



Chillicothe City School District

# **Five Year Forecast Financial Report**

October, 2018

*Deborah Lawwell, CFO*

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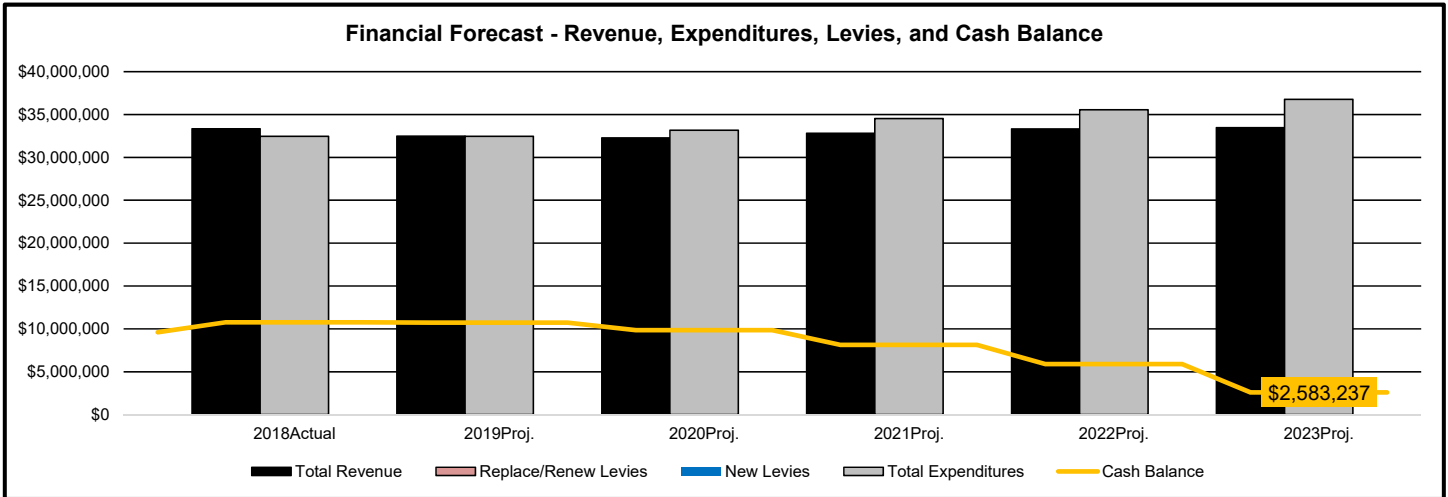
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### Forecast Purpose/Objectives

Ohio Department of Education's purposes/objectives for the five-year forecast are:

1. To engage the local board of education and the community in the long range planning and discussions of financial issues facing the school district.
2. To serve as a basis for determining the school district's ability to sign the certificate required by O.R.C. §5705.412, commonly known as the "412 certificate."
3. To provide a method for the Department of Education and Auditor of State to identify school districts with potential financial problems.

Forecast Methodology - This forecast is prepared based upon historical trends and current factors. This information is then extrapolated into estimates for subsequent years. The forecast variables can change multiple times throughout the fiscal year and while cash flow monitoring helps to identify unexpected variances no process is guaranteed. The intent is to provide the district's financial trend over time and a roadmap for decisions aimed at encouraging financial sustainability and stability.



Chillicothe City School District

Financial Forecast

Financial Forecast	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023
Beginning Balance	10,846,005	10,875,891	9,991,537	8,273,083	6,032,227
+ Revenue	32,486,914	32,280,790	32,806,602	33,319,868	33,470,952
+ Proposed Renew/Replacement Levies	-	-	-	-	-
+ Proposed New Levies	-	-	-	-	-
- Expenditures	(32,457,028)	(33,165,144)	(34,525,056)	(35,560,724)	(36,769,942)
= Revenue Surplus or Deficit	29,886	(884,354)	(1,718,454)	(2,240,856)	(3,298,990)
Ending Balance with renewal levies Note: Not Reduced for Encumbrances	10,875,891	9,991,537	8,273,083	6,032,227	2,733,237

Analysis Without Renewal Levies Included:

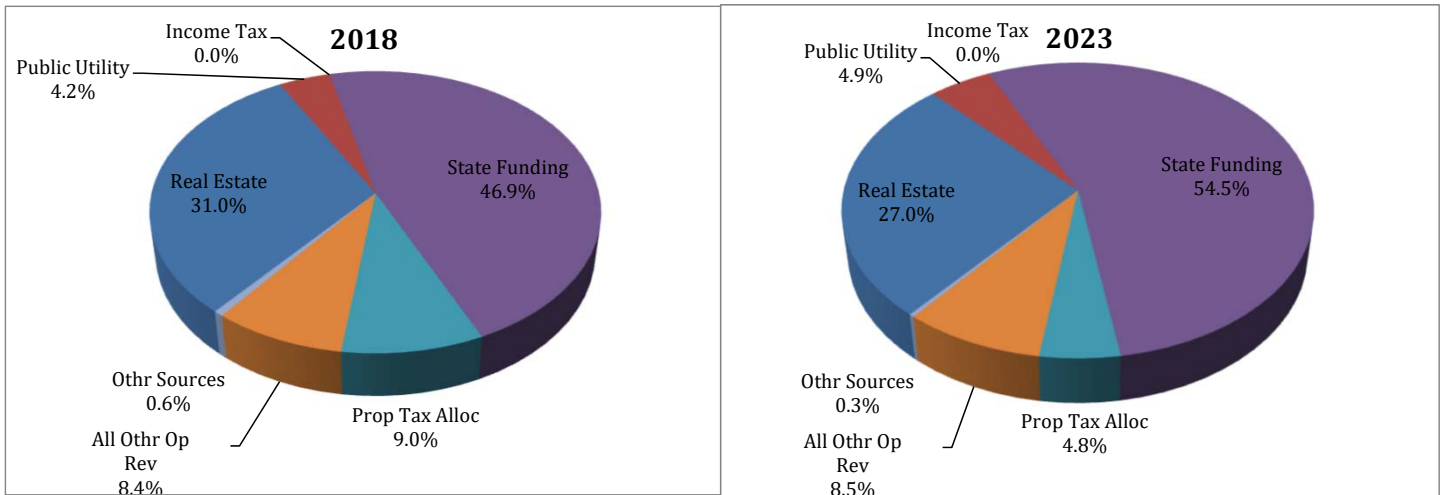
Revenue Surplus or Deficit w/o Levies	29,886	(884,354)	(1,718,454)	(2,240,856)	(3,298,990)
Ending Balance w/o Levies	10,875,891	9,991,537	8,273,083	6,032,227	2,733,237

In November 2015, the District passed a 3.2 mill bond levy and in return agreed to reduce collections on its existing emergency levy by the amount generated from the bond issue so taxpayers would see no net millage increase. Since that time, the District has continued to gradually reduce collections on the remaining portion of the emergency levy. Given the gradual pattern of reductions, the District decided it would not pursue renewal of the existing emergency levy in 2018 and will see reduced tax collections beginning in 2019 (first impacting FY2019 revenue) as a result.

Fortunately, State revenue continues to leverage the district's local revenue sources. While the new formula incorporates a lower funding cap of 3% compared to the larger increases realized the past two biennials, state funding is still expected to produce an additional \$1.3 million of revenue over the biennial. The forecast assumes continued formula increases, but the increases are partially offset by losses of tangible reimbursement dollars that are being phased out according to the same budget (at a rate of approximately \$240,000 per year).

Without the collections from the expiring emergency levy, the District's trend of expenditures exceeding revenue has been accelerated. While the District's cash balances are projected to remain healthy over the next two to three years, operational deficits are projected to grow to over \$2 million by FY2022. Therefore, it is imperative the District remain vigilant in its planning efforts and make conservative spending decisions.

## Revenue Sources and Forecast Year-Over-Year Projected Overview

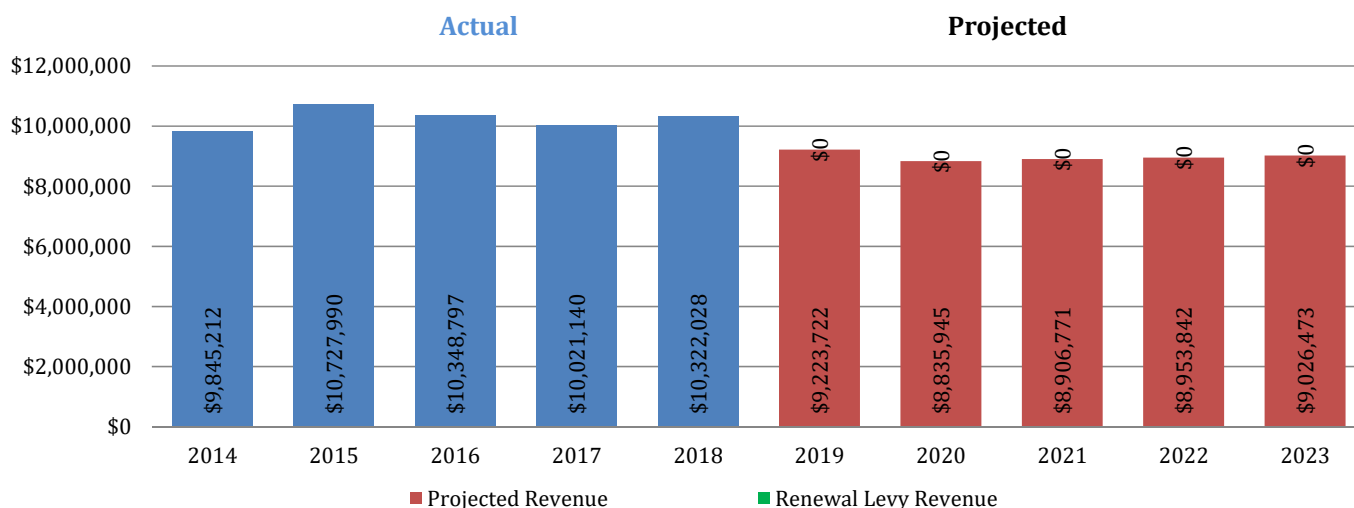


	Prev. 5-Year Avg. Annual Change	PROJECTED					5-Year Avg. Annual Change
		Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	
<b>Revenue:</b>							
1.010-Real Estate	4.00%	-10.64%	-4.20%	0.80%	0.53%	0.81%	-2.54%
1.020-Public Utility	6.95%	12.64%	-2.09%	2.00%	2.00%	1.94%	3.30%
1.030-Income Tax	n/a	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
1.035-State Funding	3.94%	2.25%	4.32%	4.13%	4.52%	1.84%	3.41%
1.040-Restricted Aid	29.81%	1.87%	2.90%	2.34%	0.51%	0.59%	1.64%
1.045-Restr Federal SFSF	n/a	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
1.050-Property Tax Alloc	-3.78%	-10.48%	-12.28%	-10.31%	-11.67%	-13.01%	-11.55%
1.060-All Other Operating	13.67%	4.48%	-3.12%	0.94%	0.22%	-0.24%	0.46%
1.070-Total Revenue	5.26%	-2.32%	-0.58%	1.63%	1.57%	0.45%	0.15%
2.070-Total Other Sources	-4.99%	-40.54%	-16.46%	0.00%	0.00%	0.00%	-11.40%
2.080-Total w/Other Srcs	4.10%	-2.55%	-0.63%	1.63%	1.56%	0.45%	0.09%

