

Delaware City School District
Schedule Of Revenue, Expenditures and Changes In Fund Balances
Actual and Forecasted Operating Fund

	ACTUAL			FORECASTED				
	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018
Revenue:								
1.010 - General Property Tax (Real Estate)	20,896,035	23,176,205	26,170,548	26,054,066	26,291,855	26,225,168	23,803,565	21,540,200
1.020 - Public Utility Personal Property	1,341,861	1,563,886	1,651,097	1,676,798	1,726,359	1,733,945	1,632,914	1,530,279
1.030 - Income Tax	-	-	-	-	-	-	-	-
1.035 - Unrestricted Grants-in-Aid	10,881,125	11,342,491	12,371,912	13,458,773	14,595,774	15,297,988	16,034,586	16,499,602
1.040 - Restricted Grants-in-Aid	19,527	20,376	30,178	200,461	198,613	198,613	198,613	198,613
1.045 - Restricted Federal Grants-in-Aid - SFSF	932,478	586,515	-	-	-	-	-	-
1.050 - Property Tax Allocation	6,224,583	5,198,842	4,713,486	4,779,235	4,778,684	4,132,609	3,154,110	2,725,864
1.060 - All Other Operating Revenues	1,417,547	1,667,478	1,768,249	2,278,051	2,147,053	2,178,523	2,180,309	2,172,112
1.070 - Total Revenue	41,713,156	43,555,793	46,705,470	48,447,384	49,738,336	49,766,847	47,004,095	44,666,669
Other Financing Sources:								
2.010 - Proceeds from Sale of Notes	-	-	-	-	-	-	-	-
2.020 - State Emergency Loans and Advancements	-	-	-	-	-	-	-	-
2.040 - Operating Transfers-In	-	-	-	-	-	-	-	-
2.050 - Advances-In	10,731	-	-	-	-	-	-	-
2.060 - All Other Financing Sources	15,855	-	5,199	292,611	-	-	-	-
2.070 - Total Other Financing Sources	26,586	-	5,199	292,611	-	-	-	-
2.080 - Total Revenues and Other Financing Sources	41,739,742	43,555,793	46,710,669	48,739,995	49,738,336	49,766,847	47,004,095	44,666,669
Expenditures:								
3.010 - Personnel Services	26,895,617	25,928,664	26,528,831	27,045,089	28,105,117	29,228,215	30,432,752	31,552,068
3.020 - Employees' Retirement/Insurance Benefits	9,465,827	9,438,372	9,845,833	10,497,069	11,467,515	12,388,780	13,422,294	14,442,166
3.030 - Purchased Services	5,988,941	5,637,037	5,676,923	6,304,543	6,132,864	6,214,192	6,296,334	6,379,298
3.040 - Supplies and Materials	1,304,840	1,383,684	1,385,151	1,438,354	1,467,121	1,496,464	1,526,393	1,556,921
3.050 - Capital Outlay	94,264	86,112	82,200	98,522	99,507	100,502	101,507	102,522
3.060 - Intergovernmental	-	-	-	-	-	-	-	-
Debt Service:								
4.010 - Principal-All Years	-	-	155,370	-	-	-	-	-
4.020 - Principal - Notes	-	-	-	-	-	-	-	-
4.030 - Principal - State Loans	-	-	-	-	-	-	-	-
4.040 - Principal - State Advances	-	-	-	-	-	-	-	-
4.050 - Principal - HB264 Loan	-	-	-	159,510	163,750	168,110	172,590	177,180
4.055 - Principal - Other	-	-	-	-	-	-	-	-
4.060 - Interest and Fiscal Charges	-	31,902	86,157	68,803	64,500	60,082	55,546	50,889
