

**SOUTHWEST LICKING LOCAL SCHOOL DISTRICT
LICKING 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 JUNE 30, 2026**



**Forecast Provided By
Southwest Licking Local School District
Treasurer's Office
Richard D. Jones, Treasurer
May 19, 2022**

Southwest Licking Local School District

Licking 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				Forecasted				
	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Average Change	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026
Revenues									
1.010 General Property Tax (Real Estate)	15,650,845	16,081,224	17,720,654	6.5%	19,182,757	19,536,861	20,977,626	22,350,525	23,021,172
1.020 Public Utility Personal Property Tax	1,212,492	1,373,455	1,527,245	12.2%	1,715,382	1,966,667	2,110,289	2,267,124	2,453,688
1.030 Income Tax	6,313,700	6,718,362	6,829,009	4.0%	7,748,085	8,208,863	8,699,548	9,222,304	9,779,442
1.035 Unrestricted State Grants-in-Aid	17,432,505	16,750,049	17,350,312	-0.2%	15,240,439	16,108,095	16,112,659	16,117,285	16,121,972
1.040 Restricted State Grants-in-Aid	324,196	282,659	328,945	1.8%	1,106,255	1,161,621	1,161,621	1,161,621	1,161,621
1.045 Restricted Federal Grants In Aid	-	-	-	0.0%	-	-	-	-	-
1.050 Property Tax Allocation	2,207,968	2,256,391	2,435,886	5.1%	2,614,208	2,650,350	2,854,154	3,053,359	3,138,721
1.060 All Other Revenues	1,632,702	1,771,757	1,431,120	-5.4%	1,071,175	1,082,396	1,093,754	1,105,252	1,116,890
1.070 Total Revenues	44,774,408	45,233,897	47,623,171	3.2%	48,678,301	50,714,853	53,009,651	55,277,470	56,793,506
Other Financing Sources									
2.010 Proceeds from Sale of Notes	-	-	-	0.0%	-	-	-	-	-
2.020 State Emergency Loans and Advancements (Approved)	-	-	-	0.0%	-	-	-	-	-
2.040 Operating Transfers-In	484,485	511,681	498,703	1.5%	525,000	536,813	548,891	562,613	576,678
2.050 Advances-In	-	-	-	0.0%	-	-	-	-	-
2.060 All Other Financing Sources	103,915	189,433	411,577	99.8%	196,500	196,500	196,500	196,500	196,500
2.070 Total Other Financing Sources	588,400	701,114	910,280	24.5%	721,500	733,313	745,391	759,113	773,178
2.080 Total Revenues and Other Financing Sources	45,362,808	45,935,011	48,533,451	3.5%	49,399,801	51,448,166	53,755,042	56,036,583	57,566,684
Expenditures									
3.010 Personal Services	23,456,595	24,527,508	25,810,452	4.9%	27,268,297	29,204,619	30,864,529	32,763,878	34,694,268
3.020 Employees' Retirement/Insurance Benefits	9,150,392	9,983,981	10,550,185	7.4%	10,998,865	12,063,840	13,075,188	14,211,652	15,425,729
3.030 Purchased Services	5,637,427	6,213,267	6,509,674	7.5%	4,953,789	4,554,795	4,782,535	5,021,661	5,272,745
3.040 Supplies and Materials	1,279,203	1,078,940	1,020,479	-10.5%	1,496,215	1,541,101	1,587,335	1,634,955	1,684,004
3.050 Capital Outlay	19,517	4,588	20,562	135.8%	52,600	52,600	52,600	52,600	52,600
3.060 Intergovernmental	-	-	-	0.0%	-	-	-	-	-
Debt Service:	-	-	-	0.0%	-	-	-	-	-
4.010 Principal-All (Historical Only)	-	-	-	0.0%	-	-	-	-	-
4.020 Principal-Notes	-	-	-	0.0%	-	-	-	-	-
4.030 Principal-State Loans	-	-	-	0.0%	-	-	-	-	-
4.040 Principal-State Advancements	-	-	-	0.0%	-	-	-	-	-
4.050 Principal-HB 264 Loans	148,600	-	-	0.0%	-	-	-	-	-
4.055 Principal-Other	-	-	-	0.0%	-	-	-	-	-
4.060 Interest and Fiscal Charges	1,400	-	-	0.0%	-	-	-	-	-
4.300 Other Objects	514,694	529,062	559,798	4.3%	668,214	684,201	700,590	717,391	734,614
4.500 Total Expenditures	40,207,828	42,337,346	44,471,150	5.2%	45,437,980	48,101,156	51,062,776	54,402,137	57,863,961
Other Financing Uses									
5.010 Operating Transfers-Out	484,485	511,681	498,703	1.5%	525,000	536,813	548,891	562,613	576,678
5.020 Advances-Out	-	-	61,604	0.0%	-	-	-	-	-
5.030 All Other Financing Uses	3,921	-	-	0.0%	25,000	25,000	25,000	25,000	25,000
5.040 Total Other Financing Uses	488,406	511,681	560,307	7.1%	550,000	561,813	573,891	587,613	601,678
5.050 Total Expenditures and Other Financing Uses	40,696,234	42,849,027	45,031,457	5.2%	45,987,980	48,662,969	51,636,667	54,989,750	58,465,639
6.010 <i>Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses</i>	4,666,574	3,085,984	3,501,994	-10.2%	3,411,821	2,785,197	2,118,375	1,046,833	(898,955)
7.010 Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	16,311,713	20,978,287	24,064,271	21.7%	27,566,265	30,978,086	33,763,283	35,881,658	36,928,490
7.020 Cash Balance June 30	20,978,287	24,064,271	27,566,265	14.6%	30,978,086	33,763,283	35,881,658	36,928,490	36,029,536
8.010 <i>Estimated Encumbrances June 30</i>	326,510	207,680	275,217	-1.9%	-	-	-	-	-
Reservation of Fund Balance									
9.010 Textbooks and Instructional Materials	-	-	-	0.0%	-	-	-	-	-
9.020 Capital Improvements	-	-	-	0.0%	-	-	-	-	-
9.030 Budget Reserve	-	-	-	0.0%	-	-	-	-	-
9.040 DPIA	-	-	-	0.0%	-	-	-	-	-
9.045 Fiscal Stabilization	2,134,234	2,243,916	2,271,167	3.2%	2,401,737	2,469,990	2,572,408	2,687,752	2,801,829
9.050 Debt Service	-	-	-	0.0%	-	-	-	-	-
9.060 Property Tax Advances	-	-	-	0.0%	-	-	-	-	-
9.070 Bus Purchases	-	-	-	0.0%	-	-	-	-	-
9.080 Subtotal	2,134,234	2,243,916	2,271,167	3.2%	2,401,737	2,469,990	2,572,408	2,687,752	2,801,829
10.010 Fund Balance June 30 for Certification of Appropriations	18,517,543	21,612,675	25,019,881	16.2%	28,576,349	31,293,293	33,309,250	34,240,738	33,227,707
Revenue from Replacement/Renewal Levies									
11.010 Income Tax - Renewal	-	-	-	0.0%	-	-	-	-	-
11.020 Property Tax - Renewal or Replacement	-	-	-	0.0%	-	-	-	-	-
11.300 Cumulative Balance of Replacement/Renewal Levies	-	-	-	0.0%	-	-	-	-	-
12.010 Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations	18,517,543	21,612,675	25,019,881	16.2%	28,576,349	31,293,293	33,309,250	34,240,738	33,227,707
Revenue from New Levies									
13.010 Income Tax - New	-	-	-	0.0%	-	-	-	-	-
13.020 Property Tax - New	-	-	-	0.0%	-	-	-	-	-
13.030 Cumulative Balance of New Levies	-	-	-	0.0%	-	-	-	-	-
14.010 Revenue from Future State Advancements	-	-	-	0.0%	-	-	-	-	-
15.010 Unreserved Fund Balance June 30	18,517,543	21,612,675	25,019,881	16.2%	28,576,349	31,293,293	33,309,250	34,240,738	33,227,707

