

Wheelersburg Local School District

Fiscal Year 2017

**Final Cash-Basis
Financial Report**

Including

June 2017 Monthly Reports

**WHEELERSBURG LOCAL SCHOOL DISTRICT
FINANCIAL REPORT: SUMMARY AND ANALYSIS – JUNE 2017**

Appendix A

GENERAL FUND

	<u>JUNE 2017</u>	<u>JUNE 2016</u>	<u>JUNE 2015</u>
Beginning Balance June 1	\$1,928,594.17	\$1,768,705.47	\$1,900,149.56
Revenues	\$854,487.63	\$851,904.08	\$830,024.93
Expenditures	<u>\$1,041,397.83</u>	<u>\$1,052,899.31</u>	<u>\$1,056,237.11</u>
Ending Balance June 30	\$1,741,683.97	\$1,567,710.24	\$1,673,937.38
Less Outstanding Encumbrances	<u>\$229,666.61</u>	<u>\$282,129.00</u>	<u>\$211,978.00</u>
Available for Appropriations	\$1,512,017.36	\$1,285,581.24	\$1,461,959.38

INTRODUCTION

A school district's General Fund is its main operating fund containing most of its operational costs and the revenues to support those operations. This is why the emphasis of this financial report and its explanatory comments is the General Fund.

A comparative summary of three years span of the General Fund for the month of June has just been presented. On the rest of this page we briefly mention June's results, particularly major financial events causing a variance from the normal cash flow cycle. On the next page the reader can compare year-to-date activity for the current and two previous fiscal years for the General Fund according to revenue and spending components. We provide details regarding major revenues and spending components in the section entitled "Notes Regarding Significant Revenue and Expense Categories."

A careful financial study should include an understanding of the school district's cash flow cycle. The district receives only state funding during most months of the year and state aid alone does not cover monthly costs, resulting in operating deficits in most months.

GENERAL FUND NOTES REGARDING SIGNIFICANT EVENTS FOR JUNE 2017

1. In all, the General Fund outspent its revenues by a significant amount as expected. Revenues and expenditures were both at a typical level. There were no notable variations between the years for individual revenue sources.
2. June 2017 expenditures were very normal in total but showed a wide amount of fluctuation between expenditure categories. Personnel expenses jumped in June 2017 mainly due to retirement payouts. Employees who retired at June 1 received the remainder of their salary owed to them for June, July and August. (There were no employees retiring at June 1, 2016.)
3. *Outlook for July 2017: July is usually a negative cash-flow month until the very end of the month when the district receives an advance from the August real estate tax settlement.*

TOTAL OF ALL FUNDS (EXCLUDING CONSTRUCTION & BOND RETIREMENT FUNDS)

	<u>JUNE 2017</u>	<u>JUNE 2016</u>
Beginning Balance June 1	\$3,344,249.41	\$3,149,775.17
Revenues	\$1,125,376.17	\$1,101,575.58
Expenditures	<u>\$1,196,192.27</u>	<u>\$1,239,851.22</u>
Ending Balance June 30	\$3,273,433.31	\$3,011,499.53

TOTAL OF ALL FUNDS CASH-FLOW NOTES FOR JUNE 2017

Besides the General Fund, the Total of All Funds primarily consists of district scholarship funds, the Permanent Improvement Fund, the Facility Maintenance Fund, the Severance Reserve Fund, various state and federal grants, various student activity funds and the food service fund. There are normal fluctuations for each of these funds throughout the year.

The Total of All Funds decreased by a small amount, which is normal for this time of the year. The General Fund outspent its revenue by a sizeable margin (see the discussion above) which means other funds needed to show gains to offset the General Fund deficit. Federal and state grants funds, catching up from the usual funding lag with funds for July added to June's revenue, increased by a whopping \$141,300 in June. Other funds with notable but smaller increases included the Food Service Fund and the state-aided Facility Maintenance Fund. Other funds with notable decreases included the Severance Reserve (paying sick and vacation leave severances to four employees in June) and student activity funds.

