

**HARRISON HILLS CITY SCHOOL DISTRICT
HARRISON COUNTY
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES
IN FUND BALANCES FOR THE FISCAL YEARS ENDED
JUNE 30, 2016, 2017 and 2018 ACTUAL
FORECASTED FISCAL YEARS ENDING
JUNE 30, 2019 THROUGH JUNE 30, 2023**



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

October 25, 2018

HARRISON HILLS CITY SCHOOL DISTRICT

Harrison County

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2016, 2017, 2018
Forecasted Fiscal Year Ending June 30, 2019 through 2023

	Actual				Average Change	Forecasted				
	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018			Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023
Revenues										
1.010 General Property Tax (Real Estate)	9,231,987	12,229,182	14,907,684	27.2%	14,676,913	15,570,413	15,783,441	15,996,380	16,209,244	
1.020 Tangible Personal Property	0	-	-	0.0%	\$0	\$0	\$0	\$0	\$0	
1.030 Income Tax	0	-	-	0.0%	\$0	\$0	\$0	\$0	\$0	
1.035 Unrestricted State Grants-in-Aid	9,959,552	9,979,688	9,976,200	0.1%	9,962,736	9,655,332	9,363,216	9,079,735	8,804,628	
1.040 Restricted State Grants-in-Aid	364,606	375,635	363,787	-0.1%	348,369	351,703	355,070	358,471	361,906	
1.045 Restricted Fed.	0	-	-	0.0%	\$0	\$0	\$0	\$0	\$0	
1.050 Property Tax Allocation	671,350	675,403	685,358	1.0%	697,273	710,275	719,858	729,536	739,311	
1.060 All Other Revenues	1,524,051	947,151	1,198,981	-5.6%	854,550	864,010	874,368	2,009,122	2,018,973	
1.070 Total Revenues	21,751,546	24,207,059	27,132,010	11.7%	26,539,841	27,151,733	27,095,953	28,173,244	28,134,062	
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	271,282	279,520	282,668	2.1%	282,668	282,668	282,668	282,668	282,668	
2.050 Advances-In	352,265	367,296	641,366	39.4%	350,000	350,000	350,000	350,000	350,000	
2.060 All Other Financing Sources	7,850	2,813	0	-82.1%	0	0	0	0	0	
2.070 Total Other Financing Sources	631,397	649,629	924,034	22.6%	632,668	632,668	632,668	632,668	632,668	
2.080 Total Revenues and Other Financing Sources	22,382,943	24,856,688	28,056,044	12.0%	27,172,509	27,784,401	27,728,621	28,805,912	28,766,730	
Expenditures										
3.010 Personal Services	6,749,086	7,026,869	7,527,685	5.6%	\$8,156,914	\$8,642,195	\$9,338,405	\$9,628,589	\$9,943,867	
3.020 Employees' Retirement/Insurance Benefits	3,519,983	3,986,542	4,118,444	8.3%	\$5,012,100	\$5,430,311	\$5,877,959	\$6,317,865	\$6,718,404	
3.030 Purchased Services	3,446,196	3,829,644	4,267,842	11.3%	\$5,089,750	\$5,697,439	\$6,042,950	\$6,401,282	\$6,527,037	
3.040 Supplies and Materials	893,516	688,629	631,285	-15.6%	2,081,500	2,612,500	2,082,350	1,877,550	1,877,550	
3.050 Capital Outlay	221,561	1,353,174	625,502	228.5%	1,021,500	2,726,500	853,750	940,126	942,727	
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	30,000	30,000	30,000	0.0%	\$35,000	\$35,000	\$40,000	\$40,000	\$40,000	
4.055 Principal-Other	-	-	-	0.0%	-	-	-	-	-	
4.060 Interest and Fiscal Charges	1,495	1,394	1,236	-9.0%	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	
4.300 Other Objects	452,645	528,646	430,887	-0.9%	\$527,212	\$542,800	\$558,981	\$575,779	\$593,219	
4.500 Total Expenditures	\$15,314,482	17,444,898	17,632,881	7.5%	21,926,476	25,689,245	24,796,895	25,783,691	26,645,304	
Other Financing Uses										
5.010 Operating Transfers-Out	430,589	8,230,197	1,887,164	867.2%	\$1,825,000	\$325,000	\$325,000	\$325,000	\$325,000	
5.020 Advances-Out	309,782	254,055	505,698	40.5%	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	797,063	8,484,252	2,392,862	446.3%	2,175,000	675,000	675,000	675,000	675,000	
5.050 Total Expenditures and Other Financing Uses	16,111,545	25,929,150	20,025,743	19.1%	24,101,476	26,364,245	25,471,895	26,458,691	27,320,304	
6.010 Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	6,271,398	(1,072,462)	8,030,301	-482.9%	3,071,033	1,420,156	2,256,726	2,347,221	1,446,426	
7.010 Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	9,286,498	15,557,896	14,485,434	30.3%	22,515,735	25,586,768	27,006,924	29,263,650	31,610,872	
7.020 Cash Balance June 30	15,557,896	14,485,434	22,515,735	24.3%	25,586,768	27,006,924	29,263,650	31,610,872	33,057,298	
8.010 Estimated Encumbrances June 30	601,209	914,400	851,369	22.6%	555,000	555,000	555,000	555,000	555,000	
Reservation of Fund Balance										
9.010 Textbooks and Instructional Materials	-	-	-	0.0%	-	-	-	-	-	
9.020 Capital Improvements	512,420	452,525	452,525	-5.8%	1,319,579	539,099	814,099	1,089,099	1,364,099	
9.030 Budget Reserve	151,803	151,803	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	664,223	604,328	604,328	-4.5%	1,471,382	690,902	965,902	1,240,902	1,515,902	
10.010 Fund Balance June 30 for Certification of Appropriations	14,292,464	12,966,706	21,060,038	26.6%	23,560,386	25,761,022	27,742,748	29,814,970	30,986,396	

HARRISON HILLS CITY SCHOOL DISTRICT Harrison County

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2016, 2017, 2018
Forecasted Fiscal Year Ending June 30, 2019 through 2023

	Actual			Average Change	Forecasted				
	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018		Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022	Fiscal Year 2023
Revenue from Replacement/Renewal Levies									
11.010	-	-	-	0.0%	-	-	-	-	-
11.020	-	-	-	0.0%	-	-	-	-	-
11.300	-	-	-	0.0%	-	-	-	-	-
12.010	<i>Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations</i>								
	14,292,464	12,966,706	21,060,038	26.6%	23,560,386	25,761,022	27,742,748	29,814,970	30,986,396
Revenue from New Levies									
13.010				0.0%	\$0	\$0	\$0	\$0	\$0
13.020				0.0%	-	-	-	-	-
13.030	-	-	-	0.0%	-	-	-	-	-
14.010	-			0.0%	-	-	-	-	-
15.010	<i>Unreserved Fund Balance June 30</i>								
	14,292,464	12,966,706	21,060,038	26.6%	23,560,386	25,761,022	27,742,748	29,814,970	30,986,396

Harrison Hills City School District – Harrison County
Notes to the Five Year Forecast
General Fund Only
October 25, 2018