4.300 - Other Objects	897,111	928,387	846,770	1,647,173	1,401,588	1,443,636	1,486,945	1,531,553
4.500 - Total Expenditures	44,646,600	43,434,158	44,607,235	47,259,064	48,901,962	51,099,981	53,494,361	55,792,597
Other Financing Uses								
5.010 - Operating Transfers-Out	20,000	-	-	30,000	-	-	-	-
5.020 - Advances-Out	-	-	-	-	-	-	-	-
5.030 - All Other Financing Uses	-	-	-	-	-	-	-	-
5.040 - Total Other Financing Uses	20,000	-	-	30,000	-	-	-	-
5.050 - Total Expenditures and Other Financing Uses	44,666,600	43,434,158	44,607,235	47,289,064	48,901,962	51,099,981	53,494,361	55,792,597
Excess of Rev & Other Financing Uses Over (Under)								
6.010 - Expenditures and Other Financing Uses	(2,926,858)	121,635	2,103,434	1,450,932	836,375	(1,333,134)	(6,490,266)	(11,125,928)
Cash Balance July 1 - Excluding Proposed Renewal/ 7.010 - Replacement and New Levies	6,468,614	3,541,756	3,663,391	5,766,825	7,217,757	8,054,131	6,720,997	230,731
7.020 - Cash Balance June 30	3,541,756	3,663,391	5,766,825	7,217,757	8,054,131	6,720,997	230,731	(10,895,196)
8.010 - Estimated Encumbrances June 30	-	-	300,000	300,000	300,000	300,000	300,000	300,000
Reservations of Fund Balance:								
9.010 - Textbooks and Instructional Materials	-	-	-	-	-	-	-	-
9.020 - Capital Improvements	-	-	-	-	-	-	-	-
9.030 - Budget Reserve	367,699	367,699	367,699	367,699	367,699	367,699	367,699	367,699
9.040 - DPIA	-	-	-	-	-	-	-	-
9.050 - Debt Service	-	-	-	-	-	-	-	-
9.060 - Property Tax Advances	-	-	-	-	-	-	-	-
9.070 - Bus Purchases	-	-	-	-	-	-	-	-
9.080 - Subtotal	367,699	367,699	367,699	367,699	367,699	367,699	367,699	367,699
Fund Balance June 30 for Certification								
10.010 - of Appropriations	3,174,057	3,295,692	5,099,126	6,550,058	7,386,432	6,053,298	(436,968)	(11,562,895)
Rev from Replacement/Renewal Levies								
11.010 - Income Tax - Renewal	-	-	-	-	-	-	-	-
11.020 - Property Tax - Renewal or Replacement	-	-	-	-	-	-	2,896,282	5,793,342
11.030 - Cumulative Balance of Replacement/Renewal Levies	-	-	-	-	-	-	2,896,282	8,689,624
Fund Balance June 30 for Certification								
12.010 - of Contracts, Salary and Other Obligations	3,174,057	3,295,692	5,099,126	6,550,058	7,386,432	6,053,298	2,459,315	(2,873,271)
Revenue from New Levies								
13.010 - Income Tax - New	-	-	-	-	-	-	-	-
13.020 - Property Tax - New	-	-	-	-	-	-	-	-
13.030 - Cumulative Balance of New Levies	-	-	-	-	-	-	-	-
14.010 - Revenue from Future State Advancements	-	-	-	-	-	-	-	-
15.010 - Unreserved Fund Balance June 30	3,174,057	3,295,692	5,099,126	6,550,058	7,386,432	6,053,298	2,459,315	(2,873,271)
ADM Forecasts								
20.010 - Kindergarten	-	-	-	438	422	433	430	430
20.015 - Grades 1-12	-	-	-	4,986	5,096	5,196	5,305	5,382

