HARRISON HILLS CITY SCHOOL DISTRICT
HARRISON COUNTY

SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE FISCAL YEARS ENDED JUNE 30, 2012, 2013 and 2014 ACTUAL FORECASTED FISCAL YEARS ENDING JUNE 30, 2015 THROUGH 2019

Harrison Hills City School District

Treasurer's Office

Roxane Harding, Treasurer

May 28, 2015

HARRISON HILLS CITY SCHOOL DISTRICT
Harrison County

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2012, 2013, 2014
Forecasted Fiscal Year Ending June 30, 2015 through 2019

		Actual				Forecasted				
		Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Average Change	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019
	Revenues									
1.010	General Property Tax (Real Estate)	4,656,066	5,038,663	5,202,948	5.7%	6,762,719	6,894,324	7,160,468	7,562,262	7,690,293
1.020	Tangible Personal Property	0	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	9,812,569	10,113,067	9,962,116	0.8%	9,969,481	9,966,307	9,964,856	9,791,415	9,623,425
1.040	Restricted State Grants-in-Aid	157,454	161,946	434,177	85.5%	424,385	395,882	379,341	382,834	386,362
1.045	Restricted Fed.	96,807	22,283	0	-88.5%	31,315	0	0	0	0
1.050	Property Tax Allocation	893,655	639,605	647,544	-13.6%	645,429	678,461	678,401	680,668	685,998
1.060	All Other Revenues	344,490	543,298	463,752	21.5%	465,491	442,658	512,139	521,666	526,238
1.070	*Total Revenues*	15,961,041	16,518,862	16,710,537	2.3%	18,298,820	18,377,632	18,695,205	18,938,845	18,912,316
	Other Financing Sources									
2.010	Proceeds from Sale of Notes	-	-	-	0.0%	-	-	-	-	-
2.020	State Loans and Advancements (Approved)	-	-	-	0.0%	-	-	-	-	-
2.040	Operating Transfers-In	280,692	257,127	265,785	-2.5%	272,089	275,000	275,000	275,000	275,000
2.050	Advances-In	526,875	585,745	147,573	-31.8%	264,493	275,000	275,000	275,000	275,000
2.060	All Other Financing Sources	0	25,419	71,104	0.0%	0	0	0	0	0
2.070	*Total Other Financing Sources*	807,567	868,291	484,462	-18.3%	536,582	550,000	550,000	550,000	550,000
2.080	*Total Revenues and Other Financing Sources*	16,768,608	17,387,153	17,194,999	1.3%	18,835,402	18,927,632	19,245,205	19,488,845	19,462,316
	Expenditures									
3.010	Personal Services	$7,045,070	$7,050,182	$6,624,220	-3.0%	$6,731,105	$6,849,805	$7,145,992	$7,487,092	$7,765,314
3.020	Employees' Retirement/Insurance Benefits	2,977,152	3,719,274	3,778,069	13.3%	$3,892,819	4,212,803	4,565,267	4,952,329	5,476,258
3.030	Purchased Services	3,629,655	3,681,635	3,513,057	-1.6%	$3,926,603	4,076,800	4,062,621	4,082,540	4,093,056
3.040	Supplies and Materials	793,653	780,078	754,639	-2.5%	$854,542	958,162	973,162	986,162	999,987
3.050	Capital Outlay	169,729	146,759	523,355	121.5%	$767,196	200,806	200,806	200,806	250,806
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	35,000
4.055	Principal-Other	-	-	-	0.0%	-	-	-	-	-
4.060	Interest and Fiscal Charges	14,254	1,146	14,038	516.5%	$1,500	1,500	1,500	1,500	1,500
4.300	Other Objects	348,161	369,897	378,567	4.3%	$452,884	473,486	482,300	487,700	492,700
4.500	*Total Expenditures*	$15,017,674	15,748,971	15,585,945	1.9%	16,639,944	16,803,362	17,461,648	18,228,129	19,114,621
	Other Financing Uses									
5.010	Operating Transfers-Out	315,692	292,127	300,785	-2.3%	$335,000	300,000	300,000	300,000	300,000
5.020	Advances-Out	588,633	160,463	264,493	-4.0%	275,000	275,000	275,000	275,000	275,000
5.030	All Other Financing Uses	-	-	-	0.0%	$0	-	-	-	-
5.040	*Total Other Financing Uses*	904,325	452,590	565,278	-12.5%	610,000	575,000	575,000	575,000	575,000
5.050	*Total Expenditures and Other Financing Uses*	15,921,999	16,201,561	16,151,223	0.7%	17,249,944	17,378,362	18,036,648	18,803,129	19,689,621
6.010	*Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses*	846,609	1,185,592	1,043,776	14.0%	1,585,458	1,549,270	1,208,557	685,716	(227,305)
7.010	Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	3,403,561	4,250,170	5,435,762	26.4%	6,479,538	8,064,996	9,614,266	10,822,823	11,508,539
7.020	*Cash Balance June 30*	4,250,170	5,435,762	6,479,538	23.5%	8,064,996	9,614,266	10,822,823	11,508,539	11,281,234
8.010	*Estimated Encumbrances June 30*	394,703	487,358	777,844	41.5%	729,000	729,000	729,000	729,000	729,000
	Reservation of Fund Balance									
9.010	Textbooks and Instructional Materials	183,429	27,435	-	-92.5%	-	-	-	-	-
9.020	Capital Improvements	308,555	264,207	-	-57.2%	2,089	52,089	102,089	152,089	152,089
9.030	Budget Reserve	151,803	151,803	-	-50.0%	151,803	151,803	151,803	151,803	151,803
9.040	DPIA	-	-	-	0.0%	-	-	-	-	-
9.045	Fiscal Stabilization	-	-	-	0.0%	-	-	-	-	-
9.050	Debt Service	-	-	-	0.0%	-	-	-	-	-
9.060	Property Tax Advances	-	-	-	0.0%	-	-	-	-	-
9.070	Bus Purchases	-	-	-	0.0%	-	-	-	-	-
9.080	*Subtotal*	643,787	443,445	-	-65.6%	153,892	203,892	253,892	303,892	303,892
10.010	*Fund Balance June 30 for Certification of Appropriations*	3,211,680	4,504,959	5,701,694	33.4%	7,182,104	8,681,374	9,839,931	10,475,647	10,248,342

