

Hilliard Board of Education

Audit and Accountability Committee
February 14, 2011



Agenda

- **Assessment of State Auditor's Report**
- **Comparison of Fiscal Years 2008 and 2011**
- **Review of the 2010 Five-Year Forecast**

Assessment of State Auditor's Report

- **Committee reviewed the June 30, 2010 Audit Report and management letter**
 - **Unqualified (“clean”) opinion on FY ‘10 financials**
 - **No deficiencies in internal controls**
 - **Management Letter had only one comment that has been corrected**
- **Committee met with an Auditor of State's office representative**
 - **No issues were noted**
 - **The auditor was very complimentary toward the treasurer and his staff**

Comparison of Fiscal Years 2008 and 2011

- **In Nov 2008, 53% of the HCSD voters approved a 6.9 mill levy estimated to raise \$16.3 million**
- **Administration estimated this millage could provide adequate resources for two years**
- **Fall of 2010 Administration announced that a levy would not be placed on the ballot until May 2011, stretching 2008 levy an additional year**
 - **Personnel reductions made in both FY 2009 and FY 2011**
 - **Reduced growth rate of health insurance costs through self-insuring and cost sharing**



Comparison of FY2008 & FY2011

- **Committee used 5 Year Forecast provided by District Treasurer to School Board in October 2010.**
- **Compared Actual FY2008 data to Estimated FY2011 data to determine variance during time period reviewed.**

Comparison of FY2008 & FY2011 Revenue - Real Estate Taxes

- **FY2008**
 - \$71.7 million
- **FY2011**
 - \$90.2 million
- **Difference**
 - \$18.5 million **increase** (25.8%)
 - Variance between levy estimate of \$16.3 million and \$18.5 million increase
 - New property built in the District
 - Property reappraisals

Comparison of FY2008 & FY2011 Revenue - Tangible Personal Property

- **FY2008**

- \$9.6 million

- **FY2011**

- \$3.8 million

- **Difference**

- \$5.8 million **decrease** (60.2%)

- **Variance**

- **Elimination of Tangible Personal Property Tax**
- **State offset of TPP (reflected under state aid)**
 - HCSD received \$12 million in FY2011
 - Supplement decreasing \$5.6 million in FY2014
 - Supplement eliminated by FY2017

Comparison of FY2008 & FY2011 Revenue - State & Federal Aid

- **FY2008**

- \$52.1 million

- **FY2011**

- \$58.6 million

- **Difference**

- \$6.5 million **increase** (12.4%)

- **Variance**

- Unrestricted Grants (state aid) decreased \$3.4 million.
- Property Tax Allocations (Homestead & Rollback) increased by \$7.5 million.
- Restricted Grants (federal aid) increased \$2.4 million - stimulus programs funded in late 2010.

Comparison of FY2008 & FY2011 Revenue - All Other

- **FY2008**
 - \$9.3 million
- **FY2011**
 - \$3.9 million
- **Other**
 - Tuition, Interest Income, Class Fees, and Compensation for Tax Abatements
- **Difference**
 - \$5.4 million **decrease** (57.9%)
 - **Variance**
 - Lower Interest Income

Comparison of FY2008 & FY2011 Revenue - Summary

- **FY2008**

- \$142.8 million

- **FY2011**

- \$156.6 million

- **Difference**

- \$13.8 million **increase** (9.7%)

- **Variance**

- Tangible Personal Property Tax & Interest Income
- Proportion of funding provided by State remained unchanged at 37%
- Proportion of funding from local taxpayers increased 3 percentage points to 60%

Comparison of FY2008 & FY2011 Expenses - Salaries & Benefits

- **FY2008**

- \$128.4 million

- **FY2011**

- \$142.4 million

- **Difference**

- \$14.0 million **increase** (10.9%)

- **Variance**

- Employee raises (step, longevity, & cost of living) & associated benefit cost increases.
 - FY2008 - Salaries & Benefits - 87.7% Expenses
 - FY2011 - Salaries & Benefits - 87.9% Expenses

Comparison of FY2008 & FY2011 Expenses - Purchased Services

- **FY2008**

- \$9.8 million

- **FY2011**

- \$11.3 million

- **Difference**

- \$1.5 million **increase** (15.7%)

- **Variance**

- Increase in utility costs
 - Increase in charter school payments
 - Increase in Autism scholarship payments

Comparison of FY2008 & FY2011 Exp. – Supplies, Capital & Other

- **FY2008**

- \$8.1 million

- **FY2011**

- \$8.2 million

- **Difference**

- \$0.1 million **increase** (0.01%)

- **Variance**

- \$96 thousand decrease in Supplies & Materials
- \$89 thousand decrease in Capital Outlay
- \$266 thousand increase due to cost of property tax collections and Win-Win Agreement.

