



FIVE-YEAR FINANCIAL FORECAST NOTES AND ASSUMPTIONS

For the Fiscal Years Ending June 30, 2022 through 2026

May 26, 2022

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 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

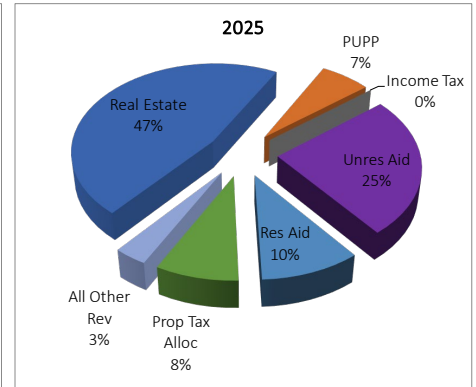
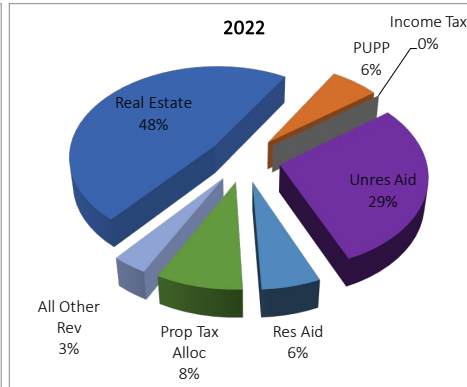
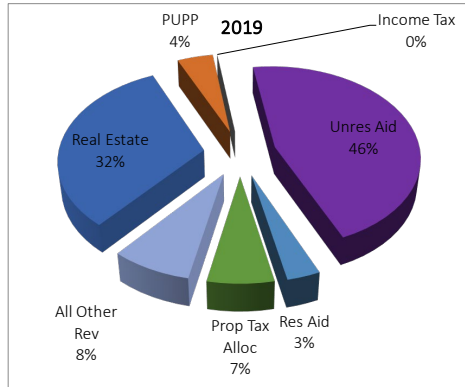


	ACTUAL			FORECASTED					
	2019	2020	2021	2022	2023	2024	2025	2026	
1.070 - Total Revenue	7,169,919	7,119,533	6,974,198	5,410,070	5,422,765	5,527,745	5,494,700	5,478,366	
4.500 - Total Expenditures	6,724,620	8,041,935	6,824,416	5,512,221	5,416,279	5,543,958	5,790,329	5,751,573	
7.020 - Cash Balance June 30	7,378,773	6,574,974	6,816,596	6,761,045	6,908,335	7,035,426	6,885,601	6,758,198	

REVENUE

Operating Revenue Summary

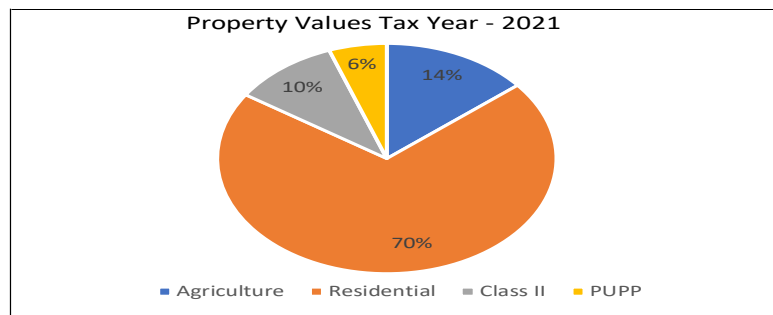
Jefferson Township Local School District



	ACTUAL		FORECASTED				6 Year Projected
	2019	% of Revenue	2022	% of Revenue	2025	% of Revenue	% Change
1.010 - General Property Tax (Real Estate)	2,305,543	32.16%	2,570,070	47.51%	2,569,384	46.76%	11.44%
1.020 - Public Utility Personal Property	320,436	4.47%	326,698	6.04%	351,637	6.40%	9.74%
1.030 - Income Tax	-	0.00%	-	0.00%	-	0.00%	0.00%
1.035 - Unrestricted Grants-in-Aid	3,274,792	45.67%	1,560,425	28.84%	1,379,554	25.11%	-57.87%
1.040 & 1.045 - Restricted Grants-in-Aid	234,762	3.27%	311,040	5.75%	551,957	10.05%	135.11%
1.050 - Property Tax Allocation	468,711	6.54%	456,065	8.43%	458,847	8.35%	-2.10%
1.060 - All Other Operating Revenues	565,675	7.89%	185,772	3.43%	183,321	3.34%	-67.59%
1.070 - Total Revenue	7,169,919		5,410,070		5,494,700		-23.36%

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.



