LAKOTA LOCAL SCHOOL DISTRICT-BUTLER COUNTY
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE FISCAL YEARS ENDED JUNE 30, 2013, 2014 and 2015 ACTUAL FORECASTED FISCAL YEARS ENDING JULY 1, 2015 THROUGH JUNE 30, 2020

LAKOTA
LOCAL SCHOOLS

Forecast Provided By
Lakota Local School District
Treasurer's Office
Mrs. Jenni Logan, Treasurer/CFO
October 26, 2015

Lakota Local School District – Butler County
Notes to the Five Year Forecast
General Fund, Related Debt and Federal Funds Only
October 26, 2015

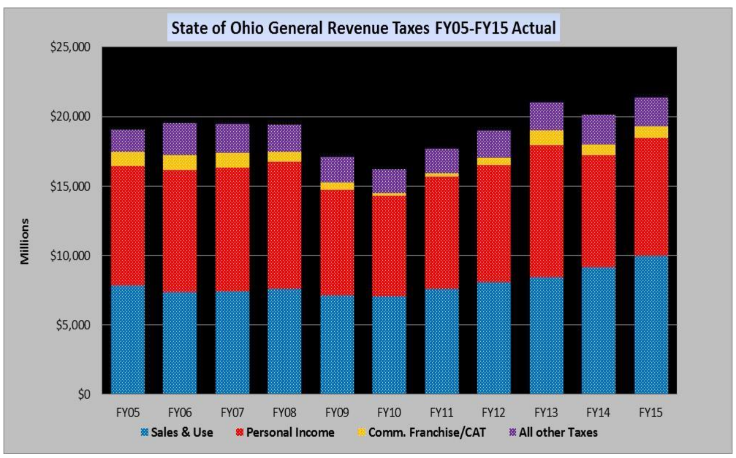
Introduction to the Five Year Forecast

All school districts in Ohio are required to file a five (5) year financial forecast by October 31, and May 31, in each fiscal year (FY). The five-year forecast includes three years of actual and five years of projected general fund revenues and expenditures. Fiscal year 2016 (July 1, 2015-June 30, 2016) is the first year of the five year forecast and is considered the baseline year. Our forecast is being updated to reflect the most current economic data for the October 2015 filing.

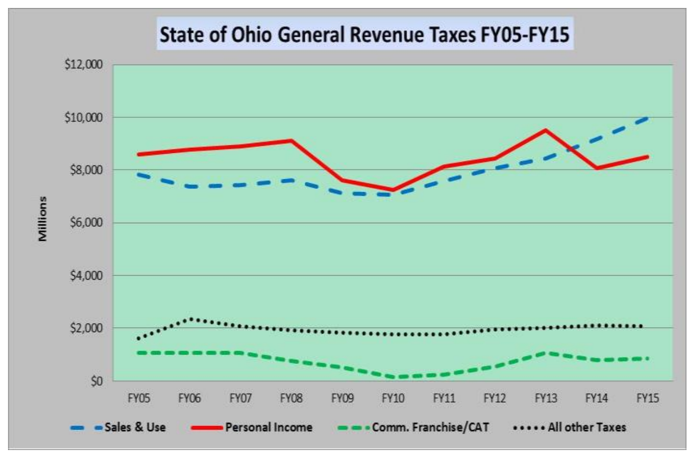
Economic Environment Affecting Forecast Variables –State Economy

It is important in long range forecasting to consider the economic climate in which projections of revenues are made. Below is significant statewide economic data which suggests that the economy for the FY16-20 period is growing moderately and has recovered from the Great Recession of 2008. It is important for our school district to consider the statewide economic data for two very important reasons. First, our state funding is directly affected by state revenue collections. The effects of the recession on the economy at the state level created a budget deficit which required the State of Ohio to make nearly $8 billion in reductions in the FY12-FY13 state biennium budget which translated into flat funding and/or funding reductions for nearly every school district in Ohio. Second, the same economic forces driving state tax revenues are also likely affecting the underlying economics of most communities in Ohio, which directly impacts the ability to collect local tax revenue. Generally speaking, local school district economic viability is tied to the same fundamental economics that drive the state's economic viability.

The graphs below note that the State of Ohio revenues through FY15 have recovered and are at record levels in spite of a personal income tax reduction in FY14. The two significant contributors to the economic recovery continue to be personal income taxes and sales and use taxes. The decline in personal income tax of ($1.442) billion and corporate franchise taxes of ($273.3) million is due to HB59 across-the-board reductions in income and corporate franchise tax rates which began in FY14. Tax revenues would have been up $835.2 million or 3.96% over FY13 levels if no tax reductions were made. Steady growth is seen through FY15 and is expected to continue for FY16 and FY17.



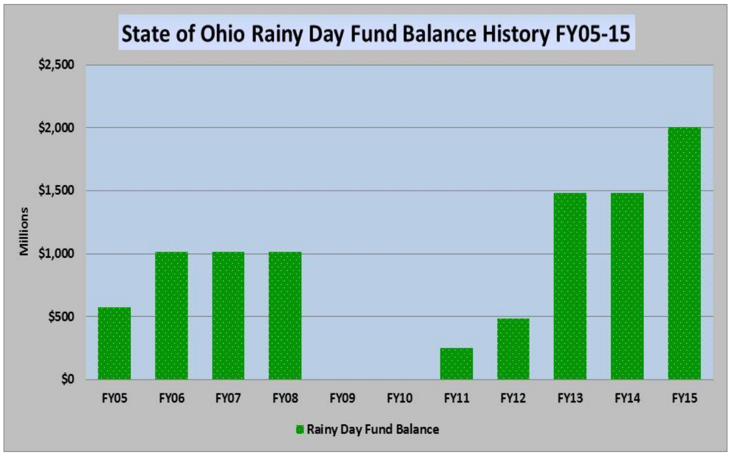
Source: Ohio Legislative Service Commission



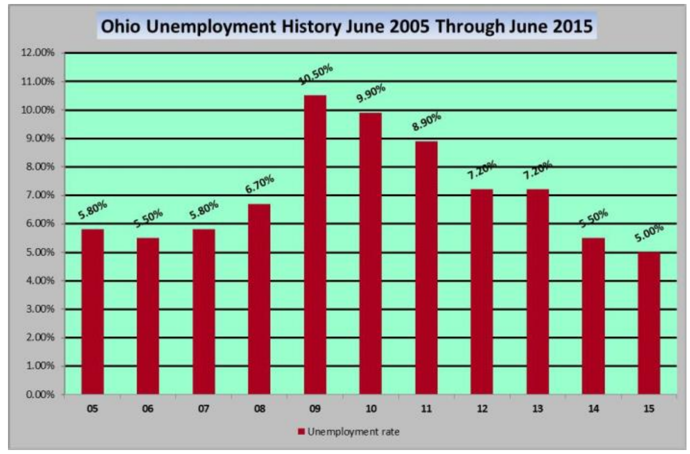
Source: Ohio Legislative Service Commission

The recovery of the labor market which began in 2010 continued in 2015 as noted in both personal income tax and sales tax collections. The above State revenue is a clear indication that the economy has recovered and that there is economic growth in our state. Another indication that the state of Ohio has achieved solid footing economically is the accumulation of reserves in the State Rainy Day Fund (RDF). The graph on the following page shows the ten-year history of the Rainy Day Fund balance. The recession depleted the RDF in FY09. FY11 began the recovery of the economy and enabled the state to contribute excess revenues to the RDF. As noted, the RDF balance in FY15 has reached an all-time record high deposit of $2.005 billion thanks to a higher statutory balance allowed by HB64. This cushion should continue to help ensure that funding for schools approved in the recent state biennium budget HB64 will be met through FY17 and could be continued into the future if a brief pull back in the economy occurs over the next few years.

