



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

**For the Fiscal Years Ending June 30, 2019 through 2023**

May 24, 2019

### **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 October 31 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.

Required funds to be included in the forecast are:

- General funds (001)
- Any special cost center associated with general fund money
- Emergency levy funds (016)
- Any debt service (002) activity that would otherwise have gone to the general fund
- Poverty Based Assistance (PBA) funds (494)
- Education Jobs funds (504)
- State Fiscal Stabilization funds (532)

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:

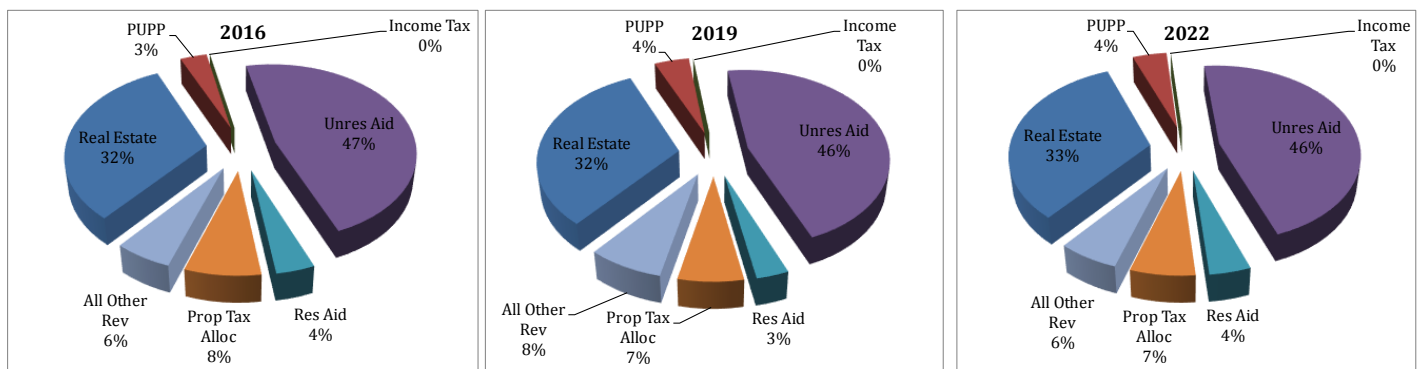
- Revenue and Other Financing Sources:
  - ❖ General Property Tax factors include taxable values, tax rates and collection rates.
  - ❖ Unrestricted Grants-In-Aid factors include political forces in the state biennium budget cycle, student enrollment and property/income wealth.
- Expenditures and Other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

The following is a detailed line-by-line description of the assumptions made in developing the forecast:

**REVENUE**

Operating Revenue Summary

Jefferson Township Local School District



	ACTUAL		FORECASTED		6 Year Projected % Change
	2016	% of Revenue	2019	% of Revenue	
1.010 - General Property Tax (Real Estate)	2,312,725	32.18%	2,305,541	32.27%	2.39%
1.020 - Public Utility Personal Property	247,483	3.44%	320,436	4.48%	27.69%
1.030 - Income Tax	-	0.00%	-	0.00%	0.00%
1.035 - Unrestricted Grants-in-Aid	3,381,150	47.04%	3,275,782	45.85%	-2.83%
1.040 & 1.045 - Restricted Grants-in-Aid	279,345	3.89%	232,939	3.26%	6.98%
1.050 - Property Tax Allocation	550,366	7.66%	468,711	6.56%	-14.93%
1.060 - All Other Operating Revenues	416,369	5.79%	541,222	7.58%	4.65%
1.070 - Total Revenue	7,187,438		7,144,631		-0.21%

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

Residential/agricultural and commercial/industrial real estate property tax revenue collection estimates are based on taxable valuation, effective tax rates and collection rates. Based on the reappraised or updated 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 during reappraisal or update years. The district’s general fund voted levies are indicated below:

Original Year of Passage	Term	Year Levy Was Last Approved	2017 Full Voted/ Amount/Millage	2017 Class I Effective	2017 Class II Effective
1976	Continuing	1976	25.80	8.31260	15.11280
1981	Continuing	1981	7.00	2.86370	4.15580
1990	Continuing	2015	9.50	4.77020	6.84470
1992	Continuing	2012	5.50	3.04220	4.46550
2008	Continuing	2008	5.00	4.57840	4.69470

Actual real property valuation and effective millage for tax years 2017 and 2018 and estimates for tax years 2019 thru 2022 are indicated below:

