MARGARETTA LOCAL SCHOOL DISTRICT
ERIE COUNTY

SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE FISCAL YEARS ENDED JUNE 30, 2020, 2021 and 2022 ACTUAL FORECASTED FISCAL YEARS ENDING JUNE 30, 2023 THROUGH JUNE 30, 2027

Margaretta Local School District

Treasurer's Office

Mrs. Diane Keegan, Treasurer

November 21, 2022

MARGARETTA LOCAL SCHOOL DISTRICT
Erie County

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

		Actual				Forecasted				
		Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Average Change	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027
	Revenues									
1.010	General Property Tax (Real Estate)	4,990,335	4,866,409	4,819,474	-1.7%	5,009,400	5,080,859	5,108,850	5,136,715	5,164,456
1.020	Public Utility Personal Property Tax	2,762,247	4,808,064	5,762,031	47.0%	5,275,815	5,538,113	5,422,715	5,311,781	5,205,160
1.030	Income Tax	0	0	0	0.0%	0	0	0	0	0
1.035	Unrestricted State Grants-in-Aid	4,224,798	4,332,344	4,723,071	5.8%	4,578,396	4,571,533	4,572,991	4,574,481	4,575,992
1.040	Restricted State Grants-in-Aid	82,747	82,854	290,448	125.3%	242,020	242,020	242,020	242,020	242,020
1.045	Restricted Federal Grants In Aid	0	0	0	0.0%	0	0	0	0	0
1.050	Property Tax Allocation	1,275,447	1,118,846	1,019,660	-10.6%	915,409	742,664	728,173	731,699	735,200
1.060	All Other Revenues	3,259,835	2,979,077	1,444,454	-30.1%	1,531,926	1,648,210	1,700,230	1,754,047	1,809,724
1.070	*Total Revenues*	16,595,409	18,187,594	18,059,138	4.4%	17,552,966	17,823,399	17,774,979	17,750,743	17,732,552
	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	470,211	412,884	90,608	-45.1%	0	0	0	0	0
2.050	Advances-In	0	2,400	0	0.0%	0	0	0	0	0
2.060	All Other Financing Sources	7,195	282,109	20,812	1864.1%	20,812	20,812	20,812	20,812	20,812
2.070	*Total Other Financing Sources*	477,406	697,393	111,420	-19.0%	20,812	20,812	20,812	20,812	20,812
2.080	*Total Revenues and Other Financing Sources*	17,072,815	18,884,987	18,170,558	3.4%	17,573,778	17,844,211	17,795,791	17,771,555	17,753,364
	Expenditures									
3.010	Personal Services	7,819,926	8,091,168	8,309,921	3.1%	8,314,526	8,568,572	8,808,693	9,056,178	9,310,820
3.020	Employees' Retirement/Insurance Benefits	3,339,769	3,490,549	3,426,984	1.3%	3,361,814	3,490,996	3,621,667	3,757,733	3,899,019
3.030	Purchased Services	2,883,160	2,968,989	2,265,745	-10.4%	2,294,669	2,324,133	2,354,153	2,384,744	2,415,923
3.040	Supplies and Materials	355,799	417,022	546,059	24.1%	548,789	551,532	554,290	557,061	559,846
3.050	Capital Outlay	4,847	51,914	16,259	451.2%	16,422	16,586	16,752	16,919	17,088
3.060	Intergovernmental	0	0	0	0.0%	0	0	0	0	0
	Debt Service:									
4.010	Principal-All (Historical Only)	483,000	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	0	498,000	144,000	0.0%	149,000	155,000	162,000	168,000	175,000
4.060	Interest and Fiscal Charges	85,626	67,750	55,483	-19.5%	49,007	42,289	35,283	27,990	20,410
4.300	Other Objects	230,628	389,277	283,695	20.8%	273,730	292,315	282,235	301,279	291,084
4.500	*Total Expenditures*	15,202,755	15,974,669	15,048,146	-0.4%	15,007,957	15,441,423	15,835,073	16,269,904	16,689,190
	Other Financing Uses									
5.010	Operating Transfers-Out	1,398,179	2,593,037	4,065,046	71.1%	1,885,692	2,413,010	1,955,072	1,477,282	1,081,848
5.020	Advances-Out	2,400	0	0	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*	1,400,579	2,593,037	4,065,046	71.0%	1,885,692	2,413,010	1,955,072	1,477,282	1,081,848
5.050	*Total Expenditures and Other Financing Uses*	16,603,334	18,567,706	19,113,192	7.4%	16,893,649	17,854,433	17,790,145	17,747,186	17,771,038
6.010	*Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses*	469,481	317,281	(942,634)	-214.8%	680,129	(10,222)	5,646	24,369	(17,674)
7.010	Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	787,199	1,256,680	1,573,961	42.4%	631,327	1,311,456	1,301,234	1,306,880	1,331,249
7.020	*Cash Balance June 30*	1,256,680	1,573,961	631,327	-17.3%	1,311,456	1,301,234	1,306,880	1,331,249	1,313,575
8.010	*Estimated Encumbrances June 30*	16,618	0	198	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, 2020, 2021, 2022
Forecasted Fiscal Year Ending June 30, 2023 through 2027

		Actual				Forecasted				
		Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Average Change	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027
	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	440,757	853,641	944,249	52.1%	944,249	944,249	944,249	944,249	944,249
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*	440,757	853,641	944,249	52.1%	944,249	944,249	944,249	944,249	944,249
10.010	*Fund Balance June 30 for Certification of Appropriations*	799,305	720,320	(313,120)	-76.7%	362,207	351,985	357,631	382,000	364,326
	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	842,248	1,531,360
11.300	Cumulative Balance of Renewal Levies	0	0	0	0.0%	0	0	0	842,248	2,373,608
12.010	*Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations*	799,305	720,320	(313,120)	-76.7%	362,207	351,985	357,631	1,224,248	2,737,934
	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*	799,305	720,320	(313,120)	-76.7%	362,207	351,985	357,631	1,224,248	2,737,934

Margaretta Local School District – Erie County
Notes to the Five Year Forecast
General Fund Only
November 21, 2022

Introduction to the Five-Year Forecast
A forecast is somewhat like a future painting based on a snapshot of today. That snapshot, however, will be adjusted because the further into the future the forecast extends the more likely it is that the projections will deviate from experience. A variety of events will ultimately impact the latter years of the forecast such as state budgets (adopted every two years), tax levies (new/renewal/replacement), salary increases, or businesses moving in or out of the district. The five-year forecast is a crucial management tool and must be updated periodically. The five-year forecast enables district management teams to examine future years' projections and identify when challenges will arise. This then helps district management to be proactive in meeting those challenges. School districts are encouraged to update their forecasts with ODE when events take place that will significantly change their forecast or, at a minimum, when required under the statute.

