



Worthington City School District

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Popular Annual Financial Report

FOR THE YEAR ENDING JUNE 30, 2014
Worthington, Ohio

Opening Letter

I am proud to present our Popular Annual Financial Report for the 2013-14 school year. It is a smaller version of our Comprehensive Annual Financial Report and summarizes where our resources come from and how they are invested in our students. The goal of this report is to increase public awareness of District finances by providing information that is readable and easy to understand.

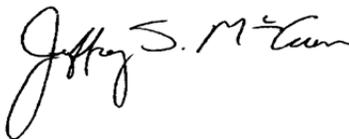
The 2013-14 school year was a great year for our District, both academically and operationally. We earned an overall “A” in value-added (student growth) on the state report card. Additionally, we received an “A” for growth in various subgroups, including gifted students, students with disabilities, and the lowest 20 percent. This is reflective of our core mission of providing at least one year’s worth of growth to all students while also providing more than one year’s growth to those students who are behind.

New long-term labor agreements were settled in June, providing modest base raises and containing rapidly rising health care costs. The District also became self-insured for employee medical insurance in January, which should provide stability and cost savings in the long term. We continued our capital improvements related to the 2012 bond issue, replacing busses, furniture, flooring, and even a few roofs, and we developed a three year technology plan that will implement Google Apps for Education in our District. All of this was accomplished with an annual operating expenditure increase of only 1.9%, as we are very mindful of the trust you have placed in us to meticulously manage resources.

As you can see, we were really busy last year! Of course, we could never have accomplished any of this without the tremendous support of our community. Passage of the 2012 operating and bond levies, along with greater than anticipated state support, affords us the good fortune to be able to continue to provide great academic and extracurricular growth to our student population.

We hope you will read through this document to gain a better understanding of our activities, and also consult our District website, our newsletters, and our CAFR for more information. You can always also call or email me any questions at 614-450-6120 or jmccuen@worthington.k12.oh.us.

Sincerely,



Jeffrey S. McCuen, Treasurer/CFO

This document is an abridged, unaudited version of the 2014 Comprehensive Annual Financial Report and is mostly based on the Governmental Fund financial statements except where noted. We encourage readers to access the full audited version of the CAFR on our website at www.worthington.k12.oh.us/domain/65.



District Profile

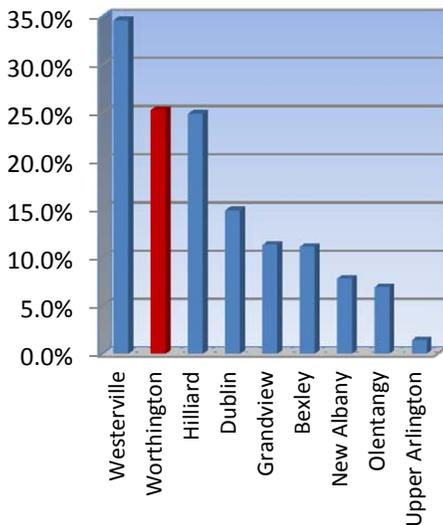
Building Structure
2 High Schools
1 Alternative High School
3 Middle Schools
1 Alternative Middle School
11 Elementary Schools
1 Preschool

Enrollment	
Pre-Kindergarten	230
Elementary (K-6)	5,187
Middle (7-8)	1,449
High School (9-12)	2,762
Total	9,628

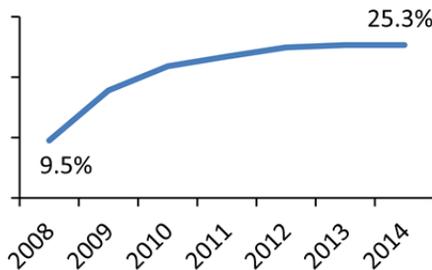
Ethnicity	
White	70.7%
Black	8.3%
Mult-Racial	7.1%
Asian Pacific	6.0%
Hispanic	7.8%
Native American	0.1%

Worthington has great diversity, not only among its student population, but also in its program offerings. The Linworth Alternative High School Program was one of the first of its kind, opening in 1973, and the Phoenix program began at the middle school level in 2008. Both programs recognize that not all students learn the same way, and deliver the curriculum in a non-traditional manner. All elementary schools offer parents a choice of all-day kindergarten, at a nominal cost, space permitting. Sutter park preschool primarily serves the 3-5 year old special needs population. The graphs below illustrate several subgroups and the increase in diversity over the past six years. Our teaching and support staff have done a tremendous job maintaining a very high level of achievement among all groups.

