BIG WALNUT LOCAL SCHOOL DISTRICT- DELAWARE COUNTY
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE FISCAL YEARS ENDED JUNE 30, 2014, 2015 and 2016 ACTUAL FORECASTED FISCAL YEARS ENDING JUNE 30, 2017 THROUGH 2021

Forecast Provided By
Big Walnut Local School District
Treasurer's Office
Terri Eyerman-Day, Treasurer/CFO

October 20, 2016

Big Walnut Local School District

Delaware County

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2014, 2015 and 2016 Actual;
Forecasted Fiscal Years Ending June 30, 2017 Through 2021

		Actual				Forecasted				
		Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Average Change	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
	Revenues									
1.010	General Property Tax (Real Estate)	15,539,111	15,931,179	16,089,626	1.8%	16,319,684	17,938,439	19,402,771	19,872,543	18,583,311
1.020	Tangible Personal Property	644,753	828,796	2,524,993	116.6%	4,167,617	4,337,673	4,311,251	4,288,860	3,949,892
1.030	Income Tax	5,402,338	5,597,672	6,016,216	5.5%	6,703,327	7,269,074	7,868,327	8,486,332	9,135,236
1.035	Unrestricted State Grants-in-Aid	5,245,440	5,638,791	6,159,176	8.4%	6,635,288	6,953,426	7,150,342	7,353,950	7,563,380
1.040	Restricted State Grants-in-Aid	17,746	34,688	23,162	31.1%	19,597	19,793	19,991	20,191	20,393
1.045	Restricted Fed. SFSF Fd. 532 FY10&11/Ed Jobs Fd.504 FY1	0	0	0	0.0%	0	0	0	0	0
1.050	Property Tax Allocation	2,308,103	2,355,101	2,337,416	0.6%	2,323,030	2,545,076	2,765,000	2,837,297	2,670,756
1.060	All Other Revenues	780,684	1,230,947	1,430,467	36.9%	1,471,512	1,484,377	1,497,362	1,510,468	1,523,695
1.070	*Total Revenues*	29,938,175	31,617,174	34,581,056	7.5%	37,640,054	40,547,858	43,015,044	44,369,640	43,446,662
	Other Financing Sources									
2.010	Proceeds from Sale of Notes	-	-	-	0.0%	-	-	-	-	-
2.020	State Emergency Loans and Advancements (Approved)	-	-	-	0.0%	-	-	-	-	-
2.040	Operating Transfers-In	4,466	-	-	0.0%	-	-	-	-	-
2.050	Advances-In	31,374	43,824	-	-30.2%	-	-	-	-	-
2.060	All Other Financing Sources	286,934	114,952	60,317	-53.7%	60,317	60,317	60,317	60,317	60,317
2.070	*Total Other Financing Sources*	322,774	158,776	60,317	-56.4%	60,317	60,317	60,317	60,317	60,317
2.080	*Total Revenues and Other Financing Sources*	30,260,949	31,775,950	34,641,373	7.0%	37,700,371	40,608,175	43,075,361	44,429,957	43,506,979
	Expenditures									
3.010	Personnel Services	$15,876,598	$17,479,164	$18,769,737	8.7%	20,926,598	22,640,163	24,079,675	25,525,411	26,909,739
3.020	Employees' Retirement/Insurance Benefits	$6,725,022	7,340,342	7,928,403	8.6%	8,794,687	9,817,470	10,720,312	11,681,996	12,675,880
3.030	Purchased Services	$4,865,069	4,568,004	4,848,927	0.0%	5,450,707	5,900,416	6,279,305	6,685,963	7,100,951
3.040	Supplies and Materials	911,383	984,949	904,897	0.0%	1,127,306	1,154,293	1,181,953	1,210,303	1,239,361
3.050	Capital Outlay	241,697	493,867	574,832	60.4%	400,000	400,000	400,000	400,000	400,000
3.060	Intergovernmental	-	-	-	0.0%	-	-	-	-	-
	Debt Service:				0.0%					
4.010	Principal-All (Historical Only)	-	-	-	0.0%	-	-	-	-	-
4.020	Principal-Notes	-	-	-	0.0%	-	-	-	-	-
4.030	Principal-State Loans	-	-	-	0.0%	-	-	-	-	-
4.040	Principal-State Advancements	-	-	-	0.0%	-	-	-	-	-
4.050	Principal-HB 264 Loans	-	-	-	0.0%	-	-	-	-	-
4.055	Principal-Other	-	-	-	0.0%	-	-	-	-	-
4.060	Interest and Fiscal Charges	-	-	-	0.0%	-	-	-	-	-
4.300	Other Objects	$453,328	435,257	513,907	7.0%	528,281	543,066	558,272	573,913	590,002
4.500	*Total Expenditures*	29,073,097	31,301,583	33,540,703	7.4%	37,227,579	40,455,408	43,219,517	46,077,586	48,915,933
	Other Financing Uses									
5.010	Operating Transfers-Out	$18,395	-	1,000,000	0.0%	-	-	-	-	-
5.020	Advances-Out	43,824	-	-	0.0%	-	-	-	-	-
5.030	All Other Financing Uses	$0	-	-	0.0%	-	-	-	-	-
5.040	*Total Other Financing Uses*	62,219	-	1,000,000	0.0%	-	-	-	-	-
5.050	*Total Expenditures and Other Financing Uses*	29,135,316	31,301,583	34,540,703	8.9%	37,227,579	40,455,408	43,219,517	46,077,586	48,915,933
6.010	*Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses*	1,125,633	474,367	100,670	-68.3%	472,792	152,767	(144,156)	(1,647,629)	(5,408,954)
7.010	Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	7,481,789	8,607,422	9,081,789	10.3%	9,182,459	9,655,251	9,808,018	9,663,862	8,016,233
7.020	*Cash Balance June 30*	8,607,422	9,081,789	9,182,459	3.3%	9,655,251	9,808,018	9,663,862	8,016,233	2,607,278
8.010	*Estimated Encumbrances June 30*	132,333	218,980	556,403	109.8%	567,531	578,882	590,459	602,269	614,314
`	**Reservation of Fund Balance**									
9.010	Textbooks and Instructional Materials	-	-	-	0.0%	-	-	-	-	-
9.020	Capital Improvements	-	-	-	0.0%	-	-	-	-	-
9.030	Budget Reserve	-	-	-	0.0%	-	-	-	-	-
9.040	DPIA	-	-	-	0.0%	-	-	-	-	-
9.045	Fiscal Stabilization	-	-	-	0.0%	-	-	-	-	-
9.050	Debt Service	-	-	-	0.0%	-	-	-	-	-
9.060	Property Tax Advances	-	-	-	0.0%	-	-	-	-	-
9.070	Bus Purchases	-	-	-	0.0%	-	-	-	-	-
9.080	*Subtotal*	-	-	-	0.0%	-	-	-	-	-
10.010	*Fund Balance June 30 for Certification of Appropriations*	8,475,089	8,862,809	8,626,056	1.0%	9,087,720	9,229,137	9,073,403	7,413,964	1,992,964
	Revenue from Replacement/Renewal Levies									
11.010	Income Tax - Renewal	-			0.0%	-	-	-	-	-
11.020	Property Tax - Renewal or Replacement	-			0.0%	-	-	-	-	3,110,016
11.300	Cumulative Balance of Replacement/Renewal Levies	-			0.0%	-	-	-	-	3,110,016
12.010	*Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations*	8,475,089	8,862,809	8,626,056	1.0%	9,087,720	9,229,137	9,073,403	7,413,964	5,102,981

Big Walnut Local School District

Delaware County

Schedule of Revenues, Expenditures and Changes in Fund Balances
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Forecasted Fiscal Years Ending June 30, 2017 Through 2021

