



Mohawk Local School District

Five Year Forecast Financial Report

May 23, 2023

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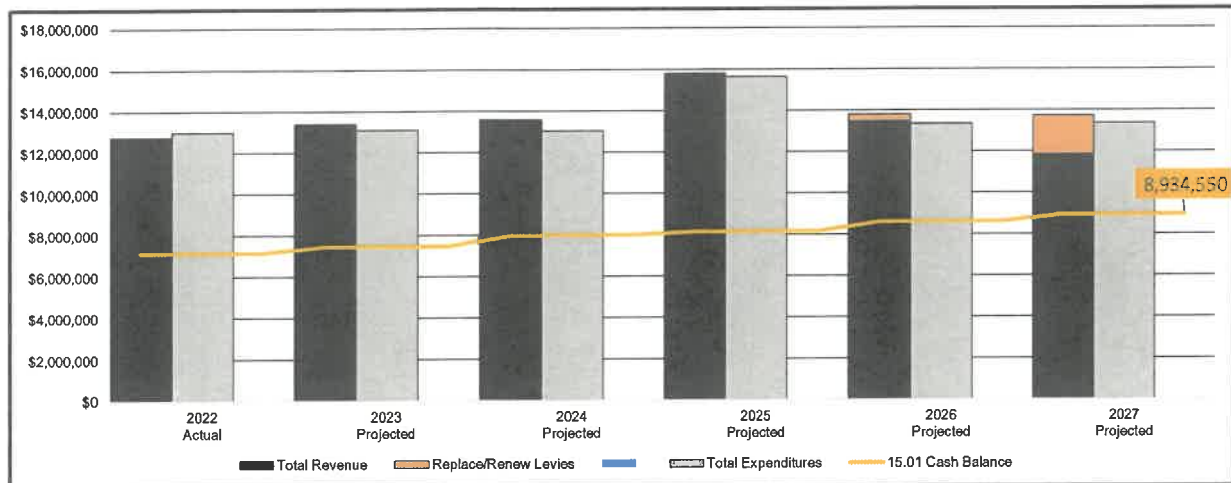
Forecast Purpose/Objectives

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

1. To engage the local board of education and the community in the long range planning and discussions of financial issues facing the school district.
2. To serve as a basis for determining the school district's ability to sign the certificate required by O.R.C. §5705.412, commonly known as the "412 certificate."
3. To provide a method for the Department of Education and Auditor of State to identify school districts with potential financial problems.

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

Forecast Summary



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

Financial Forecast

	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027
Beginning Balance (Line 7.010) Plus	7,147,612	7,448,134	7,982,658	8,142,130	8,602,033
+ Revenue	13,397,299	13,579,207	15,802,818	13,471,455	11,856,278
+ Proposed Renew/Replacement Levies	-	-	-	334,225	1,852,951
+ Proposed New Levies	-	-	-	-	-
- Expenditures	(13,096,776)	(13,044,684)	(15,643,347)	(13,345,777)	(13,376,712)
= Revenue Surplus or Deficit	300,522	534,524	159,471	459,903	332,517
Line 7.020 Ending Balance with renewal/new levies	7,448,134	7,982,658	8,142,130	8,602,033	8,934,550

