WORTHINGTON CITY SCHOOL DISTRICT-FRANKLIN 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
Worthington City School District
Treasurer's Office
Jeff McCuen, Treasurer/CFO
October 26, 2015

WORTHINGTON CITY SCHOOL DISTRICT
Franklin County

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2013, 2014, 2015
Forecasted Fiscal Year Ending June 30, 2016 through 2020

		Actual				Forecasted				
		Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Average Change	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020
	Revenues									
1.010	General Property Tax (Real Estate)	$ 81,690,919	$ 86,311,963	$ 85,531,300	2.4%	$ 91,276,030	$ 89,861,986	$ 90,357,826	$ 90,857,632	$ 91,361,438
1.020	Tangible Personal Property	3,451,276	3,356,219	3,723,873	4.1%	3,619,709	3,629,180	3,629,180	3,629,180	3,629,180
1.035	Unrestricted State Grants-in-Aid	11,592,310	13,174,036	14,655,732	12.4%	16,846,218	16,776,343	18,048,223	19,417,129	20,433,758
1.040	Restricted State Grants-in-Aid	285,863	339,362	673,339	58.6%	478,115	483,103	486,919	490,792	494,723
1.045	Restricted Fed. SFSF Fd. 532 FY10&11/Ed Jobs Fd.504 FY	-	-	-	0.0%	-	-	-	-	-
1.050	Property Tax Allocation	19,683,504	20,424,617	20,685,098	2.5%	18,304,622	15,887,517	13,363,300	10,846,567	10,718,267
1.060	All Other Revenues	1,035,371	1,089,314	1,340,803	14.1%	1,401,356	1,401,356	1,181,356	1,106,356	1,006,356
1.070	*Total Revenues*	$ 117,739,243	$ 124,695,511	$ 126,610,145	3.7%	$ 131,926,050	$ 128,039,485	$ 127,066,804	$ 126,347,656	$ 127,643,722
	Other Financing Sources									
2.050	Advances-In	$ 490,700	$ 180,000	$ 21,500	-75.7%	$ 1,836,300	$ -	$ -	$ -	$ -
2.060	All Other Financing Sources	19,581	54,865	546,588	538.2%	20,000	10,000	10,000	10,000	10,000
2.070	*Total Other Financing Sources*	$ 510,281	$ 234,865	$ 568,088	44.0%	$ 1,856,300	$ 10,000	$ 10,000	$ 10,000	$ 10,000
2.080	*Total Revenues and Other Financing Sources*	$ 118,249,524	$ 124,930,376	$ 127,178,233	3.7%	$ 133,782,350	$ 128,049,485	$ 127,076,804	$ 126,357,656	$ 127,653,722
	Expenditures									
3.010	Personal Services	$ 70,623,617	$ 68,800,687	$ 72,205,995	1.2%	$ 73,546,383	$ 75,838,575	$ 79,458,365	$ 83,440,123	$ 86,546,477
3.020	Employees' Retirement/Insurance Benefits	25,853,892	26,557,038	28,069,838	4.2%	28,873,609	29,132,520	30,530,857	32,000,038	33,167,913
3.030	Purchased Services	9,460,373	10,662,866	11,855,112	11.9%	12,305,325	12,658,108	13,173,994	13,709,914	14,266,698
3.040	Supplies and Materials	2,761,158	3,357,022	2,964,733	4.9%	3,623,521	4,479,082	4,024,454	3,921,188	3,988,824
3.050	Capital Outlay	342,906	312,042	563,702	35.8%	283,522	292,028	300,789	309,813	319,107
4.300	Other Objects	1,897,285	1,801,312	1,797,688	-2.6%	1,834,636	1,854,617	1,874,986	1,895,753	1,916,927
4.500	*Total Expenditures*	$ 110,939,231	$ 111,490,967	$ 117,457,068	2.9%	$ 120,466,996	$ 124,254,930	$ 129,363,445	$ 135,276,828	$ 140,205,946
	Other Financing Uses									
5.010	Operating Transfers-Out	$ 1,076,047	$ 1,101,619	$ 877,670	-9.0%	$ 1,099,966	$ 1,245,705	$ 1,273,604	$ 1,312,575	$ 1,342,322
5.020	Advances-Out	180,000	21,500	1,836,300	4176.4%	-	-	-	-	-
5.040	*Total Other Financing Uses*	$ 1,256,047	$ 1,123,119	$ 2,713,970	65.5%	$ 1,099,966	$ 1,245,705	$ 1,273,604	$ 1,312,575	$ 1,342,322
5.050	*Total Expenditures and Other Financing Uses*	$ 112,195,278	$ 112,614,086	$ 120,171,038	3.5%	$ 121,566,962	$ 125,500,635	$ 130,637,049	$ 136,589,403	$ 141,548,268
6.010	*Sources over (under) Expenditures and Other Financing Uses*	$ 6,054,246	$ 12,316,290	$ 7,007,195	30.2%	$ 12,215,388	$ 2,548,850	$ (3,560,245)	$ (10,231,747)	$ (13,894,546)
7.010	Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	$ 44,241,474	$ 50,295,720	$ 62,612,010	19.1%	$ 69,619,205	$ 81,834,593	$ 84,383,443	$ 80,823,199	$ 70,591,451
7.020	*Cash Balance June 30*	$ 50,295,720	$ 62,612,010	$ 69,619,205	17.8%	$ 81,834,593	$ 84,383,443	$ 80,823,199	$ 70,591,451	$ 56,696,905
8.010	*Estimated Encumbrances June 30*	$ 1,649,211	$ 1,392,502	$ 2,654,151	37.5%	$ 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	$ 5,335,958	$ 9,771,874	77.1%	$ 13,817,810	$ 17,473,766	$ 20,288,255	$ 20,501,621	$ 20,501,621
9.060	Property Tax Advances	5,989,400	7,205,330	5,626,200	-0.8%	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000
9.080	*Subtotal*	9,107,400	12,541,288	15,398,074	30.2%	21,317,810	24,973,766	27,788,255	28,001,621	28,001,621
15.010	*Unreserved Fund Balance June 30*	$ 39,539,109	$ 48,678,220	$ 51,566,980	14.5%	$ 59,116,783	$ 58,009,677	$ 51,634,944	$ 41,189,830	$ 27,295,284
	ADM Forecasts									
20.010	Kindergarten - October Count	731	757	776	3.0%	736	736	737	737	738
20.015	Grades 1-12 - October Count	8,604	8,553	8,622	0.1%	8,983	8,991	9,029	9,093	9,110
	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 26, 2015

