

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



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

October 24, 2013

HARRISON HILLS CITY SCHOOL DISTRICT

Harrison County

Schedule of Revenues, Expenditures and Changes in Fund Balances

For the Fiscal Years Ended June 30, 2011, 2012, 2013

Forecasted Fiscal Year Ending June 30, 2014 through 2018

	Actual				Average Change	Forecasted				
	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013	Fiscal Year 2014		Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018	
Revenues										
1.010 General Property Tax (Real Estate)	4,516,056	4,656,066	5,038,663	5.7%	4,677,394	4,763,999	4,822,033	4,880,218	4,939,323	
1.020 Tangible Personal Property	10,835	0	0	0.0%	0	0	0	0	0	
1.030 Income Tax	0	0	0	0.0%	0	0	0	0	0	
1.035 Unrestricted State Grants-in-Aid	9,705,074	9,812,569	10,113,067	2.1%	10,173,949	10,185,647	10,185,647	10,185,647	10,185,647	
1.040 Restricted State Grants-in-Aid	158,087	157,454	161,946	1.2%	128,734	128,734	128,734	128,734	128,734	
1.045 Restricted Fed. SFSF Fd. 532 FY10&11/Ed Jobs Fd.504 FY12	1,172,439	96,807	22,283	-84.4%	0	0	0	0	0	
1.050 Property Tax Allocation	1,192,602	893,655	639,605	-26.7%	639,605	636,538	642,092	649,141	655,679	
1.060 All Other Revenues	386,972	344,490	543,298	23.4%	450,888	430,012	433,801	428,164	431,503	
1.070 Total Revenues	17,142,065	15,961,041	16,518,862	-1.7%	16,070,570	16,144,930	16,212,307	16,271,903	16,340,886	
Other Financing Sources										
2.010 Proceeds from Sale of Notes	-	-	-	0.0%	-	-	-	-	-	
2.020 State Emergency Loans and Advancements (Approved)	-	-	-	0.0%	-	-	-	-	-	
2.040 Operating Transfers-In	235,848	280,692	257,127	5.3%	264,785	265,000	265,000	265,000	265,000	
2.050 Advances-In	721,632	526,875	585,745	-7.9%	147,570	300,000	300,000	300,000	300,000	
2.060 All Other Financing Sources	288	0	25,419	0.0%	39,550	0	0	0	0	
2.070 Total Other Financing Sources	957,768	807,567	868,291	-4.1%	451,905	565,000	565,000	565,000	565,000	
2.080 Total Revenues and Other Financing Sources	18,099,833	16,768,608	17,387,153	-1.8%	16,522,475	16,709,930	16,777,307	16,836,903	16,905,886	
Expenditures										
3.010 Personal Services	\$7,479,912	\$7,045,070	\$7,050,182	-2.9%	\$6,676,021	\$6,649,960	\$6,828,836	\$7,092,088	\$7,375,772	
3.020 Employees' Retirement/Insurance Benefits	3,598,397	2,977,152	3,719,274	3.8%	\$4,113,526	4,276,242	4,581,480	4,930,532	5,310,608	
3.030 Purchased Services	3,643,018	3,629,655	3,681,635	0.5%	\$4,239,353	4,219,080	4,214,287	4,243,662	4,324,119	
3.040 Supplies and Materials	596,686	793,653	780,078	15.6%	\$801,462	798,878	832,414	840,648	874,945	
3.050 Capital Outlay	494,180	169,729	146,759	-39.6%	\$319,000	236,500	236,500	236,500	241,500	
3.060 Intergovernmental	-	-	-	0.0%	-	-	-	-	-	
Debt Service:										
4.010 Principal-All (Historical Only)	-	-	-	0.0%	-	-	-	-	-	
4.020 Principal-Notes	-	-	-	0.0%	-	-	-	-	-	
4.030 Principal-State Loans	-	-	-	0.0%	-	-	-	-	-	
4.040 Principal-State Advancements	-	-	-	0.0%	-	-	-	-	-	
4.050 Principal-HB 264 Loans	-	40,000	-	0.0%	-	13,295	30,000	30,000	30,000	
4.055 Principal-Other	-	-	-	0.0%	-	-	-	-	-	
4.060 Interest and Fiscal Charges	-	14,254	1,146	0.0%	-	-	-	-	-	
4.300 Other Objects	342,697	348,161	369,897	3.9%	\$393,200	408,200	423,200	437,200	443,200	
4.500 Total Expenditures	\$16,154,890	15,017,674	15,748,971	-1.1%	16,542,562	16,602,155	17,146,717	17,810,630	18,600,144	
Other Financing Uses										
5.010 Operating Transfers-Out	250,601	315,692	292,127	9.3%	\$300,785	335,000	300,000	300,000	300,000	
5.020 Advances-Out	519,115	588,633	160,463	-29.7%	300,000	300,000	300,000	300,000	300,000	
5.030 All Other Financing Uses	-	-	-	0.0%	-	-	-	-	-	
5.040 Total Other Financing Uses	769,716	904,325	452,590	-16.2%	600,785	635,000	600,000	600,000	600,000	
5.050 Total Expenditures and Other Financing Uses	16,924,606	15,921,999	16,201,561	-2.1%	17,143,347	17,237,155	17,746,717	18,410,630	19,200,144	
6.010 Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	1,175,227	846,609	1,185,592	6.0%	(620,872)	(527,225)	(969,410)	(1,573,727)	(2,294,258)	
7.010 Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	2,228,335	3,403,562	4,250,171	38.8%	5,435,763	4,814,891	4,287,667	3,318,257	1,744,530	
7.020 Cash Balance June 30	3,403,562	4,250,171	5,435,763	26.4%	4,814,891	4,287,667	3,318,257	1,744,530	(549,728)	
8.010 Estimated Encumbrances June 30	183,928	394,703	487,358	69.0%	206,400	206,400	206,400	206,400	206,400	
Reservation of Fund Balance										
9.010 Textbooks and Instructional Materials	457,556	183,429	27,435	-72.5%	-	-	-	-	-	
9.020 Capital Improvements	163,713	308,555	264,207	37.1%	394,806	409,806	424,806	439,806	454,806	
9.030 Budget Reserve	151,803	151,803	151,803	0.0%	151,803	151,803	151,803	151,803	145,003	
9.040 DPIA	-	-	-	0.0%	-	-	-	-	-	
9.045 Fiscal Stabilization	96,187	-	-	0.0%	-	-	-	-	-	
9.050 Debt Service	-	-	-	0.0%	-	-	-	-	-	
9.060 Property Tax Advancements	-	-	-	0.0%	-	-	-	-	-	
9.070 Bus Purchases	1,422	-	-	0.0%	-	-	-	-	-	
9.080 Subtotal	870,681	643,787	443,445	-28.6%	546,609	561,609	576,609	591,609	599,809	
10.010 Fund Balance June 30 for Certification of Appropriations	2,348,953	3,211,681.00	4,504,960	38.5%	4,061,882	3,519,658	2,535,248	946,521	(1,355,937)	
Revenue from Replacement/Renewal Levies										
11.010 Income Tax - Renewal	-	-	-	0.0%	-	-	-	-	-	
11.020 Property Tax - Renewal or Replacement	-	-	-	0.0%	-	-	-	-	-	
11.300 Cumulative Balance of Replacement/Renewal Levies	-	-	-	0.0%	-	-	-	-	-	
12.010 Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations	2,348,953	3,211,681	4,504,960	38.5%	4,061,882	3,519,658	2,535,248	946,521	(1,355,937)	
Revenue from New Levies										
13.010 Income Tax - New	-	-	-	0.0%	-	-	-	-	-	

