MARGARETTA LOCAL SCHOOL DISTRICT
ERIE COUNTY

SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE FISCAL YEARS ENDED JUNE 30, 2018, 2019 and 2020 ACTUAL FORECASTED FISCAL YEARS ENDING JUNE 30, 2021 THROUGH JUNE 30, 2025

Margaretta Local School District

Treasurer's Office

Mrs. Diane Keegan, Treasurer

May 17, 2021

MARGARETTA LOCAL SCHOOL DISTRICT
Erie County

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2018, 2019, 2020
Forecasted Fiscal Year Ending June 30, 2021 through 2025

		Actual				Forecasted				
		Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Average Change	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025
	Revenues									
1.010	General Property Tax (Real Estate)	5,119,059	4,967,158	4,990,335	-1.3%	4,866,275	4,914,578	5,039,560	5,085,893	5,131,965
1.020	Public Utility Personal Property Tax	675,387	723,910	2,762,247	144.4%	4,808,065	4,677,151	4,645,149	4,522,895	4,405,341
1.030	Income Tax	0	0	0	0.0%	0	0	0	0	0
1.035	Unrestricted State Grants-in-Aid	4,606,704	4,492,246	4,224,798	-4.2%	4,238,774	4,447,095	4,447,484	4,447,887	4,448,303
1.040	Restricted State Grants-in-Aid	77,460	86,314	82,747	3.6%	83,110	83,941	84,780	85,628	86,485
1.045	Restricted Federal Grants In Aid	0	0	0	0.0%	0	0	0	0	0
1.050	Property Tax Allocation	1,541,050	1,427,790	1,275,447	-9.0%	1,123,552	1,017,718	923,167	762,641	730,743
1.060	All Other Revenues	3,554,901	3,339,743	3,259,835	-4.2%	2,772,950	2,603,701	2,658,655	2,756,998	2,789,997
1.070	*Total Revenues*	15,574,561	15,037,161	16,595,409	3.5%	17,892,726	17,744,184	17,798,795	17,661,942	17,592,834
	Other Financing Sources									
2.010	Proceeds from Sale of Notes	0	0	0	0.0%	0	0	0	0	0
2.020	State Loans and Advancements (Approved)	0	0	0	0.0%	0	0	0	0	0
2.040	Operating Transfers-In	0	0	470,211	0.0%	412,884	0	0	0	0
2.050	Advances-In	0	0	0	0.0%	2,400	0	0	0	0
2.060	All Other Financing Sources	1,500	6,906	7,195	182.3%	282,109	7,200	7,200	7,200	7,200
2.070	*Total Other Financing Sources*	1,500	6,906	477,406	3586.7%	697,393	7,200	7,200	7,200	7,200
2.080	*Total Revenues and Other Financing Sources*	15,576,061	15,044,067	17,072,815	5.0%	18,590,119	17,751,384	17,805,995	17,669,142	17,600,034
	Expenditures									
3.010	Personal Services	8,191,161	8,035,648	7,819,926	-2.3%	7,972,216	8,106,773	8,402,624	8,588,001	8,755,026
3.020	Employees' Retirement/Insurance Benefits	3,329,291	3,309,459	3,339,769	0.2%	3,198,788	3,551,991	3,709,977	3,854,488	4,002,951
3.030	Purchased Services	3,402,136	3,111,677	2,883,160	-7.9%	2,785,276	3,021,954	3,052,174	3,082,696	3,113,523
3.040	Supplies and Materials	745,008	393,870	355,799	-28.4%	394,057	456,027	458,308	460,599	462,902
3.050	Capital Outlay	107,228	9,110	4,847	-69.1%	56,125	91,405	5,611	93,234	94,166
3.060	Intergovernmental	0	0	0	0.0%	0	0	0	0	0
	Debt Service:									
4.010	Principal-All (Historical Only)	0	0	0	0.0%	0	0	0	0	0
4.020	Principal-Notes	0	0	0	0.0%	0	0	0	0	0
4.030	Principal-State Loans	0	0	0	0.0%	0	0	0	0	0
4.040	Principal-State Advancements	0	0	0	0.0%	0	0	0	0	0
4.050	Principal-HB 264 Loans	0	0	0	0.0%	0	0	0	0	0
4.055	Principal-Other	447,000	462,000	483,000	4.0%	498,000	144,000	149,000	155,000	162,000
4.060	Interest and Fiscal Charges	119,404	102,846	85,626	-15.3%	67,745	55,483	49,007	42,289	35,283
4.300	Other Objects	207,781	191,170	230,628	6.3%	387,842	229,331	225,883	236,239	232,792
4.500	*Total Expenditures*	16,549,009	15,615,780	15,202,755	-4.1%	15,360,049	15,656,964	16,052,584	16,512,546	16,858,643
	Other Financing Uses									
5.010	Operating Transfers-Out	44,658	88,231	1,398,179	791.1%	2,549,632	1,899,646	1,834,559	1,771,749	1,711,138
5.020	Advances-Out	0	0	2,400	0.0%	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*	44,658	88,231	1,400,579	792.5%	2,549,632	1,899,646	1,834,559	1,771,749	1,711,138
5.050	*Total Expenditures and Other Financing Uses*	16,593,667	15,704,011	16,603,334	0.2%	17,909,681	17,556,610	17,887,143	18,284,295	18,569,781
6.010	*Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses*	(1,017,606)	(659,944)	469,481	-103.1%	680,438	194,774	(81,148)	(615,153)	(969,747)
7.010	Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	2,473,157	1,455,551	795,607	-43.2%	1,265,088	1,945,526	2,140,300	2,059,152	1,443,999
7.020	*Cash Balance June 30*	1,455,551	795,607	1,265,088	6.8%	1,945,526	2,140,300	2,059,152	1,443,999	474,252
8.010	*Estimated Encumbrances June 30*	40,814	3,593	16,618	135.7%	5,000	5,000	5,000	5,000	5,000

MARGARETTA LOCAL SCHOOL DISTRICT
Erie County

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2018, 2019, 2020
Forecasted Fiscal Year Ending June 30, 2021 through 2025

		Actual				Forecasted				
		Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Average Change	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025
	Reservation of Fund Balance									
9.010	Textbooks and Instructional Materials	0	0	0	0.0%	0	0	0	0	0
9.020	Capital Improvements	0	0	0	0.0%	0	0	0	0	0
9.030	Budget Reserve	0	0	440,757	0.0%	854,730	854,730	854,730	854,730	854,730
9.040	DPIA	0	0	0	0.0%	0	0	0	0	0
9.045	Fiscal Stabilization	0	0	0	0.0%	0	0	0	0	0
9.050	Debt Service	0	0	0	0.0%	0	0	0	0	0
9.060	Property Tax Advances	0	0	0	0.0%	0	0	0	0	0
9.070	Bus Purchases	0	0	0	0.0%	0	0	0	0	0
9.080	*Subtotal*	0	0	440,757	0.0%	854,730	854,730	854,730	854,730	854,730
10.010	*Fund Balance June 30 for Certification of Appropriations*	1,414,737	792,014	807,713	-21.0%	1,085,796	1,280,570	1,199,422	584,269	(385,478)
	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	0	0
11.300	Cumulative Balance of Renewal Levies	0	0	0	0.0%	0	0	0	0	0
12.010	*Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations*	1,414,737	792,014	807,713	-21.0%	1,085,796	1,280,570	1,199,422	584,269	(385,478)
	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*	1,414,737	792,014	807,713	-21.0%	1,085,796	1,280,570	1,199,422	584,269	(385,478)
	ADM Forecasts									
20.010	Kindergarten - October Count	-	-	-	0.0%	-	-	-	-	-
20.015	Grades 1-12 - October Count	-	-	-	0.0%	-	-	-	-	-

Margaretta Local School District – Erie County
Notes to the Five Year Forecast
General Fund Only
May 17, 2021

Introduction to the Five Year Forecast
School districts are required to file a five (5) year financial forecast by November 30, 2020, and May 31, 2021 for fiscal year 2021 (July 1, 2020 to June 30, 2021). The five-year forecast includes three years of actual and five years of projected general fund revenues and expenditures. Fiscal year 2021 (July 1, 2020-June 30, 2021) is the first year of the five-year forecast and is considered the baseline year. Our forecast is being updated to reflect the most current economic data available to us for the May 2021 filing.

