



Little Miami Local School District

# Five Year Forecast Financial Report

November, 2021

*Terry Gonda, Treasurer/CFO*

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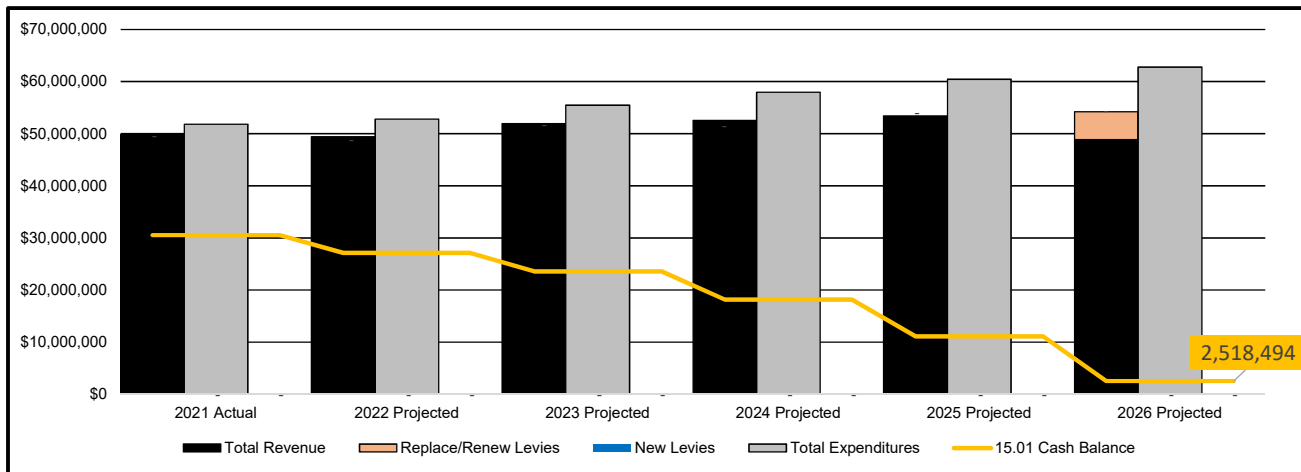
### Forecast Purpose/Objectives

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 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026
Beginning Balance (Line 7.010) Plus Renewal/New Levies Modeled	30,518,565	27,116,171	23,583,614	18,153,730	11,082,170
+ Revenue	49,391,211	51,906,583	52,522,424	53,363,374	48,847,437
+ Proposed Renew/Replacement Levies	-	-	-	-	5,323,905
+ Proposed New Levies	-	-	-	-	-
- Expenditures	(52,793,605)	(55,439,140)	(57,952,308)	(60,434,934)	(62,735,018)
= Revenue Surplus or Deficit	(3,402,394)	(3,532,557)	(5,429,884)	(7,071,560)	(8,563,676)
Line 7.020 Ending Balance with renewal/new levies	27,116,171	23,583,614	18,153,730	11,082,170	2,518,494

#### Analysis Without Renewal Levies Included:

Revenue Surplus or Deficit w/o Levies	(3,402,394)	(3,532,557)	(5,429,884)	(7,071,560)	(13,887,581)
Ending Balance w/o Levies	27,116,171	23,583,614	18,153,730	11,082,170	(2,805,411)

In FY 2022 a revenue shortfall is expected. This means that expenditures are expected to be greater than revenue by \$3,402,394 in FY 2022. By the last year of the forecast, FY 2026, the district is expected to have a revenue shortfall where expenditures are projected to be greater than revenue by \$13,887,581. The district would need to cut its FY 2026 projected expenses by 22.14% in order to balance its budget without additional revenue.

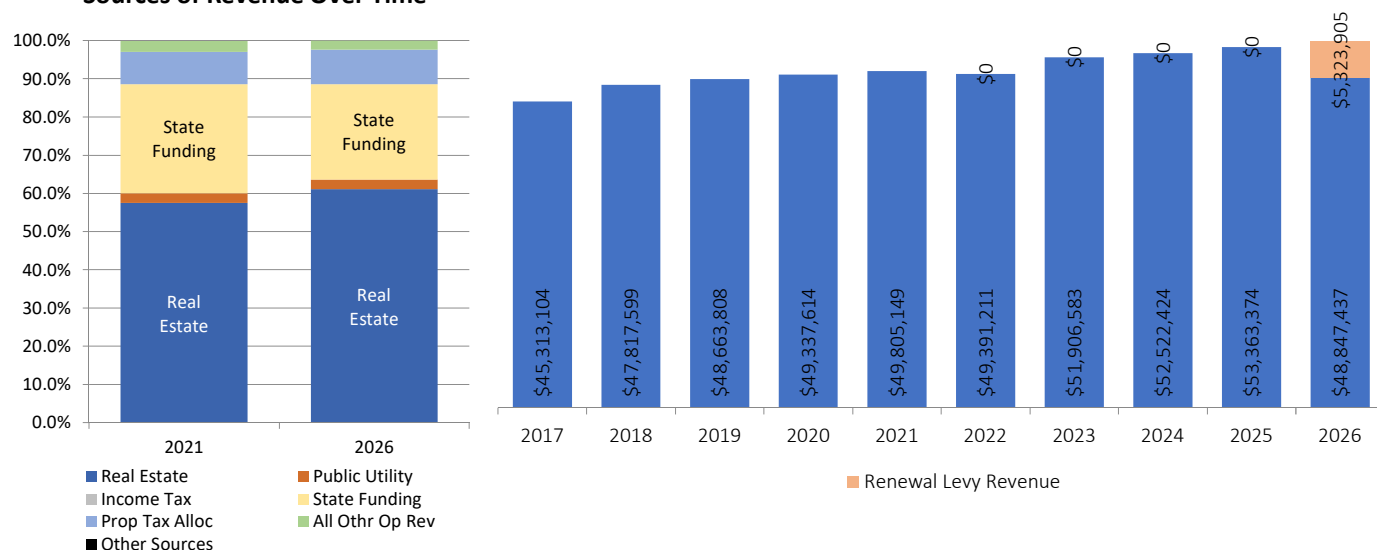
The district's cash balance is positive at year-end in FY 2022 and is projected to worsen by FY 2026. A worsening cash balance can erode the district's financial stability over time.

This forecast includes the Fair School Funding Plan (FSFP) adopted by Ohio starting in FY 2022. The district expects a combined impact of \$593,675 in FY 2022. This forecast includes a CFO adjusted trend calculation of the FSFP impact using current information. As information changes the estimates will be updated. The district is considered a guarantee district in FY 2022. A detailed state funding supplement to this forecast has been prepared and should be reviewed and considered part of the forecast assumptions.

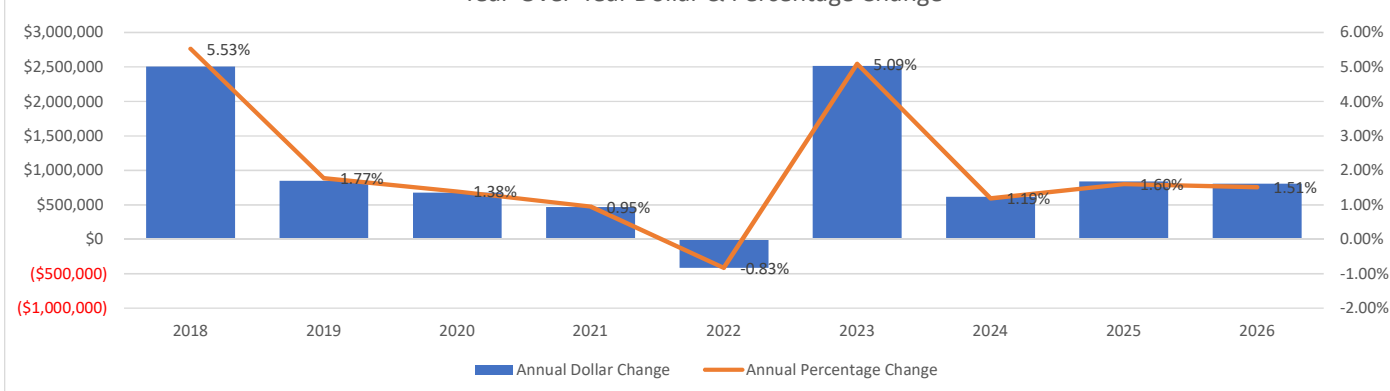
guarantee district in FY 2022.

## Revenue Sources and Forecast Year-Over-Year Projected Overview

### Sources of Revenue Over Time



### Year-Over-Year Dollar & Percentage Change



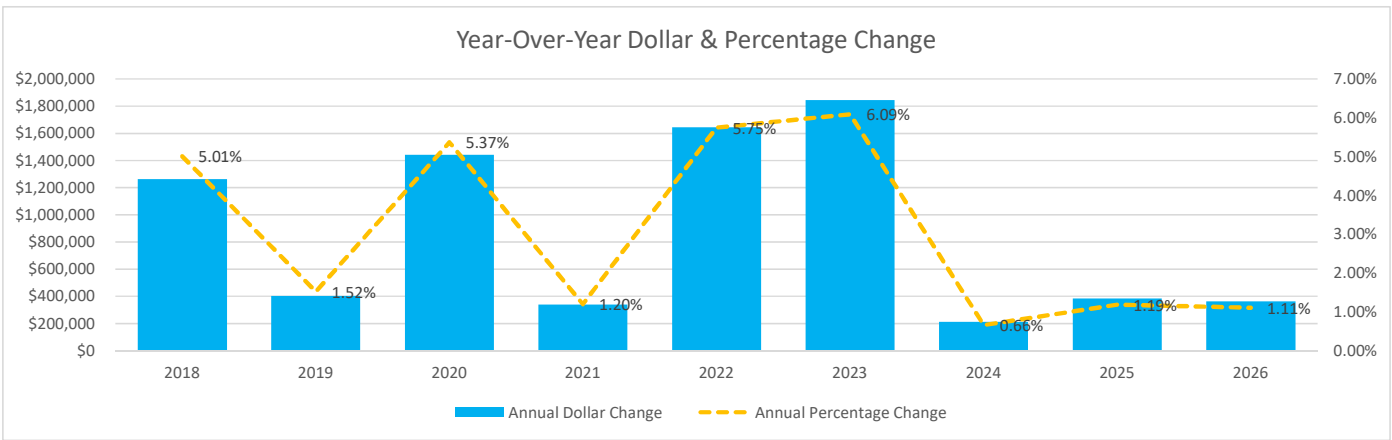
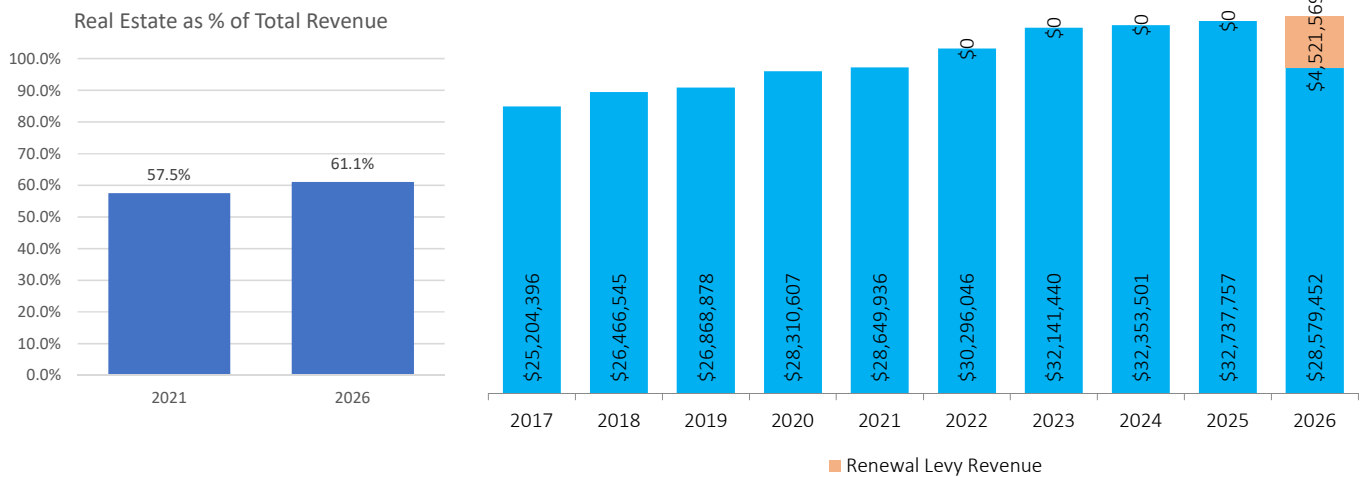
3-Year Historical Actual Average Annual Dollar Change Compared to 5-Year Projected