Introduction to the Five Year Forecast

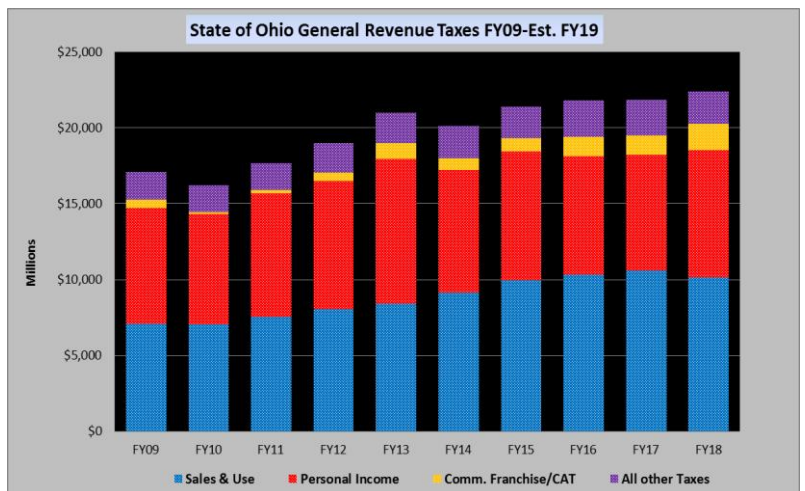
For fiscal year 2019 (July 1, 2018 – June 30, 2019) school districts in Ohio are required to file a five (5) year financial forecast by October 31, 2018, and May 31, 2019. HB87, effective November 1, 2018, will change the filing date from October 31 to November 30 beginning with the November filing in 2019. The May 31 filing date will remain unchanged. The five-year forecast includes three years of actual and five years of projected general fund revenues and expenditures. Fiscal year 2019 (July 1, 2018-June 30, 2019) 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 available to us for the October 2018 filing.

State Economic Variables Affecting the Five Year Forecast

It is prudent in long range forecasting to consider the economic climate in which projections of revenues are made. Below are significant statewide economic data which suggests that the economy for the FY19-23 period should grow at approximately 2% annual pace and will be relatively consistent for FY19 and FY20, however, the U. S Treasury bond rate for the two year bond is close to exceeding the ten year rate. When this occurs it is referred to as an “inverted yield curve” and is a reliable economic predictor of recessions in our economy. We feel FY19 and FY20 will be relatively stable but an economic slowdown for our state could occur in 2021.

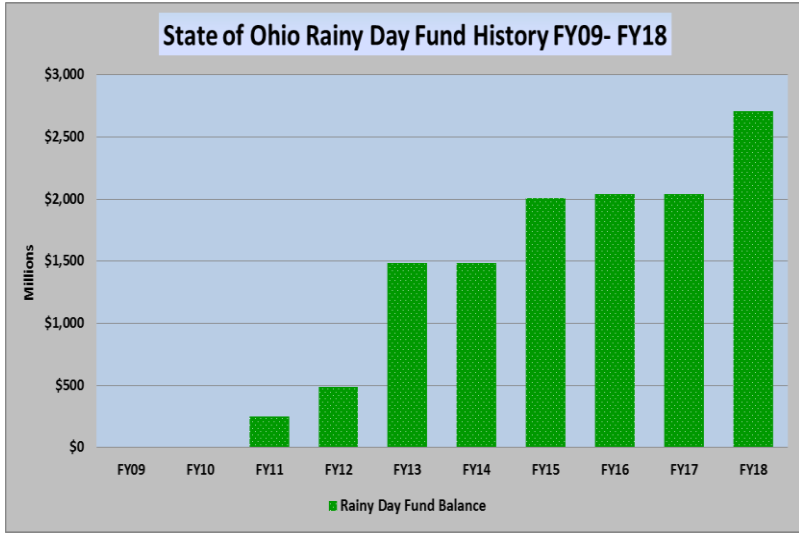
It is important for our school district to consider the statewide economic data for two important reasons. First, our state funding is directly affected by state revenue collections and the health of the state budget. While the state presently has a record \$2.7 billion Budget Stabilization Fund, a recession would likely result in state funding cuts to public education. We anticipate that the FY20-FY21 state biennium budget should be stable based on current data. Second, the same economic forces driving state tax revenues are also generally affecting the underlying economics of most communities across Ohio, which impacts the ability to collect local tax revenue. Generally speaking, local school district economic viability is tied to the same fundamental economics that drive the state’s economic viability.

The graph to the right notes that the State of Ohio revenues through FY18 have recovered in spite of the personal income tax cuts in FY15 and FY16. State revenue has been relatively flat since FY15 due to reductions in income tax rates. The state economy is not expected to tip into a recession during FY19 or FY20 but long term that could be a concern. The decline in personal income tax in FY15 is due to an 8.5% rate reduction from HB59 and the drop in FY16 and FY17 is due to a 6.3% rate reduction in HB64. Barring further legislative cuts personal income should continue to grow.



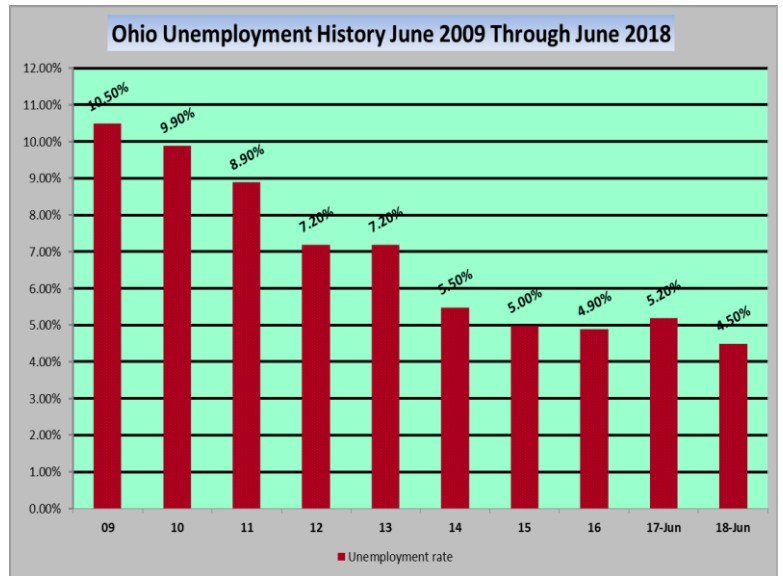
Source: Ohio Legislative Service Commission

The recovery of the labor market which began in 2010 continues in 2018 as noted in personal income tax growth and overall growth in state revenues in 2018. Modest 2% to 2.5% growth in state revenue is an indication that the economy is growing at a slower pace and that there could be an economic slow down coming within three years. The state rainy day fund (RDF) also known as the Budget Stabilization Fund, has been steady since FY15 but in FY18 legislation allowed for an increase in contributions. There is currently \$2.7 billion in this fund and will help long term if there is an economic slow down. This cushion should continue to help ensure that funding for schools approved in the new state biennium budget to be approved in June 2019 should be met through FY21 even if a brief slow down in the economy occurs as some economists anticipate by 2021.



