



FIVE-YEAR FINANCIAL FORECAST NOTES AND ASSUMPTIONS

For the Fiscal Years Ending June 30, 2020 through 2024

November 22, 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 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.

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:

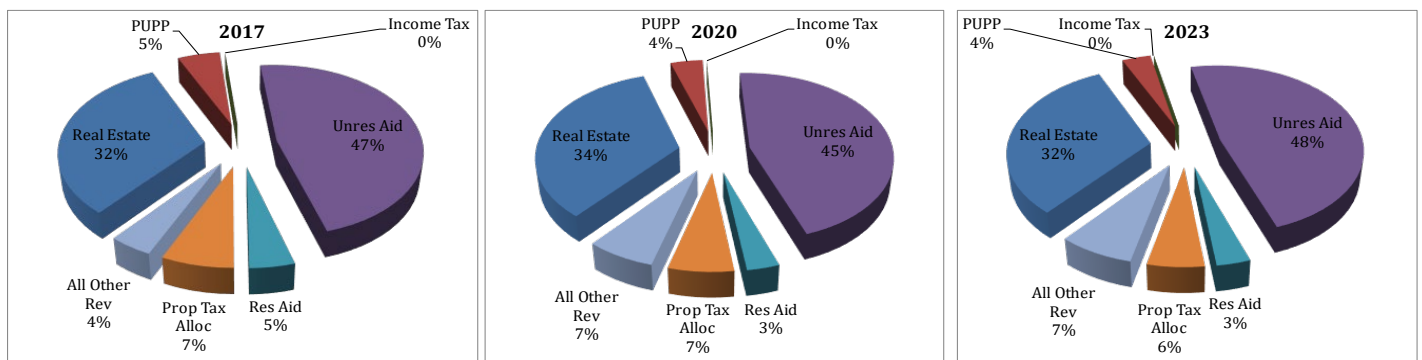
- Revenue and Other Financing Sources:
 - ❖ General Property Tax factors include taxable values, tax rates and collection rates.
 - ❖ Unrestricted Grants-In-Aid factors include political forces in the state biennium budget cycle, student enrollment and property/income wealth.
- Expenditures and Other 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				
	2017	% of Revenue	2020	% of Revenue	2023	% of Revenue	6 Year Projected % Change
1.010 - General Property Tax (Real Estate)	2,251,543	32.00%	2,450,452	34.01%	2,185,370	31.99%	-2.94%
1.020 - Public Utility Personal Property	373,364	5.31%	294,914	4.09%	248,584	3.64%	-33.42%
1.030 - Income Tax	-	0.00%	-	0.00%	-	0.00%	0.00%
1.035 - Unrestricted Grants-in-Aid	3,307,684	47.01%	3,268,267	45.36%	3,268,967	47.85%	-1.17%
1.040 & 1.045 - Restricted Grants-in-Aid	309,756	4.40%	232,702	3.23%	230,202	3.37%	-25.68%
1.050 - Property Tax Allocation	495,531	7.04%	466,985	6.48%	387,498	5.67%	-21.80%
1.060 - All Other Operating Revenues	298,610	4.24%	491,271	6.82%	510,722	7.48%	71.03%
1.070 - Total Revenue	7,036,488		7,204,591		6,831,343		-2.92%

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	2018 Full Voted/ Amount/Millage	2018 Class I Effective	2018 Class II Effective
1976	Continuing	1976	25.80	8.32205	15.56532
1981	Continuing	1981	7.00	2.86693	4.28024
1990	Continuing	2015	9.50	4.77560	7.04961
1992	Continuing	2012	5.50	3.04562	4.59918
2008	Continuing	2008	5.00	4.58358	4.83524

Actual real property valuation and effective millage for tax years 2018 and 2019 and estimates for tax years 2020 thru 2023 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
2018	92,199,520				30.19			42.93	
2019	92,030,608	(168,912)	251,156	(355,035)	30.30	0.10	(65,033)	43.15	0.22
2020	79,342,048	(12,688,560)	(12,601,885)	(145,410)	30.34	0.04	58,735	42.95	(0.20)
2021	79,173,136	(168,912)	251,156	(355,035)	30.47	0.13	(65,033)	43.15	0.20
2022	79,004,224	(168,912)	251,156	(355,035)	30.59	0.13	(65,033)	43.35	0.20
2023	80,016,034	1,011,810	1,098,485	(145,410)	30.64	0.05	58,735	43.17	(0.18)

- Tax year 2020 will be a reappraisal 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 88.48%.
 - ❖ Projected increases for new construction/growth are as follows:

Tax Year	2019	2020	2021	2022	2023
Class I New Construction/Growth	0.09%	-16.95%	0.11%	0.11%	-0.43%

- Class II property consists of public utility real, industrial and commercial property.
 - ❖ Assessed valuation is 11% of the total valuation.
 - ❖ Collection rates, excluding delinquencies, are projected at 92.67%.
 - ❖ Projected increases for new construction/growth are as follows:

Tax Year	2019	2020	2021	2022	2023
Class II New Construction/Growth	1.27%	11.01%	1.48%	1.47%	11.39%

- The actual 5-year average annual change was 0.09%.
- The projected 5-year average annual change is -0.75%.

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 2018 and estimates for tax years 2019 thru 2024 are indicated below:

	Pers Property Valuation	Year-Over-Year Change	Full Voted Tax Rate	Year-Over-Year Change
2018	4,898,640		59.40	
2019	4,862,545	(36,095)	59.40	-
2020	4,330,730	(531,815)	59.40	-
2021	4,294,635	(36,095)	59.40	-
2022	4,258,540	(36,095)	59.40	-
2023	4,571,895	313,355	59.40	-
2024	4,571,895	-	59.40	-

- Tax year 2020 will be a reappraisal 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 5% of the total valuation.
 - ❖ Collection rates are projected at 97.88%.
 - ❖ Projected increases for new construction/growth are as follows:

Tax Year	2019	2020	2021	2022	2023
Public Utility New Construction/Growth	-0.74%	-10.94%	-0.83%	-0.84%	7.36%

- The actual 5-year average annual change was 4.50%.
- The projected 5-year average annual change is -4.18%.

