LUCAS LOCAL SCHOOL DISTRICT- RICHLAND COUNTY
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE FISCAL YEARS ENDED JUNE 30, 2020, 2021 and 2022 ACTUAL FORECASTED FISCAL YEARS ENDING JUNE 30, 2023 THROUGH JUNE 30, 2027

Forecast Provided By
Lucas Local School District
Treasurer's Office
Eric Pickering, Treasurer/CFO
May 16, 2023

Lucas Local School District

Richland County

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2020, 2021 and 2022 Actual;
Forecasted Fiscal Years Ending June 30, 2023 Through 2027

		Actual				Forecasted				
		Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Average Change	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027
	Revenues									
1.010	General Property Tax (Real Estate)	$1,821,917	$1,774,732	$1,851,086	0.9%	$1,872,526	$1,863,289	$1,856,631	$1,599,943	$1,462,653
1.020	Public Utility Personal Property Tax	1,916,101	2,268,722	2,439,756	13.0%	2,803,501	2,968,734	2,973,420	2,774,876	2,573,067
1.030	Income Tax	0	0	0	0.0%	0	0	0	0	0
1.035	Unrestricted State Grants-in-Aid	2,703,290	2,758,775	2,794,301	1.7%	2,839,810	2,840,641	2,841,493	2,842,366	2,843,261
1.040	Restricted State Grants-in-Aid	32,094	32,093	217,237	288.4%	211,011	211,011	211,011	211,011	211,011
1.045	Restricted Federal Grants-in-Aid	0	0	0	0.0%	0	0	0	0	0
1.050	Property Tax Allocation	316,432	309,617	311,166	-0.8%	309,035	272,968	270,766	239,189	210,870
1.060	All Other Revenues	1,002,443	960,598	357,928	-33.5%	779,602	559,602	459,602	399,602	399,602
1.070	*Total Revenues*	$7,792,277	$8,104,537	$7,971,474	1.2%	$8,815,485	$8,716,245	$8,612,923	$8,066,987	$7,700,464
	Other Financing Sources									
2.050	Advances-In	$0	$36,088	$37,743	0.0%	$0	$0	$0	$0	$0
2.060	All Other Financing Sources	67,739	133,237	60,979	21.2%	60,979	60,979	60,979	60,979	60,979
2.070	*Total Other Financing Sources*	$67,739	$169,325	$98,721	54.1%	$60,979	$60,979	$60,979	$60,979	$60,979
2.080	*Total Revenues and Other Financing Sources*	$7,860,016	$8,273,862	$8,070,196	1.4%	$8,876,464	$8,777,224	$8,673,902	$8,127,966	$7,761,443
	Expenditures									
3.010	Personal Services	$3,347,294	$3,527,271	$3,437,936	1.4%	$3,588,174	$3,759,414	$3,921,501	$4,090,936	$4,187,283
3.020	Employees' Retirement/Insurance Benefits	969,206	1,081,257	1,165,954	9.7%	1,351,283	1,429,089	1,529,083	1,629,022	1,725,716
3.030	Purchased Services	1,110,404	1,342,964	919,769	-5.3%	947,362	1,099,240	1,132,217	1,166,184	1,201,171
3.040	Supplies and Materials	217,632	227,998	337,565	26.4%	369,692	380,783	392,207	403,973	416,093
3.050	Capital Outlay	101,619	181,080	50,715	3.1%	279,237	136,014	172,844	149,729	181,671
	Debt Service:				0.0%					
4.050	Principal-HB 264 Loans	37,000	37,000	37,000	0.0%	37,000	37,000	37,000	37,000	0
4.055	Principal-Other	0	0	0	0.0%	0	0	0	0	0
4.060	Interest and Fiscal Charges	5,866	558	3,924	256.4%	3,980	3,500	3,000	2,500	0
4.300	Other Objects	119,517	99,549	114,823	-0.7%	154,903	140,001	142,800	145,657	148,571
4.500	*Total Expenditures*	$5,908,538	$6,497,677	$6,067,686	1.7%	$6,731,631	$6,985,041	$7,330,652	$7,625,001	$7,860,505
	Other Financing Uses									
5.010	Operating Transfers-Out	$822,491	$1,071,141	$1,111,790	17.0%	$1,064,732	$75,000	$75,000	$75,000	$75,000
5.020	Advances-Out	56,088	17,743	0	-84.2%	0	0	0	0	0
5.030	All Other Financing Uses	0	0	0	0.0%	0	0	0	0	0
5.040	*Total Other Financing Uses*	$878,579	$1,088,884	$1,111,790	13.0%	$1,064,732	$75,000	$75,000	$75,000	$75,000
5.050	*Total Expenditures and Other Financing Uses*	$6,787,117	$7,586,561	$7,179,476	3.2%	$7,796,363	$7,060,041	$7,405,652	$7,700,001	$7,935,505
6.010	*Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Uses*	$1,072,899	$687,301	$890,720	-3.2%	$1,080,101	$1,717,183	$1,268,250	$427,965	($174,062)
7.010	Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	$8,836,115	$9,909,014	$10,596,315	9.5%	$11,487,035	$12,567,136	$14,284,319	$15,552,569	$15,980,534
7.020	*Cash Balance June 30*	$9,909,014	$10,596,315	$11,487,035	7.7%	$12,567,136	$14,284,319	$15,552,569	$15,980,534	$15,806,472
8.010	*Estimated Encumbrances June 30*	$153,230	$51,162	$51,138	-33.3%	$51,138	$51,138	$51,138	$51,138	$51,138
10.010	*Fund Balance June 30 for Certification of Appropriations*	$9,755,784	$10,545,153	$11,435,897	8.3%	$12,515,998	$14,233,181	$15,501,431	$15,929,396	$15,755,334
	Revenue from Replacement/Renewal Levies									
11.010	Income Tax - Renewal	$0	$0	$0	0.0%	$0	$0	$0	$0	$0
11.020	Property Tax - Renewal or Replacement	0	0	0	0.0%	0	0	0	480,500	961,000
11.300	Cumulative Balance of Renewal Levies	$0	$0	$0	0.0%	$0	$0	$0	$480,500	$1,441,500
12.010	*Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations*	$9,755,784	$10,545,153	$11,435,897	8.3%	$12,515,998	$14,233,181	$15,501,431	$16,409,896	$17,196,834
	Revenue from New Levies									
13.010	Income Tax - New	$0	$0	$0	0.0%	$0	$0	$0	$0	$0
13.020	Property Tax - New	0	0	0	0.0%	0	0	0	0	0
13.030	Cumulative Balance of New Levies	$0	$0	$0	0.0%	$0	$0	$0	$0	$0
14.010	Revenue from Future State Advancements	$0	$0	$0	0.0%	$0	$0	$0	$0	$0
15.010	*Unreserved Fund Balance June 30*	$9,755,784	$10,545,153	$11,435,897	8.3%	$12,515,998	$14,233,181	$15,501,431	$16,409,896	$17,196,834