State Revenue is expected to continue to grow, while local collections from real estate taxes are expected to decline (related to the expiring emergency levy). This is the reason state revenue is expected to supply a much larger portion of the District's overall revenue by FY2023 (55% compared to the 47% it supplied in FY2018). Overall revenue is expected to remain static over the upcoming 5-year period again driven primarily by the expiration of the District's emergency levy combined with the continued phase-out of the state tangible tax reimbursement (reflected in the Property Tax Allocation Note).

### 1.010 - General Property Tax (Real Estate)

Revenue collected from taxes levied by a school district by the assessed valuation of real property using effective tax rates for class I (residential/agricultural) and class II (business).



	FORECASTED					
	2018	2019	2020	2021	2022	2023
Total With Renewal Levies	10,322,028	9,223,722	8,835,945	8,906,771	8,953,842	9,026,473
YOY \$ Change	300,888	(1,098,306)	(387,777)	70,826	47,071	72,631
YOY % Change	3.0%	-10.6%	-4.2%	0.8%	0.5%	0.8%

Percentage of Total Revenue	2018	2019	2020	2021	2022	2023
	31.0%	28.4%	27.4%	27.1%	26.9%	27.0%

Values, Tax Rates and Gross Collections							Gross Collection Rate Including Delinquencies
Tax Yr	Valuation	Value Change	Class I Rate	Change	Class II Rate	Change	
2017	380,478,820	7,446,880	28.61	(0.17)	32.82	(0.61)	102.7%
2018	382,321,291	1,842,471	24.91	(3.70)	29.12	(3.70)	99.0%
2019	402,677,936	20,356,645	23.93	(0.97)	27.90	(1.22)	98.9%
2020	404,640,627	1,962,691	23.93	-	27.90	-	98.9%
2021	406,617,902	1,977,275	23.93	-	27.90	-	98.9%
2022	425,542,902	18,925,000	23.08	(0.85)	27.01	(0.89)	98.9%

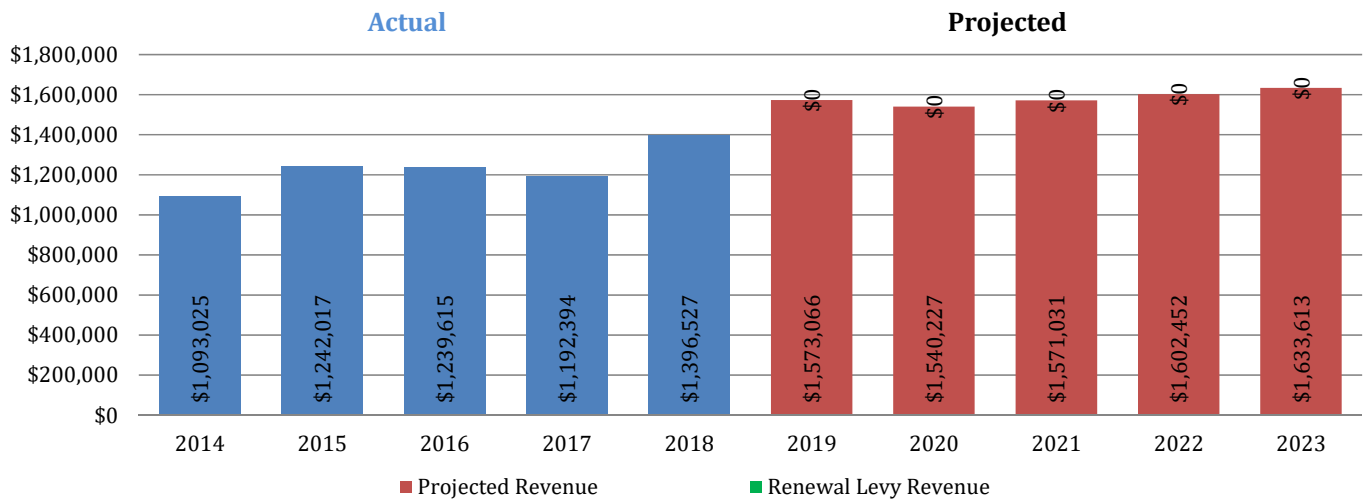
The revenue growth reflected in FY2015 is attributable to a 7.2 mill (\$2.7 million) operational emergency levy passed in 2013. In November 2015 the District passed a 3.2 mill bond issue and in return agreed to reduce collections on the emergency levy by the amount generated from the bond issue (the reduction affected tax collections in both FY2016 and FY2017). Collections in FY2018 recovered a bit, despite additional reductions to emergency levy collections, thanks to continued favorable collection rates combined with valuation growth.

By 2018, collections from the 2013 emergency levy had been reduced to approximately \$1.5 million and had a reduced assessed tax rate of 3.7 mills. The District made the decision to allow the emergency levy to expire at the end of 2018. Therefore, overall tax revenue in both FY2019 & FY2020 are forecasted to drop. Collections in FY2021-2023 are expected to grow slightly associated with increasing valuations.

\*Projected % trends include renewal levies

### 1.020 - Public Utility Personal Property

Revenue generated from public utility personal property valuations multiplied by the district's full voted tax rate.



	FORECASTED					
	2018	2019	2020	2021	2022	2023
Total With Renewal Levies	1,396,527	1,573,066	1,540,227	1,571,031	1,602,452	1,633,613
YOY \$ Change	204,133	176,539	(32,839)	30,804	31,421	31,161
YOY % Change	17.1%	12.6%	-2.1%	2.0%	2.0%	1.9%

Percentage of Total Revenue	4.2%	4.8%	4.8%	4.8%	4.8%	4.9%
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Values and Tax Rates					Gross Collection Rate Including Delinquencies
Tax Year	Valuation	Value Change	Full Voted Rate	Change	
2017	34,212,250	9,598,070	47.40	(0.20)	100.2%
2018	34,896,495	684,245	43.70	(3.70)	100.0%
2019	35,594,425	697,930	43.70	-	100.0%
2020	36,306,313	711,888	43.70	-	100.0%
2021	37,032,440	726,126	43.70	-	100.0%
2022	37,732,440	700,000	43.70	-	100.0%

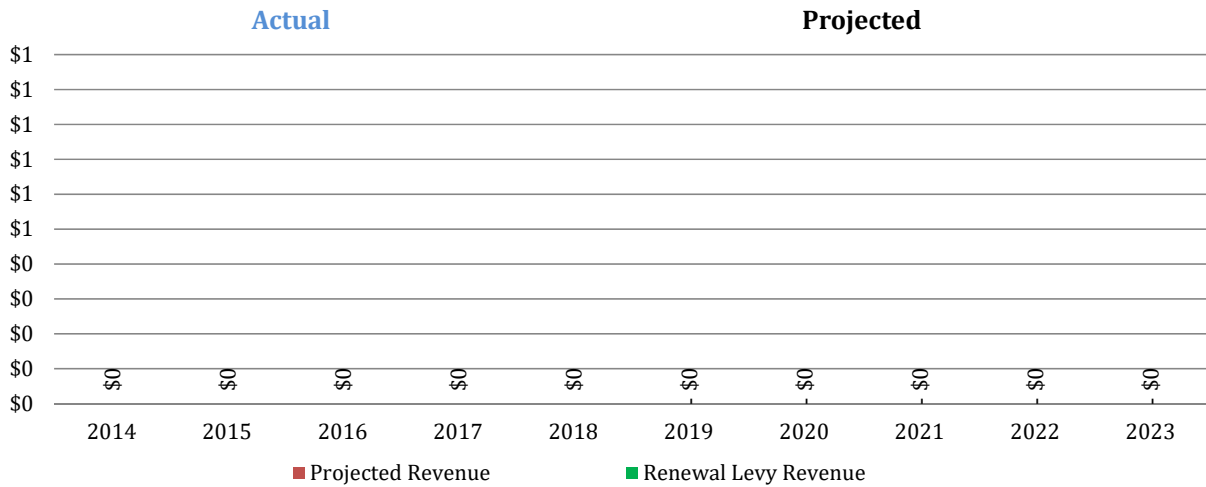
The revenue growth reflected in FY2015 is attributable to the 7.2 emergency levy passed in 2013. As explained in the Real Estate narrative, the District passed a 3.2 mill bond issue in November 2015 and in return agreed to reduce collection on the existing emergency levy by an equivalent explaining the revenue drop in FY2017. The District decided to allow the remaining portion of emergency levy collections expire at the end of 2018.

Despite non-renewing the emergency levy, collections are still forecasted to grow through the end of the projection period. This growth is attributable to valuation increases. Values in 2017 jumped nearly 40% or \$10 million related to utility infrastructure improvements which impacted collections in calendar 2018. Subsequent public utility values are expected to increase by 2% per year leading to modest forecasted revenue growth in FY2020 and beyond. Although growth in this category is certainly welcome, collections from public utility taxes supply less than 5% of overall revenue.

*\*Projected % trends include renewal levies*

### 1.030 - Income Tax

Revenue collected from income tax earmarked specifically to support schools with a voter approved tax by residents of the school district; separate from federal, state and municipal income taxes.



