

Nordonia Hills City School District

Five Year Forecast Financial Report

November, 2022

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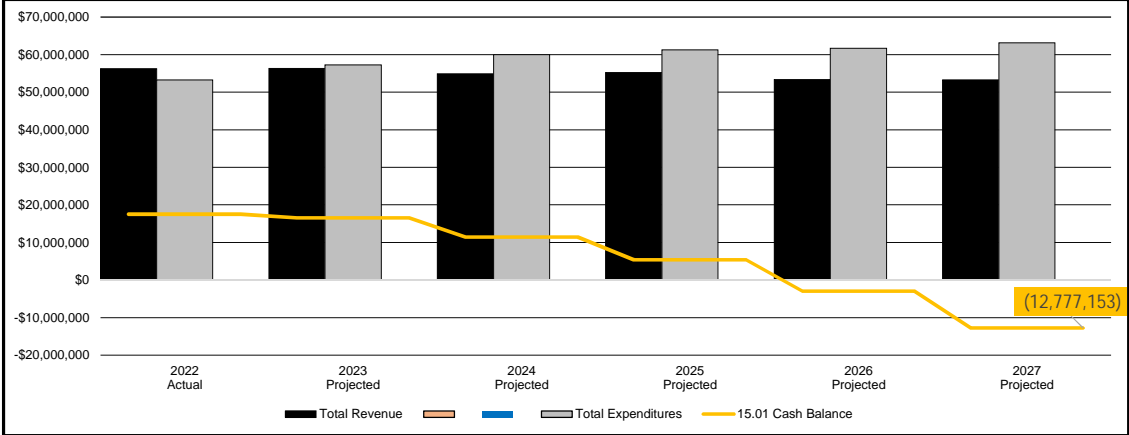
Forecast Purpose/Objectives

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	16,579,704	11,438,906	5,391,456	(2,926,682)
+ Revenue	56,327,290	54,861,242	55,221,548	53,386,973	53,306,720
+ Proposed Renew/Replacement Levies	-	-	-	-	-
+ Proposed New Levies	-	-	-	-	-
- Expenditures	(57,275,201)	(60,002,039)	(61,268,998)	(61,705,111)	(63,157,191)
= Revenue Surplus or Deficit	(947,911)	(5,140,797)	(6,047,450)	(8,318,138)	(9,850,472)
Line 7.020 Ending Balance with renewal/new levies	16,579,704	11,438,906	5,391,456	(2,926,682)	(12,777,153)

