

**LAKOTA LOCAL SCHOOL DISTRICT-BUTLER COUNTY
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES FOR THE FISCAL YEARS ENDED
JUNE 30, 2021, 2022, and 2023 ACTUAL
FORECASTED FISCAL YEARS ENDING
JUNE 30, 2024, THROUGH JUNE 30, 2028**



**Forecast Provided By
Lakota Local School District
Treasurer's Office
Mr. Adam Zink, Treasurer/CFO**

November 20, 2023

Lakota Local School District

Butler County

Schedule of Revenues, Expenditures and Changes in Fund Balances

For the Fiscal Years Ended June 30, 2021, 2022 and 2023 Actual;

Forecasted Fiscal Years Ending June 30, 2024 Through 2028

		Actual				Forecasted				
		Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Average Change	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028
Revenues										
1.010	General Property Tax (Real Estate)	106,047,366	109,527,689	102,849,758	-1.4%	107,527,768	113,377,663	114,791,756	117,406,856	122,454,062
1.020	Tangible Personal Property	7,969,882	8,869,566	9,295,585	8.0%	9,698,223	10,120,824	10,522,872	10,936,437	12,354,200
1.030	Income Tax	0	0	0	0.0%	0	0	0	0	0
1.035	Unrestricted State Grants-in-Aid	50,394,027	46,947,398	47,430,636	-2.9%	48,365,483	49,692,899	50,242,126	50,798,218	51,361,260
1.040	Restricted State Grants-in-Aid	151,776	3,093,319	2,950,544	966.7%	3,325,274	3,109,684	3,198,030	3,288,662	3,381,636
1.045	Restricted Fed. SFSF Fd. 532 FY10&11/Ed Jobs Fd.504 FY12	0	0	0	0.0%	0	0	0	0	0
1.050	Property Tax Allocation	10,480,153	10,922,109	11,132,848	3.1%	11,798,502	12,431,217	12,573,198	12,880,986	13,508,985
1.060	All Other Revenues	20,641,703	20,023,358	23,601,610	7.4%	28,351,488	29,691,101	27,544,933	27,061,249	27,015,442
1.070	Total Revenues	195,684,907	199,383,439	197,260,981	0.4%	209,066,738	218,423,388	218,872,915	222,372,408	230,075,585
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 and Advancements (Approved)	0	0	0	0.0%	0	0	0	0	0
2.040	Operating Transfers-In	732,413	1,984,281	2,016,173	86.3%	69,406	403,144	0	0	0
2.050	Advances-In	597,959	0	0	0.0%	178,925	0	0	0	0
2.060	All Other Financing Sources	137,101	215,689	160,825	15.9%	168,149	181,092	170,022	170,176	172,257
2.070	Total Other Financing Sources	1,467,473	2,199,970	2,176,998	24.4%	416,480	584,236	170,022	170,176	172,257
2.080	Total Revenues and Other Financing Sources	197,152,380	201,583,409	199,437,979	0.6%	209,483,218	219,007,624	219,042,937	222,542,584	230,247,842
Expenditures										
3.010	Personal Services	103,798,482	107,158,336	111,653,418	3.7%	115,750,650	118,813,757	122,558,193	126,334,492	129,606,967
3.020	Employees' Retirement/Insurance Benefits	33,689,469	35,578,252	36,936,010	4.7%	41,844,075	45,961,119	48,390,087	50,972,244	53,611,656
3.030	Purchased Services	36,952,921	34,481,911	36,195,955	-0.9%	36,756,248	39,096,534	39,658,370	40,753,290	41,882,437
3.040	Supplies and Materials	4,214,392	4,729,834	5,173,315	10.8%	5,992,634	9,272,773	11,754,114	7,436,675	5,970,475
3.050	Capital Outlay	807,295	1,215,134	985,834	15.8%	1,080,915	1,090,586	1,110,625	451,038	458,233
3.060	Intergovernmental	0	0	0	0.0%	0	0	1	2	0
	Debt Service:				0.0%					
4.010	Principal-All (Historical Only)	664,000	689,000	550,000	-8.2%	570,000	600,000	620,000	640,000	670,000
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	846,000	856,000	796,005	-2.9%	865,000	870,000	670,000	0	0
4.055	Principal-Other	0	0	0	0.0%	0	0	0	0	0
4.060	Interest and Fiscal Charges	202,952	84,219	213,875	47.7%	117,800	86,500	58,100	32,900	10,050
4.300	Other Objects	1,322,817	2,107,896	2,206,261	32.0%	2,280,202	2,118,351	2,216,345	2,215,403	2,215,572
4.500	Total Expenditures	182,498,328	186,900,582	194,710,673	3.3%	205,257,524	217,909,620	227,035,835	228,836,044	234,425,390
Other Financing Uses										
5.010	Operating Transfers Out	2,458,211	3,813,012	3,889,119	28.6%	2,919,406	2,903,144	2,500,000	2,500,000	2,500,000
5.020	Advances-Out	0	0	178,925	0.0%	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	2,458,211	3,813,012	4,068,044	30.9%	2,919,406	2,903,144	2,500,000	2,500,000	2,500,000
5.050	Total Expenditures and Other Financing Uses	184,956,539	190,713,594	198,778,717	3.7%	208,176,930	220,812,764	229,535,835	231,336,044	236,925,390
6.010	Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	12,195,841	10,869,815	659,262	-52.4%	1,306,288	(1,805,140)	(10,492,898)	(8,793,460)	(6,677,548)
7.010	Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	109,080,662	121,276,503	132,146,318	10.1%	132,805,580	134,111,868	132,306,728	121,813,830	113,020,370
7.020	Cash Balance June 30	121,276,503	132,146,318	132,805,580	4.7%	134,111,868	132,306,728	121,813,830	113,020,370	106,342,822
8.010	Estimated Encumbrances June 30	562,965	792,118	520,451	3.2%	500,000	500,000	500,000	500,000	500,000
Reservation of Fund Balance										
9.045	Fiscal Stabilization	5,036,949	7,021,231	7,913,380	26.1%	7,982,786	8,385,930	8,385,930	8,385,930	8,385,930
9.080	Subtotal	5,036,949	7,021,231	7,913,380	26.1%	7,982,786	8,385,930	8,385,930	8,385,930	8,385,930
10.010	Fund Balance June 30 for Certification of Appropriations	115,676,589	124,332,969	124,371,749	3.8%	125,629,083	123,420,799	112,927,901	104,134,441	97,456,893
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
15.010	Unreserved Fund Balance June 30	115,676,589	124,332,969	124,371,749	3.8%	125,629,083	123,420,799	112,927,901	104,134,441	97,456,893

Lakota Local School District – Butler County
Notes to the Five-Year Forecast
General Fund, Related Debt, and Federal Funds Only
November 20, 2023

Introduction to the Five-Year Forecast

A forecast is like a future painting based on a snapshot of today. That snapshot, however, will be adjusted because the further into the future the forecast extends, the more likely it is that the projections will deviate from experience. Various events will ultimately impact the latter years of the forecast, such as state budgets (adopted every two years), tax levies (new/renewal/replacement), salary increases, or businesses moving in or out of the district. The five-year forecast is a crucial management tool and must be updated periodically. The five-year forecast enables 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 ODE when events significantly change their forecast or, at a minimum when required under the 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 of the Financial Forecast before drawing conclusions or using the data as a basis for other calculations. The assumptions are fundamental to understanding the rationale of the numbers, particularly when a significant increase or decrease is reflected.

Since the preparation of a meaningful five-year forecast is as much an art as it is a science and entails many intricacies, it is recommended that you contact the Treasurer/Chief Fiscal Officer of the school district with any questions you may have. The Treasurer/CFO submits the forecast, but the Board of Education is recognized as the official owner of the forecast.

Here are three essential 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.

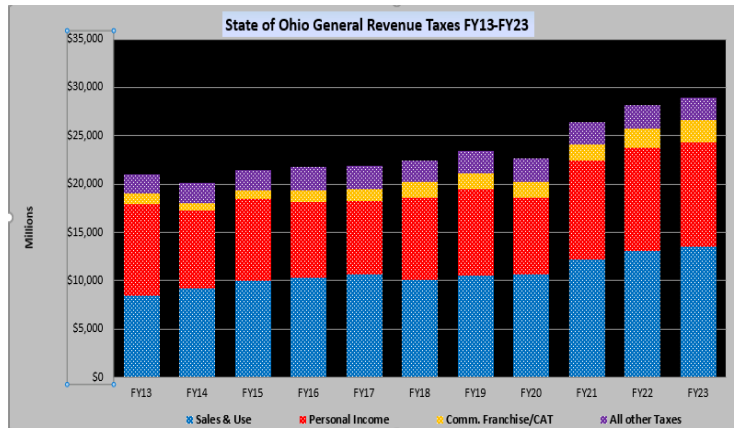
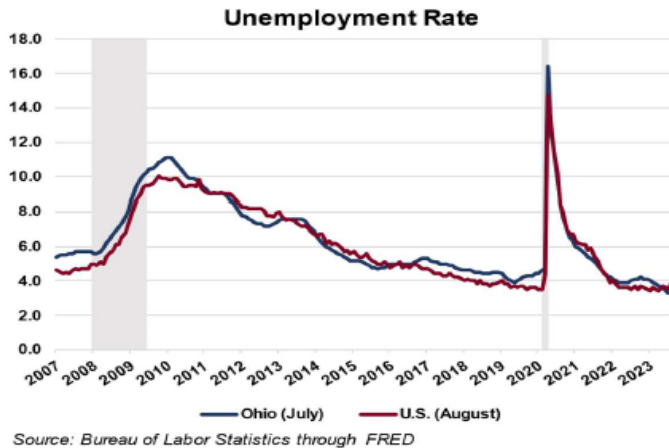
O.R.C. §5705.391 and O.A.C. 3301-92-04 require a Board of Education (BOE) to file a five-year financial forecast by November 30, 2023, and May 31, 2024, for the fiscal year 2024 (July 1, 2023, to June 30, 2024). The five-year forecast includes three years of actual and five years of projected general fund revenues and expenditures. The fiscal year 2024 (July 1, 2023-June 30, 2024) is the first year of the five-year forecast and is considered the baseline year. Our forecast is updated to reflect the most current economic data available for the November 2023 filing.

Economic Outlook

This five-year forecast is submitted during the multiyear economic recovery following the 2020 COVID-19 Pandemic. The recovery began in the fall of 2020 and remains robust through this forecast date. Many supply chain concerns have lessened as manufacturing has caught up. However, persistently high inflation continues to impact our state, country, and broader globalized economy. Inflation in June 2022 hit a 40-year high of 9.1% before falling to the current annualized rate of 3.4% in August 2023. Costs in FY23 were notably impacted in areas such as capital and durable goods, diesel fuel for buses, electric, natural gas, and building materials for facility maintenance and repair. Increased inflation affecting district costs is expected to continue in FY24. However, the Federal Reserve is projecting inflation to be closer to their target rate of 2% sometime in calendar year 2024. It remains to be seen if the cumulative cost increases over the past two years are transitory in goods and services or will last over several years, which could adversely affect our forecast.

