HARRISON HILLS CITY SCHOOL DISTRICT
HARRISON COUNTY

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES FOR THE FISCAL YEARS ENDED
JUNE 30, 2011, 2012 and 2013 ACTUAL
FORECASTED FISCAL YEARS ENDING
JUNE 30, 2014 THROUGH 2018**

Harrison Hills City School District

Treasurer's Office

Roxane Harding, Treasurer

May 29, 2014

HARRISON HILLS CITY SCHOOL DISTRICT
Harrison County

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2011, 2012, 2013
Forecasted Fiscal Year Ending June 30, 2014 through 2018

		Actual				Forecasted				
		Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Average Change	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018
	Revenues									
1.010	General Property Tax (Real Estate)	4,516,056	4,656,066	5,038,663	5.7%	5,202,948	5,287,780	5,592,275	5,713,497	5,838,590
1.020	Tangible Personal Property	10,835	0	0	0.0%	0	0	0	0	0
1.030	Income Tax	0	0	0	0.0%	0	0	0	0	0
1.035	Unrestricted State Grants-in-Aid	9,705,074	9,812,569	10,113,067	2.1%	9,982,060	9,914,022	9,912,093	9,910,169	9,908,249
1.040	Restricted State Grants-in-Aid	158,087	157,454	161,946	1.2%	388,054	391,935	395,854	399,812	403,811
1.045	Restricted Fed. SFSF Fd. 532 FY10&11/Ed Jobs Fd.504 FY12	1,172,439	96,807	22,283	-84.4%	0	0	0	0	0
1.050	Property Tax Allocation	1,192,602	893,655	639,605	-26.7%	636,082	640,617	648,459	655,015	662,147
1.060	All Other Revenues	386,972	344,490	543,298	23.4%	402,598	386,211	389,768	383,895	390,123
1.070	*Total Revenues*	17,142,065	15,961,041	16,518,862	-1.7%	16,611,742	16,620,564	16,938,449	17,062,388	17,202,919
	Other Financing Sources									
2.010	Proceeds from Sale of Notes	-	-	-	0.0%	-	-	-	-	-
2.020	State Emergency Loans and Advancements (Approved)	-	-	-	0.0%	-	-	-	-	-
2.040	Operating Transfers-In	235,848	280,692	257,127	5.3%	264,785	265,000	265,000	265,000	265,000
2.050	Advances-In	721,632	526,875	585,745	-7.9%	147,570	300,000	300,000	300,000	300,000
2.060	All Other Financing Sources	288	0	25,419	0.0%	39,550	0	0	0	0
2.070	*Total Other Financing Sources*	957,768	807,567	868,291	-4.1%	451,905	565,000	565,000	565,000	565,000
2.080	*Total Revenues and Other Financing Sources*	18,099,833	16,768,608	17,387,153	-1.8%	17,063,647	17,185,564	17,503,449	17,627,388	17,767,919
	Expenditures									
3.010	Personal Services	$7,479,912	$7,045,070	$7,050,182	-2.9%	$6,609,335	$6,707,361	$6,879,226	$7,132,546	$7,382,185
3.020	Employees' Retirement/Insurance Benefits	3,598,397	2,977,152	3,719,274	3.8%	$3,815,233	4,001,126	4,274,059	4,589,807	4,871,386
3.030	Purchased Services	3,643,018	3,629,655	3,681,635	0.5%	$4,093,503	4,219,080	4,214,287	4,243,662	4,324,119
3.040	Supplies and Materials	596,686	793,653	780,078	15.6%	$815,670	798,878	832,414	840,648	874,945
3.050	Capital Outlay	494,180	169,729	146,759	-39.6%	$447,219	236,500	236,500	236,500	241,500
3.060	Intergovernmental	-	-	-	0.0%	-	-	-	-	-
	Debt Service:									
4.010	Principal-All (Historical Only)	-	-	-	0.0%	-	-	-	-	-
4.020	Principal-Notes	-	-	-	0.0%	-	-	-	-	-
4.030	Principal-State Loans	-	-	-	0.0%	-	-	-	-	-
4.040	Principal-State Advancements	-	-	-	0.0%	-	-	-	-	-
4.050	Principal-HB 264 Loans	-	40,000	-	0.0%	-	13,295	30,000	30,000	30,000
4.055	Principal-Other	-	-	-	0.0%	-	-	-	-	-
4.060	Interest and Fiscal Charges	-	14,254	1,146	0.0%	14,038	-	-	-	-
4.300	Other Objects	342,697	348,161	369,897	3.9%	$394,951	408,199	421,973	436,298	446,221
4.500	*Total Expenditures*	$16,154,890	15,017,674	15,748,971	-1.1%	16,189,949	16,384,439	16,888,460	17,509,461	18,170,356
	Other Financing Uses									
5.010	Operating Transfers-Out	250,601	315,692	292,127	9.3%	$300,785	335,000	300,000	300,000	300,000
5.020	Advances-Out	519,115	588,633	160,463	-29.7%	300,000	300,000	300,000	300,000	300,000
5.030	All Other Financing Uses	-	-	-	0.0%	-	-	-	-	-
5.040	*Total Other Financing Uses*	769,716	904,325	452,590	-16.2%	600,785	635,000	600,000	600,000	600,000
5.050	*Total Expenditures and Other Financing Uses*	16,924,606	15,921,999	16,201,561	-2.1%	16,790,734	17,019,439	17,488,460	18,109,461	18,770,356
6.010	*Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses*	1,175,227	846,609	1,185,592	6.0%	272,913	166,126	14,988	(482,073)	(1,002,437)
7.010	Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	2,228,335	3,403,562	4,250,171	38.8%	5,435,763	5,708,676	5,874,802	5,889,790	5,407,718
7.020	*Cash Balance June 30*	3,403,562	4,250,171	5,435,763	26.4%	5,708,676	5,874,802	5,889,790	5,407,718	4,405,280
8.010	*Estimated Encumbrances June 30*	183,928	394,703	487,358	69.0%	206,400	206,400	206,400	206,400	206,400
	Reservation of Fund Balance									
9.010	Textbooks and Instructional Materials	457,556	183,429	27,435	-72.5%	-	-	-	-	-
9.020	Capital Improvements	163,713	308,555	264,207	37.1%	394,806	409,806	424,806	439,806	454,806
9.030	Budget Reserve	151,803	151,803	151,803	0.0%	151,803	151,803	151,803	151,803	145,003
9.040	DPIA		-	-	0.0%	-	-	-	-	-
9.045	Fiscal Stabilization	96,187	-	-	0.0%	-	-	-	-	-
9.050	Debt Service		-	-	0.0%	-	-	-	-	-
9.060	Property Tax Advances		-	-	0.0%	-	-	-	-	-
9.070	Bus Purchases	1,422	-	-	0.0%	-	-	-	-	-
9.080	*Subtotal*	870,681	643,787	443,445	-28.6%	546,609	561,609	576,609	591,609	599,809
10.010	*Fund Balance June 30 for Certification of Appropriations*	2,348,953	3,211,681.00	4,504,960	38.5%	4,955,667	5,106,793	5,106,781	4,609,709	3,599,071
	Revenue from Replacement/Renewal Levies									
11.010	Income Tax - Renewal	-	-		0.0%	-	-	-	-	-
11.020	Property Tax - Renewal or Replacement	-	-		0.0%	-	-	-	-	-
11.300	Cumulative Balance of Replacement/Renewal Levies	-	-		0.0%	-	-	-	-	-
12.010	*Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations*	2,348,953	3,211,681	4,504,960	38.5%	4,955,667	5,106,793	5,106,781	4,609,709	3,599,071
	Revenue from New Levies									
13.010	Income Tax - New				0.0%	-	-	-	-	-

