

PARKWAY LOCAL SCHOOL DISTRICT - MERCER 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
Parkway Local School District
Treasurer's Office
Debbie Pierce, Treasurer/CFO

May 3, 2023

Parkway Local School District

Mercer 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)	\$3,282,262	\$3,203,813	\$3,322,362	0.7%	\$3,243,921	\$3,336,325	\$3,368,840	\$3,396,628	\$3,424,398
1.020 Public Utility Personal Property Tax	147,030	167,008	149,965	1.7%	174,201	166,774	167,989	169,204	170,419
1.030 Income Tax	1,414,544	1,356,200	1,568,754	5.8%	1,781,001	1,758,811	1,776,399	878,980	0
1.035 Unrestricted State Grants-in-Aid	5,381,999	5,456,199	6,205,732	7.6%	6,400,018	6,346,033	6,374,318	6,375,660	6,377,029
1.040 Restricted State Grants-in-Aid	70,274	68,033	345,038	202.0%	357,117	357,117	357,117	357,117	357,117
1.045 Restricted Federal Grants In Aid	0	0	0	0.0%	0	0	0	0	0
1.050 Property Tax Allocation	461,365	462,974	467,197	0.6%	460,902	473,401	478,248	482,094	485,938
1.060 All Other Revenues	1,267,735	1,174,834	383,143	-37.4%	544,674	547,599	550,553	570,623	573,807
1.070 Total Revenues	12,025,209	11,889,061	12,442,191	1.8%	12,961,834	12,986,060	13,073,464	12,230,305	11,388,708
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	651	-	-	0.0%	-	-	-	-	-
2.050 Advances-In	0	0	0	0.0%	-	-	-	-	-
2.060 All Other Financing Sources	26,235	83,612	4,000	61.7%	1,000	1,000	1,000	1,000	1,000
2.070 Total Other Financing Sources	26,886	83,612	4,000	57.9%	1,000	1,000	1,000	1,000	1,000
2.080 Total Revenues and Other Financing Sources	12,052,095	11,972,673	12,446,191	1.6%	12,962,834	12,987,060	13,074,464	12,231,305	11,389,708
Expenditures									
3.010 Personnel Services	\$6,041,251	\$6,006,909	\$6,096,581	0.5%	6,629,394	7,043,526	7,313,498	7,563,873	7,864,388
3.020 Employees' Retirement/Insurance Benefits	2,576,959	2,497,684	2,671,499	1.9%	2,870,893	3,080,445	3,163,342	3,362,504	3,575,086
3.030 Purchased Services	1,058,974	1,237,335	972,224	-2.3%	1,087,263	1,108,145	1,129,446	1,140,740	1,162,906
3.040 Supplies and Materials	362,256	415,389	433,604	9.5%	427,280	433,681	440,178	444,580	457,918
3.050 Capital Outlay	519,927	177,117	230,723	-17.8%	282,029	232,029	209,333	299,246	300,000
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	693,363	582,982	576,522	-8.5%	589,121	597,958	606,928	612,997	619,127
4.500 Total Expenditures	11,252,730	10,917,416	10,981,153	-1.2%	11,885,980	12,495,784	12,862,724	13,423,940	13,979,424
Other Financing Uses									
5.010 Operating Transfers-Out	\$0	\$15,014	\$1,000,000	0.0%	2,688,122	-	-	-	-
5.020 Advances-Out	-	-	-	0.0%	-	-	-	-	-
5.030 All Other Financing Uses	0	0	0	0.0%	-	-	-	-	-
5.040 Total Other Financing Uses	-	15,014	1,000,000	0.0%	2,688,122	-	-	-	-
5.050 Total Expenditures and Other Financing Uses	11,252,730	10,932,430	11,981,153	3.4%	14,574,102	12,495,784	12,862,724	13,423,940	13,979,424
6.010 Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	799,365	1,040,243	465,038	-12.6%	(1,611,269)	491,276	211,741	(1,192,635)	(2,589,716)
7.010 Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	5,284,802	6,084,167	7,124,410	16.1%	7,589,448	5,978,179	6,469,455	6,681,196	5,488,560
7.020 Cash Balance June 30	6,084,167	7,124,410	7,589,448	11.8%	5,978,179	6,469,455	6,681,196	5,488,560	2,898,844
8.010 Estimated Encumbrances June 30	110,184	81,413	267,704	101.4%	250,000	250,000	250,000	250,000	250,000
10.010 Fund Balance June 30 for Certification of Appropriations	5,973,983	7,042,997	7,321,744	10.9%	5,728,179	6,219,455	6,431,196	5,238,560	2,648,844
Revenue from Replacement/Renewal Levies									
11.010 Income Tax - Renewal	-	-	-	0.0%	-	-	-	915,183	1,799,947
11.020 Property Tax - Renewal or Replacement	-	-	-	0.0%	-	-	-	-	-
11.300 Cumulative Balance of Replacement/Renewal Levies	-	-	-	0.0%	-	-	-	915,183	2,715,131
12.010 Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations	5,973,983	7,042,997	7,321,744	10.9%	5,728,179	6,219,455	6,431,196	6,153,744	5,363,975
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%	-	-	-	-	-
15.010 Unreserved Fund Balance June 30	5,973,983	7,042,997	7,321,744	10.9%	5,728,179	6,219,455	6,431,196	6,153,744	5,363,975

Parkway Local School District – Mercer County
Notes to the Five Year Forecast
General Fund Only

Introduction to the Five Year Forecast

A forecast is somewhat like a future painting based on 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 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 a crucial management tool and must be updated periodically. The five-year forecast enables district management teams to examine future years' projections and identify when challenges will arise. This then helps district management to be proactive in meeting those challenges. School districts are encouraged to update their forecasts with ODE when events significantly change their forecast or, at a minimum, when required under the statute.

