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%	5,182,619	5,304,109	4,880,665	4,371,937	4,262,810
1.020	Public Utility Personal Property Tax	4,808,064	5,762,031	4,490,883	-1.1%	3,892,202	3,914,220	3,741,703	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%	4,674,139	4,751,766	4,753,236	4,754,737	4,756,271
1.040	Restricted State Grants-in-Aid	82,854	290,448	252,740	118.8%	256,989	228,908	228,908	228,908	228,908
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%	745,750	733,370	680,145	604,746	591,249
1.060	All Other Revenues	2,979,077	1,444,454	1,709,443	-16.6%	1,775,908	2,151,513	2,528,955	2,587,510	2,648,031
1.070	*Total Revenues*	18,187,594	18,059,138	17,069,664	-3.1%	16,527,607	17,083,886	16,813,612	15,873,130	15,466,071
						341,393	330,552	341,678	336,272	317,463
	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%	0	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%	6,176	6,176	6,176	6,176	6,176
2.070	*Total Other Financing Sources*	697,393	111,420	2,950,425	1232.0%	45,225	6,176	6,176	6,176	6,176
2.080	*Total Revenues and Other Financing Sources*	18,884,987	18,170,558	20,020,089	3.2%	16,572,832	17,090,062	16,819,788	15,879,306	15,472,247
	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	3,815,595	4,020,028	4,187,153	4,361,743
3.030	Purchased Services	2,968,989	2,265,745	2,219,649	-12.9%	2,247,470	2,275,793	2,304,634	2,334,006	2,363,925
3.040	Supplies and Materials	417,022	546,059	815,963	40.2%	600,043	603,043	606,059	609,090	612,135
3.050	Capital Outlay	51,914	16,259	47,512	61.8%	47,987	48,467	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%	15,771,270	16,228,175	16,733,290	17,180,340	17,673,145
	Other Financing Uses									
5.010	Operating Transfers-Out	2,593,037	4,065,046	4,125,011	29.1%	1,200,000	1,000,000	250,000	0	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%	1,200,000	1,000,000	250,000	0	0
5.050	*Total Expenditures and Other Financing Uses*	18,567,706	19,113,192	19,605,545	2.8%	16,971,270	17,228,175	16,983,290	17,180,340	17,673,145
6.010	*Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses*	317,281	(942,634)	414,544	-270.5%	(398,438)	(138,113)	(163,502)	(1,301,034)	(2,200,898)
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	647,433	509,320	345,818	(955,216)
7.020	*Cash Balance June 30*	1,573,961	631,327	1,045,871	2.9%	647,433	509,320	345,818	(955,216)	(3,156,114)
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%	642,433	504,320	340,818	(960,216)	(3,161,114)
	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%	642,433	504,320	1,006,290	1,611,669	1,887,017
	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%	642,433	504,320	1,006,290	1,611,669	1,887,017

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

November 20, 2023

Margaretta Local School District – Erie County
Notes to the Five-Year Forecast
General Fund Only
November 20, 2023

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.

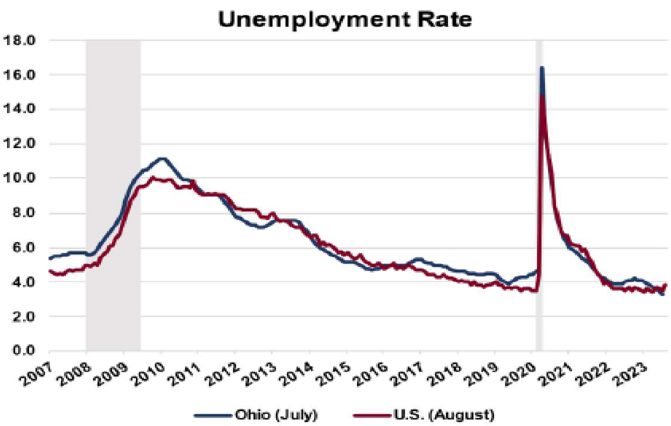
O.R.C. §5705.391 and O.A.C. 3301-92-04 require a Board of Education (BOE) to file a five-year financial forecast by November 30, 2023, and May 31, 2024, for the fiscal year 2024 (July 1, 2023, to June 30, 2024). The five-year forecast includes three years of actual and five years of projected general 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 available for the November 2023 filing.

