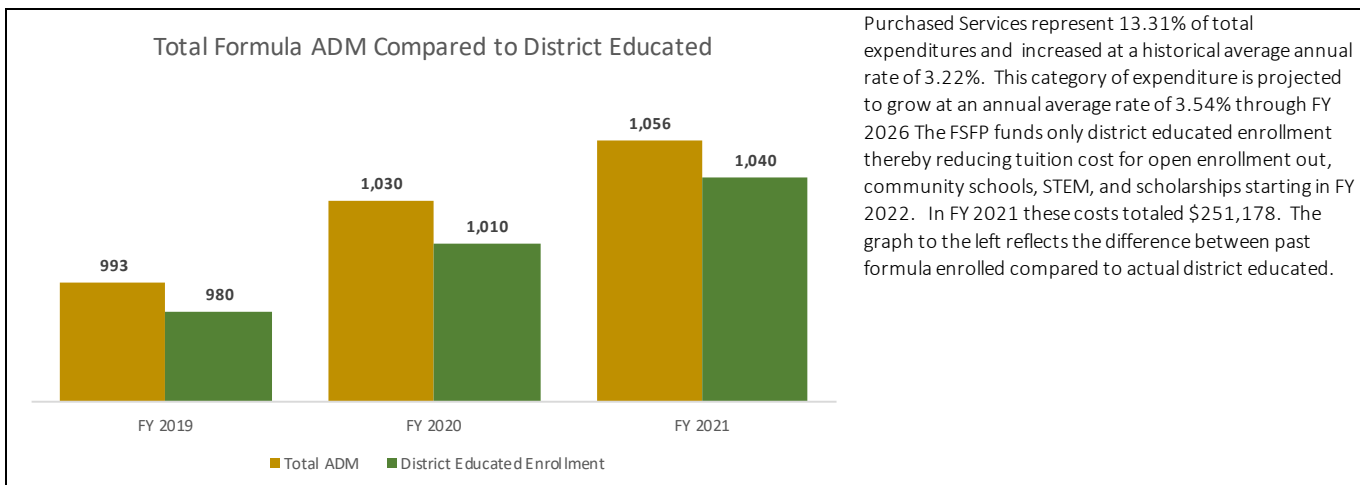
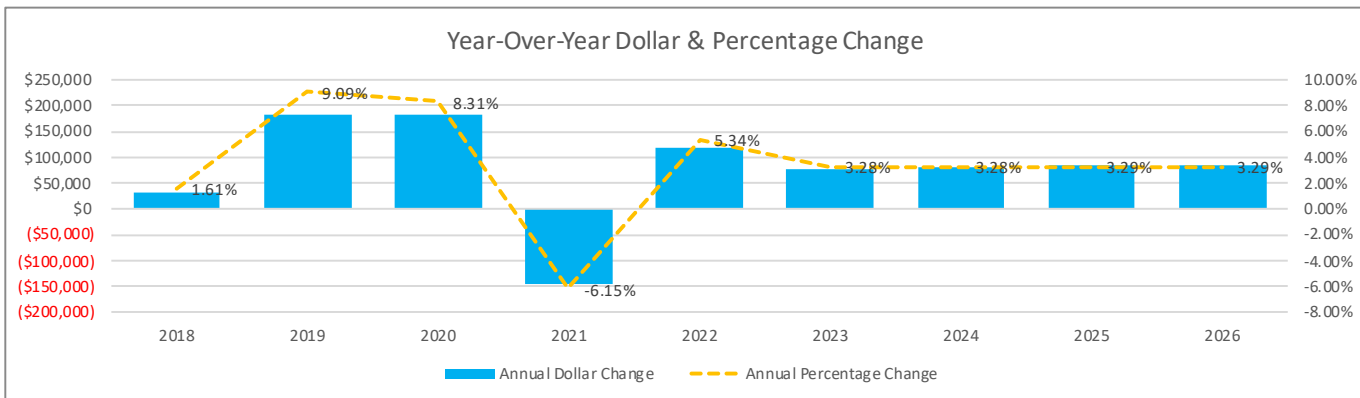
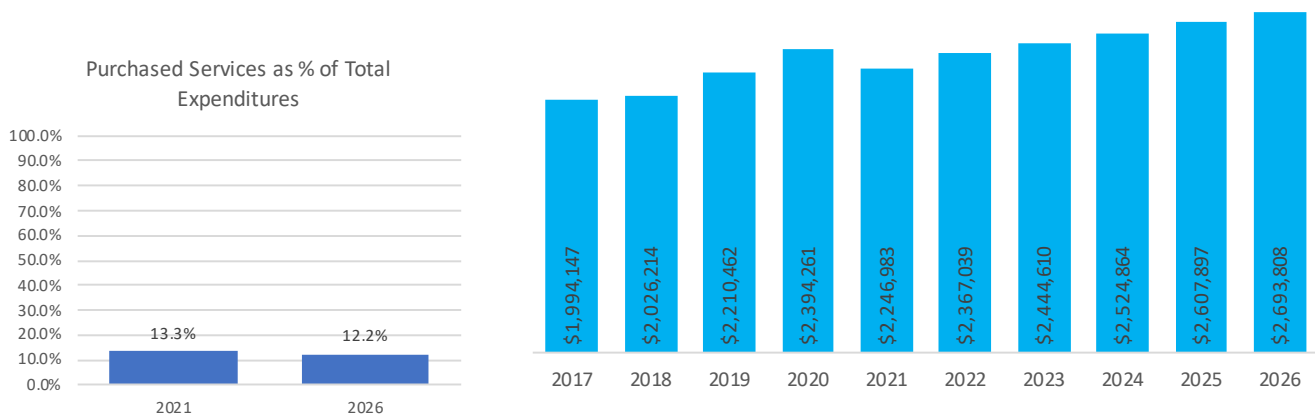
Retirement for all employees, Workers Compensation, early retirement incentives, Medicare, unemployment, pickup on pickup, and all health-related insurances.



