



**WHEELERSBURG LOCAL SCHOOL DISTRICT  
NOTES TO THE FIVE-YEAR FORECAST  
PRESENTED TO THE BOARD OF EDUCATION 05/23/2022**

**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. Both FY 2015 and FY 2016 ended in operating deficits leading to FY 2019, which ended with the largest deficit yet, leading ODE to once again require 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. Beginning in Fiscal Year 2019 the District did not, resulting from a structural deficit that needed aggressive attention.

The plan that the Superintendent, Treasurer and Board enacted for FY 2020 included:

- a. The elimination of three teaching positions.
- b. The elimination of three instructional aide positions.
- c. Administrators did not receive a base raise on salary for FY 2020.

The state froze all Ohio district aid in FY 2020, and then enacted a sudden decrease in May 2020, wiping out the gains that the Board enacted from the FY 2020 cost decreases. The state did enact a new funding stream, Student Wellness and Success funds, which the District could use for existing eligible General Fund costs. Altogether, the District ended FY 2020 with positive cash-flow as a result of the District's deficit reduction plan. With assistance from ESSER grants, the District enjoyed its largest General Fund cash-flow increase in its history in FY 2021. With continued federal support and the state's new funding formula, the District looks to finish with another strong year in FY 2022.

**COVID-19 RELATED NOTES**

Some non-teaching jobs were eliminated for FY 2021 due to parents' decisions to keep students at home to do virtual schooling. Specific jobs impacted related to personal aides of special needs students.

The District's spending of these grants for FY 2021 through FY 2024 is a mixture of new spending and General Fund replacement (where appropriate). The District anticipates the full and complete use of its grants. District administration expects to evaluate new spending in early 2024, while planning for the 2024-2025 school year, to choose which costs may be continued. A table in the "Charts" section details the District's plans to resume paying these costs from its General Fund, or to eliminate the position.

Most of the jobs eliminated for FY 2021 have been reintroduced in FY 2022 using ESSER grant funds. The District has also created a new position, K-12 Assistant Principal, having supervisory responsibility for special education and gifted instruction. The District also created four new teaching positions which are being paid from ESSER Funds. ESSER-paid positions are reviewed in Table 1, Page 17.

## REVENUE ASSUMPTIONS

1. Real Estate—Line 1.01
  - This is the second leading source of revenue for our District.
  - The District saw a valuation increase of close to 9% for 2019.
  - The normal reappraisal and update cycle would result in no significant revenue increase for FY 2022.
  - The District is using an estimate for the 2022 Reappraisal (8.0%), which will impact FY 2023 and FY 2024 revenues. The past two cycles of reappraisal and valuation update have both resulted in property value increases of 8.8%.
  - FY 2025 would see no revenue increase in the normal real estate tax revenue cycle.
  
2. Unrestricted State Grants in Aid (Line 1.035):
  - This is our District’s leading source of revenue.
  - The state’s new funding formula for schools for the FY 2022 school year was implemented February 2022 at the earliest. This period left the District’s leadership with some uncertainty for what its most funding component would yield.
  - *This new formula impacts four different Forecast lines. Each of the lines must be evaluated to discover the true picture of the formula on this District. This Forecast will summarize these effects on Page 6, “Other Forecast Notes.”*
  - The new formula produces an amount of funding in this category far more than in past years, because students who live in other district but attend Wheelersburg via “Open Enrollment” are now counted as part of enrollment for funding here. This means the historical amounts are not comparable. It’s like comparing apples to oranges.
  - The District is then using an average historical percentage of increase from the last five years to estimate funding for FY 2024 through FY 2026—just under 2% per year.
  - Casino revenues have returned to higher than pre-pandemic levels.
  
3. Restricted State Grants in Aid (Line 1.04) contains several funded items which in total is still fairly unsubstantial as a part of total revenues. The funding in this category is 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. 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 revenue to local governments in place of the taxes. This is a relatively stable amount, with modest increases each year using historical percentages.
  
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. This is a reduction of \$2,232,457 in category revenue.
  - The District receives one final settlement from the Medicaid School Program (“MSP”) each year, typically in June. The District did not receive the FY 2020 settlement on time, meaning the District received no final settlement in FY 2020. This resulted in inflated revenue in this category in FY 2021, when two were received. This results in an apparent decrease (\$90,000) in FY 2022, when really the District will simply return to receiving one final settlement per year. Overall MSP revenues are stable from year-to-year.
  - The District received a premium dividend payment (\$183,459) from the Ohio Bureau of Workers Compensation in December 2020, which will not be repeated in FY 2022.