Economic Outlook

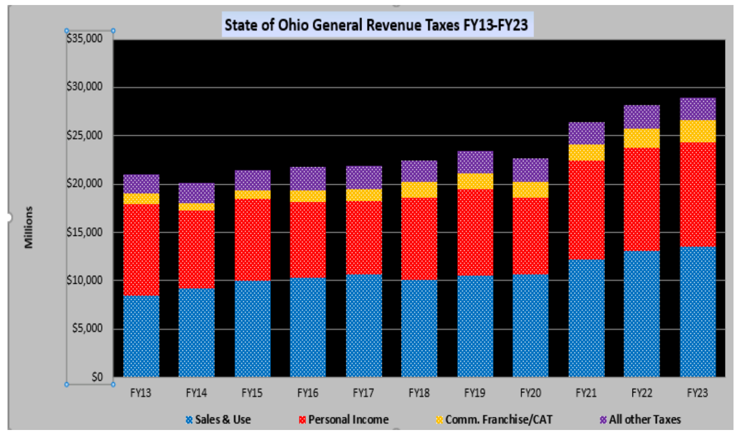
This five-year forecast is submitted during the multiyear economic recovery following the 2020 COVID-19 Pandemic. The recovery began in the fall of 2020 and remains robust through this forecast date. Many supply chain concerns have lessened as manufacturing has caught up. However, persistently high inflation 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 the current annualized rate of 3.4% in August 2023. Costs in FY23 were notably impacted in areas such as capital and durable goods, diesel fuel for buses, electric, natural gas, and building materials for facility maintenance and repair. Increased inflation affecting district costs is expected to continue in FY24. However, the Federal Reserve is projecting inflation to be closer to their target rate of 2% sometime in calendar year 2024. It remains to be seen if the cumulative cost increases over the past two years are transitory in goods and services or will last over several years, which could adversely affect our forecast.

The Federal Reserve Bank has made fighting inflation its number one concern. Interest rates are expected to increase again before December 2023, which may result in increased unemployment. Still, many economists anticipate a "full employment recession" in the first half 2024. In the history of our country, there has never been a full employment recession. However, the possibility of one underscores why this is a unique time in our economic history.

As noted in the graphs below, the State of Ohio has enjoyed economic growth over the past three years, and the State's Rainy Day Fund is at $3.7 Billion, which is a record high. School funding cuts made in FY20 have been fully restored, and a new state funding formula is in the third year of a projected six-year phase-in. While increased inflation affecting district costs is expected to continue over the next few years, the state's economy has grown, and many school districts received new funding in HB33 for FY24 and FY25. The ongoing growth in Ohio's economy should enable the State to continue the phase-in of the new funding formula even if a cyclical recession occurs. Regardless, the State is well positioned to continue State aid payments to Ohio's school districts.



Source: Bureau of Labor Statistics through FRED



Source: Ohio Office of Budget and Management

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 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 how they may affect our 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 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 65% of the district's resources. Our tax collections in the March 2023 and August 2023 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 be $9.7 million, or an increase of 4.6%. 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 35% 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 record 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 make 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 FY24 and 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 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.

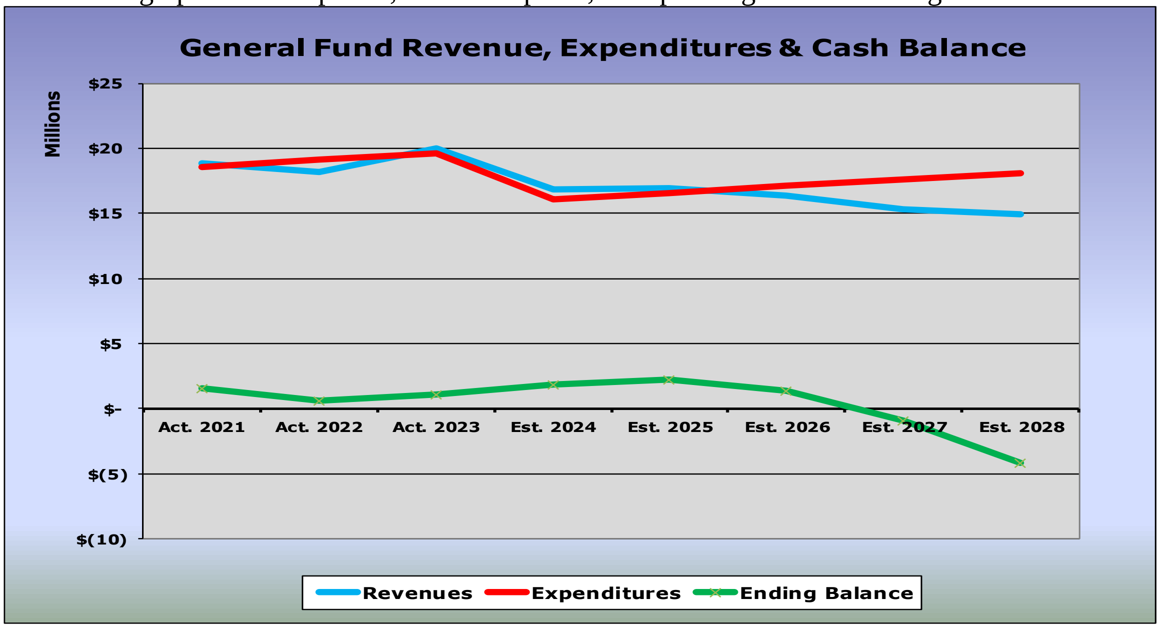
VII. The Nexus Pipeline valuation dispute has been a long process; however, the parties involved have reached a final settlement and we will be working closely with the county auditor's office to ensure we fully understand how this valuation change will affect the district's Public Utility Personal Property (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.

