MASSILLON CITY SCHOOL DISTRICT-STARK COUNTY

SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES FOR THE FISCAL YEARS ENDED
JUNE 30, 2014, 2015 and 2016 ACTUAL
FORECASTED FISCAL YEARS ENDING
JUNE 30, 2017 THROUGH 2021

MASSILLON CITY SCHOOLS

Educating for Excellence

Forecast Provided By
Massillon City School District
Treasurer's Office
Sandra Moeglin, Treasurer

April 26, 2017

Massillon City School District – Stark County
Notes to the Five Year Forecast
General Fund Only
April 26, 2017

Introduction to the Five Year Forecast

All school districts in Ohio are required to file a five-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 2017 (July 1, 2016-June 30, 2017) 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 May 2017 filing.

Forecast Risks and Uncertainty:

A five year financial forecast has risks and uncertainty not only due to economic uncertainties but also due to state legislative changes that will occur 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. Stark County went through a complete property reappraisal in the 2015 tax year to be collected in calendar year 2016, which increased the assessed values by $6.66 million or an increase of 2.56%. There is always some risk that the district could see value reduction but we do not foresee any decline at this time.

II. The State Budget represents 63.6% 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 funding formula in future state budgets reduce funding to our district. There are two future State Biennium Budgets covering the period from FY18 through FY21 in this forecast. At the current time the uncertainty in state funding for the next state budget is based on changes from the proposal from the Governor to what the House and Senate will propose. 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 FY21.

III. 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 years. 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 HB49, the budget bill for FY18 & FY19, for any new threats to our state aid and increased costs very closely.

IV. 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. Implementation of those provisions has increased costs by as much as 2%. There is the additional risk that costs will go up as additional staffs are added to our health care rolls. We have made allowance for increases in our costs for health care in the forecast based on what we know at this time. Future uncertainty over rules and implementation of PPACA exists as it is under review and potential appeal or amendments at the federal level.

V. HB59 eliminated the Rollback exemption on any future new or replacement levy. This means that should the District place a new levy on the ballot taxpayers will no longer receive the 12.5% reduction as they do on current levies. This could make passing any new levies more difficult. This will not affect the total collection for the school district but will further shift the tax burden from the State of Ohio onto local taxpayers. The renewal levies will allow our tax payers to continue to receive the reductions for the Homestead and Rollback savings paid by the state for this levy.

VI. Labor relations in the district have been very amicable with all parties working for the best interest of students and realizing the resource changes the district faces. We believe as the district moves forward a strong working relationship will continue.

May 2017 updates:
The revisions reflect the changes for FY17 through FY21 that were included in the October forecast.

Tax Revenue – Lines 1.01 & 1.02
There is a decrease of $2,948,189 from removing the levies that were included in the October forecast and are now being showed on line 11.020.

Restricted & Unrestricted State Revenue – Lines 1.035 & 1.045
There is an increase of $22,080,397 for the forecast. The district is increasing the amount per pupil by .5% in FY18 & FY19 and 1% in FY20 & FY21 and increasing the amount of the CAP in FY18 & FY19 to 5% then lowering it to 2.5% for FY20 & FY21. The October forecast made the assumption that there would not be any increase in state funding, with the May forecast we are using the current model with information that allows an actual increase in the different areas of the funding formula.

Property Tax Allocations – Line 1.050
There is a decrease of $3,180,586 for the forecast. The difference is removing the three tax levies from taxes which also then remove the amounts from the Homestead and Rollback that is paid by the state to the district. This change gives a more realistic analysis of the tax levies than when it is included with taxes.

Other Revenues
There is an increase of $2,680,246. This increase is mainly based on the amount of tuition being paid the district in FY17 and being increased by 1% each year. The other portion of the increase is for the additional TIF payments.

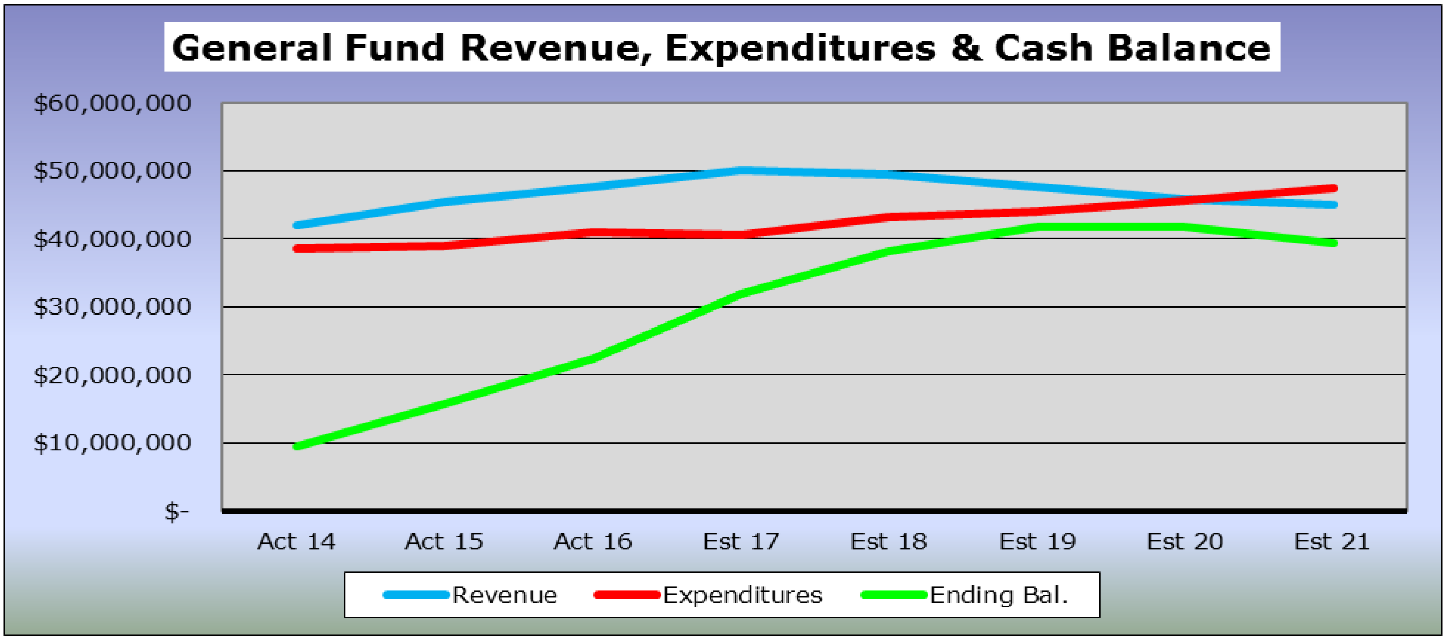
Wages – Line 3.010
There is a decrease of $4,877,004 for the forecast. The decrease is based on the amount of the annual increase in FY17 of 11% for the new staff. We have reviewed the total amount of the step increases and found that the amount was too large with the retirement and resignations of employees. The district also increased the annual base wage increase to 3% in FY18 through FY20 and 2% increase in FY21.

Benefits – Line 3.020
There is a decrease of $10,228,815 from changes in benefits that correspond with wages and for the amount of the premium holiday in FY17 that was not included in the October forecast.

