

Nordonia Hills City School District

Five Year Forecast Financial Report

May, 2023

Table of Contents	<u>Page</u>
Forecast Summary	3
Revenue Overview	4
Revenue Notes	5
Expenditures Overview	6
Expenditure Notes	7
Five Year Forecast	8

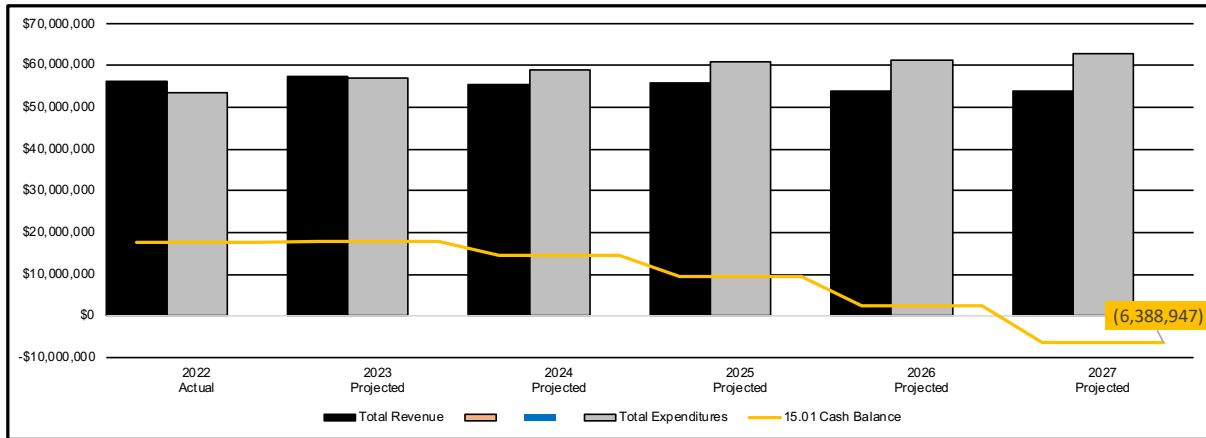
Forecast Purpose/Objectives

Ohio Department of Education's purposes/objectives for the five-year forecast are:

1. To engage the local board of education and the community in the 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.

Forecast Methodology - This forecast is prepared based upon historical trends and current factors. This information is then extrapolated into estimates for subsequent years. The forecast variables can change multiple times throughout the fiscal year and while cash flow monitoring helps to identify unexpected variances no process is guaranteed. The intent is to provide the district's financial trend over time and a roadmap for decisions aimed at encouraging financial sustainability and stability.

Forecast Summary



Note: Cash balance (Line 7.020) plus any existing levy modeled as renewed or new during the forecast.

Financial Forecast

	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027
Beginning Balance (Line 7.010) Plus	17,527,615	17,828,677	14,537,638	9,593,293	2,413,905
+ Revenue	57,221,460	55,438,107	55,837,108	54,045,473	53,922,674
+ Proposed Renew/Replacement Levies	-	-	-	-	-
+ Proposed New Levies	-	-	-	-	-
- Expenditures	(56,920,398)	(58,729,146)	(60,781,453)	(61,224,861)	(62,725,526)
= Revenue Surplus or Deficit	301,062	(3,291,039)	(4,944,345)	(7,179,388)	(8,802,852)
Line 7.020 Ending Balance with renewal/new levies	17,828,677	14,537,638	9,593,293	2,413,905	(6,388,947)

