TALAWANDA CITY SCHOOL DISTRICT - BUTLER COUNTY

SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE FISCAL YEARS ENDED JUNE 30, 2021, 2022, and 2023 ACTUAL FORECASTED FISCAL YEARS ENDING JUNE 30, 2024, THROUGH JUNE 30, 2028

Forecast Provided By
Talawanda City School District
Treasurer's Office
Shaunna Tafelski, Treasurer/CFO

May 16, 2024

Talawanda City School District

Butler County

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2021, 2022, 2023 Actual;
Forecasted Fiscal Year Ending June 30, 2024 through 2028

		Actual				Forecasted				
		Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	Average Change	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026	Fiscal Year 2027	Fiscal Year 2028
	Revenues									
1.010	General Property Tax (Real Estate)	14,102,103	14,432,095	14,498,926	1.4%	17,259,328	18,992,052	19,095,981	19,304,639	19,496,635
1.020	Public Utility Personal Property Tax	2,415,804	2,455,280	2,092,842	-6.6%	2,203,281	2,249,354	2,298,228	2,347,103	2,395,977
1.030	Income Tax	7,373,306	8,458,140	9,464,884	13.3%	9,347,504	9,599,887	9,859,083	10,125,279	10,398,661
1.035	Unrestricted State Grants-in-Aid	7,848,531	8,085,710	8,269,331	2.6%	8,119,290	8,416,068	8,419,020	8,422,016	8,425,057
1.040	Restricted State Grants-in-Aid	144,906	574,924	530,155	144.5%	733,066	537,352	537,352	537,352	537,352
1.045	Restricted Federal Grants In Aid	0	0	0	0.0%	0	0	0	0	0
1.050	State Share of Local Property Taxes	1,508,172	1,648,621	1,657,297	4.9%	1,963,732	2,316,672	2,326,457	2,348,339	2,370,966
1.060	All Other Revenues	2,486,788	1,892,514	2,199,849	-3.8%	2,908,434	2,534,588	2,325,123	2,296,971	2,177,001
1.070	*Total Revenues*	35,879,610	37,547,264	38,713,286	3.9%	42,534,625	44,645,973	44,861,244	45,381,699	45,801,649
	Other Financing Sources									
2.010	Proceeds from Sale of Notes	0	0	0	0.0%	0	0	0	0	0
2.020	State Emergency Loans and Advancements (Approved)	0	0	0	0.0%	0	0	0	0	0
2.040	Operating Transfers-In	0	0	42,485	0.0%	0	0	0	0	0
2.050	Advances-In	26,070	15,062	554,588	999.0%	41,044	75,000	75,000	75,000	75,000
2.060	All Other Financing Sources	219,809	139,043	52,693	-49.4%	146,429	109,792	101,767	119,329	110,296
2.070	*Total Other Financing Sources*	245,879	154,105	649,766	142.2%	187,473	184,792	176,767	194,329	185,296
2.080	*Total Revenues and Other Financing Sources*	36,125,489	37,701,369	39,363,052	4.4%	42,722,098	44,830,765	45,038,011	45,576,028	45,986,945
	Expenditures									
3.010	Personnel Services	20,381,035	20,501,243	20,884,983	1.2%	20,478,541	22,446,297	23,544,145	24,465,737	25,424,142
3.020	Employees' Retirement/Insurance Benefits	6,889,556	7,391,163	7,754,049	6.1%	7,860,086	8,959,074	9,473,629	9,977,396	10,509,719
3.030	Purchased Services	7,164,162	7,091,530	7,134,051	-0.2%	7,261,157	7,861,775	8,170,783	8,442,636	8,723,953
3.040	Supplies and Materials	992,174	788,995	913,418	-2.4%	809,123	874,309	903,507	933,729	965,015
3.050	Capital Outlay	287,871	466,852	3,886,735	397.4%	859,799	657,140	739,451	938,559	1,265,397
3.060	Intergovernmental	0	0	0	0.0%	0	0	0	0	0
	Debt Service:				0.0%					
4.010	Principal-All (Historical Only)	0	0	0	0.0%	0	0	0	0	0
4.020	Principal-Notes	0	0	0	0.0%	0	0	0	0	0
4.030	Principal-State Loans	0	0	0	0.0%	0	0	0	0	0
4.040	Principal-State Advancements	0	0	0	0.0%	0	0	0	0	0
4.050	Principal-HB 264 Loans	0	0	0	0.0%	0	0	0	0	0
4.055	Principal-Other	0	0	0	0.0%	0	0	0	0	0
4.060	Interest and Fiscal Charges	0	0	0	0.0%	0	0	0	0	0
4.300	Other Objects	731,461	880,955	939,964	13.6%	1,006,806	1,062,201	1,119,259	1,179,502	1,243,112
4.500	*Total Expenditures*	36,446,259	37,120,738	41,513,200	6.8%	38,275,512	41,860,796	43,950,774	45,937,559	48,131,338
	Other Financing Uses									
5.010	Operating Transfers-Out	903,565	0	0	0.0%	0	0	0	0	0
5.020	Advances-Out	15,062	554,588	41,044	999.0%	75,000	75,000	75,000	75,000	75,000
5.030	All Other Financing Uses	0	0	0	0.0%	0	0	0	0	0
5.040	*Total Other Financing Uses*	918,627	554,588	41,044	-66.1%	75,000	75,000	75,000	75,000	75,000
5.050	*Total Expenditures and Other Financing Uses*	37,364,886	37,675,326	41,554,244	5.6%	38,350,512	41,935,796	44,025,774	46,012,559	48,206,338
6.010	*Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses*	(1,239,397)	26,063	(2,191,192)	-999.0%	4,371,586	2,894,969	1,012,237	(436,531)	(2,219,393)
7.010	Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	23,260,576	22,021,179	22,047,242	-2.6%	19,856,050	24,227,636	27,122,605	28,134,842	27,698,311
7.020	*Cash Balance June 30*	22,021,179	22,047,242	19,856,050	-4.9%	24,227,636	27,122,605	28,134,842	27,698,311	25,478,918
8.010	*Estimated Encumbrances June 30*	227,053	148,639	663,912	156.1%	150,000	150,000	150,000	150,000	150,000
10.010	*Fund Balance June 30 for Certification of Appropriations*	21,794,126	21,898,603	19,192,138	-5.9%	24,077,636	26,972,605	27,984,842	27,548,311	25,328,918
	Revenue from Replacement/Renewal Levies									
11.010	Income Tax - Renewal	0	0	0	0.0%	0	0	0	0	0
11.020	Property Tax - Renewal or Replacement	0	0	0	0.0%	0	0	0	0	0
11.300	Cumulative Balance of Replacement/Renewal Levies	0	0	0	0.0%	0	0	0	0	0
12.010	*Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations*	21,794,126	21,898,603	19,192,138	-5.9%	24,077,636	26,972,605	27,984,842	27,548,311	25,328,918
	Revenue from New Levies									
13.010	Income Tax - New	0	0	0	0.0%	0	0	0	0	0
13.020	Property Tax - New	0	0	0	0.0%	0	0	0	0	0
13.030	Cumulative Balance of New Levies	0	0	0	0.0%	0	0	0	0	0
15.010	*Unreserved Fund Balance June 30*	21,794,126	21,898,603	19,192,138	-5.9%	24,077,636	26,972,605	27,984,842	27,548,311	25,328,918

Talawanda City School District – Butler County
Notes to the Five-Year Forecast
General Fund Only
May 16, 2024

Introduction to the Five-Year Forecast

A forecast is like a future painting based on a snapshot of today. That snapshot, however, will be adjusted because the further into the future the forecast extends, the more likely it is that the projections will deviate from experience. Various events will ultimately impact the latter years of the forecast, such as state budgets (adopted every two years), tax levies (new/renewal/replacement), salary increases, or businesses moving in or out of the district. The five-year forecast is a crucial management tool and must be updated periodically. The five-year forecast enables district management teams to examine future years' projections and identify when challenges will arise. This then helps district management to be proactive in meeting those challenges. School districts are encouraged to update their forecasts with ODE when events significantly change their forecast or, at a minimum, when required under the statute.