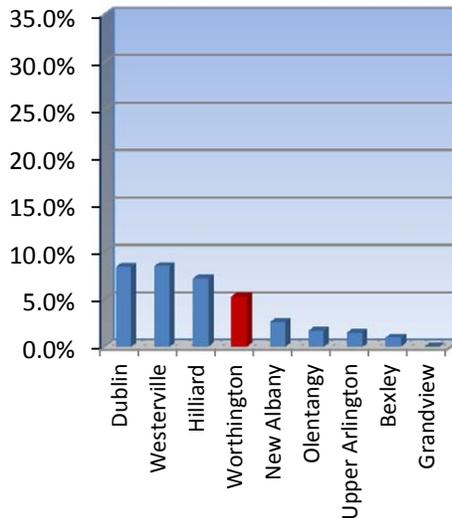
Economically Disadvantaged



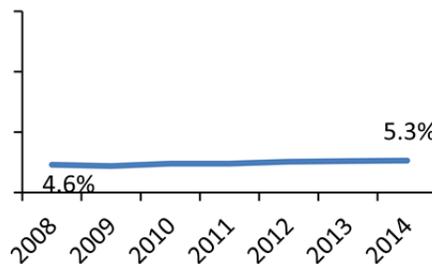
Worthington Economically Disadvantaged



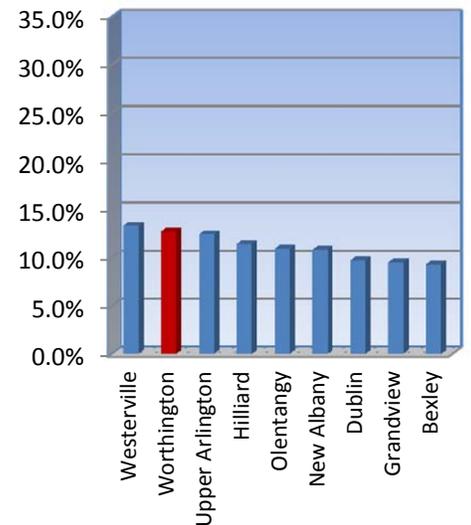
Limited English Proficient



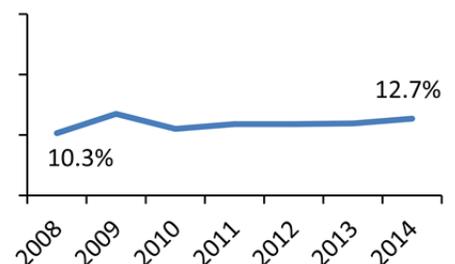
Worthington Limited English Proficient



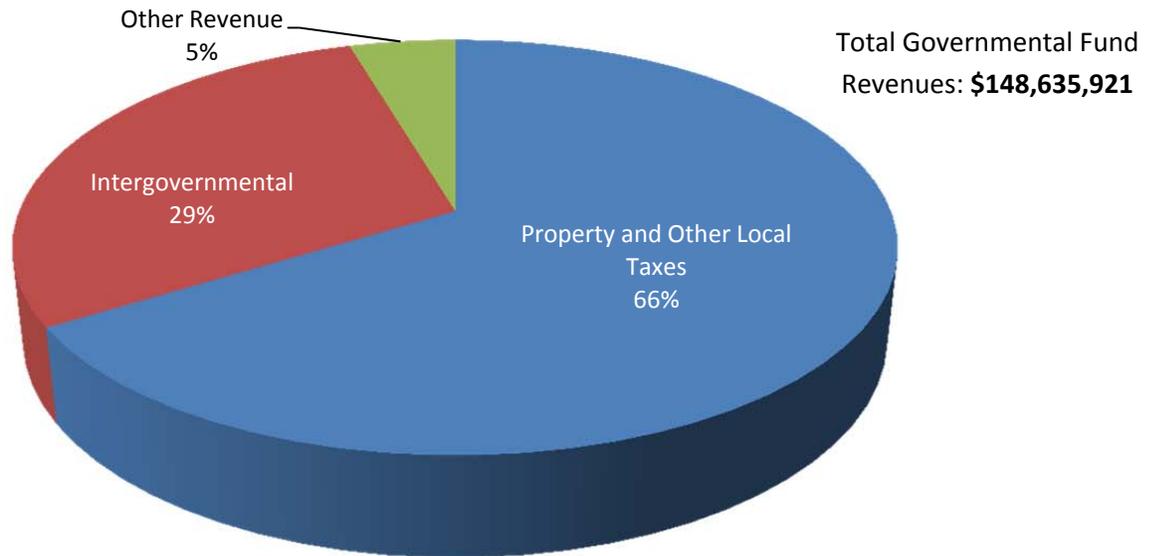
Handicapped or Disabled



Worthington Handicapped or Disabled

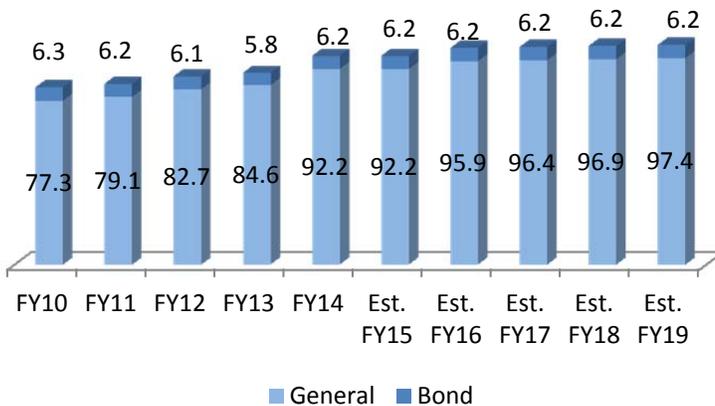


Revenues



Local Property Taxes (98.4 million)

\$ Are in Millions



General Fund- Tax dollars are received by the District for day-to-day operations. The incremental levy passed in November 2012 was for 4.9 mills for collection year 2013. The millage increased to 5.9 mills for collection year 2014 and will increase to 6.9 mills for collection year 2015 and thereafter.

Debt Service- Tax dollars are received for the payment of principal and interest on voter approved bond issues related to the construction and renovation of buildings and equipment. Millage rates are set to generate sufficient revenue to pay the principal and interest on the bonds issued. The rate continues to remain at 3.8 mills.

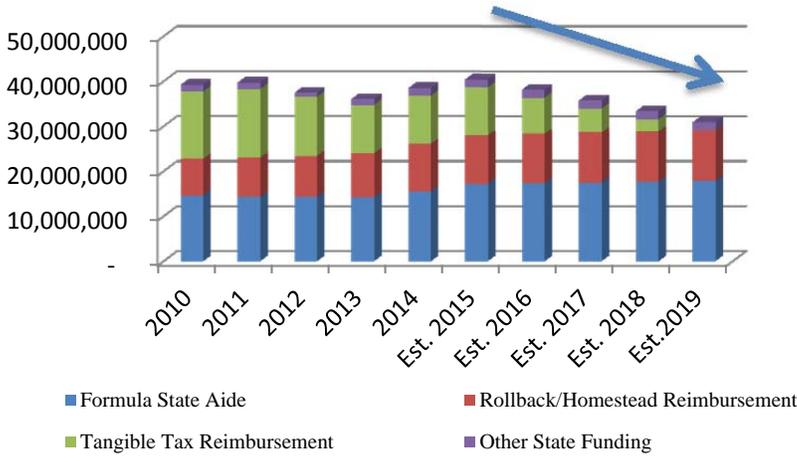
Assessed Value of Property

