BIG WALNUT LOCAL SCHOOL DISTRICT- DELAWARE COUNTY

SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES FOR THE FISCAL YEARS ENDED
JUNE 30, 2013, 2014 and 2015 ACTUAL
FORECASTED FISCAL YEARS ENDING
JUNE 30, 2016 THROUGH 2020

Forecast Provided By
Big Walnut Local School District
Treasurer's Office
Terri Eyerman Day, Treasurer/CFO
October 26, 2015

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

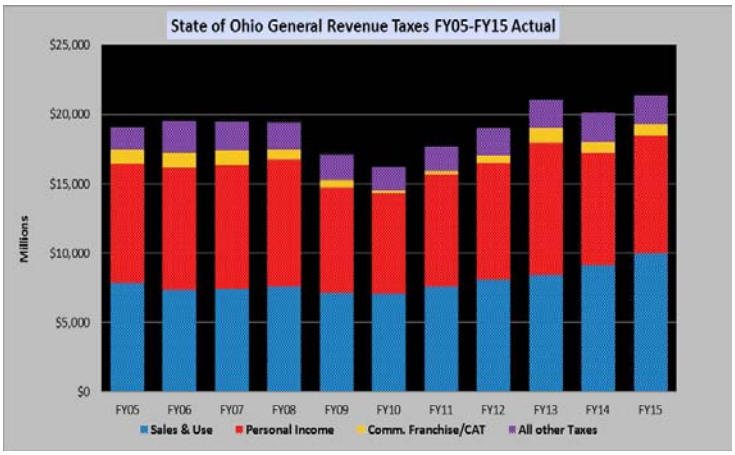
Introduction to the Five Year Forecast

All school districts in Ohio are required to file a five (5) year financial forecast by October 31, and May 31, in each fiscal year (FY). The five-year forecast includes three years of actual and five years of projected general fund revenues and expenditures. Fiscal year 2016 (July 1, 2015-June 30, 2016) is the first year of the five year forecast and is considered the baseline year. Our forecast is being updated to reflect the most current economic data for the October 2015 filing.

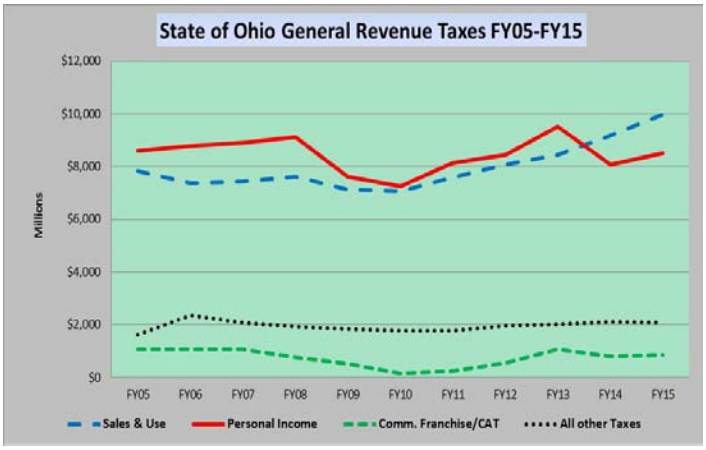
Economic Environment Affecting Forecast Variables –State Economy

It is important in long range forecasting to consider the economic climate in which projections of revenues are made. Below is significant statewide economic data which suggests that the economy for the FY16-20 period is growing moderately and has recovered from the Great Recession of 2008. It is important for our school district to consider the statewide economic data for two very important reasons. First, our state funding is directly affected by state revenue collections. The effects of the recession on the economy at the state level created a budget deficit which required the State of Ohio to make nearly $8 billion in reductions in the FY12-FY13 state biennium budget which translated into flat funding and/or funding reductions for nearly every school district in Ohio. Second, the same economic forces driving state tax revenues are also likely affecting the underlying economics of most communities in Ohio, which directly impacts the ability to collect local tax revenue. Generally speaking, local school district economic viability is tied to the same fundamental economics that drive the state's economic viability.

The graphs below note that the State of Ohio revenues through FY15 have recovered and are at record levels in spite of a personal income tax reduction in FY14. The two significant contributors to the economic recovery continue to be personal income taxes and sales and use taxes. The decline in personal income tax of ($1.442) billion and corporate franchise taxes of ($273.3) million is due to HB59's across-the-board reductions in income and corporate franchise tax rates which began in FY14. Tax revenues would have been up $835.2 million or 3.96% over FY13 levels if no tax reductions were made. Steady growth is seen through FY15 and is expected to continue for FY16 and FY17.



Source: Ohio Legislative Service Commission

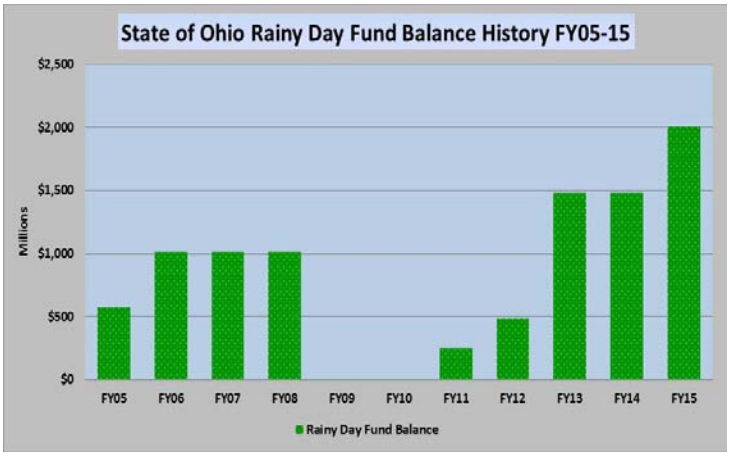


Source: Ohio Legislative Service Commission

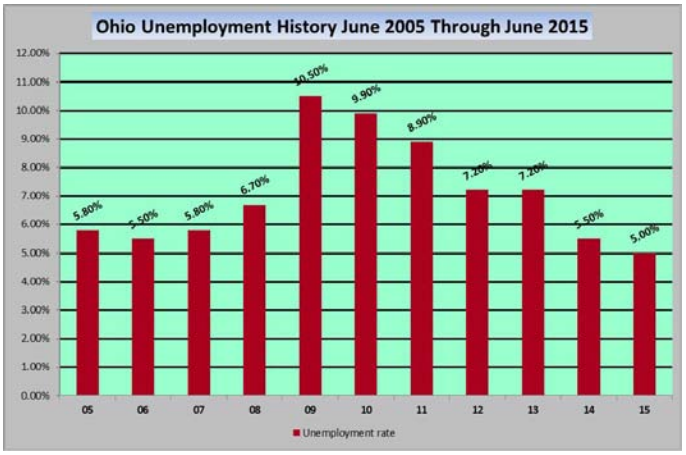
The recovery of the labor market which began in 2010 continued in 2015 as noted in both personal income tax and sales tax collections. The above State revenue is a clear indication that the economy has recovered and that there is economic growth in our state. Another indication that the State of Ohio has achieved solid footing

economically is the accumulation of reserves in the State Rainy Day Fund (RDF). The graph below shows the ten-year history of the Rainy Day Fund balance. The recession depleted the RDF in FY09. FY11 began the recovery of the economy and enabled the State to contribute excess revenues to the RDF. As noted, the RDF balance in FY15 has reached an all time record high deposit of $2.005 billion thanks to a higher statutory balance allowed by HB64. This cushion should continue to help ensure that funding for schools approved in the recent state biennium budget HB64 will be met through FY17and could be continued into the future if a brief pull back in the economy occurs over the next few years.

