LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO

FINANCIAL FORECAST NOTES
OCTOBER 2014

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Licking Heights Five Year Forecast
FISCAL YEAR 2015

		Actual			Forecasted				
		2012	2013	2014	2015	2016	2017	2018	2019
1.010	General Property (Real Estate)	13,708,499	14,561,805	16,922,226	18,364,205	18,417,990	18,490,696	18,615,024	18,801,174
1.020	Tangible PPT	378,609	389,041	433,285	491,022	500,543	508,840	513,996	529,416
1.035	Unrestricted Grants	7,679,562	8,373,555	9,195,855	10,039,990	10,337,374	10,643,642	10,959,059	11,283,899
1.040	Restricted Grants	481,354	88,136	199,152	202,824	208,400	214,052	219,874	225,870
1.045	Restricted Grants - SFSF	0	3,334	0	0	0	0	0	0
1.050	Property Tax Allocation	1,826,575	1,964,304	2,259,371	2,427,887	2,452,166	2,476,688	2,501,454	2,526,469
1.060	All Other Revenue	2,484,641	2,443,242	4,241,983	3,124,581	3,933,806	3,537,244	3,919,315	4,088,566
1.070	Total Revenue	26,559,240	27,823,417	33,251,872	34,650,509	35,850,279	35,871,162	36,728,722	37,455,395
2.010	Proceeds from Sale of Notes		4,276,775						
2.040	Operating Transfers - In	246,028	283,847	105,100					
2.050	Advances - In	284,800	101,037	162,411					
2.060	All Other Financial Sources	56,191	17,297	184,361	99,000	5,000	5,000	5,000	5,000
2.070	Total Other Financing Sources	587,019	4,678,956	451,872	99,000	5,000	5,000	5,000	5,000
2.080	Total Revenues and Other Financing Sources	27,146,259	32,502,373	33,703,744	34,749,509	35,855,279	35,876,162	36,733,722	37,460,395
3.010	Personnel Services	15,914,789	15,237,858	15,693,799	17,029,635	18,176,489	19,054,987	19,952,376	21,351,078
3.020	Benefits	6,085,762	6,359,204	6,437,878	7,438,721	7,888,380	8,373,452	9,013,055	9,789,966
3.030	Purchased Services	4,750,051	4,853,763	6,519,526	6,719,809	6,854,423	6,990,812	7,129,928	7,708,725
3.040	Supplies and Materials	1,015,517	869,593	1,278,451	1,474,618	1,403,738	1,416,572	1,429,533	1,494,990
3.050	Capital Outlay	1,142	0	105,510	126,455	134,185	135,526	136,882	138,250
4.010	Principal - All Years	90,000	95,000						
4.020	Principal - Notes			1,050,000	1,070,000	1,085,000	1,095,000	0	0
4.050	Principal - HB 264 Loan			95,000	100,000	105,000	0	0	0
4.060	Interest and Fiscal Charges	17,488	13,900	65,979	47,359	28,424	11,351	0	0
4.300	Other Objects	334,662	391,505	442,671	523,038	528,268	533,551	538,886	544,275
4.500	Total Expenditures	28,209,411	27,820,823	31,688,814	34,529,635	36,203,908	37,611,251	38,200,661	41,027,285
5.010	Operating Transfers - Out	138,540	174,947	1,196,855					
5.020	Advances - Out	101,037	266,782	0					
5.040	Total Other Financing Uses	239,577	441,729	1,196,855	0	0	0	0	0
5.050	Total Expenditures and Other Financing Uses	28,448,988	28,262,552	32,885,669	34,529,635	36,203,908	37,611,251	38,200,661	41,027,285
6.010	Excess Revenue over(under) Expenditures	-1,302,729	4,239,821	818,075	219,874	-348,628	-1,735,089	-1,466,939	-3,566,890
7.010	Beginning Cash Balance	1,440,090	137,361	4,377,182	5,195,257	5,415,131	5,066,502	3,331,413	1,864,475
7.020	Ending Cash Balance	137,361	4,377,182	5,195,257	5,415,131	5,066,502	3,331,413	1,864,475	-1,702,416
8.010	Outstanding Encumbrances	13,132	27,033	195,776	30,000	30,000	30,000	30,000	30,000
10.010	Fund Balance June 30 for Cert. of Appropriations	124,229	4,350,149	4,999,481	5,385,131	5,036,502	3,301,413	1,834,475	-1,732,416
13.010	Income Tax - New								
13.020	Property Tax - New								
13.300	Cumulative Balance of New Levies	0	0	0	0	0	0	0	0
12.010	Fund Balance June 30 for Cert. of Contracts, Salaries, etc.	124,229	4,350,149	4,999,481	5,385,131	5,036,502	3,301,413	1,834,475	-1,732,416
15.010	Unreserved Fund Balance June 30	124,229	4,350,149	4,999,481	5,385,131	5,036,502	3,301,413	1,834,475	-1,732,416