The State of Ohio unemployment rate hit a low of 5.0% in June 2015. The last time it was at this level was in October 2001. Over the past 12 months the unemployment rate dropped .5% as 40,500 new jobs were created. This is a significant measure to monitor for continued economic growth and viability. As noted above, personal income taxes and sales tax are highly correlated and have been the two major drivers of the recent recovery. As of June 2015, the unemployment rate in Butler County was 4.7% which is below the 5.0% state average.



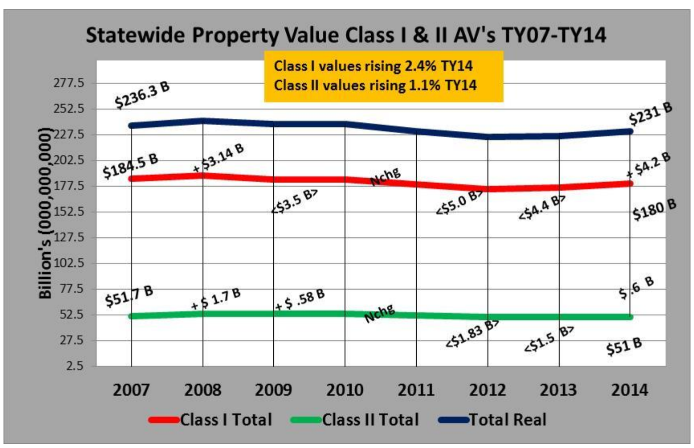
Source: Ohio Legislative Service Commission



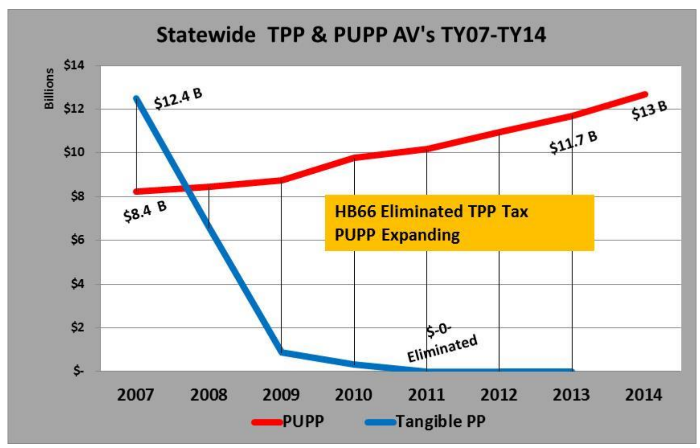
Source: U.S. Bureau of Labor Market Information

For school districts, a final piece of economic data which is highly relevant is the value of real property. In the 2014 Tax Year, 41 of Ohio's 88 counties went through a reappraisal or update for Class 1 (Residential and Agricultural Property) and Class 2 (Commercial, Industrial and Mineral Property). From tax year 2007 to 2012, Class 1 and 2 property values declined by $10.8 billion, a reduction of 4.6%. In 2014 Class 1 values rose by $4.2 billion or 2.4% statewide, while Class 2 property increased for the first time since 2009 by $377.0 million or 1.1% statewide. Home values for the 12 month period ending in June 2015 were up statewide by 3.1%. Clearly property values have stabilized and should begin to rise at varying levels across the state.

The final category of property is Public Utility Personal Property (PUPP) values. The second graph below shows that Tangible Personal Property (TPP) was eliminated for all categories of TPP in tax year 2011 by HB66, which became effective July 1, 2005. PUPP values continued to grow throughout the Great Recession due in part to continued new construction, reinvestment in aging infrastructure and development of natural gas and petroleum transmission lines across the state. PUPP values are of higher value as they are taxed at the full gross tax rate.

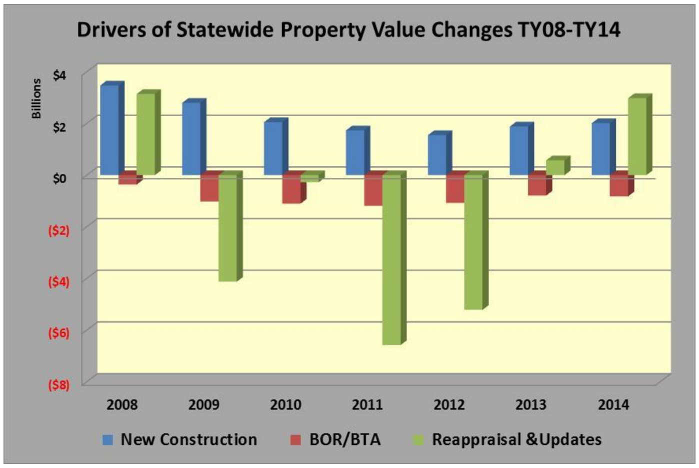


Source: Ohio Department of Taxation



Source: Ohio Department of Taxation

The graph on the following page sums up the main drivers of property value changes across the state for Tax Year 2008 through 2014. The changes noted are for Class 1 and 2 property values. Note that new construction is picking up, reappraisal and update values have moved from negative to positive for the last two tax years and Board of Revision/Board of Tax appeals property value changes are trending down from record levels the previous four tax years.



Source: Ohio Department of Taxation

Overall, we believe the economy of the state is stable and growing. This should provide a stable basis for which to make projections of state revenues to the district as noted in HB64 through FY17 and continuing through FY20 in future state budgets. The improving labor market is also providing for a recovery in property tax collections in this forecast by: 1) increasing or stabilizing property values; 2) increasing current property tax collections; and, 3) increasing prior delinquent tax collections.

Forecast Risks and Uncertainty:

A five year financial forecast is laden with risks and uncertainty not only due to economic uncertainties but also due to state legislative changes that will be happening in the spring of 2017 and 2019 due to deliberation of the next two (2) state biennium budgets for FY18-19 & FY20-21, both of which affect this five year forecast. We have estimated revenues and expenses based on the best data available to us at the time of this forecast. The items below give a short description of the current issues and how they may affect our forecast long term:

I. The recovery from the recession has adversely affected the real estate market for both residential and commercial property in our district. In 2014 Butler County experienced a complete reappraisal of property. Class I property rose by 1.66% and Class II fell by 4.27%. Overall total assessed value in the district rose 1.05% or $26.65 million. We have made very conservative estimates for assessed valuation changes for the 2017 reappraisal update. For the 2017 reappraisal update we have estimated a 2% increase for residential and 0% for commercial. Risk of a large reduction in local taxes is largely mitigated by the effect of HB920 and reduction factors. However the 2005, 5.6 mill levy and the 2000 4.9 mill levy hit their fixed rate amount on commercial (Class II) property with the tax year 2012 drop in commercial value. Should values continue to fall, our tax collections for commercial/industrial property will continue to decrease.

II. The State Budget represents over 30% of district revenues, which means it is a significant area of risk to revenue. The risk comes in FY18 and beyond if the state economy worsens or if the currently adopted HB64 funding formula is changed to reduce funding to our district in a future biennium budget. There are two future State Biennium Budgets covering the period from FY18 through FY20 in this forecast. Future uncertainty in both the state foundation funding formula and the State's economy makes this area an elevated risk to district funding long range through FY20.

