KEYSTONE LOCAL SCHOOL DISTRICT - LORAIN COUNTY

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES FOR THE FISCAL YEARS ENDED
JUNE 30, 2019, 2020 and 2021 ACTUAL
FORECASTED FISCAL YEARS ENDING
JUNE 30, 2022 THROUGH JUNE 30, 2026**

KEYSTONE
Local School District

**Forecast Provided By
Keystone Local School District
Treasurer's Office
Adam Hines, Treasurer/CFO**

May 16, 2022

Keystone Local School District

Lorain County

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2019, 2020 and 2021 Actual;
Forecasted Fiscal Years Ending June 30, 2022 Through 2026

		Actual				Forecasted				
		Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Average Change	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026
	Revenues									
1.010	General Property Tax (Real Estate)	$6,664,829	$6,806,328	$7,328,909	4.9%	$7,320,033	$7,464,041	$7,543,302	$7,655,430	$7,761,262
1.020	Public Utility Personal Property Tax	776,084	1,326,929	1,815,440	53.9%	2,147,052	2,031,215	2,056,490	2,081,765	2,107,040
1.030	Income Tax	0	0	0	0.0%	0	0	0	0	0
1.035	Unrestricted State Grants-in-Aid	6,307,974	6,031,805	6,208,240	-0.7%	6,262,968	5,960,999	5,962,977	5,964,987	5,967,042
1.040	Restricted State Grants-in-Aid	118,233	105,303	100,597	-7.7%	436,477	428,480	428,480	428,480	428,480
1.045	Restricted Federal Grants-in-Aid	0	0	0	0.0%	0	0	0	0	0
1.050	Property Tax Allocation	817,339	825,779	835,987	1.1%	809,255	839,085	844,555	855,211	865,768
1.060	All Other Revenues	1,748,948	1,663,528	1,608,700	-4.1%	506,128	501,696	497,485	493,485	489,685
1.070	*Total Revenues*	$16,433,407	$16,759,672	$17,897,873	4.4%	$17,481,913	$17,225,516	$17,333,289	$17,479,358	$17,619,277
	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	26,593	20,656	2,698	-54.6%	5,000	5,000	5,000	5,000	5,000
2.060	All Other Financing Sources	2,021	55,875	47,650	1325.0%	3,059	2,500	2,500	2,500	2,500
2.070	*Total Other Financing Sources*	$28,614	$76,531	$50,348	66.6%	$8,059	$7,500	$7,500	$7,500	$7,500
2.080	*Total Revenues and Other Financing Sources*	$16,462,021	$16,836,203	$17,948,221	4.4%	$17,489,972	$17,233,016	$17,340,789	$17,486,858	$17,626,777
	Expenditures									
3.010	Personal Services	$8,898,525	$8,932,782	$9,230,709	1.9%	$9,445,797	$9,750,133	$10,303,388	$10,555,718	$10,716,376
3.020	Employees' Retirement/Insurance Benefits	3,124,396	3,223,402	3,267,663	2.3%	3,384,782	3,590,193	3,915,734	4,175,916	4,438,238
3.030	Purchased Services	2,792,115	2,771,420	2,782,769	-0.2%	2,041,432	2,075,498	2,110,598	2,422,876	2,465,667
3.040	Supplies and Materials	673,432	565,356	460,102	-17.3%	471,605	483,395	495,480	507,866	520,563
3.050	Capital Outlay	313,107	205,371	302,875	6.5%	274,000	232,950	238,348	244,015	249,966
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	49,239	0	-	0.0%	0	0	0	0	0
4.300	Other Objects	483,271	525,607	516,426	3.5%	519,876	527,947	536,179	544,576	553,141
4.500	*Total Expenditures*	$16,334,085	$16,223,938	$16,560,544	0.7%	$16,137,492	$16,660,116	$17,599,727	$18,450,967	$18,943,950
	Other Financing Uses									
5.010	Operating Transfers-Out	$87,500	$50,000	$99,438	28.0%	$75,000	$75,000	$75,000	$75,000	$75,000
5.020	Advances-Out	20,656	2,698	5,000	-0.8%	5,000	5,000	5,000	5,000	5,000
5.030	All Other Financing Uses	0	0	0	0.0%	0	0	0	0	0
5.040	*Total Other Financing Uses*	$108,156	$52,698	$104,438	23.5%	$80,000	$80,000	$80,000	$80,000	$80,000
5.050	*Total Expenditures and Other Financing Uses*	$16,442,241	$16,276,636	$16,664,982	0.7%	$16,217,492	$16,740,116	$17,679,727	$18,530,967	$19,023,950
6.010	*Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Uses*	$19,780	$559,567	$1,283,239	1429.1%	$1,272,480	$492,900	($338,938)	($1,044,109)	($1,397,173)
7.010	Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	$5,795,614	$5,815,394	$6,374,961	5.0%	$7,658,200	$8,930,680	$9,423,580	$9,084,642	$8,040,533
7.020	*Cash Balance June 30*	$5,815,394	$6,374,961	$7,658,200	14.9%	$8,930,680	$9,423,580	$9,084,642	$8,040,533	$6,643,360
8.010	*Estimated Encumbrances June 30*	$267,445	$607,356	$671,084	68.8%	$671,084	$671,084	$671,084	$671,084	$671,084
	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*	$5,547,949	$5,767,605	$6,987,116	12.6%	$8,259,596	$8,752,496	$8,413,558	$7,369,449	$5,972,276
	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

Keystone Local School District

Lorain County

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2019, 2020 and 2021 Actual;
Forecasted Fiscal Years Ending June 30, 2022 Through 2026

		Actual				Forecasted				
		Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Average Change	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026
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*	$5,547,949	$5,767,605	$6,987,116	12.6%	$8,259,596	$8,752,496	$8,413,558	$7,369,449	$5,972,276
	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*	$5,547,949	$5,767,605	$6,987,116	12.6%	$8,259,596	$8,752,496	$8,413,558	$7,369,449	$5,972,276

Keystone Local School District – Lorain County
Notes to the Five Year Forecast
General Fund Only
May 16, 2022

Introduction to the Five Year Forecast

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

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

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

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

O.R.C. §5705.391 and O.A.C. 3301-92-04 require a Board of Education (BOE) to file a five (5) year financial forecast by November 30, 2021, and May 31, 2022 for fiscal year 2022 (July 1, 2021 to June 30, 2022). The five-year forecast includes three years of actual and five years of projected general fund revenues and expenditures. Fiscal year 2022 (July 1, 2021-June 30, 2022) is the first year of the five-year forecast and is considered the baseline year. Our forecast is being updated to reflect the most current economic data available to us for the May 2022 filing.

