



## CHARDON LOCAL SCHOOLS

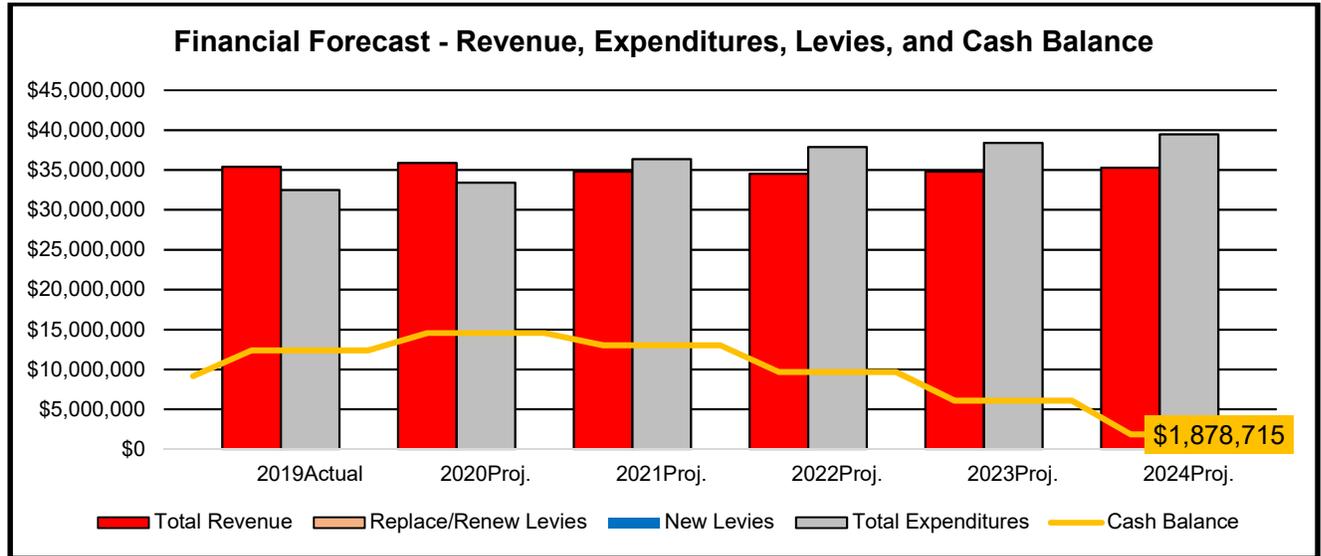
### MAY 2020 ASSUMPTIONS

**Financial Summary** – In fiscal year 2020 Chardon Local Schools started in a very strong financial position. Fiscal Year 2020 has been impacted from COVID-19 to begin a trend of cuts due to the pandemic and a possible recession to follow. Decreased revenue and increased expenditures will be included within the projection and noted in the assumptions for future effects. **Chardon Local School District will provide an updated five-year forecast if conditions should vary significantly from this model and assumptions.**

It is important to note that the five-year forecast is an ESTIMATE. The financial climate for Ohio schools is constantly changing, and there are numerous and often unpredictable variables that exist when projecting school revenue and expenditures. Because of this, the five-year fluctuates from year to year and can change dramatically with unexpected revenue and expenditures.

The November 2019 five-year forecast projected a cash balance on June 30, 2020 at \$15,050,894 before encumbrances. Including projected estimates for May and June 2020, the projected cash balance for fiscal year 2020 is \$15,123,750 before encumbrances. With fiscal responsibility, delinquent collections of \$658,975, and refunds from prior years of \$463,017, Chardon has absorbed the state cuts of \$719,964 to show a slightly increased cash balance over the November projection for fiscal year 2020. It is important to note that state cuts will continue into 2021 and possibly further within the forecast.

The November 2019 five-year forecast projected an ending cash balance after fiscal year 2024 of \$14,312,068 after encumbrances, but due to the economic factors of COVID-19, the May 2020 forecast has been reduced to \$1,878,715 after encumbrances. Assumptions in each category included in this report to detail the drop in cash balance together with a possible a change in assumptions.



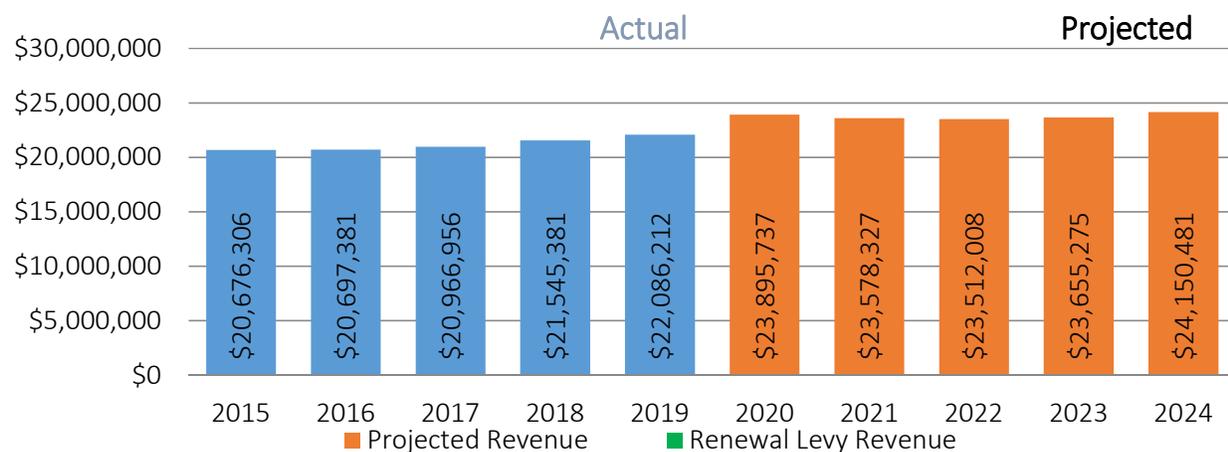
## REVENUES

**1.010 – General Property Tax** - Fiscal Year 2020 reported a full collection year for the 3.9 mill operating levy passed in 2018 yielding a collected total for residential and commercial taxes of \$23,895,737. The collection rate was reported at 104.4% by the Geauga County Treasurer in February 2020. The original projected collection rate for calendar year 2020 was 100% which would equate to a 98% collection rate proposed for the five-year forecast. On April 20, 2020 the Geauga County Budget Commission met on emergency action due to COVID-19 and reduced the collection rate to 95% across Geauga County for fiscal year 2021. With this information an adjustment was made to a 98.15% collection rate of residential taxes in 2020, a 96.75% collection rate in 2021, 95.50% collection rate for 2022, 96.75% collection rate for 2023, and back up to a 98.15% collection rate for 2024 in hopes the economy will pick back up after control of the pandemic is obtained. Commercial collection rates were also adjusted to: 2020 at 95.5%, 2021 at 94.25%, 2022 at 92.75%, 2023 at 94.25%, and 2024 at 95.50%.

