MARGARETTA LOCAL SCHOOL DISTRICT
ERIE COUNTY

SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE FISCAL YEARS ENDED JUNE 30, 2021, 2022, and 2023 ACTUAL FORECASTED FISCAL YEARS ENDING JUNE 30, 2024, THROUGH JUNE 30, 2028

Margaretta Local School District
Treasurer's Office
Mrs. Diane Keegan, Treasurer

May 20, 2024

MARGARETTA LOCAL SCHOOL DISTRICT
Erie County

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2021, 2022, 2023 Actual;
Forecasted Fiscal Year Ending June 30, 2024 through 2028

		Actual				Forecasted				
		Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Average Change	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028
	Revenues									
1.010	General Property Tax (Real Estate)	4,866,409	4,819,474	5,060,995	2.0%	5,105,918	5,268,872	4,920,434	4,409,209	4,298,009
1.020	Public Utility Personal Property Tax	4,808,064	5,762,031	4,490,883	-1.1%	3,939,242	3,806,091	3,741,235	3,325,292	2,978,802
1.030	Income Tax	0	0	0	0.0%	0	0	0	0	0
1.035	Unrestricted State Grants-in-Aid	4,332,344	4,723,071	4,672,552	4.0%	4,598,628	4,660,706	4,661,778	4,662,860	4,663,963
1.040	Restricted State Grants-in-Aid	82,854	290,448	252,740	118.8%	297,180	272,995	272,995	272,995	272,995
1.045	Restricted Federal Grants In Aid	0	0	0	0.0%	0	0	0	0	0
1.050	State Share of Local Property Taxes	1,118,846	1,019,660	883,051	-11.1%	789,739	716,714	676,673	601,437	587,272
1.060	All Other Revenues	2,979,077	1,444,454	1,709,443	-16.6%	1,755,863	1,805,042	2,176,603	2,549,820	2,611,838
1.070	*Total Revenues*	18,187,594	18,059,138	17,069,664	-3.1%	16,486,570	16,530,420	16,449,718	15,821,613	15,412,879
						341,393	329,731	330,608	328,994	316,432
	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	412,884	90,608	2,944,249	1535.7%	1,500,000	0	0	0	0
2.050	Advances-In	2,400	0	0	0.0%	39,049	0	0	0	0
2.060	All Other Financing Sources	282,109	20,812	6,176	-81.5%	6,506	6,506	6,506	6,506	6,506
2.070	*Total Other Financing Sources*	697,393	111,420	2,950,425	1232.0%	1,545,555	6,506	6,506	6,506	6,506
2.080	*Total Revenues and Other Financing Sources*	18,884,987	18,170,558	20,020,089	3.2%	18,032,125	16,536,926	16,456,224	15,828,119	15,419,385
	Expenditures									
3.010	Personal Services	8,091,168	8,309,921	8,520,049	2.6%	8,783,002	9,026,586	9,277,710	9,536,062	9,801,861
3.020	Employees' Retirement/Insurance Benefits	3,490,549	3,426,984	3,386,312	-1.5%	3,623,467	3,924,591	4,136,653	4,361,858	4,601,089
3.030	Purchased Services	2,968,989	2,265,745	2,219,649	-12.9%	2,145,207	2,172,508	2,200,316	2,228,644	2,257,509
3.040	Supplies and Materials	417,022	546,059	815,963	40.2%	670,447	603,395	606,412	609,445	612,492
3.050	Capital Outlay	51,914	16,259	47,512	61.8%	91,928	83,467	48,951	49,441	49,935
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	498,000	144,000	149,000	-33.8%	155,000	162,000	168,000	175,000	175,000
4.060	Interest and Fiscal Charges	67,750	55,483	49,061	-14.8%	42,289	35,283	27,990	20,410	20,410
4.300	Other Objects	389,277	283,695	253,939	-18.8%	272,012	261,408	279,918	269,178	288,136
4.500	*Total Expenditures*	15,974,669	15,048,146	15,441,485	-1.6%	15,783,352	16,269,238	16,745,950	17,250,038	17,806,432
	Other Financing Uses									
5.010	Operating Transfers-Out	2,593,037	4,065,046	4,125,011	29.1%	2,347,708	540,000	0	1,000,000	0
5.020	Advances-Out	0	0	39,049	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*	2,593,037	4,065,046	4,164,060	29.6%	2,347,708	540,000	0	1,000,000	0
5.050	*Total Expenditures and Other Financing Uses*	18,567,706	19,113,192	19,605,545	2.8%	18,131,060	16,809,238	16,745,950	18,250,038	17,806,432
6.010	*Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses*	317,281	(942,634)	414,544	-270.5%	(98,935)	(272,312)	(289,726)	(2,421,919)	(2,387,047)
7.010	Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	1,256,680	1,573,961	631,327	-17.3%	1,045,871	946,936	674,624	384,898	(2,037,021)
7.020	*Cash Balance June 30*	1,573,961	631,327	1,045,871	2.9%	946,936	674,624	384,898	(2,037,021)	(4,424,068)
8.010	*Estimated Encumbrances June 30*	0	198	0	0.0%	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, 2021, 2022, 2023 Actual;
Forecasted Fiscal Year Ending June 30, 2024 through 2028

		Actual				Forecasted				
		Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Average Change	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028
	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	853,641	944,249	0	-44.7%	0	0	0	0	0
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*	853,641	944,249	0	-44.7%	0	0	0	0	0
10.010	*Fund Balance June 30 for Certification of Appropriations*	720,320	(313,120)	1,045,871	-288.7%	941,936	669,624	379,898	(2,042,021)	(4,429,068)
	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	665,472	1,906,413	2,476,246
11.300	Cumulative Balance of Renewal Levies	0	0	0	0.0%	0	0	665,472	2,571,885	5,048,131
12.010	*Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations*	720,320	(313,120)	1,045,871	-288.7%	941,936	669,624	1,045,370	529,864	619,063
	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*	720,320	(313,120)	1,045,871	-288.7%	941,936	669,624	1,045,370	529,864	619,063

Margaretta Local School District – Erie County
Notes to the Five-Year Forecast
General Fund Only
May 20, 2024

Introduction to the Five-Year Forecast

A forecast is 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. Various events will ultimately impact the latter years of the forecast, such as state budgets (adopted every two years), tax levies (new/renewal/replacement), salary increases, 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-year financial forecast by November 30, 2023, and May 31, 2024, for the fiscal year 2024 (July 1, 2023, to June 30, 2024). The five-year forecast includes three years of actual and five years of projected general fund revenues and expenditures. The fiscal year 2024 (July 1, 2023-June 30, 2024) 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 and assumptions available for the May 2024 filing.

May 2024 Updates

<u>Revenues FY24</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 $41 thousand or 0.2% lower than the November forecasted amount of $16.5 million. This indicates that the November forecast was 99.8% accurate.

Line 1.01 and 1.02 - Property tax revenues represent our most significant source of revenues at 54.9% and are estimated to be $9 million, which is $29 thousand lower for FY24 than the original November estimate. Our estimates are 99.7% accurate for FY24 and should mean future projections are also on target.

Line 1.035 and 1.04 - State Aid continues the implementation of the Fair School Funding Plan (FSFP), which has caused significant changes to the way our state revenues are calculated. We are estimating our state aid to be $4.8 million, which is $35 thousand lower than the original estimate for FY24. We are pleased that we were able to be 99.3% accurate for FY24. We are currently on the guarantee and are expected to remain as a guarantee district for FY25 through FY28.

Line 1.06 - Other revenues are $20 thousand under original estimates, primarily due to interest revenues received by the district coming in under projections, which are somewhat unpredictable from year to year.

