

**BERKSHIRE LOCAL SCHOOL DISTRICT-GEAUGA COUNTY
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES FOR THE FISCAL YEARS ENDED
JUNE 30, 2019, 2020 and 2021 ACTUAL
FORECASTED FISCAL YEARS ENDING
JUNE 30, 2022 THROUGH JUNE 30, 2026**



**Forecast Provided By
Berkshire Local School District**

**Beth A. McCaffrey, Treasurer
May 9, 2022**

Berkshire Local School District

Geauga County

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2019, 2020 and 2021 Actual;
Forecasted Fiscal Years Ending June 30, 2022 Through 2026

	Actual			Average Change	Forecasted				
	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021		Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026
Revenues									
1.010 General Property Tax (Real Estate)	5,816,155	5,850,454	6,333,958	4.4%	6,550,747	6,571,703	6,647,600	6,707,227	6,716,897
1.020 Public Utility Personal Property Tax	667,831	782,406	689,655	2.7%	725,220	751,642	764,092	776,542	788,992
1.030 Income Tax	2,640,777	3,044,644	3,125,762	9.0%	3,497,451	3,532,427	3,567,752	3,603,430	3,639,466
1.035 Unrestricted State Grants-in-Aid	4,748,535	4,428,597	4,684,933	-0.5%	5,206,906	5,241,644	5,242,028	5,242,393	5,242,739
1.040 Restricted State Grants-in-Aid	101,301	89,545	81,799	-10.1%	297,692	290,707	290,707	290,707	290,707
1.045 Restricted Federal Grants In Aid	-	-	-	0.0%	-	-	-	-	-
1.050 Property Tax Allocation	869,668	872,548	901,828	1.8%	910,248	934,473	941,093	951,910	953,604
1.060 All Other Revenues	2,081,538	2,291,116	2,670,248	13.3%	718,179	723,844	729,565	735,343	741,179
1.070 Total Revenues	16,925,805	17,359,310	18,488,183	4.5%	17,906,443	18,046,440	18,182,837	18,307,552	18,373,584
Other Financing Sources									
2.010 Proceeds from Sale of Notes	-	-	-	0.0%	-	-	-	-	-
2.020 State Emergency Loans and Advancements (Approved)	-	-	-	0.0%	-	-	-	-	-
2.040 Operating Transfers-In	-	-	-	0.0%	-	-	-	-	-
2.050 Advances-In	0	243,700	378,776	0.0%	173,591	320,000	120,000	120,000	120,000
2.060 All Other Financing Sources	33,819	173,225	227,091	221.7%	30,000	30,000	30,000	30,000	30,000
2.070 Total Other Financing Sources	33,819	416,925	605,867	589.1%	203,591	350,000	150,000	150,000	150,000
2.080 Total Revenues and Other Financing Sources	16,959,624	17,776,235	19,094,050	6.1%	18,110,034	18,396,440	18,332,837	18,457,552	18,523,584
Expenditures									
3.010 Personal Services	8,497,826	8,689,568	9,268,203	4.5%	8,770,085	9,949,263	10,203,909	10,522,241	10,860,674
3.020 Employees' Retirement/Insurance Benefits	3,268,385	3,378,347	3,274,454	0.1%	3,374,348	3,621,762	3,788,916	3,979,980	4,189,421
3.030 Purchased Services	3,903,381	3,994,546	3,600,668	-3.8%	4,236,757	4,086,757	4,117,357	4,148,569	4,180,405
3.040 Supplies and Materials	334,750	285,181	267,214	-10.6%	410,613	295,752	295,752	295,752	295,752
3.050 Capital Outlay	87,977	174,640	192,420	54.3%	245,023	102,486	143,986	149,500	149,500
3.060 Intergovernmental	-	-	-	0.0%	-	-	-	-	-
Debt Service:									
4.010 Principal-All (Historical Only)	-	-	-	0.0%	-	-	-	-	-
4.020 Principal-Notes	-	-	-	0.0%	-	-	-	-	-
4.030 Principal-State Loans	-	-	-	0.0%	-	-	-	-	-
4.040 Principal-State Advancements	-	-	-	0.0%	-	-	-	-	-
4.050 Principal-HB 264 Loans	-	-	-	0.0%	-	-	-	-	-
4.055 Principal-Other	-	-	-	0.0%	-	-	-	-	-
4.060 Interest and Fiscal Charges	-	-	-	0.0%	-	-	-	-	-
4.300 Other Objects	551,844	232,566	246,606	-25.9%	256,238	268,550	268,245	268,245	268,245
4.500 Total Expenditures	16,644,163	16,754,848	16,849,565	0.6%	17,293,064	18,324,570	18,818,166	19,364,287	19,943,997
Other Financing Uses									
5.010 Operating Transfers-Out	694,854	689,739	708,322	1.0%	873,000	730,000	555,000	555,000	555,000
5.020 Advances-Out	10,000	243,700	503,776	1221.9%	248,213	120,000	120,000	120,000	120,000
5.030 All Other Financing Uses	-	-	-	0.0%	0	0	0	0	0
5.040 Total Other Financing Uses	704,854	933,439	1,212,098	31.1%	1,121,213	850,000	675,000	675,000	675,000
5.050 Total Expenditures and Other Financing Uses	17,349,017	17,688,287	18,061,663	2.0%	18,414,277	19,174,570	19,493,166	20,039,287	20,618,997
6.010 Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	(389,393)	87,948	1,032,387	475.6%	(304,243)	(778,131)	(1,160,329)	(1,581,735)	(2,095,413)
7.010 Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	4,204,226	3,814,833	3,902,781	-3.5%	4,935,168	4,630,925	3,852,794	2,692,465	1,110,731
7.020 Cash Balance June 30	3,814,833	3,902,781	4,935,168	14.4%	4,630,925	3,852,794	2,692,465	1,110,731	984,682
8.010 Estimated Encumbrances June 30	230,628	181,337	282,990	17.3%	248,213	150,000	150,000	150,000	150,000
Fund Balance June 30 for Certification of Appropriations	3,584,205	3,721,444	4,652,178	14.4%	4,382,712	3,702,794	2,542,465	960,731	(1,134,682)
Revenue from Replacement/Renewal Levies									
11.010 Income Tax - Renewal	-	-	-	0.0%	-	-	-	-	-
11.020 Property Tax - Renewal or Replacement	-	-	-	0.0%	-	-	-	-	-
11.300 Cumulative Balance of Replacement/Renewal Levies	-	-	-	0.0%	-	-	-	-	-
12.010 Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations	3,584,205	3,721,444	4,652,178	14.4%	4,382,712	3,702,794	2,542,465	960,731	(1,134,682)
Revenue from New Levies									
13.010 Income Tax - New	-	-	-	0.0%	-	-	-	-	-
13.020 Property Tax - New	-	-	-	0.0%	-	-	-	-	-
13.030 Cumulative Balance of New Levies	-	-	-	0.0%	-	-	-	-	-
14.010 Revenue from Future State Advancements	-	-	-	0.0%	-	-	-	-	-
15.010 Unreserved Fund Balance June 30	3,584,205	3,721,444	4,652,178	14.4%	4,382,712	3,702,794	2,542,465	960,731	(1,134,682)