**WHEELERSBURG LOCAL SCHOOL DISTRICT
FISCAL YEAR 2017 FINAL FINANCIAL REPORT
CURRENT FISCAL YEAR BEGINNING JULY 1, 2016 COMPARED TO PAST TWO YEARS**

					(2) FY 2017 compared to FY 2016		
		Budgeted		(2) Impact		Impact	
Forecast		YTD	Actual YTD	Positive /	Actual YTD	Positive /	Actual YTD
Line		FY 2017 (1)	FY 2017	(Negative)	FY 2016	(Negative)	FY 2015
7.01	Beginning Cash Balance	\$1,567,710	\$1,567,710	\$0	\$1,673,934	(\$106,224)	\$1,810,449
	Revenues						
1.01	Real Estate Taxes	\$3,048,107	\$3,254,441	\$206,334	\$2,870,398	\$384,043	\$2,892,122
1.035	Unrestricted State Foundation	\$7,272,901	\$7,228,340	(\$44,561)	\$6,987,675	\$240,665	\$6,668,469
1.04	Restricted State Aid	\$170,927	\$148,507	(\$22,420)	\$154,171	(\$5,664)	\$174,477
1.05	Property Tax Allocation	\$379,902	\$384,236	\$4,334	\$378,505	\$5,731	\$377,250
1.06	All Other Operating Revenue	\$2,511,547	\$2,636,295	\$124,748	\$2,545,507	\$90,788	\$2,456,914
2.06	All Other Financial Sources	\$129,185	\$120,982	(\$8,203)	\$84,318	\$36,664	\$158,819
2.08	Total Revenues	\$13,512,569	\$13,772,801	\$260,232	\$13,020,574	\$752,227	\$12,728,051
	Expenditures						
3.01	Personal Services	\$7,435,383	\$7,474,852	(\$39,469)	\$7,089,172	(\$385,680)	\$6,849,603
3.02	Employees' Retirement/Insurance	\$2,784,044	\$2,747,803	\$36,241	\$2,678,623	(\$69,180)	\$2,604,162
3.03	Purchased Services	\$2,590,170	\$2,579,570	\$10,600	\$2,549,901	(\$29,669)	\$2,524,380
3.04	Supplies & Materials	\$522,054	\$504,060	\$17,994	\$487,308	(\$16,752)	\$525,527
4.00	Debt Service: Principal & Interest	\$71,000	\$70,265	\$735	\$69,930	(\$335)	\$70,485
4.3	Other Expenditures	\$172,085	\$201,435	(\$29,350)	\$168,562	(\$32,873)	\$172,709
5.01	Transfers Out	\$20,204	\$20,843	(\$639)	\$83,300	\$62,457	\$117,700
5.05	Total Expenditures	\$13,594,940	\$13,598,828	(\$3,888)	\$13,126,796	(\$472,032)	\$12,864,566
7.02	Ending Cash Balance	\$1,485,339	\$1,741,683	\$256,344	\$1,567,712	\$173,971	\$1,673,934
6.01	(3) Revenue in Excess of Costs (Loss)	(\$82,371)	\$173,973	\$256,344	(\$106,222)	\$280,195	(\$136,515)

Notes and Methodology:

(1) The "**Budgeted YTD FY 2017**" column is based on the district's Five-Year Financial Forecast, which was submitted to the Ohio Department of Education in October 2016. The Forecast can be accessed at <http://fyf.oecn.k12.oh.us/default.asp>.

(2) The "**Impact Positive / (Negative)**" column is either positive or negative depending upon the effect on the district's cash balance. For example, if an expenditure category decreases, then this has a positive effect and it is shown as a positive number.

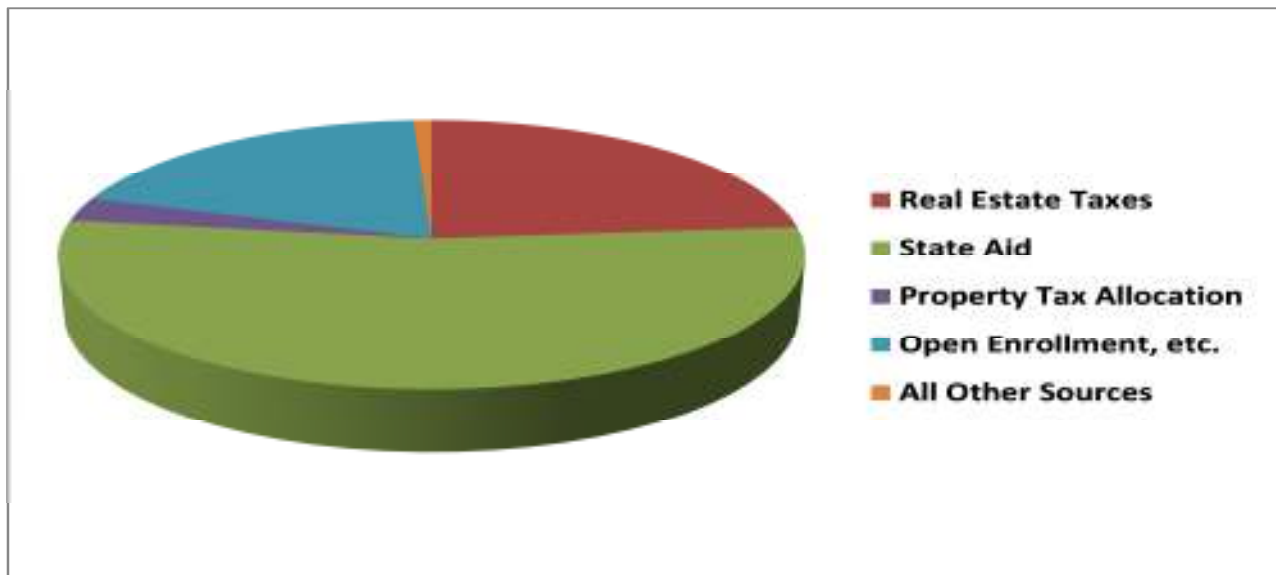
(3) "**Revenue in Excess of Costs (Loss)**". This overall sum reflects the district's ultimate financial measure of its ability to pay future costs. The previous page contains a discussion of how most months are deficit-spending months. The tax revenues of July, August, February and March carry our school district through leaner months.

