# FAIRLESS LOCAL SCHOOL DISTRICT - STARK COUNTY

**SCHEDULE OF REVENUE, 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 JUNE 30, 2029**

**Forecast Provided By
Fairless Local School District
Treasurer's Office
Mark Phillips, Treasurer/CFO**

**May 20, 2025**

**Fairless Local School District – Stark County**
**Notes to the Five-Year Forecast**
**General Fund Only**
**May 20, 2025**

## Introduction to the Five-Year Forecast

A forecast is a snapshot of today. Based on historical trends, what we know and future assumptions. That snapshot, however, will be adjusted because the further into the future the forecast extends, the more likely it is that the projections will deviate from experience. Various events will ultimately impact the latter years of the forecast, such as state budgets (adopted every two years), tax levies (new/renewal/replacement), salary increases, enrollment variances, or businesses moving in or out of the district. The five-year forecast is a crucial management tool and must be updated periodically. The five-year forecast enables district management teams to examine future years' projections and identify when challenges will arise. This helps district management to be proactive in meeting those challenges. 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 a small part of the story. For the numbers to be meaningful, the reader must review and consider the Assumptions of the Financial Forecast before drawing conclusions or using the data as a basis for other calculations. The assumptions are fundamental to understanding the rationale of the numbers, particularly when a significant increase or decrease is reflected.

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

Here are three essential purposes or objectives of the five-year forecast:

(1) To engage the local board of education and the community in long-range planning and discussions of financial issues facing the school district.
(2) To serve as a basis for determining the school district's ability to sign the certificate required by O.R.C. §5705.412, commonly known as the "412 certificate".
(3) To provide a method for the Ohio Department of Education and Workforce, 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 fund revenues and expenditures. The first year of the fiscal forecast is considered the baseline year. Our forecast is updated to reflect the most current economic data available for the May 2025 filing.

**May 2025 Updates:**

**<u>Revenues FY25</u>**

The overview of revenues shows that we are substantially on target with original estimates at this point in the year. Total General Fund revenues (line 1.07) are estimated to be $21.83 million or 0.14% higher than the November forecasted amount of $21.8 million. This indicates that the November forecast was 99.86% accurate.

Line 1.01 and 1.02 - Property tax revenues represent our most significant source of revenues at 47.10% and are estimated to be $10.27million, which is $30 thousand lower for FY25 than the original November estimate of

$10.30 million. Our estimates are 99.70% accurate for FY25 and should mean future projections are also on target.

Line 1.035 and 1.04 - State Aid continues the implementation of the Fair School Funding Plan (FSFP), which has caused significant changes to the way our state revenues are calculated. We are estimating our state aid to be $8.82 million, which is $2 thousand higher than the original estimate for FY25. We are pleased that we were able to be 99.97% accurate for FY25. We are currently on the guarantee and are expected to remain as a guarantee district for FY26 through FY29.

All areas of revenue are tracking as anticipated for FY25 based on our best information at this time.

**Expenditures FY25**

Total General Fund expenditures (line 4.5) are estimated to be $20.18 million for FY25, which is $121 thousand lower than the original estimate of $20.3 million in the November forecast, which is roughly 99.4% on target with initial estimates. The expenditure line most significantly under projection is Capital Outlay (line 3.050) as the district did not purchase a bus this year.

All other areas of expenses are expected to remain on target with original projections for the year.

**Unreserved Ending Cash Balance**

With revenues increasing from estimates and expenditures decreasing, our ending unreserved cash balance June 30, 2025, is anticipated to be roughly $3.59 million. The ending unreserved cash balance on Line 15.010 of the forecast is anticipated to be a positive accumulative balance through 2029 if assumptions we have made for property tax collections, state aid in future state budgets, and expenditure assumptions remain close to our estimates.

**Forecast Risks and Uncertainty:**

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

1) Property tax collections are the second largest single revenue source for the school system. The housing market in our district is stable. We project continued growth in appraised values every three (3) years and new construction growth with continued modest increases in local taxes. Total local revenues, which are predominately local taxes, equate to 55.10% of the district's resources. The district is at the 20-mill floor for residential and commercial property so increases due to reappraisals or updates will result in additional tax collections. New construction will increase annual revenue for all classes of property and we have projected historic trends for new commercial construction in addition to housing developments. We believe there is a low risk that local collections will fall below projections throughout the forecast.

2) A sexennial reappraisal occurred in Stark County in 2024 for collection in 2025 and a triennial update will occur for Tuscarawas County in tax year 2025 for collection in 2026. We anticipate value increases for Class I and II property for both the update and reappraisal. There is, however, always a minor risk that the district could sustain a reduction in values in the next appraisal update, but we do not anticipate that at this time.

3) The district has received increases in Public Utility Personal Property (PUPP) for the Rover natural gas pipeline that runs through Tuscarawas and Stark Counties. The total value for tax year 2023 is over $126

million; however, only a portion of the total value is used for forecasting since the company has filed a tax appeal on the values. There is still risk that the company may receive the amount of the request or even lower which could affect the district's tax revenue.

4) SB271 passed in 2024 that created a Joint Committee on Property Taxation and Reform. This action was in response to the historic property valuation increases. The committee's mission was to review Ohio's property tax system and to make recommendations to the General Assembly on property taxation. The committee released their report to the General Assembly on January 2, 2025. The report outlined twenty-one (21) recommendations on actions that could be taken to restrict local tax growth for Ohio school districts.

   As a result of the numerous recommendations in the report there are currently 14 pending pieces of legislation in the Ohio Legislature that seeks to limit growth of local property taxes in several different ways. The most egregious is HB96 which could impact every district in the state of Ohio. HB96 seeks to limit school district ending carry over cash balances to 30% of their prior years expenditures and to allow county budget commissions to suspend voter approved property tax levies and the 20-mill floor in order to reduce district reserves to the 30% target. HB96 has several severe consequences for school districts in terms of financial stability, loss of local control and will likely result in increased levy requests to district taxpayers. It is unclear at the time of this forecast whether HB96 will continue on through the Ohio Senate and be signed into law July 1, 2025. The district will be watching carefully for the final outcome of HB96 and several other legislative proposals that would limit property tax growth. Several of these proposals in addition to HB96 could be a very significant risk to future local tax growth for our district. We will update the forecast when factual data is available.

