CINCINNATI CITY SCHOOL DISTRICT-HAMILTON COUNTY

SCHEDULE OF REVENUES, 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

Forecast Provided By
Cincinnati City School District
Treasurer's Office
Jennifer M. Wagner, Treasurer/CFO
May 23, 2016

Cincinnati Public City

Hamilton County

Attachment #1

Schedule of Revenues, 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

		Actual				Forecasted				
		Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Average Change	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020
	Revenues									
1.010	General Property Tax (Real Estate)	225,811,879	228,992,222	224,078,567	-0.4%	230,708,316	228,439,117	229,446,323	208,114,145	188,826,839
1.020	Tangible Personal Property	21,380,132	23,821,094	26,294,459	10.9%	28,577,303	28,223,075	28,458,609	26,807,175	25,168,688
1.030	Income Tax	-	-	-	0.0%	$0	$0	-	-	-
1.035	Unrestricted State Grants-in-Aid	146,130,296	147,416,397	153,470,415	2.5%	159,978,883	165,481,643	168,589,760	171,125,336	173,757,613
1.040	Restricted State Grants-in-Aid	1,476,408	9,922,508	19,655,078	335.1%	27,983,739	28,248,153	28,515,212	28,784,941	29,057,367
1.045	Restricted Fed. SFSF Fd. 532 /Ed Jobs Fd.504 FY12	0	0	-	0.0%	$0	$0	-	-	-
1.050	Property Tax Allocation	35,681,580	36,995,366	37,704,872	2.8%	29,060,543	27,473,713	26,698,604	23,591,859	20,454,978
1.060	All Other Revenues	13,360,502	17,535,156	24,932,878	36.7%	30,464,271	20,668,887	20,673,549	20,678,258	20,683,014
1.070	*Total Revenues*	443,840,797	464,682,743	486,136,269	4.7%	506,773,056	498,534,587	502,382,056	479,101,713	457,948,499
	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	-	10,677,804	0	0.0%	-	-	-	-	-
2.050	Advances-In	12,025,488	23,764,764	26,182,275	53.9%	17,288,115	10,500,000	10,500,000	10,500,000	10,500,000
2.060	All Other Financing Sources	3,706,961	1,991,514	1,242,097	-42.0%	3,532,800	3,500,000	3,500,000	3,500,000	3,500,000
2.070	*Total Other Financing Sources*	15,732,449	36,434,082	27,424,372	53.4%	20,820,915	14,000,000	14,000,000	14,000,000	14,000,000
2.080	*Total Revenues and Other Financing Sources*	459,573,246	501,116,825	513,560,641	5.8%	527,593,971	512,534,587	516,382,056	493,101,713	471,948,499
	Expenditures									
3.010	Personal Services	172,309,504	191,538,663	216,950,183	12.2%	$92,389,792	$98,577,228	$100,548,773	$102,559,748	$104,610,943
3.020	Employees' Retirement/Insurance Benefits	64,744,399	74,185,232	70,056,843	4.5%	28,631,597	33,566,801	34,933,859	36,529,809	38,220,541
3.030	Purchased Services	152,545,506	163,134,420	171,529,900	6.0%	180,841,157	182,144,178	189,241,771	196,650,575	204,384,841
3.040	Supplies and Materials	4,062,817	4,059,275	6,035,331	24.3%	6,861,787	8,854,836	9,043,057	9,235,599	9,432,576
3.050	Capital Outlay	4,457,931	4,147,763	6,273,870	22.2%	3,714,000	2,890,820	3,035,361	3,187,129	3,346,486
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 Advances	-	-	-	0.0%	-	-	-	-	-
4.050	Principal-HB 264 Loans	1,701,072	-	2,671,072	0.0%	3,176,072	3,235,072	3,235,072	3,235,072	3,235,072
4.055	Principal-Other	4,325,000	-	4,620,000	0.0%	4,820,000	5,060,000	5,060,000	5,060,000	5,060,000
4.060	Interest and Fiscal Charges	5,445,461	-	7,471,206	0.0%	7,471,296	8,090,709	8,090,709	8,090,709	8,090,709
4.300	Other Objects	4,876,613	6,443,428	4,907,031	4.1%	5,731,715	6,032,821	6,032,821	6,032,821	6,032,821
4.500	*Total Expenditures*	414,468,303	443,508,781	490,515,436	8.8%	$333,637,416	348,452,465	359,221,422	370,581,462	382,413,988
	Other Financing Uses									
5.010	Operating Transfers-Out/Contingency	919,234	34,925,633	1,217,353	1801.5%	$192,834,123	$197,083,428	$209,648,663	$217,159,354	$224,948,692
5.020	Advances-Out	24,346,567	26,601,867	17,288,115	-12.9%	10,500,000	10,500,000	10,500,000	10,500,000	10,500,000
5.030	All Other Financing Uses	8,790,645	0	-1,162,230	0.0%	$0	$0	-	-	-
5.040	*Total Other Financing Uses*	34,056,446	61,527,500	17,343,238	4.4%	$203,334,123	207,583,428	220,148,663	227,659,354	235,448,692
5.050	*Total Expenditures and Other Financing Uses*	448,524,749	505,036,281	507,858,674	6.6%	$536,971,539	556,035,894	579,370,085	598,240,815	617,862,680
6.010	*Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses*	11,048,497	(3,919,456)	5,701,967	-190.5%	(9,377,567)	(43,501,306)	(62,988,029)	(105,139,102)	(145,914,181)
					0.0%					
7.010	Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	45,850,130	56,898,627	52,979,171	8.6%	58,681,138	49,303,571	5,802,265	(57,185,764)	(162,324,866)
7.020	*Cash Balance June 30*	56,898,627	52,979,171	58,681,138	1.9%	49,303,571	5,802,265	(57,185,764)	(162,324,866)	(308,239,047)
8.010	*Estimated Encumbrances June 30*	12,367,811	21,272,539	13,622,917	18.0%	12,500,000	12,500,000	12,500,000	12,500,000	12,500,000
	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*	44,530,816.64	31,706,632	45,058,221	6.7%	36,803,571	(6,697,735)	(69,685,764)	(174,824,866)	(320,739,047)
	Revenue from Replacement/Renewal Levies									
11.010	Income Tax - Renewal				0.0%	-	-	-	-	-
11.020	Property Tax - Renewal or Replacement				0.0%	-	-	-	26,265,000	51,500,000
11.300	Cumulative Balance of Replacement/Renewal Levies				0.0%	-	-	-	26,265,000	77,765,000
12.010	*Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations*	44,530,817	31,706,632	45,058,221	0	36,803,571	(6,697,735)	(69,685,764)	(148,559,866)	(242,974,047)
	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*	44,530,817	31,706,632	45,058,221	6.7%	36,803,571	(6,697,735)	(69,685,764)	(148,559,866)	(242,974,047)

See accompanying summary of significant forecast assumptions and accounting policies
Includes: General fund, and any portion of Debt Service fund related to General fund debt.

Cincinnati City School District –Hamilton County
Notes to the Five Year Forecast
General Fund Only
May 23, 2016

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. Our forecast is being updated to reflect the most current economic data for the May 2016 filing.

May 2016 Updates:

Revenues:

The overview of revenues show total General Fund revenues (line 1.07) are estimated to be $506,773,056, a difference of $10,272,724 or 2.1% higher than the October forecasted amount of $496,500,333. This indicates the October forecast was 97.9% accurate.

The $10.2 million increase in estimated revenue is primarily the result of additional unrestricted state aid. The October forecast estimated unrestricted state aid revenue in line 1.035 to be $149,514,551 million and the May forecast is estimating unrestricted state aid at $159,978,883 million or 7.0% higher. This is the result of fiscal year (FY) 2015 corrections of $5.3 million, which in turn resulted in an increase of $4.9 million in fiscal year (FY) 2016 state foundation funding.

All other revenue areas are tracking close to estimates.

Other Financing Sources:

The overview of Other Financing Sources shows a $3.5 million increase as a result of the unexpected receipt of E-Rate reimbursements from the Federal Government.

Expenditures:

The overview of expenditures show total General Fund expenditures (line 4.5) are estimated to be $333,637,010, a difference of $16,937,010 or 4.8% lower than the October forecasted amount of $350,574,426. This indicates the October forecast was 95.2% accurate.

- Personal services (wages and salaries) increased $1.7 million or 7% as the result of additional staff added to address additional students.
- Benefits decreased $5.0 million or 15%, which was the net result of increased staff costs and a reduction in the benefit rate charged against wages and salaries.
- Purchased serviced decreased $9,640,353 or 5.1%, which was the net result of an $11.5 million decrease in tuition paid out and a $1.8 million increase in leases. Tuition decreased because more students returned to the district and did not require tuition to another school, and leases increased because the district chose to lease technology rather than purchase it. There was a reduction in capital outlay to offset the lease increase.
- Capital outlay decreased by $3.7 million or 50.3% as a result of the district changing to leasing technology rather than purchasing.