Southwest Licking Local School District – Licking County
Notes to the Five Year Forecast
General Fund Only
May 19, 2022

Introduction to the Five Year Forecast

The five-year forecast is viewed as a key management tool and must be updated periodically. In Ohio, most school districts understand how they will manage their finances in the current year. The five-year forecast encourages district management teams to examine future years’ projections and identify when challenges will arise. This then helps district management to be proactive in meeting those challenges. School districts are encouraged to update their forecasts with Ohio Department of Education when events take place that will significantly change their forecast or, at a minimum, when required under statute.

In a financial forecast, the numbers only tell a small part of the story. For the numbers to be meaningful, the reader must review and consider the Assumptions to the Financial Forecast before drawing conclusions or using the data as a basis for other calculations. The assumptions are especially important to understanding the rationale of the numbers, particularly when a significant increase or decrease is reflected.

Here are at least three purposes or objectives of the five-year forecast:

- (1) To engage the local board of education and the community in 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

O.R.C. §5705.391 and O.A.C. 3301-92-04 require a Board of Education (BOE) 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-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 May 2022 filing.

Economic Outlook

This five-year forecast is being filed during the 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. Inflation during April hit a 40 year high not seen since the early 1980’s. While increased inflation impacting district costs are expected to continue in the short term, it remains to be seen if these costs are transitory or will last over the next few years which could have a significant impact on our forecast in addition to negative effects on state and local funding.

While all school districts are being aided by three (3) rounds of federal Elementary and Secondary Schools Emergency Relief Funds (ESSER) which began in fiscal year 2020, the most recent allocation of ESSER funds must be spent or encumbered by September 30, 2024.

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.

May 2022 Updates:

Revenues FY22:

The overview of revenues shows that the district is substantially on target with original estimates at this point in the year. Total General Fund revenues (line 1.07) are estimated to be \$48,678,301 or 2.45% higher than the November forecasted amount of \$47,513,643.

State funding reflects changes based on the Ohio Department of Education releasing new numbers in April. The growth in state revenue is based on the Legislative Service Commission's estimates available for the November forecast.

All other areas of revenue are tracking as anticipated for FY22.

Expenditures FY22:

Total General Fund expenditures (line 4.5) are estimated to be \$45,437,980 for FY22 which have remained flat from the November forecast.

Unreserved Ending Cash Balance:

With actual revenues higher than estimates and expenditures flat, the ending unreserved cash balance June 30, 2022 is anticipated to be \$30.98 million. The ending unreserved cash balance on Line 15.010 of the forecast is anticipated to carry a positive accumulative balance through 2026 if assumptions for state aid in future state budgets remain close to estimates.

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:

- I. 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. Total local revenues which are predominately local taxes equate to 61% of the district's resources. Collection rates for the 2nd half 2020 collection did not show sharp declines due to increased delinquencies. We believe there is a low risk that local collections would fall below projections in the forecast.
- II. Licking County experienced a triennial update in the 2020 tax year to be collected in FY21. Fairfield County had a reappraisal in 2019 collected in FY20. The 2020 update in Licking County increased overall assessed values by \$171.1 million or an increase of 22.7%. The 2019 reappraisal in Fairfield County increased overall assess values by \$36.5 million or an increase of 5.1%.

