

**ASHLAND CITY SCHOOL DISTRICT
ASSUMPTIONS FOR FIVE-YEAR FINANCIAL FORECAST
PROJECTED FISCAL YEARS ENDING JUNE 30, 2012 THROUGH 2016
May 2012**

The Five-Year Financial Forecast is submitted by Gina Deppert, Treasurer with Ashland City Schools. Mrs. Deppert has been with Ashland City Schools since October 1, 2008. The Board of Ashland City Schools will continue to monitor the assumptions presented for future updates.

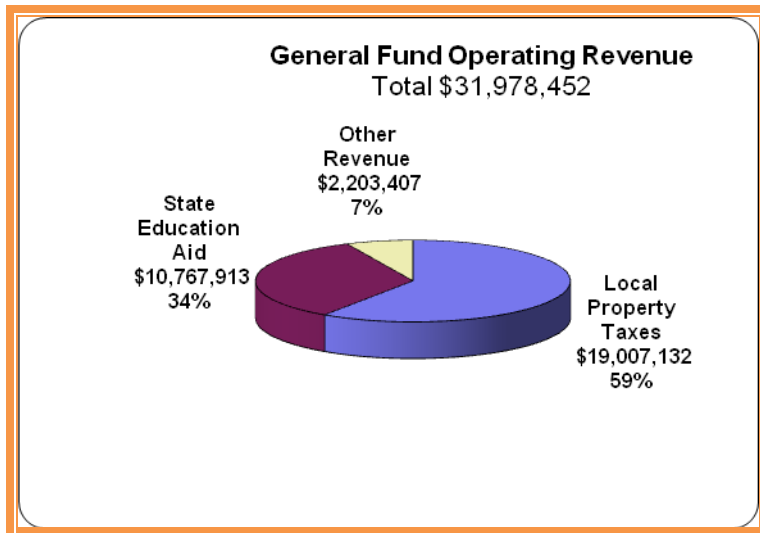
Fiscal Year 2011 (2011-12 School Year) Review:

Due to excessive factors impacting the economic conditions nationally and locally, Ashland City Schools received stimulus dollars. These funds were receipted as part of General Fund revenue and are included in the financial forecast as line 1.045. The only stimulus funds remaining for the 2011-12 school year are EDJOBS funds in the amount of \$386,012.07. The total carryover for General Fund budget was \$8,529,656. Included in the carryover was \$125,596.76 of stabilization monies and \$11,554.69 of EDJOBS funds. The stabilization monies were expended for summer salaries (2011) in July and August. EDJOBS will continue as mentioned previously, through the 2011-2012 school year and will supplement general fund salaries.

The Ashland City School District's Five-Year Financial Forecast dated May 2012, for projected fiscal years ending June 30, 2012 through 2016, represents the District's best estimate of revenues and expenditures for the general operating fund of the District. The forecast is used as a planning tool. State law requires filing the forecast with the Ohio Department of Education twice each year (May and October). Because of the changing nature of school finance and other economic factors, this forecast is fluid and subject to change. Estimates are made based on what is considered sound but conservative assumptions.

REVENUES

Summary of FY11 Revenue:



LINE 1.010--General Property Tax (Real Estate). General Property Tax revenue estimates are based on historical growth patterns, including scheduled reappraisals and updates. Estimates for the current fiscal year are based on information provided from the county auditor. Due to slowness in the economy and extensive discussions with the Ashland County Auditor, projected growth in valuations are kept to a minimum with some negative factors included. Future years reflect annual growth in Real Estate tax revenues, based on historical trends, property valuations

and research with the Ashland County Auditor's office. Ashland County experienced a decline in valuations for calendar year 2011. This impacted valuations for the district, reducing values approximately 7%. The projections include flat growth in valuations, with new construction held at a .30% increase. If the economy rebounds, the projections will include adjustments to reflect the changes. Delinquent collections increased approximately 17% for the first half of collections for FY12.

Real Estate increases are also projected based upon settlements from Board of Revisions (complaints filed for valuation/tax reductions), and small delinquency collections. There are at least two entities disputing a Board of Revision settlement and both are delinquent in tax payment. Even though a property owner/or company is challenging their tax payments with the Board of Revisions, they are still obligated to make payment. In addition, collection split between fiscal years as well as collection rate are important and can impact the amount of revenue collected.