HARRISON HILLS CITY SCHOOL DISTRICT
Harrison County

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2012, 2013, 2014
Forecasted Fiscal Year Ending June 30, 2015 through 2019

		Actual				Forecasted				
		Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014	Average Change	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019
	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 Renewal Levies	-	-		0.0%	-	-	-	-	-
12.010	*Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations*	3,211,680	4,504,959	5,701,694	33.4%	7,182,104	8,681,374	9,839,931	10,475,647	10,248,342
	Revenue from New Levies									
13.010	Income Tax - New				0.0%	-	-	-	-	-
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*	3,211,680	4,504,959	5,701,694	33.4%	7,182,104	8,681,374	9,839,931	10,475,647	10,248,342

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

Harrison Hills City School District – Harrison County
Notes to the Five Year Forecast
General Fund Only
May 28, 2015

Introduction to the Five Year Forecast

All school districts in Ohio are required to file a five (5) year financial forecast by October 31, and May 31, in each fiscal year (FY). The five-year forecast includes three years of actual and five years of projected general fund revenues and expenditures. Fiscal year 2015 (July 1, 2014-June 30, 2015) 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 2015 filing.

May 2015 Updates:

Revenues:

The overview of revenues shows that total General Fund revenues (line 1.07) are estimated to be $18,298,820 or 10.18% higher than the October forecasted amount of $16,607,002. This indicates the October forecast was 90% accurate.

The increase in revenue estimate is mostly affected by the change in estimate for property tax. The October forecast estimated tax revenues in lines 1.01 to be $5.03 million and the May forecast is estimating tax revenues to be $6.76 million. The cause for the increase is due to higher than expected increases in CAUV of $+21.9 M or an 11% increase (3% more than we anticipated), and, a large increase in Public Utility Personal Property Taxes (PUPP) of +$25.0 M or a 98% increase in value. Since we are on the 20 mill floor we will see an increase in taxes due to the Current Agricultural Use Value (CAUV) increase which is increasing statewide on crop, forest and pasture lands, and we will also see an increase in taxes at our gross tax rates for the PUPP value increase. Neither of these sharp increases would be predictable.

All other areas of revenue are tracking as anticipated for FY15.

Expenditures:

At this time we expect our original estimates for expenditures on Line 4.5 to remain materially accurate for FY15. There is no area of expenditures which we feel looks to be in conflict with our original projections.

Unreserved Ending Cash Balance:

With revenues increased over estimates and expenditures ending on target of the estimates, our ending unreserved cash balance is anticipated to be just under $7.2 million. The ending unreserved cash balance on Line 15.010 of the forecast is anticipated to be a positive accumulative balance through 2019 if assumptions we have made for state aid in the proposed FY16 & FY17 state budget (HB64) remain close to our estimates. This uncertainty is discussed in more detail below and throughout the notes.

State Funding and the FY16 &17 State Biennium Budget Deliberation House Bill 64:

At the time this forecast is approved, HB64 has been voted out of the House of Representatives and is currently being debated by the State Senate. No action is expected until May 25, 2015 by the senate, which will be followed by conference committee meetings until mid June before our funding numbers are known. As noted above, our district must file a five (5) year forecast by May 31, 2015, without the benefit of knowing the outcome of our final funding in HB64.

We have structured the District forecast estimating the effects of the current state biennium budget, HB59 July 1, 2013 through June 30, 2015. We have also tried to anticipate the affects of some of the changes presented in HB64 for future fiscal years 2016-2019.

As HB59 presented the fourth funding formula in less than six years, the state foundation funding BRIDGE formula expired June 30, 2013 and was replaced with the School Funding Payment Report (SFPR). HB64 continues the SFPR but is once again making changes to the funding formula. At the present time, the best information available indicates we would continue to be a guarantee district (no increase) for FY16 & FY17 for our district and it is likely that in the FY18-19 state budget we will begin to be phased down off the guarantee (loose money).

It is important to emphasize that we will not know the actual effects of HB64 until sometime in June when legislation is finally passed into law. Since we will not know with certainty the funding formula prior to May 31, 2015, our forecast filing deadline, we feel it is reasonable to assume the facts stated above for the period FY16-19. This methodology is consistent with other May forecasts when there have been uncertainty regarding the final State budget bill. State foundation revenue equates to 55% of our revenue each year and the outcome of the HB64 funding proposal is significant to our district.

Forecast Risks and Uncertainty

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 FY19 shows a positive ending cash balance mostly due to continued economic growth in property values and taxes in our school district. 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 May and October 2014 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 have received a report dated August 20, 2014 from the Harrison County Auditor that showed Board of Revision reductions of $30,973,537 in reduced assessed values for Tax Year 2013. That reduced our official taxable value of $274,223,653, as filed with the Ohio Department of Taxation, to $243,250,116, which is a value reduction of 11.3%. Because of the special report we were made aware of the potential for such adjustments and lowered our estimated values to $248,597,000 in our forecast model so we did not over estimate taxes.

   For Tax Year 2014 values that we collect in calendar year 2015 we have noted a large negative adjustment of $18.3 million to our Class II Commercial/Industrial property for values certified in prior years. We continue to be cautious about values that are alleged to be official due a history those values found to be in error after the fact. Consequently we have estimated our total assessed value for Tax year 2015 conservatively at $301.3 million which is less than the $324.4 million we have been given. The difference in our value we are projecting and the value reported to us is entirely in the area of Commercial/Industrial property where numerous mistakes have been made in reporting mineral and industrial complex values. We feel a conservative approach is required so we do not over project tax revenue long term for the district.

   We are monitoring BOR and BTA claims 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 seek current factual data in order to make more accurate estimates for FY 16-19. 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.

