

Edgerton Local School District

Five Year Forecast Financial Report

May, 2022

Prepared by William Blakely, Treasurer/CFO

Table of Contents

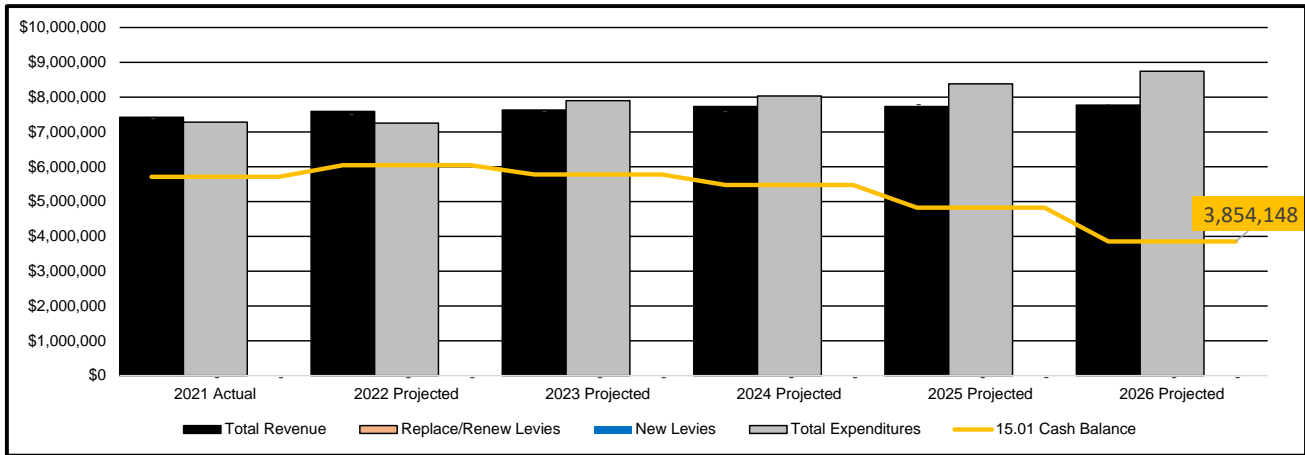
	<u>Page</u>
Table of Contents	2
Forecast Summary	3
Revenue Sources and Forecast Year-Over-Year Projected Overview	4
1.010 - General Property Tax (Real Estate)	5
1.020 - Public Utility Personal Property	6
1.030 - Income Tax	7
1.035 - Unrestricted Grants-in-Aid	8
1.040 & 1.045 - Restricted Grants-in-Aid	9
1.050 - Property Tax Allocation	10
1.060 - All Other Operating Revenues	11
2.070 - Total Other Financing Sources	12
Expenditures Overview	13
3.010 - Personnel Services	14
3.020 - Employee Benefits	15
3.030 - Purchased Services	16
3.040 - Supplies and Materials	17
3.050 - Capital Outlay	18
3.060 - 4.060 - Intergovernmental & Debt	19
4.300 - Other Objects	20
5.040 - Total Other Financing Uses	21
Five Year Forecast	22

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.



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

Financial Forecast

	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026
Beginning Balance (Line 7.010) Plus Renewal/New Levies Modeled	5,712,263	6,044,269	5,776,635	5,478,186	4,826,783
+ Revenue	7,588,369	7,633,535	7,732,959	7,729,755	7,771,232
+ Proposed Renew/Replacement Levies	-	-	-	-	-
+ Proposed New Levies	-	-	-	-	-
- Expenditures	(7,256,363)	(7,901,169)	(8,031,408)	(8,381,159)	(8,743,867)
= Revenue Surplus or Deficit	332,006	(267,634)	(298,449)	(651,404)	(972,634)
Line 7.020 Ending Balance with renewal/new levies	6,044,269	5,776,635	5,478,186	4,826,783	3,854,148

Analysis Without Renewal Levies Included:

Revenue Surplus or Deficit w/o Levies	332,006	(267,634)	(298,449)	(651,404)	(972,634)
Ending Balance w/o Levies	6,044,269	5,776,635	5,478,186	4,826,783	3,854,148

In FY 2022 a revenue surplus is expected. This means that expenditures are expected to be less than revenue by -\$332,006 in FY 2022. By the last year of the forecast, FY 2026, the district is expected to have a revenue shortfall where expenditures are projected to be greater than revenue by \$972,634. The district would need to cut its FY 2026 projected expenses by 11.12% in order to balance its budget without additional revenue.

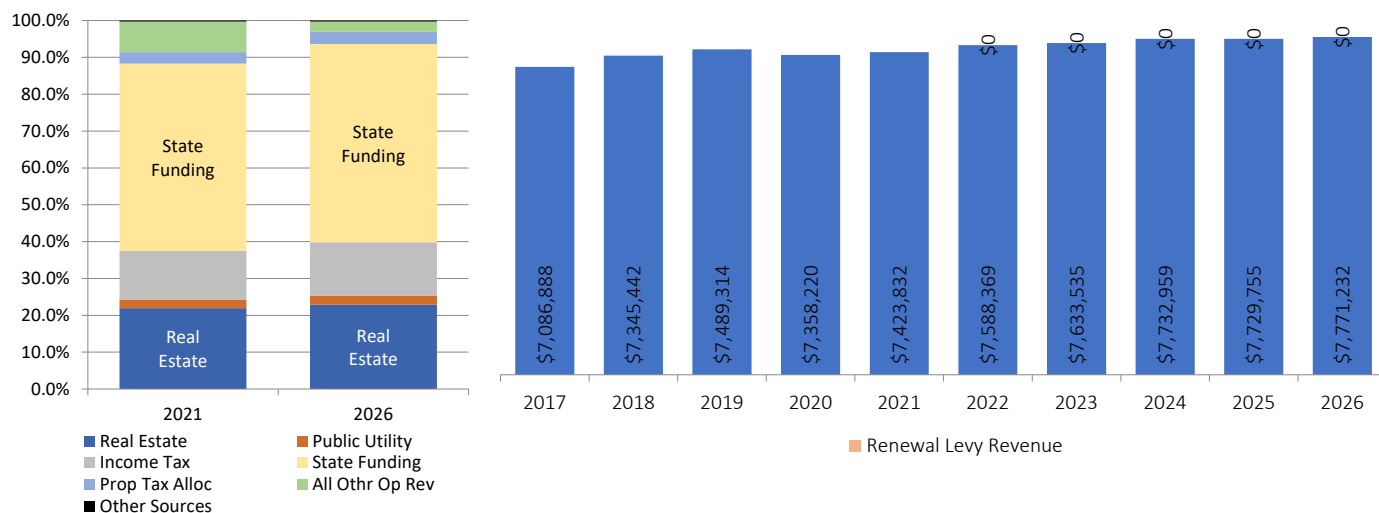
The district's cash balance is positive at year-end in FY 2022 and is projected to worsen by FY 2026. A worsening cash balance can erode the district's financial stability over time.

This forecast includes the Fair School Funding Plan (FSFP) adopted by Ohio starting in FY 2022. The district expects a combined impact of \$196,074 in FY 2022. This forecast includes a CFO adjusted trend calculation of the FSFP impact using current information. As information changes the estimates will be updated. The district is considered a formula district in FY 2022. A detailed state funding supplement to this forecast has been prepared and should be reviewed and considered part of the forecast assumptions.

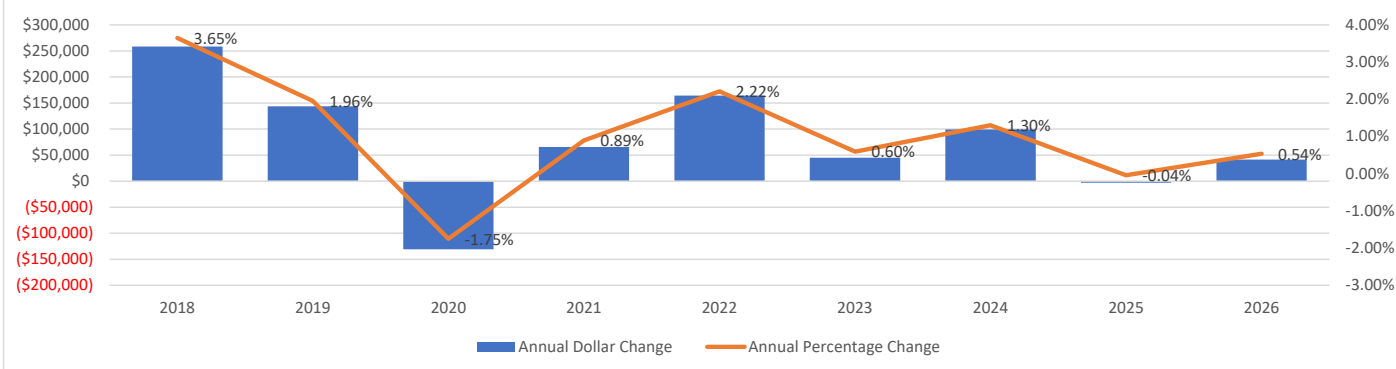
formula district in FY 2022.

Revenue Sources and Forecast Year-Over-Year Projected Overview

Sources of Revenue Over Time



Year-Over-Year Dollar & Percentage Change



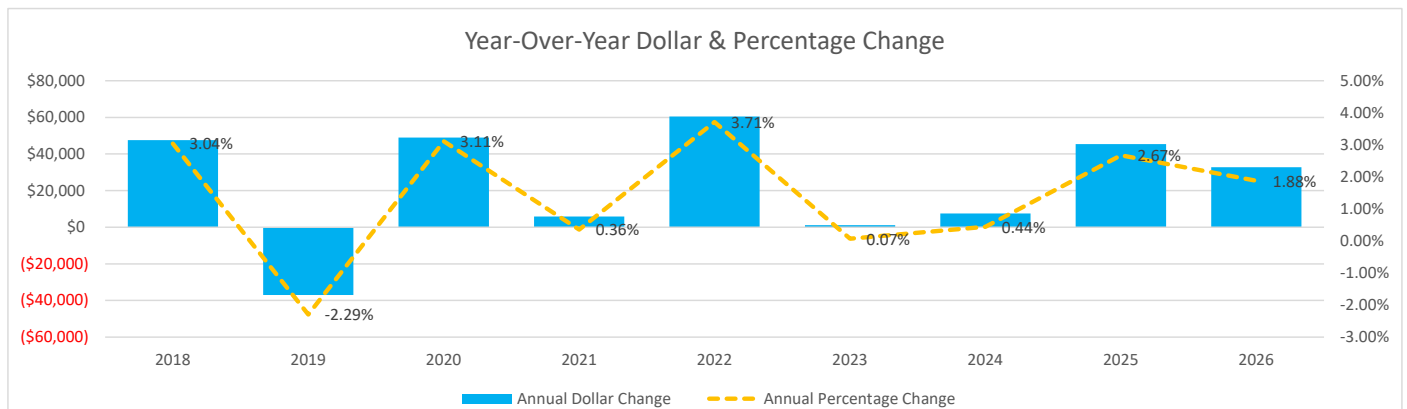
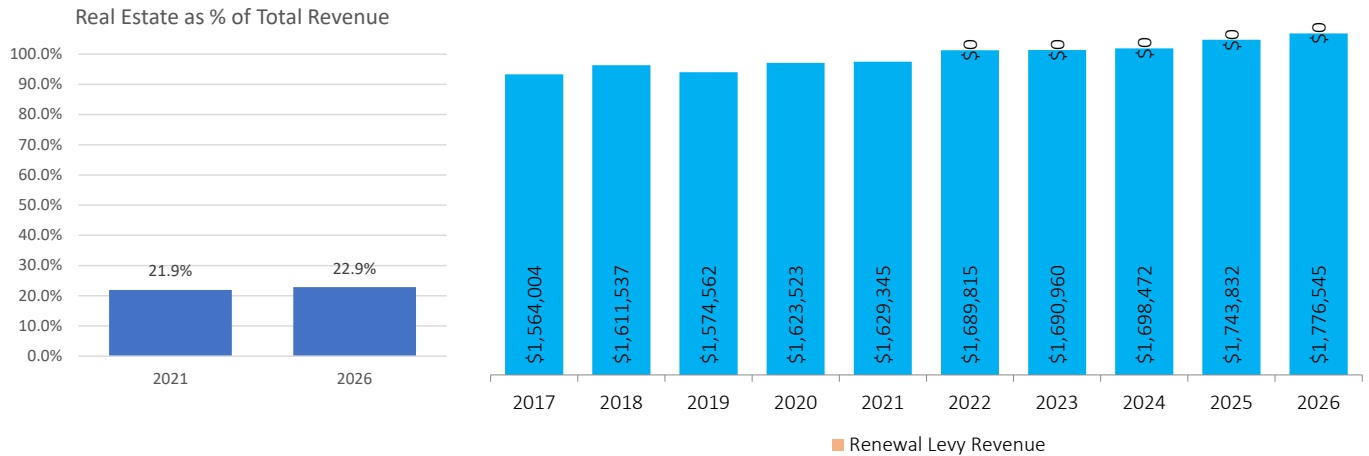
5-Year Historical Actual Average Annual Dollar Change Compared to 5-year Projected