III. The new State Budget HB64 reinstitutes the phase out of district Tangible Personal Property (TPP) reimbursements which had been promised under previous budget bills. HB64 begins the phase out in FY16 and we estimate this state money will be gone after FY17. We will be held harmless in FY16 with a TPP Supplement payment, but the Governor vetoed any further supplement beyond FY16. This will cost our district $3.14 million in lost annual state revenue beginning in FY17.

IV. There are many provisions in the current state budget bill HB64 that will increase the district expenditures in the form of expanded school choice programs and increases in amounts deducted from our state aid in the 2016-17 school year. The cost of each Peterson Special Needs voucher and Autism Scholarship Program increased sharply in HB64 from $20,000 each to $27,000, a 35% increase. These are examples of new choice programs that cost the district money. Expansion or creation of programs such as these exposes the district to new expenditures that are not currently in the forecast. We are monitoring any new threats to our state aid and increased costs very closely.

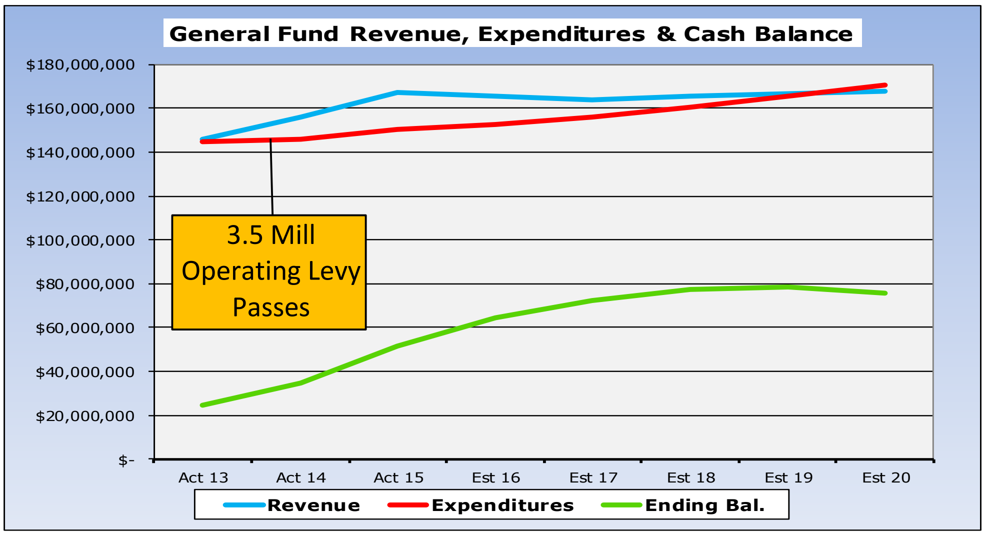
V. Patient Protection and Affordable Care Act (PPACA) – This program was approved March 23, 2010 along with the Health Care and Education Reconciliation Act. Many of the provisions of this federal statute were to be implemented January 1, 2015. Continued implementation of provisions will continue into the future. We continue to work with a consultant to assist with compliance. We have made allowance for increases in our costs for health care, where appropriate, in the forecast based on what we know at this time. Future uncertainty over rules and implementation of

PPACA is a risk to district costs. We continue to monitor the rules and implementation as this significant change to health care evolves.

VI. Labor relations in our district have been amicable with all parties working for the best interest of students and realizing the extreme resource challenges school districts face. We believe as we move forward that our positive working relationship will continue and will only grow stronger. Currently we have contracts with both the Lakota Education Association (LEA) and the Lakota Support Staff Association (LSSA) that extend through 2018.

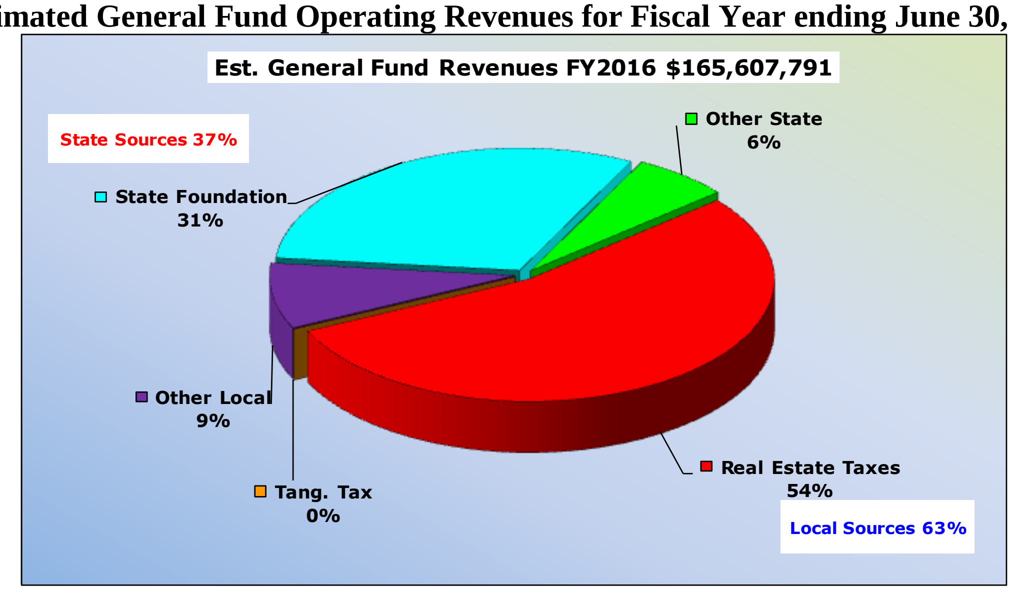
The district's five year forecast identifies major revenue, expenditures and balances by line number. Those major lines of reference for the forecast are noted below in the headings to make it easier to relate the assumptions made for the forecast item and refer back to the actual forecast. It should be of assistance to the reader to review the assumptions noted below in understanding the overall financial forecast for our district. If you would like further information please feel free to contact Ms. Jenni Logan, Treasurer/CFO of Lakota Local Schools at 513-644-1180.

General Fund Revenue, Expenditure and Ending Cash Balance:



Revenue Assumptions

Estimated General Fund Operating Revenues for Fiscal Year ending June 30, 2016



Real Estate Value Assumptions – Line # 1.010

It appears that the rapid fall in valuations from previous years is beginning to reverse for residential property but commercial property continues to struggle. There are still losses in values showing up in Board of Revision and Board of Tax Appeals cases. When the district values fall due to these cases, the HB 920 reduction factors are lowered and tax rates increase so the district's tax revenues are mostly held harmless. This works as long as there is room for "fixed rate" levies to be increased back to their full voted rates. They can never exceed their fully voted amounts. This negative impact of HB920 has occurred for the 2005, 5.6 mill levy and the 2000, 4.9 mill levy. Overall, we do believe our total tax base is stabilizing and beginning to show signs of modest growth which will stabilize our tax collections.

Property values are established each year by the Butler County Auditor based on new construction and complete reappraisal or updated values which occur every three (3) years. In 2014 Butler County experienced a complete reappraisal of property. Class I property rose by 1.66% and Class II fell by 4.27%. Overall total assessed value in the district rose 1.05% or $26.65 million. We have made very conservative estimates for assessed valuation changes for the 2017 reappraisal update. For this update we have estimated a 2% increase for residential and 0% for commercial.

