DAYTON
PUBLIC SCHOOLS

FIVE-YEAR FINANCIAL FORECAST NOTES AND ASSUMPTIONS

For the Fiscal Years Ending June 30, 2017 through 2021

May 26, 2017

The mission of the Dayton City School District is to equip our students to achieve success in a global society by implementing an effective and rigorous curriculum with fidelity.

General

The Ohio Constitution assigns the state the responsibility for a thorough and efficient system of public common schools as adopted in Article VI, section 2, which states, "The General Assembly shall make such provisions, by taxation, or otherwise, as, with the income arising from the school trust fund, will secure a thorough and efficient system of common schools throughout the state; but no religious or other sect, or sects, shall ever have any exclusive right to, or control of, any part of the schools funds of this state."

Ohio Revised Code (ORC) section 5705.391 and Ohio Administrative Code (OAC) section 3301-92-04 require a Board of Education (BOE) to submit a five-year forecast of operational revenues and expenditures along with assumptions to the Ohio Department of Education (ODE) prior to October 31 of each fiscal year and to update this forecast between April 1 and May 31 of each fiscal year. The Treasurer/CFO submits the forecast. The Board of Education is recognized as the official owner and has ultimate responsibility for its development.

A financial forecast can be broadly defined as the expected financial position and the results of operations and cash flows based on expected conditions. The five-year financial forecast is a key management tool designed to aid decision making in establishing and maintaining a prudent level of financial resources to ensure stable tax rates as well as to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

Three key objectives of the five-year financial forecast include the following:

1) To engage the local board of education and the community in long range planning.
2) To serve as a basis for determining the school district's ability to sign the certificate required by O.R.C. 5705.412, commonly known as the "412 certificate".
3) To provide a method for the ODE and Auditor of State to identify school districts with potential financial problems.

Required funds to be included in the forecast are:

- General funds (001)
- Any special cost center associated with general fund money
- Emergency levy funds (016)
- Any debt service (002) activity that would otherwise have gone to the general fund
- Poverty Based Assistance (PBA) funds (494)
- Education Jobs funds (504)
- State Fiscal Stabilization funds (532)

The American Institute of Certified Public Accountants (AICPA) Guide for Prospective Financial Information defines "Particularly Sensitive Assumptions" as having a relatively high probability of variation that would materially affect the financial forecast. This may be due to a relatively high probability of a sizable variation or the probability of a sizable variation which is not as high but a small variation would have a large impact.
The following factors may be classified as such:

- Revenue and Other Financing Sources:
  - General Property Tax factors include taxable values, tax rates and collection rates.
  - Unrestricted Grants-In-Aid and Property Tax Allocation factors include political forces in the state biennium budget cycle, student enrollment and property/income wealth.
- Expenditures and Other Financing Uses:
  - Personal Services factors include the various collective bargaining agreements.
  - Purchased Services factors include enrollment and per pupil allocations for community schools, scholarships and open enrollment as well as political forces in the state biennium budget cycle.

The following is a detailed line-by-line description of the assumptions made in developing the forecast:

May 2017 Updates:

Revenues:
The overview of revenues shows that we are substantially on target with original estimates at this point in the year. Total General Fund revenues (line 1.07) are estimated to be $256,011,429or 0.55% higher than the October forecasted amount of $254,609,684. This indicates the October forecast was 99.45% accurate.

Expenditures:
At this time we expect our original estimates for expenditures on Line 4.5 to remain accurate for FY17. We have estimated that the District will be 0.8% under budget or 99.2% accurate with projections. There is no area of expenditures which we feel looks to be in conflict with our original projections.

Unreserved Ending Cash Balance:
With revenues increased slightly over estimates and expenditures ending under the estimates, our ending unreserved cash balance is anticipated to be roughly $7.1 million. The ending unreserved cash balance on Line 15.010 of the forecast is anticipated to be a positive accumulative balance through 2019 if assumptions we have made for state aid in the proposed HB49 budget remain close to our estimates. There is some uncertainty regarding HB49 as of the date this forecast is presented. This uncertainty is discussed in more detail below.

State Funding and the Proposed Biennium State Budget HB49 (FY18 – FY19):
We have structured the District forecast estimating the effects of the current state biennium budget, HB64 which will end June 30, 2017. We have also tried to anticipate the affects of some changes presented in HB49 on fiscal years 2018-2021. Even though HB49 will not be known until late June 2017, beyond the date this forecast must be filed. Major revenue changes made in prior state budgets in HB59 and HB 64 that impacted District revenue include TPP Fixed rate reimbursement phase out and a CAP on state funding.
The TPP fixed rate reimbursement that was supposed to continue at the FY13 level ($5,023,786 annually) through FY26 was cut in HB64. HB64 phased out an additional $2,302,236 in both FY16 and in FY17. Senate Bill 208, effective

February 15, 2016, modified HB64 and instituted TPP Supplement payment in FY17 (our district did not qualify for supplement funding) and a slower phase down of TPP Fixed rate reimbursement. Currently annual TPP phase out under SB208 is a reduction of what 5/8 of 1 mill would raise each year in the district. Senate Bill 208 will end our TPP Fixed rate reimbursement in FY18 by phasing out our remaining $419,312.

HB64 continued a CAP on funding at a lower rate of a 7.5% increase for FY2016 and FY2017. HB49 as proposed continues CAP growth at a lower 5% rate. We have estimated a CAP growth rate of 3% to hedge against uncertainty.

It is important to emphasize that we will not know the actual effects of HB49 until sometime in June 2017 when legislation is finally passed into law. Since we will not know with certainty the funding formula prior to May 31, 2017, our forecast filing deadline, we feel it is reasonable to assume the facts stated above for the period FY18-21. This methodology is consistent with other May forecasts when there have been uncertainty regarding the final State budget bill. State foundation revenue equates to 71.5% of our revenue each year with total state revenue equaling 74.6% of all funds and the outcome of the HB49 funding proposal is significant to our district.

