

Ottawa Hills Local School District

Five Year Forecast Financial Report

November, 2022

Bradley Browne, Treasurer/CFO

Table of Contents

	<u>Page</u>
Table of Contents	2
Forecast Summary	3
Revenue Sources and Forecast Year-Over-Year Projected Overview	4
1.010 - General Property Tax (Real Estate)	5
1.020 - Public Utility Personal Property	6
1.030 - Income Tax	7
1.035 - Unrestricted Grants-in-Aid	8
1.040 & 1.045 - Restricted Grants-in-Aid	9
1.050 - Property Tax Allocation	10
1.060 - All Other Operating Revenues	11
2.070 - Total Other Financing Sources	12
Expenditures Overview	13
3.010 - Personnel Services	14
3.020 - Employee Benefits	15
3.030 - Purchased Services	16
3.040 - Supplies and Materials	17
3.050 - Capital Outlay	18
3.060 - 4.060 - Intergovernmental & Debt	19
4.300 - Other Objects	20
5.040 - Total Other Financing Uses	21
Five Year Forecast	22

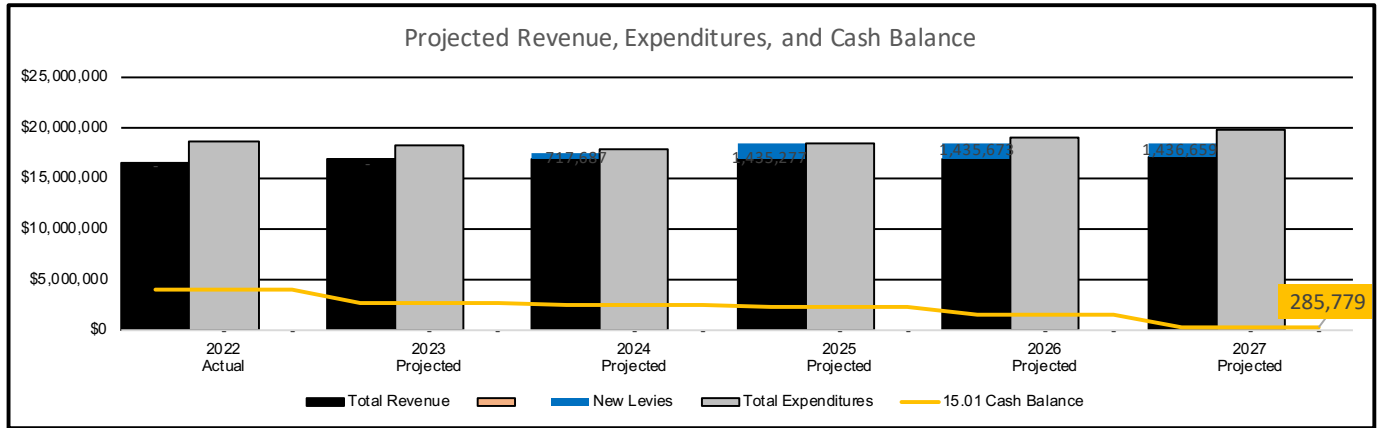
Forecast Purpose/Objectives

Ohio Department of Education's purposes/objectives for the five-year forecast are:

1. To engage the local board of education and the community in the long range planning and discussions of financial issues facing the school district.
2. To serve as a basis for determining the school district's ability to sign the certificate required by O.R.C. §5705.412, commonly known as the "412 certificate."
3. To provide a method for the Department of Education and Auditor of State to identify school districts with potential financial problems.

Forecast Methodology - This forecast is prepared based upon historical trends and current factors. This information is then extrapolated into estimates for subsequent years. The forecast variables can change multiple times throughout the fiscal year and while cash flow monitoring helps to identify unexpected variances no process is guaranteed. The intent is to provide the district's financial trend over time and a roadmap for decisions aimed at encouraging financial sustainability and stability.

Forecast Summary



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

Financial Forecast

	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027
Beginning Balance (Line 7.010) Plus Renewal/New Levies Modeled	4,017,799	2,640,528	2,422,109	2,301,868	1,615,037
+ Revenue	16,853,949	16,869,372	16,942,454	17,018,438	17,071,948
+ Proposed Renew/Replacement Levies	-	-	-	-	-
+ Proposed New Levies	-	717,687	1,435,277	1,435,673	1,436,659
- Expenditures	(18,231,221)	(17,805,478)	(18,497,971)	(19,140,943)	(19,837,865)
= Revenue Surplus or Deficit	(1,377,272)	(218,419)	(120,240)	(686,832)	(1,329,258)
Line 7.020 Ending Balance with renewal/new levies	2,640,528	2,422,109	2,301,868	1,615,037	285,779

Analysis Without Renewal Levies Included:

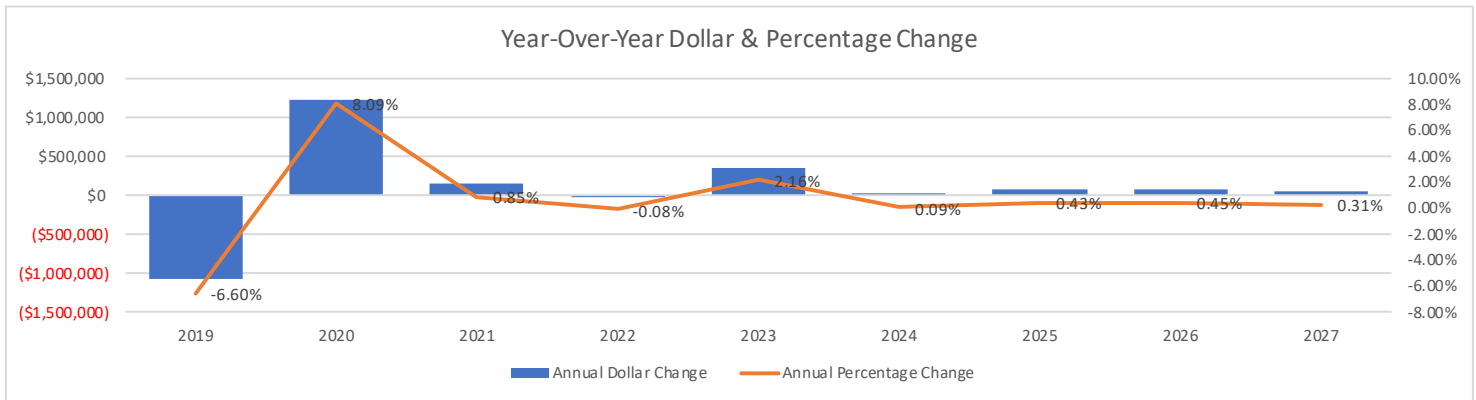
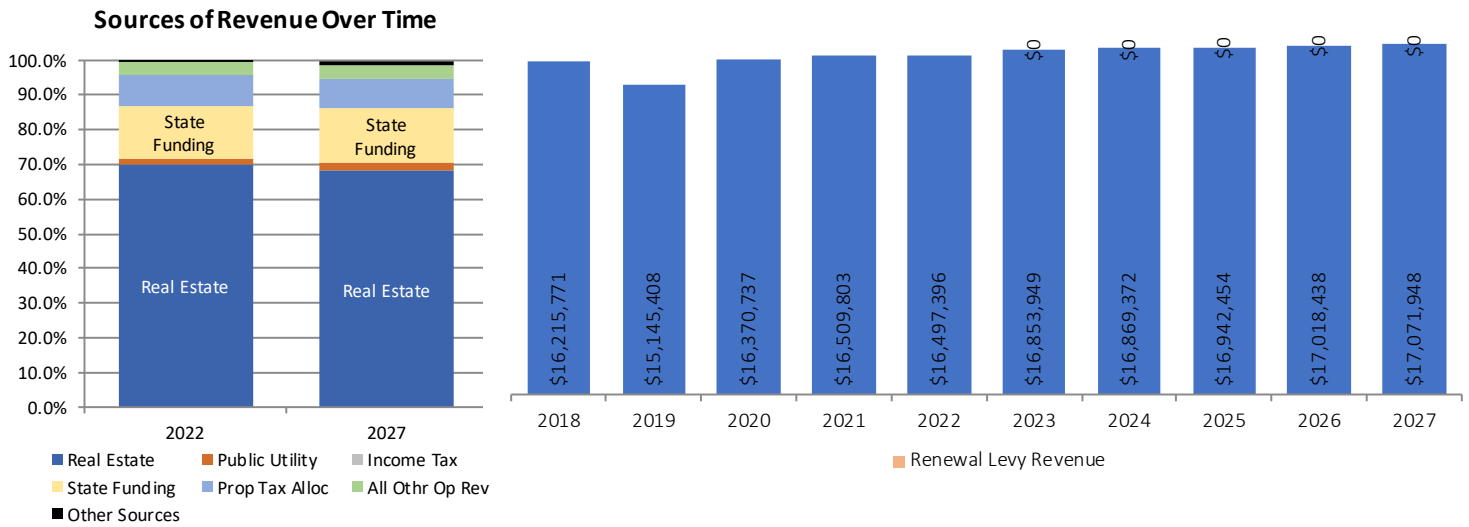
Revenue Surplus or Deficit w/o Levies	(1,377,272)	(936,106)	(1,555,517)	(2,122,505)	(2,765,917)
Ending Balance w/o Levies	2,640,528	1,704,422	148,904	(1,973,600)	(4,739,517)

In FY 2023 a revenue shortfall is expected. This means that expenditures are expected to be greater than revenue by \$1,377,272 in FY 2023. By the last year of the forecast, FY 2027, the district is expected to have a revenue shortfall where expenditures are projected to be greater than revenue by \$2,765,917. The district would need to cut its FY 2027 projected expenses by 13.94% in order to balance its budget without additional revenue.

The district's cash balance is positive at year-end in FY 2023 and is projected to worsen by FY 2027. A worsening cash balance can erode the district's financial stability over time.

This forecast includes the Fair School Funding Plan (FSFP) adopted by Ohio starting in FY 2022. The district expects a combined impact of \$47,325 in FY 2023. This forecast includes a CFO adjusted trend calculation of the FSFP impact using current information. As information changes the estimates will be updated. The district is considered a guarantee district in FY 2023. A detailed state funding supplement to this forecast has been prepared and should be reviewed and considered part of the forecast assumptions.