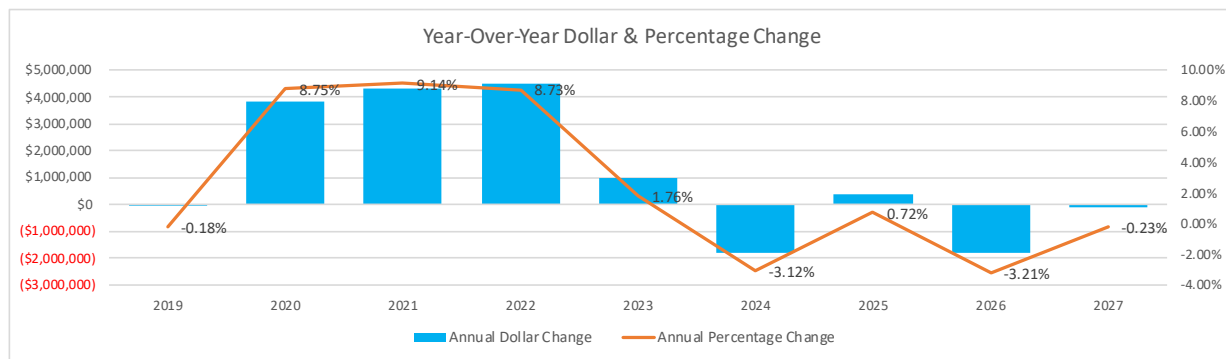
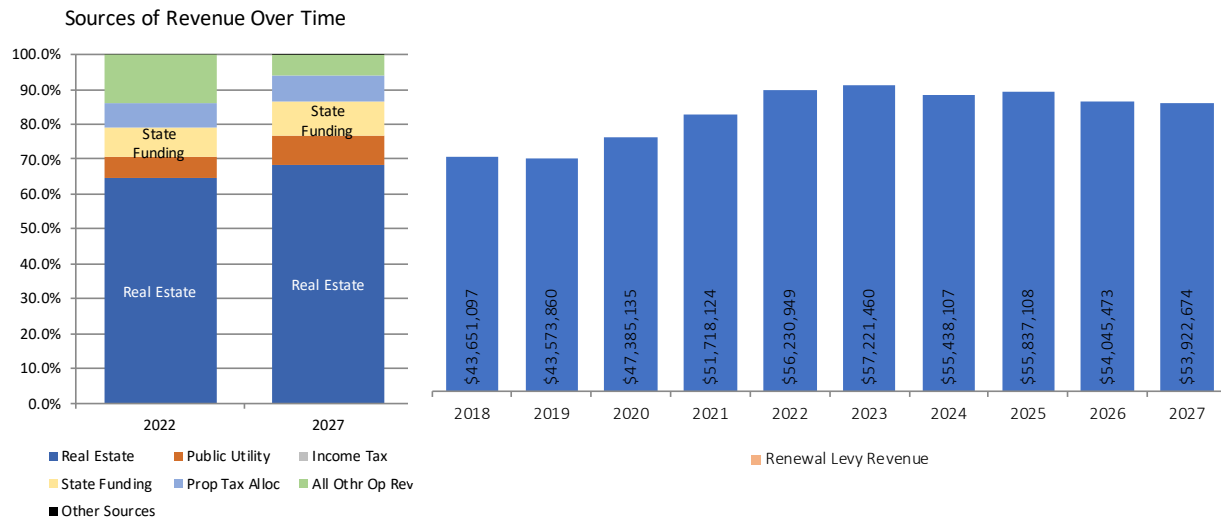
Analysis Without Renewal Levies Included:

Revenue Surplus or Deficit w/o Levies	301,062	(3,291,039)	(4,944,345)	(7,179,388)	(8,802,852)
Ending Balance w/o Levies	17,828,677	14,537,638	9,593,293	2,413,905	(6,388,947)

In FY 2023 a revenue surplus is expected. This means that expenditures are expected to be less than revenue by -\$301,062 in FY 2023. By the last year of the forecast, FY 2027, the district is expected to have a revenue shortfall where expenditures are projected to be greater than revenue by \$8,802,852. The district would need to cut its FY 2027 projected expenses by 14.03% in order to balance its budget without additional revenue.

The district's cash balance is positive at year-end in FY 2023 and is projected to worsen by FY 2027. A worsening cash balance can erode the district's financial stability over time.