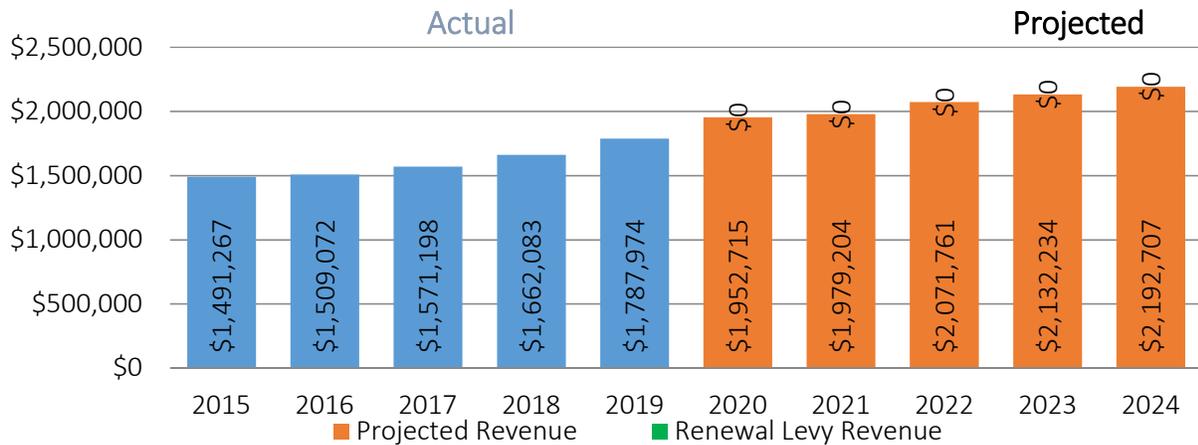
House Bill 920 plays a key factor in revenue generated from property tax. Each levy has a maximum amount of collections associated with the levy. For example, if a levy were to generate \$2 million dollars, it would remain at \$2 million dollars for the district no matter how high property valuations increase. In effect, the millage is reduced “effective millage” so that the dollar amount of revenue does not exceed the initial \$2 million dollar amount. There is a small percentage of taxes (4.5 mill) that are collected on what is called “inside-mill”. This amount does increase from year to year, showing a slight increase in taxes on the forecast. Inside-mill is not protected by House Bill 920 and revenue can decline if property values were to plummet.

Fiscal year 2020 was an update year for the Geauga County Auditor and property values increased on average 1.4%. Fiscal year 2023 is a revaluation year for property values, and depending on the “time” of the COVID-19 crisis, could potentially show reduced values. Because of “inside-mill” this would net in a slight loss of revenue. Loss of property values is not included in this model.

The potential for collection rates to drop even lower is possible under the current conditions of COVID-19 and a possible recession. **Chardon Local School District will provide an updated five-year forecast if conditions should vary significantly from this model and assumptions.**



**1.020 – Public Utility Personal Property** – Total Public Utility Personal Property tax collection for 2020 is estimated at \$1,952,715. Collection rates for Public Utility are historically at 100%, but due to the ongoing conflict with the Orwell Trumbull Pipeline the data reflects an 85.4% collection rate. This conflict is affecting all school districts that are associated with the Pipeline. The 85.4% collection rate is estimated for the next five years and due to slight valuation increases, the five-year forecast assumption is for increase revenue during this time. This model does not take into consideration the possibility of reduced valuations.



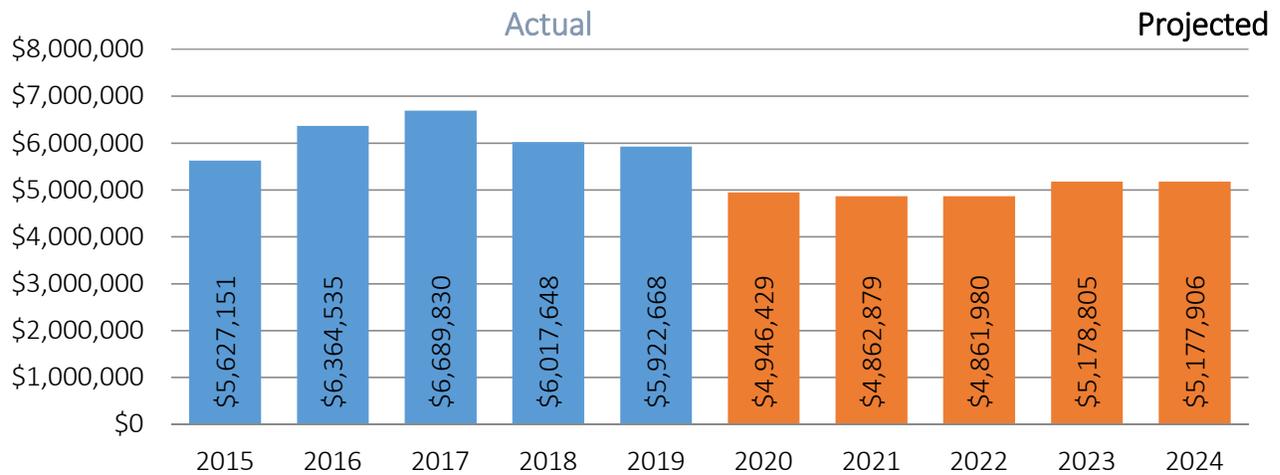
**1.030 – Income Tax** – Chardon Local District does not have an income tax in place.

**1.035 – Unrestricted Grants-in-Aid** –Governor DeWine passed a new biennial budget for fiscal years 2020 and 2021. In this budget is states that school districts in the state of Ohio will receive the same amount of state aid in fiscal year 2020 and fiscal year 2021 as they received in fiscal year 2019. Due to the COVID-19 pandemic Governor DeWine passed an emergency budget cut in May 2020 to K-12 schools resulting in a loss to Chardon of \$719, 964 for fiscal year 2020. The cut is to be deducted from the final three foundation payments for the fiscal year. Chardon does not net enough in the final payments to cover this debt. \$38K is included in this line for 2020 and will be paid back to the state of Ohio to satisfy this cut. This 13.2% cut in state revenue is assumed from fiscal years 2021 and 2022, with half has much estimated for fiscal years 2023 and 2024.

