

**WHEELERSBURG LOCAL SCHOOL DISTRICT
NOTES TO THE FIVE-YEAR FORECAST
PRESENTED TO THE BOARD OF EDUCATION 5/22/2023**

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 once again 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 the most recent state budget which included a new funding formula, effective July 1, 2021. Also, the District has 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 pointed grant funding to temporarily increase staff for students to regain learning loss, the District has also shifted some 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.

The last of the COVID-19 era federal grants must 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 would like to retain a few of the new positions that have been created and paid for by federal grants. Finally, there are some supply costs that will fall back again 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.

- 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 using a valuation increase estimate of 8.0% for the 2022 reappraisal. The past two cycles of reappraisal and valuation update have both resulted in property value increases of 8.8%. The 2025 valuation update is being estimated at 9.0%.
 - Collections of delinquent tax revenue are assumed to be consistent from year to year, typically around \$250,000.
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 was implemented February 2022, with calculated increases for most categories phased in at 16% for FY 2022 and an additional 16% for FY 2023.
 - The new formula produces an amount of funding in this category far greater than in past years partially because 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 historical amounts are not comparable. (That substantial Open Enrollment revenue is lost in another revenue category.)
 - The District is using the current formula as its basis to forecast future years but is limiting the amount of the increase for each future year to 75% of the scheduled phase-in. The reduction is an allowance for data fluctuations, since the District’s student enrollment may drop, or the District’s wealth calculation may increase the local share within the formula. Either of these would result in a reduced funding calculation.
 - The annual increases in this Forecast are still greater than the District’s historical trend.
 - The District is aware that Sub HB 33 would provide revenues above what is forecast here. However, those increases have not been approved by the Senate and have not been included here.
 - 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. The amount for FY 2023 serves as a base for each future year, with 75% of the phased-in increases included.
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 and not changing much from 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 was 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. Typical annual revenue is \$113,000. There was no settlement in FY 2022, so the settlement already received in FY 2023 has caused a revenue spike.
 - ODE paid the District \$38,942 in FY 2022 and \$31,997 in FY 2021 for Catastrophic Aid Reimbursement.

- The District earned \$41,200 from its investments in FY 2021 and then \$29,200 in FY 2022 as interest rates plunge but due to the Federal Reserve Board's inflation-fighting program, rates have quickly recovered. Returns on funds held in money market accounts have already improved the rate of return significantly. The total expected amount is for FY 2023 is now \$120,000.
6. Advances In (Line 2.05)
There were no advances outstanding at June 30, 2022 that needed repaid to the General Fund.
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.) FY 2023 is 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 with its teachers to a 3.0% base salary increase in FY 2023. Base salary increases are estimated beyond FY 2023 since the contract expires in August 2023.
 - The District has used a placeholder of 3% base salary increases for FY 2024 and FY 2025 and 2% for FY 2026 and FY 2027.
 - 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, any cost overrun will be paid from the ESSER grant until FY 2025. At this point, costs must flow back into the General Fund unless there is a staff reduction or Title I allocations increase.
 - The District reviewed its non-teaching position salary structures and discovered it is well behind other area district's wages in most job categories. This Forecast dedicated funds to correct those inequities for FY 2023.
 - 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.
 - The Scioto Health Plan approved a medical premium increase of 4% medical for calendar year 2023. 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 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, so this expense category has seen a huge decrease.
 - The other largest costs of this category are:
 - a. Special education cooperative costs—In FY 2022 the District paid \$987,160 for shared special education costs, an increase from FY 2021 of \$910,697. The South Central Ohio ESC, just weeks ago, provided updated cost information, which will increase the District’s share of cooperative costs by \$173,000 *in this fiscal year*, a cost increase of almost 20%.
 - b. Typically these “true-up” costs from the South Central Ohio ESC were much less and no added cost was planned within the Forecast. However, after two straight years’ increases of six digits within the last two months of the year, it is time to expect some added cost each year. Two factors (besides the trend) warrant anticipated cost increases. First, cooperative unit costs continue to increase. Second, our District has the largest student population within the cooperative. While our District’s total student ADM has remained steady, most of the other districts’ ADM has decreased. This means our District can continue to see large cooperative unit cost increases in coming years.
 - c. Utilities—In FY 2022 the District spent \$247,272 for electricity, gas, water and sewer, which was an increase of 30% from FY 2021. The District is seeing a smaller increase of \$10,000 for FY 2023.
 - The District has expanded its school psychologist program in FY 2023, adding cost of about \$24,000.
4. Supplies and Materials (Line 3.04)
 - Category costs have increased for FY 2023 due to overall inflationary pressures. Specifically, bus gas and paper have added about \$55,000 in cost.
 - The District renewed its two-year Rosetta Stone license during FY 2021 but paid for it with ESSER funds. At this point, cost of supplies 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.
 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 \$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'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 in FY 2025, then the structural deficit reappears.
 - 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 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 MAY 2023 FIVE-YEAR FORECAST**