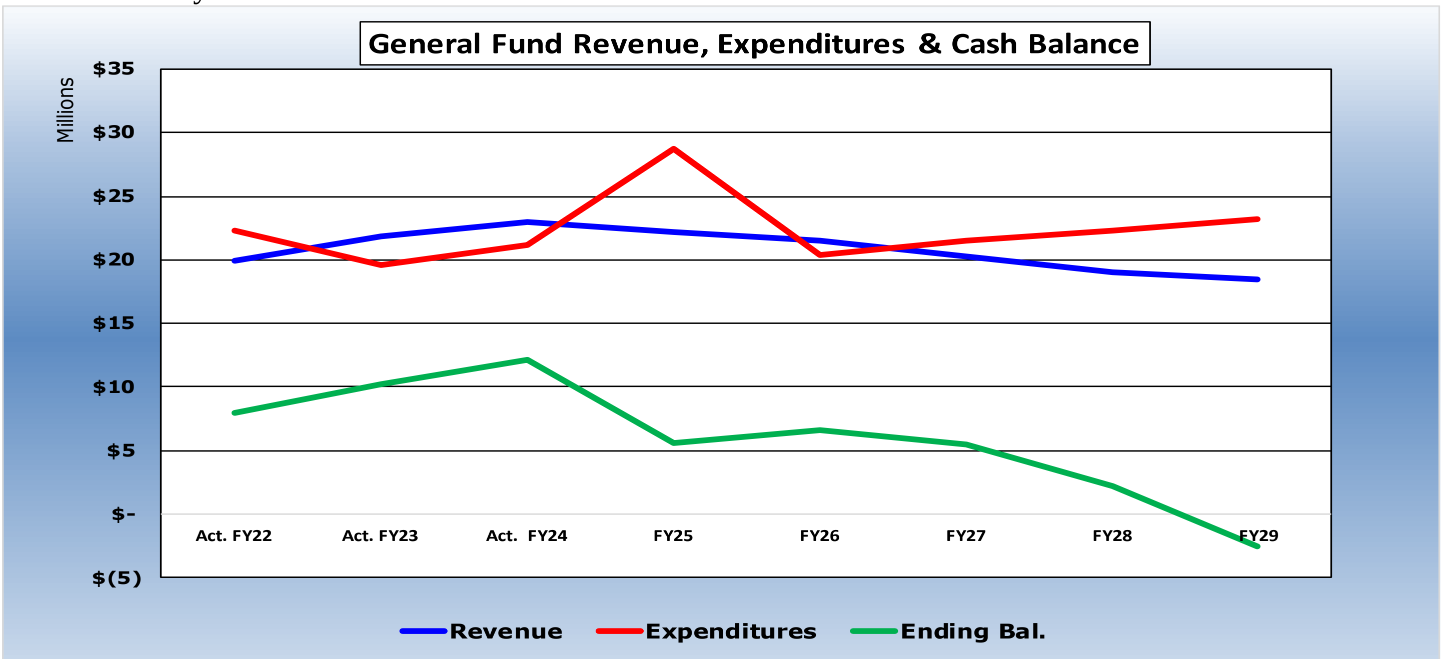
5) The state budget represents 44.90% of district revenues, which means it is a significant risk to the revenue. The future risk comes in FY26 and beyond if the state economy stalls due to high inflation or the Fair School Funding Plan is not funded in future state budgets due to an economic recession. In this forecast, two forthcoming State Biennium Budgets cover FY26-27 and FY28-29. The state legislature has shown little interest in equitably funding the current formula. The governors proposed budget recommendation in HB96 dated February 3, 2025, reduced funding for public school by $103.5 million over FY26-27. The legislative process will continue with uncertainty through June 30, 2025, which is after the forecast must be approved. This is an area of elevated risk to district funding long-range through FY29. We have projected our state funding in FY25 based on of HB33 our current state budget which expires June 30, 2025. We will adjust the forecast for state aide in future years as we have reliable data to make an informed decision.

6) HB33, the current state budget, continues to phase in what has been referred to as the Fair School Funding Plan (FSFP) for FY24 and FY25. FY25 reflects 66.67% of the implementation cost at year four of a six-year phase-in plan, which increases by 16.66% each year. FY25 will result in 66.67% funding of (FSFP), however, 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, which as of this forecast do not appear favorable. We have used the April #2 foundation payment report published by the Department of Education and Workforce for our forecasted revenues in FY25.

7) HB33 directly pays costs associated with open enrollment, community and STEM schools, and all scholarships, including EdChoice Scholarships. These costs are no longer deducted from our state aid. However, education option programs such as College Credit Plus continue to be removed from state aid, increasing costs to the district. Expansion or creation of programs not directly paid for by the state of Ohio can expose the district to new expenditures currently outside the forecast. We closely monitor any new threats to our state aid and increased costs as new proposed laws are introduced in the legislature.

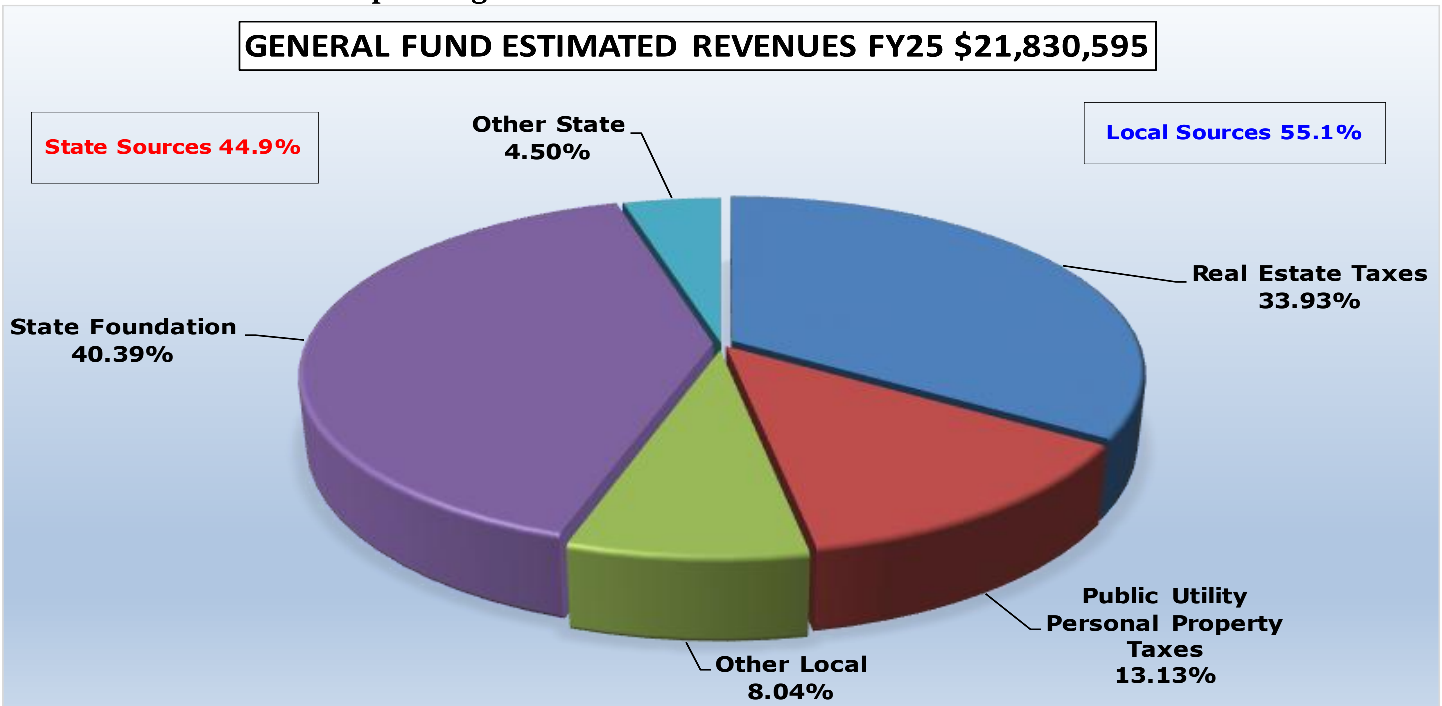
The significant lines of reference for the forecast are noted below in the headings to make it easier to relate the assumptions made for the forecast item and refer back to the forecast. It should assist the reader in reviewing the assumptions noted below to understand the overall financial forecast for our district. If you want further information, please contact Mark Phillips, Treasurer/CFO.