LICKING HEIGHTS LOCAL SCHOOL DISTRICT
LICKING COUNTY, OHIO
NOTES TO FIVE-YEAR FORECAST

1. Introduction

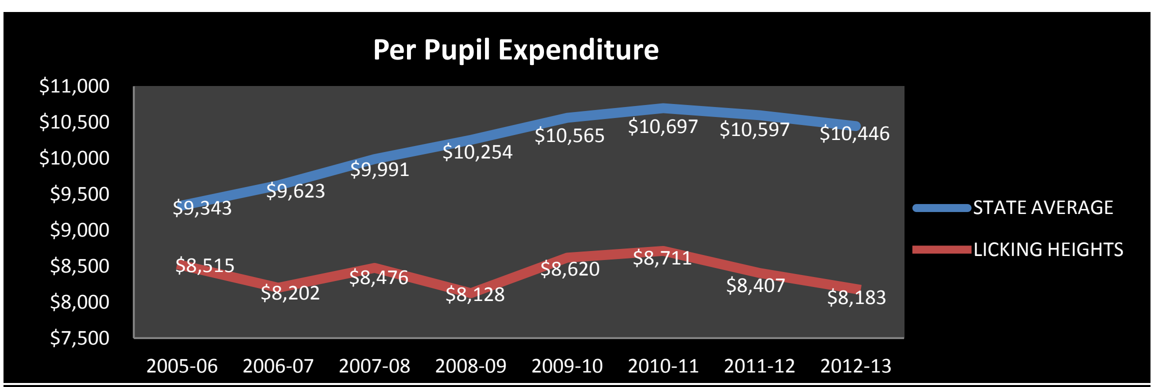
The mission of the Licking Heights Local School District is to enhance growth through learning. The quantity and quality of learning programs are related to the funding provided and the effective, efficient management of those funds. It follows that the District's purposes can best be achieved through prudent fiscal management. Licking Heights was only one of seven school districts in the Central Ohio region to receive all A's or B's on the Ohio Department of Education report card for the 2014 school year.

Licking Heights' five-year forecast is an estimate of the most probable financial position as a result of operation and changes in our financial situation for the future. "Most probable" means the assumptions have been evaluated by the Treasurer, Superintendent and reviewed by the Board of Education. This forecast is based on management's judgment of the most likely set of conditions and most likely course of action.

The five-year forecast is derived through a combination of variables, including but not limited to: history, future projected growth, curriculum & program options, fiscal and physical constraints. The forecast is also based on the assumption of future events, which are based on present circumstances and information currently available. Other factors that impact the five-year forecast (favorably or unfavorably) are changes in law, state funding, and general economic conditions. Thus, the forecast is a fluid document we continually update over time as financial conditions change. It is meant to be our best projection at the time, not an absolute projection. It is based on many assumptions, the most significant of which are outlined in these notes.