		Actual				Forecasted				
		Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Average Change	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
	Revenue from New Levies									
13.010	Income Tax - New				0.0%	-	-	-	-	-
13.020	Property Tax - New				0.0%	-	-	-	-	-
13.030	Cumulative Balance of New Levies	-	-	-	0.0%	-	-	-	-	-
14.010	Revenue from Future State Advancements				0.0%	-	-	-	-	-
15.010	*Unreserved Fund Balance June 30*	8,475,089	8,862,809	8,626,056	1.0%	9,087,720	9,229,137	9,073,403	7,413,964	5,102,981

Big Walnut Local School District –Delaware County
Notes to the Five Year Forecast
General Fund Only

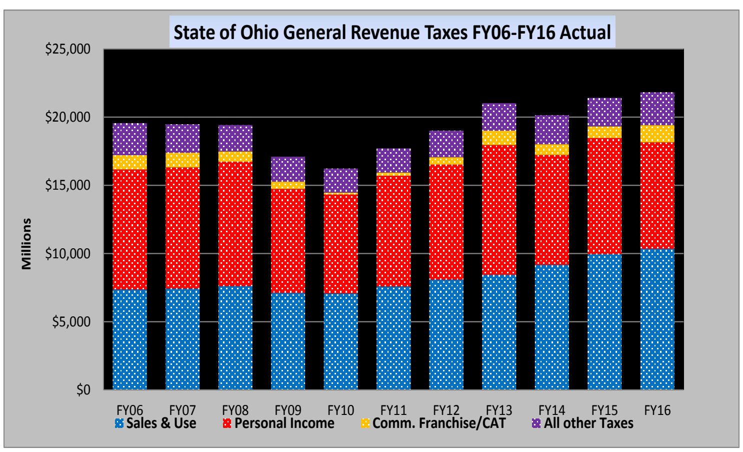
Introduction to the Five Year Forecast

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 2017 (July 1, 2016 through June 30, 2017) is the first year of the five year forecast and is considered the baseline year. Our forecast is being updated to reflect the most current economic data for the October 2016 filing.

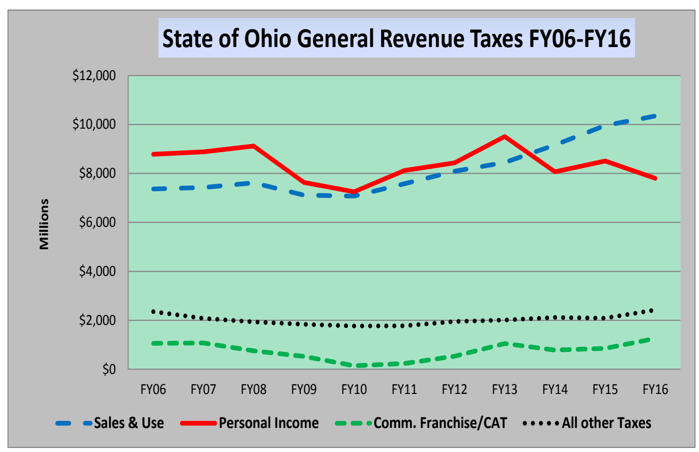
Economic Environment Affecting Forecast Variables –State Economy

It is important in long range forecasting to consider the economic climate in which projections of revenues are made. Below is significant statewide economic data which suggests that the economy for the FY17-21 period is growing moderately and should continue during the forecast period. It is important for our school district to consider the statewide economic data for two very important reasons. First, our state funding is directly affected by state revenue collections and the health of the state budget. The effects of the 2008 recession on the economy at the state level created a budget deficit which required the State of Ohio to make nearly $8 billion in reductions in the FY12-FY13 state biennium budget which translated into flat funding and/or funding reductions for nearly every school district in Ohio. Second, the same economic forces driving state tax revenues are also likely affecting the underlying economics of most communities in Ohio, which directly impacts the ability to collect local tax revenue. Generally speaking, local school district economic viability is tied to the same fundamental economics that drive the state's economic viability.

The graphs below note that the State of Ohio revenues through FY16 have recovered and are at record levels in spite a personal income tax reduction in FY15 and FY16. The two significant contributors to the economic recovery continue to be personal income taxes and sales and use taxes. The decline in personal income tax in FY15 and FY16 is misleading. The declines are due to HB59's across-the-board reductions in income and corporate franchise tax rates which began in FY14. Reductions in FY16 personal income tax is due to an additional 6.3% reduction as authorized by HB64. Not withstanding these reductions income tax would have grown steadily through FY16. Baring further legislative cuts personal income tax will continue to grow.

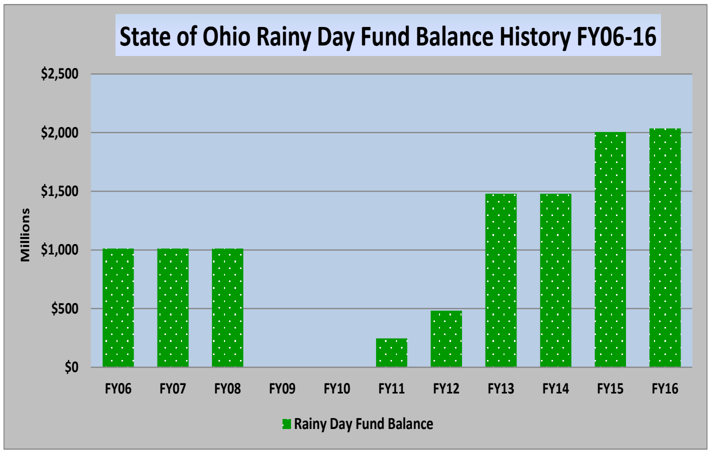


Source: Ohio Legislative Service Commission

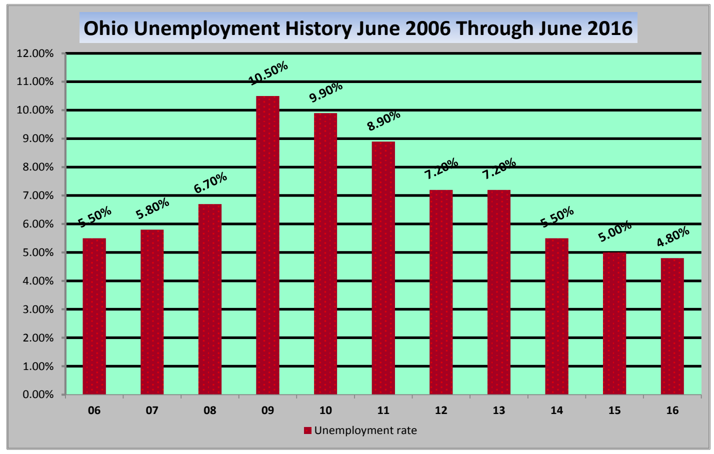


Source: Ohio Legislative Service Commission

The recovery of the labor market which began in 2010 continues in 2015 as noted in both personal income tax and sales tax collections. The above State revenue is a clear indication that the economy has recovered and that there is economic growth in our state. Another indication that the state of Ohio has achieved solid footing economically is the accumulation of reserves in the State Rainy Day Fund (RDF). The graph below shows the ten-year history of the Rainy Day Fund balance. The recession depleted the RDF in FY09. FY11 began the recovery of the economy and enabled the state to contribute excess revenues to the RDF. As noted, the RDF balance in FY16 has reached an all time record high deposit of $2.034 billion thanks to a higher statutory balance allowed by HB64. This cushion should continue to help ensure that funding for schools approved in the recent state biennium budget HB64 will be met through FY17and could be continued into the future even if a brief pull back in the economy occurs as some economist project for late 2017 or 2018.



