HARRISON HILLS CITY SCHOOL DISTRICT
HARRISON COUNTY
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE FISCAL YEARS ENDED JUNE 30, 2014, 2015 and 2016 ACTUAL FORECASTED FISCAL YEARS ENDING JULY 1, 2016 THROUGH JUNE 30, 2021

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

May 30, 2017

HARRISON HILLS CITY SCHOOL DISTRICT
Harrison County

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2014, 2015, 2016
Forecasted Fiscal Year Ending June 30, 2017 through 2021

		Actual				Forecasted				
		Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Average Change	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
	Revenues									
1.010	General Property Tax (Real Estate)	5,202,948	6,764,906	9,231,987	33.2%	12,339,780	14,005,557	14,183,266	14,371,436	14,558,963
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	9,962,116	10,076,030	9,959,552	0.0%	9,961,409	9,649,733	9,357,342	9,073,585	8,798,199
1.040	Restricted State Grants-in-Aid	434,177	486,011	364,606	-6.5%	398,461	379,813	383,461	387,145	390,866
1.045	Restricted Fed.	0	0	0	0.0%	0	0	0	0	0
1.050	Property Tax Allocation	647,544	658,674	671,350	1.8%	661,405	679,346	680,457	684,867	689,266
1.060	All Other Revenues	463,752	555,820	1,524,051	97.0%	827,573	734,511	740,768	731,338	737,721
1.070	*Total Revenues*	16,710,537	18,541,441	21,751,546	14.1%	24,188,628	25,448,960	25,345,294	25,248,371	25,175,015
	Other Financing Sources									
2.010	Proceeds from Sale of Notes	-	-	-	0.0%	$0	$0	$0	$0	$0
2.020	State Loans and Advancements (Approved)	-	-	-	0.0%	-	-	-	-	-
2.040	Operating Transfers-In	265,785	272,089	271,282	1.0%	279,520	279,520	279,520	279,520	279,520
2.050	Advances-In	147,573	264,491	352,265	56.2%	367,297	275,000	275,000	275,000	275,000
2.060	All Other Financing Sources	71,104	3,000	7,850	32.9%	1,168	0	0	0	0
2.070	*Total Other Financing Sources*	484,462	539,580	631,397	14.2%	647,985	554,520	554,520	554,520	554,520
2.080	*Total Revenues and Other Financing Sources*	17,194,999	19,081,021	22,382,943	14.1%	24,836,613	26,003,480	25,899,814	25,802,891	25,729,535
	Expenditures									
3.010	Personal Services	$6,624,220	$6,512,704	$6,749,086	1.0%	$7,199,500	$7,448,334	$7,815,394	$8,289,920	$8,944,081
3.020	Employees' Retirement/Insurance Benefits	3,778,069	3,837,931	3,519,983	-3.3%	$3,997,000	$4,558,200	$4,884,900	$5,460,524	$5,968,037
3.030	Purchased Services	3,513,057	3,618,120	3,446,196	-0.9%	$3,882,000	$4,288,596	$4,690,955	$4,820,337	$5,003,734
3.040	Supplies and Materials	754,639	662,453	893,516	11.3%	$610,000	1,072,079	1,526,579	1,782,685	1,508,185
3.050	Capital Outlay	523,355	555,189	221,561	-27.0%	$1,634,000	874,000	858,170	864,640	686,200
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%	$0	$0	$0	$0	$0
4.040	Principal-State Advancements	-	-	-	0.0%	-	-	-	-	-
4.050	Principal-HB 264 Loans	-	13,295	30,000	0.0%	$30,000	$30,000	$35,000	$35,000	$40,000
4.055	Principal-Other	-	-	-	0.0%	-	-	-	-	-
4.060	Interest and Fiscal Charges	14,038	1,714	1,495	-50.3%	$720	$2,500	$2,500	$2,500	$2,500
4.300	Other Objects	378,567	413,294	452,645	9.3%	$542,062	$550,200	$555,200	$604,250	$609,250
4.500	*Total Expenditures*	$15,585,945	15,614,700	15,314,482	-0.9%	17,895,282	18,823,909	20,368,698	21,859,856	22,761,987
	Other Financing Uses									
5.010	Operating Transfers-Out	300,785	307,089	430,589	21.2%	$8,185,000	$1,950,000	$325,000	$325,000	$325,000
5.020	Advances-Out	264,493	352,265	309,782	10.6%	350,000	350,000	350,000	350,000	350,000
5.030	All Other Financing Uses	-	-	56,692	0.0%	$0	$0	$0	$0	$0
5.040	*Total Other Financing Uses*	565,278	659,354	797,063	18.8%	8,535,000	2,300,000	675,000	675,000	675,000
5.050	*Total Expenditures and Other Financing Uses*	16,151,223	16,274,054	16,111,545	-0.1%	26,430,282	21,123,909	21,043,698	22,534,856	23,436,987
6.010	*Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses*	1,043,776	2,806,967	6,271,398	146.2%	(1,593,669)	4,879,571	4,856,116	3,268,035	2,292,548
7.010	Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	5,435,761	6,479,537	9,286,504	31.3%	15,557,902	13,964,233	18,843,804	23,699,920	26,967,955
7.020	*Cash Balance June 30*	6,479,537	9,286,504	15,557,902	55.4%	13,964,233	18,843,804	23,699,920	26,967,955	29,260,503
8.010	*Estimated Encumbrances June 30*	777,844	441,373	601,209	-3.5%	632,500	455,000	405,000	555,000	555,000
	Reservation of Fund Balance									
9.010	Textbooks and Instructional Materials	27,435		-	0.0%	-	-	-	-	-
9.020	Capital Improvements	264,207		-	0.0%	323,092	533,300	732,928	741,959	800,376
9.030	Budget Reserve	151,803		-	0.0%	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*	443,445	-	-	0.0%	474,895	685,103	884,731	893,762	952,179
10.010	*Fund Balance June 30 for Certification of Appropriations*	5,258,248	8,845,131	14,956,693	68.7%	12,856,838	17,703,701	22,410,189	25,519,193	27,753,324

