

Hillsdale Local School District

# **Five Year Forecast Financial Report**

November, 2022

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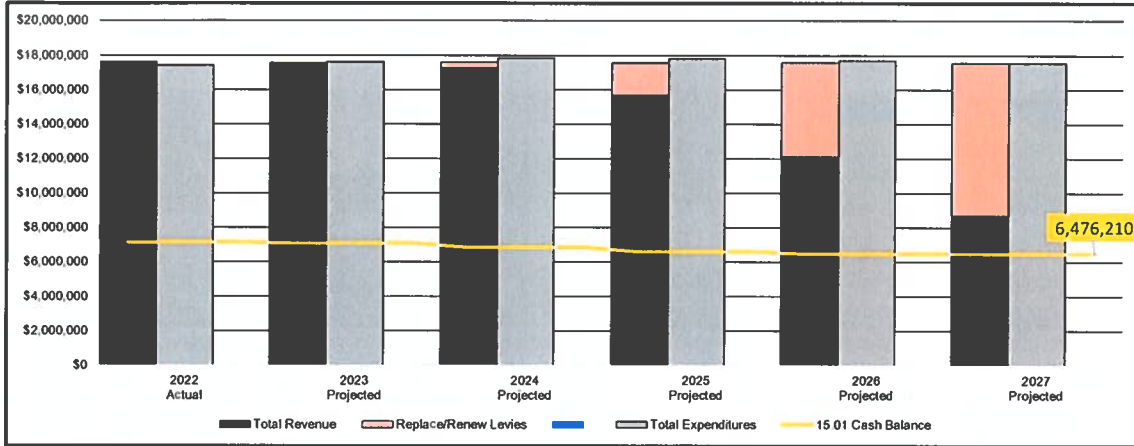
### **Forecast Purpose/Objectives**

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 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027
Beginning Balance (Line 7.010) Plus	7,133,544	7,078,652	6,840,356	6,592,406	6,472,456
+ Revenue	17,553,698	17,265,413	15,683,588	12,123,918	8,698,136
+ Proposed Renew/Replacement Levies	-	342,715	1,875,505	5,464,505	8,859,741
+ Proposed New Levies	-	-	-	-	-
- Expenditures	(17,608,590)	(17,846,424)	(17,807,042)	(17,708,374)	(17,554,124)
= Revenue Surplus or Deficit	(54,892)	(238,296)	(247,949)	(119,951)	3,754
Line 7.020 Ending Balance with renewal/new levies	7,078,652	6,840,356	6,592,406	6,472,456	6,476,210

