WORTHINGTON CITY SCHOOL DISTRICT-FRANKLIN COUNTY

SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE FISCAL YEARS ENDED JUNE 30, 2015, 2016 and 2017 ACTUAL FORECASTED FISCAL YEARS ENDING JUNE 30, 2018 THROUGH 2022

Forecast Provided By
Worthington City School District
Treasurer's Office
Jeff McCuen, Treasurer/CFO
October 9, 2017

WORTHINGTON CITY SCHOOL DISTRICT
Franklin County

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2015, 2016, 2017
Forecasted Fiscal Year Ending June 30, 2018 through 2022

		Actual				Forecasted				
		Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Average Change	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022
	Revenues									
1.010	General Property Tax (Real Estate)	$ 85,531,300	$ 89,146,645	$ 91,680,307	3.5%	$92,366,613	$92,787,017	$93,099,985	$93,414,518	$93,730,624
1.020	Tangible Personal Property	3,723,873	3,791,016	4,005,083	3.7%	$4,213,457	$4,306,868	$4,436,074	$4,569,156	$4,706,230
1.035	Unrestricted State Grants-in-Aid	14,655,732	16,802,004	17,877,676	10.5%	$17,888,000	$18,043,788	$18,433,996	$18,835,731	$19,246,945
1.040	Restricted State Grants-in-Aid	673,339	849,194	1,044,856	24.6%	$904,035	$900,617	$899,665	$895,109	$889,635
1.050	Property Tax Allocation	20,685,098	18,150,139	15,517,596	-13.4%	$14,520,263	$13,593,694	$12,513,163	$11,432,893	$10,594,029
1.060	All Other Revenues	1,340,803	1,586,939	1,853,967	17.6%	$1,961,256	$1,861,256	$1,461,256	$1,261,256	$1,061,256
1.070	*Total Revenues*	$ 126,610,145	$ 130,325,937	$ 131,979,485	2.1%	$ 131,853,624	$ 131,493,240	$ 130,844,139	$ 130,408,663	$ 130,228,719
	Other Financing Sources									
2.050	Advances-In	$ 21,500	$ 1,836,300	$ 3,600	4170.6%	$ 42,800	$ -	$ -	$ -	$ -
2.060	All Other Financing Sources	546,588	74,758	13,341	-84.2%	$15,000	$15,000	$15,000	$15,000	$15,000
2.070	*Total Other Financing Sources*	$ 568,088	$ 1,911,058	$ 16,941	68.6%	$ 57,800	$ 15,000	$ 15,000	$ 15,000	$ 15,000
2.080	*Total Revenues and Other Financing Sources*	$ 127,178,233	$ 132,236,995	$ 131,996,426	1.9%	$ 131,911,424	$ 131,508,240	$ 130,859,139	$ 130,423,663	$ 130,243,719
	Expenditures									
3.010	Personal Services	$ 72,205,995	$ 73,001,845	$ 76,066,212	2.6%	$79,529,275	$85,623,701	$87,130,609	$90,989,961	$94,953,859
3.020	Employees' Retirement/Insurance Benefits	28,069,838	28,939,917	28,712,894	1.2%	$29,773,226	$31,890,712	$33,113,852	$34,779,667	$35,648,711
3.030	Purchased Services	11,855,112	11,609,334	11,571,116	-1.2%	$13,512,727	$13,869,595	$14,383,654	$15,104,912	$15,547,425
3.040	Supplies and Materials	2,964,733	3,317,360	3,958,664	15.6%	4,393,788	3,790,152	4,000,557	4,371,874	4,754,330
3.050	Capital Outlay	563,702	282,089	449,630	4.7%	353,644	364,253	375,181	386,436	398,029
4.300	Other Objects	1,797,688	1,794,841	1,861,392	1.8%	$2,002,218	$2,072,097	$2,094,243	$2,116,926	$2,140,162
4.500	*Total Expenditures*	$ 117,457,068	$ 118,945,386	$ 122,619,908	2.2%	$ 129,564,878	$ 137,610,510	$ 141,098,096	$ 147,749,776	$ 153,442,516
	Other Financing Uses									
5.010	Operating Transfers-Out	$ 877,670	$ 1,099,966	$ 1,236,713	18.9%	$2,803,326	$524,070	$523,806	$523,202	$312,813
5.020	Advances-Out	1,836,300	3,600	42,800	494.5%	-	-	-	-	-
5.040	*Total Other Financing Uses*	$ 2,713,970	$ 1,103,566	$ 1,279,513	-21.7%	$ 2,803,326	$ 524,070	$ 523,806	$ 523,202	$ 312,813
5.050	*Total Expenditures and Other Financing Uses*	$ 120,171,038	$ 120,048,952	$ 123,899,421	1.6%	$ 132,368,204	$ 138,134,580	$ 141,621,902	$ 148,272,978	$ 153,755,329
6.010	*Sources over (under) Expenditures and Other Financing Uses*	$ 7,007,195	$ 12,188,043	$ 8,097,005	20.2%	$ (456,780)	$ (6,626,340)	$ (10,762,763)	$ (17,849,315)	$ (23,511,610)
7.010	Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	$ 62,612,010	$ 69,619,205	$ 81,807,248	14.3%	$ 89,904,253	$ 89,447,473	$ 82,821,133	$ 72,058,371	$ 54,209,055
7.020	*Cash Balance June 30*	$ 69,619,205	$ 81,807,248	$ 89,904,253	13.7%	$ 89,447,473	$ 82,821,133	$ 72,058,371	$ 54,209,055	$ 30,697,445
8.010	*Estimated Encumbrances June 30*	$ 2,654,151	$ 2,247,362	$ 2,379,231	-4.7%	$ 2,379,231	$ 2,379,231	$ 2,379,231	$ 2,379,231	$ 2,379,231
	Reservation of Fund Balance									
9.030	Budget Reserve	$ 9,771,874	$ 13,817,810	$ 17,473,766	33.9%	$ 21,763,480	$ 24,920,479	$ 26,944,764	$ 27,836,334	$ 27,836,334
9.060	Property Tax Advances	5,626,200	5,154,100	5,626,200	0.4%	5,626,200	5,626,200	5,626,200	5,626,200	5,626,200
9.080	*Subtotal*	15,398,074	18,971,910	23,099,966	22.5%	27,389,680	30,546,679	32,570,964	33,462,534	33,462,534
15.010	*Unreserved Fund Balance June 30*	$ 51,566,980	$ 60,587,976	$ 64,425,056	11.9%	$ 59,678,562	$ 49,895,223	$ 37,108,176	$ 18,367,290	$ (5,144,320)
	ADM Forecasts									
20.010	Kindergarten - October Count	733	724	737	0.3%	718	792	756	808	780
20.02	Grades 1-12 - October Count	8,708	9,010	9,065	2.0%	9,201	9,333	9,488	9,649	9,842