HARRISON HILLS CITY SCHOOL DISTRICT
Harrison County

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2014, 2015, 2016
Forecasted Fiscal Year Ending June 30, 2017 through 2021

		Actual				Forecasted				
		Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Average Change	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021
	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*	5,258,248	8,845,131	14,956,693	68.7%	12,856,838	17,703,701	22,410,189	25,519,193	27,753,324
	Revenue from New Levies									
13.010	Income Tax - New				0.0%	$0	$0	$0	$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*	5,258,248	8,845,131	14,956,693	68.7%	12,856,838	17,703,701	22,410,189	25,519,193	27,753,324

Harrison Hills City School District – Harrison County
Notes to the Five Year Forecast
General Fund Only
May 30, 2017

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 2017 (July 1, 2016 through June 30, 2017) is the first year of the five year forecast and is considered the baseline year. Our forecast is being updated to reflect the most current economic data for the May 2017 filing.

May 2017 Updates:

Revenues:
The overview of revenues shows that we will be over original estimates at this point in the year. Total General Fund revenues (line 1.07) are estimated to be $24,188,628 or 12.64% higher than the October forecasted amount of $21,472,819. The variance is due to a $105 million increase in our Class II values.

The increase in revenue is due to a large $105 million increase in assesses value in Class II Commercial/Industrial Values and also to a lesser extent a $6.1 million increase in Public Utility Personal Property Values. Overall Tax Year 2016 values were up by 28.16%. or a $118.4 million increase from 2015. The increase in value has a significant positive effect on revenues through the entire forecast period.

All other areas of revenue are tracking as anticipated for FY17.

Expenditures:
At this time we expect Employee Benefits Line 3.02 and Supplies Line 3.03 to be lower by a combined amount of $725,141 from original estimates. Other than these expense areas our original estimates for expenditures should remain materially accurate for FY17.

Unreserved Ending Cash Balance:
With revenues increased sharply over estimates and expenditures ending below estimates, our ending unreserved cash balance is anticipated to be roughly $12.86 million. The ending unreserved cash balance on Line 15.010 of the forecast is anticipated to be a positive accumulative balance through 2021 if assumptions we have made for state aid in the proposed HB49 budget and property value growth remain close to our estimates. There is some uncertainty regarding HB49 as of the date this forecast is presented. This uncertainty is discussed in more detail below.

State Funding and The Proposed Biennium State Budget HB49 (FY18 – FY19):
We have structured the District forecast estimating the effects of the current state biennium budget, HB64 which will end June 30, 2017. We have also tried to anticipate the effects of some changes proposed in HB49 for fiscal years 2018-2021 even though HB49 will not be known until late June 2017, beyond the date this forecast must be filed.

HB64 continued the state funding guarantee in FY16 and FY17. HB 49 has proposed phasing out the Guarantee in FY18 and FY19 based on varies scenarios of ADM losses over the past five (5) years. We have estimated a 3% decline in state aid each year from HB49 but will continue to watch this closely.

It is important to emphasize that we will not know the actual effects of HB49 until sometime in June 2017 when legislation is finally passed into law. Since we will not know with certainty the funding formula prior to May 31, 2017, our forecast filing deadline, we feel it is reasonable to assume the facts stated above for the period FY18-21. This methodology is consistent with other May forecasts when there have been uncertainty regarding the final State budget bill. State foundation revenue equates to 41% of our revenue each year and the outcome of the HB49 funding proposal is significant to our district.

Local Funding:

Property tax collections are the largest single revenue source for the school system and property value growth from energy developments continue to rise annually along with Public Utility Personal Property values. We project continued growth in values each year along with increases in local tax collections.

Forecast Risks and Uncertainty:

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

I. The long range forecast through FY21 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. Based on our ongoing scrutiny of values reported to us each year we have disclosed various errors in assessed valuations. Those errors in turn resulted in fluctuations in tax collections estimates to actual. We continue to monitor data 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 2016, values that we are collecting in calendar year 2017, we have noted a large increase in mineral and commercial assessed value of +$105.18 million. This is a 25% overall increase in our total taxable value. We continue to be cautious about values that are alleged to be official due to a history of errors in what has been reported to us. We have estimated values to increase conservatively in each future year of the forecast.

   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 18-21. 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 overall residential and agricultural values to remain roughly the same since there will be an adjustment lowering CAUV values due to changes made in 2015. Overall our values should remain roughly the same except for possible jumps in mineral or PUPP values which we can not estimate at this time. 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 45% 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 is a proposal in HB49 the new state budget to reduce the Guarantee Funding to our district. We have estimated a 3% reduction in Guarantee funding to our district FY18-21. We will not know how this legislation will impact until end if June 2017.

