

HILLSBORO CITY SCHOOL DISTRICT
FIVE YEAR FORECAST
ASSUMPTION UPDATE
FY14 – FY18
Submitted May 2014

INTRODUCTION

Every year the Ohio Department of Education requires the submission of a five year forecast of revenue and expenditures for the general operating fund. This forecast is an update of what is known today and the prediction of what will happen in the future.

REVENUE ASSUMPTION:

1.01 General Property Tax (Real Estate)

General Property Tax income was \$5,284,751 in FY14, accounting for 23% of the District's total revenue. Property tax revenue estimates are based on historical growth patterns, including scheduled updates and reappraisals, and information provided for the upcoming fiscal year from the county auditor. The reader will see an increase from FY13 to FY14 due to an increase in property tax collection. You will see the forecasted amounts for FY15 to FY18 remaining the same as FY14 to offset the risk of an unstable economy.

1.02 Tangible Personal Property Tax

Tangible Personal Property Taxes are assessed against inventory and equipment owned by businesses. House Bill 66, the budget bill of 2005, phases out the tangible personal property tax as shown in 1.02. No further TPP.

1.03 Income Tax

This is a one percent tax on income. This income was \$2,420,569 in FY14, accounting for 10% of the District's total revenue. In FY12 the District's income tax increased from FY11, but decreased in FY13. FY14 had an increase of \$122,801. Due to the fluctuations year to year, the forecasted amounts for FY15 to FY18 will be held at the FY14 amount.

1.035 Unrestricted Grants in Aid

The State funding for schools is based on several factors all of which are subject to deliberation for approval of the Ohio General Assembly. This line is 54% of the District's revenue. This figure increased by \$124,092 in FY14 and \$1,367,276 in FY15 due to the State Budget for funding for School Districts. The casino revenue falls in this category. The casino revenue will be disbursed in two payments, one in July and again in January. The payments in FY14 totaled \$133,781.92 which will be used for the forecasted amounts in FY15 to FY18.

Without knowing the amounts in the next biennium, the amounts received in FY15 will be used for the forecast in the remaining years.

1.040 Restricted Grants in Aid

This line only includes Career Technical Education weighted funding and Economic Disadvantaged funding received from the state. In FY14 the District received \$791,881 and will receive \$810,877 in FY15. Restricted Grants in Aid make up 3% of the District's budget, future projections are based on flat funding.

1.45 Restricted Federal Grants-in-Aid (SFSF & Ed Jobs)

At this time we have no funding in this category.

1.05 Property Tax Allocation

The homestead and rollback reimbursements are tax credits by the State of Ohio granted to owners of real estate property. A 10% reduction in the property taxes paid by the owner is paid by the state to the school district. If the property owner occupies the property, then an additional 2.5% reduction in property taxes is paid by the state to the school district. The District received \$750,780 in FY14, and this number will be used to forecast the remaining years. Property Tax Allocation is 3% of the total revenue for the District.

1.06 All Other Revenues

This line includes open enrollment, summer school tuition, preschool tuition, interest on investments, rentals, donations, Medicaid reimbursement, and misc. receipts. This makes up 10% of the District's revenue.

The District had an increase in this line from FY13 to FY14 of \$87,825. This was due to tuitions and reimbursements. The District is forecasting the a slight decrease in FY15 due to a slight decrease in open enrollment. The remaining years will be based on the FY15 amount.

2.04 Transfer in

This category is for the OASBO pool loan that we have. The money is transferred from the bond fund to this category for the payment annually.

2.05 Advance in

This Revenue code includes advance in from other funds.

2.06

All other Financing Sources

Non-real property sale & Refund of prior year expenditure.

