

**TALAWANDA CITY SCHOOL DISTRICT
BUTLER COUNTY**

**FIVE YEAR FORECAST FINANCIAL REPORT
FISCAL YEARS 2022 THROUGH 2026**



Forecast Provided By
TALAWANDA CITY SCHOOL DISTRICT
Treasurer's Office
Shaunna Tafelski, Treasurer/CFO
November 15, 2021

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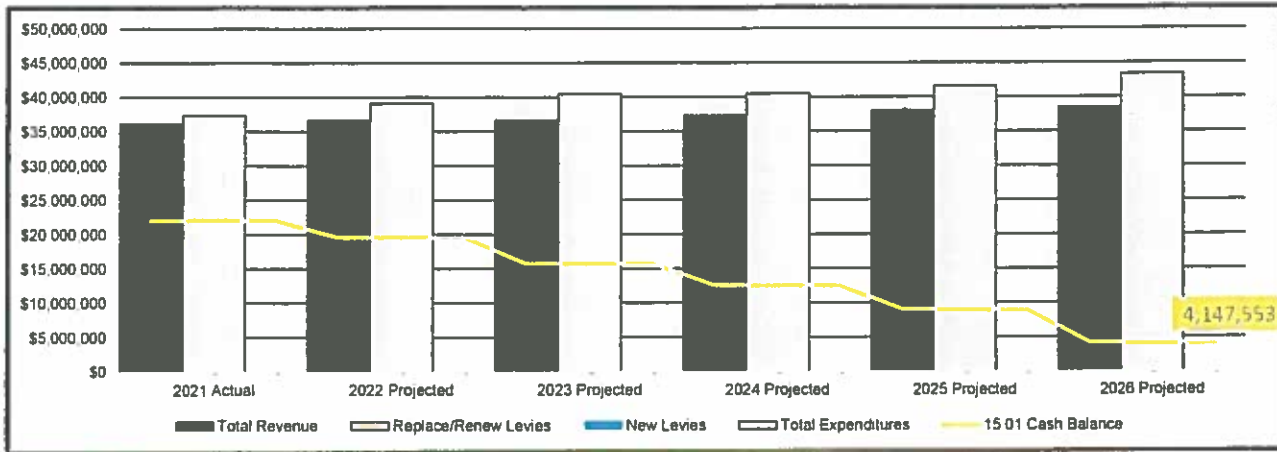
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Forecast Purpose/Objectives

Ohio Department of Education's purposes/objectives for the five-year forecast are:

1. To engage the local board of education and the community in the 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.

Forecast Methodology - This forecast is prepared based upon historical trends and current factors. This information is then extrapolated into estimates for subsequent years. The forecast variables can change multiple times throughout the fiscal year and while cash flow monitoring helps to identify unexpected variances no process is guaranteed. The intent is to provide the district's financial trend over time and a roadmap for decisions aimed at encouraging financial sustainability and stability.



Note: Cash balance (Line 7.020) plus any existing levy modeled as renewed or new during the forecast

Financial Forecast

	Fiscal Year 2022	Fiscal Year 2023	Fiscal Year 2024	Fiscal Year 2025	Fiscal Year 2026
Beginning Balance (Line 7.010) Plus Renewal/New Levies Modeled	22,021,180	19,553,422	15,750,986	12,541,446	9,006,470
+ Revenue	36,614,550	36,673,880	37,287,019	38,005,379	38,474,839
+ Proposed Renew/Replacement Levies	-	-	-	-	-
+ Proposed New Levies	-	-	-	-	-
- Expenditures	(39,082,308)	(40,476,316)	(40,496,559)	(41,540,355)	(43,333,756)
= Revenue Surplus or Deficit	(2,467,758)	(3,802,437)	(3,209,540)	(3,534,976)	(4,858,917)
Line 7.020 Ending Balance with renewal/new levies	19,553,422	15,750,986	12,541,446	9,006,470	4,147,553

Analysis Without Renewal Levies Included:

Revenue Surplus or Deficit w/o Levies	(2,467,758)	(3,802,437)	(3,209,540)	(3,534,976)	(4,858,917)
Ending Balance w/o Levies	19,553,422	15,750,986	12,541,446	9,006,470	4,147,553

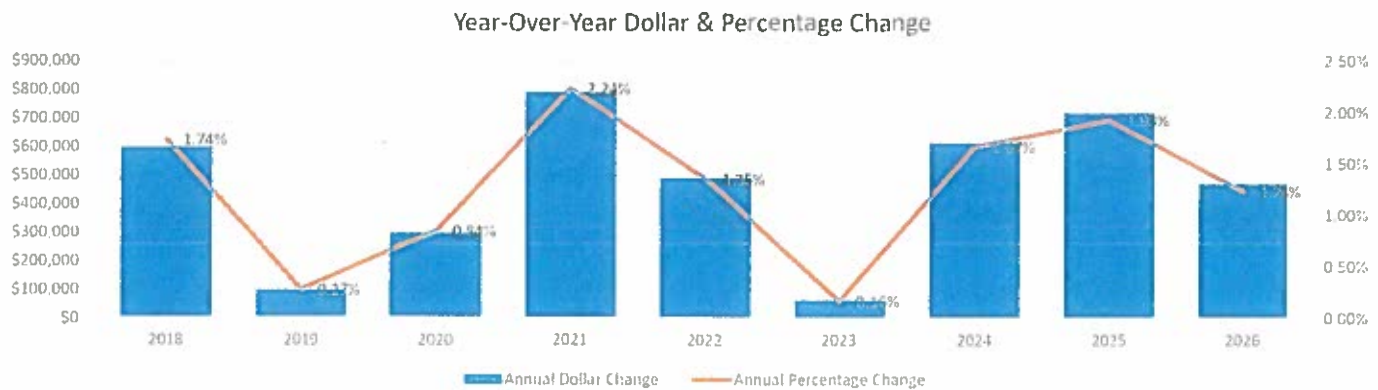
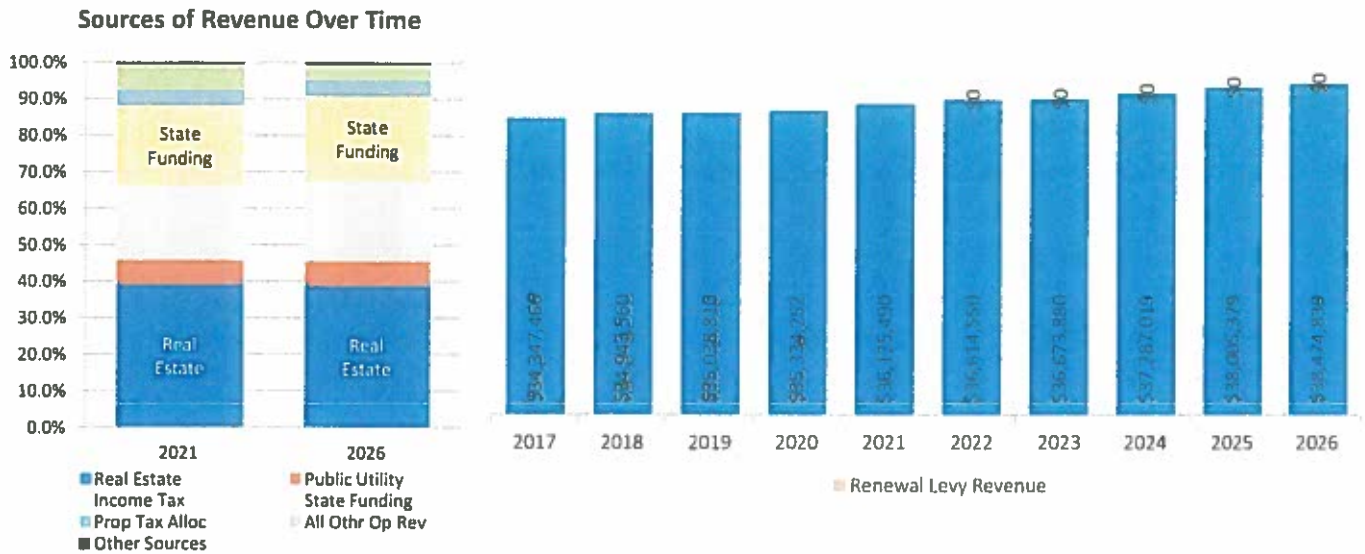
In FY 2022 a revenue shortfall is expected. This means that expenditures are expected to be greater than revenue by \$2,467,758 in FY 2022. By the last year of the forecast, FY 2026, the district is expected to have a revenue shortfall where expenditures are projected to be greater than revenue by \$4,858,917. The district would need to cut its FY 2026 projected expenses by 11.21% in order to balance its budget without additional revenue.

The district's cash balance is positive at year-end in FY 2022 and is projected to worsen by FY 2026. A worsening cash balance can erode the district's financial stability over time.

This forecast includes the Fair School Funding Plan (FSFP) adopted by Ohio starting in FY 2022. The district expects a combined impact of \$327,622 in FY 2022. This forecast includes a CFO adjusted trend calculation of the FSFP impact using current information. As information changes the estimates will be updated. The district is considered a guarantee district in FY 2022. A detailed state funding supplement to this forecast has been prepared and should be reviewed and considered part of the forecast assumptions.