The State of Ohio's unemployment rate hit 5.0% in June 2015. The last time it was at this level was in October 2001. Over the past 12 months the unemployment rate dropped .5% as 40,500 new jobs were created. This is a significant measure to monitor for continued economic growth and viability. As noted above, personal income taxes and sales tax are highly correlated and have been the two major drivers of the recent recovery. As of June 2015, the unemployment rate in Delaware County was 3.5% which is below the 5.0% State average.



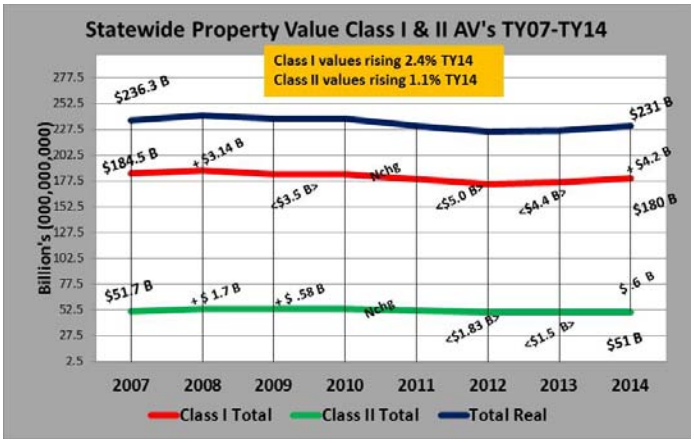
Source: Ohio Legislative Service Commission



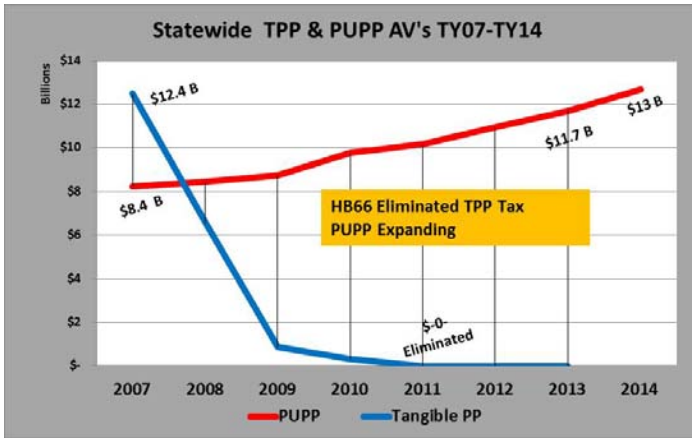
Source: U.S. Bureau of Labor Market Information

For school districts, a final piece of economic data which is highly relevant is the value of real property. In the 2014 Tax Year, 41 of Ohio's 88 counties went through a reappraisal or update for Class 1 (Residential and Agricultural Property) and Class 2 (Commercial, Industrial and Mineral Property). From tax year 2007 to 2012, Class 1 and 2 property values declined by $10.8 billion, a reduction of 4.6%. In 2014 Class 1 values rose by $4.2 billion or 2.4% statewide, while Class 2 property increased for the first time since 2009 by $377.0 million or 1.1% statewide. Home values for the 12 month period ending in June 2015 were up statewide by 3.1%. Clearly property values have stabilized and should begin to rise at varying levels across the state.

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

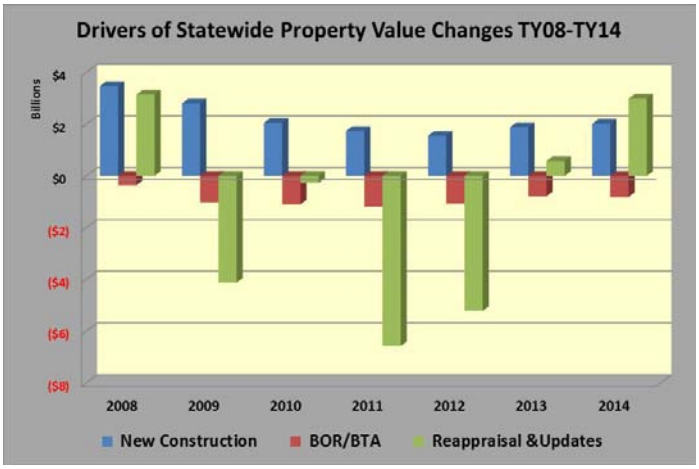


Source: Ohio Department of Taxation



Source: Ohio Department of Taxation

The graph below sums up the main drivers of property value changes across the state for Tax Year 2008 through 2014. The changes noted below are for Class 1 and 2 property values. Note that new construction is picking up, reappraisal and update values have moved from negative to positive for the last two tax years and Board of Revision/Board of Tax appeals property value changes are trending down from record levels the previous four tax years.



Overall, the economy of the state is stable and growing. This should provide a stable basis for which to make projections of state revenues to the district as noted in HB64through FY17 and continuing through FY20 in future state budgets. The improving labor market is also providing for a recovery in property tax collections in this forecast by: 1) increasing or stabilizing property values; 2) increasing current property tax collections; and, 3) increasing prior delinquent tax collections.

Source: Ohio Department of Taxation

Forecast Risks and Uncertainty:

Our financial forecast is laden with risks and uncertainty not only due to economic uncertainties but also due to volatility of the legislative changes that are happening quickly with very little detail to assist us. We are simply responding to the changes that are occurring with promptness and the best data we have available to us at the time. The items below give a short description of the current issues and how they may affect our forecast long term:

1) Delaware County will be going through a reappraisal for the 2017 tax year to be collected in 2018. An update occurred in tax year 2014 for collection in 2015 which increased residential/agricultural assessed values by $38.7 million or an increase of 6.59%, and an increase of $434,650 or 1.03% was noted for commercial/industrial values. For the 2017 reappraisal we are estimating a 5% increase in residential/agricultural values and a 2% increase in commercial/industrial value. By being a growing district we have risks that other district do not and must continue to monitor very closely the growth with the needs of our students.

2) The State Budget represented nearly 27% of district revenues in FY16. It is an area where a risk could come to revenue. The risk comes in FY18 and beyond if the state economy worsens or if the currently adopted HB64 funding formula is changed to reduce funding to our district in a future biennium budget. There are two future State Biennium Budgets covering the period from FY18 through FY20 in this forecast. Future uncertainty in both the state foundation funding formula and the state's economy makes this area an elevated risk to district funding long range through FY20.