Lucas Local School District –Richland County
Notes to the Five Year Forecast
General Fund Only
May 16, 2023

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, because 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. The five-year forecast enables 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 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 important purposes or objectives of the five-year forecast:
(1) To engage the local board of education and the community in long range planning and discussions of financial issues facing the school district
(2) To serve as a basis for determining the school district's ability to sign the certificate required by O.R.C. §5705.412, commonly known as the "412 certificate"
(3) To provide a method for 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 the end of November and May each fiscal year. The five-year forecast includes three years of actual and five years of projected general fund revenues and expenditures. Fiscal year 2023 (July 1, 2022-June 30, 2023) is the first year of the five-year forecast and is considered the baseline year. 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 2023 Updates:

<u>Revenues FY23</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 $8,815,485 or 7.25% higher than the November forecasted amount of $596,087. This indicates the November forecast was 92.75% accurate.

Line 1.01 and 1.02 - Property tax revenues represent our largest source of revenues at 53.0% and are estimated to be $4,676,027, which is $243,109 higher for FY23 than the original November estimate of $4,432,918. Our estimates are 94.52% accurate for FY23 and should mean future projections are on target as well.

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 $3,050,821, which is $56,960 higher than the original estimate for FY23. We are pleased that we were able to be 98.1% accurate for FY23. We are currently on the guarantee and are expected to remain as a guarantee district for FY24 through FY27.

Line 1.06 - Other revenues are up $299,602 over original estimates, primarily due to interest received by the district. Other revenues are somewhat unpredictable year to year.

All areas of revenue are tracking as anticipated for FY23 based on our best information at this time.

<u>Expenditures FY23</u>
Total General Fund expenditures (line 4.5) are estimated to be $6,731,631 for FY23, which is $974,631 lower than the original estimate of $7,705,785 in the November forecast, which is roughly 87.46% on target with original estimates. The expenditure lines most significantly under projections is Purchased Services (line 3.030) and Supplies and Materials (line 3.040) due to inflationary increases not materializing as anticipated.

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

<u>Unreserved Ending Cash Balance</u>
With revenues increasing from estimates and expenditures decreasing, our ending unreserved cash balance June 30, 2023, is anticipated to be roughly $12,515,998. The ending unreserved cash balance on Line 15.010 of the forecast is anticipated to be a positive balance through 2027 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) 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 61.9% of the district's resources. Our tax collections in the August 2022 and March 2023 settlements showed normal collection trends. We believe there is a low risk that local collections would fall below projections throughout the forecast.

2) Richland and Ashland Counties experienced a reappraisal update in the 2019 tax year to be collected in FY20. The 2020 reappraisal update increased overall assessed values by $5.8 million or an increase of 9.25%. Overall values rose $7.78 million or 9.76%, which includes reappraisal and new construction for all classes of property. A reappraisal update will occur in tax year 2023 for collection in FY24. We anticipate value increases for Class I and II property by $2.1 million for an overall increase of 2.91%. There is, however, always a minor risk that the district could sustain a reduction in values in the next triennial update, but we do not anticipate that at this time.

3) The state budget represented 38.1% 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 recession. 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 FY27. We have projected our state funding to be in line with the FY23 funding levels through FY27 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.

4) HB110, the current state budget, implements what has been referred to as the Fair School Funding Plan (FSFP) for FY22 and FY23. The full release of the new Fair School Funding Plan formula calculations was delayed until March 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. Beginning in FY22, open enrollment payments will no longer be paid separately to a district as those payments are included with basic aid. A change in expenditures beginning in FY22 will also occur, in that there will no longer be deductions for students that attend elsewhere for open enrollment, community schools, STEM schools and scholarship recipients as these payments will be paid directly to those district from the state. The initial impact of these changes on the forecast will be noticed in that the historic actual costs for FY20 through FY21 potentially reflecting different trends on Lines 1.035, 1.04, 1.06 and 3.03 beginning in FY22. In June 2022 the legislature passed HB583 to resolves issues and possible unintended consequences in the new funding formula. Some of these changes impacted FY22 and future years funding. Our state aid projections have been based on the best information on the new HB110 formula as amended by HB583 that are available as of this forecast for FY23.

5) 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.

6) The current proposed state budget for FY24-25, HB33 was introduced on February 15, 2023 and proposes to continue the implementation of the Fair School Funding Plan (FSFP). In the initial proposal of HB33, the base cost statewide factors are the area of most significance and remain at FY18 levels. Formula districts would benefit from the continued phase-in of the FSFP, while ensuring districts would not receive less than FY21 foundation funding. Certainty surrounding these and other significant funding components will not likely be known until late June 2023, after the filing of this forecast. We will be closely monitoring the progress of HB33 as it works its way through the legislative process.

7) The legislature has introduced House Bill 1 (HB1), which proposes to modify the law regarding property taxation and Ohio income tax rates. Proposed changes to existing law include applying a single income tax rate of 2.75%, eliminating the 10% property tax rollback reimbursement, revising the 2.5% owner-occupied property tax rollback to be a flat $125 credit, indexing the homestead exemption amounts to inflation, and reducing the property tax assessment percentage for Class I and II property from 35% to 31.5% to offset the 10% rollback which would be paid by local taxpayers. HB1 as currently written would increase the effective rates for local property owners through HB920 due to the reduction in the assessed valuation for Class I and II property. HB920, enacted in 1976, states that voted school district levies collect the amount of tax revenues stated on the ballot at the time of passage and no more. As property values grow, the "effective" millage rate on voted levies will decrease. If HB1 causes the assessed property values to decrease by changing the taxable values from 35% to 31.5%, this would cause "effective" millage rates to increase and would increase local taxpayers' property tax

liability in nearly all cases. Taxpayers would, however, see a reduction in their tax liability on inside millage, which local governments are granted by the Ohio Constitution, and would also be a direct loss of revenue for our district. The House Ways and Means Committee had its fifth hearing in regard to HB1 on Mar. 28, 2023. As this bill is facing opposition from various entities due to the significant implications to the taxable valuation of property statewide, it will remain an area of increased risk and uncertainty and will be closely monitored to determine who the outcome will be.