**General Fund Revenue, 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 few years without the levy renewal.




## Revenue Assumptions

**Estimated General Fund Operating Revenues FY25**



**Property Valuation Assumptions**

Property Values are established annually by the County Auditor based on new construction, demolitions, BOR/BTA activity, and complete reappraisal or updated values. Our district has assessed property value in Stark and Tuscarawas counties; however, the counties are not on the same reappraisal/update cycle which complicates our tax funding. Tuscarawas County experienced a full reappraisal in Tax Year 2022 for collection in 2023 and Stark County experienced the full reappraisal in 2024 for collection in 2025. The Tuscarawas County reappraisal in 2022 realized an increase for Residential/Agriculture (Class I) of 1.01% or $2.3 million and an increase Commercial/Industrial (Class II) of $613 thousand or 1.4%. Stark County reappraisal in 2024 increased Class I values by $94.62 million or 40% and for Class II an increase of $20.05 million or 41.18%.

Tuscarawas County will experience a reappraisal update in 2025 for collection in 2026 which we expect an increase of 14% in Class I and 3% in Class II. The next Stark County appraisal update will be in 2027 for collection in 2028, we anticipate a 4% increase for Class I and a 3% increase in Class II values.

Public Utility Personal Property (PUPP) values change annually as the values are not included in the reappraisal or update years, which make them very difficult to forecast. PUPP values decreased by $1.79 million in Tax Year 2024. We expect our overall values to decrease due to the 3% depreciation of the pipeline, we anticipate a modest $500,000 increase from other public utilities.  Due to Rover pipeline disputing the taxable valuation, they are currently paying at a tender rate, or the rate they believe it should be. The values that are shown in the table below are based on the tender rate instead of the full value which is $126.5 million for tax year 2022 in an effort not to overinflate assumed collections in forecasted years. Should the state agree with the pipeline's disputed amounts, the district would not see a refund in future collections, but continued collections based on the current assumptions. However, if the state denies their disputed values, the district will see these delinquent payments in future tax collections.

**ESTIMATED ASSESSED VALUE (AV) BY COLLECTION YEARS**

| Classification | Actual<br>TAX YEAR2024<br>COLLECT 2025 | Estimated<br>TAX YEAR 2025<br>COLLECT 2026 | Estimated<br>TAX YEAR 2026<br>COLLECT 2027 | Estimated<br>TAX YEAR 2027<br>COLLECT 2028 | Estimated<br>TAX YEAR 2028<br>COLLECT 2029 |
|---|---|---|---|---|---|
| Res./Ag. | $329,693,810 | $330,674,001 | $331,294,001 | $345,016,414 | $345,830,830 |
| Comm./Ind. | 70,596,040 | 70,580,674 | 71,055,674 | 73,587,224 | 74,140,021 |
| Public Utility Personal Property (PUPP) | 74,489,730 | 72,755,038 | 71,072,387 | 69,440,215 | 67,857,009 |
| Total Assessed Value | $474,779,580 | $474,009,713 | $473,422,062 | $488,043,853 | $487,827,860 |

**Tax Rate Assumptions**

The county auditor sets tax rates for each levy voted on to provide tax revenues for the school district. Ohio law provides for "reduction factors" which adjust levy millage rates lower to offset inflationary property value increases so the district only receives taxes equal to the amount when the levy was originally passed. 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 general fund levies is 33.7 mills while the Class I and the Class II effective millage rate is 20.00 mills. The Ohio law has a provision that the reduction factors cannot lower the total millage rate for each class less than 20 mills (excluding emergency and substitute emergency levies), which includes both the voted and the non-voted millage rates; this is called the "20-Mill Floor". Currently, our district is on the floor for both Class I and Class II. Any emergency or substitute emergency levy that is voted on is not included in the 20-mill floor; the district has one substitute emergency levy of 3.9 mills that was voted to collect $1,773,760 of taxes annually.

**General Property Tax (Real Estate) – Line #1.010**
Property tax levies are estimated to be collected at 96.57% of the annual amount. This allows 3.43% delinquency factor. In general, 55.24% of the Res/Ag and Comm/Ind property taxes are expected to be collected in the February tax settlement and 44.76% collected in the August tax settlement. Due to the possible legislative changes that are being proposed for the 20-mill floor, the taxes are being shown with no increases on the total line in order to forecast this possible loss of the increase in revenue from being on the 20-mill floor.

**ESTIMATED REAL ESTATE TAX (Line #1.010)**

| Source | FY25 | FY26 | FY27 | FY28 | FY29 |
|---|---|---|---|---|---|
| Est. Real Estate Taxes | $7,406,469 | $8,496,842 | $7,743,598 | $7,300,589 | $7,439,756 |
| Total Line #1.01 Real Estate Taxes | $7,406,469 | $7,406,469 | $6,814,980 | $6,111,503 | $6,104,716 |

This chart does not include the renewal of the Substitute Emergency Levy, resulting in the decrease in FY27. Renewal levy revenue is reflected in line 11.020 under Renewal & Replacement Levies below.

**Estimated Public Utility Personal Property Tax (PUPP) – Line #1.020**
The amounts below are public utility personal property (PUPP) tax payments from public utilities. Collections are typically 77.60% in February and 22.40% in August.

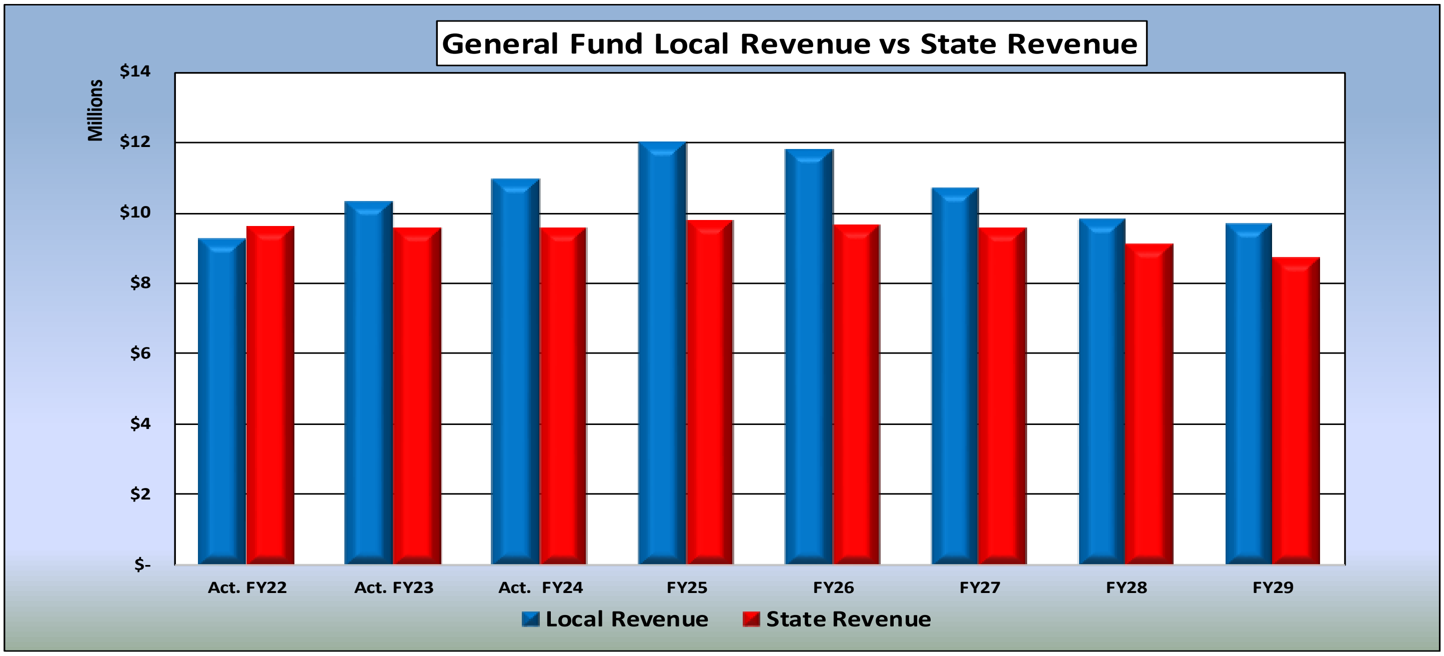
| Source | FY25 | FY26 | FY27 | FY28 | FY29 |
|---|---|---|---|---|---|
| Total PUPP Tax Line #1.020 | $2,866,667 | $2,749,461 | $2,473,106 | $2,352,786 | $2,299,053 |

