

Nordonia Hills City School District

Summit

Schedule of Revenues, 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 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)	27,724,357	31,433,874	35,731,759	13.5%	\$36,408,466	\$36,253,092	\$36,417,211	\$36,582,315	\$36,638,640
1.020 Tangible Personal Property Tax	2,934,850	2,889,230	3,190,252	4.4%	3,406,608	\$3,579,482	\$3,666,218	\$3,752,954	\$3,839,690
1.030 Income Tax									
1.035 Unrestricted State Grants-in-Aid	5,071,733	4,458,688	4,687,552	-3.5%	4,152,685	\$4,382,878	\$4,498,834	\$4,619,676	\$4,736,822
1.040 Restricted State Grants-in-Aid	67,313	89,067	84,158	13.4%	359,765	\$328,457	\$304,477	\$271,544	\$244,651
1.045 Restricted Federal Grants-in-Aid - SFSF									
1.050 Property Tax Allocation	3,882,416	4,111,391	4,192,324	3.9%	4,042,645	\$4,063,286	\$4,100,079	\$4,121,886	\$4,129,833
1.060 All Other Revenues	3,697,925	4,017,426	3,567,158	-1.3%	7,733,800	\$6,336,804	\$5,574,825	\$5,574,825	\$3,574,825
1.070 Total Revenues	43,378,594	46,999,676	51,453,203	8.9%	56,103,969	54,943,999	54,561,644	54,923,200	53,164,461
Other Financing Sources									
2.010 Proceeds from Sale of Notes									
2.020 State Emergency Loans and Advancements (Approved)									
2.040 Operating Transfers-In			26,210			3,500	3,500	3,500	3,500
2.050 Advances-In									
2.060 All Other Financing Sources	195,266	385,458	238,711	29.7%	65,000	35,000	35,000	35,000	35,000
2.070 Total Other Financing Sources	195,266	385,458	264,921	33.1%	65,000	38,500	38,500	38,500	38,500
2.080 Total Revenues and Other Financing Sources	43,573,860	47,385,134	51,718,124	8.9%	56,168,969	54,982,499	54,600,144	54,961,700	53,202,961
Expenditures									
3.010 Personal Services	\$25,653,978	\$26,181,649	\$27,587,483	3.7%	\$28,199,537	\$30,645,810	\$31,597,585	\$32,304,683	\$32,973,727
3.020 Employees' Retirement/Insurance Benefits	\$9,448,204	\$10,263,845	\$10,497,670	5.5%	\$10,631,725	\$12,165,728	\$13,395,498	\$13,905,666	\$14,430,483
3.030 Purchased Services	\$9,151,568	\$8,977,337	\$10,091,160	5.3%	\$9,439,510	\$9,160,742	\$9,389,761	\$9,624,505	\$9,865,118
3.040 Supplies and Materials	\$1,624,547	\$1,584,432	\$1,727,592	3.3%	\$2,097,046	\$2,127,804	\$2,191,638	\$2,257,387	\$2,325,109
3.050 Capital Outlay	\$660,020	\$893,545	\$1,160,813	32.6%	\$1,102,029	\$724,934	\$946,682	\$769,082	\$792,154
3.060 Intergovernmental									
Debt Service:									
4.010 Principal-All (Historical Only)									
4.020 Principal-Notes									
4.030 Principal-State Loans									
4.040 Principal-State Advancements									
4.050 Principal-HB 264 Loans									
4.055 Principal-Other									
4.060 Interest and Fiscal Charges									
4.300 Other Objects	\$700,561	\$865,186	\$821,873	9.2%	\$830,500	\$855,355	\$885,000	\$869,188	\$910,690
4.500 Total Expenditures	47,238,878	48,765,994	51,886,591	4.8%	52,300,347	55,680,373	58,406,164	59,730,511	61,297,281
Other Financing Uses									
5.010 Operating Transfers-Out	\$77,580	\$177,554	\$327,528	106.7%	\$1,750,000	\$1,500,000	\$1,500,000	\$1,500,000	\$250,000
5.020 Advances-Out									
5.030 All Other Financing Uses	77,580	177,554	327,528	106.7%	1,750,000	1,500,000	1,500,000	1,500,000	250,000
5.040 Total Other Financing Uses	77,580	177,554	327,528	106.7%	1,750,000	1,500,000	1,500,000	1,500,000	250,000
5.050 Total Expenditures and Other Financing Uses	47,316,458	48,943,548	52,214,119	5.1%	54,050,347	57,180,373	59,906,164	61,230,511	61,547,281
6.010 Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	3,742,598-	1,558,414-	495,995-	-63.3%	2,118,622	2,197,874-	5,306,020-	6,268,811-	8,344,320-
7.010 Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	20,396,547	16,653,949	15,095,535	-13.9%	14,599,540	16,718,162	14,520,288	9,214,268	2,945,457
7.020 Cash Balance June 30	16,653,949	15,095,535	14,599,540	-6.3%	16,718,162	14,520,288	9,214,268	2,945,457	5,398,863-
8.010 Estimated Encumbrances June 30	\$1,024,568	\$1,205,548	\$1,179,794	7.8%	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000
Reservation of Fund Balance									
9.010 Textbooks and Instructional Materials									
9.020 Capital Improvements									
9.030 Budget Reserve									
9.040 DPIA									
9.045 Fiscal Stabilization									
9.050 Debt Service									
9.060 Property Tax Advances									
9.070 Bus Purchases									
9.080 Subtotal									
10.010 Fund Balance June 30 for Certification of Appropriations	15,629,381	13,889,987	13,419,746		15,968,162	13,770,288	8,464,268	2,195,457	6,148,863-
Revenue from Replacement/Renewal Levies									
11.010 Income Tax - Renewal									
11.020 Property Tax - Renewal or Replacement									
11.300 Cumulative Balance of Replacement/Renewal Levies									
12.010 Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations	15,629,381	13,889,987	13,419,746		15,968,162	13,770,288	8,464,268	2,195,457	6,148,863-
Revenue from New Levies									
13.010 Income Tax - New									
13.020 Property Tax - New									
13.030 Cumulative Balance of New Levies									
14.010 Revenue from Future State Advancements									
15.010 Unreserved Fund Balance June 30	15,629,381	13,889,987	13,419,746		15,968,162	13,770,288	8,464,268	2,195,457	6,148,863-
ADM Forecasts									
20.010 Kindergarten - October Count									
20.015 Grades 1-12 - October Count									
State Fiscal Stabilization Funds									
21.010 Personal Services SFSF									
21.020 Employees Retirement/Insurance Benefits SFSF									
21.030 Purchased Services SFSF									
21.040 Supplies and Materials SFSF									
21.050 Capital Outlay SFSF									
21.060 Total Expenditures - SFSF									

