

Hilliard City School District

Five-Year Forecast

For the Projected Years Ending

June 30, 2007 through June 30, 2011

October 2006

HILLIARD CITY SCHOOL DISTRICT - - FRANKLIN COUNTY
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES FOR THE FISCAL YEARS ENDED
JUNE 30, 2004, 2005, AND 2006 ACTUAL;
FORECASTED FISCAL YEARS ENDING JUNE 30, 2007 THROUGH 2011

	Actual			Forecasted				
	Fiscal Year 2004	Fiscal Year 2005	Fiscal Year 2006	Fiscal Year 2007	Fiscal Year 2008	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011
Revenue:								
1.010 General Property Tax (Real Estate)	52,201,638	57,800,501	68,823,120	71,342,664	72,944,126	75,349,406	77,608,122	79,571,275
1.020 Tangible Personal Property Tax	10,496,251	16,562,398	16,576,507	12,786,272	10,090,466	7,362,224	4,296,598	4,054,022
1.030 Income Tax	0	0	0	0	0	0	0	0
1.035 Unrestricted Grants-in-Aid	34,809,712	37,584,168	37,999,176	42,013,020	43,207,058	45,199,153	50,092,770	50,309,957
1.040 Restricted Grants-in-Aid	701,215	184,502	205,054	189,734	189,546	188,277	193,514	193,521
1.050 Property Tax Allocation	6,635,983	7,512,061	9,442,869	8,712,099	8,465,266	8,630,931	8,781,087	8,894,943
1.060 All Other Revenues	1,745,347	3,036,341	3,906,576	7,593,392	6,519,326	4,684,519	3,731,364	3,420,928
1.070 Total Revenues	106,590,146	122,679,971	136,953,302	142,637,182	141,415,787	141,414,509	144,703,455	146,444,647
Other Financing Sources:								
2.010 Proceeds from Sale of Notes	0	0	0	0	0	0	0	0
2.020 State Emergency Loans and Advancements	0	0	0	0	0	0	0	0
2.040 Operating Transfers-In.	0	0	10,049	0	0	0	0	0
2.050 Advances-In	179,197	335,991	446,303	100,000	0	0	0	0
2.060 All Other Financing Sources	130,404	81,894	198,839	0	0	0	0	0
2.070 Total Other Financing Sources	309,601	417,885	655,191	100,000	0	0	0	0
2.080 Total Revenues and Other Financing Sources	106,899,747	123,097,856	137,608,493	142,737,182	141,415,787	141,414,509	144,703,455	146,444,647
Expenditures:								
3.010 Personal Services	76,254,602	80,596,236	85,694,438	91,910,447	98,275,074	104,381,578	114,744,473	121,729,141
3.020 Employees' Retirement/Insurance Benefits	25,572,793	27,281,022	28,468,273	29,543,914	32,231,947	34,911,176	38,839,875	42,033,049
3.030 Purchased Services	7,436,459	7,445,594	8,673,891	9,033,671	9,412,902	9,698,326	10,642,380	10,964,823
3.040 Supplies and Materials	3,901,512	3,711,014	4,788,755	4,836,643	4,983,375	5,083,043	5,484,704	5,594,398
3.050 Capital Outlay	1,204,297	3,162,186	1,378,970	270,970	170,970	170,970	170,970	170,970
3.060 Intergovernmental	0	0	0	0	0	0	0	0
Debt Service:								
4.010 Principal-All (History Only)	0	0	0	0	0	0	0	0
4.020 Principal-Notes	0	0	0	0	0	0	0	0
4.030 Principal-State Loans	0	0	0	0	0	0	0	0
4.040 Principal-State Advancements	0	0	0	0	0	0	0	0
4.050 Principal-HB 264 Loans	0	0	0	320,000	320,000	320,000	320,000	320,000
4.055 Principal-Other	0	0	0	0	0	0	0	0
