CLEAR FORK VALLEY LOCAL SCHOOL DISTRICT- RICHLAND COUNTY

SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE FISCAL YEARS ENDED JUNE 30, 2020, 2021 and 2022 ACTUAL FORECASTED FISCAL YEARS ENDING JUNE 30, 2023 THROUGH JUNE 30, 2027

Forecast Provided By
Clear Fork Valley Local School District
Treasurer's Office
Jon Mason, Treasurer/CFO

November 17, 2022

Clear Fork Valley Local School District –Richland County
Notes to the Five Year Forecast
General Fund Only

Introduction to the Five Year Forecast

The five-year forecast is viewed as a key management tool and must be updated periodically. In Ohio, most school districts understand how they will manage their finances in the current year. The five-year forecast encourages district management teams to examine future years' projections and identify when challenges will arise. This then helps district management to be proactive in meeting those challenges. School districts are encouraged to update their forecasts with Ohio Department of Education when events take place that will significantly change their forecast or, at a minimum, when required under statute.

In a financial forecast, the numbers only tell a small part of the story. For the numbers to be meaningful, the reader must review and consider the Assumptions to the Financial Forecast before drawing conclusions or using the data as a basis for other calculations. The assumptions are especially important to understanding the rationale of the numbers, particularly when a significant increase or decrease is reflected.

Here are at least three purposes or objectives of the five-year forecast:

(1) To engage the local board of education and the community in 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

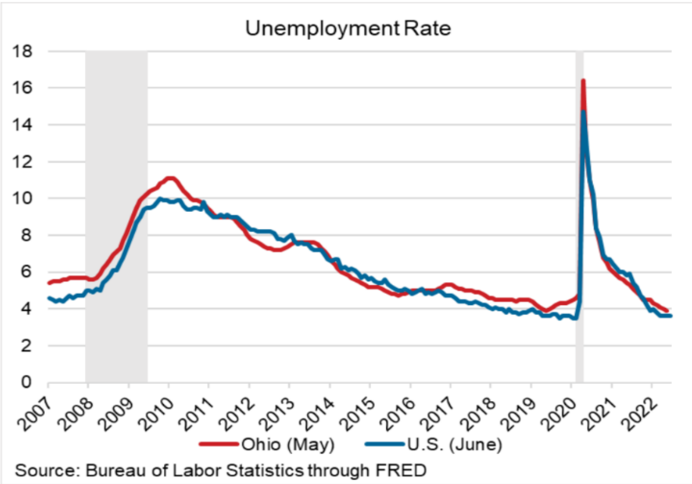
O.R.C. §5705.391 and O.A.C. 3301-92-04 require a Board of Education (BOE) to file a five (5) year financial forecast by November 30, 2022, and May 31, 2023 for fiscal year 2023 (July 1, 2022 to June 30, 2023). The five-year forecast includes three years of actual and five years of projected general fund revenues and expenditures. Fiscal year 2023 (July 1, 2022-June 30, 2023) is the first year of the five-year forecast and is considered the baseline year. Our forecast is being updated to reflect the most current economic data available to us for the November 2022 filing.

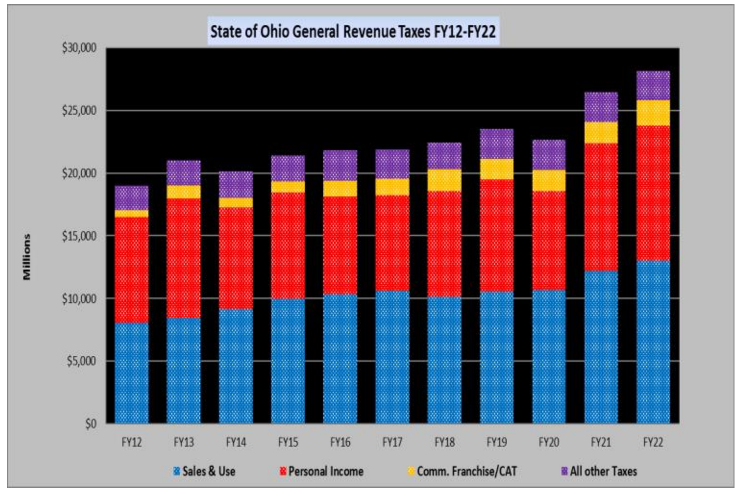
Economic Outlook

This five-year forecast is being filed during a two-year economic recovery following the COVID-19 Pandemic which began in early 2020. The effects of the pandemic have lessened but several supply chain concerns and high inflation continues to impact our state, country and broader globalized economy. Inflation in June 2022 hit a 40 year high of 9.1% before falling to 8.3% in August. Costs in FY22 were notably impacted in areas such a diesel fuel for busses, electric and natural gas, and building materials for facility maintenance and repair. Increased inflation impacting district costs are expected to continue in FY23, it remains to be seen if these costs are transitory or will last over the next few years which could have a significant impact on our forecast in addition to negative effects on state and local funding.

The Federal Reserve Bank has made fighting inflation its number one concern. It is expected that interest rates will continue to rise, which will result in increased unemployment and many economists anticipate an economic recession in the first half of calendar year 2023. If that occurs, the recession will happen right as the state legislature considers the next biennium budget for FY24 and FY25. In spite of the strong economic recovery the state of Ohio has enjoyed over the past two years, as noted below in the graphs, a recession may well impact funding for primary and secondary education.

As noted in the graphs below, the State of Ohio's economy has steadily recovered over the past two years. School funding cuts made in FY20 have been fully restored and a new state funding formula is in year two of a projected five-year phase in. While increased inflation impacting district costs are expected to continue over the next few years, the state's economy has grown as indicated in the graphs below and may enable the state to continue the phase in of the new funding formula even if a cyclical recession occurs in the first half of 2023 calendar year.





While all school districts are being aided by three (3) rounds of federal Elementary and Secondary Schools Emergency Relief Funds (ESSER), which began in fiscal year 2020, the most recent allocation of ESSER funds must be spent or encumbered by September 30, 2024.

Data and assumptions noted in this forecast are based on the best and most reliable data available to us as of the date of this forecast.

Forecast Risks and Uncertainty:
A five-year financial forecast has risks and uncertainty not only due to economic uncertainties noted above but also due to state legislative changes that will occur in the spring of 2023 and 2025 due to deliberation of the next two (2) state biennium budgets for FY24-25 and FY26-27, both of which affect this five-year forecast. We have estimated revenues and expenses based on the best data available to us and the laws in effect at this time. The items below give a short description of the current issues and how they may affect our forecast long term:

1) Richland County experienced the triennial update and Knox County experienced reappraisal for the 2020 tax year to be collected in 2021, which increased residential/agricultural, assessed values by $20.4 million or an increase of 11.15%, and an increase of 0.97% for commercial/industrial values. The changes authorized by HB49 to CAUV values lower Class I agricultural values for counties experiencing a reappraisal or update beginning in Tax Year 2017. Since Richland and Knox County both experienced a reappraisal or update in 2017, these changes essentially took effect immediately and decreased our agricultural assessed valuation by 17% compared to Tax Year 2016 and both counties experienced decreases in CAUV for the 2020 reappraisal cycles. The decrease in CAUV shifts a larger tax burden to residential taxpayers which may be an unintended consequence of the legislature responding to agricultural interests.