	Historical Average Annual \$ Change	Projected Average Annual \$ Change	Projected Compared to Historical Variance	Total revenue increased 0.96% or \$70,480 annually during the past 5-Year period and is projected to increase 0.90% or \$69,480 annually through FY2026. All Othr Op Rev has the most projected average annual variance compared to the historical average at -\$112,395
Real Estate	29,028	29,440	\$412	
Public Utility	\$7,641	\$4,547	(\$3,094)	
Income Tax	\$31,504	\$28,305	(\$3,199)	
State Funding	(\$15,929)	82,280	\$98,209	
Prop Tax Alloc	(\$16,142)	\$4,887	\$21,029	
All Othr Op Rev	\$31,971	(\$80,424)	(\$112,395)	
Other Sources	\$2,406	\$446	(\$1,961)	
Total Average Annual Change	70,480	69,480	(\$1,000)	
	0.96%	0.90%	-0.06%	

Note: Expenditure average annual change is projected to be > \$292,238 On an annual average basis, expenditures are projected to grow faster than revenue.

1.010 - General Property Tax (Real Estate)

Revenue collected from taxes levied by a school district by the assessed valuation of real property using effective tax rates for class I (residential/agricultural) and class II (business).



Values, Tax Rates and Gross Collections								Gross Collection Rate Including Delinquencies
Tax Yr	Valuation	Value Change	Class I Rate	Change	Class II Rate	Change		
2020	86,776,390	484,770	20.75	-	27.20	-		105.9%
2021	92,538,230	5,761,840	20.00	(0.75)	27.17	(0.03)		100.4%
2022	93,189,430	651,200	20.00	-	27.16	(0.01)		99.4%
2023	94,169,680	980,250	20.00	-	27.14	(0.01)		99.4%
2024	97,824,680	3,655,000	20.00	-	27.13	(0.01)		99.4%
2025	98,629,680	805,000	20.00	-	27.12	(0.01)		99.4%

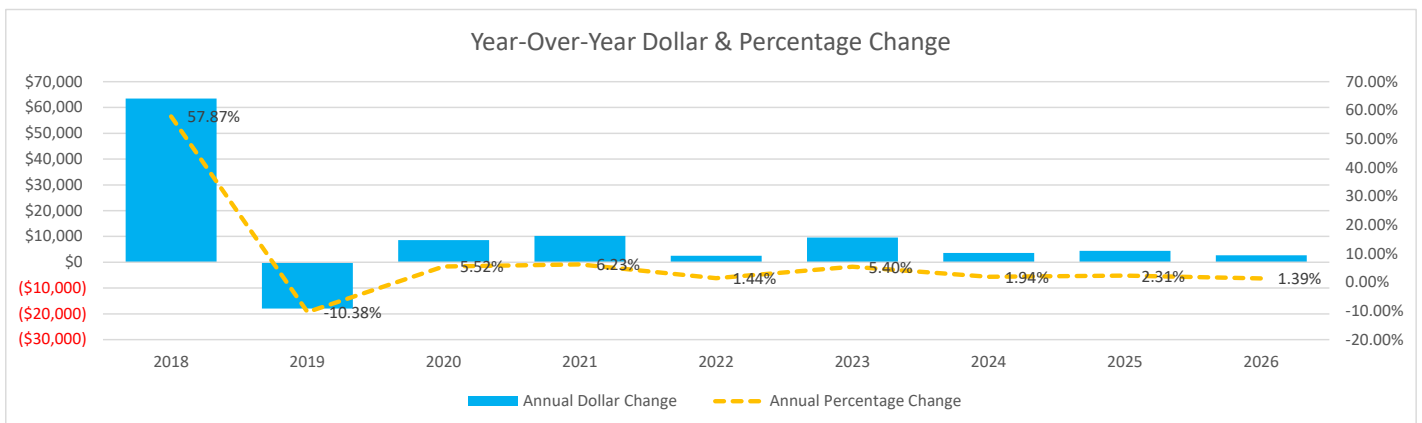
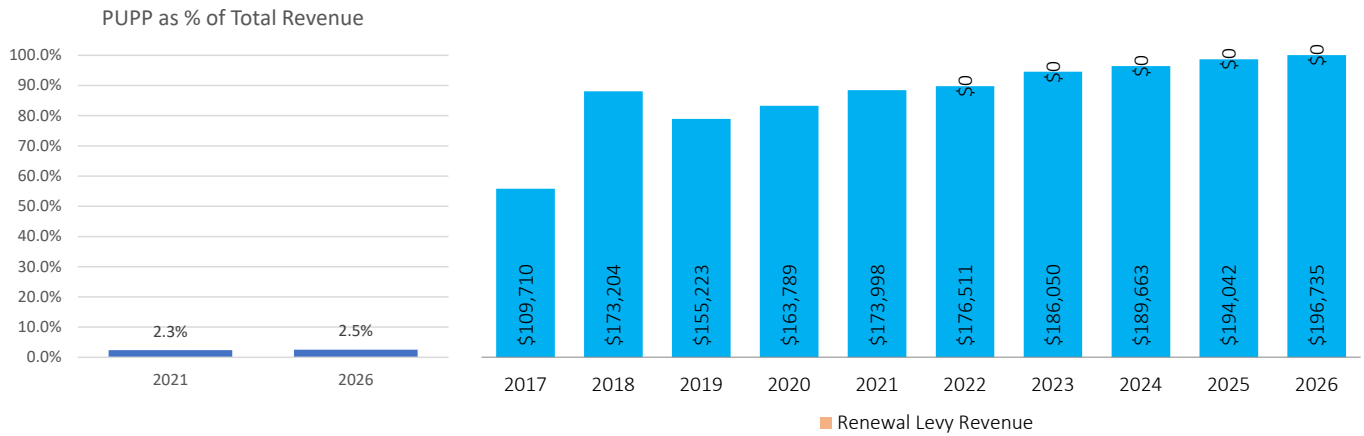
Real estate property tax revenue accounts for 21.95% of total revenue. Class I or residential/agricultural taxes make up approximately 84.53% of the real estate property tax revenue. The Class I tax rate is 20. mills in tax year 2021. The projections reflect an average gross collection rate of 99.6% annually through tax year 2025. The revenue changed at an average annual historical rate of 1.81% and is projected to change at an average annual rate of 1.71% through FY 2026.

The district real estate taxes hold relatively steady year over year. In the past few years there have been some volatility with collection rates. The valuations in CAUVs have been decreasing in the last couple of years with revaluations and should now hold steady. Meanwhile, the residential property has seen roughly a 15% increase in the State and local is projected at roughly 12%. Additional, growth in real estate comes from new construction. The assumption is that those will continue at the same pace over the next 5 years that the district has seen over the last several years. However, there are some concerns that we could see another housing bubble with the current rate of inflation and low interest rates. Some believe that as the feds drive up interest rate is could stall the market and cause values to decrease.

*Projected % trends include renewal levies

1.020 - Public Utility Personal Property

Revenue generated from public utility personal property valuations multiplied by the district's full voted tax rate.



Values and Tax Rates					Gross Collection Rate Including Delinquencies	
Tax Year	Valuation	Value Change	Full Voted Rate	Change		
2020	4,603,600	143,960	37.50	-	98.7%	
2021	4,937,130	333,530	37.50	-	103.0%	
2022	4,987,130	50,000	37.50	-	100.0%	
2023	5,127,130	140,000	37.50	-	100.0%	
2024	5,222,130	95,000	37.50	-	100.0%	
2025	5,272,130	50,000	37.50	-	100.0%	

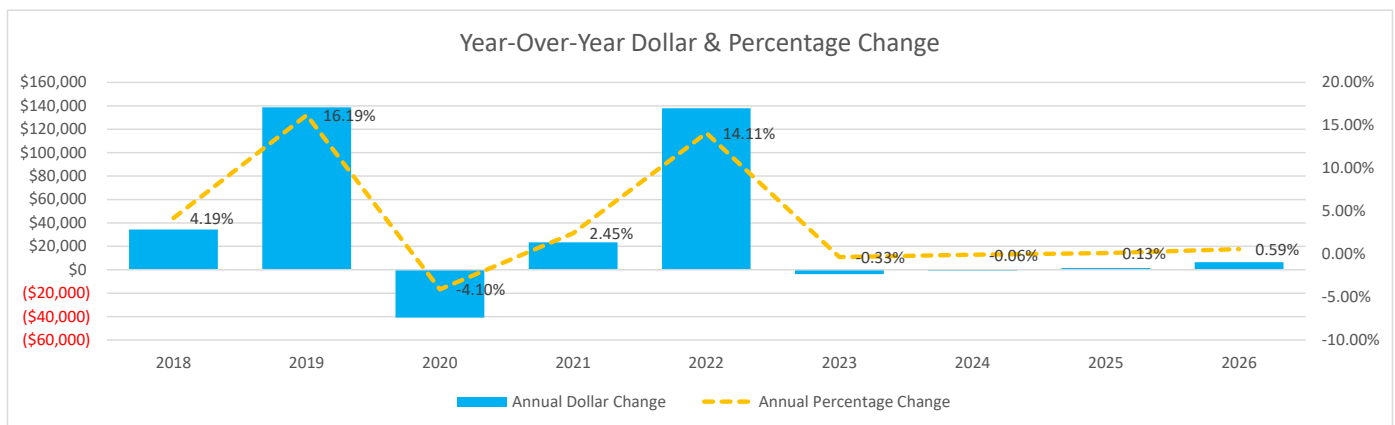
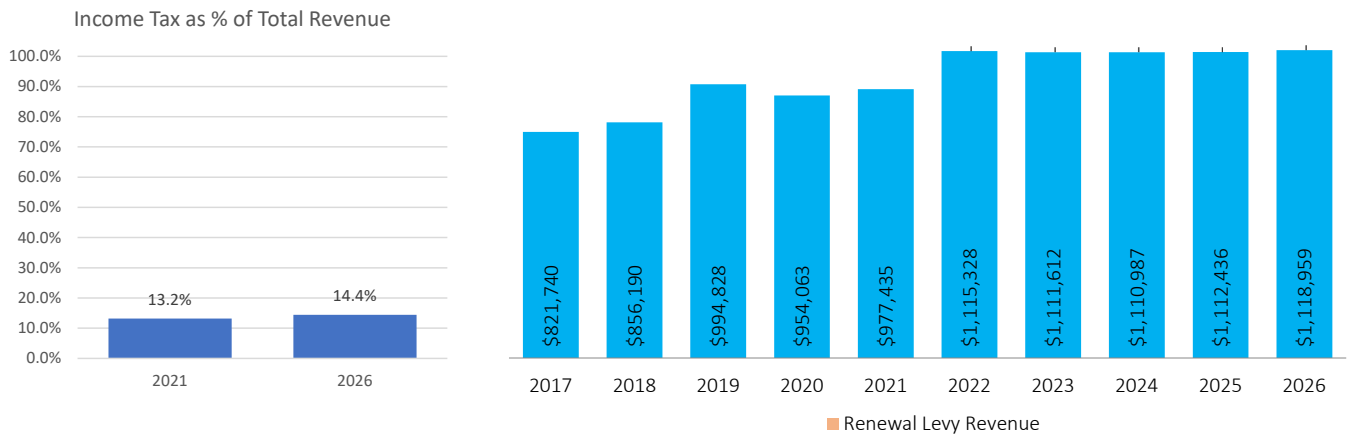
The public utility personal property tax revenue is generated from the personal property values, additions, and depreciation reported by the utility companies. This category currently makes up 2.34% of total district revenue. The property is taxed at the full voted tax rate which in tax year 2021 is 37.5 mills. The forecast is modeling an average gross collection rate of 100.57%. The revenue changed historically at an average annual dollar amount of \$7,641 and is projected to change at an average annual dollar amount of \$4,547 through FY 2026.