- The District bills other Scioto County Districts for the state special education weighted funding for open enrollment students it accepts (\$148,000) in FY 2022. This revenue will no longer flow as a result of the new funding formula.
  - ODE paid the District \$31,997 in FY 2021 for Catastrophic Aid Reimbursement down from \$70,331 in FY 2019, due to use of a new method. This becomes the District's new benchmark amount.
  - The District earned almost \$60,000 from its investments in FY 2020. Due to the plunge in rates, earnings will decrease in the next few years as low rate investments are replaced by almost no-rate investments.
6. Advances In (Line 2.05)  
Advances were outstanding at June 30, 2021 and have been repaid to the General Fund during this fiscal year.
8. All Other Financing Sources (Line 2.06)  
Reported here are:
- Amounts owed by another District for personal special education aides we provide for a student attending Wheelersburg Schools via open enrollment. (The resident District is responsible for these costs.)
  - Federal E-rate reimbursements.
  - Other BWC annual rebates via our group retrospective rating and premium refunds.

## **EXPENDITURE ASSUMPTIONS**

1. Personal Services (Line 3.01)
- In addition to a 3.0% base salary increase for FY 2022 and FY 2023, the District agreed with its teachers' union for a one-time payment of \$1,000.00 to each bargaining unit member for FY 2022. (All employees were eventually included.) The District also agreed to continue granting experience step increases during the term of the contract.
  - Five teaching positions were eliminated in the past three years. Nine instructional aide positions were eliminated for FY 2021. The cost of the librarian is added back for FY 2022. Instructional aide positions are reinstated but are being paid from ESSER.
  - Three teaching positions cost were moved from the General Fund to the Student Wellness & Success Fund. Most of this cost will be paid from ESSER funds in FY 2022- FY 2024.
  - Substitute teacher costs were abnormally low in FY 2020 and FY 2021. The District estimates these costs higher for FY 2022.
  - The District has used a placeholder of 3% base salary increases for FY 2024 and 2% for FY 2025 and FY 2026.
  - The District added a technology department employee, reducing the cost of an external contract (see *Purchased Services*).
  - Turnover savings are projected for future years as teachers retire.
  - The Title I budget has not adequate to cover salaries for budgeted positions and this cost has become part of the General Fund base. However, the cost is being covered temporarily in FY 2022 from Title I because of a COVID-related understaffing in FY 2021. The large resulting Title I carryover will be fully spent in FY 2022. Cost overruns will then be paid from the ESSER grant until FY 2025.
  - The District has reviewed its non-teaching position salary structures and discovered it is well behind other area district's wages in most job categories. This Forecast dedicates funds to correct those inequities in FY 2023.
  - The District has create a new administrative position for FY 2022 to oversee special education. This position's cost will revert to the General Fund once the ESSER grant is fully spent.

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.
  - The Scioto Health Plan approved premium increases of 3% medical and 3% dental for calendar year 2022. Increases of 5% per year are included as placeholders for the remaining years in the forecast.
  - Retirement and Medicare tax costs will change in proportion to salaries.
3. Purchased Services (Line 3.03)
  - The largest cost of this category has been tuition paid to other districts for Wheelersburg-resident student who attended other Ohio schools, either by open enrollment or community schools.
  - The state's funding formula ended these recognized costs, so this expense category has seen a large decrease, close to one million dollars less.
  - The other largest costs of this category are:
    - a. Special education cooperative costs—In FY 2021 the District paid \$945,000 for shared special education costs. In FY 2022 our cost has increased by \$142,000.
    - b. Utilities—In FY 2021 the District spent \$190,255 for electricity, gas, water and sewer, down from \$214,912 in FY 2020. The District has budgeted an increase of \$39,000 for FY 2022, taking factors from FY 2021 into consideration plus the recently approved PUCO electricity rate increase.
  - The District is planning on expanding its school psychologist program in FY 2023, adding cost of about \$24,000.
4. Supplies and Materials (Line 3.04)
  - The District renewed its two-year Rosetta Stone license during FY 2021 but paid for it with ESSER funds. At this point, supplies cost fluctuates due to this two-year renewal cycle. The FY 2023 renewal should also be paid similarly, then the cost will revert back to the General Fund in FY 2025.
  - FY 2021 was the next scheduled purchase for its K-3 math textbooks and was paid from ESSER funds. The District has plans to repurchase its K-3 math textbook in FY 2023 with ESSER funds.
  - Because athletic and educational field trips were fewer in FY 2021, costs for bus gas and repair parts were all less, saving almost \$40,000. Costs have rebounded in FY 2022.
5. Capital Outlay (Line 3.05)
  - The District intends all Capital Outlay purchasing 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 \$47,000 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's leadership has been aware in past years that it had a structural deficit in its budget. It took action before FY 2020 to address that deficit. However, when normal General Fund costs which are currently being covered by grant resources return to the General Fund, then the structural deficit reappears.
- The Forecast is not compliant with the Board's Cash Balance policy in all three years that are required, with a True Days Cash ratio of 85.3, 96.3, and 92.9 for FY 2022, FY 2023, and FY 2024 respectively. This is because it exceeds our ceiling balance of 80.0 days in our policy. This is a temporary situation as spending returns to the General Fund in FY 2025 from ESSER funds. The True Days Cash ratio is predicted to fall to 66.5 for FY 2025 and then 46.1 for FY 2026.