Other Financing Uses:
The overview of other financing shows a decrease of $1.7 million reduction in contingency expenditures. These were moved to personal services and benefits to cover additional staff.

Unreserved Ending Cash Balance:
With revenues increasing $10.2 million over estimates, other financing sources increasing $3.5 million over estimates, expenditures decreasing $16.9 million below estimates, and other financing uses decreasing $1.7 million below estimates, our ending unreserved cash balance is anticipated to be just over $36.8million. However, the ending unreserved cash balance on Line 15.010 of the forecast is anticipated to be a negative ($6.7) million as of June 30, 2017, assuming our assumptions are correct.

Forecast Risks and Uncertainty:
Our financial forecast is filled with some uncertainty not only due to economic uncertainties but also differences in the interpretation regarding how provisions of HB64 are applied to the funding formula. We have estimated revenues and expenses based on our understanding of the provisions in HB64. We also have concerns regarding state legislative changes that will be happening in the spring of 2017 and 2019 due to deliberation of the next two (2) state biennium budgets for FY18-FY19 & FY20-FY21, both of which affect this five year forecast. We have estimated revenues and expenses based on the best data available to us at the time of this forecast. The items below give a short description of the current issues and how they may affect our forecast long term:

I. The Board of Education is currently considering an operating levy for the November, 2016 ballot. No decisions have been made as to the size or length of any possible levy.

II. Hamilton County will go through a complete reappraisal in the 2017 tax year to be collected in FY18. A reappraisal update occurred in tax year 2014 for collection in FY15, which increased assessed values by $59.8 million or an increase of 1.67%. In 2018 our district is expecting valuation changes to increase slightly since property values are starting to recover in our state. There is always some risk that the district could see value reduction but we do not anticipate that at this time.

III. The State Budget represents nearly 42% of district revenues, which means it is a significant area of risk to revenue. The risk comes in FY17 and beyond if the state economy worsens or if the funding formula in future state budgets reduce funding to our district. There are two future State Biennium Budgets covering the period from FY16 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.

IV. HB64 the new state budget reinstitutes the phase out of district Tangible Personal Property (TPP) reimbursements which had been promised under previous budget bills. HB64 begins the phase out in FY16 which will continue to be phased out until it is eliminated. On February 15, 2016, Senate Bill (SB) 208 became effective which amended HB 64 TPP reimbursements. We have estimated the effects of the SB 208 amendments in this forecast.

V. 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.

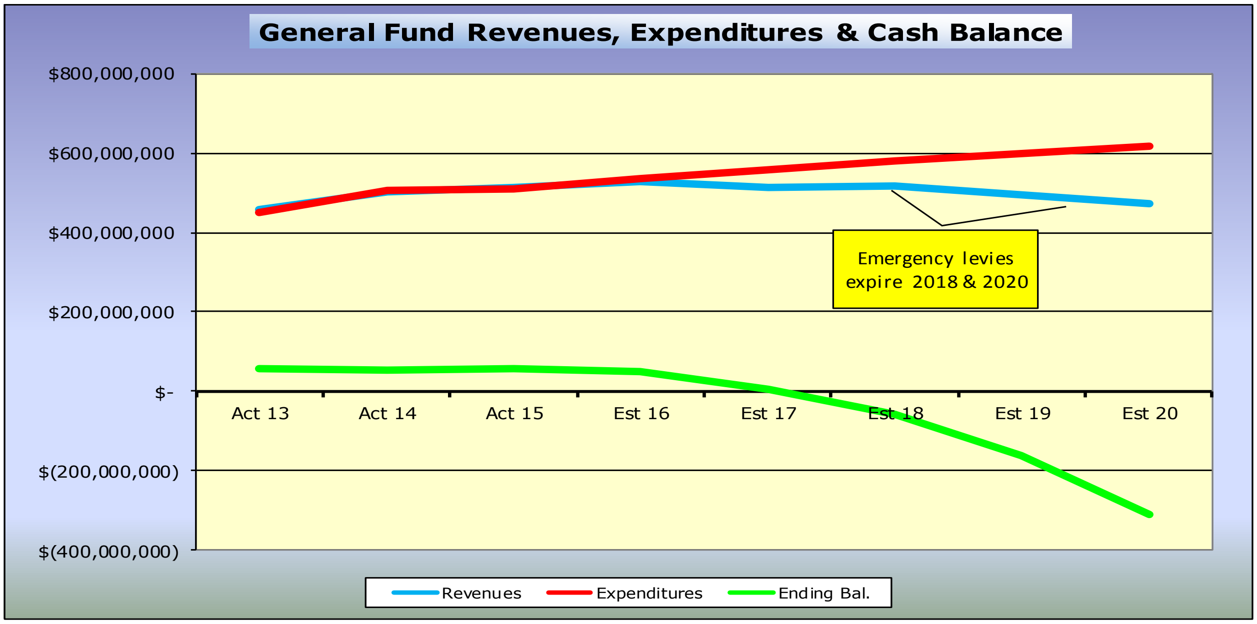
VI. Patient Protection and Affordable Care Act (PPACA) – This program was approved March 23, 2010 along with the Health Care and Education Reconciliation Act. Many of the provisions of this federal statute were to be implemented January 1, 2015. Implementation of those provisions has increased costs 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.

VII. HB59 eliminated the Rollback exemption on any future new or replacement levy. This means that should the District place a new levy on the ballot taxpayers will no longer receive the 12.5% reduction as they do on current levies. This could make passing any new levy more difficult. This will not effect the total collection for the school district but will further shift the tax burden from the State of Ohio onto local taxpayers.

VIII. 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 strong working relationships will continue as the District moves forward. There are wage reopeners for all bargaining units, excluding administrators and supervisors, in June 2016. The current contracts for all bargaining units expire in June 2017.

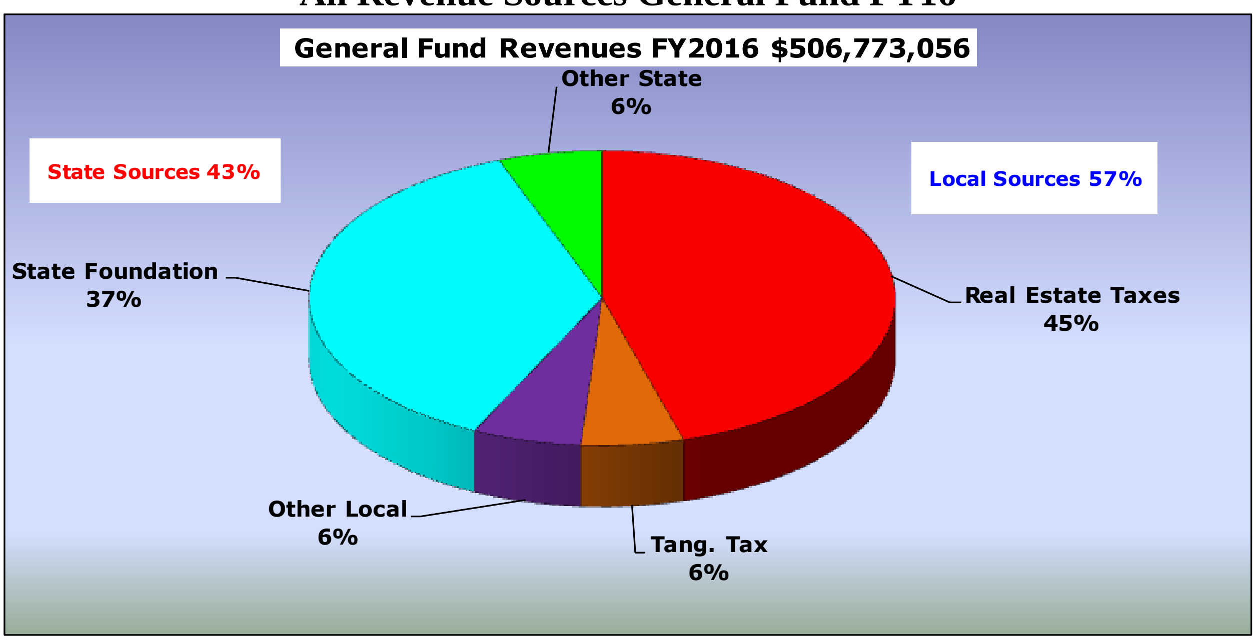
The major Lines of reference for the forecast are noted below in the headings to make it easier to relate the assumptions made for the forecast item and refer back to the forecast. It should be of assistance to the reader to review the assumptions noted below in understanding the overall financial forecast for our district. If you would like further information please feel free to contact Jennifer M. Wagner, Treasurer/Chief Financial Officer of Cincinnati City School at 513-363-0420.