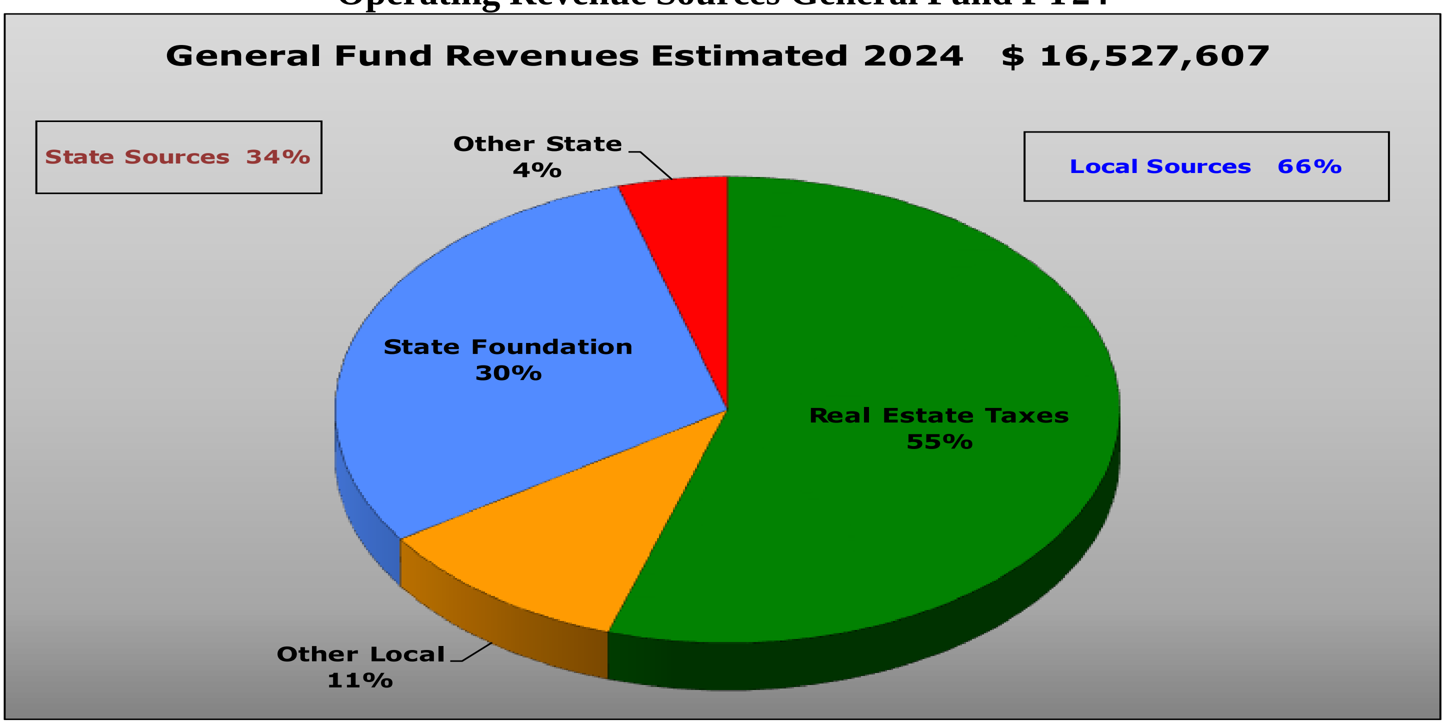
The significant lines of reference for the forecast are noted below in the headings to make it easier to relate the assumptions made for the forecast item and refer back to the forecast. It should assist the reader in reviewing the assumptions noted below in understanding the overall financial forecast 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 2022, new construction in residential property was up 0.49% or $915 thousand in assessed value, and commercial/industrial values increased $309 thousand. Overall values increased $3.1million or 1.5%, 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 $9.7 million or 4.6%, overall.