**DELAWARE CITY SCHOOLS
FIVE YEAR FORECAST ASSUMPTIONS**

May 12, 2014

NATURE AND PURPOSE OF PRESENTATION

This financial projection presents the expected revenues, expenditures, and fund balance of the General Fund of the Delaware City School District (the "District") for each of the fiscal years ending June 30, 2014 through June 30, 2018, in accordance with the mandates of House Bill No. 412 (HB 412). Historical unaudited information is presented for the fiscal years ended June 30, 2011, 2012, and 2013. In addition, the ARRA State Fiscal Stabilization Fund (USAS fund number 532) and the Education Jobs Bill Fund (USAS fund number 504) are included in the forecast for FY2011 through FY2013, as required by HB 412.

Basis of Accounting

This financial projection has been prepared on the cash receipts and disbursements basis, which is the required basis (non-GAAP) of accounting used for budgetary purposes. Under this system, revenues are recognized when received rather than when earned, and expenditures are recognized when paid rather than when the obligation is incurred. Under Ohio law, the District is required to encumber legally binding expenditure commitments and to make appropriations for the expenditure and commitment of these funds.

Fund Accounting

District accounts are maintained in accordance with the principles of "fund" accounting. Fund accounting is used by governmental entities, such as school districts, to report their financial position and the results of operations. Fund accounting is designed to demonstrate legal compliance, as well as aid in financial management by segregating transactions related to certain District functions and activities. The transactions of each fund are reflected in a self-balancing group of accounts, which present an accounting entity that stands separate from the activities reported in other funds. The General Fund is the operating fund of the District and is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose, provided it is disbursed or transferred in accordance with Ohio law. The assumptions disclosed herein are those that the District believes are significant to the projection. However, because circumstances and conditions assumed in projections frequently do not occur as expected, and are based on information existing at the time projections are prepared, there will usually be differences between projected and actual results.

Description of the School District

The Board of Education of the Delaware City School District (the "Board") is a political and corporate body charged with the responsibility of managing and controlling the affairs of the District, and is, together with the School District, governed by the general laws of the State of Ohio (the "Ohio Revised Code"). The Board is comprised of five members who are locally elected to overlapping four-year terms.

The Board elects its President and Vice President annually, and appoints two officials: the Superintendent, who serves as the Chief Executive Officer, and the Treasurer, who serves as the Chief Financial Officer.

RECAP of FY13 FORECAST

- A \$6 million (8.3 mills) Emergency Operating Levy was approved by District voters at the November 8, 2011 general election with tax collections beginning in FY2012. The five year levy will be up for renewal no later than the November 2016 general election. FY2103 was the first full year of collection for this new levy.
- Unrestricted Grants-in-Aid for FY2014-2017 was relatively uncertain as legislators worked with the governor to develop a new funding formula.

OVERVIEW

The May 2014 forecast reflects the second year of the negotiated agreements with all three of the District's bargaining units. Current agreements run through FY2014. The State's biennial budget process is complete and House Bill (HB) 59 brought about some changes to state foundation funding, which are reflected in this forecast.

FORECAST ASSUMPTIONS

The following assumptions were used in the General Fund financial projections for fiscal year 2014 through fiscal year 2018.

Revenue Assumptions:

1.010 General Property Tax (Real Estate) Revenue

FY2011, FY2012 and FY2013 tax revenue reflects the actual amounts received for real estate taxes. The FY2014 tax revenue projections have been certified by the Delaware County Auditor.

FY14 estimates show a slight decrease from the prior fiscal year, due to an anticipated decline in the collection of delinquencies. In FY2013, the district collected close to \$1.1

million in delinquent real property taxes. For the second half 2012 settlement, collected in July/August 2013, the District received just \$52,000 in delinquent real property collections. The first half 2013 settlement, collected in February/March 2014 resulted in \$737,000 in delinquency collections. Based on this, as well as the fact that total outstanding delinquencies for the district are declining, it is expected that we will collect less in delinquent taxes over the remainder of the forecast.

The District's \$6 million (8.3 mills) Emergency Operating levy, which was approved by voters in November 2011, is due for renewal by no later than November 2016. The forecast shows the decline in General Property Tax revenue for one half of the levy collections in FY2017 and a full year's collections in FY2018. The District is not permitted to show this revenue stream in Line 1.010 past the levy's current approval.

A 0.5% growth factor is included in the real estate tax estimates for FY2015 through FY2018 for possible increases from new construction. Economic conditions will dictate if additional tax revenue from District growth in real property values can be realized.

1.020 Tangible Personal Property Tax

Personal Tangible taxes were based on the assessed value of business equipment and inventory. In 2004 the Ohio State Legislature passed HB153, which instructed the phase-out of the Tangible Personal Property Tax. This legislation determined that Ohio school districts would receive monetary replacement for their lost personal tangible revenue through direct payments from the State. These payments were to run through FY2017 but subsequent legislation shortened the timeline to 2014. The legislation within HB59 allows for continued reimbursement at the FY 2013 level.

The replacement revenue is categorized in Line 1.050 of the Five Year Forecast, which reflects maintaining the State reimbursement to cover the revenue loss to the District.

