WORTHINGTON CITY SCHOOL DISTRICT-FRANKLIN COUNTY

SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE FISCAL YEARS ENDED JUNE 30, 2012, 2013 and 2014 ACTUAL FORECASTED FISCAL YEARS ENDING JUNE 30, 2015 THROUGH 2019

Forecast Provided By
Worthington City School District
Treasurer's Office
Jeff McCuen, Treasurer/CFO
October 27, 2014

WORTHINGTON CITY SCHOOL DISTRICT
Franklin County

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2012, 2013, 2014
Forecasted Fiscal Year Ending June 30, 2015 through 2019

		Actual				Forecasted				
		Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Average Change	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019
	Revenues									
1.010	General Property Tax (Real Estate)	$ 74,554,666	$ 81,690,919	$ 86,311,963	7.6%	$ 87,638,051	$ 89,779,518	$ 90,271,659	$ 90,767,737	$ 91,267,784
1.020	Tangible Personal Property	3,094,377	3,451,276	3,356,219	4.4%	3,596,949	3,356,389	3,356,389	3,356,389	3,356,389
1.035	Unrestricted State Grants-in-Aid	14,280,914	14,355,731	15,934,116	5.8%	17,423,130	17,613,558	17,791,096	17,972,366	18,153,646
1.040	Restricted State Grants-in-Aid	113,407	285,863	339,362	85.4%	457,353	461,926	465,424	468,974	472,578
1.045	Restricted Fed. SFSF Fd. 532 FY10&11/Ed Jobs Fd.504 FY	746,556	-	-	0.0%	-	-	-	-	-
1.050	Property Tax Allocation	21,232,139	19,683,504	20,424,617	-1.8%	20,790,852	18,358,908	15,782,373	13,206,503	10,631,303
1.060	All Other Revenues	1,137,512	1,035,371	1,089,314	-1.9%	1,223,328	1,173,328	1,123,328	903,328	878,328
1.070	*Total Revenues*	$ 115,159,571	$ 120,502,664	$ 127,455,591	5.2%	$ 131,129,663	$ 130,743,627	$ 128,790,269	$ 126,675,297	$ 124,760,028
	Other Financing Sources									
2.050	Advances-In	$ 502,200	$ 490,700	$ 180,000	-32.8%	$ 21,500	$ -	$ -	$ -	$ -
2.060	All Other Financing Sources	11,028	19,581	54,865	128.9%	533,000	10,000	10,000	10,000	10,000
2.070	*Total Other Financing Sources*	$ 513,228	$ 510,281	$ 234,865	-27.3%	$ 554,500	$ 10,000	$ 10,000	$ 10,000	$ 10,000
2.080	*Total Revenues and Other Financing Sources*	$ 115,672,799	$ 121,012,945	$ 127,690,456	5.1%	$ 131,684,163	$ 130,753,627	$ 128,800,269	$ 126,685,297	$ 124,770,028
		-	-	-						
	Expenditures									
3.010	Personal Services	$ 73,444,360	$ 70,623,617	$ 68,800,687	-3.2%	$ 73,141,626	$ 72,680,466	$ 75,521,257	$ 78,820,744	$ 82,259,179
3.020	Employees' Retirement/Insurance Benefits	25,864,996	25,853,892	26,557,038	1.3%	28,343,589	29,929,443	31,154,675	32,069,271	32,610,489
3.030	Purchased Services	10,899,262	12,223,794	13,422,946	11.0%	15,713,320	16,097,499	16,841,728	17,783,079	18,781,289
3.040	Supplies and Materials	2,330,804	2,761,158	3,357,022	20.0%	3,902,783	3,546,866	3,508,272	3,613,520	3,721,926
3.050	Capital Outlay	216,757	342,906	312,042	24.6%	572,159	259,172	266,947	274,955	283,204
4.300	Other Objects	1,445,866	1,897,285	1,801,312	13.1%	1,992,136	2,049,567	2,074,450	2,099,864	2,125,821
4.500	*Total Expenditures*	$ 114,202,045	$ 113,702,652	$ 114,251,047	0.0%	$ 123,665,613	$ 124,563,013	$ 129,367,329	$ 134,661,433	$ 139,781,908
	Other Financing Uses									
5.010	Operating Transfers-Out	$ 1,051,125	$ 1,076,047	$ 1,101,619	2.4%	$ 876,170	$ 1,099,966	$ 1,245,705	$ 1,273,604	$ 1,312,575
5.020	Advances-Out	490,700	180,000	21,500	-75.7%	-	-	-	-	-
5.040	*Total Other Financing Uses*	$ 1,541,825	$ 1,256,047	$ 1,123,119	-14.6%	$ 876,170	$ 1,099,966	$ 1,245,705	$ 1,273,604	$ 1,312,575
5.050	*Total Expenditures and Other Financing Uses*	$ 115,743,870	$ 114,958,699	$ 115,374,166	-0.2%	$ 124,541,783	$ 125,662,979	$ 130,613,034	$ 135,935,037	$ 141,094,483
6.010	*Sources over (under) Expenditures and Other Financing Uses*	$ (71,071)	$ 6,054,246	$ 12,316,290	-4257.6%	$ 7,142,379	$ 5,090,648	$ (1,812,765)	$ (9,249,740)	$ (16,324,455)
7.010	Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	$ 44,312,545	$ 44,241,474	$ 50,295,720	6.8%	$ 62,612,010	$ 69,754,389	$ 74,845,037	$ 73,032,272	$ 63,782,533
7.020	*Cash Balance June 30*	$ 44,241,474	$ 50,295,720	$ 62,612,010	19.1%	$ 69,754,389	$ 74,845,037	$ 73,032,272	$ 63,782,533	$ 47,458,078
8.010	*Estimated Encumbrances June 30*	$ 1,629,802	$ 1,649,211	$ 1,392,502	-7.2%	$ 1,400,000	$ 1,400,000	$ 1,400,000	$ 1,400,000	$ 1,400,000
	Reservation of Fund Balance									
9.030	Budget Reserve	$ 3,118,000	$ 3,118,000	$ 5,335,958	35.6%	$ 9,771,874	$ 13,766,172	$ 17,318,852	$ 19,978,427	$ 19,978,427
9.060	Property Tax Advances	6,515,500	5,989,400	7,205,330	6.1%	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000
9.080	*Subtotal*	9,633,500	9,107,400	12,541,288	16.1%	17,271,874	21,266,172	24,818,852	27,478,427	27,478,427
15.010	*Unreserved Fund Balance June 30*	$ 32,978,172	$ 39,539,109	$ 48,678,220	21.5%	$ 51,082,515	$ 52,178,865	$ 46,813,420	$ 34,904,106	$ 18,579,651
	ADM Forecasts									
20.010	Kindergarten - October Count	731	757	776	3.0%	729	730	731	731	732
20.015	Grades 1-12 - October Count	8,604	8,553	8,622	0.1%	8,805	8,901	8,908	8,947	9,010
	State Fiscal Stabilization Funds									
21.010	Personal Services SFSF	553,906			0.0%					
21.020	Employees Retirement/Insurance Benefits SFSF	192,650			0.0%					
21.060	*Total Expenditures - SFSF*	746,556	-	-	0.0%	-	-	-	-	-

