

**HIGHLAND LOCAL SCHOOL DISTRICT- MEDINA COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES FOR THE FISCAL YEARS ENDED
JUNE 30, 2023, 2024 AND 2025 ACTUAL
FORECASTED FISCAL YEARS ENDING
JUNE 30, 2025 THROUGH JUNE 30, 2029**



**Forecast Prepared By
Highland Local School District
Treasurer's Office
Neil Barnes, Treasurer/CFO
November 18, 2024**

Highland Local School District

Medina County

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2022, 2023 and 2024 Actual;
Forecasted Fiscal Years Ending June 30, 2025 Through 2029

	Actual				Forecasted				
	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Average Change	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029
Revenues									
1.010 General Property Tax (Real Estate)	\$23,830,576	\$24,762,535	\$26,627,650	5.7%	\$27,091,424	\$27,271,761	\$27,639,697	\$27,998,526	\$28,357,942
1.020 Public Utility Personal Property Tax	1,377,909	1,488,438	1,581,292	7.1%	\$1,630,031	1,667,445	1,712,334	1,771,329	1,843,412
1.030 Income Tax	0	0	0	0.0%	\$0	0	0	0	0
1.035 Unrestricted State Grants-in-Aid	4,735,259	4,922,334	5,184,856	4.6%	\$5,384,479	5,356,126	5,360,751	5,365,485	5,370,295
1.040 Restricted State Grants-in-Aid	548,200	252,235	332,268	-11.1%	\$250,821	250,306	250,306	250,306	250,306
1.045 Restricted Federal Grants-in-Aid	0	0	0	0.0%	\$0	0	0	0	0
1.050 State Share of Local Property Taxes	2,974,327	3,649,291	3,591,988	10.6%	\$3,625,090	3,651,550	3,701,559	3,751,766	3,801,968
1.060 All Other Revenues	892,555	1,709,547	2,115,240	57.6%	\$2,062,324	1,836,060	1,605,570	1,256,705	1,010,853
1.070 Total Revenues	\$34,358,826	\$36,784,380	\$39,433,294	7.1%	\$40,044,169	\$40,033,248	\$40,270,217	\$40,394,117	\$40,634,776
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	0	0	0	0.0%	0	0	0	0	0
2.040 Operating Transfers-In	45,000	97,500	70,000	44.2%	0	0	0	0	0
2.050 Advances-In	5,784	193,969	11,174	1579.7%	180,952	50,000	50,000	50,000	50,000
2.060 All Other Financing Sources	645,563	220,499	394,742	6.6%	351,879	301,879	106,879	106,879	106,879
2.070 Total Other Financing Sources	\$696,347	\$511,968	\$475,916	-16.8%	\$532,831	\$351,879	\$156,879	\$156,879	\$156,879
2.080 Total Revenues and Other Financing Sources	\$35,055,173	\$37,296,348	\$39,909,210	6.7%	\$40,577,000	\$40,385,127	\$40,427,096	\$40,550,996	\$40,791,655
Expenditures									
3.010 Personal Services	\$21,528,998	\$22,416,944	\$23,178,806	3.8%	\$24,858,573	\$26,046,253	\$27,263,528	\$28,515,375	\$29,826,416
3.020 Employees' Retirement/Insurance Benefits	7,286,936	7,766,070	8,266,148	6.5%	\$8,967,053	9,572,379	10,312,844	11,087,632	11,927,525
3.030 Purchased Services	5,231,448	5,050,538	5,669,979	4.4%	\$7,301,328	7,634,610	7,784,822	8,036,458	8,296,546
3.040 Supplies and Materials	945,627	1,360,159	1,036,695	10.0%	\$1,377,040	1,418,352	1,460,902	1,504,728	1,549,870
3.050 Capital Outlay	181,376	102,364	264,245	57.3%	\$172,511	177,686	183,017	188,508	194,163
3.060 Intergovernmental	0	0	0	0.0%	\$0	0	0	0	0
Debt Service:				0.0%					
4.010 Principal-All (Historical Only)	0	0	0	0.0%	\$0	0	0	0	0
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	0	0	0	0.0%	\$0	0	0	0	0
4.055 Principal-Other	0	0	0	0.0%	\$0	0	0	0	0
4.060 Interest and Fiscal Charges	0	0	-	0.0%	\$0	0	0	0	0
4.300 Other Objects	510,482	582,737	527,910	2.4%	\$556,058	567,179	578,523	590,094	601,896
4.500 Total Expenditures	\$35,684,867	\$37,278,812	\$38,943,783	4.5%	\$43,232,563	\$45,416,459	\$47,583,636	\$49,922,795	\$52,396,416
Other Financing Uses									
5.010 Operating Transfers-Out	\$10,000	\$50,000	\$50,000	200.0%	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
5.020 Advances-Out	193,969	11,174	153,452	589.5%	50,000	50,000	50,000	50,000	50,000
5.030 All Other Financing Uses	0	0	649	0.0%	0	0	0	0	0
5.040 Total Other Financing Uses	\$203,969	\$61,174	\$204,101	81.8%	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000
5.050 Total Expenditures and Other Financing Uses	\$35,888,836	\$37,339,986	\$39,147,884	4.4%	\$43,307,563	\$45,491,459	\$47,658,636	\$49,997,795	\$52,471,416
Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Uses	(\$833,663)	(\$43,638)	\$761,326	-969.7%	(\$2,730,563)	(\$5,106,332)	(\$7,231,540)	(\$9,446,799)	(\$11,679,761)
Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	\$23,179,438	\$22,345,775	\$22,302,137	-1.9%	\$23,063,463	\$20,332,900	\$15,226,568	\$7,995,028	(\$1,451,771)
7.010 Cash Balance June 30	\$22,345,775	\$22,302,137	\$23,063,463	1.6%	\$20,332,900	\$15,226,568	\$7,995,028	(\$1,451,771)	(\$13,131,532)
8.010 Estimated Encumbrances June 30	\$614,971	\$768,655	\$631,108	3.5%	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Reservation of Fund Balance									
9.010 Textbooks and Instructional Materials	0	0	0	0.0%	0	0	0	0	0
9.020 Capital Improvements	0	0	0	0.0%	0	0	0	0	0
9.030 Budget Reserve	0	0	0	0.0%	0	0	0	0	0
9.040 DPIA	0	0	0	0.0%	0	0	0	0	0
9.045 Fiscal Stabilization	0	0	0	0.0%	0	0	0	0	0
9.050 Debt Service	0	0	0	0.0%	0	0	0	0	0
9.060 Property Tax Advances	0	0	0	0.0%	0	0	0	0	0
9.070 Bus Purchases	0	0	0	0.0%	0	0	0	0	0
9.080 Subtotal Reservations of fund Balance	\$0	\$0	\$0	0.0%	\$0	\$0	\$0	\$0	\$0
10.010 Fund Balance June 30 for Certification of Appropriations	\$21,730,804	\$21,533,482	\$22,432,355	1.6%	\$19,832,900	\$14,726,568	\$7,495,028	(\$1,951,771)	(\$13,631,532)

