Jefferson Local School District

Fiscal Year End Report

FY 2022-2023

July 1, 2022-June 30, 2023

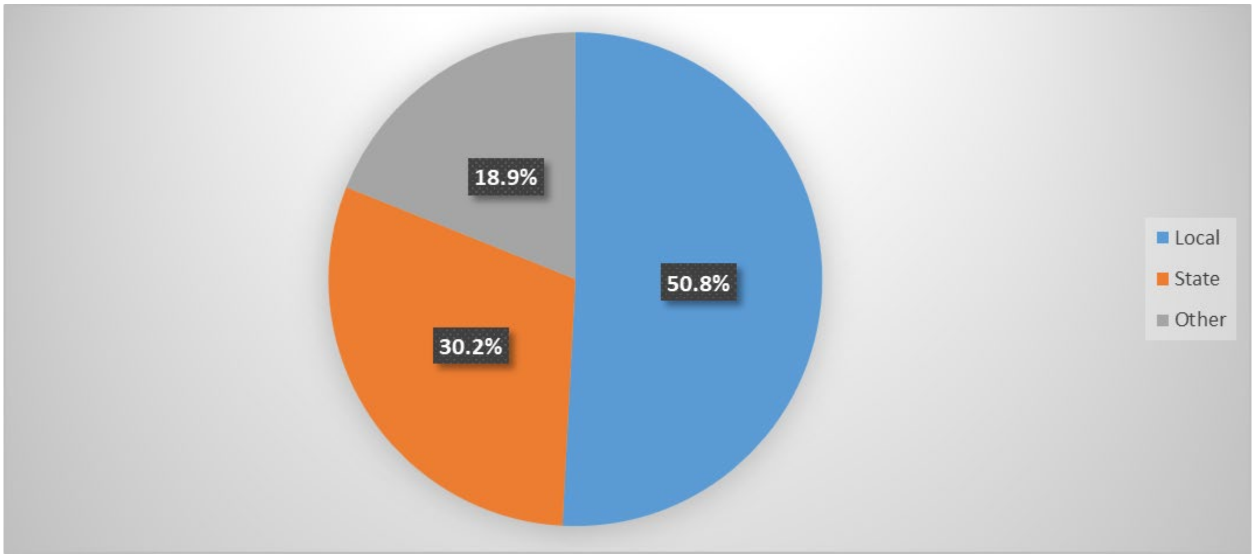
Prepared by:

Jefferson Local School District Treasurer's Office

Mark Ingles, Treasurer/CFO

I want to spend some time looking back on the past fiscal year (FY) 2023, which ran from July 2022-June 2023, and where the District currently stands financially. I will be focusing on the General Fund, which is the main source of revenues and expenditures for the District. It is also the fund represented on the biannual five-year forecast, submitted each November with an update in May.