The revenue remaining within this category of the forecast is for Personal property utility tax (PPUT). PPUT is the tangible personal property used in the operations of a public utility company, which would include telephone and electric lines. It is the District's expectation that this portion of taxes, which is based on voted millage, will continue to be collected.

1.035 Unrestricted Grants-in-Aid

HB59 creates a new state funding formula for school districts. Simulations for this new formula have been generated and those projections are incorporated into this forecast. The district received its first foundation payment from the new formula on October 11 and the information in this forecast reflects the detail that has been provided with that payment by the Ohio Department of Education. This new funding formula does institute caps for the amount of increase a district may receive. The increases are capped at 6.25% and 10.5%, respectively, for FY2014 and FY2015. The District is projecting that

the existing funding formula will remain in effect through this forecast (FY2018), with a 5% cap in place for FY2016- FY2017 and a 3% cap for FY2018.

Casino revenues are included in this category as well. In FY13 the District received \$112,619, or \$20.93 per pupil. The District has received \$276,871 in casino revenue for FY2014. The total amount received is expected to remain at approximately \$50 per pupil in FY15 through FY18.

1.040 & 1.045 Restricted Grants-in-Aid

Revenues within this category are received from special state and federal funding programs. For FY14 through FY18, this includes career tech funding from the State, as well as funding within the new formula for economically disadvantaged students.

In previous years, this category also included Education Jobs grants and other stimulus funds distributed to schools, for the purpose of saving or creating education jobs.

1.050 Property Tax Allocation

The majority of these funds include homestead/rollback reimbursements from the State for tax credits granted to residences that are owner occupied. This reimbursement is equal to 12.5% of the gross property taxes charged to residential taxpayers and up to 10% for commercial and industrial taxpayers. The reimbursements are a direct correlation to taxes billed and collected. Revenue estimates are reflective of the same assumptions as property tax revenue. The changes to homestead and rollback that were made by HB59 will not impact current Homestead and Rollback collections received by the District, but could do so in the future. Current Emergency levies would need to be passed as renewals, rather than replacements in order to maintain their eligibility for Homestead and Rollback exemptions. The decreases shown in FY2017 and FY2018 are due to the Emergency Operating levy that will expire at the end of 2016.

As mentioned previously, the tax reimbursements are also recorded in Line 1.050. These offset payments are for the loss of tangible personal property payments. While the last biennium budget indicated that this revenue would continue to be phased out in FY14 and then eliminated, HB59 maintains the TPP reimbursement at FY13 levels in this biennium. It is our expectation that this reimbursement will be phased out in the next biennium.

Fiscal Year	2012	2013	2014	2015	2016	2017	2018
HR & Rollback	2,965,380	3,331,967	3,308,749	3,333,288	3,347,206	3,028,698	2,725,864
TPP Reimb	2,233,462	1,445,396	1,445,396	1,445,396	785,403	125,412	0
Total	5,198,842	4,777,363	4,754,145	4,778,684	4,132,609	3,154,110	2,725,864

1.060 Other Revenue

Other income consists of interest earnings, tuition from other districts for special education services, building rentals, ROTC reimbursement, school fees, and other miscellaneous receipts. School fees are generally offset by expenditures for student resale supplies and do not represent additional cash for operation. In FY14, we also received Medicaid in Schools Program (MSP) Settlements from 2009-10 and 2010-11, as well as a refund from the County Auditor for surplus real estate collection fees paid.

Interest earnings are a function of cash on hand available for investment and interest rates. Interest rates on permissible investments have been low and are expected to remain low for the foreseeable future. As cash balances are forecasted to decrease, adjustments in interest earnings potential are incorporated in the revenue estimates.

Interest revenue will increase in the forecast, due to the investment of bond proceeds. These earnings are being deposited into the general fund and a portion is being used to offset the cost of investment advisory services.

2.07 Other Financing Sources

This category is used sparingly and only when other revenue categories do not appropriately capture the essence of a transaction. In FY2014, the District received a refund from the Bureau of Worker's compensation for premium payments made for calendar year 2011 and paid in FY12. As such, this refund was classified as a "Refund of Prior Year's Receipt." No future payments are expected in this category.