PUPP taxes have continued to grow slightly over the last several years. The swing that was seen in the most recent years was due to some timing issues as well as some larger than normal growth. Unlike real estate taxes PUPP property does depreciate in value over time. However, the district has not seen a decrease in value do many years which means that the utility companies are maintaining their property in the district. The assumption is that this trend will continue. However, with the property depreciating there is a chance that the valuations could go down.

*Projected % trends include renewal levies

1.030 - Income Tax

Revenue collected from income tax earmarked specifically to support schools with a voter approved tax by residents of the school district; separate from federal, state and municipal income taxes.



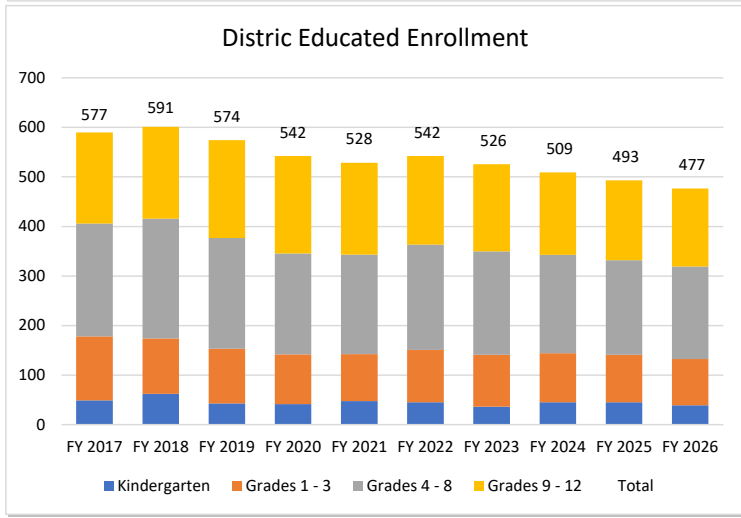
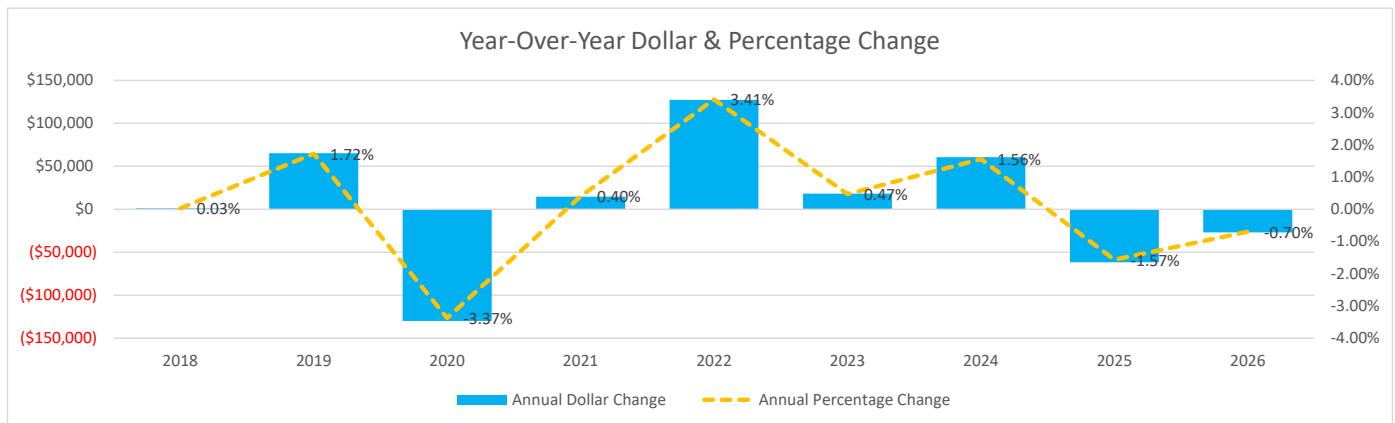
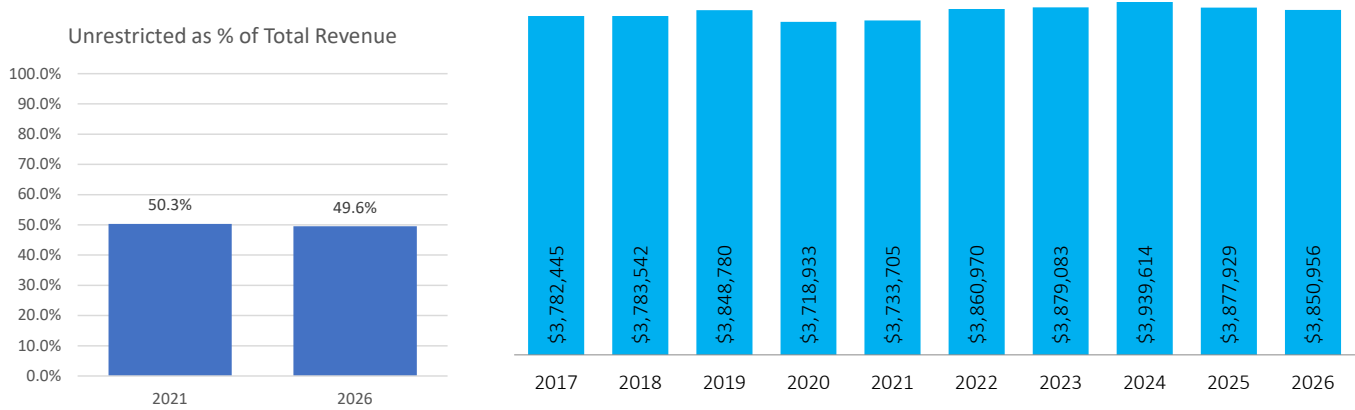
The district maintained one income tax levy in FY 2021. The average annual dollar change in total income tax revenue is forecasted to be \$28,305 through FY 2026. Income tax revenue is projected to account for 14.4% of total district revenue in FY 2026.

The district's traditional income tax that was passed in 1991 continues to have small increases year to year. There have been some years with some decreases, but overall it continues to grow at a very small rate. On average the growth tends to be in the 1% per year range. In recent years the district has seen more volatility due to some timing issues with the State and then COVID19. The assumption is that the district will continue see a small increase year over year, despite the large increase in FY22. The amount of farm income in the district also make for challenges when forecasting income tax, as farm income can be very volatile. Additionally, some economist are concerned with a potential recession. However, the job market remains strong, but as inflation continues to increase and interest rates go up it could put the breaks on the economy. Currently, a recession is not built into the forecast but is propable at this point.

*Projected % trends include renewal levies

1.035 - Unrestricted Grants-in-Aid

Funds received through the State Foundation Program with no restriction.



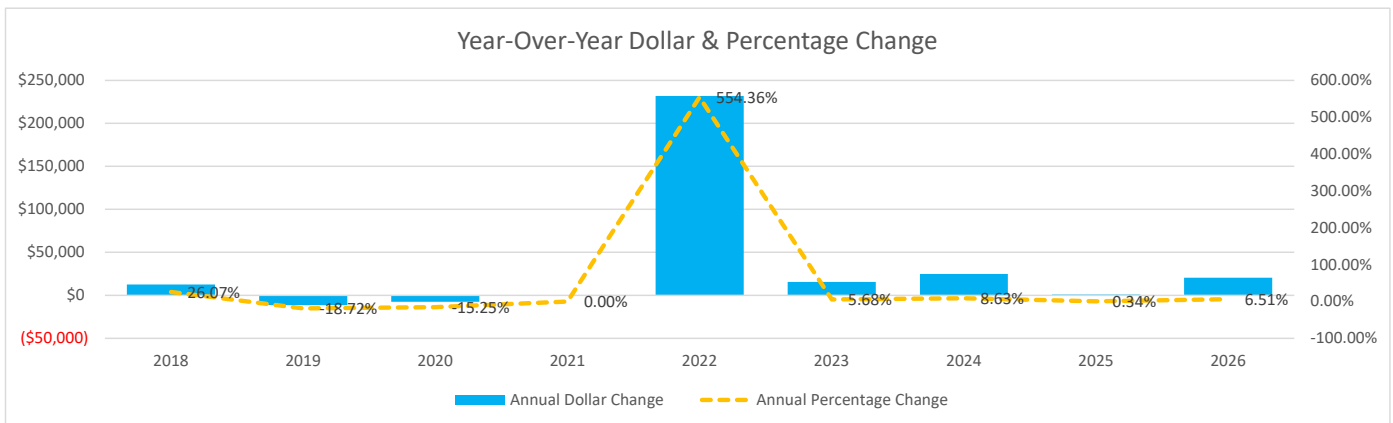
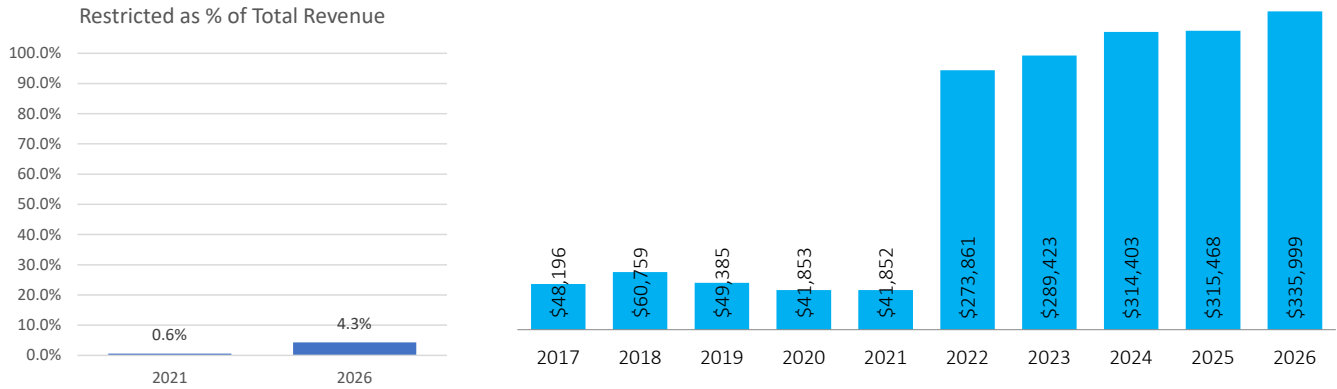
Beginning in FY 2022 Ohio adopted the Fair School Funding Plan (FSFP). Funding is driven by a base cost methodology that incorporates the four components identified as necessary to the education process. The Base Cost is currently calculated for two years using a statewide average from historical actual data.