Source: Ohio Legislative Service Commission

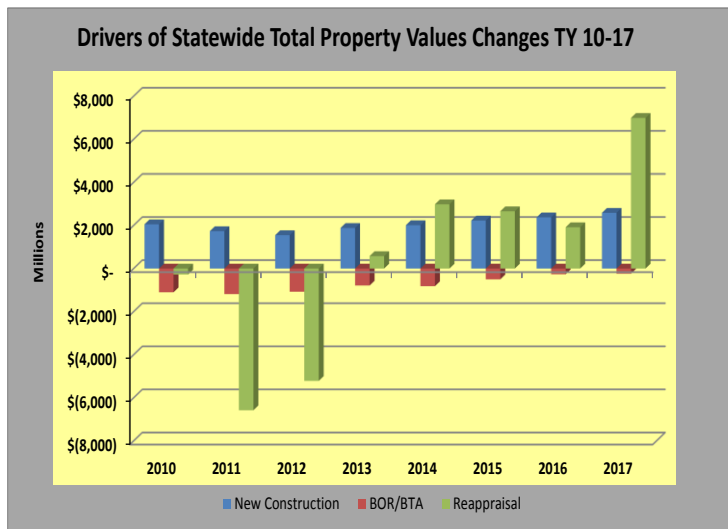
Over the past 12 months ended June 2018 Ohio’s unemployment rate decreased slightly by .7% to 4.5%. This is a significant measure to monitor for continued economic growth and viability. Many believe the state is at nearing full employment. As noted above, personal income taxes and sales tax are highly correlated to employment and have been the two major drivers of the recent recovery. As of July 2018, the unemployment rate in Harrison County was 5.2 % which is above the 4.5% state average.



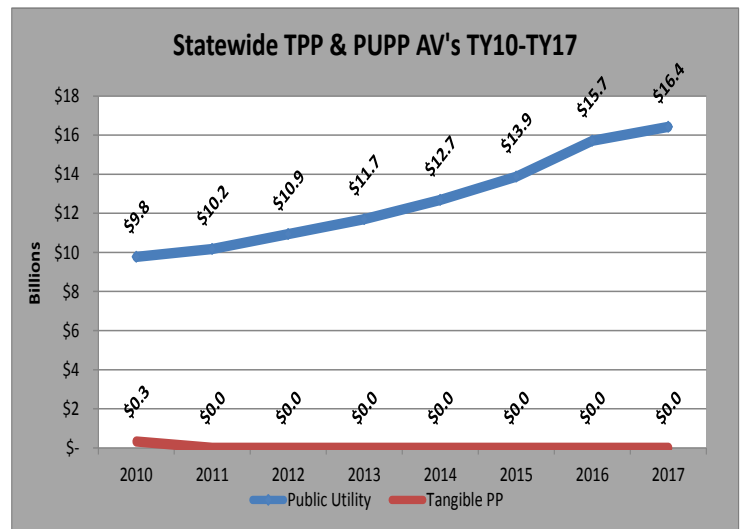
For school districts, real property values are another important piece of economic data. In the 2017 Tax Year, 41 of Ohio’s 88 counties experienced a reappraisal or update for Class 1 (Residential and Agricultural Property) and Class 2 (Commercial, Industrial and Mineral Property). From Tax Year 2007 to 2012, Class 1 and 2 property values declined by \$10.8 billion, a reduction of 4.6% reflecting the impacts of the 2008 recession on property devaluation. In 2017 Class 1 values rose by \$7.3 billion or 3.9% statewide, while Class 2 property increased by \$1.67 billion or 3.2% statewide. Property values in Tax Year 2017 have fully recovered and exceed pre-recession values for all classes of property. Home values for the 12 month period ending in June 2018 were up statewide by an average of 5.1%. The green bar noted in the graph on the following page shows the 2017 reappraisal reflected a sharp increase in property values statewide.

The final category of property is Public Utility Personal Property (PUPP) values. The graph on the following page shows that Tangible Personal Property (TPP) was eliminated by HB66 for all categories of TPP in tax year 2011. PUPP values on the other hand continued to grow throughout the 2008 Recession and into Tax Year 2017 due in part to continued new construction, reinvestment in aging infrastructure due to low interest rates

and development of natural gas and petroleum transmission lines across the state. PUPP values are of higher worth as they are taxed at the full gross tax rate. PUPP values grew \$717.1 million or 4.6% statewide in Tax Year 2017.



Source: Ohio Department of Taxation



Source: Ohio Department of Taxation

Overall, the economy of the state is stable and should continue to grow slightly during the forecast period. This should provide a stable basis for which to make projections of state revenues to the district in the next biennium budget covering FY20 and FY21. The improved labor market continues to provide for steady property tax collections in this forecast by: 1) increasing and stabilizing property values; 2) increasing current property tax collections; and, 3) liquidating prior delinquent 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 the spring of 2019 and 2021 due to deliberation of the next two (2) state biennium budgets for FY20-21 and FY22-23, 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:

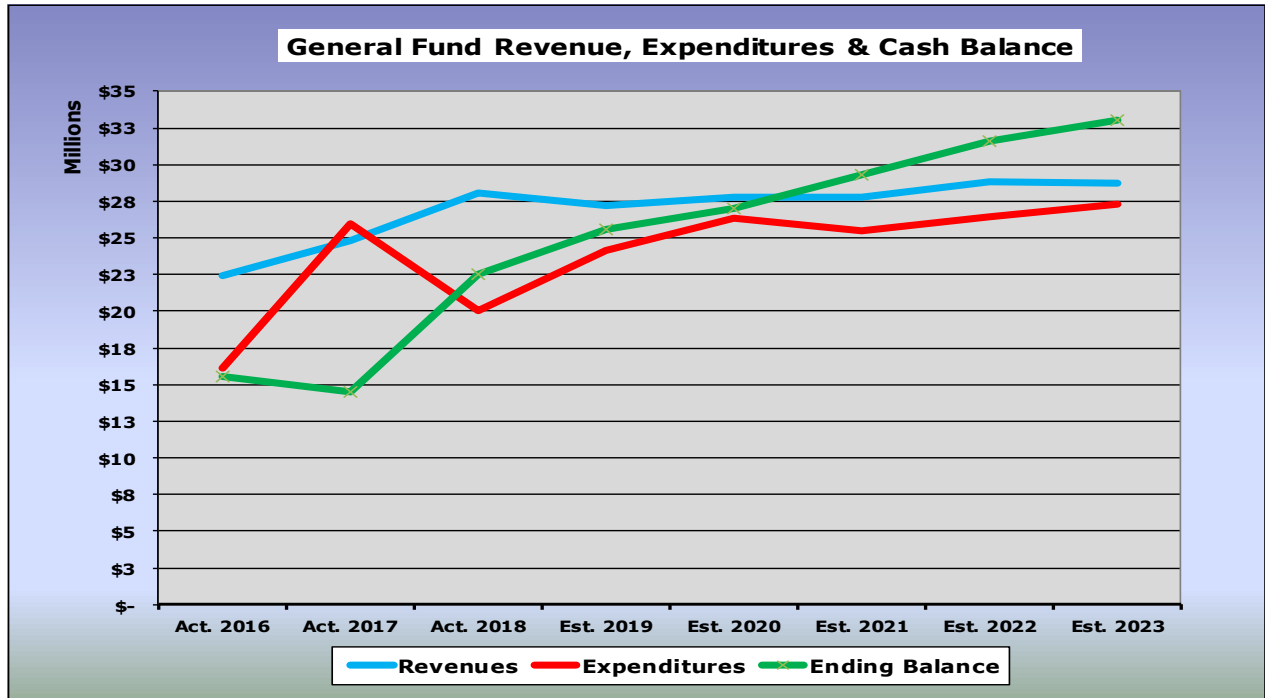
- I. The long range forecast through FY23 shows a positive ending cash balance mostly due to continued economic growth in property values and taxes in our school district. A major concern we have experienced in the past has been the unpredictable nature of our local property tax collections. Based on our ongoing scrutiny of values reported to us each year we have disclosed various errors in assessed valuations and have worked with the County Auditor and Department of Taxation to resolve most of them. We will continue to scrutinize our values every year to make sure our values are being reported properly to us.