Revenue Overview



Historical Actual Average Annual Dollar Change Compared to 5-Year Projected

	Historical Average Annual \$ Change	Projected Average Annual \$ Change	Projected Compared to Historical Variance	Total revenue increased 5.31% or \$2,574,681 annually during the past 5-Year period and is projected to decrease -0.83% or -\$461,655 annually through FY2027. All Othr Op Rev has the most projected average annual variance compared to the historical average at -\$1,869,934
Real Estate	\$1,842,671	\$108,170	(\$1,734,502)	
Public Utility	\$180,992	\$183,253	\$2,261	
Income Tax	\$0	\$0	\$0	
State Funding	(\$357,861)	\$164,102	\$521,964	
Prop Tax Allocation	(\$7,602)	\$19,823	\$27,425	
All Othr Op Rev	\$937,426	(\$932,508)	(\$1,869,934)	
Other Sources	(\$20,946)	(\$4,495)	\$16,451	
Total Average Annual Change	\$2,574,681 5.31%	(\$461,655) -0.83%	(\$3,036,336) -6.14%	

Note: Expenditure average annual change is projected to be > \$1,884,530. On an annual average basis, expenditures are projected to grow faster than revenue.

Revenue Notes

REAL ESTATE REVENUE

Real estate property tax revenue accounts for 64.75% of total revenue. Class I or residential/agricultural taxes make up approximately 79.25% of the real estate property tax revenue. The Class I tax rate is 35.58 mills in tax year 2022. The projections reflect an average gross collection rate of 99.8% annually through tax year 2026. The revenue changed at an average annual historical rate of 5.78% and is projected to change at an average annual rate of 0.29% through FY 2027.

PUBLIC UTILITY - PERSONAL PROPERTY REVENUE

The public utility personal property tax revenue is generated from the personal property values, additions, and depreciation reported by the utility companies. This category currently makes up 6.06% of total district revenue. The property is taxed at the full voted tax rate which in tax year 2022 is 72.28 mills. The forecast is modeling an average gross collection rate of 100.00%. The revenue changed historically at an average annual dollar amount of \$180,992 and is projected to change at an average annual dollar amount of \$183,253 through FY 2027.

INCOME TAX REVENUE

The district does not have an income tax levy.

UNRESTRICTED STATE AID REVENUE

Beginning in FY 2022 Ohio adopted the Fair School Funding Plan (FSFP). Funding is driven by a base cost methodology that incorporates the four components identified as necessary to the education process. The Base Cost is currently calculated for two years using a statewide average from historical actual data. For Nordonia Hills City School District the calculated Base Cost total is \$24,325,442 in FY 2023. The state's share of the calculated Base Cost total is \$1,189,297 or \$363 per pupil.

For reference: The FSFP change to district educated enrollment could be lower than the district's historical formula funded enrollment but also potentially reduces tuition cost. In FY 2021, the district had approximately \$879,200 in possible tuition cost reductions. These reductions will be reflected in the purchased services expenditure note.

RESTRICTED STATE AID REVENUE

Restricted aid is the portion of state per pupil funding that must be classified as restricted use. Historically the district's restricted state aid changed annually on average by \$97,092 and is projected to change annually on average by -\$41,489. Restricted funds represent 0.64% of total revenue. Starting in FY 2022 the district's Success & Wellness funding is considered restricted, the state's share of this funding is recorded as restricted is \$119,738. This funding has implications on general fund expenditures in that certain spending now occurring in a fund external to the general fund could shift to the general fund. The expenditures in this forecast are adjusted to reflect this change.

PROPERTY TAX ALLOCATION REVENUE

Property tax allocation primarily consists of reimbursements from the state of Ohio for local taxpayer credits or reductions. The state reduces the local taxpayer's tax bill with a 10% rollback credit, and 2.5% owner-occupied rollback credit, plus a homestead credit for qualifying taxpayers. In FY 2023, approximately 10.1% local residential property taxes will be reimbursed by the state in the form of rollback credits and approximately 2.2% will be reimbursed in the form of qualifying homestead exemption credits.