General Fund Revenue, Expenditure and Ending Cash Balance
Actual FY13-FY15 and Estimated FY16-FY20



The graph above captures in one snapshot the operating scenario facing Cincinnati City School District over the next few years and the immediate need to take action to stop the decline in our ending cash balance. The main problem clearly is the large reduction of revenues beginning in FY14 from the state and federal government and costs that continue to rise.

Revenue Assumptions
All Revenue Sources General Fund FY16



Real Estate Value Assumptions – Line # 1.010

Property Values are established each year by the County Auditor based on new construction, demolitions, Board of Revision (BOR)/Board of Tax Appeal (BTA) activity and complete reappraisal or updated values. A reappraisal update of the district property value occurred for 2014 values collected in calendar year 2015. There will also be a complete reappraisal for 2017 values to be collected in 2018. The update in 2014 resulted in residential/agricultural values increasing by 1.3% while commercial/industrial values decreased by (0.15%) and Public Utility Personal Property values increased by 11.8%. Overall values increased $89.6 million or an overall average increase of 1.51%. Based on current sale to property valuation ratios we anticipate values will remain mostly steady with slight increases for the period 2016 through 2020, and in our next appraisal update in 2017.

Typically when assessed values fall due to reappraisals or adjustments through BOR and BTA actions, the tax millage rates for that class of property increase to offset the reduction in values, except non-voter approved, inside, millage, which will result in a decrease in taxes when values fall and an increase when values increase.

As a reminder Tangible Personal Property (TPP) values were reduced to $-0- in 2011 as a result of HB 66 to be effective July 1, 2005. This began a systematic phase-out of this tax base statewide to be replaced by a Commercial Activities Tax (CAT) which revenue was to fully reimburse school districts for TPP losses through FY18 based on 2004 property values. HB 64 effective July 1, 2015 will eliminate TPP reimbursement for our district in FY21. These reimbursements were to fully compensate the district for the TPP taxes that were lost.

ESTIMATED ASSESSED VALUE (AV) BY COLLECTION YEARS

	Actual	Estimated	Estimated	Estimated	Estimated
	TAX YEAR2015	TAX YEAR2016	TAX YEAR 2017	TAX YEAR 2018	TAX YEAR 2019
Classification	COLLECT2016	COLLECT 2017	COLLECT 2018	COLLECT 2019	COLLECT 2020
Res./Ag.	$3,639,083,350	$3,634,583,350	$3,666,429,184	$3,661,929,184	$3,657,429,184
Comm./Ind.	1,982,842,550	1,983,342,550	1,983,842,550	1,985,342,550	1,986,842,550
Public Utility (PUPP)	430,577,920	433,577,920	436,577,920	439,577,920	442,577,920
Tangible Property (TPP)	0	0	0	0	0
Total	$6,052,503,820	$6,051,503,820	$6,086,849,654	$6,086,849,654	$6,086,849,654

ESTIMATED REAL ESTATE TAX (Line #1.010)

Source	FY16	FY17	FY 18	FY 19	FY 20
Est. General Property Taxes - Line #1.01	$230,708,316	$228,439,117	$229,446,323	$208,114,145	$188,826,839

Property tax levies are estimated to be collected at 93% of the annual amount. This allows 7% delinquency factor. In general, 51.5% of the Residential/Agricultural and Commercial/Industrial property taxes are expected to be collected in the February tax settlement and 48.5% collected in the August tax settlement. Public Utility tax settlements (PUPP taxes) are estimated to be received 50% in February and 50% in August settlement from the County Auditor.

Renewal Tax Levies – Line #11.02

Two levies will need renewed within the forecast period, even though the end of the second will not impact the district until FY21.

Source	FY16	FY17	FY 18	FY 19	FY 20
Renew Emergency $51.5M 2018	$0	$0	$0	$26,265,000	$51,500,000
Renew Emergency $65.2M 2020	0	0	0	0	0
Total Line # 11.020	$0	$0	$0	$26,265,000	$51,500,000

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. HB66 included provisions for the State to "hold districts harmless" with a phase-out reimbursement until gone after

2018. With elimination of the TPP taxes, only Public Utility Personal Property taxes continue to be collected in this category. Values continue to grow as new assets are brought on line through expansion and replacement of depreciated assets.

Source	FY16	FY17	FY 18	FY 19	FY 20
TPP and Public Utility Tax	$28,577,303	$28,223,075	$28,458,609	$26,807,175	$25,168,688
Total Line # 1.020	$28,577,303	$28,223,075	$28,458,609	$26,807,175	$25,168,688

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

A) Unrestricted State Foundation Revenue– Line #1.035

The amounts estimated for FY16 for state funding are based on funding component computations from the most recent May 2016 State Foundation Payment Report (SFPR). The current FY16-FY17 state budget HB64 includes an increase in funding for our district. We are projected to be a state funding formula district in FY16 and FY17. Our state funding status for FY18-FY20 will depend on the FY18-FY19 and FY20-FY21 state budgets. There are two unknown state budgets in this forecast period covering four fiscal years.

In FY14-FY15, HB59 created the fourth (4^{th}) new funding formula for public education since 2009. HB64 the FY16-FY17 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 FY18-FY19 or FY20-FY21 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 of students enrolled
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) career-technical categories
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 & FY17. 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 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.

Note: these additional components are only paid to districts that are on the CAP or on formula.

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.

Our current SFPR estimates for FY16 are using May 2016 adjusted average daily membership (ADM). 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 until the end of June 2016. This could result in undulating state aid payments throughout the year based on each student count if a district is on the formula. Our estimate of state aid is based on the most current data we have available to us at the time. We have estimated a 1% enrollment increase through FY20 and a 1% per pupil increases each year beginning in FY18 for Opportunity Grant funding.

Current calculations indicate our district is a "CAP" funded district for FY16 and we anticipate that we will be off the CAP in FY17, which means the CAP is higher than our Formula calculation for FY17. The CAP growth rate for FY16 & FY17 is 7.5% each year. We believe the district will receive additional funds for the period FY16 through FY20. We have conservatively estimated an increase in the CAP amount of 2.5% each year for FY18-FY20, but this amount could be higher or lower. There is no guidance on the state funding model or increases for the FY18-FY20 period.

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 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 $1,796,394 students at $50.66 per pupil. For FY17-20 we estimated another ½ of 1% decline in pupils to 1,778,000 and GCR increasing to $93 million or $52 per pupil. We will increase estimates for out years when actual casino revenues show signs of stronger increases.

Source	FY16	FY17	FY 18	FY 19	FY 20
Basic Aid-Unrestricted	$153,569,666	$159,069,628	$162,175,046	$164,708,026	$167,337,811
Additional Aid Items	$4,200,735	$4,200,735	$4,200,735	$4,200,735	$4,200,735
Catestrophic Sp. Ed.	650,000	650,000	650,000	650,000	650,000
Subtotal State Basic Aid	158,420,401	163,920,363	167,025,781	169,558,761	172,188,546
Ohio Casino Commission ODT	1,558,482	1,561,280	1,563,979	1,566,575	1,569,066
Total Unrestricted State Aid Line # 1.035	$159,978,883	$165,481,643	$168,589,760	$171,125,336	$173,757,613

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. The district has adopted the Community Eligibility Provision (CEP) for counting free and reduced students in all but 7 of its schools. As a result of this change, the districts percentage of economically disadvantaged students is expected to rise from 67.5% to 82.6%, which will result in additional state funding. We are unable to calculate at this time the exact amount of increase but estimate it to be about $12 million. More detailed information is expected sometime in June 2016. We have incorporated this amount into the restricted aid amount in Line # 1.04 for FY16-FY20.

Source	FY16	FY17	FY 18	FY 19	FY 20
Economically Disadvantaged Aid	$26,441,426	$26,705,840	$26,972,899	$27,242,628	$27,515,054
Career Tech Aid	1,542,313	1,542,313	1,542,313	1,542,313	1,542,313
Total Restricted Revenues Line #1.040	$27,983,739	$28,248,153	$28,515,212	$28,784,941	$29,057,367

C) Restricted Federal Grants in Aid – line #1.045

The district received its final payment of in Ed Jobs money in FY12. No federal unrestricted grants are projected FY16-FY20.