Worthington City School District - Franklin County
Notes to the Five Year Forecast
General Fund Only
October 28, 2014

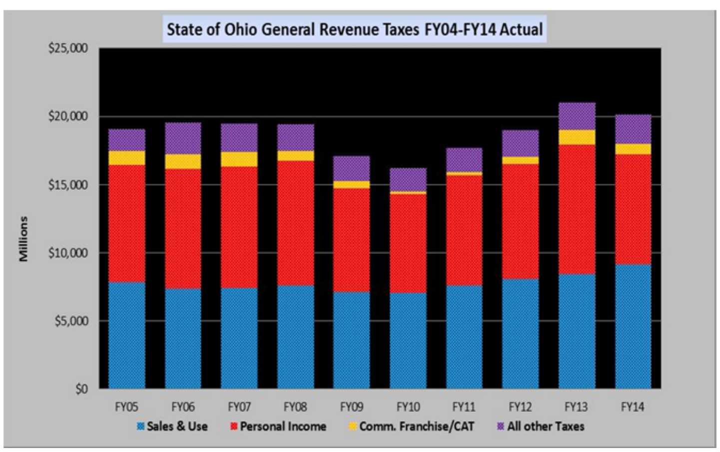
Introduction to the Five Year Forecast

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 2015 (July 1, 2014-June 30, 2015) 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 2014 filing. This forecast does not illustrate any effects of potential future levies.

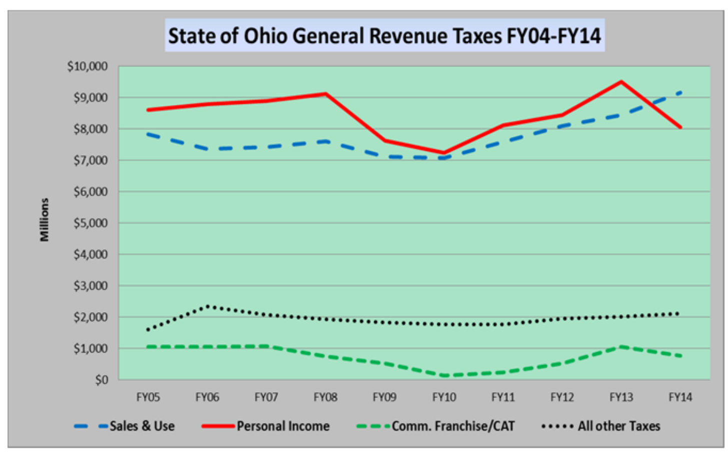
Economic Environment Affecting Forecast Variables –State Economy

It is important in long range forecasting to consider the economic framework in which projections of revenues are made. Below is significant statewide economic data which suggests that the economy for the FY15-19 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 reasons. One, 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, is that the same economic forces which are driving the recovery of 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 FY14 have recovered and exceeded FY08 total tax revenue levels. 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.



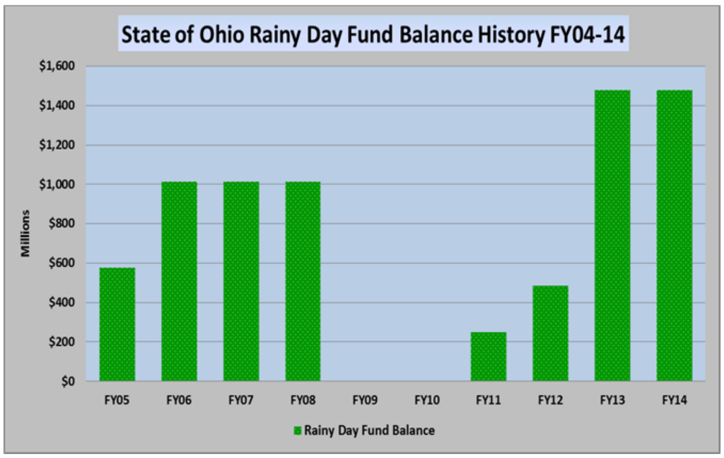
Source: Ohio Legislative Service Commission



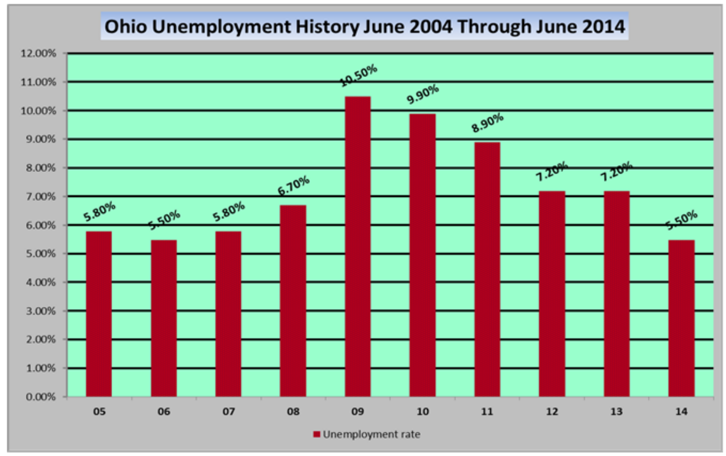
Source: Ohio Legislative Service Commission

The recovery of the labor market which began in 2010 continued in 2014 as noted in both personal income tax and sale tax collections. The above State revenue is a clear indication that the economy has recovered and that there is economic growth in the 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 FY14 has reached an all-time record high deposit of $1.478 billion and will exceed the funds statutory target balance in FY15 based on expenditure estimates. This cushion should continue to help ensure that funding for schools approved in the recent state biennium budget HB59 will be met through FY15 and 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 5.5% in June 2014. The last time it was at this level was in April 2007. Over the past 12 months the unemployment rate dropped 1.9% as 46,800 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 2014 the unemployment rate in Franklin County was (4.8%) which is below the 5.5% state average.