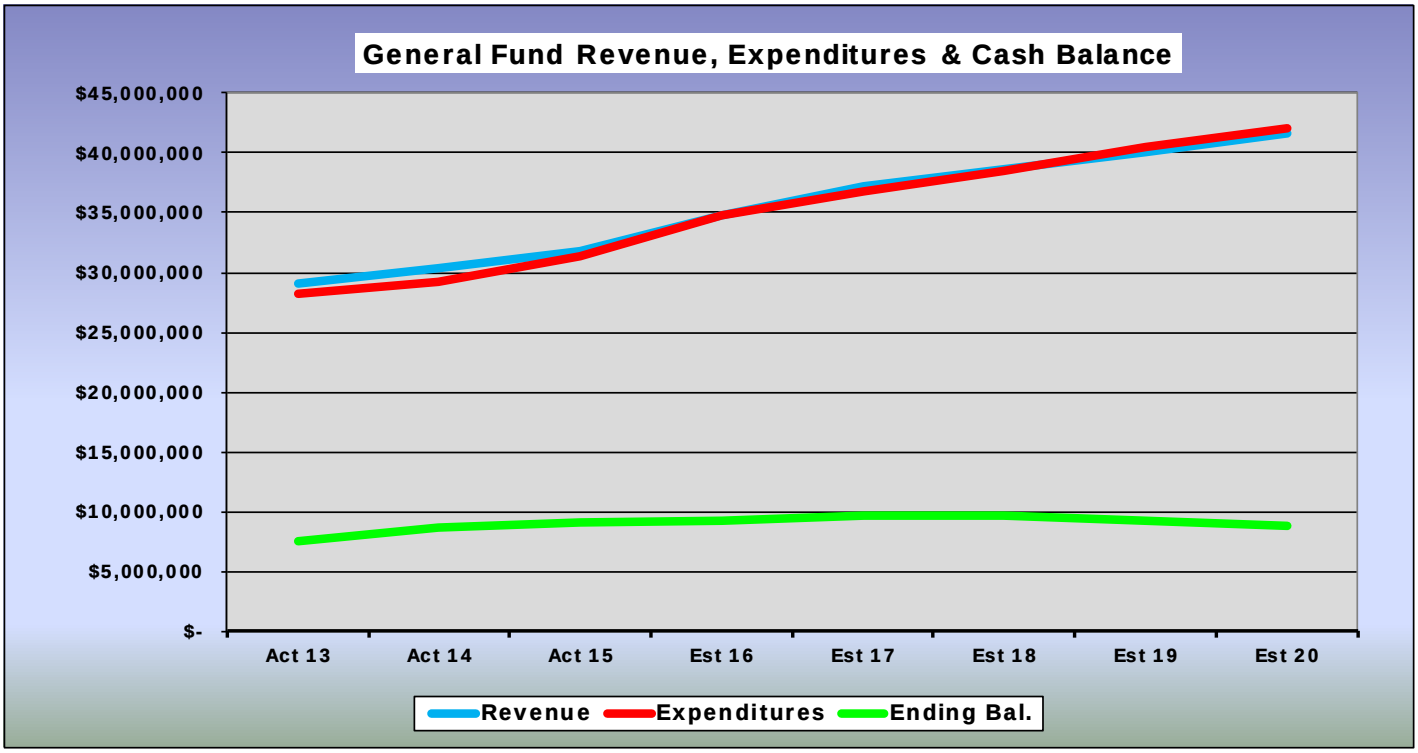
3) There are many provisions in the current state budget bill HB64 that will increase the district expenditures in the form of expanded school choice programs and increases in amounts deducted from our state aid in the 2016-17 school years. The cost of each Peterson Special Needs voucher and Autism Scholarship Program increased sharply in HB64 from $20,000 each to $27,000, a 35% increase. These are examples of new choice programs that cost the district money. Expansion or creation of programs such as these exposes the district to new expenditures that are not currently in the forecast. We are monitoring any new threats to our state aid and increased costs very closely.

4) Patient Protection and Affordable Care Act (PPACA) – This program was approved March 23, 2010 along with the Health Care and Education Reconciliation Act. Many of the provisions of this federal statute were to be implemented January 1, 2015. Implementation of those provisions has increased costs by as much as 2%. There is the additional risk that costs will go up as additional staffs are added to our health care rolls. We have made allowance for increases in our costs for health care in the forecast based on what we know at this time. Future uncertainty over rules and implementation of PPACA is a risk to district costs. We continue to monitor the rules and implementation as this significant change to health care evolves.

5) Labor relations in the district have been very amicable with all parties working for the best interest of students and realizing the resource challenges the district faces. We believe as the district moves forward a strong working relationship will continue.

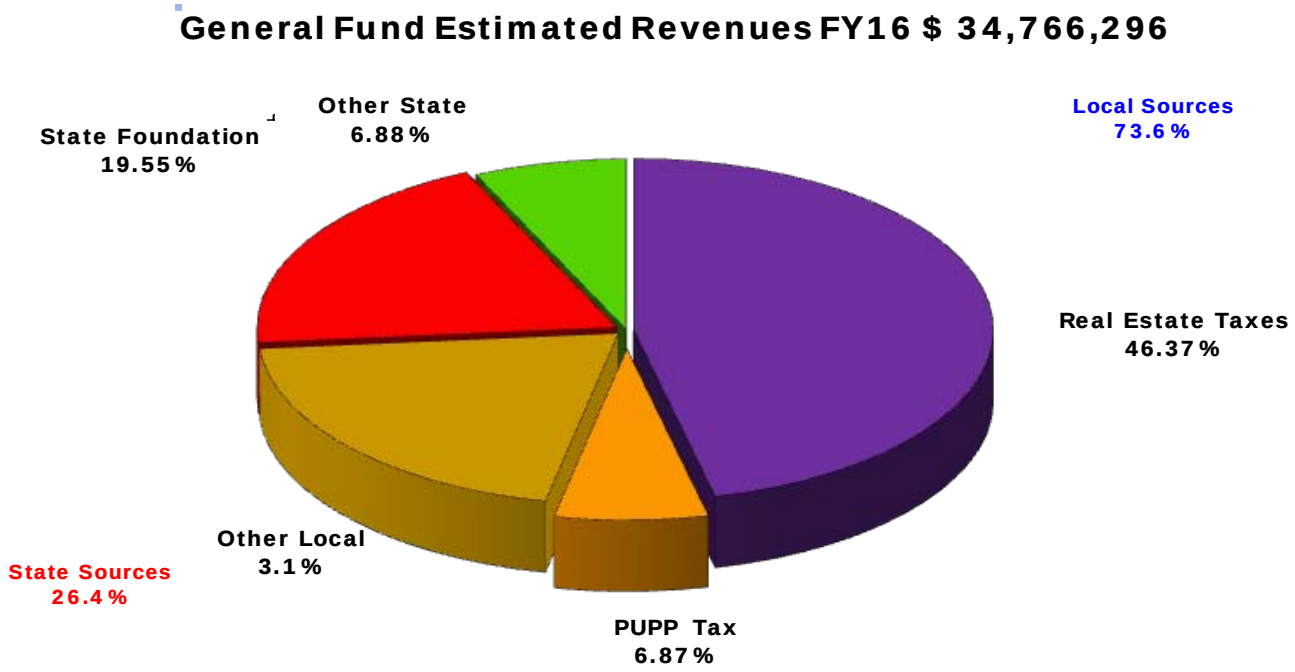
The major lines of reference for the forecast are noted below in the headings to make it easier to relate the assumptions made for the forecast item and refer back to the forecast. It should be of assistance to the reader to review the assumptions noted below in understanding the overall financial forecast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

General Fund Revenue, Expenditure and Ending Cash Balance Actual FY12-14 and Estimated FY15-19
The graph captures in one snapshot the operating scenario facing the district over the next few years.