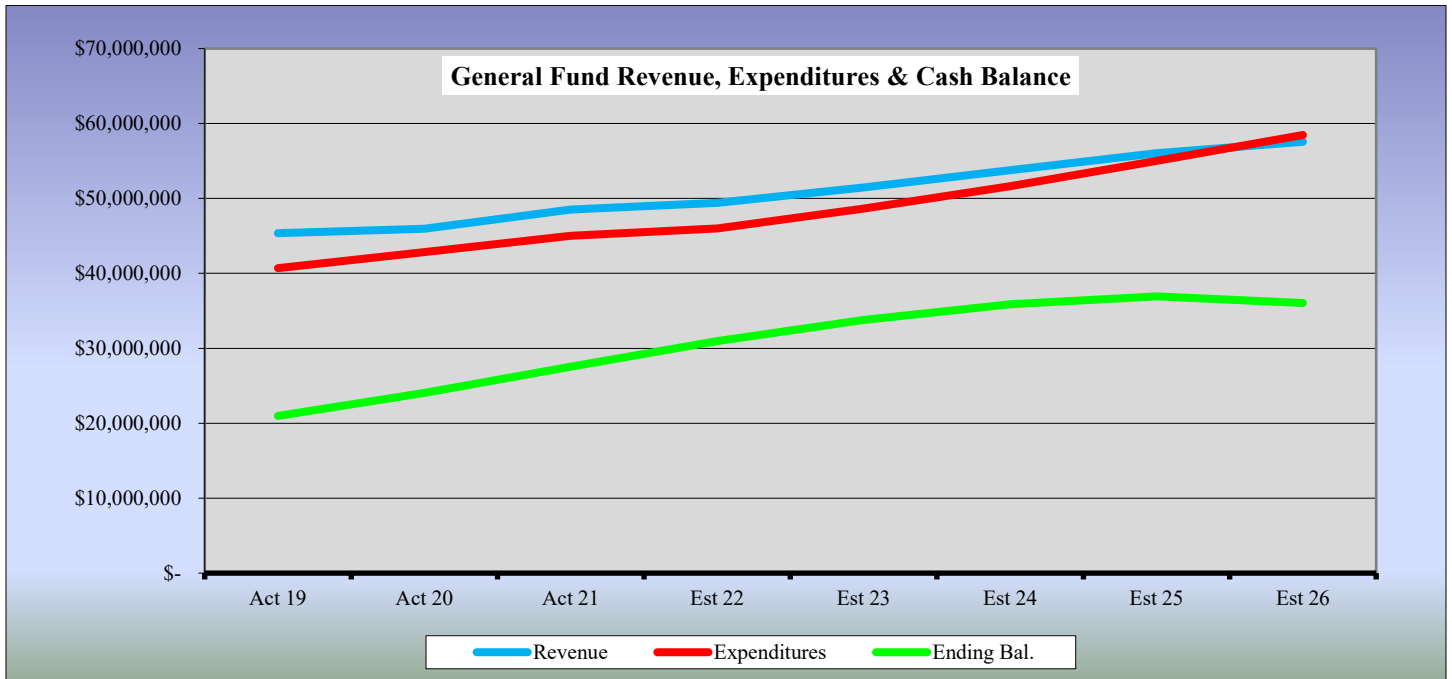
A reappraisal in Licking County will occur in tax year 2023 for collection in FY24. We anticipate value increases for Class I and II property of \$126.5 million for an overall increase of 14.0% including the adjustment for lower Current Agricultural Use Values (CAUV) authorized by HB49. A triennial update in Fairfield County will occur in tax year 2022 for collection in FY23. We expect a value increases for Class I and II property of \$29.8 million for an overall increase of 3.41%. 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.

- III. HB110, the current state budget implements that has been referred to as the Fair School Funding Plan (FSFP) for FY22 and FY23. The actual release of the new Fair School Funding Plan formula calculations was delayed until January 2022. 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 noticed 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 adjustments to state aid for FY23 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 available as of this forecast.
- IV. 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 can 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.
- V. The state budget represented 39% 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.
- VI. Labor relations in our district have been amicable with all parties working for the best interest of students and realizing the extreme resource challenges today. We believe as we move forward our positive working relationship will continue and will only grow stronger.

The major Line numbers used as references to the forecast are noted below in the headings to make it easier to relate the assumptions made for the forecast item and refer back to the forecast. 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 Richard D. Jones, Treasurer.

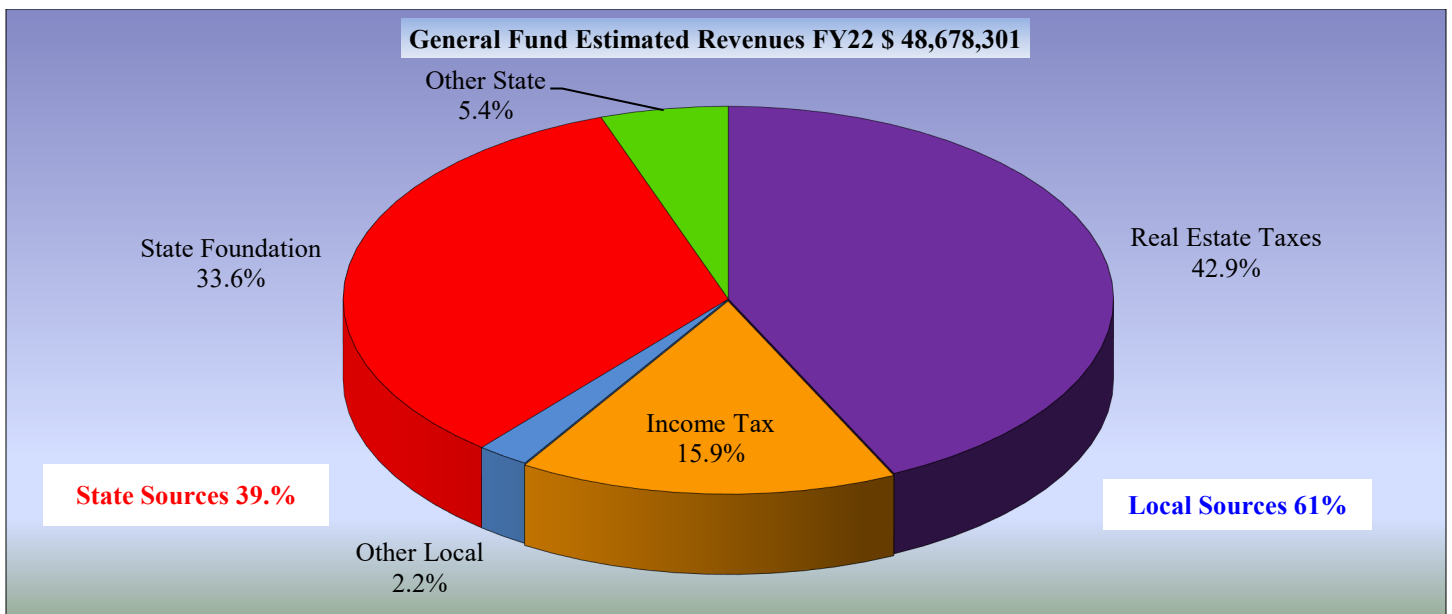
General Fund Revenue, Expenditure and Ending Cash Balance

The graph on the following page shows in summary the forecasted revenue, expenses and ending balance of the district’s General Fund for the period FY22-26, with actual data provided for FY19-21.