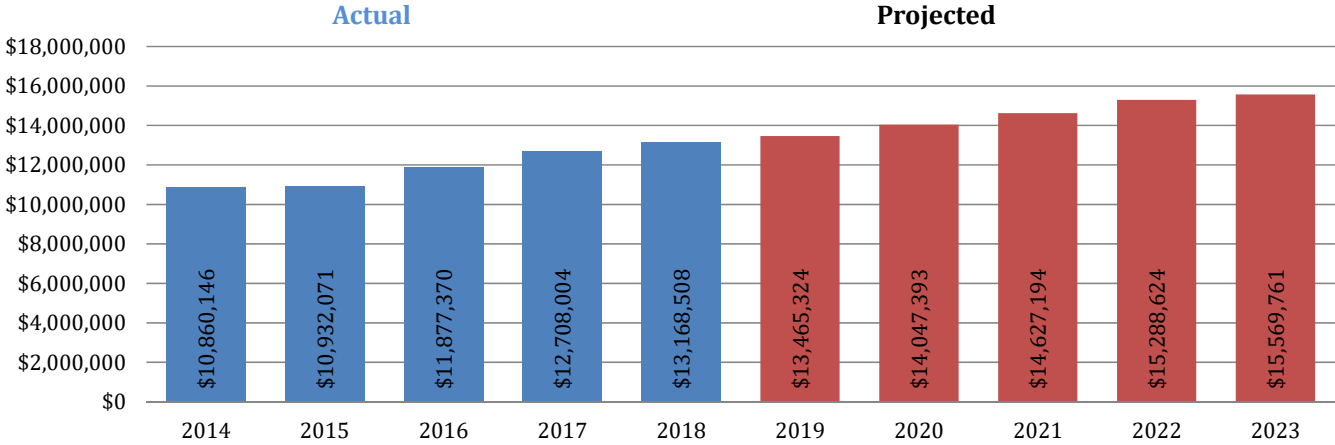
	FORECASTED					
	2018	2019	2020	2021	2022	2023
Total	-	-	-	-	-	-
YOY \$ Change	-	-	-	-	-	-
YOY % Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Percentage of Total Revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

N/A - - The District does not levy a resident school income tax.

*\*Projected % trends include renewal levies*

### 1.035 - Unrestricted Grants-in-Aid

Funds received through the State Foundation Program with no restriction.



	FORECASTED					
	2018	2019	2020	2021	2022	2023
Total	13,168,508	13,465,324	14,047,393	14,627,194	15,288,624	15,569,761
YOY \$ Change	460,504	296,816	582,069	579,801	661,430	281,137
YOY % Change	3.6%	2.3%	4.3%	4.1%	4.5%	1.8%
Percentage of Total Revenue	39.5%	41.4%	43.5%	44.6%	45.9%	46.5%
Core Funding Per Pupil	6,010	6,020	6,100	6,150	6,200	6,250
State Share Index (SSI)	56.4%	56.4%	55.7%	55.7%	57.5%	57.5%
State Core Funding Per Pupil	3,392	3,397	3,398	3,426	3,567	3,596
Formula ADM (Funded Student Count)	3,089	3,062	3,093	3,105	3,046	3,005
Funding Status	Capped	Capped	Capped	Capped	Capped	Formula

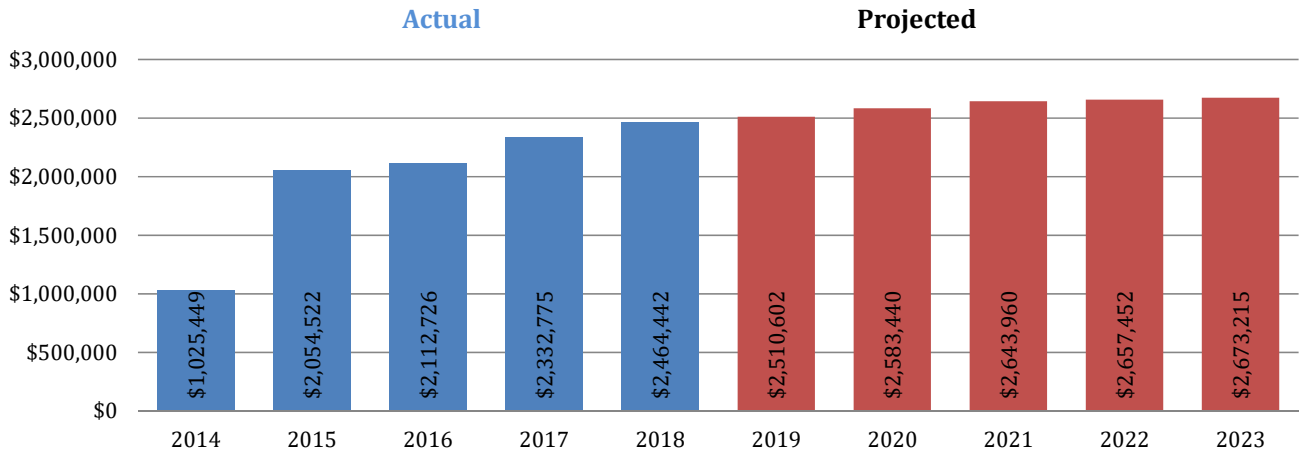
Beginning in FY2014, Ohio implemented a new state funding formula. That formula provided additional revenue (when both Unrestricted and Restricted State aid are considered), but the amounts calculated for Chillicothe have been limited by funding caps. In FY2014 and FY2015, most of the cap-limited growth came in the form of economic disadvantaged funding. Since the dollars associated with this funding component are required to be spent in approved areas, a large portion of the associated revenue growth is reflected in the Restricted Grants-in-Aid category.

The state retained the basic framework of the school funding formula in both subsequent biennial budgets (FY2016/2017 and FY2018/2019). The formula covering the current biennial (FY2018/FY2019) is expected to continue to generate the maximum base funding increases permitted which include a 3% annual base funding cap. In total, the current formula is expected to add another \$1.5 million of additional state aid over the biennial. The forecast anticipates the District will still have approximately \$350,000 of unfunded formula by the end of FY2022 (assuming a continuation of the current formula combined with a 4% cap limit). However, once the unfunded formula is exhausted, the District's funding is expected to transition from a capped status to a formula status in FY2023. This can be viewed as both good and bad. On the one hand state funding will not be limited by artificial caps, but on the other hand the District will no longer receive the maximum growth levels permitted.



### 1.040 & 1.045 - Restricted Grants-in-Aid

Funds received through the State Foundation Program or other allocations that are restricted for specific purposes.



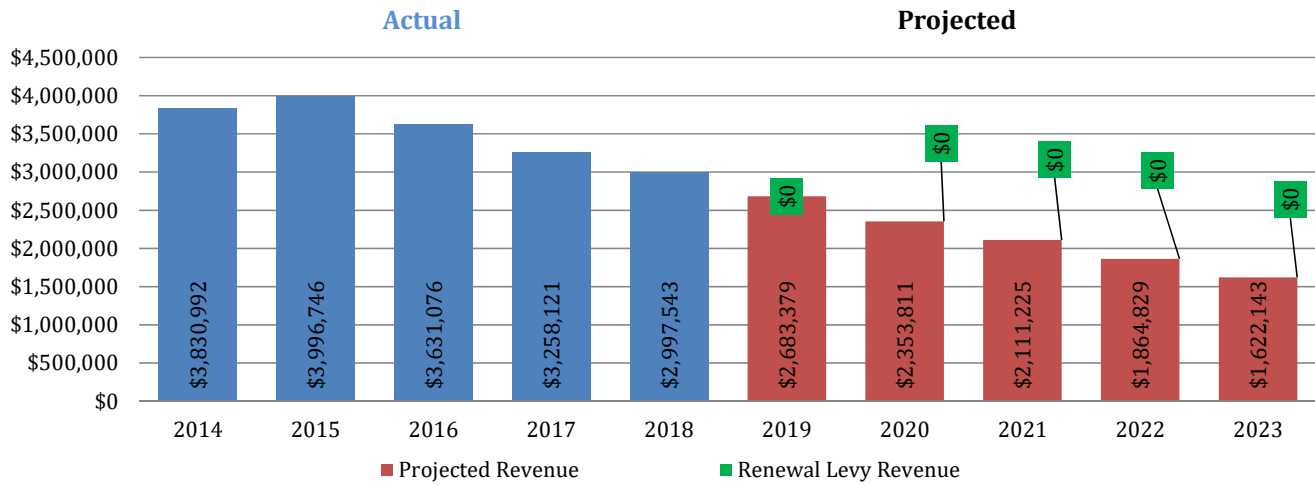
	FORECASTED					
	2018	2019	2020	2021	2022	2023
Total	2,464,442	2,510,602	2,583,440	2,643,960	2,657,452	2,673,215
YOY \$ Change	131,668	46,160	72,838	60,520	13,492	15,763
YOY % Change	5.6%	1.9%	2.9%	2.3%	0.5%	0.6%
Percentage of Total Revenue	7.4%	7.7%	8.0%	8.1%	8.0%	8.0%
Economic Disadvantaged Funding	2,350,855	2,376,450	2,448,044	2,508,564	2,522,056	2,537,819
Percentage of Disadvantaged Students	89.7%	89.7%	89.7%	89.7%	89.7%	89.7%

As mentioned in the Unrestricted Grants-in-Aid supporting notes, the state funding formula adopted in FY2014 supplied significant additional revenue in the form of Economic Disadvantaged funding to Chillicothe. This funding component has steadily grown and generated over \$2.4 million in FY2018.

The forecast assumes restricted funding will continue slow but steady growth through the end of the forecast period. Further, it is important to keep in mind that the combination of both Unrestricted and Restricted state aid is subject to the cap limitation (3% for the current biennial and 4% limit thereafter as previously indicated). Consequently, it is expected Unrestricted Aid will pick up most of the cap-limited growth after FY2019. In other words, it is important to view both Unrestricted and Restricted aid estimates in tandem.

### 1.050 - Property Tax Allocation

Includes funds received for Tangible Personal Property Tax Reimbursement, Electric Deregulation, Homestead and Rollback.