For Egerton Local School District the calculated Base Cost total is \$4,855,340 in FY 2022. The state's share of the calculated Base Cost total is \$2,873,781 or \$5,302 per pupil.

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 \$398,763 in possible tuition cost reductions. These reductions will be reflected in the purchased services expenditure note.

1.040 & 1.045 - Restricted Grants-in-Aid

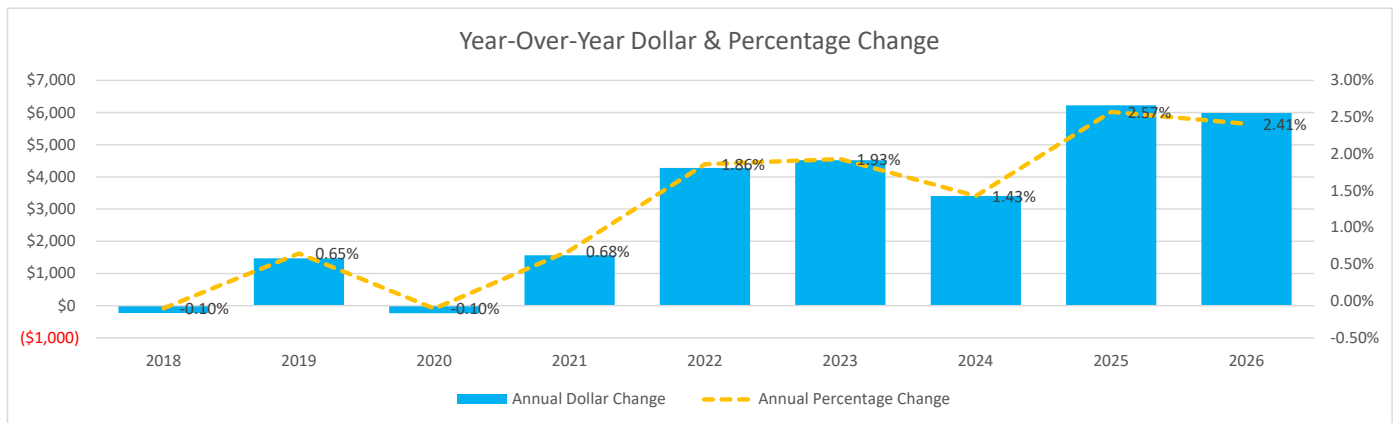
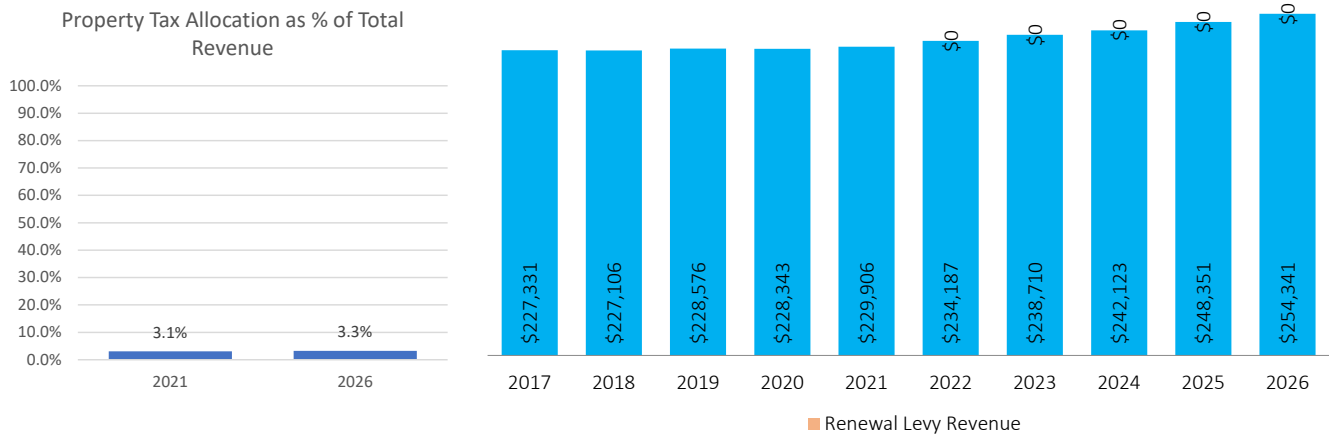
Funds received through the State Foundation Program or other allocations that are restricted for specific purposes.



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 -\$6,303 and is projected to change annually on average by \$58,829. Restricted funds represent 0.56% 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 \$186,835. 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.

1.050 - Property Tax Allocation

Includes funds received for Tangible Personal Property Tax Reimbursement, Electric Deregulation, Homestead and Rollback.

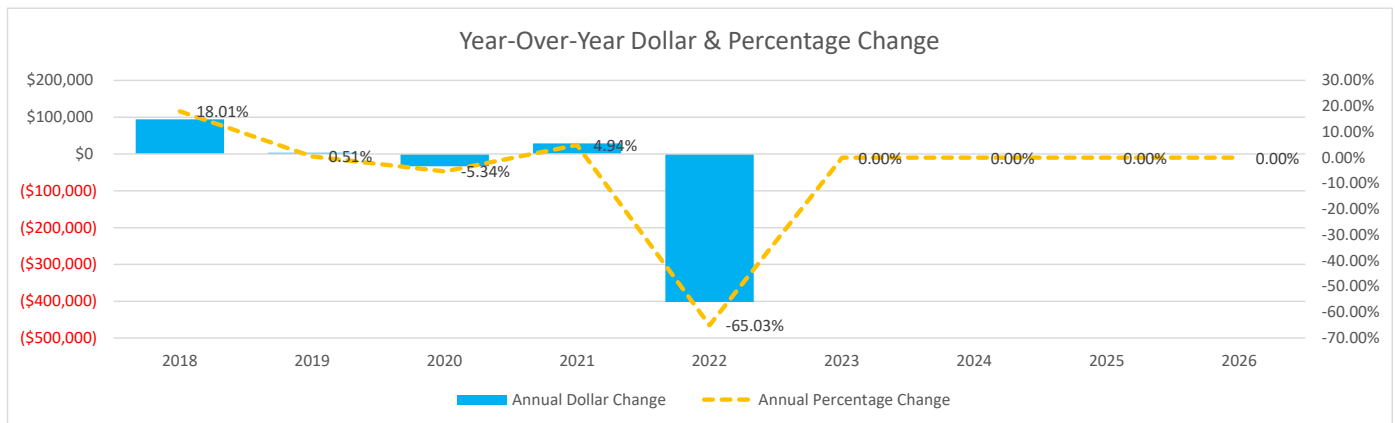
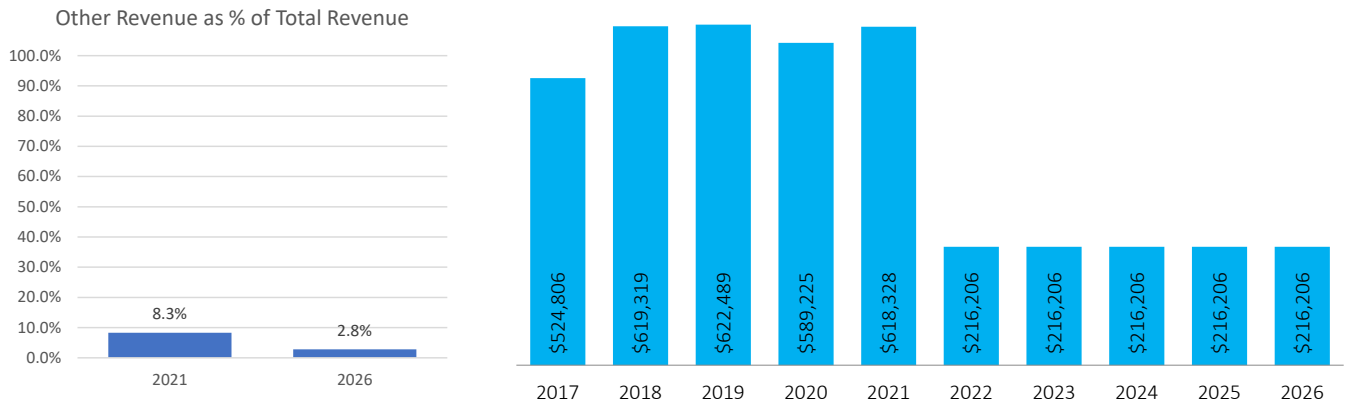


Property tax allocation primarily consists of reimbursements from the state of Ohio for local taxpayer credits or reductions. The state reduces the local taxpayer's tax bill with a 10% rollback credit, and 2.5% owner-occupied rollback credit, plus a homestead credit for qualifying taxpayers. In FY 2022, approximately 11.3% local residential property taxes will be reimbursed by the state in the form of rollback credits and approximately 3.1% will be reimbursed in the form of qualifying homestead exemption credits.

*Projected % trends include renewal levies

1.060 - All Other Operating Revenues

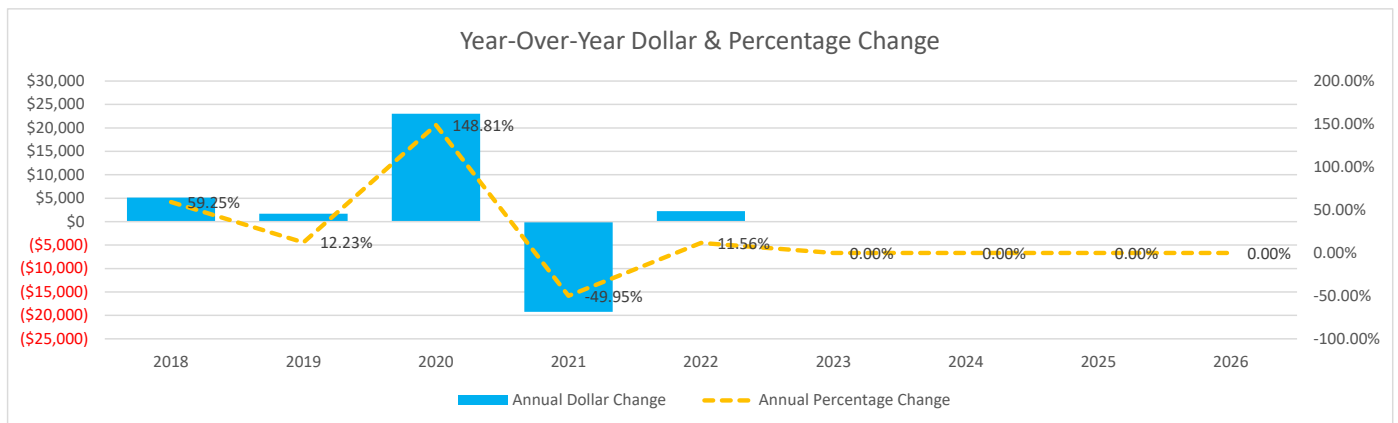
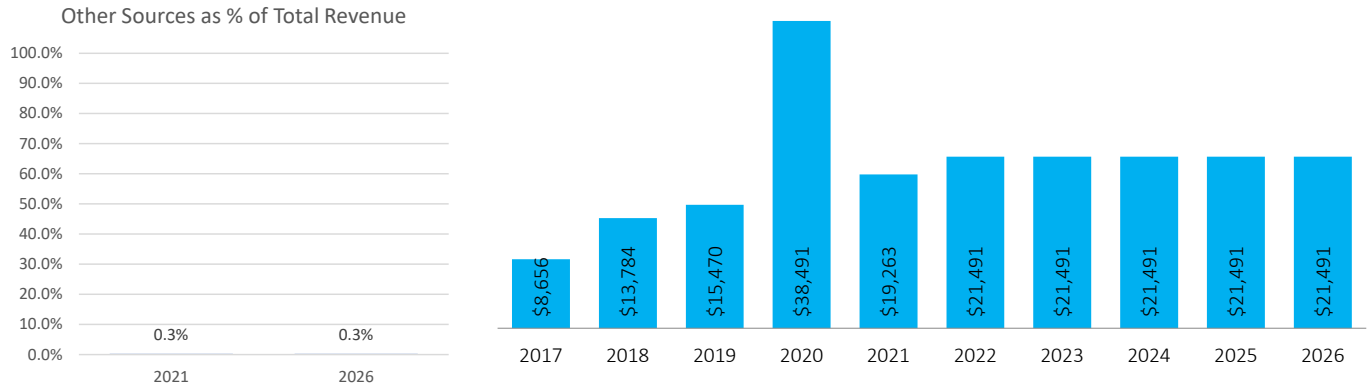
Operating revenue sources not included in other lines; examples include tuition, fees, earnings on investments, rentals, and donations.



