BIG WALNUT LOCAL SCHOOL DISTRICT- DELAWARE COUNTY

SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES

**IN FUND BALANCES FOR THE FISCAL YEARS ENDED**

**JUNE 30, 2013, 2014 and 2015 ACTUAL**

**FORECASTED FISCAL YEARS ENDING**

**JUNE 30, 2016 THROUGH 2020**

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**Forecast Provided By**

**Big Walnut Local School District**

**Treasurer's Office**

**Terri Eyerman Day, Treasurer/CFO**

**May 19, 2016**

**Big Walnut Local School District –Delaware County**

**Notes to the Five Year Forecast**

**General Fund Only**

## 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 2016 (July 1, 2015-June 30, 2016) is the first year of the five year forecast and is considered the baseline year. The May forecast is used to provide an update of the actual revenues and expenditures for the current fiscal year and the effect of this year on the remaining years of the forecast.

**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 that are happening quickly with very little detail to assist us. We are simply responding to the changes that are occurring with promptness and the best data we have available to us at the time. The items below give a short description of the current issues and how they may affect our forecast long term:

1. Delaware County will be going through a reappraisal for the 2017 tax year to be collected in 2018. An update occurred in tax year 2014 for collection in 2015 which increased residential/agricultural assessed values by $38.7 million or an increase of 6.59%, and an increase of $434,650 or 1.03% was noted for commercial/industrial values. For the 2017 reappraisal we are estimating a 5% increase in residential/agricultural values and a 2% increase in commercial/industrial value. By being a growing district we have risks that other district do not and must continue to monitor very closely the growth with the needs of our students.
2. The State Budget represented nearly 25% of district revenues in FY16. It is an area where a risk could come to revenue. The risk comes in FY18 and beyond if the state economy worsens or if the currently adopted HB64 funding formula is changed to reduce funding to our district in a future biennium budget. There are two future State Biennium Budgets covering the period from FY18 through FY20 in this forecast. Future uncertainty in both the state foundation funding formula and the state’s economy makes this area an elevated risk to district funding long range through FY20.
3. There are many provisions in the current state budget bill HB64 that will increase the district expenditures in the form of expanded school choice programs and increases in amounts deducted from our state aid in the 2016-17 school years. 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 are examples of new choice programs that cost the district money. Expansion or creation of programs such as these exposes the district to new expenditures that are not currently in the forecast. We are monitoring any new threats to our state aid and increased costs very closely.
4. The enrollment reporting for the districts throughout the state went from one week in FY14 to three different reporting periods in FY15. There are still adjustments being made at the state level for the enrollment for Big Walnut along with all other districts in the state. Now that we are almost completed with FY16 we did not receive any actual enrollment data until late February. This is another area that we must monitor very closely especially with the increased enrollment that we are expecting from the new housing developments.
5. Patient Protection and Affordable Care Act (PPACA) – This program was approved March 23, 2010 along with the Health Care and Education Reconciliation Act. Many of the provisions of this federal statute were to be implemented January 1, 2015. Implementation of those provisions has increased costs by as much as 2%. There is the additional risk that costs will go up as additional staffs are added to our health care rolls. We have made allowance for increases in our costs for health care in the forecast based on what we know at this time. Future uncertainty over rules and implementation of PPACA is a risk to district costs. We continue to monitor the rules and implementation as this significant change to health care evolves.
6. Labor relations in the district have been very amicable with all parties working for the best interest of students and realizing the resource challenges the district faces. We believe as the district moves forward a strong working relationship will continue.

**May 2016 Updates:**

Based on actual revenue and expenditures of the first eight months of FY16 the changes that have been made will reflect those actual amounts with the estimate for the last three months of the year.

*Tax Revenue – Lines 1.010 & 1.020*

There is an increase of $2,080,068 for the remainder of the forecast based on the valuations that were used in for the 2015 taxes payable in 2016. The final settlement for February has been received and used for the first half of 2016 property taxes. The increase in valuations in Residential/Agriculture for new construction increased by $1,510,145 more than what was originally expected from all of the property changes that were given to the district for the home construction within the sub-divisions. We have reviewed the formula for the first collection of the substitute levy and made necessary corrections to include the increase of new construction each year that will then increase the amount of funding for the district that we were hesitant on making until the actual first collection.