Revenue Assumptions

Estimated General Fund Operating Revenue for FY22



Real Estate Value Assumptions – Line # 1.010

Property Values are established each year by the County Auditors in Licking and Fairfield counties based on new construction and complete reappraisal or updated values. There was an update completed in 2020 for the collection in 2021 in Licking County and a reappraisal in 2019 for the collection in 2020 in Fairfield County. Class I the residential/agricultural values increased 21.98% or \$139.5 million due to the Licking County triennial update led by an improving housing market. There was a significant increase in the Class II commercial/industrial values of 29.37% or \$28.8 million.

The district has been on the 20 mill floor for Class I for a few years. Being on the 20 mill floor the district will experience growth in taxes as the millage can no longer be decreased when the valuation increases. The district will remain on the 20 mill floor for the foreseeable future.

ESTIMATED ASSESSED VALUE (AV) BY COLLECTION YEARS

Classification	Actual TAX YEAR 2021	Estimated TAX YEAR 2022	Estimated TAX YEAR 2023	Estimated TAX YEAR 2024	Estimated TAX YEAR 2025
	COLLECT 2022	COLLECT 2023	COLLECT 2024	COLLECT 2025	COLLECT 2026
Res./Ag.	\$764,554,980	\$789,868,310	\$902,982,390	\$924,705,063	\$955,320,738
Comm./Ind.	\$109,241,176	\$113,749,112	\$127,110,136	\$132,326,131	\$137,786,692
Public Utility Personal Property (PUPP)	\$63,816,340	\$69,106,842	\$74,835,937	\$81,039,986	\$87,758,363
Total Assessed Value	\$937,612,496	\$972,724,264	\$1,104,928,463	\$1,138,071,180	\$1,180,865,793

Estimated Real Estate Tax (Line #1.010)

Source	FY22	FY23	FY24	FY25	FY26
General Property Taxes	\$19,182,757	\$19,536,861	\$20,977,626	\$22,350,525	\$23,021,172

Estimated Real Estate Tax Collection

Property tax levies are estimated to be collected at 98.23% of the annual amount. Lower collection rates predicted due to the COVID-19 pandemic and economic slowdown did not occur as we originally anticipated. In general, 54.24% of the Res/Ag and Comm/Ind property taxes are expected to be collected in the February tax settlement and 45.76% collected in the August tax settlement. Public Utility tax settlements (PUPP taxes) are estimated to be received 50% in February and 50% in August settlement from the County Auditor and are noted in Line #1.02 totals below.

New Tax Levies – Line #13.030

No new levies are modeled in this forecast.

Estimated Public Utility Personal Tax – Line#1.020

The phase out of TPP taxes as noted earlier began in FY06 which was also included with this line. HB66 was adopted in June 2005 and the provisions of the legislation have estimated the general tangible personal property tax would be eliminated after FY11. Any TPP revenues received FY12 and beyond are delinquent TPP taxes. The amounts received below are generally all Public Utility Personal Property (PUPP) taxes which are an ongoing property tax collection.

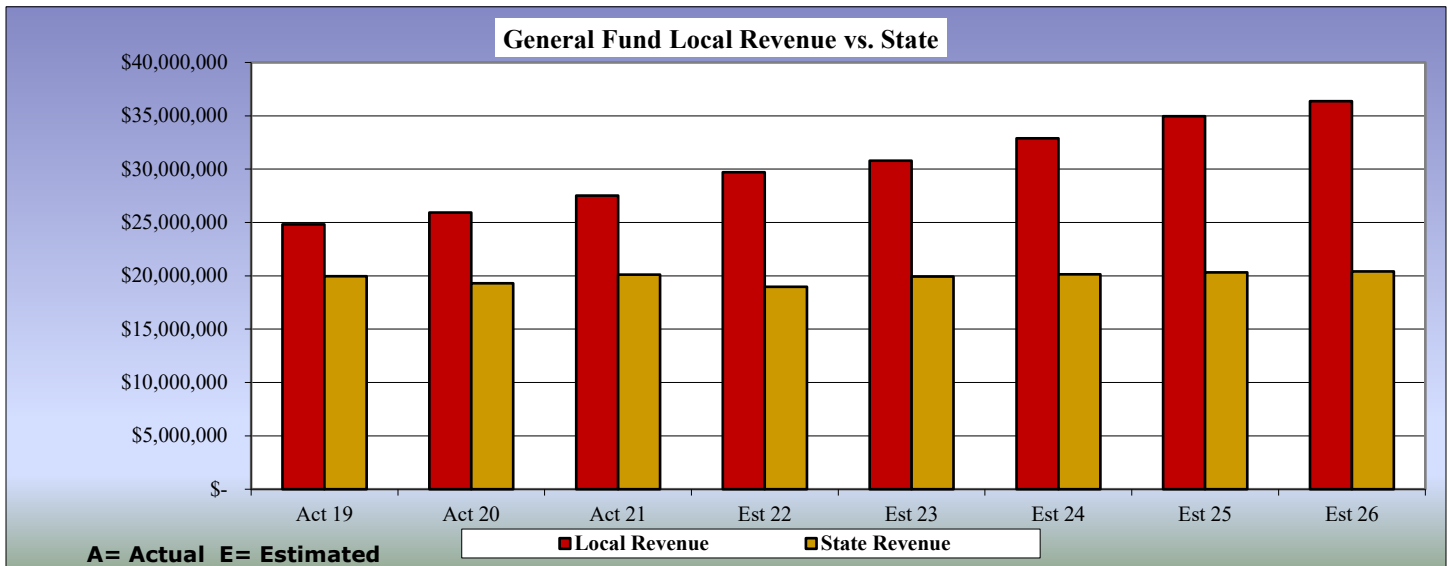
Source	FY22	FY23	FY24	FY25	FY26
Public Utility Personal Property	\$1,715,382	\$1,966,667	\$2,110,289	\$2,267,124	\$2,453,688

School District Income Tax – Line#1.030

The district had a .75% continuous income tax that has been effective since 1991. The income tax is estimated to produce \$7.75 million in FY22. We now project a 5.95% increase in FY23 with modest increases each year after.

Source	FY22	FY23	FY24	FY25	FY26
School District Income Tax	\$6,829,009	\$7,748,085	\$8,208,863	\$8,699,548	\$9,222,304
Adjustments	\$919,076	\$460,779	\$490,685	\$522,756	\$557,138
Total	\$7,748,085	\$8,208,863	\$8,699,548	\$9,222,304	\$9,779,442

Comparison of Local and State Revenue



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 partial release of the new Fair School Funding Plan formula occurred in January 2022 half way through FY22, and as of the date of this forecast there are still some detailed calculations not released. We have projected FY22 and FY23 funding based on the April 2022 foundation settlement and funding factors.

