

Hillsdale Local School District

Five Year Forecast Financial Report

November, 2024

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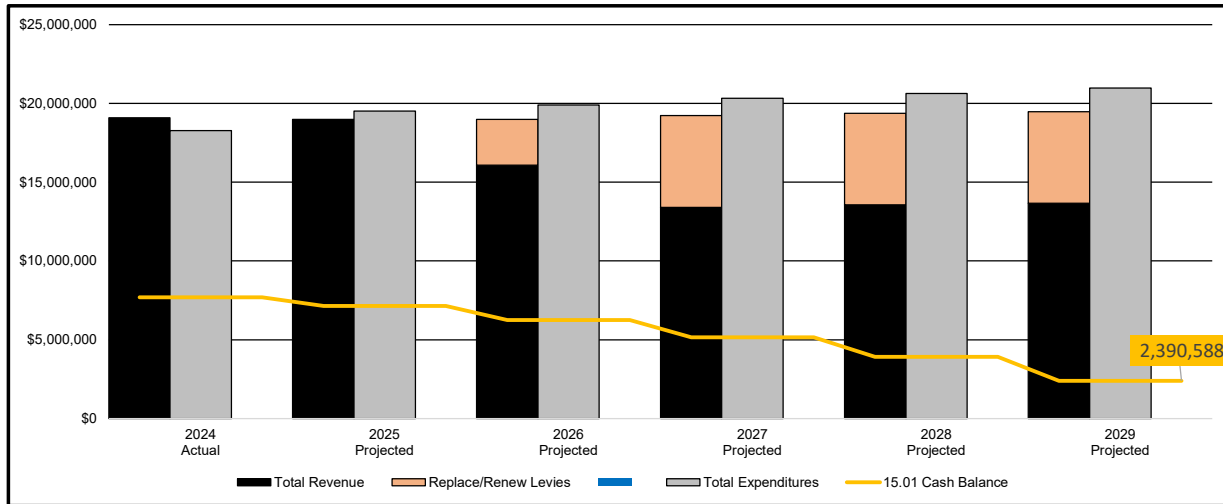
Forecast Purpose/Objectives

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 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028	Fiscal Year 2029
Beginning Balance (Line 7.010) Plus	7,684,156	7,149,438	6,257,253	5,144,151	3,897,852
+ Revenue	18,987,269	16,088,652	13,403,053	13,566,913	13,657,457
+ Proposed Renew/Replacement Levies	-	2,909,730	5,818,964	5,817,971	5,816,978
+ Proposed New Levies	-	-	-	-	-
- Expenditures	(19,521,988)	(19,890,567)	(20,335,120)	(20,631,183)	(20,981,699)
= Revenue Surplus or Deficit	(534,718)	(892,185)	(1,113,102)	(1,246,299)	(1,507,264)
Line 7.020 Ending Balance with renewal/new levies	7,149,438	6,257,253	5,144,151	3,897,852	2,390,588

Analysis Without Renewal Levies Included:

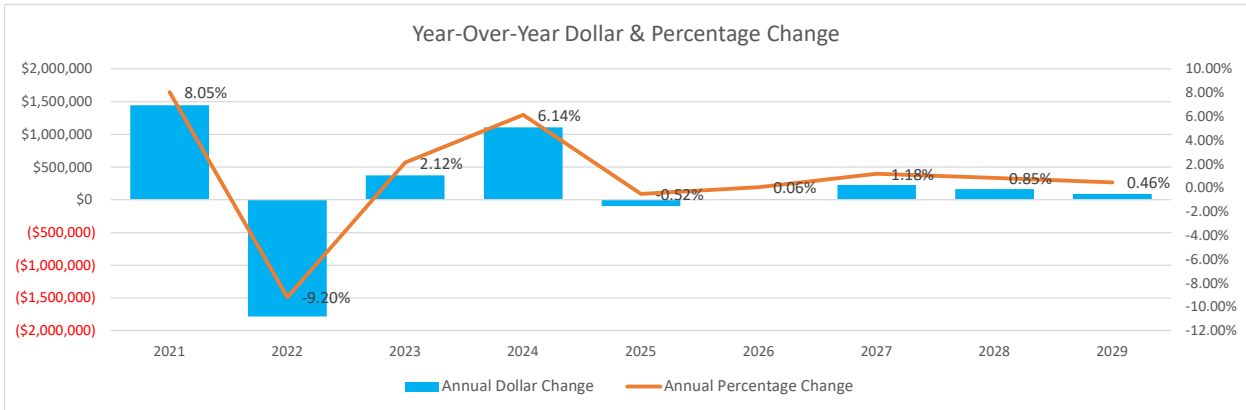
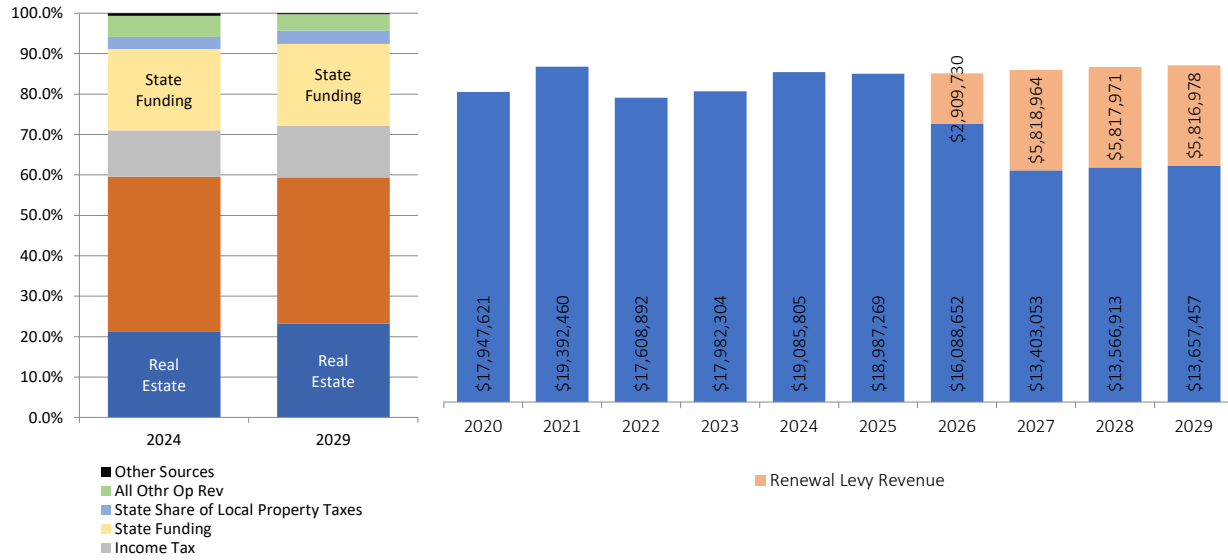
Revenue Surplus or Deficit w/o Levies	(534,718)	(3,801,915)	(6,932,066)	(7,064,270)	(7,324,242)
Ending Balance w/o Levies	7,149,438	3,347,523	(3,584,543)	(10,648,813)	(17,973,055)

In FY 2025 a revenue shortfall is expected. This means that expenditures are expected to be greater than revenue by \$534,718 in FY 2025. By the last year of the forecast, FY 2029, the district is expected to have a revenue shortfall where expenditures are projected to be greater than revenue by \$7,324,242. The district would need to cut its FY 2029 projected expenses by 34.91% in order to balance its budget without additional revenue.

The district's cash balance is positive at year-end in FY 2025 and is projected to worsen by FY 2029. A worsening cash balance can erode the district's financial stability over time.

Revenue Overview

Sources of Revenue Over Time



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 8.41% or \$1,157,346 annually during the past 4-Year period and is projected to increase 0.41% or \$77,726 annually through FY2029. Public Utility has the most projected average annual variance compared to the historical average at -\$1,043,918
Real Estate	\$15,500	\$90,076	\$74,576	
Public Utility	\$995,510	(\$48,409)	(\$1,043,918)	
Income Tax	\$81,162	\$60,009	(\$21,152)	
State Funding	\$2,134	\$16,159	\$14,025	
State Share-Local Prop. Taxes	\$6,558	\$13,491	\$6,933	
All Othr Op Rev	\$54,743	(\$38,117)	(\$92,860)	
Other Sources	\$5,306	(\$15,483)	(\$20,789)	
Total Average Annual Change	\$1,157,346 8.41%	\$77,726 0.41%	(\$1,079,621) -8.01%	

Note: Expenditure average annual change is projected to be > \$539,782 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 21.36% of total revenue. Class I or residential/agricultural taxes make up approximately 92.16% of the real estate property tax revenue. The Class I tax rate is 20. mills in tax year 2024. 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 2028. The revenue changed at an average annual historical rate of 0.63% and is projected to change at an average annual rate of 2.13% through FY 2029.

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 38.18% of total district revenue. The property is taxed at the full voted tax rate which in tax year 2024 is 47. mills. The forecast is modeling an average gross collection rate of 53.14%. The revenue changed historically at an average annual dollar amount of \$995,510 and is projected to change at an average annual dollar amount of -\$48,409 through FY 2029.