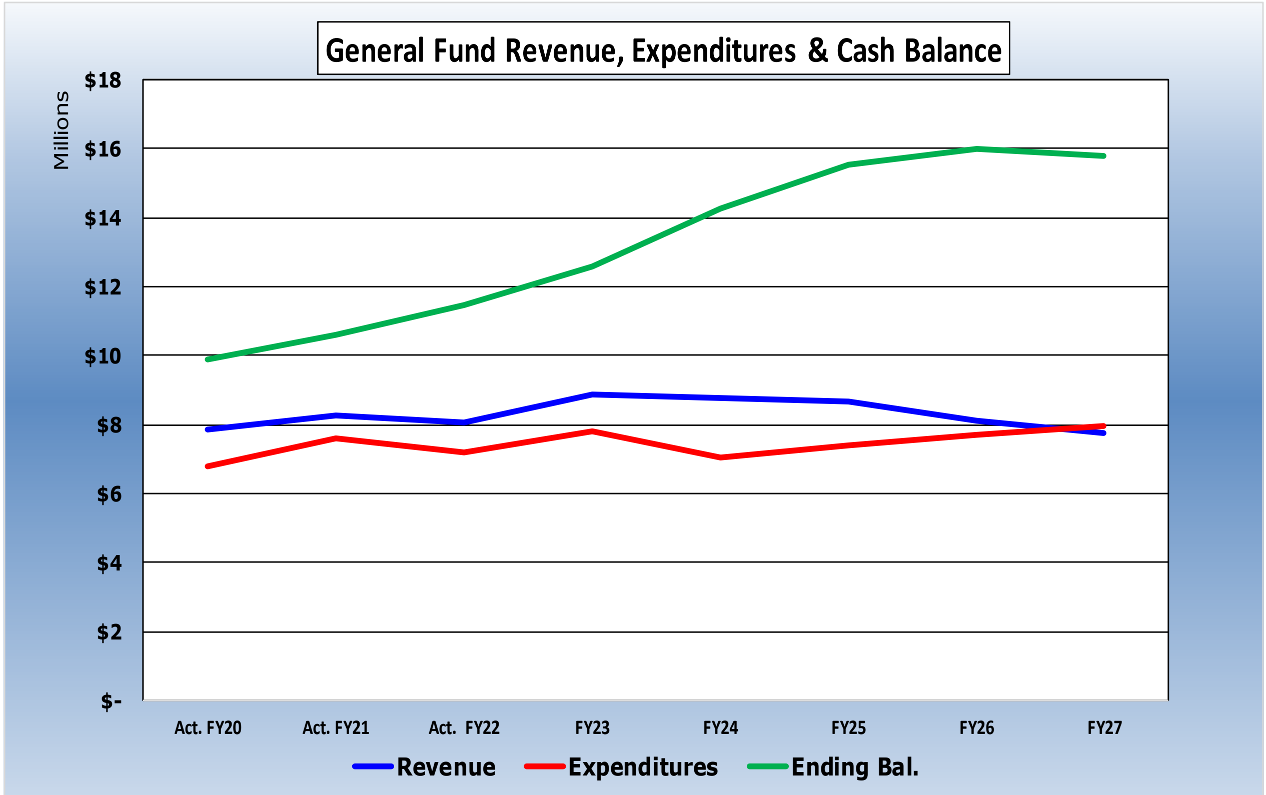
7) The district has a $961,000 emergency levy that will expire in 2025. It will be important to renew this levy when it comes up for renewal. We believe the levy will be renewed, but there is always a chance that it would not be.

Labor relations in our district have been amicable with all parties working for the best interest of students and realizing the resource challenges we face. We believe as we move forward our positive working relationship will continue and will only grow stronger.

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 Eric Pickering, Treasurer/CFO at 419-892-2338.

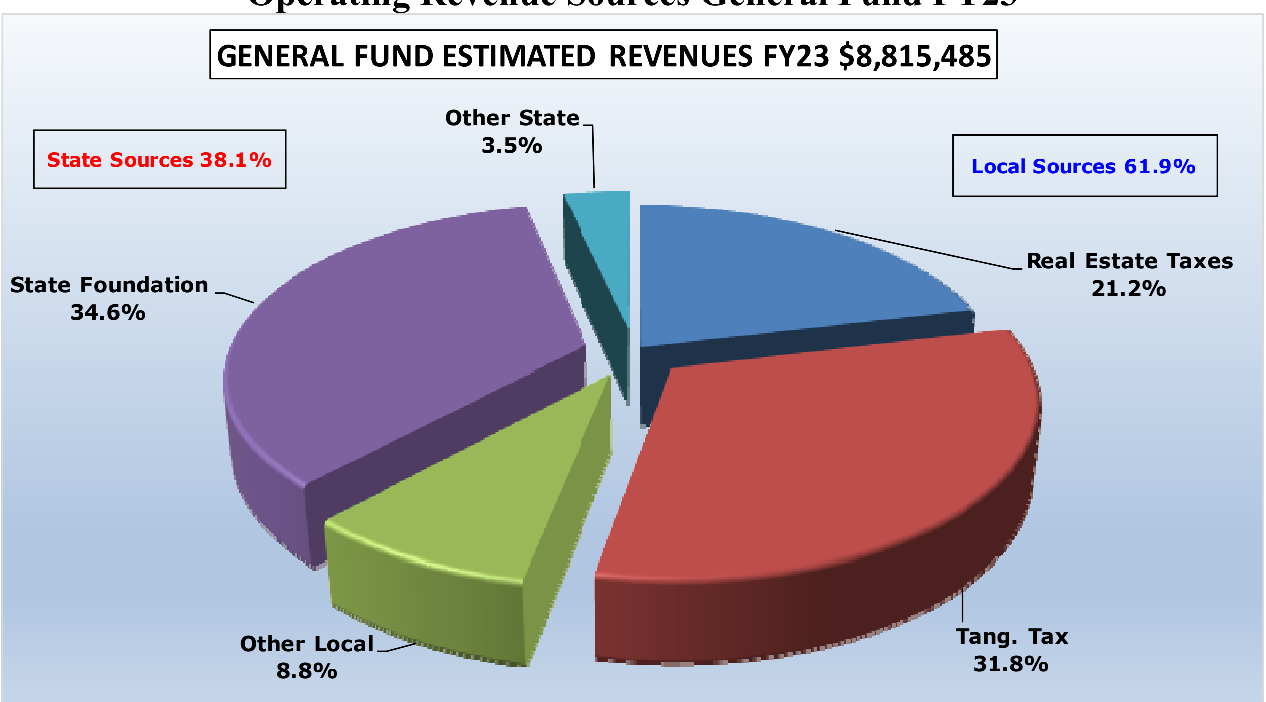
General Fund Revenue, Expenditures and Ending Cash Balance Actual FY20-22 and Estimated FY23-27