Revenue Assumptions

All Revenue Sources General Fund FY15



Real Estate Value Assumptions – Line # 1.010
Property Values are established each year by the County Auditor based on new construction, demolitions, BOR/BTA activity and complete reappraisal or updated values. Delaware County will go through a reappraisal for the 2017 tax year to be collected in 2018. An update occurred in tax year 2014 for collection in 2015, which increased residential/agricultural, assessed values by $38.7 million or an increase of 6.59%, and an increase of $434,650 or 1.03% was noted for commercial/industrial values. In 2017 our district will undergo a reappraisal and we are expecting to increase values by 5% for residential/agricultural property and we are increasing commercial/industrial value by 2%. The 5% increase for residential/agricultural is based on the median to market price ratio is put out by the department of taxation. The update year included the new CAUV changes and the district should not see that increase with the reappraisal for the values.

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

Based on data from the different townships and villages we are using the totals from the chart below for the new construction for each collection year for the forecast. These are only estimates based on their best known information at this time. We received on October 1, 2015 the amount of values for new construction for Residential/Agriculture of $12,598,005 and $880,245 for Commercial/Industrial and have used those numbers instead of the estimates within the chart.

New Construction	Collect in 2016	Collect in 2017	Collect in 2018	Collect in 2019	Collect in 2020
Assessed Valuation	11,616,500	24,699,000	33,540,000	28,202,500	28,202,500

In general, 50.85% of the Res/Ag and Comm/Ind property taxes are expected to be collected in the February tax settlement and 49.15% collected in the August tax settlement.

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

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

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

ESTIMATED ASSESSED VALUE (AV) BY COLLECTION YEARS

	Estimated	Estimated	Estimated	Estimated	Estimated
	TAX YEAR2015	TAX YEAR2016	TAX YEAR 2017	TAX YEAR 2018	TAX YEAR 2019
Classification	COLLECT2016	COLLECT2017	COLLECT 2018	COLLECT 2019	COLLECT 2020
Res./Ag.	$648,006,375	$672,865,375	$739,778,644	$767,811,144	$795,843,644
Comm./Ind.	$45,056,635	$45,681,635	$47,220,268	$47,845,268	$48,470,268
Public Utility (PUPP)	$106,319,180	$105,565,420	$105,765,420	$105,965,420	$106,165,420
Total Assessed Value	$799,382,190	$824,112,430	$892,764,331	$921,621,831	$950,479,331

ESTIMATED REAL ESTATE TAX - Line #1.010

Source	FY16	FY17	FY 18	FY 19	FY 20
Est. Property Taxes Line #1.010	$16,120,277	$16,664,879	$17,335,994	$18,027,279	$18,662,988

ESTIMATED PUBLIC UTILITY PERSONAL TAX – Line 1.020

Source	FY16	FY17	FY 18	FY 19	FY 20
Public Utility Personal Property Taxe	$2,389,348	$3,753,536	$3,679,692	$3,622,623	$3,629,467

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

School District Income Tax – Line #1.03

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

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

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

The total Income Tax collection is estimated for the forecast as follows:

Source	FY16	FY17	FY 18	FY 19	FY 20
SDIT Collection	$5,597,672	$5,817,611	$6,147,884	$6,562,901	$6,995,588
Adjustments	$219,939	$330,273	$415,017	$432,687	$434,456
Total to Line #1.030	$5,817,611	$6,147,884	$6,562,901	$6,995,588	$7,430,044

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

A) Unrestricted State Foundation Revenue– Line #1.035

The amounts estimated for FY16 for state funding are based on funding component computations from the most recent State Foundation Payment Report (SFPR) and from the July 2015 Legislative Service Commission (LSC) Simulations of HB64. These simulations are required as the actual new state funding formula adopted in

HB64 is not yet available to school districts to use in their state aid projections. Therefore, simulations must be used for state aid.

The current FY15-16 state budget HB64 simulation includes an increase funding for our district. We are projected to be a CAP district regarding state funding in FY16 and FY17. There are two unknown state budgets in this forecast period covering three fiscal years. Our state funding status for FY18-20 will depend on the FY18-19 and FY20-21 state budgets.

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 potentially 342 independent variables in the SFPR formula. If any of the variables are changed, either independently or in conjunction with other variables, there could be a change to forecasted state aid for FY16-20. Currently we know most of the variables for FY16 &17 that were in the old formula but there has not been a new simulation model released at the time of this forecast to more precisely estimate our state aid.

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. Our estimates for these components are from the July 2015 LSC simulation since the actual formulas are not available at the time of this forecast.

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

At this time we are using the information that we received in our simulations for the funding components from the state. The following table shows the amounts of that the district will receive per the simulations in FY16 - FY17. We are continuing the amounts from FY17 throughout the remainder of the forecast. We have not been given the formula for these funding components.

Funding Component	**FY16**	**FY17**
Transportation Supplement	$0	$301,565
Capacity Aid	$738,598	$0
Graduation Bonus	$19,275	$19,271
3rd Grade Reading Bonus	$20,280	$20,268

Current calculations indicate our district is a "CAP" funded district for FY16 and we anticipate that we will remain on the CAP in FY17 as well. The CAP growth rate for FY16 & 17 is 7.5% each year. We believe the district will receive additional funds for the period FY16 through FY20. We have conservatively estimated an increase in the CAP amount of 4.5% each year for FY18-20, but this amount could be higher or lower. There is no guidance on the state funding model or increases for the FY18-20 period.

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

Description	**Act. FY14**	**Act. FY15**	**Est. FY16**	**Est. FY17**	**Est. FY18**	**Est. FY19**	**Est. FY20**
Calculated Funding	6,098,188	6,050,666	8,627,111	9,114,695	8,546,092	9,028,061	9,640,906
CAP Limit	4,776,220	5,277,723	5,673,552	6,099,068	6,373,526	6,660,335	6,960,050
Difference	1,321,968	772,944	2,953559	3,015,627	2,172,565	2,367,726	2,680,856

Beginning in FY15 the state changed the way it measures student ADM. Student counts are now updated October 31, March 31, and June 30 of the fiscal year. In most cases the district will not know its actual student funded ADM for any fiscal year until the end of June. This could result in undulating state aid payments throughout the year based on each student count if a district is on the formula. The current payment to the district is based on adjusted student ADM count as of June 30, 2015. Our estimate of state aid is based on the most current data we have available to us at the time. We have estimated growing enrollment through FY20 based upon the enrollment report from Dejong-Healy of 100 to150 students per year and a 1.5% per pupil base amount of increase each year beginning in FY18 for Opportunity Grant funding.

On November 3, 2009 Ohio voters passed the Ohio casino ballot issue. This issue allowed for the opening of four (4) casinos one each in Cleveland, Toledo, Columbus and Cincinnati. As of March 4, 2013 all four (4) casinos were open for business and generating Gross Casino Tax Revenues (GCR). Thirty-three percent (33%) of the gross casino revenue will be collected as a tax. School districts will receive 34% of the 33% GCR that will be paid into a student fund at the state level. These funds will be distributed to school districts twice a year on the 31st of January and August each year which began for the first time on January 31, 2013.