Benefits represent 21.68% of total expenditures and increased at a historical average annual rate of 4.11%. This category of expenditure is projected to grow at an annual average rate of 5.24% through FY 2026. The projected average annual rate of change is 1.13% more than the five year historical annual average.

3.030 - Purchased Services

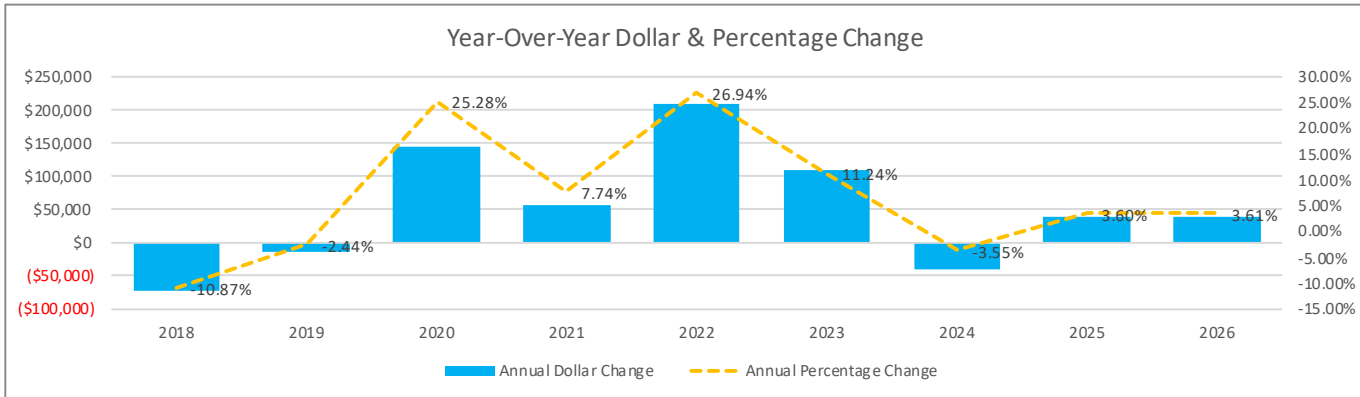
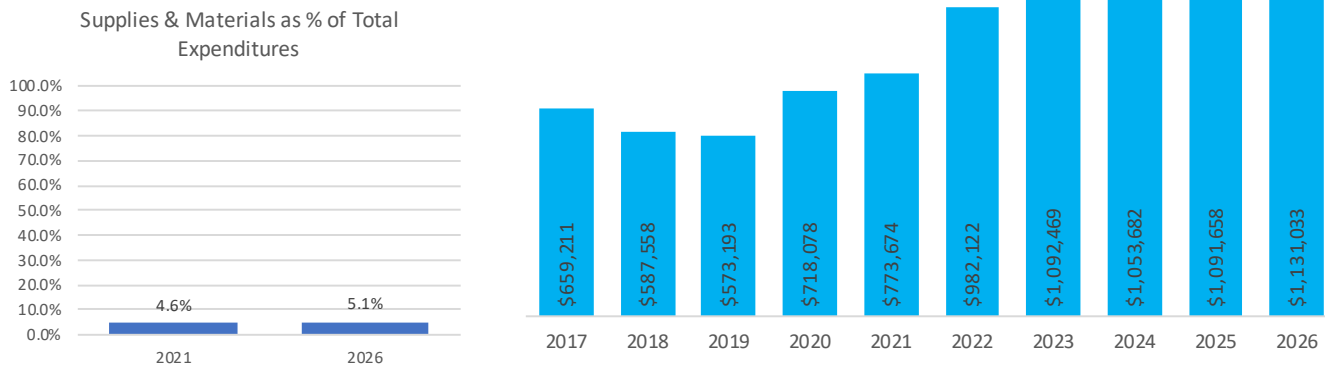
Amounts paid for personal services rendered by personnel who are not on the payroll of the school district, expenses for tuition paid to other districts, utilities costs and other services which the school district may purchase.



Purchased Services represent 13.31% of total expenditures and increased at a historical average annual rate of 3.22%. This category of expenditure is projected to grow at an annual average rate of 3.54% through FY 2026. The FSFP funds only district educated enrollment thereby reducing tuition cost for open enrollment out, community schools, STEM, and scholarships starting in FY 2022. In FY 2021 these costs totaled \$251,178. The graph to the left reflects the difference between past formula enrolled compared to actual district educated.

