

Trotwood-Madison City School District – Montgomery 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
Trotwood-Madison City School District
Treasurer's Office
Janice Allen, Treasurer

May 21, 2015

TROTWOOD MADISON LOCAL CITY SCHOOL DISTRICT

Montgomery 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				Average Change	Forecasted				
	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014			Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019
Revenues										
1.010	General Property Tax (Real Estate)	7,775,495	6,596,800	7,454,919	-1.1%	\$7,270,514	6,917,186	6,880,924	6,763,578	6,641,429
1.020	Tangible Personal Property	408,767	428,027	470,226	7.3%	487,581	535,534	545,322	555,110	564,898
1.030	Income Tax	-	-	-	0.0%	0	0	0	0	0
1.035	Unrestricted State Grants-in-Aid	21,194,501	21,233,193	19,622,916	-3.7%	21,744,858	23,275,188	25,039,296	25,007,766	25,009,296
1.040	Restricted State Grants-in-Aid	79,248	243,428	3,032,939	676.6%	3,239,894	3,272,293	3,305,016	3,338,066	3,371,446
1.045	Restricted Fed. SFSF Fd. 532 FY10&11/Ed Jobs Fd.504 FY12	610,866	0	-	0.0%	0	0	0	0	0
1.050	Property Tax Allocation	1,430,234	1,273,169	1,278,431	-5.3%	1,257,827	1,229,291	1,227,807	1,212,068	1,196,335
1.060	All Other Revenues	1,169,382	574,826	3,582,244	236.2%	701,949	712,108	722,432	732,923	743,584
1.070	Total Revenues	32,668,493	30,349,443	35,441,675	4.8%	34,702,623	35,941,600	37,720,797	37,609,511	37,526,988
Other Financing Sources										
2.010	Proceeds from Sale of Notes	-	-	-	0.0%	-	-	-	-	-
2.020	State Emergency Loans and Advancements (Approved)	-	-	-	0.0%	-	-	-	-	-
2.040	Operating Transfers-In	48,692	2,234	767,183	17072.9%	-	-	-	-	-
2.050	Advances-In	749,594	379,017	95,227	-62.2%	502,199	100,000	100,000	100,000	100,000
2.060	All Other Financing Sources	148,762	234,122	297,392	42.2%	\$200,000	150,000	150,000	150,000	150,000
2.070	Total Other Financing Sources	947,048	615,373	1,159,802	26.7%	702,199	250,000	250,000	250,000	250,000
2.080	Total Revenues and Other Financing Sources	33,615,541	30,964,816	36,601,477	5.2%	35,404,822	36,191,600	37,970,797	37,859,511	37,776,988
Expenditures										
3.010	Personal Services	\$14,585,360	\$12,242,230	\$13,389,661	-3.3%	\$14,810,175	\$16,130,418	\$16,794,108	\$17,418,217	\$18,068,611
3.020	Employees' Retirement/Insurance Benefits	4,258,400	4,241,484	4,325,711	0.8%	\$5,066,618	5,556,956	5,818,005	6,153,526	6,511,970
3.030	Purchased Services	9,473,267	8,406,846	10,877,690	9.1%	\$8,804,589	9,477,992	10,061,438	10,771,481	11,501,265
3.040	Supplies and Materials	720,388	646,723	1,068,652	27.5%	1,185,420	1,199,128	713,111	727,373	741,920
3.050	Capital Outlay	313,180	235,540	242,875	-10.8%	779,937	401,136	414,829	1,029,080	455,912
3.060	Intergovernmental	-	-	-	0.0%	-	-	-	-	-
Debt Service:										
4.010	Principal-All (Historical Only)	-	-	-	0.0%	-	-	-	-	-

TROTWOOD MADISON LOCAL CITY SCHOOL DISTRICT

Montgomery County

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For the Fiscal Years Ended June 30, 2012, 2013, 2014

Forecasted Fiscal Year Ending June 30, 2015 through 2019

	Actual				Average Change	Forecasted				
	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014			Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019
4.020 Principal-Notes	-	-	-	0.0%	-	-	-	-	-	
4.030 Principal-State Loans	-	-	-	0.0%	-	-	-	-	-	
4.040 Principal-State Advancements	-	-	-	0.0%	-	-	-	-	-	
4.050 Principal-HB 264 Loans	-	-	-	0.0%	19,339	38,969	39,358	39,753	40,152	
4.055 Principal-Other	-	-	-	0.0%	-	-	-	-	-	
4.060 Interest and Fiscal Charges	-	-	-	0.0%	6,903	6,612	6,317	6,020	5,720	
4.300 Other Objects	1,577,536	1,148,995	1,251,744	-9.1%	\$1,330,475	1,366,511	1,403,589	1,441,739	1,480,995	
4.500 <i>Total Expenditures</i>	\$30,928,131	26,921,818	31,156,333	1.4%	32,003,456	34,177,722	35,250,755	37,587,189	38,806,545	
Other Financing Uses										
5.010 Operating Transfers-Out	328,841	369,117	594,791	36.7%	\$947,873	390,000	390,000	390,000	390,000	
5.020 Advances-Out	482,513	95,227	401,959	120.9%	100,240	100,000	100,000	100,000	100,000	
5.030 All Other Financing Uses	-	113	-	0.0%	-	-	-	-	-	
5.040 <i>Total Other Financing Uses</i>	811,354	464,457	996,750	35.9%	1,048,113	490,000	490,000	490,000	490,000	
5.050 <i>Total Expenditures and Other Financing Uses</i>	31,739,485	27,386,275	32,153,083	1.8%	33,051,569	34,667,722	35,740,755	38,077,189	39,296,545	
6.010 <i>Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses</i>	1,876,056	3,578,541	4,448,394	57.5%	2,353,253	1,523,878	2,230,042	(217,678)	(1,519,557)	
7.010 Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	14,032,765	15,908,821	19,487,362	17.9%	23,935,756	26,289,009	27,812,887	30,042,929	29,825,252	
7.020 <i>Cash Balance June 30</i>	15,908,821	19,487,362	23,935,756	22.7%	26,289,009	27,812,887	30,042,929	29,825,252	28,305,694	
8.010 <i>Estimated Encumbrances June 30</i>	60,511	30,855	-	-74.5%	100,000	100,000	100,000	100,000	100,000	
Reservation of Fund Balance										
9.010 Textbooks and Instructional Materials	-	-	-	0.0%	-	-	-	-	-	
9.020 Capital Improvements	-	-	-	0.0%	-	-	-	-	-	
9.030 Budget Reserve	-	-	-	0.0%	750,000	750,000	750,000	750,000	750,000	
9.040 DPIA	-	-	-	0.0%	-	-	-	-	-	

