

**ASHLAND CITY SCHOOL DISTRICT
ASSUMPTIONS FOR FIVE-YEAR FINANCIAL FORECAST
PROJECTED FISCAL YEARS ENDING JUNE 30, 2013 THROUGH 2017
May 2013**

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.

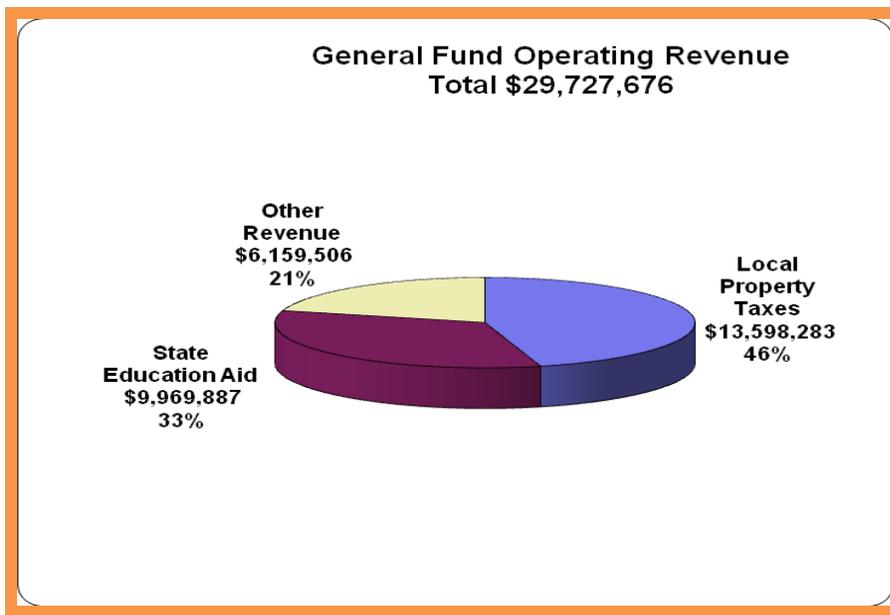
Fiscal Year 2012 (2011-12 School Year) Review:

The total revenue received for fiscal year 2012 was \$29,727,676, and the total expenditures were \$32,295,321. The district expenditures were \$2,879,723 higher than revenue for FY12, with the cash balance as of June 30, 2012 of \$5,295,612. The cash balance was \$3,012,560 lower than the previous school year.

The Ashland City School District's Five-Year Financial Forecast dated May 2013, for projected fiscal years ending June 30, 2013 through 2017, 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 FY12 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. 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

minimal growth in valuations, with new construction held at a .50% increase (combination of both classes). If the economy rebounds, the projections will be adjusted to reflect the changes. Real Estate increases/decreases are also projected based upon settlements from Board of Revisions (complaints filed for valuation/tax reductions), and small delinquency collections. In addition, collection split between fiscal years as well as collection rate are important and can impact the amount of revenue collected in any give fiscal year.

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. The remaining collections projected contain the values from the personal property utility valuations. Growth is kept minimal based upon the most recent appraisal.

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 May version of the financial forecast, the BRIDGE funding worksheet, Ashland City Schools is currently estimated to receive (as of May 11, 2013) \$9,891,870.24. The district receives preschool unit and special education transportation funds that are reflected in this category. Projected revenues are held flat for unrestricted funds. Funding is based upon enrollment for Ashland City Schools. If the enrollment declines for FY13, unrestricted funds may be adjusted from the Ohio Department of Education (often in January). Enrollment over the last several years has declined an average of 30 students, per year.

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. 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 restricted. The estimate based upon the October worksheet is subject to change dependent upon enrollment numbers and programs/subject codes being reported.

The Education Jobs Fund (Ed Jobs) was included as part of federal legislation passed on August 10, 2010. The program provided \$10 billion for states to save or create education jobs. Ashland City Schools received funds for FY12, in the amount of \$400,168.14 (adjustment from October 2011 \$386,012.07). The EDJOBS funds were expended as of June 30, 2012 and are no longer forecasted in the revenue projections.

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.

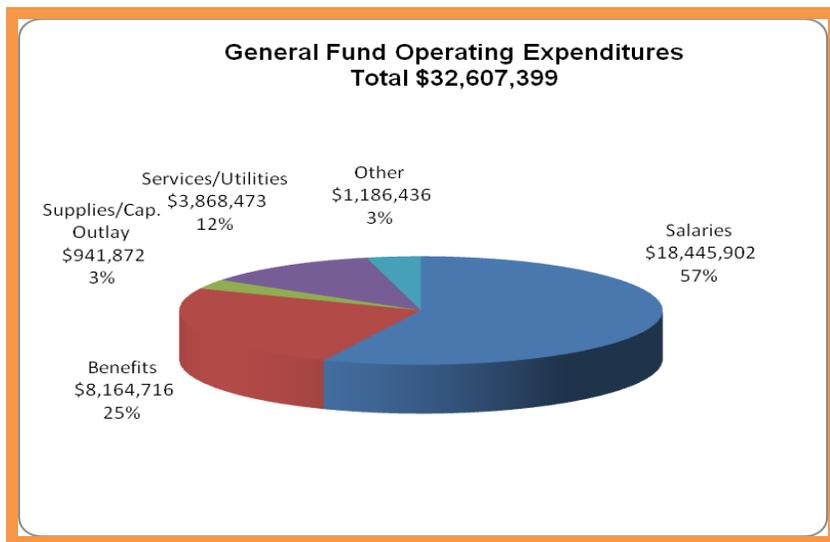
The current budget (H.B. 153) for FY12-FY13 has accelerated the elimination of the TPP adjustment for Ashland City Schools. Ashland City Schools is predicted to be held at a 2% reduction cap and the projections include direct payment. This reduction is approximately \$578,000 less for FY12, and FY13. Personal property taxes also include receipts for the Homestead/Rollback payments. The district projections include continuation of receipt of the Tangible Personal Property Tax held harmless payment of \$1,848,956 each fiscal year.