Forecast Risks and Uncertainty:

A five year financial forecast has risks and uncertainty not only due to economic uncertainties but also due to state legislative changes that will occur in June 2017, and the spring of 2019 due to deliberation of the next two (2) state biennium budgets for FY18-19 & FY20-21, 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. Montgomery County experienced a reappraisal of property in the 2014 tax year to be collected in 2015. We experienced an overall decrease of 9.4% in our values. Class I (residential and agricultural property) decreased 11.4%, and a 4.9% decrease in Class II (commercial industrial property). A reappraisal update in Montgomery County will occur in tax year 2017 for collection in 2018, which we are estimating values to remain unchanged..

II. HB64, the current state budget, reinstitutes the phase out of district Tangible Personal Property (TPP) reimbursements that were promised under previous budget bills. HB64 begins the phase out in FY16 & FY17 based on Quintiles. Beginning in FY18, SB208 will take over and ease the TPP phase out by lowering the payment each year by what five-eights (5/8) of a mill would raise locally. We have estimated that our TPP will be gone after FY17.

III. The State Budget represents 74% of district revenues, which means it, is a significant area of risk to revenue. The risk comes in FY18 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 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

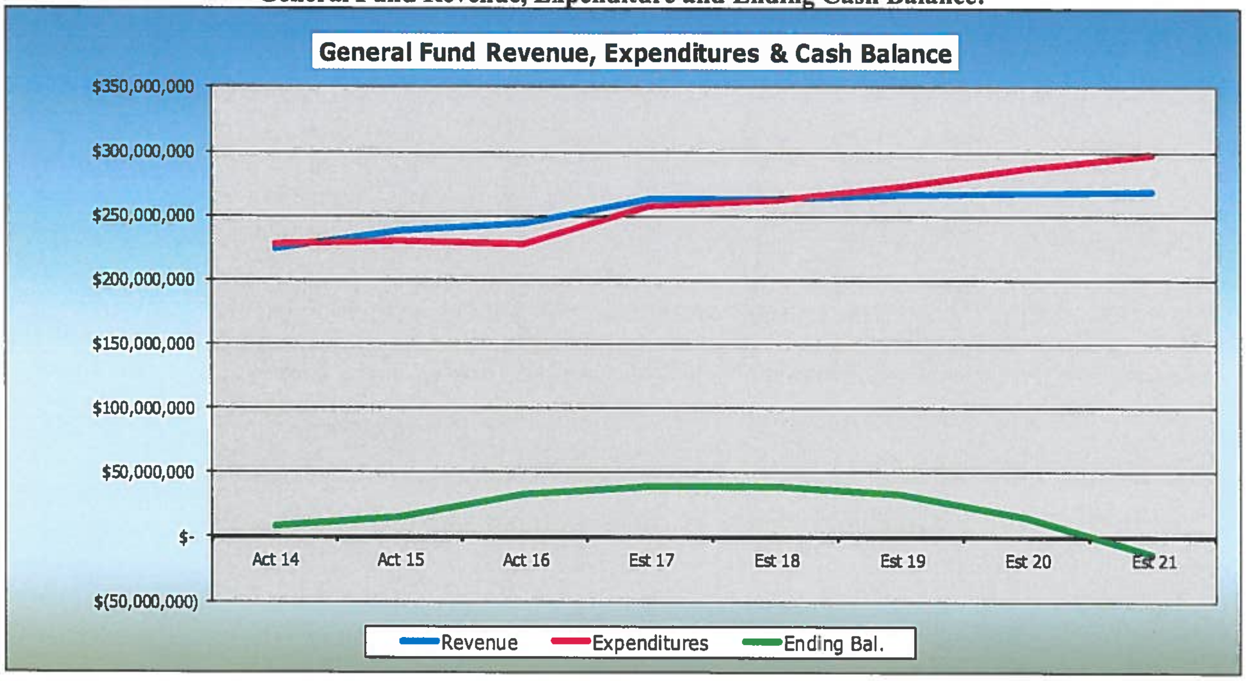
IV. There are many provisions in the current state budget bill HB64 that increased the district expenditures in the form of expanded school choice programs such as College Credit Plus that will continue to reduce state aid for future years. The cost of each Peterson Special Needs voucher and Autism Scholarship 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 HB49 for any new threats to our state aid and that could increase costs.

V. 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 exists as it is under review and potential appeal or modification at the Federal Level.

VI. 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.

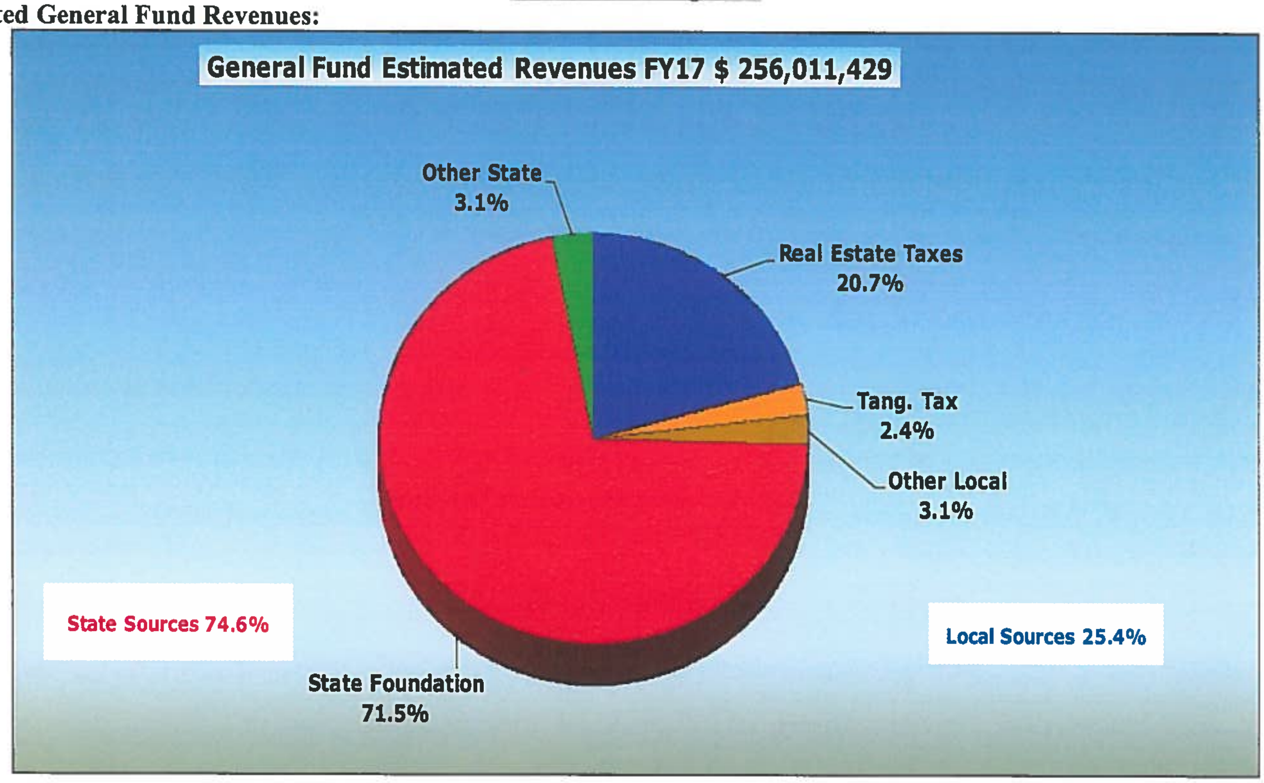
The major categories of revenue and expenditures on the forecast are noted below in the headings to make it easier to reference the assumptions made for the forecast item. It should be of assistance to the reader to review the assumptions noted below in understanding the overall financial forecast for our district. If you would like further information please feel free to contact me Hiwot Abraha, Treasurer/CFO of Dayton City School District.

