NORTH UNION LOCAL SCHOOL DISTRICT
UNION COUNTY
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE FISCAL YEARS ENDED JUNE 30, 2021, 2022 and 2023 ACTUAL FORECASTED FISCAL YEARS ENDING JUNE 30, 2024 THROUGH JUNE 30, 2028

Forecast Provided By
North Union Local School District
Treasurer's Office
Scott Maruniak, Treasurer/CFO
November 20, 2023

North Union Local School District

Union County

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2021, 2022 and 2023 Actual;
Forecasted Fiscal Years Ending June 30, 2024 Through 2028

		Actual				Forecasted				
		Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Average Change	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028
	Revenues									
1.010	General Property Tax (Real Estate)	$4,974,849	$5,042,726	$5,536,392	5.6%	$6,011,365	$6,045,429	$6,199,083	$6,332,895	$6,382,098
1.020	Public Utility Personal Property Tax	479,618	490,777	512,200	3.3%	557,486	555,267	578,567	601,714	625,754
1.030	Income Tax	2,131,999	2,414,405	2,804,054	14.7%	2,821,649	2,849,866	2,878,364	2,907,148	2,936,220
1.035	Unrestricted State Grants-in-Aid	7,685,073	8,642,039	8,663,808	6.4%	8,699,652	8,664,946	8,665,905	8,666,874	8,667,852
1.040	Restricted State Grants-in-Aid	241,412	605,373	596,790	74.7%	638,452	615,457	615,457	615,457	615,457
1.045	Restricted Federal Grants-in-Aid	0	0	0	0.0%	0	0	0	0	0
1.050	State Share of Local Property Taxes	704,510	703,513	774,088	4.9%	808,948	778,739	797,081	816,726	823,549
1.060	All Other Revenues	2,113,567	591,394	880,755	-11.5%	1,009,161	999,567	990,165	980,951	971,922
1.070	*Total Revenues*	$18,331,028	$18,490,227	$19,768,087	3.9%	$20,546,713	$20,509,271	$20,724,622	$20,921,765	$21,022,852
	Other Financing Sources									
2.010	Proceeds from Sale of Notes	0	0	0	0.0%	0	0	0	0	0
2.020	State Emergency Loans	0	0	0	0.0%	0	0	0	0	0
2.040	Operating Transfers-In	0	0	0	0.0%	0	0	0	0	0
2.050	Advances-In	0	0	0	0.0%	0	10,000	10,000	10,000	10,000
2.060	All Other Financing Sources	115,445	60,240	46,589	-35.2%	116,589	46,589	46,589	46,589	46,589
2.070	*Total Other Financing Sources*	$115,445	$60,240	$46,589	-35.2%	$116,589	$56,589	$56,589	$56,589	$56,589
2.080	*Total Revenues and Other Financing Sources*	$18,446,473	$18,550,467	$19,814,676	3.7%	$20,663,302	$20,565,860	$20,781,211	$20,978,354	$21,079,441
	Expenditures									
3.010	Personal Services	$9,644,364	$9,950,143	$10,113,260	2.4%	$10,509,159	$11,215,980	$11,699,728	$12,208,354	$12,739,254
3.020	Employees' Retirement/Insurance Benefits	4,072,961	4,322,518	4,718,036	7.6%	4,771,369	5,549,507	5,998,520	6,484,366	7,013,976
3.030	Purchased Services	2,609,529	2,504,373	2,487,974	-2.3%	2,612,374	2,742,992	2,880,142	3,024,149	3,175,357
3.040	Supplies and Materials	530,210	693,420	744,159	19.0%	856,367	845,435	861,457	904,530	949,756
3.050	Capital Outlay	408,480	335,085	457,618	9.3%	941,024	746,974	603,222	609,781	616,669
3.060	Intergovernmental	0	0	0	0.0%	0	0	0	0	0
	Debt Service:				0.0%					
4.010	Principal-All (Historical Only)	0	0	0	0.0%	0	0	0	0	0
4.020	Principal-Notes	0	0	0	0.0%	0	0	0	0	0
4.030	Principal-State Loans	0	0	0	0.0%	0	0	0	0	0
4.040	Principal-State Advancements	0	0	0	0.0%	0	0	0	0	0
4.050	Principal-HB 264 Loans	0	0	0	0.0%	0	0	0	0	0
4.055	Principal-Other	0	0	0	0.0%	0	0	0	0	0
4.060	Interest and Fiscal Charges	0	0	-	0.0%	0	0	0	0	0
4.300	Other Objects	238,004	214,473	176,930	-13.7%	196,250	196,250	196,250	196,250	196,250
4.500	*Total Expenditures*	$17,503,548	$18,020,012	$18,697,977	3.4%	$19,886,543	$21,297,138	$22,239,319	$23,427,430	$24,691,262
	Other Financing Uses									
5.010	Operating Transfers-Out	$116,000	$101,000	$1,000	-56.0%	$10,000	$10,000	$10,000	$10,000	$10,000
5.020	Advances-Out	0	0	0	0.0%	10,000	10,000	10,000	10,000	10,000
5.030	All Other Financing Uses	0	0	0	0.0%	0	0	0	0	0
5.040	*Total Other Financing Uses*	$116,000	$101,000	$1,000	-56.0%	$20,000	$20,000	$20,000	$20,000	$20,000
5.050	*Total Expenditures and Other Financing Uses*	$17,619,548	$18,121,012	$18,698,977	3.0%	$19,906,543	$21,317,138	$22,259,319	$23,447,430	$24,711,262
6.010	*Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Uses*	$826,925	$429,455	$1,115,699	55.9%	$756,759	($751,278)	($1,478,108)	($2,469,076)	($3,631,821)
7.010	Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	$11,644,197	$12,471,122	$12,900,577	5.3%	$14,016,276	$14,773,035	$14,021,757	$12,543,650	$10,074,574
7.020	*Cash Balance June 30*	$12,471,122	$12,900,577	$14,016,276	6.0%	$14,773,035	$14,021,757	$12,543,650	$10,074,574	$6,442,752
8.010	*Estimated Encumbrances June 30*	$960,251	$1,182,404	$1,121,884	9.0%	$1,121,884	$1,121,884	$1,121,884	$1,121,884	$1,121,884
	Reservation of Fund Balance									
9.010	Textbooks and Instructional Materials	0	0	0	0.0%	0	0	0	0	0
9.020	Capital Improvements	0	0	0	0.0%	0	0	0	0	0
9.030	Budget Reserve	0	0	0	0.0%	0	0	0	0	0
9.040	DPIA	0	0	0	0.0%	0	0	0	0	0
9.045	Fiscal Stabilization	0	0	0	0.0%	0	0	0	0	0
9.050	Debt Service	0	0	0	0.0%	0	0	0	0	0
9.060	Property Tax Advances	0	0	0	0.0%	0	0	0	0	0
9.070	Bus Purchases	0	0	0	0.0%	0	0	0	0	0
9.080	*Subtotal Reservations of fund Balance*	$0	$0	$0	0.0%	$0	$0	$0	$0	$0
10.010	*Fund Balance June 30 for Certification of Appropriations*	$11,510,871	$11,718,173	$12,894,392	5.9%	$13,651,151	$12,899,873	$11,421,766	$8,952,690	$5,320,868

North Union Local School District

Union County

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2021, 2022 and 2023 Actual;
Forecasted Fiscal Years Ending June 30, 2024 Through 2028

		Actual				Forecasted				
		Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Average Change	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028
	Revenue from Replacement/Renewal Levies									
11.010	Income Tax - Renewal	0	0	0	0.0%	0	0	0	0	0
11.020	Property Tax - Renewal or Replacement	0	0	0	0.0%	0	0	0	0	0
11.300	Cumulative Balance of Renewal Levies	$0	$0	$0	0.0%	$0	$0	$0	$0	$0
12.010	*Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations*	$11,510,871	$11,718,173	$12,894,392	5.9%	$13,651,151	$12,899,873	$11,421,766	$8,952,690	$5,320,868
	Revenue from New Levies									
13.010	Income Tax - New	0	0	0	0.0%	0	0	0	0	0
13.020	Property Tax - New	0	0	0	0.0%	0	0	0	0	0
13.030	Cumulative Balance of New Levies	$0	$0	$0	0.0%	$0	$0	$0	$0	$0
14.010	Revenue from Future State Advancements				0.0%	-	-	-	-	-
15.010	*Unreserved Fund Balance June 30*	$11,510,871	$11,718,173	$12,894,392	5.9%	$13,651,151	$12,899,873	$11,421,766	$8,952,690	$5,320,868

North Union Local School District –Union County
Notes to the Five Year Forecast
General Fund Only
November 20, 2023

Introduction to the Five Year Forecast

A forecast is somewhat like a painting of the future based upon a snapshot of today. That snapshot, however, will be adjusted, because the further into the future the forecast extends, the more likely it is that the projections will deviate from actual experience. A variety of events will ultimately impact the latter years of the forecast, such as state budgets (adopted every two years), tax levies (new/renewal/replacement), salary increases, or businesses moving in or out of the district. The five-year forecast is viewed as a key management tool and must be updated periodically. The five-year forecast enables 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 ODE 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.