II. In Tax Year 2014 the district experienced a reappraisal update and we estimated overall residential and agricultural land would increase by 8% overall led by CAUV increases. Values actually increased by 11% in residential/agricultural lands. Our estimate of commercial/industrial values after adjustment for likely BOR/BTA activity showed a 10% increase. In 2017 the district will experience a full reappraisal of property in the district and we are projecting an increase in residential/agricultural and commercial/industrial values of 1% due to the reappraisal. These inflationary increases are independent of new construction, mineral values and public utility personal property value increases which we project independently of reappraisal years due to the energy developments occurring throughout the district. We have been very conservative in our estimate of any new developments until we are certain the values, as reported to us, are accurate.

III. The state budget represents 60% of district revenues in FY15. It is clearly an area of on-going risk to the current level of revenue. The risk comes in FY16 and beyond if the state economy worsens or if the currently proposed HB64 budget alters the funding formula guarantee is lowered which would 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. In anticipation of being phased off the guarantee in the FY18-19 state budget we have estimated losses in state foundation aid in both years.

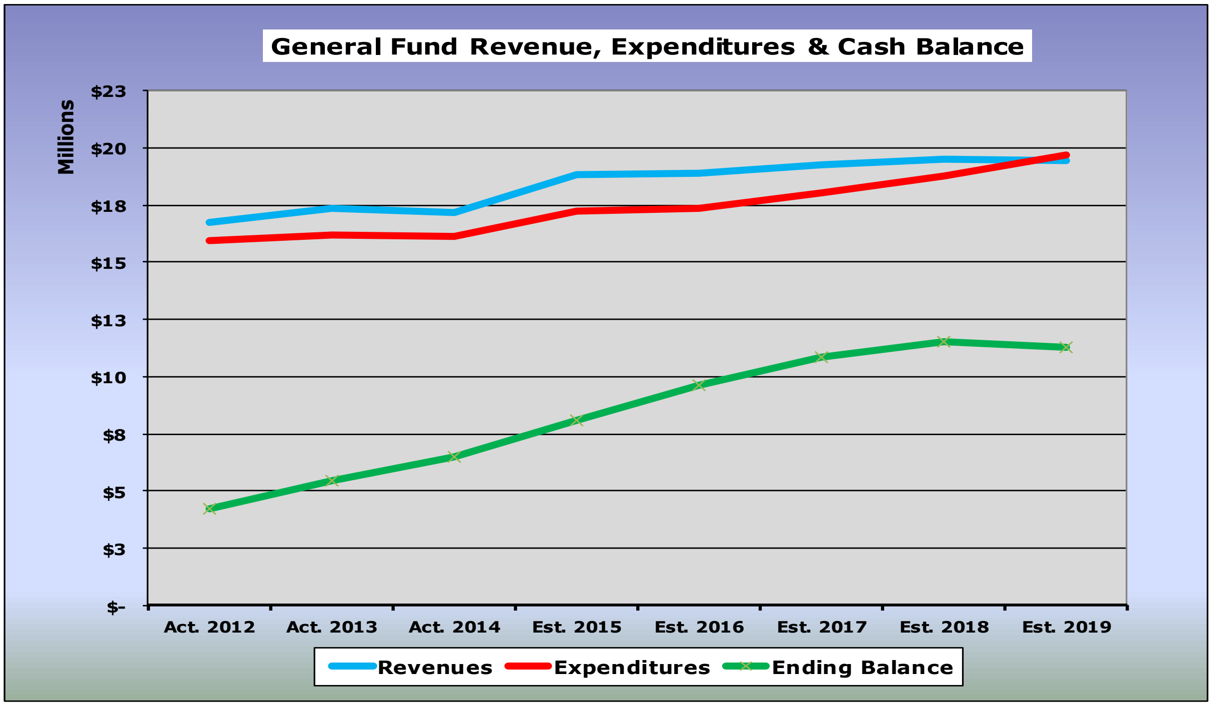
IV. There are many provisions in the current state budget bill HB59 and the current proposed state budget HB64 that would increase district expenditures in the form of an exposure to school choice scholarships or vouchers, additional special education costs, school reform initiatives, college credit plus, and several other school choice provisions. These all could expose the district to new expenditures that are not currently in the forecast. We are monitoring proposed and pending legislation very closely to evaluate the effects on our bottom line.

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.

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.

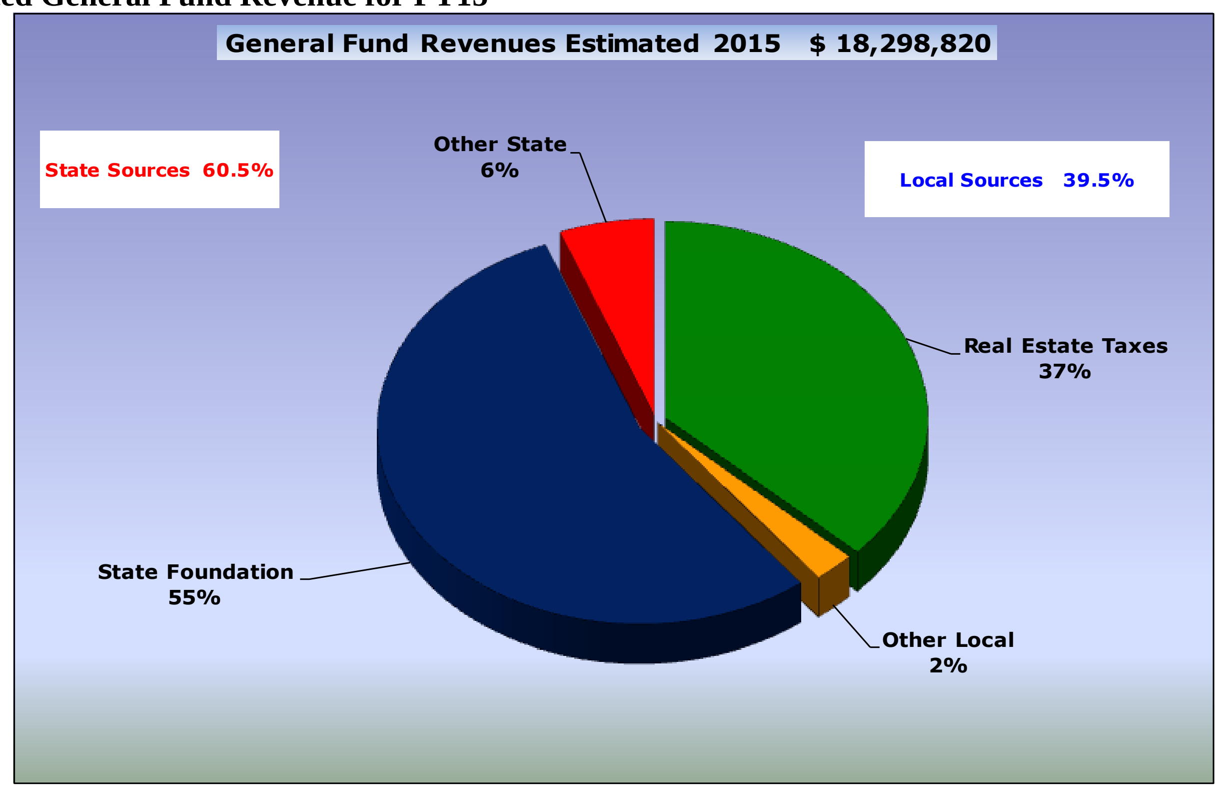
The major line numbers used as references to the forecast are noted below in the headings to make it easier to relate the assumptions made for the forecast item and refer back to the forecast. It should be of assistance to the reader to review the assumptions noted below in understanding the overall 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 FY12 through FY14 and Estimated FY15 through FY19