	FORECASTED					
	2018	2019	2020	2021	2022	2023
Total With Renewal Levies	2,997,543	2,683,379	2,353,811	2,111,225	1,864,829	1,622,143
YOY \$ Change	(260,578)	(314,164)	(329,568)	(242,586)	(246,396)	(242,686)
YOY % Change	-8.0%	-10.5%	-12.3%	-10.3%	-11.7%	-13.0%
Percentage of Total Revenue	9.0%	8.3%	7.3%	6.4%	5.6%	4.8%
% of Residential Real Estate 10% Rollback	9.99%	9.99%	9.99%	9.99%	9.99%	9.99%
% of Residential Real Estate 2.5% Rollback	1.76%	1.76%	1.76%	1.76%	1.76%	1.76%
% of Residential Real Estate Homestead	6.14%	6.14%	6.14%	6.14%	6.14%	6.14%

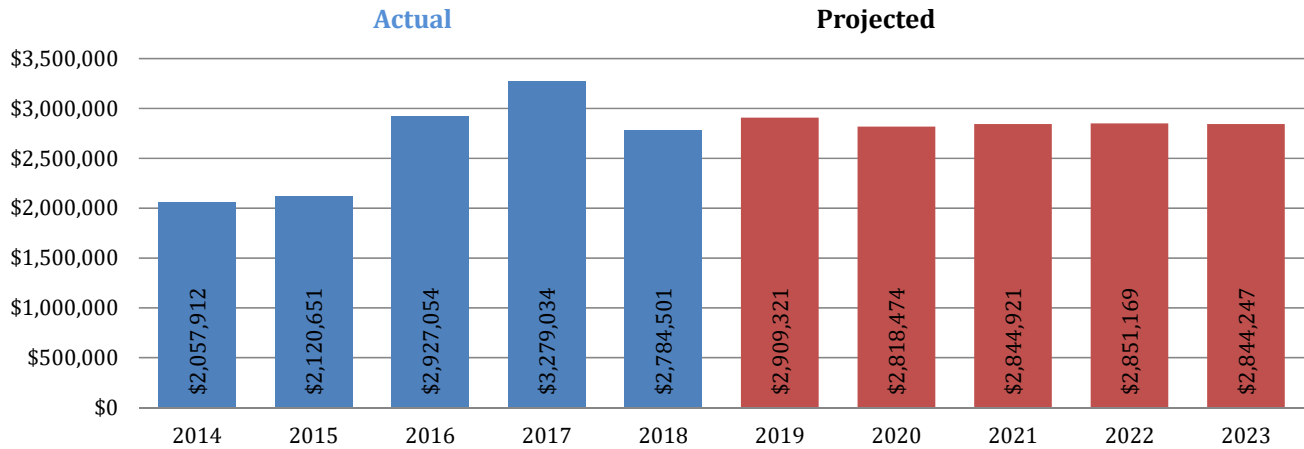
Passage of the 2013 emergency levy resulted in the growth of state supplied property tax reimbursements noted in FY2015. Like General Property tax collections, this category was impacted by the reduction in the 7.2 mill emergency when a portion of that levy was rolled back affecting revenue collections in FY2016 and FY2017. Also, like property tax collections, state tax reimbursements are reduced in FY2019 and FY2020 for the expiring emergency levy (see Real Estate and Public Utility Property Tax notes for additional detail).

Further, this category reflects overall reductions due to gradual elimination of tangible personal property reimbursements. The state replaced locally levied tangible taxes (last collected in FY2009) with a state imposed Commercial Activity Tax (CAT) tax. That tax was supposed to provide dedicated revenue stream the state could use provide replacement payments recorded in this category. However, those replacements have consistently been phased down. Although off its highs, the District still expects to receive over \$1.4 million of tangible reimbursement revenue in FY19. Current legislation calls for the continued phase-out of this revenue stream over the forecast period at a rate of approximately \$240,000 per year.

*\*Projected % trends include renewal levies*

### 1.060 - All Other Operating Revenues

Operating revenue sources not included in other lines; examples include tuition, fees, earnings on investments, rentals, and donations.



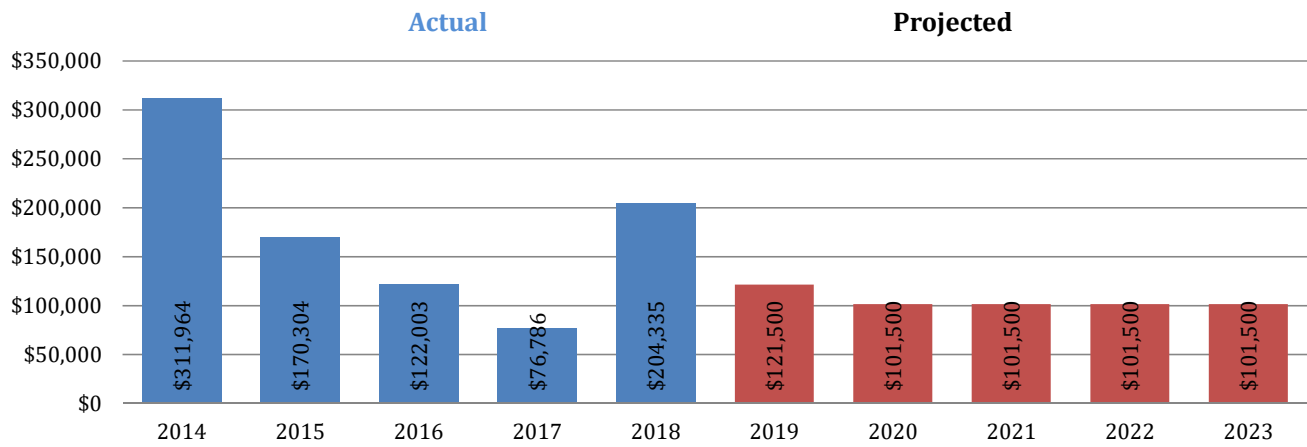
	FORECASTED					
	2018	2019	2020	2021	2022	2023
Total	2,784,501	2,909,321	2,818,474	2,844,921	2,851,169	2,844,247
YOY \$ Change	(494,533)	124,820	(90,847)	26,447	6,248	(6,922)
YOY % Change	-15.1%	4.5%	-3.1%	0.9%	0.2%	-0.2%
Percentage of Total Revenue	8.4%	9.0%	8.7%	8.7%	8.6%	8.5%

Generally, revenue reflected in this category represents tuition payments, revenue for incoming open enrollment students, class fees, and interest earnings. However, both revenue and expenditures were inflated in FY2016 and FY2017 by “accounting” transactions of \$331,415 and \$328,015 respectively to record bond premiums (See Other Expenditures for the related expenditure posting). In addition to the accounting transactions recorded in FY2016 and FY2017, the District received \$302,611 and \$141,774 respectively during those same years in “true-up” Medicaid reimbursements. FY2018 collections returned to more typical levels after the two straight years of inflated results.

Aside from the higher than normal receipts recorded in FY2016 and FY2017, the District’s incoming open enrollment population continued to exhibit growth through FY2018. From FY2015 to FY2018 incoming open enrollment grew from 265 students to 315 students, generating \$350,000 of additional revenue. The forecast assumes the District will maintain stable levels of incoming open enrollment students averaging 308 students from FY2019 through FY2023. Interest earnings have also picked up recently growing from 93,783 in FY2017 to \$170,920 in FY2018 (higher rates combined with increasing cash balances helped contribute to this growth). The forecast anticipates interest earnings of slightly more than \$250,000 in FY2019 and then gradually scale back due to lower levels of available cash to invest.

## 2.070 - Total Other Financing Sources

Includes proceeds from sale of notes, state emergency loans and advancements, operating transfers-in, and all other financing sources like sale and loss of assets, and refund of prior year expenditures.

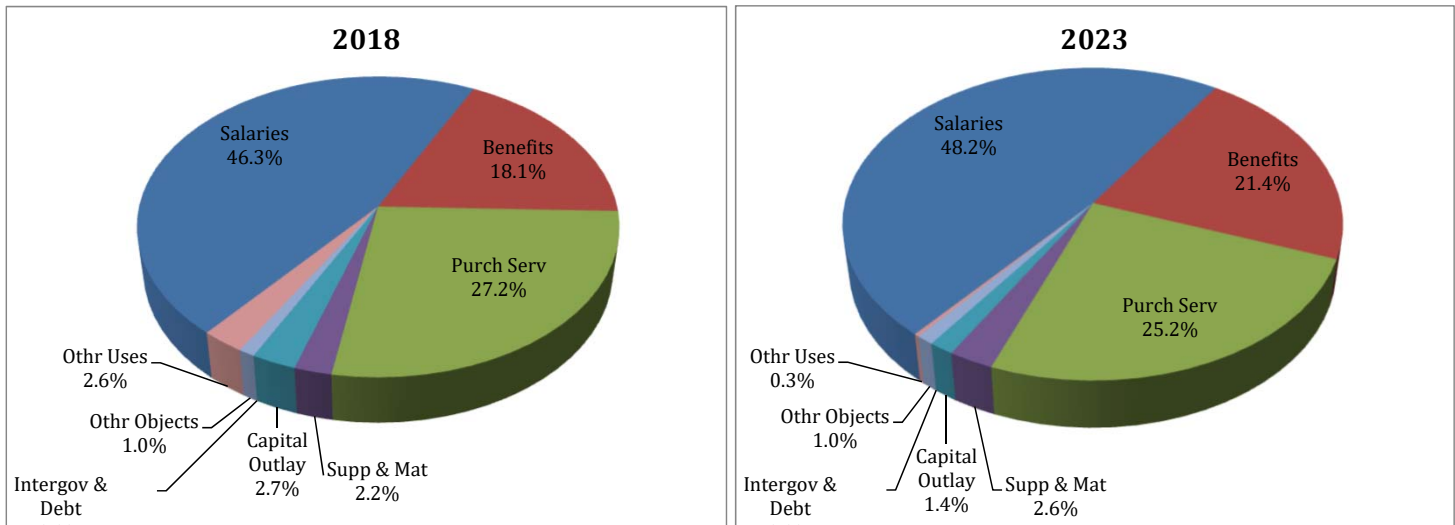


	FORECASTED					
	2018	2019	2020	2021	2022	2023
Total	204,335	121,500	101,500	101,500	101,500	101,500
YOY \$ Change	127,550	(82,835)	(20,000)	-	-	-
YOY % Change	166.1%	-40.5%	-16.5%	0.0%	0.0%	0.0%
Percentage of Total Revenue	0.6%	0.4%	0.3%	0.3%	0.3%	0.3%
Transfers In	-	-	-	-	-	-
Advances In	202,086	120,000	100,000	100,000	100,000	100,000

FY2014 reflects the return of contingency dollars totaling \$221,912 to the General Fund. These funds were originally set-aside to address a potential liability related to contested values. FY2014 also includes an \$83,000 refund received from the Bureau of Workers Compensation representing the District's portion of refunds granted to public employers. The District received another \$98,000 in Workers Comp refunds in FY2015.