HARRISON HILLS CITY SCHOOL DISTRICT

Harrison County

Schedule of Revenues, Expenditures and Changes in Fund Balances

For the Fiscal Years Ended June 30, 2011, 2012, 2013

Forecasted Fiscal Year Ending June 30, 2014 through 2018

	Actual				Average Change	Forecasted				
	Fiscal Year 2011	Fiscal Year 2012	Fiscal Year 2013			Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2018
13.020 Property Tax - New				0.0%	-	-	-	-	-	
13.030 Cumulative Balance of New Levies	-	-	-	0.0%	-	-	-	-	-	
14.010 Revenue from Future State Advancements	-			0.0%	-	-	-	-	-	
15.010 <i>Unreserved Fund Balance June 30</i>	2,348,953	3,211,681	4,504,960	38.5%	4,061,882	3,519,658	2,535,248	946,521	(1,355,937)	

See accompanying summary of significant forecast assumptions and accounting policies

Includes: General fund, Emergency Levy fund, and any portion of Debt Service fund related to General fund debt

SFSF Fund 532 for FY10&11 and Education Jobs Fund 504 for FY12

Harrison Hills City School District – Harrison County
Notes to the Five Year Forecast
General Fund Only
October 24, 2013

Introduction to the Five Year Forecast

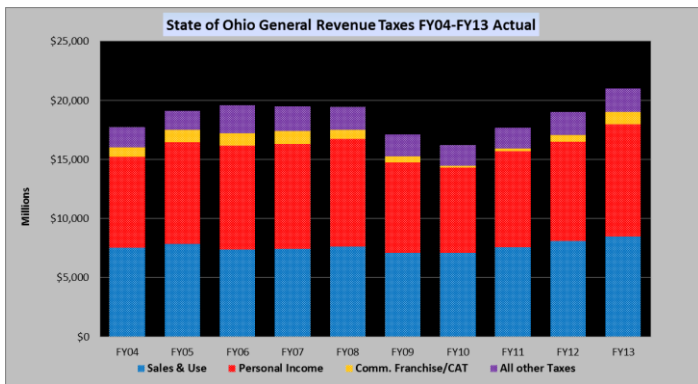
All school districts in Ohio are required to file a five (5) year financial forecast by October 31, and May 31, in each fiscal year (FY). The five-year forecast includes three years of actual and five years of projected general fund revenues and expenditures. Fiscal year 2014 (July 1, 2013-June 30, 2014) is the first year of the five year forecast and is considered the baseline year. Our forecast is being updated to reflect the most current economic data for the October 2013 filing.

Economic Environment Affecting Forecast Variables –State Economy

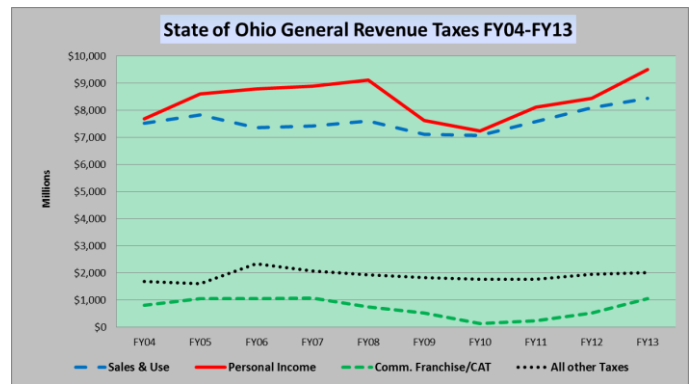
It is important in long range forecasting to consider the economic framework in which projections of revenues are made. We will offer a sampling of statewide economic data that suggests that the economy for the FY14-18 period is growing moderately and is recovering from the 2008-09 recession. It is important to consider the statewide economic data for two important reasons. One, our state funding is directly affected by state revenue collections. The effects of the recession on the economy at the state level created a budget deficit which required the State of Ohio to make nearly \$8 Billion in reductions in the FY12-FY13 state biennium budget which translated into flat funding and/or funding reductions for nearly every school district in Ohio.

The second reason is that the same economic forces which are driving the recovery of state tax revenues are also likely affecting the underlying economics of most communities in Ohio affecting 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.

As noted in the graphs below State of Ohio Revenues through FY13 have recovered and exceeded FY08 total tax revenue levels. The two significant contributors to the economic recovery as noted in the graph on the right are personal income taxes and sales and use taxes. The recovery of the labor market will continue to be a significant factor to watch in determining if the recovery of the last two fiscal years will continue.



Source: Ohio Legislative Budget Office

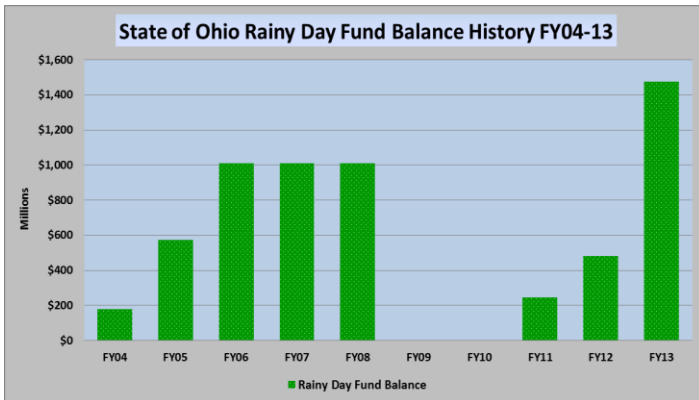


Source: Ohio Legislative Budget Office

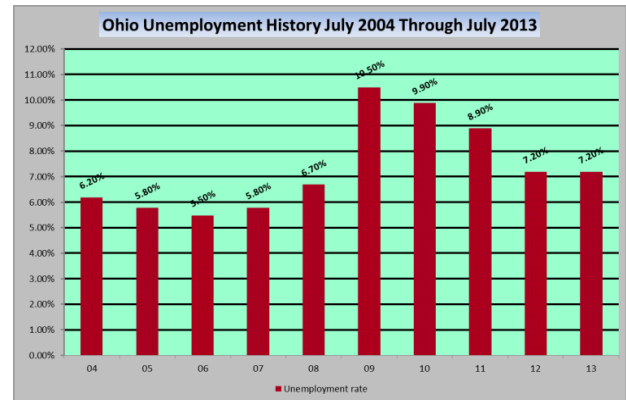
The above State revenue is a clear indication that the economy has recovered and that there is economic growth in the state. Another indication that the State of Ohio has achieved solid footing economically is the accumulation of reserves in the State Rainy Day Fund (RDF). The graph below shows the ten year history of the Rainy Day Fund balance. The recession depleted the RDF in FY09. FY11 began the recovery of the economy and enabled the state to contribute excess revenues to the RDF. As noted the RDF balance in FY13 has reached an all-time record high deposit of \$1.478Billion. This cushion should help ensure that funding for

schools approved in the recent state biennium budget HB59 will be met through FY15 and could be continued into the future if a brief pull back in the economy occurs over the next few years.