Public Utility Personal Property (PUPP) values decreased by $30 million in tax year 2022. We expect our values to continue to decrease by an average $1.85 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.

Estimated Assessed Value (AV) by Collection Years

Tax Rates

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 25.45 mills and the Class II effective millage rate is 41.37 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

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. Collections in FY23 were up $24 thousand due to additional delinquent taxes collected in the August and March tax settlements.

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.

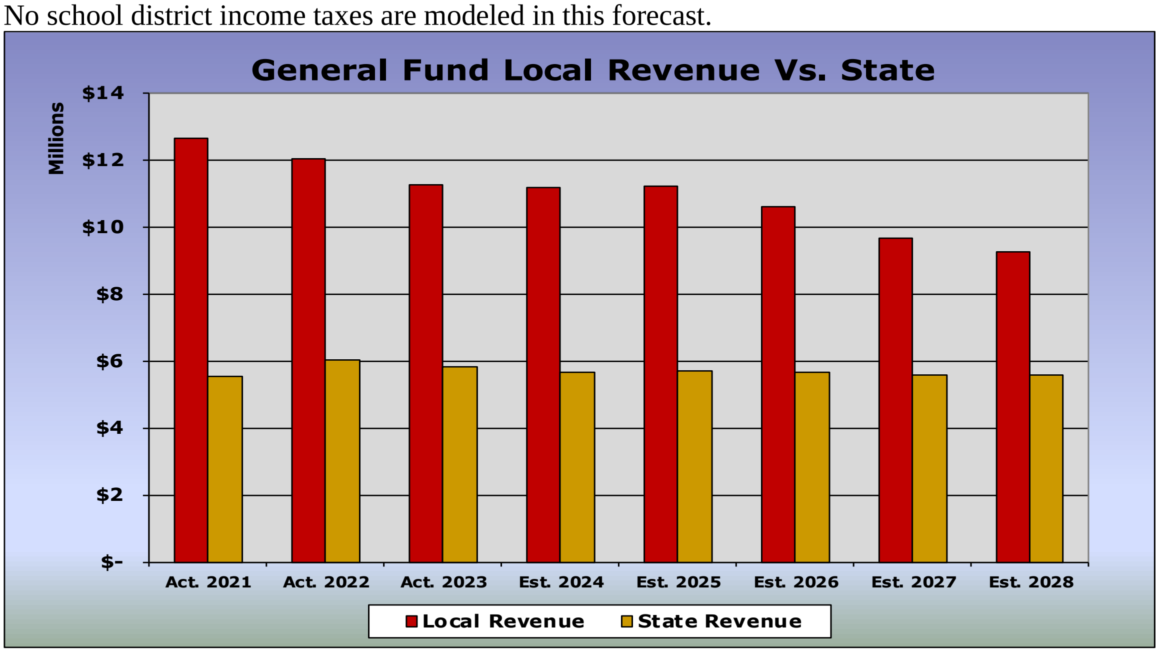
The continued approval of these levies is critical for the district due to the increased value of PUPP due to the Nexus Pipeline, whose taxes are assessed based on the higher, voted millage, not the lower, effective millage at which residential, agricultural and commercial properties are assessed.

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 $71.3 million in assessed values in 2022 and are collected at the district's gross voted millage rate. Collections are typically 50% in March and 50% in August along with the real estate settlements from the county auditor. The values in 2022 fell by 29.6% or $30 million and are expected to decrease by an average $1.85 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 it should be. We will continue to monitor and update as more information is provided from the resulting settlement.

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 FY24 funding based on the November 2023 foundation settlement and funding factors.

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 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, 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.

Base Cost Approach - Unrestricted Basic Aid Foundation Funding

The current funding formula uses FY22 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 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)

State Share Percentage – Unrestricted Basic Aid Foundation Funding

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 to 50% for 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.

Catastrophic Aid
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 FY21 was 73.83 million or $42.18 per pupil. In FY22, the funding was increased to $109.39 million for schools or $62.86 per pupil, and in FY23, the funding totaled $113.1 million or $64.90 per pupil. We expect the Casino revenues to have resumed their historical growth rate and are assuming a 2% annual growth rate for the remainder of the forecast.

