

HUDSON CITY SCHOOLS

FINANCIAL REPORT
May 2018 Five-Year Forecast Update

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MAY 17, 2018
BOARD OF EDUCATION MEETING

EXECUTIVE SUMMARY OF THE FIVE-YEAR FORECAST

The May Update of the Five-Year Forecast for Hudson City School District for the period ending June 30, 2022, is respectfully submitted for your approval. This report outlines the status of the district's finances for the future and conforms to the reporting requirements established by the Ohio Department of Education and the Ohio Auditor of State.

The Five-Year Forecast is intended to be a fluid and adaptable document. Changes over time are expected with fluctuations in the economy.

The forecast covers only the general fund and is a useful document, but only represents approximately 67% of the organization's financial transactions.

The Five-Year Forecast financial projection is required by Section 5705.391 of the Ohio Revised Code to provide a method for Hudson City School District Board of Education, the Ohio Department of Education, and the Ohio Auditor of State to identify whether the school district may be facing financial difficulty over the next five years. The Auditor of State's Office and the Department of Education have designed the format of this projection. Responsibility for the preparation of the projection and the accuracy of reasonableness of the assumptions on which these projections are based rests with the Hudson City School District Administration and the Board of Education.

Nature and Limitations of the Forecast

The financial forecast presents, to the best knowledge and belief of the Hudson City School District Board of Education, the expected revenues, expenditures, and operating balance of the general fund. Accordingly, the forecast reflects the Board's judgment of the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

The fiscal year 2018's financial numbers through April on the updated forecast are actual data, May and June are projected. Fiscal year 2019's revenue in both general property tax and tangible personal property has been adjusted. Fiscal year 2020, 2021 and 2022's assumptions remain the same as October 2017.

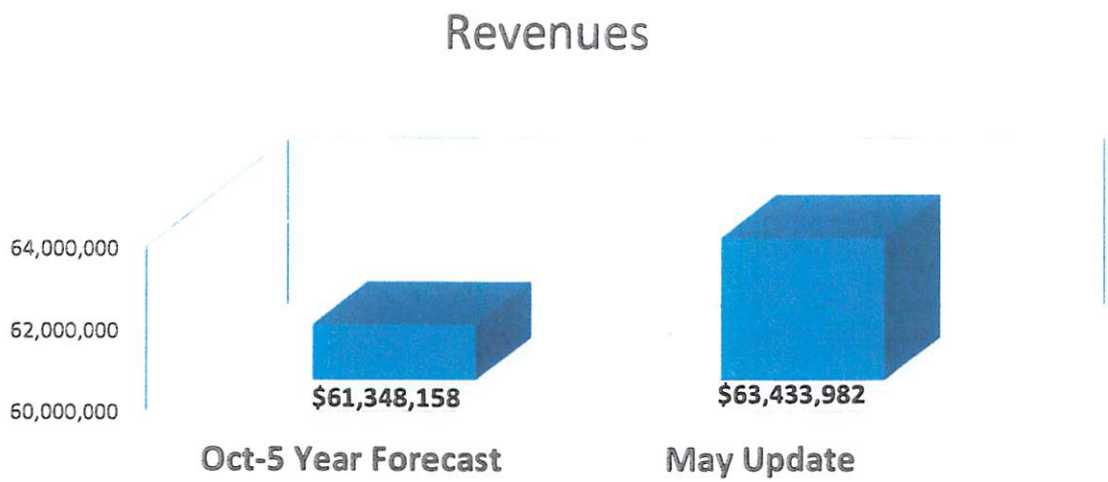
Operating Revenue Update

The general property tax numbers are actual figures as we have received our tax settlement for this current fiscal year. The 2018 real estate is higher than projected on the October forecast and lower for fiscal year 2019.

The federal government made changes to limit the deductibility of property taxes as well as state and local income taxes beginning in tax year 2018. Through 2017, there was generally no deductibility limit.

In response to the federal tax law changes, taxpayers who had the cash available pre-paid their entire 2018 tax bill prior to January 1, 2018. This would allow the taxpayers to deduct the full amount of these tax payments on their 2017 federal tax returns.