4.060 Interest and Fiscal Charges	0	0	0	24,400	34,720	24,800	14,880	4,960
4.300 Other Objects	1,272,179	2,366,740	2,701,847	2,782,902	2,866,389	2,952,381	3,040,953	3,132,181
4.500 Total Expenditures	115,641,842	124,562,792	131,706,174	138,722,947	148,295,378	157,542,275	173,258,235	183,949,523
Other Financing Uses								
5.010 Operating Transfers-Out	1,271,763	32,300	0	0	0	0	0	0
5.020 Advances-Out	0	483,249	265,902	100,000	0	0	0	0
5.030 All Other Financing Uses	0	33	9,963	0	0	0	0	0
5.040 Total Other Financing Uses	1,271,763	515,582	275,865	100,000	0	0	0	0
5.050 Total Expenditures and Other Financing Uses	116,913,605	125,078,374	131,982,039	138,822,947	148,295,378	157,542,275	173,258,235	183,949,523
6.010 Excess of Rev & Other Financing Sources over (under) Expenditures and Other Financing Uses	-10,013,858	-1,980,518	5,626,454	3,914,234	-6,879,591	-16,127,765	-28,554,780	-37,504,877
Cash Balance July 1 - Excl Proposed Renewal/ Replacement and New Levies	17,517,329	7,503,471	5,522,953	11,149,407	15,063,641	8,184,051	-7,943,715	-36,498,494
7.020 Cash Balance June 30	7,503,471	5,522,953	11,149,407	15,063,641	8,184,051	-7,943,715	-36,498,494	-74,003,371
8.010 Estimated Encumbrances June 30	0	1,841,861	1,755,602	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Reservation of Fund Balance								
9.010 Textbooks and Instructional Materials	0	0	0	0	0	0	0	0
9.020 Capital Improvements	0	0	0	0	0	0	0	0
9.030 Budget Reserve	0	0	0	0	0	0	0	0
9.040 DPIA	0	0	0	0	0	0	0	0
9.050 Debt Service	0	0	0	0	0	0	0	0
9.060 Property Tax Advances	0	0	0	0	0	0	0	0
9.070 Bus Purchases	0	0	0	0	0	0	0	0
9.080 Subtotal	0	0	0	0	0	0	0	0
10.010 Fund Balance June 30 for Certification of Appropriations	7,503,471	3,681,092	9,393,805	13,563,641	6,684,051	-9,443,715	-37,998,494	-75,503,371
Rev from Replacement/Renewal Levies								
11.010 Income Tax - Renewal	0	0	0	0	0	0	0	0
11.020 Property Tax - Renewal or Replacement	0	0	0	0	0	0	0	0
11.030 Cumulative Balance of Replacement/Renewal Levies	0	0	0	0	0	0	0	0
12.011 Fund Balance June 30 for Certification of Contracts, Salary and Other Obligations	7,503,471	3,681,092	9,393,805	13,563,641	6,684,051	-9,443,715	-37,998,494	-75,503,371
Revenue from New Levies								
13.010 Income Tax - New	0	0	0	0	0	0	0	0
13.020 Property Tax - New	0	0	0	0	0	0	0	0
13.030 Cumulative Balance of New Levies	0	0	0	0	0	0	0	0
14.010 Revenue from Future State Advancements	0	0	0	0	0	0	0	0
15.010 Unreserved Fund Balance June 30	7,503,471	3,681,092	9,393,805	13,563,641	6,684,051	-9,443,715	-37,998,494	-75,503,371
ADM Forecasts								
20.010 Kindergarten - October Count	1,148	1,137	1,155	1,167	1,190	1,210	1,235	1,262
20.015 Grades 1-12 - October Count	13,084	13,376	13,663	13,804	14,080	14,322	14,608	14,930
20.020 Kindergarten - February Count	n/a	n/a	n/a	1,167	1,190	1,210	1,235	1,262
20.025 Grades 1-12 - February Count	n/a	n/a	n/a	13,804	14,080	14,322	14,608	14,930