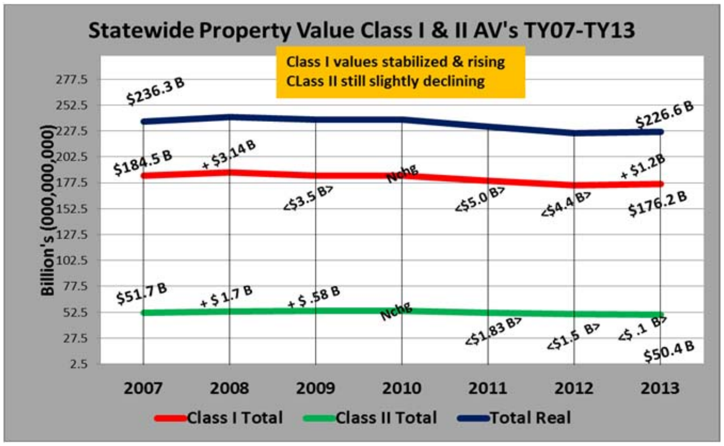
Source: Ohio Legislative Service Commission



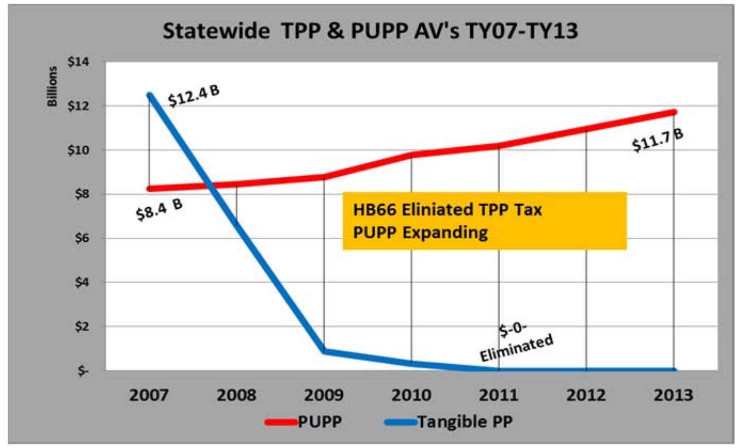
Source: U.S. Bureau of Labor Market Information

For school districts a final piece of economic data which is highly relevant is the value of real property. In the 2013 Tax Year 23 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 2013 Class 1 values rose for the first time since 2008 by $1.2 billion, while Class 2 property is still decreasing but at a much slower pace of $103.3 million. Home values for the 12 month period ending in May 2014 were up statewide by 2.9%. Clearly property values have, on average, 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.

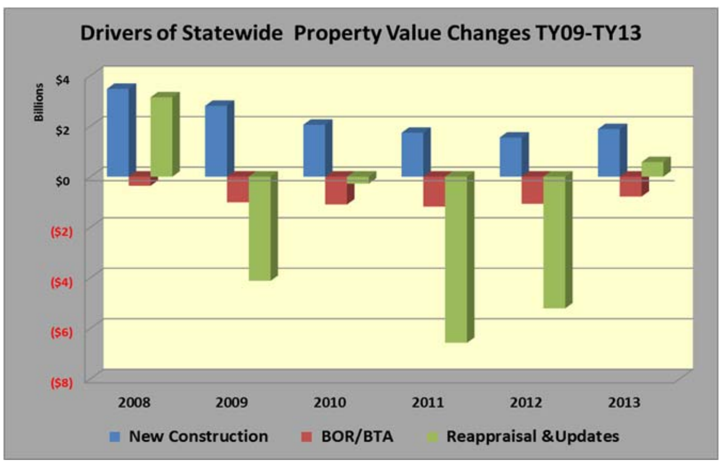


Source: Ohio Department of Taxation



Source: Ohio Department of Taxation

The graph below sums up the main drivers of property value changes across the state for Tax Year 2009 through 2013. 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 (Class 1 property only) and Board of Revision/Board of Tax appeals property value changes are trending down from record levels the previous four tax years.



Source: Ohio Department of Taxation

Overall, we believe the economic recovery of the state is stable and the economy is clearly showing improvement. This should provide a stable basis for which to make projections of state revenues to the district as noted in HB59 through FY15 and continuing through FY19 in future state budgets. The improving labor market is also providing for a recovery in property tax collections in this forecast by: 1) stabilizing or slowing declining property values; 2) increasing current property tax collections; and, 3) increasing prior delinquent tax collections.

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

Our financial forecast is laden with risks and uncertainty not only due to economic uncertainties but also due to volatility of the legislative changes that will be happening the spring of 2015 due to deliberation of the next state biennium budget for FY16 & FY17. We have estimated revenues and expenses based on the best data available to us at the time of this forecast. The items below give a short description of the current issues and how they may affect our forecast long term:

I. **Reappraisal -** Franklin County will go through a reappraisal update in the 2014 tax year to be collected in FY15. We expect values in our District to increase slightly as property values are starting to recover in our state. There is however some risk that the district could sustain another reduction in values but we do not anticipate that at this time.

II. **Tangible Personal Property Tax Reimbursement -** The State Budget greatly reduced Tangible Personal Property (TPP) fixed rate reimbursements to the district in FY12. HB153, the FY12-13 State Budget bill, promised to pay highly reliant districts like ours the TPP reimbursement at the FY13 level into the future. HB59, the current State Budget bill, continues this reimbursement through FY15. There is uncertainty beyond FY15 as to the state's commitment to keep its promise to continue the reimbursements to our district considering the reductions that have already taken place. We are currently estimating that this reimbursement will begin to be phased out again in FY16 and be completely eliminated in FY19. The state currently spends $482 Million statewide to fund the TPP reimbursements. The risk of TPP funds being eliminated in future state budgets is a significant risk factor to our district.

III. **Tuition Vouchers & Community Schools -** There are many provisions in the current state budget bill HB59 that will increase the district expenditures in the form of expanded EdChoice Scholarships in the 2016-17 school years and the new Income Base-Based Voucher Program in FY14. The Peterson special education voucher and the new Autism voucher, which began in FY13 now cost the district $1.3 million annually in added expenses. These are examples of new choice programs that cost the district money. Expansion or creation of programs such as these could expose 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.

IV. **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 supposed to be implemented January 1, 2014 but were delayed by the IRS on July 2, 2013 until January 1, 2015. We are aware of additional taxes that will be assessed on the district January 1, 2015, which could increase costs by as much as 2%. Rules for the PPACA are in flux at this time and we are tracking them closely. Future uncertainty over rules and implementation of PPACA is a risk.

