To Learn. To Lead. To Make a Difference.™

Five Year Forecast
Report to the Community

Orange City School District
Cuyahoga County

May 2021

Contents

Executive Summary

No school district is an island unto itself. Public schools, in fact, are an integral part of the community. Since the 19th Century, education has been considered a vital governmental function. While teaching pedagogies change over time, the responsibility for serving pupils endures. The table below provides an abridged presentation of the financial forecast for the five years beginning this school year.

Orange City School District

Cuyahoga County

Abridged Schedule of Revenues, Expenditures and Changes in Fund Balances

For the Forecasted Fiscal Years Ending June 30, 2021 Through 2025

		Forecasted				
Forecast Line	Data Point	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025
2.080	Total Revenues and Other Financing Sources	$50,908,521	$52,120,212	$52,495,773	$52,753,401	$53,156,162
5.050	Total Expenditures and Other Financing Uses	$51,836,199	$53,258,685	$54,422,252	$55,844,889	$57,351,092
6.010	**Excess of Revenues over (under) Expenditures**	**($927,678)**	**($1,138,473)**	**($1,926,479)**	**($3,091,488)**	**($4,194,929)**
7.010	Cash Balance July 1 - Excluding Proposed Future Levies	$26,030,428	$25,102,750	$23,964,277	$22,037,798	$18,946,310
7.020	Cash Balance June 30	$25,102,750	$23,964,277	$22,037,798	$18,946,310	$14,751,380
8.010	Estimated Encumbrances June 30	$500,000	$500,000	$500,000	$500,000	$500,000
11.300	Cumulative Balance of Replacement/Renewal Levies	$0	$0	$0	$0	$0
13.030	Cumulative Balance of New Levies	$0	$0	$3,236,612	$9,121,360	$15,006,108
15.010	**Forecast Fund Balance June 30**	**$24,602,750**	**$23,464,277**	**$24,774,410**	**$27,567,670**	**$29,257,488**

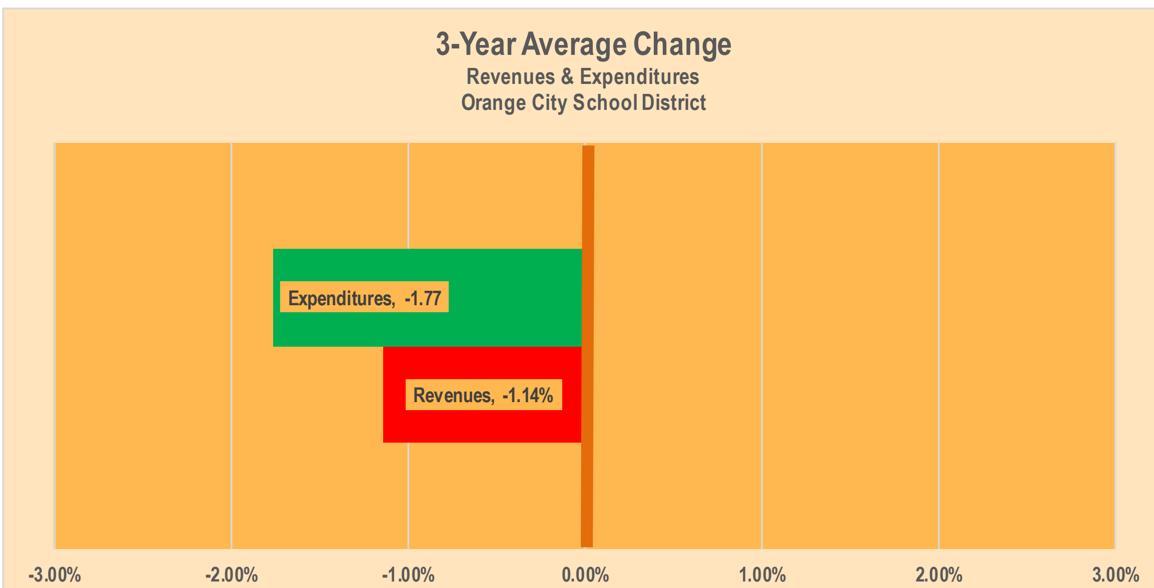
Commentary

"A year like no other" is a phrase often associated with the COVID-19 pandemic. On March 16, 2020, concern about the rapid spread of the contagious and deadly COVID-19 virus caused Ohio Gov. Mike DeWine to close all Ohio schools to students effective March 16, 2020, for what would become the remainder of the 2019-2020 school year. Disruption to learning continued into the current school year with remote learning or a hybrid of in-person and remote learning becoming the norm through the fall and into the winter of the school year. Meanwhile, a massive economic dislocation unparalleled in modern American history gripped the nation with widespread disruption of business and social activity.

At the midpoint of the spring of 2021, business and social activity has begun to resume, though not quite at pre-pandemic levels. As of May 2021, vaccines against the COVID-19 virus are widely available to all adults and teenagers who want them. Children may be eligible to become vaccinated in a matter of months. A number of economists suggest that economic activity will flourish as the pandemic wanes. A growing consensus among economists is that post-pandemic economic growth will occur at the highest rate since 1984. Pent-up demand for travel, restaurant meals and other forms of social-interaction experiences are forecast to act like dynamite to spark explosive economic growth in the early stages of economic recovery from the pandemic. Still, many constraints to robust economic activity remain. Building materials, such as lumber, are in short supply. The need for vehicle computer chips exceeds available output, constraining automobile sales. The ongoing emergence of virulent and deadly strains of the COVID-19 virus has led to travel restrictions to afflicted foreign countries. While vaccinations have mitigated a number of risks associated with the virus, it has not eliminated those risks entirely. As a result, never in the 22-year history of the financial forecasting law for Ohio schools districts, has forecasting been so challenging and fraught with uncertainty. Pandemic-related economic upheaval has weakened almost any financial assumption or estimate based on current or historical data. Statistical standards commonly used to assess the credibility of financial forecast assumptions are less reliable than in more stable times. The data presented in this financial forecast are based on the best available information as of the time of its preparation. New information related to the outlook for State funding is regularly being received this spring as the Ohio General Assembly determines the State's budget for the next two years. Still, a high probability exists that this guidance will become outdated quickly. So much will continue to change in the months ahead as life return to some semblance of normalcy, whatever that may mean in the months ahead.

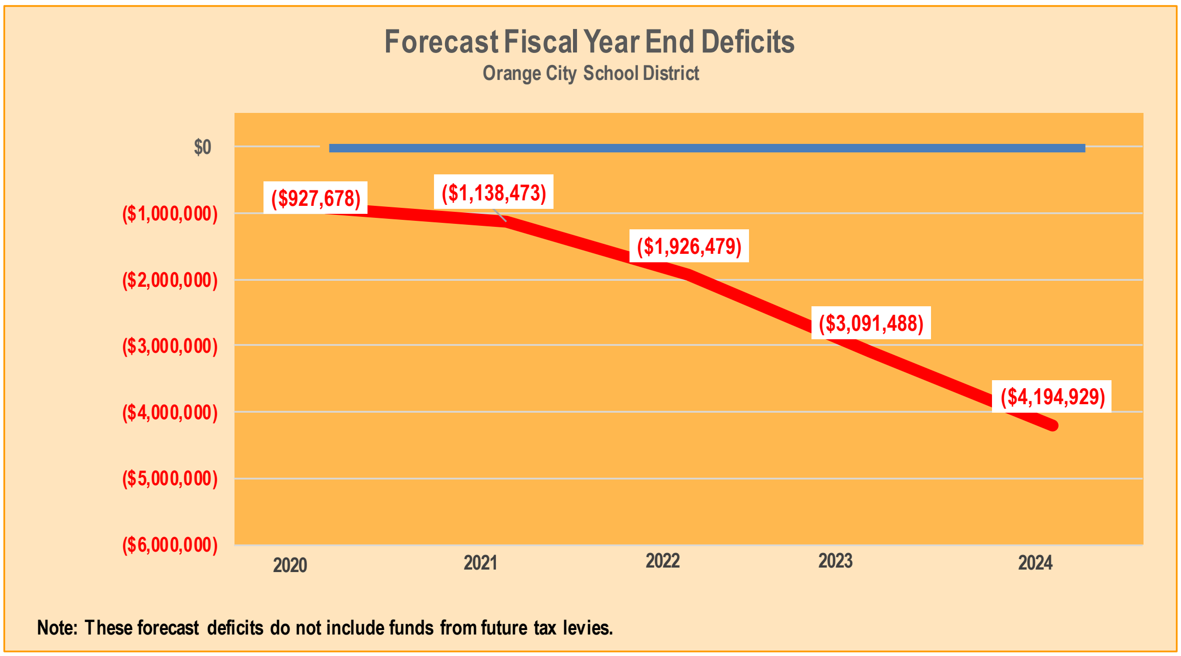
Nevertheless, there is little material change in the actual overall forecast financial position of the Orange City School District. To the extent the trajectory of the fiscal path for the District has changed from the November 2020 forecast submission, it is a little more positive than negative. At the height of the pandemic, due to the closure of school buildings and related reduction of in-person school activities during the pandemic, utility and employee overtime costs declined. As in-person instruction resumed during the winter, operating costs began to rise in relation to the resumption of those activities. Instructional and operating costs are forecast to return to pre-pandemic norms for the 2021-2022 school year based on an assumption that normal school activities will resume with minimal or no constraints at that time.

Tax receipts, which were modestly less than forecast during the summer of 2020, were negligibly less than forecast for the winter of 2021. The most foreboding economic prognostications for the pandemic period were not realized, likely due to massive economic relief legislation approved by the federal government. The District is in line to receive approximately $2.6 million in COVID-19 relief funding through several federal programs through September 30, 2022. That funding, while significant, is restricted to specific purposes and is not included in this forecast in accordance with Auditor of State of Ohio rules for accounting for those funds. Additionally, prior cuts imposed by Gov. DeWine related to the distribution of State Foundation aid to Ohio's school districts, were rescinded in January 2021. This returned $272,478 in financial support for Orange City Schools.



Despite the most challenging set of fiscal circumstances in the modern era, the School District is in a resilient financial position. Absent major changes to existing revenue and expenditure patterns, expenditures are forecast to exceed revenues modestly for the current fiscal year. Expenditures subsequently are forecast to exceed revenues for future fiscal years during the forecast time horizon. As a result, the financial position of the School District is still projected to deteriorate over time. This is in accord with the autumn 2020 forecast. Unless revenues are increased or expenditures reduced within this time frame, the forecast indicates that reserves will erode to a point where the District will have fewer than 90 days of cash reserves on hand by fiscal year 2025. This contravenes Board of Education Resolution R-14-2005.

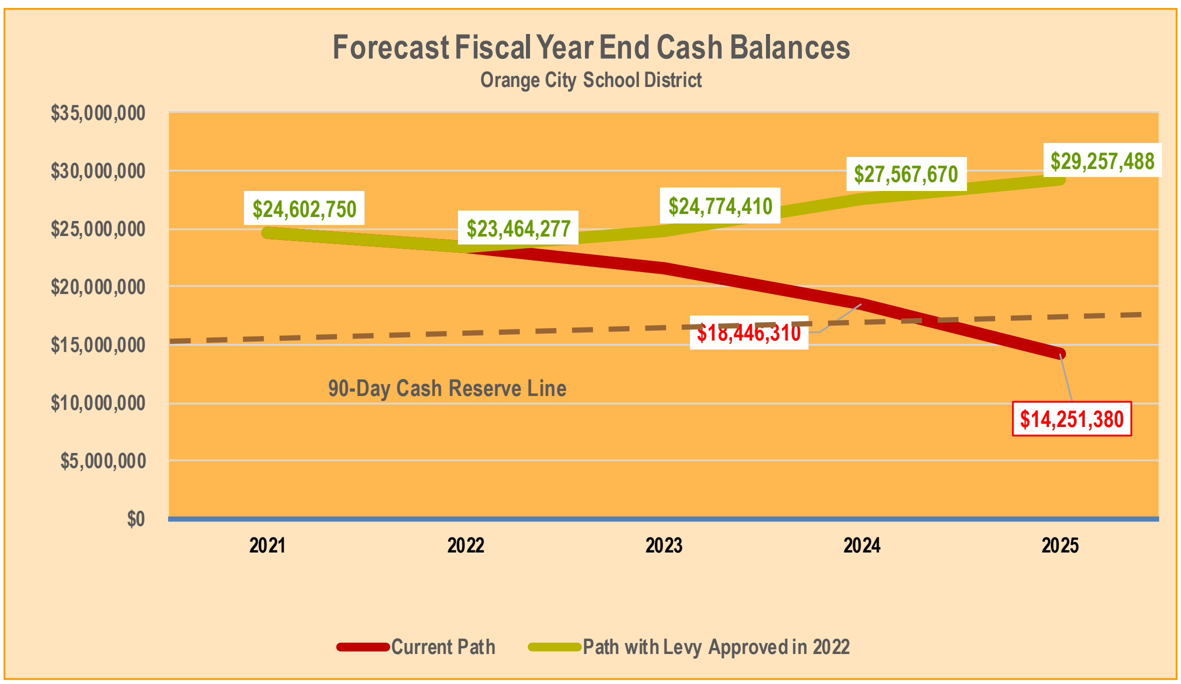
Relative to school districts across Ohio, however, the Orange City School District is in a strong financial position. When the School District refinanced its entire outstanding voted debt in spring 2017, it upheld its standing as the only Ohio school district to have top credit ratings both from Moody's Investors Service [Aaa] and Standard & Poor's [AAA]. Conservative fiscal practices, strong reserves and community support are among the reasons cited by both agencies for affirming their highest ratings. In its March 2017, discussion about the rationale for conferring an Aaa rating, Moody's Investors Service said, "Given strong local support for revenue and the district's very healthy financial position, we expect future financial challenges to be minimal and that the district could absorb moderate growth in costs should they arise." Standard & Poor's found it especially noteworthy that the Orange City School District "can maintain better credit characteristics than the U.S. [federal government] in a stress scenario." Subsequent rating agency surveillance of the District's financial position suggests that the fiscal characteristics necessary to maintain these top ratings remain in place. In a May 2019 Issuer Comment report, Moody's said the following: "Notable credit factors include a very strong financial position, a very strong wealth and income profile, a solid tax base, a negligible debt burden, and a high pension liability." At a time when many school districts and other units of local government are questioning the sufficiency of financial reserves due to the COVID-19 pandemic, the Orange City School District comparatively is well positioned.



Throughout the course of the current five-year forecast time frame, deficits are forecast to rise from nearly $1 million this fiscal year to nearly $4 million in Fiscal Year 2025. This trend of declining cash balances has been predicted for several years through multiple forecast documents. Forecast costs rising faster than revenues is a common predicament for Ohio school districts that is rooted deeply in Ohio school funding laws. A moderate level of new construction, redevelopment, and renovation of residential and commercial property has occurred in the community in recent years. All of this has had a modest positive fiscal impact. The COVID-19 pandemic appears to have had limited effect on new residential construction. For example, construction is progressing on Moreland Commons, a 59-home development on Chagrin Boulevard. Planning for and construction of several other residential developments in the community is progressing. While the pandemic has slowed some anticipated commercial development, some plans have begun to re-emerge quietly, especially in the vicinity of Interstate 271 and Harvard Road. Nevertheless, in a post-pandemic world, questions have emerged about future needs for retail and office space. For various reasons, plans for the development of the former Beech Brook behavioral health center property have been withdrawn at this time.

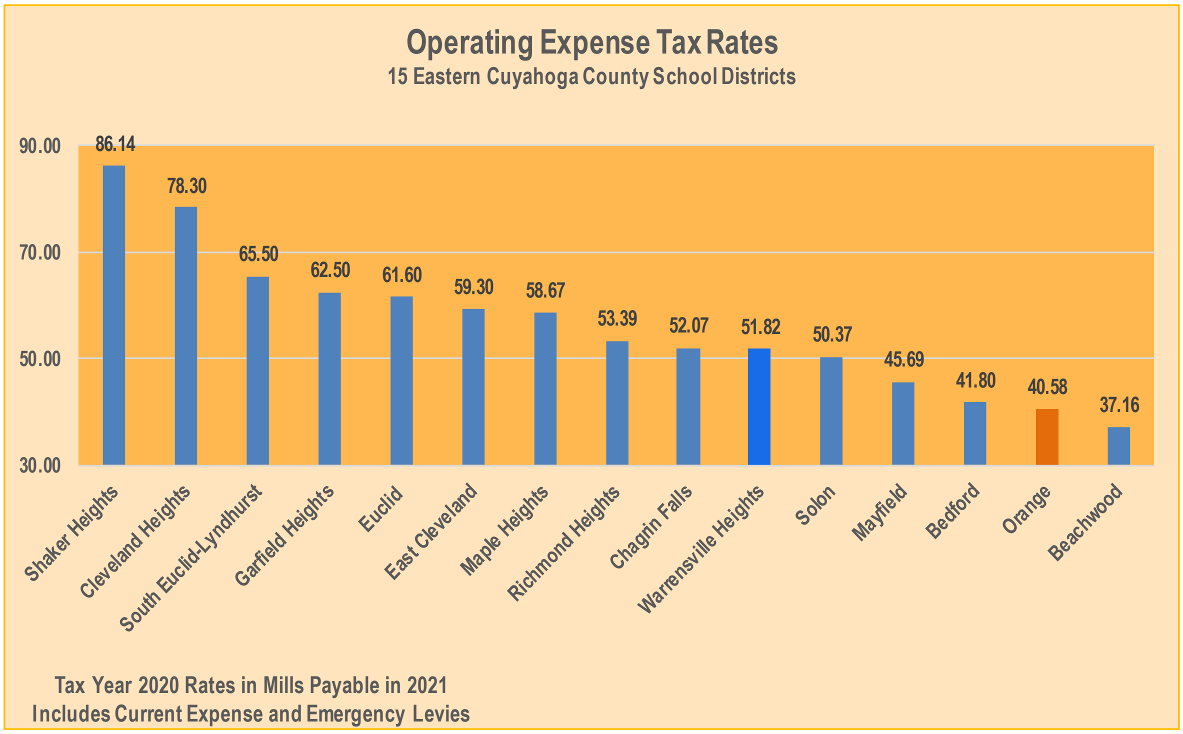
While development of the commercial portion of Pinecrest complex along Interstate 271 at the western edge of the School District has positively impacted the financial condition of the School District, current economic conditions have delayed construction on the residential portion of the Pinecrest project. Orange Village officials believe updated plans for the residential portion of the Pinecrest development will be formally submitted in the next several months. Where appropriate, development projects such as these have been factored into the financial forecast. They have the net effect of alleviating, but not eliminating, forecast deficits in the coming years. Further specific information about the Pinecrest development is contained in Exhibit A of this document.