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 \$31,971. The projected average annual change is -\$80,424 through FY 2026. 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 posted revenue code 1227 open enrollment in revenue of \$336,649 in FY 2021.

2.070 - Total Other Financing Sources

Includes proceeds from sale of notes, state emergency loans and advancements, operating transfers-in, and all other financing sources like sale and loss of assets, and refund of prior year expenditures.

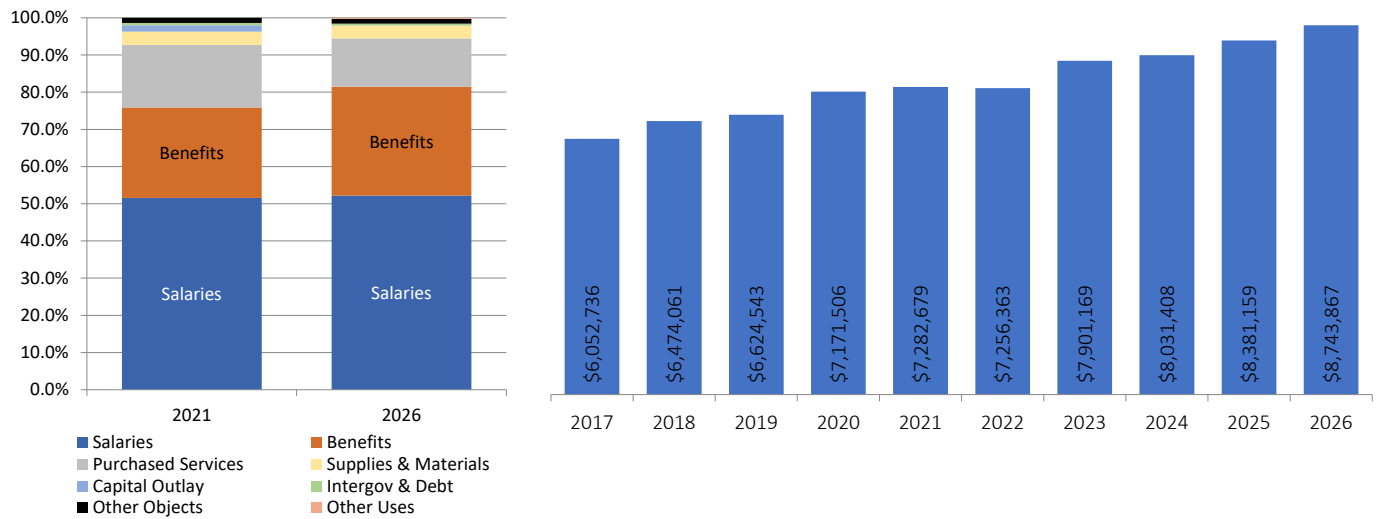


	2021	FORECASTED				
		2022	2023	2024	2025	2026
Transfers In	-	-	-	-	-	-
Advances In	-	-	-	-	-	-
All Other Financing Sources	19,263	21,491	21,491	21,491	21,491	21,491

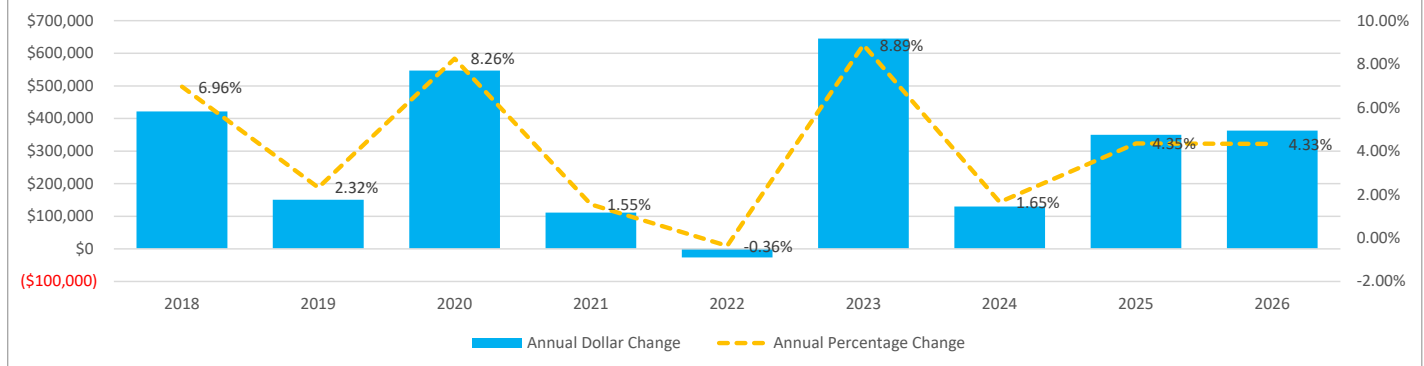
Other sources includes revenue that is generally classified as non-operating. Return advances-in are the most common revenue source. In FY 2021 the district receipted \$0 as advances-in and is projecting advances of \$0 in FY 2022. The district also receives other financing sources such as refund of prior year expenditures in this category. The district is projecting that all other financing sources will be \$21,491 in FY 2022 and average \$21,491 annually through FY 2026.

Expenditure Categories and Forecast Year-Over-Year Projected Overview

Expenditure Categories Over Time



Year-Over-Year Dollar & Percentage Change



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

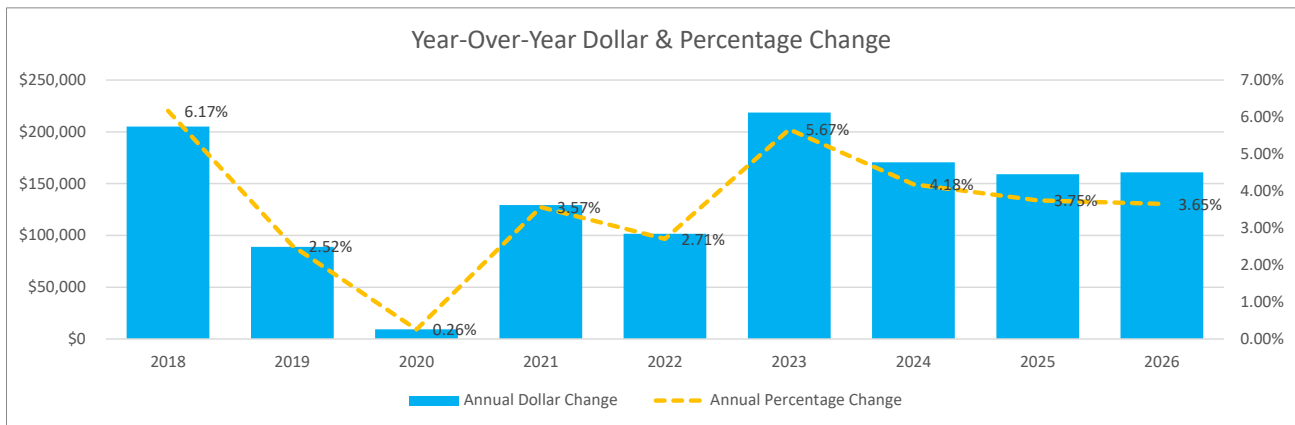
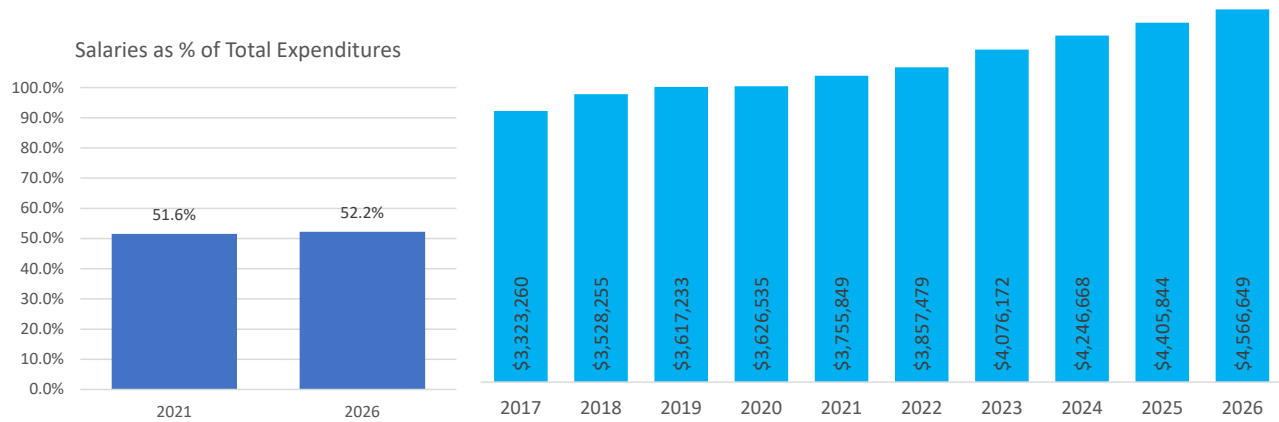
	Historical Average Annual \$ Change	Projected Average Annual \$ Change	Projected Compared to Historical Variance	Total expenditures increased 4.25% or \$285,357 annually during the past 5-Year period and is projected to increase 4.01% or \$292,238 annually through FY2026. Salaries has the largest projected average annual variance compared to the historical average at \$55,341.
Salaries	106,819	162,160	\$55,341	
Benefits	\$107,172	\$157,506	\$50,335	
Purchased Services	\$34,065	(\$17,689)	(\$51,754)	
Supplies & Materials	\$15,105	\$7,676	(\$7,429)	
Capital Outlay	\$24,348	(\$24,096)	(\$48,444)	
Intergov & Debt	\$8,556	\$37	(\$8,519)	
Other Objects	\$2,693	\$2,002	(\$690)	
Other Uses	(\$13,400)	\$4,641	\$18,041	
Total Average Annual Change	\$285,357	\$292,238	\$6,880	
	4.25%	4.01%	-0.23%	

Note: Revenue average annual change is projected to be > \$69,480

On an annual average basis, revenues are projected to grow slower than expenditures.

3.010 - Personnel Services

Employee salaries and wages, including extended time, severance pay, supplemental contracts, etc.