Source: Ohio Legislative Service Commission

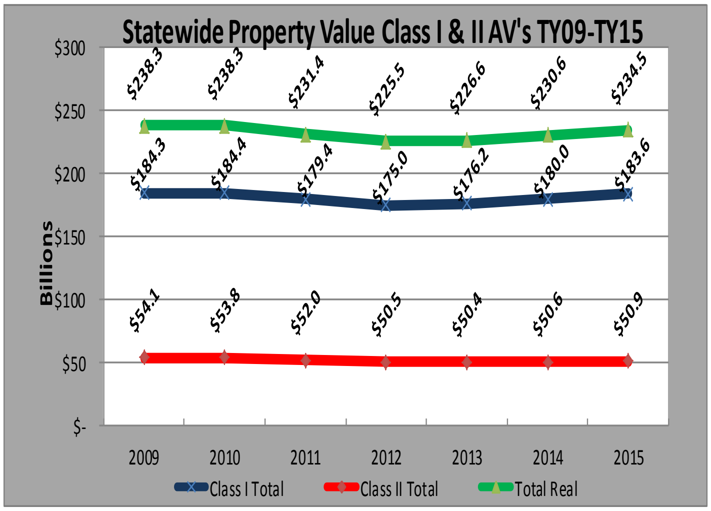


Source: U.S. Bureau of Labor Market Information

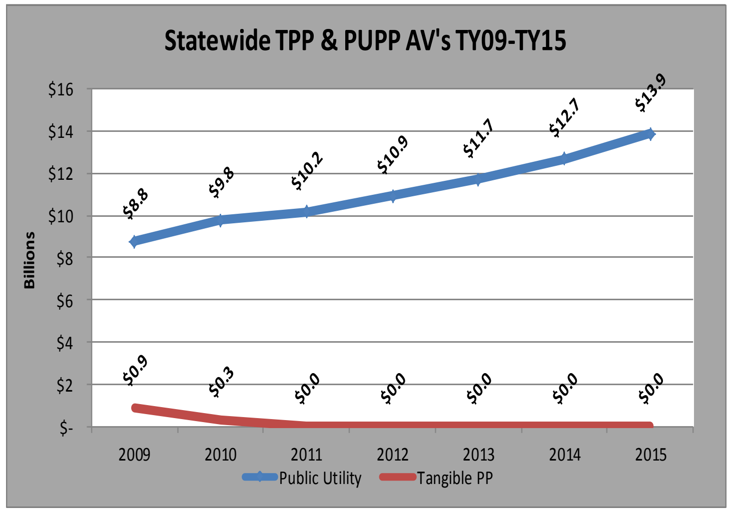
The state of Ohio's unemployment rate hit 4.8% the end of June 2016. The last time it was at this level was in October 2001. Over the past 12 months ended May 2016 the unemployment rate dropped .2% as 27,600 new jobs were created. This is a significant measure to monitor for continued economic growth and viability. As noted above, personal income taxes and sales tax are highly correlated and have been the two major drivers of the recent recovery. As of July 2016, the unemployment rate in Delaware County was 3.4% which is below the 4.8% state average.

For school districts, a final piece of economic data which is highly relevant is the value of real property. In the 2015 Tax Year, 24 of Ohio's 88 counties went through 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 2015 Class 1 values rose by $3.58 billion or 1.99% statewide, while Class 2 property increased for the second time since 2009 by $270.0 million or .54% statewide. Home values for the 12 month period ending in June 2016 were up statewide by 3.5%. Clearly property values have stabilized and should begin to rise at varying levels across the state.

The final category of property is Public Utility Personal Property (PUPP) values. The graph on the following page shows that Tangible Personal Property (TPP) was eliminated for all categories of TPP in tax year 2011 by HB66, which became effective July 1, 2005. PUPP values on the other hand continued to grow throughout the Great Recession and into Tax Year 2015due in part to continued new construction, reinvestment in aging infrastructure due to historic low interest rates and development of natural gas and petroleum transmission lines across the state. PUPP values are of higher value as they are taxed at the full gross tax rate. PUPP values grew $1.2 billion or 9.5% statewide in Tax Year 2015.

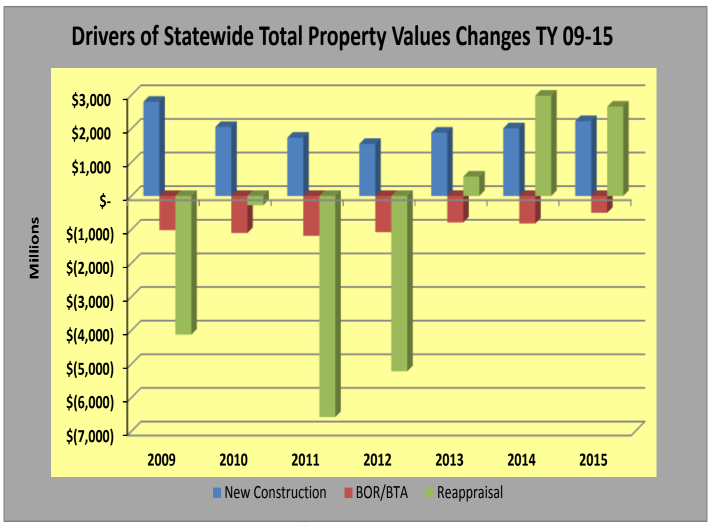


Source: Ohio Department of Taxation



Source: Ohio Department of Taxation

The graph below sums up the main drivers of real property value changes across the state for Tax Year 2009 through 2015. The changes noted below are for Class 1 and 2 property values. Note that new construction is picking up, reappraisal and update values have moved from negative to positive for the last three tax years and Board of Revision/Board of Tax appeals property value changes are trending down from record levels from 2009 through 2012.



Source: Ohio Department of Taxation

Overall, the trends indicate the economy of the state is stable and growing. This should provide a stable basis for which to make projections of state revenues to the district as noted in HB64 through FY17 and continuing through FY21 in future state budgets. The improving labor market is also providing for steady property tax collections in this forecast by: 1) increasing or stabilizing property values; 2) increasing current property tax collections; and, 3) increasing prior delinquent tax collections.

<u>Forecast Risks and Uncertainty:</u>

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 12% 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 district's 6.05 mill substitute emergency levy was passed in November 2015 and will expire on December 31, 2020. The renewal of this levy is necessary to keep the district financially healthy long term.

3) The State Budget represented nearly 24% of district revenues in FY17. 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 FY21 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 FY21.

4) 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.

