Big Walnut Local School District
Schedule Of Revenue, Expenditures and Changes In Fund Balances
Actual and Forecasted Operating Fund

	ACTUAL			FORECASTED				
	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018
Revenue:								
1.010 - General Property Tax (Real Estate)	13,489,481	15,687,273	15,520,292	15,556,188	15,679,870	13,801,283	11,980,198	12,284,151
1.020 - Public Utility Personal Property	637,384	658,649	727,622	727,456	635,144	569,089	505,163	505,163
1.030 - Income Tax	5,638,238	5,232,785	4,923,885	5,126,283	5,186,227	5,247,369	5,309,734	5,373,346
1.035 - Unrestricted Grants-in-Aid	4,357,332	4,469,307	4,490,821	4,953,430	5,458,840	5,626,287	5,899,601	5,929,378
1.040 - Restricted Grants-in-Aid	461,297	154,777	10,350	24,496	25,214	25,214	25,214	25,214
1.045 - Restricted Federal Grants-in-Aid - SFSF	-	-	7,581	-	-	-	-	-
1.050 - Property Tax Allocation	2,965,783	2,568,640	2,081,307	2,289,499	2,318,311	2,039,840	1,757,320	1,804,289
1.060 - All Other Operating Revenues	922,605	929,337	855,875	872,993	881,722	890,540	894,992	899,467
1.070 - Total Revenue	28,472,120	29,700,768	28,617,733	29,550,345	30,185,329	28,199,621	26,372,222	26,821,007
Other Financing Sources:								
2.010 - Proceeds from Sale of Notes	-	-	-	-	-	-	-	-
2.020 - State Emergency Loans and Advancements	-	-	-	-	-	-	-	-
2.040 - Operating Transfers-In	-	12,802	14,231	-	-	-	-	-
2.050 - Advances-In	-	42,058	342,755	-	-	-	-	-
2.060 - All Other Financing Sources	78,906	130,504	121,862	-	-	-	-	-
2.070 - Total Other Financing Sources	78,906	185,364	478,848	-	-	-	-	-
2.080 - Total Revenues and Other Financing Sources	28,551,026	29,886,132	29,096,581	29,550,345	30,185,329	28,199,621	26,372,222	26,821,007
Expenditures:								
3.010 - Personnel Services	13,916,563	14,777,482	15,260,619	15,939,347	17,061,158	17,793,923	18,498,728	19,153,106
3.020 - Employees' Retirement/Insurance Benefits	6,017,521	6,194,864	6,597,876	7,197,489	8,185,073	9,263,837	10,264,843	11,306,597
3.030 - Purchased Services	3,288,699	4,051,265	4,552,090	4,772,651	5,028,283	5,279,697	5,543,682	5,820,866
3.040 - Supplies and Materials	574,271	714,602	858,149	883,893	1,164,485	1,199,420	1,235,402	1,272,465
3.050 - Capital Outlay	32,711	230,675	219,011	311,962	409,560	755,038	992,789	1,117,429
3.060 - Intergovernmental	-	-	-	-	-	-	-	-
Debt Service:								
4.010 - Principal-All Years	-	-	-	-	-	-	-	-
4.020 - Principal - Notes				-	-	-	-	-
4.030 - Principal - State Loans				-	-	-	-	-
4.040 - Principal - State Advances				-	-	-	-	-
4.050 - Principal - HB264 Loan				-	-	-	-	-
4.055 - Principal - Other				-	-	-	-	-
4.060 - Interest and Fiscal Charges	-	-	-	-	-	-	-	-
4.300 - Other Objects	444,669	414,386	520,784	525,992	531,252	536,564	541,930	547,349
4.500 - Total Expenditures	24,274,434	26,383,274	28,008,529	29,631,333	32,379,811	34,828,479	37,077,375	39,217,813
Other Financing Uses								
5.010 - Operating Transfers-Out	336,191	334,179	131,780	-	-	-	-	-
5.020 - Advances-Out	42,026	248,673	38,987	-	-	-	-	-
5.030 - All Other Financing Uses	1,278	-	-	-	-	-	-	-
5.040 - Total Other Financing Uses	379,495	582,852	170,767	-	-	-	-	-
5.050 - Total Expenditures and Other Financing Uses	24,653,929	26,966,126	28,179,296	29,631,333	32,379,811	34,828,479	37,077,375	39,217,813
Excess of Rev & Other Financing Uses Over (Under) 6.010 - Expenditures and Other Financing Uses	3,897,097	2,920,006	917,285	(80,988)	(2,194,482)	(6,628,858)	(10,705,153)	(12,396,805)
Cash Balance July 1 - Excluding Proposed Renewal/ 7.010 - Replacement and New Levies	(227,272)	3,669,825	6,589,831	7,507,116	7,426,128	5,231,646	(1,397,212)	(12,102,365)
7.020 - Cash Balance June 30	3,669,825	6,589,831	7,507,116	7,426,128	5,231,646	(1,397,212)	(12,102,365)	(24,499,171)
8.010 - Estimated Encumbrances June 30	327,510	88,157	48,868	154,845	154,845	154,845	154,845	154,845
Reservations of Fund Balance:								
9.010 - Textbooks and Instructional Materials	-	-	-	-	-	-	-	-
9.020 - Capital Improvements	-	-	-	-	-	-	-	-
9.030 - Budget Reserve	-	-	-	-	-	-	-	-
9.040 - DPIA	-	-	-	-	-	-	-	-
9.050 - Debt Service	-	-	-	-	-	-	-	-
9.060 - Property Tax Advances	-	-	-	-	-	-	-	-
9.070 - Bus Purchases	-	-	-	-	-	-	-	-
9.080 - Subtotal	-	-	-	-	-	-	-	-
Fund Balance June 30 for Certification 10.010 - of Appropriations	3,342,315	6,501,674	7,458,248	7,271,283	5,076,801	(1,552,057)	(12,257,210)	(24,654,016)
Rev from Replacement/Renewal Levies								
11.010 - Income Tax - Renewal				-	-	-	-	-
11.020 - Property Tax - Renewal or Replacement				-	-	2,379,052	4,758,068	4,758,236
11.030 - Cumulative Balance of Replacement/Renewal Levies	-	-	-	-	-	2,379,052	7,137,120	11,895,356
Fund Balance June 30 for Certification 12.010 - of Contracts, Salary and Other Obligations	3,342,315	6,501,674	7,458,248	7,271,283	5,076,801	826,995	(5,120,091)	(12,758,660)
Revenue from New Levies								
13.010 - Income Tax - New				-	-	-	-	-
13.020 - Property Tax - New				-	-	-	-	-
13.030 - Cumulative Balance of New Levies	-	-	-	-	-	-	-	-
14.010 - Revenue from Future State Advancements	-	-	-	-	-	-	-	-
15.010 - Unreserved Fund Balance June 30	3,342,315	6,501,674	7,458,248	7,271,283	5,076,801	826,995	(5,120,091)	(12,758,660)
ADM Forecasts								
20.010 - Kindergarten				217	202	185	190	195
20.015 - Grades 1-12				2,963	2,988	3,009	3,016	3,012