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		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
9.045	Fiscal Stabilization	-	-	-	0.0%	-	-	-	-	-
9.050	Debt Service	-	-	-	0.0%	-	-	-	-	-
9.060	Property Tax Advances	-	-	-	0.0%	-	-	-	-	-
9.070	Bus Purchases	-	-	-	0.0%	-	-	-	-	-
9.080	<i>Subtotal</i>	-	-	-	0.0%	750,000	750,000	750,000	750,000	750,000
10.010	<i>Fund Balance June 30 for Certification of Appropriations</i>	15,848,310	19,456,507	23,935,756	22.9%	25,439,009	26,962,887	29,192,929	28,975,252	27,455,694
	Revenue from Replacement/Renewal Levies									
11.010	Income Tax - Renewal	-	-		0.0%	-	-	-	-	-
11.020	Property Tax - Renewal or Replacement	-	-		0.0%	-	-	-	-	-
11.300	Cumulative Balance of Replacement/Renewal Levies	-	-		0.0%	-	-	-	-	-
12.010	<i>Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations</i>	15,848,310	19,456,507	23,935,756	22.9%	25,439,009	26,962,887	29,192,929	28,975,252	27,455,694
	Revenue from New Levies									
13.010	Income Tax - New				0.0%	-	-	-	-	-
13.020	Property Tax - New				0.0%	-	-	-	-	-
13.030	Cumulative Balance of New Levies	-	-	-	0.0%	-	-	-	-	-
14.010	Revenue from Future State Advancements	-			0.0%	-	-	-	-	-
15.010	<i>Unreserved Fund Balance June 30</i>	15,848,310	19,456,507	23,935,756	22.9%	25,439,009	26,962,887	29,192,929	28,975,252	27,455,694
	ADM Forecasts									
20.010	Kindergarten - October Count	773	767		-50.4%					
20.015	Grades 1-12 - October Count	8,340	8,244		-50.6%					

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	Actual				Average Change	Forecasted				
	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014			Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019
State Fiscal Stabilization Funds										
21.010 Personal Services SFSF	-	1,795,042	2,767,045	0.0%						
21.020 Employees Retirement/Insurance Benefits SFSF	-	790,541	814,171	0.0%						
21.030 Purchased Services SFSF	-	340,509	399,784	0.0%						
21.040 Supplies and Materials SFSF	-	405,466	8,136	0.0%						
21.050 Capital Outlay SFSF	-	405,466		0.0%						
21.060 <i>Total Expenditures - SFSF</i>	-	3,737,024	3,989,136	0.0%	-	-	-	-	-	-

See accompanying Trotwood Madison summary of significant forecast assumptions and accounting policies
 Includes: General fund, Emergency Levy fund, and any portion of Debt Service fund related to General fund debt
 SFSF Fund 532 for FY10&11 and Education Jobs Fund 504 for FY12

Trotwood-Madison City School District – Montgomery County
Notes to the Five Year Forecast
General Fund Only
May 21, 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 2015 (July 1, 2014-June 30, 2015) is the first year of the five year forecast and is considered the baseline year. The May forecast is used to provide an update of the actual revenues and expenditures for the current fiscal year and the effect of this year on the remaining years of the forecast.

May 2015 Updates:

Revenues:

The overview of revenues shows that we are on target with original estimates at this point in the year. Total General Fund revenues (line 1.07) are estimated to be \$34,702,623 or 1.15 % lower than the October forecasted amount of \$35,106,284. This indicates the October forecast was 98.85% accurate.

The decrease in revenue estimate is mostly affected by property tax collections and state revenue in estimates. The October forecast estimated property tax revenues in lines 1.01 and 1.02 to be \$8.0 million and the May forecast is estimating tax revenues to be \$7.8 million or 3.2% lower. The cause for the decrease is due to unexpected declines in collections on delinquent taxes and a large \$51,000 refund from current collections.

State revenues in Line 1.035 and 1.04 are down roughly \$100,000 due to enrollment declines. However this drop in revenue is more than offset by the reduction in community school students who are leaving the district. That results in lower community school deductions from our district which more than offsets this decline.

All other areas of revenue are tracking as anticipated for FY15.

Expenditures:

At this time we expect our original estimates for expenditures on Line 4.5 to remain materially accurate for FY15 and should end under overall estimates. There are no areas of expenditures which we feel looks to be in conflict with our original projections.

Unreserved Ending Cash Balance:

With revenues decreased slightly over estimates and expenditures ending on target of estimates, our ending unreserved cash balance is anticipated to be just under \$25.4 million. The ending unreserved cash balance on Line 15.010 of the forecast is anticipated to be a positive cumulative balance through 2019 if assumptions we have made for state aid in the proposed FY16 & FY17 state budget (HB64) remain close to our estimates. This uncertainty is discussed in more detail below and throughout the notes.

State Funding and the FY16 & 17 State Biennium Budget Deliberation House Bill 64:

At the time this forecast is approved, HB64 has been voted out of the House of Representatives and is currently being debated by the State Senate. No action is expected until May 25, 2015 by the senate, which will be followed by conference committee meetings until mid June before our funding numbers are known. As noted above, our district must file a five (5) year forecast by May 31, 2015, without the benefit of knowing the outcome of our final funding in HB64.

We have structured the District forecast estimating the effects of the current state biennium budget, HB59 July 1, 2013 through June 30, 2015. We have also tried to anticipate the effects of some of the changes presented in HB64 for future fiscal years 2016-2019.

As HB59 presented the fourth funding formula in less than six years, the state foundation funding BRIDGE formula expired June 30, 2013 and was replaced with the School Funding Payment Report (SFPR). HB64 continues the SFPR but is once again making changes to the funding formula. At the present time, the best information available supports an increase in the formula funding for FY16 & FY17 for our district, especially with the inclusion of a "Local Contribution or Capacity Measure" which have been proposed in both the Governors and the House version of HB64. We have reflected this estimated increase in Line 1.035 of the forecast for FY16 and FY17. We have estimated state funding for FY18 and FY19 to be level funding until we have more data about the current biennium budget bill with which to make longer term assumptions.

It is important to emphasize that we will not know the actual effects of HB64 until sometime in June when legislation is finally passed into law. Since we will not know with certainty the funding formula prior to May 31, 2015, our forecast filing deadline, we feel it is reasonable to assume the facts stated above for the period FY16-19. This methodology is consistent with other May forecasts when

there have been uncertainties regarding the final State budget bill. State foundation revenue equates to 72% of our revenue each year and the outcome of the HB64 funding proposal is significant to our district.