The initial student payment to schools in January 2013 (FY13) was a half year payment of $21.00 per pupil that rose to $51.50 per pupil for a full year in FY14 and $50.50 in FY15. The state indicated recently that the original 2009 estimates of $1.9 billion of GCR may be closer to $900 million as revenues from casinos are not growing robustly as originally predicted. We are estimating statewide student enrollment to decline by ½ of 1% from the FY15 total to average 1,798,000 students and GCR of $820 million with school district's share of GCR

to be $92 million resulting in FY16 payments of $51.25 per pupil. For FY16-20 we estimated another ½ of 1% decline in pupils to 1,789,000and GCR increasing to $93 million or $51.25 per pupil. We will increase estimates for out years when actual casino revenues show signs of stronger increases.

Source	FY16	FY17	FY 18	FY 19	FY 20
Basic Aid-Unrestricted	$6,426,744	$6,418,795	$6,693,039	$6,979,632	$7,279,129
Additional Aid Items	$179,476	$179,476	$179,476	$179,476	$179,476
Basic Aid-Unrestricted Subtotal	$6,606,219	$6,598,271	$6,872,515	$7,159,108	$7,458,605
Ohio Casino Commission ODT	$168,322	$175,497	$180,314	$188,514	$197,739
Total Line # 1.035	$6,774,541	$6,773,768	$7,052,829	$7,347,622	$7,656,344

B) Restricted State Revenues – Line # 1.040

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

Source	FY16	FY17	FY 18	FY 19	FY 20
Economically Disadvantage Aid	$20,542	$20,747	$20,955	$21,164	$21,376
Career Tech - Restricted	$624	$630	$636	$643	$649
Total Line #1.040	$21,165	$21,377	$21,591	$21,807	$22,025

Restricted Federal Grants in Aid – line #1.045

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

SUMMARY	FY16	FY17	FY 18	FY 19	FY 20
Unrestricted Line # 1.035	$6,774,541	$6,773,768	$7,052,829	$7,347,622	$7,656,344
Restricted Line # 1.040	$21,165	$21,377	$21,591	$21,807	$22,025
Restricted Fed. Grants - Line #1.045	$0	$0	$0	$0	$0
Total State Foundation Revenue	$6,795,706	$6,795,145	$7,074,420	$7,369,429	$7,678,369

State Taxes Reimbursement/Property Tax Allocation

A) Rollback and Homestead Reimbursement

Rollback funds are reimbursements paid to the district from Ohio for tax credits given owner occupied residences equaling 12.5% of the gross property taxes charged residential taxpayers on tax levies passed prior to September 29, 2013. HB59 eliminated the 10% and 2.5% rollback on new levies approved after September 29, 2013 which is the effective date of HB59. HB66 the FY06-07 budget bill previously eliminated 10% rollback on Class II (commercial and industrial) property.

Homestead Exemptions are also credits paid to the district from the state of Ohio for qualified elderly and disabled. In 2007 HB119 expanded the Homestead Exemption for all seniors over age 65 years of age or older or who are disabled regardless of income. Effective September 29, 2013 HB59 changes the requirement for Homestead Exemptions. Individual taxpayers who do not currently have their Homestead Exemption approved or those who do not get a new application approved for tax year 2013, and who become eligible thereafter will only received a Homestead Exemption if they meet the income qualifications. Taxpayers who currently have their Homestead Exemption as of September 29, 2013 will not loose it going forward and will not have to meet the new income qualification. This will slow the growth of homestead reimbursements to the district, and as with the rollback reimbursements above, increase the taxes collected locally on taxpayers.

b) Tangible Personal Property Reimbursements –
The previous state budget bill HB153 reduced all reimbursements that the district received on TPP replacement dollars for both Fixed Rate and Fixed Sum Levies.

Summary of State Tax Reimbursement – Line #1.050

Source	FY16	FY17	FY 18	FY 19	FY 20
a) Rollback and Homestead	$2,392,011	$2,490,107	$2,600,271	$2,714,173	$2,815,109
b) TPP Reimbursement - Fixed Rate	$0	$0	$0	$0	$0
Total Tax Reimb./Prop. Tax Allocatio	$2,392,011	$2,490,107	$2,600,271	$2,714,173	$2,815,109

Other Local Revenues – Line #1.060
All other local revenue encompasses any type of revenue that does not fit into the above lines. The main source of revenue in this area is tuition for court placed students, Open Enrollment, pay to participate fee, general rental fees and Medicaid reimbursements.

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

FY15 was the first year for Open Enrollment for our staff only. The district is expecting a ½% increase each year for remaining years of the forecast.

Source	FY16	FY17	FY 18	FY 19	FY 20
TIF and PILOTS	$133,365	$134,699	$136,046	$137,407	$138,781
Tuition	$479,407	$493,790	$508,603	$523,861	$539,577
Open Enrollment	$267,189	$268,525	$269,868	$271,217	$272,573
Interest	$31,989	$32,309	$32,632	$32,958	$33,288
Class Fees	$165,312	$166,965	$168,635	$170,321	$172,024
Other Miscellaneous Receipts	$174,081	$175,821	$177,580	$179,355	$181,149
Total Line # 1.060	$1,251,343	$1,272,109	$1,293,363	$1,315,119	$1,337,392

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

Transfers In / Return of Advances – Line #2.040 & Line #2.050
These are non-operating revenues which are the repayment of short term loans to other funds over the previous fiscal year and reimbursements for expenses received for a previous fiscal year in the current fiscal year. All advances over year end are planned to be returned in the succeeding fiscal year. The district does not anticipate any Transfers or Advances during the remainder of the forecast.