Economic Outlook

This five-year forecast is being filed during the recovery from the COVID-19 Pandemic which began in early 2020. The effects of the pandemic continue to impact our state, country and our globalized economy. Inflation during April hit a 40 year high not seen since the early 1980's. While increased inflation impacting district costs are expected to continue in the short term, 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.

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

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

May 2022 Updates

Revenues FY22:

The overview of revenues shows that we are substantially on target with original estimates at this point in the year. Total General Fund revenues (line 1.07) are estimated to be $17,481,913 or 1.48% higher than the November forecasted amount of $17,226,816.

Line 1.01 and 1.02 - Property tax revenues represent our largest source of revenues at 54.2% and are estimated to be $9,467,085 which is $299,681 more for FY22 than the original estimate of $9,167,404.

Line 1.035 and 1.04 - State Aide began the year with a completely new funding formula with only Legislative Service Commission (LSC) estimates to anticipate our funding for FY22 and FY23. The LSC estimated provided little to no detail on how the funding level was calculated. The November forecast used components of the LSC simulations of HB110 funding in order to project anticipated funding. In January of 2022 the first formula calculations were released in part by the Ohio Department of Education. While there are still details unpublished at this time we can see that through early April our state aid is estimated to be $3,349,723which is $24,939 less than the original estimate for FY22. We are currently on the guarantee and are expected to remain on a guarantee for FY23 through FY26.

All areas of revenue are tracking as anticipated for FY22 based on our best information at this time.

Expenditures FY22:

Total General Fund expenditures (line 4.5) are estimated to be $16,137,492 for FY22 which is $38,489 less than the original estimate of $16,175,981in the November forecast, which is roughly 0.24% on target with original estimates.

Unreserved Ending Cash Balance:

With revenues increasing over estimates and expenditures ending most on target, our ending unreserved cash balance June 30, 2022 is anticipated to be roughly $8.26 million. The ending unreserved cash balance on Line 15.010 of the forecast is anticipated to be a positive accumulative balance through 2026if assumptions we have made for property tax collections, state aid in future state budgets and expenditure assumptions remain close to our estimates.

Forecast Risks and Uncertainty:

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

I. Property tax collections are the largest single 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 57.05% of the district's resources. Long term we believe there is a low risk that local collections would fall below projections throughout the forecast.

II. Lorain County experienced a Triennial update in the 2021 tax year to be collected in 2022. The 2021 update increased overall assessed values by $40 million or an increase of 13.89%, which includes update and new construction for all classes of property. A reappraisal will occur in tax year 2024 for collection in 2025. We anticipate value increases for Class I and II property by $18.6 million for an overall increase of 5.56%. 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.

III. Public Utility Personal Property tax collections has become a major source of income for the district with the NEXUS pipeline and pumping station. There is a risk that changes in the values could be lowered due to tax appeals or depreciation for future years of the forecast.

IV. The State Budget represents 42.95% of district revenues, which means it is a significant area of risk to revenue. The future risk comes in FY24 and beyond if the state economy stalls or worsens and the fair school funding plan is not funded in future state budgets or if an economic downturn results in a reduction in state aid. There are two future State Biennium Budgets covering the period from FY24-25 and FY26-27 in this forecast. Future uncertainty in both the state foundation funding formula and the state's economy makes this area an elevated risk to district funding long range through FY26. We have projected our state funding to be in line with the FY23 funding levels through FY26 which we feel is conservative and should be close to whatever the state approves for the FY24-FY27 biennium budgets. We will adjust the forecast in future years as we have data to help guide this decision.

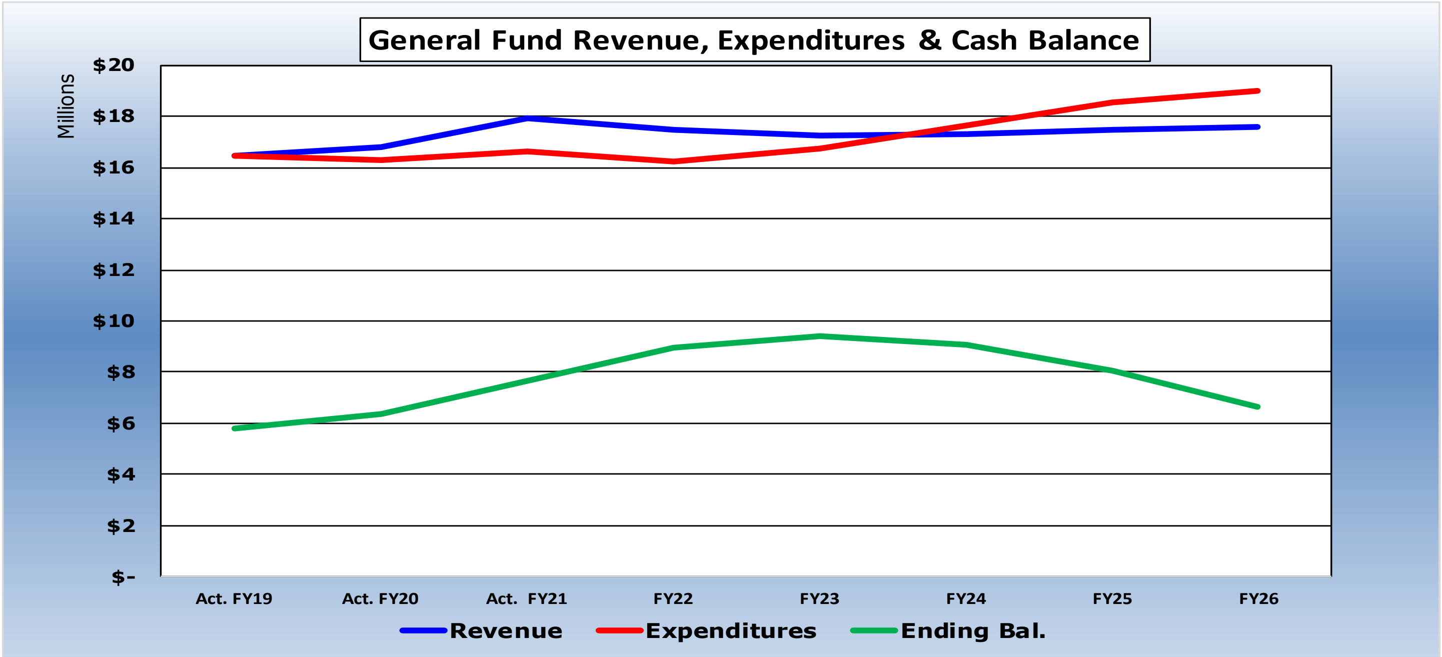
V. HB110 the current state budget implements what has been referred to as the Fair School Funding Plan (FSFP) for FY22 and FY23. The actual release of the new Fair School Funding Plan formula calculations was delayed until January 2022. The FSFP has many significant changes to the way foundation revenues are calculated for school districts and how expenses are charged off. State foundation basic aid will be calculated on a base cost methodology with funding paid to the district where a student is enrolled to be educated. There will be no separate open enrollment revenue payments to school districts beginning in FY22. There will also be direct funding to the district where students are educated for expenses previously deducted from districts state foundation funding for open enrollment, community schools, STEM schools and scholarship recipients. The initial impact on the forecast will be noticed that the historic actual costs for FY19 through FY21 on the forecast will potentially reflect different trends on Lines 1.035, 1.04, 1.06 and 3.03 beginning in FY22. Longer term there may be adjustments to state aid for FY23 as the Ohio Department of Education resolves issues and possible unintended consequences as they create and implement the numerous changes to the complicated new formula. Our state aid projections have been based on the best information on the new HB110 formula available as of this forecast.