FY 2023 Source of General Fund Revenues

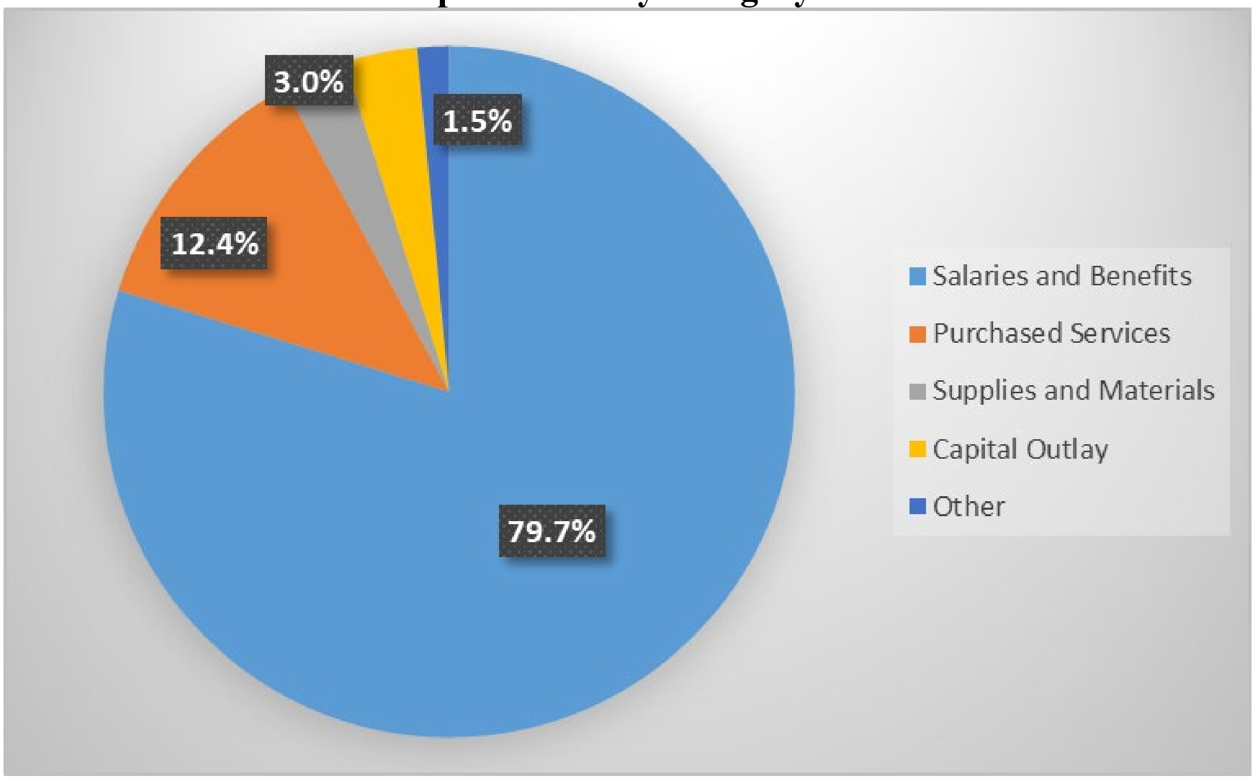


Local sources remain the largest source of revenues. These include funds received from property taxes and income taxes. The District saw a decrease of just under $50,000, or less than a 1% decrease, in property taxes in FY 2023 compared to FY 2022. This is due to an increase in delinquent taxes compared to the previous year. I will expect to see a large increase in the growth of property tax revenues in FY 2024 due to the triennial update Madison County is currently conducting. Income tax collection increased year over year from FY 2022, increasing by $144,292, or 7.3%. This is a sign that the local economy is robust and staying strong.

State sources of revenue remained largely flat compared to FY 2022. This is due to the District being on two guarantees for this past fiscal year due to declining enrollment and increase local wealth factors. This results in no additional funds from the state funding formula. The District received a lower catastrophic cost reimbursement from the state in 2023 compared to 2022. As a result, the District's restricted state revenue decreased year over year.

Other sources of revenue include payments received as part of payment in lieu of taxes agreements with developers who received tax abatements. The District saw an increase in the amount paid from those agreements due to increasing payroll at those developments, which increased the revenue from the income tax sharing agreement with the Village of West Jefferson, as well as payments associated with the $0.01/square foot agreements. The payments from the $0.01/square foot agreements are hard to predict since they are triggered by the awarding of occupancy permits at the developments. The income tax sharing agreements will start to decrease as developers lose their tax abatements, thus coming onto property tax rolls, and if the current 50/50 split agreement with the Village is not renewed. The current income tax sharing agreement ends in 2024. **Overall, revenues increased by $887,600, or 5.3%, in FY 2023 compared to FY 2022.**