Big Walnut Local Schools

The following paragraphs explain the revenue and expense categories detailed on the five-year forecast, line-by-line to enhance the readers understanding of financial activity.

NOTE:
TAX REVENUE EXCLUDES POTENTIAL REVENUE FROM AEP VASSELL SUB-STATION AS OUTLINED IN LINE 1.020

Revenue Sources:

Line 1.010 General Property Tax

Property taxes consist of real estate, public utility real and personal property tax, as well as tangible personal property taxes. General property taxes are levied upon land and buildings, real estate or real property. The county auditor must place a value on all property so that the county treasurer can collect and distribute taxes to each local government subdivision. The distributions of these funds are made through semi-annual settlement payments primarily forwarded in August or September and February or March. Settlements may also be received earlier upon request referred to as an advance. Advances may be requested from the Delaware County Auditor as the tax is collected to meet cash flow needs. The county releases the tax collection to the School District net of county auditor and treasurer fees, advertising, delinquent taxes, election expenses, and other fees for the assessment, administration and collections of the respective taxes due to the county for assessment, billing and collection.

Real estate tax collections are reduced under the state law that allows for certain reductions in the form of 2.5% rollback and 10% homestead exemption to property owners for real estate taxes and exempts from taxation the $10,000 of tangible personal property. Currently, the State of Ohio reimburses the School District for all real estate revenues lost due to these tax exemptions. The amount of the State of Ohio reimbursement is included in the forecasted amount in line 1.050 Property Tax Allocation. Future real estate collections will be impacted by future levies as this property owner tax relief for new and replacement levies is eliminated under the new biennial budget that became effective on July 1, 2014. So while the school district will continue to receive the tax revenue related to the 2.5% rollback and 10% homestead exemption the revenue must now be paid by property owners as opposed to the State of Ohio thereby increasing the Real Estate tax revenue and reducing Property Tax Allocation revenue.

The real estate property tax revenues for the School District are generated from several levies. The type of levies, the year approved, last year of collection and the full tax rate are as follows:

Purpose	Date of Vote	Expires	Voted Rate	Effective Rate

Inside Millage	00/00/00	Continuing	04.60	04.60
Operating Expense	00/00/76	Continuing	13.90	09.37
Operating Expense	02/05/85	Continuing	10.00	06.74
Bond $16,500,000	11/07/89	2014	01.56	01.56
Bond $1,500,000	11/05/91	2015	00.21	00.21
Bond $13,000,000	11/02/04	2031	01.13	01.13
Bond $30,000,000	11/04/08	2035	02.67	02.67
Emergency $4,900,000	11/02/10	2014	07.62	07.62
Total Voted Millage:			41.69	
Effective Millage:				33.90

(Note: 1.56 mils and .21 mils for debt service will be dropping off in 2014 and 2015.)

The amount shown in the revenue section of the forecast represents gross property tax revenues. The projected amount is based on a careful analysis of property valuations from 2001 through the current period to identify historical trends. These historical trends are then used to predict future increases of the tax collections. It was noted that valuations and subsequent tax collections increased every three years by 18.35% due to inflation. Other increases in valuation are then attributable to new construction and have been averaging 3.66% over the last decade. It is important to note that both inflation and new construction have fallen off since 2008. As a result, new construction is expected to continue slowly increasing about 1.60% annually. Due to economic conditions resulting in a reduction to housing values the Delaware County Auditor scheduled 0% inflationary adjustments for the 2008 triennial update for the entire county while the reappraisal updates in 2011 resulted in a -4.03% decline in property valuations. It is expected that recovery from the recession will take years so no inflationary adjustment for property valuation is anticipated in 2014 but 2% growth in property values due to inflation is projected for 2017. The County Auditor has indicated that current housing conveyances rival the number issued in 2005. Clearly, new construction is on the upswing but the Federal shutdown could influence consumer confidence negatively causing another temporary stall to housing starts. Tax duplicate values for the 2014 triennial update will be determined by The State of Ohio Department of Taxation and are scheduled for release to the County Auditor later in October or early November. Once actual values are determined the actual data will be used in the forecast to project current year collections.

As you review historical changes in tax revenue you will notice additional revenue for real estate taxes increased in 2011 at the direct result of passage of the 2010 Emergency Levy that generated $2,450,000 in fiscal year 2011 with full year of collections at $4,900,000 in 2012. Because real estate taxes are collected in arrears, full collection of the Emergency Levy was realized in Fiscal 2012. Upon passage of the 2010 $4,900,000 levy the district opted to allow the 2006 $750,000 Emergency Levy to expire in 2010 which contributes to the decline noted in this category.

It is important to note that the 2010 Emergency Levy will expire as of December 31, 2014 pushing the district back to voters for replacement of this lost revenue stream. Even though the tax assessment period expires in 2014 the district will still receive revenue because these taxes are collected one year in arrears. Consider for example, that the 2014 taxes are billed one year in arrears resulting in collection around February/March and August/September 2015. The impact of the expiring levy is noted by ½ half of the $4,900,000 falling off in FY16 then the remaining ½ falling off in FY17 because the August 2015 tax collection is the last collection related to the 2010 Emergency Levy. Please review the tax assessment period verses tax collection period timeline outlined below to gain a better understanding of the revenue tax collection cycle.