2) The State Budget represented nearly 51.58% of district revenues in FY27 and is an area of risk to revenue. The future risk comes in FY24 and beyond if the state economy stalls or worsens and the fair school funding plan is not funded in future state budgets or if an economic downturn results in a reduction in state aid. There are two future State Biennium Budgets covering the period from FY24-25 and FY26-27 in this forecast. Future uncertainty in both the state foundation funding formula and the state's economy makes this area an elevated

risk to district funding long range through FY27. We have projected our state funding to be in line with the FY23 funding levels through FY27 which we feel is conservative and should be close to whatever the state approves for the FY24-FY27 biennium budgets. We will adjust the forecast in future years as we have data to help guide this decision.

3) HB110 the current state budget implements that has been referred to as the Fair School Funding Plan (FSFP) for FY22 and FY23. The full release of the new Fair School Funding Plan formula calculations was delayed until March 2022. The FSFP has many significant changes to the way foundation revenues are calculated for school districts and how expenses are charged off. State foundation basic aid will be calculated on a base cost methodology with funding paid to the district where a student is enrolled to be educated. Beginning in FY22, open enrollment payments will no longer be paid separately to a district as those payments are included with basic aid. A change in expenditures beginning in FY22 also occurred, in that there will no longer be deductions for students that attend elsewhere for open enrollment, community schools, STEM schools and scholarship recipients as these payments will be paid directly to those districts from the state. The initial impact of these changes on the forecast will be noticed in that the historic actual costs for FY20 through FY21 potentially reflecting different trends on Lines 1.035, 1.04, 1.06 and 3.03 beginning in FY22. In June 2022 the legislature passed HB583 to resolves issues and possible unintended consequences in the new funding formula. Some of these changes impacted FY22 and future years funding. Our state aid projections have been based on the best information on the new HB110 formula as amended by HB583 that are available as of this forecast.

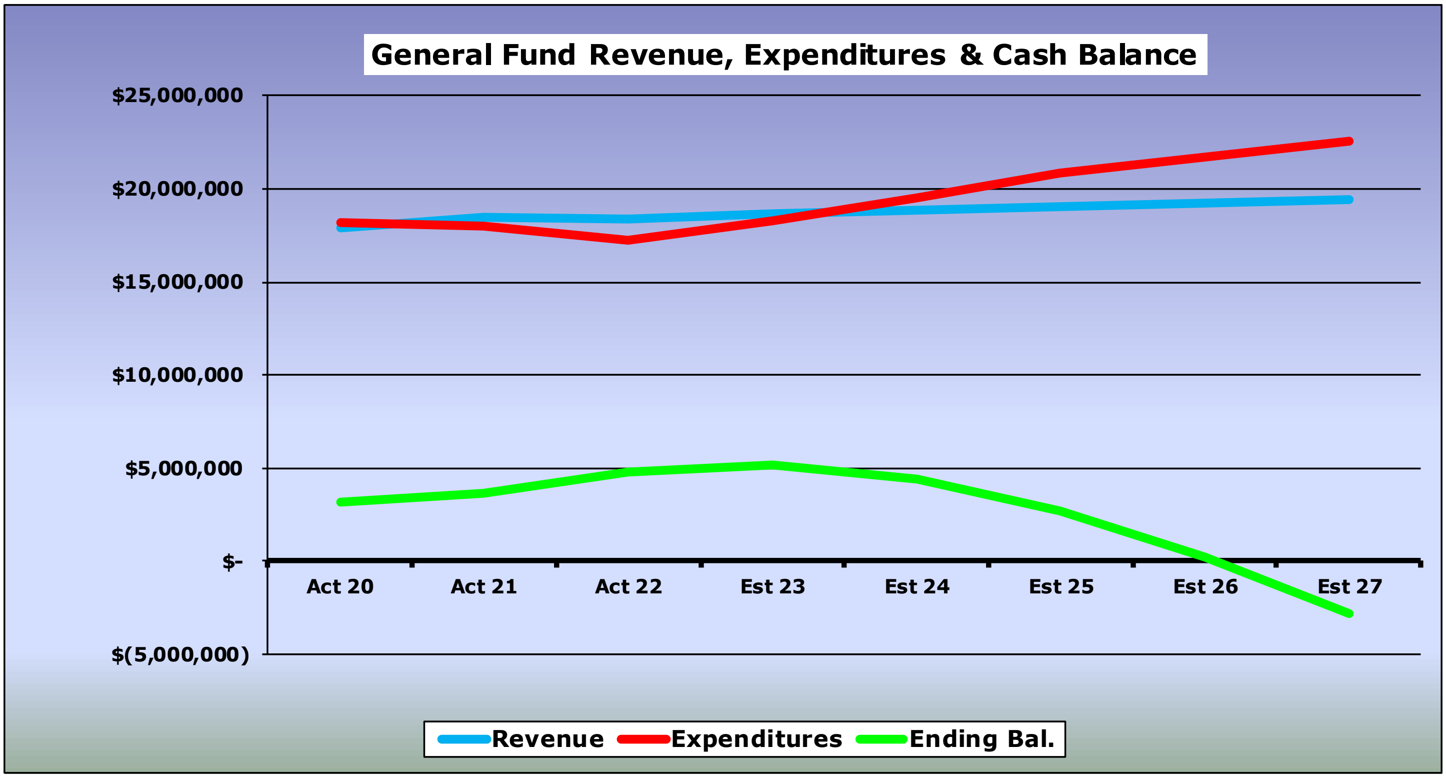
4) HB110 will direct pays costs associated with open enrollment, community and STEM schools, and for all scholarships including EdChoice Scholarships to the educating school district. These costs will no longer be deducted from our state aid. However, there still are education option programs such as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

5) The enrollment reporting for the state is very difficult to track. This is another area that we must monitor very closely especially with the increased enrollment that we are expecting from new housing developments.

6) Labor relations in the district have been fairly amicable with all parties working for the best interest of students and realizing the resource challenges the district faces. We believe as the district moves forward a good working relationship will continue.