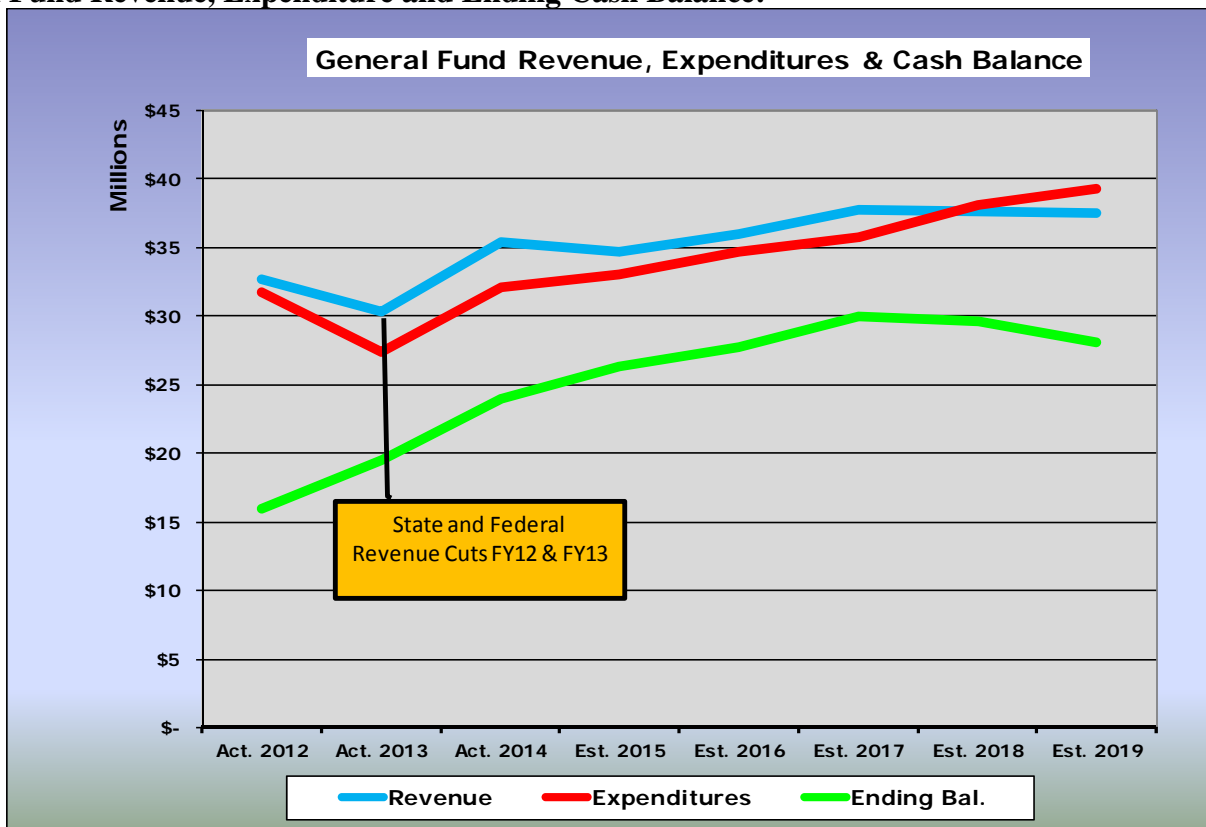
Forecast Risks and Uncertainty:

Our financial forecast is laden with risks and uncertainty not only due to economic uncertainties but also the state budget process mentioned above for the 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:

- Trotwood-Madison City School District went through a complete reappraisal update for tax year 2014 for collection in FY15. Real estate values fell 8.73% for residential and commercial property values fell 8.39% as a result of the reappraisal. An appraisal update will occur in 2017 for collection in FY18 and we are calling for a drop of 4% for residential and commercial property at that time. We do not feel the district is at a high risk for sharper declines than what we have projected at this time as the housing and business property market is showing signs of leveling out after the 2008 Great recession and housing bubble bust.
- The state budget represents approximately 75.5% of district revenues and can pose a considerable risk to our revenues. The risk comes in FY16 and beyond if the state economy worsens or if the currently proposed HB64 budget alters the funding formula to reduce funding to our district in a future state budget. It is unlikely given our social and economic status, but here are two future State Biennium Budgets covering the period from FY16 through FY19 in this forecast. Future uncertainty in both the state foundation funding formula and the state's economy makes this area an elevated risk to district funding long range through FY19.
- There are many provisions in the current state budget bill HB59 and the current proposed state budget HB64 that would increase district expenditures in the form of an exposure to school choice scholarships or vouchers, additional special education costs, school reform initiatives, college credit plus, and several other school choice provisions. These all could expose the district to new expenditures that are not currently in the forecast. We are monitoring proposed and pending legislation very closely to evaluate the effects on our bottom line.
- 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 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%. There is the additional risk that costs will go up as additional employees are added to our health care rolls. 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 an elevated risk to district costs. We continue to monitor the rules and implementation as this significant change to health care evolves.
- Labor relations in the district have been very amicable with all parties working for the best interest of students. We believe as the district moves forward a strong working relationship will continue.

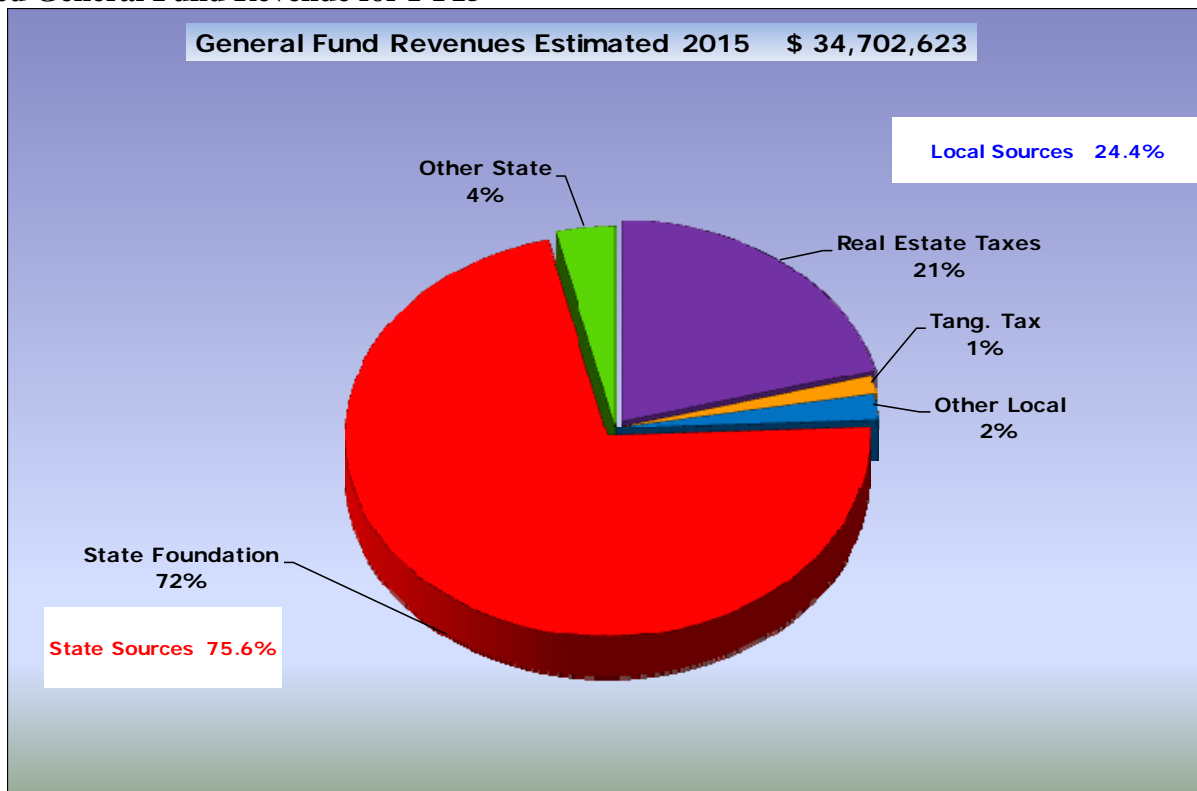
The major lines of reference for the forecast are noted below in the headings to make it easier to relate the assumptions made for the forecast item and refer back to the forecast. It should be of assistance to the reader to review the assumptions noted below in understanding the overall financial forecast for our district. If you would like further information please feel free to contact Janice Allen, Treasurer/CFO of Trotwood-Madison City School District at 937-854-3050.

