

Hillsdale Local School District

# **Five Year Forecast Financial Report**

May, 2024

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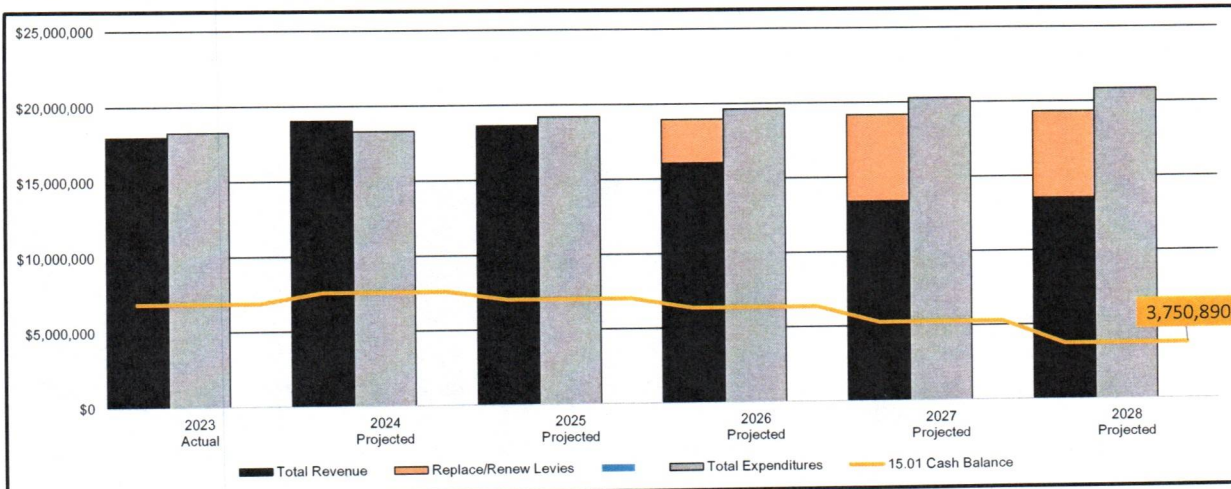
### Forecast Purpose/Objectives

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

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

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

## Forecast Summary



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

## Financial Forecast

	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028
Beginning Balance (Line 7.010) Plus	6,881,140	7,583,661	7,025,750	6,357,289	5,259,620
+ Revenue	19,034,917	18,661,014	16,063,341	13,395,733	13,547,348
+ Proposed Renew/Replacement Levies	-	-	2,897,568	5,794,142	5,792,136
+ Proposed New Levies	-	-	-	-	-
- Expenditures	(18,332,396)	(19,218,925)	(19,629,370)	(20,287,545)	(20,848,213)
= Revenue Surplus or Deficit	702,521	(557,911)	(668,461)	(1,097,669)	(1,508,730)
Line 7.020 Ending Balance with renewal/new levies	7,583,661	7,025,750	6,357,289	5,259,620	3,750,890

## Analysis Without Renewal Levies Included:

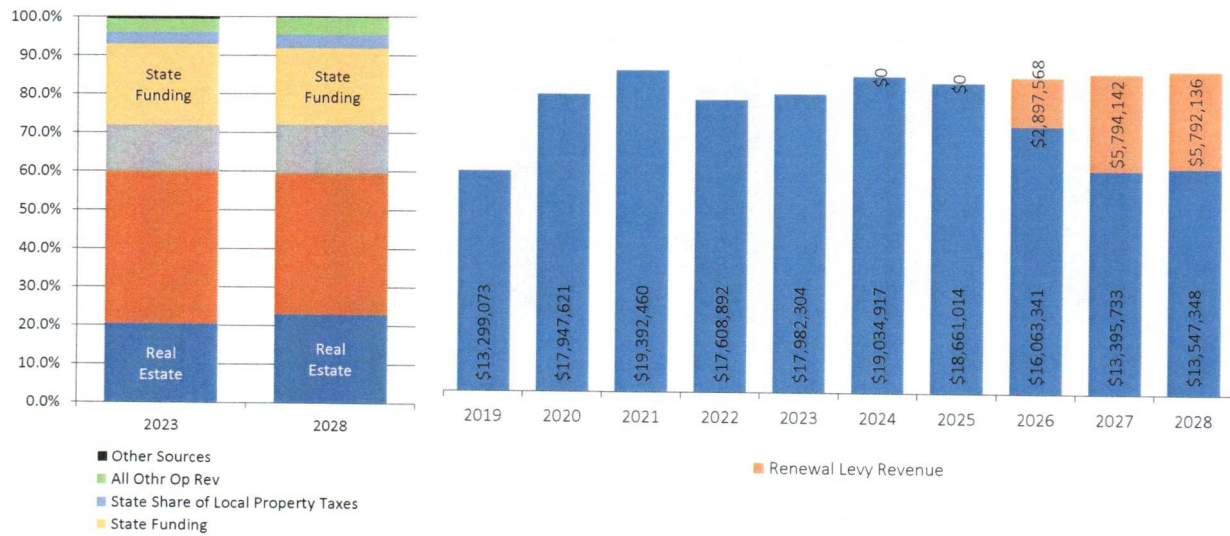
Revenue Surplus or Deficit w/o Levies	702,521	(557,911)	(3,566,029)	(6,891,811)	(7,300,866)
Ending Balance w/o Levies	7,583,661	7,025,750	3,459,721	(3,432,090)	(10,732,956)