FY 2023 Expenditures by Category

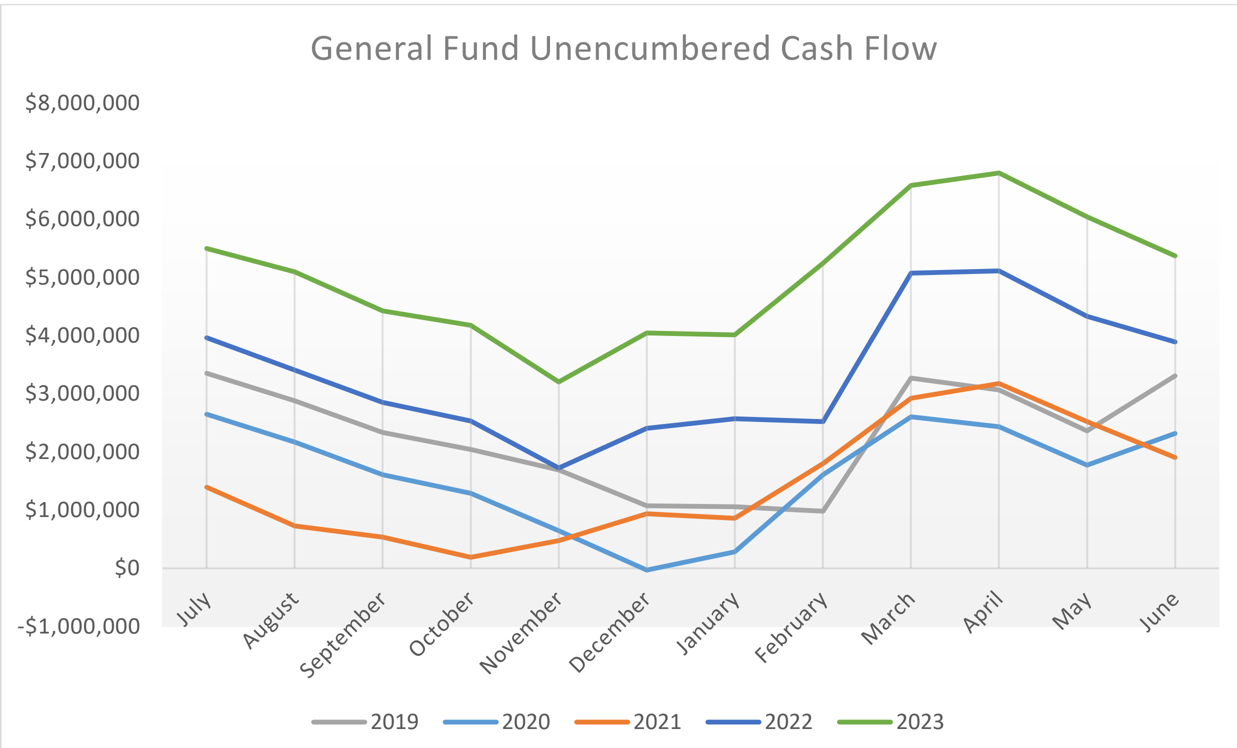


Personnel costs, which are made up of salaries and benefits, remains by far the largest source of expenditures at the District and saw an increase compared to FY 2022. This is to be expected as the District is a service organization and as such people will be its largest cost. The District negotiated three-year collective bargaining agreements with its two unions in 2021, providing staff with a 2.75% base increase plus the standard salary steps. Administrators and non-union staff also received a 2.75% increase. The District also added personnel to its staff to help serve its special education student population. As a result, the District saw an increase of $416,650, or 5%, in salary and wages and $189.650, or 5%, in benefits compared to FY 2022.

Purchased services increased sharply in FY 2023. This category consists of repairs and other specialized services provided by private individuals and companies. The District utilized federal COVID funds to help defray these costs where appropriate. Special education services provided by the Madison-Champaign ESC saw an increase in costs as the county consortium largely disbanded, resulting in fewer non-resident students receiving services from Jefferson LSD staff which lowered the District's billing credit. The District also had more students placed in institutions outside of the District, which increases costs in this area. Purchase services increased by $211,300, or 12%, year over year.

The other expenditure categories remained consistent with FY 2022. Supplies came in significantly lower than forecasted, due to inflation moderating more than expected. Capital outlay also came in lower than expected due to an ordered school bus not being delivered in time for fiscal year closeout. As a result, that expenditure is expected to hit next fiscal year. The other category is just that, expenditures that are not neatly categorized. Examples includes fees paid to the county for property tax collection purposes, fees associated with income tax collection, and professional membership dues and fees. Despite several categories coming in lower than forecasted, overall all spending categories saw an increase compared to last year. **Overall, expenditures increased by $1.3 million, or 9%, compared to FY 2022.**

The unencumbered[1] General Fund cash flow for the fiscal year is below.



