UPPER ARLINGTON CITY SCHOOL DISTRICT - - FRANKLIN COUNTY

Schedule Of Revenue, Expenditures and Changes In Fund Balances

Actual and Forecasted Operating Fund

	ACTUAL			FORECASTED				
	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
Revenue:								
1.010 - General Property Tax (Real Estate)	62,544,713	67,512,299	67,328,326	67,827,586	68,519,373	69,214,673	69,505,286	69,992,136
1.020 - Public Utility Personal Property	2,374,151	2,517,325	2,581,464	2,583,132	2,587,973	2,562,093	2,536,472	2,511,108
1.035 - Unrestricted Grants-in-Aid	4,019,646	4,103,875	4,037,269	4,041,337	4,047,403	4,050,099	4,054,299	4,077,073
1.040 - Restricted Grants-in-Aid	5,523	109,798	44,499	54,017	54,018	54,018	54,018	54,019
1.050 - Property Tax Allocation	8,841,769	8,954,959	8,955,922	9,005,751	9,125,197	9,234,858	9,278,900	9,348,604
1.060 - All Other Operating Revenues	2,540,810	2,417,810	3,147,091	2,580,000	2,290,500	2,236,500	2,181,500	2,156,500
1.070 - Total Revenue	80,326,612	85,616,066	86,094,571	86,091,824	86,624,464	87,352,242	87,610,475	88,139,440
Other Financing Sources:								
2.040 - Transfers-In	-	1,165,304	-	-	-	-	-	-
2.050 - Advances-In	29,324	388,058	69,656	184,473	50,000	50,000	50,000	50,000
2.060 - All Other Financing Sources	59,576	20,959	111,098	20,000	20,000	20,000	20,000	20,000
2.070 - Total Other Financing Sources	88,900	1,574,321	180,754	204,473	70,000	70,000	70,000	70,000
2.080 - Total Revenues and Other Financing Sources	80,415,512	87,190,387	86,275,325	86,296,297	86,694,464	87,422,242	87,680,475	88,209,440
Expenditures:								
3.010 - Personnel Services	49,664,831	50,789,646	50,476,460	51,379,000	52,963,000	55,108,000	57,080,000	59,101,000
3.020 - Employees' Retirement/Insurance Benefits	16,539,378	16,764,430	17,521,436	18,343,000	19,088,000	20,342,000	21,544,000	22,821,000
3.030 - Purchased Services	7,922,055	9,715,280	10,174,662	11,252,662	11,888,100	12,448,000	13,212,500	13,895,400
3.040 - Supplies and Materials	1,674,644	2,020,058	2,108,409	2,068,590	2,116,200	2,158,600	2,201,700	2,245,700
3.050 - Capital Outlay	138,491	442,816	320,737	34,000	60,200	85,400	285,600	110,800
4.300 - Other Objects	1,238,970	913,191	1,235,473	1,305,882	1,367,800	1,397,400	1,427,700	1,458,700
4.500 - Total Expenditures	77,178,369	80,645,421	81,837,177	84,383,134	87,483,300	91,539,400	95,751,500	99,632,600
Other Financing Uses								
5.010 - Operating Transfers-Out	631,129	3,618,801	408,366	150,000	150,000	150,000	150,000	150,000
5.020 - Advances-Out	388,058	69,656	184,473	50,000	50,000	50,000	50,000	50,000
5.030 - All Other Financing Uses	-	121	-	50,000	50,000	50,000	50,000	50,000
5.040 - Total Other Financing Uses	1,019,187	3,688,578	592,839	250,000	250,000	250,000	250,000	250,000
5.050 - Total Expenditures and Other Financing Uses	78,197,556	84,333,999	82,430,016	84,633,134	87,733,300	91,789,400	96,001,500	99,882,600
Excess of Rev & Other Financing Uses Over (Under) 6.010 - Expenditures and Other Financing Uses	2,217,956	2,856,388	3,845,309	1,663,163	(1,038,836)	(4,367,158)	(8,321,025)	(11,673,160)
Cash Balance July 1 - Excluding Proposed Renewal/ 7.010 - Replacement and New Levies	30,536,362	32,754,318	35,610,706	39,456,015	41,119,178	40,080,342	35,713,183	27,392,159
7.020 - Cash Balance June 30	32,754,318	35,610,706	39,456,015	41,119,178	40,080,342	35,713,183	27,392,159	15,718,998
8.010 - Estimated Encumbrances June 30	1,396,308	1,158,640	820,052	900,000	925,000	950,000	975,000	1,000,000
Reservations of Fund Balance:								
9.030 - Budget Reserve	1,165,304	20,161,355	20,459,294	21,096,000	21,457,000	22,885,000	23,938,000	24,908,000
15.010 - Unreserved Fund Balance June 30	30,192,706	14,290,711	18,176,669	19,123,178	17,698,342	11,878,183	2,479,159	(10,189,002)

See accompanying summary of significant forecast assumptions and accounting practices.

Board Approved 3-7-17

UPPER ARLINGTON CITY SCHOOL DISTRICT
March 2017 Five-Year Forecast Assumptions/Notes

OVERVIEW

The Five-Year Forecast (Forecast) is required to be completed twice a year (October & May) for the General Fund and submitted to the Ohio Department of Education. Assumptions contained in this Forecast are based on information that is deemed the best available as of the time of preparation. Actual amounts may differ significantly from those contained in the Forecast. All school districts in the state of Ohio report on a fiscal year. A fiscal year (FY) begins July 1st and ends June 30th. For example FY14 begins July 1, 2013 and ends June 30, 2014. This Forecast includes the general operating fund of the District, called the General Fund.

Enrollment

Annually, the District contracts with a third party to complete enrollment projections. For the second consecutive year, the enrollment projections shows more than a 10% increase in enrollment by 2026-27 school year. This enrollment growth will impact future staffing and space needs of the District (see notes Line 3.01 – Personnel Services for more details).

	Actual FY15	Actual FY16	Projected FY17	Projected FY18	Projected FY19	Projected FY20	Projected FY21
K-5	2,624	2,692	2,752	2,756	2,760	2,806	2,832
6-8	1,419	1,407	1,416	1,427	1,442	1,479	1,495
9-12	1,766	1,819	1,820	1,891	1,875	1,842	1,887
Total	5,809	5,918	5,988	6,074	6,077	6,127	6,214

Source: Enrollment obtained from "Enrollment Data and Projections Report" dated September 2016.

Levy

In November 2012, the District's 5.8 mil operating levy was defeated, which was the first levy defeat in approximately 20 years. This failure resulted in approximately $3 million of budget cuts/cost avoidance starting in FY14.

In November 2013, the District's residents approved a 4.0 mil operating levy. Revenue collection related to this new levy started in calendar year 2014, impacting the second half of FY14. The 4.0 mill levy generates approximately $6.2 million annually.

Biennium Budget

The State's Legislature and the Governor's Office are currently working on the biennium budget that impacts FY18 and FY19. Final legislation for this biennium budget is not expected until June 2017. The district's assumption in this forecast is future state funding will be consistent with state funding in FY17.

The State's Legislature approved the FY12/FY13 biennium budget, referred to as House Bill (HB) 153 throughout this document, in June 2011. The legislature approved the FY14/FY15 biennium budget, referred to as HB59, in June 2013.

A new school funding formula was introduced in HB59 which started in FY14. This funding formula had little impact on our District during FY14 and FY15. The formula includes a "guarantee" that allows districts to receive at least the same GROSS funding as they received in FY13.

HB 64 was passed in June 2015 and impacts FY16 and FY17. This House Bill continued the concept of the "Transitional Aid Guarantee" (Guarantee). This District continues to be on the Guarantee through this biennium budget; thus, no material change in state funding is expected during these years.

College Credit Plus (CCP)

CCP is a State Program that is required to be implemented by all school districts in FY16. This program requires districts to work with institutions of higher education (IHE) to create 15 and 30 semester hour pathways for students to obtain college credit in high school. Costs of these programs will vary based on participation and contracts with IHEs. The District has budgeted for a 179% (or $46,000) cost increase in FY17 and 10% increases for all future years. This program has the potential to grow exponentially.

Budget Stabilization

During the November 2013 levy, the administration recommended to the Board of Education to continue the informal practice of maintaining three months of expenditures as a cash reserve. The intent of this reserve is to help stabilize the budget for unanticipated events. The Board formally adopted this practice into policy on May 10, 2016. Additional details of this budget stabilization reserve are included in note Line 9.03 – Budget Reserve.

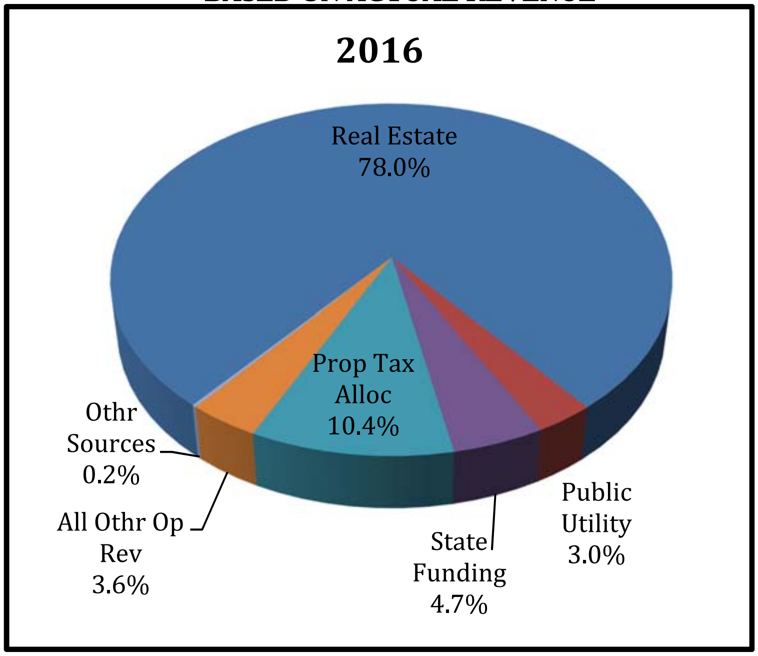
Digital Conversion

As part of the District's personalization goal in its strategic plan, the district implemented a plan for students to have direct one-to-one access to a technological device that appropriately supports and maximize their learning. The implementation for secondary students occurred in FY16 and has minimal impact on this forecast, as lease payments will not be made out of the general fund. However, in FY17 the District implemented this plan for elementary students. The lease payments for these technological devices are paid out of the general fund through a reallocation of current funds (see notes Line 3.03 – Purchased Services, Line 3.04 Supplies and Materials and Line 3.05 – Capital Outlay).