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

Since the preparation of a meaningful five-year forecast is as much an art as it is a science and entails many intricacies, it is recommended that you contact the Treasurer/Chief Fiscal Officer of the school district with any questions you may have. The Treasurer/CFO submits the forecast, but the Board of Education is recognized as the official owner of the forecast.

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

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

O.R.C. §5705.391 and O.A.C. 3301-92-04 require a Board of Education (BOE) to file a five-year financial forecast by November 30, 2023, and May 31, 2024, for the fiscal year 2024 (July 1, 2023, to June 30, 2024). The five-year forecast includes three years of actual and five years of projected general fund revenues and expenditures. The fiscal year 2024 (July 1, 2023-June 30, 2024) is the first year of the five-year forecast and is considered the baseline year. Our forecast is updated to reflect the most current economic data and assumptions available for the May 2024 filing.

May 2024 Updates

<u>Revenues FY24</u>

The overview of revenues shows that we are substantially on target with original estimates at this point in the year. Total General Fund revenues (line 1.07) are estimated to be $1.5 million or 3.7% higher than the November forecasted amount of $41 million. This indicates that the November forecast was 96.3% accurate.

Line 1.01 and 1.02 - Property tax revenues represent our most significant source of revenues at 45.8% and are estimated to be $19.4 million, which is $1.4 million higher for FY24 than the original November estimate of $18.1 million. Our estimates are 92.2% accurate for FY24, due to using conservative estimates for the property tax triennial update in residential values, along with higher than normal delinquency rates.

Line 1.03 - The district's collection of School District Income Tax (SDIT) was originally projected to be higher in the November forecast. Collections for FY24 are 0.9%, or $85 thousand, under our original estimate. The SDIT represents 22% of the district revenues.

Line 1.035 and 1.04 - State Aid continues the implementation of the Fair School Funding Plan (FSFP), which has caused significant changes to the way our state revenues are calculated. We are estimating our state aid to be $8.8 million, which is $357 thousand lower than the original estimate for FY24. This lower amount can be contributed to two items; our increased property valuation in the triennial update and a decrease in transportation ridership. We are currently on the guarantee and are expected to remain as a guarantee district for FY25 through FY28.

Line 1.06 - Other revenues is tracking to be $403K higher than original estimates in November. This can be contributed to higher income on our investment interest and receiving two (2) reimbursements from Medicaid versus the normal one (1).

All areas of revenue are tracking as anticipated for the May FY24 Forecast based on our best information at this time.

Expenditures FY24

Total General Fund expenditures (line 4.5) are estimated to be $38.2 million for FY24, which is $750 thousand lower than the original estimate of $39 million in the November forecast, which is roughly 98% on target with initial estimates. The expenditure lines most significantly under projection are Employees' Retirement/Insurance Benefits (line 3.02) and Capital Outlay (3.05).

All other areas of expenses are expected to remain on target with original projections for the year.

Unreserved Ending Cash Balance

With revenues increasing from estimates and expenditures ending lower than initial estimates, our ending unreserved cash balance June 30, 2024, is anticipated to be $24.1 million. The ending unreserved cash balance on Line 15.010 of the forecast is anticipated to be a positive accumulative balance through 2028 if assumptions we have made for property tax collections, state aid in future state budgets, and expenditure assumptions remain close to our estimates.

Forecast Risks and Uncertainty:

A five-year financial forecast has risks and uncertainty not only due to economic delays noted above but also due to state legislative changes that will occur in the spring of 2025 and 2027 due to deliberation of the following two (2) state biennium budgets for FY26-27 and FY28-29, both of which affect this five-year forecast. We have estimated revenues and expenses based on the best data available and the laws currently in effect. The items below give a short description of the current issues and the affect that may occur in the forecast in the long term:

1. Property tax collections are the largest single revenue source for the school system. The housing market in our district is stable and growing. We project growth in appraised values every three (3) years and new construction growth with modest increases in local taxes as the pandemic has ended and the economy continues its recovery as anticipated. Total local revenues, which are predominately local taxes, equate to 74.5% of the district's resources. We believe there is a low risk that local collections will fall below projections throughout the forecast.

   The legislature has formed a "Joint Committee on Property Tax Review and Reform" which is pending as of this forecast. We are watching these deliberations closely and they could impact future reappraisals and possibly the impact of the 20-mill floor currently in law. Our district is currently on the 20-mill floor for Class I and Class II values. We are watching the Joint Committee carefully and will adjust the forecast pending their outcome.

2. Butler County experienced a triennial update in the 2023 tax year to be collected in FY24. The 2023 update increased overall assessed values by $267.7 million or an increase of 33.4%. Overall values rose $275.4 million or 34.4%, which includes the reappraisal and new construction for all classes of property. A sexennial reappraisal is occurring in tax year 2026 for collection in FY27. We anticipate value increases for Class I and II property of $16.7 million, for an overall increase of 1.5% based on recent information.

3. The district has a 1% traditional income tax that generates 22% of the district's operating revenues. Due to this being our second largest source of income, a shift in our local economy could have an adverse effect on district revenues. This forecast assumes stable and slightly increasing revenues to this line. However, we recognize the potential risk associated with change to our local economy.

4. The state budget represents 25.4% of district revenues, which means it is a significant risk to the revenue. The future risk comes in FY26 and beyond if the state economy stalls due to the high inflation or the Fair School Funding Plan is not funded in future state budgets due to an economic recession. In this forecast, two forthcoming State Biennium Budgets cover FY26-27 and FY28-29. Future uncertainty in the state foundation funding formula and the state's economy makes this area an elevated risk to district funding long-range through FY28. We have projected our state funding in FY24 and FY25 based on the additional phase-in of HB33 (the Fair School Funding Plan). This forecast reflects state revenue to align with the FY25 funding levels through FY28, which we feel is conservative and should be close to what-the state approves for the FY26-FY28 biennium budgets. We will adjust the forecast in future years as we have data to help guide this decision.

5. HB33, the current state budget, continues to phase in what has been referred to as the Fair School Funding Plan (FSFP) for FY24 and FY25. FY24 reflects 50% of the implementation cost at year three of a six-year phase-in plan, which increases by 16.66% each year. FY25 will result in 66.66% funding of (FSFP), however, the final two years of the phase-in are not guaranteed. The FSFP has made many significant changes to how foundation revenues are calculated for school districts and how expenses are charged off. State foundation basic aid will be calculated on a base cost methodology with funding paid to the district where a student is enrolled to be educated. We have used the most recent simulations published by the Department of Education and Workforce for our forecasted revenues in FY25.

