

UNIFIED SCHOOL DISTRICT NO. 113
Board of Education office
1619 South Old HWY 75
Sabetha Kansas 66534

Preparing Kids, Shaping the Future

Minutes of the Special BOE Meeting, Monday, November 21, 2022 6:00 PM
Held at Sabetha Middle School Commons, 751 Bluejay Blvd, Sabetha KS 66534

Board President Leslie Scoby called the meeting to order at 6:00 p.m. President Scoby led the meeting with the Pledge of Allegiance and Stan Keim said the prayer. Board members present were Kathy Lippert, Phillip Buessing, Stan Keim, Jim Scoby, Kent Saylor, and Anissa Bloom. Also present were Superintendent Todd Evans and Board Clerk Deb Damman, and others listed on the attached sign-in sheet.. The meeting was broadcast on YouTube for the public.

1. I.I. Public Comment

Andrea Lagos,- Wetmore – presented the attached Viability Discussion document.

Stacy Claycamp relinquished her time to Andrea Lagos

Cory Bloom, Wetmore – spoke regarding incorrect information from the last board meeting.

Andy Henry, 2015 Wetmore graduate – spoke regarding viability of Wetmore

Alyssa Osterhaus – Wetmore – asked the Board to stop focusing on closure of Wetmore

Analyssa Noe – Wetmore – spoke in support of keeping Wetmore schools open

Gary Ronnebaum – Axtell – spoke in support of Axtell schools

Tony Smith –Axtell, but representing the district. Spoke regarding district’s cost figures

Michael Bachelor, SHS – spoke regarding the due diligence is required prior to making a decision

2. A.I. Discussion of campus viability

Superintendent Evans commented on achievements in Axtell and Wetmore schools. He said that the challenges are that Axtell has an expenditure issue, and Wetmore has an enrollment issue. The concern is planning for future sustainability.

Mr. Evans explained how weighted FTE and valuation were calculated and used for funding and expense allocation.

Motion by Anissa Bloom, seconded by Phillip Buessing, to delay the presentation of the scenarios until the figures are re-checked. Motion failed 3-4, with Kathy Lippert, Leslie Scoby, Jim Scoby, and Stan Keim voting no.

Mr. Evans presented the various scenarios for future sustainability as requested by the Board at the November 12 regular board meeting.

After a lengthy discussion by the Board, a motion was made by Kathy Lippert, seconded by Kent Saylor, for Kathy Lippert, Stan Keim, and Anissa Bloom to form a committee to look into transferring some portion of the district land to USD 113 Jackson Heights. Motion failed 3-4, with Anissa Bloom, Jim Scoby, Phillip Buessing, and Stan Keim voting no.

3. A.I.Adjourn

Motion by Kent Saylor, seconded by Anissa Bloom, to adjourn the meeting. Motion carried 7-0.
Meeting adjourned at 8:59.

Board President

Board Clerk

Unofficial

NOV 21, 2022

Viability Discussion

USD 113



Introduction – Analysis Approach and Methodology

Preliminary analysis of five years worth of financial statements

Subject Matter Expertise:

- 12+ years of experience in Finance Planning & Budgeting and Academic Administration departments in the Higher Education Industry
- Two areas of expertise include 1) Finance SOP development/improvement and 2) report development for executive decision making

Analysis Approach and Methodology:

- Trend Analysis from Fiscal Year 2018 to 2022 using the following data:
 - Audited Financial Statements
 - Audited/Final Versions of Allocation of Expenditures per Building for USD Records Actual reports
 - Enrollment based on Student Headcount
- Every slide contains a footnote with the data source, including notes about applicable fields within the reports