General Fund Revenue, Expenditure and Ending Cash Balance:



Revenue Assumptions

Estimated General Fund Revenue for FY15



Real Estate Value Assumptions – Line # 1.010

Property Values are established each year by the County Auditor based on new construction, demolitions, Board of Revision (BOR)/Board of Tax Appeals (BTA) activity and complete reappraisal or updated values. District values have fallen from \$283.8 million in 2010 to \$212.7 million in 2014. This represents a drop of \$71.1 million or (25.1%) in the last five years. Due to HB920 provisions, tax rates will adjust up so losses would be limited; however, the district’s 8.15 and 7.8 mill “fixed rate” levies can never exceed the 8.15 and 7.8 mill amounts. Any further drop in Assessed Values (AV) will result in lower taxes as most of the district’s levies cannot adjust upward.

A complete reappraisal update occurred in tax year 2014 for collection in FY15. Real estate values fell 8.73% for residential and commercial property values fell 8.39% as a result of the reappraisal in 2014. An appraisal update will occur in 2017 for collection in FY18 and we are calling for a drop of 4% for residential and commercial property at that time. Real estate tax revenue makes up 21% of the district’s General Fund revenue. We will update values as more information is available.

In 2011 Tangible Personal Property (TPP) values were reduced to \$-0- as a result of HB 66 that took effect July 1, 2005.

ESTIMATED ASSESSED VALUE (AV) BY COLLECTION YEARS

Classification	Estimated	Actual	Estimated	Estimated	Estimated
	TAX YEAR 2014	TAX YEAR 2015	TAX YEAR 2016	TAX YEAR 2017	TAX YEAR 2018
	<u>COLLECT2015</u>	<u>COLLECT2016</u>	<u>COLLECT 2017</u>	<u>COLLECT 2018</u>	<u>COLLECT 2019</u>
Res./Ag.	\$148,011,430	\$147,636,430	\$147,261,430	\$140,995,973	\$140,620,973
Comm./Ind.	53,878,610	53,078,610	52,278,610	49,387,466	48,587,466
Public Utility (PUPP)	10,842,670	11,042,670	11,242,670	11,442,670	11,642,670
Tangible Personal Property (TPP)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assessed Value	<u>\$212,732,710</u>	<u>\$ 211,757,710</u>	<u>\$ 210,782,710</u>	<u>\$ 201,826,109</u>	<u>\$ 200,851,109</u>

ESTIMATED REAL ESTATE TAX (Line #1.010)

In FY 13, the district experienced a significant reduction in tax revenue as a result of large BTA cases being settled which in turn resulted in large tax refunds to several large businesses. We believe the backlog and overhang from older BTA cases in the future will be diminished as these claims become resolved and normal tax collections will resume. Future year collections are based on anticipated reductions in the tax base as noted above for reappraisal and updates.

Source	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
Est. General Property Taxes Line #1.010	<u>\$7,270,514</u>	<u>\$6,917,186</u>	<u>\$6,880,924</u>	<u>\$6,763,578</u>	<u>\$6,641,429</u>

Property tax levies are estimated to be collected at 90% of the annual amount. In general 53% of the new Res/Ag. and Comm/Ind. Is expected to be collected in February tax settlements and 47% collected in August tax settlements. Public Utility tax settlements (PUPP) are estimated to be received 50% in February and 50% in August settlement from the Montgomery County Auditor. As previously noted, TPP ceased to be collected after FY11.

New Tax Levies – Line #13.030

No new levies are modeled in this forecast.

Estimated Tangible Personal Tax – Line#1.020

The phase out of TPP taxes as noted earlier began in FY06. HB66 was adopted in June 2005 and the provisions of the legislation have estimated the tangible personal property tax would be eliminated after FY11. Any TPP revenues received in FY13 and beyond are delinquent TPP taxes. The amount remaining on Line 1.020 is the public utilities personal property (PUPP) tax revenues from telephone, electric, and gas companies tangible personal property which has shown signs of modest growth.

Source	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
Public Utility Pers Property	\$487,581	\$535,534	\$545,322	\$555,110	\$564,898
Total Line # 1.020	<u>\$487,581</u>	<u>\$535,534</u>	<u>\$545,322</u>	<u>\$555,110</u>	<u>\$564,898</u>

Other Local Revenues – Line #1.060

Revenues from all other sources are based on historical growth patterns. This revenue largely consists of rental income, tuition payments, Medicaid reimbursements and payments from PILOT (Payments in Lieu of Taxes) programs. In FY 14 the district changed the method used to account for employee health insurance deductions. Prior to FY 14 these deductions were accounted for in a fund other than the General fund. Due to a change in methodology, the deductions are now reported as other revenue. Beginning in FY15 and going forward, these dollars will be used as a reduction of expenditure in the health insurance premium account resulting in netting out health insurance costs. The district estimates that other revenue amounts will grow by 1% a year.

<u>Source</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
Tuition SF-14 & SF-14H	\$313,953	\$320,232	\$326,637	\$333,170	\$339,833
Employee Medical Ins. Portion	0	0	0	0	0
Interest	19,171	19,363	19,557	19,753	19,951
PNC Equipment Loan-Rent	0	0	0	0	0
Donations, Rentals, PILOT, Medicaid, erate	<u>368,825</u>	<u>372,513</u>	<u>376,238</u>	<u>380,000</u>	<u>383,800</u>
Total Line # 1.060	<u>\$701,949</u>	<u>\$712,108</u>	<u>\$722,432</u>	<u>\$732,923</u>	<u>\$743,584</u>

State Taxes Reimbursement/Property Tax Allocation Line 1.050**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. HB66 previously eliminated 10% rollback on Class II (commercial and industrial) property.

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

The district no longer receives any fixed rate reimbursement. HB153, the previous state budget, dramatically changed this revenue as Trotwood-Madison City School District does not qualify as highly reliant. The district received \$375,535 in FY11 and \$35,012 in FY12. These were sharp reductions due to HB153.