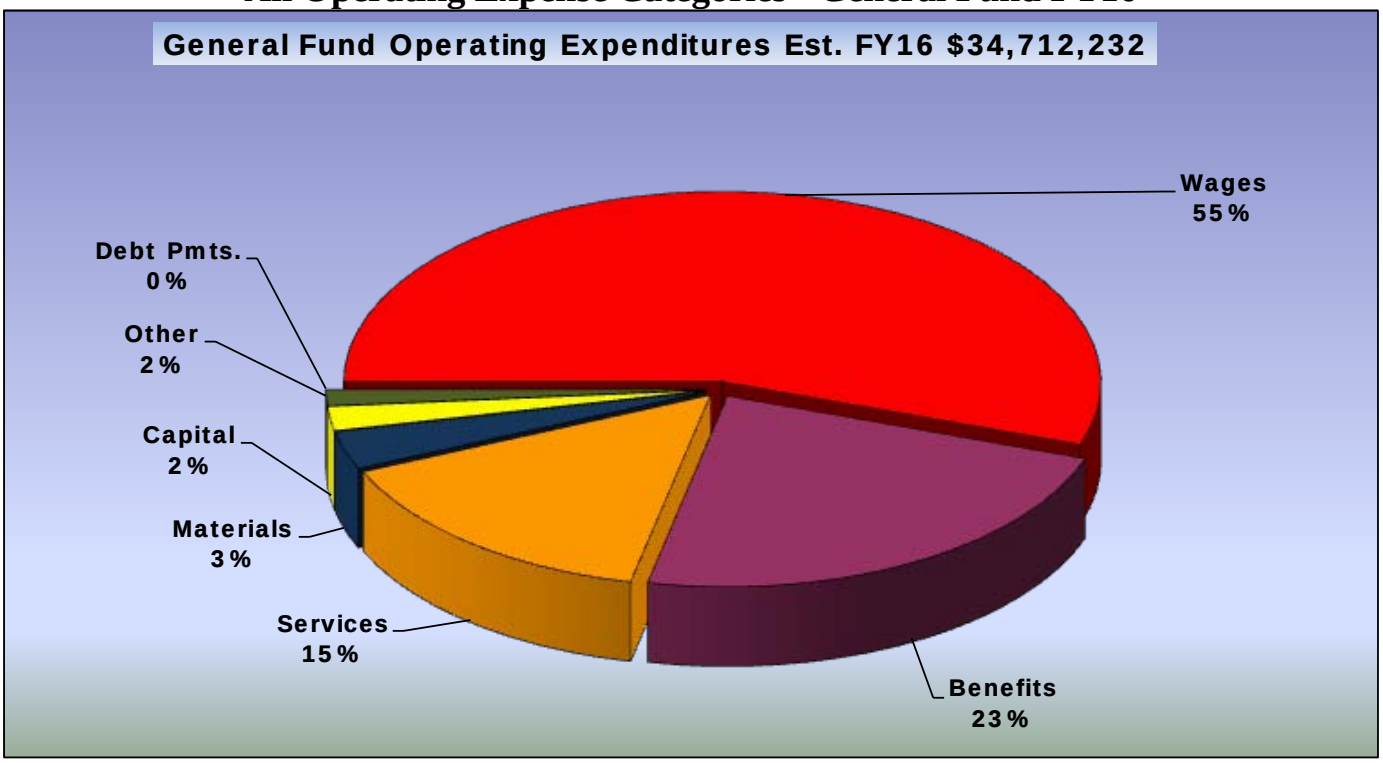
All Other Financial Sources – Line #2.060
This funding source is typically a refund of prior year expenditures that are very unpredictable. Previous years included Worker's Compensation and School Employees Retirement Refunds, the district does not expect to receive any of these refunds in the remainder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

Source	FY16	FY17	FY 18	FY 19	FY 20
All Other Sources	$40,931	$40,931	$40,931	$40,931	$40,931

Expenditures Assumptions

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

All Operating Expense Categories - General Fund FY16



Wages – Line #3.010

The district is expecting to increase staffing each year of the forecast to correspond with the growth of students within those years. The enrollment projections that are being used to forecast additional staffing were based on the study conducted for the school district by Future Think. The staffing increases are estimated to be 2 for FY16, 22.25 for FY17, 12 in FY18 and 13 in FY19 & 10 in FY20. These estimates will be adjusted each year with the needs of the educational program. FY16-20 base wages and the annual step increase are forecasted at 2% each year. The district is forecasting an increase of 3% growth in Substitutes and Extra Curricular wages during the forecast years this includes the additional supplemental positions.

Source	FY16	FY17	FY 18	FY 19	FY 20
Base Wages	$16,566,914	$18,287,800	$19,319,087	$20,113,273	$20,910,011
Wage adjustments	$0	$0	$0	$0	$0
Steps & Training	$331,338	$365,756	$386,382	$402,265	$418,200
Growth/Replacement staff	$188,745	$1,019,587	$719,374	$688,199	$567,590
Other	$1,200,803	$0	$0	$0	$0
Substututes & Supplemental	$765,511	$788,477	$812,131	$836,495	$861,590
Severance	$154,750	$50,000	$50,000	$50,000	$50,000
Staff Reductions	$0	-$354,057	-$311,570	-$293,726	-$362,222
Total Wages Line 3.010	$19,208,062	$20,157,563	$20,975,404	$21,796,506	$22,445,168

Fringe Benefits Estimates – Line #3.020

A) STRS/SERS will increase as Wages Increase

As required by law the BOE pays 14% of all employee wages to STRS or SERS. In addition, SERS announced on April 5, 2010 that they are going to require districts to pay SERS on a current fiscal year basis and not 6 months in arrears which has been the case since 1987 when districts moved from calendar year to fiscal year. This cost is $46,345 with the last year of payment being FY16.

B) Insurance

As the graph below notes health care is a significant cost for the district and continues to rise and multiples of the overall consumer price index. The district did not receive an increase in premiums for FY16. For FY17we are anticipating a 9% increase and a 10% increase for FY18-FY20 to be effective each January 1 for our insurance costs. This increase is a blend of the districts history of claims increases and the industry standards of annual premium increases. The previous three years increase average was 8.01%.

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

It is uncertain to what extent the implementation of PPACA will cost our district additional funds. There are numerous new regulations that potentially will require added staff time, at least initially due to increased demands, and it is likely that additional employees will be added to coverage that do not have coverage now. We are not certain what these added costs may be but there are “taxes” mandated by the act which we are aware of. Longer-term a significant concern is the 40% “Cadillac Tax” that will be imposed in 2018 for plans whose value of benefits exceed $10,200 for individual plans and $27,500 for family plans. The rules and implementation of the PPACA is an ongoing issue we are watching closely to evaluate the effect on our district. At this time the district insurance committee is looking at options in order to avoid the “Cadillac Tax”.