In FY 2024 a revenue surplus is expected. This means that expenditures are expected to be less than revenue by -\$702,521 in FY 2024. By the last year of the forecast, FY 2028, the district is expected to have a revenue shortfall where expenditures are projected to be greater than revenue by \$7,300,866. The district would need to cut its FY 2028 projected expenses by 35.02% in order to balance its budget without additional revenue.

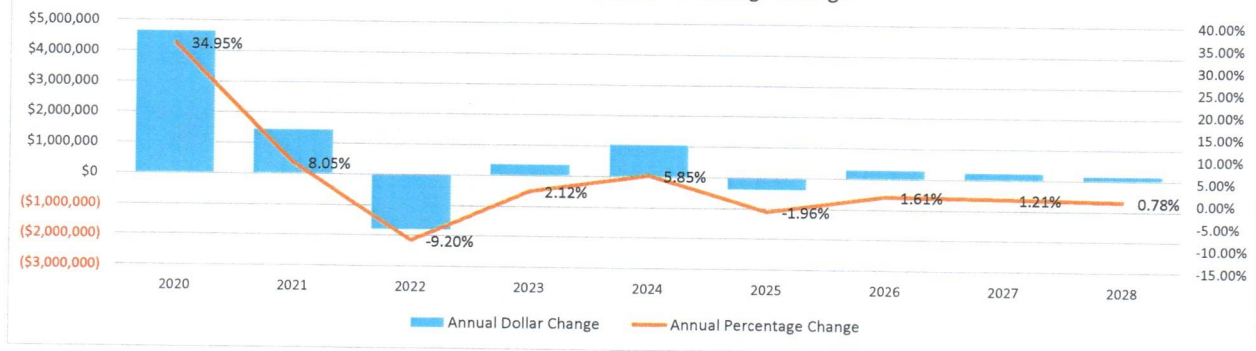
The district's cash balance is positive at year-end in FY 2024 and is projected to worsen by FY 2028. A worsening cash balance can erode the district's financial stability over time.

## Revenue Overview

Sources of Revenue Over Time



Year-Over-Year Dollar &amp; Percentage Change



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 8.98% or \$1,170,808 annually during the past 4-Year period and is projected to increase 1.50% or \$271,436 annually through FY2028. Public Utility has the most projected average annual variance compared to the historical average at - \$1,205,192
Real Estate	(\$78,214)	\$155,414	\$233,628	
Public Utility	\$1,194,017	(\$11,174)	(\$1,205,192)	
Income Tax	\$95,594	\$59,725	(\$35,869)	
State Funding	(\$9,954)	\$6,919	\$16,873	
State Share-Local Prop. Taxes	\$2,501	\$25,051	\$22,550	
All Othr Op Rev	(\$28,292)	\$46,154	\$74,446	
Other Sources	(\$4,844)	(\$10,652)	(\$5,808)	
Total Average Annual Change	\$1,170,808 8.98%	\$271,436 1.50%	(\$899,372) -7.49%	

Note: Expenditure average annual change is projected to be >

\$510,147 On an annual average basis, expenditures are projected to grow faster than revenue.



## Revenue Notes

### REAL ESTATE REVENUE

Real estate property tax revenue accounts for 20.50% of total revenue. Class I or residential/agricultural taxes make up approximately 92.37% of the real estate property tax revenue. The Class I tax rate is 20. mills in tax year 2023. The district is modeling the renewal of real estate property taxes levies through 2024. The projections reflect an average gross collection rate of 99.5% annually through tax year 2027. The revenue changed at an average annual historical rate of -1.86% and is projected to change at an average annual rate of 3.96% through FY 2028.