Revenue Assumptions

Estimated General Fund Revenue for FY15

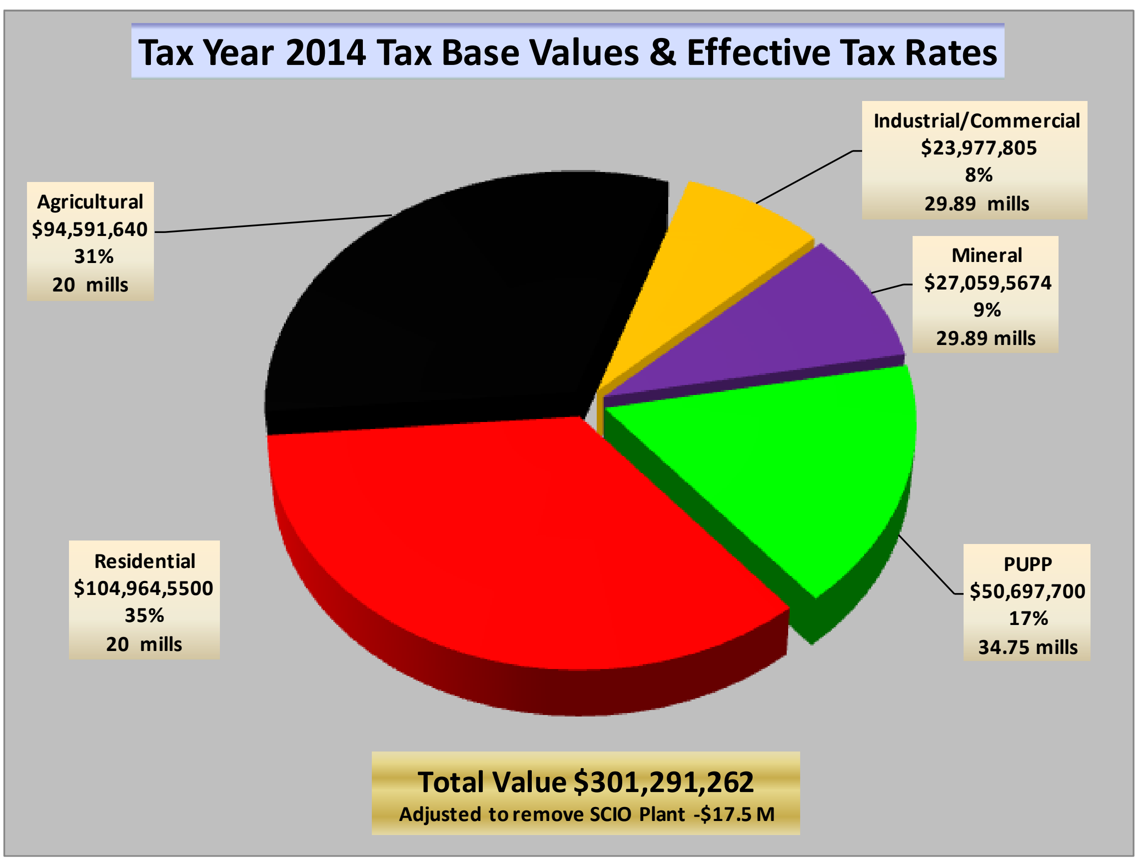


Real Estate Value Assumptions – Line # 1.010
Property Values are established each year by the County Auditor based on new construction and complete reappraisal or updated values. In recent years there have been unprecedented changes in property taxation for businesses due to HB66. Our district has values in four different counties', which makes estimating taxes a bit more challenging, in addition to the challenges of projecting values due to the energy developments throughout our district. They are: Harrison, Carroll, Belmont and Jefferson Counties.

For Tax Year 2014 values that we collect in calendar year 2015 we have noted a large negative adjustment of $18.3 million to our Class II Commercial/Industrial property for values certified in prior years. We continue to be cautious about values that are alleged to be official due a history those values found to be in error after the fact. Consequently we have estimated our total assessed value for Tax year 2015 conservatively at $301.3 million which is less than the $324.4 million we have been given. The difference in our value we are projecting and the value reported to us is entirely in the area of Commercial/Industrial property where numerous mistakes have been made in reporting mineral and industrial complex values. We feel a conservative approach is required so we do not over project tax revenue long term for the district.

We are anticipating a 1% increase in the 2017 full reappraisal update until we have better data, consequently; the District feels that the reappraisal update in Harrison County in 2017 will have relatively little impact in increasing our tax base. These inflationary increases are independent of new construction, mineral values and public utility personal property value increases which we project independently of reappraisal years due to the energy developments occurring throughout the district. 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.