The Federal Reserve Bank has made fighting inflation its number one concern. Interest rates are expected to increase again before December 2023, which may result in increased unemployment. Still, many economists anticipate a "full employment recession" in the first half 2024. In the history of our country, there has never been a full employment recession. However, the possibility of one underscores why this is a unique time in our economic history.

As noted in the graphs below, the State of Ohio has enjoyed economic growth over the past three years, and the State's Rainy Day Fund is at \$3.7 Billion, which is a record high. School funding cuts made in FY20 have been fully restored, and a new state funding formula is in the third year of a projected six-year phase-in. While increased inflation affecting district costs is expected to continue over the next few years, the state's economy has grown, and many school districts received new funding in HB33 for FY24 and FY25. The ongoing growth in Ohio's economy should enable the State to continue the phase-in of the new funding formula even if a cyclical recession occurs. Regardless, the State is well positioned to continue State aid payments to Ohio's school districts.



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.

Forecast Risks and Uncertainty:

A five-year financial forecast has risks and uncertainty not only due to economic delays noted above but also due to state legislative changes that will occur in the spring of 2025 and 2027 due to deliberation of the following two (2) State biennium budgets for FY26-27 and FY28-29, both of which affect this five-year forecast. We have estimated revenues and expenses based on the best data available and the laws currently in effect. The items below give a short description of the current issues, and how they may affect our forecast in the long term:

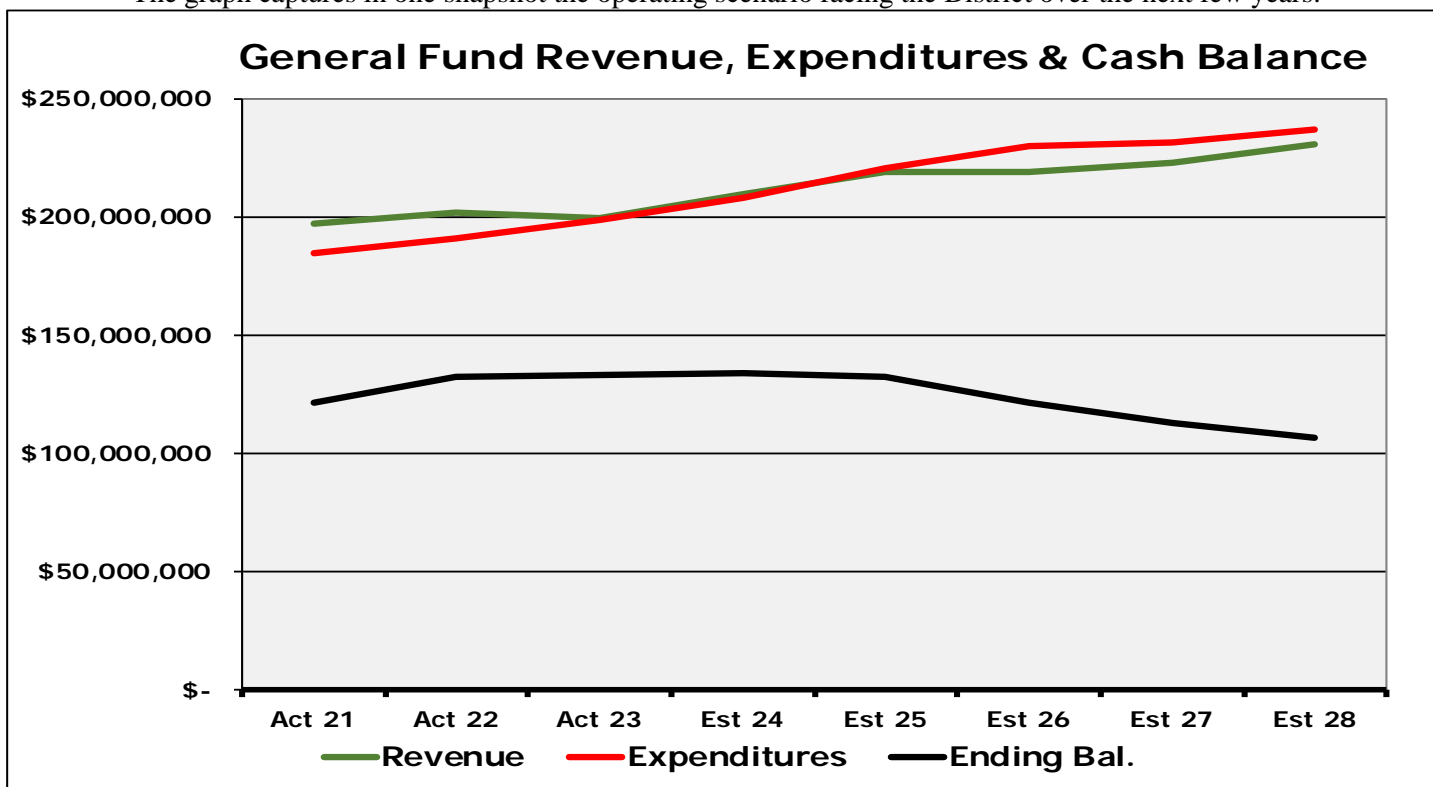
- I. Property tax collections are the largest single revenue source for the school system. The housing market in our district is stable and growing. We project growth in appraised values every three (3) years and new construction growth with continued modest increases in local taxes as the pandemic ends and the economy continues its recovery as anticipated. Total local revenues, which are predominately local taxes, equate to 70% of the district's resources. Our tax collections in the March 2023 and August 2023 settlements were on target with original estimates. We believe there is a low risk that local collections would fall below projections throughout the forecast.
- II. Butler County experienced a sexennial reappraisal in the 2020 tax year, which was collected in FY21. The 2020 reappraisal increased overall residential and commercial assessed values by 12.3%. A triennial update will occur in tax year 2023 for collection in calendar year 2024. We anticipate value increases for residential and commercial property by an overall rate of 31.81% at that time. We feel these estimates are conservative, but they could unexpectedly be lower which would reduce anticipated property tax collections. New construction assessed value in 2022 for residential property was \$50.5 million and \$5.9 million for commercial industrial property. Pending legislation, [HB187](#) could result in a decrease to these estimates due to a shift in the methodology used to calculate property tax updates and reappraisals. Currently a weighted average is used, with the heavier weighting on the most recent sales. [HB187](#), if passed, would shift to a three year average calculation on sales. If passed, this change is estimated reduce the appraised values by 33% for our district.

- III. The state budget represented 30% of district revenues, which means it is a significant risk to the revenue. The future risk comes in FY26 and beyond if the state economy stalls due to the record high inflation or the Fair School Funding Plan is not funded in future state budgets due to an economic recession. In this forecast, two forthcoming State biennium budgets cover FY26-27 and FY28-29. Future uncertainty in the state foundation funding formula and the state's economy make this area an elevated risk to district funding long-range through FY28. We have projected our state funding in FY24 and FY25 based on the additional phase-in of HB33 (the Fair School Funding Plan). This forecast reflects state revenue to grow by a modest 1% in FY26 through FY28, as well as increases to capture anticipated student growth, which we feel is conservative and should be close to what the state approves for the FY26-FY28 biennium budgets. We will adjust the forecast in future years as we have data to help guide this decision.
- IV. HB33, the current state budget, continues to phase in what has been referred to as the Fair School Funding Plan (FSFP) for FY24 and FY25. FY24 reflects 50% of the implementation cost at year three of a six-year phase-in plan, which increases by 16.66% each year. FY25 will result in 66.66% funding of (FSFP), however, the final two years of the phase-in are not guaranteed. The FSFP has made many significant changes to how 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. We have used the most recent simulations published by the Department of Education and Workforce for our forecasted revenues in FY24 and FY25.
- V. HB33 directly pays costs associated with open enrollment, community and STEM schools, and all scholarships, including EdChoice Scholarships. These costs are no longer deducted from our state aid. However, education option programs such as College Credit Plus continue to be removed from state aid, increasing costs to the district. Expansion or creation of programs not directly paid by the state of Ohio can expose the district to new expenditures currently outside the forecast. We closely monitor any new threats to our state aid and increased costs as new proposed laws are introduced in the legislature.
- VI. Labor relations in our district have been amicable with all parties working for the best interest of students. We believe as we move forward our positive working relationship will continue. Both labor union contracts cover the period of July 1, 2021 through June 30, 2024.

The significant lines of reference for 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 assist the reader in reviewing the assumptions noted below in understanding the overall financial forecast for our district. If you would like further information, please contact Mr. Adam Zink, Treasurer/CFO of Lakota Local Schools at 513-644-1180, adam.zink@lakotaonline.com, or visit our [webpage](#) for additional resources.

General Fund Revenue, Expenditures and Ending Cash Balance Actual FY21-23 and Estimated FY24-28

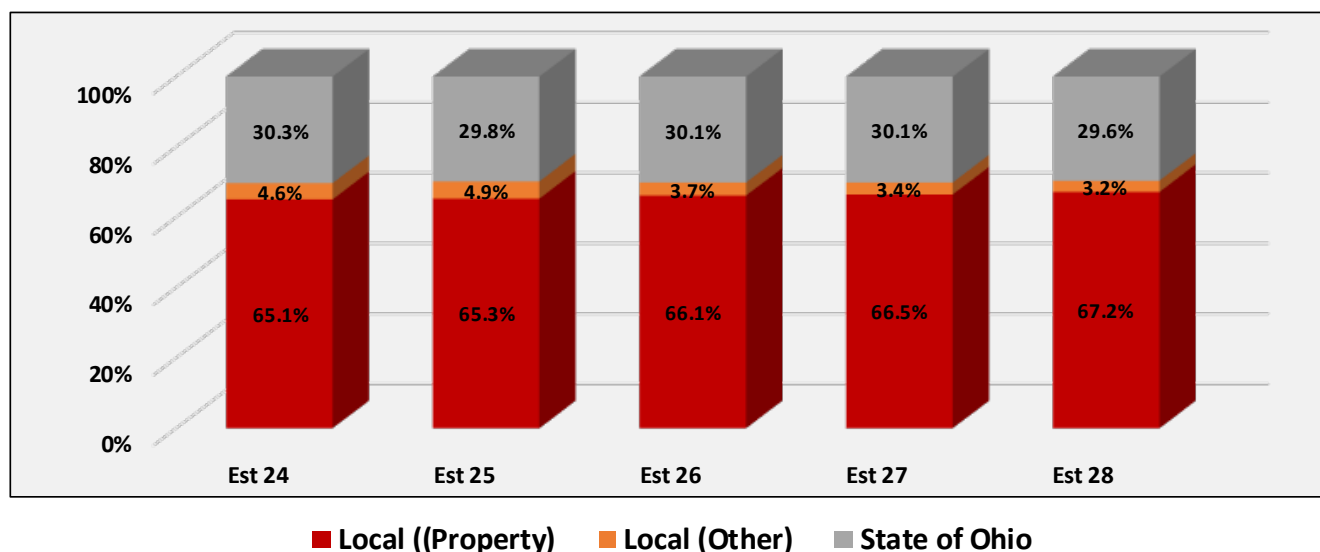
The graph captures in one snapshot the operating scenario facing the District over the next few years.