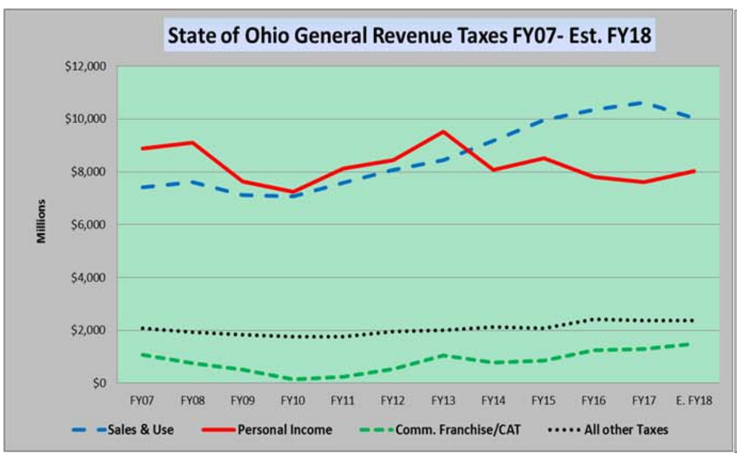
Worthington City School District - Franklin County
Notes to the Five Year Forecast
General Fund Only
October 9, 2017

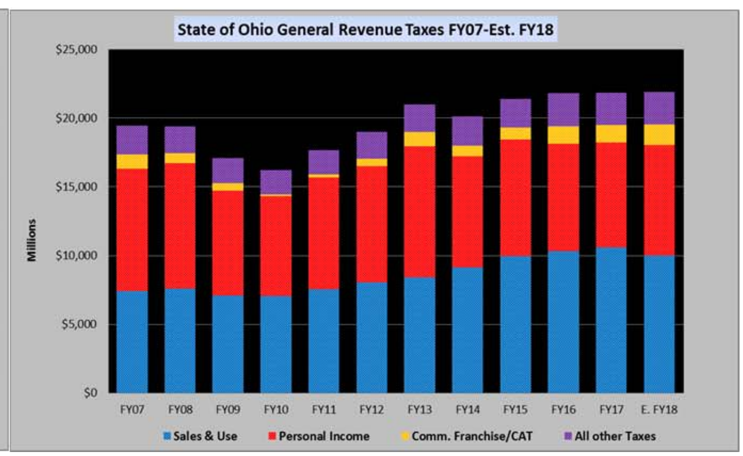
Introduction to the Five Year Forecast

All school districts in Ohio are required to file a five (5) year financial forecast by October 31, and May 31, in each fiscal year (FY). The five-year forecast includes three years of actual and five years of projected general fund revenues and expenditures. Fiscal year 2018 (July 1, 2017-June 30, 2018) is the first year of the five year forecast and is considered the baseline year.

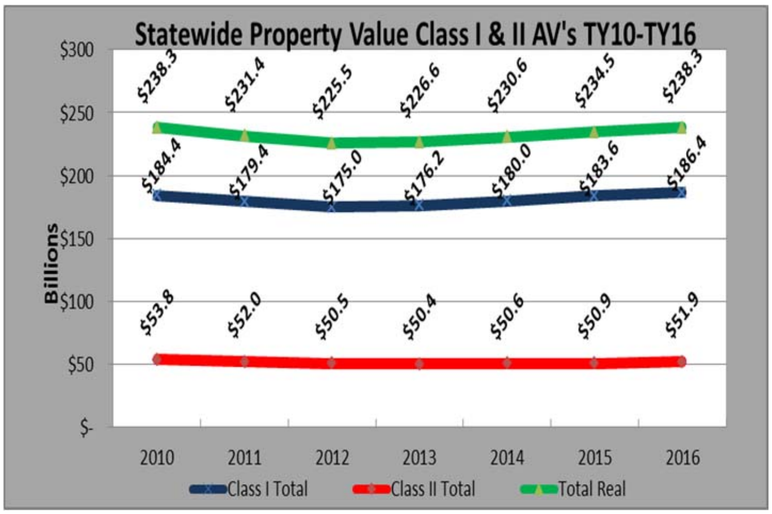
Economic Climate Affecting the Five Year Forecast

It is prudent in long range forecasting to consider the economic climate in which projections of revenues are made. Statewide economic data suggests that the economy for the FY18-22 period is slowing substantially and will be relatively flat for FY18 and 19. It is important for our school district to consider this for two reasons. First, our state funding is directly affected by state revenue collections and the health of the state budget. State revenue has been flat in recent years, and is expected to remain flat, as illustrated in the graphs below. While our District only receives about a quarter of total operating revenue from state sources, we must assume our share of state revenue will correspondingly remain flat.

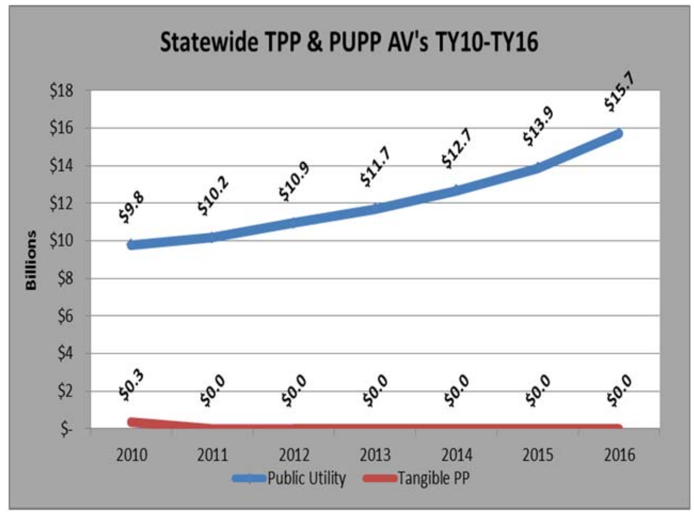




Second, and more importantly for our District, the same economic forces driving state tax revenues are also generally affecting the underlying economics of most communities across Ohio, which impacts the ability to collect local tax revenue. Real property values are an important piece of economic data. In the 2016 Tax Year, 23 of Ohio's 88 counties experienced a reappraisal or update for Class 1 (Residential and Agricultural Property) and Class 2 (Commercial, Industrial and Mineral Property). From Tax Year 2007 to 2012, Class 1 and 2 property values declined by $10.8 billion, a reduction of 4.6%. In 2016 Class 1 values rose by $2.81 billion or 1.53% statewide, while Class 2 property increased for the third and highest amount since 2009 by $1.06 billion or 2.1% statewide. Property values in Tax Year 2016 have fully recovered back to pre-recession losses. Home values for the 12 month period ending in June 2017 were up statewide by 5.9%. May 2017 recorded the highest number of homes sales in one month in Ohio history.