VI. 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.

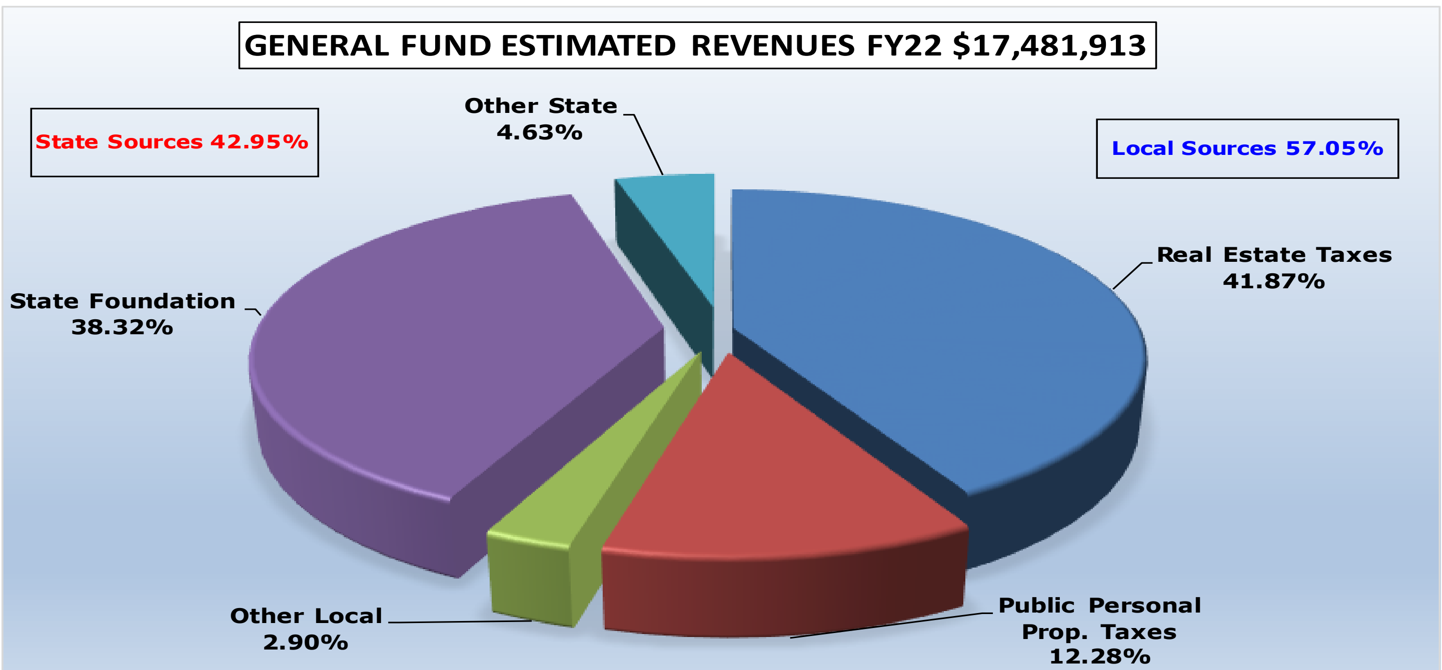
The major lines of reference for the forecast are noted below in the headings to make it easier to relate the assumptions made for the forecast item and refer back to the forecast. It should be of assistance to the reader to review the assumptions noted below in understanding the overall financial forecast for our district. If you would like further information please feel free to contact Mr. Adam Hines, Treasurer/CFO of Keystone Local School District.

General Fund Revenue, Expenditures and Ending Cash Balance Actual FY19-21 and Estimated FY22-26

The graph captures in one snapshot the operating scenario facing the District over the next few years.



Revenue Assumptions
Estimated General Fund Operating Revenues FY22



Real Estate Value Assumptions – Line #1.010
Our district has assessed property value in Lorain County. Lorain County experienced a triennial update in Tax Year 2021 for collection in 2022. We realized an overall increase in our total tax base of 13.89% due to inflation and new construction. When values increase due to reappraisals and updates (inflationary increases), reduction factors are increased and House Bill 920 decreases effective tax rates so the district tax revenues do not grow except for 4.62 inside millage. The district is well above the 20 mill floor for residential and commercial property so increases due to reappraisals or updates will only increase revenue by the 4.62 inside

millage. New construction will increase annual revenue for all classes of property and we have projected historic trends in both Residential/Agriculture (Class I) and Commercial/Industrial (Class II) property.

A reappraisal will occur in 2024 for Lorain County and we anticipate a 5% increase in Class I and 1% in Class II values. CAUV values represent 11.4% of Class I residential/agricultural values and while HB49 authorized a reduction in CAUV computations, we have included the possible reduction in the overall increase for Class I values.

ESTIMATED ASSESSED VALUE (AV) BY COLLECTION YEARS

	Actual	Estimated	Estimated	Estimated	Estimated
	TAX YEAR2021	TAX YEAR2022	TAX YEAR2023	TAX YEAR2024	TAX YEAR 2025
Classification	COLLECT 2022	COLLECT 2023	COLLECT 2024	COLLECT 2025	COLLECT 2026
Res./Ag.	$300,259,310	$302,059,310	$303,959,310	$321,057,276	$322,957,276
Comm./Ind.	27,727,840	28,917,840	30,107,840	31,598,918	32,788,918
Public Utility Personal Property (PUPP)	39,932,292	40,432,292	40,932,292	41,432,292	41,932,292
Total Assessed Value	$367,919,442	$371,409,442	$374,999,442	$394,088,486	$397,678,486

Property tax levies are estimated to be collected at 97% of the annual amount. Technically 100% of taxes will be settled on property due to Ohio's property tax laws. The timing of the tax payments is always in flux but they appear to have normalized. The district receives tax payments for delinquent taxes at the rate of 1.2% in August and 2.4% in February collections. Property taxes are estimated to be collected at 53.90% of the Res/Ag and Comm/Ind in the February tax settlements and 46.10% collected in the August tax settlements.