*Income Tax – Line 1.03*

There is an increase of $1,054,421 for the remainder of the forecast. The district received an additional $198,605 in the April 2016 payment. The remainders of the years are increasing each year for the amount based on the new residents and a 3% increase from each year.

*Restricted & Unrestricted State Revenue – Lines 1.035 & 1.040*

There is a decrease of $1,975,186 for the remainder of the forecast based on the simulations that the district was using for the October forecast. Due to increase enrollment the district will not receive any Capacity Aid. The remainder of the decrease is from a decrease in the amount of the Cap being reduced to 3%.

*Property Tax Allocations – Line 1.05*

There is a decrease of $465,364 for the remainder of the forecast over the total as reported in October. The changes are caused by the amounts that were collected during the current fiscal year and then projected forward. Since the age of the population is decreasing the amount being collected for Homestead taxes is also decreasing.

*Other Revenues – Lines 1.060 & 2.070*

There is an increase of $618,870 for the remainder of the forecast. This increase is an average of $91,997 per year increase. This is mainly from increases in the open enrollment that has been received as reported on the April #2 Ohio Department of Education foundation report.

*Personal Services – Line 3.010*

There is an increase of $3,475,067 for the remainder of the forecast. The district has completed the negotiations with the teachers union for the next three years and gave a 2% increase each year. There was not the percentage increase in the October forecast. There was also a savings in FY16 of $493,298 that decreased that amount from the estimated salaries of the staff the retired or left the district and the amount that they were replaced with for those years. The percentage of increase for steps has been increased from 2% to 2.4% based on the current staff and current salary schedule. Once the staff has been determined who will change to the new MA+30 then that percentage may need to be changed. The district is also including the amount that is paid as salary instead of insurance and is increasing it the same amount as the insurance premium increases.

*Fringe Benefits – Line 3.020*

There has been a decrease of $847,921 for the remainder of the forecast. The October forecast had an increase for additional staff in FY16 to tie to salary information for all staff, that amount did not take into account that part of the salaries are paid in July and August of the next fiscal year which made some changes in the retirement amounts. There have been decreases in the number of new staff projected in FY18-FY20 that have also contributed to the decrease in benefits. The amount paid to staff as salary instead of insurances was removed from Benefits and added to salaries which are where this paid at in the accounting system.

*Other Expenditures – Lines 3.03 to 4.30*

There has been an increase of $120 642 for the remainder of the forecast. The changes are in tuition for Open Enrollment and Community School deductions from the district’s state foundation payment. These changes are based on the April #2 payments. Also included in the increase is the change from actual purchase of buses and technology to leases and additional supplies to handle the growth of new students.

The major lines of reference for the forecast are noted below in the headings to make it easier to relate the assumptions made for the forecast item and refer back to the forecast. It should be of assistance to the reader to review the assumptions noted below in understanding the overall financial forecast for our district. If you would like further information please feel free to contact Terri Eyerman Day, Treasurer at 740-965-3010.

**General Fund Revenue, Expenditure and Ending Cash Balance Actual FY12-14 and Estimated FY15-19**

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



**Revenue Assumptions**

**All Revenue Sources General Fund FY15**

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## Real Estate Value Assumptions – Line # 1.010

Property Values are established each year by the County Auditor based on new construction, demolitions, BOR/BTA activity and complete reappraisal or updated values. Delaware County will go through a reappraisal for the 2017 tax year to be collected in 2018. An update occurred in tax year 2014 for collection in 2015, which increased residential/agricultural, assessed values by $38.7 million or an increase of 6.59%, and an increase of $434,650 or 1.03% was noted for commercial/industrial values. In 2017 our district will undergo a reappraisal and we are expecting to increase values by 5% for residential/agricultural property and we are increasing commercial/industrial value by 2%. The 5% increase for residential/agricultural is based on the median to market price ratio is put out by the department of taxation. The update year included the new CAUV changes and the district should not see that increase with the reappraisal for the values.