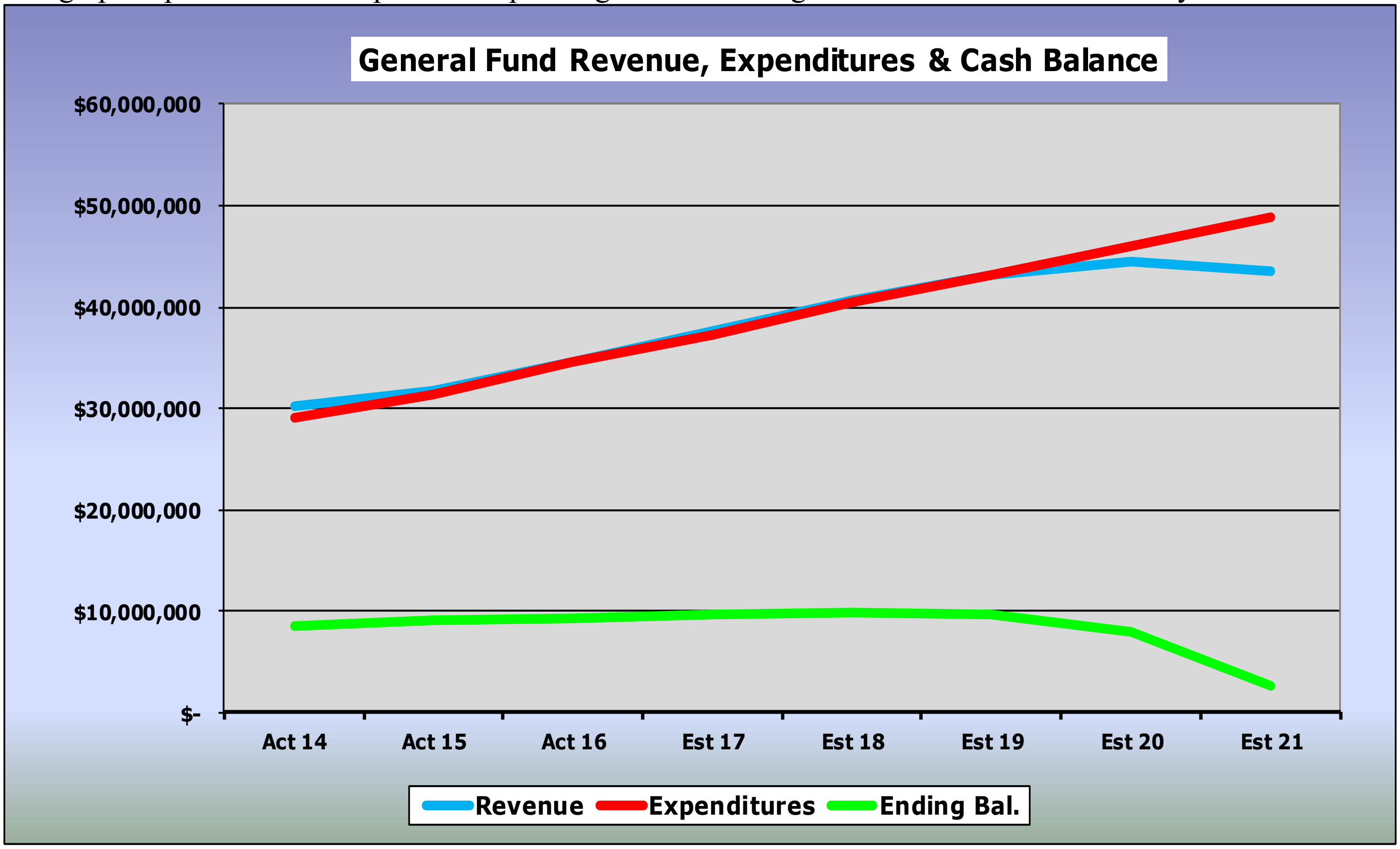
5) The enrollment reporting for the state is very difficult to track. Now that there are three different reporting periods and with the district growth the district has received many adjustments from previous years. This is another area that we must monitor very closely especially with the increased enrollment that we are expecting from the new housing developments.

6) 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.

7) 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.

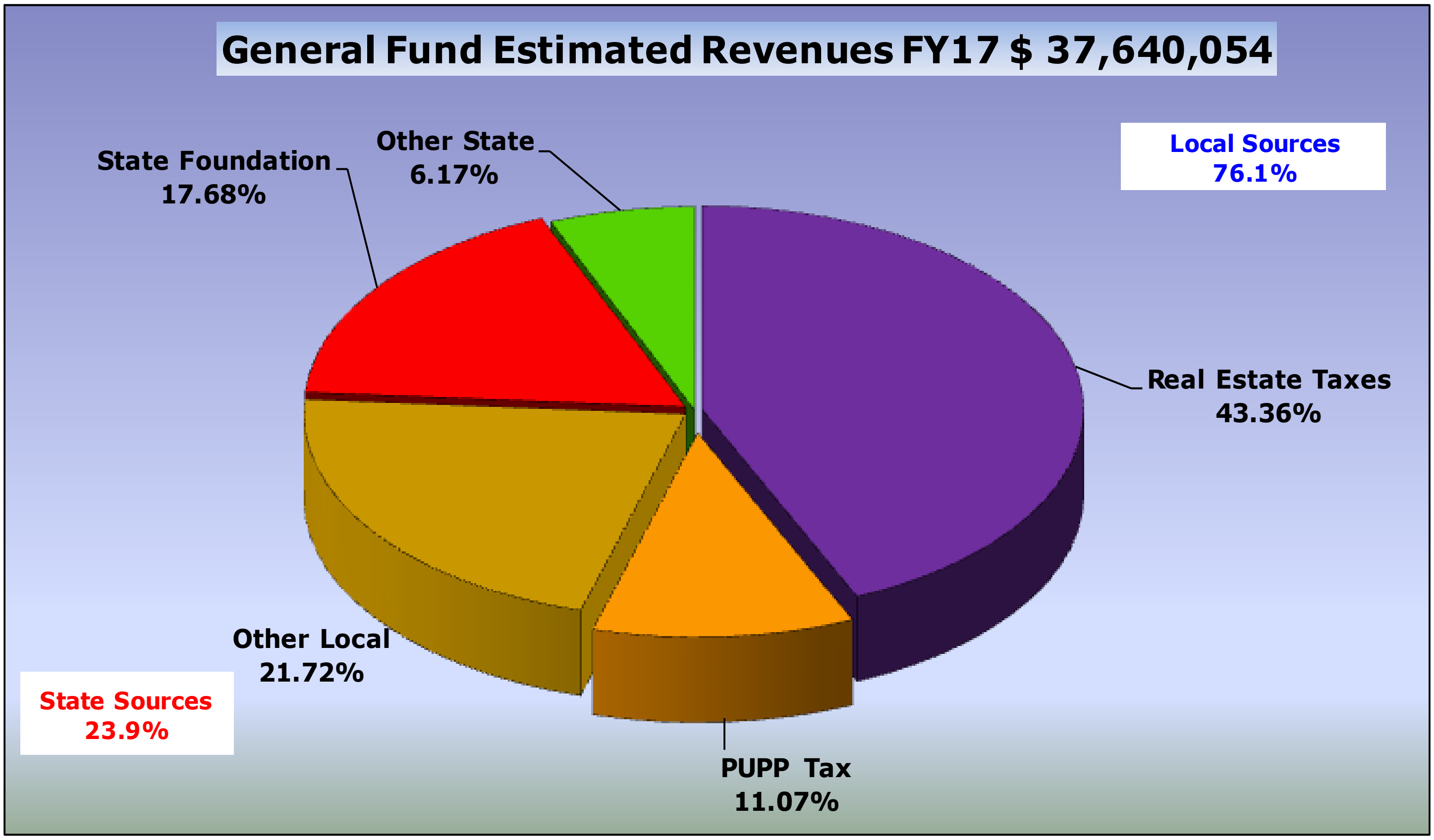
The major lines of reference for the forecast are noted below in the headings to make it easier to relate the assumptions made for the forecast item and refer back to the forecast. It should be of assistance to the reader to review the assumptions noted below in understanding the overall financial forecast 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 FY14-16 and Estimated FY17-21
The graph captures in one snapshot the operating scenario facing the district over the next few years.



Revenue Assumptions

All Revenue Sources General Fund FY17



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 Class I 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 Class II commercial/industrial values. In 2017 our district will undergo a reappraisal for collection in 2018. Based on estimates that we have received from the Delaware County Auditor we are estimating a 12% increase in Class I values for reappraisals and a 2% increase in Class II values for reappraisal. There is some discussion that CAUV property may see some decrease in the next reappraisal, however the information from the county auditor is not showing any decrease in this area at this time. CAUV makes up approximately 8% of the total Class I values in the Big Walnut District.

The last year of the forecast the district will be in the valuation update year. The district is estimating a 5% increase of values for Class I and a 2% increase in Class II for this update.