Fiscal Year 2022 is the last year of historical data. Fiscal Year 2023 is 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.

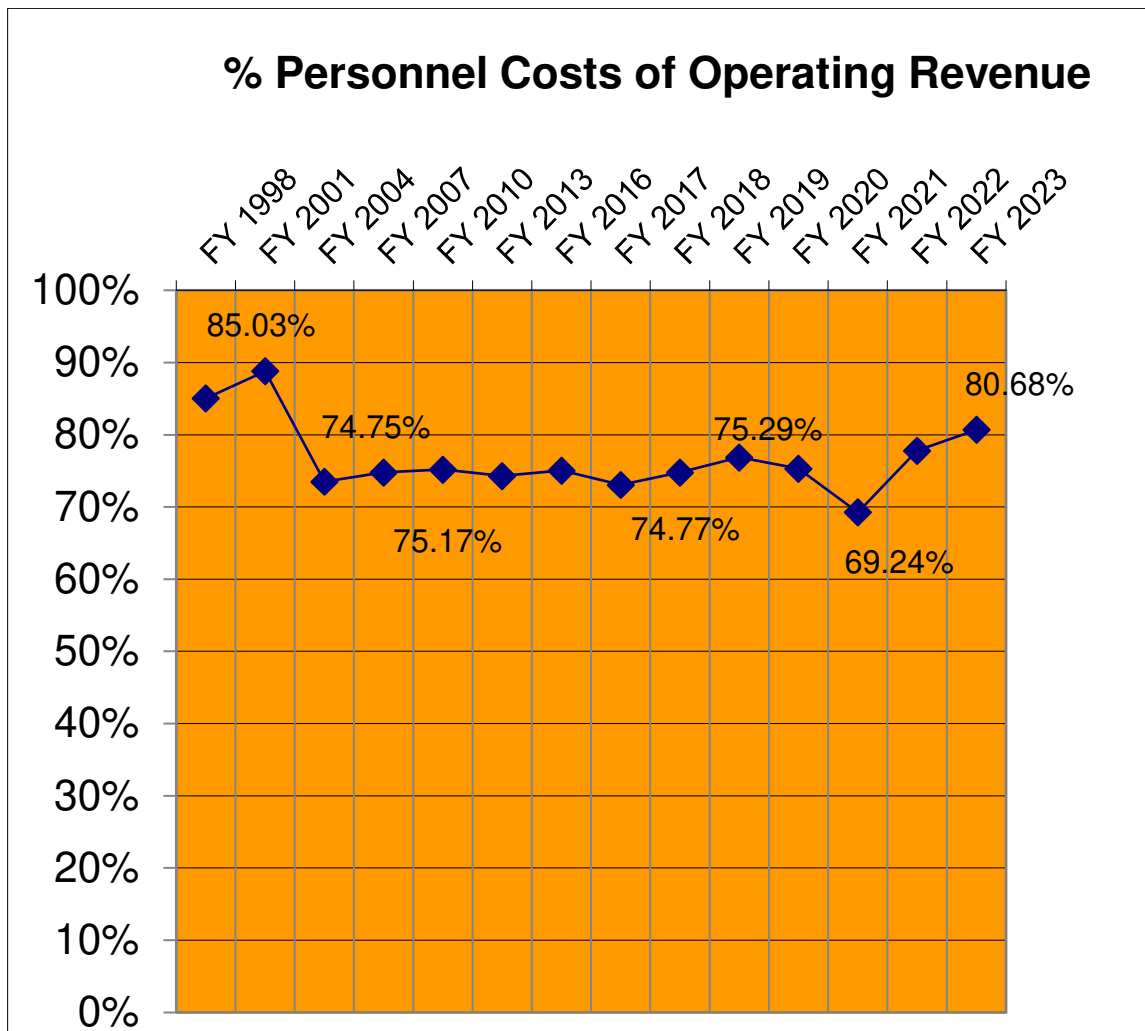


Chart 2: True Days Cash.