	Real Property Valuation	YOY Change Total Valuation	YOY Change New Const/Otr	YOY Change Class I BOR	Class I Tax Rate	YOY Change Class I Rates	YOY Change Class II BOR	Class II Tax Rate	YOY Change Class II Rates
2017	91,486,100				30.17			41.87	
2018	92,199,520	713,420	(145,248)	(98,712)	30.20	0.03	957,380	38.74	(3.14)
2019	91,674,130	(525,390)	(145,248)	(382,940)	30.31	0.11	2,798	38.73	(0.01)
2020	92,168,280	494,150	(139,700)	575,115	30.14	(0.17)	58,735	38.55	(0.18)
2021	91,642,890	(525,390)	(145,248)	(382,940)	30.25	0.11	2,798	38.54	(0.01)
2022	91,117,500	(525,390)	(145,248)	(382,940)	30.36	0.11	2,798	38.53	(0.01)

- Tax year 2017 was an update year in Montgomery County.
- Class I property consists of agricultural and residential property.
  - ❖ Assessed valuation is 84% of the total valuation.
  - ❖ Collection rates, excluding delinquencies, are projected at 88.07%.
  - ❖ Projected increases for new construction/growth are as follows:

Tax Year	2018	2019	2020	2021	2022
Class I New Construction/Growth	0.01%	0.01%	-0.36%	0.01%	0.01%

- Class II property consists of public utility real, industrial and commercial property.
  - ❖ Assessed valuation is 10% of the total valuation.
  - ❖ Collection rates, excluding delinquencies, are projected at 92.79%.
  - ❖ Projected increases for new construction/growth are as follows:

Tax Year	2018	2019	2020	2021	2022
Class II New Construction/Growth	-1.59%	-1.61%	1.58%	-1.61%	-1.63%

- The actual 5-year average annual change was -0.93%.
- The projected 5-year average annual change is -0.08%.

**Line 1.020 Personal Property Taxes**

Tangible personal property (TPP) taxes are assessed on the equipment and inventory owned by businesses and 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. Businesses and public utilities report personal values annually which may cause substantial fluctuations from year to year.

Actual personal property valuation and effective millage for tax year 2017 and estimates for tax years 2018 thru 2023 are indicated below:

	Pers Property Valuation	Year-Over-Year Change	Full Voted Tax Rate	Year-Over-Year Change
2017	5,890,440		59.40	
2018	6,170,598	280,158	59.40	-
2019	6,450,756	280,158	59.40	-
2020	6,764,111	313,355	59.40	-
2021	7,044,269	280,158	59.40	-
2022	7,324,427	280,158	59.40	-
2023	7,324,427	-	59.40	-

- Tax year 2017 was an update year in Montgomery County.
- 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.
  - ❖ Assessed valuation is 6% of the total valuation.
  - ❖ Collection rates are projected at 94.60%.
  - ❖ Projected increases for new construction/growth are as follows:

Tax Year	2018	2019	2020	2021	2022
Public Utility New Construction/Growth	-0.15%	-0.15%	-0.15%	-0.15%	-0.15%

- The actual 5-year average annual change was 7.22%.
- The projected 5-year average annual change is 2.64%.

**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 132<sup>nd</sup> General Assembly adopted the FY 2018-2019 biennium budget as House Bill 49. The amount of state funds that a district receives is based on a calculation that takes into account student enrollment and both the property and income wealth of the district. The School Finance Payment Report (SFPR) provides details of funding components, parameters and calculations.

Key factors, parameters and components of the calculations are highlighted below by the 3 primary segments:

➤ Statewide Factors and Parameters:

- ❖ Total ADM, Formula ADM, Median Income, Economic Disadvantaged Percentage, 3 Year Average Valuation and 3 Year Federal Adjusted Gross Income
- ❖ Guarantee: 97% of 2<sup>nd</sup> year of the Prior Biennium
- ❖ Growth Cap: **2018, 2019=3% of prior FY**; 2020, 2021, 2022, 2023=3%

➤ District Factors and Parameters:

- ❖ Basic ADM, Special Education ADM, Career Tech FTE, Limited English Proficient ADM, K-3 Formula ADM, K-3 Formula ADM, K-3 E-School Formula ADM, Preschool Autism Scholarship ADM, Brick & Mortar Community and STEM School Formula ADM, E-School Formula ADM, Jon Peterson Scholarship ADM, Autism Scholarship ADM, Ed Choice Scholarship ADM, Economic Disadvantaged ADM, Economic Disadvantaged Percentage, 3 Year Average Federal Adjusted Gross Income, 3 Year Average Total Real Valuation, 3 Year Average Agricultural Real Valuation, 3 Year Average Adjusted Total Valuation, 3-Year Average Total Valuation, Exempt Property Valuation for TY14, Potential Property Valuation, Median Income for TY13, State Share Percentage, Economic Disadvantaged Index, Capacity Measure
  - Formula ADM: 2019=508; 2020=524; 2021=531; 2022=539; 2023=529
  - Median Income for TY16 = \$28,445
  - State Share Percentage = .4163
  - Economic Disadvantaged Index = 2.4895