guarantee district in FY 2022

Revenue Sources and Forecast Year-Over-Year Projected Overview



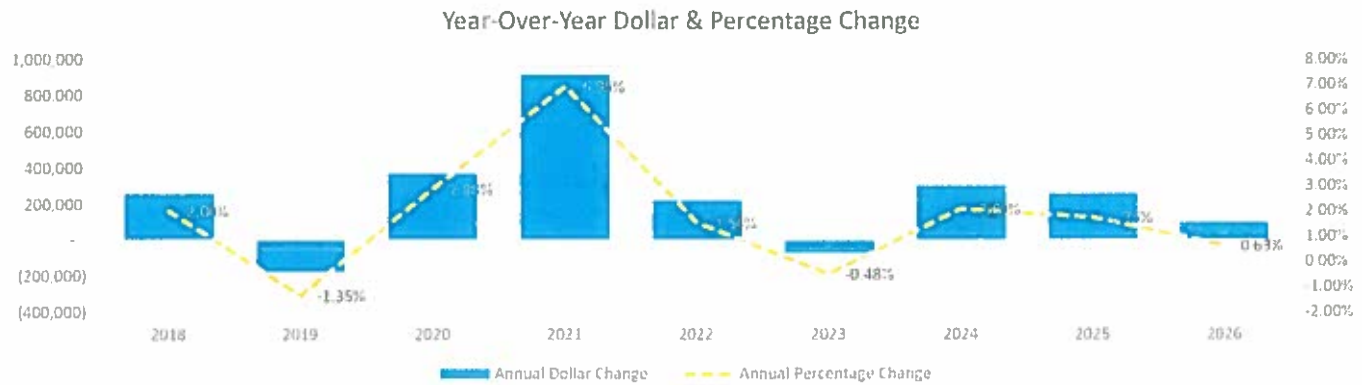
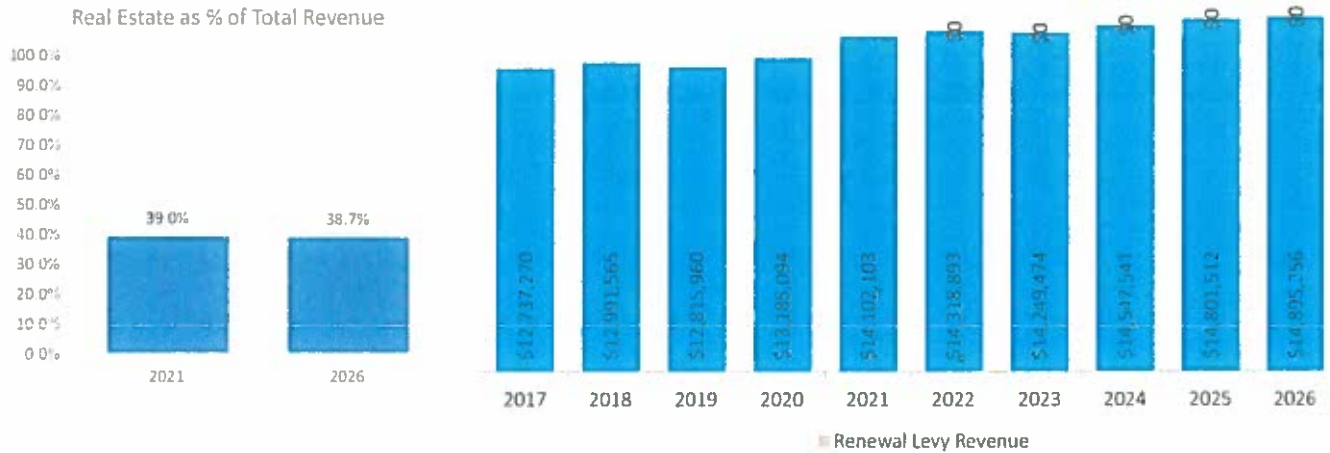
3-Year Historical Actual Average Annual Dollar Change Compared to 5-Year Projected

	Historical Average Annual \$ Change	Projected Average Annual \$ Change	Projected Compared to Historical Variance	Total revenue increased 1.11% or \$393,977 annually during the past five years and is projected to increase 1.26% or \$469,870 annually through FY2026. State Funding has the most projected average annual variance compared to the historical average at \$329,938
Real Estate	\$370,180	\$158,631	(\$211,549)	
Public Utility	\$21,069	\$35,683	\$14,614	
Income Tax	\$133,055	\$213,208	\$80,153	
State Funding	(\$124,549)	\$205,389	\$329,938	
Prop Tax Alloc	\$5,068	\$34,023	\$28,955	
All Othr Op Rev	\$38,516	(\$176,242)	(\$214,758)	
Other Sources	(\$49,362)	(\$821)	\$48,541	
Total Average Annual Change	\$393,977	\$469,870	\$75,893	
	1.11%	1.26%	0.15%	

Note: Expenditure average annual change is projected to be > \$1,193,774. On an annual average basis, expenditures are projected to grow faster than revenue.

1.010 - General Property Tax (Real Estate)

Revenue collected from taxes levied by a school district by the assessed valuation of real property using effective tax rates for class I (residential/agricultural) and class II (business).



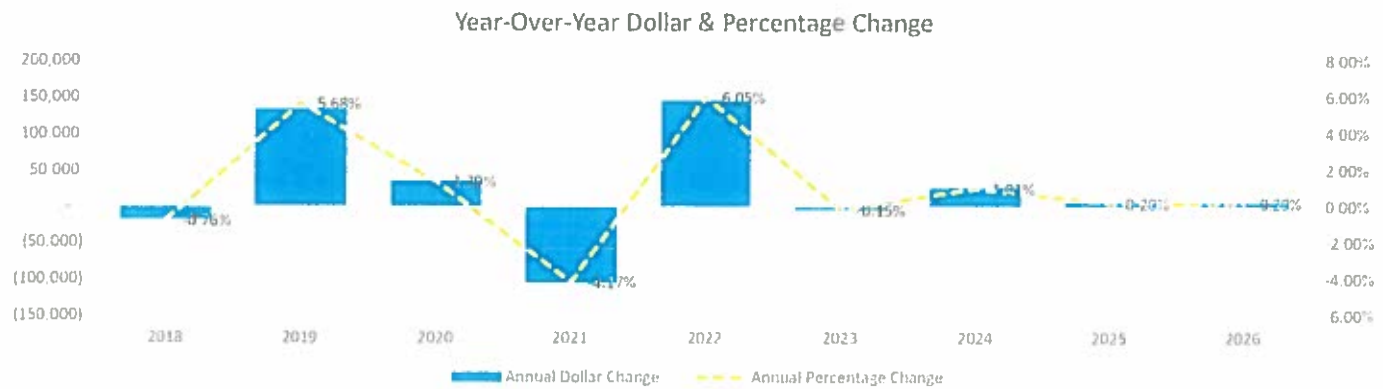
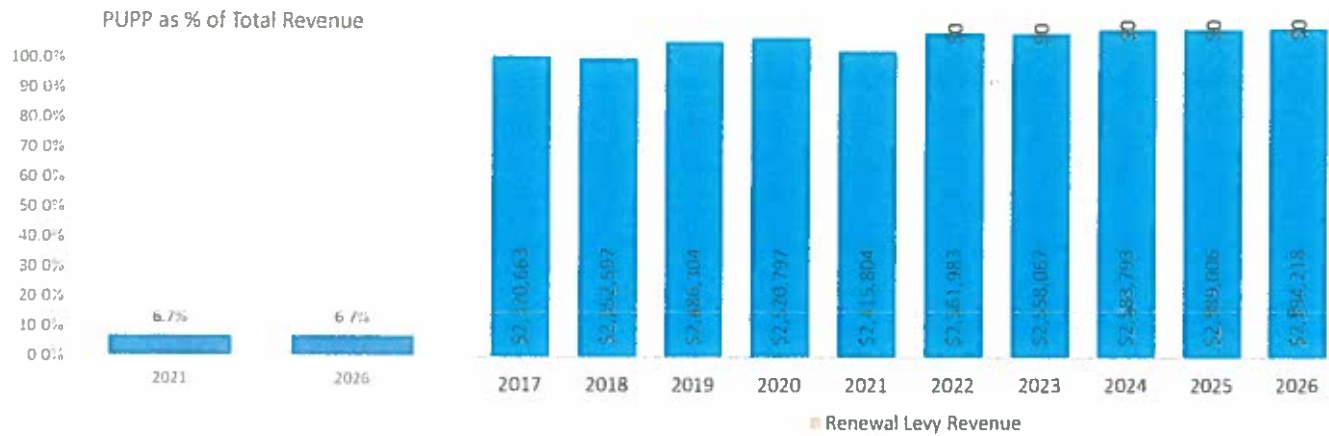
Values, Tax Rates and Gross Collections							Gross Collection Rate Including Delinquencies
Tax Yr	Valuation	Value Change	Class I Rate	Change	Class II Rate	Change	
2020	787,977,300	85,870,980	20 00	-	20 46	-	101 7%
2021	782,231,886	(5,745,414)	20 32	0 32	20 46	0 00	99 2%
2022	787,246,089	5,014,203	20 32	(0 00)	20 46	-	99 2%
2023	826,934,675	39,688,586	20 00	(0 32)	20 00	(0 46)	99 2%
2024	831,948,878	5,014,203	20 00	-	20 00	-	99 2%
2025	836,963,081	5,014,203	20 00	-	20 00	-	99 2%

Real estate property tax revenue accounts for 39.04% of total revenue. Class I or residential/agricultural taxes make up approximately 73.62% of the real estate property tax revenue. The Class I tax rate is 20.32 mills in tax year 2021. The projections reflect an average gross collection rate of 99.2% annually through tax year 2025. The revenue changed at an average annual historical rate of 2.77% and is projected to change at an average annual rate of 1.09% through FY 2026.

*Projected % trends include renewal levies

1.020 - Public Utility Personal Property

Revenue generated from public utility personal property valuations multiplied by the district's full voted tax rate



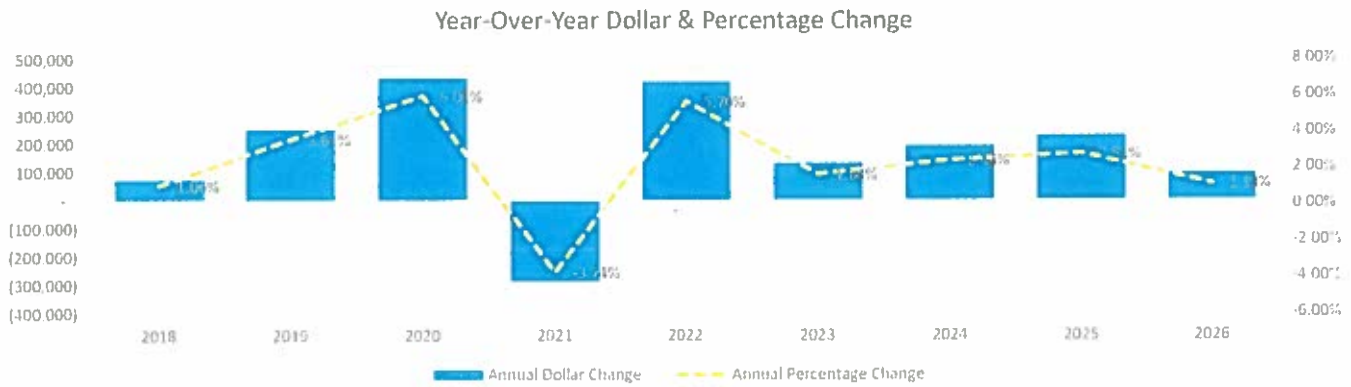
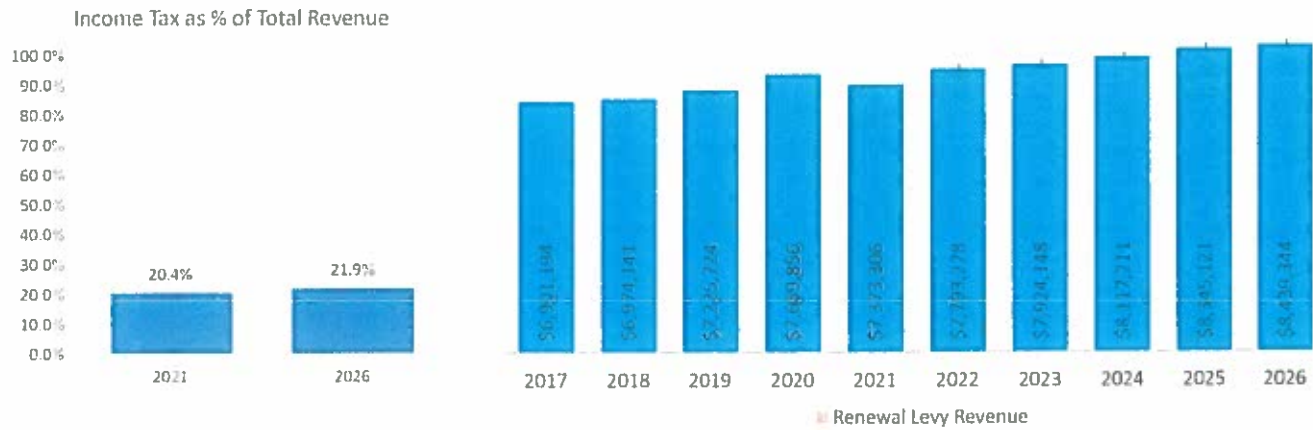
Values and Tax Rates					Gross Collection Rate Including Delinquencies
Tax Year	Valuation	Value Change	Full Voted Rate	Change	
2020	53,225,650	801,890	48.30	-	100.0%
2021	53,333,573	107,923	48.30	-	99.1%
2022	53,441,496	107,923	48.30	-	100.0%
2023	53,549,419	107,923	48.30	-	100.0%
2024	53,657,342	107,923	48.30	-	100.0%
2025	53,765,265	107,923	48.30	-	100.0%

The public utility personal property tax revenue is generated from the personal property values, additions, and depreciation reported by the utility companies. This category currently makes up 6.69% of total district revenue. The property is taxed at the full voted tax rate which in tax year 2021 is 48.3 mills. The forecast is modeling an average gross collection rate of 99.82%. The revenue changed historically at an average annual dollar amount of \$21,069 and is projected to change at an average annual dollar amount of \$35,683 through FY 2026.