Source: Ohio Department of Taxation



Source: Ohio Department of Taxation

Overall, we believe the economy of the state is stable and should continue to grow slightly during the forecast period. This should provide a stable basis for which to make projections of state revenues to the district as noted in HB49 through FY19 and continuing through FY22 in future state budgets. The improved labor market is also providing for steady property tax collections in this forecast by: 1) increasing and stabilizing property values; 2) increasing current property tax collections; and, 3) liquidating prior delinquent tax collections.

October 2017 Updates from May 2017:

We completed Fiscal Year 2017 with an ending unreserved fund balance of $64.4 million, $1.6 million below estimate mainly due to a timing difference of $1.8 million in property tax advance receipts. Total revenues and expenditures were within 1% of estimated amounts for FY17.

Revenues:
We have made adjustments to revenue projections resulting in an increase of $5.3 million over the life of the forecast. Tax revenue projections increased slightly based on the most recent August settlement and an increase in expected county reappraisal rates, as well as several TIF properties coming online and producing additional revenue. State foundation revenue projections decreased as a result of a lower than expected "CAP" rate passed in the state budget.

Expenditures:
We have made adjustments to expenditure projections resulting in an increase of $6.1 million over the life of the forecast. Future wage assumptions remain unchanged but we have updated projections based on actual

FY18 staff data. The first pay in Fiscal Year 2018-19 has been moved up to August 25 (past practice of September 10) to better align pay dates with school start dates. This has a timing effect of moving up approximately $2.5 million in pay from FY20 to FY19. Fringe Benefit costs have been updated to reflect this, as well as a slightly higher than expected insurance premium renewal rate. Updated future modular unit expected costs have been included in the forecast under Purchased Services as we await the results of the community facility process.

Ending Cash Balance:

The changes to revenue and expenditure assumptions result in a slight decrease in ending cash balance. We had anticipated an ending balance of $55.1 million at June 30, 2021 and now project a balance of $54.2 million.

Forecast Risks and Uncertainty:

Our financial forecast is laden with risks and uncertainty not only due to economic uncertainties but also due to volatility of the legislative changes. We have estimated revenues and expenses based on the best data available to us at the time of this forecast. The items below give a short description of the current issues and how they may affect our forecast long term:

I. **Reappraisal -** Franklin County is in the process of a complete reappraisal in the 2017 tax year to be collected in calendar year 2018. The County Auditor released preliminary estimates of 12.5% increases in residential/agricultural values and 10.8% commercial/industrial values. We have included these estimates in this forecast, and assume final certified values will approximate that, but there is still risk that values can be challenged and lowered, resulting in a small decrease in property tax revenues, but that risk is minimal.

II. **Tangible Personal Property Tax Reimbursement -** The state budget greatly reduced Tangible Personal Property (TPP) fixed rate reimbursements to the district beginning in FY12 & FY13. The FY14-15 state budget maintained reimbursement levels equal to FY13 amounts. The FY16-17 state budget reinstituted the phase out of this reimbursement, but Senate Bill 208 amended it for FY18 and beyond by reducing the reimbursement 5/8th of a mill each year, effectively extending the reimbursement for our District through FY 21. The latest state budget for FY18-19 maintained the phase out schedule in SB208, which we have included in this forecast. The legislature attempted to provide supplemental aid to districts significantly impacted by TPP loss in FY18 through the budget process, but the Governor vetoed it. While we are hopeful some of it could be restored through the legislative process, we are not assuming any change to the SB208 phase out schedule in this forecast at this time.

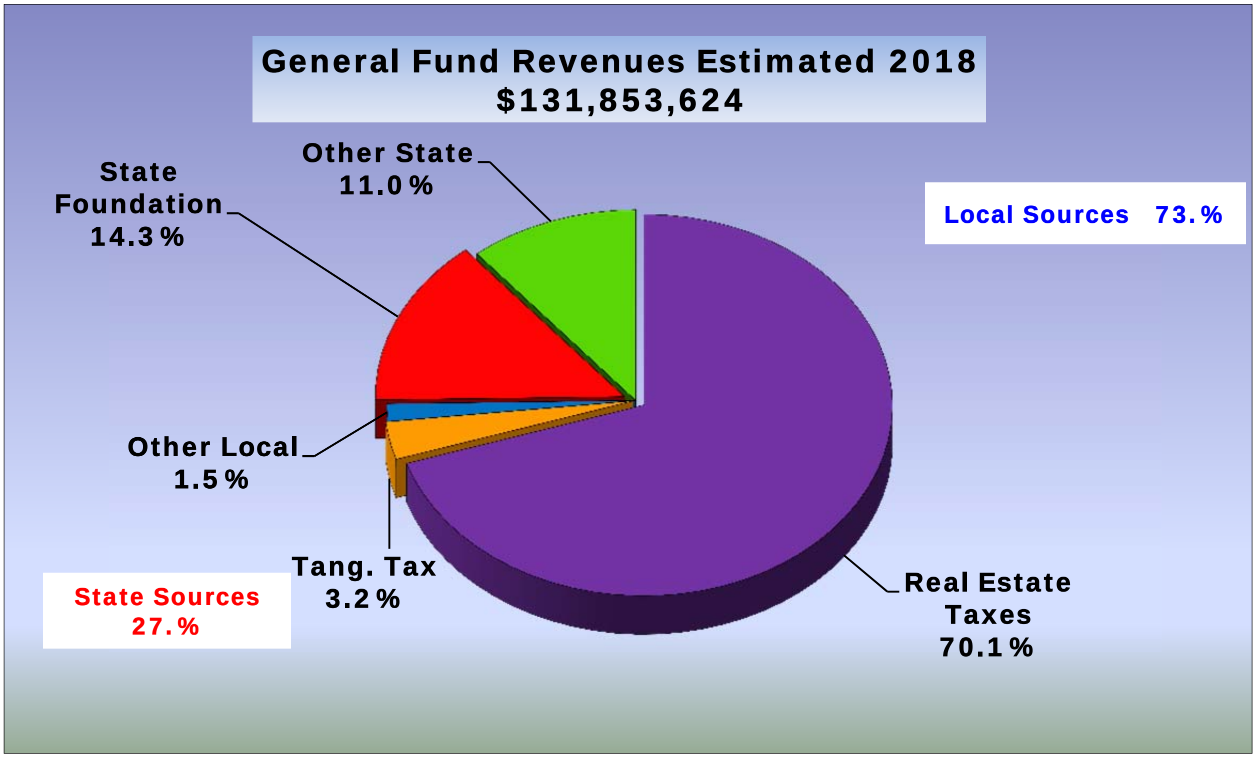
III. **Tuition, Vouchers & Community Schools -** There are many provisions in the current state budget bill that reduce district revenue in the form of exposure to school choice scholarships or vouchers, school reform initiatives, College Credit Plus, and other programs. The cost of each Peterson Special Needs voucher and Autism Scholarship Program increased sharply in HB64 from $20,000 each to $27,000, a 35% increase. These two programs now reduce our state revenue $1.7 million annually, and community schools reduce it another $1.5 million annually. Several new provisions have been introduced recently, including SB85 and HB200, which seek to expand voucher eligibility regardless of the performance of the local school, and increase the amounts, as well as the creation of portable education savings accounts (ESA's). Continued expansion or creation of programs such as these could expose the district to further reductions in state revenue not currently in this forecast, and we will monitor any changes to these programs closely.

