

WHEELERSBURG LOCAL SCHOOL DISTRICT

NOTES TO THE NOVEMBER 2023 FIVE-YEAR FINANCIAL FORECAST

TABLE OF CONTENTS

A Highlighted History of the District's General Fund Finances	Page 2
COVID-19 Related Notes	Page 2
Revenue Assumptions	Pages 2 – 3
Expenditure Assumptions	Pages 4 – 5
Other Forecast Notes	Page 5
Definition of Revenue Categories	Page 6
Definition of Expenditure Categories	Pages 7 – 8
Tables:	
Table 1: Disposition of Grant-Funded Jobs in the Forecast	Page 9
Table 2: Cash Balance Policy Compliance Report	Page 10

Anyone having questions about this forecast may call the Treasurer of Wheelersburg Schools, Mr. George Grice, at (740) 574-8484.

**WHEELERSBURG LOCAL SCHOOL DISTRICT
NOTES TO THE FIVE-YEAR FORECAST
PRESENTED TO THE BOARD OF EDUCATION 11/27/2023**

These notes should be considered an integral part of the District's Five-Year Forecast.

A HIGHLIGHTED HISTORY OF THE DISTRICT'S GENERAL FUND FINANCES

Between 1998 and 2014, the District had succeeded in operating in the black fourteen out of seventeen years. Two times during that period the District projected significant deficits that caused the Ohio Department of Education ("ODE") to warn the District it needed to make adjustments to avoid financial difficulty. Following FY 2001 and FY 2011 the District reviewed operations, ended programs and adjusted staffing levels. ODE most recently required the District to submit a deficit reduction plan in December 2019.

The District's Board of Education adopted a Cash Balance policy that aims the District to keep between thirty and eighty days of unreserved cash. The Board is advised at the time of each Forecast update as to compliance with its policy. Through Fiscal Year 2018 the District met its own requirements. Due to a growing structural deficit, in Fiscal Year 2019 the District was not compliant with its cash balance policy. Six positions were eliminated at that time.

Since that point, the District has benefited from two most recent state budgets which have used the Fair School Funding Plan as its basis. The District also greatly benefited from special federal grants given during the COVID-19 pandemic. Together, this has temporarily inflated the District's cash balance.

COVID-19 FUNDING NOTES

While the District has used grant funding to temporarily increase staff for students to regain learning loss, the District has also shifted some qualifying former costs from the General Fund to these federal grants. This has resulted in an unprecedented growth in the District's General Fund cash balance. However, the structural deficit which drove the FY 2019 staff reduction has never fully been addressed and has gotten larger. This must be addressed in the next couple of years.

The last of the COVID-19 era federal grants should be fully used by 8/30/2024, so some costs formerly belonging to the General Fund are back in this Forecast to be paid from the General Fund for FY 2025. If possible, the District wants to retain a few of the new positions that have been created and paid for by federal grants. There are some supply and services costs that will return to the General Fund. This forecast includes a table outlining those costs on Page 16. The significant operational deficit that occurs in FY 2025 is due to this shift and will require decisions by the District to avoid a deficit of that size.

REVENUE ASSUMPTIONS

1. Real Estate—Line 1.01

- This is the second leading source of revenue for our District.
- The District typically sees increased revenue in two out of every three years in a normal valuation cycle. The tax year 2022 reappraisal resulted in revenue increases for FY 2023 and FY 2024. Then there will be no revenue increase in FY 2025.
- The District was informed in August 2022 that it would lose about \$170,000 to its General Fund in FY 2023 as a taxpayer won a case before the Ohio Tax Commissioner. This involved a large amount of taxes from prior years that had already been paid to the District. The refund was mainly paid from current year tax collections.