Levy Effective January 1, 2010 through December 31, 2014

Tax Cycle Half Year	Tax Year	Collection Calendar Year	Collection Fiscal Year
Jan-Jun	2010	3/1/2011	FY11
Jul-Dec	2010	9/1/2011	FY12
Jan-Jun	2011	3/1/2012	FY12
Jul-Dec	2011	9/1/2012	FY13
Jan-Jun	2012	3/1/2013	FY13
Jul-Dec	2012	9/1/2013	FY14
Jan-Jun	2013	3/1/2014	FY14
Jul-Dec	2013	9/1/2014	FY15
Jan-Jun	2014	3/1/2015	FY15
Jul-Dec	2014	9/1/2015	FY16
Jan-Jun	2015	3/1/2016	FY16
Jul-Dec	2015	9/1/2016	FY17
Jan-Jun	2016	3/1/2017	FY17
Jul-Dec	2016	9/1/2017	FY18
Jan-Jun	2017	3/1/2018	FY18

With annual expenditures rising an average of 6.9% annually over the next five years and revenue falling by an average 1.5% annually over the next five years a replacement of the emergency levy will absolutely be required to maintain the current standard of instructional services. The exact amount and timing of a replacement levy; however, requires active monitoring and tweaking of the exact millage next year as we move closer to the expiration of the revenue stream. The passage of a replacement levy combined with management of the escalation of expenditures is necessary to eliminate the projected structural deficit in 2017.

We also recognize that any levy request will need to be evaluated very carefully with extra consideration toward the potential tax revenue to be generated by the American Electric Power (AEP) Vassell Substation in both real estate taxes and personal property taxes. Since the largest component of taxes from AEP will be for public utility tangible personal property the Vassell sub-station is explored more thoroughly in the next section.

Line 1.020 Tangible Personal Property Tax

Tangible personal property tax revenues are generated from taxes levied on furniture, fixtures, machines, equipment, supplies and inventory used in business. Beginning in Fiscal 2006 this tax was subject to reduction of 25% per year until completely eliminated in Fiscal 2009 when it is replaced with the Commercial Activities Tax (CAT). The State reimbursed School Districts for this loss through 2012 under the accelerated phase out under Governor Kasich.

The handling of public utilities personal property taxes is handled differently in that taxes are paid based on full voted millage at 24% of the assessed value. Unlike residential property that received reductions from full voted mils to a lesser effective millage. This tax structure on utility companies creates potential for substantial additional revenue related to the AEP Vassell sub-station project.

In the spring of 2012, AEP began construction on the Vassell Substation that is expected to be completed by the summer of 2014. The AEP application filed with the Ohio Power Siting Board estimates Big Walnut Local School District's share of taxes for the first year after the project is complete at $5,607,241. The sub-station taxes, however, would not be collected until March and August of calendar 2016. Since the fiscal year begins each July and taxes are collected in arrears only half the revenue $2,803,621 could potentially be received in March of 2016 which falls in fiscal 2016. However, the balance of the tax revenue projection $2,803,621 would be anticipated in August 2016 which falls in fiscal 2017. The district is working closely with the AEP Vassell sub-station project manager, Scott Joseph, to monitor project investment costs and projected tax revenues. Mr. Joseph indicated that due to reassignment of the sub-station from AEP-Ohio to AEP-Ohio-Transco the overhead costs were reduced. The reduction in overhead costs has reduced the projects investment costs effectively reducing revenue estimates as well. While initial projections for the sub-station were $158.1 million with revenue of $5,607,241 once transferred to AEP-Ohio-Transco the project costs and revenue have been reduced to 70% of the initial projections. Since AEP is self-reporting the investment cost and the total costs are unknown until project completion we are also partnering with the Delaware County Auditor to help us quantify the Vassell revenue projections as new information becomes available. Consequently, at this time no additional revenue related to the Vassell Sub-Station will be posted in the financial forecast projections until the district secures independent verification or auditor certification of AEP's revenue estimate.

Line 1.030 Income Taxes

The School District currently receives revenue from the three quarters of one percent continuing income tax levy (i.e. 00.75%) effective January 1, 1995.

The income tax revenue is administered and collected by the Ohio Department of Taxation and remitted to the District quarterly in July, October, January and April less a 1.5% administrative fee and income tax refunds. Although historical trends reveal annual increases, recent year's unemployment numbers have resulted in reductions to actual collections. The income tax collection in 2011 is unusually high due to a lottery winner living in community who paid approximately $932,000 of estimated school district income taxes in December 2010. This is expected to be a one-time, isolated occurrence and is not projected going forward. The income tax represents 17% of district resources to provide for operations therefore it has become an essential source of revenue but the recession beginning in 2008 has drastically reduced collections. Recent collections show growth in withholdings as an indication that our community is getting back to work and/or getting pay increases. The increase in withholding taxes demonstrates a very positive trend toward continued economic improvement for our local residents and community. Fiscal 2013 tax collections increased by more than 8%, placing the district at pre-recession levels for school income tax collections. Fiscal 2014 also reflects growth at nearly 4% due to a larger than expected July 2013 collection. In consideration of the Federal shutdown and debt ceiling arguments we could experience starts and stops that keep the overall economy from fully rebounding. Therefore, future yearly increases are projected to be at a much slower rate around 1.7 % annually beginning in 2015.

Line 1.035 Unrestricted Grants-In-Aid

Unrestricted Grants-In-Aid is state funding for schools referred to as Ohio's School Foundation Payment System. School funding is considered a partnership between the state and local community. In order to receive state funding schools must levy a minimum of 20 mils of property taxes. As part of the fiscal 2012–13 biennial budget process, Governor John Kasich proposed a temporary funding system for public schools referred to as The Bridge Formula.

Effective on July 1, 2013 the Governor's "Achievement Everywhere" funding proposal for fiscal 2014 – 2015 was enacted. The Governor's school funding plan identifies a base aid amount of $5745 in FY14 and $5800 in FY15 called "core opportunity aide" to ensure each district receives a base amount per pupil based on an "equal yield formula". Other elements of the new formula include wealth based concepts and targeted resource funding. Two measurements of wealth come in the form of per pupil valuation and per pupil income (i.e. the district's Federal Adjusted Gross Income compiled from state income tax returns). Based on these wealth measures a state share index is then calculated for each school district to determine how much of the $5745 or core aid will get distributed to the district. Big Walnut's state share index is 21.10% as our community is considered fairly wealthy. Consequently, Big Walnut's core aide per pupil is reduced to $1209. Additional funding is received for targeted areas such as special education, limited English speaking, economically disadvantaged, K3 literacy, gifted, career technical and transportation. The Governor's simulations reveal that Big Walnut is to receive a 6.25% increase in FY14 and a 10.50% increase in FY15. Also included in state funding is an increase related to casino revenue. Casino revenue is likely to be funded at $51/per student head count or $160,000 in FY14. Casino revenue is funded two times per year with 50% received in August and the remaining 50% received in January.