NOTES REGARDING SIGNIFICANT REVENUE AND EXPENSE CATEGORIES

Revenues--the district forecasted a 3.8% increase in revenues for FY 2017. What it actually saw was a 5.8% increase. Revenues increased by \$752,227 in FY 2017 and by \$260,232 more than the forecasted amount.

Forecast

<u>Line #</u>	<u>Forecast Item Description</u>
1.01	The district receives its <u>Real Estate Tax</u> revenue in two settlement periods each year, August and March. The district expected revenue growth which did occur. Last year's disappointing total was made up by late payments this year. (1) Scioto County residents saw their properties reappraised, resulting in a total property value increase of 8.34%. A large portion of this is attributed to Public Utility Personal property, although other owner groups also saw increases. Following the recent low increases in reappraisal values, the district had forecast revenues based on a 4.0% increase. (2) As mentioned before, tax receipts were less than expected in March 2016 (FY 2016). This resulted in delayed payments that were made up in August 2016 by certain large taxpayers, who then appear to have paid normally in March 2017. This accounts for a large part of the spike in real estate revenue in FY 2017. <i>The variance in real estate tax revenue compared to the district's estimate was the single largest surprise in FY 2017.</i>
1.035	<u>Unrestricted State Foundation and Restricted State Aid</u>
1.04	The district received \$235,000 more in state funding in FY 2017 than it did in FY 2016 due to state funding category increases, despite a drop in resident enrollment of about 14 students. This is about \$67,000 less than was budgeted.
1.05	The <u>Property Tax Allocation</u> category shows state payments to the district for real estate tax discounts, called "rollback" and "homestead exemption", given to taxpayers for their primary residences and to low-income seniors. This revenue is relatively stable, without significant fluctuation.
1.06	<u>All Other Operating Revenue</u> consists of Open Enrollment revenue (87.6%), open enrollment special education weighted funding (4.7%), state Catastrophic Aid (3.0%), Medicaid in Schools program funds (2.6%), and investment earnings (1.5%). Open Enrollment revenue this year increased by \$871,114. (The rate of growth of Open Enrollment was more in FY 2017 than FY 2016).
2.06	The main revenue source in <u>All Other Financing Sources</u> derives from payments from other districts for personal aide services our district provides to their students. Lesser sources include Bureau of Workers' Compensation rating refunds and federal e-rate reimbursements.



NOTES REGARDING SIGNIFICANT REVENUE AND EXPENSE CATEGORIES (continued)

Expenditures--In FY 2017 the district spent \$472,032 more than last year, an increase of 3.6%. This is just slightly more than \$23,888 (or .18%) than forecasted for FY 2017, which is a very close outcome!

3.01 **Personal Services** and **Employees' Retirement / Insurance**

& 3.02 This is the district's main area of cost. Schools by nature have people as their main assets and costs.

The district came within \$3,228 of its forecast on a \$10 million budget.

(1) Employees received a 3% raise on their base pay during this school year, in addition to experience step increases. (This causes some benefits, which are based on total payroll, to rise in response.)

(2) The district created two new teaching positions for FY 2017.