Among the most vexing issues in Ohio school finance over time has been the adequate and equitable provision of financial resources for the school districts of the State. Since the 1930s, the Ohio General Assembly has appropriated funds for distribution to school districts through various iterations of formulas that allocate funds to school districts according to property wealth. Based on this system, districts with the least property wealth per student are supposed to receive the greatest level of funding from the State. For a variety of reasons, partially related to tax-reform legislation enacted in the mid-1970s and subsequent State constitutional amendments, the distribution system for funds for schools became somewhat detached from the revenue actually received. A variety of political and legal challenges to the funding system have ensued since. In an effort to address these longstanding issues, two members of the Ohio House of Representatives convened a group of 17 school superintendents and treasurers and 5 consultants in an attempt to develop a more adequate and equitable funding system. In March 2019, this working group presented recommendations for improving the school funding system through a proposal that is being called the Ohio Fair School Funding Plan. The Plan is under active consideration in the Ohio General Assembly. At the beginning of the current legislative session, it was introduced as House Bill 1. During recent deliberations on the State budget bill (House Bill 110), the Plan was inserted into the budget bill by the House of Representatives. House Bill 110 currently is being considered by the Ohio Senate. While there are many questions as to whether House Bill 1 will remain fully incorporated into House Bill 110, as of mid-May it remained a key component of the budget bill. Notwithstanding the merits of the Fair School Funding Plan statewide, its initial financial impact is forecast to be minimal for the School District.



The COVID-19 pandemic resulted in a significant downturn in State revenues beginning in March 2020. State revenues have been in recovery mode for many months now fall. According to the Ohio Office of Budget & Management, Moody's Analytics has create a "Back to Normal" Index to quantify the extent of fiscal recovery from the COVID-19 pandemic. As of April 2021, Ohio was at 85.7 on the recovery index where 100.0 represents full recovery. The figure for Ohio is almost identical to the 85.9 index level for the nation as a whole, according to Moody's Analytics. State General Revenue Fund receipts declined dramatically in the early days of pandemic. For example, those receipts declined in April 2020 by 35%. Yet year-over-year receipts for most State revenue sources are currently greater than the prior year; likewise, to date, actual receipts often have exceeding budget estimates. For example, year-over-year year-to-date personal income tax receipts are up as of March 2021 by

17.1% to $7.0 billion, an increase of about $1.0 billion. Total State tax receipts on the same basis are up 9.3% or nearly $1.6 billion As a result, Gov. DeWine has not asked for authority to use available State "Rainy Day" reserve funds for the purpose of budget stabilization. State officials, however, caution about projecting current positive financial developments into the future. The March 2021 Office of Budget & Management report noted that during the pandemic, spending patterns have shifted from services to goods, which is among the explanations for stronger-than-expected State tax revenues, "There continues to be a shift in consumption from services (which are mostly excluded from sales tax) to taxable goods, fostering revenue intake. Personal consumption expenditure data released by the Bureau of Economic Analysis of the U.S. Department of Commerce (BEA) show that consumption of services declined in February 2021 from the prior year while goods consumption grew from the February 2020 level."



Another important factor in the financial position of the School District is employee compensation. In accordance with State law, all regular school district employees have remained on the payroll through the pandemic period. However, the district incurred fewer costs for substitute or casual workers during the pandemic, especially in times of fully remote instruction. Thus, payroll spending declined modestly. Employee compensation is the largest expense of the School District, comprising more than 80% of spending when the cost of employee benefits are included in the total. This forecast includes the costs associated with three-year collective bargaining agreements negotiated in 2018 with District employees. Terms of the collective bargaining agreements are the primary driver of employee compensation expenditures. These agreements expire in 2021 and negotiations on successor collective bargaining agreements are in progress.

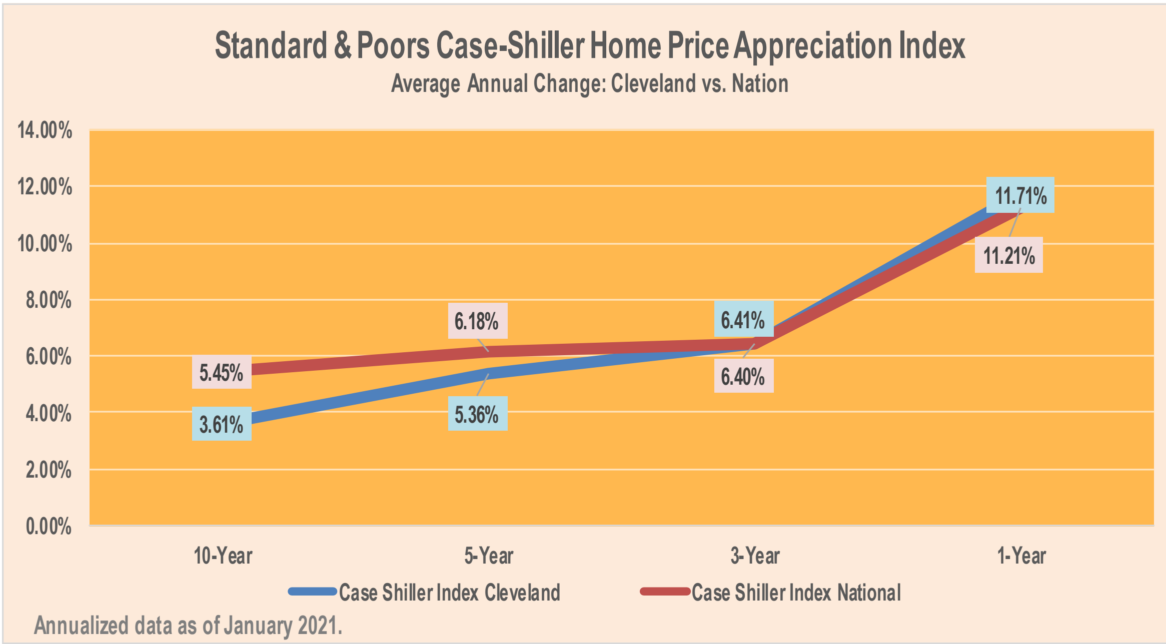
To address forecast future imbalances in revenues and expenditures, the superintendent and treasurer have worked with the Board of Education to consider budget-balancing preferences going forward. These options include significant expenditure reductions and possible revenue enhancements. With respect to revenue enhancement, a 5-mill current expense levy has been considered. The District is forecast to have sufficient reserves to maintain a minimum cash reserve of 25% of anticipated expenditures through Fiscal Year 2024, but comes close to breaching that reserve level during Fiscal Year 2025. The District is expected to remain highly dependent on local property taxpayers for funding day-to-day operations for the 5-year period and beyond. Indeed, the local taxpayer burden for funding day-to-day operations is likely to increase. Nevertheless, the District is in the lower third of the 31 school districts in Cuyahoga County in terms of its tax rates on real property. With respect to nearby districts in eastern Cuyahoga County, it has the second lowest tax rate for day-to-day operations.

Two other trends also will be significant for the foreseeable future. The first trend is stable-to-declining enrollment. District enrollment for funding purposes has declined by about 8%, or about 200 students in recent years. Enrollment has stabilized for the time being and preliminary data for the coming school year suggest a modest increased in enrollment is possible.

This forecast is filed with the Ohio Department of Education in accordance with Section 5705.391 of the Ohio Revised Code. Consistent with its statutory obligations, the Orange Board of Education adopted this forecast document on May 10, 2021. The projections contained herein are based on information known to the District as of May 2021 and are subject to revision as facts and circumstances warrant.

Economic Environment

The economic environment of the school community influences the resources available to the School District. Since the mid-1980s, resident incomes as determined by the metric of federal adjusted gross income (AGI) ranked no lower than third highest among Ohio's more than 600 school communities. Providing resources for public education is primarily a function of government at the local and state levels throughout the United States of America.



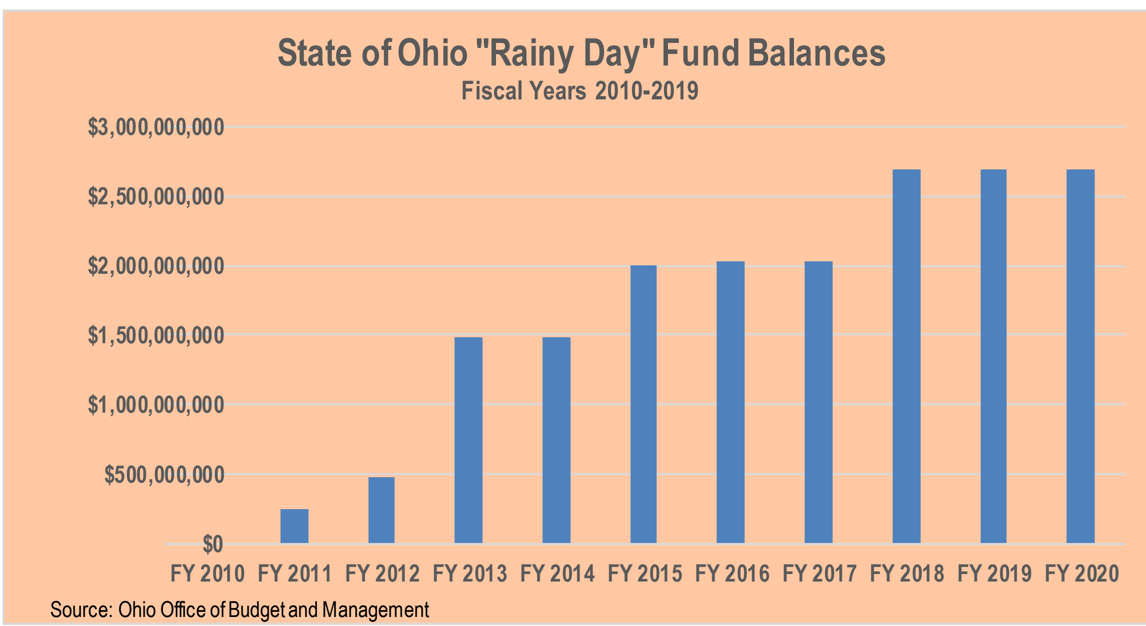
Commentary

It is prudent in long-range forecasting to consider the economic climate in which projections of revenues are made. The international economic turmoil resulting from the COVID-19 pandemic has made the forecasting environment highly uncertain. In its April 14, 2021, "Beige Book" report of regional economic activity, the Federal Reserve Bank of Cleveland found, "The pace of business activity accelerated in recent weeks, and the pickup appeared widespread across the Fourth District and by industry segments. Contacts often suggested that additional government stimulus and progress in the fight against the COVID-19 pandemic were the key factors supporting the recent improvement in current conditions. Those same factors were cited as leading to a decidedly more optimistic outlook for demand moving forward. The improved outlook likely contributed to an increase in capital spending plans as some firms appeared more willing to move forward with projects that had been delayed as a result of uncertainty surrounding the pandemic and its effects on demand." Contrast this to the regional "Beige Book" report from one year earlier issued on April 15, 2020, "the economy contracted sharply in the second half of March as business disruptions resulting from COVID-19 mitigation efforts spread quickly. Consumer spending decreased materially, with restaurants, tourism, and nonessential retail spending particularly hard hit." While economic activity has not totally recovered to pre-pandemic levels, various metrics of economic activity suggest a high level of positive momentum, including significant improvement in unemployment rates. The economic concerns being expressed through the "Beige Book" report, among other sources, are more closely tied to robust growth such as inflation and strained supply chains. The April Cleveland report notes that demand "remained strong" or "persistent" while supplier inventories were "lean", and supply "disruptions" were increasing. Labor supply constraints have started to emerge with some employers finding a 'dearth of qualified applicants" for positions that would allow their businesses to grow.

As always, it is important for the School District to consider regional economic data for two reasons: First, State funding is directly affected by State revenue collections and the health of the State budget. The effects of the

2008 recession required the State of Ohio to make nearly $8 billion in reductions in the State biennial budget for fiscal years 2012 and 2013, which translated into flat funding and/or funding reductions for nearly every school district in Ohio. Pandemic-induced revenue losses necessitated $775 million in budget reductions to State agencies through the Fiscal Year ending June 30, 2020, including $355 million in cuts to PK-12 education programs. Second, the same economic forces driving State tax revenues are also generally affecting the underlying economics of most communities across Ohio, which impacts the ability to collect local tax revenue. Indeed, it took 10 years for property values in most of Ohio to recover from declines incurred during the Great Recession with statewide property values rising above 2008 levels for the first time only in 2017. Starting in summer 2020 real estate selling season and through the present time, housing values and sales prices have held up and have begun to rise in the Cleveland area and much of Ohio, including eastern Cuyahoga County. Indeed, bidding wars for desirable residential properties have become a frequent occurrence as many homes remain are sold within days of coming onto the market. This suggests that residential property values should hold up well as Cuyahoga County goes through an update to real property values for tax purposes in 2021. As a rule, a local school district's economic viability is tied to the same fundamental economics that drive the State's economic viability.

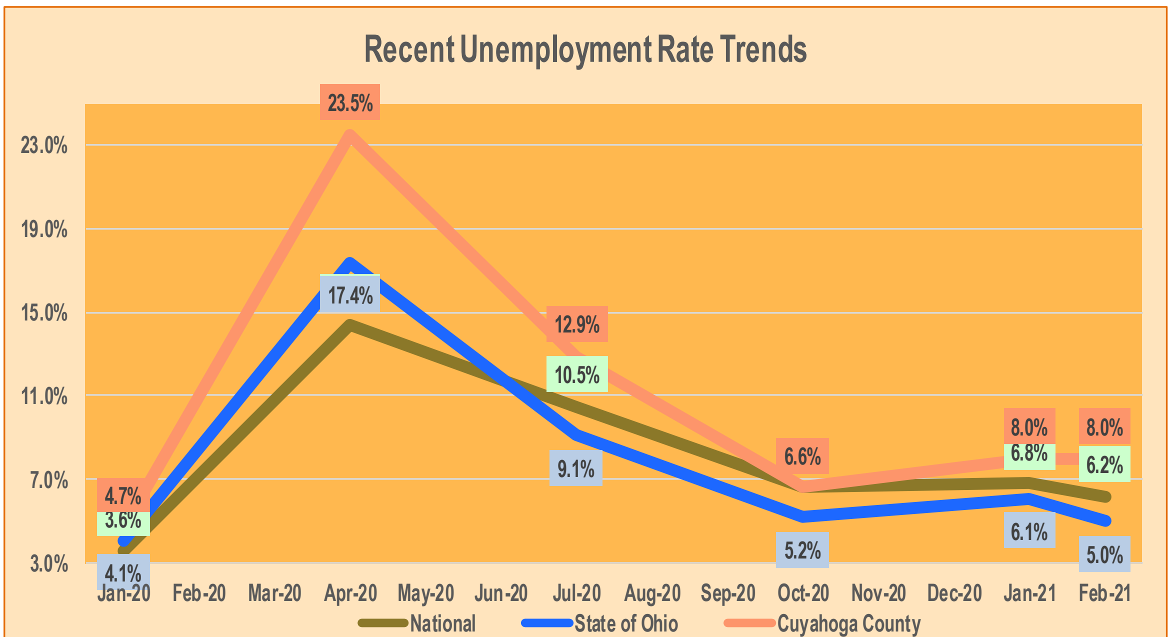
From 2010 until March 2020, the labor market had been in recovery mode from the Great Recession. With the shutting down of many business in the spring of 2020, unemployment spiked dramatically. While not fully recovered as of the spring of 2021, unemployment rates have declined significantly in the past year. In many sectors of the economy, jobs are plentiful. This spring, many businesses have "Help Wanted" signs in their tree lawns. Some signs even advertise starting wages or hiring bonuses as a way to entice potential applicants. Still, economic pain is a reality for many citizens. Many cannot necessarily return to jobs previously held, even if the previous employer is in need of their services. Health issues are a real and continuing concern for many. Also, many businesses have closed or are just in the early stages of a recovery that could take months or years, if ever, to realize fully. Finally, the recovery hasn't treated all sectors of the economy or people equally. Professionals who could work remotely during the pandemic often were in an economically stronger position than service workers whose only option for work was at a physical location closed for health and safety reasons by the pandemic. This led a number of economists to assign the letter "K" to economic conditions in the early stages of the position. The upper sloping line of the "K" represented professional workers who prospered while the lower sloping line of the "K" represented service workers who foundered.