Line 1.040 Restricted Grants-In-Aid

Restricted Grants-In-Aid primarily consist of Career Technical funding for our Vocational-Agricultural and Family Consumer Sciences programs. These amounts are calculated based upon program participation and other variables within the formula. The projected increase in Career Technical funding is reflective of the Governor's simulations for FY14 and FY15.

Line 1.045 Restricted Federal Grants-In-Aid – SFSF

Restricted Federal Grants-In-Aid - SFSF represents federal stimulus dollars awarded to the State of Ohio to stabilize the state budget from FY10 through FY12. To account for these federal dollars the state established State Fiscal Stabilization Funds (SFSF). The purpose of the SFSF is to minimize budget reductions to education and other essential state supported services. The State of Ohio's allocation from the Federal government is $1.79 billion of which 82% is being used to support state funding to elementary, secondary and public higher education from FY10 – FY12. SFSF can be used for current operating expenses including paying salaries of administrators, teachers, and support staff; purchasing textbooks, computers, and other equipment. The district is using the SFSF to pay for electricity consumption throughout the district. It is important to note that this category is new as a result of the recession and is not expected to continue as a source of revenue. Additionally, in August 2010 an extension of the Federal stimulus program has resulted in Ohio receiving approximately $361 million in funding from the $10 billion that the federal government is providing to save education jobs across the nation. The purpose of these funds is to provide educational support for students. Funds may not be used for administrative purposes related to the operation of the Superintendent's Office, the board of education or for other support purposes like fiscal or human resource services. Big Walnut has elected to use these funds over the two year period of availability to re-hire three part-time secretary aides at the elementary schools and one Industrial Arts teacher at the High School for FY11 and FY12.

This category is not projected into future years as we do not anticipate additional federal funding under the stimulus program.

Line 1.050 Property Tax Allocations

State law grants local property tax relief in the form of a 10% rollback on real estate taxes, a 2 ½ % Homestead Exemption on owner occupied homes, a Homestead exemption, personal property exemption and an additional homestead exemption for elderly or disabled residence. The State reimburses the School District for the loss of real property taxes as a result of the above tax relief commonly referred to as Rollback/Homestead reimbursements. It is commonly accepted that the same proportional relations between real estate tax receipts and property tax allocations revenues will exist throughout the balance of this forecast.

Property Tax Allocation is a state reimbursement; as such, it is also considered State Funding although it flows outside of the basic funding formula. Governor Kasich surprised schools by accelerating the phase out of the Tangible Personal Property Tax (TPP) reimbursement that was not slated for elimination until 2019 under Governor Strickland. These TPP reimbursements losses amount to a $735,496 reduction of revenue in Fiscal 2012 with the balance of $261,655 eliminated from reimbursement in Fiscal 2013.

The Governor's budget under H.B. 59 contains significant tax reform policies such as decreasing the state income tax while increasing local sales taxes and property taxes. For example, the increase in property taxes occur due to the elimination of the 2.5% rollback and the 10.00% homestead tax relief exemptions now provided to homeowners to help reduce their real estate property taxes. This elimination of the state contribution for rollback/homestead was used to pay some of the homeowners share on existing taxes. This homeowner tax relief will be forever lost with new and replacement levies. Even though the school district will collect the same amount of millage homeowners will be paying 10% more on their property taxes without the benefit of this state subsidy. Notably, any renewal of a levy will be exempt from the rollback/homestead elimination which makes levy renewal a more cost effective option for homeowners.

Line 1.060 <u>Other Revenue</u>

All other revenue consists of tuition paid by other Districts, open enrollment tuition, and classroom materials fees, parking fees, interest on investments, miscellaneous receipts, reimbursements and refunds of previous expenditures. The revenue source has grown by 14.51% over the last five years. Fiscal 2011 reflected an increase over the previous year as a result of the receipt of bond interest in the amount $110,884 rebated twice a year by the Federal Government for the Build America Bonds. The Build American Bonds represent a federal stimulus initiative designed to encourage construction by offering incentives that reduce the cost of carrying debt. The construction of the new Middle School was partially financed with these Build America Bonds. The district will receive 35% of the semi-annual interest due and paid on the bonds as an interest rebate gradually declining until the debt is repaid. In January 2013 government sequestration initiatives resulted in an 8.7% reduction (i.e. $19,294) to the Build America Bonds interest rebates. The recent government shutdown will also delay the receipt of the interest rebate that was anticipated in October.

Line 2.040 Operating Transfers-In

Operating Transfers-In represent the permanent movement (i.e. transfer) of monies between funds. Per Ohio Revised Code Section 5705.10 the District passed a resolution authorizing the Treasurer to transfer interest earnings on the proceeds of the investments from USAS Fund 004 (Building Fund) to USAS Fund 001 (General Fund) as determined by the Treasurer from time to time. Future transfers may occur; however, the objective is to minimize the amount and frequency of the transfers from the Building Fund to the General Fund until the construction projects are complete in order to provide for any project cost overruns resulting from change orders and such as the first priority. Due to the fluctuating need based nature of transfers it is difficult to identify trends thus statute does not require transfers to be budgeted.