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See accompanying summary of significant forecast assumptions and accounting policies.

Includes: General Fund, Emergency Levy Fund, DPIA Fund, Textbook Fund and any portion of the Debt Service Fund related to General Fund debt.

Hilliard City School District

Summary of Significant Forecast Assumptions

Note 1 - Nature and Purpose of Presentation

This financial projection presents in accordance with the mandates of House Bill No. 412 (H. B. 412), the expected revenues, expenditures, and fund balance of the General Fund of the Hilliard City School District (the "District") for each of the fiscal years ending June 30, 2007 through June 30, 2011, with historical unaudited information presented for the fiscal years ended June 30, 2004, 2005, and 2006. Additionally, the Poverty Based Assistance Fund, USAS Fund Number 494, is included in the forecast, as required by H. B. 412.

A. Basis of Accounting

This financial projection has been prepared on the cash receipts and disbursements basis, which is the required basis (non-GAAP) of accounting used for budgetary purposes. Under this system, revenues are recognized when received rather than when earned, and expenditures are recognized when paid rather than when the obligation is incurred. Under Ohio law, the District is also required to encumber legally binding expenditure commitments and to make appropriations for the expenditure and commitment of funds.

B. Fund Accounting

The District maintains its accounts in accordance with the principles of "fund" accounting. Fund accounting is used by governmental entities, such as school districts, to report financial position and the results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions and activities. The transactions of each fund are reflected in a self-balancing group of accounts, which presents an accounting entity that stands separate from the activities reported in other funds. The General Fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is disbursed or transferred in accordance with Ohio law. The assumptions disclosed herein are those that the District believes are significant to the projection. However, because circumstances and conditions assumed in projections frequently do not occur as expected, and are based on information existing at the time projections are prepared, there will usually be differences between projected and actual results.

Note 2 – Description of the School District

A. The Board of Education and Administration

The Board of Education of the Hilliard City School District (the "Board") is a political and corporate body charged with the responsibility of managing and controlling the affairs of the District, and is, together with the School District, governed by the general laws of the State of Ohio (the "Ohio Revised Code"). The Board is comprised of five members who are locally elected to overlapping four-year terms.

The Board elects its President and Vice President annually, and appoints two officials: the Superintendent, who serves as the Chief Executive Officer, and the Treasurer, who serves as the Chief Financial Officer.

Hilliard City School District Summary of Significant Forecast Assumptions

B. The School District and its Facilities

Organized in the late 1800's, the Hilliard City School District serves an area of approximately 60 square miles in northwest Franklin County, including all of Norwich and Brown townships; part of Washington, Franklin and Prairie townships; the City of Hilliard; part of the cities of Columbus and Dublin; and less than one square mile in Union County.

The District currently serves more than 15,004 students in grades preK-12 through two high schools, three middle schools, two sixth-grade schools, 13 elementary schools and a preschool. About 47% of the children served reside in Columbus, 36% in Hilliard, and 17% in the townships and the City of Dublin (1/2004).

Note 3 – Revenue Assumptions

The following represents the significant assumptions made to create the revenue portion of the five-year forecast.

A. General Property Tax (Real Estate)

Property values are established each year by the County Auditor based on new construction and complete or updated values. A reappraisal update of district property values will occur in 2008 collectible in 2009. This reappraisal has been factored into the projection for district property values along with the corresponding tax reduction factors affecting outside voted millage.

For fiscal year 2007 residential/agriculture values are estimated to increase 2% with new growth. Commercial/industrial values are estimated to increase 2% with new growth.

For fiscal year 2008 residential/agriculture values are estimated to increase 2% with new growth. Commercial/industrial values are estimated to increase 4% with new growth.

For fiscal year 2009 residential/agriculture values are estimated to increase 10% with the reappraisal and increase an additional 3% with new growth. Commercial/industrial values are estimated to increase 4% with the reappraisal and increase an additional 2% with new growth.

For fiscal year 2010 residential/agriculture values are estimated to increase 2% with new growth. Commercial/industrial values are estimated to increase 4% with new growth.

For fiscal year 2011 residential/agriculture values are estimated to increase 3% with new growth. Commercial/industrial values are estimated to increase 2% with new growth.

B. Tangible Personal Property Tax

In 2005, The Ohio Legislature passed and the Governor approved legislation (H.B. 66) calling for the elimination of the general tangible personal property tax over the next four years. In 2006 the tax will be reduced 25% and an additional 25% each year thereafter. In 2009 the general tangible personal property tax will no longer exist.

For fiscal year 2007 the district will receive approximately 90% of tangible personal property taxes for tax year 2006 and 10% of tangible personal property taxes for tax year 2007. The 2007 assessment rate will decrease to 12.5%.

Hilliard City School District Summary of Significant Forecast Assumptions

For fiscal year 2008 the district will receive approximately 90% of tangible personal property taxes for tax year 2007 and 10% of tangible personal property taxes for tax year 2008. The 2008 assessment rate will decrease to 6.25%.

For fiscal year 2009 the district will receive approximately 90% of tangible personal property taxes for tax year 2008. In 2009 the tangible personal property tax will be eliminated.

For fiscal year 2010 the district will only receive public utility personal property.

For fiscal year 2011 public utility personal property values are estimated to decrease by 5.8%.

C. *Unrestricted Grants-in-Aid*

Major modifications to the state school aid formula have been implemented by the passage of H.B. 66. At this time it is not possible to simulate this funding model with total accuracy. The projections in the near term (fiscal years 2007 and 2008) are reasonably accurate. The farther out in the forecast the less reliable these numbers will be.

The major changes are as follows:

Average Daily Membership (ADM) – A full-time equivalency student count. In FY2006 and prior fiscal years ADM was based on a student count during the first full week of October. In FY2007 and future years ADM will be based on a student count during October and a second count during the third full week in February.