The State has significant reserves to weather any future pandemic-related economic downturn if it comes. The Ohio Budget Stabilization Fund, more commonly known as the "Rainy Day Fund" currently has nearly $2.7 million on deposit, an amount unchanged from a year ago. Early in the pandemic, Gov. DeWine was authorized by State legislators to withdraw funds as necessary to meet State financial obligations. Gov. DeWine, has not used that authority and is not expected to do so for the foreseeable future. The last time the Budget Stabilization Fund was depleted was in 2010 when just 89 cents was on deposit as reserves were used to ameliorate the effects of the Great Recession on Ohio's economy.

Prior to the COVID-19 pandemic, national, state and local unemployment rates had been on a downward course for some 10 years. With the onset of pandemic related closures in mid-March, unemployment rates began a dramatic climb. As of March 2020, the national unemployment rate was 4.4% compared with 3.5% (a 50-year low) in February 2020. The comparable state unemployment rates were 5.5% and 4.1% respectively while the comparable Cuyahoga County rates were 7.5% and 5.1% respectively. At the height of pandemic-related unemployment in April 2020, the unemployment rate in Cuyahoga County rose to 23.5% with 139,700 workers of a total labor force of 593,600 unemployed in the County. By comparison, the state unemployment rate in April was 16.8% and the national April unemployment rate was 14.7%. As businesses began to reopen in the late spring and summer of 2020, unemployment rates lessened somewhat. As of February 2021, the most recent data available, the unemployment rate dropped to 8.0% for Cuyahoga County, 6.2% for the State of Ohio and 5.0% for the nation. Future pandemic-related stay-at-home orders are not anticipated due to adverse economic effects and related political backlash and widespread vaccination.

Over the past five years, the unemployment rate for Cuyahoga County has consistently trended above national and State levels. Although unemployment rate data is not calculated for the District or its constituent communities, demographic factors such as education and income levels would suggest lesser unemployment than the County and State metrics indicate. This appears to have carried forward into the pandemic. Monitoring unemployment rates is important because it is one measure to determine whether conditions exist for continued economic growth and viability. Revenue from personal income taxes and sales taxes also is highly correlated to employment. While not moving perfectly in tandem, unemployment rates for Ohio and the nation dropped by more than half in the 10 years prior to the pandemic.



Unemployment Rate December 2019- February 2021. Source: Bureau of Labor Statistics.

The Orange City School District is highly reliant on property taxes for supporting its educational program. When reimbursements from homestead and rollback tax credits are included, more than 90% of its revenue is associated with property taxation. In recent years, the tax base has grown modestly. In the most recent sexennial reappraisal year, Tax Year 2018, overall values grew by 5%. In non-reappraisal years, growth rates based primarily on new construction have varied in the range of 1%. The 5-year growth from 2016 to 2020 was 8.2%. The triennial update to the Tax Year 2018 reappraisal will occur in 2021 for Cuyahoga County. The most recent real property tax settlement, which occurred on March 15, totaled $22,603,578, which is $50,715 (2.3%) less than the forecast winter 2021 real estate tax settlement of $22,654,293. Frankly, a settlement this close to the forecast estimate is considered a positive development in light of widespread concerns about increased property tax delinquencies due to pandemic-related economic instability. It is noteworthy that delinquent real estate taxes generally are deferred revenue as taxpayers either make late payments or the taxes are paid in foreclosure proceedings.

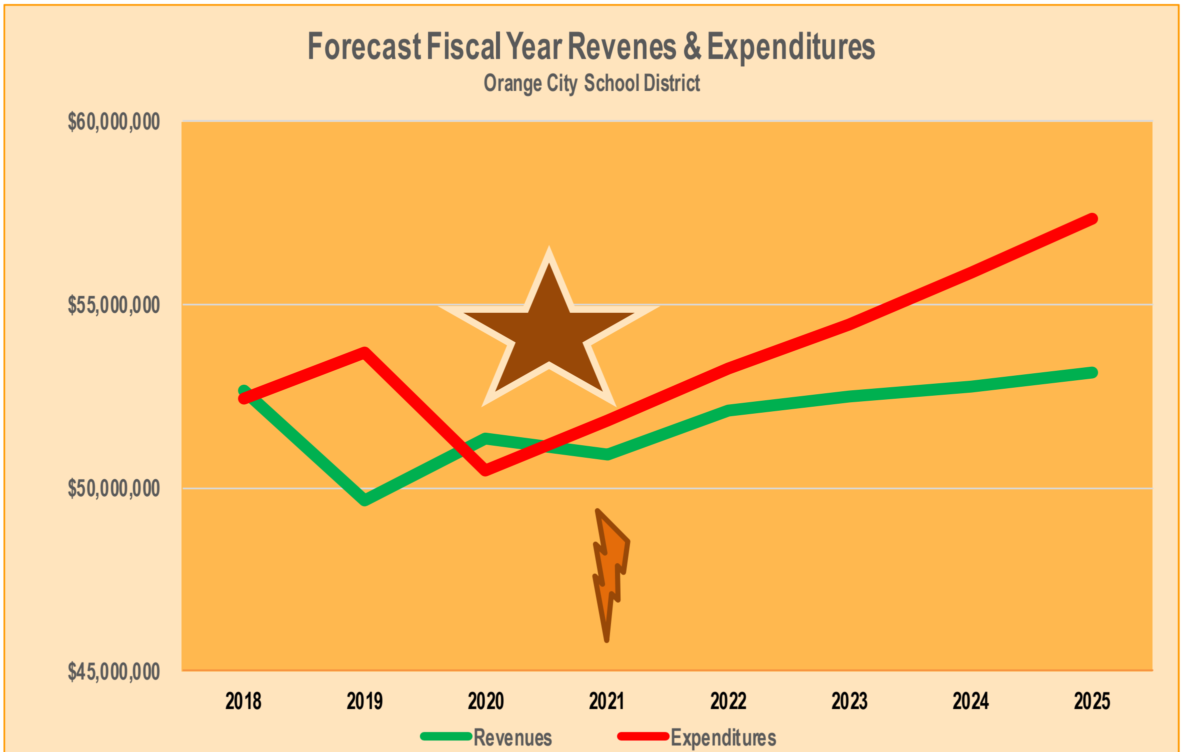
Forecasting property values has become somewhat more uncertain during the COVID-19 pandemic, though forecasting ability is likely to improve over time. While the local real residential estate market remains strong, there is some question about whether that trend will carry forward into the commercial market. For now, the general consensus is that most homes coming to market will continue to sell quickly at or above the asking price. This is in stark contrast to the Great Recession when property values declined across Ohio and in Cuyahoga County. The Tax Year 2020 (2021 collection) taxable value of property in the District, which is set at 35% of market value by statute, is $1,152,266,200, as compared with a tax year 2019 (2020 collection) value of $1,140,941,840, a 1.0% increase. Meanwhile, Public Utility Personal Property taxable values grown more rapidly than real property values in the School District and throughout the State in recent years. This reflects investment to rehabilitate or to replace aging infrastructure as well as the development of new natural gas and petroleum transmission lines across the State.

The School District is comprised of 8 taxing districts, all of which have experienced growth in property values in recent years. The 2020 Tax Base was 84.2% residential, 14.3% commercial and 1.5% public utility. The largest taxing district, the City of Pepper Pike, comprises 41.1% of the total Tax Year 2020 tax base. It also has the largest proportion of taxable residential property in the school district (43.9%) and largest proportion of taxable public utility property (51.6%). The Village of Woodmere has the largest proportion of commercial property at 29.5% of the tax base.

The COVID-19 pandemic likely accelerated and deepened an economic downturn that many economists had forecast was building in the spring of 2020 due to a maturing business cycle. With the pandemic-related disruptions to economic activity that began in mid-March, the economic activity plunged to the lowest levels on records that go back to the post-World War II era. Current projections for the spring of 2021 and beyond are tied to the mitigation of the pandemic. Current economic consensus holds that if the spread of the virus remains contained, economic activity will improve substantially, perhaps to levels unseen in nearly 40 years. This most recent statements coming from the Federal Reserve Bank's leadership note that the economic crisis is not over, but economic conditions are improving: "The COVID-19 pandemic is causing tremendous human and economic hardship across the United States and around the world," according to the April 28, 2021, Federal Open Market Committee Statement: "Amid progress on vaccinations and strong policy support, indicators of economic activity and employment have strengthened. The sectors most adversely affected by the pandemic remain weak but have shown improvement. Inflation has risen, largely reflecting transitory factors. Overall financial conditions remain accommodative, in part reflecting policy measures to support the economy and the flow of credit to U.S. households and businesses. The path of the economy will depend significantly on the course of the virus, including progress on vaccinations. The ongoing public health crisis continues to weigh on the economy, and risks to the economic outlook remain."

Forecast Risks & Uncertainty

No financial forecast is an absolute prediction of the future. Indeed, the word forecast suggests that the intended purpose of the document is to provide guidance to a probable future outcome. A financial forecast, in fact, is similar to a weather forecast in that it is intended to provide insight into a probable future financial conditions. The purpose of this forecast is to guide the decisions of educational leaders and policy makers.



The star represents the fiscal year when expenditures and revenues approximately matched. The lightning bolt is positioned at the current

Commentary

A five-year financial forecast has inherent risks and ambiguity. The COVID-19 pandemic is a stark reminder of these realities. These fundamental uncertainties result not only from economic vicissitudes but also deliberative actions. The forecast time horizon includes three future State biennial budgets. Legislative actions that will occur during the springs of 2021, 2023 and 2025, related to enactment of these State biennial budgets, will play an important role in the financial health of all Ohio local governments, including school districts. At this time, it is unreasonable to attempt to predict the outcome of future budget deliberations. Yet the future budget recommendations of governors and actions of the Ohio General Assembly play an important role in this forecast despite the high level of uncertainty associated with those actions. Revenues and expenses are estimated based on the best data available at the time of this forecast; at best, the reliability of this information is unusually problematic due to the pandemic.

The items below give a short description of the current issues and how they may affect the forecast long term:

Orange City Schools receives more than 90% of its operating revenue directly or indirectly from local property taxpayers. Direct payments include property tax payments made to the Cuyahoga County Fiscal Office. Indirect payments include various State local property tax subsidies for tax exemptions granted in accordance with Ohio law. Valuation growth is one factor for increased revenue year over year. For the most recent tax year, the District experienced an aggregate increase in assessed property values of $11,324,360 (1.0%). This increase is attributable primarily to new construction. Residential values increased by $10,179,150 (1.1%); commercial values increased by $366,720 (0.2%); and, public utility values increased by $778,490 (4.5%). The next sexennial real property reappraisal occurs in 2024; an interim adjustment in real property values to reflect inflation (or deflation) will occur in 2021. Inflationary increases in tax revenues are limited due to State law and the Ohio Constitution, so revenue growth due to appreciating property values only occurs on 5.2 inside mills allocated to the School District.

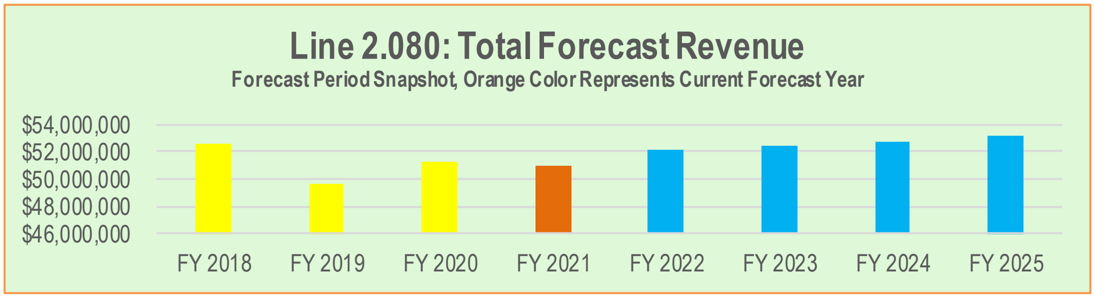
State of Ohio appropriations is the other primary source of School District revenues. About two-thirds of State revenue flows to the District in the form of property tax subsidies. This means it is an important revenue source and a point of risk to the financial stability of the District. At this writing, the State of Ohio is in the second year of a two-year budget cycle that ends on June 30, 2021. A $272,478 cut to state education funding imposed by Gov. Mike DeWine on the District at the beginning of the school year was rescinded in January 2021. Future State support is largely contingent on the outcome of budget deliberations currently underway in the Ohio General Assembly. The Ohio Fair School Funding, incorporated into the State budget bill, is anticipated to modestly increase funding to the School District if it is enacted and implemented as currently proposed. Estimates made public in April 2020, show a net increase in State funding of $79,076 in Fiscal Year 2021-2022 and an additional increase of $128,013 for Fiscal Year 2022-2023. It is important to remember that there are several future State biennial budgets covering the forecast time frame. Future uncertainty in both the State foundation funding formula and the State's economy makes this area a high risk to the funding projections presented in this forecast document.

In addition, many provisions in the current State budget have drawn funds away from local school districts through a variety of school choice programs and other legislative initiatives such as College Credit Plus. These initiatives, which include the autism and special needs scholarships, annually cost the District approximately $500,000. Future expansion or creation of additional programs such as these exposes the district to new expenditures that are not currently contemplated in the forecast.

The major categories of revenue and expenditures on the forecast are noted in the headings to make it easier to reference the assumptions made for the forecast item. It should be of assistance to the reader to review the assumptions noted in the following in order to understand the overall financial forecast for the District.

Revenue Forecast Introduction

Ohio school districts have two primary revenue sources: local taxpayers and the State government. Each school district has a unique proportionate share of State versus local revenue based on a metric of wealth per pupil. While a cumbrous array of factors is involved in these proportionate calculations, the driving factor is assessed property valuation per pupil. The revenue discussion reviews the sources of funds for daily school operations.



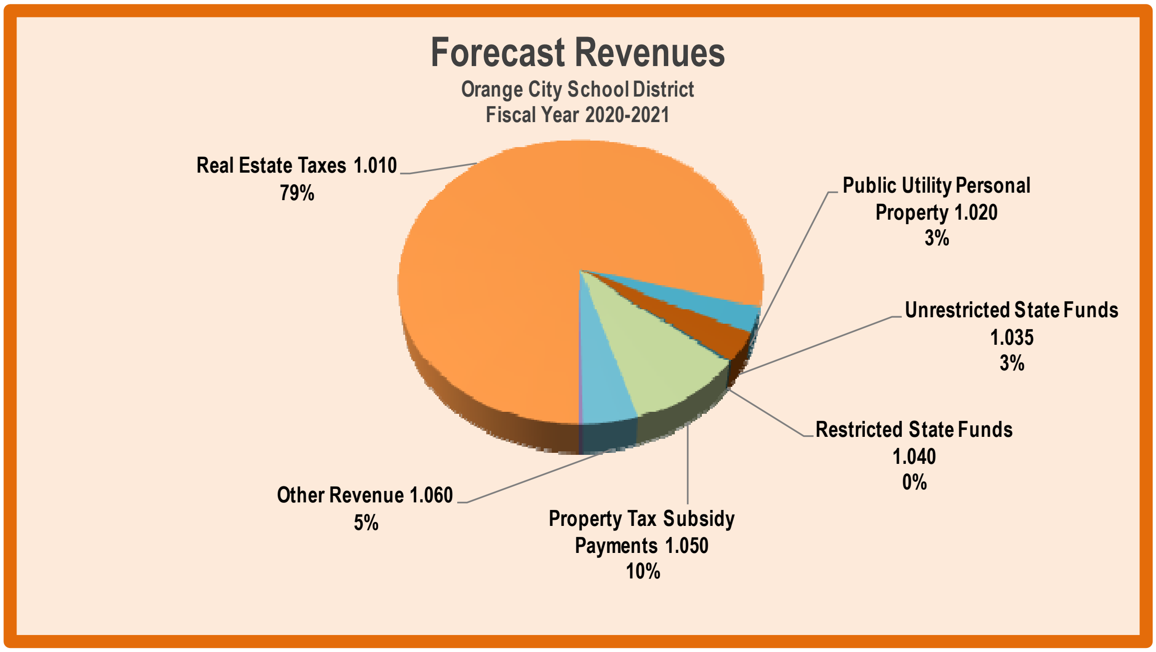
Commentary

By far, the largest source of revenue for the Orange City School District is real property taxes. In fact, the proportion of school revenue derived from local property taxes is forecast to increase during the next five years. State funding reductions related to the COVID-19 pandemic play an important role in this. Yet an even more significant factor driving this trend is the elimination, at the end of Fiscal Year 2017, of a State subsidy that reimbursed the School District for revenue once received from the tangible personal property tax. This source of taxation for schools and other local government entities was repealed by the Ohio General Assembly in 2005. The tangible property tax reimbursement accounted for approximately 35 percent of unrestricted State funding for the 2016-2017 school year, according to Ohio Department of Education data. Indeed, Orange was, in percentage terms, among the top 10 school districts statewide in terms of the loss of State unrestricted funds for the biennial budget period beginning July 1, 2017. The District had anticipated this outcome for several years. When the replacement of what otherwise would be locally generated property tax revenues [property tax allocation] is factored into the property tax numbers, the local tax base provides about 90% of the total operating budget of the Orange City Schools.