In a financial forecast, the numbers only tell a small part of the story. For the numbers to be meaningful, the reader must review and consider the Assumptions of the Financial Forecast before drawing conclusions or using the data as a basis for other calculations. The assumptions are fundamental to understanding the rationale of the numbers, particularly when a significant increase or decrease is reflected.

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

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

- (1) To engage the local board of education and the community in long-range planning and discussions of financial issues facing the school district,
- (2) To serve as a basis for determining the school district's ability to sign the certificate required by O.R.C. §5705.412, commonly known as the "412 certificate",
- (3) To provide a method for the 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, 2022, and May 31, 2023, for the fiscal year 2023 (July 1, 2022, to June 30, 2023). The five-year forecast includes three years of actual and five years of projected general fund revenues and expenditures. The fiscal year 2023 (July 1, 2022-June 30, 2023) is the first year of the five-year forecast and is considered the baseline year. Our forecast is updated to reflect the most current economic data available for the November 2022 filing.

May 2023 Updates:

Revenues FY23

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 \$12.9 million or 2.22% higher than the November forecasted amount of \$12.67 million. This indicates that the November forecast was 97.78% accurate.

Line 1.01 and 1.02 - Property tax revenues represent a significant source of revenue at 26% and are estimated to be \$3.4 million, which is on target with the FY23 original November estimate. Our estimates are 99.45% accurate for FY23 and should mean future projections are also on target.

Line 1.035 and 1.04 - State Aid represents one of our most significant sources of revenue at 52%. Implementation of the Fair School Funding Plan (FSFP) continues and has caused significant changes to the way our state revenues are calculated. We are estimating our state aid to be \$6.7 million, which is materially unchanged from the FY23 original November estimate. We are currently on the formula and are expected to remain a formula district for FY24 through FY27.

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

Expenditures FY23

Total General Fund expenditures (line 4.5) are estimated to be \$11.9 million for FY23, which is \$302 thousand higher than the original estimate of \$11.6 million in the November forecast, which is roughly 2.6% higher than the initial estimates. The expenditure lines most significantly over projection is Personnel Services (line 3.010) / Benefits (line 3.020) due to bringing back one administrator and four teachers to the general fund from ESSER grants.

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

Unreserved Ending Cash Balance

With both revenue and expenditure estimates increasing since our November forecast, there is little change to the net variance. However, the Board of Education decided to set money from the General Fund aside for the acquisition, construction, or improvement of an athletic building. \$2,650,000 was transferred from the General Fund to Capital Projects Fund 070 for this purpose. Another transfer of \$38,122 was made to the FFA Fund for construction of a greenhouse. These transfers lowered the projected ending unreserved cash balance on Line 15.010 from \$7.4 million the November forecast, to \$5.7 million. This line of the forecast is anticipated to be a positive accumulative 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 following two (2) state biennium budgets for FY24-25 and FY26-27, both of which affect this five-year forecast. Revenue and expense estimates are based on the best data available 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:

- I. Property tax collections are one of the largest revenue sources for the school system. The housing market in our district is stable and growing. We project growth in appraised values every three (3) years, and new construction growth with modest increases in local taxes as the pandemic ends and the economy continues its recovery as anticipated. Our tax collections in the March 2022 and August 2022 settlements showed average collection trends. We believe there is a low risk that local collections would fall below projections throughout the forecast.
- II. A reappraisal update will occur in Auglaize, Mercer and Van Wert counties in tax year 2023 for collection in 2024. We anticipate value increases for Class I and II property with the update. There is 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.