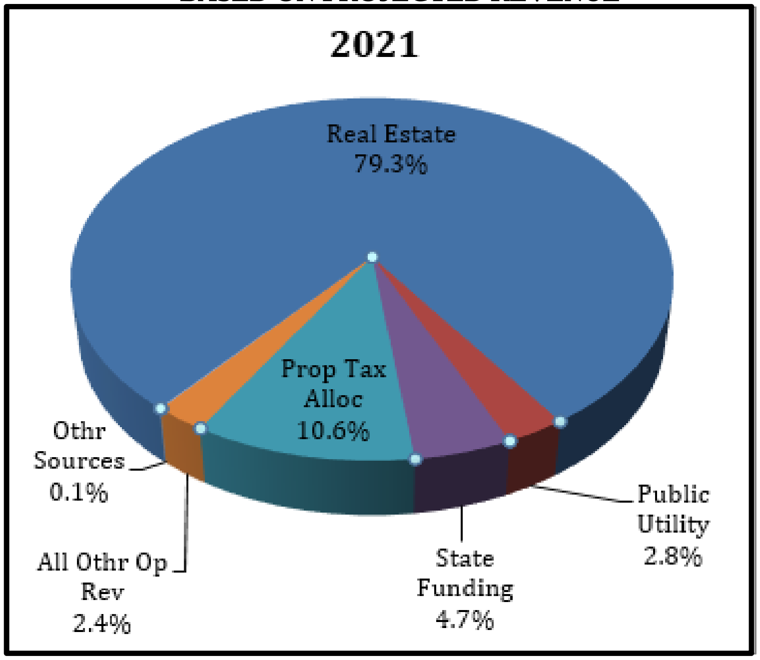
REVENUE

The graphs below illustrate the allocation of actual revenue amounts between categories for FY16 and the projected allocation between revenue categories for FY21 based on forecasted amounts.

BASED ON ACTUAL REVENUE

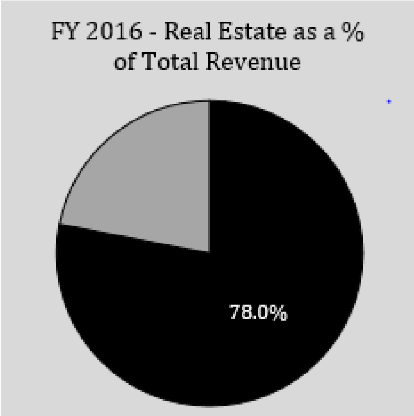


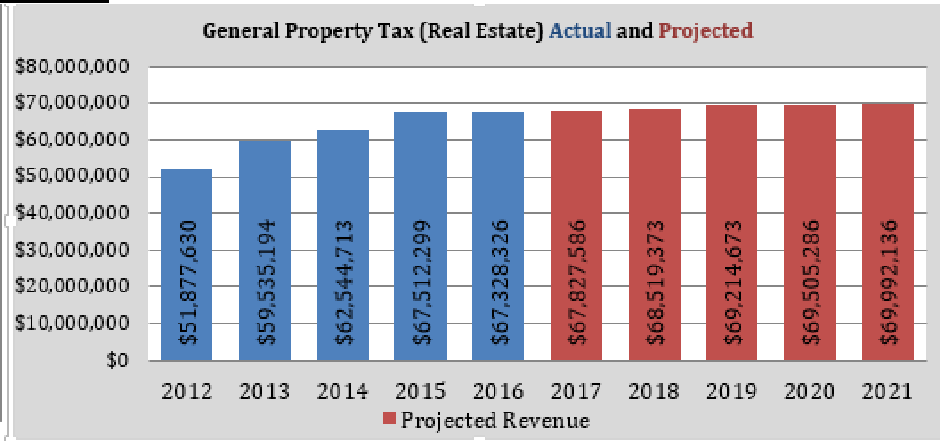
BASED ON PROJECTED REVENUE



See detail notes on revenue categories on pages 4-10.

Line 1.010 – Real Estate Tax





**2012-2016 are actual amounts and 2017-2021 are projected amounts.

The three reasons real estate tax revenue increase are: new levy, new construction and, to a lesser degree, appraisals.

Levies

As mentioned previously, the District's residents approved a 4.0 mill new operating levy in November 2013. This levy generates an additional $6.2 million annually. Revenue collection for this levy started in calendar year 2014; thus, approximately half the collection amount was recorded in FY14 and a full year of collection was reported in FY15. The District does not expect to be on the ballot again until November 2017.

New Construction

The District is landlocked with very few vacant lots; thus, the majority of residential new construction, which is minimal, consists mostly of remodeling existing homes. Residential new construction has resulted in assessed valuation increasing between 0.30% and 1.28% since 2002. Residential new construction is projected to increase assessed valuation by .75% in calendar year 2018 (.5% actual increase in calendar year 2017) and increase assessed valuation by .5% in calendar years 2019-2021. New construction of .75% generates approximately $511,000 of additional revenue in a calendar year (includes the State's amount for homestead and rollback).

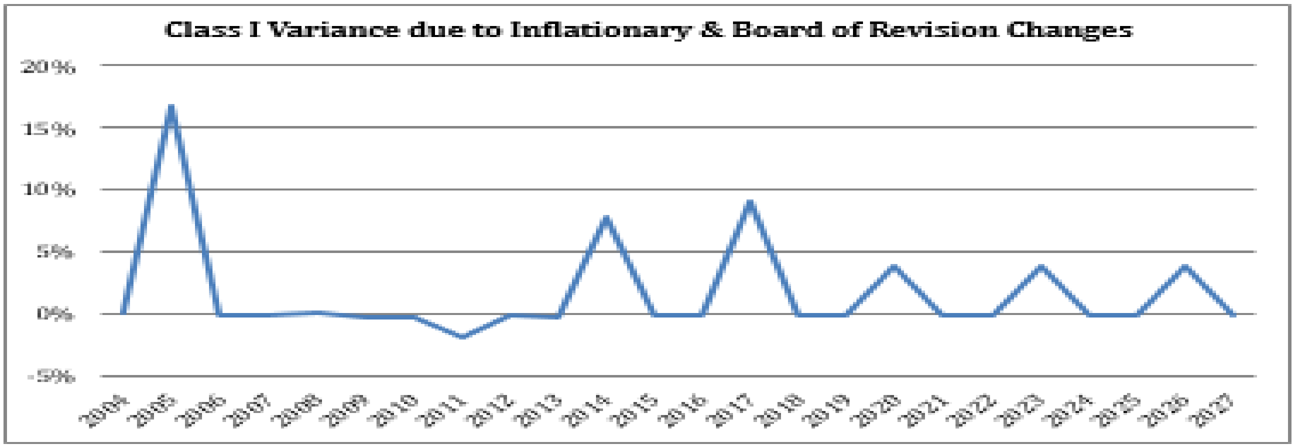
Appraisals

The County Auditor performs appraisals every three years. The latest appraisal by the county was effective in calendar year 2015 which impacts fiscal years 2015 and 2016. This appraisal resulted in a residential valuation increase of 7.77% following a decrease of 1.9% in 2012 (previous reappraisal). Based on the number of valuation challenges filed by homeowners requesting decreases in valuation the District's valuation is expected to decrease by .15% during non-appraisal years. A 10% increase in valuations is projected in calendar 2018 (the next appraisal year) based on remarks in the media by the County Auditor. See the "Class I Variance Graph" for past fluctuations and future projections on appraisals.

Overall, Upper Arlington maintained its property values during challenging economic times. However, it is important to realize that increased or decreased valuation due to the appraisal process has little impact on District's revenue due to HB 920. In its simplest form, HB 920 means as district valuation increases, most tax rates decrease (or vice versa) so districts receive the same revenue as the year before. The only exception to this rule is something called "inside millage" which is not reduced or increased. The inside millage rate was set decades ago. For Upper Arlington, the inside millage rate is 5.65 mills. As valuations increase the district receives additional revenue generated from inside mills and as valuations decrease the district loses revenue. The estimated impact of a 10% increase in valuation due to the reappraisal in calendar year 2018 is approximately $861,000 (includes the State's amount for homestead and rollback), not a 10% increase in total residential tax revenue.

Line 1.010 – Real Estate Tax, continued

This graph illustrates the history and future projections of inflationary increases on residential valuations.