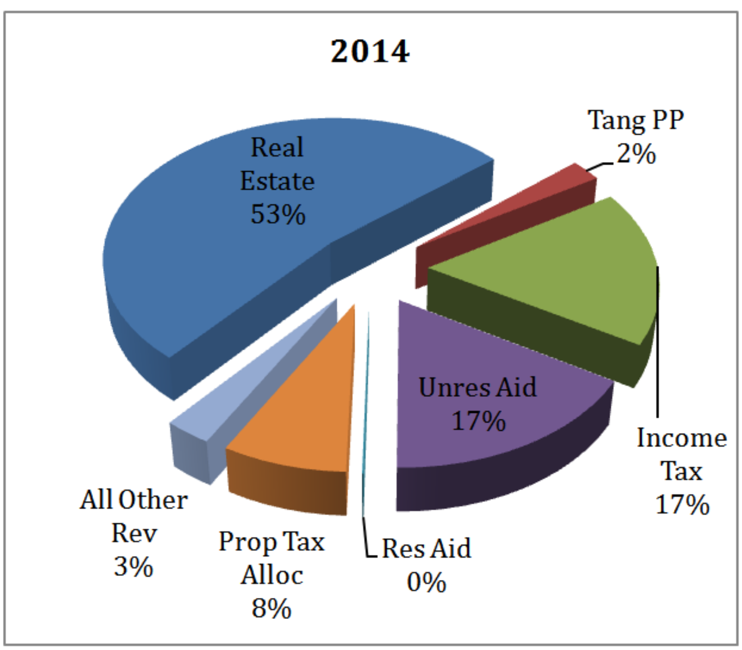
Line 2.050 Operating Advances In

Advances-In represent amounts loaned to other funds in the current or prior fiscal year. Advances are granted on an as needed basis with board approval from the General Fund on a temporary basis. Advances occur most often when waiting for cash requests of Federal Funds to be received. Due to the fluctuating need based nature of advances it is difficult to identify trends thus statute does not require advances to be budgeted

Line 2.060 Other Financing Sources

Other financing sources include miscellaneous activities that generate an increase to the General Fund. These activities include such items as the sale of assets.

TOTAL REVENUE BY SOURCE % GRAPH



Expenditures:

Line 3.010 Personal Services

Personal services expenditures represent the salaries and wages paid to certified staff (i.e. teachers) and classified staff (i.e. non-teaching), supplemental contracts (i.e. coaches and advisors), substitutes, board members' compensation. All employees receive their compensation on a semi-monthly basis each 15th and 30th of the month.

The certified and classified staff increases are expected to fluctuate in direct proportion with what was agreed upon in the most current negotiated agreement between the Big Walnut Education Association (Teachers), the Big Walnut Professional Support Staff Association (Secretaries & Aides), and the OAPSE.AFSCME Local 4/AFL-CIO and Its' Local #524 (Maintenance, Custodial, Bus Drivers, Mechanics, and Mail Carrier) and the Big Walnut Local School Board.

As union employees, these staff members are paid according to an established salary schedule that rewards length of service (steps) and education (columns) with specific increases. The district's salary obligation fluctuates in direct proportion to base salary increases as well as the required step and column salary increases. Administrative employees may receive merit pay increases from based on performance evaluations, market demands and the district's overall economic position.

SUMMARY OF NEGOTIATED AGREEMENTS

Big Walnut Education Association (Teachers)

- Effective July 1, 2012 – June 30, 2014
- Base Salary Increase of 1.5% FY13 and 1.5% FY14
- Continuation of Annual Step Increases
- Annual Stipend Payment of $500
- Insurance Plan Design Changes With Higher Deductibles & Co-Insurance

Big Walnut Professional Support Staff Association (Secretaries & Aides)

- Effective July 1, 2012 – June 30, 2014
- Base Salary Increase of 1.5% FY13 and 1.75% FY14
- Increase to Insurance Opt Out from $1200 to $1500
- Educational Assistants receive additional .30 cents per step
- Elimination of Board contribution to FSA $500 - $800 / per member
- Elimination of Financial Job Classification Pay Column as of 1/1/13
- Annual Stipend Payment of $200
- Insurance Plan Design Changes With Higher Deductibles & Co-Insurance

OAPSE.AFSCME Local 4/AFL-CIO and Its' Local #524
(Maintenance, Custodial, Bus Drivers, Mechanics, and Mail Carrier)

- Effective July 1, 2012 – June 30, 2015
- Base Salary Increase of 2.5% FY13, 2.5% FY14 and 2.8% FY15
- Elimination of Board Contribution to FSA $250 single & $600 family
- Reduction to Insurance Opt Out from $1200 - $600
- Insurance Plan Design Changes With Higher Deductibles & Co-Insurance

Readers of the forecast may request a copy under the public records act for any of the four bargaining units' negotiated agreement including the salary schedule for review by contacting the district Treasurer.

The board and administration remain committed to stretching resources while also maintaining a competitive total compensation package for all staff. The goal is a prudent allocation of resources that will adequately compensate our high quality workforce while balancing flat and declining revenues. Projected personnel expenditures in FY13 and FY14 are reflective of the current negotiated salary schedules for all units. Beginning in FY15, negotiated base salary increases are undetermined therefore a placeholder of 2% is reflected to provide an allocation of resources for potential increases. This placeholder allows the district to provide a framework for discussions about how to allocate resources between salary and insurance to ensure a competitive total compensation package. The District's forecast reflects total compensation for both salary and benefits. Therefore, salary increases in FY13 and FY14 were awarded in direct response to insurance plan design changes that reduce the District's group health premiums resulting in a near budget neutral situation. Significant efforts have been demonstrated by all staff to help the District minimize the escalation of group health care premiums with plan design changes.

Further changes in personnel services occur with the number of staff members employed. Projected staffing needs in the 2014/2015 year are estimated at 18.5 FTE's including the staff necessary to re-open Harrison Street Elementary.

- 3 Regular Education Teachers (1 @ HSE)*
- 1 HS Math Teacher
- 2 Related Art Teachers
- 2 Tutors (1 @ HSE)*
- 1 Intervention Specialist*
- 1 Principal @ HSE*
- 1 Secretary @ HSE*
- .5 Clerical Aide @ HSE*
- 2 Custodians @ HSE*
- 4 Bus Drivers (two-tier model)
- 1 Maintenance

Without opening Harrison Street the district would still need 11 additional staff to meet growing enrollment demands. The staff denoted with an asterisk above would not need to be hired if Harrison Street does not open the fall of 2014. Staffing needs beginning in 2016 reflect two additional teachers per year, one Para-professional (i.e. educational aide) to assist with the growing special education student population and one classified other (i.e. computer technician). The food service staff is listed separately at the bottom of the report since these positions are paid from the Café Enterprise Fund outside the General Fund obligations being reported in the forecast.