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.

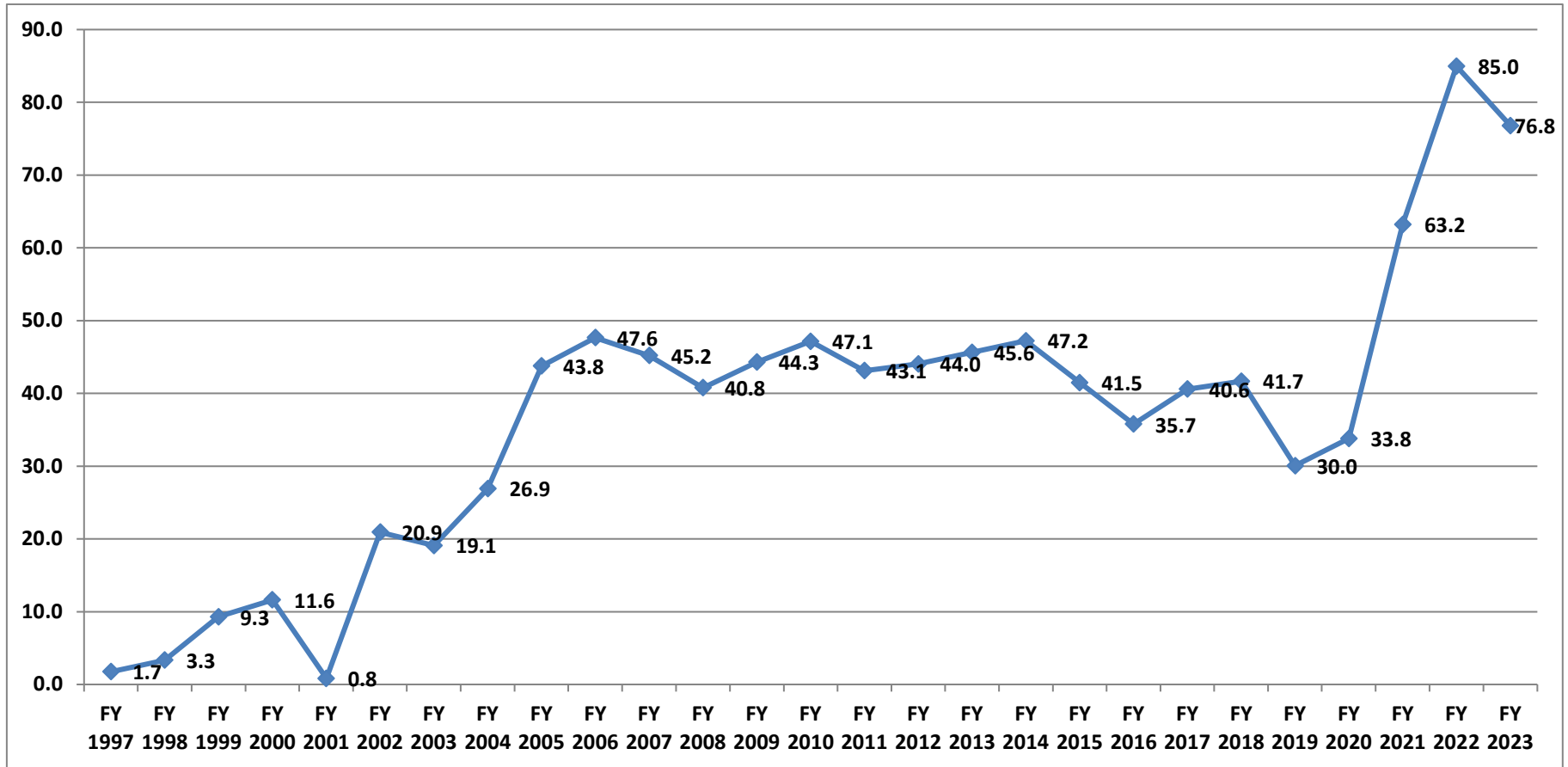
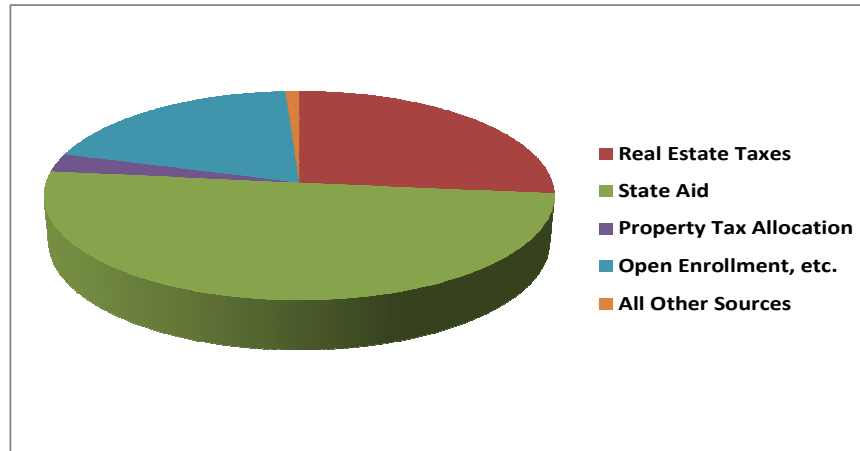