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

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

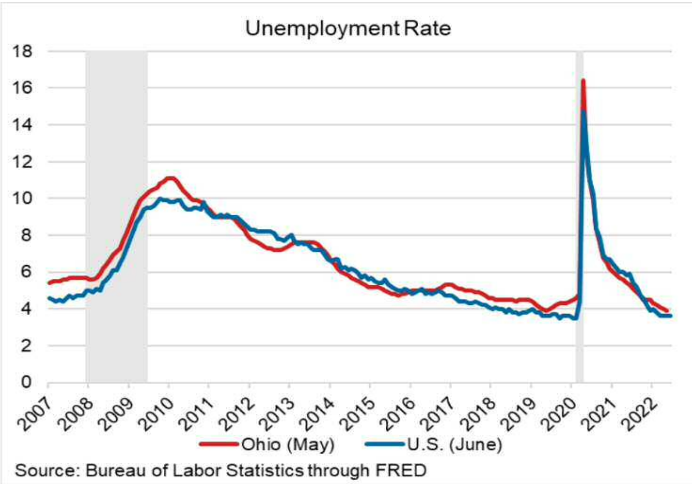
Here are three essential purposes or objectives of the five-year forecast:
(1) To engage the local board of education and the community in long-range planning and discussions of financial issues facing the school district
(2) To serve as a basis for determining the school district's ability to sign the certificate required by O.R.C. §5705.412, commonly known as the "412 certificate"
(3) To provide a method for the Department of Education and Auditor of State to identify school districts with potential financial problems

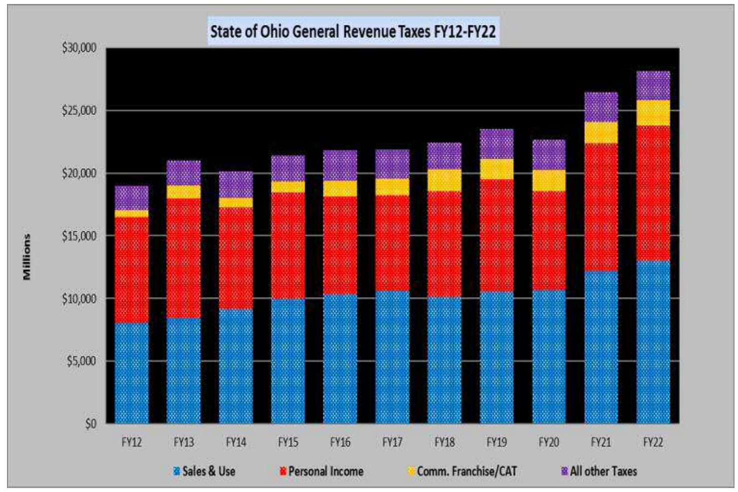
O.R.C. §5705.391 and O.A.C. 3301-92-04 require a Board of Education (BOE) to file a five (5) year financial forecast by November 30, 2022, and May 31, 2023 for fiscal year 2023 (July 1, 2022 to June 30, 2023). The five-year forecast includes three years of actual and five-years of projected general fund revenues and expenditures. Fiscal year 2023 (July 1, 2022-June 30, 2023) is the first year of the five-year forecast and is considered the baseline year. Our forecast is updated to reflect the most current economic data available for the November 2022 filing.

Economic Outlook
This five-year forecast is being filed during a two-year economic recovery following the COVID-19 Pandemic, which began in early 2020. The effects of the pandemic have lessened, but several supply chain concerns and high inflation continues to impact our state, country, and broader globalized economy. Inflation in June 2022 hit a 40 year high of 9.1% before falling to 8.3% in August. Costs in FY22 were notably impacted in areas such as diesel fuel for buses, electric and natural gas, and building materials for facility maintenance and repair. Increased inflation affecting district costs is expected to continue in FY23; it remains to be seen if these costs are transitory or will last over the next few years, which could significantly impact on our forecast and adversely affect state and local funding.

The Federal Reserve Bank has made fighting inflation its number one concern. It is expected that interest rate increases before December 2022 will result in increased unemployment and many economists anticipate an economic recession in the first half of calendar year 2023. If that occurs, the recession will happen as the state legislature considers the next biennium budget for FY24 and FY25. Despite of the solid economic recovery the state of Ohio has enjoyed over the past two years, as noted below in the graphs, a recession may impact funding for primary and secondary education.

As noted in the graphs below, the State of Ohio's economy has steadily recovered over the past two years. School funding cuts made in FY20 have been fully restored, and a new state funding formula is in year two of a projected five-year phase-in. While increased inflation impacting district costs is expected to continue over the next few years, the state's economy has grown as indicated in the graphs below. It may enable the state to continue the phase-in of the new funding formula even if a cyclical recession occurs in the first half of the 2023 calendar year.





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

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

Forecast Risks and Uncertainty:
A five-year financial forecast has risks and uncertainty not only due to economic uncertainties noted above but also due to state legislative changes that will occur in the spring of 2023 and 2025 due to deliberation of the following two (2) state biennium budgets for FY24-25 and FY26-27, both of which affect this five-year forecast. We have estimated revenues and expenses based on the best data available and the laws in effect at this time. The items below give a short description of the current issues and how they may affect our forecast long term:

I. Property tax collections are 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 continued modest increases in local taxes as the pandemic ends and the economy continues its recovery as anticipated. Total local revenues, which are predominately local taxes equate to 68% of the district's resources. Our tax collections in the March 2022 and August 2022 settlements were on target with original estimates. We believe there is a low risk that local collections would fall below projections throughout the forecast.

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 remain constant. 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 represented 32% of district revenues, which means it is a significant area of risk to the revenue. The future risk comes in FY24 and beyond if the state economy stalls due to the record high inflation we are witnessing at this time, or the Fair School Funding Plan is not funded in future state budgets due to an economic recession. Two future State Biennium Budgets are covering the period from FY24-25 and FY26-27 in this forecast.

Future uncertainty in the state foundation funding formula and the state's economy make this area an elevated risk to district funding long range through FY27. We have projected our state funding to be in line with the FY23 funding levels through FY27, which we feel is conservative and should be close to whatever the state approves for the FY24-27 biennium budgets. We will adjust the forecast in future years as we have data to help guide this decision.

IV. HB110, the current state budget, implements what has been referred to as the Fair School Funding Plan (FSFP) for FY22 and FY23. The full release of the new Fair School Funding Plan formula calculations was delayed until March 2022. The FSFP has many significant changes to how foundation revenues are calculated for school districts and how expenses are charged off. State foundation basic aid will be calculated on a base cost methodology with funding paid to the district where a student is enrolled to be educated. Beginning in FY22, a district's open enrollment payments will no longer be paid separately, as those payments are included with basic aid. A change in expenditures, beginning in FY22, will also occur, in that there will no longer be deductions for students that attend elsewhere for open enrollment, community schools, STEM schools and scholarship recipients as these payments will be paid directly to those districts from the state. The initial impact of these changes on the forecast will be noticed in that the actual historical costs for FY20 through FY21, reflect different trends on Lines 1.035, 1.04, 1.06 and 3.03 beginning in FY22. In June 2022, the legislature passed HB583 to resolve issues and possible unintended consequences in the new funding formula. Some of these changes impacted FY22 and future years' funding. Our state aid projections have been based on the best information on the new HB110 formula as amended by HB583 that are available as of this forecast.

V. The current state budget that ends June 30, 2023 continues the TPP Fixed Rate Reimbursement phase-out contained in SB208 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 gone in FY24 based on our estimates.

VI. With the NEXUS Pipeline coming online, the district will continue to monitor Public Utility Personal Property tax (PUPP) for disputes. This increased valuation in Tax Year 2019, payable in 2020, and is a major increase in current and future revenue. It should be mentioned that the taxing authorities billed Nexus approximately $8.9 million dollars payable in two tax installment payments for the first tax year of 2019. 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, payable in 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. On February 2, 2022, a joint motion was filed to remand the determination to the Tax Commissioner. 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 and paid 66% of the billed amount for tax year 2021, payable in 2022. We believed that the increased amounts in their tender payment of 2022 was an encouraging sign that they may be hedging their bet a little on the final outcome of the taxing authorities, so as to lessen the penalties and interest payments at the time of the final ruling.