Tangible personal property (TPP) values decreased to $-0- in 2011 as a result of HB66, which legislatively passed in 2005. This began a systematic phase-out of this tax base statewide to be replaced by a Commercial Activities Tax (CAT). In 2004 our district's TPP values were $183,373,135 and yielded the General Fund $11,119,738, in local taxes, which is equivalent to losing a 4.42 mill levy each year. Eliminating the TPP taxes, in effect, transferred the burden for those lost dollars into increased taxes on local taxpayers, a shift of taxes from businesses to residential taxpayers. The TPP reimbursement payments are reflected in line 1.050 of the forecast, "State Tax Reimbursements/Property Tax Allocation".

Estimated Assessed Property Valuations by Collection Years

Classification	Estimated TAX YEAR2015 COLLECT2016	Estimated TAX YEAR 2016 COLLECT 2017	Estimated TAX YEAR 2017 COLLECT 2018	Estimated TAX YEAR 2018 COLLECT 2019	Estimated TAX YEAR 2019 COLLECT 2020
Res./Ag.	$1,994,258,100	$2,006,708,100	$2,057,792,262	$2,068,742,262	$2,079,692,262
Comm./Ind.	490,382,400	493,382,400	496,882,400	501,382,400	505,882,400
Public Utility (PUPP)	87,854,310	91,354,310	94,354,310	96,354,310	98,354,310
Tangible Property (TPP)	0	0	0	0	0
Total	$2,572,494,810	$2,591,444,810	$2,649,028,972	$2,666,478,972	$2,683,928,972

Estimated Real Estate Tax Collections

Property tax levies are estimated to be collected at 99% of the annual amount allowing for a 1.0% delinquency. Technically 100% of taxes will be settled on property due to Ohio Tax Law however, the timing of the tax payments necessitates a conservative approach to estimated resources due to the current state of the economy. Property taxes are estimated to be 51.75% of the Residential/Agricultural (Class I) and Commercial/Industrial (Class II) expected to be collected in the February tax settlements and 48.25% collected in the August tax settlements. Public Utility tax settlements (PUPP taxes) are estimated to be received 50% in the February and 50% in the August settlement from Butler County Auditor. Gross and effective tax rates for General Fund Operations for 2014 collected in 2015 are noted below including the new 3.5 mill levy.

Tax Levies	Year Approved	Last Calendar Year of Collection	Full Tax Rate (per $1,000 of assessed valuation)	Effective Rates Res/Ag	Effective Rates Comm/Ind
Inside Ten Mill Limitation	n/a	n/a	$ 6.49	$ 6.49	$ 6.49
Continuing Operating	1976	n/a	15.88	3.25	5.21
Continuing Operating	1978	n/a	3.80	.78	1.25
Continuing Operating	1985	n/a	5.90	2.36	2.93
Continuing Operating	1988	n/a	5.67	2.56	3.33
Continuing Operating	1991	n/a	5.90	3.61	4.64
Continuing Operating	1996	n/a	6.50	4.58	5.98
Continuing Operating	2000	n/a	4.90	3.95	4.90
Continuing Operating	2005	n/a	5.60	5.51	5.60
Continuing Operating	2013	n/a	3.50	3.44	3.50
Total Gross & Effective Tax Rates			**$64.14**	**$36.53**	**$43.84**

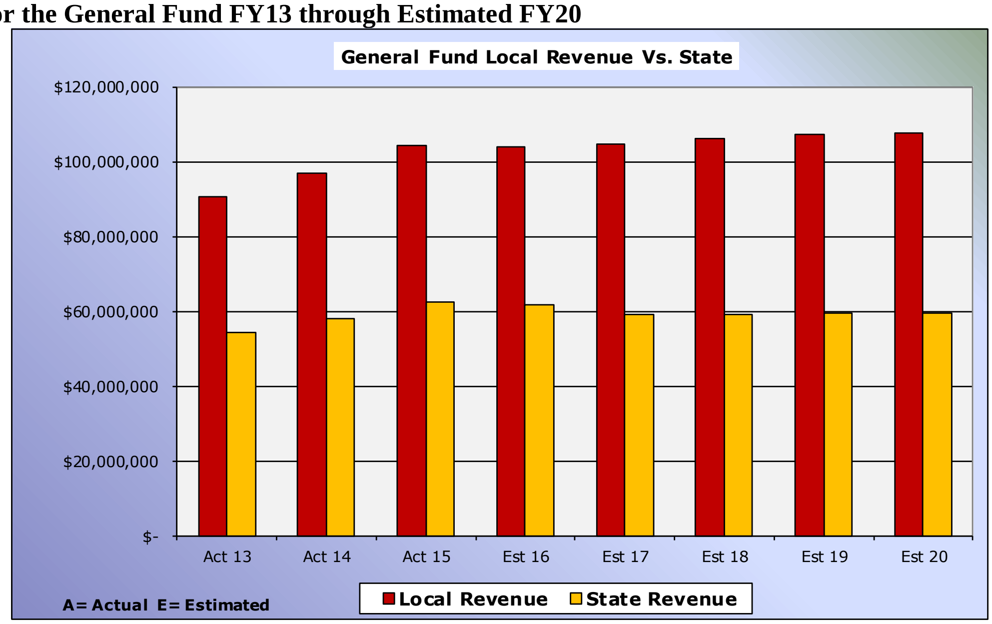
Estimated Real Estate Tax Collections - Line #1.010

Source	FY16	FY17	FY18	FY19	FY20
Estimated Real Estate Tax Line 1.01	$89,585,658	$89,577,535	$90,427,229	$91,227,877	$91,921,500

New Tax Levies – Line #13.020
No new tax levies are modeled in this five year forecast.

Estimated Tangible Personal Tax – Line#1.020
The phase out of TPP taxes as noted earlier began in FY06 as a result of HB66 which systematically phased out General Personal Property tax along with telephone/railroad public utility property by 2011. The last collection of local TPP taxes was October 2010. Any amounts received in the forecast period are from settlement of old outstanding delinquent TPP taxes. These settlements are not determinable and are not estimated.

Revenue Sources for the General Fund FY13 through Estimated FY20



The **State Foundation Revenue Estimates – Lines #1.035, 1.040 and 1.045**

A) Unrestricted State Grants in Aid – Line #1.035

The amounts estimated for FY16 for state funding are based on funding component computations from the most recent State Foundation Payment Report (SFPR) and from the July 2015 Legislative Service Commission (LSC) Simulations of HB64. These simulations are required as the actual new state funding formula adopted in HB64 is not yet available to school districts to use in their state aid projections. Therefore, simulations must be used for state aid.

The current FY15-16 state budget HB64 simulation includes flat funding for our district. We are projected to be a guarantee district regarding state funding in FY16 and FY17. Our state funding status for FY18-20 will depend on the FY18-19 and FY20-21 state budgets. There are two unknown state budgets in this forecast period covering three fiscal years.

In FY14-15, HB59 created the fourth (4th) new funding formula for public education since 2009. HB64 the state FY16-17 state budget made alterations to the funding formula and added several new components. The new funding formula is very complex and could change again with the new FY 18-19 or FY20-21 state budgets. The funding formula in HB64 has a modified State Share Index (SSI) method to measure a district's wealth and capacity to raise local revenue.