ESTIMATED REAL ESTATE TAX (Line #1.010)

Source	FY22	FY23	FY24	FY25	FY26
Est. Real Estate Taxes	$7,320,033	$7,464,041	$7,543,302	$7,655,430	$7,761,262
Total Line #1.01 Real Estate Taxes	$7,320,033	$7,464,041	$7,543,302	$7,655,430	$7,761,262

Estimated Public Utility Personal Property Tax (PUPP) – Line #1.020

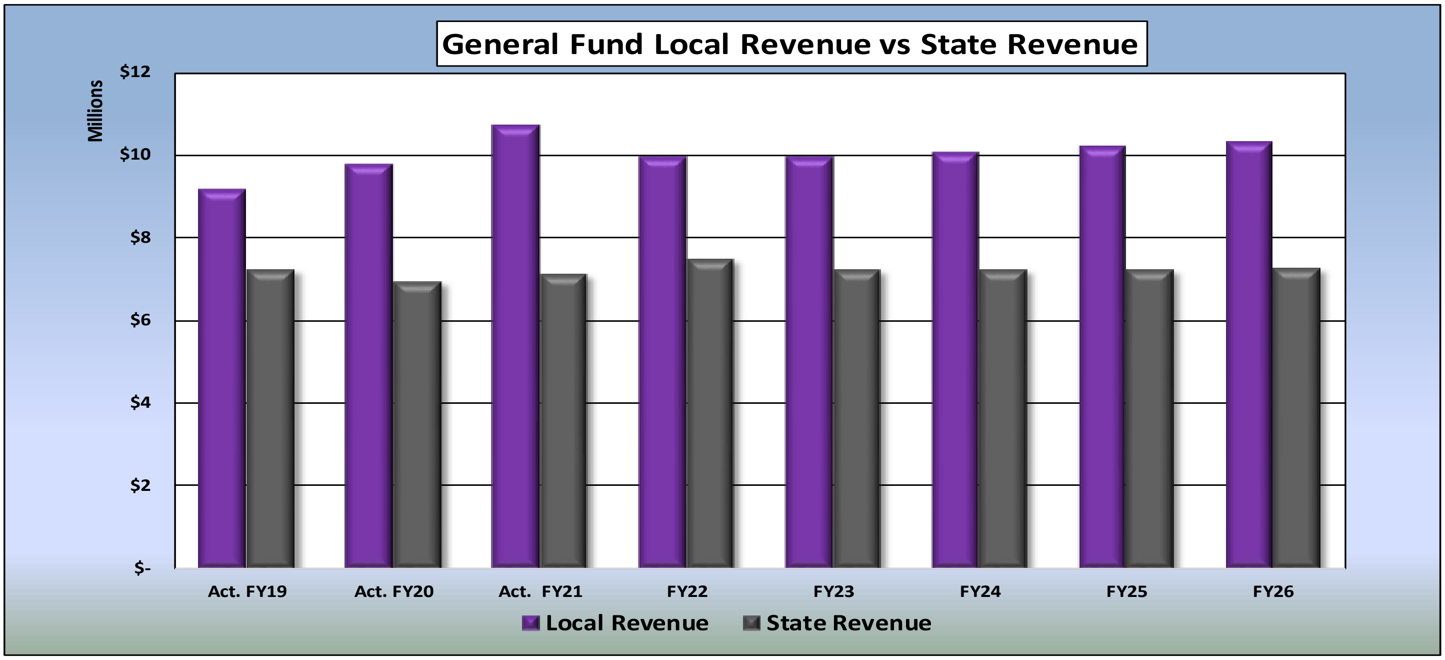
This line includes phase out of TPP taxes that began in FY06 with HB66. TPP tax assessments ended in FY11. The only amounts received after FY11 are from delinquent TPP taxes outstanding as of 2010. Any amounts received in this forecast period will be Public Utility Personal Property and delinquent TPP collections from previous periods and we have renamed the line to reflect the source of the collection.

Amounts noted below are public utility personal property (PUPP) tax payments from public utilities. The values for PUPP are noted on the table above under Public Utility, which were $39.9 million in assessed values in 2021 and are collected at the district's gross voted millage rate of 50.55 mills. Collections are typically 50% in February and 50% in August along with the real estate settlements from the county auditor.

The values in 2021 rose by 8.43 % or $3.1 million and are expected to grow by $500,000 each year of the forecast. The large increase over the past few years is from the NEXUS pipeline that is in our school district. NEXUS appealed the valuations that were set throughout the state for the pipeline, which that appeal has been denied by the Department of Taxation, however, the company has filed a second appeal for an even lower valuation. The second hearing is scheduled for February 2022, however, has been remanded to the Ohio Tax Commissioner, depending on the outcome of the hearing the district will either receive the back taxes that have not been paid if the lower valuation is denied or the company will receive refunds for the over payment if the lower valuation is approved. Since this is the first couple of years of the pipeline, the increases for future years will need to be monitored very closely in order to correctly forecast the tax dollars for the district. The district is forecasting the taxes at a decreased valuation amount in case the appeal is won by NEXUS. The tax payments received were paid on 43% of the total values from NEXUS.

Source	FY22	FY23	FY24	FY25	FY26
Public Utility Personal Property	$2,147,052	$2,031,215	$2,056,490	$2,081,765	$2,107,040
Total PUPP Tax Line #1.020	$2,147,052	$2,031,215	$2,056,490	$2,081,765	$2,107,040

Comparison of Local Revenue and State Revenue:
The following graph clearly shows that local taxpayers are the chief source of district operating dollars as the state funding formula is not attempting to help fund districts considered wealthy by the state. It is also apparent that revenue growth from the state has been and is projected to be mostly flat.



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

A) Unrestricted State Foundation Revenue– Line #1.035
The partial release of the new Fair School Funding Plan formula occurred in January 2022 half way through FY22, and as of the date of this forecast there are still some detailed calculations not released. We have projected FY22 and FY23 funding based on the April 2022 foundation settlement and funding factors.

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

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

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

Base Cost Approach- Unrestricted Basic Aid Foundation Funding

The new funding formula uses FY18 statewide average district costs and developed a base cost approach that includes minimum service levels and student teacher ratios to calculate a unique base cost for each district that includes base funding for five (5) areas:

1. Teacher Base Cost (4 subcomponents)
2. Student Support (7 subcomponents-including a restricted Student Wellness component)
3. District Leadership & Accountability (7 subcomponents)
4. Building Leadership & Operations (3 subcomponents)
5. Athletic Co-curricular (contingent on participation)

State Share Percentage – Unrestricted Basic Aid Foundation Funding

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

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

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

Categorical State Aid

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

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 district's calculation 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.