Revenue Assumptions

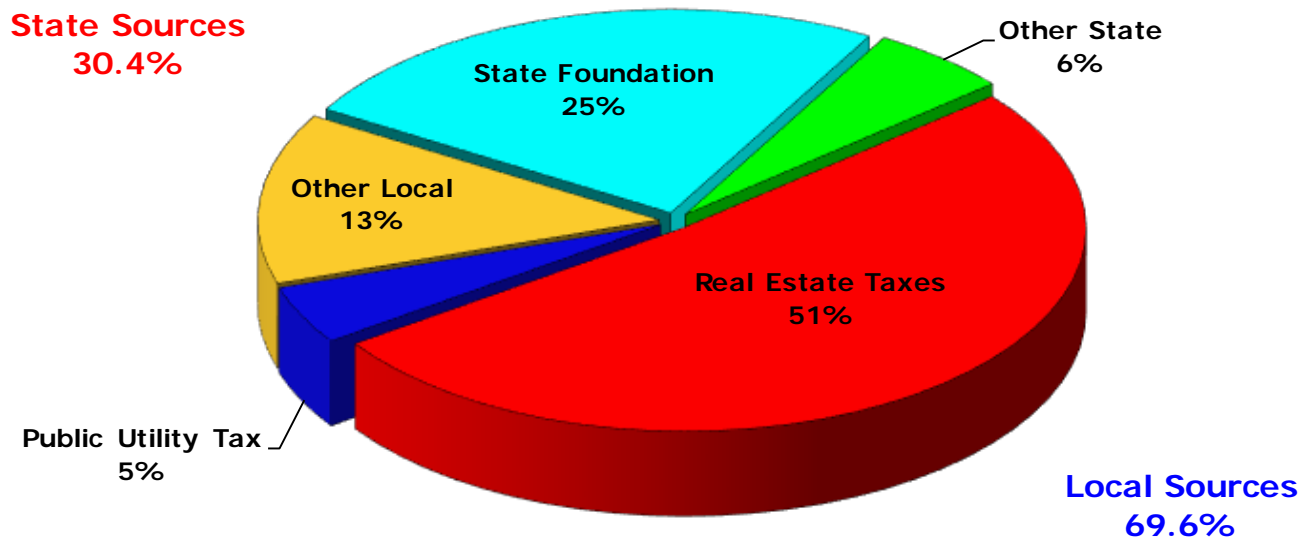
In this section the reader will find information on where district revenues come from, as well as the methodology used to estimate future year's revenues. These estimates are based on the best information we have at the time of submission.

Investors in Lakota Local Schools



Operating Revenue Sources General Fund FY24

Est. General Fund Revenues FY2024 \$209,066,738



Real Estate Value Assumptions – Line # 1.010

Property values have shown a trend of recovery since 2014 and the pace is picking up. Our 2020 sexennial reappraisal shows values increasing at a pace not seen since before 2008. When the district values rise due to inflation, HB920 will reduce voted tax rates so there is no increase other than on the un-voted inside millage amount. As we get further away from the recession of 2008, our values will continue to increase and HB920 will prevent our district from collecting additional revenues from those increased values.

Property values are established each year by the county auditor based on new construction, demolitions, Board of Revisions and Board of Tax Appeals activity and complete reappraisal or updated values. Butler County experienced a sexennial reappraisal for the 2020 tax year to be collected in fiscal year 2021. Residential/agricultural values increased 13.33%, or \$316.8 million, due to the reappraisal led by an improving housing market. The Butler County auditor's appeal with the Board of Tax Appeals was recently overturned. This resulted in an increase to the tax year (TY) 2020 reappraisal for West Chester Township of an additional 5.1% with the 2022 tax year to be paid in 2023. The delinquent payments for TY20-21 reflects an increase to the TY22 payments, with TY23 returning to normal assessed valuation.

For tax year 2022, new construction in residential property was up 1.7%, or \$50.5 million, in assessed value and commercial/industrial values increased \$5.9 million. Overall values rose \$115.9 million, or 3.25%, which includes new construction for all classes of property.

A triennial update will occur in 2023 for collection in fiscal year 2024 for which we are estimating a 36.7% increase in residential and a 12.3% increase for commercial/industrial property. We anticipate Residential/Agricultural and Commercial/Industrial values to increase \$1.1 billion, or 31.8%, overall.

Public Utility Personal Property (PUPP) values increased by \$4.35 million in tax year 2022. We are assuming our values will continue to grow by a rolling two-year average each year of the forecasted period.

Tangible personal property (TPP) values decreased to \$-0- in 2011 because of HB66 passed in 2005 to be effective July 1, 2005. This began a systematic phase-out of the tax base statewide to be replaced by a Commercial Activities Tax (CAT). The district has not been held harmless from the loss of the local taxes by the state TPP reimbursements noted below for Line # 1.050, under TPP reimbursements due to cuts made in HB153 reimbursements. In 2004, our district's TPP values

were \$183,373,135 and yielded the general fund \$11,119,738 in local taxes, which is equivalent to losing a 4.42 mill levy each year. Eliminating the TPP taxes, in effect, transferred the burden for those lost dollars into increased taxes on local taxpayers, a shift of taxes from businesses to residential taxpayers.

Estimated Assessed Property Valuations by Collection Years

	Estimated TAX YEAR2023 <u>COLLECT 2024</u>	Estimated TAX YEAR2024 <u>COLLECT 2025</u>	Estimated TAX YEAR 2025 <u>COLLECT 2026</u>	Estimated TAX YEAR 2026 <u>COLLECT 2027</u>	Estimated TAX YEAR 2027 <u>COLLECT 2028</u>
<u>Classification</u>					
Res./Ag.	\$4,068,592,388	\$4,114,113,906	\$4,159,144,302	\$4,578,743,246	\$4,623,896,425
Comm./Ind.	849,940,280	864,779,240	879,743,859	939,811,824	956,230,248
Public Utility (PUPP)	<u>154,794,600</u>	<u>160,673,230</u>	<u>167,315,895</u>	<u>173,576,543</u>	<u>180,028,199</u>
Total	<u>\$5,073,327,268</u>	<u>\$5,139,566,375</u>	<u>\$5,206,204,056</u>	<u>\$5,692,131,613</u>	<u>\$5,760,154,872</u>

Estimated Real Estate Tax Collections

Property tax levies are estimated to be collected at 99% of the annual amount. This allows for a 1% delinquency factor. In general, 52% of the Res/Ag and Comm/Ind property taxes are expected to be collected in the March tax settlement and 48% collected in the August tax settlement. Collections in FY23 were up \$540 thousand, due to additional delinquent taxes collected in the August and March tax settlements.

<u>Tax Levies</u>	<u>Year Approved</u>	<u>Last Calendar Year of Collection</u>	<u>Full Tax Rate (per \$1,000 of assessed valuation)</u>	<u>Effective Rates Res/Ag</u>	<u>Comm/Ind</u>
Inside Ten Mill Limitation	n/a	n/a	6.49	6.49	6.49
Continuing Operating	1976	n/a	15.88	2.51	4.13
Continuing Operating	1978	n/a	3.80	0.60	0.99
Continuing Operating	1985	n/a	5.90	1.82	2.31
Continuing Operating	1988	n/a	5.67	1.98	2.64
Continuing Operating	1991	n/a	5.90	2.78	3.67
Continuing Operating	1996	n/a	6.50	3.54	4.73
Continuing Operating	2000	n/a	4.90	3.04	3.88
Continuing Operating	2005	n/a	5.60	4.25	4.43
Continuing Operating	2013	n/a	<u>3.50</u>	<u>2.66</u>	<u>2.77</u>
Total Gross & Effective Tax Rates			<u>64.14</u>	<u>29.67</u>	<u>36.04</u>

Estimated Real Estate Tax Collections - Line #1.010

<u>Source</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>
Estimated Real Estate Tax Line # 1.010	<u>\$107,527,768</u>	<u>\$113,377,663</u>	<u>\$114,791,756</u>	<u>\$117,406,856</u>	<u>\$122,454,062</u>

New Tax Levies – Line #13.020

No new tax levies are modeled in this five-year forecast.

Estimated Tangible Personal Tax and Public Utility Personal Property (PUPP) – Line#1.020

The phase out of TPP taxes as noted earlier began in FY06 because of HB66, which systematically phased out General Personal Property tax along with telephone/railroad public utility property by 2011. The last collection of local TPP taxes was October 2010. Any amounts received in the forecast period are from settlement of old, outstanding delinquent TPP taxes. The last settlements were received in FY22 and are no longer projected in this forecast.

Amounts noted below are PUPP tax payments from public utilities. The values for PUPP are noted on the table below, which were \$147.3 million in assessed values in 2022 and are collected at the district's gross voted millage rate. Collections are typically 51% in March and 49% in August along with the real estate settlements from the county auditor. The values in 2022 rose by 3% or \$4.35 million and are expected to grow by a rolling two-year average each year of the forecasted period.

<u>Source</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>
Public Utility Personal Property Taxes Line #1.02	<u>\$9,698,223</u>	<u>\$10,120,824</u>	<u>\$10,522,872</u>	<u>\$10,936,437</u>	<u>\$12,354,200</u>

School District Income Tax – Line#1.030

No school district income taxes are modeled in this forecast.

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

Current State Funding Model per HB33 through June 30, 2025

Unrestricted State Foundation Revenue – Line #1.035

[HB33](#), the current state budget, continued the Fair School Funding Plan for FY24 and FY25. We have projected FY24 funding based on the November 2023 foundation settlement and funding factors.

Our district is currently a guarantee district in FY24 and is expected to transition to the formula in FY25-FY28 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. It was dropped in FY19 after six (6) years, followed by no foundation formula for two (2) years in FY20 and FY21, then HB110, as amended by HB583 for FY22 and FY23, with continuation of this formula in HB33 for FY24 and FY25. The current formula introduced 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 FY24 through FY28 compared to real data in FY21 through FY23 on Lines 1.035, 1.04, 1.06, and 3.03 of the forecasts.

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

- A. Student Population and Demographics
- B. Property Valuation Per Pupil
- C. Personal Income of District Residents Per Pupil
- D. Historical Funding - CAPS and Guarantees from prior funding formulas “Funding Bases” for guarantees.

