

Ottawa Hills Local School District

Five Year Forecast Financial Report

May, 2022

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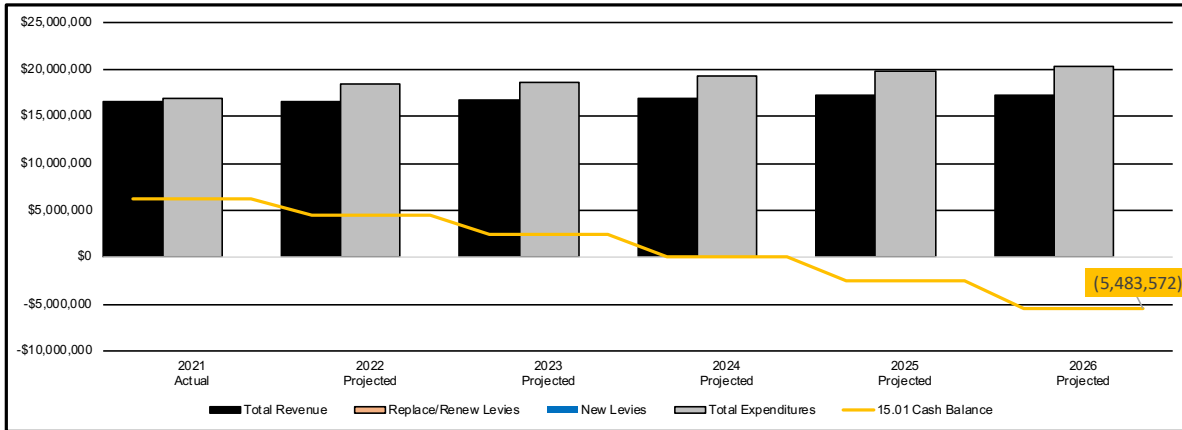
Forecast Purpose/Objectives

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	6,207,355	4,396,075	2,415,782	101,974	(2,470,973)
+ Revenue	16,595,964	16,669,278	16,903,792	17,169,242	17,333,736
+ Proposed Renew/Replacement Levies	-	-	-	-	-
+ Proposed New Levies	-	-	-	-	-
- Expenditures	(18,407,244)	(18,649,571)	(19,217,600)	(19,742,190)	(20,346,335)
= Revenue Surplus or Deficit	(1,811,280)	(1,980,293)	(2,313,808)	(2,572,948)	(3,012,598)
Line 7.020 Ending Balance with renewal/new levies	4,396,075	2,415,782	101,974	(2,470,973)	(5,483,572)