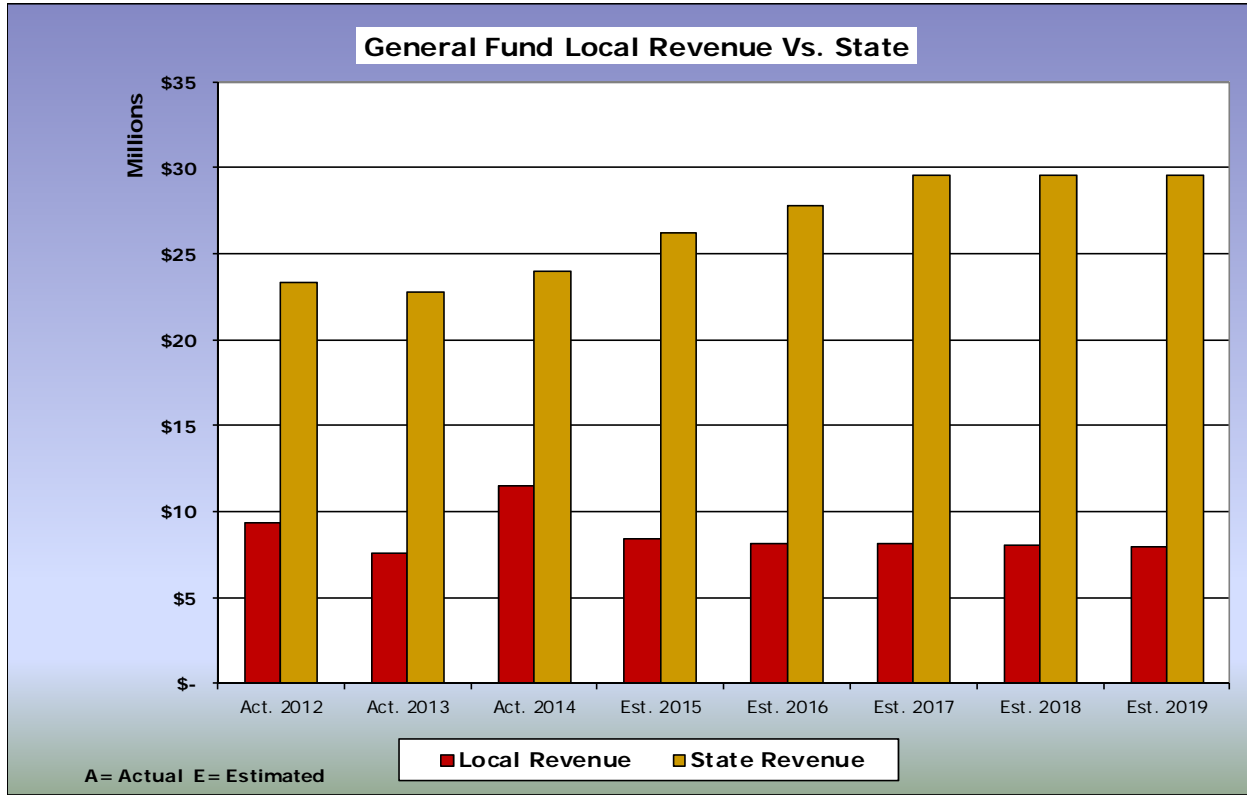
c) Tangible Personal Property Reimbursements – Fixed Sum

The district's fixed sum levy reimbursements were cut by HB153. The district received \$395,543 in FY 11 and \$119,040 in FY12; again this is another sharp reduction due to HB153.

Summary of State Tax Reimbursement – Line #1.050

<u>Source</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
Rollback and Homestead	\$1,257,827	\$1,229,291	\$1,227,807	\$1,212,068	\$1,196,335
TPP Reimbursement - Fixed Rate Cut By State	0	0	0	0	0
TPP Reimbursement - Fixed Sum Cut By State	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Tax Reimb./Prop. Tax Allocations #1.050	<u>\$1,257,827</u>	<u>\$1,229,291</u>	<u>\$1,227,807</u>	<u>\$1,212,068</u>	<u>\$1,196,335</u>

Comparison of Local Revenue and State Revenue:



State Foundation Revenue Estimates

A) Unrestricted State Foundation & Casino – Line #1.035

The amounts estimated for FY15 for state funding is based on funding component computations from the most recent May 2015 State Foundation Payment Report (SFPR). The current FY14-15 state budget HB59 includes an increase in funding for our district. We are projected to be a formula district regarding state funding in FY15. Our state funding status for FY16-19 will depend on the FY16-17 (HB64) and FY18-19 state budgets. There are two unknown state budgets in this forecast period covering four fiscal years.

In FY14-15, HB59 created the fourth (4th) new funding formula for public education since 2009. The proposed HB64 funding formula is also very complex for FY16-17 but is maintaining the structure of the formula of HB59; however, it is changing some of the components used in the formula calculation. These components and the funding formula could change again with a new FY18-19 state budget as well. FY16 will begin July 1, 2015 with whatever new funding and formula that results from this spring’s budget deliberations on HB64. Of particular importance, HB64 is presenting a new component to measure a district’s wealth and capacity to raise local revenue called a “Local Capacity Measure” which should benefit our district. There is little data available about this and how to calculate it. We will continue to watch the state budget deliberations carefully.

The current method though June 30, 2015 of determining the state’s share to each district is called the State Share Index (SSI). There are three (3) components of the SSI:

- 1) Valuation Index that measures the district’s average property value per pupil for tax year 2010, 2011 and 2012 compared to the statewide average valuation per pupil;
- 2) Median Income Index that uses tax year 2011 median income compared to statewide median income that is used to measure the ability of a district’s residents to pay property taxes;
- 3) Wealth Index which uses two thirds (2/3) of the Valuation Index and one third (1/3) of the Median Income Index to compute the overall district Wealth Index.

The three components taken together form the one (1) overarching State Share Index (SSI) which equalizes state funding based on wealth. In prior funding formulas the main tool to equalize wealth was a millage charge-off of 23 mills of adjusted valuation per pupil. If the SSI were reduced to a charge-off as in past formulas there would not be a uniform charge-off, rather a range of charge-off rates from 11.3 mills to 22.9 mills.

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 nine (9) components of the new funding model are:

- 1) Opportunity Grant – Per pupil amount of \$5,745 in FY14 and \$5,800 in FY15
- 2) Targeted Assistance – Tier I based on wealth and Tier II based on percentage of district agricultural assessed value
- 3) Special Education Additional Aid – Based on six (6) categories of disability
- 4) Limited English Proficiency – Based on three (3) categories based on time student enrolled in schools
- 5) Economically Disadvantaged Aid- Based on number and concentration of economically disadvantaged students
- 6) K-3 Literacy Funds- Based on districts K-3 average daily membership and two Tiers
- 7) Gifted Funds –Based on average daily membership at \$5.00 in FY14 and \$5.05 in FY15
- 8) Career-Technical Education Funds – Based on career technical average daily membership and five (5) categories students enrolled in
- 9) Transportation Aid – Funding based only on greater of per rider or per mile costs for each district. A supplemental payment for districts that have a SSI of .5 or greater and pupil density at or below the state median

There are potentially 342 independent variables in the current SFPR formula. If any of the variables are changed, either independently or in conjunction with other variables, there could be a change to forecasted state aid for FY 15-19. Currently we know most of the variables for FY 15. A new state budget for FY 16-17 and FY 18-19 could change all the variables in the formula itself.

Our current SFPR estimates for FY15 are using May 8, 2015 adjusted average daily membership (ADM) and reducing this amount by 20 students each year through FY19. Calculations for the October forecast indicated our district would be a “CAP” funded district for FY15. However, due to a decline in ADM of 166 students and a 10.5% increase in the CAP, the District was actually funded on the formula in FY15. This change in funding increases the importance of monitoring and projecting student enrollment. This importance is further enhanced by the fact that beginning in FY15, the state changed the way it measures student ADM. Student counts will be updated October 31, March 31, and June 30 of the fiscal year. In most cases the district will not know its student funded ADM until the end of June each year. This could result in undulating state aid payments throughout the year based on each student count since our district is now expected to be on the formula.