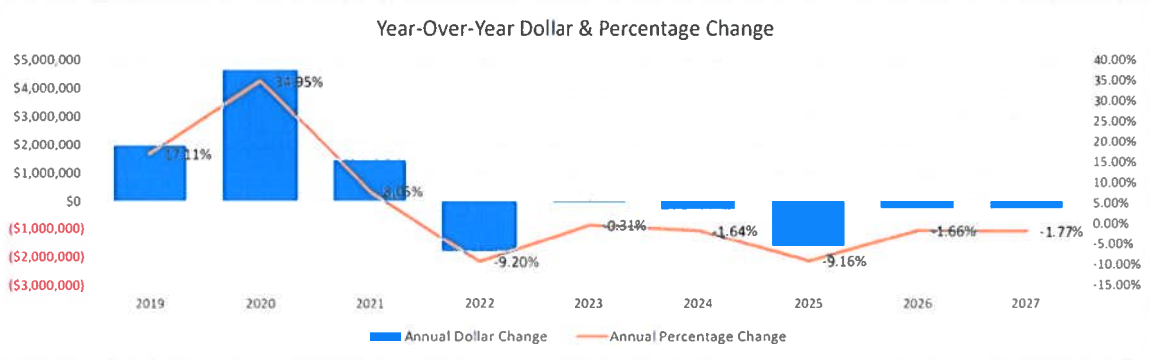
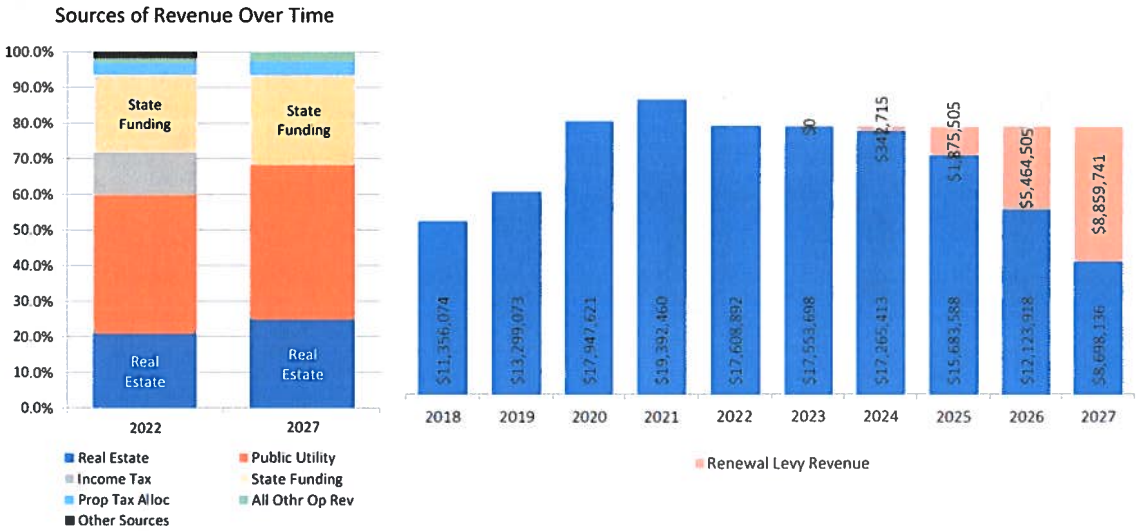
**Analysis Without Renewal Levies Included:**

Revenue Surplus or Deficit w/o Levies	(54,892)	(581,011)	(2,123,454)	(5,584,456)	(8,855,987)
Ending Balance w/o Levies	7,078,652	6,497,641	4,374,187	(1,210,269)	(10,066,256)

In FY 2023 a revenue shortfall is expected. This means that expenditures are expected to be greater than revenue by \$54,892 in FY 2023. By the last year of the forecast, FY 2027, the district is expected to have a revenue shortfall where expenditures are projected to be greater than revenue by \$8,855,987. The district would need to cut its FY 2027 projected expenses by 50.45% in order to balance its budget without additional revenue.

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

Revenue 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 revenue increased 7.96% or \$1,266,650 annually during the past 5-Year period and is projected to decrease -3.03% or -\$491,612 annually through FY2027. Public Utility has the most projected average annual variance compared to the historical average at -\$1,433,834
Real Estate	(\$159,659)	\$16,785	\$176,444	
Public Utility	\$1,375,640	(\$58,193)	(\$1,433,834)	
Income Tax	\$64,888	(\$408,578)	(\$473,466)	
State Funding	\$5,654	(\$14,007)	(\$19,660)	
Prop Tax Allocation	\$3,452	\$3,683	\$231	
All Othr Op Rev	(\$55,325)	\$30,405	\$85,730	
Other Sources	\$32,001	(\$61,707)	(\$93,707)	
<b>Total Average Annual Change</b>	<b>\$1,266,650</b> 7.96%	<b>(\$491,612)</b> -3.03%	<b>(\$1,758,262)</b> -10.99%	

Note: Expenditure average annual change is projected to be > \$29,184. 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 20.75% of total revenue. Class I or residential/agricultural taxes make up approximately 92.72% of the real estate property tax revenue. The Class I tax rate is 25.71 mills in tax year 2022. The district is modeling the renewal of real estate property taxes levies through 2024. The projections reflect an average gross collection rate of 99.9% annually through tax year 2026. The revenue changed at an average annual historical rate of -4.01% and is projected to change at an average annual rate of 0.45% through FY 2027.