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. The casino payments are included with FY13, in this category. The district is to receive the first payment in January 2013. Due to economic conditions, projections for this category have been kept conservative. The revenue received from tuition for students attending Ashland City Schools as open enrollment is receipted into this category. Beginning with the 2012-13 school year, the numbers of students attending Ashland City Schools have reduced approximately 25 students.

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...

EXPENDITURES

Summary of FY13 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), 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 approved to close the Lincoln Elementary building beginning with the 2012-13 school year.

Reductions are forecasted in FY13 with the closure of one elementary building and elementary reconfiguration. The total includes the reduction of approximately 14 general fund teaching positions, 8 O.A.P.S.E. (support staff) positions, and 2 administrative positions. A portion of the certified/teaching positions were reallocated from being paid out of general fund to federal grant funds. The Board of Education approved certified reductions for the 2012-13 school year, including: one art position, one physical education position, one music teaching position, and eliminated the Career Based Intervention program at the Middle School, 4 elementary regular education positions (some shifted through retirement/resignations), 2 special education positions (retired and not replaced), 2 guidance counselors (through retirements) were not replaced. In addition, due to a psychologist retirement, the costs have been shifted to the Educational Service Center, as a purchased service. One elementary position was reduced and is now shared by 2 certificated teachers, each part-time. The forecast includes a step increase for all projected years.

On March 18, 2013, the Ashland City Schools Board of Education approved the following reduction in force positions:

Certificated:

- 1 Physical Education – Ashland High School
- 1 Family and Consumer Science – Ashland High School
- 1 Family and Consumer Science – Ashland Middle School
- 1 Horticulture/Vocational Agriculture

Classified:

- 1 Print Shop
- 1 Mail/Delivery
- 1 Custodial
- Secretary
- Noon Duty Paraprofessionals (9)
- Central Office cleaning reduced to 2 hours per day

In addition, through attrition, the positions listed below were reduced:

Certificated:

- Ashland High School Special Education
- High School English
- 1 Elementary Position
- Library Media Specialist
- AMS Special Education
- 1 Possible Elementary Position
- 1 Music Position

Classified:

- Utility Maintenance
- Level III Custodial

The amount in reductions is approximately \$840,000; included in projected personnel for FY14.

LINE 3.020--Employees' Retirement/Insurance Benefits. This line item is based on existing negotiated agreements, employee benefit plans and historical patterns. This category consists of

retirement contributions, Medicare, medical/dental/vision, life, workers' compensation, SERS surcharge, and unemployment compensation. Any negotiated salaries will also impact this expenditure category.

Reductions in staff beginning with FY13 are modeled, impacting retirement and benefits. The five year financial forecast contains healthcare premium holidays for FY13, and FY14, with projected savings of \$350,000 each year. The approved reductions in personnel for FY14 include \$375,000 of savings in benefits, modeled within the forecast. The district may experience an approximate (2%) reduction in premiums for FY14. Future premium increases represented in employee benefits estimate 10% each year, for FY15-FY17. The 5-year average trends for increases are approximately 5.5% for the district.

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 tuition 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. As enrollment in community schools fluctuate, tuition fees are also subject to increase/decrease. The tuition expenses for students enrolled have increased significantly during the 2012-13 school year, and increases have been adjusted with the May forecast.

For the 2012-13 school year the following increases are included with purchased services:

Elementary Intervention through Appleseed:	\$ 65,288
Attendance Officer:	\$ 8,000
High School Liaison through Mental Health Recovery Board:	\$ 35,000
Psychologist employed through the Tri-County Educational Service Center:	\$ 89,000
Additional General Fund Costs due to a reduction in the IDEAB grant for Special Education Services (mandated by law to provide):	\$100,000

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. Textbook purchases for the social studies/history programs for the 2012-13 school year, are included in the forecast.

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 contain 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 2015 through 2017 demonstrate the district in deficit spending (with a positive reserve balance through 2017). The Ashland City Schools Board of Education will continue to monitor line 6.010.

The May financial forecast update increases revenues by 1% from the October forecast, mainly due to the district receiving additional revenue from delinquent tax collections. The expenditures have been adjusted slightly by -.15% with the supply category being the main factor for the reduced expenses. The purchased services were the largest expenditure category augmented from the October forecast; due to increasing tuition/fee expenses. The district is projected to spend approximately \$911,000 more than revenues received; the October forecast reflected a (\$1,357,000) deficit in spending compared to revenues. The modified May forecast will demonstrate a larger cash balance by approximately \$439,000 for FY13.

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 shall be implemented to offset any projected shortfall.

**Respectfully submitted,
Gina Deppert, Treasurer/CFO
May 2013**