Year	Residential/Agricultural	Commercial/Industrial	Utility	Total	Change
2014	1,336,091,930	408,418,970	36,035,960	1,780,546,860	-0.29%
2013	1,333,230,330	414,434,080	38,017,360	1,785,681,770	0.37%
2012	1,325,524,970	415,586,560	37,985,760	1,779,097,290	3.32%



Intergovernmental Revenue (\$43.4 million)

State Sources



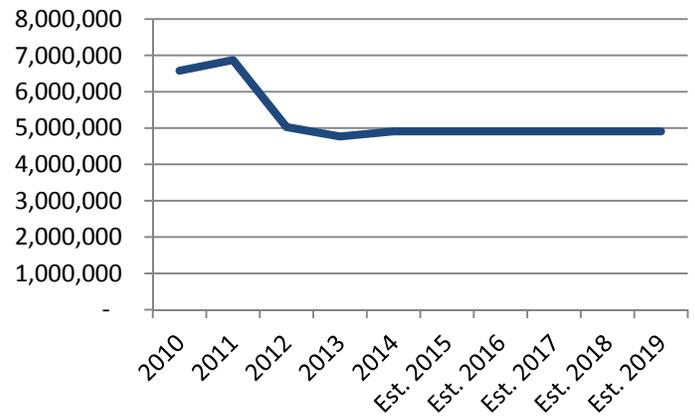
Intergovernmental revenue consists of both State and Federal Support. State Support totaled \$38.5 million, an increase of \$2.4 million from 2013. This is the result of a new funding formula used by the state, as well as additional homestead & rollback reimbursements, which are credits the state pays on behalf of homeowners' local property taxes.

In 2005, the state eliminated the tangible personal property tax, assessed on business equipment and machinery, which was a major source of revenue for our District. The state had been holding districts harmless by reimbursing the lost revenue. Although our reimbursement has been held steady in the current state budget at \$10.6 million, we currently anticipate it will be reduced in future years, as the graph to the left illustrates. We will continue to engage lawmakers to come up with a permanent solution for those lost revenues.