2. Estimated Encumbrances June 30 (Line 8.01)

Encumbrances are the District's issued but unpaid orders requiring future payment.

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.

4. New State Funding Formula Impact

The following is a summary of the impact on the District's state funding in FY 2022 compared to the former funding system in FY 2021. No attempt is made to take every factor into consideration, even some which are significant, such as ADM changes.

General Fund Impact

• Unrestricted State Aid—FY 2022 Gain	+\$1,376,326.00
• Restricted State Aid—FY 2022 Gain	+\$354,937.00
• Open Enrollment, incoming students—FY 2022 Loss	-\$2,232,457.00
• Open Enrollment, outgoing students—FY 2022 Gain	+\$782,936.00
• Community School student tuition—FY 2022 Gain	+\$368,430.00
• Loss of special education weighted funding—FY 2022 Loss	-\$148,000.00
• State created scholarships—FY 2022 Gain	<u>+\$39,337.00</u>
<b>Net Gain to Wheelersburg's General Fund, FY 2022</b>	<b>+\$541,509.00</b>

## **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 WLSD 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

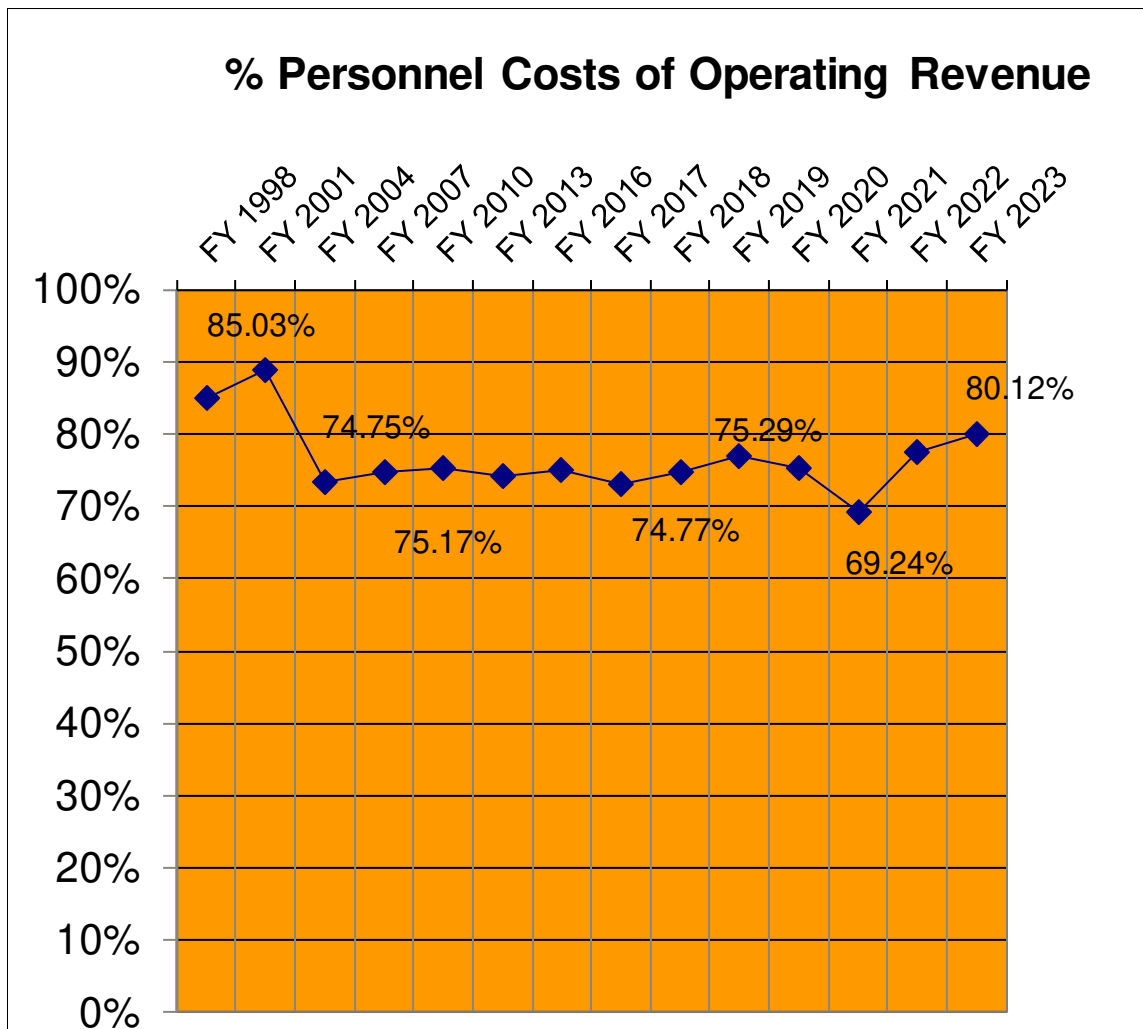
- Miscellaneous

**WHEELERSBURG LOCAL SCHOOL DISTRICT  
CHARTS ACCOMPANYING THE NOVEMBER 2021 FIVE-YEAR FORECAST**

Fiscal Year 2021 is the last year of historical data. Fiscal Years 2022 – 2023 are included in Charts 1, 2, 5 & 6 as forecasted.

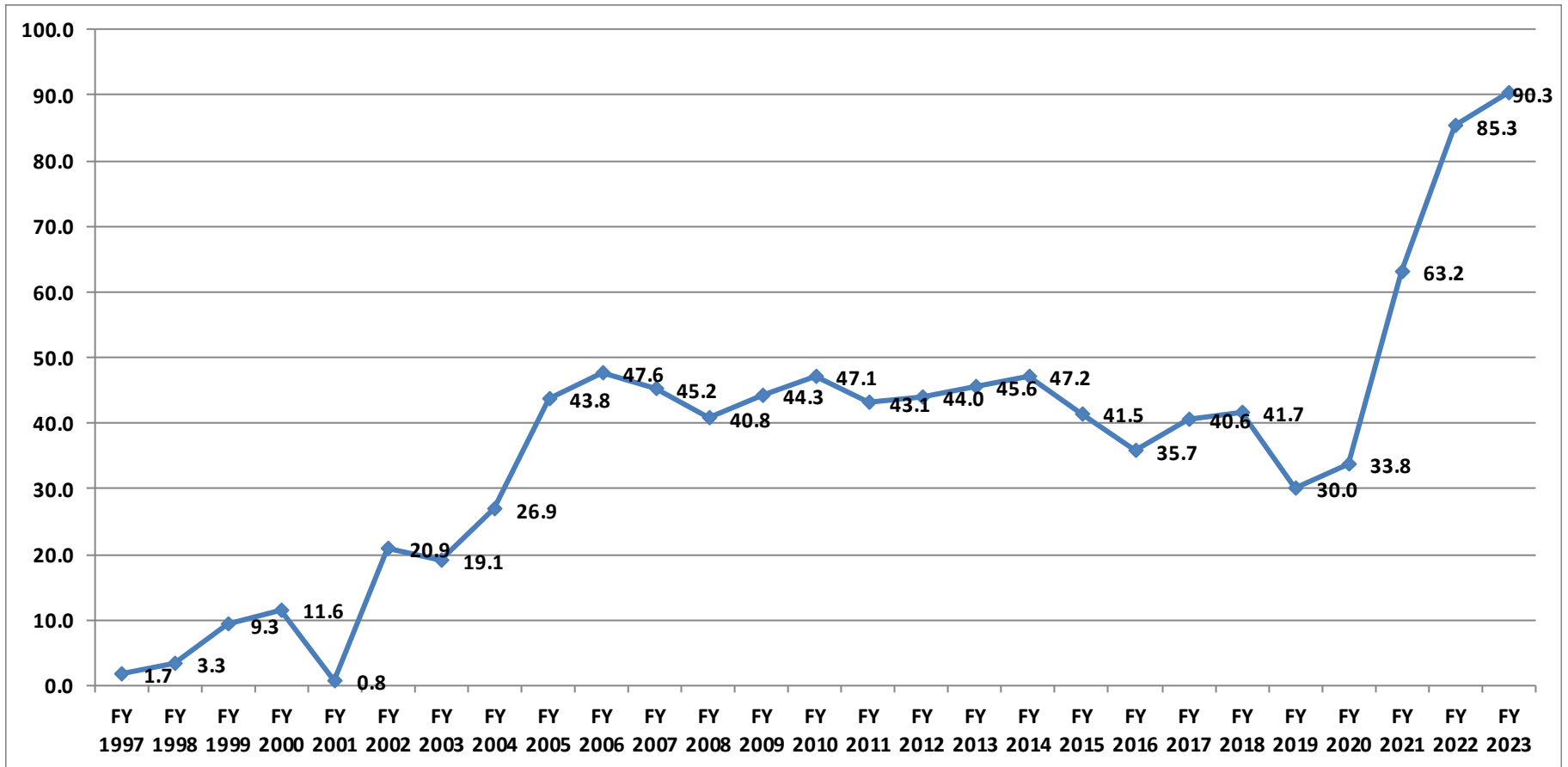
1. Chart 1 – Percentage of Personnel Costs to Operating Revenue
2. Chart 2 – True Days Cash
3. Chart 3 – FY 2021 Revenues by Source
4. Chart 4 – FY 2021 Expenditures by Category
5. Chart 5 – Excess of Revenues over (under) Expenditures (Forecast Line 6.01)
6. Chart 6 – Unreserved Ending Fund Balance (Forecast Line 15.01)