*Projected % trends include renewal levies

1.030 - Income Tax

Revenue collected from income tax earmarked specifically to support schools with a voter approved tax by residents of the school district separate from federal, state and municipal income taxes

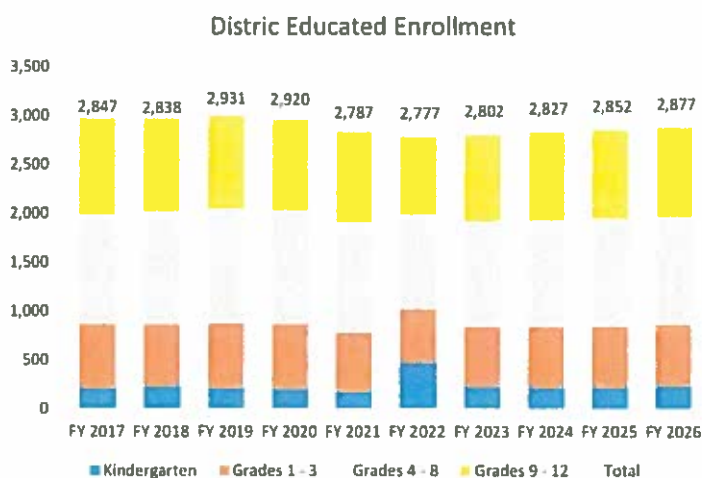
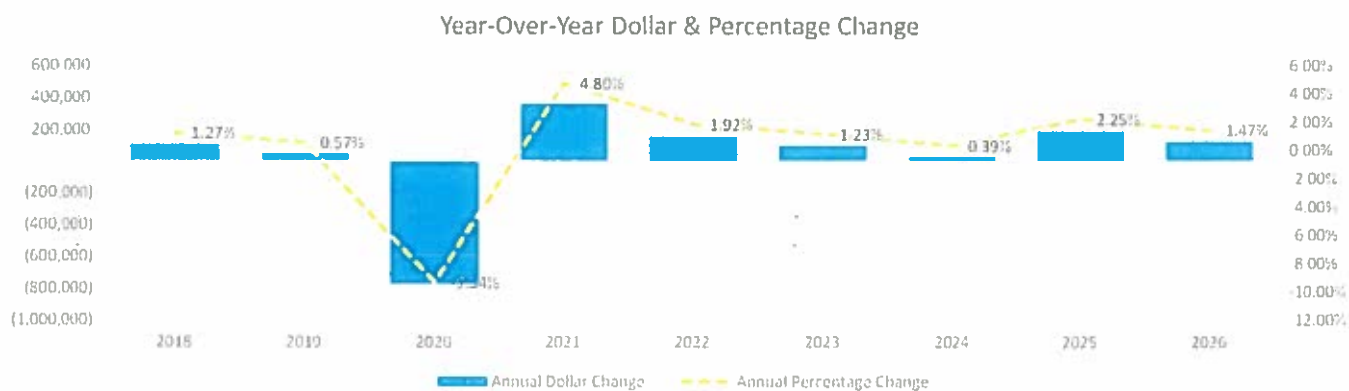
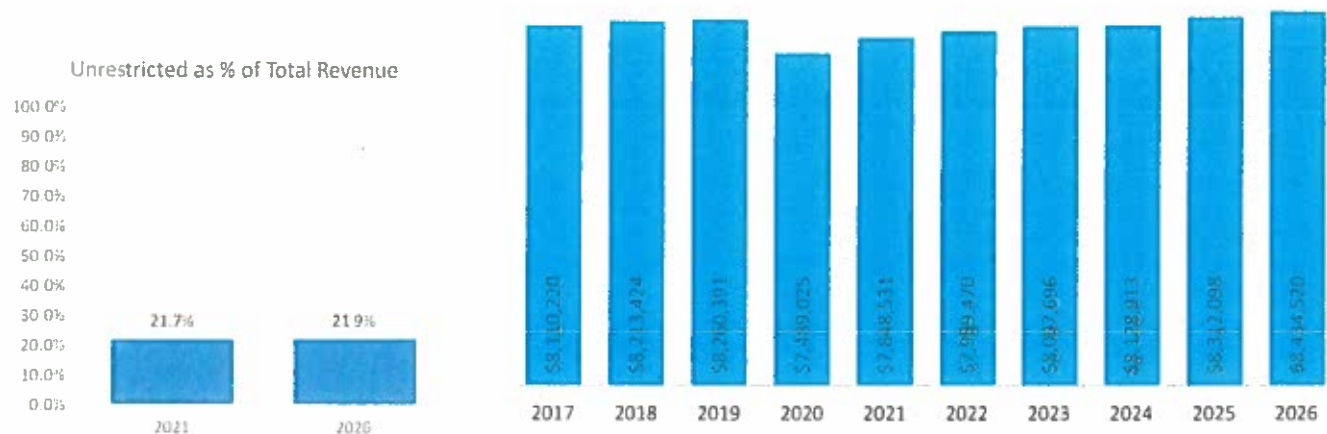


The district maintained one income tax levy in FY 2021. The average annual dollar change in total income tax revenue is forecasted to be \$213,208 through FY 2026. Income tax revenue is projected to account for 21.9% of total district revenue in FY 2026.

*Projected % trends include renewal levies

1.035 - Unrestricted Grants-in-Aid

Funds received through the State Foundation Program with no restriction



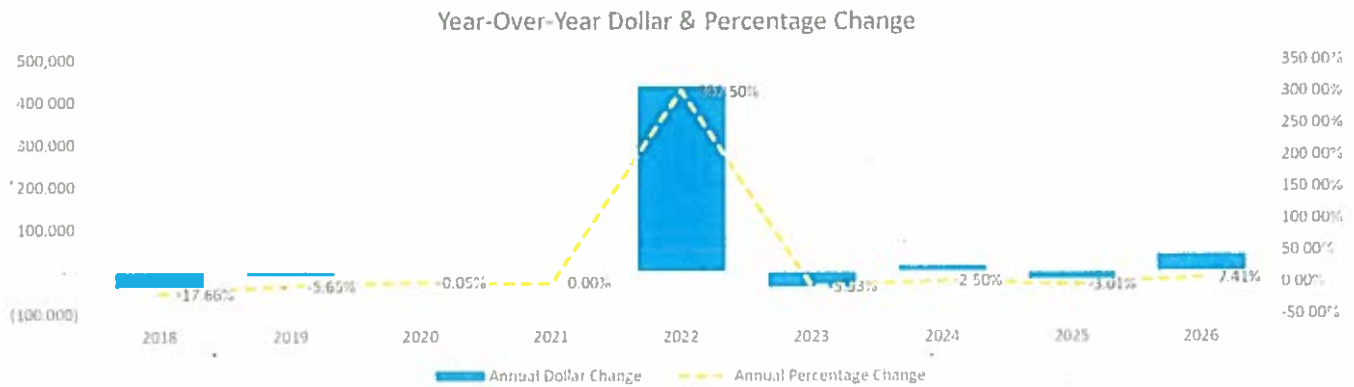
Beginning in FY 2022 Ohio adopted the Fair School Funding Plan (FSFP). Funding is driven by a base cost methodology that incorporates the four components identified as necessary to the education process. The Base Cost is currently calculated for two years using a statewide average from historical actual data.

For Talawanda City School District the calculated Base Cost total is \$20,693,565 in FY 2022. The state's share of the calculated Base Cost total is \$4,077,733 or \$1,468 per pupil.

The FSFP change to district educated enrollment will reduce funded enrollment but also potentially reduce tuition cost. In FY 2021, the district had approximately \$888,128 in possible tuition cost reductions. These reductions will be reflected in the purchased services expenditure note.

1.040 & 1.045 - Restricted Grants-in-Aid

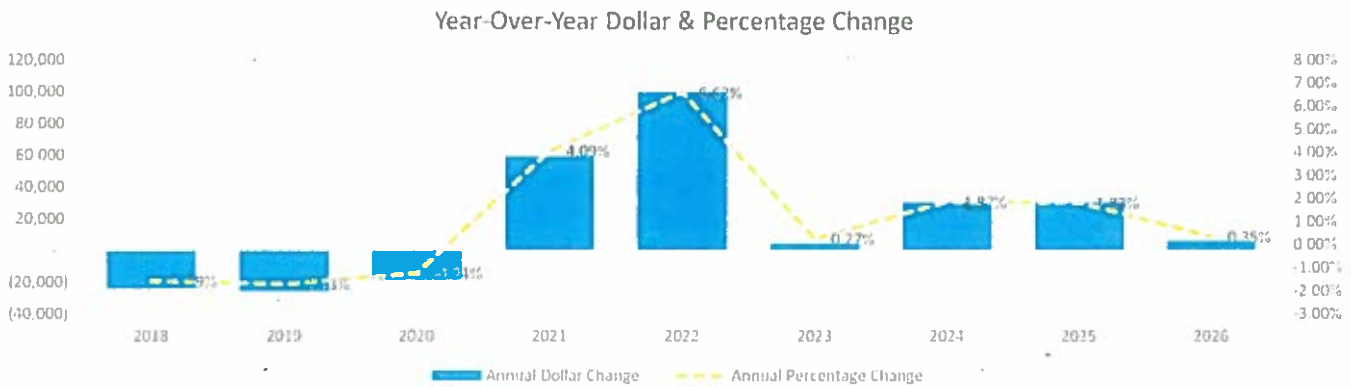
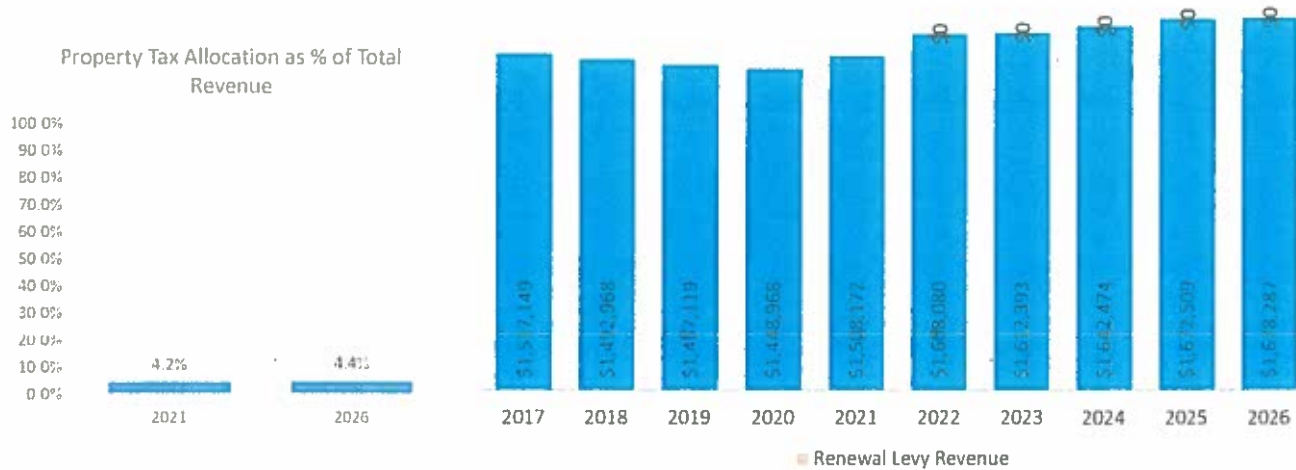
Funds received through the State Foundation Program or other allocations that are restricted for specific purposes