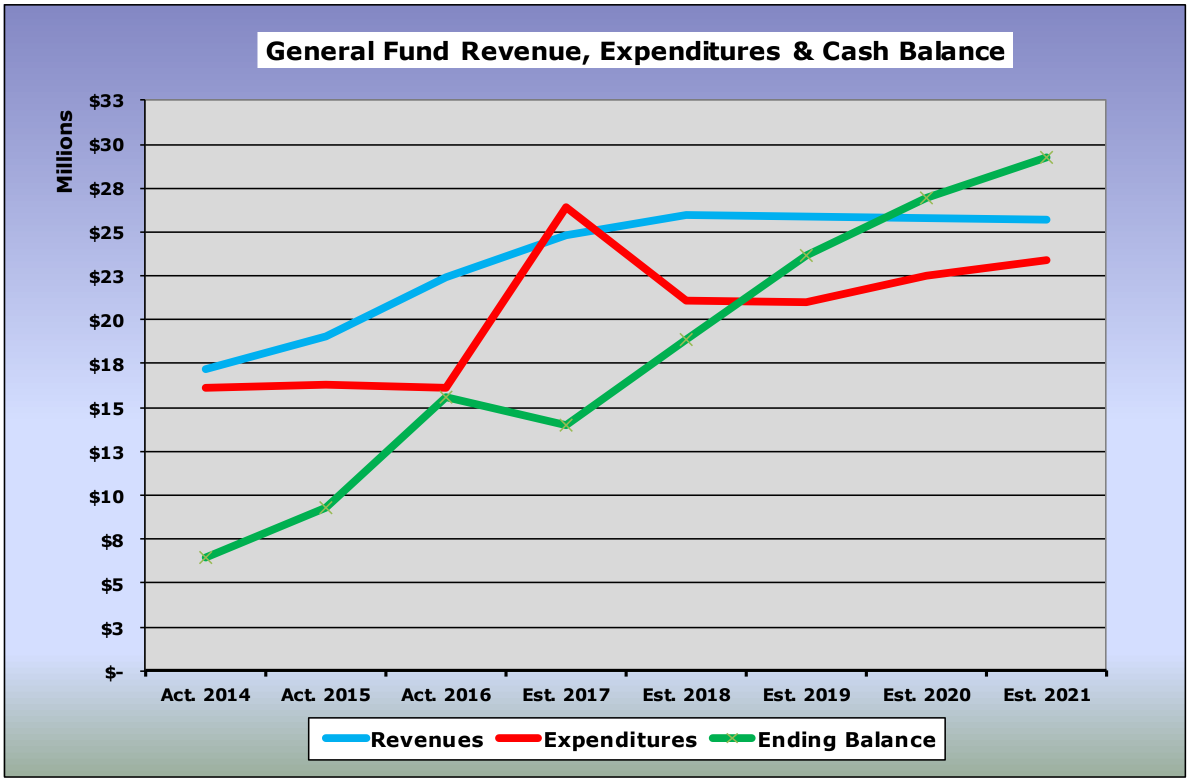
IV. There are many provisions in the current state budget bill HB64 that will increase the district expenditures in the form of expanded school choice programs such as College Credit Plus that will continue to reduce state aid for future years. The cost of each Peterson Special Needs voucher and Autism Scholarship Program increased sharply in HB64 from $20,000 each to $27,000, a 35% increase. These are examples of new choice programs that cost the district money. Expansion or creation of programs such as these exposes the district to new or increased expenditures that are not currently in the forecast. We are monitoring HB49 for any new threats to our state aid revenue or that could increase costs.

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 exists as it is under review and potential repeal or modification at the Federal Level.

IV. 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.

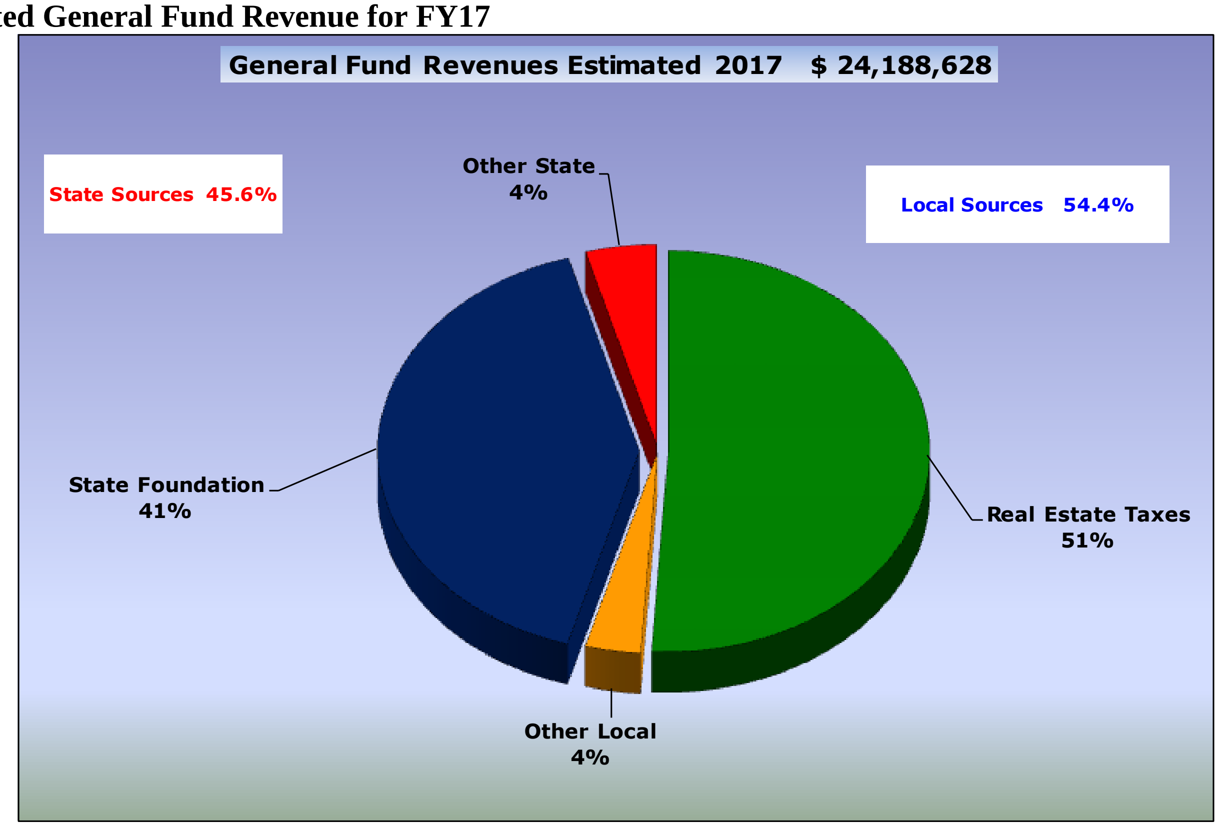
The major line numbers used as references to the forecast are noted below in the headings to make it easier to relate the assumptions made for the forecast item and refer back to the forecast. It should be of assistance to the reader to review the assumptions noted below in understanding the overall 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 FY14 through FY16 and Estimated FY17 through FY21