Other Expenditures – Lines 3.03 to 4.30
There is a decrease of $2,489,203 for the forecast. The changes in purchase services, supplies and equipment for FY17 have been decreased based on current expenditures which then are carried through the remainder of the forecast.

The major categories of revenue and expenditures on the forecast are noted below in the headings to make it easier to reference the assumptions made for the forecast item. 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 me - Mrs. Sandy Moeglin, Treasurer/CFO of Massillon City School District at 330-830-3900.

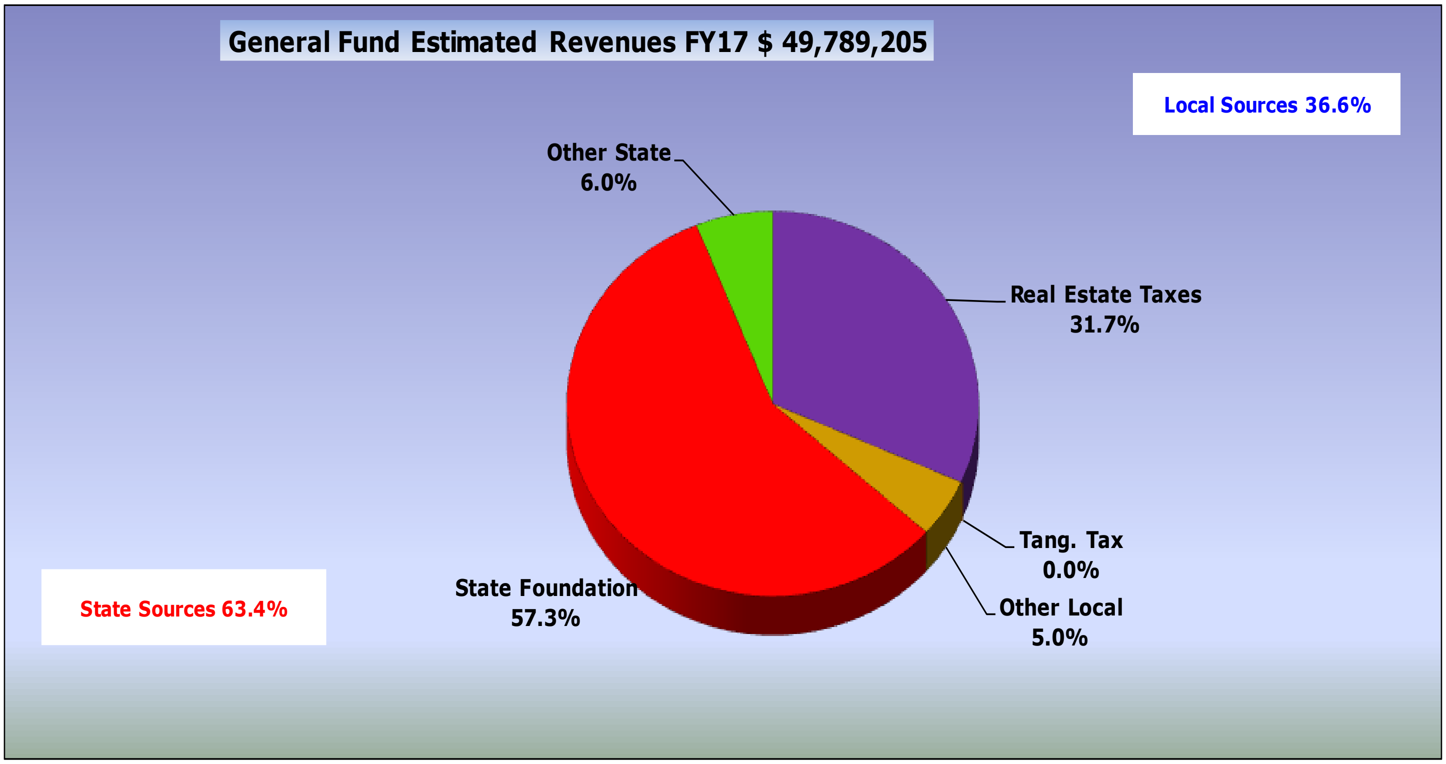
General Fund Revenue, Expenditure and Ending Cash Balance:



The Massillon City Schools forecast assumptions will explain the revenue and expenditures in depth as to how the amounts are forecasted. The district is fortunate that the expenditures will not exceed the revenue until the three renewal levies is not included in the annual receipts. Many districts throughout the state are not fortunate to be able to not deficit spend during many of the years of the forecast. By having a positive cash flow the district is able to project for the needs of the students throughout all grades and levels of education.

Revenue Assumptions

Estimated General Fund Revenues:



Real Estate Value Assumptions – Line # 1.010

Property values are established each year by the County Auditor based on new construction and complete reappraisal or updated values. A reappraisal of the district property value occurred for 2015 values collected in calendar year 2016. Residential values increased by 2.56% or an increase of $6,659,270 as a result of the reappraisal. The district is projecting for slight increases in values in each year of the forecast for new construction. The county will have the triennial update in 2018 for collection in 2019 that is estimated for an increase of 1.5% of values.

Commercial/Industrial values saw a significant increase in the 2015 reappraisal from the previous triennial update. The district is projecting a 1.5% increase in values for the triennial update in 2018 collection in 2019.

The district did not experience a large increase in Public Utility Personal Property values in 2016 for collection in 2017, the average increase in the previous three years was $1.6 compared to $123,000 for 2016. Since the increase was much less than in the previous years, the district is projecting small increases each year for the remainder of the forecast.

ESTIMATED ASSESSED VALUE (AV) BY COLLECTION YEARS

Classification	Actual TAX YEAR2016 COLLECT 2017	Estimated TAX YEAR2017 COLLECT 2018	Estimated TAX YEAR2018 COLLECT 2019	Estimated TAX YEAR2019 COLLECT 2020	Estimated TAX YEAR2020 COLLECT 2021
Res./Ag.	$268,772,760	$268,972,760	$273,257,351	$273,457,351	$273,657,351
Comm./Ind.	$97,071,660	$97,921,660	$98,820,621	$99,670,621	$100,520,621
Public Utility Personal Property (PUPP)	$27,641,940	$27,791,940	$27,941,940	$28,091,940	$28,241,940
Total Assessed Value	$393,486,360	$394,686,360	$400,019,912	$401,219,912	$402,419,912

When values rise, reduction factors are increased and House Bill 920 decreases effective tax rates so the district tax revenues are held harmless. These factors are reflected in the property tax revenues on Line 1.01 for FY2017 through FY2021.

The state does not allow for levy renewals to be forecasted as actual until the levy is approved by the voters. The district has three levies that will need to be renewed during the forecast the amount of the levies are reduced from line 1.010 and included in line 11.02.

ESTIMATED REAL ESTATE TAX (Line #1.010)

Source	FY17	FY18	FY19	FY20
Est. General Property Taxes Line #1.010	$15,771,297	$14,298,231	$11,729,548	$10,306,082

Property tax levies are collected at an estimate of 94.37% of the annual amount. Typically, 52.36% of the residential/agriculture (Res/Ag) and commercial/industrial (Comm/Ind) is expected to be collected in the February tax settlements and 47.64% is expected to be collected in the August tax settlements.