The SSI is applied to the per pupil opportunity grant calculation and many of the other categorical funding items in the state foundation formula as noted below:

1) Opportunity Grant – Per pupil amount increased 1.7% from $5,800 in FY15 to $5,900 in FY16 and 1.7% to $6,000 in FY17.
2) Targeted Assistance – Tier I based on wealth and Tier II based on percentage of district agricultural assessed value
3) Special Education Additional Aid – Based on six (6) categories of disability
4) Limited English Proficiency – Based on three (3) categories based on time student enrolled in schools
5) Economically Disadvantaged Aid- Based on number and concentration of economically disadvantaged students
6) K-3 Literacy Funds- Based on districts K-3 average daily membership and two Tiers
7) Gifted Funds –Based on average daily membership at $5.05 in FY16 & FY17
8) Career-Technical Education Funds – Based on career technical average daily membership and five (5) categories
9) Transportation Aid – Funding based on total ridership rather than qualifying ridership in determining statewide cost per rider. Reduces state minimum share from 60% to 50%.

There are potentially 342 independent variables in the SFPR formula. If any of the variables are changed, either independently or in conjunction with other variables, there could be a change to forecasted state aid for FY16-20. Currently we know most of the variables for FY16 &17 that were in the old formula but there has not been a new simulation model released at the time of this forecast to more precisely estimate our state aid.

There are several new funding components provided in HB64 for FY16 &17. These are additional funds that can be earned by a district or is intended to help a district who has an inability to raise local revenue. Our estimates for these components are from the July 2015 LSC simulation since the actual formulas are not available at the time of this forecast.

1) Capacity Aid – Provides additional funding for districts where income generated for one mill of property tax is below the state median for what is generated.
2) Transportation Supplement – Provides additional funding for districts with rider density (riders per square mile) less than 35 students in FY16 and 50 in FY17. Provides additional funding based on rider density and the number of miles driven by the school buses.
3) 3rd Grade Reading Proficiency Bonus- Provides a bonus to districts based on third grade reading results.
4) High School Graduation Rate Bonus-Provides a bonus to districts based on high school graduation rates up to approximately $450 per student.

Note: Our district is not estimated to be paid these additional components because we are a GUARANTEE district. Districts who are on the CAP or FORMULA will receive these added dollars. This represents another $368,000 we will not be paid in FY16 & 17.

Our current SFPR estimates for FY16 are using FY15 year-end adjusted average daily membership (ADM) and reducing enrollment by 100 ADM (average daily membership) each year through FY20. Beginning in FY15, the state changed the way it measures student ADM. Student counts are now updated October 31, March 31, and June 30 of the fiscal year. In most cases the district will not know its actual student funded ADM until the end of June. We should not see our payments undulate with ADM because we are anticipating being on the guarantee for FY16 and FY17. The current payment to the district is based on adjusted student ADM count as of June 30, 2015. Our estimate of state aid is based on the most current data we have available to us at the time.

For the period FY18-20 we have conservatively estimated an increase in the per pupil state funding amount by 1.5% a year, but this amount could be higher or lower. There is no guidance on the state funding model or increases for the FY18-20 period.

The other revenue source which is included in this line item on the forecast is casino revenue. On November 3, 2009 Ohio voters passed the Ohio casino ballot issue. This issue allowed for the opening of four (4) casinos one each in Cleveland, Toledo, Columbus and Cincinnati. As of March 4, 2013 all four (4) casinos were open for business and generating Gross Casino Tax Revenues (GCR). Thirty-three percent (33%) of the gross casino revenue will be collected as a tax. School districts will receive 34% of the 33% GCR that will be paid into a student fund at the state level. These funds will be distributed to school districts on the 31st of January and August each year which began for the first time on January 31, 2013.

The initial student payment to schools in January 2013 (FY13) was a half year payment of $21.00 per pupil that rose to $51.50 per pupil for a full year in FY14. The state indicated recently that the original 2009 estimates of $1.9 billion of GCR may be closer to $900 million as revenues from casinos are not growing robustly as originally predicted. We are estimating statewide student enrollment to decline by ½ of 1% from the FY14 total to average 1,798,000 students and GCR of $810 million with school district's share of GCR to be $90.8 million resulting in FY15 payments of $832,642 to our district. For FY15-19 we estimated another ½ of 1% decline in pupils to 1,789,000 and GCR increasing to $93 million or $52 per pupil. We will increase estimates for out years when actual casino revenues show signs of stronger increases.

Source	FY16	FY17	FY18	FY19	FY20
Basic Aid-Per HB59	$48,598,685	$46,350,655	$46,477,715	$46,532,499	$46,601,968
Additional Items	1,563,236	1,563,236	1,563,236	1,563,236	1,563,236
Basic Aid- Subtotal	$50,161,921	$47,913,891	$48,040,951	$48,095,735	$48,165,204
Ohio Casino Commission	844,498	867,194	890,491	914,405	938,953
Total Unrestricted State Aid Line # 1.035	$51,006,419	$48,781,085	$48,931,442	$49,010,140	$49,104,158

B) Restricted State Revenues – Line # 1.040
HB64 continues funding two restricted sources of revenues to school district which are Economic Disadvantaged Funding and Career Technical Education funding. We have incorporated this amount into the restricted aid amount in Line # 1.04 for FY16-20.

C) Restricted Federal Grants in Aid – line #1.045
There are no restricted federal funds projected in the forecast at this time.

Summary	FY16	FY17	FY18	FY19	FY20
A) Unrestricted State Aid Line 1.035	$51,006,419	$48,781,085	$48,931,442	$49,010,140	$49,104,158
B) Restricted State Aid Line 1.040	136,372	137,736	139,113	140,504	141,909
C) Restricted Federal Grants Line 1.045	0	0	0	0	0
Total State Foundation Revenue	$51,142,791	$48,918,821	$49,070,555	$49,150,645	$49,246,067

State Tax Reimbursements/Property Tax Allocation – Line #1.050

A) Rollback and Homestead Reimbursement
Rollback funds are reimbursements paid to the district from Ohio for tax credits given owner occupied residences equaling 12.5% of the gross property taxes charged residential taxpayers on tax levies passed prior to September 29, 2013. HB59 eliminated the 10% and 2.5% rollback on new levies approved after September 29, 2013 (such as our November 5.5 mill combined levy) which is the effective date of HB59. HB66 the FY06-07 budget bill previously eliminated 10% rollback on Class II (commercial and industrial) property.

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

B) Tangible Personal Property Reimbursements – Fixed Rate
School districts were to be reimbursed for the TPP tax losses by the state of Ohio at varying levels through 2026 but those reimbursements were severely curtailed or eliminated by HB153 effective July 1, 2012. The state of Ohio reduced its funding to school districts for TPP reimbursements from $1.13 billion in FY11 to $510 million in FY13, where it was frozen for FY15. HB64 the current state budget has reinstituted the phase out of TPP reimbursements to districts beginning in FY16. The phase out is based on five wealth tiers called quintiles. A Quintile 1 district will lose TPP funding based on 1% of qualifying revenue and Quintile 5 districts will lose TPP reimbursements equal to 2% of qualifying revenue. Our district is a Quintile 4 district and will lose TPP reimbursement at 1.75% times our operating revenues. Revenue will be phased out at this quintile level until all our TPP state funds are gone. For our district, the total phase out occurs in 2017.

In FY16 we will receive a TPP Phase out guarantee supplemental payment since our total state and TPP reimbursements are anticipated to be lower in FY16 than were actually received in FY15. The TPP Phase out guarantee is only for FY16 and will be received on Line 1.035 noted above. All of our annual $3.1 million TPP money will be cut by the state beginning in FY17.

C) Tangible Personal Property Reimbursements – Fixed Sum
The district does not receive TPP Fixed Sum reimbursement.