Our district is currently a formula district in FY22 and is expected to continue as a formula district in FY23-FY26 on the new 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. 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 added together, the total is then multiplied by a Local Share Multiplier Index from 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. Disadvantage 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 guarantee 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.

State Funding changes for May Forecast

Fiscal Year 22 revenue has been updated based on the April #1 settlement report payment and includes the updated calculations for FY23 with new valuations and enrollment from the April #1 report instead of the simulations that were used in November. As a result, FY22 experienced a significant increase from the simulations due to the changes in the funding formula and the actual data being used in the state foundation payments. FY23 revenue amounts will see changes from the simulations due to the Local Capacity that is calculated on a three-year average of valuations and federal adjusted gross income since the simulations did not include any change in this calculation from year one to year two of the simulations.

Future State Budgets

Our funding status for the 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 closure, 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, actual payments in FY22 were \$62.82 per pupil. FY22 Casino revenues have resumed their historical growth rate and assume a 2% annual growth rate for the forecast period.

Source	FY22	FY23	FY24	FY25	FY26
Basic Aid-Unrestricted	\$14,265,165	\$15,128,318	\$15,128,318	\$15,128,318	\$15,128,318
Additional Aid Items	\$683,601	\$683,601	\$683,601	\$683,601	\$683,601
Basic Aid-Unrestricted Subtotal	\$14,948,766	\$15,811,919	\$15,811,919	\$15,811,919	\$15,811,919
Ohio Casino Commission ODT	\$291,673	\$296,176	\$300,740	\$305,366	\$310,053
Total Unrestricted State Aid	\$15,240,439	\$16,108,095	\$16,112,659	\$16,117,285	\$16,121,972

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.

Source	FY22	FY23	FY24	FY25	FY26
Economically Disadvantaged Aid	\$104,153	\$131,629	\$131,629	\$131,629	\$131,629
Career Tech	\$103,256	\$108,125	\$108,125	\$108,125	\$108,125
ESL	\$54,926	\$62,728	\$62,728	\$62,728	\$62,728
Gifted	\$222,649	\$237,868	\$237,868	\$237,868	\$237,868
Student Wellness	\$521,271	\$521,271	\$521,271	\$521,271	\$521,271
Catastrophic & 1/2 Mil Equalization	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Total Restricted State Revenues	\$1,106,255	\$1,161,621	\$1,161,621	\$1,161,621	\$1,161,621

C) Restricted Federal Grants in Aid – line #1.045

There is no restricted federal funding projected in this forecast.

Summary of State Foundation Revenues	FY22	FY23	FY24	FY25	FY26
Unrestricted Line # 1.035	\$15,240,439	\$16,108,095	\$16,112,659	\$16,117,285	\$16,121,972
Restricted Line # 1.040	\$1,106,255	\$1,161,621	\$1,161,621	\$1,161,621	\$1,161,621
Rest. Fed. Grants Line # 1.045	\$0	\$0	\$0	\$0	\$0
Total State Foundation Revenue	\$16,346,694	\$17,269,716	\$17,274,280	\$17,278,906	\$17,283,593

State Taxes Reimbursement/Property Tax Allocation – Line #1.050**a) Rollback and Homestead Reimbursement**

Rollback funds are reimbursements paid to the district from 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 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 changed 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 had 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 generally reduce homestead reimbursements to the district over time, and as with the rollback reimbursements above, the state is increasing the tax burden on our local taxpayers.

b) Tangible Personal Property Reimbursements – Fixed Rate

The district does not receive TPP Fixed Rate reimbursements.

c) Tangible Personal Property Reimbursements – Fixed Sum

The district does not receive TPP Fixed Sum reimbursements.

Summary of State Tax Reimbursement – Line #1.050

Source	FY22	FY23	FY24	FY25	FY26
Rollback and Homestead	\$2,614,208	\$2,650,350	\$2,854,154	\$3,053,359	\$3,138,721

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, interest, student fees, Medicaid payments and general rental fees.

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.

In FY21 interest income fell sharply due to fed rate reductions due to the pandemic which will impact our earning capability in this area until rates begin to increase. We are projecting that interest will remain flat over the forecast.

Source	FY22	FY23	FY24	FY25	FY26
Fees	\$302,525	\$305,550	\$308,606	\$311,692	\$314,809
Interest	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000
Medicaid	\$100,000	\$101,000	\$102,010	\$103,030	\$104,060
Tuitions / Open Enrollment	\$467,750	\$472,428	\$477,152	\$481,924	\$486,743
Other Income and rentals	\$125,900	\$128,418	\$130,986	\$133,606	\$136,278
Total Other Local Revenue	\$1,071,175	\$1,082,396	\$1,093,754	\$1,105,252	\$1,116,890

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.