Renewal and Replacement Levies – Line #11.02

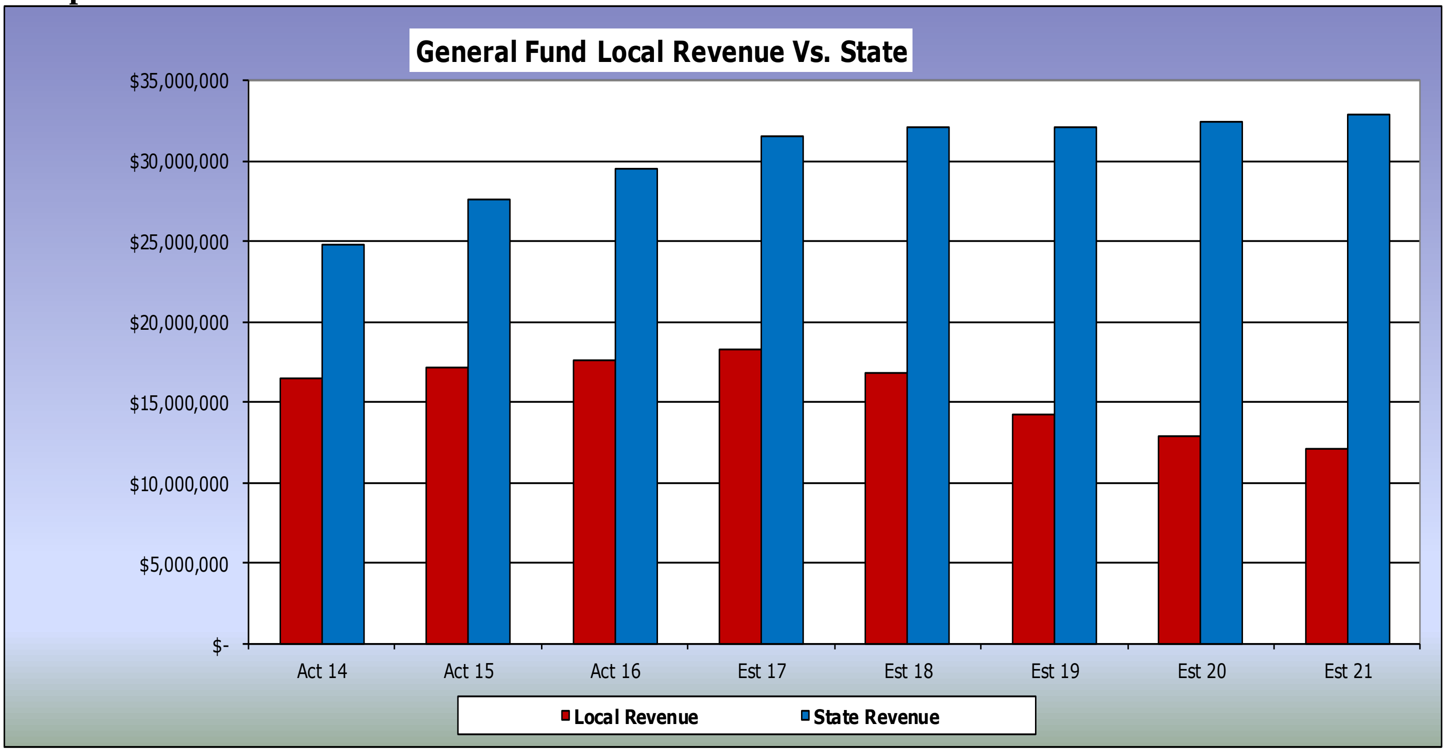
The district currently has three levies that will expire during the forecast time period. The first emergency levy for $3,430,178 or 8.7 mills expires on December 31, 2017; the second emergency levy for $3,434,905 or 8.56 mills expires on December 31, 2018; and the third emergency levy for $2,000,000 or 4.97 mills expires on December 31, 2020. The millage rates are approximate since emergency levies are voted to collect a certain amount of money instead of being voted for a millage rate as in other levy types.

Source	FY17	FY18	FY19	FY20
Emergency Levy Expires 12/31/20 $2,000,000	$0	$0	$0	$0
Emergency Levy Expires 12/31/17 $3,430,178	$0	$1,736,620	$1,736,620	$3,473,240
Emergency Levy Expires 12/31/18 $3,434,905	$0	$0	$0	$1,718,086
Total Line # 11.020	$0	$1,736,620	$3,454,706	$6,909,411

New Tax Levies – Line #13.030

No new levies are modeled in this forecast.

Comparison of Local Revenue and State Revenue:



State Foundation Revenue Estimates

Our funding stats for the FY18-21 will depend on two (2) new state budgets. HB49 the current proposed new state budget for FY18 & FY19 will not be known until late June 2017. We must file this forecast before May 31, 2017 which is before we will know what changes will be officially made to school funding. In addition, another state budget will be legislated beginning in the spring of 2019 which will also affect our funding for the future. Our revision to the October 2017 forecast will capture the changes made in HB49.

The amounts estimated for FY17 for state funding are based on the April #1 2017 State Foundation Payment Report (SFPR). We are projected to be a CAP District regarding state funding in FY16 and FY17. There are two unknown state budgets in this forecast period covering three fiscal years. Our state funding status for FY18-21 will depend on the FY18-19 and FY20-21 state budgets.

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 FY18-19 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. <u>Opportunity Grant</u> – 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. <u>Targeted Assistance</u> – Tier I based on wealth and Tier II based on percentage of district agricultural assessed value
3. <u>Special Education Additional Aid</u> – 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 students enrolled in
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 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 undo burden or inability to raise local revenue.

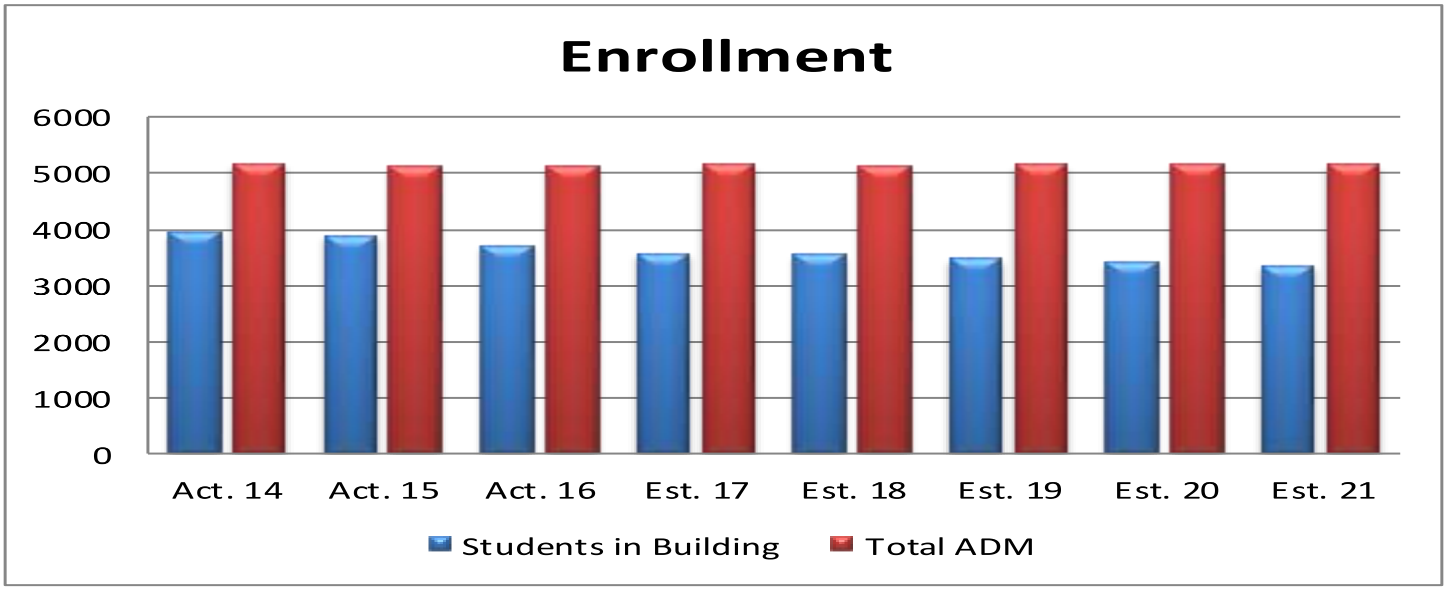
1) Capacity Aid – Provides additional funding for districts where income generated for one mill of property tax is below the state median for what is generated of which Massillon Schools do not qualify.
2) Transportation Supplement – Provides additional funding for districts with rider density (riders 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 of which SCSD will not qualify.
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: these additional components are only paid to districts that are funded based on the CAP or formula.