(3) The district had four employees retire as of June 1, 2017. These employees received in June the full amount owed them that would normally be paid to them in July and August. This moved FY 2018 cost into FY 2017. (Had the same occurred in June 2016, there would be no increase, but no employees retired as of June 1, 2016.)

(4) As a result of the Bureau of Workers' Compensation's premium rescheduling plan, the district paid more than one premium in FY 2017. (This consisted of 25% of calendar year 2016's premium and 100% of calendar year 2017's premium.)

(5) Even without retirements, the district saw some turnover among staff going from FY 2016 to FY 2017 and the district saw reduced cost as a result of the replacement employees, mainly due to their election of less costly insurance.

3.03 The chief costs for **Purchased Services** include:

1. Tuition for district students who attend elsewhere via Open Enrollment, community schools and college credit programs.
2. Special Education cooperative units and student support services (school psychologist, speech services, etc.)
3. Utilities for the district's preschool through 12th grade building, as well as the maintenance building, bus garage, administrative building, the stadium and a few other smaller usage points.

These three items combine for 88.6% of the district's expense in the Purchased Services category.

Costs increased in **Purchased Services** by scant 1% in FY 2017. The following changes are worthy of note:

1. The number of resident students who attended a community school decreased for a second straight year, this time by almost 12 students which saved the district nearly \$85,000 in FY 2017 compared to FY 2016 enrollment amount. (The district didn't realize the full amount of that savings due to the per pupil amount increase for FY 2017. Actual savings was \$39,000.) Open Enrollment (out) at 123 students was steady from last year (increased cost of \$5,000.)
2. Special education tuition paid to our partners operating our cooperative units returned to a more typical cost after last year's upward spike. Costs were \$53,000 less.
3. The district began paying for the new College Credit Plus program this fiscal year and saw costs increase over the Post-Secondary Education program. Costs rose from \$24,194 to \$66,245. (This does not include the additional cost of textbooks that would be shown in the "Supplies" category.)
4. The John Peterson Scholarship became more of a factor in this school year, rising from \$14,700 to \$38,500.
5. Tuition paid to the local alternative school ("CAPE") and by state-billed SF-14 rose by a combined \$26,000.
6. District utilities increased by almost \$13,000, less than what had been anticipated.

3.04 The cost of **Supplies** in FY 2017 was less than budgeted but was more than FY 2016's cost. The increased cost can fully be attributed to the renewal of the license to offer Rosetta Stone language instruction programming. Of the total cost, 56% was spent for classroom supplies and 41% for building maintenance and student transportation.

4.055 **Principal and Interest** charges relate to construction of the current K-12 school building. Due to cost over-runs, the district borrowed \$575,000 to provide its local share of the additional budgeted construction cost. This will be paid off in FY 2018.

4.30 **"Other Objects"** is a miscellaneous expense category, mainly consisting of fees charged the district by the Scioto County Auditor and Treasurer; the County Board of Education; the district's Information Technology Center ("SCOCA"); and the district's auditors. Cost here was up to satisfy an operational cash shortage at SCOCA of which Wheelersburg is a member.

5.01 The district annually **transfers** dollars to fund future employee severance payments.

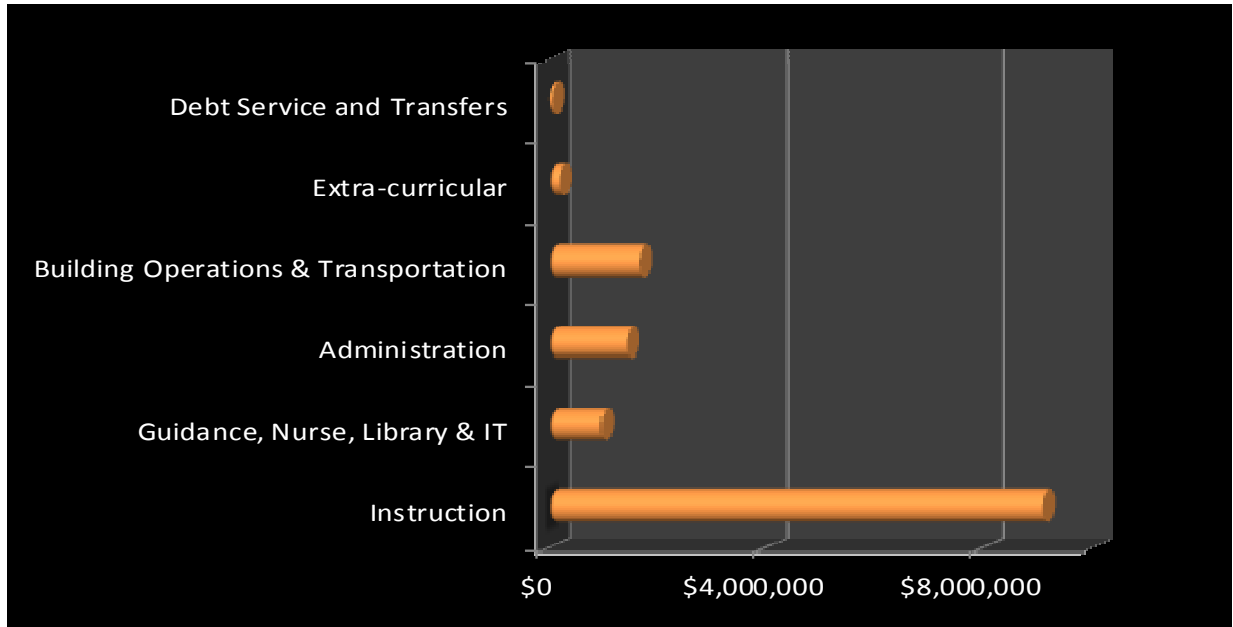
6.01 **Excess of Revenues over (under) Expenditures**