The growth of new construction for homes will increase the districts valuations each year between the update in 2014 and reappraisal in 2017. With the growth in the district we are anticipating that we will be at the 20 mill floor for the tax rates to be collected in 2017. When values increase reduction factors are increased and House Bill 920 decreases effective tax rates so the district tax revenues are held harmless, until the effective millage is lowered to 20 mills. No district can collect less than 20 mills if the district voted millage is greater than 20 mills. Only the Class I rates will be at the 20 mill floor with the new values. Since the district will be at the 20 mill floor the district will see some increase in the amount that is collected for taxes. 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. Until updated data is received on the new construction valuation we are using the same amount for FY19-FY21.

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

Property tax levies are estimated to be collected at 98.5% of the annual amount. 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 was $77,714,320 for collection in 2016. 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. The amount received in August was less than the February collection; we will continue to monitor these amounts with the collection next year and the amount for values that are being provided for taxing purposes.

The district has received information from the Delaware County Auditor that there will be new construction in 2016 for collection in 2017 of $5,431,320 the district has increased the amounts within the forecast with this information. The district has also received information from the Delaware County Auditor that part of the new construction for the outlet mall was included in tax year 2016 and the remainder will be included in tax year 2017 and we have used that amount as an estimate in the values for Class II property, keeping in mind that this increased amount is part of the 10/75 TIF agreement. There is currently additional new construction within the Commercial/Industrial of $600,000 of value for the remaining years 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. Based on information from the Delaware County Auditor the new construction amounts have been estimated for 2016 collect in 2017 and are less than expected from the data that the district had received from the developers. However, the amount of new construction in 2016 is more than what the district saw throughout the district in 2015. Based on updates from the county, we expect that the amounts will become what the developers had proposed in the very near future.

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 been certified by the Department of Taxation. There will not be any changes in the values for October as the new values will not be available until January.

ESTIMATED ASSESSED VALUE (AV) BY COLLECTION YEARS

Classification	Estimated TAX YEAR2016 COLLECT2017	Estimated TAX YEAR 2017 COLLECT 2018	Estimated TAX YEAR 2018 COLLECT 2019	Estimated TAX YEAR 2019 COLLECT 2020	Estimated TAX YEAR 2020 COLLECT 2021
Res./Ag.	$666,693,180	$779,966,362	$807,998,862	$836,031,362	$905,865,430
Comm./Ind.	$52,043,640	$61,072,013	$61,697,013	$62,322,013	$64,193,453
Public Utility (PUPP)	$125,742,490	$125,942,490	$126,142,490	$126,342,490	$126,542,490
Total Assessed Value	$844,479,310	$966,980,864	$995,838,364	$1,024,695,864	$1,096,601,373

ESTIMATED REAL ESTATE TAX - Line #1.010

Source	FY17	FY 18	FY 19	FY 20	FY 21
Est. Property Taxes Line #1.010	$16,319,684	$17,938,439	$19,402,771	$19,872,543	$18,583,311

Estimated Tangible Personal Tax & PUPP Taxes – Line#1.020
The phase out of TPP taxes as noted earlier began in FY06 with HB66 that was adopted in June 2005. TPP tax assessments ended in FY11. The only amounts received after FY11 are from delinquent TPP taxes outstanding as of 2010.

Amounts noted below are public utility personal property (PUPP) tax payments from public utilities. The values for PUPP are noted on the table above under P.U. Personal, which were $116.8 million in assessed values in 2015 and are collected at the district's gross voted millage rate. Collections are typically 50% in February and 50% in August along with the real estate settlements from the county auditor.

ESTIMATED PUBLIC UTILITY PERSONAL TAX – Line 1.020

Source	FY17	FY 18	FY 19	FY 20	FY 21
Public Utility Personal Property Taxes	$4,167,617	$4,337,673	$4,311,251	$4,288,860	$3,949,892
Est. PUPP Taxes Line 1.020	$4,167,617	$4,337,673	$4,311,251	$4,288,860	$3,949,892

Renewal Tax Levies – Line #11.020 – The Substitute Emergency Levy will need to be renewed in 2020 for collection in 2021. The amount of the renewal is deducted from Lines 1.010 and 1.020 as a district cannot include any tax dollars that are not approved by the voters of a district.

Source	FY17	FY 18	FY 19	FY 20	FY 21
Renew Substitute Emergency Levy	$0	$0	$0	$0	$3,110,016
Total Line # 11.020	$0	$0	$0	$0	$3,110,016

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, an additional 4.18% increase from FY 14 to FY15 and an increase from FY15 to FY16 of 7.48%. As we project forward we will assume for FY17 through FY21 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 district has received increases that have out-paced these estimates in the past three years.

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 5%. 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	FY17	FY18	FY19	FY20	FY21
Based on New Construction	155,745	230,580	235,800	224,588	238,158

The total Income Tax collection is estimated for the forecast, which include the new construction amounts from the chart above. The district received an additional amount of $230,555 in the July payment that is included in the FY17 amount. Included in this amount are the tax return settlements for April 2016.

Source	FY17	FY 18	FY 19	FY 20	FY 21
SDIT Collection	$6,016,216	$6,703,327	$7,269,074	$7,868,327	$8,486,332
Adjustments	$687,111	$565,746	$599,254	$618,004	$648,905
Total to Line #1.030	$6,703,327	$7,269,074	$7,868,327	$8,486,332	$9,135,236

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

A) Unrestricted State Foundation Revenue & Casino Revenue– Line #1.035

The amounts estimated for FY17 for state funding is based on funding component computations from the most recent September 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 CAP district regarding state funding in FY17. Our state funding status for FY18-21 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 third (3rd) 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 FY17-21. Currently, there are still changes being made to the above variables as well as changes that could result once ODE finalizes the calculations from FY16, which is not expected until late February 2017. 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 FY16 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 district is estimating a 3% increase each year of the forecast for the CAP. The following table shows the differences between the Formula aid and the CAP aid that could be paid to the district.

Description	Act. FY15	Act. FY16	Est. FY17	Est. FY18	Est. FY19	Est. FY20	Est. FY21
Calculated Funding	6,050,666	6,420,375	6,880,581	7,054,723	7,326,163	7,634,910	8,041,984
CAP Limit	5,277,723	5,673,552	6,095,798	6,278,672	6,467,032	6,661,043	6,860,874
Difference	772,944	746,823	784,783	776,051	859,131	973,867	1,181,110

Beginning in FY16 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 district is receiving payments based on data from June 2016. 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 FY21 based upon the enrollment report from Future Think 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.

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. Actual numbers generated for FY16 statewide were 1,792,947 students at $51.34 per pupil. For FY17-20 we estimated another 3 tenths of 1% decline in pupils to 1,789,000 and GCR increasing to $93 million or $51.91 per pupil. We will increase estimates for future years when actual casino revenues show signs of stronger increases.

Source	FY17	FY 18	FY 19	FY 20	FY 21
Basic Aid-Unrestricted	$6,236,423	$6,549,685	$6,738,300	$6,932,569	$7,132,661
Additional Aid Items	$217,795	$217,795	$217,795	$217,795	$217,795
Basic Aid-Unrestricted Subtotal	$6,454,218	$6,767,480	$6,956,095	$7,150,364	$7,350,456
Ohio Casino Commission ODT	$181,070	$185,946	$194,247	$203,585	$212,924
Total Line # 1.035	$6,635,288	$6,953,426	$7,150,342	$7,353,950	$7,563,380

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 FY17-21.