Historical and Projected FTE and Average Salaries

		2007	2008	2009	2010	2011	2012
	Historical >>>	2007	2008	2009	2010	2011	2012
All Funds per ODE EMIS	Certified	188.20	197.60	205.10	200.00	176.20	190.60
	Classified	119.30	128.00	134.00	128.50	117.00	119.00
	Total	307.50	325.60	339.10	328.50	293.20	309.60
	Net Change		18.10	13.50	(10.60)	(35.30)	16.40
		2013	**2014**	**2015**	**2016**	**2017**	**2018**
Avg Salary <<	2013						
$ 60,644	Certified - Teachers	166.50	171.00	178.50	180.50	182.50	184.50
$ 60,584	Certified - Other Professionals	11.00	11.00	11.00	11.00	11.00	11.00
$ 84,918	Certified - Administration	15.00	17.00	19.00	19.00	19.00	19.00
$ 35,421	Classified - Maintenance/Cust	20.00	21.00	24.00	24.00	24.00	24.00
$ 27,395	Classified - Clerical	14.00	14.00	15.50	15.50	15.50	15.50
$ 24,318	Classified - Aides/Paraprofess	25.00	27.50	28.50	29.50	30.50	31.50
$ 24,389	Classified - Transportation	27.00	28.00	32.00	32.00	32.00	31.00
$ 50,445	Classified - Other	9.00	9.00	9.00	10.00	10.00	10.00
	Net FTE All Funds	287.50	298.50	317.50	321.50	324.50	326.50
	Certified Not Classified Above	0.0	0.0	0.0	0.0	0.0	0.0
	Classified Not Included Above	17.3	17.3	17.3	17.3	17.3	17.3
	Net FTE All Funds	304.83	315.83	334.83	338.83	341.83	343.83

Line 3.020 Employees' Retirement/Insurance Benefits

Employees' retirement and insurance benefits include employer contributions to the State pension systems, health care, Medicare, workers' compensation and any other benefits arising from the negotiated agreements. The School District is required to provide severance pay upon retirement to certified and classified employees. Employees may elect to be paid in cash for one-fourth of the value of their accrued but unused sick leave credit. Payment is based upon the employee's per diem rate of pay at the time of separation and shall be made only once to any employee.

Per STRS Ohio, "members pay 11% of their salary to STRS Ohio and employers pay 14% of total payroll in lieu of paying into Social Security. Health care costs are based on the coverage terms of the existing health insurance contracts, the number of employees participating in the program, single versus family coverage, the monthly premiums, and anticipated increases during the forecast period. Health care costs continue to escalate at an alarming rate with projections of 14% annual growth of this expenditure category. Big Walnut employees currently share 15% of the monthly premium and collaborate with management to research plan modifications that will result in smaller premium increases below the trend renewal rates of 12 -15%.

In consideration of insurance plan design changes outlined below that place more fiscal responsibility on the employee in the form of higher deductibles and co-insurance the FY13 renewal that occurred in January 2013 actually resulted in a premium decrease of more than 8% with a cap on the January 2014 increase of 14%. All future years are currently being projected to increase at 14%. Since total compensation for employees includes both salary and benefits the collaborative management of the escalation in insurance premiums has allowed the District to return the savings to staff in the form of base and step increases.

New Medical Plan Design January 1, 2013

Medical Benefit Summary	**Medical**
Network Deductible	**$200/$400**
Network Coinsurance	**90%**
Network Coinsurance Out-of-Pocket Maximum	**$600/$1200**
Total Network Out-of-Pocket Maximum *	**$800/$1600**
Network Office Visit Co-Payment (Primary/Specialist)	**$15/$25**
Urgent Care Co-Payment	**$50**
Emergency Room Co-Payment	**$125**
Prescription Drug Benefit Summary	**Rx Drugs**
Prescription Drug Retail Co-Payment	**$10/$15/$20**
Prescription Drug Mail Order Co-Payment	**$20/$30/$40**

IMPACT OF HEALTH CARE REFORM:

Fortunately, the group health plan design changes reduced annual health premiums by $421,429 for calendar 2013. This premium decrease allows the District to nearly absorb the fees and taxes associated with health care reform. During the next five years, the District will be impacted by $519,060 as a result of the four major taxes and/or fees; 1) Research Institute Fee, 2) Reinsurance Assessment Fee, 3) Health Insurer Fee, and 4) the High-cost Health Insurance Tax (i.e. Cadillac Tax). Fortunately, the FY14 fees are to be included in the rate cap renewal of 14% and are listed below for information purposes only.

Research Institute Fee (5 year total @ $9,360)
The Patient-Centered Outcomes Research Institute Fee (also known as "PCORI" or "CER" fee) supports research of effective and efficient medical prevention, treatment and care options. The fee of $2 annually per covered life is adjusted annually for inflation beginning in 2013 through 2019. The District offers a fully insured plan so this fee is included in the annual premium cost. The approximate costs for each year are as follows: 2013 - $720; 2014 through 2019 - $1,440

Reinsurance Assessment Fee (5 year total @ 94,200)
The Transitional Reinsurance Assessment Fee helps stabilize premiums in individual market as new high-cost individuals begin to access health insurance. The cost is estimated at $63 annually per covered life for the first year. Big Walnut currently provides coverage for 719 member lives. Future costs are estimated to be $42 in 2015 and $26 in 2016 per covered life. These fees will be paid from 2014 through 2016 on a quarterly basis as part of the insurance premium cost. The approximate costs for each year are as follows: 2014 - $45,300; 2015 - $30,200, and 2016 - $18,700.

Health Insurer Fee (5 year total @ $580,500)
The Health Insurer Fee supports the cost of health care reform. The amount will vary for each insurer based on its relative market share of U.S. health insurance business with estimates ranging from 1-3% of the annual premium. This insurer fee is slated to begin in 2014 and will be ongoing. Once again insurers of fully insured plans will have the cost included in premium. Since the fee does not apply to self-insured plans the District will need to explore the feasibility and benefits of becoming self-insured thereby eliminating this fee. Based on United Health Care, actual current contracts and current premiums fee estimates range from approximately $38,700 at 1% up to $116,100 for 3% fee. Being conservative, the forecast projections reflect the potential of the maximum fee at 3% which is $116,100 yearly.

