

NORTHEASTERN LOCAL SCHOOL DISTRICT-CLARK COUNTY
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES FOR THE FISCAL YEARS ENDED
JUNE 30, 2019, 2020 and 2021 ACTUAL
FORECASTED FISCAL YEARS ENDING
JUNE 30, 2022 THROUGH 2026



Forecast Provided By
Northeastern Local School District
Treasurer's Office
Dale R. Miller, CPA, Treasurer/CFO
937-325-7615 ext 1010
October/November 2021

Northeastern Local School District

Clark County

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2019, 2020 and 2021 Actual;
Forecasted Fiscal Years Ending June 30, 2022 Through 2026

	Actual				Average Change	Forecasted				
	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022		Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	
Revenues										
1.010	General Property Tax (Real Estate)	\$10,855,226	\$11,360,696	\$11,558,507	3.2%	\$11,166,031	\$11,356,312	\$11,415,071	\$11,440,646	\$11,466,264
1.020	Public Utility Personal Property Tax	687,100	894,790	1,142,200	28.9%	1,206,211	1,229,394	1,252,464	1,275,534	1,298,604
1.030	Income Tax	5,129,277	5,440,547	5,261,909	1.4%	5,419,766	5,582,359	5,749,830	5,922,325	6,099,995
1.035	Unrestricted State Grants-in-Aid	13,254,758	12,542,449	12,892,113	-1.3%	12,357,446	12,375,554	12,380,264	12,385,092	12,390,041
1.040	Restricted State Grants-in-Aid	305,888	310,044	366,252	9.7%	366,262	366,262	366,262	366,262	366,262
1.045	Restricted Federal Grants-in-Aid	0	0	0	0.0%	0	0	0	0	0
1.050	Property Tax Allocation	1,777,915	1,784,954	1,773,076	-0.1%	1,819,417	1,876,441	1,886,541	1,889,199	1,891,857
1.060	All Other Revenues	3,145,274	3,302,475	3,249,084	1.7%	1,473,042	1,473,042	1,473,042	1,473,042	1,473,042
1.070	Total Revenues	\$35,155,438	\$35,635,955	\$36,243,141	1.5%	\$33,808,175	\$34,259,364	\$34,523,474	\$34,752,100	\$34,986,065
Other Financing Sources										
2.010	Proceeds from Sale of Notes	0	0	0	0.0%	0	0	0	0	0
2.020	State Emergency Loans	0	0	0	0.0%	0	0	0	0	0
2.040	Operating Transfers-In	0	0	0	0.0%	0	0	0	0	0
2.050	Advances-In	67,903	46,228	41,784	-20.8%	46,228	46,228	46,228	46,228	46,228
2.060	All Other Financing Sources	274,933	83,296	61,675	-47.8%	25,000	25,000	25,000	25,000	25,000
2.070	Total Other Financing Sources	\$342,836	\$129,524	\$103,459	-41.2%	\$71,228	\$71,228	\$71,228	\$71,228	\$71,228
2.080	Total Revenues and Other Financing Sources	\$35,498,274	\$35,765,479	\$36,346,600	1.2%	\$33,879,403	\$34,330,592	\$34,594,702	\$34,823,328	\$35,057,293
Expenditures										
3.010	Personal Services	\$17,746,093	\$18,064,697	\$18,722,720	2.7%	\$19,294,445	\$20,003,022	\$20,719,415	\$21,468,222	\$22,045,603
3.020	Employees' Retirement/Insurance Benefits	6,723,827	7,384,940	8,062,541	9.5%	8,188,401	8,695,085	9,236,926	9,870,139	10,465,150
3.030	Purchased Services	6,138,234	6,259,183	6,507,968	3.0%	3,504,295	3,545,926	3,588,806	3,407,972	3,453,463
3.040	Supplies and Materials	1,191,492	1,316,764	1,067,940	-4.2%	1,203,455	1,218,290	1,233,571	1,249,310	1,265,521
3.050	Capital Outlay	837,097	146,184	173,203	-32.0%	100,000	100,000	100,000	100,000	100,000
3.060	Intergovernmental	0	0	0	0.0%	0	0	0	0	0
	Debt Service:				0.0%					
4.010	Principal-All (Historical Only)	0	0	0	0.0%	0	0	0	0	0
4.020	Principal-Notes	0	0	0	0.0%	0	0	0	0	0
4.030	Principal-State Loans	0	0	0	0.0%	0	0	0	0	0
4.040	Principal-State Advancements	0	0	0	0.0%	0	0	0	0	0
4.050	Principal-HB 264 Loans	0	0	0	0.0%	0	0	0	0	0
4.055	Principal-Other	0	0	0	0.0%	0	0	0	0	0
4.060	Interest and Fiscal Charges	0	0	-	0.0%	0	0	0	0	0
4.300	Other Objects	366,093	392,539	372,585	1.1%	383,762	395,275	407,133	419,347	431,927
4.500	Total Expenditures	\$33,002,836	\$33,564,307	\$34,906,957	2.9%	\$32,674,358	\$33,957,598	\$35,285,851	\$36,514,990	\$37,761,664
						100.96%				
Other Financing Uses										
5.010	Operating Transfers-Out	\$54,959	\$211,449	\$0	92.4%	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000
5.020	Advances-Out	52,031	41,784	206,808	187.6%	0	0	0	0	0
5.030	All Other Financing Uses	0	0	0	0.0%	0	0	0	0	0
5.040	Total Other Financing Uses	\$106,990	\$253,233	\$206,808	59.2%	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000
5.050	Total Expenditures and Other Financing Uses	\$33,109,826	\$33,817,540	\$35,113,765	3.0%	\$32,719,358	\$34,002,598	\$35,330,851	\$36,559,990	\$37,806,664
6.010	Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Uses	\$2,388,448	\$1,947,939	\$1,232,835	-27.6%	\$1,160,045	\$327,994	(\$736,149)	(\$1,736,662)	(\$2,749,371)
7.010	Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	\$11,076,719	\$13,465,167	\$15,413,106	18.0%	\$16,645,941	\$17,805,986	\$18,133,980	\$17,397,832	\$15,661,170
7.020	Cash Balance June 30	\$13,465,167	\$15,413,106	\$16,645,941	11.2%	\$17,805,986	\$18,133,980	\$17,397,832	\$15,661,170	\$12,911,799
8.010	Estimated Encumbrances June 30	\$579,253	\$403,612	\$1,000,043	58.7%	\$1,000,043	\$1,000,043	\$1,000,043	\$1,000,043	\$1,000,043
Reservation of Fund Balance										
9.010	Textbooks and Instructional Materials	0	0	0	0.0%	0	0	0	0	0
9.020	Capital Improvements	0	0	0	0.0%	0	0	0	0	0
9.030	Budget Reserve	0	0	0	0.0%	0	0	0	0	0
9.040	DPIA	0	0	0	0.0%	0	0	0	0	0
9.045	Fiscal Stabilization	0	0	0	0.0%	0	0	0	0	0
9.050	Debt Service	0	0	0	0.0%	0	0	0	0	0
9.060	Property Tax Advances	0	0	0	0.0%	0	0	0	0	0
9.070	Bus Purchases	0	0	0	0.0%	0	0	0	0	0
9.080	Subtotal Reservations of fund Balance	\$0	\$0	\$0	0.0%	\$0	\$0	\$0	\$0	\$0
10.010	Fund Balance June 30 for Certification of Appropriations	\$12,885,914	\$15,009,494	\$15,645,898	10.4%	\$16,805,943	\$17,133,937	\$16,397,789	\$14,661,127	\$11,911,756

Northeastern Local School District

Clark County

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2019, 2020 and 2021 Actual;
Forecasted Fiscal Years Ending June 30, 2022 Through 2026

