

**HARRISON HILLS CITY SCHOOL DISTRICT
HARRISON COUNTY
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES FOR THE FISCAL YEARS ENDED
JUNE 30, 2013, 2014 and 2015 ACTUAL
FORECASTED FISCAL YEARS ENDING
JULY 1, 2015 THROUGH JUNE 30, 2020**



**Harrison Hills City School District
Treasurer's Office
Roxane Harding, Treasurer**

May 26, 2016

HARRISON HILLS CITY SCHOOL DISTRICT

Harrison County

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2013, 2014, 2015
Forecasted Fiscal Year Ending June 30, 2016 through 2020

	Actual				Average Change	Forecasted				
	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015			Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020
Revenues										
1.010 General Property Tax (Real Estate)	5,038,663	5,202,948	6,764,906	16.6%	9,226,033	9,506,139	9,991,423	10,118,603	10,251,793	
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	10,113,067	9,962,116	10,076,030	-0.2%	9,959,957	9,985,467	9,982,441	9,979,378	9,976,279	
1.040 Restricted State Grants-in-Aid	161,946	434,177	486,011	90.0%	383,318	366,651	370,017	373,417	376,851	
1.045 Restricted Fed.	22,283	0	0	0.0%	0	0	0	0	0	
1.050 Property Tax Allocation	639,605	647,544	658,674	1.5%	663,590	656,570	657,890	662,164	668,043	
1.060 All Other Revenues	543,298	463,752	555,820	2.6%	1,214,615	575,179	574,613	579,092	567,865	
1.070 Total Revenues	16,518,862	16,710,537	18,541,441	6.1%	21,447,513	21,090,006	21,576,384	21,712,654	21,840,831	
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	257,127	265,785	272,089	2.9%	271,282	272,000	272,000	272,000	272,000	
2.050 Advances-In	585,745	147,573	264,491	2.2%	352,265	275,000	275,000	275,000	275,000	
2.060 All Other Financing Sources	25,419	71,104	3,000	42.0%	0	0	0	0	0	
2.070 Total Other Financing Sources	868,291	484,462	539,580	-16.4%	623,547	547,000	547,000	547,000	547,000	
2.080 Total Revenues and Other Financing Sources	17,387,153	17,194,999	19,081,021	4.9%	22,071,060	21,637,006	22,123,384	22,259,654	22,387,831	
Expenditures										
3.010 Personal Services	\$7,050,182	\$6,624,220	\$6,512,704	-3.9%	\$6,983,500	\$7,116,300	\$7,395,300	\$7,734,300	\$8,035,800	
3.020 Employees' Retirement/Insurance Benefits	3,719,274	3,778,069	3,837,931	1.6%	\$3,738,035	\$4,219,400	4,521,100	4,903,000	5,292,500	
3.030 Purchased Services	3,681,635	3,513,057	3,618,120	-0.8%	\$3,758,526	\$3,734,235	3,852,171	3,973,941	4,099,674	
3.040 Supplies and Materials	780,078	754,639	662,453	-7.7%	\$958,162	973,162	986,162	1,999,987	999,987	
3.050 Capital Outlay	146,759	523,355	555,189	131.3%	\$695,675	1,000,806	1,700,806	1,250,806	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	-	-	13,295	0.0%	\$30,000	\$30,000	30,000	35,000	35,000	
4.055 Principal-Other	-	-	-	0.0%	-	-	-	-	-	
4.060 Interest and Fiscal Charges	1,146	14,038	1,714	518.6%	\$2,000	\$1,500	1,500	1,500	1,500	
4.300 Other Objects	369,897	378,567	413,294	5.8%	\$436,529	\$436,810	446,730	449,705	456,976	
4.500 Total Expenditures	\$15,748,971	15,585,945	15,614,700	-0.4%	16,602,427	17,512,213	18,933,769	20,348,239	19,172,243	
Other Financing Uses										
5.010 Operating Transfers-Out	292,127	300,785	307,089	2.5%	\$306,282	\$300,000	300,000	300,000	300,000	
5.020 Advances-Out	160,463	264,493	352,265	49.0%	375,000	275,000	275,000	275,000	275,000	
5.030 All Other Financing Uses	-	-	-	0.0%	\$11,483	\$0	-	-	-	
5.040 Total Other Financing Uses	452,590	565,278	659,354	20.8%	692,765	575,000	575,000	575,000	575,000	
5.050 Total Expenditures and Other Financing Uses	16,201,561	16,151,223	16,274,054	0.2%	17,295,192	18,087,213	19,508,769	20,923,239	19,747,243	
6.010 Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	1,185,592	1,043,776	2,806,967	78.5%	4,775,868	3,549,793	2,614,615	1,336,415	2,640,588	
7.010 Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	4,250,168	5,435,760	6,479,536	23.5%	9,286,503	14,062,371	17,612,164	20,226,779	21,563,194	
7.020 Cash Balance June 30	5,435,760	6,479,536	9,286,503	31.3%	14,062,371	17,612,164	20,226,779	21,563,194	24,203,782	
8.010 Estimated Encumbrances June 30	487,358	777,844	441,373	8.2%	500,000	500,000	500,000	500,000	500,000	
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%	147,331	294,331	441,331	588,331	760,331	
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%	299,134	446,134	593,134	740,134	912,134	
10.010 Fund Balance June 30 for Certification of Appropriations	4,304,615	5,258,247	8,845,130	45.2%	13,263,237	16,666,030	19,133,645	20,323,060	22,791,648	

HARRISON HILLS CITY SCHOOL DISTRICT
Harrison County

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2013, 2014, 2015
Forecasted Fiscal Year Ending June 30, 2016 through 2020