Restricted aid is the portion of state per pupil funding that must be classified as restricted use. Historically the district's restricted state aid changed annually on average by -\$2,918 and is projected to change annually on average by \$88,191. Restricted funds represent 0.40% of total revenue. Starting in FY 2022 the district's Success & Wellness funding is considered restricted, the state's share of this funding is recorded as restricted is \$287,227. This funding has implications on general fund expenditures in that certain spending now occurring in a fund external to the general fund could shift to the general fund. The expenditures in this forecast are adjusted to reflect this change.

1.050 - Property Tax Allocation

Includes funds received for Tangible Personal Property Tax Reimbursement, Electric Deregulation, Homestead and Rollback

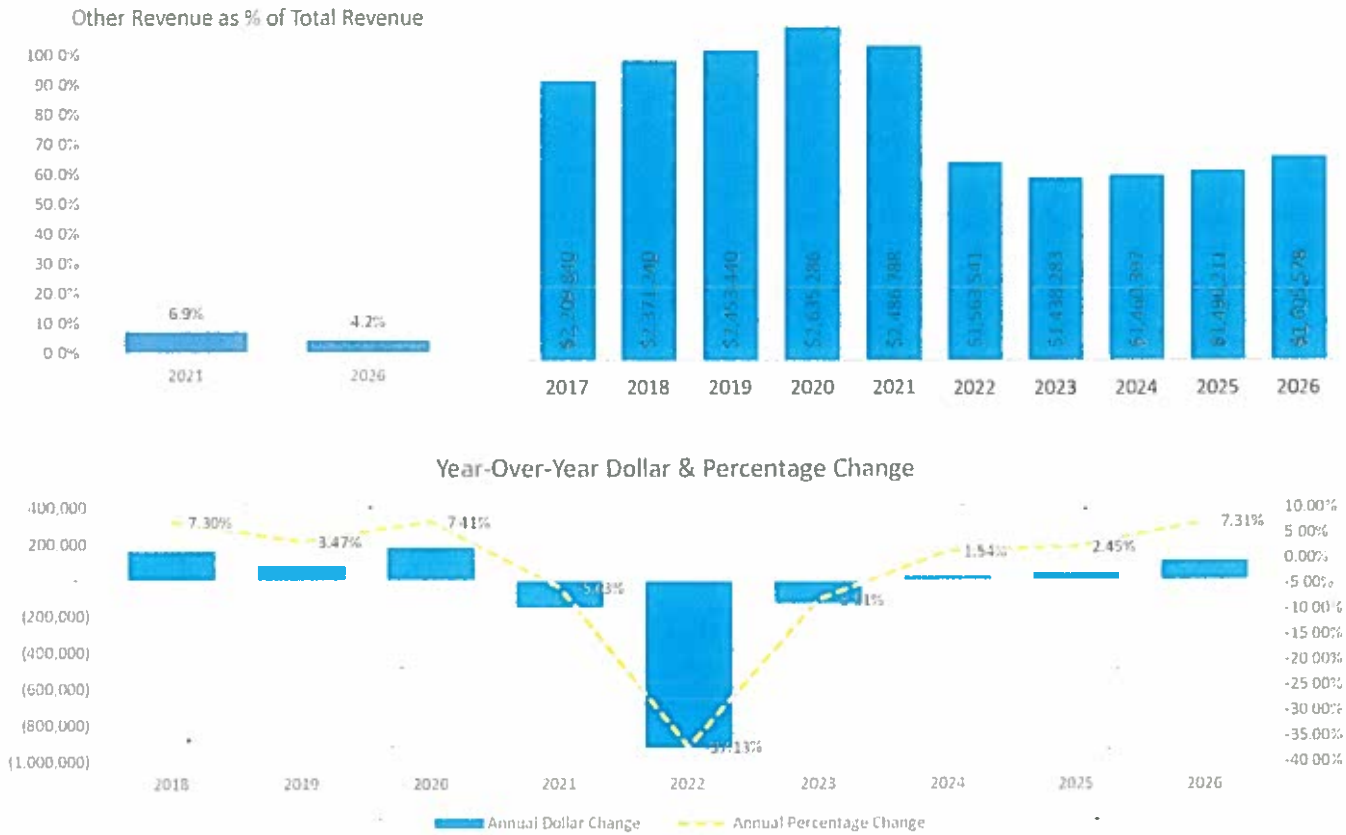


Property tax allocation primarily consists of reimbursements from the state of Ohio for local taxpayer credits or reductions. The state reduces the local taxpayer's tax bill with a 10% rollback credit, and 2.5% owner-occupied rollback credit, plus a homestead credit for qualifying taxpayers. In FY 2022, approximately 11.3% local residential property taxes will be reimbursed by the state in the form of rollback credits and approximately 1.9% will be reimbursed in the form of qualifying homestead exemption credits.

**Projected % trends include renewal levies*

1.060 - All Other Operating Revenues

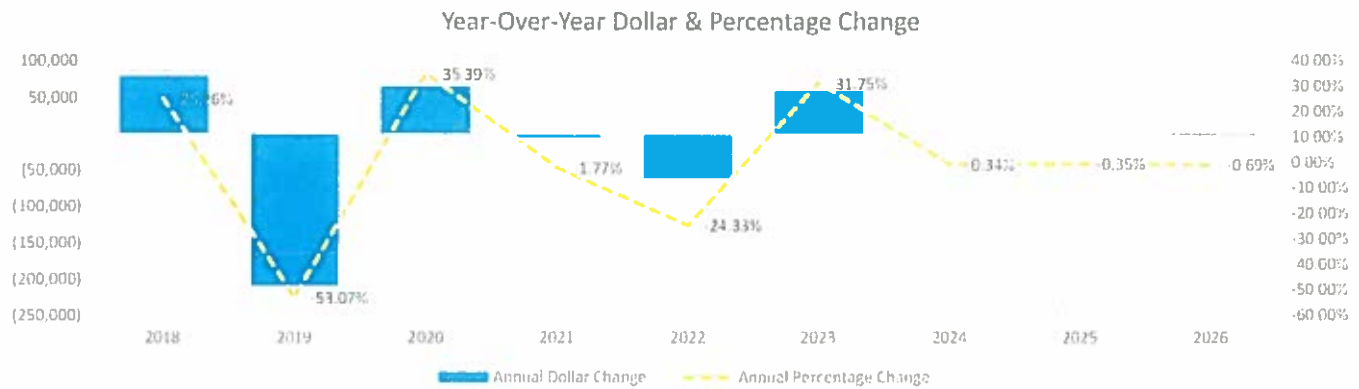
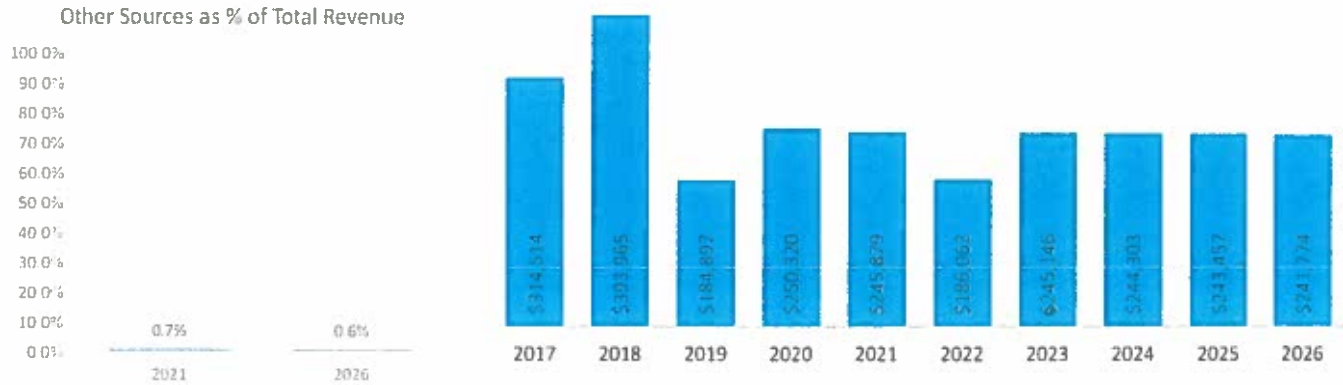
Operating revenue sources not included in other lines - examples include tuition, fees, earnings on investments, rentals, and donations



Other revenue includes tuition received by the district for non-resident students educated by the district. It also includes interest income, payments in lieu of taxes, and miscellaneous revenue. The historical average annual change was \$38,516. The projected average annual change is -\$176,242 through FY 2026. The FSFP includes per pupil funding for any open enrollment in students the district is educating. This revenue, if any, was recorded in 'other revenue' prior to FY 2022. Fiscal year 2022 and beyond will not include any open enrollment in revenue. The district posted revenue code 1227 open enrollment in revenue of \$650,267 in FY 2021.