A final note on the overall state economy is the unemployment rate. This is a significant measure to monitor for continued economic viability of the recovery. As noted above personal income taxes and sales tax are highly correlated and have been two major drivers of the recent recovery. As of July 2013 the unemployment rate in Ohio stood at 7.2%, which is unchanged from July 2012. The 7.2% rate is much lower than the 10.5% rate in 2009 but it has a long way to go to reach the 5.5% rate of 2006. In Harrison County the rate was 7.8% at July 2013.



Source: Ohio Legislative Budget Office



Source: Bureau of Labor Market Information

Overall, we believe the economic recovery is stable and the economy improving. This should provide a stable basis for which to make projections of State revenues to the district as noted in HB59 through FY15 and continuing through FY18. The improving labor market should also provide a basis for a recovery in property tax collections in this forecast by: 1) stabilizing declining property values; 2) increasing current property tax collections; and, 3) increasing prior delinquent tax collections.

Forecast Risks and Uncertainty

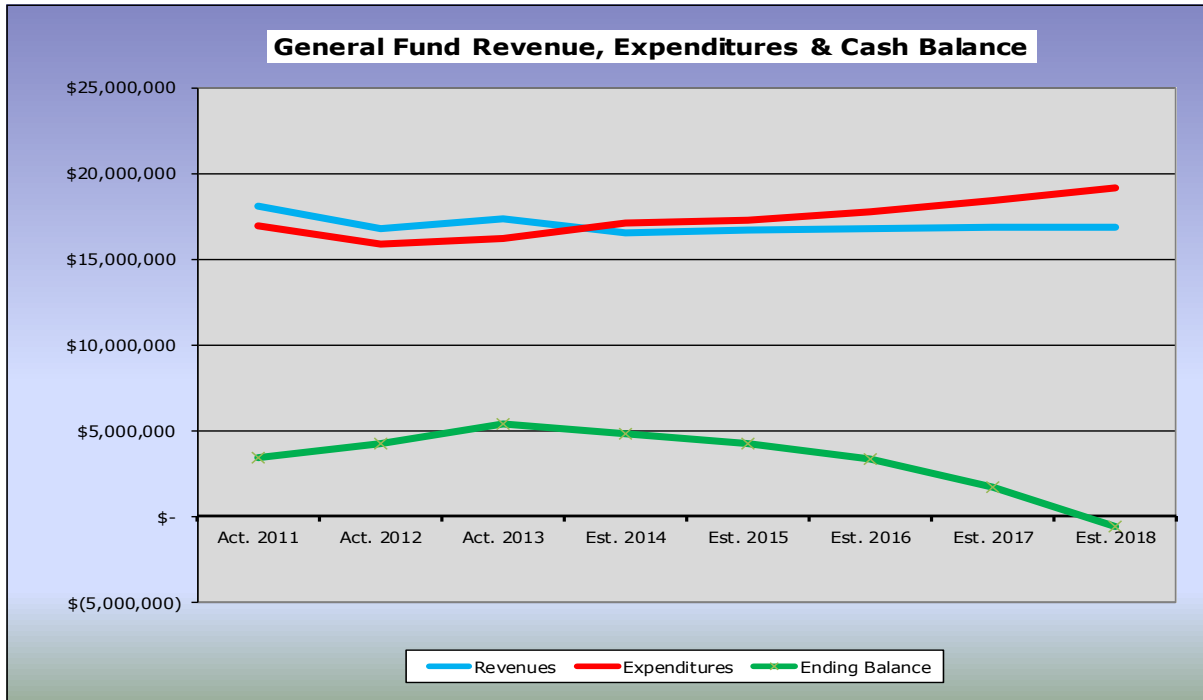
This financial forecast has several uncertain areas of assumption due to the economic climate and volatility of the legislative changes that are happening very fast and without time to plan. Additionally, our local tax collections have been very unpredictable in recent years causing increased risk of error in projections in this area. The items below give a short description of the current issues:

- I. The long range forecast through FY18 shows a negative ending cash balance at this time in FY18 but future state budgets and continued economic growth in property values and taxes in the area could impact this heavily. A major concern we have experienced over the past few years is the unpredictable nature of our local property tax collections. Just recently in our 2nd half 2013 tax settlement (received one month late in September) was \$434,000 lower than calculated based on tax rates and assessed values certified by the Ohio Department of Taxation on form DTE 13. The DTE 13 for collections in 2013 showed values increased by +\$35.7 million for our district led by a +\$33.7 million increase in mineral values. Even with a 15.7% increase in our values the actual 2nd half tax collection fell from the 2nd half collection in 2012 of \$2,159,880 to \$1,859,118 in the current collection. The fact is our taxes should have increased and not decreased. We intend to officially investigate the cause of the recent decrease in tax collection in the coming weeks. The ongoing risk of unexplained fluctuations in our local property tax collection is a high risk to property tax estimates in the forecast and to the district’s financial stability. For FY14 and future years we have reduced values and collections back to FY12 levels until we are able to ascertain the cause of the recent drop in taxes and determine what the course of action should be at that time for revenue projections.

- II. The state budget represents nearly 68% of district revenues in FY14. It is clearly an area of on-going risk to the current level of revenue. The risk comes in FY14 and beyond if the state economy worsens or if HB59 funding formula is radically changed to reduce funding to our district. Future uncertainty in both the state foundation funding formula and the state's economy makes this area an elevated risk to district funding long term.
- III. The state budget cut our fixed rate tangible personal property (TPP) reimbursement for FY12 and eliminated it altogether in FY13. The risk posed by the uncertainty of these funds being eliminated is now gone as HB153 eliminated the revenue source completely.
- IV. HB59 eliminated the Rollback exemption on any future new or replacement levy. This means that should the District place a new levy on the ballot taxpayers will no longer receive the 12.5% reduction as they do on current levies. This could make passing any new levy more difficult. This will not effect the total collection for the school district but will shift the tax burden from the State of Ohio onto local taxpayers.
- IV. There are many provisions in the current state budget bill HB59 that could increase the district expenditures in the form of expanded EdChoice Scholarships in the 2016-17 school years and the new Income Based Voucher Program in FY14. Expansion of programs such as these could expose the district to new expenditures that are not currently in the forecast. We are monitoring any new threats to our state aid and increased costs very closely.
- V. Patient Protection and Affordable Care Act (PPACA) – This program was approved March 23, 2010 along with the Health Care and Education Reconciliation Act. Many of the provision of this federal statute were supposed to be implemented January 1, 2014 but were delayed by the IRS on July 2, 2013 until January 1, 2015. We are aware of additional taxes that will be assessed on the district January 1, 2015 which could increase costs by as much as 2%. There is the additional risk that costs will go up as additional employees are added to our health care rolls. Rules for the PPACA are in flux at this time and we are tracking them closely. Future uncertainty over rules and implementation of PPACA is an elevated risk to district costs. We continue to monitor the rules and implementation as this significant change to health care evolves.
- VI. Labor relations in our district have been amicable with all parties working for the best interest of students and realizing the extreme resource challenges today. As we move forward we believe our positive working relationship will continue and will only grow stronger.