Since the preparation of a meaningful five-year forecast is as much an art as it is a science and entails many intricacies, it is recommended that you contact the Treasurer/Chief Fiscal Officer of the school district with any questions you may have. The Treasurer/CFO submits the forecast, but the Board of Education is recognized as the official owner of the forecast.

Here are three important 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

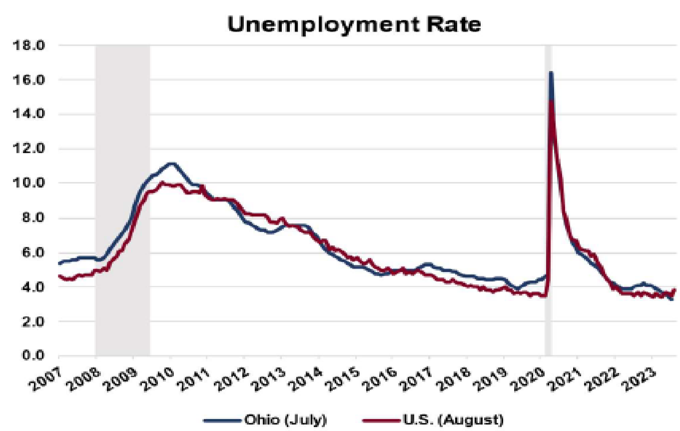
O.R.C. §5705.391 and O.A.C. 3301-92-04 require a Board of Education (BOE) to file a five-year financial forecast by November 30, 2023, and May 31, 2024, for the fiscal year 2024 (July 1, 2023, to June 30, 2024). The five-year forecast includes three years of actual and five years of projected general fund revenues and expenditures. The fiscal year 2024 (July 1, 2023-June 30, 2024) is the first year of the five-year forecast and is considered the baseline year. Our forecast is updated to reflect the most current economic data available for the November 2023 filing.

Economic Outlook

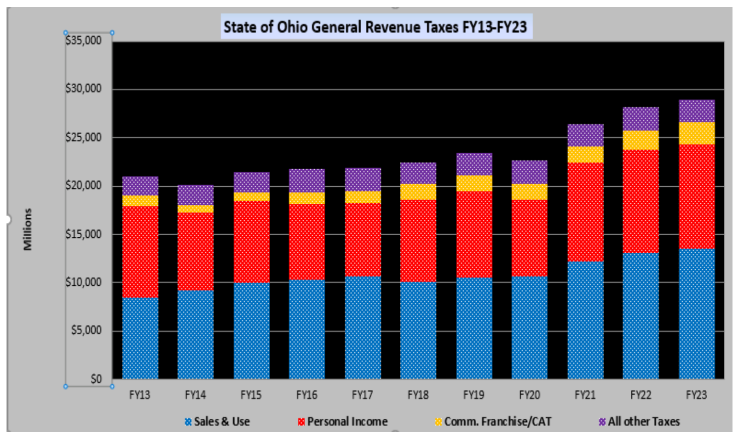
This five-year forecast is being filed during a two-year economic recovery following the COVID-19 Pandemic which began in early 2020. The effects of the pandemic have lessened but several supply chain concerns and high inflation continues to impact our state, country and broader globalized economy. Inflation 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. Interest rates are expected to increase again before December 2023, which may result in increased unemployment. Still, many economists anticipate a "full employment recession" in the first half 2024. In the history of our country, there has never been a full employment recession. However, the possibility of one underscore why this is a very unique time in our economic history.

As noted in the graphs below, the state of Ohio has enjoyed economic growth over the past three years, and the state's Rainy-Day Fund is at $3.7 Billion, which is a record high. School funding cuts made in FY20 have been fully restored, and a new state funding formula is in the third year of a projected five-year phase-in. While increased inflation impacting district costs is expected to continue over the next few years, the state's economy has grown, and many school districts received new funding in HB33 for FY24 and FY25. The ongoing growth in Ohio's economy should enable the state to continue the phase-in of the new funding formula even if a cyclical recession occurs. Regardless, the state is well-positioned to continue state aid payments to Ohio's school districts.



Source: Bureau of Labor Statistics through FRED



Source: Ohio Office of Budget and Management

While all school districts are being aided by three (3) rounds of federal Elementary and Secondary Schools Emergency Relief Funds (ESSER), which began in the fiscal year 2020, the most recent allocation of ESSER funds must be spent or encumbered by September 30, 2024. Any ongoing costs are absorbed back into the district General Fund. ESSER funds positively impacted school resources.

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 delays noted above but also due to state legislative changes that will occur in the spring of 2025 and 2027 due to deliberation of the following two (2) state biennium budgets for FY26-27 and FY28-29, both of which affect this five-year forecast. We have estimated revenues and expenses based on the best data available and the laws currently in effect. The items below give a short description of the current issues and how they may affect our forecast in the long term:

1) Property tax collections are the largest single local revenue source for the school system. The housing market in our district is stable and growing. We project continued growth in appraised values every three (3) years and new construction growth with continued modest increases in local taxes as the pandemic ends and the economy continues its recovery as anticipated. Total local revenues which are predominately local taxes equate to 50.8%

of the district’s resources. We believe there is a low risk that local collections would fall below projections throughout the forecast.

2) Union County experienced a reappraisal update in the 2022 tax year to be collected in 2023 and Delaware County will experience a full reappraisal in 2023 tax year to be collected in 2024. The 2022 update increased overall assessed values by $59.34 million or an increase of 24.94%. We anticipate the Delaware County reappraisal to increase values by 1.88% or $5.59 million in 2023. A reappraisal will occur in tax year 2025 for collection in 2026 for Union County. We anticipate real estate values will increase by $13.58 million for an overall increase of 4.45%. There is however always a minor risk that the district could sustain a reduction in values in the next appraisal update but we do not anticipate that at this time.

3) The district's $210,000 emergency levy will expire in 2024 and the emergency levy for $680,000 will expire in 2030. It will be essential to renew this levy when it comes up. We believe the levy will be renewed, but there is always a chance it will not.

4) The state budget represents 49.4% of district revenues, which means it is a significant risk to the revenue. The future risk comes in FY26 and beyond if the state economy stalls due to the record high inflation or the Fair School Funding Plan is not funded in future state budgets due to an economic recession. In this forecast, two forthcoming State Biennium Budgets cover FY26-27 and FY28-29. Future uncertainty in the state foundation funding formula and the state’s economy makes this area an elevated risk to district funding long-range through FY28. We have projected our state funding in FY24 and FY25 based on the additional phase-in of HB33 (the fair school funding plan). This forecast reflects state revenue to align with the FY25 funding levels through FY28, which we feel is conservative and should be close to what-the state approves for the FY26-FY28 biennium budgets. We will adjust the forecast in future years as we have data to help guide this decision.