Source	FY17	FY 18	FY 19	FY 20	FY 21
Economically Disadvantage Aid	$16,673	$16,839	$17,008	$17,178	$17,350
Career Tech - Restricted	$2,924	$2,954	$2,983	$3,013	$3,043
Total Line #1.040	$19,597	$19,793	$19,991	$20,191	$20,393

Restricted Federal Grants in Aid – line #1.045

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

Summary of State Foundation Revenues

SUMMARY	FY17	FY 18	FY 19	FY 20	FY 21
Unrestricted Line # 1.035	$6,635,288	$6,953,426	$7,150,342	$7,353,950	$7,563,380
Restricted Line # 1.040	$19,597	$19,793	$19,991	$20,191	$20,393
Restricted Fed. Grants - Line #1.045	$0	$0	$0	$0	$0
Total State Foundation Revenue	$6,654,884	$6,973,219	$7,170,333	$7,374,140	$7,583,772

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 lose 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

Source	FY17	FY 18	FY 19	FY 20	FY 21
a) Rollback and Homestead	$2,323,030	$2,545,076	$2,765,000	$2,837,297	$2,670,756
b) TPP Reimbursement - Fixed Rate	$0	$0	$0	$0	$0
Total Tax Reimb./Prop. Tax Allocations	$2,323,030	$2,545,076	$2,765,000	$2,837,297	$2,670,756

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.

We anticipate TIF receipts 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 September #2 foundation payment. The district has decreased the annual percentage increase from 3% to 1% to reflect the reduction in the Kindergarten tuition.

Source	FY17	FY 18	FY 19	FY 20	FY 21
TIF and PILOTS	$151,426	$152,940	$154,469	$156,014	$157,574
Tuition	$506,300	$511,363	$516,476	$521,641	$526,858
Open Enrollment	$369,924	$371,774	$373,632	$375,501	$377,378
Interest	$77,139	$77,910	$78,689	$79,476	$80,271
Class Fees	$205,819	$207,877	$209,956	$212,055	$214,176
Other Miscellaneous Receipts	$160,905	$162,514	$164,139	$165,780	$167,438
Total Line # 1.060	$1,471,512	$1,484,377	$1,497,362	$1,510,468	$1,523,695

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. The district does not anticipate any Transfers or Advances during the remainder of the forecast.

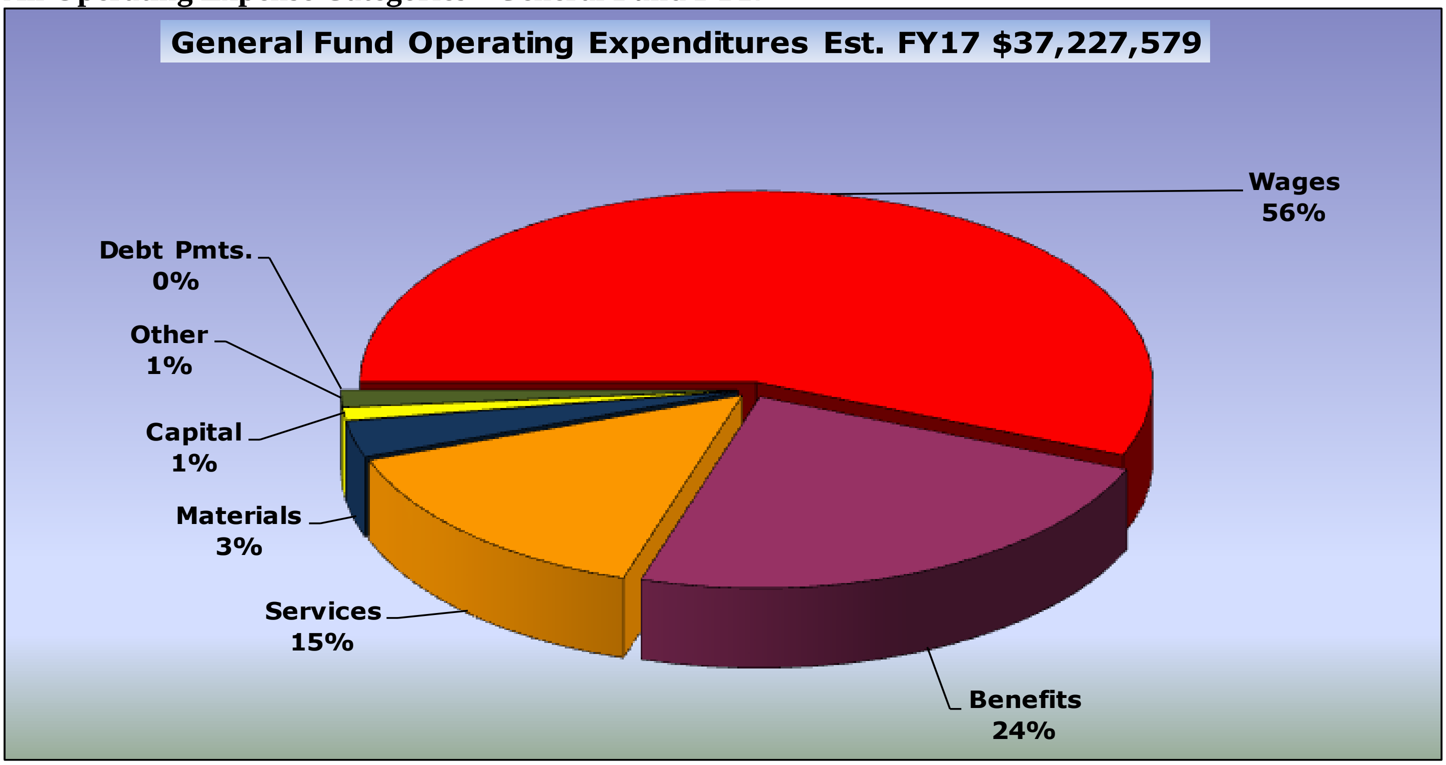
All Other Financial Sources – Line #2.060
This funding source is typically a refund of prior year expenditures that are very unpredictable. Previous years included Worker's Compensation and School Employees Retirement Refund; the district does not expect to receive any of these refunds in the remainder of the forecast and are estimating the final amount to not increase during the forecast.

Source	FY17	FY 18	FY 19	FY 20	FY 21
All Other Sources	$60,317	$60,317	$60,317	$60,317	$60,317

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 FY17



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 28.275 for FY17, 16 in FY18 and 10 in FY19 & FY20 and 6 in FY21. 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 FY19 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 2.4% instead of 2.31% and that increase has been included for each year of the contract. The changes in the salaries for new staff and reduction of those that left is less than the actual amount of the contracts so the district is increasing the salary amount to equal the actual amount for staff contracts in FY17. 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. The district has decreased the amount for severance pay to $50,000 each year of the forecast as there are not as many retirements projected.

Summary of Personal Services – Line #3.010

Source	FY17	FY 18	FY 19	FY 20	FY 21
Base Wages	$17,456,634	$19,787,432	$21,451,990	$22,839,432	$24,229,784
Wage adjustments	$349,133	$395,749	$429,040	$456,789	$484,596
Steps & Training	$418,959	$474,898	$514,848	$548,146	$581,515
Growth/Replacement staff	$1,107,597	$854,710	$552,300	$507,149	$383,414
Other	$442,232	$0	$0	$0	$0
Salary In Lieu of Insurance	$226,085	$248,694	$273,563	$300,919	$331,011
Substututes & Supplemental	$913,713	$941,124	$969,358	$998,439	$1,028,392
Severance	$50,000	$50,000	$50,000	$50,000	$50,000
Staff Reductions	-$37,754	-$112,443	-$161,423	-$175,463	-$178,972
Total Wages Line 3.010	$20,926,598	$22,640,163	$24,079,675	$25,525,411	$26,909,739

Fringe Benefits Estimates – Line #3.020

A) STRS/SERS will increase as Wages Increase

As required by law the BOE pays 14% of all employee wages to STRS or SERS. The district has changed the way it is calculating the retirement for the employees that receive Pick-up on Pick-up. Instead of blending the percentage for all employees they are calculating the rate for those employees and for the employees that do not receive that benefit.

B) 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. For FY17 the district has received the increase of 8.90% and FY18-FY21 we are anticipating a 10% increase 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.