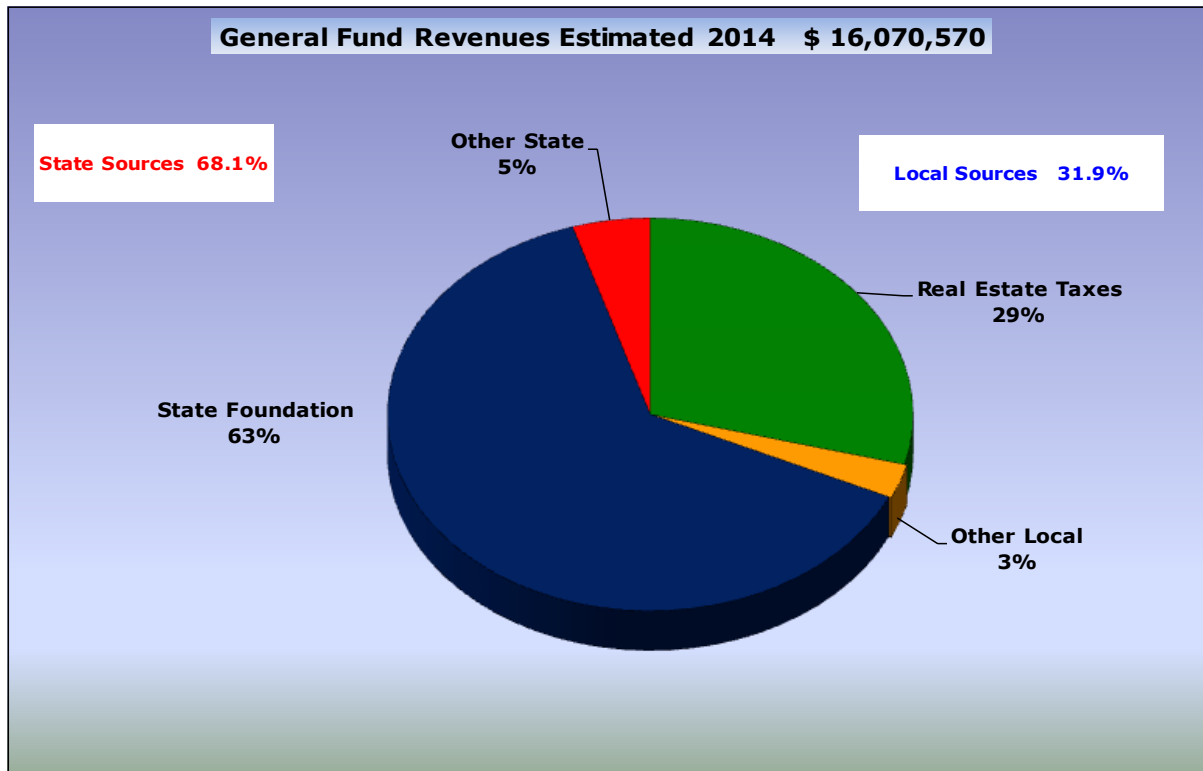
The major line numbers used as references to the forecast are noted below in the headings to make it easier to relate the assumptions made for the forecast item and refer back to the forecast. It should be of assistance to the reader to review the assumptions noted below in understanding the overall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

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



Revenue Assumptions

Estimated General Fund Revenue for FY14



Real Estate Value Assumptions – Line # 1.010

Property Values are established each year by the County Auditor based on new construction and complete reappraisal or updated values. In recent years there have been unprecedented changes in property taxation for businesses due to HB66. Our district has values in four different counties’, which makes estimating taxes a bit more challenging. They are: Harrison, Carroll, Belmont and Jefferson Counties.

We anticipate that values in 2014 for collection in 2015, the next reappraisal update for Harrison County, will be adjusted upward by 1%. We are anticipating the same increase in the 2017 full reappraisal update as well, consequently; the District feels that the reappraisal update in Harrison County in 2014 and 2017 will have relatively little impact in increasing our tax base. Until we see actual growth in values we feel it is risky to estimate the outcome of valuations since we have questions about our assessed values currently and collections have been inconsistent year to year.

Concerns with Property Valuation and Tax Collections

The table below shows the property valuation of the district since tax year 2000 for collection in 2001. Property values began to grow again in the district in tax year 2010 after all TPP values were eliminated by HB66 and reductions in values for the housing bubble were made in 2009. A major factor in our growth is anticipated to be mineral value as a result of the oil and gas “fracking” boom underway in our county. According to the Ohio Department of Natural Resources our county has the highest number of active “fracking” wells in the state. It was not a surprise that mineral values soared in tax year 2012 for collection in 2013. It was a surprise, however, to find that our tax collections for 2013 actually fell from a year earlier. The tax collections in 2012 were \$5,076,221 while in 2013 they were \$4,737,901. This is improbable since our values were actually up by 15.7%. We will be investigating the cause of this drop in the coming weeks. The simple matter is when values go up our taxes should as well.

Tax Year	Residential Agriculture	Commercial Industrial	Mineral	P.U. Personal	TPP	Total Value Per ODT	TAXES COLLECTED		
							Actual February	Actual August	Total Taxes
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	2,293,718	1,672,724	3,966,442
2009	169,242,380	23,621,210	2,560,120	19,033,780	534,140	214,991,630	2,186,172	2,035,350	4,221,522
2010	169,597,730	23,377,810	2,113,010	22,040,450	285,520	217,414,520	2,480,705	1,739,725	4,220,430
2011	177,763,050	22,774,160	3,319,110	23,028,781	0	226,885,101	2,916,341	2,159,880	5,076,221
2012	177,485,840	22,354,770	37,036,660	25,705,729	0	262,582,999	2,878,783	1,859,118	4,737,901
Est. 2013	177,485,840	21,122,350	3,319,110	27,104,590	0	229,031,890			

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

Because of the concerns with local tax collections expressed above we are going to reduce valuations back to tax year 2011 levels even through the Ohio Department of Taxation says our values are higher. The collection of local taxes just has not occurred for these higher values. Until we have a firm answer for why our values are higher and taxes are lower we are going to estimate taxes based on FY12 amounts for 2014-2018.