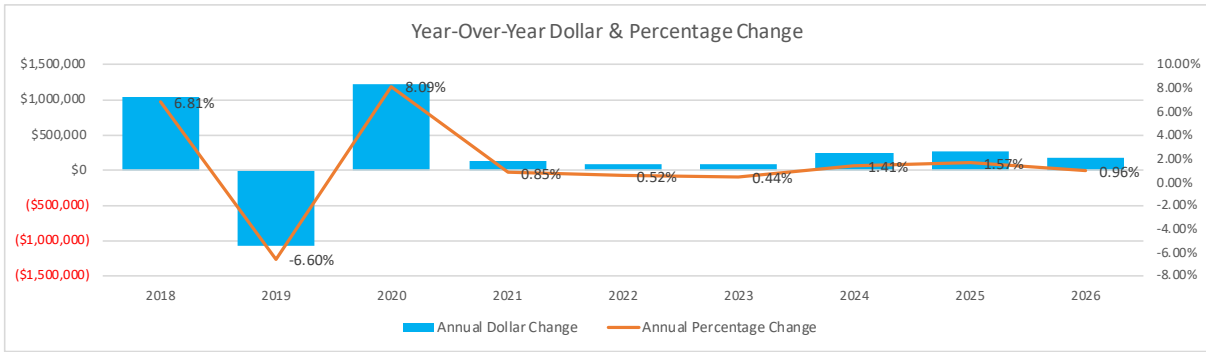
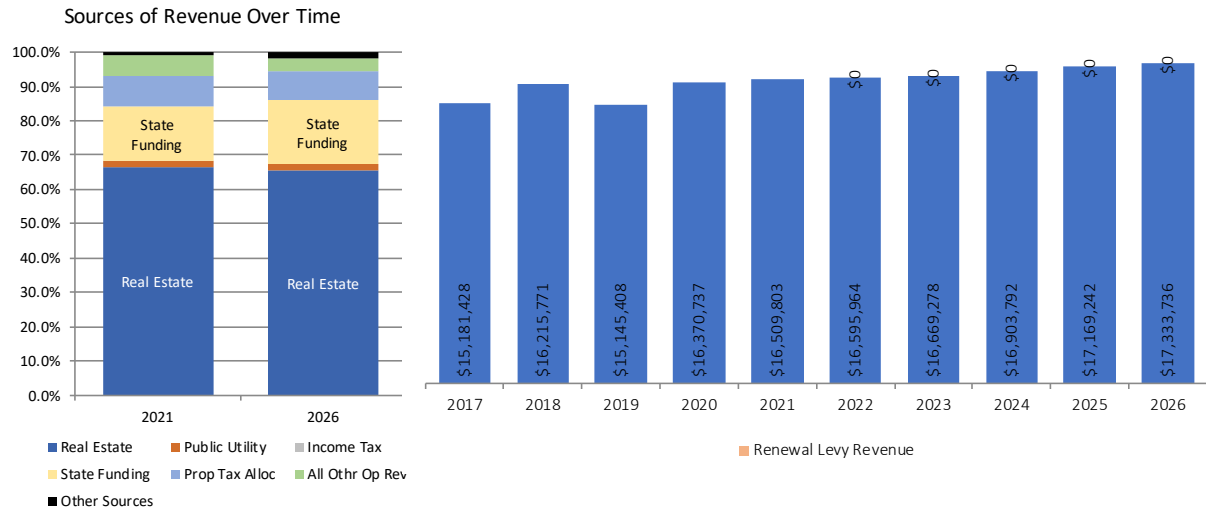
Analysis Without Renewal Levies Included:

Revenue Surplus or Deficit w/o Levies	(1,811,280)	(1,980,293)	(2,313,808)	(2,572,948)	(3,012,598)
Ending Balance w/o Levies	4,396,075	2,415,782	101,974	(2,470,973)	(5,483,572)

In FY 2022 a revenue shortfall is expected. This means that expenditures are expected to be greater than revenue by \$1,811,280 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 \$3,012,598. The district would need to cut its FY 2026 projected expenses by 14.81% 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.

Revenue Overview



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 2.05% or \$325,470 annually during the past 5-Year period and is projected to increase 0.97% or \$164,787 annually through FY2026. All Othr Op Rev has the most projected average annual variance compared to the historical average at -\$211,861
Real Estate	(\$60,731)	\$74,698	\$135,429	
Public Utility	\$15,515	\$9,745	(\$5,770)	
Income Tax	\$0	\$0	\$0	
State Funding	\$18,223	\$117,568	\$99,345	
Prop Tax Allocation	(\$8,479)	(\$11,016)	(\$2,537)	
All Othr Op Rev	\$196,478	(\$65,328)	(\$261,805)	
Other Sources	(\$62,995)	\$39,118	\$102,114	
Total Average Annual Change	\$98,011 2.05%	\$164,787 0.97%	\$66,776 -1.08%	

Note: Expenditure average annual change is projected to be > \$694,037. On an annual average basis, expenditures are projected to grow faster than revenue.

Revenue Notes

REAL ESTATE REVENUE

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 71.61 mills in tax year 2021. The projections reflect an average gross collection rate of 99.7% annually through tax year 2025. The revenue changed at an average annual historical rate of 0.85% and is projected to change at an average annual rate of 0.66% through FY 2026.

PUBLIC UTILITY - PERSONAL PROPERTY REVENUE

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 \$16,949 and is projected to change at an average annual dollar amount of \$9,745 through FY 2026.