Economic Outlook
This five-year forecast is being filed during a recovery from the COVID-19 pandemic and a health and financial struggle that encompassed our state, country and global economy. School districts play a vital role in their communities and we believe it is important to maintain continuity of services to our students and staff. The district has maintained services to students throughout the pandemic. The State of Ohio's economic pressure has not been as great as first expected due to the effects of the pandemic thus the restoration of a portion of the original school foundation funding cuts was ordered by the Governor on January 22, 2021. Federal funding sent to school districts through the Elementary and Secondary Schools Education Relief Funds (ESSER) has also been a much needed resource to offset the loss of state funding. Additional Federal CARES Act funding was used to cover the costs of additional technology needs, personal protective equipment, supplant salaries, purchase supplemental textbooks, offset the cost of summer school, offset additional staff necessary to meet our educational needs, and cleaning costs caused by the pandemic. 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 2021 Updates:

<u>Revenues FY21:</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 \$17,892,726 or 4.38% higher than the November forecasted amount of \$17,141,153.

State Aide, as noted above, began the year with continued cuts at the FY20 level; however, on January 22, 2021 Governor DeWine reinstated funding of approximately 54.84% of those reductions thus having a positive impact of \$121,240 for our district's revenue.

All other areas of revenue are tracking as anticipated for FY21 based on our best information at this time.

<u>Expenditures FY21:</u>
Total General Fund expenditures (line 4.5) are estimated to be \$15,360,049 for FY21 which is below the original estimate of \$15,942,184 in the November forecast. The expenditure line most significantly below projections is Purchased Services (line 3.03) due to decreased Professional Contracts, Instructional Contracts, and Community School deductions. This will have a positive effect on the long term forecast.

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 2021 and 2023 due to deliberation of the next two (2) state biennium budgets for FY22-23 and FY24-25, 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:

I. HB166 the current state budget for FY20-21 initially froze funding for all school districts in Ohio at their FY19 level with two exceptions; student wellness and success funding (SWSF) and enrollment growth supplement funds. Student Wellness and Success is new revenue to school districts in FY20 and FY21, but is restricted in use and must be placed in Fund 467 and is NOT General Fund revenue and consequently not included in this forecast. The current proposed state budget for FY22-23 is Sub. HB110 and it includes increases for SWSF for each year of the biennium budget along with guarantees that no district will receive less funding than they received in FY21. We have assumed this money will continue through FY25. Enrollment Growth Supplement money is paid to a small number of growing districts and Sub. HB110 also proposes these funds be continued in FY22 and FY23 at current FY21 levels. We have assumed these funds will continue at the guarantee level through FY25.

II. While state foundation funding was initially guaranteed at the FY19 level, the Coronavirus pandemic caused the most rapid and largest decrease of employment in history. In order to balance the State Budget on May 6, 2020 the Governor ordered a $300.5 million reduction of state foundation funding to school districts by the end of June 2020. These cuts were to continue through FY21 as well, however the Governor subsequently reinstated $160 million of these reductions to school districts in an executive order dated January 22, 2021. With the economy rebounding from the sharp drop in employment in March and April 2020 and state tax revenues well above estimates for FY21, we anticipate funding will remain unchanged for the rest of FY21. Governor DeWine submitted his FY22-23 biennial budget (Sub. HB110) which returns state foundation funding to schools at their FY19 funded level. The biennial budget is now working its way through the legislative process. HB1, also known as the Fair School Funding Bill, was introduced on February 4, 2021 and will work its way through the legislative process where it has been combined with Sub. HB110. The certainty of foundation funding levels will not likely be known until late June 2021. At this time the FY19 funding level is the basis for districts state funding in FY22 and FY23. We believe Ohio's economy will continue to improve through FY21 and that FY22-25 will see funding returned to the FY19 levels at a minimum. We will not project an increase beyond the FY19 levels at this time until the state budget is known for FY22 and FY23

III. Property tax collections are the second largest revenue source for the school system. The housing market in our district is stable. Although we project no material growth in appraised values every three (3) years, we are projecting moderate new construction growth. Total local revenues, which are predominately local taxes, equate to 70% of the district's resources. Collection rates for the 1st half 2020 collection, collected in 2021 did not show sharp declines due to increased delinquencies. We believe there is a low risk that local collections would fall below projections in the forecast.

IV. The State Budget represents 30% of district revenues and is an area of risk to revenue. The future risk comes in FY22 and beyond if the state economy stalls or worsens and the funding formula in future state budgets reduces funding to our district. There are two future State Biennium Budgets covering the period from FY22-23 and FY24-25 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 FY25. We have projected our state funding to be in line with the FY19 funding level FY22 through FY25, which we feel is conservative and should be close to whatever the state approves for the new FY22-23 biennium budget. We will adjust the forecast in future years as we have data to help guide this decision.

V. HB166, the current state budget that ends June 30, 2021 continues the TPP Fixed Rate Reimbursement phase-out contained in SB208 that will lower the payment each year by the amount raised by five-eights (5/8) of 1 mill based on the 3 year average of Tax Year 14-16 assessed district values. We have estimated that this phase out will continue in our projections until TPP is finally eliminated in FY24 based on our estimates.

VI. Erie County experienced a reappraisal in the 2018 tax year to be collected in FY19. The 2018 reappraisal increased overall assessed values by 0.35% due to the reappraisal. The changes authorized by HB49 to CAUV values that lowered agricultural values by an estimated 30% played a part in keeping the overall residential/agricultural value increases this low. For the 2021 update the projection is, conservatively, that the residential/agricultural tax base overall will maintain values as a result of the update, and that commercial and mineral values will remain constant, but as noted above, there are many changes that can take place that making predicting the values with high accuracy nearly impossible. Mineral values can decrease as rapidly as they increase and the district is cautious in projecting large increases when a decrease may be as likely.

VII. With the NEXUS Pipeline coming online, the district will continue to monitor Public Utility Personal Property tax (PUPP) for disputes. This increase valuation in Tax Year 2019, and is a major increase in current and future revenue. It should be mentioned that the taxing authorities billed Nexus approximately $8.3 million dollars payable in two tax installment payments. Nexus first appeal was denied which first requested a reduction of 47% and as such, Nexus tender paid the tax payment of $4.2 million of 2020. Nexus has submitted a second appeal requesting values to be decreased to 39.72% and the request was denied in the first round of the appeal. The forecast assumes their appeal is won and the district only receives the lower 47% valuation. The first year collection appeal is scheduled to be heard by the Bureau of Tax Appeals, beginning February 7, 2022. NEXUS has also appealed the second year valuations and is tender paying (i.e., short paying) to approximately 40% of the billed value in the second year as well.