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



Revenue Assumptions

Operating Revenue Sources General Fund FY23



Real Estate Value Assumptions – Line # 1.010

Property Values are established each year by the County Auditor based on new construction, demolitions, BOR/BTA activity and complete reappraisal or updated values. Ashland and Richland County experienced a reappraisal for the 2020 tax year to be collected in FY21. Residential/agricultural values increased 9.76% or $6.1 million due to the reappraisal led by an improving housing market.

For tax year 2022 residential property values were up largely due to new construction by 1.06% or $722,180 in assessed value and commercial/industrial values increased by 2.3% or $47,420. Overall values rose $769,280 million or 1.1%, which includes new construction for all classes of property.

A reappraisal update will occur in 2023 for collection in FY24 for which we are estimating a 3% increase in residential and a 2% increase for commercial/industrial property. We anticipate Residential/Agricultural and Commercial/Industrial values to increase $2.05 million or 2.91% overall.

Public Utility Personal Property (PUPP) values increased by $8,785,670 million in Tax Year 2022. We expect our values to continue to grow by $1.5 million each year of the forecast.

ESTIMATED ASSESSED VALUE (AV) BY COLLECTION YEARS

Classification	Actual TAX YEAR2022 COLLECT 2023	Estimated TAX YEAR2023 COLLECT 2024	Estimated TAX YEAR2024 COLLECT 2025	Estimated TAX YEAR 2025 COLLECT 2026	Estimated TAX YEAR 2026 COLLECT 2027
Res./Ag.	$69,079,000	$71,101,370	$71,051,370	$71,001,370	$73,081,411
Comm./Ind.	1,633,360	1,666,027	1,666,027	1,666,027	1,716,008
Public Utility Personal Property (PUPP)	71,285,180	72,535,180	73,785,180	75,035,180	76,285,180
Total Assessed Value	$141,997,540	$145,302,577	$146,502,577	$147,702,577	$151,082,599

Source	FY23	FY24	FY25	FY26	FY27
Est. Real Estate Taxes - Line #1.01	$1,872,526	$1,863,289	$1,856,631	$1,599,943	$1,462,653

Property tax levies are estimated to be collected at 97.00% of the annual amount. This allows 3.0% delinquency factor. In general, 60% of the Res/Ag and Comm/Ind property taxes are expected to be collected in the February tax settlement and 40% collected in the August tax settlement. Collections in FY21 were down $47,185 due to additional delinquencies in the August and March tax settlements, but collections returned to normal in FY22.

Public Utility tax settlements (PUPP taxes) are estimated to be received 50% in March and 50% in August settlement from the County Auditor and are noted in Line #1.02 totals below.

New Tax Levies – Line #13.030 - No new levies are modeled in this forecast.

Public Utility Tangible Personal Property Taxes – Line#1.020
Amounts noted below are public utility tangible personal property (PUPP) tax payments from public utilities. The values for PUPP are noted on the table above under P.U. Personal, which were $62,499,510 in assessed values in 2021 and are collected at the district's gross voted millage rate. Collections are typically 50% in March and 50% in August along with the real estate settlements from the county auditor. The values in 2022 rose by 7.21% or $8.78 million and are expected to grow by $1.25 million each year of the forecast.

Source	FY23	FY24	FY25	FY26	FY27
Public Utility Personal Property Line #1.020	$2,803,501	$2,968,734	$2,973,420	$2,774,876	$2,573,067

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 full release of the new Fair School Funding Plan formula occurred in March 2022 and was amended in HB583 passed in June 2022. Full calculations of the new formula were not available for nearly all of last fiscal year. We have projected FY23 funding based on the April #1 2023 foundation settlement.

Our district is currently a guarantee district in FY23 and is expected to remain on the guarantee in FY24-27 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. It was dropped in FY19 after six (6) years, followed by no foundation formula for two (2) years in FY20 and FY21, and now HB110, as amended by HB583, 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 how expenses are deducted from state funding, which will potentially make the actual five-year forecast look different with estimates FY23 through FY27 compared to actual data FY20 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.

<u>Base Cost Approach - Unrestricted Basic Aid Foundation Funding</u>
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 district’s 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)

<u>State Share Percentage – Unrestricted Basic Aid Foundation Funding</u>
Once the base cost is calculated, which is currently at a state wide average of $7,351.71 per pupil in FY23, 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 district 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 districts' calculations 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. Phase-in increases are limited to 0% for FY22 and 33.34% 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.
5. Student Wellness and Success Funds - These funds, were moved as a part of DPIA funding, which is restricted funding and will be spent on same initiatives and requirements that were previously designated for under the stand-alone fund of 467.

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, which was amended in HB583 in June 2022. 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 was phased in at 0% in FY22 but has now been included in the overall phase in at 33.33% in FY23. Transportation categorical funds will not be subject to 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 them 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 FY24-27 will depend on two new state budgets. The current proposed state budget for FY24-25, HB33, was introduced on February 15, 2023, and continues the implementation of the FSFP, with the following changes.