Cost of Doing Business (CODB) – The prior funding formula recognized that the cost to operate schools varies by region of the state. A CODB factor varied by region of the state and was multiplied by the state per pupil amount. This factor for Franklin County was 6.08% for fiscal year 2005. The new funding formula decreased the factor around the state and for Franklin County. For fiscal year 2006 it was reduced to 4.053%, in fiscal year 2007 it is reduced to 2.03% and eliminated for fiscal year 2008 and beyond.

Assessed Valuation – The assessed valuation of the school district includes real and personal property. The majority of personal property assessed value is going away with the elimination of the tangible personal property tax. It is believed that this projection accurately simulates the elimination of the tangible personal property assessed valuation on the school funding formula.

Tangible Personal Property Tax Replacement Revenues – The district is required to classify this new revenue source in this category. It is important to remember these revenues are replacing local tax revenues eliminated by H.B. 66.

For fiscal year 2007 unrestricted grants-in-aid increases approximately \$4 million from the prior year. ADM is estimated to increase by 145 students. The district would actually see a reduction in funding if not for \$3.9 million in tangible personal property reimbursement and \$312 thousand of public utility fixed rate reimbursement.

For fiscal year 2008 unrestricted grants-in-aid is estimated to increase \$1.2 million. Reimbursement for tangible personal property tax loss represents the entire increase. ADM is estimated to increase by 285 students.

For fiscal year 2009 unrestricted grants-in-aid is estimated to increase \$2 million. \$1.83 million of this increase is reimbursement for tangible personal property tax loss. ADM is estimated to increase by 250 students.

Hilliard City School District Summary of Significant Forecast Assumptions

For fiscal year 2010 unrestricted grants-in-aid is estimated to increase \$4.9 million. \$1.8 million of this increase is reimbursement for tangible personal property tax loss. ADM is estimated to increase by 296 students.

For fiscal year 2011 unrestricted grants-in-aid is estimated to increase \$217 thousand. Reimbursement for tangible personal property tax loss decreases \$730 thousand. ADM is estimated to increase by 332 students. Total ADM is estimated to be 15,428 students.

D. Restricted Grants-in-Aid

Restricted grants-in-aid are made up of the following components for fiscal year 2006:

Career tech funding, which is restricted to vocational programs at the high school level - \$75,000

School bus purchase subsidy - \$70,000

Poverty Based assistance fund - \$44,000

These funds are estimated to remain essentially unchanged through the course of the forecast.

E. Property Tax Allocation

Property tax allocations or the Homestead and Rollback include a 10% property tax rollback for all residential real property owners. In 1979, an additional 2.5% rollback was enacted for owner occupied homes. These tax credits are reimbursed to the district through the state and are calculated by applying the appropriate percentages to residential property tax collections.

F. All Other Revenues

For fiscal year 2007 all other revenues includes tuition of approximately \$245,000, investment income of approximately \$4.6 million, student fees of approximately \$902,000, rental income of approximately \$60,000, payments in lieu of taxes of approximately \$1,000,000 and other miscellaneous revenues.

For fiscal year 2008 this category will decrease with interest income decreasing by \$1.2 million as cash balances begin to decrease.

For fiscal year 2009 this category will decrease with interest income decreasing by \$1.4 million as cash balances continue to decline.

For fiscal year 2010 this category decreases with interest income falling \$1 million with continued declines in cash balance to invest.

For fiscal year 2011 this category will decrease \$310,000 as a payment in lieu of taxes from a local business is paid off in the prior year.

G. Other Sources

Advances from the General Fund are required to eliminate deficit balances in other funds of the district. The funds are required to pay back these advances. These normally will be an immaterial item and none are estimated to be material through the balance of the forecast.

Hilliard City School District
Summary of Significant Forecast Assumptions

Note 4 – Expenditure Assumptions

The following represents the significant assumptions made to create the expenditure portion of the five-year forecast.

A. *Personal Services*

The personal services category represents all salaries and wages for the employees of the school district paid from the General Fund. Current negotiated agreements with certificated and classified unions are factored into this projection.

For fiscal year 2007 all wages are projected to increase 3.67% with an average step increase of 3%. With increased student enrollment the hiring of additional staff at a cost of \$450,000 is anticipated.

For fiscal year 2008 all wages are projected to increase 3.0% with an average step increase of 3%. With increased student enrollment the hiring of additional staff at a cost of \$400,000 is anticipated. A new elementary school is projected to come on line this year with additional salary costs of approximately \$750,000.

For fiscal years 2009 all wages are projected to increase 3% with average step increases of 3%. With increased student enrollment the hiring of additional staff at a cost of \$510,000 is anticipated.

