

Wheelersburg Local School District

Fiscal Year 2018

**Final Cash-Basis
Financial Report**

Including

June 2018 Monthly Reports

**WHEELERSBURG LOCAL SCHOOL DISTRICT
FINANCIAL REPORT: SUMMARY AND ANALYSIS – JUNE 2018**

Appendix A

GENERAL FUND

	<u>JUNE 2018</u>	<u>JUNE 2017</u>	<u>JUNE 2016</u>
Beginning Balance June 1	\$2,059,878.29	\$1,928,594.17	\$1,768,705.47
Revenues	\$872,262.06	\$854,487.63	\$851,904.08
Expenditures	<u>\$1,193,531.14</u>	<u>\$1,041,397.83</u>	<u>\$1,052,899.31</u>
Ending Balance June 30	\$1,738,609.21	\$1,741,683.97	\$1,567,710.24
Less Outstanding Encumbrances	<u>\$145,148.34</u>	<u>\$229,666.61</u>	<u>\$282,129.00</u>
Available for Appropriations	\$1,593,460.87	\$1,512,017.36	\$1,285,581.24

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 May has just been presented. On the rest of this page we briefly mention May'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 2018

1. June 2018 was typical for General Fund revenues. The district's only significant revenue was from state aid, which is not enough to cover a typical month's expenses. State aid, continuing the trend for most of the second half of the year, was less than expected but more than in FY 2017.
2. Spending was unusual for the General Fund in June 2018 in two key areas. First, the "true-up" payment to the South Central Ohio ESC for special education cooperatives that we discussed last month occurred during June, increasing costs in the Purchased Services category by \$78,000. Second, the district's property, liability & fleet insurance carrier in the past has invoiced in July for coverage beginning July 1. This year, the invoice arrived earlier with an earlier due date. We paid it on time, but this means there were two insurance payments in FY 2018, inflating the expense figures by about \$67,000.
3. *Outlook for July 2018: The district out-spends its revenue during July until the very end of the month when the County Auditor releases an advance of the August real estate tax settlement.*

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

	<u>JUNE 2018</u>	<u>JUNE 2017</u>
Beginning Balance June 1	\$3,823,299.25	\$3,344,249.41
Revenues	\$1,137,049.87	\$1,125,376.17
Expenditures	<u>\$1,476,000.16</u>	<u>\$1,196,192.27</u>
Ending Balance June 30	\$3,484,348.96	\$3,273,433.31

TOTAL OF ALL FUNDS CASH-FLOW NOTES FOR JUNE 2018

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 substantial amount, directly linked to the General Fund's June swoon. The state made a payment to our Building Maintenance Fund (a.k.a. "Half-Mill Maintenance") as a part of its long-term commitment to equalize our ability to maintain our building comparable to wealthier school districts. Grant funds also increased, partially offsetting the General Fund's larger deficit.

**WHEELERSBURG LOCAL SCHOOL DISTRICT
FISCAL YEAR 2018 FINAL FINANCIAL REPORT
CURRENT FISCAL YEAR BEGINNING JULY 1, 2017 COMPARED TO PAST TWO YEARS**