2. History

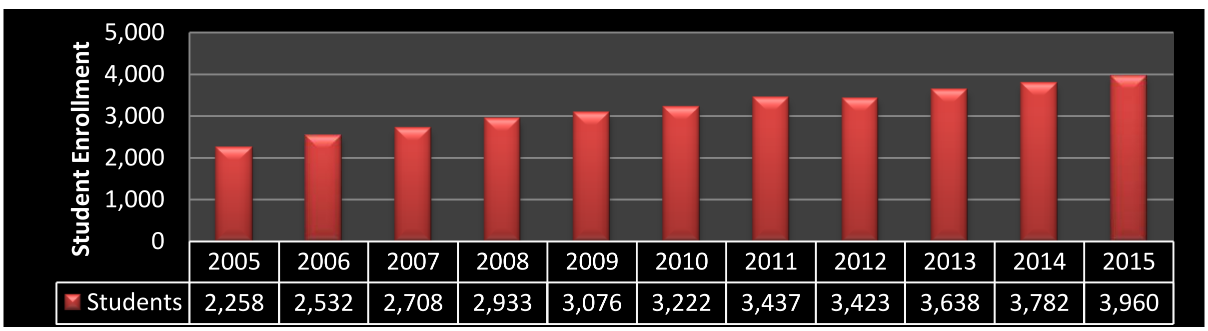
- PER PUPIL EXPENDITURES:
  Ohio Department of Education per pupil expenditures for the District during fiscal year 2012 ($8,407) and 2013 ($8,183) ranked 81st and 71st lowest, respectively, of 607 schools. Fiscal year 2012 and 2013 state averages per pupil expenditure were $10,597 and $10,446, respectively. The District outperformed state averages by $2,180 and $2,262 per pupil during fiscal year 2012 and 2013, respectively. It amounts to savings for fiscal year 2012 and 2013 of approximately $7.4 million and $8.2 million, respectively. Fiscal year 2014 data is not available (Ohio Department of Education, CUPP Report). The chart below compares per pupil expenditures of Licking Heights to state average.



- BUILDING INFORMATION
  - High School
    - Original Construction (2003) – 141,000 sq. ft.

- Central
  - Original Construction (1961) – 25,818 sq. ft.
  - Gym Addition (1968) – 35,800 sq.ft.
  - Classroom Addition (1977) – 25,414 sq. ft.
  - Classroom Addition (2000) – 11,768 sq. ft.
  - Cafeteria Addition (2005) – 9,898 sq. ft.
- North
  - Original Construction (1953) – 23,780 sq. ft.
  - Classroom Addition (1977) – 3,920 sq. ft.
  - Office Addition (1987) – 1,224 sq. ft.
  - Conference Room Addition (1990) – 318 sq. ft.
  - Classroom Addition (2002) – 14,794 sq. ft.
  - Cafeteria Addition (2005) – 9,050 sq. ft.
- West
  - Original Construction (2004) – 74,906 sq. ft.
  - Classroom Addition (2012) – 21,990 sq. ft.
- South
  - Original Construction (2004) – 95,355 sq. ft.

❖ Student enrollment has increased 75% since fiscal year 2005 as illustrated in the chart below:



❖ <u>BUILDING PROJECT:</u> The Board of Education is currently seeking architectural services to generally assist the District with technical expertise for preparing to potentially attempt a bond issue as soon as May 2015 to build new and/or renovate facilities for the all or some grade levels to address significant overcrowding issues. The Board plans to coordinate with the community to facilitate a plan. For purposes of the forecast it is assumed that a building will be constructed to educate grades 9 through 12 while grades pre-kindergarten through 8 will be reconfigured and educated throughout the space left open in the existing buildings to address the district-wide capacity problem due to overcrowding. Future forecasts will be updated to reflect the direction taken by the community, but costs will be incurred regardless of the path chosen. In the interim the district is incurring upfront costs for the addition of modular classrooms until a permanent solution can be implemented. The costs associated with the temporary modular space is expected to increase dramatically over the next few years and could significantly drain permanent improvement funds available for maintenance and education to keep pace with the need for space due to the number of students. The forecast includes the additional operating costs associated with the construction of a new building. Those costs are first reflected in fiscal year 2019 as follows:

- <u>Personnel Services</u>: The District assumes the additions of the following positions for a cost of $768,320: Principal, Assistant Principal, Guidance Counselor, Maintenance, Custodians (3), one principal and teachers (5);
- <u>Benefits</u>: The additional staff added will also incur costs for health and dental insurances, retirement, Medicare and other benefits of $268,912;

- Purchased Services: The addition of the new building will incur additional costs for utilities, (i.e., electric, natural gas, water/sewage, phone), maintenance, security, technology, travel, professional development and other professional services of $500,000;
- Supplies: The District does not foresee a significant increase but will incur additional costs of $45,000 in the following supply categories: instructional due to student growth, custodial to maintain new building and administrative.