HARRISON HILLS CITY SCHOOL DISTRICT
Harrison County

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2011, 2012, 2013
Forecasted Fiscal Year Ending June 30, 2014 through 2018

	Actual				Forecasted				
	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Average Change	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018
13.020 Property Tax - New				0.0%	-	-	-	-	-
13.030 Cumulative Balance of New Levies	-	-	-	0.0%	-	-	-	-	-
14.010 Revenue from Future State Advancements	-			0.0%	-	-	-	-	-
15.010 *Unreserved Fund Balance June 30*	2,348,953	3,211,681	4,504,960	38.5%	4,955,667	5,106,793	5,106,781	4,609,709	3,599,071

See accompanying summary of significant forecast assumptions and accounting policies
Includes: General fund, Emergency Levy fund, and any portion of Debt Service fund related to General fund debt
SFSF Fund 532 for FY10&11 and Education Jobs Fund 504 for FY12

Harrison Hills City School District – Harrison County
Notes to the Five Year Forecast
General Fund Only
May 29, 2014

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 2014 (July 1, 2013-June 30, 2014) 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 2014 filing.

May 2014 Updates:
Revenues:
The overview of the revenues shows that we will receive more revenue than we estimated in the October Forecast. The total revenues that were forecasted for October were $16,070,570 and the updated revenue for May is $16,611,742, an increase of $541,172. The major cause for the difference was due to receiving more property tax revenue than originally estimated because the County Auditor told us to use the previous year's receipts because of valuation problems lack of delinquent tax collection data. This is beyond our ability to accurately project taxes without accurate valuation and delinquent tax data from the Auditor's Office.

Expenditures:
The overview of the expenditures shows that we are slightly under the October Forecast. May expenditures are estimated at $16,189,949 compared to October expenditures estimates of $16,542,562, a decrease of $352,613.

Unreserved Cash Balance:
The cash balance for May has improved by $893,785 over the amount forecasted in October. The reason for this increase is due to the increase in revenues and reduction is expense estimates as noted above. The changes for Line 15.010, Unreserved Fund Balance, are forecasted to be positive throughout the full forecast.

<u>Forecast Risks and Uncertainty</u>
This financial forecast has several uncertain areas of assumption due to the economic climate locally and statewide. Additionally, our local tax collections have been very unpredictable in recent years causing increased risk of error in property tax projections as a result of valuation and tax collection concerns. The items below give a short description of the current issues:

I. The long range forecast through FY18 shows a positive ending cash balance. However, future state budgets and continued economic growth in property values and taxes in the area could impact this heavily. A major concern we have experienced over the past few years is the unpredictable nature of our local property tax collections. In the notes to the October forecast, we disclosed certain discrepancies between our assessed values and actual collections. Upon further investigation in a special report to the board, we disclosed various errors in assessed valuations. Those errors in turn resulted in fluctuations in tax collections estimates to actual. We currently are aware of several large pending Board of Revision Cases that would reduce valuations that were made in error for Tax Year 2013. We are monitoring these closely with district legal counsel and will note any adjustments to our tax estimates as a result. These matters are largely out of our control and monitoring is our only recourse.

   We continue to work with the County Auditor to correct errors in order to make more accurate estimates for FY 15-18. The ongoing risk of unexplained fluctuations in our local property tax collection is a high risk to property tax estimates in the forecast and to the district's financial stability. For FY14 and future years we have conservatively estimated a 1% increase in values until a final resolution regarding noted errors.

II. The state budget represents nearly 66% of district revenues in FY14. It is clearly an area of on-going risk to the current level of revenue. The risk comes in FY14 and beyond if the state economy worsens or if HB59 funding formula is radically changed to reduce funding to our district. Future uncertainty in both the state foundation funding formula and the state's economy makes this area an elevated risk to district funding long term.

III. 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 levy more difficult. This will not effect the total collection for the school district but will shift the tax burden from the State of Ohio onto local taxpayers.

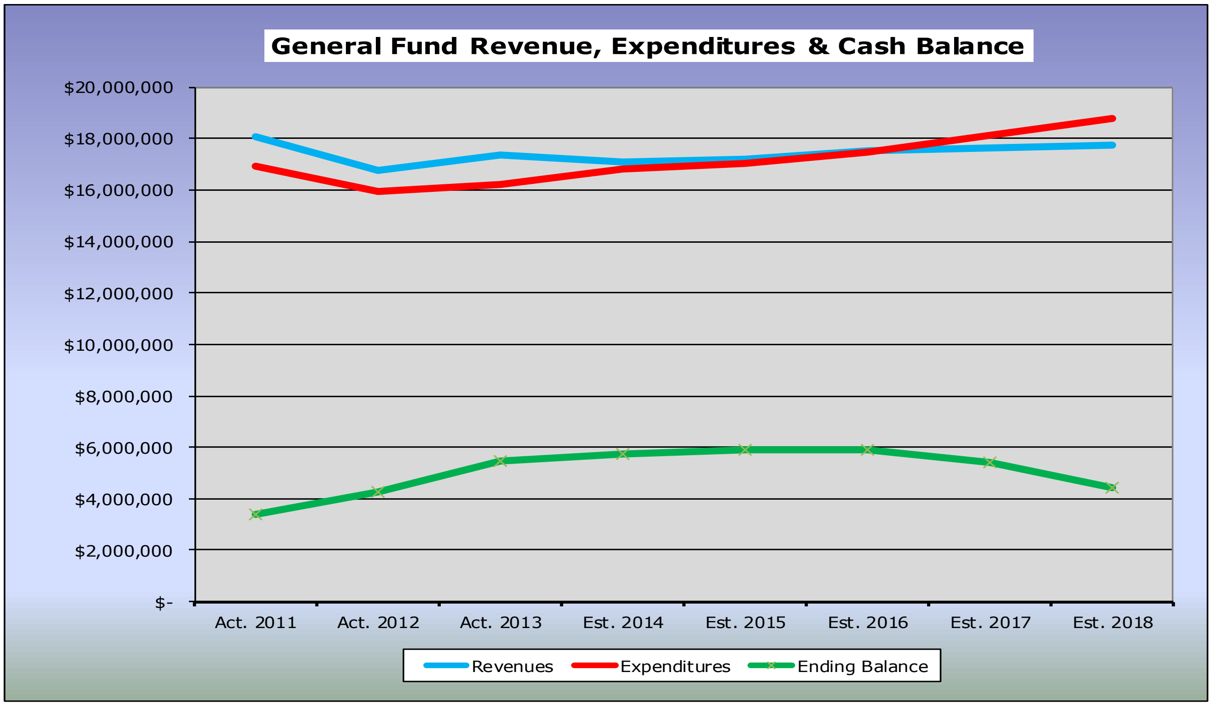
IV. There are many provisions in the current state budget bill HB59 that could increase the district expenditures in the form of expanded EdChoice Scholarships in the 2016-17 school years and the new Income Based Voucher Program in FY14. Expansion of programs such as these could expose the district to 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 provision of this federal statute were supposed to be implemented January 1, 2014 but were delayed by the IRS until January 1, 2015. We are aware of additional taxes that will be assessed on the district January 1, 2015 which could increase costs by as much as 2%. There is the additional risk that costs will go up as additional employees are added to our health care rolls. Rules for the PPACA are in flux at this time and we are tracking them closely. Future uncertainty over rules and implementation of PPACA is an elevated 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 today. As we move forward we believe our positive working relationship will continue and will only grow stronger.

