



## **FIVE-YEAR FINANCIAL FORECAST NOTES AND ASSUMPTIONS**

**For the Fiscal Years Ending June 30, 2021 through 2025**

May 18, 2021

### **Focused on Teaching and Learning**

#### **General**

The Ohio Constitution assigns the state the responsibility for a thorough and efficient system of public common schools as adopted in Article VI, section 2, which states, “The General Assembly shall make such provisions, by taxation, or otherwise, as, with the income arising from the school trust fund, will secure a thorough and efficient system of common schools throughout the state; but no religious or other sect, or sects, shall ever have any exclusive right to, or control of, any part of the schools funds of this state.”

Ohio Revised Code (ORC) section 5705.391 and Ohio Administrative Code (OAC) section 3301-92-04 require a Board of Education (BOE) to submit a five-year forecast of operational revenues and expenditures along with assumptions to the Ohio Department of Education (ODE) prior to November 30 of each fiscal year and to update this forecast between April 1 and May 31 of each fiscal year. The Treasurer/CFO submits the forecast. The Board of Education is recognized as the official owner and has ultimate responsibility for its development.

A financial forecast can be broadly defined as the expected financial position and the results of operations and cash flows based on expected conditions. The five-year financial forecast is a key management planning tool designed to aid decision making in establishing and maintaining a prudent level of financial resources to ensure stable tax rates as well as to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

Three key objectives of the five-year financial forecast include the following:

- 1) To engage the local board of education and the community in long range planning.
- 2) To serve as a basis for determining the school district’s ability to sign the certificate required by O.R.C. 5705.412, commonly known as the “412 certificate”.
- 3) To provide a method for the ODE and Auditor of State to identify school districts with potential financial problems.

This document details a line-by-line description of the assumptions made in developing the forecast.

Required funds to be included in the forecast are:

- General funds (001)
- Any special cost center associated with general fund money
- Any debt service (002) activity that would otherwise have gone to the general fund
- Student Wellness and Success funds (467) are *excluded*

The American Institute of Certified Public Accountants (AICPA) Guide for Prospective Financial Information defines “Particularly Sensitive Assumptions” as having a relatively high probability of variation that would materially affect the financial forecast. This may be due to a relatively high probability of a sizable variation or the probability of a sizable variation which is not as high but a small variation would have a large impact.

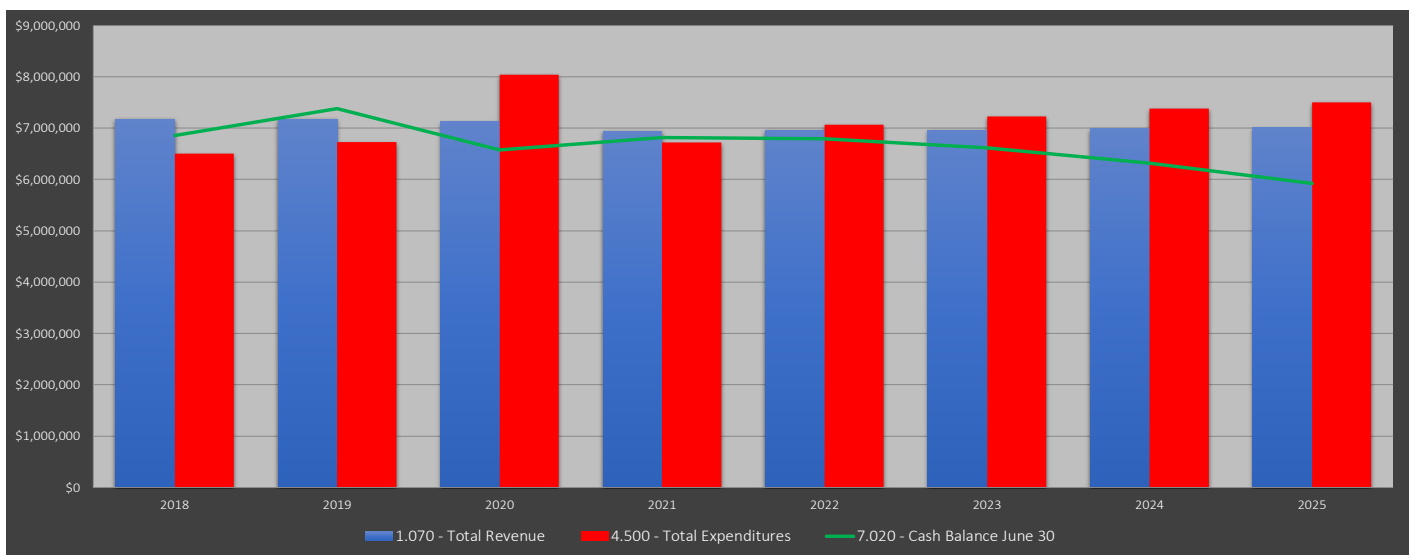
The following factors may be classified as such:

- Revenue and Other Financing Sources:
  - ❖ General Property Tax factors include taxable values, tax rates and collection rates.
  - ❖ Unrestricted Grants-In-Aid factors include political forces in the state biennium budget cycle, student enrollment and property/income wealth.
- Expenditures and Other Financing Uses:
  - ❖ Personal Services factors include student enrollment and staffing levels.
  - ❖ Purchased Services factors include ESC special education services, transportation, and enrollment and per pupil allocations for community schools, scholarships and open enrollment.

**REVENUE, EXPENDITURES AND CASH BALANCE JUNE 30**

The executive summary chart below presents three years of actual and five years of forecasted revenue, expenditures and cash balance at June 30.

Operating Revenue and Expenditures & Year End Fund Balance Jefferson Township Local School District

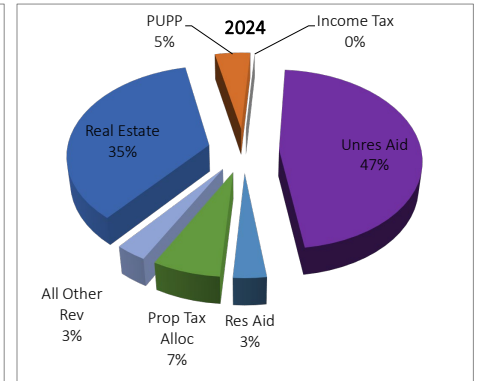
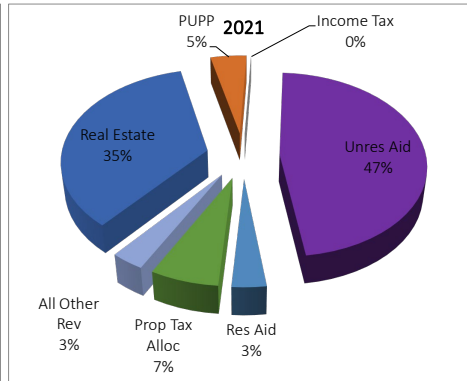
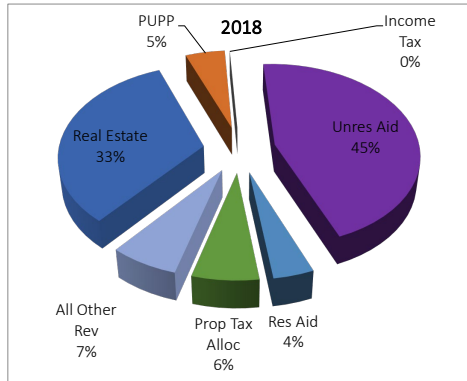


	ACTUAL			FORECASTED				
	2018	2019	2020	2021	2022	2023	2024	2025
1.070 - Total Revenue	7,168,845	7,169,919	7,119,533	6,937,657	6,960,851	6,956,771	6,984,450	7,009,438
4.500 - Total Expenditures	6,506,195	6,724,620	8,041,935	6,717,648	7,069,137	7,224,745	7,376,828	7,502,906
7.020 - Cash Balance June 30	6,856,075	7,378,774	6,574,975	6,814,062	6,795,061	6,619,122	6,321,279	5,924,846

