



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

**For the Fiscal Years Ending June 30, 2023 through 2027**

April 28, 2023

### **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 note assumptions for each reported line item, to the Ohio Department of Education (ODE) no later than November thirtieth of each fiscal year. An update is required to be submitted by May thirty-first of each fiscal year. The Treasurer/CFO develops and 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.

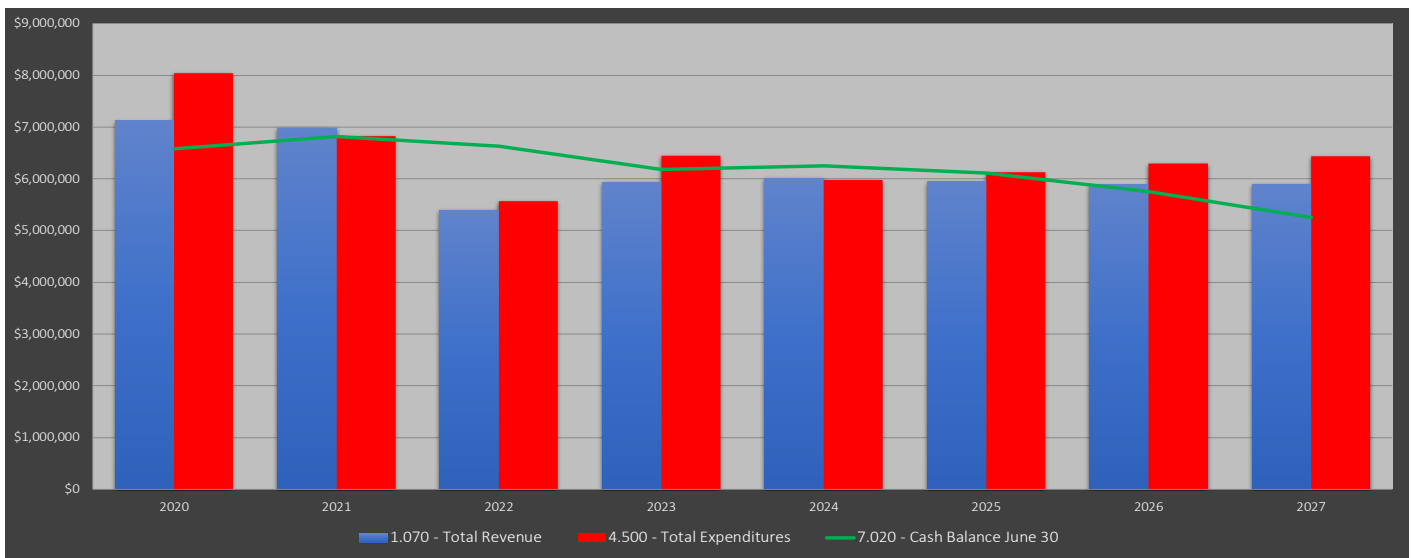
The following factors may be classified as such:

- 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 educational service center (ESC) instructional support and special education services, transportation, 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

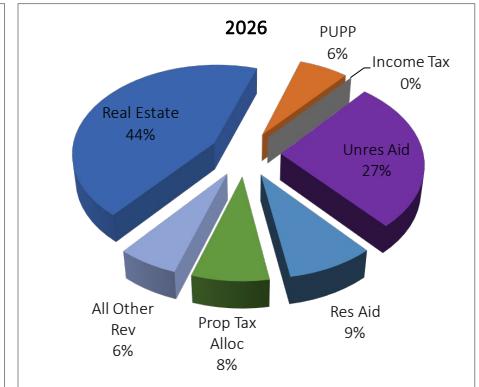
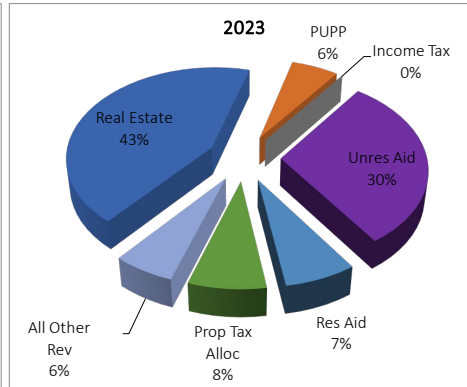
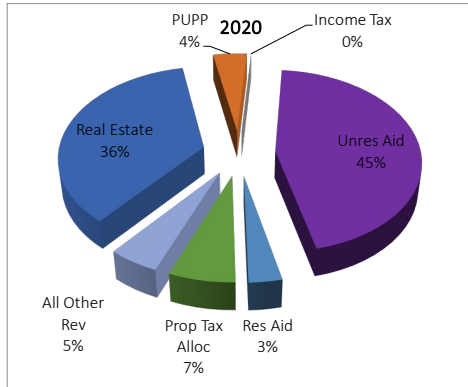