Federal Sources

Federal Sources include grants such as Title I Economically Disadvantaged Youth, Title VI-B IDEA Part B Special Education, Title III Limited English Proficiency, and Title II-A Improving Teacher Quality. These funds are targeted for specific purposes and are intended to supplement the general curriculum.

The decrease in funding is due to a loss of stimulus funds enacted by the federal government during the recession. We expect future grants to remain consistent.

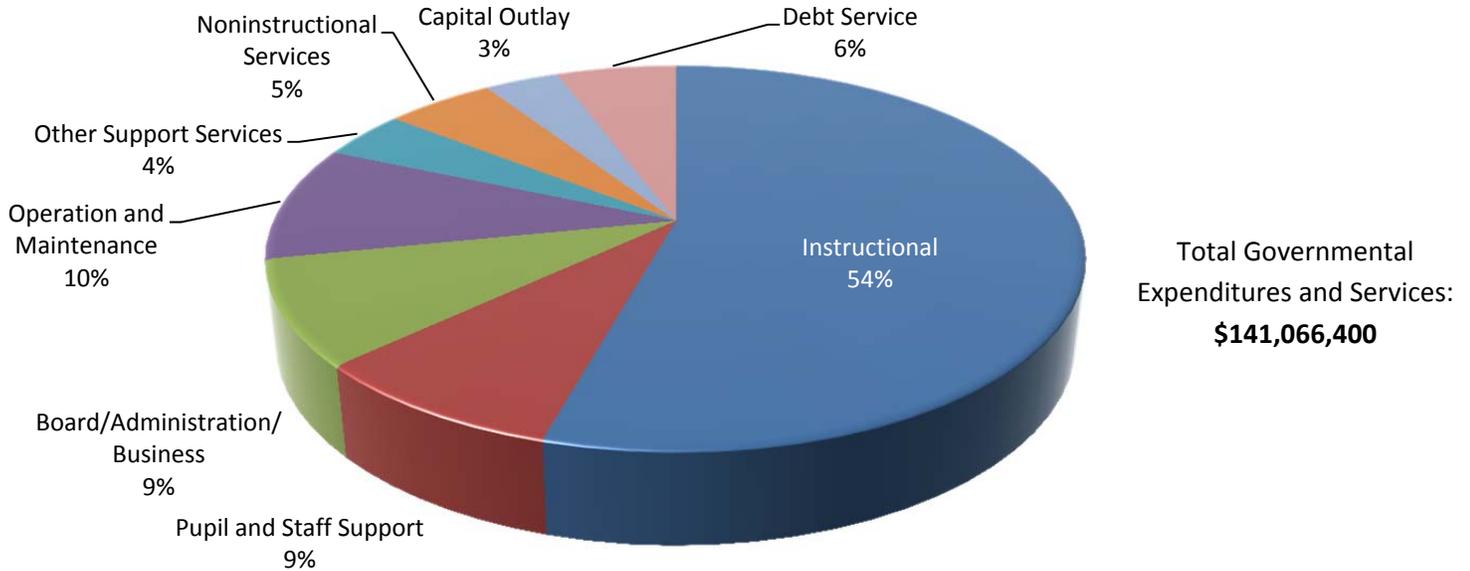


Other Revenues (\$6.8 million)

Other revenues include tuition and fees, customer sales and services, investment income and other miscellaneous revenues. These totaled \$6.8 million in 2014, an increase of \$1.1 million from last year. This increase was mainly due to one-time revenue from the County Auditor for the overcharging of fees paid on the collection of property taxes, and we expect those revenues to return to around \$5.7 million in future years.



Expenditures



Definitions

INSTRUCTIONAL is the largest expenditure category, and include teachers and teacher aides. Students are directly impacted by expenditures from this category.

PUPIL AND STAFF SUPPORT costs include guidance services, nurses, speech, hearing, occupational therapy, physical therapy, psychological services, library services, technology integration support, and literacy collaborative support.

BOARD/ADMINISTRATION/BUSINESS costs represent those of the administration and Board of Education's operation of the District. Also included in this category is school building secretarial support and financial services, such as payroll, accounts payable and receivable, auditing, budgeting and reporting, and insurance administration.

OPERATION AND MAINTENANCE expenditures relate to the safe and efficient environment of the school, including building maintenance, grounds, and custodial services.

OTHER SUPPORT SERVICES relate to providing transportation to all students who live in the Worthington City School District. Also included in this category are computer network maintenance contracts and data processing services.

NONINSTRUCTIONAL SERVICES include food service operations and extracurricular activities.