Highland Local School District

Medina County

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2022, 2023 and 2024 Actual;
Forecasted Fiscal Years Ending June 30, 2025 Through 2029

	Actual			Average Change	Forecasted				
	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024		Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029
Revenue from Replacement/Renewal Levies									
11.010 Income Tax - Renewal	0	0	0	0.0%	0	0	0	0	0
11.020 Property Tax - Renewal or Replacement	0	0	0	0.0%	0	0	0	0	0
11.300 Cumulative Balance of Renewal Levies	\$0	\$0	\$0	0.0%	\$0	\$0	\$0	\$0	\$0
<i>Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations</i>									
12.010	\$21,730,804	\$21,533,482	\$22,432,355	1.6%	\$19,832,900	\$14,726,568	\$7,495,028	(\$1,951,771)	(\$13,631,532)
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
14.010 Revenue from Future State Advancements				0.0%	-	-	-	-	-
15.010 <i>Unreserved Fund Balance June 30</i>	\$21,730,804	\$21,533,482	\$22,432,355	1.6%	\$19,832,900	\$14,726,568	\$7,495,028	(\$1,951,771)	(\$13,631,532)

Highland Local School District –Medina County
Notes to the Five-Year Forecast
Operating Funds Only (General Fund and Substitute Levy Fund)
November 18, 2024

Introduction to the Five Year Forecast

The forecast is a projection of the future financial outlook of the District based upon a snapshot of today. The further into the future the forecast extends, the more likely it is that the projections will deviate from actual experience. Various events will ultimately impact the latter years of the forecast, such as state budgets (adopted every two years), tax levies (new/renewal/substitute), salary increases, enrollment variances, and 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 to examine future years' projections and proactively plan for potential challenges on the horizon. School districts are encouraged to update their forecasts with the Ohio Department of Education and Workforce (ODEW) when events materially change their forecast or, at a minimum, when required under the statute.

In a financial forecast, the numbers only tell part of the story. For the numbers to be meaningful, the reader must review and consider the Assumptions to the Financial Forecast before drawing conclusions or using the data as a basis for other calculations. The assumptions are fundamental to understanding the rationale of the numbers, particularly when a significant increase or decrease is reflected. It is recommended that the Treasurer/Chief Fiscal Officer be contacted with any questions.

Following are three important 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 ODEW and the 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, and May 31, each fiscal year (July 1 to June 30). The five-year forecast includes three years of actual and five years of projected general operating funds' revenues and expenditures. The first year of the fiscal forecast is considered the baseline year. The forecast is updated to reflect the most current economic data available for the November 2024 filing.

Economic Outlook

The current economic recovery began in the fall of 2020 and remains robust as of this forecast date. Conversely, recent Federal Reserve Bank interest rate cuts foretell of a possible recession in the next six to twelve months. The persistently high inflation that has impacted the state, country, and broader globalized economy has slowed to an annualized rate of 2.6% in October 2024 that is down from the 40 year high annualized rate of 9.1% posted in June 2022. Costs for goods and services in FY23 and FY24 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. Inflation affecting District costs is expected to continue in FY25. Fortunately, the Federal Reserve is projecting inflation to be closer to their target rate of 2% by calendar year end 2024 or early in 2025.

The Federal Reserve Bank cut Federal Fund rates in September 2024 by 50 basis points (0.50%) which indicates slowing inflation and a slowing economy. Employment levels have begun to fall. The unemployment rate was 3.8% in September 2023 and rose to 4.2% in September 2024. A survey of prominent leading

economists predicts there is roughly a 50% chance of a mild recession in calendar year 2025. How this potentially impacts the state of Ohio's FY26 and FY27 biennium budget deliberations and actions in late spring 2025 is currently unknown.

The state of Ohio has enjoyed economic growth over the past three years, and the state's Rainy Day Fund balance is at \$3.7 billion. The new state funding formula is in the fourth year of a projected six-year phase-in. While increased inflation has impacted costs across Ohio, 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 finalize the last two years of the phase-in of the new funding formula in FY26 and FY27 even if a cyclical recession occurs. Regardless of a recession, the state is well-positioned to continue state aid payments to Ohio's school districts.

Since 2020 all school districts were being aided in varying degrees by three (3) rounds of Federal Elementary and Secondary Schools Emergency Relief Funds (ESSER). The most recent allocation of ESSER funds must be encumbered by September 30, 2024. The loss of these funds in FY25 and future years may create a "fiscal cliff" as any continuing costs will be absorbed back into the District's operating fund budget.

Data and assumptions noted in this forecast are based on the best and most reliable data available as of the date of this forecast.

Forecast Risk 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 the deliberation of the following two (2) state biennium budgets for FY26-27 and FY28-29, both of which affect this five-year forecast. Estimated revenues and expenses are 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 the forecast in the long term:

- 1) Property tax collections are the largest single revenue source for the school system. The housing market in the District is stable and modestly growing. Total local revenues, which mainly consist of local taxes, equate to 76.9% of the District's revenue. Tax collections in the August 2023 and March 2024 settlements showed an increase as a result of the TY2022 update for Medina County, as well as TY2023 new construction values. The collection rate remains strong and delinquent collections are stable. The risk that collections would fall below projections throughout the forecast is deemed relatively low.
- 2) Medina County will experience a full reappraisal in the 2025 tax year (2026 collection/calendar year). After the historic property value increase of the last few years, and the current housing market dynamics (significantly increased mortgage rates and inflation), this forecast assumes no inflationary/deflationary changes in values resulting from the TY2025 reappraisal.
- 3) Due to recent historic property value increases, the Ohio Legislature has considered various proposals to help reduce non-voted tax increases on taxpayers. Recently, the Senate proposed SB271 that seeks to limit growth through a refund or a reduction of taxes to ensure property taxes do not exceed 5% of a qualified taxpayer's income. If passed by the General Assembly, this will result in lower tax increases for the residents who qualify.