The Tax Commissioner issued a Final Determination on the pipeline's valuation in June 2022. The valuation determination from the Tax Commissioner, for tax year 2019, was lower than the initial appeal by Nexus. Subsequently, Lorain County Auditor filed an appeal to the Settlement Agreement in September 2022. At this time, the valuation determination is, again, in the hands of the Ohio Board of Tax Appeals, with a hearing scheduled for May of 2023. We will continue to monitor the outcome of the settlement or if the Lorain County Auditor will withdraw the appeal.

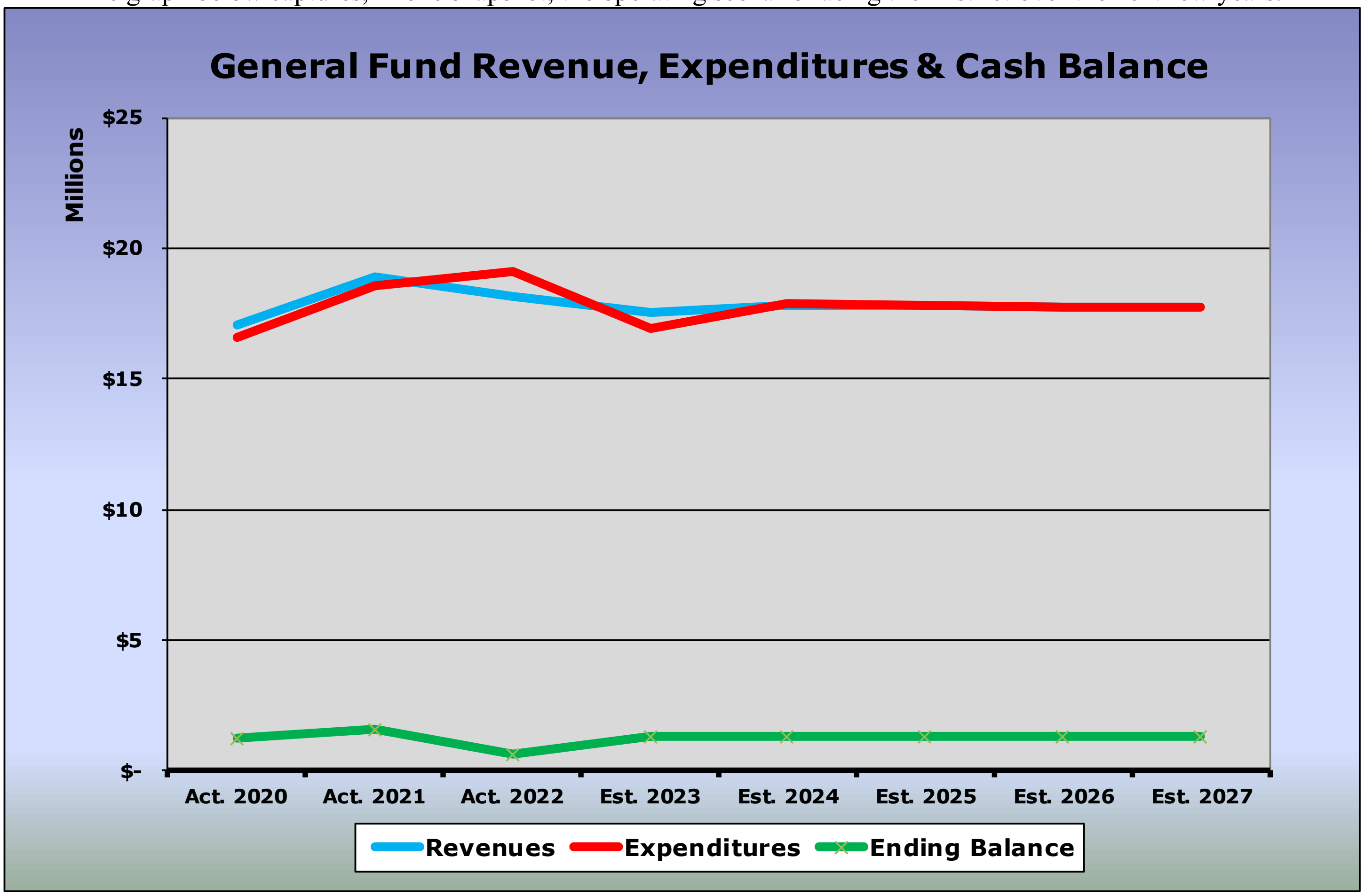
VII. HB110 directly pays costs associated with open enrollment, community and STEM schools, and all scholarships, including EdChoice Scholarships. These costs will no longer be deducted from our state aid. However, there still are education option programs such as College Credit Plus, which continue to be removed from state aid, increasing costs to the district. Expansion or creation of programs that are not directly paid for by the state of Ohio can expose the district to new expenditures that are not currently in the forecast. We are closely monitor any new threats to our state aid and increased costs as new proposed laws are introduced in the legislature.

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.

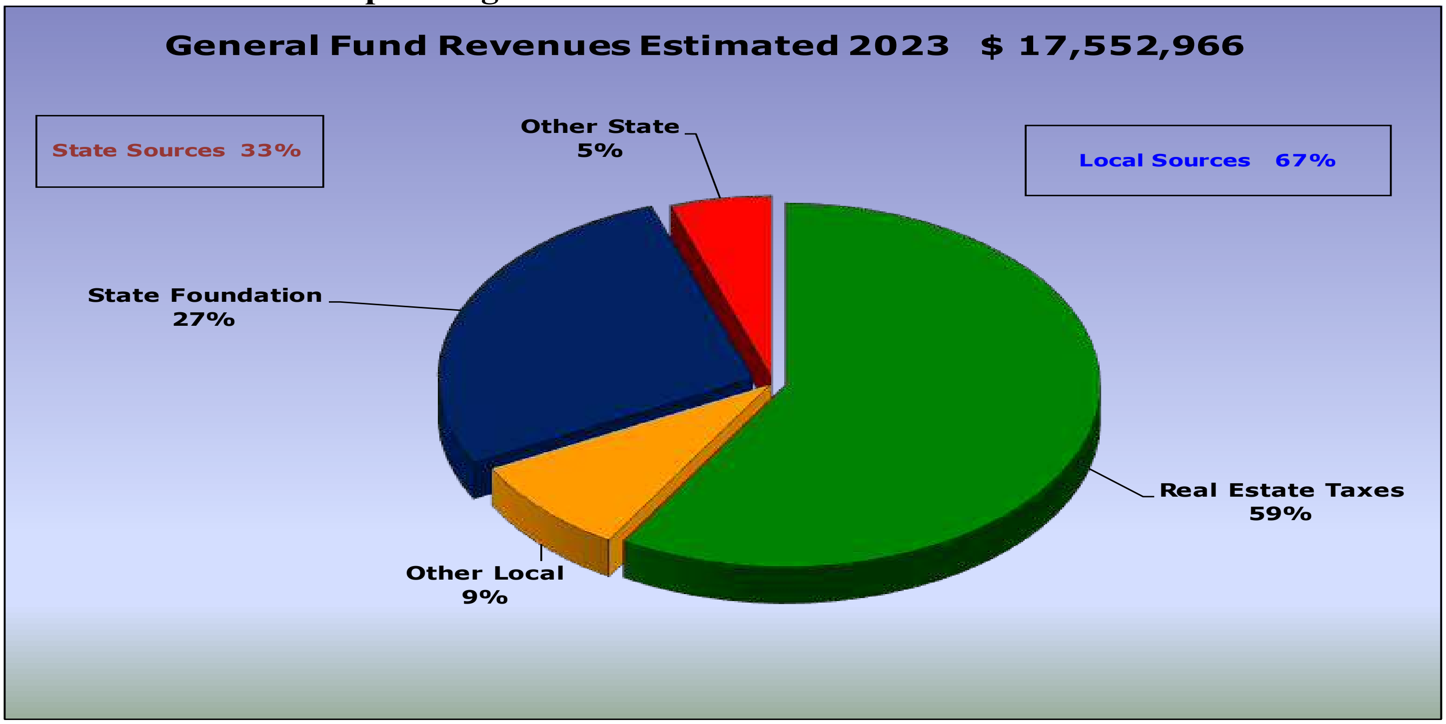
The significant lines of reference for the forecast are noted below in the headings to make it easier to relate the assumptions made for the forecast item and refer back to the forecast. It should assist the reader in reviewing the assumptions noted below in understanding the overall financial forecast 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 FY20-22 and Estimated FY23-27