DEBT SERVICE expenditures relate to the repayment of principal and interest on outstanding debt. The Debt was originally issued for construction and improvement of buildings and equipment upgrades.

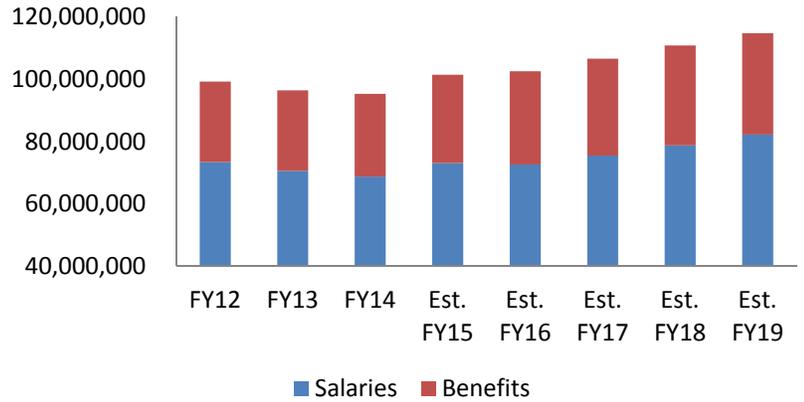
CAPITAL OUTLAY expenditures are for the purchase, repair, and construction of building and equipment within the District.



Expenditures (continued)

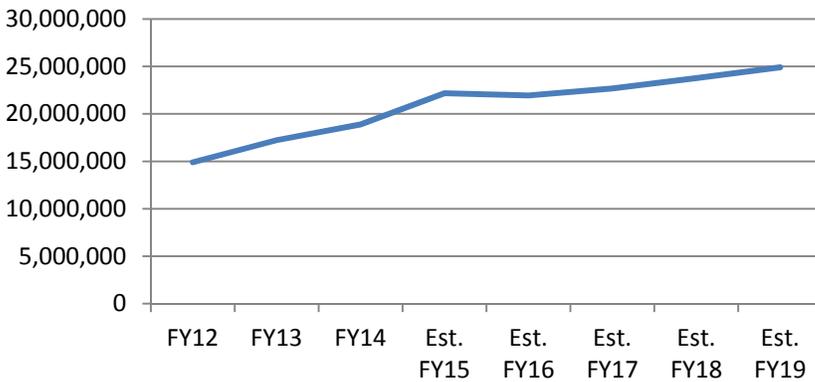
SALARIES AND EMPLOYEE BENEFITS (such as employee health insurance costs and retirement contributions) account for the majority (82% in 2014) of operating expenditures, as is the case with almost all school districts. Since 2012, the total of these two categories has decreased \$4 million, mainly the result of a significant number of teacher retirements during those years as well as employees accepting 0% base wage increases for 2012 and 2013 and 1% (1.75% classified staff) for 2014. Agreements have been negotiated through 2017 allowing for 2% annual base increases and annual “step” increases for years of experience.

Salaries and Benefits



Employee health insurance costs have soared over the past decade for all employers, public and private. In an attempt to help contain annual increases, the District moved to become self-insured for employee medical claims. This means that rather than pay a third party insurance company a fixed amount, and have them pay all claims and take all risk, the District now keeps those funds in its own bank account and pays claims as they occur and are approved. While that does expose the District to additional risk, “stop-loss”, or re-insurance, is purchased, and in the event total claims exceed a certain threshold, the insurer will provide the funds. As of June 30, 2014, the District had a fund balance in its self-insured account of \$2.3 million, funds that would have otherwise gone to a third party provider. We will continue to monitor our claims closely, and hopefully will be able to level off the recent trend of rapidly increasing insurance costs.

Other Operating Disbursements



OTHER OPERATING DISBURSEMENTS

include everything besides salaries and benefits, such as substitute costs, legal and professional consultants, classroom materials and equipment, utilities, and repairs and maintenance. Tuition paid to other entities, such as community and charter schools, is one of the leading causes for the annual increase. The state funding formula provides Worthington with an amount per pupil for all resident students, but if they attend elsewhere, we pay that entity tuition. The problem for District’s like ours is that because we do not receive the full per pupil amount due to reductions attributed to local property values, we actually lose more than we receive for these students. We will continue to engage our legislators and hope they will correct this loss of funding.

The data on this page reflects the District’s Five-Year Forecast which is presented on a cash basis. For the complete version of the forecast and assumptions, please visit our website at www.worthington.k12.oh.us.