Summary	FY16	FY17	FY 18	FY 19	FY 20
Unrestricted Line # 1.035	$159,978,883	$165,481,643	$168,589,760	$171,125,336	$173,757,613
Restricted Line # 1.040	$27,983,739	$28,248,153	$28,515,212	$28,784,941	$29,057,367
Restricted Federal Grants Line #1.045	0	0	0	0	0
Total State Foundation Revenue	$187,962,622	$193,729,796	$197,104,971	$199,910,276	$202,814,980

State Tax 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 credits paid to the district from the state of Ohio for qualified elderly and disabled home owners. 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 did not get a new application approved for tax year 2013, and who become eligible thereafter will only receive 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.

Source	FY16	FY17	FY 18	FY 19	FY 20
Base R & H	$22,710,006	$22,917,465	$23,042,905	$23,153,958	$20,933,374

b) Tangible Personal Property (TPP) Reimbursements – Fixed Rate

School districts were to be reimbursed for the TPP tax losses by the state of Ohio at varying levels through 2026 but those reimbursements were severely curtailed or eliminated by HB153 effective July 1, 2012. The state of Ohio reduced its funding to school districts for TPP reimbursements from $1.13 billion in FY11 to $510 million in FY13, where it was frozen for FY15. HB64 the current state budget has reinstituted the phase out of TPP reimbursements to districts beginning in FY16. The phase out is based on five wealth tiers called quintiles. A Quintile 1 district will lose TPP funding based on 1% of qualifying revenue and a Quintile 5 districts will lose TPP reimbursements equal to 2% of qualifying revenue. Revenue will be phased out at these quintile levels until all TPP state funds are gone. We are a quintile 5 district and as a result will lose our entire fixed rate funding in FY17. In FY16 there is a TPP Phase out guarantee for districts whose total state and TPP reimbursements were lower in FY16 than were actually received in FY15. The TPP Phase out guarantee is only for FY16. We do not qualify for the guarantee.

Source	FY16	FY17	FY 18	FY 19	FY 20
TPP - Fixed Rate	$1,712,270	$0	$0	$0	$0
TPP - PUPP Dereg	$0	$0	$0	$0	$0
Total TPP Fixed Rate	$1,712,270	$0	$0	$0	$0

c) Tangible Personal Property (TPP) Reimbursements – Fixed Sum

HB 64 has continued reimbursement of Fixed Sum TPP reimbursements at current levels through FY17 and will begin a phase out over five years through FY21. There will be no fixed sum TPP reimbursement in FY22. Districts will not lose money due to the phase out. The amount of money the state is cutting its reimbursement by will be added on the local fixed sum millage, emergency levy millage, and collected in local property taxes. This is directly shifting the burden to local tax payers by the state cut in fixed sum TPP reimbursement.

Source	FY16	FY17	FY 18	FY 19	FY 20
TPP - Fixed Sum	$4,430,808	$4,430,808	$3,544,646	$2,658,485	$1,772,323

Summary of State Tax Reimbursement – Line #1.050

Source	FY16	FY17	FY 18	FY 19	FY 20
Rollback and Homestead	$22,917,465	$23,042,905	$23,153,958	$20,933,374	$18,682,655
TPP Reimbursement - Fixed Rate & PU	$1,712,270	$0	$0	$0	$0
TPP Reimbursement - Fixed Sum	4,430,808	4,430,808	3,544,646	2,658,485	1,772,323
Total Tax Reimb./Prop. Tax Allocations	$29,060,543	$27,473,713	$26,698,604	$23,591,859	$20,454,978

Other Local Revenues – Line #1.060

The largest source for “Other Revenues” is payment in lieu of taxes (PILOTS) at $12.7 million in FY15. These are payments received from the City of Cincinnati and local businesses that have entered into agreements with the school district. These payments to the district are to help reduce the amount of lost revenue as the result of tax incentives offered by the City. We have assumed this level of collection will continue for FY16-FY20.

Federal Medicaid Reimbursements were the second largest source of "Other Revenues." The district has experienced a large increase for a total of $10.7 million in Medicaid reimbursements for FY16. We expect it to return to normal levels of $900,000 for FY17-FY20.

Tuition income and open enrollment tuition constitutes the third largest area of "Other Revenues." We have assumed that FY16 tuition income will drop to $3.3 million and will continue at that level for FY17-FY20.

Interest rates are expected to remain low to flat for the forecast period. Security of the public funds collected by the district is the top priority of the treasurer's office when investing district funds.
Beginning in FY15 the district began reclassifying the City/County paid PILOT payments into miscellaneous revenues, as set forth in the Uniform School Accounting System. All remaining local "Other Revenues" are projected to be flat.

The only Federal revenue which the district receives in the General Fund is for Medicaid reimbursements for medical services provided to qualified low income students covered by Medicaid. Reimbursements have varied from an expected high of $10.7 million in FY16 to a low of $248,271 in FY11. We anticipate it will return to FY14 levels and remain flat at $900,000 per year for FY17-20.

Source	FY16	FY17	FY 18	FY 19	FY 20
Payment In Lieu of Taxes	$12,766,795	$12,766,795	$12,766,795	$12,766,795	$12,766,795
Interest	698,013	698,013	698,013	698,013	698,013
Class Fees and Extra Activities	53,571	54,107	54,648	55,195	55,747
Tuition/Open Enrollment	3,332,083	3,332,083	3,332,083	3,332,083	3,332,083
Rentals	408,017	412,097	416,218	420,380	424,584
Federal Medicaid Reimb. OMSP	10,700,000	900,000	900,000	900,000	900,000
E-rate	0	0	0	0	0
Miscellaneous	2,505,792	2,505,792	2,505,792	2,505,792	2,505,792
Total Line # 1.060	$30,464,271	$20,668,887	$20,673,549	$20,678,258	$20,683,014

Short-Term Borrowing – Lines #2.010 & Line #2.020 - There is no short term borrowing planned in this forecast.

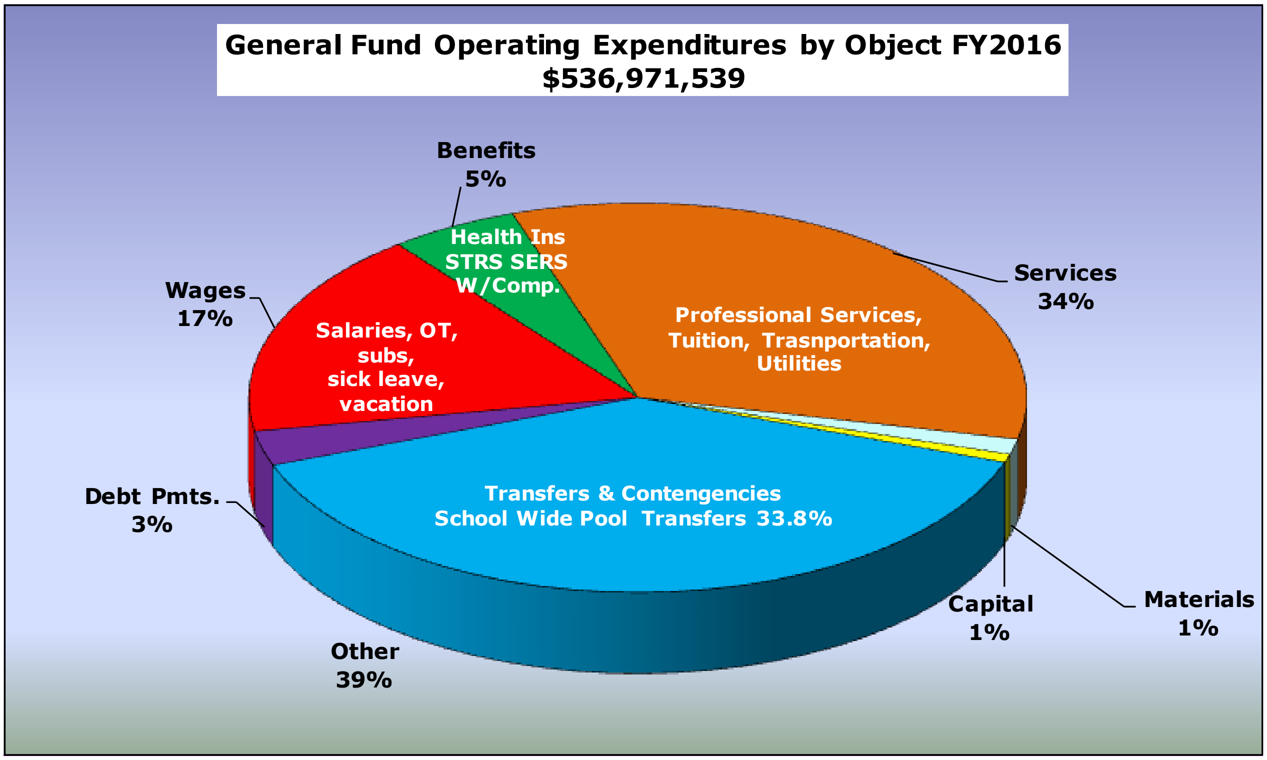
Transfers In / Return of Advances – Line #2.040 & Line #2.050
These are non-operating revenues which are the repayment of short term loans to other funds over the previous fiscal year and reimbursements for expenses received for a previous fiscal year in the current fiscal year. All advances over year end are planned to be returned in the succeeding fiscal year.