All areas of revenue are tracking as anticipated for FY24 based on our best information at this time.

Expenditures FY24

Total General Fund expenditures (line 4.5) are estimated to be $15.7 million for FY24, which is $12 thousand higher than the original estimate in the November forecast, which is roughly 99.9% on target with initial estimates. This is the outcome of savings from the state formula now making direct payments for school choice and other tuition expenses that flow through the state foundation in Purchased Services (line 3.030), combined with increased expenses in Supplies (line 3.040) for additional Chromebooks and Capital Outlay (line 3.050) for anticipated facilities projects.

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

Unreserved Ending Cash Balance

With revenues ending mostly on target from estimates and expenditures also ending primarily on target, our ending unreserved cash balance June 30, 2024, is anticipated to be roughly $942 thousand. The ending unreserved cash balance on Line 15.010 of the forecast is anticipated to be a positive accumulative balance through 2028 if assumptions we have made for property tax collections, state aid in future state budgets, and expenditure assumptions remain close to our estimates.

Forecast Risks and Uncertainty:

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

I. Property tax collections are the largest single revenue source for the school system. The housing market in our district is stable and growing. We project 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. Total local revenues, which are predominately local taxes, equate to 65.5% of the district's resources. We believe there is a low risk that local collections will fall below projections throughout the forecast.

   The legislature has formed a "Joint Committee on Property Tax Review and Reform" which is pending as of this forecast. We are watching these deliberations closely and they could impact future reappraisals and possibly the impact of the 20 mill floor currently in law. Our district is not currently on the 20 mill floor for Class I or Class II values. We are watching the Joint Committee carefully and will adjust the forecast pending their outcome.

II. Erie County experienced a triennial update in the 2021 tax year to be collected in FY22. The 2021 update increased overall assessed values by $16.9 million, or an increase of 9%. A reappraisal will occur in tax year 2024 for collection in FY25. We anticipate value increases for Class I and II property to be $11.3 million, or an increase of 5.3%. There is, however, always a minor risk that the district could sustain a reduction in values in the next appraisal update, but we do not anticipate that at this time. 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.

III. The state budget represents 34.5% of district revenues, which means it is a significant risk to the revenue. The future risk comes in FY26 and beyond if the state economy stalls due to the high inflation or the Fair School Funding Plan is not funded in future state budgets due to an economic recession. In this forecast, two forthcoming State Biennium Budgets cover FY26-27 and FY28-29. Future uncertainty in the state foundation funding formula and the state's economy makes this area an elevated risk to district funding long-range through FY28. We have projected our state funding in FY24 and FY25 based on the additional phase-in of HB33 (the Fair School Funding Plan). This forecast reflects state revenue to align with the FY25 funding levels through FY28, which we feel is conservative and should be close to what-the state approves for the FY26-FY28 biennium budgets. We will adjust the forecast in future years as we have data to help guide this decision.

IV. HB33, the current state budget, continues to phase in what has been referred to as the Fair School Funding Plan (FSFP) for FY24 and FY25. FY24 reflects 50% of the implementation cost at year three of a six-year phase-in plan, which increases by 16.66% each year. FY25 will result in 66.66% funding of (FSFP), however, the final two years of the phase-in are not guaranteed. The FSFP has made many significant changes to how foundation revenues are calculated for school districts and how expenses are charged off. State foundation basic aid will be calculated on a base cost methodology with funding paid to the district where a student is enrolled to be educated. We have used the most recent simulations published by the Department of Education and Workforce for our forecasted revenues in FY25.

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

VI. The current state budget that ends June 30, 2023 continues the TPP Fixed Rate Reimbursement phase-out contained in Senate Bill (SB) 208 that will lower the payment we receive each year by the amount raised by five-eights (5/8) of 1 mill based on the 3 year average of assessed district values. We have estimated that this phase out will continue in our projections until TPP is finally discontinues in FY24 based on our estimates.

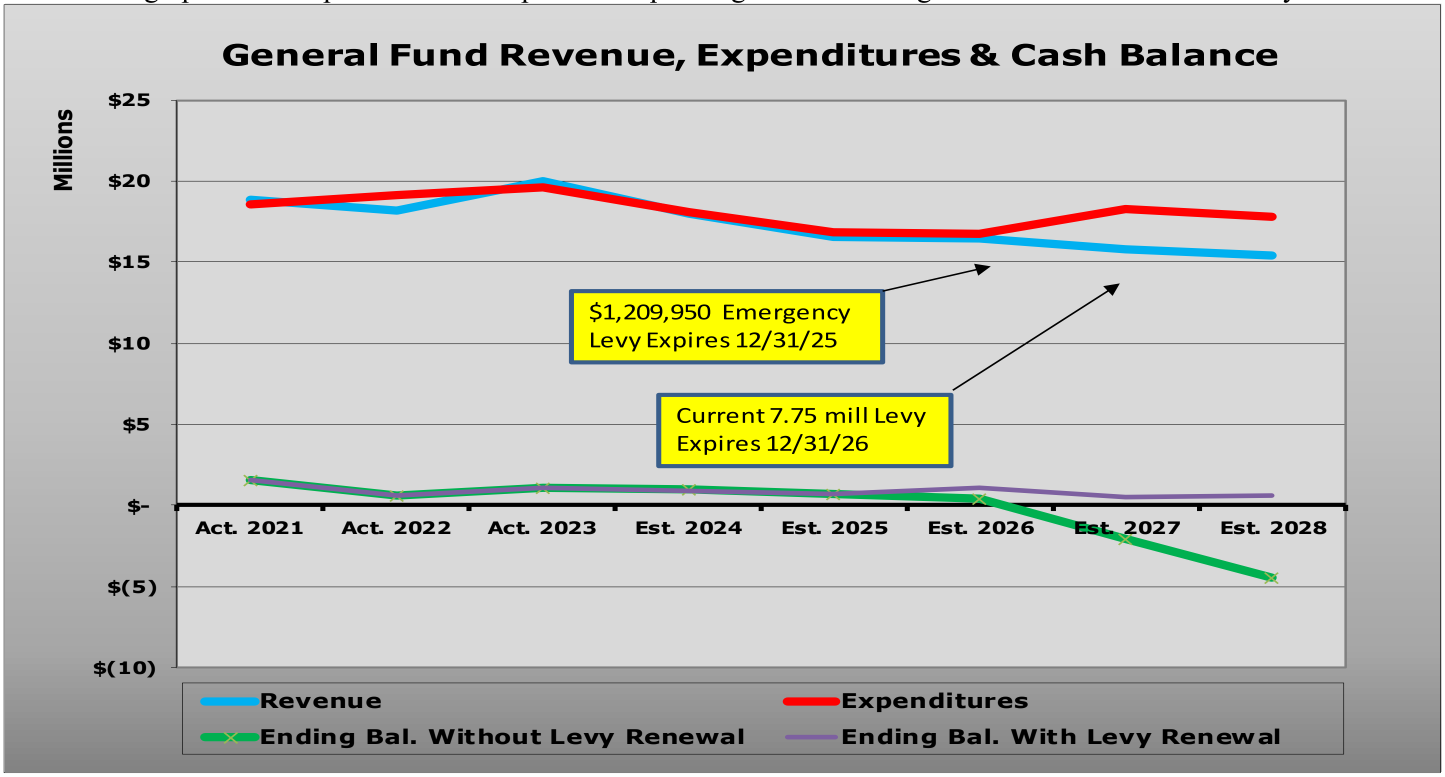
VII. The Nexus Pipeline valuation dispute has been a long process; however, the parties involved have reached a final settlement and we will be working closely with the county auditor's office to ensure we fully understand how this valuation change will affect the district's Public Utility Personal Property (PUPP) values. The process began when the Nexus Pipeline came online in tax year 2019, and it was a major increase to our PUPP valuation at the time. Nexus filed an appeal to the values with the Ohio Board of Tax Appeals to reduce the values for tax years 2019, 2020, and 2021. During the period that the appeals process took place, Nexus tender paid the tax payments to our district, which means that Nexus remitted payment based on the valuation they believed to be accurate. The Tax Commissioner issued a Final Determination on the pipeline's valuation in June 2022; however, that Final Determination was appealed by the Lorain County Auditor in September 2022. As of February 2023, the appeal by the Lorain County Auditor has been dismissed as moot and without merit; therefore, the values remain at the levels set by the Final Determination from June 2022. Currently, the Board of Tax Appeals has chosen to delay making any further determination until the Ohio Supreme Court hears the Case 2023-0354, filed by the Lorain County Auditor against the Nexus Pipeline decision reached by the Board of Tax Appeals. The Supreme Court began hearings on the Nexus Case on October 24, 2023. No decision has been reached at this time. We will continue to monitor the outcome.