Revenue Sources and Forecast Year-Over-Year Projected Overview



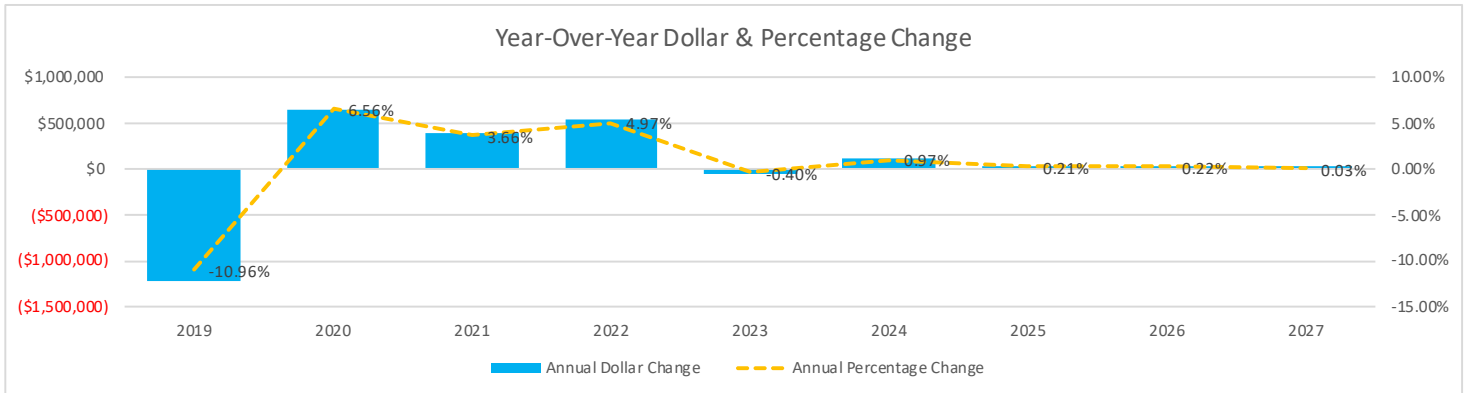
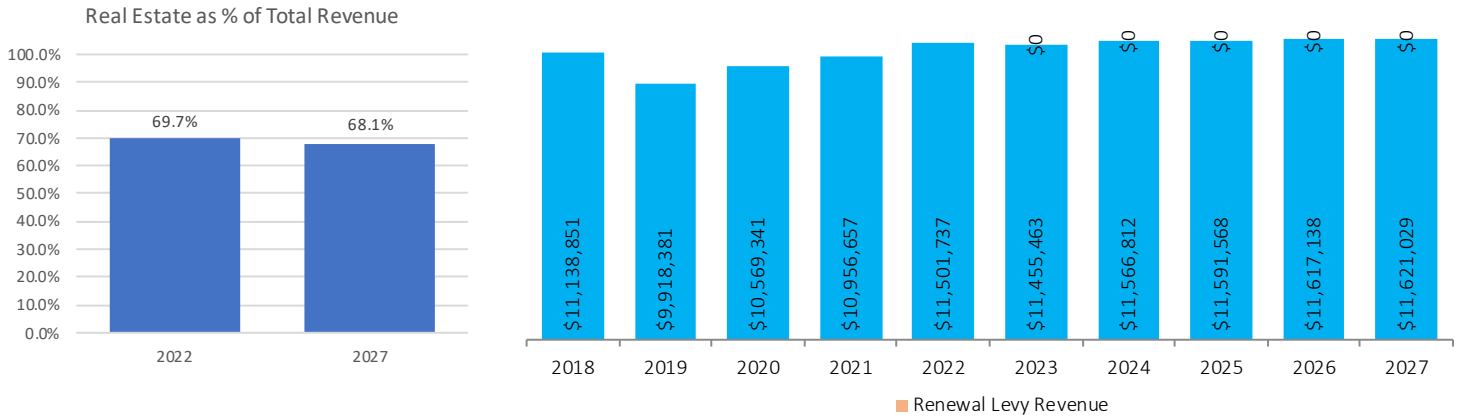
5-Year Historical Actual Average Annual Dollar Change Compared to 5-year Projected

	Historical Average Annual \$\$ Change	Projected Average Annual \$\$ Change	Projected Compared to Historical Variance	Total revenue increased 1.62% or \$262,358 annually during the past 5-Year period and is projected to increase 0.68% or \$114,911 annually through FY2027. Real Estate has the most projected average annual variance compared to the historical average at -\$192,944
Real Estate	216,802	23,858	(\$192,944)	
Public Utility	\$17,021	\$8,456	(\$8,565)	
Income Tax	\$0	\$0	\$0	
State Funding	(\$9,247)	41,535	\$50,783	
Prop Tax Alloc	(\$7,273)	\$7,229	\$14,502	
All Othr Op Rev	\$58,627	(\$2,530)	(\$61,157)	
Other Sources	(\$13,572)	\$36,362	\$49,933	
Total Average Annual Change	262,358	114,911	(\$147,447)	
	1.62%	0.68%	-0.95%	

Note: Expenditure average annual change is projected to be > \$230,183 On an annual average basis, expenditures are projected to grow faster than revenue.

1.010 - General Property Tax (Real Estate)

Revenue collected from taxes levied by a school district by the assessed valuation of real property using effective tax rates for class I (residential/agricultural) and class II (business).



Values, Tax Rates and Gross Collections							Gross Collection Rate Including Delinquencies
Tax Yr	Valuation	Value Change	Class I Rate	Change	Class II Rate	Change	
2021	178,817,970	18,029,810	71.58	-	109.76	-	99.1%
2022	178,742,970	(75,000)	73.04	1.46	111.16	1.40	99.0%
2023	178,667,970	(75,000)	73.10	0.06	111.16	-	99.0%
2024	187,742,970	9,075,000	69.80	(3.30)	111.16	-	99.0%
2025	187,667,970	(75,000)	69.85	0.05	111.16	-	99.0%
2026	187,592,970	(75,000)	69.90	0.05	111.16	-	99.0%

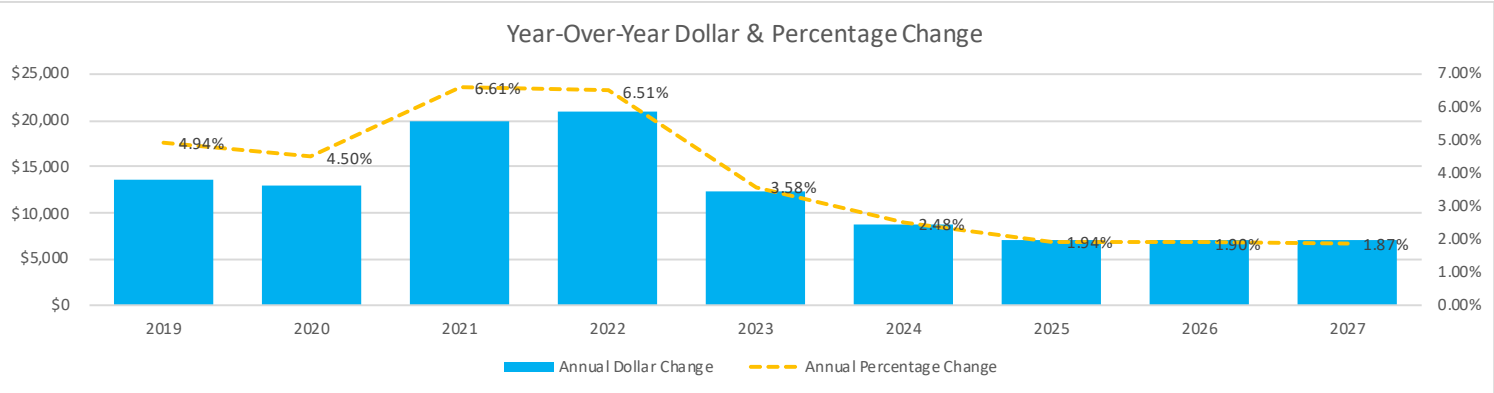
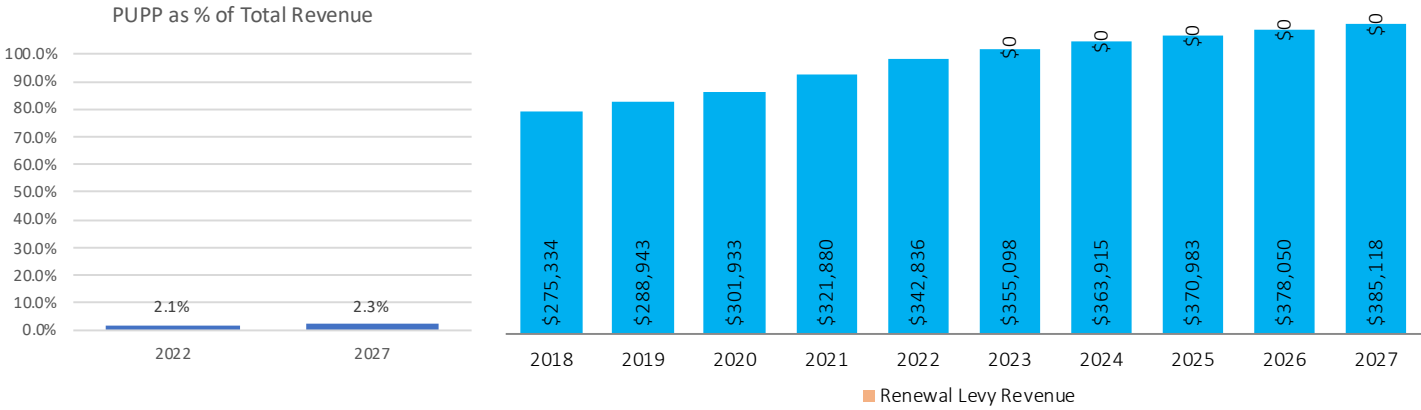
Real estate property tax revenue accounts for 69.72% of total revenue. Class I or residential/agricultural taxes make up approximately 97.72% of the real estate property tax revenue. The Class I tax rate is 73.04 mills in tax year 2022. The projections reflect an average gross collection rate of 99.0% annually through tax year 2026. The revenue changed at an average annual historical rate of 2.00% and is projected to change at an average annual rate of 0.21% through FY 2027.

2021 was a reappraisal year for Lucas County properties. The next triennial update will occur in 2024. Due to House Bill 920 passed in 1976, there is no inflationary increases in property taxes due to increased value changes.

*Projected % trends include renewal levies

1.020 - Public Utility Personal Property

Revenue generated from public utility personal property valuations multiplied by the district's full voted tax rate.



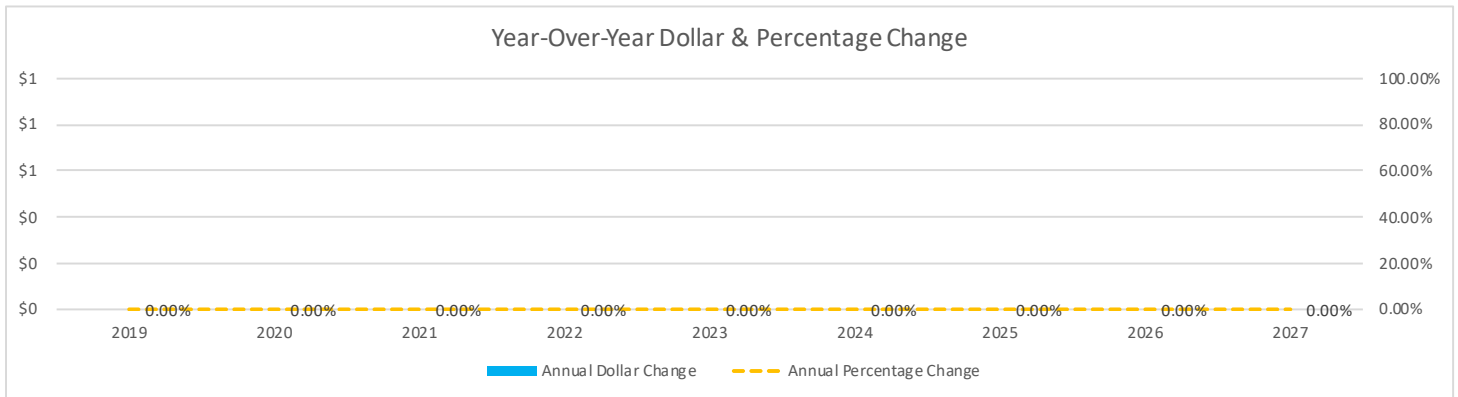
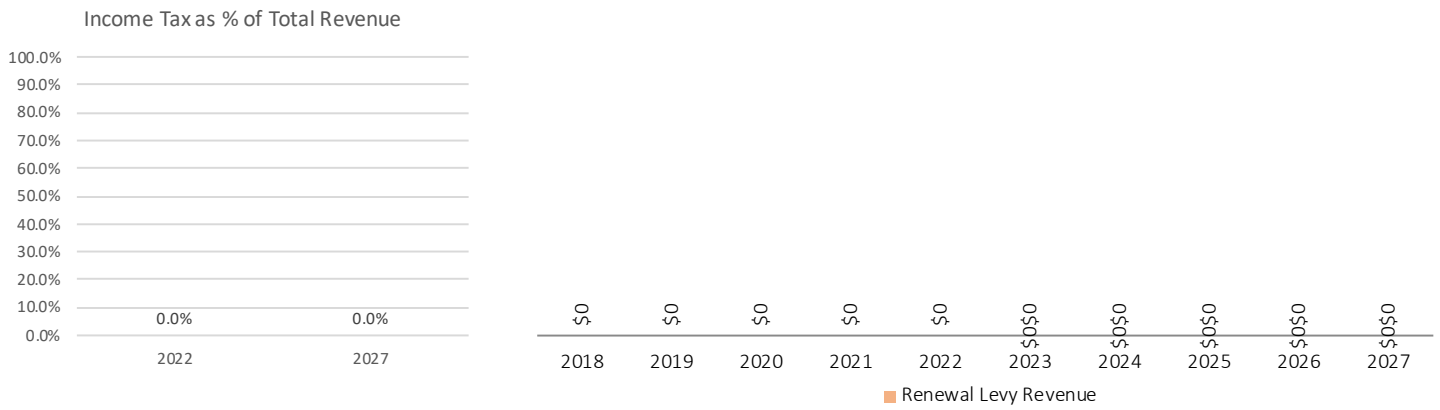
Values and Tax Rates					Gross Collection Rate	
Tax Year	Valuation	Value Change	Full Voted Rate	Change	Including Delinquencies	
2021	2,499,570	99,730	139.95	-	100.0%	
2022	2,549,570	50,000	141.35	1.40	100.0%	
2023	2,599,570	50,000	141.35	-	100.0%	
2024	2,649,570	50,000	141.35	-	100.0%	
2025	2,699,570	50,000	141.35	-	100.0%	
2026	2,749,570	50,000	141.35	-	100.0%	