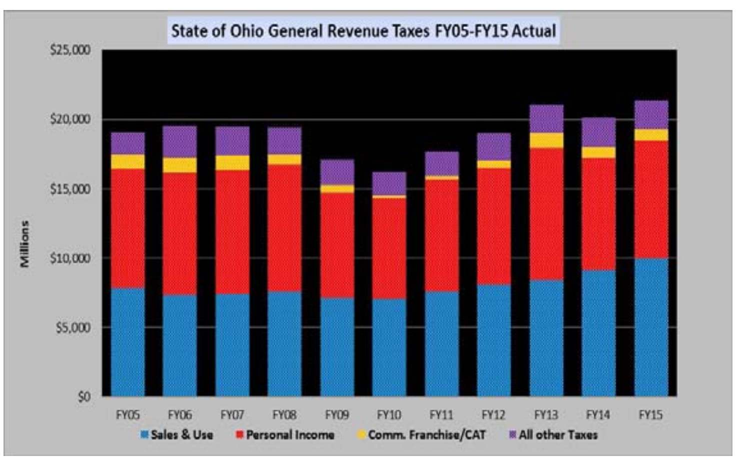
Introduction to the Five Year Forecast

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.

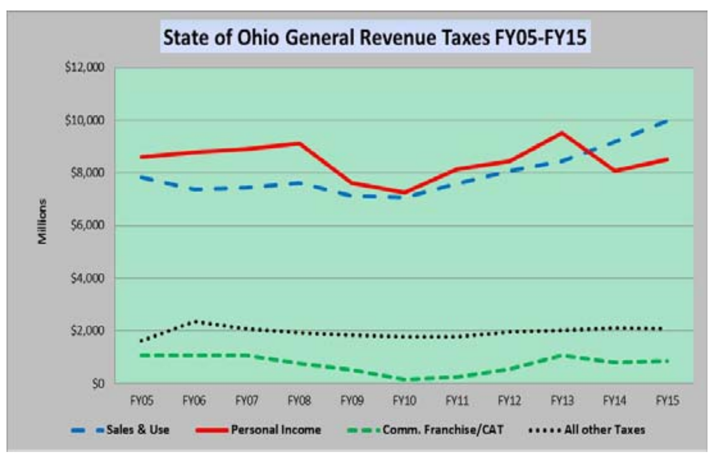
Economic Environment Affecting Forecast Variables –State Economy

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.



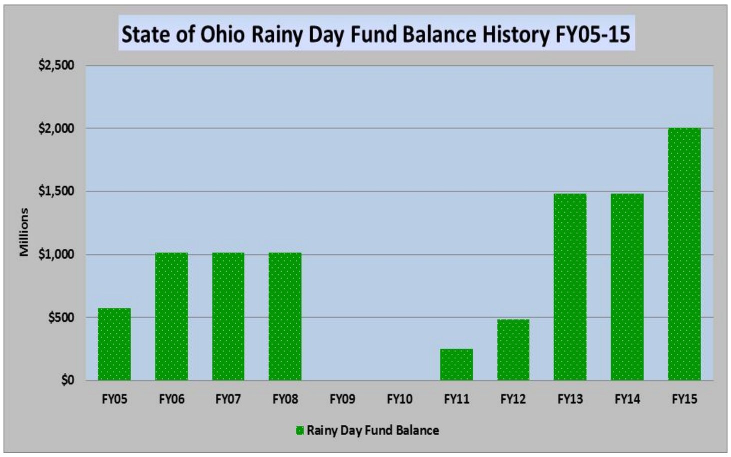
Source: Ohio Legislative Service Commission



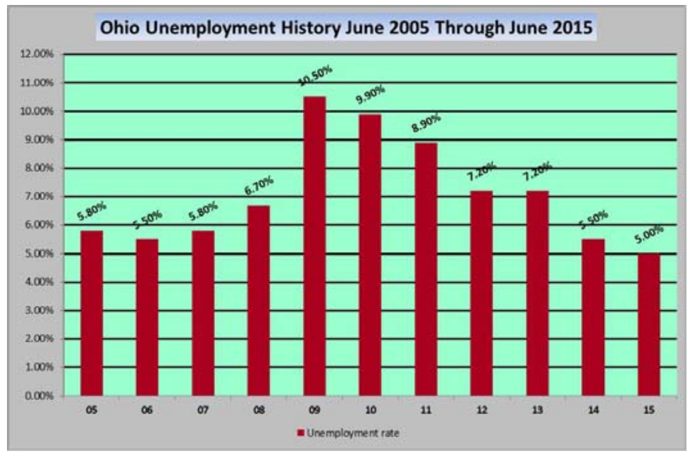
Source: Ohio Legislative Service Commission

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 1.2% 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 August 2015, the unemployment rate in Franklin County was 3.6% which is below the 5.0% state average.