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. The phase-in increases are limited to 0% for FY22 and 14% in FY23.
2. English Learners – Based on funded categories based on time student enrolled in schools and multiplied by a weighted amount per pupil.
3. Gifted Funds –Based on average daily membership multiplied by a weighted amount per pupil.
4. Career-Technical Education Funds – Based on career technical average daily membership and five (5) weighted funding categories students enrolled in.
5. Student Wellness & Success Funding – moved into DPIA funding, is restricted funding and will be spent on same initiatives and requirements that were previously designated under the stand-alone fund.

State Funding Phase-In FY22 and FY23 and Guarantees

HB110 provides funding for FY22 and FY23. 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. The FSFP does not include caps on funding, rather it will include a general phase-in percentage for most components in the amount of 16.67% in FY22 and 33.33% in FY23. DPIA funding will be phased in 0% in FY22 and 14% in FY23. Transportation categorical funds will not be subject to a phase in.

HB110 includes "formula transition aid" which is a guarantee. There are actually three (3) guarantees in both temporary and permanent law to ensure that no district will get less funds in FY22 than they received in FY21. The guarantee level of funding for FY21 is a calculated funding guarantee level based on full state funding cuts from May 2020 restored, net of transfers and deductions, plus Student Wellness and Success funds (based on FY21 SWSF amounts), enrollment growth supplement funds paid in FY21 and special education preschool and special education transportation additional aid items.

State Funding changes for May Forecast

Fiscal Year 22 revenue has been updated based on the April #1 settlement report payment and includes the updated calculations for FY23 with new valuations and enrollment from the April #1 report instead of the simulations that were used in November. As a result, FY22 experienced a decrease from the simulations due to the actual data that was used for FY22. FY23 revenue amounts will see changes from the simulations due to the Local Capacity that is calculated on a three-year average of valuations and federal adjusted gross income since the simulations did not include any change in this calculation from year one to year two of the simulations. Because the district experienced a large increase in Tax Year 21 valuations from the county reappraisal update, the Local Capacity value in the formula also increased by 7.18%.

Future State Budgets Projections beyond FY23

Our funding status for the FY24-26 will depend on two (2) new state budgets which are unknown. There is no guarantee that the current Fair School Funding Plan in HB110 will be funded or continued beyond FY23. For this reason, funding is held constant FY23 through FY26.

Casino Revenue

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

Casino revenue fell slightly in FY21 due to COVID-19 and Casinos closing for a little over two months. We have increased the amount in FY22 back to pre-pandemic FY20 levels as Casino revenues appear to have dipped largely due to their closure and not in response to the economic downturn. Prior to COVID-19 closure, casino revenues were growing modestly as the economy improved. Original projections for FY22-26 estimated a .4% decline in pupils to 1,778,441 and GCR increasing to $95.8 million or $59.80 per pupil, actual payments in FY22 were $62.71 per pupil. FY22 Casino revenues have resumed their historical growth rate and assume a 2% annual growth rate for the forecast period.

Source	FY22	FY23	FY24	FY25	FY26
Basic Aid-Unrestricted	$5,984,162	$5,680,263	$5,680,263	$5,680,263	$5,680,263
Additional Aid Items	181,886	181,886	181,886	181,886	181,886
Basic Aid-Unrestricted Subtotal	6,166,048	5,862,149	5,862,149	5,862,149	5,862,149
Ohio Casino Commission ODT	96,920	98,850	100,828	102,838	104,893
Total Unrestricted State Aid Line #1.035	$6,262,968	$5,960,999	$5,962,977	$5,964,987	$5,967,042

B) Restricted State Foundation Revenue – Line #1.035

HB110 has continued Disadvantaged Pupil Impact Aid (formerly Economic Disadvantaged Funding) and Career Technical funding. In addition, there have been new restricted funds added as noted above under "Restricted Categorical Aid" for Gifted, English Learners (ESL) and Student Wellness. Using current April funding factors, we have estimated revenues for these new restricted funding lines. The amount of DPIA is limited to 0% phase in growth for FY22 and 14% in FY23. We have flat lined funding at FY23 levels for FY24-FY26 due to uncertainty on continued funding of the current funding formula.

Source	FY22	FY23	FY24	FY25	FY26
DPIA	$31,595	$29,623	$29,623	$29,623	$29,623
Career Tech - Restricted	$0	$0	$0	$0	$0
English Learner	$361	$289	$289	$289	$289
Gifted	$71,174	$65,221	$65,221	$65,221	$65,221
Student Wellness	$239,869	$239,869	$239,869	$239,869	$239,869
Catastrophic Aid	93,478	93,478	93,478	93,478	93,478
Total Restricted State Revenues Line #1.040	$436,477	$428,480	$428,480	$428,480	$428,480

C) Restricted Federal Grants in Aid – Line #1.045

No federal unrestricted grants are projected during this forecast.

SUMMARY	FY22	FY23	FY24	FY25	FY26
Unrestricted Line #1.035	$6,262,968	$5,960,999	$5,962,977	$5,964,987	$5,967,042
Restricted Line #1.040	436,477	428,480	428,480	428,480	428,480
Rest. Federal Funds #1.045	0	0	0	0	0
Total State Foundation Revenue	$6,699,445	$6,389,479	$6,391,457	$6,393,467	$6,395,522

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

Homestead Exemptions are 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 do 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 Tax Reimbursement – Line #1.050

Rollback and Homestead	FY22	FY23	FY24	FY25	FY26
Total Tax Reimbursements #1.050	$809,255	$839,085	$844,555	$855,211	$865,768

Other Local Revenues – Line #1.060
The main sources of revenue in this area have been open enrollment, tuition for court placed students, student fees, Manufactured home taxes and general rental fees.

HB110 the new state budget will stop paying open enrollment as an increase to other revenue for the district. Open enrolled students will be counted as students that attend the district within the Enrolled ADM and will be included in the state basic funding. This change is projected below as zeros to help show the difference between projected FY22-FY26 Line 1.06 revenues and historical FY19 through FY21 revenues on the five-year forecast.

Interest income fell sharply due to fed rate reductions due to the pandemic, we have continued to decrease interest earnings by 5% each year of the forecast. All other revenues are expected to continue on historic trends.

Source	FY22	FY23	FY24	FY25	FY26
Tuition Related Payments	$106,772	$106,772	$106,772	$106,772	$106,772
Open Enrollment	0	0	0	0	0
Class & Sports Oriented Fees	58,476	58,476	58,476	58,476	58,476
Interest Earnings	88,646	84,214	80,003	76,003	72,203
Medicaid	64,724	64,724	64,724	64,724	64,724
Mobile Home Taxes	53,371	53,371	53,371	53,371	53,371
Miscellaneous	134,139	134,139	134,139	134,139	134,139
Total Other Local Revenue Line #1.060	$506,128	$501,696	$497,485	$493,485	$489,685

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 small amount each year for advances to other funds.