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 FY23



Real Estate Value Assumptions – Line # 1.010

Property Values are established each year by the County Auditor based on new construction, demolitions, BOR/BTA activity and complete reappraisal or updated values. Erie County experienced a triennial update for the 2021 tax year to be collected in 2022. Residential/agricultural values increased 9.68% or $16.2 million due to the update led by an improving housing market.

For tax year 2021, new construction in residential property was up 0.4% or $789 thousand in assessed value and commercial/industrial values increased $185 thousand. Over all values rose $18.1 million or 9.6%, which includes new construction for all classes of property.

A reappraisal will occur in tax year 2024 for collection in 2025. We anticipate value increases for Class I and II property to remain constant.

Public Utility Personal Property (PUPP) values increased by $28.5 million in tax year 2021. We expect our values to continue to decrease by, roughly, $2 million each year of the forecast due to depreciation.

Estimated Assessed Value (AV) by Collection Years

Classification	Estimated TAX YEAR2022 COLLECT 2023	Estimated TAX YEAR2023 COLLECT 2024	Estimated TAX YEAR2024 COLLECT 2025	Estimated TAX YEAR2025 COLLECT 2026	Estimated TAX YEAR2026 COLLECT 2027
Res./Ag.	$186,301,650	$187,163,150	$188,024,650	$188,886,150	$189,747,650
Commercial/Mineral	20,055,370	20,140,900	20,226,430	20,311,960	20,397,490
Public Utility (PUPP)	94,345,821	92,340,200	90,413,526	88,563,035	86,786,062
Total Assessed Value	$300,702,841	$299,644,250	$298,664,606	$297,761,145	$296,931,202

Estimated Real Estate Tax - Line #1.010

Source	FY23	FY24	FY25	FY26	FY27
Property Taxes	$5,009,400	$5,080,859	$5,108,850	$5,136,715	$5,164,456

Property tax levies are estimated to be collected at 98% of the annual amount. This allows for a 2% delinquency factor. In general, 56% of the Res/Ag and Comm/Ind property taxes are expected to be collected in the February tax settlement and 44% collected in the August tax settlement. Collections in FY21 were down $51 thousand due to decreased delinquent taxes collected in the August and March tax settlements, delinquent collections are expected to continue to decline in FY23.

Levy Renewal –Line # 11.02
The District renewed its 7.75 mill current expense levy on May 4, 2021 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, whose taxes are assessed based on the higher, voted millage, not the lower, effective millage residential, agricultural and commercial properties are assessed. 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.

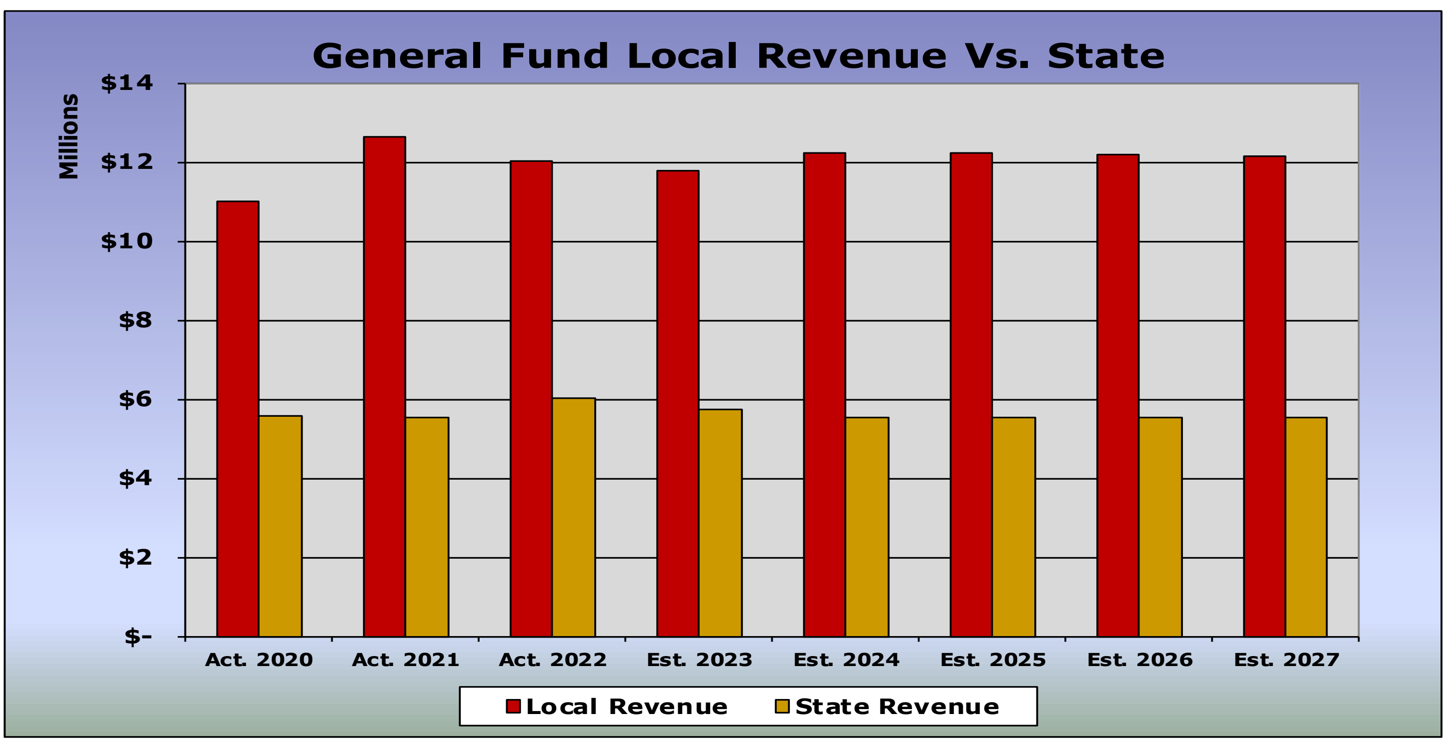
New Tax Levies – Line #13.030
No new levies are modeled in this forecast.