High-cost Health Insurance Tax (5 year total $ unknown)
The High-cost Health Insurance Tax (i.e. Cadillac Tax) supports cost of healthcare reform and encourages reduction of medical costs by imposing an excise tax of 40% on plan costs that exceed defined thresholds. This so called "Cadillac Tax" will begin in 2018 and will be ongoing. The tax is to be included in premium cost for insurers of

fully insured plans. Currently, insurance plans are considered a Cadillac plan when the total single premium exceeds $850 per month and the total family premium exceeds $2,292 per month upon which the Excise Tax would be implemented.

The School District currently participates in Group Retro Pool for workers' compensation that is likely to achieve group savings after three years. The School District pays a rate billed by the State Worker's Compensation system based on the group rate and the actual salaries for the premium period.   Although this expense represents salary driven fringe benefits they have not decreased in proportion to the decreases in salaries. This is a result of increases to the workers' compensation premium, unemployment compensation from layoffs, an increase to the SERS surcharge, and negotiated benefits that permit a payment in lieu of enrolling in medical insurance.

Line 3.030 <u>Purchased Services</u>

Purchased Services expenditures include all property services for utilities, trash hauling, maintenance, custodial, insurance, rentals. Purchased Services also include legal services, staff professional development, tuition, contract services and transportation. Fiscal 2012 increased dramatically as a result of the expiration of $348,000 in SFSF stimulus monies that were used to pay all the district's electric bills but are no longer available. In fiscal 2013, the district contracted with the Educational Service Center of Central Ohio for payment of 13 math/reading tutors and teacher substitutes resulting in a reclassification of the expenditure from salaries to purchased services. For local school district some routine ongoing contracted personnel costs are reflected in the category. Big Walnut routinely contracts the following eleven positions through the Educational Service Center.

Educational Service Center of Central Ohio	
2	Occupational Therapist
1	Speech Therapist
1	HS Assistant Principal
1	Secretary
2	Sp Ed Administrative Assistant
1	District Psychologist/Student Services Coordinator
1	Adapted Physical Education Teacher
1	Physical Therapist
1	School Psychologist
11	Total Contracted Service Staff

Purchased services also increased in 2013 and will increase in 2015 due to opening of the Intermediate School and Harrison Street Elementary. Future increases of approximately 5% based on historical trends adjusted for the main fluctuations in FY13 outlined below.

Additional Increases In FY13

- $32K IS Utilities (trash hauling, electric, water/sewer & natural gas)
- $17.5K On-line course
- $96K Subs & Tutors paid by ESC
- $82K Tuition Out (community schools, autism, foster care, etc.)
- $133K Special Education services no longer being paid by ARRA
- $40K Maintenance & upkeep to grounds

Additional Increases In FY15

- $75K HSE Utilities (trash hauling, electric, water/sewer & natural gas)

Line 3.04 Supplies and Materials

Expenditures for supplies and materials include general office supplies, instructional supplies, textbooks, custodial and maintenance supplies. Historically, supplies and material expenditures offer the District the most discretionary control. With the restoration of instructional programs in FY12 the district increased the supply budgets by $130,000 to provide the necessary materials for Art, Music, PE, Spanish, Family and Consumer Science in addition to advanced courses at the High School. Fiscal 2013 supplies are higher due to the opening of another school building to educate grades 5 and 6 known as the Intermediate School. After years of purchasing only the essential supplies the district must restore and refresh exhausted supplies to accommodate the new Intermediate School instructional needs. In addition, the district has committed to provide resources for other neglected areas as outlined below:

Supplies & Materials FY13

- Inflationary increases of 3.5% annually
- $45K related to IS books, software & supplies
- $13K technology parts & supplies
- $7K Intermediate School custodial supplies
- $21K maintenance parts & supplies
- $8K transportation parts & tires

Supplies & Materials FY14

- Inflationary increases of 3.5% annually
- $17.5K related to restock HSE supplies from scratch
- $35K for curriculum expansion for larger classes

Supplies & Materials FY15

- $200,000 for new curriculum adoptions (necessary upon depletion of bond funds). The allocation may be re-directed to capital outlay should the focus switch from hardcover textbooks to technology such as iPads.

Line 3.05 Capital Outlay

Capital Outlay represents expenditures for the acquisition of, or additions to, fixed assets. These expenditures include land, buildings, improvements to property and grounds, construction of buildings; additions to buildings; remodeling of buildings; initial and additional equipment, furnishings and vehicles.

Under the current recession creating declining revenues, the School District is unable to provide sufficient resources for ongoing permanent improvements. The forecast reflects the purchase of a minimum of two school buses a year from 2012 through 2014. Beginning in fiscal 2015 the purchase of three buses a year is necessary to get the average age of the fleet closer to six years old. If we replace 3 buses per year, it will take 12 years to replace the current fleet. This is the minimum schedule we should implement for safety and efficiency. It is interesting to note that 13 of the 34 in the fleet are twelve years old or older.

# of Buses	Age of Bus
3	17 years old
2	15 years old
5	13 years old
3	12 years old
3	11 years old
4	9 years old
3	8 years old
3	7 years old
3	6 years old
1	3 years old
2	2 years old
2	0 years old
34	**Total Buses**

The district is developing a capital projects budget to replenish and refresh other assets such as roofing, asphalt, computers, desks and chairs. Our financial inability to address capital projects creates great concern for the future of our school. Beginning in Fiscal 2016 additional resources are dedicated for technology replacement at $125,000 per year for two years until obtaining the $250,000 per year replenishment goal. Also beginning in Fiscal 2016, resources for facility upkeep are earmarked at $250,000 the first year with additional investments of $75,000 per year until obtaining the $400,000 annual budget for facility upkeep. The coincidental benefit of the recession was the reduced cost of construction that resulted in the new school construction projects coming in over $1M under budget; therefore, remaining construction proceeds will be dedicated for other district permanent improvements which will temporarily preserve and replace the expenditures for capital assets from the General Fund. The facility improvements being made at Harrison Street Elementary will be funded by the unused bond funds. The district recently commissioned a facility assessment that identified $15M to repair and/or replace District assets in the next ten years such as roofing, HVAC, asphalt, general finishes.