Overall, the forecast assumes an additional $1.5 million in operating costs beginning in fiscal year 2019 resulting from the opening of a new building.

3. ***Financial Overview***

The voters approved a 10 year $4.4 million emergency levy in May 2013 that rescued the District from potential fiscal emergency. The state's biennium budget provided an additional $1.2 billion for schools during 2014 and 2015. The District's enrollment growth and wealth factors allowed the District to reap the benefits of the additional funding in the biennium budget. As a result, cash balances have grown from $124,229 in fiscal year 2012 to $5.1 million beginning fiscal year 2015. The cash balance is strong through fiscal year 2018 assuming revenue growth from new construction, tax incentives and state funding; however, the cash balance is projected to be negative $1.7 million at fiscal yearend 2019. The District intends to renew both emergency levies expiring in 2020 and 2022 to maintain current operating needs. An income tax levy may be necessary during the forecast period to offset increasing costs due to additional staffing and facility needs directly impacted by student growth.

4. ***Significant Issues to Monitor***

- STATE FUNDING (FY 16-19): There will be a new state budget in fiscal year 2016 and the current funding formula could be changed.
- REYNOLDSBURG SHARED GROWTH: In fiscal year 2014, the District secured a $1.1 million payment for a territorial revenue sharing agreement for tax years 2001-2006 from Reynoldsburg City School District, as ordered by an Arbitrator and upheld by the Court system. The Districts are discussing the application of Arbitrator's formula for tax years 2008-2013. Application of the Arbitrator's formula indicates that the District is due $580,000 from Reynoldsburg City School District for tax years 2007-2013.
- INCOME TAX: The District may want to consider instituting an income tax as an alternative to property tax funding.
- STUDENT ENROLLMENT: The district has continued to grow and is expected to grow which is counter to the trend in Central Ohio. The district's high academic performance and attractive community means that increasing enrollment trend is likely to continue causing more strain on the existing system.
- HEALTH INSURANCE: Rates are up across the country but the district is likely to incur the "Cadillac tax" for its plan designs in 2018 absent a significant change. The tax could result in the district paying $415,000 or greater in additional health costs in an unsustainable model. The forecast for increases in premiums is also higher than previously anticipated making this a major issue to monitor and look for opportunities to address.
- NEW ALBANY TIF (TAX INCREMENT FINANCING): The District held assumptions constant with May 2014 forecasting in the New Albany business area despite knowledge of two large AEP facilities entering the area. The District did not want to over rely on the New Albany revenue source until actual calculations are confirmed.
- BUS GARAGE: The District continues to evaluate and research bus garage alternatives to increase efficiencies and decrease fuel costs. The facility could be considered as part of any capital bond initiative and alleviate concerns in the general fund.
- MODULAR CLASSROOMS: The District anticipates the need for additional modular classroom's to compensate for overcrowding due to student growth if permanent solution is not added. The District will incur additional operating costs regardless of the direction that the community decides as the District will need to add a significant number of modular classrooms. A prolonged reliance on temporary modular classrooms as a growth solution could

negatively impact the general fund as pressure will be put on funds allocated for operations may be needed to keep pace with the temporary classroom needs.

- <u>ALL DAY KINDERGARTEN:</u> The district is committed to all-day kindergarten and will implement once a growth plan is approved by the community to provide space district-wide for the overall growth at every level.