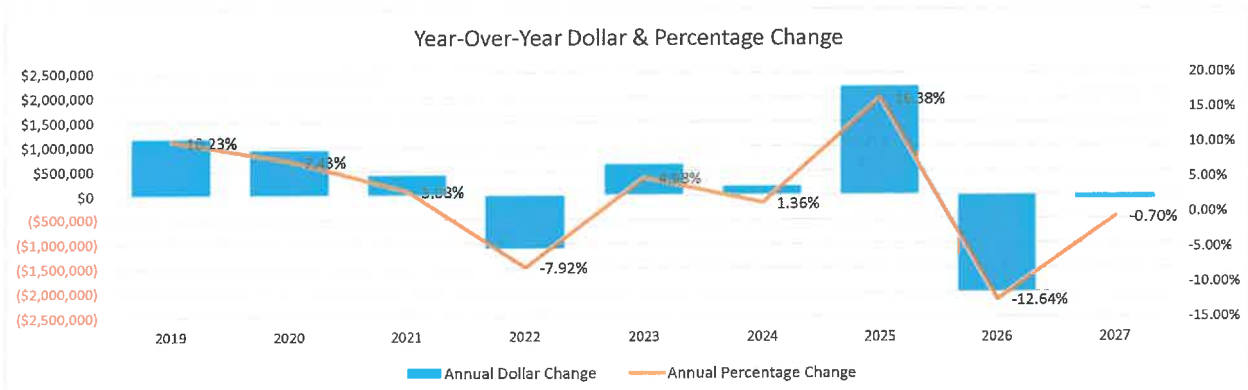
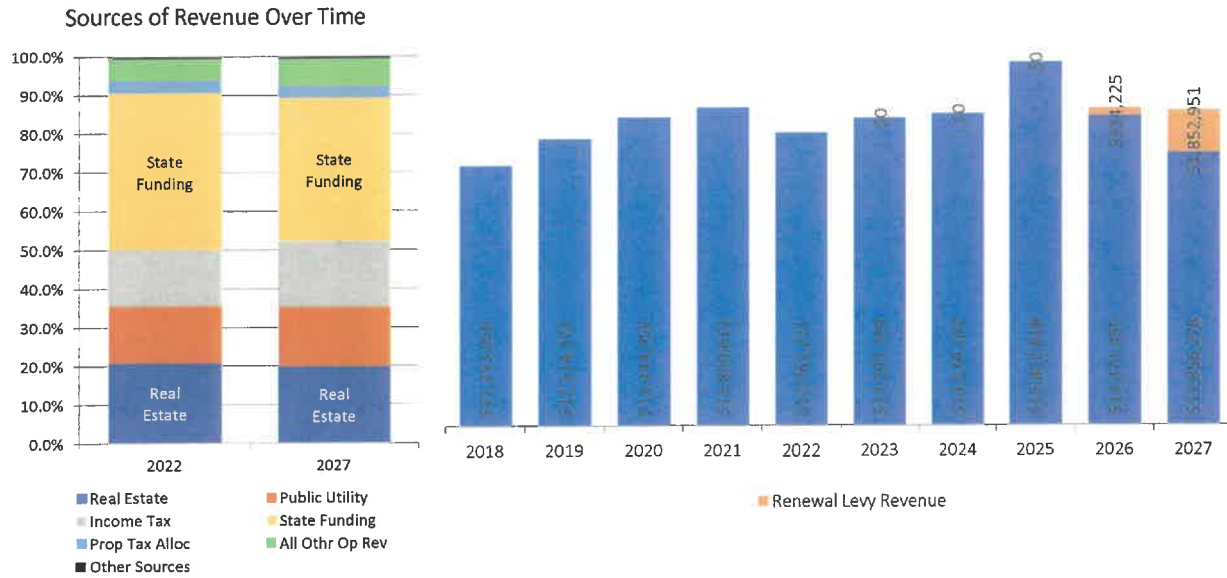
Analysis Without Renewal Levies Included:

Revenue Surplus or Deficit w/o Levies	300,522	534,524	159,471	125,678	(1,520,435)
Ending Balance w/o Levies	7,448,134	7,982,658	8,142,130	8,267,808	6,747,373

In FY 2023 a revenue surplus is expected. This means that expenditures are expected to be less than revenue by -\$300,522 in FY 2023. By the last year of the forecast, FY 2027, the district is expected to have a revenue shortfall where expenditures are projected to be greater than revenue by \$1,520,435. The district would need to cut its FY 2027 projected expenses by 11.37% in order to balance its budget without additional revenue.