IV. **State Foundation Funding -** The current biennial state budget for FY18-19 did not appropriate enough resources to fully fund all districts according to its school funding formula. Many districts, including ours, received a capped increase of 7.5% in FY16 and FY17, and will receive capped increases of 3.6% in FY18 & FY19. This amounts to $12.7 million in additional revenue over the life of this forecast that our District would have received if fully implemented. We are assuming 3% annual cap increases in FY20 through FY22. The current model of educational funding is a political method of distribution of limited resources rather than a true calculation of funding needs, and this presents challenges predicting state revenues.

Detailed Forecast Analysis

The following pages present a detailed analysis of each of the major line items in the forecast. The major lines of reference for the forecast are noted in the headings to make it easier to relate the assumptions made for the forecast item and refer back to the forecast. It should be of assistance to the reader to review the assumptions in understanding the overall financial forecast for our district. If you would like further information please feel free to contact Jeff McCuen, Treasurer of Worthington City School District, at 614-450-6120.

Revenue Assumptions
All Revenue Sources General Fund FY18



Real Estate Value Assumptions

Property Values are established each year by the County Auditor based on new construction, demolitions, BOR/BTA activity and complete reappraisal or updated values. For tax year 2016, overall values increased $13.1 million (0.7%). Residential/agricultural values increased $3 million (0.2%) while commercial/industrial values increased $8.2 million (2.0%). Public utility values increased $1.7 million (4.1%). A full sexennial reappraisal is underway for tax year 2017 for collection in 2018. Based on current sale to property valuation ratios and preliminary data released by the Franklin County Auditor, we forecast residential and commercial values will increase 12.5% and 10.8%, respectively, for tax year 2017's reappraisal, and an annual 0.5% growth in new residential construction, no growth in commercial construction, and 3% growth in PUPP values annually.

Estimated Assessed Property Valuations by Collection Year

Classification	Estimated TAX YEAR 2017 COLLECT 2018	Estimated TAX YEAR 2018 COLLECT 2019	Estimated TAX YEAR 2019 COLLECT 2020	Estimated TAX YEAR 2020 COLLECT 2021	Estimated TAX YEAR 2021 COLLECT 2022
Res./Ag.	$1,581,127,764	$1,589,033,403	$1,596,978,570	$1,604,963,463	$1,612,988,280
Comm./Ind.	$456,014,595	$456,014,595	$456,014,595	$456,014,595	$456,014,595
Public Utility (PUPP)	$45,557,333	$46,924,053	$48,331,775	$49,781,728	$51,275,180
Total Assessed Value	**$2,082,699,692**	**$2,091,972,051**	**$2,101,324,940**	**$2,110,759,786**	**$2,120,278,055**

Estimated Real Estate Tax (Line #1.010)

Based on the predicted changes in property values above, the following chart illustrates Real Estate Property Tax collections:

	FY18	FY19	FY20	FY21	FY22
August Settlement	$42,202,223	$42,410,922	$42,553,689	$42,697,170	$42,841,368
February Settlement	48,667,298	48,680,897	48,845,315	49,010,555	49,176,621
August Delinquent	126,232	274,897	275,835	276,777	277,725
February Delinquent	1,370,861	1,420,300	1,425,146	1,430,016	1,434,910
Prior Year Advances taken	(5,626,200)	(5,626,200)	(5,626,200)	(5,626,200)	(5,626,200)
Current Year Advances Estimated	5,626,200	5,626,200	5,626,200	5,626,200	5,626,200
Total General Property Taxes	**$92,366,613**	**$92,787,017**	**$93,099,985**	**$93,414,518**	**$93,730,624**

Property tax levies are estimated to be collected at 98% of the annual amount. This allows 2% delinquency factor. In general, 53% of the Residential/Agricultural and Commercial/Industrial property taxes are expected to be collected in the February tax settlement and 47% collected in the August tax settlement. Public Utility tax settlements (PUPP taxes) are estimated to be received 50% in February and 50% in August settlement from the County Auditor. No future additional levies are projected in this forecast.

Estimated Tangible Personal Property Tax (Line #1.020)

	FY18	FY19	FY20	FY21	FY22
Public Utility Pers. Property	**$4,213,457**	**$4,306,868**	**$4,436,074**	**$4,569,156**	**$4,706,230**

The phase out of TPP taxes as noted earlier began in FY06 with HB66 that was adopted in June 2005. The amount remaining on Line #1.020 is the public utilities personal property tax revenues from telephone, electric, and gas tangible property, and PUPP values are expected to grow 3% in future years as indicated above.

Unrestricted State Grants-in-Aid (Line #1.035)

Source	FY18	FY19	FY20	FY21	FY22
Basic Foundation Aid	$16,118,915	$16,566,864	$16,952,015	$17,348,692	$17,754,749
Additional Aid Items	$1,270,855	$973,735	$973,735	$973,735	$973,735
Basic Aid-Subtotal	$17,389,770	$17,540,599	$17,925,750	$18,322,427	$18,728,484
Ohio Casino Commission ODT	$498,230	$503,189	$508,246	$513,304	$518,461
Total Unrestricted State Aid	**$17,888,000**	**$18,043,788**	**$18,433,996**	**$18,835,731**	**$19,246,945**

A) Basic Foundation Aid

House Bill 49, the FY18-19 state budget, maintained the framework of the existing school funding formula. It is very complex with over 300 variables, and could change again in future budgets. The formula is based on a core per pupil amount, called the opportunity grant, and nine other categorical funding items, which are then measured against the State Share Index (SSI), which is a method that measures a district's wealth and capacity to raise local revenue. There are also additional components of capacity aid, transportation supplement, graduation bonus, and 3rd grade reading bonus. Changes to the formula impacting our District for the 18-19 budget include an increase to the core per pupil amount from $6,000 to $6,010 in FY18 and $6,020 in FY19, a decrease of the gain "CAP" from 7.5% to 3.6%, and a decrease of the minimum state share of transportation funding from 50% to 37.5% in FY18 and 25% in FY19.

