MARGARETTA LOCAL SCHOOL DISTRICT
ERIE COUNTY

SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE FISCAL YEARS ENDED JUNE 30, 2019, 2020 and 2021 ACTUAL FORECASTED FISCAL YEARS ENDING JUNE 30, 2022 THROUGH JUNE 30, 2026

Margaretta Local School District

Treasurer's Office

Mrs. Diane Keegan, Treasurer

October 18, 2021

MARGARETTA LOCAL SCHOOL DISTRICT
Erie County

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2019, 2020, 2021
Forecasted Fiscal Year Ending June 30, 2022 through 2026

		Actual				Forecasted				
		Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Average Change	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026
	Revenues									
1.010	General Property Tax (Real Estate)	4,967,158	4,990,335	4,866,409	-1.0%	4,873,820	5,070,552	5,115,951	5,161,093	5,205,979
1.020	Public Utility Personal Property Tax	723,910	2,762,247	4,808,064	177.8%	4,709,005	4,638,298	4,516,218	4,398,836	4,285,992
1.030	Income Tax	0	0	0	0.0%	0	0	0	0	0
1.035	Unrestricted State Grants-in-Aid	4,492,246	4,224,798	4,332,344	-1.7%	4,723,521	4,744,334	4,745,681	4,747,050	4,748,452
1.040	Restricted State Grants-in-Aid	86,314	82,747	82,854	-2.0%	83,110	83,110	83,110	83,110	83,110
1.045	Restricted Federal Grants In Aid	0	0	0	0.0%	0	0	0	0	0
1.050	Property Tax Allocation	1,427,790	1,275,447	1,118,846	-11.5%	1,024,885	928,334	764,328	735,616	742,198
1.060	All Other Revenues	3,339,743	3,259,835	2,979,077	-5.5%	1,755,805	1,827,897	1,944,378	1,996,553	2,050,480
1.070	*Total Revenues*	15,037,161	16,595,409	18,187,594	10.0%	17,170,146	17,292,525	17,169,666	17,122,258	17,116,211
	Other Financing Sources									
2.010	Proceeds from Sale of Notes	0	0	0	0.0%	0	0	0	0	0
2.020	State Loans and Advancements (Approved)	0	0	0	0.0%	0	0	0	0	0
2.040	Operating Transfers-In	0	470,211	412,884	0.0%	90,608	0	0	0	0
2.050	Advances-In	0	0	2,400	0.0%	0	0	0	0	0
2.060	All Other Financing Sources	0	7,195	282,109	0.0%	7,200	7,200	7,200	7,200	7,200
2.070	*Total Other Financing Sources*	0	477,406	697,393	0.0%	97,808	7,200	7,200	7,200	7,200
2.080	*Total Revenues and Other Financing Sources*	15,037,161	17,072,815	18,884,987	12.1%	17,267,954	17,299,725	17,176,866	17,129,458	17,123,411
	Expenditures									
3.010	Personal Services	8,035,648	7,819,926	8,091,168	0.4%	8,059,130	8,160,813	8,446,383	8,719,906	9,003,153
3.020	Employees' Retirement/Insurance Benefits	3,309,459	3,339,769	3,490,549	2.7%	3,551,603	3,707,534	3,869,800	4,035,632	4,209,395
3.030	Purchased Services	3,111,677	2,883,160	2,968,989	-2.2%	2,127,012	2,153,812	2,181,100	2,208,892	2,237,200
3.040	Supplies and Materials	393,870	355,799	417,022	3.8%	479,107	481,503	483,910	486,330	488,761
3.050	Capital Outlay	9,110	4,847	51,914	462.1%	188,748	140,494	142,274	144,089	145,941
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	462,000	483,000	498,000	3.8%	144,000	149,000	155,000	162,000	162,000
4.060	Interest and Fiscal Charges	102,846	85,626	67,750	-18.8%	55,483	49,007	42,289	35,283	35,283
4.300	Other Objects	191,170	230,628	389,277	44.7%	234,812	231,412	241,816	238,418	249,101
4.500	*Total Expenditures*	15,615,780	15,202,755	15,974,669	1.2%	14,839,895	15,073,575	15,562,572	16,030,550	16,530,834
	Other Financing Uses									
5.010	Operating Transfers-Out	88,231	1,398,179	2,593,037	785.1%	1,899,646	1,834,559	1,771,749	1,711,138	1,007,589
5.020	Advances-Out	0	2,400	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*	88,231	1,400,579	2,593,037	786.3%	1,899,646	1,834,559	1,771,749	1,711,138	1,007,589
5.050	*Total Expenditures and Other Financing Uses*	15,704,011	16,603,334	18,567,706	8.8%	16,739,541	16,908,134	17,334,321	17,741,688	17,538,423
6.010	*Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses*	(666,850)	469,481	317,281	-101.4%	528,413	391,591	(157,455)	(612,230)	(415,012)
7.010	Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	1,454,049	787,199	1,256,680	6.9%	1,573,961	2,102,374	2,493,965	2,336,510	1,724,280
7.020	*Cash Balance June 30*	787,199	1,256,680	1,573,961	42.4%	2,102,374	2,493,965	2,336,510	1,724,280	1,309,268
8.010	*Estimated Encumbrances June 30*	3,593	16,618	0	131.3%	5,000	5,000	5,000	5,000	5,000

MARGARETTA LOCAL SCHOOL DISTRICT
Erie County

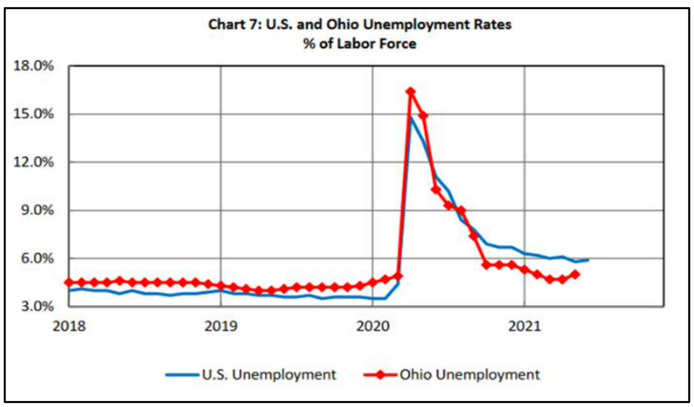
Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2019, 2020, 2021
Forecasted Fiscal Year Ending June 30, 2022 through 2026