As you can see from the dark blue line above, The District finished FY 2023 with its highest unencumbered balance since FY 2018. Ending fund balances from before FY 2021 are misleading as the District had a practice of requesting and receiving property tax advances from the county auditor in June. Those advances are for property taxes that were due to be paid the following fiscal year, artificially increasing the cash balance in one fiscal year by taking from another. This is a practice that was ended in FY 2021. The unencumbered fund balance represents the funds available for the District to pay its obligations, including the salaries and benefits owed to its employees. The higher the fund balance, the better the District can weather emergencies and stretch out new requests for funds from its taxpayers.

[1] Unencumbered means funds that are not committed to a purchase order or some other financial commitment.

Overall, the bottom line is that the District finished with an **operational surplus**. That means revenues exceeded expenditures for the fiscal year. Due to strong revenues and prudent fiscal management the District finished the fiscal year with a surplus of **$1.5 million**. As a result, the District saw a year over year increase in its ending fund balance. Due to the nature of school funding, with largely flat revenues and increasing expenditures, this is a hard accomplishment to achieve. This result is a direct testament to the District's hard working and dedicated staff to find ways to provide a valuable education to the children of West Jefferson in an efficient and effective matter.

The forecast to actual comparison table is below. As you can see, the forecast largely tracked actual performance, with variances of 1% for both revenues and expenditures and overall net fund balance by within 1%.

FY 2023 Forecast to Actual

Line	Forecast	Actual	Difference	% Difference	Notes
1.010 General Property (Real Estate)	$6,146,008	$6,146,008	($0)	(0.0%)	
1.020 Tangible Personal Property Tax	$730,243	$730,244	$1	0.0%	
1.030 Income Tax	$2,131,258	$2,131,257	($1)	(0.0%)	
1.035 Unrestricted Grants-in-Aid	$4,376,722	$4,376,749	$27	0.0%	
1.040 Restricted Grants-in-Aid	$369,593	$328,378	($41,215)	(11.2%)	Lower catastrophic cost reimbursement
1.050 Property Tax Allocation	$644,979	$644,012	($967)	(0.1%)	
1.060 All Other Operating Revenue	$3,036,036	$3,206,659	$170,624	5.6%	PILOT Payment June 2023
1.070 Total Revenue	**$17,434,839**	**$17,563,306**	**$128,468**	**0.7%**	
2.070 Total Other Financing Sources	$102,562	$141,233	$38,671	37.7%	Advances and transfers in,
2.080 Total Revenues and Other Financing Sources	**$17,537,401**	**$17,704,539**	**$167,138**	**1.0%**	
3.010 Personnel Services	$8,793,129	$8,830,776	$37,647	0.4%	Contract pay off and severance June 2023
3.020 Employees' Retirement/Insurance Benefits	$3,923,832	$4,036,851	$113,019	2.9%	More employees on insurance
3.030 Purchased Services	$1,834,195	$1,995,716	$161,521	8.8%	ESC billing error
3.040 Supplies and Materials	$590,595	$483,697	($106,898)	(18.1%)	Fewer parts, fuel less than anticipated
3.050 Capital Outlay	$593,997	$547,013	($46,984)	(7.9%)	Ordered school bus not delivered
4.300 Other Objects	$233,856	$230,939	($2,917)	(1.2%)	
4.500 Total Expenditures	**$15,969,604**	**$16,124,992**	**$155,388**	**1.0%**	
5.010 Operational Transfers - Out	$10,000	$9,172	($828)	(8.3%)	
5.050 Total Expenditure and Other Financing Uses	**15,979,604**	**$16,134,164**	**$154,560**	**1.0%**	
Result of Operations- Surplus/(Deficit)	**$1,557,797**	**$1,570,375**	**$12,579**	**0.8%**	
Ending Fund Balance	**5,520,243**	**$5,532,842**	**$12,600**	**0.2%**	