2.070 - Total Other Financing Sources

Includes proceeds from sale of notes, state emergency loans and advancements, operating transfers in, and all other financing sources like sale and loss of assets, and refund of prior year expenditures

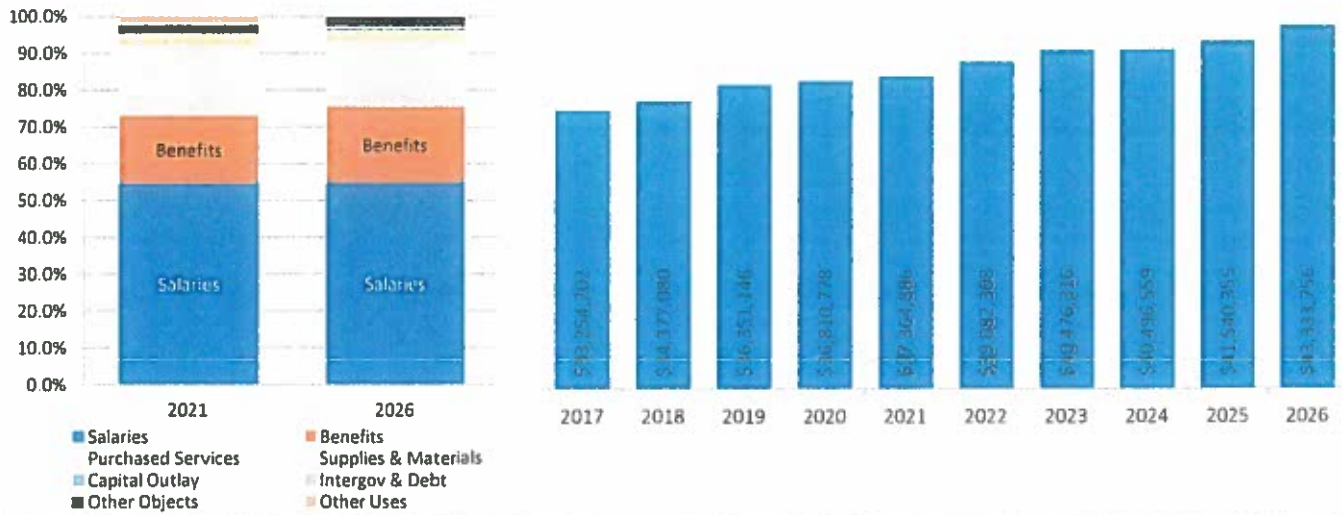


	2021	2022	2023	2024	2025	2026
Transfers In	-	-	-	-	-	-
Advances In	26,070	15,062	75,000	75,000	75,000	75,000
All Other Financing Sources	219,809	171,000	170,146	169,303	168,457	166,774

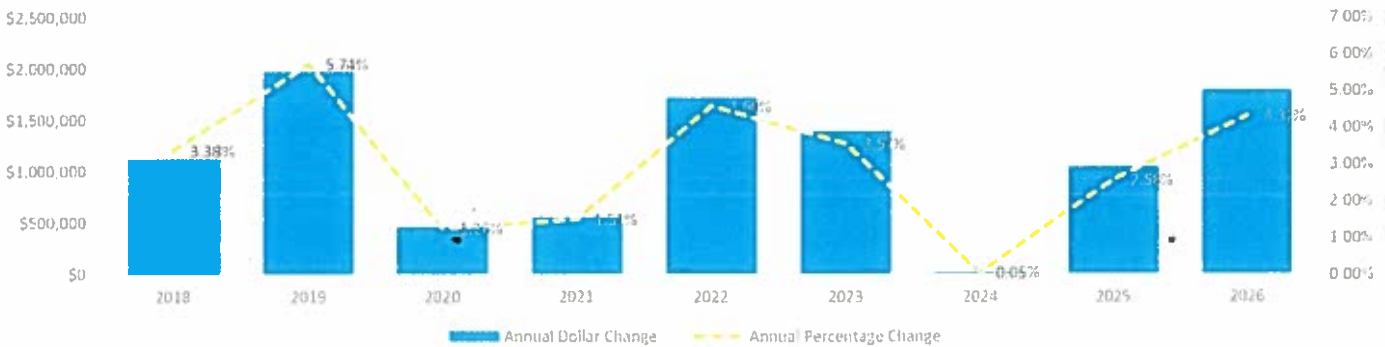
Other sources includes revenue that is generally classified as non-operating. Return advances in are the most common revenue source. In FY 2021 the district receipted \$26,070 as advances in and is projecting advances of \$15,062 in FY 2022. The district also receives other financing sources such as refund of prior year expenditures in this category. The district is projecting that all other financing sources will be \$171,000 in FY 2022 and average \$168,670 annually through FY 2026.

Expenditure Categories and Forecast Year-Over-Year Projected Overview

Expenditure Categories Over Time



Year-Over-Year Dollar & Percentage Change



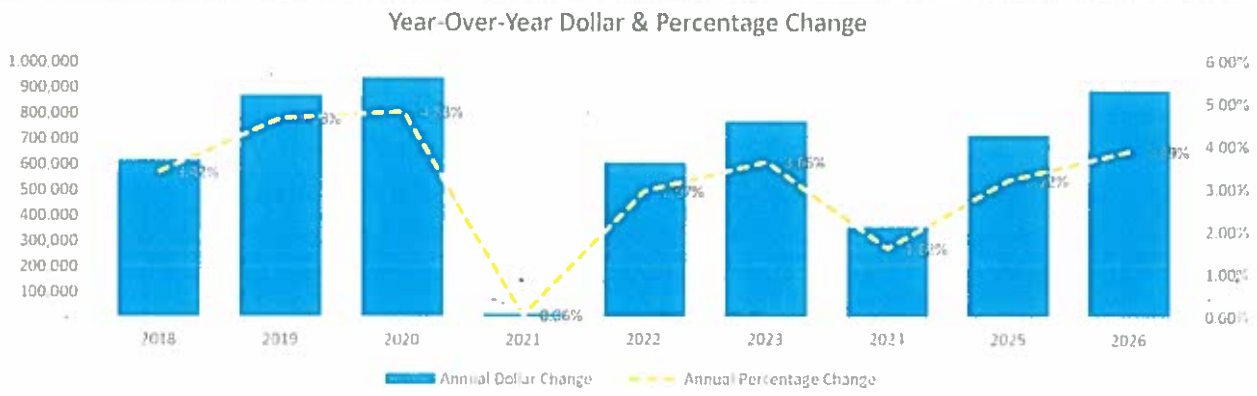
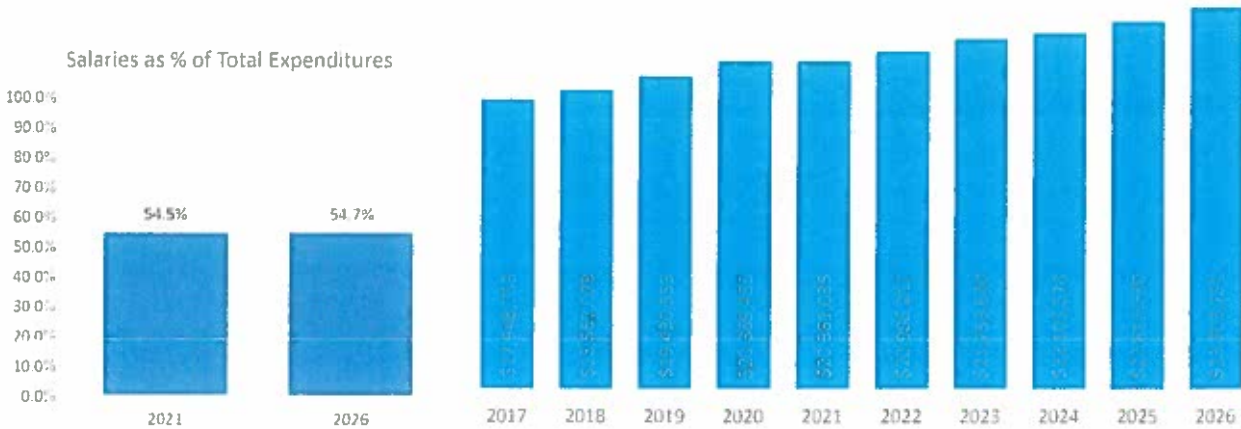
3-Year Historical Actual Average Annual Dollar Change Compared to 5-Year Projected

	Historical Average Annual \$ Change	Projected Average Annual \$ Change	Projected Compared to Historical Variance	Total expenditures increased 2.70% or \$995,935 annually during the past five years and is projected to increase 3.19% or \$1,193,774 annually through FY2026. Other Uses has the largest projected average annual variance compared to the historical average at -\$474,934.
Salaries	\$606,319	\$664,543	\$58,224	
Benefits	\$179,680	\$430,803	\$251,123	
Purchased Services	(\$69,068)	\$128,889	\$197,956	
Supplies & Materials	\$48,160	\$30,205	(\$17,954)	
Capital Outlay	(\$65,528)	\$57,752	\$123,280	
Intergov & Debt	\$0	\$0	\$0	
Other Objects	(\$9,837)	\$50,307	\$60,145	
Other Uses	\$306,209	(\$168,725)	(\$474,934)	
Total Average Annual Change	\$995,935	\$1,193,774	\$197,839	
	2.70%	3.19%	0.49%	

Note: Expenditure average annual change is projected to be > \$1,193,774. On an annual average basis, revenues are projected to grow slower than expenditures.

3.010 - Personnel Services

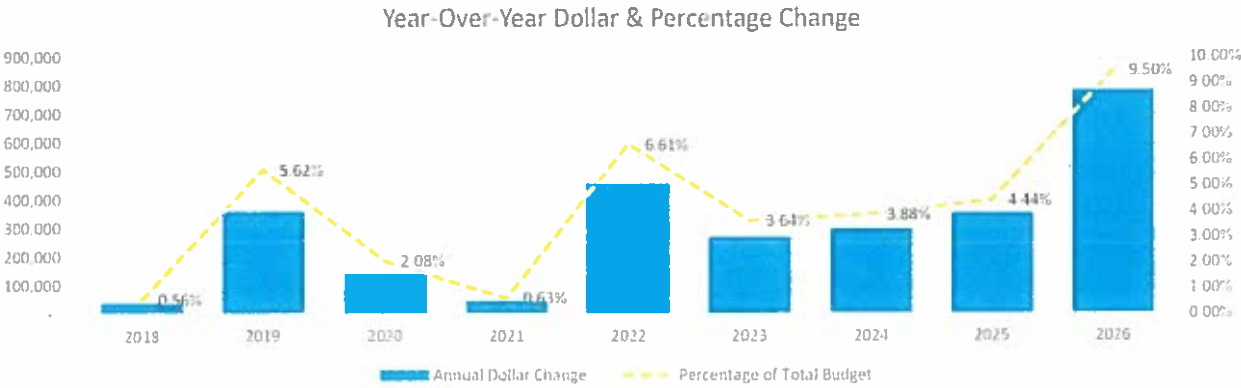
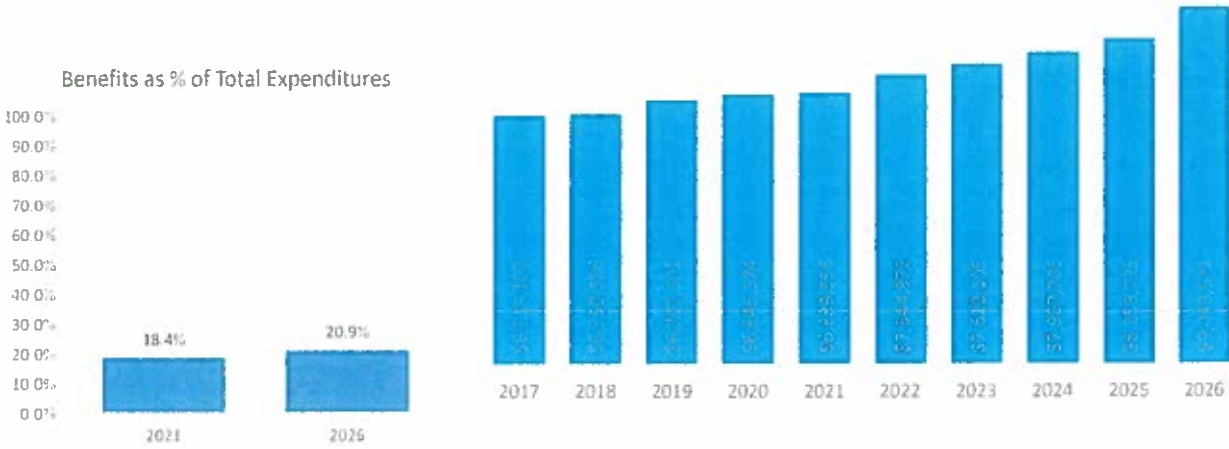
Employee salaries and wages, including extended time, severance pay, supplemental contracts, etc