	Actual			Average Change	Forecasted					
	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015		Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	
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	<i>Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations</i>	4,304,615	5,258,247	8,845,130	45.2%	13,263,237	16,666,030	19,133,645	20,323,060	22,791,648
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	<i>Unreserved Fund Balance June 30</i>	4,304,615	5,258,247	8,845,130	45.2%	13,263,237	16,666,030	19,133,645	20,323,060	22,791,648

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 26, 2016

Introduction to the Five Year Forecast

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

Revenues:

The overview of revenues shows that we are substantially on target with original estimates at this point in the year. Total General Fund revenues (line 1.07) are estimated to be \$2.4 million or 12.6% higher than the October forecasted amount of \$19,044,866. Revenue is over estimates due to the \$98 Million increase in assessed value reported in Mineral and Commercial values. This was an increase of 32% to our total assessed values. We will be keeping a close eye on any adjustments to this value which has been prevalent in the past several years.

We have adjusted the forecasted tax revenue higher and are being cautiously optimistic that the values will hold and be accurate long term.

All other areas of revenue are tracking as anticipated for FY16.

Expenditures:

Our expenditures on Line 4.50 are running slightly ahead of our original estimate by \$333,527 and our new estimate is \$16,602,427 which is 2% higher than the original October estimates. Wages on Line 3.01 and Capital Outlay on Line 3.05 were both higher causing the overall estimate to be up.

Unreserved Ending Cash Balance:

With revenues well over estimates and expenditures just slightly over estimates, our ending unreserved cash balance for FY16 is anticipated to be up over the original estimates by \$1.85 million to \$13.26 million. The ending unreserved cash balance on Line 15.010 of the forecast is anticipated to be a positive accumulative balance through 2020 if our expectations on property values hold steady and our estimates of state aid through FY20 are accurate. This is discussed in more detail throughout the notes.

Forecast Risks and Uncertainty

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

- I. The long range forecast through FY20 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 2015 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 continue to monitor values we are given and questions property values to ensure our district receives the local revenues we are supposed to receive and that values reported to us are reliable.

For Tax Year 2015, values that we are collecting in calendar year 2016, we have noted a large increase in mineral and commercial assessed value of +\$98.7 million. This is a 32% overall increase in our total taxable value. 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. We have estimated values to increase conservatively in each future year of the forecast until we have clear data evidencing the reliable growth and that it can be relied upon for revenue estimates.

We continue to monitor Board of Revision (BOR) and Board of Tax Appeals (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 17-20. Any unexplained fluctuations in our local property tax collection are a risk to property tax estimates in the forecast and to the district's financial stability.

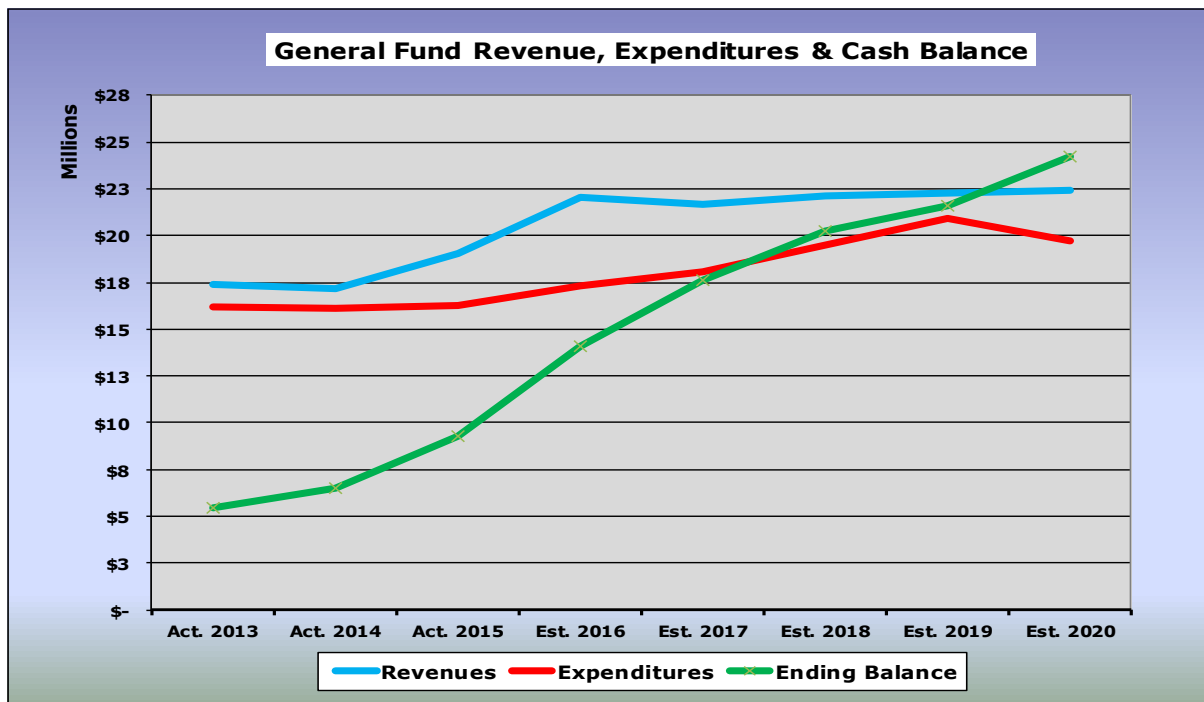
- II. In Tax Year 2014 the district experienced a reappraisal update and we estimated overall residential and agricultural land would increase by 8% overall led by CAUV increases. Values actually increased by 11% in residential/agricultural lands. Our estimate of commercial/industrial values after adjustment 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 51% of district revenues, which means it is a risk to revenue. The risk comes in FY18 and beyond if the state economy worsens or if the currently adopted HB64 funding formula is changed to reduce funding to our district in a future biennium budget. We are presently a "Guarantee District" and there have been discussions of reducing payments to Guarantee Districts in previous state budget proposals. There are two future State Biennium Budgets covering the period from FY18 through FY20 in this forecast. Future uncertainty in both the state foundation funding formula and the state's economy makes this area an elevated risk to district funding long range through FY20
- IV. There are many provisions in the current state budget bill HB64 that will increase the district expenditures in the form of expanded school choice programs and increases in amounts deducted from our state aid in the 2016-17 school years. For instance, the cost of each Peterson Special Needs voucher and Autism Scholarship Program increased sharply in HB64 from \$20,000 each to \$27,000, a 35% increase. These are examples of new choice programs that cost the district money. Expansion or creation of programs such as these exposes the district to new expenditures that are not currently in the forecast. We are monitoring any new threats to our state aid and increased costs very closely.
- V. Patient Protection and Affordable Care Act (PPACA) – This program was approved March 23, 2010 along with the Health Care and Education Reconciliation Act. Many of the provisions of this federal statute were to be implemented January 1, 2015. Implementation of those provisions has increased costs by as much as 2%. There is the additional risk that costs will go up as additional staffs are added to our health care rolls. We have made allowance for increases in our costs for health care in the forecast