5) HB33, the current state budget, continues to phase in what has been referred to as the Fair School Funding Plan (FSFP) for FY24 and FY25. FY24 reflects 50% of the implementation cost at year three of a six-year phase-in plan, which increases by 16.66% each year. FY25 will result in 66.66% funding of (FSFP), however, the final two years of the phase-in are not guaranteed. The FSFP has made many significant changes to how 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. We have used the October funding report for FY24 and the most recent simulations published by the Department of Education and Workforce for our forecasted revenues in FY25.

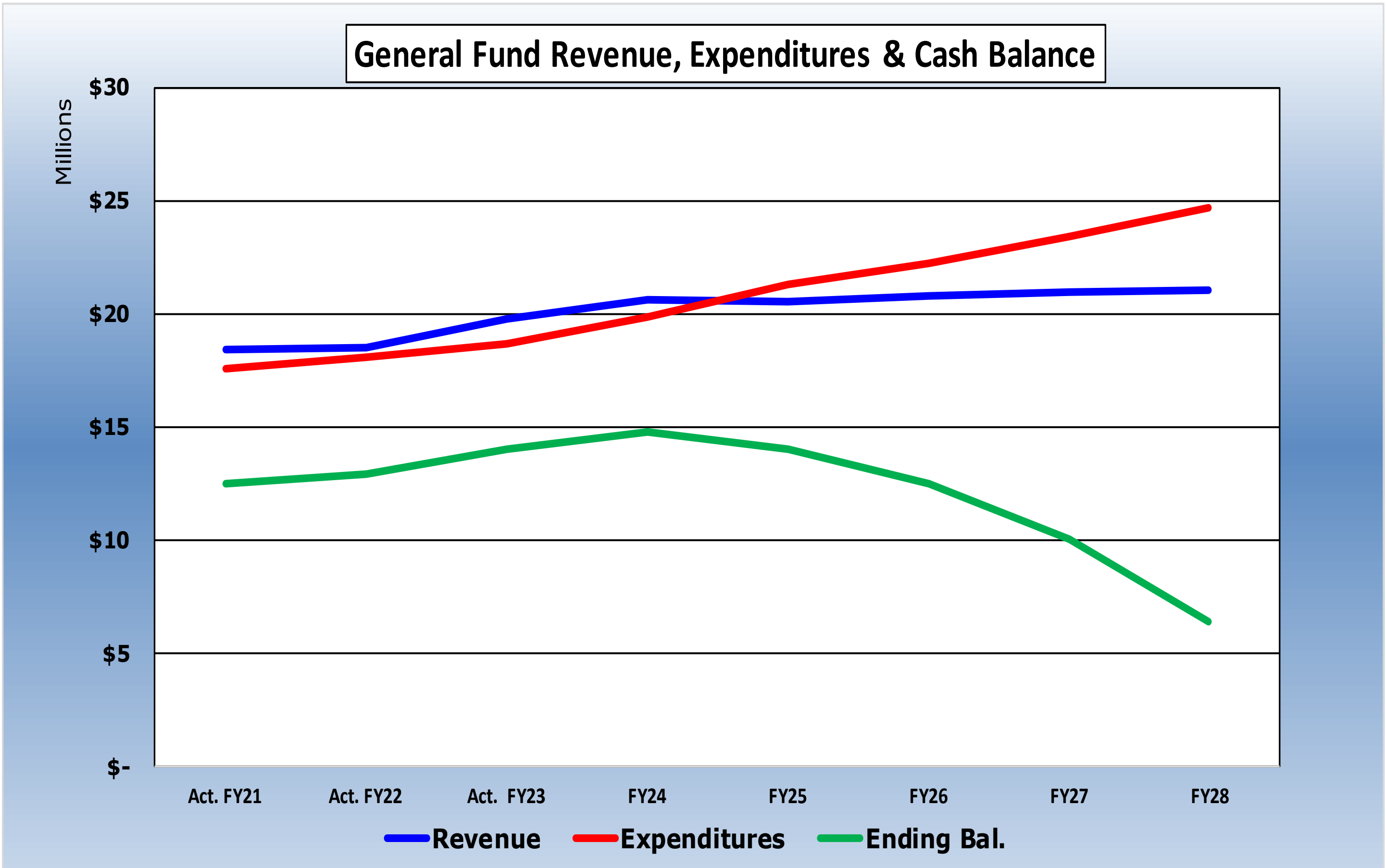
6) HB33 directly pays costs associated with open enrollment, community and STEM schools, and all scholarships, including EdChoice Scholarships. These costs are no longer deducted from our state aid. However, education option programs such as College Credit Plus continue to be removed from state aid, increasing costs to the district. Expansion or creation of programs not directly paid by the state of Ohio can expose the district to new expenditures currently outside the forecast. We closely monitor any new threats to our state aid and increased costs as new proposed laws are introduced in the legislature.

7) Income tax is the district’s second-largest local revenue source. The past few payments we received have been greater than in previous years, making income tax forecasting even more difficult. We will monitor the income tax revenue very closely for any positive or negative changes that may occur.

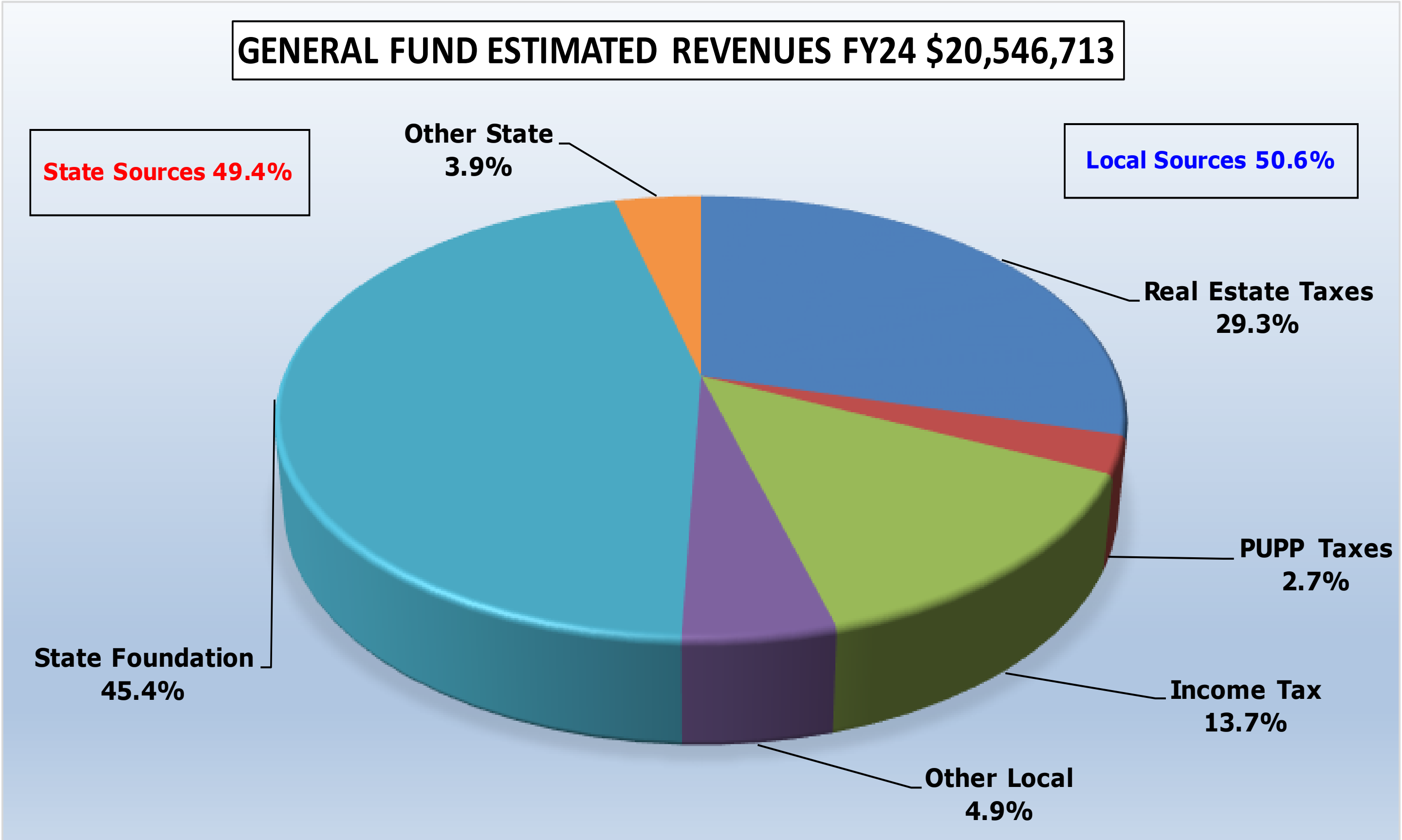
8) Labor relations in our district have been amicable with all parties working for the best interest of students and realizing the resource challenges we face. We believe as we move forward our positive working relationship will continue and will only grow stronger.