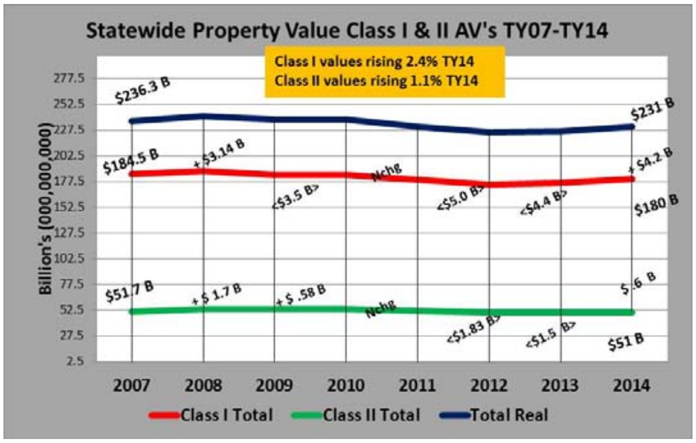
Source: Ohio Legislative Service Commission



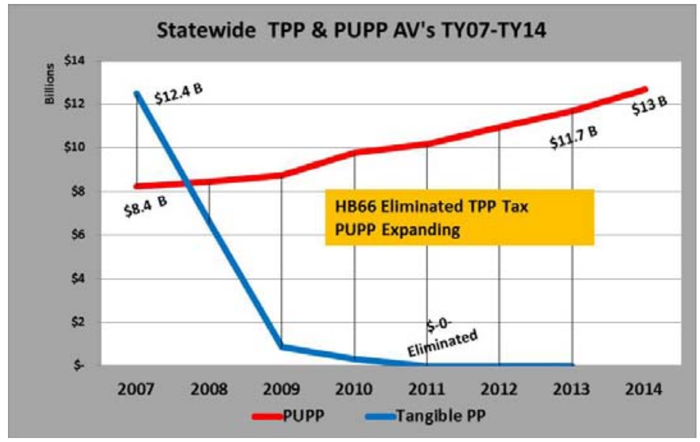
Source: U.S. Bureau of Labor Market Information

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.

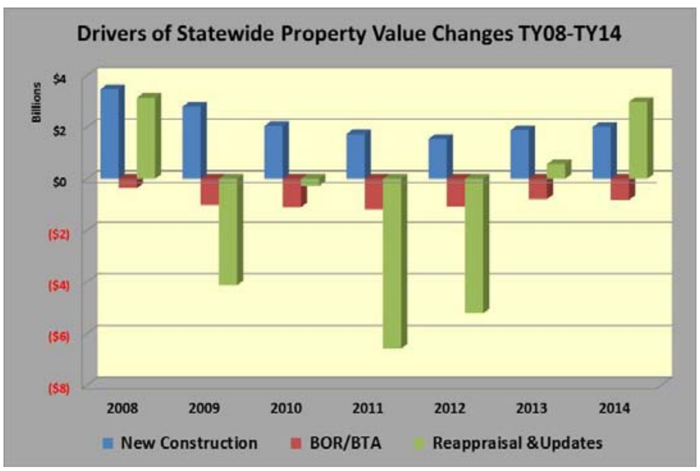


Source: Ohio Department of Taxation



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.



Source: Ohio Department of Taxation

Overall, we believe 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.

<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. 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 complete reappraisal in the 2017 tax year to be collected in calendar year 2018. A triennial reappraisal update occurred in tax year 2014, which increased average residential assessed values 3.6% but lowered average commercial assessed values 1.3%. We expect values in our District to remain stable, but there is 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 beginning in FY12 & FY13. The

FY14-15 state budget maintained reimbursement levels equal to FY13 amounts, however HB64, the FY16-17 state budget, reinstitutes the phase out of this reimbursement. This translates into a loss of $2.6 million annually beginning in FY16, until it is expected to be completely gone in FY19. The funding formula provides for a hold harmless TPP "supplement" for FY16, so that we do not receive less in total state revenue and TPP reimbursement than in FY15. However, the governor vetoed that line for FY17, and the status of any future TPP supplement/reimbursement is unclear.

III. **Tuition Vouchers & Community Schools -** There are many provisions in the current state budget bill that increase district expenditures in the form of exposure to school choice scholarships or vouchers, additional special education costs, school reform initiatives, college credit plus, and several other "choice" programs. The Peterson special education voucher and the Autism Scholarship voucher began in FY13 and now cost the district $1.3 million annually. The maximum amount of the autism scholarship increased sharply from $20,000 in FY15 to $27,000 in FY16 and beyond, a 35% increase. Continued expansion or creation of programs such as these could expose the district to new expenditures not currently in this forecast, and we will monitor any changes to these programs 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, 2015. We are aware of additional taxes and costs that will be assessed to the District beginning in 2015 and have made allowance for these costs based on what we know at this time. Future uncertainty over rules and implementation of the PPACA is a risk to district costs.

V. **State Foundation Funding -** The current biennial state budget for FY16-17 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 7.5% of prior year state revenue for FY16 and FY17. This amounts to $4.6 million in additional revenue in FY16 our District would have received if fully implemented. The current model of educational funding is a political method of distribution of limited resources rather than a true calculation of funding needs. There are two future state biennium budgets covering this forecast, and thus presents ongoing challenges of predictability of resources.