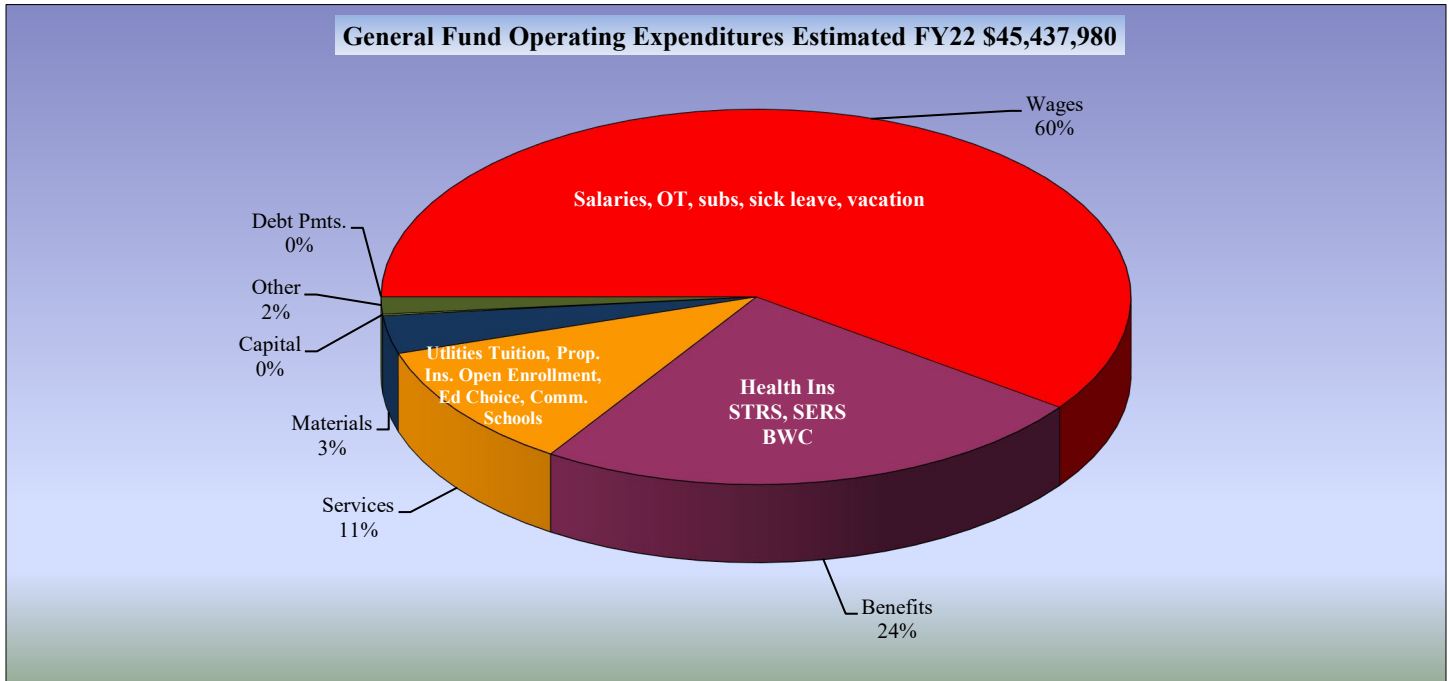
All Other Financial Sources – Line #2.010 through Line #2.060 & Line #14.010

There is no short-term borrowing planned for in this forecast at this time. The other area in these lines is Refund of Prior year expenses which are for refunds that the district has received and is anticipating a similar amount each year.

Source	FY22	FY23	FY24	FY25	FY26
Refund of prior years expenditures	\$196,500	\$196,500	\$196,500	\$196,500	\$196,500

Expenditures Assumptions

Estimated General Fund Operating Expenditures for FY22:



Wages – Line #3.010

The district is expecting an overall increase of 5.65% for FY22 including both steps raises and other adjustments. Additionally, the district is projecting 2.25% increase in years FY23 and FY24 for raises. Year FY25 and FY26 the districts has a 2.5% increase estimated for staff raises. The district also has step increases of 2.5% each year of the forecast. There is also an increase each year for Substitute and Supplement wages from FY22 through FY26 consistent with the estimated raises. The district is also including additional staff to support the enrollment growth.

Source	FY22	FY23	FY24	FY25	FY26
Base Wages	26,243,912	26,834,400	28,760,959	30,512,552	32,428,916
Steps	-	670,860	719,024	762,814	810,723
Growth	-	651,925	313,545	390,736	329,409
Substitutes	453,848	464,060	474,501	486,363	498,523
Supplementals	570,537	583,374	596,500	611,412	626,698
Staff Reductions	-	-	-	-	-
Total Wages	27,268,297	29,204,619	30,864,529	32,763,878	34,694,268

Fringe Benefits Estimates Line 3.02

This area of the forecast captures all costs associated with benefits and retirement costs, with all except health insurance being 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 district received no increase in FY22 and budgeted 10% each year for FY23-26.

The Further Consolidated Appropriations Act of 2020, included a full repeal of three taxes originally imposed by the Affordable Care Act (ACA): the 40% Excise Tax on employer-sponsored coverage (a.k.a. "Cadillac Tax"), the Health Insurance Industry Fee (a.k.a. the Health Insurer Tax), and the Medical Device Tax. These added costs are no longer an uncertainty factor for our health care costs in the forecast.

C) Workers Compensation & Unemployment Compensation

Workers Compensation is expected to remain at about .36% of wages FY22-FY26 which is in line with our recent trend. Unemployment Compensation has been negligible.

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.

Estimated Fringe Benefits – Line #3.020

Source	FY22	FY23	FY24	FY25	FY26
A) STRS/SERS	\$4,077,400	\$4,401,975	\$4,652,171	\$4,938,457	\$5,229,422
B) Insurance's	\$6,129,364	\$6,840,089	\$7,571,130	\$8,386,853	\$9,274,949
C) Workers Comp/Unemployment	\$104,235	\$111,309	\$117,352	\$124,265	\$131,292
D) Medicare	\$400,866	\$423,467	\$447,535	\$475,077	\$503,066
Other/Tuition/Social Security	\$287,000	\$287,000	\$287,000	\$287,000	\$287,000
Total Fringe Benefits	\$10,998,865	\$12,063,840	\$13,075,188	\$14,211,652	\$15,425,729

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 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.

Base services which include but not limited too are legal fees, management fees, health services and ESC service are receiving a 5% increase each year of the forecast. Also included in purchase services are the repairs and maintenance for the district and the utility costs. The district is expecting 5% increases in FY22-FY26 for repairs, maintenance projects and utilities. Due to a new building coming online in FY22 there will be a \$200,000 bump in utilities above the 5%.

Source	FY22	FY23	FY24	FY25	FY26
Base Services	\$480,807	\$504,847	\$530,089	\$556,593	\$584,423
Excess Cost & Special Ed Payments	\$802,000	\$842,100	\$884,205	\$928,415	\$974,836
Open Enrollment Deduction	\$615,889	\$0	\$0	\$0	\$0
Other Tuition Including Ed Scholarship	\$399,000	\$418,950	\$439,898	\$461,893	\$484,988
Professional Support	\$1,424,193	\$1,495,403	\$1,570,173	\$1,648,682	\$1,731,116
Building Maintenance Repairs	\$240,200	\$252,210	\$264,821	\$278,062	\$291,965
Utilities	\$991,700	\$1,041,285	\$1,093,349	\$1,148,016	\$1,205,417
Total Purchased Services	\$4,953,789	\$4,554,795	\$4,782,535	\$5,021,661	\$5,272,745

Supplies and Materials – Line #3.040

An overall inflation of 3% is being estimated for this category of expenses which are characterized by copy paper, maintenance supplies and materials, bus fuel, etc.