Comparison of FY2008 & FY2011 Expenses - Summary

- **FY2008**
 - \$146.4 million
- **FY2011**
 - \$162.0 million
- **Difference**
 - \$15.6 million **increase** (10.6%)
 - **Variance**
 - **Salaries and Benefits**
 - 89.6% of HCSD expense increase attributed to Salaries and Benefits

Comparison of FY2008 & FY2011

- **Revenue -**
 - \$13.8 million increase
 - 9.7% increase
- **Expenses -**
 - \$15.5 million increase
 - 10.6% increase
- **CPI - .5% decrease for time period**
- **HCSD Enrollment -**
 - FY2008 - 15,150; FY2011 - 15,503
 - 353 (2.3%) increase

Review of the 2010 Five-Year Forecast

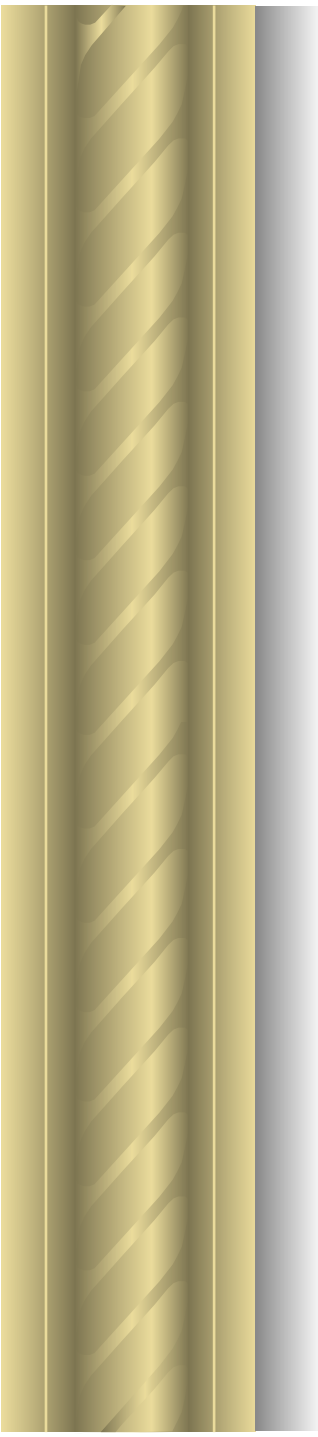
	2011	2012	2013	2014	2015
Revenues	\$156,556	\$154,632	\$154,183	\$151,508	\$153,250
Expenditures	161,966	166,682	175,949	183,279	191,289
(Deficit)	<u>\$(5,410)</u>	<u>\$(12,049)</u>	<u>\$(21,766)</u>	<u>\$(31,771)</u>	<u>\$(38,039)</u>
Assume Levy	-	7,700	15,400	15,400	15,400
Pro Forma (Deficit)		\$ (4,349)	\$ (6,366)	\$ (16,371)	\$ (22,639)

- Large future deficits (future levy revenue cannot be included by law)
- Total revenues decrease from 2011 to 2015 or negative 0.5%
- Expenses increase nearly \$30 million (4.2% annually)
- The levy would raise a little over \$15 million
- The District would be deficit spending each year

Review of the 2010 Five-Year Forecast – continued

Revenue Assumptions

- **Residential / agricultural appraisals will be lowered 8%**
 - Based upon recent county auditor data
 - New property growth assumed to increase at slower rates than prior year forecast.
 - Combined impact is \$3.6 million.
- **10% decrease in 2012 State funding (approx \$3.5 mm)**
 - Difficult to predict outcome of political events
 - Cuts could be higher.
 - Partially offset by Federal stimulus funding in 2012



Review of the 2010 Five-Year Forecast – continued

Expenditure Assumptions

- **1% 2011 increase is due to projection difference. Other assumption changes are both up and down.**
- **Employee Benefits decreased from 10% to 8% due to self-insurance and new wellness program**
- **Purchased Services assume a \$400,000 reduction in natural gas charges and a lower inflation rate 2013 through 2015**
- **Enrollment is projected to increase approximately 1% annually**

Conclusions

- **Strong results from the audit**
 - No negative findings on audit report
 - One Management Letter comment already addressed
- **Continued financial challenges apparent when comparing 2008 to 2011**
 - Strong expense management postponed the levy
 - Revenue and expense growth do not match up long-term
- **Forecast**
 - Accurately predicts when a levy is necessary
 - Shows the results of expense improvements made over the last three years
 - Assumes continued pressure on revenue from both property taxes and state funding
 - The levy does not address long-term funding deficit