INCOME TAX REVENUE

The district maintained one income tax levy in FY 2024. The average annual dollar change in total income tax revenue is forecasted to be \$60,009 through FY 2029. Income tax revenue is projected to account for 12.8% of total district revenue in FY 2029.

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 \$7,026,628 in fiscal year 2025. The state's share of the calculated Base Cost total is \$734,529 or \$888 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 \$56,585 and is projected to change annually on average by -\$23,633. Restricted funds represent 1.25% 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 \$79,780. 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 2025, approximately 11.5% local residential property taxes will be reimbursed by the state in the form of rollback credits and approximately 1.7% will be reimbursed in the form of qualifying homestead exemption credits.

OTHER REVENUE

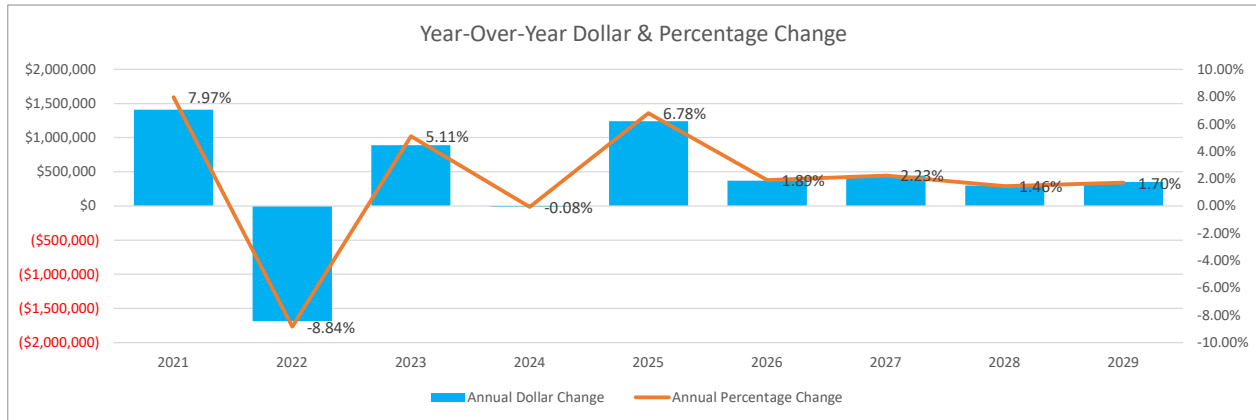
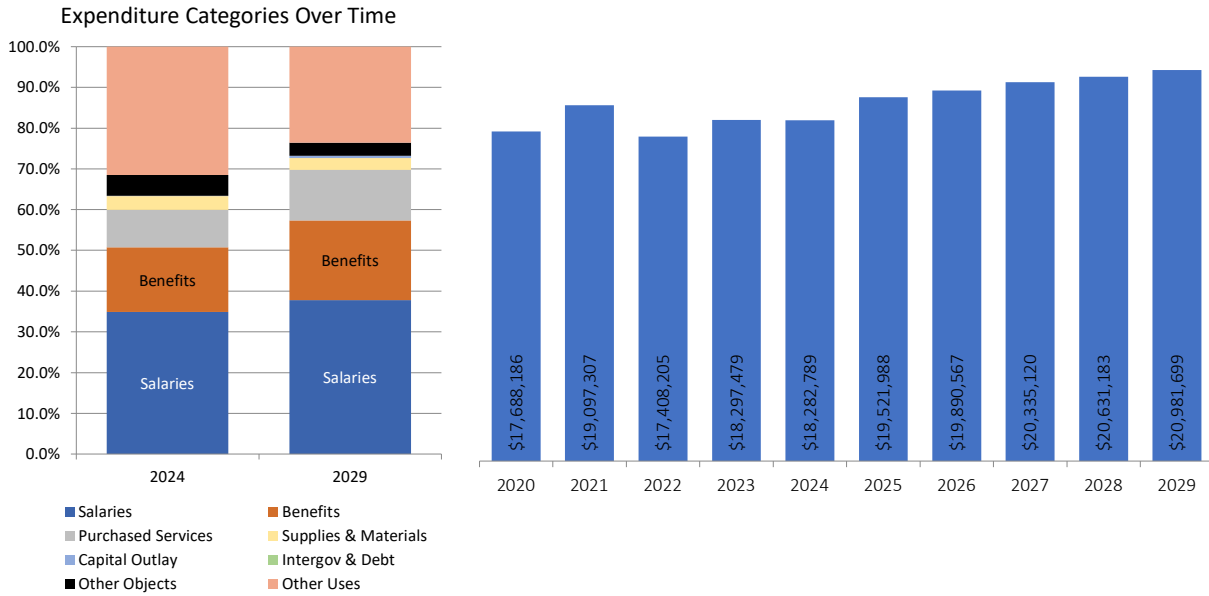
Other revenue includes tuition received by the district for non-resident students educated by the district. It also includes interest income, payments in lieu of taxes, and miscellaneous revenue. The historical average annual change was \$54,743. The projected average annual change is -\$38,117 through FY 2029.