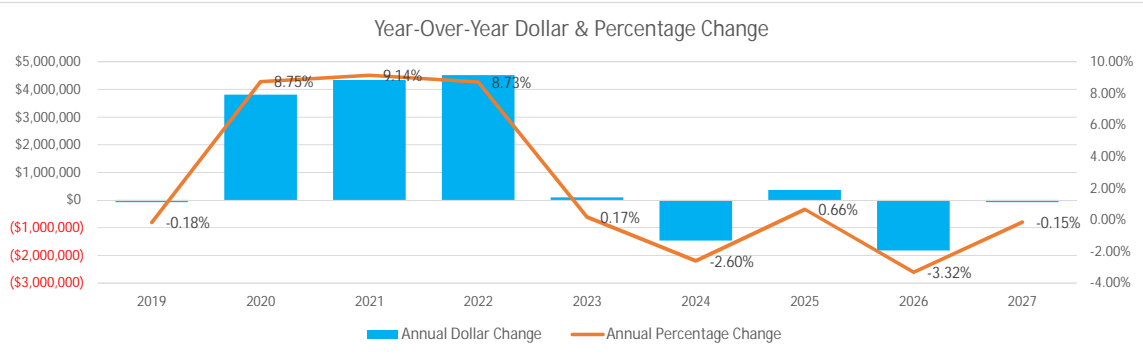
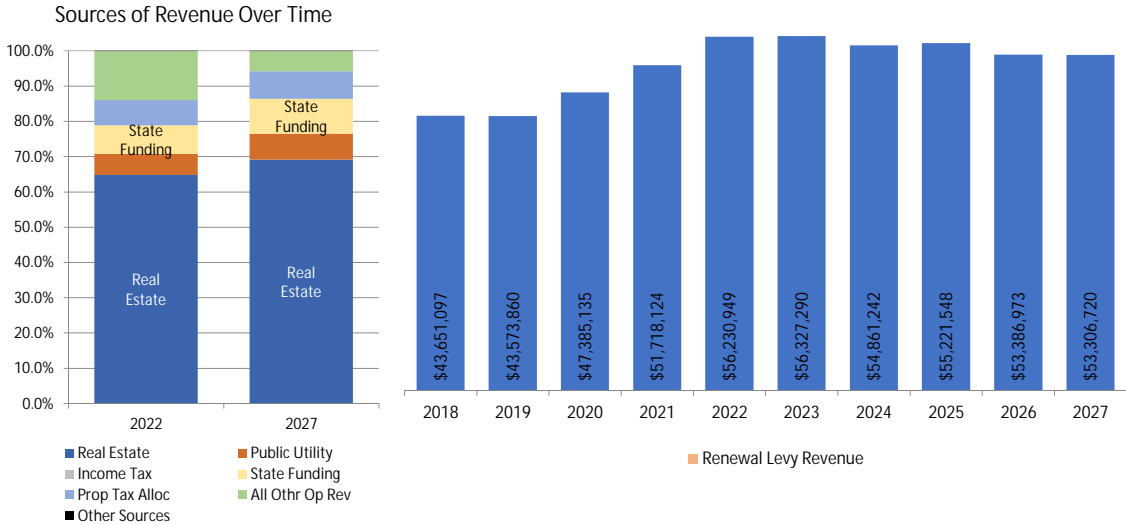
Analysis Without Renewal Levies Included:

Revenue Surplus or Deficit w/o Levies	(947,911)	(5,140,797)	(6,047,450)	(8,318,138)	(9,850,472)
Ending Balance w/o Levies	16,579,704	11,438,906	5,391,456	(2,926,682)	(12,777,153)

In FY 2023 a revenue shortfall is expected. This means that expenditures are expected to be greater than revenue by \$947,911 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 \$9,850,472. The district would need to cut its FY 2027 projected expenses by 15.60% 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 -1.07% or -\$584,846 annually through FY2027. All Othr Op Rev has the most projected average annual variance compared to the historical average at -\$1,877,734
Real Estate	\$1,842,671	\$84,639	(\$1,758,032)	
Public Utility	\$180,992	\$103,962	(\$77,030)	
Income Tax	\$0	\$0	\$0	
State Funding	(\$357,861)	\$155,263	\$513,124	
Prop Tax Allocation	(\$7,602)	\$16,992	\$24,594	
All Othr Op Rev	\$937,426	(\$940,308)	(\$1,877,734)	
Other Sources	(\$20,946)	(\$5,395)	\$15,551	
Total Average Annual Change	\$2,574,681 5.31%	(\$584,846) -1.07%	(\$3,159,526) -6.38%	

Note: Expenditure average annual change is projected to be > \$1,970,864. 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 35.7 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 0.23% 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 \$103,962 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 \$24,403,542 in FY 2023. The state's share of the calculated Base Cost total is \$1,193,116 or \$364 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 -\$40,305. 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 \$108,858. 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