	Actual				Average Change	Forecasted				
	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021			Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026
Revenue from Replacement/Renewal Levies										
11.010	Income Tax - Renewal	0	0	0	0.0%	0	0	0	0	0
11.020	Property Tax - Renewal or Replacement	0	0	0	0.0%	0	0	0	0	0
11.300	Cumulative Balance of Renewal Levies	\$0	\$0	\$0	0.0%	\$0	\$0	\$0	\$0	\$0
<i>Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations</i>										
12.010		\$12,885,914	\$15,009,494	\$15,645,898	10.4%	\$16,805,943	\$17,133,937	\$16,397,789	\$14,661,127	\$11,911,756
Revenue from New Levies										
13.010	Income Tax - New	0	0	0	0.0%	0	0	0	0	0
13.020	Property Tax - New	0	0	0	0.0%	0	0	0	0	0
13.030	Cumulative Balance of New Levies	\$0	\$0	\$0	0.0%	\$0	\$0	\$0	\$0	\$0
14.010	Revenue from Future State Advancements				0.0%	-	-	-	-	-
15.010	Unreserved Fund Balance June 30	\$12,885,914	\$15,009,494	\$15,645,898	10.4%	\$16,805,943	\$17,133,937	\$16,397,789	\$14,661,127	\$11,911,756

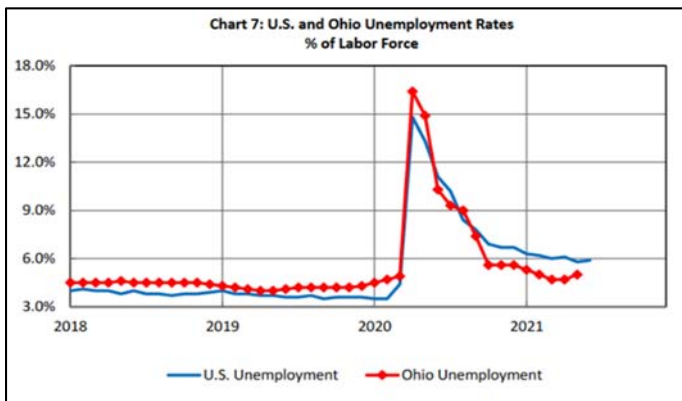
Northeastern Local School District – Clark County
Notes to the Five Year Forecast
General Fund Only
October 2021

Introduction to the Five Year Forecast

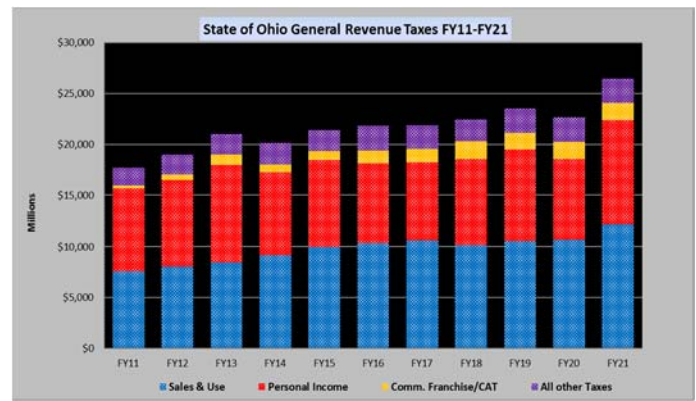
School districts are required to file a five (5) year financial forecast by November 30, 2021, and May 31, 2022 for fiscal year 2022 (July 1, 2021 to June 30, 2022). The five-year forecast includes three years of actual and five years of projected general fund revenues and expenditures. Fiscal year 2022 (July 1, 2021 through June 30, 2022) is the first year of the five-year forecast and is considered the baseline year. Our forecast is being updated to reflect the most current economic data available to us for the November 2021 filing.

Economic Outlook

This five-year forecast is being filed during the ongoing global health and financial recovery from the COVID-19 Pandemic which began in early 2020. The effects of the pandemic continue to impact our state, country and our globalized economy. Our school district plays a vital role in the recovery in our community, and we have maintained continuity of services to our students and staff. As noted in the graphs below, the State of Ohio’s economy has steadily recovered over the past year thus the full restoration of the original school foundation funding cuts from May 2020 are being restored to school districts beginning July 1, 2021. While increased inflation impacting district costs are expected to continue over the next few years, the economy is also expected to continue to grow as the recovery from the pandemic continues.



Source: Ohio Office of Budget and Management



Source: Ohio Office of Budget and Management

As a result from the financial stresses that responding to the pandemic placed on school district budgets, all school districts are being aided by three (3) rounds of federal Elementary and Secondary Schools Emergency Relief Funds (ESSER) which began being disbursed in fiscal year 2020 and can be extended into fiscal year 2025 for ESSER III expenses. The ESSER funds and restored state budget cuts will assist our district in providing vital services to our students.

Data and assumptions noted in this forecast are based on the best and most reliable data available to us as of the date of this forecast.

Forecast Risks and Uncertainty:

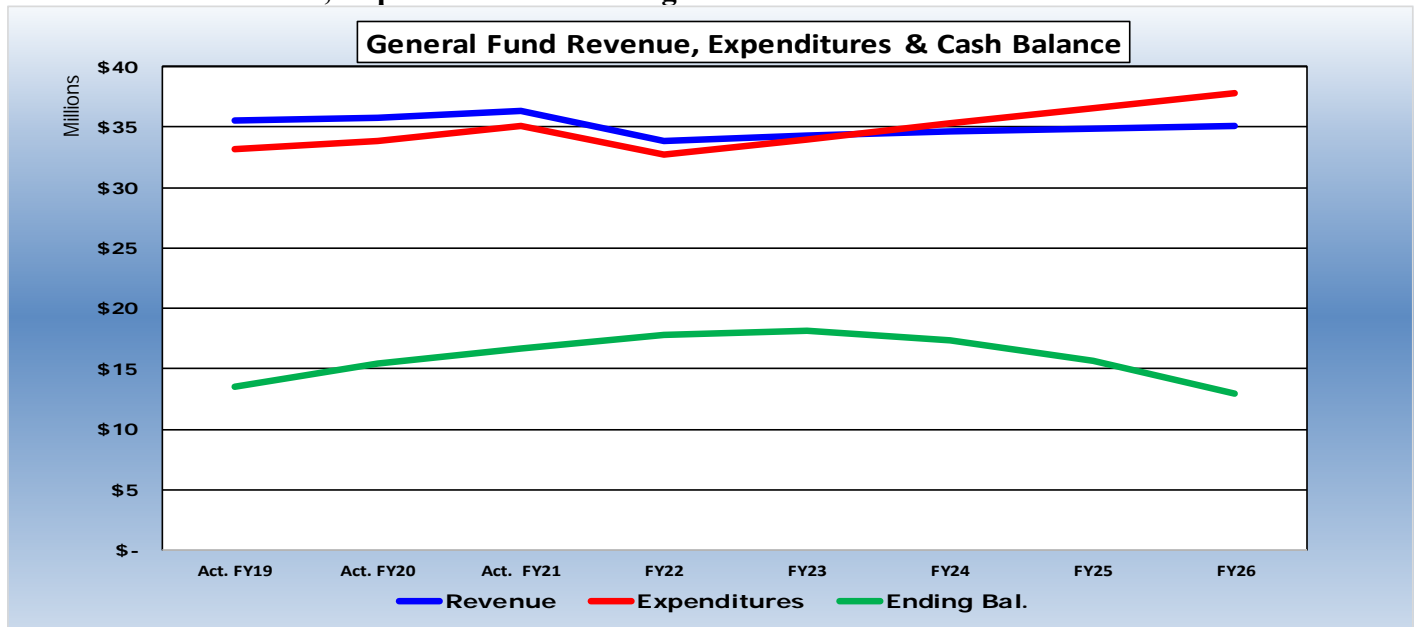
A five year financial forecast has risks and uncertainty not only due to economic uncertainties noted above but also due to state legislative changes that will occur in the spring of 2023 and 2025 due to deliberation of the next two (2) state biennium budgets for FY24-25 and FY26-27, both of which affect this five year forecast. We have estimated revenues and expenses based on the best data available to us and the laws in effect at this time. The items below give a short description of the current issues and how they may affect our forecast long term:

- 1) Property tax collections are the largest single revenue source for the school system. The housing market in our district is stable and growing. We project continued growth in appraised values every three (3) years and new construction growth with continued modest increases in local taxes as the pandemic ends and the economy continues its recovery as anticipated. Total local revenues which are predominately local taxes equate to 57% of the district's resources. Our tax collections in the March and August 2021 settlements did not fall due to higher delinquencies as anticipated due to the brief rise in unemployment due to the pandemic in 2020. Longer term we believe there is a low risk that local collections would fall below projections throughout the forecast.
- 2) Clark/Champaign County experienced a reappraisal update in the 2019 tax year to be collected in FY20. The 2019 update increased overall assessed values by \$33.0 million or an increase of 7.3%. Over all values rose \$45.4 million or 8.9%, which includes reappraisal and new construction for all classes of property. A reappraisal update will occur in tax year 2022 for collection in FY23. We anticipate value increases for Class I and II property by \$15.6 million for an overall increase of 3.0%. There is however always a minor risk that the district could sustain a reduction in values in the next appraisal update but we do not anticipate that at this time.
- 3) The state budget represented 42.9% of district revenues, which means it is a significant area of risk to revenue. The future risk comes in FY24 and beyond if the state economy stalls or worsens and the fair school funding plan is not funded in future state budgets or if an economic downturn results in a reduction in state aid. There are two future State Biennium Budgets covering the period from FY24-25 and FY26-27 in this forecast. Future uncertainty in both the state foundation funding formula and the state's economy makes this area an elevated risk to district funding long range through FY26. We have projected our state funding to be in line with the FY23 funding levels through FY26 which we feel is conservative and should be close to whatever the state approves for the FY24-FY27 biennium budgets. We will adjust the forecast in future years as we have data to help guide this decision.
- 4) HB110, the current state budget implements what has been referred to as the Fair School Funding Plan (FSFP) for FY22 and FY23. The FSFP has many significant changes to the way foundation revenues are calculated for school districts and how expenses are charged off. State foundation basic aid will be calculated on a base cost methodology with funding paid to the district where a student is enrolled to be educated. There will be no separate open enrollment revenue payments to school districts beginning in FY22. There will also be direct funding to the district where students are educated for expenses previously deducted from districts state foundation funding for open enrollment, community schools, STEM schools and scholarship recipients. The initial impact on the forecast will be that the historic actual costs for FY19 through FY21 on the forecast will potentially reflect different trends on Lines 1.035, 1.04, 1.06 and 3.03 beginning in FY22. Longer term there may be some adjustments for FY22 and FY23 in state aid as the Ohio Department of Education resolves issues and possible unintended consequences as they create and implement the numerous changes to the complicated new formula. Our state aid projections have been based on the best information on the new HB110 formula as calculated by the Ohio Department of Education.
- 5) HB110 direct pays costs associated with open enrollment, community and STEM schools, and for all scholarships including EdChoice Scholarships. These costs will no longer be deducted from our state aid. However, there still are education option programs such as College Credit Plus which continue to be deducted from state aid which will increase costs to the district. Expansion or creation of programs that are not directly paid by the state of Ohio exposes the district to new expenditures that are not currently in the forecast. We are monitoring closely any new threats to our state aid and increased costs as any new proposed laws are introduced in the legislature.

6) Labor relations in our district have been amicable with all parties working for the best interest of students and realizing the resource challenges we face. We believe as we move forward our positive working relationship will continue and will only grow stronger.

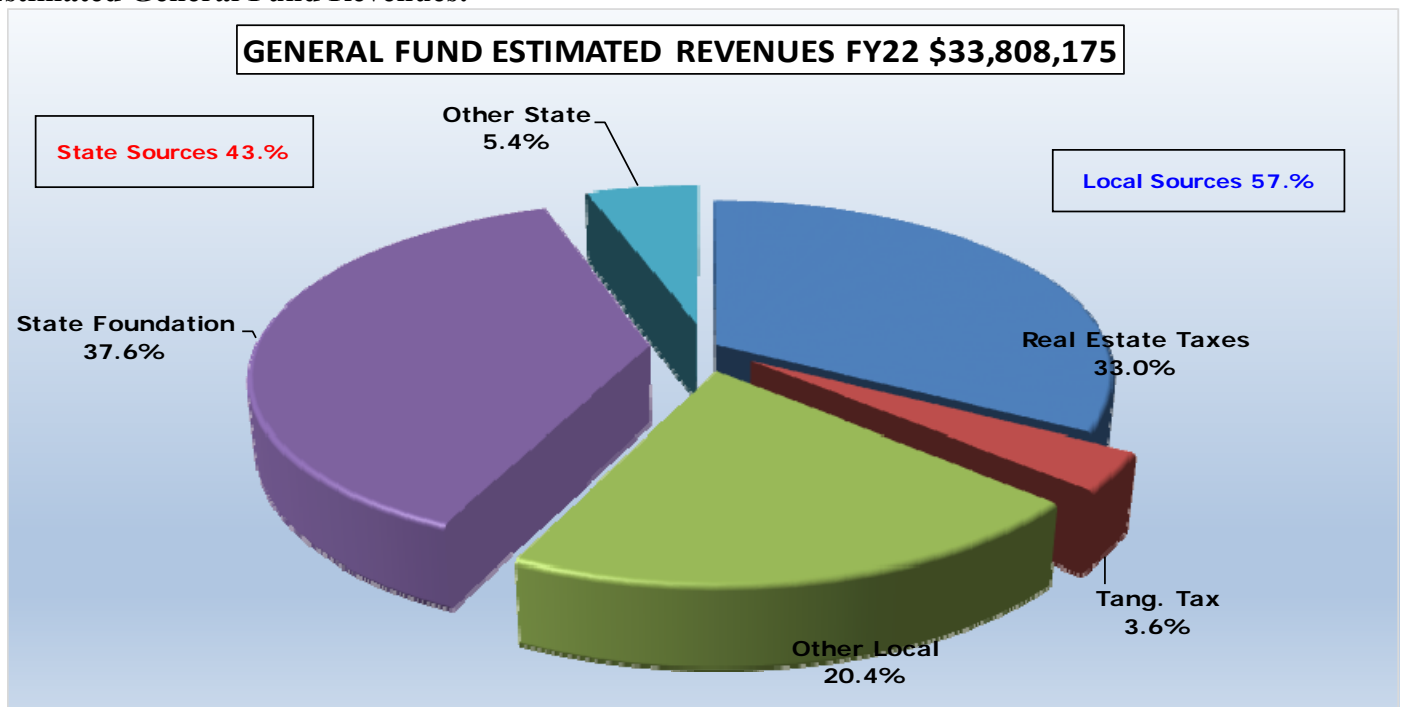
The major categories of revenue and expenditures on the forecast are noted below in the headings to make it easier to reference the assumptions made for the forecast item. It should be of assistance to the reader to review the assumptions noted below in understanding the overall financial forecast for our district. If you would like further information please feel free to contact Mr. Dale R. Miller, Treasurer/CFO of Northeastern Local School District at 937-325-7615.

General Fund Revenue, Expenditure and Ending Cash Balance:



Revenue Assumptions

Estimated General Fund Revenues:



Real Estate Value Assumptions – Line # 1.010

Property Values are established each year by the County Auditor based on new construction, demolitions, BOR/BTA activity and complete reappraisal or updated values. Clark County experienced a reappraisal for the 2019 tax year to be collected in 2020. Residential/agricultural values increased 7.36% or \$35.5 million due to the reappraisal led by an improving housing market. New construction in residential property was up 9% or \$2.86 million in assessed value. Commercial/industrial values decreased \$877,180.

A reappraisal update will occur in 2022 for collection in 2023 for which we are estimating a 3% increase in residential and a 0% increase for commercial/industrial property. We anticipate Residential/Agricultural and Commercial/Industrial values to increase \$15.1 million or 2.8 % overall.

Public Utility Personal Property (PUPP) values increased by \$9.0 million in Tax Year 2019. We expect our values to continue to grow by \$500,000 each year of the forecast.