The amounts included in Basic Foundation Aid are based on computations from the most recent September State Foundation Payment Report (SFPR), which is still based on the prior year, and updated with known changes. ODE has indicated that updated formulary amounts will occur by the end of October and be reconciled by year end. FY18 and FY19 amounts are based on the state budget formula as approved, and future years assume the formula continues in the same form, with base per pupil increases of 0.5% annually and "CAP" increases of 3% annually.

The following table illustrates our actual basic foundation aid compared to the fully calculated amount without the cap (net of community school & scholarship deductions):

	FY18	FY19	FY20	FY21	FY22
Capped Formula Aid	16,502,454	16,946,985	17,331,184	17,723,305	18,123,888
Uncapped Formula Aid	19,574,054	19,692,447	19,757,572	19,974,145	20,391,077
Difference	($3,071,600)	($2,745,462)	($2,426,388)	($2,250,839)	($2,267,189)

Current calculations indicate our district will remain on the CAP through FY22 based on our assumptions above. This means that in FY22, the District will have received $12.7 million less than it should have over the five year period according to the funding formula.

Excluded from foundation aid are the following amounts relating to community school and scholarship/choice school deductions:

Source	FY18	FY19	FY20	FY21	FY22
Community & Stem School Deduction	$1,501,538	$1,527,064	$1,542,335	$1,557,758	$1,573,336
Scholarship Deduction	$1,732,215	$1,960,000	$2,163,000	$2,376,000	$2,599,000
Total Deduction	$3,233,753	$3,487,064	$3,705,335	$3,933,758	$4,172,336
Community/Stem ADM	149	154	159	164	169
Scholarship ADM	93	98	103	108	113
Total ADM	242.00	252.00	262.00	272.00	282.00

The state's foundation formula counts these students in the resident district's calculation of gross state aid, subject to the state share index and other components of the formula, but then deducts the full per-pupil amount from the resident district and transfers it to the educating entity. This creates a net loss for the resident district. Since this activity meets the definition of an agency fund, both the revenue and expenses are excluded from lines #1.035 and #3.030, respectively, and accounted for in a separate fund. The state significantly increased the maximum scholarship amount to $27,000 per pupil in FY16 and beyond (previously $20,000), and we have incorporated these amounts into future estimates, as well as a small increase in the number of pupils taking the scholarship.

B) Additional Aid Items

Additional Aid items include preschool special education funding and special education transportation funding. We are assuming these funds continue throughout the life of the forecast at current levels. This line also includes the remaining 20% of the TPP "Supplement" for FY17 (80% was paid in FY17, 20% will be received in FY18). This supplement, included in SB208 passed on February 15, 2016 provides for a FY17 guarantee that no district's combined state foundation funding plus TPP Fixed Rate reimbursement will be less than 96% of FY15 foundation and TPP Fixed Rate funding received. This amounts to $1.4 million for our District for FY17 (20% in FY18). We are assuming no such supplement will occur in the future.

C) Casino Revenue

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

Actual casino revenue FY 17 generated $49.52 per pupil, which equated to $491,011 for our District. For FY18-21 we estimate stable total casino revenues and slightly less statewide student population, which should equate to approximately $51 per pupil annually.

Restricted Grants-in-Aid (Line #1.040)

Source	FY18	FY19	FY20	FY21	FY22
Economically Disadvantaged	$155,919	$152,501	$151,549	$146,993	$141,519
Career Tech	$227,620	$227,620	$227,620	$227,620	$227,620
Medicaid/Catastrophic Aid	$520,496	$520,496	$520,496	$520,496	$520,496
Total Restricted State Revenues	**$904,035**	**$900,617**	**$899,665**	**$895,109**	**$889,635**

HB49 continues funding two restricted sources of revenues to school district which are Economic Disadvantaged Funding and Career Technical Education funding. We have incorporated these amounts into the restricted aid amount in Line # 1.04 for FY18-22. These amounts can change or be eliminated in future state budgets.

In addition, the District participates in the Medicaid in Schools Program. The District bills the state for eligible services that are reimbursable under Medicaid. Medicaid revenue is projected at approximately $350,000 annually. Also, catastrophic aid includes state reimbursement for those special education costs that exceed an unusually large, state determined amount, which is estimated at approximately $150,000 annually.

Property Tax Allocation (Line #1.050)

Source	FY18	FY19	FY20	FY21	FY22
Rollback and Homestead	$10,230,549	$10,436,695	$10,488,878	$10,541,323	$10,594,029
TPP Reimbursement	$4,289,714	$3,156,999	$2,024,285	$891,570	$0
Total Prop. Tax Allocation	**$14,520,263**	**$13,593,694**	**$12,513,163**	**$11,432,893**	**$10,594,029**

A) Rollback and Homestead Reimbursement

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

Homestead Exemptions are also 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 over age 65 years of age or older or who are disabled regardless of income. Effective September 29, 2013 HB59 changed the requirement for Homestead Exemptions, and those who become eligible thereafter will only receive a Homestead Exemption if they meet the income qualifications.

B) Tangible Personal Property Reimbursements – Fixed Rate

School districts were to be reimbursed by the State of Ohio for the TPP tax losses at varying levels, but those reimbursements were severely curtailed by HB153 effective July 1, 2012. The District received $15 million in FY11, reduced down to $10.6 million in FY15. This sharp cut was a major factor in the District gaining approval of a 6.9 mill incremental operating levy in 2012, which helped offset this lost. HB64 reinstituted the phase out of the reimbursement beginning in FY16 resulting in the District only receiving $8.0 million in FY16 and $5.4 million in FY17, and continued that phase-out so that the District would have received $0 in FY20. However, SB 208 amended HB64 and became effective February 15, 2016. It provides that, beginning in FY18, the TPP Fixed Rate funding will be phased out at 5/8ths (62.5%) of what 1 mill would raise in local taxes beginning with Tax Year 2016 assessed property values. Based on our calculations, we will now receive reimbursements through FY21, and have accounted for them in this forecast per the chart above. The latest budget bill, HB49, attempted to further delay the rate of phase out for significantly impacted districts such as ours, but that line item was vetoed by the Governor. While we are hopeful the legislature will work to address this issue, we have not assumed any further TPP reimbursement beyond what was included in SB208.

Other Local Revenues (Line #1.060)

Source	FY18	FY19	FY20	FY21	FY22
Interest	$1,300,000	$1,200,000	$800,000	$600,000	$400,000
Pay To Participate	130,144	130,144	130,144	130,144	130,144
Tuition and Charges	247,613	247,613	247,613	247,613	247,613
Other	283,499	283,499	283,499	283,499	283,499
Total Other Local Revenues	**$1,961,256**	**$1,861,256**	**$1,461,256**	**$1,261,256**	**$1,061,256**

Interest income is generated on investments and will fluctuate based on market rates, (current 10 year treasury is at 2.15%), the overall market environment, and most significantly the cash position of the General Fund. Pay to participate fees are charged to students for participating in extracurricular sports teams and activity clubs, and participation rates are expected to remain consistent. The fees are split between the general fund and the activity fund and are used to fund coaches and advisors. Tuition and Charges include tuition for open-enrolled non-resident staff members, non-resident court placed students, special education excess cost payments, summer school, and transportation field trip charges to outside entities.