### PUBLIC UTILITY - PERSONAL PROPERTY REVENUE

The public utility personal property tax revenue is generated from the personal property values, additions, and depreciation reported by the utility companies. This category currently makes up 39.40% of total district revenue. The property is taxed at the full voted tax rate which in tax year 2023 is 47. mills. The forecast is modeling an average gross collection rate of 52.90%. The revenue changed historically at an average annual dollar amount of \$1,194,017 and is projected to change at an average annual dollar amount of -\$11,174 through FY 2028.

### INCOME TAX REVENUE

The district maintained one income tax levy in FY 2023. The average annual dollar change in total income tax revenue is forecasted to be \$59,725 through FY 2028. Income tax revenue is projected to account for 12.8% of total district revenue in FY 2028.

### UNRESTRICTED STATE AID REVENUE

Beginning in FY 2022 Ohio adopted the Fair School Funding Plan (FSFP). Funding is driven by a base cost methodology that incorporates the four components identified as necessary to the education process. The Base Cost is currently calculated for two years using a statewide average from historical actual data. For Hillsdale Local School District the calculated Base Cost total is \$6,825,696 in FY 2024. The state's share of the calculated Base Cost total is \$711,403 or \$899 per pupil.

The FSFP also started funding students where they attended school. Therefore district educated enrollment is now used for per pupil funding. At the same time, the FSFP eliminated tuition transfer payments from school districts.

### RESTRICTED STATE AID REVENUE

Restricted aid is the portion of state per pupil funding that must be classified as restricted use. Historically the district's restricted state aid changed annually on average by \$41,859 and is projected to change annually on average by -\$17,187. Restricted funds represent 1.08% 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 \$96,318. 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.

### STATE SHARE OF LOCAL PROPERTY TAXES REVENUE

State Share of Local Property Taxes 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 2024, approximately 11.6% local residential property taxes will be reimbursed by the state in the form of rollback credits and approximately 2.4% will be reimbursed in the form of qualifying homestead exemption credits.

### OTHER REVENUE

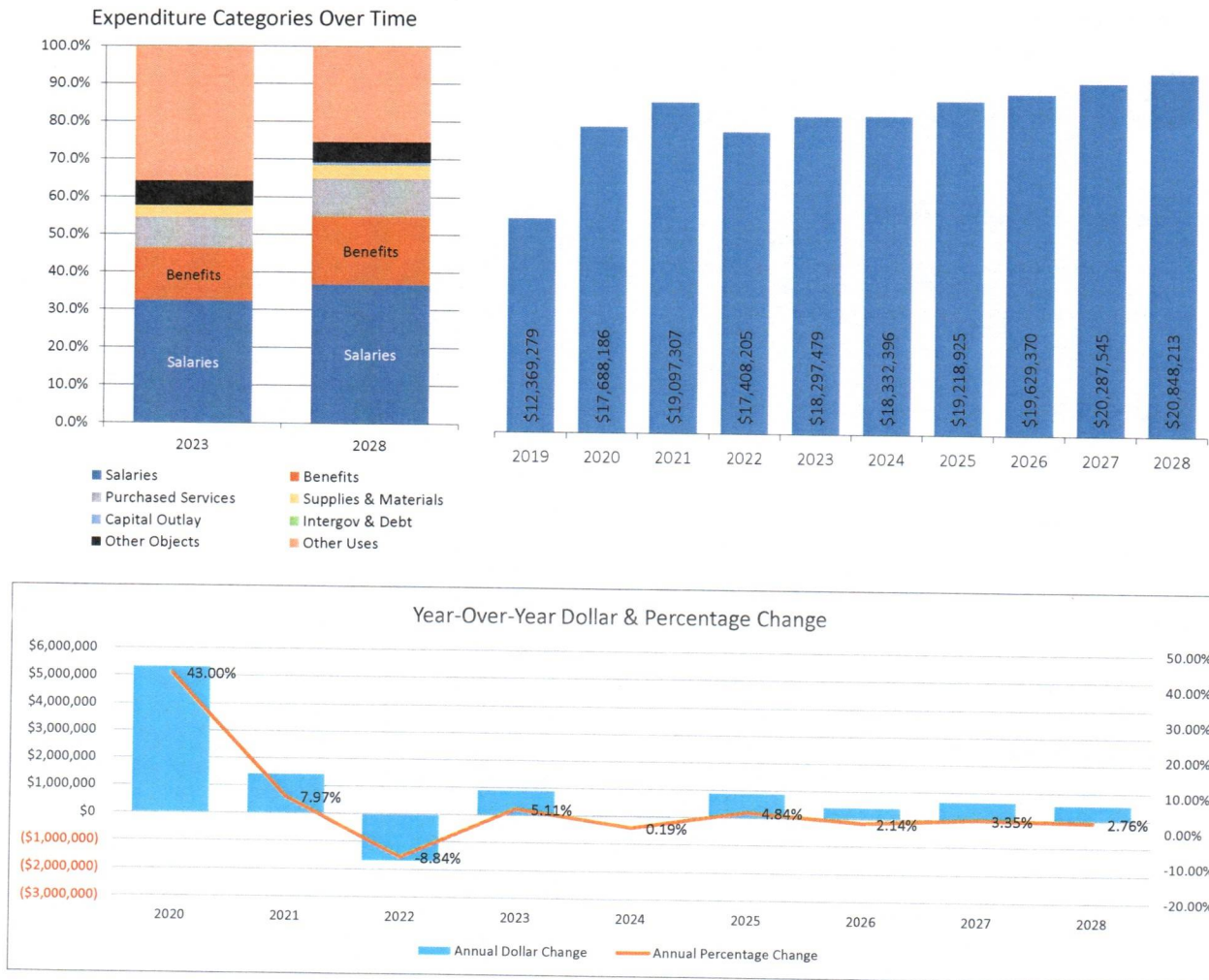
Other revenue includes tuition received by the district for non-resident students educated by the district. It also includes interest income, payments in lieu of taxes, and miscellaneous revenue. The historical average annual change was -\$28,292. The projected average annual change is \$46,154 through FY 2028.