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

Revenue Overview



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

	Historical Average Annual \$ Change	Projected Average Annual \$ Change	Projected Compared to Historical Variance	Total revenue increased 2.42% or \$309,912 annually during the past 5-Year period and is projected to increase 1.35% or \$189,402 annually through FY2027. Public Utility has the most projected average annual variance compared to the historical average at -\$256,946
Real Estate	\$1,852	\$14,934	\$13,081	
Public Utility	\$302,339	\$45,393	(\$256,946)	
Income Tax	\$86,804	\$94,565	\$7,761	
State Funding	\$20,427	(\$21,437)	(\$41,864)	
Prop Tax Allocation	\$2,135	\$2,816	\$681	
All Othr Op Rev	(\$108,041)	\$53,063	\$161,104	
Other Sources	\$4,395	\$67	(\$4,328)	
Total Average Annual Change	\$309,912 2.42%	\$189,402 1.35%	(\$120,510) -1.08%	

Note: Expenditure average annual change is projected to be > \$74,588 On an annual average basis, expenditures are projected to grow slower than revenue.

Revenue Notes

REAL ESTATE REVENUE

Real estate property tax revenue accounts for 20.64% of total revenue. Class I or residential/agricultural taxes make up approximately 96.83% of the real estate property tax revenue. The Class I tax rate is 20.93 mills in tax year 2022. The projections reflect an average gross collection rate of 100.1% annually through tax year 2026. The revenue changed at an average annual historical rate of 0.07% and is projected to change at an average annual rate of 0.56% through FY 2027.

PUBLIC UTILITY - PERSONAL PROPERTY REVENUE

The public utility personal property tax revenue is generated from the personal property values, additions, and depreciation reported by the utility companies. This category currently makes up 14.84% of total district revenue. The property is taxed at the full voted tax rate which in tax year 2022 is 36.9 mills. The forecast is modeling an average gross collection rate of 70.51%. The revenue changed historically at an average annual dollar amount of \$302,339 and is projected to change at an average annual dollar amount of \$45,393 through FY 2027.

An estimated settlement with Rover is forecasted for FY 2025. This is only an estimate while the District awaits more definitive answers from the Ohio Department of Taxation and the Seneca County Auditor. The settlement assumes Rover will appeal awarded at 70% which equates to a 40% reduction in valuation.

INCOME TAX REVENUE

The district maintained one income tax levy in FY 2022. The average annual dollar change in total income tax revenue is forecasted to be \$94,565 through FY 2027. The district is projecting income tax renewal activity through FY 2027. Income tax revenue is projected to account for 16.9% of total district revenue in FY 2027.

UNRESTRICTED STATE AID REVENUE

Beginning in FY 2022 Ohio adopted the Fair School Funding Plan (FSFP). Funding is driven by a base cost methodology that incorporates the four components identified as necessary to the education process. The Base Cost is currently calculated for two years using a statewide average from historical actual data. For Mohawk Local School District the calculated Base Cost total is \$6,177,855 in FY 2023. The state's share of the calculated Base Cost total is \$1,445,689 or \$1,893 per pupil.

For reference: The FSFP change to district educated enrollment could be lower than the district's historical formula funded enrollment but also potentially reduces tuition cost. In FY 2021, the district had approximately \$909,137 in possible tuition cost reductions. These reductions will be reflected in the purchased services expenditure note.

RESTRICTED STATE AID REVENUE

Restricted aid is the portion of state per pupil funding that must be classified as restricted use. Historically the district's restricted state aid changed annually on average by \$76,681 and is projected to change annually on average by -\$22,420. Restricted funds represent 2.19% of total revenue. Starting in FY 2022 the district's Success & Wellness funding is considered restricted, the state's share of this funding is recorded as restricted is \$164,583. This funding has implications on general fund expenditures in that certain spending now occurring in a fund external to the general fund could shift to the general fund. The expenditures in this forecast are adjusted to reflect this change.

PROPERTY TAX ALLOCATION REVENUE

Property tax allocation primarily consists of reimbursements from the state of Ohio for local taxpayer credits or reductions. The state reduces the local taxpayer's tax bill with a 10% rollback credit, and 2.5% owner-occupied rollback credit, plus a homestead credit for qualifying taxpayers. In FY 2023, approximately 11.3% local residential property taxes will be reimbursed by the state in the form of rollback credits and approximately 2.7% will be reimbursed in the form of qualifying homestead exemption credits.