5. *Revenue Assumptions*

A. *General Property Tax (1.010)*

Real Estate Tax is a product of the valuation of property located within District boundaries and effective millage rates levied on such property. Here are the current real estate valuations by class:

Type of Property	Licking/Franklin County Total
Agricultural	14,773,120
Residential	378,456,610
Class I Total	393,229,730
Commercial	50,045,490
Industrial	49,201,470
Public Utility	255,880
Class II Total	99,502,840
Public Utility Personal	9,540,125
TOTAL VALUATION	**502,272,695**

Assessed property values (i.e., 35% of market value) are taxed based on millage rates levied against property. A millage rate is 1/1000 of a dollar (.001). Property taxes are computed by multiplying the assessed property value by an effective millage rate (i.e., illustrated in chart below). For example, a home owner in Licking Heights with an assessed property value of $35,000 (i.e., $100,000 market value) would pay approximately $1,829 in yearly property taxes before rollback and homestead tax reliefs [$35,000 * (1/1000 * 52.250371)].

Type of Levy	Term	Expiring Term	Voted Millage Rate	Effective Millage Rate
General Fund				
Inside Millage	Continuing	Continuing	4.80	4.800000
Current Expense (1976)	Continuing	Continuing	17.00	11.349421
Current Expense (1980)	Continuing	Continuing	7.90	5.490950
Emergency Levy (2011)	10 years	2020	12.47	12.470000
Emergency Levy (2013)	10 years	2022	8.85	8.850000
Permanent Improvement (2009)	Continuing	Continuing	1.99	1.990000
Bond Fund				
Bond (2000)	28 years	2027	1.06	1.060000
Bond (2003)	28 years	2030	6.24	6.240000
Total Millage Rate:				**52.250371**

The District has experienced 1% yearly growth rates in residential/agricultural values during the last 10 years. The District has experienced 8% yearly growth rates in commercial/industrial values over the time same time period. Full collection on the $4.4 million emergency levy passed in May 2013 will be realized in fiscal year 2015 which results in a significant increase from the prior year. The forecast assumes minimal growth of 1% yearly in total property tax values during the forecasted period.

B. Tangible Personal Property Tax (1.020)

Tangible personal property tax currently includes collections on public utility tangible tax. The last three years have seen an average revenue growth of 5% per year. The growth rate is expected to slow and is projected at 3% throughout the forecasted period.

C. Unrestricted Aid (1.035)

- STATE FUNDING: The State approved a biennial budget for fiscal year's 2014 & 2015 as part of House Bill 59 that enacted a new school funding formula. The formula placed an emphasis on enrollment and relative wealth. The funding formula capped district growth at 6.5% and 10.5% for fiscal year 2014 and 2015, respectively. The District was capped at 6.5% during fiscal year 2014 and is expected to be capped at 10.5% during fiscal year 2015. State funding is expected to increase 9% to $9.8 million during fiscal year 2015; however, the cap is restricting actual funding levels within the formula. The current funding formula is dependent on the Ohio Governor election in November 2014 but early indications are that the funding formula will remain regardless. Also, the cap is expected to be increased 3% to 5% which is favorable for the District. The forecast assumes a 3% growth rate over the forecast period.
- CASINO REVENUE: In 2009, Ohio voters passed a constitutional amendment that provided for four casino facilities to be located in Cleveland, Toledo, Columbus and Cincinnati. The gross casino revenue tax is imposed on licensed casino operators at the rate of 33%. The tax revenue collected from the gross casino tax is split among seven funds with 34% distributed to all school districts based upon student populations. The District received casino revenue tax of $187,412 in fiscal year 2014. Openings of new video lottery terminal facilities and horse racing tracks are expected to compete with full-service casinos which diminish substantial growth thus the forecast assumes a 1% growth rate over the forecast period.

D. Restricted Aid (1.040)

Restricted aid consists of funding for career technical and economically disadvantaged assistance. Both sources of funding pass through the state funding formula and distributed with bi-monthly state funding settlements. In fiscal year 2014, the District received $34,787 and $164,364 in career technical and economically disadvantage assistance, respectively. Similarly to state funding, revenue is dependent upon the Ohio governor election in November 2014. The forecast assumes a 3% growth rate over the forecast period.