		Actual				Forecasted				
		Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Average Change	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026
	Reservation of Fund Balance									
9.010	Textbooks and Instructional Materials	0	0	0	0.0%	0	0	0	0	0
9.020	Capital Improvements	0	0	0	0.0%	0	0	0	0	0
9.030	Budget Reserve	0	440,757	853,641	0.0%	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*	0	440,757	853,641	0.0%	944,249	944,249	944,249	944,249	944,249
10.010	*Fund Balance June 30 for Certification of Appropriations*	783,606	799,305	720,320	-3.9%	1,153,125	1,544,716	1,387,261	775,031	360,019
	Revenue from Replacement/Renewal Levies									
11.010	Income Tax - Renewal	0	0	0	0.0%	0	0	0	0	0
11.020	Property Tax - Renewal or Replacement	0	0	0	0.0%	0	0	0	0	769,727
11.300	Cumulative Balance of Renewal Levies	0	0	0	0.0%	0	0	0	0	769,727
12.010	*Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations*	783,606	799,305	720,320	-3.9%	1,153,125	1,544,716	1,387,261	775,031	1,129,746
	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*	783,606	799,305	720,320	-3.9%	1,153,125	1,544,716	1,387,261	775,031	1,129,746
	ADM Forecasts									
20.010	Kindergarten - October Count	-	-	-	0.0%	-	-	-	-	-
20.015	Grades 1-12 - October Count	-	-	-	0.0%	-	-	-	-	-

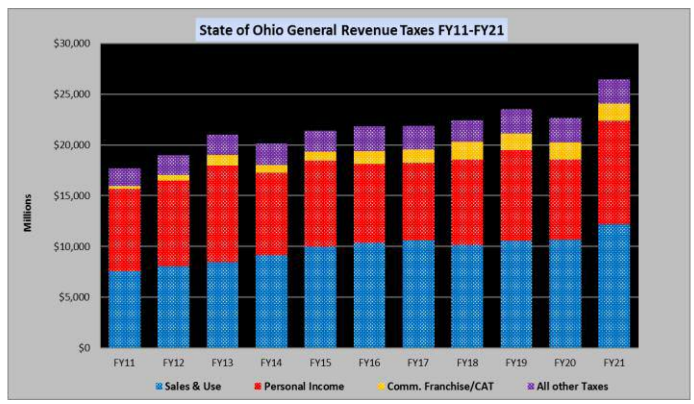
Margaretta Local School District – Erie County
Notes to the Five Year Forecast
General Fund Only
October 18, 2021

Introduction to the Five Year Forecast
School districts are required to file a five (5) year financial forecast by November 30, 2021, and May 31, 2022 for fiscal year 2022 (July 1, 2021 to June 30, 2022). The five-year forecast includes three years of actual and five years of projected general fund revenues and expenditures. Fiscal year 2022 (July 1, 2021 through June 30, 2022) is the first year of the five-year forecast and is considered the baseline year. Our forecast is being updated to reflect the most current economic data available to us for the November 2021 filing.

Economic Outlook
This five-year forecast is being filed during the ongoing global health and financial recovery from the COVID-19 Pandemic which began in early 2020. The effects of the pandemic continue to impact our state, country and our globalized economy. Our school district plays a vital role in the recovery in our community and we have maintained continuity of services to our students and staff. As noted in the graphs below, the State of Ohio's economy has steadily recovered over the past year thus the full restoration of the original school foundation funding cuts from May 2020 are being restored to school districts beginning July 1, 2021. While increased inflation impacting district costs are expected to continue over the next few years, the economy is also expected to continue to grow as the recovery from the pandemic continues.



Source: Ohio Office of Budget and Management



Source: Ohio Office of Budget and Management

As a result from the financial stresses that responding to the pandemic placed on school district budgets, all school districts are being aided by three (3) rounds of federal Elementary and Secondary Schools Emergency Relief Funds (ESSER) which began being disbursed in fiscal year 2020 and can be extended into fiscal year 2025 for ESSER III expenses. The ESSER funds and restored state budget cuts will assist our district in providing vital services to our students.

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 next 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 to us and the laws in effect at this time. The items below give a short description of the current issues and how they may affect our forecast long term:

I. Property tax collections are the single largest revenue source for the school system. The housing market in our district is stable. Although we project no material growth in appraised values every three (3) years, we are projecting moderate new construction growth. Total local revenues, which are predominately local taxes, equate to 66% of the district's resources. Collection rates for the 1st half 2020 collection, collected in 2021 did not show sharp declines due to increased delinquencies. We believe there is a low risk that local collections would fall below projections in the forecast.

II. Erie County experienced a reappraisal in the 2018 tax year to be collected in 2019. The 2018 reappraisal increased overall assessed values by 0.35% due to the reappraisal. The changes authorized by HB49 to CAUV values that lowered agricultural values by an estimated 30% played a part in keeping the overall residential/agricultural value increases this low. For the 2021 update the projection is, conservatively, that the residential/agricultural tax base overall will grow 3% as a result of the update, and that commercial and mineral values will grow by 1.5%, but as noted above, there are many changes that can take place that making predicting the values with high accuracy nearly impossible. Mineral values can decrease as rapidly as they increase and the district is cautious in projecting large increases when a decrease may be as likely.

III. The state budget represents 34% of district revenues, which means it is a significant area of risk to revenue. The future risk comes in FY24 and beyond if the state economy stalls or worsens and the fair school funding plan is not funded in future state budgets or if an economic downturn results in a reduction in state aid. There are two future State Biennium Budgets covering the period from FY24-25 and FY26-27 in this forecast. Future uncertainty in both the state foundation funding formula and the state's economy makes this area an elevated risk to district funding long range through FY26. We have projected our state funding to be in line with the FY23 funding levels through FY26, 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 actual release of the new Fair School Funding Plan formula has been delayed until December which is beyond the filing deadline of this forecast. We have projected FY22 and FY23 funding to be in line with the June 28, 2021 Legislative Service Commission estimates for our district. The FSFP has many significant changes to the way 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. There will be no separate open enrollment revenue payments to school districts beginning in FY22. There will also be direct funding to the district where students are educated for expenses previously deducted from districts state foundation funding for open enrollment, community schools, STEM schools and scholarship recipients. The initial impact on the forecast will be that the historic actual costs for FY19 through FY21 on the forecast will potentially reflect different trends on Lines 1.035, 1.04, 1.06 and 3.03 beginning in FY22. Longer term there may be some adjustments for FY22 and FY23 in state aid as the Ohio Department of Education resolves issues and possible unintended consequences as they create and implement the numerous changes to the complicated new formula. Our state aid projections have been based on the best information on the new HB110 formula as calculated by the Ohio Department of Education.

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 collection ends 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, and is a major increase in current and future revenue. It should be mentioned that the taxing authorities billed Nexus approximately $8.3 million dollars payable in two tax installment payments. Nexus first appeal was denied which first requested a reduction of 47% and as such, Nexus tender paid the tax payment of $4.2 million of 2020. Nexus has submitted a second appeal requesting values to be decreased to 39.72% and the request was denied in the first round of the appeal. The forecast assumes their appeal is won and the district only receives the lower 47% valuation. The first year collection appeal is scheduled to be heard by the Bureau of Tax Appeals, beginning February 14, 2022. NEXUS has also appealed the second year valuations and is tender paying (i.e., short paying) to approximately 40% of the billed value in the second year as well.