The chart below shows our estimated tax year 2014 values after adjustments and our current tax rates for each type of property value.



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 continued to grow in the district even during the phase out of TPP values 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 continues to have 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 reporting errors in assessed valuations. Those errors in turn resulted in the undulations in tax collections between fiscal years.

We have received a report dated August 20, 2014 from the Harrison County Auditor that showed Board of Revision reductions of $30,973,537 in reduced assessed values for Tax Year 2013. That reduced our official taxable value of $274,223,653, as filed with the Ohio Department of Taxation, to $243,250,116, which is a value reduction of 11.3%. Because of the special report we were made aware of the potential for such adjustments and lowered our estimated values to $248,597,000 (as noted in the table below) in our forecast model so we did not over estimate taxes. We have computed Tax Year 2014 values to be $301.3 million which is less than the $324.5 million in values we were given. Again we are very cautious about values because have seen them be materially in error. Our goal is not to overestimate our tax revenues on overstated values. We are monitoring BOR and BTA claims 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 obtain data in order to make more accurate estimates for FY 16-19. 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.

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
Adj. 2013	176,838,360	19,781,486	26,271,424	25,705,729	0	248,597,000
2014	199,556,190	23,977,805	27,059,567	50,697,700	0	301,291,262
Est. 2015	199,331,190	41,491,058	27,871,354	52,197,700	0	320,891,302
Est. 2016	199,106,190	42,129,917	28,707,494	53,697,700	0	323,641,302
Est. 2017	200,872,252	43,452,066	29,568,719	55,197,700	0	329,090,738
Est. 2018	202,655,975	44,770,213	30,455,781	56,697,700	0	334,579,668

Tangible Personal Property (TPP) values, as noted in the table on the previous page 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.

ESTIMATED ASSESSED VALUE (AV) BY COLLECTION YEARS

Classification	Actual TAX YEAR 2014 COLLECT2015	Estimated TAX YEAR 2015 COLLECT2016	Estimated TAX YEAR 2016 COLLECT2017	Estimated TAX YEAR 2017 COLLECT 2018	Estimated TAX YEAR 2018 COLLECT 2019
Res./Ag.	$199,556,190	$ 199,331,190	$ 199,106,190	$ 200,872,252	$ 202,655,975
Commercial/Mineral	51,037,371	69,362,411	70,837,411	73,020,785	75,225,993
Public Utility (PUPP)	50,697,700	52,197,700	53,697,700	55,197,700	56,697,700
Tangible Per. Prop. (TPP)	0	0	0	0	0
Total Assessed Value	$301,291,262	$ 320,891,302	$ 323,641,302	$ 329,090,738	$ 334,579,668

ESTIMATED REAL ESTATE TAX (Line #1.010)

Source	FY 15	FY 16	FY 17	FY 18	FY 19
Property Taxes (Including PUPP)	$6,762,719	$ 6,894,324	$ 7,160,468	$ 7,562,262	$ 7,690,293

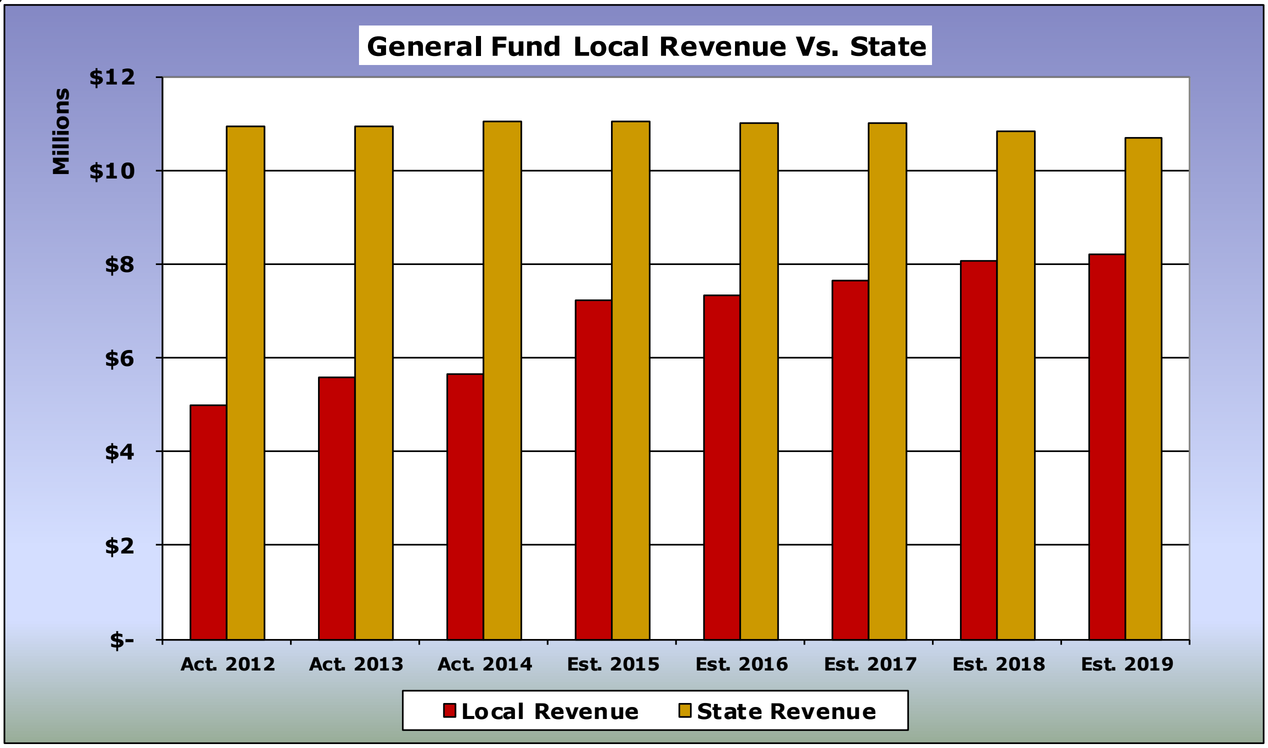
Based on historical trends, property tax levies are estimated to be collected at 96% of the annual amount. In general, 57% of the new Res/Ag and Comm/Ind is expected to be collected in February tax settlements and 43% collected in August tax settlements. Public Utility tax settlements (PUPP taxes) are 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 FY12 through FY14 and Estimated FY15 through FY19



State Foundation Revenue Estimates

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

The amounts estimated for FY15 for state funding is based on funding component computations from the most recent May 2015 State Foundation Payment Report (SFPR). The current FY14-15 state budget HB59 includes no increase in funding for our district. We are projected to be a guarantee district regarding state funding in FY15. Our state funding status for FY16-19 will depend on the FY16-17 (HB64) and FY18- 19 state budgets. There are two unknown state budgets in this forecast period covering four fiscal years.