	ACTUAL			FORECASTED				
	2020	2021	2022	2023	2024	2025	2026	2027
1.070 - Total Revenue	7,119,533	6,974,198	5,400,413	5,932,310	6,013,062	5,948,194	5,889,555	5,897,388
4.500 - Total Expenditures	8,041,935	6,824,416	5,569,929	6,443,869	5,975,624	6,127,896	6,293,233	6,434,085
7.020 - Cash Balance June 30	6,574,974	6,816,596	6,631,822	6,182,737	6,255,372	6,113,367	5,747,386	5,248,386

**REVENUE**

Operating Revenue Summary

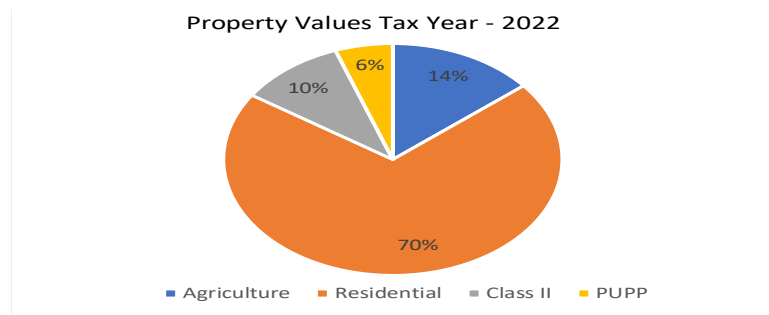
Jefferson Township Local School District



	ACTUAL		FORECASTED				6 Year Projected
	2020	% of Revenue	2023	% of Revenue	2026	% of Revenue	% Change
1.010 - General Property Tax (Real Estate)	2,554,311	35.88%	2,559,160	43.14%	2,588,155	43.94%	1.32%
1.020 - Public Utility Personal Property	300,304	4.22%	348,704	5.88%	370,108	6.28%	23.24%
1.030 - Income Tax	-	0.00%	-	0.00%	-	0.00%	0.00%
1.035 - Unrestricted Grants-in-Aid	3,213,155	45.13%	1,800,099	30.34%	1,602,118	27.20%	-50.14%
1.040 & 1.045 - Restricted Grants-in-Aid	232,719	3.27%	416,509	7.02%	514,807	8.74%	121.21%
1.050 - Property Tax Allocation	464,373	6.52%	451,163	7.61%	457,112	7.76%	-1.56%
1.060 - All Other Operating Revenues	354,671	4.98%	356,675	6.01%	357,255	6.07%	0.73%
1.070 - Total Revenue	7,119,533		5,932,310		5,889,555		-17.28%

**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.



**Taxable Valuation**

Total Valuations by Property Classification						YOY \$ Change	YOY % Change
Tax Year	Agriculture	Residential	Commercial/Industrial	Public Utility Personal	Total		
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 Actual	\$14,469,030	\$72,673,740	\$10,472,330	\$5,689,900	\$103,305,000	\$27,850	0.03%
2022 Actual	\$14,242,360	\$73,004,810	\$11,055,780	\$6,068,660	\$104,371,610	\$1,066,610	1.02%
2023 Estimated	\$12,420,530	\$76,303,198	\$12,308,592	\$5,869,625	\$106,901,945	\$2,530,335	2.37%
2024 Estimated	\$12,413,940	\$76,228,821	\$12,291,759	\$5,844,005	\$106,778,525	(\$123,420)	-0.12%
2025 Estimated	\$12,407,350	\$76,154,444	\$12,274,926	\$5,818,385	\$106,655,105	(\$123,420)	-0.12%
2026 Estimated	\$10,365,440	\$79,858,279	\$14,128,021	\$6,023,730	\$110,375,470	\$3,720,365	3.37%

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	2022 Full Voted/ Amount/Millage	2022 Class I Effective	2022 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.
  - ❖ The projected 5-year average annual collection rate is 90.03.
- Class II property consists of public utility real, industrial and commercial property.
  - ❖ The projected 5-year average annual collection rate is 98.14.
- The combined gross collection rate, including delinquencies, is projected at 100.47%
  
- ✓ The actual 3-year average annual change was 0.4%.
- ✓ The projected 5-year average annual change is 0.7%.