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 Scott Maruniak, Treasurer/CFO at 740-943-1609.

General Fund Revenue, Expenditures and Ending Cash Balance Actual FY21-23 and Estimated FY24-28
The graph below captures in one snapshot the operating scenario facing the District over the next few years.



Revenue Assumptions
Operating Revenue Sources General Fund FY24



Real Estate Value Assumptions – Line # 1.010
Property Values are established each year by the Union and Delaware County Auditors based on new construction, demolitions, BOR/BTA activity and complete reappraisal or updated values. Union County experienced a reappraisal update for the 2022 tax year to be collected in 2023 and Delaware County will experience a full reappraisal in 2023 to be collected in 2024. Since the district is in two different counties and they are not on the same reappraisal cycle it makes it more difficult to determine the actual amount of increases per year, but we are fortunate that Union County has a larger portion than Delaware County which is a 95% to 5% split per county. Residential/agricultural or Class I values increased 24.38% or $56.05 million due to the reappraisal led by an improving housing market in 2022. The Commercial/Industrial or Class II values increased in 2022 by 4.97% or $306 thousand.

The Delaware reappraisal will occur in 2023 for collection in 2024 for which we are estimating a 1.25% increase in Class I, which is really a 25% increase on only 5% of our total value, and a 0% increase for Class II values.

Public Utility Personal Property (PUPP) values increased by $2.1 million in Tax Year 2022. We expect our values to continue to grow by $900 thousand each year of the forecast.

ESTIMATED ASSESSED VALUE (AV) BY COLLECTION YEARS

Classification	Estimated TAX YEAR2023 COLLECT 2024	Estimated TAX YEAR2024 COLLECT 2025	Estimated TAX YEAR 2025 COLLECT 2026	Estimated TAX YEAR 2026 COLLECT 2027	Estimated TAX YEAR 2027 COLLECT 2028
Res./Ag.	$296,487,547	$298,954,035	$312,484,288	$316,066,709	$318,552,776
Comm./Ind.	6,416,720	6,366,720	6,412,221	6,362,221	6,312,221
Public Utility Personal Property (PUPP)	19,672,240	20,572,240	21,472,240	22,372,240	23,272,240
Total Assessed Value	$322,576,507	$325,892,995	$340,368,749	$344,801,170	$348,137,237

Tax Rates

The county auditor sets tax rates for each levy voted on to provide tax revenues for the school district. Ohio law provides for "reduction factors" of all voted property tax levies to adjust the millage rates lower for the levy to not increase from inflation of property values for the taxes received by a district to that of the actual amount of the levy at the time of the election. The reduction factors are applied separately to Residential/Agriculture (Class I) and Commercial/Industrial (Class II), resulting in different effective millage rates. The district-voted rate for all levies is 27.82 mills while the Class I effective millage rate is 22.97 mills and the Class II effective millage rate is 23.3993 mills. The Ohio law has a provision that the reduction factors cannot lower the total millage rate for each class less than 20 mills, which includes both the voted and the non-voted millage rates; this is called the "20-Mill Floor". Currently, our district is not on the floor for either Class I or Class II, however, with the increase in values for the Delaware County Reappraisal we will be on the 20-mill floor in 2023 for collection in 2024.

Property tax levies are estimated to be collected at 95% of the annual amount. This allows 5% delinquency factor. In general, 57.19% of the Class I and Class II property taxes are expected to be collected in the February tax settlement and 42.81% collected in the August tax settlement.

ESTIMATED REAL ESTATE TAX - Line #1.010

Source	FY24	FY25	FY26	FY27	FY28
Est. Real Estate Taxes	$6,011,365	$6,045,429	$6,199,083	$6,332,895	$6,382,098
Total Line #1.01 Real Estate Taxes	$6,011,365	$6,045,429	$6,199,083	$6,332,895	$6,382,098

Estimated Tangible Personal Tax & PUPP Taxes – Line #1.020

The phase out of TPP taxes as noted earlier began in FY06 with HB66 that was adopted in June 2005. Amounts noted below are public utility tangible personal property (PUPP) tax payments from public utilities. The values for PUPP are noted on the table above under P.U. Personal, which were $18.77 million in assessed values in 2022 and are collected at the district's gross voted millage rate. Collections are typically 50% in March and 50% in August along with the real estate settlements from the county auditor. The values in 2022 rose by 24.13% or $2.1 million and are expected to grow by $900 thousand each year of the forecast.

Public Utility tax settlements (PUPP taxes) are estimated to be received 50% in March and 50% in August settlement from the County Auditor and are noted in Line #1.02 totals below.

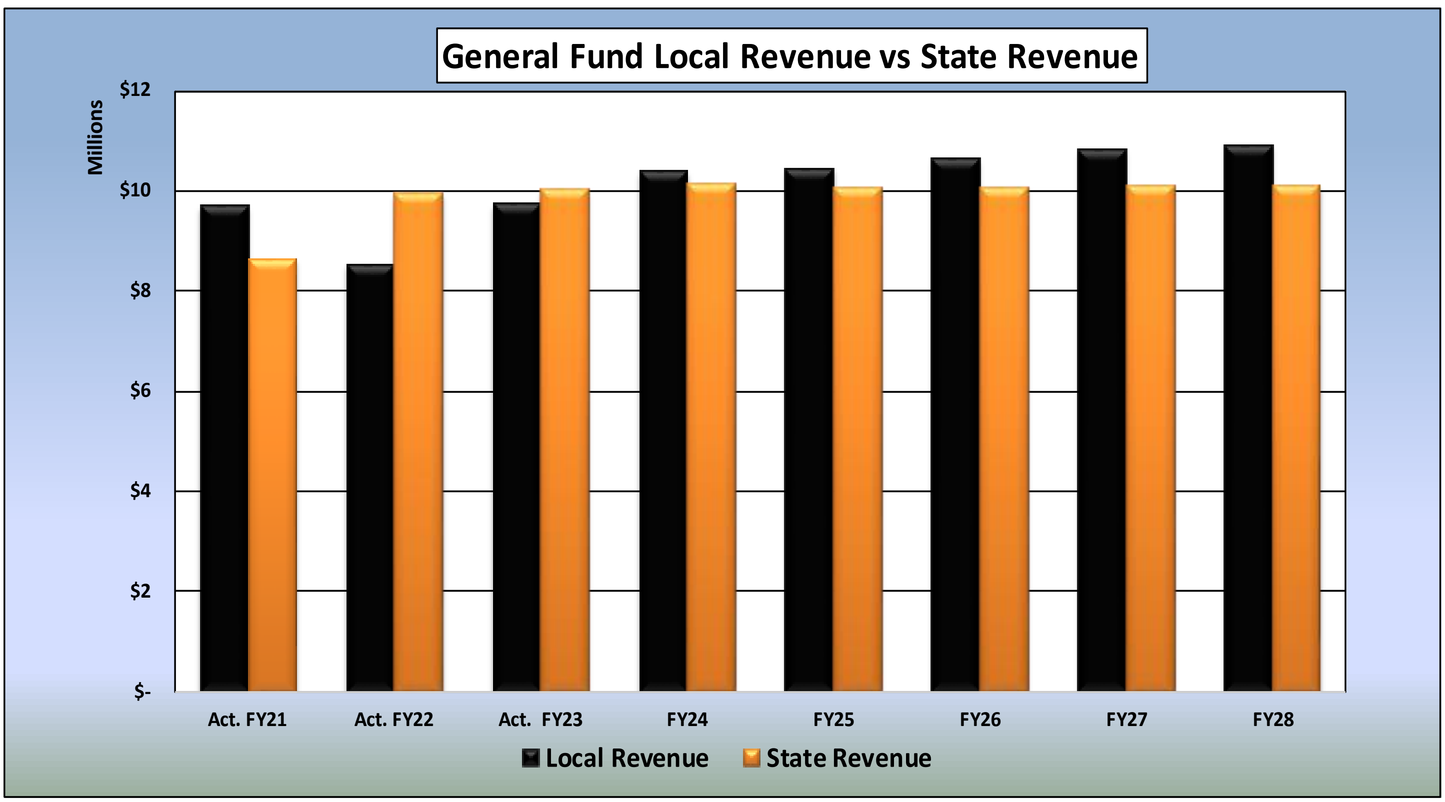
Source	FY24	FY25	FY26	FY27	FY28
Public Utility Personal Property	$557,486	$555,267	$578,567	$601,714	$625,754
Total PUPP Tax Line #1.020	$557,486	$555,267	$578,567	$601,714	$625,754