There are over 350 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 FY18-21. Our estimates are based on the best information available to us and the most current calculation used by ODE.

Our current SFPR estimates for FY17 are using the current adjusted average daily membership (ADM) and have made no increase and decrease based on historical trends through FY21. Beginning in FY15 the state changed the way it measures student ADM. Student counts are now updated with each payment of the fiscal year. Our estimate of state aid is based on the April#1 SFPR data. We have estimated that our funding ADM will be stable enrollment through FY21 which is being shown in the chart below. Total ADM includes all students that attend Massillon schools and students that live in the district but attend other districts for Open Enrollment, Community Schools, Scholarship students and other tuition areas. We are also including a 0.5% per pupil increase for FY18-19 and then 1% increase in FY20-21 for Opportunity Grant base amount of funding.

The district has received adjustments from previous fiscal years based on calculations from Ohio Department of Education during the first two months of FY17. The district does not know when adjustments will be made and has no control of the information as it is compiled by data that is submitted to ODE from other districts throughout the state. The district received two FY16 adjustments for a total deduction of $22,128.



Current calculations indicate our district is a “CAP” funded district for FY17 and we anticipate that we will remain on the CAP in FY18 but will move to a “Formula” district in the remaining years, depending upon the amount of the CAP growth that is included in the state funding formula. The CAP growth rate for FY16 & 17 is 7.5% each year. We believe the district will receive additional funds for the period FY17 through FY21. We have estimated an increase in the CAP amount of 5% each year for FY18-19 based upon the amount within the governor’s proposal for HB49 and then decreased it to 2.5% for FY20-21,

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 $51.65 per pupil for a full year in FY14 and $52.08 in FY15. The state indicated recently that the original 2009 estimates of $1.9 billion of GCR may be closer to $900 million as revenues from casinos are not growing robustly as originally predicted. Actual numbers generated for FY 16 statewide were 1,796,394 students at $50.66 per pupil. The amount the district received for FY17 decreased to $49.94 per pupil which is less than estimated in the October forecast based on the first payment in the year. The district is estimating the same amount for the remainder of the forecast as received in FY17 but will adjust accordingly as better information is obtained.

A) Unrestricted State Foundation Revenue – Line #1.035

Source	FY17	FY18	FY19	FY20	FY21
Basic Aid-Unrestricted	$23,757,309	$24,424,003	$25,074,118	$25,741,055	$26,434,488
Additional Aid Items	$210,668	$210,668	$210,668	$210,668	$210,668
Basic Aid-Unrestricted Subtotal	$23,967,977	$24,634,671	$25,284,786	$25,951,723	$26,645,156
Ohio Casino Commission ODT	$196,639	$196,639	$196,639	$196,639	$196,639
Total Unrestricted State Aid Line # 1.035	$24,164,616	$24,831,310	$25,481,425	$26,148,362	$26,841,795

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 FY17-21.

Source	FY17	FY18	FY19	FY20	FY21
Economically Disadvantaged Aid	$3,530,556	$3,565,862	$3,601,521	$3,637,536	$3,673,911
Career Tech - Restricted	$845,848	$845,848	$845,848	$845,848	$845,848
Total Restricted State Revenues Line #1.040	$4,376,404	$4,411,710	$4,447,369	$4,483,384	$4,519,759

Summary of State Foundation Revenues

Summary of State Foundaton Revenues	FY17	FY18	FY19	FY20	FY21
Unrestricted Line # 1.035	$24,164,616	$24,831,310	$25,481,425	$26,148,362	$26,841,795
Restricted Line # 1.040	$4,376,404	$4,411,710	$4,447,369	$4,483,384	$4,519,759
Rest. Fed. Grants - SFSF & Ed Jobs Line #1.045	$0	$0	$0	$0	$0

State Taxes Reimbursement/Property Tax Allocation

a) Rollback and Homestead Reimbursement

Rollback funds are reimbursements paid to the district from the State of 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, 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 anyone that is disabled regardless of income. However, effective September 29, 2013 HB59 changes the requirement for Homestead Exemptions. Individual taxpayers who do not currently have their Homestead Exemption approved or those who do not get a new application approved for tax year 2013, and who become eligible thereafter, will only receive a Homestead Exemption if they meet the income qualifications. Taxpayers who currently have their Homestead Exemption as of September 29, 2013 will not lose it going forward and will not have to meet the new income qualification. This will reduce 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/Fixed Sum
These amounts reflect the state's reimbursement of tangible personal property tax that was phased out in House Bill 66. House Bill 153, the previous state budget, dramatically reduced this revenue due to changes in eligibility requirements. The decrease in revenue is due to the district no longer receiving TPP reimbursements after fiscal year 2013. In FY18 the Fixed Sum TPP reimbursement amount will begin to be decreased by 20% each year until it is no longer received in FY22.

Summary of State Tax Reimbursement – Line #1.050

Source	FY17	FY18	FY19	FY20	FY21
a) Rollback and Homestead	$2,367,915	$2,287,765	$1,865,584	$1,641,748	$1,510,646
b) TPP Reimbursement - Fixed Rate	$0	$0	$0	$0	$0
c) TPP Reimbursement - Fixed Sum	$642,305	$513,844	$308,306	$123,323	$24,665
Total Tax Reimb./Prop. Tax Allocations #1.050	$3,010,220	$2,801,609	$2,173,890	$1,765,071	$1,535,311

Other Local Revenues – Line #1.060
Open enrollment is expected to remain stable during the forecast years. An increase of 1% is factored through FY21 for each year.

Interest income will increase and decrease as the cash position of the General Fund fluctuates over the forecast period. The district's balances available for investment vary month to month due to cash flow needs. The sharply reduced interest rates will lower investment earnings; however increased fund balance will assist in growth of this revenue source as well as providing the opportunity for longer term investment to increase the yield. Security of the public funds collected by the district is the top priority of the treasurer's office.