based on what we know at this time. Future uncertainty over rules and implementation of PPACA is a risk to district costs. We continue to monitor the rules and implementation as this significant change to health care evolves.

- VI. Labor relations in our district have been amicable with all parties working for the best interest of students and realizing the extreme resource challenges today. As we move forward we believe our positive working relationship will continue and will only grow stronger.

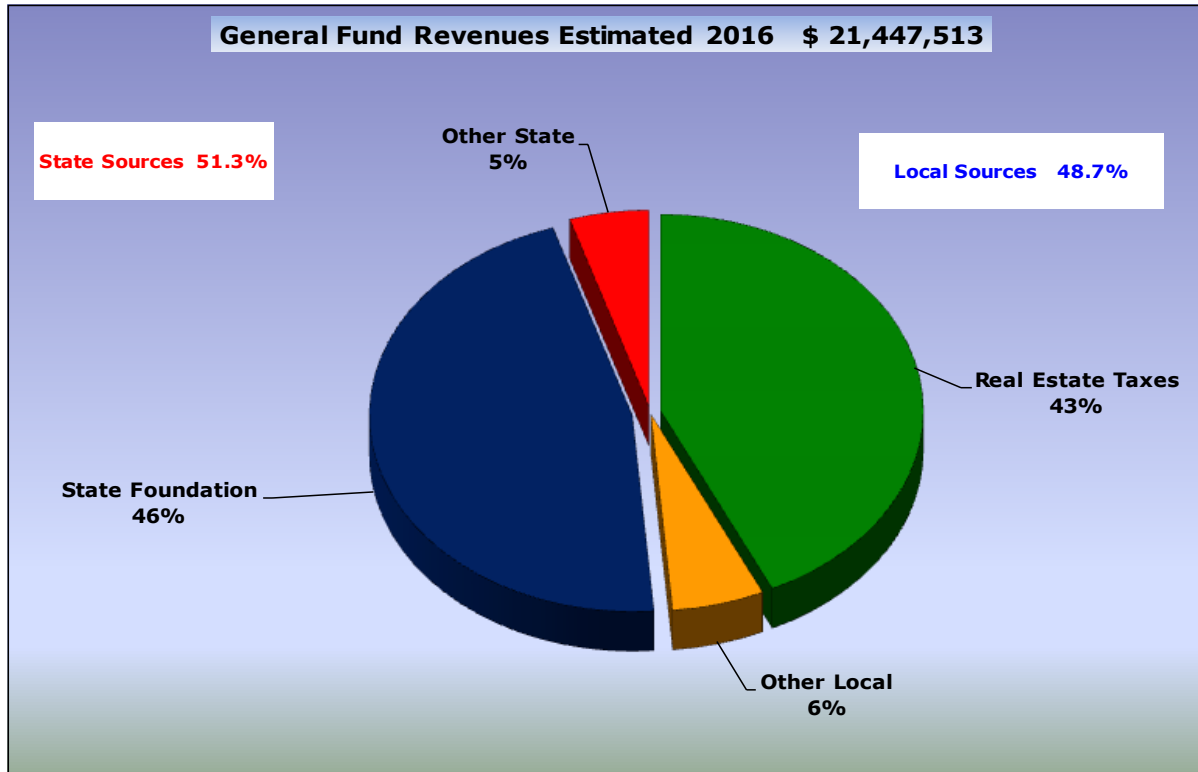
The major line numbers used as references to the forecast are noted below in the headings to make it easier to relate the assumptions made for the forecast item and refer back to the forecast. It should be of assistance to the reader to review the assumptions noted below in understanding the overall 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 FY13 through FY15 and Estimated FY16 through FY20