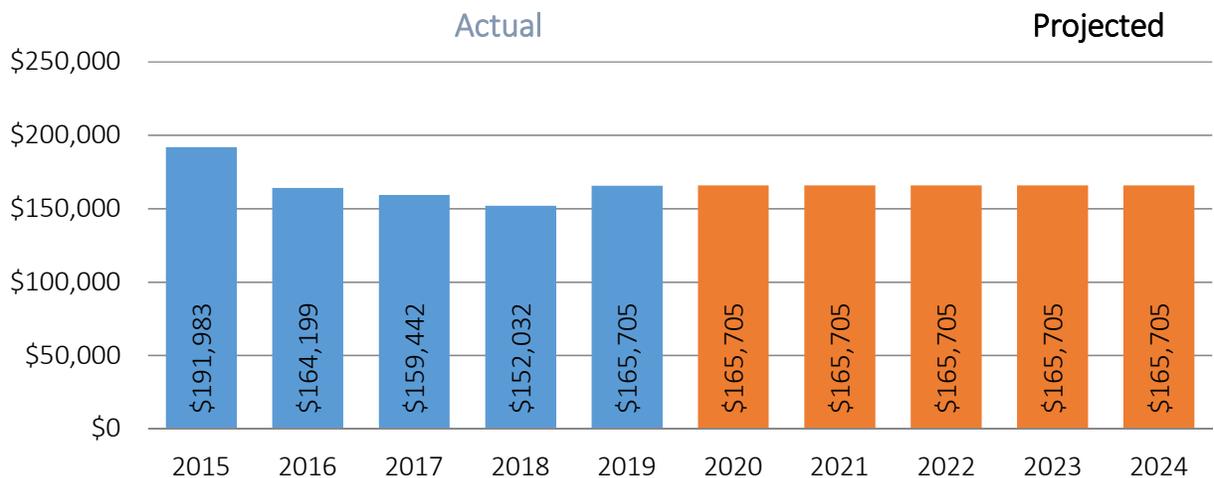
In addition to this aid, casino tax and foundation adjustments affect the total revenue reported. Casino revenue was projected at \$52 per student in November 2019, but has been reduced to \$25 per student due to COVID-19 beginning in fiscal year 2020. Special Education Transportation dropped from \$107,212 per year to \$65,000 per year based on our fiscal year 2020 T2 report submission.

Foundation and casino tax revenues are based on Charon’s student count (ADM). The five-year assumption includes a declining student count which slightly affects the revenue in this line item to reduce over time.

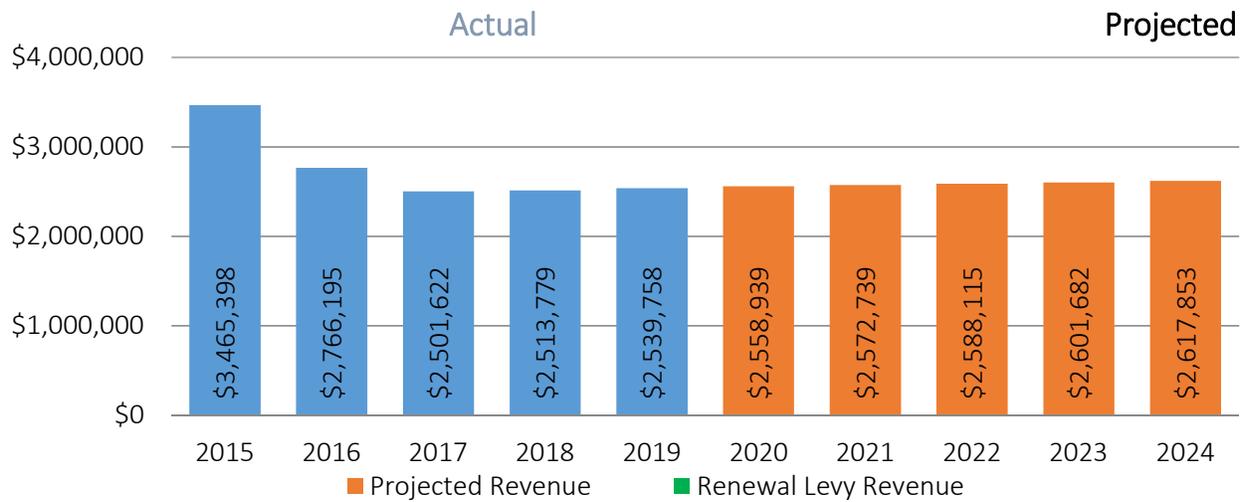
There is a possibility that the state cuts could continue to magnify or decline. **Chardon Local School District will provide an updated five-year forecast if conditions should vary significantly from this model and assumptions.**



**1.040 & 1.045 – Restricted Grants-in-Aid** – Restricted State Aid forecasted for 2020 was \$165,705. This line represents the expected revenue from the Ohio Department of Education for Catastrophic Special Education Reimbursements, Economically disadvantaged funding and Career Tech funding. The assumption is that this revenue will continue to stay the same for each of the five years.

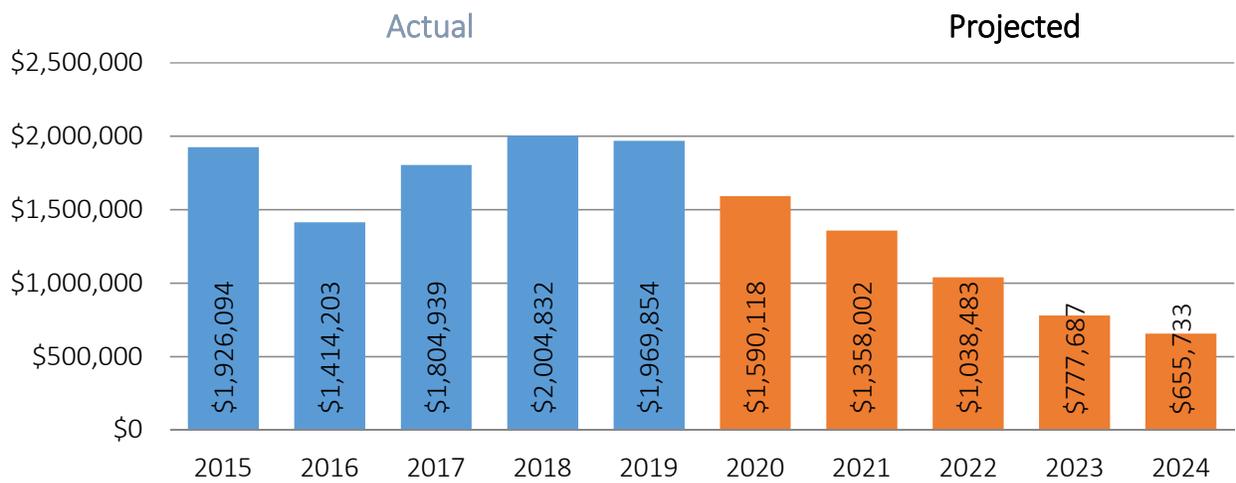


**1.050 – Property Tax Allocation** – Property Tax Allocation (Homestead and Rollback) for 2020 is projected to end at \$2,558,939. This revenue is provided to each school district from the state of Ohio on the discount percentages offered to homeowners for specific programs. The five-year projection taxes takes into consideration slight valuation increases pertaining to “inside mill” for a slight increases each year for the next five years. This revenue will not be affected by COVID-19 at this time, but the possibility of reduced valuations in 2023 could result in a slight decrease and is not included in this model.