In addition to SB271, the legislature developed a Joint Committee on Property Taxation and Reform. Their mission is to review Ohio's property tax system and to make recommendations to the General Assembly on property taxation by December 31, 2024. Districts are watching these deliberations closely as they could impact future reappraisals and possibly the 20-mill floor currently in law. The District is on the 20-mill floor for both Class I and Class II values. Districts will be watching the Joint Committee and pending legislation carefully.

4) HB33, the current state budget, continues to phase in the Fair School Funding Plan (FSFP). FY25 reflects 66.67% of the implementation (year four of a six-year phase-in plan), which increases by 16.66% each year. The final two years of the phase-in are not guaranteed and are dependent on legislative actions for the FY26 and FY27 state biennium budget.

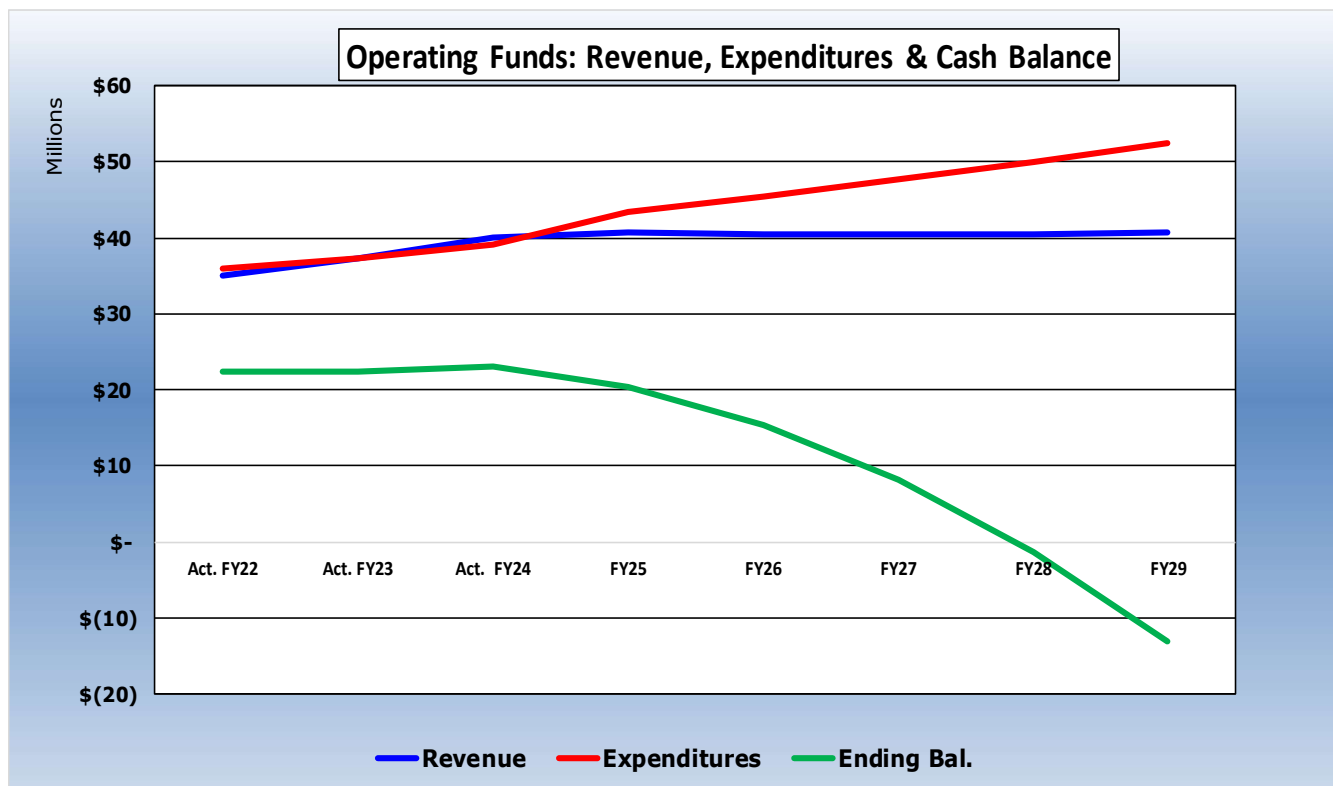
5) State funds represent 23.1% of District revenues. This revenue could be at risk if the state economy stalls, or the last two (2) years of the Fair School Funding Plan is not funded in the next state biennium budget. Two future State Biennium Budgets, covering FY26-FY27 and FY28-FY29, are included in the forecast period. This forecast assumes state funding will remain flat through FY29. Adjustments will be made to the forecast as data that is more definitive becomes available.

Highland labor relations have been amicable with all parties working in the best interest of students while recognizing existing resource challenges. It is expected that this positive working relationship will continue into the future.