3.040 - Supplies & Materials

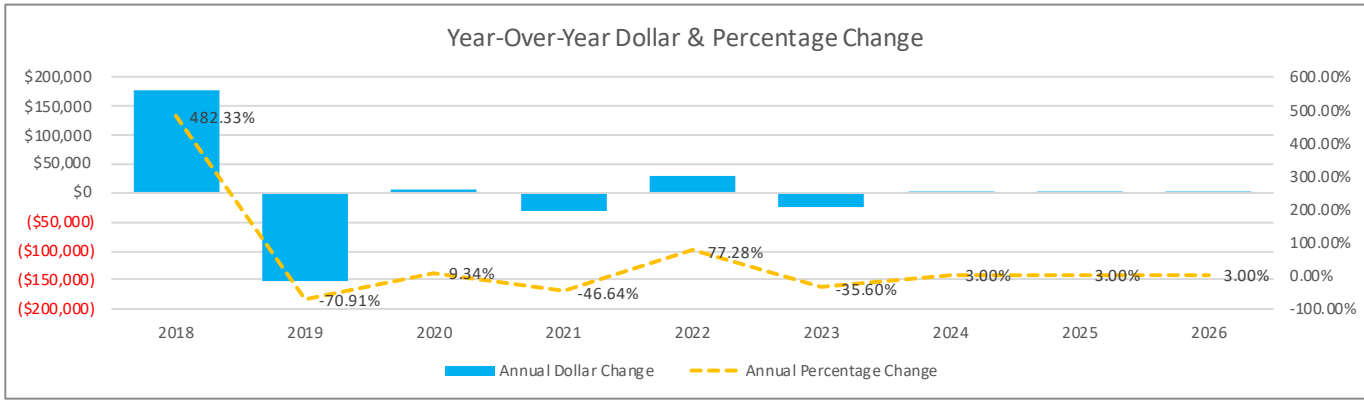
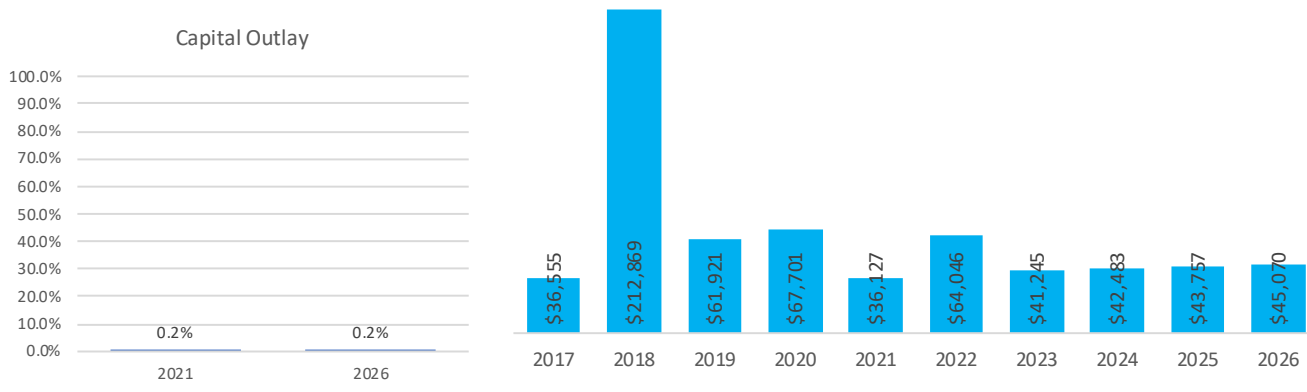
Expenditures for general supplies, instructional materials including textbooks and media material, bus fuel and tires, and all other maintenance supplies.



Supplies & Materials represent 4.58% of total expenditures and increased at a historical average annual rate of 9.01%. This category of expenditure is projected to grow at an annual average rate of 6.68% through FY 2026. The projected average annual rate of change is -2.33% less than the five year historical annual average.