Base Cost Approach - Unrestricted Basic Aid Foundation Funding

The current funding formula uses FY22 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. Newer, more up-to-date statewide average prices will not update for FY24 and FY25 and remain frozen at FY22 levels, while other factors impacting a district’s local capacity will update for FY24. Base costs per pupil include 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 currently at a state-wide average of \$8,242.19 per pupil in FY24, 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. HB33 increased the minimum state share from 5% in FY23 to 10% for FY24 and FY25. 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 the 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 the most recent three-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 the most recent year’s federal median income of district residents multiplied by the 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 multiplied by a Local Share Multiplier Index 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 multiplied by the local share multiplier index for each district. The result is the local per pupil capacity of the base per pupil funding amount.

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). It 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, not a specific amount. 10% will be reduced from all districts' calculations to be used toward the state appropriation for Catastrophic Cost reimbursement.
3. Transportation Aid – Funding is 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 37.5% in FY24 and 41.67% in FY25.

Restricted Categorical State Aid

1. Disadvantage Pupil Impact Aid (DPIA) - Formerly Economically Disadvantaged Funding is based on the number and concentration of economically disadvantaged students compared to the state average and multiplied by \$422 per pupil. Phase-in increases are limited to 50% for FY24 and 66.67% in FY25.
2. English Learners – Based on funded categories based on the time students 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 and Success Funds – These funds are based on initiatives similar to those for DPIA. They are restricted funds for school climate, attendance, discipline, and academic achievement programs.

State Funding Phase-In FY24 and FY25 and Guarantees

While the FSFP was presented as a six (6) year phase-in plan, the state legislature approved the first two (2) years of the funding plan in HB110, which was amended by HB583 in June 2022 and has now extended the plan in HB33 for FY24 and FY25. The FSFP does not include caps on funding; instead, it will consist of a general phase-in percentage for most components of 50% in FY24 and 66.67% in FY25.

The funding formula includes three (3) guarantees: 1) “Formula Transition Aid,” 2) Supplemental Targeted Assistance, and 3) Formula Transition Supplement. The three (3) guarantees in both temporary and permanent law ensure that no district will get fewer funds in FY24 and FY25 than they received in FY21.

Future State Budget Projections beyond FY25

Our funding status for FY26-28 will depend on unknown (2) new state budgets. There is no guarantee that the current Fair School Funding Plan in HB33 will be funded or continued beyond FY25; therefore, our state funding estimates are reasonable, and we will adjust the forecast when we have authoritative data to work with. For this reason, funding is held constant in the forecast for FY26 through FY28.

Catastrophic Aid

Catastrophic Aid nearly doubled in FY22 due to increased appropriations, which are funded at the state level by a reduction in special education funding at the local level. These revenues are inconsistent year-to-year and we are not projecting any growth over the remainder of the forecast.

Casino Revenue

On November 3, 2009, Ohio voters passed the Ohio casino ballot issue. This issue allowed four (4) casinos to open 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% of Gross Casino Revenue 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, beginning for the first time on January 31, 2013.

The casino revenue has recovered from the pandemic from closing the casinos in 2020. Total funding in FY21 was 73.83 million or \$42.18 per pupil. In FY22, the funding was increased to \$109.39 million for schools or \$62.86 per pupil, and in FY23, the funding totaled \$113.1 million or \$64.90 per pupil. We expect the Casino revenues to have resumed their historical growth rate and are assuming a 2% annual growth rate for the remainder of the forecast.

<u>Source</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>
Basic Aid-Per HB110	\$42,713,799	\$44,012,038	\$44,452,158	\$44,896,680	\$45,345,647
HB33 Guarantee	134,937	0	0	0	0
Additional Items	<u>3,037,778</u>	<u>3,167,784</u>	<u>3,241,942</u>	<u>3,317,608</u>	<u>3,394,811</u>
Basic Aid- Subtotal	<u>\$45,886,514</u>	<u>\$47,179,822</u>	<u>\$47,694,100</u>	<u>\$48,214,288</u>	<u>\$48,740,458</u>
Casino Revenue	\$1,191,582	\$1,225,690	\$1,260,639	\$1,296,543	\$1,333,415
Catastrophic Aid	<u>1,285,482</u>	<u>1,285,482</u>	<u>1,285,482</u>	<u>1,285,482</u>	<u>1,285,482</u>
Industry Credentials	<u>1,905</u>	<u>1,905</u>	<u>1,905</u>	<u>1,905</u>	<u>1,905</u>
Total Unrestricted State Aid Line # 1.035	<u>\$48,365,483</u>	<u>\$49,692,899</u>	<u>\$50,242,126</u>	<u>\$50,798,218</u>	<u>\$51,361,260</u>

Restricted State Revenues – Line # 1.040

HB33 has continued Disadvantaged Pupil Impact Aid (formerly Economic Disadvantaged funding) and Career Technical funding. In addition, new restricted funds have been added under “Restricted Categorical Aid” for Gifted, English Learners (ESL), and Student Wellness. We have estimated revenues for these new restricted funding lines using current October funding factors. The amount of DPIA is limited to a 50% phase in growth for FY24 and 66.67% in FY25. We have projected student growth as well as a 2% increase in funding in FY26-FY28 due to uncertainty on continued funding of the current funding formula.

<u>Source</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>
DPIA	\$184,610	\$288,980	\$297,190	\$305,613	\$314,253
ESL	574,175	515,466	530,110	545,133	560,545
Gifted	849,018	771,686	793,610	816,101	839,173
Student Wellness and Success Funds	<u>1,717,471</u>	<u>1,533,552</u>	<u>1,577,120</u>	<u>1,621,815</u>	<u>1,667,665</u>
Total Restricted State Revenues Line # 1.040	<u>\$3,325,274</u>	<u>\$3,109,684</u>	<u>\$3,198,030</u>	<u>\$3,288,662</u>	<u>\$3,381,636</u>

Restricted Federal Grants in Aid – Line #1.045

There are no federal restricted grants projected during this forecast.

Summary of State Aid Projections

<u>Summary</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>
A) Unrestricted State Aid Line # 1.035	\$48,365,483	\$49,692,899	\$50,242,126	\$50,798,218	\$51,361,260
B) Restricted State Aid Line # 1.040	3,325,274	3,109,684	3,198,030	3,288,662	3,381,636
C) Restricted Federal Grants Line # 1.045	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total State Foundation Revenue	<u>\$51,690,757</u>	<u>\$52,802,583</u>	<u>\$53,440,156</u>	<u>\$54,086,880</u>	<u>\$54,742,896</u>

State Share of Local Property Taxes – Line #1.050

Rollback and Homestead Reimbursement

Rollback funds are reimbursements paid to the district from the State of Ohio for tax credits given to owner-occupied residences. Credits equal 12.5% of the gross property taxes charged to residential taxpayers on levies passed before September 29, 2013. HB59 eliminated the 10% and 2.5% rollback on new levies approved after September 29, 2013.

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 or older or disabled, regardless of income. Effective

September 29, 2013, HB59 changed the requirement for Homestead Exemptions. Individual taxpayers who still need to get their Homestead Exemption approved or those who did not get a new application approved for the tax year 2013 and who become eligible after that 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 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.

<u>Source</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>
Rollback and Homestead	<u>\$11,798,502</u>	<u>\$12,431,217</u>	<u>\$12,573,198</u>	<u>\$12,880,986</u>	<u>\$13,508,985</u>

Other Local Revenues – Line #1.060

All other local revenue encompasses any revenue that does not fit the above lines. The primary sources of revenue in this area have been open enrollment, interest on investments, tuition for court-placed students, student fees, Payment In Lieu of Taxes, and general rental fees.

HB110, the previous state budget, stopped 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 FY24-FY28 Line 1.06 revenues and historical FY21 through FY23 revenues on the five-year forecast. Open-enrolled students will be counted in the enrolled student base at the school district where they are being educated, and state aid will follow the students. Open-enrolled student revenues will be included in Line 1.035 as basic state aid. HB33 included provisions for reimbursement of an English Language Arts textbook adoption. We anticipate receiving these reimbursements in FY25.

Interest income is based on the district cash balances and increased interest rates due to the Federal Reserve raising rates to curb inflation. The district has been diligent in ensuring the strong cash reserves are maximizing interest revenues, which are expected to be \$1.7 million higher than FY23. Once the economy stabilizes, there will be pressure on the Federal Reserve to lower interest rates, which we believe will be sometime in 2024, decreasing the opportunity for more significant interest income for the district in FY25-28. We will continue to monitor the investments for the district. Rentals are expected to return to pre-pandemic levels over time. Preschool revenues will decrease in FY24 due to fewer student tuitions. Medicaid revenues will be inflated for FY24 due to a shift in the timing of receiving the FY23 payment in FY24. All other revenues are expected to continue on historical trends.

The district will begin receiving new revenue into the general fund from indirect costs. This amount is the portion of administrative costs incurred by programs administered by the district, such as food services and federal programs. These

Lakota receives payments in lieu of taxes (PILOT) from several TIFs and RIDs to help facilitate economic development within the district. These are significant revenue sources for the district. In total, the Lakota Local School District's borders include eight TIF districts for West Chester Township, 12 TIF/RID districts for Liberty Township, and four TIF districts for Butler County. The district currently receives compensation on all but one TIF, the Union Centre Boulevard (UCB) TIF. The TIF district was created before legislation was adopted which required school district involvement and approval. Due to the early expiration of a portion of the UCB TIF the district began receiving tax revenue in the collection year of 2019. West Chester did extend the remaining UCB TIF district for 15 years but at the same time worked with the district to modify the current 747 TIF. All other TIFs involve some sort of compensation agreement with the district. Unfortunately, not all agreements hold the district financially harmless. The district strives to balance the economic vitality of the entire community with the financial well-being of the district. Two RIDs in Liberty Township have also been terminated early: Hawthorne Hills and Allen Estates, which lowered our payments beginning in 2018 and beyond. This has merely moved the revenue line item from Other Local Revenues (line 1.06) to Real Estate Tax collections (line 1.01). In FY23, additional parcels were pulled into the Cincinnati-Dayton TIF from TY18 through TY21. We anticipate payments from these parcels to be \$1.9 million in TY23, which pays first half in FY23 and second half in FY24 for the collections in arrears, then \$760 thousand moving forward for annual collections. These abated properties can result in positive or negative implications to our state funding due to fluctuations in valuation. A continued partnership with West Chester and Liberty Townships and Butler County is vital not just to the district, but the community.

The district also collects PILOTs from several Enterprise Zone Abatement (EZA) properties for GE Aviation, Republic Wire, Systecon, and John Planes Enterprises. In FY24, we will begin collecting for two new properties, which finished construction in tax year 2023, Kemba Credit Union and Queen City Harley Davidson.