OTHER REVENUE

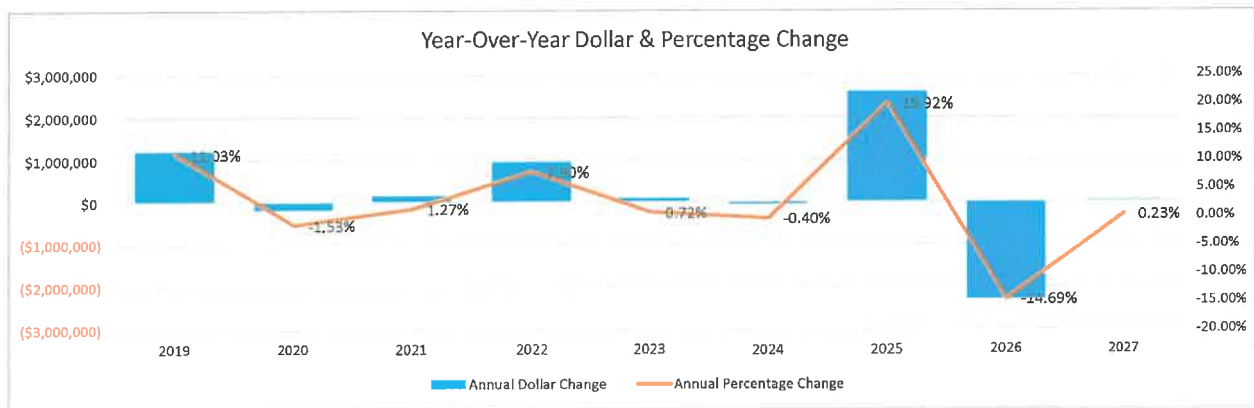
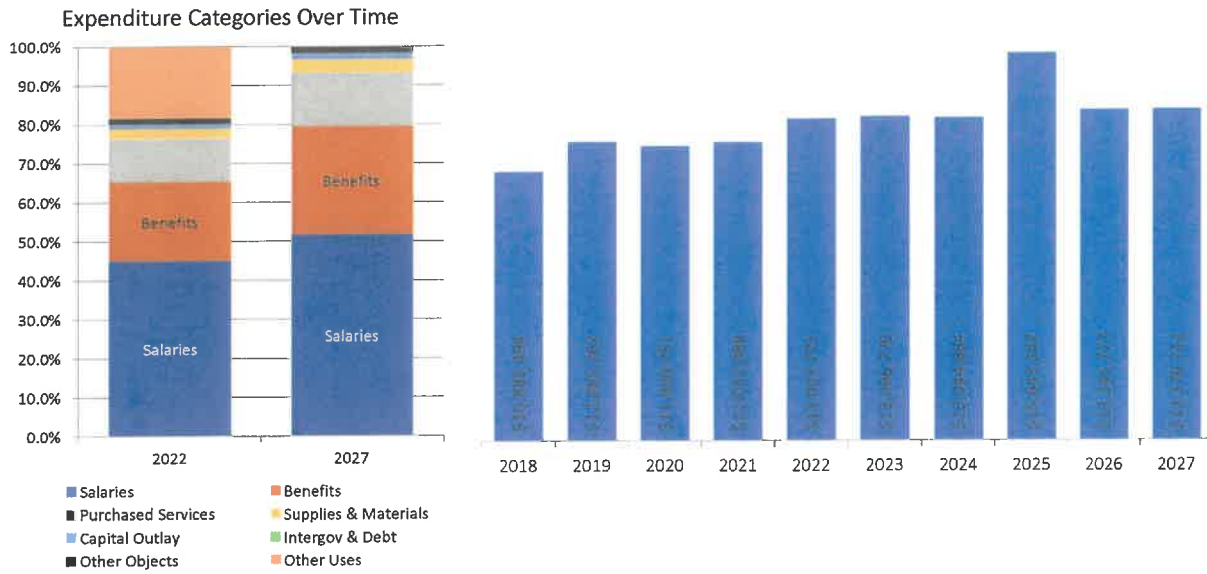
Other revenue includes tuition received by the district for non-resident students educated by the district. It also includes interest income, payments in lieu of taxes, and miscellaneous revenue. The historical average annual change was -\$108,041. The projected average annual change is \$53,063 through FY 2027. The FSFP includes per pupil funding for any open enrollment in students the district is educating. This revenue, if any, was recorded in 'other revenue' prior to FY 2022. Fiscal year 2022 and beyond will not include any open enrollment in revenue. The district posted revenue code 1227 open enrollment in revenue of \$914,683 in FY 2021.