FY2018 reflects the return of slightly more than \$200,000 of advanced federal dollars. Moving forward this category only assumes \$100,000 advance returns each year and very minimal other receipts. No additional Workers Comp refunds are reflected in this category because recent refunds from the Bureau (received in FY2018 and expected in FY2019) are recorded as reductions of expenditures reflected in the Fringe Benefit expenditure note.

### Expenditure Categories and Forecast Year-Over-Year Projected Overview

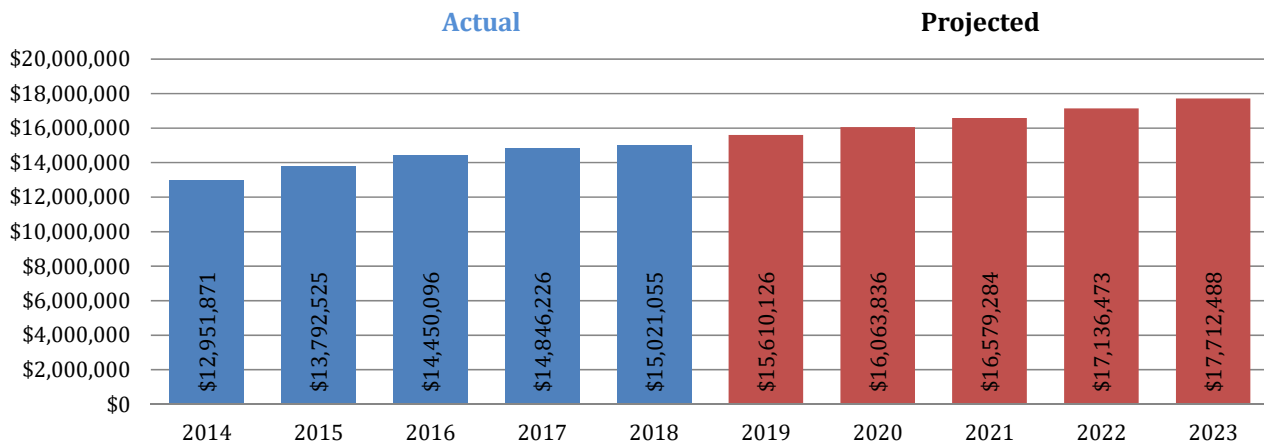


	Prev. 5-Year Avg. Annual Change	PROJECTED					5-Year Avg. Annual Change
		Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023	
<b>Expenditures:</b>							
3.010-Salaries	3.45%	3.92%	2.91%	3.21%	3.36%	3.36%	3.35%
3.020-Benefits	1.98%	3.82%	8.44%	5.95%	5.98%	6.07%	6.05%
3.030-Purchased Services	7.80%	-0.46%	0.22%	1.64%	1.65%	1.54%	0.92%
3.040-Supplies & Materials	18.69%	25.50%	-5.95%	20.18%	-10.03%	3.00%	6.54%
3.050-Capital Outlay	123.20%	-29.03%	-38.01%	33.63%	1.53%	1.53%	-6.07%
3.060-Intergov	n/a	n/a	n/a	n/a	n/a	n/a	n/a
4.010-4.060-Debt	-20.00%	n/a	n/a	n/a	n/a	n/a	n/a
4.300-Other Objects	2.43%	9.59%	2.00%	2.00%	2.00%	2.00%	3.52%
4.500-Total Expenditures	3.51%	2.33%	2.19%	4.11%	3.01%	3.41%	3.01%
5.040-Total Other Uses	2150.55%	-87.98%	-0.01%	0.00%	0.00%	0.00%	-17.60%
5.050-Total w/Other Uses	4.00%	0.01%	2.18%	4.10%	3.00%	3.40%	2.54%

Expenditures are influenced by inflationary pressures and driven by the District’s plan to serve students. Overall expenditures are projected to increase, on average, at a modest rate of 2.54% per year. Cost containment will be extremely important given the projected trend of stagnate revenue and growing operational deficits. Obviously, a significant portion of the Districts overall spending is comprised of three major expenditure categories (Salaries, Benefits and Purchased Services). As such, it is clear spending decisions in these categories heavily influence projections and ultimately the District’s future sustainability.

### 3.010 - Personnel Services

Employee salaries and wages, including extended time, severance pay, supplemental contracts, etc.



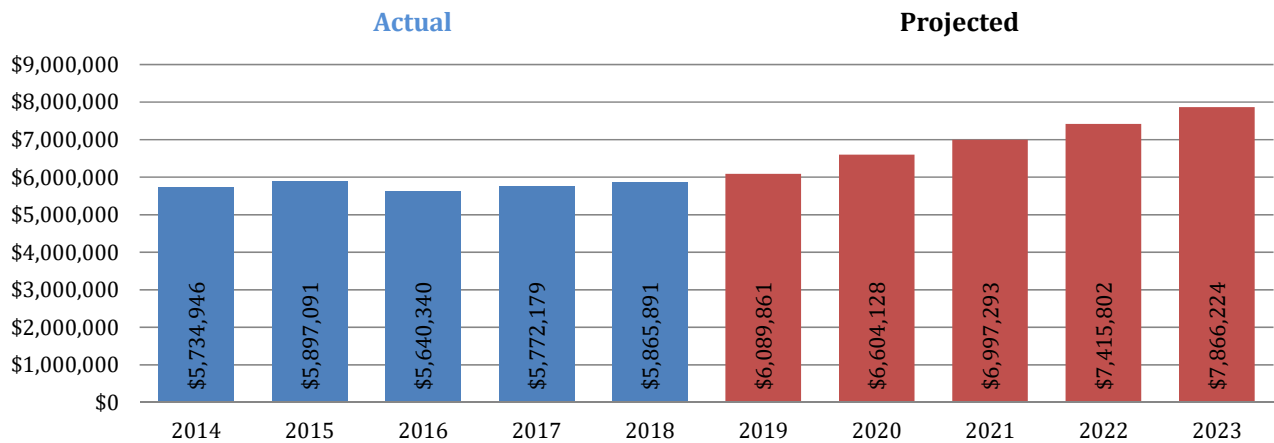
	FORECASTED					
	2018	2019	2020	2021	2022	2023
Total	15,021,055	15,610,126	16,063,836	16,579,284	17,136,473	17,712,488
YOY \$ Change	174,829	589,071	453,710	515,448	557,189	576,015
YOY % Change	1.2%	3.9%	2.9%	3.2%	3.4%	3.4%
Percentage of Total Budget	46.3%	48.1%	48.4%	48.0%	48.2%	48.2%

Salaries are projected grow annually by an average 3.35% per year over the forecast period. The forecast includes negotiated base salary increases of 3%, 2.5% and 2% respectively in FY2017 through FY2019. Projected salaries also include a 1.6% annual wage factor to consider advancing experience and education levels of existing staff. The forecast assumes 2% annual base wage increases combined with advancing experience and education thereafter.

In addition to the wage increases described, the forecast includes a reduction of 2 teachers and 2 teacher’s aid positions in FY2018, while adding 1 psychologist position in the same year. The District eliminated another 2 higher paying administrative positions in FY2019 and replaced those positions with 1, lower cost administrative support position. Due to the opening of new buildings the District required 2 additional bus drivers and a ½ time custodian in FY2019. The forecast assumes the reduction of 2 more teaching staff in FY2020 and then assumes stable staffing levels in FY2021 through 2023.

### 3.020 - Employees' Benefits

Retirement for all employees, Workers Compensation, early retirement incentives, Medicare, unemployment, pickup on pickup, and all health-related insurances.



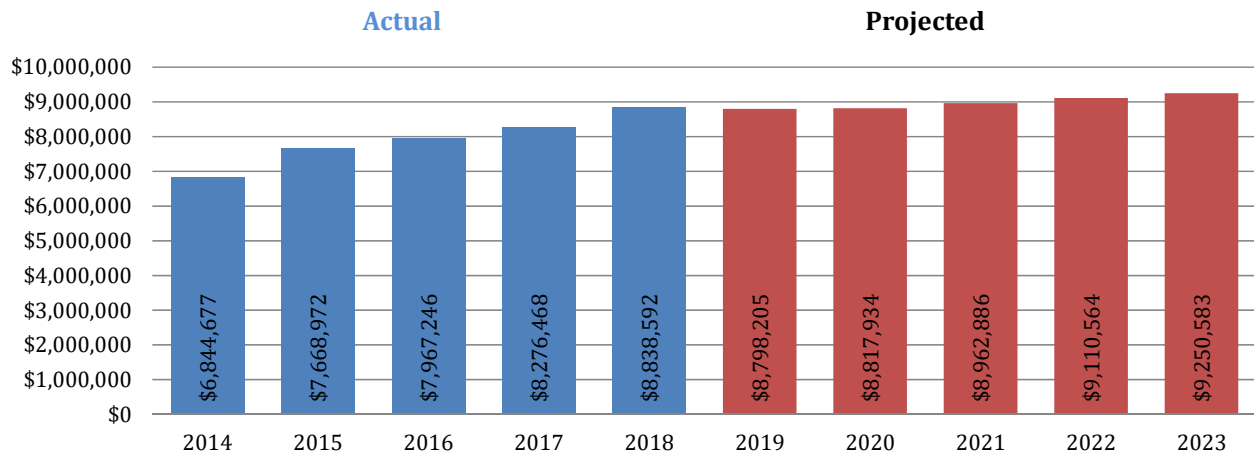
	FORECASTED					
	2018	2019	2020	2021	2022	2023
Total	5,865,891	6,089,861	6,604,128	6,997,293	7,415,802	7,866,224
YOY \$ Change	93,712	223,970	514,267	393,165	418,509	450,422
YOY % Change	1.6%	3.8%	8.4%	6.0%	6.0%	6.1%
Percentage of Total Budget	18.1%	18.8%	19.9%	20.3%	20.9%	21.4%

Bucking trend, the overall cost of District provided fringe benefits decreased from FY2014 to FY2016 and increased only slightly in FY2017 and FY2018. A large factor in the cost containment is attributable to the move from a traditional health insurance plan design to a high deductible plan design. Further, the savings achieved from the switch helped free-up dollars for negotiated salary increases beginning in FY2017.