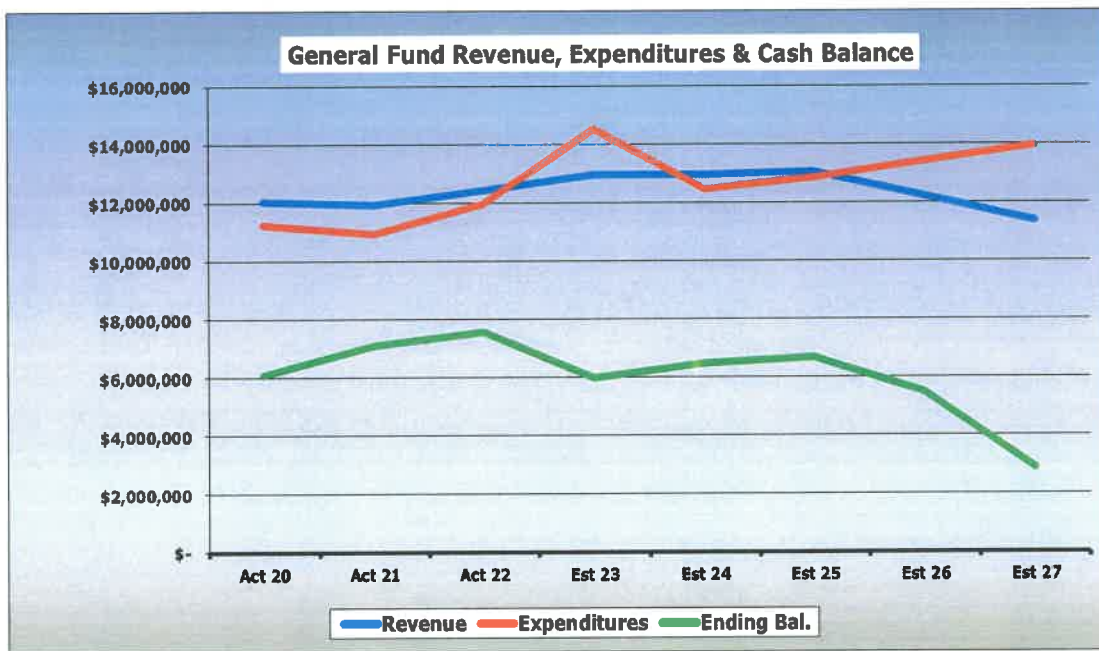
- III. The state budget represented 52% of district revenues, which means it is a significant area of risk to the revenue. The future risk comes in FY24 and beyond if the state economy stalls due to the record high inflation we are witnessing at this time or the Fair School Funding Plan is not funded in future state budgets due to an economic recession. Two future State Biennium Budgets are covering the period from FY24-25, and FY26-27 in this forecast. Future uncertainty in the state foundation funding formula and the state's economy make this area an elevated risk to district funding long range through FY27. Our state funding is projected to be in line with the FY23 funding levels through FY27. This estimate is conservative and should be close to whatever the state approves for the FY24-FY27 biennium budgets. The forecast will be adjusted in future years as more data is available from the State.
- IV. 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 how foundation revenues are calculated for school districts and how expenses are charged off. State foundation basic aid is now calculated on a base cost methodology with funding paid to the district where a student is enrolled to be educated. Beginning in FY22, a district's open enrollment payments are no longer paid separately as those payments are included with basic aid. A change in expenditures also occurred so that there are no longer deductions for students that attend elsewhere for open enrollment, community schools, STEM schools, and scholarship recipients. These payments are paid directly to those districts from the state. The initial impact of these changes on the forecast will be noticed in that the actual historical costs for FY20 through FY21 reflect different trends on Lines 1.035, 1.04, 1.06, and 3.03 beginning in FY22. In June 2022, the legislature passed HB583 to resolve 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.
- V. HB110 direct pays costs associated with open enrollment, community and STEM schools, and for all scholarships including EdChoice Scholarships. These costs are no longer deducted from our state aid. However, there still are education option programs such as College Credit Plus that continue to be deducted from state aid and 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.
- VI. 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 receive at least 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.
- VII. The legislature has introduced House Bill 1 (HB1), proposing to modify the property taxation law and Ohio income tax rates. Proposed changes to the 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. The

“effective” millage rate on voted levies will decrease as property values grow. 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 and 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 regarding 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.

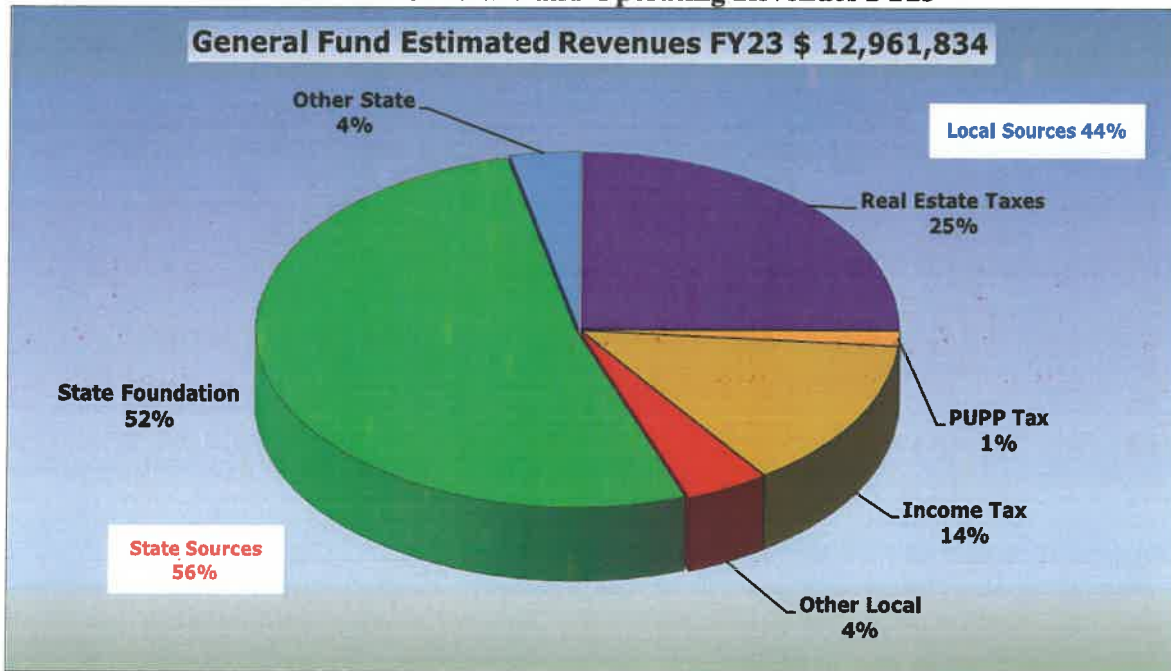
- VIII. Labor relations in our district have been amicable with all parties working for the best interest of students and realizing the resource challenges we face. We believe as we move forward our positive working relationship will continue and will only grow stronger.