Total revenue decreased in Fiscal Year 2019 due to an anomaly in the receipt of first half calendar year 2018 property tax revenues. Otherwise, the trend has been generally upward in recent years. While difficult to predict on a forward-looking basis, a modest decrease in real estate tax collections occurred in the summer 2020 property tax payments due to an increase in real estate tax delinquencies. Winter 2021 property tax receipts were very close to forecast estimates. As long as the economic recovery from the COVID-19 pandemic continues, future tax revenues are forecast to rise modestly. Projected tax-related revenue is further based on all current tax levies remaining in effect.

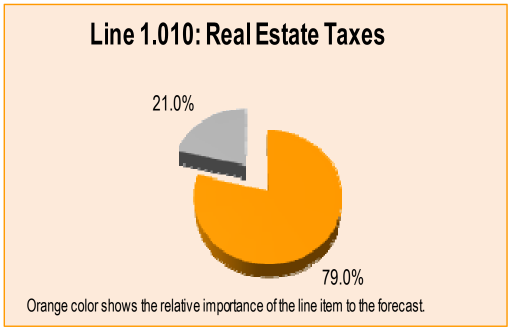
The State Foundation subsidy for schools has provided about 4% of the District's operating budget in recent years. Even without COVID-19 related State budget cuts, it had been forecast to decrease to about 3% during the forecast period. State school funding decreases imposed by the governor have been factored into the current fiscal year forecast. In addition, estimates for Casino Tax revenues have been lowered modestly due to the pandemic. This forecast also assumes that enactment of the Ohio Fair School Funding Plan, even if it occurs, will not have a material effect—positive or negative—on the fiscal position of the school district.

All fiscal year 2021, real property tax receipts totaled approximately $40.4 million, about $100,000 less than $40.5 million for the same period in the prior fiscal year. Through April 2021, State unrestricted financial support was $1,367,792, about $200,000 more than the same time frame a year ago. Other operating revenue is running close to forecast projections and should remain close for the balance of the fiscal year. Investment income has continued on a year-long decline as investments made in higher interest-rate environments continued to mature. As a result, over time, investment income is expected to decrease. A 30-year Tax Increment Financing compensation agreement with Orange Village granted to encourage development of the Pinecrest property near the Harvard Avenue interchange to Interstate 271 also is projected to add to revenues over time. Further information about the financial impact of this development can be found in Appendix A. Other sources of revenue are forecast to increase modestly over time.



Line 1.010: Real Estate Taxes

Line 1.010 is used to account for revenues received from taxes levied on real property in a school district. In Ohio, real property is subdivided into two broad classes for taxation purposes in accordance with the Ohio Constitution and State law. Residential and agricultural property is taxed at one rate, usually lower, while commercial and industrial property is taxed at a second rate, usually higher.



Key Source Of Funds

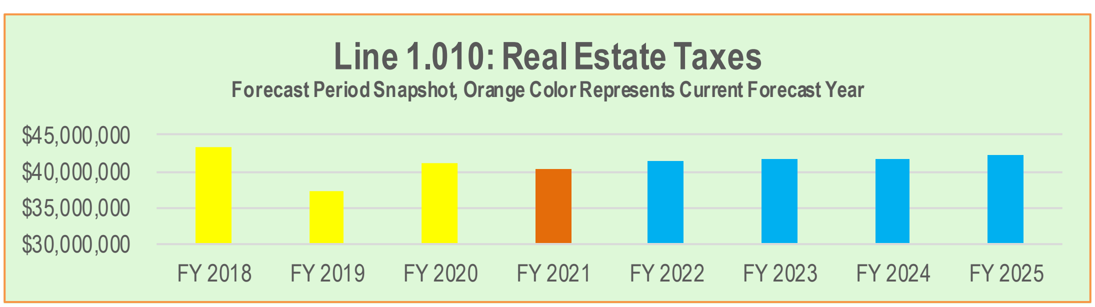
Local Property Taxpayers

Revenue Impact Rank

1

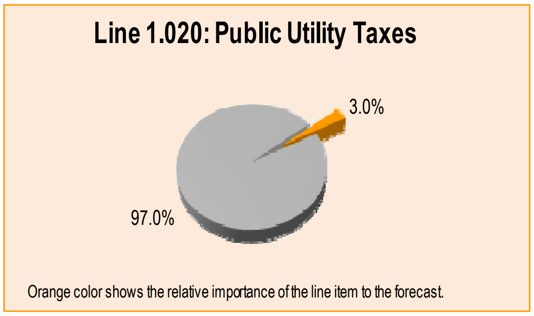
Commentary

Direct real estate tax revenues account for more than $40 million a year in revenue, or about four of every five dollars received by the Orange City School District. The importance of real estate taxes to the District is expected to increase modestly over time. Indeed, due to recent State subsidy funding cuts, the importance of real estate taxes to total District revenue has increased. Real property is reappraised every six years in Ohio with values updated for inflation during the third year of the six-year cycle. A comprehensive property reappraisal occurred in 2018 in Cuyahoga County and those values will be updated for inflation in 2021. Improving market conditions at that time for residential and commercial real estate in eastern Cuyahoga County and the Cleveland metropolitan area were borne out in the reappraisal data. Prior to and even during the COVID-19 pandemic, trends in the housing market in the region has been positive. Sales price are stable and have increased in many cases due to limited availability of homes in the District and throughout the region. Additional information about the tax base can be found in Appendix C. The most recently published Standard & Poor's Case-Shiller Cleveland Home Price Index shows annual growth in housing prices of 11.7%, which is modestly more than the median composite annual growth rate of 11.2% for the 20-city index. During the past 10 years, Index data show less volatility in housing prices in the Cleveland market (positive and negative) than the nation as a whole. In recent years, the communities within the School District have seen a modest amount of new home construction and improvement projects. Meanwhile, communities in the western part of the School District have experienced several commercial construction and redevelopment projects. The largest new commercial construction project in the District, the Pinecrest development, is the subject of a tax increment financing (TIF) incentive package. Additional information about Pinecrest is reviewed in Appendix A. Also noteworthy is that significant acreage within the District's 25 square miles is controlled by public entities, private institutions and various non-profit organizations. This is considered to act as a constraint on potential future development. Possible future tax levy requests are not factored into the figures reported here. Information about tax rates and revenues can be found in Appendix B.



Line 1.020: Tangible Public Utility Taxes

Line 1.020 is used to account for revenues received from taxes levied on tangible public utility personal property in school districts. The tax base includes designated property owned by utilities, pipeline companies and commercial ferry boat operators. In Ohio, public utility personal property is taxed at the maximum rate permitted by law to be levied.



Key Source Of Funds

Public Utility Companies

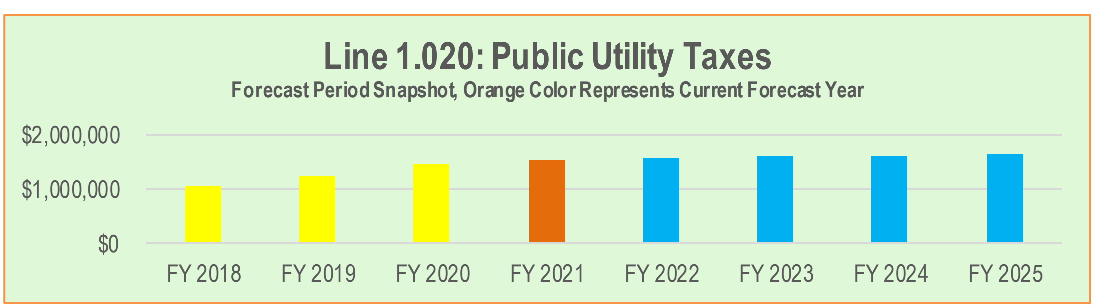
Revenue Impact Rank

5

Commentary

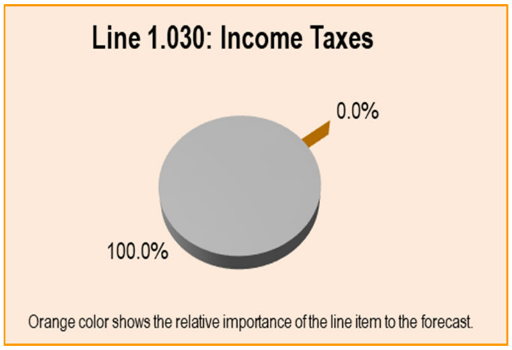
Public Utility Personal Property tax revenue is forecast to be nearly $1.5 million a year. In percentage terms, this is the fastest growing source of revenue for the School District. Proportionately, however, this is a comparatively small source of revenue for the school district. Currently, it comprises a little less than 3% of estimated General Fund revenue. Major utility infrastructure investments are likely to continue in the School District for the foreseeable future, especially in the general vicinity of Interstate 271. So, this is a portion of the tax base that should continue to grow over time.

The tax base for the tangible public utility personal property tax includes electric companies; natural gas companies; heating, pipeline and water works companies; and, water transportation companies, according to the Ohio Department of Taxation. While historical data suggests some volatility, the recent trend has been for revenues to increase as a general rule. Modest increases are forecast for the foreseeable future. Driving these increases since the Great Recession has been reinvestment in aging utility infrastructure due to historically low interest rates as well as the development of natural gas and petroleum transmission lines across the State and in the District. The location of the District, adjacent to major transportation arteries in the Cleveland metropolitan area, also places it at critical junctions within the region's utility infrastructure. Public Utility Personal Property values are of higher revenue worth to a taxing jurisdiction in Ohio as this is the only property taxed at the full gross tax rate.



Line 1.030: School District Income Tax

Line 1.030 is used to account for revenues received from a voted income tax levied on the income of school district residents. The Orange City School District has never levied this tax and does not anticipate requesting voters approve such a levy in the foreseeable future.



Key Source Of Funds

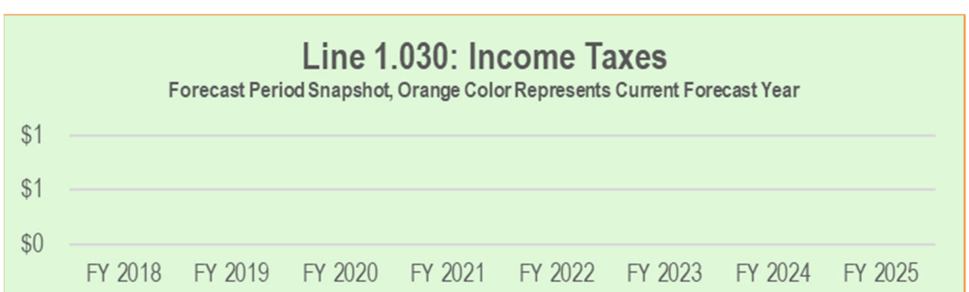
Tax Not In Effect In Orange

Revenue Impact Rank

—

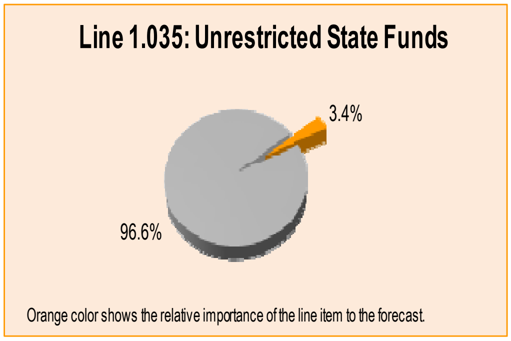
Commentary

No revenue is forecast because the Orange City Schools does not levy an Ohio School District Income Tax. Further, the Board of Education has no plans to consider this as a revenue option in the foreseeable future. For the past 30 years, the federal adjusted gross income (AGI) of District residents has ranked first, second, or third highest among more than 600 school districts in Ohio.



Line 1.035: Unrestricted State Grants in Aid

Line 1.035 is used to account for revenues received from the State of Ohio that have no restriction on how the funds are used. The State Foundation program and casino gambling taxes are primary sources of unrestricted revenue for school districts.



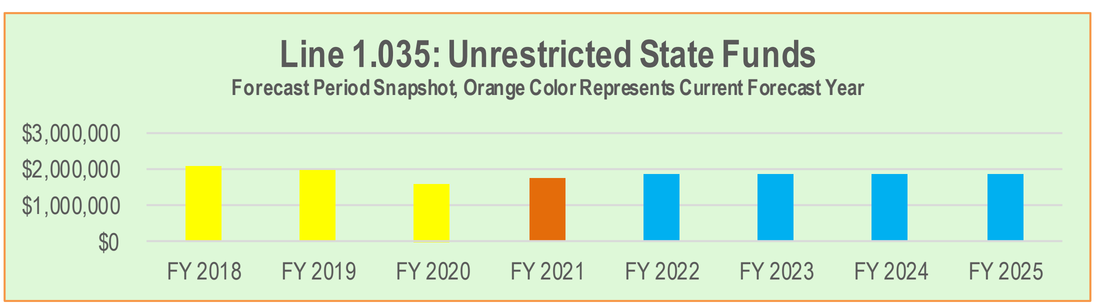
Key Source
<u>Of Funds</u>
Ohio General Assembly

Revenue
<u>Impact Rank</u>
4

Commentary

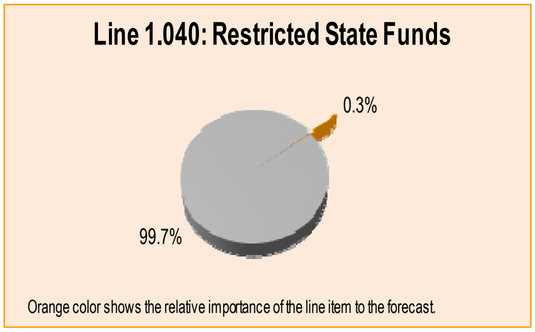
Less than 1 dollar of every 25 dollars of financial support for the School District comes through Unrestricted Grants in Aid from the State of Ohio. The largest portion of this funding comes through the State Foundation program for distributing financial resources to Ohio's more than 600 school districts. The second largest source of unrestricted State funds is the casino gambling tax. The District, which proportionately receives among the lowest distributions of State Foundation support in Ohio, received a net cut of $272,428 to its Fiscal Year 2019-2020 funding. That cut was expected to remain in place for the current fiscal year, but was rescinded by Gov. Mike DeWine in January 2021. Current State funding is in line with expectations from the current State budget bill approved in the summer of 2019.

Currently, total Foundation formula funding the District is approximately $1.4 million. When additional aid for student wellness and success, preschool special education and special education transportation, the total is about $1.7 million. According to simulations of the Fair School Funding Plan made public in April 2021, total funding before would rise from $1.4 million to just under $2.0 million over the next 6 years. Phase-in estimate amounts are $70,076 for Fiscal Year 2021-2022 and an additional $128,013 for Fiscal Year 2022-2023 for the School District. Of course, there is much debate in the Ohio General Assembly about the Fair School Funding Plan, including its fairness and affordability over time. However, the Ohio House of Representatives inserted the Plan into the biennial budget bill prior to its passage of the legislation. Budget bill deliberations currently are underway in the Ohio Senate with the final outcome to be determined in June 2021. For purposes of this Forecast, estimated amounts associated with the Fair School Funding Plan are not included in funding figures.



Line 1.040: Restricted State Grants in Aid

Line 1.040 is used to account for revenues received from the State of Ohio that are restricted for use to fund specific instructional services or programs. Currently, such funds are used to defray certain costs associated with special education and vocational education.

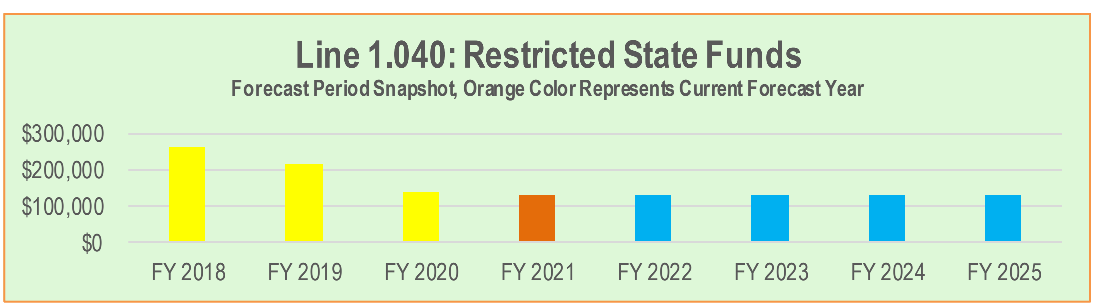


Key Source Of Funds
Ohio General Assembly

Revenue Impact Rank
7

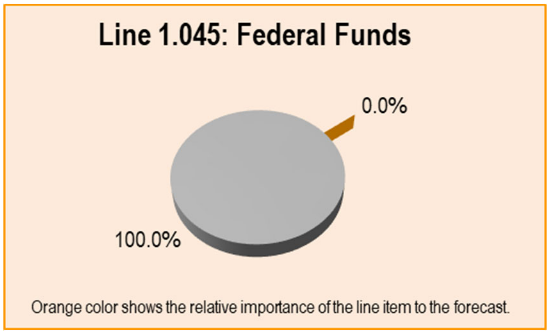
Commentary

Restricted State Grants-in-Aid include funds received for specialized programs within the schools. The largest source of restricted State funds is reimbursement for catastrophic special education costs. This has accounted for more than 95 percent of restricted funds the School District has received in recent years. This reimbursement is available when the cost of educating a pupil is greater than $27,375 or $32,850, according to Ohio Department of Education data. (The cost difference is related to the special program in which the pupil is enrolled.) A number of students are served through programs that cost in excess of $60,000 per pupil per year. Other, but relatively small, restricted foundation grant-in-aid program line items account for the balance of these funds. These include aid for vocational education and aid targeted to serve economically disadvantaged pupils.