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 that as we move forward our positive working relationship will continue and will only grow stronger.

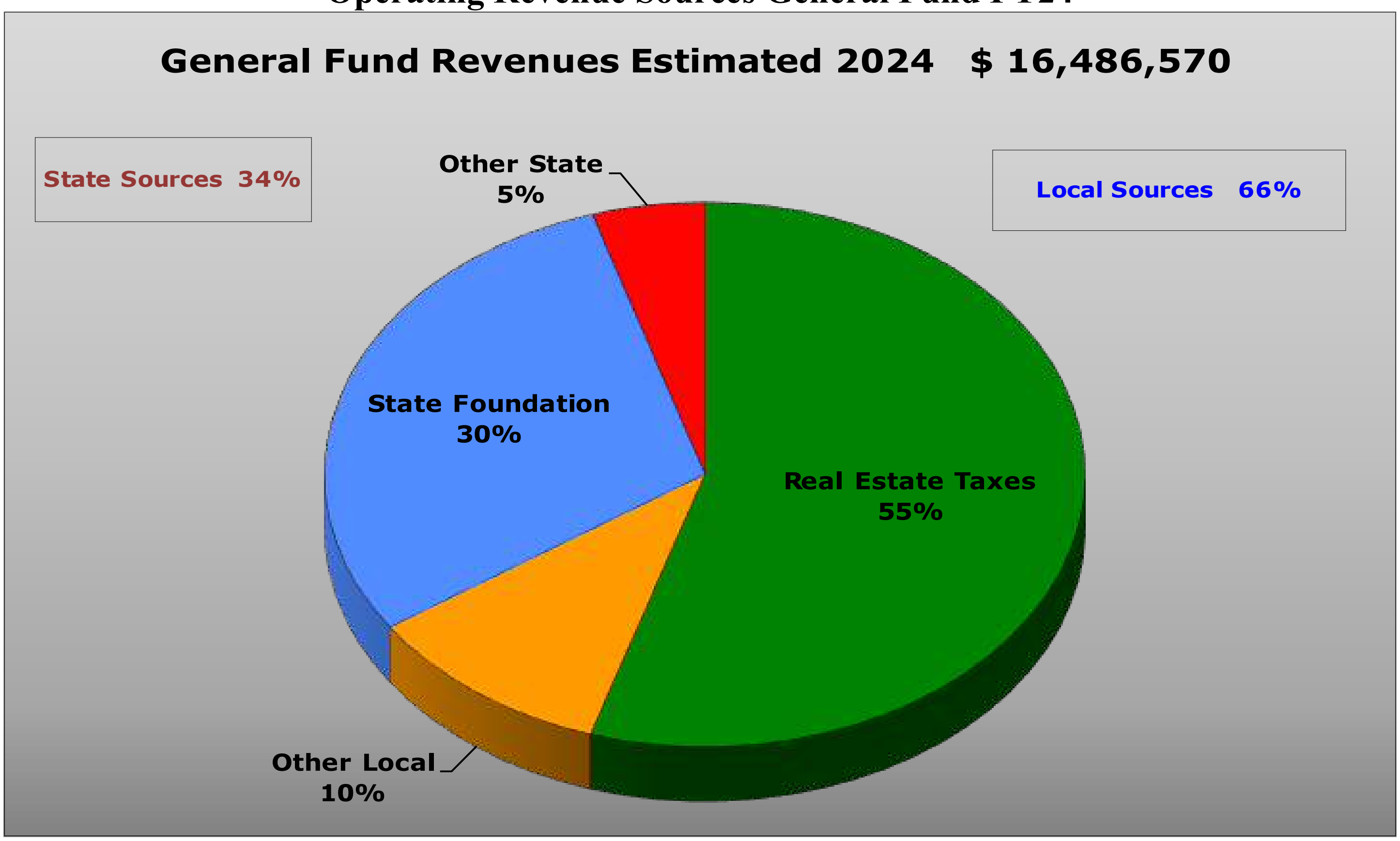
The significant lines of reference for the forecast are noted below in the headings to make it easier to relate the assumptions made for the forecast item and refer back to the forecast. It should assist the reader in reviewing the assumptions noted below in understanding the overall financial forecast for our district. If you would like further information, please contact Mrs. Diane Keegan, Treasurer at 419-684-5322.

General Fund Revenue, Expenditures and Ending Cash Balance Actual FY21-23 and Estimated FY24-28

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 FY24



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 triennial update for the 2021 tax year to be collected in FY22. Residential/agricultural values increased 9.6% or $16.2 million due to the update, led by an improving housing market.

For tax year 2023, new construction in residential property was up 0.5% or $1 million in assessed value, and commercial/industrial values increased $406 thousand. Overall values increased $2.5 million or 1.2%, which includes new construction for all classes of property.

A sexennial reappraisal will occur in 2024 for collection in FY25, for which we are estimating a 5% increase in residential and a 1% increase for commercial/industrial property. We anticipate residential/agricultural and commercial/industrial values to increase $11.3 million, or 5.3%, overall.

Public Utility Personal Property (PUPP) values decreased by $2 million in tax year 2023. We expect our values to continue to decrease by an average $1.8 million each year of the forecast. The Nexus Pipeline tender paid the tax payments to our district, which means that Nexus remitted payment based on the valuation they believed to be accurate. The Tax Commissioner issued a Final Determination on the pipeline's valuation in June 2022; however, it has since been disputed again and is currently still awaiting a decision.

Estimated Assessed Value (AV) by Collection Years

Classification	Actual TAX YEAR 2023 COLLECT 2024	Estimated TAX YEAR 2024 COLLECT 2025	Estimated TAX YEAR 2025 COLLECT 2026	Estimated TAX YEAR 2026 COLLECT 2027	Estimated TAX YEAR 2027 COLLECT 2028
Res./Ag.	$190,068,700	$200,731,835	$201,891,535	$203,051,235	$204,210,935
Commercial/Mineral	21,894,850	22,590,949	23,068,099	23,545,249	24,022,399
Public Utility (PUPP)	65,372,490	63,445,816	61,595,325	59,818,352	58,112,323
Total Assessed Value	$277,336,040	$286,768,600	$286,554,959	$286,414,836	$286,345,657

Tax Rate Assumptions

The county auditor sets tax rates for each levy voted on to provide tax revenues for the school district. Ohio law (HB920) provides for "reduction factors" of all voted property tax levies to adjust the millage rates lower for the levy collections not to increase from inflation of property values for the taxes received by a district to that of the actual amount of the levy at the time of the election. The reduction factors are applied separately to Residential/Agriculture (Class I) and Commercial/Industrial (Class II), resulting in different effective millage rates. The district-voted rate for all levies is 58.70 mills while the Class I effective millage rate is 21.99 mills and the Class II effective millage rate is 37.64 mills. The Ohio law has a provision that the reduction factors cannot lower the total millage rate for each class less than 20 mills, which includes both the voted and the non-voted millage rates; this is called the "20-Mill Floor". Currently, our district is not on the floor for either Class I or Class II.