See accompanying summary of significant forecast assumptions and accounting policies

Includes: General fund, Emergency Levy fund, DPIA fund, Textbook fund and any portion of Debt Service fund related to General fund debt



**NORDONIA HILLS CITY SCHOOL DISTRICT
FIVE YEAR FORECAST ASSUMPTIONS
SPRING UPDATE
May 2022**

REVENUE ASSUMPTIONS

General Property Tax – Real Estate (Line Item 1.010)

The real estate tax projections are based on estimates received from the Summit County Fiscal Officer with revisions made for historical collection rates and the current state of the real estate market.

For the past three tax years (2018, 2019, 2020), the gross collection rate has hovered around 100.00%. These collection rates include current collections and delinquent collections. For the current collection year (2021), the gross collection rate assumption has remained at 99.69% while the subsequent fiscal years are assuming a gross collection rate of 99.80%, which is a slight decrease from the Fall assumption of 99.90%.

Another component of the real estate revenue line is the assumption of property valuation on current properties and new construction. Based on historical trends with the valuations of current properties within the School District boundaries, the Fall forecast assumed a growth of \$44.8 million in property valuations on existing properties over the next five tax years. This assumption has been updated to \$43.7 million based on actual valuations provided for the 2021 tax year. The assumption is a result of historical valuation results and the status of the current and projected housing and commercial markets. Though this assumption is positive for the overall housing and commercial markets, the increase in valuation does not reflect a significant growth in real estate taxes. Because of H.B. 920 enacted back in the late 1970s, the School District will not experience much growth in this revenue line item. It is important to recall that H.B. 920 was enacted during a time of significant inflation and the original purpose was to limit the amount of growth in property taxes relative to the growth in property value. Therefore, any tax levy in which H.B. 920 reduction factors are currently applicable to will not generate additional taxes as property values increase over the years. The only exception to this would be the School District's unvoted inside millage which is at 4.97 mills. Inside millage does generate additional revenue as property valuations increase. In any given year, revenue generated from the 4.97 inside millage is approximately 12.60% of total real estate tax revenues.