Renewal and Replacement Levies – Line #11.02
Tax levies that are not continuous, by law, cannot be included with the property taxes, since neither of the emergency levies expire during this forecast period those amounts are included in the tax lines above.

School District Income Tax – Line#1.030
The district has a 1% traditional SDIT for a continuous period. The changes in tax amounts are leveling off from the pandemic. So far, in FY24, income tax collection statewide has risen by around 5.6%. The July 2023 payment included the April 15th tax returns, which included most of the tax decrease in collections. We will assume that income from withholdings will continue to increase in future collections. We will assume an annual growth rate of 3% for the remainder of FY24 and 1% for FY25-FY28 as the concerns over inflation may slow growth in this area. We will continue to monitor the income taxes.

Source	FY24	FY25	FY26	FY27	FY28
School Distrcit Income Tax	$2,804,054	$2,821,649	$2,849,866	$2,878,364	$2,907,148
Adjustments	17,595	28,216	28,499	28,784	29,071
Total SDIT Line #1.030	$2,821,649	$2,849,866	$2,878,364	$2,907,148	$2,936,220

The graph below shows the changes in state funding and local funding for the changes in the payments for open enrollment, community schools and scholarships that began in FY22.



State Foundation Revenue Estimates – Lines #1.035, 1.040 and 1.045
Current State Funding Model per HB33 through June 30, 2025

A) Unrestricted State Foundation Revenue – Line #1.035
HB33, the current state budget, continued the Fair School Funding Plan for FY24 and FY25. We have projected FY24 funding based on the October 2023 foundation settlement and funding factors.

Our district is currently a formula district in FY24 and is expected to continue on the formula in FY25-FY28 on 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. It was dropped in FY19 after six (6) years, followed by no foundation formula for two (2) years in FY20 and FY21, then HB110, as amended by HB583 for FY22 and FY23, with continuation of this formula in HB33 for FY24 and FY25. The current formula introduced 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 FY24 through FY28 compared to real data in FY21 through FY23 on Lines 1.035, 1.04, 1.06, and 3.03 of the forecasts.

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

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

<u>Base Cost Approach - Unrestricted Basic Aid Foundation Funding</u>
The new funding formula uses FY22 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. Newer more up to date state wide average costs will not update for FY24 and FY25 and remain frozen at FY22 levels, while other factors impacting a district's local capacity will update for FY24. Base costs per pupil includes 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 currently at a state wide average of $8,242.19 per pupil in FY24, the FSFP calculates a state share percentage (SSP) calculation. The state share percentage in concept will be higher for districts with 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 district 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 item 1 through 3 above added together, the total is then multiplied by a Local Share Multiplier Index 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.

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:

Unrestricted Categorical State Aid

1. Targeted Assistance/Capacity Aid – 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. Special Education Additional Aid – 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 districts' calculations to be used toward the state appropriation for Catastrophic Cost reimbursement.
3. Transportation Aid – 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. In general, districts whose state share percentage is less than 33.33% will see a benefit from the increase to 33.33% funding.

Restricted Categorical State Aid

1. Disadvantage Pupil Impact Aid (DPIA) - Formerly Economically Disadvantaged Funding is based on number and concentration of economically disadvantaged students compared to state average and multiplied by $422 per pupil. 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.

State Funding Phase-In FY24 and FY25 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 by HB583 in June 2022 and has now extended the plan in HB33 for FY24 and FY25. The FSFP does not include caps on funding; instead, it will consist of a general phase-in percentage for most components of 50% in FY24 and 66.67% in FY25.

The funding formula 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 fewer funds in FY24 and FY25 than they received in FY21.

Future State Budget Projections beyond FY25
Our funding status for FY26-28 will depend on unknown (2) new state budgets. There is no guarantee that the current Fair School Funding Plan in HB33 will be funded or continued beyond FY25; therefore, our state funding estimates are reasonable, and we will adjust the forecast when we have authoritative data to work with. For this reason, funding is held constant in the forecast for FY26 through FY28.

Casino Revenue
On November 3, 2009, Ohio voters passed the Ohio casino ballot issue. This issue allowed four (4) casinos to open in Cleveland, Toledo, Columbus, and Cincinnati. Thirty-three percent (33%) of the gross casino revenue will be collected as a tax. School districts will receive 34% of the 33% of Gross Casino Revenue that will be

paid into a student fund at the state level. These funds will be distributed to school districts on the 31st of January and August each year, beginning for the first time on January 31, 2013.

The casino revenue has recovered from the pandemic from closing the casinos in 2020. Total funding in FY21 was 73.83 million or $42.18 per pupil. In FY22, the funding was increased to $109.39 million for schools or $62.86 per pupil, and in FY23, the funding totaled $113.1 million or $64.90 per pupil. We expect the Casino revenues to have resumed their historical growth rate and are assuming a 2% annual growth rate for the remainder of the forecast.

Source	FY24	FY25	FY26	FY27	FY28
Basic Aid-Unrestricted	$8,410,667	$8,369,886	$8,369,886	$8,369,886	$8,369,886
Additional Aid Items	189,387	194,511	194,511	194,511	194,511
Basic Aid-Unrestricted Subtotal	8,600,054	8,564,397	8,564,397	8,564,397	8,564,397
Ohio Casino Commission	96,954	97,905	98,864	99,833	100,811
CTE Credentials	2,644	2,644	2,644	2,644	2,644
Total Unrestricted State Aid Line #1.035	$8,699,652	$8,664,946	$8,665,905	$8,666,874	$8,667,852

B) Restricted State Revenues – Line # 1.040

HB33 has continued Disadvantaged Pupil Impact Aid (formerly Economic Disadvantaged Fund) and Career Technical funding. In addition, new restricted funds have been added under "Restricted Categorical Aid" for Gifted, English Learners (ESL), and Student Wellness. We have estimated revenues for these new restricted funding lines using current October funding factors. The amount of DPIA is limited to a 50% phase in growth for FY24 and 66.67% in FY25. We have flat-lined funding at FY25 levels for FY26-FY28 due to uncertainty on continued funding of the current funding formula.

Source	FY24	FY25	FY26	FY27	FY28
DPIA	$109,150	$85,959	$85,959	$85,959	$85,959
Career Tech - Restricted	193,720	193,721	193,721	193,721	193,721
Gifted	83,849	83,998	83,998	83,998	83,998
ESL	1,720	1,765	1,765	1,765	1,765
Student Wellness	250,014	250,014	250,014	250,014	250,014
Total Restricted State Revenues Line #1.040	$638,452	$615,457	$615,457	$615,457	$615,457

C) Restricted Federal Grants in Aid – line #1.045

There are no federal restricted grants projected during this forecast.