Berkshire Local School District – Geauga County
Notes to the Five Year Forecast
General Fund Only
May 9, 2022

Introduction to the Five Year Forecast

A forecast is somewhat like a painting of the future based upon a snapshot of today. That snapshot, however, will be adjusted and the further into the future the forecast extends, the more likely it is that the projections will deviate from actual experience. A variety of 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, or businesses moving in or out of the district. The five-year forecast is viewed as a key management tool and must be updated periodically. In Ohio, most school districts understand how they will manage their finances in the current year. The five-year forecast encourages district management teams to examine future years' projections and identify when challenges will arise. This then helps district management to be proactive in meeting those challenges. School districts are encouraged to update their forecasts with ODE when events take place that will significantly change their forecast or, at a minimum, when required under 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 to the Financial Forecast before drawing conclusions or using the data as a basis for other calculations. The assumptions are especially important 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 or Board of Education (BOE) of the individual school district with any questions you may have. The Treasurer or CFO submits the forecast, but the BOE is recognized as ultimately responsible for the development of the forecast and the official owner.

Here are at least three 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 Department of Education and 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 (5) year financial forecast by November 30, 2021, and May 31, 2022 for fiscal year 2022 (July 1, 2021 to June 30, 2022). The five-year forecast includes three years of actual and five years of projected general fund revenues and expenditures. Fiscal year 2022 (July 1, 2021-June 30, 2022) is the first year of the five-year forecast and is considered the baseline year. Our forecast is being updated to reflect the most current economic data available to us for the May 2022 filing.

Economic Outlook

This five-year forecast is being filed during the recovery from the COVID-19 Pandemic which began in early 2020. The effects of the pandemic continue to impact our state, country and our globalized economy. Inflation during April hit a 40 year high not seen since the early 1980's. While increased inflation impacting district costs are expected to continue in the short term, it remains to be seen if these costs are transitory or will last over the next few years which could have a significant impact on our forecast in addition to negative effects on state and local funding.

While all school districts are being aided by three (3) rounds of federal Elementary and Secondary Schools Emergency Relief Funds (ESSER) which began in fiscal year 2020, the most recent allocation of ESSER funds must be spent or encumbered by September 30, 2024.

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

May 2022 Updates:

Revenues FY22:

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 \$17,906,443 or 1.74% higher than the November forecasted amount of \$17,600,594. This indicates the November forecast was 98.26% accurate.

Line 1.01 and 1.02 - Property tax revenues represent our largest source of revenues at 40.8% and are estimated to be \$7,275,967 which is \$140,719 higher for FY22 than the original estimate of \$7,135,248. Our estimates are 98.02% accurate for FY22 and should mean future projections are on target as well.

Line 1.03 - The district's collection of SDIT was originally projected to be lower than previous years due to the effects of the pandemic on our economy. So far collections for our July, October, January and April collections are up 4.88% over our original estimate of \$3,334,593. Overall statewide collection for income taxes have been up around 11% for FY22 and we are also seeing an increase this year that is similar. We expect future years to return more normal trends and not the increases we have seen due to the rapid recovery following the pandemic.

Line 1.035 and 1.04 - State Aide began the year with a completely new funding formula with only Legislative Service Commission (LSC) estimates to anticipate our funding for FY22 and FY23. The LSC estimated provided little to no detail on how the funding level was calculated. The November forecast used components of the LSC simulations of HB110 funding in order to project anticipated funding. In January of 2022 the first formula calculations were released in part by the Ohio Department of Education. While there are still details unpublished at this time we can see that through early April our state aid is estimated to be \$5,504,598 which is \$10,911 higher than the original estimate of \$5,493,687 for FY22. We are pleased that with very little detail we were able to be 99.8% accurate for FY22. We are currently on the guarantee and are expected to remain on a guarantee for FY23 through FY26.

All areas of revenue are tracking as anticipated for FY22 based on our best information at this time.

Expenditures FY22:

Total General Fund expenditures (line 4.5) are estimated to be \$17,293,064 for FY22 which is \$510,880 higher than the the original estimate of \$16,782,185 in the November forecast. Wages Line 3.01 and Purchased Services Line 3.03 are running higher than anticipated for the year.

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

Unreserved Ending Cash Balance:

With expenditures being up a little over the additional revenue in FY22, our ending unreserved cash balance June 30, 2022 is anticipated to be roughly \$4,382,712. The ending unreserved cash balance on Line 15.010 of the forecast is anticipated to be a positive accumulative balance through 2025 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 uncertainties noted above but also due to state legislative changes that will occur in the spring of 2023 and 2025 due to deliberation of the next two (2) state biennium budgets for FY24-25 and FY26-27, both of which affect this five year forecast. We have estimated revenues and expenses based on the best data available to us and the laws in effect at this time. The items below give a short description of the current issues and how they may affect our forecast long term:

1) The state budget represented 36% of district revenues, which means it is a significant area of risk to revenue. The future risk comes in FY24 and beyond if the state economy stalls due to record high inflation we are witnessing at this time, or the Fair School Funding Plan is not funded in future state budgets due to an economic downturn. There are two future State Biennium Budgets covering the period from FY24-25 and FY26-27 in this forecast. Future uncertainty in both the state foundation funding formula and the state's economy makes this area an elevated risk to district funding long range through FY26. We have projected our state funding to be in line with the FY23 funding levels through FY26 which we feel is conservative and should be close to whatever the state approves for the FY24-FY27 biennium budgets. We will adjust the forecast in future years as we have data to help guide this decision.

HB110, the current state budget, implements what has been referred to as the Fair School Funding Plan (FSFP) for FY22 and FY23. The actual release of the new Fair School Funding Plan formula calculations was delayed until January 2022. The FSFP has many significant changes to the way foundation revenues are calculated for school districts and how expenses are charged off. State foundation basic aid will be calculated on a base cost methodology with funding paid to the district where a student is enrolled to be educated. There will be no separate open enrollment revenue payments to school districts beginning in FY22. There will also be direct funding to the district where students are educated for expenses previously deducted from districts state foundation funding for open enrollment, community schools, STEM schools and scholarship recipients. The initial impact on the forecast will be noticed that the historic actual costs for FY19 through FY21 on the forecast will potentially reflect different trends on Lines 1.035, 1.04, 1.06 and 3.03 beginning in FY22. Longer term there may be adjustments to state aid for FY23 as the Ohio Department of Education resolves issues and possible unintended consequences as they create and implement the numerous changes to the complicated new formula. Our state aid projections have been based on the best information on the new HB110 formula available as of this forecast.