**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 99.92%.
- The gross collection rate, including delinquencies, is projected at 99.92%
  
- ✓ The actual 3-year average annual change was 4.3%.
- ✓ The projected 5-year average annual change is 1.9%.

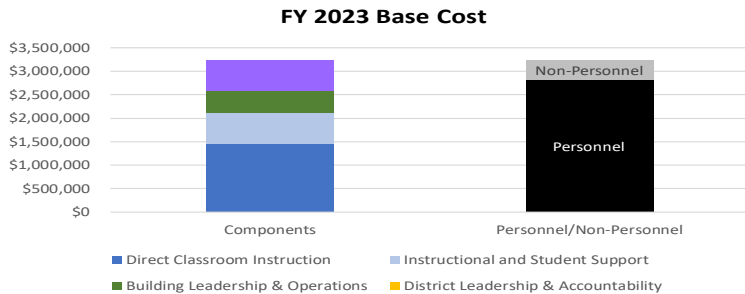
**Line 1.035 Unrestricted Grants-in-Aid**

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 (HB 110). The new school funding formula model, often called the Fair School Funding Plan (FSFP), includes the following key elements:

- Uses an Enrolled ADM concept which funds students where they are educated rather than where they live. This change generally eliminates the deduction and transfer of dollars from resident districts to other districts for students who attend community/STEM schools, open enrollment and scholarship programs.
- The formula establishes a base cost methodology using actual costs, student/teacher ratios and minimum staffing. Each school and district in the state will therefore have a unique base cost per-pupil.
- The state share uses both income and assessed property values in the new state and local cost methodology.
- Supplemental money, based on student need and demographics, are restricted to support students with disabilities, economically disadvantaged students, English learners, gifted and career-technical education.

**Ohio's Fair School Funding Plan Base Cost State Share Overview - FY 2023**



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 \$3,231,952 in FY 2023.

There are four Base Cost component areas: Direct Classroom Instruction \$1,457,863, Instructional and Student Support \$673,623, Building Leadership and Operations \$442,639, Leadership and Accountability \$657,827. Of the total base cost about 87% is estimated for personnel related cost. Note: Calculations are based upon Financial Planning Software - Assumption Assist.

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

**State Support**

- A. Base Cost – which includes five sub-components:
  - a. Teacher
  - b. Student Support
  - c. District Leadership and Accountability
  - d. Building Leadership and Operation
  - e. Athletic Co-curricular Activities
- 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. Temporary Transitional Aid Guarantee
- J. Supplemental Targeted Assistance
- K. Transportation
- L. Formula Transition Supplement
- M. Total Formula Funding – Sum of lines H, I, J, K and L.

**Additional Aid Items**

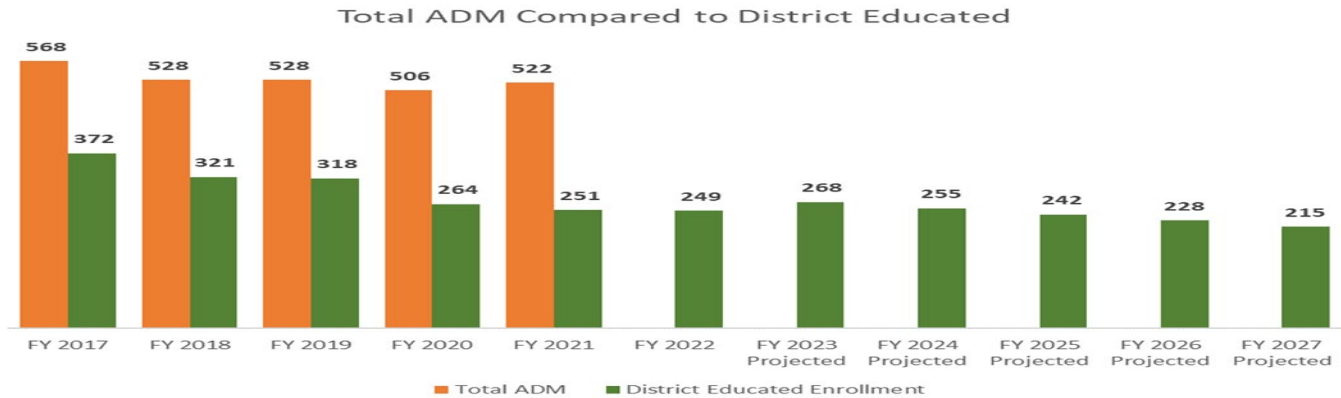
- N. Preschool Special Education
- O. Special Education Transportation
- P. Total State Support – Sum of lines M, N and O.