Our estimate of state aid is based on the most current data we have available to us at the time. We are estimating funding for FY16 and FY17 based on the Substitute HB 64 adopted by the House on April 20, 2015 and we are using simulations for state aid noted on the April 17, 2015 LSC simulation for our district which is more conservative than the governors original proposed HB64. We will not know for certain what our funding for FY16 & 17 will likely be until the end of June. We have estimated ADM to decrease 20 students each year through FY19 and a per pupil funding level of \$5,900 in FY16 and \$6,000 in FY17 for Opportunity Grant Funding. We have assumed flat funding for our district for state aid in FY18 and FY19 until we can see the actual state funding formula for HB64 to determine what impact it would have for us long term.

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 are open for business and generating Gross Casino Tax Revenues (GCR). Thirty-three percent (33%) of the gross casino revenue will be collected as a tax. School districts will receive 34% of the 33% GCR that will be paid into a student fund at the state level. These funds will be distributed to school districts on the 31st of January and August each year which began for the first time on January 31, 2013.

The initial student payment to schools in January 2013 (FY13) was a half year payment of \$21.00 per pupil that rose to \$51.50 per pupil for a full year in FY14. The state indicated recently that the original 2009 estimates of \$1.9 billion of GCR may be closer to \$900 million as revenues from casinos are not growing robustly as originally predicted. Actual numbers generated for FY15 statewide were 1,804,397 students at \$50.43 per pupil. Our district received funding of \$126,533 in FY15. For FY16-19 we are estimating another ½ of 1% decline in pupils to 1,795,375 and GCR increasing to \$93 million or \$52 per pupil. We will increase estimates when actual casino revenues show signs of stronger increases.

<u>Source</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
Basic Aid-Unrestricted	\$21,346,459	\$22,875,287	\$24,637,883	\$24,604,833	\$24,604,833
Additional Aid Items	<u>271,866</u>	<u>271,866</u>	<u>271,866</u>	<u>271,866</u>	<u>271,866</u>
Basic Aid-Unrestricted Subtotal	\$21,618,325	\$23,147,153	\$24,909,749	\$24,876,699	\$24,876,699
Ohio Casino Commission ODT	<u>126,533</u>	<u>128,035</u>	<u>129,547</u>	<u>131,067</u>	<u>132,597</u>
Total Unrestricted State Aid Line # 1.035	<u>\$21,744,858</u>	<u>\$23,275,188</u>	<u>\$25,039,296</u>	<u>\$25,007,766</u>	<u>\$25,009,296</u>

B) Restricted State Revenues – Line # 1.040

HB 59 funded two restricted sources of revenue, Economically Disadvantaged and Career Technical funds. The amount of the Economically Disadvantaged Aid is estimated to grow by 1% each remaining year of the forecast. These amounts can change and or be eliminated in future state budgets which will not be known for certain until June 2015.

<u>Source</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
Economically Disadvantaged Aid	\$3,198,430	\$3,230,414	\$3,262,718	\$3,295,345	\$3,328,298
Career Tech - Restricted	41,464	41,879	42,298	42,721	43,148
Total Restricted State Revenues Line #1.040	<u>\$3,239,894</u>	<u>\$3,272,293</u>	<u>\$3,305,016</u>	<u>\$3,338,066</u>	<u>\$3,371,446</u>

C) Restricted Federal Grants in Aid – line #1.045

The district does not expect to receive any federal unrestricted funds in the general fund FY15-19.

<u>Source</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
Unrestricted Line # 1.035	\$21,744,858	\$23,275,188	\$25,039,296	\$25,007,766	\$25,009,296
Restricted Line # 1.040	3,239,894	3,272,293	3,305,016	3,338,066	3,371,446
Fed. Grants - SFSF & Ed Jobs Line #1.045	0	0	0	0	0
Total State Foundation Revenue	<u>\$24,984,752</u>	<u>\$26,547,481</u>	<u>\$28,344,312</u>	<u>\$28,345,832</u>	<u>\$28,380,742</u>

Short-Term Borrowing – Lines #2.010 & Line #2.020

There are no short term borrowings planned at this time.

Transfers In / Return of Advances – Line #2.040 & Line #2.050

Returns of advances to other funds from the previous year are included in this area.

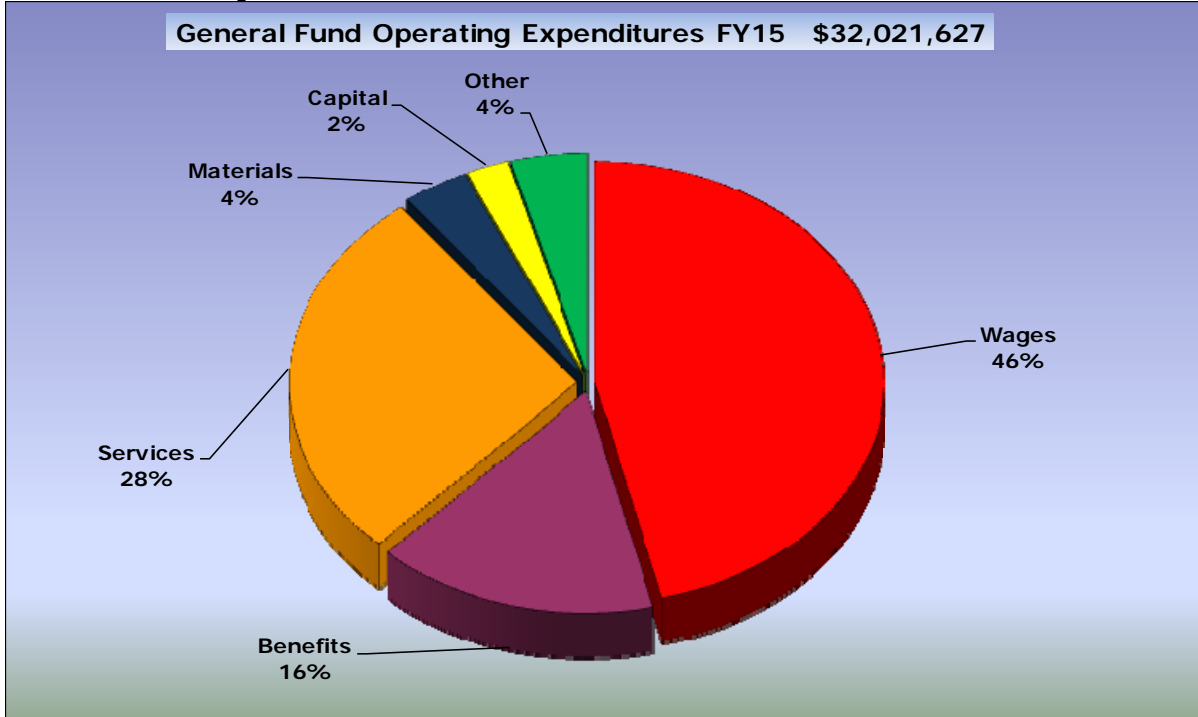
<u>Source</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
Transfers In - Line 2.040	\$0	\$0	\$0	\$0	\$0
Advance Returns - Line 2.050	502,199	100,000	100,000	100,000	100,000
Total Transfer & Advances In	<u>\$502,199</u>	<u>\$100,000</u>	<u>\$100,000</u>	<u>\$100,000</u>	<u>\$100,000</u>

All Other Financial Sources – Line #2.060 & Line #14.010

The District received a refund from the BWC of \$89,000 in FY15 which increased the estimate for FY15. Refunds from prior years are projected to remain stable at \$150,000 in FY16 through FY19.