Line 1.020 Tangible Personal Property Tax

Tangible Personal Property Tax revenues consist of payments from public utility property. This tax was phased out from HB66, and Ashland City Schools will no longer receive payment from these collections. Effective FY12, the utility reimbursement will also be phased out and is included in the financial forecast. The remaining collections projected contain the values from the personal property utilities.

LINE 1.035 –Unrestricted Grants-in-Aid

Unrestricted revenue includes monies received from the BRIDGE funding model. The BRIDGE funding moves away from the Ohio Evidence Based Model. For the October version of the financial forecast, the BRIDGE funding worksheet, Ashland City Schools was estimated to receive \$9,889,317.02. The unrestricted funds have been reduced for FY12 to \$9,767,513. The district receives preschool unit and special education transportation funds that are reflected in this category. This includes vocational funds in the amount of \$125,316.91. Projected revenues are held flat for unrestricted funds.

As each biennium is passed, unrestricted funds may be altered. All necessary adjustments will be made in accordance to all future biennium budgets. If the state budget reduces the state revenue with Ashland City Schools, the financial forecast will be modified to reflect all potential increases/decreases. It is uncertain at this time, the magnitude the district may endure with potential future reductions.

LINE 1.040--Restricted Grants-in-Aid and EDJOBS funds. The district is projected to receive \$125,316.91 for vocational funds. This allocation will be reduced from the Bridge worksheet report with the Ohio Department of Education under unrestricted funds and posted as unrestricted. The estimate based upon the October worksheet is subject to change dependent upon enrollment numbers reported.

The Education Jobs Fund (Ed Jobs) was included as part of federal legislation passed on Aug. 10, 2010. The program provides \$10 billion for states to save or create education jobs. Ashland City Schools will continue to receive funds for FY12, in the amount of \$400,168.14 (adjustment from October 2012 \$386,012.07). The EDJOBS funds are to be spent at the conclusion of September 30, 2012. At this time, the funds are included under restricted grants through FY12.

LINE 1.050--Property Tax Allocation. The growth in this revenue category parallels the anticipated growth and decline in property taxes and follows historical patterns.

Beginning in Fiscal Year 2006, the District began receiving cash reimbursements from the state, to hold the District harmless from the elimination of the Tangible Personal Property Tax. These reimbursements are reflected on this line. This is not new money, just a reallocation from line 1.020.

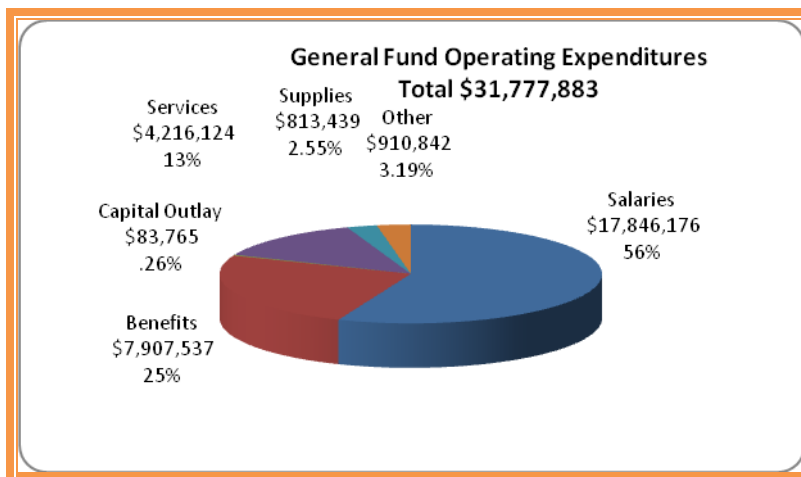
The current budget (H.B. 153) for FY12-FY13 has accelerated the elimination of the TPP adjustment for Ashland City Schools. Ashland City Schools is predicted to be held at a 2% reduction cap and the projections include direct payment. This reduction is approximately \$578,000 less for FY12, and FY13.

LINE 1.060--All Other Revenues. The District has entered into a number of Compensation Agreements connected with property abatements in Ashland County. This amount is included in Line 1.060. This line also includes interest on district investments, and other miscellaneous revenues. Investment earnings are projected to decline in future years due to the decline in projected ending cash balances which provide the principal for investments. Due to economic conditions, projections for this category have been kept conservative.