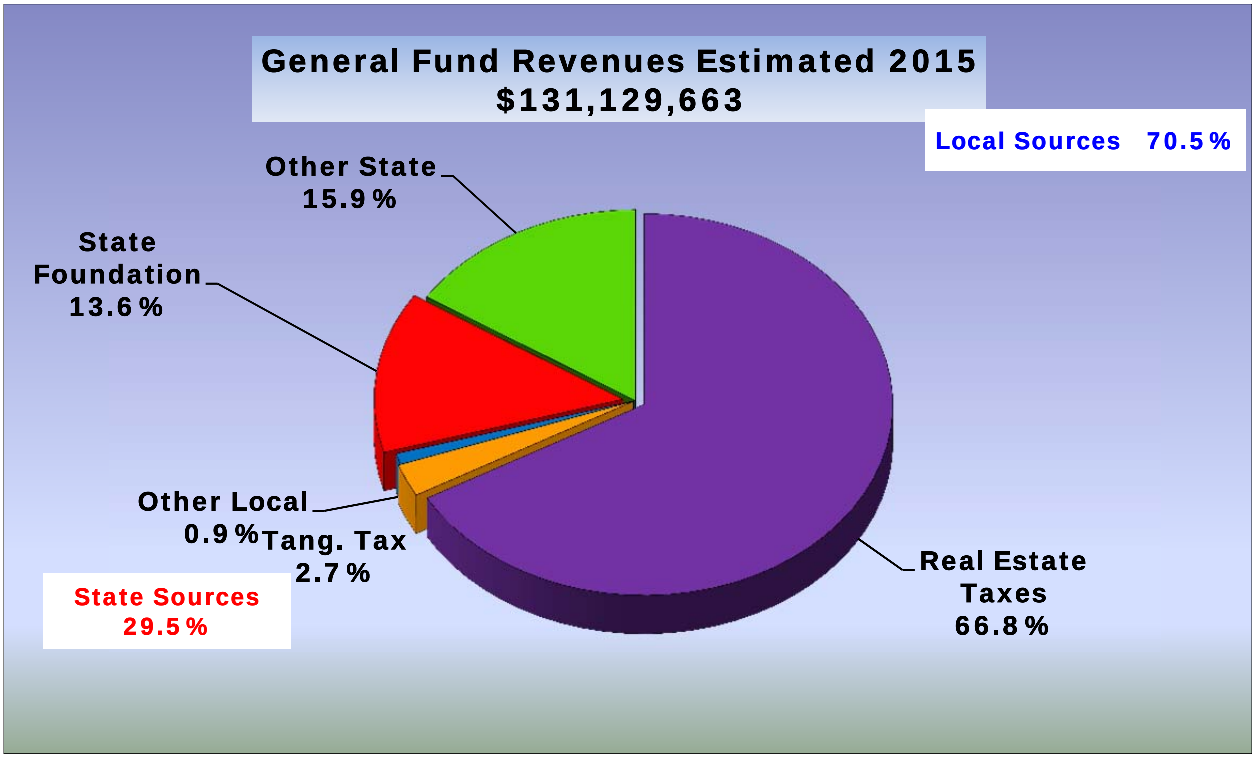
V. **State Foundation Funding -** The current biennial state budget for FY14-15 did not appropriate enough resources to fully fund all districts according to its latest school funding formula. Many districts, including ours, received a capped increase of 6.25% of prior year state revenue for FY14 and 10.5% in FY15. This amounts to $3.9 million in additional revenue in FY15 our District would have received if fully implemented. Should the same formula exist in the next biennial state budget, we are currently assuming that capped amount will be at 1% in future years, and will monitor legislative discussions on this closely.

VI. **Student Diversity -** The diversity of our student population continues to increase. Comparing the current FY14 student body to FY10, the percentage of students with disabilities has increased from 11.0% to 12.7%, economically disadvantaged students from 21.8% to 25.3%, and those with limited English proficiency from 5.2% to 6.4%. This presents unique challenges and opportunities for the District, and while we feel we have adequately included staff increases in this forecast, often times there are governing restrictions on student to teacher ratios for these populations, and there is some risk that we will need additional staff in future years to meet their needs.

Detailed Forecast Analysis

The following pages present a detailed analysis of each of the major line items in the forecast. The major lines of reference for the forecast are noted 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 in understanding the overall financial forecast for our district. If you would like further information please feel free to contact Jeff McCuen, Treasurer of Worthington City School District, at 614-450-6120.

Revenue Assumptions
All Revenue Sources General Fund FY15



Real Estate Value Assumptions

Property Values are established each year by the County Auditor based on new construction, demolitions, BOR/BTA activity and complete reappraisal or updated values. A reappraisal of the district property value occurred in 2011 for collection in calendar year 2012. Residential/agricultural values decreased overall by $46.6 million (-3.4%) while commercial/industrial values decreased $18.1 million (-4.16%) and Public Utility Personal Property values increased by $3.6 million (+10.5%). Overall values fell $61.1 million or an overall average of (-3.3%). Based on current sale to property valuation ratios we anticipate values will remain mostly steady for tax years 2014 through 2018, with an annual 0.8% growth in new residential construction, a 0% growth in commercial values, and no change in values for our triennial update in calendar year 2015. The chart below reflects these assumptions.

ESTIMATED ASSESSED VALUE (AV) BY COLLECTION YEARS

Classification	Estimated TAX YEAR 2014 COLLECT 2015	Estimated TAX YEAR 2015 COLLECT 2016	Estimated TAX YEAR 2016 COLLECT 2017	Estimated TAX YEAR 2017 COLLECT 2018	Estimated TAX YEAR 2018 COLLECT 2019
Res./Ag.	$1,346,780,665	$1,357,554,911	$1,368,415,350	$1,379,362,673	$1,390,397,574
Comm./Ind.	$408,418,970	$408,418,970	$408,418,970	$408,418,970	$408,418,970
Public Utility (PUPP)	$36,035,960	$36,035,960	$36,035,960	$36,035,960	$36,035,960
Total Assessed Value	**$1,791,235,595**	**$1,802,009,841**	**$1,812,870,280**	**$1,823,817,603**	**$1,834,852,504**

ESTIMATED REAL ESTATE TAX (Line #1.010)

Based on the predicted changes in property values above, the following chart illustrates Real Estate Property Tax collections:

	FY15	FY16	FY17	FY18	FY19
August Settlement	$39,309,064	$41,240,003	$41,465,492	$41,692,785	$41,921,896
February Settlement	45,948,164	46,199,396	46,452,638	46,707,905	46,965,215
August Delinquent	315,879	448,108	450,676	453,264	455,874
February Delinquent	1,770,274	1,892,011	1,902,853	1,913,783	1,924,799
Prior Year Advances taken	(7,205,330)	(7,500,000)	(7,500,000)	(7,500,000)	(7,500,000)
Current Year Advances Estimated	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000
Total General Property Taxes	**87,638,051**	**89,779,518**	**90,271,659**	**90,767,737**	**91,267,784**

Property tax levies are estimated to be collected at 98% of the annual amount. This allows 2% delinquency factor. In general, 52% of the Residential/Agricultural and Commercial/Industrial property taxes are expected to be collected in the February tax settlement and 48% collected in the August tax settlement. Public Utility tax settlements (PUPP taxes) are estimated to be received 50% in February and 50% in August settlement from the County Auditor. No future additional levies are projected in this forecast.