Source	FY22	FY23	FY24	FY25	FY26
Transfers In - Line #2.040	$0	$0	$0	$0	$0
Advance Returns - Line #2.050	5,000	5,000	5,000	5,000	5,000
Total Transfer & Advances In	$5,000	$5,000	$5,000	$5,000	$5,000

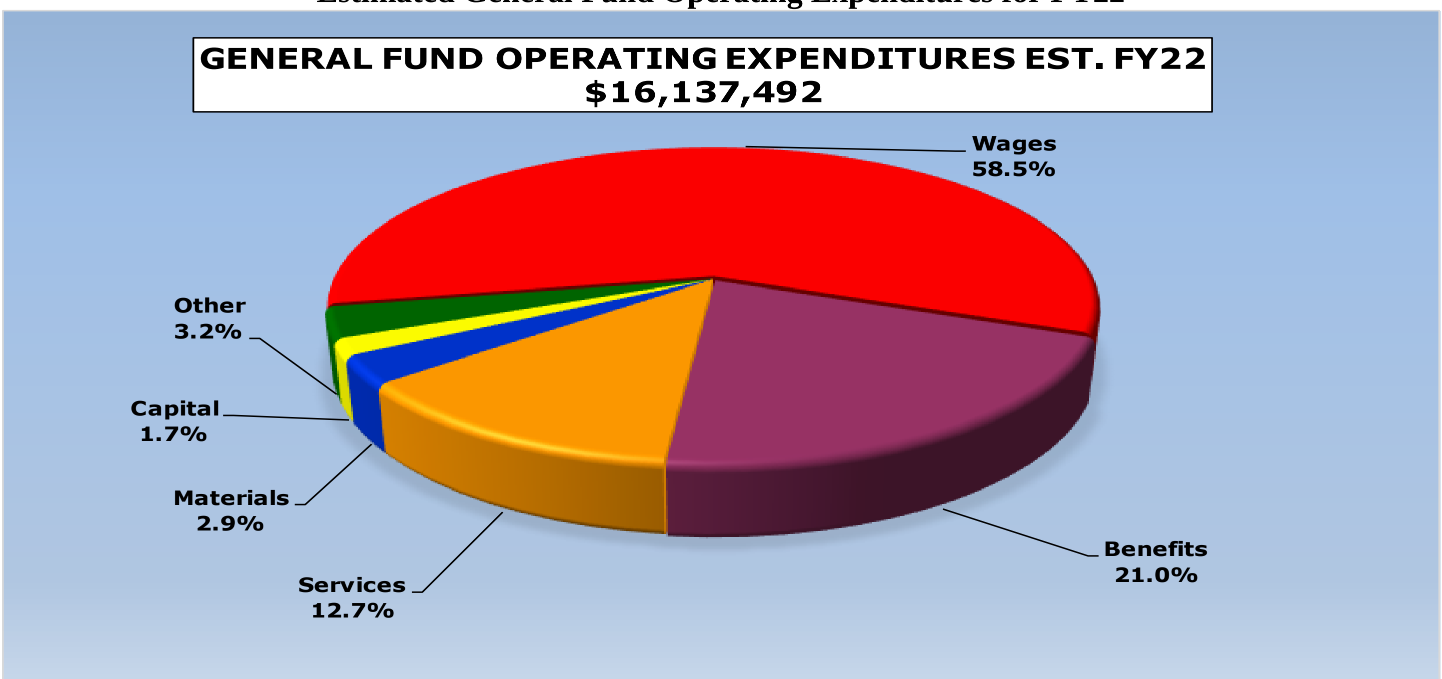
All Other Financial Sources – Line #2.060 & Line #14.010
This funding source is typically a refund of prior year expenditures that is very unpredictable. These revenues are inconsistent year to year and we will project a small amount in the remainder of the forecast

Source	FY22	FY23	FY24	FY25	FY26
Refund of prior years expenditures	$3,059	$2,500	$2,500	$2,500	$2,500

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.

Estimated General Fund Operating Expenditures for FY22



Wages – Line #3.010
The forecast reflects 1.67% base pay increases for certified staff and a 2% for classified staff. A 2% increase for steps and academic training based on current negotiated agreements is being used for FY22 with additional amounts due to changes in staff that change steps within the salary schedule.

In FY22, we are reducing wages by $60,000 for staff that will be paid through the ESSER funding and will return the total amount that was decreased to the ESSER funds of $315,000 to the forecast in FY24. Supplemental salaries are increased each year by 2% in FY23-FY26. Substitutes rate will increase from $90 per day to $120 per in FY23 which we are including as the increase during the forecast.

Source	FY22	FY23	FY24	FY25	FY26
Base Wages	$8,683,233	$8,893,539	$9,112,863	$9,660,241	$9,906,577
Based Pay Increase	151,314	88,046	90,217	95,636	0
Steps & Academic Training	156,298	138,739	142,161	150,700	154,543
Growth Staff	31,349	6,270	0	0	0
Substitutes	264,166	343,416	343,416	343,416	343,416
Supplementals	288,092	293,854	299,731	305,726	311,840
Severance	0	0	0	0	0
SWSF & CARES Adjustments	(60,000)	0	315,000	0	0
Other Adjustments/Reductions	(68,655)	(13,731)	0	0	0
Total Wages Line #3.010	$9,445,797	$9,750,133	$10,303,388	$10,555,718	$10,716,376

Fringe Benefits Estimates Line 3.02

This area of the forecast captures all costs associated with benefits and retirement costs, all of which are directly related to the wages paid with the exception of health and life insurance benefits.

A) STRS/SERS

Generally, the district must pay 14% of wages paid to both STRS and SERS. In addition, the district pays to SERS the employee surcharge which is an additional amount required over the 14% to provide added funds SERS collects to supplement contributions on lower paid short hour classified staff so they can have a pension when they retire.

B) Insurance

Based on current industry trend, this forecast assumes annual increases of 6% for FY22, 9.5% in FY23 and 10% increase in FY24 through FY26. Our estimates are based on our current employee census and claims data. This could increase at a much higher rate should claims increase dramatically.

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 remain at about 0.41% of wages for FY22-FY26. Unemployment Compensation had been negligible prior to the pandemic, we have maintained the same amount that was paid in FY21 for the remainder of the forecast and will review this throughout the forecast.