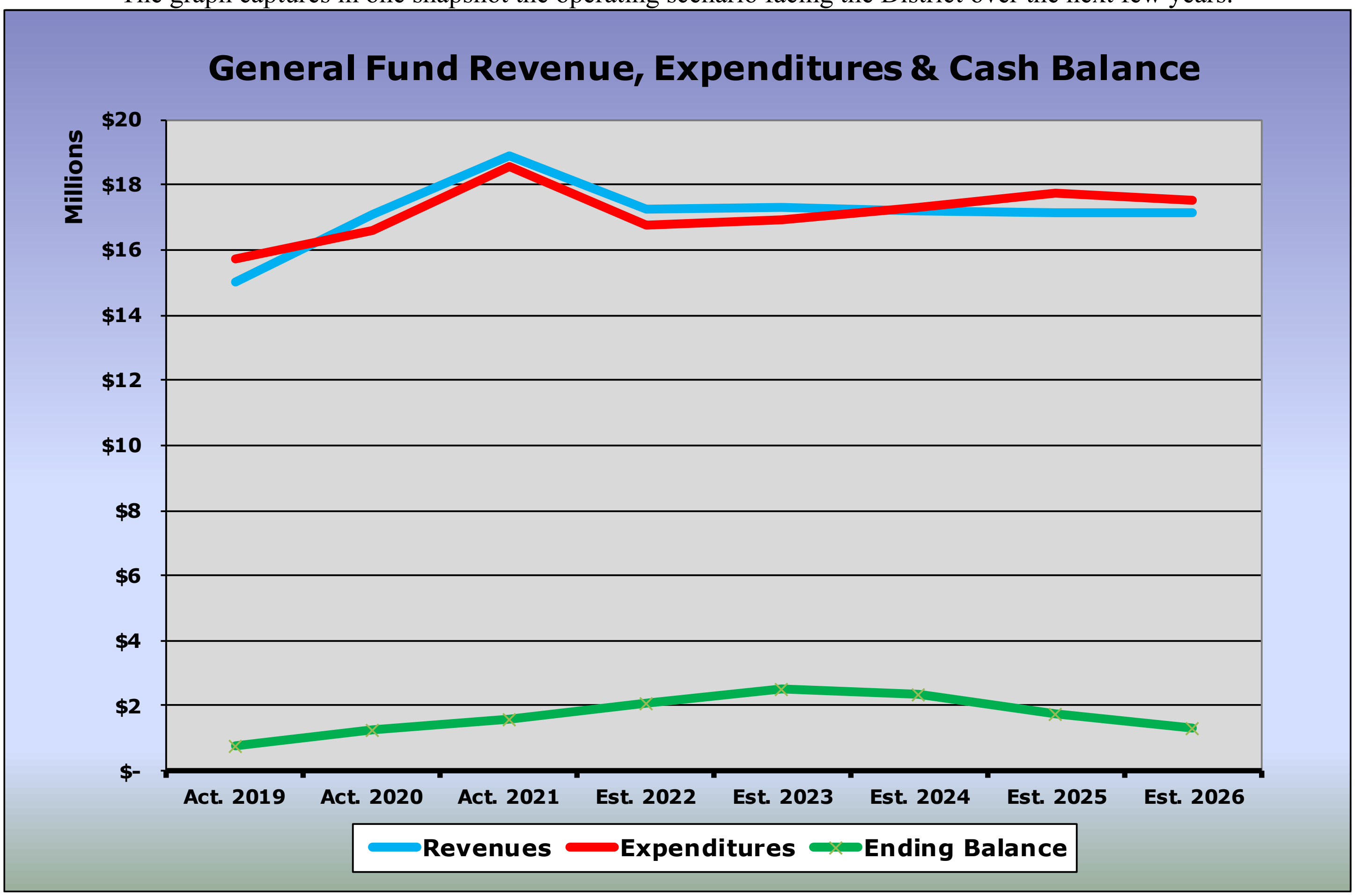
VII. HB110 direct pays costs associated with open enrollment, community and STEM schools, and for all scholarships including EdChoice Scholarships. These costs will no longer be deducted from our state aid. However, there still are education option programs such as College Credit Plus which continue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

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

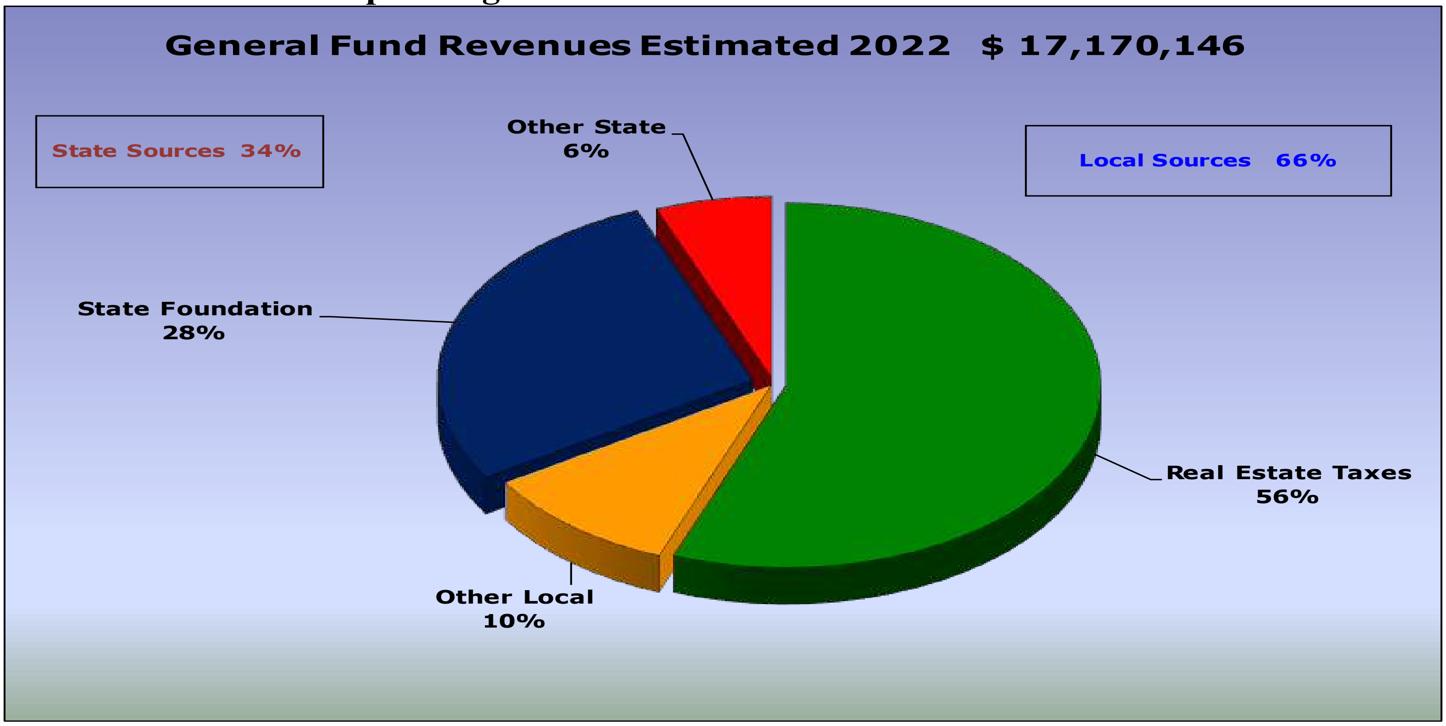
The major lines of reference for the forecast are noted below in the headings to make it easier to relate the assumptions made for the forecast item and refer back to the forecast. It should be of assistance to the reader to review the assumptions noted below in understanding the overall financial forecast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