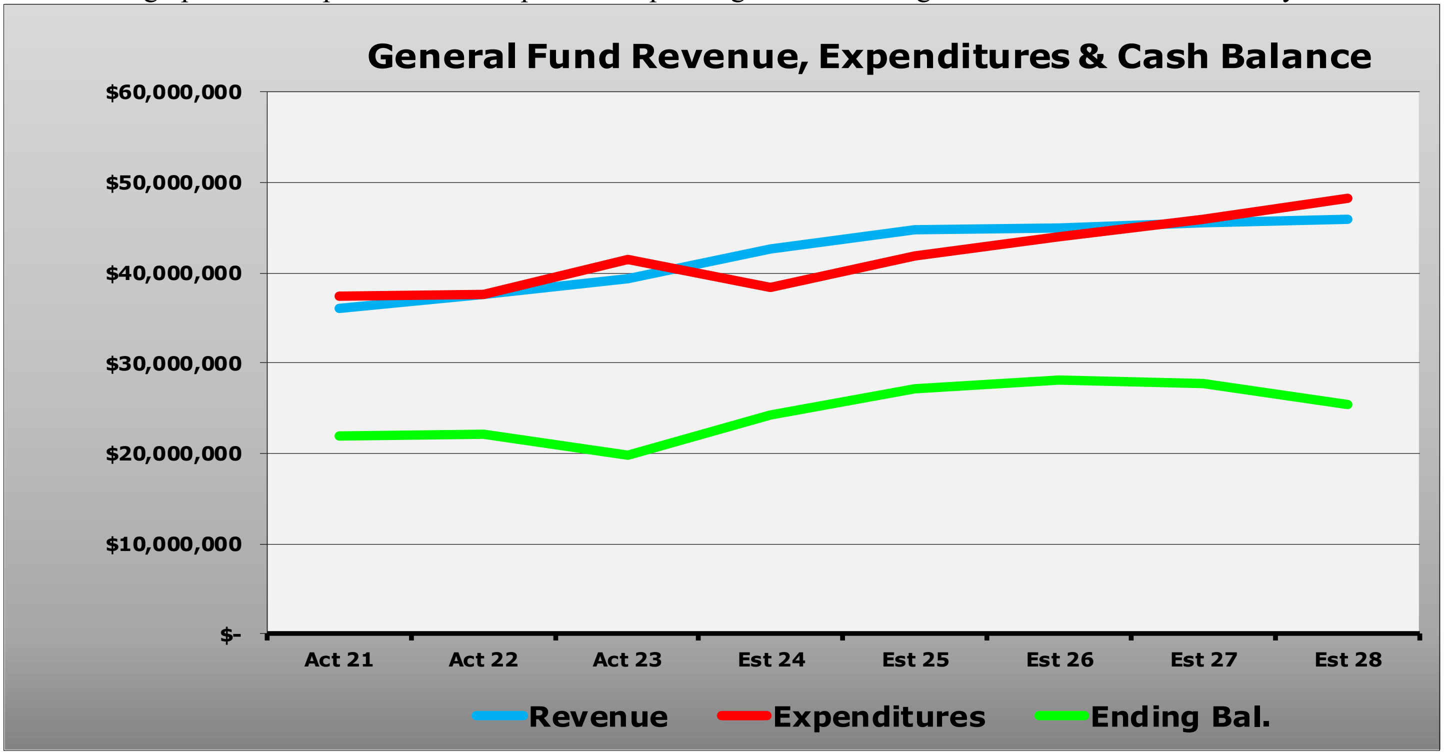
6. HB33 directly pays costs associated with open enrollment, community and STEM schools, and all scholarships, including EdChoice Scholarships. These costs are no longer deducted from our state aid. However, education option programs such as College Credit Plus continue to be removed from state aid, increasing costs to the district. Expansion or creation of programs not directly paid for by the state of Ohio can expose the district to new expenditures currently outside this forecast. We closely monitor any new threats to our state aid and increased costs as new proposed laws are introduced in the legislature.

7. Labor relations in our district have been amicable with all parties working for the best interest of students and realizing the resource challenges we face. We believe that as we move forward our positive working relationship will continue and will only grow stronger.

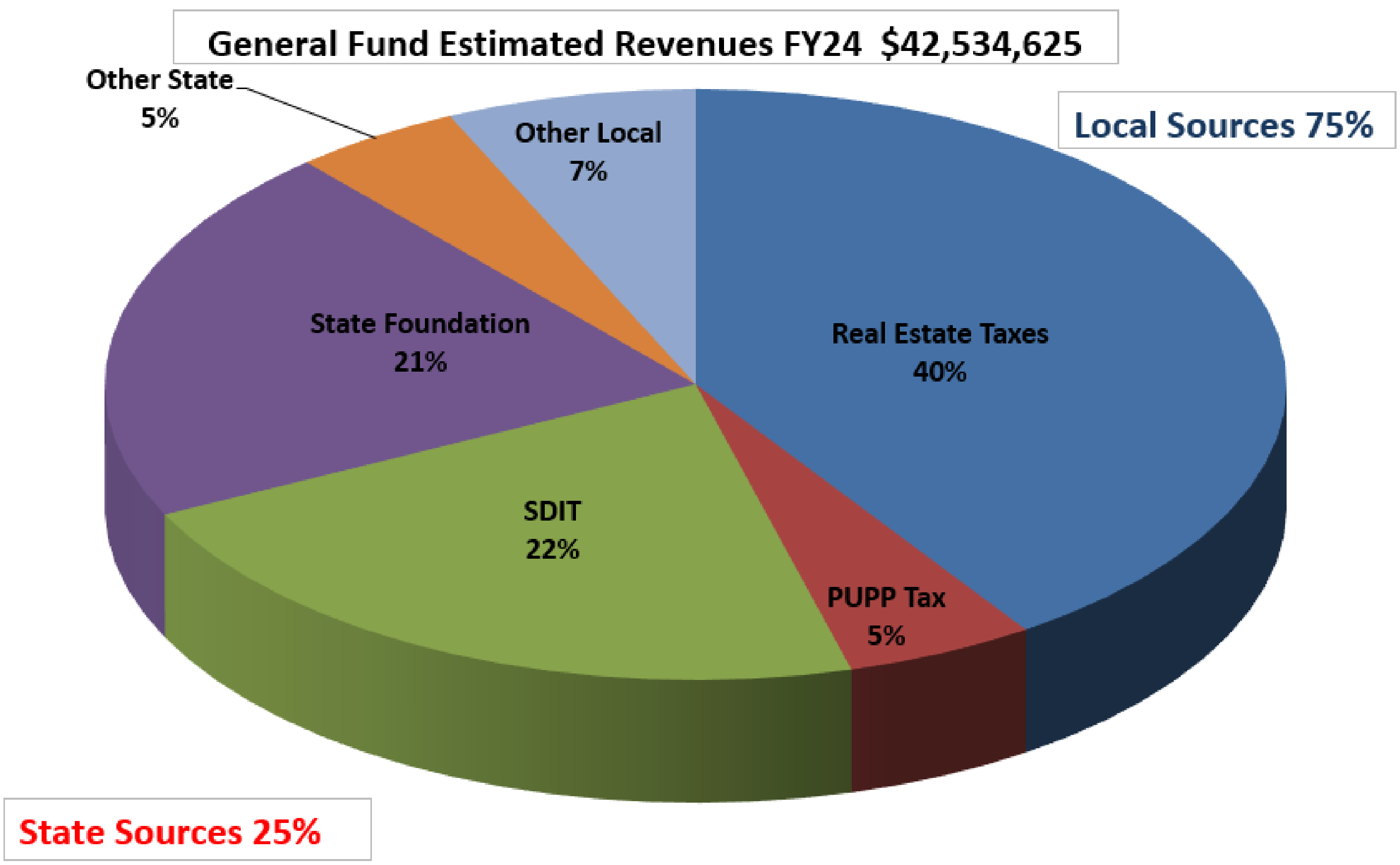
The significant lines of reference for the forecast are noted below in the headings to make it easier to relate the assumptions made for the forecast item while the reader refers back to the one (1) page forecast. It should assist the reader in reviewing the assumptions noted below in understanding the overall financial forecast for our district. If you would like further information, please contact Shaunna Tafelski, Treasurer/CFO at 513-273-3100.

General Fund Revenue, Expenditures and Ending Cash Balance Actual FY21-23 and Estimated FY24-28

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



Revenue Assumptions
Operating Revenue Sources General Fund FY24



Real Estate Value Assumptions – Line #1.010

Property Values are established each year by the County Auditor based on new construction, demolitions, BOR/BTA activity and complete reappraisal or updated values. Butler County experienced a triennial update for the 2023 tax year to be collected in FY24. Residential/agricultural values increased 33.4.2% or $267.7 million due to the reappraisal, led by an improving housing market.

For tax year 2023, new construction in residential property was up 1% or $6.2 million in assessed value, and commercial/industrial values increased $1.9 million. Overall values increased $275 million, or 34.4%, which includes new construction for all classes of property.

A sexennial update will occur in 2026 for collection in FY27, for which we are estimating a 1% increase in residential and a 1% increase for commercial/industrial property. We anticipate residential/agricultural and commercial/industrial values to increase $16.7 million, or 1.5%, overall.

Public Utility Personal Property (PUPP) values increased by $1.2 million in tax year 2023. We expect our values to continue to grow by $500 thousand each year of the forecast. Due to Rockies Express Pipeline, LLC disputing the taxable valuation, they are currently paying at a tender rate, or the rate they believe it should be. The current forecast reflects values at the tender rate in an effort not to overinflate assumed collections in forecasted years. Should the state agree with the pipeline's disputed amounts, the district would not see a refund in future collections, but continued collections based on the current assumptions. However, if the state denies their disputed values, the district will see these delinquent payments as future real estate collections.