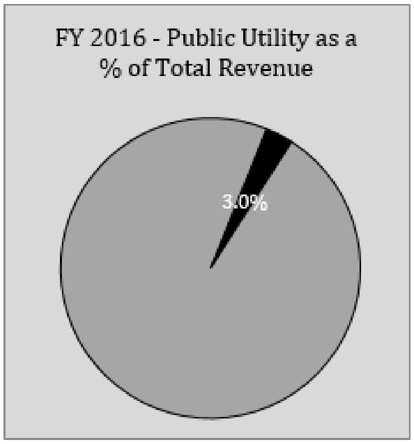
*Tax Years 2004-2016 are actual percentages and 2017-2027 are projections.

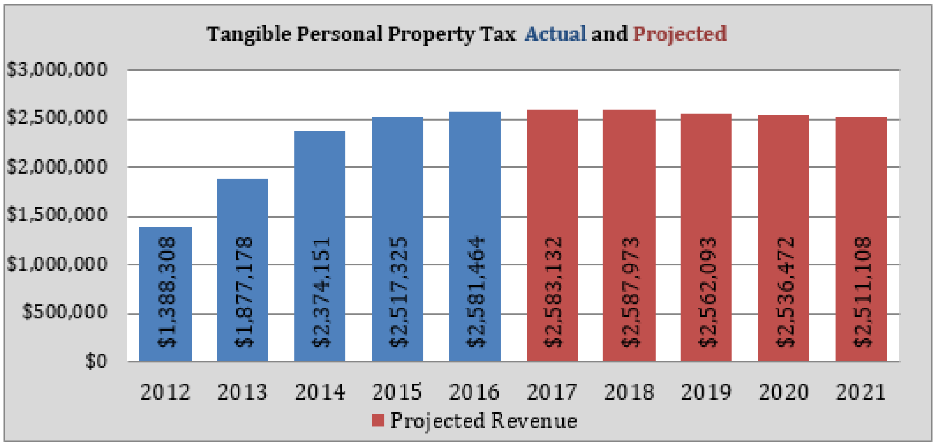
<u>Tax Advances</u>
Before FY13, the District requested the County to release all allowable tax settlement collections to the District, even though the final settlement does not occur until August. In other words, most residents pay their tax bills in May/June; however, the County does not release these funds until August. By requesting advances, the County releases early a portion of the tax collection to the District. A challenge with requesting tax advances is that the timing of receipts fluctuates greatly from year to year depending on when residents pay their tax bill and the County certifies the collection, which then, in turn, can cause large fluctuations of revenue between fiscal years. In FY11 the District received advances in June; while no advances were received in June 2012 (FY12) but rather July 2012 (FY13). This explains what appears to be a decrease in FY12 tax revenue and an increase in FY13 tax revenue (see General Property Tax (real estate) graph on page 3). These fluctuations are misleading as the District received what it expected in each calendar year.

In order to eliminate the confusion related to timing of receipts, in the summer of 2013 the District began requesting available tax advances July 1 instead of the last week of June. This allows for consistency of revenue reporting between fiscal years. Overall, the requesting of tax advances has NO impact on the "unreserved fund balance" because any tax advances received were required to be included in "reservations of fund balances".

<u>Other</u>
The District records all Tax Incremental Financing (TIF) and Payment in lieu of Tax (PILOT) receipts in Other Revenue. Property values recorded in the TIF area are reclassified and revenue generated from these areas are reported as "Other Revenue" instead of "Real Estate Tax". See note Line 1.06 – All Other Revenue for additional information.

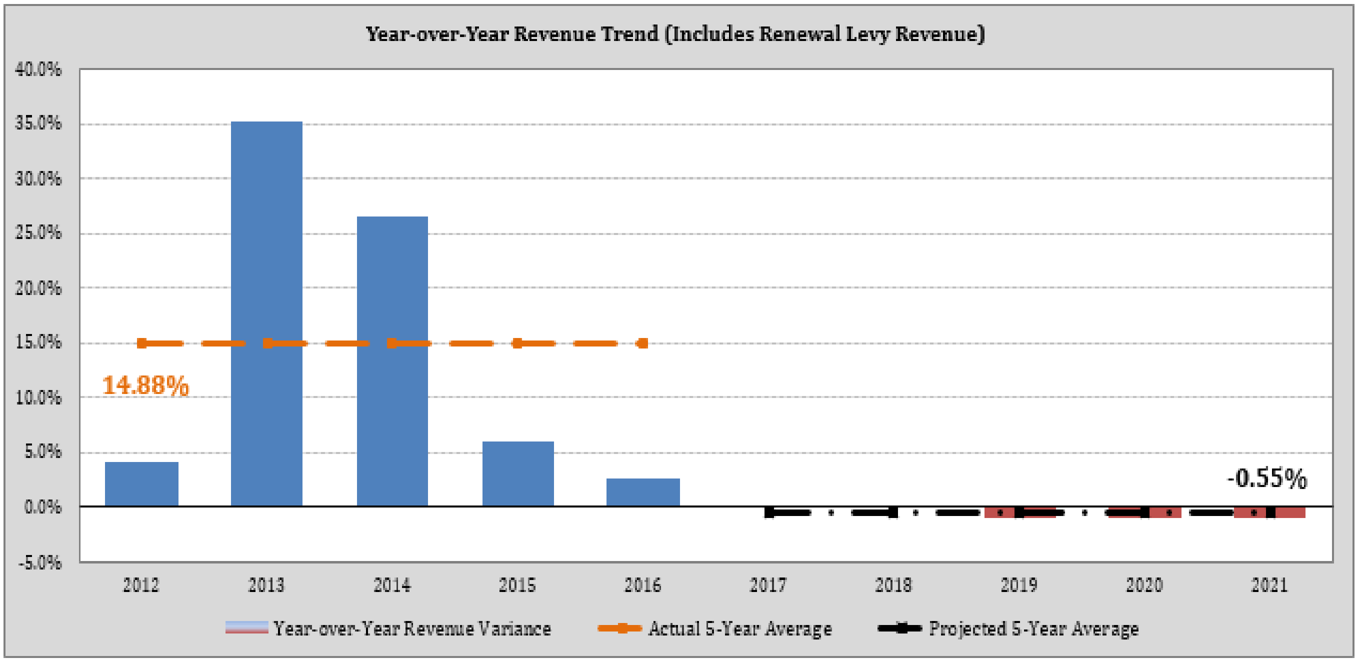
Lines 1.02 – Public Utility Personal Property Tax





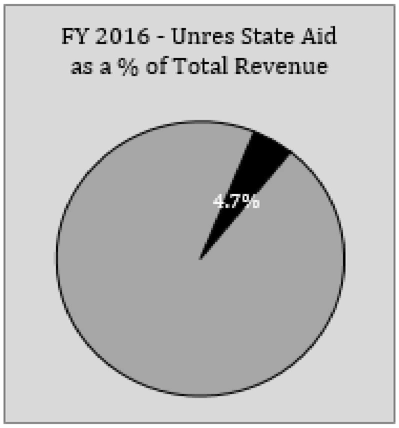
**2012-2016 are actual amounts and 2017-2021 are projected amounts.

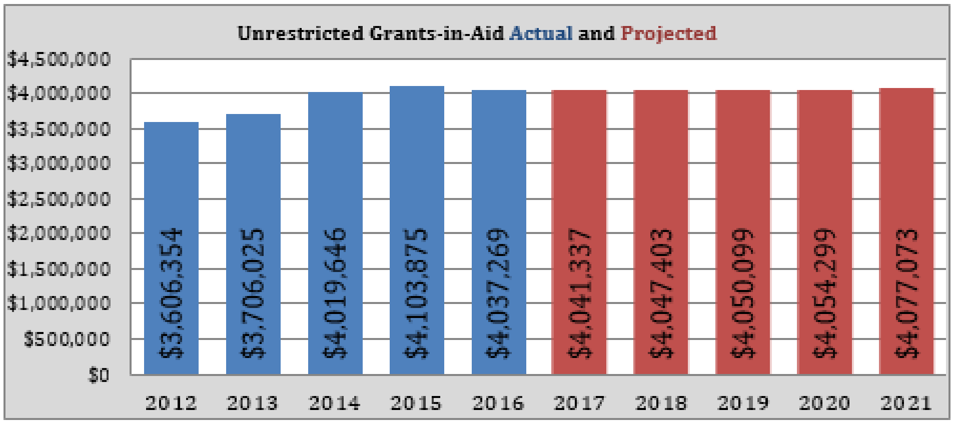
In FY12 and forward, the only amounts reported in line 1.02 are revenue related to public utility personal property tax (PUPPT) and delinquent PPT payments related to prior years. Utility companies continue to lobby for a decrease in these taxes; however, to date no changes have occurred. The District has very little PUPPT valuation, however, in calendar year 2013 the District's PUPPT valuation increased by approximately 50% which was rare. This increase was mostly due to a new power transmission line that runs through the District. This new valuation increased revenue by almost $800,000; beginning in calendar year 2013 (half of FY13 and half of FY14). The District will reduce PUPPT 1% starting in calendar year 2018 to account for the depreciation of utility assets generating this revenue. PUPPT also increased in calendar year 2014 (impacts FY14 and FY15) due to the new 4.0 mill operating levy that was discussed previously.



**2012-2016 are actual amounts and 2017-2021 are projected amounts.

Line 1.035 - Unrestricted Grants-in-Aid





**2012-2016 are actual amounts and 2017-2021 are projected amounts.

The District receives approximately the same amount of state foundation support as it did more than 10 years ago.

FY12 & FY13

During the FY12/FY13 biennium budget process HB 153 maintained the District's State Foundation amount received the previous year through fiscal years 2012 and 2013. HB 153 added a state funded subsidy for all districts that are considered high performing, rated Excellent or Excellent with Distinction by the State of Ohio. This subsidy, $17 per student, was eliminated after this biennium budget. The District received a subsidy receipt of approximately $99,000 in FY12 and FY13.