Source	FY16	FY17	FY 18	FY 19	FY 20
Transfers In - Line 2.040	$0	$0	$0	$0	$0
Advance Returns - Line 2.050	$17,288,115	$10,500,000	$10,500,000	$10,500,000	$10,500,000
Total Transfer & Advances In	$17,288,115	$10,500,000	$10,500,000	$10,500,000	$10,500,000

All Other Financial Sources – Line #2.060
This funding source is typically a refund of prior year expenditures and is very unpredictable. All amounts shown are from Federal E-Rate reimbursements. These have been very unpredictable in prior years.

Source	FY16	FY17	FY 18	FY 19	FY 20
Refund of prior years expenditures	$3,532,800	$3,500,000	$3,500,000	$3,500,000	$3,500,000

Expenditure Assumptions
All Expense Categories General Fund FY16



Wages – Line #3.010

- Base increases:
  Employees received a 2% base increase effective July 1, 2015 for FY16. Base increases for FY17-FY20 are assumed to be 0%.
- Performance step and classified step increases:
  Effective January 1, 2011 teacher salary schedules contained performance steps. Step increases are assumed to continue at their current rate of approximately 2% each year for FY16-FY20 for Certificated and Non-Certificated employees.
- Increases in staff:
  FY16 includes an additional $2.7 million for increased in staff as a result of increased enrollment. FY17 includes an additional $5.7 million for enrollment increases, preschool expansion and Vision 20/20.
- Staff retirements resulted in a net savings of approximately $4.8 million in FY16 and $.3million in FY17.
- While further reductions in staffing are possible in future years, they cannot be quantified at this time.
- This forecast does not assume any future cost increases or reductions as a result of bargaining with the different association groups beginning in June 2016, which will impact FY17 or any subsequent bargaining in future years.
- FY17 reflects the anticipated 2017 appropriations for wages and salaries

<u>Reclassification of Salary Cost:</u>
In FY16, expenditures demonstrate the reclassification of certain expenditures to the “transfer of funds” classification for transfer into the School Wide Pool Fund (Line 5.01). This is necessary due to the realignment

of all but 7 of the district's schools to using one combining fund to operate which includes both General Funds and certain Federal Funds. In past years these funds were required to be kept separate for federal reporting purposes. As a result, salary expenditures in the GF for the FY16 reflect a net decrease of 59%. Fringe benefits, supplies, contract services, and equipment expenses were also reduced in FY16 and the "transfer" category increased by $188,219,549. This is expected to continue throughout the forecasted period.

Source	FY16	FY17	FY 18	FY 19	FY 20
Base Wages	$216,950,183	$92,389,792	$98,577,228	$100,548,773	$102,559,748
Increases	4,339,004	0	0	0	0
Performance Incentives, Training & Step	4,339,004	1,847,796	1,971,545	2,010,975	2,051,195
Growth	2,729,510	0	0	0	0
Moved to School Wide Pool	-132,096,038	0	0	0	0
Preschool expansion/Enrollment increase:	0	5,700,000	0	0	0
Severance - Extraordinary**	1,000,000	-1,000,000	0	0	0
Contingency	0	0	0	0	0
Termination Benefits	0	0	0	0	0
Staff Retirement and Repalcement	-4,871,870	-360,360	0	0	0
Staff Reductions	0	0	0	0	0
Total Wages Line 3.010	$92,389,792	$98,577,228	$100,548,773	$102,559,748	$104,610,943

Fringe Benefits Estimates

This area of the forecast captures all costs associated with benefits and retirement costs. Fringe benefits ran 32.29% of wage costs in FY15. In FY16 the district made a $2.3 million adjustment in the amount charged for benefits, shown under "other" benefit costs and a $5.2 million reduction in costs when the rate charged against personal services was reduced. During this forecast fringe benefits are estimated to range from 30.99% - 36.54% of total personal services in FY16-FY20. See further explanation below.

A) STRS/SERS will increase as Wages Increase

The district pays 14% of each dollar paid in wages to either the State Teachers Retirement System or the School Employees Retirement System as required by Ohio law.

B) Insurance

The district's health and dental costs were tracking close to market trend in FY15 and FY16. It is anticipated that health and dental insurance will trend about 7% for FY17-FY20.

An adjustment was made from the districts insurance fund in the amount of $12 million to account for excess reserves in the fund. In FY16 the district reduced the rate charged to personal services for insurance and as a result reduced costs an additional $5.8 million annually.

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

It is 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 we are aware of "taxes" which are mandated by the act. The Transition Reinsurance fee due January 15, 2015, is a fee due the IRS for $5.25 per covered member per month for the prior year (2014).This will be $63 for each employee who had a full year of coverage in the prior year. This tax could equate to roughly a 2% annual increase in FY15. Longer-term a significant concern is the 40% "Cadillac Tax" that will be imposed in 2018 for plans whose value of benefits exceed $10,200 for individual plans and $27,500 for family plans. The district has already calculated that the tax should not be a concern until 2021. The rules and implementation of the PPACA is an ongoing issue we are watching closely to evaluate the effect on our district.

C) Workers Compensation & Unemployment Compensation

Workers Compensation is expected to remain at about 1.19% of wages FY16 – FY20. Unemployment is expected to remain at a very low level. The district is a direct reimbursement employer which means unemployment costs are only incurred and due if we have employees who are eligible and draw unemployment.

D) Medicare

Medicare will continue to increase at the rate of increases in wages. 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 and salaries.

E) Other

Other benefits costs include minor benefit costs not included in retirement, insurances, government benefit payments, which amount to about $38,000 per year. In FY15 the district reduced benefit payments into the district benefit fund, Fund 24, by $12 million because of an excess accumulation of employer contributions. In FY16 a $2.3 million reduction was posted as an anticipated adjustment for benefits.

FY16 reflects the 2016 appropriations for fringe benefits, with noted adjustments above and FY17 reflects the anticipated 2017 appropriations.

<u>Reclassification of Fringe Benefits Costs:</u>

This forecast also demonstrates the reclassification of certain expenditures to a transfer of money to the School Wide Pool (Line 5.01). The $49.5 million transfer for fringe benefits is necessary due to the realignment of most schools to using one fund to operate which includes both General Fund and certain Federal Funds. In past years these funds were required to be kept separate for reporting purposes. As a result, benefit expenditures in GF for FY16 reflect a net decrease of 60.3% from FY15 operating cost levels. Salaries, supplies, contract services, equipment, etc. also reflect reductions in FY16 and the "transfer" category increased by $188,219,549. This is expected to continue throughout the forecasted period.

Summary of Fringe Benefits – Line #3.020

Source	FY16	FY17	FY 18	FY 19	FY 20
STRS/SERS	$12,794,571	$13,940,812	$14,076,828	$14,358,365	$14,645,532
Insurance's	13,895,325	16,785,897	17,960,909	19,218,173	20,563,445
Workers Comp/Unemployment	1,285,955	1,372,077	1,399,518	1,427,509	1,456,059
Medicare	2,935,569	1,429,370	1,457,957	1,487,116	1,516,859
Other	-2,279,823	38,646	38,646	38,646	38,646
Total Line 3.020	$28,631,597	$33,566,801	$34,933,859	$36,529,809	$38,220,541

Purchased Services – Line #3.030

Purchase services are costs for personal services from individual who are not on the payroll of the school district, and other services that the school district may purchase. Expenditures in this category include: instructional services, instructional improvement services, health services, data processing services, professional/legal services, garbage removal, repairs and maintenance services, rentals, property insurance, lease-purchase agreements, meeting and mileage expenses, telephone expenses, postage, advertising, utilities, tuition paid to other districts, and pupil transportation. Most significantly, this category includes payments to Community Schools and Ed Choice Scholarship Voucher program established by HB153 and expanded in HB59 and HB64. There are other proposals that if passed will open up even more expense for the district in these choice type programs. If these initiatives become law costs for these programs will shoot up over the next several years. Inflation/participation increases for Community Schools and Voucher Scholarships are estimated at 3% for FY18-FY19. The remaining tuition costs, which are primarily related to special needs students, are anticipated to continue to increase at about 5% per year for FY18-FY19. As noted in the "State Restricted Revenue" section the district has adopted the Community Eligibility Provision (CEP) for counting free and reduced students in all but 7 of its schools. As a result of this change, the districts percentage of economically disadvantaged students is expected to rise from 67.5% to 82.6%, which resulted in additional state funding. However, it will also result in an increase in tuition paid out for qualified economically disadvantaged students. We are unable to fully calculate at this time what this cost increase might be to the district.