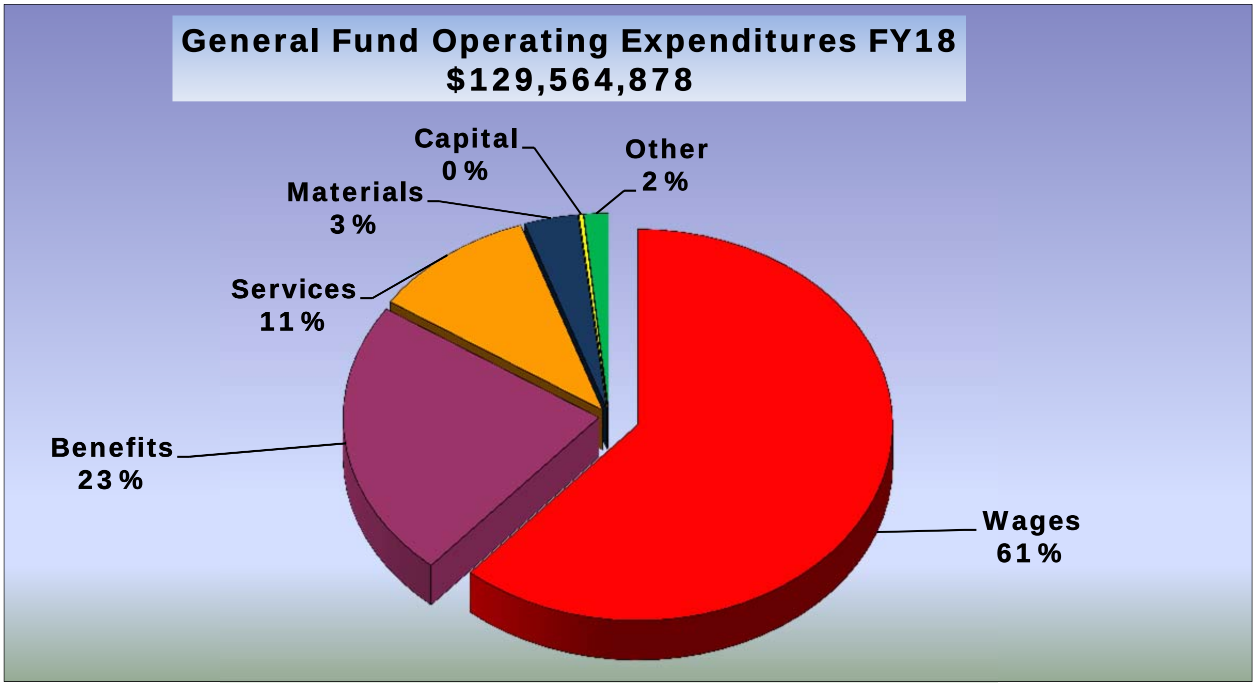
Other Financing Sources (Line #2.050 & Line #2.060)

Source	FY18	FY19	FY20	FY21	FY22
Advance Returns - Line 2.050	**$42,800**	**$0**	**$0**	**$0**	**$0**
Refunds & Sale of Assets - Line #2.060	**$15,000**	**$15,000**	**$15,000**	**$15,000**	**$15,000**

These are non-operating revenues which are the repayment of short term loans to other funds over the previous fiscal year, sales of assets, and reimbursements for expenses received for a previous fiscal year in the current fiscal year. All advances over year end are planned to be returned in the succeeding fiscal year.

Expenditures Assumptions

All Expense Categories Sources General Fund FY18



Personal Services (Line #3.010)

Source	FY18	FY19	FY20	FY21	FY22
Base Wages	$75,553,283	$81,272,455	$82,808,757	$86,763,421	$90,593,477
Increases	1,511,066	1,625,449	1,656,175	1,735,268	1,811,870
Steps & Training or 3317.141 Performance	1,813,279	2,031,811	1,664,456	1,743,945	1,820,929
New/Replacement District Staff	1,168,148	936,718	1,131,890	858,657	812,448
Severance	603,014	300,000	250,000	250,000	250,000
Retirement/Other	(1,194,515)	(636,482)	(497,857)	(507,814)	(517,970)
Total Wages Line 3.010	**$79,529,275**	**$85,623,701**	**$87,130,609**	**$90,989,961**	**$94,953,859**
Employee Full Time Equivalents					
Certificated	732.10	742.10	749.10	759.10	767.10
Classified	333.32	337.32	341.32	345.32	349.32
Administrative	46.00	46.00	46.00	46.00	46.00
Total	**1,111.42**	**1,125.42**	**1,136.42**	**1,150.42**	**1,162.42**
Projected Net Increase (Decrease)		14	11	14	12

The model reflects annual base wage increases of 2% for certified and classified staff members (2.5% for administrators) per the negotiated agreements through FY20 and assumes 2% for FY21 & FY22. The model also includes annual step increases based on staff placement. The average value of a step increase is expected to gradually decrease as the wave of new hires from the past few years receive lower valued steps in future years.

The new/replacement district staff line item for FY18 includes 14 retiree replacements from FY17 offset by savings from those retirees on the Retirement/Other line item. Similarly, these lines contain a projected 5 retirees at the end of FY18 and beyond, based on current years of experience and historical trends.

Net staffing levels are projected to increase 14 FTE in FY19 (2 special ed, 8 regular ed, 4 classified), 11 FTE in FY20 (2 special ed, 5 regular ed, 4 classified), 14 FTE in FY21 (2 special ed, 8 regular ed, 4 classified), and 12 FTE in FY22 (2 special ed, 6 regular ed, 4 classified). These are based on recently updated enrollment projections indicating approximately 150-200 additional students per year, as well as a reduction in mandated preschool class size limits of 6 typical students and 6 special needs students (previously 8 & 8) beginning in FY18.

FY19 also includes \$2.5 million for a 25th pay date. The District operates on 24 equal pays, with the first pay in September and continuing through the end of August. With school starting earlier in August, the District has agreed to move up the first pay in FY19 to August 2018 instead of September 2018, creating a one-time 25th pay in FY19.

Employees' Retirement & Insurance Benefits (Line #3.020)

This area of the forecast captures all costs associated with benefits and retirement costs.