The public utility personal property tax revenue is generated from the personal property values, additions, and depreciation reported by the utility companies. This category currently makes up 2.08% of total district revenue. The property is taxed at the full voted tax rate which in tax year 2022 is 141.35 mills. The forecast is modeling an average gross collection rate of 100.00%. The revenue changed historically at an average annual dollar amount of \$17,021 and is projected to change at an average annual dollar amount of \$8,456 through FY 2027.

*Projected % trends include renewal levies

1.030 - No Income Tax

Revenue collected from income tax earmarked specifically to support schools with a voter approved tax by residents of the school district; separate from federal, state and municipal income taxes.

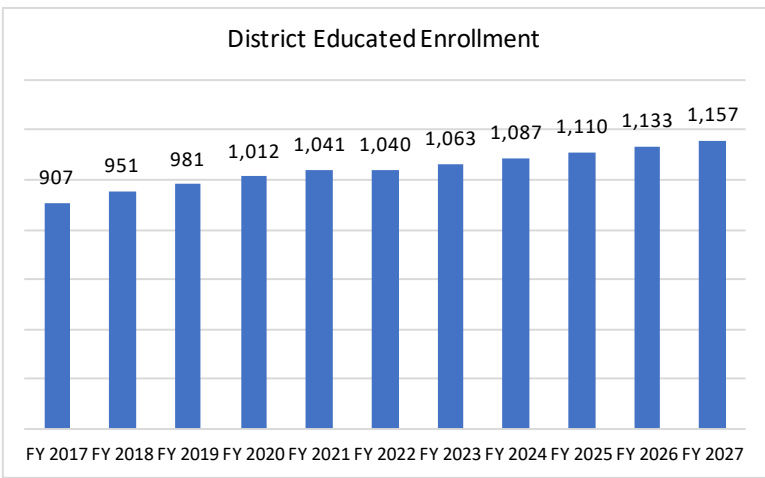
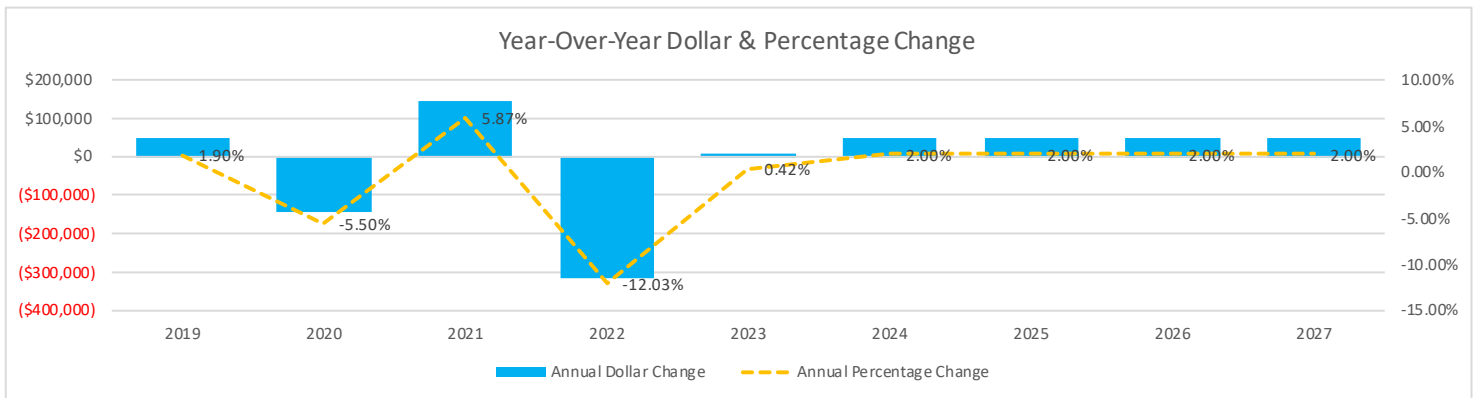
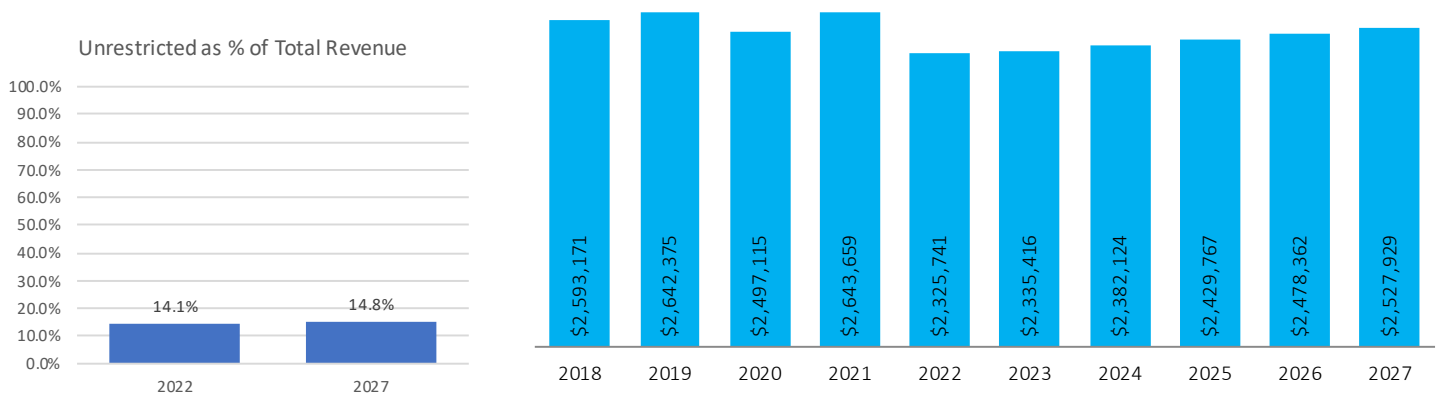


The district does not have an income tax levy.

**Projected % trends include renewal levies*

1.035 - Unrestricted Grants-in-Aid

Funds received through the State Foundation Program with no restriction.



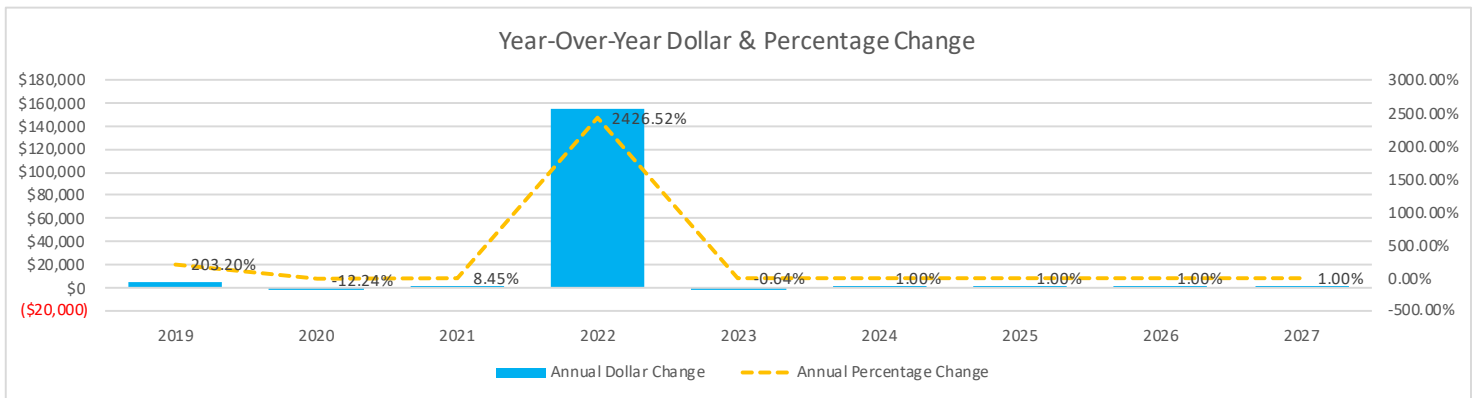
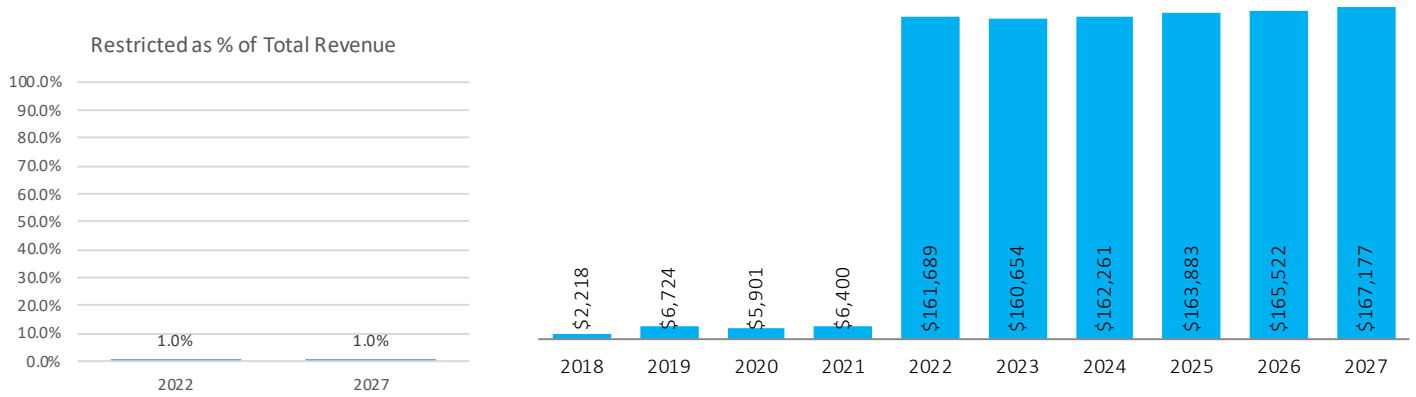
Beginning in FY 2022 Ohio adopted the Fair School Funding Plan (FSFP). Funding is driven by a base cost methodology that incorporates the four components identified as necessary to the education process. The Base Cost is currently calculated for two years using a statewide average from historical actual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

For Ottawa Hills Local School District the calculated Base Cost total is \$7,761,825 in FY 2023. The state's share of the calculated Base Cost total is \$1,852,300 or \$1,742 per pupil.