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

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 October funding factors. 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.

Restricted Federal Grants in Aid – Line #1.045

There are no federal restricted grants projected during this forecast.

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

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.

HB110, the previous state budget, stopped paying open enrollment as an increase to other revenue for the district. This is projected below as zeros to help show the difference between projected FY24-FY28 Line 1.06 revenues and historical FY21 through FY23 revenues on the five-year forecast. 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 be sometime in 2024, decreasing the opportunity for more significant interest income for the district. We will continue to monitor the investments for the district. 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 the decline of their ADM numbers, based on the ODE Settlement agreement that restricts TCS enrollment. We have increased FY24-28 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.

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

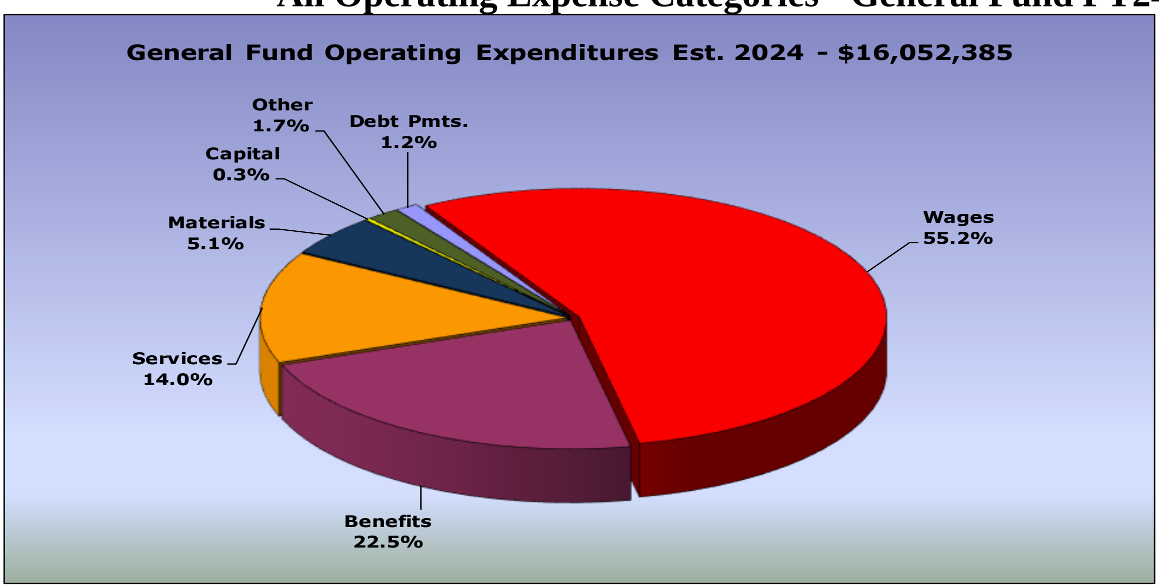
Transfers In / Return of Advances – Line #2.040 & Line #2.050
These are non-operating revenues, which are the repayment of short-term loans to other funds over the previous fiscal year and reimbursements for expenses received for a previous fiscal year in the current fiscal year.

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.

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 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 includes 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.

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

The district realized an increase of 9.6% in FY24, estimating increases of 7% in FY25-26, then 5% for the remainder of the forecasted 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.

C) 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.

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

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 on 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.

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.

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.

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.

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%.