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 Debbie Pierce, Treasurer/CFO of Parkway Local School District at 419-363-3045.

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
Estimated General Fund Operating Revenues FY23**



Real Estate Value Assumptions – Line #1.010

Real estate property tax revenue accounts for 25% of total revenue. Class I or residential/agricultural taxes make up approximately 96% of the real estate property tax revenue. The Class I tax rate is 24.28 for 2022. The projections reflect an average gross collection rate of 97.5% annually. Real estate property tax revenue collection estimates are based on valuation and effective tax rates provided by the Mercer County Auditor. Each county in the State of Ohio is required to complete a full reappraisal of all properties every six years. This occurred in calendar year 2017 for Mercer County. These values were used to calculate tax collected in calendar year 2017 and 2018. In calendar year 2020, a triennial update was performed by the Auditor's office. According to the Mercer County Auditor, this update resulted in a decrease in agricultural land values and an increase in residential property. Property tax revenue is projected to increase at an average annual rate of .94% through FY27.

Parkway has one operating tax levy which is an 8.97 mill 5-year levy that was renewed by voters on May 4, 2021, and placed on the 2021 State Tax Abstract. Collection began in 2022. Public Utility Personal Property (PUPP) values have remained stable. We expect our values to continue to grow slightly each year of the forecast.

ESTIMATED ASSESSED VALUE (AV) BY COLLECTION YEARS

<u>Classification</u>	<u>Estimated</u> <u>TAX YEAR2022</u> <u>COLLECT 2023</u>	<u>Estimated</u> <u>TAX YEAR2023</u> <u>COLLECT 2024</u>	<u>Estimated</u> <u>TAX YEAR2024</u> <u>COLLECT 2025</u>	<u>Estimated</u> <u>TAX YEAR 2025</u> <u>COLLECT 2026</u>	<u>Estimated</u> <u>TAX YEAR 2026</u> <u>COLLECT 2027</u>
Res./Ag.	\$145,778,700	\$149,924,274	\$151,174,274	\$152,424,274	\$153,674,274
Comm./Ind.	6,890,820	7,015,820	7,140,820	7,265,820	7,390,820
Public Utility (PUPP)	5,471,410	5,511,410	5,551,410	5,591,410	5,631,410
Total Assessed Value	<u>\$158,140,930</u>	<u>\$162,451,504</u>	<u>\$163,866,504</u>	<u>\$165,281,504</u>	<u>\$166,696,504</u>

ESTIMATED REAL ESTATE TAX (Line #1.010)

<u>Source</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>	<u>FY 26</u>	<u>FY 27</u>
Est. Property Taxes Line #1.010	<u>\$3,243,921</u>	<u>\$3,336,325</u>	<u>\$3,368,840</u>	<u>\$3,396,628</u>	<u>\$3,424,398</u>

Property tax levies are estimated to be collected at 97.5% of the annual amount. This allows a 2.5% delinquency factor. In general, 63% of the Res/Ag and Comm/Ind property taxes are expected to be collected in the February tax settlement and 37% in the August tax settlement.

Estimated Public Utility Personal Property Tax (PUPP) – Line #1.020

Revenues posted on this line are Public Utility Personal Property (PUPP) taxes which are collected at the district's gross tax rates of 30.37 not subject to reduction factors. Public utility tax settlements (PUPP) are estimated to be received 50% in February and 50% in August.

<u>Source</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>	<u>FY 26</u>	<u>FY 27</u>
Public Utility Personal Property Taxes	<u>\$174,201</u>	<u>\$166,774</u>	<u>\$167,989</u>	<u>\$169,204</u>	<u>\$170,419</u>

New Tax Levies – Line #13.030

No new levies are modeled in the forecast at this time.

School District Income Tax – Line#1.030

The 1% Parkway School District income tax levy was renewed on March 17, 2020. Income tax revenue is projected to gradually improve as the economy stabilizes. Mercer County's unemployment rate is tied with Holmes County as the lowest rate in the State of Ohio in August 2022 at 2.8%. Among the State's 88 counties, the highest unemployment rate was 6.5 in Monroe County. Income tax revenue is projected to account for 13% of the total District revenue in FY23. The next renewal vote will be in 2025.

<u>Source</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>	<u>FY 26</u>	<u>FY 27</u>
SDIT Collection	\$1,568,754	\$1,781,001	\$1,758,811	\$1,776,399	\$878,980
Adjustments	<u>212,247</u>	<u>-22,190</u>	<u>17,588</u>	<u>-897,419</u>	<u>-878,980</u>
Total to Line #1.030	<u>\$1,781,001</u>	<u>\$1,758,811</u>	<u>\$1,776,399</u>	<u>\$878,980</u>	<u>\$0</u>

School District Income Tax Renewal – Line#11.01

The 1% School District Income Tax expires in 2025, therefore, this revenue must be taken out of the current revenue line and inserted on line 11.010 of the forecast so these funds are not used to certify contracts until the levy is successfully renewed. If the levy is renewed the revenue will be moved back to line 1.030

<u>Source</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>	<u>FY 26</u>	<u>FY 27</u>
Renew 1% SDIT Expires 12/31/25	\$0	\$0	\$0	\$915,183	\$1,799,947
Renew	-	-	-	-	-
Renew	-	-	-	-	-
Total Line # 11.020	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$915,183</u>	<u>\$1,799,947</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 & Casino 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. Complete calculations of the new formula were not available for nearly all of the last fiscal year. FY23 funding has been projected based on the May #1 foundation settlement and funding factors.