<u>Unrestricted Basic Aid Foundation Funding</u>

a) The statewide average base cost per pupil will remain at FY18 levels in FY24-25.
b) Increases the general phase-in percentage from 33.33% in FY23 to 50% in FY24 and 67% in FY25.
c) Extends payment of the temporary transitional aid and the formula transition supplement to ensure districts are guaranteed to be funded at FY21 levels, at a minimum through FY25.

<u>Unrestricted Categorical State Aid</u>

a) <u>Transportation Aid</u> - Increases the minimum state share percentage from 33.33% in FY23 to 37.5% in FY24 and 41.67% in FY25.

<u>Restricted Categorical State Aid</u>

a) <u>Disadvantage Pupil Impact Aid (DPIA)</u> - Increases phase-in percentage from 33.33% in FY23 to 50% in FY24 and 67% in FY25.
b) <u>Gifted Funds</u> - Increases per pupil funding for the gifted professional development component from $14 in FY23 to $21 in FY24 and $28 in FY25.
c) <u>Student Wellness and Success Funds</u>
    a. Expenditures for either physical or mental health-based initiatives, or a combination of both, must comprise at least 50% of these funds.
    b. Any SWSF funds received between FY20-23 must be expended by June 30, 2025, or the funds must be returned to the ODE.
    c. School resource officer funding will be allocated on a per building basis. Funds are able to support existing SROs.

Additionally, there are two other funding components in HB33 which provide additional support for districts. The first is the sports gaming profits education fund, which is projected to appropriate $30 million in each year of the biennium, of which $15 million is targeted toward eliminating or reducing pay to participate fees. The second component is information technology support for schools and districts, which is projected to appropriate $14.3 million over the course of the biennium for cybersecurity and building connectivity. We are still awaiting concrete information on how the funds will be allocated to schools.

With these still unknown changes to the state funding for FY24-25, we will continue to project our unrestricted and categorical state funding to be in line with the FY23 funding levels through the remainder of the forecast. The state budget for FY26-27 is unknown; however, we believe that our state funding estimates are reasonable, and we will adjust the forecast in the future when we have authoritative data to work with.

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 primarily due to their closure and not in response to the economic downturn. Before the COVID-19 closure, casino revenues grew modestly as the economy improved. Original projections for FY23-27 estimated a 0.4% decline in pupils to 1,778,441 and GCR increasing to $106.35 million or $59.80 per pupil, actual payments in FY23 were $62.87 per pupil. FY24-27 Casino revenues have resumed their historical growth rate and assume a 2% annual growth rate for the forecast period.

Source	FY23	FY24	FY25	FY26	FY27
Basic Aid-Unrestricted	$2,749,381	$2,749,381	$2,749,381	$2,749,381	$2,749,381
Additional Aid Items	57,322	57,322	57,322	57,322	57,322
Basic Aid-Unrestricted Subtotal	2,806,703	2,806,703	2,806,703	2,806,703	2,806,703
Ohio Casino Commission ODT	33,107	33,938	34,790	35,663	36,558
Total Unrestricted State Aid Line #1.035	$2,839,810	$2,840,641	$2,841,493	$2,842,366	$2,843,261

A) 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. Using current April funding factors, we have estimated revenues for these new restricted funding lines. The amount of DPIA is limited to 0% phase-in growth for FY22, 33.34% in FY23. We have flat lined funding at FY23 levels for FY24-27 due to uncertainty on continued funding of the current funding formula.

Source	FY23	FY24	FY25	FY26	FY27
DPIA	$17,118	$17,118	$17,118	$17,118	$17,118
Career Tech - Restricted	0	0	0	0	0
Gifted	39,910	39,910	39,910	39,910	39,910
ESL	0	0	0	0	0
Student Wellness	153,983	153,983	153,983	153,983	153,983
Catastrophic Aid	0	0	0	0	0
Total Restricted State Revenues Line #1.040	$211,011	$211,011	$211,011	$211,011	$211,011

B) Restricted Federal Grants in Aid – line #1.045
No federal unrestricted grants are projected FY23-27.

SUMMARY	FY23	FY24	FY25	FY26	FY27
Unrestricted Line #1.035	$2,839,810	$2,840,641	$2,841,493	$2,842,366	$2,843,261
Restricted Line #1.040	211,011	211,011	211,011	211,011	211,011
Rest. Federal Funds #1.045	0	0	0	0	0
Total State Foundation Revenue	$3,050,821	$3,051,652	$3,052,504	$3,053,377	$3,054,272

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

Homestead Exemptions are credits paid to the district from the state of Ohio for qualified elderly and disabled. In 2007, HB119 expanded the Homestead Exemption for all seniors 65 years 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 did 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	FY23	FY24	FY25	FY26	FY27
Rollback and Homestead Line #1.050	$309,035	$272,968	$270,766	$239,189	$210,870

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, interest on investments, 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 FY23-FY27 Line 1.06 revenues and historical FY20 through FY22 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 and state aid will follow the students. Open enrolled student revenues will be included in Line 1.035 as state basic aid.

In FY21 and FY22 interest income fell due to the pandemic; however, in FY23, rates have begun to rise quickly due to the Federal Reserve's strategy to combat inflation. We will closely monitor our investments to capitalize on these increased rates while they continue. Although increasing interest rates place risk on our local economy, we are able to benefit from the interest rates revenue due to our strong cash reserves. We brought interest income back to historic trends for FY26 and FY27 by incrementally decreasing interest income in FY24 and FY25 since future rates are unknown. Rentals are expected to return to pre-pandemic levels over time. All other revenues are expected to continue on historic trends.