ESTIMATED ASSESSED VALUE (AV) BY COLLECTION YEARS

<u>Classification</u>	<u>Estimated</u> TAX YEAR2021 COLLECT 2022	<u>Estimated</u> TAX YEAR2022 COLLECT 2023	<u>Estimated</u> TAX YEAR2023 COLLECT 2024	<u>Estimated</u> TAX YEAR 2024 TAX YEAR 2025	<u>Estimated</u> TAX YEAR 2025 COLLECT 2026
Res./Ag.	\$478,813,970	\$493,728,389	\$494,278,389	\$494,828,389	\$495,378,389
Comm./Ind.	54,748,770	54,948,770	55,148,770	55,348,770	55,548,770
Public Utility Personal Property (PUPP)	<u>26,394,870</u>	<u>26,894,870</u>	<u>27,394,870</u>	<u>27,894,870</u>	<u>28,394,870</u>
Total Assessed Value	<u>\$559,957,610</u>	<u>\$575,572,029</u>	<u>\$576,822,029</u>	<u>\$578,072,029</u>	<u>\$579,322,029</u>

ESTIMATED REAL ESTATE TAX (Line #1.010)

<u>Source</u>	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>
Est. Real Estate Taxes	<u>\$11,166,031</u>	<u>\$11,356,312</u>	<u>\$11,415,071</u>	<u>\$11,440,646</u>	<u>\$11,466,264</u>

Property tax levies are estimated to be collected at 96% of the annual amount. This allows a .5% delinquency and 3.5% auditor and treasurer fees. Typically, 55% of the new residential/agriculture (Res/Ag) and commercial/industrial (Comm/Ind) is expected to be collected in the February tax settlements and 45% is expected to be collected in the August tax settlements.

Renewal and Replacement Levies – Line #11.02

No renewal or replacement levies are modeled in this forecast.

New Tax Levies – Line #13.030

No new levies are modeled in this forecast.

Estimated Tangible Personal Tax & Public Utility Personal Property – Line#1.020

Revenues posted on this line are Public Utility Personal Property (PUPP) taxes which are collected at the districts’ gross tax rates not subject to reduction factors. We have estimated past trend growth in these values for future years. The phase out of tangible personal property tax (TPP) began in fiscal year 2006 and was completely eliminated after fiscal year 2011 for Northeastern School District.

<u>Source</u>	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>
Public Utility Personal Property	<u>\$1,206,211</u>	<u>\$1,229,394</u>	<u>\$1,252,464</u>	<u>\$1,275,534</u>	<u>\$1,298,604</u>

School District Income Tax –Line #1.030

The current SDIT was approved on May 5, 2015 and will now expire on December 31, 2025. The income tax is estimated to produce \$5.4 million in FY21. Due to the COVID-19 recession we had estimated a reduction of 5% in income tax collections in FY21, actual collections were 2.95% under FY20 levels, and then an increase of 3% in FY22 and FY25.

<u>Source</u>	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>
July payment	\$1,328,974	\$1,368,843	\$1,409,908	\$1,452,206	\$1,495,772
October payment	1,382,656	1,424,135	1,466,859	1,510,865	1,556,191
January payment	1,339,691	1,379,882	1,421,278	1,463,917	1,507,834
April payment	<u>1,368,446</u>	<u>1,409,499</u>	<u>1,451,784</u>	<u>1,495,337</u>	<u>1,540,198</u>
Total SDIT Collections	\$5,419,766	\$5,582,359	\$5,749,830	\$5,922,325	\$6,099,995
Adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total SDIT Line #1.030	<u>\$5,419,766</u>	<u>\$5,582,359</u>	<u>\$5,749,830</u>	<u>\$5,922,325</u>	<u>\$6,099,995</u>

State Foundation Revenue Estimates – Lines #1.035, 1.040 and 1.045

Current State Funding Model Per HB110 Through June 30, 2023

A) Unrestricted State Foundation Revenue– Line #1.035

The actual release of the new Fair School Funding Plan formula has been delayed until December which is beyond the filing deadline of this forecast. We have projected FY22 and FY23 funding to be in line with the June 28, 2021 Legislative Service Commission estimates for our district.

The amounts estimated for state funding are based on HB110, referred to as the Fair School Funding Plan (FSFP). The state foundation funding formula has gone through many changes in recent years. The most recent funding formula began in FY14 and was dropped in FY19 after six (6) years, followed by no foundation formula for two (2) years in FY20 and FY21, and now HB110 implements the newest and possibly the most complicated funding formula in recent years for FY22 and FY23. HB110, the current formula, introduces many changes to how state foundation is calculated and expenses deducted from state funding which will potentially make the actual five year forecast look different with estimates FY22 through FY26 compared to actual data FY19 through FY21 on Lines 1.035, 1.04, 1.06 and 3.03 of the forecast.

Overview of Key Factors that Influence State Basic Aid in the Fair School Funding Plan

- A. Student Population and Demographics
- B. Property Valuation
- C. Personal Income of District Residents
- D. Historical Funding- CAPS and Guarantees from prior funding formulas

Base Cost Approach- Unrestricted Basic Aid Foundation Funding

The new funding formula uses FY18 statewide average district costs and developed a base cost approach that includes minimum service levels and student teacher ratios to calculate a unique base cost for each district that includes base funding for five (5) areas:

- 1. Teacher Base Cost (4 subcomponents)
- 2. Student Support (7 subcomponents-including a restricted Student Wellness component)

3. District Leadership & Accountability (7 subcomponents)
4. Building Leadership & Operations (3 subcomponents)
5. Athletic Co-curricular (contingent on participation)

State Share Percentage – Unrestricted Basic Aid Foundation Funding

Once the base cost is calculated, which is estimated to be as high as \$7,202 per pupil when fully phased in, the FSFP calculates a state share percentage (SSP) calculation. The state share percentage in concept will be higher for districts with less capacity (lower local wealth) and be a lower state share percentage for districts with more capacity (higher local wealth). The higher the district's ability to raise taxes based on local wealth the lower the state share percentage. The state share percentage will be based on 60% property valuation of the district, 20% on federally adjusted gross income and 20% on federal median income, as follows:

1. 60% based on most recent three (3) year average assessed values or the most recent year, whichever is lower divided by base students enrolled.
2. 20% based on most recent three (3) year average federal adjusted gross income of district residents or the most recent year, whichever is lower divided by base students enrolled
3. 20% based on most recent year federal median income of district residents multiplied by number of returns in that year divided by base students enrolled
4. When the weighted values are calculated and Items 1. through 3. Above are added together, the total is then multiplied by a Local Share Multiplier Index ranging from 0% for low wealth districts to a maximum of 2.5% for wealthy districts.

When the unrestricted base cost is determined and multiplied by the state share percentage, the resulting amount is multiplied by the current year enrolled students (including open enrolled students being educated in each district), and finally multiplied by the local share multiplier index for each district. The result is the local per pupil capacity amount of the base per pupil funding amount. The balance of this amount is the state share to pay.

Categorical State Aid

In addition to the base state foundation funding calculated above, the FSFP also has unrestricted categorical funding and new restricted funding beginning in FY22, some of which will have the state share percentage applied to these calculations as noted below:

Unrestricted Categorical State Aid

1. Targeted Assistance/Capacity Aid – Provides additional funding based on a wealth measure using 60% weighted on property value and 40% on income. Uses current year enrolled average daily membership (ADM). Also will provide supplemental targeted assistance to lower wealth districts whose enrolled ADM is less than 88% of their total FY19 ADM.
2. Special Education Additional Aid – Based on six (6) weighted funding categories of disability and moved to a weighted funding amount and not a specific amount. An amount of 10% will be reduced from all districts' calculation to be used toward the state appropriation for Catastrophic Cost reimbursement.
3. Transportation Aid – Funding based on all resident students who ride including preschool students and those living within 1 mile of school. Provides supplemental transportation for low density districts. Increases state minimum share to 29.17% in FY22 and 33.33% in FY23.

Restricted Categorical State Aid

1. Disadvantaged Pupil Impact Aid (DPIA)- Formerly Economically Disadvantaged Funding, DPIA is based on number and concentration of economically disadvantaged students compared to state average and multiplied by \$422 per pupil. Phase in increases are limited to 0% for FY22 and 14% in FY23.

2. English Learners – Based on funded categories based on time student enrolled in schools and multiplied by a weighted amount per pupil.
3. Gifted Funds –Based on average daily membership multiplied by a weighted amount per pupil.
4. Career-Technical Education Funds – Based on career technical average daily membership and five (5) weighted funding categories students enrolled in.
5. Student Wellness & Success Funding – moved into DPIA funding, is restricted funding and will be spent on same initiatives and requirements that were previously designated under the stand alone fund.

State Funding Phase-In FY22 and FY23 and Guarantees

HB110 provides funding for FY22 and FY23. While the FSFP was presented as a six (6) year phase-in plan, the state legislature only approved the first two (2) years of the funding plan. The FSFP does not include caps on funding, rather it will include a general phase-in percentage for most components in the amount of 16.67% in FY22 and 33.33% in FY23. DPIA funding will be phased in 0% in FY22 and 14% in FY23. Transportation categorical funds will not be subject to a phase in.