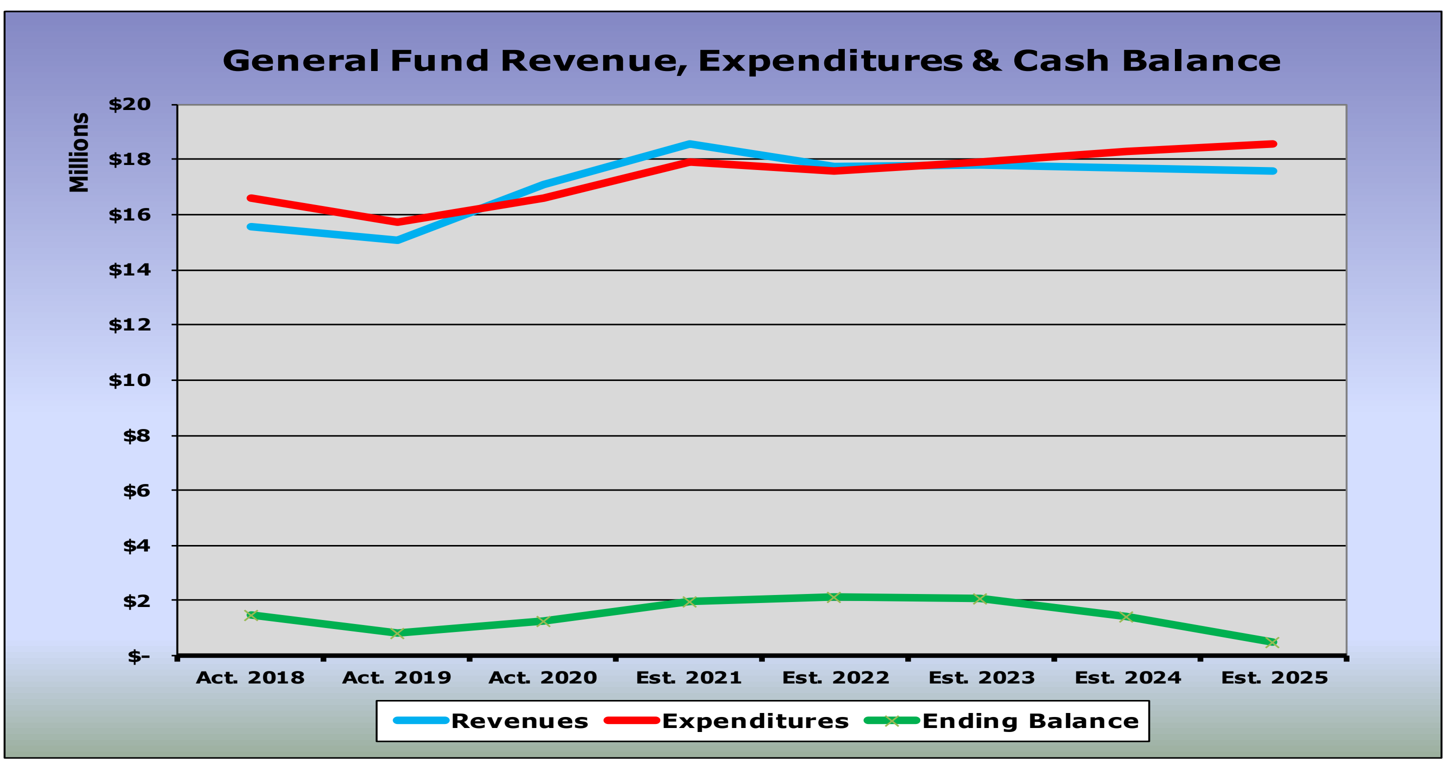
VIII. HB166 continues the many provisions contained in prior state biennium budgets that will continue to draw funds away from our district through continuing school choice programs such as College Credit Plus, Community Schools and increases in per pupil scholarship amounts deducted from our state aid in the 2019-21 school years, even though funding for our students was not increased to our district for this biennium budget. These are examples of school choice programs that increase with each biennium budget and costs the district money. Expansion or creation of programs such as these can exposes the district to new expenditures that are not currently in the forecast. We are monitoring any new threats to our state aid and increased costs very closely as the proposed new state budget bill Sub. HB110 moves through the legislative process.

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

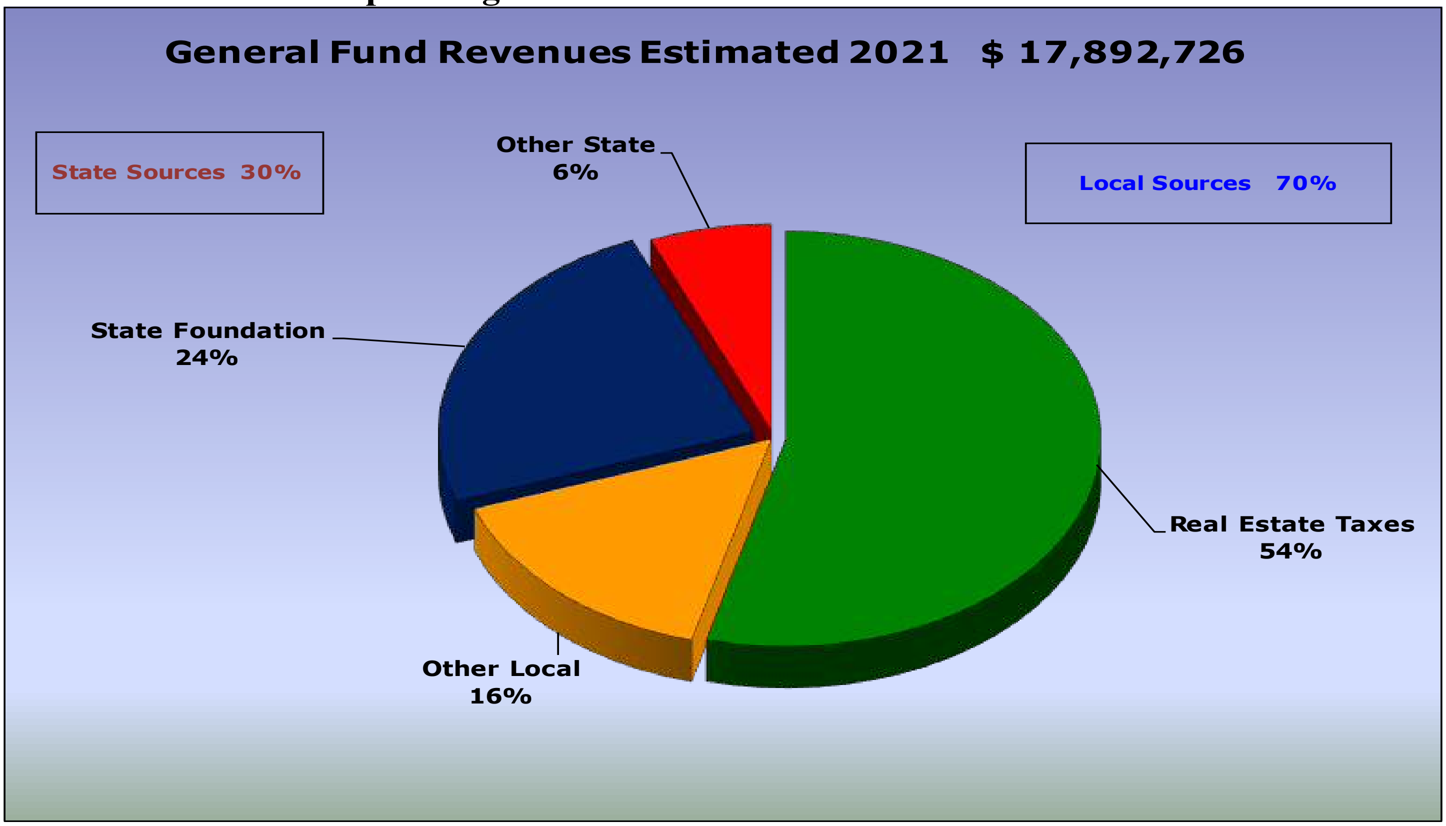
The major line numbers used as references to the forecast are noted below in the headings to make it easier to relate the assumptions made for the forecast item and refer back to the forecast. It should be of assistance to the reader to review the assumptions noted below in understanding the overall financial forecast for our district. If you would like additional information please feel free to contact Mrs. Diane Keegan, Treasurer at 419-684-5322.

General Fund Revenue, Expenditures and Ending Cash Balance Actual FY18-20 and Estimated FY21-25

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



Revenue Assumptions
Operating Revenue Sources General Fund FY21



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. Erie County experienced a reappraisal for the 2018 tax year to be collected in 2019. Residential/agricultural (Class I values) were increased 0.35% or $566 thousand. Commercial, industrial, and mineral (Class II values) increased by $95 thousand overall or an 11% increase.