								(2) FY 2018 compared to FY 2017
				(2) Impact Positive / <i>(Negative)</i>			Impact	
Forecast Line		Budgeted FY 2018 (1)	Actual YTD FY 2018		Actual YTD FY 2017	Positive / <i>(Negative)</i>	Actual YTD FY 2016	
7.01	Beginning Cash Balance	\$1,741,684	\$1,741,684	\$0	\$1,567,710	\$173,974	\$1,673,934	
	Revenues							
1.01	Real Estate Taxes	\$3,305,655	\$3,339,966	\$34,311	\$3,254,441	\$85,525	\$2,870,398	
1.035	Unrestricted State Foundation	\$7,211,490	\$7,195,596	<i>(\$15,894)</i>	\$7,228,340	<i>(\$32,744)</i>	\$6,987,675	
1.04	Restricted State Aid	\$147,478	\$115,678	<i>(\$31,800)</i>	\$148,507	<i>(\$32,829)</i>	\$154,171	
1.05	Property Tax Allocation	\$388,671	\$388,916	\$245	\$384,236	\$4,680	\$378,505	
1.06	All Other Operating Revenue	\$2,732,323	\$2,772,775	\$40,452	\$2,636,295	\$136,480	\$2,545,507	
2.06	All Other Financial Sources	<u>\$154,963</u>	<u>\$155,751</u>	<u>\$788</u>	<u>\$120,982</u>	<u>\$34,769</u>	<u>\$84,318</u>	
2.08	Total Revenues	<u>\$13,940,580</u>	<u>\$13,968,682</u>	<u>\$28,102</u>	<u>\$13,772,801</u>	<u>\$195,881</u>	<u>\$13,020,574</u>	
	Expenditures							
3.01	Personal Services	\$7,777,240	\$7,646,720	\$130,520	\$7,474,852	<i>(\$171,868)</i>	\$7,089,172	
3.02	Employees' Retirement/Insurance	\$2,748,460	\$2,798,078	<i>(\$49,618)</i>	\$2,747,803	<i>(\$50,275)</i>	\$2,678,623	
3.03	Purchased Services	\$2,717,514	\$2,750,553	<i>(\$33,039)</i>	\$2,579,570	<i>(\$170,983)</i>	\$2,549,901	
3.04	Supplies & Materials	\$499,141	\$484,961	\$14,180	\$504,060	\$19,099	\$487,308	
4.00	Debt Service: Principal & Interest	\$71,000	\$70,457	\$543	\$70,265	<i>(\$192)</i>	\$69,930	
4.3	Other Expenditures	\$174,741	\$184,045	<i>(\$9,304)</i>	\$201,435	\$17,390	\$168,562	
5.01	Transfers Out	\$28,919	\$28,919	\$0	\$20,843	<i>(\$8,076)</i>	\$83,300	
5.02	Advances Out	<u>\$60,000</u>	<u>\$8,028</u>	<u>\$51,972</u>	<u>\$0</u>	<u>(\$8,028)</u>	<u>\$0</u>	
5.05	Total Expenditures	<u>\$14,077,015</u>	<u>\$13,971,761</u>	<u>\$105,254</u>	<u>\$13,598,828</u>	<u>(\$372,933)</u>	<u>\$13,126,796</u>	
7.02	Ending Cash Balance	\$1,605,249	\$1,738,605	\$133,356	\$1,741,683	(\$3,078)	\$1,567,712	
6.01	(3) Revenue in Excess of Costs (Loss)	<i>(\$136,435)</i>	<i>(\$3,079)</i>	\$133,356	\$173,973	<i>(\$177,052)</i>	<i>(\$106,222)</i>	

Notes and Methodology:

(1) The "**Budgeted YTD FY 2018**" column is based on the district's Five-Year Financial Forecast, to be submitted to the Ohio Department of Education in October 2017. The district has recently updated its Forecast and that Forecast is what is shown on the website. 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 cash balance effect and it is shown as a positive number.

(3) "**Revenue in Excess of Costs (Loss)**". This 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. Tax revenues July, August, February and March carry our school district through leaner months.

NOTES REGARDING SIGNIFICANT REVENUE AND EXPENSE CATEGORIES

Revenues--the district forecasted a 1.2% increase in revenues for FY 2018. What it actually saw was a 1.4% increase, for a very small variance on the total.