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 2024 the district received \$11,568 as advances-in and is projecting advances of \$0 in FY 2025. 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 \$49,757 in FY 2025 and average \$52,032 annually through FY 2029.

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 9.43% or \$1,182,702 annually during the past 4-Year period and is projected to increase 2.95% or \$539,782 annually through FY2029. Other Uses has the largest projected average annual variance compared to the historical average at -\$949,062.
Salaries	\$214,098	\$310,841	\$96,743	
Benefits	\$131,070	\$242,230	\$111,161	
Purchased Services	\$43,518	\$181,030	\$137,513	
Supplies & Materials	\$24,580	\$607	(\$23,973)	
Capital Outlay	(\$35,368)	\$21,865	\$57,233	
Intergov & Debt	\$0	\$0	(\$0)	
Other Objects	\$20,055	(\$52,479)	(\$72,534)	
Other Uses	\$784,750	(\$164,312)	(\$949,062)	
Total Average Annual Change	\$1,182,702 9.43%	\$539,782 2.95%	(\$642,920) -6.48%	

Note: Expenditure average annual change is projected to be > \$539,782

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

Expenditure Notes

SALARY EXPENSE

Salaries represent 34.90% of total expenditures and increased at a historical average annual rate of 3.77% or \$214,098. This category of expenditure is projected to grow at an annual average rate of 4.46% or \$310,841 through FY 2029. The projected average annual rate of change is 0.69% more than the five year historical annual average.

BENEFIT EXPENSE

Benefits represent 15.82% of total expenditures and increased at a historical average annual rate of 5.45% This category of expenditure is projected to grow at an annual average rate of 7.27% through FY 2029. The projected average annual rate of change is 1.82% more than the five year historical annual average.

PURCHASED SERVICES EXPENSE

Purchased Services represent 9.20% of total expenditures and increased at a historical average annual rate of 6.28%. This category of expenditure is projected to grow at an annual average rate of 10.02% through FY 2029 The FSPF 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 3.36% of total expenditures and increased at a historical average annual rate of 6.31%. This category of expenditure is projected to grow at an annual average rate of 0.68% through FY 2029. The projected average annual rate of change is -5.63% less than the five year historical annual average.

CAPITAL OUTLAY EXPENSE

Capital Outlay represent 0.11% of total expenditures and decreased at a historical average annual amount of -\$35,368. This category of expenditure is projected to grow at an annual average rate of \$21,865 through FY 2029. 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 5.09% of total expenditures and increased at a historical average annual rate of 3.28%. This category of expenditure is projected to decrease at an annual average rate of -4.64% through FY 2029. The projected average annual rate of change is -7.92% 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 2024 the district had no advances-out and has no advances-out forecasted through FY 2029. The district can also move general funds permanently to other funds, the district has transfers forecasted through FY 2029. The district can also have other uses of funds.