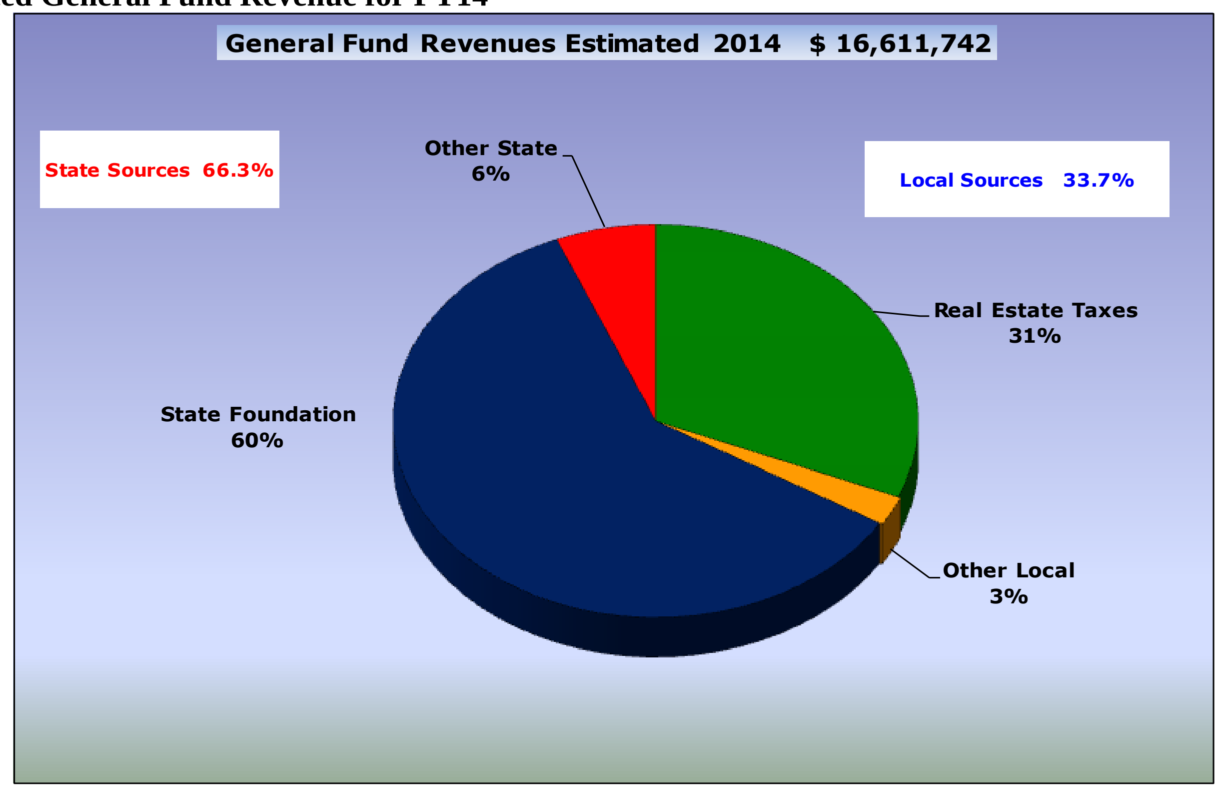
The major line numbers used as references to the forecast are noted below in the headings to make it easier to relate the assumptions made for the forecast item and refer back to the forecast. It should be of assistance to the reader to review the assumptions noted below in understanding the overall financial forecast for our district. If you would like additional information please feel free to contact Mrs. Roxane Harding, Treasurer/CFO at 740-942-7810.

General Fund Revenue, Expenditure and Ending Cash Balance Actual FY11 through FY13 and Estimated FY14 through FY18



Revenue Assumptions

Estimated General Fund Revenue for FY14



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. In recent years there have been unprecedented changes in property taxation for businesses due to HB66. Our district has values in four different counties', which makes estimating taxes a bit more challenging. They are: Harrison, Carroll, Belmont and Jefferson Counties.

We anticipate that values in 2014 for collection in 2015, the next reappraisal update for Harrison County, will be adjusted upward by1%. We are anticipating the same increase in the 2017 full reappraisal update as well, consequently; the District feels that the reappraisal update in Harrison County in 2014 and 2017 will have relatively little impact in increasing our tax base. Until we see actual growth in values we feel it is risky to estimate the outcome of valuations since we have questions about our assessed values currently and collections have been inconsistent year to year.

Concerns with Property Valuation and Tax Collections
The table below shows the property valuation of the district since tax year 2000 for collection in 2001. Property values began to grow again in the district in tax year 2010 after all TPP values were eliminated by HB66 and reductions in values for the housing bubble were made in 2009. A major factor in our growth is anticipated to be mineral value as a result of the oil and gas "fracking" boom underway in our county. According to the Ohio Department of Natural Resources our county has the highest number of active "fracking" wells in the state. It was not a surprise that mineral values soared in tax year 2012 for collection in 2013. It was a surprise, however, to find that our tax collections for 2013 actually fell from a year earlier. The tax collections in 2012 were $5,076,221 while in 2013 they were $4,737,901. This is improbable since our values were actually up by 15.7%. Upon further investigation between the County Auditor and Ohio Department of Taxation, we noted various errors in assessed valuations. Those errors in turn resulted in the undulations in tax collections between fiscal years. We continue to work with the County Auditor to correct errors in order to continue making more accurate estimates for FY 15-18.