ESTIMATED ASSESSED VALUE (AV) BY COLLECTION YEARS

Classification	Estimated	Estimated	Estimated	Estimated	Estimated
	TAX YEAR 2013	TAX YEAR 2014	TAX YEAR 2015	TAX YEAR 2016	TAX YEAR 2017
	<u>COLLECT 2014</u>	<u>COLLECT2015</u>	<u>COLLECT2016</u>	<u>COLLECT2017</u>	<u>COLLECT 2018</u>
Res./Ag.	\$177,485,840	\$180,035,699	\$180,810,699	\$181,585,699	\$184,176,556
Commercial/Mineral	\$24,441,460	\$25,910,875	\$27,385,875	\$28,860,875	\$30,624,484
Public Utility (PUPP)	\$27,104,590	\$28,604,590	\$30,104,590	\$31,604,590	\$33,104,590
Tangible Per. Prop. (TPP)	\$0	\$0	\$0	\$0	\$0
Total Assessed Value	<u>\$229,031,891</u>	<u>\$234,551,164</u>	<u>\$238,301,164</u>	<u>\$242,051,164</u>	<u>\$247,905,629</u>

ESTIMATED REAL ESTATE TAX (Line #1.010)

Source	FY14	FY15	FY16	FY17	FY18
Property Taxes (Including PUPP)	<u>\$4,677,394</u>	<u>\$4,763,999</u>	<u>\$4,822,033</u>	<u>\$4,880,218</u>	<u>\$4,939,323</u>

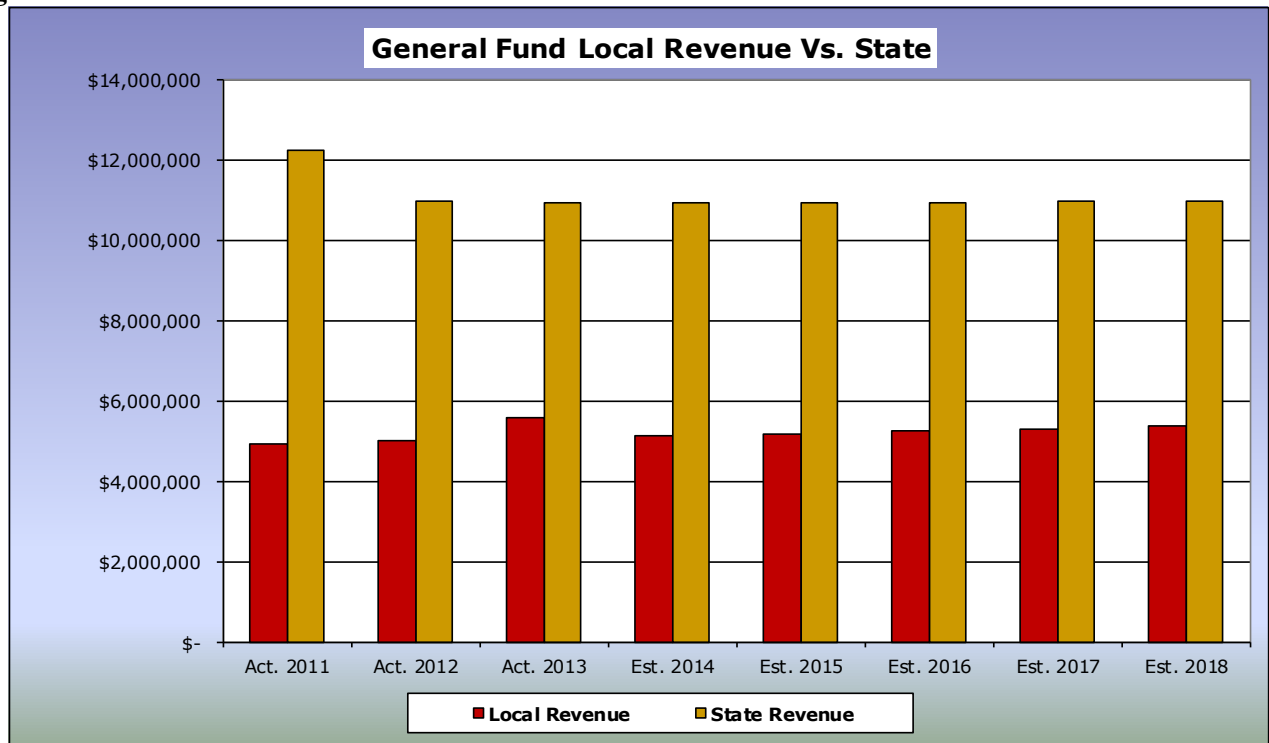
Based on historical trends, property tax levies are estimated to be collected at 100% of the annual amount. In general, 57% of the new Res/Ag and Comm/Ind is expected to be collected in February tax settlements and 43% collected in August tax settlements. Public Utility tax settlements (PUPP taxes) are estimated to be received 50% in February and 50% in August settlement from all County Auditors in which the district is located.

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

Estimated Tangible Personal Tax – Line#1.020

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

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



State Foundation Revenue Estimates

The State funding for schools is based on several factors all of which are subject to deliberations and approval of the Ohio General Assembly. School funding is set as part of the State’s biennial budget for FY13. These figures will not be known for sure until official student counts are reported for FY13. In FY13 a new funding formula was predicted to be implemented, however this was never accomplished.

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

The amounts estimated for FY14 and FY15 for state funding is based on funding component computations from the most recent simulations of HB59 from the Ohio Department of Education dated October 7, 2013. The current FY14-15 state budget HB59 includes flat funding for state basic aid and an a slight increase in additional aid items for Preschool Special Education and Special Education Transportation.

In FY14-15 HB59 is using the fourth (4th) new funding formula for public education since 2009. The new funding formula is very complex as noted below. The new funding formula has a new method to measure a district’s wealth and capacity to raise local revenue. The new wealth measure is called the State Share Index (SSI). There are three (3) components of the SSI:

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

The three components taken together form the one (1) overarching State Share Index (SSI) which equalizes state funding based on wealth. In prior funding formulas the main tool to equalize wealth was a millage charge-off of 23 mills of adjusted valuation per pupil. If the SSI were reduced to a charge-off as in past

formulas there would not be a uniform charge-off, rather a range of charge-off rates from 11.3 mills to 22.9 mills.

The SSI, or one or more of the other three (3) indexes, are applied in determining need on the nine separate components that constitute state aid in FY14 and FY15. The nine (9) components of the new funding model are:

- 1) Opportunity Grant – Per pupil amount of \$5,745 in FY14 and \$5,800 in FY15
- 2) Targeted Assistance – Tier I based on wealth and Tier II based on percentage of district agricultural assessed value
- 3) Special Education Additional Aid – Based on six (6) categories of disability
- 4) Limited English Proficiency – Based on three (3) categories based on time student enrolled in schools
- 5) Economically Disadvantaged Aid- Based on number and concentration of economically disadvantaged students
- 6) K-3 Literacy Funds- Based on districts K-3 average daily membership and two Tiers
- 7) Gifted Funds –Based on average daily membership at \$5.00 in FY14 and \$5.05 in FY15
- 8) Career-Technical Education Funds – Based on career technical average daily membership and five (5) categories students enrolled in
- 9) Transportation Aid – Funding based only on greater of per rider or per mile costs for each district. A supplemental payment for districts that have a SSI of .5 or greater and pupil density at or below the state median

The current ODE simulation is using our FY13 ADM and hold those numbers steady through FY15. We believe that these simulations are the most authoritative source of information available at this time and we feel it is reasonable to assume flat funding of state aid for FY16-18.

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 are open for business and generating Gross Casino Tax Revenues (GCR). Thirty-three percent (33%) of the gross casino revenue will be collected as a tax. School districts will receive 34% of the total tax that will be paid into a student fund at the state level. These funds will be distributed to school districts on the 31st of January and August each year beginning January 2013.