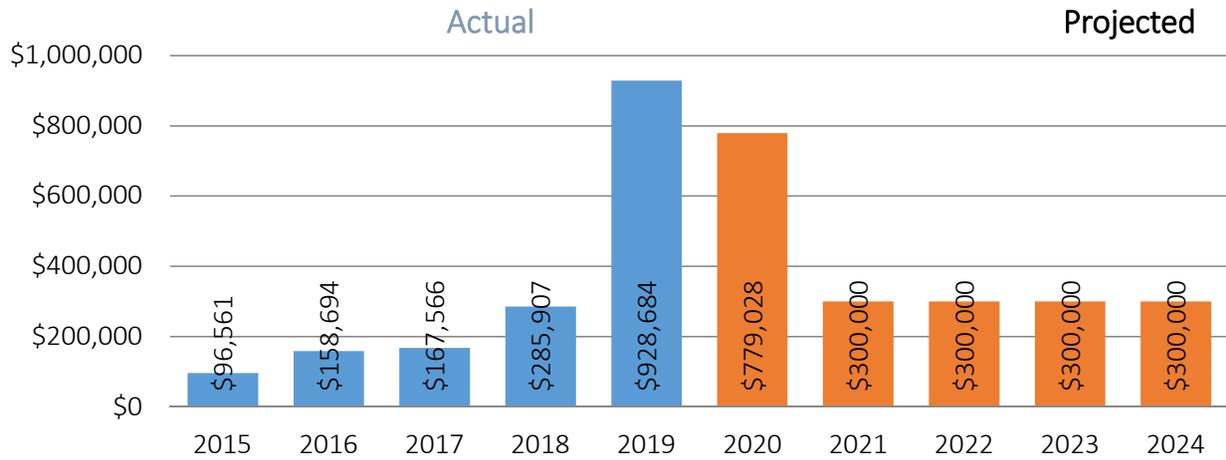
**1.060 – All Other Operating Revenues** – All Other Operating Revenues projected for the end of fiscal year 2020 are \$1,590,118. An assumption is incorporated into this line item to allow for a dramatic decline in interest over the next five years. It is also assumed that the economy will bounce back in 2024 to show a steady growth. Also affecting this line item is the lost revenue due to facility rentals and custodian rentals. Facility/custodial rental comprised \$31,642 in revenue for fiscal year 2020, this has been assumed at zero for the next two years, picking up to \$15,000 in 2023 and 2024. It is assumed facility/custodial rentals will not occur for the next two to five years.

Other Operating Revenue has fluctuated over the years but is typically never under a million dollars. Should interest rates increase and buildings are rented sooner than expected, this revenue could increase back to its average levels. **Chardon Local School District will provide an updated five-year forecast if conditions should vary significantly from this model and assumptions.**



**2.070 – Total Other Financing sources** – Total Other Financing Sources for 2020 are projected at \$779,028. This revenue includes \$200,000 advanced back to the general fund from grant fund 516. It also includes a refund check from the Bureau of Workers Compensation refunded from fiscal year 2018 in the amount of \$116,011, a refund from Bureau of Workers Compensation for fiscal year 2019 in the amount of \$92,881, a refunded Medicaid settlement in the amount of \$131,540, a refund for prior year for fees from the 009 fund, and refund a for fuel tax. For 2020 the projected amount is \$300,000 to allow for advances back into the general fund from other funds, particularly grant funds and continued potential refunds from a prior year.

In 2019 and 2020 Bureau of Workers Compensation refunds were recorded at nearly a full refund. This accounts for the outliers shown in the graph below. **Chardon Local School District will provide an updated five-year forecast if conditions should vary significantly from this model and assumptions.**



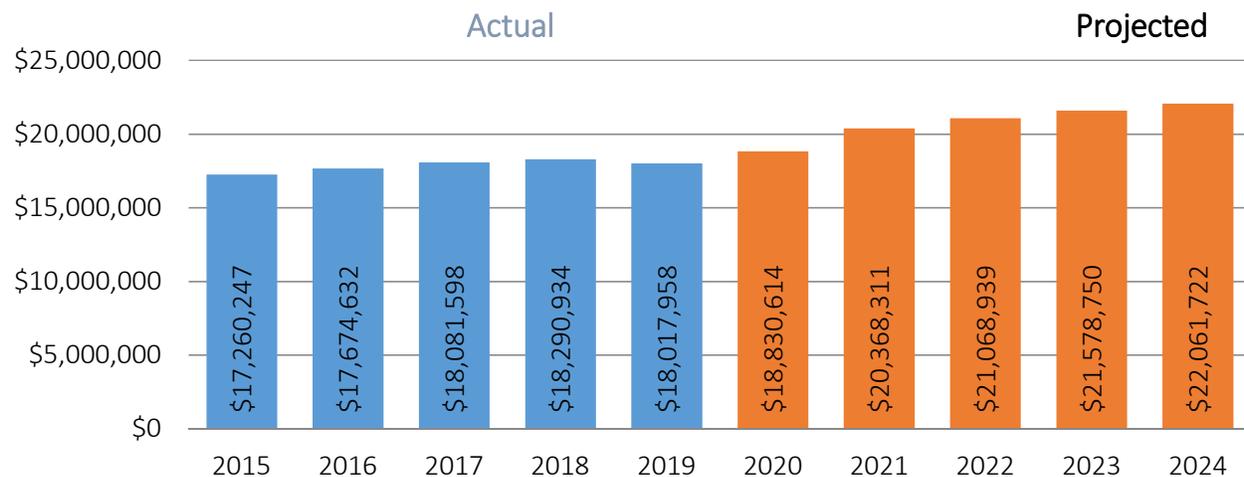
## EXPENDITURES

**3.010 – Personnel Services** – The total for Personnel Services projected for fiscal year 2020 is \$18,830,614. This amount reflects a slight increase from the November 2019 projection of \$18,727,070 due to the addition of staff for special education purposes. After the completion of May and June of 2020, Personal Services should end at a reduced amount due to reduced overtime, reduced extra hours, and reduced substitute pay from March through June of fiscal year 2020. Currently this area is under budget \$267,632 at the end of April 2020.

Due to the uncertainties of next school year this assumption includes a 5% increase in staff to account for COVID-19 regulations of social distancing, and sanitization. This is a one-time increase that is carried into the remaining three years of this forecast. This explains the large jump from fiscal year 2020 of \$18,830,614 to \$20,368,311 in fiscal year 2021.