A) STRS/SERS will increase as Wages Increase

Source	FY18	FY19	FY20	FY21	FY22
Base Wages	$10,587,960	$11,391,269	$11,609,632	$12,167,387	$12,708,722
Increases	211,549	227,563	231,865	242,938	253,662
Steps & Training	253,859	284,454	233,024	244,152	254,930
New District Staff	163,541	131,141	158,465	120,212	113,743
Pick Up	775,511	787,144	798,951	810,935	823,099
Retirement/Other	(167,232)	(89,107)	(69,700)	(71,094)	(72,516)
SERS Surcharge	277,000	282,540	288,191	293,955	299,834
Total Retirement Contributions	**$12,102,188**	**$13,015,004**	**$13,250,428**	**$13,808,485**	**$14,381,474**

As required by current law the District pays 14% of all employee wages to STRS or SERS. Pick up includes the employee share of retirement contributions paid by the Board of Education on behalf of administrators, which is 10% for those under SERS and 14% for those under STRS.

B) Insurance

Source	FY18	FY19	FY20	FY21	FY22
Base Costs	$14,236,108	$14,692,511	$15,764,182	$16,703,021	$17,732,901
New District Staff	298,800	252,000	198,000	252,000	216,000
H.S.A contributions	1,285,000	1,285,000	1,285,000	1,285,000	1,285,000
Effect of Cap	0	0	0	0	0
Insurance Trend Adjustment	157,603	819,671	740,839	777,880	0
Total Insurance Estimates	**$15,977,511**	**$17,049,182**	**$17,988,021**	**$19,017,901**	**$19,233,901**

The district is in the fourth calendar year of being self-insured for employee medical insurance, which allows the administration to manage the program in the most optimal manner. Claims ran lower than expected the first few years, allowing the District to reduce premiums by 8% for calendar year 2016, and again by 6.7% for calendar year 2017. Claims have been running higher in 2017, and we are projecting a 7.14% increase in premium for CY2018, and 5% annual increases thereafter. The model is based on current enrollment in the plan at the current levels, with any additional staff in future years expected to participate in the program. The cost of vision insurance beginning in FY18, as part of the negotiated agreements, is also incorporated into this model.

As part of the negotiated agreement with both labor unions, a cap was implemented to limit the District's exposure to large increases in health care costs. This cap indicates that if total premiums exceed a certain dollar amount, the District would only pay up to the capped amount. Based on current projections, we do not expect to reach that cap during this forecast.

Patient Protection and Affordable Care Act (PPACA) Costs- the Patient Protection and Affordable Care Act (PPACA) commonly called Obamacare or the Affordable Care Act (ACA), is a United States federal statute signed into law by President Barack Obama on March 23, 2010. Together with the Health Care and Education Reconciliation Act, it represents the most significant regulatory overhaul of the country's healthcare system since the passage of Medicare and Medicaid in 1965.

It is still uncertain to what extent the long term implementation of PPACA will cost our district in additional funds, especially since it is being reviewed at the federal level for amendment or repeal. The significant concern is the 40% "Cadillac Tax" for plans whose value of benefits exceeds $10,200 for individual plans and $27,500 for family plans. Based on current projections, we do not anticipate exceeding these thresholds during the life of this forecast, but will monitor this closely.

C) Workers Compensation & Unemployment Compensation

Source	FY18	FY19	FY20	FY21	FY22
Workers Comp	$477,176	$513,742	$522,784	$545,940	$569,723
Unemployment	2,320	2,320	2,320	2,320	2,320
Total WC & UC Estimates	**$479,496**	**$516,062**	**$525,104**	**$548,260**	**$572,043**

The District is self-insured for workers compensation insurance, and the premium rate charged was reduced from 0.8% of covered wages in FY17 to 0.6% in FY18 and beyond, due to lower claims experience and sufficient reserve balances. Unemployment is expected to remain at a very low level. The district is a direct reimbursement employer which means unemployment costs are only incurred and due if we have employees who are eligible and draw unemployment.

D) Medicare

Source	FY18	FY19	FY20	FY21	FY22
Base Costs	$1,080,838	$1,189,856	$1,217,632	$1,276,315	$1,333,258
New District Staff	16,938	13,582	16,412	12,451	11,780
Total Medicare Estimate	**1,097,776**	**1,194,209**	**1,234,044**	**1,288,766**	**1,345,038**

Medicare will continue to increase at the same rate as wage increases. Contributions are 1.45% for all new employees to the district on or after April 1, 1986.

Summary of Employee Retirement/Insurance (Line #3.020)

Source	FY18	FY19	FY20	FY21	FY22
STRS/SERS	$12,102,188	$13,015,004	$13,250,428	$13,808,485	$14,381,474
Insurance's	15,977,511	17,049,182	17,988,021	19,017,901	19,233,901
Workers Comp/Unemployment	479,496	516,062	525,104	548,260	572,043
Medicare	1,097,776	1,194,209	1,234,044	1,288,766	1,345,038
Other/Tuition	116,255	116,255	116,255	116,255	116,255
Total Employee Retirement/Insurance Benefits	**$29,773,226**	**$31,890,712**	**$33,113,852**	**$34,779,667**	**$35,648,711**

Purchased Services (Line #3.030)

Source	FY18	FY19	FY20	FY21	FY22
Consulting/Legal (41x)	$1,549,176	$1,595,651	$1,643,521	$1,692,827	$1,743,612
Maintenance and Repairs (423)	1,611,503	1,659,848	1,709,643	1,760,932	1,813,760
Modular Unit Lease/Install (426)	400,000	193,000	120,000	230,000	36,000
Utilities (441 & 45x)	2,608,000	2,813,400	3,029,070	3,255,524	3,493,300
Tuition to other Entities (47x)	2,166,297	2,274,612	2,388,343	2,507,760	2,633,148
Other Purchased Services	5,177,751	5,333,084	5,493,077	5,657,869	5,827,605
Total Purchased Services	**$13,512,727**	**$13,869,595**	**$14,383,654**	**$15,104,912**	**$15,547,425**

This category includes payments for contracted services, utilities, property insurance, special education transportation, legal fees, and tuition to other entities. We are estimating base increases of 3% annually for most areas. Utilities also include an additional $75,000 annually for bandwidth expansion as needed. The District has negotiated long term gas and electric contracts to help hold down energy costs.

Tuition represents program services we contract with other entities for and mainly represents special education as well as vocational services at the Delaware Area Career Center, and is expected to grow 3% annually. College Credit Plus tuition costs have increased substantially and are currently estimated at $430,000 annually.

Other purchased services include substitute teachers and contracted services from the Education Service Center of Central Ohio (ESCCO) totaling $2 million, other consultants, professional development, trash services, and other services. We are estimating base increases of 3% annually for this area. We have also incorporated the cost of leasing modular classrooms for temporary space beginning in FY18 at various future locations where we anticipate the need.