General Fund Revenue, Expenditures and Ending Cash Balance Actual FY19-21 and Estimated FY22-26

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



Revenue Assumptions
Operating Revenue Sources General Fund FY22



Real Estate Value Assumptions – Line # 1.010

Property Values are established each year by the County Auditor based on new construction, demolitions, BOR/BTA activity and complete reappraisal or updated values. Erie County experienced a reappraisal for the 2018 tax year to be collected in 2019. Residential/agricultural values increased 0.35% or $566 thousand due to the reappraisal led by an improving housing market.

For tax year 2020 new construction in residential property was up 0.96% or $1.6 million in assessed value and commercial/industrial values increased $106 thousand. Over all values rose $2.3 million or 1.25%, which includes new construction for all classes of property.

Sandusky County went through a reappraisal, and Erie County had a triennial update in 2021 for collection in 2022 for which we are estimating a total 3% increase in residential and 1.5% increase for commercial/industrial property. We anticipate Residential/Agricultural and Commercial/Industrial values to increase $5.3 million or 2.85% overall.

Public Utility Personal Property (PUPP) values decreased by $2.26 million in tax year 2020. 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 YEAR2021 COLLECT 2022	Estimated TAX YEAR2022 COLLECT 2023	Estimated TAX YEAR2023 COLLECT 2024	Estimated TAX YEAR2024 COLLECT 2025	Estimated TAX YEAR2025 COLLECT 2026
Res./Ag.	$174,943,901	$176,547,681	$178,151,461	$179,755,241	$181,359,021
Commercial/Mineral	19,574,262	19,887,722	20,201,182	20,514,642	20,828,102
Public Utility (PUPP)	78,698,252	76,610,821	74,605,200	72,678,526	70,828,035
Total Assessed Value	$273,216,415	$273,046,224	$272,957,843	$272,948,409	$273,015,158

ESTIMATED REAL ESTATE TAX - Line #1.010

Source	FY22	FY23	FY24	FY25	FY26
Property Taxes	$4,873,820	$5,070,552	$5,115,951	$5,161,093	$5,205,979

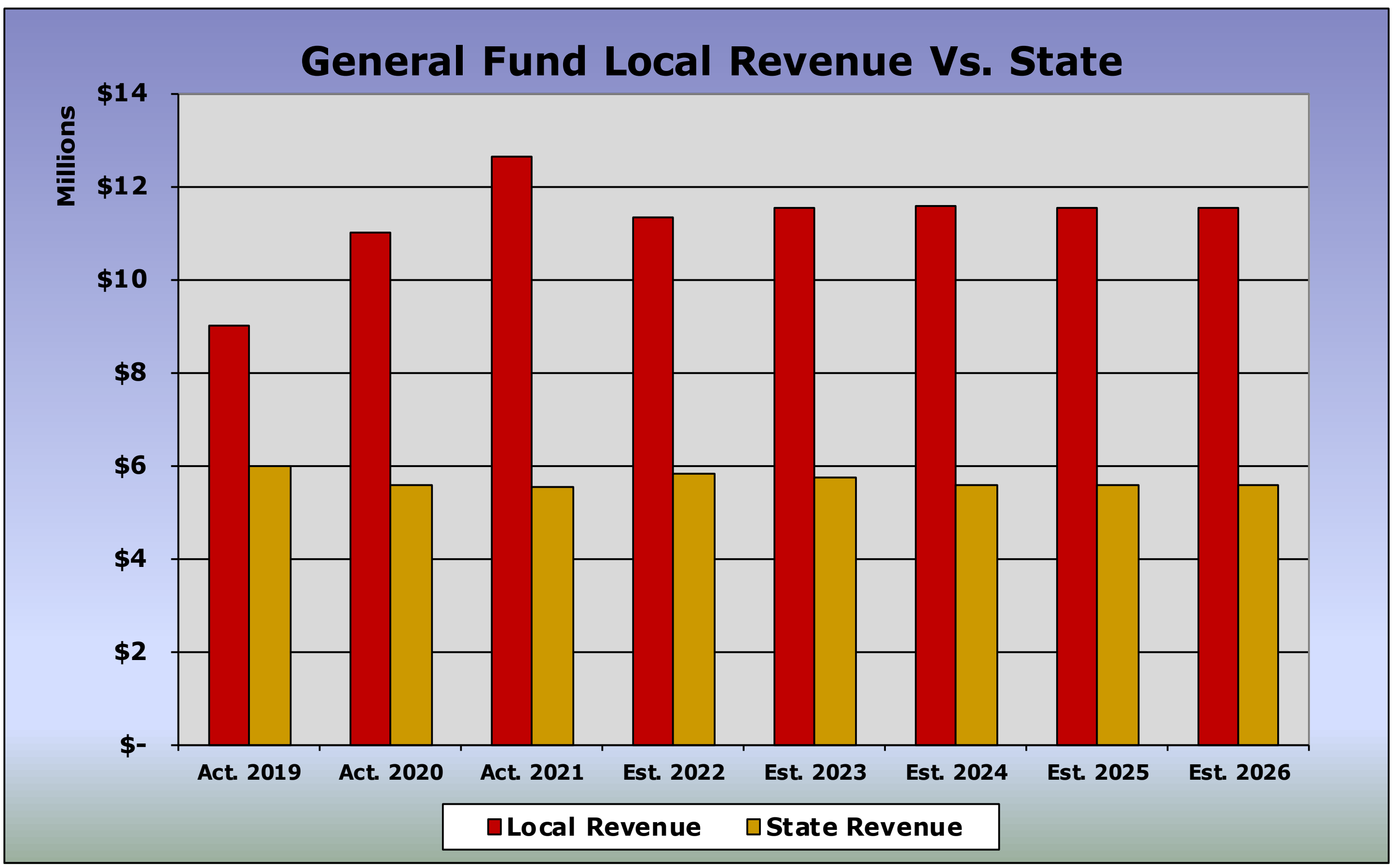
Property tax levies are estimated to be collected at 98% of the annual amount. This allows 2% delinquency factor. In general, 56% of the Res/Ag and Comm/Ind property taxes are expected to be collected in the February tax settlement and 44% collected in the August tax settlement. Public Utility tax settlements (PUPP taxes) are estimated to be received 50% in February and 50% in August settlement from the County Auditor and are noted in Line #1.02 totals below.