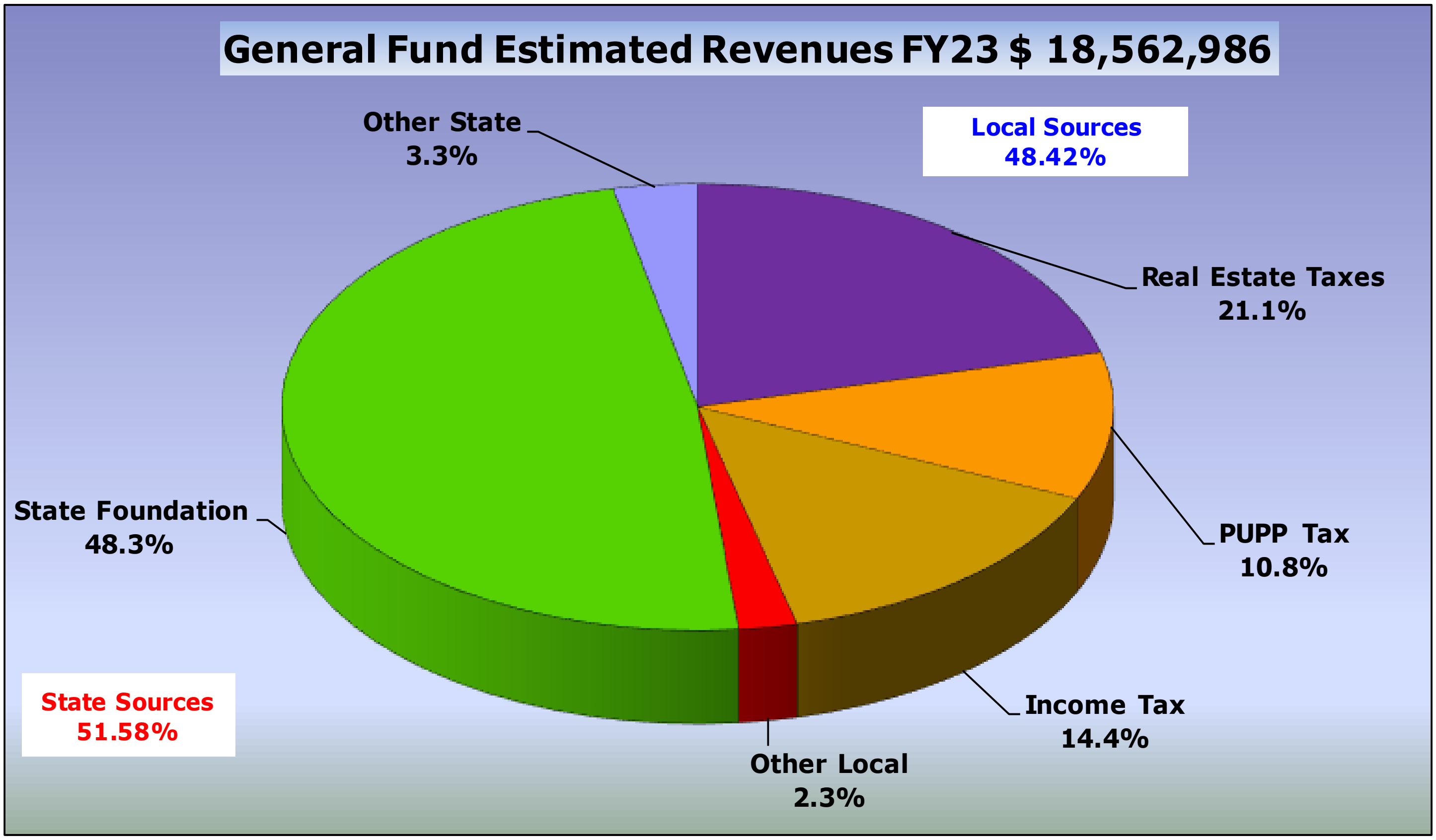
The major lines of reference for the forecast are noted below in the headings to make it easier to relate the assumptions made for the forecast item and refer back to the forecast. It should be of assistance to the reader to review the assumptions noted below in understanding the overall financial forecast for our district. If you would like further information please feel free to contact Jon Mason, Treasurer/CFO at 419-886-3855.

General Fund Revenue, Expenditure and Ending Cash Balance Actual FY20-22 and Estimated FY23-27
The graph captures in one snapshot the operating scenario facing the district over the next few years.



Revenue Assumptions

All Revenue Sources General Fund FY23



Real Estate Value Assumptions – Line #1.010
The Clear Fork Valley School district is located in Richland and Knox Counties. The County Auditors establish property values each year based on new construction, demolitions, BOR/BTA activity and complete reappraisal or updated values.

The district is very fortunate that Richland and Knox Counties have the reappraisal or update in the same year, even though they are not on the same full reappraisal cycle it is very helpful as to being able to watch the changes in an update for the next reappraisal between the two counties. The counties went through a reappraisal/update cycle for the 2020 tax year to be collected in 2021, which included an 11.15% increase or $24.4 million in Residential/Agriculture (Class I) reappraisal and a 0.97% or $121,780 increase for Commercial/Industrial (Class II).

The Class I reappraisal/update includes the decreases for CAUV due to the changes in HB49 that took effect in the first year for any county going through either reappraisal or update after the passage of the law, which for our district was in 2017. The district experienced a decrease in agriculture values in 2017 of 17% the first year possible. Both counties have went through the cycle for the second time and have experienced the second loss in agricultural values of 7.5% for a total loss due to reappraisal or update of 24.5%. The decrease in CAUV will cause a shift in taxes from agricultural taxpayers to residential taxpayers and may contribute to lower than anticipated taxes to our district.

The next reappraisal/update cycle will occur in 2023 for collection in 2024. The district is estimating a 3% increase of values for Class I and a 0.2% increase in Class II for this update.

The growth of new construction for homes is anticipated to increase the district's valuations each year between the update in 2020 reappraisal in 2023. House Bill 920 decreases effective tax rates so the district tax revenues are held harmless, until the effective millage is lowered to 20 mills, with the growth in new construction in Class I the district is expected to be on the 20 mill floor with the reappraisal in 2023 for collection in 2024. No district can collect less than 20 mills if the district voted millage is greater than 20 mills. Only the Class I rates will be at the 20 mill floor with the new values.

ESTIMATED ASSESSED VALUE (AV) BY COLLECTION YEARS

Classification	Estimated TAX YEAR2022 COLLECT 2023	Estimated TAX YEAR2023 COLLECT 2024	Estimated TAX YEAR2024 COLLECT 2025	Estimated TAX YEAR 2025 COLLECT 2026	Estimated TAX YEAR 2026 COLLECT 2027
Res./Ag.	$211,352,937	$220,428,525	$222,273,739	$224,119,876	$232,578,472
Comm./Ind.	$12,450,920	$12,615,822	$12,755,822	$12,895,822	$13,039,691
Public Utility Personal Property (PUPP)	$46,171,120	$47,671,120	$49,171,120	$50,671,120	$52,171,120
Total Assessed Value	$269,974,977	$280,715,467	$284,200,681	$287,686,818	$297,789,283

Estimated Real Estate Tax Collection
Property tax levies are estimated to be collected at 96.3% of the annual amount. Technically 100% of taxes will be settled on property due to Ohio's property tax laws but due to delinquencies we are calculating the taxes at a lower collection rate. Property taxes are estimated to be collected at 60.71% of the Class I and Class II in the February tax settlements and 39.29% collected in the August tax settlements.

ESTIMATED REAL ESTATE TAX - Line #1.010

Source	FY 23	FY 24	FY 25	FY 26	FY 27
Est. Property Taxes Line #1.010	$3,914,122	$4,052,955	$4,134,944	$4,170,494	$4,276,460

Estimated Tangible Personal Tax & PUPP Taxes – Line #1.020

The phase out of TPP taxes as noted earlier began in FY06 which was also included with this line. HB66 was adopted in June 2005 and the provisions of the legislation have estimated the general tangible personal property tax would be eliminated after FY11. Any TPP revenues received FY12 and beyond are delinquent TPP taxes. The valuation for PUPP taxes fluctuates annually which makes forecasting the increases or decreases difficult, therefore we use a conservative increase of $1.5 million each year. The increase for TY2021 collect in 2022 is $6.28 million, we will review the increases in values each year. The amounts received below are generally all Public Utility Personal Property (PUPP) taxes which are an ongoing property tax collection. Collections are typically 50% in February and 50% in August along with the real estate settlements from the county auditor.