We are also continuing 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 19-23. 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. Harrison County experienced a reappraisal in the 2017 tax year to be collected in FY18. The 2017 reappraisal increased overall assessed values by 5.76% due to the reappraisal. The changes authorized by HB49 to CAUV values that lowered agricultural values by an estimated 30% played a part in keeping our overall residential/agricultural value increases this low. Nevertheless, we are pleased that our tax base continues to expand. For the 2020 update we are projecting conservatively that our tax base overall will go up 1.0% as a result of the update, but as noted above, there are many changes that can take place that making predicting our values with high accuracy nearly impossible.
- III. State Budget represents 41.5% of district revenues, which means it is a significant area of risk to revenue. The risk comes in FY20 and beyond if the state economy worsens or if the funding formula in future state budgets reduce funding to our district. There are two future State Biennium Budgets covering the period from FY20-21 and FY22-23 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 FY22.
- IV. There are many provisions in the current state budget bill HB49 that will continue to draw funds from our district through continuing school choice programs such as College Credit Plus, Community Schools and increases in amounts deducted from our state aid in the 2018-19 school years. College Credit Plus costs continue to increase as this program becomes more understood. These are examples of new choice programs that will continue to 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. 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.

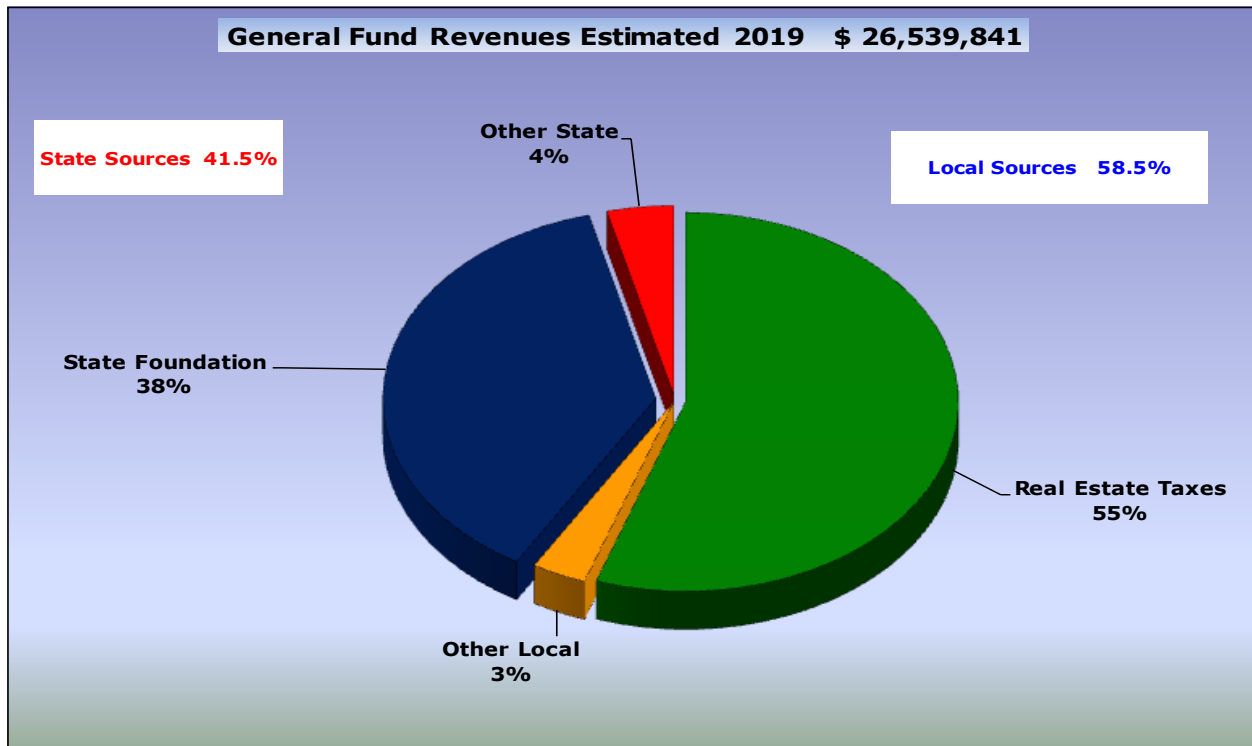
The major line numbers used as references to the forecast are noted below in the headings to make it easier to relate the assumptions made for the forecast item and refer back to the forecast. It should be of assistance to the reader to review the assumptions noted below in understanding the overall 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 FY16 through FY18 and Estimated FY19 through FY23



Revenue Assumptions

Estimated General Fund Revenue for FY19



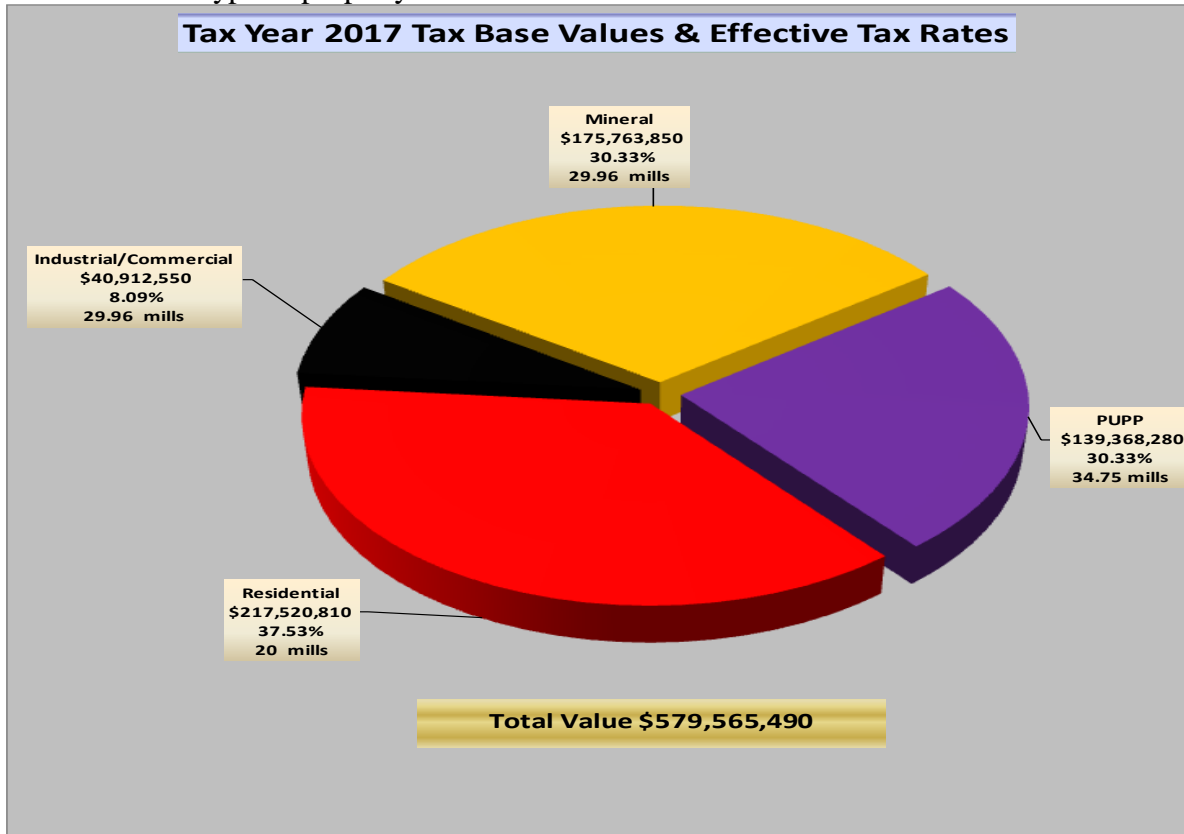
Real Estate Value Assumptions – Line # 1.010