While Class I and Class II values have remained constant, Public Utility Personal Property (PUPP) values rose by a significant amount due to the NEXUS Pipeline. The current increased PUPP valuation caused revenue collection for taxes on Line 1.01 to rise sharply. PUPP values are determined at the Ohio Department of Taxation from confidential filings from utilities and then certified to each county auditor late in the calendar year. These values are particularly valuable as they are taxed at our full 58.8 general fund tax rate. There is no way to predict these values ahead with accuracy. These values are taxed at the district's full gross rate; therefore, this increase will have a positive effect on revenues through the entire forecast period.

The chart below shows our tax year 2019 values as reported to us by the County Auditor and our estimated future values.

ESTIMATED ASSESSED VALUE (AV) BY COLLECTION YEARS

Classification	Actual TAX YEAR2020 COLLECT 2021	Estimated TAX YEAR2021 COLLECT 2022	Estimated TAX YEAR2022 COLLECT 2023	Estimated TAX YEAR2023 COLLECT 2024	Estimated TAX YEAR2024 COLLECT 2025
Res./Ag.	$168,291,380	$169,895,160	$171,498,940	$173,102,720	$174,706,500
Commercial/Mineral	18,976,160	19,289,620	19,603,080	19,916,540	20,230,000
Public Utility (PUPP)	80,870,460	78,698,252	76,610,821	74,605,200	72,678,526
Total Assessed Value	$268,138,000	$267,883,032	$267,712,841	$267,624,460	$267,615,026

ESTIMATED REAL ESTATE TAX - Line #1.010

Source	FY21	FY22	FY23	FY24	FY25
Property Taxes	$4,866,275	$4,914,578	$5,039,560	$5,085,893	$5,131,965

Property tax levies are estimated to be collected 98% of the annual amount. This allows a 2% delinquency factor. Lower collection rates predicted due to the COVID-19 pandemic and economic slowdown did not occur as advised by the County Auditor. In general, 55% of the Res/Ag and Comm/Ind property taxes are expected to be collected in the February tax settlement and 45% collected in the August tax settlement. Public Utility tax settlements (PUPP taxes) are estimated to be received 50% in February and 50% in August settlement from the County Auditor and are noted in Line #1.02 totals below.

Levy Renewal –Line # 11.02

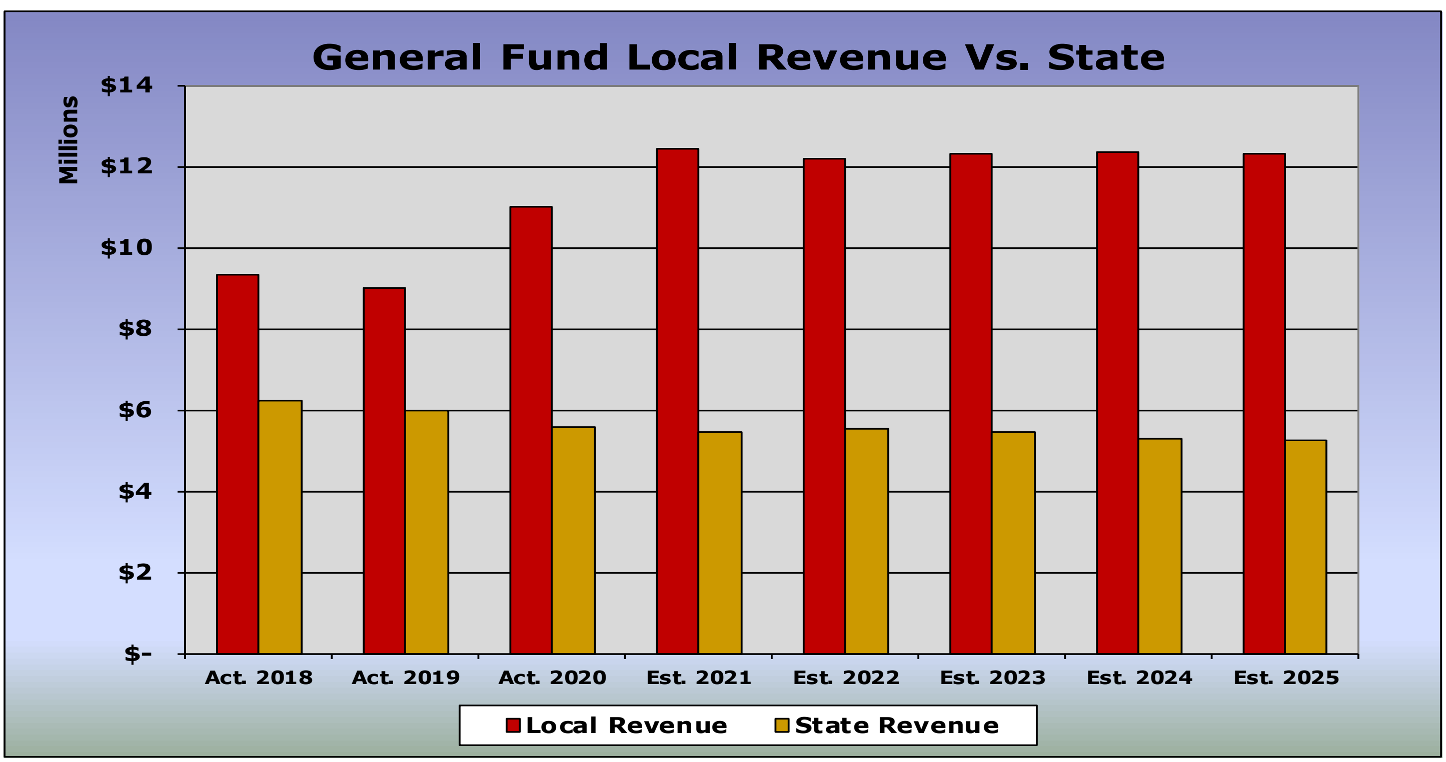
The District renewed its 7.75 mill current expense levy on May 4th with an 82.2% approval rate. This is a 5 year term levy that the district has had in place since 1998. This levy is now due to expire December 31, 2026. The continued approval of this levy is critical for the district due to the increased value of PUPP due to the NEXUS Pipeline. State law requires that renewal levies be removed from revenues on Line 1.01, 1.02 and 1.05 and shown on this line 11.02 of the forecast. Therefore, this levy is no longer in line 11.02 as presented in November, and has returned to line 1.01 and 1.02 in this forecast. Please note that renewal levies do not bring in additional tax revenues to the district. The renewing levies are for the same revenue the district is currently collecting.

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

Estimated Tangible Personal Tax & PUPP 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 Public Utility (PUPP), which is $83.1 million in assessed values in 2020 and are collected at the district's gross voted millage rate of 58.71. This increased by $71.7 million in tax year 2019 due to the NEXUS Pipeline coming online. Collections are typically 50% in February and 50% in August along with the real estate settlements from the county auditor. This is a major revenue stream for the district, and will continue to be monitored for future valuation growth trends.

Source	FY21	FY22	FY23	FY24	FY25
Public Utility Personal Property	$4,808,065	$4,677,151	$4,645,149	$4,522,895	$4,405,341
Total Line # 1.020	$4,808,065	$4,677,151	$4,645,149	$4,522,895	$4,405,341



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

Current State Funding Model Per HB166 Through June 30, 2021

A) Unrestricted State Foundation Revenue– Line #1.035

The amounts estimated for state funding are based on HB166 which on May 6, 2020 was cut and then funding partially restored by executive order signed January 22, 2021 by the Governor. Initially state aid funding for all 610 traditional school districts and 49 Joint Vocational and Career Centers was frozen for FY20 & FY21 at the FY19 funding level. The State Foundation Funding Formula used since FY14 was dropped in FY20 after six (6) years. HB1, aka the Fair School Funding plan, is currently being considered by the legislature and may produce a successor funding formula for the FY22-23 biennium budget. Currently Sub. HB110, the proposed budget, projects funding for districts at FY19 guarantee amounts for FY22 and FY23. For this reason, we have projected state aid flat at the FY19 funding level through FY25 as we have nothing authoritative to rely on at this time.