Line 1.045: Federal Funding for Day-to-Day Operations

Line 1.045 is used to account for revenues received from the federal government for day-to-day operating expenditures. Currently, the School District receives no federal funding for day-to-day operating purposes. Fund accounting rules require separate accounting for federal grant funds targeted for specific programs.



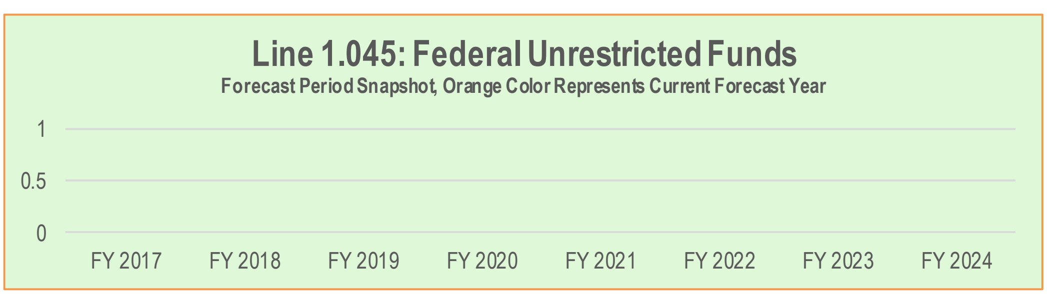
Key Source
<u>Of Funds</u>
United States Congress

Revenue
<u>Impact Rank</u>
-

Commentary

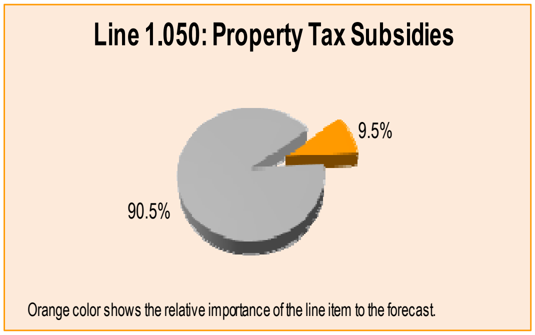
Like all Ohio school districts, the last time Orange City Schools received federal funding for operations was during the Great Recession through the American Recovery and Reinvestment Act of 2009. For the most part, these funds acted to blunt the negative effects of State budget cuts imposed then that were necessitated by reduced tax receipts. Funds from the federal government passed through the State for COVID-19-related costs are accounted for as restricted federal grant funds and are not included in the forecast in accordance with law. This is consistent with the fact that most federal funding for the School District comes in the form of grants targeted for specific projects or purposes.

It is not considered likely at this time that the United States Congress will appropriate funds that the District would receive on a flow-through basis for funding for day-to-day operations. Therefore, the receipt of such funding is not forecast.



Line 1.050: State Property Tax Exemption Reimbursements

Line 1.050 is used to account for revenues received from the State of Ohio in lieu of local taxpayers. The State currently offers two main property tax exemptions: a rollback exemption for owner-occupied housing and a homestead exemption for eligible elderly and disabled home owners. Without these programs, local taxpayers would pay the entire tax levy.

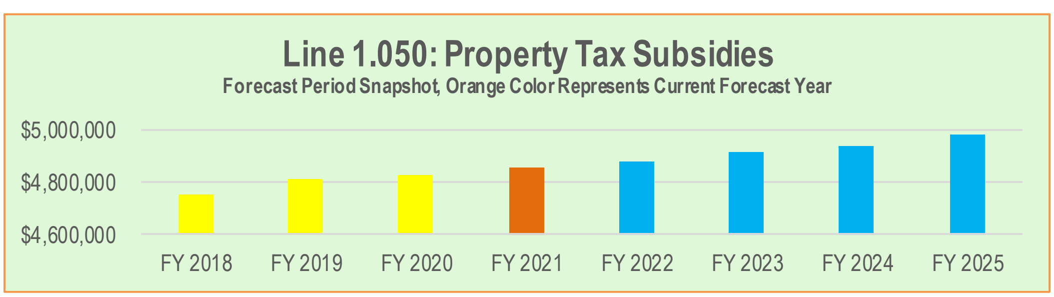


Key Source Of Funds
Ohio General Assembly

Revenue Impact Rank
2

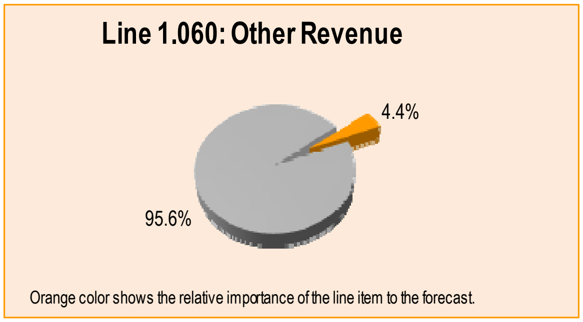
Commentary

The property tax allocation line item includes money the State government provides school districts as reimbursement for tax breaks given to local property taxpayers. Tax levies to which this reimbursement applies must have been in effect prior to September 2013. All School District tax levies currently in effect were approved prior to 2013. With an annual value of approximately $4.8 million, this actually is the largest source of State funding for the Orange City School District. If these tax breaks did not exist, these dollars would be fully paid and collected locally. Funding for property tax allocations currently is based on the “rollback” tax credit given to residential property owners who live in their homes and the “homestead” tax credit given to the qualified elderly and disabled home owners. Rollback funds are reimbursements paid from the State treasury to the School District for tax credits given to home owners that equal 12.5% of the gross property taxes charged on tax levies approved prior to September 2013. The homestead exemption program allows qualifying residents to shield some of the market value of their home from taxation. The exemption, which is a credit on property tax bills, exempts the first $25,000 of the market value of a home from all local property taxes. The value of the credit, according to the Ohio Association of Realtors, typically is $300 to $400 per year. As of tax year 2014, eligibility for the exemption is now means tested for newly qualifying home owners. Previously eligible homeowners were given grandfathered eligibility status, which is portable to any Ohio residence. These reimbursements from the State are more than double the amount of money received through the State Foundation program. So, this is, by far, the largest source of State financial support for day-to-day school operations.



Line 1.060: All Other Revenue for Day-to-Day School Operations

Line 1.060 is used to account for all other revenue for day-to-day school operations. These revenue streams include investment earnings, tuition fees, and payments in lieu of taxes.



Key Source Of Funds

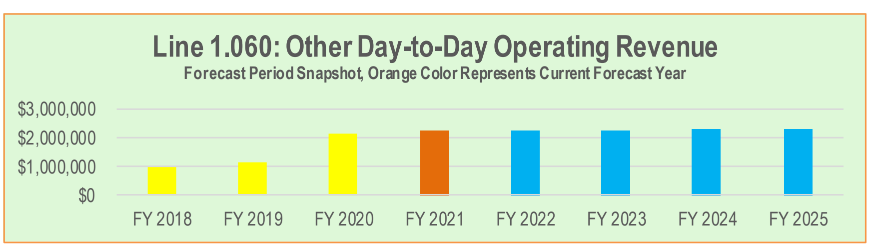
Various Local Sources

Revenue Impact Rank

3

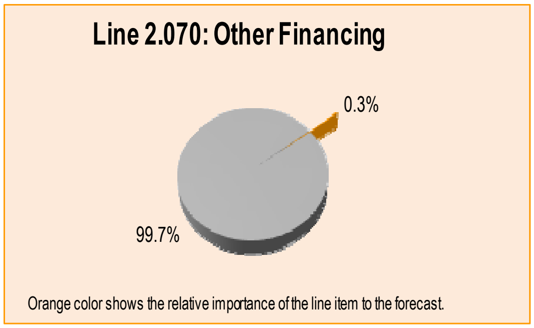
Commentary

For the Orange City Schools, investment earnings, payments in lieu of taxes from the Pinecrest Tax Increment Financing compensation agreement and tuition receipts are the primary other sources of revenue. Investment earnings in recent years have been modest. While investment earnings had been increasing somewhat until mid-2019, they have trended downward in the past year and are forecast to continue to do so. This trend accelerated in the spring of 2020 as a result of Federal Reserve actions to set benchmark interest rates essentially at zero. Since then, interest rates have fallen dramatically as have investment returns on government and other securities. While the District has taken mitigation strategies within the parameters of Ohio public funds investment laws to maximize investment earnings, Treasury and agency securities are selling at near record low interest rates and are expected to stay near those lows through this calendar year and perhaps beyond. Another important source of revenue is tuition or excess cost payments from other districts. Even though the District does not accept parent-paid tuition or open-enrolled students, the District does educate students placed by judicial order or as otherwise required by law. The District also receives tuition income when students from other districts enroll in vocational programs operated by the District that are part of the Excel TECC regional consortium. Another factor propelling increases in forecast revenue in this line item is projected payments in lieu of taxes (PILOTs) and related income tax sharing associated with the Pinecrest development. Recent developments with respect to a transfer of ownership of the Pinecrest development are not expected to affect these payments. However, payments tied to employee income tax payments might be lower in 2021 due to pandemic-related business closures and operating restrictions. This revenue is still forecast to increase in later forecast years. Additional information about these forecast revenues is discussed in Appendix A. Total other revenue is forecast to be about 3% of total revenues.



Line 2.070: Other Financing Sources

Line 2.070 is used to account for funds from other financial sources. These funding sources include the refund of prior year expenditures, compensation for the sale or loss of assets, and the return of money advanced to other funds.



Key Source Of Funds

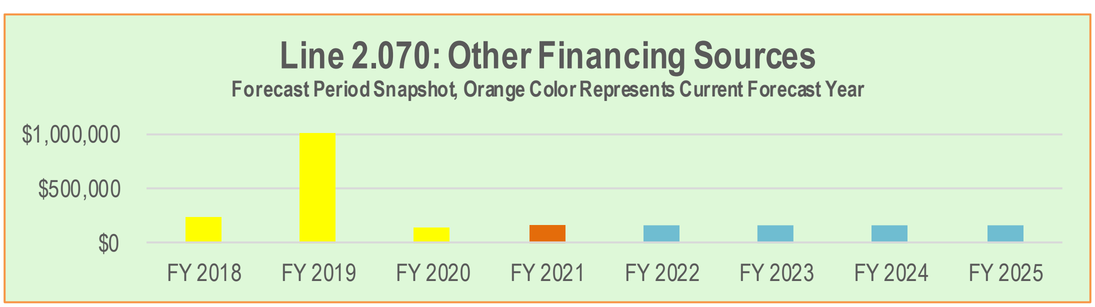
Other Financing Sources

Revenue Impact Rank

6

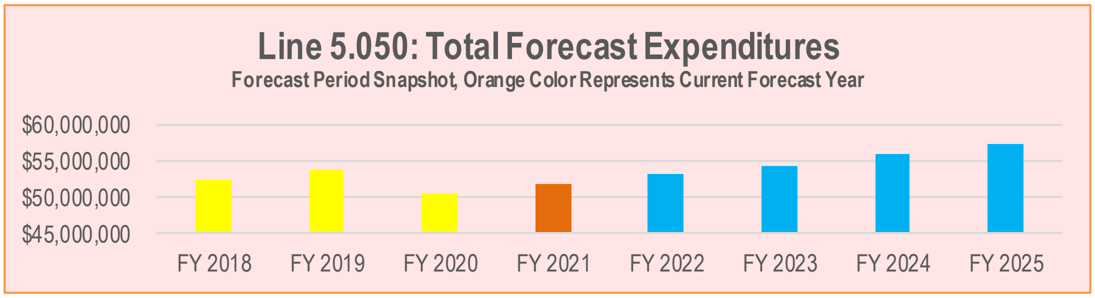
Commentary

The primary source of revenue from other financing sources is a modest amount of money from compensation for the sale or loss of assets, refunds of prior-year expenditures and similar accounting adjustments. The large amounts shown in some prior years are for the return of monies advanced from the General Fund to cover deficits in other funds. A one-time transfer-in from an internal service fund associated with the former Gund School, which closed in June 2016, is included in Fiscal Year 2019 forecast receipts.



Expenditure Forecast Introduction

Ohio school districts budget approximately four of every five dollars for employee compensation—salaries and benefits—which is common throughout the United States. From a business perspective, the purpose of a school is to have a trained person deliver an educational program to students. In support of that mission, schools maintain large physical plants, operate bus fleets and provide an array of support services. The expenditure discussion reviews the uses of funds for daily school operations.



Commentary

As revenue constraints are deeply rooted in Ohio taxation and school funding laws, so are expenditure requirements that mandate a plethora of local school expenditures. These deeply rooted requirements have grown in recent years and factor into a common trend for Ohio school districts for expenditures to rise faster than revenues over time. Indeed, there is no direct correlation between inflation and most school revenue streams; it is tenuous at best. However, there is direct correlation between inflation and many school expenditures. Although price inflation has been modest in recent years, the Orange City School District has crossed the common Ohio school fiscal point threshold at which expenditures are forecast to start exceeding revenues. The District today has strong reserves, which will cushion that impact for a few more years. Various other factors are constraining the drawdown of reserves. However, inevitable growth in expenditures that simply maintains existing program-delivery and service-delivery levels will reduce reserves over time.

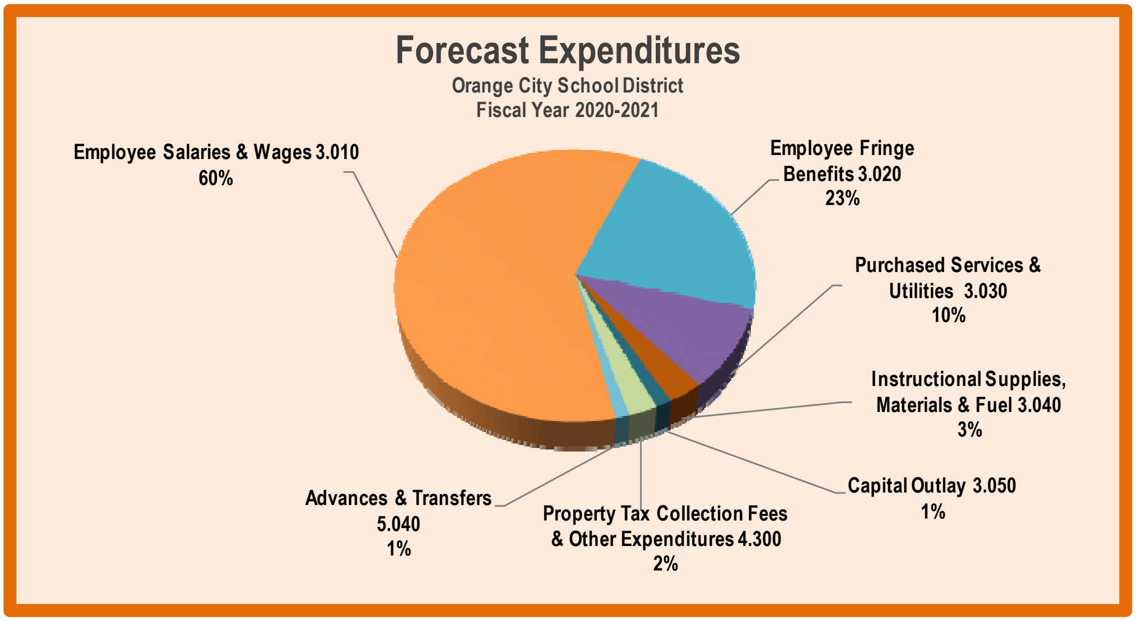
The COVID-19 pandemic has had a mixed effect on school expenditures. During the spring 2020 closure of schools and periods of remote instruction during this school year, utility costs trended lower, less bus fuel was used, and there was less wear-and-tear on school facilities and vehicles. However, technology spending increased and the District has to purchase electronic curriculum materials to facilitate remote learning. During periods of hybrid instruction, costs to operate the bus fleet increased as did spending for health and sanitation supplies. Personnel costs fluctuated similarly depending on the personnel needs associated with the instructional format.

Schools inherently are a people business. Schools historically operated based on this service delivery model: Highly educated and trained personnel provide direct instructional and related services to students, usually in a classroom setting. Those teachers are supported by a wide array of personnel, including administrators, paraprofessionals and custodians. Others involved in the pupil support continuum include secretaries, bus drivers and technology support workers. More than 80% of day-to-day school operating costs are associated with compensating personnel. This includes salaries and fringe benefits. Schools also incur an array of costs in support of that mission. These costs include utilities, supplies, textbooks, bus fuel, and technology.

Prior to the pandemic, the District had seen increases in various expenditure patterns over time. For instance, fees associated with the collection of property taxes generally have increased in line with property tax collections. Primarily the result of additional costs associated with school choice options—such as College Credit Plus, the State autism scholarship program, and the State special education scholarship program—the district budgeted spending more for purchased services. Constraining that increase is an energy conservation capital improvements program that was completed in the fall of 2017. Other forecast expenditure increases over time are roughly in line with anticipated inflation levels. A second capital improvements program that included a lighting retrofit was authorized by the Board of Education in the fall of 2020. This program is expected to reduce energy costs over time.