<u>Source</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>
Payment In Lieu of Taxes	\$19,152,736	\$19,577,238	\$19,577,238	\$19,708,543	\$19,708,544
Open Enrollment In	0	0	0	0	0
Interest	4,551,604	4,111,788	3,713,581	3,045,492	2,945,493
Tuition	1,871,446	1,890,160	1,909,062	1,928,153	1,947,435
Rentals	304,882	317,077	329,760	342,950	356,668
Indirect Cost	1,050,000	750,000	750,000	750,000	750,000
Medicaid Reimbursement	980,991	800,611	816,623	832,955	849,614
Miscellaneous	<u>439,829</u>	<u>2,244,227</u>	<u>448,669</u>	<u>453,156</u>	<u>457,688</u>
Total Other Local Revenues Line # 1.060	<u>\$28,351,488</u>	<u>\$29,691,101</u>	<u>\$27,544,933</u>	<u>\$27,061,249</u>	<u>\$27,015,442</u>

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

There is no short-term borrowing projected in this forecast at this time. Other financing sources consist of advances that the school district anticipates during the forecasted period. Transfers into the general fund have increased due to the Board's approval of Budget Stabilization policy 6217 on June 10, 2019. Advances are approved from the general fund to other funds, primarily to cover grant monies that are not received as of fiscal year end. At the end of FY23, the district made an advance to the Healthcare Fund to meet actuary reserve obligations. This is reflected as the advance return in FY24. The district is not anticipating future advances to this fund. However, it should be noted that the performance of the insurance fund could result in future advances.

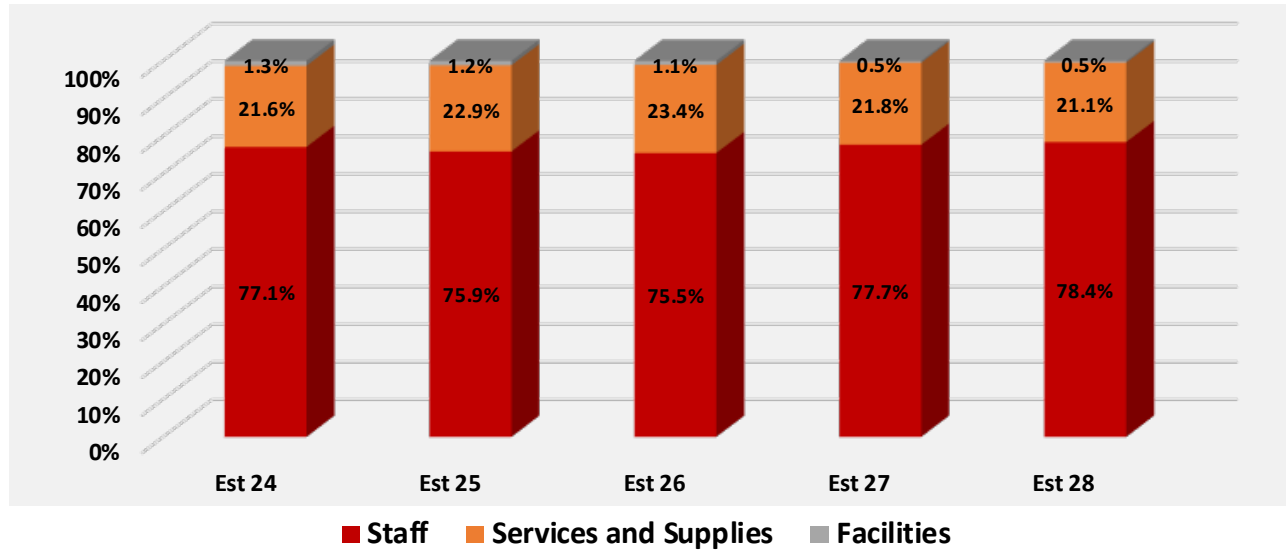
Sale of Personal Property and Refund of Prior Year Expenditures are calculated on a rolling three-year average for the forecasted period. Should the district move forward with the Master Facilities Project, Sale of Personal Property could see an increase as decommissioned furniture, equipment, or properties could be sold as a result of this future project.

<u>Source</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>
Transfers In Line # 2.040	\$69,406	\$403,144	\$0	\$0	\$0
Advance Returns # 2.050	<u>178,925</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Transfers and Advances In	<u>\$248,331</u>	<u>\$403,144</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Source</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>
Sale of Personal Property	\$1,154	\$692	\$692	\$846	\$743
Refund of prior years expense	<u>166,995</u>	<u>180,400</u>	<u>169,330</u>	<u>169,330</u>	<u>171,514</u>
Total Other Financing Sources Line # 2.060	<u>\$168,149</u>	<u>\$181,092</u>	<u>\$170,022</u>	<u>\$170,176</u>	<u>\$172,257</u>

Expenditures Assumptions

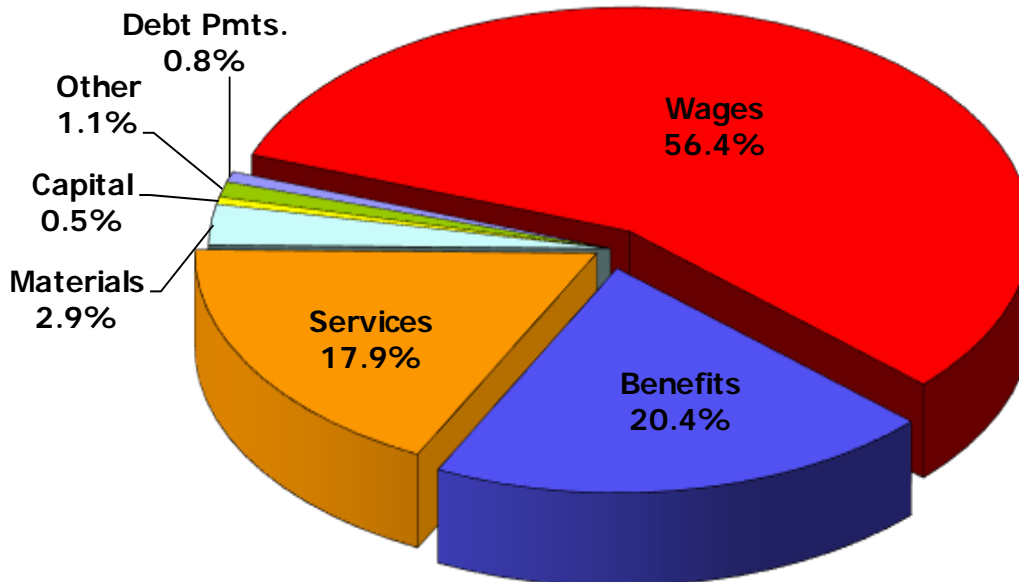
The district's leadership team is always looking at ways to improve the education of the students, whether it be with changes in staffing, curriculum, or new technology. In this section the reader will gain a better understanding of the way the district invests its resources to meet the current, and future needs of the students. As the administration of the district reviews the distribution of resources, the education of the students is always the main focus.

Investment in Lakota Students



All Operating Expense Categories - General Fund FY24

Est. General Fund Operating Investment FY2024 \$205,257,524



Wages – Line #3.010

The expenditures in this category represent salaries and wages for services rendered for all collective bargaining units and non-collective bargaining unit employees. A new agreement with the Lakota Education Association (LEA) provides for a 1.97% cost of living adjustment (COLA) for FY22-24 as well as a 2% increase on the base. A new agreement with the Lakota School Support Association (LSSA) was also approved and provides for a 1% COLA and a 2.5% increase on the base for FY22-24. Negotiations for new contracts will begin in the spring of 2024. Administrative and non-represented salary increases have been estimated to be comparable to the base increases received by the collective bargaining employees, these increases are reviewed on an annual basis. Stipend, supplemental, severance, and substitute costs for classified positions are included in this line item also. For planning purposes only at this time, a 2.5% base increase is projected for FY25-27 and a 2% increase in FY28.

Staffing and Enrollment

The district continues to analyze and audit classroom sizes. We plan to continue this practice and align classroom teachers to enrollment. The district also considers the demographic study completed in February 2019 when predicting enrollment and the staff needed. Our current enrollment exceeds the predicted demographic study by more than 300 students for the 2022-2023 school year. A recurring conversation centers on elementary student-to-teacher ratios. Additionally, the temporary influx of federal aid has allowed the district to increase staffing for the identified priorities. The district plans to further analyze its staffing needs for the forecasted period.

ESSER funds were used for several reading and English language learner support teachers, nurses, Multi-Tiered Systems of Support (MTSS) staff, and a Director for Digital Learning in FY23. The total wages returning to the general fund in FY24 are \$2.6 million. We are not assuming additional ESSER funds in this forecast.

The district saw 32 LEA members retire under an early retirement provision in the LEA negotiated agreement in FY23. Due to this, the severance payments have increased above normal trends in FY24. The positions are assumed to be replaced with staff averaging Column B and Step 5 on the FY24 certified salary schedule and there will be 10 fewer replacements as the reading and English language learner positions are being redirected back into the classroom, resulting in a decrease to base wages in FY24 of \$1.6 million. Based on past trends, FY24-28 assumes a yearly retirement and replacement of 19 certified staff per year at this time. This forecast reflects an adjustment to the base wage from the prior year severance liability. The district will continue to monitor staffing levels, and position classifications to maximize our general operating fund.

In order to better support the needs of our students, the district has added an Assistant Superintendent and in January 2024 anticipate hiring two qualified Teachers of English to Speakers of Other Languages (TESOL), two special education teachers, and three instructional aides. The district also replaced the Director of Student Services with an Executive Director of Student Services. Fiscal year 2024 will see a reduction for a Dean of Students and a Director of K-6 Curriculum. The district will no longer be contracting videographer services; one will be hired in-house to provide top-quality productions, which will showcase the achievements of our students and staff. A subsequent reduction of purchased services will be seen below in Line 3.03.

<u>Source</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>
Base Wages	\$107,007,619	\$112,771,523	\$116,364,159	\$120,079,970	\$123,827,022
Base Increases	2,514,679	2,819,288	2,909,104	3,001,999	2,476,540
Cost of Living Adjustment & Education Advancements	1,262,690	1,398,367	1,396,370	1,344,896	1,374,480
Staff Retire Replacement	(1,605,760)	(929,425)	(952,094)	(974,763)	(992,898)
Staff Decrease, Increase or Reclass	952,315	304,406	362,431	374,920	388,042
ESSER Return	2,639,981	0	0	0	0
Certified Stipends	372,306	376,029	379,789	383,587	387,423
Classified OT and Extra Duty	276,484	276,484	276,484	276,484	276,484
Curricular Supplemental	539,436	539,436	539,436	539,436	539,436
Certified Extended Days	110,000	110,000	110,000	110,000	110,000
Longevity & Vacation Buyback	103,284	105,350	107,457	109,606	111,798
Classified Subs	282,496	288,146	293,909	299,787	305,783
Severance Payments	1,220,823	679,855	696,850	714,272	728,559
Board of Education	15,500	15,500	15,500	15,500	15,500
Student Worker	<u>58,798</u>	<u>58,798</u>	<u>58,798</u>	<u>58,798</u>	<u>58,798</u>
Total Wages Line #3.010	<u>\$115,750,650</u>	<u>\$118,813,757</u>	<u>\$122,558,193</u>	<u>\$126,334,492</u>	<u>\$129,606,967</u>

As the district analyzed class sizes to determine the ratios that best meets the needs of our students, we worked with our buildings and curriculum team to adjust classes to remain within these class sizes.