Total Valuations by Property Classification						YOY \$	YOY %
Tax Year	Agriculture	Residential	Commercial/Industrial	Public Utility Personal	Total	Change	Change
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	\$14,469,030	\$72,673,740	\$10,472,330	\$5,689,900	\$103,305,000	\$27,850	0.03%
2022 Estimated	\$14,384,534	\$72,512,316	\$10,468,050	\$5,706,268	\$103,071,168	(\$233,832)	-0.23%
2023 Estimated	\$12,342,624	\$76,190,791	\$12,321,145	\$5,911,613	\$106,766,173	\$3,695,005	3.46%
2024 Estimated	\$12,258,128	\$76,029,367	\$12,316,865	\$5,927,981	\$106,532,341	(\$233,832)	-0.22%
2025 Estimated	\$12,173,632	\$75,867,943	\$12,312,585	\$5,944,349	\$106,298,509	(\$233,832)	-0.22%
Reappraisal years are in yellow						Update years are in grey	

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	2021 Full Voted/ Amount/Millage	2021 Class I Effective	2021 Class II Effective
1976	Continuing	1976	25.80	7.826636	14.513248
1981	Continuing	1981	7.00	2.696260	3.990938
1990	Continuing	2015	9.50	4.491305	6.573116
1992	Continuing	2012	5.50	2.864312	4.288317
2008	Continuing	2008	5.00	4.310705	4.508420

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 90.82.
- The combined gross collection rate, including delinquencies, is projected at 99.92%

- The actual 3-year average annual change was 3.2%.
- The projected 5-year average annual change is 0.0%.

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 -1.1%.
- The projected 5-year average annual change is 1.9%.

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 134th General Assembly adopted the FY 2022-2023 biennium budget as Amended Substitute House Bill 110 (HB110). Due to significant changes to the calculation and payment of state foundation funding the Ohio Department of Education (ODE) made the transition to the new formula in January 2022.

One of the biggest changes in the funding is a move to fund students where they are educated, rather than where they reside. Community school students, STEM school students, students participating in a scholarship program (EdChoice, Cleveland Scholarship, Autism Scholarship, and Jon Peterson Special Needs Scholarship), and students participating in open enrollment will all be directly funded at their educating entity. This change will eliminate the deduction and transfer of funds from resident districts to educating entities for students participating in these school choice options.

The Summary School Finance Payment Report (SFPR) is comprised of the following lines:

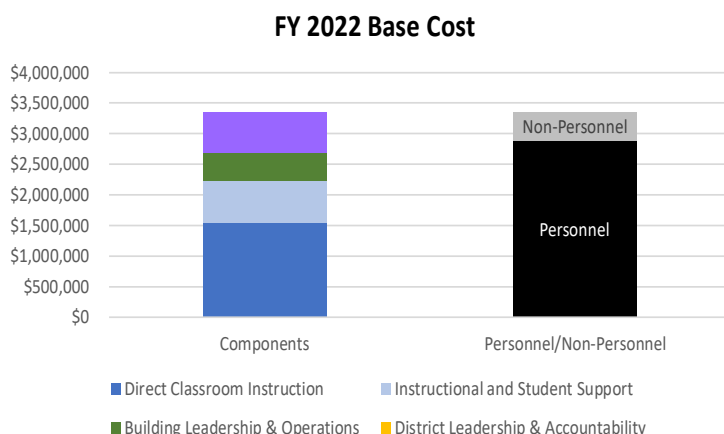
State Support

- A. Base Cost – which includes five sub-components:
 - a. Teachers
 - b. Student Support
 - c. Leadership and Accountability
 - d. Building Leadership
 - e. Athletic Co-curricular Activity
- B. Targeted Assistance
- C. Special Education
- D. Disadvantaged Pupil Impact Aid (DPIA) – included in Line 1.040 Restricted State Grants-In-Aid
- E. English Learners – included in Line 1.040 Restricted State Grants-In-Aid
- F. Gifted – included in Line 1.040 Restricted State Grants-In-Aid
- G. Career Technical Education – included in Line 1.040 Restricted State Grants-In-Aid
- H. Core Foundation Funding – Sum of lines A through G.
- I. Supplemental Targeted Assistance
- J. Temporary Transitional Aid Guarantee
- K. Transportation
- L. Formula Transition Supplement
- M. Total Formula Funding – Sum of lines H, I, J, K and L.

Additional Aid Items

- N. Preschool Special Education.
- O. Special Education Transportation
 - Casino revenue is also included and projected based upon enrollment and per pupil amounts as follows:
 - ❖ 2022=\$56.56; 2023=\$57.13; 2024=\$57.70; 2025=\$58.28; 2026=\$58.86

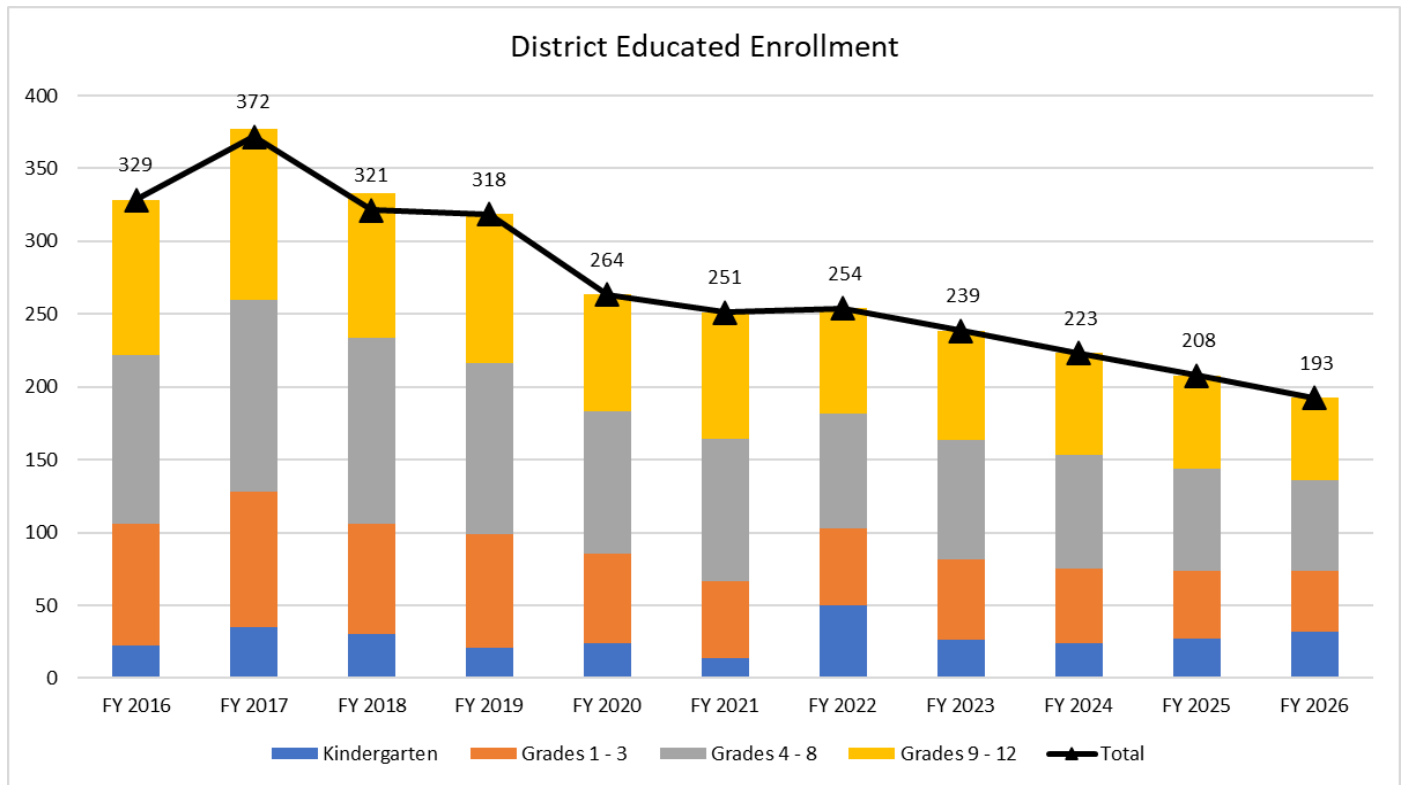
Ohio's Fair School Funding Plan Base Cost State Share Overview - FY 2022