Tax Year	Residential Agriculture	Commercial Industrial	Mineral	P.U. Personal	TPP	Total Value Per ODT
2000	107,078,450	21,382,490	2,270,880	27,367,290	1,893,140	159,992,250
2001	107,300,860	20,868,180	2,149,920	15,918,080	18,942,170	165,179,210
2002	122,471,490	21,620,110	2,284,990	16,331,890	15,844,980	178,553,460
2003	124,618,210	21,607,490	2,277,140	15,982,620	15,462,424	179,947,884
2004	126,834,060	21,909,710	2,222,460	16,456,650	15,995,181	183,418,061
2005	151,685,100	23,312,520	2,442,430	16,809,190	15,711,322	209,960,562
2006	148,911,080	23,481,720	2,282,770	16,807,600	16,609,385	208,092,555
2007	149,561,300	23,312,980	2,131,290	17,171,880	9,573,205	201,750,655
2008	170,195,390	23,714,630	2,075,290	17,551,500	4,744,460	218,281,270
2009	169,242,380	23,621,210	2,560,120	19,033,780	534,140	214,991,630
2010	169,597,730	23,377,810	2,113,010	22,040,450	285,520	217,414,520
2011	177,763,050	22,774,160	3,319,110	23,028,781	0	226,885,101
2012	177,485,840	22,354,770	37,036,660	25,705,729	0	262,582,999
Est. 2013	176,838,360	19,781,486	26,271,424	25,705,729	0	248,597,000
Est. 2014	179,381,744	36,928,873	27,059,567	27,205,729	0	270,575,912
Est. 2015	180,156,744	37,592,086	27,871,354	28,705,729	0	274,325,912
Est. 2016	180,931,744	38,230,945	28,707,494	30,205,729	0	278,075,912
Est. 2017	183,516,061	39,514,105	29,568,719	31,705,729	0	284,304,614

Tangible Personal Property (TPP) values, as noted in the table above was decreased to $-0- in 2011 as a result of HB 66 passed in 2005. HB66 phase-out of this business tax base statewide and was replaced by a Commercial Activities Tax (CAT) that is a new state budget revenue source. The district was suppose to be held harmless from the loss of the local taxes by the state TTP reimbursements noted below in these notes for Line #1.050. Our district was to be reimbursed on a declining scale for lost revenue through FY18; however, HB153 eliminated our TPP reimbursements after FY12. The district only received $267,279 in FY12. No further reimbursements will be received beyond FY12 resulting in a cut in state funding of $267,279, per year.

For FY14 and future years we have conservatively estimated a 1% increase in values until we get a final resolution regarding errors that have been discovered.

ESTIMATED ASSESSED VALUE (AV) BY COLLECTION YEARS

Classification	Actual TAX YEAR 2013 *COLLECT 2014*	Estimated TAX YEAR 2014 *COLLECT2015*	Estimated TAX YEAR 2015 *COLLECT2016*	Estimated TAX YEAR 2016 *COLLECT2017*	Estimated TAX YEAR 2017 *COLLECT 2018*
Res./Ag.	$176,838,360	$179,381,744	$180,156,744	$180,931,744	$183,516,061
Commercial/Mineral	$46,052,910	$63,988,439	$65,463,439	$66,938,439	$69,082,824
Public Utility (PUPP)	$25,705,729	$27,205,729	$28,705,729	$30,205,729	$31,705,729
Tangible Per. Prop. (TPP)	$0	$0	$0	$0	$0
Total Assessed Value	**$248,597,000**	**$270,575,912**	**$274,325,912**	**$278,075,912**	**$284,304,614**

ESTIMATED REAL ESTATE TAX (Line #1.010)

Source	FY14	FY15	FY16	FY17	FY18
Property Taxes (Including PUPP)	$5,202,948	$5,287,780	$5,592,275	$5,713,497	$5,838,590

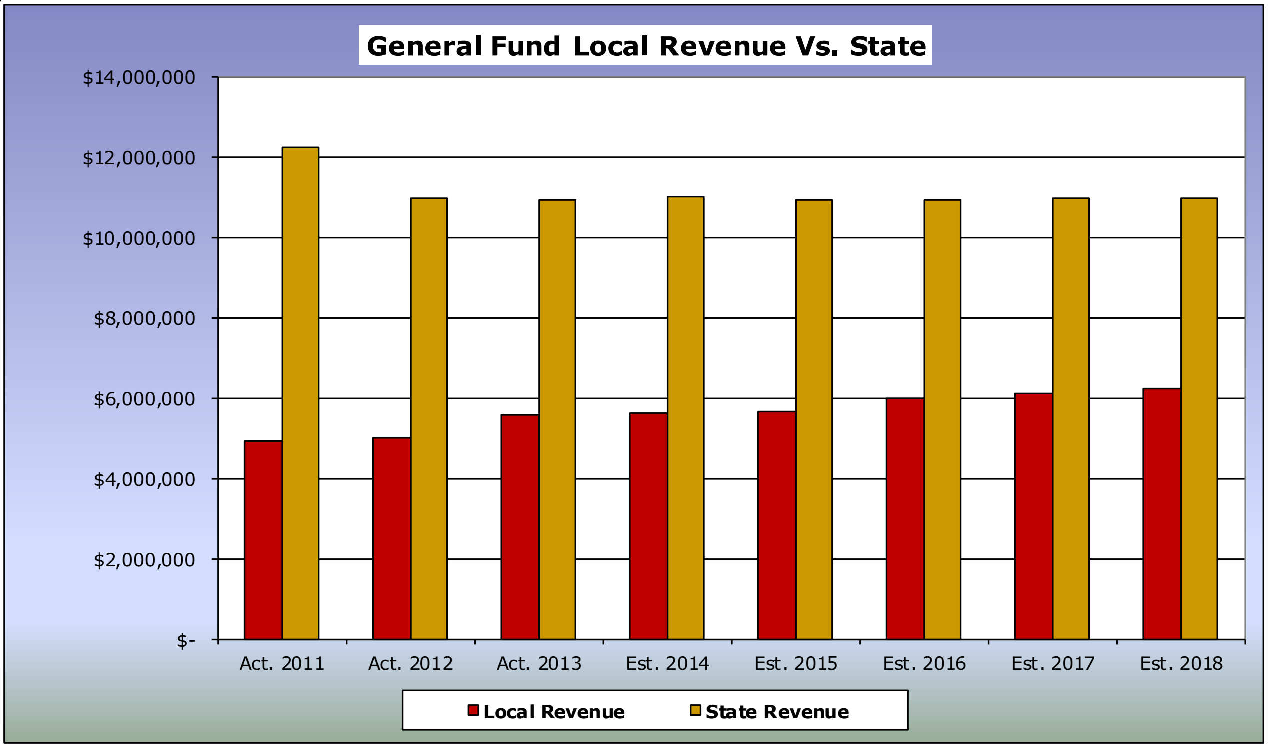
Based on historical trends, property tax levies are estimated to be collected at 96% of the annual amount. In general, 57% of the new Res/Ag and Comm/Ind is expected to be collected in February tax settlements and 43% collected in August tax settlements. Public Utility tax settlements (PUPP taxes) are estimated to be received 50% in February and 50% in August settlement from all County Auditors in which the district is located.