**Transfers**

- Q. Educational Service Center
- R. Other Adjustments
- S. Total Transfers – Sum of lines Q and R.
- T. **Net State Funding – Sum of lines P and S.**

- Base Cost calculations for FY 2022 and FY 2023 utilize FY 2018 statewide average staff salaries and per pupil expenditures.
- Funding elements for lines ‘A’ through ‘G’ are phased-in at 33.33%.
- Funding elements and guarantees for lines ‘I’ through ‘L’ are not subject to a phase-in.
- Supplement additional aid items for lines ‘N’ through ‘O’ are not subject to a phase-in.

Historical and projected Total ADM and District Educated Enrollment follows:



Casino revenue is also included and projected based upon enrollment and per pupil amounts as follows:

- ❖ 2023=\$65.29; 2024=\$67.25; 2025=\$67.92; 2026=\$68.60; 2027=\$69.28

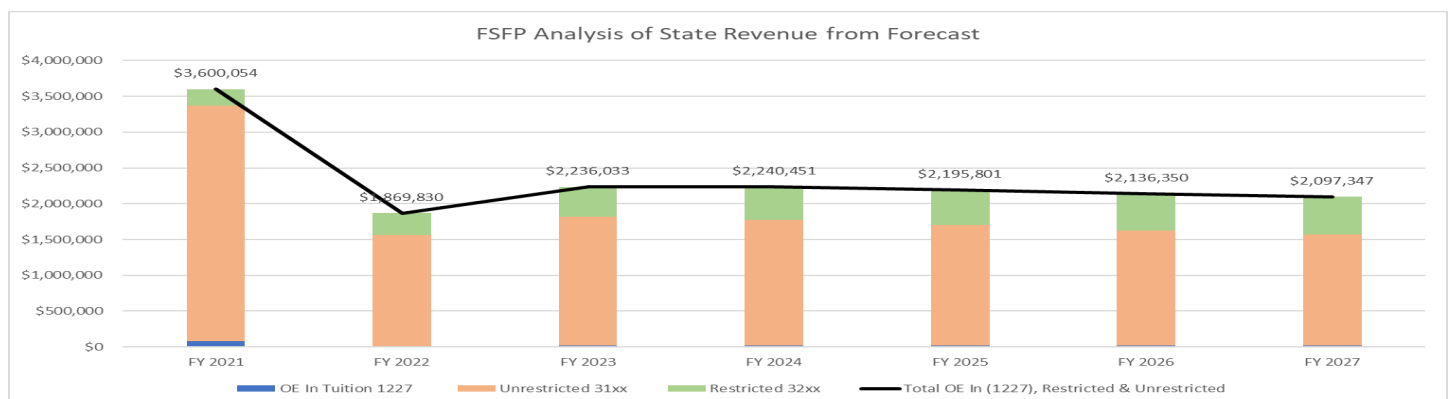
- ✓ The actual 3-year average annual change was -25.1%.
- ✓ The projected 5-year average annual change is -3.6%.

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

The new funding formula includes 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 Line 1.035 Unrestricted (Base Cost)

- ✓ The actual 3-year average annual change was 16.3%.
- ✓ The projected 5-year average annual change is 18.0%.



**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. The reimbursement from the state is made twice a year in November and May.

- ✓ The actual 3-year average annual change was -0.9%.
- ✓ The projected 5-year average annual change is 0.4%.

**Line 1.060 All Other Revenues**

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

- ✓ The actual 3-year average annual change was -29.1%.
- ✓ The projected 5-year average annual change is 0.0%.