The tuition will increase during the forecast from previous year as there is a new collection of data being used to ensure that students are not being missed in the reporting to the state for both regular education and special education students that attend Massillon City Schools from other districts throughout the state. In FY18-FY21 the district expects a 1% increase in tuition payments.

The district has Tax Increment Financing (TIF) revenue sharing agreements with the city. The district is projecting an increase of 5% each year of the forecast due to the new areas of the TIF and the increases that have been received in FY17 compared to FY16.

The district is included in the federal government's E-rate program for technology. The district receives reimbursements for a percentage of the telephone and technology infrastructure costs based on the economic disadvantage percentage for the district. In FY18-FY21 the district expects a 1% increase for this program.

All other miscellaneous revenue for FY18-FY21 has a 1% increase each year.

Source	FY17	FY18	FY19	FY20	FY21
Open Enrollment - In	$1,096,278	$1,107,241	$1,118,313	$1,129,496	$1,140,791
Interest	$161,230	$162,842	$164,470	$166,115	$167,776
Tuition SF-14 & SF-14H	$151,007	$152,517	$154,042	$155,582	$157,138
Erate	$140,559	$141,965	$143,385	$144,818	$146,267
TIF	$268,893	$282,338	$296,455	$311,278	$326,842
Donations, Rentals and Miscellaneous Income	$647,295	$653,768	$653,768	$653,768	$630,306
Total Line # 1.060	$2,466,668	$2,502,091	$2,531,866	$2,562,506	$2,570,582

Short-Term Borrowing – Lines #2.010 & Line #2.020
There is no short term borrowing planned for during the remainder of the forecast.

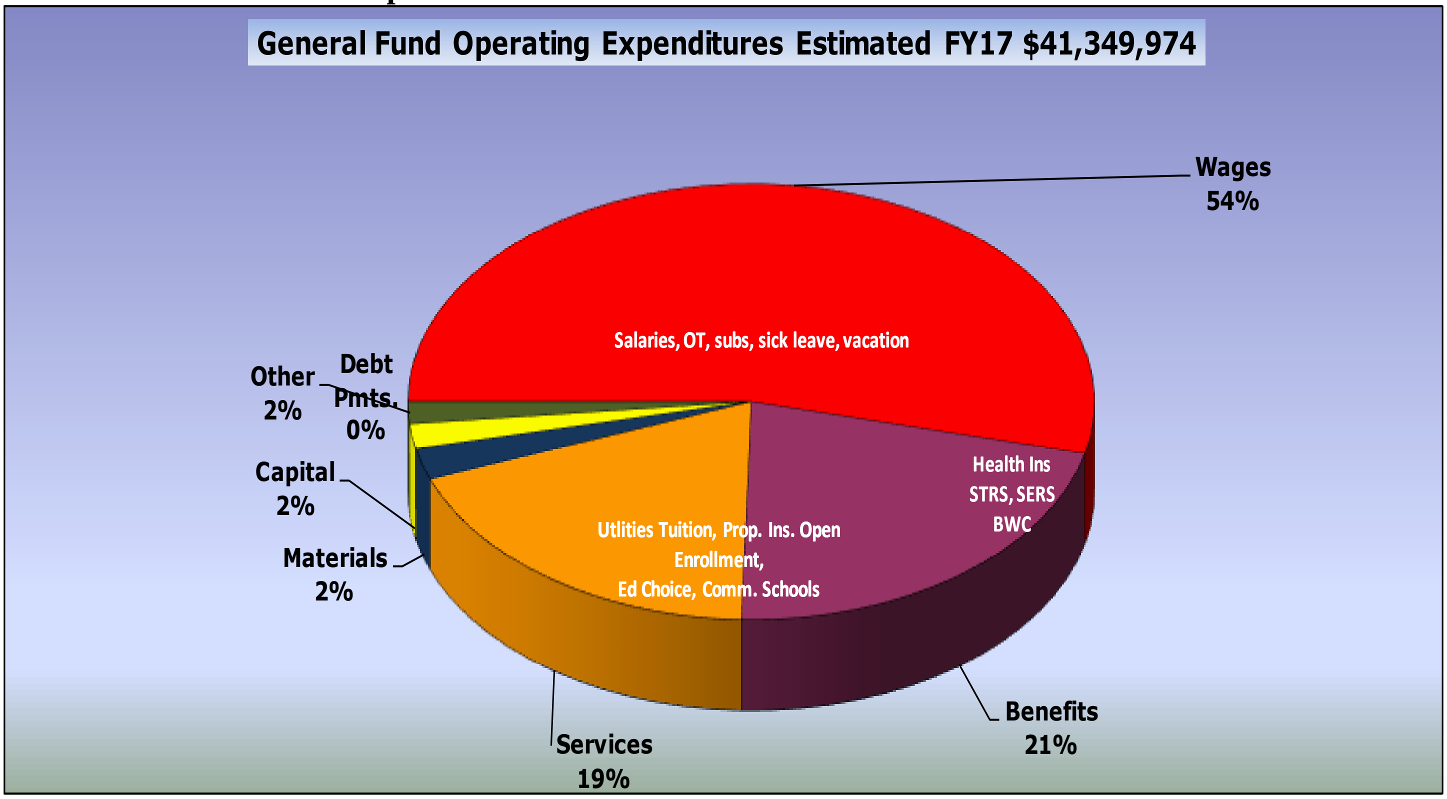
Transfers In / Return of Advances – Line #2.040 & Line #2.050
Advances are non-operating revenues which are the repayment of short term loans to other funds during the previous fiscal year and reimbursements for expenses incurred in the previous fiscal year. All advances during the current year are planned to be returned in the succeeding fiscal year. The district advanced funds to federal grants at the end of the FY16. The transfer in were for stale dated checks that closed out the unclaimed funds account.

Source	FY17	FY18	FY19	FY20	FY21
Transfers In - Line 2.040	$12,789	$0	$0	$0	$0
Advance Returns - Line 2.050	$484,478	$125,000	$125,000	$125,000	$125,000

All Other Financial Sources – Line #2.060
These funds are for refunds from previous years. The main area for the refunds is that of Medicaid reimbursements from previous years. The district does not expect to receive as many refunds in the future since most of the back payments have been paid and are only forecasting $20,000 each year for the remainder of the forecast.

Expenditures Assumptions

Estimated General Fund Expenditures for FY17:



Wages – Line #3.010
The district ratified the negotiated agreement with the Massillon Education Association for the period of July 1, 2017 through June 30, 2020. The district has included the 3% base wage increase in FY18 through FY20 and a 2% increase in FY21 and step increases of 1.56% for each of the remaining years of the forecast.

The district hired additional staff in FY17 of 10 new teachers and 1.8 administrators and are estimating hiring 1 administrative intern in FY18.

Source	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**
Base Wages	$20,089,970	$20,881,621	$21,718,273	$22,507,038	$23,308,289
Base Increases	$401,799	$417,632	$434,365	$450,141	$466,166
Steps & Training	$0	$313,404	$325,753	$338,805	$351,110
Substitutes	$503,873	$508,912	$514,001	$519,141	$524,332
New/Replacement Staff	$76,448	$93,267	$15,595	$0	$0
Unfunded/Special Ed Staff	$0	$0	$0	$0	$0
Supplemental Contracts	$865,822	$883,138	$900,801	$918,817	$937,193
Stipends	$0	$0	$0	$0	$0
Staff Reductions	$0	$0	$0	$0	$0
Total Wages Line 3.010	$22,256,355	$23,115,412	$23,926,980	$24,751,438	$25,604,832

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

A) **STRS/SERS**
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.