Estimated Tangible Personal Tax & PUPP Taxes – Line#1.020
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 is $109 million in assessed values in 2021 and are collected at the district's gross voted millage rate of 58.55. This increased by $71.7 million in tax year 2019 due to the NEXUS Pipeline coming online. In tax year 2021, the assessed values increased by $28.5 million. 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	FY23	FY24	FY25	FY26	FY27
Public Utility Personal Property	$5,275,815	$5,538,113	$5,422,715	$5,311,781	$5,205,160

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 HB110 through June 30, 2023
Unrestricted State Foundation Revenue– Line #1.035

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

Our district is currently a guarantee district in FY23 and is expected to remain on the guarantee in FY24-27 on the new Fair School Funding Plan (FSFP). The state foundation funding formula has gone through many changes in recent years. The most recent funding formula began in FY14. It was dropped in FY19 after six (6) years, followed by no foundation formula for two (2) years in FY20 and FY21, and now HB110, as amended by HB583, implements the newest and possibly the most complicated funding formula in recent years for FY22 and FY23. The current formula introduces many changes to how state foundation is calculated and expenses deducted from state funding, which will potentially make the actual five-year forecast look different with estimates FY23 through FY27 compared to actual data FY20 through FY21 on Lines 1.035, 1.04, 1.06, and 3.03 of the forecast.

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

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

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

The new funding formula uses FY18 statewide average district costs and developed a base cost approach that includes minimum service levels and student-teacher ratios to calculate a unique base cost for each district. Newer, more up to date statewide average prices will not update for FY23 and remain frozen at FY18 levels, while other factors impacting a district's local capacity will update for FY23. 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 $7,351.71 per pupil in FY23, the FSFP calculates a state share percentage (SSP) calculation. The state share percentage, in concept, will be higher for districts with less capacity (lower local wealth) and be a lower state share percentage for districts with more capacity (higher local wealth). The higher the district's ability to raise taxes based on local wealth, the lower the state share percentage. The state share percentage will be based on 60% property valuation of the district, 20% on federally-adjusted gross income, and 20% on federal median income, as follows:

1. 60% based on 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 (3) year average federal adjusted gross income of district residents or the most recent year, whichever is lower, divided by base students enrolled.
3. 20% based on the most recent year 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 finally 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. An amount of 10% will be reduced from all districts' calculations to be used toward the state appropriation for Catastrophic Cost reimbursement.
3. Transportation Aid – Funding is based on all resident students who ride, including preschool students and those living within 1 mile of school. Provides supplemental transportation for low-density districts. Increases state minimum share to 29.17% in FY22 and 33.33% in FY23. In general, districts whose state share is less than 33.33% will benefit from the increase to 33.33% funding.

Restricted Categorical State Aid

1. Disadvantage Pupil Impact Aid (DPIA) - Formerly Economically Disadvantaged Funding is based on the number and concentration of economically disadvantaged students compared to the state average and multiplied by $422 per pupil. Phase-in increases are limited to 0% for FY22 and 14% in FY23. No legislation indicates the percentage increase for FY24 and beyond for DPIA.
2. English Learners – Based on funded categories generated from time student enrolled in schools and multiplied by a weighted amount per pupil.
3. Gifted Funds – Based on average daily membership multiplied by a weighted amount per pupil.
4. Career-Technical Education Funds – Based on career technical average daily membership and five (5) weighted funding categories students enrolled in.
5. Student Wellness and Success Funds – These funds, in FY20 and FY21, were accounted for in Fund 467, but are now restricted funds to be accounted for in the General Fund as part of the foundation formula.

State Funding Phase-In FY22 and FY23 and Guarantees
While the FSFP was presented as a six (6) year phase-in plan, the state legislature approved the first two (2) years of the funding plan in HB110, which was amended in HB583 in June 2022. The FSFP does not include caps on funding, rather it will consist of a general phase-in percentage for most components of 16.67% in FY22 and 33.33% in FY23. DPIA funding will be phased in at 0% in FY22 and 14% in FY23. Transportation categorical funds will not be subject to a phase-in.

HB110 includes three (3) guarantees: 1) "Formula Transition Aid"; 2) Supplemental Targeted Assistance, and, 3) Formula Transition Supplement. The three (3) guarantees in both temporary and permanent law ensure that no district will get fewer funds in FY22 and FY23 than they received in FY21. The guarantee level of funding for FY22 is a calculated funding guarantee level based on total state funding cuts from May 2020 restored, net of transfers and deductions, plus Student Wellness and Success funds (based on FY21 SWSF amounts), enrollment growth supplement funds paid in FY21 and special education preschool and special education transportation additional aid items. It is estimated that nearly 420 districts are on one form of guarantee in FY22. In general, the same number will occur in FY23, since state average costs were frozen at FY18 in the Base Cost calculations. In contrast, property values and Federal Adjusted Gross Income will be allowed to update and increase for FY23, pushing districts toward one of the three (3) guarantees.

Student Wellness and Success Funds (SWSF)- (Restricted Fund 467)
In FY20 and FY21, HB166 provided Student Wellness and Success Funds (SWSF) to be deposited in Special Revenue Fund 467. HB110, the new state budget, essentially eliminated these funds by merging them into state aid and wrapped them into the expanded funding and mission of DPIA funds noted above and on Line 1.04 below, with only a smaller portion devoted to SWSF.

Future State Budget Projections beyond FY23

Our funding status for FY24-27 will depend on two (2) unknown state budgets. There is no guarantee that the current Fair School Funding Plan in HB110 will be funded or continued beyond FY23. For this reason, funding is held constant in the forecast for FY23 through FY27.

Catastrophic Cost Reimbursement

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 projecting no growth over the remainder of the forecast.

Casino Revenue

On November 3, 2009, Ohio voters passed the Ohio casino ballot issue. This issue allowed for the opening of four (4) casinos, one each in Cleveland, Toledo, Columbus and Cincinnati. Thirty-three percent (33%) of the gross casino revenue will be collected as a tax. School districts will receive 34% of the 33% Gross Casino Revenue (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.

Casino revenue fell slightly in FY21 due to COVID-19 and casinos closing for a little over two months. We have increased the amount in FY22 back to pre-pandemic FY20 levels as casino revenues appear to have dipped primarily due to their closure and not in response to the economic downturn. Before the COVID-19 closure, casino revenues grew modestly as the economy improved. Original projections for FY23-27 estimated a 0.4% decline in pupils to 1,778,441 and GCR increasing to $106.35 million or $59.80 per pupil, actual payments in FY22 were $63.07 per pupil. FY23 Casino revenues have resumed their historical growth rate and assume a 2% annual growth rate for the forecast period.

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

Source	FY23	FY24	FY25	FY26	FY27
Basic Aid-Unrestricted	$4,027,248	$4,018,964	$4,018,964	$4,018,964	$4,018,964
Additional Aid Items	336,880	336,880	336,880	336,880	336,880
Basic Aid-Unrestricted Subtotal	$4,364,128	$4,355,844	$4,355,844	$4,355,844	$4,355,844
Catastrophic and Motor Fuel Refund	$142,868	$142,868	$142,868	$142,868	$142,868
Ohio Casino Commission ODT	71,400	72,821	74,279	75,769	77,280
Unrestricted State Aid Line # 1.035	$4,578,396	$4,571,533	$4,572,991	$4,574,481	$4,575,992

Restricted State Revenues – Line # 1.040

HB110 has continued Disadvantaged Pupil Impact Aid (formerly Economic Disadvantaged funding) and Career Technical funding. In addition, there have been new restricted funds added as noted above under "Restricted Categorical Aid" for Gifted, English Learners (ESL), and Student Wellness. Using current September funding factors, we have estimated revenues for these new restricted funding lines. The amount of DPIA is limited to 0% phase-in growth for FY22 and 14% in FY23. We have flat lined funding at FY23 levels for FY24-27 due to uncertainty on continued funding of the current funding formula.