### OTHER FINANCING SOURCES

Other sources includes revenue that is generally classified as non-operating. Return advances-in are the most common revenue source. In FY 2023 the district receipted \$29,910 as advances-in and is projecting advances of \$0 in FY 2024. 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 \$117,030 in FY 2024 and average \$30,147 annually through FY 2028.

### ADDITIONAL REVENUE NOTES

## Expenditure Overview



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

	Historical Average Annual \$ Change	Projected Average Annual \$ Change	Projected Compared to Historical Variance	Total expenditures increased 11.81% or \$1,482,050 annually during the past 4-Year period and is projected to increase 2.79% or \$510,147 annually through FY2028. Other Uses has the largest projected average annual variance compared to the historical average at -\$1,429,154.
Salaries	\$152,582	\$350,709	\$198,127	
Benefits	\$84,220	\$240,465	\$156,245	
Purchased Services	\$3,635	\$116,495	\$112,860	
Supplies & Materials	\$20,310	\$39,698	\$19,388	
Capital Outlay	(\$46,284)	\$28,924	\$75,209	
Intergov & Debt	\$0	\$0	\$0	
Other Objects	\$90,208	(\$14,370)	(\$104,578)	
Other Uses	\$1,177,379	(\$251,774)	(\$1,429,154)	
Total Average Annual Change	\$1,482,050 11.81%	\$510,147 2.79%	(\$971,903) -9.02%	

Note: Expenditure average annual change is projected

to be > \$510,147

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

## Expenditure Notes

### **SALARY EXPENSE**

Salaries represent 32.36% of total expenditures and increased at a historical average annual rate of 2.77% or \$152,582. This category of expenditure is projected to grow at an annual average rate of 5.33% or \$350,709 through FY 2028. The projected average annual rate of change is 2.57% more than the five year historical annual average.

### **BENEFIT EXPENSE**

Benefits represent 14.07% of total expenditures and increased at a historical average annual rate of 3.72%. This category of expenditure is projected to grow at an annual average rate of 7.99% through FY 2028. The projected average annual rate of change is 4.28% more than the five year historical annual average.

### **PURCHASED SERVICES EXPENSE**

Purchased Services represent 8.08% of total expenditures and increased at a historical average annual rate of 4.41%. This category of expenditure is projected to grow at an annual average rate of 7.22% through FY 2028. The FSFP funds only district educated enrollment thereby reducing tuition cost for open enrollment out, community schools, STEM, and scholarships starting in FY 2022. This change resulted in lower district cost but also less per pupil state revenue since per pupil funding was paid directly by the state to the attending school.