**Chart 1: Percent of Personnel Costs to Operating Revenue.** The closer the District gets to 80% it is more vulnerable to a significant General Fund balance deficit. It is critical the District remain in the lower 70% area. A lower ratio typically equals better financial health. Each time the District has experienced financial difficulty this ratio was in the high 70% - 80% area. UPDATE: It is possible that the new state funding formula, with its significant impact on the recording of revenues and expenditures, has changed the parameters of this ratio. This needs to be further studied.



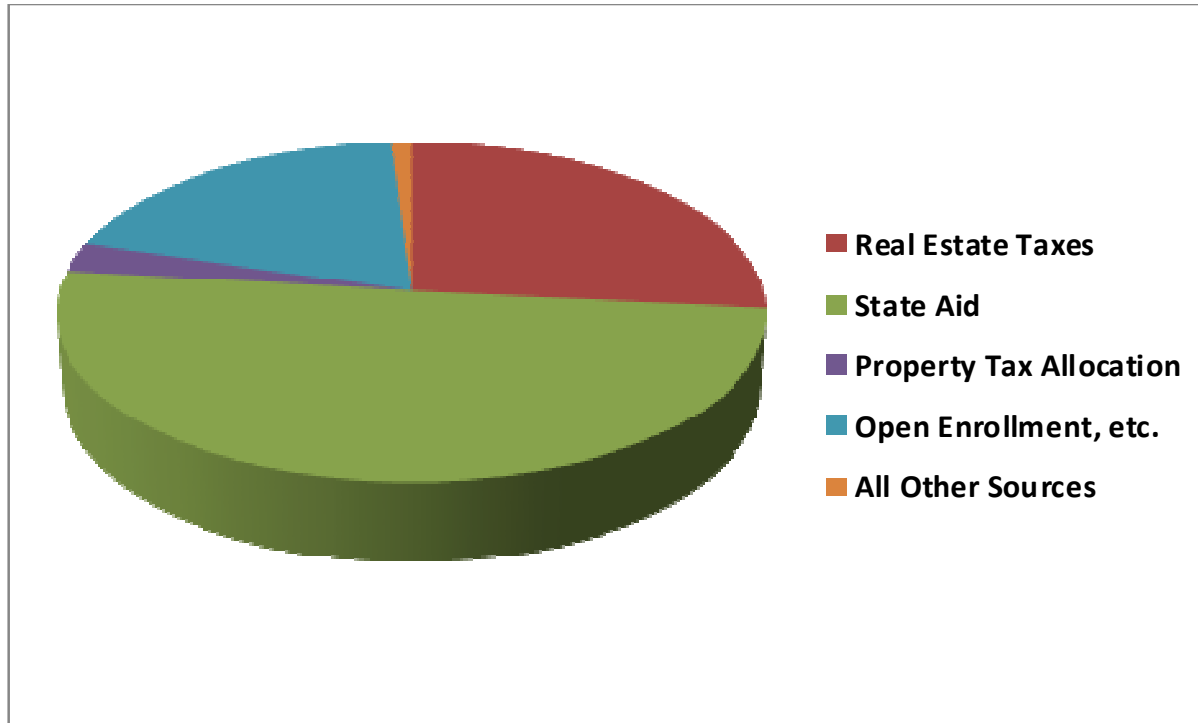
**Chart 2: True Days Cash.**

This ratio shows how many days beyond June 30 of each year we can pay our bills and continue to operate if we received no more revenue during that time. Because the District owes employees for two months' salary and benefits, its ideal goal is to have 60 days cash at June 30. Board policy sets a minimum target at 30 days cash.