New construction is also a component of this revenue category. The Fall forecast assumed that new construction valuations will increase by \$11.1 million over the next five tax years. The Spring forecast has increased this assumption to \$16.6 million due to a healthy increase of residential new construction for the 2021 tax year. This is a conservative estimate based on the historical trend of new construction valuations brought into the School District boundaries in prior tax years. New construction will add growth to the School District's General Fund tax revenue to the tune of about \$119,000, annually.

The Spring forecast does reflect a slight decrease in real estate tax revenue for fiscal year 2022-23. There was a one-time tax payment related to a recent tax settlement with a large Class II taxpayer completed in the current fiscal year which will not be present next year.

Public Utility Personal Property (Line Item 1.020)

Historically, taxpayers in this revenue category pay 100.00% of the tax bill assessed. Therefore, this forecast assumes a gross collection rate of 100.00% for all tax years presented. Additionally, this category has seen reasonable growth in property valuations. The Fall forecast assumed continued growth in valuations of \$6.0 million over the next five tax years. The Spring forecast is updated to assume \$8.4 million in growth due to the increased valuations provided by the 2021 tax year. These increases will provide some growth in this revenue line over the term of this forecast.

Unrestricted & Restricted State Grants-in-Aid (Line Items 1.035 & 1.040)

State funding for the FY 2021-22 and FY 2022-23 years was established with the passage of House Bill 110. The passage of this House Bill drastically changed how the State funds all school types. The new funding model is commonly referred to as the Fair School Funding Plan (FSFP). The most substantial change is a move to fund students where they are educated, rather than where they reside. Historically, the School District would receive state funding for all students that reside in the School District. The State would then make deductions for all students that attended community schools, participated in open enrollment or received a scholarship associated with Jon Peterson, EdChoice, or Autism. These deductions would be recorded on the local School District's financial records under the Purchased Services expenditure line. With the new FSFP, School Districts will no longer receive revenue for those students that do not attend their buildings and consequently deductions will no longer be made.

As you will see in the Unrestricted line, estimated unrestricted state funding has decreased by the number of students that were historically attending a community school, open enrollment to another school district, or receiving a scholarship. Alternatively, the School District's Purchased Services expenditure will reflect similar decreases for the current year and future years.

Our School District is still considered to be on a guaranteed funding model as a result of being viewed as a wealthy school district in the State's eyes. As a result, the base funding mechanism derived from the new FSFP will not be fully utilized since the State has guaranteed our funding at FY 2019-20 levels. However, the increases reflected in the unrestricted revenue line is associated with the State's efforts to fund transportation at 50% levels. Therefore, the State will be smoothing this funding increase over the next four years and this will drive an increase in our unrestricted funding line.

In the previous state budget, the Governor provided additional funding for School Districts through the Student Wellness and Success funds. This was required to be placed in a restricted special revenue fund. With the passage of H.B. 110, this funding stream was rolled into the FSFP model and will now be included in the General Fund but recorded in the restricted grants-in-aid line (1.040).

Since the School District is currently funded on the guarantee, any additional funding added to this new State Funding model will have limited impact on the School District's revenues. This forecast does assume a conservative 1.5% funding increase starting in Fiscal year 2023-24 and beyond. The increase in Unrestricted State Funding from the Fall forecast is due to the Ohio Department of Education (ODE) releasing the new funding calculations in January of 2022. The Fall forecast was based on anticipated calculations provided by ODE. However, there was an expectation of changes once ODE finally released the final calculations.

Property Tax Allocation (Line Item 1.050)

This revenue line item is tied closely with revenue line item 1.010. The State provides tax relief to certain property taxpayers of up to 12.50% of their tax bill. This relief is applicable to all tax levies that were initially passed August 2013 or before. Tax levies that were passed after that date were no longer applicable for State relief. Therefore, the operating tax levy passed in 2019 was not eligible for the Rollback program.

The State reimburses each School District for the exact tax revenue that would have been generated for each applicable tax levy if the Rollback program had not been in place. Therefore, this revenue line will remain relatively consistent over the coming years and will only grow based on new construction.