Source	FY16	FY17	FY18	FY19	FY20
A) Rollback and Homestead	$10,044,531	$10,054,801	$10,139,713	$10,220,382	$10,282,802
B) TPP Reimbursement - Fixed Rate	500,434	0	0	0	0
Total Line 1.050	$10,544,964	$10,054,801	$10,139,713	$10,220,382	$10,282,802

Other Local Revenues – Line #1.060

The School District received payments in lieu of taxes from several TIF's and RID's to help facilitate economic development within the district. These are significant revenue sources for the district. For fiscal year 2013 and 2014, the District received an additional payment from Liberty Township in relation to an agreement reached in 2006 on four (4) RIDs. This overage payment is reflected to continue through the life of the forecast at $1 million annually. This overage (waterfall) payment is in effect holding us harmless on these four RIDs. In total the Lakota Local School District's borders include 5 TIF districts for West Chester Township, 12 TIF/RID districts for Liberty Township and 4 TIF districts for Butler County. The District receives compensation on all but one TIF, the Union Centre TIF. This TIF district was created before legislation was adopted which required school district involvement/approval. All other TIFs/RIDs involve some sort of compensation agreement with the district. Unfortunately, not all agreements hold the district financially harmless. The district strives to balance the economic vitality of the entire community with the financial well-being of the district. We have also included the additional amounts estimated for the new Liberty Way and the settlement agreement for the West Chester Hospital.

The school district receives tuition for special education students from other districts who attend the Lakota Local School District. Tuition is forecasted to increase slightly for fiscal years 2016 through 2020. The District does allow open enrollment tuition now and has raised the cap to 150 to try and offset the open enrollment number of students going out. The goal is to try and make the open enrollment in this District a non-issue on the financial statements and not require any additions to staff.

Source	FY16	FY17	FY18	FY19	FY20
Payment In Lieu of Taxes	$11,000,000	$11,750,000	$12,500,000	$12,500,000	$12,500,000
Open Enrollment In	958,392	958,392	958,392	958,392	958,392
Interest	257,174	262,317	267,563	272,915	200,000
Credit card transaction fee	66,268	66,931	67,600	68,276	68,959
Tuition	1,032,418	1,042,742	1,053,170	1,063,701	1,074,338
Rentals	310,812	313,920	317,059	320,230	323,432
Medicare Reimbursement	312,155	315,276	318,429	321,613	324,829
Miscellaneous	397,159	401,130	405,142	409,193	413,285
Total Other Local Revenues 1.060	$14,334,377	$15,110,709	$15,887,355	$15,914,320	$15,863,236

All Other Financial Sources – Line #2.010 through Line #2.060 & Line #14.010

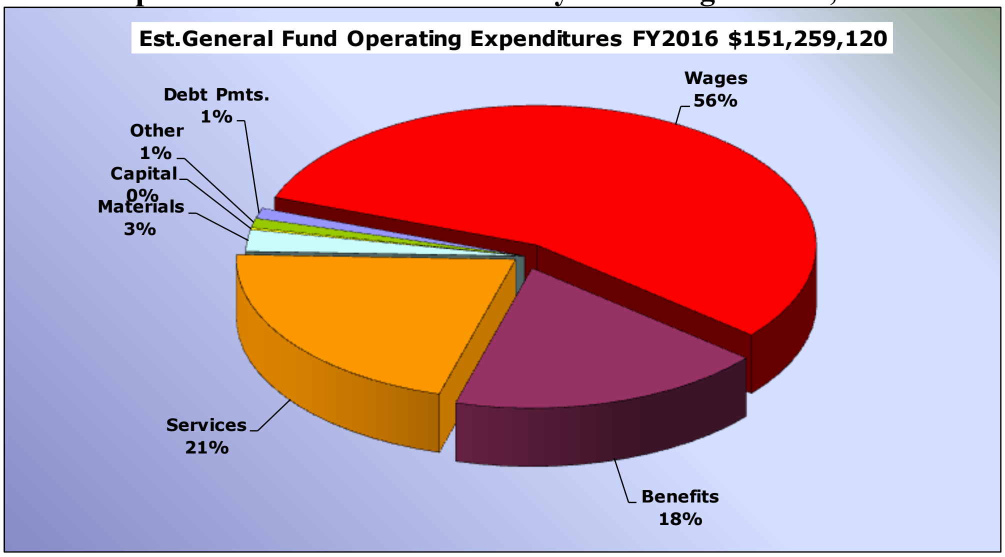
There is no short-term borrowing planned in this forecast at this time from any sources. Other financing sources consist of advances that the school district anticipates will be made during the forecasted period. Advances are made from the general fund to other funds, primarily to cover grant monies that are not received as of fiscal year end. Advances are forecasted based on the historical timeliness of grant monies not received at fiscal year-end.

Source	FY16	FY17	FY18	FY19	FY20
Transfers In	$0	$0	$0	$0	$0
Advance Returns	67,070	200,000	200,000	200,000	200,000
Total Transfer & Advances In	$67,070	$200,000	$200,000	$200,000	$200,000

Source	FY16	FY17	FY18	FY19	FY20
Refund of prior years expenditures Line 2.06	$20,000	$20,000	$20,000	$20,000	$20,000

Expenditures Assumptions

Expenditure Estimates for Fiscal year ending June 30, 2016



Wages – Line #3.010
The expenditures in this category are for salaries and wages for services rendered for all union and non-union employees. Both bargaining unit agreements extend through June 30, 2018. The agreement with LEA (Lakota Education Association) provides for a 1.97% COLA (cost of living adjustment) for each year as well as a 1.97%, 2%, 2% increase on the base for each year of the contract. The contract with our classified employees, LSSA (Lakota Support Staff Association), includes incremental increases and a $.40/hour increase for 2016, $.15/hour increase for 2017, and a $.45/hour increase for 2018. The contract with the LSSA reduced the number of steps on all salary schedules and requires job performance to move on the salary schedule.

For planning purposes, administrative and non-represented salaries are predicted to increase by 2% annually.

Based on trend and analytical predictions we are assuming a savings of 1.75% from an average of 60 employees exiting the district annually from the LEA. Therefore, the annual increase forecasted will be a net of 2.2%.

Stipend, supplemental, severance and sub cost for classified positions are included in this line item also.

Source	FY16	FY17	FY18	FY19	FY20
Wages	$82,200,864	$84,018,407	$85,866,812	$87,755,882	$89,686,511
Predicted increase from previous year	1,817,543	1,848,405	1,889,070	1,930,629	1,973,103
Total Wages Line 3.010	$84,018,407	$85,866,812	$87,755,882	$89,686,511	$91,659,614

Staffing and Enrollment
The District has put into place a process to analyze and audit classroom sizes. We will continue this practice and align classroom teachers to enrollment. Our enrollment is predicted to reduce over the next 10 years according to a recent demographic study. The enrollment decreases are estimated at an average of 202 students per year, which could equate to 9-10 students per building. These reductions predicted, when spread across the District, do not present an opportunity for an immediate or significant reduction in staffing levels. For that reason, we are assuming staffing levels will remain flat.

We will continue to evaluate and make final adjustments for the future years' staffing.

Fringe Benefits Estimates Line 3.02
This area of the forecast captures all costs associated with benefits and retirement costs. With the exception of health, dental and life insurance, all are directly related to the wages paid.

A) Retirement Contributions
The district pays 14% of each dollar paid in wages to either the State Teachers Retirement System or the School Employees Retirement System as required by Ohio law.