ESTIMATED TANGIBLE PERSONAL PROPERTY TAX (Line #1.020)

	FY15	FY16	FY17	FY18	FY19
Public Utility Pers. Property	$3,596,949	$3,356,389	$3,356,389	$3,356,389	$3,356,389

The phase out of TPP taxes as noted earlier began in FY06 with HB66 that was adopted in June 2005. The only amounts received after FY11 are from delinquent TPP taxes outstanding as of 2010. The amount remaining on Line #1.020 is the public utilities personal property tax revenues from telephone, electric, and gas tangible property. These amounts were not affected by HB66 and amounts are collected at gross tax rates. The additional amount in FY15 is a result of one property's payment being collected entirely in August 2014 instead of half in February 2014 (FY14).

UNRESTRICTED STATE GRANTS-IN-AID (Line #1.035)

Source	FY15	FY16	FY17	FY18	FY19
Basic Foundation Aid	$16,139,537	$16,298,646	$16,460,467	$16,623,888	$16,788,926
Additional Aid Items	$806,738	$806,738	$806,738	$806,738	$806,738
Basic Aid-Subtotal	$16,946,275	$17,105,384	$17,267,205	$17,430,626	$17,595,664
Ohio Casino Commission ODT	$476,855	$508,174	$523,891	$541,740	$557,982
Total Unrestricted State Aid	**$17,423,130**	**$17,613,558**	**$17,791,096**	**$17,972,366**	**$18,153,646**

A) Basic Foundation Aid

In FY14-15, HB59 created the fourth (4th) new funding formula for public education since 2009. The new funding formula is very complex and could change again with the new FY 16-17 or FY18-19 state budgets. This formula has a new method to measure a district's wealth and capacity to raise local revenue. The new wealth measure is called the State Share Index (SSI), which theoretically equalizes state funding based on wealth. The SSI, or one or more of the other three (3) indexes, are applied in determining need on the nine separate components that constitute state aid in FY14 and FY15.

The amounts estimated for FY15 for state funding is based on funding component computations from the most recent September 2014 State Foundation Payment Report (SFPR). The formula included an increase in funding for our district, but it was limited to a "capped" amount of 6.25% in FY14 and 10.5% in FY15. The following table illustrates our actual basic foundation aid compared to the fully calculated amount without the cap:

	FY15	FY16	FY17	FY18	FY19
Basic Foundation Aid	16,139,537	16,298,646	16,460,467	16,623,888	16,788,926
Uncapped Formula Aid	20,213,642	20,359,477	20,506,770	20,655,537	20,805,791
Difference	($4,074,105)	($4,060,831)	($4,046,303)	($4,031,649)	($4,016,865)

Current calculations indicate our district will remain on the CAP for FY16 through FY18, with the assumptions the CAP will grow 1% annually, and the per-pupil amount in the formula will grow 1% annually as well. We are assuming the current funding formula continues in the next biennium budget, but there is no guidance on the state funding model or increases for the FY16-17 biennium budget at this time.

B) Additional Aid Items

Additional Aid items include preschool special education funding and special education transportation funding. We are assuming these funds continue throughout the life of the forecast at current levels.

C) Casino Revenue

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 are distributed to school districts in January and August of each year.

The initial student payment to schools in January 2013 (FY13) was a half year payment of $21.00 per pupil. FY14 payments resulted in a full year payment of $51.57 per pupil. The August first half payment of FY15 was at $50.67 per pupil. 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 therefore projecting a modest 3% increase in the per pupil amount in FY16 through FY18 and will monitor this closely.

RESTRICTED STATE GRANTS-IN-AID (Line #1.040)

Source	FY15	FY16	FY17	FY18	FY19
Economically Disadvantaged	$182,717	$186,371	$189,167	$192,004	$194,884
Career Tech	$45,907	$46,825	$47,528	$48,241	$48,964
Medicaid/Catastrophic Aid	$228,729	$228,729	$228,729	$228,729	$228,729
Total Restricted State Revenues	**$457,353**	**$461,926**	**$465,424**	**$468,974**	**$472,578**

HB59 funded two restricted sources of revenues to our district which are Economic Disadvantaged funding and Career Technical funding. We have incorporated this amount into the restricted aid amount in Line # 1.04 for FY15-19. These amounts can change and or be eliminated in future state budgets which will not be known for certain until July 2015. In addition, the District participates in the Medicaid in Schools Program and we bill for students receiving eligible reimbursable services. Catastrophic aid includes state reimbursement for those special education costs that exceed an unusually large amount.

RESTRICTED FEDERAL AID (Line #1.045)
The district received its final payment of in Ed Jobs money in FY12. These funds will no longer be available after FY12.

PROPERTY TAX ALLOCATION (Line #1.050)

Source	FY15	FY16	FY17	FY18	FY19
Rollback and Homestead	$10,152,549	$10,380,181	$10,463,222	$10,546,928	$10,631,303
TPP Reimbursement	$10,638,303	$7,978,727	$5,319,151	$2,659,575	$0
Total Prop. Tax Allocation	**$20,790,852**	**$18,358,908**	**$15,782,373**	**$13,206,503**	**$10,631,303**

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 changed the requirement for Homestead Exemptions. Individual taxpayers who do not currently have their Homestead Exemption approved or those who do not get a new application approved for tax year 2013, and who become eligible thereafter will only receive a Homestead Exemption if they meet the income qualifications. Taxpayers who currently have their Homestead Exemption as of September 29, 2013 will not lose it going forward and will not have to meet the new income qualification. This will 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 – Fixed Rate

School districts were to be reimbursed for the TPP tax losses by the state of Ohio at varying levels, but those reimbursements were severely curtailed by HB153 effective July 1, 2012. The District received $15 million in FY11, reduced down to $10.6 million in the current 2015 fiscal year. This sharp cut was a major factor in the District gaining approval of a 6.9 mill incremental operating levy in 2012, which helped offset this lost. We are currently estimating a continued decline in TPP reimbursements annually beginning in FY16 until they are projected to be eliminated entirely in FY19. Future state budgets will greatly influence this source of revenue, and we will be monitoring this closely and engaging our legislators. Should the State continue to hold us harmless beyond FY15, the additional revenue would be placed into the budget reserve to extend the life of the 2012 operating levy.

OTHER LOCAL REVENUES (LINE #1.060)

Source	FY15	FY16	FY17	FY18	FY19
Interest	$375,000	$325,000	$275,000	$250,000	$225,000
Pay To Participate	186,752	186,752	186,752	186,752	186,752
Tuition and Charges	286,576	286,576	286,576	286,576	286,576
Other	375,000	375,000	375,000	180,000	180,000
Total Other Local Revenues	**$1,223,328**	**$1,173,328**	**$1,123,328**	**$903,328**	**$878,328**

Interest income is generated on investments and will fluctuate based on market rates. Pay to participate fees are charges to students for participating in extracurricular sports teams and activity clubs. The fees are split between the general fund and the activity fund and are used to fund coaches and advisors. Tuition and Charges include tuition for open-enrolled non-resident staff members, non-resident court placed students, special education excess cost payments, summer school, and transportation field trip charges to outside entities.