B) Insurance
The estimated increases for all medical, vision and dental insurances are 2.6% for FY17 and 5% for FY18-FY21. The above increases include adjustments for inflation and the function of the health insurance committee to maintain control of costs. A premium holiday for three months in FY17 was received, which saved the district for a total of $1,839,825.

Patient Protection and Affordable Care Act (PPACA) Costs- the Patient Protection and Affordable Care Act (PPACA) commonly called Obamacare or the Affordable Care Act (ACA), is a United States federal statute signed into law by President Barack Obama on March 23, 2010. Together with the Health Care and Education Reconciliation Act, it represents the most significant regulatory overhaul of the country's healthcare system since the passage of Medicare and Medicaid in 1965. Many of the significant provisions of the PPACA that were scheduled to be implemented by employers on January 1, 2014 were delayed until January 1, 2015.

It is uncertain to what extent the implementation of PPACA will affect costs in our district. 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 insurance coverage that do not have coverage now. A significant concern is the 40% “Cadillac Tax” that will be imposed in 2020 for plans whose value of benefits exceed $10,200 for individual plans and $27,400 for family plans. The rules and implementation of the PPACA is an ongoing issue we are watching closely to evaluate the effect on our district.

C) Workers Compensation & Unemployment Compensation
Workers Compensation has changed the manner in which payments are made, the amount for FY17 will be greater than paid in FY16 to establish the new payment process as it will include a true-up for FY16 and then the total amount for FY17. The district will hold this amount steady for the remainders of the forecast until the new method of payments have been fully implemented. Unemployment Compensation has been negligible and is anticipated to remain as such as we plan our staffing needs carefully.

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.

Summary of Fringe Benefits – Line #3.020

Source	FY17	FY18	FY19	FY20	FY21
A) STRS/SERS	$3,517,689	$3,653,789	$3,784,143	$3,915,342	$4,050,843
B) Insurance's	$4,991,762	$5,498,399	$6,049,487	$6,654,436	$7,319,880
C) Workers Comp/Unemployment	$72,604	$72,604	$72,604	$72,604	$72,604
D) Medicare	$323,825	$336,525	$347,167	$358,896	$371,270
Other/Tuition	$35,123	$35,123	$35,123	$35,123	$35,123
Total Line 3.020	$8,941,003	$9,596,440	$10,288,524	$11,036,401	$11,849,720

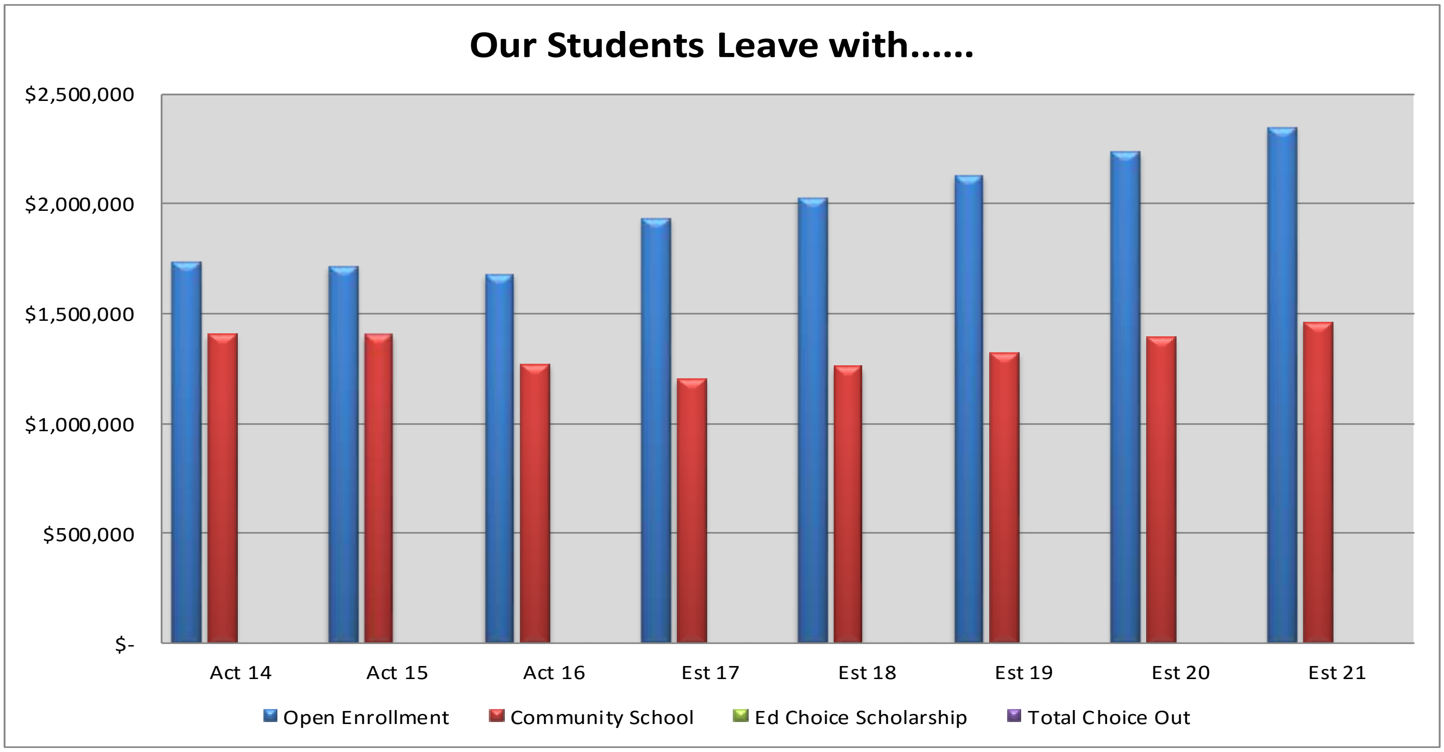
Purchased Services – Line #3.030
This line is for amounts paid for services rendered by personnel who are not on the payroll of the school district, and other services which the school district may purchase. While a product may or may not result from the transaction, the primary reason for the purchase is the service provided in order to obtain the desired results.

One of the largest portions of this line is that of utility costs, we are estimating that the increase by 4% each year through FY21.

Another large area is that of professional services which include but are not limited to technology, health services and psychology services. The district estimates a 5% increase each year of the forecast.

We are using the information provided in the April #1 SFPR payment to the district by Ohio Department of Education for FY17 amounts for Community School, Open Enrollment and Ed Choice Scholarships. Since the expenditure for our students attending elsewhere is one of the fastest growing expenditures we are using a 5% inflation rate for FY18-21 for the choice enrollment out categories.

As the chart below indicates the total amount being paid by the Massillon City Schools for Choice Options for our students is growing each year. The amounts have increased dramatically each year from the inception of the programs.



