

**ASHLAND CITY SCHOOL DISTRICT
ASSUMPTIONS FOR FIVE-YEAR FINANCIAL FORECAST
PROJECTED FISCAL YEARS ENDING JUNE 30, 2015 THROUGH 2019
October 2014**

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.

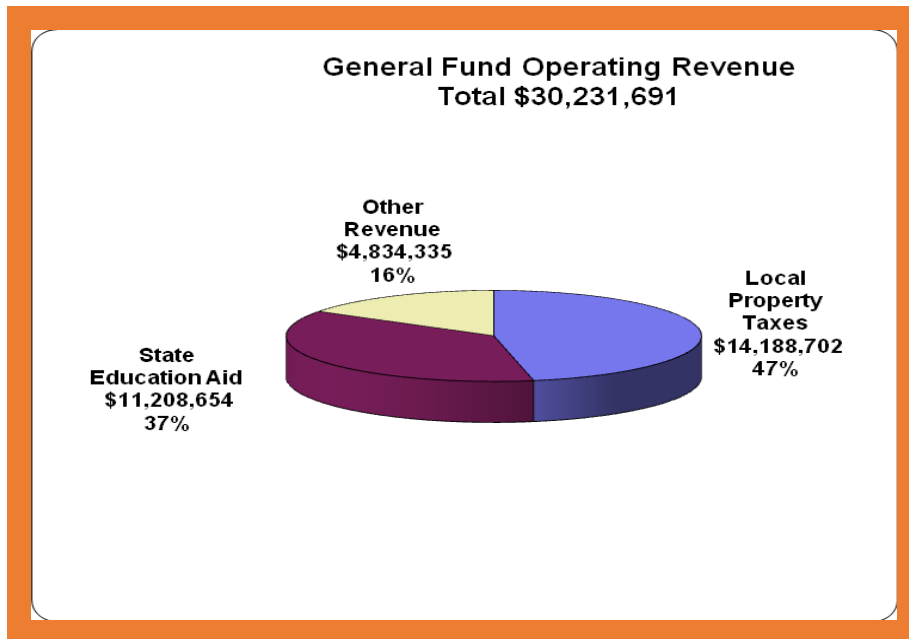
Fiscal Year 2014 (2013-14 School Year) Review:

The total General Fund Revenue received for fiscal year 2014 was \$30,231,691, and the total expenditures were \$29,636,716. The district revenues were \$595,008 higher than expenditures, with the cash balance as of June 30, 2014 of \$4,941,159. The cash balance was \$649,837 higher than the previous school year.

The Ashland City School District's Five-Year Financial Forecast dated October 2014, for projected fiscal years ending June 30, 2015 through 2019, 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 FY14 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 review with the historical trend in recent years, projected growth in

valuations of both real estate and commercial property classes are kept to a minimum of 1.63% for 2014 values. Ashland County is scheduled for a reappraisal in property values for calendar year 2014.

The economy has shown slight improvement based upon valuation updates, and the most recent median market value to sales price ratio report. Ashland County will go through a reappraisal of values in calendar year 2014, impacting collections for calendar year 2015. The reappraisal includes a modest 1.62% increase (overall) for both classes. 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. The FY15 projections include minimal growth in valuations, with new construction held at a .50% increase (combination of both classes). CAUV (agricultural) values are projected to increase significantly; the forecast is reflecting a 100% increase for the 2014 reappraisal. Agricultural values are approximately 4% of the total valuation for the district. The residential projections are reflecting a -4% decrease for calendar year 2014 (based upon preliminary information available at the time the forecast was submitted, from the County Auditor).

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 district was informed of an appeal with one utility company for FY15. The financial impact known at the time of the filing resulted in a decline of approximately \$33,000 for the county. The adjustment is reflected in the five year forecast for all projected years. 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 for the new biennium budget H.B. 59 simulated Ashland City Schools to receive \$11,697,030 for FY15, this figure could be adjustment dependent upon many factors including the state enrollment data in comparison to the district enrollment detail. The components of house bill 59 created a new funding formula. A summary of the restructured funding includes the following: a per-pupil basic aid of \$5,800 in FY15, Core Opportunity Grant; a state share index to determine state and local contributions, a new targeted assistance funding mechanism scaled by the districts local wealth; K-3 literacy funding, involving tier funds; gifted and career tech funding; and transportation funding changes. The districts are capped and cannot receive more than an increase of 10.5% in FY15. Ashland City Schools, based upon estimates from the simulations posted on the Ohio Department of Education website, is projected to receive the maximum increase for FY15. The forecast is modeling a 9.5% increase to anticipate a reduction in current enrollment. Adjustments by the Ohio Department of Education can be made throughout the year; any necessary changes will be reflected with the May 2015 filing of the financial forecast.

The Career Technical/Vocational funds are reflected as a deduction from the unrestricted note and added to the restricted note within the forecast. The amount included with the Ohio Department of Education simulation is \$74,766. Funds projected from FY16 through FY19 are flat; unknown of the future biennium budget state funding with Ohio School Districts. In addition, the district receives \$333,354 in economic disadvantaged funds; these funds are posted as restricted funds.