ESTIMATED PUBLIC UTILITY PERSONAL TAX – Line #1.020

Source	FY 23	FY 24	FY 25	FY 26	FY 27
Public Utility Personal Property Taxes	$1,974,493	$2,041,069	$2,106,319	$2,171,569	$2,236,819

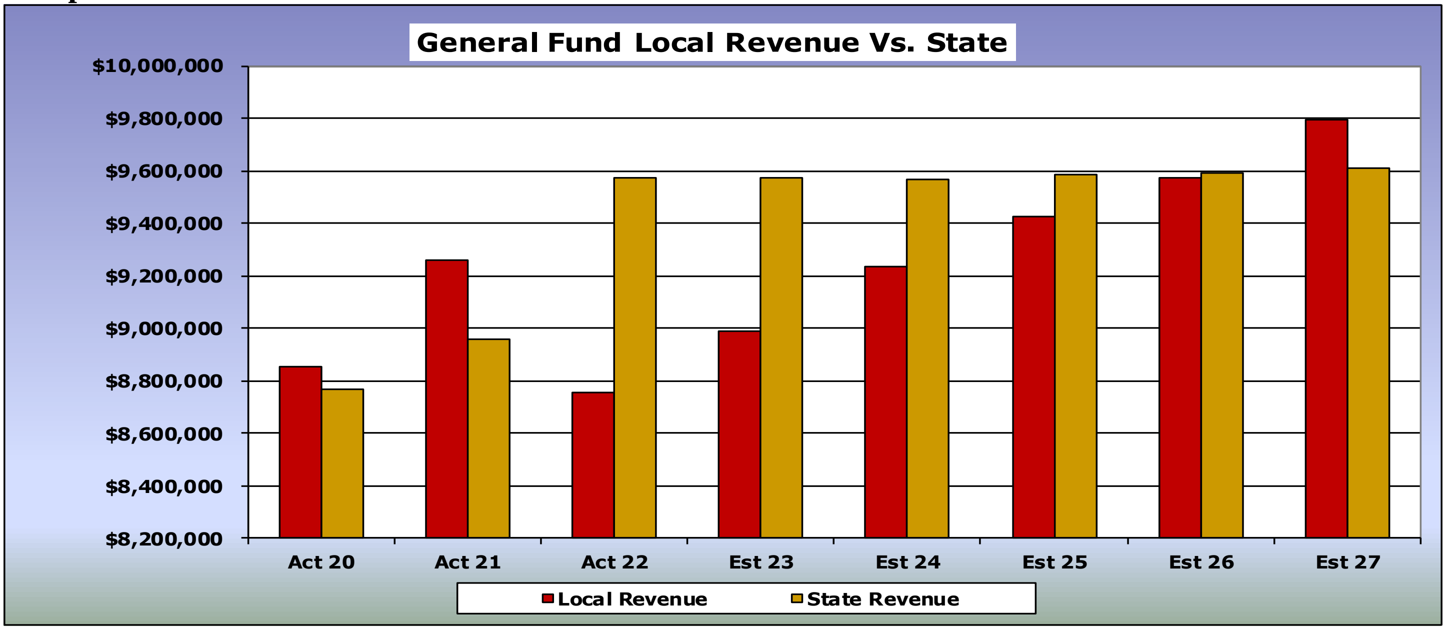
School District Income Tax – Line #1.03

Residents approved a 1% income tax levy that was approved in 2013 that expires December 31, 2037.

As we move into post-pandemic economic times, we are seeing that income tax collections are beginning to increase with the economic recovery. So far in FY23 income tax collection statewide have increased on average around 9%. The income tax collection in FY22 was up 5.76% or $132,877 increase over FY21. In July and October 2022 we noted an unusual boost in collections in SD100 returns and withholding collections. We will assume an annual growth rate of 9.87% for FY23which includes actual for July and October with 4% for the remainder of the year, and 2% for FY24-FY27 as the concerns over inflation may slow growth in this area. We will continue to monitor the changes within the tax collections.

Source	FY 23	FY 24	FY 25	FY 26	FY 27
SDIT Collection	$2,439,318	$2,680,180	$2,733,784	$2,788,459	$2,844,228
Adjustments	$240,862	$53,604	$54,676	$55,769	$56,885
Total to Line #1.030	$2,680,180	$2,733,784	$2,788,459	$2,844,228	$2,901,113

Comparison of Local and State Revenue



State Foundation Revenue Estimates – Lines #1.035, #1.040 and #1.045
Current State Funding Model per HB110 through June 30, 2023

A) Unrestricted State Foundation Revenue– Line #1.035
The full release of the new Fair School Funding Plan formula occurred in March 2022 and was amended in HB583 passed in June 2022. Full calculations of the new formula were not available for nearly all of last fiscal year. We have projected FY23 funding based on the October #2 2022 foundation settlement and August #2 FY22 adjustment.

Our district is currently a guarantee district in FY23 and is expected to be on the guarantee for FY24-FY27 with the new Fair School Funding Plan (FSFP). The state foundation funding formula has gone through many changes in recent years. The most recent funding formula began in FY14 and was dropped in FY19 after six (6) years, followed by no foundation formula for two (2) years in FY20 and FY21, and now HB110 implements the newest and possibly the most complicated funding formula in recent years for FY22 and FY23. The current formula introduces many changes to how state foundation is calculated and expenses deducted from state funding which will potentially make the actual five-year forecast look different with estimates FY22 through FY26 compared to actual data FY19 through FY21 on Lines 1.035, 1.04, 1.06 and 3.03 of the forecast.

Overview of Key Factors that Influence State Basic Aid in the Fair School Funding Plan

A. Student Population and Demographics
B. Property Valuation
C. Personal Income of District Residents
D. Historical Funding- CAPS and Guarantees from prior funding formulas

<u>Base Cost Approach- Unrestricted Basic Aid Foundation Funding</u>
The new funding formula uses FY18 statewide average district costs and developed a base cost approach that includes minimum service levels and student teacher ratios to calculate a unique base cost for each district that includes base funding for five (5) areas:

1. Teacher Base Cost (4 subcomponents)
2. Student Support (7 subcomponents-including a restricted Student Wellness component)
3. District Leadership & Accountability (7 subcomponents)

4. Building Leadership & Operations (3 subcomponents)
5. Athletic Co-curricular (contingent on participation)

<u>State Share Percentage – Unrestricted Basic Aid Foundation Funding</u>
Once the base cost is calculated, which is estimated to be as high as $7,202 per pupil when fully phased in, the FSFP calculates a state share percentage (SSP) calculation. The state share percentage in concept will be higher for districts will less capacity (lower local wealth) and be a lower state share percentage for districts with more capacity (higher local wealth). The higher the district's ability to raise taxes based on local wealth the lower the state share percentage. The state share percentage will be based on 60% property valuation of the district, 20% on federally adjusted gross income and 20% on federal median income, as follows:

1. 60% based on most recent three (3) year average assessed values or the most recent year, whichever is lower divided by base students enrolled.
2. 20% based on most recent three (3) year average federal adjusted gross income of districts residents or the most recent year, whichever is lower divided by base students enrolled
3. 20% based on most recent year federal median income of district residents multiplied by number of returns in that year divided by base students enrolled
4. When the weighted values are calculated and Items 1 through 3 above added together, the total is then multiplied by a Local Share Multiplier Index from ranging from 0% for low wealth districts to a maximum of 2.5% for wealthy districts.

When the unrestricted base cost is determined and multiplied by the state share percentage, the resulting amount is multiplied by the current year enrolled students (including open enrolled students being educated in each district), and finally multiplied by the local share multiplier index for each district. The result is the local per pupil capacity amount of the base per pupil funding amount. The balance of this amount is the state share to pay.

Categorical State Aid
In addition to the base state foundation funding calculated above the FSFP also has unrestricted categorical funding and new restricted funding beginning in FY22, some of which will have the state share percentage applied to these calculations as noted below:

<u>Unrestricted Categorical State Aid</u>

1. <u>Targeted Assistance/Capacity Aid</u> – Provides additional funding based on a wealth measure using 60% weighted on property value and 40% on income. Uses current year enrolled average daily membership (ADM). Also, will provide supplemental targeted assistance to lower wealth districts whose enrolled ADM is less than 88% of their total FY19 ADM.
2. <u>Special Education Additional Aid</u> – Based on six (6) weighted funding categories of disability and moved to a weighted funding amount and not a specific amount. An amount of 10% will be reduced from all district's calculation to be used toward the state appropriation for Catastrophic Cost reimbursement.
3. <u>Transportation Aid</u> – Funding based on all resident students who ride including preschool students and those living within 1 mile of school. Provides supplemental transportation for low density districts. Increases state minimum share to 29.17% in FY22 and 33.33% in FY23.

