

# Norwayne Local School District

Creston, Ohio

Five-Year Forecast Assumptions

Fiscal Years 2022 - 2026

October 2021 Submission



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## **General Considerations**

The Norwayne Local School Districts Five-Year-Forecast is a planning tool that reflects three years of revenue, and expense history, and gives a prediction of the revenues, and expenditures for the next five years based upon current known factors. As these factors change over time, future updates to the forecast will reflect those changes. Norwayne Local School District relies on a combination of State Foundation payments and Local Tax Receipts for the majority of school funding. The community passed an Earned Income Only Tax Levy in November 2013, to generate about 1.25 million dollars per year in full collection. After budget deficits in FY12 and 13, passage of the income tax has allowed the district to operate in the black for three of the past five years. This levy was renewed for ten years in the fall of 2017. The Income Tax allows for growth as the local economy grows which is reflected in this forecast. The district also collects approximately \$280,000 from an Emergency Levy which was passed in 2002, and renewed in 2007 and 2012. This levy is on the November 2021 ballot for renewal for an additional ten years. A new state budget and school funding formula was passed effective July 1, 2021. This new funding formula will be phased in over the next several years, but this forecast only reflects projections for FY22 and FY23. At the time of this forecast, certain aspects of the new funding formula are unclear. Restricted, and Unrestricted Grant payments are currently estimates and the new formula is scheduled to be implemented in the payment system beginning December 2021. How this new formula is implemented will change how those funds are reflected in future forecast updates.

## **Cash Balance**

The district finished Fiscal Year 2021 with a cash balance of \$6,120,575 which is a decrease of \$711,002 from the previous year. This cash reserve provides 158 days of operational funds. Notable expenses in 2021 included the expansion of the Elementary Parking Lot and Parent Drop Off Loop using primarily Permanent Improvement Funds. Additional cleaning supplies and equipment to combat COVID-19 were purchased using a combination of general fund and COVID fund revenue. This updated forecast estimates that the district will see deficit spending of \$219,255 in FY22. Deficit spending is forecast for FY23 - 26 which causes cash reserves to fall to \$4,442,980 by June 2026. These assumptions are based upon percentage increases in revenue and expenses over the past three years, and projected increases or decreases over the next five years without changes or adjustments to current patterns. Future staff retirements will also impact the forecast.

## **1.01 Real Estate**

Real Estate Tax revenue is based upon historical trends, and is certified by the Wayne County Auditor. Real Estate collections occur in Wayne and Medina Counties. The triennial update for Wayne County occurred in 2021 and increased real estate tax revenue is forecast for the next three years. Real Estate Taxes provide 29.3% of the funding for the district. Collections for the Emergency Levy will expire at the end of Calendar Year 2022, and renewal of this levy will need to be passed prior to November 2022. When the renewal is passed, those amounts will be added to lines 1.01, and 1.02.

### **1.02 Tangible Personal Property Tax**

Tangible Personal Property taxes are collected from public utilities. Increased revenue from a new gas pipeline through the district has improved revenue in this category. Those collections will be reduced over future years, as payments are based on pipeline depreciation. Public Utility Property Taxes account for approximately 1.45% of District Revenue.

### **1.03 Income Tax**

This category reflects the income generated by the School District Income Tax. Collections reached full potential in FY16 and accounted for \$1,335,119 in FY21 or 10% of district revenue. A ten-year income tax renewal was passed on the November 2017 ballot, and revenue from this tax will provide additional funding for the district for the forecast period. In spite of COVID, collections remain strong, and increases of 1.66% per year are estimated in the forecast.

### **1.035 State Foundation: Unrestricted Grants in Aid**

The Norwayne District relies heavily on State Foundation Payments to provide the majority of revenue for the educational needs of its students. State Foundation Payments provide approximately 50% of the forecast budget. A new State Funding Formula was approved in the Statewide Biennial Budget effective July 1, 2021, and will be phased in over the next several years. This forecast estimates 1.5% increases to state funding in Fiscal Years 23 – 26, but those numbers could change as the new formula is implemented.

The recently enacted state budget includes significant changes to the calculation and payment of state foundation funding. One of the biggest changes is a move to fund students where they are educated, rather than where they reside. Community school students, STEM school students, students participating in a scholarship program (EdChoice, Cleveland Scholarship, Autism Scholarship, and Jon Peterson Special Needs Scholarship), and students participating in open enrollment will all be directly funded at their educating entity. This change will eliminate the deduction and transfer of funds from resident districts to educating entities for students participating in these school choice options.