Revenue Assumptions

Estimated General Fund Revenue for FY17

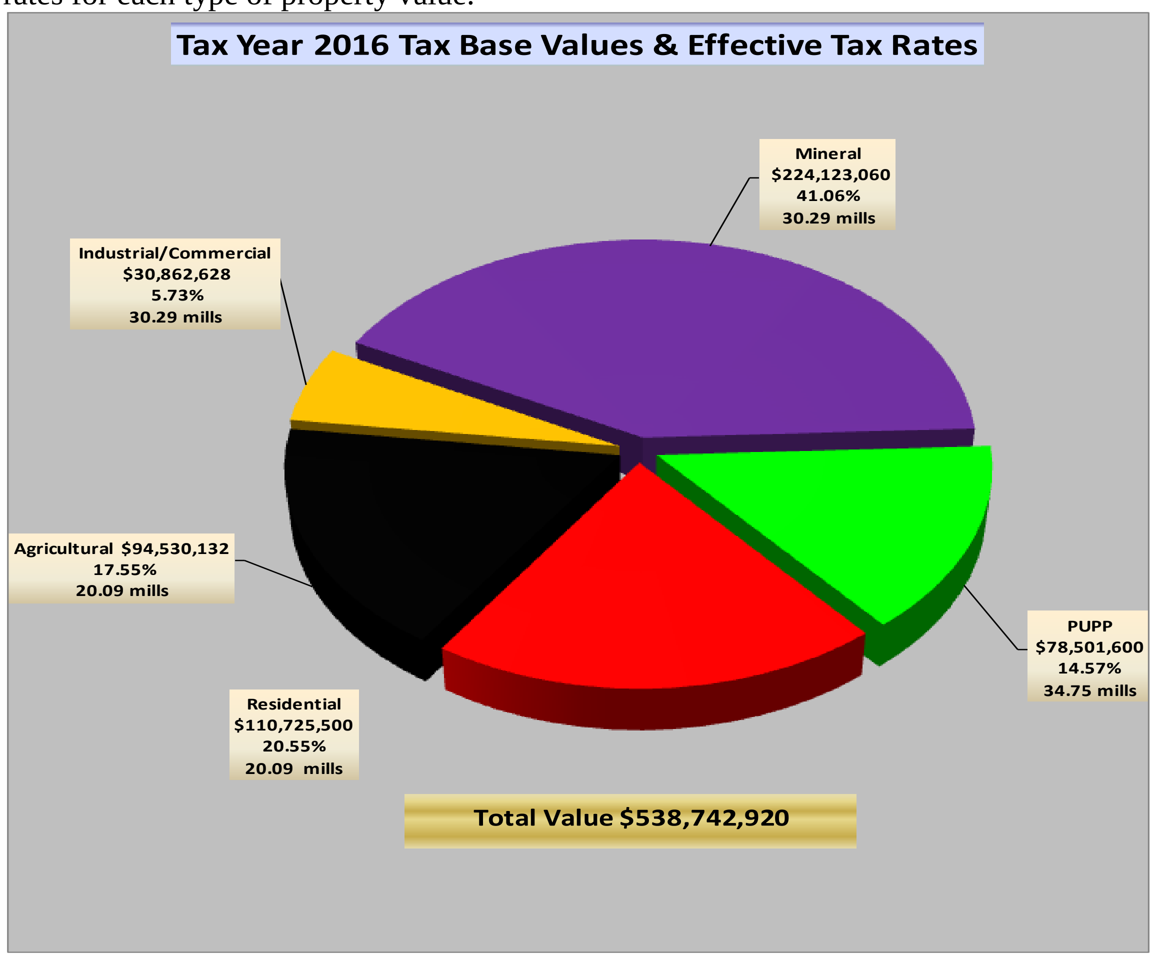


Real Estate Value Assumptions – Line # 1.010
Property Values are established each year by the County Auditor based on new construction and complete reappraisal or updated values. In recent years there have been unprecedented changes in property taxation for businesses due to HB66. Our district has values 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 2016, values that we are collecting in calendar year 2017, we have noted a large increase in mineral and commercial assessed value of +$105.18 million. This is a 25% 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 slight reduction in the 2017 full reappraisal update because of CAUV value changes made to pastureland and woodland properties. This should reduce our agricultural values by 8.5%. This will have a negligible effect on our taxes. The District feels that the reappraisal update in Harrison County in 2017 will have relatively little impact on 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.