➤ Foundation Funding Components:

- ❖ A. Opportunity Grant – Per pupil: 2018=\$6,010; 2019=\$6,020 at state share percentage
- ❖ B. Targeted Assistance – uses the capacity measure and a target millage rate of 6 mills each year
- ❖ C. K-3 Literacy Funding – Tier 1: 2018, 2019=\$193 for each student in grades K-3 multiplied by the state share percentage. Tier 2: 2018, 2019=\$127
- ❖ E. Limited English Proficiency Funding – at state share percentage

ELL Category	Description	2018	2019
1	Enrolled <= 180 days	\$1,515	\$1,515
2	Enrolled > 180 days	\$1,136	\$1,136
3	Not category 1 or 2	\$758	\$758

- ❖ F. Gifted Education Funding – Identification funding: 2018, 2019=\$5.05 for all resident students. Service funding: 2018, 2019=\$37,370 for every 1,100 students for intervention specialist services and for every 3,300 students for coordination services
- ❖ G. Transportation Funding – Greater of the cost per rider or cost per mile at state share index. Cap exempt.
- ❖ H. Special Education Additional Funding – funded by category. Cap exempt.

Category	Description	2018	2019
1	Speech Only	\$1,578	\$1,578
2	Cognitive Disabilities, Specific Learning Disability, Developmentally Delayed, Other Health Impaired (Minor)	\$4,005	\$4,005
3	Hearing Impaired, Emotional Disturbance	\$9,622	\$9,622

4	Visual Impairment, Other Health Impaired (Major)	\$12,841	\$12,841
5	Multiple Disabilities, Orthopedic	\$17,390	\$17,390
6	Deaf-Blind, Autism, Traumatic Brain Injury	\$25,637	\$25,637

- ❖ I. Capacity Aid – 2018, 2019=\$743. Cap exempt.
- ❖ J. Graduation Bonus – 2018, 2019=\$450 at state share percentage. Cap exempt.
- ❖ K. 3<sup>rd</sup> Grade Reading Bonus – 2018, 2019=\$450 at state share percentage. Cap exempt.
- ❖ **L. Transitional Aid Guarantee – The district is projected to be on the guarantee in 2019, 2020, and 2021 and capped in 2022 and 2023.**
- Casino revenue is included and projected as follows:
  - ❖ Per Pupil amounts are forecasted at \$52
- The actual 5-year average annual change was -2.27%.
- The projected 5-year average annual change is 0.66%.

**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.

- ❖ D. Economic Disadvantaged Funding – 2018, 2019=\$272 at disadvantaged index
- ❖ M. Career-Technical Educational Funding – 2018, 2019=\$246 at state share percentage for associated services plus funded by category. Cap exempt.

Category	Career Fields	2018	2019
1	Agricultural & environmental systems, construction technologies, engineering & science technologies, finance, health science, information technology, manufacturing technologies.	\$5,192	\$5,192
2	Business & administration, hospitality & tourism, human services, law & public safety, transportation systems, arts & communications	\$4,921	\$4,921
3	Career based intervention	\$1,795	\$1,795
4	Education & training, marketing, workforce, development academics, public administration, career development	\$1,525	\$1,525
5	Family and consumer sciences (which includes students enrolled in GRADS)	\$1,308	\$1,308

**Line 1.050 Property Tax Allocation**

This line includes state reimbursement for tangible personal property (TPP) tax, 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 KWH was completely phased out in fiscal 2012.

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

- The actual 5-year average annual change was -6.34%.
- The projected 5-year average annual change is -0.15%.