Forecast

<u>Line #</u>	<u>Forecast Item Description</u>																								
1.01	The district receives its Real Estate Tax revenue in two settlement periods each year, August and March. The district expected moderate revenue growth. Even though the 2016 reappraisal would bring the district added revenue in FY 2018, the district also knew a fluctuation in the timing of certain major commercial taxpayers would offset some of that growth. In the end, the addition of delinquent tax payments increased this revenue to more than expected. The district budgets for delinquent tax payments each year, but this source brought more than expected. <i>Next Year's Outlook:</i> <i>FY 2019 is the one year out of every third that does not experience growth due to either reappraisal or review. No tax revenue growth is expected.</i>																								
1.035	Unrestricted State Foundation and Restricted State Aid																								
& 1.04	The district received \$65,000 less in state funding in FY 2018 than it did in FY 2017. While this is a small decrease compared to the total revenue for this category, a decrease in the district's largest funding source is bitter medicine to swallow. The decrease comes mainly as a result in the number of Wheelersburg resident students. The table shows in four years we have 55 fewer Wheelersburg resident students .																								
	<table border="1"> <thead> <tr> <th></th> <th><u>Enrollment</u></th> <th><u>Annual Change</u></th> <th><u>Cumulative Change</u></th> </tr> </thead> <tbody> <tr> <td>FY 2014 Enrollment (ADM)</td> <td>1,366.65</td> <td></td> <td></td> </tr> <tr> <td>FY 2015 Enrollment (ADM)</td> <td>1,345.52</td> <td>(21.13)</td> <td>(21.13)</td> </tr> <tr> <td>FY 2016 Enrollment (ADM)</td> <td>1,358.48</td> <td>12.96</td> <td>(8.17)</td> </tr> <tr> <td>FY 2017 Enrollment (ADM)</td> <td>1,341.13</td> <td>(17.35)</td> <td>(25.52)</td> </tr> <tr> <td>FY 2018 Enrollment (ADM)</td> <td>1,311.75</td> <td>(29.38)</td> <td>(54.90)</td> </tr> </tbody> </table>		<u>Enrollment</u>	<u>Annual Change</u>	<u>Cumulative Change</u>	FY 2014 Enrollment (ADM)	1,366.65			FY 2015 Enrollment (ADM)	1,345.52	(21.13)	(21.13)	FY 2016 Enrollment (ADM)	1,358.48	12.96	(8.17)	FY 2017 Enrollment (ADM)	1,341.13	(17.35)	(25.52)	FY 2018 Enrollment (ADM)	1,311.75	(29.38)	(54.90)
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	<i>Next Year's Outlook:</i> <i>The Ohio Department of Education is showing no funding increase for our district in FY 2019 because of our student population decrease. ODE has placed the district on the "guarantee", meaning we have some protection against a drastic funding decrease, but even a small student population growth won't increase revenue. The first additional students will cause the state to take away the guarantee money, meaning the district would simply break even.</i>																								
1.05	The Property Tax Allocation 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	All Other Operating Revenue consists of Open Enrollment revenue (88.1%), open enrollment special education weighted funding (4.6%), state Catastrophic Aid (2.5%), Medicaid in Schools program funds (1.9%), and investment earnings (1.4%). Open Enrollment revenue this year increased by \$871,114. (The rate of growth of Open Enrollment was more in FY 2017 than FY 2016). <i>Next Year's Outlook:</i> <i>This category goes where Open Enrollment takes it. At the end of this past school year, the superintendent had closed open enrollment in most K-8 grades, meaning we anticipate almost no growth in open enrollment in the coming year. The state is providing almost no growth in the per pupil amount, so only a continued drain of resident students will permit open enrollment to continue to grow and give us significant additional revenues.</i>																								
2.06	The main revenue source in All Other Financing Sources 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)

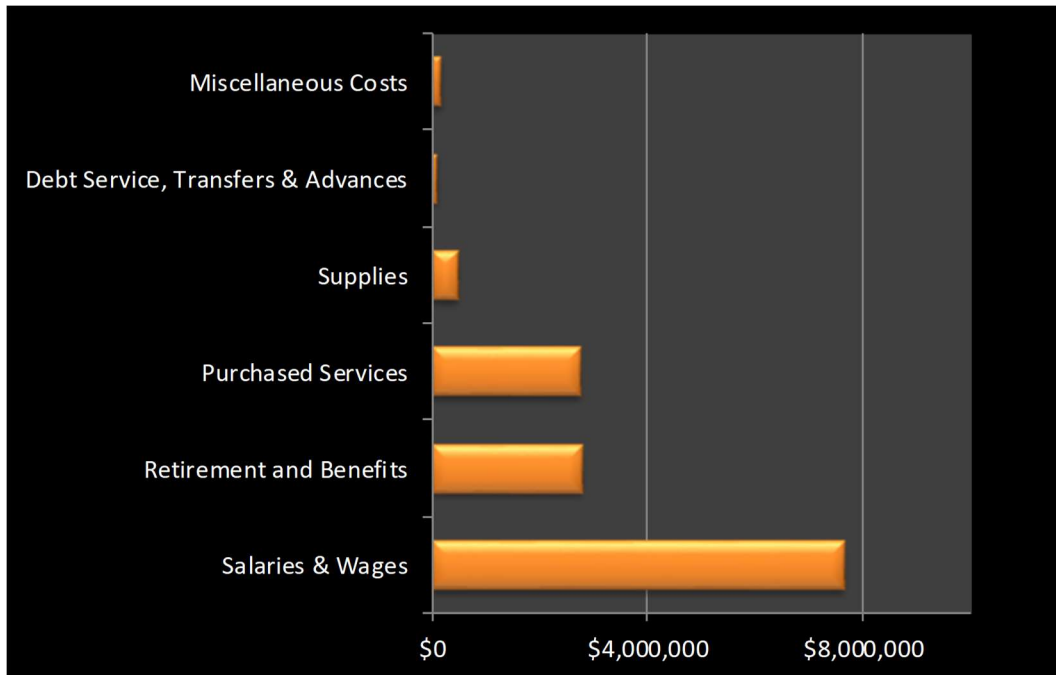
Expenditures--the district forecasted a 3.5% increase in costs for FY 2018. What it actually saw was a 2.7% increase, which is a very small variance of less than 1%.