Interest income will fluctuate with the cash position of the General Fund and the market environment. We expect rates to begin to increase very slowly, but are also predicting a decreasing cash balance available for investment. Pay-to-participate fees, tuition and charges revenue, and other miscellaneous revenue are projected to remain flat.

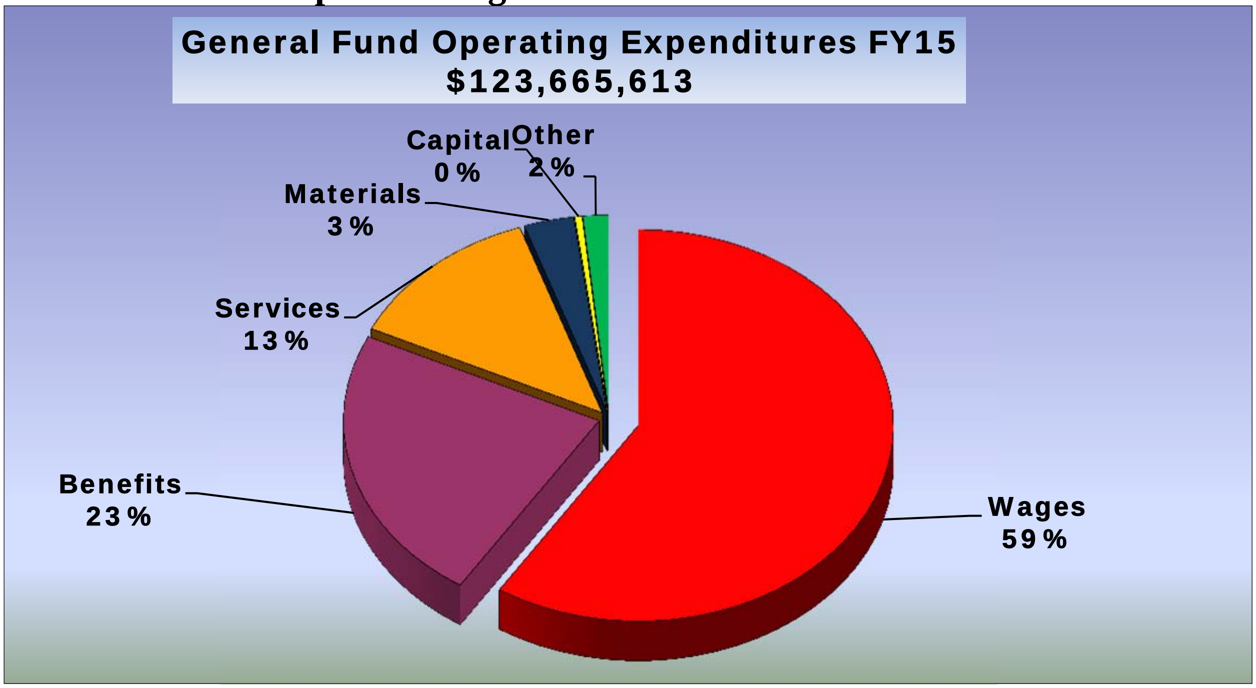
OTHER FINANCING SOURCES (Line #2.050 & Line #2.060)

Source	FY15	FY16	FY17	FY18	FY19
Advance Returns - Line 2.050	**$21,500**	**$0**	**$0**	**$0**	**$0**
Refunds & Sale of Assets - Line #2.060	**$533,000**	**$10,000**	**$10,000**	**$10,000**	**$10,000**

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 large one-time refund in FY15 is the result of the Franklin County Auditor refunding prior year tax collection fees.

Expenditures Assumptions

All Expense Categories Sources General Fund FY15



PERSONAL SERVICES (Line #3.010)

Source	FY15	FY16	FY17	FY18	FY19
Base Wages	$68,800,687	$71,030,626	$72,680,466	$75,521,257	$78,820,744
Increases	1,987,014	1,420,613	1,453,609	1,510,425	1,576,415
Steps & Training or 3317.141 Performance	702,007	1,603,056	1,562,674	1,598,970	1,661,468
New District Staff	301,918	2,471,629	593,600	190,092	200,552
Severance	1,500,000	0	0	0	0
Retirement/Other	(150,000)	(3,845,458)	(769,092)	0	0
Total Wages Line 3.010	**$73,141,626**	**$72,680,466**	**$75,521,257**	**$78,820,744**	**$82,259,179**
Employee Full Time Equivalents					
Certificated	732.7	738.7	740.7	743.7	746.7
Classified	320.3	322.3	324.3	326.3	328.3
Total	1,053.0	1,061.0	1,065.0	1,070.0	1,075.0
Net Increase (Decrease)		8.0	4.0	5.0	5.0

The model reflects annual base wage increases of 2% for certified and classified staff members per the negotiated agreements through FY17 and assumes 2% for FY18 & FY19 (1.5% for administrators). The average value of a step increase is expected to gradually increase as fully stepped out members retire and are replaced with less experienced staff. The new district staff line item includes a net increase of 8.0 FTE in FY16 (3 regular/4 Special Ed/1 Vacant Admin), 4.0 FTE in FY17 (4 Special Ed), and 5.0 FTE in FY18 & FY19 (1 regular/4 Special Ed) and is based on current enrollment projections. In addition, the Severance line for FY15 includes the projected retirements of 50 certified teachers. This causes the New District Staff line for FY16 and FY17 to increase by 50 entry level teachers, offset in those years by the retirement of those 50 teachers, creating a projected net savings of $2.2 million annually. We are currently projecting a large increase in retirements for FY15 due to changes in the State Teachers Retirement System, and are not projecting any cost savings from any future retirements in this model.

EMPLOYEES RETIREMENT/INSURANCE BENEFITS (Line #3.020)

This area of the forecast captures all costs associated with benefits and retirement costs.

A) STRS/SERS will increase as Wages Increase

Source	FY15	FY16	FY17	FY18	FY19
Base Wages	$9,632,096	$9,944,288	$10,175,265	$10,572,976	$11,034,904
Increases	278,182	198,886	203,505	211,460	220,698
Steps & Training	98,281	224,428	218,774	223,856	232,606
New District Staff	42,269	346,028	83,104	26,613	28,077
Pick Up	554,725	628,046	682,467	692,704	703,095
Retirement/Other	(21,000)	(538,364)	(107,673)	0	0
SERS Surcharge & Catch-up	415,750	426,670	240,786	245,602	250,514
Total Retirement Contributions	**$11,000,303**	**$11,229,982**	**$11,496,228**	**$11,973,211**	**$12,469,894**

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. We have taken the 1/6 additional costs per year for 6 years catch up provision. This catch-up cost is $197,350 each year through FY16. Pick up includes the employee share of retirement contributions paid by the Board of Education on behalf of administrators, which is increasing for those covered under STRS by 1% annually until it reaches 14% in FY17.