Estimated Assessed Value (AV) by Collection Years

Classification	Actual TAX YEAR 2023 COLLECT 2024	Estimated TAX YEAR 2024 COLLECT 2025	Estimated TAX YEAR 2025 COLLECT 2026	Estimated TAX YEAR 2026 COLLECT 2027	Estimated TAX YEAR 2027 COLLECT 2028
Res./Ag.	$861,975,710	$865,595,033	$869,272,021	$881,912,681	$886,145,651
Comm./Ind.	212,946,770	215,340,875	217,274,251	221,339,454	223,391,154
Public Utility (PUPP)	38,275,650	38,775,650	39,275,650	39,775,650	40,275,650
Total Assessed Value	$1,113,198,130	$1,119,711,557	$1,125,821,922	$1,143,027,785	$1,149,812,455

Tax Rate Assumptions

The county auditor sets tax rates for each levy voted on to provide tax revenues for the school district. Ohio law (HB920) provides for "reduction factors" of all voted property tax levies to adjust the millage rates lower for the levy collections not to increase from inflation of property values for the taxes received by a district to that of the actual amount of the levy at the time of the election. The reduction factors are applied separately to Residential/Agriculture (Class I) and Commercial/Industrial (Class II), resulting in different effective millage rates. The district-voted rate for all levies is 48.30 mills while the Class I effective millage rate is 20.00 mills, and the Class II effective millage rate is 20.00 mills. The Ohio law has a provision that the reduction factors cannot lower the total millage rate for each class less than 20 mills, which includes both the voted and the non-voted millage rates; this is called the "20-Mill Floor". Currently, our district is on the floor for Class I and reached the floor for Class II following the triennial update in tax year 2023.

Estimated Real Estate Tax - Line #1.010

Source	FY 24	FY 25	FY 26	FY 27	FY 28
Est. Property Taxes Line #1.010	$17,259,328	$18,992,052	$19,095,981	$19,304,639	$19,496,635

Property tax levies are estimated to be collected at 95.5% of the annual amount. This allows for a 4.5% delinquency factor. In general, 55% of the Residential/Agricultural and Commercial/Industrial property taxes are expected to be collected in the March tax settlement and 45% collected in the August tax settlement. Delinquent property tax collections were $133 higher in F24 compared to FY23 but are expected to level out in FY25 and remain consistent in the outlying years of the forecast.

Public Utility Personal Property Taxes – Line#1.020

Amounts noted below are public utility tangible personal property (PUPP) tax collections from public utilities. The values for PUPP are noted on the table above under Public Utility (PUPP), which were $38.2 million in assessed values in 2023 and are collected at the district's gross voted millage rate. Collection % follow the same trend as the real estate settlements from the county auditor. The values in 2023 increased by 3.4%, or $1.2 million, and are expected to grow by $500 thousand each year of the forecast. As stated above, Rockies Express Pipeline, LLC payments are currently forecasted at a tender rate, or the value the company believe it should be. The disputed value is $28.5M less than the original assessed value; or 50% of its value. It is estimated that Talawanda has received $1.8M less than it is due (tax years 2020-2022) while this is being decided by the State of Ohio. We will continue to monitor and update as more information is provided.

Source	FY 24	FY 25	FY 26	FY 27	FY 28
Public Utility Personal Property Taxes	$2,203,281	$2,249,354	$2,298,228	$2,347,103	$2,395,977

Levy Renewal –Line #11.02

No levy renewals are modeled in this forecast.

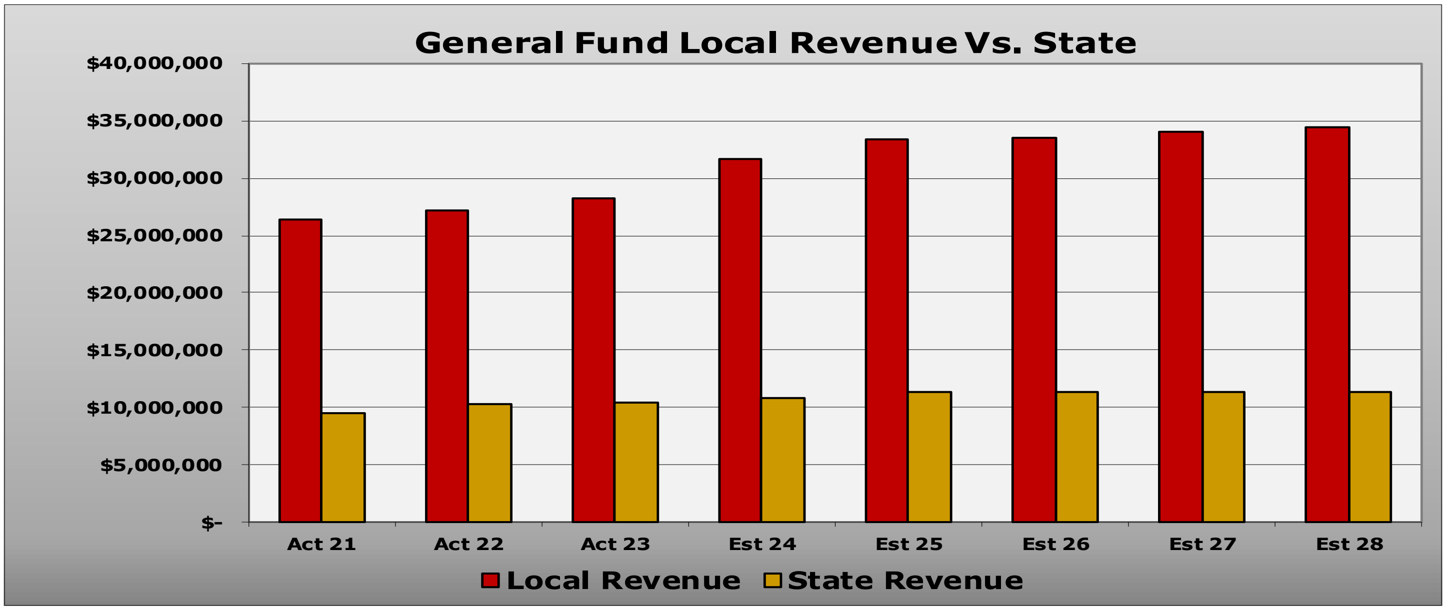
New Tax Levies – Line #13.030

On the November 8, 2022 ballot, the district placed a 5.7 mill continuing levy, which would have collected $4.8 million annually. The community voted not to pass the levy. We understand the community's decision and started evaluating methods to continue operations with a balanced budget, with a three-year savings plan that was approved at the December 2022 BOE meeting. Due to the triennial update, actual and anticipated increase in property tax revenue, the BOE made the decision to bring back some of the cuts that were made in 'Year 1' and halted the plans for Year 2 and 3 at the December 2023 BOE meeting. At this time, we have removed any new levy assumption in this forecast.

School District Income Tax – Line#1.030

The district has a 1% earned school district income tax. As we moved into post-pandemic economic times, we saw an increase in SDIT (13.3% annual average) in FY22 and FY23 but a 1% decline in growth for FY24. We will assume an annual growth rate of 2.7% for FY25-28 as the concerns over inflation may slow growth in this area.

Source	FY 24	FY 25	FY 26	FY 27	FY 28
SDIT Collection	$9,464,884	$9,347,504	$9,599,887	$9,859,083	$10,125,279
Adjustments	(117,380)	252,383	259,197	266,195	273,383
Total to Line #1.030	$9,347,504	$9,599,887	$9,859,083	$10,125,279	$10,398,661



State Foundation Revenue Estimates – Lines #1.035, 1.040 and 1.045

Current State Funding Model per HB33 through June 30, 2025

Unrestricted State Foundation Revenue – Line #1.035

HB33, the current state budget, continued the Fair School Funding Plan for FY24 and FY25. We have projected the funding in FY24 based on the April 2024 foundation settlement and funding factors for FY25 from the simulations provided by the Department of Education and Workforce.

Our district is currently a guarantee district in FY24 and is expected to remain on the guarantee in FY25-FY28 on the Fair School Funding Plan (FSFP). The state foundation funding formula has gone through many changes in recent years. The previous funding formula began in FY14. It was dropped in FY19 after six (6) years, followed by no foundation formula for two (2) years in FY20 and FY21, then HB110, as amended by HB583 for FY22 and FY23, with continuation of this formula in HB33 for FY24 and FY25. The current formula introduced many changes to how state foundation is calculated and expenses deducted from state funding, which will potentially make the actual five-year forecast look different with estimates FY24 through FY28 compared to real data in FY21 through FY23 on Lines 1.035, 1.04, 1.06, and 3.03 of the forecasts.