The chart below shows our estimated tax year 2016 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, 2015 and again in 2016. 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 given us. 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 17-21.

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	72,341,180	0	420,383,710
2016	205,255,632	30,862,628	224,123,060	78,501,600	0	538,742,920
Est. 2017	197,820,407	29,663,793	230,846,752	80,501,600	0	538,832,552
Est. 2018	200,573,611	28,318,496	237,772,154	82,501,600	0	549,165,861
Est. 2019	203,354,347	26,821,238	244,905,319	84,501,600	0	559,582,504
Est. 2020	206,162,890	25,166,344	252,252,479	86,501,600	0	570,083,313

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 2016 COLLECT2017	Estimated TAX YEAR 2017 COLLECT 2018	Estimated TAX YEAR 2018 COLLECT 2019	Estimated TAX YEAR 2019 COLLECT 2020	Estimated TAX YEAR 2020 COLLECT 2021
Res./Ag.	$205,255,632	$197,820,407	$200,573,611	$203,354,347	$206,162,890
Commercial/Mineral	254,985,688	260,510,545	266,090,651	271,726,557	277,418,823
Public Utility (PUPP)	78,501,600	80,501,600	82,501,600	84,501,600	86,501,600
Tangible Per. Prop. (TPP)	0	0	0	0	0
Total Assessed Value	$538,742,920	$538,832,552	$549,165,861	$559,582,504	$570,083,313

ESTIMATED REAL ESTATE TAX (Line #1.010)

Source	FY 17	FY 18	FY 19	FY 20	FY 21
Property Taxes (Including PUPP)	$12,339,780	$14,005,557	$14,183,266	$14,371,436	$14,558,963

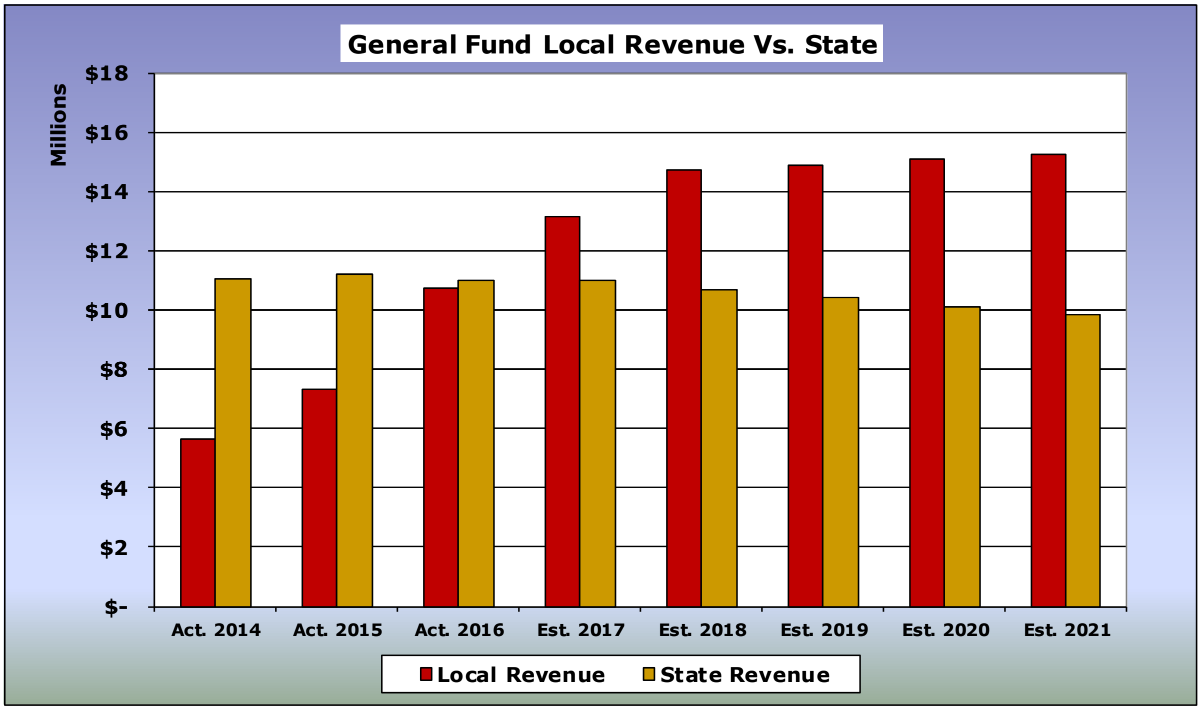
Based on historical trends, property tax levies are estimated to be collected at 96% of the annual amount. In general, 57% of the new Res/Ag and Comm/Ind is expected to be collected in February tax settlements and 43% collected in August tax settlements. Public Utility tax settlements (PUPP taxes) are 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 FY14 through FY16 and Estimated FY17 through 21



State Foundation Revenue Estimates

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

The amounts estimated for FY17 for state funding are based on the May 2017 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 FY18-21 will depend on the FY18-19 and FY20-21 state budgets. There are two unknown state budgets in this forecast period covering four fiscal years.