In FY14-15, HB59 created the fourth (4^{th}) new funding formula for public education since 2009. The proposed HB64 funding formula is also very complex for FY16-17 but is maintaining the structure of the formula of HB59; however, it is changing some of the components used in the formula calculation. These components and the funding formula could change again with a new FY18-19 state budget as well. FY16 will begin July 1, 2015 with whatever new funding and formula that results from this spring's budget deliberations on HB64. Of particular importance, HB64 is presenting a new component to measure a district's wealth and capacity to raise local revenue called a "Local Capacity Measure". There is little data available about this and how to calculate it. We will continue to watch the state budget deliberations carefully.

The current method though June 30, 2015 of determining the state's share to each district is called the State Share Index (SSI). There are three (3) 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.

There are potentially 342 independent variables in the SFPR formula. If any of the variables are changed, either independently or in conjunction with other variables, there could be a change to forecasted state aid for FY 15-19. Currently we know most of the variables for FY 15, except for our student ADM. A new state budget for FY 16-17 and FY 18-19 could change all the variables including the formula itself.

Our current SFPR estimates for FY15 are using April 24, 2015 year end adjusted average daily membership (ADM) and hold those numbers steady through FY19. Beginning in FY15 the state changed the way it measures student ADM. Student counts are updated October 31, March 31, and June 30 of the fiscal year. In most cases the district will not know its student funded ADM until the end of June each year. Our estimate of state aid is based on the most current data we have available to us at the time. We are estimating funding for FY16 and FY17 based on the Substitute House version of HB64 approved April 20, 2015 which holds our district harmless to guarantee us the same money for FY16 & 17 that we received in FY15. We will not know for certain what our funding for FY16 & 17 will likely be until the end of June, and for FY18 & FY19 we have been proactive and are estimating our guaranteed funding will be phased out each year.

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 twice a year on the 31st of January and August each year which began for the first time on January 31, 2013.

The initial student payment to schools in January 2013 (FY13) was a half year payment of $21.00 per pupil that rose to $51.50 per pupil for a full year in FY14. The state indicated recently that the original 2009 estimates of

$1.9 billion of GCR may be closer to $900 million as revenues from casinos are not growing robustly as originally predicted. Actual numbers generated for FY15 statewide were 1,804,397 students at $50.43 per pupil. Our district received funding of $84,526 in FY15. For FY16-19 we are estimating another ½ of 1% decline in pupils to 1,795,375 and GCR increasing to $93 million or $52 per pupil. We will increase estimates for out years when actual casino revenues show signs of stronger increases.

Source	FY 15	FY 16	FY 17	FY 18	FY 19
Basic Aid-Unrestricted	$9,673,673	$9,670,249	$9,666,790	$9,491,297	$9,321,209
Additional Aid Items	211,282	211,282	211,282	211,282	211,282
Basic Aid-Unrestricted Subtotal	$9,884,955	$9,881,531	$9,878,072	$9,702,579	$9,532,491
Ohio Casino Commission ODT	84,526	84,776	86,784	88,836	90,934
Unrestricted State Aid Line # 1.035	$9,969,481	$9,966,307	$9,964,856	$9,791,415	$9,623,425

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. We are also showing our catastrophic special education reimbursement we receive in this area as well, however, it is not technically restricted money as these are costs we are being reimbursed for.

Source	FY 15	FY 16	FY 17	FY 18	FY 19
Economically Disadvantaged Aid	$282,762	$285,590	$288,446	$291,330	$294,243
Career Tech - Restricted	59,695	60,292	60,895	61,504	62,119
Catestrophic Aid	81,928	50,000	30,000	30,000	30,000
Restricted Revenues Line #1.040	$424,385	$395,882	$379,341	$382,834	$386,362

C) Restricted Federal Grants in Aid – line #1.045

There are no federal restricted funds projected in this forecast.

Summary	FY 15	FY 16	FY 17	FY 18	FY 19
Unrestricted Line # 1.035	$9,969,481	$9,966,307	$9,964,856	$9,791,415	$9,623,425
Restricted Line # 1.040	424,385	395,882	379,341	382,834	386,362
Rest. Fed. Grants #1.045	31,315	0	0	0	0
Total State Foundation Revenue	$10,425,181	$10,362,189	$10,344,197	$10,174,249	$10,009,787

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	FY 15	FY 16	FY 17	FY 18	FY 19
Rollback and Homestead	$645,429	$678,461	$678,401	$680,668	$685,998
TPP Reimbursement - Fixed Rate	0	0	0	0	0
TPP Reimbursement - Fixed Sum	0	0	0	0	0
Total Tax Reimbursements #1.050	$645,429	$678,461	$678,401	$680,668	$685,998

Other Local Revenues – Line #1.060

Revenue from all other sources is based on historical patterns. For Fiscal Year 15 through 19 this revenue is expected to be mostly flat to decreasing.