**REVENUE**

Operating Revenue Summary

Jefferson Township Local School District

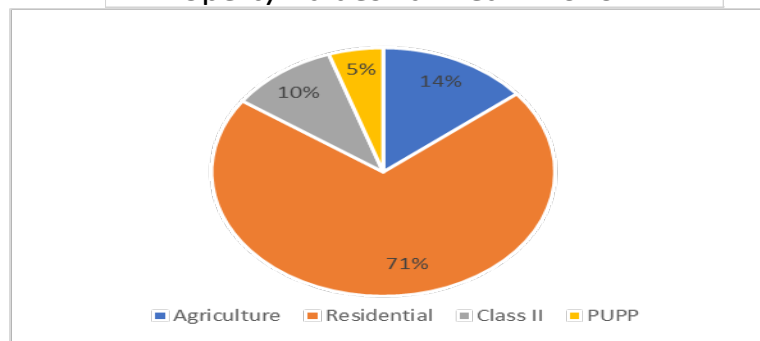


	ACTUAL		FORECASTED		6 Year Projected % Change
	2018	% of Revenue	2021	% of Revenue	
1.010 - General Property Tax (Real Estate)	2,362,536	32.96%	2,441,461	35.19%	4.97%
1.020 - Public Utility Personal Property	355,179	4.95%	312,522	4.50%	-10.97%
1.030 - Income Tax	-	0.00%	-	0.00%	0.00%
1.035 - Unrestricted Grants-in-Aid	3,210,558	44.78%	3,264,441	47.05%	1.57%
1.040 & 1.045 - Restricted Grants-in-Aid	286,742	4.00%	232,719	3.35%	-18.84%
1.050 - Property Tax Allocation	470,843	6.57%	461,409	6.65%	1.05%
1.060 - All Other Operating Revenues	482,987	6.74%	225,105	3.24%	-54.71%
1.070 - Total Revenue	7,168,845		6,937,657		-2.57%

**Line 1.010 General Property Tax (Real Estate)**

Residential/agricultural and commercial/industrial real estate property tax revenue estimates are based on taxable valuation, effective tax rates and collection rates.

Property Values Tax Year - 2020



Total Valuations by Property Classification						YOY \$ Change	YOY % Change
Tax Year	Agriculture	Residential	Commercial/Industrial	Public Utility Personal	Total		
2013 Actual	\$13,253,200	\$70,003,070	\$6,723,710	\$4,883,920	\$94,863,900	-	-
2014 Actual	\$18,712,160	\$66,073,190	\$6,787,540	\$5,197,370	\$96,770,260	\$1,906,360	1.97%
2015 Actual	\$18,579,210	\$65,563,580	\$6,833,470	\$5,381,690	\$96,357,950	(\$412,310)	-0.43%
2016 Actual	\$18,652,420	\$65,446,490	\$6,981,400	\$5,577,180	\$96,657,490	\$299,540	0.31%
2017 Actual	\$16,263,660	\$65,411,030	\$9,811,410	\$5,890,440	\$97,376,540	\$719,050	0.74%
2018 Actual	\$16,317,780	\$65,268,860	\$10,612,880	\$4,898,640	\$97,098,160	(\$278,380)	-0.29%
2019 Actual	\$16,320,980	\$65,411,680	\$9,610,220	\$5,212,590	\$96,555,470	(\$542,690)	-0.56%
2020 Actual	\$14,625,920	\$72,854,810	\$10,486,400	\$5,310,020	\$103,277,150	\$6,721,680	6.51%
2021 Estimated	\$18,684,435	\$65,117,587	\$10,566,869	\$5,226,604	\$99,595,495	(\$3,681,655)	-3.70%
2022 Estimated	\$18,775,127	\$64,809,157	\$10,492,160	\$5,209,060	\$99,285,504	(\$309,991)	-0.31%
2023 Estimated	\$21,047,890	\$64,823,494	\$11,523,518	\$5,240,618	\$102,635,520	\$3,350,016	3.26%
2024 Estimated	\$21,138,582	\$64,515,064	\$11,448,809	\$5,223,074	\$102,325,529	(\$309,991)	-0.30%

**Effective Tax Rates**

Based on the tax value increases, voted tax rates are reduced proportionately to produce the same amount of revenue as originally approved by the voters. Conversely, if tax values should happen to decrease, voted tax rates are raised proportionately up to the maximum revenue amount approved by the voters. The 6.60 unvoted inside mills is not impacted by tax value changes. District general fund voted levies are below:

Original Year of Passage	Term	Year Levy Was Last Approved	2020	2020	2020
			Full Voted/ Amount/Millage	Class I Effective	Class II Effective
1976	Continuing	1976	25.80	7.800862	14.457907
1981	Continuing	1981	7.00	2.687377	3.975720
1990	Continuing	2015	9.50	4.476514	6.548055
1992	Continuing	2012	5.50	2.854879	4.271965
2008	Continuing	2008	5.00	4.296510	4.491230

**Collection Rates**

- Class I property consists of agricultural and residential property.
- Class II property consists of public utility real, industrial and commercial property.
  - ❖ The projected 5-year average annual collection rate is 89.77%.
- The combined gross collection rate, including delinquencies, is projected at 99.79%
  
- The actual 3-year average annual change was 4.2%.
- The projected 5-year average annual change is 0.6%.