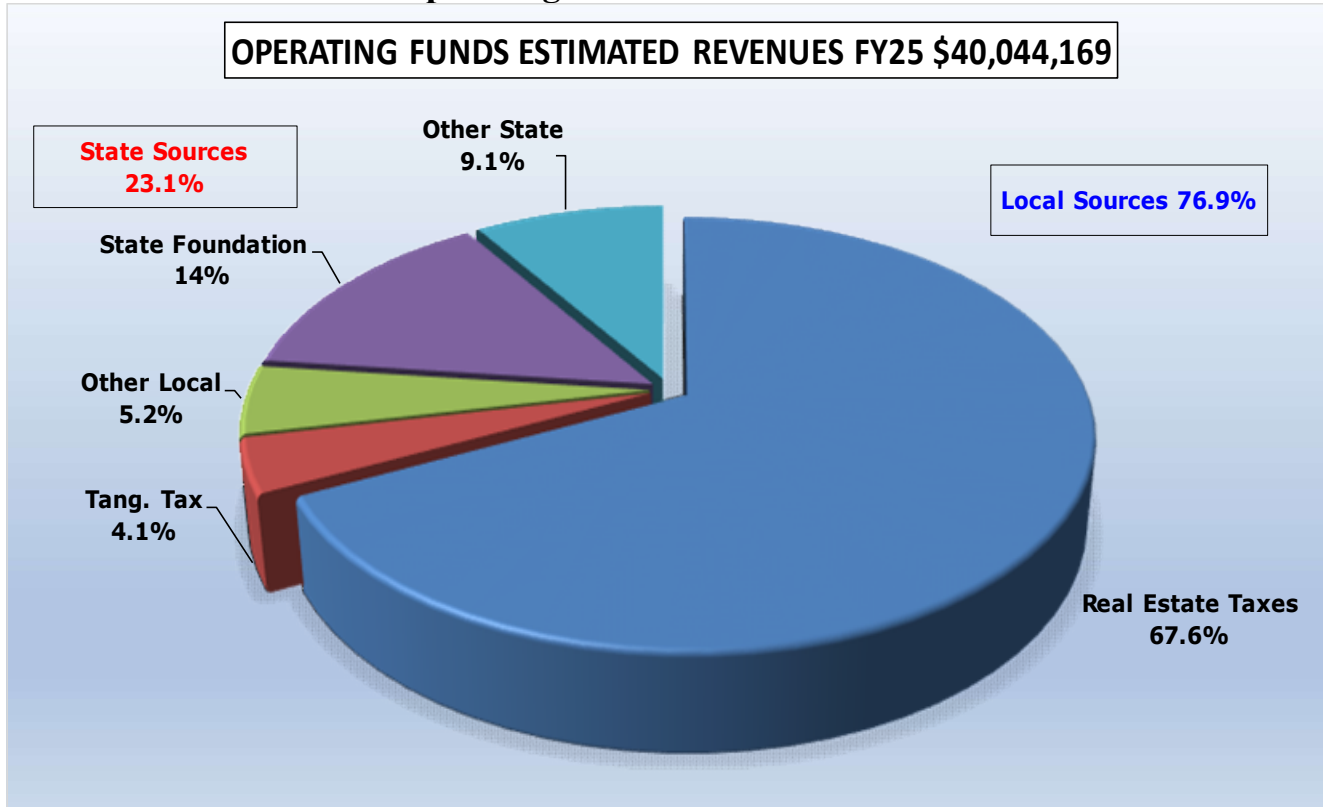
The major lines of reference are noted below in the headings to make it easier for the reader to relate the assumptions back to the forecast. For further information, please feel free to contact Neil Barnes, Treasurer/CFO, at 330-239-1901.

Operating Revenues, Expenditures and Ending Cash Balance Actual FY22-24 and Estimated FY25-29

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



Revenue Assumptions Operating Revenue Sources FY25



Property Value Assumptions – Line # 1.010

Property values are established each year by the County Auditor based on new construction, demolitions, Board of Revision/Board of Tax Appeals activity, and completed reappraisals/updates. Residential/Agricultural value increases are led by inflationary increases in property values and a steady housing market. Commercial/Industrial values increase due to new construction and previously abated property returning to the tax rolls.

Summit County had an update for the 2023 tax year (collection year 2024) with Class I and II values increasing by \$3.4 million. Medina County will undergo a complete reappraisal in tax year 2025.

Public Utility Personal Property (PUPP) values increased by \$860,770 in tax year 2023. It is expected that these values will continue to grow by ~3% each year of the forecast.

ESTIMATED ASSESSED VALUE (AV) BY COLLECTION YEARS

	Estimated	Estimated	Estimated	Estimated	Estimated
	TAX YEAR 2024	TAX YEAR 2025	TAX YEAR 2026	TAX YEAR 2027	TAX YEAR 2028
<u>Classification</u>	<u>COLLECT 2025</u>	<u>COLLECT 2026</u>	<u>COLLECT 2027</u>	<u>COLLECT 2028</u>	<u>COLLECT 2029</u>
Res./Ag.	\$1,215,793,410	\$1,235,243,410	\$1,254,693,410	\$1,274,143,410	\$1,293,593,410
Comm./Ind.	90,553,469	92,198,668	92,837,011	93,497,505	94,180,814
Public Utility Personal Property (PUPP)	<u>23,838,650</u>	<u>24,498,650</u>	<u>25,178,650</u>	<u>25,858,650</u>	<u>26,538,650</u>
Total Assessed Value	<u>\$1,330,185,529</u>	<u>\$1,351,940,728</u>	<u>\$1,372,709,071</u>	<u>\$1,393,499,565</u>	<u>\$1,414,312,874</u>

Tax Rate Assumptions

The county auditor sets the tax rates for each levy to provide tax revenues for the District. Ohio law provides for “reduction factors” on all voted property tax levies, which adjusts the millage rates lower than the voted rate. This is to keep levies from growing with increases in property values. Thus, the tax revenue received by a district is generally the same as the actual amount of the levy at the time of the election for carryover/existing properties.

The reduction factors are applied separately to Residential/Agriculture (Class I) and Commercial/Industrial (Class II) resulting in different effective millage rates. The District-voted rate for all operating levies is 64.5 mills. Ohio law has a provision that the reduction factors cannot lower the total effective millage rate for each class to less than 20 mills (excluding emergency and substitute emergency levies). This is inclusive of both the voted and the non-voted millage rates and is called the “20-Mill Floor”. Highland is on the floor for both Class I and Class II.

General Property Tax (Real Estate) – Line #1.010

Property tax levies are estimated to be collected at 98.32% of the annual amount. This allows for a 1.68% delinquency factor. In general, 53.5% of the Res/Ag and Comm/Ind property taxes are expected to be collected in the March/April tax settlement and 46.5% collected in the September/October tax settlement.

<u>Source</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>	<u>FY29</u>
Est. Real Estate Taxes	<u>\$27,091,424</u>	<u>\$27,271,761</u>	<u>\$27,639,697</u>	<u>\$27,998,526</u>	<u>\$28,357,942</u>
Total Line #1.01 Real Estate Taxes	<u>\$27,091,424</u>	<u>\$27,271,761</u>	<u>\$27,639,697</u>	<u>\$27,998,526</u>	<u>\$28,357,942</u>

Tangible Personal Tax & PUPP Taxes – Line#1.020

A phase out of TPP taxes began in FY06 with the passage of HB66 in June 2005. Amounts noted below are public utility tangible personal property (PUPP) tax payments from public utilities. The values for PUPP are \$23.2 million for tax year 2023 and are collected at the District’s gross voted millage rate. Collections are typically 52% in March/April and 48% in September/October.

<u>Source</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>	<u>FY29</u>
Public Utility Personal Property	<u>\$1,630,031</u>	<u>\$1,667,445</u>	<u>\$1,712,334</u>	<u>\$1,771,329</u>	<u>\$1,843,412</u>
Total PUPP Tax Line #1.020	<u>\$1,630,031</u>	<u>\$1,667,445</u>	<u>\$1,712,334</u>	<u>\$1,771,329</u>	<u>\$1,843,412</u>

Renewal and Replacement Levies – Line #11.02

No renewal or replacement levies are modeled in this forecast.