<u>Grade</u>	<u>Ratio</u>
Kindergarten	22:1 to 25:1
1 st Grade to 2 nd Grade	23:1 to 26:1
3 rd Grade to 4 th Grade	24:1 to 27:1
5 th Grade to 6 th Grade	25:1 to 28:1
7 th Grade to 12 th Grade	Varies according to contractual language for core subject areas, foreign languages, performing arts, etc.
ESL/Reading Specialists and Title I Teachers	40:1
Special Education Kindergarten to 8 th Grade	16:1
Special Education 9 th Grade to 12 th Grade	24:1
Social Communications Classrooms	6:1
Multiple Disability Classrooms	8:1
Emotional Disturbance Classrooms	12:1

Fringe Benefits - Line #3.020

This area of the forecast captures all costs associated with benefits and retirement costs. With the exception of medical and dental insurance, all are directly related to the wages paid.

A) Retirement Contributions

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. The district is required to pay SERS Surcharge, which is an additional employer charge based on the salaries of lower-paid members.

B) Insurance

In January 2019, the district moved from Anthem to Medical Mutual of Ohio (MMO) for health care coverage of its employees. This move facilitated a 1% decrease in premiums, which remained constant for two (2) additional years through December 31, 2021. The district moved to a self-insured plan for health care coverage with Anthem January 1, 2022. For 2023, the district initially was anticipating a 17.1% increase in healthcare premiums. The insurance committee elected to increase deductibles, provider co-pays, and institute a new pharmaceutical administration plan. This, along with changing stop loss providers from Anthem to Voya, resulted in an estimated savings of 8.3%, or \$1.2 million, of which the actual increase of 8.8% spanned FY23 and FY24, due to being enrolled on a calendar year basis. The increase that will be spread over FY24-25 for medical premiums is 25% due to an unusually high volume of claims. Moving forward, and based on national trends, we are assuming a 7% premium increase for the remainder of this forecast. The district also provides life insurance to its employees which is estimated at \$160,000 annually. The district works hard to control these costs and will monitor them closely as we continue to establish a self-insured trend.

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 healthcare costs in the forecast.

C) Workers' Compensation & Unemployment Compensation

Lakota is one of a handful of districts in the state that has taken advantage of self-insuring their Workers' Compensation. We have historically funded this at 0.25% of wages. This move to self-insurance has saved the district and its residents millions of dollars over the past decade. After meeting with our workers' compensation consultant, Hunter Consultants, and analyzing our cash reserve and maximum exposure, we are setting a reserve target of \$300,000. To meet this reserve target, we have been taking advantage of a premium vacation, which ended in 2022. The district is a direct reimbursement employer, which means unemployment costs are only incurred and due if we have employees who are eligible and draw unemployment.

D) Medicare

Medicare will continue to increase at the rate of increases in wages and as new employees are hired. 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>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>
STRS/SERS	\$17,907,615	\$18,536,584	\$19,145,783	\$19,763,069	\$20,312,319
Insurances	22,037,092	25,428,470	27,208,463	29,113,056	31,150,970
Workers Comp/Unemployment	244,573	251,781	259,236	266,753	273,270
Medicare	1,607,695	1,658,284	1,710,605	1,763,366	1,809,097
Contracted Exp.	<u>47,100</u>	<u>86,000</u>	<u>66,000</u>	<u>66,000</u>	<u>66,000</u>
Total Fringe Benefits Line # 3.020	<u>\$41,844,075</u>	<u>\$45,961,119</u>	<u>\$48,390,087</u>	<u>\$50,972,244</u>	<u>\$53,611,656</u>

Purchased Services – Line #3.030

HB110, the previous state budget, impacted Purchased Services beginning in FY22 as the Ohio Department of Education will directly pay these costs to the education 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. College Credit Plus, excess fees, and other tuition costs will continue to draw funds away from the district, which will continue in this area and has been adjusted based on historical trends.

This line includes contracted services, utilities, legal services, data processing, tuition and professional meetings expenses. An increase will be seen in FY24 for K-6 English Language Arts training in the amount of \$400 thousand and in each of FY24-25, \$60 thousand will be allocated to Dynamic Indicators of Basic Early Literacy Skills (DIBELS) training for K-6 staff. Fiscal year 2024 and beyond will see a decrease for a videographer, which was hired internally, as noted above in the section labeled Wages – Line #3.01. Also, beginning in FY25, the district will begin using a new human resources database and a new district notification system, which will cost an estimated \$100 thousand each.

In FY21, the district returned to busing the district's freshmen students, which resulted in an increase to the Transportation line. The contract with our transportation provider, Petermann, will be renegotiated at the end of FY23 for FY24. Due to a shortage of bus drivers, the district realized a decrease to this contract in FY23 from FY22 based on unfilled routes and a reduction servicing to schools deemed outside of 30 minutes or unaffordable due to low attendance. At this time the district is forecasting a 4% increase to this contract in FY24, and 3% increases each year FY25-28 and will be monitored closely in future forecasts. Fiscal year 2024 will be deflated due to the need to cancel eight routes due to under-staffing and our contract was credited five days of the contract due to the strike that occurred in September 2023.

<u>Source</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>
Phone, Postage & Advertising	\$341,183	\$351,418	\$361,961	\$372,820	\$384,005
Transportation	18,776,861	20,300,951	20,909,980	21,537,279	22,183,397
CS/OE/CCP/Scholarships/Tuition	3,029,728	3,181,214	3,340,275	3,507,289	3,682,653
Professional Services	3,182,001	3,438,831	3,023,513	3,068,866	3,114,899
SRO Contract	1,302,071	1,328,112	1,354,674	1,381,767	1,409,402
Preschool Contract	1,990,558	2,020,416	2,050,723	2,081,483	2,112,706
Substitute Teachers	2,355,705	2,391,041	2,426,906	2,463,310	2,500,259
Management Services	233,951	236,291	238,654	241,041	243,451
Software Service	318,741	502,928	467,557	472,233	476,955
Instructional Services	291,262	295,631	300,065	304,566	309,134
Legal Expense	261,446	250,368	254,124	257,936	261,805
Repairs & Maintenance	590,373	599,229	608,217	617,340	626,600
Rental & Lease Payments	1,115,773	1,132,510	1,149,498	1,166,740	1,184,241
Utilities	2,366,559	2,437,556	2,510,683	2,586,003	2,663,583
Travel & Meeting Exp.	394,036	413,738	434,425	456,146	478,953
Property Insurance	<u>206,000</u>	<u>216,300</u>	<u>227,115</u>	<u>238,471</u>	<u>250,394</u>
Total Purchased Services Line # 3.030	<u>\$36,756,248</u>	<u>\$39,096,534</u>	<u>\$39,658,370</u>	<u>\$40,753,290</u>	<u>\$41,882,437</u>

Supplies and Materials – Line #3.040

Textbooks, copy paper, maintenance supplies and materials, etc. characterize this category of expenses. The cost for diesel fuel spiked during the pandemic, but started to return to normal levels in FY23. We will continue to monitor this closely for future implications on this section of the forecast.

The district has established a new rotation for textbook adoptions to meet the needs of our students educational goals. Due to this, over the forecasted period, we have shown a substantial increase in the resources that have been allocated to this section of the forecast. The nature of these investments in our students' education is identified in the table below.

Description	FY24	FY25	FY26	FY27	FY28
National Geographic	\$650,000				
English Language Arts (Grades K-12)*		\$2,000,000			
Math (Grades K-12)		\$1,800,000			
Health (Grades 7-12)		\$50,000			
Science (Grades K-12)			\$6,000,000		
Music (Grades K-12)			\$200,000		
Steam/Wonderlab (Grades K-12)			\$50,000		
Social Studies (Grades K-12)				\$1,000,000	
World Languages (Grades 9-12)				\$500,000	
Art (Grades K-12)				\$200,000	
Health (Grades K-6)				\$100,000	
AI/Data Science				\$50,000	
Physical Education (Grades K-6)					\$100,000
Computer Science					\$100,000
Business (Grades 7-12)					\$50,000
Cybersecurity					\$50,000

*assumed to be reimbursed by the State of Ohio per provisions in HB33.

Summary of Supplies and Materials – Line #3.04

<u>Source</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>
General Supplies	\$220,774	\$224,085	\$227,447	\$230,858	\$234,321
Instructional Supplies and Textbooks	1,658,154	4,873,276	7,288,625	2,904,204	1,370,017
Health Supplies	28,664	29,094	29,530	29,973	30,423
Electronic Books	1,065,922	1,081,910	1,098,139	1,114,611	1,131,330
Building Maintenance Supplies	921,266	935,085	949,111	963,348	977,798
Fuel for vehicles	1,523,948	1,546,807	1,570,009	1,593,559	1,617,462
Software & Computer Supplies	<u>573,907</u>	<u>582,516</u>	<u>591,254</u>	<u>600,123</u>	<u>609,124</u>
Total Supplies and Materials Line # 3.040	<u>\$5,992,634</u>	<u>\$9,272,773</u>	<u>\$11,754,114</u>	<u>\$7,436,675</u>	<u>\$5,970,475</u>

Equipment – Line #3.050

The capital outlay category consists of any item with a life expectancy of five years or more, such as land, buildings, ground improvements, computers/technology, buses, vehicles, furnishings and equipment. With the passage of the permanent improvement (PI) 2 mill levy in 2013, we have been able to move most of the expenditures for the upkeep and maintenance of all 25 of the districts' facilities. The PI funds are not maintained in the general fund and are not reflected in the five-year forecast, but could have a negative impact on the general fund should the needs outpace the PI revenue.

The district will see an increase in technology equipment for FY24-26 as we invest \$680 thousand each year on additional Chromebooks for students in Grades K-2.