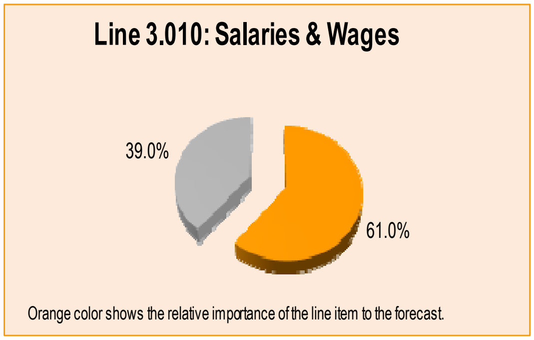
The Board of Education voted on September 26, 2016, to embark on a major capital improvements initiative for renovating Brady Middle School. Over a two-year period, the Board of Education approved transferring a total of $5.9 million from the General Fund into a permanent improvement fund established specifically for this purpose. As of the start of the 2019-2020 school year, the improvements to Brady Middle School were substantially complete and those transfers have ended.

Within its current cost structure, the School District will face ongoing cost pressures to maintain existing programs. In recent years, enrollment has been flat to decreasing slightly on an annual basis, although a modest increase has been seen at the start of the current school year. In recent years, costs per pupil have increased. This happens in periods of enrollment decrease even if aggregate actual expenditures remain unchanged. The conundrum of balancing program offerings and costs will challenge the School District in the years ahead.



Line 3.010: Employee Salaries & Wages

Line 3.010 is used to account for expenditures associated with paying employees. This includes employees paid on an annual salary or at an hourly rate. Overtime, supplemental duties and coaching payments are among school district employee payments.



Key Uses Of Funds

Orange Employee Payroll

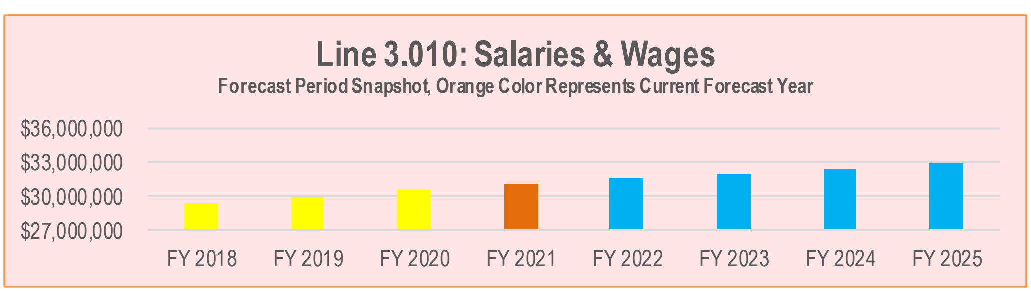
Expenditure Impact Rank

1

Commentary

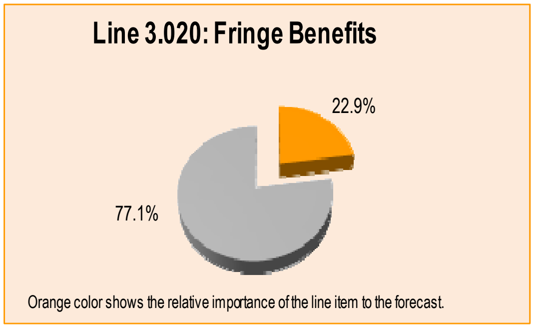
Expenditures for personnel services are the largest cost for the School District, representing approximately 60% of total expenditures. These costs are associated with salary and wage payments to all employees. This includes regular base salaries, supplemental compensation and overtime payments. Included in the expenditure forecast are negotiated base salary schedule annual wage increases of 2.0% for the current fiscal year in the index matrix of bargained salary schedules. These bargained wage increases are within the range of comparable school districts at the time the agreements were bargained. Negotiations concluded for a three-year collective bargaining agreement with all District employees who are members of bargaining units during calendar year 2018. All current collective bargaining agreements expire in June 2021 or December 2021. This forecast assumes that current factors for teacher and other salary schedules will remain in place for years when a collective bargaining agreement is not in place. The compensation for administrators and confidential other non-administrative employees is set annually by the Board of Education and is not governed by collective bargaining agreements. Administrators unaffiliated with bargaining units did not receive salary increases for the current school year.

The District operates in the eastern Cuyahoga County market, which perhaps is the most expensive school personnel market in which to operate in the State of Ohio. In order to be competitive with school districts in its market area, the District has bargained one of the most attractive teacher salary schedules in the State of Ohio. A teacher with a bachelor's degree and no experience, who is at the lowest point on the salary schedule, will earn $48,076 per year this school year. Meanwhile, the highest teacher salary schedule pay of $114,839 can be earned by any teacher who has at least 30 years of experience and a doctorate degree. In addition to market factors, the District expects greater competition in the future for the best teachers, bus drivers and other employees. For example, on August 9, 2019, *Education Week* reported that the number of people completing teacher education programs declined by 23% between the 2007-08 and 2015-16 academic years. Strengthening of license requirements for school bus drivers in recent years, as well as competition from industry, also has made these positions more difficult and costly to staff in recent years. Thus, employee compensation standards reflect the desire of the Board of Education to remain an attractive workplace for the best employees.



Line 3.020: Employee Fringe Benefits

Line 3.020 is used to account for expenditures associated with employee fringe benefits. Many fringe benefits—including pension, workers' compensation and Medicare tax payments—are a mathematical function of salary or wage payments. Other fringe benefits, such as health insurance, are based on premiums charged and not tied directly to employee salaries or wages.



Key Uses Of Funds

Orange Employee Fringe Benefits

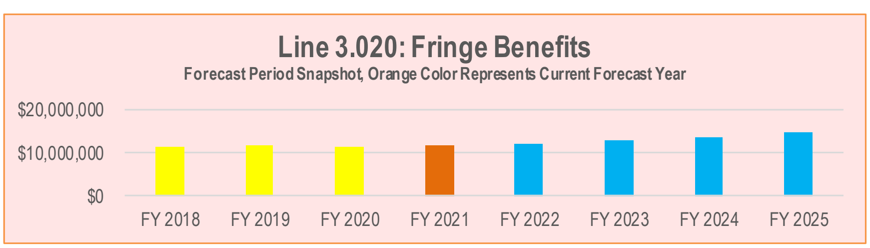
Expenditure Impact Rank

2

Commentary

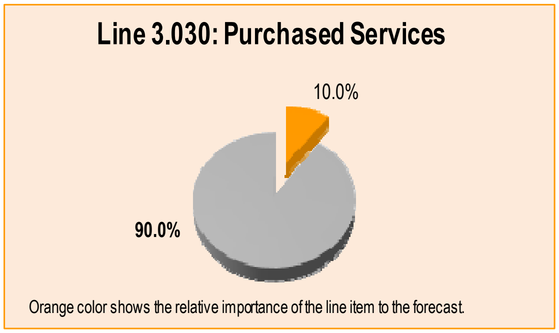
Expenditures for employee fringe benefits represent almost a quarter of School District spending. Health benefits costs are the largest source of fringe benefits expenditures. In recent years it has been the fastest rising area of school expenditures. The cost of retirement benefits is a percentage of salary as are allowances for workers' compensation and Medicare tax. (Public employees in Ohio are required to participate in one of the five State retirement systems in lieu of participating in Social Security.) Non-insurance benefits costs, including retirement, Workers' Compensation and employer Medicare Tax payments total approximately 16.5% of personnel services expenditures and are calculated based on the employee's salary.

Unlike other fringe benefits, health insurance expenditures are not a mathematical function of salaries and wages. Indeed, health insurance costs have increased much faster than salaries or general inflation in recent years and such cost increases are an ongoing concern. The School District attempts to contain those costs through its participation in the Suburban Health Consortium, which administers health benefits for the District and 19 other school districts in the Cleveland metropolitan area. (The District currently serves as fiscal agent for the Consortium.) The Consortium has taken several steps to moderate inflationary increases in health benefits costs. For example, the District has begun to offer a "Wellness Plan" designed to offer employees lower monthly premiums. Among the results of recent collective bargaining are plan design changes that reduced a nearly 9% increase in health insurance premiums to less than 2%. (Employees currently pay 15% of the premium cost.) The District anticipates in the years ahead that managing plan design will be critical to containing health insurance program costs. As a conservative budgeting practice, the School District has anticipated aggregate annual future increases to be 10%. Due to lower levels of medical service during the COVID-19 pandemic, premium rates for the plan year effective from October 1, 2019, to September 30, 2020, were unchanged. As vaccinations become more available, premium increases are forecast to trend closer to historic norms.



Line 3.030: Purchased Services & Utilities

Line 3.030 is used to account for expenditures associated with payments for professional services, maintenance services, postage and utilities. Also paid here are costs assessed against the school district for various state school choice programs, college credit plus, special needs scholarships and autism scholarships.

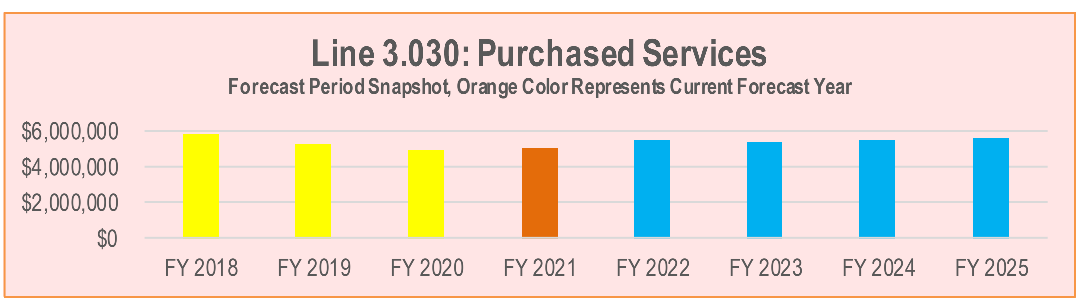


Key Uses
Of Funds
Professional Services & Utilities

Expenditure
Impact Rank
3

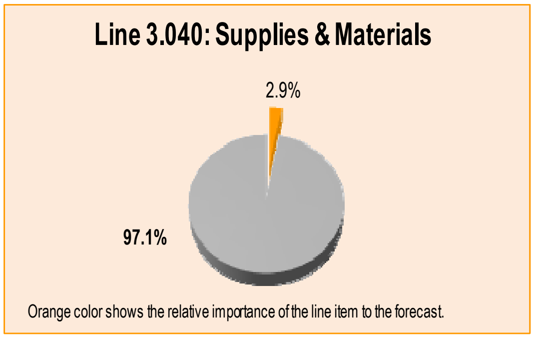
Commentary

Expenditures for purchased services, as a proportion of the budget, are projected to be relatively stable, in the range of 10% to 12% of expenditures for the forecast period. Purchased services cost trends have moderated somewhat in the past few years and this trend is potentially sustainable for a variety of reasons, including lower utility costs associated with the completion of energy conservation improvements. In the past year, the District has experienced fewer increases in costs related to State-mandated educational options programs, which enable students to enroll in courses for college credit, autism and special needs. Yet these are costs the District administration does not control directly, so it is difficult to predict probable future costs. Contracts for educational services with the Educational Service Center of Northeastern Ohio, and other third-party education support services providers, are a major component of purchased services costs. Another significant element of purchased services costs is District utilities--electricity, natural gas, and water. The District participates in consortium purchasing for its utilities when available in order to minimize these costs. In order to protect the physical assets of the District, property, casualty and fleet insurance is purchased. In order to improve coverage, the District changed insurance programs effective July 1, 2019, and did not incur significant additional costs. For Fiscal Years 2020 and 2021, some purchased services costs associated with student wellness and success have been moved to a special fund to account for such expenditures, lowering spending from the General Fund. It cannot be predicted whether this restricted funding will be continued in future State biennial budget legislation.



Line 3.040: Instructional Supplies, Materials & Fuel

Line 3.040 is used to account for expenditures associated with instructional supplies, materials, periodicals, textbooks, and computer software and applications. This broad category includes repair parts, buildings and grounds maintenance supplies and fuel for buses and vehicles.



Key Uses Of Funds

Classroom Supplies & Textbooks

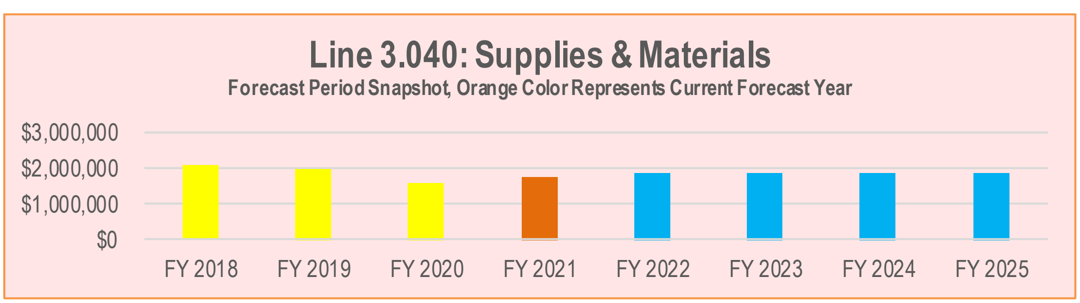
Expenditure Impact Rank

4

Commentary

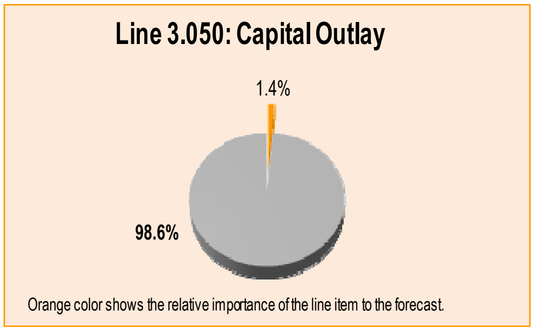
Expenditures for supplies and materials total just under 3% of District spending. In general, budgets for supplies and materials have been restrained in recent years. However, these budgets in aggregate are forecast to increase by 2% per year. During the COVID-19 pandemic, District instructional supply resources have moved somewhat toward electronic resources that facilitate remote learning. Bus wear-and-tear and fuel consumption is correlated to the instructional model—remote, hybrid, traditional—and spending will increase or decrease in tandem. As long as the pandemic persists, the District must purchase additional health and sanitation supplies.

A wide variety of spending on physical goods is included in this line item. These items range from classroom supplies and textbooks to computer software and periodical subscriptions. This spending category also includes maintenance and vehicle supplies as well as repair parts. Some costs in this line item are volatile and subject to market conditions at the time of purchase. Two commodities included in this category that are essential for school operations that have been subject to dramatic price swings in recent years are fuel for school buses and salt for ice melting. Currently, vehicle fuel and salt prices are below levels reached during the past several years. However, limited ability exists to stockpile these items so they must be purchased at the market price when needed. Price discounting, when available, is often based on a market index or factor. Therefore, sufficient funds must be available to purchase these items at whatever the best available market price is at the time when the purchase needs to be made.



Line 3.050: Capital Outlay

Line 3.050 is used to account for expenditures associated with significant building upgrades, site improvements as well as the purchase of equipment, maintenance vehicles and school buses when paid by the General Fund. This line item is also used for furniture and equipment when the unit cost exceeds $500 and has a useful life of five years or more.



Key Uses
Of Funds
Major Equipment & Vehicles

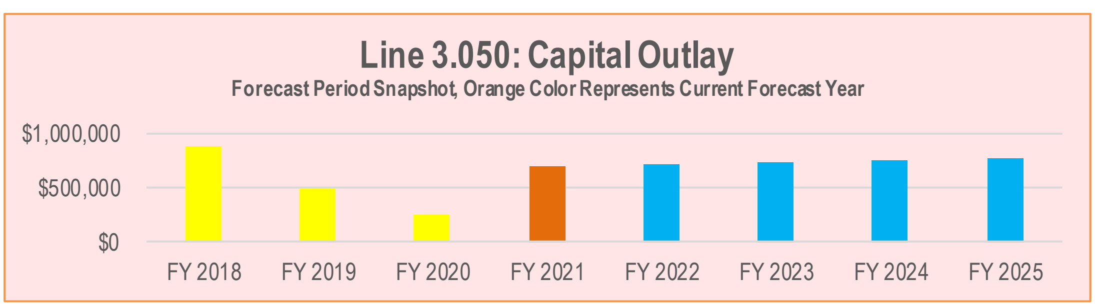
Expenditure
Impact Rank
6

Commentary

Capital outlay expenditures from the General Fund represent a little more than 1% of total District spending. These expenditures include school buses, maintenance vehicles, technology, and major pieces of equipment. Forecast spending is expected to increase at an inflationary rate of 2% per year, consistent with the need to replace items that have become obsolete or are at the end of their useful life.