Levy Renewal –Line # 11.02
The District renewed its 7.75 mill current expense levy on May 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. Please note that renewal levies do not bring in additional tax revenues to the district. The renewing levies are for the same revenue the district is currently collecting.

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

Estimated Tangible Personal Tax & PUPP Taxes – Line#1.020
Amounts noted below are public utility tangible personal property (PUPP) tax payments from public utilities. The values for PUPP are noted on the table above under Public Utility (PUPP), which is $80.8 million in assessed values in 2020 and are collected at the district's gross voted millage rate of 58.71. This increased by $71.7 million in tax year 2019 due to the NEXUS Pipeline coming online. Collections are typically 50% in February and 50% in August along with the real estate settlements from the county auditor. This is a major revenue stream for the district, and will continue to be monitored for future valuation growth trends.

Source	FY22	FY23	FY24	FY25	FY26
Public Utility Personal Property	$4,709,005	$4,638,298	$4,516,218	$4,398,836	$4,285,992



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

Current State Funding Model per HB110 through June 30, 2023

A) Unrestricted State Foundation Revenue– Line #1.035

The actual release of the new Fair School Funding Plan formula has been delayed until December which is beyond the filing deadline of this forecast. We have projected FY22 and FY23 funding to be in line with the June 28, 2021 Legislative Service Commission estimates for our district.

The amounts estimated for state funding are based on HB110, referred to as the 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 and was dropped in FY19 after six (6) years, followed by no foundation formula for two (2) years in FY20 and FY21, and now HB110 implements the newest and possibly the most complicated funding formula in recent years for FY22 and FY23. HB110, 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 FY22 through FY26 compared to actual data FY19 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
C. Personal Income of District Residents
D. Historical Funding- CAPS and Guarantees from prior funding formulas

<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 that includes base 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 estimated to be as high as $7,202 per pupil when fully phased in, 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 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 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 most recent year federal median income of district residents multiplied by number of returns in that year divided by base students enrolled
4. When the weighted values are calculated and Items 1. through 3. above added together, the total is then multiplied by a Local Share Multiplier Index from ranging 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 amount of the base per pupil funding amount. The balance of this amount is the state share to pay.

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). 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 and not a specific amount. An amount of 10% will be reduced from all districts' calculation to be used toward the state appropriation for Catastrophic Cost reimbursement.
3. Transportation Aid – Funding 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.

Restricted Categorical State Aid

1. Disadvantage Pupil Impact Aid (DPIA)- Formerly Economically Disadvantaged Funding, DPIA is based on number and concentration of economically disadvantaged students compared to state average and multiplied by $422 per pupil. Phase in increases are limited to 0% for FY22 and 14% in FY23.
2. English Learners – Based on funded categories based on 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 & Success Funding – moved into DPIA funding, is restricted funding and will be spent on same initiatives and requirements that were previously designated under the stand alone fund.

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

HB110 includes "formula transition aid" which is a guarantee. There are actually three (3) guarantees in both temporary and permanent law to ensure that no district will get less funds in FY22 than they received in FY21. The guarantee level of funding for FY22 is a calculated funding guarantee level based on full 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.

Student Wellness and Success (Restricted Fund 467)
In FY20 and FY21, HB166 provided Student Wellness and Success Funds (SWSF) to be deposited in a Special Revenue Fund 467. HB110, the new state budget, has essentially eliminated these funds by merging them into state aid and wrapped into the expanded funding and mission of DPIA funds noted above and on Line 1.04 below. Any remaining funds in Special Revenue Fund 467 will be required to be used for the restricted purposes governing these funds until spent fully.

Future State Budgets Projections Beyond FY23
Our funding status for the FY24-26 will depend on two (2) new state budgets which are unknown. 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 FY23 through FY26.

Casino Revenue

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

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 largely due to their closure and not in response to the economic downturn. Prior to COVID-19 closure, casino revenues were growing modestly as the economy improved. Original projections for FY22-26 estimated a .4% decline in pupils to 1,778,441 and GCR increasing to $106.35 million or $59.80 per pupil. We believe FY22 Casino revenues will resume their historical growth rate.

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

Source	FY22	FY23	FY24	FY25	FY26
Basic Aid-Unrestricted	$4,291,877	$4,311,365	$4,311,365	$4,311,365	$4,311,365
Additional Aid Items	211,950	211,950	211,950	211,950	211,950
Basic Aid-Unrestricted Subtotal	$4,503,827	$4,523,315	$4,523,315	$4,523,315	$4,523,315
Catastrophic and Motor Fuel Refund	153,675	153,675	153,675	153,675	153,675
Ohio Casino Commission ODT	66,019	67,344	68,691	70,060	71,462
Unrestricted State Aid Line # 1.035	$4,723,521	$4,744,334	$4,745,681	$4,747,050	$4,748,452

B) 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. The amount of DPIA is limited to 0% phase in growth for FY22 and 14% in FY23. At this time we do not have the actual distribution of restricted revenue in HB110 which is anticipated to be released in December, after this submission. We will update this allocation with the May submission.

Source	FY22	FY23	FY24	FY25	FY26
DPIA	$38,211	$38,211	$38,211	$38,211	$38,211
Career Tech - Restricted	$44,899	$44,899	$44,899	$44,899	$44,899
Gifted	$0	$0	$0	$0	$0
ESL	0	0	0	0	0
Restricted Revenues Line #1.040	$83,110	$83,110	$83,110	$83,110	$83,110

C) Restricted Federal Grants in Aid – line #1.045

No federal unrestricted grants are projected FY22-26.

Summary	FY22	FY23	FY24	FY25	FY26
Unrestricted Line # 1.035	$4,723,521	$4,744,334	$4,745,681	$4,747,050	$4,748,452
Restricted Line # 1.040	83,110	83,110	83,110	83,110	83,110
Rest. Fed. Grants #1.045	0	0	0	0	0
Total State Foundation Revenue	$4,806,631	$4,827,444	$4,828,791	$4,830,160	$4,831,562

State Taxes Reimbursement/Property Tax Allocation

Rollback and Homestead Reimbursement

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

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

Tangible Personal Property Reimbursements – Fixed Rate
Beginning in FY18, SB 208 amended HB64 and became effective February 15, 2016. SB 208 provides that beginning in FY18, the TPP Fixed Rate funding will be phased out at 5/8ths (62.5%) of what 1 mill would raise in local taxes on the three (3) year average of assessed values. Based on our calculations, we will receive TPP Phase out payments FY20 through FY25. We project with the new phase-out calculation that TPP Fixed Rate reimbursements will be fully phased out for our district in fiscal year 2024.