HB110 includes “formula transition aid” which is a guarantee. There are actually three (3) guarantees in both temporary and permanent law to ensure that no district will get less funds in FY22 than they received in FY21. The guaranteed level of funding for FY22 is a calculated funding guarantee level based on full state funding cuts from May 2020 restored, net of transfers and deductions, plus Student Wellness and Success funds (based on FY21 SWSF amounts), enrollment growth supplement funds paid in FY21 and special education preschool and special education transportation additional aid items.

Student Wellness and Success (Restricted Fund 467)

In FY20 and FY21, HB166 provided Student Wellness and Success Funds (SWSF) to be deposited in a Special Revenue Fund 467. HB110, the new state budget, has essentially eliminated these funds by merging them into state aid and wrapped into the expanded funding and mission of DPIA funds noted above and on Line 1.04 below. Any remaining funds in Special Revenue Fund 467 will be required to be used for the restricted purposes governing these funds until spent fully.

Future State Budgets Projections Beyond FY23

Our funding status for FY24-26 will depend on two (2) new state budgets which are unknown. There is no guarantee that the current Fair School Funding Plan in HB110 will be funded or continued beyond FY23. For this reason funding is held constant FY23 through FY26.

Casino Revenue

On November 3, 2009, Ohio voters passed the Ohio casino ballot issue. This issue allowed for the opening of four (4) casinos: one each in Cleveland, Toledo, Columbus and Cincinnati. Thirty-three percent (33%) of the gross casino revenue will be collected as a tax. School districts will receive 34% of the 33% GCR that will be paid into a student fund at the state level. These funds will be distributed to school districts on the 31st of January and August each year which began for the first time on January 31, 2013.

Casino revenue fell slightly in FY21 due to COVID-19 and Casinos closing for a little over two months. We have increased the amount in FY22 back to pre-pandemic FY20 levels as Casino revenues appear to have dipped largely due to their closure and not in response to the economic downturn. Prior to COVID-19 closures, casino revenues were growing modestly as the economy improved. Original projections for FY22-26 estimated a .4% decline in pupils to 1,778,441 and GCR increasing to \$106.35 million or \$59.80 per pupil. We believe FY22 Casino revenues will resume their historical growth rate.

A) Unrestricted State Foundation Revenue – Line #1.035

<u>Source</u>	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>
Basic Aid-Unrestricted	\$11,924,671	\$11,938,185	\$11,938,185	\$11,938,185	\$11,938,185
Additional Aid Items	<u>249,727</u>	<u>249,727</u>	<u>249,727</u>	<u>249,727</u>	<u>249,727</u>
Basic Aid-Unrestricted Subtotal	12,174,398	12,187,912	12,187,912	12,187,912	12,187,912
Ohio Casino Commission ODT	<u>183,048</u>	<u>187,642</u>	<u>192,352</u>	<u>197,180</u>	<u>202,129</u>
Total Unrestricted State Aid Line #1.035	<u>\$12,357,446</u>	<u>\$12,375,554</u>	<u>\$12,380,264</u>	<u>\$12,385,092</u>	<u>\$12,390,041</u>

B) Restricted State Revenues – Line # 1.040

HB110 has continued Disadvantaged Pupil Impact Aid (formerly Economic Disadvantaged funding) and Career Technical funding. In addition, there have been new restricted funds added as noted above under “Restricted Categorical Aid” for Gifted, English Learners (ESL) and Student Wellness. The district has elected to also post Catastrophic Aid for special education as restricted revenues. The amount of DPIA is limited to 0% phase in growth for FY22 and 14% in FY23. The accounting and reporting of the restricted revenues and expenditures maybe a significant challenge once the ODE determines the amounts the districts will receive.

<u>Source</u>	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>
DPIA	\$94,371	\$94,371	\$94,371	\$94,371	\$94,371
Career Tech - Restricted	157,115	157,115	157,115	157,115	157,115
ESL					
Gifted					
Student Wellness					
Catastrophic Aid	<u>114,776</u>	<u>114,776</u>	<u>114,776</u>	<u>114,776</u>	<u>114,776</u>
Total Restricted State Revenues Line #1.040	<u>\$366,262</u>	<u>\$366,262</u>	<u>\$366,262</u>	<u>\$366,262</u>	<u>\$366,262</u>

C) Restricted Federal Grants in Aid – line #1.045

No amounts are included in the forecasted years 2022 through 2026.

<u>SUMMARY</u>	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>
Unrestricted Line #1.035	\$12,357,446	\$12,375,554	\$12,380,264	\$12,385,092	\$12,390,041
Restricted Line #1.040	366,262	366,262	366,262	366,262	366,262
Rest. Federal Funds #1.045	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total State Foundation Revenue	<u>\$12,723,708</u>	<u>\$12,741,816</u>	<u>\$12,746,526</u>	<u>\$12,751,354</u>	<u>\$12,756,303</u>

State Taxes Reimbursement/Property Tax Allocation

a) Rollback and Homestead Reimbursement

Rollback funds are reimbursements paid to the district from the State of Ohio for tax credits given owner occupied residences equaling 12.5% of the gross property taxes charged residential taxpayers on tax levies passed prior to September 29, 2013. HB59 eliminated the 10% and 2.5% rollback on new levies approved after September 29, 2013, which is the effective date of HB59. HB66 the FY06-07 budget bill previously eliminated 10% rollback on Class II (commercial and industrial) property.

Homestead Exemptions are also credits paid to the district from the state of Ohio for qualified elderly and disabled. In 2007, HB119 expanded the Homestead Exemption for all seniors 65 years of age or older or who

are disabled regardless of income. Effective September 29, 2013, HB59 changes the requirement for Homestead Exemptions. Individual taxpayers who do not currently have their Homestead Exemption approved or those who do not get a new application approved for tax year 2013, and who become eligible thereafter, will only receive a Homestead Exemption if they meet the income qualifications. Taxpayers who currently have their Homestead Exemption as of September 29, 2013 will not lose it going forward and will not have to meet the new income qualification. This will reduce homestead reimbursements to the district, and as with the rollback reimbursements above, increase the taxes collected locally on taxpayers. On the District revenue, if an existing levy is not renewed we would never regain this revenue on any levies in the future.

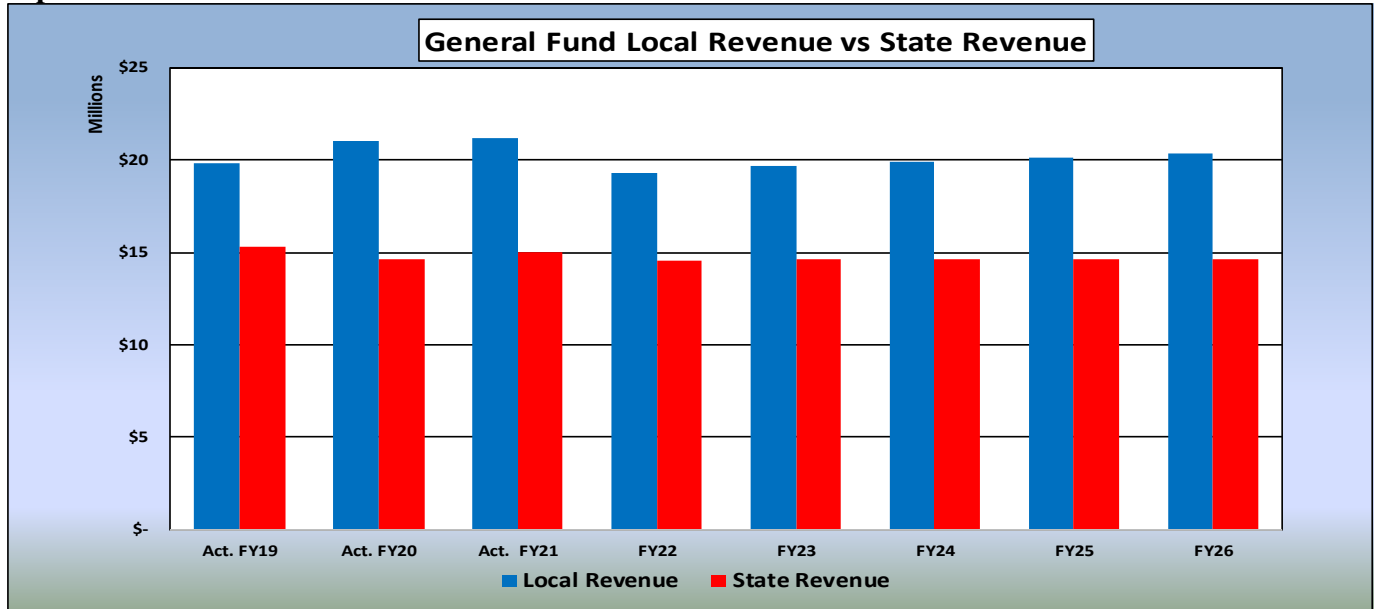
b) Tangible Personal Property Reimbursements – Fixed Rate/Fixed Sum

The District no longer receives fixed rate or fixed sum TPP reimbursements.