SERS announced on April 5, 2010, that they were going to require districts to pay SERS on a current fiscal year basis and not 6 months in arrears which has been the case since 1987 when districts moved from a calendar year to a fiscal year. This will have the result of accelerating our costs by up to one-half a year's cost of $274,408 for SERS. We are estimating this cost beginning in FY11, and ending in FY16 to remain $274,408 additional each year.

B) Insurance
For the fourth consecutive year we will be continuing our health coverage with Anthem. We worked with our insurance consultant, Horan, to go back to the market for the best bids for our health and dental coverage. This proved to be advantageous for the district and its employees. We are receiving a 1.5% decrease in health rates with Anthem effective January 1, 2016, and a rate cap of 4.5% effective January 1, 2017. We are moving to a new provider for dental coverage. Our new provider, Dental Care Plus, offers a better network of providers with a reduction of premiums of 7% effective January 1, 2016. This reduced premium will remain through 2017 and is capped at 5% for 2018. Based on trends, we are assuming a 7.5% annual increase in premiums beginning in 2018. Additionally, we are assuming a 5% annual increase in premiums for dental insurance for the remainder of the forecasted period. Life insurance is estimated to be $100,000 annually. These premium increases/(decreases) are inclusive of all additional fees associated with the PPACA. The district works hard to control these costs as they are among the fastest growing in the district year over year.

Patient Protection and Affordable Care Act (PPACA) Costs- the Patient Protection and Affordable Care Act (PPACA) commonly called Obamacare or the Affordable Care Act (ACA), is a United States federal statute signed into law by President Barack Obama on March 23, 2010. Together with the Health Care and Education Reconciliation Act, it represents the most significant regulatory overhaul of the country's healthcare system since the passage of Medicare and Medicaid in 1965.

It is uncertain to what extent the implementation of PPACA will cost our district additionally. There are numerous new regulations that potentially will require added staff time, at least initially due to increased demands, and it is likely that additional employees will be added to coverage that do not have coverage now. We are not certain what these added costs may be but there are "taxes" mandated by the act. Longer-term, a significant concern is the 40% "Cadillac Tax" that will be imposed in 2018 for plans whose value of benefits exceed $10,200 for individual plans and $27,500 for family plans. The rules and implementation of the PPACA is an ongoing issue we are watching closely to evaluate the effect on our district.

C) Workers Compensation & Unemployment Compensation
Lakota is one of a handful of districts in the state who have taken advantage of self-insuring their workers compensation. We have historically funded this at slightly less than 1% of wages. This move to self-insurance has saved the District and its residents millions of dollars over the past decade. We had an adequate reserve and therefore took a premium vacation in 2014 resumed transfers to this reserve fund in 2015. After meeting with our worker's comp consultant, Hunter Consultants, and analyzing our cash reserve and maximum exposure we are setting a reserve target of $750,000. We are anticipating a cash balance in our reserve fund at the end of 2015 of $1.5 million. Therefore, we will take a premium vacation until 2019. This will reduce our expenditures by $700,000 annually or $2.1 million during the forecasted period. Unemployment compensation has been a negligible cost for the district.

D) Medicare
Medicare will continue to increase at the rate of increase of wages. Contributions are 1.45% for all new employees to the district on or after April 1, 1986. These amounts are growing at the general growth rate of wages.

Source	FY16	FY17	FY18	FY19	FY20
STRS/SERS	$12,201,387	$12,189,390	$12,457,557	$12,731,623	$13,011,719
Insurance's	14,300,000	15,072,000	16,000,000	17,268,000	18,628,564
Workers Comp/Unemployment	50,000	50,000	50,000	300,000	300,000
Medicare	1,134,248	1,167,789	1,202,256	1,237,674	1,264,903
Other	1,830	1,830	1,830	1,830	1,830
Total Fringe Benefits Line 3.020	$27,687,465	$28,481,009	$29,711,643	$31,539,127	$33,207,016

Purchased Services – Line #3.030

This line includes contracted services, utilities, legal services, data processing, tuition and professional meetings expenses.
Key factors impacting this category include:

- Transportation services with Petermann Transportation are projected based upon the contract in place.
  Busing was reduced to minimum standards in FY12. Since that time we were able to make modifications to restore busing to our youngest learners at the early childhood schools at no additional cost. One of the promises of the November, 2013, levy was to restore busing to 1 mile for grades 2-6 at a cost of $1.3 million annually.
- Additional SROs (School Resource Officers) were also a levy promise and have been included in the annual line item anticipated cost.
- Utility costs are predicted to increase 3% annually due to market factors. Management is utilizing various methods to reduce costs. These methods include renegotiating contracts as well as our energy conservation projects which are producing positive results.
- Tuition paid to community schools, open enrollment, choice scholarships, post- secondary education option costs, and tuition paid for students who are court placed in other districts are projected to increase 10% annually.
- The pre-school program continues to be contracted through the Butler County ESC.
- The District continues to out-source the payroll for substitute teachers.
- An inflationary increase is predicted at 1.5%.

Source	FY16	FY17	FY18	FY19	FY20
Postage & Advertising	$291,906	$296,285	$300,729	$305,240	$309,818
Transportation	13,625,897	13,898,415	14,176,383	14,459,911	14,749,109
Community Schools/Tuition/OE	5,754,385	6,329,824	6,962,806	7,659,086	8,424,995
Professional Services	7,948,241	8,067,465	8,188,477	8,311,304	8,435,973
Repairs & Maintenance	600,875	609,888	619,036	628,322	637,746
Rental & Lease Payments	599,449	608,441	617,567	626,831	636,233
Utilities	2,735,000	2,817,050	2,901,562	2,988,608	3,078,267
Travel & Meeting Exp.	240,078	243,680	247,335	251,045	254,810
Property Insurance	153,542	155,845	158,183	160,556	162,964
Total Purchased Services Line 3.030	$31,949,373	$33,026,891	$34,172,077	$35,390,902	$36,689,917

Supplies and Materials – Line #3.040

An overall inflation rate of 1.5% is being estimated for this category of expenses which are characterized by textbooks, copy paper, maintenance supplies and materials, etc. The cost of diesel fuel for buses and also necessary repairs required for existing school buildings are forecasted to increase for fiscal years 2016 through 2020.

Source	FY16	FY17	FY18	FY19	FY20
General Supplies	$135,245	$137,274	$139,333	$141,423	$143,544
Instructional Supplies	538,742	546,823	555,025	563,351	571,801
Health Supplies	14,119	14,331	14,546	14,764	14,985
Textbooks & Library Books	985,910	1,000,699	1,015,709	1,030,945	1,046,409
Building Mainteance Supplies	803,090	815,136	827,363	839,774	852,370
Fuel for vehicles	807,202	819,310	831,600	844,074	856,735
Software & Computer Supplies	500,243	507,747	515,363	523,093	530,940
Total Line 3.040	$3,784,551	$3,841,319	$3,898,939	$3,957,423	$4,016,784

Equipment – Line # 3.050

The capital outlay category consists of any item with a life expectancy of five years or more, such as land, buildings, ground improvements, computers/technology, buses, vehicles, furnishings and equipment. With the passage of the recent permanent improvement 2 mill levy we are able to move most of the expenditures for the upkeep and maintenance of all 25 of the Districts' facilities to the permanent improvement fund. This fund is held outside the general fund and is not reflected in the 5 year forecast.