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

In FY14-15, HB59 created the fourth (4^{th}) 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 <u>State Share Index (SSI)</u> method to measure a district's wealth and capacity to raise local revenue.

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

1) <u>Opportunity Grant</u> – Per pupil amount increased 1.7% from $5,800 in FY15 to $5,900 in FY16 and 1.7% to $6,000 in FY17.
2) <u>Targeted Assistance</u> – Tier I based on wealth and Tier II based on percentage of district agricultural assessed value
3) <u>Special Education Additional Aid</u> – Based on six (6) categories of disability

4) Limited English Proficiency – Based on three (3) categories based on time student enrolled in schools
5) Economically Disadvantaged Aid- Based on number and concentration of economically disadvantaged students
6) K-3 Literacy Funds- Based on districts K-3 average daily membership and two Tiers
7) Gifted Funds –Based on average daily membership at $5.05 in FY16 & FY17
8) Career-Technical Education Funds – Based on career technical average daily membership and five (5) categories students enrolled in
9) Transportation Aid – Funding based on total ridership rather than qualifying ridership in determining statewide cost per rider. Reduces state minimum share from 60% to 50%.

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

1) Capacity Aid – Provides additional funding for districts where income generated for one mill of property tax is below the state median for what is generated.
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 FY17-21. Currently, there are still changes being made to the above variables as well as changes that could result once ODE finalizes the calculations from FY16, which is not expected until February 2017. 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 FY16 reconciliation.

Our current SFPR estimates for FY17 are using May 2017 average daily membership (ADM) and holding those numbers steady through FY21. 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 FY17 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. HB49 proposes to phase down the Guarantee to districts across the state. We have estimated a 3% decline in state foundation funding to make allowance for this possible legislative change for FY18-21. We are watching proposed HB49 closely to see what if any changes will occur with the Guarantee.

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 FY16 statewide were 1,792,947 students at $51.34 per pupil. For FY17-21 we estimated another 3 tenths of 1% decline in pupils to 1,789,000 and GCR increasing to $93 million or $51.91 per pupil. For FY17-21 we estimated another 3 tenths of 1% decline in pupils to 1,789,000 and GCR increasing to $89.2 million or $49.85 per pupil. We will increase estimates for out years when actual casino revenues show signs of stronger increases.

Source	FY 17	FY 18	FY 19	FY 20	FY 21
Basic Aid-Unrestricted	$9,646,976	$9,334,989	$9,042,289	$8,758,225	$8,482,535
Additional Aid Items	231,212	231,212	231,212	231,212	231,212
Basic Aid-Unrestricted Subtotal	$9,878,188	$9,566,201	$9,273,501	$8,989,437	$8,713,747
Ohio Casino Commission ODT	83,221	83,532	83,841	84,148	84,452
Unrestricted State Aid Line # 1.035	$9,961,409	$9,649,733	$9,357,342	$9,073,585	$8,798,199

B) Restricted State Revenues – Line # 1.040

HB64 continues funding two restricted sources of revenues to school district which are Economic Disadvantaged Funding and Career Technical Education funding. We have incorporated this amount into the restricted aid amount in Line # 1.04 for FY17-21. The district has chosen to show Catastrophic Aid in this category but is not restricted.

Source	FY 17	FY 18	FY 19	FY 20	FY 21
Economically Disadvantaged Aid	$295,485	$298,440	$301,424	$304,438	$307,482
Career Tech - Restricted	65,716	66,373	67,037	67,707	68,384
Catestrophic Aid	37,260	15,000	15,000	15,000	15,000
Restricted Revenues Line #1.040	$398,461	$379,813	$383,461	$387,145	$390,866

C) Restricted Federal Grants in Aid – line #1.045

There are no federal restricted funds projected in this forecast.

Summary	FY 17	FY 18	FY 19	FY 20	FY 21
Unrestricted Line # 1.035	$9,961,409	$9,649,733	$9,357,342	$9,073,585	$8,798,199
Restricted Line # 1.040	398,461	379,813	383,461	387,145	390,866
Rest. Fed. Grants #1.045	0	0	0	0	0
Total State Foundation Revenue	$10,359,870	$10,029,546	$9,740,803	$9,460,730	$9,189,065

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

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

Source	FY 17	FY 18	FY 19	FY 20	FY 21
Rollback and Homestead	$661,405	$679,346	$680,457	$684,867	$689,266
TPP Reimbursement - Fixed Rate	0	0	0	0	0
TPP Reimbursement - Fixed Sum	0	0	0	0	0
Total Tax Reimbursements #1.050	$661,405	$679,346	$680,457	$684,867	$689,266

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 21 this revenue is expected to be mostly flat.