For reference: The FSFP change to district educated enrollment could be lower than the district's historical formula funded enrollment but also potentially reduces tuition cost. In FY 2021, the district had approximately \$251,178 in possible tuition cost reductions. These reductions will be reflected in the purchased services expenditure note.

1.040 & 1.045 - Restricted Grants-in-Aid

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

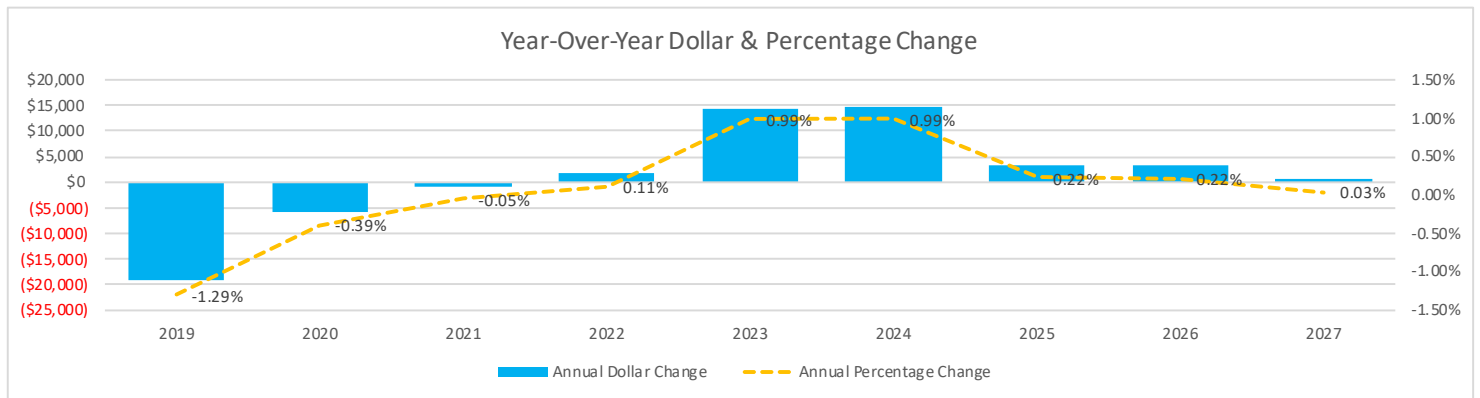
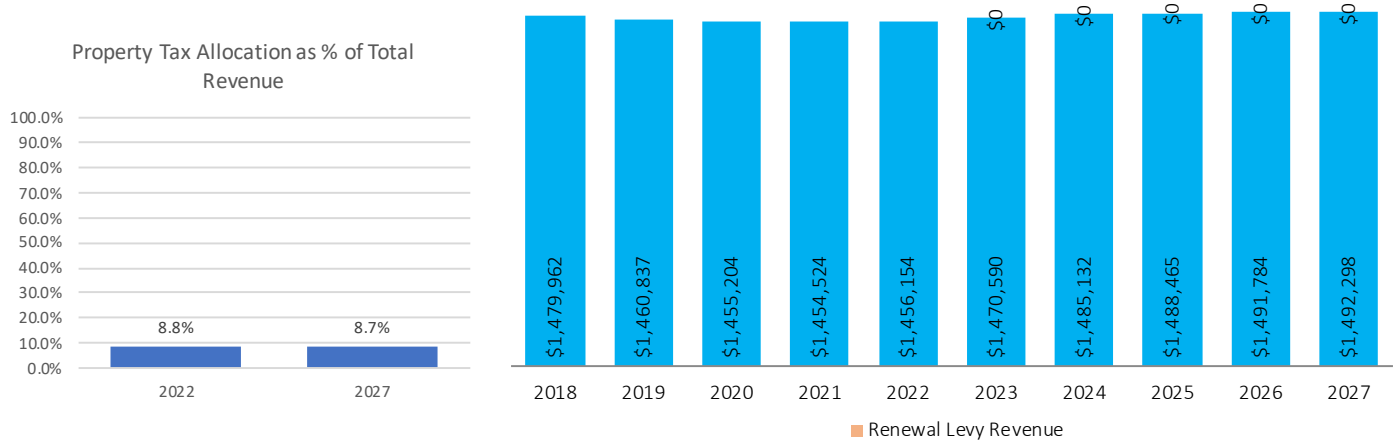


Restricted aid is the portion of state per pupil funding that must be classified as restricted use. Historically the district's restricted state aid changed annually on average by \$51,655 and is projected to change annually on average by \$1,098. Restricted funds represent 0.98% of total revenue. Starting in FY 2022 the district's Success & Wellness funding is considered restricted, the state's share of this funding is recorded as restricted is \$95,584. This funding has implications on general fund expenditures in that certain spending now occurring in a fund external to the general fund could shift to the general fund. The expenditures in this forecast are adjusted to reflect this change.

While the restricted aid has increased since 2022, the reduction in state aid is greater than the increase in restricted aid. At a time when the districts is experiencing increased student enrollment, there is no increase in state aid to offset the student growth. The district is a capped funding district. The increase state aid is not received for the district because of the artificial funding cap in state aid.

1.050 - Property Tax Allocation

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

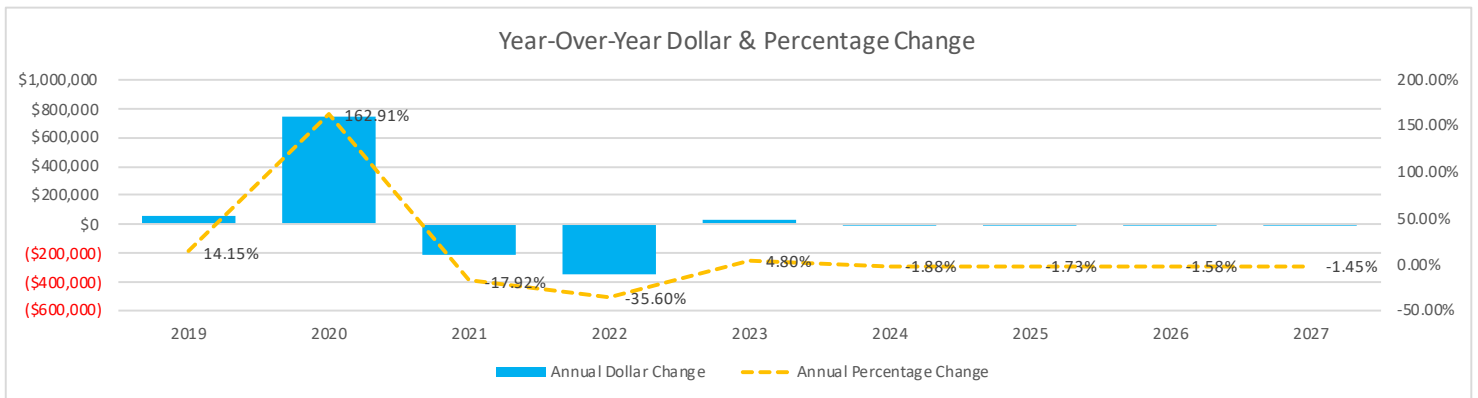
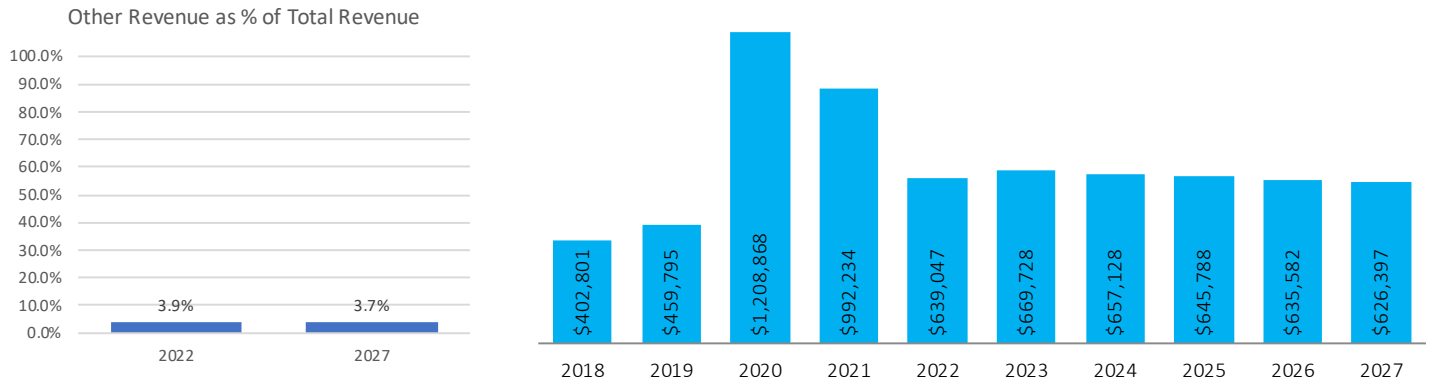


Property tax allocation primarily consists of reimbursements from the state of Ohio for local taxpayer credits or reductions. The state reduces the local taxpayer's tax bill with a 10% rollback credit, and 2.5% owner-occupied rollback credit, plus a homestead credit for qualifying taxpayers. In FY 2023, approximately 10.5% local residential property taxes will be reimbursed by the state in the form of rollback credits and approximately 1.1% will be reimbursed in the form of qualifying homestead exemption credits.

*Projected % trends include renewal levies

1.060 - All Other Operating Revenues

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

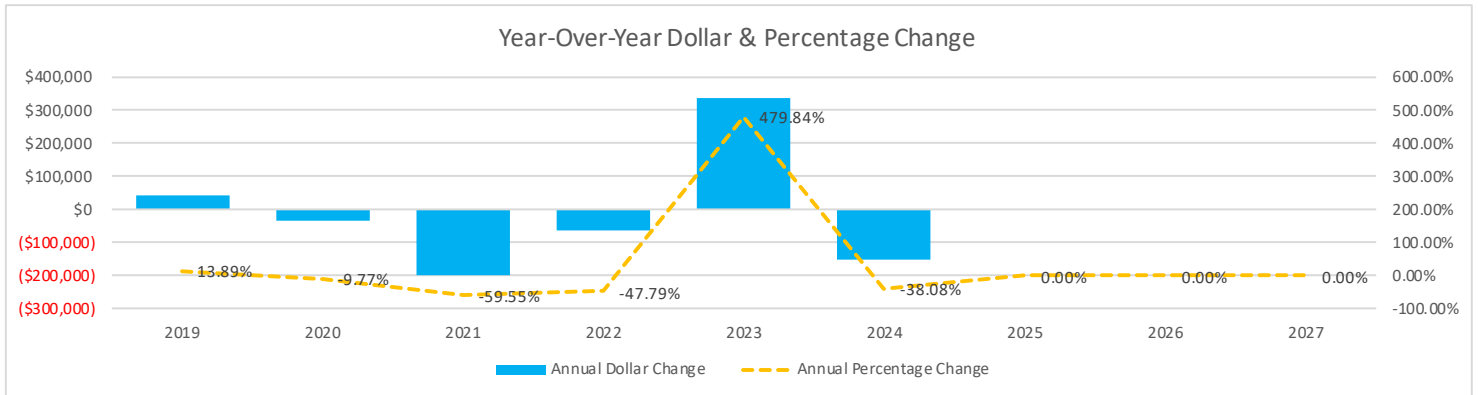
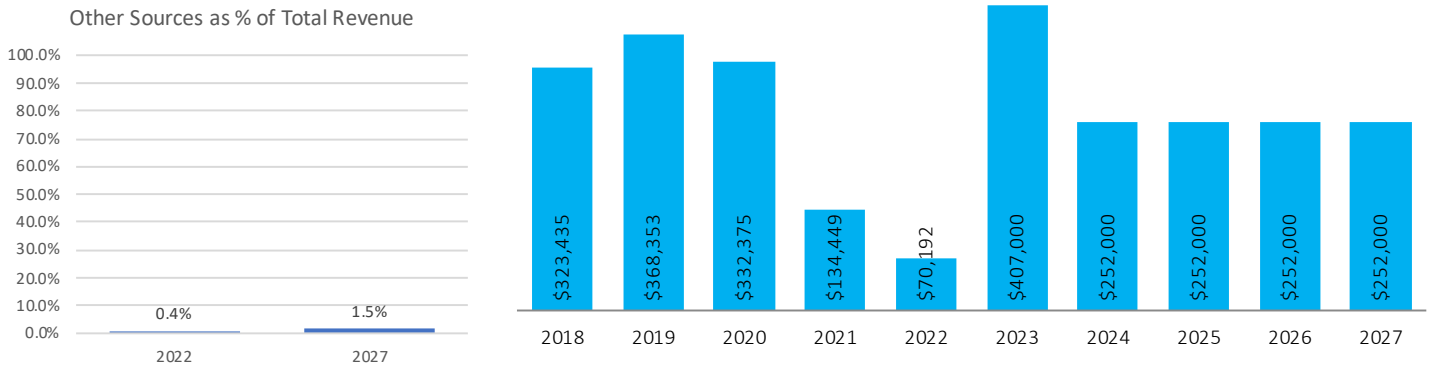