Summary of State Tax Reimbursement – Line #1.050

<u>Source</u>	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>
Rollback and Homestead	<u>\$1,819,417</u>	<u>\$1,876,441</u>	<u>\$1,886,541</u>	<u>\$1,889,199</u>	<u>\$1,891,857</u>

Comparison of Local Revenue and State Revenue:



Other Local Revenues – Line #1.060

All other local revenue encompasses any type of revenue that does not fit into the above lines. The main sources of revenue in this area have been open enrollment, tuition for court placed students, student fees, and interest. HB110, the new state budget, will stop paying open enrollment as an increase to other revenue for the district. This is projected below as zeros to help show the difference between projected FY22-FY26 Line 1.06 revenues and historical FY19 through FY21 revenues on the five year forecast. Open enrolled students will be counted in the enrolled student base at the school district they are being educated at and state aid will follow the students. Open enrolled student revenues will be included in Line 1.035 as state basic aid.

<u>Source</u>	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>
Tuition Related Payments	\$655,516	\$655,516	\$655,516	\$655,516	\$655,516
Open Enrollment	0	0	0	0	0
Class & Sports Oriented Fees	300,000	300,000	300,000	300,000	300,000
Interest Earnings	250,000	250,000	250,000	250,000	250,000
Miscellaneous	<u>267,526</u>	<u>267,526</u>	<u>267,526</u>	<u>267,526</u>	<u>267,526</u>
Total Other Local Revenue Line #1.060	<u>\$1,473,042</u>	<u>\$1,473,042</u>	<u>\$1,473,042</u>	<u>\$1,473,042</u>	<u>\$1,473,042</u>

Short-Term Borrowing – Lines #2.010 & Line #2.020

There is no short term borrowing planned for in this forecast at this time from any sources.

Transfers In / Return of Advances – Line #2.040 & Line #2.050

These are non-operating revenues which are the repayment of short term loans to other funds during the previous fiscal year and reimbursements for expenses incurred in the previous fiscal year. All advances during the current year are planned to be returned in the succeeding fiscal year.

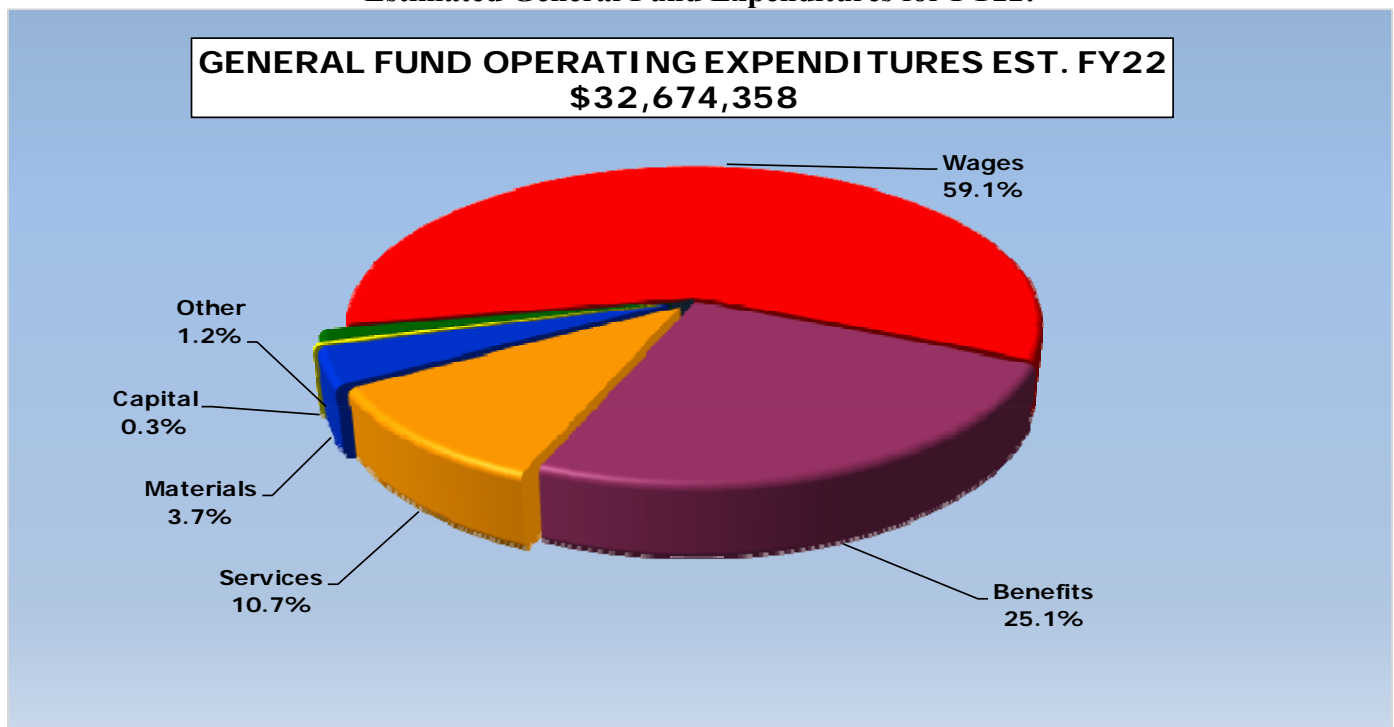
<u>Source</u>	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>
Transfers In - Line #2.040	\$0	\$0	\$0	\$0	\$0
Advance Returns - Line #2.050	<u>46,228</u>	<u>46,228</u>	<u>46,228</u>	<u>46,228</u>	<u>46,228</u>
Total Transfer & Advances In	<u>\$46,228</u>	<u>\$46,228</u>	<u>\$46,228</u>	<u>\$46,228</u>	<u>\$46,228</u>

All Other Financial Sources – Line #2.060

<u>Source</u>	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>
Refund of prior years expenditures	<u>\$25,000</u>	<u>\$25,000</u>	<u>\$25,000</u>	<u>\$25,000</u>	<u>\$25,000</u>

Expenditures Assumptions

Estimated General Fund Expenditures for FY22:



Wages – Line #3.010

In March 2019, the Board ratified a contract with the Northeastern Local Education Association (NELEA) effective August 1, 2019. A contract with the Northeastern Local Association of School Employee/OEA-NEA effective September 1, 2019 was ratified in August 2019 by the Board of Education. We included a 1% increase in base wages and 1.9% increase for step and training adjustments for fiscal year 2022, a new agreement will need negotiated next spring.

<u>Source</u>	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>
Base Wages	\$17,818,653	\$18,390,476	\$19,086,474	\$19,790,036	\$20,532,299
Based Pay Increase	178,187	367,810	381,729	197,900	205,323
Steps & Academic Training	311,826	311,826	321,833	334,013	346,326
Growth Staff	81,810	16,362	0	210,350	19,123
Substitutes	275,000	275,000	275,000	275,000	275,000
Supplementals	<u>628,969</u>	<u>641,548</u>	<u>654,379</u>	<u>660,923</u>	<u>667,532</u>
Total Wages Line #3.010	<u>\$19,294,445</u>	<u>\$20,003,022</u>	<u>\$20,719,415</u>	<u>\$21,468,222</u>	<u>\$22,045,603</u>

Fringe Benefits Estimates Line 3.02

This area of the forecast captures all costs associated with benefits and retirement costs, which all except for health insurance are directly related to the wages paid.

A) STRS/SERS

The district pays 14% of each dollar paid in wages to either the State Teachers Retirement System or the School Employees Retirement System as required by Ohio law.