Beginning in FY 2022 Ohio adopted the Fair School Funding Plan (FSFP). Funding is driven by a base cost methodology that incorporates the four components identified as necessary to the education process. The Base Cost is currently calculated for two years using a statewide average from historical actual data.

For Jefferson Township Local School District the calculated Base Cost total is \$3,351,298 in FY 2022.

There are four Base Cost component areas: Direct Classroom Instruction \$1,539,076, Instructional and Student Support \$686,983, Building Leadership and Operations \$466,692, Leadership and Accountability \$658,547. Of the total base cost about 87% is estimated for personnel related cost.



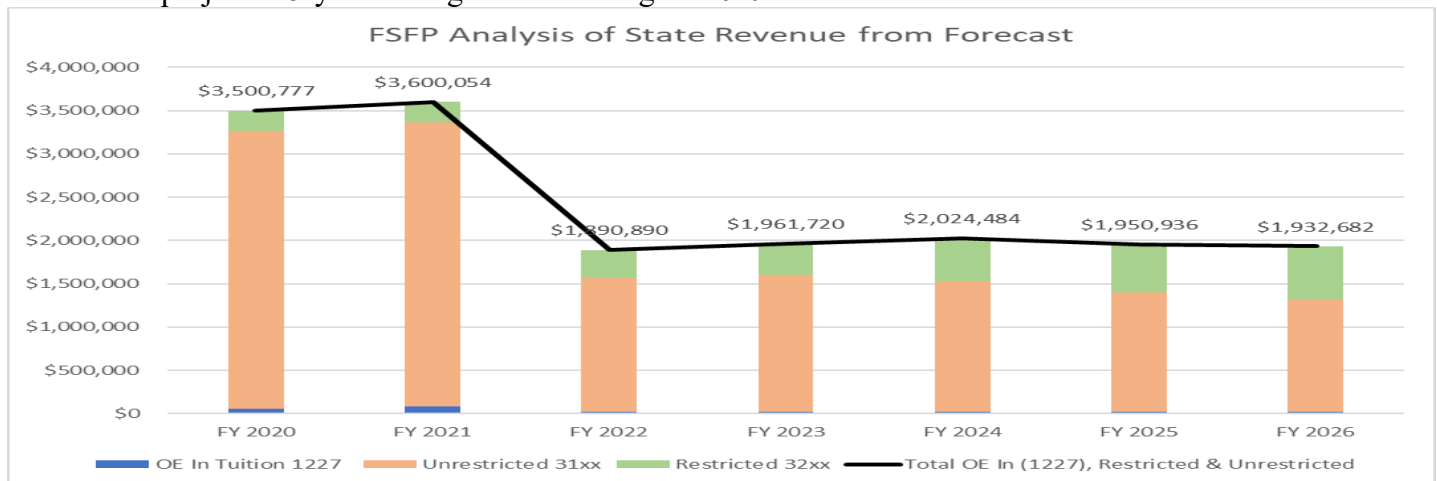
- The actual 3-year average annual change was 0.2%.
- The projected 5-year average annual change is -4.4%.

Line 1.040 Restricted State Grants-in-Aid

The new funding formula includes more restricted funding elements as indicated below.