INCOME TAX REVENUE

The district does not have an income tax levy.

UNRESTRICTED STATE AID REVENUE

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 \$7,750,291 in FY 2022. The state's share of the calculated Base Cost total is \$2,107,270 or \$1,996 per pupil.

The FSFP change to district educated enrollment could be lower than the district's historical formula funded enrollment but also potentially reduces 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.

RESTRICTED STATE AID REVENUE

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 \$95,877. 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.

PROPERTY TAX ALLOCATION REVENUE

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.

OTHER REVENUE

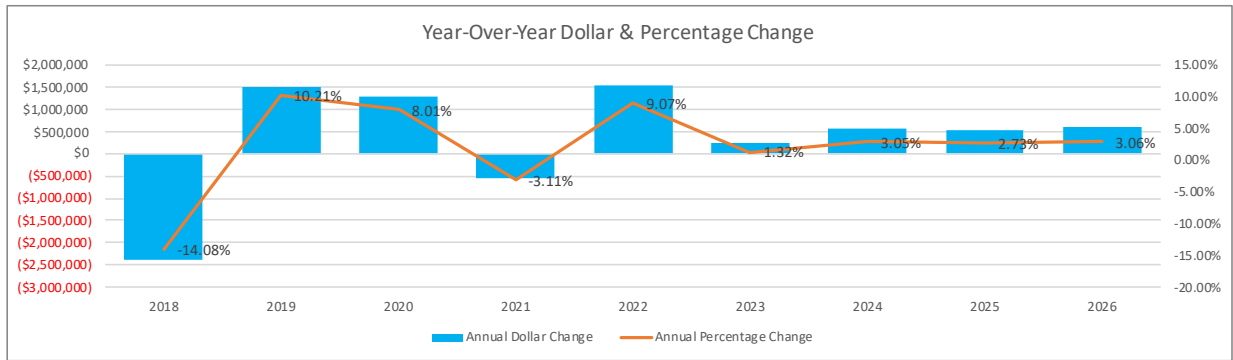
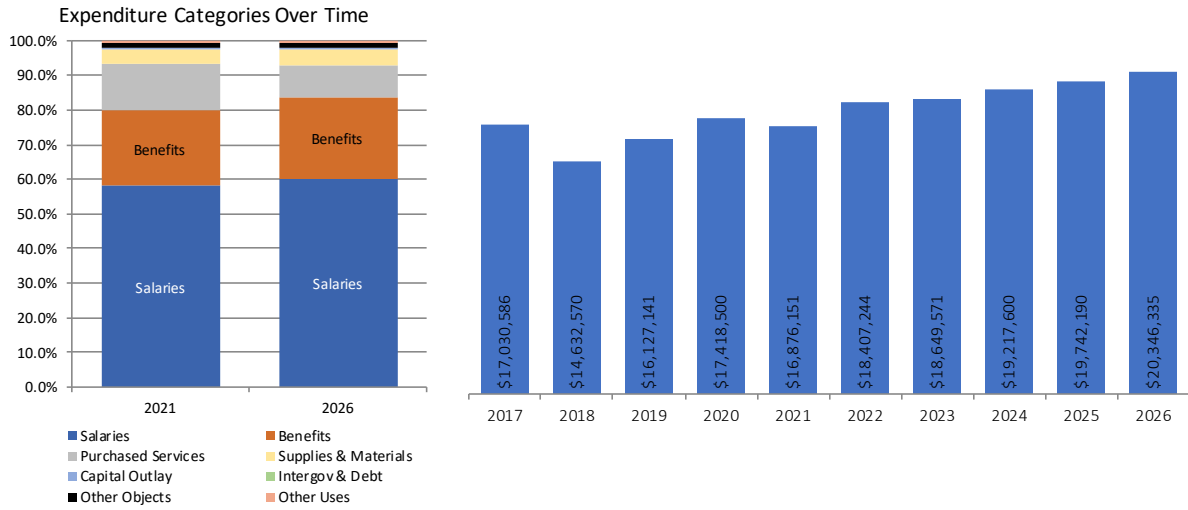
Other revenue includes tuition received by the district for non-resident students educated by the district. It also includes interest income, payments in lieu of taxes, and miscellaneous revenue. The historical average annual change was \$146,534. The projected average annual change is -\$65,328 through 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.