C) Workers Compensation & Unemployment Compensation

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

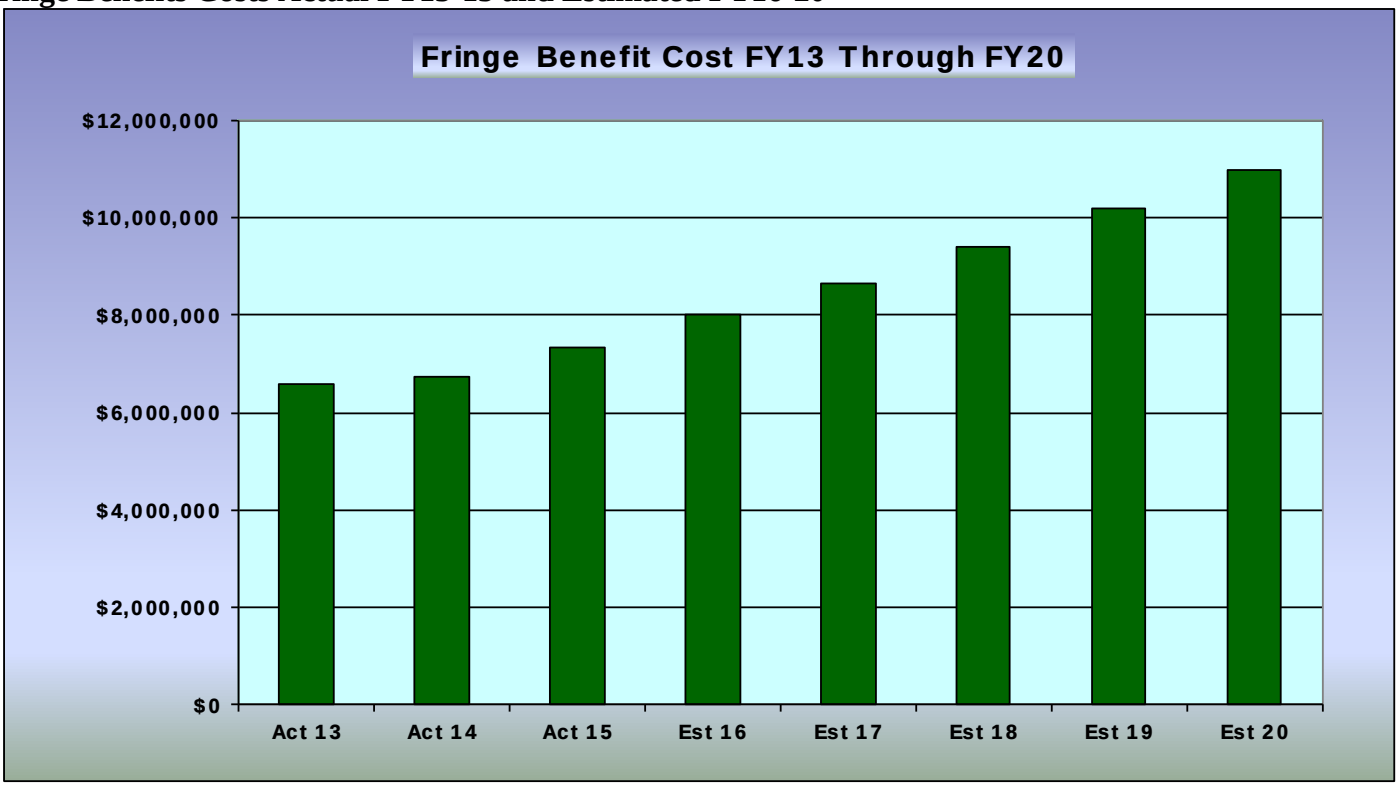
D) Medicare

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

Summary of Fringe Benefits – Line #3.020

Source	FY16	FY17	FY 18	FY 19	FY 20
STRS/SERS	$2,992,785	$3,063,050	$3,191,262	$3,316,858	$3,418,354
Insurance's	$4,529,868	$5,097,283	$5,704,884	$6,370,046	$7,056,339
Workers Comp/Unemployment	$142,109	$144,952	$147,851	$150,808	$153,824
Medicare	$294,632	$298,105	$306,491	$318,064	$324,617
Tuition and Other Benefits	$36,155	$36,155	$36,155	$36,155	$36,155
Total Line 3.020	$7,995,549	$8,639,545	$9,386,643	$10,191,930	$10,989,289

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



Purchased Services – Line #3.030

An overall average inflation of 2% is being estimated for this category. Community School deductions and tuition paid to other districts are the largest unknown costs for the district as these areas are dependent upon the information that is received from other districts and can fluctuate significantly from one year to the next.

Source	FY16	FY17	FY 18	FY 19	FY 20
Insurance, Leases, Postage, & Other	$472,533	$481,983	$491,623	$501,455	$511,485
Professional Services, Legal Fees & E	$2,435,739	$2,484,453	$2,534,142	$2,584,825	$2,636,522
Tuition, SF14, PSEO & Excess Costs	$634,384	$647,071	$660,013	$673,213	$686,677
Community School Deductions	$599,744	$611,739	$623,974	$636,453	$649,182
Phone and Internet Services	$59,896	$61,094	$62,316	$63,563	$64,834
Utilities	$659,471	$692,445	$727,067	$763,421	$801,592
Building Repairs & Services	$362,108	$369,350	$376,737	$384,272	$391,957
Total Line 3.030	$5,223,875	$5,348,136	$5,475,873	$5,607,202	$5,742,249

Supplies and Materials – Line #3.040
An overall inflation of 2% for inflation is being estimated for this category of expenses which are characterized by textbooks, copy paper, maintenance supplies, materials, and bus fuel.

Source	FY16	FY17	FY 18	FY 19	FY 20
Supplies, Textbooks, and other	$576,742	$588,277	$600,042	$612,043	$624,284
Maintenance and Transportation Supp	$532,592	$548,569	$565,026	$581,977	$599,436
Total Line 3.040	$1,109,333	$1,136,846	$1,165,069	$1,194,020	$1,223,720

Equipment – Line # 3.050
The district is continuing to purchase 3 to 4 buses per year for the safety of the students and in order to have the average age of the fleet to be six years old.

The district is developing a capital projects budget to replenish and refresh other assets such as roofing, asphalt, computers, desks and chairs. Beginning in FY16 additional resources are dedicated for technology replacement at $ $100,000 per year. Also beginning in FY16, resources for facility upkeep are earmarked at $200,000 with additional investments until obtaining the $400,000 annual budget for facility upkeep.

Source	FY16	FY17	FY 18	FY 19	FY 20
Capital Outlay	$229,549	$234,140	$238,823	$243,599	$248,471
Technology	$100,000	$250,000	$250,000	$250,000	$250,000
Faciltiy Upkeep	$100,000	$200,000	$300,000	$400,000	$400,000
Replacement Bus Purchases	$276,424	$375,937	$287,592	$293,343	$299,210
Total Line 3.050	$705,973	$1,060,077	$1,076,414	$1,186,943	$1,197,681

Principal and Interest Payment – Lines # 4.05 and 4.06
There is no additional borrowing planned in the forecast at this time.

Other Expenses – Line #4.300
The category of Other Expenses consists primarily of Auditor & Treasurer fees, SDIT collection fees and our annual audit and other miscellaneous expenses.