	Historical Average Annual \$\$ Change	Projected Average Annual \$\$ Change	Projected Compared to Historical Variance	Total revenue increased 1.34% or \$662,517 annually during the past five years and is projected to increase 1.67% or \$873,239 annually through FY2026. Real Estate has the most projected average annual variance compared to the historical average at \$162,420
Real Estate	\$727,797	\$890,217	\$162,420	
Public Utility	\$30,244	\$20,654	(\$9,590)	
Income Tax	\$0	\$0	\$0	
State Funding	\$23,121	(\$135,064)	(\$158,185)	
Prop Tax Alloc	\$69,899	\$141,662	\$71,762	
All Othr Op Rev	(\$160,227)	(\$39,255)	\$120,972	
Other Sources	(\$28,318)	(\$4,976)	\$23,342	
<b>Total Average Annual Change</b>	<b>\$662,517</b> 1.34%	<b>\$873,239</b> 1.67%	<b>\$210,722</b> 0.33%	

Note: Expenditure average annual change is projected to be > \$2,183,071. On an annual average basis, expenditures are projected to grow faster than revenue.

### 1.010 - General Property Tax (Real Estate)

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



Values, Tax Rates and Gross Collections							Gross Collection Rate Including Delinquencies
Tax Yr	Valuation	Value Change	Class I Rate	Change	Class II Rate	Change	
2020	1,069,895,120	26,670,340	30.00	-	37.13	-	100.3%
2021	1,302,603,400	232,708,280	27.97	(2.03)	34.89	(2.24)	100.1%
2022	1,314,898,400	12,295,000	27.89	(0.08)	34.76	(0.13)	100.1%
2023	1,327,143,400	12,245,000	27.82	(0.07)	34.63	(0.13)	100.1%
2024	1,357,888,400	30,745,000	27.65	(0.17)	34.41	(0.23)	100.1%
2025	1,370,133,400	12,245,000	27.58	(0.07)	34.28	(0.12)	100.1%

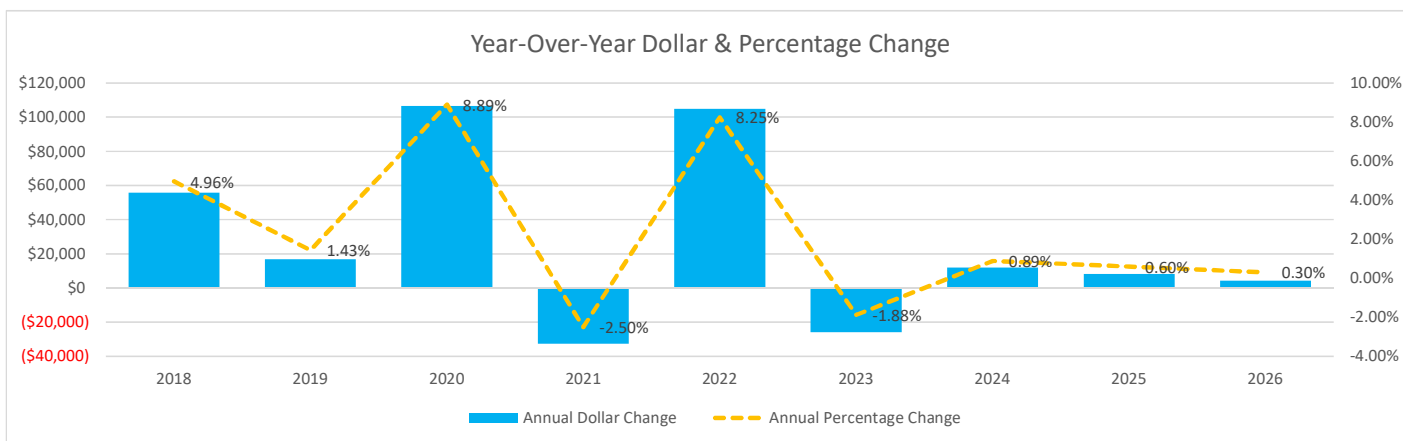
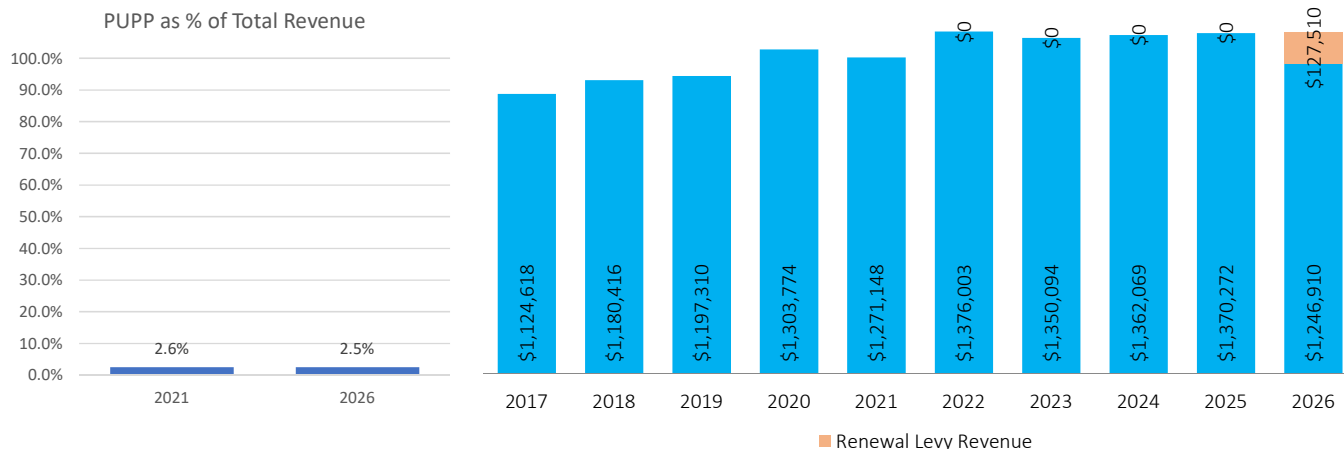
Real estate property tax revenue accounts for 57.52% of total revenue. Class I or residential/agricultural taxes make up approximately 94.74% of the real estate property tax revenue. The Class I tax rate is 27.97 mills in tax year 2021. The district is modeling the renewal of real estate property taxes levies through 2024. The projections reflect an average gross collection rate of 100.1% annually through tax year 2025. The revenue changed at an average annual historical rate of 2.60% and is projected to change at an average annual rate of 2.77% through FY 2026.

The Triennial Update/Reappraisal process is where property values are reappraised every 6 years, with a valuation update being performed in the third year between each reappraisal. The triennial update is being performed now in 2021. Since March 2020 the economy has seen a dramatic economic drop overall due to the Covid19 virus. Thus far, this has not appeared to have affected property valuations. The projected increase for real estate valuations is 21.7%.

\*Projected % trends include renewal levies

### 1.020 - Public Utility Personal Property

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



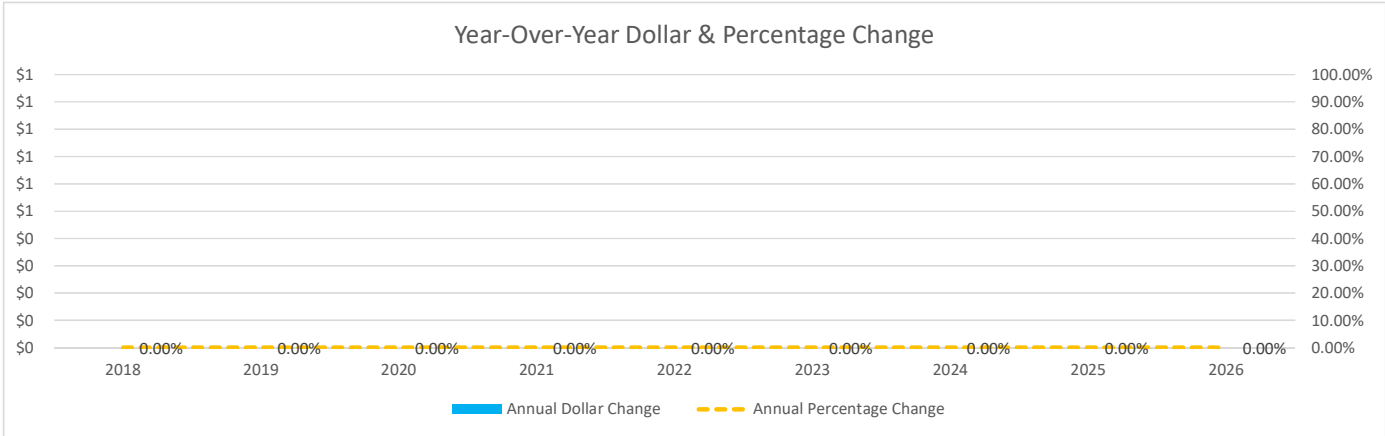
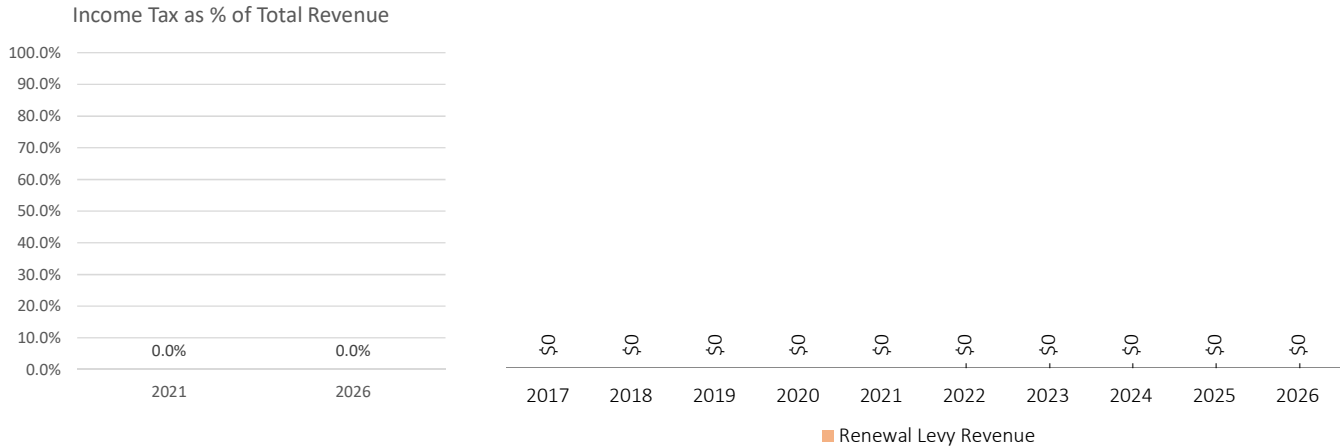
Values and Tax Rates					Gross Collection Rate Including Delinquencies
Tax Year	Valuation	Value Change	Full Voted Rate	Change	
2020	32,549,700	2,774,320	43.34	(1.00)	99.9%
2021	32,549,700	-	41.31	(2.03)	99.9%
2022	32,949,700	400,000	41.23	(0.08)	99.9%
2023	33,249,700	300,000	41.16	(0.07)	99.9%
2024	33,549,700	300,000	40.99	(0.17)	99.9%
2025	33,649,700	100,000	40.92	(0.07)	99.9%