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

A. Student Population and Demographics
B. Property Valuation Per Pupil
C. Personal Income of District Residents Per Pupil
D. Historical Funding - CAPS and Guarantees from prior funding formulas “Funding Bases” for guarantees.

<u>Base Cost Approach - Unrestricted Basic Aid Foundation Funding</u>
The current funding formula uses FY22 statewide average district costs and develops a base cost approach that includes minimum service levels and student-teacher ratios to calculate a unique base cost for each district. Newer, more up-to-date statewide average prices will not update for FY24 and FY25 and will remain frozen at FY22 levels; while other factors impacting a district’s local capacity will update for FY24. Base costs per pupil include funding for five (5) areas:

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

State Share Percentage – Unrestricted Basic Aid Foundation Funding

Once the base cost is calculated, which is currently at a state-wide average of $8,242.19 per pupil in FY24, the FSFP calculates a state share percentage (SSP) calculation. The state share percentage, in concept, will be higher for districts with less capacity (lower local wealth) and be a lower state share percentage for districts with more capacity (higher local wealth). The higher the district's ability to raise taxes based on local wealth, the lower the state share percentage. HB33 increased the minimum state share from 5% in FY23 to 10% for FY24 and FY25. The state share percentage will be based on 60% property valuation of the district, 20% on federally adjusted gross income, and 20% on federal median income, as follows:

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

When the unrestricted base cost is determined and multiplied by the state share percentage (currently 21.7%), the resulting amount is multiplied by the current year enrolled students (including open-enrolled students being educated in each district) and multiplied by the local share multiplier index for each district. The result is the local per pupil capacity of the base per pupil funding amount.

Categorical State Aid

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

Unrestricted Categorical State Aid

1. Targeted Assistance/Capacity Aid – Provides additional funding based on a wealth measure using 60% weighted on property value and 40% on income. Uses current year enrolled average daily membership (ADM). It also will provide supplemental targeted assistance to lower wealth districts whose enrolled ADM is less than 88% of their total FY19 ADM.
2. Special Education Additional Aid – Based on six (6) weighted funding categories of disability and moved to a weighted funding amount, not a specific amount. 10% will be reduced from all districts' calculations to be used toward the state appropriation for Catastrophic Cost reimbursement.
3. Transportation Aid – Funding is based on all resident students who ride, including preschool students and those living within 1 mile of school. Provides supplemental transportation for low-density districts. Increases state minimum share to 37.5% in FY24 and 41.67% in FY25.

Restricted Categorical State Aid

1. Disadvantage Pupil Impact Aid (DPIA) - Formerly Economically Disadvantaged Funding is based on the number and concentration of economically disadvantaged students compared to the state average and multiplied by $422 per pupil. Phase-in increases are limited 50% in FY24 and 66.67% in FY25.
2. English Learners – Based on funded categories based on the time students enrolled in schools and multiplied by a weighted amount per pupil.
3. Gifted Funds – Based on average daily membership multiplied by a weighted amount per pupil.
4. Career-Technical Education Funds – Based on career technical average daily membership and five (5) weighted funding categories students enrolled in.
5. Student Wellness and Success Funds – These funds are based on initiatives similar to those for DPIA. They are restricted funds for school climate, attendance, discipline, and academic achievement programs.

State Funding Phase-In FY24 and FY25 and Guarantees

While the FSFP was presented as a six (6) year phase-in plan, the state legislature approved the first two (2) years of the funding plan in HB110, which was amended by HB583 in June 2022 and has now extended the plan in HB33 for FY24 and

FY25. The FSFP does not include caps on funding; instead, it will consist of a general phase-in percentage for most components of 50% in FY24 and 66.67% in FY25.

The funding formula includes three (3) guarantees: 1) “Formula Transition Aid,” 2) Supplemental Targeted Assistance, and 3) Formula Transition Supplement. The three (3) guarantees in both temporary and permanent law ensure that no district will get fewer funds in FY24 and FY25 than they received in FY21.

Future State Budget Projections beyond FY25

Our funding status for FY26-28 will depend on unknown (2) new state budgets. There is no guarantee that the current Fair School Funding Plan in HB33 will be funded or continued beyond FY25; therefore, our state funding estimates are reasonable, and we will adjust the forecast when we have authoritative data to work with. For this reason, funding is held constant in the forecast for FY26 through FY28.

Casino Revenue

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

The casino revenue has recovered from the pandemic from closing the casinos in 2020. Total funding in FY22, was $109.39 million for schools or $62.86 per pupil, in FY23, the funding totaled $113.1 million or $64.90 per pupil, and in FY24 the funding totaled $113.11 million or $65.02 average per pupil. We expect the casino revenues to have resumed their historical growth rate and are assuming a 1.5% annual growth rate for the remainder of the forecast.

Source	FY 24	FY 25	FY 26	FY 27	FY 28
Basic Aid-Unrestricted	$7,640,123	$7,913,896	$7,913,896	$7,913,896	$7,913,896
Additional Aid Items	285,284	305,376	305,376	305,376	305,376
Basic Aid-Unrestricted Subtotal	$7,925,407	$8,219,272	$8,219,272	$8,219,272	$8,219,272
Ohio Casino Commission ODT	193,883	196,796	199,748	202,744	205,785
Total Unrestricted State Aid Line #1.035	$8,119,290	$8,416,068	$8,419,020	$8,422,016	$8,425,057

Restricted State Foundation Revenue – Line #1.035

HB33 has continued Disadvantaged Pupil Impact Aid (formerly Economic Disadvantaged Funding) and Career Technical funding. In addition, new restricted funds have been added under “Restricted Categorical Aid” for Gifted, English Learners (ESL), and Student Wellness. We have estimated revenues for these new restricted funding lines using current April funding factors and using the simulations from the Department of Education and Workforce for FY25. The amount of DPIA is limited to a 50% phase in growth for FY24 and 66.67% in FY25. We have flat-lined funding at FY25 levels for FY26-FY28 due to uncertainty on continued funding of the current funding formula.

HB33 set aside $64 million state-wide to subsidize the cost of high-quality instructional materials purchased by schools and districts aligned to the Science of Reading. The funds are provided to support both high-quality core curriculum and instructional materials in English language areas and evidenced-based reading intervention programs. The district received $158,464 from this one-time subsidy and is required to maintain documentation as to how the funds were leveraged along with expenses incurred beyond the subsidy.

Source	FY 24	FY 25	FY 26	FY 27	FY 28
DPIA	$166,374	$170,768	$170,768	$170,768	$170,768
ESL	19,422	13,597	13,597	13,597	13,597
Gifted	121,876	87,209	87,209	87,209	87,209
Career Tech - Restricted	6,088	4,319	4,319	4,319	4,319
Other Restricted State Funds	158,464	0	0	0	0
Student Wellness	260,832	261,459	261,459	261,459	261,459
Total Restricted State Revenues Line #1.040	$733,056	$537,352	$537,352	$537,352	$537,352

Restricted Federal Grants in Aid – Line #1.045

There aren't any federal restricted grants projected during this forecast.

SUMMARY	FY 24	FY 25	FY 26	FY 27	FY 28
Unrestricted Line # 1.035	$8,119,290	$8,416,068	$8,419,020	$8,422,016	$8,425,057
Restricted Line # 1.040	733,056	537,352	537,352	537,352	537,352
Restricted Fed. Grants - Line #1.045	0	0	0	0	0
Total State Foundation Revenue	$8,852,346	$8,953,420	$8,956,372	$8,959,368	$8,962,409

State Share of Local Property Taxes – Line #1.050

Rollback and Homestead Reimbursement

Rollback funds are reimbursements paid to the district from the State of Ohio for tax credits given to owner-occupied residences. Credits equal 12.5% of the gross property taxes charged to residential taxpayers on levies passed before September 29, 2013. HB59 eliminated the 10% and 2.5% rollback on new levies approved after September 29, 2013.