<u>Restricted Categorical State Aid</u>

1. <u>Disadvantage Pupil Impact Aid (DPIA)</u> - Formerly Economically Disadvantaged Funding is based on number and concentration of economically disadvantaged students compared to state average and multiplied by $422 per pupil. The phase-in increases are limited to 0% for FY22 and 14% in FY23. There is no legislation indicating what the percentage increase may be for FY24 and beyond for DPIA.

2. English Learners – Based on funded categories based on time student enrolled in schools and multiplied by a weighted amount per pupil.
3. Gifted Funds –Based on average daily membership multiplied by a weighted amount per pupil.
4. Career-Technical Education Funds – Based on career technical average daily membership and five (5) weighted funding categories students enrolled in.
5. Student Wellness & Success Funding – moved into DPIA funding, is restricted funding and will be spent on same initiatives and requirements that were previously designated under the stand-alone fund.

State Funding Phase-In FY22 and FY23 and Guarantees

While the FSFP was presented as a six (6) year phase-in plan, the state legislature approved the first two (2) years of the funding plan in HB110, which was amended in HB583 in June 2022. The FSFP does not include caps on funding, rather it will include a general phase-in percentage for most components in the amount of 16.67% in FY22 and 33.33% in FY23. DPIA funding will be phased in 0% in FY22 and 14% in FY23. Transportation categorical funds will not be subject to a phase in.

HB110 includes three (3) guarantees: 1) "Formula Transition Aid"; 2) Supplemental Targeted Assistance, and, 3) Formula Transition Supplement. The three (3) guarantees in both temporary and permanent law ensure that no district will get less funds in FY22 and FY23 than they received in FY21. The guarantee level of funding for FY22 is a calculated funding guarantee level based on full state funding cuts from May 2020 restored, net of transfers and deductions, plus Student Wellness and Success funds (based on FY21 SWSF amounts), enrollment growth supplement funds paid in FY21 and special education preschool and special education transportation additional aid items. It is estimated that nearly 420 districts are on one form of a guarantee in FY22 and in general the same number will occur in FY23, since state average costs were frozen at FY18 in the Base Cost calculations, while property values and Federal Adjusted Gross Income will be allowed to update and increase for FY23, which should push districts toward one of the three (3) guarantees.

Future State Budgets Projections beyond FY23

Our funding status for the FY24-27 will depend on two (2) new state budgets which are unknown. There is no guarantee that the current Fair School Funding Plan in HB110 will be funded or continued beyond FY23. For this reason, funding is held constant FY23 through FY27.

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

Casino revenue fell slightly in FY21 due to COVID-19 and Casinos closing for a little over two months. We have increased the amount in FY22 back to pre-pandemic FY20 levels as Casino revenues appear to have dipped largely due to their closure and not in response to the economic downturn. Prior to COVID-19 closure, casino revenues were growing modestly as the economy improved. Original projections for FY23-27 estimated a .4% decline in pupils to 1,778,441 and GCR increasing to $106.35 million or $59.80 per pupil, actual payments in FY22 were $62.94 per pupil. FY23 Casino revenues are based on the August payment with a 2% annual growth rate for the remainder of the forecast.

Source	FY 23	FY 24	FY 25	FY 26	FY 27
Basic Aid-Unrestricted	$8,040,228	$8,017,393	$8,017,393	$8,017,393	$8,017,393
Additional Aid Items	$263,180	$263,180	$263,180	$263,180	$263,180
Basic Aid-Unrestricted Subtotal	$8,303,409	$8,280,573	$8,280,573	$8,280,573	$8,280,573
Ohio Casino Commission ODT	$107,406	$109,554	$111,745	$113,980	$116,260
Total Line # 1.035	$8,410,815	$8,390,127	$8,392,319	$8,394,553	$8,396,833

B) Restricted State Revenues – Line #1.040

HB110 has continued Disadvantaged Pupil Impact Aid (formerly Economic Disadvantaged Funding) and Career Technical funding. In addition, there have been new restricted funds added as noted above under "Restricted Categorical Aid" for Gifted, English Learners (ESL) and Student Wellness. Using current October funding factors, we have estimated revenues for these new restricted funding lines. The amount of DPIA is limited to 0% phase in growth for FY22 and 14% in FY23. We have flat lined funding at FY23 levels for FY24-FY27 due to uncertainty on continued funding of the current funding formula.

Source	FY 23	FY 24	FY 25	FY 26	FY 27
DPIA	$80,167	$80,167	$80,167	$80,167	$80,167
Career Tech - Restricted	$127,379	$127,379	$127,379	$127,379	$127,379
Gifted	$81,953	$81,953	$81,953	$81,953	$81,953
English Learners	$156	$156	$156	$156	$156
Student Wellness	$267,800	$267,800	$267,800	$267,800	$267,800
Total Line #1.040	$557,453	$557,453	$557,453	$557,453	$557,453

Restricted Federal Grants in Aid – Line #1.045

There are no restricted federal funding projected in this forecast.

Summary of State Foundation Revenues

SUMMARY	FY 23	FY 24	FY 25	FY 26	FY 27
Unrestricted Line # 1.035	$8,410,815	$8,390,127	$8,392,319	$8,394,553	$8,396,833
Restricted Line # 1.040	$557,453	$557,453	$557,453	$557,453	$557,453
Restricted Fed. Grants - Line #1.045	$0	$0	$0	$0	$0
Total State Foundation Revenue	$8,968,268	$8,947,581	$8,949,772	$8,952,007	$8,954,286

State Taxes Reimbursement/Property Tax Allocation
Rollback and Homestead Reimbursement

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

Homestead Exemptions are also credits paid to the district from the state of Ohio for qualified elderly and disabled. In 2007 HB119 expanded the Homestead Exemption for all seniors over age 65 years of age or older or who are disabled regardless of income. Effective September 29, 2013 HB59 changed the requirement for Homestead Exemptions. Individual taxpayers who did not currently have their Homestead Exemption approved or those who did not get a new application approved for tax year 2013, and who become eligible thereafter only receive a Homestead Exemption if they meet the income qualifications. Taxpayers who had their Homestead Exemption as of September 29, 2013 did not lose it going forward and did not have to meet the new income qualification. These changes have slowed the growth of homestead reimbursements to the district, and as with the rollback reimbursements above, increases the taxes collected locally on taxpayers.

Summary of State Tax Reimbursement – Line #1.050

Source	FY 23	FY 24	FY 25	FY 26	FY 27
Rollback and Homestead	$606,442	$620,218	$635,720	$641,021	$655,819
Total Tax Reimb./Prop. Tax Allocations	$606,442	$620,218	$635,720	$641,021	$655,819

Other Local Revenues – Line #1.060

All other local revenue encompasses any type of revenue that does not fit into the above lines. The main source of revenue in this area is interest, tuition for court placed students, general rental fees, interest earnings and Medicaid reimbursements.

HB110, the current state budget, will stop paying open enrollment as an increase to other revenue for the district. Open enrolled students will be counted as students that attend the district within the Enrolled ADM and will be included in the state basic funding. This change is projected below as zeros to help show the difference between projected FY23-FY27 Line 1.06 revenues and historical FY20 through FY21 revenues on the five-year forecast.