The initial student payment to school in January 2013 was \$21.00 per pupil based on 1,816,000 pupils in Ohio. As more actual taxes are collected the state has indicated that the original 2009 estimates of \$1.9 Billion of GCR may be closer to \$900 million to \$1.1 billion, as revenues from casinos are falling off. We are estimating statewide student enrollment to decline by ½ of 1% from the FY13 total to 1,808,000 students and school districts share of GCR to be \$85 million resulting in FY14 payments being \$47 per pupil. For FY15-18 we estimated another ½ of 1% decline in pupils to 1,797,885 and GCR increasing to \$90 million or \$50 per pupil. We will increase estimates for out years when actual casino revenues increase.

No official Ohio Department of Taxation projections have been updated for actual data and no further guidance has been given as to the exact amount of these payments. Our assumptions are based on revenue reports produced monthly by the Ohio Casino Control Commission that the assumptions we have made are reasonable.

<u>Source</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>
Basic Aid-Unrestricted	\$9,884,592	\$9,891,490	\$9,891,490	\$9,891,490	\$9,891,490
Additional Aid Items	\$214,157	\$214,157	\$214,157	\$214,157	\$214,157
Basic Aid-Unrestricted Subtotal	\$10,098,749	\$10,105,647	\$10,105,647	\$10,105,647	\$10,105,647
Ohio Casino Commission ODT	\$75,200	\$80,000	\$80,000	\$80,000	\$80,000
Total Unrestricted State Aid Line # 1.035	\$10,173,949	\$10,185,647	\$10,185,647	\$10,185,647	\$10,185,647

B) Restricted State Revenues – Line # 1.040

The only item currently in “restricted aid” is Career Technical. Career funding is going to be continued in HB59. We have incorporated this amount into the restricted aid amount in Line # 1.04 for FY14-18, where the state has required it to be accounted in the past. We anticipate there may be other state component funds that are restricted but until further guidance is given we have included all other funds in the “state Basic Aid” line above.

<u>Source</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>
Career Tech - Restricted	\$ 128,734	\$ 128,734	\$ 128,734	\$ 128,734	\$ 128,734
Total Restricted Revenues Line #1.040	\$128,734	\$128,734	\$128,734	\$128,734	\$128,734

C) Restricted Federal Grants in Aid – line #1.045

There is no federal restricted funds projected in this forecast..

<u>Source</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>
Restricted Federal Grants in Aid Line # 1.045	\$0	\$0	\$0	\$0	\$0

SUMMARY OF STATE FOUNDATION REVENUES

<u>Source</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>
Unrestricted Line # 1.035	\$10,173,949	\$10,185,647	\$10,185,647	\$10,185,647	\$10,185,647
Restricted Line # 1.040	\$128,734	\$128,734	\$128,734	\$128,734	\$128,734
Rest. Fed. Grants - SFSF & Ed Jobs Line #1.045	\$0	\$0	\$0	\$0	\$0
Total State Foundation Revenue	\$10,302,683	\$10,314,381	\$10,314,381	\$10,314,381	\$10,314,381

State Taxes Reimbursement/Property Tax Allocation – Line #1.050

a) Rollback and Homestead Reimbursement

Rollback funds are reimbursements paid to the district from Ohio for tax credits given owner occupied residences equaling 12.5% of the gross property taxes charged residential taxpayers on tax levies passed prior to September 29, 2013. HB59 eliminated the 10% and 2.5% rollback on new levies approved after September 29, 2013 which is the effective date of HB59. HB66 the FY06-07 budget bill previously eliminated 10% rollback on Class II (commercial and industrial) property.

Homestead Exemptions are also credits paid to the district from the state of Ohio for qualified elderly and disabled. In 2007 HB119 expanded the Homestead Exemption for all seniors over age 65 years of age or older or who are disabled regardless of income. Effective September 29, 2013 HB59 changes the requirement for Homestead Exemptions. Individual taxpayers who do not currently have their Homestead Exemption approved or those who do not get a new application approved for tax year 2013, and who become eligible thereafter will only receive a Homestead Exemption if they meet the income qualifications. Taxpayers who currently have their Homestead Exemption as of September 29, 2013 will not lose it going forward and will not have to meet the new income qualification. This will slow the growth of homestead reimbursements to the district, and as with the rollback reimbursements above, increase the taxes collected locally on taxpayers.

b) Tangible Personal Property Reimbursements – Fixed Rate

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

Summary of State Tax Reimbursement – Line #1.050

<u>Source</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>
Base R & H	\$639,605	\$636,538	\$642,092	\$649,141	\$655,679
New Levy- (Proj. gross not net of R&H)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Rollback & Homestead	\$ 639,605	\$ 636,538	\$ 642,092	\$ 649,141	\$ 655,679

Other Local Revenues – Line #1.060

Revenue from all other sources is based on historical patterns. In FY11, the district received \$25,000 from the Jefferson County ESC to offset professional development. This is not projected to be received in future years. In addition, beginning in FY11 the district entered into a shared service contract with Buckeye Local School District for \$50,000 for FY11 and FY12. In FY13, the district will receive the balance of the shared service contract (\$25,000) as well as an additional \$11,000 for the sale of personal property. This revenue will not be received in future fiscal years. For FY14-18 this revenue is expected to be mostly flat to decreasing.

<u>Source</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>
Open Enrollment Gross	\$ 303,260	\$ 306,292	\$ 309,355	\$ 312,449	\$ 315,573
Interest	1,220	1,221	1,222	1,223	1,224
Tuition SF-14 & SF-14H	20,793	21,001	21,211	21,423	21,637
CAFS Funding	50,000	50,000	50,000	50,000	50,000
Other Income and rentals	75,616	51,498	52,013	43,069	43,069
Total Line # 1.060	\$ 450,888	\$ 430,012	\$ 433,801	\$ 428,164	\$ 431,503