Best Practices for Financial Management

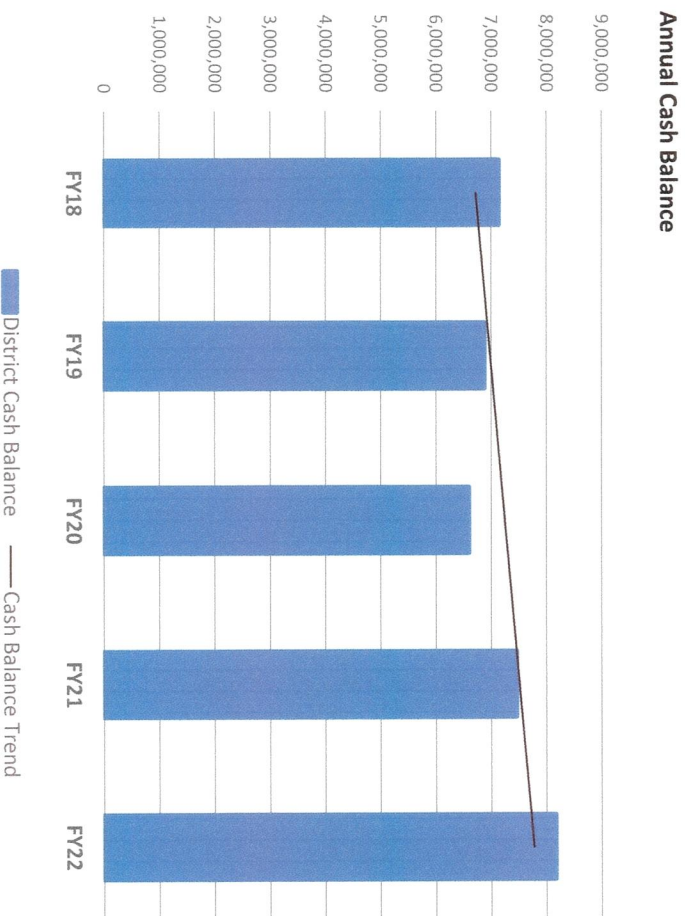
- **Develop a standard allocation methodology** to determine how administrative expenses should be documented and reported
- **Implement standard operating procedures and internal controls** to enable **accurate reporting** from year-to-year
 - Access to Budget to Actual Reports
 - Ability to review detailed expenditure information
- The District Office needs **more oversight and accountability** before the official audit is conducted annually.

Growing Cash Balances

USD 113's annual cash balance has grown 14% since FY18 (from \$7.1m in FY18 to \$8.1m in FY22).

Healthy Cash Balances

Annual Cash Balances are trending upward, and the current data sets do not imply that bankruptcy is on the horizon



Source: USD 113 Audited Financial Statements (FY18 – FY22)
Note: Data taken from the Summary Statement of Receipts, Expenditures, and Unencumbered Cash Regulatory Basis for Fiscal Years 2018 – 2022, as provided in the Audited Financial Statements

Healthy Liquidity Levels

Liquidity has increased by 111% since FY18, and the district appears to have a healthy cash position, not only sufficient to manage normal operations and capital needs, but also any unplanned operating deficits or solvency issues.

Healthy Liquidity Levels

Cash vs. Liabilities

Fiscal Year	Cash	Liability	Liquidity
FY18	\$7,140,867	5,885,000	\$1,255,867
FY22	\$8,166,937	5,520,000	\$2,646,937

Cash – Liabilities = Liquidity

The district appears to have a healthy cash position, sufficient to manage normal operations, capital needs, and any unplanned deficits

Source: USD 113 Audited Financial Statements (FY18 – FY22)

Note: Cash information taken from Summary Statement of Receipts, Expenditures, and Unencumbered Cash Regulatory Basis for Fiscal Years 2018 – 2022, as provided in the Audited Financial Statements; Liability information taken from the Notes to the Financial Statement, Long Term Debt section of the same report.