2) Property tax collections are the largest single revenue source for the school system. The housing market in our district is stable and growing. We project continued growth in appraised values every three (3) years and new construction growth with continued modest increases in local taxes as the pandemic ends and the economy continues its recovery as anticipated. Total local revenues which are predominately local taxes equate to 64% of the district's resources. Our tax collections in the August 2021 and March 2022 settlements did not fall due to higher delinquencies as anticipated due to the brief rise in unemployment due to the pandemic in 2020. Longer term we believe there is a low risk that local collections would fall below projections throughout the forecast.

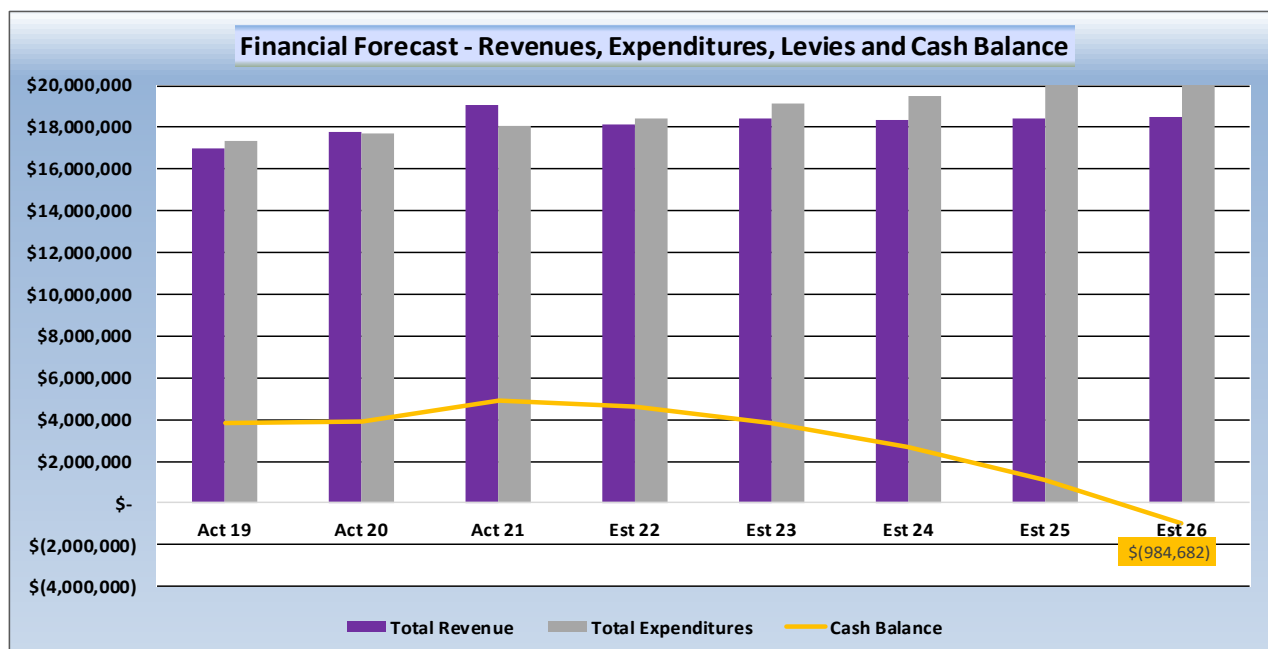
Geauga County experienced a reappraisal update in the 2020 tax year to be collected in FY21. The 2020 update increased overall assessed values by \$32.0 million or an increase of 8.7% for Class I and II values. A full reappraisal will occur in tax year 2023 for collection in FY24. We conservatively anticipate value increases for Class I of 2% and Class II 0%, and that values will increase by \$7.2 million for an overall increase of 1.91% including an adjustment for potentially lower Current Agricultural Use Values (CAUV). 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) HB110 direct pays costs associated with open enrollment, community and STEM schools, and for all scholarships including EdChoice Scholarships. These costs will no longer be deducted from our state aid. However, there still are education option programs such as College Credit Plus which continue to be deducted from state aid which will increase costs to the district. Expansion or creation of programs that are not directly paid by the state of Ohio can expose the district to new expenditures that are not currently in the forecast. We are monitoring closely any new threats to our state aid and increased costs as any new proposed laws are introduced in the legislature.

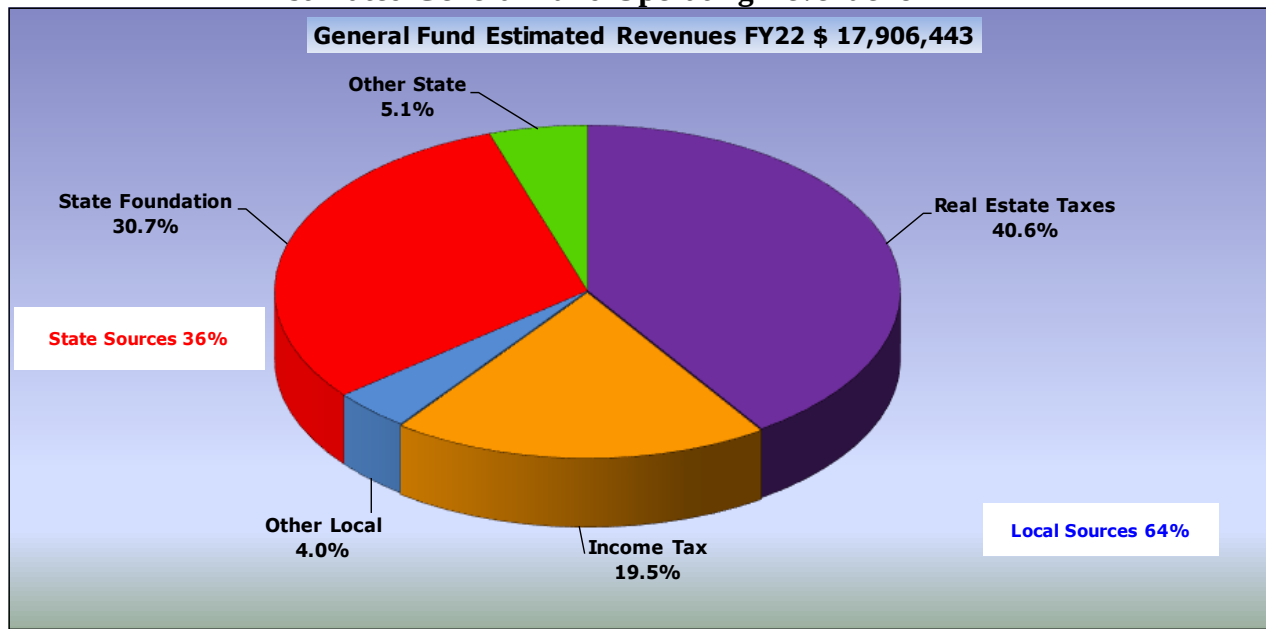
The major lines of reference for the forecast are noted below in the headings to make it easier to relate the assumptions made for the forecast item and refer back to the forecast. It should be of assistance to the reader to review the assumptions noted below in understanding the overall financial forecast for our district. If you would like further information please feel free to contact Beth McCaffrey, Treasurer at 440-834-3380.