New Tax Levies – Line #13.030 - No new levies are modeled in this forecast at this time.

Estimated Tangible Personal Tax – Line#1.020

HB66 systematically phased out the general tangible personal property tax after tax year 2010. The only tax that may be received in future years could be from delinquent TPP taxes outstanding after 2010. As a reminder, in 2004, prior to HB66 eliminating TPP taxes, Harrison Hills CSD's TPP values were $15,995,181 and yielded the General Fund $579,021 in local taxes each year.

Comparison of Local Revenue and State Revenue Actual FY11 through FY13 and Estimated FY14 through FY18



State Foundation Revenue Estimates

A) Unrestricted State Foundation & Casino Revenue – Line #1.035

The amounts estimated for fiscal year 2014 and fiscal year 2015 for state funding is based on funding component computations of House Bill 59 and May 2014 state foundation payment report. The current state budget includes no increase in funding for our district in fiscal year 2014 or fiscal year 2015. We are using the funding formula model provided by the Ohio Department of Education for the May forecast. The October forecast was based on formula simulations provided by the Legislative Service Commission because an actual model had not yet been released by ODE. The current calculation using the official formula model indicates that the original estimates in October were accurate. However, there was a slight change regarding the amount allocated to restricted state revenues which will be discussed under the heading "Restricted State Revenues – Line #1.040".

In FY14-15 HB59 is using the fourth new funding formula for public education since 2009. The new funding formula is very complex as noted below. The new funding formula has a new method to measure a district's wealth and capacity to raise local revenue. The new wealth measure is called the State Share Index (SSI). There are three components of the SSI:

1) Valuation Index that measures the district's average property value per pupil for tax year 2010, 2011 and 2012 compared to the statewide average valuation per pupil;
2) Median Income Index that uses tax year 2011 median income compared to statewide median income that is used to measure the ability of a district's residents to pay property taxes;
3) Wealth Index which uses two thirds (2/3) of the Valuation Index and one third (1/3) of the Median Income Index to compute the overall district Wealth Index.

The three components taken together form the one overarching State Share Index (SSI) which equalizes state funding based on wealth. In prior funding formulas the main tool to equalize wealth was a millage charge-off of 23 mills of adjusted valuation per pupil. If the SSI were reduced to a charge-off as in past formulas there would not be a uniform charge-off, rather a range of charge-off rates from 11.3 mills to 22.9 mills.

The SSI is applied in determining need on the nine separate components that constitute state aid in FY14 and FY15. The nine components of the new funding model are:

1) Opportunity Grant – Per pupil amount of $5,745 in FY14 and $5,800 in FY15
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 $5.00 in FY14 and $5.05 in FY15
8) Career-Technical Education Funds – Based on career technical average daily membership and five (5) categories students enrolled in.
9) Transportation Aid – Funding based only on greater of per rider or per mile costs for each district. A supplemental payment for districts that have a SSI of .5 or greater and pupil density at of below the state median.

The current ODE State Foundation Report Calculations from May 9, 2014 are using current FY14 Average Daily Membership (ADM). The new funding formula causes a district to either be on the "Cap", "Formula" or "Guarantee", our district is now a Guarantee funded district. Being on the guarantee we will not receive any additional funding for our students. There have been two adjustments from FY13 funding for all districts in the state. Our district received FY13 adjustment with additional amounts of $32,758 in August 2013 and $30,437 in March 2014. We need to watch carefully the FY16-17 state biennium budget discussions to determine if the state funding guarantee will continue in the future at current levels.

On November 3, 2009 Ohio voters passed the Ohio casino ballot issue. This issue allowed for the opening of four casinos one each in Cleveland, Toledo, Columbus and Cincinnati. As of March 4, 2013 all four 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 total tax that will be paid into a student fund at the state level. These funds are distributed to school districts on the 31st of January and August each year. These distributions began in January 2013.

The initial student payment to schools in January 2013 was $21.00 per pupil based on 1,816,000 pupils in Ohio. As more actual taxes are collected the State has indicated that the original 2009 estimates of $1.9 Billion of Gross Casino Revenue (GCR) may be closer to $900 million to $1.1 billion, as revenues from casinos are falling off. We are estimating statewide student enrollment to decline by ½ of 1% from the fiscal year 2013 total to 1,808,000 students in fiscal year 2014. Based on 1,808,000 students we expect school districts share of GCR to be $85million resulting in fiscal year 2014 payments of $51.57 per pupil. For fiscal year 2015 through 2018 we estimated another ½ of 1% decline in pupils to 1,797,885 and GCR increasing to $90 million or an estimated per pupil amount of $53.56 in fiscal year 2015 and a 3% increase in per pupil amounts in fiscal years 2016 through 2018.

Source	FY14	FY15	FY16	FY17	FY18
Basic Aid-Unrestricted	$9,685,975	$9,618,899	$9,614,980	$9,611,022	$9,607,023
Additional Aid Items	$210,440	$210,440	$210,440	$210,440	$210,440
Basic Aid-Unrestricted Subtotal	$9,896,415	$9,829,339	$9,825,420	$9,821,462	$9,817,463
Ohio Casino Commission ODT	$85,645	$84,682	$86,673	$88,707	$90,785
Total Unrestricted State Aid Line # 1.035	$9,982,060	$9,914,022	$9,912,093	$9,910,169	$9,908,249

B) Restricted State Revenues – Line # 1.040

House Bill 59 requires economically disadvantaged and career technical funds to be earmarked for specific purposes and accounted for in restricted funds. It is anticipated that there will be legislative action in the future that will require school districts to report on how this revenue was used to benefit students who receive these funds.

In addition to these funds, beginning in January, the school district received funding for "Straight A Fund Transportation" added to their School Finance Payment Report (SFPR). This is not part of the Straight A Fund Grant process that has been touted for over a year. In section 263.320 of House Bill 59 there is $5 million earmarked for certain schools out of the Straight A Fund appropriation, even though the funding is not part of the Straight A grant process. The bill states that the funds are "to support innovations that improve the efficiency of pupil transportation. This may include, but is not limited to, the purchase of buses and other equipment." Districts qualify for funding based on a low property wealth per student combined with a low number of riders per square mile. After the close of the fiscal year, recipient districts will be surveyed by the department on their use of the funds.