The district returned to positive cash-flow operations in FY 2017 after two deficit years (FY 2016 and FY 2015). The turnaround was largely fueled by larger than expected real estate tax revenue and open enrollment revenue, as total expenditures were true to the forecast. The district has enjoyed positive cash-flow operations in fifteen of the past twenty fiscal years.

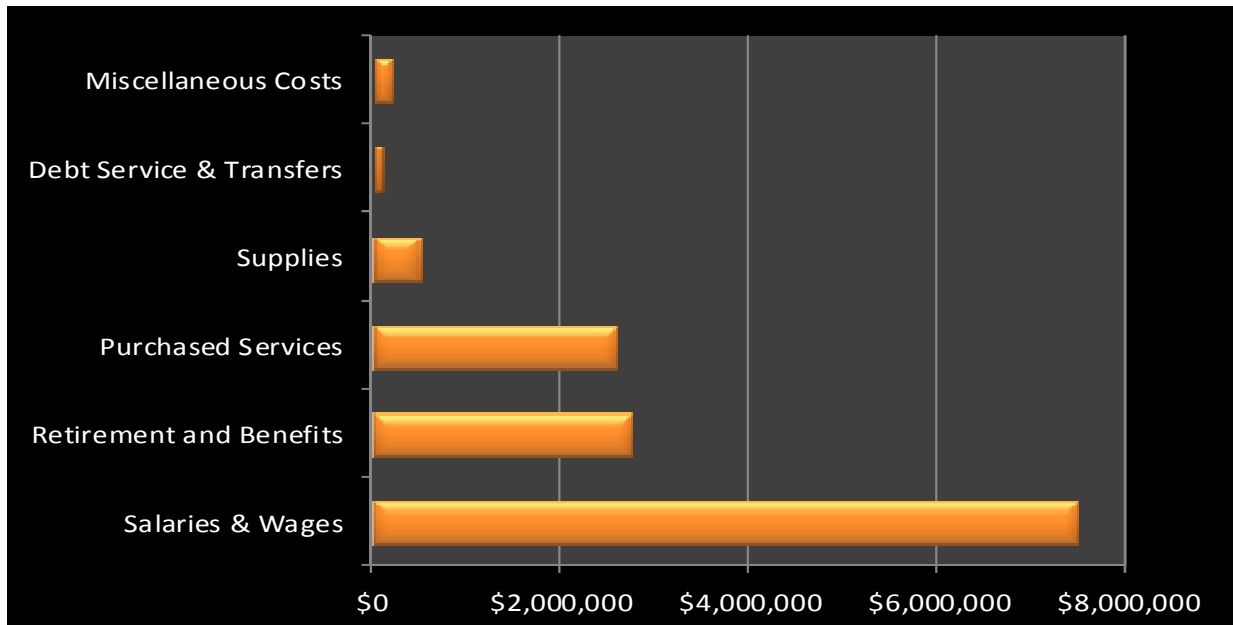
EXPENDITURE CHARTS

There are two different ways to organize a review of our costs. One is to answer the question, “Where did we spend our money?” The second is to answer the question, “What did we buy?”(The second approach is the basis for the preceding narrative.) The next two charts show both approaches.

EXPENDITURE CHART #1.....Costs organized to answer the question, “Where did we spend our money?”