Foundation Reduction and HB164 for FY20

In FY20 the Governor ordered a reduction of state foundation funding by $300.5 million to be reduced from districts bi-monthly payments by the end of June 2020. The reductions were made using an equalized per-pupil approach which resulted in districts with less local capacity to raise revenue to receive smaller percentage decreases. The state-share index that was last calculated in FY19 was used to apportion the FY20 ordered reduction to traditional public-school districts.

Foundation Funding Partially Restored January 22, 2021 for FY21

On January 22, 2021 the Governor signed an executive order reinstating $160 million of previous cuts to public schools thus reducing the cuts in FY21. At this time, the state funding for FY21 is being reduced $221,066 from the FY19 amount.

Supplemental Funding for Student Wellness and Success (Restricted Fund 467)

Nearly all of the new funding for K-12 public education in the FY20-21 Executive Budget is provided through a formula allocating $250 million in FY20 and $358 million in FY21 based upon each district's percentage of students in households at or below 185% of the Federal Poverty Level (FPL) and the total number of students enrolled in each district. In FY21, proposed funding ranges from $30 per student to $360 per student. All schools and students are to receive a minimum additional funding of $36,000 in FY21. All districts are guaranteed to get 131% of what they received in FY20, and the proposed state budget (Sub. HB110) is guaranteeing all districts will get 100% of what they received in FY21 for FY22 and FY23. Our district is estimated to receive $107,882 in FY21. Money will be received twice each year in October and February. These dollars are to be deposited in a Special Revenue Fund 467 and are restricted to expenses that follow a plan developed in coordination with two approved community partner organizations per Sub. HB110.

At this time our district is spending money in our General Fund that is servicing student needs as identified in 3317.26 (B) which we will recode to Fund 467, but we will also add some new initiatives out of Fund 467 according to our approved plan. We anticipate that the original expenses recoded from the General Fund to Fund 467 will remain in Fund 467 for the rest of the forecast period since Sub. HB110 provides that these funds will continue in FY22 and FY23 at FY21 levels at a minimum.

Future State Budgets: Our funding status for the FY22-25 will depend on two (2) new state budgets which are unknown. With the change to the state funding and reductions for FY20-21 state amounts, we will increase funding in FY22 back to FY19 levels and hold it level through FY25. We believe our current state funding estimates for FY21-25 are reasonable and that 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% GCR 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.

Due to the COVID-19 pandemic, casinos were closed from March 12, to June 18, 2020. We are reducing the amount of funding in FY21 by 21.75% then increasing the amount in FY22 back to FY20 levels as Casino revenues appear to have dipped largely due to their closure and not in response to the economic downturn. Prior to COVID-19 closure, casino revenues were growing modestly as the economy improved. Original projections for FY21-25 estimated a .4% decline in pupils to 1,778,441 and GCR increasing to $95.5 million or $53.75 per pupil. We believe it will be FY22 when revenues return to the post COVID-19 level.

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

Source	FY21	FY22	FY23	FY24	FY25
Basic Aid-Unrestricted	$3,871,345	$4,066,154	$4,065,315	$4,064,467	$4,063,610
Additional Aid Items	207,612	207,612	207,612	207,612	207,612
Basic Aid-Unrestricted Subtotal	$4,078,957	$4,273,766	$4,272,927	$4,272,079	$4,271,222
Catastrophic and Motor Fuel Refund	112,056	112,056	112,056	112,056	112,056
Ohio Casino Commission ODT	47,761	61,273	62,501	63,752	65,025
Unrestricted State Aid Line # 1.035	$4,238,774	$4,447,095	$4,447,484	$4,447,887	$4,448,303

B) Restricted State Revenues – Line # 1.040

HB166 continues funding two restricted sources of revenues to school districts which are Economic Disadvantaged Funding and Career Technical Education Funding. The amount of the Economically Disadvantaged Aid is estimated to remain stable each remaining year of the forecast. We have incorporated this amount into the restricted aid amount in Line #1.04 for FY21-25.

Source	FY21	FY22	FY23	FY24	FY25
Economically Disadvantaged Aid	$38,211	$38,593	$38,979	$39,369	$39,763
Career Tech - Restricted	44,899	45,348	45,801	46,259	46,722
Restricted Revenues Line #1.040	$83,110	$83,941	$84,780	$85,628	$86,485

C) Restricted Federal Grants in Aid – line #1.045

There are no federal restricted funds projected in this forecast.

Summary	FY21	FY22	FY23	FY24	FY25
Unrestricted Line # 1.035	4,238,774	$4,447,095	$4,447,484	$4,447,887	$4,448,303
Restricted Line # 1.040	83,110	83,941	84,780	85,628	86,485
Rest. Fed. Grants #1.045	0	0	0	0	0
Total State Foundation Revenue	$4,321,884	$4,531,036	$4,532,264	$4,533,515	$4,534,788

State Taxes Reimbursement/Property Tax Allocation

Rollback and Homestead Reimbursement

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

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

Tangible Personal Property Reimbursements – Fixed Rate

Beginning in FY18, SB 208 amended HB64 and became effective February 15, 2016. SB 208 provides that beginning in FY18, the TPP Fixed Rate funding will be phased out at 5/8ths (62.5%) of what 1 mill would raise in local taxes on the three (3) year average of TY14-16 assessed values. Based on our calculations, we will receive TPP Phase out payments FY21 through FY26. We project with the new phase-out calculation that TPP Fixed Rate reimbursements will be fully phased out for our district in 2023.

Tangible Personal Property Reimbursements – Fixed Sum
The district does not receive fixed sum reimbursements.

Summary of State Tax Reimbursement – Line #1.050

Source	FY21	FY22	FY23	FY24	FY25
Rollback and Homestead	$687,279	$696,592	$717,187	$723,982	$730,743
TPP Reimbursement - Fixed Rate	436,273	321,126	205,980	38,659	0
TPP Reimbursement - Fixed Sum	0	0	0	0	0
Total Tax Reimbursements #1.050	$1,123,552	$1,017,718	$923,167	$762,641	$730,743

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 are open enrollment, tuition for court placed students, student fees, and general rental fees. Another key source occurs due to the District sponsored Townsend Community School (TCS). The District receives funds from Townsend two ways - shared support services, and a statutory Sponsor Fee of 3% of the TCS received State Aid. The District rents space to Townsend, including a land lease to allow for the construction of a Learning Center on the Margaretta High School campus. The District provides shared services to cover maintenance of the building, transportation for Townsend students and staff support services. It is forecasted that this TCS funding would shrink through the five year forecast in part due the decline of their ADM numbers, based on the ODE Settlement agreement that restricts TCS enrollment. Beginning in FY20 interest is expected to decline due to fed rate reductions which will impact our earning capability in this area. We have reduced FY21 interest by 50% and increasing FY22 by 25% due to the rapid rebound to the economy that was not expected in the spring due to the COVID-19 recession. All other revenues are expected to continue on historic trends. All investments are held in accordance with Board Policy 6144. The COVID-19 shutdown could reduce the future collections of state funded tuition reimbursements. At this time we will continue monitoring this line of the forecast for future projections.

Source	FY21	FY22	FY23	FY24	FY25
Rentals	$384,110	$384,110	$384,110	$384,110	$384,110
Open Enrollment	1,021,643	1,021,643	1,031,859	1,042,178	1,052,600
Interest	4,500	18,750	42,000	108,000	108,000
Other Tuition SF-6, SF-14, SF-14H	530,453	535,758	541,116	546,527	551,992
Shared Services & Preschool	255,788	105,788	105,788	105,788	105,788
Other Income, Class Fees, and Other Adj	576,456	537,652	553,782	570,395	587,507
Total Other Local Revenue Line #1.060	$2,772,950	$2,603,701	$2,658,655	$2,756,998	$2,789,997

Short-Term Borrowing – Lines #2.010 & Line #2.020
There is no short term borrowing planned for in this forecast at this time from any sources.

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. The district is anticipating an additional transfer to the Budget Stabilization fund in FY21. In FY20 the district transferred $440,757. The Budget Stabilization fund is allowed to hold up to 5% of previous year's receipts in the operating fund.