Source	FY14	FY15	FY16	FY17	FY18
Economically Disadvantaged Aid	$328,747	$332,034	$335,355	$338,708	$342,095
Career Tech - Restricted	59,307	59,900	60,499	61,104	61,715
Straight A Transportation Funds	31,441	0	0	0	0
Total Restricted Revenues Line #1.040	$388,054	$391,935	$395,854	$399,812	$403,811

C) Restricted Federal Grants in Aid – line #1.045

There is no federal restricted funds projected in this forecast.

SUMMARY OF STATE FOUNDATION REVENUES

Source	FY14	FY15	FY16	FY17	FY18
Unrestricted Line # 1.035	$9,982,060	$9,914,022	$9,912,093	$9,910,169	$9,908,249
Restricted Line # 1.040	$388,054	$391,935	$395,854	$399,812	$403,811
Rest. Fed. Grants - SFSF & Ed Jobs Line #1.045	$0	$0	$0	$0	$0
Total State Foundation Revenue	$10,370,114	$10,305,956	$10,307,947	$10,309,981	$10,312,059

State Taxes Reimbursement/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 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 are disabled regardless of income. 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 loose 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

These amounts reflect the state's reimbursement of tangible personal property tax that is being phased out in HB66. The numbers noted are from the Ohio Department of Taxation reports estimating payments to the district for fixed rate levies. HB1, adopted in July 2009, included a provision to retain the 100% replacement of the TPP funds through FY13 with a reduced elimination beginning in FY14. HB153 passed in July 2011 expedited the elimination of the TPP reimbursement. Because Harrison Hills CSD is not considered heavily reliant on TPP the district will not receive any further reimbursement after FY12.

Summary of State Tax Reimbursement – Line #1.050

Source	FY14	FY15	FY16	FY17	FY18
Base R & H	$636,082	$640,617	$648,459	$655,015	$662,147
New Levy- (Proj. gross not net of R&H)	0	0	0	0	0
Total Rollback & Homestead	$ 636,082	$ 640,617	$ 648,459	$ 655,015	$ 662,147

Other Local Revenues – Line #1.060

Revenue from all other sources is based on historical patterns. In FY11, the district received $25,000 from the Jefferson County ESC to offset professional development. This is not projected to be received in future years. In addition, beginning in FY11 the district entered into a shared service contract with Buckeye Local School District for $50,000 for FY11 and FY12. In FY13, the district will receive the balance of the shared service contract ($25,000) as well as an additional $11,000 for the sale of personal property. This revenue will not be received in future fiscal years. For FY14 the district had sales of personal property of $29,505; loss of assets $9,594; BWC refund $9,571; received from ODNR in lieu of taxes $5,952; timber sales $22,613; and ESC reimbursement of foundation deduction of $9,154. None of these revenues received in FY14 are projected to be received in future fiscal years. Beginning in Fiscal Year 15 through 18 this revenue is expected to be mostly flat to decreasing.

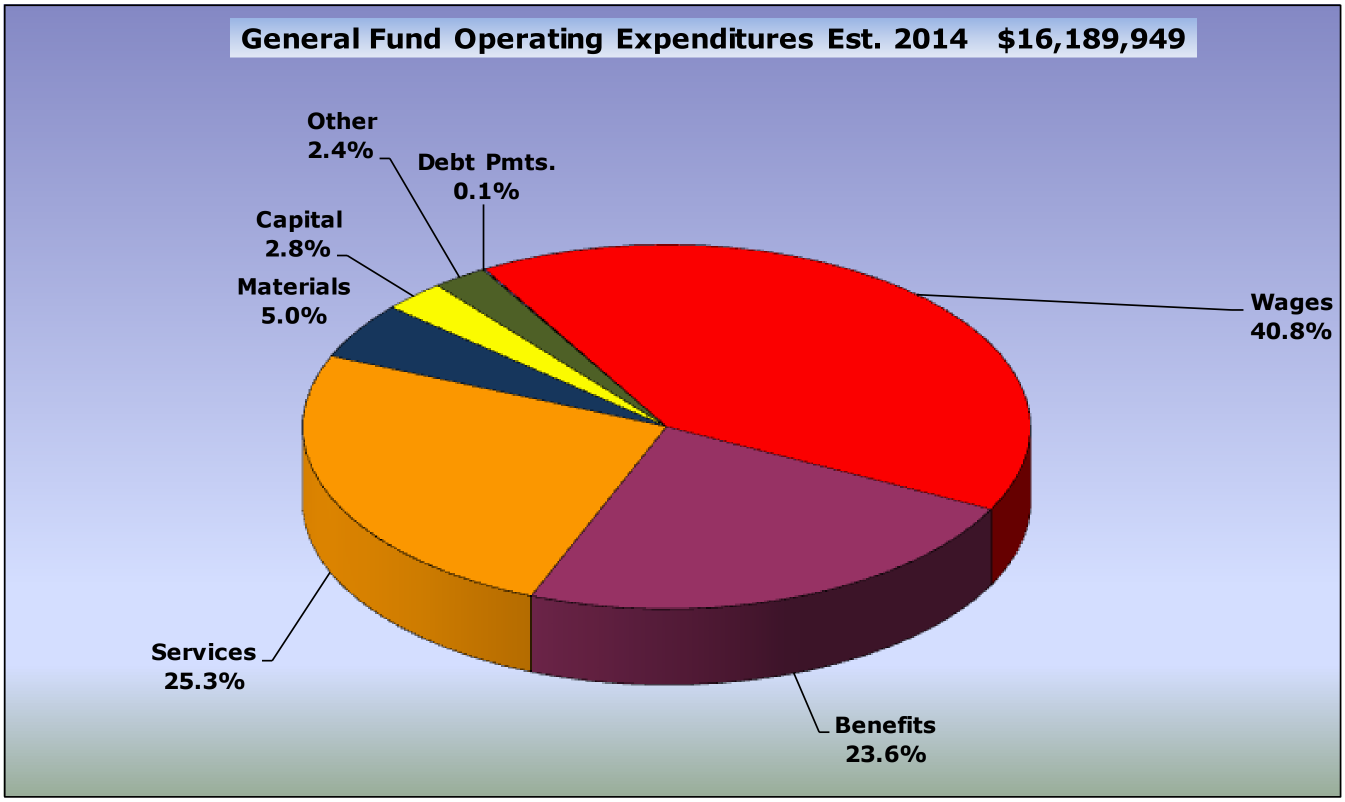
Source	FY14	FY15	FY16	FY17	FY18
Open Enrollment Gross	$ 280,188	$ 282,990	$ 285,820	$ 288,678	$ 291,565
Interest	2,220	1,221	1,222	1,223	1,224
Tuition SF-14 & SF-14H	(69,249)	-	-	-	-
CAFS Funding	50,000	50,000	50,000	50,000	50,000
Other Income and rentals	139,439	52,000	52,726	43,994	47,334
Total Line # 1.060	$ 402,598	$ 386,211	$ 389,768	$ 383,895	$ 390,123

Short-Term Borrowing – Lines #2.010 & Line #2.020

There is no short term borrowing planned for in this forecast at this time from any sources.