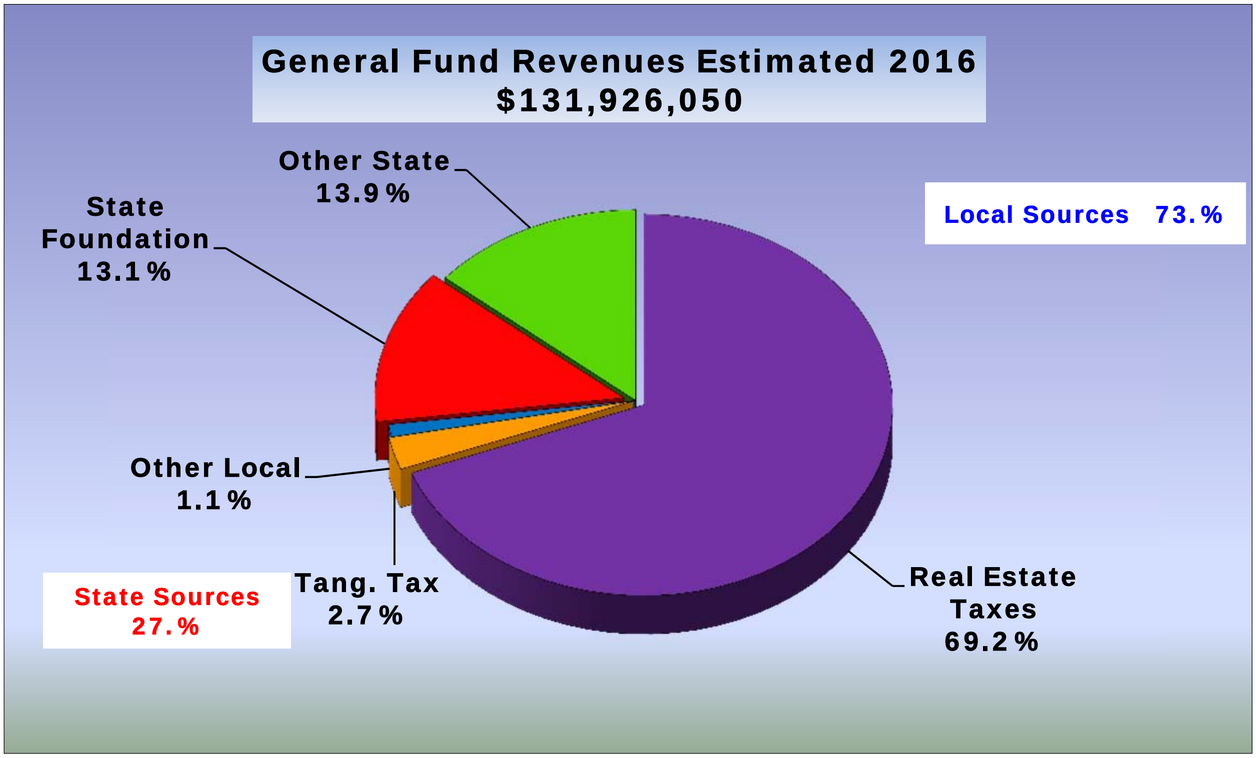
VI. **Student Diversity -** The diversity of our student population continues to increase. Comparing FY10 to FY14 (latest available), the percentage of students with disabilities has increased from 11.0% to 12.5%, economically disadvantaged students from 21.8% to 25.3%, and those with limited English proficiency from 4.7% to 5.4%. 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.

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

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 FY16



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 triennial update occurred in tax year 2014 for collection in calendar year 2015. Residential/agricultural values increased overall by $54.1 million (4%) while commercial/industrial values decreased $10.9 million (-2.7%) and Public Utility Personal Property values increased by $2.9 million (+8.1%). Overall values increased $46 million (2.6%). Based on current sale to property valuation ratios we anticipate values will remain mostly steady for tax years 2015 through 2019, with an annual 0.8% growth in new residential construction, a 0% growth in commercial values, and no change in values for our reappraisal in tax year 2017. The chart below reflects these assumptions.

ESTIMATED ASSESSED VALUE (AV) BY COLLECTION YEARS

Classification	Estimated TAX YEAR 2015 COLLECT 2016	Estimated TAX YEAR 2016 COLLECT 2017	Estimated TAX YEAR 2017 COLLECT 2018	Estimated TAX YEAR 2018 COLLECT 2019	Estimated TAX YEAR 2019 COLLECT 2020
Res./Ag.	$1,401,310,391	$1,412,520,874	$1,423,821,041	$1,435,211,609	$1,446,693,302
Comm./Ind.	$397,473,620	$397,473,620	$397,473,620	$397,473,620	$397,473,620
Public Utility (PUPP)	$38,964,780	$38,964,780	$38,964,780	$38,964,780	$38,964,780
Total Assessed Value	**$1,837,748,791**	**$1,848,959,274**	**$1,860,259,441**	**$1,871,650,009**	**$1,883,131,702**

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:

	FY16	FY17	FY18	FY19	FY20
August Settlement	$40,428,125	$40,382,315	$40,604,589	$40,828,641	$41,054,485
February Settlement	47,025,293	47,284,132	47,545,041	47,808,037	48,073,137
August Delinquent	258,403	449,088	451,676	454,286	456,917
February Delinquent	1,690,408	1,746,452	1,756,520	1,766,668	1,776,898
Prior Year Advances taken	(5,626,200)	(7,500,000)	(7,500,000)	(7,500,000)	(7,500,000)
Current Year Advances Estimated	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000
Total General Property Taxes	**$ 91,276,030**	**$ 89,861,986**	**$ 90,357,826**	**$ 90,857,632**	**$ 91,361,438**

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. FY16 includes $1.9 million in advances not received in FY15, which is why FY17 appears to decrease but this is just a timing issue between FY15 and FY16.