**Renewal & Replacement Levies – Line #11.020**
Renewal levies are shown separately on the forecast until they are approved by the voters. The substitute emergency levy will need to be renewed by December 31, 2026, in order to continue to collect the taxes.

| Source | FY25 | FY26 | FY27 | FY28 | FY29 |
|---|---|---|---|---|---|
| Substitute Emergency Levy expires 12/31/26 | $0 | $0 | $885,027 | $1,722,676 | $1,722,676 |
| Total Line #11.020 | $0 | $0 | $885,027 | $1,722,676 | $1,722,676 |

**New Tax Levies – Line #13.030**
No new levies are modeled in the forecast at this time.

**Comparison of Local Revenue and State Revenue:**
The following graph clearly shows revenue stagnation at best. Future increases in revenue will only come from local taxpayers.




**Current State Funding Model per HB33 through June 30, 2025**

**Unrestricted State Foundation Revenue – Line #1.035**
HB33, the current state budget, continued the Fair School Funding Plan for FY24 and FY25, which funds students where they are educated rather than where they live. We have projected FY25 funding based on the April #2 foundation settlement and funding factors.

Our district is currently a guarantee district in FY25 and is expected to continue to be on the guarantee in FY26-FY29 on the new Fair School Funding Plan (FSFP).

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, the state legislature approved the first two (2) years of the funding plan in HB110 and extended the plan in HB33 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 get fewer funds in FY24 and FY25 than they received in FY21.

**Future State Budget Projections beyond FY25**
Our funding status for FY26-29 will depend on two (2) unknown state budgets. It is uncertain if the current Fair School Funding Plan in HB33 will be funded or continued beyond FY25. For this reason, we are reducing the amount of the guarantees in FY28 through FY29 by $400,000 annually.

**Casino Revenue**
On November 3, 2009, Ohio voters passed the Ohio casino ballot issue. This issue allowed four (4) casinos to open in Cleveland, Toledo, Columbus, and Cincinnati. Thirty-three percent (33%) of the gross casino revenue

will be collected as a tax. School districts will receive 34% of the 33% of Gross Casino Revenue that will be paid into a student fund at the state level. These funds will be distributed to school districts on the 31st of January and August each year, beginning for the first time on January 31, 2013.

The casino revenue has recovered from the pandemic from closing the casinos in 2020. Total funding in FY23 was $113.1 million or $64.90 per pupil. In FY24, the funding totaled $114.18 million or $65.99 per pupil. We expect the Casino revenues to have resumed their historical growth rate and are assuming a 1.0% annual growth rate for the remainder of the forecast.

| Source | FY25 | FY26 | FY27 | FY28 | FY29 |
|---|---|---|---|---|---|
| Basic Aid-Unrestricted | $7,995,149 | $7,995,149 | $7,995,149 | $7,595,149 | $7,195,149 |
| Additional Aid Items | 191,059 | 191,059 | 191,059 | 191,059 | 191,059 |
| Basic Aid-Unrestricted Subtotal | 8,186,208 | 8,186,208 | 8,186,208 | 7,786,208 | 7,386,208 |
| Catastrophic Aid | 39,357 | 39,357 | 39,357 | 39,357 | 39,357 |
| Ohio Casino Commission /Catastrophic Costs | 90,328 | 91,234 | 92,152 | 93,071 | 94,004 |
| Total Unrestricted State Aid Line #1.035 | $8,315,893 | $8,316,799 | $8,317,717 | $7,918,636 | $7,519,569 |

**Restricted State Revenues – Line #1.040**

HB33 has continued Disadvantaged Pupil Impact Aid (formerly Economic Disadvantaged funding) and Career Technical funding. In addition, new restricted funds have been added under "Restricted Categorical Aid" for Gifted, English Learners (ESL), and Student Wellness. We have estimated revenues for these new restricted funding lines using current April funding factors. The amount of DPIA is limited to a 66.67% in FY25. We have flat-lined funding 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 request. It is estimated that the district will receive $139,999 from this one-time subsidy in FY25.

| Source | FY25 | FY26 | FY27 | FY28 | FY29 |
|---|---|---|---|---|---|
| DPIA | $124,777 | $124,777 | $124,777 | $124,777 | $124,777 |
| Career Tech - Restricted | 0 | 0 | 0 | 0 | 0 |
| Gifted | 58,128 | 58,128 | 58,128 | 58,128 | 58,128 |
| ESL | 2,588 | 2,588 | 2,588 | 2,588 | 2,588 |
| Student Wellness | 176,222 | 176,222 | 176,222 | 176,222 | 176,222 |
| Other Restricted | 140,201 | 0 | 0 | 0 | 0 |
| Total Restricted State Revenues Line #1.040 | $501,916 | $361,715 | $361,715 | $361,715 | $361,715 |

**A) Restricted Federal Grants in Aid – Line #1.045**

No federal unrestricted grants are projected within the forecast.

| SUMMARY | FY25 | FY26 | FY27 | FY28 | FY29 |
|---|---|---|---|---|---|
| Unrestricted Line #1.035 | $8,315,893 | $8,316,799 | $8,317,717 | $7,918,636 | $7,519,569 |
| Restricted Line #1.040 | 501,916 | 361,715 | 361,715 | 361,715 | 361,715 |
| Rest. Federal Funds #1.045 | 0 | 0 | 0 | 0 | 0 |
| Total State Foundation Revenue | $8,817,809 | $8,678,514 | $8,679,432 | $8,280,351 | $7,881,284 |

**State Share of Local Property Taxes – Line #1.050**
**Rollback and Homestead Reimbursement**

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

Homestead Exemptions are credits paid to the district from the state of Ohio for qualified elderly and disabled. In 2007, HB119 expanded the Homestead Exemption for all seniors 65 years or older or disabled, regardless of income. Effective September 29, 2013, HB59 changed the requirement for Homestead Exemptions. Individual taxpayers who still need to get their Homestead Exemption approved or those who did not get a new application approved for the tax year 2013 and who become eligible after that will only receive a Homestead Exemption if they meet the income qualifications. Taxpayers who had their Homestead Exemption as of September 29, 2013, will not lose it and will not have to meet the new income qualification. This will generally reduce homestead reimbursements to the district over time, and as with the rollback reimbursements above, the state is increasing the tax burden on our local taxpayers.

**Summary of State Tax Reimbursement – Line #1.050**

| Source | FY25 | FY26 | FY27 | FY28 | FY29 |
|---|---|---|---|---|---|
| Total State Tax Reimbursements #1.050 | $983,383 | $992,319 | $913,477 | $850,821 | $869,086 |

**Other Local Revenues – Line #1.060**

The main sources of revenue in this area have been interest, tuition for court placed students, student fees, Manufactured home taxes and general rental fees.