B) Insurance

Source	FY15	FY16	FY17	FY18	FY19
Base Costs	$13,447,504	$14,637,293	$15,963,937	$16,867,990	$17,240,557
New District Staff	180,000	144,000	72,000	90,000	90,000
H.S.A contributions	1,162,629	1,162,629	1,162,629	1,162,629	1,162,629
Effect of Cap	0	0	(202,495)	(803,708)	(1,254,142)
Affordable Care Act	145,833	250,000	262,500	275,625	289,406
Insurance Trend Adjustment	863,956	932,644	772,048	810,650	851,182
Total Insurance Estimates	**$15,799,922**	**$17,126,566**	**$18,030,619**	**$18,403,186**	**$18,379,632**

Insurance costs are expected to increase 8.6% in January 2015 and 5% annually thereafter. The district is self-insured for medical, which allows the administration to manage the program in the most optimal manner. The model is based on current enrollment in the plan at the current levels.

As part of the negotiated agreement with both labor unions, a cap was implemented to limit the District's exposure to large increases in health care costs. This cap indicates that if total premiums exceed a certain dollar amount, the District would only pay up to the capped amount. Based on current projections, we expect to reach the cap in January 2017.

Patient Protection and Affordable Care Act (PPACA) Costs- the Patient Protection and Affordable Care Act (PPACA) commonly called Obamacare or the Affordable Care Act (ACA), is a United States federal statute signed into law by President Barack Obama on March 23, 2010. Together with the Health Care and Education

Reconciliation Act, it represents the most significant regulatory overhaul of the country's healthcare system since the passage of Medicare and Medicaid in 1965. Many of the significant provisions of the PPACA that were scheduled to be implemented by employers on January 1, 2014 were delayed until January 1, 2015 by a July 2, 2013 ruling from the IRS.

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 have estimated $250,000 for this additional cost beginning in January 2015. There are also "taxes" mandated by the act which we are aware of and will increase the District's costs. 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.

C) Workers Compensation & Unemployment Compensation

Source	FY15	FY16	FY17	FY18	FY19
Workers Comp	$438,850	$436,083	$453,128	$472,924	$493,555
Unemployment	15,000	15,000	15,000	15,000	15,000
Total BWC & UC Estimates	**$453,850**	**$451,083**	**$468,128**	**$487,924**	**$508,555**

Workers Compensation is expected to remain at 0.6% of wages FY15-FY19. Unemployment is expected to remain at a very low level. The district is a direct reimbursement employer which means unemployment costs are only incurred and due if we have employees who are eligible and draw unemployment.

D) Medicare

Source	FY15	FY16	FY17	FY18	FY19
Base Costs	$970,220	$968,882	$1,034,002	$1,085,103	$1,132,409
New District Staff	4,378	35,839	8,607	2,756	2,908
Total Medicare Estimate	**972,423**	**1,004,721**	**1,042,609**	**1,087,859**	**1,135,317**

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

Summary of Employee Retirement/Insurance (Line #3.020)

Source	FY15	FY16	FY17	FY18	FY19
STRS/SERS	$11,000,303	$11,229,982	$11,496,228	$11,973,211	$12,469,894
Insurance's	15,799,922	17,126,566	18,030,619	18,403,186	18,379,632
Workers Comp/Unemployment	453,850	451,083	468,128	487,924	508,555
Medicare	972,423	1,004,721	1,042,609	1,087,859	1,135,317
Other/Tuition	117,091	117,091	117,091	117,091	117,091
Total Employee Retirement/Insurance Benefits	**$28,343,589**	**$29,929,443**	**$31,154,675**	**$32,069,271**	**$32,610,489**

PURCHASED SERVICES (Line #3.030)

Source	FY15	FY16	FY17	FY18	FY19
Consulting/Legal (41x)	$1,055,250	$1,086,908	$1,119,515	$1,153,100	$1,187,693
Maintenance and Repairs (423)	1,410,508	1,452,823	1,496,408	1,541,300	1,587,539
Utilities (441 & 451)	2,810,000	2,881,636	2,949,661	3,172,144	3,405,751
Tuition to other Entities (47x)	5,180,150	5,594,562	6,042,127	6,525,497	7,047,537
Other Purchased Services	5,257,412	5,081,570	5,234,017	5,391,038	5,552,769
Total Purchased Services	**$15,713,320**	**$16,097,499**	**$16,841,728**	**$17,783,079**	**$18,781,289**

This category includes payments for contracted services, utilities, property insurance, special education transportation, legal fees, and tuition to other entities. Overall costs are increasing faster than inflation. We are estimating base increases of 5% annually for utilities, with an additional $75,000 added annually for bandwidth expansion. In addition, with the expected completion of a HB264 energy conservation project in December 2015, we are projecting annual utility savings of $287,728 (half of that in FY16 since it is expected to begin January 2016), which will offset the loan payments in line #5.010 below as well as produce long term savings and efficiencies. The District has negotiated long term gas and electric contracts to help hold down energy costs.

Tuition is expected to grow 8% annually, and is the result of open enrollment of district students to charter schools, private schools, special education programs, and other entities, in addition to students who elect the Jon Peterson Scholarship or Autism Scholarship. Any change in state funding per pupil has a net negative effect to our District since we lose the full amount per pupil when a resident attends elsewhere.

Other purchased services include consultants, substitute employees and contracted services from the Education Service Center of Central Ohio (ESCCO), and other services. We are estimating base increases of 3% annually for this area. We have added $296,000 for FY15 due to three vacant administrators being staffed with substitutes through the ESCCO, but move those costs into salaries in FY16 and beyond as the positions will be permanently filled. We have also added $87,500 for an increase in the pool substitute daily rate approved in FY15.

SUPPLIES & MATERIALS (Line #3.040)

Source	FY15	FY16	FY17	FY18	FY19
Supplies	**$3,902,783**	**$3,546,866**	**$3,508,272**	**$3,613,520**	**$3,721,926**

An overall inflation of 3% is being estimated for this category of expenses which are characterized by textbooks, copy paper, maintenance supplies, materials, and bus fuel. FY15 includes an increase of $450,000 for new curriculum adoptions, and reduced back down by $500,000 in FY16.