General Fund Revenue, Expenditure and Ending Cash Balance:



Revenue Assumptions

Estimated General Fund Revenues:



Real Estate Value Assumptions – Line # 1.010
Property values are established each year by the County Auditor based on new construction and complete reappraisal or updated values. A reappraisal update of the district property value occurred for 2014 values collected in calendar year 2015. Residential values fell 11.4% or a drop of $118,243,340 as a result of the reappraisal. When values fall, reduction factors are lowered and House Bill 920 increases effective tax rates so the district tax revenues are held harmless. In addition, in tax year 2017 no significant increase or decrease in tax values is expected. These factors are reflected in the flat property tax revenues on Line 1.01 for fiscal year 2017 through fiscal year 2021.

In addition to reductions in real estate values, House Bill 153 effective July 1, 2011, eliminated the tangible personal property tax (TPP) reimbursement after fiscal year 2012. These reimbursements were to fully compensate the district for the TPP taxes that were based on calendar year 2004 property values. Eliminating the TPP tax was the equivalent of the District losing $3.2 million or a 4.8 mill levy each year. This in effect transferred the burden for those lost dollars into increased taxes on local taxpayers, a shift of taxes from businesses to mainly residential taxpayers.

ESTIMATED ASSESSED VALUE (AV) BY COLLECTION YEARS

Classification	Actual TAX YEAR2016 COLLECT 2017	Estimated TAX YEAR2017 COLLECT 2018	Estimated TAX YEAR2018 COLLECT 2019	Estimated TAX YEAR2019 COLLECT 2020	Estimated TAX YEAR2020 COLLECT 2021
Res./Ag.	$908,581,830	$908,006,830	$907,431,830	$906,856,830	$906,281,830
Comm./Ind.	$411,458,710	$411,358,710	$411,258,710	$411,658,710	$412,058,710
Public Utility Personal Property (PUPP)	$103,127,550	$105,127,550	$107,127,550	$109,127,550	$111,127,550
Tangible Personal Property (TPP)	$0	$0	$0	$0	$0
Total Assessed Value	$1,423,168,090	$1,424,493,090	$1,425,818,090	$1,427,643,090	$1,429,468,090

ESTIMATED REAL ESTATE TAX (Line #1.010)

Source	FY17	FY18	FY19	FY20	FY21
General Property Taxes	$52,878,324	$53,029,974	$53,024,557	$53,033,780	$53,057,102

Property tax levies are estimated to be collected at 87% of the annual amount. This allows a 11% delinquency and 2% auditor and treasurer fees. Typically, 52% of the new residential/agriculture (Res/Ag) and commercial/industrial (Comm/Ind) is expected to be collected in the February tax settlements and 48% is expected to be collected in the August tax settlements.

Renewal and Replacement Levies – Line #11.02
All levies are currently continuing.

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

Estimated Tangible Personal Tax & PUPP Tax – Line#1.020
The phase out of tangible personal property tax (TPP), as noted earlier, began in fiscal year 2006. The TPP was eliminated after fiscal year 2011. Any revenues received in this line are Public Utility Personal Property (PUPP) taxes which are collected at the districts' gross tax rates not subject to reduction factors. Public utility tax settlements (PUPP) are estimated to be received 50% in February and 50% in August.

Source	FY17	FY18	FY19	FY20	FY21
TPP & PUPP Tax Revenues	$6,243,682	$7,033,816	$7,168,916	$7,304,016	$7,439,116
Total Line # 1.020	$6,243,682	$7,033,816	$7,168,916	$7,304,016	$7,439,116

Other Local Revenues – Line #1.060
Open enrollment is expected to remain stable or a slight increase. In addition to increases in open enrollment revenue, we have budgeted increases in tuition reimbursement for court placed students. An overall increase of 1% is factored through FY 2021. Medicaid revenue has experienced an increase over the past several years and is expected to continue to increase throughout the forecast.

Interest income will increase and decrease as the cash position of the General Fund fluctuates over the forecast period. The district's balances available for investment vary month to month due to cash flow needs. The sharply reduced interest rates will lower investment earnings; however increased fund balance will assist in growth of this revenue source as well as providing the opportunity for longer term investment to increase the yield. Security of the public funds collected by the district is the top priority of the treasurer's office.

Source	FY17	FY18	FY19	FY20	FY21
Tuitions	$905,679	$914,736	$923,883	$933,122	$942,453
Interest	449,566	449,566	449,566	449,566	449,566
Medicaid, ROTC & Erate	2,420,992	2,445,199	2,469,648	2,494,341	2,519,281
Rentals	370,897	374,606	378,352	382,136	385,957
Other Income	1,706,097	1,731,097	1,906,097	1,906,097	1,906,097
Total Line # 1.060	$5,853,231	$5,915,204	$6,127,546	$6,165,262	$6,203,354

State Taxes Reimbursement/Property Tax Allocation

a) Rollback and Homestead Reimbursement
Rollback funds are reimbursements paid to the district from the State of 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.