Source	FY21	FY22	FY23	FY24	FY25
Transfers In - Line 2.040	$412,884	$0	$0	$0	$0
Advance Returns - Line 2.050	2,400	0	0	0	0
Total Transfer & Advances In	$415,284	$0	$0	$0	$0

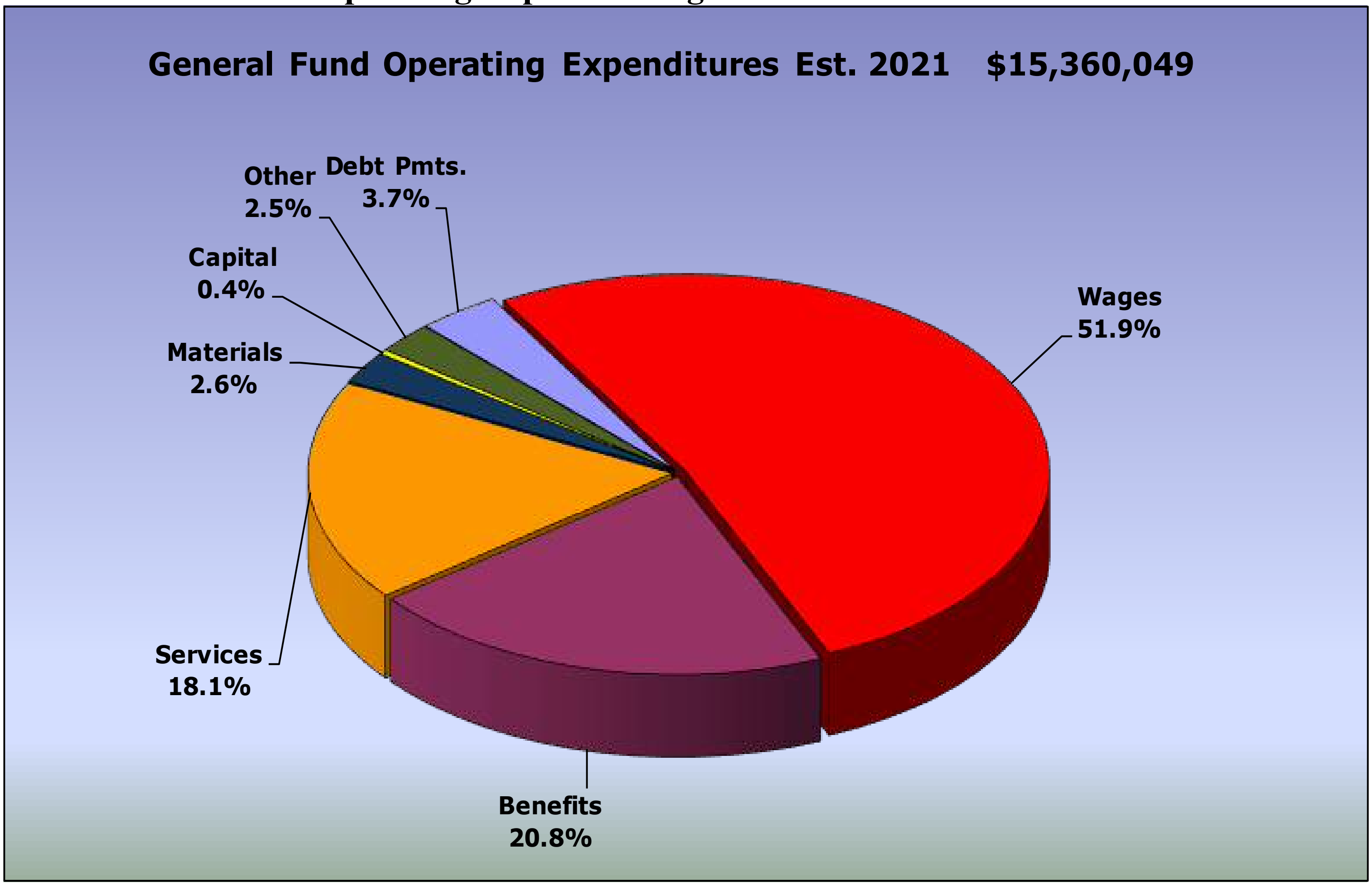
All Other Financial Sources – Line #2.060
This funding source is typically a refund of prior year expenditures and sale of personal property. Both of which are very unpredictable.

Source	FY21	FY22	FY23	FY24	FY25
Refunds of a Prior Year Expenditure	$282,109	$7,200	$7,200	$7,200	$7,200

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 FY21



Wages – Line #3.010

Due to unknowns with the NEXUS Pipeline revenue, negotiations with bargaining unit members were extended as a carryover one-year contract in FY20 and the Margaretta Teachers Association extended as a carryover one-year contract in FY21 also. Our OAPSE, classified staff is currently continuing to work under the language of the expired contract. The forecast as presented reflects a 3% base increase in FY22, and 2% base increase in FY23 for staff wages. For planning purposes this includes 2% yearly increase for education and steps. At this time we are not forecasting an increase to base wages in FY24-25.

Source	FY21	FY22	FY23	FY24	FY25
Base Wages	$7,381,128	$7,528,751	$7,613,588	$7,904,217	$8,084,314
Base Increases	0	236,196	150,575	0	0
All Staff - Steps and Training	147,623	150,575	140,054	180,097	161,686
Substitutes	62,177	107,799	108,877	109,966	111,066
Supplementals	260,679	263,286	265,919	268,578	271,264
Stipends/OT/Board & Misc	92,154	93,076	94,007	94,947	95,896
Severance	28,455	29,024	29,604	30,196	30,800
Staff Adjustment	0	(301,934)	0	0	0
Total Wages Line 3.010	$7,972,216	$8,106,773	$8,402,624	$8,588,001	$8,755,026

Fringe Benefits Estimates
This area of the forecast captures all costs associated with benefits and retirement costs. These payments along with HSA costs are included in the table below.

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, which is exclusively used to fund health care.

B) Insurance
We are estimating an increase of 5.5% for FY21, and 5% in FY22-25 which reflects trend. This is based on our current employee census and claims data.

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.

C) Workers Compensation & Unemployment Compensation
Workers Compensation is expected to be about 0.15% of wages FY21-25. Dividend distributions provided by the BWC will reduce this expense if received in any forecasted years. Unemployment is expected to remain at a very low level FY21-25. However, in FY21 the district is seeing an increase due to qualification rules if employees held other positions outside of the district. We are anticipating this to be a one-time increase due to the shutdowns in the spring of 2020 from COVID-19. 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 increase of wages. Contributions are 1.45% for all new employees to the district on or after April 1, 1986. These amounts are growing at the general growth rate of wages.

Summary of Fringe Benefits – Line #3.020

Source	FY21	FY22	FY23	FY24	FY25
STRS/SERS	$1,209,760	$1,229,618	$1,274,725	$1,302,930	$1,328,325
Insurances	2,085,722	2,190,008	2,299,508	2,414,483	2,535,207
Workers Comp/Unemployment	16,958	12,160	12,604	12,882	13,133
Medicare	114,417	119,414	122,345	123,394	125,483
Other adjustments/Tuition	(228,069)	791	795	799	803
Total Fringe Benefits Line #3.020	$3,198,788	$3,551,991	$3,709,977	$3,854,488	$4,002,951

Purchased Services – Line #3.030
Utilities, Instructional Contracts, Open enrollment, community schools and other tuition costs continue to draw funds away from the district, which are major expenditures in this area and have been adjusted based on historical trend. In FY21, community school and open enrollment deductions are expected to grow moderately due to slower growth of students leaving our district and smaller increases in per pupil scholarship from the state which will flow through our funding formula to these schools. The district currently does not have any schools considered under performing and eligible for Ed Choice Vouchers but will continue to watch for potential legislative amendments to the current law that may affect our district negatively. The District has been a part of a natural gas consortium to keep down costs and the district has initiated some energy savings by using capital funds to install LED lighting in high demand areas with the goal of reducing our electric demand. The district also is experiencing utility reductions starting in FY20, due to the auction and sale of our original Townsend school in Vickery, Ohio. In addition, the district joined Ohio School Council (OSC) to participate in Power 4 Our Schools electric rate program in order to reduce risk of electric cost fluctuation. We will continue to monitor the effects of state budget cuts on the potential reductions in costs to tuition, community school, scholarships, and STEM school payments made to other organizations that are deducted from our foundation payments.