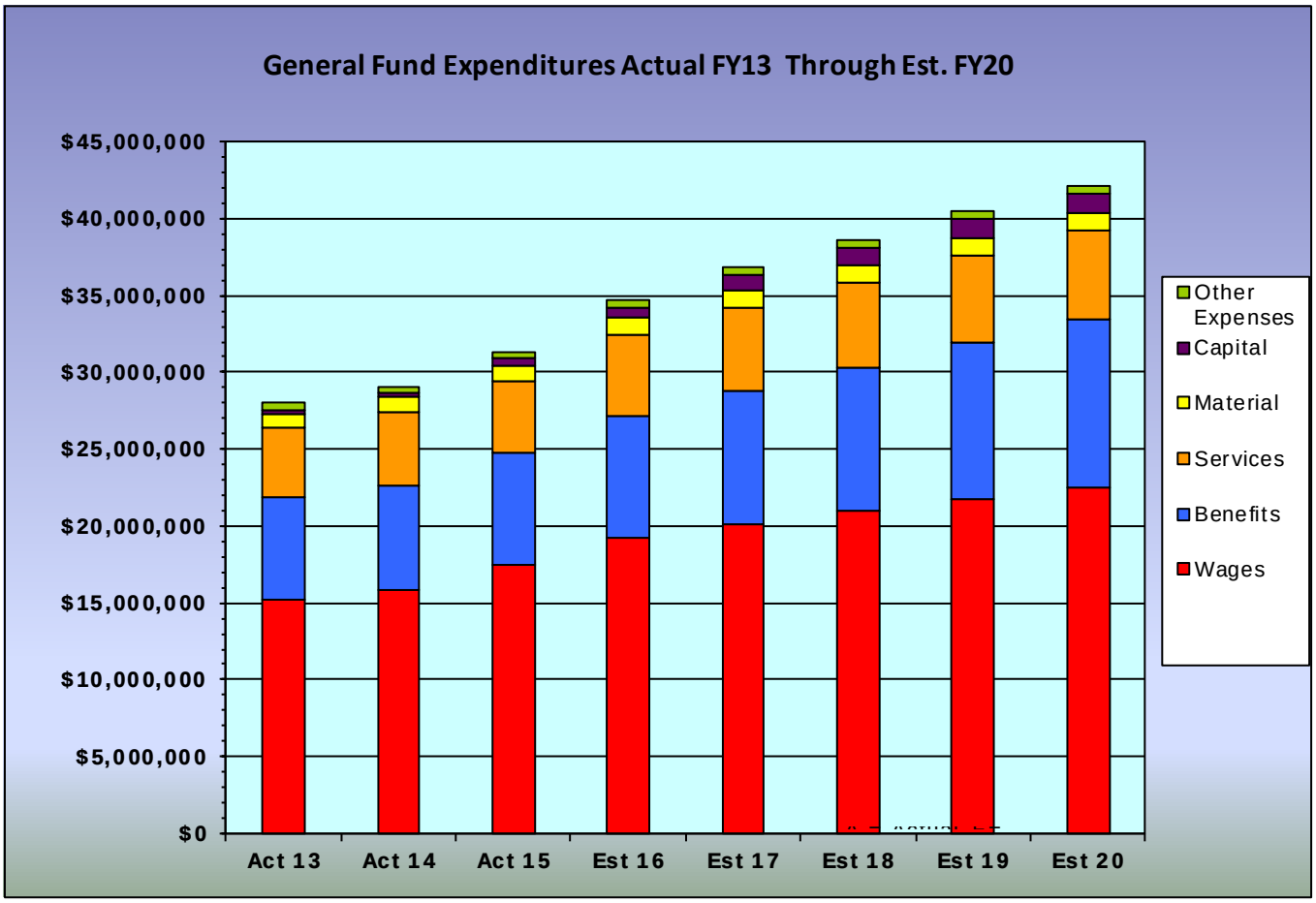
Source	FY16	FY17	FY 18	FY 19	FY 20
Auditor & Treasurer Fees	$266,302	$274,291	$282,520	$290,996	$299,726
County ESC	$20,146	$20,549	$20,960	$21,379	$21,807
SDIT Tax Collection Fees	$86,484	$89,078	$91,751	$94,503	$97,338
Other expenses	$96,508	$73,653	$75,863	$75,863	$75,863
Budget Reductions	$0	$0	$0	$0	$0
Total Line 4.300	$469,440	$457,572	$471,094	$482,741	$494,734

Transfers Out/Advances Out – Line# 5.010
This account group covers fund to fund transfer and end of year short term loans from the General Fund to other funds until they have received reimbursements and can repay the General Fund. The district is not forecasting the need to make any of these payments.

Encumbrances –Line#8.010
These are outstanding purchase orders that have not been approved for payment as the goods were not received in the fiscal year in which they were ordered.

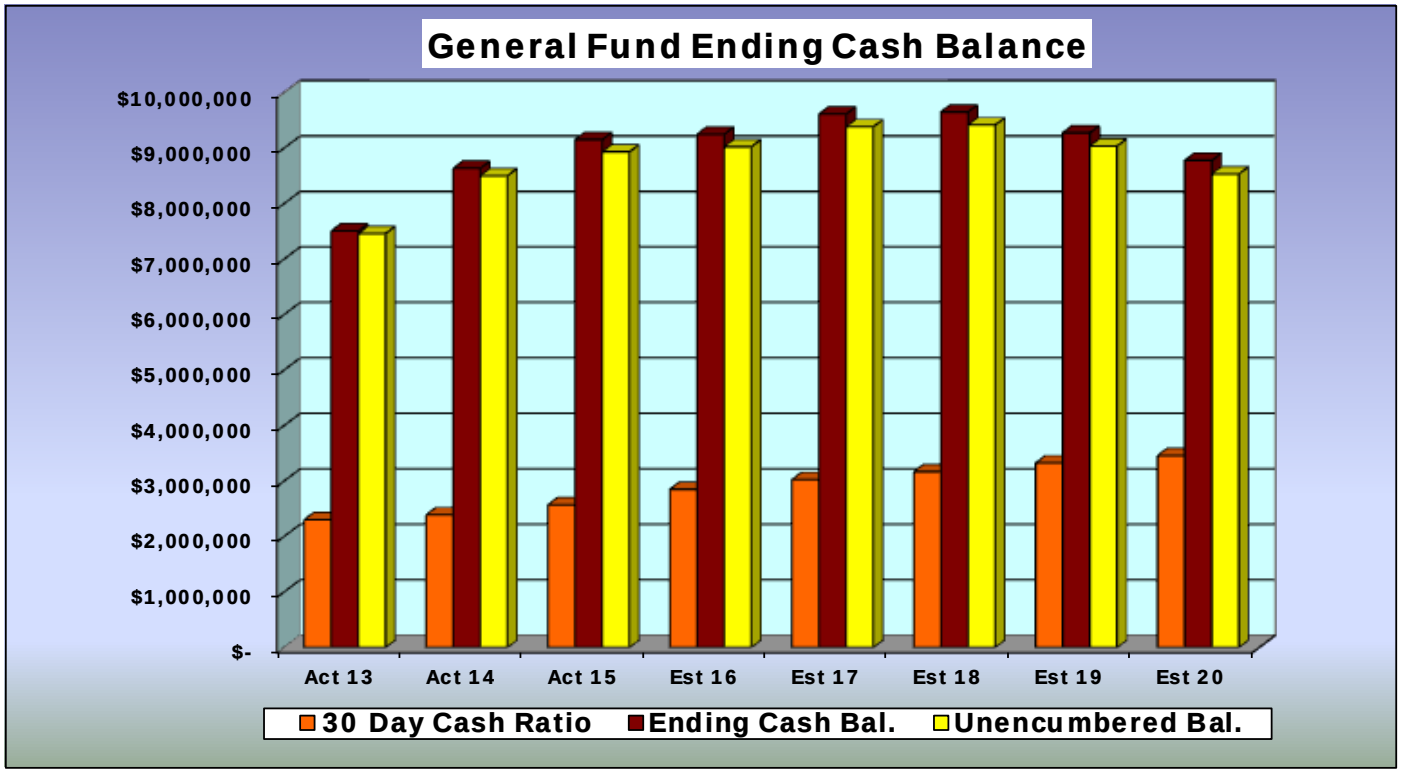
Source	FY16	FY17	FY 18	FY 19	FY 20
Estimated Encumbrances	$225,897	$230,415	$235,024	$239,724	$244,519

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



Ending Unencumbered Cash Balance – Line#15.010
This amount must not go below $-0- or the district General Fund will violate all Ohio Budgetary Laws. Any multi-year contract which is knowingly signed which results in a negative unencumbered cash balance is a violation of 5705.412, ORC punishable by personal liability of $10,000. It is recommended by the GFOA and other authoritative sources that a district maintains a minimum of thirty (30) day cash balance.

Source	FY16	FY17	FY 18	FY 19	FY 20
Ending Cash Balance	$9,024,217	$9,384,551	$9,417,018	$9,038,119	$8,534,783



Conclusion

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

The district is also very fortunate to have received more funding for FY16 and FY17 than had been expected from the state budget. Being that 26.5% of the funding for the district is from state dollars this increase is very beneficial to the overall operations for the education of our students.

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

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