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

Summary of State Tax Reimbursement – Line #1.050

Source	FY22	FY23	FY24	FY25	FY26
Rollback and Homestead	$703,759	$722,354	$729,002	$735,616	$742,198
TPP Reimbursement - Fixed Rate	321,126	205,980	35,326	0	0
TPP Reimbursement - Fixed Sum	0	0	0	0	0
Total Tax Reimbursements #1.050	$1,024,885	$928,334	$764,328	$735,616	$742,198

Other Local Revenues – Line #1.060
All other local revenue encompasses any type of revenue that does not fit into the above lines. The main sources of revenue in this area have been open enrollment, tuition for court placed students, student fees, 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 zeros to help show the difference between projected FY22-26 Line 1.06 revenues and historical FY19 through FY21 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 at and state aid will follow the students. Open enrolled student revenues will be included in Line 1.035 as state basic aid. In FY21 interest income fell sharply due to fed rate reductions due to the pandemic which will impact our earning capability in this area until rates begin to increase. Rentals are expected to remain somewhat lower due to COVID-19 restrictions and lower participation.

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

Source	FY22	FY23	FY24	FY25	FY26
Rentals	$253,016	$253,016	$253,016	$253,016	$253,016
Open Enrollment	0	0	0	0	0
Interest	18,750	42,000	108,000	108,000	108,000
Other Tuition SF-6, SF-14, SF-14H	546,490	562,885	579,772	597,165	615,080
Shared Services & Preschool	505,412	520,574	536,191	552,277	568,845
Other Income, Class Fees, and Other Adj	432,137	449,422	467,399	486,095	505,539
Total Other Local Revenue Line #1.060	$1,755,805	$1,827,897	$1,944,378	$1,996,553	$2,050,480

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

There is no short term borrowing planned for in this forecast at this time from any sources.

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

These are non-operating revenues which are the repayment of short-term loans to other funds over the previous fiscal year and reimbursements for expenses received for a previous fiscal year in the current fiscal year. The district is anticipating an additional transfer to the Budget Stabilization fund in FY22 of $90,608. The Budget Stabilization fund is allowed to hold up to 5% of previous year's receipts in the operating fund.

Source	FY22	FY23	FY24	FY25	FY26
Transfers In - Line 2.040	$90,608	$0	$0	$0	$0
Advance Returns - Line 2.050	0	0	0	0	0
Total Transfer & Advances In	$90,608	$0	$0	$0	$0

All Other Financial Sources – Line #2.060

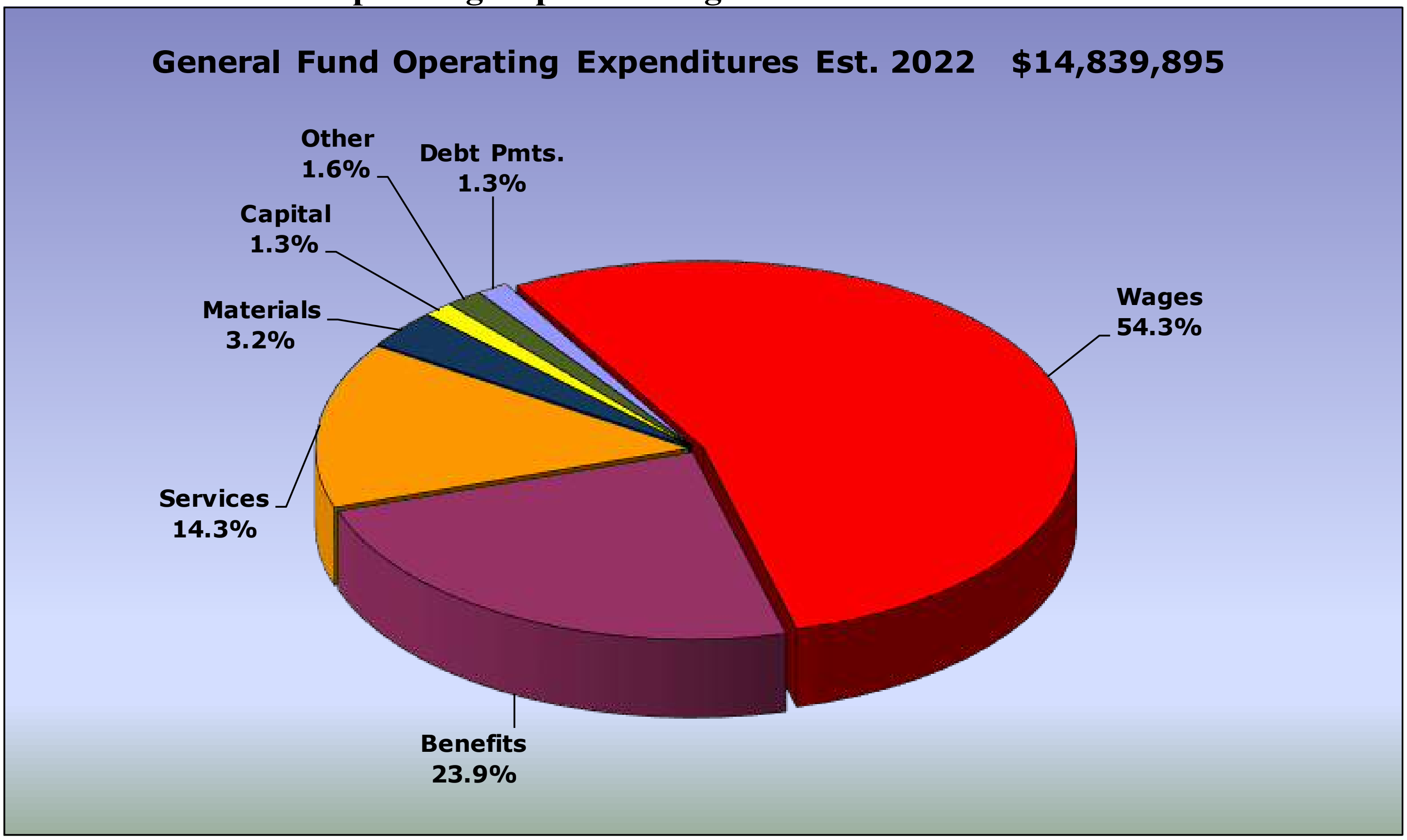
This funding source is typically a refund of prior year expenditures and sale of personal property. Both of which are very unpredictable.

Source	FY22	FY23	FY24	FY25	FY26
Refunds of a Prior Year Expenditure	$7,200	$7,200	$7,200	$7,200	$7,200

Expenditures Assumptions

The district's leadership team is always looking at ways to improve the education of the students whether it be with changes in staffing, curriculum, or new technology needs. As the administration of the district reviews expenditures, the education of the students is always the main focus for resource utilization.

All Operating Expense Categories - General Fund FY22



Wages – Line #3.010

Due to unknowns with the NEXUS Pipeline revenue, negotiations with bargaining unit members were extended as a carryover one-year contract in FY20 and the Margaretta Teachers Association extended as a carryover one-year contract in FY21, 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 2.5% increase to base wages in FY24-26.