The public utility personal property tax revenue is generated from the personal property values, additions, and depreciation reported by the utility companies. This category currently makes up 2.55% of total district revenue. The property is taxed at the full voted tax rate which in tax year 2021 is 41.31 mills. The forecast is modeling an average gross collection rate of 99.89%. The revenue changed historically at an average annual dollar amount of \$30,244 and is projected to change at an average annual dollar amount of \$20,654 through FY 2026.

\*Projected % trends include renewal levies

### 1.030 - No Income Tax

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

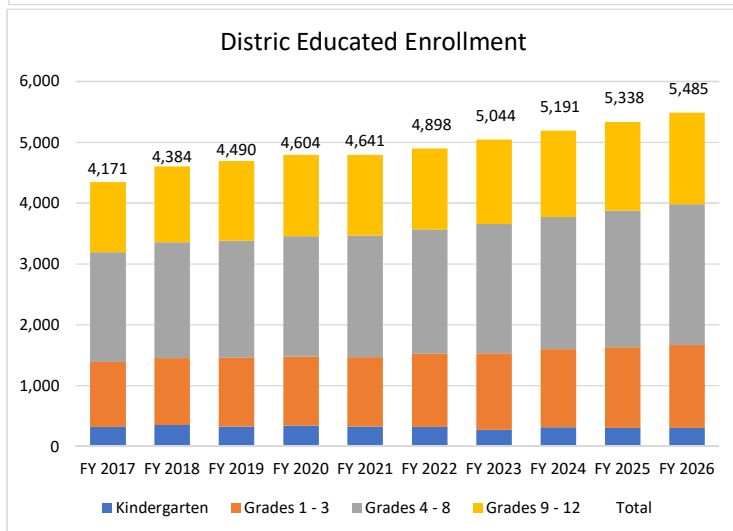
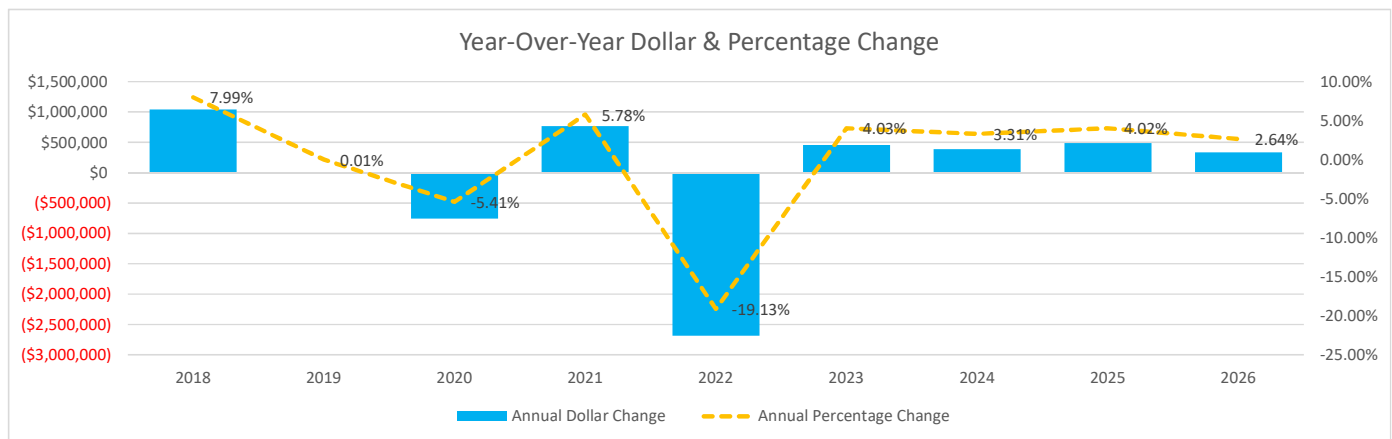
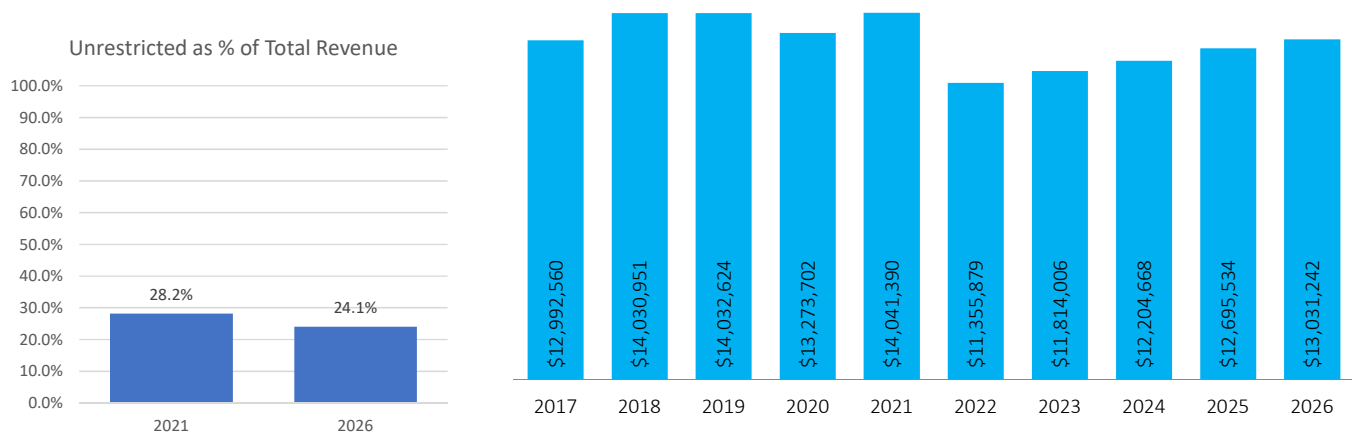


The district does not have an income tax levy.

\*Projected % trends include renewal levies

### 1.035 - Unrestricted Grants-in-Aid

Funds received through the State Foundation Program with no restriction.



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

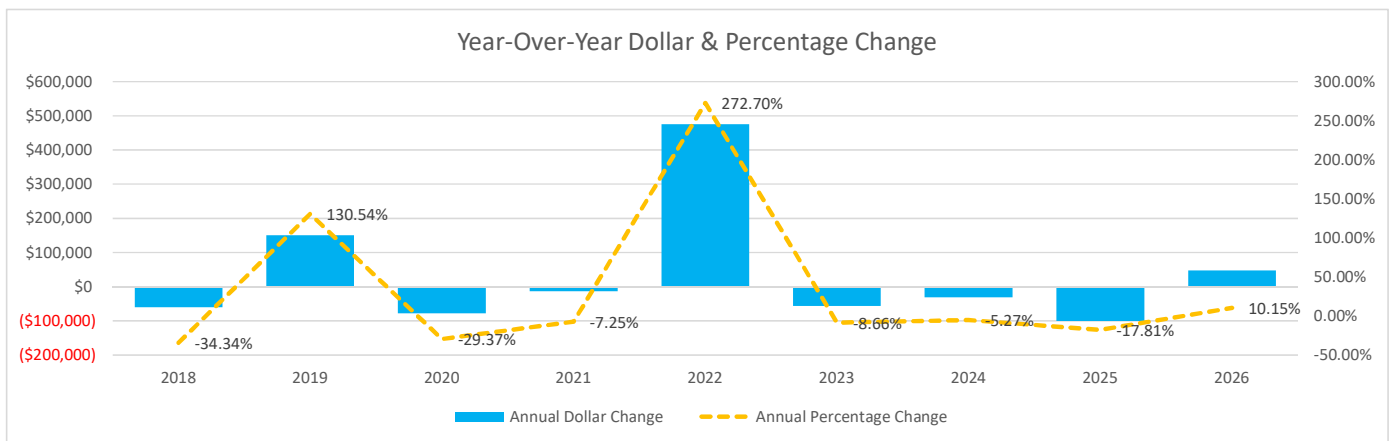
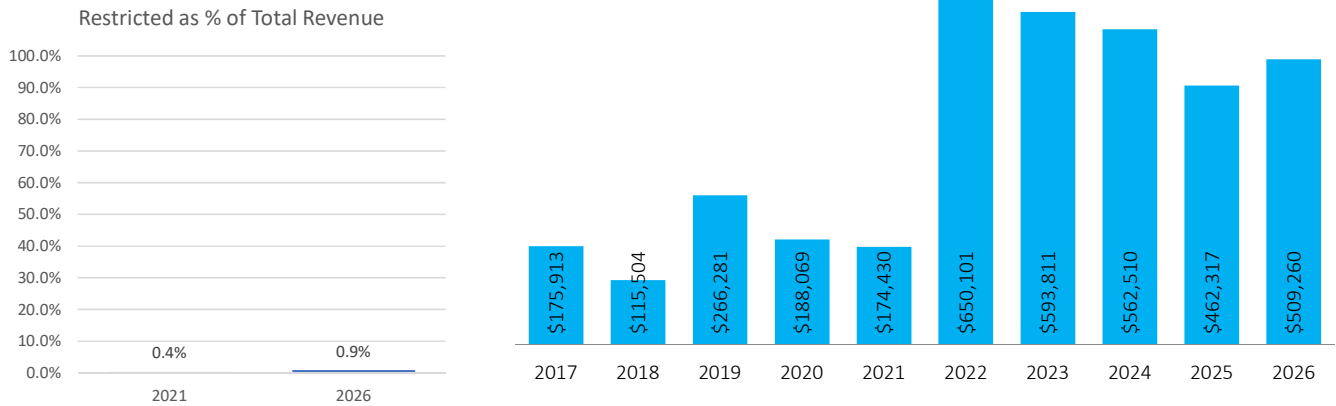
For Little Miami Local School District the calculated Base Cost total is \$33,495,953 in FY 2022. The state's share of the calculated Base Cost total is \$4,984,988 or \$1,018 per pupil.