Source	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**
Base Services	$230,369	$241,887	$253,981	$266,680	$280,014
Professional Services	$979,528	$1,028,504	$1,079,929	$1,133,925	$1,190,621
Open Enrollment Deduction	$1,929,327	$2,025,794	$2,127,084	$2,233,438	$2,345,110
Community School Deductions	$1,198,387	$1,258,306	$1,321,221	$1,387,282	$1,456,646
Other Tuition	$1,207,370	$1,267,739	$1,331,126	$1,397,682	$1,467,566
Building Maintenance	$1,190,399	$1,249,919	$1,312,415	$1,378,036	$1,446,938
Utilities	$1,025,528	$1,066,549	$1,109,211	$1,153,579	$1,199,722
Total Line 3.030	$7,760,908	$8,138,698	$8,534,967	$8,950,622	$9,386,617

Supplies and Materials – Line #3.040

An overall increase of 5% is being estimated for this category of expenses which are characterized by textbooks, classroom supplies, copy paper, maintenance supplies and fuel. The increase for textbooks is based on the curriculum adoption cycle that the district is abiding by for the future years.

Source	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**
Supplies	$876,236	$920,048	$966,050	$1,014,353	$1,065,071
Textbooks	$80,000	$200,000	$80,000	$80,000	$80,000
Total Line 3.040	$956,236	$1,120,048	$1,046,050	$1,094,353	$1,145,071

Equipment – Line # 3.050

The district is including a large increase for FY18 for the athletic program expansion and will reduce the amount in FY19 and then a 2% increase for FY20-FY21. The district plans on purchasing two buses annually for the remainder of the forecast. The district includes technology expenditures each year with a 2% increase in FY18-FY21.

Source	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**
Capital Outlay/Future Construction Projects	$306,923	$1,000,000	$300,000	$306,000	$312,120
Bus Purchases	$205,000	$209,100	$213,282	$217,548	$221,899
Technology & Infrastructure	$247,036	$251,977	$257,017	$262,157	$267,400
Total Line 3.050	$758,959	$1,461,077	$770,299	$785,705	$801,419

Debt Service:

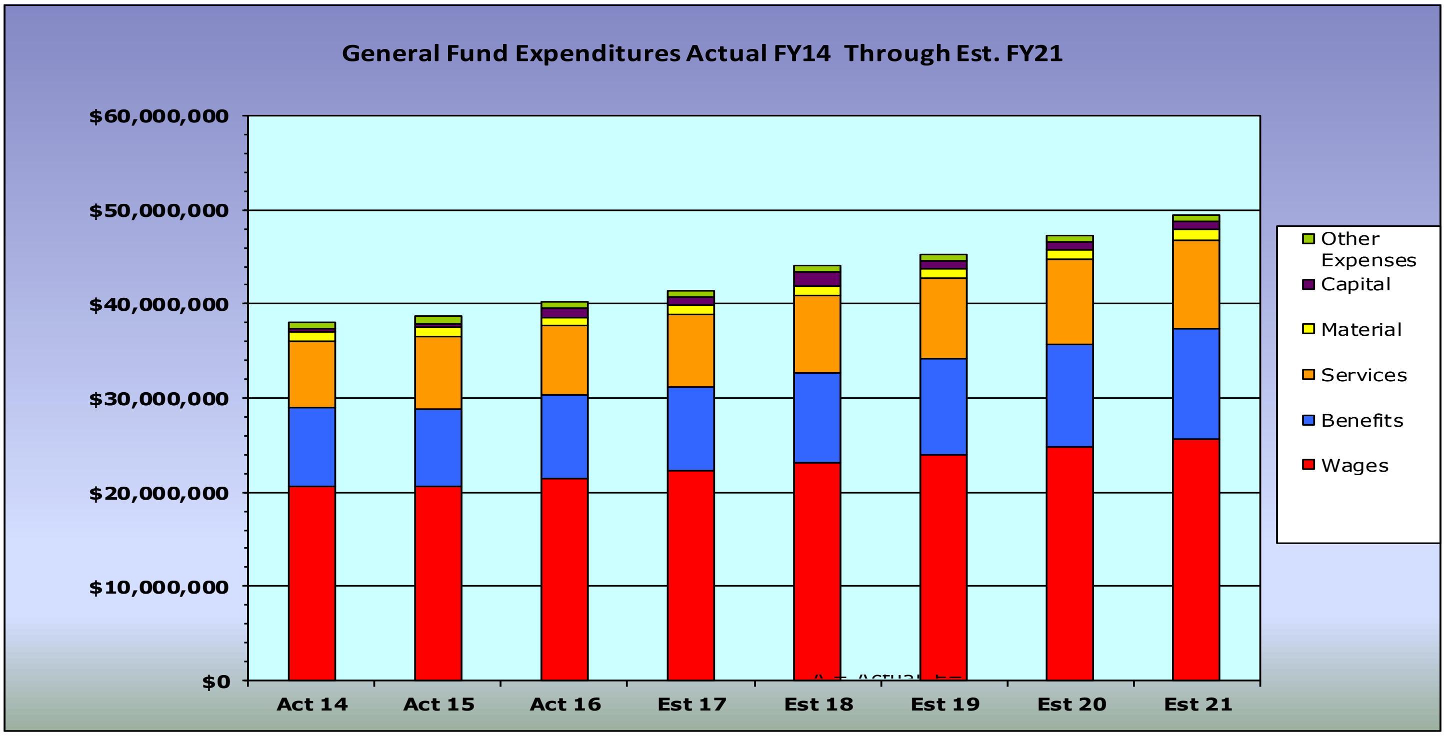
The district has does not have any debt that is paid by the general fund.

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 County Auditor & Treasurer (A&T) fees. These fees as noted below are maintained at current levels with a 1% to 3% increase in the final years of the forecast.

Source	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**
Stark County Auditor/Treasurer Fees	$316,533	$319,698	$322,895	$326,124	$329,385
Stark County ESC	$135,177	$136,529	$137,894	$139,273	$140,666
Other expenses	$224,803	$231,547	$238,493	$245,648	$253,017
Total Line 4.300	$676,513	$687,774	$699,282	$711,045	$723,068

Total Expenditure Categories Actual Fiscal Year 2014 through Fiscal Year 2016 and Estimated Fiscal Year 2017 through Fiscal Year 2021



Transfers Out/Advances Out – Lines #5.010 & 5.020
This account group covers fund to fund transfers and end of year short term loans from the General Fund to other funds until they have received reimbursements to repay the General Fund. The district is expecting to transfer each year for payments to the 035 fund for severance pay and termination benefits.