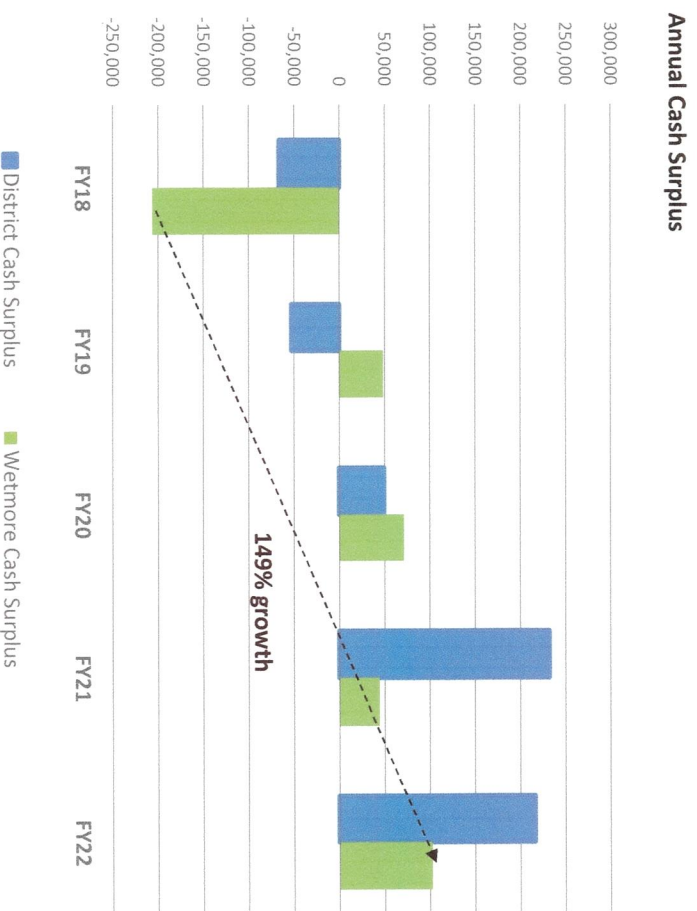
Rapidly Growing Annual Cash Surplus

The district has gone from an annual operating deficit of \$66k in FY18, to having an annual cash surplus for the last three years, which represents a 426% improvement.

Improving Operating Margins

- Wetmore has returned a cumulative total of \$265k in cash surplus in the past 4 years
- Wetmore contributed 47% of the total district cash surplus in FY22

The District has produced a growing cash surplus since FY19, and Wetmore's operating margin has improved by 149% since FY18



Source: USD 113 Prairie Hills, Unaudited Allocation of Expenditures Per Building Per USD Records Actual For Fiscal Years 2018 - 2022
 Note: Cash Surplus amounts taken from "Per Building with D.O. Allocations (Revenue - Expenditure)" field

Strong Profit Margins

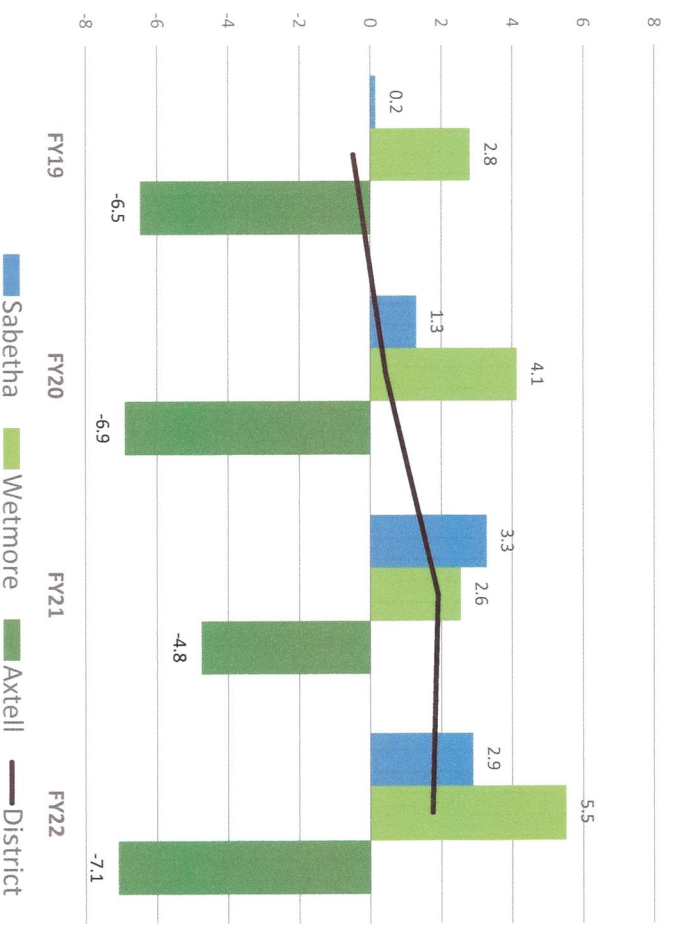
Although Wetmore’s cost per FTE is the highest in the district, Wetmore is managing their budget in a responsible way and Wetmore’s profit margin is the best in the district in three of the past four years.