CAPITAL OUTLAY (Line # 3.050)

Source	FY15	FY16	FY17	FY18	FY19
Equipment & Building Improvements	**$572,159**	**$259,172**	**$266,947**	**$274,955**	**$283,204**

An overall inflation rate of 3% annually is being used in this category. Major capital improvements are funded through the building fund via passage of a capital improvement bond issue in 2012. In addition, $303,871 has been added in FY15 only, due to the local share of a HB264 energy conservation project.

OTHER OBJECTS (Line #4.300)

Source	FY15	FY16	FY17	FY18	FY19
County Auditor & Treasurer Fees	$1,505,383	$1,548,212	$1,558,055	$1,567,977	$1,577,978
County ESC	61,081	62,913	64,800	66,744	68,746
Other	425,672	438,442	451,595	465,143	479,097
Total Other Expenses	**$1,992,136**	**$2,049,567**	**$2,074,450**	**$2,099,864**	**$2,125,821**

The category of Other Expenses consists primarily of Auditor & Treasurer fees, our annual audit and other miscellaneous expenses. County auditor and treasurer fees correlate directly with property tax collections and are expected to increase in FY15 and FY16 due to the incremental levy.

OTHER FINANCING USES (Line #5.010 & Line #5.020)

Source	FY15	FY16	FY17	FY18	FY19
Transfers Out (#5.010)	$876,170	$1,099,966	$1,245,705	$1,273,604	$1,312,575
Advances Out (#5.020)	0	0	0	0	0
Total Other Financing Uses	**$876,170**	**$1,099,966**	**$1,245,705**	**$1,273,604**	**$1,312,575**

Advances out cover fund to fund 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 transfers out are to cover payments on the certificates of participation debt and the energy conservation debt. Annual debt payments of $303,104 have been added beginning in January 2016 as a result of the expected completion of a new HB264 Energy Conservation project that is being funded through an Energy Loan Fund from the State of Ohio. It is expected to be repaid over a 10 year period through utility cost savings.

ENCUMBRANCES (Line#8.010)

	FY15	FY16	FY17	FY18	FY19
Estimated Encumbrances	$1,400,000	$1,400,000	$1,400,000	$1,400,000	$1,400,000

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. They are expected to remain consistent.

RESERVATION OF FUND BALANCE (Line #9.040 & Line #9.060)

Source	FY15	FY16	FY17	FY18	FY19
Contingency (Line 9.040)	$9,771,874	$13,766,172	$17,318,852	$19,978,427	$19,978,427
Tax Advances (Line 9.060)	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000
Total Reservations of Balance (Line#9.080)	**$17,271,874**	**$21,266,172**	**$24,818,852**	**$27,478,427**	**$27,478,427**

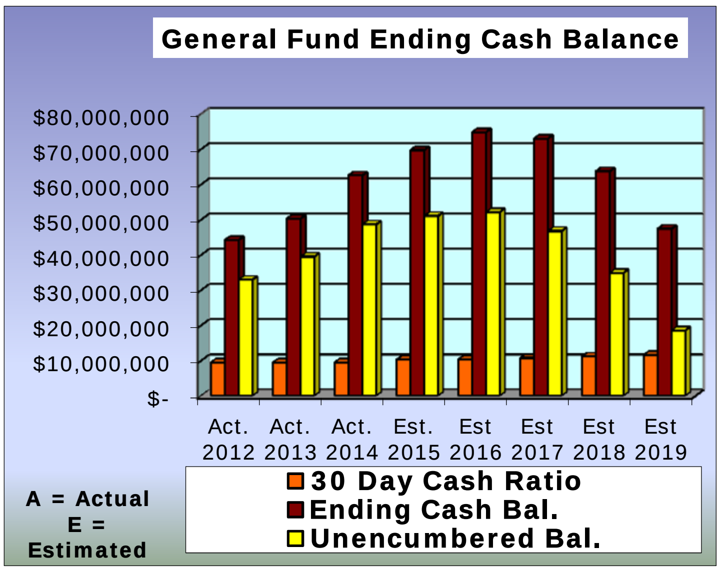
The contingency reservation was established by the Board of Education to plan for extraordinary events beyond the control of the District's normal operations. The contingency fund is to be utilized by the District in consultation with the Board. The increase in the contingency reserve from FY14 through FY18 is equal to the unanticipated tangible tax reimbursement that phased out during the last biennium budget and is being held harmless in the current biennium budget. This reimbursement was not anticipated to continue when voters approved an operating levy in 2012, and therefore the unanticipated revenue is being placed in the contingency reserve fund to extend the life of the levy.

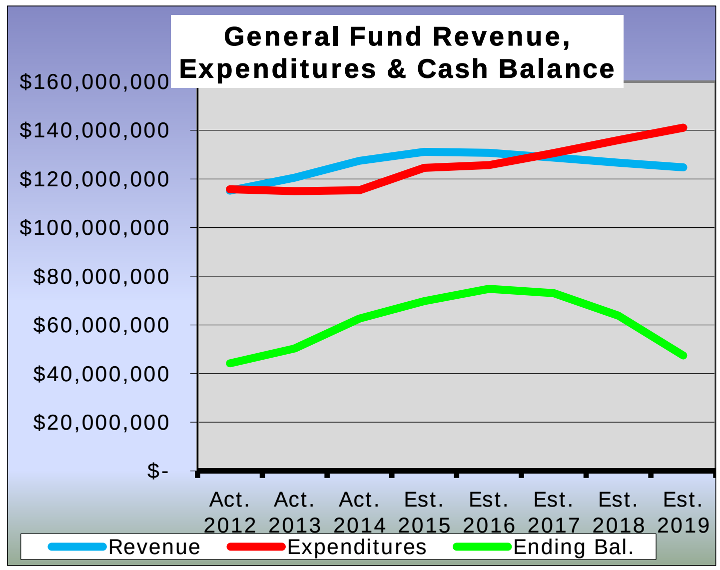
The property tax advance reservation is required because the District requests advances of real estate taxes from the County prior to settlement that occurs in August, and such funds are intended to fund the next fiscal year and not current operations. The District requests these advances for investment purposes, and the amount can fluctuate from year to year based on how much the County has available for advance.

ENDING UNRESERVED FUND 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, unless an alternative "412" certificate can be issued pursuant to HB153 effective September 30, 2011. Thirty days, or one month, of operating cash is a responsible minimum ending balance target according to the GFOA.

	FY15	FY16	FY17	FY18	FY19
Ending Unreserved Cash Balance	$51,082,515	$52,178,865	$46,813,420	$34,904,106	$18,579,651





The graph captures in one snapshot the operating scenario facing Worthington City School District over the next few years. The main challenge is the projected decline in revenues, and beginning in FY17, annual expenditures begin to exceed revenues, creating a decline in available balances that will need to be addressed.