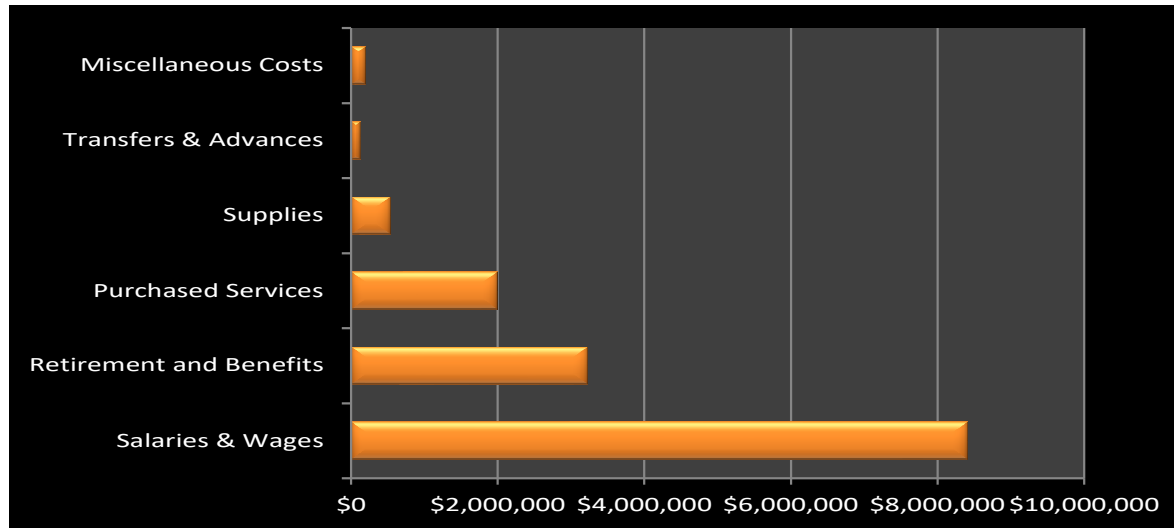
Chart 3

Revenue By Sources



Charts 4

Expenditures By Type



Expenditures By Purpose

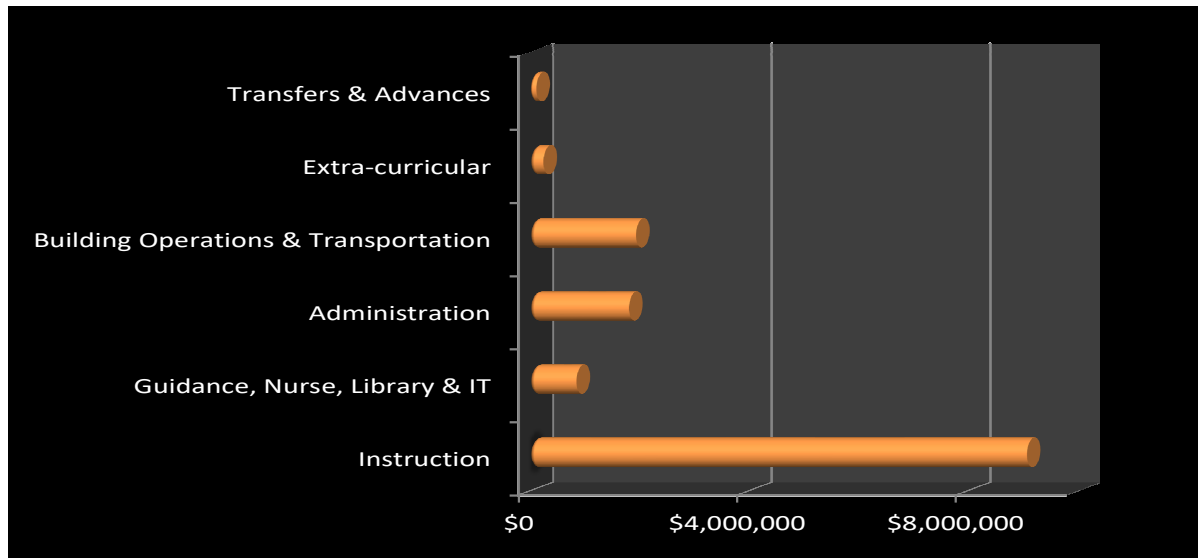


Chart 5

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.