Negotiated agreements for both the teacher’s union and the classified union are agreed upon until fiscal year 2022. The forecast reflects the agreements until 2022 and then reduces the increase by base increase percentages for 2023 and 2024 to reflect only step increases for these years. Personnel Services continues to be the largest expenditure for Chardon Local Schools and the average teacher salary is in the middle range for Geauga County.

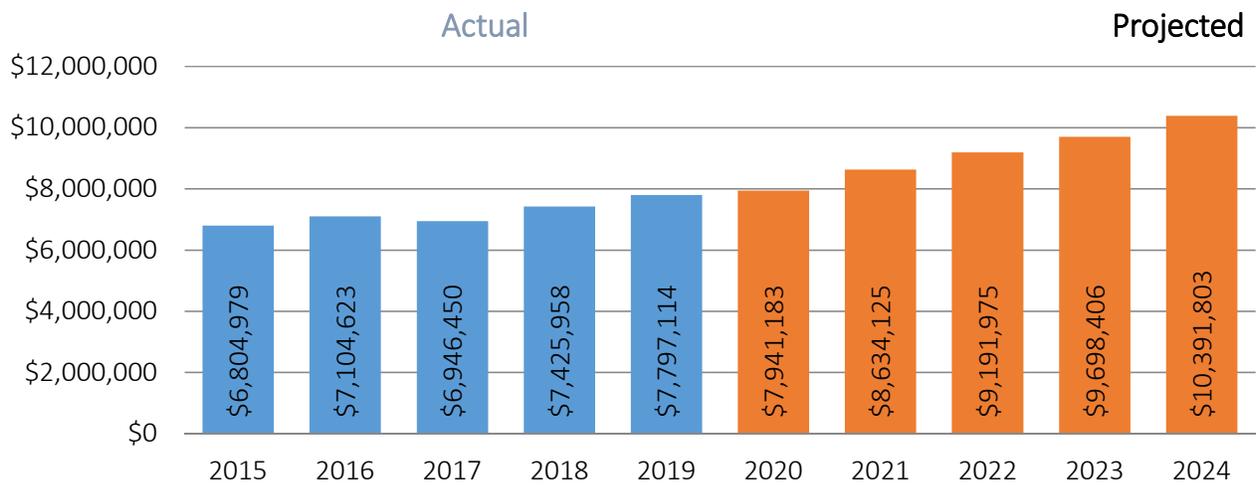
Once state regulations are set for the 2020-1921 school year, Chardon will have a clearer picture on what staff is needed to satisfy the new regulations. This update could cause another major fluctuation in this estimate. **Chardon Local School District will provide an updated five-year forecast if conditions should vary significantly from this model and assumptions.**



**3.020 – Employee Benefits** – Total projection for fiscal year 2020 for Employee Benefits are \$7,941,183. This is a slight reduction from the November 2019 forecast. Since the start of the pandemic in the United States in March 2020, the self-insurance fund has been increasing. This is due to shutdown orders from the state of Ohio that included the elimination of non-essential procedures clear through

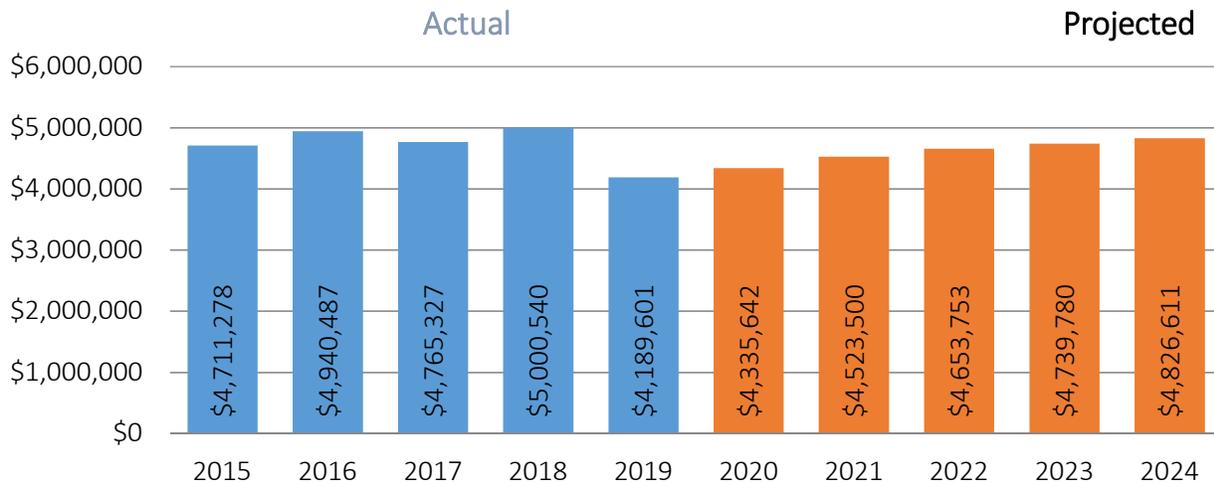
May 2020. Insurance projections continue to stabilize due to consumer choice to put off non-essential procedures until a safer time period.

This is a total of employee insurances (health, dental, and life), Medicare, Worker’s Compensation, and retirement costs for the district. Maintaining identical coverages, the district has changed health insurance carriers from Aetna to Medical Mutual for fiscal year 2020 for health insurance, but remained with Aetna for dental insurance. Fiscal year 2020 included a 7% increase in health care costs, moving to 9% in 2021, and 10% for the remaining three years of the forecast for a conservative look at rising insurance costs. Together with these increases, a onetime 5% increase has been added to fiscal year 2021 and carried forward for the next five years to account for a possible increase in staff due to COVID-19 regulations. **Chardon Local School District will provide an updated five-year forecast if conditions should vary significantly from this model and assumptions.**