Other revenue includes tuition received by the district for non-resident students educated by the district. It also includes interest income, payments in lieu of taxes, and miscellaneous revenue. The historical average annual change was \$58,627. The projected average annual change is -\$2,530 through FY 2027. The FSFP includes per pupil funding for any open enrollment in students the district is educating. This revenue, if any, was recorded in 'other revenue' prior to FY 2022. Fiscal year 2022 and beyond will not include any open enrollment in revenue. The district did not post any revenue code 1227 open enrollment in revenue in FY 2021.

In addition to tuition and interest income, the other main source of revenue is student fees and extracurricular participation fees.

2.070 - Total Other Financing Sources

Includes proceeds from sale of notes, state emergency loans and advancements, operating transfers-in, and all other financing sources like sale and loss of assets, and refund of prior year expenditures.

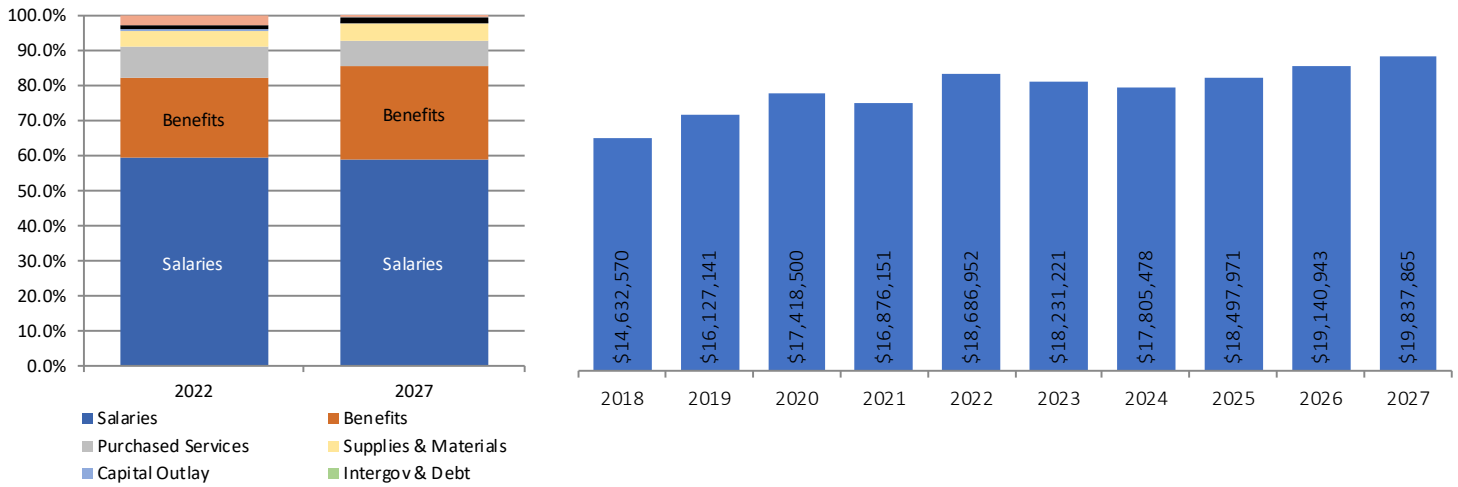


	FORECASTED					
	2022	2023	2024	2025	2026	2027
Transfers In	-	-	-	-	-	-
Advances In	-	380,000	240,000	240,000	240,000	240,000
All Other Financing Sources	70,192	27,000	12,000	12,000	12,000	12,000

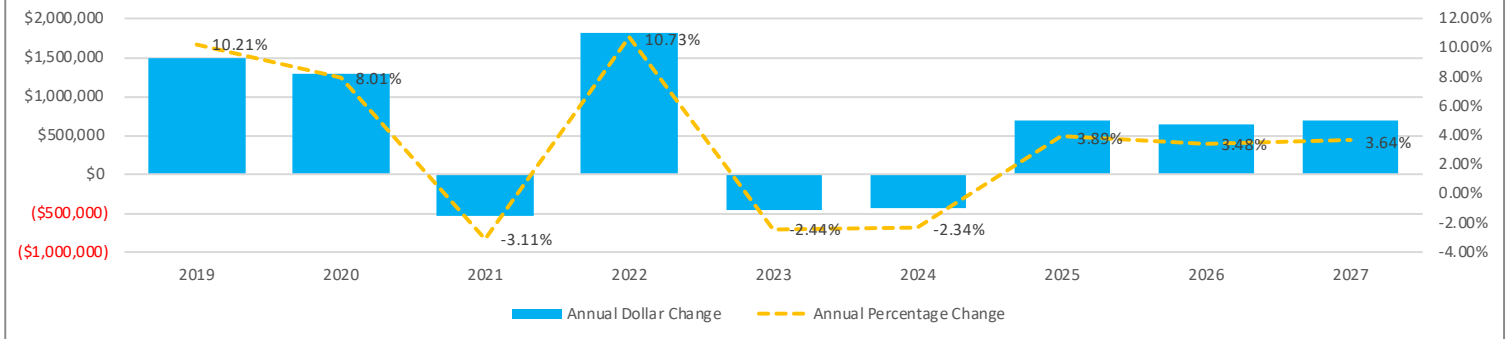
Other sources includes revenue that is generally classified as non-operating. Return advances-in are the most common revenue source. In FY 2022 the district received \$0 as advances-in and is projecting advances of \$380,000 in FY 2023. The district also receives other financing sources such as refund of prior year expenditures in this category. The district is projecting that all other financing sources will be \$27,000 in FY 2023 and average \$12,000 annually through FY 2027.

Expenditure Categories and Forecast Year-Over-Year Projected Overview

Expenditure Categories Over Time



Year-Over-Year Dollar & Percentage Change



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

	Historical Average Annual \$\$ Change	Projected Average Annual \$\$ Change	Projected Compared to Historical Variance	Total expenditures increased 1.98% or \$331,273 annually during the past 5-Year period and is projected to increase 1.23% or \$230,183 annually through FY2027. Salaries has the largest projected average annual variance compared to the historical average at -\$501,240.
Salaries	622,364	121,124	(\$501,240)	
Benefits	\$251,586	\$196,302	(\$55,283)	
Purchased Services	(\$61,069)	(\$40,751)	\$20,317	
Supplies & Materials	\$40,697	\$26,876	(\$13,821)	
Capital Outlay	\$3,499	(\$4,810)	(\$8,309)	
Intergov & Debt	\$0	\$0	(\$0)	
Other Objects	\$12,753	\$13,412	\$658	
Other Uses	(\$538,557)	(\$81,969)	\$456,587	
Total Average Annual Change	\$331,273	\$230,183	(\$101,091)	
	1.98%	1.23%	-0.75%	

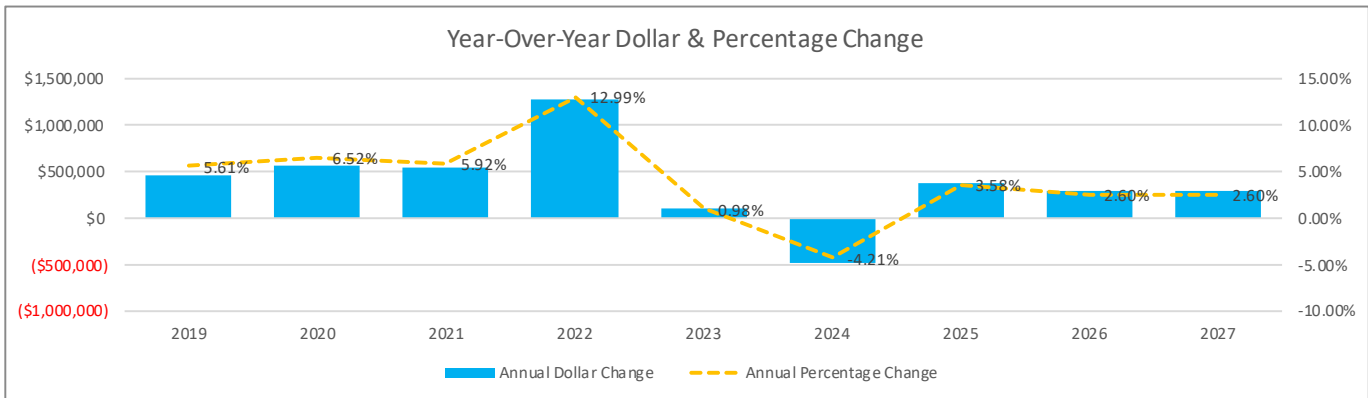
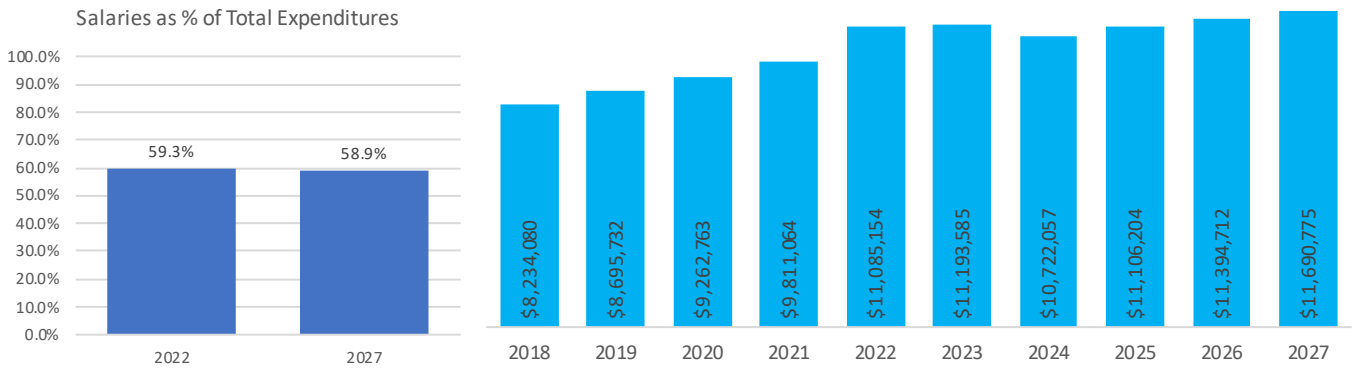
Note: Revenue average annual change is projected to be >

\$114,911

On an annual average basis, revenues are projected to grow slower than expenditures.