<u>Source</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>
Equipment	\$359,342	\$354,582	\$359,901	\$365,300	\$370,780
Technology Equipment	721,573	736,004	750,724	85,738	87,453
Total Capital Outlay Line # 3.050	<u>\$1,080,915</u>	<u>\$1,090,586</u>	<u>\$1,110,625</u>	<u>\$451,038</u>	<u>\$458,233</u>

Debt Service – Line #4.020; 4.050; 4.060

Debt, which commits general fund sources to its repayment, must be included in the forecast. Repayment on debt began in FY08 for a \$10 million bond issue, which provided funding for the new Union Elementary School. Additionally, the district issued debt in 2009 and 2010 for energy conservation projects at both high schools and the central office. The final issuance required to be included in the forecast, is debt associated with the artificial turf at both high school stadiums. Payments for the aforementioned debt are reflected in the forecast but paid from the debt service fund per applicable Ohio law. Sequestration has increased our interest payments for our energy conservation projects from its original debt issuance. Our guaranteed federal subsidies have reduced indefinitely by 8.7%. This is an average of \$17,000 additional each year in interest expense to the District.

<u>Source</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>
Total Principal Payments Line # 4.055	<u>\$570,000</u>	<u>\$600,000</u>	<u>\$620,000</u>	<u>\$640,000</u>	<u>\$670,000</u>
<u>Source</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>
HB 264 Principal 3 Issues Line # 4.050	<u>\$865,000</u>	<u>\$870,000</u>	<u>\$670,000</u>	<u>\$0</u>	<u>\$0</u>
<u>Source</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>
Int on Bonds & HB 264 Total Line # 4.060	<u>\$117,800</u>	<u>\$86,500</u>	<u>\$58,100</u>	<u>\$32,900</u>	<u>\$10,050</u>

Other Expenses – Line #4.300

The category of Other Expenses consists primarily of the county educational service center deductions for specialized services provided to the district and auditor & treasurer fees. Auditor and treasurer fees will increase when a new operating levy is collected, during a sexennial reappraisal, or triennial update. The district had previously received refunds from the County Auditor's office for over-collection of auditor fees during real estate settlement distribution to local governments and school districts in FY20-21, but we did not receive the refund in FY22-23. In FY24, we began receiving the refund again and anticipate continuing to receive it for the remainder of the forecasted period.

<u>Source</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>
County Auditor & Treasurer Fees	\$1,729,255	\$1,709,255	\$1,779,255	\$1,749,255	\$1,719,255
Real Estate Fee Return	(530,909)	(699,738)	(699,738)	(699,738)	(699,738)
Butler County ESC	107,969	109,589	111,233	112,901	114,595
Liability Insurance	350,000	367,500	385,875	405,169	425,427
Dues & Fees	201,669	204,694	207,764	210,880	214,043
Audit Fees	75,170	76,298	77,442	78,604	79,783
Staff Recognition	100,000	100,000	100,000	100,000	100,000
Banking Fees	235,490	239,022	242,607	246,246	249,940
Other expenses	<u>11,558</u>	<u>11,731</u>	<u>11,907</u>	<u>12,086</u>	<u>12,267</u>
Total Other Expenses Line #4.300	<u>\$2,280,202</u>	<u>\$2,118,351</u>	<u>\$2,216,345</u>	<u>\$2,215,403</u>	<u>\$2,215,572</u>

Transfers, Advances and All Other Financing Uses – Line #5.010; 5.020; 5.030

This category includes operating transfers-out, advances-out and refund of prior year receipts. Operating transfers are funds transferred to the athletic fund to pay for coaching supplemental contracts, athletic administration and field maintenance supplies. The district recognized marching band as an extra-curricular beginning in 2014. Therefore, the district transfers an equal amount per pupil to the band fund as it contributes for athletics. This has been estimated at \$1.8 million. Transfers-out increased in line with the levy promise to reduce fees and implement a family cap. The Board of Education reduced extra-curricular student fees by 50% as well as provided for a fee waiver for our students in poverty, which increased this line by an additional \$300 thousand. Due to record inflation and a flat participation fee over the last ten years, the district has identified that the support the district must provide to our extra-curricular programs will need to increase by an additional \$700 thousand annually, which brings the total transfer to \$2.8 million in FY24. Advances out include loans to another fund to cover a temporary end of year deficit balance. These funds are returned to the general fund in the subsequent fiscal year. Refunds of prior year receipts are payments received in one fiscal year and returned to the original payer in another fiscal year.

In collaboration with the Finance Committee, the district voted in policy 6217 “Budget Stabilization Policy” on June 10, 2019. Policy 6217 states that the district may approve a transfer for 50% of the district general operating fund (001) unencumbered balance over the prior fiscal year-end closing unencumbered balance may be set-aside in the budget stabilization reserve. This annual set-aside may not exceed 5% of the revenue credited to the general operating fund the prior fiscal year. The cumulative balance of the Budget Stabilization Fund shall not exceed 15% of total district general operating fund expenditures for the past three years as reported in the five-year forecast submitted to the State of Ohio in May of the same fiscal year. Expenditure of these monies will require a separate resolution approved by the Board.

<u>Source</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>
Operating Transfers Out Line # 5.010	\$2,850,000	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000
Budget Stabilization Fund Transfer	69,406	403,144	-	0	0
Advances Out Line # 5.020	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Transfers and Advances	<u>\$2,919,406</u>	<u>\$2,903,144</u>	<u>\$2,500,000</u>	<u>\$2,500,000</u>	<u>\$2,500,000</u>

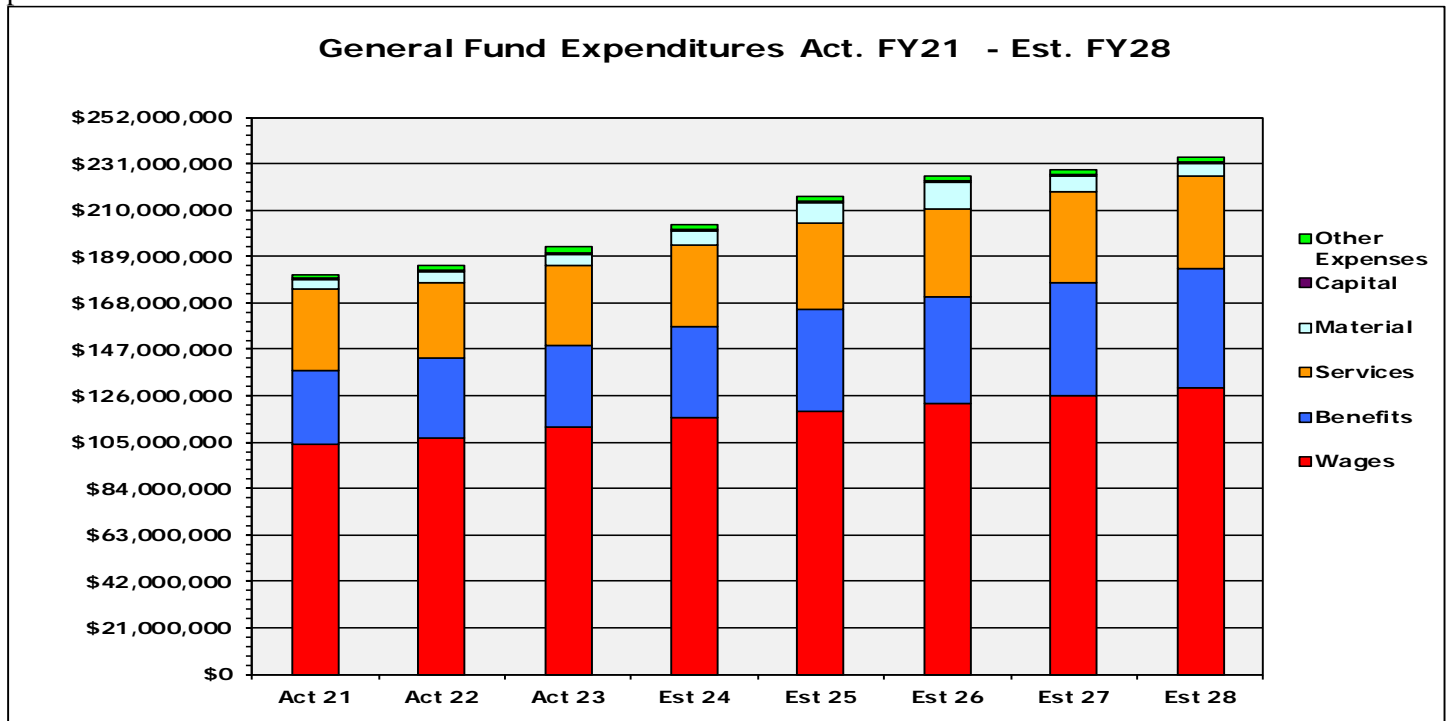
Encumbrances – Line #8.010

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments, which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance.

<u>Source</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>
Estimated Encumbrances Line # 8.010	<u>\$500,000</u>	<u>\$500,000</u>	<u>\$500,000</u>	<u>\$500,000</u>	<u>\$500,000</u>

Operating Expenditures Actual FY21 through FY23 and Estimated FY24-FY28

As the graph on the following page indicates, we have diligently contained costs due to lower and flat state revenues. We control our expenses while balancing students' academic needs to enable them to excel and perform well on state performance standards.