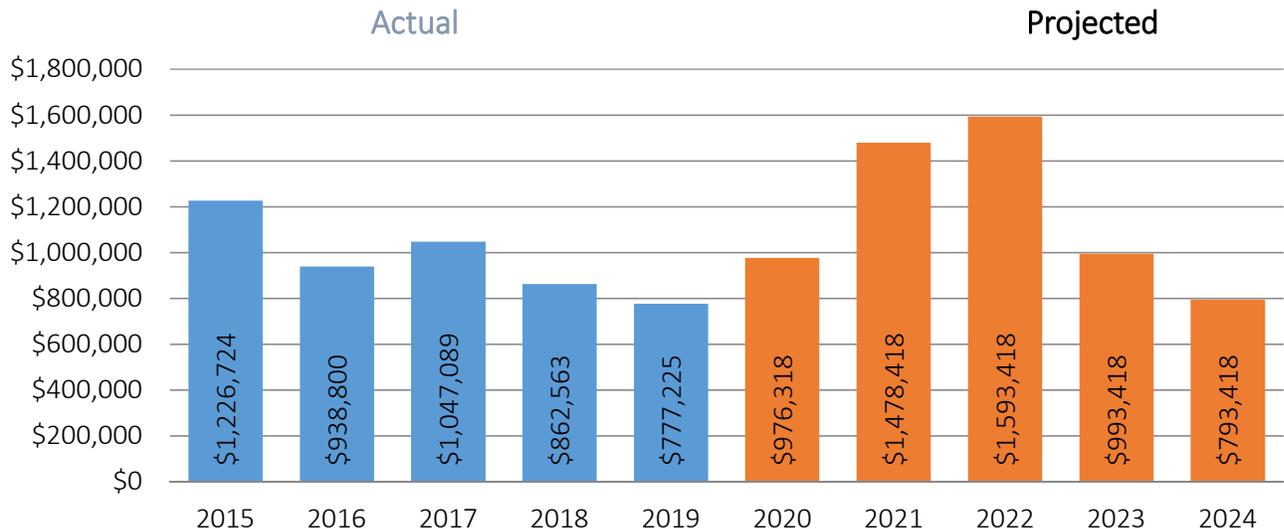
**3.030 – Purchased Services** – Total forecasted Purchased Services for 2020 are \$4,335,642. This amount is a cost of living increase over fiscal year 2019. Each object code was reviewed with the Superintendent to allow for expenditures for appropriate programs. The assumption for the five-year forecast includes these programs and projects an increase based on cost of living increases for the next five years.

It is important to note that due to potential changes from COVID-19 in school programming and functions this area may show a great deal of impact in the future year. This model does not include estimates these changes at this time. **Chardon Local School District will provide an updated five-year forecast if conditions should vary significantly from this model and assumptions.**

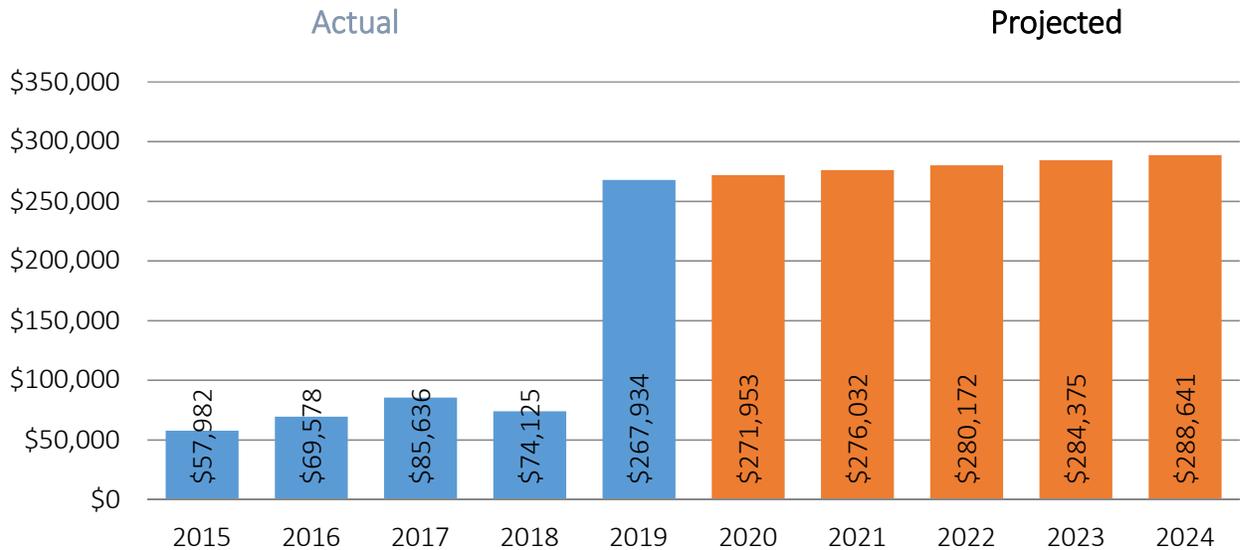


**3.040 – Supplies & Materials** – Supplies & Materials are forecasted to end 2020 at \$976,318. This expenditure fluctuates from year to year based on one primary expenditure, textbooks. A spending plan was outlined with the Assistant Superintendent of Curriculum to reflect textbook replacement in 2020, 2021, and 2022 tapering off in 2023 and 2024. This explains the slight jump in 2020 compared to 2019. As of the end of May 2020, Supplies and Materials was currently \$129,976 under budget.

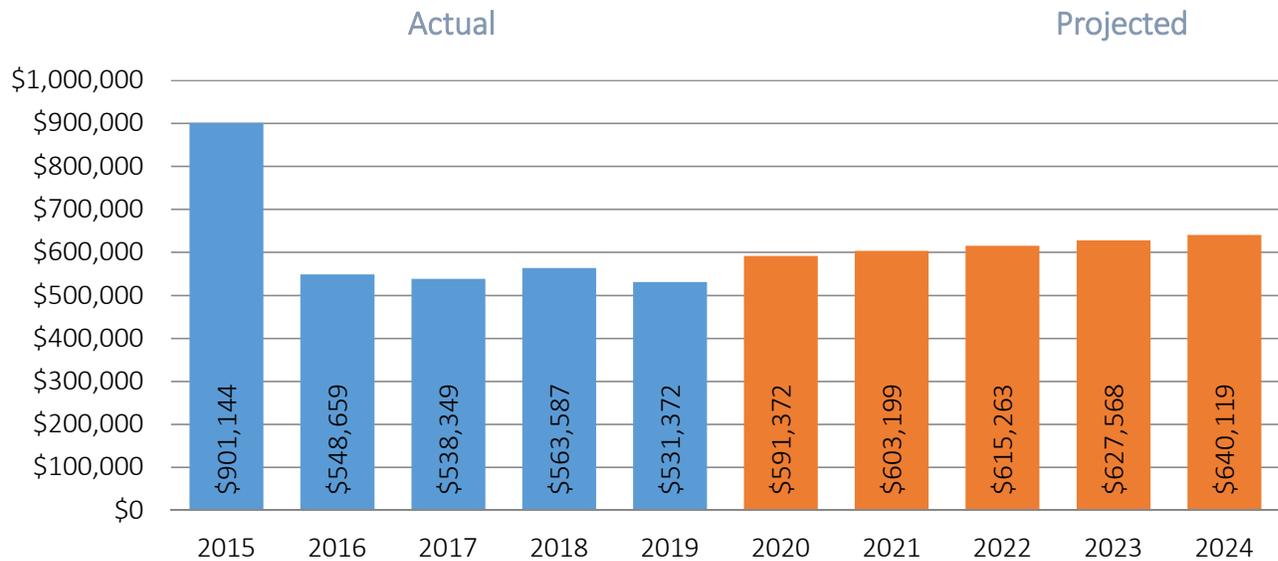
It is important to note that due to potential changes from COVID-19 in school programming and functions this area may show a great deal of impact in the future year. This model includes a \$500,000 increase in sanitation supplies, PPE equipment, and hand sanitizer for both the 2021, and 2022 school years. The assumption is that this line item will return to normal operation by 2023. **Chardon Local School District will provide an updated five-year forecast if conditions should vary significantly from this model and assumptions.**