Revenue Assumptions

Estimated General Fund Revenue for FY16



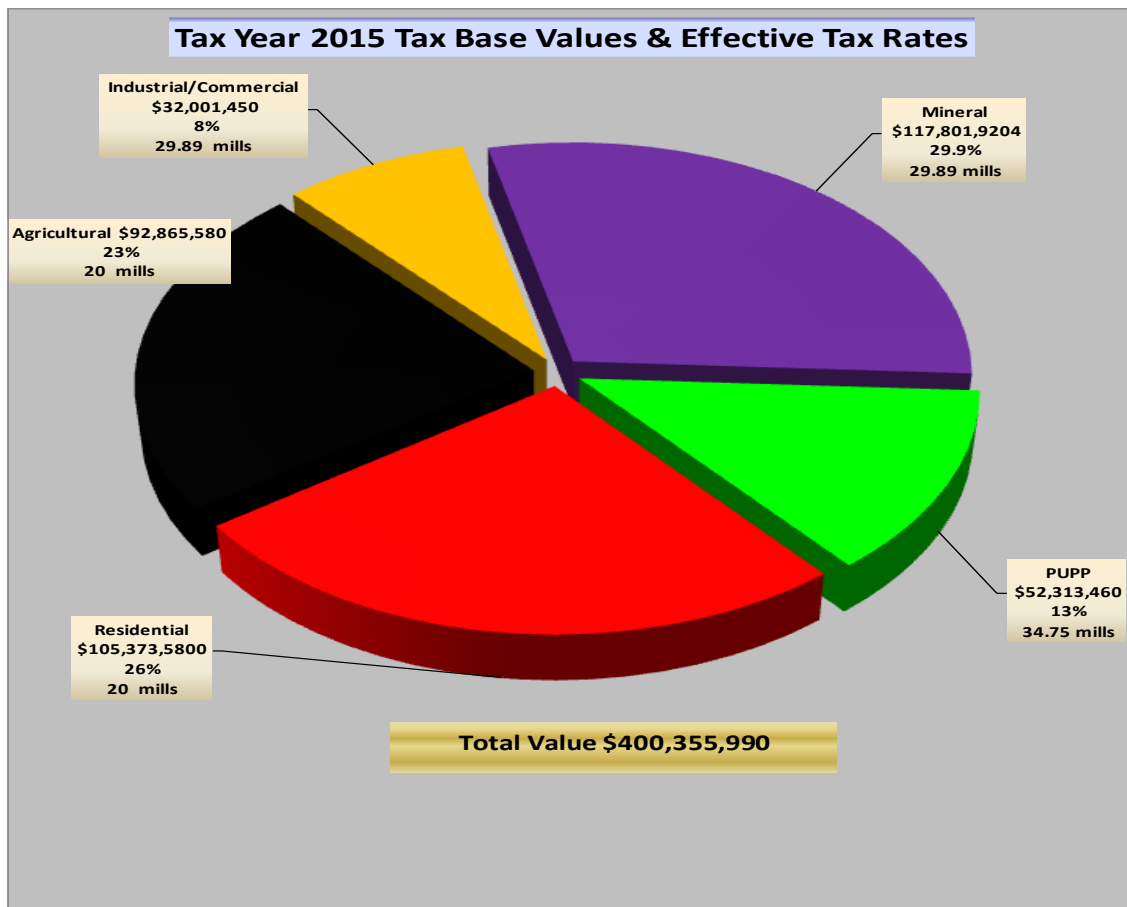
Real Estate Value Assumptions – Line # 1.010

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 2015, values that we are collecting in calendar year 2016, we have noted a large increase in mineral and commercial assessed value of +\$98.7 million. This is a 32% overall increase in our total taxable value. 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. We have estimated values to increase conservatively in each future year of the forecast until we have clear data evidencing the reliable growth and that it can be relied upon for revenue estimates.

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 valuation growth 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 2015 values as reported to us by the County Auditor 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 and again in 2015. 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. For this reason we are very conservative in estimating increases in assessed values and tax revenues.

We 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 17-20. The ongoing risk of unexplained fluctuations in our local property tax collection is a concern for our 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	50,813,460	0	301,407,022
2015	198,239,160	32,001,450	117,801,920	52,313,460	0	400,355,990
Est. 2016	198,014,160	29,942,393	121,335,978	53,813,460	0	403,105,990
Est. 2017	199,769,302	29,290,097	124,976,057	55,313,460	0	409,348,916
Est. 2018	201,541,995	28,558,477	128,725,339	56,813,460	0	415,639,270
Est. 2019	203,332,415	27,744,555	132,587,099	58,313,460	0	421,977,528

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	Estimated	Estimated	Estimated	Estimated
	TAX YEAR 2015 COLLECT2016	TAX YEAR 2016 COLLECT2017	TAX YEAR 2017 COLLECT 2018	TAX YEAR 2018 COLLECT 2019	TAX YEAR 2019 COLLECT 2020
Res./Ag.	\$198,239,160	\$198,014,160	\$199,769,302	\$201,541,995	\$203,332,415
Commercial/Mineral	149,803,370	151,278,370	154,266,154	157,283,816	160,331,654
Public Utility (PUPP)	52,313,460	53,813,460	55,313,460	56,813,460	58,313,460
Tangible Per. Prop. (TPP)	0	0	0	0	0
Total Assessed Value	<u>\$400,355,990</u>	<u>\$403,105,990</u>	<u>\$409,348,916</u>	<u>\$415,639,270</u>	<u>\$421,977,528</u>

ESTIMATED REAL ESTATE TAX (Line #1.010)

Source	FY 16	FY 17	FY 18	FY 19	FY 20
Property Taxes (Including PUPP)	<u>\$9,226,033</u>	<u>\$9,506,139</u>	<u>\$9,991,423</u>	<u>\$10,118,603</u>	<u>\$10,251,793</u>