Transfers In / Return of Advances – Line #2.040 & Line #2.050
These are non-operating revenues which are the repayment of short term loans to other funds over the previous fiscal year and reimbursements for expenses received for a previous fiscal year in the current fiscal year. Repayment of advances from previous years is expected to continue.

Expenditure Assumptions



Wages – Line #3.010
The amounts for salaries and benefits are based on existing negotiated agreements. The certificated staff's negotiated agreement expires June 30, 2015; classified staff's negotiated agreement expires June 30, 2014 and a tentative agreement has been reached for the period of July 1, 2014 through June 30, 2017. Ratification of the agreement will not occur until after this forecast has been prepared. The district office contract expires June 30, 2015.

Both unions have agreed to a 0% increase in the current contracts which expire June 30, 2014. The certificated staff will have a 0% increase for FY15. They will receive a $850 signing bonus. Adjustments to the classified wages have been projected but cannot be noted due to the contract not being ratified as May 22, 2014 (the date in which the notes for this forecast were prepared.) An estimated increase is projected in FY16 through FY18 for the certificated staff for planning purposes only. Costs for salaries also includes: extended time, shift differential, overtime, substitute cost, leave incentive, severances and retirements with replacements. The decrease from FY12 to FY13 in the forecast historic data is due to retirements and replacement costs of those teachers were lower. If any further reductions are needed, it is anticipated this will be done through attrition. However, this is not calculated within the forecast.

Source	FY14	FY15	FY16	FY17	FY18
Base Wages	$6,109,864	$6,097,840	$6,204,154	$6,452,084	$6,689,982
Base Increases	0	121,957	186,125	186,125	193,563
Steps & Training/Performance Incentiv	146,770	145,629	147,170	150,765	154,215
Substitute Wages	217,000	198,000	198,000	199,000	199,000
Severance	135,701	143,935	143,778	144,572	145,426
Total Wages Line 3.010	$6,609,335	$6,707,361	$6,879,226	$7,132,546	$7,382,185

Fringe Benefits Estimates – Line #3.02
This area of the forecast captures all costs associated with benefits and retirement costs.

A) STRS/SERS Retirement Costs
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. In FY 11 the School Employees Retirement System (SERS) will change the manner of how the employer contributions are paid. Presently, these payments are six months in arrears. Therefore, in order to make the change so employer contributions are current, SERS began deducting additional monies from the school foundation payment, over a period of six years. The estimated amount that will impact the general fund is approximately $60,000 each year through FY16.

B) Insurance
For FY13 and FY14 the increase was 10%, for medical/prescription and dental insurance. For FY15 the increase is 2.20%. However, due to the Affordable Care Act and its unknown impacts, future increases are projected to be 10% FY16 through FY18. Dental rates increased 1.94% for FY15 and vision rates decreased by 7.72% for FY15. Life Insurance rates increased 41.38%. For the remainder of the forecast period, dental rates are projected to increase 5% each year. The insurance committee will continue to work to shop around for the best benefit at the most reasonable costs.

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 by a July 2, 2013 ruling from the IRS.

It is uncertain to what extent the implementation of PPACA will cost our district additional funds. 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 which we are aware of. The Transition Reinsurance fee due January 15, 2015, is a fee due the IRS for $5.25 per covered member per month for the prior year (2014).This will be $63 for each employee who had a full year of coverage in the prior year. This tax could equate to roughly a 2% annual increase in FY15. 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.

It is anticipated that if the district does not make changes to its Medical Plan, it will hit the “Cadillac Tax” threshold in 2018. Projections done by Burns Consulting on February 11, 2014, based on enrollment as of January 2014, show this could cost the district approximately **$287,000** of additional expense each year. The insurance committee has decided to look at adjusting the plan to hopefully avoid this penalty. The committee will begin the process September of 2014. Therefore, the $287,000 is not reflected in the forecast at this time. 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 is expected to increase along with wages. We have estimated unemployment at $10,000 each year.

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.

Summary of Fringe Benefits – Line #3.020

Source	FY14	FY15	FY16	FY17	FY18
STRS/SERS	$1,162,818	$1,167,982	$1,188,179	$1,221,580	$1,253,712
Insurances	2,412,604	2,593,817	2,843,653	3,121,605	3,369,710
Workers Comp/Unemployment	88,400	88,473	91,373	95,768	97,110
Medicare	117,911	117,354	117,354	117,354	117,354
Other/Tuition	33,500	33,500	33,500	33,500	33,500
Total Line 3.020	$3,815,233	$4,001,126	$4,274,059	$4,589,807	$4,871,386

Purchased Services – Line #3.030

It is anticipated that the costs incurred by special education and utilities will continue to increase. Therefore, the historical trend was utilized to determine increase trends. The district contracts for occupational therapy, physical therapy and resource officers. The permanent appropriations for FY14 were used to determine this line item. Any increase for FY14 through FY18 was based on each individual budget line. It is anticipated that open enrollment out will remain flat. Costs will be controlled as much as possible in the purchased services area.

Source	FY14	FY15	FY16	FY17	FY18
Base Services	$683,838	$801,263	$777,923	$783,344	$839,429
Tuition, CAFS Contract	471,250	466,250	471,250	481,250	491,250
Open Enrollment Deduction	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
Community School Deductions	400,000	400,000	400,000	400,000	400,000
Utilities	438,415	451,567	465,114	479,068	493,440
Budget Reserves or (Reductions)	0	0	0	0	0
Total Line 3.030	$4,093,503	$4,219,080	$4,214,287	$4,243,662	$4,324,119

Supplies and Materials – Line #3.040

The permanent appropriations were used to determine this line item. Any increase for FY14through FY18 is based on each individual budget line. Supplies will have to be monitored closely and controlled due to our expenditures exceeding revenue.