General Fund Revenue, Expenditure and Ending Cash Balance Actual FY19-21 and Estimated FY22-26

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



Revenue Assumptions Estimated General Fund Operating Revenue for FY22



Real Estate Value Assumptions – Line # 1.010

Property values are established each year by the county auditor in Geauga County based on new construction and complete reappraisal or updated values. The 2020 update increased overall assessed values by \$32.0 million or an increase of 8.7% for Class I and II values.

A full reappraisal will occur in tax year 2023 for collection in FY24. We anticipate value increases for Class I of 2% and Class II 0%, and that values will increase by \$7.2 million for an overall increase of 1.91% including an adjustment for potentially lower Current Agricultural Use Values (CAUV).

Values in tax year 2021 for collection in FY22 are up for Class I \$2.4M and Class II \$1.9 M mostly due to new construction. Overall all values rose by 1.35% in tax year 2021.

The district is on the 20 mill floor for Class I taxes. Being on the 20 mill floor the district will experience growth in taxes as the millage can no longer be decreased when the valuation increases.

Agricultural values represent 20.5% of Class I values. HB49 authorized a reduction in CAUV computations that resulted in these values falling in the 2020 reappraisal even though overall Class I values increased. There are minor reductions expected for the 2023 update but overall Class I should increase as mentioned above by at least 2% when weighting in possible reductions in CAUV. If values should go down overall in Class I the reduction in values will cause the millage rates to increase and the district millage for Class I will be above the 20 mill floor. This will cause a shift in taxes from agricultural taxpayers to residential taxpayers but should not result in lower taxes to our district due to HB920 rolling tax rates up.

ESTIMATED ASSESSED VALUE (AV) BY COLLECTION YEARS

	Actual	Estimated	Estimated	Estimated	Estimated
	TAX YEAR2021	TAX YEAR2022	TAX YEAR2023	TAX YEAR2024	TAX YEAR 2025
Classification	COLLECT 2022	COLLECT 2023	COLLECT 2024	COLLECT 2025	COLLECT 2026
Res./Ag.	\$329,045,300	\$329,645,300	\$336,838,206	\$337,438,206	\$338,038,206
Comm./Ind.	40,622,350	40,472,350	40,322,350	40,172,350	40,022,350
Public Utility Personal Property (PUPP)	14,958,210	15,208,210	15,458,210	15,708,210	15,958,210
Total Assessed Value	<u>\$384,625,860</u>	<u>\$385,325,860</u>	<u>\$392,618,766</u>	<u>\$393,318,766</u>	<u>\$394,018,766</u>

Estimated Real Estate Tax (Line #1.010)

Source	FY22	FY23	FY24	FY25	FY26
General Property Taxes	<u>\$6,550,747</u>	<u>\$6,571,703</u>	<u>\$6,647,600</u>	<u>\$6,707,227</u>	<u>\$6,716,897</u>

Property tax levies are estimated to be collected at 97.70% of the annual amount. This allows 2.30% delinquency factor. In general, 54.50% of the Res/Ag and Comm/Ind property taxes are expected to be collected in the February tax settlement and 45.50% collected in the August tax settlement. Collections in FY21 were up \$455,000 due to additional delinquent taxes collected in the August and March tax settlements.

New Tax Levies – Line #13.030

No new levies are modeled in this forecast.

Estimated Public Utility Personal Tax – Line#1.020

The phase out of TPP Tangible Personal Property taxes began in FY06 with HB66 adopted in June 2005 and the provisions of the legislation that general tangible personal property tax would be eliminated after FY11. Any TPP revenues received FY12 and beyond are delinquent TPP taxes. Amounts noted below are public utility personal property (PUPP) tax payments from public utilities. The values for PUPP are noted on the table above, which were \$14.9 million in assessed values in 2021 and are collected at the district's gross voted millage rate. Collections are typically 50% in February and 50% in August along with the real estate settlements from the county auditor. We anticipate values to grow \$250,000 each year of the forecast.

Source	FY22	FY23	FY24	FY25	FY26
Public Utility Personal Property (Line#1.020)	<u>\$725,220</u>	<u>\$751,642</u>	<u>\$764,092</u>	<u>\$776,542</u>	<u>\$788,992</u>

School District Income Tax – Line#1.030

The district has a 1% earned SDIT for a continuing period of time. As we move into post-pandemic economic times we are seeing that income tax collections are beginning to increase with the economic recovery. So far in FY22 income tax collection statewide have increased on average 11.7%. Our income tax in FY22 is up 11.89% over FY21 and 4.88% over estimates for FY22. We will assume an annual growth rate of 1% for FY23-FY26 as the concerns over inflation may slow growth in this area.

Source	FY22	FY23	FY24	FY25	FY26
School District Income Tax	\$3,125,762	\$3,497,451	\$3,532,427	\$3,567,752	\$3,603,430
Adjustments	<u>371,689</u>	<u>34,976</u>	<u>35,325</u>	<u>35,679</u>	<u>36,035</u>
Total to Line #1.030	<u>\$3,497,451</u>	<u>\$3,532,427</u>	<u>\$3,567,752</u>	<u>\$3,603,430</u>	<u>\$3,639,466</u>

State Foundation Revenue Estimates – Lines #1.035, 1.040 and 1.045

Current State Funding Model per HB110 through June 30, 2023

A) Unrestricted State Foundation Revenue– Line #1.035

The partial release of the new Fair School Funding Plan formula occurred in January 2022 half way through FY22, and as of the date of this forecast there are still some detailed calculations not released. We have projected FY22 and FY23 funding based on the April 2022 foundation settlement and funding factors.

Our district is currently a **guarantee** district in FY22 and is **expected to be** FY23-FY26 on the new Fair School Funding Plan (FSFP). The state foundation funding formula has gone through many changes in recent years. The most recent funding formula began in FY14 and was dropped in FY19 after six (6) years, followed by no foundation formula for two (2) years in FY20 and FY21, and now HB110 implements the newest and possibly the most complicated funding formula in recent years for FY22 and FY23. The current formula introduces many changes to how state foundation is calculated and expenses deducted from state funding which will potentially make the actual five year forecast look different with estimates FY22 through FY26 compared to actual data FY19 through FY21 on Lines 1.035, 1.04, 1.06 and 3.03 of the forecast.

Overview of Key Factors that Influence State Basic Aid in the Fair School Funding Plan

- A. Student Population and Demographics
- B. Property Valuation Per Pupil
- C. Personal Income of District Residents Per Pupil
- D. Historical Funding - CAPS and Guarantees from prior funding formulas “Funding Bases” for guarantees.