Interest income is based on the district's cash balances and increased interest rates due to the Federal Reserve raising rates to curb inflation. The Federal Reserve Bank cut interest rates by 50 basis point in September 2024. While interest income in FY25 should remain steady due to laddered investment strategies, the rate cuts will begin to have an impact on earnings in FY26 and future years. We will continue to monitor the investments for the district.

| Source | FY25 | FY26 | FY27 | FY28 | FY29 |
|---|---|---|---|---|---|
| Tuition Related Payments | $444,308 | $444,308 | $444,308 | $444,308 | $444,308 |
| Class & Sports Oriented Fees | 9,458 | 9,458 | 9,458 | 9,458 | 9,458 |
| Interest Earnings | 839,981 | 755,983 | 500,000 | 450,000 | 405,000 |
| Payments In Lieu of Taxes | 9,196 | 9,196 | 9,196 | 9,196 | 9,196 |
| Manufactured Home Taxes | 132,984 | 132,984 | 132,984 | 132,984 | 132,984 |
| Miscellaneous | 320,340 | 320,340 | 320,340 | 320,340 | 320,340 |
| Total Other Local Revenue Line #1.060 | $1,756,267 | $1,672,269 | $1,416,286 | $1,366,286 | $1,321,286 |

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

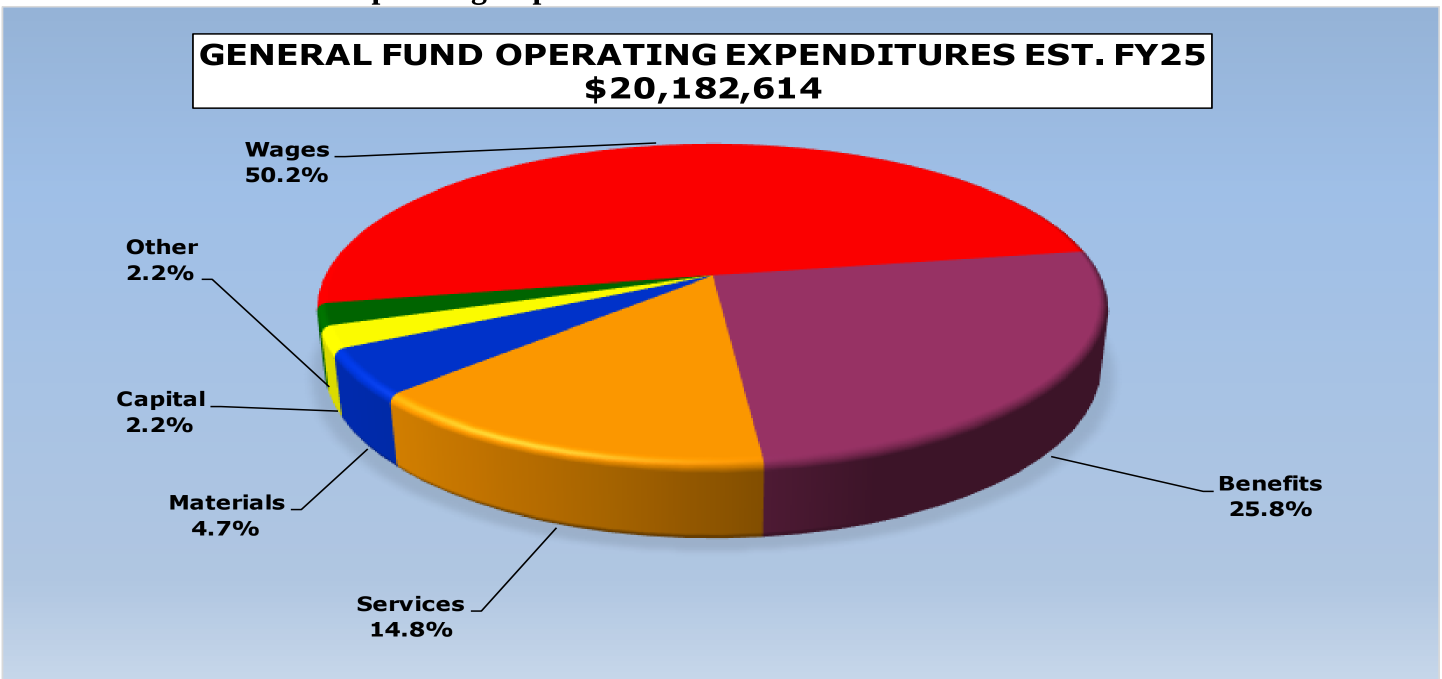
The district will return the amount that was advanced to federal grants at the end of FY24 and does not expect to advance any funds in future years that will need to be returned during FY26 through FY29.

| Source | FY25 | FY26 | FY27 | FY28 | FY29 |
|---|---|---|---|---|---|
| Transfers In - Line #2.040 | $0 | $0 | $0 | $0 | $0 |
| Advance Returns - Line #2.050 | 302,948 | 0 | 0 | 0 | 0 |
| Total Transfer & Advances In | $302,948 | $0 | $0 | $0 | $0 |

## Expenditures Assumptions

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

**Estimated General Fund Operating Expenditures for FY25**




**Wages – Line #3.010**

The forecast reflects 2.0% base pay increases and increases for steps and academic training based of 1.5% each year of the forecast. The district is providing a lump sum stipend of 1% in FY25 through FY29. FY 25 includes $120,000 to staff stipends for attending and being certified in the Science of Reading. As staff retire the district will evaluate the need of replacements and will not fill those position for reductions through attrition.

| Source | FY25 | FY26 | FY27 | FY28 | FY29 |
|---|---|---|---|---|---|
| Base Wages | $8,774,303 | $9,081,404 | $9,094,647 | $9,412,761 | $9,737,436 |
| Based Pay Increase | 175,486 | 181,628 | 181,893 | 188,255 | 194,749 |
| Steps & Academic Training | 131,615 | 131,615 | 136,221 | 136,420 | 141,191 |
| Growth Staff | 0 | 0 | 0 | 0 | 0 |
| Lump Sum Stipend | 90,814 | 93,946 | 94,128 | 97,374 | 100,734 |
| Substitutes | 469,428 | 349,428 | 349,428 | 349,428 | 349,428 |
| Supplementals | 470,968 | 480,387 | 489,995 | 499,795 | 509,791 |
| Severance | 20,000 | 10,000 | 100,000 | 10,000 | 10,000 |
| SWSF & ESSER Adjustments | 0 | 0 | 0 | 0 | 0 |
| Other Adjustments/Reductions | 0 | (300,000) | 0 | 0 | 0 |
| Total Wages Line #3.010 | $10,132,614 | $10,028,408 | $10,446,312 | $10,694,033 | $11,043,329 |

**Fringe Benefits Estimates Line 3.02**

This area of the forecast captures all costs associated with benefits and retirement costs, all of which are directly related to the wages paid with the exception of health and life insurance benefits.

**A) STRS/SERS**

The district pays 14% of each dollar paid in wages to either the State Teachers Retirement System (STRS) or the School Employees Retirement System (SERS) as required by Ohio law. In addition, the district pays to SERS the employee surcharge which is an additional amount required over the 14% to provide added funds SERS collects to supplement contributions on lower paid short hour classified staff so they can have a pension when they retire. The district provides additional pick-up on the pick-up of 7% of the employee's share of SERS and 6% pick-up on the pick-up for STRS for an average total of 22.5% for retirement.