**Lines 2.010 through 2.060 Other Financing Sources**

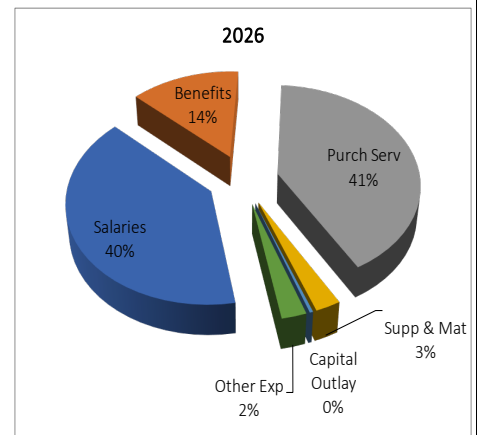
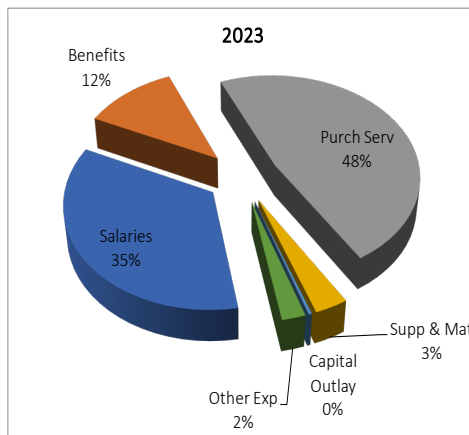
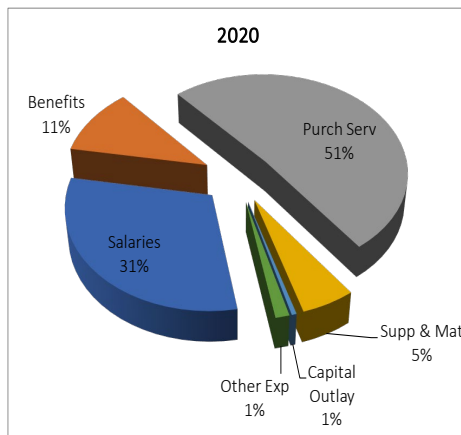
Included in this category are operating transfers-in and advances-in. Advances-in include returns of money advanced by the General Fund to other funds to cover a short-term end of year deficit balance.

- ✓ The actual 3-year average annual change was 9.5%.
- ✓ The projected 5-year average annual change is -6.0%.

**EXPENDITURES**

Operating Expenditure Summary

Jefferson Township Local School District



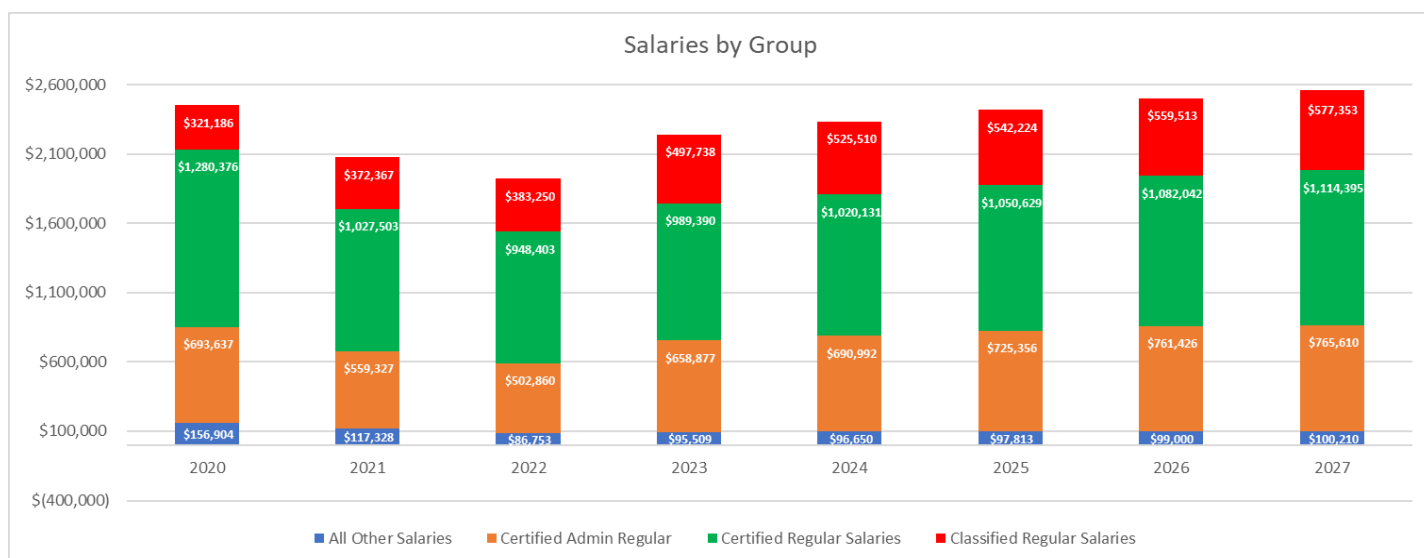
	ACTUAL		FORECASTED				
	2020	% of Budget	2023	% of Budget	2026	% of Budget	6 Year Projected % Change
3.010 - Personnel Services	2,452,103	30.49%	2,241,514	34.79%	2,501,981	39.76%	2.03%
3.020 - Employees' Retirement/Insurance Benefits	876,800	10.90%	749,386	11.63%	874,674	13.90%	-0.24%
3.030 - Purchased Services	4,128,010	51.33%	3,072,127	47.68%	2,575,552	40.93%	-37.61%
3.040 - Supplies and Materials	433,976	5.40%	210,753	3.27%	161,242	2.56%	-62.85%
3.050 - Capital Outlay	39,259	0.49%	20,836	0.32%	21,467	0.34%	-45.32%
3.060-4.300 - Other Expenditures	111,787	1.39%	149,253	2.32%	158,317	2.52%	41.62%
4.500 - Total Expenditures	8,041,935		6,443,869		6,293,233		-21.74%