The growth of new construction for homes will increase the districts valuations each year between the update in 2014 and reappraisal in 2017. With this growth the millage rates will remain steady until the reappraisal in 2017 which at that time we are forecasting that the district will be on the 20 mill floor. The 20 mill floor is the lowest millage rate that a district can collect for current expense levies. The substitute emergency levy is not included in the millage rate for the 20 mill floor.

Based on data from the different townships and villages we are using the totals from the chart below for the new construction for each collection year for the forecast. These are only estimates based on their best known information at this time. We received from the Delaware County Auditor on October 1, 2015 the amount of values for new construction for Residential/Agriculture of $12,598,005 and $880,245 for Commercial/Industrial and have used those numbers instead of the estimates within the chart. However, the actual new construction amount from the Department of Taxation was increased to $13,158,640 for Residential/Agriculture and $889,990 for Commercial/Industrial for an increase of $570,380 in new construction for the district. This is important in that new construction is taxed at the full voted rate and not subject to the effective millage rates which will increase the estimate for taxes being collected.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **New Construction** | **Collect in 2016** | **Collect in 2017** | **Collect in 2018** | **Collect in 2019** | **Collect in 2020** |
| Assessed Valuation | 13,158,640 | 24,699,000 | 33,540,000 | 28,202,500 | 28,202,500 |

In general, 50.80% of the Res/Ag and Comm/Ind property taxes are expected to be collected in the February tax settlement and 49.20% collected in the August tax settlement.

The district has received a very large increase in Public Utility Personal Property (PUPP) tax valuation with the new AEP Vassell Substation. The increase in values for the substation is projected to by $77,714,320 for collection in FY16, since the collection is for calendar years the receipt for this increase will be dramatically larger in February than what was receive in the August tax settlement. The PUPP values are taxed at full voted rates. The increase of values has a direct increase in tax dollars that are collected. Prior to the new substation being brought on line the split of tax collection was 50% for each half of the year. We anticipate that PUPP collections will return to the 50% each half collection we have experienced historically in FY17 and beyond.

Future growth within the district for the outlet mall has not been included in the valuations since the values will not be included until the mall is complete sometime in 2016 for collection in 2018. There is currently additional new construction within the Commercial/Industrial of $600,000 of value each year of the forecast. Since this is the first year of true growth for the district, there is no history to review the difference for new construction.

The table below shows actual property value history for the district along with estimated values for tax year 2015 based on the Delaware County Auditor’s information at the time of this forecast. These values have not been certified but we believe they are a good estimate of assessed valuation at the time of this forecast.

**ESTIMATED ASSESSED VALUE (AV) BY COLLECTION YEARS**



**ESTIMATED REAL ESTATE TAX - Line #1.010**



**ESTIMATED PUBLIC UTILITY PERSONAL TAX – Line 1.020**



**New Tax Levies – Line #13.030 -** No new levies are modeled in this forecast.

**School District Income Tax – Line #1.03**

The district passed a continuing income tax (SDIT) of .75% effective in 1995. The district experienced a 9.04% increase from FY 13 to FY14 and an additional 4.18% increase from FY 14 to FY15. As we project forward we will assume for FY16 through FY20 a 3.0% growth annually based on a low unemployment rate and an improving economy. The Department of Taxation has advised for increases between 2.0% and 4.0% for school income taxes.

The chart below is an estimate of the additional income tax that the district will receive from the new construction. A rule of thumb is that a purchase of a home is 2.5 times the annual salary, based on this rule we are forecasting the increase in the income tax plus the additional 3%. For the Multiple Units the incomes are being used at $45,000 for 2 bedroom units, $55,000 for 3 bedroom units and $40,000 for apartments. The district only receives 75% of an annual salary the first year that the new property is added to the values.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Income Taxes** | **FY2016** | **FY2017** | **FY2018** | **FY2019** | **FY2020** |
| **Based on New Construction** | **52,009** | **155,745** | **230,580** | **235,800** | **224,588** |

The total Income Tax collection is estimated for the forecast, which include the new construction amounts from the chart above and includes the total collection for FY16.



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

1. **Unrestricted State Foundation Revenue & Casino Revenue– Line #1.035**

The amounts estimated for FY16 for state funding is based on funding component computations from the most recent April 2016 State Foundation Payment Report (SFPR). The current FY16-17 state budget HB64 includes an increase in funding for our district. We are projected to be a capped district regarding state funding in FY16. Our state funding status for FY18-20 will depend on the FY18-19 and FY20-21 state budgets. There are two unknown state budgets in this forecast period covering four fiscal years.