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). It 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, 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 is 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 is less than 33.33% will 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 the number and concentration of economically disadvantaged students compared to the state average and multiplied by \$422 per pupil. Phase-in increases are limited to 0% for FY22 and 14% in FY23. There is no legislation indicating the percentage increase for FY24 and beyond for DPIA.
2. English Learners – Based on funded categories based on the 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 in FY20 and FY21 were accounted for in Fund 467 but are now restricted funds to be accounted for in the General Fund as part of the foundation formula.

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 by HB583 in June 2022. The FSFP does not include caps on funding; instead, it will consist of a general phase-in percentage for most components of 16.67% in FY22 and 33.33% in FY23. DPIA funding will be phased in at 0% in FY22 and 33.34% 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 fewer 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 total 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. 420 districts were on one form of guarantee in FY22. In general, the same number will occur in FY23 since state average costs were frozen at FY18 in the Base Cost calculations. In contrast, property values and Federal Adjusted Gross Income will be allowed to update and increase for FY23, pushing districts toward one of the three (3) guarantees.

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.

Unrestricted Basic Aid Foundation Funding

- 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 that districts are guaranteed to be funded at FY21 levels, at a minimum, through FY25.

Unrestricted Categorical State Aid

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

Restricted Categorical State Aid

- a) Disadvantage Pupil Impact Aid (DPIA) - Increases phase-in percentage from 33.33% in FY23 to 50% in FY24 and 67% in FY25.
- b) Gifted Funds - Increases per pupil funding for the gifted professional development component from \$14 in FY23 to \$21 in FY24 and \$28 in FY25.
- c) Student Wellness and Success Funds
 - a. Expenditures for 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 can 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 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 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 align 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 four (4) casinos to open in Cleveland, Toledo, Columbus, and Cincinnati. Thirty-three percent (33%) of the gross casino revenue will be collected as a tax. School districts will receive 34% of the 33% of Gross Casino Revenue that will be paid into a student fund at the state level. These funds will be distributed to school districts on the 31st of January and August each year, beginning for the first time on January 31, 2013.

Casino revenue fell slightly in FY21 due to COVID-19 and casinos closing for over two months. We have increased the amount in FY22 back to pre-pandemic FY20 levels as casino revenues appear to have dipped mainly 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 .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. FY23 Casino revenues have resumed their historical growth rate and assume a 2% annual growth rate for the forecast period.

<u>Source</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>	<u>FY 26</u>	<u>FY 27</u>
Basic Aid-Unrestricted	\$6,085,897	\$6,030,622	\$6,057,591	\$6,057,591	\$6,057,591
Additional Aid Items	168,902	168,902	168,902	168,902	168,902
Basic Aid-Unrestricted Subtotal	\$6,254,799	\$6,199,524	\$6,226,493	\$6,226,493	\$6,226,493
Medicaid Reimbursement	\$80,709	\$80,709	\$80,709	\$80,709	\$80,709
Ohio Casino Commission ODT	64,510	65,800	67,116	68,458	69,827
Total Unrestricted State Aid Line #1.035	<u>\$6,400,018</u>	<u>\$6,346,033</u>	<u>\$6,374,318</u>	<u>\$6,375,660</u>	<u>\$6,377,029</u>

B) Restricted State Foundation Revenue – Line #1.040

HB110 has continued Disadvantaged Pupil Impact Aid (formerly Economic Disadvantaged funding) and Career Technical funding. In addition, new restricted funds have been added as noted above under “Restricted Categorical Aid” for Gifted, English Learners (ESL), and Student Wellness. We have estimated revenues for these new restricted funding lines using current October funding factors. The amount of DPIA is limited to 33.34% phase in growth for FY23. We have flat-lined funding at FY23 levels for FY24-FY27 due to uncertainty on continued funding of the current funding formula.

<u>Source</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>	<u>FY 26</u>	<u>FY 27</u>
DPIA	\$26,475	\$26,475	\$26,475	\$26,475	\$26,475
Career Tech - Restricted	49,871	49,871	49,871	49,871	49,871
Gifted	62,494	62,494	62,494	62,494	62,494
ESL	1,066	1,066	1,066	1,066	1,066
Student Wellness	217,211	217,211	217,211	217,211	217,211
Total Restricted State Revenues Line #1.040	<u>\$357,117</u>	<u>\$357,117</u>	<u>\$357,117</u>	<u>\$357,117</u>	<u>\$357,117</u>

C) Restricted Federal Grants in Aid – Line #1.045

No federal unrestricted grants are projected FY23-27.

State Taxes Reimbursement/Property Tax Allocation

a) Rollback and Homestead Reimbursement

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

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

Summary of State Tax Reimbursement – Line #1.050

<u>Source</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>	<u>FY 26</u>	<u>FY 27</u>
Rollback and Homestead Line #1.05	<u>\$460,902</u>	<u>\$473,401</u>	<u>\$478,248</u>	<u>\$482,094</u>	<u>\$485,938</u>

Other Local Revenues – Line #1.060

Prior to FY22, this line included Open Enrollment In, which made up approximately 65% of the category (\$826,984 in FY20 and \$78,360 in FY21). The FSFP includes per pupil funding for the open enrollment of students that the district is educating. Other revenues received by the district that will continue to be recorded in this line include investment interest, property rental, insurance proceeds and book fees. These amounts are based on historical patterns and enrollment.