ESTIMATED TANGIBLE PERSONAL PROPERTY TAX (Line #1.020)

	FY16	FY17	FY18	FY19	FY20
Public Utility Pers. Property	**$3,619,709**	**$3,629,180**	**$3,629,180**	**$3,629,180**	**$3,629,180**

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.

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

Source	FY16	FY17	FY18	FY19	FY20
Basic Foundation Aid	$14,064,551	$15,219,967	$16,476,230	$17,827,296	$18,827,781
Additional Aid Items	$2,291,343	$1,050,441	$1,050,441	$1,050,441	$1,050,441
Basic Aid-Subtotal	$16,355,894	$16,270,408	$17,526,671	$18,877,737	$19,878,222
Ohio Casino Commission ODT	$490,324	$505,935	$521,552	$539,392	$555,536
Total Unrestricted State Aid	**$16,846,218**	**$16,776,343**	**$18,048,223**	**$19,417,129**	**$20,433,758**

A) Basic Foundation Aid

In FY14-15, HB59 created the fourth (4^{th}) new funding formula for public education since 2009. As passed, HB64 maintained a modified version of this formula for FY16-17, with several new components. The formula is very complex with over 300 variables and could change again in future budgets.

The formula modified the measure of a district's wealth and capacity to raise local revenue, called the State Share Index (SSI), which theoretically equalizes state funding based on wealth, by now basing it partly on residents' median income. 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 FY16 and FY17. The additional components of capacity aid, transportation supplement, graduation bonus, and 3rd grade reading bonus were added, but do not provide significant resources to our district.

The amount estimated for FY16 for state funding is based on funding component computations from the most recent October State Foundation Payment Report (SFPR). The formula included an increase in funding for our district, but it was limited to a "capped" amount of 7.5% in FY16 and FY17. The following table illustrates our actual basic foundation aid compared to the fully calculated amount without the cap:

	FY16	FY17	FY18	FY19	FY20
Capped Formula Aid	14,313,937	15,474,341	16,734,420	18,089,359	19,546,224
Uncapped Formula Aid	19,007,891	19,120,188	19,121,941	19,113,444	19,093,775
Difference	($4,693,954)	($3,645,847)	($2,387,520)	($1,024,085)	$452,449

Current calculations indicate our district will remain on the CAP through FY19, with the assumptions the CAP will grow 7.5% 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 in a similar form.

Excluded from foundation aid are the following amounts relating to community school and scholarship/choice school deductions:

	FY16	FY17	FY18	FY19	FY20
Community & Stem School Deduction	$1,643,914	$1,671,861	$1,688,580	$1,705,466	$1,722,521
Scholarship Deduction	$1,697,553	$1,833,357	$1,980,026	$2,138,428	$2,309,502
Total Deduction	$3,341,467	$3,505,218	$3,668,606	$3,843,894	$4,032,023
Community/Stem ADM	175	175	175	175	175
Scholarship ADM	79	84	89	94	99
Total ADM	254.00	259.00	264.00	269.00	274.00

The state's foundation formula counts these students in the resident district's calculation of gross state aid, subject to the state share index and other components of the formula, but then deducts the full per-pupil amount from the resident district and transfers it to the educating entity. This creates a net loss for the resident district. Since this activity meets the definition of an agency fund, both the revenue and expenses are excluded from lines #1.035 and #3.030, respectively, and accounted for in a separate fund.

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. This line also includes the TPP "Supplement" for FY16 of $1.2 million. This supplement ensures that districts significantly impacted by the loss of TPP funding would receive at least as much in total state aide and TPP reimbursements as they did in FY15. This supplement was vetoed by the governor in FY17 and beyond.

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. 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.

Actual numbers generated for FY15 statewide were 1,804,397 students at $50.43 per pupil, which equated to $478,510 for our District. We are projecting a modest 3% increase in the per-pupil amount in FY16 through FY20 and will monitor this closely.

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

Source	FY16	FY17	FY18	FY19	FY20
Economically Disadvantaged	$141,603	$144,435	$146,602	$148,801	$151,033
Career Tech	$107,783	$109,939	$111,588	$113,262	$114,961
Medicaid/Catastrophic Aid	$228,729	$228,729	$228,729	$228,729	$228,729
Total Restricted State Revenues	**$478,115**	**$483,103**	**$486,919**	**$490,792**	**$494,723**

HB59 funded two restricted sources of revenues to our district: Economic Disadvantaged funding and Career Technical funding. HB64, the latest state budget, maintained these resources, and we have incorporated these amounts into the restricted aid amount in Line # 1.04 for FY16-20. These amounts can change or be eliminated in future state budgets. In addition, the District participates in the Medicaid in Schools Program, in which we bill for students receiving eligible reimbursable services. Catastrophic aid includes state reimbursement for those special education costs that exceed an unusually large, state determined amount.