D) Medicare

Medicare will continue to increase at the rate of increase of wages. Contributions are 1.45% for all employees hired 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 #3.02

Source	FY22	FY23	FY24	FY25	FY26
A) STRS/SERS	$1,462,272	$1,500,344	$1,579,167	$1,622,704	$1,648,891
B) Insurance's	1,721,955	1,883,201	2,119,521	2,331,473	2,564,620
C) Workers Comp/Unemployment	48,277	49,525	51,793	52,827	53,486
D) Medicare	136,424	141,269	149,399	153,058	155,387
Other/Tuition/Annuities	15,854	15,854	15,854	15,854	15,854
Total Fringe Benefits Line #3.020	$3,384,782	$3,590,193	$3,915,734	$4,175,916	$4,438,238

Purchased Services – Line #3.030

HB110 the new state budget will impact Purchased Services beginning in FY22 as the Ohio Department of Education will begin to direct pay these costs to the educating districts for open enrollment, community and STEM schools, and for scholarships granted students to be educated elsewhere, as opposed to deducting these amounts from our state foundation funding and shown below as expenses. We have continued to show these amounts below as zeros to help reflect the difference between projected FY22-FY26 Line 3.03 costs and historical FY19 through FY21 costs on the five-year forecast.

We have based the remainder of the purchased services off of the historical amounts that have been spent in these areas. The increases are between no increases to 4% increase each year. In FY25 the district will increase Professional & Technical Services, ESC line by $276,110 for services through the ESC of a literacy coach, BCBA and parent liaison that had been paid through ESSER funds but will now be added to the forecast.

Source	FY22	FY23	FY24	FY25	FY26
Professional & Technical Services, ESC	$436,403	$445,131	$454,034	$739,225	$754,009
Maintenance, Insurance & Garbage Removal	245,171	252,526	260,102	267,905	275,942
Professional Development	25,000	25,500	26,010	26,530	27,061
Communications, Postage, & Telephone	52,713	54,294	55,923	57,601	59,329
Utilities	296,565	308,428	320,765	333,596	346,940
Contracted Trades & Services	39,689	40,880	42,106	43,369	44,670
Tuition, Excess Costs & Scholarship Costs	826,291	826,291	826,291	826,291	826,291
Open Enrollment & Community School Costs	0	0	0	0	0
College Credit Plus	74,000	75,480	76,990	78,530	80,101
Contract Transportation	29,682	30,572	31,489	32,434	33,407
Miscellaneous Purchased Services	15,918	16,396	16,888	17,395	17,917
Total Purchased Services Line #3.030	$2,041,432	$2,075,498	$2,110,598	$2,422,876	$2,465,667

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. The district has increased each line by 2.5% each year of the forecast.

Source	FY22	FY23	FY24	FY25	FY26
General Office Supplies & Materials	$220,952	$226,476	$232,138	$237,941	$243,890
Textbooks & Instructional Supplies	66,377	68,036	69,737	71,480	73,267
Facility Supplies & Materials	77,552	79,491	81,478	83,515	85,603
Transportation Fuel & Supplies	106,724	109,392	112,127	114,930	117,803
Other/Adjustments SWSF, CARES, Etc.	0	0	0	1,921	0
Total Supplies Line #3.040	$471,605	$483,395	$495,480	$507,866	$520,563

Equipment – Line #3.050

The district does not anticipate costs increasing significantly in this line because most capital outlay is paid by the Permanent Improvement Fund. The district does plan on purchasing one bus each year of the forecast. The district will also purchase one maintenance truck in FY22. The district is planning on purchasing Chromebooks for $90,000 in FY22 and increasing it to $100,000 for FY23 through FY26.

Source	FY22	FY23	FY24	FY25	FY26
Capital Outlay & Maintenance	$25,000	$25,000	$25,000	$25,000	$25,000
Technology/Curriculum Purchases	90,000	100,000	100,000	100,000	100,000
Busses & Other Vehicles	159,000	107,950	113,348	119,015	124,966
Total Equipment Line #3.050	$274,000	$232,950	$238,348	$244,015	$249,966

Other Expenses – Line #4.300

The category of Other Expenses consists primarily of County Auditor and Treasurer Fees for collection of property taxes and advertising for delinquent taxes. Auditor and Treasurer Fees and the ESC deductions are expected to increase by 2% each year of the forecast. Other expenses are liability insurance, annual audit, and dues and fees. The district does not expect to increase these items throughout the forecast.

Source	FY22	FY23	FY24	FY25	FY26
County Auditor & Treasurer Fees	$175,932	$179,451	$183,040	$186,701	$190,435
ESC Deduction	227,600	232,152	236,795	241,531	246,362
Annual Audit Costs	30,238	30,238	30,238	30,238	30,238
Dues, Fees & other Expenses	86,106	86,106	86,106	86,106	86,106
Total Other Expenses Line #4.300	$519,876	$527,947	$536,179	$544,576	$553,141

Transfers Out/Advances Out – Line #5.010

This account group covers fund to fund transfers and end of year short term loans from the General Fund to other funds until they have received reimbursements to repay the General Fund. These amounts are limited in impact to the General Fund as the amounts are repaid as soon as dollars are received in the debtor fund. We have included the $75,000 annual transfer out to the retirement severance fund.

Source	FY22	FY23	FY24	FY25	FY26
Operating Transfers Out Line #5.010	$75,000	$75,000	$75,000	$75,000	$75,000
Advances Out Line #5.020	5,000	5,000	5,000	5,000	5,000
Total Transfer & Advances Out	$80,000	$80,000	$80,000	$80,000	$80,000