Source	FY23	FY24	FY25	FY26	FY27
Tuition Related Payments	$256,445	$256,445	$256,445	$256,445	$256,445
Open Enrollment	0	0	0	0	0
Class & Sports Oriented Fees	11,763	11,763	11,763	11,763	11,763
Interest Earnings	511,000	291,000	191,000	131,000	131,000
Payments In Lieu of Taxes	0	0	0	0	0
Rental Related Fees	0	0	0	0	0
Mobile Home Taxes	0	0	0	0	0
Miscellaneous	394	394	394	394	394
Total Other Local Revenue Line #1.060	$779,602	$559,602	$459,602	$399,602	$399,602

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	FY23	FY24	FY25	FY26	FY27
Transfers In - Line #2.040	$0	$0	$0	$0	$0
Advance Returns - Line #2.050	0	0	0	0	0
Total Transfer & Advances In	$0	$0	$0	$0	$0

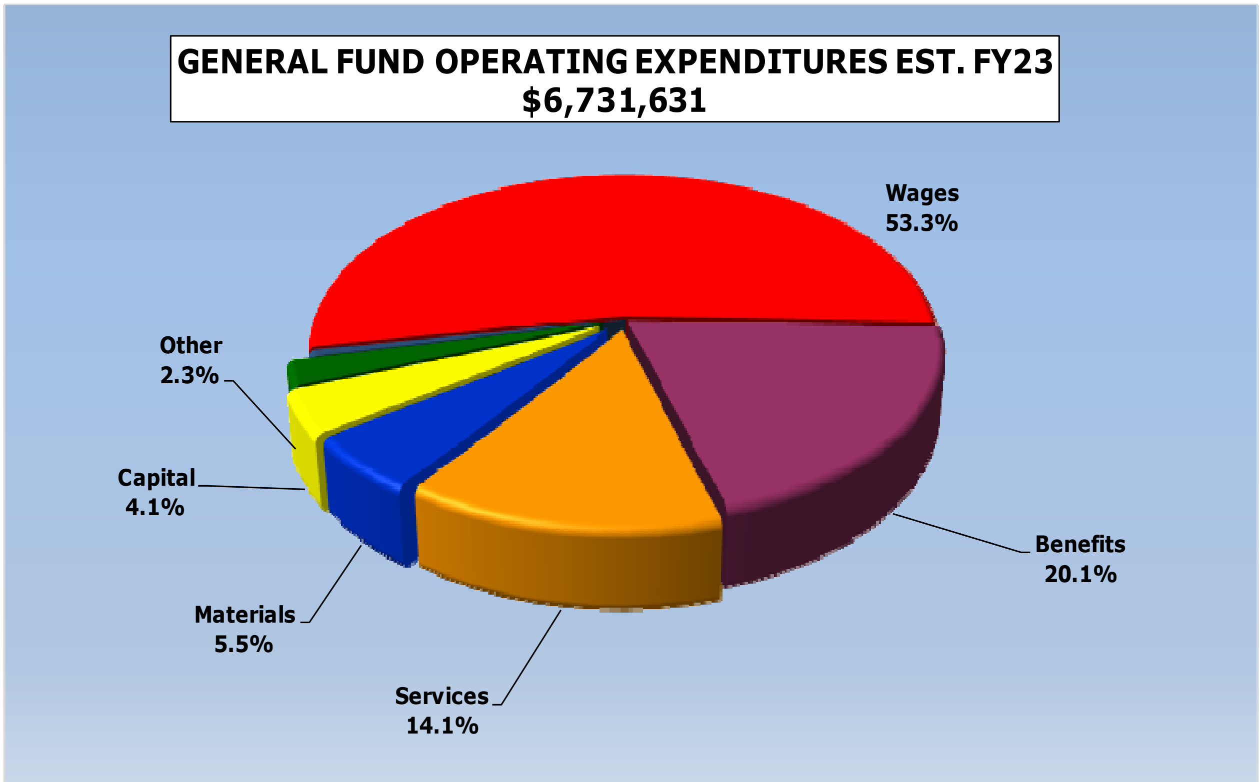
All Other Financial Sources – Line #2.060
This funding source is typically a refund of prior year expenditures that is very unpredictable. We received several Bureau of Workers Compensation refunds over the past two years and do not expect to receive a refund in FY23. These revenues are inconsistent year to year and we will not project that occurring in the remainder of the forecast.

Source	FY23	FY24	FY25	FY26	FY27
Refund of prior years expenditures	$60,979	$60,979	$60,979	$60,979	$60,979

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.

All Operating Expense Categories - General Fund FY23



Wages – Line #3.010

Negotiations with bargaining unit members resulted in an agreement to include base increases of 3.0% for FY23. The contract negotiation in FY23 for FY24-FY26 will likely end up with a 5%, 3% and 3% respectively. For planning purposes, a 1% base increase is planned for FY27. Our IT director will be retiring at the end of this year and this function will be run by the ESC so these expenses were moved to line 3.030.

Source	FY23	FY24	FY25	FY26	FY27
Base Wages	$3,266,817	$3,413,824	$3,579,517	$3,738,110	$3,903,946
Based Pay Increase	98,005	170,691	107,386	112,143	39,039
Steps & Academic Training	49,002	49,002	51,207	53,693	56,072
Growth Staff	0	(54,000)	0	0	0
New Building Staff	0	0	0	0	0
Substitutes	63,417	63,417	63,417	63,417	63,417
Supplementals	110,933	116,480	119,974	123,573	124,809
Severance	0	0	0	0	0
SWSF & ESSER Adjustments	0	0	0	0	0
Other Adjustments/Reductions	0	0	0	0	0
Total Wages Line #3.010	$3,588,174	$3,759,414	$3,921,501	$4,090,936	$4,187,283

Fringe Benefits Estimates

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

A) STRS/SERS will increase as Wages Increase

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. The district is required to pay SERS Surcharge, which is an additional employer charge based on the salaries of lower-paid members.

B) Insurance

The district saw an increase in the category due to picking up 80% of the staffs health care premiums. Stark County Council of Governments also expects a 7.98% increase for FY24. For premium increases we are estimating an increase of 9.0% in FY24-FY27 which reflects trend.

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 0.44% of wages FY23-FY27. Unemployment is expected to remain at a very low level FY23-FY27. The district is a direct reimbursement employer, which means unemployment costs are only incurred and due if we have employees who are eligible and draw unemployment.