**Line 1.020 Personal Property Taxes**

Public utility personal property (PUPP) taxes are assessed on electric power and natural gas providers. The assessed value is taxed at the full voted rate of 59.40 mills. Public utilities report personal values annually which may cause substantial fluctuations from year to year.

- Public utility personal property is subject to taxation on their tangible personal property include electric, rural electric, natural gas, pipeline, water works, water transportation, heating, and telegraph companies.
  - ❖ The projected 5-year average annual collection rate is 100.00%.
- The gross collection rate, including delinquencies, is projected at 100.00%
  
- The actual 3-year average annual change was -8.0%.
- The projected 5-year average annual change is 0.5%.

**Territory Transfer**

In April 2018 electors from the District, represented by Megan E. Lucas, requested the transfer of certain territory, from the District to the Valley View Local School District, pursuant to Section 3311.24 of the Ohio Revised Code (ORC). On February 19, 2019 the State Board of Education (SBOE) rejected the recommendation of the hearing Officer and thus, the territory transfer was denied. This decision has been appealed several times. On September 11, 2020 the Federal Court, Southern District of Ohio, declared R.C. 3311.242 unconstitutional. Based upon this federal opinion and order this forecast does not adjust values or revenue. The case is currently under appeal by the petitioners.

### **Line 1.035 Unrestricted Grants-in-Aid**

The funding of K-12 public elementary and secondary schools in Ohio is a joint effort between the state and local school districts. State foundation funding distributions to school districts are determined by the biennial budget bill. The state budget is adopted in odd numbered years and implemented beginning in even numbered years. Payments are received twice per month.

The 133<sup>rd</sup> General Assembly adopted the FY 2020-2021 biennium budget as House Bill 166. The use of the foundation aid formula for city, local, and exempted village school districts is suspended for the biennium and, instead, provides every school district with the same amount of foundation aid as the final FY 2019 amount.

As a result of the global pandemic COVID-19 the Ohio Department of Education reduced District unrestricted aid by \$(109,833) in both 2019-2020 and 2020-2021. The 2020-2021 reduction was adjusted to \$(49,596) due to better-than-expected financial results by the State of Ohio.

Additional Aid items are as follows:

- ❖ A. Student Wellness and Success Funding – See Line 1.040 Restricted State Grants-In-Aid
  - ❖ B. Enrollment Growth Supplement Funding – Equal to FY19 funding.
  - ❖ C. Preschool Special Education Funding – Equal to FY19 funding.
  - ❖ D. Special Education Transportation Funding – Equal to FY19 funding.
- Casino revenue is included and projected as follows:
- ❖ Per Pupil amounts are forecasted at \$52
- The actual 3-year average annual change was 0.1%.
- The projected 5-year average annual change is 0.0%.

### **Line 1.040 Restricted State Grants-in-Aid**

Restricted state revenue sources are based on the state biennium budget. These include funding for economic disadvantaged students, career technical education and reimbursement for special education catastrophic costs. Student wellness and success funds are accounted for separately in fund 467 and not included in the forecast.

- ❖ P. Career-Technical Educational Funding – Equal to FY19 funding.
  - ❖ Q. Economic Disadvantaged Funding – Equal to FY19 funding.
- The actual 3-year average annual change was -9.5%.
- The projected 5-year average annual change is 0.0%.

### **Line 1.050 Property Tax Allocation**

This line includes state reimbursement for public utility deregulation (PUD), electric deregulation (KwH), homestead and rollback, and the “ten-thousand-dollar exemption” where businesses are exempt from paying the first \$10,000 of property tax.

HB59 (Ohio Budget Bill FY14-FY15) eliminated both the 10% rollback and the 2.5% rollback for additional, replacement and the increase portions of renewal levies passed after the August 2013 election. Also, beginning with tax year 2014, new participants in the homestead exemption program will be subject to a means test.

The reimbursement for homestead and rollback is made twice a year in November and May.

- The actual 3-year average annual change was -0.7%.
- The projected 5-year average annual change is 1.0%.