HB 59 changed the preschool funding previously sent to Educational Service Centers. Ashland City Schools benefits from a preschool consortium with the Tri-County Educational Service Center. The funds in the estimated amount of \$324,863 (based upon the most recent simulation from the Ohio Department of Education), previously sent to the Tri-County Educational Service Center (ESC), are directed to Ashland City Schools. The district will in turn, utilize these funds to pay the Tri County ESC, through purchased services (also reflected in the forecast). The district is essentially the fiscal agent for the preschool funds and will not receive additional revenue for this category.

Ashland City Schools will continue to receive Casino revenue payments twice a year. These payments are represented in the unrestricted grants category. The recommended allocation for revenue estimates with Casino monies is approximately \$51.00 per student (educated by the district – enrollment) for FY15. In addition, special education transportation direct payments will continue for the district.

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.

LINE 1.040--Restricted Grants-in-Aid. Ashland City Schools receives funds for vocational programs at the secondary levels of instruction. The Family Consumer Sciences, Horticulture, and Vocational Agricultural Sciences, Cooperative Office Education, and Career Based Intervention. The five-year forecast includes the same amount of funding the district received the previous school year. The district as of October 10, 2014 is projected to receive \$333,354.89 in Economic Disadvantaged funds, included as restricted funds. The forecast represents the best estimate with the data provided by the department. Once the established numbers are released for this category, adjustments may need to be submitted.

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.

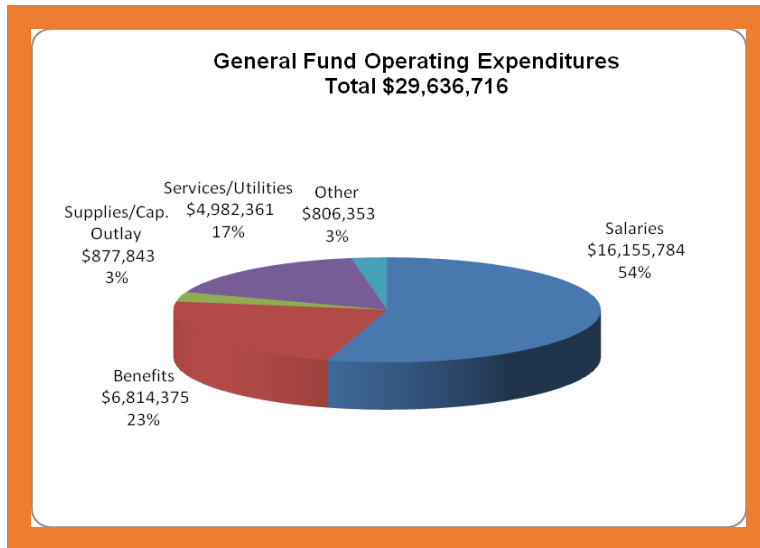
The district projections include continuation of receipt of the Tangible Personal Property Tax held harmless payment of \$1,848,956 each fiscal year. The direct payment could be reduced with the new biennium budget, it is unclear at the time of the October filing, the future direction for these payments. In addition, payments from Homestead/Rollback exemptions paid for by the State of Ohio are reflected in this category.

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. The revenue received from tuition for students attending Ashland City Schools as open enrollment is receipted into this category. The district received \$650,000 in donations for the construction of the new auditorium. The funds are being placed within the general fund, and kept separate with a special cost center.

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 FY14 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 6/30/2016, and the Ohio Association of Public School Employees Local #233 (OAPSE), through 12/31/2015.

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, educational advancement, supplemental services (coaching, all year supervision etc...) and others. All retirements may impact this line item; thus, leading to a modification of this category.

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.

For the FY15 year, district premiums for healthcare were reduced by approximately -5% for the General Fund. Future premium increases represented in employee benefits estimate 9% each year, for FY16-FY19.

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. Any savings will be reflected in this category. As enrollment in community schools fluctuate, tuition fees are also subject to increase/decrease. The increases are represented in projected forecast years. The most recent foundation settlement payment reflects the tuition for community school students to be \$1,187,000.00.

Due to the new biennium budget, HB 59, preschool funds, formerly sent to the fiscal agent, Tri-County Educational Service Center, are being re-directed to Ashland City Schools. The revenue portion is included in the unrestricted funds line item for revenue, and the monies will be paid direct to Tri-County, as a purchased service.

Line 3.040--Supplies and Materials. Supplies and materials consist of all supplies within the district ranging from instructional to maintenance. Building budgets have remained flat for FY15. The supplies projected include an increase for the 2014-15 school year due to increased supply costs for the district (paper, instructional supplies, janitorial supplies etc...).

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. The FY15 capital outlay includes projections for technology purchases.

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 2018 through 2019 demonstrate the district in deficit spending (with a positive reserve balance through 2019). 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 shall be implemented to offset any projected shortfall.

**Respectfully submitted,
Gina Deppert, Treasurer
October 2014**