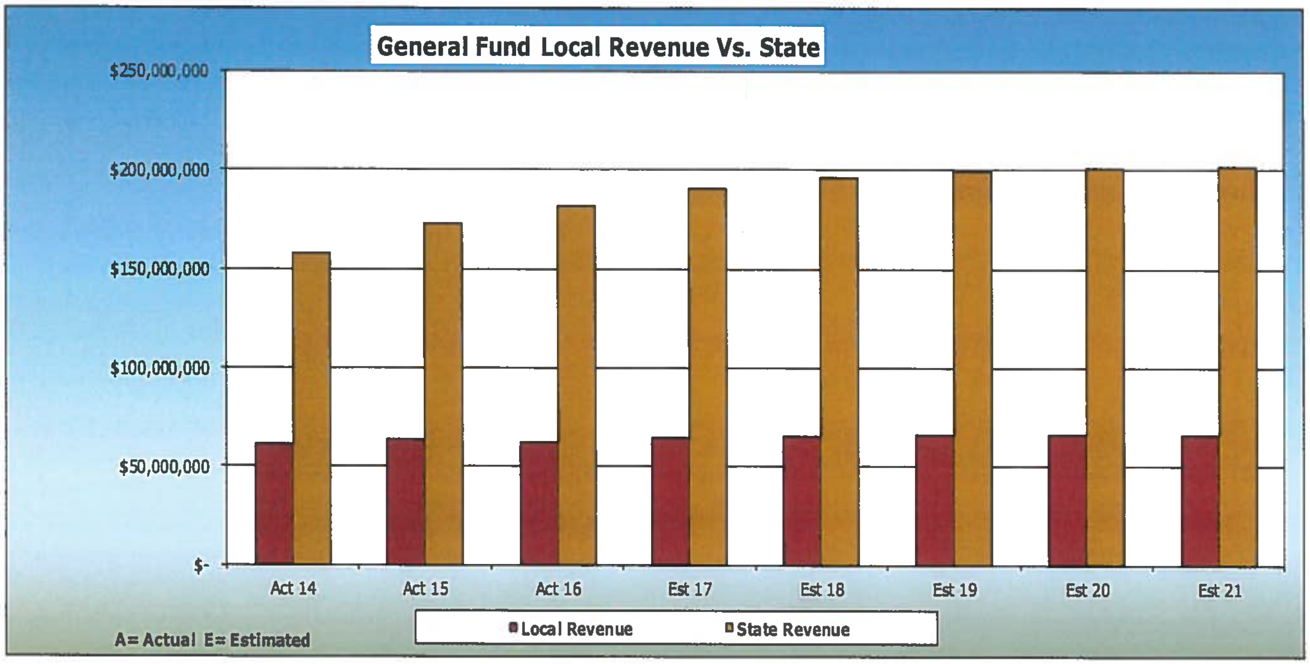
Homestead Exemptions are also credits paid to the district from the state of Ohio for qualified elderly and disabled. In 2007 HB119 expanded the Homestead Exemption for all seniors over age 65 years of age or older or who are disabled regardless of income. Effective September 29, 2013 HB59 changes the 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 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 reduce homestead reimbursements to the district, and as with the rollback reimbursements above, increase the taxes collected locally on taxpayers.

b) Tangible Personal Property Reimbursements – Fixed Rate/Fixed Sum
The District no longer receives fixed rate or fixed sum TPP reimbursements.

Summary of State Tax Reimbursement – Line #1.050

Source	FY17	FY18	FY19	FY20	FY21
a) Rollback and Homestead	$7,576,315	$7,480,719	$7,476,619	$7,472,518	$7,468,417
b) TPP Reimbursement - Fixed Rate	419,312	0	0	0	0
c) TPP Reimbursement - Fixed Sum	0	0	0	0	0
Total Tax Reimb./Prop. Tax Allocations #1.050	$7,995,627	$7,480,719	$7,476,619	$7,472,518	$7,468,417

Comparison of Local Revenue and State Revenue:



State Foundation Revenue Estimates

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

The amounts estimated for FY17 for state funding is based on funding component computations from the most recent May 2017 State Foundation Payment Report (SFPR). The current FY16-17 state budget HB64 included an increase in funding for our district. We are projected to be a "CAP" funded district regarding state funding in FY17.

Important Reminder: Our funding status for the FY18-21 will depend on two (2) new state budgets. HB49 the current proposed new state budget for FY18 & FY19 will not be known until late June 2017. We must file this forecast before May 31, 2017 which is before we will know what changes will be officially made to school funding. In addition, another state budget will be legislated beginning in spring 2019 which will also affect our funding for the future. Our revision to the October 2017 forecast will capture the changes made in HB49

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

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

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

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

1) Capacity Aid – Provides additional funding for districts where income generated for one mill of property tax is below the state median for what is generated of which SSCD will not qualify.
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 of which SCSD will not qualify.
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 funded on the CAP or formula.

There are over 350 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 June 2017. Our estimates are based on the best information available to us and the most current calculation used by ODE.

Our current SFPR estimates for FY17 are using May 2017 adjusted average daily membership (ADM) and hold those numbers steady through FY21. Beginning in FY16 the state changed the way it measures student ADM. Student counts are now supposed to be 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 2017 and then adjustments will be made into the succeeding fiscal year. This could result in undulating state aid payments throughout the year based on each student count if a district is on the formula. We are presently a CAP district so changes in enrollment will not likely affect our funding unless they are very large swings.

We are presently a CAP district so changes in enrollment will not likely affect our funding unless they are very large swings. Our estimate of state aid is based on the most current data we have available to us at the time. We have estimated per pupil state aid to increase by approximately .5% FY18-FY19 and 1% for FY20-21. We have estimated CAP increases at 3% for FY18-19 and 1.5% for FY20-21, until we know more about HB49 the new state budget

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 1,792,947 students at $51.34 per pupil. . For FY17-21 we estimated another 3 tenths of 1% decline in pupils to 1,789,000 and GCR increasing to $89.2 million or $49.85 per pupil. We will increase estimates for out years when actual casino revenues show signs of stronger increases.