**B) Insurance**

The district received an increase of 6.5% in FY25 and a 4.97% in FY26 with estimated increases of 10% for FY27-29 which reflects trend on our current employee census and claims data.

**C) Workers Compensation & Unemployment Compensation**

Workers' Compensation is expected to remain at about 0.60% of wages. Unemployment Compensation has been negligible and is anticipated to remain as such as we plan our staffing needs carefully. Unemployment is likely to remain at a negligible level FY25-FY29. The district is a direct reimbursement employer, meaning unemployment costs are only incurred and due if we have eligible employees and draw unemployment.

**D) Medicare**

Medicare will continue to increase at the rate of increase of wages. Contributions are 1.45% for all employees hired to the district on or after April 1, 1986. These amounts are growing at the general growth rate of wages.

**E) Other/Tuition/Annuities**

Tuition is based on the amount within the negotiated agreement and the usage in previous years.

**Summary of Fringe Benefits – Line #3.02**

| Source | FY25 | FY26 | FY27 | FY28 | FY29 |
|---|---|---|---|---|---|
| A) STRS/SERS | $2,273,975 | $2,258,732 | $2,326,509 | $2,402,447 | $2,480,988 |
| B) Insurance's | 2,722,329 | 2,832,629 | 3,335,892 | 3,669,481 | 4,036,429 |
| C) Workers Comp/Unemployment | 58,653 | 58,107 | 60,009 | 61,967 | 63,993 |
| D) Medicare | 146,923 | 145,412 | 151,472 | 155,064 | 160,129 |
| E) Other/Tuition/Annuities | 9,650 | 9,650 | 9,650 | 9,650 | 9,650 |
| Total Fringe Benefits Line #3.020 | $5,211,530 | $5,304,530 | $5,883,532 | $6,298,609 | $6,751,189 |

**Purchased Services – Line #3.030**

College Credit Pus, excess costs and other tuition costs will continue to draw funds away from the district, which will continue in this area and have been adjusted based on historical trend.

We have incorporated a 3% increase for each area that remains in Purchase Services for FY25-FY29. In addition to the standard 3% increase, the district is anticipating that there will be a $150,000 increase of utilities beginning in FY25 with the opening of the new high school building. In FY26 there will be a new electric Capacity Charge that will be assessed on all electric bills to help expand Ohio's electric generating capability. This charge will begin June 2025 and end June 2026. It is anticipated it will increase electric costs by 20% for just that twelve (12) month period.

The district will have a reduction of $60,000 in FY26 for services from the ESC.

| Source | FY25 | FY26 | FY27 | FY28 | FY29 |
|---|---|---|---|---|---|
| Professional & Technical Services, ESC | $1,069,419 | $1,041,502 | $1,072,747 | $1,104,929 | $1,138,077 |
| Maintenance, Insurance & Garbage Removal | 244,938 | 252,286 | 259,855 | 267,651 | 275,681 |
| Professional Development | 45,589 | 46,957 | 48,366 | 49,817 | 51,312 |
| Communications, Postage, & Telephone | 61,634 | 63,483 | 65,387 | 67,349 | 69,369 |
| Utilities | 440,904 | 507,040 | 471,547 | 485,693 | 500,264 |
| Contracted Trades & Services | 0 | 0 | 0 | 0 | 0 |
| Tuition & Excess Costs | 1,018,612 | 1,049,170 | 1,080,645 | 1,113,064 | 1,146,456 |
| College Credit Plus | 61,716 | 63,567 | 65,474 | 67,438 | 69,461 |
| Contract Transportation | 13,809 | 14,223 | 14,650 | 15,090 | 15,543 |
| Miscellaneous Purchased Services | 39,122 | 39,122 | 39,122 | 39,122 | 39,122 |
| Total Purchased Services Line #3.030 | $2,995,743 | $3,077,350 | $3,117,793 | $3,210,153 | $3,305,285 |

**Supplies and Materials – Line #3.040**

Expenses which are characterized by curricular supplies, testing supplies, copy paper, maintenance and custodial supplies, materials, and bus fuel. The district expects a 3% increase each year of the forecast for each area within supplies. The district is reducing supplies by $60,000 in FY26.

| Source | FY25 | FY26 | FY27 | FY28 | FY29 |
|---|---|---|---|---|---|
| General Instructional & Office Supplies | $517,788 | $473,322 | $487,522 | $502,148 | $517,212 |
| Textbooks & Media Supplies | 55,750 | 57,423 | 59,146 | 60,920 | 62,748 |
| Facility Supplies & Materials | 169,998 | 175,098 | 180,351 | 185,762 | 191,335 |
| Transportation Fuel & Supplies | 190,192 | 195,898 | 201,775 | 207,828 | 214,063 |
| Food & Miscellaneous Supplies | 8,138 | 8,382 | 8,633 | 8,892 | 9,159 |
| Total Supplies Line #3.040 | $941,866 | $910,123 | $937,427 | $965,550 | $994,517 |

**Equipment – Line #3.050**

The district expects to spend $600,000 in FY26-FY29 for capital outlay expenditures for facility projects, technology, and bus purchases. The district did not purchase a bus in FY25 as previously planned.

| Source | FY25 | FY26 | FY27 | FY28 | FY29 |
|---|---|---|---|---|---|
| Capital Outlay & Maintenance | $200,000 | $200,000 | $200,000 | $200,000 | $200,000 |
| Technology/Curriculum Purchases | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 |
| Buses & Other Vehicles | 50,000 | 200,000 | 200,000 | 200,000 | 200,000 |
| Total Equipment Line #3.050 | $450,000 | $600,000 | $600,000 | $600,000 | $600,000 |