Source	FY14	FY15	FY16	FY17	FY18
Supplies	$815,670	$798,878	$832,414	$840,648	$874,945
Budget Reserves or (Reductions)	0	0	0	0	0
Total Line 3.040	$815,670	$798,878	$832,414	$840,648	$874,945

Equipment – Line # 3.050
This line shows a variation due to the purchasing of buses and other equipment in the district. Spending in these areas is dependent strictly on need and availability of funds. Since the state discontinued providing any reimbursement for buses beginning in FY10, this expenditure must be taken from Permanent Improvement Funds. However, in FY14 the district did receive $31,441 from Straight A funding. The district did purchase one bus with this money combined with permanent improvement funds. For FY15 the district has decided to do a Chrome Book initiative for grades 7 through 12. Therefore, an order was made in May in which Federal and General Funds were encumbered for the order. The cost to the General Fund is $165,000. In the future, computers and technological upgrades will be done by using federal and general fund monies when available. General fund monies will be monitored closely. Capital Improvement Set Aside funds will be used as much as possible. The district will utilize the permanent improvement funds to meet the set aside obligation as much as possible.

Source	FY14	FY15	FY16	FY17	FY18
Capital Outlay	$447,219	$236,500	$236,500	$236,500	$241,500
Budget Reserves or (Reductions)	0	0	0	0	0
Total Line 3.050	$447,219	$236,500	$236,500	$236,500	$241,500

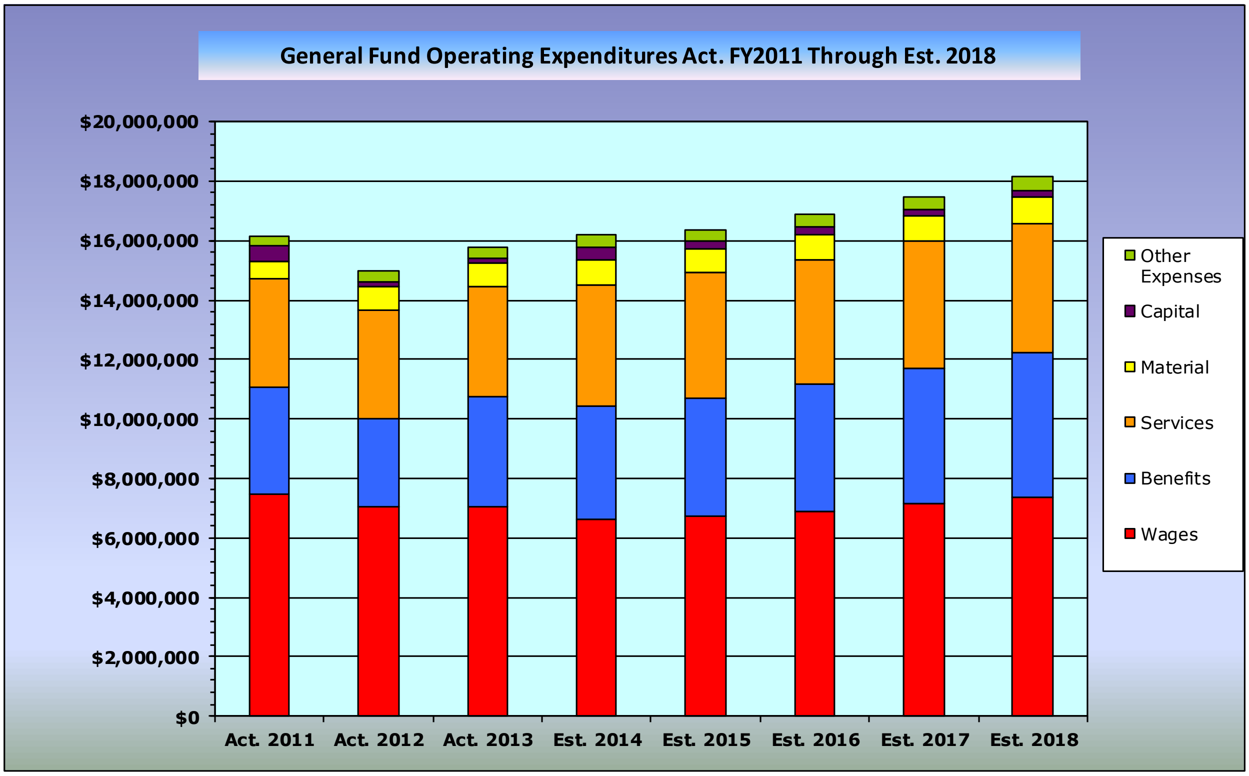
Principal, Interest and Fiscal Charges– HB264 Loans – Lines #4.05 and #4.06
Funding for the HB 264 project was completed using the Federally Taxable Qualified School Construction Bonds – Direct Pay program. The district is responsible for interest payments. However, due to the funding mechanism, the district will complete a Form 8038-CP for a reduction to the credit payment. If funding is available through the federal government, the district will be reimbursed up to the full amount of the interest payment. This amount reflects $869.89 that was not available for refunding and the balance is what is still due from the US Department of Treasury. If it is received prior to the end of the FY14, it will be posted as a reduction of an expense in this line item.

This is for the repayment of principal related to the HB 264 project that was done the summer and fall of 2010. This was for a lighting project at Harrison East Elementary and the Jr. /Sr. High School; and replacement of steam traps at the Jr./Sr. High School. The final payment will be December 2025.

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. Also any increase in local taxes will cause A&T fees to increase as more dollars are collected. Each individual budget line was reviewed. Depending on each individual line item, an increase may or may not have been projected for FY14 through FY18. Expenditures in this category will be monitored closely due to the financial condition of the district.

Source	FY14	FY15	FY16	FY17	FY18
County Auditor & Treasurer Fees	$226,947	$235,914	$245,235	$254,924	$260,022
County ESC	65,023	68,275	71,688	75,273	79,036
Other expenses	102,981	104,010	105,051	106,101	107,162
Total Line 4.300	$394,951	$408,199	$421,973	$436,298	$446,221

Total Expenditure Categories Actual FY11 through FY13 and Estimated FY14 through FY18
The graph below shows a quick overview of actual and estimated expenses by proportion to total in the General Fund.



Transfers Out/Advances Out – Line# 5.010
The expenditures that are reflected are for those transfer of funds from the general fund (001 no special cost center) to the set aside funds (001 with special cost centers). Beginning in FY13 the board has asked that a yearly transfer into the athletic fund be done to help to make the athletic fund whole. $35,000 each year of the forecast is projected to be done to accomplish this task.

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. Encumbering funds is based on the financial condition of the district.

Reserve Assumptions
The district is planning a small budget reserve each of the forecast years. We also are carrying a set aside for textbooks and materials required by state law.

Ending Unencumbered Cash Balance – Line#15.010
This line must **not** go below $-0- or the district's General Fund will violate all Ohio Budgetary Laws. Any multi-year contract which is knowingly signed and results in a negative unencumbered cash balance is a violation of 5705.412, ORC punishable by personal liability of $10,000.

	FY14	FY15	FY16	FY17	FY18
Ending Cash Balance	$ 4,955,667	$ 5,106,793	$ 5,106,781	$ 4,609,709	$ 3,599,071

Ending Cash Balance Actual FY11 through FY13 and Estimated FY14 through FY18