Source	FY23	FY24	FY25	FY26	FY27
Student Wellness and Success	$131,575	$131,575	$131,575	$131,575	$131,575
Disadvantaged Pupil Impact Aid (DPIA)	26,351	26,351	26,351	26,351	26,351
English Learners (ESL)	73	73	73	73	73
Gifted	47,236	47,236	47,236	47,236	47,236
Career Tech Education	36,785	36,785	36,785	36,785	36,785
Restricted Revenues Line #1.040	$242,020	$242,020	$242,020	$242,020	$242,020

Restricted Federal Grants in Aid – Line #1.045
No restricted federal grants are projected for FY23-27.

Summary	FY23	FY24	FY25	FY26	FY27
Unrestricted Line # 1.035	$4,578,396	$4,571,533	$4,572,991	$4,574,481	$4,575,992
Restricted Line # 1.040	242,020	242,020	242,020	242,020	242,020
Rest. Fed. Grants #1.045	0	0	0	0	0
Total State Foundation Revenue	$4,820,416	$4,813,553	$4,815,011	$4,816,501	$4,818,012

State Taxes Reimbursement/Property Tax Allocation – 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 prior to September 29, 2013. HB59 eliminated the 10% and 2.5% rollback on new levies approved after September 29, 2013.

Homestead Exemptions are credits paid to the district from the state of Ohio for qualified elderly and disabled residential taxpayers. In 2007, HB119 expanded the Homestead Exemption for all seniors 65 years of age or older or who are disabled, regardless of income. Effective September 29, 2013, HB59 changed the requirement for Homestead Exemptions. Individual taxpayers who do not currently have their Homestead Exemption approved or those who did not get a new application approved for tax year 2013, and who become eligible after, 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
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.

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 one (1) mill would raise in local taxes on the three (3) year average of assessed values. Based on our calculations, we will receive TPP Phase out payments through FY24.

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

Summary of State Tax Reimbursement – Line #1.050

Source	FY23	FY24	FY25	FY26	FY27
Rollback and Homestead	$709,429	$724,623	$728,173	$731,699	$735,200
TPP Reimbursement - Fixed Rate	205,980	18,041	0	0	0
TPP Reimbursement - Fixed Sum	0	0	0	0	0
Total Tax Reimbursements #1.050	$915,409	$742,664	$728,173	$731,699	$735,200

Other Local Revenues – Line #1.060
All other local revenue encompasses any type of revenue that does not fit into 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.

HB110, the new state budget, will stop paying open enrollment as an increase to other revenue for the district. This is projected below as zeroes to help show the difference between projected FY23-27 Line 1.06 revenues and historical FY20 through FY22 revenues on the five-year forecast. Open enrolled students will be counted in the enrolled student base at the school district they are being educated and state aid will follow the students. Open enrolled student revenues will be included in Line 1.035 as basic state aid.

In FY21 and FY22 interest income fell due to fed rate reductions due to the pandemic, which will impact our earning capability in this area until rates and our ending cash balance begin to increase. Rentals are expected to return to pre-pandemic levels over time.

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. We have increased FY23-27 interest 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. At this time we will continue monitoring this line of the forecast for future projections.

Source	FY23	FY24	FY25	FY26	FY27
Rentals	$3,173	$3,173	$3,173	$3,173	$3,173
Open Enrollment	0	0	0	0	0
Interest	42,000	108,000	108,000	108,000	108,000
Other Tuition SF-6, SF-14, SF-14H	570,785	587,909	605,546	623,712	642,423
Shared Services & Preschool	347,806	358,240	368,987	380,057	391,459
Other Income, Class Fees, and Other Adj	568,162	590,888	614,524	639,105	664,669
Total Other Local Revenue Line #1.060	$1,531,926	$1,648,210	$1,700,230	$1,754,047	$1,809,724

Short-Term Borrowing – Lines #2.010 & Line #2.020
There is no short-term borrowing projected in this forecast.

Transfers In / Return of Advances – Line #2.040 & Line #2.050
These are non-operating revenues which are the repayment of short term loans to other funds over the previous fiscal year and reimbursements for expenses received for a previous fiscal year in the current fiscal year.

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

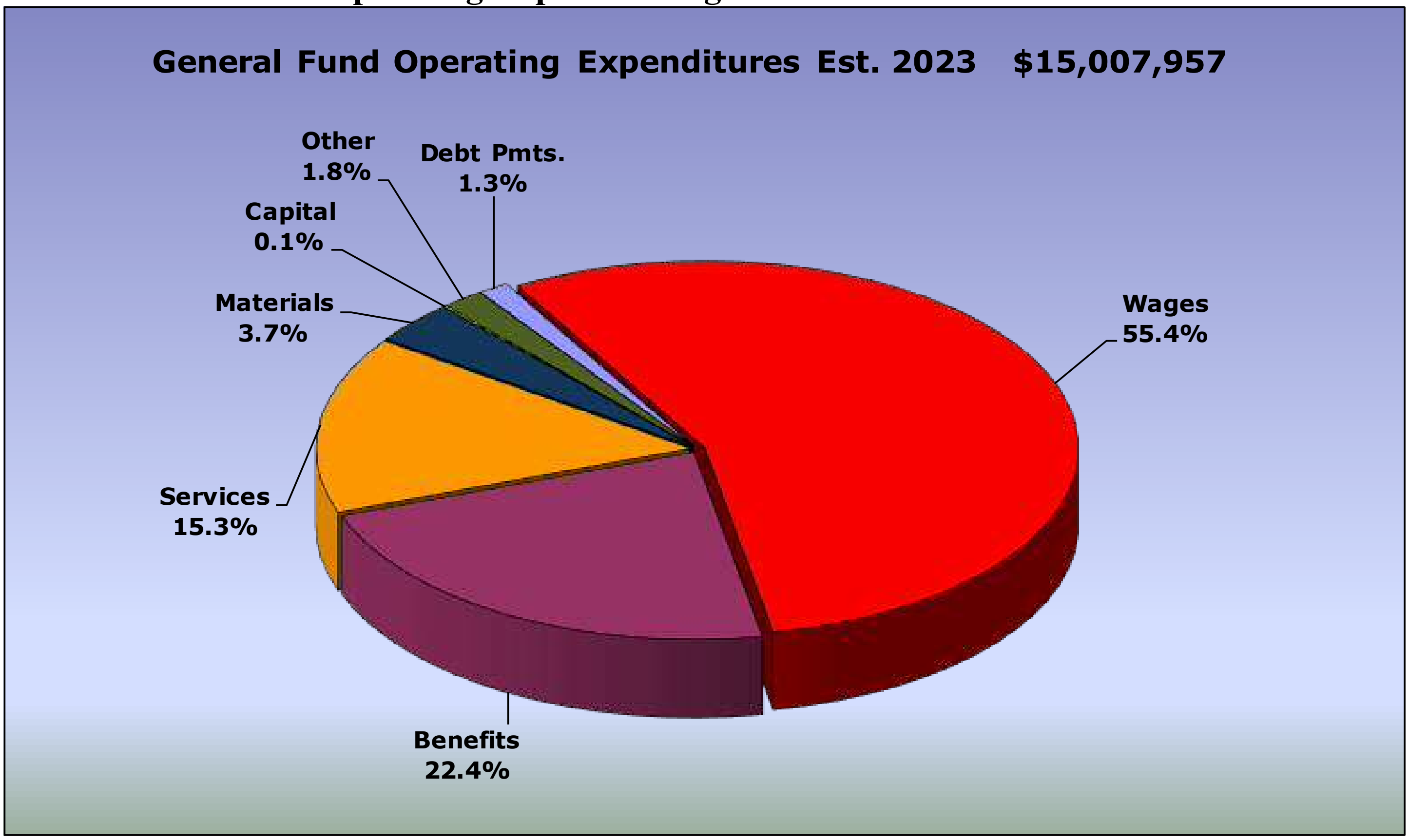
All Other Financial Sources – Line #2.060
This funding source is typically a refund of prior year expenditures that is very unpredictable. We received several Bureau of Workers Compensation refunds over the past two years and do not expect to receive a refund in FY23. For future years we are estimating an amount of refunds that are in line with historical collections.