Source	FY 17	FY 18	FY 19	FY 20	FY 21
Open Enrollment Gross	$585,965	$591,825	$597,743	$603,720	$609,757
Interest	132,610	133,936	135,275	136,628	137,994
Tuition SF-14 & SF-14H	(40,000)	(100,000)	(101,000)	(102,010)	(103,030)
CAFS Funding	49,265	35,000	35,000	35,000	35,000
Other Income and adjustments	99,733	73,750	73,750	58,000	58,000
Total Line # 1.060	$827,573	$734,511	$740,768	$731,338	$737,721

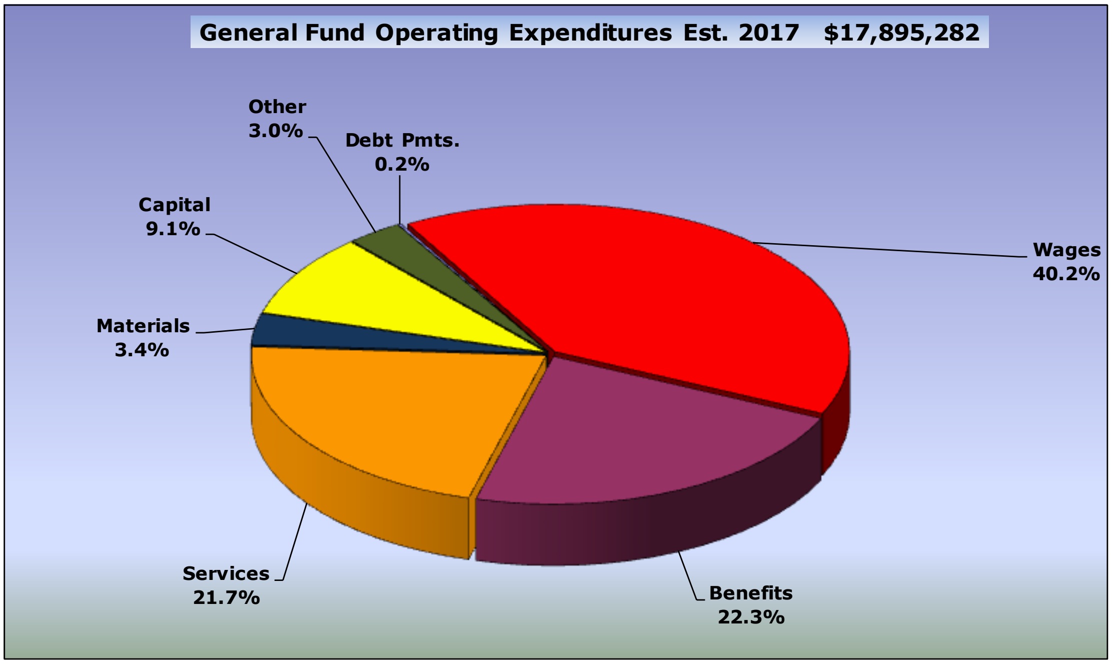
Short-Term Borrowing – Lines #2.010 & Line #2.020

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 reflects a 2% increase for FY16; and, a 3% increase for FY17. Negotiations with classified staff resulted in a new 3 year contract with an increase in FY18 of 4%; FY19 of 4% and FY20 of 3%.The certified and district office staff received a 4% increase for FY16 and a 3% increase for FY17 and FY18. For any contracts expiring during FY19-21we are estimating a base increase for each year. Costs for salaries also includes: extended time, shift differential, overtime, substitute cost, leave incentive, severances and retirements with replacements.

Source	FY 17	FY 18	FY 19	FY 20	FY 21
Total Wages Line 3.010	$7,199,500	$7,448,334	$7,815,394	$8,289,920	$8,944,081

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.

B) Insurance
For FY 17 all insurances increased 4% , which was low and normally average of approximately 9.5%. The rates for FY18 did increase for medical/prescription drug approximately 3.7% and approximately 4.2% for dental. Increases for FY19-21 have been projected. In addition, the there are increases related 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. Longer-term a significant concern is the 40% "Cadillac Tax" that was planned to be implemented in 2018 but has been delayed to 2020, which imposes an excise tax upon plans whose value of benefits exceeded $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 2020. 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

Source	FY 17	FY 18	FY 19	FY 20	FY 21
Total Line 3.020	$3,997,000	$4,558,200	$4,884,900	$5,460,524	$5,968,037

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 FY21 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. Since the school district was successful in passing its bond issue in November of 2015, additional costs that were not co-fundable, as well as some anticipated increased costs of operating the new facility, have been included.

Source	FY 17	FY 18	FY 19	FY 20	FY 21
Base Services	$724,971	$746,720	$769,122	$792,196	$815,962
Tuition, CAFS Contract	216,619	223,118	229,812	236,706	243,807
Open Enrollment Deduction	1,767,183	1,820,198	1,874,804	1,931,048	1,988,979
Community School Deductions	643,000	662,290	682,159	702,624	723,703
Utilities	299,276	314,240	329,952	346,450	363,773
Wetland Mitigation & Other	230,951	522,030	805,106	811,313	867,510
Total Line 3.030	$3,882,000	$4,288,596	$4,690,955	$4,820,337	$5,003,734

Supplies and Materials – Line #3.040
The permanent appropriations were used to determine this line item. Any increase for FY17 through FY21 is based on each individual budget line. We have anticipated the need to purchase supplies for the new facility which will open in FY19-21.

Source	FY 17	FY 18	FY 19	FY 20	FY 21
Supplies	$973,162	$986,162	$999,987	$999,987	$999,987
Items for New School	(363,162)	85,917	526,592	782,698	508,198
Total Line 3.040	$610,000	$1,072,079	$1,526,579	$1,782,685	$1,508,185

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. In FY17 -18 improvements to the football stadium will occur and will be funded through Permanent Improvement Monies and Set Aside Funds. Additional equipment or upgrades at the new facility that are over and above what is provided through the Ohio Facilities Construction Commission will also be purchased.