Homestead Exemptions are credits paid to the district from the state of Ohio for qualified elderly and disabled. In 2007, HB119 expanded the Homestead Exemption for all seniors 65 years or older or disabled, regardless of income. Effective September 29, 2013, HB59 changed the requirement for Homestead Exemptions. Individual taxpayers who still need to get their Homestead Exemption approved or those who did not get a new application approved for the tax year 2013 and who become eligible after that will only receive a Homestead Exemption if they meet the income qualifications. Taxpayers who had their Homestead Exemption as of September 29, 2013, will not lose it and will not have to meet the new income qualification. This will generally reduce homestead reimbursements to the district over time, and as with the rollback reimbursements above, the state is increasing the tax burden on our local taxpayers.

Source	FY 24	FY 25	FY 26	FY 27	FY 28
State Share of Local Property Taxes Line #1.05	$1,963,732	$2,316,672	$2,326,457	$2,348,339	$2,370,966

Other Local Revenues – Line #1.060

All other local revenue encompasses any revenue that does not fit the above lines. The primary sources of revenue in this area have been open enrollment, interest on investments, tuition for court-placed students, local student tuition and fees, Payment In Lieu of Taxes, Medicaid reimbursements, and general rental fees.

HB110, the previous state budget, stopped paying open enrollment as an increase to other revenue for the district. This is projected below as zeros to help show the difference between projected FY24-FY28 Line 1.06 revenues and historical FY21 through FY23 revenues on the five-year forecast. Open-enrolled students will be counted in the enrolled student base at the school district where they are being educated, and state aid will follow the students. Open-enrolled student revenues will be included in Line 1.035 as basic state aid.

Interest income is based on the district cash balances and increased interest rates due to the Federal Reserve raising rates to curb inflation. Once the economy stabilizes, there will be pressure on the Federal Reserve to lower interest rates, which we believe will begin sometime in 2024, decreasing the opportunity for more significant interest income for the district. We will continue to monitor the investments for the district.

Rentals are expected to return to pre-pandemic levels over time. All other miscellaneous receipts in the grid below contain the estimated revenue collected for the reinstituted athletic/band fees.

Source	FY 24	FY 25	FY 26	FY 27	FY 28
Medicaid	$369,927	$248,323	$248,323	$248,323	$248,323
Tuition from State	934,150	1,032,176	1,011,533	1,011,533	1,011,533
Local Tuition	118,659	87,312	88,185	89,067	89,958
Threshold Cost	40,937	41,346	41,759	42,177	42,599
Manufactured Homes	6,680	6,680	6,680	6,680	6,680
TIF and Abatements	49,177	49,177	49,177	49,177	49,177
Open Enrollment	0	0	0	0	0
Interest	1,026,000	931,070	740,962	711,510	590,228
Other Miscellaneous Receipts	362,904	138,504	138,504	138,504	138,504
Total Line #1.06	$2,908,434	$2,534,588	$2,325,123	$2,296,971	$2,177,001

Short-Term Borrowing – Lines #2.010 & Line #2.020

There is no short-term borrowing projected in this forecast.

Transfers In / Return of Advances – Line #2.040 & Line #2.050

These are non-operating revenues, which are the repayment of short-term loans to other funds over the previous fiscal year and reimbursements for expenses received for a prior fiscal year in the current fiscal year. The advances in the last fiscal year are expected to be repaid in the current year, as noted in the table below.

Source	FY 24	FY 25	FY 26	FY 27	FY 28
Transfers In - Line 2.040	$0	$0	$0	$0	$0
Advance Returns - Line 2.050	41,044	75,000	75,000	75,000	75,000
Total Transfer & Advances In	$41,044	$75,000	$75,000	$75,000	$75,000

All Other Financial Sources – Line #2.060

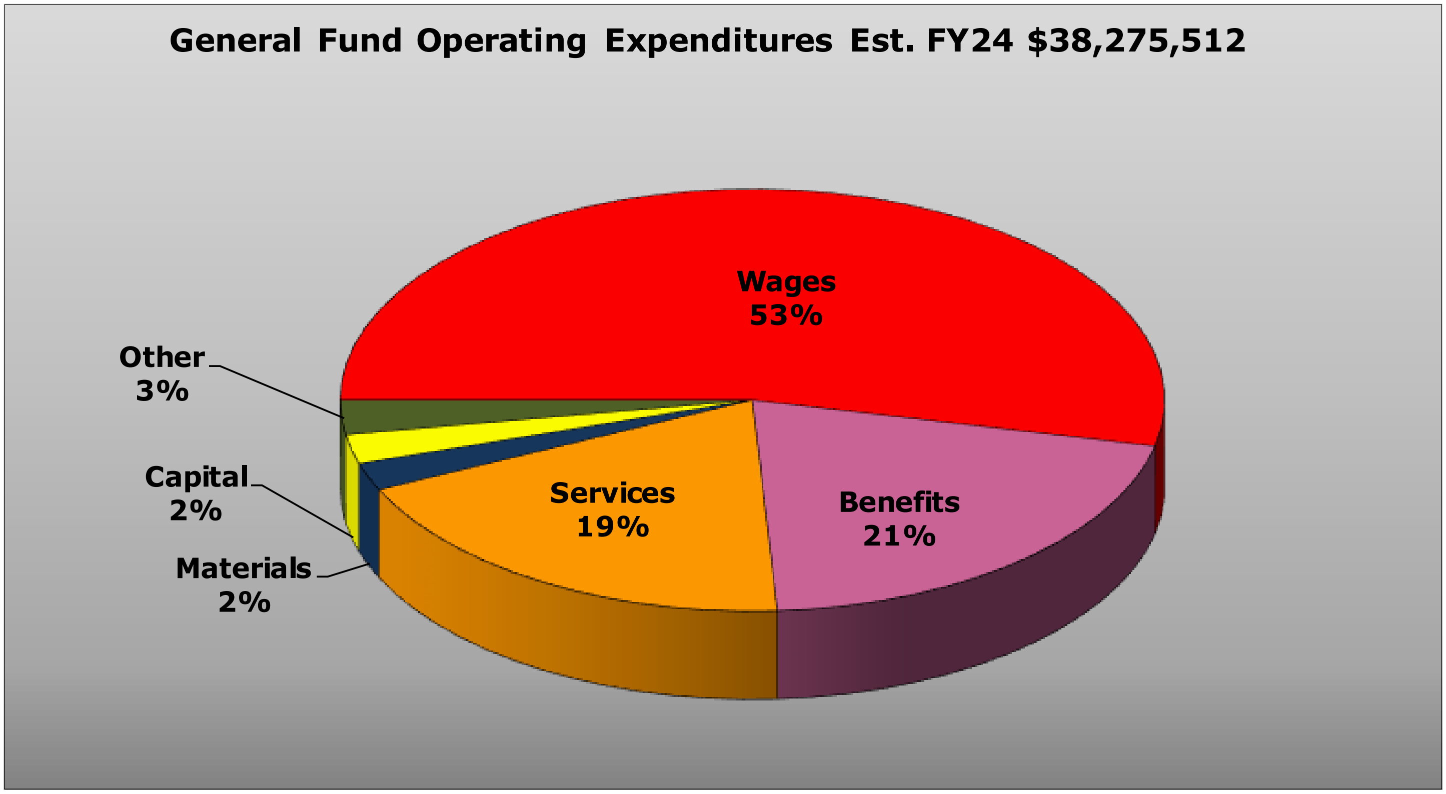
This funding source is typically a refund of prior year expenditures that is very unpredictable. For future years, we are estimating the amount of refunds that are in line with historical collections.

Source	FY 24	FY 25	FY 26	FY 27	FY 28
Sale of Personal Property	$3,598	$3,598	$3,598	$3,598	$3,598
Refund of Prior Year Expense	142,831	106,194	98,169	115,731	106,698
Total Other Financing Sources	$146,429	$109,792	$101,767	$119,329	$110,296

Expenditure Assumptions

The district's leadership team is always looking at ways to improve the education of the students, whether it be with changes in staffing, curriculum, or new technology needs. As the administration of the district reviews expenditures, the education of the students is always the main focus for resource utilization.