B) Unrestricted State Foundation Revenue – Line #1.035

Source	FY17	FY18	FY19	FY20	FY21
Basic Aid-Unrestricted	$163,731,412	$169,045,255	$172,730,745	$173,734,530	$174,746,765
Additional Aid Items	$2,447,485	$2,447,485	$2,447,485	$2,447,485	$2,447,485
Basic Aid-Unrestricted Subtotal	$166,178,897	$171,492,740	$175,178,230	$176,182,015	$177,194,250
Ohio Casino Commission ODT	$644,823	$663,078	$681,913	$701,282	$721,200
Total Unrestricted State Aid Line # 1.035	$166,823,720	$172,155,818	$175,860,143	$176,883,297	$177,915,450

C) 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 throughout the forecast.

Source	FY17	FY18	FY19	FY20	FY21
Economically Disadvantaged Aid	$14,618,257	$14,764,440	$14,912,084	$15,061,205	$15,211,817
Career Tech - Restricted	$1,598,588	$1,598,588	$1,598,588	$1,598,588	$1,598,588
Total Restricted State Revenues Line #1.040	$16,216,845	$16,363,028	$16,510,672	$16,659,793	$16,810,405

D) Restricted Federal Grants in Aid – line #1.045
No amounts are included in the forecasted years 2017 through 2021.

Summary of State Foundaton Revenues	FY17	FY18	FY19	FY20	FY21
Unrestricted Line # 1.035	$166,823,720	$172,155,818	$175,860,143	$176,883,297	$177,915,450
Restricted Line # 1.040	$16,216,845	$16,363,028	$16,510,672	$16,659,793	$16,810,405
Rest. Fed. Grants - SFSF & Ed Jobs Line #1.045	$0	$0	$0	$0	$0
Total State Foundation Revenue	$183,040,565	$188,518,846	$192,370,815	$193,543,090	$194,725,855

Short-Term Borrowing – Lines #2.010 & Line #2.020
There is no short term borrowing planned for in this forecast at this time from any sources.

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 during the previous fiscal year and reimbursements for expenses incurred in the previous fiscal year. All advances during the current year are planned to be returned in the succeeding fiscal year.

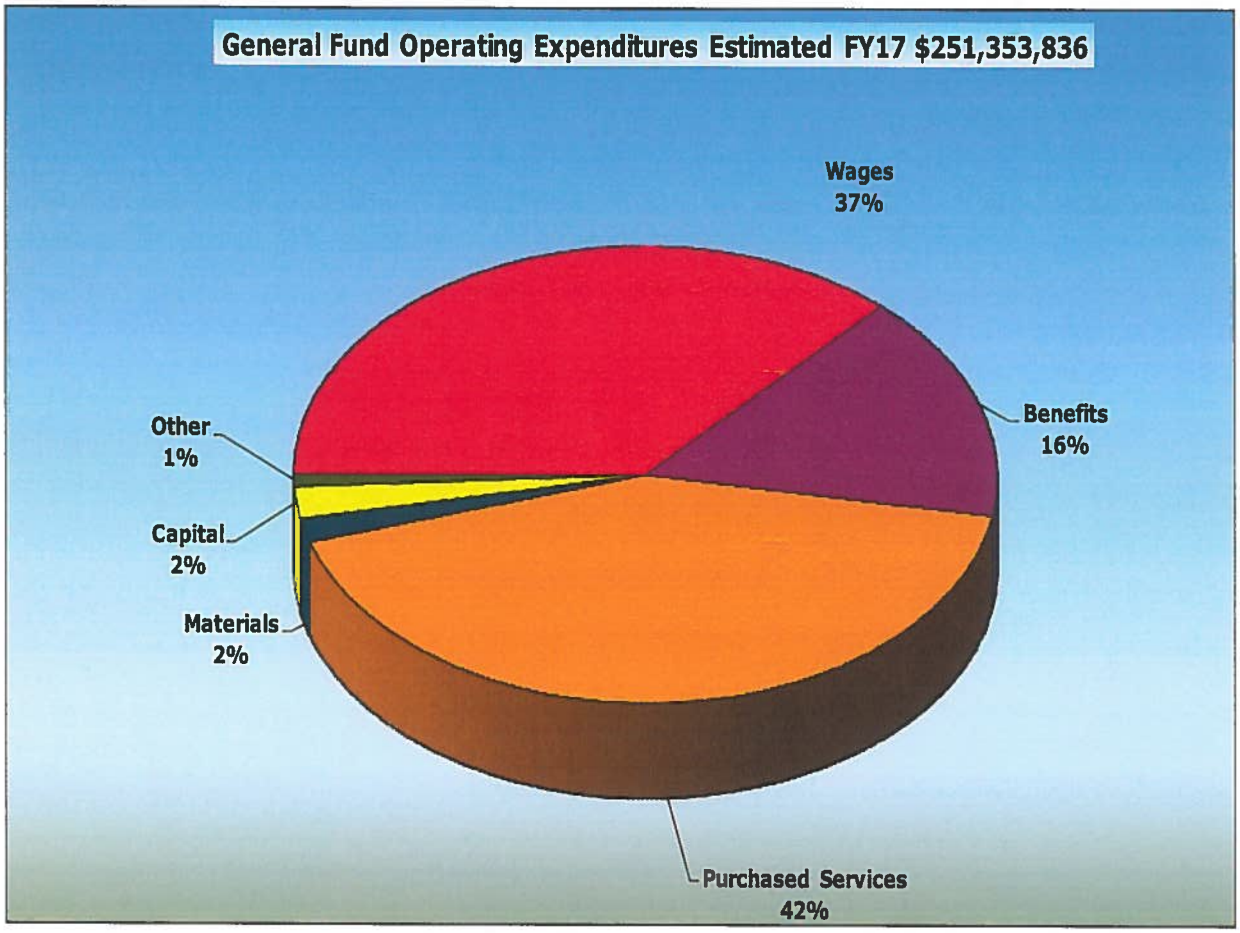
All Other Financial Sources – Line #2.060
The amount reflected in refund of years expenditures line for FY17 reports the $1,000,000 sale of the land.