3.010 - Personnel Services

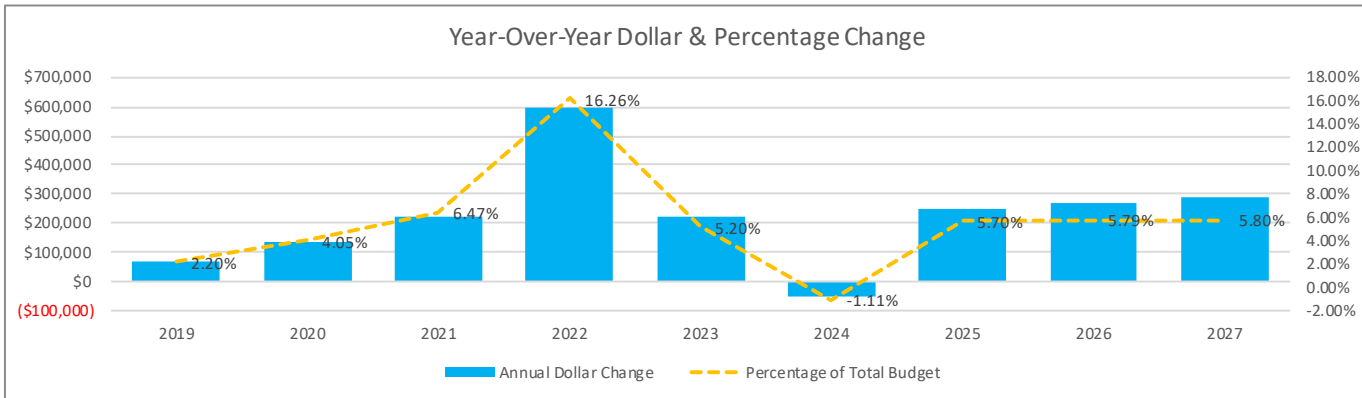
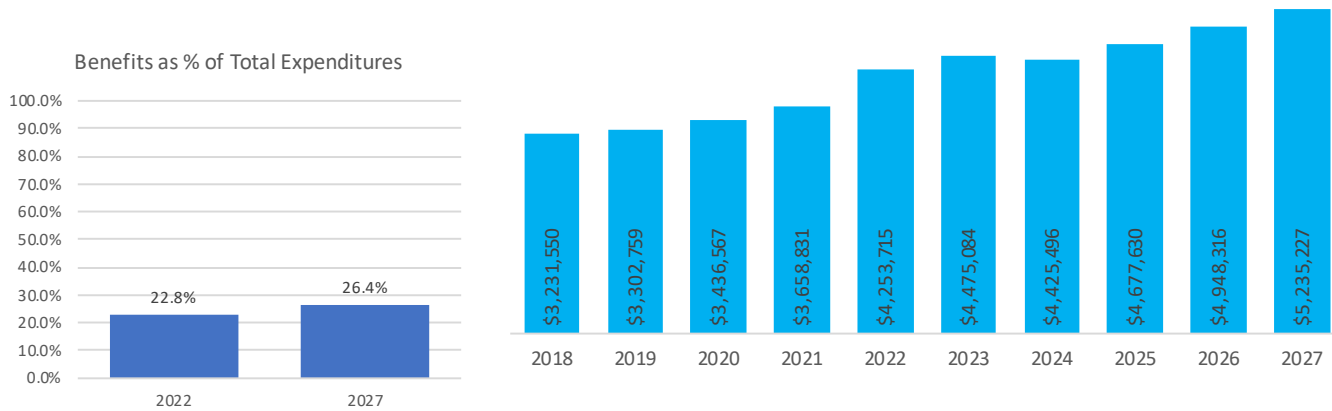
Employee salaries and wages, including extended time, severance pay, supplemental contracts, etc.



Salaries represent 59.32% of total expenditures and increased at a historical average annual rate of 6.61% or \$622,364. This category of expenditure is projected to grow at an annual average rate of 1.08% or \$121,124 through FY 2027. The projected average annual rate of change is -5.53% less than the five year historical annual average.

3.020 - Employees' Benefits

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

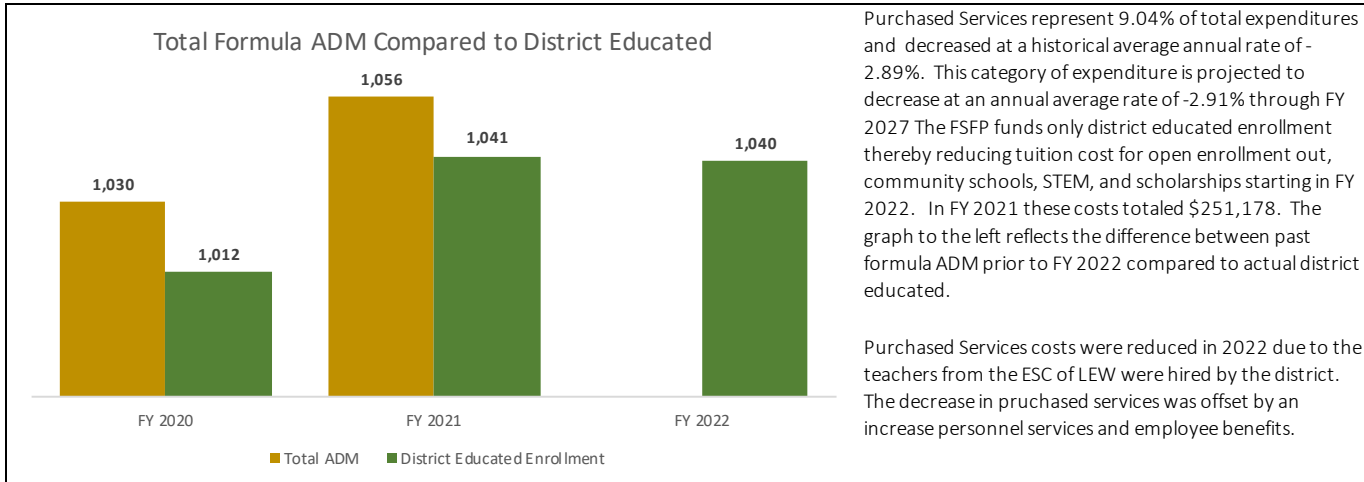
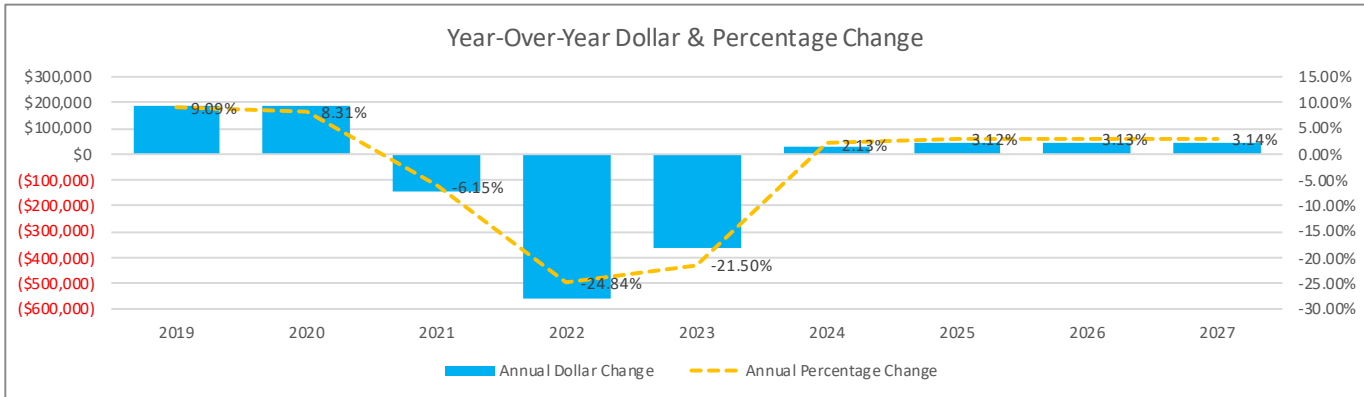
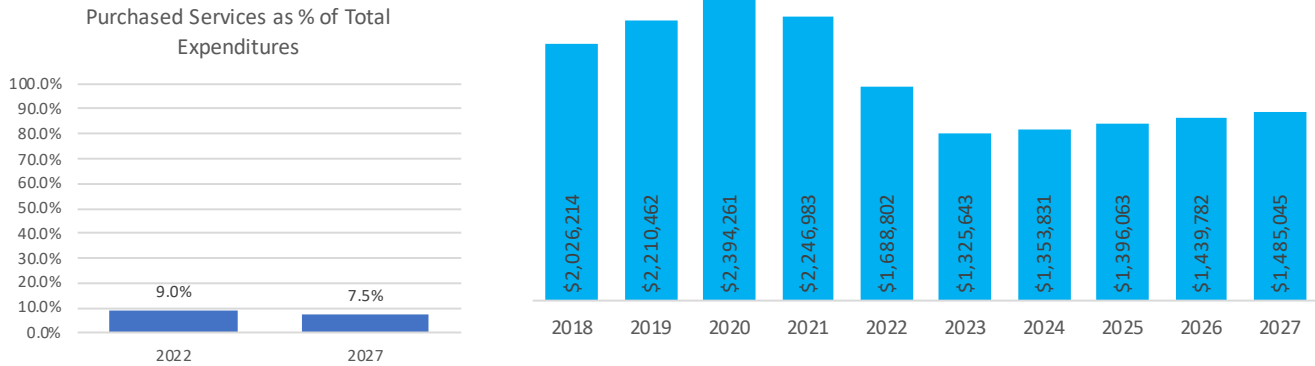


Benefits represent 22.76% of total expenditures and increased at a historical average annual rate of 7.03%. This category of expenditure is projected to grow at an annual average rate of 4.13% through FY 2027. The projected average annual rate of change is -2.90% less than the five year historical annual average.

While the average increases for health insurance have been below 6% for the past four years, the 2023 premium rates have increased 14.75% over the 2022 premium rates.