Profit Margin = (Revenue – Expenses)/Revenue

- The District has been “profitable” in 3 out of the 4 past years
- Wetmore was the most “profitable” building in 3 out of the 4 past years

Wetmore has been the most profitable building in the district’s portfolio in three out of the past four years

Profit Margin by School Building



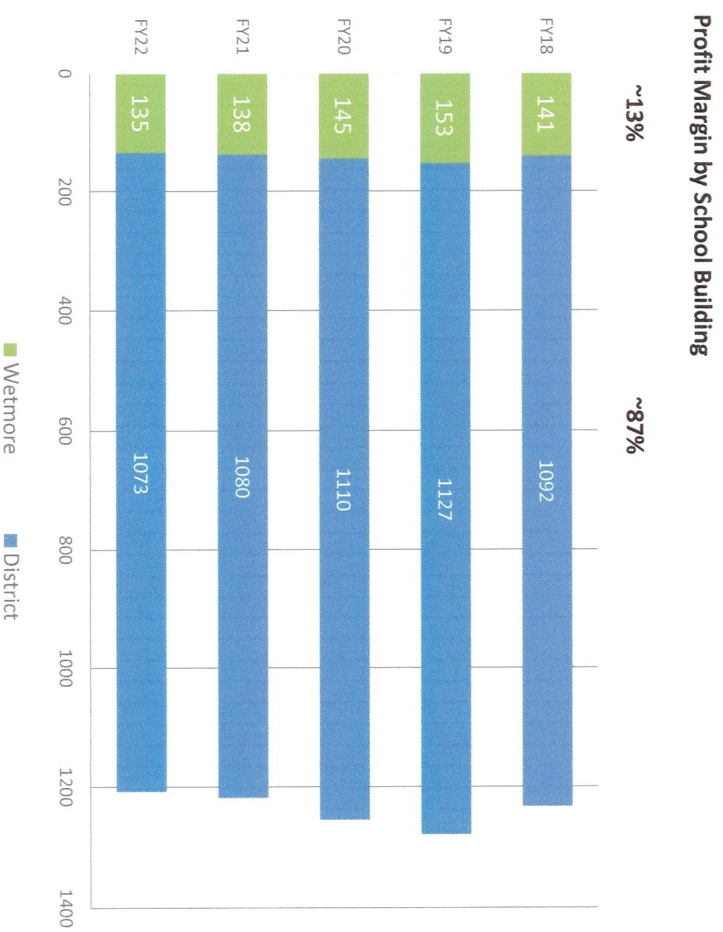
Source: USD 113 Prairie Hills, Unaudited Allocation of Expenditures Per Building Per USD Records Actual For Fiscal Years 2018 - 2022
 Note: Expenditure amounts taken from “Audited Balance Including D.O. Expenditure Allocations” field, Revenue amounts taken from “Total Revenue” field

District-Wide Enrollment Challenges

Although Wetmore's enrollment has declined over the past 5 years, Wetmore's headcount has remained at ~13% of total district enrollment every year for the past 5 years.

- Enrollment numbers have been a legitimate concern, but this challenge is not unique to Wetmore - it includes the whole district.
- Enrollment for FY23 at Wetmore is down to 11.69% of total headcount; however, US Census data indicates enrollment numbers will go back up
- According to 2020 US Census data, **there are 21 children under the age of 5 in Wetmore**

Wetmore's headcount has consistently remained at ~13% of total district enrollment, and there is a strong pipeline of potential students age 0-5



Source: USD 113 Enrollment Numbers (FY18 – FY22)
 Note: Enrollment numbers obtained from the District office

Changing Data Related to School Choice

The 2015 analysis suggesting that closing Wetmore would save the district ~\$460k/year assumed that 50% of Wetmore students would enroll at Sabetha if Wetmore closed.

Several factors have changed since 2015 that call this assumption into question:

- Centralia and Jackson Heights have both confirmed their ability to accept Wetmore's students **and** provide bus transportation
- Competitive aspects of school choice suggest that Sabetha may be the least likely choice between schools within a 30-mile radius
- Additional time and data required to determine how many students are likely to enroll at Sabetha if Wetmore closed

Kansas Policy Institute: A-F Grading Report Card

School	A-F Grade
Wetmore High	B
Centralia High	C
Jackson Heights High	D
Sabetha High	D

Source: Kansas Policy Institute, 2021 A-F Grading Report Card

Note: Graph plots based on A-F school grades taken from Kansas Policy Institute, 2021 A-F Grading Report Card



New Professional Study is Needed

Closing the school with insufficient data may end up costing the district more in the long run than it saves in the short run.