OTHER FINANCING SOURCES

Other sources includes revenue that is generally classified as non-operating. Return advances-in are the most common revenue source. In FY 2022 the district received \$0 as advances-in and is projecting advances of \$0 in FY 2023. The district also receives other financing sources such as refund of prior year expenditures in this category. The district is projecting that all other financing sources will be \$20,524 in FY 2023 and average \$103,090 annually through FY 2027.

ADDITIONAL REVENUE NOTES

Expenditure Overview



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

	Historical Average Annual \$ Change	Projected Average Annual \$ Change	Projected Compared to Historical Variance	Total expenditures increased 3.85% or \$461,430 annually during the past 5-Year period and is projected to increase 0.57% or \$74,588 annually through FY2027. Other Uses has the largest projected average annual variance compared to the historical average at -\$813,550.
Salaries	\$218,610	\$212,833	(\$5,776)	
Benefits	\$140,214	\$219,089	\$78,875	
Purchased Services	(\$230,092)	\$74,852	\$304,944	
Supplies & Materials	(\$8,930)	\$25,181	\$34,112	
Capital Outlay	(\$8,414)	\$13,070	\$21,484	
Intergov & Debt	\$0	\$0	(\$0)	
Other Objects	\$10,170	\$3,240	(\$6,930)	
Other Uses	\$339,873	(\$473,677)	(\$813,550)	
Total Average Annual Change	\$461,430 3.85%	\$74,588 0.57%	(\$386,842) -3.28%	

Note: Expenditure average annual change is projected to be > \$74,588

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

Expenditure Notes

SALARY EXPENSE

Salaries represent 44.96% of total expenditures and increased at a historical average annual rate of 3.98% or \$218,610. This category of expenditure is projected to grow at an annual average rate of 3.32% or \$212,833 through FY 2027. The projected average annual rate of change is -0.66% less than the five year historical annual average.

Two staff retirements are anticipated in fiscal year 2023 with replacement staff at lower costs. Additionally, the district cut two aide positions, did not fully replace an afternoon custodial position, and replaced the Librarian with a classroom aide.

BENEFIT EXPENSE

Benefits represent 20.28% of total expenditures and increased at a historical average annual rate of 6.05% This category of expenditure is projected to grow at an annual average rate of 6.56% through FY 2027. The projected average annual rate of change is 0.51% more than the five year historical annual average.

Health insurance premiums have been a source of concern with fiscal year 2022 and 2023 increases at, 14.5% and 20.8%, respectively. Due to continued increases with medical claims, the forecast reflects a 7.3% increase in fiscal year 2024 with subsequent forecasted years at 6.5% annual increases which is more inline with prior years.

PURCHASED SERVICES EXPENSE

Purchased Services represent 11.13% of total expenditures and decreased at a historical average annual rate of -10.43%. This category of expenditure is projected to grow at an annual average rate of 4.39% through FY 2027 The FSFP funds only district educated enrollment thereby reducing tuition cost for open enrollment out, community schools, STEM, and scholarships starting in FY 2022. In FY 2021 these costs totaled \$909,137. The graph to the left reflects the difference between past formula ADM prior to FY 2022 compared to actual district educated.