Property Values are established each year by the County Auditor based on new construction, demolitions, BOR/BTA activity and complete reappraisal or updated values. Harrison County experienced a reappraisal for the 2017 tax year to be collected in 2018. Residential/agricultural (Class I values) were increased 5.768% or \$11.8 million. Commercial/industrial/mineral (Class II values) decreased by \$32.3 million overall or a 17% drop as noted below.

Tax Year 2017 we noted our mineral values (which are part of Class II commercial/industrial/mineral values) fell \$43.9 million or a 17% drop, which pulled overall Class II values down by \$32.3 million. The response we received is to expect fluctuations for our school district in a boom and bust type cycle for this category of values. We will continue to monitor these values and information we receive closely but the values are not predictable based on information we are told from the auditor’s office. Based on this we are reluctant to speculate on future value increases or decreases with so little information to base these predictions on. We have estimated values to increase conservatively in each future year of the forecast but these values could just as likely continue to fall.

While mineral values fell our Public Utility Personal Property (PUPP) values rose by more than enough to offset the mineral value drop. A significant \$60.7 million increase in PUPP values which is a 44% rise over last years value caused revenue collection for taxes on Line 1.01 to rise sharply. PUPP values are determined at the Ohio Department of Taxation from confidential filings from utilities and then certified to each county auditor late in the calendar year. These values are particularly valuable as they are taxed at our full 34.75 general fund tax rate. There is no way to predict these values ahead with accuracy. These values are taxed at our full gross rate; therefore, this increase will have a positive effect on revenues through the entire forecast period.

The chart below shows our estimated tax year 2017 values as reported to us by the County Auditor and our current tax rates for each type of property value.



Historic Concerns with Property Valuation and Tax Collections and Growth in Energy Development

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.

Our most recent tax base concern is for the \$43.9 million drop in mineral values from the previous year. This is a huge 17% drop in Class II value with no explanation other than this is how mineral values will fluctuate which is in a boom and bust cycle. This underscores the ongoing concerns we have about large tax base swings and the reason we continue to try and work closely with our county auditor’s office.

We continue to work with the County Auditor to obtain data in order to make more accurate estimates for FY 19-23.

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	78,674,302	0	538,915,622
2017	217,520,810	46,912,550	175,763,850	139,368,280	0	579,565,490
Est. 2018	220,471,018	46,841,399	181,036,766	141,368,280	0	589,717,462
Est. 2019	223,450,728	46,664,077	186,467,868	143,368,280	0	599,950,954
Est. 2020	226,460,236	46,376,361	192,061,905	145,368,280	0	610,266,781

ESTIMATED ASSESSED VALUE (AV) BY COLLECTION YEARS

<u>Classification</u>	Estimated	Estimated	Estimated	Estimated	Estimated
	TAX YEAR 2018 COLLECT 2019	TAX YEAR 2019 COLLECT 2020	TAX YEAR 2020 COLLECT 2021	TAX YEAR 2021 COLLECT 2022	TAX YEAR 2022 COLLECT 2023
Res./Ag.	\$220,471,018	\$223,450,728	\$226,460,236	\$229,499,838	\$232,569,836
Commercial/Mineral	227,878,164	233,131,946	238,438,265	243,797,648	249,210,625
Public Utility (PUPP)	141,368,280	143,368,280	145,368,280	147,368,280	149,368,280
Tangible Per. Prop. (TPP)	0	0	0	0	0
Total Assessed Value	<u>\$589,717,462</u>	<u>\$599,950,954</u>	<u>\$610,266,781</u>	<u>\$620,665,766</u>	<u>\$631,148,741</u>

ESTIMATED REAL ESTATE TAX (Line #1.010)

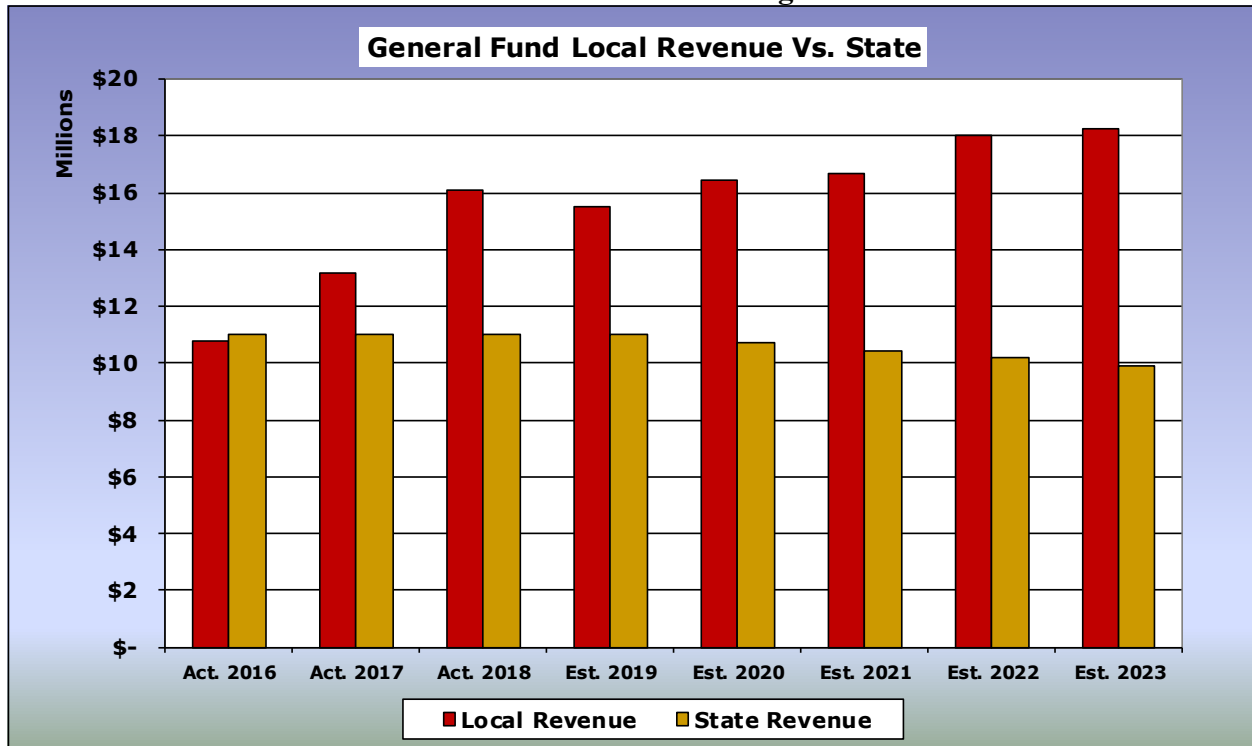
<u>Source</u>	<u>FY 19</u>	<u>FY 20</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>
Property Taxes (Including PUPP)	<u>\$14,676,913</u>	<u>\$15,570,413</u>	<u>\$15,783,441</u>	<u>\$15,996,380</u>	<u>\$16,209,244</u>