List reasons why \$460,000 of savings estimate is likely incomplete:

- The assumption that 50% of Wetmore students will enroll at Sabetha is inconsistent with the preliminary results of a survey the Wetmore community is conducting about school preference
- The Wetmore community questioned the completeness of the 2015 study when it was first presented because it was not clear how the study came to the number:
 - Unclear whether potential \$460k in savings is a reduction of expenses or net savings
 - Unclear whether the potential loss of land valuation revenue is included in the impact analysis
 - Unclear whether required staff modifications or other additional expenses related to consolidation are factored into the analysis

Potential Unintended Impacts:

- The closure decision is likely to trigger a legal process to remove Wetmore's land valuation/taxes from USD #113 district
- KNEA Article IX Reduction In Force clause indicates that 9 teachers from Wetmore are eligible to take existing teaching positions in Sabetha (~\$450k in salaries), and a member of KNEA contacted a state representative and learned that law suits could be triggered if requests are denied
- The lack of structure and consistency in the analysis may open the board to potential litigation for discriminatory practices and unlawful spreading of misinformation

Bottom Line

Wetmore's operating budget has been net positive for the past four years, and its demonstrated commitment to fiscal responsibility is positively contributing to USD 113's overall viability

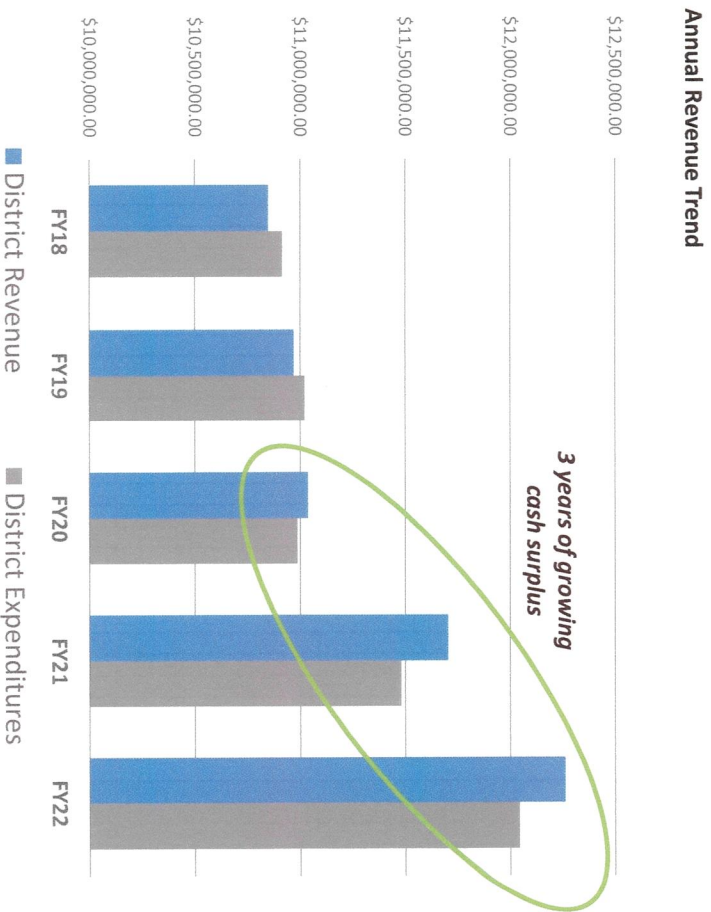
Bottom Line

The suggestion that USD 113 does not have long term viability or sustainability is not substantiated by the financial statement data and related information

Revenues are increasing and census data suggests that enrollment growth is on the horizon for Wetmore

Strategic solutions for long term viability should continue to be explored, but the data does not justify a closure proposal

The FY15 study is outdated, the current analysis lacks rigor, and the proposed solution is not grounded in objective facts



Source: USD 113 Prairie Hills, Unaudited Allocation of Expenditures Per Building Per USD Records Actual For Fiscal Years 2018 - 2022
Note: Cash Surplus amounts taken from "Per Building with D.O. Allocations (Revenue - Expenditure)" field