**3.050 – Capital Outlay** – Capital Outlay forecast for 2020 is \$271,953 and currently fiscal year 2020 estimates are under budget \$172,794 as of April 2020. The amount is held aside for need equipment throughout the school year. As noted in the November 2019 forecast, this may be an area of savings, but due to COVID-19, the need for sanitation equipment is necessary for 2020 and 2021. The assumption is to leave this fund at a 1.5% increase each year for the next five years to allow for necessary equipment purchases. **Chardon Local School District will provide an updated five-year forecast if conditions should vary significantly from this model and assumptions.**

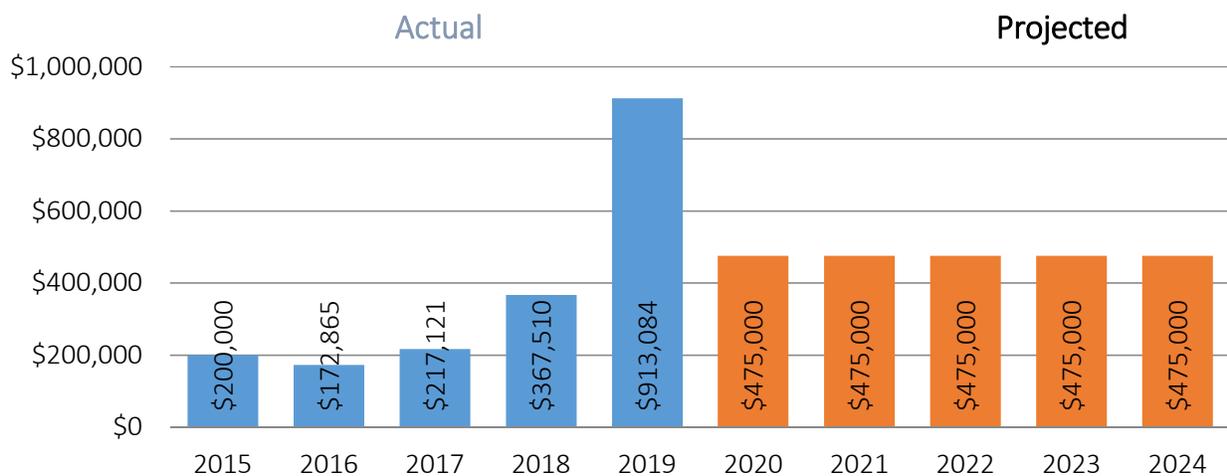


**4.300 – Other Objects** – Other Objects estimated for May 2020 is \$591,372 which is an increased amount from the 2019 November forecast by approximately 11%. One of the largest expenditures within this line item is fees to the County Auditor for the collection of taxes. Fees in general were increase about 2% for cost of living, so an adjustment was made to this line item to increase the fees 2% each year following 2020 by 2%.



**5.010 to 5.040 – Total Other Financing Users** – Total Other Financing projected for 2020 is \$475,000. This is a combination of transfers estimated to pass through funds for 2020 due to COVID-19. Projected transfers are \$250,000 to the athletics fund, \$80,000 to foods service, \$20,000 to retirement funds, and \$175,000 advance to the grant accounts to bring them into a positive status prior to the end of the fiscal year. This assumption projects the same amount will be needed for the next five years.

This amount could drastically change with conditions of COVID-19. **Chardon Local School District will provide an updated five-year forecast if conditions should vary significantly from this model and assumptions.**



**Ending Cash Balance** – the projected ending cash balance for this model is \$2,378,715 with a reduction to **\$1,878,715** with open purchase orders (encumbrances). Again, the five-year forecast was greatly affected by the pandemic for both revenues and expenditures.

The November 2019 forecast did not show deficit spending until 2023, that has now been pushed to 2021 with a potential of deficit spending of **(\$1,541,729)**. Each day Chardon Local Schools continues the assessment of “what school will look like next year”. As soon as there is a clear cut picture, and regulations are set from the state, the assumptions will be reassessed to create a more accurate picture of our financial future. Should conditions and information change dramatically, a new five-year forecast will be created and resubmitted to the state to account for closer to accurate information.

**Chardon Local School District will provide an updated five-year forecast if conditions should vary significantly from this model and assumptions.**

**Chardon Local School District  
Schedule Of Revenue, Expenditures and Changes In Fund Balances  
Actual and Forecasted Operating Fund**