3.050 - Capital Outlay

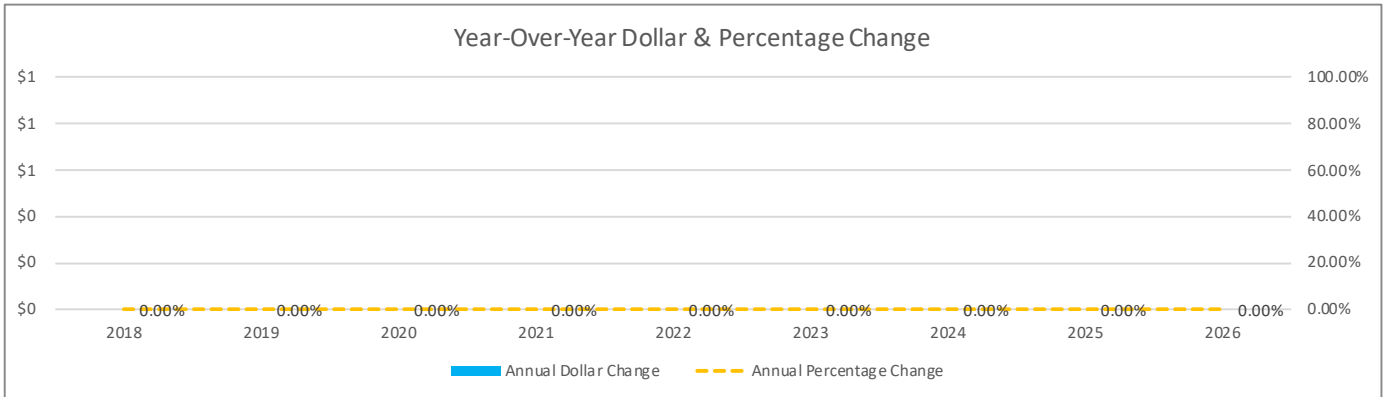
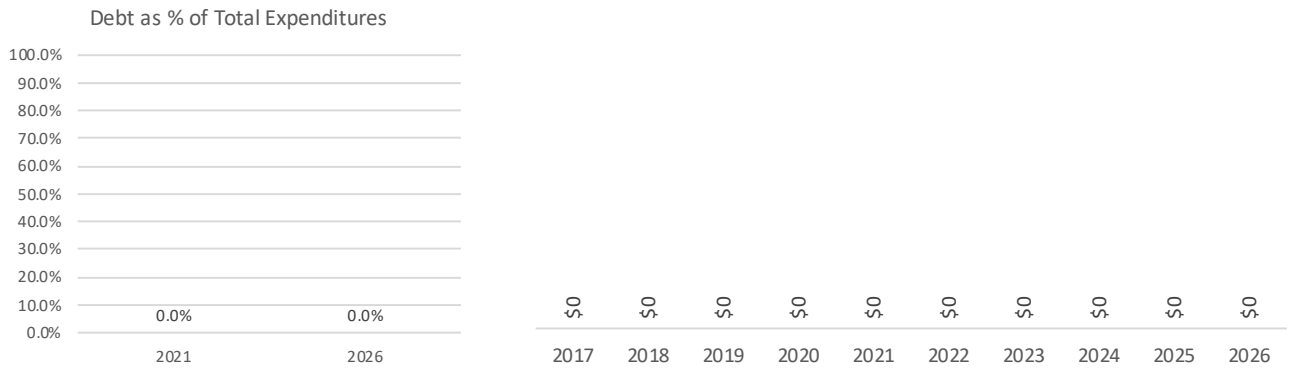
This line includes expenditures for items having at least a five-year life expectancy, such as land, buildings, improvements of grounds, equipment, computers/technology, furnishings, and buses.



Capital Outlay represent 0.21% of total expenditures and decreased at a historical average annual amount of -\$58,914. This category of expenditure is projected to grow at an annual average rate of \$1,789 through FY 2026. The projected average annual change is more than the five year historical annual average.