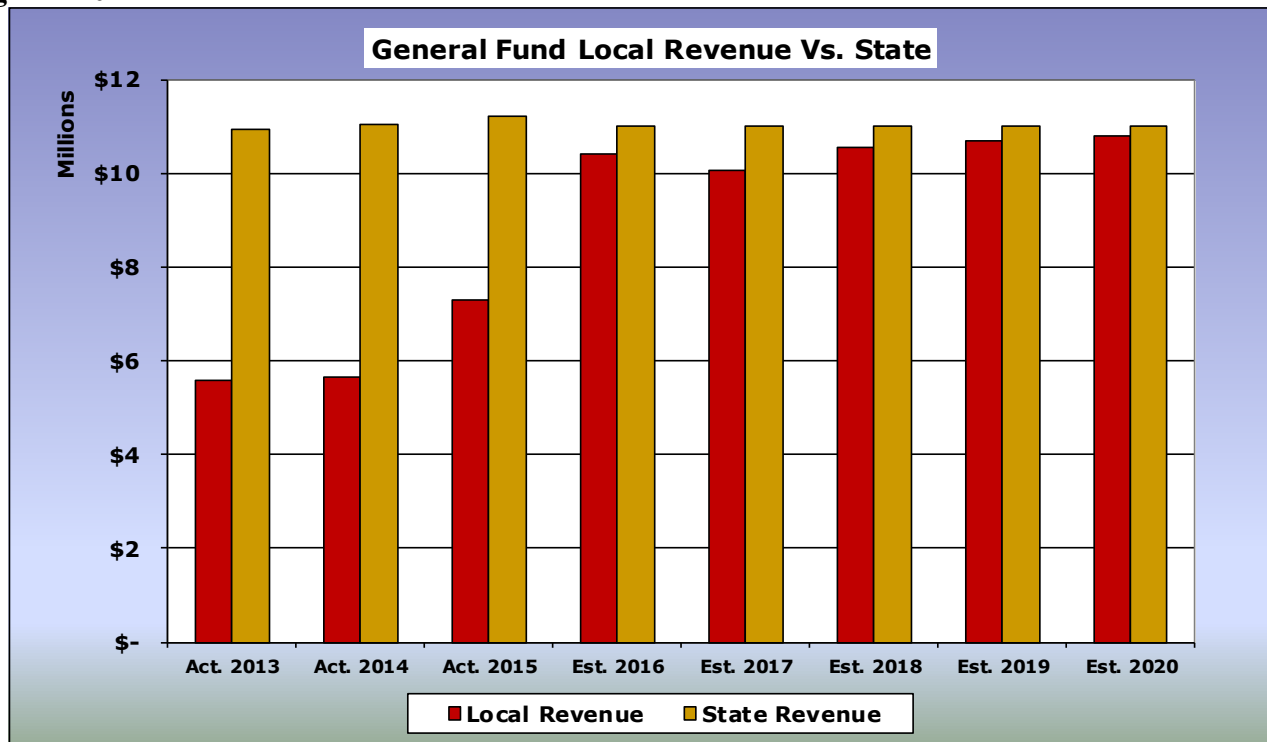
Based on historical trends, property tax levies are estimated to be collected at 96% of the annual amount. In general, 57% of the new Res/Ag and Comm/Ind is expected to be collected in February tax settlements and 43% collected in August tax settlements. Public Utility tax settlements (PUPP taxes) are 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 FY13 through FY15 and Estimated FY16 through FY20



State Foundation Revenue Estimates

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

The amounts estimated for FY16 for state funding are based on the May 2016 State Foundation Payment Report (SFPR). The current FY16-17 state budget HB64 simulation includes relatively flat funding for our district. We are projected to be a “Guarantee District” regarding state funding in FY16-17. Our state funding status for FY18-20 will depend on the FY18-19 and FY20-21 state budgets. There are two unknown state budgets in this forecast period covering three fiscal years.

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

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

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

There are several new funding components provided in HB64 for FY16 &17. These are additional funds that can be earned by a district or is intended to help a district who has an undo burden or inability to raise local revenue.

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

Note: these additional components will not be paid to our district as we are heavily on the guarantee.

There are potentially 342 independent variables in the SFPR formula. If any of the variables are changed, either independently or in conjunction with other variables, there could be a change to forecasted state aid for FY16-20. Currently, there are still changes being made to the above variables as well as changes that could result once ODE finalizes the calculations from FY15, which is not expected until June 2016. Our estimates are based on the best information available to us and the most current calculation used by ODE. Changes to our forecasted data could occur if there are large adjustments made by ODE based on the final FY15 reconciliation.

Our current SFPR estimates for FY16 are using May 2016 average daily membership (ADM) and holding those numbers steady through FY20. Beginning in FY15 the state changed the way it measures student ADM. Student counts are now updated October 31, March 31, and June 30 of the fiscal year. In most cases the district will not know its actual student funded ADM until the end of June. This will not affect our state aid payments since we are a guarantee district.

HB64 included a hold harmless guarantee that no district would get less state funding in FY16 & 17 than they did in FY15. Current calculations indicate our district is a Guarantee funded district for FY16 and we anticipate that we will remain a Guarantee funded district in FY17 as well. Because our District is being funded on the

Guarantee means that revenue from state funding will remain flat for FY16 & 17, and we have projected they will remain flat through FY20 unless a future budget reduces guarantee payments.

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

The initial student payment to schools in January 2013 (FY13) was a half year payment of \$21.00 per pupil that rose to \$51.50 per pupil for a full year in FY14 and \$50.50 in FY15. The state indicated recently that the original 2009 estimates of \$1.9 billion of GCR may be closer to \$900 million as revenues from casinos are not growing robustly as originally predicted. Actual numbers generated for FY 16 statewide were 1,796,394 students at \$50.66 per pupil. For FY17-20 we estimated another ½ of 1% decline in pupils to 1,778,000 and GCR increasing to \$93 million or \$52 per pupil. We will increase estimates for out years when actual casino revenues show signs of stronger increases.