Estimated Real Estate Tax - Line #1.010

Source	FY24	FY25	FY26	FY27	FY28
Property Taxes	$5,105,918	$5,268,872	$4,920,434	$4,409,209	$4,298,009

Property tax levies are estimated to be collected at 96% of the annual amount. This allows for a 4% delinquency factor. In general, 57% of the Residential/Agricultural and Commercial/Industrial property taxes are expected to be collected in the March tax settlement and 43% collected in the August tax settlement.

Levy Renewal –Line # 11.02

State law requires that renewal levies be removed from revenues on Line 1.01, 1.02 and 1.05 and shown on line 11.02 of the 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.

The district renewed its 7.75 mill current expense levy on May 4, 2021 with an 82.2% approval rate. This is a five-year term levy that the district has had in place since 1998. This levy is now due to expire December 31, 2026. The district also has a $1.2 million emergency levy that is scheduled to expire December 31, 2025. This is a 15-year term levy that the district has had in place since 2010. We will be on the ballot to renew the $1.2 million emergency levy in the fall of 2024.

The continued approval of these levies is critical for the district due to the increased value of PUPP due to the Nexus Pipeline, whose taxes are assessed based on the higher, voted millage, not the lower, effective millage at which residential, agricultural and commercial properties are assessed.

Source	FY24	FY25	FY26	FY27	FY28
Renew - Current Expense 1998 Expires 12/31/26	$0	$0	$0	$696,463	$1,266,296
Renew - $1,209,950 Em Levy Expires 12/31/25	0	0	665,472	1,209,950	1,209,950
Total Line # 11.020	$0	$0	$665,472	$1,906,413	$2,476,246

New Tax Levies – Line #13.030

No new levies are modeled in this forecast.

Estimated Tangible Personal Tax & PUPP Taxes – Line#1.020

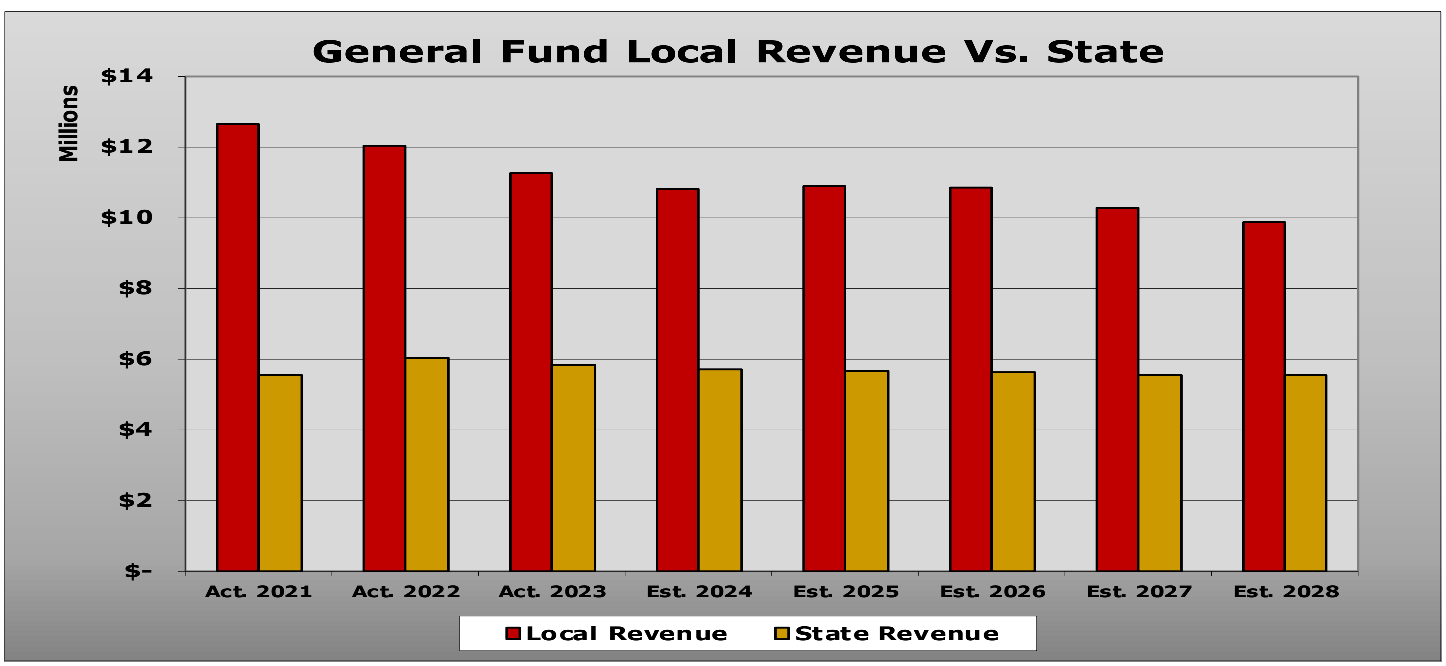
The phase out of TPP taxes as noted earlier began in FY06 with HB66 that was adopted in June 2005. TPP tax assessments ended in FY11. The only amounts received after FY11 are from delinquent TPP taxes outstanding as of 2010.

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 were $65.3 million in assessed values in 2023 and are collected at the district's gross voted millage rate. Collections are typically 50% in March and 50% in August along with the real estate settlements from the county auditor. The values in 2023 fell by 2.98% or $2 million and are expected to decrease by an average $1.8 million each year of the forecast. As stated above Nexus Pipeline payments are currently forecasted at a tender rate, or the value the companies believe the pipeline should be. We will continue to monitor and update as more information is provided from the resulting settlement.

Source	FY24	FY25	FY26	FY27	FY28
Public Utility Personal Property	$3,939,242	$3,806,091	$3,741,235	$3,325,292	$2,978,802
Total Line # 1.020	$3,939,242	$3,806,091	$3,741,235	$3,325,292	$2,978,802

School District Income Tax – Line#1.030

No school district income taxes are modeled in this forecast.



State Foundation Revenue Estimates – Lines #1.035, 1.040 and 1.045
Current State Funding Model per HB33 through June 30, 2025

Unrestricted State Foundation Revenue – Line #1.035

HB33, the current state budget, continued the Fair School Funding Plan for FY24 and FY25. We have projected the funding in FY24 based on the May 2024 foundation settlement and funding factors for FY25 from the simulations provided by the Department of Education and Workforce.

Our district is currently a guarantee district in FY24 and is expected to remain on the guarantee in FY25-FY28 on the new Fair School Funding Plan (FSFP). The state foundation funding formula has gone through many changes in recent years. The previous funding formula began in FY14. It was dropped in FY19 after six (6) years, followed by no foundation formula for two (2) years in FY20 and FY21, then HB110, as amended by HB583 for FY22 and FY23, with continuation of this formula in HB33 for FY24 and FY25. The current formula introduced many changes to how state foundation is calculated and expenses deducted from state funding, which will potentially make the actual five-year forecast look different with estimates FY24 through FY28 compared to real data in FY21 through FY23 on Lines 1.035, 1.04, 1.06, and 3.03 of the forecasts.