SUMMARY	FY24	FY25	FY26	FY27	FY28
Unrestricted Line #1.035	$8,699,652	$8,664,946	$8,665,905	$8,666,874	$8,667,852
Restricted Line #1.040	638,452	615,457	615,457	615,457	615,457
Rest. Federal Funds #1.045	0	0	0	0	0
Total State Foundation Revenue	$9,338,104	$9,280,403	$9,281,362	$9,282,331	$9,283,309

State Share of Local Property Tax – Line #1.050

A) Rollback and Homestead Reimbursement

Rollback funds are reimbursements paid to the district from the State of Ohio for tax credits given owner-occupied residences. Credits equal 12.5% of the gross property taxes charged residential taxpayers on levies passed prior to September 29, 2013. HB59 eliminated the 10% and 2.5% rollback on new levies approved after

September 29, 2013.

Homestead Exemptions are 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 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 do 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 will only receive a Homestead Exemption if they meet the income qualifications. Taxpayers who had their Homestead Exemption as of September 29, 2013 will not lose it going forward and will not have to meet the new income qualification. This will generally reduce homestead reimbursements to the district over time, and as with the rollback reimbursements above, the state is increasing the tax burden on our local taxpayers.

Summary of State Share of Local Property Tax Reimbursement – Line #1.050

Source	FY24	FY25	FY26	FY27	FY28
Total Tax Reimbursements #1.050	$808,948	$778,739	$797,081	$816,726	$823,549

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 sources of revenue in this area have been open enrollment, interest on investments, tuition for court placed students, student fees, Payment in Lieu of Taxes, and general rental fees. HB110, the previous state budget, stopped paying open enrollment as an increase to other revenue for the district. This is projected below as zeros to help show the difference between projected FY24-FY28 Line 1.06 revenues and historical FY21 through FY23 revenues on the five-year forecast open enrolled students will be counted in the enrolled student base at the school district they are being educated and state aid will follow the students. Open enrolled student revenues will be included in Line 1.035 as state basic aid.

Interest income is based on the district cash balances and increased interest rates due to the Federal Reserve raising rates to curb inflation. Once the economy stabilizes, there will be pressure on the Federal Reserve to lower interest rates, which we believe will be sometime in 2024, decreasing the opportunity for more significant interest income for the district. We will continue to monitor the investments for the district. All other revenues are expected to continue on historic trends.

The district received a true up payment for Medicaid in FY24 of $119,000 for FY21, and expect to receive this amount annually for future audit true up payments. All other revenues are expected to continue on historical trends.

Source	FY24	FY25	FY26	FY27	FY28
Tuition Related Payments	$357,584	$357,584	$357,584	$357,584	$357,584
Open Enrollment	0	0	0	0	0
Interest Earnings	479,681	470,087	460,685	451,471	442,442
Medicaid	163,090	163,090	163,090	163,090	163,090
Miscellaneous	8,806	8,806	8,806	8,806	8,806
Total Other Local Revenue Line #1.060	$1,009,161	$999,567	$990,165	$980,951	$971,922

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 anticipates advances at the end of each year to federal grants in FY24 through FY28 which will be repaid the following year.

Source	FY24	FY25	FY26	FY27	FY28
Transfers In - Line #2.040	$0	$0	$0	$0	$0
Advance Returns - Line #2.050	0	10,000	10,000	10,000	10,000
Total Transfer & Advances In	$0	$10,000	$10,000	$10,000	$10,000

All Other Financial Sources – Line #2.060

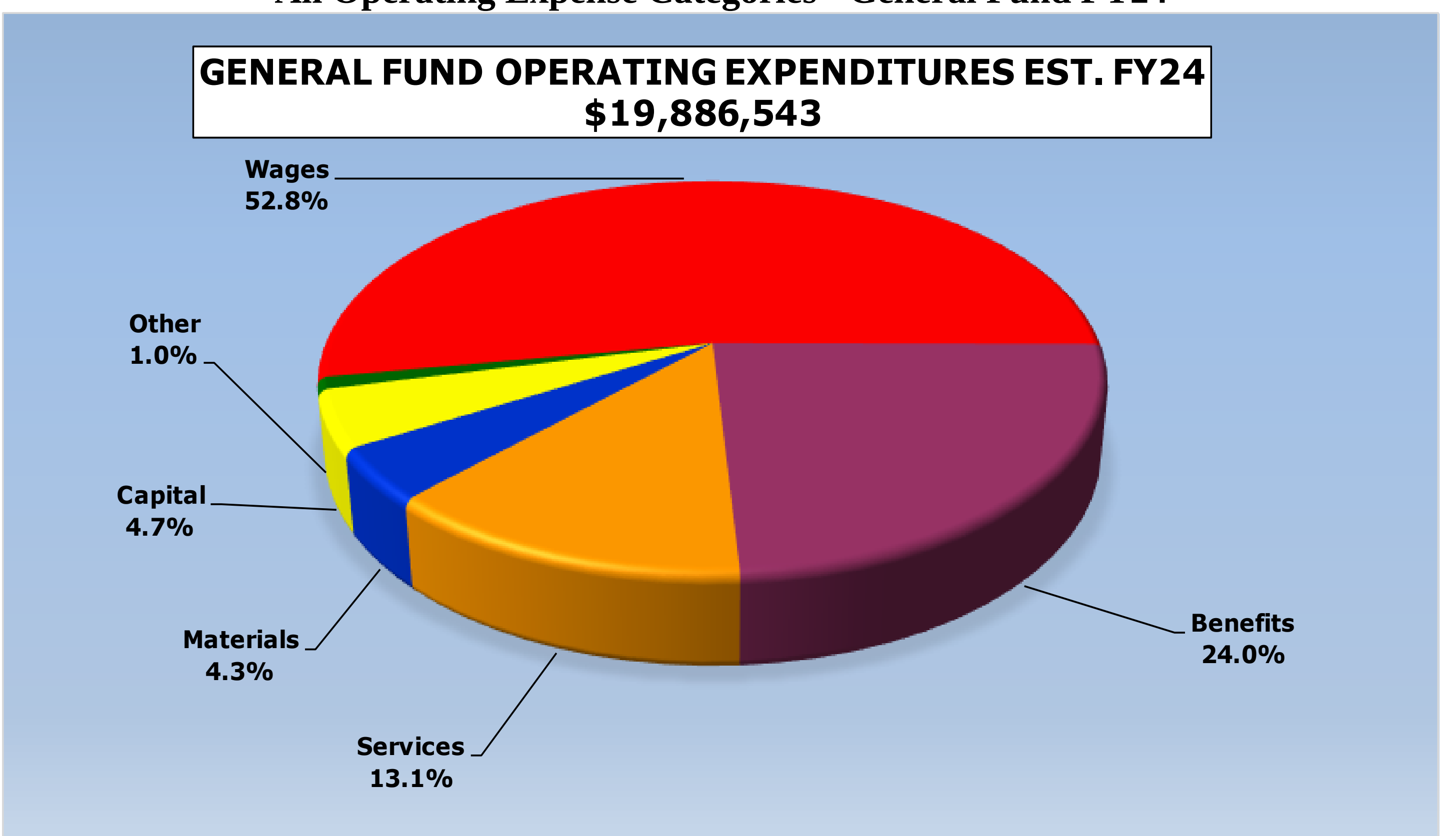
This funding source is typically a refund of prior year expenditures that is very unpredictable. The district received a $70,000 SERS refund in FY24 and does not expect to receive this amount in future years. These revenues are inconsistent year to year and we will not project any increases for the remainder of the forecast.

Source	FY24	FY25	FY26	FY27	FY28
Refund of prior years expenditures	$116,589	$46,589	$46,589	$46,589	$46,589

Expenditures Assumptions

The district's leadership team is always looking at ways to improve the education of the students whether it be with changes in staffing, curriculum, or new technology needs. As the administration of the district reviews expenditures, the education of the students is always the main focus for resource utilization.