**Line 1.060 All Other Revenues**

This line item serves as a miscellaneous revenue category for various sources not included above such as investment income, payments in lieu of taxes for compensation agreements, facility rentals, fees, tuition, donations, and other miscellaneous revenue sources. Estimates are based upon historical trends.

- The actual 3-year average annual change was -10.1%.
- The projected 5-year average annual change is -0.6%.

**Lines 2.010 through 2.060 Other Financing Sources**

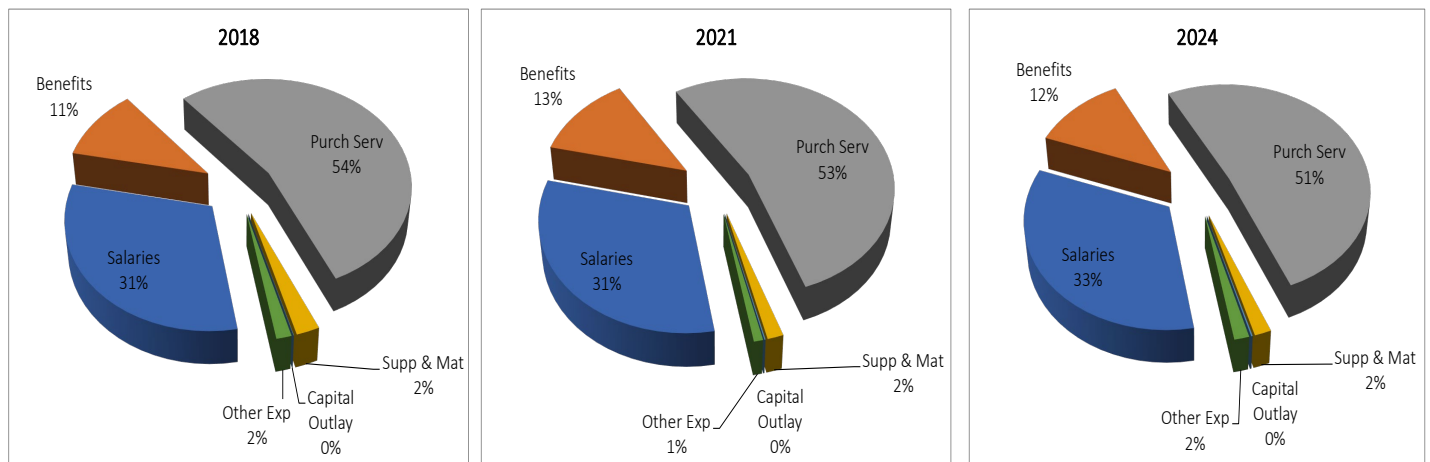
Included in this category are operating transfers-in and advances-in. Advances-in include returns of money advanced by the General Fund to other funds to cover a short-term end of year deficit balance. These transactions are considered a “loan” to the deficit fund and must be repaid to the General Fund. Projected amounts are based on prior year actual advances-out and historical trends.

- The actual 3-year average annual change was -16.6%.
- The projected 5-year average annual change is 18.0%.

**EXPENDITURES**

Operating Expenditure Summary

Jefferson Township Local School District



	ACTUAL		FORECASTED				6 Year Projected % Change
	2018	% of Budget	2021	% of Budget	2024	% of Budget	
3.010 - Personnel Services	2,014,970	30.97%	2,111,111	31.43%	2,462,572	33.38%	22.21%
3.020 - Employees' Retirement/Insurance Benefits	708,653	10.89%	840,118	12.51%	880,389	11.93%	24.23%
3.030 - Purchased Services	3,530,006	54.26%	3,593,919	53.50%	3,787,302	51.34%	7.29%
3.040 - Supplies and Materials	151,558	2.33%	105,043	1.56%	124,788	1.69%	-17.66%
3.050 - Capital Outlay	2,704	0.04%	7,457	0.11%	10,877	0.15%	302.26%
3.060-4.300 - Other Expenditures	98,304	1.51%	60,000	0.89%	110,900	1.50%	12.81%
4.500 - Total Expenditures	6,506,195		6,717,648		7,376,828		13.38%

### **Line 3.010 Personal Services**

The expenditures in this category are for salaries and wages for services rendered for all union and non-union employees. In addition to cost of living wage increases, a majority of employees who are paid on a salary schedule receive vertical step increases based on years of experience. Additionally, certified staff can move horizontally between ranges on the salary schedule by furthering their education (i.e. Bachelor's Degree to Master's Degree, etc.). Professional staff members are represented by the Jefferson Township Education Association (JTEA). The current contract expires June 30, 2022. Classified staff are represented by Ohio Association of Public School Employees (OAPSE) 674. This contract expires June 30, 2021.