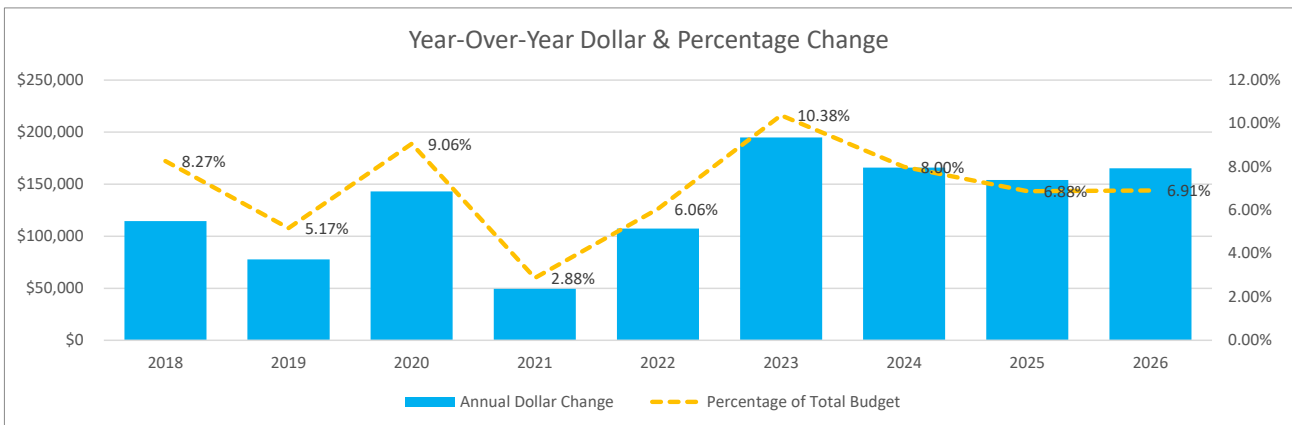
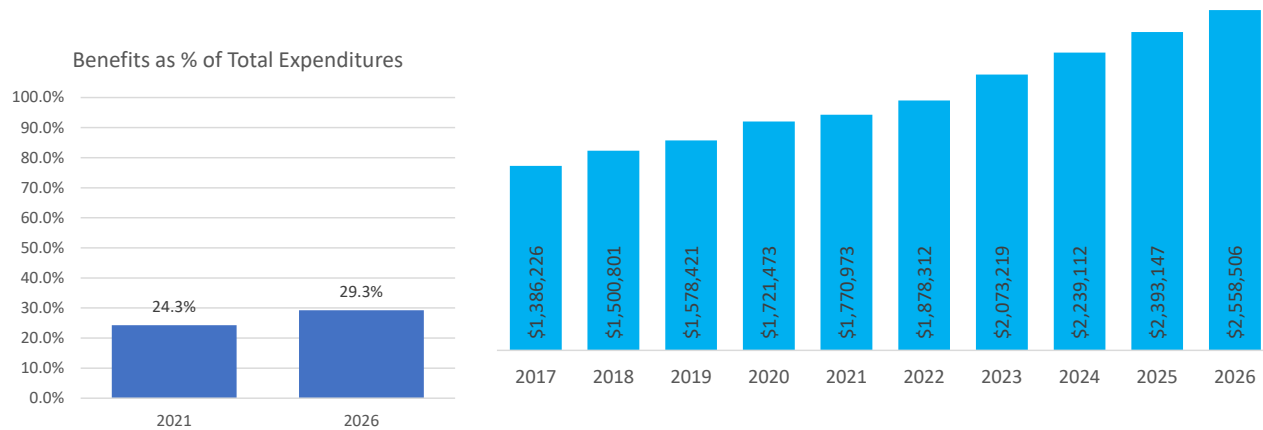


Salaries represent 51.57% of total expenditures and increased at a historical average annual rate of 2.99% or \$106,819. This category of expenditure is projected to grow at an annual average rate of 3.83% or \$162,160 through FY 2026. The projected average annual rate of change is 0.84% more than the five year historical annual average.

The increase in FY23 because of additional positions being added for next year. However, with some retirements there is also a slight savings that is helping keep the increase from being larger than what it would be. The additional years increase are based on historical data, known base increases and the assumptions on future increases based on what we have seen going on locally and throughout the State of Ohio with pay increases.

3.020 - Employees' Benefits

Retirement for all employees, Workers Compensation, early retirement incentives, Medicare, unemployment, pickup on pickup, and all health-related insurances.

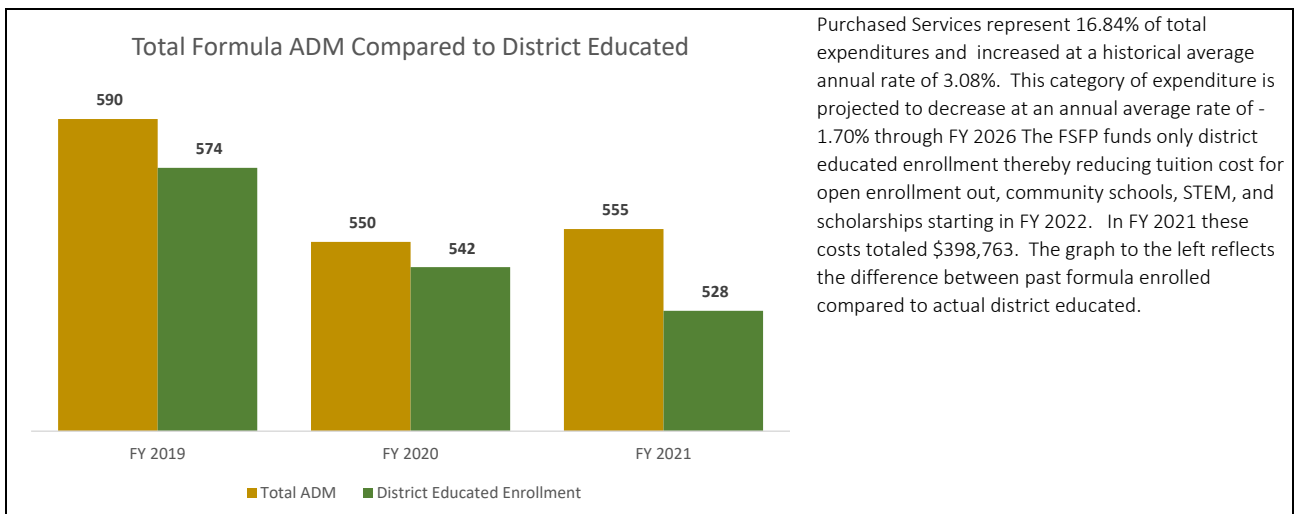
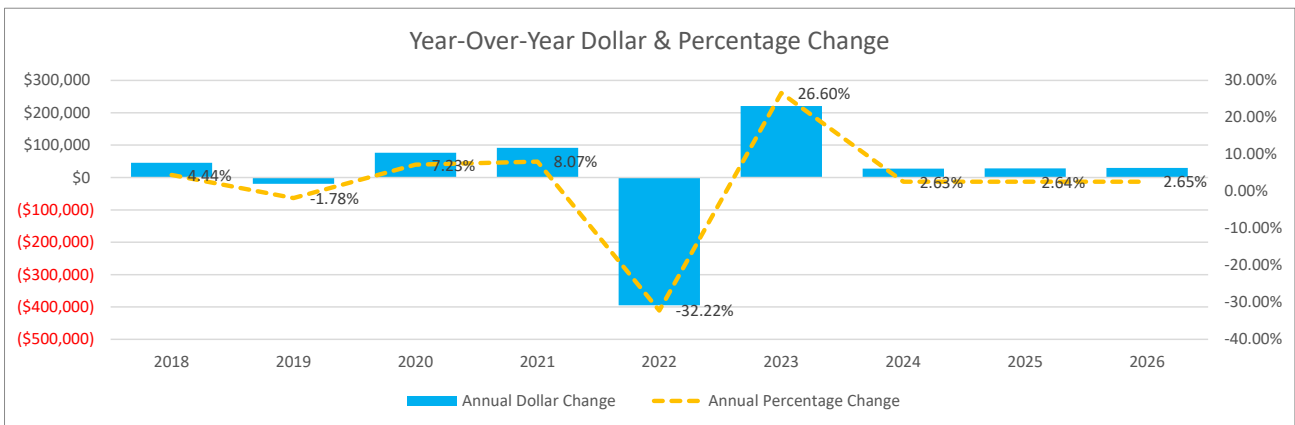
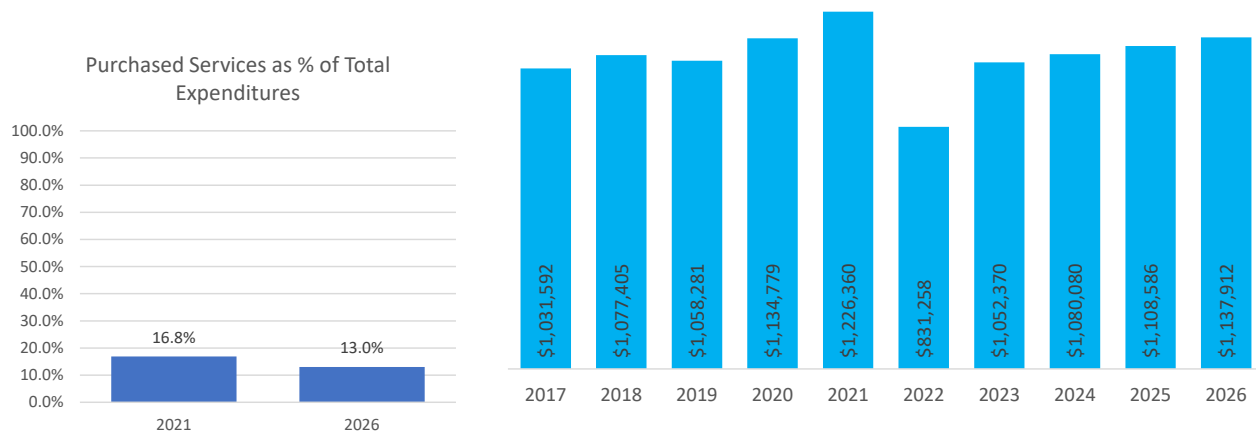


Benefits represent 24.32% of total expenditures and increased at a historical average annual rate of 6.73%. This category of expenditure is projected to grow at an annual average rate of 7.07% through FY 2026. The projected average annual rate of change is 0.33% more than the five year historical annual average.

The benefits represent the second largest expense for the district. Health insurance rates continue to climb in the 7% - 10% range year after year. There is a very good probability that we will see more than a 10% rate increase in health insurance premiums in January of 2023. The assumption is to remain in the 9% - 10% for each of the other 4 years of the forecast. Additionally, there are increases in benefits when a staff member retires due to the severance being paid out. As seen above the increase in the projected benefit cost is within line with the historical average. There is also legislation that would increase the employee portion paid to the retirement systems over the next 5 years. The current forecast does not reflect this legislation passing.