In FY14-15, HB59 created the fourth (4th) new funding formula for public education since 2009. HB64 the state FY16-17 state budget made alterations to the funding formula and added several new components. The new funding formula is very complex and could change again with the new FY 18-19 or FY20-21 state budgets. The funding formula in HB64 has a modified State Share Index (SSI) method to measure a district’s wealth and capacity to raise local revenue.

The SSI is applied to the per pupil opportunity grant calculation and many of the other categorical funding items in the state foundation formula as noted below:

1. Opportunity Grant – Per pupil amount increased 1.7% from $5,800 in FY15 to $5,900 in FY16 and 1.7% to $6,000 in FY17.
2. Targeted Assistance – Tier I based on wealth and Tier II based on percentage of district agricultural assessed value
3. Special Education Additional Aid – Based on six (6) categories of disability
4. Limited English Proficiency – Based on three (3) categories based on time student enrolled in schools
5. Economically Disadvantaged Aid- Based on number and concentration of economically disadvantaged students
6. K-3 Literacy Funds- Based on districts K-3 average daily membership and two Tiers
7. Gifted Funds –Based on average daily membership at $5.05 in FY16 & FY17
8. Career-Technical Education Funds – Based on career technical average daily membership and five (5) categories students enrolled in
9. Transportation Aid – Funding based on total ridership rather than qualifying ridership in determining statewide cost per rider. Reduces state minimum share from 60% to 50%.

There are several new funding components provided in HB64 for FY16 &17. These are additional funds that can be earned by a district or is intended to help a district who has an undo burden or inability to raise local revenue.

1. Capacity Aid – Provides additional funding for districts where income generated for one mill of property tax is below the state median for what is generated.
2. Transportation Supplement – Provides additional funding for districts with rider density (riders per square mile) less than 35 students in FY16 and 50 in FY17. Provides additional funding based on rider density and the number of miles driven by the school buses.
3. 3rd Grade Reading Proficiency Bonus- Provides a bonus to districts based on third grade reading results.
4. High School Graduation Rate Bonus-Provides a bonus to districts based on high school graduation rates up to approximately $450 per student.

There are potentially 342 independent variables in the SFPR formula. If any of the variables are changed, either independently or in conjunction with other variables, there could be a change to forecasted state aid for FY16-20. Currently, there are still changes being made to the above variables as well as changes that could result once ODE finalizes the calculations from FY15, which is not expected until late May 2016. Our estimates are based on the best information available to us and the most current calculation used by ODE. Changes to our forecasted data could occur if there are large adjustments made by ODE based on the final FY15 reconciliation.

Based on the information that we have at this time the CAP allows the state to not to pay the district the total amount of funding from the state aid formula. The following table shows the differences between the Formula aid and the CAP aid that could be paid to the district.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Description** | **Act. FY14** | **Act. FY15** | **Est. FY16** | **Est. FY17** | **Est. FY18** | **Est. FY19** | **Est. FY20** |
| Calculated Funding | 6,098,188 | 6,050,666 | 6,411,482 | 6,720,817 | 6,906,373 | 7,275,332 | 7,756,107 |
| CAP Limit | 4,776,220 | 5,277,723 | 5,673,552 | 6,168,581 | 6,396,118 | 6,584,269 | 6,731,837 |
| Difference | 1,321,968 | 772,944 | 737,930 | 552,236 | 555,562 | 736,823 | 1,024,270 |

Beginning in FY15 the state changed the way it measures student ADM. Student counts are now updated October 31, March 31, and June 30 of the fiscal year. In most cases the district will not know its actual student funded ADM for any fiscal year until the end of June. This could result in undulating state aid payments throughout the year based on each student count if a district is on the formula. The current payment to the district is based on the April #2 payment received from Ohio Department of Education. Our estimate of state aid is based on the most current data we have available to us at the time. We have estimated growing enrollment through FY20 based upon the enrollment report from Dejong-Healy of 100 to150 students per year and a 1.5% per pupil base amount of increase each year beginning in FY18 for Opportunity Grant funding.