Source	FY21	FY22	FY23	FY24	FY25
Base Services	$307,910	$312,529	$315,654	$318,811	$321,999
Instructional Contracts	482,593	689,832	696,730	703,697	710,734
Other Tuition, OE, Scholarship, CCP	1,026,737	925,387	934,641	943,987	953,427
Community School Deductions	300,542	305,050	308,101	311,182	314,294
Utilities	226,422	239,968	242,368	244,792	247,240
Professional Services	441,072	549,188	554,680	560,227	565,829
Total Purchased Services Line #3.030	$2,785,276	$3,021,954	$3,052,174	$3,082,696	$3,113,523

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. With the increase in NEXUS revenue, the district will begin to formulate a plan for curriculum enhancements. This line currently reflects a 0.5% increase each year.

Source	FY21	FY22	FY23	FY24	FY25
Supplies	$132,849	$193,513	$194,481	$195,453	$196,430
Maintenance Supplies	102,196	102,707	103,221	103,737	104,256
Transportation Supplies	159,012	159,807	160,606	161,409	162,216
Total Line 3.040	$394,057	$456,027	$458,308	$460,599	$462,902

Capital Outlay – Line # 3.050

An overall inflation of 1% is being estimated for this category of expenses. The district passed a resolution on September 26, 2018 to establish a Capital Projects Fund (070) that will be funded with additional NEXUS Pipeline funds at 50% of the Nexus incremental taxes, and other gifts to the district. This will be funded over a ten year period for acquisition, construction, or improvement of fixed assets during this ten year period. The district is currently forecasting two buses purchased in FY21 due to grant funds offsetting the cost by $34,375, however, one bus is being funded out of the Permanent Improvement Fund (003). FY22-25 reflects a one bus per year purchase cycle or paid out of the PI Fund (003).

Source	FY21	FY22	FY23	FY24	FY25
Improvements	$5,500	$5,555	$5,611	$5,667	$5,723
School Busses	50,625	85,850	0	87,567	88,443
Total Equipment Line #3.050	$56,125	$91,405	$5,611	$93,234	$94,166

Principal, Interest and Fiscal Charges – Lines #4.055 and #4.06

In FY2008 the District incurred $2.7 million to make improvements at the Elementary building, the purpose of this project was to accommodate the consolidation of our PK-5 students into one building. The financing instrument is for twenty years. In FY2016, the District entered into a Lease Arrangement with Townsend Community School to assist in the financing of the expansion project of their Learning Center. The District borrowed $1.7 million to be paid back by Townsend over a period not to be less than two years nor more than five years. The final principle payment for the Townsend Community School (TCS) expansion was made on December 1, 2020.

Source	FY21	FY22	FY23	FY24	FY25
Principal Improvement Financing # 4.055	$498,000	$144,000	$149,000	$155,000	$162,000
Total Principal Payments	$498,000	$144,000	$149,000	$155,000	$162,000

Source	FY21	FY22	FY23	FY24	FY25
Interest on Borrowing Line 4.060	$67,745	$55,483	$49,007	$42,289	$35,283

Other Expenses – Line #4.300

The category of Other Expenses consists primarily of Auditor & Treasurer fees, our annual audit and other miscellaneous expenses. A rate of 2% increase is projected in this area.

Source	FY21	FY22	FY23	FY24	FY25
County Auditor & Treasurer Fees	$132,670	$135,323	$138,029	$140,790	$143,606
Election Expense	4,000	6,800	0	6,936	0
Other expenses	196,287	32,323	32,969	33,628	34,301
Liability Insurance	54,885	54,885	54,885	54,885	54,885
Total Other Expenses Line #4.300	$387,842	$229,331	$225,883	$236,239	$232,792

Transfers Out/Advances Out – Line# 5.010

This account group covers fund to fund transfer and end of year short term loans from the General Fund to other funds until they have received reimbursements and can repay the General Fund. The transfer of $40,000 is made to the Food Services Fund to cover short falls in this Fund and the forecast assumes that will continue. The Board has also passed a resolution to allocate 25% of the Nexus tax revenue to the general fund and 25% to a general fund reserve, which is capped at a balance no greater than 5% of the previous year's general fund revenue, and 50% of Nexus to the 070 fund for capital improvements and buildings. However, the 50% can be reduced in any given year in order to keep a positive General Fund cash balance before adding in the property tax renewal.

Source	FY21	FY22	FY23	FY24	FY25
Operating Transfers Out Line #5.010	$2,549,632	$1,899,646	$1,834,559	$1,771,749	$1,711,138
Advances Out Line #5.020	0	0	0	0	0
Total Transfer & Advances Out	$2,549,632	$1,899,646	$1,834,559	$1,771,749	$1,711,138

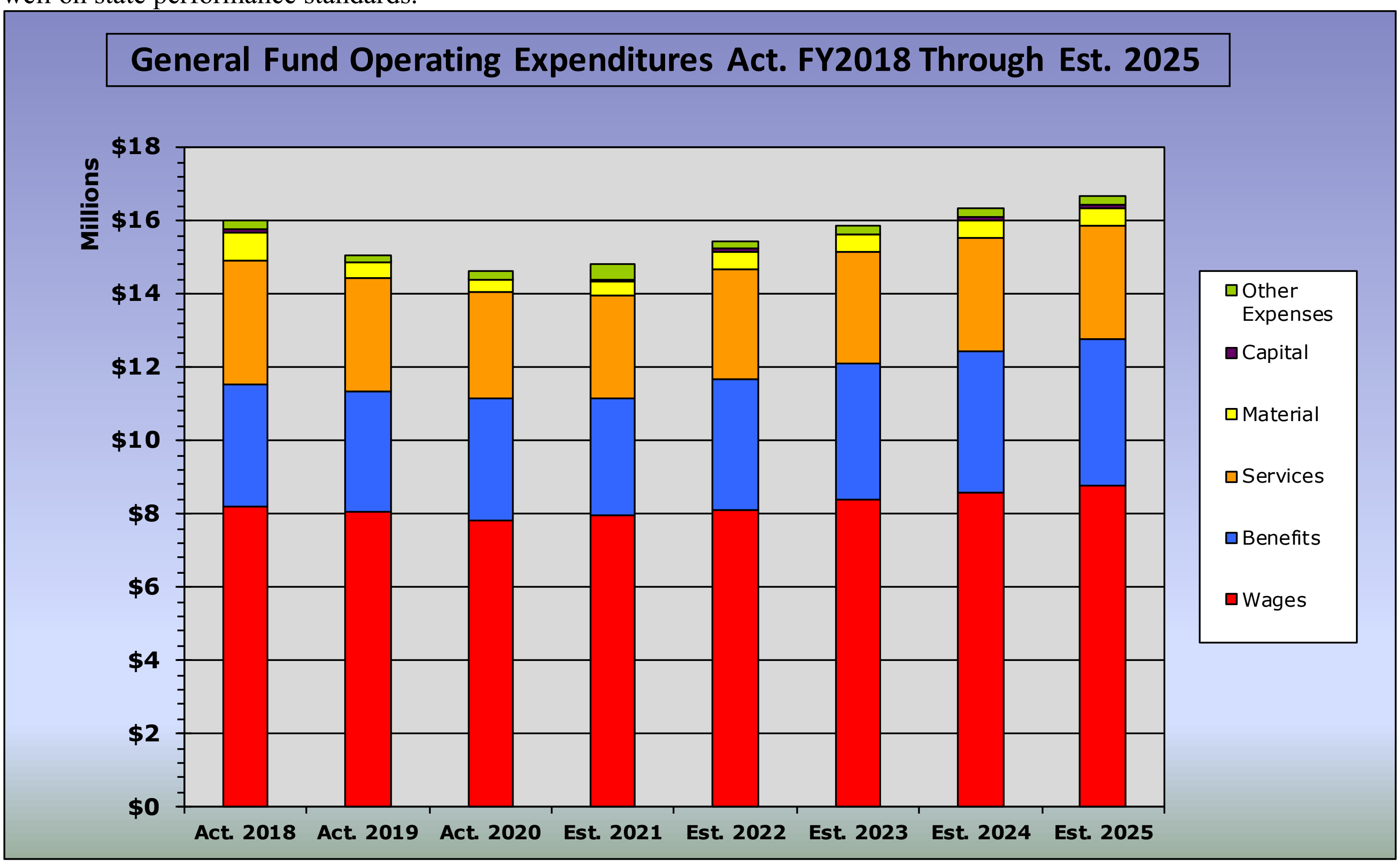
Encumbrances –Line#8.010

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. Encumbering funds is based on the financial condition of the district.