The FSFP change to district educated enrollment could be lower than the district's historical formula funded enrollment but also potentially reduces tuition cost. In FY 2021, the district had approximately \$3,102,747 in possible tuition cost reductions. These reductions will be reflected in the purchased services expenditure note.



### 1.040 & 1.045 - Restricted Grants-in-Aid

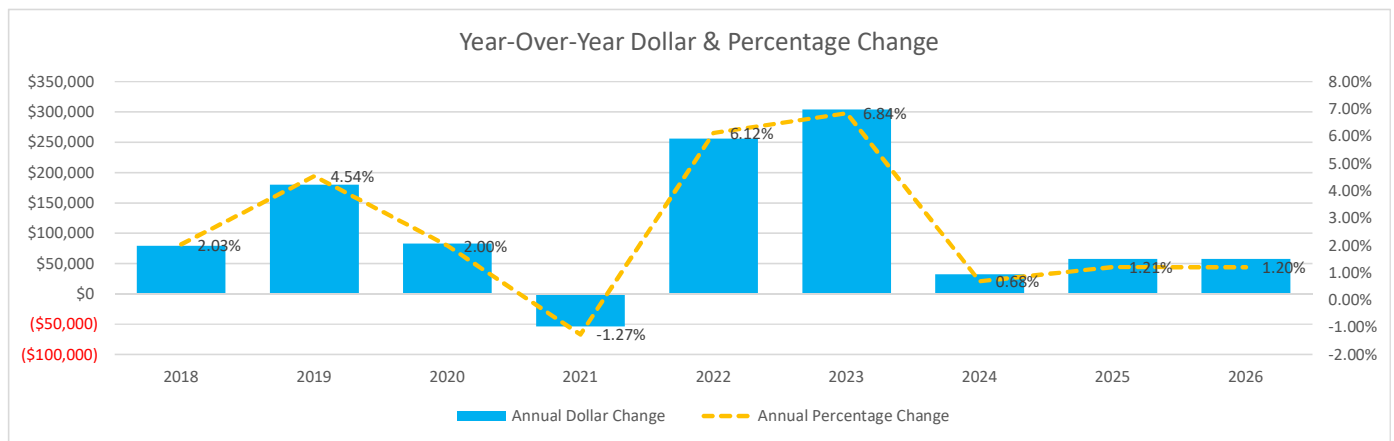
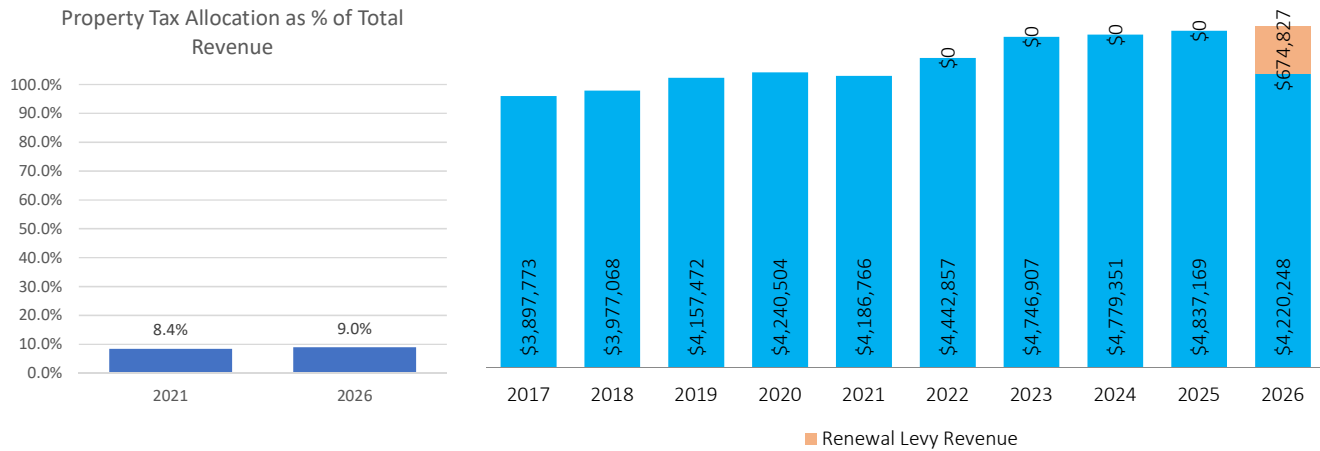
Funds received through the State Foundation Program or other allocations that are restricted for specific purposes.



Restricted aid is the portion of state per pupil funding that must be classified as restricted use. Historically the district's restricted state aid changed annually on average by \$19,642 and is projected to change annually on average by \$66,966. Restricted funds represent 0.35% 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 \$378,393. This funding has implications on general fund expenditures in that certain spending now occurring in a fund external to the general fund could shift to the general fund. The expenditures in this forecast are adjusted to reflect this change.

### 1.050 - Property Tax Allocation

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

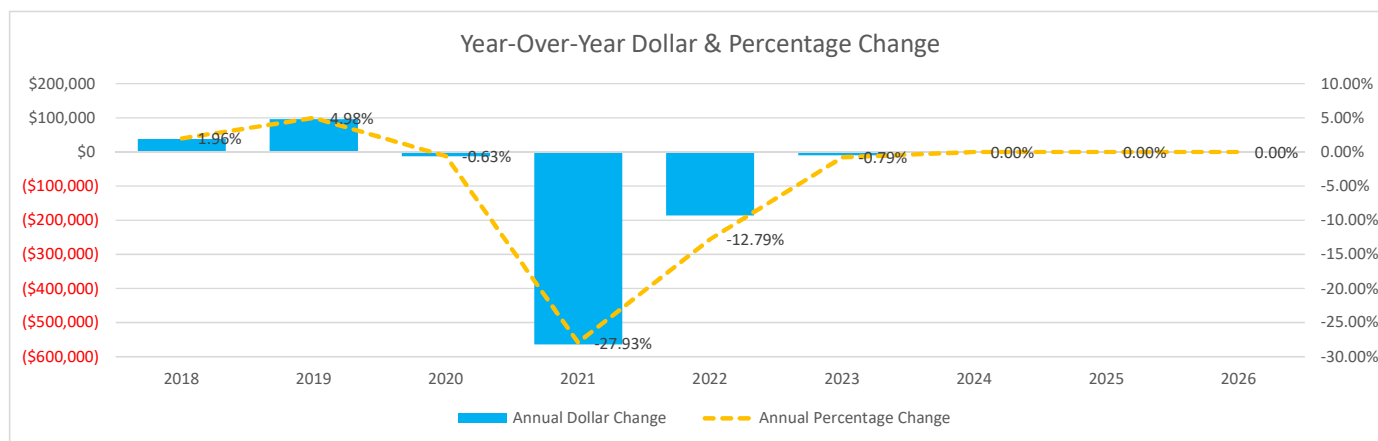
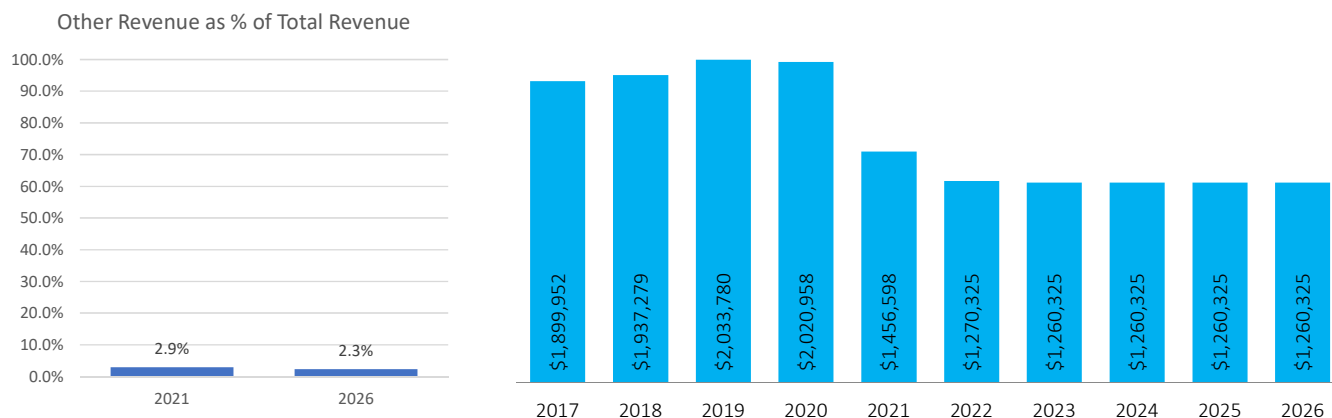


Property tax allocation primarily consists of reimbursements from the state of Ohio for local taxpayer credits or reductions. The state reduces the local taxpayer's tax bill with a 10% rollback credit, and 2.5% owner-occupied rollback credit, plus a homestead credit for qualifying taxpayers. In FY 2022, approximately 11.9% local residential property taxes will be reimbursed by the state in the form of rollback credits and approximately 1.5% will be reimbursed in the form of qualifying homestead exemption credits.