FY14 & FY15

HB 59 was passed in June 2013 and created a new school funding formula which impacted FY14 and FY15. The new funding formula included a caveat that a district receiving less state funds from the new formula than what was received in FY13 would be kept whole. This concept is called the "Transitional Aid Guarantee" (Guarantee). This District is one of many districts on this Guarantee. Also, as part of HB59, Preschool funding now flows through the District versus being paid directly to the Education Service Center of Central Ohio (ESC), the provider of early learning for the District. This change increased revenue by approximately $224,000. Overall, the impact on the bottom line is minimal because expenditures also increased since the funding now flows through the District.

The State Legislature designated 34% of tax receipts generated from casinos to school districts across the state starting in calendar year 2013. The District received casino receipts of approximately $299,000 in FY16 and projects approximately $310,000 each fiscal year thereafter. This revenue stream is highly volatile; however, overall fluctuations will not have a material impact on the District's financial position.

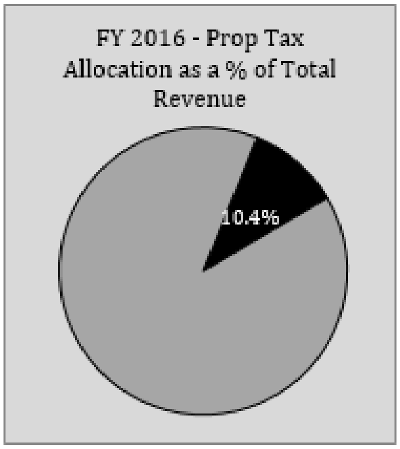
FY16 & FY17

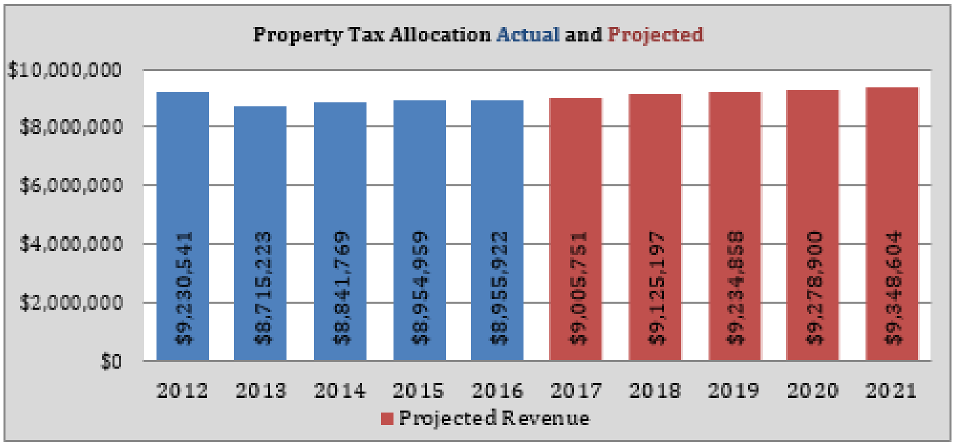
HB 64 was passed in June 2015 and impacts FY16 and FY17. This House Bill continued the concept of the "Transitional Aid Guarantee" (Guarantee). This District continues to be on the Guarantee through this biennium budget.

FY18, FY19, FY20 & FY21

As funding in these fiscal years will be defined by future biennium budgets the District has assumed the Guarantee will stay in place over these years and minimal changes in the funding formula will occur. However, it is important to realize that in these later years the District could come off the Guarantee and be funded through the funding formula. However, this will not have a material impact on the District's financial position.

Line 1.05 - Property Tax Allocation





**2012-2016 are actual amounts and 2017-2021 are projected amounts.

Rollback & Homestead are State of Ohio programs which reduce an individual's share of property taxes. The Homestead exemption requires the state to pay a portion of property taxes for lower income senior citizens. The Rollback exemption requires the state to pay approximately 12.5% of an individual's property taxes. Effective November 2013, the State will no longer pay this Rollback exemption on any new levies. Revenue related to both Homestead and Rollback exemptions will increase as valuations increase; however, only revenue generated from the Homestead exemption will increase related to any new levies.

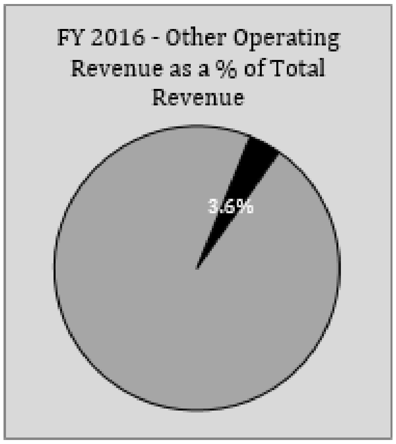
Utility deregulation legislation decreased assessed public utility valuations in 2002 leading to less tax revenue for school districts. In order to help eliminate the loss of revenue the State instituted a "hold harmless payment" to districts. The District received $395,000 a year in the hold harmless payments. However, HB 153 eliminated this revenue beginning in FY12. As a result, the District lost $395,000.

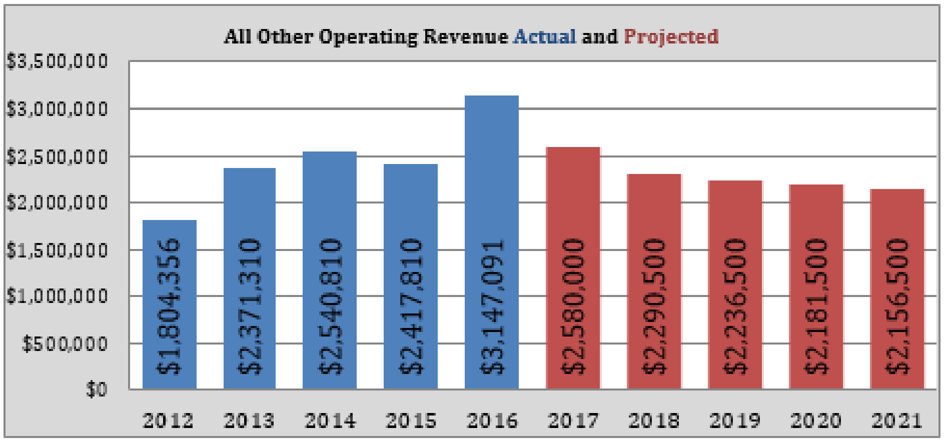
TPP Reimbursement was created to temporarily replace the revenue lost due to the phasing out the tangible personal property tax under HB66. In the first five years, (calendar years 2006-2010) districts were reimbursed "fully" for lost revenue (based on calendar year 2004 PPT values) by the State. HB 1 included an extension of "fully" reimbursing districts for two additional years (calendar years 2011 and 2012). However, after 2012 the reimbursements were scheduled to phase out until the school district receives no reimbursement money by 2018.

HB 153 accelerated the phase out of these reimbursements. The District received no reimbursement in FY13. The District lost approximately $1.5 million of the reimbursement in FY12 and the remaining $540,000 in FY13.

Summary
Starting in FY13, the revenue reported in Property Tax Allocation only relates to the Homestead and Rollback exemptions.

Line 1.06 – All Other Operating Revenue





**2012-2016 are actual amounts and 2017-2021 are projected amounts.

This category consists of a number of revenue sources including: investment income, tuition, extracurricular fees, tax incremental financing receipts, and others.

Investment earnings are related to current and expected market conditions. The passage of the levy in 2013 allowed the District to invest more and for a longer term at higher rates which increases revenue. The District's investment income for FY16 was $389,000 compared to $99,000 in FY14. However, as cash balances decrease in future years, investment earnings are also projected to decrease.

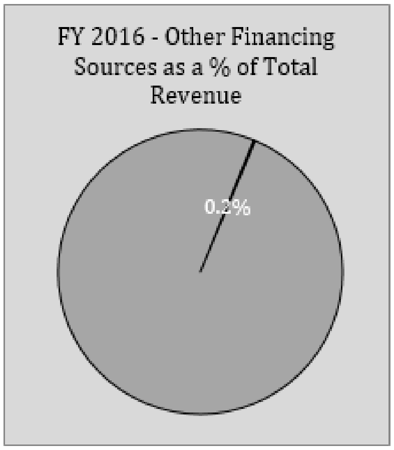
Tuition and other revenues are expected to remain consistent during the five-year projection, while rental income is expected to decrease starting in FY18 as a major weekend tenant plans to relocate.

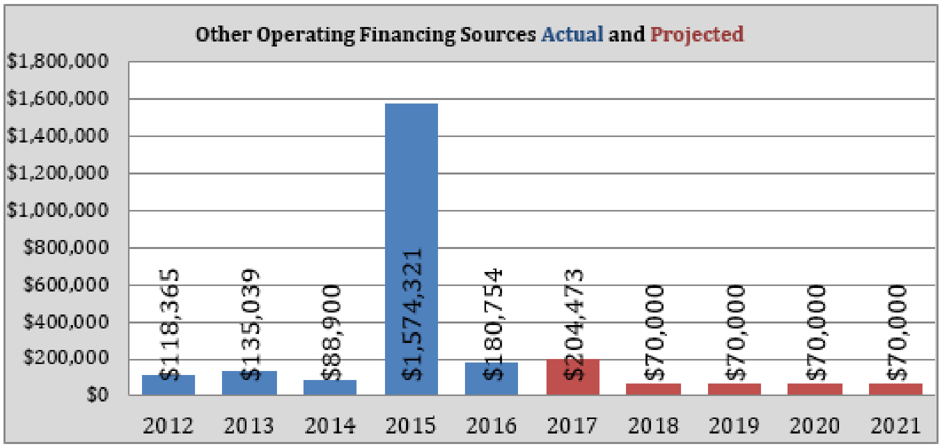
The majority of revenue in this classification relates to Tax Incremental Financing (TIF) and Payment In Lieu of Tax (PILOT) receipts. TIF financing redirects routine property taxes to various projects. In most TIF cases, the District's portion of TIF collections is equal to property tax collections without a TIF; however, because the project is classified as a TIF the District records the revenue separate from real estate taxes.