<u>Source</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>	<u>FY 26</u>	<u>FY 27</u>
Tuition	\$282,318	\$285,141	\$287,993	\$290,873	\$293,781
Open Enrollment	0	0	0	0	0
Class Fees	66,630	66,630	66,630	66,630	66,630
Interest	185,550	185,550	185,550	185,550	185,550
Other Miscellaneous Receipts	10,176	10,278	10,381	27,570	27,846
Total Line #1.06	<u>\$544,674</u>	<u>\$547,599</u>	<u>\$550,553</u>	<u>\$570,623</u>	<u>\$573,807</u>

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

The district does not have any projected revenue in these lines.

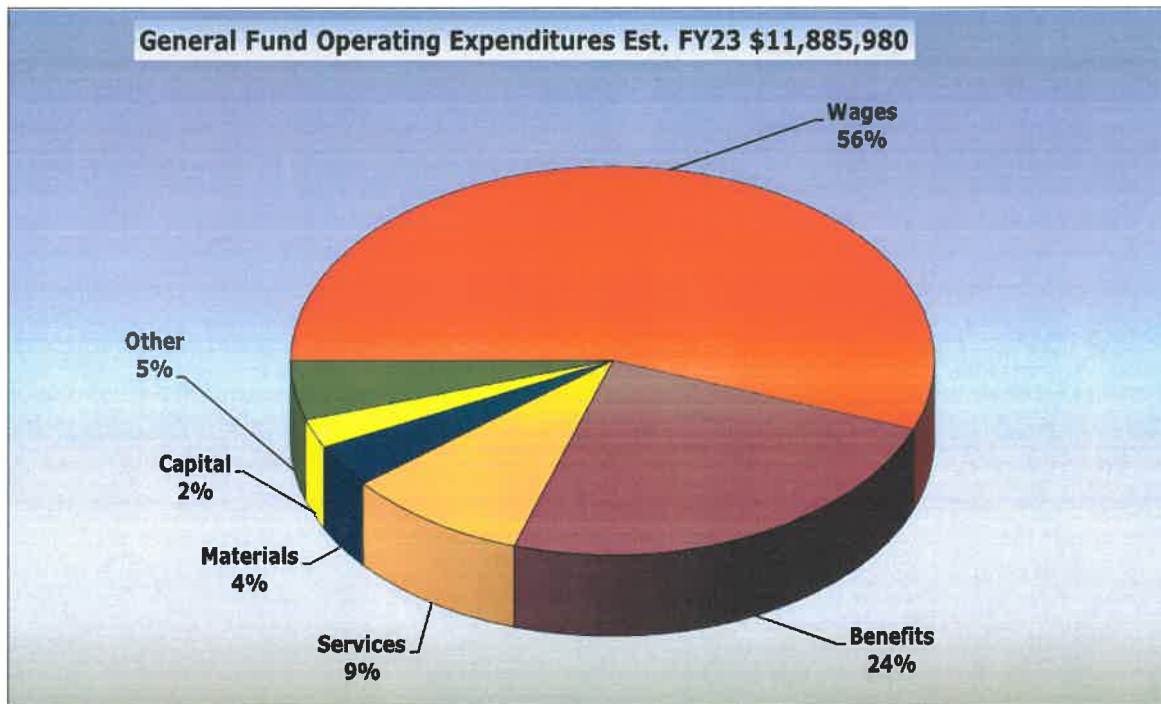
All Other Financial Sources – Line #2.060 & Line #14.010

Revenue expected during the forecast period in this category includes sale of property and refunds of prior year expenditures, including those from the Bureau of Workers' Compensation.

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 FY23



Wages – Line #3.010

Employee salaries and wages, including extended time, severance pay, bonuses and supplemental contracts are included in this line. Raises granted in prior fiscal years were 2% in FY20, 1% in FY21 and 3% in FY22. Raises that are projected include 2.5% in FY23 and 2% in FY24-FY27. The District is adding back one principal and three teachers from ESSER funds to the general fund in FY23. In FY24 the District is adding one special education and one regular education teacher as well as three classroom aides.

Source	FY 23	FY 24	FY 25	FY 26	FY 27
Base Wages	\$5,988,519	\$6,246,025	\$6,641,270	\$6,916,979	\$7,179,824
Wage adjustments	149,713	124,921	132,825	138,340	143,596
Steps & Training	107,793	112,428	119,543	124,506	129,237
Growth/Replacement staff	-	157,895	23,341	-	-
Substitutes	111,592	146,944	116,100	118,422	120,791
Supplemental	250,306	255,312	260,418	265,627	270,939
Severance	21,471	-	20,000	-	20,000
Staff Reductions (Retire/Resignation)	-	-	-	-	-
Total Wages Line #3.010	\$6,629,394	\$7,043,526	\$7,313,498	\$7,563,873	\$7,864,388

Fringe Benefits Estimates Line 3.02

This category includes the Board share of employee Retirement, Insurance, Medicare, Workers Compensation, and Unemployment costs. Fringe benefit costs have been increasing primarily due to health care cost increases. Fringe benefits represent 24% of total General Fund expenditures and are projected to grow at an annual average rate of 5.42% through FY27.