As a result, this will cause significant changes in both the revenue and expense that school districts should expect in FY 2022 and beyond. School districts with large numbers of students who leave through choice options should expect to see less state foundation funding without the inclusion of these students. However, school districts will no longer see purchased services expenses associated with the deduction and transfer of funds for these students.

These changes will require significant changes to the payment reports and result in the removal of the lines that reflect fund transfers for open enrollment students, community and STEM schools as well as for scholarship programs. [Ohio Department of Education, State Foundation Payment Letter, October 14, 2021]

#### **1.04 Restricted Grants-in-Aid**

Restricted Grants-in-Aid is the portion of state funding that provides part of the districts funding for Economically Disadvantaged, Vocational Agriculture, and Home Economics. Revenue from this category fluctuates as enrollment in these programs change, and the funding formulas from the Ohio Department of Education change. Currently these funds provide about ½ % of the total budget.

This category may change dramatically when the new budget is implemented in December. Portions of the new budget formula suggest that gifted funding and student wellness and success funding will be reported in this category. They are currently recorded on Line 1.035 as Unrestricted Grants in Aid.

#### **1.050 Property Tax Allocation**

This category represents payments from the state for Homestead Exemptions, and Real Estate Tax Rollbacks. Revenue in this category has been very steady over the past three years, and forecast projections reflect a continuation of that trend. Property Tax Allocations amount to 3.98% of the district budget.

#### **1.060 All Other Revenue**

This category includes revenue from mobile home taxes, interest, and miscellaneous sources. Revenue from Open enrollment was included in this category through FY21, but has been removed effective with the new state funding formula in FY22. This category provides 4.29% of forecasted revenue.

#### **2.060 All Other Financial Sources**

Revenue in this category reflect refunds from prior year expenditures and other one-time payments to the school district. The district received refunds from School Employees Retirement, Ohio Bureau of Workers Compensation, and Medicaid in FY19, 20, and 21. While helpful, these types of refunds are not to be anticipated every year. This category accounts for less than ½% of the revenue for the district.

#### **3.01 Personal Services (Salaries)**

Salary expenses continue to trend higher based on step increases and negotiated base increases. District contracts with teaching and non-teaching staff will result in increases of approximately 3.5% per year including steps. Contracts with both unions for FY22, 23, and 24 are in the final stages of negotiation as this forecast goes to print. A slight increase in salaries is reflected from hiring staff directly and eliminating positions hired thru the ESC. An overall cost reduction is realized from these hires. Salaries account for 53.8% of the operational expenses.

#### **3.02 Benefits**

Benefits include employee retirement, Medicare, health, dental, life insurance, and worker's compensation. Medical Insurance premiums increased by 7.7% in FY20, 4.25% in FY21, and a projection of 10.2% in FY 22. Additional increases are built into the forecast as medical insurance costs continue to rise. Dental and Life premiums have remained steady. Employees are paying approximately 15% of the total cost of medical and prescription insurance, and most employees pay 14% of their salaries toward

retirement. Employee benefits amount to 27.2% of the current budget. By comparison this category was only 16.4% of the budget in FY16. Staff benefits continue to be an increasing percentage of overall staffing costs.

### **3.03 Purchased Services**

Purchased services include utilities, repairs, legal services, and other services. College Credit Plus, and Post-Secondary Enrollment costs continue to add to the expenses in this category. While these are good programs for students at no cost for parents, this is an increasing expense to the local school district. The district has worked to reduce purchased services costs in recent years by hiring a Speech Therapist, School Psychologist, Curriculum / Gifted, and Special Education Coordinator directly, instead of through the ESC. These employment moves have reduced further increases to costs in this category. Open Enrollment, and Community School costs have been removed from this category beginning in FY22 with the new funding formula. Purchased Services account for 12.6% of the budget.

### **3.04 Supplies**

Supplies include bus fuel, tires, parts, classroom, office, and janitorial supplies. Efforts are made to control increases to these costs, yet this is an area in the budget that has increased steadily over the past three years. Technology, and Curriculum Software costs continue to add to this category. Supply Costs represent 2.89% of the operational budget.