### **SUPPLIES & MATERIALS EXPENSE**

Supplies & Materials represent 3.13% of total expenditures and increased at a historical average annual rate of 6.07%. This category of expenditure is projected to grow at an annual average rate of 6.86% through FY 2028. The projected average annual rate of change is 0.79% more than the five year historical annual average.

### **CAPITAL OUTLAY EXPENSE**

Capital Outlay represent 0.06% of total expenditures and decreased at a historical average annual amount of -\$46,284. This category of expenditure is projected to grow at an annual average rate of \$28,924 through FY 2028. The projected average annual change is more than the five year historical annual average.

### **INTERGOVERNMENTAL & DEBT EXPENSE**

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

### **OTHER OBJECTS EXPENSE**

Other Objects represent 6.51% of total expenditures and increased at a historical average annual rate of 9.57%. This category of expenditure is projected to decrease at an annual average rate of -0.55% through FY 2028. The projected average annual rate of change is -10.12% less than the five year historical annual average.

### **OTHER USES EXPENSES**

Other Uses includes expenditures that are generally classified as non-operating. It is typically in the form of advances-out which are then repaid into the general fund from the other district funds. In FY 2023 the district had advances-out and has no advances-out forecasted through FY 2028. The district can also move general funds permanently to other funds, the district has transfers forecasted through FY 2028. The district can also have other uses of funds.