Expenditures Assumptions

Estimated General Fund Expenditures for FY15:



Wages – Line #3.010

In FY15 the district hired 21 FTE and in FY16 is hiring 18 FTE employees to restore and improve educational services and support to children throughout the district. The district is initiating aggressive action to help students improve academic performance and prepare them for success in the future. These amounts have been factored in the planning below for wages and benefits.

The model reflects step increases of 2% negotiated for FY15 through 16 and for planning purposes includes steps for FY17 through 19. Base increases of 2% have been negotiated for FY15 and 1.5% for FY16. For planning purposes a 2.0% increase is included for FY17 through FY19.

In FY14 the district reopened Madison Park Elementary which required the addition of 1.0 FTE administrator and 2.0 FTE teachers.

<u>Source</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
Base Wages	\$12,729,183	\$13,954,504	\$15,261,634	\$15,911,948	\$16,522,414
Increases/ Merit Based Pay	247,706	254,584	279,090	305,233	318,239
Steps & Training/Performance Based Pay	247,706	254,584	279,090	305,233	318,239
Growth	692,509	794,562	92,134	0	0
Unfunded Recapture	37,400	3,400	0	0	0
Subs & Supplemental Costs	655,671	668,784	682,160	695,803	709,719
Severance	200,000	200,000	200,000	200,000	200,000
Staff Reductions	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Wages Line 3.010	<u>\$14,810,175</u>	<u>\$16,130,418</u>	<u>\$16,794,108</u>	<u>\$17,418,217</u>	<u>\$18,068,611</u>

Fringe Benefits Estimates Line 3.02

This area of the forecast captures all costs associated with benefits and retirement costs, with all except health insurance being directly related to the wages paid. The district pays 14% of each dollar paid in wages to either the State Teachers Retirement System or the School Employees Retirement System as required by Ohio law.

A) STRS/SERS

As required by law the BOE pays 14% of all employee wages to State Teachers Retirement System (STRS) or School Employees Retirement System (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 cost is \$72,450 each year through FY16.

B) Insurance

Beginning in FY13 the district has joined the Southwestern Ohio Educational Purchasing Council (EPC) health care umbrella which is a consortium of 23 school districts with a projected savings of approximately \$400,000 or 16% in FY13. Medical trends indicate an 8% annual insurance increase in FY15 – FY19 would be good for planning purposes.

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 are not certain what these added costs may be but there are "taxes" mandated by the act which we are aware of. The Transition Reinsurance fee due January 15, 2015, is a fee due the IRS for \$5.25 per covered member per month for the prior year (2014). This will be \$63 for each employee who had a full year of coverage in the prior year. This tax could equate to roughly a 2% annual increase in FY15. For fully insured plans an Insurer Fee of 2.46% of premium is due by the insurer January 1, 2014. This cost will be passed along in fully insured plans. 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

Workers Compensation is expected to remain at about 1.25% 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

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 Fringe Benefits – Line #3.020

<u>Source</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
STRS/SERS	\$2,318,647	\$2,522,059	\$2,562,333	\$2,659,667	\$2,760,087
Insurance's	2,314,205	2,563,178	2,775,603	2,997,651	3,237,463
Workers Comp/Unemployment	199,937	217,760	226,720	235,146	243,927
Medicare	225,331	245,461	244,851	252,564	261,995
Other/Tuition	<u>8,498</u>	<u>8,498</u>	<u>8,498</u>	<u>8,498</u>	<u>8,498</u>
Total Line 3.020	<u>\$5,066,618</u>	<u>\$5,556,956</u>	<u>\$5,818,005</u>	<u>\$6,153,526</u>	<u>\$6,511,970</u>

Purchased Services – Line #3.030

This category includes payments for contracted services, utilities, gas, electric, property insurance and transportation. Significant payments are made to Community Schools, Open Enrollment and the Educational Choice Voucher program. In FY14, \$5.1 million dollars was transferred to 36 community schools that serve 665 Trotwood Madison students. An additional \$92,000 is reduced from the district's state foundation dollars for 21 Ed Choice scholarships. In FY15 we were estimating 663 Community School students but that number has fallen to 542; we were estimating 107 Open Enrollment students and that number has also fallen to 98, and, 19 EdChoice voucher students which has risen to 49. This will result in district costs of \$5.1 million which are much lower than estimated for FY15 due to these mostly declining numbers. This still leaves the district with costs of \$5.1 million in these choice programs which is equivalent to a 23.97 mill levy leaving the district each year.

Also included in this category is the turf field capital lease payment of \$108,529 annually. This payment will drop off after June 2016 when the lease is fully paid. An additional \$50,000 was added beginning in FY 15 for cost associated with both Westbrooke and Madison Park Elementary schools at full capacity.

In FY 15 we have added \$100,000 for summer learning and also \$45,000 for a SRO contract with the City of Trotwood.

We continue to look for cost savings in other areas through shared services, consortiums, and reduction of resources.

<u>Source</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
Base Services	\$612,702	\$631,083	\$650,015	\$669,515	\$689,600
Legal , Network, Curriculum etc.	796,980	804,950	704,471	711,516	718,631
Open Enrollment Deduction	651,853	774,372	898,116	1,023,097	1,149,328
Community School Deductions	5,081,111	5,536,178	6,004,897	6,487,678	6,984,942
Other Tuition Including Ed Scholarship	681,554	702,001	723,061	744,753	767,096
Utilities	980,389	1,029,408	1,080,878	1,134,922	1,191,668
Health Ins. (Net)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Line 3.030	<u>\$8,804,589</u>	<u>\$9,477,992</u>	<u>\$10,061,438</u>	<u>\$10,771,481</u>	<u>\$11,501,265</u>

Supplies and Materials – Line #3.040

Supplies and materials are expected to grow by 2% through FY19. In addition we are planning a curriculum updates with new material for various portions of our curriculum as follows: Language Arts in FY14, Social Studies and Foreign Language in FY15, and, Science in FY16.

<u>Source</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
Supplies	\$685,420	\$699,128	\$713,111	\$727,373	\$741,920
Textbook/Curriculum Updates	<u>500,000</u>	<u>500,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Line 3.040	<u>\$1,185,420</u>	<u>\$1,199,128</u>	<u>\$713,111</u>	<u>\$727,373</u>	<u>\$741,920</u>

Equipment – Line # 3.050

Capital replacement for district equipment according to the capital replacement program is estimated to grow at an inflationary rate of two percent each year. We estimate purchasing three new busses in FY15 and to buy two each year thereafter in the forecast. In FY15 we have planned on additional resources for track resurfacing, a baseball field and a new playground at Westbrooke. In FY16 we have increased our estimates by \$100,000 per year for carpet replacements and other maintenance needs. In FY18 we have allocated \$600,000 for anticipated field turf replacement.