	ACTUAL			FORECASTED				
	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024
<b>Revenues:</b>								
1.010 - General Property Tax (Real Estate)	20,966,956	21,545,381	22,086,212	23,895,737	23,578,327	23,512,008	23,655,275	24,150,481
1.020 - Public Utility Personal Property	1,571,198	1,662,083	1,787,974	1,952,715	1,938,398	2,070,551	2,131,025	2,191,498
1.030 - Income Tax	-	-	-	-	-	-	-	-
1.035 - Unrestricted Grants-in-Aid	6,689,830	6,017,648	5,922,668	4,946,429	4,862,879	4,861,980	5,178,805	5,177,906
1.040 - Restricted Grants-in-Aid	159,442	152,032	165,705	165,705	165,705	165,705	165,705	165,705
1.045 - Restricted Federal Grants-in-Aid - SFSP	-	-	-	-	-	-	-	-
1.050 - Property Tax Allocation	2,501,622	2,513,779	2,539,758	2,558,939	2,572,739	2,588,115	2,601,682	2,617,853
1.060 - All Other Operating Revenues	1,804,939	2,004,832	1,969,854	1,590,118	1,358,002	1,038,483	777,687	655,733
<b>1.070 - Total Revenue</b>	<b>33,693,987</b>	<b>33,895,755</b>	<b>34,472,171</b>	<b>35,109,643</b>	<b>34,476,050</b>	<b>34,236,842</b>	<b>34,510,179</b>	<b>34,959,176</b>
<b>Other Financing Sources:</b>								
2.010 - Proceeds from Sale of Notes	-	-	-	-	-	-	-	-
2.020 - State Emergency Loans and Advancements	-	-	-	-	-	-	-	-
2.040 - Operating Transfers-In	-	-	463,075	-	-	-	-	-
2.050 - Advances-In	42,000	82,000	222,510	200,000	125,000	125,000	125,000	125,000
2.060 - All Other Financing Sources	125,566	203,907	243,099	579,028	175,000	175,000	175,000	175,000
2.070 - Total Other Financing Sources	167,566	285,907	928,684	779,028	300,000	300,000	300,000	300,000
<b>2.080 - Total Revenues and Other Financing Sources</b>	<b>33,861,553</b>	<b>34,181,662</b>	<b>35,400,855</b>	<b>35,888,671</b>	<b>34,776,050</b>	<b>34,536,842</b>	<b>34,810,179</b>	<b>35,259,176</b>
<b>Expenditures:</b>								
3.010 - Personnel Services	18,081,598	18,290,934	18,017,958	18,830,614	20,368,311	21,068,939	21,578,750	22,061,722
3.020 - Employees' Retirement/Insurance Benefits	6,946,450	7,425,958	7,797,114	7,941,183	8,634,125	9,191,975	9,698,406	10,391,803
3.030 - Purchased Services	4,765,327	5,000,540	4,189,601	4,335,642	4,523,500	4,653,753	4,739,780	4,826,611
3.040 - Supplies and Materials	1,047,089	862,563	777,225	976,318	1,478,418	1,593,418	993,418	793,418
3.050 - Capital Outlay	85,636	74,125	267,934	271,953	276,032	280,172	284,375	288,641
3.060 - Intergovernmental	-	-	-	-	-	-	-	-
<b>Debt Service:</b>								
4.010 - Principal-All Years	-	-	-	-	-	-	-	-
4.020 - Principal - Notes	-	-	-	-	-	-	-	-
4.030 - Principal - State Loans	-	-	-	-	-	-	-	-
4.040 - Principal - State Advances	-	-	-	-	-	-	-	-
4.050 - Principal - HB264 Loan	-	-	-	-	-	-	-	-
4.055 - Principal - Other	-	-	-	-	-	-	-	-
4.060 - Interest and Fiscal Charges	-	-	-	-	-	-	-	-
4.300 - Other Objects	538,349	563,587	531,372	591,372	603,199	615,263	627,568	640,119
<b>4.500 - Total Expenditures</b>	<b>31,464,449</b>	<b>32,217,707</b>	<b>31,581,204</b>	<b>32,947,082</b>	<b>35,883,585</b>	<b>37,403,520</b>	<b>37,922,297</b>	<b>39,002,314</b>
<b>Other Financing Uses</b>								
5.010 - Operating Transfers-Out	136,000	145,000	713,075	350,000	350,000	350,000	350,000	350,000
5.020 - Advances-Out	82,000	222,510	200,000	125,000	125,000	125,000	125,000	125,000
5.030 - All Other Financing Uses	(879)	-	9	-	-	-	-	-
5.040 - Total Other Financing Uses	217,121	367,510	913,084	475,000	475,000	475,000	475,000	475,000
<b>5.050 - Total Expenditures and Other Financing Uses</b>	<b>31,681,570</b>	<b>32,585,217</b>	<b>32,494,288</b>	<b>33,422,082</b>	<b>36,358,585</b>	<b>37,878,520</b>	<b>38,397,297</b>	<b>39,477,314</b>
<b>Excess of Rev &amp; Other Financing Uses Over (Under)</b>								
<b>6.010 - Expenditures and Other Financing Uses</b>	<b>2,179,983</b>	<b>1,596,445</b>	<b>2,906,567</b>	<b>2,466,589</b>	<b>(1,582,535)</b>	<b>(3,341,678)</b>	<b>(3,587,118)</b>	<b>(4,218,138)</b>
<b>Cash Balance July 1 - Excluding Proposed Renewal/</b>								
<b>7.010 - Replacement and New Levies</b>	<b>5,914,166</b>	<b>8,094,149</b>	<b>9,690,594</b>	<b>12,597,161</b>	<b>15,063,750</b>	<b>13,481,216</b>	<b>10,139,538</b>	<b>6,552,420</b>
<b>7.020 - Cash Balance June 30</b>	<b>8,094,149</b>	<b>9,690,594</b>	<b>12,597,161</b>	<b>15,063,750</b>	<b>13,481,216</b>	<b>10,139,538</b>	<b>6,552,420</b>	<b>2,334,281</b>
<b>8.010 - Estimated Encumbrances June 30</b>	<b>637,617</b>	<b>512,035</b>	<b>203,359</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>
<b>Reservations of Fund Balance:</b>								
9.010 - Textbooks and Instructional Materials	-	-	-	-	-	-	-	-
9.020 - Capital Improvements	-	-	-	-	-	-	-	-
9.030 - Budget Reserve	-	-	-	-	-	-	-	-
9.040 - DPIA	-	-	-	-	-	-	-	-
9.050 - Debt Service	-	-	-	-	-	-	-	-
9.060 - Property Tax Advances	-	-	-	-	-	-	-	-
9.070 - Bus Purchases	-	-	-	-	-	-	-	-
9.080 - Subtotal	-	-	-	-	-	-	-	-
<b>Fund Balance June 30 for Certification</b>								
<b>10.010 - of Appropriations</b>	<b>7,456,532</b>	<b>9,178,559</b>	<b>12,393,802</b>	<b>14,563,750</b>	<b>12,981,216</b>	<b>9,639,538</b>	<b>6,052,420</b>	<b>1,834,281</b>
<b>Rev from Replacement/Renewal Levies</b>								
11.010 - Income Tax - Renewal	-	-	-	-	-	-	-	-
11.020 - Property Tax - Renewal or Replacement	-	-	-	-	-	-	-	-
11.030 - Cumulative Balance of Replacement/Renewal Le	-	-	-	-	-	-	-	-
<b>Fund Balance June 30 for Certification</b>								
<b>12.010 - of Contracts, Salary and Other Obligations</b>	<b>7,456,532</b>	<b>9,178,559</b>	<b>12,393,802</b>	<b>14,563,750</b>	<b>12,981,216</b>	<b>9,639,538</b>	<b>6,052,420</b>	<b>1,834,281</b>
<b>Revenue from New Levies</b>								
13.010 - Income Tax - New	-	-	-	-	-	-	-	-
13.020 - Property Tax - New	-	-	-	-	-	-	-	-
13.030 - Cumulative Balance of New Levies	-	-	-	-	-	-	-	-
<b>14.010 - Revenue from Future State Advancements</b>								
<b>15.010 - Unreserved Fund Balance June 30</b>	<b>7,456,532</b>	<b>9,178,559</b>	<b>12,393,802</b>	<b>14,563,750</b>	<b>12,981,216</b>	<b>9,639,538</b>	<b>6,052,420</b>	<b>1,834,281</b>