A) STRS/SERS

Generally, the district must pay 14% of wages paid to both STRS and SERS. In addition, the district pays 1% of the required 10% employee share to STRS. Furthermore, the district also pays to SERS the employee surcharge which is an additional amount required over the 14% to provide added funds SERS collects to supplement contributions on lower paid short hour classified staff so they can have a pension when they retire.

B) Insurance

The district currently offers the High Deductible Health Plan/Health Savings Account (HDHP/HSA) and the Minimum Value Plan (MVP); a Dental plan; and a Vision plan. The Mercer Auglaize Benefit Trust (MABT) health insurance consortium joined the Educational Purchasing Council (EPC) to curb the rising costs of insurance premiums. For calendar year 2022, the cost of medical/prescription insurance increased by 5.5%; and the dental and vision plans increased by 2%. However, MABT has approved giving the districts a one-month premium holiday in December. Therefore, the overall annual cost of insurance will remain at approximately \$1.7 million.

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 premiums have remained consistent due to discounts received through the district's involvement in the Safety Council and Safety Management programs, as well as our accident rating.

D) Medicare

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

Summary of Fringe Benefits – Line #3.02

<u>Source</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>	<u>FY 26</u>	<u>FY 27</u>
STRS/SERS	\$1,028,024	\$1,089,047	\$1,135,968	\$1,178,833	\$1,222,868
Insurances	1,706,865	1,849,775	1,881,215	2,033,306	2,196,804
Workers Comp/Unemployment	16,585	16,200	16,821	17,397	18,088
Medicare	96,126	102,131	106,046	109,676	114,034
Tuition and Other Benefits	23,292	23,292	23,292	23,292	23,292
Total Fringe Benefits Line #3.020	<u>\$2,870,893</u>	<u>\$3,080,445</u>	<u>\$3,163,342</u>	<u>\$3,362,504</u>	<u>\$3,575,086</u>

Purchased Services – Line #3.030

Purchased services represent 9% of the total expenditures. Included in this category is the cost of utilities, professional development, repairs and maintenance, internet services, legal services, property insurance and other professional services. In the past, Open Enrollment Out was included in this line and accounted for approximately 24% of total Purchased Services costs. The FSFP funds only district educated enrollment, thereby reducing tuition costs for Open Enrollment Out, community schools, STEM and scholarships expenses starting in FY22.

<u>Source</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>	<u>FY 26</u>	<u>FY 27</u>
Professional & Technical Services, ESC	\$185,782	\$189,382	\$193,002	\$193,207	\$196,956
Maintenance, Insurance & Garbage Removal	\$306,546	\$309,612	\$312,708	\$310,835	\$313,943
Professional Development	\$13,855	\$14,132	\$14,415	\$14,703	\$14,997
Communications, Postage, & Telephone	\$15,623	\$15,935	\$16,254	\$16,579	\$16,911
Utilities	\$300,882	\$309,908	\$319,206	\$328,782	\$338,645
Tuition, Excess Costs & Scholarship Costs	\$195,483	\$199,392	\$203,380	\$205,448	\$209,557
Open Enrollment & Community School Costs	\$0	\$0	\$0	\$0	\$0
College Credit Plus	\$60,164	\$60,766	\$61,373	\$61,987	\$62,607
Other Adjustments SWSF, ESSER, Etc.	\$0	\$0	\$0	\$0	\$0
Miscellaneous Purchased Services	8,928	9,017	9,107	9,199	9,291
Total Purchased Services Line #3.030	<u>\$1,087,263</u>	<u>\$1,108,145</u>	<u>\$1,129,446</u>	<u>\$1,140,740</u>	<u>\$1,162,906</u>

Supplies and Materials – Line #3.040

Supply costs have stayed relatively consistent, with inflationary increases, throughout the life of the forecast. This category of expense is characterized by classroom materials, textbooks, library books, copy paper, maintenance supplies and materials and bus fuel. Due to supply chain issues, some of the supplies for the 2022/23 school year were ordered and paid for during FY22 to allow enough time for materials to be delivered.

<u>Source</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>	<u>FY 26</u>	<u>FY 27</u>
General Office Supplies & Materials	\$107,544	\$104,354	\$106,491	\$107,555	\$110,782
Textbooks & Instructional Supplies	\$103,562	\$106,669	\$108,802	\$109,890	\$113,187
Facility Supplies & Materials	\$109,680	\$112,970	\$114,100	\$115,241	\$118,698
Transportation Fuel & Supplies	\$106,494	\$109,689	\$110,786	\$111,894	\$115,251
Other adjustments SWSF, ESSER, Etc.	0	0	0	0	0
Total Supplies Line #3.040	<u>\$427,280</u>	<u>\$433,681</u>	<u>\$440,178</u>	<u>\$444,580</u>	<u>\$457,918</u>

Capital Outlay – Line #3.050

The capital outlay category consists of any items having a life expectancy of five years or more, such as land, buildings, ground improvements, computers/technology, buses, vehicles, furnishings and equipment. Many capital expenses are paid out of the Permanent Improvement fund or the Classroom Facilities Maintenance fund, and therefore do not get paid from the General Fund and are not included in this forecast. FY20 includes \$254,594 for the replacement of the football stadium bleachers.