Expenditure Assumptions:

3.010 Personal Services

Teacher wage increase history: 3.5% in FY2003 plus a 0.5% insurance adjustment, 3.5% in FY2004, 2.75% in FY2005 and FY2006, 3% in FY2007, 2.5% in FY2008 and FY2009, 2% in FY2010, 1.5% in FY2011, there was a salary and step freeze in FY2012. Current negotiated agreements include a 1.25% increase in FY2013 and a 1% increase in FY2014

Custodians, maintainers, bus drivers and cafeteria staff wage increase history: 3.5% in FY2003, 3.5% in FY2004, 2.75% in FY2005 and FY2006, 3% in FY 2007, 2.5% in FY2008, 2.5% in FY2009 and FY2010, 1.5% in FY2011 and salary and step freeze in FY2012. Negotiated agreements include a 1.25% increase in FY2013 and a 1% increase in FY2014

Clerical staff wage increase history: 3.5% in FY2003 plus a 0.5% insurance adjustment, 2.25% in FY2004, 2% in FY2005, 2.75% in FY2006, 3% in FY2007, 2.5% in FY2008, 2.5% in FY2009 and FY2010, 1.5% in FY2011, and salary and step freeze in FY2012. Negotiated agreements include a 1.25% increase in FY2013 and a 1% increase in FY2014.

Assumptions include a 1% increase in FY15 – FY18, with average step increases of 2.0%.

Wage projections are also impacted by increased staff positions. The following is a history and projection of staff that are included in the wage calculations:

- 2007 - Reduced 4 teachers and .50 administrator
- 2008 - Added 4 teachers
- 2009 - Added 9.5 teachers and 2 teachers shifted from grants
- 2011 - Reduced 5 teachers
- 2012 - Reduced 4.2 teachers and 1.25 administrators from the General Fund.
Seventeen certified positions were eliminated.
- 2013 - Added 3 teachers due to increased enrollment
- 2014 – Added 6 staff due to enrollment increases
- 2015-2018 – Add teachers each year for projected enrollment increases:
5 in FY15, 4 in FY16, 5 in FY17, 2 in FY18.

FY2014 includes a decrease of approximately \$450,000 in wage costs for certified substitutes, who are now being hired and paid through the Educational Service Center (ESCCO). These payments, as well as the associated benefits are billed by the ESCCO and now paid in the Other Objects category.

3.020 Benefits

Benefit costs consist of mandatory retirement contributions, health, dental and life insurance premiums, workers compensation premiums, and mandatory contributions to Medicare, unemployment, and tuition reimbursement. As mandated by state statute, the District contributes 14% of payroll to either State Teachers Retirement System (STRS) or the School Employees Retirement System (SERS), and 1.45% for Social Security/Medicare for all employees hired since 1986.

For FY2014, health insurance premiums are increasing by 12%, due to healthcare reform implementation. For FY2015 health insurance premiums are projected to increase 12% as well. For FY2016 through 2018 health insurance premiums are projected to increase 10% per year. Dental and life insurance premiums are projected to increase 2% per year.

Tuition reimbursement has been determined by the DCTA negotiated agreement. The District will continue to participate in the OSBA worker's compensation pool, as long as this program generates savings. A district-wide focus on risk management/safety in the

workplace will also help to improve our rates. Benefit costs are also impacted by changes in staffing levels.

Health Insurance Premium History:

Year	Health Insurance Premium Increase
1999	15%
2000	7.6%
2001	25%
2002	25%
2003	8.31%
2004	0
2005	20%
2006	31%
2007	7%
2008	6.9%
2009	9.72%
2010	2.84%
2011	3.5%
2012	5.6%
2013	6.0%

3.030 Purchased Services

Purchased services include utilities, contractual agreements, and professional development, as well as property insurance and legal fees. This category also includes charges related to charter and community schools and tuition for special education services. For FY2014 the District has 193 students attending charter/community schools at a cost of \$1,406,536. This is an increase of 11 students and \$108,668 from FY2013. There are also 69 students leaving for open enrollment, at a cost of \$360,270. This is an increase of 6 students and \$32,724 from FY2013. These levels are expected to remain consistent throughout the forecast.