B) Insurance

The increase for medical and dental insurance was 26% for benefit year 2019-2020. The increase includes adjustments for inflation and the cost of actual claims. We are estimating an increase of 8% for FY22-26 which reflects trends on our current employee census and claims data.

C) Workers Compensation & Unemployment Compensation

Workers Compensation is expected to remain at about .5% of wages after fiscal year 2020 due to a moderated claims experience over prior years. Unemployment Compensation has been negligible and is anticipated to remain as such as we plan our staffing needs carefully.

D) Medicare

Medicare will continue to increase at the rate of increase of wages. Contributions are 1.45% for all new employees to the district on or after April 1, 1986. These amounts are growing at the general growth rate of wages.

Summary of Fringe Benefits – Line #3.020

<u>Source</u>	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>
A) STRS/SERS	\$2,968,502	\$3,076,281	\$3,187,015	\$3,302,402	\$3,394,368
B) Insurance's	4,838,134	5,229,112	5,647,441	6,149,720	6,646,288
C) Workers Comp/Unemployment	56,618	58,390	60,181	62,053	63,496
D) Medicare	272,665	278,820	289,807	303,482	308,516
Other/Tuition/Annuities	<u>52,482</u>	<u>52,482</u>	<u>52,482</u>	<u>52,482</u>	<u>52,482</u>
Total Fringe Benefits Line #3.020	<u>\$8,188,401</u>	<u>\$8,695,085</u>	<u>\$9,236,926</u>	<u>\$9,870,139</u>	<u>\$10,465,150</u>

Purchased Services – Line #3.030

HB110, the new state budget, will impact Purchased Services beginning in FY22 as the Ohio Department of Education will begin to direct pay these costs to the educating districts for open enrollment, community and STEM schools, and for scholarships granted to students to be educated elsewhere, as opposed to deducting these amounts from our state foundation funding and shown below as expenses. We have continued to show these amounts below as zeros to help reflect the difference between projected FY22-FY26 Line 3.03 costs and historical FY19 through FY21 costs on the five year forecast. College Credit Plus, excess costs and other tuition costs will continue to draw funds away from the district, which will continue in this area and have been adjusted based on historical trend. The Student Wellness and Success reflects Fund 467 spending the remaining balance in FY22-24, then moving the expenditures into wages and benefits.

We estimate FY 22-26 utility costs will remain flat. These estimates will be adjusted as the district moves into the new buildings which should be more efficient.

<u>Source</u>	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>
Open Enrollment Deduction	\$0	\$0	\$0	\$0	\$0
Community School Deductions	\$0	\$0	\$0	\$0	\$0
Student Wellness and Success	493,844	493,844	493,844	268,844	268,844
Other Tuition Including Ed Scholarship	590,185	590,185	590,185	590,185	590,185
Professional Support	1,387,688	1,429,319	1,472,199	1,516,365	1,561,856
Building Maintenance Repairs	430,453	430,453	430,453	430,453	430,453
Utilities	554,708	554,708	554,708	554,708	554,708
Miscellaneous Purchased Services	<u>47,417</u>	<u>47,417</u>	<u>47,417</u>	<u>47,417</u>	<u>47,417</u>
Total Purchased Services Line #3.030	<u>\$3,504,295</u>	<u>\$3,545,926</u>	<u>\$3,588,806</u>	<u>\$3,407,972</u>	<u>\$3,453,463</u>

Supplies and Materials – Line #3.040

An overall inflation rate of 3% is being estimated for this category of expenses which are characterized by textbooks, copy paper, maintenance supplies and fuel. The District is working on updating the curriculum over the next few years; FY22-26 includes approximately \$140,000 to \$160,000 each fiscal year for an update to the district curriculum.

<u>Source</u>	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>
General Office Supplies & Materials	\$708,938	\$708,938	\$708,938	\$708,938	\$708,938
Textbooks & Instructional Supplies	148,605	153,063	157,655	162,385	167,257
Facility Supplies & Materials	104,066	107,188	110,404	113,716	117,127
Transportation Fuel & Supplies	<u>241,846</u>	<u>249,101</u>	<u>256,574</u>	<u>264,271</u>	<u>272,199</u>
Total Supplies Line #3.040	<u>\$1,203,455</u>	<u>\$1,218,290</u>	<u>\$1,233,571</u>	<u>\$1,249,310</u>	<u>\$1,265,521</u>

Equipment – Line # 3.050

The administration has prepared a five-year capital plan which includes the Permanent Improvement Fund and the Capital Outlay objects in the General Fund. The May 2018 Bond Issue to construct two new Pre-K thru 12 schools will relieve the stress on the General Fund capital budget and allow the District General Fund to maintain financial stability. The expenditures remaining within the equipment object line are related to the ongoing investment annually in updating the bus fleet as necessary.

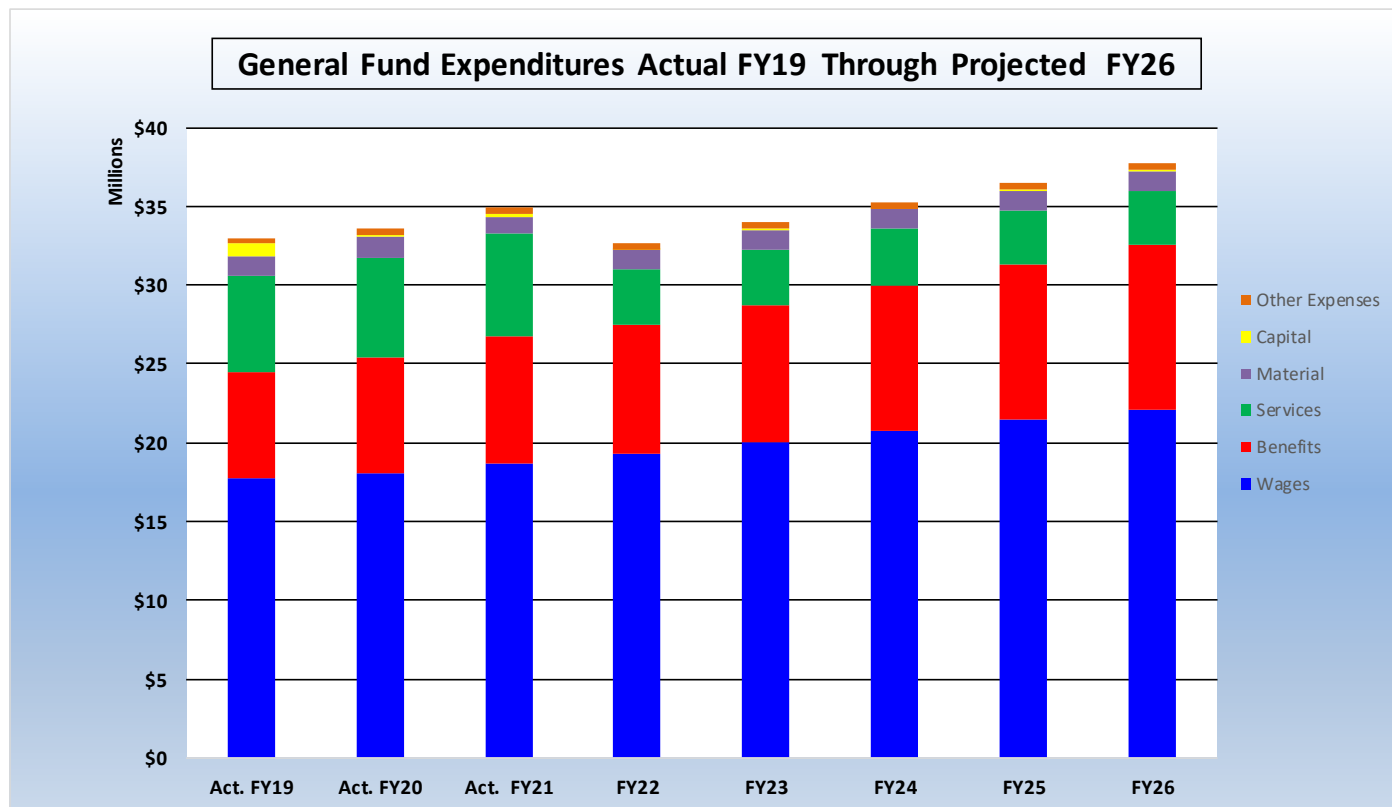
<u>Source</u>	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>
Capital Outlay & Maintenance	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Busses & Other Vehicles	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Equipment Line #3.050	<u>\$100,000</u>	<u>\$100,000</u>	<u>\$100,000</u>	<u>\$100,000</u>	<u>\$100,000</u>

Other Expenses – Line #4.300

The category of Other Expenses consists primarily of the County ESC deductions for specialized services provided to the District and Auditor & Treasurer (A&T) fees. Auditor and Treasurer Fees will increase sharply anytime a new operating levy is collected. Also new construction will cause A&T fees to increase as more dollars are collected. Currently, we are estimating annual increase of 1% for this forecast.