PROPERTY TAX ALLOCATION (Line #1.050)

Source	FY16	FY17	FY18	FY19	FY20
Rollback and Homestead	$10,274,257	$10,465,090	$10,548,811	$10,633,201	$10,718,267
TPP Reimbursement	$8,030,365	$5,422,427	$2,814,489	$213,366	$0
Total Prop. Tax Allocation	**$18,304,622**	**$15,887,517**	**$13,363,300**	**$10,846,567**	**$10,718,267**

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 by the State of Ohio for the TPP tax losses 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 FY15. 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. HB64 has reinstituted the phase out of the reimbursement resulting in the District losing approximately $2.6 million annually in FY16 & FY17, and we assume this will occur in FY18 until the reimbursement is completely eliminated in FY19. FY16 includes a TPP "supplement" as part of the foundation formula (accounted for in line #1.035) so that we are held harmless, however the supplement was vetoed by the Governor in FY17 and beyond.

OTHER LOCAL REVENUES (LINE #1.060)

Source	FY16	FY17	FY18	FY19	FY20
Interest	$600,000	$600,000	$575,000	$500,000	$400,000
Pay To Participate	178,304	178,304	178,304	178,304	178,304
Tuition and Charges	248,052	248,052	248,052	248,052	248,052
Other	375,000	375,000	180,000	180,000	180,000
Total Other Local Revenues	**$1,401,356**	**$1,401,356**	**$1,181,356**	**$1,106,356**	**$1,006,356**

Interest income is generated on investments and will fluctuate based on market rates. Pay to participate fees are charged 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 and tuition and charges revenue are projected to remain flat. Other revenue decreases in FY18 due to the completion of E-rate reimbursement related to fiber bandwidth expansion several years ago.

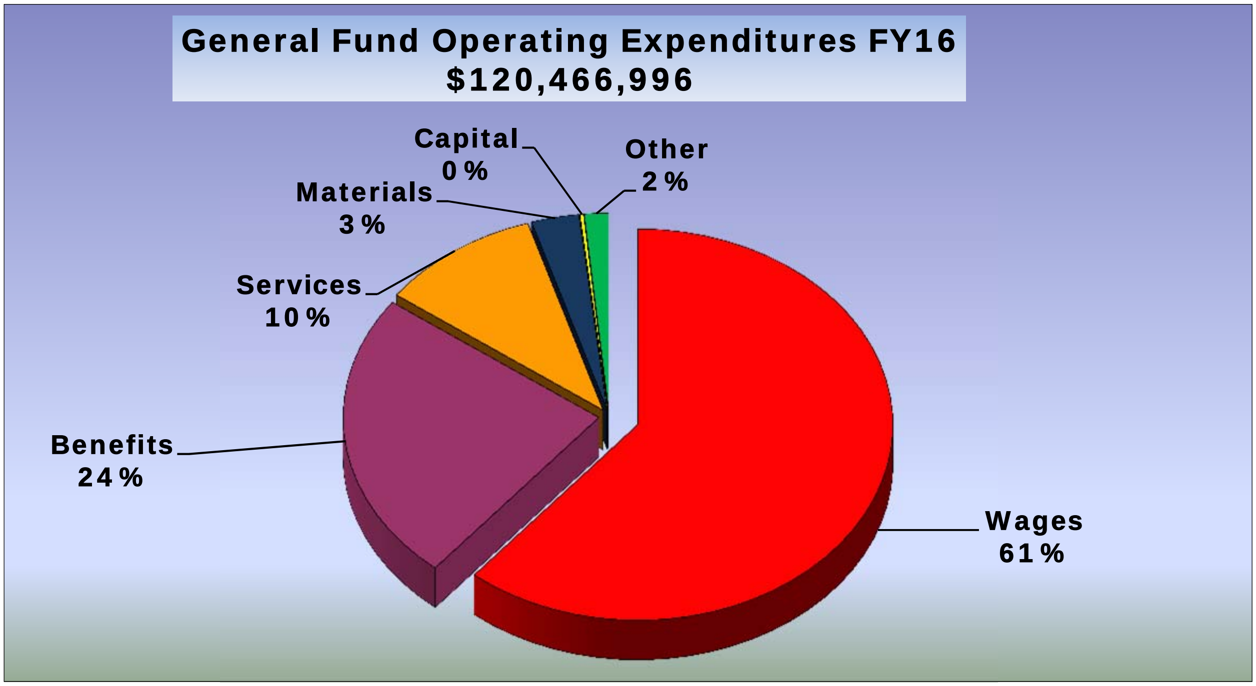
OTHER FINANCING SOURCES (Line #2.050 & Line #2.060)

Source	FY16	FY17	FY18	FY19	FY20
Advance Returns - Line 2.050	**$1,836,300**	**$0**	**$0**	**$0**	**$0**
Refunds & Sale of Assets - Line #2.060	**$20,000**	**$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

Expenditures Assumptions

All Expense Categories Sources General Fund FY16



PERSONAL SERVICES (Line #3.010)

Source	FY16	FY17	FY18	FY19	FY20
Base Wages	$71,005,995	$73,246,383	$75,813,575	$79,427,115	$83,191,060
Increases	1,420,120	1,464,928	1,516,272	1,588,542	1,663,821
Steps & Training or 3317.141 Performance	1,917,162	1,633,138	1,977,652	1,971,153	1,747,397
New/Replacement District Staff	3,594,565	1,191,893	276,511	204,250	478,115
Severance	300,000	0	0	210,000	0
Retirement/Other	(4,691,459)	(1,722,767)	(156,895)	0	(582,744)
Total Wages Line 3.010	**$73,546,383**	**$75,838,575**	**$79,458,365**	**$83,440,123**	**$86,546,477**
Employee Full Time Equivalents					
Certificated	712.7	714.7	717.7	720.7	722.7
Classified	321.9	323.9	325.9	327.9	329.9
Administrative	46.0	46.0	46.0	46.0	46.0
Total	**1,080.6**	**1,084.6**	**1,089.6**	**1,094.6**	**1,098.6**

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-FY20 (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/replacement district staff line item for FY16 includes 40 retiree replacements offset by savings from those retirees on the Retirement/Other line item. Similarly, these lines contain a projected 10 retirees at the end of FY16, none at the end of FY17 and FY18, and 7 at the end of FY19, based on current experience levels and increasing years of service requirements at STRS.