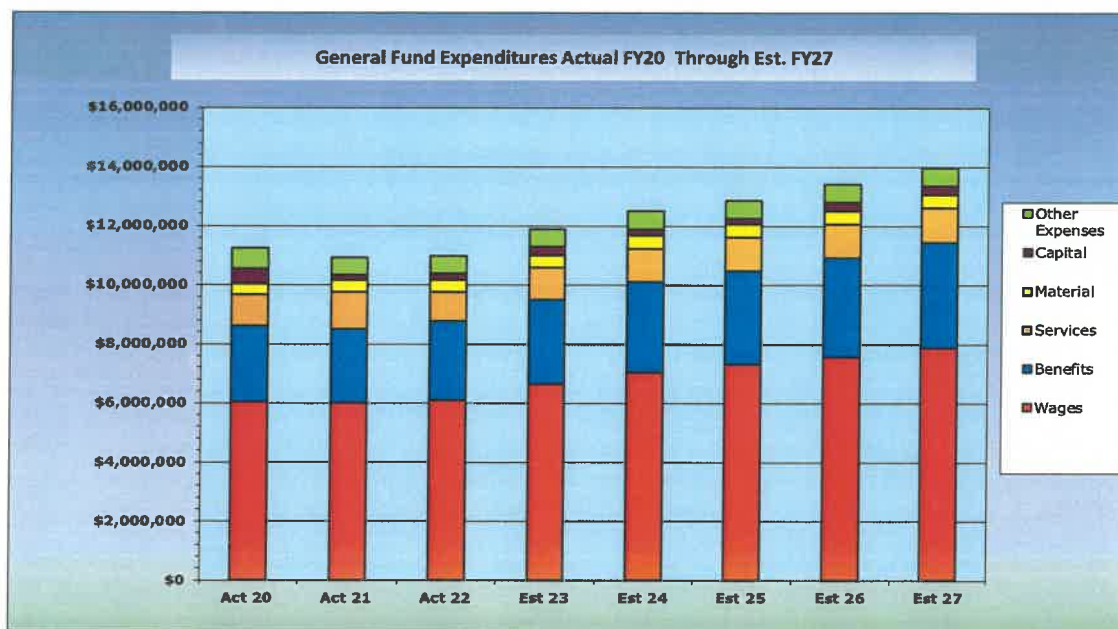
<u>Source</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>	<u>FY 26</u>	<u>FY 27</u>
Capital Outlay	\$282,029	\$232,029	\$209,333	\$299,246	\$300,000
Technology	-	-	-	-	-
Replacement Bus Purchases	-	-	-	-	-
Total Equipment Line #3.050	<u>\$282,029</u>	<u>\$232,029</u>	<u>\$209,333</u>	<u>\$299,246</u>	<u>\$300,000</u>

Other Expenses – Line #4.300

The largest component of costs included in this category are incurred through the Mercer County Educational Service Center (ESC), which account for 58% of this line. Also included in this line are memberships in professional organizations, surety bonds, dues and fees from the State Auditor's office, the County Auditor and Treasurer offices, Income Tax Administration, and Medicaid.

<u>Source</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>	<u>FY 26</u>	<u>FY 27</u>
Auditor & Treasurer Fees	\$93,401	\$94,802	\$96,224	\$97,187	\$98,159
ESC	344,576	349,745	354,991	358,541	362,127
Other expenses	<u>151,144</u>	<u>153,411</u>	<u>155,712</u>	<u>157,269</u>	<u>158,842</u>
Total Other Expenses Line #4.300	<u>\$589,121</u>	<u>\$597,958</u>	<u>\$606,928</u>	<u>\$612,997</u>	<u>\$619,127</u>

Total Expenditure Categories Actual Fiscal Year 2020 through Fiscal Year 2022 and Estimated Fiscal FY23 through 27



Transfers Out/Advances Out – Line #5.010

This account group covers fund to fund transfers and end of year short term loans from the General Fund to other funds until they have received reimbursements to repay the General Fund. Included in this line item is a transfer of \$2,650,000 to Capital Projects Fund 070 for an athletic building, and transfer of the Anna Lee Linn Estate donation of \$38,122 to the FFA Fund for construction of a greenhouse.

<u>Source</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>	<u>FY 26</u>	<u>FY 27</u>
Operating Transfers Out Line #5.010	\$2,688,122	\$0	\$0	\$0	\$0
Advances Out Line #5.020	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Transfer & Advances Out	<u>\$2,688,122</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</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.

<u>Source</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>	<u>FY 26</u>	<u>FY 27</u>
Estimated Encumbrances	<u>\$250,000</u>	<u>\$250,000</u>	<u>\$250,000</u>	<u>\$250,000</u>	<u>\$250,000</u>

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

This amount must not go below \$-0- or the district General Fund will violate Ohio Budgetary Laws. Any multi-year contract which is knowingly signed that results in a negative unencumbered cash balance is a violation of Ohio Revised Code section 5705.412, punishable by personal liability of \$10,000, unless an alternative “412” certificate can be issued pursuant to House Bill 153 effective September 30, 2011.

<u>Source</u>	<u>FY 23</u>	<u>FY 24</u>	<u>FY 25</u>	<u>FY 26</u>	<u>FY 27</u>
Ending Cash Balance	<u>\$5,728,179</u>	<u>\$6,219,455</u>	<u>\$6,431,196</u>	<u>\$6,153,744</u>	<u>\$5,363,975</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.