Consultants contracted with the ESC are being paid from ESSER though FY 2023 and will return to the General fund in FY 2024.

SUPPLIES & MATERIALS EXPENSE

Supplies & Materials represent 2.42% of total expenditures and decreased at a historical average annual rate of -2.70%. This category of expenditure is projected to grow at an annual average rate of 6.02% through FY 2027. The projected average annual rate of change is 8.72% more than the five year historical annual average.

In fiscal year 2021 and 2022 many building supplies were purchased from ESSER funds. In fiscal year 2023, these expenditures will return to the general fund. Additionally, the district has seen over a 40% increase with diesel fuel costs which factors into the 24.7% annual increase in this line item.

CAPITAL OUTLAY EXPENSE

Capital Outlay represent 1.33% of total expenditures and decreased at a historical average annual amount of -\$8,414. This category of expenditure is projected to grow at an annual average rate of \$13,070 through FY 2027. The projected average annual change is more than the five year historical annual average.

The district purchases one school bus per year. In fiscal year 2021 and 2023, the district received a bus subsidy grant to help offset the bus purchase. In future years much of the capital outlay budget will continue from the permanent improvement fund.

INTERGOVERNMENTAL & DEBT EXPENSE

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

OTHER OBJECTS EXPENSE

Other Objects represent 1.53% of total expenditures and increased at a historical average annual rate of 5.91%. This category of expenditure is projected to grow at an annual average rate of 1.61% through FY 2027. The projected average annual rate of change is -4.30% less than the five year historical annual average.

Other objects are mostly comprised of county auditor and treasurers fees for the collection of local tax revenue, as well as, biannual audit costs. The forecast reflects the District biannual audit in FY 2021 and FY 2025 with single audits in FY 2022 and FY 2023.

OTHER USES EXPENSES

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

In fiscal years 2023 through 2025, transfers to the permanent improvement fund for the remaining HVAC loan payments and building maintenance are planned. Additionally, fiscal 2023 reflects transfers to the Permanent Improvement and Rainy Day funds. Each year of the forecast reflects a \$15,000 transfer to the severance/termination fund to set aside money for future staff retirements.