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

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

<u>Base Cost Approach - Unrestricted Basic Aid Foundation Funding</u>

The current funding formula uses FY22 statewide average district costs and develops a base cost approach that includes minimum service levels and student-teacher ratios to calculate a unique base cost for each district. Newer, more up-to-date statewide average prices will not update for FY24 and FY25 and remain frozen at FY22 levels; while other factors impacting a district's local capacity will update for FY24. Base costs per pupil include funding for five (5) areas:

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

<u>State Share Percentage – Unrestricted Basic Aid Foundation Funding</u>

Once the base cost is calculated, which is currently at a state-wide average of $8,242.19 per pupil in FY24, the FSFP calculates a state share percentage (SSP) calculation. The state share percentage, in concept, will be higher for districts with less capacity (lower local wealth) and be a lower state share percentage for districts with more capacity (higher local wealth). The higher the district's ability to raise taxes based on local wealth, the lower the state share percentage. HB33 increased the minimum state share from 5% in FY23 to 10% for FY24 and FY25. The state share percentage will be based on 60% property valuation of the district, 20% on federally adjusted gross income, and 20% on federal median income, as follows:

1. 60% based on the most recent three (3) year average assessed values or the most recent year, whichever is lower, divided by base students enrolled.
2. 20% based on the most recent three-year average federal adjusted gross income of district residents or the most recent year, whichever is lower, divided by base students enrolled.
3. 20% based on the most recent year's federal median income of district residents multiplied by the number of returns in that year divided by base students enrolled.
4. When the weighted values are calculated, and items 1 through 3 above are added together, the total is multiplied by a Local Share Multiplier Index from 0% for low-wealth districts to a maximum of 2.5% for wealthy districts.

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

Categorical State Aid

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

Unrestricted Categorical State Aid

1. Targeted Assistance/Capacity Aid – Provides additional funding based on a wealth measure using 60% weighted on property value and 40% on income. Uses current year enrolled average daily membership (ADM). 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. 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 37.5% in FY24 and 41.67% in FY25.

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 50% in FY24 and 66.67% in FY25.
2. English Learners – Based on funded categories based on the time students 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 are based on initiatives similar to those for DPIA. They are restricted funds for school climate, attendance, discipline, and academic achievement programs.

State Funding Phase-In FY24 and FY25 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 and has now extended the plan in HB33 for FY24 and FY25. The FSFP does not include caps on funding; instead, it will consist of a general phase-in percentage for most components of 50% in FY24 and 66.67% in FY25.

The funding formula includes three (3) guarantees: 1) "Formula Transition Aid," 2) Supplemental Targeted Assistance, and 3) Formula Transition Supplement. The three (3) guarantees in both temporary and permanent law ensure that no district will get fewer funds in FY24 and FY25 than they received in FY21.

Future State Budget Projections beyond FY25

Our funding status for FY26-28 will depend on unknown (2) new state budgets. There is no guarantee that the current Fair School Funding Plan in HB33 will be funded or continued beyond FY25; therefore, our state funding estimates are reasonable, and we will adjust the forecast when we have authoritative data to work with. For this reason, funding is held constant in the forecast for FY26 through FY28.

Threshold Aid

Threshold Aid (formerly Catastrophic Aid) nearly doubled in FY22 due to increased appropriations, which are funded at the state level by a reduction in special education funding at the local level. These revenues are inconsistent year-to-year, and we are not projecting any growth over the remainder of the forecast.

Casino Revenue

On November 3, 2009, Ohio voters passed the Ohio casino ballot issue. This issue allowed four (4) casinos to open in Cleveland, Toledo, Columbus, and Cincinnati. Thirty-three percent (33%) of the gross casino revenue will be collected as a tax. School districts will receive 34% of the 33% of Gross Casino Revenue that will be paid into a student fund at the state level. These funds will be distributed to school districts on the 31st of January and August each year, beginning for the first time on January 31, 2013.

The casino revenue has recovered from the pandemic from closing the casinos in 2020. Total funding in FY22, was $109.39 million for schools or $62.86 per pupil, in FY23, the funding totaled $113.1 million or $64.90 per pupil, and in FY24 the funding totaled $113.11 million or $65.02 average per pupil. We expect the casino revenues to have resumed their historical growth rate and are assuming a 1.5% annual growth rate for the remainder of the forecast.

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

Source	FY24	FY25	FY26	FY27	FY28
Basic Aid-Unrestricted	$3,991,428	$4,025,228	$4,025,228	$4,025,228	$4,025,228
Additional Aid Items	316,452	343,684	343,684	343,684	343,684
Basic Aid-Unrestricted Subtotal	$4,307,880	$4,368,912	$4,368,912	$4,368,912	$4,368,912
Threshold and Motor Fuel Refund	$220,724	$220,724	$220,724	$220,724	$220,724
Ohio Casino Commission ODT	70,024	71,070	72,142	73,224	74,327
Unrestricted State Aid Line # 1.035	$4,598,628	$4,660,706	$4,661,778	$4,662,860	$4,663,963

Restricted State Revenues – Line # 1.040

HB33 has continued Disadvantaged Pupil Impact Aid (formerly Economic Disadvantaged Funding) and Career Technical funding. In addition, new restricted funds have been added under "Restricted Categorical Aid" for Gifted, English Learners (ESL), and Student Wellness. We have estimated revenues for these new restricted funding lines using current May funding factors and using the simulations from the Department of Education and Workforce for FY25. The amount of DPIA is limited to a 50% phase in growth for FY24 and 66.67% in FY25. We have flat-lined funding at FY25 levels for FY26-FY28 due to uncertainty on continued funding of the current funding formula.

HB33 set aside $64 million state-wide to subsidize the cost of high-quality instructional materials purchased by schools and districts aligned to the Science of Reading. The funds are provided to support both high-quality core curriculum and instructional materials in English language areas and evidenced-based reading intervention programs. The district received $17,881 from this one-time subsidy and is required to maintain documentation as to how the funds were leveraged along with expenses incurred beyond the subsidy.

Source	FY24	FY25	FY26	FY27	FY28
Disadvantaged Pupil Impact Aid (DPIA)	$60,210	$68,563	$68,563	$68,563	$68,563
English Learners (ESL)	361	167	167	167	167
Gifted	47,414	38,393	38,393	38,393	38,393
Career Tech Education	34,820	29,416	29,416	29,416	29,416
Other Restricted State Funds	17,881	0	0	0	0
Student Wellness and Success	136,494	136,456	136,456	136,456	136,456
Restricted Revenues Line #1.040	$297,180	$272,995	$272,995	$272,995	$272,995

Restricted Federal Grants in Aid – Line #1.045

There are no federal restricted grants projected during this forecast.

Summary	FY24	FY25	FY26	FY27	FY28
Unrestricted Line # 1.035	$4,598,628	$4,660,706	$4,661,778	$4,662,860	$4,663,963
Restricted Line # 1.040	297,180	272,995	272,995	272,995	272,995
Rest. Fed. Grants #1.045	0	0	0	0	0
Total State Foundation Revenue	$4,895,808	$4,933,701	$4,934,773	$4,935,855	$4,936,958

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

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

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

Tangible Personal Property Reimbursements – Fixed Rate

State budget bill HB153 slashed these reimbursements to our district after FY12, reducing our state revenue each year starting in FY13. HB64, the FY16-17 state budget, reinstituted the phase out of TPP reimbursements to districts beginning in FY16, which included a TPP Supplemental Payment for some districts. We were not eligible for TPP Supplemental Payments as our state foundation aid grew enough to offset the loss in TPP.