The forecast assumes a consistent number of health plans over the forecasted period. FY2019-FY2023 also assumes HSA contributions to continue at FY2019 levels. Medical premiums are set to increased 6% in FY2019 (modest by industry standards). Rates beyond FY2019 are expected to increase 9% per year, which is consistent with current industry trends.

### 3.030 - Purchased Services

Amounts paid for personal services rendered by personnel who are not on the payroll of the school district, and other services which the school district may purchase.



	FORECASTED					
	2018	2019	2020	2021	2022	2023
Total	8,838,592	8,798,205	8,817,934	8,962,886	9,110,564	9,250,583
YOY \$ Change	562,124	(40,387)	19,729	144,952	147,678	140,019
YOY % Change	6.8%	-0.5%	0.2%	1.6%	1.6%	1.5%
Percentage of Total Budget	27.2%	27.1%	26.6%	26.0%	25.6%	25.2%

This category accounts for a variety of other expenses including: special education tuition, utilities, transportation charges, rentals, as well as outgoing student enrollment charges.

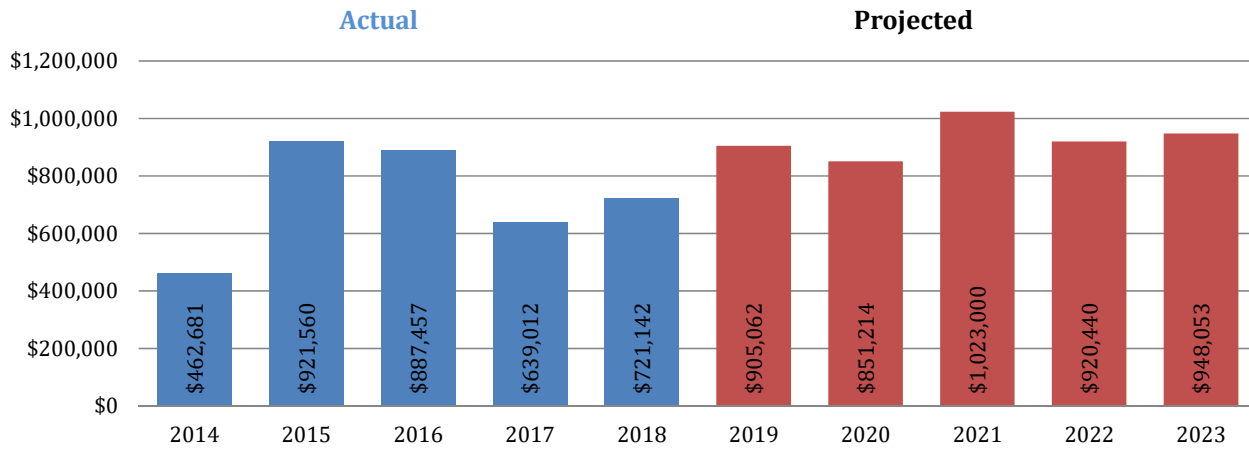
Past spending growth in this category has been fueled by increases in outgoing open enrollment, community schools and other external scholarships. However, recent trends indicate a decline in the number of outgoing community school students, while the growth in students leaving through open enrollment has stabilized. To provide perspective, a total of 671 students left the District through open enrollment and another 88 left to attend community schools in FY2016 as compared to 672 and 59 respectively in FY2018.

The District expects outgoing open enrollment levels to remain stable at 672 students through the end of FY2023, while outgoing community school levels are projected to decline to 49 students in FY2019 and remain stable thereafter. Continued stability (or even better a reduction) in the number of students leaving through these two options is key to mitigating future expenditure increases in this category. The opening of the District's new buildings could be a key to help achieve this goal, but until evidence is demonstrated that students are returning the forecast assumes the stability previously mentioned. Lastly, beginning in FY2019 the forecast includes the addition of a building resource officer at a total cost of \$100,000.



### 3.040 - Supplies & Materials

Expenditures for general supplies, instructional materials including textbooks and media material, bus fuel and tires, and all other maintenance supplies.



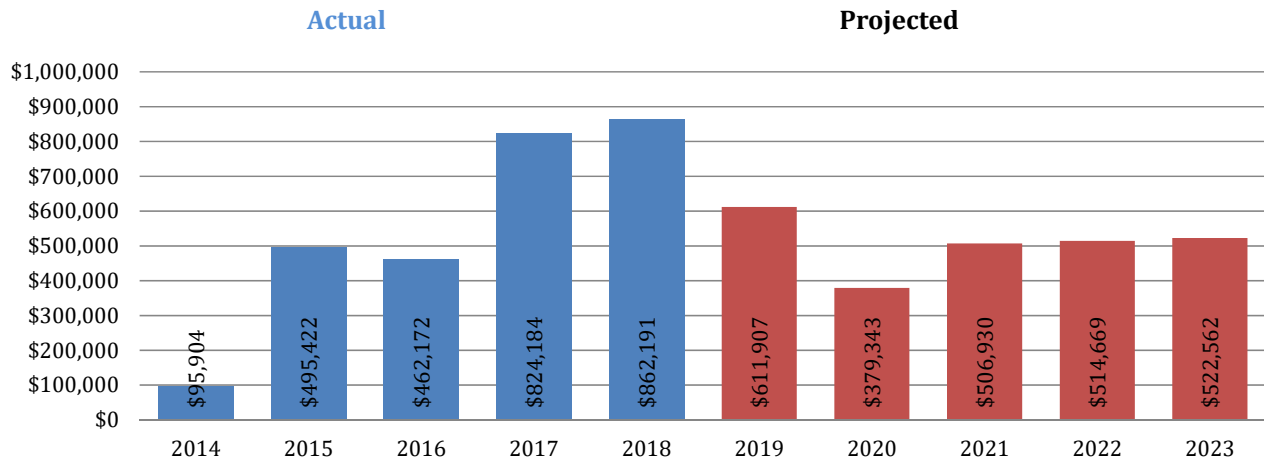
	FORECASTED					
	2018	2019	2020	2021	2022	2023
Total	721,142	905,062	851,214	1,023,000	920,440	948,053
YOY \$ Change	82,131	183,920	(53,848)	171,786	(102,560)	27,613
YOY % Change	12.9%	25.5%	-5.9%	20.2%	-10.0%	3.0%
Percentage of Total Budget	2.2%	2.8%	2.6%	3.0%	2.6%	2.6%

The District returned approximately \$450,000 worth of supply expenditures from its Permanent Improvement Fund to the General Fund in FY2015. In addition, textbook purchases were emphasized in both FY2015 and FY2016 averaging approximately \$300,000 per year. Text purchases in FY2017 ended at \$32,568 which was down significantly from the previous two years. In FY2018, supply spending returned to more typical levels.

A major science textbook adoption is scheduled for FY2019 thus influencing the overall projected increase in that year. A less costly text adoption is scheduled for FY2020 followed by another major adoption in FY2021. Text adoptions in FY2022 and FY2023 are forecasted, but at slightly lower levels than in FY2021. Other expenditures for general supplies (both instructional and operational) are expected to exhibit typical inflationary growth of approximately 3% per year from 2019 through 2023.

### 3.050 - Capital Outlay

This line includes expenditures for items having at least a five-year life expectancy, such as land, buildings, improvements of grounds, equipment, computers/technology, furnishings, and buses.



	FORECASTED					
	2018	2019	2020	2021	2022	2023
Total	862,191	611,907	379,343	506,930	514,669	522,562
YOY \$ Change	38,007	(250,284)	(232,564)	127,587	7,739	7,893
YOY % Change	4.6%	-29.0%	-38.0%	33.6%	1.5%	1.5%
Percentage of Total Budget	2.7%	1.9%	1.1%	1.5%	1.4%	1.4%

Starting in FY2014, the District returned a portion of capital spending from its PI Fund to the General Fund. Part of those expenses included funding for a new technology plan. Also, in an effort to renew its aging bus fleet, the District purchased 4 buses in FY2017 and another 4 buses in FY2018 elevating expenditures in those particular years. The forecast includes one bus purchase in FY2019, none in FY2020 and one per year thereafter (FY2021 – FY2023).

The District continues to evaluate other one-time outlays, but any such decisions will require careful consideration as the forecast anticipates expenditures exceeding revenue in the near future.

### 3.060-4.060 - Intergovernmental & Debt

These lines account for pass through payments, as well as monies received by a district on behalf of another governmental entity, plus principal and interest payments for general fund borrowing.