All Other Operating Revenues (Line Item 1.060)

This category includes other tax payments, tuition collections, interest earnings, extracurricular fees, classroom fees, rentals and other miscellaneous collections. The most significant item in this category for FY 2021-22 will be the other tax payments. When a School District enters into a Tax Increment Financing (TIF) agreement with a local government and developer, there is typically an agreement that the School District will either be held harmless on tax revenues or some other arrangement would be agreed upon. The School District currently has four TIF agreements that are receiving service payments. There are other TIF agreements that the Board of Education has recently acted on, however there is no determination presently on the potential revenue levels.

Additionally, the School District will often times settle property tax disputes and develop reasonable terms to ensure the public interest is best met. The largest tax settlement reflected in the forecast is related to the MGM settlement. This amount was not reflected in the Fall forecast but is now part of the forecast moving forward. There will be offsetting transfers-out reflected in the Expenditure categories. These projected transfers-out are included to give the Board of Education discretion on how future payments from this settlement should be spent.

Revenue generated from TIF service payments and tax settlements is expected to be approximately \$6.4 million for this fiscal year. Due to several settlements maturing after this fiscal year along with the recent passage of H.B. 126, this forecast assumes a decrease of approximately \$1.5 million from current levels next fiscal year; a decrease of \$762,000 for both fiscal years 2023-24 and 2024-25; and a decrease of \$2.0 million for fiscal year 2025-26.

The next largest revenue source in this category is associated with tuition collections for full-time kindergarten and tuition agreements the School District has with various other public school districts. This forecast assumes \$677,684 will be collected in various tuition for the current fiscal year and it maintains that level of collection with a slight decrease in the coming years.

Extracurricular fees and classroom fees comprise the third largest revenue source in this category. These fees are reviewed annually to determine the funding levels and currently this forecast is assuming \$532,164 in total fee collection for the current fiscal year. Due school disruptions over the past two school years, the collection levels were at historical lows. However, as school resumed to a more normal expectation, the forecast assumes the current fee collection estimate will maintain for the subsequent school years.

Finally, interest earnings are considered the fourth largest revenue source in this category. Historically, interest earnings received from the School District's management of available cash balances would generate over \$200,000 in additional revenues. Due to the continuation of historically low interest rates through most of the current fiscal year, the School District is estimating \$75,000 in interest earnings for FY 2021-22. Due to recent changes in the economy, the forecast is assuming a trend of increased interest rates for the foreseeable future. The annual interest earnings estimate for the future fiscal years has been increased to \$170,000 annually. This amount will fluctuate based on future interest rate markets and the School District's available cash balance.

Other Financing Sources (Line Items 2.010 thru 2.060)

These include non-operational revenues, such as Refunds of Prior Years Expenditures, Transfers and Advance repayments. These sources are difficult to predict, so a conservative estimate based on historical levels is assumed and are not material to the overall School District revenues.

EXPENDITURE ASSUMPTIONS

Personal Services (Line Item 3.010)

Key factors normally taken into account in developing a wage forecast are anticipated staffing levels, collective bargaining agreements, years of experience and longevity of employees, temporary and substitute employee needs, and possible retirements. For FY 2021-22, the School District must now plan for the utilization of ESSER funds for salary and wage costs. From the start of the COVID-19 pandemic to present day, the School District has utilized its ESSER funds in many different ways. The largest component of this funding will be used to pay the salaries and benefits for:

- Summer school staff which provided additional aid and assistance to students that may have experienced learning loss during the state mandated school closures and
- Personnel costs of the community interventionist, school counselors and school psychologists which will provide substantial support to the students

In FY 2021-22, the School District will use close to \$1.3 million of the ESSER funding to pay the salaries for the purposes mentioned previously. The positions that were mostly funded from this are necessary to the continued operations of the School District and will be retained once the funding is fully utilized. Therefore, the salaries of our school counselors and psychologists along with the community interventionist will be brought back into the General Fund starting in FY 2022-23.

The Collective Bargaining Agreements (CBA) of our two unions, NHEA and OAPSE, are in the second year of a three year agreement. The forecast reflects the negotiated 3.00% base increase for FY 2021-22 and 2.0% base increase for FY 202-23. Beyond that, the forecast is assuming a 1.00% base increase along with an estimate for step and educational adjustments. The School District and two Bargaining Units will enter into negotiations for the next contract in the spring of FY 2022-23. These assumptions and this forecast are tools used for long-term financial planning and should not be interpreted as planned bargaining positions.