### **3.05 Capital Outlay**

Capital Outlay costs include school buses, construction upgrades, and other equipment purchases. Some of these items can also be purchased with funds from the Permanent Improvement Levy, Medina County Sales Tax, or other grants, which are not reported in the Five Year Forecast. Capital Outlay amounts to approximately 1.98% of the total general fund budget.

### **4.30 Other Objects**

Payments to auditors, tax collection fees, and insurance are included in this category. Moderate increases are projected for FY22 through FY26. This category represents 1.16% of budgeted expenses.

### **5.01 Operating Transfers Out**

Transfers to other Funds are reflected in this category. The district established Capital Projects Reserve Funds in FY20 for future roof replacement and turf replacement. Transfers to those funds are reflected in FY20 and FY 21. Additional transfers to these funds will be made as cash allows to prevent a shortfall to the general fund when those expenses are realized in future years.

### **5.02 Advances Out**

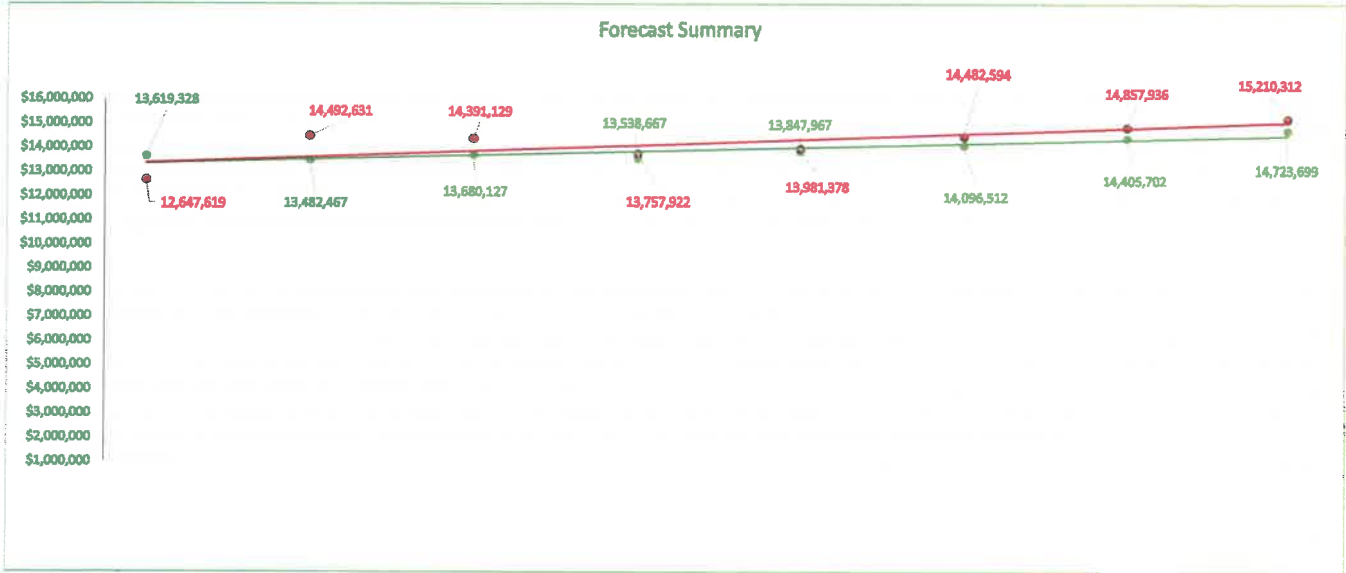
Minor advances are built into the forecast to cover end of year grant expenses, until those reimbursement funds are received from the Ohio Department of Education.

### **Forecast Summary**

Passage of the new Income Tax Levy in 2013 and renewal of the levy in 2017 has been essential to maintaining fiscal solvency. Income generated by the Income Tax has helped to improve cash resources and balance the budget. Cash Balances have improved significantly since collections of the income tax has begun, but this forecast reflects the fact that expenses are climbing at a higher rate than revenue, and cash balances have begun to decline. Renewal of the Emergency Levy by the end of 2022 is important to continue the educational excellence in the district. New buildings opened in 2011 have been a tremendous asset to the district, but have now reached the point where maintenance costs are beginning to increase. The district is making an effort to set aside funds to meet future maintenance needs. Uncertainty about state funding continues to be a concern as state funds provide half of the district's resources and any major shifts in state funding will have a significant impact on the district budget. At first glance the new state budget formula should offer increased revenue to the district over the next several years, but actual numbers are still being determined as this forecast is completed.