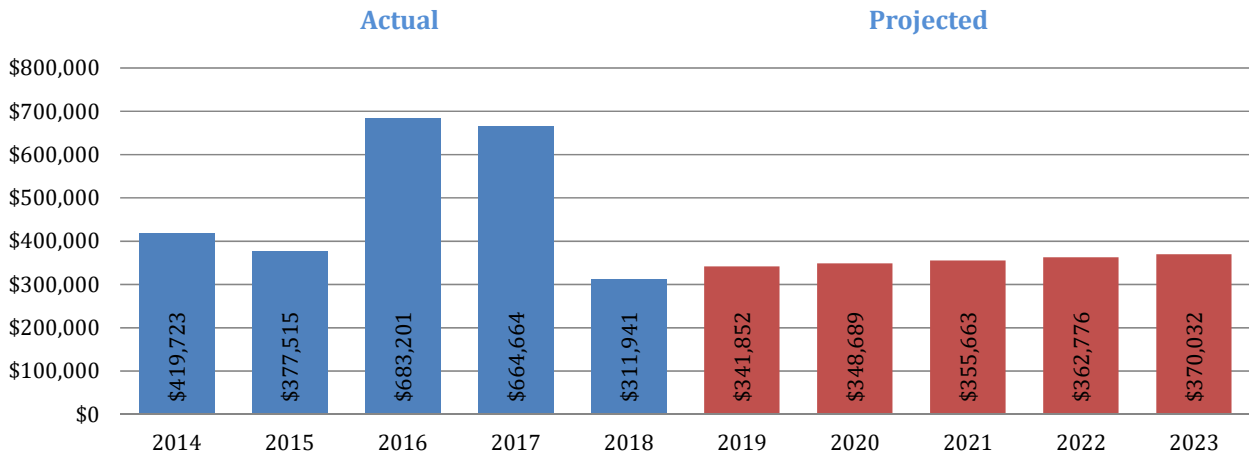
	Actual					Projected				
\$1										
\$1										
\$1										
\$1										
\$1										
\$1										
\$0										
\$0										
\$0										
\$0										
\$0										
\$0										
	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023

	FORECASTED					
	2018	2019	2020	2021	2022	2023
Total	-	-	-	-	-	-
YOY \$ Change	-	-	-	-	-	-
YOY % Change	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Percentage of Total Budget	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

N/A

### 4.300 - Other Objects

Primary components for this expenditure line are membership dues and fees, ESC contract deductions, County Auditor/Treasurer fees, audit expenses, and election expenses.



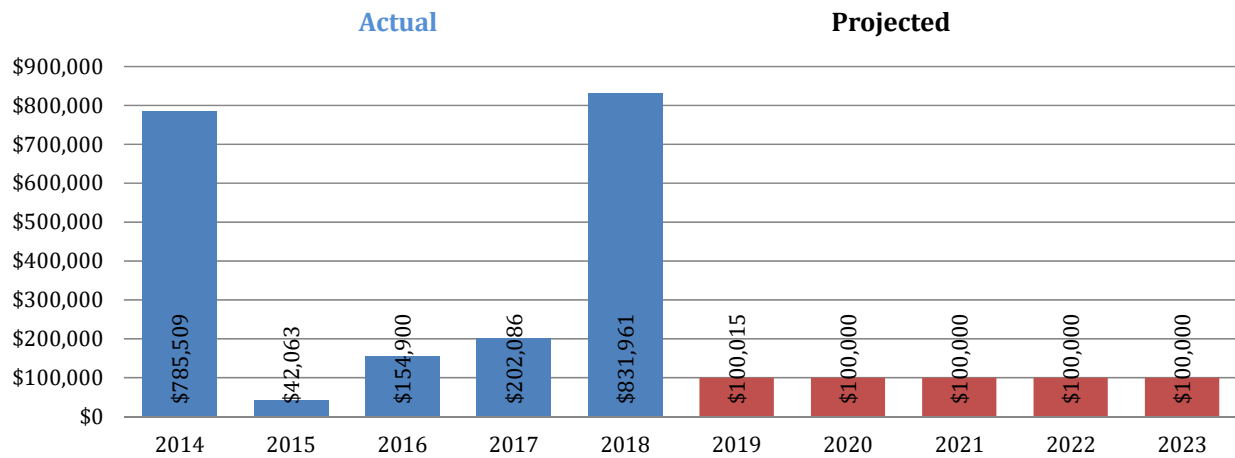
	FORECASTED					
	2018	2019	2020	2021	2022	2023
Total	311,941	341,852	348,689	355,663	362,776	370,032
YOY \$ Change	(352,723)	29,911	6,837	6,974	7,113	7,256
YOY % Change	-53.1%	9.6%	2.0%	2.0%	2.0%	2.0%
Percentage of Total Budget	1.0%	1.1%	1.1%	1.0%	1.0%	1.0%

As mentioned on the revenue side of the ledger, both revenue and expenditure were inflated in both FY2016 and FY2017 by the accounting transaction of \$331,415 and \$328,015 respectively to account for bond premiums (See All Other Revenue note for the related receipt posting).

Aside from these large repayments, the other charges here are primarily related to county auditor and treasurer fees for the collection of local taxes which serve as the basis of the projections from FY2019 - FY2023.

### 5.040 - Total Other Financing Uses

Operating transfers-out, advances out to other funds, and all other general fund financing uses.



	FORECASTED					
	2018	2019	2020	2021	2022	2023
Total	831,961	100,015	100,000	100,000	100,000	100,000
YOY \$ Change	629,875	(731,946)	(15)	-	-	-
YOY % Change	311.7%	-88.0%	0.0%	0.0%	0.0%	0.0%
<b>Percentage of Total Budget</b>	<b>2.6%</b>	<b>0.3%</b>	<b>0.3%</b>	<b>0.3%</b>	<b>0.3%</b>	<b>0.3%</b>
Transfers Out	750,000	-	-	-	-	-
Advances Out	81,961	100,000	100,000	100,000	100,000	100,000

FY2014 reflects the transfer of \$721,912 from the General Fund to the Permanent Improvement Fund. FY2018 includes a transfer of \$400,000 to establish a Severance Reserve fund plus another \$350,000 transfer to the District's Capital Project Fund to support the ongoing intermittent capital needs of the District. Future years do not include any additional transfers to the Capital Project fund or Severance Reserve fund.

Finally, FY2019 - FY2023 the forecast assumes advances of \$100,000 to address Federal program cash shortfalls during the year. These advance outs are offset by corresponding return advances reflected on the revenue side of the ledger in Non-Operating Sources.