### 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 39.06% of total district revenue. The property is taxed at the full voted tax rate which in tax year 2022 is 47. mills. The forecast is modeling an average gross collection rate of 50.01%. The revenue changed historically at an average annual dollar amount of \$1,375,640 and is projected to change at an average annual dollar amount of -\$58,193 through FY 2027.

### INCOME TAX REVENUE

The district maintained one income tax levy in FY 2022. The average annual dollar change in total income tax revenue is forecasted to be -\$408,578 through FY 2027. The district is projecting income tax renewal activity through FY 2027. Income tax revenue is projected to account for 0.4% of total district revenue in FY 2027.

### 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 \$6,171,190 in FY 2023. The state's share of the calculated Base Cost total is \$306,772 or \$406 per pupil.

For reference: CF63 The FSFP change to district educated enrollment could be lower than the district's historical formula funded enrollment but also potentially reduces tuition cost. In FY 2021, the district had approximately \$895,491 in possible tuition cost reductions. These reductions will be reflected in the purchased

### 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 \$14,911 and is projected to change annually on average by \$17,722. Restricted funds represent 0.68% 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 \$98,754. 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.

### PROPERTY TAX ALLOCATION REVENUE

Property tax allocation primarily consists of reimbursements from the state of Ohio for local taxpayer credits or reductions. The state reduces the local taxpayer's tax bill with a 10% rollback credit, and 2.5% owner-occupied rollback credit, plus a homestead credit for qualifying taxpayers. In FY 2023, approximately 11.5% local residential property taxes will be reimbursed by the state in the form of rollback credits and approximately 2.5% will be reimbursed in the form of qualifying homestead exemption credits.

### OTHER REVENUE

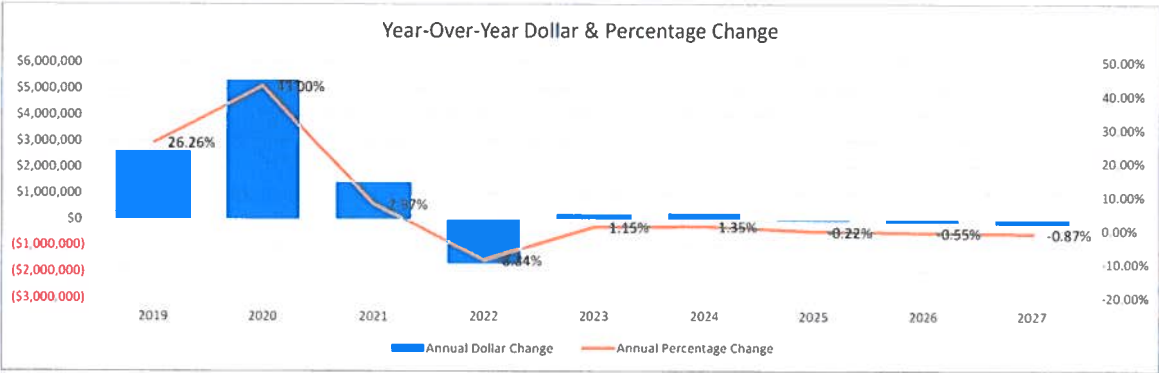
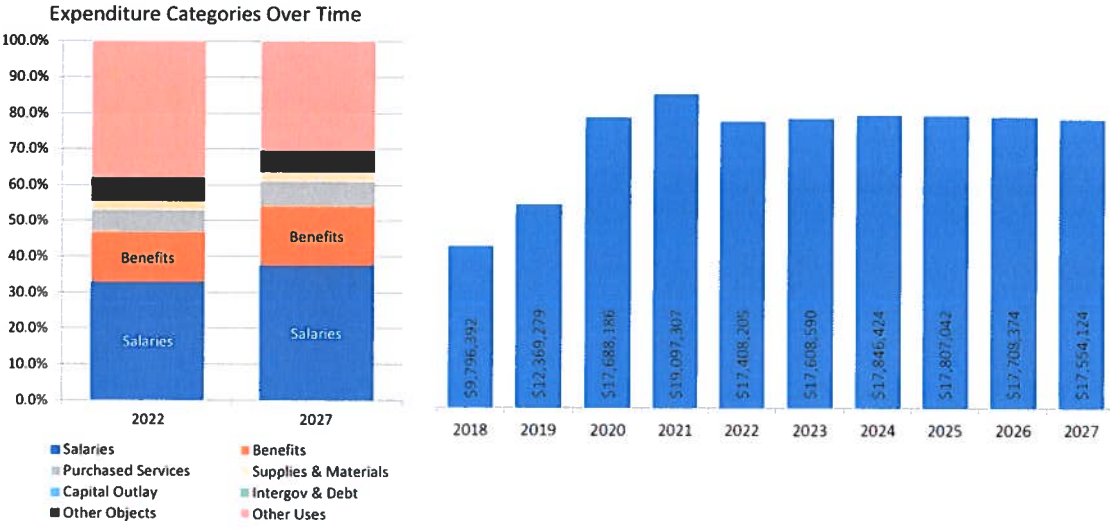
Other revenue includes tuition received by the district for non-resident students educated by the district. It also includes interest income, payments in lieu of taxes, and miscellaneous revenue. The historical average annual change was -\$55,325. The projected average annual change is \$30,405 through FY 2027. The FSFP includes per pupil funding for any open enrollment in students the district is educating. This revenue, if any, was recorded in 'other revenue' prior to FY 2022. Fiscal year 2022 and beyond will not include any open enrollment in revenue. The district posted revenue code 1227 open enrollment in revenue of \$570,407 in FY 2021.