### 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, 2025. Classified staff are no longer represented by Ohio Association of Public School Employees (OAPSE) 674. This contract expired June 30, 2021. In November 2022, OAPSE disclaimed interest in the bargaining unit and requested the State Employment Relations Board (SERB) to revoke its certification as the exclusive bargaining representative.

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

- Costs for horizontal range increases are between 0.10% and 1.0%.
- JTEA employees will receive a base increase of 3% in fiscal year 2023, and 2% in 2024 and 2025.
- OAPSE employees received a base increase of 30% in fiscal year 2023.

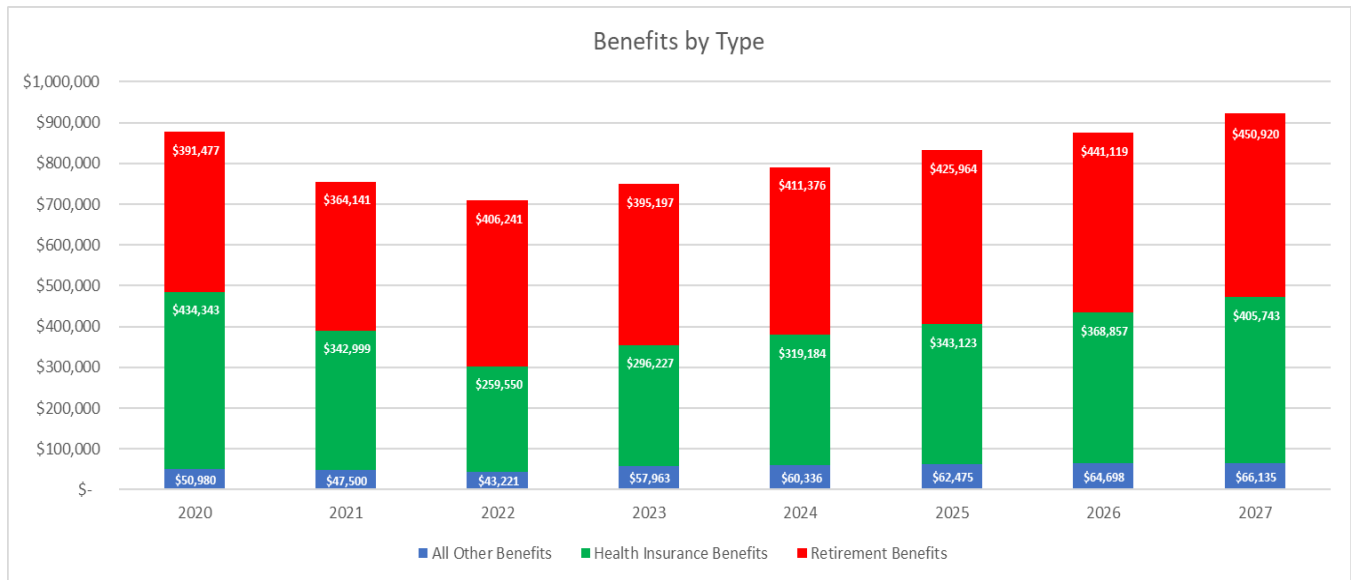


- ✓ The actual 3-year average annual change was -11.4%.
- ✓ The projected 5-year average annual change is 3.4%.