Interest income will increase and decrease as the cash position of the General Fund fluctuates over the forecast period. The district's balances available for investment vary month to month due to cash flow needs. As the district balances decrease we have decreased the amount of interest each year of the forecast. Due to the Federal Reserve lowering the interest rates to booster the economy from the pandemic we are estimating that interest will be decreased 10% in each of the remaining years of the forecast. Security of the public funds collected by the district is the top priority of the treasurer's office.

We do not expect any increase for any other area of this income line for the remainder of the forecast.

Source	FY 23	FY 24	FY 25	FY 26	FY 27
Tuition	$102,932	$102,932	$102,932	$102,932	$102,932
Open Enrollment	$0	$0	$0	$0	$0
Interest	$109,720	$98,748	$88,873	$79,986	$71,987
Class Fees	$80,828	$80,828	$80,828	$80,828	$80,828
Other Miscellaneous Receipts	$126,001	$126,001	$126,001	$126,001	$126,001
Total Line # 1.060	$419,481	$408,509	$398,634	$389,747	$381,748

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

These are non-operating revenues which are the repayment of short term loans to other funds over the previous fiscal year and reimbursements for expenses received for a previous fiscal year in the current fiscal year. The district does not anticipate any Transfers or Advances during the remainder of the forecast.

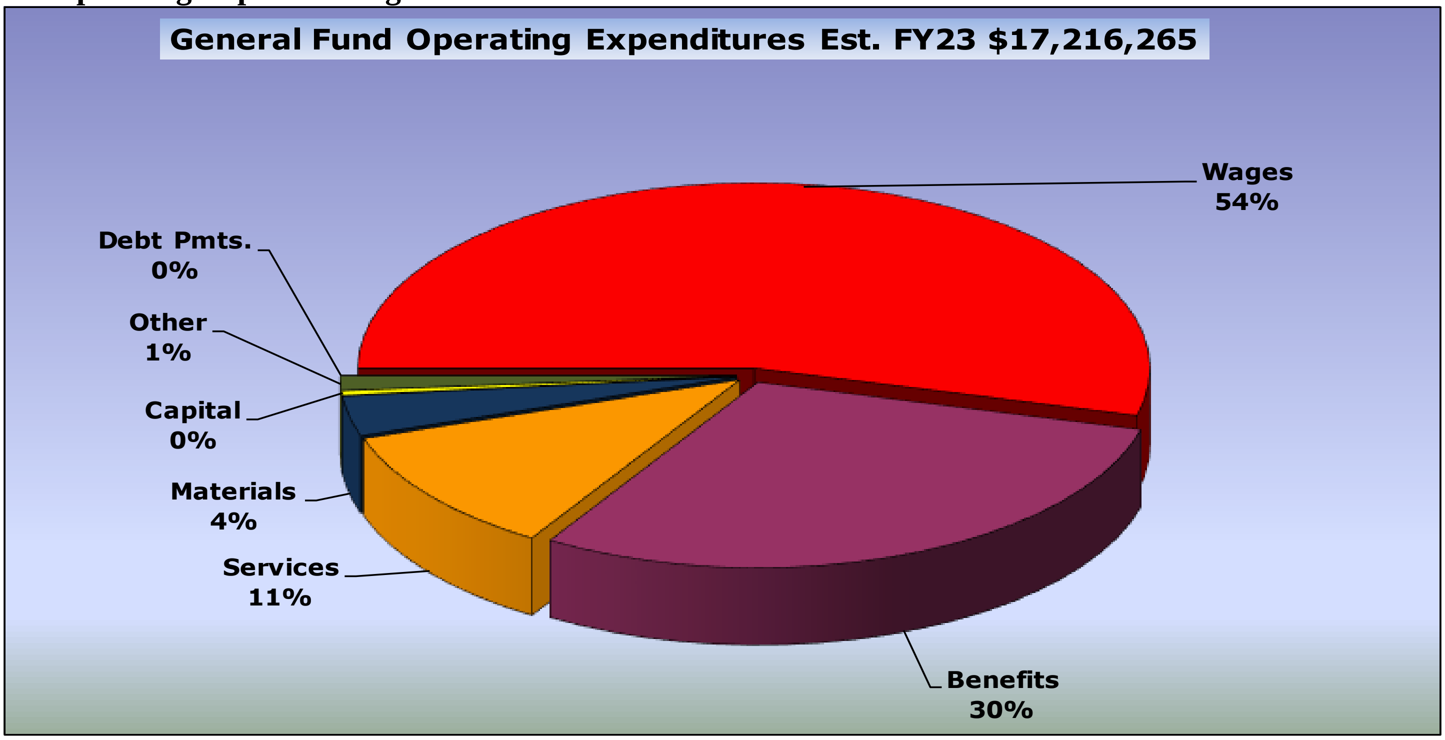
All Other Financial Sources – Line #2.060

This funding source is typically a refund of prior year expenditures that is very unpredictable. The district is estimating amounts for FY23 through FY27 based on currently received receipts and historical trends for this revenue area.

Source	FY 23	FY 24	FY 25	FY 26	FY 27
All Other Sources Line #2.060	$62,296	$62,296	$62,296	$62,296	$62,296

Expenditures Assumptions

All Operating Expense Categories - General Fund FY23



Wages – Line #3.010

Based on the negotiated agreement with the certified and classified staff there will be a 3.75% increase for base wages in FY23 through FY26. For forecasting purposes the district is using a 2% base wage increase in FY26 and FY27. The district is also including a 2.77% for steps and training increase for each year of the forecast.

We are increasing substitutes to be more in line with previous years and are increasing the amount by the same base wage as certified staff in FY23-FY27. The district will use ESER funds in FY22 to offset salaries with returning the amount to the forecast in FY24 and FY25.

The district expects several retirements throughout the time of the forecast and has increased the severance payments to be more in line of previous years at $25,000 in FY23-FY27.

Summary of Personal Services – Line #3.010

Source	FY 23	FY 24	FY 25	FY 26	FY 27
Base Wages	$8,467,271	$9,019,337	$9,742,398	$10,482,602	$10,982,622
Base Wage Rate Increases	$317,523	$338,225	$365,340	$209,652	$219,652
Steps & Training	$234,543	$249,836	$269,864	$290,368	$304,219
Staff Growth/Replacement	$0	$0	$0	$0	$0
SWSF/ESSER Adjusments	$0	$135,000	$105,000	$0	$0
Substitutes - Certified	$129,110	$133,951	$138,974	$141,754	$144,589
Substitutes - Classified	$78,467	$78,467	$78,467	$78,467	$78,467
Supplemental	$66,200	$66,200	$66,200	$66,200	$66,200
Severance	$25,000	$25,000	$25,000	$25,000	$25,000
Staff Reductions (Retire/Resignation)	$0	$0	$0	$0	$0
Total Wages Line 3.010	$9,318,113	$10,046,016	$10,791,243	$11,294,043	$11,820,749

Fringe Benefits Estimates – Line #3.020

A) STRS/SERS

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

B) Insurance

The district has a self-funded health, dental, and vision insurance program. The cost sharing of this program is paid 90% by the district and 10% by employee contributions. The increasing cost of employee insurances to the district is a major concern. We estimate that FY23 will cost both the district and the employees nearly $4,000,000 for its health benefits. Careful considerations to plan changes are currently being discussed with the administration and the district's employee insurance committee members. The overall costs to the district will have a major negative impact on the district if no changes are made.

We are estimating an increase of 8.24% in FY23 and 4% for FY24-27 which is in line with increases in previous years.