D) Medicare

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

Summary of Fringe Benefits – Line #3.020

Source	FY23	FY24	FY25	FY26	FY27
A) STRS/SERS	$617,747	$641,598	$673,147	$701,360	$719,512
B) Insurance's	655,777	707,583	771,265	840,679	916,340
C) Workers Comp/Unemployment	15,788	16,541	17,255	18,000	18,424
D) Medicare	49,850	51,246	55,295	56,862	59,319
Other/Tuition/Annuities	12,121	12,121	12,121	12,121	12,121
Total Fringe Benefits Line #3.020	$1,351,283	$1,429,089	$1,529,083	$1,629,022	$1,725,716

Purchased Services – Line #3.030

HB110, the current state budget, impacted Purchased Services beginning in FY22 as the Ohio Department of Education began to directly pay these costs to the educating districts for open enrollment, community and STEM schools, and for scholarships that 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 FY23-27 Line 3.03 costs and historical FY20 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. An average increase of 3% is projected in this area for the forecasted period. The professional and technical services category will increase starting in FY24 by $123,457 for a contract with the ESC to cover IT responsibilities.

Source	FY23	FY24	FY25	FY26	FY27
Professional & Technical Services, ESC	$298,072	$430,471	$443,385	$456,687	$470,388
Maintenance, Insurance & Garbage Removal	112,856	116,242	119,729	123,321	127,021
Professional Development	12,934	13,322	13,722	14,134	14,558
Communications, Postage, & Telephone	24,064	24,786	25,530	26,296	27,085
Utilities	130,337	134,247	138,274	142,422	146,695
Contracted Trades & Services	32,221	33,188	34,184	35,210	36,266
Tuition, Excess Costs & Scholarship Costs	270,368	278,479	286,833	295,438	304,301
Open Enrollment & Community School Costs	0	0	0	0	0
College Credit Plus	44,491	45,826	47,201	48,617	50,076
Contract Transportation	5,541	5,707	5,878	6,054	6,236
Other Adjustments SWSF, ESSER, Etc.	0	0	0	0	0
Miscellaneous Purchased Services	16,478	16,972	17,481	18,005	18,545
Total Purchased Services Line #3.030	$947,362	$1,099,240	$1,132,217	$1,166,184	$1,201,171

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. This category has a 3% inflation adjustment for each year in the forecast.

Source	FY23	FY24	FY25	FY26	FY27
General Office Supplies & Materials	$79,031	$81,402	$83,844	$86,359	$88,950
Textbooks & Instructional Supplies	149,864	154,360	158,991	163,761	168,674
Facility Supplies & Materials	43,364	44,665	46,005	47,385	48,807
Transportation Fuel & Supplies	97,433	100,356	103,367	106,468	109,662
Other adjustments SWSF, ESSER, Etc.	0	0	0	0	0
Total Supplies Line #3.040	$369,692	$380,783	$392,207	$403,973	$416,093

Equipment – Line # 3.050

The District is planning to purchase 2 busses in FY23 and 1 additional bus in FY25 and FY27. In FY24 we are planning to purchase a van and in FY26 we are planning to purchase a suburban. Other lines in the category have a 3% inflationary adjustment for each year of the forecast.

Source	FY23	FY24	FY25	FY26	FY27
Capital Outlay & Maintenance	$33,494	$34,499	$35,534	$36,600	$37,698
Technology/Curriculum Purchases	25,743	26,515	27,310	28,129	28,973
Busses & Other Vehicles	220,000	75,000	110,000	85,000	115,000
Other adjustments SWSF, ESSER, Etc.	0	0	0	0	0
Total Equipment Line #3.050	$279,237	$136,014	$172,844	$149,729	$181,671

Principal and Interest Payment – Lines # 4.05 and 4.06

In FY26 we will pay off our energy conservation note.

Source	FY23	FY24	FY25	FY26	FY27
HB 264 Principal Line #4.050	$37,000	$37,000	$37,000	$37,000	$0

Source	FY23	FY24	FY25	FY26	FY27
Interest & Fiscal Costs On Debt Line #4.060	$3,980	$3,500	$3,000	$2,500	$0

Other Expenses – Line #4.300

The category of Other Expenses consists primarily of Auditor & Treasurer fees, our annual audit and other miscellaneous expenses. In FY23 we had to pay auditors for an audit of FY20 and FY21. We anticipate our annual audit costs to drop back down to historical trends from FY24 to FY27. A rate of 2% increase is projected in this area.

Source	FY23	FY24	FY25	FY26	FY27
County Auditor & Treasurer Fees	$80,000	$81,600	$83,232	$84,897	$86,595
ESC Deduction	2,964	3,023	3,083	3,145	3,208
Annual Audit Costs	41,000	23,820	24,296	24,782	25,278
Increased A&T Fees for New Levies	0	0	0	0	0
Dues, Fees & other Expenses	30,939	31,558	32,189	32,833	33,490
Total Other Expenses Line #4.300	$154,903	$140,001	$142,800	$145,657	$148,571

Transfers Out/Advances Out – Lines # 5.010 and 5.020

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. The advance of $1,111,790 in FY22 included a $1,000,000 transfer to the 070 fund for various construction projects and the remaining $111,790 was for two month of board's share of health premiums due to moratoriums. We anticipate transferring $1,000,000 to the 070 fund in FY23 but not in future years. We have estimated a $75,000 transfer for one month of board's share of health premiums due to moratoriums for the remainder of the forecast.