### 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 2022 the district receipted \$299,564 as advances-in and is projecting advances of \$0 in FY 2023. The district also receives other financing sources such as refund of prior year expenditures in this category. The district is projecting that all other financing sources will be \$3,000 in FY 2023 and average \$3,000 annually through FY 2027.

### 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 9.49% or \$1,449,721 annually during the past 5-Year period and is projected to increase 0.17% or \$29,184 annually through FY2027. Other Uses has the largest projected average annual variance compared to the historical average at -\$1,574,310.
Salaries	\$148,503	\$170,835	\$22,332	
Benefits	\$55,340	\$101,711	\$46,372	
Purchased Services	(\$67,473)	\$25,437	\$92,910	
Supplies & Materials	\$9,042	(\$2,410)	(\$11,451)	
Capital Outlay	(\$135,712)	\$2,198	\$137,910	
Intergov & Debt	\$0	\$0	(\$0)	
Other Objects	\$117,947	(\$16,352)	(\$134,299)	
Other Uses	\$1,322,075	(\$252,235)	(\$1,574,310)	
<b>Total Average Annual Change</b>	<b>\$1,449,721</b>	<b>\$29,184</b>	<b>(\$1,420,537)</b>	
	9.49%	0.17%	-9.33%	

Note: Expenditure average annual change is projected to be > \$29,184

On an annual average basis, revenue are projected to contract while expenditures grows

## Expenditure Notes

### **SALARY EXPENSE**

Salaries represent 32.84% of total expenditures and increased at a historical average annual rate of 2.77% or \$148,503. This category of expenditure is projected to grow at an annual average rate of 2.67% or \$170,835 through FY 2027. The projected average annual rate of change is -0.10% less than the five year historical annual average.

### **BENEFIT EXPENSE**

Benefits represent 13.83% of total expenditures and increased at a historical average annual rate of 2.37% This category of expenditure is projected to grow at an annual average rate of 3.61% through FY 2027. The projected average annual rate of change is 1.25% more than the five year historical annual average.