Based on historical trends, property tax levies are estimated to be collected at 96.75% of the annual amount. In general, 66.5% of the new Res/Ag and Comm/Ind is expected to be collected in February tax settlements and 33.5% 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.

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 FY16 through FY18 and Estimated FY19 through 23



State Foundation Revenue Estimates

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

Estimates for FY19 state aid are based on the September #1 SFPR calculations. We are projected to be a Guarantee district regarding state funding in FY19-FY23.

The current formula continues to use the State Share Index (SSI) as a key district wealth measure. The SSI is the formula's measure of a district's capacity to raise local revenue. The higher a district's ability to raise taxes based on wealth the lower the SSI will be, and vice versa. The index is derived from a district's wealth index, which is based on a valuation index, and for certain districts, an income index. Property wealth per pupil is still the major factor in the SSI. Generally, the higher the property valuation per pupil, the lower a district's SSI and therefore the percentage of state aid. The SSI for FY18 and FY19 will be calculated using Tax Year 2014, 2015, and 2016 average assessed values for the district. It will be calculated once for both fiscal year 18 and 19. 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 .17% from \$6,000 in FY17 to \$6,010 in FY18 and .17% to \$6,020 in FY19. Well below inflation rates.
- 2) Targeted Assistance – Tier I based on wealth and Tier II based on percentage of district agricultural assessed value. Higher the percentage of agricultural value, higher the targeted assistance.
- 3) Special Education Additional Aid – Based on six (6) weighted funding categories of disability.
- 4) Limited English Proficiency – Based on three (3) funded categories based on time student enrolled in schools.
- 5) Economically Disadvantaged Aid- Based on number and concentration of economically disadvantaged students compared to state average.
- 6) K-3 Literacy Funds - Based on district K-3 average daily membership and two funded Tiers.
- 7) Gifted Funds –Based on average daily membership at \$5.05 in FY18 & FY19.
- 8) Career-Technical Education Funds – Based on career technical average daily membership and five (5) weighted funding categories students enrolled in. Funding guaranteed at FY17 levels individually and is in addition to the Cap in FY18 and FY19.
- 9) Transportation Aid – Funding based on total ridership rather than qualifying ridership in determining statewide cost per rider. Reduces state minimum share from 50% to 37.5% in FY18 and 25% in FY19.

The current funding model continues additional funds that can be earned by a district or is intended to help a district who has an undue burden or inability to raise local revenue; however, some items are now included in CAP district payments:

- 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. Included in FY18 and FY19 Guarantee payments and moved to be inside the Cap amount for districts. Not in addition to the Cap payments.
- 2) Transportation Supplement – Provides additional funding for districts with rider density (riders per square mile) less than 35 students in FY18 and 50 in FY19. Provides additional funding based on rider density and the number of miles driven by the school buses. Included in FY18 and FY19 Guarantee payments and moved to be inside the Cap amount for districts. Not in addition to the Cap payments.
- 3) 3rd Grade Reading Proficiency Bonus - Provides a bonus to districts based on third grade reading results, is included in FY18 & 19 guarantee at FY17 levels and is in addition to the Cap payments.
- 4) High School Graduation Rate Bonus - Provides a bonus to districts based on high school graduation rates up to approximately \$450 per student and is included in FY18 & 19 guarantee at FY17 levels and is in addition to the Cap payments.

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

Transitional Guarantee Phase-Out- For the first time HB49 includes a phase-out of funding for districts on the guarantee. If a guarantee district's average daily membership (ADM) over three (3) years from FY14-FY16, on average fell by 10% or more, they will lose 5% of their funding from FY17 levels. If the average ADM loss is less than 5% then they will be guaranteed at 100% of FY17 levels. If average ADM loss is between 5% and 10% loss then funding is cut on a sliding scale of loss up to 5%. We are a guarantee district at 100% of FY17 levels for FY18 and FY19.

We are anticipated to be a guarantee at 100% for FY18 and FY19, but for the forecast period FY20-23 we will experience an estimated 3% phase out due to declining enrollment.

Future State Budgets: Our funding status for the FY20-23 will depend on two (2) new state budgets which are unknown. We have been very conservative in our estimates of future state funding anticipating a 3% phase out of our guarantee beginning in FY20.

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 state indicated recently that revenues from casinos are not growing robustly as originally predicted but are still growing slowly as the economy has improved. Actual numbers generated for FY18 statewide were 1,791,647 students at \$51.37 per pupil. That is a decline of 4 tenths of 1% percent from the prior year. For FY19-23 we estimated another 4 tenths of 1% decline in pupils to 1,784,480 and GCR increasing to \$92.9 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 19</u>	<u>FY 20</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>
Basic Aid-Unrestricted	\$9,678,179	\$9,370,471	\$9,078,053	\$8,794,272	\$8,518,868
Additional Aid Items	<u>199,901</u>	<u>199,901</u>	<u>199,901</u>	<u>199,901</u>	<u>199,901</u>
Basic Aid-Unrestricted Subtotal	\$9,878,080	\$9,570,372	\$9,277,954	\$8,994,173	\$8,718,769
Ohio Casino Commission ODT	<u>84,656</u>	<u>84,960</u>	<u>85,262</u>	<u>85,562</u>	<u>85,859</u>
Unrestricted State Aid Line # 1.035	<u>\$9,962,736</u>	<u>\$9,655,332</u>	<u>\$9,363,216</u>	<u>\$9,079,735</u>	<u>\$8,804,628</u>

B) Restricted State Revenues – Line # 1.040

HB49 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 FY19-23. The district has chosen to show Catastrophic Aid in this category but is not restricted.