Based on FY15 ADM changes from Open Enrollment, Community Schools and other districts, the Ohio Department of Education has adjusted the districts funding in FY16 for those changes. The district has received three adjustments and there will be another one in May. The total amount of those changes to date is a decrease of $24,519.35. We have not included any further change for FY15 possible adjustment in the May forecast.

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. As of March 4, 2013 all four (4) casinos were open for business and generating Gross Casino Tax Revenues (GCR). 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 will be distributed to school districts twice a year on the 31st of January and August each year which began for the first time on January 31, 2013.

The initial student payment to schools in January 2013 (FY13) was a half year payment of $21.00 per pupil that rose to $51.50 per pupil for a full year in FY14 and $50.50 in FY15. The state indicated recently that the original 2009 estimates of $1.9 billion of GCR may be closer to $900 million as revenues from casinos are not growing robustly as originally predicted. We are estimating statewide student enrollment to decline by ½ of 1% from the FY15 total to average 1,798,000 students and GCR of $820 million with school district’s share of GCR to be $92 million resulting in FY16 payments of $51.25 per pupil. For FY16-20 we estimated another ½ of 1% decline in pupils to 1,789,000and GCR increasing to $93 million or $50.66 per pupil. We will increase estimates for out years when actual casino revenues show signs of stronger increases.

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**B) Restricted State Revenues – Line # 1.040**

HB64 continues funding two restricted sources of revenues to school district which are Economic Disadvantaged Funding and Career Technical Education funding. We have incorporated this amount into the restricted aid amount in Line # 1.04 for FY16-20.



**Restricted Federal Grants in Aid – line #1.045**

There is no additional restricted federal funding projected in this forecast.

**Summary of State Foundation Revenues**



**State Taxes Reimbursement/Property Tax Allocation**

**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 changes the requirement for Homestead Exemptions. Individual taxpayers who do not currently have their Homestead Exemption approved or those who do not get a new application approved for tax year 2013, and who become eligible thereafter will only received a Homestead Exemption if they meet the income qualifications. Taxpayers who currently have their Homestead Exemption as of September 29, 2013 will not loose it going forward and will not have to meet the new income qualification. This will slow the growth of homestead reimbursements to the district, and as with the rollback reimbursements above, increase the taxes collected locally on taxpayers.

**b) Tangible Personal Property Reimbursements –**

The previous state budget bill HB153 reduced all reimbursements that the district received on TPP replacement dollars for both Fixed Rate and Fixed Sum Levies.

**Summary of State** **Tax Reimbursement – Line #1.050**



**Other Local Revenues – Line #1.060**

All other local revenue encompasses any type of revenue that does not fit into the above lines. The main source of revenue in this area is tuition for court placed students, Open Enrollment, pay to participate fee, general rental fees and Medicaid reimbursements.

The TIF payments are for the Big Walnut Estates and Big Walnut Trails developments. We anticipate these funds to continue throughout the forecast period with a modest growth rate which is indicative of the past trends. The TIF payments from the Outlet Mall have not been included in this forecast as the district has not received any projections on the amounts of this payment.

FY15 was the first year for Open Enrollment for our staff only. The district is expecting a ½% increase each year for remaining years of the forecast. The amount has been updated based on the April #2 foundation payment.



**Short-Term Borrowing – Lines #2.010 & Line #2.020 –**There is no additional borrowing planned in the forecast at this time.

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

These are non-operating revenues which are the repayment of short term loans to other funds over the previous fiscal year and reimbursements for expenses received for a previous fiscal year in the current fiscal year. All advances over year end are planned to be returned in the succeeding fiscal year. The district does not anticipate any Transfers or Advances during the remainder of the forecast.

**All Other Financial Sources – Line #2.060**

This funding source is typically a refund of prior year expenditures that are very unpredictable. Previous years included Worker’s Compensation and School Employees Retirement Refunds, the district does not expect to receive any of these refunds in the remainder of the forecast and are estimating the final amount to not increase during the forecast.



**Expenditures Assumptions**

The district’s leadership team is always looking at ways to improve the education of the students whether with changes in curriculum or new technology needs. As the administration of the district constantly reviews expenditures the education of our students is the forefront of decision making.