### Forecast Summary Oct 2021 Update

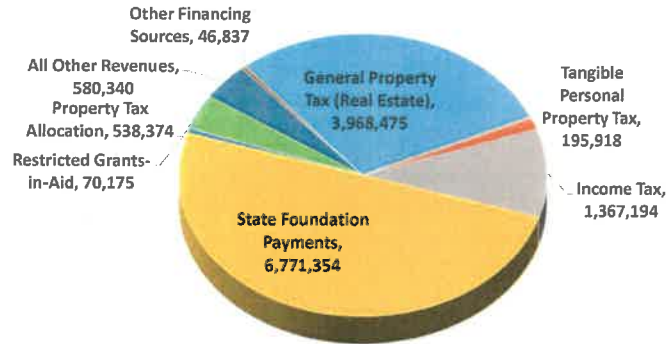
	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026
Total Operating Revenue	13,619,328	13,482,467	13,680,127	13,538,667	13,847,967	14,096,512	14,405,702	14,723,699
Total Operating Expenditures	12,647,619	14,492,631	14,391,129	13,757,922	13,981,378	14,482,594	14,857,936	15,210,312
Net Increase (Decrease)	971,709	-1,010,164	-711,002	-219,255	-133,411	-386,082	-452,234	-486,613
Cash Balance July 1	6,870,032	7,841,741	6,831,577	6,120,575	5,901,320	5,767,909	5,381,827	4,929,593
Cash Balance June 30	7,841,741	6,831,577	6,120,575	5,901,320	5,767,909	5,381,827	4,929,593	4,442,980



**Revenue:**

General Property Tax (Real Estate)	3,968,475
Tangible Personal Property Tax	195,918
Income Tax	1,367,194
State Foundation Payments	6,771,354
Restricted Grants-in-Aid	70,175
Property Tax Allocation	538,374
All Other Revenues	580,340
Other Financing Sources	46,837

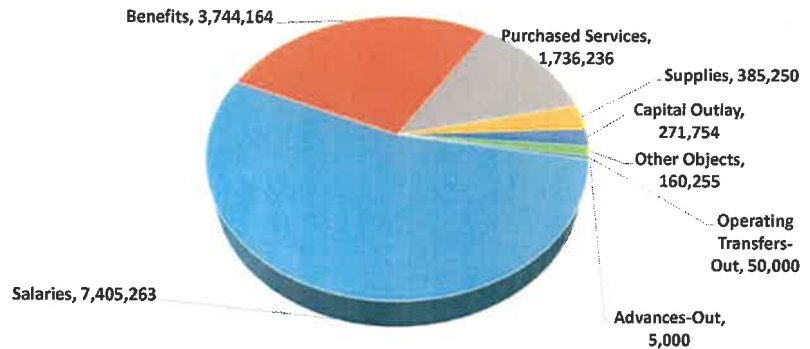
#### Revenue FY22



**Expenditures:**

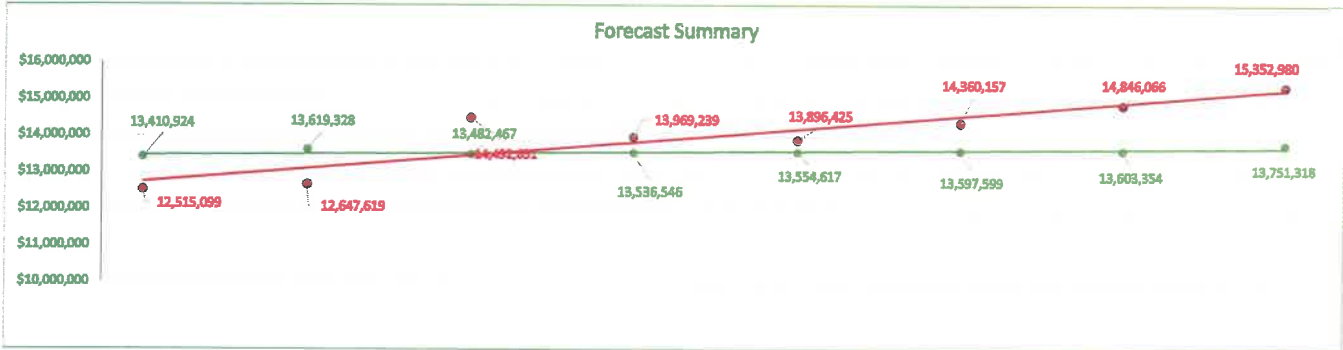
Salaries	7,405,263
Benefits	3,744,164
Purchased Services	1,736,236
Supplies	385,250
Capital Outlay	271,754
Other Objects	160,255
Operating Transfers-Out	50,000
Advances-Out	5,000