EXPENDITURE ASSUMPTION

3.01 Personal Services

The salaries and benefits represent 78% of the operating budget; this is well within the traditional safety range for the five year projection. As outlined by the Ohio Department of Education since schools are service oriented entities salaries and benefits represent the bulk of school district expenditures. The amounts for salaries and fringe benefits are based on existing negotiated agreements and Board approved salary schedules. In year FY14 and FY15 negotiations will show that all employees will receive at least a 2 ½% increase either due to a step increase or lump sum. Step increases are the result of employees' advancement on their respective salary schedules in terms of longevity. Beyond FY15 I have projected a step only increase.

3.02 Employee's Retirement/Insurance Benefits

This line item includes the Districts share of State Teachers Retirement System (STRS), School Employee Retirement System (SERS), Medicare, Workers Compensation, Unemployment, SERS Surcharge, tuition reimbursement and Insurances. This category is based on personal service category. Retirement amounts are directly connected to the amount paid in salaries. As salaries increase due to steps, the retirement amounts will increase as well. Over the past several years Districts have found Insurance premiums have been steadily increasing, which is also increasing the line. In FY15 the District will see a 2.25% increase in Healthcare based on the documentation provided by the Southwestern Ohio EPC.

3.03 Purchased Services

The purchase service expenditures are based on historical patterns along with careful attention to utility costs. This category is 14% of our operating budget. Some of the budget items in this area include utilities (natural gas, electric, water, sewer, phone, and garbage), computer purchased services, tuition, related services for Hopewell expenditures (speech, occupational therapy, psychological services, PT, etc), copier leases, community school, attorney fees, postsecondary expenses, and Hillsboro City School District students open enrolling to other Districts. This line item is monitored carefully. I am showing very little increase over the five year projection.

3.04 Supplies and Materials

This category reflects expenses for instructional supplies, material, textbooks, fuel, maintenance items, and all other supplies. The District is showing a large increase in this amount in FY15, then slight increases over the remaining three years. This is caused by the District decreasing their spending on textbooks in FY13 and FY14. This was due to uncertainties with regulations on the core

curriculum. Moving forward the District will be in a rotation with textbooks to prevent years with large variances.

3.05 Capital Outlay

This line includes all new and replacement equipment for the district. This area is governed by House Bill 412 and Senate Bill 345 requirements mandating purchases toward capital improvements and maintenance (set aside).

4.30 Other Objects

This line item includes Auditor and Treasurer fee's from the Highland County Auditor, Ohio Department of Taxation Auditor fees, State Auditor fee's, dues/memberships, bank fees, and the main expense is the Southern Ohio Educational Service Center fees. Historical patterns indicated flat lined expenses.

5.01 Operating Transfer Out

The transfers-out category is intended for internal accounting transactions from one fund to another to permanently move cash balances. The forecasted amount consists of cash transfers from the general fund to the 035 Termination Benefit Fund (severance fund), 002 (bond retirement fund) for the payment for the additional build on to the new high school gym, and the 003 (permanent improvement fund). The District increased transfers in FY14 due to a new track/soccer stadium at the High School. With plans for funding future projects the forecast shows the District transferring \$50,000 per month to the 003 fund for a total of \$600,000. The Bond Retirement and Termination Benefit Funds will be receiving \$150,000 making the forecasted transfers \$750,000 per year.

5.02 Advances-Out

Advances-out is an internal accounting transactions from one fund to another to move cash balances but to expect the money back in return. This is primarily used at year end to assure no negative balances in the Federal grants.

8.01 Estimated Encumbrances

The District projects a carryover for encumbrances.

CLOSING REMARKS:

The District is working hard to maintain the current budget, being proactive, and taking aggressive action in looking for ways to reduce expenses. Given the new 2 year budget the State is projecting Hillsboro City School District will receive \$795,000 additional money for FY14 (this year) and an additional \$1.5 million in FY15. Local revenues are showing a trend of increasing, but with the economic conditions over the past five years the District is going to forecast responsibly and not show increases. Capital projects and

buses will be a significant expense for the District in forecasted years, and we will be monitoring them for efficiency.