**All Operating Expense Categories - General Fund FY16**

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**Wages – Line #3.010**

The district is expecting to increase staffing each year of the forecast to correspond with the growth of students within those years. The enrollment projections that are being used to forecast additional staffing were based on the study conducted for the school district by Future Think. The staffing increases are estimated to be 2 for FY16, 22.25 for FY17, 11 in FY18 and 8 in FY19 & 3 in FY20. These estimates will be adjusted each year with the needs of the educational program. The district has completed the negotiations with the BWEA for the contract to run from FY17 to FY20 and has approved a 2% increase in wages for each year. The step increases have been recalculated for the current employees and have found that a step is 2.31% instead of 2% and that increase has been included for each year of the contract. With the new agreement is a new column on the salary schedule for MA+45 and once those staff members have been determined the step percentage will be recalculated for the October 2016 forecast. After reviewing the actual amount that was needed for the salary to match appropriations, it was determined that amount was too high and the district has decreased that by $281,625, we do not intend to have to make these adjustments in the future. The district also increased the amount of the Salary in Lieu of Insurance to match the amount of the insurance premium increases each year, this if for the staff that does not take the districts insurance but receives a payment that actually is a savings for the district. The district is forecasting an increase of 3% growth in Substitutes and Extra Curricular wages during the forecast years this includes the additional supplemental positions.

**Summary of Personal Services – Line #3.010**



**Fringe Benefits Estimates – Line #3.020**

1. **STRS/SERS will increase as Wages Increase**

As required by law the BOE pays 14% of all employee wages to STRS or SERS. Since there are some employees that receive Pick-up on Pick-up for their retirement benefit we use a blended percentage of 15.3% to capture this increase for forecasting. In addition, SERS announced on April 5, 2010 that they are going to require districts to pay SERS on a current fiscal year basis and not 6 months in arrears which has been the case since 1987 when districts moved from calendar year to fiscal year. This cost is $46,345 with the last year of payment being FY16.

1. **Insurance**

As the graph below notes health care is a significant cost for the district and continues to rise and multiples of the overall consumer price index. The district did not receive an increase in premiums for FY16. For FY17 we are anticipating a 9% increase and a 10% increase for FY18-FY20 to be effective each January 1 for our insurance costs. This increase is a blend of the districts history of claims increases and the industry standards of annual premium increases. The previous three years increase average was 8.01%.

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](file:///\\cmhdata04\wiki\United_States) [federal statute](file:///\\cmhdata04\wiki\Law_of_the_United_States#Federal_law) signed into law by [President](file:///\\cmhdata04\wiki\President_of_the_United_States) [Barack Obama](file:///\\cmhdata04\wiki\Barack_Obama) on March 23, 2010. Together with the [Health Care and Education Reconciliation Act](file:///\\cmhdata04\wiki\Health_Care_and_Education_Reconciliation_Act), it represents the most significant regulatory overhaul of the [country's healthcare system](file:///\\cmhdata04\wiki\Health_care_in_the_United_States) since the passage of [Medicare](file:///\\cmhdata04\wiki\Medicare_(United_States)) and [Medicaid](file:///\\cmhdata04\wiki\Medicaid) in 1965.

It is uncertain to what extent the implementation of PPACA will cost our district additional funds. There are numerous new regulations that potentially will require added staff time, at least initially due to increased demands, and it is likely that additional employees will be added to coverage that do not have coverage now. We are not certain what these added costs may be but there are “taxes” mandated by the act which we are aware of. Longer-term a significant concern is the 40% “Cadillac Tax” that will be imposed in 2020 for plans whose value of benefits exceed $10,200 for individual plans and $27,500 for family plans. The rules and implementation of the PPACA is an ongoing issue we are watching closely to evaluate the effect on our district. At this time the district insurance committee is looking at options in order to avoid the “Cadillac Tax”.

1. **Workers Compensation & Unemployment Compensation**

Workers Compensation is expected to increase by 2% each year of the forecast. The district for the past two years we have not had any claims, therefore, is not forecasting any expenditure during the forecast for Unemployment Compensation since we are a direct reimbursement employer. By being a direct reimbursement employer unemployment costs are only incurred and due if we have employees who are eligible and draw unemployment.