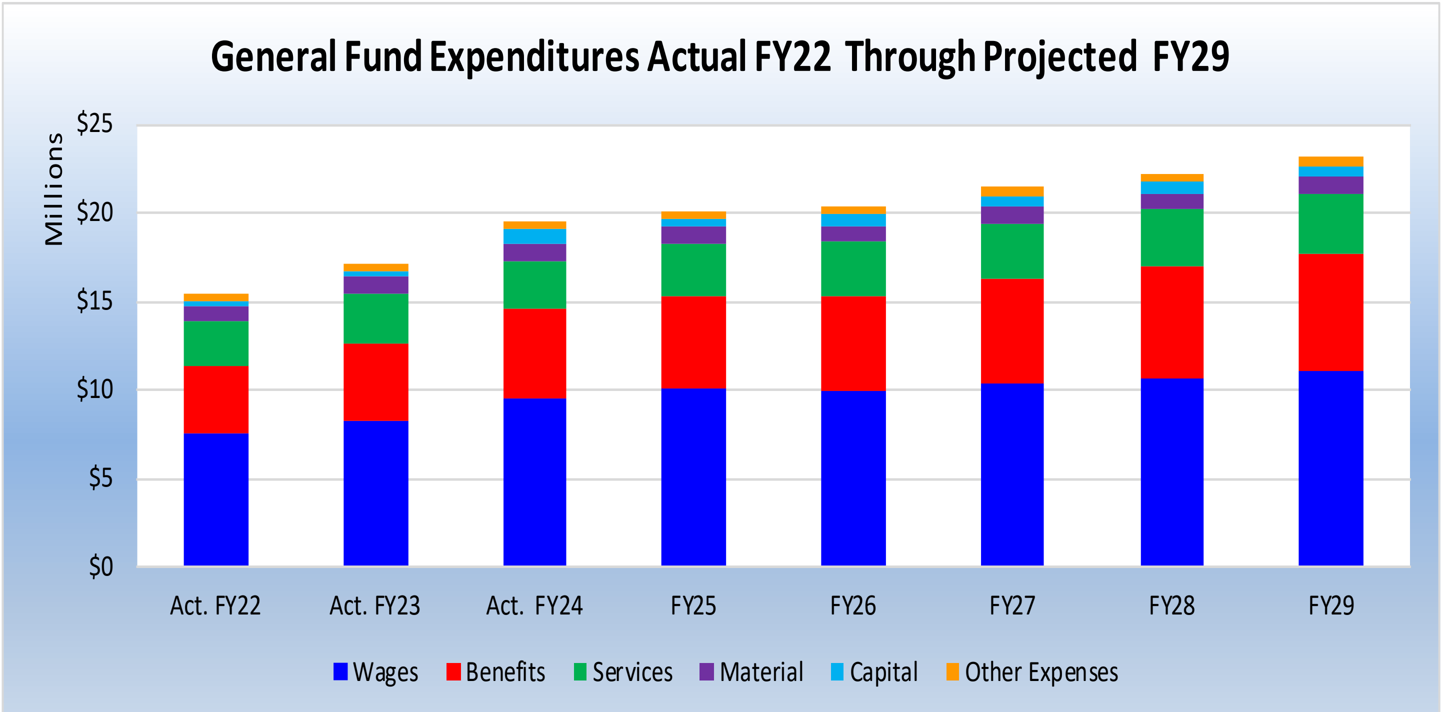
**Other Expenses – Line #4.300**

The category of Other Expenses consists primarily of Auditor & Treasurer fees, our annual audit, and other miscellaneous expenses. An increase of 2% each year is expected for the Auditor and Treasurer fees, 5% increase for ESC deductions and no increase for the other areas of this line.

| Source | FY25 | FY26 | FY27 | FY28 | FY29 |
|---|---|---|---|---|---|
| County Auditor & Treasurer Fees | $200,000 | $204,000 | $208,080 | $212,242 | $216,487 |
| ESC Deduction | 223,767 | 234,955 | 246,703 | 259,038 | 271,990 |
| Annual Audit Costs | 25,081 | 25,081 | 25,081 | 25,081 | 25,081 |
| Dues, Fees & other Expenses | 2,013 | 2,013 | 2,013 | 2,013 | 2,013 |
| Total Other Expenses Line #4.300 | $450,861 | $466,049 | $481,877 | $498,374 | $515,571 |

**Total Expenditure Categories Actual Fiscal Year 2022 through Fiscal Year 2024 and Estimated Fiscal Year 2025 through Fiscal Year 2029**

The graph below shows a quick overview of actual and estimated expenses by proportion to total in the General fund.




**Transfers Out/Advances Out – Line #5.010**

This account group covers fund to fund transfers and end of year short term loans from the General Fund to other funds until they have received reimbursements to repay the General Fund. The district will transfer $8.5 million of Rover Pipeline tax revenue in FY25 to the 070 Capital Projects fund. No advances to other funds are expected throughout the forecast.

| Source | FY25 | FY26 | FY27 | FY28 | FY29 |
|---|---|---|---|---|---|
| Operating Transfers Out Line #5.010 | $8,500,000 | $0 | $0 | $0 | $0 |
| Advances Out Line #5.020 | 0 | 0 | 0 | 0 | 0 |
| Total Transfer & Advances Out | $8,500,000 | $0 | $0 | $0 | $0 |

**Encumbrances – Line #8.010**

These are 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.

| | FY25 | FY26 | FY27 | FY28 | FY29 |
|---|---|---|---|---|---|
| Estimated Encumbrances Line #8.010 | $1,933,455 | $1,933,455 | $1,933,455 | $1,933,455 | $1,933,455 |

**Ending Unreserved Cash Balance "The Bottom-line" – Line #15.010**

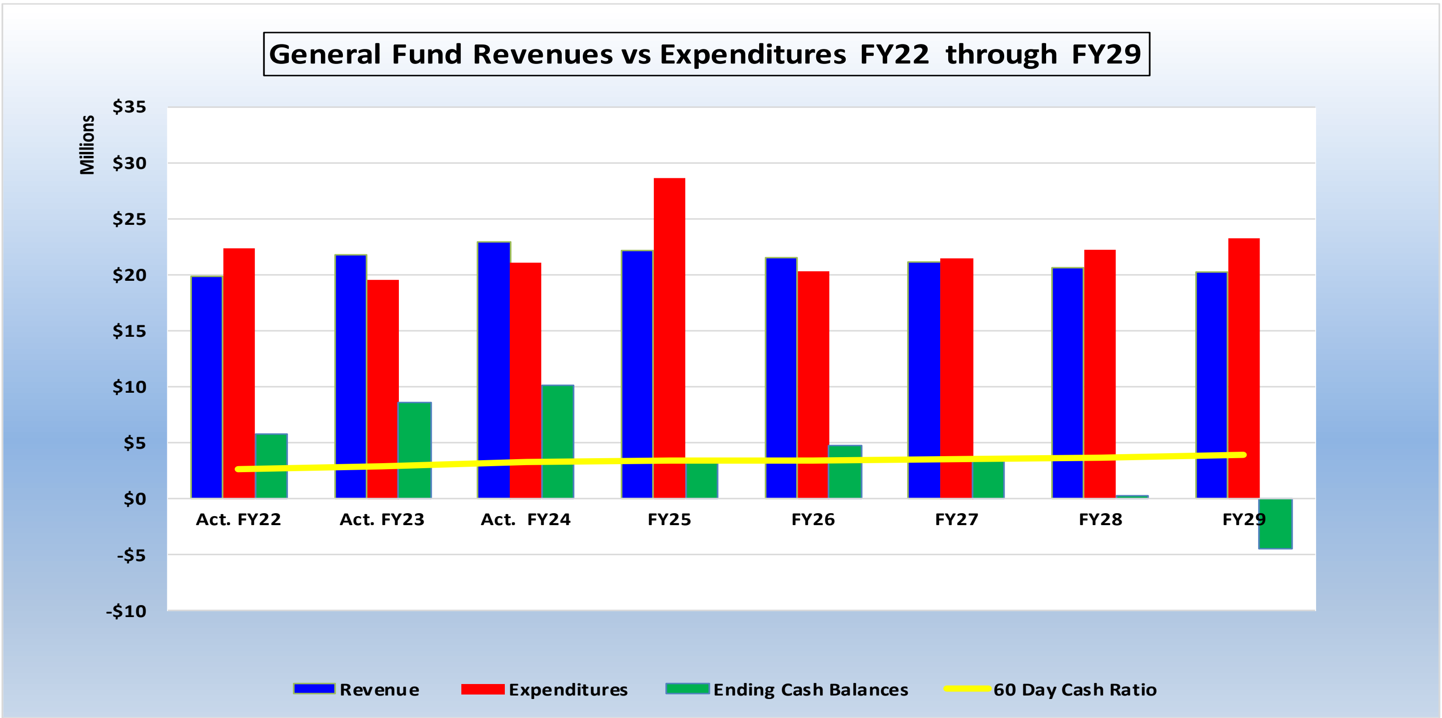
This amount must not go below $-0- or the district general fund will violate all Ohio Budgetary Laws. Any multi-year contract, which is knowingly signed, and which results in a negative unencumbered cash balance, is a violation of O.R.C. §5705.412, which is punishable by personal liability of $10,000; unless an alternative 412 certificate, as permitted by HB153, effective September 30, 2011, could be issued. It is recommended by the