\*Projected % trends include renewal levies

## 1.060 - All Other Operating Revenues

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

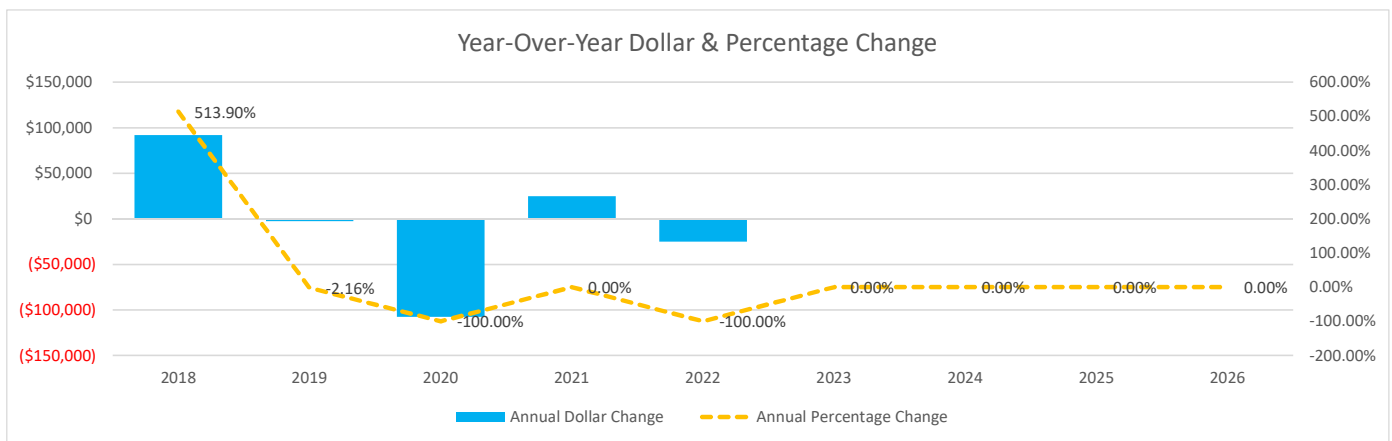
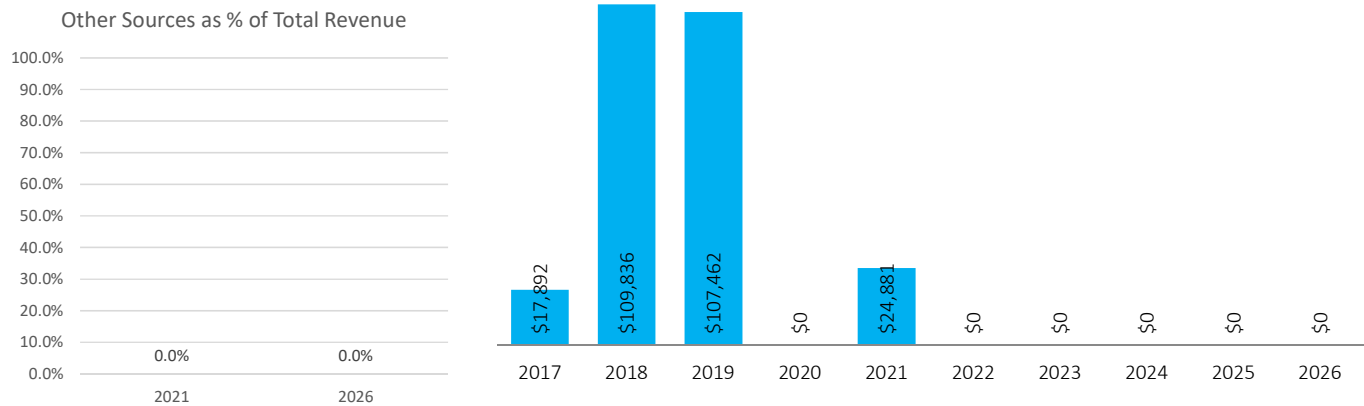


Other revenue includes tuition received by the district for non-resident students educated by the district. It also includes interest income, payments in lieu of taxes, and miscellaneous revenue. The historical average annual change was -\$160,227. The projected average annual change is -\$39,255 through FY 2026. The FSPF 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 \$80,992 in FY 2021.

The main indicator for a reduction in Other Revenue is the reduced amount of interest earnings. With overall interest rates at all time lows, interest revenue is projected to remain low for the foreseeable future. This is in addition to the available fund balance to invest is diminishing each year to lower levels

## 2.070 - Total Other Financing Sources

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

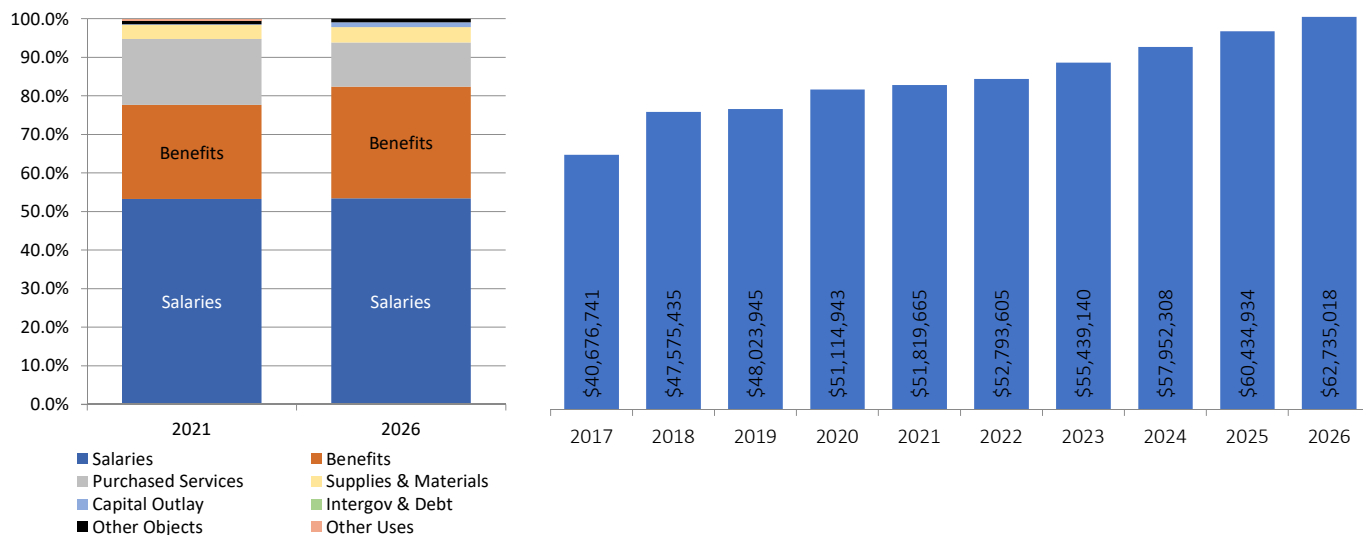


	2021	FORECASTED				
		2022	2023	2024	2025	2026
Transfers In	-	-	-	-	-	-
Advances In	-	-	-	-	-	-
All Other Financing Sources	24,881	-	-	-	-	-

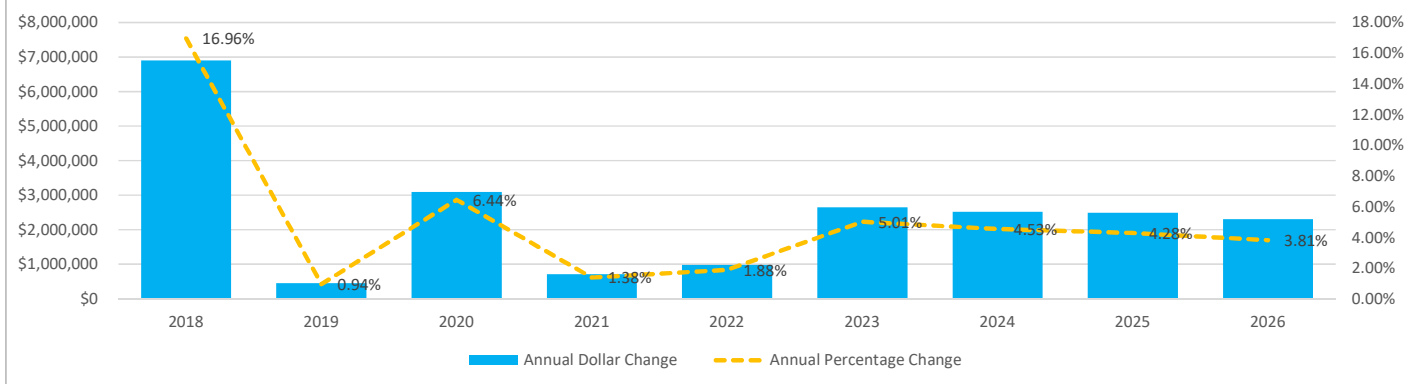
Other sources includes revenue that is generally classified as non-operating. Return advances-in are the most common revenue source. In FY 2021 the district receipted \$0 as advances-in and is projecting advances of \$0 in FY 2022. The district also receives other financing sources such as refund of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

## Expenditure Categories and Forecast Year-Over-Year Projected Overview

### Expenditure Categories Over Time



### Year-Over-Year Dollar & Percentage Change



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

	Historical Average Annual \$ Change	Projected Average Annual \$ Change	Projected Compared to Historical Variance	Total expenditures increased 2.81% or \$1,414,743 annually during the past five years and is projected to increase 4.21% or \$2,183,071 annually through FY2026. Capital Outlay has the largest projected average annual variance compared to the historical average at \$1,472,441.
Salaries	\$1,249,844	\$1,178,202	(\$71,642)	
Benefits	\$744,404	\$1,104,747	\$360,343	
Purchased Services	\$705,722	(\$326,953)	(\$1,032,676)	
Supplies & Materials	(\$31,074)	\$124,320	\$155,394	
Capital Outlay	(\$1,339,566)	\$132,875	\$1,472,441	
Intergov & Debt	\$0	\$0	\$0	
Other Objects	\$9,746	\$15,280	\$5,534	
Other Uses	\$75,667	(\$45,400)	(\$121,067)	
<b>Total Average Annual Change</b>	<b>\$1,414,743</b>	<b>\$2,183,071</b>	<b>\$768,327</b>	
	2.81%	4.21%	1.40%	

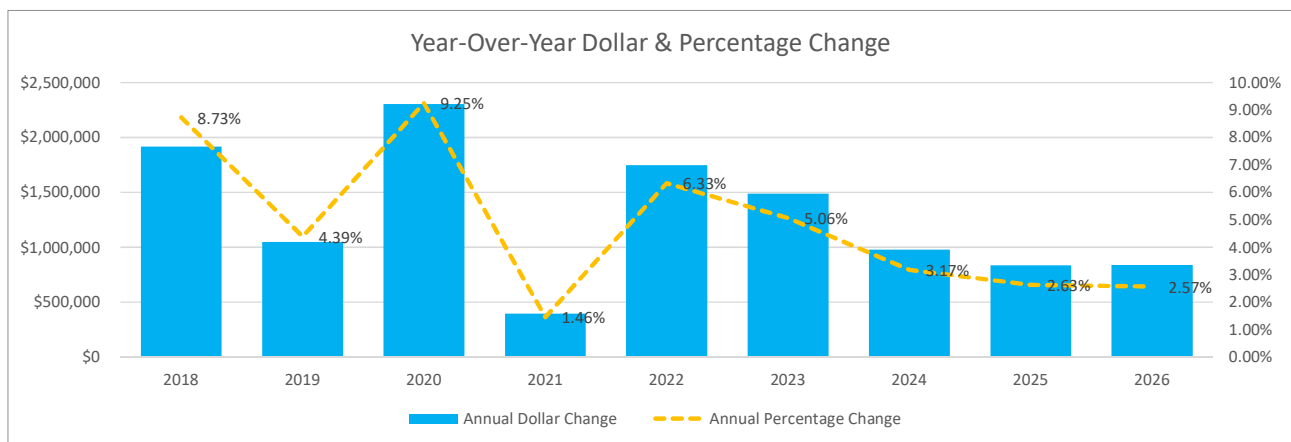
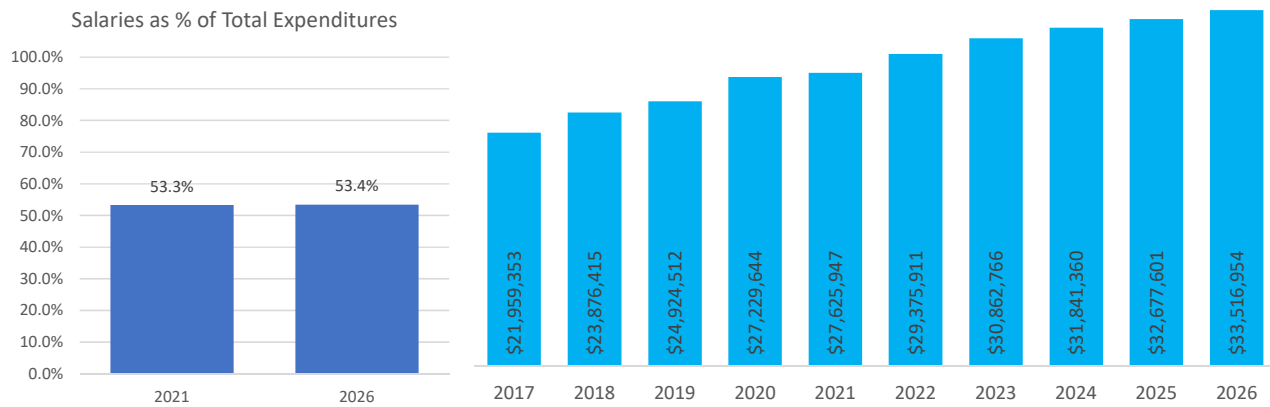
Note: Expenditure average annual change is projected