Beginning in FY18, SB208 amended HB64 and became effective February 15, 2016. SB208 provides that beginning in FY18, the TPP Fixed Rate funding will be phased out at 5/8ths (62.5%) of what one (1) mill would raise in local taxes on the three (3) year average of assessed values. We project with the new phase-out calculation that TPP Fixed Rate reimbursements will be fully phased out for our district in FY24.

Tangible Personal Property Reimbursements – Fixed Sum

The district does not receive fixed sum reimbursements.

Summary of State Tax Reimbursement – Line #1.050

Source	FY24	FY25	FY26	FY27	FY28
Rollback and Homestead	$698,260	$716,714	$676,673	$601,437	$587,272
TPP Reimbursement - Fixed Rate	91,479	0	0	0	0
TPP Reimbursement - Fixed Sum	0	0	0	0	0
Total State Share of Local Property Taxes #1.050	$789,739	$716,714	$676,673	$601,437	$587,272

Other Local Revenues – Line #1.060

All other local revenue encompasses any revenue that does not fit the above lines. The primary sources of revenue in this area have been open enrollment, interest on investments, tuition for court-placed students, student fees, Payment In Lieu of Taxes, and general rental fees.

Open-enrolled students will be counted in the enrolled student base at the school district where they are being educated, and state aid will follow the students. Open-enrolled student revenues will be included in Line 1.035 as basic state aid.

Interest income is based on the district cash balances and increased interest rates due to the Federal Reserve raising rates to curb inflation. Once the economy stabilizes, there will be pressure on the Federal Reserve to lower interest rates, which we believe will begin sometime in 2024, decreasing the opportunity for more significant interest income for the district. We will continue to monitor the investments for the district.

The first payment for the Solar PILOT payments has been moved from FY25 to FY26. This is due to a delay in finalizing the opening of the array.

Rentals are expected to return to pre-pandemic levels over time. All other revenues are expected to continue on historical trends.

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 to the decline of their ADM numbers, based on the ODE Settlement agreement that restricts TCS enrollment. All other revenues are expected to continue on historic trends. All investments are held in accordance with Board Policy 6144. At this time, we will continue monitoring this line of the forecast for future projections.

Source	FY24	FY25	FY26	FY27	FY28
Rentals	$2,400	$2,400	$2,400	$2,400	$2,400
Solar PILOT Payments	0	0	320,790	641,579	641,579
Interest	42,289	35,283	27,990	20,410	20,410
Other Tuition SF-6, SF-14, SF-14H	711,792	733,146	755,140	777,794	801,128
Shared Services & Preschool	514,435	529,868	545,764	562,137	579,001
Other Income, Class Fees, and Other Adj	484,947	504,345	524,519	545,500	567,320
Total Other Local Revenue Line #1.060	$1,755,863	$1,805,042	$2,176,603	$2,549,820	$2,611,838

Short-Term Borrowing – Lines #2.010 & Line #2.020

There is no short-term borrowing projected in this forecast.

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

These are non-operating revenues, which are the repayment of short-term loans to other funds over the previous fiscal year and reimbursements for expenses received for a previous fiscal year in the current fiscal year.

Source	FY24	FY25	FY26	FY27	FY28
Transfers In - Line 2.040	$1,500,000	$0	$0	$0	$0
Advance Returns - Line 2.050	39,049	0	0	0	0
Total Transfer & Advances In	$1,539,049	$0	$0	$0	$0

All Other Financial Sources – Line #2.060

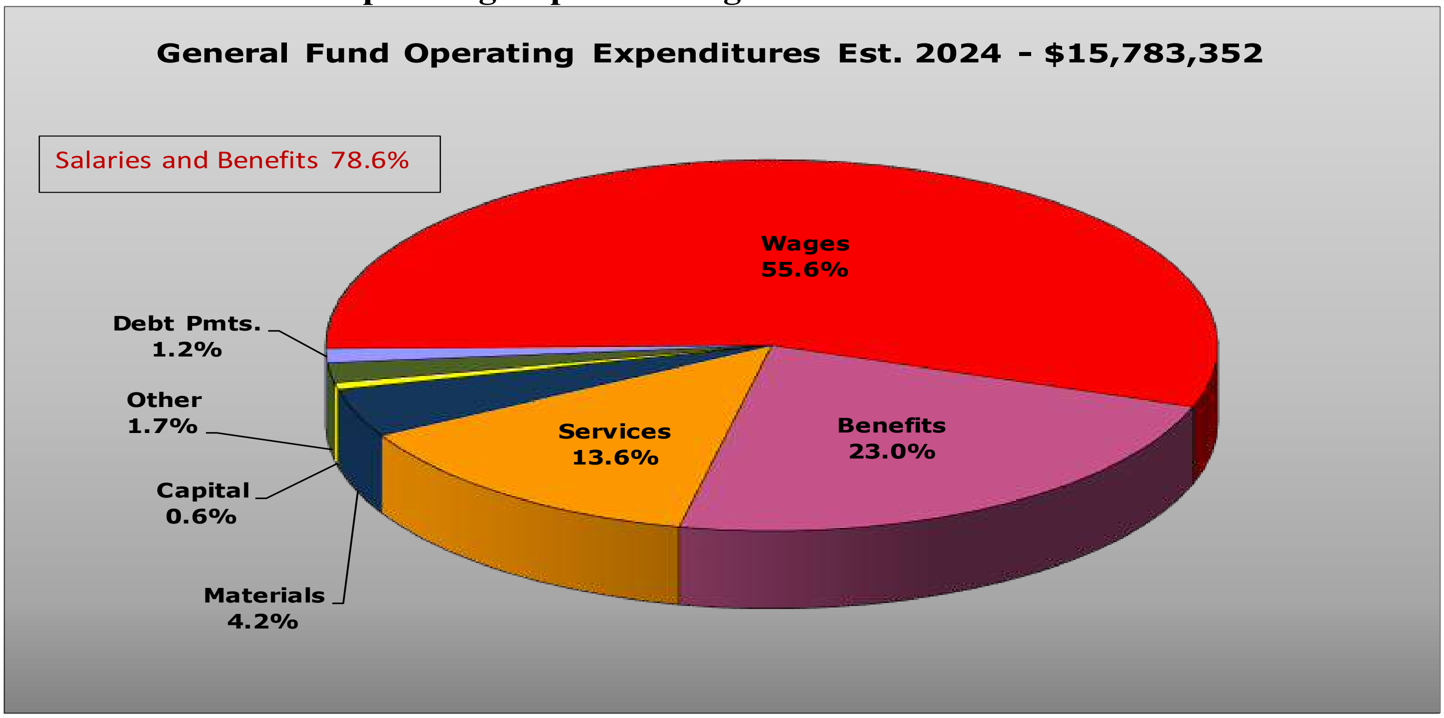
This funding source is typically a refund of prior year expenditures that is very unpredictable. For future years we are estimating an amount of refunds that are in line with historical collections.

Source	FY24	FY25	FY26	FY27	FY28
Refunds of a Prior Year Expenditure	$6,506	$6,506	$6,506	$6,506	$6,506

Expenditure 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 FY24



Wages – Line #3.010

Due to unknowns surrounding 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, and we settled a two-year contract for FY22-23. Our OAPSE bargaining unit settled a three-year contract for FY22-24, which included 3% on the base and a money opener in FY24. For planning purposes, this includes 1% average yearly increase for education and steps. At this time, we are forecasting a 2% increase to base wages in FY25-28, for planning purposes.