New Tax Levies – Line #13.030

No new levies 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

A) Unrestricted State Foundation Revenue– Line #1.035

HB33, the current state budget, continued the Fair School Funding Plan for FY24 and FY25, which funds students where they are educated rather than where they live. Projected FY25 funding is based on the November #1, 2024 foundation settlement report. The District is currently a **guarantee** district and is expected to continue as such in FY26-FY29.

For a detailed overview of how foundation funding is calculated please visit the Ohio Department of Education and Workforce at: <https://education.ohio.gov/Topics/Finance-and-Funding/Overview-of-School-Funding>

State Funding Phase-In FY25 and Guarantees

The Fair School Funding Plan was presented as a six (6) year phase-in plan. HB33 continued the phase-in for FY24 and FY25. The FSFP does not include caps on funding; instead, it consists of a general phase-in percentage for most components of 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 receive fewer funds in FY24 and FY25, than they received in FY21.

Future State Budget Projections beyond FY25

Highland's funding status for FY26-29 will depend on two (2) new state budgets. There is no guarantee that the current Fair School Funding Plan will be funded or continued beyond FY25. For this reason, funding is held constant in the forecast for FY26 through FY29. The forecast will be updated as more information becomes available.

Casino Revenue

On November 3, 2009, Ohio voters passed the Ohio casino ballot issue. This issue allowed for the opening of four casinos in Cleveland, Toledo, Columbus and Cincinnati. Thirty-three percent (33%) of the gross casino revenue is collected as a tax. School districts receive 34% of the 33% gross casino revenue. These funds are distributed to school districts on the 31st of January and August each year, which began for the first time on January 31, 2013.

Casino revenue in FY24 was \$114.18 million for schools or \$65.61 per pupil. Casino revenues are expected to continue at historical growth rates.

<u>Source</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>	<u>FY29</u>
Basic Aid-Unrestricted	\$4,697,651	\$4,694,215	\$4,694,215	\$4,694,215	\$4,694,215
Additional Aid Items	<u>460,940</u>	<u>431,471</u>	<u>431,471</u>	<u>431,471</u>	<u>431,471</u>
Basic Aid-Unrestricted Subtotal	5,158,591	5,125,686	5,125,686	5,125,686	5,125,686
Ohio Casino Commission ODT	<u>225,888</u>	<u>230,440</u>	<u>235,065</u>	<u>239,799</u>	<u>244,609</u>
Total Unrestricted State Aid Line #1.035	<u>\$5,384,479</u>	<u>\$5,356,126</u>	<u>\$5,360,751</u>	<u>\$5,365,485</u>	<u>\$5,370,295</u>

B) Restricted State Foundation Revenue – Line # 1.040

HB33 has continued Disadvantaged Pupil Impact Aid (formerly Economic Disadvantaged funding) and Career Technical funding, as well as Gifted, English Learners (ESL), and Student Wellness. The amount of DPIA is limited to 66.67% in FY25. Funding is flat-lined at FY25 levels for FY26-FY29, due to uncertainty on continued funding of the current funding formula.

HB33 set aside funds state-wide to subsidize the Science of Reading initiative. The District will be reimbursed for teacher in-service and associated fringe benefits upon proof of training and certified reimbursement requests. It is estimated that the District will receive \$246,000 from this one-time subsidy in FY25.

<u>Source</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>	<u>FY29</u>
DPIA	\$1,394	\$1,394	\$1,394	\$1,394	\$1,394
Career Tech - Restricted	588	588	588	588	588
Gifted	106,137	106,137	106,137	106,137	106,137
ESL	6,005	6,005	6,005	6,005	6,005
Student Wellness	136,182	136,182	136,182	136,182	136,182
Other Restricted State Funds	<u>515</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Restricted State Revenues Line #1.040	<u>\$250,821</u>	<u>\$250,306</u>	<u>\$250,306</u>	<u>\$250,306</u>	<u>\$250,306</u>

C) Restricted Federal Grants in Aid – line #1.045

There are no federal restricted grants projected during this forecast.

<u>SUMMARY</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>	<u>FY29</u>
Unrestricted Line #1.035	\$5,384,479	\$5,356,126	\$5,360,751	\$5,365,485	\$5,370,295
Restricted Line #1.040	250,821	250,306	250,306	250,306	250,306
Total State Foundation Revenue	<u>\$5,635,300</u>	<u>\$5,606,432</u>	<u>\$5,611,057</u>	<u>\$5,615,791</u>	<u>\$5,620,601</u>

State Share of Local Property Tax – Line #1.050

A) 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 residential taxpayers on levies passed prior to 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. Individual taxpayers who do not currently have their Homestead Exemption approved or those who did not get a new application approved for the tax year 2013 and who become eligible, will only receive a Homestead Exemption if they meet the income qualifications. 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 local taxpayers.

Summary of State Tax Reimbursement – Line #1.050

<u>Source</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>	<u>FY29</u>
Rollback and Homestead	<u>\$3,625,090</u>	<u>\$3,651,550</u>	<u>\$3,701,559</u>	<u>\$3,751,766</u>	<u>\$3,801,968</u>
Total Tax Reimbursements #1.050	<u>\$3,625,090</u>	<u>\$3,651,550</u>	<u>\$3,701,559</u>	<u>\$3,751,766</u>	<u>\$3,801,968</u>

Other Local Revenues – Line #1.060

All other local revenue encompasses any type of revenue that does not fit into the above lines. The main sources of revenue in this area have been investment income, student fees, tuition for court placed and preschool students, payments in lieu of taxes, Medicaid and threshold cost reimbursements. Other than expected future decreases in investment income resulting from a decline in carryover fund balances, all other revenues are expected to continue on historic trends.

<u>Source</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>	<u>FY29</u>
Tuition Related Payments	\$155,000	\$155,000	\$155,000	\$155,000	\$155,000
Class & Sports Oriented Fees	355,000	355,000	355,000	355,000	355,000
Interest Earnings	1,297,324	1,071,060	840,570	491,705	245,853
Medicare	60,000	60,000	60,000	60,000	60,000
Miscellaneous(Cat cost)	<u>195,000</u>	<u>195,000</u>	<u>195,000</u>	<u>195,000</u>	<u>195,000</u>
Total Other Local Revenue Line #1.060	<u>\$2,062,324</u>	<u>\$1,836,060</u>	<u>\$1,605,570</u>	<u>\$1,256,705</u>	<u>\$1,010,853</u>

Short-Term Borrowing – Lines #2.010 & Line #2.020

There is no short-term borrowing projected in this forecast.