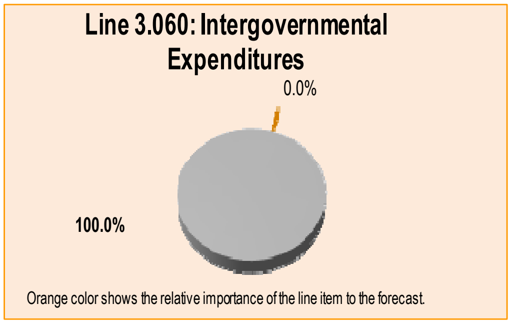
Many capital outlay expenditures for facilities improvements are paid from a separate Permanent Improvement Fund that is not a part of the operating budget of the School District and therefore, pursuant to law, is not included in this forecast. The primary source of money for the Permanent Improvement Fund is a voter-approved 1-mill tax levy. This dedicated funding stream reduces the capital expenditure burden on the General Fund.

As part of its stewardship of taxpayer financial resources, the District has a rolling five-year program to identify capital improvement needs and possible funding sources to meet those needs. The capital plan includes infrastructure projects, vehicle replacement, technology improvements, and furniture and equipment needs. The plan is updated by the administration with consultation from the Board of Education. As a result of the COVID-19 pandemic, the District deferred some equipment purchases to conserve funds or because of uncertain availability. For example, an order for new school buses placed before the pandemic was not delivered until mid-winter 2021.



Line 3.060: Intergovernmental Expenditures

Line 3.060 is used to account for expenditures associated with grants from another governmental entity, but only when other accounting restrictions did not apply in accordance with law. This category, which is rarely used, typically applies to cooperative programs.

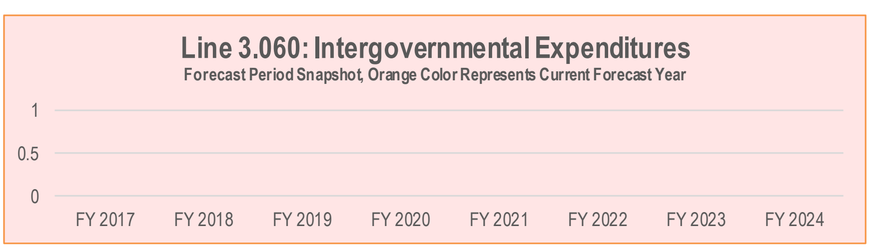


Key Uses
Of Funds
Other Government Units

Expenditure
Impact Rank
-

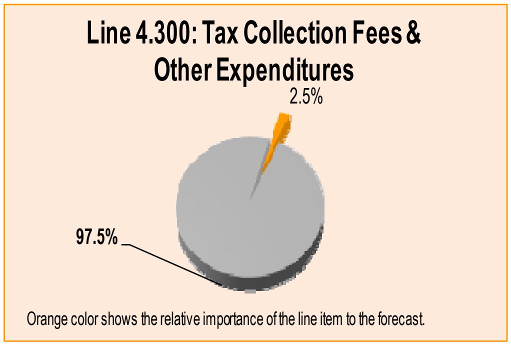
Commentary

The District has not had any intergovernmental expenditures for the past five years and does not forecast any in the foreseeable future.



Line 4.300: Property Tax Collection Fees & Other Expenditures

Line 4.300 is used to account for expenditures associated with the collection of property taxes, audit fees, Educational Service Center fees, and liability insurance.



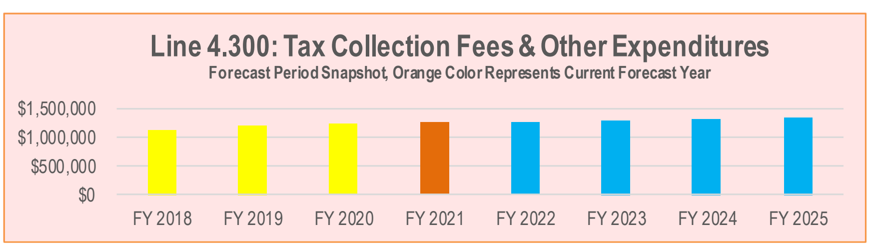
Key Uses
Of Funds
Tax Fees & Liability Insurance

Expenditure
Impact Rank
5

Commentary

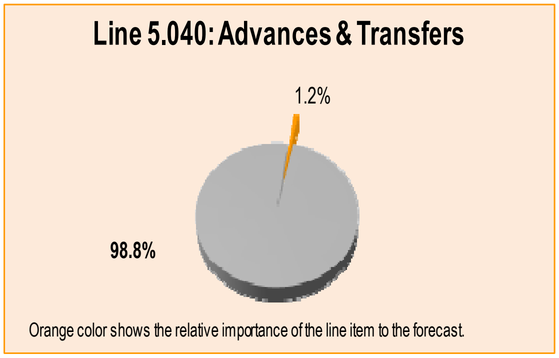
The largest expenditures in this category are for property tax collection fees imposed by Cuyahoga County in accordance with a statutory formula in Ohio law. The general strengthening of local property tax collections in recent years has resulted in the imposition of additional tax collection fees, resulting in an increase in these expenditures. If tax collections decrease due to the COVID-19 pandemic or other factors, these fees will decrease. Various other essential operating costs that are part of this category of expenditures, including liability insurance, membership fees for professional organizations and costs associated with the annual audit. These expenditures are forecast to increase by 2% a year.

Although many of these costs are mandated by law and the School District has no ability to negotiate associated costs, discretionary expenditures are actively managed. For example, liability insurance is priced annually as part of the School District's comprehensive insurance package.



Line 5.040: Advances, Transfers & Other Financing Uses

Line 5.040 is used to account for expenditures associated with advances and transfers to other funds. This includes transfers for capital improvement purposes, athletics, and end-of-service benefits.



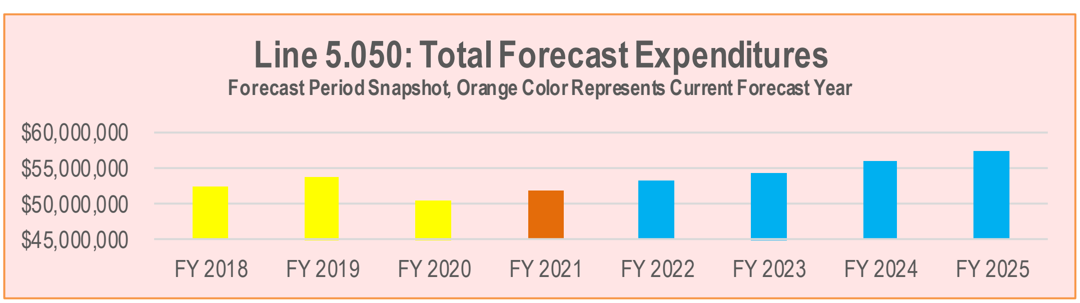
Key Uses
<u>Of Funds</u>
Non-Operating Expenses

Expenditure
<u>Impact</u>
<u>Rank</u>
7

Commentary

This line item primarily accounts for funds advanced or transferred from the General Fund for specified purposes approved by the Board of Education. During fiscal years ending June 30, 2017, and June 30, 2018, the Board transferred $5.9 million to a restricted capital improvement fund established for the purpose of making major capital improvements to Brady Middle School. These improvements, which were substantially completed in time for the start of the 2019-2020 school year included restroom renovations, extensive classroom renovations, the creation of music and performance rooms, lobby and office renovations, and renovations to the media center. The intent of the project was to make the facility originally constructed in the mid-1960s useful for another generation of students. It is believed the renovations were a more cost-effective use of taxpayer dollars than new construction.

Meanwhile, anticipated annual transfers and other uses of funds are forecast to total $600,000, and include $400,000 to the termination benefits fund, $175,000 to the athletics program, and $25,000 for other needs. The level of transfers may be modified due to budgetary issues associated with the COVID-19 pandemic, although there are no plans to do so at this time.



Orange City School District Five Year Forecast

This includes the Schedule of Revenues, Expenditures and Changes in Fund Balances, including possible future tax levies, for the School District.

Orange City School District

Cuyahoga County

Schedule of Revenues, 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

		Actual		Forecasted				
Forecast Line	Data Point	Fiscal Year 2020	Average Change	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025
	Revenues							
1.010	General Property Tax (Real Estate)	$41,002,814	-1.93%	$40,237,928	$41,279,983	$41,583,415	$41,784,055	$42,113,891
1.020	Public Utility Personal Property Tax	$1,454,081	17.45%	$1,530,450	$1,568,476	$1,590,164	$1,611,851	$1,633,539
1.030	Income Tax	-	0.00%	-	-	-	-	-
1.035	Unrestricted State Grants-in-Aid	$1,593,437	-12.02%	$1,730,837	$1,842,311	$1,843,323	$1,844,301	$1,845,276
1.040	Restricted State Grants-in-Aid	$134,513	-27.62%	$132,937	$132,939	$132,939	$132,971	$133,004
1.045	Restricted Federal Grants In Aid	-	0.00%	-	-	-	-	-
1.050	Property Tax Allocation	$4,830,030	0.82%	$4,853,989	$4,878,945	$4,917,166	$4,939,859	$4,978,084
1.060	All Other Revenues	$2,161,356	53.45%	$2,262,380	$2,257,558	$2,268,766	$2,280,364	$2,292,368
1.070	*Total Revenues*	$51,176,231	-0.63%	$50,748,521	$51,960,212	$52,335,773	$52,593,401	$52,996,162
	Other Financing Sources							
2.010	Proceeds from Sale of Notes	-	0.00%	-	-	-	-	-
2.020	State Emergency Loans and Advancements (Approved)	-	0.00%	-	-	-	-	-
2.040	Operating Transfers-In	-	0.00%	-	-	-	-	-
2.050	Advances-In	$0	0.00%	$25,000	$25,000	$25,000	$25,000	$25,000
2.060	All Other Financing Sources	$148,021	-19.66%	$135,000	$135,000	$135,000	$135,000	$135,000
2.070	*Total Other Financing Sources*	$148,021	561.48%	$160,000	$160,000	$160,000	$160,000	$160,000
2.080	*Total Revenues and Other Financing Sources*	$51,324,252	-1.14%	$50,908,521	$52,120,212	$52,495,773	$52,753,401	$53,156,162
	Expenditures							
3.010	Personal Services	$30,646,413	1.97%	$31,077,501	$31,517,052	$31,965,234	$32,422,217	$32,888,176
3.020	Employees' Retirement/Insurance Benefits	$11,469,586	1.02%	$11,666,126	$12,175,400	$12,872,500	$13,632,700	$14,462,400
3.030	Purchased Services	$4,893,321	-7.89%	$5,070,442	$5,469,447	$5,399,734	$5,514,887	$5,632,766
3.040	Supplies and Materials	$1,421,395	27.03%	$1,464,036	$1,507,957	$1,553,196	$1,599,792	$1,647,786
3.050	Capital Outlay	$253,355	-45.94%	$697,362	$714,206	$731,473	$749,175	$767,323
3.060	Intergovernmental	-	0.00%	-	-	-	-	-
	Debt Service:		0.00%					
4.010	Principal-All (Historical Only)	-	0.00%	-	-	-	-	-
4.020	Principal-Notes	-	0.00%	-	-	-	-	-
4.030	Principal-State Loans	-	0.00%	-	-	-	-	-
4.040	Principal-State Advancements	-	0.00%	-	-	-	-	-
4.050	Principal-HB 264 Loans	-	0.00%	-	-	-	-	-
4.055	Principal-Other	-	0.00%	-	-	-	-	-
4.060	Interest and Fiscal Charges	-	0.00%	-	-	-	-	-
4.300	Other Objects	$1,225,128	4.51%	$1,249,630	$1,274,623	$1,300,116	$1,326,118	$1,352,641
4.500	*Total Expenditures*	$49,909,198	0.55%	$51,225,098	$52,658,685	$53,822,252	$55,244,889	$56,751,092
	Other Financing Uses							
5.010	Operating Transfers-Out	$575,000	-27.24%	$575,000	$575,000	$575,000	$575,000	$575,000
5.020	Advances-Out	$0	0.00%	$25,000	$25,000	$25,000	$25,000	$25,000
5.030	All Other Financing Uses	-	0.00%	11,101	-	-	-	-
5.040	*Total Other Financing Uses*	$575,000	-27.24%	$611,101	$600,000	$600,000	$600,000	$600,000
5.050	*Total Expenditures and Other Financing Uses*	$50,484,198	-1.77%	$51,836,199	$53,258,685	$54,422,252	$55,844,889	$57,351,092
6.010	*Excess of Revenues over (under) Expenditures*	$840,054	-1034.04%	($927,678)	($1,138,473)	($1,926,479)	($3,091,488)	($4,194,929)
7.010	Cash Balance July 1 - Excluding Future Levies	$25,190,374	-6.51%	$26,030,428	$25,102,750	$23,964,277	$22,037,798	$18,946,310
7.020	*Cash Balance June 30*	$26,030,428	-5.21%	$25,102,750	$23,964,277	$22,037,798	$18,946,310	$14,751,380
8.010	*Estimated Encumbrances June 30*	$1,093,687	80.55%	$500,000	$500,000	$500,000	$500,000	$500,000
10.010	*Fund Balance June 30 for Certification of Appropriations*	$24,936,741	-6.11%	$24,602,750	$23,464,277	$21,537,798	$18,446,310	$14,251,380
	Revenue from Replacement/Renewal Levies							
11.010	Income Tax - Renewal		0.00%	-	-	-	-	-
11.020	Property Tax - Renewal or Replacement		0.00%	-	-	-	-	-
11.300	Cumulative Balance of Replacement/Renewal Levies		0.00%	-	-	-	-	-
12.010	*Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations*	$24,936,741	-6.11%	$24,602,750	$23,464,277	$21,537,798	$18,446,310	$14,251,380
	Revenue from New Levies							
13.010	Income Tax - New		0.00%	-	-	-	-	-
13.020	Property Tax - New		0.00%	-	-	$3,236,612	$5,884,748	$5,884,748
13.030	Cumulative Balance of New Levies		0.00%	-	-	$3,236,612	$9,121,360	$15,006,108
15.010	*Unreserved Fund Balance June 30*	**$24,936,741**	**-6.11%**	**$24,602,750**	**$23,464,277**	**$24,774,410**	**$27,567,670**	**$29,257,488**

Appendix A: Pinecrest Development Tax Increment Financing

Appendix A provides additional information about the probable impact of the Pinecrest development in Orange Village. Pinecrest is the subject of a tax abatement known as Tax Increment Financing whereby increased real property taxes from site improvements go toward financing infrastructure improvements. The Board of Education in 2015 entered into a 30-year compensation agreement intended to compensate the School District for its inability to collect future tax revenue on various commercial improvements. A second, solely residential, phase of the development is not subject to tax abatement. The initial anticipated build-out timeline was 7 years.

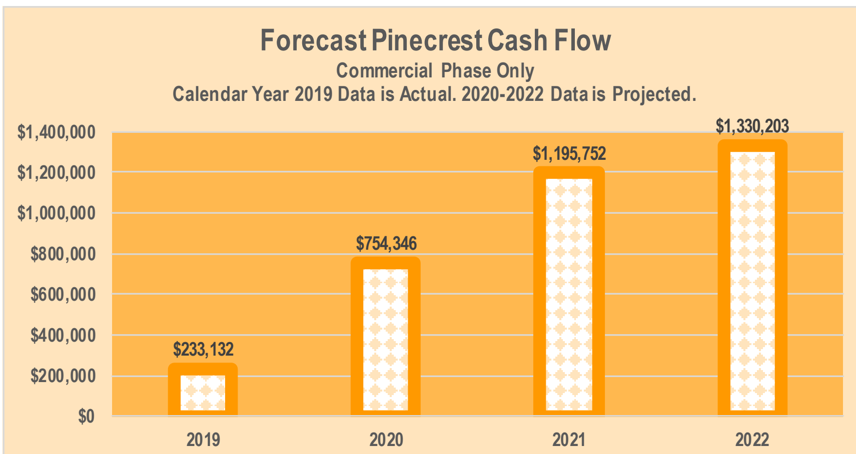
Pinecrest Tax Increment Financing Agreement Updated Financial Impact Estimates				
Funding Stream	2015 Initial Proposal*	2018 Updated Estimate*	Current Calendar Year Actual	Current Calendar Year Status
Payment in Lieu of Taxes	$828,343	$915,203	$564,846	Meeting Current Year Projection
Income Tax Sharing (Orange Village)	$415,000	$415,000	$207,500	First Sharing Payment Remitted in 2020
Residential Taxes	$1,145,000	$1,176,180	$0	Development Pending; No Announced Timeline
Future School Tax Increases	$621,664	$621,664	$0	No Voted Tax Increase Placed on Ballot
Totals	**$3,010,007**	**$3,128,047**	**$772,346**	
*Figures beginning as of the estimated build out year of 2022.				

Commentary

The Board of Education authorized entering into a 30-year Tax Increment Finance (TIF) Compensation Agreement with Orange Village in April 2015 concerning the development of the Pinecrest complex. As of autumn 2020, development of the commercial portion of the complex that is the subject of the TIF has been completed and businesses have opened. The purpose of the TIF is to redirect additional property tax revenue from the development that otherwise would have gone to other local governments to the Village for the purpose of paying debt service incurred to finance public infrastructure improvements related to the development. These infrastructure improvements included roads, water and sewer lines, and safety lighting. Pursuant to Ohio law, municipalities are required to enter into school district Compensation Agreements when certain thresholds are met. As the terms of the Pinecrest TIF met those parameters, Orange Village negotiated a Compensation Agreement with the Orange City School District. The first payments made in accordance with the Agreement were remitted in 2019. Probable cash flow information is disclosed in the table below.