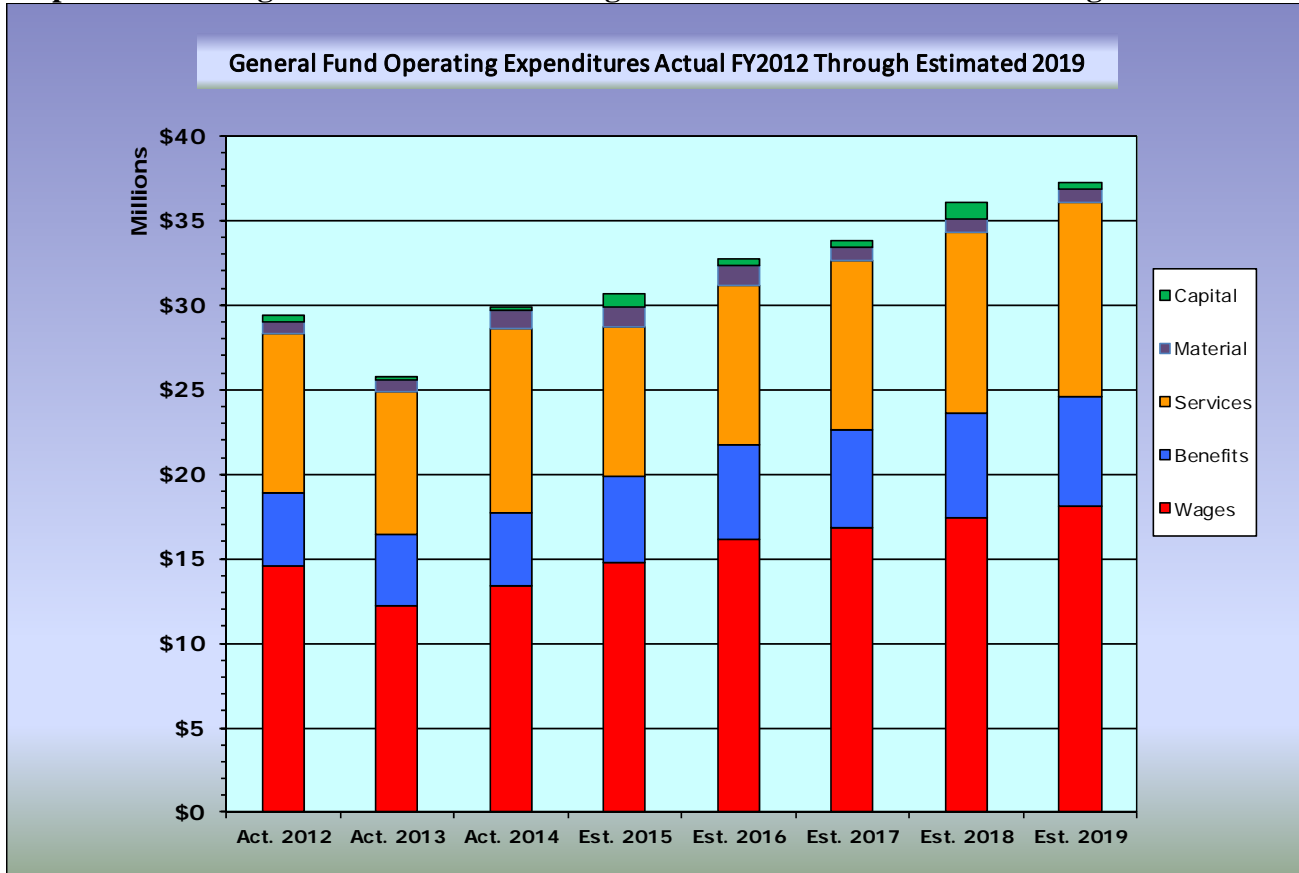
<u>Source</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
Capital Outlay	\$109,937	\$212,136	\$216,379	\$820,707	\$237,121
Replacement Bus Purchases	270,000	189,000	198,450	208,373	218,791
Track/ BBField/WB Playground/sign	<u>400,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Line 3.050	<u>\$779,937</u>	<u>\$401,136</u>	<u>\$414,829</u>	<u>\$1,029,080</u>	<u>\$455,912</u>

Other Expenses – Line #4.300

The category of Other Expenses consists primarily of the County ESC deductions for specialized services provided to the District and Auditor & Treasurer fees. Auditor and Treasurer Fees will fluctuate with real estate revenue collections. The County ESC costs are projected to increase by two percent each year. We have included a reasonable contingency for unforeseen expenses that could occur. The district is working on a plan to reduce the County ESC costs by decreasing the number of special needs students placed out of the district.

<u>Source</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
County Auditor & Treasurer Fees	\$193,932	\$195,871	\$197,830	\$199,808	\$201,806
County ESC	972,424	1,001,597	1,031,645	1,062,594	1,094,472
Audit Fees/Liability Ins/Other	<u>164,119</u>	<u>169,043</u>	<u>174,114</u>	<u>179,337</u>	<u>184,717</u>
Total Line 4.300	<u>\$1,330,475</u>	<u>\$1,366,511</u>	<u>\$1,403,589</u>	<u>\$1,441,739</u>	<u>\$1,480,995</u>

Total Expenditure Categories Actual FY12 through FY14 and Estimated FY15 through FY19



Transfers Out/Advances Out – Line# 5.010

This account group covers fund to fund transfers and end of year short term loans from the General Fund to other funds until they have received reimbursements and can repay the General Fund. We are transferring \$365,000 each year FY15-19 to the Permanent Improvement Fund as part of a levy commitment. An additional \$235,000 is budgeted in FY 15 to assist other funds that may need assistance during the forecast period. It is expected that only \$100,000 additional funds will be needed in FY 16-19. Advances are limited in impact to the General Fund as the amounts are repaid as soon as dollars are received in the debtor fund.

<u>Source</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
Operating Transfers Out Line #5.010	\$947,873	\$390,000	\$390,000	\$390,000	\$390,000
Advances Out Line #5.020	<u>100,240</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Total	<u>\$1,048,113</u>	<u>\$490,000</u>	<u>\$490,000</u>	<u>\$490,000</u>	<u>\$490,000</u>

Encumbrances –Line#8.010

These are outstanding purchase orders that have not been approved for payment as the goods were not received in the fiscal year in which they were ordered. Estimates are based on historic trends.

	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
Estimated Encumbrances	<u>\$100,000</u>	<u>\$100,000</u>	<u>\$100,000</u>	<u>\$100,000</u>	<u>\$100,000</u>

Ending Unencumbered Cash Balance “The Bottom-line” – Line#15.010

This amount must not go below \$-0- or the district General Fund will violate all Ohio Budgetary Laws. Any multi-year contract which is knowingly signed which results in a negative unencumbered cash balance is a violation of 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.

	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>
Ending Cash Balance	<u>\$25,420,838</u>	<u>\$26,901,449</u>	<u>\$29,088,318</u>	<u>\$28,827,566</u>	<u>\$27,265,034</u>

General Fund Ending Cash Balance FY12 through Estimated FY19