In FY12 and prior, the District received TIF payments for two projects in the City of Upper Arlington. In FY13, the District began receiving TIF payments for five other TIF areas, including the Kingsdale Shopping Center. Total TIF revenue received in FY13 was approximately $1.3 million; however, a portion related to one-time TIF funds generated prior to FY13. FY14 is larger than expected due to a one-time payment ($750,000) received by the District related to a tax compensation agreement and one time TIF funds generated prior to FY14 that were collected in 2014 ($300,000). These one-time payments helped offset a decrease in collections due to a refund required to First Community Village. The District received $200,000 more than expected on its newest TIF related to a hotel/condominiums/commercial in FY16 as it included payments related to FY15. In addition, the District received one-time payments of $253,000 in FY16 and $219,000 in FY17 related to various entities. No one-time payments are projected in FY18 and beyond. The following amounts are specifically related to TIF revenue:

Actual FY14	Actual FY15	Actual FY16	Projected FY17	Projected FY18	Projected FY19	Projected FY20	Projected FY21
$ 1,511,000	$ 1,307,000	$ 1,795,000	$ 1,350,000	$ 1,152,000	$ 1,173,000	$ 1,173,000	$ 1,173,000

Line 2.06 – All Other Financing Sources





**2012-2016 are actual amounts and 2017-2021 are projected amounts.

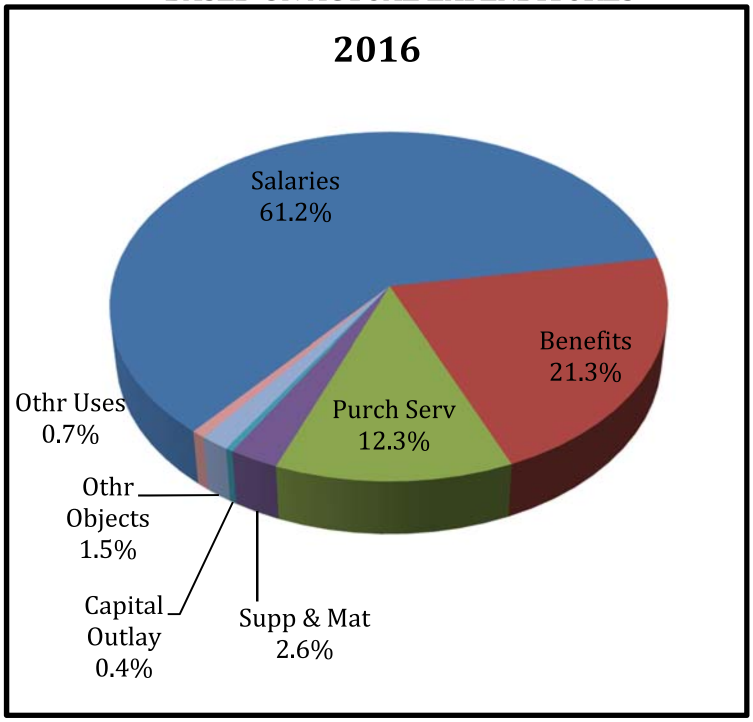
This category includes advances and transfers from other funds.

Minimal fluctuations have occurred over the years except in FY15. In FY15, the District removed the restriction on $1.17 million and transferred it into the general fund. This was later transferred out of the general fund and into the permanent improvement fund to be used for a building addition at Tremont Elementary. Additionally, in FY15 the general fund received repayments of $388,000 from various grant funds that were advanced money in the previous year (FY14). This is a common practice when dealing with reimbursable grants; however, the amount advanced to other funds in FY14 was larger than normal due to one-time reimbursable grants received in FY14.

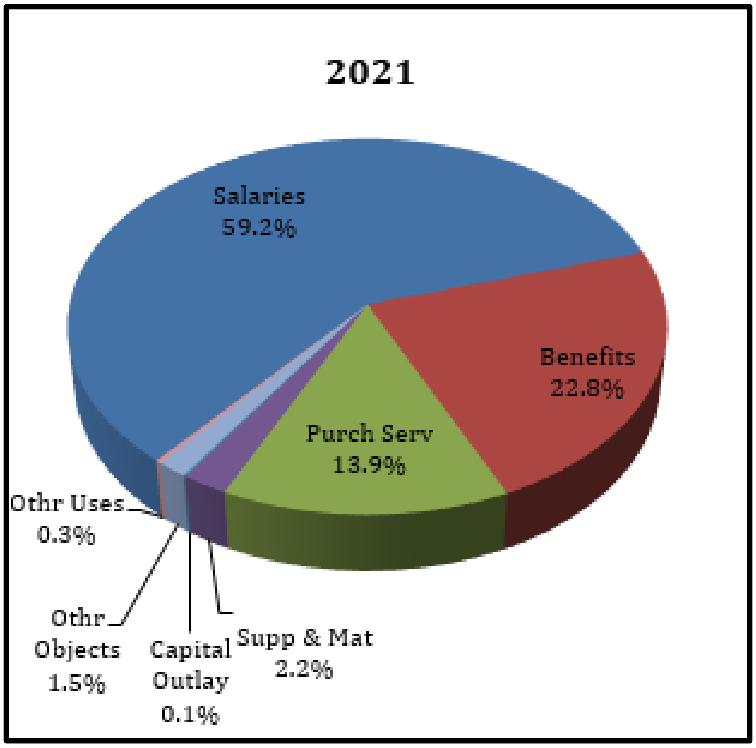
EXPENDITURES

The graphs below illustrate the allocation of actual expenditure amounts between categories for FY16 and the projected allocation between expenditure categories for FY21 based on forecasted amounts.

BASED ON ACTUAL EXPENDITURES

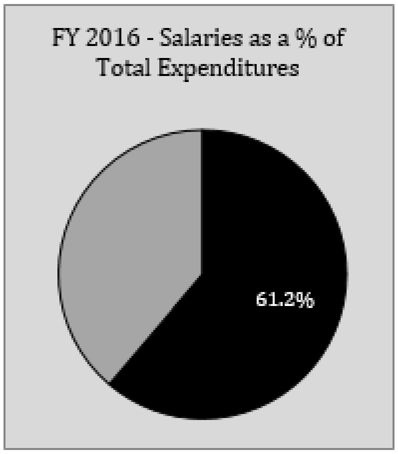


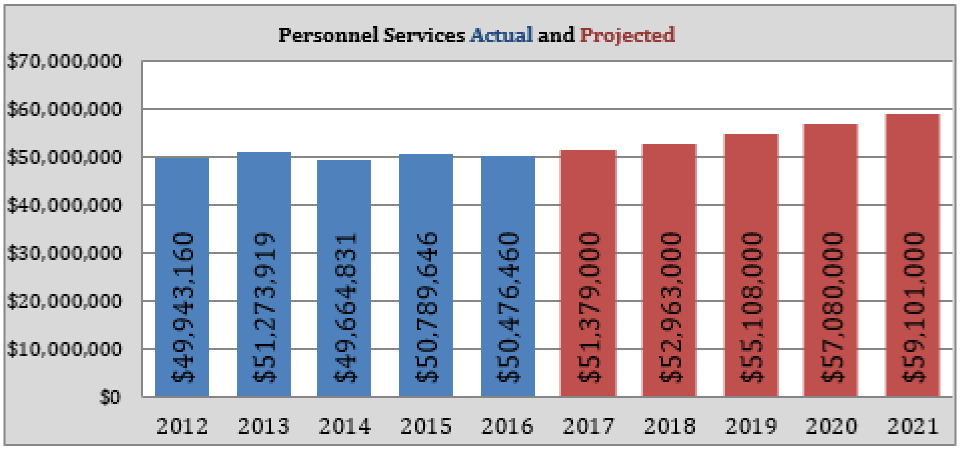
BASED ON PROJECTED EXPENDITURES



See detail notes on expenditure categories on pages 11-21.

Line 3.01 – Personnel Services





**2012-2016 are actual amounts and 2017-2021 are projected amounts.

Salaries and wages for staff are based on negotiated agreements expiring in December 2016 for support personnel and June 2018 for teachers. For projection purposes, the District expects increases in wages in FY19 and beyond to be market driven. Other factors related to wages are costs associated with changes in education categories and annual advancement (steps) on the salary schedule.

The teachers' association contract included no increases on the salary schedule for calendar years 2012 and 2013, a 1% increase on the salary schedule in 2014, no increases on the salary schedule from January 2015 to July 2017 and a 2% increase starting in August 2017. The support personnel's most recent contract included no increases on the salary schedule through December 2016. In both of these contracts, automatic step increases occurred. Step, additional staff and future wages are projected to increase personnel costs approximately 3.5% year.

The District had large groups of retirees (24) in FY12, (25) in FY14 and (19) in FY15. Many of these retirees took advantage of the early separation agreement the District offers. As experienced teachers retired, skilled but less experienced teachers filled the open positions thus decreasing personnel expenditures. In FY16, 6 teachers retired and the District is projecting fewer per year for the remaining years of the forecast.