FY16 reflects the 2016 appropriations for purchased services, which can vary significantly from actual expenditures in FY15. This is the result of budgeting decisions for the new fiscal year and can also be the result of restored costs which were temporarily reduced in prior fiscal years through the use of other special funds or purchases that were simply deferred.

As a result of fewer students attending other schools and returning to the district in FY16, $11.5 million could be reduced from tuition. Additionally, the district has changed how it purchases some technology from a cash purchase to lease. As a result an additional $1.8 million was added to leases in FY 16.

FY17 reflects the anticipated 2017 appropriations for purchased services. Significant changes in FY17 include a reduction in transportation for $3 million, as a result of contract negotiations; a reduction of $5 million in utilities as a result of anticipated warmer winters; and a lease increase of $5.4 million for technology leases.

An overall inflation of about 3.9% is being estimated for the purchased service accounts for FY18-FY20. Pupil transportation, utilities and professional services are all estimated to increase at 5% a year based upon FY17 base levels.

<u>Reclassification of Contract Services Costs</u>:

This forecast demonstrates the reclassification of certain expenditures to a transfer of money to the School Wide Pool (Line 5.01). This transfer for contract services is necessary due to the realignment of most schools to using one fund to operate which includes both General Fund and certain Federal Funds. In past years these funds were required to be kept separate for reporting purposes. As a result, contract services expenditures in GF for FY16 reflect a $5 million reduction. Salaries, benefits, supplies, equipment, etc. also reflect reductions in FY16 and the "transfer" category increased by $188,219,549. This is expected to continue throughout the forecasted period.

Summary of Purchased Services – Line #3.030

Source	FY16	FY17	FY 18	FY 19	FY 20
Base Services	$3,954,186	$0	$0	$0	$0
Open Enrollment & Tuition	26,741,492	28,219,646	29,630,629	31,112,160	32,667,768
Community Schools	50,349,137	53,280,000	54,878,400	56,524,752	58,220,495
Ed Choice & Autism Vouchers	22,575,000	19,500,000	20,085,000	20,687,550	21,308,177
Transportation	33,144,155	30,142,900	31,650,045	33,232,547	34,894,175
Utilities	21,676,715	16,673,178	17,506,837	18,382,179	19,301,288
Professional Services	21,795,538	23,248,122	24,410,528	25,631,054	26,912,607
Rental & Lease Payments	5,645,075	11,080,332	11,080,332	11,080,332	11,080,332
Moved to School Wide Pool	-5,040,141	0	0	0	0
Total Line 3.030	$180,841,157	$182,144,178	$189,241,771	$196,650,575	$204,384,841

Supplies and Materials – Line #3.040

Amounts paid for material items of an expendable nature that are consumed, worn out, or deteriorated from use, or items that lose their identity through fabrication or incorporation into different or more complex units or subunits. Expenditures in this category include: instructional supplies, office supplies, teaching aides, software materials, textbooks, library books, newspapers, periodicals, films, filmstrips, supplies and materials for the operation, maintenance and repair of land, buildings, equipment and furniture, and fuel, tires and supplies for vehicles. Fuel is expected to increase at about 5% per year and all other items are expected to increase by 2% for FY18-FY20. FY16 reflects the 2016 appropriations for supplies and materials, which can vary significantly from actual expenditures in FY15. This is the result of budgeting decisions for the new fiscal year and can also be the result of restored costs which were temporarily reduced in prior fiscal years through the use of other special funds or purchases that were simply deferred. FY17 reflects the anticipated appropriations for 2017. FY17 includes a net increase of $2 million, the bulk of which is reflected in additional textbooks and library books.

Reclassification of Supplies and Materials Costs:

This forecast demonstrates the reclassification of certain expenditures to a transfer of money to the School Wide Pool (Line 5.01). This transfer for supplies and materials is necessary due to the realignment of most schools to using one fund to operate which includes both General Fund and certain Federal Funds. In past years these funds were required to be kept separate for reporting purposes. As a result, supply and material expenditures in GF for FY16 reflect a $1.3 million reduction. Salaries, benefits, contract services, equipment, etc. also reflect reductions in FY16 and the "transfer" category increased by $188,219,549. This is expected to continue throughout the forecasted period.

Source	FY16	FY17	FY 18	FY 19	FY 20
Base Supplies	$4,871,456	$475,197	$484,701	$494,395	$504,283
Instructional Supplies	990,155	3,476,983	3,546,523	3,617,453	3,689,802
Textbooks & Library Books	679,748	2,978,728	3,038,303	3,099,069	3,161,050
Building Mainteance Supplies	1,462,209	1,553,105	1,584,167	1,615,850	1,648,167
Fuel for vehicles	207,923	370,823	389,364	408,832	429,274
Moved to School Wide Pool	(1,349,704)	0	0	0	0
Total Line 3.040	$6,861,787	$8,854,836	$9,043,057	$9,235,599	$9,432,576

Equipment – Line # 3.050
Capital Outlay annual inflation costs are expected to be about 5% during the forecasted period FY18-FY20. FY16 reflects the 2016 appropriations, which can vary significantly from actual expenditures in FY15. This is the result of budgeting decisions for the new fiscal year and can also be the result of restored costs which were temporarily reduced in prior fiscal years through the use of other special funds or purchases that were simply deferred. As a result of badly needed technology upgrades and the lack of cash to pay for them in the year of acquisition, the district has begun to lease certain technologies rather than purchase them. Leases appear in the Contract Services category above. In FY16 the district leased an additional $1.8 million and cut capital outlay by $3.7 million. FY17 reflects the anticipated appropriations for 2017, which was reduced $.8 million from FY16 levels. At the same time leases in contract services for FY17 were increased $5.4 million.

Reclassification of Equipment Costs:
This forecast demonstrates the reclassification of certain expenditures to a transfer of money to the School Wide Pool (Line 5.01). This transfer for equipment is necessary due to the realignment of most schools to using one fund to operate which includes both General Fund and certain Federal Funds. In past years these funds were required to be kept separate for reporting purposes. As a result, equipment expenditures in GF for FY16 reflect a $216,536 reduction. Salaries, benefits, contract services, supplies, etc. also reflect reductions in FY16 and the “transfer” category increased by $188,219,549. This is expected to continue throughout the forecasted period.

Source	FY16	FY17	FY 18	FY 19	FY 20
Base Capital	$216,536	$37,800	$39,690	$41,675	$43,758
Buildings	500,000	0	0	0	0
Equipment	306,193	280,480	294,504	309,229	324,691
Technology Equipment	2,735,007	1,937,540	2,034,417	2,136,138	2,242,945
Improvements other than Buildings	37,800	500,000	525,000	551,250	578,813
Replacement of Vehicles	135,000	135,000	141,750	148,838	156,279
Moved to School Wide Pool	(216,536)	0	0	0	0
Total Line 3.050	$3,714,000	$2,890,820	$3,035,361	$3,187,129	$3,346,486

Other Expenses – Line #4.300
The category includes expenditures for memberships in professional organizations, charges for audit examinations, county auditor and treasurer fees, election expenses, charges for advertising the delinquent tax list, bank charges, liability insurance, accident insurance, fidelity bonds, and legal judgments against the district, back pay and awards. Zero percent inflationary increases are anticipated for FY18-FY20. FY16 reflects the 2016 appropriations, which can vary significantly from actual expenditures in FY15. This is the result of budgeting decisions for the new fiscal year and can also be the result of restored costs which were temporarily reduced in prior fiscal years through the use of other special funds or purchases that were simply deferred. FY17 reflects the anticipated appropriations for 2017.

Source	FY16	FY17	FY 18	FY 19	FY 20
Auditor & Treasurer Fees	$4,064,000	$4,100,000	$4,100,000	$4,100,000	$4,100,000
Audit Fees	200,000	72,000	72,000	72,000	72,000
Banking Fees	110,000	135,000	135,000	135,000	135,000
Other expenses	1,357,715	1,725,821	1,725,821	1,725,821	1,725,821
Total Line 4.300	$5,731,715	$6,032,821	$6,032,821	$6,032,821	$6,032,821

General Fund Debt Service Payments – Lines #4.020; #4.030; #4.040; #4.050; #4.055; #4.060

In years 2010 and 2011 the district issued House Bill 264 Energy Conservation Bonds and refinanced $104.9 million in Capital Bonds first issued in 2002. Combined, they resulted in the increase in debt payment requirements for FY11 but also contributed to the reductions noted in FY12 along with the payoff of three other short term note issues. These same refunding and HB 264 debts resulted in the increased debt payments beginning in FY13.