E. Property Tax Allocation (1.050)

Property tax allocations include state reimbursements for real property tax relief. Within real property tax relief there are two separate programs: property tax rollbacks and homestead exemption. The property tax rollbacks programs reimburse the District for the cost of the following tax credits: a 10% reduction in each residential taxpayer's real property tax bill and an additional 2.5% on a homestead that is occupied by the homeowner. The homestead exemption provides real property tax relief to all elderly or disabled homeowners and their surviving spouses. Provisions of House Bill 59 eliminated the 10% and 2.5% rollbacks on all new levies passed beginning with the November 2013 election cycle. Revenue growth is tied to changes in current year property tax revenues which are expected to grow slowly. The forecast assumes a 1% growth rate each year.

F. Other Revenue (1.060)

- PAYMENT IN LIEU OF TAXES FOR TAX INCENTIVE FINANCING (TIF): A TIF is an economic development mechanism available to local governments in Ohio to finance public infrastructure improvements. A TIF works by locking in the taxable worth of real property at the value it holds at the time the authorizing legislation was approved. A taxpayer whose operations are located within a TIF continues to make payments in an amount equal to the real property tax liability and these payments in lieu of taxes are collected by the county treasurer and disbursed accordingly. Currently the District has taxpayers located within TIF locations on East Broad Street and Waggoner Road. The District received $1.6 million in lieu of taxes during fiscal year 2014 as result of the TIF. The forecast assumes a 1% growth rate each year.
- REYNOLDSBURG REVENUE SHARING: The District has an agreement with the City of Reynoldsburg resulting from an enterprise zone agreement to exempt increases in assessed real property value constituting the project site at the intersection of Broad Street and Taylor Road. The agreement is for the purpose of sharing income tax revenues from the project. The District receives 50% of new income tax resulting from the project. The District received $470,567 during fiscal year 2014. Expansion and new employment in this area has subsided; the forecast does not assume any substantial growth.
- NEW ALBANY INCOME TAX REVENUE SHARING: The District has an agreement with the City of New Albany to share revenue for companies having tax abatements within District boundaries on Beech Road. The area is expected to expand creating new employment opportunities and additional revenue. The pace of growth and potential revenue is uncertain; the forecast projects new revenue of $250,000 (FY16), $450,000 (FY17), $650,000 (FY18) and $800,000 (FY19). Estimates are based upon information provided by the New Albany Tax Incentive Review Council and dependent upon many fluctuating factors.
- YMCA PRESCHOOL: In fiscal year 2013, the District established an agreement with the YMCA to provide in-house preschool services to support a community need. The agreement also provides additional revenues to the District to allow the YMCA to utilize facilities. The District received $41,016 during fiscal year 2014 and yearly income is projected to be near $50,000 during the forecasted period.
- TUITION & OPEN ENROLLMENT: District open enrollment is closed. Circumstances do occur, such as foster placed or court ordered, where a District must educate a non-resident child. The District is eligible to receive tuition, excess costs or catastrophic costs in certain situations based upon instructional needs of a child. The District received approximately $415,000 in fiscal year 2014; the forecast assumes no increase but we expect the revenue source to remain consistent.
- OTHER: The District receives nominal revenue from interest earnings, donations, student fees, athletic pay to participate fees and property rent. The forecast assumes no increase in these revenue sources.

6. Expenditures Assumptions

A. Personnel Services (3.010)

- CERTIFIED: The District negotiated a three-year collective bargaining agreement with the education association (LHEA) concluding June 30, 2016. The agreement provided an increase on base salary and 1% yearly increase. The District receives federal grants that help subsidize 18 teaching salaries from the general fund. The District will most likely continue to receive federal grant support in future years but the amount of support is unknown. Student enrollment continues to substantially grow and is projected to increase 300 to 500 students during the forecast. The forecast assumes an additional 24 teaching and 1 guidance FTE's during the forecast to offset potential cuts in federal aid and to compensate for student growth. The forecast assumes yearly increases due to cost of living and step increase.
- CLASSIFIED: The District negotiated a three-year collective bargaining agreement with the educational support professionals association (LHESPA) concluding June 30, 2017. The agreement provided a $2 per hour base increase for bus drivers and $.60 per hour for all other members in fiscal year 2015. All members will receive a