OTHER REVENUE

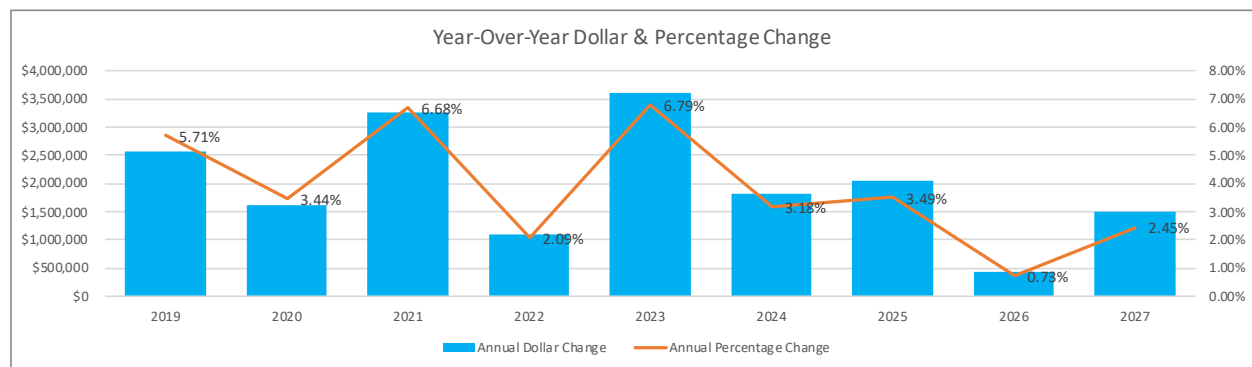
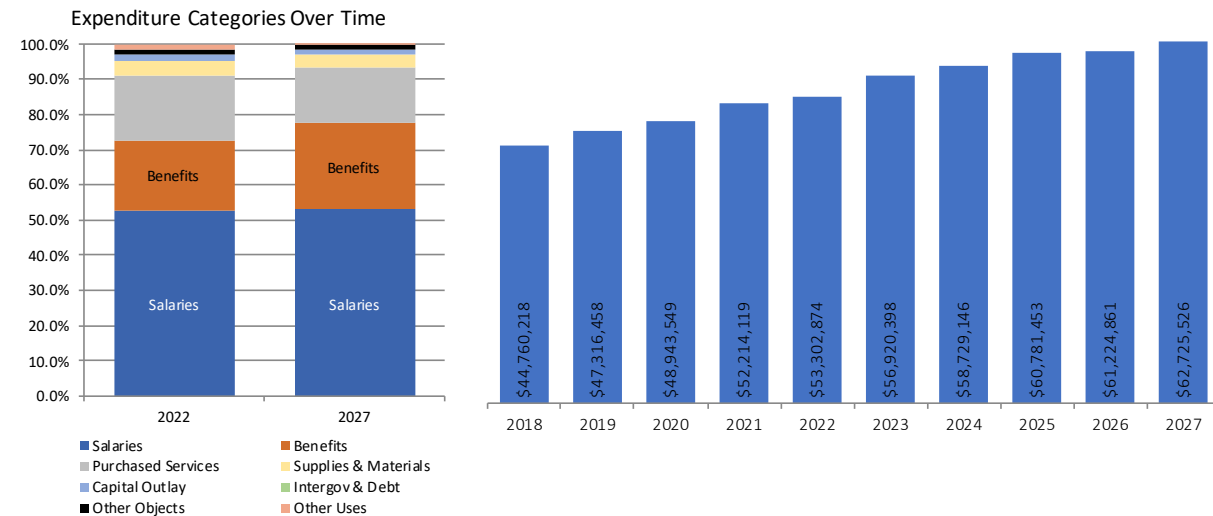
Other revenue includes tuition received by the district for non-resident students educated by the district. It also includes interest income, payments in lieu of taxes, and miscellaneous revenue. The historical average annual change was \$937,426. The projected average annual change is -\$932,508 through FY 2027. The FSFP includes per pupil funding for any open enrollment in students the district is educating. This revenue, if any, was recorded in 'other revenue' prior to FY 2022. Fiscal year 2022 and beyond will not include any open enrollment in revenue. The district did not post any revenue code 1227 open enrollment in revenue in FY 2021.