Territory Transfer Litigation

In April 2018 electors from the District, represented by Megan E. Lucas, requested the transfer of certain territory, from the Jefferson Township Local School District to the Valley View Local School District, pursuant to Section 3311.24 of the Ohio Revised Code. The current taxable value of the territory is \$14,545,550 or 15% of total taxable valuation. The potential tax revenue loss is nearly half a million dollars annually (See “What-If” Valuation Change table below). On February 12, 2019 the State Board of Education (SBOE) rejected the recommendation of the Hearing Officer and thus, the territory transfer was denied. Ms. Lucas subsequently appealed. The Common Pleas Court of Franklin County reversed the decision of the SBOE and grants the transfer from the District to Valley View. The SBOE is appealing that decision. Due to the probability of the transfer occurring this forecast reduces values and revenue in collection year 2021 and beyond.

A/R Value	\$13,492,910
C/I Value	\$207,470
Public Utility-Real	\$0
Public Utility-Pers	\$845,170
Total Taxable Value	\$14,545,550

"What-If" Valuation Change - Impact on Revenue & Rates							
Collection Year	Class I		Class II		PP/PUPP		Total Impact
	Revenue	Rate	Revenue	Rate	Revenue	Rate	
2020	-	0.00	-	0.00	-	0.00	-
2021	(409,366)	0.00	(8,912)	0.00	(50,203)	0.00	(468,481)
2022	(409,364)	0.02	(8,911)	0.00	(50,203)	0.00	(468,478)
2023	(409,361)	0.04	(8,910)	0.01	(50,203)	0.00	(468,474)
2024	(409,376)	0.05	(8,905)	0.00	(50,203)	0.00	(468,484)

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 133rd 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.

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 5-year average annual change was -0.21%.
- The projected 5-year average annual change is -0.07%.

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.

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 -5.41%.
- The projected 5-year average annual change is -3.68%.

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 -1.46%.

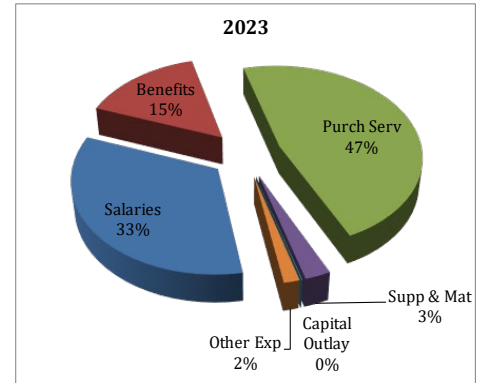
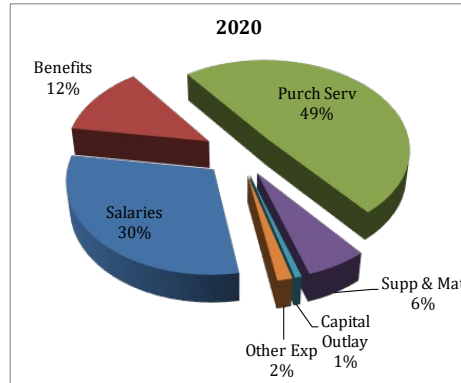
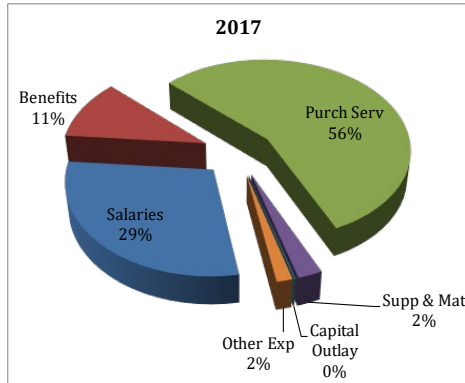
Lines 2.010 through 2.060 Other Financing Sources

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				
	2017	% of Budget	2020	% of Budget	2023	% of Budget	6 Year Projected % Change
3.010 - Personnel Services	1,860,027	29.16%	2,248,192	30.17%	2,376,526	33.44%	27.77%
3.020 - Employees' Retirement/Insurance Benefits	678,393	10.64%	925,547	12.42%	1,081,690	15.22%	59.45%
3.030 - Purchased Services	3,580,550	56.13%	3,667,196	49.21%	3,349,516	47.13%	-6.45%
3.040 - Supplies and Materials	154,365	2.42%	450,000	6.04%	182,500	2.57%	18.23%
3.050 - Capital Outlay	5,336	0.08%	50,000	0.67%	5,000	0.07%	-6.30%
3.060-4.300 - Other Expenditures	100,007	1.57%	111,200	1.49%	112,000	1.58%	11.99%
4.500 - Total Expenditures	6,378,679		7,452,135		7,107,232		11.42%

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 new 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 47.37% of total personal services
 - ❖ Classified staff are 18.66% of total personal services
 - ❖ Administrative staff are 32.26% of total personal services
 - ❖ Substitutes, overtime and other are 1.71% 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 five-year average annual change is -2.22%.
- The projected five-year average annual change is 5.75%.

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% 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 -2.82%.
- The projected five-year average annual change is 9.31%.

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 5-year average annual change was 3.22%.
- The projected five-year average annual change is -3.52%.

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 3.71%.

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 -34.17%.

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 -3.35%.

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 2022 and beyond may deviate significantly from the forecast.