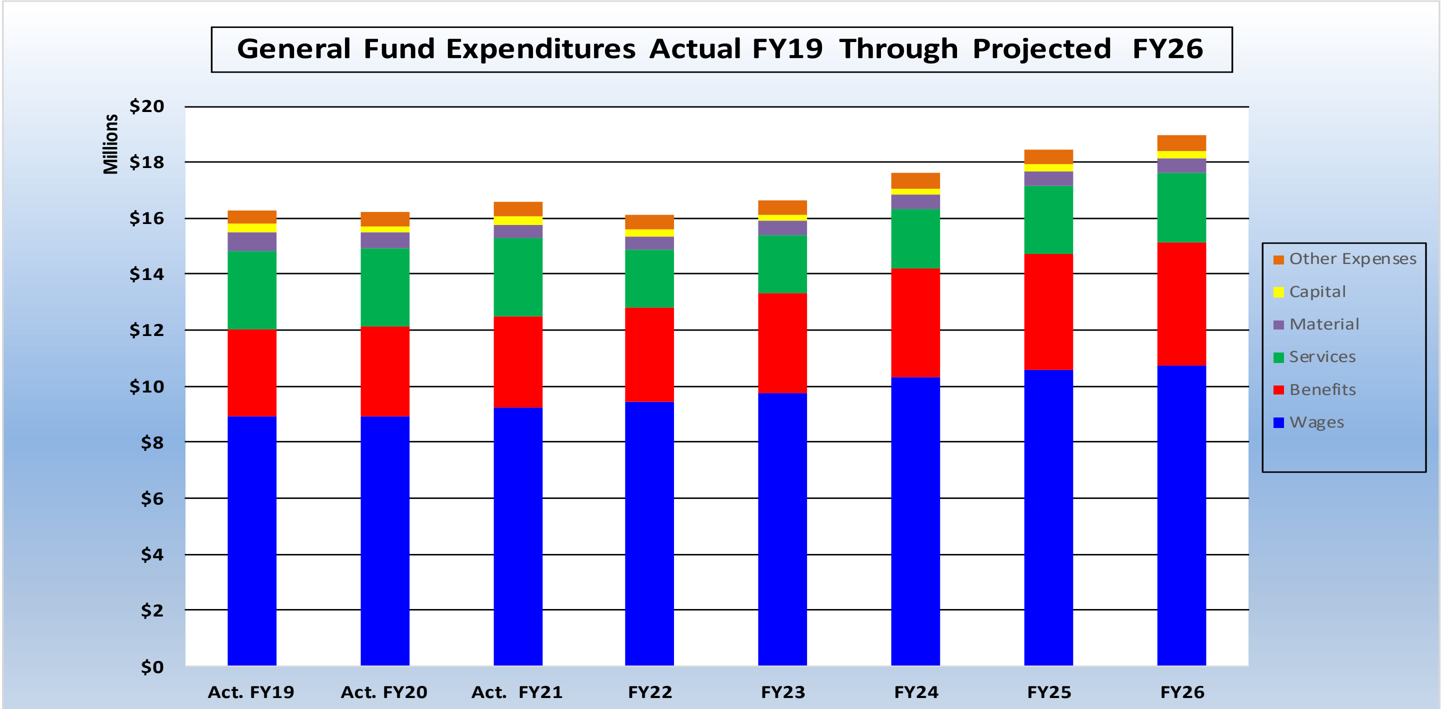
Encumbrances – Line #8.010

These are outstanding purchase orders that have not been approved for payment as the goods were not received in the fiscal year in which they were ordered.

	FY22	FY23	FY24	FY25	FY26
Estimated Encumbrances Line #8.010	$671,084	$671,084	$671,084	$671,084	$671,084

Operating Expenditures Actual FY19 through FY21 and Estimated FY22 through FY26

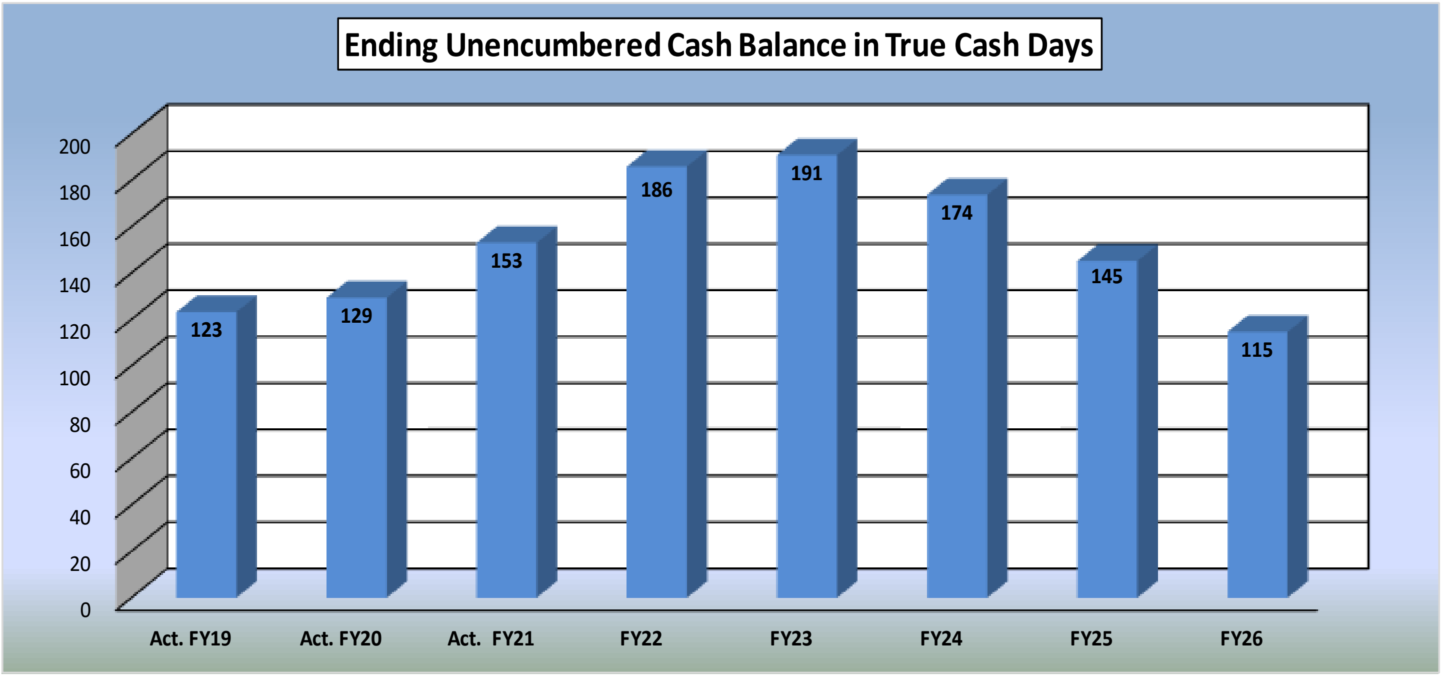
As the graph on the following page indicates, we have been diligent at reducing costs in reaction to lower and flat state revenues in the past. We are maintaining control over our expenses while balancing student academic needs to enable them to excel and do well on state performance standards.



Ending Unencumbered Cash Balance "The Bottom-line" – Line #15.010
This amount must not go below $-0- or the district General Fund will violate Ohio Budgetary Laws. Any multi-year contract which is knowingly signed that results in a negative unencumbered cash balance is a violation of Ohio Revised Code section 5705.412, punishable by personal liability of $10,000, unless an alternative "412" certificate can be issued pursuant to House Bill 153 effective September 30, 2011.

	FY22	FY23	FY24	FY25	FY26
Ending Unreserved Cash Balance Line #15.01	$8,259,596	$8,752,496	$8,413,558	$7,369,449	$5,972,276

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



Conclusion

Keystone Local School District receives 42.95% of it's funding for the district from state dollars which is very beneficial to the overall operations for the education of our students.

The current state budget, HB110, has now been updated for the May forecast using the Fair School Funding Plan. Simulations used for the November forecast projected more state aid than what was actually received due to changes in actual data for enrollment, property tax valuations and income factors. Furthermore, future state budgets funding will need to be watched since, the full amount of the Fair School Funding Plan was not totally implemented with this budget and there is no guarantee for future increases in state budgets for FY24-FY26.

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

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