All Operating Expense Categories - General Fund FY24



Wages – Line #3.010

Base wages in the forecast did not receive a percentage increase in FY24. Steps and training increases saw average trend levels for FY24, which we expect to continue for FY25-28. We are not anticipating any large changes in staffing during the course of the forecasted period; however, the BOE could continue reviewing the three-year savings plan, which include program elimination, which would decrease the number of staff needed. The forecast as presented reflects a 4% base increase in FY25, a 3% increase in FY26, and a 2% base increase in FY27-28, for planning purposes only at this time. This forecast reflects $930 thousand in savings for FY24, due to attrition and ongoing analysis of the Certificated staffing levels, and bringing back some Certificated positions that had been eliminated in FY24 as part of the three-year savings plan. At this time there isn't any additional ESSER funding available for wages.

Source	FY 24	FY 25	FY 26	FY 27	FY 28
Base Wages	$19,794,757	$19,457,487	$21,392,438	$22,462,060	$23,360,542
Wage adjustments	0	778,299	641,773	449,241	467,211
Steps & Training	395,895	389,150	427,849	449,241	467,211
Growth/Replacement staff	196,835	767,502	0	0	0
Substitutes	276,344	276,344	276,344	276,344	276,344
Supplemental	583,446	606,784	624,988	637,488	650,238
Severance	125,000	132,338	140,106	148,330	157,037
Ot/Stipend/BOE	36,264	38,393	40,647	43,033	45,559
Staff Reductions (Retire/Resignation)	(930,000)	0	0	0	0
Total Wages Line #3.010	$20,478,541	$22,446,297	$23,544,145	$24,465,737	$25,424,142

Fringe Benefits Estimates – Line #3.020

This area of the forecast captures all costs associated with benefits and retirement costs. These payments and HSA costs are included in the table below.

A) STRS/SERS will increase as Wages Increase

The district pays 14% of each dollar paid in wages to either the State Teachers Retirement System and/or the School Employees Retirement System as required by Ohio law. The district is required to pay SERS Surcharge, which is an additional employer charge based on the salaries of lower-paid members.

B) Insurance

The district is projecting an increase in the employees' insurance rates of 11.5% in FY24 and 6.5% for FY25-28, which reflects the trend of our current employee census and claims data. We will continue to monitor this section to adjust as more information is received.

The Further Consolidated Appropriations Act of 2020 included a full repeal of three taxes originally imposed by the Affordable Care Act (ACA): the 40% Excise Tax on employer-sponsored coverage (a.k.a. "Cadillac Tax"), the Health Insurance Industry Fee (a.k.a. the Health Insurer Tax), and the Medical Device Tax. These added costs are no longer an uncertainty factor for our healthcare costs in the forecast.

C) Workers Compensation & Unemployment Compensation

Workers' Compensation is expected to be approximately 0.36% of wages FY24-28. Unemployment is expected to remain at a shallow level for FY24-28. The district is a direct reimbursement employer, meaning unemployment costs are only incurred and due if we have employees who are eligible and draw unemployment.

D) Medicare

Medicare will continue to increase at the rate of increases in wages and as new employees are hired. Contributions are 1.45% for all new employees to the district on or after April 1, 1986. These amounts are growing at the general growth rate of wages.

Source	FY 24	FY 25	FY 26	FY 27	FY 28
STRS/SERS	$3,044,070	$3,536,829	$3,710,082	$3,855,295	$4,006,287
Insurance's	4,426,136	4,898,035	5,216,407	5,555,473	5,916,579
Workers Comp/Unemployment	68,872	76,589	80,331	83,398	86,586
Medicare	281,506	353,501	370,806	385,308	400,386
Tuition and Other Benefits	39,502	94,120	96,002	97,922	99,880
Total Fringe Benefits Line #3.020	$7,860,086	$8,959,074	$9,473,629	$9,977,396	$10,509,719

Purchased Services – Line #3.030

HB110, the previous state budget, impacted Purchased Services beginning in FY22 as the Ohio Department of Education will directly pay these costs to the education districts for open enrollment, community, and STEM schools and for scholarships granted to students to be educated elsewhere, as opposed to deducting these amounts from our state foundation funding and shown below as expenses. We have continued to offer these amounts below as zeros to help reflect the difference between projected FY24-FY28 Line 3.03 costs and historical FY21 through FY23 costs in the five-year forecast. College Credit Plus, excess fees, and other tuition costs will continue to draw funds away from the district, which will continue in this area and has been adjusted based on historical trends.

In FY25, we are anticipating restoring the transportation of high school students, as well as, after school student athlete and band.

Source	FY 24	FY 25	FY 26	FY 27	FY 28
Professional & Technical Services, ESC	$1,768,692	$1,928,164	$1,995,650	$2,065,498	$2,137,790
Maintenance, Insurance & Garbage Removal	411,051	422,355	433,970	445,904	458,166
Professional Development	32,807	33,709	34,636	35,588	36,567
Communications, Postage, & Telephone	157,260	161,978	166,837	171,842	176,997
Utilities	860,944	891,077	922,265	954,544	987,953
Contracted Trades & Services	581,295	598,734	616,696	635,197	654,253
Tuition, Excess Costs & Scholarship Costs	183,141	188,635	194,294	200,123	206,127
Other Local Tuition	466,334	474,029	481,850	489,801	497,883
Open Enrollment & Community School Costs	0	0	0	0	0
College Credit Plus	159,015	170,146	182,056	194,800	208,436
Contract Transportation	2,638,657	2,990,955	3,140,503	3,247,280	3,357,688
Other Adjustments SWSF, CARES, Etc.	0	0	0	0	0
Miscellaneous Purchased Services	1,961	1,993	2,026	2,059	2,093
Total Purchased Services Line #3.030	$7,261,157	$7,861,775	$8,170,783	$8,442,636	$8,723,953

Supplies and Materials – Line #3.040

Expenses, which are characterized by curricular supplies, testing supplies, copy paper, maintenance and custodial supplies, materials, and bus fuel. Fuel will see an anticipated increase of $50 thousand in FY25 due to bringing back the high school and extracurricular bussing described in purchased services.

Source	FY 24	FY 25	FY 26	FY 27	FY 28
General Office Supplies & Materials	$424,309	$437,038	$450,149	$463,653	$477,563
Textbooks & Instructional Supplies	53,076	54,668	56,308	57,997	59,737
Facility Supplies & Materials	141,389	148,458	155,881	163,675	171,859
Transportation Fuel & Supplies	178,782	234,145	241,169	248,404	255,856
Other adjustments SWSF, CARES, Etc.	11,567	0	0	0	0
Total Supplies Line #3.040	$809,123	$874,309	$903,507	$933,729	$965,015

Equipment – Line # 3.050

In general, these expenses have a cost of $1K or greater and can include land, buildings, vehicles, furniture, etc. It also includes any technical equipment (1:1 technology and computers) regardless of the cost.

Source	FY 24	FY 25	FY 26	FY 27	FY 28
Capital Outlay	$321,050	$330,682	$340,602	$357,632	$375,514
Technology	538,749	300,172	372,300	554,112	862,800
Facility Upkeep	0	26,286	26,549	26,815	27,083
Total Equipment Line #3.050	$859,799	$657,140	$739,451	$938,559	$1,265,397

Principal and Interest Payment – Lines # 4.05 and 4.06

There are no borrowings planned in the forecast period.