Source	FY17	FY18	FY19	FY20	FY21
Transfers In - Line 2.040	$0	$0	$0	$0	$0
Advance Returns - Line 2.050	$5,825,000	$825,000	$825,000	$825,000	$825,000
Total Transfer & Advances In	$5,825,000	$825,000	$825,000	$825,000	$825,000

	FY17	FY18	FY19	FY20	FY21
Refund of prior years expenditures	$1,005,165	$40,000	$40,000	$40,000	$40,000

Expenditures Assumptions

Estimated General Fund Expenditures for FY17:



Wages – Line #3.010
The expenditures in this category are for salaries and wages for services rendered for all union and non-union employees. In addition to cost of living wage increases, a majority of employees who are paid on a salary schedule receive vertical step increases based on years of experience. Additionally, certified staff can move horizontally between ranges on the salary schedule by furthering their education (i.e. Bachelor's Degree to Master's Degree, etc.). Union employees are represented by eleven different associations. Professional staff members are represented by the Dayton Education Association (DEA). In December 2013, DEA and the District approved a new Master Contract effective through June 30, 2017. The other bargaining units have agreements through June 30, 2017. Currently, the District is in negotiations with the unions for the next agreements. For planning purposes, we included a 2% increase in base wages and 2% increase for step and training adjustments for fiscal years 2018 through fiscal year 2021. Note that FY17 is a fiscal year that contains 27 pays which will wages by 3.7% for one year.

Source	FY17	FY18	FY19	FY20	FY21
Base Wages	$87,860,357	$87,779,005	$94,362,431	$101,439,613	$107,272,391
Contractual Increases	-	3,291,713	3,538,591	3,803,985	2,145,448
Substitutes and Temporaries	2,328,611	2,328,611	2,328,611	2,328,611	2,328,611
Supplemental/Overtime	2,083,506	2,083,506	2,083,506	2,083,506	2,083,506
Staff Reductions	-	-	-	-	-
Total Wages Line 3.010	$92,272,474	$95,482,835	$102,313,139	$109,655,715	$113,829,956

Fringe Benefits Estimates Line 3.02
This area of the forecast captures all costs associated with benefits and retirement costs, which all except health insurance are directly related to the wages paid.

A) STRS/SERS

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. In addition, SERS Levies a surcharge for part time employees who earn less than $35,800. There is a cap of 2% of total district payroll. In addition, SERS cannot collect more than 1.5% of the total statewide payroll.

B) Insurance

Health care coverage is provided for employees on a self-insured basis up to stop loss limit of $350,000 specific claim. Claims are funded based upon per employee charge. The district contributes 85% of the medical premium for full time staff and less for part time staff. The district also contributes 90% of the dental premium. The health insurance plan is administered as a high deductible health plan (HDHP) with a health savings account (HAS). The board's contribution to the health savings account $750 for single plan and $1,500 for a family plan. The estimated increases for medical and dental insurance are 8.0% for fiscal year 2018-2021. The above increases include adjustments for inflation, historical trends and the function of the health insurance committee to maintain control of costs.

Patient Protection and Affordable Care Act (PPACA) Costs- the Patient Protection and Affordable Care Act (PPACA) commonly called Obamacare or the Affordable Care Act (ACA), is a United States federal statute signed into law by President Barack Obama on March 23, 2010. Together with the Health Care and Education Reconciliation Act, it represents the most significant regulatory overhaul of the country's healthcare system since the passage of Medicare and Medicaid in 1965. Many of the significant provisions of the PPACA that were scheduled to be implemented by employers on January 1, 2014 were delayed until January 1, 2015.

It is uncertain to what extent the implementation of PPACA will affect costs in our district. 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 insurance coverage that do not have coverage now. 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 a roughly a 2% annual increase in fiscal year 2015. 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 $27,400 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.

C) Workers Compensation & Unemployment Compensation

Workers Compensation continues in a Group Retrospective Rating Program. Unemployment Compensation has been negligible and is anticipated to remain as such as we plan our staffing needs carefully.

D) Medicare

Medicare will continue to increase at the rate of increase of 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.

Summary of Fringe Benefits – Line #3.020

Source	FY17	FY18	FY19	FY20	FY21
A) STRS/SERS	$14,057,657	$14,505,481	$15,593,392	$16,762,896	$17,463,946
B) Insurance's	24,004,059	25,444,303	27,479,847	29,678,235	32,052,494
C) Workers Comp/Unemployment	988,846	283,707	300,783	319,139	329,575
D) Medicare	1,202,718	1,250,827	1,300,860	1,352,894	1,407,010
Other/Tuition	248,250	248,250	248,250	248,250	248,250
Total Line 3.020	$40,501,530	$41,732,568	$44,923,132	$48,361,414	$51,501,275

Purchased Services – Line #3.030

This line includes costs for community and Science, Technology, Engineering and Math (STEM) schools, scholarships, open enrollment, contracted services, utilities, legal services, data processing, tuition and professional meeting expenses. In FY 17, an overall inflation of 4.2% is being estimated for all categories of this expense except for the Community School, Open Enrollment and Other Tuition categories. The estimated increase for these categories has been estimated at 5% as the students leaving for EdChoice and Community School include an additional 100 student for each group. The expenditure for our students attending elsewhere is one the fastest growing expenditures since fiscal year 2014.

We have assumed the utilities to increase 4% in fiscal year 2017 and 3% in FY18 due to an increase and electricity transmission fees. We estimate FY19-21 utility costs will remain flat.

Source	FY17	FY18	FY19	FY20	FY21
Base Services	$1,511,923	$1,557,281	$1,603,999	$1,652,119	$1,701,683
Instructional &Professional Services	14,950,000	15,398,500	15,860,455	16,336,269	16,826,357
County ESC Services	5,500,000	5,775,000	6,063,750	6,366,938	6,685,284
Open Enrollment Deduction-477	5,345,437	5,505,800	5,670,974	5,841,103	6,016,336
Community School Deductions-478	55,046,118	57,424,678	60,295,912	61,200,351	62,118,356
Other Tuition Including Ed Scholarship-479	13,897,457	14,592,330	15,321,947	16,088,044	16,892,446
Excess Cost and SF14 470-475	3,343,385	3,510,554	3,686,082	3,870,386	4,063,905
Building Services	3,075,000	3,228,750	3,390,188	3,559,697	3,737,682
Utilities	3,723,516	3,835,221	3,835,221	3,835,221	3,835,221
Total Line 3.030	$106,392,836	$110,828,114	$115,728,528	$118,750,128	$121,877,270

Supplies and Materials – Line #3.040

An overall inflation of 3% is being estimated for this category of expenses which are characterized by textbooks, copy paper, maintenance supplies and fuel. The budget includes an additional $1.1 million in FY18 for purchase of Chromebooks for students.