Salaries represent 54.55% of total expenditures and increased at a historical average annual rate of 3.02% or \$606,319. This category of expenditure is projected to grow at an annual average rate of 2.98% or \$664,543 through FY 2026. The projected average annual rate of change is 0.04% less than the five year historical annual average.

3.020 - Employees' Benefits

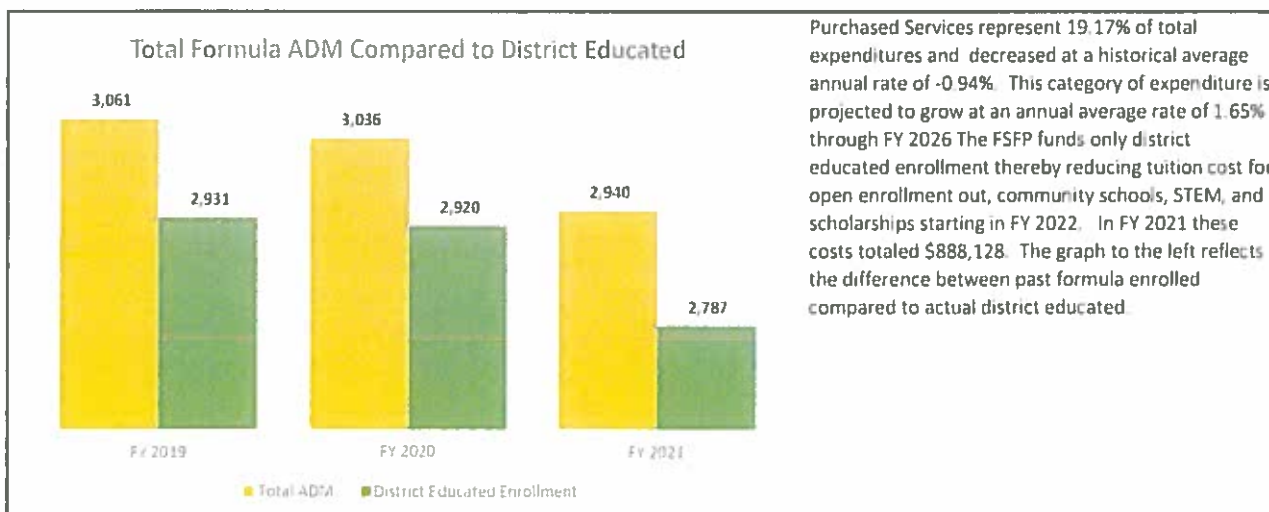
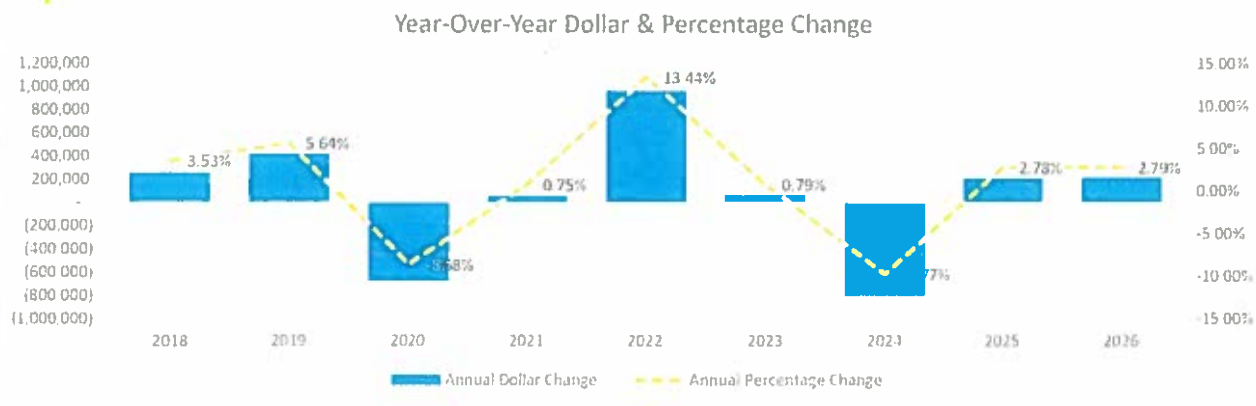
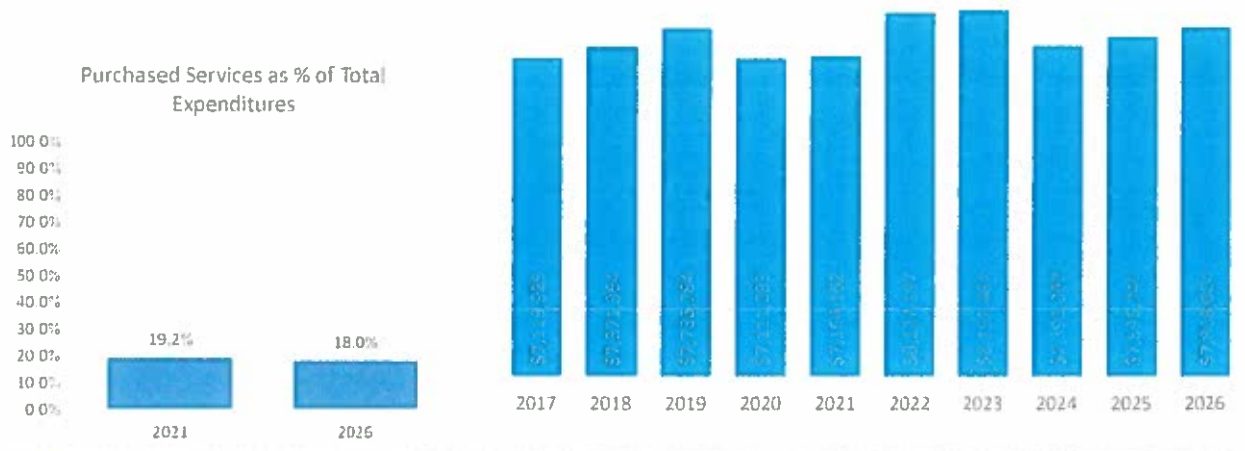
Retirement for all employees, Workers Compensation, early retirement incentives, Medicare unemployment, pickup on pickup, and all health related insurances



Benefits represent 18.44% of total expenditures and increased at a historical average annual rate of 2.64%. This category of expenditure is projected to grow at an annual average rate of 5.36% through FY 2026. The projected average annual rate of change is 2.73% more than the five-year historical annual average.

3.030 - Purchased Services

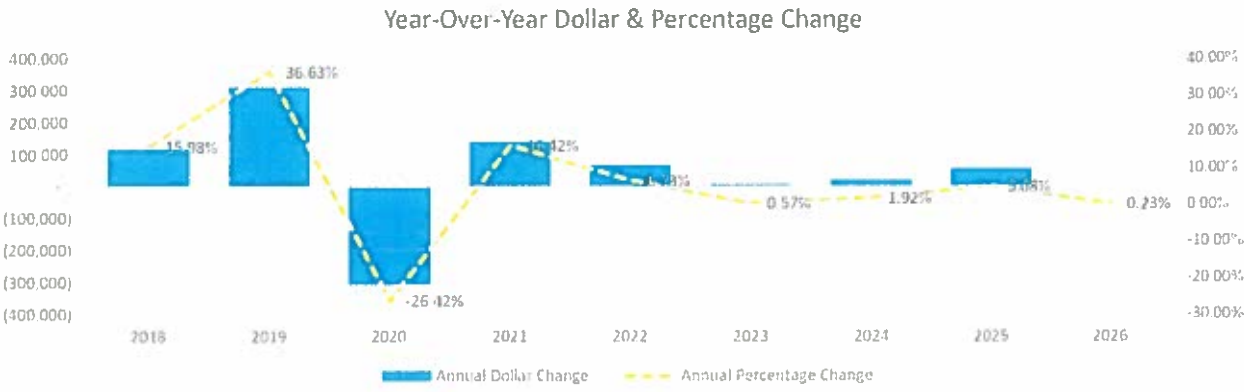
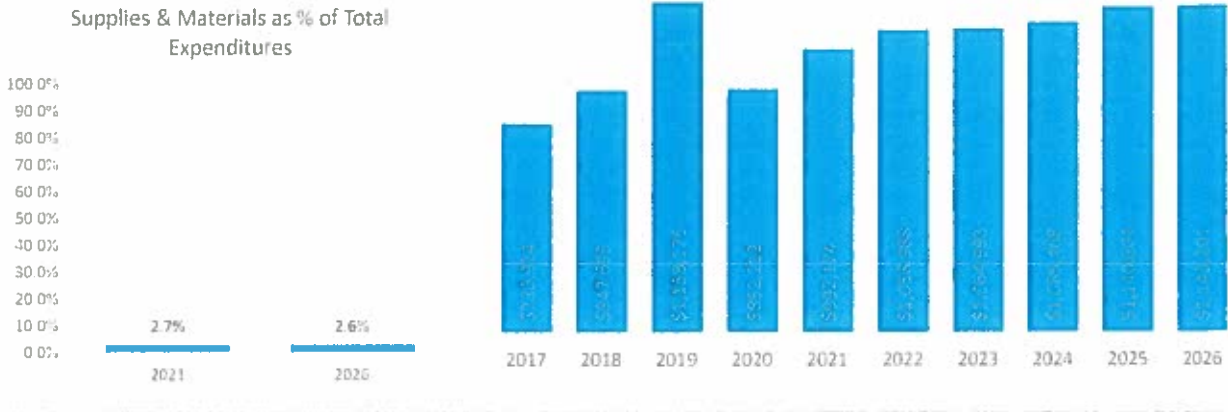
Amounts paid for personal services rendered by personnel who are not on the payroll of the school district, expenses for tuition paid to other districts, utilities costs and other services which the school district may purchase



Purchased Services represent 19.17% of total expenditures and decreased at a historical average annual rate of -0.94%. This category of expenditure is projected to grow at an annual average rate of 1.65% through FY 2026. The FSFP funds only district educated enrollment thereby reducing tuition cost for open enrollment out, community schools, STEM, and scholarships starting in FY 2022. In FY 2021 these costs totaled \$888,128. The graph to the left reflects the difference between past formula enrolled compared to actual district educated.