## Chillicothe City School District

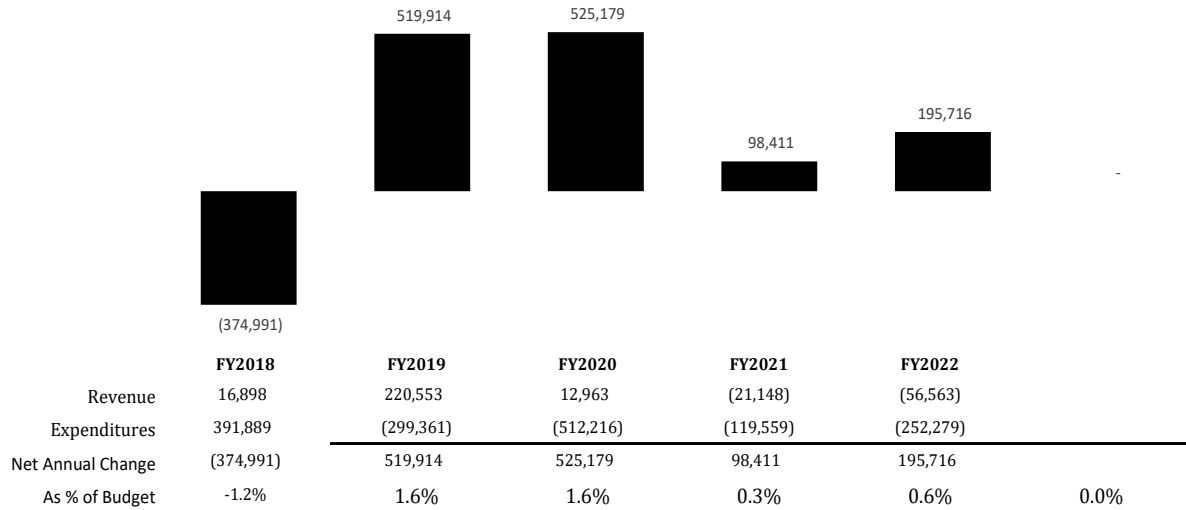
### Five Year Forecast

Fiscal Year:	Actual	FORECASTED				
	2018	2019	2020	2021	2022	2023
<b>Revenue:</b>						
1.010 - General Property Tax (Real Estate)	10,322,028	9,223,722	8,835,945	8,906,771	8,953,842	9,026,473
1.020 - Public Utility Personal Property	1,396,527	1,573,066	1,540,227	1,571,031	1,602,452	1,633,613
1.030 - Income Tax	-	-	-	-	-	-
1.035 - Unrestricted Grants-in-Aid	13,168,508	13,465,324	14,047,393	14,627,194	15,288,624	15,569,761
1.040 - Restricted Grants-in-Aid	2,464,442	2,510,602	2,583,440	2,643,960	2,657,452	2,673,215
1.050 - Property Tax Allocation	2,997,543	2,683,379	2,353,811	2,111,225	1,864,829	1,622,143
1.060 - All Other Operating Revenues	2,784,501	2,909,321	2,818,474	2,844,921	2,851,169	2,844,247
<b>1.070 - Total Revenue</b>	<b>33,133,549</b>	<b>32,365,414</b>	<b>32,179,290</b>	<b>32,705,102</b>	<b>33,218,368</b>	<b>33,369,452</b>
<b>Other Financing Sources:</b>						
2.010 - Proceeds from Sale of Notes	-	-	-	-	-	-
2.020 - State Emergency Loans and Adv	-	-	-	-	-	-
2.040 - Operating Transfers-In	-	-	-	-	-	-
2.050 - Advances-In	202,086	120,000	100,000	100,000	100,000	100,000
2.060 - All Other Financing Sources	2,250	1,500	1,500	1,500	1,500	1,500
<b>2.070 - Total Other Financing Sources</b>	<b>204,335</b>	<b>121,500</b>	<b>101,500</b>	<b>101,500</b>	<b>101,500</b>	<b>101,500</b>
<b>2.080 - Total Rev &amp; Other Sources</b>	<b>33,337,885</b>	<b>32,486,914</b>	<b>32,280,790</b>	<b>32,806,602</b>	<b>33,319,868</b>	<b>33,470,952</b>
<b>Expenditures:</b>						
3.010 - Personnel Services	15,021,055	15,610,126	16,063,836	16,579,284	17,136,473	17,712,488
3.020 - Employee Benefits	5,865,891	6,089,861	6,604,128	6,997,293	7,415,802	7,866,224
3.030 - Purchased Services	8,838,592	8,798,205	8,817,934	8,962,886	9,110,564	9,250,583
3.040 - Supplies and Materials	721,142	905,062	851,214	1,023,000	920,440	948,053
3.050 - Capital Outlay	862,191	611,907	379,343	506,930	514,669	522,562
Intergovernmental & Debt Service	-	-	-	-	-	-
4.300 - Other Objects	311,941	341,852	348,689	355,663	362,776	370,032
<b>4.500 - Total Expenditures</b>	<b>31,620,812</b>	<b>32,357,013</b>	<b>33,065,144</b>	<b>34,425,056</b>	<b>35,460,724</b>	<b>36,669,942</b>
<b>Other Financing Uses</b>						
5.010 - Operating Transfers-Out	750,000	-	-	-	-	-
5.020 - Advances-Out	81,961	100,000	100,000	100,000	100,000	100,000
5.030 - All Other Financing Uses	-	15	-	-	-	-
<b>5.040 - Total Other Financing Uses</b>	<b>831,961</b>	<b>100,015</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>
<b>5.050 - Total Exp and Other Financing Uses</b>	<b>32,452,773</b>	<b>32,457,028</b>	<b>33,165,144</b>	<b>34,525,056</b>	<b>35,560,724</b>	<b>36,769,942</b>
<b>6.010 - Excess of Rev Over/(Under) Exp</b>	<b>885,112</b>	<b>29,886</b>	<b>(884,354)</b>	<b>(1,718,454)</b>	<b>(2,240,856)</b>	<b>(3,298,990)</b>
<b>7.010 - Cash Balance July 1 (No Levies)</b>	<b>9,960,893</b>	<b>10,846,005</b>	<b>10,875,891</b>	<b>9,991,537</b>	<b>8,273,083</b>	<b>6,032,227</b>
<b>7.020 - Cash Balance June 30 (No Levies)</b>	<b>10,846,005</b>	<b>10,875,891</b>	<b>9,991,537</b>	<b>8,273,083</b>	<b>6,032,227</b>	<b>2,733,237</b>
		Reservations				
8.010 - Estimated Encumbrances June 30	75,446	150,000	150,000	150,000	150,000	150,000
9.080 - Reservations Subtotal	-	-	-	-	-	-
<b>10.010 - Fund Bal June 30 for Cert of App</b>	<b>10,770,559</b>	<b>10,725,891</b>	<b>9,841,537</b>	<b>8,123,083</b>	<b>5,882,227</b>	<b>2,583,237</b>
<b>Rev from Replacement/Renewal Levies</b>						
11.010 & 11.020 - Renewal Levies	-	-	-	-	-	-
11.030 - Cumulative Balance of Levies	-	-	-	-	-	-
<b>12.010 - Fund Bal June 30 for Cert of Obligations</b>	<b>10,770,559</b>	<b>10,725,891</b>	<b>9,841,537</b>	<b>8,123,083</b>	<b>5,882,227</b>	<b>2,583,237</b>
<b>Revenue from New Levies</b>						
13.010 & 13.020 - New Levies	-	-	-	-	-	-
13.030 - Cumulative Balance of New Levies	-	-	-	-	-	-
<b>15.010 - Unreserved Fund Balance June 30</b>	<b>10,770,559</b>	<b>10,725,891</b>	<b>9,841,537</b>	<b>8,123,083</b>	<b>5,882,227</b>	<b>2,583,237</b>

**Current Five Year Forecast Change to Net Operating Revenue (Line 6.01) Compared to Last Filed Forecast**

Last Filed Forecast Date: 05/22/2018

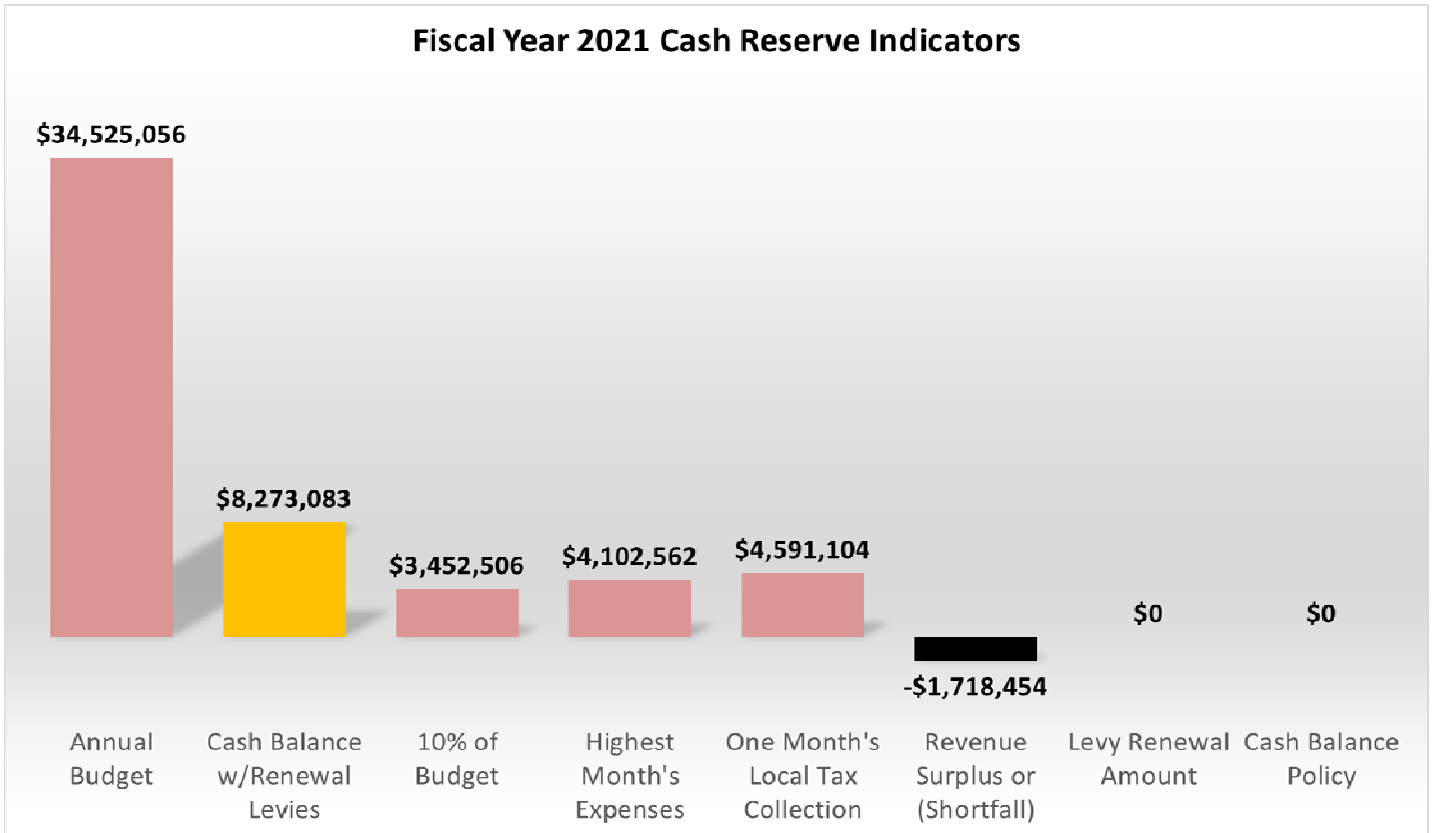
Current Net Annual Revenue & Expenditure Changes Compared to Last Filed Forecast



5-Year Cumulative Change FY 2018 - 2022			
	5 Yr Cumulative Revenue Change		5 Yr Cumulative Expenditure Change
1.01 Real Estate	139,120		3.01 Salaries (652,785)
1.02 Pub Utility	3,227		3.02 Benefits (802,973)
1.03 Income Tax	-		3.03 Purchased Serv. 810,996
1.035,1.040 State	(75,854)		3.04 Supplies 89,515
1.05 Prop Tax Alloc.	(173,993)		3.05 Capital 492,173
1.060 All Other	259,453		4.3 Other Exp (10,428)
2.xx Other Sources	20,749		Intergov + Debt + Other (718,024)
Cumulative Revenue Change	172,703		Cumulative Expenditure Change (791,526)

**Net Cumulative Five-Year Change** **\$964,229 Favorable**  
**Net Cumulative Cash Change as % of Budget** **0.57%**  
 Net Cumulative Change in Levy Reservation **(\$4,896,821)**  
 Note: Net Cumulative Five-Year Change W/Renewal Levy Reservation Variance **(\$3,932,592)**

Without considering the expiring emergency levy, the base forecast for FY2019 indicates improvement since the October filing. The improvement is primarily related to slightly better revenue collections combined with more significant expenditure reductions. Obviously, spending decisions have been scaled back (starting in FY2019) in part to respond to the expiration of the emergency levy in 2018. Additional spending restraint will be required to bridge the projected operational shortfalls moving forward.



Despite the projected revenue shortfall in FY2021, the District's cash reserves are anticipated to remain comfortably above standard benchmark measures. However, the projected revenue shortfall projected for FY2021 signals a need to properly plan in future years to avoid a less sustainable downward trend. Since revenue growth is projected to remain stagnate, it underscores the importance of continued vigilance to mitigate future spending increases.



Head Count Summary/Analysis		Chillicothe City School District				
		2019	2020	2021	2022	2023
Prior Year Actual/Estimated Enrollment (October Count)		2,945	2,806	2,797	2,809	2,750
<b>Projected Changes to Prior Year Enrollment</b>						
Net All-Grade Level Mobility Factor (Change) to Prior Year		-82	3	8	3	0
New Kindergartners In		202	217	241	210	205
Loss of Seniors from Prior Year		-259	-229	-237	-273	-246
Net Change in Outgoing and Incoming Pupils		-57	-12	4	-63	-41
<b>Current Year Estimated Enrollment (Simulated October Count)</b>		2,806	2,797	2,809	2,750	2,708
District Head Count	Grade					
	K	202	217	241	210	205
	1	218	193	207	230	200
	2	168	207	183	196	218
	3	198	167	205	181	195
	4	215	194	163	201	178
	5	195	210	189	159	196
	6	216	196	210	190	160
	7	225	217	196	211	191
	8	206	225	217	197	211
	9	246	238	260	251	227
	10	258	233	225	246	237
	11	230	265	239	231	253
	12	229	237	273	246	238
<b>Total Can Differ by Rounding</b>		2,806	2,797	2,809	2,750	2,708
Year-Over-Year Percentage Change		-4.72%	-0.32%	0.44%	-2.13%	-1.49%