OTHER FINANCING SOURCES

Other sources includes revenue that is generally classified as non-operating. Return advances-in are the most common revenue source. In FY 2022 the district receipted \$0 as advances-in and is projecting advances of \$1,000 in FY 2023. The district also receives other financing sources such as refund of prior year expenditures in this category. The district is projecting that all other financing sources will be \$82,955 in FY 2023 and average \$39,500 annually through FY 2027.

ADDITIONAL REVENUE NOTES

Expenditure Overview



Historical Actual Average Annual Dollar Change Compared to 5-Year Projected

	Historical Average Annual \$ Change	Projected Average Annual \$ Change	Projected Compared to Historical Variance	Total expenditures increased 4.49% or \$2,213,592 annually during the past 5-Year period and is projected to increase 3.54% or \$1,884,530 annually through FY2027. Benefits has the largest projected average annual variance compared to the historical average at \$476,547.
Salaries	\$1,020,917	\$1,017,854	(\$3,062)	
Benefits	\$465,296	\$941,843	\$476,547	
Purchased Services	\$448,722	\$63,420	(\$385,302)	
Supplies & Materials	\$135,290	\$36,593	(\$98,696)	
Capital Outlay	\$68,764	(\$52,858)	(\$121,622)	
Intergov & Debt	\$0	\$0	(\$0)	
Other Objects	\$34,058	\$8,732	(\$25,327)	
Other Uses	\$40,545	(\$131,054)	(\$171,600)	
Total Average Annual Change	\$2,213,592 4.49%	\$1,884,530 3.54%	(\$329,062) -0.95%	

Note: Expenditure average annual change is projected to

be > \$1,884,530

On an annual average basis, revenue are projected to contract while expenditures grows

Expenditure Notes

SALARY EXPENSE

Salaries represent 52.87% of total expenditures and increased at a historical average annual rate of 3.87% or \$1,020,917. This category of expenditure is projected to grow at an annual average rate of 3.18% or \$1,017,854 through FY 2027. The projected average annual rate of change is -0.70% less than the five year historical annual average.

BENEFIT EXPENSE

Benefits represent 19.92% of total expenditures and increased at a historical average annual rate of 4.66% This category of expenditure is projected to grow at an annual average rate of 6.82% through FY 2027. The projected average annual rate of change is 2.16% more than the five year historical annual average.

PURCHASED SERVICES EXPENSE

Purchased Services represent 18.32% of total expenditures and increased at a historical average annual rate of 4.87%. This category of expenditure is projected to grow at an annual average rate of 0.67% through FY 2027 The FSFP funds only district educated enrollment thereby reducing tuition cost for open enrollment out, community schools, STEM, and scholarships starting in FY 2022. In FY 2021 these costs totaled \$879,200. The graph to the left reflects the difference between past formula ADM prior to FY 2022 compared to actual district educated.

SUPPLIES & MATERIALS EXPENSE

Supplies & Materials represent 3.95% of total expenditures and increased at a historical average annual rate of 7.78%. This category of expenditure is projected to grow at an annual average rate of 1.66% through FY 2027. The projected average annual rate of change is -6.11% less than the five year historical annual average.

CAPITAL OUTLAY EXPENSE

Capital Outlay represent 1.93% of total expenditures and increased at a historical average annual amount of \$68,764. This category of expenditure is projected to decrease at an annual average rate of -\$52,858 through FY 2027. The projected average annual change is less than the five year historical annual average.