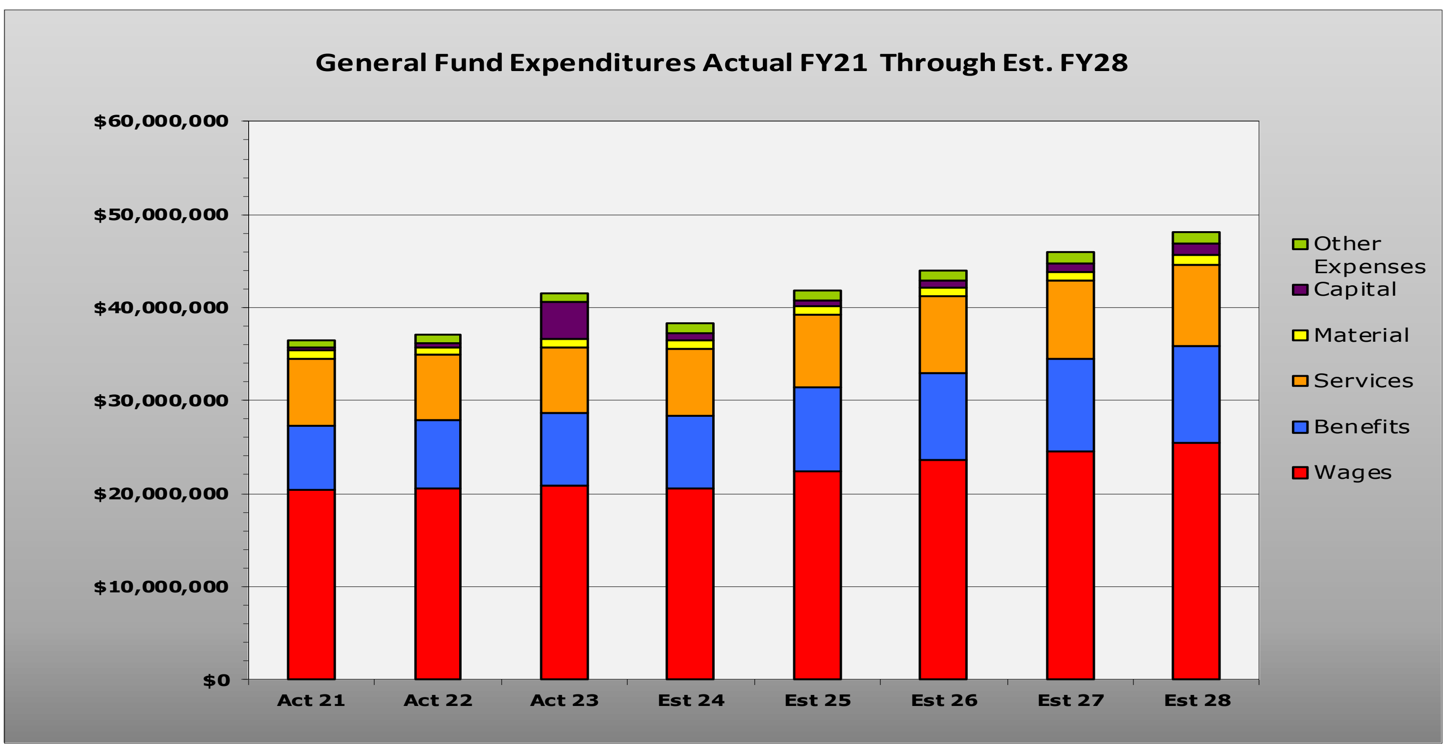
Other Expenses – Line #4.300

The category of Other Expenses consists primarily of Auditor & Treasurer fees, our annual audit and other miscellaneous expenses. An average increase of 5.3% is projected in this area.

Source	FY 24	FY 25	FY 26	FY 27	FY 28
Auditor & Treasurer Fees	$835,062	$883,913	$935,622	$990,356	$1,048,292
ESC	16,991	18,893	19,460	20,044	20,645
Other expenses	154,752	159,395	164,177	169,102	174,175
Total Other Expenses Line #4.300	$1,006,806	$1,062,201	$1,119,259	$1,179,502	$1,243,112

Operating Expenditures Actual FY21 through FY23 and Estimated FY24-FY28

The graph below shows a quick overview of actual and estimated expenses by proportion to the total for the General Fund expenditures.



Transfers Out/Advances Out – Lines # 5.010 and 5.020

This account group covers fund-to-fund transfers and end of year short-term loans from the General Fund to other funds until they have received reimbursements and can repay the General Fund.

Source	FY 24	FY 25	FY 26	FY 27	FY 28
Operating Transfers Out Line #5.010	$0	$0	$0	$0	$0
Advances Out Line #5.020	75,000	75,000	75,000	75,000	75,000
Total Transfer & Advances Out	$75,000	$75,000	$75,000	$75,000	$75,000

Encumbrances – Line#8.010

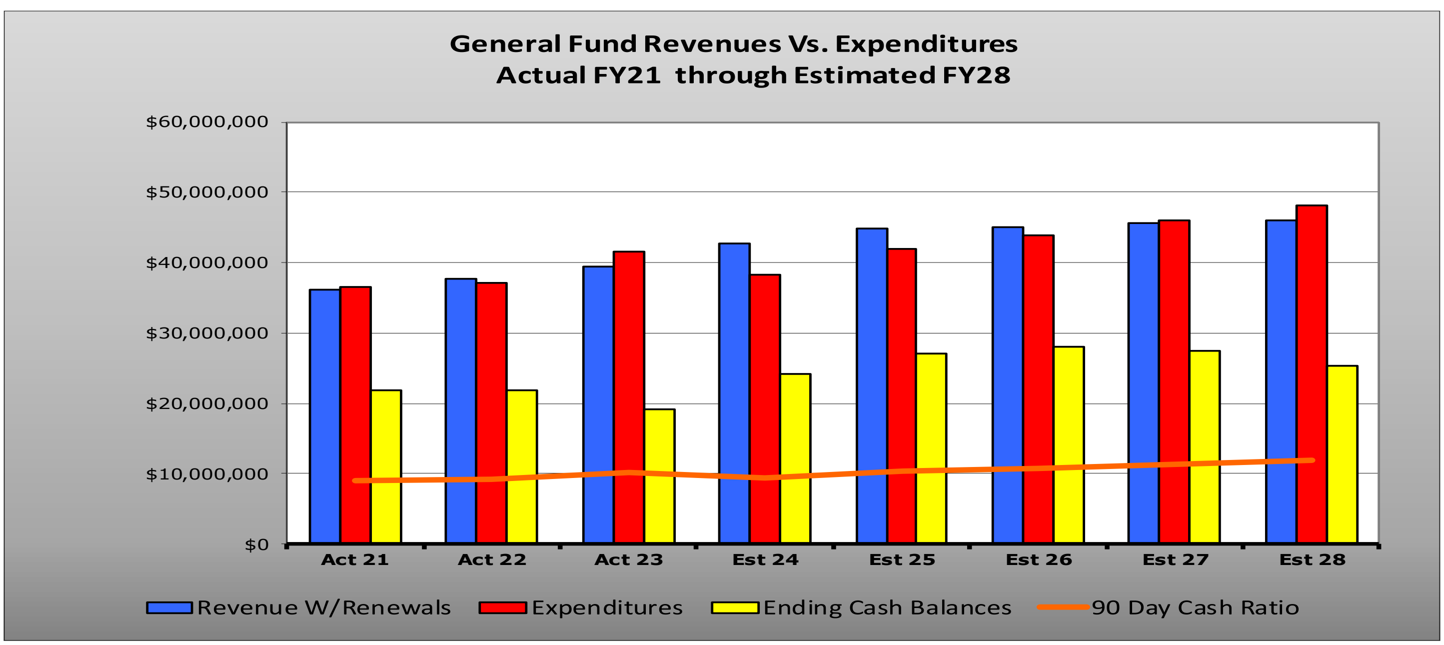
Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments, which have been performed, are awaiting invoicing and payment. Encumbrances, on a budget basis of accounting, are treated as the equivalent of expenditure at the time authorization is made to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance.

Source	FY 24	FY 25	FY 26	FY 27	FY 28
Estimated Encumbrances	$150,000	$150,000	$150,000	$150,000	$150,000

Ending Unencumbered Cash Balance – Line#15.010

This amount must not go below $-0- or the district general fund will violate all Ohio Budgetary Laws. Any multi-year contract, which is knowingly signed, and which results in a negative unencumbered cash balance, is a violation of O.R.C. §5705.412, which is punishable by personal liability of $10,000; unless an alternative 412 certificate, as permitted by HB153, effective September 30, 2011, could be issued. It is recommended by the Government Finance Officers Association (GFOA) and other authoritative sources that a district maintains a minimum of ninety (90) day cash balance, which is approximately $12 million for our district.

Source	FY 24	FY 25	FY 26	FY 27	FY 28
Ending Cash Balance	$24,077,636	$26,972,605	$27,984,842	$27,548,311	$25,328,918



True Cash Days Ending Balance

Another way to look at ending cash is to state it in 'True Cash Days". In other words, how many days could the district operate at year-end if no additional revenues were received? This is the Current Years Ending Cash Balance divided by (Current Years Expenditures/365 days) = the number of days the district could operate without additional resources or a severe resource interruption. The Government Finance Officers Association (GFOA) recommends that no fewer than two (2) months or 60 days of cash is on hand at year-end; but Talawanda prefers to have no fewer than three (3) months or 90 days of cash on hand at the end of each fiscal year.