3.030 - Purchased Services

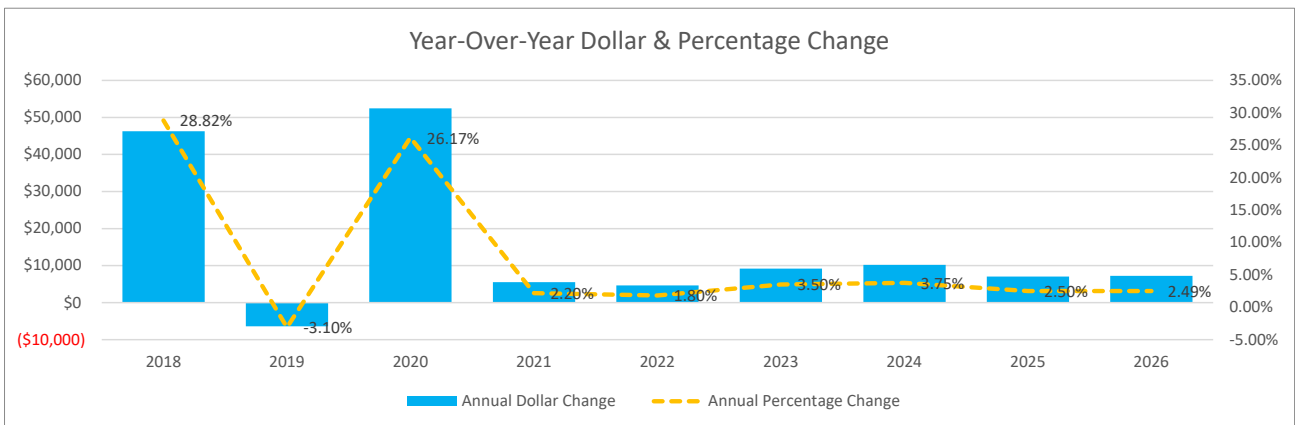
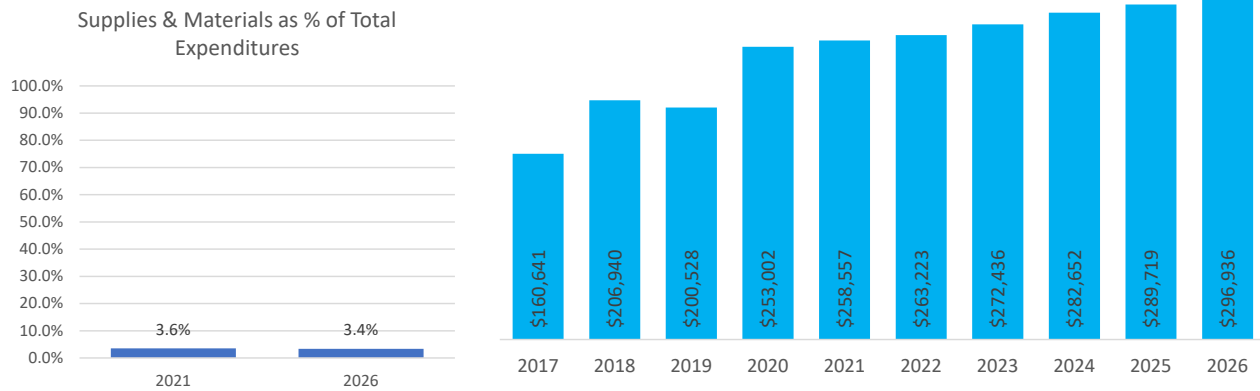
Amounts paid for personal services rendered by personnel who are not on the payroll of the school district, expenses for tuition paid to other districts, utilities costs and other services which the school district may purchase.



Purchased Services represent 16.84% of total expenditures and increased at a historical average annual rate of 3.08%. This category of expenditure is projected to decrease at an annual average rate of -1.70% through FY 2026. 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 \$398,763. The graph to the left reflects the difference between past formula enrolled compared to actual district educated.

3.040 - Supplies & Materials

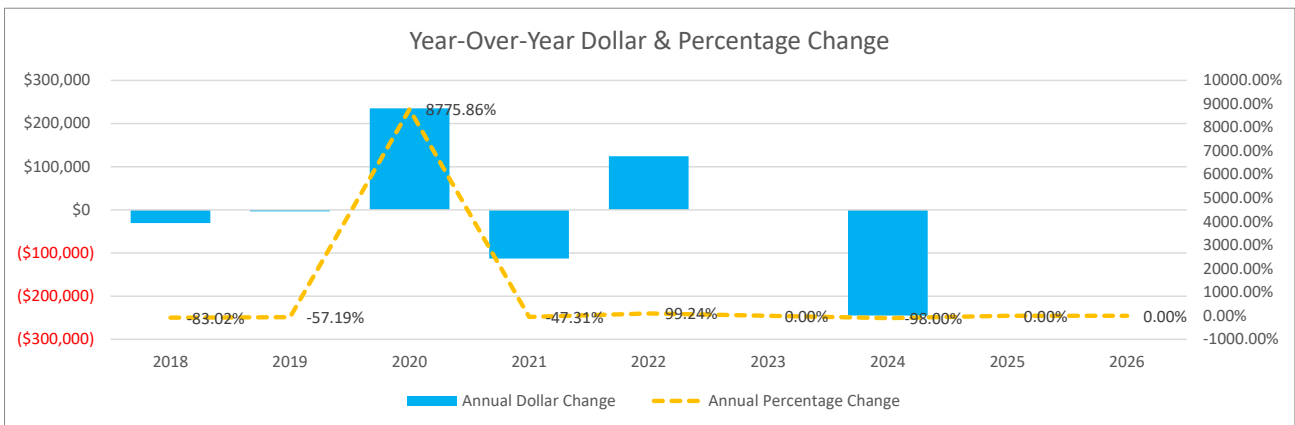
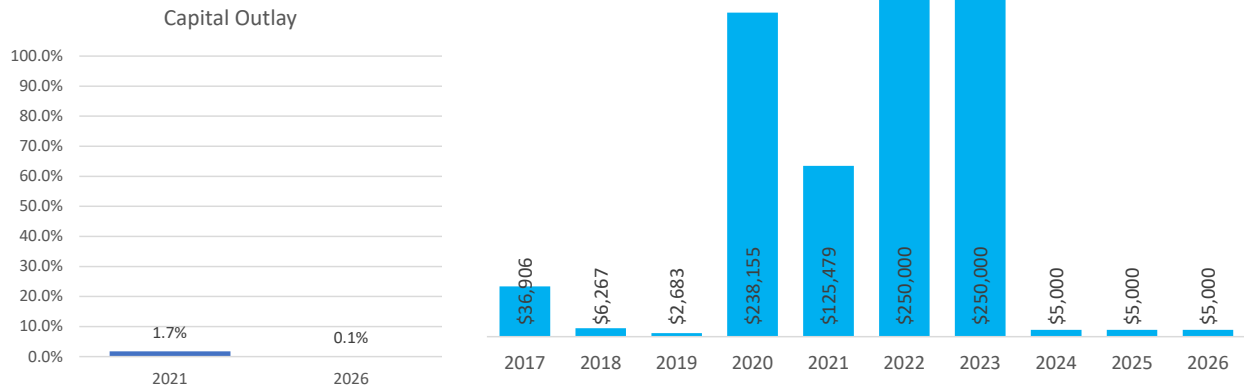
Expenditures for general supplies, instructional materials including textbooks and media material, bus fuel and tires, and all other maintenance supplies.



Supplies & Materials represent 3.55% of total expenditures and increased at a historical average annual rate of 7.00%. This category of expenditure is projected to grow at an annual average rate of 2.73% through FY 2026. The projected average annual rate of change is -4.26% less than the five year historical annual average.

3.050 - Capital Outlay

This line includes expenditures for items having at least a five-year life expectancy, such as land, buildings, improvements of grounds, equipment, computers/technology, furnishings, and buses.

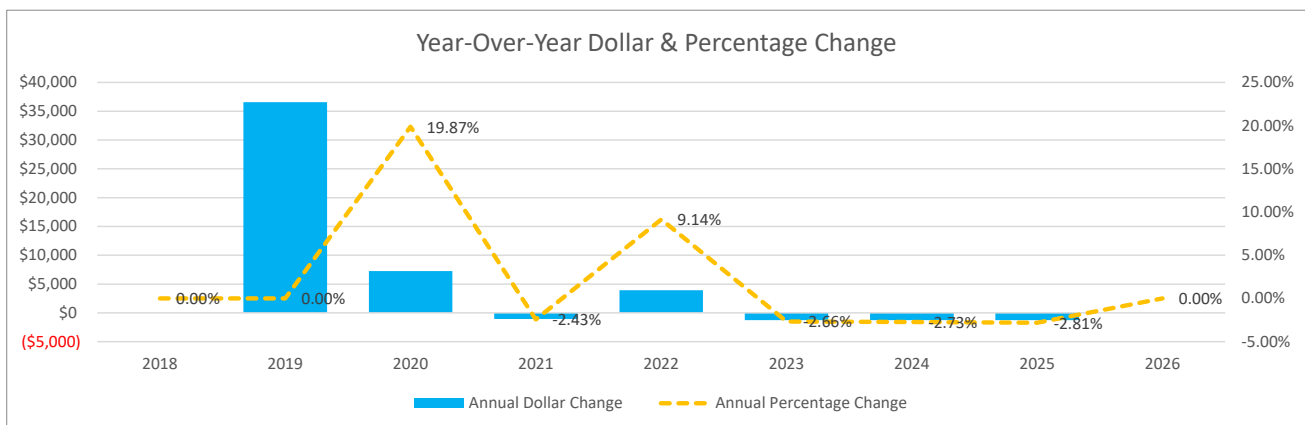
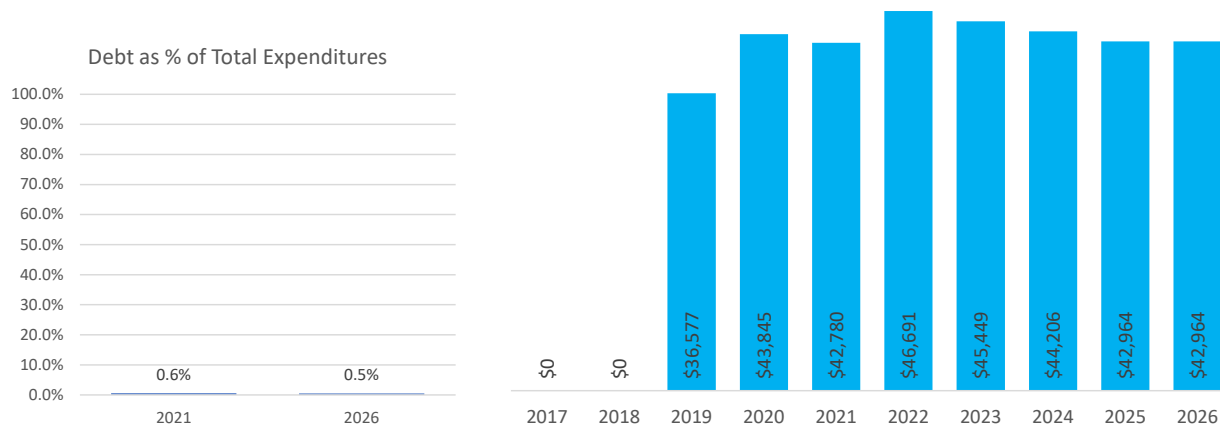


Capital Outlay represent 1.72% of total expenditures and increased at a historical average annual amount of \$24,348. This category of expenditure is projected to decrease at an annual average rate of -\$24,096 through FY 2026. The projected average annual change is less than the five year historical annual average.

In most years, the district does not spend much if any general funds for capital items, as the district has a capital improvement fund. However, in the forecast the district has put in for the cost of renovations to the annex building for the administrative offices as well as a potential of some educational space. The current estimated cost in the forecast for this project is \$500,000 and is split up over FY22 and FY23. The remaining amounts are flat based on historical trends.