- This decrease limited the reappraisal increase for FY 2023, but there will be a “bounce-back” effect in FY 2024, resulting in a revenue spike.
 - The District is estimating the 2025 valuation update at 9.0% which is consistent with past increases.
 - Collections of delinquent tax revenue are assumed to be consistent from year to year, typically around \$215,000.
2. Unrestricted State Grants in Aid (Line 1.035):
 - This is our District’s leading source of revenue.
 - The state’s funding formula which considers cost inputs is producing an amount of funding in this category far greater than in past years. Our District’s enrollment has remained relatively steady, which is helping to drive the increase in total funding. Students who live in other districts but attend Wheelersburg via “Open Enrollment” are now counted as part of enrollment for funding in this category. This means the comparison with FY 2021 is not comparable. (That substantial Open Enrollment revenue is lost in another revenue category.)
 - The annual increases in this Forecast are greater than the District’s historical trend but are based on the assumption that the current formula will be continued.
 - Casino revenues are a small proportion of these revenues, at about \$103,000.
 3. Restricted State Grants in Aid (Line 1.04) contains several funded items which are restricted for specific purposes. The funding law specifies how these dollars must be spent. Unspent funds may be carried over but continue to be restricted.
 4. State Share of Local Property Taxes (formerly Property Tax Allocation, Line 1.05):
The state of Ohio grants one real estate tax discount to property owners on their primary residence, and another based on age and income guidelines. These are referred to as “Rollback” and “Homestead Exemption”. The state then provides a reimbursement to local governments in place of the taxes. This is a relatively stable amount, with modest increases each year and not changing much from historically.
 5. All Other Revenues (Line 1.06)
 - Most of this revenue used to be from Open Enrollment. Now, with open enrollment students being counted and funded above in Unrestricted State Aid (Line 1.035), this category has shrunk in size. The District saw a reduction of \$2,232,457 in category revenue from the final year (FY 2021) it was separately identified.
 - The District receives one final settlement from the Medicaid School Program (“MSP”) each year, typically in June. Annual revenue projects to be about \$135,000 for FY 2024. (There was no settlement in FY 2022.)
 - ODE paid the District \$30,625 in FY 2023, \$38,942 in FY 2022, and \$31,997 in FY 2021 for Catastrophic Aid Reimbursement. The District contributed \$75,108 to the state as 10% of its special education funding in return for the \$30,625 Reimbursement.
 - The District earned \$123,000 in FY 2023 after reaching bottom for FY 2022 at \$29,200. The estimate is \$165,000 for FY 2024.
 6. Advances In (Line 2.05)
Advances of \$15,606 at June 30, 2023 have been repaid to the General Fund in FY 2024.
 7. All Other Financing Sources (Line 2.06)
Reported here are:
 - The District received payments from another District for a personal special education aide we provide for a student attending Wheelersburg Schools via open enrollment.

(The resident District is responsible for these costs.) FY 2023 was the final year for this payment, resulting in a \$50,000 decrease in FY 2024.

- Federal E-rate reimbursements, about \$16,000.
- The District's annual rebates via our group retrospective rating program from Ohio BWC.

EXPENDITURE ASSUMPTIONS

1. Personal Services (Line 3.01)

- The District agreed to a three year contract with its teachers for the 2023-2024, 2024-2025, and 2025-2026 school years, with 2.0%, 2.0%, and 3.0% salary increases respectively. Non-teaching and administrative personnel were given the same raise for FY 2024 with future raises to be determined.
- Turnover savings are projected for future years as teachers retire, but there were no savings for FY 2024.
- The Title I budget has not been adequate to cover salaries for budgeted positions and this cost is currently being paid from the federal ESSER grant. This cost will return to the General Fund in FY 2025 unless there is a staff reduction or Title I grant allocations increase.
- To recap, two factors are driving the cost spike shown in the category for FY 2025:
 - a. The cost of new positions that the District will attempt to continue after federal grant funds are exhausted;
 - b. The returned cost of positions formerly paid from the General Fund.

2. Employee's Retirement/Insurance Benefits (Line 3.02)

- This category's costs are often driven by employment decisions and salary changes. Other variations occur as employees determine their need to elect medical insurance coverage which they had previously declined.
- After several years of zero to five percent premium increases, the Scioto Health Plan voted a 10% mid-year premium increase effective August 1, 2023, and then a 20% premium increase effective January 1, 2024.
- Retirement and Medicare tax costs will change in proportion to salaries.

3. Purchased Services (Line 3.03)

- The largest cost of this category was once tuition paid to other districts for Wheelersburg-resident students who attended other Ohio schools, either by open enrollment or community schools.
- The state's funding formula ended these separately recognized costs after FY 2021, so this expense category decreased in FY 2022.
- The other largest costs of this category are:
 - a. Special education cooperative costs
 - b. Utilities
 - c. College Credit Plus program
 - d. School psychologist contract
 - e. Liability, property, and fleet insurance

4. Supplies and Materials (Line 3.04)

- Category costs increased in FY 2023 due to overall inflationary pressures. Specifically, bus gas and paper added about \$55,000 in cost.
- The District renewed its two-year Rosetta Stone license during FY 2024 and partially paid for it with ESSER funds. Rosetta Stone is a cost that will fully be restored to the General Fund after the full use of ESSER funds.