Source	FY23	FY24	FY25	FY26	FY27
Refunds of a Prior Year Expenditure	$20,812	$20,812	$20,812	$20,812	$20,812

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. As the administration of the district reviews expenditures, the education of the students is always the main focus for resource utilization.

All Operating Expense Categories - General Fund FY23



Wages – Line #3.010

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 2 year contract for FY22-23. This included a 3.08% base increase in FY22, and 2% in FY23. Our OAPSE, settled a 3 year contract for FY22-24, which includes 4% on the base and a money opener in FY24. For planning purposes, this includes 1.14% average yearly increase for education and steps. At this time we are forecasting a 2% increase to base wages in FY24-27, for planning purposes.

Source	FY23	FY24	FY25	FY26	FY27
Base Wages	$7,444,400	$7,721,769	$7,969,888	$8,204,022	$8,445,460
Base Increases	177,921	148,888	154,435	159,398	164,080
All Staff - Steps and Training	99,448	99,231	79,699	82,040	84,455
Substitutes	99,179	100,171	101,173	102,185	103,207
Supplementals	339,543	342,938	346,367	349,831	353,329
Stipends/OT/Board & Misc	154,035	155,575	157,131	158,702	160,289
Severance	0	0	0	0	0
Staff Adjustment	0	0	0	0	0
Total Wages Line 3.010	$8,314,526	$8,568,572	$8,808,693	$9,056,178	$9,310,820

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.

A) STRS/SERS will increase as Wages Increase
The district pays 14% of each dollar paid in wages to either the State Teachers Retirement System or the School Employees Retirement System as required by Ohio law. The district is required to pay SERS Surcharge, which is an additional employer charge based on the salaries of lower-paid members.

B) Insurance
We are estimating an increase of 4.3% in FY23-27, 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.

C) Workers Compensation & Unemployment Compensation
Workers' Compensation is expected to be approximately 0.15% of wages FY23-27. Unemployment is expected to remain at a shallow level for FY23-27. 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.

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

Summary of Fringe Benefits – Line #3.020

Source	FY23	FY24	FY25	FY26	FY27
STRS/SERS	$1,291,444	$1,331,104	$1,368,582	$1,407,214	$1,446,965
Insurances	2,034,248	2,120,704	2,210,834	2,304,794	2,402,748
Workers Comp/Unemployment	12,625	13,009	13,372	13,746	14,131
Medicare	121,383	124,554	127,746	131,340	135,033
Other adjustments/Tuition	(97,886)	(98,375)	(98,867)	(99,361)	(99,858)
Total Fringe Benefits Line #3.020	$3,361,814	$3,490,996	$3,621,667	$3,757,733	$3,899,019

Purchased Services – Line #3.030
HB110, the new state budget, will impact Purchased Services beginning in FY22 as the Ohio Department of Education will begin to direct pay these costs to the educating districts for open enrollment, community and STEM schools, and for scholarships granted students to be educated elsewhere, as opposed to deducting these amounts from our state foundation funding and shown below as expenses. We have continued to show these amounts below as zeros to help reflect the difference between projected FY23-27 Line 3.03 costs and historical FY20 through FY21 costs on the five-year forecast. College Credit Plus, excess costs and other tuition costs will continue to draw funds away from the district, which will continue in this area and have been adjusted based on historical trend.

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.

Source	FY23	FY24	FY25	FY26	FY27
Base Services	$299,185	$302,177	$305,199	$308,251	$311,334
Instructional Contracts	730,901	738,210	745,592	753,048	760,578
Other Tuition and CCP	292,010	294,930	297,879	300,858	303,867
Community School, OE, Ed Scholarship	0	0	0	0	0
Utilities	217,256	225,946	234,984	244,383	254,158
Professional Services	755,317	762,870	770,499	778,204	785,986
Total Purchased Services Line #3.030	$2,294,669	$2,324,133	$2,354,153	$2,384,744	$2,415,923

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	FY23	FY24	FY25	FY26	FY27
Supplies	$242,837	$244,051	$245,271	$246,497	$247,729
Maintenance Supplies	130,086	130,736	131,390	132,047	132,707
Transportation Supplies	175,866	176,745	177,629	178,517	179,410
Total Line 3.040	$548,789	$551,532	$554,290	$557,061	$559,846

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. The district is planning to purchase two and one half buses out of the General Fund in FY23, the other half being grant funded, which is not included with in this forecast. FY24-27 is scheduled to purchase one bus in each year.

Source	FY23	FY24	FY25	FY26	FY27
Improvements	$16,422	$16,586	$16,752	$16,919	$17,088
Technology	0	0	0	0	0
School Busses	0	0	0	0	0
Total Equipment Line #3.050	$16,422	$16,586	$16,752	$16,919	$17,088

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.

Source	FY23	FY24	FY25	FY26	FY27
Principal Improvement Financing # 4.055	$149,000	$155,000	$162,000	$168,000	$175,000
Source	**FY23**	**FY24**	**FY25**	**FY26**	**FY27**
Interest on Borrowing Line 4.060	$49,007	$42,289	$35,283	$27,990	$20,410