<u>Source</u>	<u>FY 19</u>	<u>FY 20</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>
Economically Disadvantaged Aid	\$261,251	\$263,864	\$266,503	\$269,168	\$271,860
Career Tech - Restricted	72,118	72,839	73,567	74,303	75,046
Catestrophic Aid	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>
Restricted Revenues Line #1.040	<u>\$348,369</u>	<u>\$351,703</u>	<u>\$355,070</u>	<u>\$358,471</u>	<u>\$361,906</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 19</u>	<u>FY 20</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>
Unrestricted Line # 1.035	\$9,962,736	\$9,655,332	\$9,363,216	\$9,079,735	\$8,804,628
Restricted Line # 1.040	348,369	351,703	355,070	358,471	361,906
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>\$10,311,105</u>	<u>\$10,007,035</u>	<u>\$9,718,286</u>	<u>\$9,438,206</u>	<u>\$9,166,534</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. The result of HB59 is that homestead reimbursements have decreased from previous levels and like the rollback reimbursements above, the state is increasing the tax burden on our local taxpayers.

Summary of State Tax Reimbursement – Line #1.050

<u>Source</u>	<u>FY 19</u>	<u>FY 20</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>
Rollback and Homestead	\$697,273	\$710,275	\$719,858	\$729,536	\$739,311
Total Tax Reimbursements #1.050	<u>\$697,273</u>	<u>\$710,275</u>	<u>\$719,858</u>	<u>\$729,536</u>	<u>\$739,311</u>

Other Local Revenues – Line #1.060

Revenue from all other sources is based on historical patterns. Beginning in FY22 we are reflecting our Payment In Lieu of Taxes (PILOT) with Harrison Power LLC for the \$1 billion Natural Gas power Plant being built in Cadiz by EmberClear Corporation of Texas. The power plant will be able to supply power for one million homes. Beginning in FY24 the district will received \$900,000 for the next 13 years through FY36.

<u>Source</u>	<u>FY 19</u>	<u>FY 20</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>
PILOT Payments	\$0	\$0	\$0	\$1,125,000	\$1,125,000
Open Enrollment Gross	675,522	682,277	689,100	695,991	702,951
Interest	249,874	252,373	254,897	257,446	260,020
Tuition SF-14 & SF-14H	30,752	31,060	31,371	31,685	32,002
CAFS Funding	35,000	35,000	35,000	35,000	35,000
Other Income and adjustments	<u>(136,598)</u>	<u>(136,700)</u>	<u>(136,000)</u>	<u>(136,000)</u>	<u>(136,000)</u>

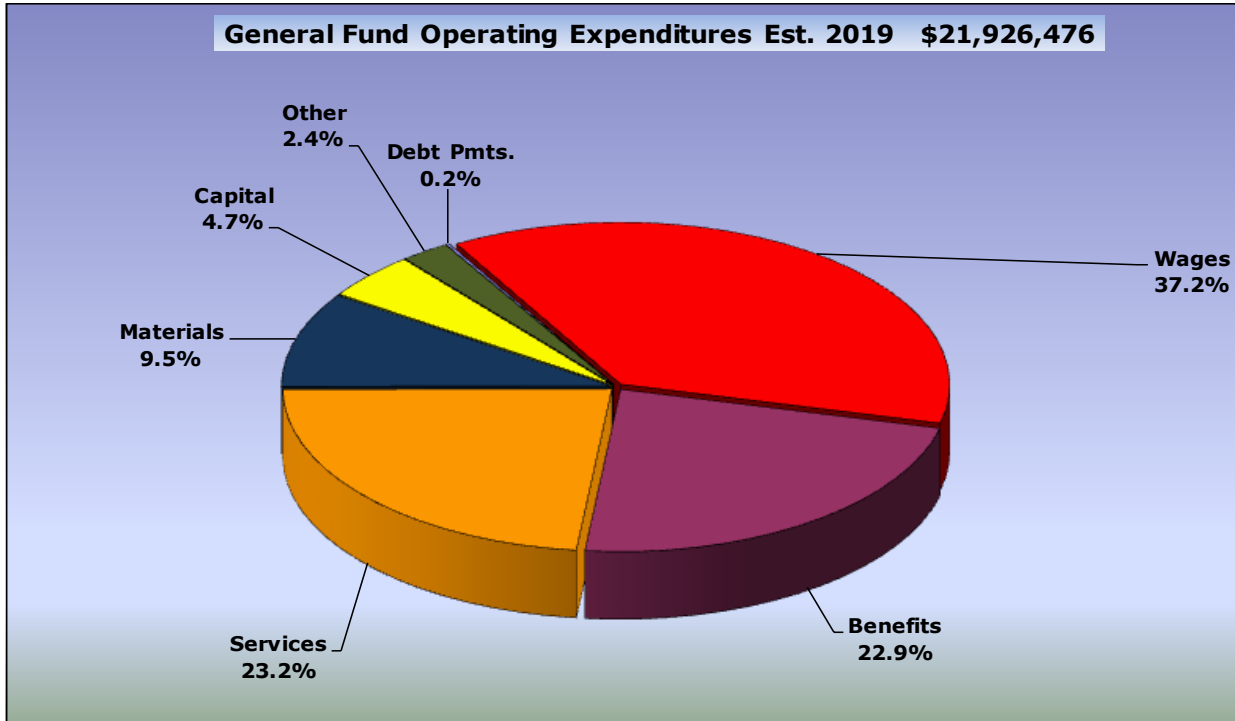
Short-Term Borrowing – Lines #2.010 & Line #2.020

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.

Negotiations with classified staff resulted in a new 3 year contract that will expire June 30, 2020. There is an increase in FY19 of 4% and FY20 of 3%. Negotiations with certificated staff resulted in a new 3 year agreement for the period of July 1, 2018 through June 30, 2021. The result was a 4% increase in each year of the contract. As contracts expire a base increase for each year thereafter has been applied. Costs for salaries also includes: extended time, shift differential, overtime, substitute cost, leave incentive, severances and retirements with replacements.

<u>Source</u>	<u>FY 19</u>	<u>FY 20</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>
Total Wages Line 3.010	<u>\$8,156,914</u>	<u>\$8,642,195</u>	<u>\$9,338,405</u>	<u>\$9,628,589</u>	<u>\$9,943,867</u>

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

The rates for FY 19 did increase for medical/prescription drug an average of 5%. Due to the district being a self-funded district, their experience and future impact on claims has to be considered. Therefore, the rate increases for FY20 through FY23 is projected at 10% for each year–In addition, 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. It is uncertain to what extent the implementation of PPACA will cost our district in additional funds especially since it is being reviewed carefully at the federal level for amendment or repeal. Longer-term, a significant concern is the 40% “Cadillac Tax” but in December 2017 this was delayed until 2022 by congress. This tax would be imposed on plans whose value of benefits exceeds \$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.

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 19</u>	<u>FY 20</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>
Total Line 3.020	<u>\$5,012,100</u>	<u>\$5,430,311</u>	<u>\$5,877,959</u>	<u>\$6,317,865</u>	<u>\$6,718,404</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 FY19 were used to determine this line item. Any increase for FY20 through FY23 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.

<u>Source</u>	<u>FY 19</u>	<u>FY 20</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>
Base Services	\$383,737	\$395,249	\$407,106	\$419,319	\$431,899
Tuition, CAFS Contract	417,730	430,262	443,170	456,465	470,159
Open Enrollment Deduction	1,723,238	1,774,935	1,828,183	1,883,028	1,939,519
Community School Deductions	753,054	775,646	798,915	822,882	847,568
Utilities	316,241	332,053	348,656	366,089	384,393
Other	1,495,750	1,989,294	2,216,920	2,453,499	2,453,499
Total Line 3.030	<u>\$5,089,750</u>	<u>\$5,697,439</u>	<u>\$6,042,950</u>	<u>\$6,401,282</u>	<u>\$6,527,037</u>

Supplies and Materials – Line #3.040

The permanent appropriations were used to determine this line item. Any increase for FY19 through FY23 is based on each individual budget line.