INTERGOVERNMENTAL & DEBT EXPENSE

The Intergovernmental/Debt expenditure category details general fund debt issued by the District.

OTHER OBJECTS EXPENSE

Other Objects represent 1.55% of total expenditures and increased at a historical average annual rate of 4.47%. This category of expenditure is projected to grow at an annual average rate of 1.02% through FY 2027. The projected average annual rate of change is -3.44% less than the five year historical annual average.

OTHER USES EXPENSES

Other Uses includes expenditures that are generally classified as non-operating. It is typically in the form of advances-out which are then repaid into the general fund from the other district funds. In FY 2022 the district had advances-out and has no advances-out forecasted through FY 2027. The district can also move general funds permanently to other funds, the district has transfers forecasted through FY 2027. The district can also have other uses of funds.

ADDITIONAL EXPENDITURE NOTES

Nordonia Hills City School District

Five Year Forecast

May,2023

Fiscal Year:	Actual			FORECASTED				
	2020	2021	2022	2023	2024	2025	2026	2027
Revenue:								
1.010 - General Property Tax (Real Estate)	31,433,874	35,731,759	36,408,466	37,502,355	36,520,263	36,731,904	36,788,087	36,949,314
1.020 - Public Utility Personal Property	2,889,230	3,190,252	3,406,608	3,915,196	4,062,674	4,149,401	4,236,137	4,322,873
1.030 - Income Tax	-	-	-	-	-	-	-	-
1.035 - Unrestricted Grants-in-Aid	4,458,688	4,687,552	4,158,796	4,416,686	4,641,512	4,821,165	5,002,908	5,186,756
1.040 - Restricted Grants-in-Aid	89,067	84,158	358,589	330,298	283,652	239,834	195,656	151,142
1.050 - Property Tax Allocation	4,111,391	4,192,324	4,042,644	4,042,533	4,068,600	4,113,398	4,121,279	4,141,758
1.060 - All Other Operating Revenues	4,017,426	3,567,158	7,792,371	6,923,742	5,820,406	5,740,406	3,660,406	3,129,831
1.070 - Total Revenue	46,999,677	51,453,203	56,167,475	57,130,810	55,397,107	55,796,108	54,004,473	53,881,674
Other Financing Sources:								
2.010 - Proceeds from Sale of Notes	-	-	-	-	-	-	-	-
2.020 - State Emergency Loans and Adv	-	-	-	-	-	-	-	-
2.040 - Operating Transfers-In	-	26,210	-	6,695	1,500	1,500	1,500	1,500
2.050 - Advances-In	-	-	-	1,000	-	-	-	-
2.060 - All Other Financing Sources	385,458	238,711	63,474	82,955	39,500	39,500	39,500	39,500
2.070 - Total Other Financing Sources	385,458	264,921	63,474	90,650	41,000	41,000	41,000	41,000
2.080 - Total Rev & Other Sources	47,385,135	51,718,124	56,230,949	57,221,460	55,438,107	55,837,108	54,045,473	53,922,674
Expenditures:								
3.010 - Personnel Services	26,181,649	27,587,483	28,179,054	30,735,958	31,548,080	32,031,048	32,664,422	33,268,326
3.020 - Employee Benefits	10,263,845	10,497,670	10,617,480	12,224,108	12,755,807	14,055,950	14,678,085	15,326,696
3.030 - Purchased Services	8,977,337	10,091,160	9,766,113	8,922,813	9,216,174	9,446,321	9,710,229	10,083,214
3.040 - Supplies and Materials	1,584,432	1,727,592	2,107,290	2,059,843	2,166,530	2,176,118	2,302,344	2,290,257
3.050 - Capital Outlay	893,545	1,160,813	1,028,295	654,536	699,173	720,148	741,752	764,005
Intergovernmental & Debt Service	-	-	-	-	-	-	-	-
4.300 - Other Objects	865,186	821,873	824,369	823,139	843,381	851,867	878,028	868,028
4.500 - Total Expenditures	48,765,995	51,886,590	52,522,602	55,420,398	57,229,145	59,281,453	60,974,861	62,600,526
Other Financing Uses								
5.010 - Operating Transfers-Out	177,554	327,528	779,272	1,500,000	1,500,000	1,500,000	250,000	125,000
5.020 - Advances-Out	-	-	1,000	-	-	-	-	-
5.030 - All Other Financing Uses	-	-	-	-	-	-	-	-
5.040 - Total Other Financing Uses	177,554	327,528	780,272	1,500,000	1,500,000	1,500,000	250,000	125,000
5.050 - Total Exp and Other Financing Uses	48,943,549	52,214,119	53,302,874	56,920,398	58,729,146	60,781,453	61,224,861	62,725,526
6.010 - Excess of Rev Over/((Under) Exp	(1,558,414)	(495,994)	2,928,075	301,062	(3,291,039)	(4,944,345)	(7,179,388)	(8,802,852)
7.010 - Cash Balance July 1 (No Levies)	16,653,949	15,095,534	14,599,540	17,527,615	17,828,677	14,537,638	9,593,293	2,413,905
7.020 - Cash Balance June 30 (No Levies)	15,095,534	14,599,540	17,527,615	17,828,677	14,537,638	9,593,293	2,413,905	(6,388,947)
				Reservations				
8.010 - Estimated Encumbrances June 30	1,205,548	1,179,794	790,937	750,000	750,000	750,000	750,000	750,000
9.080 - Reservations Subtotal	-	-	-	-	-	-	-	-
10.010 - Fund Bal June 30 for Cert of App	13,889,986	13,419,746	16,736,678	17,078,677	13,787,638	8,843,293	1,663,905	(7,138,947)
Rev from Replacement/Renewal Levies								
11.010 & 11.020 - Renewal Levies	-	-	-	-	-	-	-	-
11.030 - Cumulative Balance of Levies	-	-	-	-	-	-	-	-
12.010 - Fund Bal June 30 for Cert of Obligations	13,889,986	13,419,746	16,736,678	17,078,677	13,787,638	8,843,293	1,663,905	(7,138,947)
Revenue from New Levies								
13.010 & 13.020 - New Levies	-	-	-	-	-	-	-	-
13.030 - Cumulative Balance of New Levies	-	-	-	-	-	-	-	-
15.010 - Unreserved Fund Balance June 30	13,889,986	13,419,746	16,736,678	17,078,677	13,787,638	8,843,293	1,663,905	(7,138,947)