3.040 - Supplies & Materials

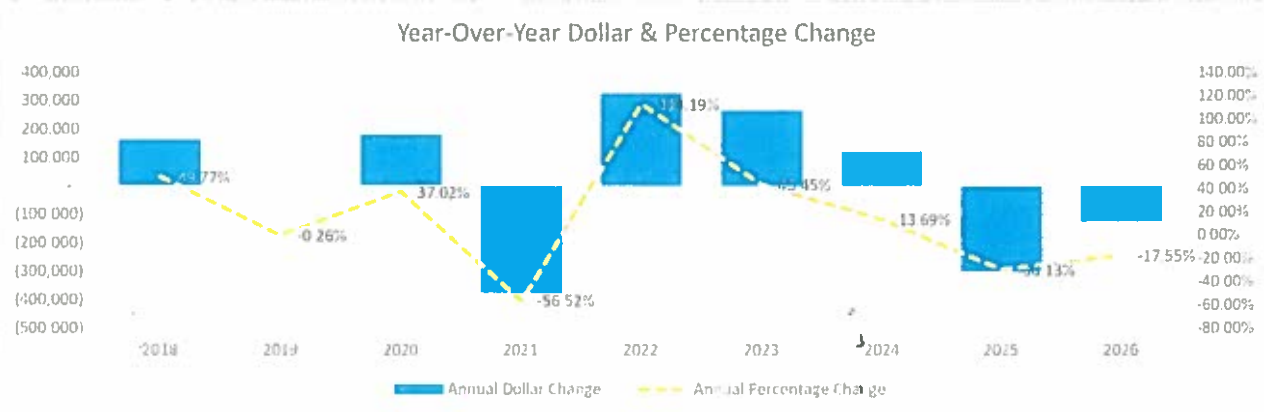
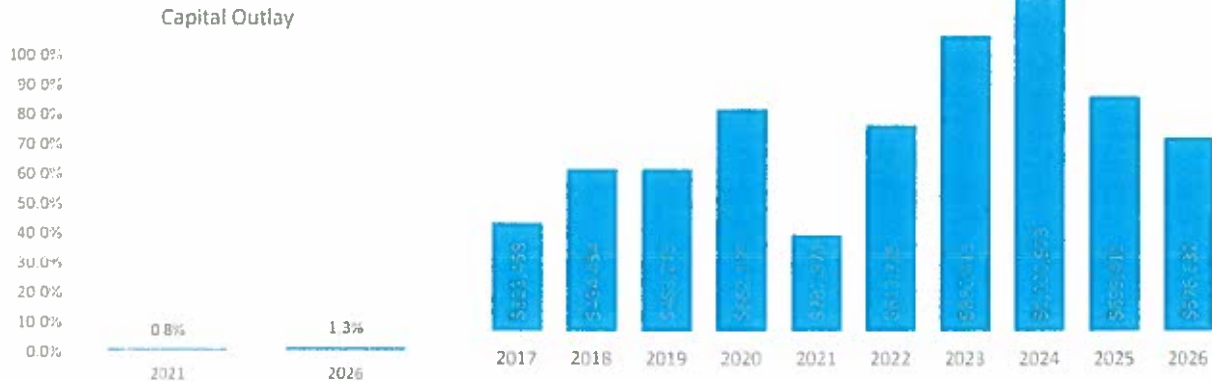
Expenditures for general supplies, instructional materials including textbooks and media material, bus fuel and tires, and all other maintenance supplies



Supplies & Materials represent 2.66% of total expenditures and increased at a historical average annual rate of 4.81%. This category of expenditure is projected to grow at an annual average rate of 2.75% through FY 2026. The projected average annual rate of change is -2.06% less than the five year historical annual average.

3.050 - Capital Outlay

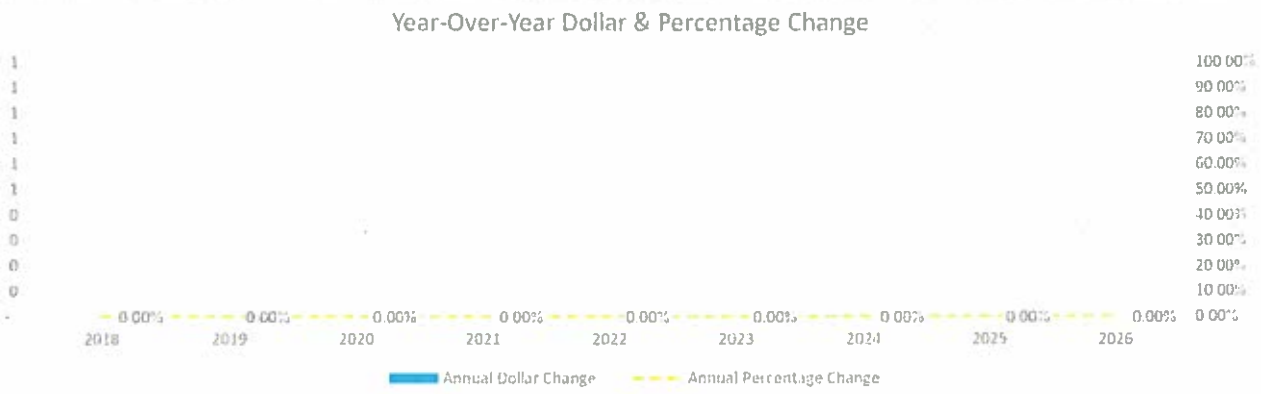
This line includes expenditures for items having at least a five-year life expectancy, such as land, buildings, improvements of grounds, equipment, computers/technology, furnishings, and buses



Capital Outlay represent 0.77% of total expenditures and decreased at a historical average annual amount of -\$65,528. This category of expenditure is projected to grow at an annual average rate of \$57,752 through FY 2026. The projected average annual change is more than the five year historical annual average.

3.060-4.060 - Intergovernmental & Debt

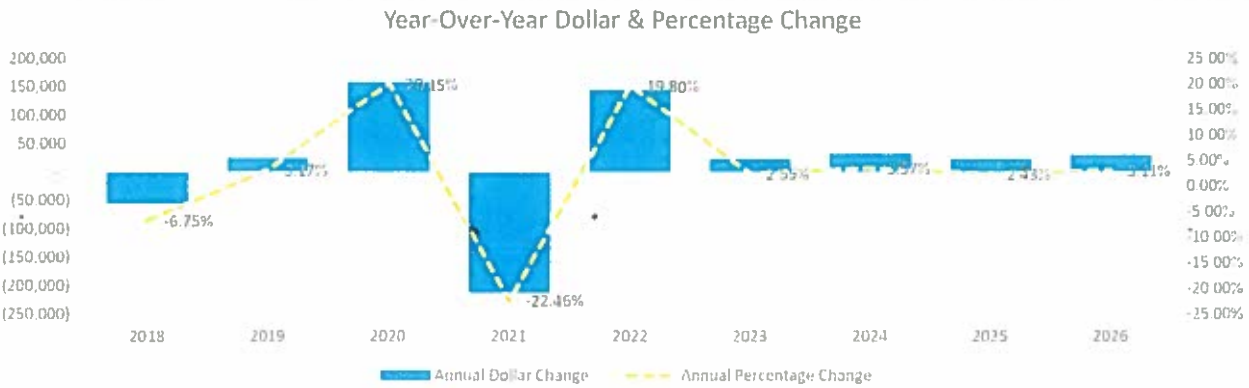
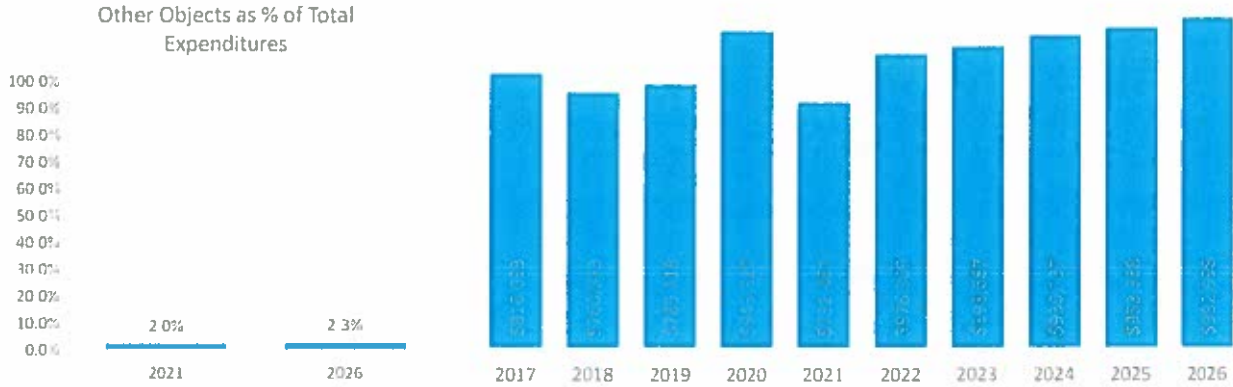
These lines account for pass through payments, as well as monies received by a district on behalf of another governmental entity, plus principal and interest payments for general fund borrowing



The Intergovernmental/Debt expenditure category details general fund debt issued by the District.