### **ADDITIONAL EXPENDITURE NOTES**



# Hillsdale Local School District

Five Year Forecast

May, 2024

Fiscal Year:	Actual			FORECASTED				
	2021	2022	2023	2024	2025	2026	2027	2028
<b>Revenue:</b>								
1.010 - General Property Tax (Real Estate)	3,670,194	3,653,697	3,685,483	4,076,036	4,138,663	4,143,208	4,252,402	4,355,257
1.020 - Public Utility Personal Property	8,532,452	6,878,202	7,085,704	7,287,183	6,857,315	4,192,620	1,345,730	1,344,993
1.030 - Income Tax	1,899,230	2,104,607	2,171,205	2,194,644	2,264,558	2,336,732	2,411,241	2,469,829
1.035 - Unrestricted Grants-in-Aid	3,691,223	3,726,440	3,593,539	3,562,593	3,647,866	3,679,627	3,714,423	3,714,072
1.040 - Restricted Grants-in-Aid	69,403	120,140	194,980	237,369	163,351	138,203	110,035	109,044
1.050 - State Share-Local Property Taxes	546,565	548,914	550,557	573,157	613,695	633,336	654,573	675,810
1.060 - All Other Operating Revenues	830,763	265,359	616,527	986,905	946,309	909,772	876,889	847,295
<b>1.070 - Total Revenue</b>	<b>19,239,830</b>	<b>17,297,359</b>	<b>17,897,994</b>	<b>18,917,887</b>	<b>18,631,757</b>	<b>16,033,499</b>	<b>13,365,294</b>	<b>13,516,299</b>
<b>Other Financing Sources:</b>								
2.010 - Proceeds from Sale of Notes	-	-	-	-	-	-	-	-
2.020 - State Emergency Loans and Adv	-	-	-	-	-	-	-	-
2.040 - Operating Transfers-In	-	-	-	-	-	-	-	-
2.050 - Advances-In	42,566	299,564	29,910	-	-	-	-	-
2.060 - All Other Financing Sources	110,065	11,969	54,400	117,030	29,257	29,843	30,439	31,048
<b>2.070 - Total Other Financing Sources</b>	<b>152,630</b>	<b>311,533</b>	<b>84,310</b>	<b>117,030</b>	<b>29,257</b>	<b>29,843</b>	<b>30,439</b>	<b>31,048</b>
<b>2.080 - Total Rev &amp; Other Sources</b>	<b>19,392,460</b>	<b>17,608,892</b>	<b>17,982,304</b>	<b>19,034,917</b>	<b>18,661,014</b>	<b>16,063,341</b>	<b>13,395,733</b>	<b>13,547,348</b>
<b>Expenditures:</b>								
3.010 - Personnel Services	5,525,020	5,717,613	5,920,884	6,333,542	6,709,272	7,075,104	7,447,825	7,674,431
3.020 - Employee Benefits	2,492,122	2,406,839	2,573,703	2,893,602	3,142,149	3,324,099	3,556,183	3,776,027
3.030 - Purchased Services	1,787,297	1,089,856	1,478,898	1,849,978	1,942,477	1,981,327	2,020,953	2,061,372
3.040 - Supplies and Materials	392,588	434,310	573,283	626,672	799,206	733,833	700,750	771,773
3.050 - Capital Outlay	11,113	4,636	11,102	27,000	205,350	155,724	205,724	155,724
Intergovernmental & Debt Service	-	-	-	-	-	-	-	-
4.300 - Other Objects	1,064,709	1,120,578	1,190,325	921,487	967,562	1,015,432	1,065,696	1,118,474
<b>4.500 - Total Expenditures</b>	<b>11,272,849</b>	<b>10,773,831</b>	<b>11,748,195</b>	<b>12,652,282</b>	<b>13,766,016</b>	<b>14,285,519</b>	<b>14,997,132</b>	<b>15,557,800</b>
<b>Other Financing Uses</b>								
5.010 - Operating Transfers-Out	7,524,901	6,604,464	6,537,717	5,680,115	5,452,910	5,343,852	5,290,413	5,290,413
5.020 - Advances-Out	299,558	29,910	11,568	(0)	(0)	(0)	(0)	(0)
5.030 - All Other Financing Uses	-	-	-	-	-	-	-	-
<b>5.040 - Total Other Financing Uses</b>	<b>7,824,459</b>	<b>6,634,374</b>	<b>6,549,285</b>	<b>5,680,114</b>	<b>5,452,910</b>	<b>5,343,851</b>	<b>5,290,413</b>	<b>5,290,413</b>
<b>5.050 - Total Exp and Other Financing Uses</b>	<b>19,097,307</b>	<b>17,408,205</b>	<b>18,297,479</b>	<b>18,332,396</b>	<b>19,218,925</b>	<b>19,629,370</b>	<b>20,287,545</b>	<b>20,848,213</b>
<b>6.010 - Excess of Rev Over/(Under) Exp</b>	<b>295,153</b>	<b>200,687</b>	<b>(315,175)</b>	<b>702,521</b>	<b>(557,911)</b>	<b>(3,566,029)</b>	<b>(6,891,811)</b>	<b>(7,300,866)</b>
7.010 - Cash Balance July 1 (No Levies)	6,700,476	6,995,629	7,196,315	6,881,140	7,583,661	7,025,750	3,459,721	(3,432,090)
<b>7.020 - Cash Balance June 30 (No Levies)</b>	<b>6,995,629</b>	<b>7,196,315</b>	<b>6,881,140</b>	<b>7,583,661</b>	<b>7,025,750</b>	<b>3,459,721</b>	<b>(3,432,090)</b>	<b>(10,732,956)</b>
				Reservations				
8.010 - Estimated Encumbrances June 30	305,718	449,077	30,278	124,076	90,000	90,000	90,000	90,000
9.080 - Reservations Subtotal	-	-	-	-	-	-	-	-
<b>10.010 - Fund Bal June 30 for Cert of App</b>	<b>6,689,911</b>	<b>6,747,239</b>	<b>6,850,862</b>	<b>7,459,585</b>	<b>6,935,749</b>	<b>3,369,720</b>	<b>(3,522,091)</b>	<b>(10,822,957)</b>
<b>Rev from Replacement/Renewal Levies</b>								
11.010 & 11.020 - Renewal Levies	-	-	-	-	-	2,897,568	5,794,142	5,792,136
11.030 - Cumulative Balance of Levies	-	-	-	-	-	2,897,568	8,691,710	14,483,846
<b>12.010 - Fund Bal June 30 for Cert of Obligations</b>	<b>6,689,911</b>	<b>6,747,239</b>	<b>6,850,862</b>	<b>7,459,585</b>	<b>6,935,749</b>	<b>6,267,288</b>	<b>5,169,619</b>	<b>3,660,889</b>
<b>Revenue from New Levies</b>								
13.010 & 13.020 - New Levies	-	-	-	-	-	-	-	-
13.030 - Cumulative Balance of New Levies	-	-	-	-	-	-	-	-
<b>15.010 - Unreserved Fund Balance June 30</b>	<b>6,689,911</b>	<b>6,747,239</b>	<b>6,850,862</b>	<b>7,459,585</b>	<b>6,935,749</b>	<b>6,267,288</b>	<b>5,169,619</b>	<b>3,660,889</b>