Special education scholarships for students to attend private schools are deducted from the public school of residence. For FY2014, we have 6.5 students whose parents are receiving the Jon Peterson scholarship funds at a cost to the District of \$67,945. This is an increase of 2.5 students and \$39,705 from FY2013. Autism scholarships are allocated in a similar fashion. There were 14 students on autism scholarship for FY2013, at a cost of \$245,000. In FY2014 this has increased to 16.63 students, at a cost of \$291,025. Total scholarship costs increased \$74,265 or 26% from FY2013 to FY2014. These numbers are expected to continue to increase each year in the forecast.

Purchased Service costs represent 13% of District operating expenditures. FY14 estimates are as budgeted and reflect a slight increase from the prior year due to

several items occurring through the ESCCO in FY2013 being paid in FY2014. A 1% inflation factor is applied in FY2015 through FY2018.

3.040 Supplies and Materials

Expenditures that fall into the category of supplies include instructional materials, office supplies, library books, software, fuel, custodial supplies, etc. FY2014 estimates are as budgeted and a 2% factor is included for inflation in FY2015 through FY2018.

3.050 Capital Outlay

Capital Outlay expenditures are for the purchase of new or replacement equipment. FY2014 estimates are as budgeted and a 1% factor is applied for inflation in FY2015 through FY2018. It is important to note that the majority of equipment purchases for the District are funded by the permanent improvement fund. Equipment purchases made from the PI fund are not reflected in this general fund forecast. Please refer to the District Permanent Improvement Analysis for additional information regarding equipment expenditures.

4.050 Principal HB264 Loans

The District completed a major energy conservation project in FY12 by issuing debt. The forecast reflects the repayment of principal and interest due on the note. Line 4.060 reflects the semi-annual interest payments. Principal and Interest payments are offset by the savings realized in reduced energy usage.

4.300 Other Expenditures

Other expenditures include the miscellaneous cost for District liability insurance premiums, county auditor and treasurers fees for the collection of tax revenues, membership fees and State audit costs. FY2014 costs are as budgeted and include an increase of approximately \$800,000 for certified substitutes and other staff, who are now being hired and paid through the ESCCO and ESCCO-COG. These payments would have been included in salaries and benefits in previous years of the forecast. This increase, as well as an inflation factor of 3% is included in FY2015 through FY2018.

5.000 Other Financing Sources (2.000) and Uses (5.000)

Revenue and expenditures for other financing sources are expenditure estimates for advances and transfers to and from other funds. The athletic fund has received a General Fund transfer in the past and the forecast includes a transfer for the current fiscal year for athletics (see 5.01). Pay to participate fees began in FY2012 and will contribute to help finance this transfer.

8.010 Encumbrances

Encumbrances are outstanding purchase orders that have not been approved for payment, as goods were not received in the fiscal year in which they were ordered. For this forecast the assumption is made that encumbrances will remain steady at \$300,000 annually.

9.010 – 9.070 Reservation of Fund Balance

The current required set-aside for textbooks/instructional supplies and equipment/maintenance is 3% per year. The District has exceeded this requirement each year since its implementation, therefore, the District has no required reservation in lines 9.01 and 9.02.

9.030 Budget Reserve

Line 9.03 reflects the budget reserve previously required by H.B. 412. Use of these funds requires board action. The board approved a transfer of the budget reserve to the General Fund effective July 1, 2011 with a return in FY2012 of this transfer to re-establish the budget reserve fund at its previous level. The reserve is maintained at this level throughout the forecast.

10.010 Ending Unencumbered Cash Balance

This amount cannot go below \$0, or the District's general fund will be in violation of Ohio's budgetary laws. Appropriations cannot be certified if this amount is negative. Any appropriation measure entered into that will cause negative unencumbered cash balance is a violation of Ohio Revised Code 5705.412 and is punishable by a personal fine of \$10,000.

12.010 Fund Balance for Certification of Contracts

The District is permitted to certify contracts, salary and other obligations based on additional revenues that are expected to be received through the renewal or replacement of existing levies. Any multi-year contract, which is knowingly signed and will cause this line to fall below \$0 is a violation of Ohio Revised Code 5705.412 and is punishable by a personal fine of \$10,000.