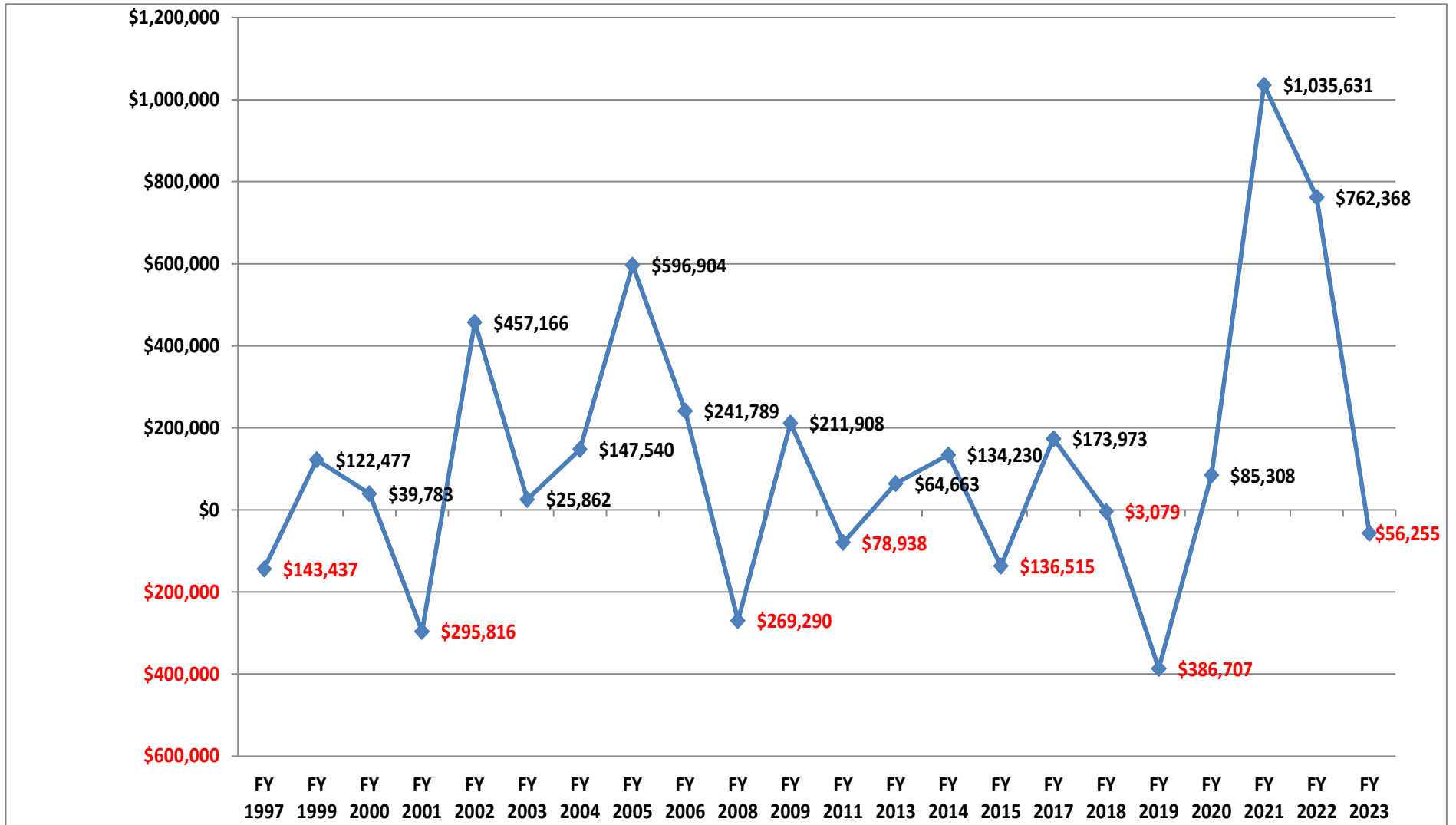


Chart 6

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.

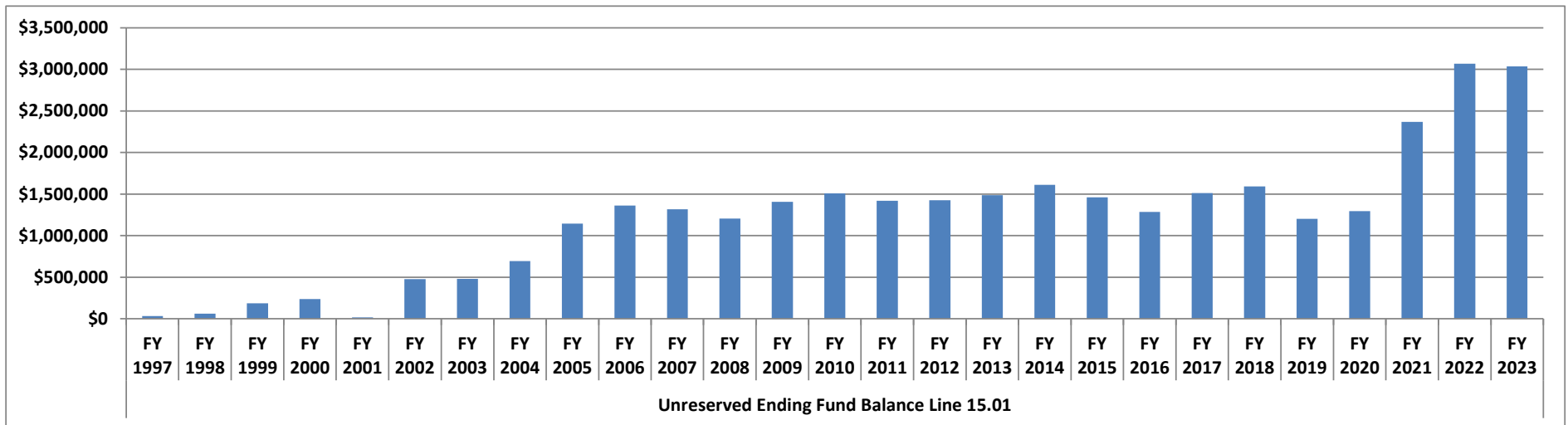


TABLE 1 -- GRANT FUNDED JOBS AND THE DISTRICT'S FORECAST DISPOSITION

	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 food delivery salaries	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 Jobs	No
8	MS teacher--Title I assignment	Temporary	ESSER 3-- ARP	2024	No-Temporary Jobs	No
9	Title I teacher	Temporary	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

TABLE 2—CASH BALANCE POLICY COMPLIANCE

COMPLIANCE CHECK WITH WLSD BOARD POLICY DBDA, "CASH BALANCE"				
		Fiscal Year	Fiscal Year	Fiscal Year
Forecast		2023	2024	2025
Line #		(First Year)	(Second Year)	(Third Year)
4.500	Total Expenditures	\$14,445,551	\$15,014,629	\$16,204,683
<i>Calculated</i>	Average Expenditure Per Day	\$39,577	\$41,136	\$44,396
15.010	Unreserved Fund Balance	\$3,037,954	\$3,040,753.53	\$2,093,341.35
Calculated	True Days Cash	76.8	73.9	47.2
<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