Source	FY22	FY23	FY24	FY25	FY26
Supplies	\$679,564	\$699,951	\$720,950	\$742,579	\$764,856
Textbooks	\$114,476	\$117,910	\$121,447	\$125,090	\$128,843
Building Maintenance	\$253,675	\$261,285	\$269,124	\$277,198	\$285,514
Transportation	\$448,500	\$461,955	\$475,814	\$490,088	\$504,791
Total Supplies	\$1,496,215	\$1,541,101	\$1,587,335	\$1,634,955	\$1,684,004

Capital Outlay – Line # 3.050

The area of capital outlay is for all types of equipment whether it is for educational purposes or building repairs. The district is projecting to spend \$52,600 per year from the General Fund for capital outlay.

Source	FY22	FY23	FY24	FY25	FY26
Capital Outlay	\$52,600	\$52,600	\$52,600	\$52,600	\$52,600
Replacement Bus Purchases	\$0	\$0	\$0	\$0	\$0
Budget Reserve	\$0	\$0	\$0	\$0	\$0
Total Equipment	\$52,600	\$52,600	\$52,600	\$52,600	\$52,600

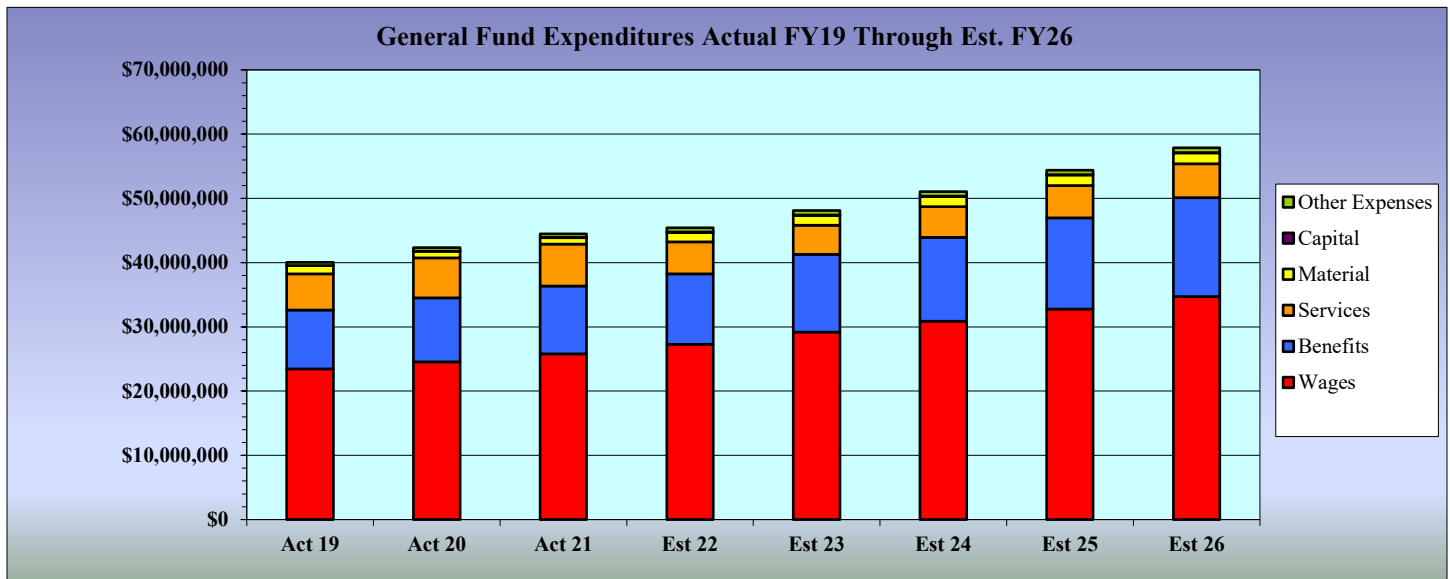
Other Expenses – Line #4.300

The category of Other Expenses consists primarily of Auditor & Treasurer fees, our annual audit and other miscellaneous expenses. A rate of 2% increase is projected for Auditor and Treasurer fees. The district plans for a 3% annual increase for all other expenses.

Source	FY22	FY23	FY24	FY25	FY26
County Auditor & Income Tax Fees	\$390,000	\$397,800	\$405,756	\$413,871	\$422,148
County ESC	\$5,313	\$5,313	\$5,313	\$5,313	\$5,313
Other expenses	\$272,901	\$281,088	\$289,521	\$298,207	\$307,153
Total Other Expenses	\$668,214	\$684,201	\$700,590	\$717,391	\$734,614

Total Expenditure Categories Actual FY19 through FY21 and Estimated FY22 through FY26

The graph below shows a quick overview of actual and estimated expenses by proportion to total in the General Fund.



Transfers Out/Advances Out – Line# 5.010

This account group covers fund to fund transfer and end of year short term loans from the General Fund to other funds until they have received reimbursements and can repay the General Fund.

Source	FY22	FY23	FY24	FY25	FY26
Operating Transfers Out Line #5.010	\$525,000	\$536,813	\$548,891	\$562,613	\$576,678
Advances Out Line #5.020	\$0	\$0	\$0	\$0	\$0
Total Transfer & Advances Out	\$525,000	\$536,813	\$548,891	\$562,613	\$576,678