### **PURCHASED SERVICES EXPENSE**

Purchased Services represent 6.26% of total expenditures and decreased at a historical average annual rate of -4.59%. This category of expenditure is projected to grow at an annual average rate of 2.18% through FY 2027. The FSFP funds only district educated enrollment thereby reducing tuition cost for open enrollment out, community schools, STEM, and scholarships starting in FY 2022. In FY 2021 these costs totaled \$895,491. The graph to the left reflects the difference between past formula enrolled compared to actual district educated.

### **SUPPLIES & MATERIALS EXPENSE**

Supplies & Materials represent 2.49% of total expenditures and increased at a historical average annual rate of 2.19%. This category of expenditure is projected to decrease at an annual average rate of -0.59% through FY 2027. The projected average annual rate of change is -2.78% less than the five year historical annual average.

### **CAPITAL OUTLAY EXPENSE**

Capital Outlay represent 0.03% of total expenditures and decreased at a historical average annual amount of -\$135,712. This category of expenditure is projected to

### **INTERGOVERNMENTAL & DEBT EXPENSE**

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

### **OTHER OBJECTS EXPENSE**

Other Objects represent 6.44% of total expenditures and increased at a historical average annual rate of 12.83%. This category of expenditure is projected to decrease at an annual average rate of -1.57% through FY 2027. The projected average annual rate of change is -14.41% less than the five year historical annual

### **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 2022 the district had advances-out and has no advances-out forecasted through FY 2027. The district can also move general funds permanently to other funds, the district has transfers forecasted through FY 2027. The district can also have other uses of funds.