Net staffing levels are projected to increase 4.0 FTE in FY17 (4 Special Ed), 5.0 FTE in FY18 & FY19 (1 regular/4 Special Ed), and 4.0 FTE in FY20 (4 Special Ed) based on current enrollment projections.

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	FY16	FY17	FY18	FY19	FY20
Base Wages	$9,940,839	$10,257,994	$10,618,276	$11,125,265	$11,653,584
Increases	198,817	205,090	212,278	222,396	232,935
Steps & Training	268,403	228,639	276,871	275,961	244,636
New District Staff	503,239	166,865	38,712	28,595	66,936
Pick Up	708,046	763,667	775,122	786,749	798,550
Retirement/Other	(656,804)	(241,187)	(21,965)	0	(81,584)
SERS Surcharge & Catch-up	442,350	245,000	249,900	254,898	259,996
Total Retirement Contributions	**$11,404,890**	**$11,626,068**	**$12,149,194**	**$12,693,864**	**$13,175,053**

As required by current law the District 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, which 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	FY16	FY17	FY18	FY19	FY20
Base Costs	$14,388,512	$14,506,186	$14,476,561	$15,272,595	$16,104,180
New District Staff	323,000	68,000	85,000	85,000	68,000
H.S.A contributions	1,206,875	1,206,875	1,206,875	1,206,875	1,206,875
Effect of Cap	0	0	0	0	(245,556)
Insurance Trend Adjustment	(205,326)	(97,625)	711,034	746,585	783,914
Total Insurance Estimates	**$15,713,061**	**$15,683,436**	**$16,479,470**	**$17,311,055**	**$17,917,413**

The district is in the second calendar year of being self-insured for employee medical insurance, which allows the administration to manage the program in the most optimal manner. Costs have been running lower than anticipated, and premiums have been approved at an 8% reduction for calendar year 2016. We are estimating annual inflationary increases of 5% in January 2017 and beyond. 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 that cap (indexed for inflation 1% annually) in 2020.

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.

Currently included in our estimate is $150,000 of known PPACA fees. However, 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. 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. Under current premium assumptions, we will not exceed these thresholds in the life of this forecast.

C) Workers Compensation & Unemployment Compensation

Source	FY16	FY17	FY18	FY19	FY20
Workers Comp	$588,371	$606,709	$635,667	$667,521	$692,372
Unemployment	10,000	10,000	10,000	10,000	10,000
Total WC & UC Estimates	**$598,371**	**$616,709**	**$645,667**	**$677,521**	**$702,372**

The District is self-insured for workers compensation insurance, and the rate increased from 0.6% of wages in FY15 to 0.8% in FY16, and is assumed to remain at that level through FY20. Unemployment is expected to remain at a very low level. The district is a direct reimbursement employer which means unemployment costs are only incurred and due if we have employees who are eligible and draw unemployment.

D) Medicare

Source	FY16	FY17	FY18	FY19	FY20
Base Costs	$961,195	$1,045,054	$1,108,546	$1,170,665	$1,222,171
New District Staff	52,121	17,282	4,009	2,962	6,933
Total Medicare Estimate	**1,013,316**	**1,062,336**	**1,112,555**	**1,173,627**	**1,229,104**

Medicare will continue to increase at same rate as wage increases. Contributions are 1.45% for all new employees to the district on or after April 1, 1986.

Summary of Employee Retirement/Insurance (Line #3.020)

Source	FY16	FY17	FY18	FY19	FY20
STRS/SERS	$11,404,890	$11,626,068	$12,149,194	$12,693,864	$13,175,053
Insurance's	15,713,061	15,683,436	16,479,470	17,311,055	17,917,413
Workers Comp/Unemployment	598,371	616,709	645,667	677,521	702,372
Medicare	1,013,316	1,062,336	1,112,555	1,173,627	1,229,104
Other/Tuition	143,971	143,971	143,971	143,971	143,971
Total Employee Retirement/Insurance Benefits	**$28,873,609**	**$29,132,520**	**$30,530,857**	**$32,000,038**	**$33,167,913**

PURCHASED SERVICES (Line #3.030)

Source	FY16	FY17	FY18	FY19	FY20
Consulting/Legal (41x)	$1,132,565	$1,166,542	$1,201,538	$1,237,584	$1,274,712
Maintenance and Repairs (423)	1,400,153	1,442,158	1,485,423	1,529,986	1,575,886
Utilities (441 & 45x)	2,984,000	3,057,143	3,285,000	3,524,250	3,775,463
Tuition to other Entities (47x)	1,798,865	1,852,831	1,908,416	1,965,668	2,024,638
Other Purchased Services	4,989,742	5,139,434	5,293,617	5,452,426	5,615,999
Total Purchased Services	**$12,305,325**	**$12,658,108**	**$13,173,994**	**$13,709,914**	**$14,266,698**

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 (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 represents program services we contract with other entities for and mainly represents special education as well as vocational services at the Delaware Area Career Center, and is expected to grow 3% annually.