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

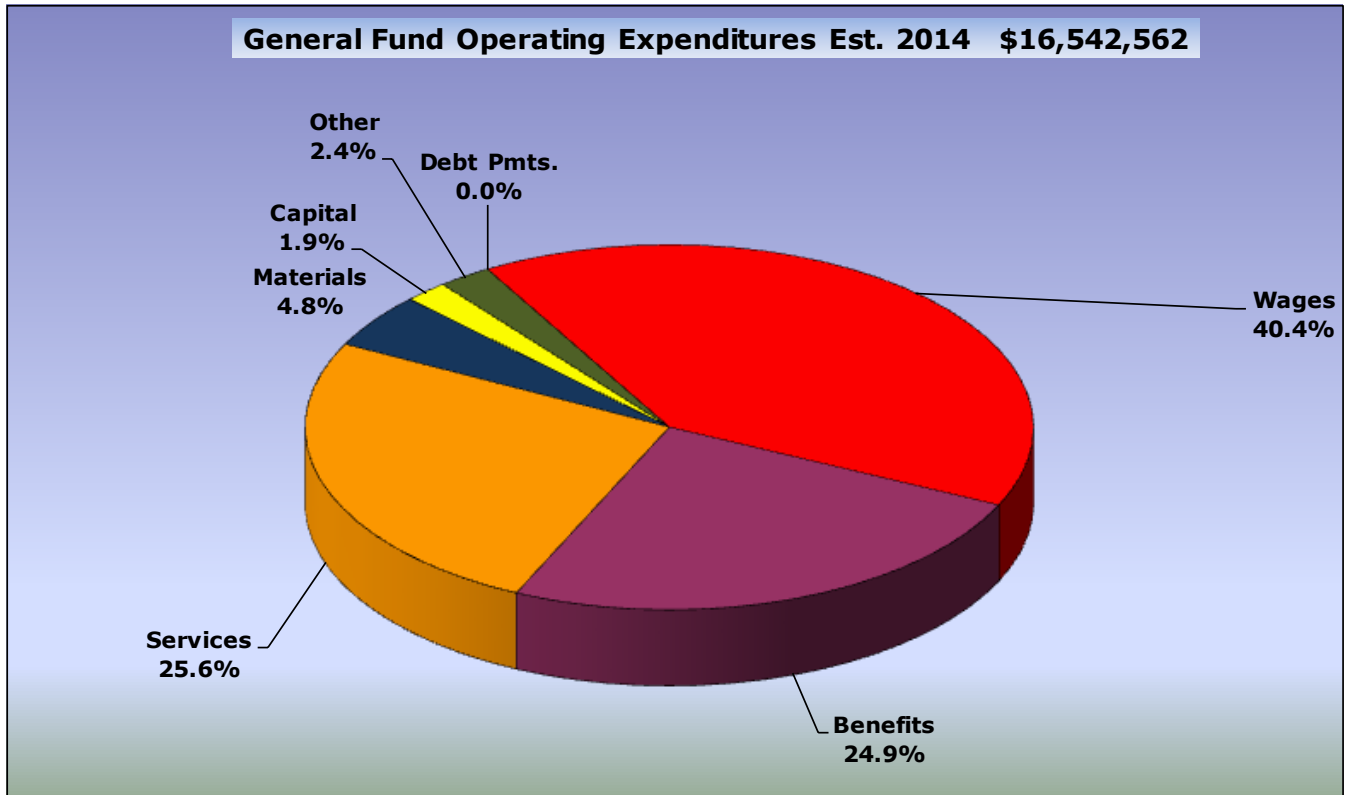
There is no short term borrowing planned for in this forecast at this time from any sources.

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.

The transfers in are for monies that will be transferred into the general fund set aside accounts (001 with special cost centers) from the general fund 001 (no special cost center). Beginning in FY 10, the Permanent Improvement fund is being utilized to offset the Capital Improvement Set Aside requirement for FY10 and FY11. In FY12 the requirement for the Supply and Materials Set Aside was eliminated by HB153. There may not be enough qualifying expenditures in the Permanent Improvement Fund to offset the Capital Improvement Set Aside. Consequently the district will need to transfer money into the Capital Improvement Set Aside fund. These are offset with the corresponding transfer out.

Expenditure Assumptions



Wages – Line #3.010

The amounts for salaries and benefits are based on existing negotiated agreements. The certificated staff's negotiated agreement expires June 30, 2015; classified staff's negotiated agreement expires June 30, 2014; and the district office contract expires June 30, 2015. During the term of these contracts, both unions have agreed to a 0% increase. They do get a signing bonus each year of the contract; \$850 for Certificated Staff and \$394 for Classified Staff. An estimated increase is projected in FY16 and FY18 for planning purposes only. Costs for salaries also includes: extended time, shift differential, overtime, substitute cost, leave incentive, severances and retirements with replacements. The decrease from FY12 to FY13 is due to retirements and replacement costs of those teachers were lower. If any further reductions are needed, it is anticipated this will be done through attrition. However, this is not calculated within the forecast.

Source	FY14	FY15	FY16	FY17	FY18
Base Wages	\$6,176,550	\$6,042,354	\$6,155,910	\$6,413,631	\$6,684,797
Base Increases	0	120,847	184,677	184,677	192,409
Steps & Training/Performance Incentives	146,770	144,824	146,471	150,208	154,140
Substitute Wages	217,000	198,000	198,000	199,000	199,000
Severance	135,701	143,935	143,778	144,572	145,426
Total Wages Line 3.010	\$6,676,021	\$6,649,960	\$6,828,836	\$7,092,088	\$7,375,772

Fringe Benefits Estimates – Line #3.02

This area of the forecast captures all costs associated with benefits and retirement costs.

A) STRS/SERS Retirement Costs

The district pays 14% of each dollar paid in wages to either the State Teachers Retirement System or the School Employees Retirement System as required by Ohio law. In FY 11 the School Employees Retirement System (SERS) will change the manner of how the employer contributions are paid. Presently, these payments are six months in arrears. Therefore, in order to make the change so employer contributions are current, SERS began deducting additional monies from the school foundation payment, over a period of six years. The estimated amount that will impact the general fund is approximately \$60,000 each year through FY16.

B) Insurance

For FY13 the increase was 10%, for medical/prescription and dental insurance and is projected to be 15% for FY14, and 10% FY15 through FY18. Dental and vision insurances are expected to increase by 5% for the forecast period. The insurance committee will continue to work to shop around for the best benefit at the most reasonable costs.

Patient Protection and Affordable Care Act (PPACA) Costs- the **Patient Protection and Affordable Care Act (PPACA)** commonly called **Obamacare** or the **Affordable Care Act (ACA)**, is a United States federal statute signed into law by President Barack Obama on March 23, 2010. Together with the Health Care and Education Reconciliation Act, it represents the most significant regulatory overhaul of the country's healthcare system since the passage of Medicare and Medicaid in 1965. Many of the significant provisions of the PPACA that were scheduled to be implemented by employers on January 1, 2014 were delayed until January 1, 2015 by a July 2, 2013 ruling from the IRS.

It is uncertain to what extent the implementation of PPACA will cost our district additional funds. There are numerous new regulations that potentially will require added staff time, at least initially due to increased demands, and it is likely that additional employees will be added to coverage that do not have coverage now. We are not certain what these added costs may be but there are “taxes” mandated by the act which we are aware of. The Transition Reinsurance fee due January 15, 2015, is a fee due the IRS for \$5.25 per covered member per month for the prior year (2014). This will be \$63 for each employee who had a full year of coverage in the prior year. This tax could equate to roughly a 2% annual increase in FY15. Longer-term a significant concern is the 40% “Cadillac Tax” that will be imposed in 2018 for plans whose value of benefits exceed \$10,200 for individual plans and \$27,500 for family plans. The rules and implementation of the PPACA is an ongoing issue we are watching closely to evaluate the effect on our district.

C) Workers Compensation & Unemployment Compensation

Workers Compensation is expected to increase along with wages. We have estimated unemployment at \$10,000 each year.

D) Medicare

Medicare will continue to increase at the rate of increase of wages. Contributions are 1.45% for all new employees to the district on or after April 1, 1986. These amounts are growing at the general growth rate of wages.

Summary of Fringe Benefits – Line #3.020

Source	FY14	FY15	FY16	FY17	FY18
STRS/SERS	\$1,174,422	\$1,157,987	\$1,179,482	\$1,214,305	\$1,252,570
Insurances	2,699,293	2,879,605	3,160,366	3,470,082	3,810,150
Workers Comp/Unemployment	88,400	87,796	90,778	95,291	97,034
Medicare	117,911	117,354	117,354	117,354	117,354
Other/Tuition	<u>33,500</u>	<u>33,500</u>	<u>33,500</u>	<u>33,500</u>	<u>33,500</u>
Total Line 3.020	<u>\$4,113,526</u>	<u>\$4,276,242</u>	<u>\$4,581,480</u>	<u>\$4,930,532</u>	<u>\$5,310,608</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 FY14 were used to determine this line item. Any increase for FY14 through FY18 was based on each individual budget line. It is anticipated that open enrollment out will remain flat. Costs will be controlled as much as possible in the purchased services area.