**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 projected 5-year average annual change is -1.08%.

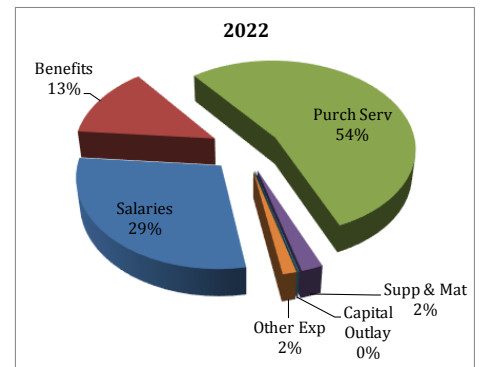
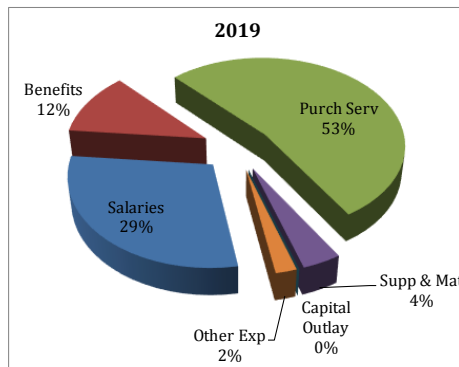
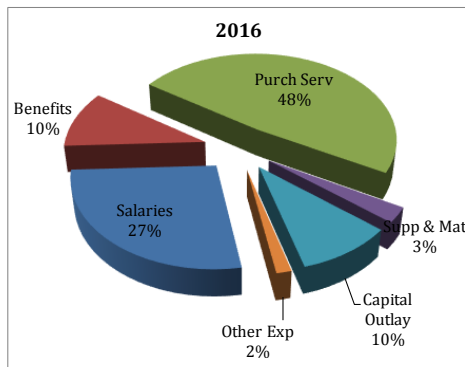
**Lines 2.010 through 2.060 Other Financing Sources**

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.

**EXPENDITURES**

Operating Expenditure Summary

Jefferson Township Local School District



	ACTUAL		FORECASTED				6 Year Projected
	2016	% of Budget	2019	% of Budget	2022	% of Budget	% Change
3.010 - Personnel Services	1,880,549	27.06%	1,919,230	29.27%	2,050,773	29.13%	9.05%
3.020 - Employees' Retirement/Insurance Bene	719,268	10.35%	751,098	11.46%	920,184	13.07%	27.93%
3.030 - Purchased Services	3,368,673	48.48%	3,488,250	53.21%	3,812,000	54.14%	13.16%
3.040 - Supplies and Materials	194,204	2.79%	257,500	3.93%	154,000	2.19%	-20.70%
3.050 - Capital Outlay	680,499	9.79%	-	0.00%	5,000	0.07%	-99.27%
3.060-4.300 - Other Expenditures	105,739	1.52%	139,800	2.13%	98,700	1.40%	-6.66%
<b>4.500 - Total Expenditures</b>	<b>6,948,932</b>		<b>6,555,878</b>		<b>7,040,657</b>		<b>1.32%</b>

### **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). This contract expires June 30, 2019. Classified staff are represented by Ohio Association of Public School Employees (OAPSE) 674. The new contract is effective July 2018 thru June 2021.

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

- Salary and wage allocations by category are as follows:
  - ❖ Certified staff are 53.47% of total personal services
  - ❖ Classified staff are 16.53% of total personal services
  - ❖ Administrative staff are 25.00% of total personal services
  - ❖ Substitutes, overtime and other are 5.00% of total personal services
- Costs for horizontal range increases are between 0.10% and .25%.
- OAPSE employees will receive 3% increases in fiscal years 2019, 2020 and 2021.
- The actual five-year average annual change is -0.74%.
- The projected five-year average annual change is 0.84%.

### **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 between 7.50-26% 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 five-year average annual change is -3.56%.
- The projected five-year average annual change is 4.98%.

### **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 – 2018, 2019=\$320 at the state share percentage
  - ❖ Facilities – \$200 per ADM for Brick & Mortar schools and \$25 per ADM for e-schools



- Ed Choice Scholarship maximum per pupil funding:

Grades	2018	2019
K-8	\$4,650	\$4,650
9-12	\$6,000	\$6,000

- Autism and Jon Peterson Special Needs Scholarship maximum per pupil funding:

	2018	2019
Maximum	\$27,000	\$27,000

- The actual 5-year average annual change was 4.43%.
- The projected five-year average annual change is 1.66%.

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

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

- The projected five-year average annual change is 0.79%.

### **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 projected five-year average annual change is 205.61%.

### **Line 4.300 Other Objects**

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

- The projected five-year average annual change is 0.19%.

### **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.

### **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. Past performance is not an indication of future results. Changes in circumstances and the availability of additional information make this forecast subject to revision. Given the uncertainty of future state budgets, local, state and national economic factors, fiscal year 2020 and beyond may deviate significantly from the forecast.