Source	FY24	FY25	FY26	FY27	FY28
Base Wages	$7,748,790	$8,003,267	$8,238,276	$8,480,724	$8,730,297
Base Increases	154,976	154,976	160,065	164,766	169,614
All Staff - Steps and Training	99,501	80,033	82,383	84,807	87,303
Substitutes	103,890	104,929	105,978	107,038	108,108
Supplementals	413,674	417,811	421,989	426,209	430,471
Stipends/OT/Board & Misc	184,426	186,270	188,133	190,014	191,914
Severance	77,745	79,300	80,886	82,504	84,154
Total Wages Line 3.010	$8,783,002	$9,026,586	$9,277,710	$9,536,062	$9,801,861

Fringe Benefits Estimates – Line #3.020

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

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.

Insurance

The district realized an increase of 9.6% in FY24, and we are estimating increases of 12% in FY25, then 7% for the remainder of the forecast period, which reflects the district's 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. These added costs are no longer an uncertainty factor for our healthcare costs in the forecast.

Workers Compensation & Unemployment Compensation

Workers' Compensation is expected to be approximately 0.29% of wages FY24-28. Unemployment is expected to remain at a shallow level for FY24-28. The district is a direct reimbursement employer, meaning unemployment costs are only incurred and due if we have employees who are eligible and draw unemployment.

Medicare

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

Summary of Fringe Benefits – Line #3.020

Source	FY24	FY25	FY26	FY27	FY28
STRS/SERS	$1,274,609	$1,310,133	$1,346,761	$1,384,444	$1,423,220
Insurances	2,179,928	2,441,519	2,612,425	2,795,295	2,990,966
Workers Comp/Unemployment	25,770	26,485	27,222	27,980	28,760
Medicare	129,916	133,144	136,868	140,695	144,632
Other adjustments/Tuition	13,244	13,310	13,377	13,444	13,511
Total Fringe Benefits Line #3.020	$3,623,467	$3,924,591	$4,136,653	$4,361,858	$4,601,089

Purchased Services – Line #3.030

HB110, the previous state budget, impacted Purchased Services beginning in FY22 as the Ohio Department of Education will directly pay these costs to the education districts for open enrollment, community, and STEM schools and for scholarships granted to students to be educated elsewhere, as opposed to deducting these amounts from our state foundation funding and shown below as expenses. We have continued to offer these amounts below as zeros to help reflect the difference between projected FY24-FY28 Line 3.03 costs and historical FY21 through FY23 costs in the five-year forecast. College Credit Plus, excess fees, and other tuition costs will continue to draw funds away from the district, which will continue in this area and has been adjusted based on historical trends.

The district is enrolled in 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 utilities. 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.

Source	FY24	FY25	FY26	FY27	FY28
Base Services	$330,485	$333,790	$337,128	$340,499	$343,904
Instructional Contracts	607,820	613,898	620,037	626,237	632,499
Other Tuition and CCP	222,950	225,180	227,432	229,706	232,003
Community School, OE, Ed Scholarship	0	0	0	0	0
Utilities	194,947	202,745	210,855	219,289	228,061
Professional Services	789,005	796,895	804,864	812,913	821,042
Total Purchased Services Line #3.030	$2,145,207	$2,172,508	$2,200,316	$2,228,644	$2,257,509

Supplies and Materials – Line #3.040

Expenses, which are characterized by curricular supplies, testing supplies, copy paper, maintenance and custodial supplies, materials, and bus fuel. This line currently reflects a 0.5% increase each year. In FY24 an additional $70 thousand will be appropriated for Chromebooks.

Source	FY24	FY25	FY26	FY27	FY28
Supplies	$317,676	$248,860	$250,104	$251,355	$252,612
Maintenance Supplies	160,964	161,769	162,578	163,391	164,208
Transportation Supplies	191,807	192,766	193,730	194,699	195,672
Total Line 3.040	$670,447	$603,395	$606,412	$609,445	$612,492

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 least 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. Two projects increased FY24's expenditures by nearly $44 thousand. The first project is a replacement pipe for the FFA pond ($28 thousand) and the second project is roofing repairs ($16 thousand). The district will partially resurface the track in FY25, which is estimated at $35 thousand.

Source	FY24	FY25	FY26	FY27	FY28
Improvements	$47,987	$48,467	$48,951	$49,441	$49,935
School Busses	43,941	35,000	0	0	0
Total Equipment Line #3.050	$91,928	$83,467	$48,951	$49,441	$49,935

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 a Lease Arrangement with Townsend Community School to assist in the financing of the expansion project of their Learning Center.

Source	FY24	FY25	FY26	FY27	FY28
Total Principal Payments	$155,000	$162,000	$168,000	$175,000	$175,000

Source	FY24	FY25	FY26	FY27	FY28
Interest on Borrowing Line 4.060	$42,289	$35,283	$27,990	$20,410	$20,410

Other Expenses – Line #4.300

The category of Other Expenses consists primarily of Auditor & Treasurer fees, our annual audit, and other miscellaneous expenses. County Auditor and Treasurer Fees are expected to increase at a rate of 2%.

Source	FY24	FY25	FY26	FY27	FY28
County Auditor & Treasurer Fees	$157,637	$160,790	$164,006	$167,286	$170,632
Election Expense	14,375	0	14,663	0	14,956
Other expenses	30,907	31,525	32,156	32,799	33,455
Liability Insurance	69,093	69,093	69,093	69,093	69,093
Total Other Expenses Line #4.300	$272,012	$261,408	$279,918	$269,178	$288,136