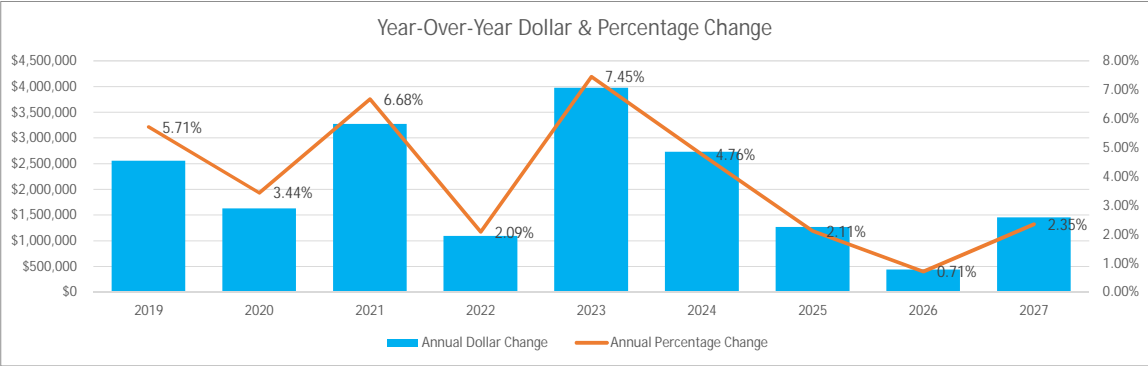
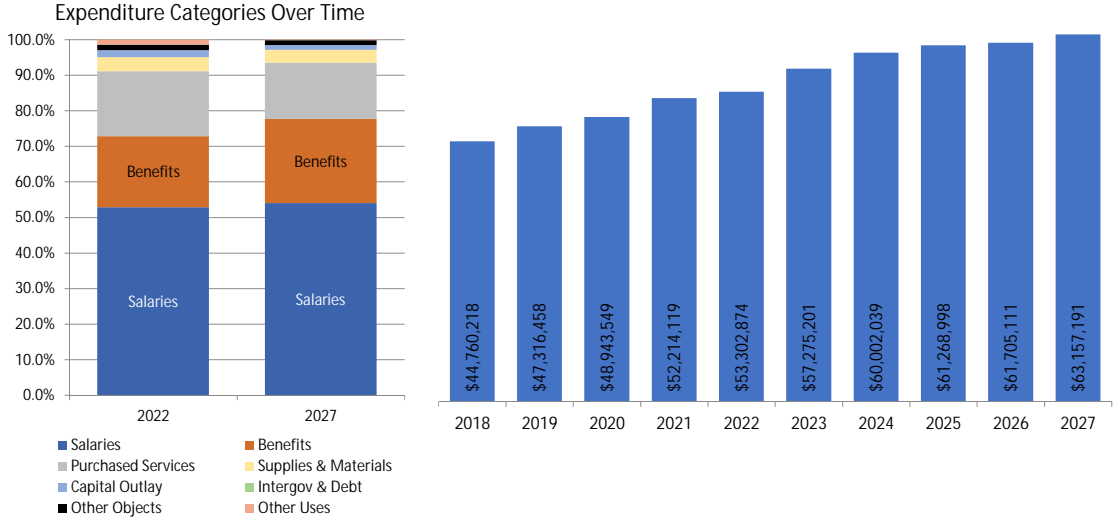
Other revenue includes tuition received by the district for non-resident students educated by the district. It also includes interest income, payments in lieu of taxes, and miscellaneous revenue. The historical average annual change was \$937,426. The projected average annual change is -\$940,308 through 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 \$35,000 in FY 2023 and average \$35,000 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	
Salaries	\$1,020,917	\$1,187,633	\$166,716	Total expenditures increased 4.49% or \$2,213,592 annually during the past 5-Year period and is projected to increase 3.70% or \$1,970,864 annually through FY2027. Benefits has the largest projected average annual variance compared to the historical average at \$396,197.
Benefits	\$465,296	\$861,493	\$396,197	
Purchased Services	\$448,722	\$55,504	(\$393,218)	
Supplies & Materials	\$135,290	\$33,608	(\$101,682)	
Capital Outlay	\$68,764	(\$44,892)	(\$113,656)	
Intergov & Debt	\$0	\$0	(\$0)	
Other Objects	\$34,058	\$8,572	(\$25,486)	
Other Uses	\$40,545	(\$131,054)	(\$171,600)	
Total Average Annual Change	\$2,213,592	\$1,970,864	(\$242,729)	
	4.49%	3.70%	-0.79%	