<u>Source</u>	<u>FY 19</u>	<u>FY 20</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>
Supplies	\$999,987	\$999,987	\$999,987	\$999,987	\$999,987
Items for New School	1,081,513	1,612,513	1,082,363	877,563	877,563
Total Line 3.040	<u>\$2,081,500</u>	<u>\$2,612,500</u>	<u>\$2,082,350</u>	<u>\$1,877,550</u>	<u>\$1,877,550</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. In FY17 -18 improvements to the football stadium occurred and were 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. In addition, it is the intention of the board of education to not renew its Permanent Improvement Levy. Therefore, FY22 will be the first year in which no monies will be received and the cost of 3 new busses are being projected here.

<u>Source</u>	<u>FY 19</u>	<u>FY 20</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>
Capital Outlay	\$ 250,806	\$ 250,806	\$ 250,806	\$ 250,806	\$ 250,806
Items for New School	\$770,694	\$2,220,694	\$345,394	\$429,194	\$429,194
School Busses	\$0	\$255,000	\$257,550	\$260,126	\$262,727
Total Line 3.050	<u>\$ 1,021,500</u>	<u>\$ 2,726,500</u>	<u>\$ 853,750</u>	<u>\$ 940,126</u>	<u>\$ 942,727</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.

<u>Source</u>	<u>FY 19</u>	<u>FY 20</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>
HB 264 Principal Line # 4.050	<u>\$35,000</u>	<u>\$35,000</u>	<u>\$40,000</u>	<u>\$40,000</u>	<u>\$40,000</u>
<u>Source</u>	<u>FY 19</u>	<u>FY 20</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>
Interest on Borrowing Line 4.060	<u>\$2,500</u>	<u>\$2,500</u>	<u>\$2,500</u>	<u>\$2,500</u>	<u>\$2,500</u>

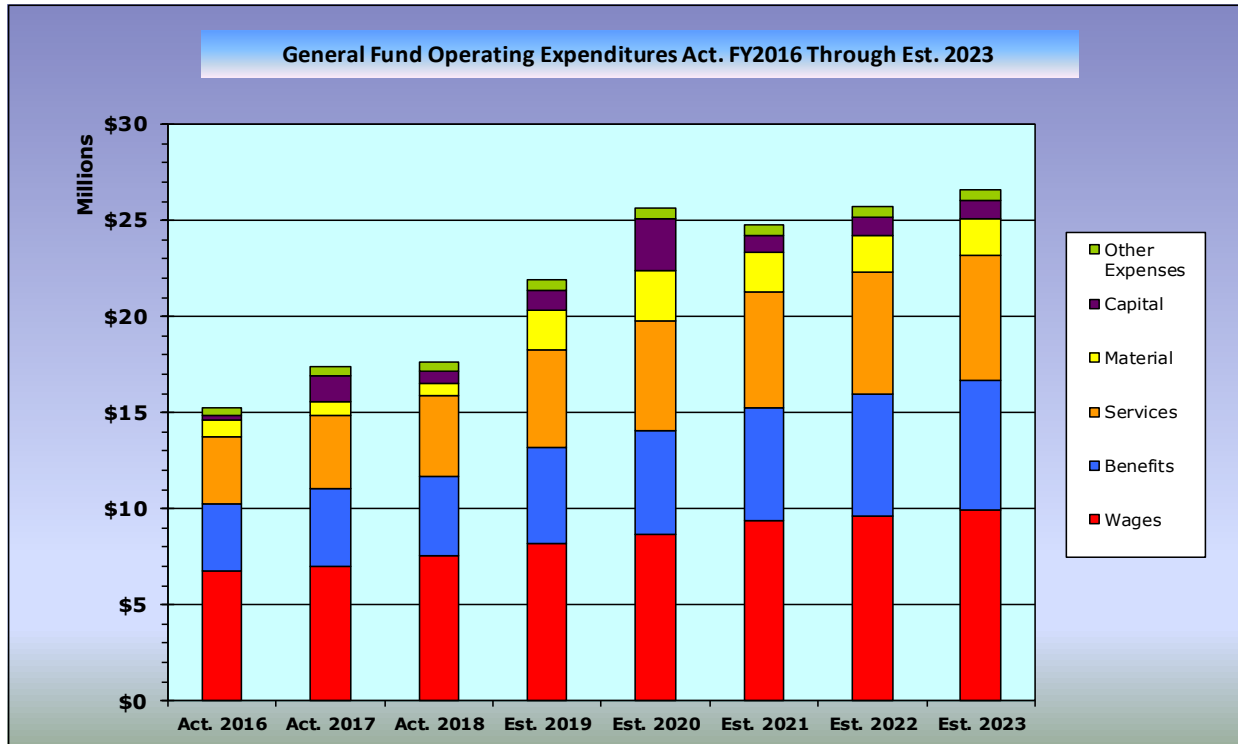
Other Expenses – Line #4.300

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 19</u>	<u>FY 20</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>
County Auditor & Treasurer Fees	\$263,457	\$273,995	\$284,955	\$296,353	\$308,207
County ESC	60,295	63,310	66,476	69,800	73,290
Other expenses	130,065	131,366	132,680	134,007	135,347
Miscellaneous	<u>73,395</u>	<u>74,129</u>	<u>74,870</u>	<u>75,619</u>	<u>76,375</u>
Total Line 4.300	<u>\$527,212</u>	<u>\$542,800</u>	<u>\$558,981</u>	<u>\$575,779</u>	<u>\$593,219</u>

Total Expenditure Categories Actual FY16 through FY18 and Estimated FY19 through FY23

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). The board set up the Capital Improvement Fund in FY17. Due to some revisions to the district’s building project, it is possible that additional funds will need to be transferred in FY19 to this fund. This will not be known until a bid package goes out later this calendar year/first of next year. The board of education has determined these revisions 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.

<u>Source</u>	<u>FY 19</u>	<u>FY 20</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>
Operating Transfers Out Line #5.010	\$1,825,000	\$325,000	\$325,000	\$325,000	\$325,000
Advances Out Line #5.020	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>
Total	<u>\$2,175,000</u>	<u>\$675,000</u>	<u>\$675,000</u>	<u>\$675,000</u>	<u>\$675,000</u>

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.

	<u>FY 19</u>	<u>FY 20</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>
Estimated Encumbrances	<u>\$555,000</u>	<u>\$555,000</u>	<u>\$555,000</u>	<u>\$555,000</u>	<u>\$555,000</u>

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.

	<u>FY 19</u>	<u>FY 20</u>	<u>FY 21</u>	<u>FY 22</u>	<u>FY 23</u>
Ending Cash Balance	<u>\$ 23,560,386</u>	<u>\$ 25,761,022</u>	<u>\$ 27,742,748</u>	<u>\$ 29,814,970</u>	<u>\$ 30,986,396</u>

Ending Cash Balance Actual FY16 through FY18 and Estimated FY19 through FY23