All Operating Expense Categories - General Fund FY24



Personal Services – Line #3.010

Negotiations with bargaining unit members resulted in an agreement to include base increases of 2.5% for FY24 and are projecting for forecasting purposes only a 3% increase in FY25 through FY28. The district is forecasting steps and training increases of 1.5% each year of the forecast. We have used ESSER funds in FY22-24 to help offset wage costs and are returning $250,000 for these expenses to the general fund in FY25.

Source	FY24	FY25	FY26	FY27	FY28
Base Wages	$9,635,189	$10,020,597	$10,715,743	$11,187,524	$11,683,886
Based Pay Increase	240,880	300,618	321,472	335,626	350,517
Steps & Academic Training	144,528	144,528	150,309	160,736	167,813
Growth Staff	0	0	0	0	0
Substitutes	298,122	304,084	310,166	316,369	322,696
Supplementals	190,440	196,153	202,038	208,099	214,342
Severance	0	0	0	0	0
SWSF & ESSER Adjustments	0	250,000	0	0	0
Other Adjustments/Reductions	0	0	0	0	0
Total Wages Line #3.010	$10,509,159	$11,215,980	$11,699,728	$12,208,354	$12,739,254

Employees' Retirement & Insurance Benefits – Line #3.020

This area of the forecast captures all benefits and retirement costs. These payments and HSA costs are included in the table below.

A) STRS/SERS

As the law requires, the BOE pays 14% of all employee wages to STRS or SERS. The district is also required to pay SERS Surcharge, an additional employer charge based on the salaries of lower-paid members. It is exclusively used to fund health care.

B) Insurance

The district belongs to a self-insured medical insurance consortium. The district anticipates an 8% increase in FY24 and 10% each year in FY25 through FY27 which reflects trend on our current employee census and claims data.

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 expected to be approximately .0021% of wages FY24– FY28. Unemployment is expected to remain at a very low level FY23-FY27. The district is a direct reimbursement employer, which means unemployment costs are only incurred and due if we have employees who are eligible and draw unemployment.

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.

Summary of Fringe Benefits – Line #3.020

Source	FY24	FY25	FY26	FY27	FY28
A) STRS/SERS	$1,615,810	$1,720,547	$1,798,698	$1,876,983	$1,958,753
B) Insurance's	2,966,667	3,628,334	3,991,167	4,390,284	4,829,312
C) Workers Comp/Unemployment	22,069	23,554	24,569	25,638	26,752
D) Medicare	152,383	162,632	169,646	177,021	184,719
Other/Tuition/Annuities	14,440	14,440	14,440	14,440	14,440
Total Fringe Benefits Line #3.020	$4,771,369	$5,549,507	$5,998,520	$6,484,366	$7,013,976

Purchased Services – Line #3.030

HB33, continues the direct payment 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 FY24-FY28 Line 3.03 costs and historical FY21 through FY23 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.

We are estimating an increase of 5% for all lines within the purchased services for the district due to inflationary increases for each year of the forecast.

Source	FY24	FY25	FY26	FY27	FY28
Professional & Technical Services, ESC	$897,428	$942,299	$989,414	$1,038,885	$1,090,829
Maintenance, Insurance & Garbage Removal	677,647	711,529	747,105	784,460	823,683
Professional Development	27,889	29,283	30,747	32,284	33,898
Communications, Postage, & Telephone	23,431	24,603	25,833	27,125	28,481
Utilities	452,627	475,258	499,021	523,972	550,171
Contracted Trades & Services	3,110	3,266	3,429	3,600	3,780
Tuition, Excess Costs & Scholarship Costs	228,829	240,270	252,284	264,898	278,143
Open Enrollment & Community School Costs	0	0	0	0	0
College Credit Plus	21,525	22,601	23,731	24,918	26,164
Contract Transportation	1,154	1,212	1,273	1,337	1,404
Other Adjustments SWSF, ESSER, Etc.	0	0	0	0	0
Miscellaneous Purchased Services	278,734	292,671	307,305	322,670	338,804
Total Purchased Services Line #3.030	$2,612,374	$2,742,992	$2,880,142	$3,024,149	$3,175,357

Supplies and Materials – Line #3.040

Expenses which are characterized by curricular supplies, testing supplies, copy paper, maintenance and custodial supplies, materials, and bus fuel. We are forecasting an increase of 5% for all lines within the supplies for the district due to inflationary increases for each year of the forecast. We have used ESSER funds in FY22-24 to help offset supply costs and are returning $75,000 in FY24 and $25,000 in FY25 as this grant will expire in September of 2024.

Source	FY24	FY25	FY26	FY27	FY28
General Office Supplies & Materials	$243,291	$255,456	$268,229	$281,640	$295,722
Textbooks & Instructional Supplies	149,504	156,979	164,828	173,069	181,722
Facility Supplies & Materials	112,427	118,048	123,950	130,148	136,655
Transportation Fuel & Supplies	276,145	289,952	304,450	319,673	335,657
Other adjustments SWSF, ESSER, Etc.	75,000	25,000	0	0	0
Total Supplies Line #3.040	$856,367	$845,435	$861,457	$904,530	$949,756

Equipment – Line # 3.050
The District is planning for the track and field project and playgrounds in FY24 and other projects throughout the forecast. The district plans on purchasing one bus each year of the forecast, we have increased the cost by 5% each year for inflation.

Source	FY24	FY25	FY26	FY27	FY28
Capital Outlay & Maintenance	$822,024	$622,024	$472,024	$472,024	$472,024
Technology/Curriculum Purchases	0	0	0	0	0
Busses & Other Vehicles	119,000	124,950	131,198	137,757	144,645
Total Equipment Line #3.050	$941,024	$746,974	$603,222	$609,781	$616,669

Other Expenses – Line #4.300
The category of Other Expenses consists primarily of Auditor & Treasurer fees, our annual audit and other miscellaneous expenses.

Source	FY24	FY25	FY26	FY27	FY28
County Auditor & Treasurer Fees	$160,038	$160,038	$160,038	$160,038	$160,038
ESC Deduction	9,100	9,100	9,100	9,100	9,100
Dues, Fees & other Expenses	27,112	27,112	27,112	27,112	27,112
Total Other Expenses Line #4.300	$196,250	$196,250	$196,250	$196,250	$196,250

Transfers Out/Advances Out – Lines #5.010 and #5.020
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. The district annually transfers of funds to the freshman/sophomore classes of $10,000; and anticipates advances to federal grant funds each year of the forecast of $10,000 per year that will be returned to the district in following fiscal year.

Source	FY24	FY25	FY26	FY27	FY28
Operating Transfers Out Line #5.010	$10,000	$10,000	$10,000	$10,000	$10,000
Advances Out Line #5.020	10,000	10,000	10,000	10,000	10,000
Total Transfer & Advances Out	$20,000	$20,000	$20,000	$20,000	$20,000