- ❖ D. Disadvantaged Pupil Impact Aid (DPIA) - formerly known as Economically Disadvantaged
- ❖ E. English Learners
- ❖ F. Gifted
- ❖ G. Career Technical Education
- ❖ Disclosure. Student Wellness and Success – included in Base Cost

- The actual 3-year average annual change was -0.4%.
- The projected 5-year average annual change is 19.0%.



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 -0.8%.
- The projected 5-year average annual change is 0.1%.

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 -35.0%.
- The projected 5-year average annual change is -0.3%.

Lines 2.010 through 2.060 Other Financing Sources

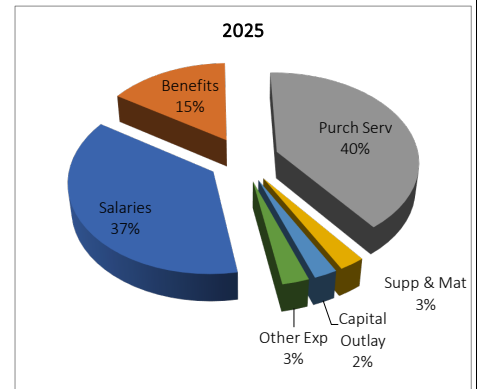
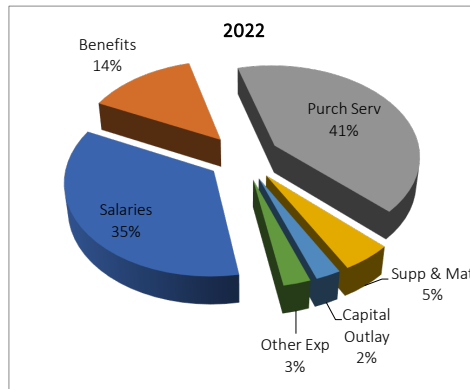
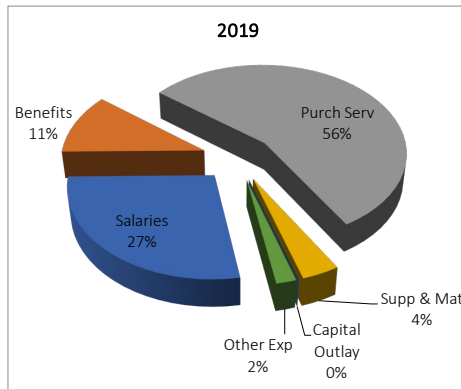
Included in this category are operating transfers-in and advances-in. Advances-in include returns of money advanced by the General Fund to other funds to cover a short-term end of year deficit balance. These transactions are considered a “loan” to the deficit fund and must be repaid to the General Fund.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

- The actual 3-year average annual change was 4.0%.
- The projected 5-year average annual change is 0.5%.

EXPENDITURES

Operating Expenditure Summary

Jefferson Township Local School District



	ACTUAL		FORECASTED				6 Year Projected
	2019	% of Budget	2022	% of Budget	2025	% of Budget	% Change
3.010 - Personnel Services	1,853,621	27.56%	1,928,694	34.99%	2,143,689	37.02%	15.65%
3.020 - Employees' Retirement/Insurance Benefits	733,432	10.91%	749,948	13.61%	888,242	15.34%	21.11%
3.030 - Purchased Services	3,749,371	55.76%	2,279,935	41.36%	2,314,707	39.98%	-38.26%
3.040 - Supplies and Materials	253,434	3.77%	270,365	4.90%	150,172	2.59%	-40.75%
3.050 - Capital Outlay	-	0.00%	135,960	2.47%	135,960	2.35%	0.00%
3.060-4.300 - Other Expenditures	134,762	2.00%	147,319	2.67%	157,559	2.72%	16.92%
4.500 - Total Expenditures	6,724,620		5,512,221		5,790,329		-13.89%

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 expired 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 40.60% of total personal services
 - ❖ Classified staff are 20.84% of total personal services
 - ❖ Administrative staff are 32.43% of total personal services
 - ❖ Substitutes, overtime and other are 6.13% 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 8.5%.
- The projected 5-year average annual change is 3.6%.