Capital Improvements

2012 Bond Issue Status

	Approved & Issued	Expended & Encumbered	Remaining
Busses	\$ 2,276,222	\$ 888,679	\$ 1,387,543
Technology	10,512,120	3,301,376	7,210,744
Maintenance	22,149,121	7,696,562	14,452,559
Equipment	2,562,537	783,330	1,779,207
Contingency	<u>2,500,000</u>	<u>-</u>	<u>2,500,000</u>
Totals	<u>\$40,000,000</u>	<u>\$12,669,947</u>	<u>\$27,330,053</u>

2014 was the second of a five year capital improvement plan approved and funded in November 2012 totaling \$40 million. The bond issue did not increase existing taxes and has allowed the District to improve facilities and equipment. Major projects completed during 2014 include security enhancements and installation of an entry buzzer system, construction of a family resource and registration center, a new roof at TWHS, 6 new busses, and HVAC upgrades at Kilbourne Middle School. The District also approved a 3 year technology plan and will be adopting Google Apps for Education and will be purchasing Chromebooks for every building next year.



The District has upgraded and replaced 63 percent of the fleet since 2006.



Security enhancements were put into place at each building addressing safety concerns, including buzzer systems and entry cameras



The District constructed a Family Resource Center for taxpayers to visit and get assistance with enrollment and planning questions



The Outdoor Education Building is being renovated in partnership with the City and local non-profit groups, and will be used for school functions and for community events.



Balance Sheet and Debt

The Balance Sheet reports the assets available to provide services. Liabilities are the amounts for which the District is obligated to pay in the future. The fund balance below represents the difference between the assets of the District and the liabilities it must pay. Information is provided for Governmental Funds Below

Assets

Cash is the amount of physical cash held by the District in checking accounts and on hand for paying expenditures.

Investments are made up funds not needed to pay current expenditures. The Treasurer places these funds in a variety of investment options in order to earn interest.

Receivables represent amounts owed to the District at June 30, 2014

Balance Sheet (in millions)	2012	2013	2014
Cash and Investments	\$ 61.4	\$ 106.1	\$ 107.0
Receivables & Other Assets	86.6	94.2	94.7
Total Assets	\$ 148.0	\$ 200.3	\$ 201.7
Liabilities	19.1	19.7	16.6
Deferred Inflows	54.2	63.3	60.9
Total Liabilities & Deferred Inflows	\$ 73.3	\$ 83.0	\$ 77.5
Assets over Liabilities & Deferred Inflows	\$ 74.7	\$ 117.3	\$ 124.2

Liabilities and Deferred Inflows

Liabilities are those amounts the District owed to employees, other governments or vendors for items or services that have been provided to the District.

Deferred Inflows are items that cannot be recognized as revenues of the period in which they are received, as the monies will not be available until a subsequent period.

Fund Balance

Fund Balance is the difference between assets and liabilities plus deferred inflows. The District has set a minimum unreserved general fund balance as 1/12 of annual expenditures in the third year of the forecast.

Outstanding Debt

Purpose	Issued	Matures	Interest Rate	Balance
2007 Refunding Certificates	9/20/2007	12/1/2019	4-4.5%	\$ 3,992,674
2006 Energy Conservation Note	10/1/2005	10/1/2020	4.26%	1,277,000
2007 School Improvement Bonds	2/15/2007	12/1/2021	3.6-5.5%	2,974,295
2007 School Improvement Bonds	2/27/2007	12/1/2021	4.5-5.0%	1,539,649
2010 School Improvement Bonds	8/30/2010	12/1/2023	4.03%	7,275,680
2008 Refunding & Improvement	11/5/2008	12/1/2024	2-3.2%	4,527,603
2009 School Improvement Bonds	2/27/2007	12/1/2024	3.7-4.5%	10,859,397
2010 Subsidized Improvement	8/30/2010	12/1/2025	2.5-4.0%	1,800,000
2013 School Improvement Bonds	2/14/2013	12/1/2027	1.5-5.0%	30,032,847
2013 School Improvement Bonds	3/6/2013	12/1/2028	2.625-2.75%	10,096,656
2014 Refunding Bonds	6/5/2014	12/1/2021	2.0-4.0%	9,771,592
Total Outstanding Debt				\$ 84,147,393

The District issued 8.8 million in advance refunding bonds during the fiscal year saving the District \$0.3 million. The District paid \$4.9 million in principal and \$3.0 million in interest during the fiscal year. The District will continue to look for any opportunities to refund outstanding debt.

The District is well under debt limits of \$160.2 million set by state law, having issued only 42.5% of our allowable limit.

The refunding bonds issued during the year were rated Aa1 by Moody's and AA by Standard's and Poor. The highest grade obtained from Moody's and S&P is Aaa and AAA, respectively. The District's ratings are a "High Grade" per each rating system.