5. Capital Outlay (Line 3.05)
 - The District intends all Capital Outlay purchases to come from the Permanent Improvement Fund which is why all forecast years have zero cost. Typical annual spending for new equipment throughout the District mainly includes a school bus, annual technology replacement purchases and miscellaneous projects as needed.
6. Other Objects (Line 4.3)

Primary among these costs are fees deducted from tax revenue for services by the county Auditor and Treasurer; fees for the District's annual audit; the membership fee paid to the META Solutions; and the per pupil fee paid to the South Central Ohio ESC provided by law.
7. Operating Transfers Out (Line 5.01)

An annual transfer is included to fund the District's Severance Reserve Fund as needed. An amount is transferred for teaching employees upon reaching STRS eligibility and for non-teaching employees upon reaching 25 years of experience. This is based on an estimate of severance payments of unused vacation and sick leave. Also, this year the District anticipates transferring \$33,000 to cover an operating deficit in the Early Childhood Education grant.
8. Advances Out (Line 5.02)--No significant advances from the General Fund are planned.

OTHER FORECAST NOTES

1. Excess of Revenue over (under) Expenditures (Line 6.01)
 - The District expects to have positive cash flow for FY 2024, but then in FY 2025 and FY 2026 the District will spend more than its revenues unless either revenues increase or the District cuts cost.
 - The Forecast is compliant with the Board's Cash Balance policy in all three years that are required.
2. Estimated Encumbrances June 30 (Line 8.01)

Encumbrances are the District's issued but unpaid orders requiring future payment. This amount is typically stable from year to year.
3. Fund Balance June 30 for Certification of Appropriations (Line 10.01)

This line represents the amount of cash that is legally held in the District's General Fund that may be used to cover new purchase orders. Unpaid employee salaries and benefits, earned during the previous school year that will be paid in July and August, must come from this balance.

Five-Year Financial Forecast – Line Item Construction - Revenues

Line 1.01 – General Property Tax (Real Estate)

- Current real estate tax collections
 - Resident, Agricultural, Commercial & Industrial
 - Manufactured Homes
- Delinquent real estate tax collections

Line 1.035 – Unrestricted State Grants in Aid

- State Foundation Funding
 - Opportunity Grant
 - Targeted Assistance
 - K-3 Literacy Funding
 - Gifted Education Funding
 - Transportation Funding
 - Special Education Funding
 - Capacity Aid
 - Graduation Bonus
 - Third-Grade Reading Bonus
- Special Education Transportation Reimbursement
- Special Education – Preschool Funding
- Casino Revenue
- Prior year state funding adjustments in current year

Line 1.04 – Restricted State Grants in Aid

- Economic Disadvantaged Funding
- Career-Technical Education Funding

Line 1.05 – Property Tax Allocation

- Homestead exemption
- Rollback

Line 1.06 – All Other Operating Revenues

- Open Enrollment-In (Gross \$\$ Amount)
- O. E.-In Special Ed students weighted amount
- Catastrophic Aid
- Medicaid In School (“MSP”) funding
- Investment Revenue
- Other Miscellaneous
- General Fund donations
- BWC premium dividends

Line 2.06 – All Other Financing Sources

- Payment from other local districts for aides we provided for their special education students, who attended WLSB via open enrollment.
- E-rate reimbursements
- BWC group-retrospective reimbursements
- BWC premium refunds
- Sale of Assets

Five-Year Financial Forecast – Line Item Construction - Expenditures

Line 3.01 – Personal Services (salaries and wages)

- Current year begins with last year's amount as the base
- Increase due to steps
- Increase due to board-approved salary base increase
- Other changes (savings, etc.)
- Cost of two new teaching positions

Line 3.02 – Employees' Retirement/Insurance Benefits

- Current year begins with last year's amount as the base
- Medical, dental, vision & life insurances
- STRS, SERS & Medicare legally mandated deductions
 - Includes administrators' pickup
 - Includes SERS surcharge for low-earning employees
 - Includes workers compensation premiums and actual unemployment charges
 - Superintendent's annuity