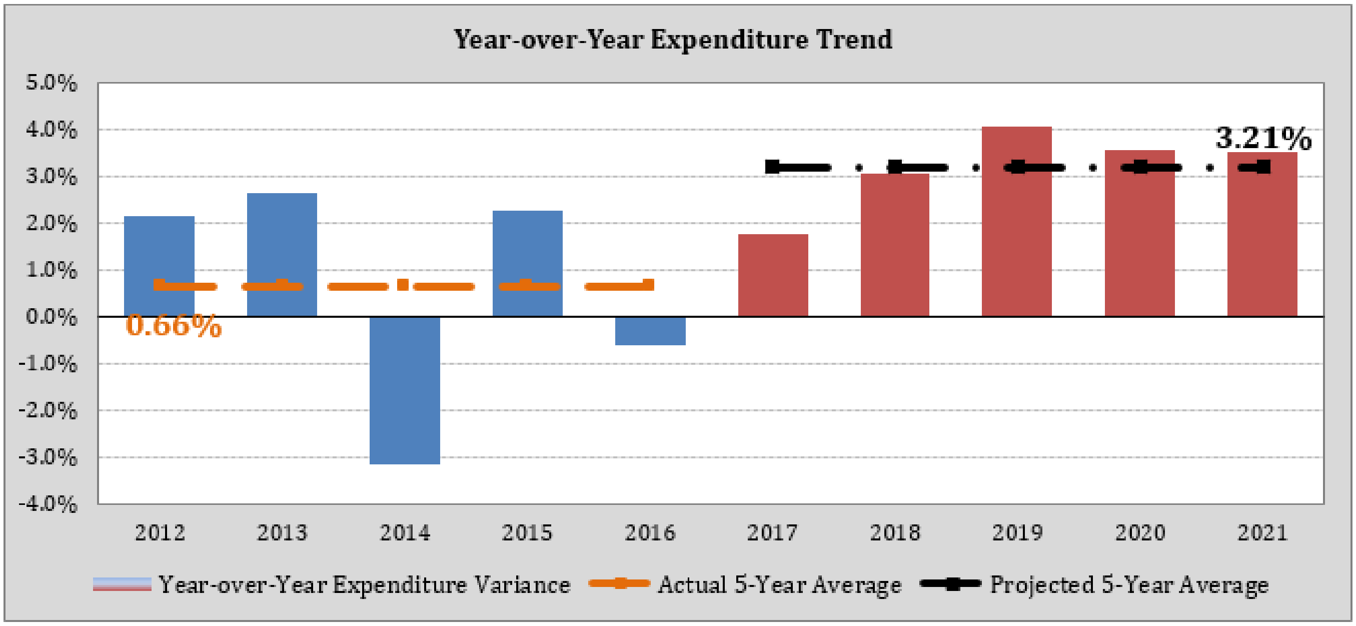
The decreased expenditures in FY14 was due to the elimination of 30 staff positions as part of the approximate $3 million in reductions after a failed levy.

In FY15, the district added approximately seven special education teachers in order to meet the needs of students. Additionally, the district eliminated 13 positions from payroll (mostly permanent substitute positions and non-classroom teachers) and contracted with the ESC to provide these supervisory and similar services (reported as purchased services in FY15). Reductions in this expenditure category related to these 13 positions is offset by increased retirement/separation incentive costs, step increases, and the seven additional staff.

As enrollment continues to grow additional staff will be necessary. The enrollment increase in FY16 & FY17 caused specific grade levels at specific buildings to become too large thus requiring additional staff in the classroom and supporting the class room. The District added 9 additional staff in FY17 and has budgeted for 2-5 additional staff in each of the next four years.

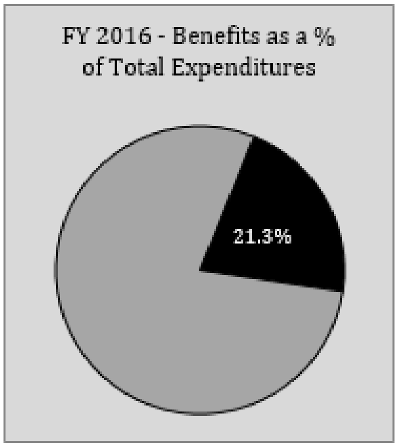
Line 3.01 – Personnel Services, continued

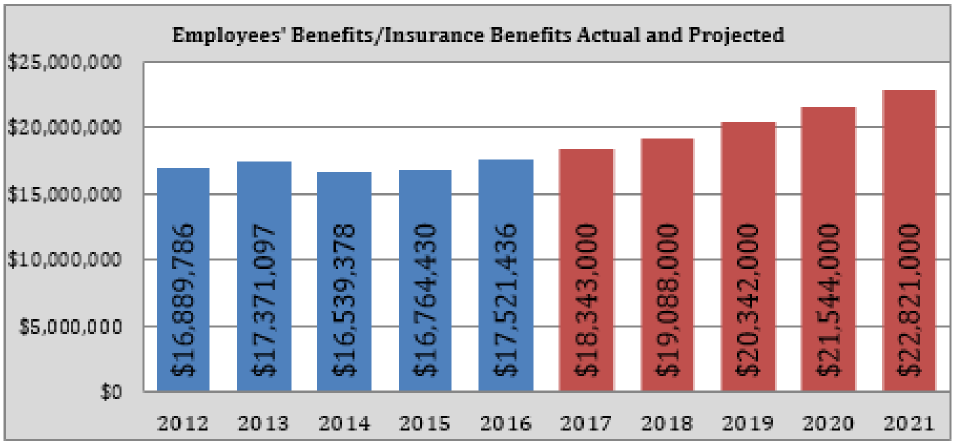
This chart illustrates the percent change in personnel expenditures from one year to the next.



**2012-2016 are actual amounts and 2017-2021 are projected amounts.

Line 3.02 – Employees' Benefits





**2012-2016 are actual amounts and 2017-2021 are projected amounts.

The decrease in FY14 benefit expenditures relates to staffing reductions made in FY14, as mentioned in the previous note (Line 3.01 – Personnel Services).

<u>Insurance</u> (54% of employees' benefit expenditures)

Annual health insurance renewals and future negotiated agreements will affect this category.

District had abnormally low claims in 2012 which led to a premium decrease of 6.8% for calendar year 2013. This is highly unusual and the District does not anticipate this type of renewal in future years. In 2014, the District became self-insured for its medical coverage. This change resulted in premium increases of 6.2% (a 3.8% savings in premium quotes for fully insured programs). The increase in medical premiums for 2015 was 5%.

Overall, premium increases since 2011 have been less than the industry trend. Unfortunately, in 2015 the District's claims exceeded expectations. These large claims greatly impacted the premium increase for 2016. The medical premium for 2016 increased 26%. Fortunately, the claims in 2016 were less than projected which led to no increase in insurance premiums for 2017. Future premium increases for calendar years are projected at 2018 – 9% and 2019-2021 -- 7% based on current trend and adjustments to insurance plan.

The percentage of health insurance premium paid by the employees has continued to increase since 2011.

The District will continue to review insurance plans and processes for future savings.

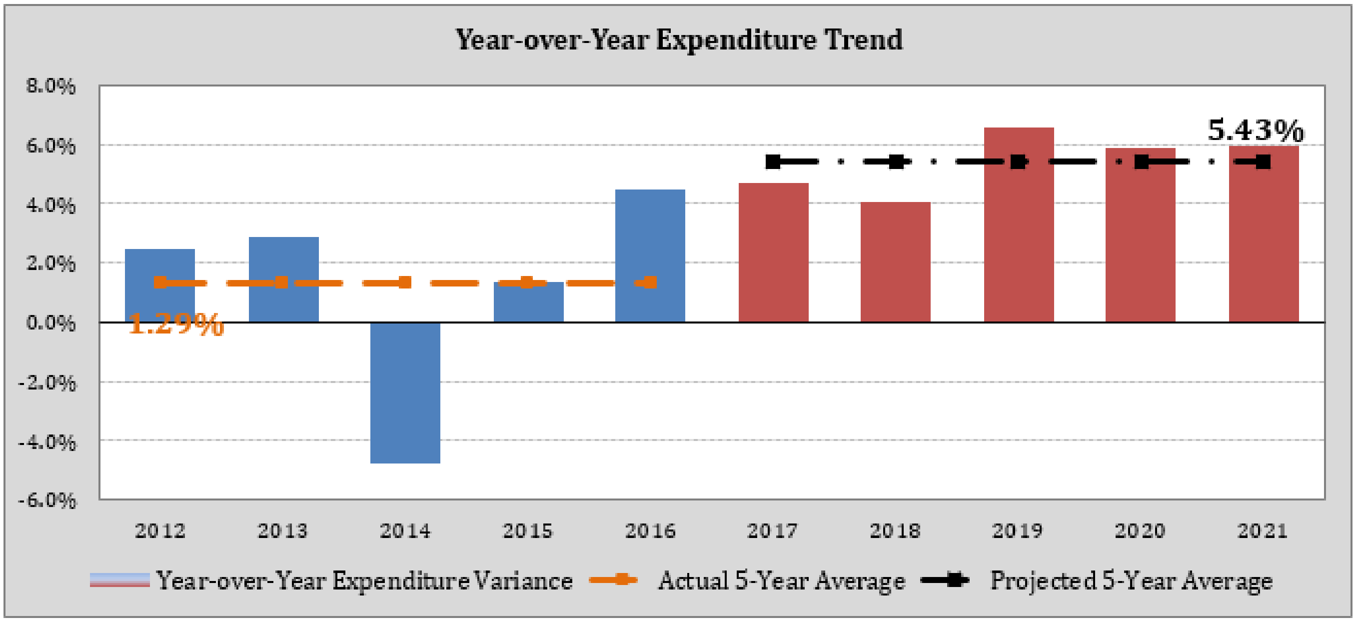
<u>Other Benefits</u>

<u>Pension</u> (41% of employees' benefit expenditures)
The Ohio Revised Code requires all districts to contribute 14% of total employees' payroll into a state pension system (i.e. State Teachers Retirement System (STRS) or School Employees Retirement System (SERS)).