Key personal services factors used in the model are highlighted below:

- Salary and wage allocations by category are as follows:
  - ❖ Certified staff are 48.22% of total personal services
  - ❖ Classified staff are 21.10% of total personal services
  - ❖ Administrative staff are 26.09% of total personal services
  - ❖ Substitutes, overtime and other are 4.59% of total personal services
- Costs for horizontal range increases are between 0.10% and .25%.
- JTEA employees will receive 2% increases in fiscal years 2020, 2021 and 2022.
- OAPSE employees will receive 3% increases in fiscal years 2019, 2020 and 2021.
  
- The actual 3-year average annual change was 12.1%.
- The projected 5-year average annual change is 4.8%.

### **Line 3.020 Employees' Retirement and Insurance Benefits**

Employee benefits include the following:

- Employer retirement payments to the State Teachers Retirement System (STRS) and the School Employees Retirement System (SERS) are equal to 14% of salary. SERS levies a surcharge for part time employees who earn less than \$35,800. There is a cap of 2% of total district payroll. In addition, SERS cannot collect more than 1.5% of the total statewide payroll.
- Health care coverage is provided through the Southwest Ohio Educational Purchasing Council. Future increases are projected to average 7% based upon actuarial assumptions and historical claims trend.
- The district contributes 80% of the medical premium for most staff and 62% or 40% for part time staff.
- The district contributes 80% of the dental premium for most staff and 62% or 40% for part time staff.
- Workers Compensation continues in a Group Retrospective Rating Program.
  
- The actual 3-year average annual change was 11.5%.
- The projected 5-year average annual change is 2.7%.

### **Line 3.030 Purchased Services**

This line includes costs for transportation, special education services, community and Science, Technology, Engineering and Math (STEM) schools, scholarships, open enrollment, contracted services, utilities, legal services, data processing, tuition and professional meeting expenses and lease payments.

- Community and STEM School Foundation Funding Components:
  - ❖ Funding uses the same dollar amounts as traditional school districts with exceptions noted below

- ❖ K-3 Literacy Funding – Equal to FY19 funding
- ❖ Facilities – Equal to FY19 funding
- Ed Choice Scholarship maximum per pupil funding - Equal to FY19 funding
- Autism and Jon Peterson Special Needs Scholarship - Equal to FY19 funding
  
- The actual 3-year average annual change was 8.2%.
- The projected 5-year average annual change is 1.3%.

### **Line 3.040 Supplies and Materials**

This line includes general supplies, instructional textbooks, bus fuel, tires and maintenance supplies.

- The actual 3-year average annual change was 69.2%.
- The projected 5-year average annual change is 3.7%.

### **Line 3.050 Capital Outlay**

The capital outlay category consists of any item having a life expectancy of five years or more, such as land, buildings, ground improvements, computers/technology, buses, vehicles, furnishings and equipment.

- The actual 3-year average annual change was 0.0%.
- The projected 5-year average annual change is 15.2%.

### **Line 4.300 Other Objects**

Expenditures in this category include property tax collection fees, memberships and audit fees.

- The actual 3-year average annual change was 10.0%.
- The projected 5-year average annual change is 19.5%.

### **Lines 5.010 through 5.030 Other Financing Uses**

This category includes other financing uses. Operating transfers are amounts transferred to other funds. Advances are a loan to another fund to cover a temporary deficit balance. Refunds of prior year receipts are payments received in one fiscal year and returned to original payer in another fiscal year.

- The actual 3-year average annual change was -72.4%.
- The projected 5-year average annual change is 84999.0%.

### **Line 8.010 Estimated Encumbrances**

Encumbrances are legal financial obligations incurred but not paid at fiscal year-end. They are not projected.

### **Conclusion**

State law requires schools to operate with positive cash balances. Additional revenue and/or expenditure reductions will need to be considered prior to years where line 7.020 Cash Balance June 30 is negative. Changes in circumstances and the availability of additional information make this forecast subject to revision. Given the uncertainty of economic factors forecasted years beyond fiscal year 2021 may deviate significantly.