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. (1) The district spent \$222,143 more in this area, an increase of 2.2%. (2) The district spent \$80,902 more in than budgeted in these categories. (3) Employees received a 2% 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.) (4) The district created some new part-time instructional aide positions during the year. (5) The district had employees add medical insurance at the time of the open enrollment period with a few others adding coverage at other times due to qualifying events. The district's medical insurance costs climbed as a result. (6) Salary costs were not as much as expected for a few reasons: (a) The district expected the need to cover a budget short-fall in the Title I program before June 30. This didn't happen. (c) The district was able to pro-rate some salaries to its Early Childhood Education grant. This wasn't anticipated. (b) June 1 retirements increase costs in the current year. These were expected. There were no June 1 retirements this year.
	<u>Next Year's Outlook:</u> <i>The district has granted a 3% raise to all employees. One teaching position is being eliminated. The medical insurance plan's consultant has made a preliminary recommendation to increase rates during FY 2018 (January 2019).</i>
3.03	The chief costs for Purchased Services include: 1. Tuition for district students who attend elsewhere (Open Enrollment, community schools, CAPE, college credit plus), 43.9%. 2. Special Education cooperative units and student support services (school psychologist, speech services, etc.), 34.7% 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, 11.2% These three items combine for 89.8% of the district's expense in the Purchased Services category. Costs increased in Purchased Services by a sizeable 6.6% in FY 2018. Two factors account for most of the entire amount. 1. The district's payment to the South Central Ohio ESC rose dramatically as a result of having more students participating in the ESC's special education cooperative units. This accounts for nearly \$90,000 of the \$170,000 increase. 2. In past years the district has paid its property and fleet insurance premium for the new term (beginning July 1) in July, after the term has already begun. The district has had coverage in advance of payment. This year, the insurance company invoice the district earlier and showed a due date requiring the district to pay the premium before June 30. This means, that for this one year, we paid two years of premiums in one fiscal year, inflating costs by about \$54,000. 3. Utilities rose by about \$10,000 during this fiscal year. Expected increases in community school, college credit plus and open enrollment didn't occur, helping to offset other increases. <u>Next Year's Outlook:</u> <i>Most costs are expected to be stable, but there will not be a second property and fleet insurance payment in FY 2019.</i>
3.04	The cost of Supplies in FY 2018 decreased by 3.8%. Instructional supplies accounted for 53% of the total. Another 43.2% was spent for building maintenance and student transportation.
4.055 & 4.06	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 was 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. The prior year Wheelersburg contributed to an operational cash shortage at SCOCA, which didn't happen in FY 2018, leading to a sharp cost decrease. This was partially offset by the double payment of liability insurance in FY 2018.
5.01	The district annually transfers dollars to fund future employee severance payments.
5.02	The district planned an advance to the Permanent Improvement Fund to temporarily cover the cost of the tennis court and track repaving projects. Careful management of the Permanent Improvement Fund made the advance unneeded.
6.01	Excess of Revenues over (under) Expenditures The district broke even in FY 2018. A result that close to zero on a budget of this size equals a break-even year. This comes after a small positive result last year, which followed two deficit years before that. These last four years nearly balanced each other out, with the result that the district has been operating on a balanced budget with no excess.