3.060-4.060 - Intergovernmental & Debt

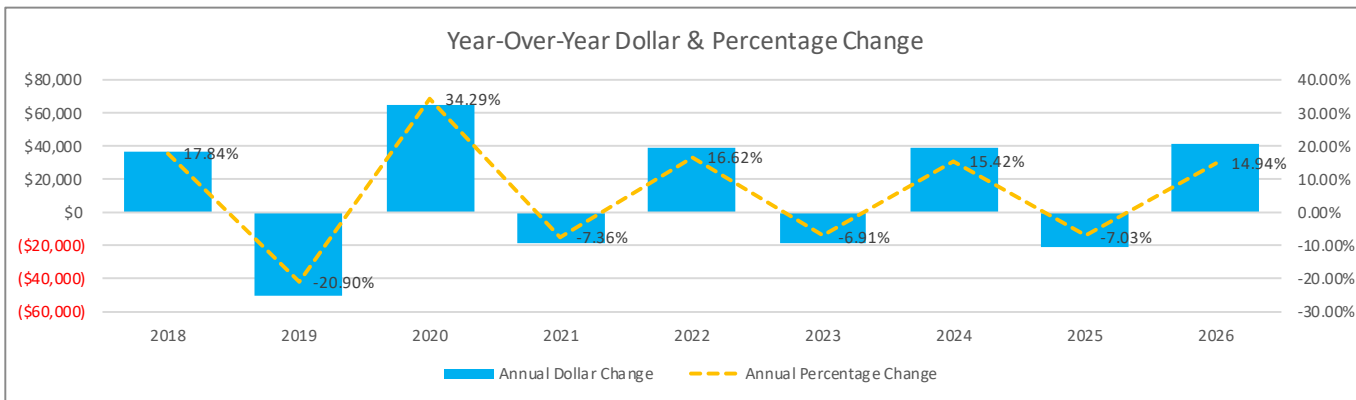
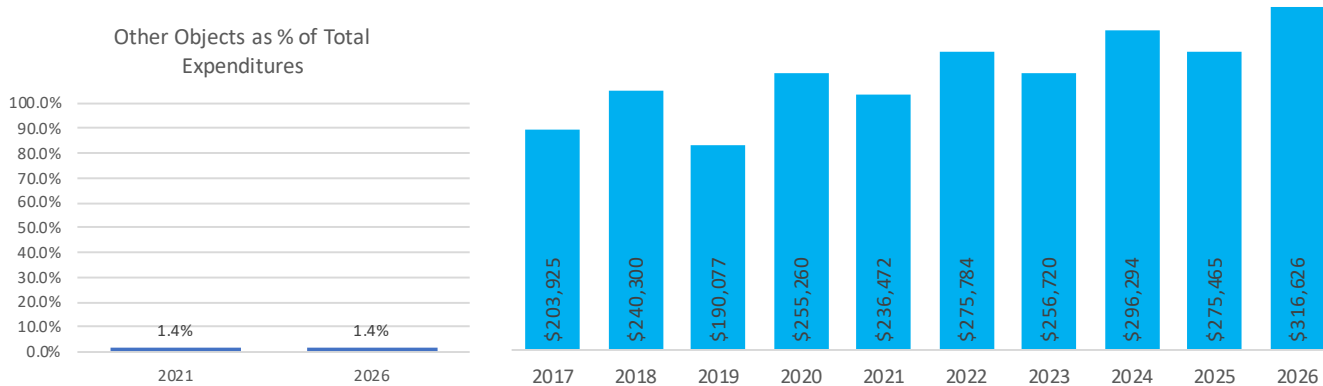
These lines account for pass through payments, as well as monies received by a district on behalf of another governmental entity, plus principal and interest payments for general fund borrowing.