3.030 - Purchased Services

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

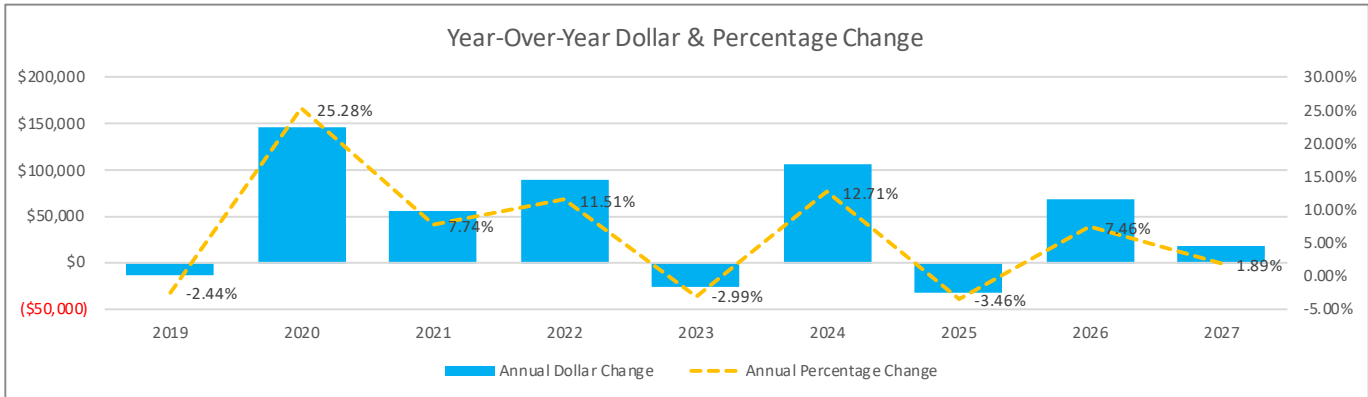
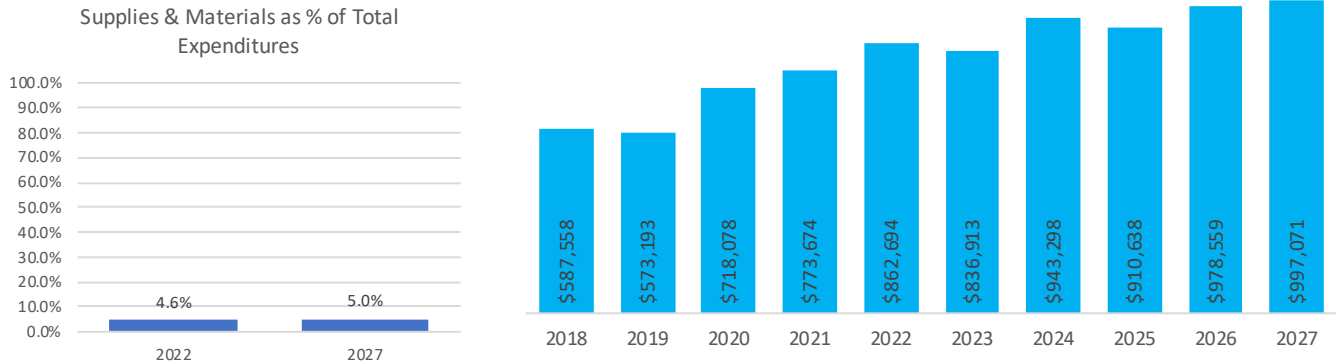


Purchased Services represent 9.04% of total expenditures and decreased at a historical average annual rate of -2.89%. This category of expenditure is projected to decrease at an annual average rate of -2.91% through FY 2027. The FSFP funds only district educated enrollment thereby reducing tuition cost for open enrollment out, community schools, STEM, and scholarships starting in FY 2022. In FY 2021 these costs totaled \$251,178. The graph to the left reflects the difference between past formula ADM prior to FY 2022 compared to actual district educated.

Purchased Services costs were reduced in 2022 due to the teachers from the ESC of LEW were hired by the district. The decrease in purchased services was offset by an increase personnel services and employee benefits.

3.040 - Supplies & Materials

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

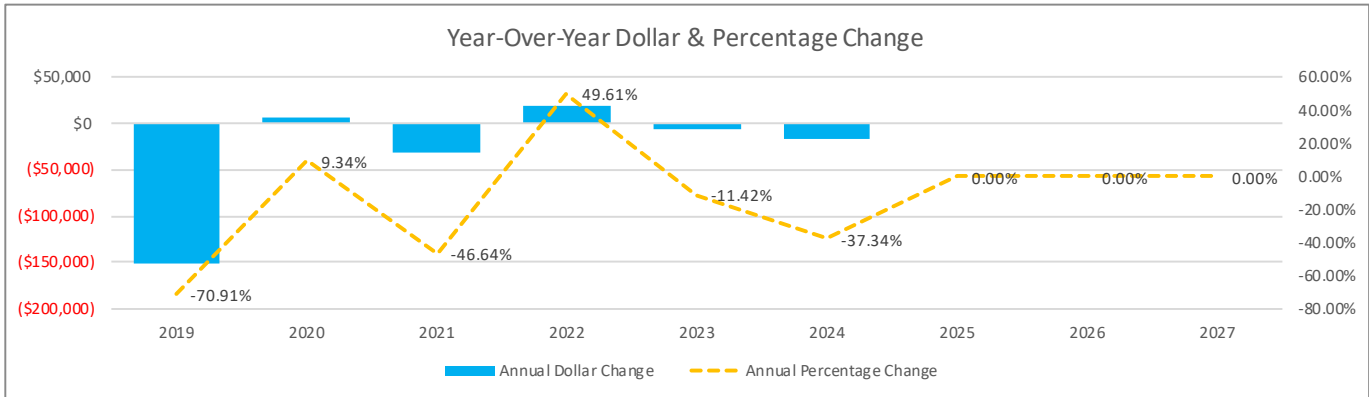
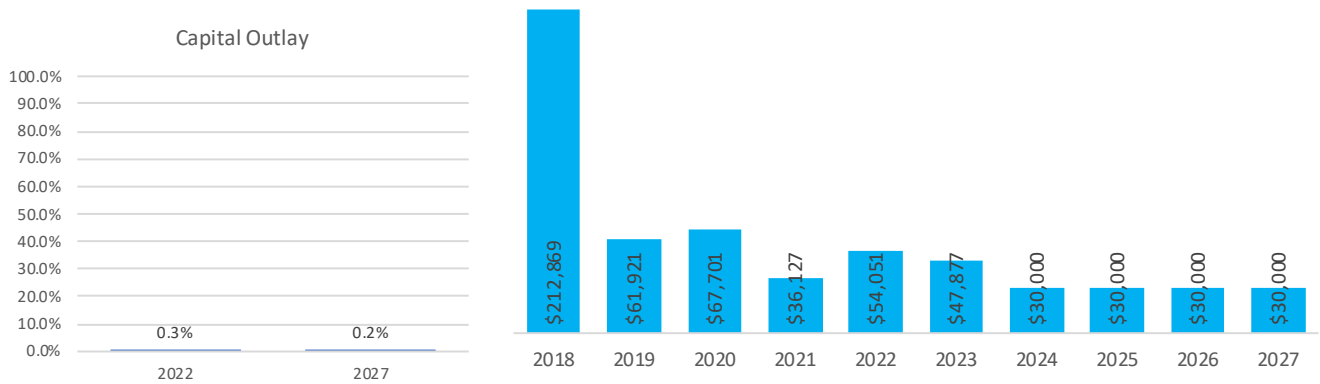


Supplies & Materials represent 4.62% of total expenditures and increased at a historical average annual rate of 5.79%. This category of expenditure is projected to grow at an annual average rate of 2.88% through FY 2027. The projected average annual rate of change is -2.91% less than the five year historical annual average.

Supplies & Materials expenses include textbooks, computer supplies, and computer software. The ELA textbook adoption proposed for FY2023 has been delayed until FY2024.

3.050 - Capital Outlay

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

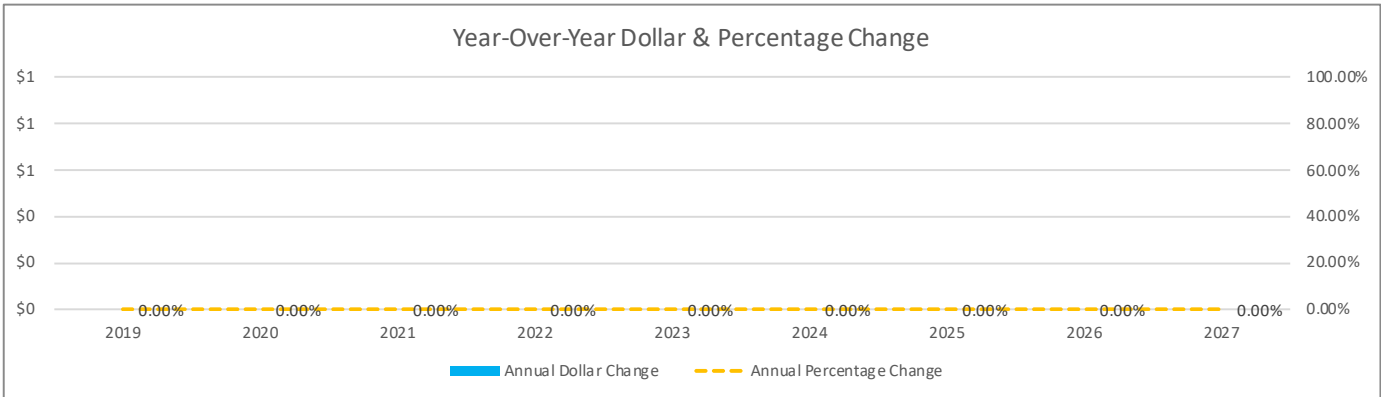
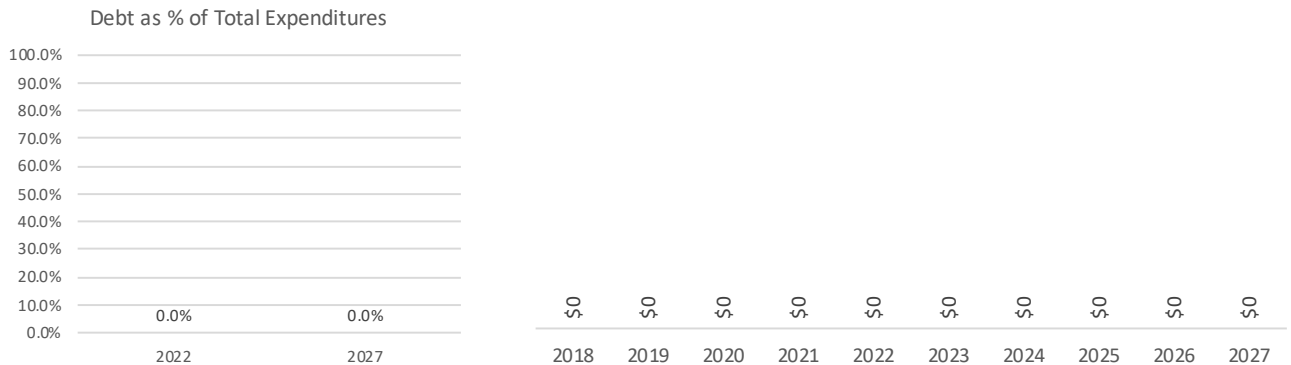


Capital Outlay represent 0.29% of total expenditures and increased at a historical average annual amount of \$3,499. This category of expenditure is projected to decrease at an annual average rate of -\$4,810 through FY 2027. The projected average annual change is less than the five year historical annual average.

The district has a permanent improvement levy that is used for capital outlay. The permanent improvement fund is not included in the five-year forecast.