#### Expenses FY22



### Forecast Summary Oct 2020 Update

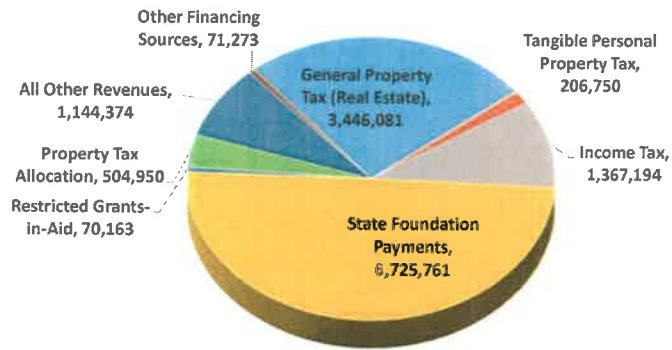
	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025
Total Operating Revenue	13,410,924	13,619,328	13,482,467	13,536,546	13,554,617	13,597,599	13,603,354	13,751,318
Total Operating Expenditures	12,515,099	12,647,619	14,492,631	13,969,239	13,896,425	14,360,157	14,846,066	15,352,980
Net Increase (Decrease)	895,825	971,709	-1,010,164	-432,693	-341,808	-762,558	-1,242,712	-1,601,662
Cash Balance July 1	5,974,207	6,870,032	7,841,741	6,831,577	6,398,884	6,057,076	5,294,518	4,051,806
Cash Balance June 30	6,870,032	7,841,741	6,831,577	6,398,884	6,057,076	5,294,518	4,051,806	2,450,144



**Revenue:**

General Property Tax (Real Estate)	3,446,081
Tangible Personal Property Tax	206,750
Income Tax	1,367,194
State Foundation Payments	6,725,761
Restricted Grants-in-Aid	70,163
Property Tax Allocation	504,950
All Other Revenues	1,144,374
Other Financing Sources	71,273

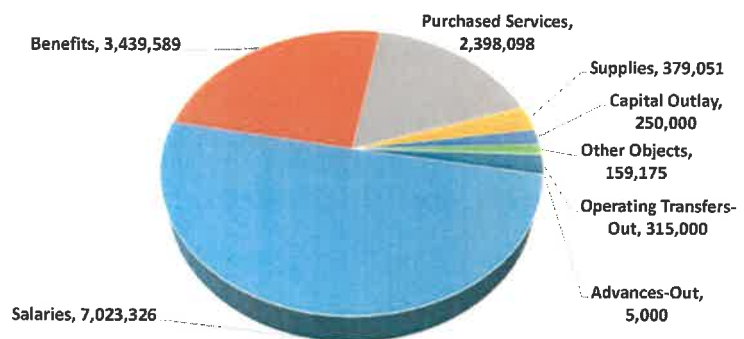
### Revenue FY21



**Expenditures:**

Salaries	7,023,326
Benefits	3,439,589
Purchased Services	2,398,098
Supplies	379,051
Capital Outlay	250,000
Other Objects	159,175
Operating Transfers-Out	315,000
Advances-Out	5,000

### Expenses FY21





**NORWAYNE LOCAL SCHOOL DISTRICT**  
**SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES FOR THE FISCAL YEARS ENDED**  
**JUNE 30, 2018, 2019 AND 2020 ACTUAL;**  
**FORECASTED FISCAL YEARS ENDING JUNE 30, 2021 THROUGH 2025**