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 7.5% 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.

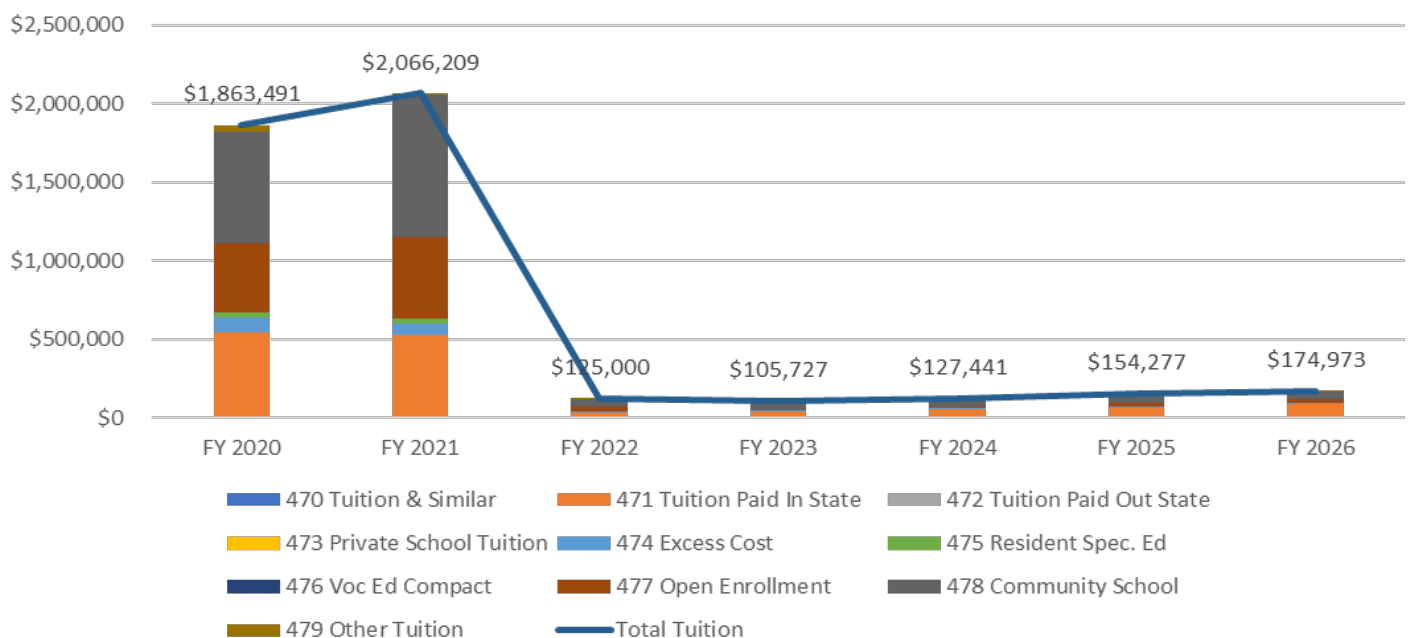
- The actual 3-year average annual change was 2.8%.
- The projected 5-year average annual change is 5.8%.

Line 3.030 Purchased Services

This line includes costs for transportation, special education services, contracted services, utilities, legal services, data processing, tuition and professional meeting expenses and lease payments.

The big change in HB110 is a move to fund students where they are educated, rather than where they reside. Community school students, STEM school students, students participating in a scholarship program (EdChoice, Cleveland Scholarship, Autism Scholarship, and Jon Peterson Special Needs Scholarship), and students participating in open enrollment will all be directly funded at their educating entity. This change will eliminate the deduction and transfer of funds from resident districts to educating entities for students participating in these school choice options.

Current Forecasted Tuition FSNP Analysis



- The actual 3-year average annual change was 1.1%.
- The projected 5-year average annual change is -1.4%.

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 -2.8%.
- The projected 5-year average annual change is -10.3%.

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 73.9%.

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 -21.5%.
- The projected 5-year average annual change is 3.1%.

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 138.0%.
- The projected 5-year average annual change is 37499.0%.

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 2023 may deviate significantly.