ADDITIONAL EXPENDITURE NOTES

Mohawk Local School District

Five Year Forecast

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Fiscal Year:	Actual			FORECASTED				
	2020	2021	2022	2023	2024	2025	2026	2027
Revenue:								
1.010 - General Property Tax (Real Estate)	2,620,204	2,654,297	2,633,815	2,653,587	2,675,551	2,693,727	2,697,489	2,708,483
1.020 - Public Utility Personal Property	2,328,142	2,481,908	1,894,080	1,934,570	2,010,149	4,189,018	2,194,869	2,121,044
1.030 - Income Tax	1,602,883	1,600,979	1,843,363	2,065,655	2,063,641	2,144,051	1,893,944	463,238
1.035 - Unrestricted Grants-in-Aid	4,919,361	4,952,840	4,908,679	5,139,571	5,088,543	5,122,992	5,013,428	4,913,598
1.040 - Restricted Grants-in-Aid	48,849	48,849	278,967	253,675	229,427	196,736	203,931	166,865
1.050 - Property Tax Allocation	409,150	412,687	412,942	414,514	418,887	423,891	425,300	427,023
1.060 - All Other Operating Revenues	1,458,571	1,535,322	705,409	914,629	932,061	944,706	957,720	970,724
1.070 - Total Revenue	13,387,161	13,686,882	12,677,254	13,376,201	13,418,258	15,715,120	13,386,681	11,770,975
Other Financing Sources:								
2.010 - Proceeds from Sale of Notes	-	-	-	-	-	-	-	-
2.020 - State Emergency Loans and Adv	-	-	-	-	-	-	-	-
2.040 - Operating Transfers-In	2,947	491	1,300	574	335	4,615	861	550
2.050 - Advances-In	-	-	-	-	-	-	-	-
2.060 - All Other Financing Sources	54,846	172,240	83,667	20,524	160,614	83,082	83,913	84,752
2.070 - Total Other Financing Sources	57,793	172,731	84,967	21,098	160,949	87,698	84,774	85,303
2.080 - Total Rev & Other Sources	13,444,953	13,859,613	12,762,221	13,397,299	13,579,207	15,802,818	13,471,455	11,856,278
Expenditures:								
3.010 - Personnel Services	5,555,339	5,762,953	5,846,903	5,847,446	6,175,169	6,420,963	6,671,770	6,911,068
3.020 - Employee Benefits	2,288,790	2,422,472	2,637,283	2,904,839	3,169,380	3,348,307	3,536,892	3,732,728
3.030 - Purchased Services	2,393,030	2,209,066	1,447,405	1,570,613	1,661,847	1,712,131	1,765,896	1,821,663
3.040 - Supplies and Materials	346,886	300,188	314,849	392,629	410,415	418,855	429,651	440,755
3.050 - Capital Outlay	266,034	111,157	172,976	124,477	224,579	229,070	233,652	238,325
Intergovernmental & Debt Service	-	-	-	-	-	-	-	-
4.300 - Other Objects	169,803	195,213	198,871	204,573	186,194	211,920	190,818	215,073
4.500 - Total Expenditures	11,019,882	11,001,048	10,618,286	11,044,577	11,827,584	12,341,246	12,828,677	13,359,612
Other Financing Uses								
5.010 - Operating Transfers-Out	880,869	1,051,040	2,385,487	2,050,000	1,214,999	3,300,000	515,000	15,000
5.020 - Advances-Out	-	-	-	-	-	-	-	-
5.030 - All Other Financing Uses	-	-	-	2,200	2,100	2,100	2,100	2,100
5.040 - Total Other Financing Uses	880,869	1,051,040	2,385,487	2,052,200	1,217,099	3,302,100	517,100	17,100
5.050 - Total Exp and Other Financing Uses	11,900,751	12,052,088	13,003,773	13,096,776	13,044,684	15,643,347	13,345,777	13,376,712
6.010 - Excess of Rev Over/(Under) Exp	1,544,202	1,807,525	(241,552)	300,522	534,524	159,471	125,678	(1,520,435)
7.010 - Cash Balance July 1 (No Levies)	4,037,437	5,581,639	7,389,164	7,147,612	7,448,134	7,982,658	8,142,130	8,267,808
7.020 - Cash Balance June 30 (No Levies)	5,581,639	7,389,164	7,147,612	7,448,134	7,982,658	8,142,130	8,267,808	6,747,373
				Reservations				
8.010 - Estimated Encumbrances June 30	226,367	117,334	156,156	150,000	150,000	150,000	150,000	150,000
9.080 - Reservations Subtotal	1,650,336	1,675,728	1,680,313	2,080,313	2,080,313	2,080,313	2,080,313	2,080,313
10.010 - Fund Bal June 30 for Cert of App	3,704,936	5,596,102	5,311,143	5,217,821	5,752,345	5,911,817	6,037,495	4,517,060
Rev from Replacement/Renewal Levies								
11.010 & 11.020 - Renewal Levies	-	-	-	-	-	-	334,225	1,852,951
11.030 - Cumulative Balance of Levies	-	-	-	-	-	-	334,225	2,187,177
12.010 - Fund Bal June 30 for Cert of Obligations	3,704,936	5,596,102	5,311,143	5,217,821	5,752,345	5,911,817	6,371,720	6,704,237
Revenue from New Levies								
13.010 & 13.020 - New Levies	-	-	-	-	-	-	-	-
13.030 - Cumulative Balance of New Levies	-	-	-	-	-	-	-	-
15.010 - Unreserved Fund Balance June 30	3,704,936	5,596,102	5,311,143	5,217,821	5,752,345	5,911,817	6,371,720	6,704,237

State Funding Budget Process and May Financial Forecast

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

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

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

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

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

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

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

Other Observations:

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