Patient Protection and Affordable Care Act (PPACA) Costs- the **Patient Protection and Affordable Care Act** (**PPACA**) commonly called 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 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. The district insurance committee looked at options in order to avoid the "Cadillac Tax". It was determined that offering second plan as an option to staff that has a lower premium plan could aid in detaining the Cadillac Tax. The insurance committee is working with bargaining units to try to get a second plan option accepted (voted) into the contracts. If this option is not accepted by the bargaining units, the committee will need to continue search for other options in order to avoid payment of Cadillac Tax.

C) 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 for Unemployment, therefore, is not forecasting any expenditure during the forecast 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.

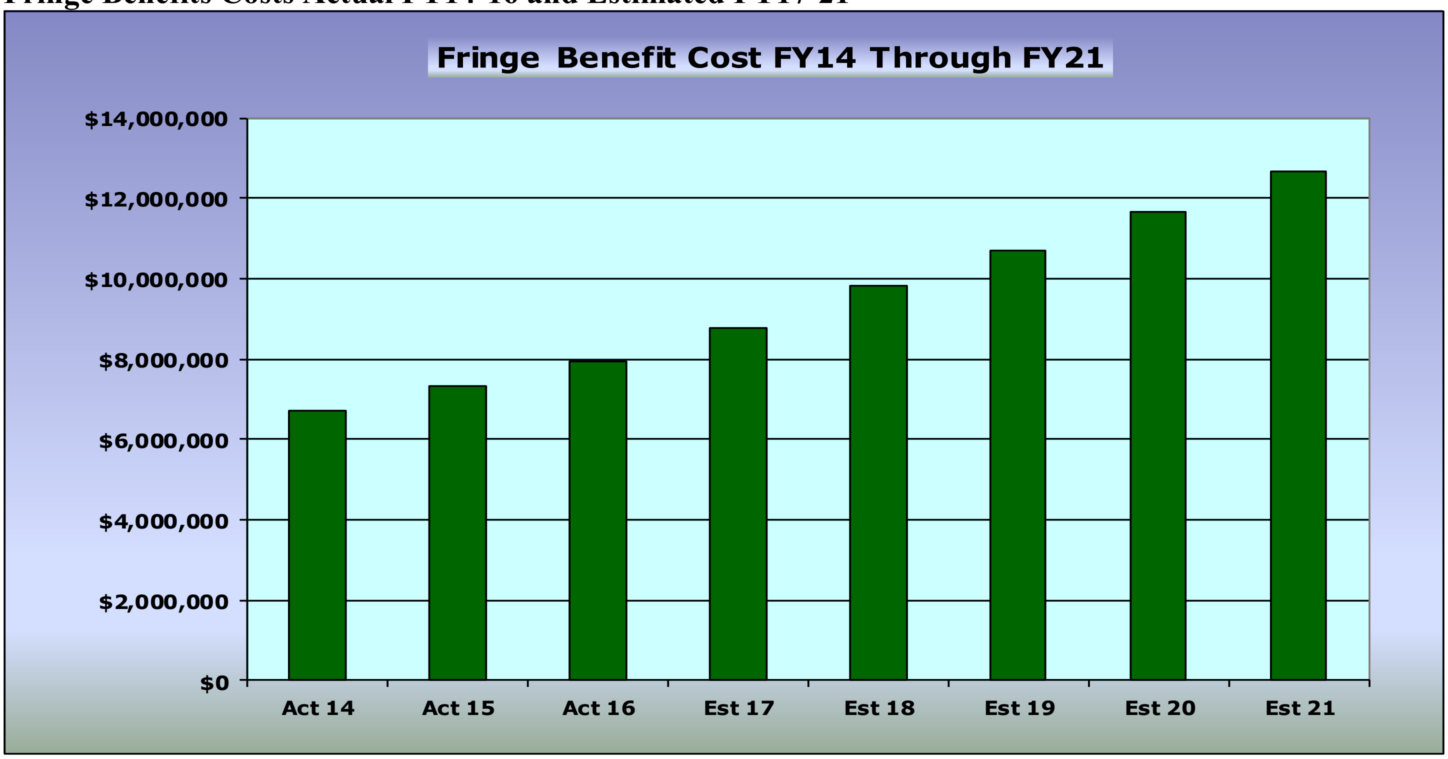
D) Medicare

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

Summary of Fringe Benefits – Line #3.020

Source	FY17	FY 18	FY 19	FY 20	FY 21
STRS/SERS	$3,208,897	$3,515,139	$3,720,935	$3,927,410	$4,125,063
Insurance's	$5,168,705	$5,863,720	$6,543,903	$7,277,898	$8,054,753
Workers Comp/Unemployment	$65,166	$66,469	$67,798	$69,154	$70,538
Medicare	$314,972	$335,196	$350,729	$370,589	$388,581
Tuition and Other Benefits	$36,946	$36,946	$36,946	$36,946	$36,946
Total Line 3.020	$8,794,687	$9,817,470	$10,720,312	$11,681,996	$12,675,880

Fringe Benefits Costs Actual FY14-16 and Estimated FY17-21



Purchased Services – Line #3.030

An overall average inflation of 2% is being estimated for this category. 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 September #2 Foundation Payment for this amount is FY17.

The district decreased the percentage of increase in the utilities from 5% to 3% based on the amount that the district paid in FY16. Even though the amount of utilities from FY15 to FY16 decreased the winter was not as cold as in previous years and contributed to the district savings in costs. The district is increasing the Building Repairs and Services in FY17 in order to handle any additional repairs that might arise. There is also and increase of $75,000 in Professional services in FY17 incase the district has any additional special education needs.

Summary of Purchased Services – Line #3.030

Source	FY17	FY 18	FY 19	FY 20	FY 21
Insurance, Leases, Postage, & Other	$835,796	$1,192,512	$1,476,363	$1,785,890	$2,101,608
Professional Services, Legal Fees & ESC	$2,218,716	$2,261,590	$2,305,322	$2,349,928	$2,395,427
Tuition, SF14, PSEO & Excess Costs	$615,545	$627,855	$640,412	$653,221	$666,285
Community School Deductions	$510,613	$520,825	$531,242	$541,867	$552,704
Phone and Internet Services	$75,536	$77,047	$78,588	$80,160	$81,763
Utilities	$619,466	$638,050	$657,191	$676,907	$697,214
Building Repairs & Services	$575,036	$582,536	$590,187	$597,991	$605,951
Total Line 3.030	$5,450,707	$5,900,416	$6,279,305	$6,685,963	$7,100,951

Supplies and Materials – Line #3.040
An overall inflation of 2.5% 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 in FY17 in order to handle the growth of students.

Source	FY17	FY 18	FY 19	FY 20	FY 21
Supplies, Textbooks, and other	$683,242	$696,907	$710,845	$725,062	$739,563
Maintenance & Transportation Supplies	$444,064	$457,386	$471,107	$485,241	$499,798
Total Line 3.040	$1,127,306	$1,154,293	$1,181,953	$1,210,303	$1,239,361

Equipment – Line # 3.050
The district is developing a capital projects budget to replenish and refresh other assets such as roofing, asphalt, computers, desks and chairs. In FY17 the district is forecasting Capital Outlay for additional science labs and teacher and student computers and in FY18 – FY21 a minimum amount is being used for the updating of equipment. The district has removed the amount of bus replacements from Equipment to leases in order to keep up with the growth in a timelier manner.

Source	FY17	FY 18	FY 19	FY 20	FY 21
Capital Outlay	$112,000	$100,000	$125,000	$125,000	$125,000
Technology	$100,000	$150,000	$175,000	$175,000	$175,000
Faciltiy Upkeep	$188,000	$150,000	$100,000	$100,000	$100,000
Replacement Bus Purchases	$0	$0	$0	$0	$0
Total Line 3.050	$400,000	$400,000	$400,000	$400,000	$400,000

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 uses an average increase of 2.5% for the annual increase for this area.