EXPENDITURE CHART #2.....Costs organized to answer the question, “What did we buy?”



June 30, 2017

**WHEELERSBURG LOCAL SCHOOL DISTRICT
Cash Reconciliation Report**

Total Fund Balance		\$4,309,672.91
Gross Depository (Bank) Balances:		
Wesbanco (Checking)	\$1,204,450.30	
Investments		
Certificates of Deposit	\$2,220,000.00	
Other Securities (cost as of June 30, 2017)	\$896,827.21	
Other Investments (money market funds, etc.)	\$4,114.98	

Sub-Total: Investments	\$3,120,942.19	
Cash in Transit to Depository (recorded but undeposited monies)	\$0.00	
Petty Cash Balances:		
Wheelersburg Elementary	\$0.00	
Wheelersburg High School	\$0.00	
Administrative Office	\$300.00	

Sub-Total: Petty Cash Balance	\$300.00	
Change Funds	\$0.00	

Total	\$4,325,692.49	
Less Outstanding Checks	-\$16,035.58	

Total (Reconciled Balance)	\$4,309,656.91	
Adjustments:		
(1) Bank fee to be refunded by bank in July.	\$16.00	

Adjusted Total		\$4,309,672.91

Submitted by _____
George Grice, Treasurer, Wheelersburg Local School District

INVESTMENT SUMMARY AS OF JUNE 30, 2017

Federal Agency Securities (General Fund)...12.8% of Portfolio

<u>ID/Cusip#</u>	<u>Description</u>	<u>Par Value</u>	<u>Moody's Rating</u>	<u>Purchase Date</u>	<u>Market Value</u>	<u>Yield to Maturity</u>	<u>Date of Maturity</u>	<u>Date of Next Call</u>	<u>Next Paid Coupon</u>	<u>Next Coupon Payment</u>
3134GAJX3	FHLMC (g)	\$400,000	AAA	09/27/16	\$398,376.00	1.62% (step)	09/27/19	09/27/17q	09/27/17	\$2,000

(Call notations: q = quarterly; a = annual call)

Negotiable Certificates of Deposit...71.1% of Portfolio

05573J5W0	BMO Harris Bank NA (g)		FDIC	10/21/15	\$199,990.00	1.10%	10/23/17	N/A	10/21/17	\$1,100
02006LVB6	Ally Bank (g)		FDIC	10/22/15	\$220,314.60	1.35%	04/23/18	N/A	10/23/17	\$1,485
38143AG41	Sallie Mae Bank (g)		FDIC	09/17/14	\$250,365.00	1.80%	09/18/18	N/A	09/17/17	\$2,250
06740KJN8	Barclay's (g)		FDIC	09/23/15	\$240,813.60	1.60%	09/23/18	N/A	09/23/17	\$1,920
38148JU41	Goldman Sachs Bank (g)		FDIC	10/21/15	\$240,801.60	1.60%	10/22/18	N/A	10/21/17	\$1,920
140420SN1	Capital One Bank (sc)		FDIC	06/24/15	\$190,252.70	1.90%	06/24/19	N/A	12/24/17	\$1,805
254672QS0	Discover Bank (g/sc)		FDIC	06/24/15	\$191,069.70	1.90%	06/24/19	N/A	12/24/17	\$1,805
14042REB0	Capital One NA (g)		FDIC	10/14/15	\$243,100.80	2.20%	10/21/20	N/A	10/14/17	\$2,640
48126XKE4	JP Morgan Chase Bank (g)		FDIC	10/31/16	\$196,264.00	1.50%	10/31/19	10/31/17q	10/31/17	\$1,500q
9497486H5	Wells Fargo Bank NA (g)		FDIC	06/30/16	<u>\$246,512.50</u>	1.61%	06/30/21	N/A	07/31/17	\$ 340m
					\$2,219,484.50					

(g=General; sc=scholarship)

NOTE: Negotiable Certificates of Deposit are insured by the FDIC up to \$250,000.

Commercial Paper...16.0% of Portfolio

Svenska Handelsbnkn AB	\$496,827.21	A1+ / P1	03/07/17	\$498,370.00	1.28%	10/02/17	N/A	10/20/17	\$3,172.79
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Money Market Accounts—immediate liquidity .1% of Portfolio

Huntington Investment Company money market account---Gen. Fund	\$4.79
Fifth/Third Securities money market account—General Fund	<u>\$3,600.93</u>
	\$3,605.72

TOTAL PORTFOLIO \$3,119,836.22 A bond called on 6/30/17 decreased total investments from \$3,421,058.04.