Supplies and Materials (Line #3.040)

Source	FY18	FY19	FY20	FY21	FY22
Supplies	**$4,393,788**	**$3,790,152**	**$4,000,557**	**$4,371,874**	**$4,754,330**

An overall inflation of 3% is being estimated for this category which is characterized by textbooks, copy paper, maintenance supplies, materials, and bus fuel. Recent changes in curriculum related to testing changes and Common Core have created a large increase in material needs in recent years. FY18 includes $1.3 million for new curriculum materials, mostly Math and English/Language Arts, decreased to $0.9 million in FY19 & further decreased to approximately $0.6 million for FY20 and beyond.

Capital Outlay (Line # 3.050)

Source	FY18	FY19	FY20	FY21	FY22
Equipment & Building Improvements	**$353,644**	**$364,253**	**$375,181**	**$386,436**	**$398,029**

An overall inflation rate of 3% annually is being used in this category. Major capital improvements are funded through the remaining balances in the building fund via passage of a capital improvement bond issue in 2012. The forecast assumes major future capital needs will be funded through future bond issue.

Other Objects (Line #4.300)

Source	FY18	FY19	FY20	FY21	FY22
County Auditor & Treasurer Fees	$1,516,168	$1,571,466	$1,578,593	$1,585,806	$1,593,109
County ESC	63,402	65,304	67,263	69,281	71,359
Other	422,648	435,327	448,387	461,839	475,694
Total Other Expenses	**$2,002,218**	**$2,072,097**	**$2,094,243**	**$2,116,926**	**$2,140,162**

The category of Other Expenses consists primarily of Auditor & Treasurer fees, our annual audit, bank fees, and other miscellaneous expenses. County auditor and treasurer fees correlate directly with property tax collections and are expected to increase as tax collections increase. Bank fees have increased in recent years due to increased online collection of fees, meal payments, and extracurricular activities.

Other Financing Uses (Line #5.010 & Line #5.020)

Source	FY18	FY19	FY20	FY21	FY22
Transfers Out (#5.010)	$2,803,326	$524,070	$523,806	$523,202	$312,813
Advances Out (#5.020)	0	0	0	0	0
Total Other Financing Uses	**$2,803,326**	**$524,070**	**$523,806**	**$523,202**	**$312,813**

Advances out cover end of year short term loans from the General Fund to other funds until they have received reimbursements and can repay the General Fund. The transfers out are to cover payments on the certificates of participation debt and the energy conservation debt. The District has decided to call the remaining FY19 and FY20 outstanding COPs at 12/1/17, totaling $1.5 million, for a savings of $106,426.

Encumbrances (Line#8.010)

	FY18	FY19	FY20	FY21	FY22
Estimated Encumbrances	**$2,379,231**	**$2,379,231**	**$2,379,231**	**$2,379,231**	**$2,379,231**

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

Reservations of Fund Balance (Line #9.040 & Line #9.060)

Source	FY18	FY19	FY20	FY21	FY22
Contingency (Line 9.040)	$21,763,480	$24,920,479	$26,944,764	$27,836,334	$27,836,334
Tax Advances (Line 9.060)	5,626,200	5,626,200	5,626,200	5,626,200	5,626,200
Total Reservations of Balance (Line#9.080)	**$27,389,680**	**$30,546,679**	**$32,570,964**	**$33,462,534**	**$33,462,534**

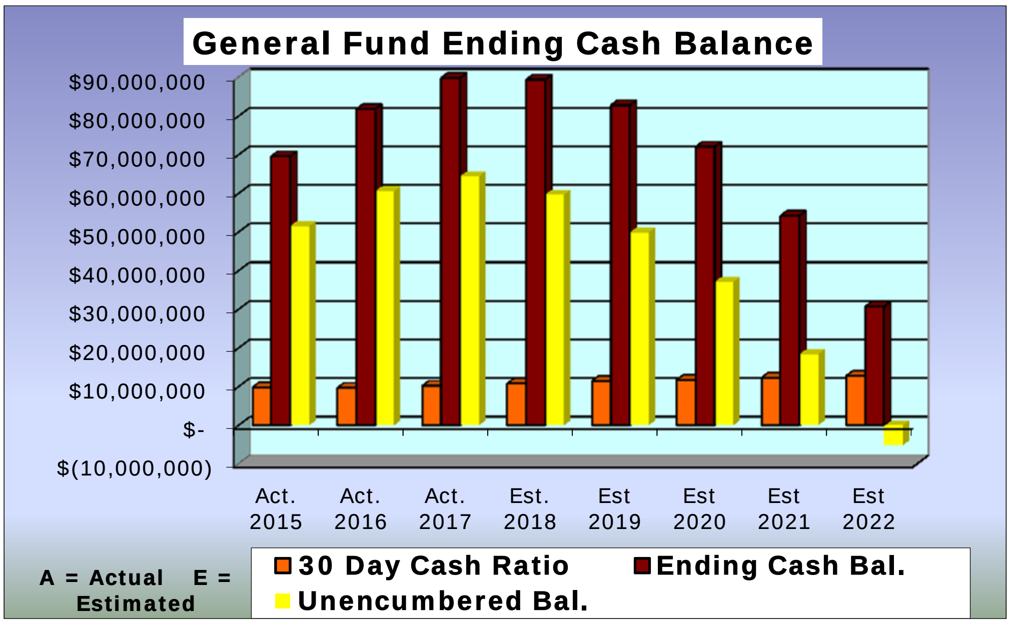
The contingency reservation was established by the Board of Education to plan for extraordinary events beyond the control of the District's normal operations. The contingency fund is to be utilized by the District in consultation with the Board. The increase in the contingency reserve from FY14 through FY21 is equal to the tangible tax reimbursement that was not anticipated to continue when voters approved an operating levy in 2012. This unanticipated revenue is being placed in the contingency reserve fund to extend the life of the levy.

The property tax advance reservation is required because the District requests advances of real estate taxes from the County prior to settlement that occurs in August, and such funds are intended to fund the next fiscal year and not current operations. The District requests these advances for investment purposes, and the amount can fluctuate from year to year based on how much the County has available for advance.

Ending Unreserved Fund Balance (Line#15.010)

	FY18	FY19	FY20	FY21	FY22
Ending Unreserved Cash Balance	**$59,678,562**	**$49,895,223**	**$37,108,176**	**$18,367,290**	**($5,144,320)**

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 which results in a negative unencumbered cash balance is a violation of 5705.412, ORC punishable by personal liability of $10,000, unless an alternative "412" certificate can be issued pursuant to HB153 effective September 30, 2011. Thirty days, or one month, of operating cash is a responsible minimum ending balance target according to the GFOA.



The graph to the left captures in one snapshot the operating scenario facing Worthington City School District over the next few years. The main challenge is, beginning in FY18, annual expenditures begin to exceed revenues, creating a decline in available balances that will need to be addressed.