State Funding Budget Process and May Financial Forecast

At the start of the state's FY 2024 and 2025 budget process the Governor introduced these key elements regarding the Fair School Funding Plan which started July 1, 2022:

- The FSFP would continue.
- It would be funded at the same 2018 base cost calculations
- Original phase-ins of the new formula would continue

While there is no legislatively approved state budget, the May forecast as prepared assumes the Governor's proposal. The 2018 base cost components as used in FY 2022 and 2023 and proposed by the Governor would be extended as follows:

- Base per pupil cost (funding) is calculated at the 2018 level through FY 2027
- FSFP phase-in continues until culminating at 100% phased-in by FY 2027

The Ohio House of Representatives introduced an amendment to the Governor's proposal that would update the base cost components to the 2022 cost data. This change is potentially significant for many districts, however some districts will benefit only minimally or not at all. While the state budget deliberations continue the 2022 base cost was modeled to see the potential impact on the district's forecast. This is only an estimate and is intended to show relative potential significance. The modeling assumes:

- That the 2022 base cost components will be used in FY 2024 and 2025.
- The 2022 base cost components will be updated to 2024 cost data in FY 2026 and 2027.
- That the formula is fully phased-in by FY 2027.

For our district the annual impact on revenue Over/(Under) the current forecast modeling is reflected below along with a cumulative potential impact on the district's cash balance. If warranted the Board may be asked to approve an amended forecast in June.

Other Observations:

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