3.060-4.060 - Intergovernmental & Debt

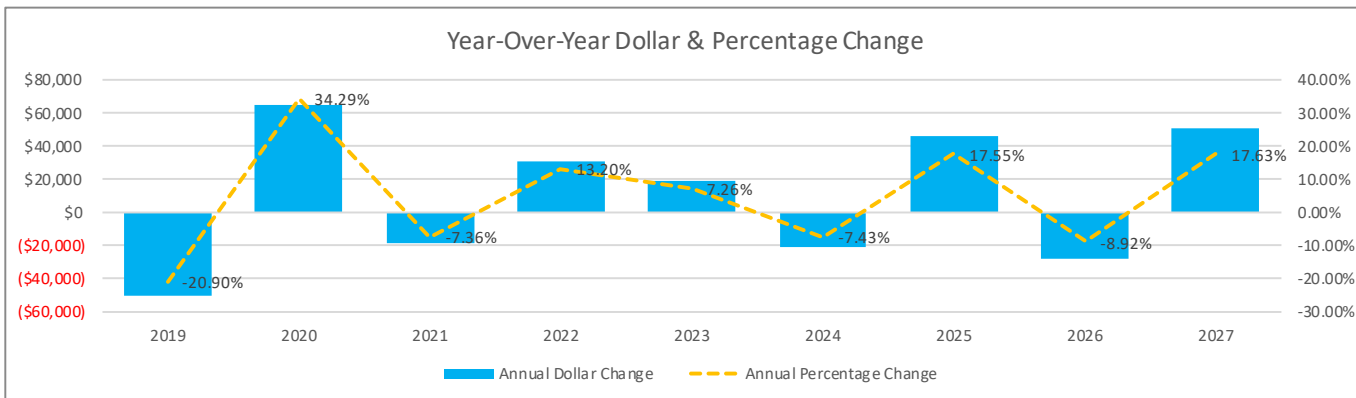
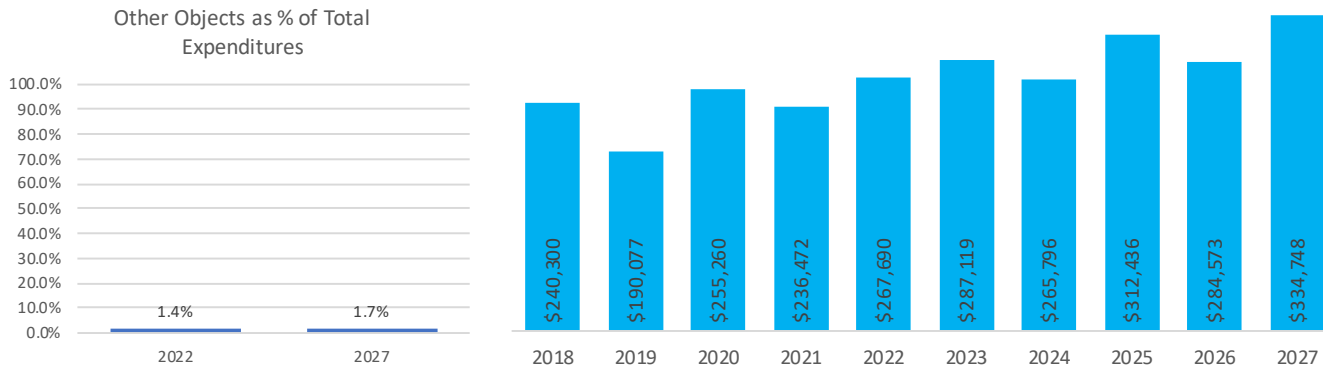
These lines account for pass through payments, as well as monies received by a district on behalf of another governmental entity, plus principal and interest payments for general fund borrowing.



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

4.300 - Other Objects

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

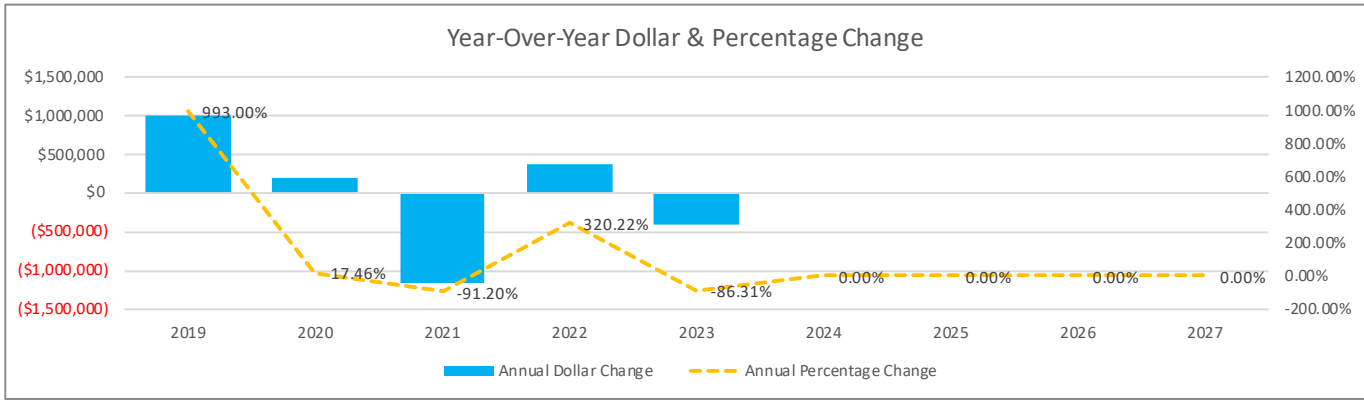
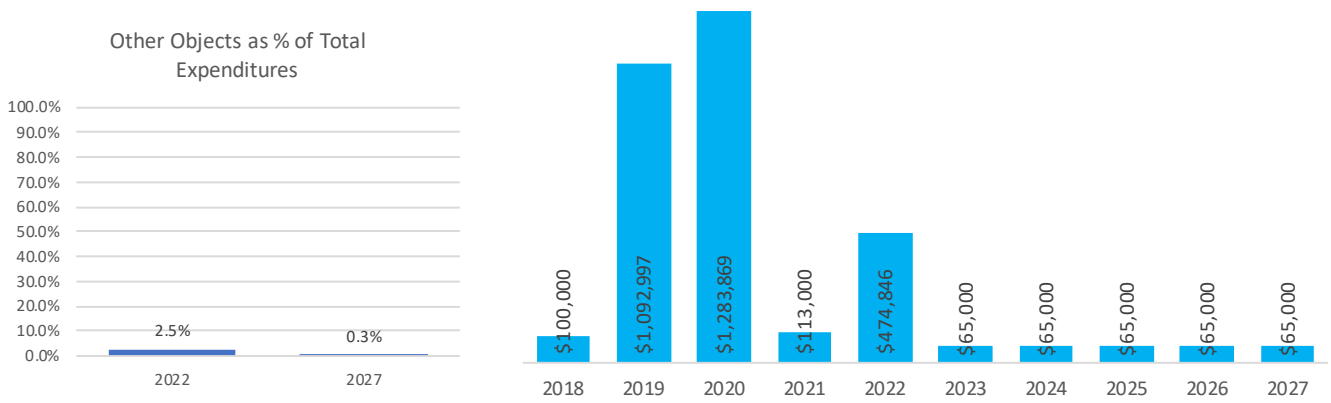


Other Objects represent 1.43% of total expenditures and increased at a historical average annual rate of 5.36%. This category of expenditure is projected to grow at an annual average rate of 4.52% through FY 2027. The projected average annual rate of change is -0.84% less than the five year historical annual average.

The largest expenditures for other objects includes tax collection fees, banking fees, and audit costs.

5.040 - Total Other Financing Uses

Operating transfers-out, advances out to other funds, and all other general fund financing uses.



	2022	2023	2024	FORECASTED		
				2025	2026	2027
Transfers Out	63,000	65,000	65,000	65,000	65,000	65,000
Advances Out	411,846	-	-	-	-	-
Other Financing Uses	-	-	-	-	-	-

Other uses includes expenditures that are generally classified as non-operating. It is typically in the form of advances-out which are then repaid into the general fund from the other district funds. In FY 2022 the district had advances-out and has no advances-out forecasted through FY 2027. The district can also move general funds permanently to other funds and as the schedule above presents, the district has transfers forecasted through FY 2027. The table above presents the district's planned advances and transfers. The district can also have other uses of funds which is reflected in the table above.

Ottawa Hills Local School District

Five Year Forecast

Fiscal Year:	Actual	FORECASTED				
	2022	2023	2024	2025	2026	2027
Revenue:						
1.010 - General Property Tax (Real Estate)	11,501,737	11,455,463	11,566,812	11,591,568	11,617,138	11,621,029
1.020 - Public Utility Personal Property	342,836	355,098	363,915	370,983	378,050	385,118
1.030 - Income Tax	-	-	-	-	-	-
1.035 - Unrestricted Grants-in-Aid	2,325,741	2,335,416	2,382,124	2,429,767	2,478,362	2,527,929
1.040 - Restricted Grants-in-Aid	161,689	160,654	162,261	163,883	165,522	167,177
1.050 - Property Tax Allocation	1,456,154	1,470,590	1,485,132	1,488,465	1,491,784	1,492,298
1.060 - All Other Operating Revenues	639,047	669,728	657,128	645,788	635,582	626,397
1.070 - Total Revenue	16,427,204	16,446,949	16,617,372	16,690,454	16,766,438	16,819,948
Other Financing Sources:						
2.010 - Proceeds from Sale of Notes	-	-	-	-	-	-
2.020 - State Emergency Loans and Adv	-	-	-	-	-	-
2.040 - Operating Transfers-In	-	-	-	-	-	-
2.050 - Advances-In	-	380,000	240,000	240,000	240,000	240,000
2.060 - All Other Financing Sources	70,192	27,000	12,000	12,000	12,000	12,000
2.070 - Total Other Financing Sources	70,192	407,000	252,000	252,000	252,000	252,000
2.080 - Total Rev & Other Sources	16,497,396	16,853,949	16,869,372	16,942,454	17,018,438	17,071,948
Expenditures:						
3.010 - Personnel Services	11,085,154	11,193,585	10,722,057	11,106,204	11,394,712	11,690,775
3.020 - Employee Benefits	4,253,715	4,475,084	4,425,496	4,677,630	4,948,316	5,235,227
3.030 - Purchased Services	1,688,802	1,325,643	1,353,831	1,396,063	1,439,782	1,485,045
3.040 - Supplies and Materials	862,694	836,913	943,298	910,638	978,559	997,071
3.050 - Capital Outlay	54,051	47,877	30,000	30,000	30,000	30,000
Intergovernmental & Debt Service	-	-	-	-	-	-
4.300 - Other Objects	267,690	287,119	265,796	312,436	284,573	334,748
4.500 - Total Expenditures	18,212,106	18,166,221	17,740,478	18,432,971	19,075,943	19,772,865
Other Financing Uses						
5.010 - Operating Transfers-Out	63,000	65,000	65,000	65,000	65,000	65,000
5.020 - Advances-Out	411,846	-	-	-	-	-
5.030 - All Other Financing Uses	-	-	-	-	-	-
5.040 - Total Other Financing Uses	474,846	65,000	65,000	65,000	65,000	65,000
5.050 - Total Exp and Other Financing Uses	18,686,952	18,231,221	17,805,478	18,497,971	19,140,943	19,837,865
6.010 - Excess of Rev Over/(Under) Exp	(2,189,556)	(1,377,272)	(936,106)	(1,555,517)	(2,122,505)	(2,765,917)
7.010 - Cash Balance July 1 (No Levies)	6,207,355	4,017,799	2,640,528	1,704,422	148,904	(1,973,600)
7.020 - Cash Balance June 30 (No Levies)	4,017,799	2,640,528	1,704,422	148,904	(1,973,600)	(4,739,517)
		Reservations				
8.010 - Estimated Encumbrances June 30	-	-	-	-	-	-
9.080 - Reservations Subtotal	-	-	-	-	-	-
10.010 - Fund Bal June 30 for Cert of App	4,017,799	2,640,528	1,704,422	148,904	(1,973,600)	(4,739,517)
Rev from Replacement/Renewal Levies						
11.010 & 11.020 - Renewal Levies	-	-	-	-	-	-
11.030 - Cumulative Balance of Levies	-	-	-	-	-	-
12.010 - Fund Bal June 30 for Cert of Obligations	4,017,799	2,640,528	1,704,422	148,904	(1,973,600)	(4,739,517)
Revenue from New Levies						
13.010 & 13.020 - New Levies	-	-	717,687	1,435,277	1,435,673	1,436,659
13.030 - Cumulative Balance of New Levies	-	-	717,687	2,152,964	3,588,637	5,025,296
15.010 - Unreserved Fund Balance June 30	4,017,799	2,640,528	2,422,109	2,301,868	1,615,037	285,779