Source	FY17	FY18	FY19	FY20	FY21
Supplies	$1,110,627	$1,143,946	$1,178,264	$1,213,612	$1,250,020
Transportation	1,800,226	1,654,233	1,703,860	1,754,976	1,807,625
Textbooks & Technology	565,748	3,666,311	692,709	713,490	734,895
Building Supplies	906,449	933,642	961,651	990,501	1,020,216
Total Line 3.040	$4,237,057	$7,447,759	$4,587,600	$4,725,228	$4,866,985

Equipment – Line # 3.050

In FY17 the District lease purchased 115 buses for $9.7 million, the initial payment of $2.5 million is reflected in FY17. The remaining payments are included a debt payments in line 4.055. For FY 2018 we have $1.7 million budgeted for capital outlays.

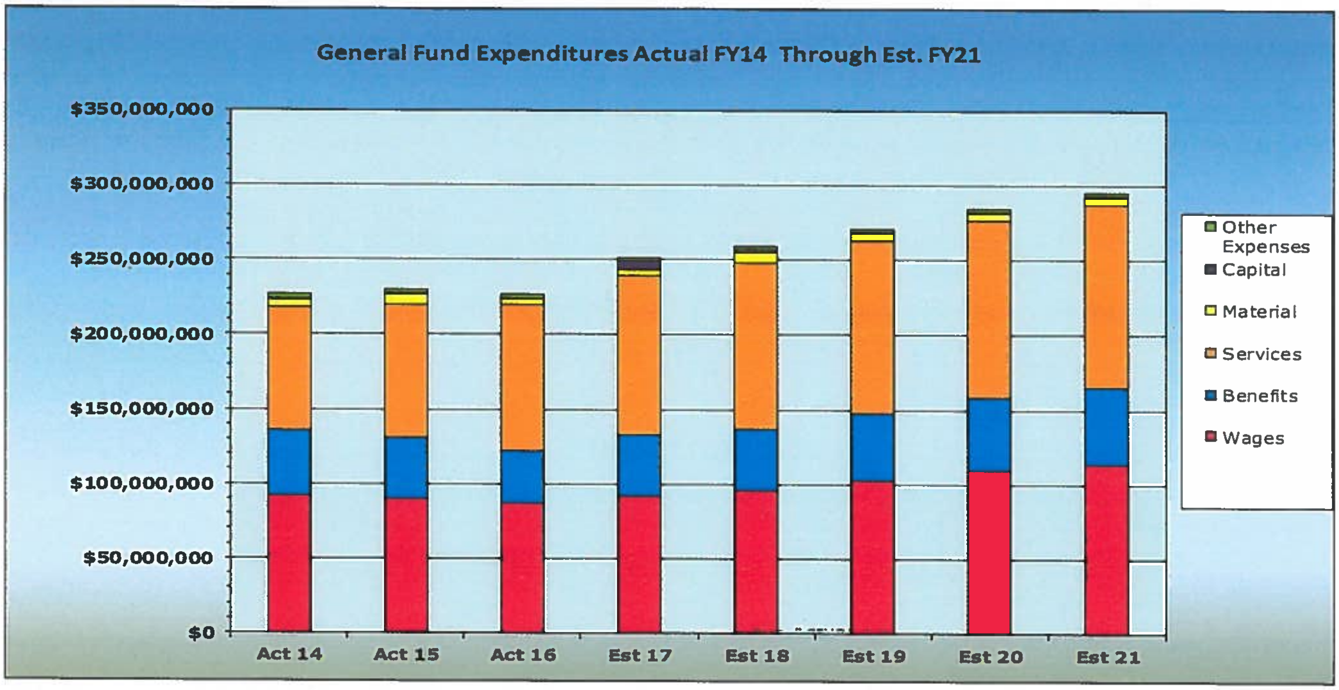
Source	FY17	FY18	FY19	FY20	FY21
Capital Outlay	$3,218,601	$724,699	$500,000	$500,000	$500,000
Technology	2,502,321	1,000,000	450,000	450,000	450,000
Total Line 3.050	$5,720,922	$1,724,699	$950,000	$950,000	$950,000

Other Expenses – Line #4.300

The category of Other Expenses consists primarily of the County ESC deductions for specialized services provided to the District and Auditor & Treasurer (A&T) fees. Auditor and Treasurer Fees will increase with new construction as more dollars are collected. As a result, A&T fees noted below are maintained at current levels. Currently, we are estimating annual increase of 1% for this forecast.

Source	FY17	FY18	FY19	FY20	FY21
County Auditor & Treasurer Fees	$761,809	$769,427	$777,121	$784,892	$792,741
County ESC	90,000	100,000	100,000	100,000	100,000
Other expenses	1,377,208	1,515,304	1,560,763	1,607,586	1,655,814
Total Line 4.300	$2,229,017	$2,384,731	$2,437,884	$2,492,478	$2,548,555

Total Expenditure Categories Actual Fiscal Year 2014 Through Fiscal Year 2016 and Estimated Fiscal Year 2017 Through Fiscal Year 2021



Transfers Out/Advances Out – Line# 5.010

This account group covers fund to fund transfers and end of year short term loans from the General Fund to other funds until they have received reimbursements to repay the General Fund. These amounts are limited in impact to the General Fund as the amounts are repaid as soon as dollars are received in the debtor fund. While the financial position is strong the Board of Education has earmarked one half of the most recent renewal to be transfer to the Permanent Improvement to be used in conjunction with the 1.55 mil level to fund the five year capital plan. The district will complete the plan and maintain and annually review as well as recommendation to issue debt to finance the plan.

Source	FY17	FY18	FY19	FY20	FY21
Operating Transfers Out Line #5.010	$0	$0	$0	$0	$0
Advances Out Line #5.020	5,825,000	825,000	825,000	825,000	825,000
Total	$5,825,000	$825,000	$825,000	$825,000	$825,000

Debt Service:

The District currently amortizes the purchase of $9.2 million bus fleet lease that is complete in October of 2023.