Source	FY21	FY22	FY23	FY24	FY25
Estimated Encumbrances	$5,000	$5,000	$5,000	$5,000	$5,000

Operating Expenditures Actual FY18 through FY20 and Estimated FY21-25

As the following graph indicates, we have been diligent at reducing 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.



Reserve Assumptions

The district also passed a resolution on September 26, 2018 to establish a Reserve Balance Account within the General Fund (001) that will be funded with additional NEXUS Pipeline funds, and other gifts to the district. The purpose of this fund is to stabilize the district's budget against cyclical changes in revenues and expense. The amount of money reserved in such account in any fiscal year shall not exceed 5% of the revenue credited to the General Fund in the preceding fiscal year. Upon termination of the Reserve Balance Account, the balance therein shall be returned to the General Fund. The chart below will reflect the maximum amount the budget reserve could have in it at the end of any fiscal year, as well as the amount needed to fund this account.

Source	FY21	FY22	FY23	FY24	FY25
Instructional Materials- Line 9.010	$0	$0	$0	$0	$0
Capital Improvements- Line 9.020	0	0	0	0	0
Budget Reserve - Line 9.030	$854,730	$854,730	$854,730	$854,730	$854,730
DPIA - Line 9.040	0	0	0	0	0
Fiscal Stabilization - Line 9.045	0	0	0	0	0
Debt Service - Line 9.05	0	0	0	0	0
Tax Advances for Future Year- Line 9.060	0	0	0	0	0
State Bus Purchases- Line 9.070	0	0	0	0	0
Reservations of Balance- Line#9.080	$854,730	$854,730	$854,730	$854,730	$854,730

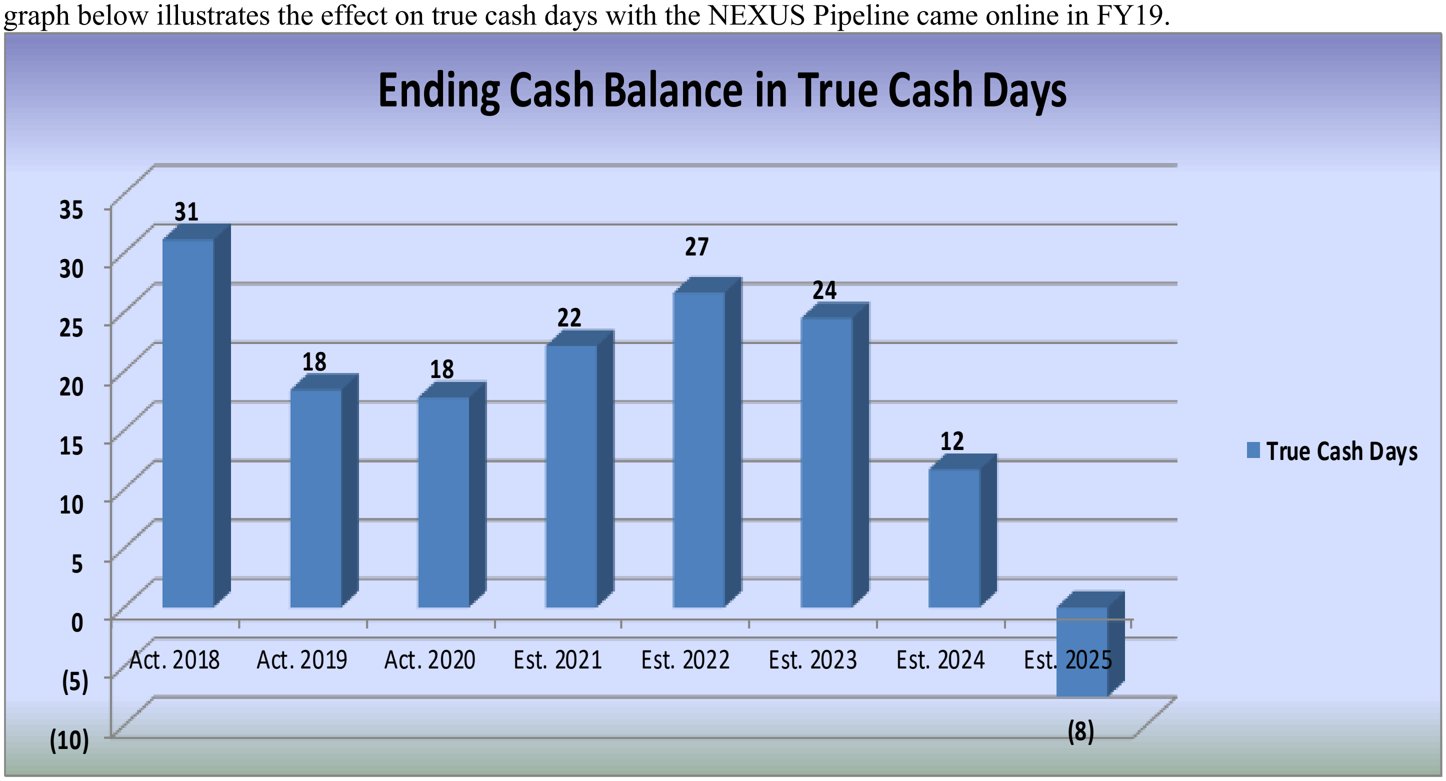
Ending Unencumbered Cash Balance – Line#15.010

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 by the GFOA and other authoritative sources that a district maintains a minimum of thirty (30) day cash balance, which is about $1.28 million for our district.

Source	FY21	FY22	FY23	FY24	FY25
Ending Cash Balance	$1,085,796	$1,280,570	$1,199,422	$584,269	($385,478)

True Cash Days Ending Unreserved Balance Without Levy Renewals

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 Unreserved 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 (GFOA) recommends no less than one (1) months or 30 days cash to be on hand at year end but could be more depending on each district's complexity and risk factors for revenue collection. This is calculated including transfers as this is predictable funding source to the districts debt service fund to pay for debt obligations that belong to the general fund and for other funds such as for severance payments. The graph below illustrates the effect on true cash days with the NEXUS Pipeline came online in FY19.



Conclusion

The NEXUS Pipeline going online in FY19 could not have come at a better time for our district. In FY19 the district finished the year with 18 true days cash which was 12 days below the 30-day benchmark. The district will continue to maximize the value out of these dollars to enhance the educational experience for our students.

The district administration notes that this current state biennium budget is why the district has to be mindful and watch each state budget carefully as HB166 has not provided new unrestricted operating funds to our district. Future state biennium budgets could affect us positively or negatively for FY22 through FY25, especially with the COVID-19 Recession reducing state revenues in FY20 and continued reductions in FY21. With current unknowns to our state funding, there is a continual need to monitor and communicate changes as they become available to our district.

We want to thank the community for continuing to support the district and approving the renewal levy on May 4th. This levy will not collect additional tax but allow us to continue providing an excellent education for our students.

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, and any future forecasts could vary greatly if major assumptions change.