OTHER FINANCING SOURCES

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 \$0 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 \$70,190 in FY 2022 and average \$90,040 annually through FY 2026.

ADDITIONAL REVENUE NOTES

Expenditure Overview



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

	Historical Average Annual \$ Change	Projected Average Annual \$ Change	Projected Compared to Historical Variance	
Salaries	\$525,661	\$486,869	(\$38,792)	Total expenditures increased 4.32% or \$709,001 annually during the past 5-Year period and is projected to increase 4.11% or \$694,037 annually through FY2026. Purchased Services has the largest projected average annual variance compared to the historical average at -\$191,237.
Benefits	\$142,427	\$220,709	\$78,281	
Purchased Services	\$73,590	(\$79,543)	(\$153,133)	
Supplies & Materials	\$62,039	\$48,688	(\$13,351)	
Capital Outlay	(\$58,914)	\$1,789	\$60,702	
Intergov & Debt	\$0	\$0	\$0	
Other Objects	(\$1,276)	\$12,126	\$13,402	
Other Uses	\$4,333	\$3,400	(\$933)	
Total Average Annual Change	\$747,860	\$694,037	(\$53,824)	
	4.32%	4.11%	-0.21%	

Note: Expenditure average annual change is projected to be > \$694,037 On an annual average basis, revenues are projected to grow slower than expenditures.

Expenditure Notes

SALARY EXPENSE

Salaries represent 58.14% of total expenditures and increased at a historical average annual rate of 4.83% or \$425,117. This category of expenditure is projected to grow at an annual average rate of 4.17% or \$486,869 through FY 2026. The projected average annual rate of change is -0.66% less than the five year historical annual average.

BENEFIT EXPENSE

Benefits represent 21.68% of total expenditures and increased at a historical average annual rate of 5.19% This category of expenditure is projected to grow at an annual average rate of 5.00% through FY 2026. The projected average annual rate of change is -0.20% less than the five year historical annual average.

PURCHASED SERVICES EXPENSE

Purchased Services represent 13.31% of total expenditures and increased at a historical average annual rate of 5.14%. This category of expenditure is projected to decrease at an annual average rate of -4.52% 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.

SUPPLIES & MATERIALS EXPENSE

Supplies & Materials represent 4.58% of total expenditures and increased at a historical average annual rate of 8.78%. This category of expenditure is projected to grow at an annual average rate of 5.02% through FY 2026. The projected average annual rate of change is -3.75% less than the five year historical annual average.

CAPITAL OUTLAY EXPENSE

Capital Outlay represent 0.21% of total expenditures and decreased at a historical average annual amount of -\$2,267. This category of expenditure is projected to grow at

INTERGOVERNMENTAL & DEBT EXPENSE

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

OTHER OBJECTS EXPENSE

Other Objects represent 1.40% of total expenditures and increased at a historical average annual rate of 1.46%. This category of expenditure is projected to grow at an annual average rate of 4.45% through FY 2026. The projected average annual rate of change is 2.98% more than the five year historical annual average.

OTHER USES EXPENSES

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, the district has transfers forecasted through FY 2026. The district can also have other uses of funds.