Capital Outlay FY14 Highlights

- 5% inflationary increases annually
- One additional $80K school bus to achieve goal of three buses per year Other permanent improvement needs met by bond funds
- Must determine how to provide for ongoing permanent improvements when considering levy types and amounts (curriculum & technology)

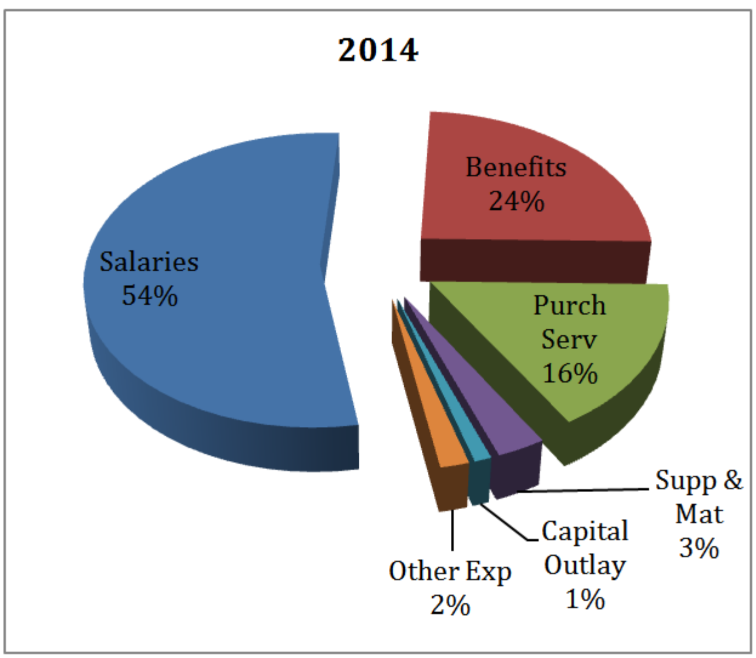
Line 4.30 Other Objects

Other object expenditures include a variety of dues and fees assessed to the District. These dues and fees include the reclassification in FY13 of the administrative fee paid to the Central Ohio Educational Service Center J40404 costs for supervisory and per pupil costs. Additional expenditures from this category include liability insurance, county auditor/treasurers fees, department of taxation fees, election fees, bank service charges and professional organization membership fees.

Lines 5.010 through 5.050 Other Financing Uses

Other Financing Uses are comprised of transfers that are a permanent movement of monies between funds, and advances which are a temporary movement of monies between funds. These are usually projected based on past history and knowledge of deficits in other funds. Note that advances and transfers both take Board of Education approval and are processed on an as needed basis.

TOTAL EXPENDITURES BY SOURCE % GRAPH



Line 8.010 Encumbrances

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and subsequent payment of the invoice upon delivery of the goods or services at June 30th. Encumbrances on a budget basis of accounting are treated as the equivalent of expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law.

Line 9.010 – 9.080 Reservations of Fund Balance

The School District is required by State statute to annually set aside in the General Fund three percent of certain revenues for the purchase of textbooks and other instructional materials. An equal amount is also required to be reserved for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in the future years.

Line 11.010 – 11.030 Revenue from Replacement/Renewal Levies

This line item illustrates the effect of additional revenue collected from a replacement or renewal levy approved by voters when applicable. The projection reflects the 2015 renewal of the 2010 $4,900,000 dollar fixed sum levy.

The 2010 levy is set to expire at the end of calendar 2014 with its last collection in August 2015 which falls under Fiscal 2016 for operations. Replacement of this lost revenue stream will be necessary to maintain instructional programs. You might recall that the District also allowed the 2006 levy to expire at the end of the calendar year 2010 upon the passage of the new $4,900,000 levy effectively reducing real estate revenue by $750,000 annually.

Below is a chart that might be helpful to identify the levy life cycle (i.e. 2010 – 2014) as compared with the actual revenue collection cycle. The 2010 levy starting generating revenue when the fist ½ of the annual amount was received in March 2011 (i.e. FY11) and ends with the last ½ of the annual amount to be received in September 2015 (i.e. FY16).

Levy Effective January 1, 2010 through December 31, 2014

Tax Cycle Half Year	Tax Year	Collection Calendar Year	Collection Fiscal Year
Jan-Jun	2010	3/1/2011	FY11
Jul-Dec	2010	9/1/2011	FY12
Jan-Jun	2011	3/1/2012	FY12
Jul-Dec	2011	9/1/2012	FY13
Jan-Jun	2012	3/1/2013	FY13
Jul-Dec	2012	9/1/2013	FY14
Jan-Jun	2013	3/1/2014	FY14
Jul-Dec	2013	9/1/2014	FY15
Jan-Jun	2014	3/1/2015	FY15
Jul-Dec	2014	9/1/2015	FY16
Jan-Jun	2015	3/1/2016	FY16
Jul-Dec	2015	9/1/2016	FY17
Jan-Jun	2016	3/1/2017	FY17
Jul-Dec	2016	9/1/2017	FY18
Jan-Jun	2017	3/1/2018	FY18

The modeled renewal is only a projection for planning purposes. The exact type of levy and the necessary mils of a levy are to be explored by District officials during 2014 to determine the exact type, length and amount of levy to present to voters.

Line 12.010 <u>Fund Balance June 30 for Certification of Contracts, Salary Schedules, and Other Obligations</u>

This line reflects the amount of yearend cash available to certify the adequacy of funds to meet the district's financial obligations for the succeeding years' appropriation measures, wage and salary schedule increases and certain contracts.

Line 13.010 – 13.030 <u>Revenues From New Levies</u>

This line item illustrates the effect of a proposed levy not yet approved by voters on the year end fund balance.

Line 14.010 Revenue from Future State Advances

This line item represents district borrowing from the state to provide for current operations by accessing the State Solvency Fund when placed in Fiscal Emergency.

Line 15.010 Unreserved Fund Balance June 30

This line represents Line 12.010 plus line 13.030 plus line 14.010.

Line 20.010 – 20.015 Average Daily Membership (ADM) Forecast

This line reflects the student enrollment as attendance is recorded each day during the first full week of October. The number of students enrolled for each day of the week becomes the basis for the number of students funded by the state for the entire year. The student enrollment count is also adjusted for percentage of time in attendance such as Kindergarten and JVS as well as reflecting students attending other schools. The number of enrolled students is referred to as the Average Daily Membership (i.e. ADM). The district ADM is projected to grow modestly at approximately 2%.