Source	FY 17	FY 18	FY 19	FY 20	FY 21
Capital Outlay	$212,569	$200,806	$250,806	$250,806	$250,806
Items for New School	1,021,431	673,194	607,364	613,834	435,394
Football Field Turf	400,000	0	0	0	0
Total Line 3.050	$1,634,000	$874,000	$858,170	$864,640	$686,200

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.

Source	FY 17	FY 18	FY 19	FY 20	FY 21
HB 264 Principal Line # 4.050	$30,000	$30,000	$35,000	$35,000	$40,000

Source	FY 17	FY 18	FY 19	FY 20	FY 21
Interest on Borrowing Line 4.060	$720	$2,500	$2,500	$2,500	$2,500

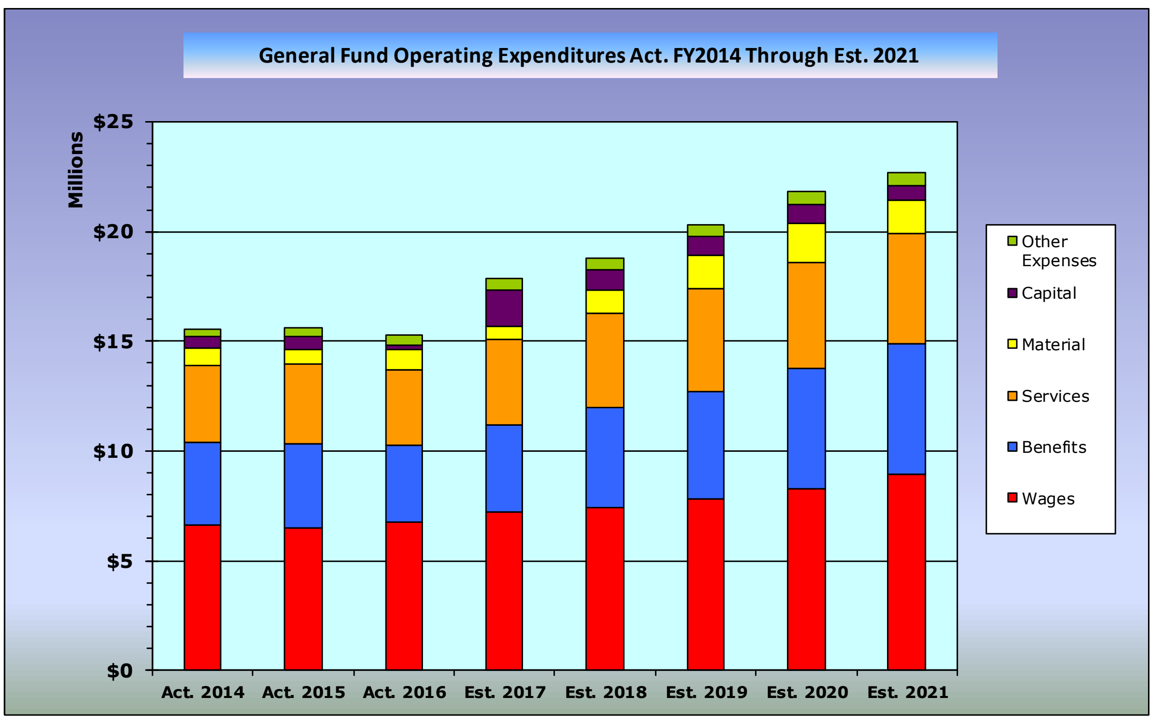
Other Expenses – Line #4.300

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.

Source	FY 17	FY 18	FY 19	FY 20	FY 21
County Auditor & Treasurer Fees	$295,661	$307,487	$319,786	$332,577	$345,880
County ESC	60,256	63,269	66,432	69,754	73,242
Other expenses	112,079	113,200	114,332	115,475	116,630
Miscellaneous	74,066	66,244	54,650	86,444	73,498
Increased A&T Fees for New Levies	0	0	0	0	0
Total Line 4.300	$542,062	$550,200	$555,200	$604,250	$609,250

Total Expenditure Categories Actual FY14 through FY16 and Estimated FY17 through FY21

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. Funds are being transferred in FY17 to a Capital Improvement Fund to cover additional items that the board of education has determined are necessary to the success of the new facility and to meet the needs of the students. These costs are not covered by the Ohio School Facility Commission. At the completion of the project, any excess funds may be returned to the general fund. It is the goal of the board of education to provide a facility that will meet the needs of the district and its students for many years to come.

Source	FY 17	FY 18	FY 19	FY 20	FY 21
Operating Transfers Out Line #5.010	$8,185,000	$1,950,000	$325,000	$325,000	$325,000
Advances Out Line #5.020	350,000	350,000	350,000	350,000	350,000
Total	$8,535,000	$2,300,000	$675,000	$675,000	$675,000

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.

	FY 17	FY 18	FY 19	FY 20	FY 21
Estimated Encumbrances	$632,500	$455,000	$405,000	$555,000	$555,000

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 17	FY 18	FY 19	FY 20	FY 21
Ending Cash Balance	$ 12,856,838	$ 17,703,701	$ 22,410,189	$ 25,519,193	$ 27,753,324

Ending Cash Balance Actual FY14 through FY16 and Estimated FY17 through FY21