Debt Principal HB264 – Line# 4.050

Source	FY16	FY17	FY 18	FY 19	FY 20
HB 264 Principal 3 Issues Line # 4.050	$3,176,072	$3,235,072	$3,235,072	$3,235,072	$3,235,072

Debt Principal Other Line# 4.055

Source	FY16	FY17	FY 18	FY 19	FY 20
Principal Bonds -	$0	$0	$0	$0	$0
Other LTGO Debt	4,820,000	5,060,000	5,060,000	5,060,000	5,060,000
Total Principal Payments - Line #4.055	$4,820,000	$5,060,000	$5,060,000	$5,060,000	$5,060,000

Debt Interest –Line #4.06

Source	FY16	FY17	FY 18	FY 19	FY 20
Interest on Bonds & HB 264 Total Line	$7,471,296	$8,090,709	$8,090,709	$8,090,709	$8,090,709

Transfers Out/Advances Out/All Other Financing Uses – Lines #5.010, #5.020 & #5.030
These costs are made up of transfers to other funds, contingencies, advances to other funds and all other uses. Transfers are the permanent movement of cash from the General Fund to other funds as a result of obligations like debt or items which require that the actual expenditure be made from another fund but that General Fund provides the resources. Contingency is the preferred way to put additional dollars in the forecast to cover unplanned or uncontrollable costs. Advances are temporary cash loans from the General Fund to other funds, which have insufficient cash flows to meet their obligations. These loans will be repaid by the other funds back to General Fund at a later time when resources have been received from the designated sources into the other fund. All other uses would cover prior fiscal year corrections and adjustments.

Line #5.010

A) **Transfers**
FY16 contains two transfers. The first is $3.4 million to Fund 34, as required by the districts Ohio School Facility Master Plan, and is to fund facility maintenance and equipment replacement. The second is $188 million to the districts School Wide Pool Fund. This allows General Fund and certain grant dollars to be combined into one operating budget/fund, which provides for more efficient use of resources to better meet the need of students. General Fund and grant dollars are providing school budgets for all schools except 7, which were maintained in the General Fund. See addendum (1) for full financial details. While FY18-FY20 contains the same $3.4 million each year for Fund 34, the amount established for the School Wide Pool increases each year by the same inflationary trends noted in the above categories. The average trend of inflation on the $188 million is 3.71%. FY17 reflects the anticipated appropriations for 2017, which reflects a $2.5 million increase.

B) Contingency

FY16 contains the base amount of $3 million plus $950,000 for Teacher Allocation Committee (TAC) to address staffing needs. FY17-FY20 forecasts contain $3 million each year to cover contingencies and $950,000 for TAC to address staffing issues in the fall after budgets and personnel are set.

Line #5.020

C) Advances Out

In FY15, $17.2 million was advanced/loaned to other funds. These funds were returned to General Fund in FY16. FY16-FY20, the assumption is that the revenue from returning cash advances and advance out will equal and a base amount of $10.5 million will likely be needed each year to advance to other funds for cash flow needs.

Source	FY16	FY17	FY 18	FY 19	FY 20
Operating Transfers Out/Contingency L	$192,834,123	$197,083,428	$209,648,663	$217,159,354	$224,948,692
Advances Out Line #5.020	10,500,000	10,500,000	10,500,000	10,500,000	10,500,000
Total	$203,334,123	$207,583,428	$220,148,663	$227,659,354	$235,448,692

Encumbrances –Line#8.010

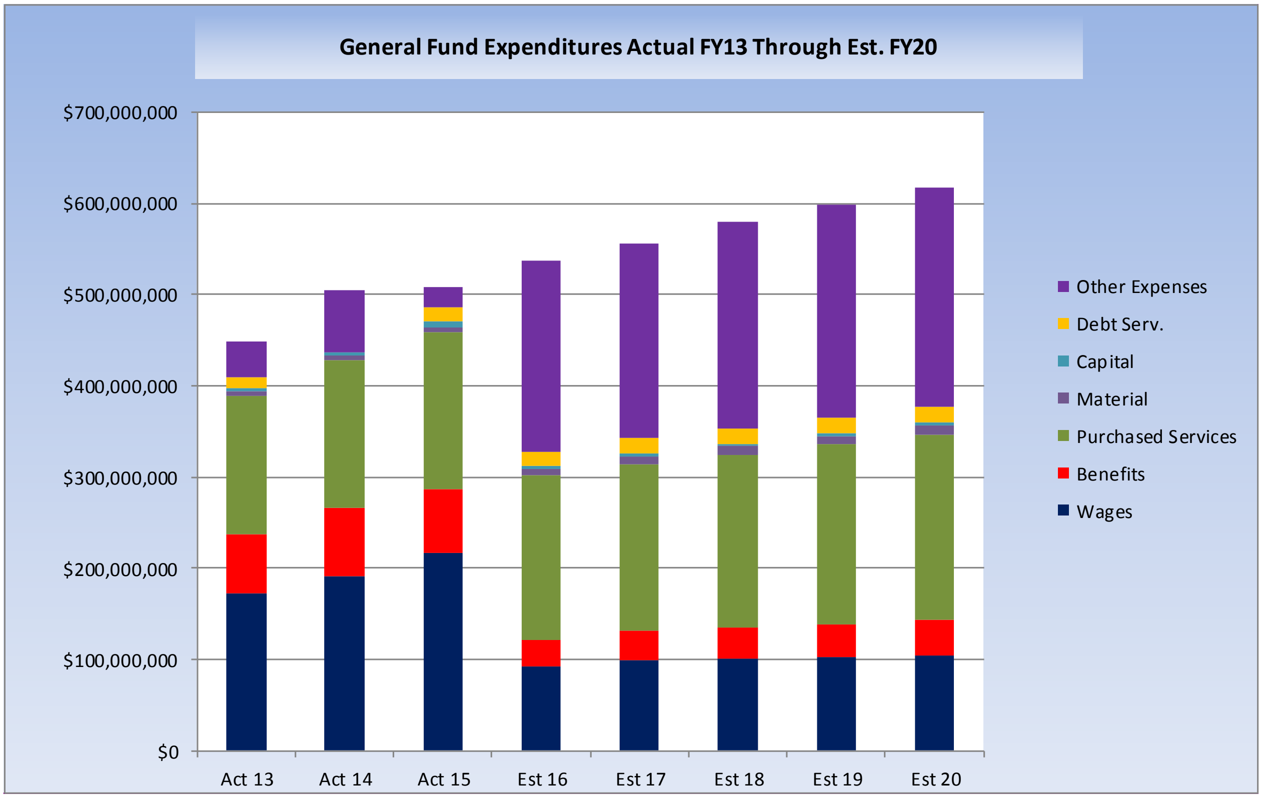
Encumbrances are similar to an accounts payable in business. Budgetary accounting uses encumbrances as a method to reserve fund balance for future payment of goods and services ordered. In effect, it insures that the district will not spend the funds on something else when it has already been committed for a particular purpose, unlike an accounts payable, which is only established when the goods or services are actually received. Since all purchases are required to be encumbered when ordered, the amount of encumbrances at year-end is directly related to the timing of ordering, delivery and subsequent payment of the bill. As a result of these timing issues, the ending encumbrances as of June 30 each year can vary significantly. The only impact of a deviation is that if encumbrances increase then expenditures will have decreased from forecasted levels or vice versa. The impact on available funds would zero.

The administration reviews its list of encumbrances as of June 30th in an effort to cancel and reduce any encumbrances which may no longer be needed. Encumbrances are estimated at $12.5 million for June 30 each fiscal year.

	FY16	FY17	FY 18	FY 19	FY 20
Estimated Encumbrances	$12,500,000	$12,500,000	$12,500,000	$12,500,000	$12,500,000

Reservations of Fund Balance – Line #9.080 – The district has no reservation of fund balance.