The current fiscal year estimate has been updated from the Fall forecast due to sixty-eight teachers receiving educational adjustments throughout the year which added approximately \$223,000 to the original estimate. This increase compounds in the future fiscal years. Additionally, the future severance payout estimate increased to \$160,000 for fiscal year 2022-23 due to four teachers submitting their notice of retirement to the Board of Education during the current school year.

Benefits (Line Item 3.020)

As with salaries, total benefit costs have continued to increase over the last four years. The only exception is the current year benefits' estimate. The difference is due to the removal of certain staff's benefits from the General Fund and recording them for the current year in the ESSER fund, as previously discussed. Negotiated increases in pay coupled with recent premium rate increases have been the main contributors to the continued expenditure growth.

There are essentially two types of benefits; salary-based and health insurance. Salary-based benefits would be considered retirement system contributions, Medicare contributions and workers compensation premiums. The School District is mandated by state law to contribute a total of 14% of salaries to the State Teachers Retirement System (STRS) and the School Employees Retirement System (SERS). Additionally, the School Employees Retirement System assesses a surcharge to fund future health benefits for part time employees. This typically amounts to 2% of non-certified staff wages. Medicare tax totals 1.45% of all employee wages. The Bureau of Workers Compensation (BWC) establishes the School District's rate based on various risk rating measures. The current BWC rate is 0.3774% of eligible payroll. The estimate rate for future fiscal year is 0.50%. The School District has no control over the percentage amounts of these salary-related benefits. These types of benefits will follow the same path as their related salaries and wages.

The School District's health insurance provides coverage for medical/drug, dental and vision. Life insurance is also provided by the Board of Education. As part of the Union negotiations, the staff have agreed to contribute a portion of their pay to help cover the costs of the provided health insurance. The employee contribution varies by employee type. The certified, classified and exempt staff contribute 13% for single coverage and 16% for family coverage. The Administrative staff contribute 20% and the Superintendent and Treasurer contribute 24% of the insurance premiums. For fiscal year 2022-23, the Superintendent and Treasurer contribution rates increase to 25%.

The School District participates in the Stark County Schools Council of Governments Health Benefits Plan. This is a shared risk pool which essentially pools the employees of numerous School Districts to achieve economies of scale and have more negotiating power with the insurance companies. Due to favorable claims experience in recent years, the Plan has been able to provide premium holidays. A premium holiday is where the School District does not have to pay its premium for that given month. For FY 2021-22, the Plan has provided two premium holidays for the month of July and August. One premium holiday saves the School District between \$600,000 and \$650,000.

With this in mind, the forecast does not include premium holidays in future fiscal years. This is mainly because premium holidays are not guaranteed and they are dependent on the overall claim experience of the Plan for any given year. Therefore, if premium holidays are provided in the future, then the forecasted benefits amounts will be adjusted downward making the School District's financial condition better. Since the Fall forecast, the Council of Governments Health Benefit Plan has notified its members that one premium holiday will be provided in FY 2022-23. However, this cost savings is tempered by an increase in blended insurance rates of 6.45% for FY 2022-23 and 5.50% increase for the subsequent forecasted fiscal years. The Fall forecast assumed a 5.00% increase in insurance premiums for each subsequent year presented.

Purchased Services (Line Item 3.030)

This category of expenditures has several large ticket items that are difficult to forecast with certainty, which are utility costs, contracted transportation (general and special education), repairs and maintenance costs, preschool services, and substitute staffing costs. Historically state deductions for students attending community schools, participating in open enrollment, and receiving scholarships (Jon Peterson, EdChoice and Autism) would have been recorded in this expenditure line. These types of deductions were typically around \$800,000. As previously mentioned in the Unrestricted and Restricted Grants-in-Aid narrative, the State has drastically changed its funding model. Starting for FY 2021-22, these deductions are no longer recorded on the School District's accounting records.

The school closures created by the COVID-19 pandemic over the past two years have made some elements of this category difficult to predict. The Fall forecast utilized FY 2018-19 as the baseline since that was the last full year of in-person learning. That amount was then adjusted based on State funding changes mentioned above coupled with a change in how the School District pays its Preschool tuition to the Summit Educational Service Center (SESC). A decision was made last year to have the SESC bill the School District through the State Foundation process as opposed to direct billing. This change created a timing disparity in the recognition of expenditures related to Preschool tuition. This billing method will remain the same moving forward however, more expenditures were recognized during the current fiscal year than originally anticipated. The forecast has also built-in inflationary factors ranging from 2.50% to 3.50% due to the near-term risk of inflation and supply-chain issues.