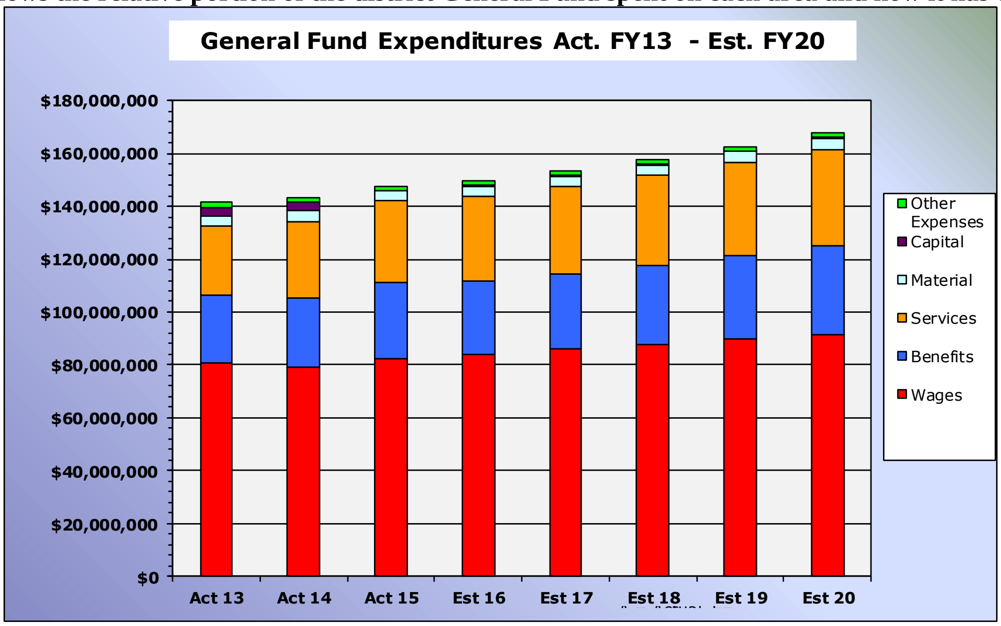
Source	FY16	FY17	FY18	FY19	FY20
Land	$0	$0	$0	$0	$0
Buildings	13,756	13,962	14,172	14,384	14,600
Equipment	333,802	338,809	343,891	349,050	354,285
Technology Equipment	0	0	0	0	0
Improvements other than Buildings	0	0	0	0	0
Replacement of Vehicles	0	0	0	0	0
Levy Planning	0	0	0	0	0
Total Capital Outlay Line 3.050	$347,558	$352,771	$358,063	$363,434	$368,885

Other Expenses – Line #4.300

The category of Other Expenses consists primarily of the County ESC deductions for specialized services provided to the district and auditor & treasurer fees. Auditor and treasurer fees will increase anytime a new operating levy is collected. The increase in fees by the County Auditor is included for the new levy in this forecast. Overall costs are estimated to increase by 1.5%.

Source	FY16	FY17	FY18	FY19	FY20
County Auditor & Treasurer Fees	$1,080,450	$1,096,657	$1,113,107	$1,129,803	$1,146,751
Butler County ESC	105,210	106,788	108,390	110,016	111,666
Dues & Fees	109,225	110,864	112,526	114,214	115,928
Audit Fees	70,037	71,088	72,154	73,236	74,335
Banking Fees	144,943	147,117	149,324	151,564	153,837
Other expenses	135,687	137,723	139,788	141,885	144,013
Budget Reductions	0	0	0	0	0
Total Other Expenses Line 4.300	$1,645,553	$1,670,236	$1,695,289	$1,720,719	$1,746,529

The graph below shows the relative portion of the district General Fund spent on each area and how it has changed over time.



Debt Service – Line# 4.020; 4.050; 4.060

Debt which commits general fund sources to its repayment must be included in the forecast. Repayment on debt began in FY08 for a $10 million bond issue which provided funding for the new Union elementary school. Additionally, the District issued debt in 2009 and 2010 for energy conservation projects at Lakota East and West high schools and the central office. The final issuance which is required to be included in the forecast is debt associated with the artificial turf at both high school stadiums. Payments for the aforementioned debt are reflected in the forecast but paid from the debt service fund per applicable Ohio law. Sequestration has increased our interest payments for our energy conservation projects from its original debt issuance. Our guaranteed federal subsidies were reduced indefinitely in 2013 by 8.7%. This is an average of $17,000 additional each year in interest expense to the District.

Source	FY16	FY17	FY18	FY19	FY20
Principal Bonds - $1.65 M Athletic Bldg.	$110,671	$110,671	$110,671	$110,671	$110,671
Principal Bonds - $10 M Elem. Bldg.	410,000	410,000	410,000	410,000	410,000
Other LTGO Debt	0	0	0	0	0
Total Principal Payments Line 4.055	$520,671	$520,671	$520,671	$520,671	$520,671

Source	FY16	FY17	FY18	FY19	FY20
HB 264 Principal 3 Issues Line 4.050	$744,329	$744,329	$744,329	$744,329	$744,329

Source	FY16	FY17	FY18	FY19	FY20
Interest on Bonds & HB 264 Total Line 4.060	$561,213	$560,601	$560,601	$560,601	$560,601

Transfers, Advances and All Other Financing Uses – Line# 5.010; 5.020; 5.030
This category includes operating transfers-out, advances-out and refund of prior year receipts. Operating transfers are funds transferred to the athletic fund to pay for coaching supplemental contracts, athletic administration and field maintenance supplies. The District recognized Marching Band as an extra-curricular beginning in 2014. Therefore, the District transfers an equal amount per pupil to the band fund as it contributes for athletics. This has been estimated at $100,000. Transfers out increased in line with the levy promise to reduce fees and implement a family cap. We are anticipating this annual amount to remain constant throughout the forecasted period. Advances out include loans to another fund to cover a temporary end of year deficit balance. These funds are returned to the general fund in the subsequent fiscal year. Refunds of prior year receipts are payments received in one fiscal year and returned to the original payer in another fiscal year.

Source	FY16	FY17	FY18	FY19	FY19
Operating Transfers Out	$940,000	$940,000	$940,000	$940,000	$940,000
Advances Out	200,000	200,000	200,000	200,000	200,000
Total	$1,140,000	$1,140,000	$1,140,000	$1,140,000	$1,140,000

Source	FY16	FY17	FY18	FY19	FY19
All Other Financing Uses Line 5.030	$1,000	$1,000	$1,000	$1,000	$1,000

Encumbrances –Line#8.010
Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund cash balance. Encumbrances for purchased services, supplies and materials, capital outlay and other objects are forecasted based on historic data used to make future estimates for fiscal years 2016 through 2020.

Reservations of Fund Balance – Line #9.080
The school district does not have formal reservations of fund balance at this time as HB153 did away with textbook set asides.

Ending Unreserved Cash Balance "The Bottom-line" – Line#12.010
This amount must not go below $-0- or the district general fund will violate all Ohio Budgetary Laws. Any multi-year contract which is knowingly signed which results in a negative unencumbered cash balance is a violation of 5705.412, ORC punishable by personal liability of $10,000, unless the new alternative 412 certificate allowed by HB153 would be applicable after September 30, 2011.

	FY16	FY17	FY18	FY19	FY20
Ending Unreserved Cash Balance	$63,394,143	$71,070,369	$76,256,727	$77,365,233	$74,243,490

The graph below shows the districts ending cash balance FY13 through FY20.