Base Cost Approach - Unrestricted Basic Aid Foundation Funding

The new funding formula uses FY18 statewide average district costs and developed a base cost approach that includes minimum service levels and student teacher ratios to calculate a unique base cost for each district. Newer more up to date state wide average costs will not update for FY23 and remains frozen at FY18 levels, while other factors impacting a districts local capacity will update for FY23. Base costs per pupil includes funding for five (5) areas:

- 1. Teacher Base Cost (4 subcomponents)
- 2. Student Support (7 subcomponents-including a restricted Student Wellness component)
- 3. District Leadership & Accountability (7 subcomponents)
- 4. Building Leadership & Operations (3 subcomponents)
- 5. Athletic Co-curricular (contingent on participation)

State Share Percentage – Unrestricted Basic Aid Foundation Funding

Once the base cost is calculated, which is currently at a state wide average of \$7,350.77 per pupil in FY22, the FSFP calculates a state share percentage (SSP) calculation. The state share percentage in concept will be higher for districts with less capacity (lower local wealth) and be a lower state share percentage for districts with more capacity (higher local wealth). The higher the district’s ability to raise taxes based on local wealth the lower the state share percentage. The state share percentage will be based on 60% property valuation of the district, 20% on federally adjusted gross income and 20% on federal median income, as follows:

- 1. 60% based on most recent three (3) year average assessed values or the most recent year, whichever is lower divided by base students enrolled.
- 2. 20% based on most recent three (3) year average federal adjusted gross income of districts residents or the most recent year, whichever is lower divided by base students enrolled.

3. 20% based on most recent year federal median income of district residents multiplied by number of returns in that year divided by base students enrolled.
4. When the weighted values are calculated and item 1 through 3 above added together the total is then multiplied by a Local Share Multiplier Index from 0% for low wealth districts to a maximum of 2.5% for wealthy districts.

When the unrestricted base cost is determined and multiplied by the state share percentage, the resulting amount is multiplied by the current year enrolled students (including open enrolled students being educated in each district), and finally multiplied by the local share multiplier index for each district. The result is the local per pupil capacity amount of the base per pupil funding amount.

Categorical State Aid

In addition to the base state foundation funding calculated above the FSFP also has unrestricted categorical funding and new restricted funding beginning in FY22, some of which will have the state share percentage applied to these calculations as noted below:

Unrestricted Categorical State Aid

1. Targeted Assistance/Capacity Aid – Provides additional funding based on a wealth measure using 60% weighted on property value and 40% on income. Uses current year enrolled average daily membership (ADM). Also will provide supplemental targeted assistance to lower wealth districts whose enrolled ADM is less than 88% of their total FY19 ADM.
2. Special Education Additional Aid – Based on six (6) weighted funding categories of disability and moved to a weighted funding amount and not a specific amount. An amount of 10% will be reduced from all district's calculation to be used toward the state appropriation for Catastrophic Cost reimbursement.
3. Transportation Aid – Funding based on all resident students who ride including preschool students and those living within 1 mile of school. Provides supplemental transportation for low density districts. Increases state minimum share to 29.17% in FY22 and 33.33% in FY23. In general, districts whose state share percentage is less than 33.33% will see a benefit from the increase to 33.33% funding.

Restricted Categorical State Aid

1. Disadvantage Pupil Impact Aid (DPIA) - Formerly Economically Disadvantaged Funding is based on number and concentration of economically disadvantaged students compared to state average and multiplied by \$422 per pupil. Phase in increases are limited to 0% for FY22 and 14% in FY23.
2. English Learners – Based on funded categories based on time student enrolled in schools and multiplied by a weighted amount per pupil.
3. Gifted Funds – Based on average daily membership multiplied by a weighted amount per pupil.
4. Career-Technical Education Funds – Based on career technical average daily membership and five (5) weighted funding categories students enrolled in.

State Funding Phase-In FY22 and FY23 and Guarantees

While the FSFP 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. The FSFP does not include caps on funding, rather it will include a general phase-in percentage for most components in the amount of 16.67% in FY22 and 33.33% in FY23. DPIA funding will be phased in 0% in FY22 and 14% in FY23. Transportation categorical funds will not be subject to a phase in.

HB110 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 less funds in FY22 and FY23 than they received in FY21. The guarantee level of funding for

FY22 is a calculated funding guarantee level based on full state funding cuts from May 2020 restored, net of transfers and deductions, plus Student Wellness and Success funds (based on FY21 SWSF amounts), enrollment growth supplement funds paid in FY21 and special education preschool and special education transportation additional aid items. It is estimated that nearly 420 districts are on one form of a guarantee in FY22 and in general the same number will occur in FY23, since state average costs were frozen at FY18 in the Base Cost calculations, while property values and Federal Adjusted Gross Income will be allowed to update and increase for FY23, which should push districts toward one of the three (3) guarantees.

Student Wellness and Success Funds (SWSF) - (Restricted Fund 467)

In FY20 and FY21 HB166, provided Student Wellness and Success Funds (SWSF) to be deposited in a Special Revenue Fund 467. HB110 the new state budget essentially eliminated these funds by merging them into state aid and wrapped into the expanded funding and mission of DPIA funds noted above and on Line 1.04 below, with only a smaller portion devoted to SWSF. Any remaining funds in Special Revenue Fund 467 from FY20 and FY21 will be required to be used for the restricted purposes governing these funds until spent fully.

Future State Budget Projections beyond FY23

Our funding status for the FY24-26 will depend on two (2) new state budgets which are unknown. There is no guarantee that the current Fair School Funding Plan in HB110 will be funded or continued beyond FY23. For this reason, funding is held constant in the forecast for FY23 through FY26.

Casino Revenue

On November 3, 2009 Ohio voters passed the Ohio casino ballot issue. This issue allowed for the opening of four (4) casinos one each 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% 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 which began for the first time on January 31, 2013.

Casino revenue fell slightly in FY21 due to COVID-19 and Casinos closing for a little over two months. We have increased the amount in FY22 back to pre-pandemic FY20 levels as Casino revenues appear to have dipped largely due to their closure and not in response to the economic downturn. Prior to COVID-19 closure, casino revenues were growing modestly as the economy improved. Original projections for FY22-26 estimated a .4% decline in pupils to 1,778,441 and GCR increasing to \$106.35 million or \$59.80 per pupil, actual payments in FY22 were \$62.87 per pupil. FY22 Casino revenues have resumed their historical growth rate and assume a 2% annual growth rate for the forecast period.