Source	FY22	FY23	FY24	FY25	FY26
Base Wages	$7,490,580	$7,277,955	$7,562,345	$7,841,930	$8,109,408
Base Increases	262,170	187,439	181,949	189,059	196,048
All Staff - Steps and Training	89,887	96,951	97,636	78,419	81,094
Substitutes	99,980	100,980	101,990	103,010	104,040
Supplementals	334,775	338,123	341,504	344,919	348,368
Stipends/OT/Board & Misc	157,787	159,365	160,959	162,569	164,195
Severance	188,633	0	0	0	0
Staff Adjustment	(564,682)	0	0	0	0
Total Wages Line 3.010	$8,059,130	$8,160,813	$8,446,383	$8,719,906	$9,003,153

Fringe Benefits Estimates

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

A) STRS/SERS will increase as Wages Increase

The district pays 14% of each dollar paid in wages to either the State Teachers Retirement System or the School Employees Retirement System as required by Ohio law. The district is required to pay SERS Surcharge which is an additional employer charge based on the salaries of lower-paid members. It is exclusively used to fund health care.

B) Insurance

We are estimating an increase of 3% for FY22, and 5% in FY23-26, which reflects trend. This is based on our current employee census and claims data.

The Further Consolidated Appropriations Act of 2020, included a full repeal of three taxes originally imposed by the Affordable Care Act (ACA): the 40% Excise Tax on employer-sponsored coverage (a.k.a. "Cadillac Tax"), the Health Insurance Industry Fee (a.k.a. the Health Insurer Tax), and the Medical Device Tax. These added costs are no longer an uncertainty factor for our health care costs in the forecast.

C) Workers Compensation & Unemployment Compensation

Workers Compensation is expected to be approximately 0.15% of wages FY22-26. Unemployment is expected to remain at a very low level FY22-26. The district is a direct reimbursement employer, which means unemployment costs are only incurred and due if we have employees who are eligible and draw unemployment.

D) Medicare

Medicare will continue to increase at the rate of 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	FY22	FY23	FY24	FY25	FY26
STRS/SERS	$1,196,251	$1,240,581	$1,284,187	$1,325,950	$1,369,199
Insurances	2,171,040	2,279,592	2,393,572	2,513,251	2,638,914
Workers Comp/Unemployment	13,577	12,985	13,429	13,854	14,294
Medicare	115,949	119,317	123,278	126,966	131,099
Other adjustments/Tuition	54,786	55,059	55,334	55,611	55,889
Total Fringe Benefits Line #3.020	$3,551,603	$3,707,534	$3,869,800	$4,035,632	$4,209,395

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 FY22-26 Line 3.03 costs and historical FY19 through FY21 costs on the five year forecast. College Credit Pus, 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	FY22	FY23	FY24	FY25	FY26
Base Services	$287,937	$290,816	$293,724	$296,661	$299,628
Instructional Contracts	817,373	825,547	833,802	842,140	850,561
Other Tuition and CCP	231,315	233,628	235,964	238,324	240,707
Community School, OE, Ed Scholarship	0	0	0	0	0
Utilities	184,318	191,691	199,359	207,333	215,626
Professional Services	606,069	612,130	618,251	624,434	630,678
Total Purchased Services Line #3.030	$2,127,012	$2,153,812	$2,181,100	$2,208,892	$2,237,200

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	FY22	FY23	FY24	FY25	FY26
Supplies	$243,203	$244,419	$245,641	$246,869	$248,103
Maintenance Supplies	132,777	133,441	134,108	134,779	135,453
Transportation Supplies	103,127	103,643	104,161	104,682	105,205
Total Line 3.040	$479,107	$481,503	$483,910	$486,330	$488,761

Capital Outlay – Line # 3.050

An overall inflation of 1% is being estimated for this category of expenses. The district passed a resolution on September 26, 2018 to establish a Capital Projects Fund (070) that will be funded with additional NEXUS Pipeline funds at 50% of the Nexus incremental taxes, and other gifts to the district. This will be funded over a ten year period for acquisition, construction, or improvement of fixed assets during this ten year period. The district is currently anticipating purchasing one bus in each year of the forecast.

Source	FY22	FY23	FY24	FY25	FY26
Improvements	$2,898	$2,927	$2,956	$2,985	$3,015
Technology	100,000	50,000	50,000	50,000	50,000
School Busses	85,850	87,567	89,318	91,104	92,926
Total Equipment Line #3.050	$188,748	$140,494	$142,274	$144,089	$145,941

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	FY22	FY23	FY24	FY25	FY26
Principal Improvement Financing # 4.055	$144,000	$149,000	$155,000	$162,000	$162,000
Total Principal Payments	$144,000	$149,000	$155,000	$162,000	$162,000

Source	FY22	FY23	FY24	FY25	FY26
Interest on Borrowing Line 4.060	$55,483	$49,007	$42,289	$35,283	$35,283

Other Expenses – Line #4.300

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

Source	FY22	FY23	FY24	FY25	FY26
County Auditor & Treasurer Fees	$164,491	$167,781	$171,137	$174,560	$178,051
Election Expense	6,800	0	6,936	0	7,075
Other expenses	5,511	5,621	5,733	5,848	5,965
Liability Insurance	58,010	58,010	58,010	58,010	58,010
Total Other Expenses Line #4.300	$234,812	$231,412	$241,816	$238,418	$249,101

Transfers Out/Advances Out – Line# 5.010

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

Source	FY22	FY23	FY24	FY25	FY26
Operating Transfers Out Line #5.010	$1,899,646	$1,834,559	$1,771,749	$1,711,138	$1,007,589
Advances Out Line #5.020	0	0	0	0	0
Total Transfer & Advances Out	$1,899,646	$1,834,559	$1,771,749	$1,711,138	$1,007,589