Source	FY 15	FY 16	FY 17	FY 18	FY 19
Open Enrollment Gross	$440,321	$444,724	$449,171	$453,663	$458,200
Interest	3,400	3,434	3,468	3,503	3,538
Tuition SF-14 & SF-14H	0	0	0	0	0
CAFS Funding	31,586	0	65,000	65,000	65,000
Other Income and adjustments	(9,816)	(5,500)	(5,500)	(500)	(500)
Total Line # 1.060	$465,491	$442,658	$512,139	$521,666	$526,238

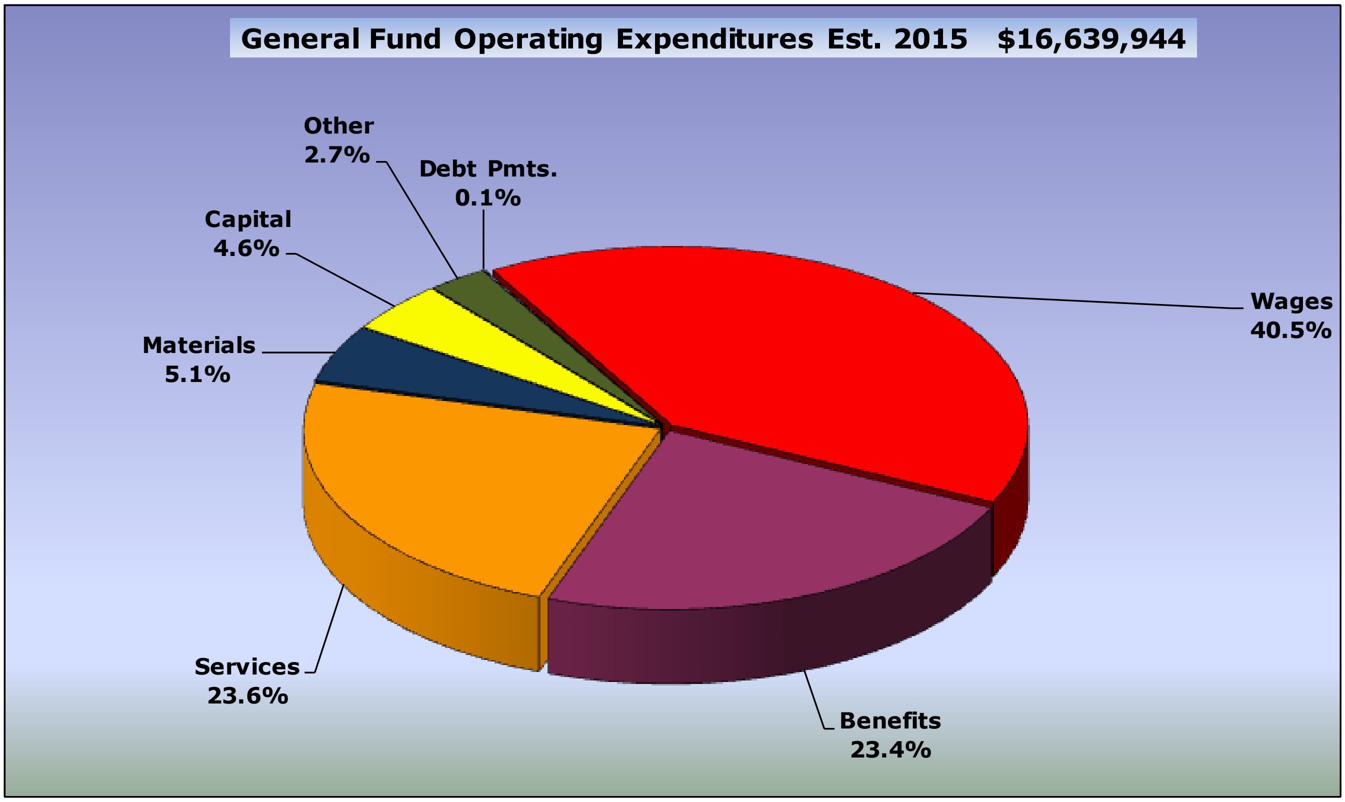
Short-Term Borrowing – Lines #2.010 & Line #2.020

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, 2017 and the district office contract expires June 30, 2015.

The certificated staff had a 0% increase for FY15 as they will receiving a $850 signing bonus. The salary schedules for classified staff were adjusted for FY15; 2% increase for FY16; and, a 3% increase for FY17. An estimated increase is projected for FY16-FY19 for the certificated and district office 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	FY 15	FY 16	FY 17	FY 18	FY 19
Base Wages	$6,150,353	$6,227,898	$6,422,663	$6,703,428	$7,043,674
Base Increases	123,007	186,837	186,837	192,680	201,103
Steps & Training/Perf. Incentives	146,390	147,515	150,339	154,410	159,343
Growth	0	0	0	0	0
Unfunded Recapture	0	0	0	0	0
Substitute Wages	198,000	198,000	199,000	199,000	199,000
Severance	143,935	143,778	144,572	145,426	145,426
Replacement Savings & Other	-30,580	-54,223	42,581	92,148	16,768
Total Wages Line 3.010	$6,731,105	$6,849,805	$7,145,992	$7,487,092	$7,765,314

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

Due to the Affordable Care Act and its unknown impacts. Medical insurance increased 2% for FY15; dental rates increased 8.0% and vision rates increased by 7.0% and life Insurance rates increased 65%. The district has received its funding factors for FY16. There will be a 2% increase for Medical and no increase for dental, vision and life insurance. For FY 17 through 19, all insurances are projected to increase by 10% 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 showed this could cost the district approximately **$173,492** 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 in November of 2014. Therefore, the $173,492 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 $5,000 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	FY 15	FY 16	FY 17	FY 18	FY 19
STRS/SERS	$1,084,575	$1,108,290	$1,097,402	$1,151,914	$1,197,217
Insurances	2,662,213	2,885,411	3,248,433	3,589,368	3,941,432
Workers Comp/Unemployment	65,001	66,059	68,699	71,740	74,220
Medicare	111,450	113,463	118,165	123,709	128,468
Other adjustments/Tuition	(30,420)	39,580	32,568	15,598	134,921
Total Line 3.020	$3,892,819	$4,212,803	$4,565,267	$4,952,329	$5,476,258

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 FY15 were used to determine this line item. Any increase for FY16 through FY19 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	FY 15	FY 16	FY 17	FY 18	FY 19
Base Services	$948,434	$1,003,390	$890,818	$809,082	$714,569
Tuition, CAFS Contract	245,000	252,350	259,921	267,719	275,751
Open Enrollment Deduction	1,840,593	1,895,811	1,952,685	2,011,266	2,071,604
Community School Deductions	597,797	615,731	634,203	653,229	672,826
Utilities	294,779	309,518	324,994	341,244	358,306
Budget Reserves or (Reductions)	0	0	0	0	0
Total Line 3.030	$3,926,603	$4,076,800	$4,062,621	$4,082,540	$4,093,056

Supplies and Materials – Line #3.040

The permanent appropriations were used to determine this line item. Any increase for FY16 through FY19 is based on each individual budget line. Supplies will have to be monitored closely and controlled due to our expenditures exceeding revenue.