Reservations of Fund Balance – Line #9.080

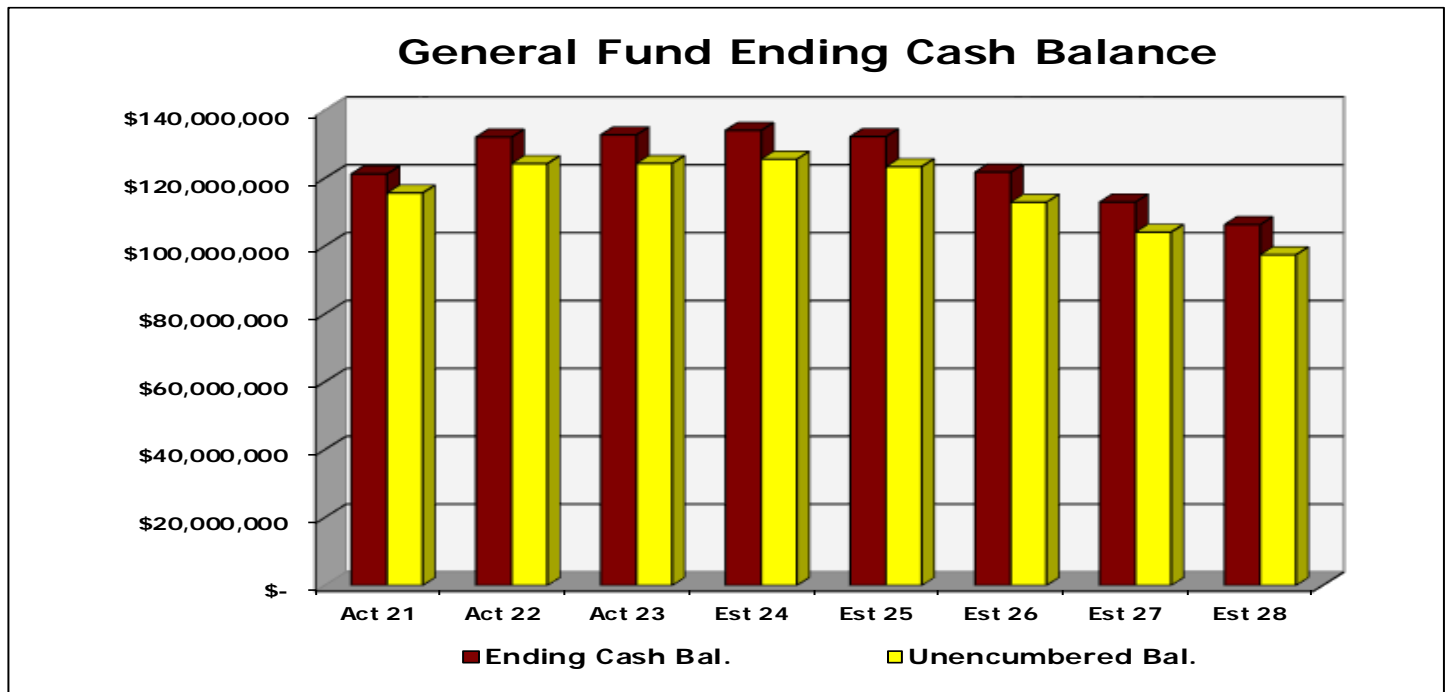
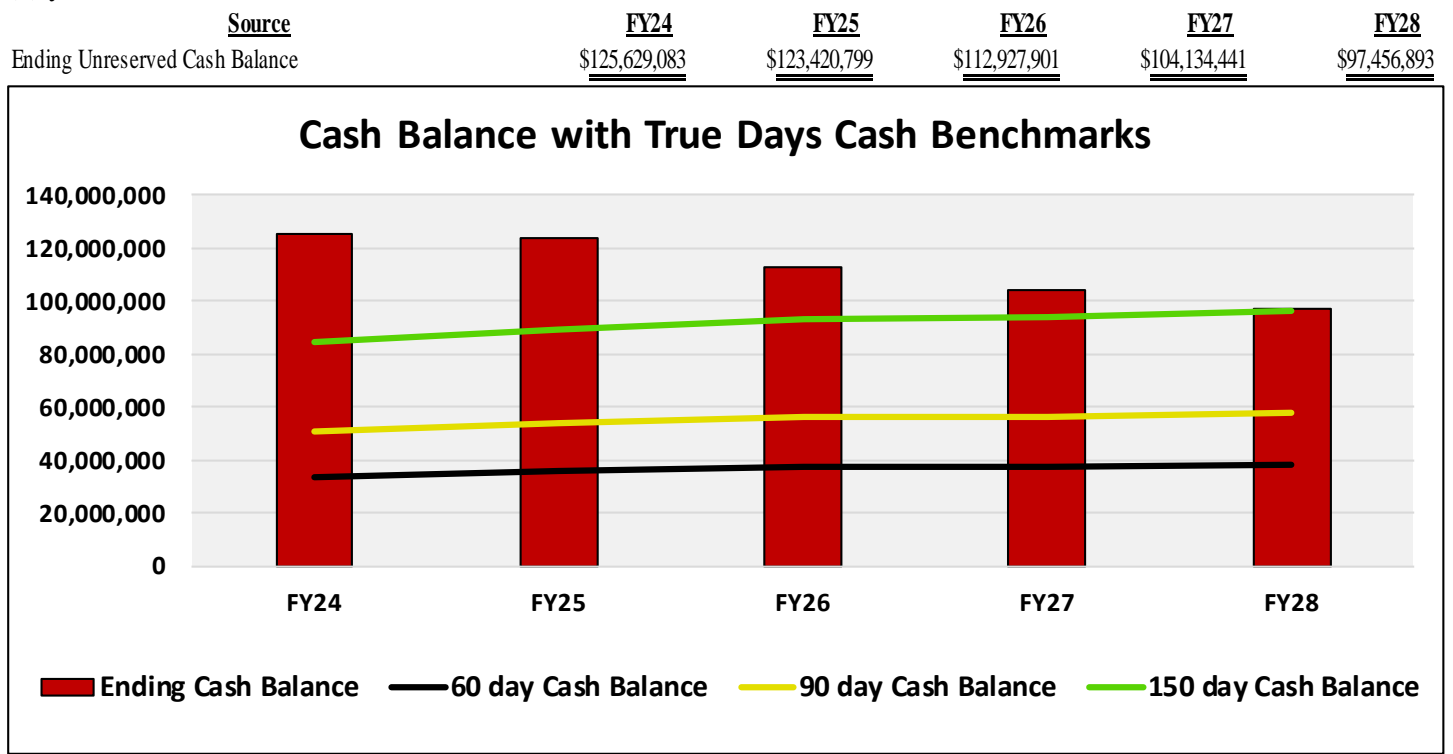
On June 10, 2019 the Board approved [policy 6217](#) “Budget Stabilization” to transfer a portion of the prior year general fund unencumbered carry-over balance to a reserve fund. The district made the first transfer to this newly established fund in July 2019. The forecast reflects estimated transfers to this fund based on the rules of the policy.

Source	FY24	FY25	FY26	FY27	FY28
Textbooks & Instructional Materials	\$0	\$0	\$0	\$0	\$0
Capital Improvements	0	0	0	0	0
Budget Reserve	0	0	0	0	0
DPIA	0	0	0	0	0
Fiscal Stabilization Line # 9.045	\$7,982,786	\$8,385,930	\$8,385,930	\$8,385,930	\$8,385,930
Debt Service	0	0	0	0	0
Property Tax Advances	0	0	0	0	0
State Bus Purchases	0	0	0	0	0
Total Reservations of Balance Line # 9.080	<u>\$7,982,786</u>	<u>\$8,385,930</u>	<u>\$8,385,930</u>	<u>\$8,385,930</u>	<u>\$8,385,930</u>

Ending Unreserved Cash Balance “The Bottom-line” – Line #12.010

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, resulting in a negative unencumbered cash balance is a violation of O.R.C. §5705.412 and is punishable by personal liability of \$10,000. It is recommended by the Government Finance Officers Association (GFOA) and other authoritative sources that a district maintains a minimum of sixty (60) day cash balance, which is approximately \$33.7 million for our district. Although this is a recommended benchmark, [Board Policy 6218](#) states that upon reaching ninety (90) days cash balance or \$50.6 million in FY24, the Superintendent and Treasurer/CFO will prepare and propose options that the Board may consider to forestall such an eventuality. Further, the Board believes the financial goals of the District should be in alignment with the District’s strategic plan and instructional goals. When a General Operating Fund cash balance exceeds 150 days the Superintendent may prepare a plan for the expenditure of the excess General Operating cash balance on one or more of the deliverables of the strategic plan. This plan must be approved by the Board of Education

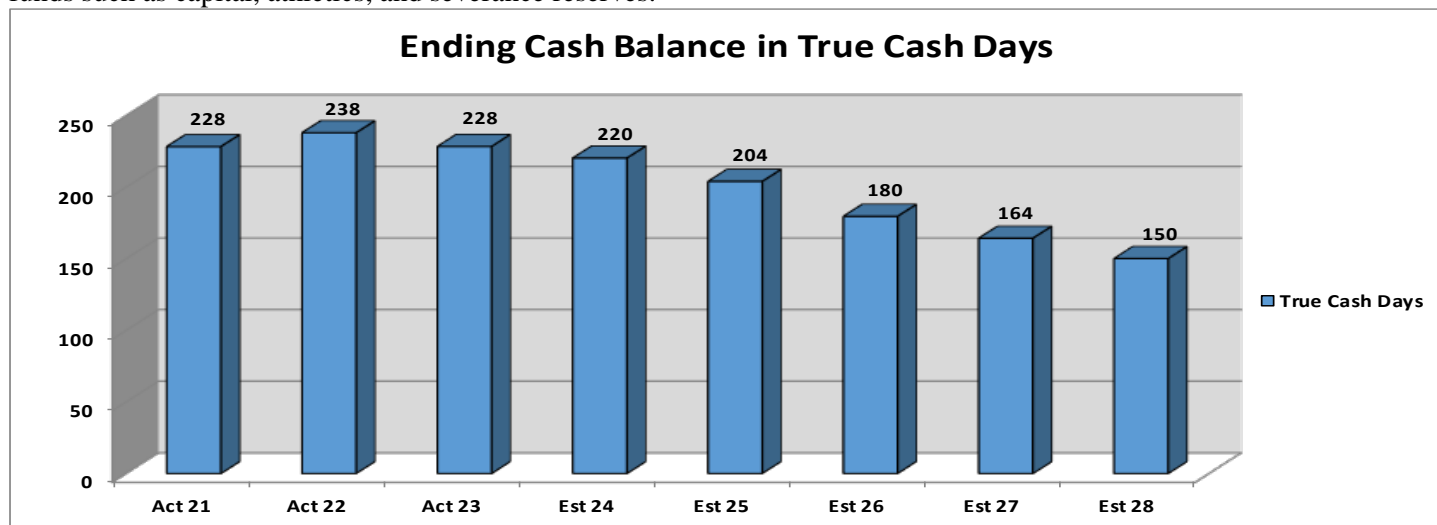
and cannot result in the General Operating Fund cash balance falling below ninety (90) days in any year of the rolling five (5) year forecast.



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. Although GFOA sets the minimum balance on hand to be thirty (30) days, GFOA recommends two (2) months, or sixty (60) days cash is 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 a predictable funding source for other funds such as capital, athletics, and severance reserves.



Additional Financial Resources:

[Treasurer's Office Webpage](#)

[Financial Prospectus](#)

[Comprehensive Annual Financial Report](#)

[Budget and Appropriations](#)

[Monthly Board Reports](#)

[Public Records](#)

[Strategic Plan](#)

[Master Facilities Plan](#)

[2013 Levy Facts](#)

[District Report Cards](#)

[Financial Audit](#)

[Quality Profile](#)

[School Finances 101](#)

Financial Policy:

[6144 - INVESTMENTS](#)

[6144.01 - INVESTMENTS](#)

[6152 - STUDENT FEES, FINES, AND CHARGES](#)

[6210 - FISCAL PLANNING](#)

[6217 - BUDGET STABILIZATION POLICY](#)

[6218 - CASH BALANCE RESERVE POLICY](#)

[6219 - SCHOOL DISTRICT FINANCIAL POLICY DOCUMENT STRUCTURALLY BALANCED BUDGET](#)

[6220 - BUDGET PREPARATION](#)

[6231 - APPROPRIATIONS AND SPENDING PLAN](#)

[6232 - APPROPRIATIONS IMPLEMENTATION](#)

[6320 - PURCHASING AND BIDDING](#)