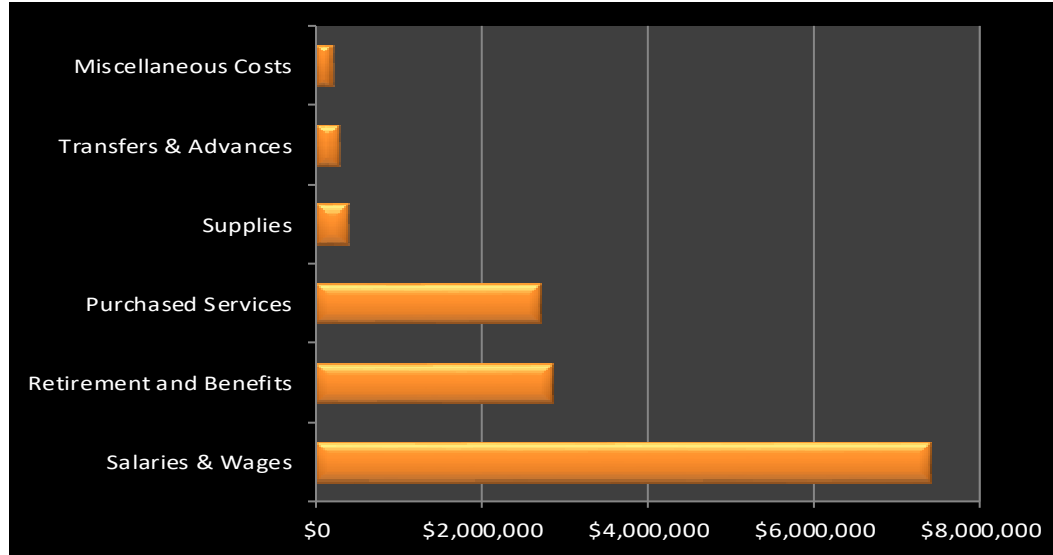
### Chart 3

### Revenue By Sources

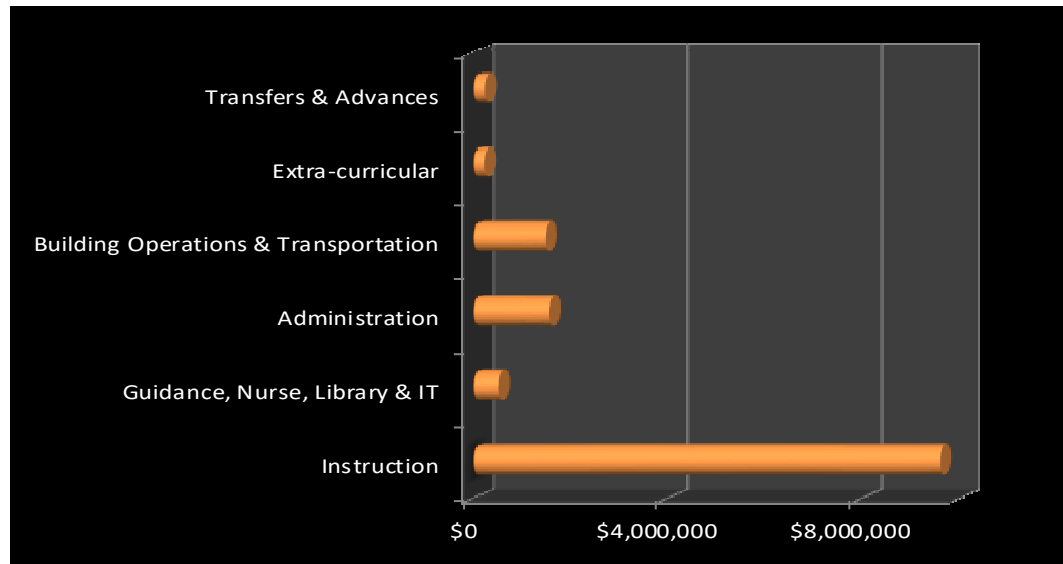


## Charts 4

### Expenditures By Type

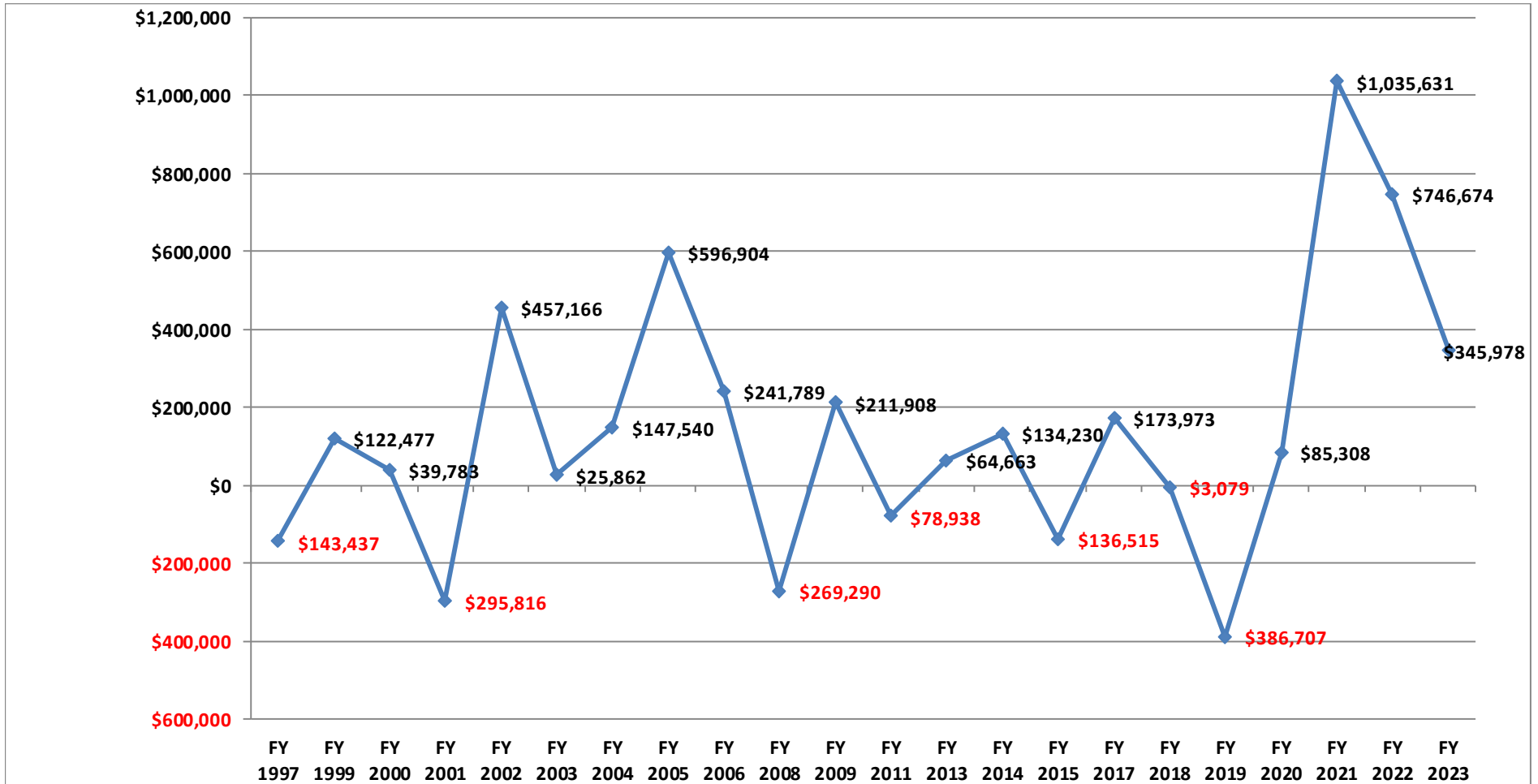


### Expenditures By Purpose



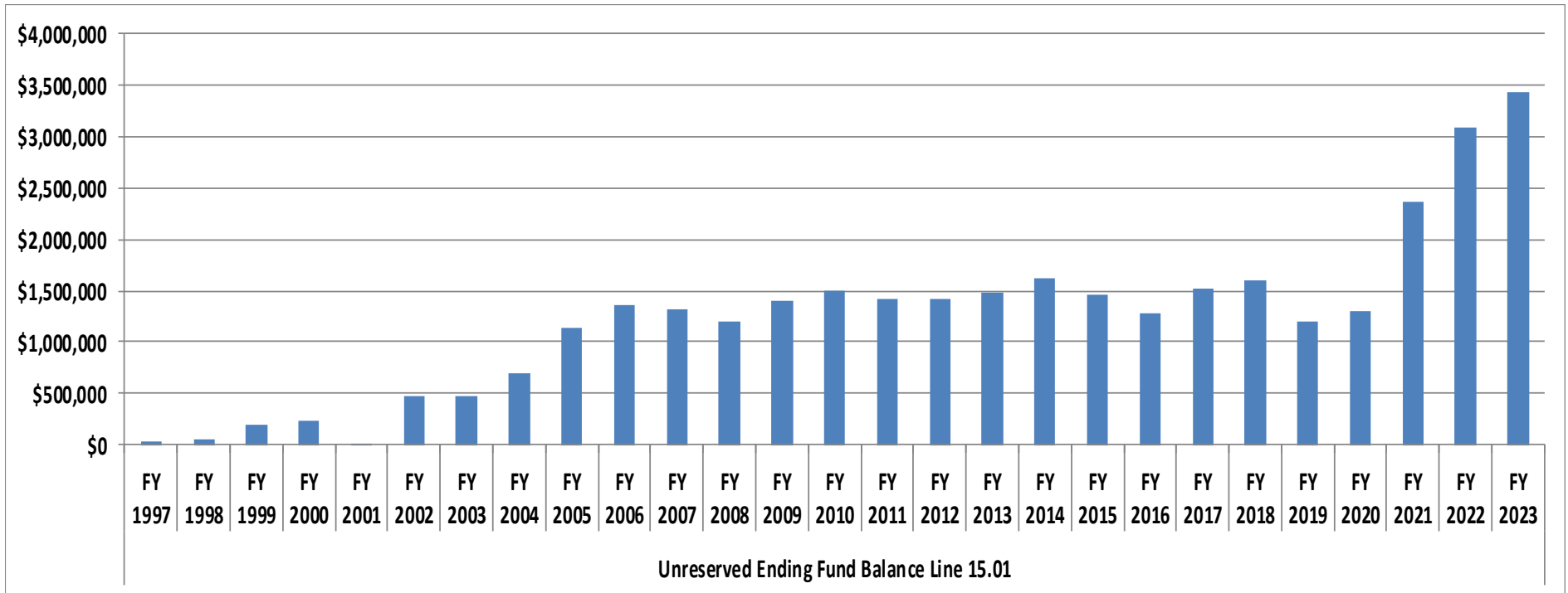
## Chart 5

The following chart shows the annual financial operating result of the District, either positive (“Excess”) or deficit. The District has only operated at a deficit seven years out of the past eighteen years, reflecting several factors: increased state funding from the starting point (FY 1997), a flourishing Open Enrollment program as students and parents from other communities saw the value in a Wheelersburg education, and careful stewardship of District funds by the Board of Education and administration.



## Chart 6

The following chart shows the annual “Unreserved Ending Fund Balance” for the District. This includes the District’s cash balance minus any legal reservations, including outstanding purchase orders and any restricted cash. It can be seen the District’s cash balance was