Government Finance Officers Association (GFOA) and other authoritative sources that a district maintains a minimum of thirty (30) day cash balance, which is approximately $1.67 million for our district.

| | FY25 | FY26 | FY27 | FY28 | FY29 |
|---|---|---|---|---|---|
| Ending Unreserved Cash Balance Line #15.01 | $3,594,658 | $4,707,229 | $4,422,597 | $2,840,301 | ($171,489) |

**Revenue vs Expenditures with Deficit Spending**

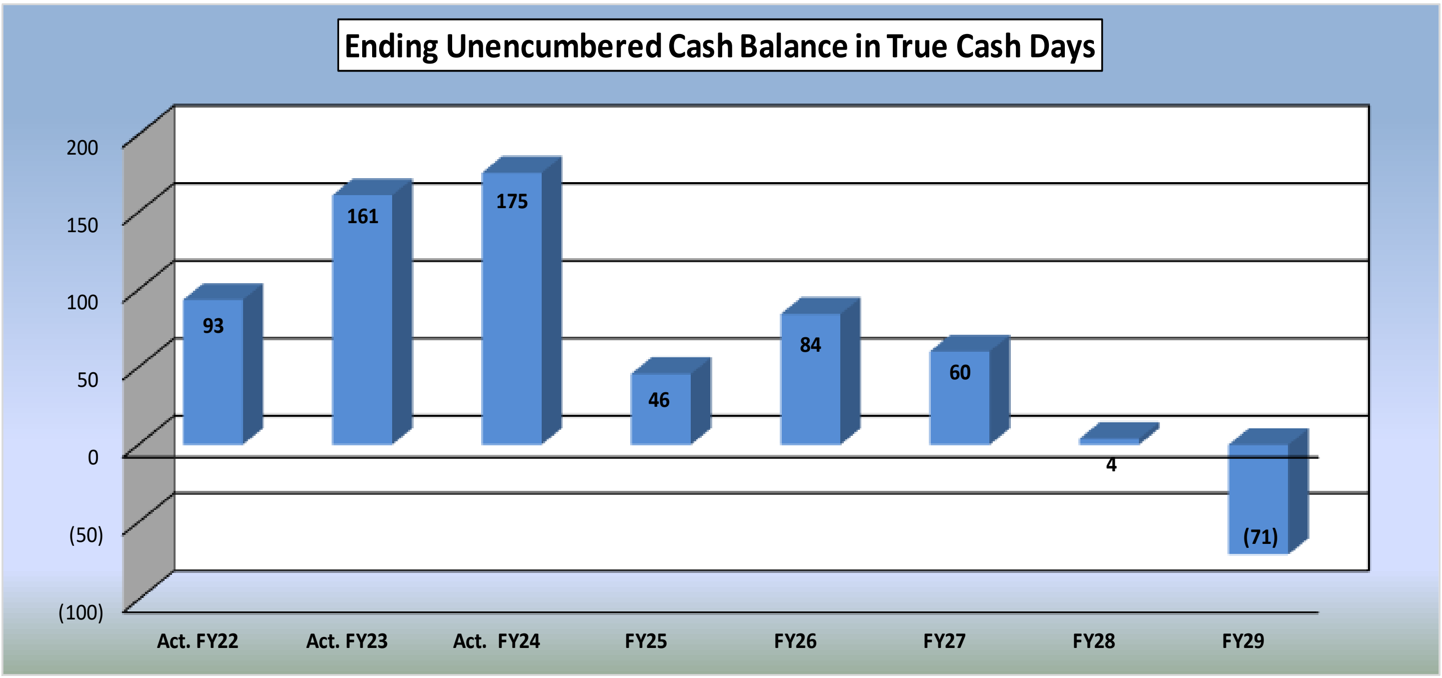
The graph below does not include the renewal of the substitute emergency levy and shows that the district is deficit spending beginning in FY26. By deficit spending the district is decreasing the ending cash balance and is still able to maintain 30 days of cash each year until FY28.




Deficit spending affects the amount of carryover that the district has to plan for the future. When reviewing the needs of the district we review the amount of spending and what would be needed to remove any deficit spending in order to have positive cash balances on the forecast. The chart below shows the amount of deficit spending that is included on Line 6.010 of the forecast and the millage required each year in order to erase the deficit spending.

| | FY25 | FY26 | FY27 | FY28 | FY29 |
|---|---|---|---|---|---|
| Excess of Revenues Over/(Under) Expenditures | ($6,549,071) | $1,112,572 | ($1,169,660) | ($3,304,972) | ($4,734,466) |
| Millage equivalent for deficit spending | 18.29 | 0.00 | 2.47 | 6.98 | 9.70 |

**True Cash Days Ending Balance**
Another way to look at ending cash is to state it in 'True Cash Days". In other words, how many days could the district operate at year-end if no additional revenues were received? This is the Current Years Ending Cash Balance divided by (Current Years Expenditures/365 days) = the number of days the district could operate without additional resources or a severe resource interruption. The Government Finance Officers Association (GFOA) recommends that no less than two (2) months or 60 days of cash is on hand at year-end. Still, it could be more depending on each district's complexity and risk factors for revenue collection. This is calculated, including transfers, as this is a predictable funding source for other funds such as capital, athletics, and other funds. The graph below does not include the renewal of the substitute emergency levy.



# Conclusion

Fairless Local School District has two main sources of revenue: 1) Property Taxes and 2) State Foundation Funding. The district is projecting no growth in State Foundation because we are on the funding guarantee. The district's sole source of revenue growth is when properties are revalued, which only occurs every three years. The result is a slow-to-no growth revenue forecast, making it difficult to balance the budget over the long term. To compound the concern, the Ohio Legislature is currently considering possible changes to the variables used in the revaluation process including the 20-mill floor. The 20-mill floor and property revaluation growth are fundamentally important to the district's continued financial stability.

Think of our funding model as a two-income family. Both parents' work. One parent has been on a salary freeze for the past decade (i.e., State Foundation and the District being on the funding guarantee). The second parent works a job where every three years they get a raise to match the rate of inflation (i.e., 20-mill floor and our local property tax base). The only way the family keeps up and is able to support themselves, is because the second parent gets that raise every three years. If the second parent's job also goes on a freeze (i.e., preventing revaluation growth, 20 mill floor or other measures) - the family is unable to balance its budget or pay the bills and eventually goes bankrupt.

The district constantly monitors its revenues, but has added focus on 4 variables:

1) **Substitute Emergency Levy Renewal** – The $1,773,760 levy is necessary and needed to maintain district operations. The district cannot operate responsibly without this revenue.
2) **Rover Pipeline Tax Payments & Appeal** – At a minimum, the district needs Rover to continue to pay its tax bill at the current level. The district looks forward to the end of the appeal process and a resolution which will provide certainty and stability to this important source of revenue.
3) **Property Tax Reform Legislation** – The Ohio Legislature is considering legislation which could eliminate revenue growth from the only source currently receiving increases. The district cannot operate responsibly without property tax revenue growth.
4) **State Foundation Funding Guarantee** – The district is counting on a 100% guarantee remaining in the funding formula, anything less will result in a loss of revenue.

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