ADDITIONAL EXPENDITURE NOTES

Ottawa Hills Local School District

Five Year Forecast

May,2022

Fiscal Year:	Actual			FORECASTED				
	2019	2020	2021	2022	2023	2024	2025	2026
Revenue:								
1.010 - General Property Tax (Real Estate)	9,918,381	10,569,341	10,956,657	11,491,732	11,373,826	11,370,569	11,378,697	11,330,148
1.020 - Public Utility Personal Property	288,943	301,933	321,880	342,836	350,066	356,995	364,309	370,607
1.030 - Income Tax	-	-	-	-	-	-	-	-
1.035 - Unrestricted Grants-in-Aid	2,642,375	2,497,115	2,643,659	2,496,615	2,264,588	2,466,069	2,748,296	2,915,715
1.040 - Restricted Grants-in-Aid	6,724	5,901	6,400	123,076	248,170	283,527	284,082	322,186
1.050 - Property Tax Allocation	1,460,837	1,455,204	1,454,524	1,456,153	1,385,992	1,391,996	1,398,222	1,399,444
1.060 - All Other Operating Revenues	459,795	1,208,868	992,234	615,362	716,596	704,596	665,596	665,596
1.070 - Total Revenue	14,777,055	16,038,362	16,375,354	16,525,774	16,339,238	16,573,752	16,839,202	17,003,696
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	240,000
2.060 - All Other Financing Sources	128,353	92,375	134,449	70,190	90,040	90,040	90,040	90,040
2.070 - Total Other Financing Sources	368,353	332,375	134,449	70,190	330,040	330,040	330,040	330,040
2.080 - Total Rev & Other Sources	15,145,408	16,370,737	16,509,803	16,595,964	16,669,278	16,903,792	17,169,242	17,333,736
Expenditures:								
3.010 - Personnel Services	8,695,732	9,262,763	9,811,064	11,121,340	11,392,184	11,669,699	11,954,052	12,245,411
3.020 - Employee Benefits	3,302,759	3,436,567	3,658,831	4,100,113	4,240,640	4,407,270	4,581,073	4,762,374
3.030 - Purchased Services	2,210,462	2,394,261	2,246,983	1,733,840	1,682,143	1,735,967	1,791,652	1,849,266
3.040 - Supplies and Materials	573,193	718,078	773,674	982,122	915,779	948,355	982,118	1,017,112
3.050 - Capital Outlay	61,921	67,701	36,127	64,046	41,245	42,483	43,757	45,070
Intergovernmental & Debt Service	-	-	-	-	-	-	-	-
4.300 - Other Objects	190,077	255,260	236,472	275,784	247,580	283,826	259,537	297,101
4.500 - Total Expenditures	15,034,144	16,134,631	16,763,151	18,277,244	18,519,571	19,087,600	19,612,190	20,216,335
Other Financing Uses								
5.010 - Operating Transfers-Out	1,092,997	1,283,869	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	1,092,997	1,283,869	113,000	130,000	130,000	130,000	130,000	130,000
5.050 - Total Exp and Other Financing Uses	16,127,141	17,418,500	16,876,151	18,407,244	18,649,571	19,217,600	19,742,190	20,346,335
6.010 - Excess of Rev Over/(Under) Exp	(981,734)	(1,047,763)	(366,349)	(1,811,280)	(1,980,293)	(2,313,808)	(2,572,948)	(3,012,598)
7.010 - Cash Balance July 1 (No Levies)	8,603,200	7,621,467	6,573,704	6,207,355	4,396,075	2,415,782	101,974	(2,470,973)
7.020 - Cash Balance June 30 (No Levies)	7,621,467	6,573,704	6,207,355	4,396,075	2,415,782	101,974	(2,470,973)	(5,483,572)
				Reservations				
8.010 - Estimated Encumbrances June 30	-	-	-	-	-	-	-	-
9.080 - Reservations Subtotal	-	-	-	-	-	-	-	-
10.010 - Fund Bal June 30 for Cert of App	7,621,467	6,573,704	6,207,355	4,396,075	2,415,782	101,974	(2,470,973)	(5,483,572)
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	7,621,467	6,573,704	6,207,355	4,396,075	2,415,782	101,974	(2,470,973)	(5,483,572)
Revenue from New Levies								
13.010 & 13.020 - New Levies	-	-	-	-	-	-	-	-
13.030 - Cumulative Balance of New Levies	-	-	-	-	-	-	-	-
15.010 - Unreserved Fund Balance June 30	7,621,467	6,573,704	6,207,355	4,396,075	2,415,782	101,974	(2,470,973)	(5,483,572)