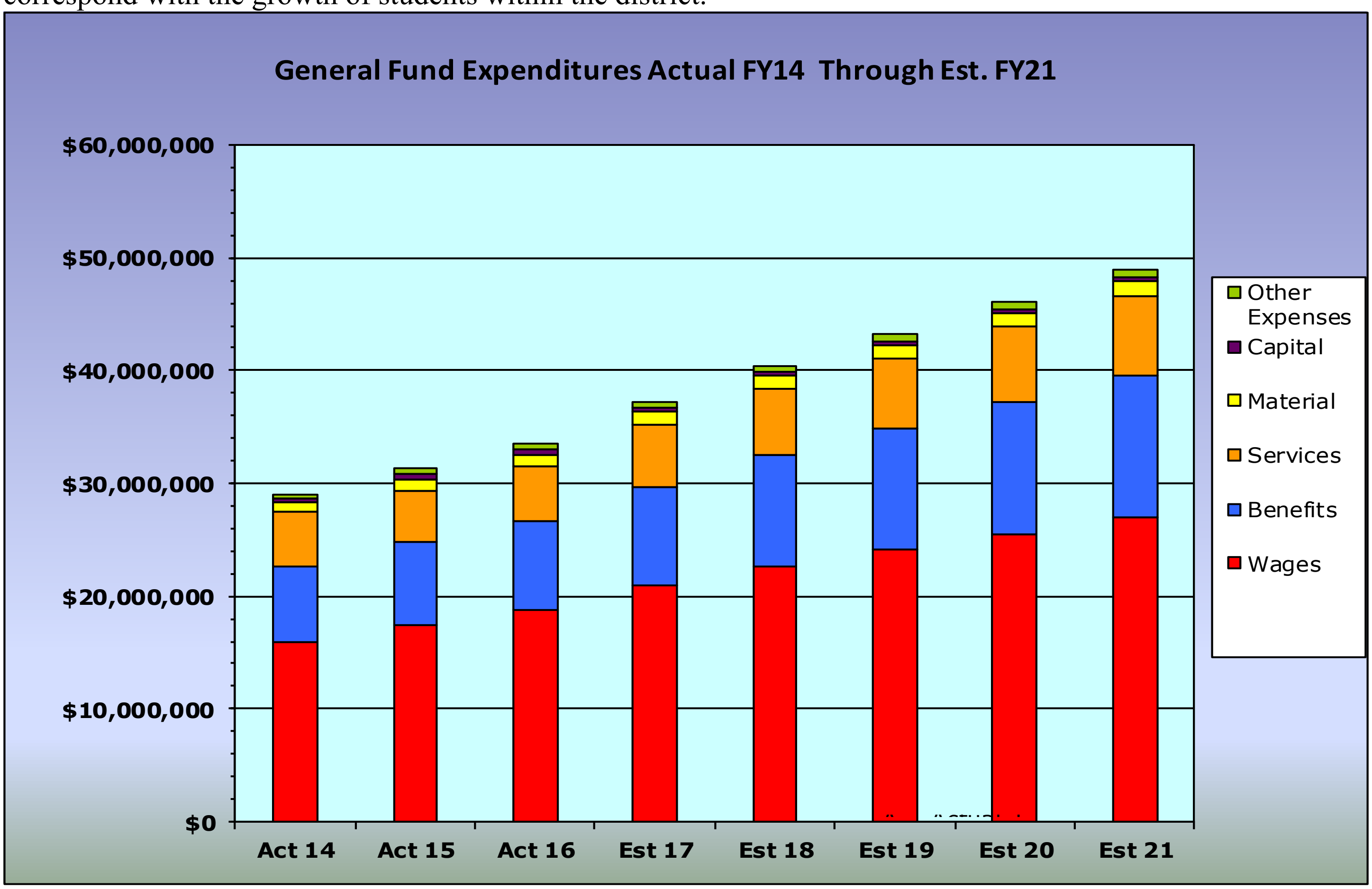
Source	FY17	FY 18	FY 19	FY 20	FY 21
Auditor & Treasurer Fees	$328,933	$338,801	$348,965	$359,433	$370,216
County ESC	$20,983	$21,403	$21,831	$22,268	$22,713
SDIT Tax Collection Fees	$92,950	$95,739	$98,611	$101,569	$104,616
Other expenses	$85,415	$87,123	$88,866	$90,643	$92,456
Total Line 4.300	$528,281	$543,066	$558,272	$573,913	$590,002

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 is not expecting any future transfers or advances.

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.

Source	FY17	FY 18	FY 19	FY 20	FY 21
Estimated Encumbrances	$567,531	$578,882	$590,459	$602,269	$614,314

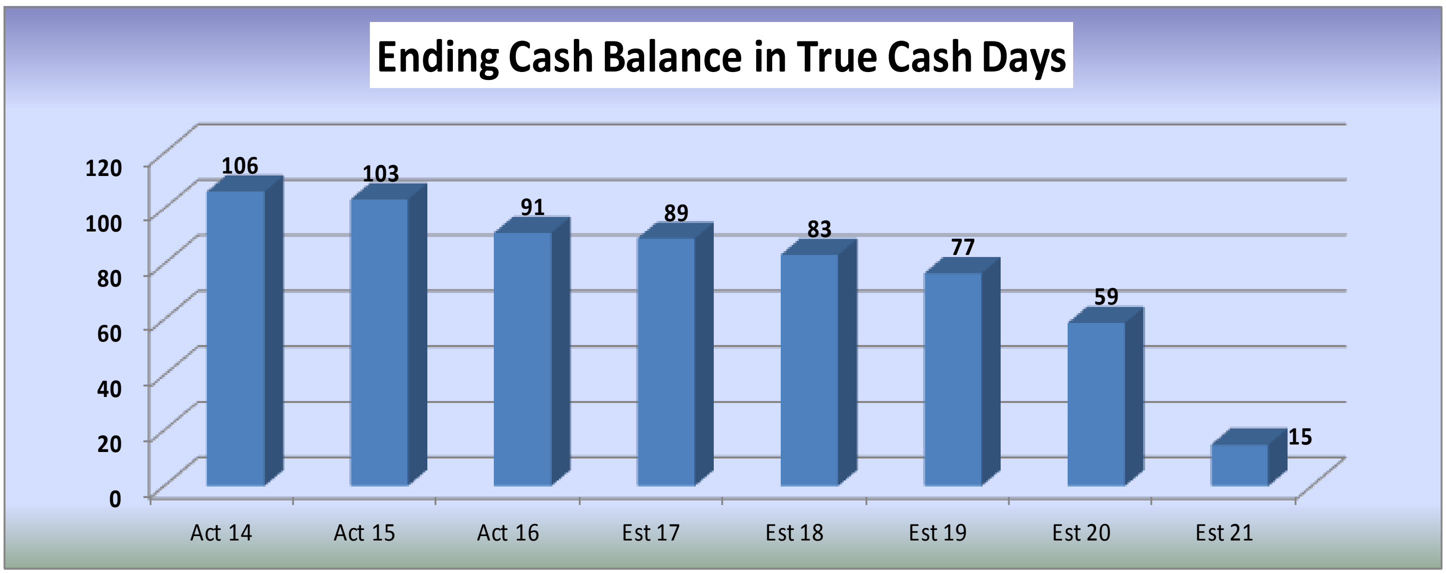
Operating Expenditures Actual FY14 through FY16 and Estimated FY17-FY21. As the graph below indicates the largest expenditure for the district is that of staffing. These expenditures are growing at rates that correspond with the growth of students within the district.



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.

Source	FY17	FY 18	FY 19	FY 20	FY 21
Ending Cash Balance	$9,087,720	$9,229,137	$9,073,403	$7,413,964	$5,102,981

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. True Cash Days do not include the renewal of the Substitute Emergency Levy.



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% 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 FY17-FY21.

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.