Source	FY 15	FY 16	FY 17	FY 18	FY 19
Supplies	$854,542	$958,162	$973,162	$986,162	$999,987
Budget Reserves or (Reductions)	0	0	0	0	0
Total Line 3.040	$854,542	$958,162	$973,162	$986,162	$999,987

Equipment – Line # 3.050

This line shows a variation due to the purchasing of technology 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	FY 15	FY 16	FY 17	FY 18	FY 19
Capital Outlay	$767,196	$200,806	$200,806	$200,806	$250,806
Replacement Bus Purchases	0	0	0	0	0
Budget Reserves or (Reductions)	0	0	0	0	0
Total Line 3.050	$767,196	$200,806	$200,806	$200,806	$250,806

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 FY15, it will be posted as a reduction of an expense in this line item.

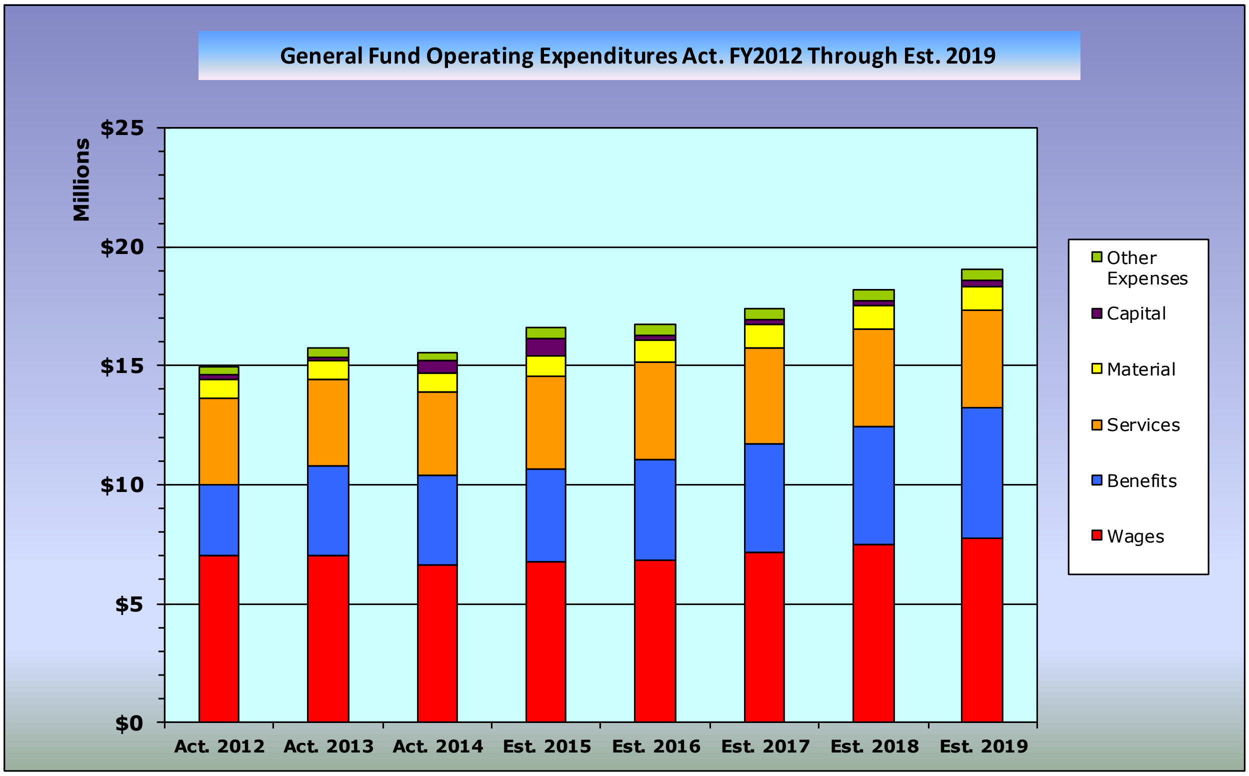
This is for the repayment of principal related to the HB 264 project that was done the summer and fall of 2010. This was for a lighting project at Harrison East Elementary and the Jr. /Sr. High School; and replacement of steam traps at the Jr./Sr. High School. The final payment will be December 2025.

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 FY15 through FY19. Expenditures in this category will be monitored closely due to the financial condition of the district.

Source	FY 15	FY 16	FY 17	FY 18	FY 19
County Auditor & Treasurer Fees	$249,297	$259,147	$269,386	$274,774	$280,269
County ESC	61,574	64,653	67,886	71,280	74,844
Other expenses	142,013	149,686	145,028	141,646	137,587
Budget Reductions	0	0	0	0	0
Increased A&T Fees for New Levies	0	0	0	0	0
Total Line 4.300	$452,884	$473,486	$482,300	$487,700	$492,700

Total Expenditure Categories Actual FY12 through FY14 and Estimated FY15 through FY19
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 accomplish this task through FY15.

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 capital improvements as 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.

	FY 15	FY 16	FY 17	FY 18	FY 19
Ending Cash Balance	$7,182,104	$8,681,374	$9,839,931	$10,475,647	$10,248,342

Ending Cash Balance Actual FY12 through FY14 and Estimated FY15 through FY19