Transfers In / Return of Advances – Line #2.040 & Line #2.050

These are non-operating revenues, which represent the repayment of short-term loans to other funds from previous fiscal years. All other advances generally relate to eliminating negative fund balances at fiscal year-end primarily within the federal funds.

<u>Source</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>	<u>FY29</u>
Transfers In - Line #2.040	\$0	\$0	\$0	\$0	\$0
Advance Returns - Line #2.050	<u>180,952</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
Total Transfer & Advances In	<u>\$180,952</u>	<u>\$50,000</u>	<u>\$50,000</u>	<u>\$50,000</u>	<u>\$50,000</u>

All Other Financial Sources – Line #2.060

This funding source is very unpredictable and typically includes refunds of prior year expenditures. For FY25, the District received a relatively large reimbursement from the Medina County Career Center related to the Project Lead the Way Program. A similar reimbursement is expected in FY26. These revenues are generally inconsistent from year to year, and it is not anticipated that this area will be a significant source of income for the remainder of the forecast.

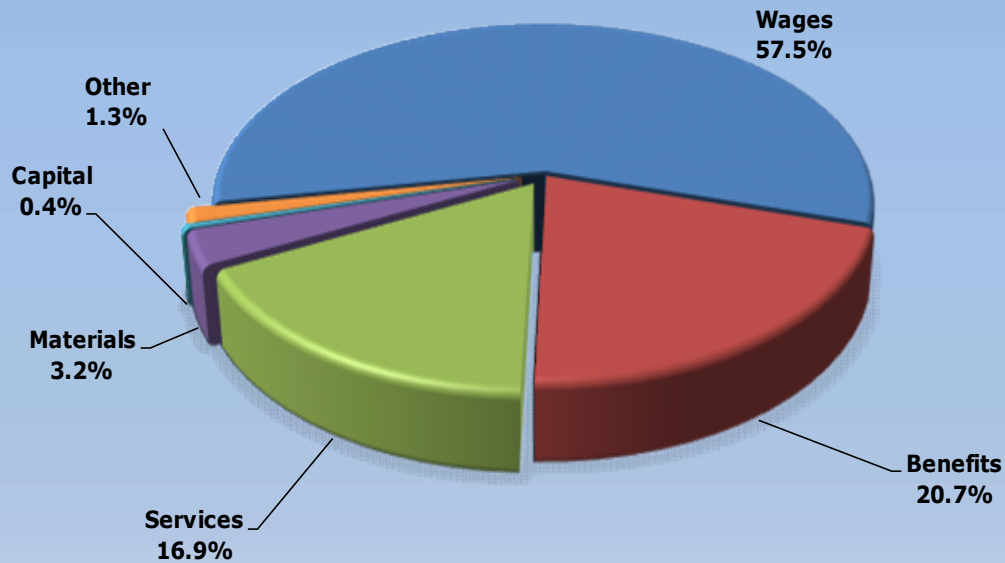
<u>Source</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>	<u>FY29</u>
Refund of prior years expenditures	<u>\$351,879</u>	<u>\$301,879</u>	<u>\$106,879</u>	<u>\$106,879</u>	<u>\$106,879</u>

Expenditure Assumptions

The District's leadership team is always looking at ways to improve the educational outcomes of students whether it be through changes in staffing, curriculum, or new technology. As the administration of the District reviews expenditures, the education of students is always the main focus for resource utilization.

All Operating Expense Categories - Operating Funds FY25

OPERATING FUNDS EXPENDITURES EST. FY25 \$43,232,563



Personal Services – Wages – Line #3.010

Negotiations with bargaining unit members have resulted in agreements with HSSA through June 2027 and HEA through June 2025. Blended base wage increases ranging from 3% to 3.25% are included for FY 2025 through FY 2029.

Source	FY25	FY26	FY27	FY28	FY29
Base Wages	\$21,563,883	\$23,309,153	\$24,461,319	\$25,643,731	\$26,860,685
Base Pay Increase	698,670	757,547	755,855	769,312	805,821
Steps & Academic Training	394,619	394,619	426,557	447,642	469,280
Growth Staff	125,000	0	0	0	0
Substitutes	456,691	456,691	456,691	456,691	456,691
Supplementals	1,092,729	1,128,243	1,163,106	1,197,999	1,233,939
Severance	0	0	0	0	0
SWSF & ESSER Adjustments	0	0	0	0	0
Other Adjustments/Reductions	<u>526,981</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Wages Line #3.010	<u>\$24,858,573</u>	<u>\$26,046,253</u>	<u>\$27,263,528</u>	<u>\$28,515,375</u>	<u>\$29,826,416</u>

Employees' Retirement & Insurance Benefits – Line #3.020

This portion of the forecast captures all costs associated with insurance benefits and retirement costs.

A) STRS/SERS will increase as Wages Increase

As required by law, the District pays 14% of all employee wages to STRS or SERS. The District is also required to pay a SERS Surcharge, an additional employer charge, based on the salaries of lower-paid members. The surcharge is used exclusively to fund health care.

B) Insurance

The District is a member of the Stark County Schools Council of Governments (the "COG"). For FY24, rates increased by 7.98%. For FY25, a rate increase of 6.48% was implemented. For FY26-FY29, a 10% annual rate of increase is assumed. It is also assumed that there will be one premium holiday granted per year by the COG. Premium holidays are currently equivalent to about \$400,000 in operating funds cost savings.

C) Workers Compensation & Unemployment Compensation

Workers' compensation cost is expected to be approximately 0.30% of wages for FY25–FY29. Unemployment is expected to remain at a very low level for FY25-FY29.

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.

Summary of Retirement/Insurance Benefits – Line #3.020

<u>Source</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>	<u>FY29</u>
A) STRS/SERS	\$3,952,662	\$4,112,659	\$4,306,121	\$4,505,028	\$4,712,912
B) Insurances	4,582,447	5,040,692	5,544,761	6,099,237	6,709,161
C) Workers Comp/Unemployment	81,500	68,032	84,291	88,046	91,979
D) Medicare	350,444	350,996	377,671	395,321	413,473
Total Fringe Benefits Line #3.020	<u>\$8,967,053</u>	<u>\$9,572,379</u>	<u>\$10,312,844</u>	<u>\$11,087,632</u>	<u>\$11,927,525</u>

Purchased Services – Line #3.030

Significant items within this category include services provided by the Educational Service Center of Medina County, safety and security services provided by local law enforcement agencies, information systems services provided by Connect, legal fees, risk management insurance, utilities, lease payments, special education transportation, and tuition (i.e. special education placements).