Note: Expenditure average annual change is projected to be > \$1,970,864 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 3.64% or \$1,187,633 through FY 2027. The projected average annual rate of change is -0.23% 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 6.28% through FY 2027. The projected average annual rate of change is 1.62% 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 0.59% through FY 2027 The FSPF 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 1.52% through FY 2027. The projected average annual rate of change is -6.25% 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 -\$44,892 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 0.99% through FY 2027. The projected average annual rate of change is -3.48% 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

November, 2022

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	36,369,908	36,449,832	36,613,749	36,670,094	36,831,663
1.020 - Public Utility Personal Property	2,889,230	3,190,252	3,406,608	3,579,472	3,666,209	3,752,945	3,839,681	3,926,417
1.030 - Income Tax	-	-	-	-	-	-	-	-
1.035 - Unrestricted Grants-in-Aid	4,458,688	4,687,552	4,158,796	4,418,822	4,592,433	4,773,300	4,951,434	5,136,636
1.040 - Restricted Grants-in-Aid	89,067	84,158	358,589	323,123	282,341	239,441	200,747	157,065
1.050 - Property Tax Allocation	4,111,391	4,192,324	4,042,644	4,057,072	4,077,519	4,099,205	4,107,109	4,127,606
1.060 - All Other Operating Revenues	4,017,426	3,567,158	7,792,371	7,536,198	5,756,408	5,706,408	3,581,408	3,090,833
1.070 - Total Revenue	46,999,677	51,453,203	56,167,475	56,284,595	54,824,742	55,185,048	53,350,473	53,270,220
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	35,000	35,000	35,000	35,000	35,000
2.070 - Total Other Financing Sources	385,458	264,921	63,474	42,695	36,500	36,500	36,500	36,500
2.080 - Total Rev & Other Sources	47,385,135	51,718,124	56,230,949	56,327,290	54,861,242	55,221,548	53,386,973	53,306,720
Expenditures:								
3.010 - Personnel Services	26,181,649	27,587,483	28,179,054	30,805,958	32,003,979	32,741,753	33,445,439	34,117,217
3.020 - Employee Benefits	10,263,845	10,497,670	10,617,480	12,155,728	13,329,843	13,846,832	14,377,977	14,924,946
3.030 - Purchased Services	8,977,337	10,091,160	9,766,113	9,096,039	9,182,102	9,410,415	9,672,487	10,043,633
3.040 - Supplies and Materials	1,584,432	1,727,592	2,107,290	2,125,304	2,174,091	2,159,492	2,286,555	2,275,331
3.050 - Capital Outlay	893,545	1,160,813	1,028,295	714,196	965,622	757,691	780,422	803,834
Intergovernmental & Debt Service	-	-	-	-	-	-	-	-
4.300 - Other Objects	865,186	821,873	824,369	877,975	846,401	852,814	892,230	867,230
4.500 - Total Expenditures	48,765,995	51,886,590	52,522,602	55,775,201	58,502,039	59,768,998	61,455,110	63,032,191
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	57,275,201	60,002,039	61,268,998	61,705,111	63,157,191
6.010 - Excess of Rev Over/(Under) Exp	(1,558,414)	(495,994)	2,928,075	(947,911)	(5,140,797)	(6,047,450)	(8,318,138)	(9,850,472)
7.010 - Cash Balance July 1 (No Levies)	16,653,949	15,095,534	14,599,540	17,527,615	16,579,704	11,438,906	5,391,456	(2,926,682)
7.020 - Cash Balance June 30 (No Levies)	15,095,534	14,599,540	17,527,615	16,579,704	11,438,906	5,391,456	(2,926,682)	(12,777,153)
				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	15,829,704	10,688,906	4,641,456	(3,676,682)	(13,527,153)
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	15,829,704	10,688,906	4,641,456	(3,676,682)	(13,527,153)
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	15,829,704	10,688,906	4,641,456	(3,676,682)	(13,527,153)