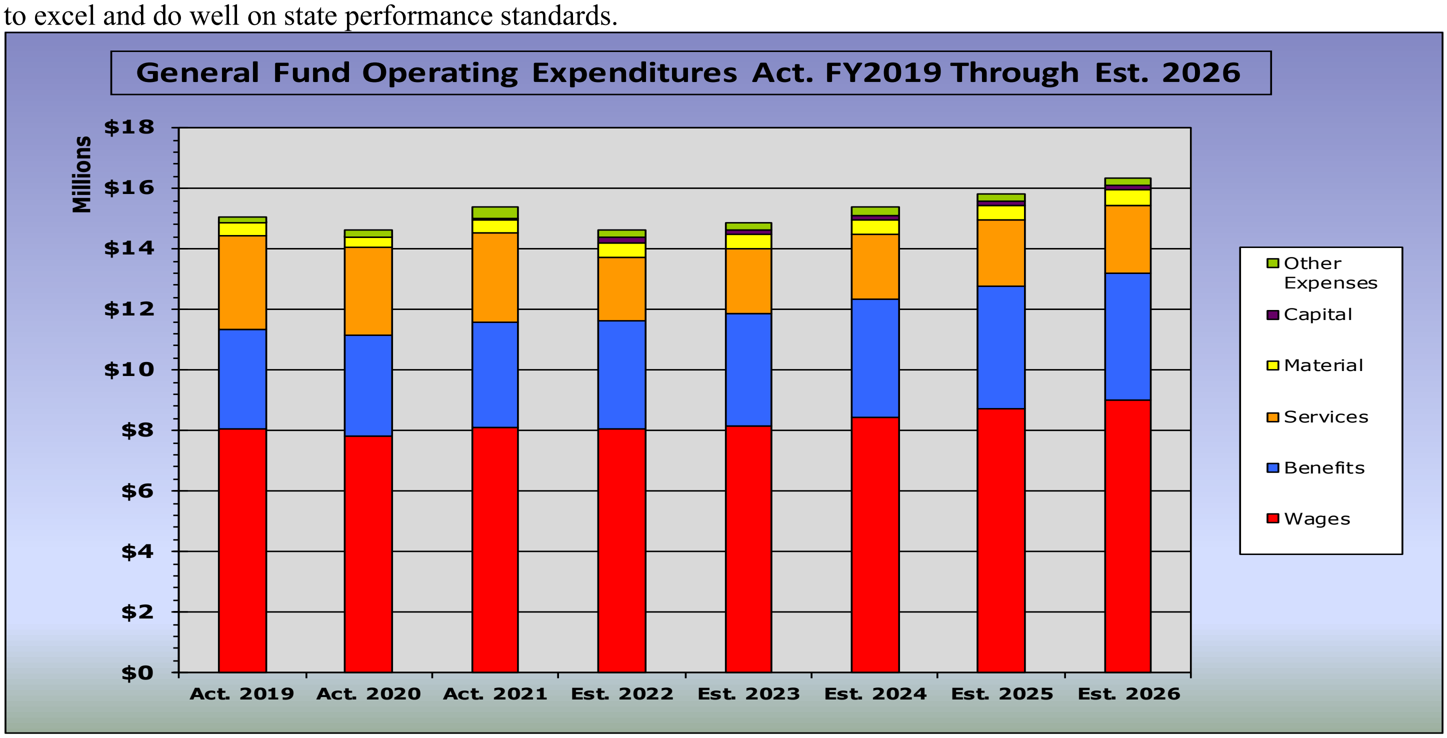
Encumbrances –Line#8.010

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	FY22	FY23	FY24	FY25	FY26
Estimated Encumbrances	$5,000	$5,000	$5,000	$5,000	$5,000

Operating Expenditures Actual FY19 through FY21 and Estimated FY22-26

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



Reserve Assumptions

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

Source	FY22	FY23	FY24	FY25	FY26
Budget Reserve - Line 9.030	$944,249	$944,249	$944,249	$944,249	$944,249

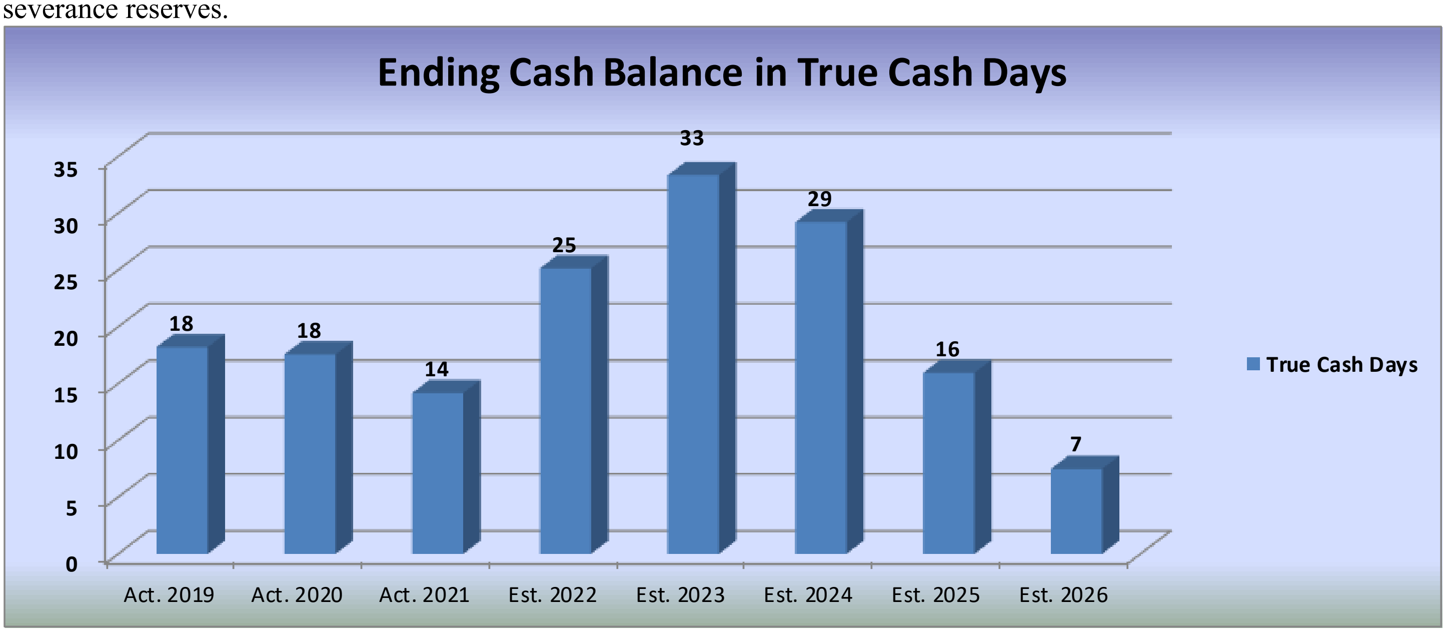
Ending Unencumbered Cash Balance – Line#15.010

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 which results in a negative unencumbered cash balance is a violation of 5705.412, ORC punishable by personal liability of $10,000. It is recommended by the GFOA and other authoritative sources that a district maintains a minimum of sixty (60) day cash balance, which is approximately $2.59 million for our district.

Source	FY22	FY23	FY24	FY25	FY26
Ending Cash Balance	$1,153,125	$1,544,716	$1,387,261	$775,031	$1,129,746

True Cash Days Ending Unreserved Balance Without Levy Renewals

Another way to look at ending cash is to state it in 'True Cash Days". In other words, how many days could the district operate at year end if no additional revenues were received. This is the Current Years Ending Cash Balance divided by (Current Years Expenditures/365 days) = number of days the district could operate without additional resources or a severe resource interruption. The Government Finance Officers Association recommends no less than two (2) months or 60 days cash is on hand at year end but could be more depending on each districts complexity and risk factors for revenue collection. 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 12 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 notes that this current state biennium budget is why the district has to be mindful and watch each state budget carefully as the actual release of the new Fair School Funding Plan formula, HB110, has been delayed until

December which is beyond the filing deadline of this forecast. We have projected FY22 and FY23 funding to be in line with the June 28, 2021 Legislative Service Commission estimates for our district. The FSFP has many significant changes to the way foundation revenues are calculated for school districts and how expenses are charged off. With current unknowns to our state funding, there is a continual need to monitor and communicate changes as they become available to our district.

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