LINES 2.040 through 2.070--All Other Financing Sources. These lines follow historical trends (transfers in, advances in, refunds from prior fiscal years). Various funds may need advances and transfers etc... to cover year end balances; such as, Food Service Fund, Uniform Supply Fund (student fees) etc...In addition, Ashland City Schools has been approved to receive, through the American Recovery Reinvestment Act, stimulus monies for federal awarded programs.

EXPENDITURES

Summary of FY11 Expenditures:



LINE 3.010--Personal Services. The District has negotiated agreements with two employee associations: the Ashland City Teachers Association (ACTA), whose agreement expires on 6/30/2013, and the Ohio Association of Public School Employees Local #233 (OAPSE), which reached a new agreement through 12/31/2012.

Calculations for Personal Services (salaries) for the current fiscal year are based on the collective bargaining units in place. Historical trends are used for variable areas such as substitute costs, overtime, unpaid personal leave, severance pay, and others. All retirements may impact this line item; thus, leading to a modification of this category.

The Board of Education has approved to close the Lincoln Elementary building at this time beginning with the 2012-13 school year. Due to the building closure and realignment, reductions are being reviewed beginning with the 2012-13 school year.

Reductions are forecasted in FY13 with the closure of one elementary building and elementary reconfiguration. The total salary reductions are approximately \$1,466,000.00. Beginning with FY14, additional positions have been identified for reductions. These positions are modeled in the five year financial forecast. The projected years beyond FY14 include reductions through savings from replacement of retirements. The forecast includes a step increase for all projected years.

LINE 3.020--Employees' Retirement/Insurance Benefits. This line item is based on existing negotiated agreements, employee benefit plans and historical patterns. This category includes retirement contributions, Medicare, medical/dental/vision, life, workers' compensation, SERS surcharge, and unemployment compensation. Any negotiated salaries will also impact this expenditure category.

Healthcare plan changes have been settled with both associations and are included in the projections of the financial forecast. Reductions in staff beginning with FY13 are included; impacting the retirement and benefits. The projected savings are approximately \$357,000. A healthcare premium holiday is included for FY13, with projected savings of \$350,000. Future increases represented in employee benefits include 9% for FY14-FY16.

LINE 3.030--Purchased Services. This category includes a wide range of expenditures including utilities, legal fees, contractual professional development, post-secondary option fees, open enrollment payments (for resident students of Ashland City Schools, enrolled to other districts), equipment repairs, mileage reimbursements, fuel charges, and other expenses. Projections are based upon historical patterns and anticipated economic trends. The district's preschool program is modeled under this service. Due to a H.B. 264 energy project in FY08, the district has been experiencing lowered utilities and natural gas payments. Any savings will be reflected in this category.

Line 3.040--Supplies and Materials. Supplies and materials consist of all supplies within the district ranging from instructional to maintenance. To offset declining revenue, beginning with the 2012-13 school year, buildings budgets and supply expenditures are being reduced.

LINE 3.050--Capital Outlay. The majority of the District's capital outlay needs are provided by a separate Permanent Improvement levy (not included in this forecast) which generates approximately \$450,000 per year to assist with building/grounds, technology, and transportation needs.

LINE 4.300--Other Objects. This line contains miscellaneous expenditure categories; this estimate is based on historical trends. The major expenditures in this line include county auditor and treasurer fees, and foundation deductions for the Tri-County Educational Service Center. In addition, HB 264 debt service and interest payments are reflected in each forecasted year.

LINE 6.010 – EXCESS OF REVENUE & OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES & OTHER FINANCING USES

The forecasted years 2012 through 2016 demonstrate the district in deficit spending (with a positive reserve balance through 2015). The Ashland City Schools Board of Education will continue to monitor line 6.010.

Each biennium budget may impact the five-year financial forecast. The Treasurer of the district will continue to monitor legislation for implementation to the five-year financial forecast. With

changes in legislation, enrollment, and local collection efforts the forecasted numbers are subject to change. The Ashland City Board of Education will continue to monitor the forecast should these assumptions change resulting in a negative balance any given fiscal year. A financial contingency plan will be in place to offset any projected shortfall. The plan may include necessary budget cuts to address any projected shortfalls.

**Respectfully submitted,
Gina Deppert, Treasurer/CFO
May 2012**