Source	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>
Basic Aid-Unrestricted	\$4,957,012	\$4,991,346	\$4,991,346	\$4,991,346	\$4,991,346
Additional Aid Items	165,790	165,790	165,790	165,790	165,790
Basic Aid-Unrestricted Subtotal	\$5,122,802	\$5,157,136	\$5,157,136	\$5,157,136	\$5,157,136
Ohio Casino Commission ODT	<u>84,104</u>	<u>84,508</u>	<u>84,892</u>	<u>85,257</u>	<u>85,603</u>
Total Unrestricted State Aid Line # 1.035	<u>\$5,206,906</u>	<u>\$5,241,644</u>	<u>\$5,242,028</u>	<u>\$5,242,393</u>	<u>\$5,242,739</u>

B) Restricted State Revenues – Line # 1.040

HB110 has continued Disadvantaged Pupil Impact Aid (formerly Economic Disadvantaged funding) and Career Technical funding. In addition, there have been new restricted funds added as noted above under “Restricted Categorical Aid” for Gifted, English Learners (ESL) and Student Wellness. We will need to see the actual HB110 funding formula in December for new restricted amounts to post to the lines below. The district has elected to also post Catastrophic Aid for special education as restricted revenues. The amount of DPIA is limited to 0% phase in growth for FY22 and 14% in FY23.

Source	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>
DPIA	\$15,398	\$15,739	\$15,739	\$15,739	\$15,739
Career Tech	156	257	257	257	257
Gifted	59,567	52,434	52,434	52,434	52,434
ESL	1,702	1,407	1,407	1,407	1,407
Student Wellness	159,562	159,563	159,563	159,563	159,563
Catastrophic Aid	<u>61,307</u>	<u>61,307</u>	<u>61,307</u>	<u>61,307</u>	<u>61,307</u>
Total Restricted State Revenues Line #1.040	<u>\$297,692</u>	<u>\$290,707</u>	<u>\$290,707</u>	<u>\$290,707</u>	<u>\$290,707</u>

C) Restricted Federal Grants in Aid – line #1.045

No federal unrestricted grants are projected FY22-26.

Summary of State Foundation Revenues	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>
Unrestricted Line # 1.035	\$5,206,906	\$5,241,644	\$5,242,028	\$5,242,393	\$5,242,739
Restricted Line # 1.040	297,692	290,707	290,707	290,707	290,707
Restricted Federal Grants - #1.045	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total State Foundation Revenue	<u>\$5,504,598</u>	<u>\$5,532,351</u>	<u>\$5,532,735</u>	<u>\$5,533,100</u>	<u>\$5,533,446</u>

State Taxes Reimbursement/Property Tax Allocation

Rollback and Homestead Reimbursement

Rollback funds are reimbursements paid to the district from Ohio for tax credits given owner occupied residences equaling 12.5% of the gross property taxes charged residential taxpayers on tax levies passed prior to September 29, 2013. HB59 eliminated the 10% and 2.5% rollback on new levies approved after September 29, 2013 which is the effective date of HB59. HB66, the FY06-07 budget bill, previously eliminated 10% rollback on Class II (commercial and industrial) property.

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 of age or older or who are disabled regardless of income. Effective September 29, 2013, HB59 changed the requirement for Homestead Exemptions. Individual taxpayers who do not currently have their Homestead Exemption approved or those who do not get a new application approved for tax year 2013, and who become eligible thereafter 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 going forward 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	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>
Rollback and Homestead	<u>\$910,248</u>	<u>\$934,473</u>	<u>\$941,093</u>	<u>\$951,910</u>	<u>\$953,604</u>
Total Tax Reimb./Prop. Tax Allocations #1.050	<u>\$910,248</u>	<u>\$934,473</u>	<u>\$941,093</u>	<u>\$951,910</u>	<u>\$953,604</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 open enrollment, tuition for court placed students, student fees, Payment In Lieu of Taxes, and general rental fees. HB110, the new state budget, will stop paying open enrollment as an increase to other revenue for the district. This is projected below as zeros to help show the difference between projected FY22-FY26 Line 1.06 revenues and historical FY19 through FY21 revenues on the five year forecast. Open

enrolled students will be counted in the enrolled student base at the school district they are being educated at and state aid will follow the students. Open enrolled student revenues will be included in Line 1.035 as state basic aid. In FY21 interest income fell sharply due to fed rate reductions due to the pandemic which will impact our earning capability in this area until rates begin to increase. Rentals are expected to return to pre-pandemic levels over time. All other revenues are expected to continue on historic trends.

Source	FY22	FY23	FY24	FY25	FY26
Open Enrollment Gross	\$0	\$0	\$0	\$0	\$0
Interest	15,863	15,863	15,863	15,863	15,863
Medicaid	101,755	102,770	103,795	104,830	105,875
Tuitions	464,986	469,636	474,332	479,075	483,866
MH Tax, Fees, and Miscellaneous	<u>135,575</u>	<u>135,575</u>	<u>135,575</u>	<u>135,575</u>	<u>135,575</u>
Total Other Local Revenue Line #1.060	<u>\$718,179</u>	<u>\$723,844</u>	<u>\$729,565</u>	<u>\$735,343</u>	<u>\$741,179</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 are the repayment of short term loans to other funds over the previous fiscal year and reimbursements for expenses received for a previous fiscal year in the current fiscal year.

Source	FY22	FY23	FY24	FY25	FY26
Transfers In - Line 2.040	\$0	\$0	\$0	\$0	\$0
Advance Returns - Line 2.050	<u>\$173,591</u>	<u>\$320,000</u>	<u>\$120,000</u>	<u>\$120,000</u>	<u>\$120,000</u>
Total Transfer & Advances In	<u>\$173,591</u>	<u>\$320,000</u>	<u>\$120,000</u>	<u>\$120,000</u>	<u>\$120,000</u>

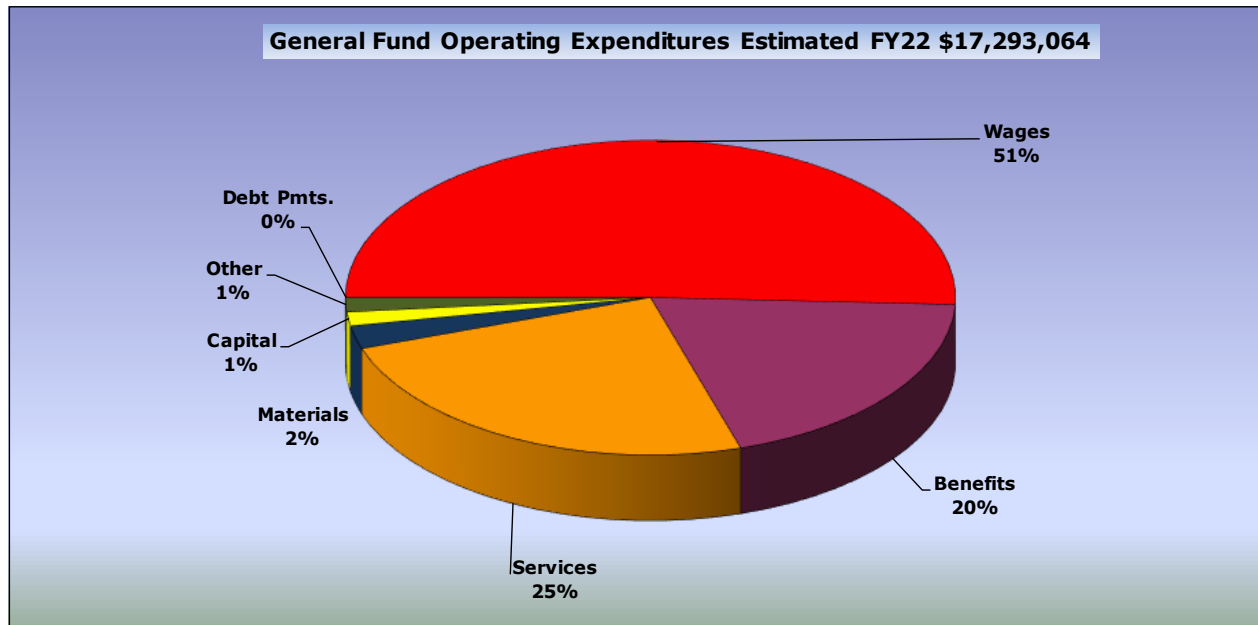
All Other Financial Sources – Line #2.060