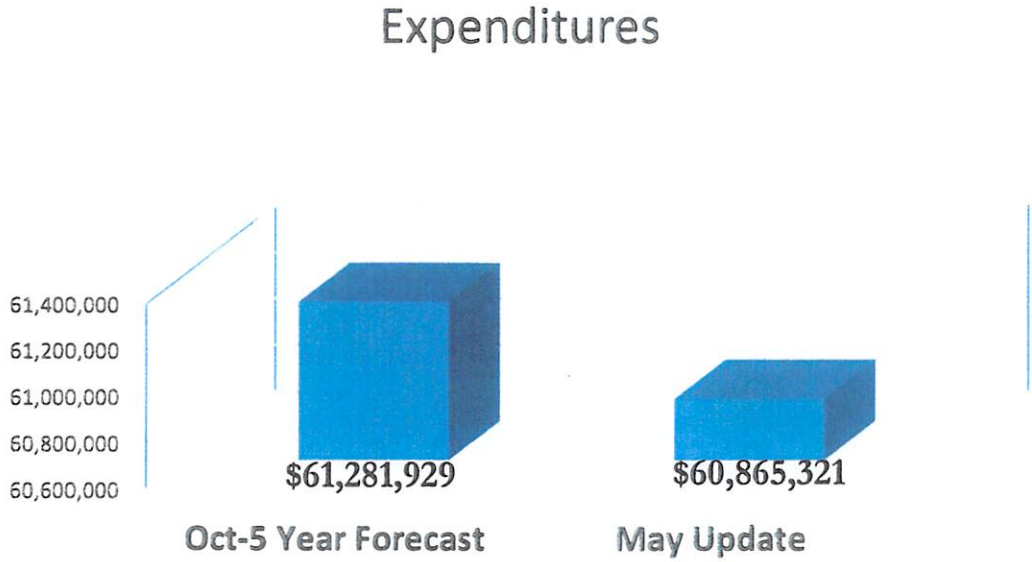
As a result our first half 2018 real property tax collections are up more than had been projected. This also means that in fiscal year 2018/2019 the collection will be lower than projected because of the prepayment. The Summit County Fiscal Office said our prepayment amount was approximately one million in general property tax and 214,000 in tangible personal property tax. We will keep a close eye on this projection for the October 2018 forecast.



Operating Expenditure Update

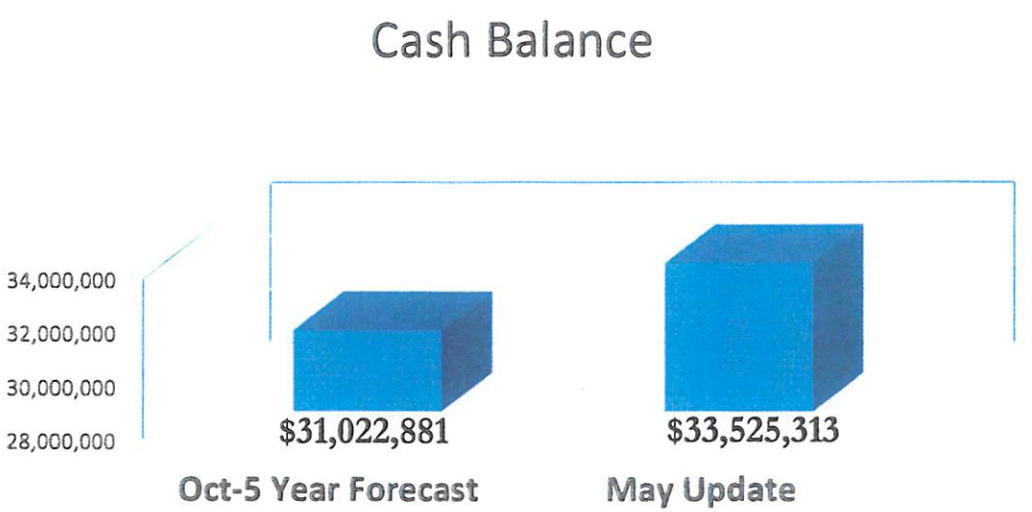
Total operating expenditures are lower than October's projected amounts. Salaries and benefits were projected higher than actual to date.