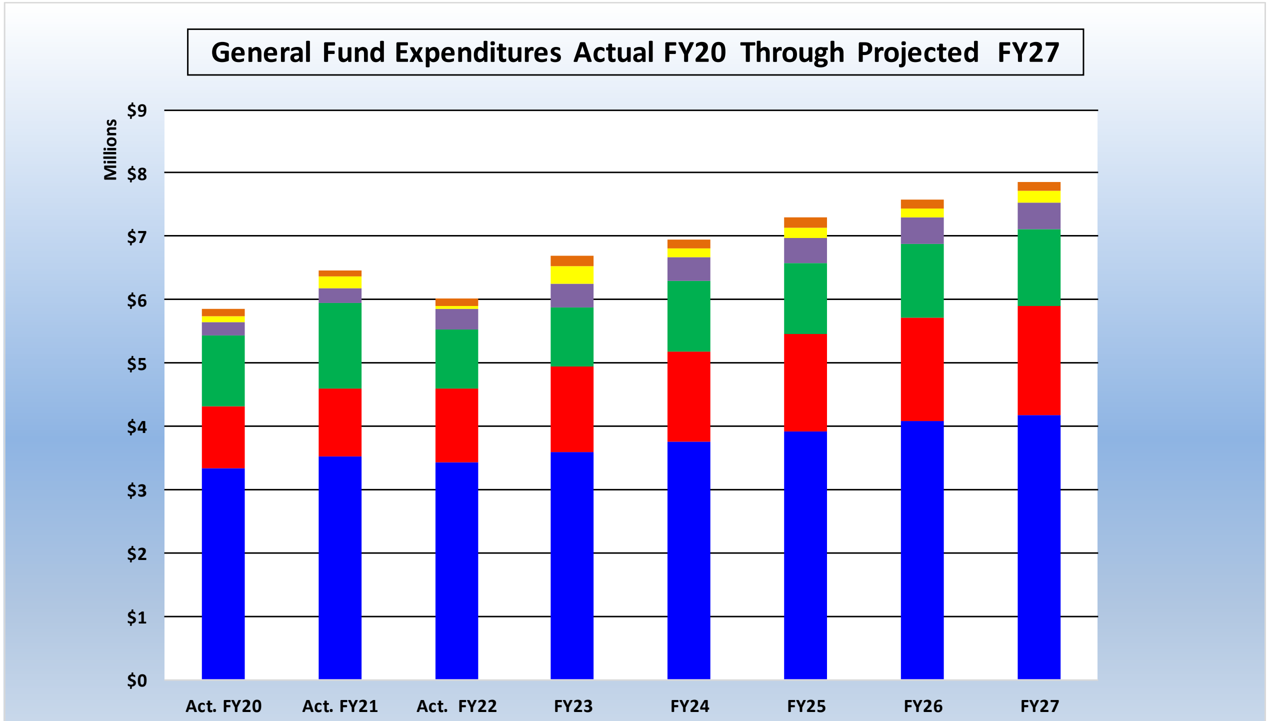
Source	FY23	FY24	FY25	FY26	FY27
Operating Transfers Out Line #5.010	$1,064,732	$75,000	$75,000	$75,000	$75,000
Advances Out Line #5.020	0	0	0	0	0
Total Transfer & Advances Out	$1,064,732	$75,000	$75,000	$75,000	$75,000

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.

	FY23	FY24	FY25	FY26	FY27
Estimated Encumbrances Line #8.010	$51,138	$51,138	$51,138	$51,138	$51,138

Operating Expenditures Actual FY20 through FY22 and Estimated FY23-FY27
As the graph on the following page indicates, we have been diligent at containing costs in reaction to lower and flat state revenues in the past. We are maintaining control over our expenses while balancing student academic needs to enable them to excel and do well on state performance standards.

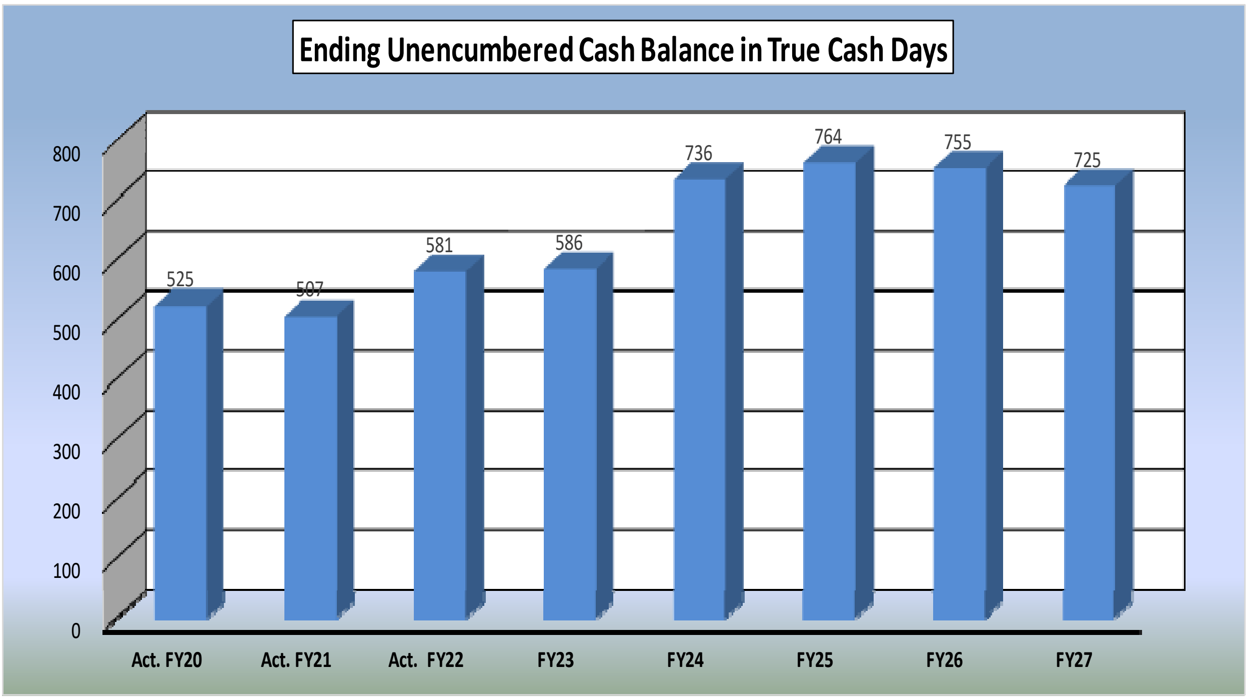


Ending Unencumbered Cash Balance "The Bottom-line"– Line#15.010
This amount must not go below $0 or the district General Fund will violate all Ohio Budgetary Laws. Any multi-year contract which is knowingly signed which results in a negative unencumbered cash balance is a violation of 5705.412, ORC punishable by personal liability of $10,000. It is recommended that a district maintains a minimum of thirty (30) day cash balance, which is about $1.3 million for our district.

	FY23	FY24	FY25	FY26	FY27
Ending Unreserved Cash Balance Line #15.01	$12,515,998	$14,233,181	$15,501,431	$16,409,896	$17,196,834

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.



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.