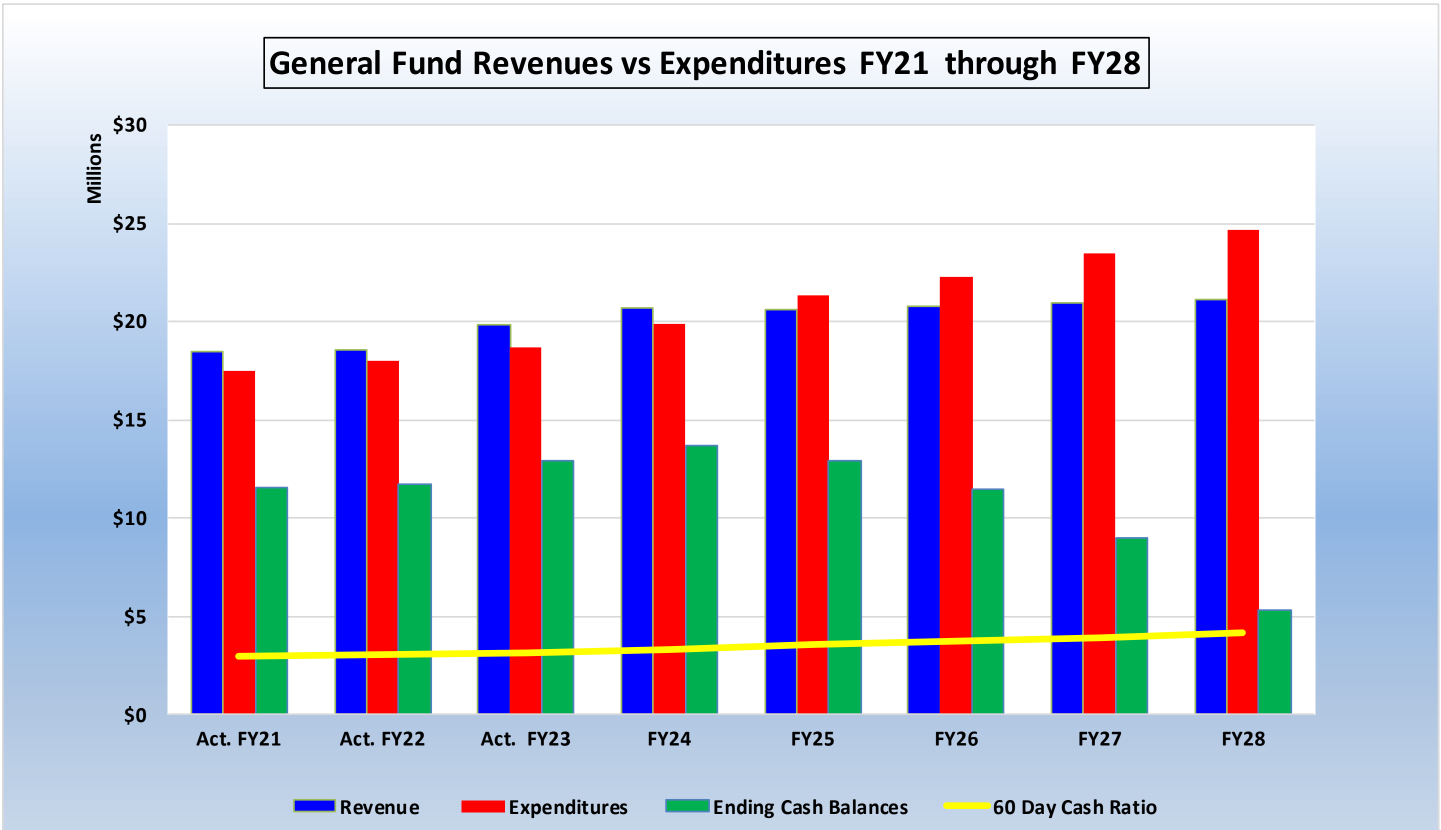
Encumbrances –Line#8.010
Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments, which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of expenditure at the time

authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance.

	FY24	FY25	FY26	FY27	FY28
Estimated Encumbrances Line #8.010	$1,121,884	$1,121,884	$1,121,884	$1,121,884	$1,121,884

Revenue vs Expenditures with Deficit Spending

The graph below shows that the district will begin to deficit spend in FY25 and each year after of the forecast.



Deficit spending affects the amount of carryover that the district has to plan for the future. When reviewing the needs of the district we review the amount of spending and what would be needed to remove any deficit spending in order to have positive cash balances on the forecast. The chart below shows the amount of deficit spending that is included on Line 6.010 of the forecast and the millage for each year that would be needed in order to erase the deficit spending.

	FY24	FY25	FY26	FY27	FY28
Excess of revenues over/(under) expenditures	$756,759	($751,278)	($1,478,108)	($2,469,076)	($3,631,821)
Millage equivalent for deficit spending	0.00	(2.33)	(4.54)	(7.25)	(10.53)

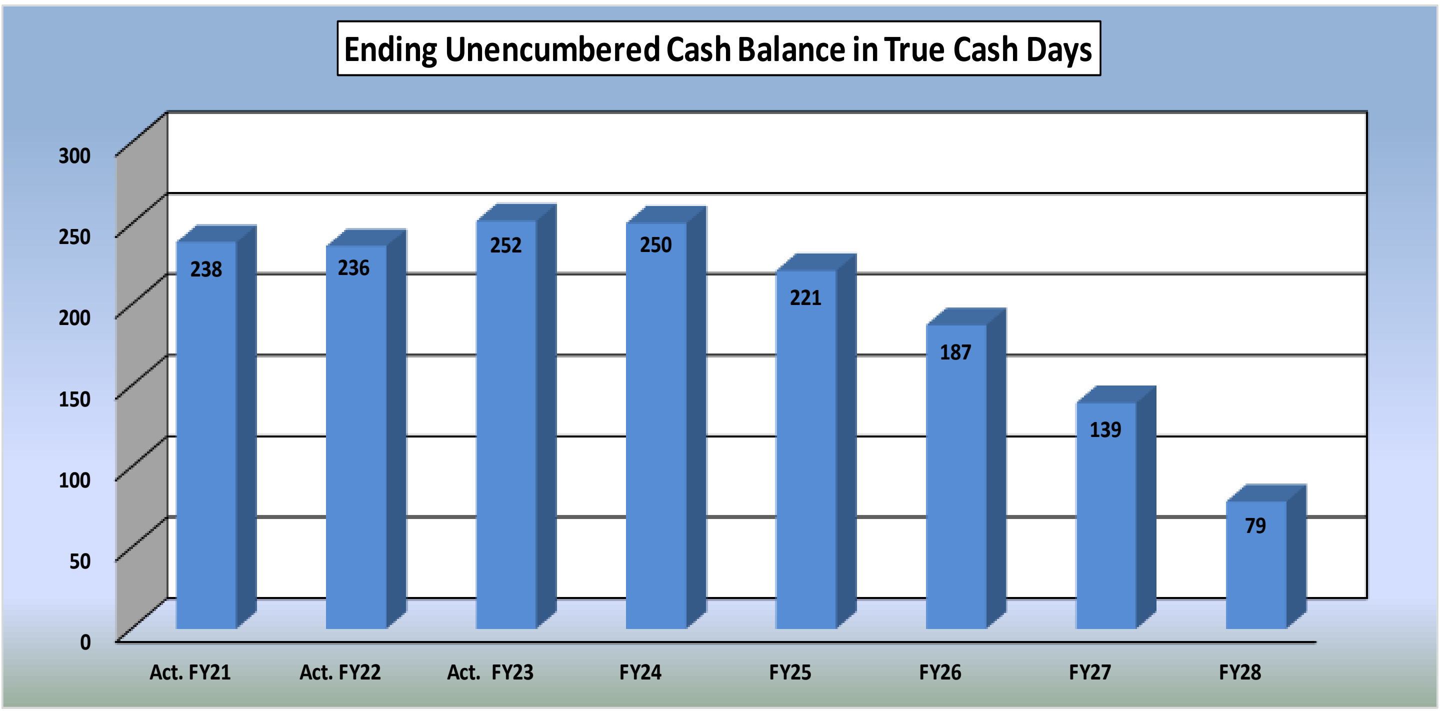
Ending Unencumbered Cash Balance "The Bottom-line"– Line#15.010

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; unless an alternative 412 certificate, as permitted by HB153 effective September 30, 2011, could be issued.

	FY24	FY25	FY26	FY27	FY28
Ending Unreserved Cash Balance Line #15.01	$13,651,151	$12,899,873	$11,421,766	$8,952,690	$5,320,868

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 (GFOA) recommends no less than two (2) months or 60 days cash is on hand at year end but could be more depending on each districts 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.



Conclusion

The district is very appreciative of the support of the community and passing the combination renewal levy. Thank-you for your support of the district and for our students.

North Union Local School District receives 49.4% 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 district administration is grateful for the changes in the current state budget HB33 as it has reduced the amount that was deducted for programs that were not within the district's control. However, 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 FY26-FY28.

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 order to obtain this.

As you read through the notes and review the forecast, remember that the forecast is based on the best information that is available to us at the time the forecast is prepared.