Utility costs have increased with the opening of new elementary schools and a renovated middle school that include air conditioning. Utilities are expected to increase more significantly in FY25 and beyond as prices locked in by District consortia expired in December 2023. A capacity charge of 20% is expected in FY26, to help fund the necessary expansion of electric generation. This is expected to be a one-time charge only.

Contracted specialized transportation services increased in FY25 due to more students being transported at increased rates.

For most line items, a 3% annual rate of increase is assumed. There will also be a significant overall increase in the purchased services expense category from FY24 to FY25 as various federal ESSER funded items revert back to the General Fund.

<u>Source</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>	<u>FY29</u>
Professional & Technical Services, ESC	\$2,954,213	\$3,042,839	\$3,134,124	\$3,228,148	\$3,324,992
Maintenance, Insurance & Garbage Removal	621,700	640,351	659,562	679,349	699,729
Professional Development	52,855	54,441	56,074	57,756	59,489
Communications, Postage, & Telephone	67,570	69,597	71,685	73,836	76,051
Utilities	816,015	954,738	904,553	949,781	997,270
Contracted Trades & Services	10,475	10,789	11,113	11,446	11,789
Tuition, Excess Costs & Scholarship Costs	1,669,500	1,719,585	1,771,173	1,824,308	1,879,037
Open Enrollment & Community School Costs	0	0	0	0	0
College Credit Plus	150,000	154,500	159,135	163,909	168,826
Contract Transportation	931,000	958,930	987,698	1,017,329	1,047,849
Other Adjustments SWSF, ESSER, Etc.	0	0	0	0	0
Miscellaneous Purchased Services	<u>28,000</u>	<u>28,840</u>	<u>29,705</u>	<u>30,596</u>	<u>31,514</u>
Total Purchased Services Line #3.030	<u>\$7,301,328</u>	<u>\$7,634,610</u>	<u>\$7,784,822</u>	<u>\$8,036,458</u>	<u>\$8,296,546</u>

Supplies and Materials – Line #3.040

Significant items within this category include educational supplies (including multi-year software licenses), College Credit Plus textbook purchases, office supplies, maintenance supplies, and fuel.

<u>Source</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>	<u>FY29</u>
General Office Supplies & Materials	\$677,420	\$697,743	\$718,675	\$740,235	\$762,442
Textbooks & Instructional Supplies	91,660	94,410	97,242	100,159	103,164
Facility Supplies & Materials	216,735	223,237	229,934	236,832	243,937
Transportation Fuel & Supplies	376,225	387,512	399,137	411,111	423,444
Other adjustments SWSF, ESSER, Etc.	<u>15,000</u>	<u>15,450</u>	<u>15,914</u>	<u>17,997</u>	<u>16,883</u>
Total Supplies Line #3.040	<u>\$1,377,040</u>	<u>\$1,418,352</u>	<u>\$1,460,902</u>	<u>\$1,504,728</u>	<u>\$1,549,870</u>

Capital Outlay – Line # 3.050

The District does not anticipate costs increasing significantly in this line. FY24 included costs related to server replacements. Most other capital expenditures are made from the Medina County Sales Tax Fund, which is a separate non-operating fund.

<u>Source</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>	<u>FY29</u>
Capital Outlay & Maintenance	\$172,511	\$177,686	\$183,017	\$188,508	\$194,163
Technology/Curriculum Purchases	0	0	0	0	0
Busses & Other Vehicles	0	0	0	0	0
Other adjustments SWSF, ESSER, Etc.	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Equipment Line #3.050	<u>\$172,511</u>	<u>\$177,686</u>	<u>\$183,017</u>	<u>\$188,508</u>	<u>\$194,163</u>

Principal and Interest Payment – Lines # 4.05 and 4.06

There are no borrowings planned in the forecast period.

Other Expenses – Line #4.300

The category of other expenses consists primarily of Auditor & Treasurer property tax collection fees, annual financial audit costs, insurance and other miscellaneous expenses. A 2% rate of increase is projected in this area. In FY24, the District moved to the Ohio School Plan, at a premium savings, for District property and liability insurance.

<u>Source</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>	<u>FY29</u>
County Auditor & Treasurer Fees	\$437,999	\$446,759	\$455,694	\$464,808	\$474,104
ESC Deduction	22,000	22,440	22,889	23,347	23,814
Annual Audit Costs	25,000	25,500	26,010	26,530	27,061
Dues, Fees & other Expenses	<u>71,059</u>	<u>72,480</u>	<u>73,930</u>	<u>75,409</u>	<u>76,917</u>
Total Other Expenses Line #4.300	<u>\$556,058</u>	<u>\$567,179</u>	<u>\$578,523</u>	<u>\$590,094</u>	<u>\$601,896</u>

Transfers Out/Advances Out – Lines # 5.010 and 5.020

These lines cover fund-to-fund transfers and end of year short term advances/loans from the General Fund to other funds to temporarily cover deficit balances.

<u>Source</u>	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>	<u>FY29</u>
Operating Transfers Out Line #5.010	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
Advances Out Line #5.020	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
Total Transfer & Advances Out	<u>\$75,000</u>	<u>\$75,000</u>	<u>\$75,000</u>	<u>\$75,000</u>	<u>\$75,000</u>