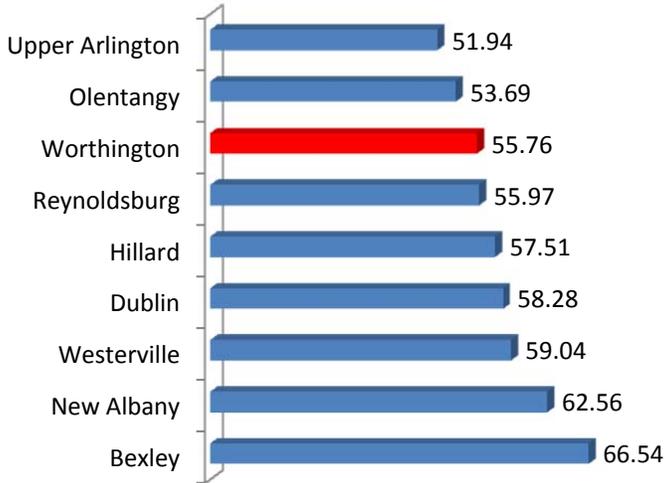


Comparisons



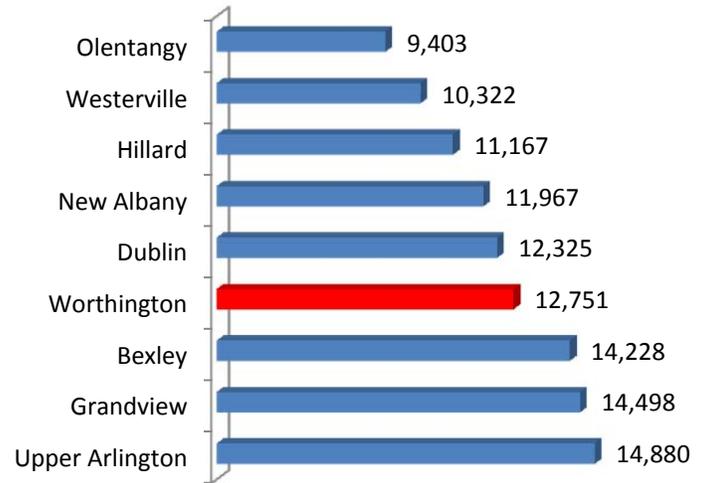
2014	Worthington	Ohio	National
Graduation Rate	94.2%	82.2%	81.0%
ACT Average Score	23.8	22.0	21.0
SAT Average Score	1,664	1,652	1,497

2014 Residential Effective Millage Rates



As the graph above illustrates, the District continues to have one of the lowest residential millage rates compared to surrounding districts. The lower residential millage rates translate into lower property taxes for taxpayers within our District.

2013 Expenditure Per Pupil (Latest Available)



As the graph above illustrates, the expenditures per pupil of the District are close to the average of the surrounding area schools. Management has closely monitored spending to ensure resources are efficiently utilized. This amount decreased by \$615 per pupil from the 2012 spending amount.

District Recognition

The District was recognized as one of 547 school districts in the nation recognized by the College Board with a place on its Fifth Annual District Honor Roll