### 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, an additional employer charge, for lower-paid employees. It is exclusively used to fund health care. There is a cap of 2% of district qualified payroll. The statewide limit is 1.5% of the total statewide payroll.
- Health and dental coverage are provided through the Southwest Ohio Educational Purchasing Council.
  - ❖ The 2023 health increase is 8% and future increases are projected at 7.5%.
  - ❖ The 2023 dental increase is 1.5% and future increases are projected at 0%
- The district contributes 80% of the health and dental premium for full-time staff.
- The district contributes 62% or 40% of the health and dental premium for part time staff.
- Workers Compensation continues in a Group Retrospective Rating Program.

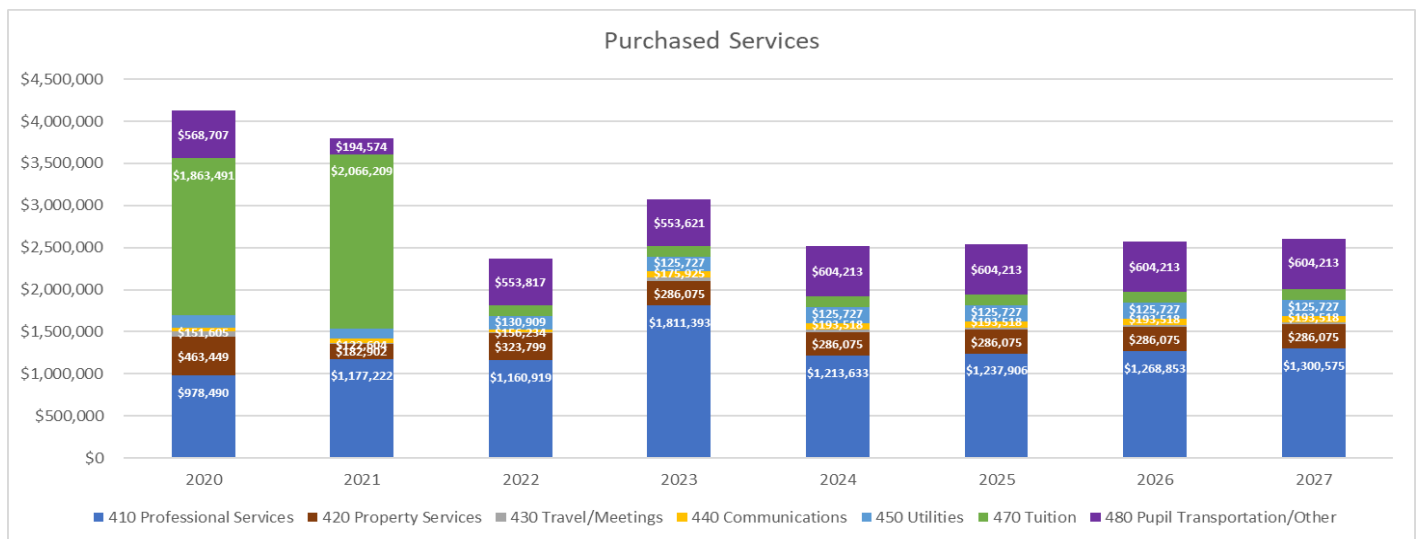


- ✓ The actual 3-year average annual change was -10.0%.
- ✓ The projected 5-year average annual change is 5.3%.

**Line 3.030 Purchased Services**

This line includes costs for transportation, instructional support services, 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.



- ✓ The actual 3-year average annual change was -22.8%.
- ✓ The projected 5-year average annual change is -3.6%.

**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 56.5%.
- ✓ The projected 5-year average annual change is -5.5%.

**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 816.2%.
- ✓ The projected 5-year average annual change is 1.0%.

**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 22.9%.
- ✓ The projected 5-year average annual change is 2.1%.

**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 from the general fund 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 328.6%.
- ✓ The projected 5-year average annual change is 37,499.0%.

**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 2024 may deviate significantly.