This funding source is typically a refund of prior year expenditures that is very unpredictable. We received several Bureau of Workers Compensation refunds over the past two years and do not expect to receive a refund in FY22. These revenues are inconsistent year to year and we will not project that occurring in the remainder of the forecast.

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 FY22



Wages – Line #3.010

The district concluded a three (3) year negotiated agreement that provided for a 2% base increase year from FY21 through FY24. The district also has step increases of 1.3% each year of the forecast. For planning purposes a 2% base increase and normal steps and training increases has been used for FY25-26. The forecast reflects the addition of 3 teaching positions and 2 administrator positions. We have recoded \$892,000 of expenses that qualify in our plan for use in our ESSER funds and will bring those positions back in FY23.

Source	FY22	FY23	FY24	FY25	FY26
Base Wages	\$8,710,474	\$8,202,937	\$9,447,137	\$9,713,344	\$10,023,409
Step & Training	130,657	106,638	122,813	126,273	130,304
Growth	945,967	206,327	75,093	13,653	0
Fund 467/ESSER 507	(892,000)	892,000	0	0	0
Substitutes	262,884	208,142	212,305	216,551	220,882
Supplementals	478,474	458,043	467,204	476,548	486,079
Staff Reductions	(866,371)	(124,824)	(120,642)	(24,128)	0
Total Wages Line #3.010	\$8,770,085	\$9,949,263	\$10,203,909	\$10,522,241	\$10,860,674

Fringe Benefits Estimates Line 3.02

This area of the forecast captures all costs associated with benefits and retirement costs, with all except health insurance being directly related to the wages paid.

A) STRS/SERS

The district pays 14% of each dollar paid in wages to either the State Teachers Retirement System or the School Employees Retirement System as required by Ohio law.

B) Insurance

FY21 saw an increase in insurance rates of 13.8% due to high claims. We are estimating an increase of 7.0% for FY24-26 which is in line with current market conditions for insurance.

The Further Consolidated Appropriations Act of 2020, included a full repeal of three taxes originally imposed by the Affordable Care Act (ACA): the 40% Excise Tax on employer-sponsored coverage (a.k.a. “Cadillac Tax”), the Health Insurance Industry Fee (a.k.a. the Health Insurer Tax), and the Medical Device Tax. These added costs are no longer an uncertainty factor for our health care costs in the forecast.

C) Workers Compensation & Unemployment Compensation

Workers Compensation is expected to be approximately .004% of wages FY22– FY26. Unemployment is expected to remain at a very low level FY22-FY26.

D) Medicare

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

Estimated Fringe Benefits – Line #3.020

Source	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>
A) STRS/SERS	\$1,452,856	\$1,508,196	\$1,560,194	\$1,608,397	\$1,659,990
B) Insurance's	\$1,737,236	\$1,916,751	\$2,027,977	\$2,165,236	\$2,316,803
C) Workers Comp/Unemployment	\$36,080	\$40,797	\$41,816	\$43,089	\$44,443
D) Medicare	\$137,825	\$145,667	\$148,579	\$152,907	\$157,834
Other/Tuition	<u>\$10,351</u>	<u>\$10,351</u>	<u>\$10,351</u>	<u>\$10,351</u>	<u>\$10,351</u>
Total Fringe Benefits Line #3.020	<u>\$3,374,348</u>	<u>\$3,621,762</u>	<u>\$3,788,916</u>	<u>\$3,979,980</u>	<u>\$4,189,421</u>

Purchased Services – Line #3.030

HB110, the new state budget, will impact Purchased Services beginning in FY22 as the Ohio Department of Education will begin to direct pay these costs to the educating districts for open enrollment, community and STEM schools, and for scholarships granted students to be educated elsewhere, as opposed to deducting these amounts from our state foundation funding and shown below as expenses. We have continued to show these amounts below as zeros to help reflect the difference between projected FY22-FY26 Line 3.03 costs and historical FY19 through FY21 costs on the five year forecast. College Credit Plus, 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 reduced costs in purchased services for FY20 and 21 for the Fund 467 recoding for our school psychologists and then returned these costs to the General Fund in FY22-26.

Source	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>
Base Services	\$105,092	\$105,092	\$105,092	\$105,092	\$105,092
Excess Cost County ESC	79,353	79,353	79,353	79,353	79,353
Open Enrollment Deduction-477	0	0	0	0	0
Community School Deductions-478	0	0	0	0	0
Other Tuition Including Ed Scholarship-479	1,168,470	1,068,470	1,068,470	1,068,470	1,068,470
Professional Support 41x	502,857	472,857	472,857	472,857	472,857
Building & Bus Repairs 42x	514,642	464,642	464,642	464,642	464,642
Transportaion	1,500,000	1,530,000	1,560,600	1,591,812	1,623,648
Utilities	<u>366,343</u>	<u>366,343</u>	<u>366,343</u>	<u>366,343</u>	<u>366,343</u>
Total Purchased Services Line #3.030	<u>\$4,236,757</u>	<u>\$4,086,757</u>	<u>\$4,117,357</u>	<u>\$4,148,569</u>	<u>\$4,180,405</u>

Supplies and Materials – Line #3.040

This category of expenses which are characterized by classroom supplies, textbooks, janitorial supplies, transportation fuel and supplies, and other miscellaneous materials.