Line 3.03 – Purchased Services

- Current year begins with last year's amount as the base
- Contracted Instructional services
- Open Enrollment-Out
- O. E.-Out Special Ed students' weighted amount
- Community Schools
- College Credit Plus charges
- John Peterson state-awarded scholarships
- Alternative Schools (CAPE)
- Equipment and facility repairs
- Special Education cooperative programs
- General Fund-paid travel and professional development
- Contracts for computer network staffing
- Utilities
 - Telephone & trash collection
 - Electricity
 - Water & Sewage
 - Natural Gas
- Insurances
 - Property & Building
 - School buses and other vehicles
- Legal Services
- Security services
- Miscellaneous (postage, advertising)

Line 3.04 – Supplies and Materials

- Instructional (includes library)
- Administrative (includes board, guidance & nurse)
- Custodial & Maintenance
- Transportation

Five-Year Financial Forecast – Line Item Construction – Expenditures (continued)

Line 4.055 – Principal – Other

- OASBO Loan Pool, for K-12 building cost overrun (last payment was made Nov. 2017 as part of FY 2018)

Line 4.060 – Interest and Fiscal Charges

- OASBO Loan Pool, for K-12 building cost overrun.

Line 4.30 – Other Objects

- County board of education annual per pupil payment
- District annual membership fees (SCOCA, OSBA, etc.)
- District Liability insurance
- Professional dues (superintendent, principals & treasurer)
- Annual audit cost
- County auditor & treasurer fees for processing taxes

Line 5.01 – Operating Transfers-Out

- Severance Reserve Fund
- Early Childhood Development grant cost overrun

Line 5.02 – Advances Out

- To various other funds, as needed. Intended to be repaid.

Line 5.03 – All Other Financing Uses

- Miscellaneous

TABLE 1 -- GRANT FUNDED JOBS AND THE DISTRICT'S FORECAST DISPOSITION

	JOBS FUNDED BY COVID-ERA GRANT MONEY					
	Position	Intention	Grant Source	Last FY Paid	FY Move back to General Fund	In Forecast?
1	Coaching salaries	Continuing	ESSER 2	2021	2022	Yes
2	COVID sick days	Reg. Salary	CRF	2021	2022	Yes
3	Bus driver wages, student lunch delivery	Reg. Salary	CRF	2021	2022	Yes
4	Guidance counselors (3)	Continuing	ESSER 3--ARP	2024	2025	Yes
5	Asst K-12 Principal for special education	Continuing	IDEA-ARP	2022	2023	Yes
6	MS Intervention Specialist	Continuing	ESSER 3--ARP	2024	2025	Yes
7	MS teacher--Title I assignment	Temporary	ESSER 3--ARP	2024	No-Temporary Job	No
8	MS teacher--Title I assignment	Temporary	ESSER 3--ARP	2024	No-Temporary Job	No
9	Title I teacher	Continuing	ESSER 3--ARP	2024	2025	Yes
10	WES K-3 Aides (5)	Temporary	ESSER 3--ARP	2024	No-Temporary Jobs	No
11	Extra cafe daily disinfecting	Temporary	ESSER 3--ARP	2024	No-Temporary Job	No
12	Special Education personal aides (2)	Continuing	ESSER 3--ARP	2024	2025	Yes

TABLE 2—CASH BALANCE POLICY COMPLIANCE

COMPLIANCE CHECK WITH WLSB BOARD POLICY DBDA, "CASH BALANCE"				
		Fiscal Year	Fiscal Year	Fiscal Year
Forecast		2024	2025	2026
Line #		(First Year)	(Second Year)	(Third Year)
4.500	Total Expenditures	\$15,582,213	\$16,691,472	\$17,496,774
<i>Calculated</i>	Average Expenditure Per Day	\$42,691	\$45,730	\$47,936
15.010	Unreserved Fund Balance	\$3,194,516	\$2,670,924.72	\$1,957,927.67
<i>Calculated</i>	True Days Cash	74.8	58.4	40.8
<i>Policy DBDA states that the district's cash balance should be 30 and 80 True Days Cash.</i>				
	The projected balance is:	Compliant	Compliant	Compliant