4.300 - Other Objects

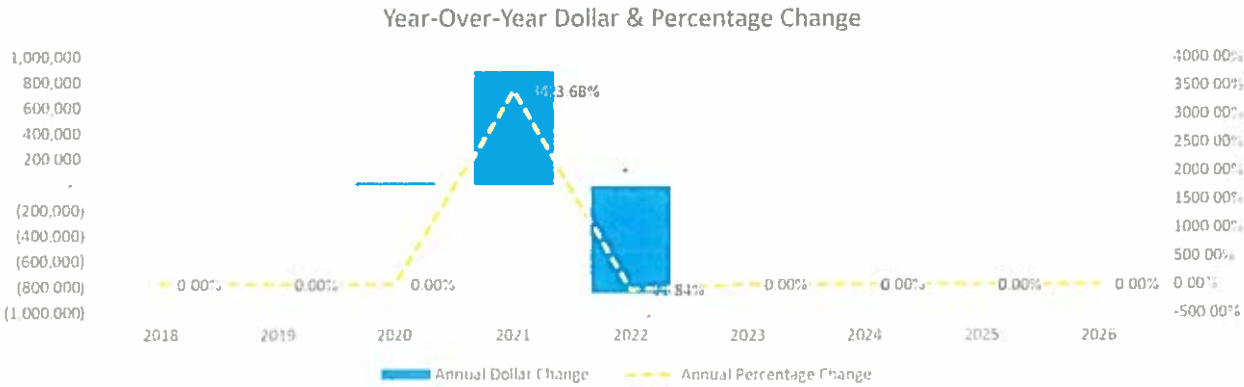
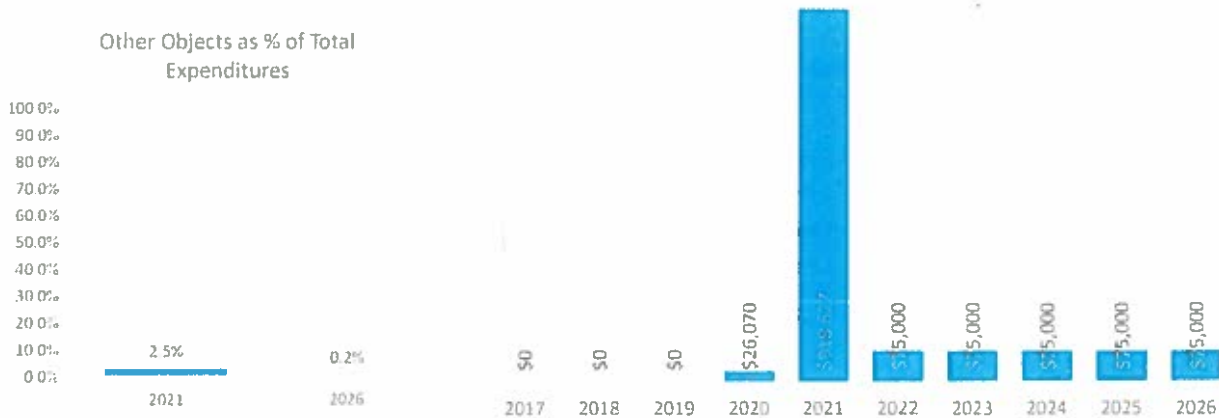
Primary components for this expenditure line are membership dues and fees, ESC contract deductions, County Auditor/Treasurer fees, audit expenses, and election expenses.



Other Objects represent 1.96% of total expenditures and decreased at a historical average annual rate of -1.20%. This category of expenditure is projected to grow at an annual average rate of 5.42% through FY 2026. The projected average annual rate of change is 6.62% more than the five year historical annual average.

5.040 - Total Other Financing Uses

Operating transfers out, advances out to other funds, and all other general fund financing uses.



	FORECASTED					
	2021	2022	2023	2024	2025	2026
Transfers Out	903,565	-	-	-	-	-
Advances Out	15,062	75,000	75,000	75,000	75,000	75,000
Other Financing Uses	-	-	-	-	-	-

Other uses includes expenditures that are generally classified as non operating. It is typically in the form of advances out which are then repaid into the general fund from the other district funds. In FY 2021 the district had advances out and has advances out forecasted through FY 2026. The district can also move general funds permanently to other funds and as the schedule above presents, the district has no transfers forecasted through FY 2026. The table above presents the district's planned advances and transfers. The district can also have other uses of funds which is reflected in the table above.

Talawanda City School District
Five Year Forecast

Fiscal Year	Actual	FORECASTED				
	2021	2022	2023	2024	2025	2026
Revenue:						
1.010 - General Property Tax (Real Estate)	14,102,103	14,318,893	14,249,474	14,547,541	14,801,512	14,895,256
1.020 - Public Utility Personal Property	2,415,804	2,561,983	2,558,067	2,583,793	2,589,006	2,594,218
1.030 - Income Tax	7,373,306	7,793,278	7,924,148	8,117,211	8,345,121	8,439,344
1.035 - Unrestricted Grants-in-Aid	7,848,531	7,999,470	8,097,696	8,128,913	8,312,098	8,434,520
1.040 - Restricted Grants-in-Aid	144,906	583,242	548,673	562,388	545,466	585,862
1.050 - Property Tax Allocation	1,508,172	1,608,080	1,612,393	1,642,474	1,672,509	1,678,287
1.060 - All Other Operating Revenues	2,486,788	1,563,541	1,438,283	1,460,397	1,496,211	1,605,578
1.070 - Total Revenue	35,879,610	36,428,487	36,428,734	37,042,717	37,761,923	38,233,065
Other Financing Sources:						
2.010 - Proceeds from Sale of Notes	-	-	-	-	-	-
2.020 - State Emergency Loans and Adv	-	-	-	-	-	-
2.040 - Operating Transfers-In	-	-	-	-	-	-
2.050 - Advances-In	26,070	15,062	75,000	75,000	75,000	75,000
2.060 - All Other Financing Sources	219,809	171,000	170,146	169,303	168,457	166,774
2.070 - Total Other Financing Sources	245,879	186,062	245,146	244,303	243,457	241,774
2.080 - Total Rev & Other Sources	36,125,490	36,614,550	36,673,880	37,287,019	38,005,379	38,474,839
Expenditures:						
3.010 - Personnel Services	20,381,035	20,986,217	21,753,640	22,105,578	22,816,530	23,703,751
3.020 - Employee Benefits	6,889,556	7,344,872	7,612,105	7,907,706	8,258,725	9,043,571
3.030 - Purchased Services	7,164,162	8,127,197	8,191,481	7,391,097	7,596,747	7,808,604
3.040 - Supplies and Materials	992,174	1,058,988	1,064,993	1,085,468	1,140,604	1,143,201
3.050 - Capital Outlay	287,871	613,725	880,411	1,000,973	699,411	576,632
Intergovernmental & Debt Service	-	-	-	-	-	-
4.300 - Other Objects	731,461	876,309	898,687	930,737	953,338	982,998
4.500 - Total Expenditures	36,446,259	39,007,307	40,401,316	40,421,559	41,465,355	43,258,756
Other Financing Uses						
5.010 - Operating Transfers-Out	903,565	-	-	-	-	-
5.020 - Advances-Out	15,062	75,000	75,000	75,000	75,000	75,000
5.030 - All Other Financing Uses	-	-	-	-	-	-
5.040 - Total Other Financing Uses	918,627	75,000	75,000	75,000	75,000	75,000
5.050 - Total Exp and Other Financing Uses	37,364,886	39,082,308	40,476,316	40,496,559	41,540,355	43,333,756
6.010 - Excess of Rev Over/(Under) Exp	(1,239,396)	(2,467,758)	(3,802,437)	(3,209,540)	(3,534,976)	(4,858,917)
7.010 - Cash Balance July 1 (No Levies)	23,260,576	22,021,180	19,553,422	15,750,986	12,541,446	9,006,470
7.020 - Cash Balance June 30 (No Levies)	22,021,180	19,553,422	15,750,986	12,541,446	9,006,470	4,147,553
		Reservations				
8.010 - Estimated Encumbrances June 30	-	-	-	-	-	-
9.080 - Reservations Subtotal	-	-	-	-	-	-
10.010 - Fund Bal June 30 for Cert of App	22,021,180	19,553,422	15,750,986	12,541,446	9,006,470	4,147,553
Rev from Replacement/Renewal Levies						
11.010 & 11.020 - Renewal Levies	-	-	-	-	-	-
11.030 - Cumulative Balance of Levies	-	-	-	-	-	-
12.010 - Fund Bal June 30 for Cert of Obligations	22,021,180	19,553,422	15,750,986	12,541,446	9,006,470	4,147,553
Revenue from New Levies						
13.010 & 13.020 - New Levies	-	-	-	-	-	-
13.030 - Cumulative Balance of New Levies	-	-	-	-	-	-
15.010 - Unreserved Fund Balance June 30	22,021,180	19,553,422	15,750,986	12,541,446	9,006,470	4,147,553

RISK ASSESSMENT

- Revenue does not grow with inflation or enrollment growth due to HB920 and the state funding formula, resulting in TSD deficit spending in FY19, continuing in FY20/FY21 and are forecasted to continue through FY26. This means current programming may not be sustainable without new revenue. Revenue is largely voter approved in a 72% locally-funded school district such as Talawanda.
- HB110, the current state budget implements what has been referred to as the Fair School Funding Plan (FSFP) for FY22 and FY23. The actual release of the new Fair School Funding Plan formula has been delayed until December which is beyond the filing deadline of this forecast. The FSFP has many significant changes to the way foundation revenues are calculated for school districts and how expenses are charged off. State foundation basic aid will be calculated on a base cost methodology with funding paid to the district where a student is enrolled to be educated. There will be direct funding to the district where students are educated for expenses previously deducted from districts state foundation funding for open enrollment, community schools, STEM schools and scholarship recipients. The initial impact on the forecast will be that the historic actual costs for FY19 through FY21 on the forecast will potentially reflect different trends on Lines 1.035, 1.040, 1.060 and 3.03 beginning in FY22. There may be some adjustments needed for FY22 and FY23 in state aid as the Ohio Department of Education resolves issues and possible unintended consequences as they create and implement the numerous changes to this very complicated new formula. Our state aid projections have been based on the best information on the new HB110 formula as calculated by the Ohio Department of Education.
- Due to the high reliance on local property tax revenue property valuations continue to be a major area of risk given the current economic climate. Butler County went through a reappraisal in calendar year 2020 and collected in calendar year 2021. The district realized a 13% increase in residential and an 18% increase in commercial property values, while agriculture values dropped -6%. The next update will occur in calendar year 2023. We will continue to monitor this discussion and adjust the forecast accordingly.
- State reimbursements continue to be a risk especially at the beginning of any biennial budget process. Reimbursements such as Homestead and Rollback could be legislated away just as the TPP reimbursement has been. This revenue source is equal to approximately \$1.6 million on existing levies to Talawanda School District.
- HB59 eliminated the Rollback exemption on any future new or replacement levy after 2013. This means that taxpayers will no longer receive the 12.5% reduction on any new levies. This could make passing any new levy more difficult. This will not affect the total collection for the school district but will shift the tax burden from the State of Ohio onto local taxpayers.
- Utility costs are also a risk factor depending on weather conditions and cost increases from year to year. This expenditure area actually benefited from remote learning as utilities were not used to the same level when buildings were empty.
- HB110 direct pays costs associated with open enrollment, community and STEM schools, and for all scholarships including EdChoice Scholarships. These costs will no longer be deducted from our state aid. However, there still are education option programs such as College Credit Plus

which continue to be deducted from state aid which will increase costs to the district. Expansion or creation of programs that are not directly paid by the state of Ohio can expose the district to new expenditures that are not currently in the forecast. We are monitoring closely any new threats to our state aid and increased costs as any new proposed laws are introduced in the legislature.

- A change in residential development is always a risk. The district is closely monitoring development around our community. If additional homes or complexes are constructed the District's enrollment projections could be greatly impacted causing added costs in personnel and retirement/benefits for staffing in both the classroom and transportation costs associated with additional routes that could be necessary.
- The district has included increases in purchased services as a result of College Credit Plus that mandates that districts pay 100% of the tuition for current students attending up to 15 credit hours of higher education per semester as well as all course fees and textbooks. This legislation also prohibits districts from charging any type of fee associated with public colleges. We will continue to monitor this expense.
- Negotiated agreements expire June 30, 2024.