Total expenditures have a variance of $ 416,608, a .68% decrease under projected. We will continue to watch expenditures to maintain a high level of control.



Cash Balance

May and June numbers are still projected; therefore the final numbers for the fiscal year will vary slightly. When looking over the forecast update, the results are as desired. Revenue came in higher than projected and expenditures are lower than expected. The impact on our cash balance is a **8.07%** variance.



When looking at our cash balance, we need to keep in mind the real estate prepayments and the volatility of the state foundation because we are on the guarantee. We need to advocate with our legislators to hold our funding at our current level. I will reflect any and all changes in funding on the October 2018 forecast.

We have worked hard to maintain our fiscal procedures and will continue to watch all expenditures and carefully watch revenue changes as they occur.

Hudson City Schools

Summit

Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Years Ended June 30, 2015, 2016 and 2017 Actual;
Forecasted Fiscal Years Ending June 30, 2018 Through 2022

		Actual				Forecasted				
		Fiscal Year 2015	Fiscal Year 2016	Fiscal Year 2017	Average Change	Fiscal Year 2018	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal Year 2022
	Revenues									
1.010	General Property Tax (Real Estate)	$40,339,618	$41,170,679	$40,838,284	0.6%	$43,487,728	$41,218,355	$42,609,603	$43,009,310	$43,412,149
1.020	Tangible Personal Property Tax	601,458	638,244	682,166	6.5%	959,673	552,643	790,416	815,021	842,237
1.030	Income Tax									
1.035	Unrestricted State Grants-in-Aid	10,426,101	10,538,356	10,578,927	0.7%	10,528,776	10,567,676	10,348,861	9,925,779	9,323,246
1.040	Restricted State Grants-in-Aid	897,808	490,375	604,622	-11.0%	429,084	333,769	333,770	333,773	333,773
1.045	Restricted Federal Grants-in-Aid - SFSF									
1.050	Property Tax Allocation	6,916,103	6,699,328	6,399,684	-3.8%	5,426,109	5,218,528	5,256,810	5,312,086	5,368,439
1.060	All Other Revenues	1,608,385	1,840,390	2,151,483	15.7%	2,375,280	1,973,859	1,963,711	1,953,861	1,939,313
1.070	*Total Revenues*	60,789,473	61,377,372	61,255,166	0.4%	63,206,650	59,864,830	61,303,171	61,349,830	61,219,157
	Other Financing Sources									
2.010	Proceeds from Sale of Notes									
2.020	State Emergency Loans and Advancements (Approved)									
2.040	Operating Transfers-In									
2.050	Advances-In									
2.060	All Other Financing Sources	412,460	41,144	64,915	-16.1%	227,332	60,000	60,000	60,000	60,000
2.070	*Total Other Financing Sources*	412,460	41,144	64,915	-16.1%	227,332	60,000	60,000	60,000	60,000
2.080	*Total Revenues and Other Financing Sources*	61,201,933	61,418,516	61,320,081	0.1%	63,433,982	59,924,830	61,363,171	61,409,830	61,279,157
	Expenditures									
3.010	Personal Services	33,288,762	33,826,763	34,408,703	1.7%	35,389,038	36,924,494	38,108,433	39,351,615	40,634,866
3.020	Employees' Retirement/Insurance Benefits	11,593,631	11,789,879	12,276,445	2.9%	13,151,790	13,930,079	14,775,069	15,681,838	16,651,407
3.030	Purchased Services	7,744,473	7,583,647	7,753,074	0.1%	8,521,051	8,680,645	9,012,983	9,360,369	9,723,523
3.040	Supplies and Materials	1,781,883	1,613,805	1,521,501	-7.6%	1,618,934	1,932,770	1,981,250	2,031,249	2,082,817
3.050	Capital Outlay	140,505	103,758	319,576	90.9%	334,326	152,086	155,128	158,230	161,395
3.060	Intergovernmental					17,532				
	Debt Service:									