Source	FY14	FY15	FY16	FY17	FY18
Base Services	\$889,688	\$801,263	\$777,923	\$783,344	\$839,429
Tuition, CAFS Contract	471,250	466,250	471,250	481,250	491,250
Open Enrollment Deduction	2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
Community School Deductions	400,000	400,000	400,000	400,000	400,000
Utilities	438,415	451,567	465,114	479,068	493,440
Budget Reserves or (Reductions)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Line 3.030	<u>\$4,239,353</u>	<u>\$4,219,080</u>	<u>\$4,214,287</u>	<u>\$4,243,662</u>	<u>\$4,324,119</u>

Supplies and Materials – Line #3.040

The permanent appropriations were used to determine this line item. Any increase for FY14 through FY18 is based on each individual budget line. Supplies will have to be monitored closely and controlled due to our expenditures exceeding revenue.

Source	FY14	FY15	FY16	FY17	FY18
Supplies	\$801,462	\$798,878	\$832,414	\$840,648	\$874,945
Budget Reserves or (Reductions)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Line 3.040	<u>\$801,462</u>	<u>\$798,878</u>	<u>\$832,414</u>	<u>\$840,648</u>	<u>\$874,945</u>

Equipment – Line # 3.050

This line shows a variation due to the purchasing of buses and other equipment in the district. Spending in these areas is dependent strictly on need and availability of funds. Since the state discontinued providing any reimbursement for buses beginning in FY10, this expenditure must be taken from Permanent Improvement Funds. Computers and technological upgrades will be done by using set aside and federal monies. General fund monies will be restricted. Capital Improvement Set Aside funds will be used as much as possible. The district will utilize the permanent improvement funds to meet the set aside obligation as much as possible.

Source	FY14	FY15	FY16	FY17	FY18
Capital Outlay	\$319,000	\$236,500	\$236,500	\$236,500	\$241,500
Budget Reserves or (Reductions)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Line 3.050	<u>\$319,000</u>	<u>\$236,500</u>	<u>\$236,500</u>	<u>\$236,500</u>	<u>\$241,500</u>

Principal – HB264 Loans

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

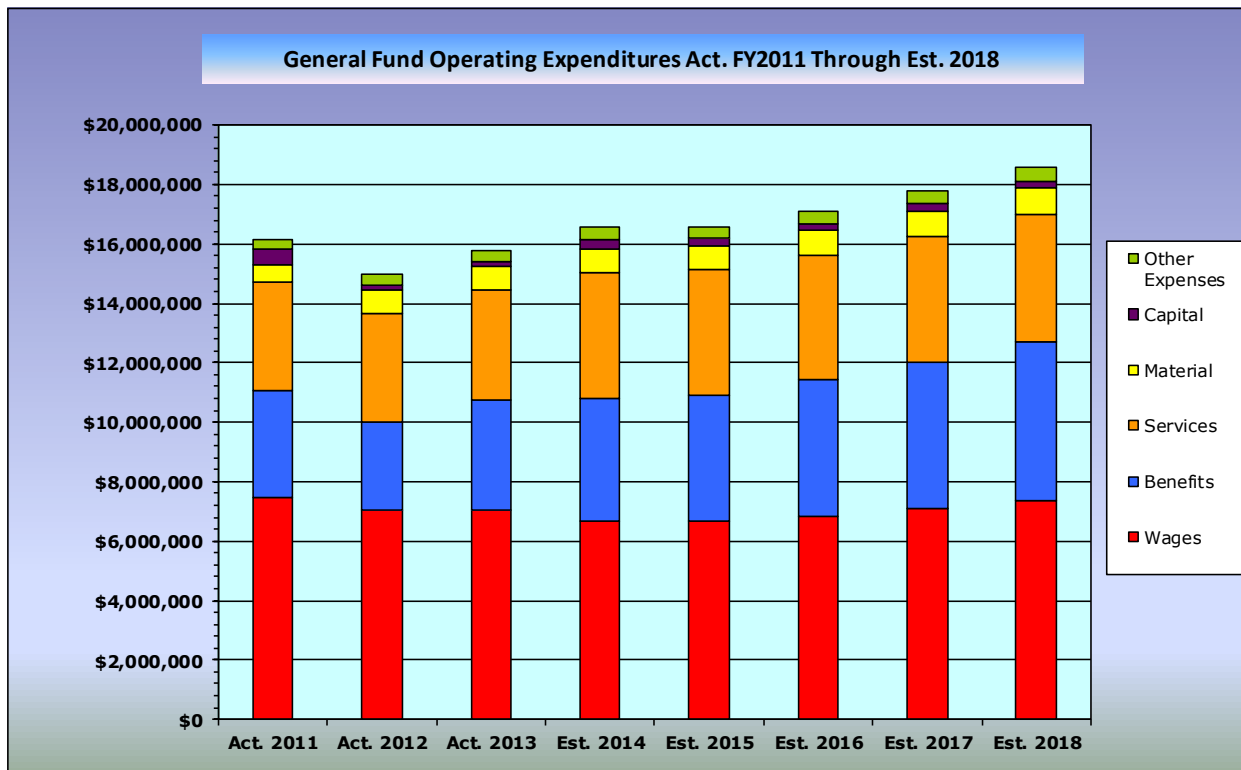
Other Expenses – Line #4.300

The category of Other Expenses consists primarily of the County ESC deductions for specialized services provided to the District and Auditor & Treasurer fees. Also any increase in local taxes will cause A&T fees to increase as more dollars are collected. Each individual budget line was reviewed. Depending on each individual line item, an increase may or may not have been projected for FY14 through FY18. Expenditures in this category will be monitored closely due to the financial condition of the district.

Source	FY14	FY15	FY16	FY17	FY18
County Auditor & Treasurer Fees	\$225,196	\$235,915	\$246,461	\$255,826	\$257,002
County ESC	65,023	68,275	71,688	75,273	79,036
Other expenses	102,981	104,010	105,051	106,101	107,162
Total Line 4.300	<u>\$393,200</u>	<u>\$408,200</u>	<u>\$423,200</u>	<u>\$437,200</u>	<u>\$443,200</u>

Total Expenditure Categories Actual FY11 through FY13 and Estimated FY14 through FY18

The graph below shows a quick overview of actual and estimated expenses by proportion to total in the General Fund.



Transfers Out/Advances Out – Line# 5.010

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

Encumbrances –Line#8.010

These are outstanding purchase orders that have not been approved for payment as the goods were not received in the fiscal year in which they were ordered. Encumbering funds is based on the financial condition of the district.

Reserve Assumptions

The district is planning a small budget reserve each of the forecast years.

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>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>
Ending Cash Balance	\$ 4,061,882	\$ 3,519,658	\$ 2,535,248	\$ 946,521	\$ (1,355,937)

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