OCT SUBMISSION Based on July Appropriation Former Formula Principal-All (History Only)		Actual			Forecasted					
		Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
		2019	2020	2021	2022	2023	2024	2025	2026	
<b>Revenue:</b>										
1.010	General Property Tax (Real Estate)	3,317,625	3,442,300	3,596,875	4.12%	3,968,475	3,967,214	3,946,894	4,104,770	4,268,961
1.020	Tangible Personal Property Tax	158,184	206,620	210,618	16.28%	195,918	205,714	210,857	216,128	221,531
1.030	Income Tax	1,301,232	1,350,248	1,335,119	1.32%	1,367,194	1,389,889	1,412,962	1,436,417	1,460,261
1.035	Unrestricted Grants-in-Aid	6,941,090	6,724,493	6,845,843	-0.66%	6,771,354	6,914,704	7,018,425	7,123,701	7,230,556
1.040	Restricted Grants-in-Aid	70,157	67,239	70,163	0.09%	70,175	70,877	71,586	72,301	73,024
1.045	Restricted Federal Grants-in-Aid - SFSF	0	0	0		0	0	0	0	0
1.050	Property Tax Allocation	504,496	504,948	524,907	2.02%	538,374	539,720	541,069	542,422	543,776
1.060	All Other Revenues	1,135,457	1,047,895	1,043,846	-4.05%	580,340	594,849	609,720	624,963	640,587
1.070	<b>Total Revenues</b>	<b>13,428,241</b>	<b>13,343,743</b>	<b>13,627,371</b>	<b>0.75%</b>	<b>13,491,830</b>	<b>13,702,967</b>	<b>13,811,512</b>	<b>14,120,702</b>	<b>14,438,699</b>
<b>Other Financing Sources:</b>										
2.010	Proceeds from Sale of Notes	0	0	0		0	0	0	0	0
2.030	State Emergency Loans and Advancements	0	0	0		0	0	0	0	0
2.040	Operating Transfers-in.	0	2,442	0		0	0	0	0	0
2.050	Advances-In	172,389	132,455	23,297	-52.79%	17,377	5,000	5,000	5,000	5,000
2.060	All Other Financing Sources	18,698	3,827	29,459	295.12%	29,460	0	0	0	0
2.070	<b>Total Other Financing Sources</b>	<b>191,087</b>	<b>138,724</b>	<b>52,756</b>	<b>-44.69%</b>	<b>46,837</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>	<b>5,000</b>
2.080	<b>Total Revenues and Other Financing Sources</b>	<b>13,619,328</b>	<b>13,482,467</b>	<b>13,680,127</b>	<b>0.23%</b>	<b>13,538,667</b>	<b>13,707,967</b>	<b>13,816,512</b>	<b>14,125,702</b>	<b>14,443,699</b>
<b>Expenditures:</b>										
3.010	Personal Services	6,687,148	6,945,012	7,189,576	3.69%	7,405,263	7,664,447	7,951,864	8,071,142	8,192,209
3.020	Employees' Retirement/Insurance Benefits	3,138,622	3,376,526	3,557,748	6.47%	3,744,164	3,809,872	4,000,366	4,200,384	4,410,403
3.030	Purchased Services	2,105,403	2,323,115	2,376,658	6.32%	1,736,236	1,753,588	1,771,134	1,788,846	1,806,734
3.040	Supplies and Materials	338,016	368,013	430,794	12.97%	385,250	375,000	375,000	385,000	385,000
3.050	Capital Outlay	125,505	670,757	367,574	194.62%	271,754	150,000	150,000	175,000	175,000
3.060	Intergovernmental	0	0	0		0	0	0	0	0
<b>Debt Service:</b>										
4.010	Principal-All (History Only)	0	0	0		0	0	0	0	0
4.020	Principal-Notes	0	0	0		0	0	0	0	0
4.030	Principal-State Loans	0	0	0		0	0	0	0	0
4.040	Principal-State Advancements	0	0	0		0	0	0	0	0
4.050	Principal-HB 264 Loans	0	0	0		0	0	0	0	0
4.055	Principal-Other	0	0	0		0	0	0	0	0
4.060	Interest and Fiscal Charges	0	0	0		0	0	0	0	0
4.300	Other Objects	154,180	170,911	144,902	-2.18%	160,255	163,460	166,729	170,064	173,465
4.500	<b>Total Expenditures</b>	<b>12,548,874</b>	<b>13,854,334</b>	<b>14,067,252</b>	<b>5.97%</b>	<b>13,702,922</b>	<b>13,916,378</b>	<b>14,415,094</b>	<b>14,790,436</b>	<b>15,142,812</b>
<b>Other Financing Uses</b>										
5.010	Operating Transfers-Out	98,291	630,000	310,000	245.08%	50,000	60,000	62,500	62,500	62,500
5.020	Advances-Out	454	8,297	13,877	897.39%	5,000	5,000	5,000	5,000	5,000
5.030	All Other Financing Uses	0	0	0		0	0	0	0	0
5.040	<b>Total Other Financing Uses</b>	<b>98,745</b>	<b>638,297</b>	<b>323,877</b>	<b>248.58%</b>	<b>55,000</b>	<b>65,000</b>	<b>67,500</b>	<b>67,500</b>	<b>67,500</b>
5.050	<b>Total Expenditures and Other Financing Uses</b>	<b>12,647,619</b>	<b>14,492,631</b>	<b>14,391,129</b>	<b>6.94%</b>	<b>13,757,922</b>	<b>13,981,378</b>	<b>14,482,594</b>	<b>14,857,936</b>	<b>15,210,312</b>
6.010	Excess of Rev & Other Financing Sources over (under) Expenditures and Other Financing Uses	971,709	-1,010,164	-711,002	-116.79%	-219,255	-273,412	-666,082	-732,234	-766,613
7.010	Cash Balance July 1 - Excl Proposed Renewal/ Replacement and New Levies	6,870,032	7,841,741	6,831,577	0.63%	6,120,575	5,901,320	5,627,908	4,961,826	4,229,592
7.020	Cash Balance June 30	7,841,741	6,831,577	6,120,575	-11.64%	5,901,320	5,627,908	4,961,826	4,229,592	3,462,979
8.010	Estimated Encumbrances June 30	61,098	42,738	180,088	145.66%	60,000	60,000	60,000	60,000	60,000
<b>Reservation of Fund Balance</b>										
9.010	Textbooks and Instructional Materials	0	0	0		0	0	0	0	0
9.020	Capital Improvements	0	0	0		0	0	0	0	0
9.030	Budget Reserve	500,000	500,000	500,000		500,000	500,000	500,000	500,000	500,000
9.040	DPIA	0	0	0		0	0	0	0	0
9.045		0	0	0		0	0	0	0	0
9.050	Debt Service	0	0	0		0	0	0	0	0
9.060	Property Tax Advances	0	0	0		0	0	0	0	0
9.070	Bus Purchases	0	0	0		0	0	0	0	0
9.080	Subtotal	500,000	500,000	500,000		500,000	500,000	500,000	500,000	500,000
10.010	Fund Balance June 30 for Certification of Appropriations	7,280,643	6,288,839	5,440,487	-13.56%	5,341,320	5,067,908	4,401,826	3,669,592	2,902,979
<b>Rev from Replacement/Renewal Levies</b>										
11.010	Income Tax - Renewal	0	0	0		0	0	0	0	0
11.020	Property Tax - Renewal or Replacement	0	0	0		0	140,000	280,000	280,000	280,000
11.030	Cumulative Balance of Replacement/Renewal Levies	0	0	0		0	140,000	420,000	700,000	980,000
12.010	Fund Balance June 30 for Certification of Contracts, Salary and Other Obligations	7,280,643	6,288,839	5,440,487	-13.56%	5,341,320	5,207,908	4,821,826	4,369,592	3,882,979