extremely low in the late 1990’s, 2000 and 2001. The District’s employee costs were too high in proportion to its revenues and the District made deep spending cuts before the 2001-2002 school year. The District’s resident enrollment began to stabilize (when looked at from a whole) about FY 2004 and open enrollment revenues began to accelerate with FY 2006. The balances for FY 2011 and FY 2012 are only slightly down from FY 2010, but the cash balance decline would have been far more serious had the District not made spending cuts before the 2011-2012 school year.



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

	<b>Position</b>	<b>Intention</b>	<b>Last Source</b>	<b>Last FY Paid</b>	<b>Move back to GF</b>	<b>In Forecast?</b>
1	Coaching salaries	Continuing	ESSER 2	2021	2022	Yes
2	COVID sick days	Reg. Salary	CRF	2021	2022	Yes
3	Bus driver food delivery salaries	Reg. Salary	CRF	2021	2022	Yes
4	Guidance counselors	Continuing	ESSER 3--ARP	2024	2025	Yes
5	Nurse	Continuing	ESSER 3--ARP	2024	2025	Yes
6	Asst K-12 Principal for special education	Continuing	ESSER 3--ARP	2024	2025	Yes
7	MS teacher	Temporary	ESSER 3-ARP	2024	NOT CONTINUED	No
8	MS teacher	Temporary	ESSER 3--ARP	2024	NOT CONTINUED	No
9	Title I teacher	Temporary	ESSER 3--ARP	2024	2025	Yes
10	WES K-3 Aides (5)	Temporary	ESSER 3--ARP	2024	NOT CONTINUED	No
11	Extra cafeteria daily disinfecting	Temporary	ESSER 3--ARP	2024	NOT CONTINUED	No



**TABLE 2—CASH BALANCE POLICY COMPLIANCE**

<b>COMPLIANCE CHECK WITH WLSD BOARD POLICY DBDA, "CASH BALANCE"</b>				
		<b>Fiscal Year 2022</b>	<b>Fiscal Year 2023</b>	<b>Fiscal Year 2024</b>
<b>Forecast</b>		<b>(First Year)</b>	<b>(Second Year)</b>	<b>(Third Year)</b>
<b>Line #</b>				
4.500	Total Expenditures	\$13,221,902	\$13,893,308	\$14,307,891
<i>Calculated</i>	Average Expenditure Per Day	\$36,224	\$38,064	\$39,200
15.010	Unreserved Fund Balance	\$3,089,515	\$3,435,491.88	\$3,643,366.88
Calculated	<b>True Days Cash</b>	<b>85.3</b>	<b>90.3</b>	<b>92.9</b>
<i>Policy DBDA states that the district's cash balance should be 30 and 80 True Days Cash.</i>				
	<b>The projected balance is:</b>	<b>non-compliant</b>	<b>non-compliant</b>	<b>non-compliant</b>