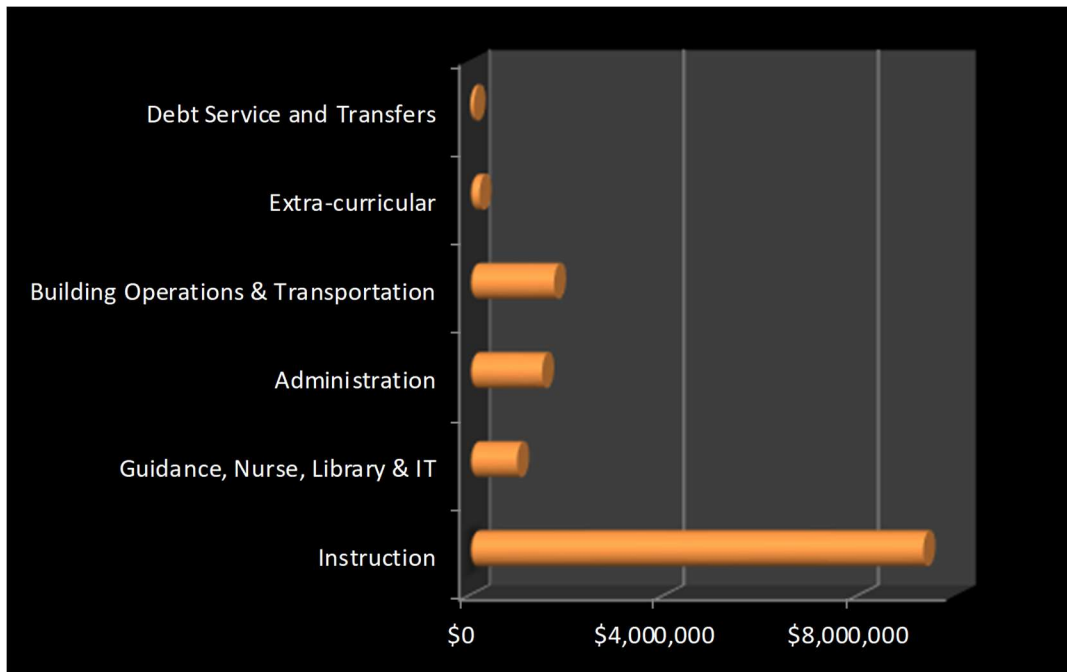
EXPENDITURE CHARTS

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, 2018

**WHEELERSBURG LOCAL SCHOOL DISTRICT
Cash Reconciliation Report**

Total Fund Balance		\$4,556,784.55
Gross Depository (Bank) Balances:		
Wesbanco (Checking)	\$370,616.11	
Investments		
Certificates of Deposit	\$2,045,000.00	
Other Securities (cost as of June 30, 2018)	\$897,509.51	
Other Investments (Star Ohio, money market funds, etc.)	\$1,340,504.90	

Sub-Total: Investments	\$4,283,014.41	
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	\$4,653,930.52	
Less Outstanding Checks	-\$96,861.97	

Total (Reconciled Balance)	\$4,557,068.55	
Adjustments:		
(1) Bank fee to be refunded by bank in July.	\$16.00	
(2) Amount due to be transferred to the payroll account.	-\$300.00	

Adjusted Total		\$4,556,784.55

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

INVESTMENT SUMMARY AS OF JUNE 30, 2018

Federal Agency Securities (General Fund)...21.0% 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	\$398,452.00	1.62% (step)	09/27/19	12/27/18q	09/27/18	\$2,500
3130AAE46	FHLB (g)	\$500,000	AAA	01/25/17	<u>\$497,395.00</u>	1.80%	01/16/19	N/A	07/16/18	\$3,125
					\$895,847.00					

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

Negotiable Certificates of Deposit...47.4% of Portfolio

38143AG41	Sallie Mae Bank (g)		FDIC	09/17/14	\$249,755.00	1.80%	09/18/18	N/A	09/17/18	\$2,250
06740KJN8	Barclay's (g)		FDIC	09/23/15	\$239,834.40	1.60%	09/23/18	N/A	09/23/18	\$1,920
38148JU41	Goldman Sachs Bank (g)		FDIC	10/21/15	\$239,750.40	1.60%	10/22/18	N/A	10/21/18	\$1,920
140420SN1	Capital One Bank (sc)		FDIC	06/24/15	\$188,709.90	1.90%	06/24/19	N/A	12/24/18	\$1,809
254672QS0	Discover Bank (g/sc)		FDIC	06/24/15	\$189,116.50	1.90%	06/24/19	N/A	12/24/18	\$1,809
14042REB0	Capital One NA (g)		FDIC	10/14/15	\$236,678.40	2.20%	10/21/20	N/A	10/14/18	\$2,640
48126XKE4	JP Morgan Chase Bank (g)		FDIC	10/31/16	\$192,780.00	1.50%	10/31/19	07/30/18q	10/30/18	\$ 750q
9497486H5	Wells Fargo Bank NA (g)		FDIC	06/30/16	\$239,960.00	1.61%	06/30/21	N/A	09/28/18	\$ 340m
02007GCJ0	Ally Bank (g)		FDIC	05/03/18	<u>\$244,191.50</u>	2.85%	05/03/21	N/A	11/03/18	\$3,490
					\$2,020,776.10					

(g=General; sc=scholarship)

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

Money Market Accounts & STAR Ohio—immediate liquidity 31.6% of Portfolio

STAR Ohio	\$1,273,649.39
Huntington Investment Company money market account---Gen. Fund	\$11,252.66
Fifth/Third Securities money market account—General Fund	<u>\$59,305.11</u>
	\$1,344,207.16

TOTAL PORTFOLIO

\$4,260,830.26

Investments decreased from last month's \$4,484,692.84 because the district drew down from its Star Ohio account to cover deficit spending during June.