<u>Source</u>	<u>FY 16</u>	<u>FY 17</u>	<u>FY 18</u>	<u>FY 19</u>	<u>FY 20</u>
Basic Aid-Unrestricted	\$9,654,310	\$9,679,480	\$9,676,114	\$9,672,714	\$9,669,280
Additional Aid Items	<u>220,397</u>	<u>220,397</u>	<u>220,397</u>	<u>220,397</u>	<u>220,397</u>
Basic Aid-Unrestricted Subtotal	\$9,874,707	\$9,899,877	\$9,896,511	\$9,893,111	\$9,889,677
Ohio Casino Commission ODT	<u>85,250</u>	<u>85,590</u>	<u>85,930</u>	<u>86,267</u>	<u>86,602</u>
Unrestricted State Aid Line # 1.035	<u>\$9,959,957</u>	<u>\$9,985,467</u>	<u>\$9,982,441</u>	<u>\$9,979,378</u>	<u>\$9,976,279</u>

B) Restricted State Revenues – Line # 1.040

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

<u>Source</u>	<u>FY 16</u>	<u>FY 17</u>	<u>FY 18</u>	<u>FY 19</u>	<u>FY 20</u>
Economically Disadvantaged Aid	\$254,391	\$256,935	\$259,504	\$262,099	\$264,720
Career Tech - Restricted	78,927	79,716	80,513	81,318	82,131
Catastrophic Aid	<u>50,000</u>	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>
Restricted Revenues Line #1.040	<u>\$383,318</u>	<u>\$366,651</u>	<u>\$370,017</u>	<u>\$373,417</u>	<u>\$376,851</u>

C) Restricted Federal Grants in Aid – line #1.045

There are no federal restricted funds projected in this forecast.

<u>Summary</u>	<u>FY 16</u>	<u>FY 17</u>	<u>FY 18</u>	<u>FY 19</u>	<u>FY 20</u>
Unrestricted Line # 1.035	\$9,959,957	\$9,985,467	\$9,982,441	\$9,979,378	\$9,976,279
Restricted Line # 1.040	383,318	366,651	370,017	373,417	376,851
Rest. Fed. Grants #1.045	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total State Foundation Revenue	<u>\$10,343,275</u>	<u>\$10,352,118</u>	<u>\$10,352,458</u>	<u>\$10,352,795</u>	<u>\$10,353,130</u>

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 lose it going forward and will not have to meet the new income qualification. This will slow the growth of homestead reimbursements to the district, and as with the rollback reimbursements above, increase the taxes collected locally on taxpayers.

b) Tangible Personal Property Reimbursements – Fixed Rate

Because Harrison Hills CSD is not considered heavily reliant on TPP the district’s state TPP was cut after FY12.

Summary of State Tax Reimbursement – Line #1.050

<u>Source</u>	<u>FY 16</u>	<u>FY 17</u>	<u>FY 18</u>	<u>FY 19</u>	<u>FY 20</u>
Rollback and Homestead	\$663,590	\$656,570	\$657,890	\$662,164	\$668,043
TPP Reimbursement - Fixed Rate	0	0	0	0	0
TPP Reimbursement - Fixed Sum	0	0	0	0	0
Total Tax Reimbursements #1.050	<u>\$663,590</u>	<u>\$656,570</u>	<u>\$657,890</u>	<u>\$662,164</u>	<u>\$668,043</u>

Other Local Revenues – Line #1.060

Revenue from all other sources is based on historical patterns. For Fiscal Year 16 we received a lump sum catchup payment for CAFS funding of \$602,525 which is a one time payment. FY17 through 20 this revenue is expected to be mostly flat.

<u>Source</u>	<u>FY 16</u>	<u>FY 17</u>	<u>FY 18</u>	<u>FY 19</u>	<u>FY 20</u>
Open Enrollment Gross	\$532,310	\$537,633	\$543,009	\$548,439	\$553,923
Interest	33,000	33,330	33,663	34,000	34,340
Tuition SF-14 & SF-14H	(126,271)	(127,534)	(128,809)	(130,097)	(131,398)
CAFS Funding	668,000	50,000	50,000	50,000	50,000
Other Income and adjustments	<u>107,576</u>	<u>81,750</u>	<u>76,750</u>	<u>76,750</u>	<u>61,000</u>
Total Line # 1.060	<u>\$1,214,615</u>	<u>\$575,179</u>	<u>\$574,613</u>	<u>\$579,092</u>	<u>\$567,865</u>