to be > \$2,183,071

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

### 3.010 - Personnel Services

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



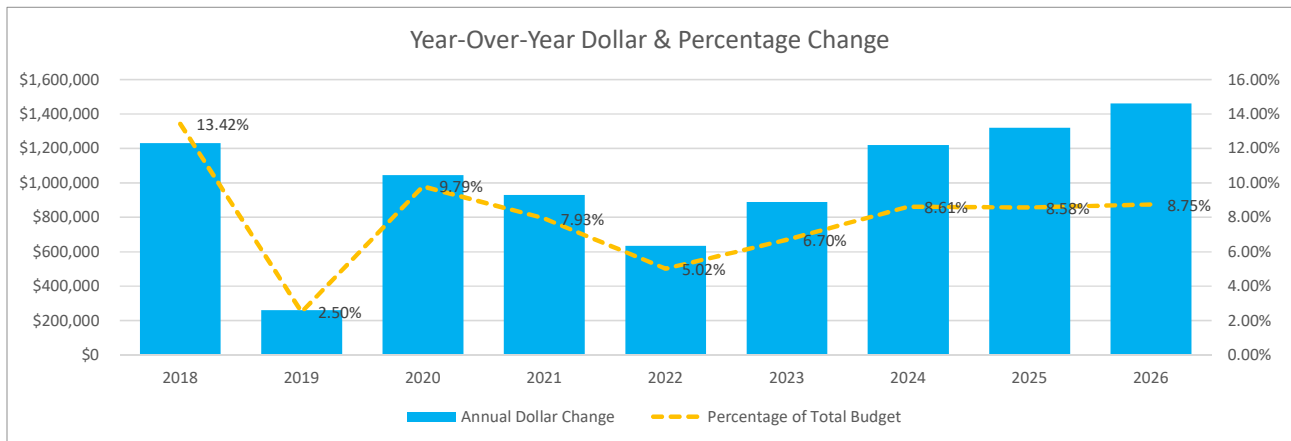
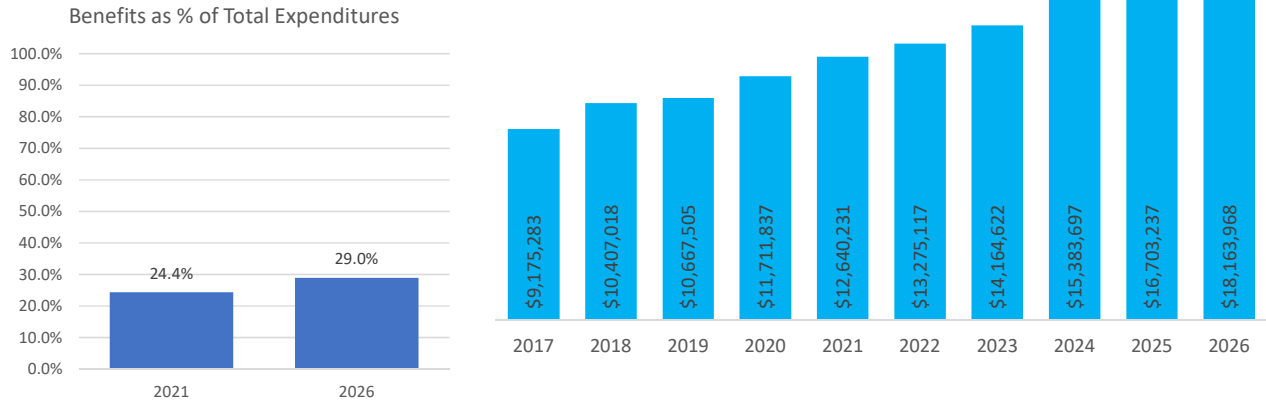
Salaries represent 53.31% of total expenditures and increased at a historical average annual rate of 4.70% or \$1,249,844. This category of expenditure is projected to grow at an annual average rate of 3.72% or \$1,178,202 through FY 2026. The projected average annual rate of change is -0.98% less than the five year historical annual average.

The district employs 3 groups of employees; certified, classified, and exempted employees. The certified staff is represented by LMTA, the classified staff are represented by OASPE Local 516, and the exempted staff do not work with a labor union. The labor employment contracts for both the classified staff (OAPSE) and certified staff (LMTA) currently run through June 30, 2023.

Annual base salary increases for FY'22 & FY'23 are for certified (1.5%+stipend) and exempted (2.75%). Classified staff received in FY'22 (1.75%+stipend) and FY'23 (1.75%). A 0% base salary increase is assumed for FY'24 through FY'26 for LMTA, OAPSE, and Exempted staff at this point. In addition to base salary increases, the district also pays step increases. For FY'22 – FY'26 a step increase has also been factored into the forecast, which have been calculated at approximately 2.43%. FY'22 staffing includes 5 certified, 12.5 classified and 1.5 exempted positions. Staffing levels are always subject to change and will be reevaluated.

### 3.020 - Employees' Benefits

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

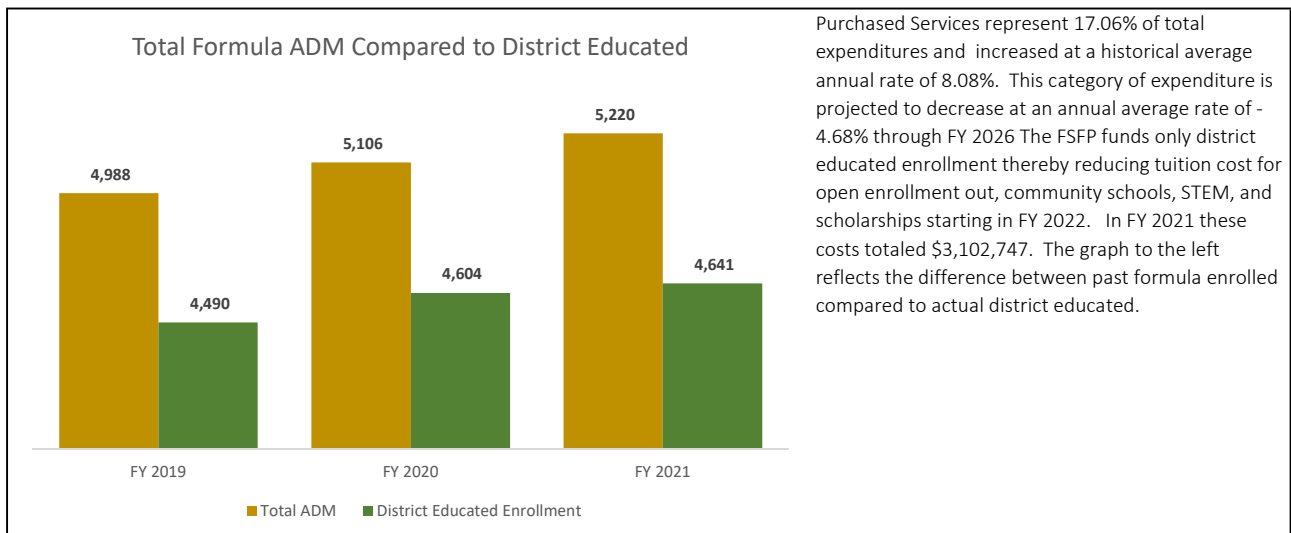
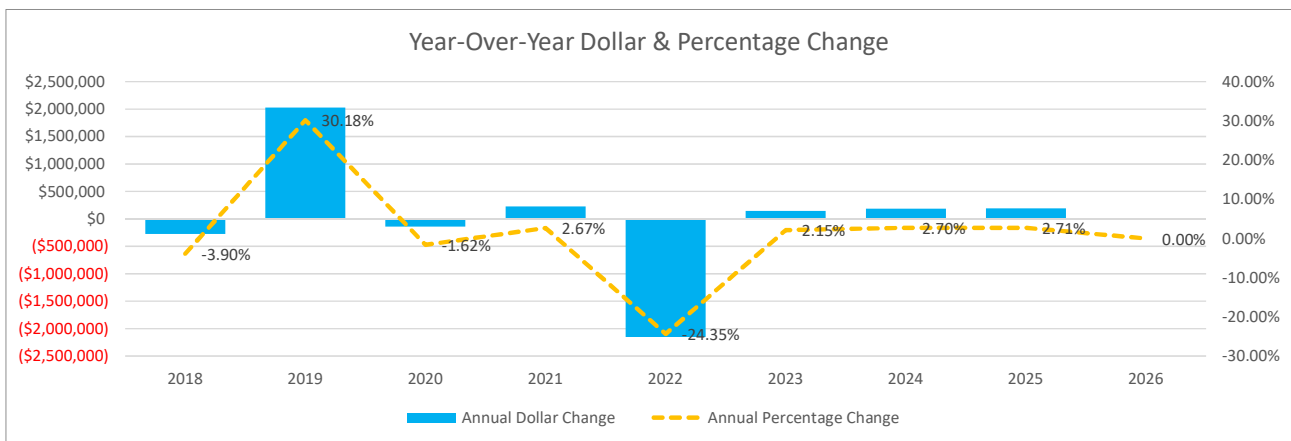
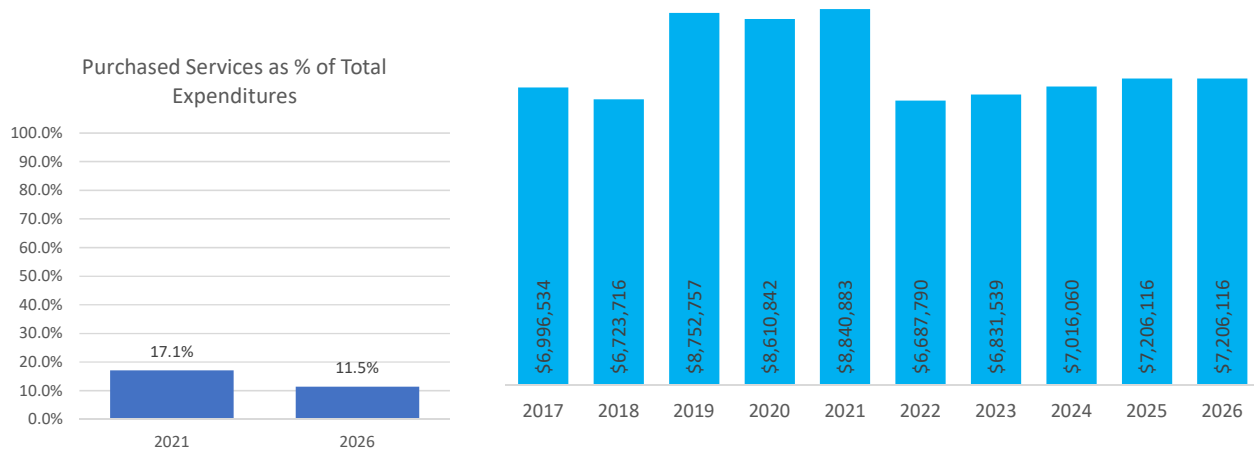


Benefits represent 24.39% of total expenditures and increased at a historical average annual rate of 6.38%. This category of expenditure is projected to grow at an annual average rate of 7.11% through FY 2026. The projected average annual rate of change is 0.73% more than the five year historical annual average.