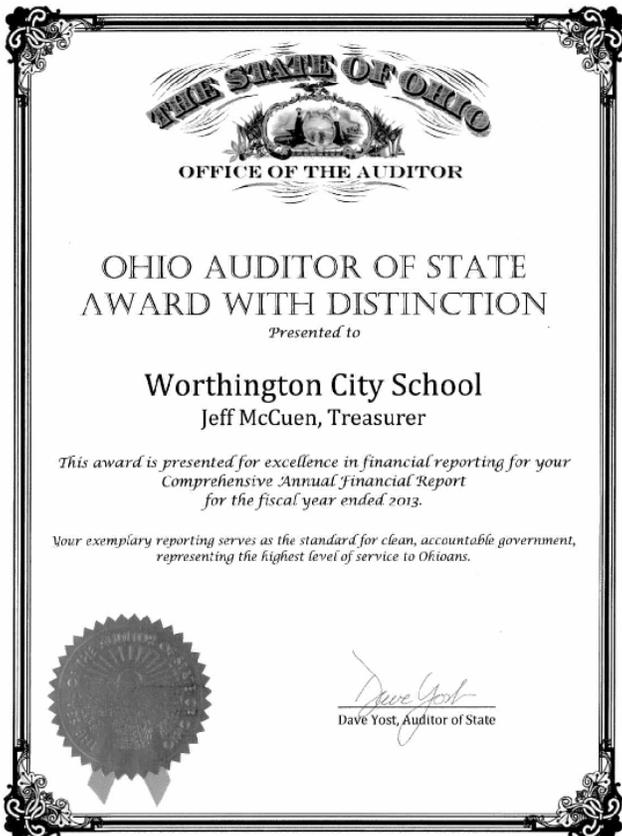
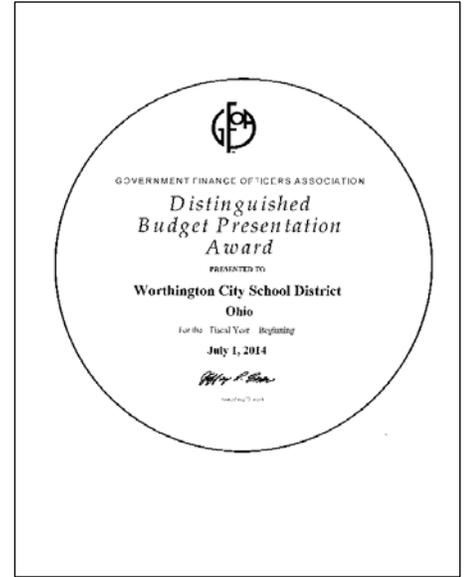
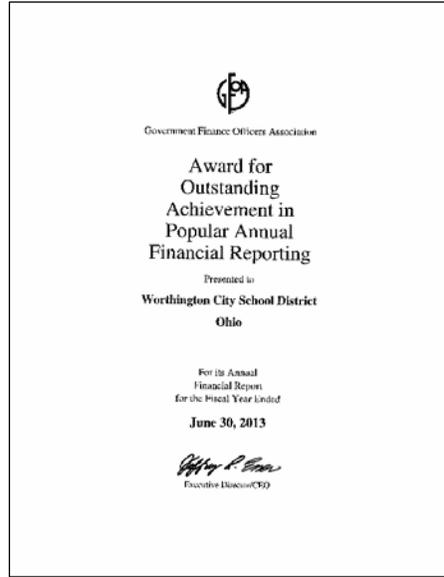
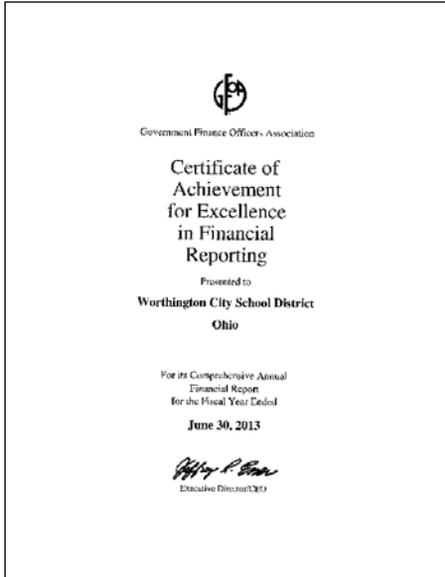
District was named a "Local Fit-Friendly" at the Gold Level by the American Heart Association

Battelle awarded the District with two SOAR Awards including Significant Progress District and High Progress School for 2014

Granby Elementary School was named a "Hall of Fame School" by the Ohio Association of Elementary School Administrators



The District has received the Certificate of Achievement for Excellence in Financial Reporting (CAFR) from the GFOA, Popular Annual Financial Reporting (PAFR) Award, and Distinguished Budget Presentation Award from the GFOA. The CAFR, PAFR and Budget Document can be found in their entirety on our website at <http://www.worthington.k12.oh.us/domain/65>.



The District received the prestigious Auditor of State Award with Distinction for being financial watch dogs with taxpayer dollars.

Elected Worthington City Schools Board of Education

Top Row (left to right):

Sam Shim

sshim@wscloud.org

Jennifer Best

jb主@wscloud.org

Marc Schare

mschare@wscloud.org

Bottom Row (left to right):

Julie Keegan

jkeegan@wscloud.org

Charlie Wilson

cwilson@wscloud.org



Appointed Administrative Leaders



Thomas Tucker, PhD

Superintendent

614-450-6021

ttucker@wscloud.org

Randy Banks, Director of Human Resources	450-6017
Trent Bowers, Assistant Superintendent	450-6040
TJ Cusick, Assistant Treasurer	450-6171
Becky Dunn, Coordinator of Food Services	450-6142
Tim Gehring, Director of Facilities	450-6177
Vicki Gnezda, Director of Communications	450-6012
Shirley Hamilton, Director of Pupil Services	450-6014
George Joseph, Executive Director of Admin Svcs	450-6031
Jeff Maddox, Director of Innovation & Sch Support	450-6029
Keith Schlarb, Director of Technology	450-6131
George Sontag, Supervisor of Transportation	450-6600
Jennifer Wene, Director of Academic Achievement	450-6000



Jeff McCuen, CPA

Chief Financial Officer

614-450-6121

jmccuen@wscloud.org

ADMINISTRATIVE OFFICES
Worthington Education Center
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Absolute Excellence | Exponential Impact