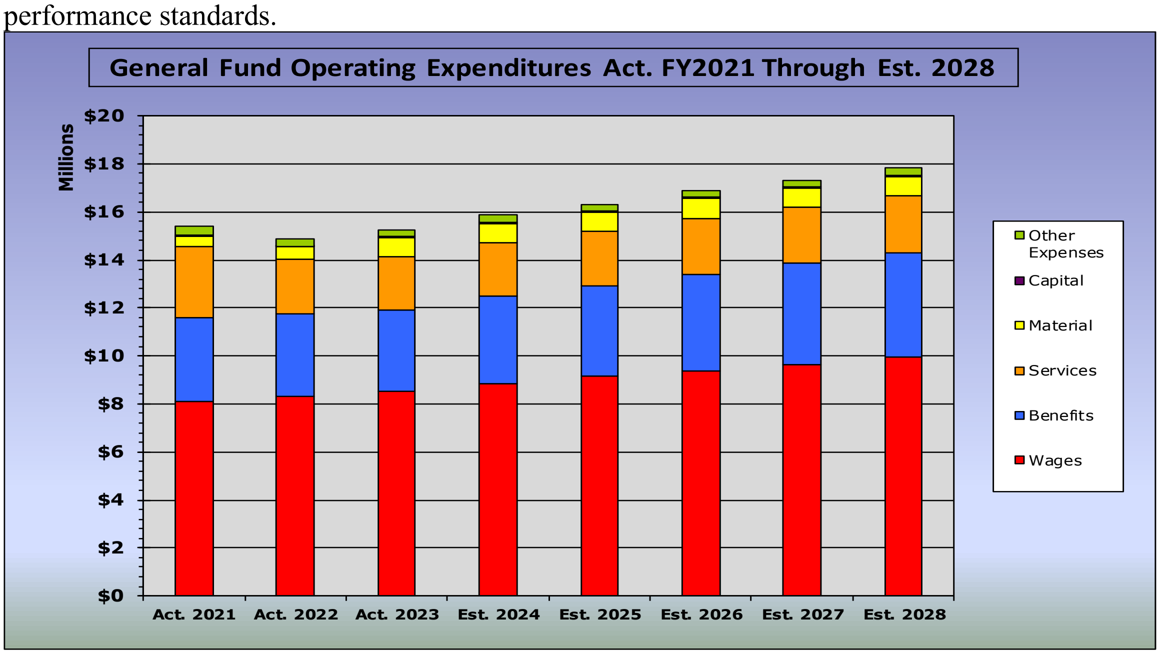
Transfers Out/Advances Out – Line# 5.010

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 shortfalls and it is assumed transfers 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.

Operating Expenditures Actual FY21 through FY23 and Estimated FY24-FY28

As the graph on the following page indicates, we have diligently contained costs due to lower and flat state revenues. We control our expenses while balancing students' academic needs to enable them to excel and perform well on state performance standards.

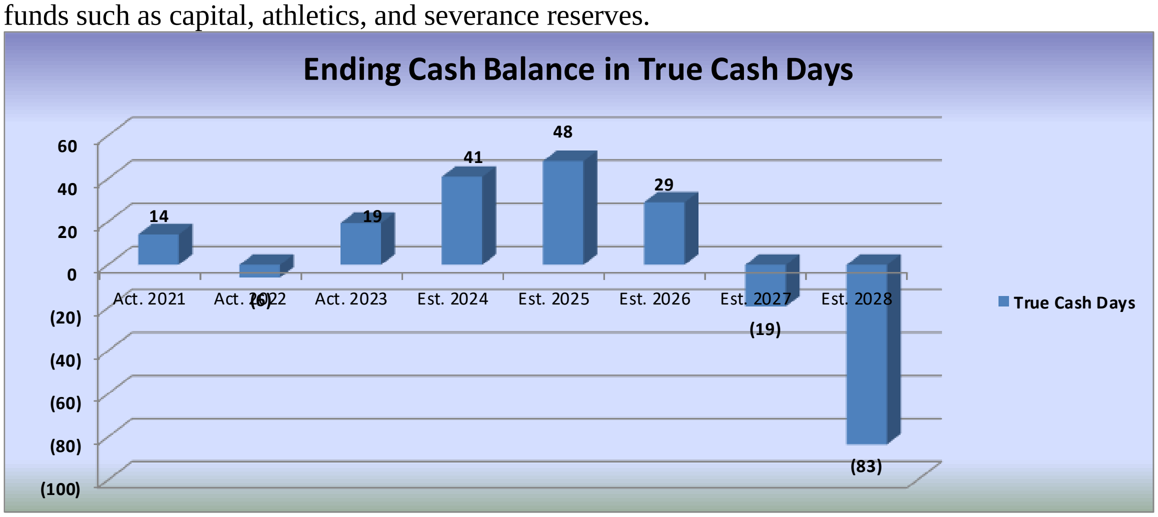


Encumbrances –Line#8.010
These are outstanding purchase orders that have not been approved for payment, as the goods were not received in the fiscal year in which they were ordered.

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.

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 $2.6 million for our district.

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 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. Although GFOA sets the minimum balance on hand to be thirty (30) days, GFOA recommends 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.



<u>Conclusion</u>

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 continuation of the Fair School Funding Plan 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.

The district is receiving funding through the CARES Act and ESSER funds that are to be used for helping due to the pandemic. ARP ESSER funding has been allocated to our district that can be used through September 2024, 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 information that is known at the time that it is prepared.