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

4.300 - Other Objects

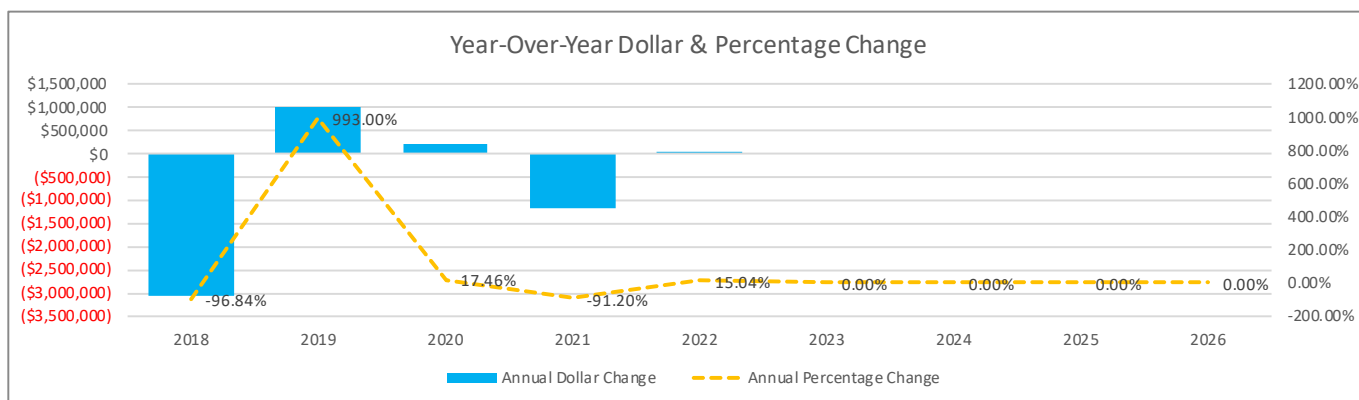
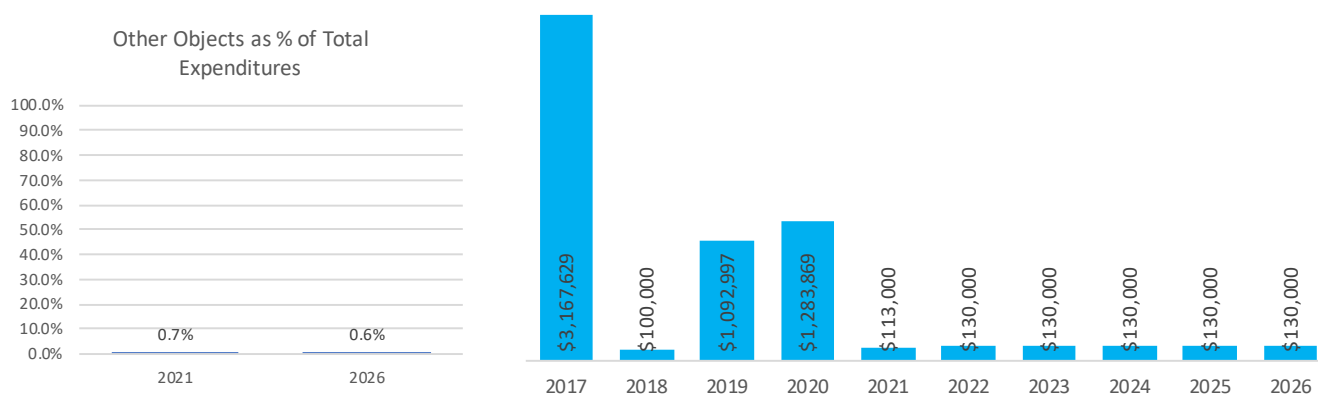
Primary components for this expenditure line are membership dues and fees, ESC contract deductions, County Auditor/Treasurer fees, audit expenses, and election expenses.



Other Objects represent 1.40% of total expenditures and decreased at a historical average annual rate of -0.56%. This category of expenditure is projected to grow at an annual average rate of 5.64% through FY 2026. The projected average annual rate of change is 6.20% more 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.



	2021	2022	2023	FORECASTED		
				2024	2025	2026
Transfers Out	113,000	130,000	130,000	130,000	130,000	130,000
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 2021 the district had no advances-out and has no advances-out forecasted through FY 2026. The district can also move general funds permanently to other funds and as the schedule above presents, the district has transfers forecasted through FY 2026. 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.