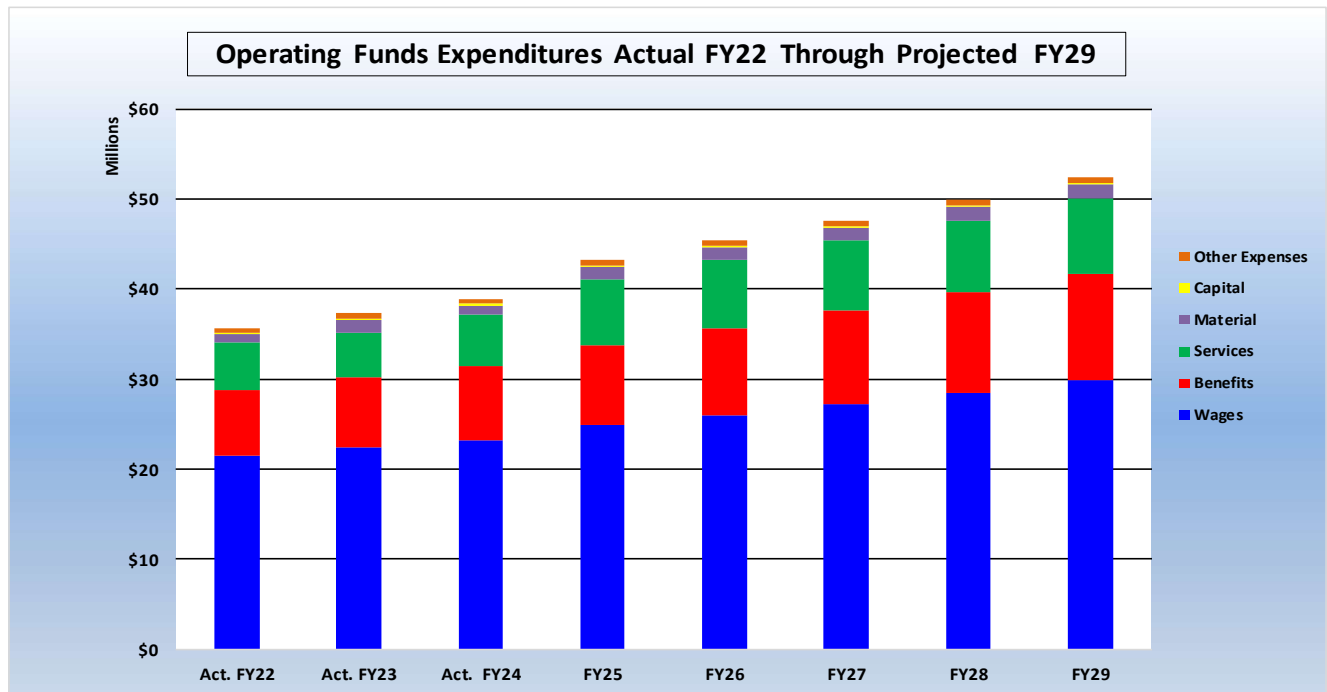
Encumbrances –Line#8.010

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

	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>	<u>FY29</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 FY22 through FY24 and Estimated FY25-FY29

As the graph below illustrates, the District has been diligent in containing costs.



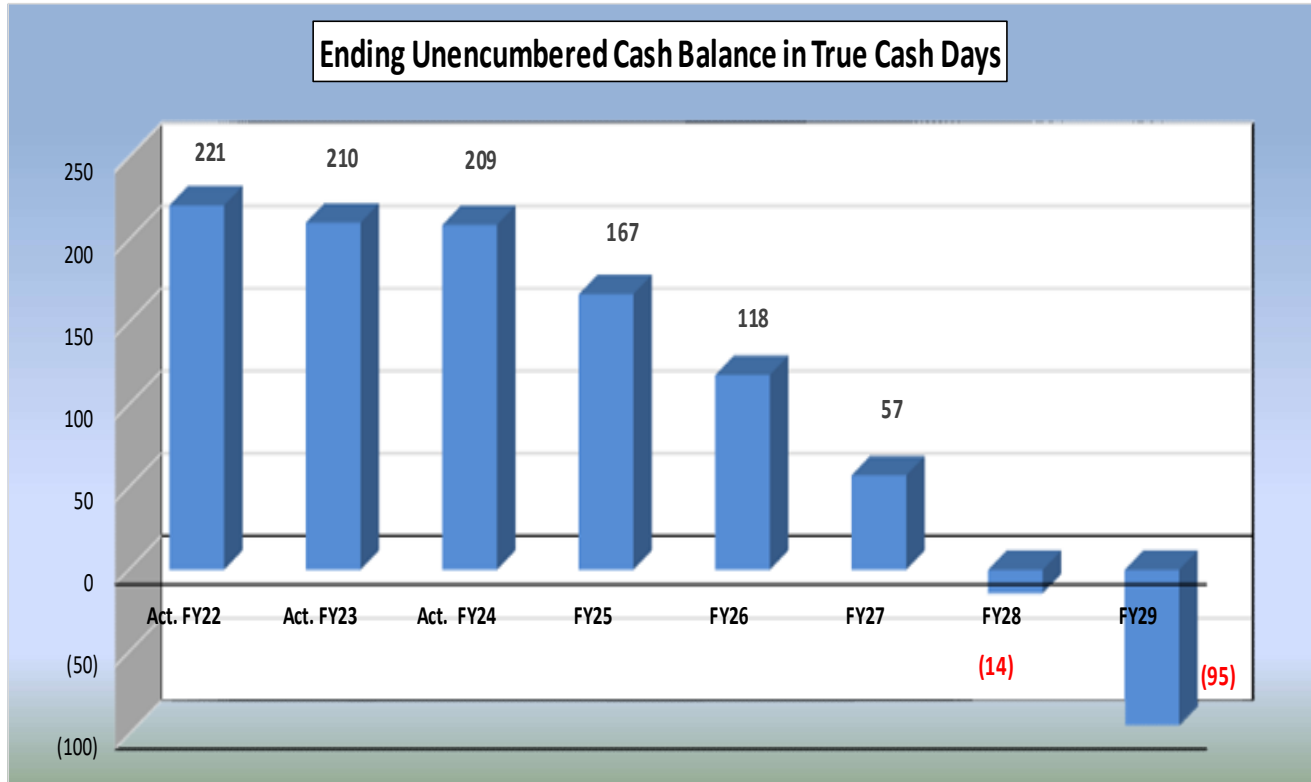
Ending Unencumbered Cash Balance “The Bottom-line”– Line#15.010

This amount must not go below \$0 to avoid violations of Ohio Budgetary Laws. Given projected deficit spending, in order to prevent such an occurrence, a new operating levy will ultimately need to be passed, budget reductions implemented, or a combination of these two options will be necessary in the near future.

	<u>FY25</u>	<u>FY26</u>	<u>FY27</u>	<u>FY28</u>	<u>FY29</u>
Ending Unreserved Cash Balance Line #15.01	<u>\$19,832,900</u>	<u>\$14,726,568</u>	<u>\$7,495,028</u>	<u>(\$1,951,771)</u>	<u>(\$13,631,532)</u>

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 figure is calculated by dividing the ending unencumbered cash balance by the daily expenditure amount (total annual expenditures/365). The Government Finance Officers Association recommends no less than two months or 60 days cash on hand at year-end. Highland’s cash reserve philosophy is to have no less than four months (or 120 days) operating expenditures on hand in cash/fund balance at any given time.



As you read the notes and review the forecast, remember that the forecast is based on the best information that is available at the time the forecast is prepared.