<u>Source</u>	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>
County Auditor & Treasurer Fees	\$299,498	\$308,483	\$317,737	\$327,269	\$337,087
ESC Deduction	20,714	21,335	21,975	22,634	23,313
Annual Audit Costs & Other Misc Costs	<u>63,550</u>	<u>65,457</u>	<u>67,421</u>	<u>69,444</u>	<u>71,527</u>
Total Other Expenses Line #4.300	<u>\$383,762</u>	<u>\$395,275</u>	<u>\$407,133</u>	<u>\$419,347</u>	<u>\$431,927</u>

Total Expenditure Categories Actual Fiscal Year 2019 Through Fiscal Year 2021 and Estimated Fiscal Year 2022 Through Fiscal Year 2026



Notice the smaller portion in purchased services compared the other data points, the decrease in the expenditure shows the impact of HB110 on the purchased services.

Transfers Out/Advances Out – Line# 5.010

This account group covers fund to fund transfers and advances (end of year short term loans) from the General Fund to other funds until they have received reimbursements to repay the General Fund. These amounts are limited in impact to the General Fund as the amounts are repaid as soon as dollars are received in the debtor fund. The transfers are permanent and will not be paid back to the General Fund. The Food Service Fund and Athletic Fund transfers are included in this forecast. In FY21, we needed an additional transfer of \$275,000 to the Food Service Fund and \$50,000 to the Athletic Fund due to the anticipated losses from school closure due to the COVID-19 Pandemic. This is to cover reduced income due to lost sales and state and federal reimbursements which are based on meals served and the labor and food for supporting meals.

<u>Source</u>	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>
Operating Transfers Out Line #5.010	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000
Advances Out Line #5.020	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Transfer & Advances Out	<u>\$45,000</u>	<u>\$45,000</u>	<u>\$45,000</u>	<u>\$45,000</u>	<u>\$45,000</u>

Debt Service:

The District currently has no General Fund Debt issues.

Encumbrances –Line#8.010

These are outstanding purchase orders that have not been approved for payment as the goods were not received in the fiscal year in which they were ordered.

	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>
Estimated Encumbrances Line #8.010	<u>\$1,000,043</u>	<u>\$1,000,043</u>	<u>\$1,000,043</u>	<u>\$1,000,043</u>	<u>\$1,000,043</u>

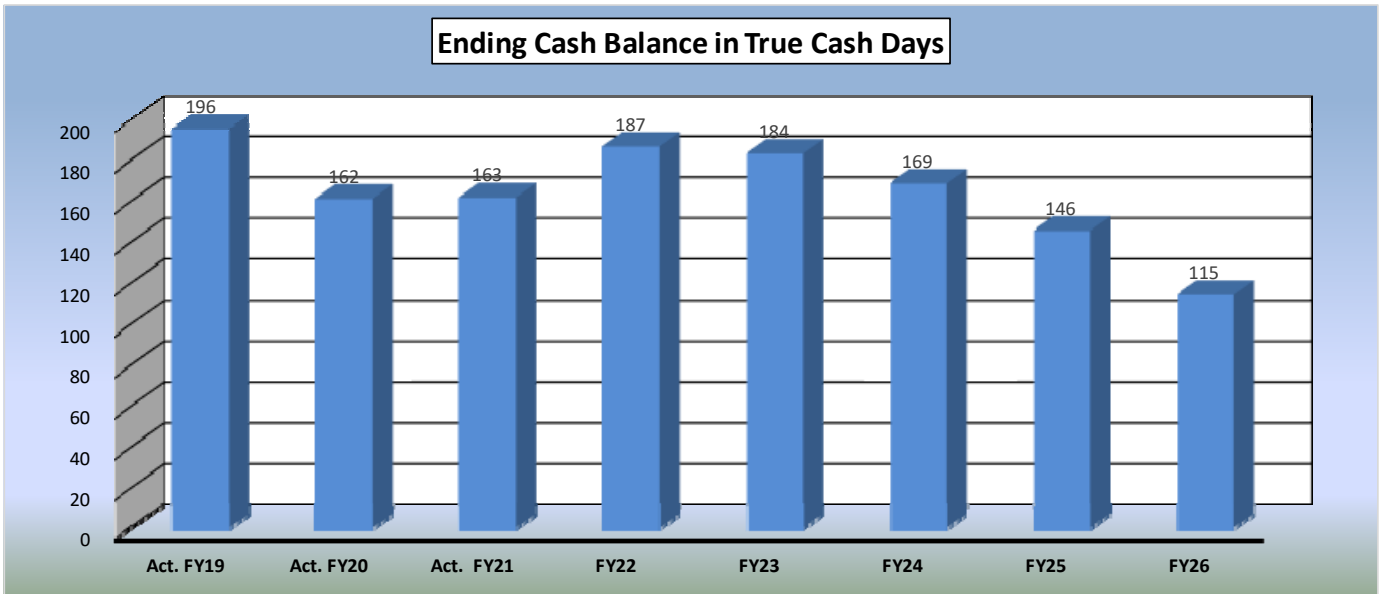
Ending Unencumbered Cash Balance “The Bottom-line” – Line#15.010

This amount must not go below \$-0- or the district General Fund will violate all Ohio Budgetary Laws. Any multi-year contract which is knowingly signed which results in a negative unencumbered cash balance is a violation of Ohio Revised Code section 5705.412, punishable by personal liability of \$10,000, unless an alternative “412” certificate can be issued pursuant to House Bill 153 effective September 30, 2011. The cash balance below includes the 1% Income Tax.

	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>
Ending Unreserved Cash Balance Line #15.01	<u>\$16,805,943</u>	<u>\$17,133,937</u>	<u>\$16,397,789</u>	<u>\$14,661,127</u>	<u>\$11,911,756</u>

True Cash Days Ending Balance

Another way to look at ending cash is to state it in ‘True Cash Days’. In other words, how many days could the district operate at year end if no additional revenues were received. This is the Current Year’s Ending Cash Balance divided by (Current Year’s Expenditures/365 days) = number of days the district could operate without additional resources or a severe resource interruption. The Government Finance Officers Association (GFOA) recommends no less than two (2) months or 60 days cash to be on hand at year end but could be more depending on each district’s complexity and risk factors for revenue collection. This is calculated including transfers as this is predictable funding source for other funds such as for severance payments. This calculation does not include renewal of the SDIT. Renewing this levy in 2025 will be important to maintain a 60 day or better ending true day cash balance.



Conclusion

The forecast presented includes assumptions and facts that can be altered by external and internal issues. For the entire forecast period through June 30, 2026, the district forecast has adequate reserves to continue the instructions and programs as provided currently. The true impact to the district from HB110 will be carefully monitored and in compliance with ODE funding requirements. One of the largest concerns for NELSD will be the matching of Restricted Revenues with approved expenditures within the General Fund. At the time of the Board of Education approval of the forecast the revenue amount and eligible expenditure had not been determined.

The district administration notes that this current state biennium budget is why we have to be mindful and watch each state budget carefully as HB110 has not provided new unrestricted operating funds. Future state biennium budgets could affect us positively or negatively for FY22 through FY26, especially with the COVID-19 and the State Economy through fiscal year 2026.

- No growth in state funding, limited growth in local property tax and income tax will require a continued control on the expenditures.
- The 1% Earned Income Tax has become the backbone of the district finances
- ESSER and Student Wellness expenditures will need reviewed as the fund balances and revenues are consumed to determine if the General Fund Five Year Forecast should absorb the costs.

As you read through the notes and review the forecast, remember that the forecast is based on the best information that is available to us at the time the forecast is prepared.