1% yearly increase during the final two years of the agreement. The District is currently operating transportation with 39 bus drivers which is approximately 8-12 drivers understaffed. The District plans to meet student growth needs with either a new High School or expansion of other facilities that would require additional staffing. The forecast assumes 50 bus drivers during the five-year period. In addition, the forecast projects staffing increases in fiscal year 2019 to accommodate expansion needs due to student growth by adding custodial (3), maintenance (1) and secretarial (2) positions. The forecast assumes yearly increases due to cost of living and step increase.

- EXEMPT: The District has 6 employees exempted from both associations, including: superintendent's administrative assistant, EMIS coordinator, technology assistant, treasurer assistant (2), and district registrar. The District did not replace an accounts receivable position due to retirement but does plan to add a treasurer's administration assistant during fiscal year 2015 replacing a vacant assistant treasurer position. The forecast assumes yearly increases due to cost of living increases.
- ADMINISTRATION: The District administration team currently includes a superintendent, treasurer, human resource director, technology director, special education director, transportation/buildings & grounds director, athletic director, principals (4) and assistant principals (5). The District did not replace an assistant treasurer position due to resignation during fiscal year 2015. In addition, the District opted to save funds by utilizing one principal to oversee two buildings. The District does plan to add a Business Manager during fiscal year 2016 to help fulfill a need to facilitate business related projects. The forecast projects administrative increases in fiscal year 2019 to accommodate expansion needs due to student growth by adding a principal and assistant principal. The forecast assumes yearly increases due to cost of living increases.

B. Retirement/Insurance Benefits (3.020)

- MEDICAL INSURANCE: The District's usage/claims history continues to be unfavorable where premiums increase at unsustainable rates. Rates increased 17% during 2013 and 2014. Rates are expected to increase 18.5% January 1, 2015. The District paid $3.3 million in fiscal year 2014 for medical insurance premiums and it is projected to exceed $4 million in fiscal year 2015. The District continues to strategize to help sustain premium increases. Each association agreed to eliminate a premium plan during negotiations that should positively impact usage/claims history. The premium plan was eliminated to help limit the risk of paying a "Cadillac Tax" in 2018; however, due to significant premium increases the District is still susceptible to the "Cadillac Tax" in 2018. Employees agreed to phase-in increased contributions up to 25% during negotiations. The District plans to evaluate and determine whether self funding and joining an insurance consortium could save money by decreasing administrative costs and eliminating other fees associated with the fully-funded plans. The District will continue to evaluate plan design, educate members and work toward reducing medical insurance costs. Medical insurance made up 52% of all benefit costs in fiscal year 2014. The forecast assumes a premium increase of 18.5% in 2015 and a yearly 10% increase for 2016 and beyond.
- RETIREMENT: As mandated by law, the District pays 14% of all wages for retirement to either the State Teachers Retirement System (STRS) or School Employees Retirement System (SERS). The District paid $2.4 million in retirement costs during fiscal year 2014 making up 38% of all benefit costs. Increased retirement costs are directly related to total wages. The forecast assumes retirement costs of $2.6 million (2015), $2.8 million (2016), $2.9 million (2017), $3.1 million (2018) and $3.3 million (2019).
- OTHER BENEFITS: Considering medical insurance and retirement costs are 90% of benefits; other benefit costs include Medicare, dental insurance, life insurance, worker's compensation/unemployment and tuition reimbursement. The District spent $609,000 for other benefits in fiscal year 2014. The forecast projects yearly 3% increases for life insurance and worker's compensation/unemployment. Dental insurance is projected at 5% yearly increases. Medicare is 1.45% of all wages (i.e., exceptions include wages of employees hired prior to 1986) and is projected to increase 8% yearly.