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

C) Workers Compensation & Unemployment Compensation

Workers Compensation is based on the district's rate of 55,000 of the total salaries paid for each year of the forecast. Unemployment Compensation is based on actual claims.

D) Medicare

Medicare will continue to increase at the rate of increases in wages and as new employees are hired. Contributions are 1.45% for all new employees to the district on or after April 1, 1986. These amounts are growing at the general growth rate of wages.

E) Tuition and Other Benefits

The district reimburses staff for cost of tuition and those that do not take insurances. We are expecting that there not any increases for these items in FY23-FY27.

Summary of Fringe Benefits – Line #3.020

Source	FY 23	FY 24	FY 25	FY 26	FY 27
STRS/SERS	$1,506,574	$1,621,178	$1,742,140	$1,829,556	$1,914,796
Insurance's	$3,370,761	$3,536,966	$3,706,997	$3,858,475	$4,016,755
Workers Comp/Unemployment	$58,768	$58,768	$58,768	$58,768	$58,768
Medicare	$135,113	$147,625	$157,996	$163,764	$171,401
Tuition	$19,548	$19,548	$19,548	$19,548	$19,548
Other Benefits	$14,212	$14,212	$14,212	$14,212	$14,212
Total Line 3.020	$5,104,975	$5,398,296	$5,699,660	$5,944,323	$6,195,480

Purchased Services – Line #3.030

HB110 the current state budget will impact Purchased Services as the Ohio Department of Education directly pay these costs to the educating districts for open enrollment, community and STEM schools, and for scholarships granted students to be educated elsewhere, as opposed to deducting these amounts from our state foundation funding and shown below as expenses. We have continued to show these amounts below as zeros to help reflect the difference between projected FY23-FY27 Line 3.03 costs and historical FY20 through FY21 costs on the five-year forecast. College Credit Pus, excess costs and other tuition costs will continue to draw funds away from the district, which will continue in this area and have been adjusted based on historical trend.

The district is forecasting increases based on historical trends in all areas except Utilities. The utilities are expecting approximately 2.4% in FY23-FY27.

The district is utilizing ESSER funds for additional social workers with returning those expenses to the general fund in FY25 of $250,000. The district has been able to stretch the original amount received from the SWSF fund that was used for the Bellville SRO of $35,000 per year, additional counseling services for the high school, and additional districtwide nurses for most of the forecast. The district expects the cost of the SRO will be returned to the forecast in FY26 with a 2% increase in FY27 for services.

Purchased Services – Line #3.030

Source	FY 23	FY 24	FY 25	FY 26	FY 27
Insurance, Leases, Postage, & Other	$342,425	$348,349	$354,393	$360,559	$366,833
Professional Services, Legal Fees & ES	$482,456	$479,505	$731,595	$768,731	$784,106
Open Enrollment	$0	$0	$0	$0	$0
Community Schools	$0	$0	$0	$0	$0
Other tuition	$418,748	$423,262	$427,909	$432,702	$437,548
Utilities, Telephone & Internet	$469,551	$480,703	$492,177	$503,989	$516,085
Building Repairs & Services	$196,174	$196,389	$196,609	$196,837	$197,066
Total Line 3.030	$1,909,353	$1,928,208	$2,202,684	$2,262,819	$2,301,638

Supplies and Materials – Line #3.040

This category of expenses which are characterized by classroom supplies, textbooks, copy paper, and materials. The district is projecting the needs of the district for each year of the forecast.

The district expects increases in fuel costs throughout the forecast.

Source	FY 23	FY 24	FY 25	FY 26	FY 27
Classroom & General Supplies	$183,000	$183,000	$183,000	$183,000	$183,000
Textbooks & Electornic Instruction	$118,000	$118,000	$118,000	$118,000	$118,000
Maintenance & Transportation Supplies	$292,179	$296,752	$301,414	$306,170	$311,002
Total Line 3.040	$593,179	$597,752	$602,414	$607,170	$612,002

Equipment – Line #3.050

Capital Outlay expenditures are based on the needs of the district. The district is using ESSER funds for many of the capital needs of the district. The district will purchase a bus FY23 through the ESSER funding. Also the ESSER funds will be used to purchase technology equipment of $100,000 in FY23, with these expenses being returned to the forecast in FY24.

Source	FY 23	FY 24	FY 25	FY 26	FY 27
Capital Outlay	$45,000	$45,000	$45,000	$45,000	$45,000
Technology	$25,000	$125,000	$125,000	$125,000	$125,000
School Buses	$0	$104,000	$104,000	$104,000	$104,000
Total Line 3.050	$70,000	$274,000	$274,000	$274,000	$274,000

Other Expenses – Line #4.300

The category of Other Expenses consists primarily of Auditor & Treasurer fees, SDIT collection fees and our annual audit and other miscellaneous expenses. The district is using a 3% increase for Auditor and Treasurer Fees increase in FY23-FY27 and 1% increase in all other areas for each year of the forecast.

Source	FY 23	FY 24	FY 25	FY 26	FY 27
Auditor & Treasurer Fees & SDIT Fees	$146,090	$150,473	$154,987	$159,637	$164,426
Dues, Fees & Awards	$12,941	$13,071	$13,201	$13,333	$13,467
Other expenses	$61,612	$62,228	$62,850	$63,479	$64,114
Total Line 4.300	$220,643	$225,771	$231,039	$236,449	$242,006

Transfers/Advances Out – Line #5.010

This account group covers fund to fund transfer and end of year short term loans from the General Fund to other funds until they have received reimbursements and can repay the General Fund. Since the bond to build new elementary facility is backed by the district's earned income tax, the proceeds are recorded as income tax receipts which are then transferred to the Bond Retirement Fund to pay the debt. The bond payments increase annually so the amount of the transfers much also increase. The district also transfers funds to the extra-curricular accounts of $400,000 annually which are included in this amount.

Source	FY 23	FY 24	FY 25	FY 26	FY 27
Operating Transfers Out Line #5.010	$1,095,325	$1,091,825	$1,072,775	$1,073,075	$1,073,075
Advances Out Line #5.020	$0	$0	$0	$0	$0
Total	$1,095,325	$1,091,825	$1,072,775	$1,073,075	$1,073,075