For fiscal year 2010 all wages are projected to increase 3% with average step increases of 3%. With increased student enrollment the hiring of additional staff at a cost of \$400,000 is anticipated. A third high school in the district will open in 2010 with additional staff costs of \$4 million anticipated.

For fiscal years 2011 all wages are projected to increase 3% with average step increases of 3%. With increased student enrollment the hiring of additional staff at a cost of \$400,000 is anticipated.

B. *Employees' Retirement/Insurance Benefits*

The two largest items in this category are employee health insurance costs and employee pension costs. Contributions to the State Teachers Retirement System and the School Employees Retirement System are 14% of employee salaries and wages. Health insurance costs are flat for fiscal year 2007 and half of fiscal year 2008. After the first half of 2008 health insurance costs are estimated to increase 10% annually. Costs for additional employees hired are factored into this category. See personal services for a breakdown of the new staff by fiscal year.

C. *Purchased Services*

Expenditures in this category include but are not limited to all district utilities, maintenance and repairs, charter school payments, autism scholarships, payments to other public entities for Hilliard students attending school at these other entities, property and liability insurance premiums, postage and data processing services.

Last year utilities represented the segment of purchased services with the greatest uncertainty. Utilities have now stabilized somewhat. Natural gas will cost less this year at an estimated cost of \$813,000. This will result from energy improvements such as boiler replacements and reduced costs for natural gas. Electric usage costs are estimated to increase 3% for an approximate cost of \$1.83 million. We believe the 3% increase in estimated electrical costs will be sufficient because rates are not increasing as significantly as last year and decreased electrical usage because of energy improvements district wide. The forecast assumes that utilities will increase at 3% annually after FY07. Additional utility costs are also factored into the forecast for the new elementary opening in fiscal year 2007 and the new high school in fiscal year 2010.

Hilliard City School District Summary of Significant Forecast Assumptions

The next segment of purchased services with a great deal of uncertainty, includes payments to charter schools, payments to other public entities educating Hilliard students and autism scholarships. In fiscal year 2006 the district paid \$1.27 million to charter schools. The forecast assumes that the number of district students attending charter schools does not significantly increase through the balance of the forecast. For fiscal year 2007 the cost is estimated to be \$1.26 million. Payments to other public entities such as other school districts in the state and the Franklin County Board of Mental Retardation and Developmental Disabilities and payments for Autism scholarships accounted for \$881,400 of expenditures for fiscal year 2006. For fiscal year 2007 these expenditures are estimated to increase 22% to \$907,800. After fiscal year 2007 it is estimated that these expenditures will increase at 3% annually.

All other expenditures in this category are estimated to increase every year at 3%.

D. Supplies and Materials

Last year the cost of vehicle fuel for the district increased 57% for a total cost of \$638,000. This year fuel prices have decreased somewhat to the point that an inflation factor of 1% for supplies and materials is assumed for fiscal year 2007. An annual inflation rate of 2% is estimated for future years in this category. Additional supplies and materials are forecasted for the opening of a new elementary in fiscal year 2008 and the new high school in fiscal year 2010.

E. Capital Outlay

The district passed a 2 mill permanent improvement levy in May of 2006. For fiscal year 2007 and forward most capital outlays will take place in the permanent improvement levy fund. Most expenditures in this category are restricted grants funds to be used for bus purchases and vocational education purchases.

F. Other Objects

In fiscal year 2006 this category was over \$2.7 million in expenditures. The largest item in this category is \$998,000 for payment to the Columbus City Schools for the Win-Win agreement. Also included in this category are County Auditor & Treasurer fees, which for fiscal year 2007 are estimated to be \$970,000, county board of education fees which are estimated to be \$485,000, a capital lease payment of \$185,000 for copiers, and other miscellaneous expenditures.

Auditor and treasurer fees will increase sharply anytime a new operating levy is collected. New construction will also cause these auditor and treasurer fees to increase as additional tax dollars are collected. To account for this growth and other increases in this category increases of 3% annually are factored into the forecast.

Note 5 – Other

A. Encumbrances

Encumbrances are outstanding purchase orders that have not been approved for payment, as goods were not received in the fiscal year in which they were ordered. For this forecast the assumption is made that encumbrances will remain steady around \$1.5 million annually.

B. Ending Unencumbered Cash Balance

This amount cannot go below \$0 or the district general fund will be in violation of Ohio budgetary laws. Any multi-year contract, which is knowingly signed and will cause a negative unencumbered cash balance is a violation of Ohio Revised Code 5705.412 and is punishable by a personal fine of \$10,000.