### **ADDITIONAL EXPENDITURE NOTES**

**Hillsdale Local School District**  
Five Year Forecast  
November, 2022

Fiscal Year:	Actual			FORECASTED				
	2020	2021	2022	2023	2024	2025	2026	2027
<b>Revenue:</b>								
1.010 - General Property Tax (Real Estate)	4,125,107	3,670,194	3,653,697	3,650,866	3,689,335	3,724,222	3,398,433	3,155,800
1.020 - Public Utility Personal Property	6,825,828	8,532,452	6,878,202	6,966,120	6,885,866	6,732,752	3,772,127	797,825
1.030 - Income Tax	1,834,712	1,899,230	2,104,607	2,218,174	1,942,049	468,876	240,570	61,719
1.035 - Unrestricted Grants-in-Aid	3,562,269	3,691,223	3,726,440	3,570,363	3,568,569	3,569,826	3,567,444	3,567,795
1.040 - Restricted Grants-in-Aid	69,402	69,403	120,140	198,101	202,872	203,414	207,528	208,751
1.050 - Property Tax Allocation	541,044	546,565	548,914	550,609	557,474	564,111	517,430	485,860
1.060 - All Other Operating Revenues	855,202	830,763	265,359	396,465	416,247	417,387	417,387	417,387
<b>1.070 - Total Revenue</b>	<b>17,813,563</b>	<b>19,239,830</b>	<b>17,297,359</b>	<b>17,550,698</b>	<b>17,262,413</b>	<b>15,680,588</b>	<b>12,120,918</b>	<b>8,695,137</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	32,021	42,566	299,564	-	-	-	-	-
2.060 - All Other Financing Sources	102,037	110,065	11,969	3,000	3,000	3,000	3,000	3,000
2.070 - Total Other Financing Sources	134,058	152,630	311,533	3,000	3,000	3,000	3,000	3,000
<b>2.080 - Total Rev &amp; Other Sources</b>	<b>17,947,621</b>	<b>19,392,460</b>	<b>17,608,892</b>	<b>17,553,698</b>	<b>17,265,413</b>	<b>15,683,588</b>	<b>12,123,918</b>	<b>8,698,136</b>
<b>Expenditures:</b>								
3.010 - Personnel Services	5,333,937	5,525,020	5,717,613	6,055,661	6,383,410	6,479,152	6,558,509	6,571,786
3.020 - Employee Benefits	2,480,974	2,492,122	2,406,839	2,761,055	2,735,727	2,799,948	2,862,724	2,915,396
3.030 - Purchased Services	1,596,337	1,787,297	1,089,856	1,020,689	1,181,901	1,205,039	1,205,039	1,217,039
3.040 - Supplies and Materials	365,955	392,588	434,310	394,261	404,261	414,261	418,261	422,261
3.050 - Capital Outlay	142,596	11,113	4,636	15,625	15,625	15,625	15,625	15,625
Intergovernmental & Debt Service	-	-	-	-	-	-	-	-
4.300 - Other Objects	897,722	1,064,709	1,120,578	1,038,499	1,038,499	1,038,816	1,038,816	1,038,816
<b>4.500 - Total Expenditures</b>	<b>10,817,520</b>	<b>11,272,849</b>	<b>10,773,831</b>	<b>11,285,791</b>	<b>11,759,424</b>	<b>11,952,842</b>	<b>12,098,974</b>	<b>12,180,924</b>
<b>Other Financing Uses</b>								
5.010 - Operating Transfers-Out	6,828,101	7,524,901	6,604,464	6,322,800	6,087,000	5,854,200	5,609,400	5,373,200
5.020 - Advances-Out	42,566	299,558	29,910	(0)	(0)	(0)	(0)	(0)
5.030 - All Other Financing Uses	-	-	-	-	-	-	-	-
5.040 - Total Other Financing Uses	6,870,666	7,824,459	6,634,374	6,322,800	6,087,000	5,854,200	5,609,400	5,373,200
<b>5.050 - Total Exp and Other Financing Uses</b>	<b>17,688,186</b>	<b>19,097,307</b>	<b>17,408,205</b>	<b>17,608,590</b>	<b>17,846,424</b>	<b>17,807,042</b>	<b>17,708,374</b>	<b>17,554,124</b>
<b>6.010 - Excess of Rev Over/(Under) Exp</b>	<b>259,435</b>	<b>295,153</b>	<b>200,687</b>	<b>(54,892)</b>	<b>(581,011)</b>	<b>(2,123,454)</b>	<b>(5,584,456)</b>	<b>(8,855,987)</b>
7.010 - Cash Balance July 1 (No Levies)	6,378,270	6,637,705	6,932,858	7,133,544	7,078,652	6,497,641	4,374,187	(1,210,269)
<b>7.020 - Cash Balance June 30 (No Levies)</b>	<b>6,637,705</b>	<b>6,932,858</b>	<b>7,133,544</b>	<b>7,078,652</b>	<b>6,497,641</b>	<b>4,374,187</b>	<b>(1,210,269)</b>	<b>(10,066,256)</b>
				Reservations				
8.010 - Estimated Encumbrances June 30	-	-	-	-	-	-	-	-
9.080 - Reservations Subtotal	-	-	-	-	-	-	-	-
<b>10.010 - Fund Bal June 30 for Cert of App</b>	<b>6,637,705</b>	<b>6,932,858</b>	<b>7,133,544</b>	<b>7,078,652</b>	<b>6,497,641</b>	<b>4,374,187</b>	<b>(1,210,269)</b>	<b>(10,066,256)</b>
<b>Rev from Replacement/Renewal Levies</b>								
11.010 & 11.020 - Renewal Levies	-	-	-	-	342,715	1,875,505	5,464,505	8,859,741
11.030 - Cumulative Balance of Levies	-	-	-	-	342,715	2,218,219	7,682,724	16,542,466
12.010 - Fund Bal June 30 for Cert of Obligations	6,637,705	6,932,858	7,133,544	7,078,652	6,840,356	6,592,406	6,472,456	6,476,210
<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>6,637,705</b>	<b>6,932,858</b>	<b>7,133,544</b>	<b>7,078,652</b>	<b>6,840,356</b>	<b>6,592,406</b>	<b>6,472,456</b>	<b>6,476,210</b>