Line 3.02 – Employees' Benefits, continued

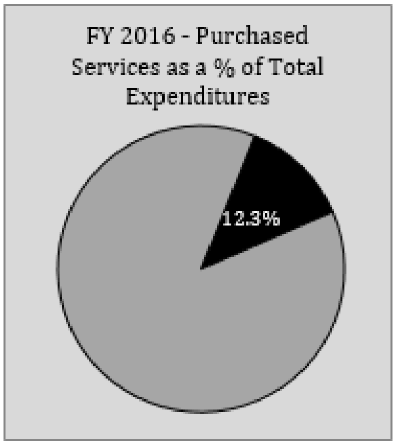
Workers' Compensation

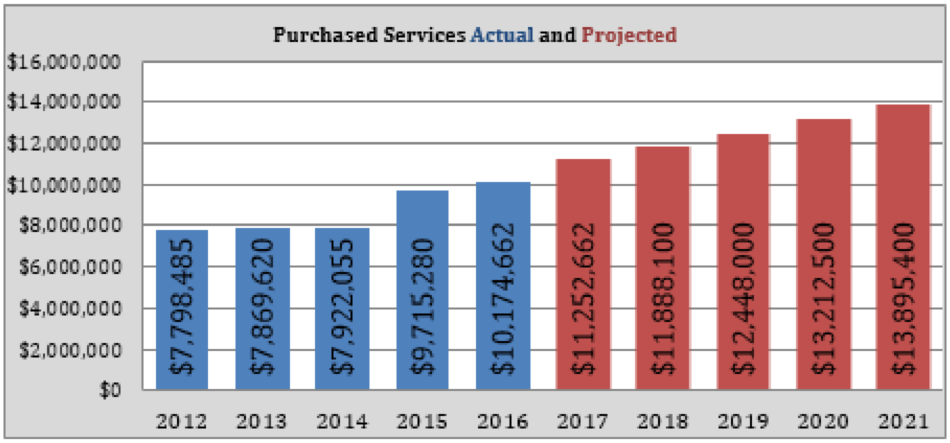
The District became self-funded related to workers compensation in September 2012. This decision has benefited the District, as it now has more control over its premiums. In FY16 the District reduced its rates by 35% and followed this decrease by another decrease of 35% in FY17.



**2012-2016 are actual amounts and 2017-2021 are projected amounts.

Line 3.03 – Purchased Services





**2012-2016 are actual amounts and 2017-2021 are projected amounts.

GENERAL TRENDS

This line includes items such as tuition owed to other districts, transportation of pupils, property insurance, legal services, utilities, technology contracts, substitutes, professional development and others. It also includes a contract with the Education Service Center of Central Ohio (ESC) for staffing and various student programs related to special education.

The District expects the various types of purchased services to increase between 2-10% dependent on the service in FY17-FY21.

Natural gas costs increased 72% or $140,000 in FY15 ($60,000 related to prior year). Natural gas consumption increased in FY14 due to an abnormally cold winter; however, the increase in cost did not impact expenditures until FY15 based on consortium budget procedures at the time.

ESC costs are projected to increase 5% a year due to program enrollment and staffing costs with the exception of FY20 where the increase is estimated at 8% due to the anticipated addition of another preschool classroom.

Substitute costs increased in FY15 as expected and are projected to remain consistent in future years due to the increased staff professional development needed to keep staff current on all the changes occurring in curriculum and testing. In FY14, fewer substitutes were needed as little professional development occurred as the district was evaluating its priorities.

SPECIFIC INFORMATION

FY15

As mentioned in personnel services, the District contracted with the ESC for permanent substitutes and supervisory positions in FY15. This eliminated approximately $718,000 from personnel services and benefits and increased purchased services by approximately the same amount. Additionally, costs associated with paraprofessionals increased greater than 20% due to 13 months of expenses in FY15 (timing of invoices), additional staff needed for extended school year services and throughout the year as dictated by student needs.

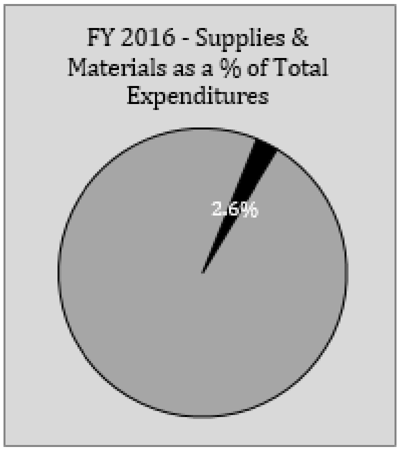
Line 3.03 – Purchased Services, continued

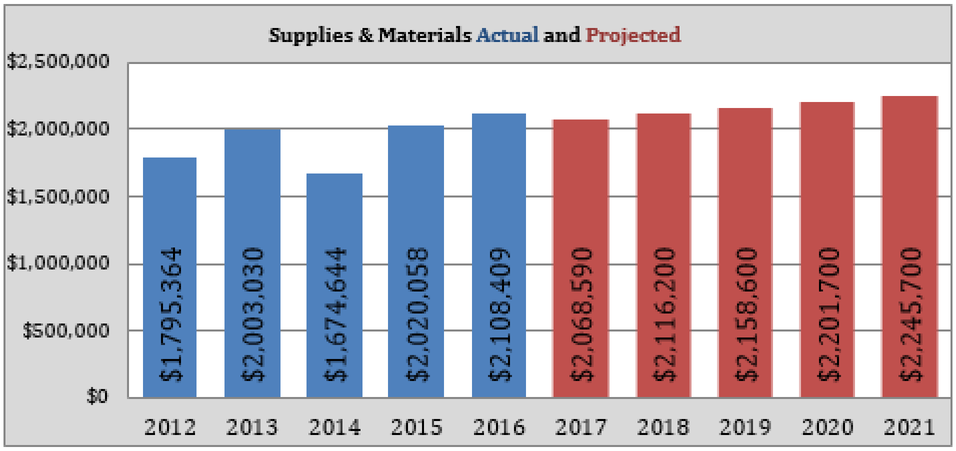
FY17

As mentioned in the Overview on page 1, the creation of the College Credit Plus program by the legislature in FY16 was expected to impact on purchased services in FY16; however, it appears the impact was delayed until FY17 due to timing of payments. The District estimates the cost related to post-secondary to increase 179% (or $46,000) in FY17 and 10% in subsequent years.

Also, as noted in the Overview on page 1, the District has implemented a digital conversion program in FY16 as part of its Strategic Plan. In FY17, the District will make its first lease payment related to technology devices for all elementary students. An additional $380,000 is budgeted in purchased services for this payment. This amount was reallocated from the supplies and capital outlay expenditure lines (see note Line 3.04 Materials and Supplies and Line 3.05 – Capital Outlay for more detail).

Line 3.04 – Supplies & Materials





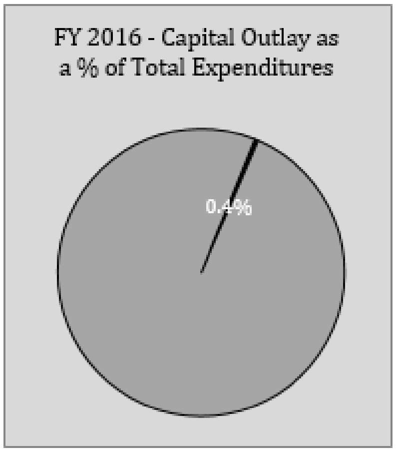
**2012-2016 are actual amounts and 2017-2021 are projected amounts.

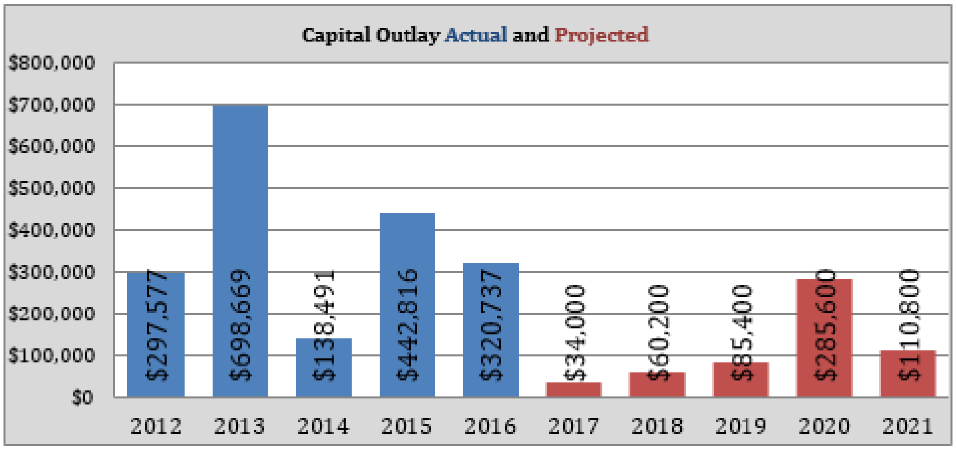
These items include textbooks, software, instructional materials, and building budget items that go toward classroom and office supplies, teacher training, classroom equipment, and library materials.