C. ***Purchased Services (3.030)***

- PROFESSIONAL & TECHNICAL SERVICES: The District contracts with the Educational Service Center (ESCCO) of Central Ohio for substitute teaching and support staff. In fiscal year 2014, the District opted to contract these services to the ESCCO to reach a larger substitute pool and reduce administrative time on staffing. The District utilizes additional services with the ESCCO including employment of aide's, teacher evaluations, etc. The District also contracts with special education companies/specialists to help educate disadvantaged students with particular needs that the District cannot accomplish. The District expended $2.4 million for professional & technical services in fiscal year 2014. The forecast assumes 2% yearly increase for 2015-2018 and a 4% increase in 2019 to accommodate expansion needs due to student growth.
- UTILITY SERVICES: The District incurs costs associated with maintaining a comfortable learning environment for students and staff by heating and cooling facilities. District utility services include electric, natural gas and water/sewage. The District expended $805,000 in 2014 and utility costs are expected to increase. The forecast makes the following assumptions: 1. A 15% increase in electric usage for 2015 at high school due to modular classrooms; 2. A 2% increase for all other utilities for 2015-2019; and 3. The forecast assumes a new High School but expansion could result in additional modular classrooms or adding space to existing facilities. We are projecting additional electric and natural gas expenses in 2019 of $190,000 and $95,000, respectively, for a new high school.
- TUITION: The District has uncontrollable discretionary expenses for resident students attending other districts, community schools, colleges or institutions. The District expended nearly $2.2 million in fiscal year 2014 with $1.4 million resulting from resident students attending community schools. The District expended an additional $330,000 for resident students open enrolling at other school districts. The District expended $362,000 for resident students attending specialized special needs facilities. The forecast assumes a yearly 2% increase.

D. ***Materials & Supplies (3.040)***

- INSTRUCTIONAL: The District allocates funds for instructional materials such as textbooks, workbooks, subscriptions, lab supplies, etc. The District expended $412,000 in fiscal year 2014. The Board of Education adopted new math standards to comply with Ohio Department of Education requirements resulting in a need to purchase new district-wide math textbooks in fiscal year 2015. The District will experience an increase in fiscal year due to the one-time textbook purchase. Budgets are based on a per pupil basis and expected to increase due to student enrollment growth. The forecast assumes yearly 1% increases for 2016-2018 and 5% increases in 2019 to compensate for expansion needs due to student growth.
- CUSTODIAL/MAINTENANCE: The District incurs supply costs for maintaining buildings and grounds. The District expended $328,000 in fiscal year 2014 on custodial and maintenance supplies. The forecast assumes yearly 1% increases for 2016-2018 and 5% increases in 2019 to compensate for expansion needs due to student growth.
- TRANSPORTATION: The District maintains a bus fleet of about 60 buses to transport students in the District. The District expended $290,000 in fiscal year 2014 on fuel. The District continues to review fueling alternatives to control costs. The District expended an additional $149,000 during fiscal year 2014 for maintenance supplies to prolong estimated bus life and ensure buses operate efficiently. The forecast assumes yearly 1% increases for 2016-2018 and 5% increases in 2019 to compensate for expansion needs due to student growth.

E. ***Capital Outlay (3.050)***

The District's goal is to utilize other capital funds (i.e., permanent improvement) to purchase capital outlay. District expenditures include new technology equipment and custodial equipment. The forecast assumes yearly 1% increases for 2016-2019.

F. Principal & Interest (4.020, 4.050 & 4.060)

Payment of principal and interest for a 4-year $4.2 million tax anticipation note issued upon passage of the May 2013 emergency levy and bus purchase bond. The note and bond bear an interest rate of 1.25% reflected in the forecast. The note and bond will be paid in full during fiscal year 2017 and 2016, respectively.

G. Other (4.300)

Expenditures consist of auditor & treasurer fees for the billing and collection of real estate taxes, state auditor fees for audit services and employee flexible spending account disbursements. The District expended $410,000 in fiscal year 2014 for these services. The forecast assumes yearly 1% increases for 2016-2019.

H. Advances & Transfers (5.010/5.020)

Advances are made to other funds for cash flow purposes and typically repaid by the end of each fiscal year. Transfers to other funds are permanent. The District does not assume any significant transfers or advances for fiscal years 2015 and beyond.