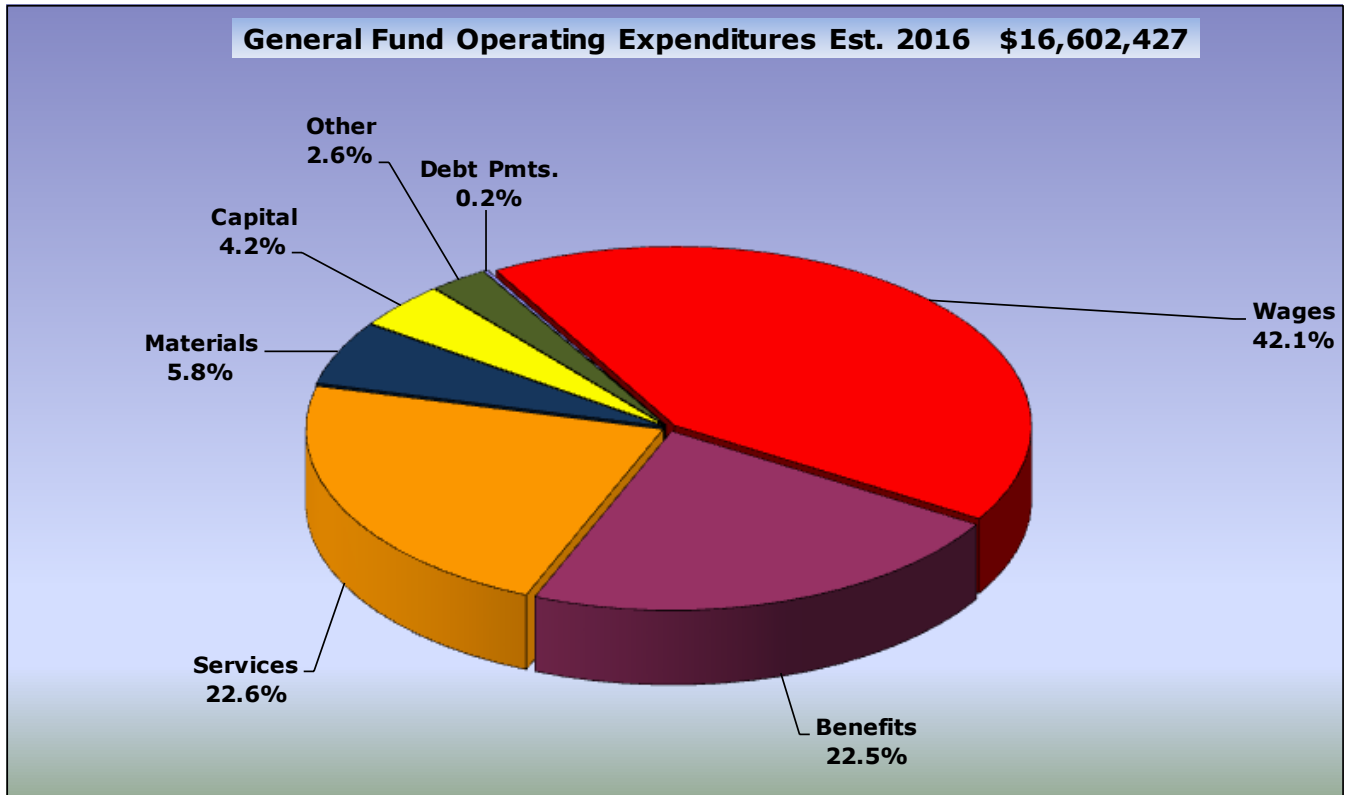
Short-Term Borrowing – Lines #2.010 & Line #2.020

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 and estimates for future settlements.

The salary schedules for classified staff were adjusted for FY15; 2% increase for FY16; and, a 3% increase for FY17. The certified and district office staff received a 4% increase for FY16 and a 3% increase for FY17 and FY18. Costs for salaries also includes: extended time, shift differential, overtime, substitute cost, leave incentive, severances and retirements with replacements.

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

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 FY20, all insurances are projected to increase by 5% for FY17; 8% for FY18 and 10% for the last two years of the

forecast. Due to the Affordable Care Act and its unknown impacts 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.

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. The rules and implementation of the PPACA is an ongoing issue we are watching closely to evaluate the effect on our district.

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 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

<u>Source</u>	<u>FY 16</u>	<u>FY 17</u>	<u>FY 18</u>	<u>FY 19</u>	<u>FY 20</u>
STRS/SERS	\$1,124,725	\$1,097,343	\$1,137,713	\$1,191,853	\$1,240,754
Insurances	2,930,512	3,241,445	3,561,362	3,933,586	4,289,567
Workers Comp/Unemployment	67,251	68,435	70,922	73,944	76,631
Medicare	119,368	113,799	122,201	127,827	132,920
Other adjustments/Tuition	(503,821)	(301,622)	(371,098)	(424,210)	(447,372)
Total Line 3.020	<u>\$3,738,035</u>	<u>\$4,219,400</u>	<u>\$4,521,100</u>	<u>\$4,903,000</u>	<u>\$5,292,500</u>

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 FY16 were used to determine this line item. Any increase for FY17 through FY20 was based on each individual budget line. It is anticipated that

open enrollment, community school and utility costs will rise throughout the forecast. We are working hard to control costs as much as possible in the purchased services area.

<u>Source</u>	<u>FY 16</u>	<u>FY 17</u>	<u>FY 18</u>	<u>FY 19</u>	<u>FY 20</u>
Base Services	\$810,928	\$692,582	\$713,359	\$734,760	\$756,803
Tuition, CAFS Contract	210,310	216,619	223,118	229,812	236,706
Open Enrollment Deduction	1,845,879	1,901,255	1,958,293	2,017,042	2,077,553
Community School Deductions	610,029	628,330	647,180	666,595	686,593
Utilities	281,380	295,449	310,221	325,732	342,019
Budget Reserves or (Reductions)	0	0	0	0	0
Total Line 3.030	<u>\$3,758,526</u>	<u>\$3,734,235</u>	<u>\$3,852,171</u>	<u>\$3,973,941</u>	<u>\$4,099,674</u>

Supplies and Materials – Line #3.040

The permanent appropriations were used to determine this line item. Any increase for FY16 through FY20 is based on each individual budget line. We have anticipated the need to purchase supplies for the new facility which will open in FY19.