Other purchased services include substitute teachers and contracted services from the Education Service Center of Central Ohio (ESCCO) totaling $1.8 million, other consultants, professional development, trash services, and other services. We are estimating base increases of 3% annually for this area.

SUPPLIES & MATERIALS (Line #3.040)

Source	FY16	FY17	FY18	FY19	FY20
Supplies	**$3,623,521**	**$4,479,082**	**$4,024,454**	**$3,921,188**	**$3,988,824**

An overall inflation of 3% is being estimated for this category which is characterized by textbooks, copy paper, maintenance supplies, materials, and bus fuel. Recent changes in curriculum related to testing changes and Common Core have created a large increase in material needs in recent years. FY16 includes $0.8 million for new curriculum adoptions, increased to $1.5 million in FY17 for extensive math and science materials, reduced to $0.9 million in FY18, and in FY19 and beyond to more normal renewal costs of approximately $0.6 million annually.

CAPITAL OUTLAY (Line # 3.050)

Source	FY16	FY17	FY18	FY19	FY20
Equipment & Building Improvements	**$283,522**	**$292,028**	**$300,789**	**$309,813**	**$319,107**

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.

OTHER OBJECTS (Line #4.300)

Source	FY16	FY17	FY18	FY19	FY20
County Auditor & Treasurer Fees	$1,489,346	$1,498,968	$1,508,667	$1,518,444	$1,528,299
County ESC	60,700	62,521	64,397	66,329	68,319
Other	284,590	293,128	301,922	310,980	320,309
Total Other Expenses	**$1,834,636**	**$1,854,617**	**$1,874,986**	**$1,895,753**	**$1,916,927**

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 as tax collections increase.

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

Source	FY16	FY17	FY18	FY19	FY20
Transfers Out (#5.010)	$1,099,966	$1,245,705	$1,273,604	$1,312,575	$1,342,322
Advances Out (#5.020)	0	0	0	0	0
Total Other Financing Uses	**$1,099,966**	**$1,245,705**	**$1,273,604**	**$1,312,575**	**$1,342,322**

Advances out cover 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 June 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)

	FY16	FY17	FY18	FY19	FY20
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, with FY15 slightly larger than normal due to construction of the Worthington Academy and the HB264 projects underway that will be completed in FY16.

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

Source	FY16	FY17	FY18	FY19	FY20
Contingency (Line 9.040)	$13,817,810	$17,473,766	$20,288,255	$20,501,621	$20,501,621
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)	**$21,317,810**	**$24,973,766**	**$27,788,255**	**$28,001,621**	**$28,001,621**

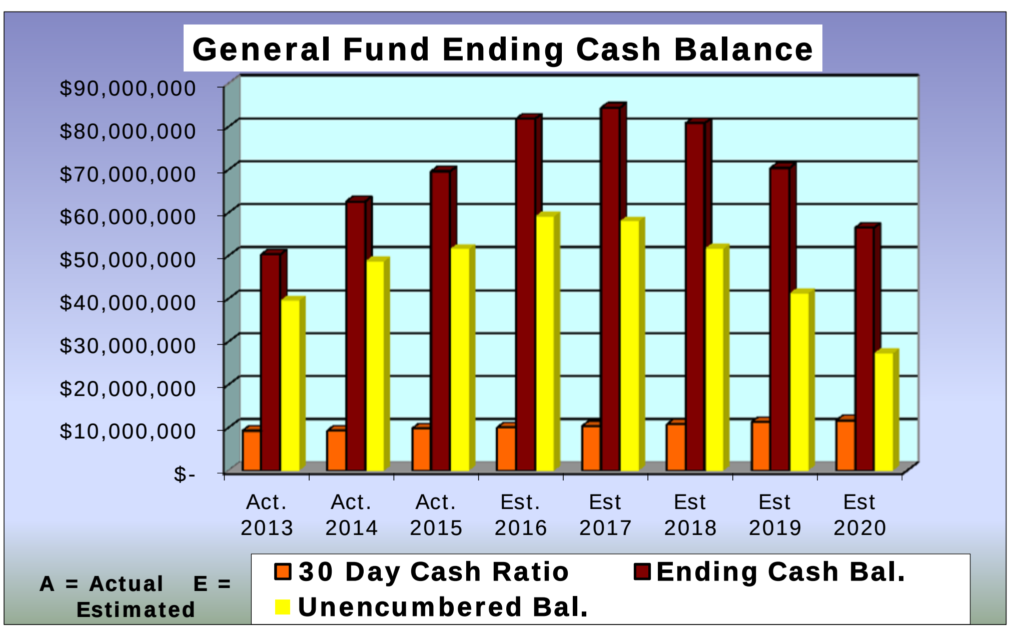
The contingency reservation was established by the Board of Education to plan for extraordinary events beyond the control of the District's normal operations. The contingency fund is to be utilized by the District in consultation with the Board. The increase in the contingency reserve from FY14 through FY18 is equal to the unanticipated tangible tax reimbursement that was not anticipated to continue when voters approved an operating levy in 2012. This 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)

	FY16	FY17	FY18	FY19	FY20
Ending Unreserved Cash Balance	**$59,116,783**	**$58,009,677**	**$51,634,944**	**$41,189,830**	**$27,295,284**

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.



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 FY18, annual expenditures begin to exceed revenues, creating a decline in available balances that will need to be addressed.