ADDITIONAL EXPENDITURE NOTES

Hillsdale Local School District

Five Year Forecast

November, 2024

Fiscal Year:	Actual			FORECASTED				
	2022	2023	2024	2025	2026	2027	2028	2029
Revenue:								
1.010 - General Property Tax (Real Estate)	3,653,697	3,685,483	4,075,839	4,217,001	4,183,622	4,297,068	4,399,114	4,420,175
1.020 - Public Utility Personal Property	6,878,202	7,085,704	7,287,183	7,103,716	4,194,599	1,335,144	1,334,675	1,334,205
1.030 - Income Tax	2,104,607	2,171,205	2,194,639	2,277,965	2,330,146	2,383,635	2,438,469	2,494,686
1.035 - Unrestricted Grants-in-Aid	3,726,440	3,593,539	3,599,848	3,651,003	3,683,595	3,731,761	3,754,160	3,798,807
1.040 - Restricted Grants-in-Aid	120,140	194,980	239,158	175,564	149,798	125,633	123,931	120,995
1.050 - State Share-Local Property Taxes	548,914	550,557	573,344	593,919	597,857	617,878	637,899	640,797
1.060 - All Other Operating Revenues	265,359	616,527	985,575	918,344	898,283	860,167	825,862	794,988
1.070 - Total Revenue	17,297,359	17,897,994	18,955,587	18,937,512	16,037,899	13,351,285	13,514,110	13,604,654
Other Financing Sources:								
2.010 - Proceeds from Sale of Notes	-	-	-	-	-	-	-	-
2.020 - State Emergency Loans and Adv	-	-	-	-	-	-	-	-
2.040 - Operating Transfers-In	-	-	1,467	-	-	-	-	-
2.050 - Advances-In	299,564	29,910	11,568	-	-	-	-	-
2.060 - All Other Financing Sources	11,969	54,400	117,184	49,757	50,753	51,768	52,803	52,803
2.070 - Total Other Financing Sources	311,533	84,310	130,218	49,757	50,753	51,768	52,803	52,803
2.080 - Total Rev & Other Sources	17,608,892	17,982,304	19,085,805	18,987,269	16,088,652	13,403,053	13,566,913	13,657,457
Expenditures:								
3.010 - Personnel Services	5,717,613	5,920,884	6,381,044	6,735,618	7,056,731	7,387,239	7,660,946	7,935,247
3.020 - Employee Benefits	2,406,839	2,573,703	2,892,172	3,037,165	3,389,986	3,620,205	3,854,267	4,103,323
3.030 - Purchased Services	1,089,856	1,478,898	1,681,944	2,390,077	2,437,879	2,486,636	2,536,369	2,587,096
3.040 - Supplies and Materials	434,310	573,283	614,945	716,564	648,711	599,983	667,982	617,982
3.050 - Capital Outlay	4,636	11,102	19,400	128,350	53,724	128,724	50,000	128,724
Intergovernmental & Debt Service	-	-	-	-	-	-	-	-
4.300 - Other Objects	1,120,578	1,190,325	929,767	579,014	607,041	636,470	667,371	667,371
4.500 - Total Expenditures	10,773,831	11,748,195	12,519,272	13,586,788	14,194,071	14,859,257	15,436,935	16,039,743
Other Financing Uses								
5.010 - Operating Transfers-Out	6,604,464	6,537,717	5,763,517	5,935,200	5,696,496	5,475,863	5,194,249	4,941,956
5.020 - Advances-Out	29,910	11,568	-	(0)	(0)	(0)	(0)	(0)
5.030 - All Other Financing Uses	-	-	-	-	-	-	-	-
5.040 - Total Other Financing Uses	6,634,374	6,549,285	5,763,517	5,935,200	5,696,496	5,475,862	5,194,248	4,941,956
5.050 - Total Exp and Other Financing Uses	17,408,205	18,297,479	18,282,789	19,521,988	19,890,567	20,335,120	20,631,183	20,981,699
6.010 - Excess of Rev Over/(Under) Exp	200,687	(315,175)	803,016	(534,718)	(3,801,915)	(6,932,066)	(7,064,270)	(7,324,242)
7.010 - Cash Balance July 1 (No Levies)	6,995,629	7,196,315	6,881,140	7,684,156	7,149,438	3,347,523	(3,584,543)	(10,648,813)
7.020 - Cash Balance June 30 (No Levies)	7,196,315	6,881,140	7,684,156	7,149,438	3,347,523	(3,584,543)	(10,648,813)	(17,973,055)
				Reservations				
8.010 - Estimated Encumbrances June 30	449,077	30,278	449,076	105,000	105,000	105,000	105,000	105,000
9.080 - Reservations Subtotal	-	-	-	-	-	-	-	-
10.010 - Fund Bal June 30 for Cert of App	6,747,239	6,850,862	7,235,080	7,044,438	3,242,523	(3,689,544)	(10,753,813)	(18,078,055)
Rev from Replacement/Renewal Levies								
11.010 & 11.020 - Renewal Levies	-	-	-	-	2,909,730	5,818,964	5,817,971	5,816,978
11.030 - Cumulative Balance of Levies	-	-	-	-	2,909,730	8,728,694	14,546,665	20,363,643
12.010 - Fund Bal June 30 for Cert of Obligations	6,747,239	6,850,862	7,235,080	7,044,438	6,152,253	5,039,150	3,792,852	2,285,588
Revenue from New Levies								
13.010 & 13.020 - New Levies	-	-	-	-	-	-	-	-
13.030 - Cumulative Balance of New Levies	-	-	-	-	-	-	-	-
15.010 - Unreserved Fund Balance June 30	6,747,239	6,850,862	7,235,080	7,044,438	6,152,253	5,039,150	3,792,852	2,285,588