Source	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>
Supplies	\$158,271	\$125,000	\$125,000	\$125,000	\$125,000
Textbooks	\$30,236	\$25,000	\$25,000	\$25,000	\$25,000
Building Maintenance	\$66,354	\$25,000	\$25,000	\$25,000	\$25,000
Transportation	<u>\$155,752</u>	<u>\$120,752</u>	<u>\$120,752</u>	<u>\$120,752</u>	<u>\$120,752</u>
Total Supplies Line #3.040	<u>\$410,613</u>	<u>\$295,752</u>	<u>\$295,752</u>	<u>\$295,752</u>	<u>\$295,752</u>

Capital Outlay – Line # 3.050

The area of capital outlay is for all types of equipment whether it is for educational purposes or building repairs. Capital outlay accounts for expenditures with a useful life of more than five years and include classroom equipment, bus lease payments and building improvements. The district is projecting near flat funding in FY22-FY26.

Source	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>
Capital Outlay	\$116,425	\$25,000	\$25,000	\$25,000	\$25,000
Replacement Bus Purchases	<u>128,598</u>	<u>77,486</u>	<u>118,986</u>	<u>124,500</u>	<u>124,500</u>
Total Equipment Line #3.050	<u>\$245,023</u>	<u>\$102,486</u>	<u>\$143,986</u>	<u>\$149,500</u>	<u>\$149,500</u>

Other Expenses – Line #4.300

This category of expenses is primarily for county auditors and treasurers' fees for collecting property taxes and the Ohio Department of Taxation to collect and manage the districts income tax collection, and educational service center fees. The other expense category is several small expenses with the largest being district liability insurance and dues and fees to organization such as OSBA.

Source	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>
County Auditor & Treasurer Fees	\$161,426	\$169,497	\$171,192	\$171,192	\$171,192
County ESC	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Other expenses	<u>\$84,812</u>	<u>\$89,053</u>	<u>\$87,053</u>	<u>\$87,053</u>	<u>\$87,053</u>
Total Other Expenses Line #4.300	<u>\$256,238</u>	<u>\$268,550</u>	<u>\$268,245</u>	<u>\$268,245</u>	<u>\$268,245</u>

Transfers Out/Advances Out – Line# 5.010

This account group covers fund to fund transfer and end of year short term loans from the General Fund to other funds until they have received reimbursements and can repay the General Fund. Transfers out in FY22 include \$300,000 to the Self Insurance Fund, \$350,000 to Severance Fund; \$30,000 to the Athletic Fund; \$100,000 to OFCC Fund 034; and \$93,000 for miscellaneous needs. Advances have limited in impact to the General Fund as the amounts are repaid as soon as dollars are received in the debtor fund.

Source	FY22	FY23	FY24	FY25	FY26
Operating Transfers Out Line #5.010	\$873,000	\$730,000	\$555,000	\$555,000	\$555,000
Advances Out Line #5.020	<u>\$248,213</u>	<u>\$120,000</u>	<u>\$120,000</u>	<u>\$120,000</u>	<u>\$120,000</u>
Total Transfer & Advances Out	<u>\$1,121,213</u>	<u>\$850,000</u>	<u>\$675,000</u>	<u>\$675,000</u>	<u>\$675,000</u>

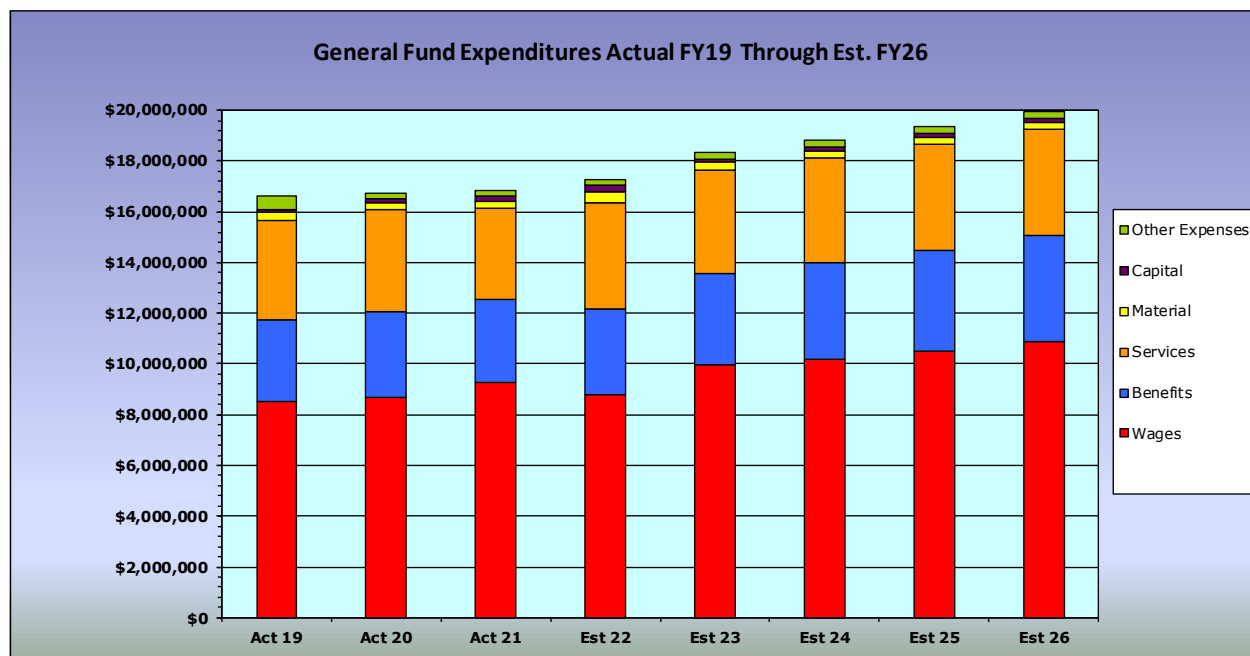
Encumbrances –Line#8.010

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.

	FY22	FY23	FY24	FY25	FY26
Estimated Encumbrances	<u>\$248,213</u>	<u>\$150,000</u>	<u>\$150,000</u>	<u>\$150,000</u>	<u>\$150,000</u>

Operating Expenditures Actual FY19 through FY21 and Estimated FY22-FY26

As the graph on the following page indicates, we have been diligent at reducing costs in reaction to lower and flat state revenues. We are maintaining control over our expenses while balancing student academic needs to enable them to excel and do well on state performance standards.



Ending Unencumbered 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 which results in a negative unencumbered cash balance is a violation of 5705.412, ORC punishable by personal liability of \$10,000. It is recommended that a district maintains a minimum of thirty (30) day cash balance, which is about \$1.4 million for our district.

	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>	<u>FY26</u>
Ending Unencumbered Cash Balance	<u>\$4,382,712</u>	<u>\$3,702,794</u>	<u>\$2,542,465</u>	<u>\$960,731</u>	<u>-\$1,134,682</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 is the Current Years Ending Cash Balance divided by (Current Years Expenditures/365 days) = number of days the district could operate without additional resources or a severe resource interruption. The government finance officers association recommends no less than two (2) months or 60 days cash is on hand at year end but could be more depending on each districts 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 severance reserves.