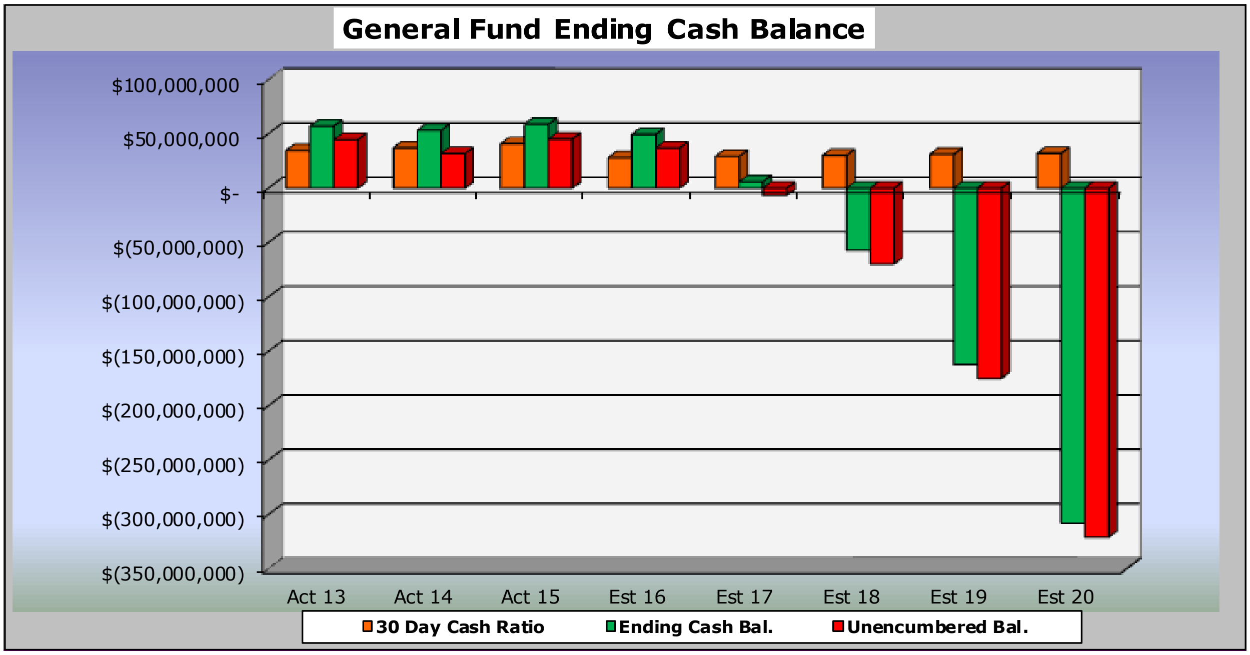
Operating Expenditures Actual FY13-FY15 and Estimated FY16-FY20
As the graph below indicates we have been diligent at reducing costs in reaction to lower and flat state revenues. We are working to control our expenses while attempting to address student academic needs to enable them to compete and do well on state performance standards.

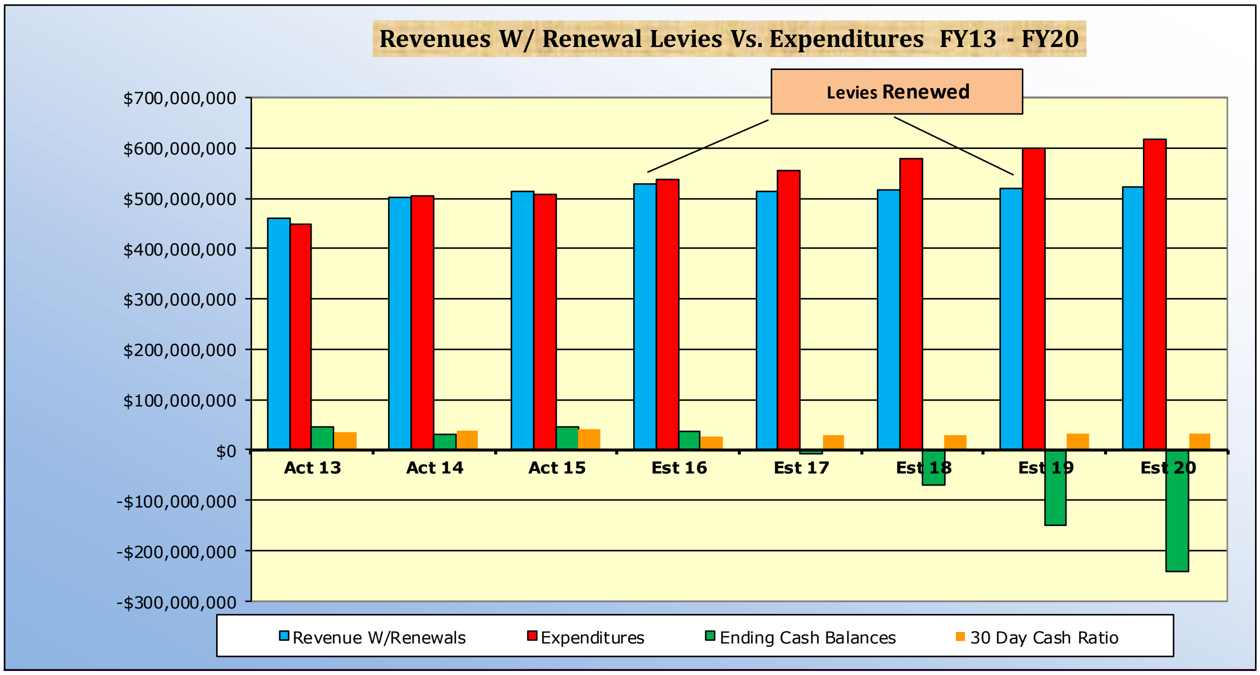


Ending Unencumbered Cash Balance – Line#15.010
While the district can forecast a negative amount in this line, it cannot actually go below $-0- or the district General Fund will have violated all Ohio Budgetary Laws. Any multi-year contract which is knowingly signed which results in a negative unencumbered cash balance is a violation of 5705.412, ORC punishable by personal liability of $10,000. It is recommended by the GFOA and other authoritative sources that a district should maintain a minimum of thirty (30) days worth of expenditures in its cash balance, which is about $45.6 million for our district.

Line #15.01 includes passage of a $51.5 million renewal levy prior to 12/31/18. **Failure to pass any renewal levy will be devastating for the district.**

	FY16	FY17	FY 18	FY 19	FY 20
Ending Cash Balance	$36,803,571	($6,697,735)	($69,685,764)	($148,559,866)	($242,974,047)





The revenue portion of the graph above demonstrates increased funding the district received as a result of HB 59, the last biennium budget, as well as the current budget HB64. Revenue is expected to be fairly flat thereafter.

The expenditure portion of the graph above demonstrates for FY13-FY16 the administrations ability to control costs through targeted actions so that they more closely match revenues. It is anticipated that this will continue through the forecasted period FY17-FY20. It also demonstrates the impact uncontrolled inflationary pressures have on a budget.

<u>Summary of Significant Ending Cash Changes Since October 2015 Forecast For FY16:</u>

This forecast demonstrates a $35.8 million available cash balance after reductions for encumbrances for June 30, 2016. The October 2015 forecast demonstrated a $4,336,328 cash balance. An analysis of significant changes in revenues, expenditures, and ending cash balances from the October, 2015 forecast to the current forecast for FY16 are noted below:

FY16 Revenues

Overall revenues increased by $13.8 million

- $.6 million increase in real estate tax collections-based upon increased values. However, February tax settlement was not received at the time of this forecast. So approximately 51% of total property tax revenue is still unverified.
- $10.5 million increase in total State Foundation funding- restricted and unrestricted. Approximately 50% of the change is related to increases in FY15 revenue received from the State in FY16, which resulted in an increase in the funding cap for FY16. The cap increase for FY16 accounted for the balance of the increase.
- $.2 million decrease in tangible personal property (TTP) tax for public utility personal property (PUPP).
- $.6 million decrease in student tuition -open enrollment. Based upon new state reports.
- $3.5 million increase in Federal E-Rate reimbursements.

FY16 Expenditures

Overall expenditures decreased by $18.6 million

- $1.7 million increase in salary and wages- budget was moved from contingency. Additional staff required as a result of increased enrollment.
- $5 million decrease in benefits-recalculation in rate charged for benefits
- $9.6 million decrease in contract services-$11.5 million decrease in tuition and $1.8 million increase in leases. Fewer students are attending elsewhere and more attending CPS. Technology was leased rather than purchased resulting in leasing increases and a capital purchase decrease.
- $3.7 million decrease in capital costs-the result of a change in technology finance methods from purchasing to leasing.
- $.2 million decrease in audit charges
- $1.7 million decrease in contingency-moved to payroll and benefits

Addendum 1

FY16 Reclassification of Expenditures

	SY16 Budget	Less: Transfer to School wide Pool Fund	FY16 Forecasted General Fund	Line on Forecast
Personal Services	222,770,831	132,096,038	90,674,792	3.01
Retirement/Benefits	83,214,036	49,517,129	33,696,907	3.02
Purchased Services	195,521,650	5,040,141	190,481,509	3.03
Supplies & Materials	8,211,491	1,349,704	6,861,787	3.04
Capital Outlay	7,625,400	160,053	7,465,347	3.05
Other	59,836,198	56,483	5,926,715	4.30
Total Expenditures	$523,326,606	$188,219,549	$335,107,057	

Note: this table does not include Debt payments or related interest expense.