Source	FY17	FY18	FY19	FY20	FY21
Principal -Other # 4.055	$0	$1,194,272	$1,194,272	$1,194,272	$1,194,272
Total Principal Payments	$0	$1,194,272	$1,194,272	$1,194,272	$1,194,272

Source	FY17	FY18	FY19	FY20	FY21
Interest on TANS & HB 264 Total Line 4.060	$0	$143,569	$121,815	$99,608	$76,941

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. .

	FY17	FY18	FY19	FY20	FY21
Estimated Encumbrances	$5,000,000	$5,000,000	$5,000,000	$5,000,000	$5,000,000

Reservation of Fund Balance "Budget Reserve" - Line #9.03

In December of 2014 the Board of Education passed Board Police DBDA. The Board believes that the creation and maintenance of a cash balance reserve of ten percent (10%) of operating expenditures is both prudent and necessary and in the interest of sound fiscal management.

The Board affirms and declares that tax levies shall be pursued, and or the School District's finances otherwise be managed, to ensure a general fund cash balance equivalent to at least ten percent (10%) of general fund operating expenditures.

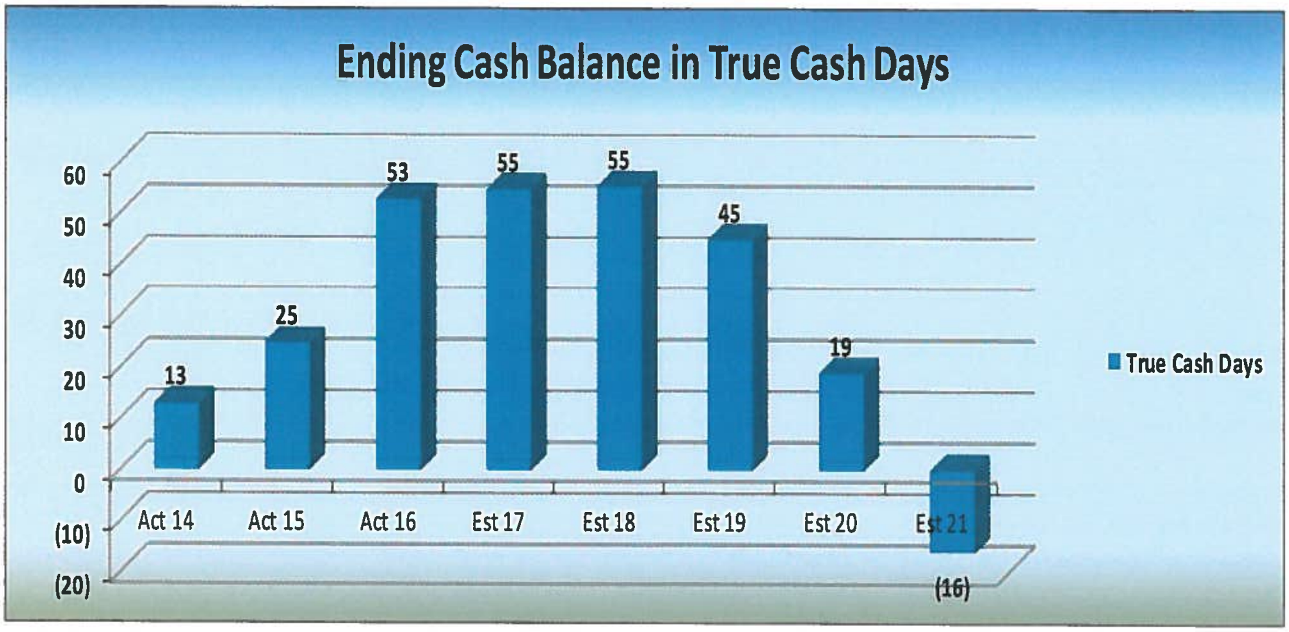
Upon receiving any indication that such a cash balance may not be maintained for any year during the current five-year financial forecast period, the Treasurer shall report such a finding to the Board. The Superintendent and Treasurer will propose options that the Board may consider.

Source	FY17	FY18	FY19	FY20	FY21
Textbooks & Instructional Materials- Line 9.010	$0	$0	$0	$0	$0
Capital Improvements- Line 9.020	$0	$0	$0	$0	$0
Budget Reserve-Line 9.030 (BOE Policy DBDA)	$25,135,384	$26,093,855	$27,225,637	$28,622,884	$29,684,525
DPIA - Line 9.040	$0	$0	$0	$0	$0
Fiscal Stabilization - Line 9.045	$0	$0	$0	$0	$0
Debt Service - Line 9.05	$0	$0	$0	$0	$0
Property Tax Advances for Future Year- Line 9.060	$0	$0	$0	$0	$0
State Bus Purchases- Line 9.070	$0	$0	$0	$0	$0
Total Reservations of Balance- Line#9.080	$25,135,384	$26,093,855	$27,225,637	$28,622,884	$29,684,525

Ending Unencumbered Cash Balance "The Bottom-line" – 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 Ohio Revised Code section 5705.412, punishable by personal liability of $10,000, unless an alternative "412" certificate can be issued pursuant to House Bill 153 effective September 30, 2011.

	FY17	FY18	FY19	FY20	FY21
Ending Unencumbered Cash Balance	$8,364,126	$8,485,667	$1,305,968	-$18,761,457	-$47,734,508

True Cash Days for Ending Cash Balance
The district has seen an increase of revenue from the state as the percentage state revenue has increased with the past two budget bills. The increase has allowed the district to increase the districts true cash days from being underfunded in FY14 to a reputable balance. The Government Financial Officers Association (GFOA) recommends, at a minimum, regardless of size, for a district to 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. The district will have that amount at the end of FY18.



Conclusion
State law requires schools to operate with positive cash balances. Additional revenue and/or expenditure reductions will need to be considered prior to years where line 7.020 Cash Balance June 30 is negative. Past performance is not an indication of future results. Changes in circumstances and the availability of additional information make this forecast subject to revision. Given the uncertainty of future state budgets, local, state and national economic factors, fiscal year 2018 and beyond may deviate significantly from the forecast.