FY22 increase was 3.5% for medical insurance.

### 3.030 - Purchased Services

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

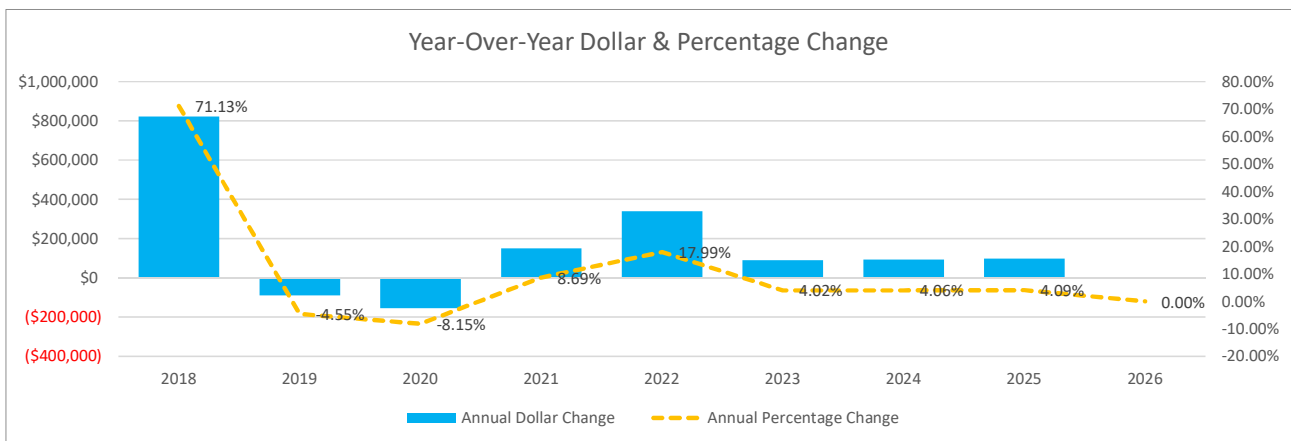
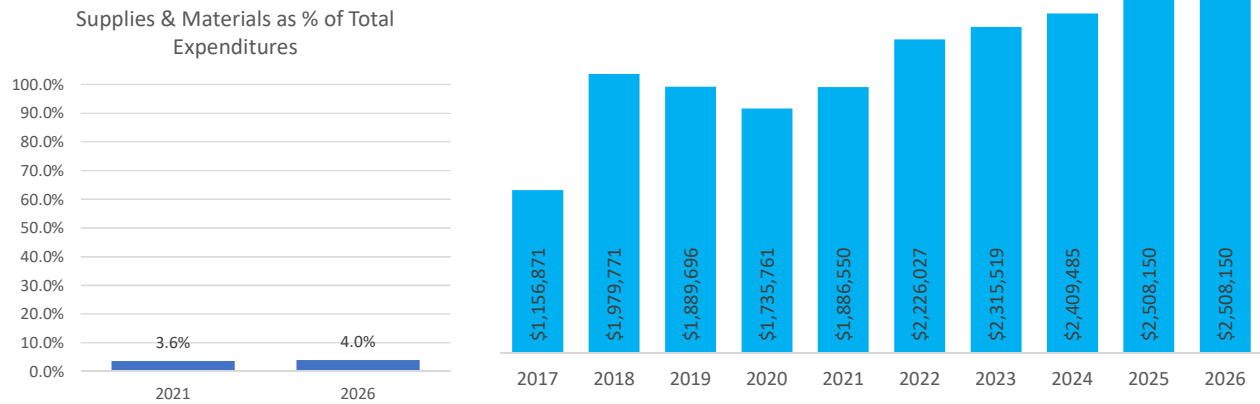


Purchased Services represent 17.06% of total expenditures and increased at a historical average annual rate of 8.08%. This category of expenditure is projected to decrease at an annual average rate of -4.68% through FY 2026. The FSFP funds only district educated enrollment thereby reducing tuition cost for open enrollment out, community schools, STEM, and scholarships starting in FY 2022. In FY 2021 these costs totaled \$3,102,747. The graph to the left reflects the difference between past formula enrolled compared to actual district educated.



### 3.040 - Supplies & Materials

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

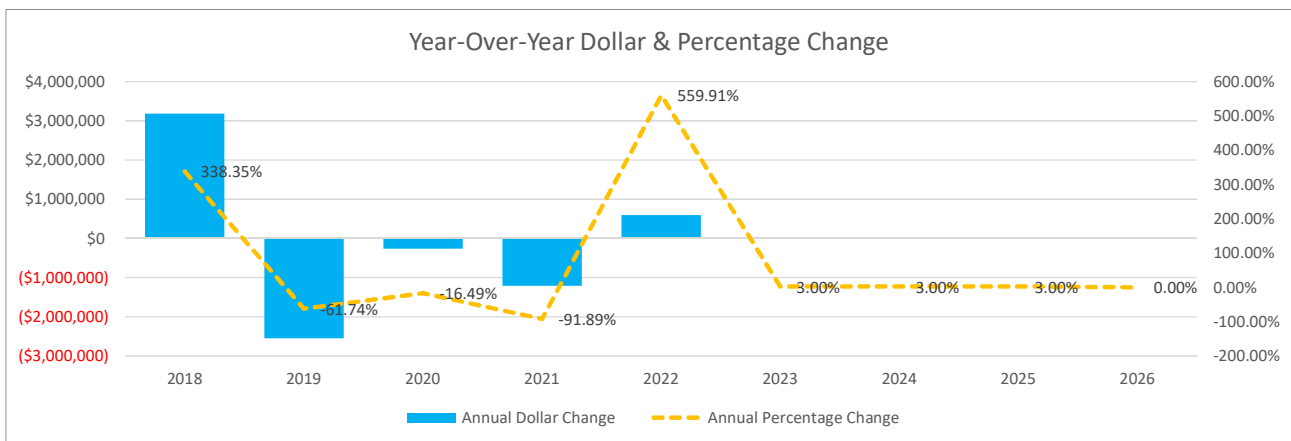
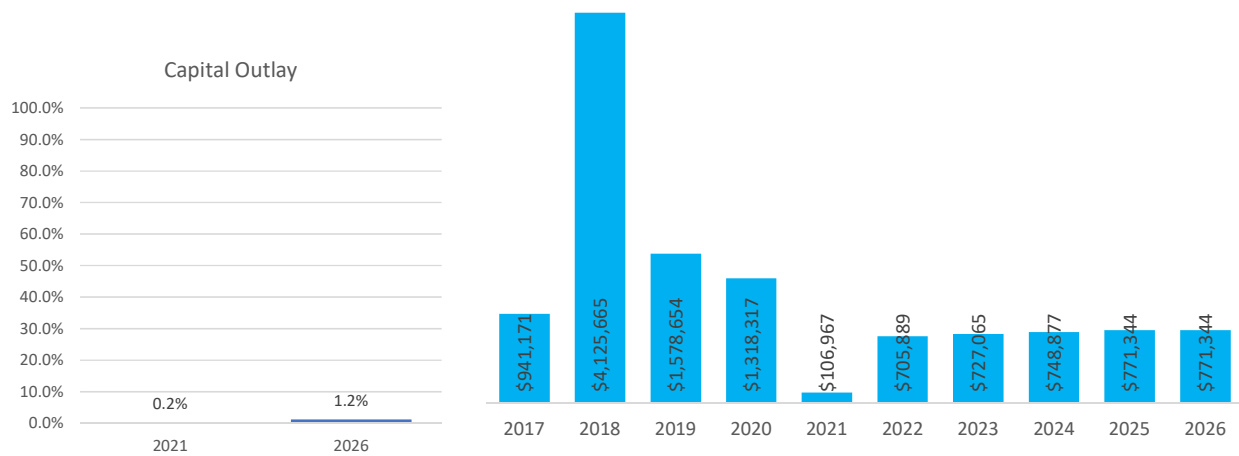


Supplies & Materials represent 3.64% of total expenditures and decreased at a historical average annual rate of -1.69%. This category of expenditure is projected to grow at an annual average rate of 5.19% through FY 2026. The projected average annual rate of change is 6.89% more than the five year historical annual average.

Supplies and materials include teacher resources, student supplies, maintenance supplies, fuel and many other items. The district projects to spend approximately \$2.2M in FY'22.

### 3.050 - Capital Outlay

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

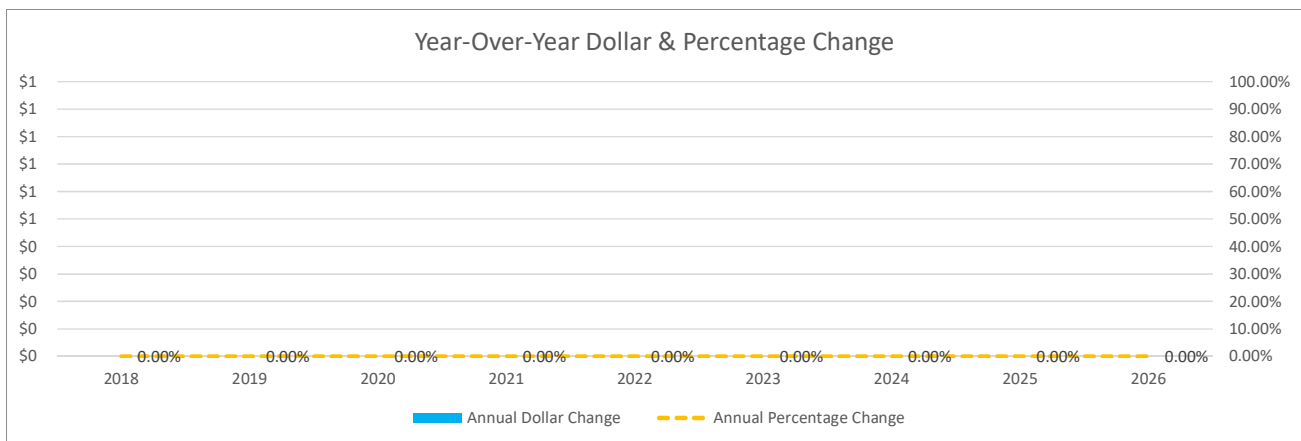
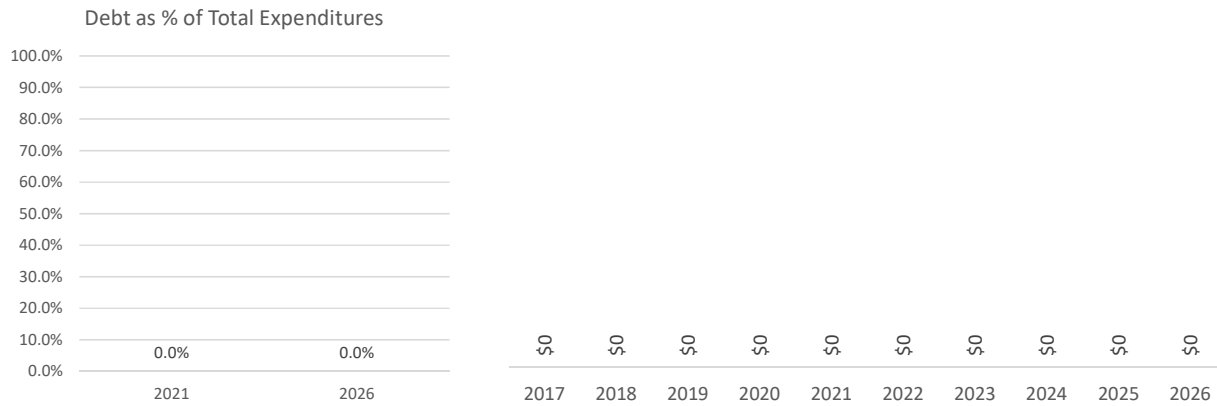


Capital Outlay represent 0.21% of total expenditures and decreased at a historical average annual amount of -\$1,339,566. This category of expenditure is projected to grow at an annual average rate of \$132,875 through FY 2026. The projected average annual change is more than the five year historical annual average.