Pinecrest Tax Increment Financing Agreement Probable Commercial Cash Flow				
Funding Stream	2019*	2020*	2021	2022
Payment in Lieu of Taxes	$233,132	$564,846	$884,502	$915,203
Income Tax Sharing (Orange Village)	$0	$207,500	$311,250	$415,000
Subtotal: Commercial Property	**$233,132**	**$754,346**	**$1,195,752**	**$1,330,203**
*Actual Data for Calendar Years 2019 and 2020. The projected build out year is 2022.				

Development of the Pinecrest complex has been forecast to have a significant positive effect on the financial position of the School District during the 30-year timeframe of the agreement. However, the COVID-19 pandemic has raised some questions about whether the anticipated cash flow estimates will be met, particularly during calendar year 2021. The primary concern is associated with income tax sharing payments as many businesses had to reduce operations or close temporarily effective in mid-March 2020. Retailers and restaurants were disproportionately affected by governmental orders limiting operations, some of which remained in effect as of autumn 2020. During the pandemic period, some Pinecrest businesses closed and many others experienced decreased sales. These factors resulted in reductions in hours worked and the number of workers employed. This is likely to impair income tax sharing payments paid in accordance with the compensation agreement in 2021. Nevertheless, the value of real estate improvements did not change. Thus, compensation payments made based on real estate values are less likely to be impaired. In October 2020, according to news media reports, Fairmount Properties and the DiGeronimo Companies, developers of Pinecrest, transferred ownership to Square Mile Capital Management, the organization that provided financing for the project through a deed in lieu of foreclosure. A principal officer of Fairmont Properties told a news organization at that time of the deed transfer that the former owners will continue to manage and oversee day-to-day operations of Pinecrest. Orange Village officials said they anticipate limited repercussions and little effect on daily operations due to the transfer of ownership.



When proposed, the 58-acre mixed-use development was expected to provide an additional $3 million in revenue to the School District by 2023 when all development was expected to be completed. The table on the previous page shows how the $3 million figure was derived. Construction of the commercial portion of the development, which is now complete, included offices, stores, restaurants, a theater and a hotel. Development of the residential portion of the site has not yet begun. According to Orange Village officials, the developer has been discussing revised plans for the residential portion of the development with the Village. Construction on this phase of the project is not expected to move forward in the near term. As a result, the Village has advised the School District to exercise caution about forecasting the amount and timing of potential future tax receipts from the residential phase of the development. Therefore, probable residential tax proceeds are not included in the forecast document at this time. For disclosure purposes only, probable financial impact information from the initial submission of the residential (second phase) is included in the table below.

Pinecrest Tax Increment Financing Agreement Probable Residential Cash Flow				
Funding Stream	2019	2020	2021	2022
New Residential Taxes (original proposal)	$294,045	$588,090	$882,135	$1,176,180
Actual New Residential Taxes Paid	$0	$0	NA	NA
*Actual Data for Calendar Years 2019 and 2020. The initial projected build out year is 2022.				

The financial impact figures for the School District used in this forecast document originate with the developer and the financial advisor for Orange Village. Neither the District nor an independent third party provided an independent opinion to validate this data. While believed reliable, the School District cannot attest to the accuracy of this data and is relying on the best efforts of the developer, the Village and its financial advisor to provide information that is as accurate as possible. The commercial phase of the Pinecrest development is marketed as a "total value lifestyle shopping center" that has 87 apartments, a 145-room hotel, 400,000 square feet of retail space, 162,000 square feet of office space and a 1-acre programmable town center. In November 2020, the developers' web site, www.discoverpinecrest.com, had the following marketing message: "Cleveland's newest mixed-use district, located right off the Harvard Road exit of I-271 in Orange Village, Ohio, Pinecrest blends the best national and emerging brands to bring sought after apparel, home and specialty stores, chef-driven restaurants and incredible entertainment venues—many of which are first to the market. In addition, Pinecrest is home to a boutique hotel, contemporary apartments and next-generation Class A office space."

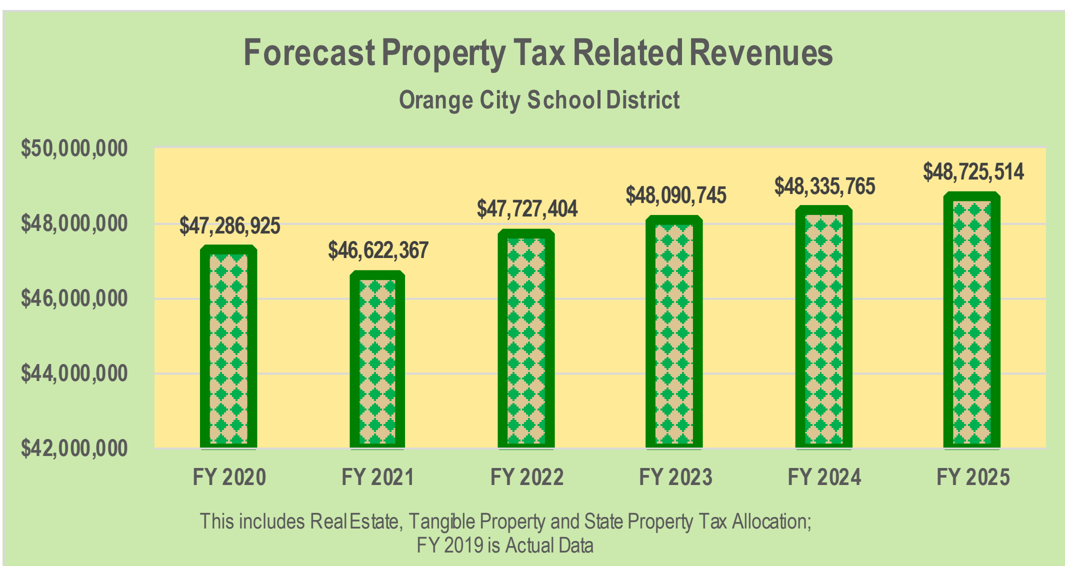
Appendix B: Tax Levies and Rates

Appendix B provides additional information about the property tax structure of the School District, including voted and effective tax rates for current expenses (operating purposes). [Not considered here are bond retirement, permanent improvement and recreation levies.] The table below shows tax rates for all voted levies as well as taxes levied within parameters set forth by the Ohio Constitution, commonly known as inside millage.

Orange City School District Tax Rates for Taxes Collected in Calendar Year 2021			
Election Date	Full Rate	Class 1 Rate	Class 2 Rate
Inside Mills (constitutional)	5.2	5.2	5.2
Before 1976	36.0	5.6	10.6
June 7, 1983	5.0	1.9	2.5
May 5, 1987	7.0	2.9	3.6
May 8, 1990	8.5	4.4	5.1
May 2, 1995	5.5	4.0	3.9
November 7, 2000	9.5	7.2	7.2
November 2, 2004	5.0	4.5	4.6
November 8, 2011	5.0	4.6	4.6
Total	**86.7**	**40.3**	**47.3**

Commentary

The Orange City School District is fortunate to have maintained community support for tax levies over time. In fact, no tax issue for day-to-day operating expenses has been voted against by the electorate in more than 40 years. (A bond issue for capital improvements was defeated in 1992.) In accordance with the Ohio Constitution and State law, three tax rates are in effect: The full tax rate is levied on public utility tangible property. An inflation-adjusted tax rate, designed to blunt property price inflation, is levied on residential and agricultural properties, so-called Class 1 property. A separate inflation-adjusted tax rate, also designed to blunt property price inflation, is levied on commercial and industrial properties, so-called Class 2 property. Over time, the Board of Education has considered when it might be necessary to seek additional funds from the community through a property tax levy. At this time, however, the Board of Education has taken no official actions related to placing a tax levy before the electorate of the School District.



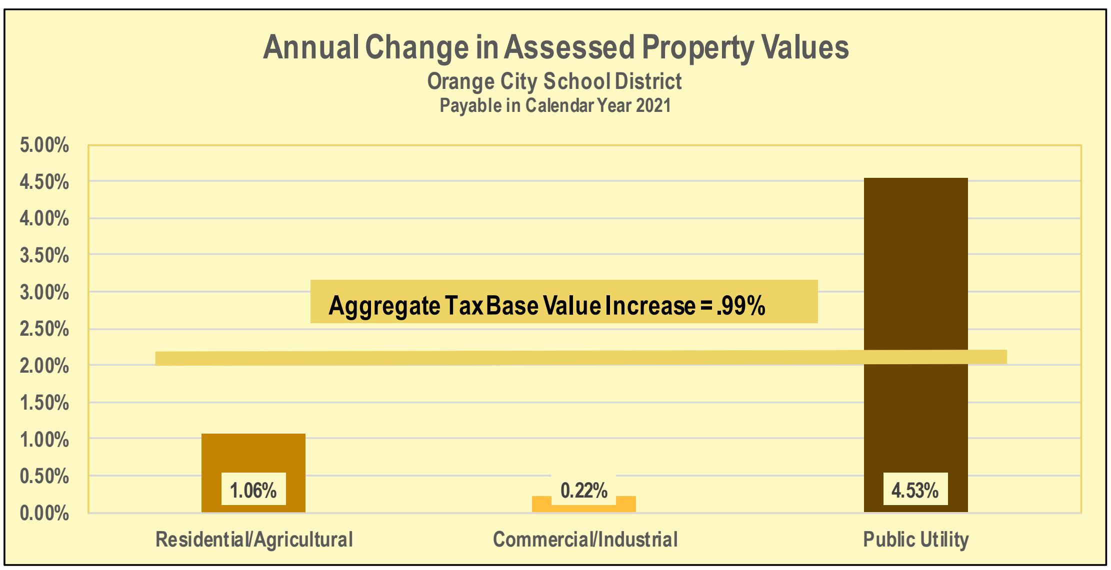
Appendix C: Property Tax Base

Appendix C provides additional information about the property tax base of the School District. Pursuant to Ohio law, the property tax base for funding public schools has three components: residential and agricultural property; commercial, industrial and mineral property; and, public utility tangible property. Property tax categories and rates are set in accordance with Article XII of the Ohio Constitution. The dual rate structure for real estate taxation is imposed in accordance with Section 2a of Article XII. The table below shows the value of taxable property in the School District by category for the past five years.

Orange City School District 5-Year Property Valuation History				
Valuation Tax Year	Residential/Agricultural	Commercial/Industrial	Public Utility	Total
2020	$969,924,400	$164,386,380	$17,955,420	$1,152,266,200
2019	$959,745,250	$164,019,660	$17,176,930	$1,140,941,840
2018	$948,840,880	$158,938,250	$15,913,230	$1,123,692,360
2017	$906,162,800	$150,713,950	$12,565,760	$1,069,442,510
2016	$905,439,820	$148,113,990	$11,698,940	$1,065,252,750

Commentary

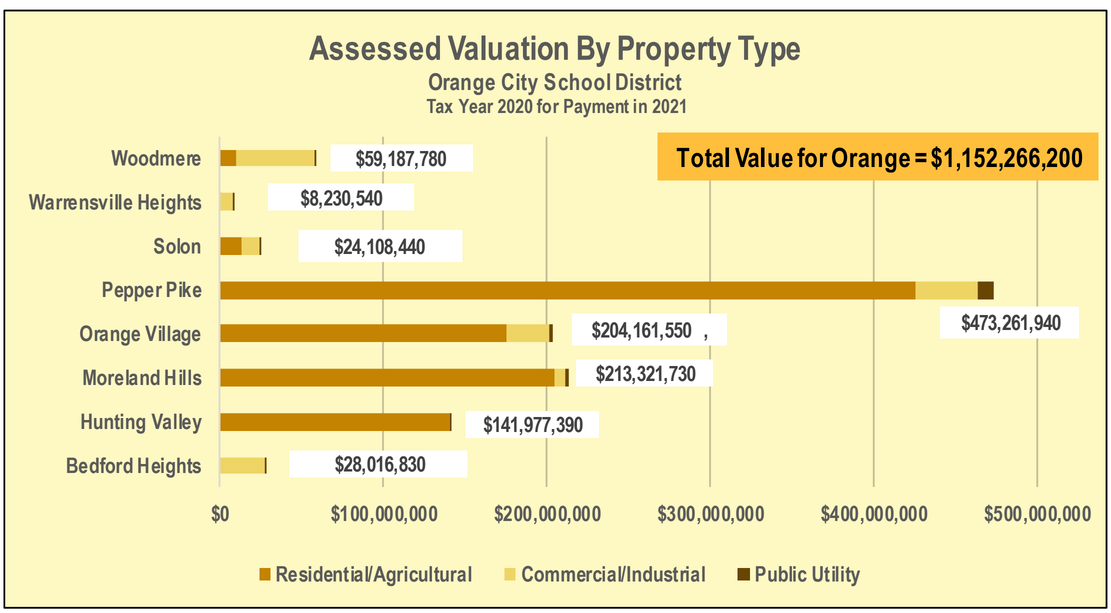
The Orange City School District has a robust and diverse tax base. In recent years, the tax base has grown each year due to new construction. Inflationary adjustments to property values that are calculated every 6 years and updated in the third year of the 6-year cycle also have been positive during that time period. The public utility tangible property tax base, as shown in the graph below has grown by more 50% in the past 5 years. As a whole, the tax base has grown by more than 8% from Tax Year 2015 to Tax Year 2019. Updates to property values for the next year usually are published in December.



The School District has eight taxing districts with a total assessed valuation in excess of $1.1 billion. As real property taxes are assessed at 35% of fair market value in Ohio, the equivalent market value of real estate within the 25-square-mile territory of the District exceeds $3 billion. While the tax base is predominately residential, it also has significant business components. On a per-student basis, the Orange tax base is among the most robust supporting any school district in Ohio. For many taxpayers, the five principal taxing districts are of greatest interest. The Orange City School District stretches west-to-east in east-central Cuyahoga County from Interstate 271 to as far as the Geauga County line. Most of the commercial/industrial real estate in the School District is situated at points with easy expressway access. Farther east, the District transitions from urban to semi-rural. This is also reflected in proportionate property uses and values. Woodmere, located near the Chagrin Boulevard interchange to Interstate 271, has about 84% of its real estate valuation in commercial property. Meanwhile, Hunting Valley, located by the Geauga County line, is 99% residential. While the largest 3 communities have mostly residential property valuation, there is significant commercial/industrial and public utility property in each. Approximately 40% of the tax base is concentrated in the most populous community in the School District, the City of Pepper Pike, which is predominately a residential community. Each taxing district is unique, however. Woodmere, for example, has mostly a commercial tax base. On the other hand, the least populous of the 5 primary constituent communities, Hunting Valley, has an overwhelmingly residential tax base. The tax base includes the five primary constituent communities of Hunting Valley, Moreland Hills, Orange Village, Pepper Pike and Woodmere as well as geographically small parts of three other communities: Bedford Heights, Solon, and Warrensville Heights. The table below presents assessed property values for Tax Year 2019 by taxing district.

Orange City School District Tax Year 2020 Assessed Property Values By Community				
Taxing District	**Residential/Agricultural**	**Commercial/Industrial**	**Public Utility**	**Total**
Bedford Heights	$0	$26,987,750	$1,029,080	$28,016,830
Hunting Valley	$140,833,140	$67,030	$1,077,220	$141,977,390
Moreland Hills	$204,890,170	$6,155,670	$2,275,890	$213,321,730
Orange Village	$175,818,000	$25,773,480	$2,570,070	$204,161,550
Pepper Pike	$425,749,680	$38,245,280	$9,266,980	$473,261,940
Solon	$12,814,870	$10,832,130	$461,440	$24,108,440
Warrensville Hts.	$42,840	$7,916,160	$271,540	$8,230,540
Woodmere	$9,775,700	$48,408,880	$1,003,200	$59,187,780
Grand Total	$969,924,400	$164,386,380	$17,955,420	$1,152,266,200

The 5 primary constituent communities of the School District proportionately have the largest school tax bases. Nevertheless, because most of the 3 smaller taxing districts are totally or substantially commercial areas in property use, these taxing districts make significant contributions to the tax revenue of the School District. The graph below shows assessed valuation by property type for each of the 8 taxing districts within Orange.



During the past five years, the composition of the tax base has been fairly stable. The proportionate share of taxable property by classification has changed less than 1.5 percentage point within that time frame. However, during the 5-year time frame, the proportion of the tax base that is residential/agricultural has decreased each year while the commercial/industrial and public utility proportions have increased. The following table shows the proportionate change in the tax base by tax type going back 5 years from Tax Year 2019.

Orange City School District Tax Base By Percentage of Total Tax Base			
Valuation Tax Year	Residential/Agricultural	Commercial/Industrial	Public Utility
2020	84.18%	14.27%	1.56%
2019	84.12%	14.38%	1.51%
2018	84.44%	14.14%	1.42%
2017	84.73%	14.09%	1.17%
2016	85.00%	13.90%	1.10%

The School District contains attractive business districts that are easily accessible to residents of the Cleveland metropolitan area and all of northeastern Ohio. As a result, business development and redevelopment is expected to continue at a moderate pace for the foreseeable future. As far as residential property development is concerned, a variety of housing choices are available. These range from condominium units to estate homes. While some new residential construction is occurring in the community, it is equally important that many homes built in the first major wave of development in the area in the 1960s and 1970s are being updated or rebuilt. This bodes well for a continued strong tax base for the School District even in the face of current economic conditions.