Ottawa Hills Local School District

Five Year Forecast

Fiscal Year:	Actual	FORECASTED				
	2021	2022	2023	2024	2025	2026
Revenue:						
1.010 - General Property Tax (Real Estate)	10,956,657	11,378,165	11,277,341	11,280,425	11,289,520	11,300,444
1.020 - Public Utility Personal Property	321,880	339,357	343,106	350,036	357,349	363,647
1.030 - Income Tax	-	-	-	-	-	-
1.035 - Unrestricted Grants-in-Aid	2,643,659	2,266,615	2,264,588	2,466,069	2,748,296	3,415,715
1.040 - Restricted Grants-in-Aid	6,400	246,151	248,170	283,527	284,082	322,186
1.050 - Property Tax Allocation	1,454,524	1,458,912	1,385,804	1,386,363	1,392,635	1,393,902
1.060 - All Other Operating Revenues	992,234	731,737	571,737	559,737	545,737	545,737
1.070 - Total Revenue	16,375,354	16,420,937	16,090,746	16,326,157	16,617,619	17,341,631
Other Financing Sources:						
2.010 - Proceeds from Sale of Notes	-	-	-	-	-	-
2.020 - State Emergency Loans and Adv	-	-	-	-	-	-
2.040 - Operating Transfers-In	-	-	-	-	-	-
2.050 - Advances-In	-	240,000	240,000	240,000	240,000	240,000
2.060 - All Other Financing Sources	134,449	88,283	88,283	88,283	88,283	88,283
2.070 - Total Other Financing Sources	134,449	328,283	328,283	328,283	328,283	328,283
2.080 - Total Rev & Other Sources	16,509,803	16,749,220	16,419,029	16,654,440	16,945,902	17,669,914
Expenditures:						
3.010 - Personnel Services	9,811,064	11,121,340	11,555,221	12,006,186	12,474,810	12,961,998
3.020 - Employee Benefits	3,658,831	4,100,113	4,261,235	4,440,007	4,628,648	4,823,844
3.030 - Purchased Services	2,246,983	2,367,039	2,444,610	2,524,864	2,607,897	2,693,808
3.040 - Supplies and Materials	773,674	982,122	1,092,469	1,053,682	1,091,658	1,131,033
3.050 - Capital Outlay	36,127	64,046	41,245	42,483	43,757	45,070
Intergovernmental & Debt Service	-	-	-	-	-	-
4.300 - Other Objects	236,472	275,784	256,720	296,294	275,465	316,626
4.500 - Total Expenditures	16,763,151	18,910,443	19,651,500	20,363,517	21,122,236	21,972,379
Other Financing Uses						
5.010 - Operating Transfers-Out	113,000	130,000	130,000	130,000	130,000	130,000
5.020 - Advances-Out	-	-	-	-	-	-
5.030 - All Other Financing Uses	-	-	-	-	-	-
5.040 - Total Other Financing Uses	113,000	130,000	130,000	130,000	130,000	130,000
5.050 - Total Exp and Other Financing Uses	16,876,151	19,040,443	19,781,500	20,493,517	21,252,236	22,102,379
6.010 - Excess of Rev Over/(Under) Exp	(366,349)	(2,291,223)	(3,362,471)	(3,839,077)	(4,306,334)	(4,432,465)
7.010 - Cash Balance July 1 (No Levies)	6,573,704	6,207,355	3,916,132	553,661	(3,285,416)	(7,591,750)
7.020 - Cash Balance June 30 (No Levies)	6,207,355	3,916,132	553,661	(3,285,416)	(7,591,750)	(12,024,215)
		Reservations				
8.010 - Estimated Encumbrances June 30	-	-	-	-	-	-
9.080 - Reservations Subtotal	-	-	-	-	-	-
10.010 - Fund Bal June 30 for Cert of App	6,207,355	3,916,132	553,661	(3,285,416)	(7,591,750)	(12,024,215)
Rev from Replacement/Renewal Levies						
11.010 & 11.020 - Renewal Levies	-	-	-	-	-	-
11.030 - Cumulative Balance of Levies	-	-	-	-	-	-
12.010 - Fund Bal June 30 for Cert of Obligations	6,207,355	3,916,132	553,661	(3,285,416)	(7,591,750)	(12,024,215)
Revenue from New Levies						
13.010 & 13.020 - New Levies	-	-	-	-	-	-
13.030 - Cumulative Balance of New Levies	-	-	-	-	-	-
15.010 - Unreserved Fund Balance June 30	6,207,355	3,916,132	553,661	(3,285,416)	(7,591,750)	(12,024,215)