3.060-4.060 - Intergovernmental & Debt

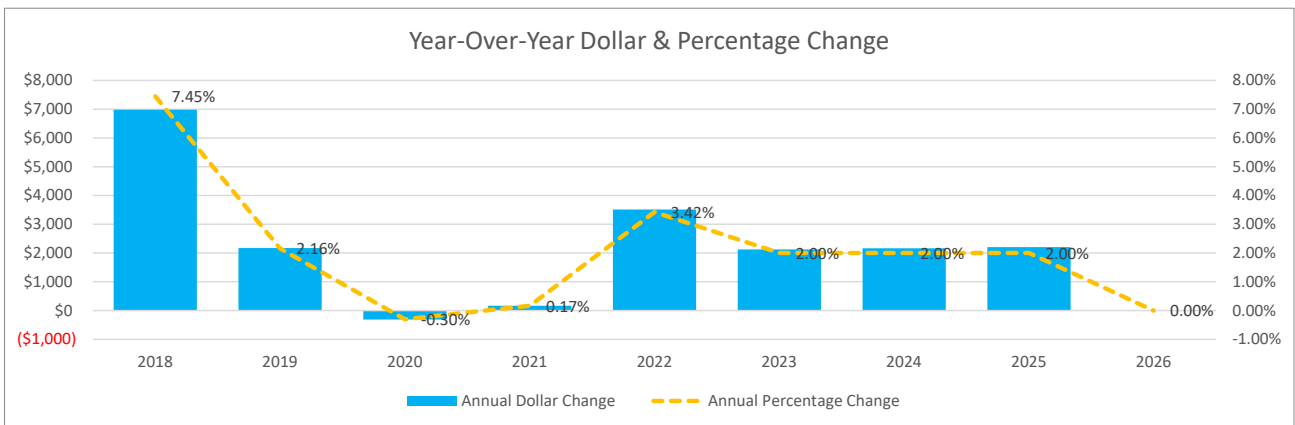
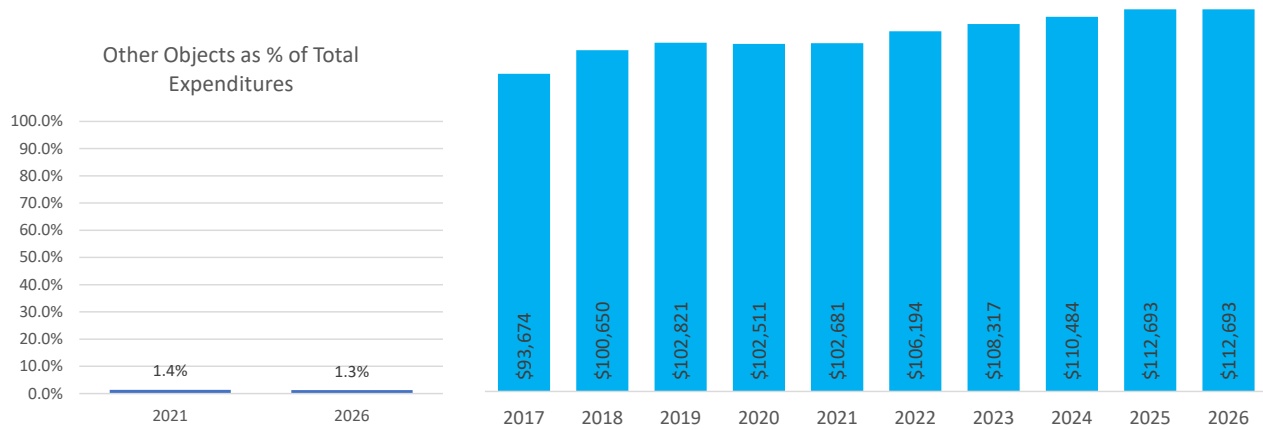
These lines account for pass through payments, as well as monies received by a district on behalf of another governmental entity, plus principal and interest payments for general fund borrowing.



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

4.300 - Other Objects

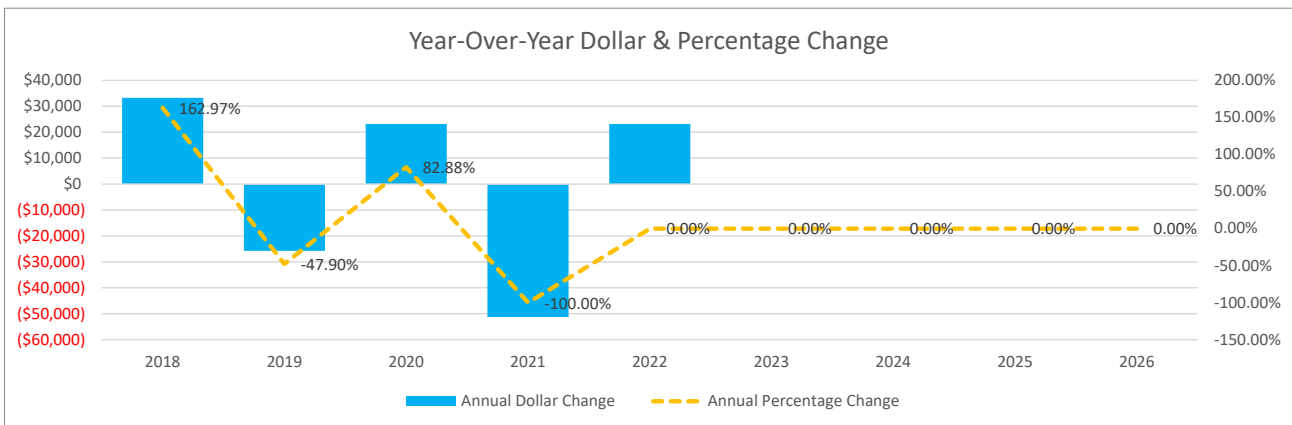
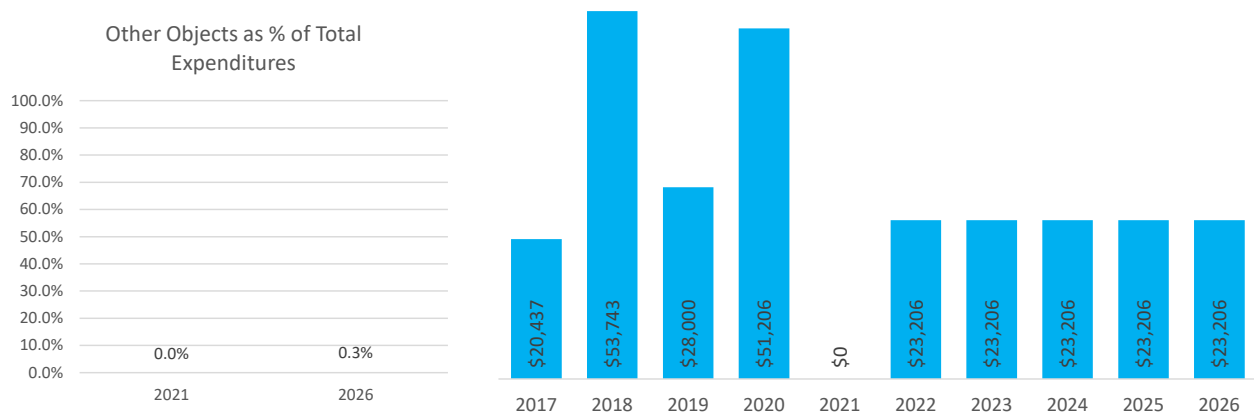
Primary components for this expenditure line are membership dues and fees, ESC contract deductions, County Auditor/Treasurer fees, audit expenses, and election expenses.



Other Objects represent 1.41% of total expenditures and increased at a historical average annual rate of 2.68%. This category of expenditure is projected to grow at an annual average rate of 1.82% through FY 2026. The projected average annual rate of change is -0.86% less than the five year historical annual average.

5.040 - Total Other Financing Uses

Operating transfers-out, advances out to other funds, and all other general fund financing uses.



	2021	FORECASTED				
		2022	2023	2024	2025	2026
Transfers Out	-	23,006	23,006	23,006	23,006	23,006
Advances Out	-	-	-	-	-	-
Other Financing Uses	-	200	200	200	200	200

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 2021 the district had no advances-out and has no advances-out forecasted through FY 2026. The district can also move general funds permanently to other funds and as the schedule above presents, the district has transfers forecasted through FY 2026. The table above presents the district's planned advances and transfers. The district can also have other uses of funds which is reflected in the table above.

Edgerton Local School District

Five Year Forecast

Fiscal Year:	Actual	FORECASTED				
	2021	2022	2023	2024	2025	2026
Revenue:						
1.010 - General Property Tax (Real Estate)	1,629,345	1,689,815	1,690,960	1,698,472	1,743,832	1,776,545
1.020 - Public Utility Personal Property	173,998	176,511	186,050	189,663	194,042	196,735
1.030 - Income Tax	977,435	1,115,328	1,111,612	1,110,987	1,112,436	1,118,959
1.035 - Unrestricted Grants-in-Aid	3,733,705	3,860,970	3,879,083	3,939,614	3,877,929	3,850,956
1.040 - Restricted Grants-in-Aid	41,852	273,861	289,423	314,403	315,468	335,999
1.050 - Property Tax Allocation	229,906	234,187	238,710	242,123	248,351	254,341
1.060 - All Other Operating Revenues	618,328	216,206	216,206	216,206	216,206	216,206
1.070 - Total Revenue	7,404,568	7,566,878	7,612,044	7,711,468	7,708,264	7,749,741
Other Financing Sources:						
2.010 - Proceeds from Sale of Notes	-	-	-	-	-	-
2.020 - State Emergency Loans and Adv	-	-	-	-	-	-
2.040 - Operating Transfers-In	-	-	-	-	-	-
2.050 - Advances-In	-	-	-	-	-	-
2.060 - All Other Financing Sources	19,263	21,491	21,491	21,491	21,491	21,491
2.070 - Total Other Financing Sources	19,263	21,491	21,491	21,491	21,491	21,491
2.080 - Total Rev & Other Sources	7,423,832	7,588,369	7,633,535	7,732,959	7,729,755	7,771,232
Expenditures:						
3.010 - Personnel Services	3,755,849	3,857,479	4,076,172	4,246,668	4,405,844	4,566,649
3.020 - Employee Benefits	1,770,973	1,878,312	2,073,219	2,239,112	2,393,147	2,558,506
3.030 - Purchased Services	1,226,360	831,258	1,052,370	1,080,080	1,108,586	1,137,912
3.040 - Supplies and Materials	258,557	263,223	272,436	282,652	289,719	296,936
3.050 - Capital Outlay	125,479	250,000	250,000	5,000	5,000	5,000
Intergovernmental & Debt Service	42,780	46,691	45,449	44,206	42,964	42,964
4.300 - Other Objects	102,681	106,194	108,317	110,484	112,693	112,693
4.500 - Total Expenditures	7,282,679	7,233,157	7,877,963	8,008,202	8,357,953	8,720,661
Other Financing Uses						
5.010 - Operating Transfers-Out	-	23,006	23,006	23,006	23,006	23,006
5.020 - Advances-Out	-	-	-	-	-	-
5.030 - All Other Financing Uses	-	200	200	200	200	200
5.040 - Total Other Financing Uses	-	23,206	23,206	23,206	23,206	23,206
5.050 - Total Exp and Other Financing Uses	7,282,679	7,256,363	7,901,169	8,031,408	8,381,159	8,743,867
6.010 - Excess of Rev Over/(Under) Exp	141,153	332,006	(267,634)	(298,449)	(651,404)	(972,634)
7.010 - Cash Balance July 1 (No Levies)	5,571,110	5,712,263	6,044,269	5,776,635	5,478,186	4,826,783
7.020 - Cash Balance June 30 (No Levies)	5,712,263	6,044,269	5,776,635	5,478,186	4,826,783	3,854,148
		Reservations				
8.010 - Estimated Encumbrances June 30	150,000	150,000	150,000	150,000	150,000	150,000
9.080 - Reservations Subtotal	-	-	-	-	-	-
10.010 - Fund Bal June 30 for Cert of App	5,562,263	5,894,269	5,626,635	5,328,186	4,676,783	3,704,148
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	5,562,263	5,894,269	5,626,635	5,328,186	4,676,783	3,704,148
Revenue from New Levies						
13.010 & 13.020 - New Levies	-	-	-	-	-	-
13.030 - Cumulative Balance of New Levies	-	-	-	-	-	-
15.010 - Unreserved Fund Balance June 30	5,562,263	5,894,269	5,626,635	5,328,186	4,676,783	3,704,148