Due to a recent tax settlement, the School District has created a dedicated Permanent Improvement Fund with the proceeds from the first settlement. As a result, the School District is able to utilize this Permanent Improvement Fund to cover costs associated with roofing, parking lot replacements, hvac and boiler replacements, equipment replacement, etc. Historically, these expenditures have been paid out of the School District's General Fund. It is projected that this new fund will save the General Fund approximately \$500,000 annually for years to come.

Supplies and Materials (Line Item 3.040)

Several key expenditures in this category are classroom supplies, textbooks, software materials, items purchased for resale, supplies associated with the buildings and grounds, and fuel. As in the case with purchased services, the Fall forecast utilized the expenditure levels from FY 2018-19 as a baseline and built in an inflationary factor of 3.00% for future years. Due to recent inflationary pressures, the Business Office has projected a number of their line items to see increases of 8.0%. This increase has been reflected in the estimated amount for FY 2022-23 and then relief is provided in the following years down to the 3.00% to 3.50% range.

It is important to note that the software material expenditure line is expected to grow due to new ways of teaching and student learning. The teaching environment changed drastically as a result of the COVID-19 pandemic. However, some of the new teaching techniques utilized during on-line and hybrid teaching models were proven effective. The Curriculum Department is planning on utilizing some of these new teaching techniques in future years.

Capital Outlay (Line Item 3.050)

The majority of technological equipment purchases will continue to be funded through this expenditure category. However, with the addition of the new Permanent Improvement Fund, there is potential for certain technology equipment be paid out of this new fund moving forward. Nonetheless, the School District's 1-1 initiative with Chromebooks will continue to be charged in this expenditure category. Historically, vehicles and other large ticket equipment items would have been purchased out of this expenditure category. As previously mentioned, these types of expenditures will not be charged to the General fund moving forward but rather the Permanent Improvement Fund. Due to concerns with increases in inflation, a 3.00% inflationary factor is assumed in subsequent years.

Staff laptops throughout the School District are set to be replaced for School Year 2023-24. This is estimated to cost the School District approximately \$200,000 and the cost has been added to the respective fiscal year.

Other Objects (Line Item 4.300)

The School District has little control of these expenditures, which include County Treasurer and Fiscal Officer fees tied to the collection and distribution of property taxes, election expenses, annual audit fees, bank fees and annual membership fees to professional organizations. The fluctuation in expenditure levels across the subsequent fiscal years is associated with when the Board of Education elections take place. The School District is assessed election expenses by the County every time an election is held by the School District. Other than the election expenses, it is assumed that these costs will remain relatively consistent due to the nature of the items in this expenditure category.

Operating Transfers Out (Line Item 5.010)

This expenditure line item was not significant in the Fall forecast. The reason being was the subsequent finalization of the MGM tax settlement and how the future payments of that settlement would be handled. The Spring forecast does include the payment of this tax settlement in the current fiscal year and future fiscal years. The final settlement is made to the School District in FY 2025-26. With the recognition of this revenue source, offsetting transfers-out have been included to provide the Board of Education with flexibility in identifying the current and long-term needs of the School District which may include future permanent improvement funding or other operational needs of the School District that are currently unknown at this time.

Other Assumptions

This forecast reflects deficit spending starting in FY 2022-23 and in each subsequent fiscal year. It is important to remember that this forecast assumes twelve months of insurance premiums. If the School District were to receive one or two premium holidays in any given year, then the operating deficit in that respective year would be less. However, it would not erase the projected deficit spending in any of the subsequent forecasted fiscal.

As mentioned elsewhere in this document, the School District entered into a tax settlement with a large taxpayer. This settlement provides additional payments in the spring of 2022 through the spring of 2026. The total of these payments will be \$11.3 million over that timeframe. In the near-term, the payments from this settlement will provide some fiscal stability to the School District. However, any future plans to utilize these funds must be evaluated for the long-term financial impact. The settlement payments are reflected in the All Other Revenues line item and a portion of those payments are offset in the Transfers-Out line item.

Under the current forecast, the School District is showing deficit spending. For the long-term financial health of the School District, deficit spending cannot continue indefinitely. However, there are potential opportunities to mitigate some of the deficit spending in the coming years. If nothing is done, this forecast assumes a negative fund balance in FY 2025-26 (Line Item 15.010). Therefore, significant measures would be required to take place prior to that fiscal year to eliminate the projected deficit fund balance.