Capital outlay expenses include expenses for any item that has a useful life of 5 years or greater, including equipment, buildings, technology, and school buses etc. The major factor that was the increase in FY'18 was the district purchased a new administration building for \$3 million. FY'19 includes renovation costs for the new building of \$645K. Due to the aging bus fleet of the district and the 98 square miles (just under 6,000 miles driven daily) the district is in need of additional buses. However, starting in FY'21 the district no longer is making nor projecting bus purchases to be made from the general fund going forward. Due to some debt being retired, the district will purchase the buses from the Permanent Improvement fund.

### 3.060-4.060 - Intergovernmental & Debt

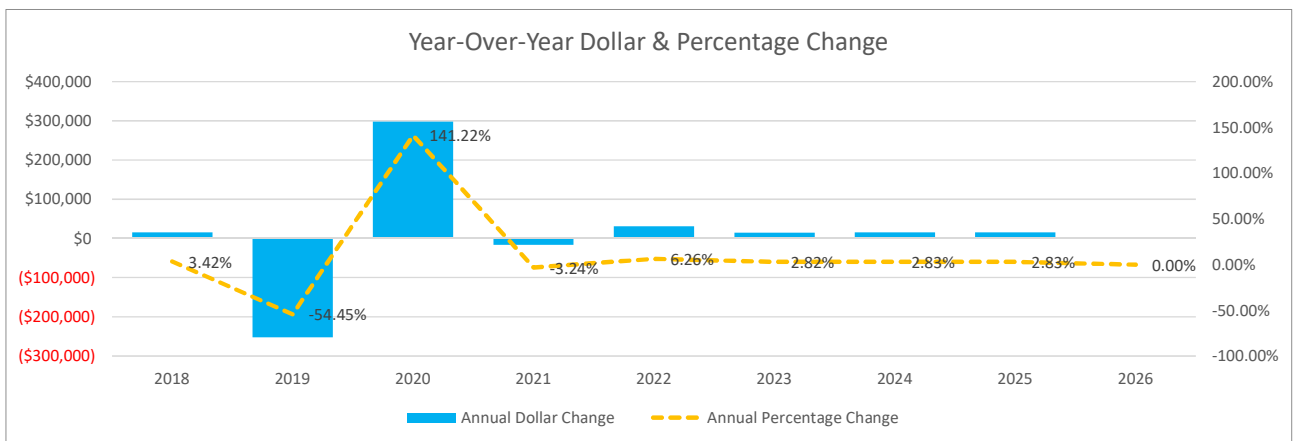
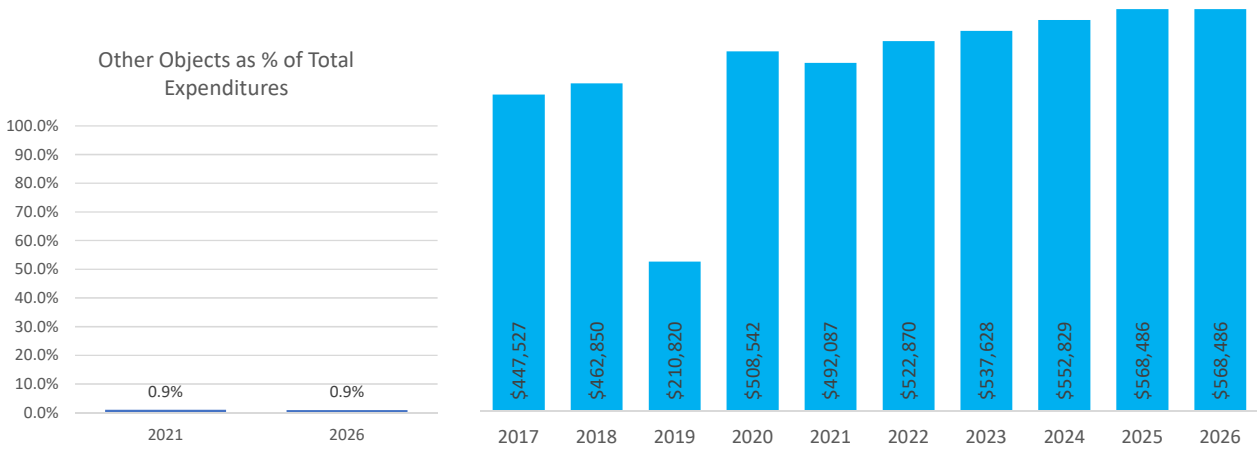
These lines account for pass through payments, as well as monies received by a district on behalf of another governmental entity, plus principal and interest payments for general fund borrowing.



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

### 4.300 - Other Objects

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

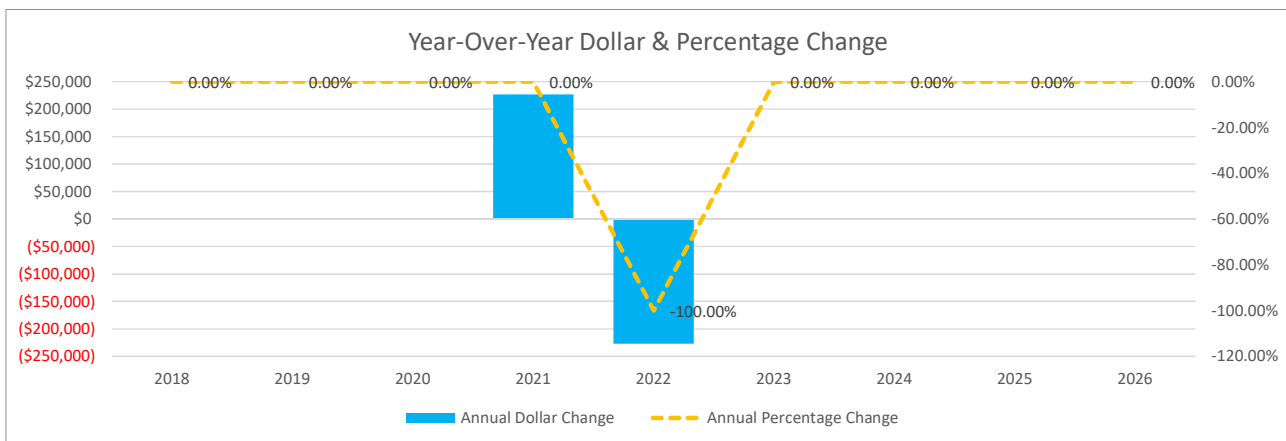
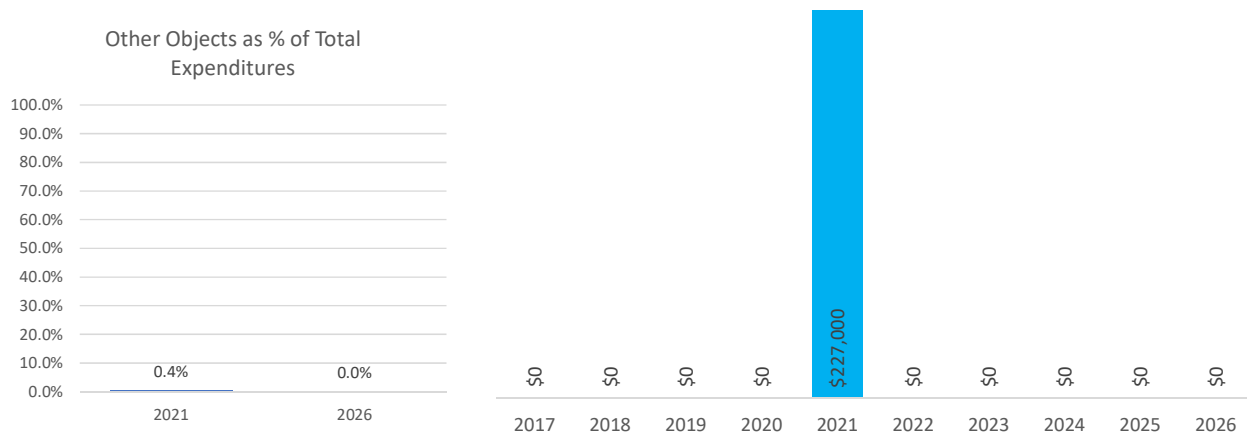


Other Objects represent 0.95% of total expenditures and increased at a historical average annual rate of 2.41%. This category of expenditure is projected to grow at an annual average rate of 2.78% through FY 2026. The projected average annual rate of change is 0.36% more than the five year historical annual average.

Other object expenditures consist of dues and fees (property tax collection fees), insurance and awards. FY'19 reduction is due to a refund received from the Warren County Auditor for collections fees. FY'22 through FY'26 resorts back to historical trends and has marginal increases forecasted for each year.

### 5.040 - Total Other Financing Uses

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



	2021	FORECASTED				
		2022	2023	2024	2025	2026
Transfers Out	100,000	-	-	-	-	-
Advances Out	127,000	-	-	-	-	-
Other Financing Uses	-	-	-	-	-	-

Other uses includes expenditures that are generally classified as non-operating. It is typically in the form of advances-out which are then repaid into the general fund from the other district funds. In FY 2021 the district had advances-out and has no advances-out forecasted through FY 2026. The district can also move general funds permanently to other funds and as the schedule above presents, the district has no transfers forecasted through FY 2026. The table above presents the district's planned advances and transfers. The district can also have other uses of funds which is reflected in the table above.

Due to the Covid19 pandemic, athletic revenue has seen a sharp decline. This transfer to the Athletic funds is in reponse to the shortfall.

The Advance Out is being made to the Junior High School (Middle School) uniform school supplies fund to purchase new math workbooks (6 years) at a discount. The advance will be repaid to the general fund over the six year period.