In FY14, the District made few textbook/classroom textbook purchases and postponed other planned purchases as it was reviewing priorities. In FY15, the district purchased approximately $200,000 in classroom materials related to literacy. Similar purchases are expected in future years as the District continues to evaluate its curriculum and use of various software. FY17 is approximately $80,000 less than expected, largely due to the reallocation of funds for the lease payment related to the elementary technology devices.

Increases of approximately 2.0% are expected for supplies in FY18-FY21.

Line 3.05 – Capital Outlay





**2012-2016 are actual amounts and 2017-2021 are projected amounts.

Expenditures in this category include equipment, furniture, technology, vehicles, etc.

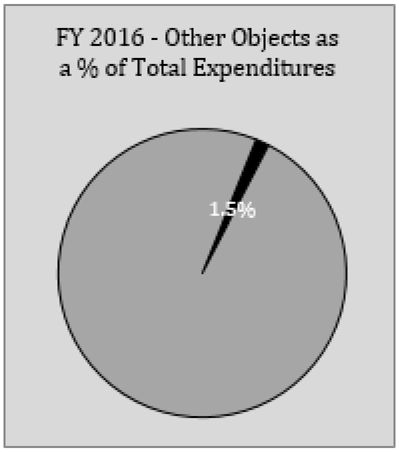
Computer purchases are expected to fluctuate year to year based on computer replacement needs of the District.

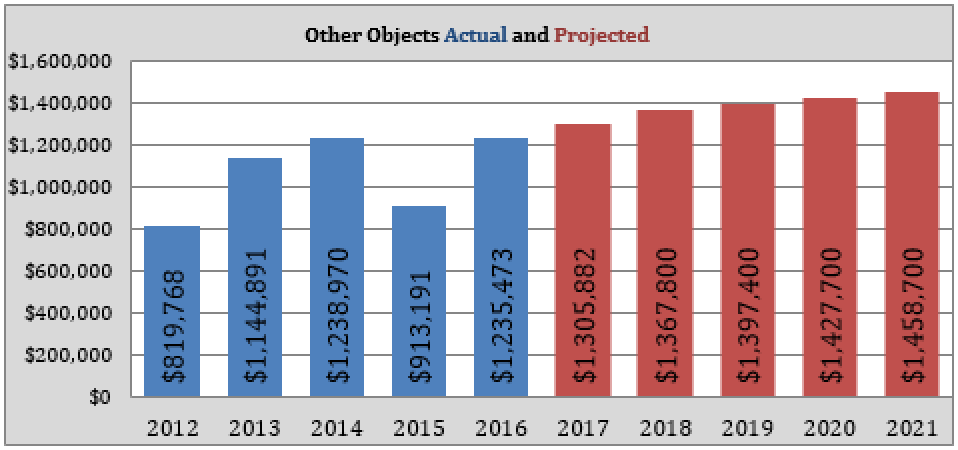
In FY14, the District made few technology purchases and postponed other planned purchases as it was reviewing its priorities. In FY15 and FY16, the District purchased approximately $400,000 and $300,000 in technology related equipment. In FY17, the District reallocated $300,000 from capital outlay to purchase services related to the leasing of technology instead of purchasing it (see note Line 3.03 – Purchased Services for more detail).

Technology equipment purchases are expected to be minimal in FY17 through FY19 due to the leasing of computers/iPads for the students instead of one time purchases. In FY20, the District plans on replacing various technology support items (i.e servers, projectors, etc).

Most capital outlay expenditures for building improvements and maintenance are reported in the District's Permanent Improvement Fund which is not included in the Forecast. This fund was created in 2007 thanks to the District's residents passing a 2.0 mill permanent improvement levy. These funds cannot be used for employees' salaries and benefits.

Line 4.3 – Other Objects



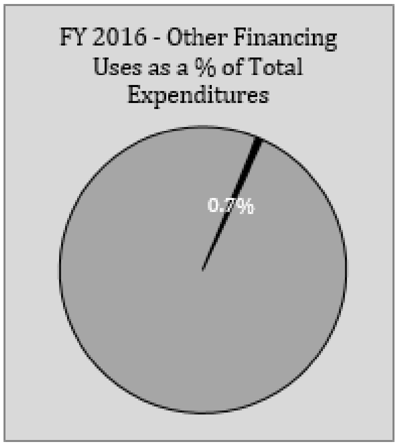


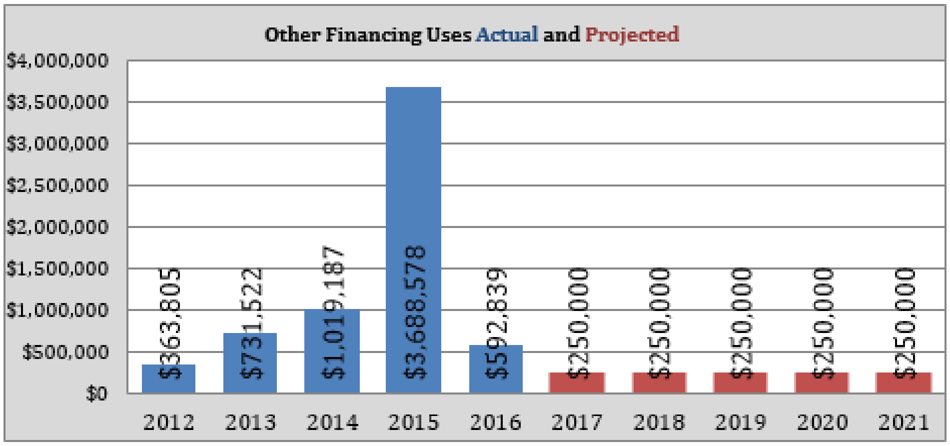
**2012-2016 are actual amounts and 2017-2021 are projected amounts.

The primary item is auditor/treasurer fees for collection of taxes. In FY12 and FY15 the County Auditor reduced tax collection fees by approximately $230,000. This reduction did not occur in FY13, FY14 or FY16 nor is it expected to occur in FY17-FY21.

In calendar year 2014, Franklin County implemented a new fee in order to create funds for a county land bank. The County charges a 5% fee on all delinquent tax collections and related penalties.

Line 5.01 - Transfers Out and Line 5.02 – Advances Out





**2012-2016 are actual amounts and 2017-2021 are projected amounts.

Permanent transfers to other funds are expected to be evaluated on an annual basis.

In FY13, the District issued a five year energy conservation note which helped decrease future utility costs. The District transferred funds to the debt service fund over three years to pay off this note. In FY15, the District paid off the remaining outstanding balance of approximately $1.2 million – 2 years early.

As mentioned earlier in Line 2.06 – All Other Financing Sources, the district removed the restriction on $1.17 million and transferred it into the general fund. This was later transferred out of the general fund and into the permanent improvement fund to be used for a building addition at Tremont Elementary. In FY16, the District made a one-time transfer of $253,000 to the permanent improvement fund for building planning.

In FY17 and beyond transfers are projected to be approximately $150,000.

Temporary advances are anticipated for grant funds that have negative cash balances at the end of the year as the District awaits reimbursement from the granting agency. FY14 was an abnormally large year for advances as the District received three new state grants that were not reimbursed by year's end, thus requiring advances of approximately $388,000 (see note Line 2.06 – All Other Financing Sources for more detail).

Line 9.03 – Budget Reserve

Reserve Established in 2003

The Budget Reserve legal set aside requirement no longer exists. Additional contributions are not expected since the District is expected to meet its expenditure requirements through the normal budgeting process.

On October 17, 2003, the Board of Education passed a resolution to restrict these funds ($1,165,304) to meet future cash flow deficits or emergency capital requirements. In FY15, the District removed the restriction on these funds and transferred the amount to the permanent improvement fund to be used for a building addition at Tremont Elementary.

Reserve Established in 2013

In 2013, as the Board was reviewing its future financial needs and discussing the November 2013 levy, the administration recommended that the District continue to follow its informal practice of reserving an amount equal to 3 months of expenditures (25% of annual expenditures) set aside for future budget stabilization needs. This practice was formalized by the Board in May 2016 when it adopted this practice into policy. This reservation allows the District to be fiscally responsible and stay financially sound in times of unexpected revenue shortfall or unanticipated budget requirements. In addition, this practice will trigger conversations of future levy needs and budget reduction requirements when the reserve amount cannot be fulfilled due to decreasing fund balances. The District began to illustrate this reserve in the Forecast starting in FY15.

The passage of the November 2013 levy allowed for this reserve to be established for FY15-17. However, at that time, only $16,801,168 was projected as the FY18 budget stabilization amount. In order to meet the goal of 3 months of expenditures, the District committed to make budget reductions within the FY14-17 time period to add $4.5 million to the FY18 bottom line through the Efficiency Project. As of October 2016, the District has exceeded its commitment and added approximately $4,656,018 to the District's bottom line in FY18 by making decisions; thus, reducing expenditures and avoiding future budgeted costs. (Note: Increases to the fund balance caused by unanticipated revenue or actual costs being less than budgeted (not due to decisions) are not included in meeting the $4.5 million efficiency goal).

The impact of the Efficiency Project has increased the FY18 budget stabilization fund to $21,457,000. The District will continue to seek out efficiency measures during this year in order to increase that amount. The following chart is a breakout of the budget reserve line on the Forecast.

	Actual			Projected				
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
2003 - Emergency Capital Reqmts.	$1,165,304		$ -	$ -	$ -	$ -	$ -	$ -
2013 - Budget Stabilization	$ -	$ 20,161,355	$20,459,294	$21,096,000	$21,457,000	$22,885,000	$23,938,000	$24,908,000
Total	$1,165,304	$ 20,161,355	$20,459,294	$21,096,000	$21,457,000	$22,885,000	$23,938,000	$24,908,000