Revenue from New Levies										
13.010	Income Tax - New	0	0	0	0	0	0	0	0	
13.020	Property Tax - New	0	0	0	0	0	0	0	0	
13.030	Cumulative Balance of New Levies	0	0	0	0	0	0	0	0	
14.010	Revenue from Future State Advancements									
<b>15.010</b>	<b>Unreserved Fund Balance June 30</b>	<b>7,280,643</b>	<b>6,288,839</b>	<b>5,440,487</b>	<b>-13.56%</b>	<b>5,341,320</b>	<b>5,207,908</b>	<b>4,821,826</b>	<b>4,369,592</b>	<b>3,882,979</b>
<b>ADM Forecasts</b>										
20.010	Kindergarten - October Count	0	0	0	0.0%	0	0	0	0	0
20.015	Grades 1-12 - October Count	0	0	0	0.0%	0	0	0	0	0
<b>State Fiscal Stabilization Funds</b>										
21.010	Personal Services SFSF				0.0%					
21.020	Employees Retirement/Insurance Benefits SFSF				0.0%					
21.030	Purchased Services SFSF				0.0%					
21.040	Supplies and Materials SFSF				0.0%					
21.050	Capital Outlay SFSF				0.0%					
21.060	<b>Total Expenditures - SFSF</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

See accompanying summary of significant forecast assumptions and accounting policies.

2021

2022

2023

2024

2025

2026

Includes: General Fund, Emergency Levy Fund, DPIA Fund, Textbook Fund and any portion of the Debt Service Fund related to General Fund debt.