1. **Medicare**

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

**Summary of Fringe Benefits – Line #3.020**



**Fringe Benefits Costs Actual FY13-15 and Estimated FY16-20**

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**Purchased Services – Line #3.030**

An overall average inflation of 2% is being estimated for this category. The district increased the Professional Services, Legal Fees and ESC by an additional $400,000 for FY16 due to not knowing what type of fees would be needed for negotiations. The district included that amount for the remainder of the year. At the end of FY16 the district will evaluate that amount for the October 16 forecast. Community School deductions and tuition paid to other districts are the largest unknown costs for the district as these areas are dependent upon the information that is received from other districts and can fluctuate significantly from one year to the next. The district is using April #2 Foundation Payment for this amount is FY16.

The district is increasing for the May Forecast the leases for Buses and 1 to 1 computer by the following: FY17 $220,000; FY18 $340,000; FY19 $260,000 and FY20 $280,000.

**Summary of Purchased Services – Line #3.030**



**Supplies and Materials – Line #3.040**

An overall inflation of 2% for inflation is being estimated for this category of expenses which are characterized by textbooks, copy paper, maintenance supplies, materials, and bus fuel. The district is increasing supplies by $200,000 in FY17 in order to handle the growth of students.

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**Equipment – Line # 3.050**

The district is continuing to purchase 3 to 4 buses per year for the safety of the students and in order to have the average age of the fleet to be six years old.

The district is developing a capital projects budget to replenish and refresh other assets such as roofing, asphalt, computers, desks and chairs. The district is increasing the Capital Outlay for FY16 by $300,000 in order to place the orders in June for FY17 of new equipment for the expected growth. In FY17 the district is forecasting Capital Outlay for additional science labs and teacher desktop computers and in FY18 – FY20 a minimum amount to update equipment. The district has removed the amount of bus replacements from Equipment to leases in order to keep up with the growth in a more timely manner.

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**Principal and Interest Payment – Lines # 4.05 and 4.06**

There is no additional borrowing planned in the forecast at this time.

**Other Expenses – Line #4.300**

The category of Other Expenses consists primarily of Auditor & Treasurer fees, SDIT collection fees and our annual audit and other miscellaneous expenses. The district has increased this line for FY16 $46,300 to cover increased cost of Auditor & Treasurer Fees and SDIT Tax Collection Fees.

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**Transfers Out/Advances Out – Line# 5.010**

This account group covers fund to fund transfer and end of year short term loans from the General Fund to other funds until they have received reimbursements and can repay the General Fund. The district made a one time transfer out of $1,073,327 for building costs.

**Encumbrances –Line#8.010**

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.



**Operating Expenditures Actual FY13 through FY15 and Estimated FY16-FY20.** As the graph below indicates the largest expenditure for the district is that of staffing. These expenditures are growing at rates that correspond with the growth of students within the district.

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**Ending Unencumbered Cash Balance – Line#15.010**

This amount must not go below $-0- or the district General Fund will violate all Ohio Budgetary Laws. Any multi-year contract which is knowingly signed which results in a negative unencumbered cash balance is a violation of 5705.412, ORC punishable by personal liability of $10,000.





**True Cash Days**

The Government Financial Officers Association (GFOA) recommends, at a minimum, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures. Based on the current fund balances the district will not have the sixty (60) day balance at the end of FY20.



**Conclusion**

The Big Walnut Local Schools would like to thank the voters for the passage of the 6.9 Mill Substitute Emergency Levy in May 2015. This levy will allow for new opportunities for our students education during the next 5 years.

The district is also very fortunate to have received more funding for FY16 and FY17 than had been expected from the state budget. Being that 24.5% of the funding for the district is from state dollars this increase is very beneficial to the overall operations for the education of our students.

The district administration will be able to plan for the future needs of our students with the financial stability obtained with the current state budget and the passage of the levy. But they will also need to be mindful that there are many risks and uncertainties that will need to be considered in future planning as there are two new state budgets in the time period from FY16-FY20.

As you read through the notes and review the forecast, remember that the forecast is based on the information that is known at the time that it is prepared.