Source	FY17	FY18	FY19	FY20	FY21
Operating Transfers Out Line #5.010	$50,100	$273,000	$273,000	$273,000	$273,000
Advances Out Line #5.020	$0	$0	$0	$0	$0
Total	$50,100	$273,000	$273,000	$273,000	$273,000

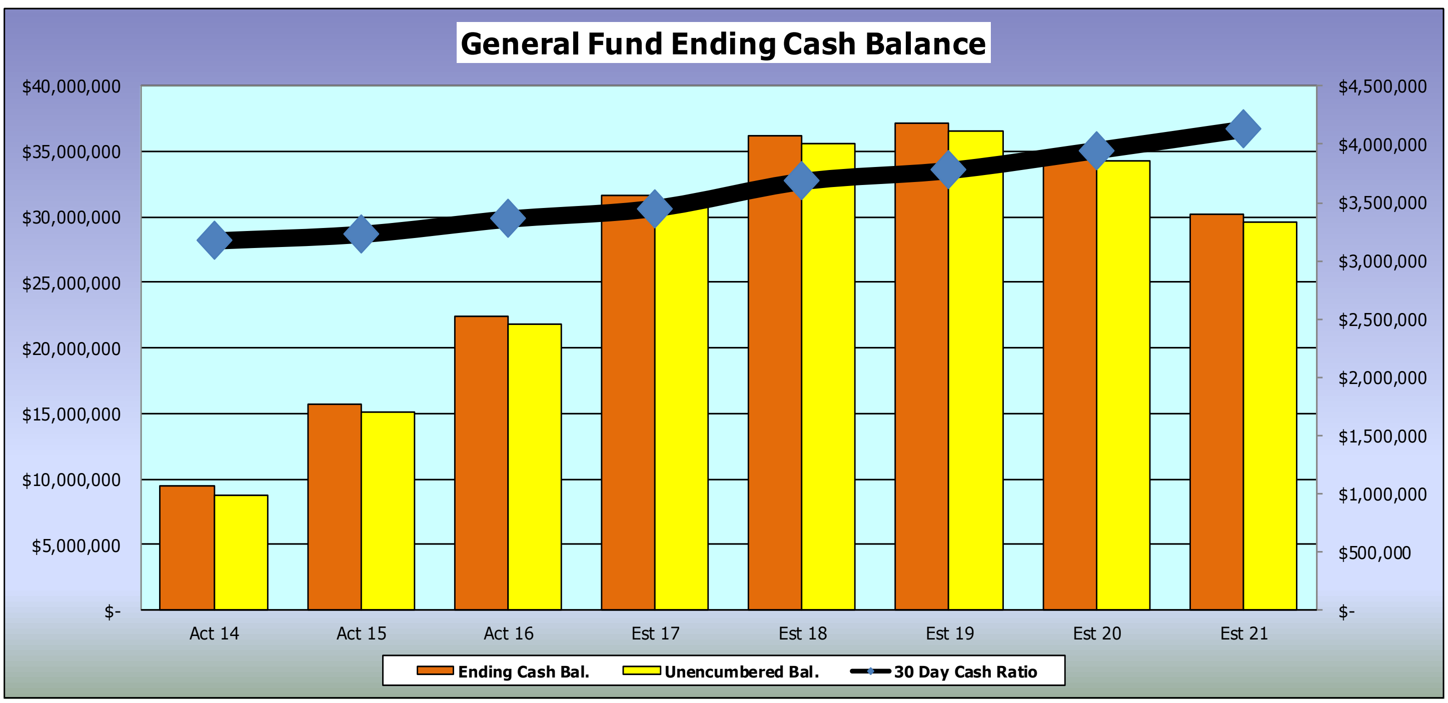
All Other Financing Uses – Line #5.030
This account group covers prior year receipt that the district has received. The district has received $50,100 in FY17 but does not expect to have any in future years of the forecast.

Encumbrances –Line#8.010
These are outstanding purchase orders that have not been approved for payment as the goods were not received in the fiscal year in which they were ordered.

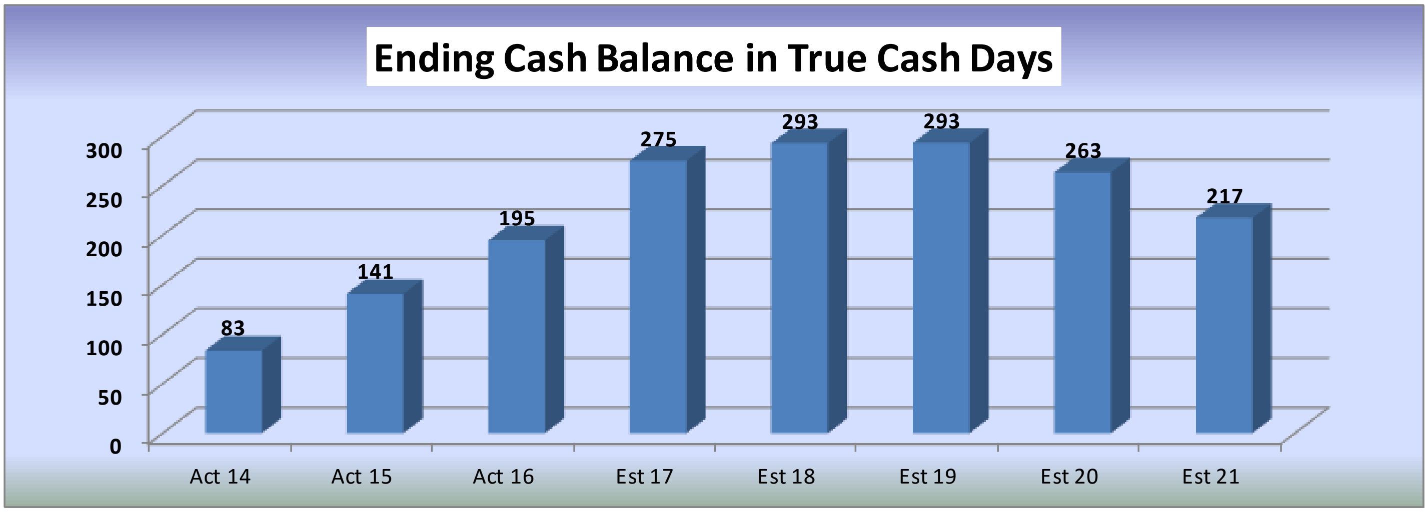
	FY17	FY18	FY19	FY20	FY21
Estimated Encumbrances	$450,000	$450,000	$450,000	$450,000	$450,000

Ending Unencumbered Cash Balance "The Bottom-line" – Line#15.010
This amount must not go below $-0- or the district General Fund will violate all Ohio Budgetary Laws. Any multi-year contract which is knowingly signed which results in a negative unencumbered cash balance is a violation of Ohio Revised Code section 5705.412, punishable by personal liability of $10,000, unless an alternative "412" certificate can be issued pursuant to House Bill 153 effective September 30, 2011. The cash balance includes the renewal of all three levies online 15.010.

The chart below shows the cash balance based on the amounts to the left side of the chart and the amount of the 60-day cash ratio is based on the amounts to the right hand side of the chart. A 60-day cash ratio is between $6.2million and $7.7 million per year depending on actual expenditures.



True Cash Days
The Government Financial Officers Association (GFOA) recommends, at a minimum, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months or sixty days of regular general fund operating revenues or regular general fund operating expenditures. Based on the forecast assumptions, the current fund balances will be more than the recommended amount until FY21. The renewal of the levy will not be included in the cash balances for true cash days until it is approved by the voters.



CONCLUSION

The Massillon City Schools are very fortunate that the state aid will be increasing each year of the forecast. However, having such a large dependence upon state funding the district will need to monitor the new state budgets very closely during each of the budget cycles.

In order to maintain financial stability, the Massillon City Schools will need to renew the three levies that will expire during this forecast. The district is very appreciative of the support in the past for these levies and by renewing them there will not be any additional new levies in the near future.

The district administration will be able to plan for the future needs of our students with the financial stability obtained with the current state budget. But they will also need to be mindful that there are many risks and uncertainties that will need to be considered in future planning as there are two new state budgets in the time period from FY18-FY21.

As you read through the notes and review the forecast, remember that the forecast is based on the information that is known at the time that the forecast is prepared.