<u>Source</u>	<u>FY 16</u>	<u>FY 17</u>	<u>FY 18</u>	<u>FY 19</u>	<u>FY 20</u>
Supplies	\$958,162	\$973,162	\$986,162	\$999,987	\$999,987
Items for New School	0	0	0	1,000,000	0
Total Line 3.040	<u>\$958,162</u>	<u>\$973,162</u>	<u>\$986,162</u>	<u>\$1,999,987</u>	<u>\$999,987</u>

Equipment – Line # 3.050

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 but we are anticipating using funds in FY17 for possible improvements to the football stadium and/or additional equipment or upgrades at the new facilities that are over and above what is provided through the Ohio Facilities Construction Commission.

<u>Source</u>	<u>FY 16</u>	<u>FY 17</u>	<u>FY 18</u>	<u>FY 19</u>	<u>FY 20</u>
Capital Outlay	\$695,675	\$200,806	\$200,806	\$250,806	\$250,806
Items for New School	0	0	1,500,000	1,000,000	0
Football Field Turf	0	800,000	0	0	0
Total Line 3.050	<u>\$695,675</u>	<u>\$1,000,806</u>	<u>\$1,700,806</u>	<u>\$1,250,806</u>	<u>\$250,806</u>

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 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.

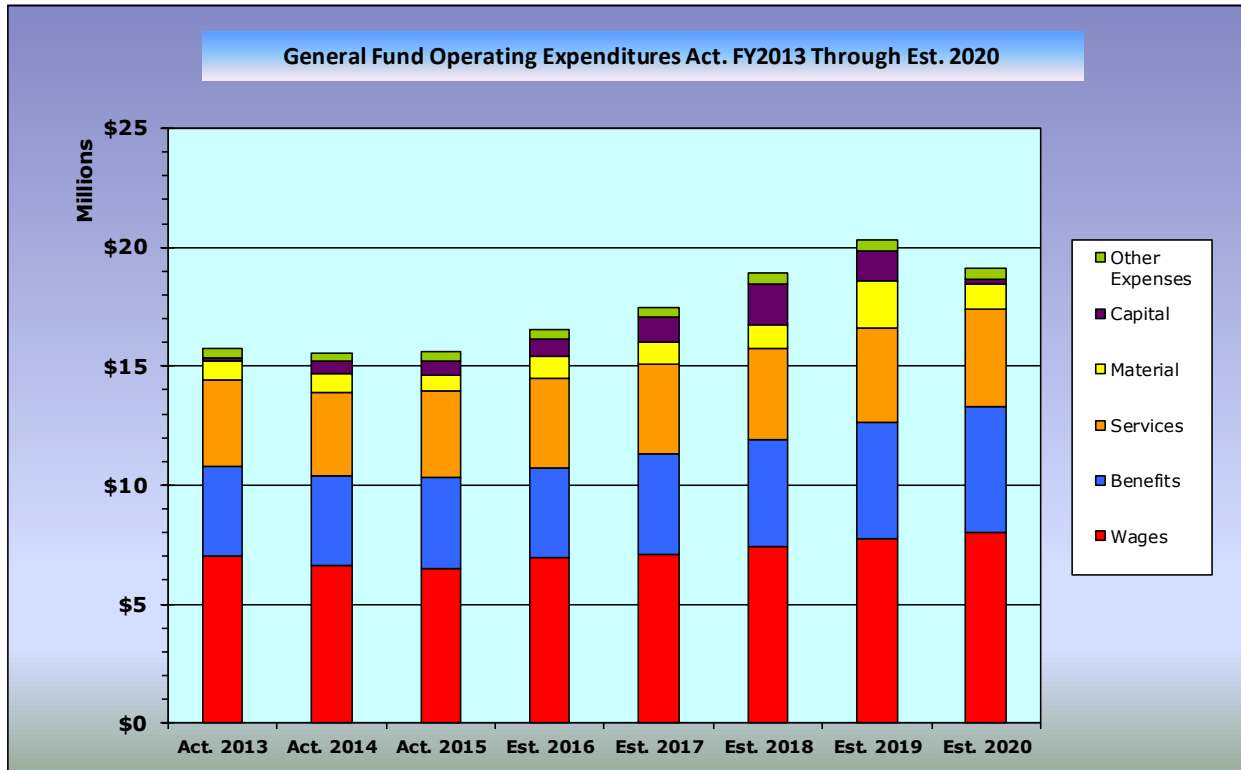
Other Expenses – Line #4.300

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.

<u>Source</u>	<u>FY 16</u>	<u>FY 17</u>	<u>FY 18</u>	<u>FY 19</u>	<u>FY 20</u>
County Auditor & Treasurer Fees	\$179,835	\$186,940	\$190,679	\$194,493	\$198,383
County ESC	58,417	61,338	64,405	67,625	71,006
Other expenses	198,277	188,532	191,646	187,587	187,587
Budget Reductions	0	0	0	0	0
Increased A&T Fees for New Levies	0	0	0	0	0
Total Line 4.300	<u>\$436,529</u>	<u>\$436,810</u>	<u>\$446,730</u>	<u>\$449,705</u>	<u>\$456,976</u>

Total Expenditure Categories Actual FY13 through FY15 and Estimated FY16 through FY20

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. \$30,000 each year of the forecast is projected to accomplish this task through FY18 and then increasing to \$35,000 FY19 and FY20.

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.

Ending Cash Balance	<u>FY 16</u> <u>\$13,263,237</u>	<u>FY 17</u> <u>\$16,666,030</u>	<u>FY 18</u> <u>\$19,133,645</u>	<u>FY 19</u> <u>\$20,323,060</u>	<u>FY 20</u> <u>\$22,791,648</u>
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Ending Cash Balance Actual FY13 through FY15 and Estimated FY16 through FY20