4.010	Principal-All (Historical Only)	345,000	345,000	350,000	0.7%					
4.020	Principal-Notes									
4.030	Principal-State Loans									
4.040	Principal-State Advancements									
4.050	Principal-HB 264 Loans					350,000	370,000	375,000	390,000	400,000
4.055	Principal-Other									
4.060	Interest and Fiscal Charges	83,703	76,003	67,510	-10.2%	41,212	49,234	38,452	26,790	14,687
4.300	Other Objects	902,358	853,236	833,391	-3.9%	879,883	982,756	1,003,670	1,025,086	1,047,019
4.500	*Total Expenditures*	55,880,315	56,192,091	57,530,200	1.5%	60,303,766	63,022,064	65,449,985	68,025,177	70,715,714
	Other Financing Uses									
5.010	Operating Transfers-Out	426,000	561,000	561,000	15.8%	561,555	526,000	526,000	526,000	526,000
5.020	Advances-Out									
5.030	All Other Financing Uses	20	72	200	218.9%		1,000	1,000	1,000	1,000
5.040	*Total Other Financing Uses*	426,020	561,072	561,200	15.9%	561,555	527,000	527,000	527,000	527,000
5.050	*Total Expenditures and Other Financing Uses*	56,306,335	56,753,163	58,091,400	1.6%	60,865,321	63,549,064	65,976,985	68,552,177	71,242,714
6.010	*Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses*	4,895,598	4,665,353	3,228,681	-17.7%	2,568,661	3,624,234-	4,613,814-	7,142,347-	9,963,557-
7.010	Cash Balance July 1 - Excluding Proposed Renewal/Replacement and New Levies	19,167,020	24,062,618	28,727,971	22.5%	31,956,652	34,525,313	30,901,079	26,287,265	19,144,918
7.020	*Cash Balance June 30*	24,062,618	28,727,971	31,956,652	15.3%	34,525,313	30,901,079	26,287,265	19,144,918	9,181,361
8.010	*Estimated Encumbrances June 30*	1,201,357	1,000,000	1,000,000	-8.4%	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
	Reservation of Fund Balance									
9.010	Textbooks and Instructional Materials									
9.020	Capital Improvements									
9.030	Budget Reserve									
9.040	DPIA									
9.045	Fiscal Stabilization									
9.050	Debt Service									
9.060	Property Tax Advances									
9.070	Bus Purchases									
9.080	*Subtotal*									
10.010	*Fund Balance June 30 for Certification of*	22,861,261	27,727,971	30,956,652	16.5%	33,525,313	29,901,079	25,287,265	18,144,918	8,181,361
	Revenue from Replacement/Renewal Levies									
11.010	Income Tax - Renewal									
11.020	Property Tax - Renewal or Replacement									
11.300	Cumulative Balance of Replacement/Renewal Levies									
12.010	*Fund Balance June 30 for Certification of Contracts, Salary Schedules and Other Obligations*	22,861,261	27,727,971	30,956,652	16.5%	33,525,313	29,901,079	25,287,265	18,144,918	8,181,361
	Revenue from New Levies									
13.010	Income Tax - New									
13.020	Property Tax - New									
13.030	Cumulative Balance of New Levies									
14.010	Revenue from Future State Advancements									
15.010	*Unreserved Fund Balance June 30*	22,861,261	27,727,971	30,956,652	16.5%	33,525,313	29,901,079	25,287,265	18,144,918	8,181,361
	ADM Forecasts									
20.010	Kindergarten - October Count									
20.015	Grades 1-12 - October Count									
	State Fiscal Stabilization Funds									
21.010	Personal Services SFSF									
21.020	Employees Retirement/Insurance Benefits SFSF									
21.030	Purchased Services SFSF									
21.040	Supplies and Materials SFSF									
21.050	Capital Outlay SFSF									
21.060	*Total Expenditures - SFSF*									

See accompanying summary of significant forecast assumptions and accounting policies
Includes: General fund, Emergency Levy fund, DPIA fund, Textbook fund and any portion of Debt Service fund related to General fund debt