Transfers Out/Advances Out – Line# 5.010

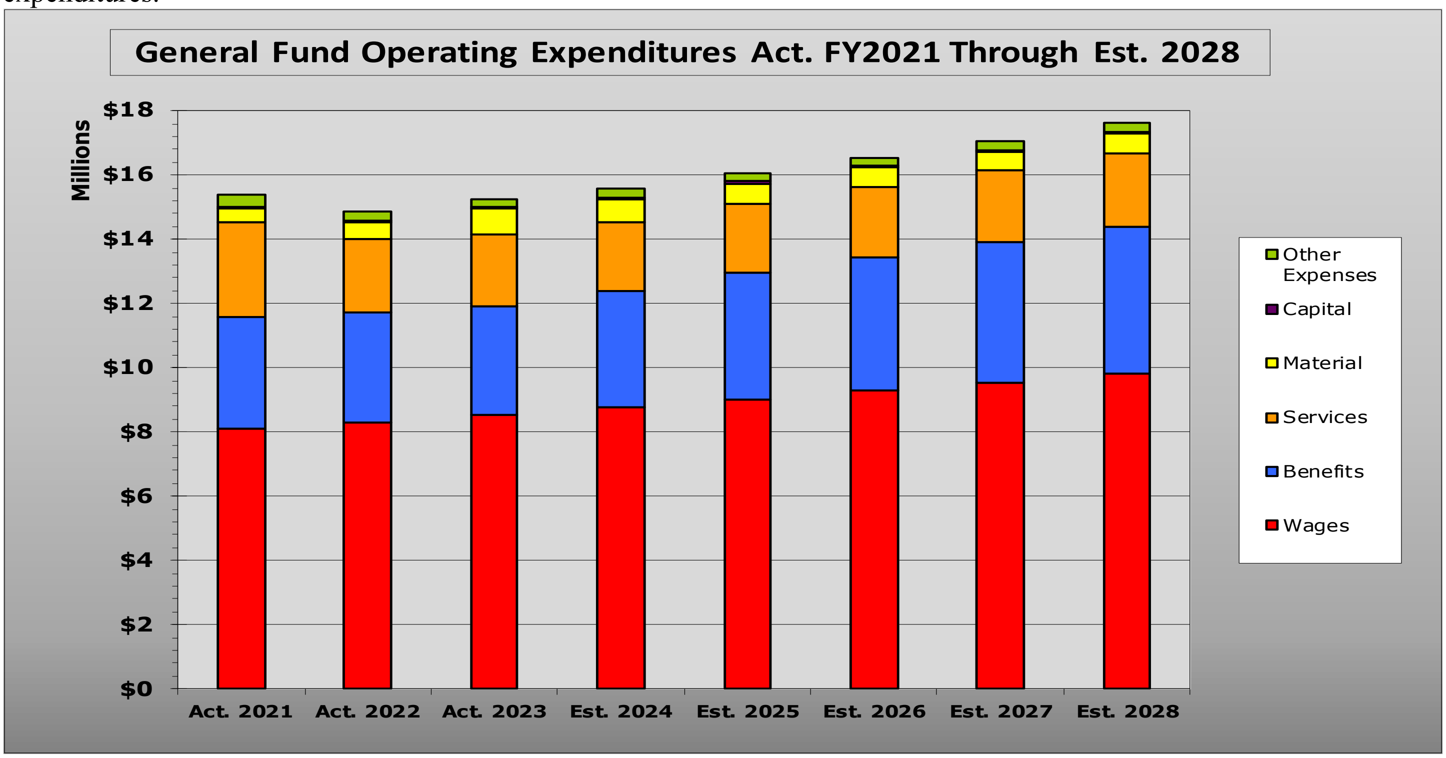
This account group covers fund-to-fund transfer and end of year short-term loans from the General Fund to other funds until they have received reimbursements and can repay the General Fund. The transfer of $40 thousand is made to the Food Services Fund to cover shortfalls.

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. If the transfer to the general reserve fund is capped by the 5% of the previous year's general fund revenue, then the amount above the cap, not able to be transferred to the general fund reserve, will be included with the transfer to the 070 fund for capital improvements. 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	FY24	FY25	FY26	FY27	FY28
Operating Transfers Out Line #5.010	$2,347,708	$540,000	$0	$1,000,000	$0
Advances Out Line #5.020	0	0	0	0	0
Total Transfer & Advances Out	$2,347,708	$540,000	$0	$1,000,000	$0

Operating Expenditures Actual FY21 through FY23 and Estimated FY24-FY28

The graph below shows a quick overview of actual and estimated expenses by proportion to the total for the General Fund expenditures.



Encumbrances –Line#8.010

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments, which have been performed, are awaiting invoicing and payment. Encumbrances, on a budget basis of accounting, are treated as the equivalent of expenditure at the time authorization is made to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance.

Source	FY24	FY25	FY26	FY27	FY28
Estimated Encumbrances	$5,000	$5,000	$5,000	$5,000	$5,000

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 expenses. The amount of money reserved in such an 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.

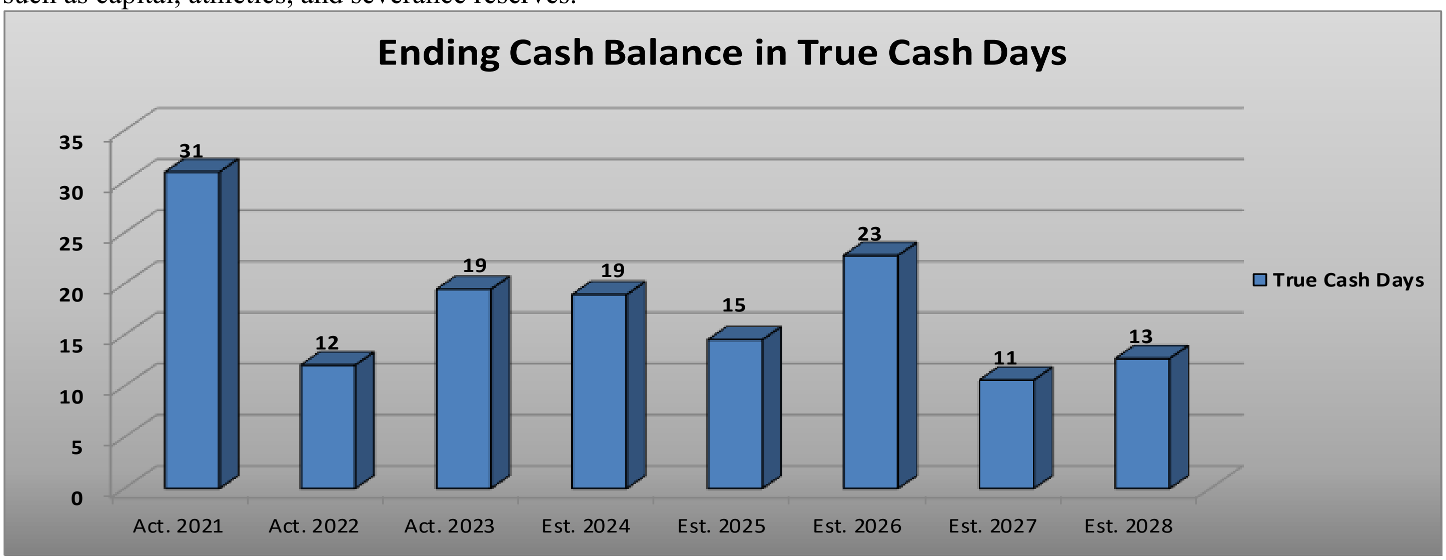
Ending Unencumbered Cash Balance – Line#15.010

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, and which results in a negative unencumbered cash balance, is a violation of O.R.C. §5705.412, which is punishable by personal liability of $10,000; unless an alternative 412 certificate, as permitted by HB153, effective September 30, 2011, could be issued. It is recommended by the Government Finance Officers Association (GFOA) and other authoritative sources that a district maintains a minimum of sixty (60) day cash balance, which is approximately $2.6 million for our district.

Source	FY24	FY25	FY26	FY27	FY28
Ending Cash Balance	$941,936	$669,624	$1,045,370	$529,864	$619,063

True Cash Days Ending Balance

Another way to look at ending cash is to state it in 'True Cash Days". In other words, how many days could the district operate at year-end if no additional revenues were received? This is the Current Years Ending Cash Balance divided by (Current Years Expenditures/365 days) = the number of days the district could operate without additional resources or a severe resource interruption. The Government Finance Officers Association (GFOA) recommends that no fewer than two (2) months or 60 days of cash is on hand at year-end. Still, it could be more dependent on each district's complexity and risk factors for revenue collection. This is calculated, including transfers, as this is a predictable funding source for other funds such as capital, athletics, and severance reserves.



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 42 days below the 60-day benchmark. The district will continue to maximize the value of these dollars to enhance the educational experience for our students.

Margaretta Local School District receives 34.5% of its funding for the district from state dollars which is very beneficial to the overall operations for the education of our students.

The district administration is grateful for the changes in the current state budget HB33 as it has reduced the amount that was deducted for programs that were not within the district's control. However, future state budgets funding will need to be watched since the full amount of the Fair School Funding Plan was not totally implemented with this budget and there is no guarantee for future increases in state budgets for FY26-FY28.

As the administration plans for the future, they will need to make sure that the district is able to maintain a positive cash balance throughout the forecast. The expenditures will need to be reviewed based on the current revenues in order to obtain this.

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.