Encumbrances –Line#8.010

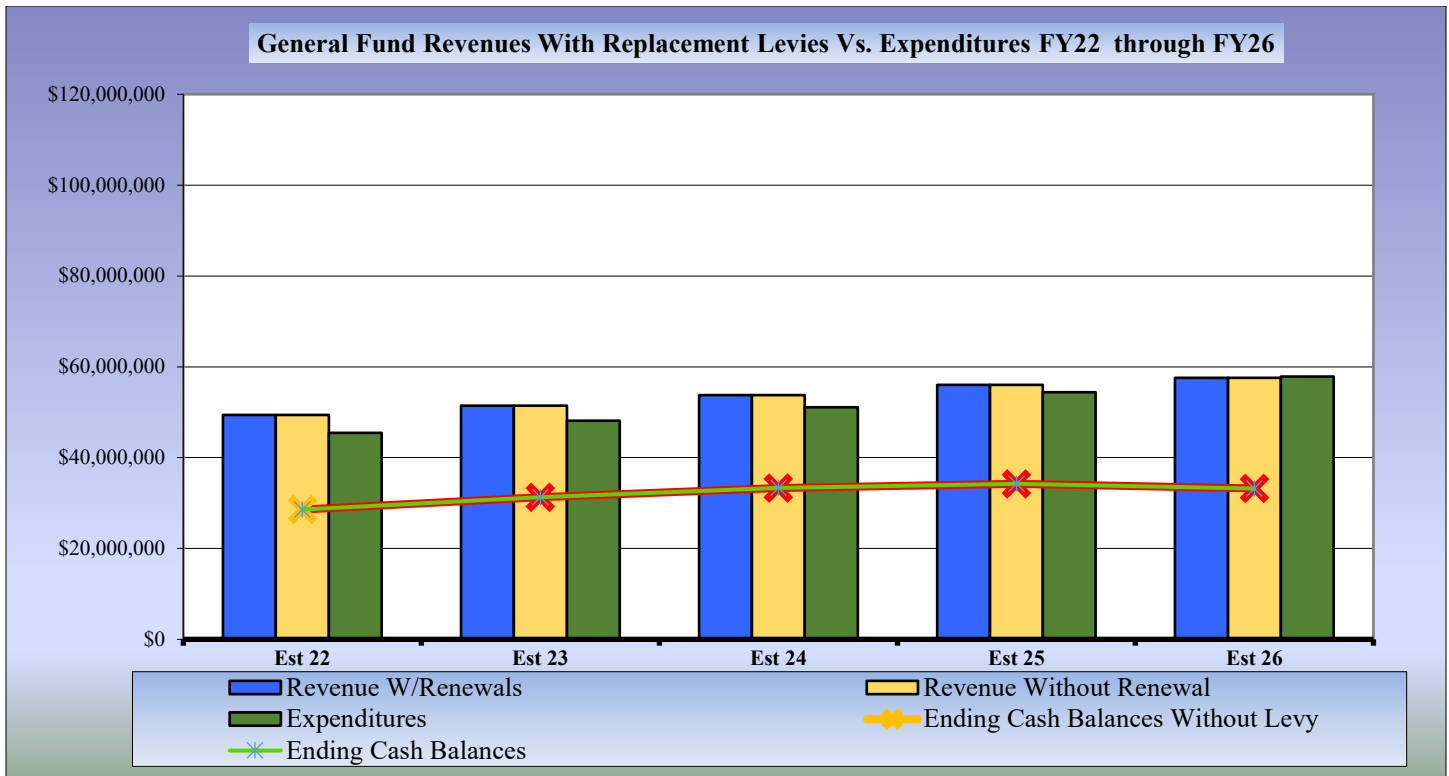
These are outstanding purchase orders that have not been approved for payment as the goods were not received in the fiscal year in which they were ordered.

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 5705.412, ORC punishable by personal liability of \$10,000, unless the new alternative 412 certificate can be issued pursuant to HB153 effective after September 30, 2011.

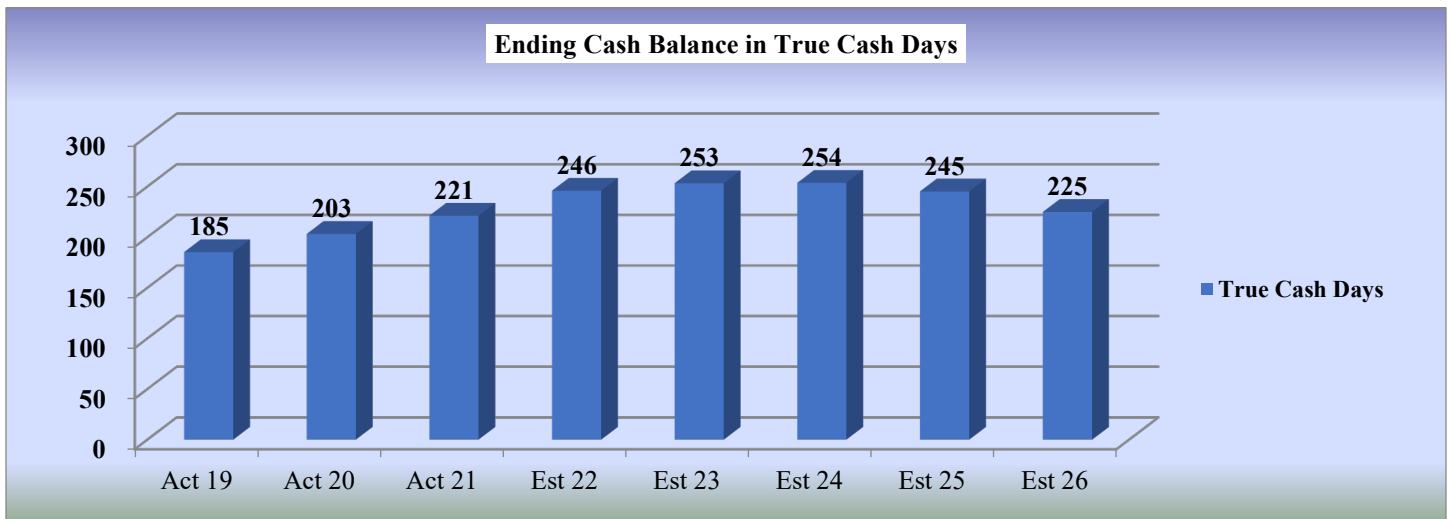
Source	FY22	FY23	FY24	FY25	FY26
Ending Unencumbered Cash Balance	\$28,576,349	\$31,293,293	\$33,309,250	\$34,240,738	\$33,227,707

The chart below shows that the district is deficit spending beginning in FY26.



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. 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.



Conclusion

Southwest Licking Local School District receives 39% of its funding for the district from state dollars which is very beneficial to the overall operations for the education of our students.

The district administration is grateful for the changes in the current state budget HB110 as it has reduced the amount that was deducted for programs that were not within the district’s control. However, future state budgets funding will need to be watched since, the full amount of the Fair School Funding Plan was not totally implemented with this budget and there is no guarantee for future increases in state budgets for FY24-FY26.

District administrations appreciates the supportive Southwest Licking community and are actively planning for the future needs of our students while keeping an eye on the financial stability of the district. The administration is mindful that there are many risks and uncertainties that will need to be considered in future planning.

As you read through the notes and review the forecast, remember that the forecast is based on the information that is known at the time that it is prepared.