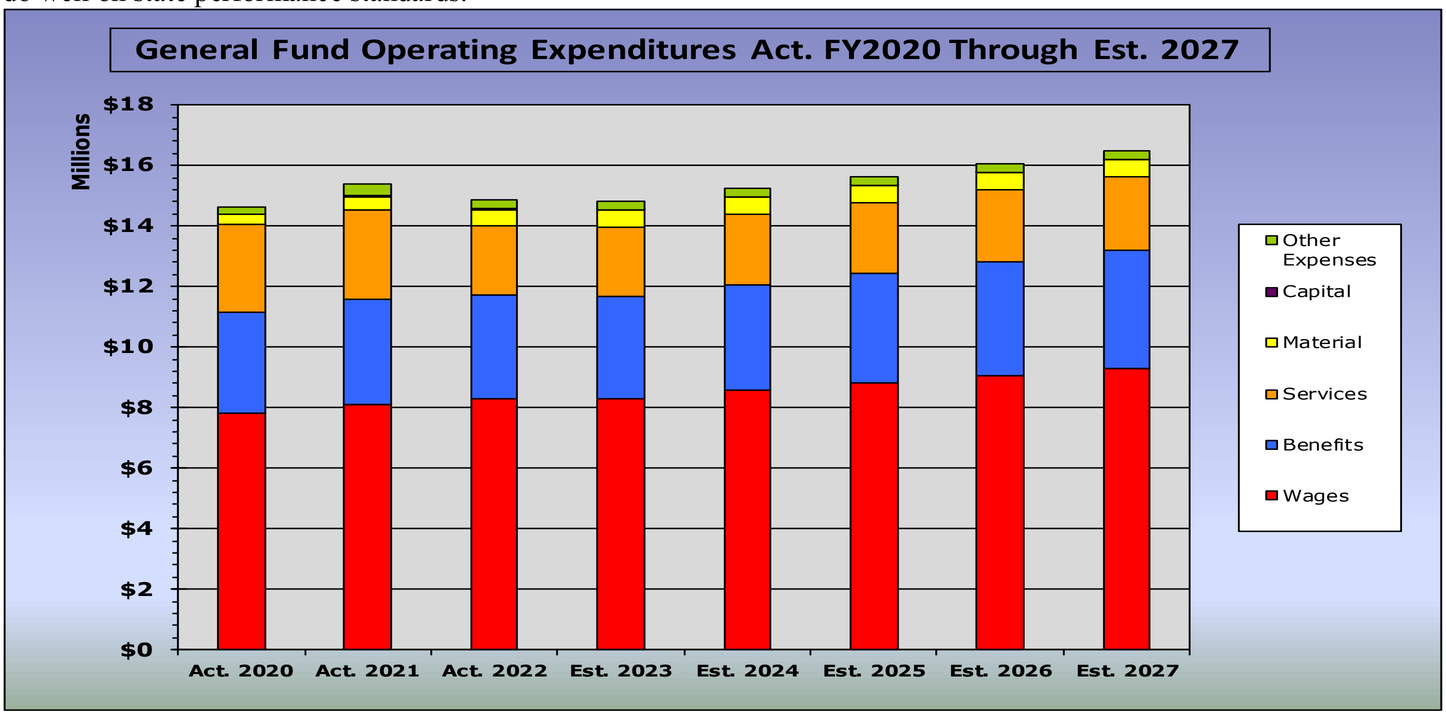
Other Expenses – Line #4.300

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

Source	FY23	FY24	FY25	FY26	FY27
County Auditor & Treasurer Fees	$180,724	$184,338	$188,025	$191,786	$195,622
Election Expense	0	14,375	0	14,663	0
Other expenses	29,789	30,385	30,993	31,613	32,245
Liability Insurance	63,217	63,217	63,217	63,217	63,217
Total Other Expenses Line #4.300	$273,730	$292,315	$282,235	$301,279	$291,084

Operating Expenditures Actual FY20 through FY22 and Estimated FY23-27

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



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. 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	FY23	FY24	FY25	FY26	FY27
Operating Transfers Out Line #5.010	$1,885,692	$2,413,010	$1,955,072	$1,477,282	$1,081,848
Advances Out Line #5.020	0	0	0	0	0
Total Transfer & Advances Out	$1,885,692	$2,413,010	$1,955,072	$1,477,282	$1,081,848

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.

Source	FY23	FY24	FY25	FY26	FY27
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 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.

Source	FY23	FY24	FY25	FY26	FY27
Budget Reserve - Line 9.030	$944,249	$944,249	$944,249	$944,249	$944,249

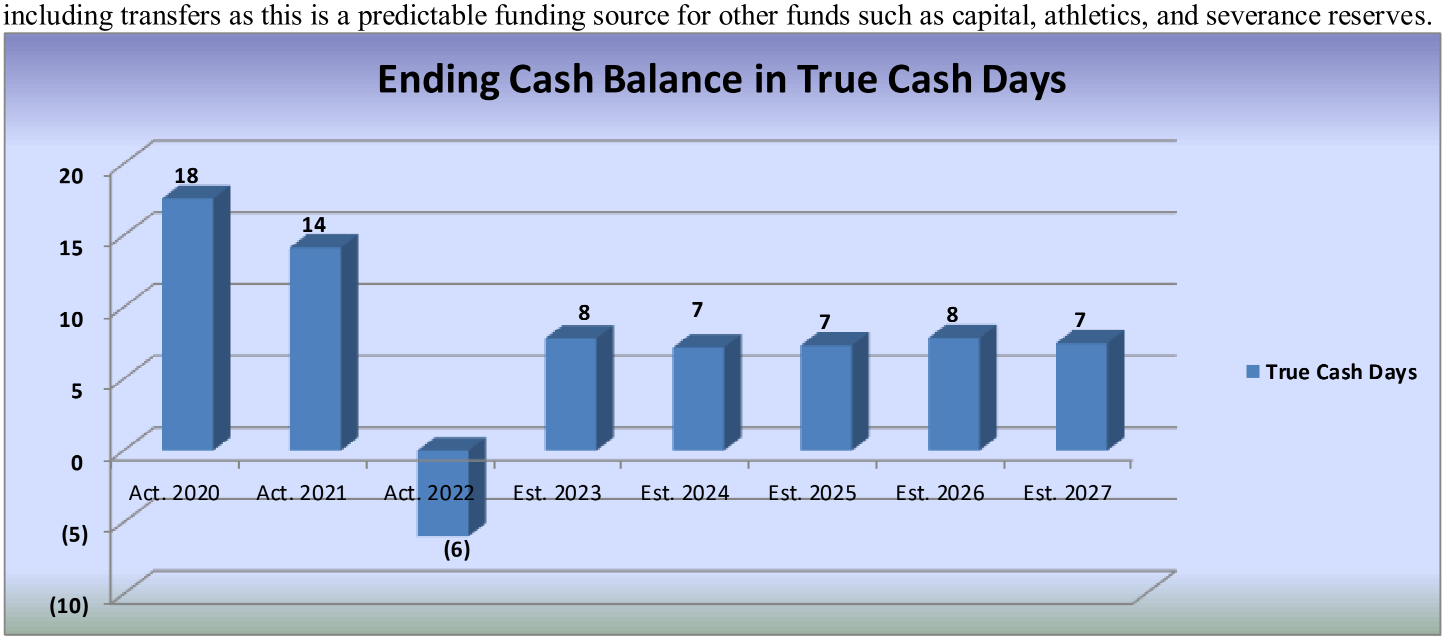
Ending Unencumbered Cash Balance – Line#15.010

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, resulting in a negative unencumbered cash balance is a violation of O.R.C. §5705.412 and is punishable by personal liability of $10,000. 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 $2.5 million for our district.

Source	FY23	FY24	FY25	FY26	FY27
Ending Cash Balance	$362,207	$351,985	$357,631	$1,224,248	$2,737,934

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 Year's Ending Cash Balance divided by (Current Year's Expenditures/365 days) = number of days the district could operate without additional resources or a severe resource interruption. The GFOA recommends no less than two (2) months or sixty (60) days cash is 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 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 out of these dollars to enhance the educational experience for our students.

The district administration is grateful for the changes in the current state budget HB110 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 FY24-27.

The district is receiving funding through the CARES Act and ESSER funds that are to be used for help due to the pandemic. Additional ESSER II and III have been allocated to our district that can be used through September 2023 and September 2024, respectively, which will continue to offset the expenses and help with academic support for lost learning due to school closures as a result of the pandemic. We will monitor this and all other funding that is affecting our forecast from the pandemic.

We want to thank the community for continuing to support the district and approving the renewal levy on May 4, 2021. 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.