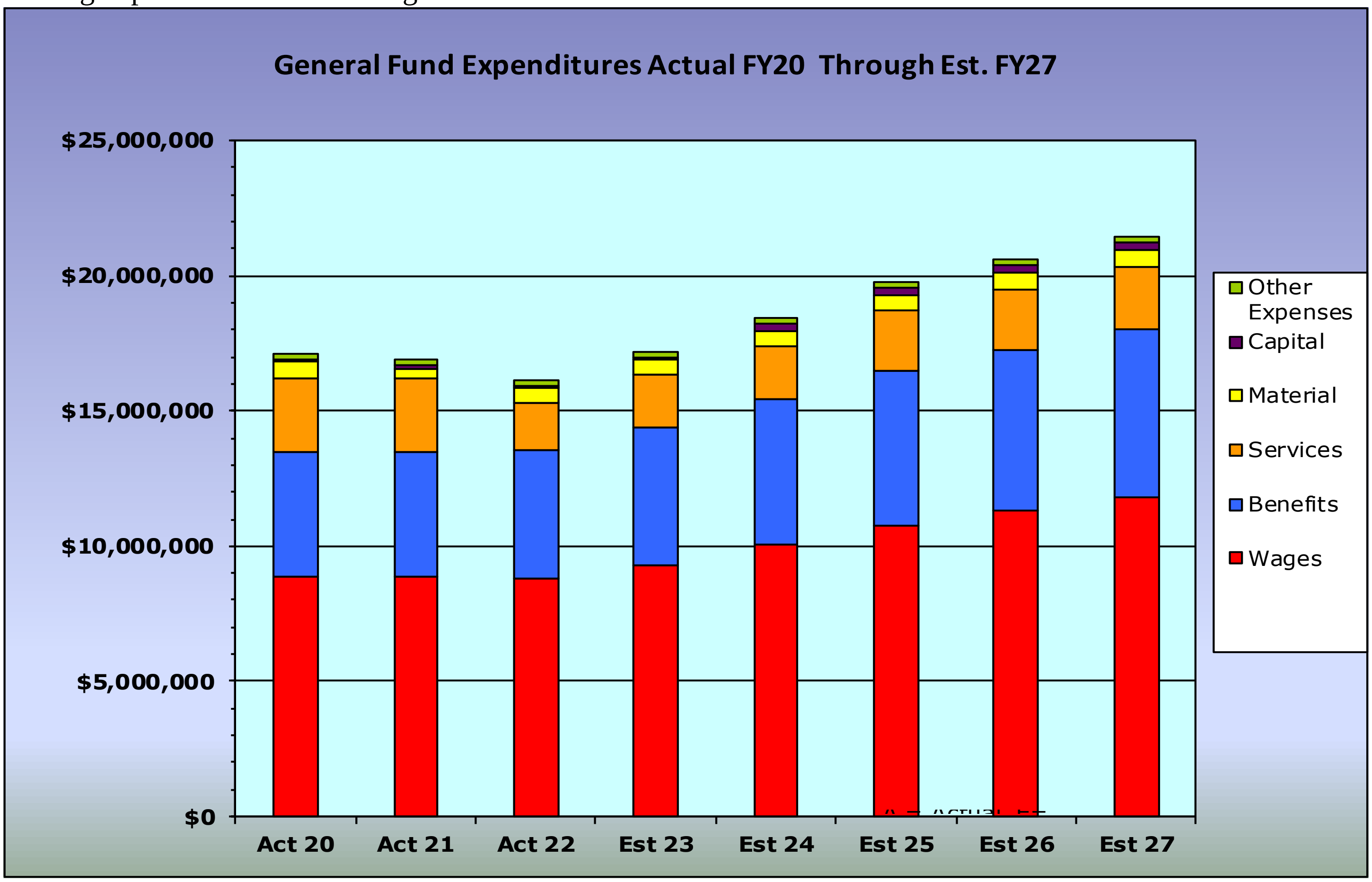
Encumbrances –Line #8.010

These are outstanding purchase orders that have not been approved for payment as the goods were not received in the fiscal year in which they were ordered. The district does not expect to have any encumbrances at the end of each year.

Source	FY 23	FY 24	FY 25	FY 26	FY 27
Estimated Encumbrances	$25,000	$25,000	$25,000	$25,000	$25,000

Operating Expenditures Actual FY20 through FY22 and Estimated FY23 through FY27

As the graph below indicates the largest expenditure for the district is that of staffing. We are attempting to reduce staffing expenditures to better align with the loss of our student enrollment.



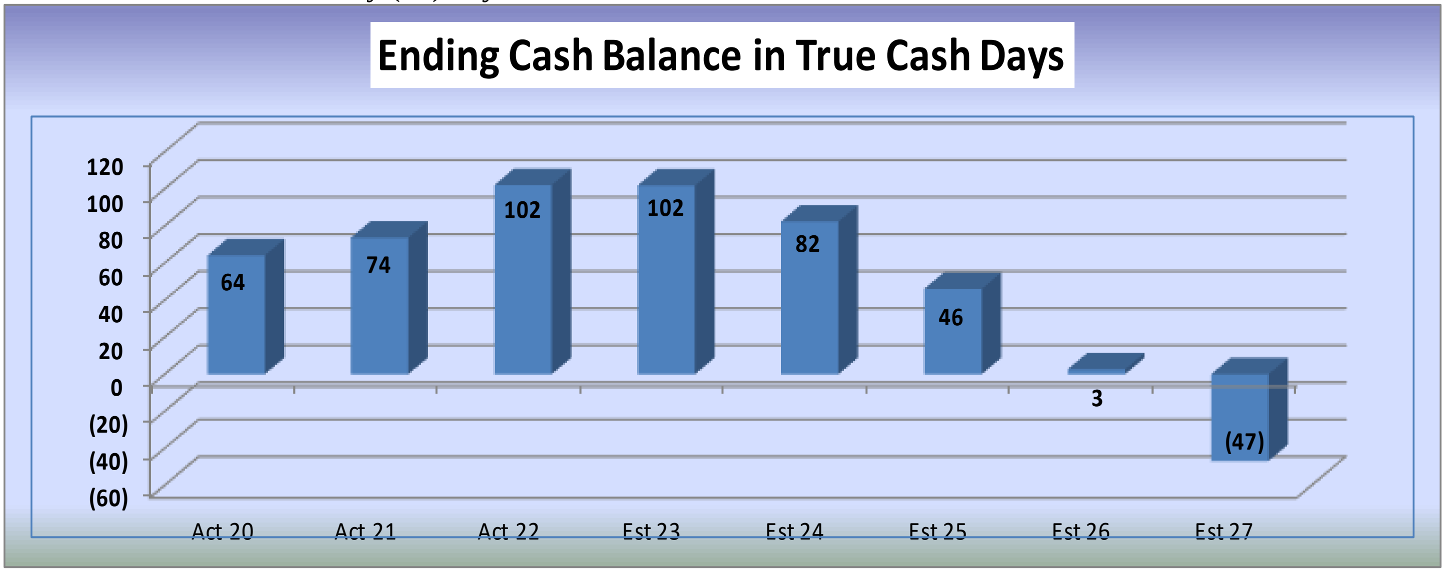
Ending Unencumbered Cash Balance – Line #15.010

This amount must not go below $-0- or the district General Fund will violate all Ohio Budgetary Laws. Any multi-year contract which is knowingly signed which results in a negative unencumbered cash balance is a violation of 5705.412, ORC punishable by personal liability of $10,000.

Source	FY 23	FY 24	FY 25	FY 26	FY 27
Ending Cash Balance	$5,109,669	$4,414,211	$2,633,422	$156,024	($2,894,384)

True Cash Days Ending Balance

Another way to look at ending cash is to state it in 'True Cash Days". In other words, how many days could the district operate at year end if no additional revenues were received. This is the Current Years Ending Cash Balance divided by (Current Years Expenditures/365 days) = number of days the district could operate without additional resources or a severe resource interruption. The government finance officers association recommends no less than two (2) months or 60 days cash is on hand at year end but could be more depending on each district's complexity and risk factors for revenue collection. This is calculated including transfers as this is a predictable funding source for other funds such as capital, athletics and severance reserves. Based on the current fund balances the district will have the sixty (60) day balance at the end of FY24.



Conclusion

Clear Fork Valley Local School District receives 51.58% of it's funding for the district from state dollars which is very beneficial to the overall operations for the education of our students.

The current state budget, HB110, has now been updated for the November forecast using the Fair School Funding Plan. Future state budgets funding will need to be watched since, the full amount of the Fair School Funding Plan was not totally implemented with this budget and there is no guarantee for future increases in state budgets for FY24-FY27.

As the administration plans for the future, they will need to make sure that the district is able to obtain positive cash balance throughout the forecast. They will need to review the expenditures based on the current revenues in able to obtain this.

As you read through the notes and review the forecast, remember that the forecast is based on the information that is known at the time that it is prepared.