MEMO TO: BOARD MEMBERS;
DR. JOHN SIMPSON

FROM: BRUCE ELLERMAN

DATE: MAY 10, 2018

RE: MONTHLY FINANCIAL REPORT – APRIL, 2018

With only 2 months to go in the 2017-18 fiscal year, the District's financial picture is continuing to track largely as expected with no material variances in revenues nor expenditures. In fact, most of the relatively few financial variances becoming evident are generally positive in nature, a reflection of the district's conservative budgeting approach and a generally strong economic environment. As an overall observation, there have been no events or information subsequent to the budget adoption in June (or the few adjustments made in December) that would have a significant ongoing negative impact on net district projections. As a result, the overall net financial outlook continues to appear mildly favorable for the remainder of 2017-18 and the near term thereafter.

Operating Revenues (Adjusted Budget = $60,835,463)

Like many districts in Missouri, WGSD is highly dependent on local revenue sources. In fact, more than two-thirds of WGSD's operating revenues are derived from local property taxes alone. Throw in another 10% from the State Formula and 6% from Prop C, and you have nearly 85% of WGSD's operating revenues concentrated in just these 3 sources. As a result, WGSD's overall resource base predominantly reflects the health of these 3 areas.

	Budget	Actual YTD	% YTD	Prior YTD %
Property Taxes	$39,805,294	$36,071,887	90.62%	91.91%
State Formula	$8,773,000	$6,867,126	85.70%	74.60%
Prop C	$4,155,287	$3,436,325	82.70%	83.25%

Local property taxes are a function of assessed valuation, property tax rate and collection rate. While the district tax base (assessed valuation) for 2017 is up significantly from last year due to reassessment, the preliminary average (blended) property tax rate is correspondingly lower than last year except for a small amount (about .5%) of new construction and except for a CPI factor that the district is allowed—which is 2.1% for 2017. A 97.8% collection rate continues to be expected and the YTD collection % appears to be very comparable to last year. In fact, the District was recently notified by the County Collectors Office that about $4.3 million in property taxes paid under protest were currently pending release to the district. This is typical procedure and essentially represents the remaining $4.3 million budget balance of property taxes not yet received. Therefore, the currently budgeted amounts for property tax revenue appear reasonable, and in fact, we should beat the budget by a few hundred thousand. In comparison to property taxes, State Formula and Prop C revenue estimates are received fairly evenly each month throughout the fiscal year and are a function of Average Daily Attendance (ADA) and state funding levels. Both of these primary revenue sources are in line with the 83.33% (10 months/12 months = 75.00%) of the year that has expired and should close out the year right on budget.

Expenditures (Adjusted Operating Budget = $59,751,980)

	Budget	Actual YTD	% YTD	Prior YTD %
Salaries/Benefits	$45,282,608	$33,289,611	73.52%	73.59%
All Other	$14,469,372	$11,325,812	78.27%	77.57%

Like nearly all other school districts, the majority (about 80%) of WGSD's operating expenditures is comprised of staff salaries/benefits (and the large majority of those are for teachers). Since teacher payrolls do not begin until school starts in August, the Salary/Benefits portion of the budget typically begins the year proportionally low and then gradually "catches up" month by month until the final payrolls in June. With that in mind, this portion of the operating budget is very comparable, within $1/10^{th}$%, of last year's YTD expenditures through the end of April and is reflective of the underlying cash flow timing of payrolls. Likewise, the non-salary/benefit related expenditure trend is also comparable to last year's YTD% and well within the 83.33% of the year that has passed so far. Considering these factors, the overall expenditure budget continues to appear reasonable through the end of April, 2018.

Recognizing the foregoing timing issues, there are currently only a few notable exceptions identified so far that are disproportionately high compared to expectations. (NOTE/Like some salary accounts, some non-salary expenditures such as equipment, building improvements, supplies, audit, etc., also do not occur evenly throughout the fiscal year as their timing may be either front-loaded or back-loaded by their nature.) With this context in mind, the only notable variances at this time from expectations are showing in the following areas:

1) Line 007—Earnings on Investments. Most of the districts available fund balances are invested in time deposits during the year which do not pay interest until maturity. As these investments mature prior to fiscal year end, the related interest will be realized on the cash basis in the financial statements. Actual interest earnings are expected to significantly exceed this year's budget.
2) Line 009—Student Activities. Student Activity revenue is running a little under budget and behind the past few years' levels. However, this is a self-supporting revenue line item that balances with expenditure line 069 when also considering prior years' unspent balances which rollover each year.
3) Line 025—Federal Food Service. This account represents the meal reimbursements received from USDA for lunches and breakfasts. There is an inherent lag under the cash basis between reporting meal counts each month and subsequently receiving reimbursements from USDA, which causes interim collection %'s to appear low until the final month of the year (June).

4) Line 099—Bond Issue Revenues. The $18.6 million showing in this revenue line item is related to the bond refunding completed in December. A year-end budget adjustment to reflect this transaction will be presented to the Board in June. See also Line 102 explanation below.
5) Line 046—Audit by CPA Firm. The district engages an independent CPA firm to conduct a year-end audit of the district's financial records each year. The timing of making the one-time annual payment for this audit occurs in August/September, causing the % expended to initially appear high.
6) Line 059—Insurance. The district pays its full year premium for property, liability & workers' comp insurance to Missouri United School Insurance Council (MUSIC), a self-insured pool of Missouri public school districts, in December each year. No further expenditures will be made from this account for the rest of 2017-18.
7) Line 060—Telephone/Postage. This line item was under-budgeted based on what actual historical expenditure levels have been. In addition, it is also being affected by the rebid of fiber optic service for the district's network. The cost for such service increased by about $5K per month. While a portion of this increase was offset by upgrading district telephone systems which allowed a less expensive line configuration, there still remains a net increase in telephone related costs. This increase has been incorporated into future budget planning.
8) Line 062—Safety and Security. This account has exceeded budget due to unbudgeted expenditures for providing school security on election days and for some physical safeguard enhancements such as classroom door locks and the high school electronic entry system. Some of these security improvements are actually offset by additional revenues such as the Lion's Club donation. In addition, the school resource officer cost was about $10K more than budgeted due to the actual officers assigned through the program.
9) Line 066—Administrative Supplies. This line item is being affected by two factors. First, there was about $3,500 in reimbursements for items lost in the Camp Wyman fire earlier in the year. Second, school administrative supply charges have exceeded the portion of the building budgets that were allocated to this line item. This is not a concern, however, since other areas of the building budgets are netted against this line in computing building budget carryovers at year-end. In other words, each building is allowed to overspend in a given line item so long as it is within its overall building budget allocation.
10) Lines 67, 85, 86 and 088—Custodial Supplies, Maintenance, Building Upkeep and Care of Vehicles. YTD expenditures in these accounts are running relatively high or are over budget for the school year. A substantial portion of this is because of the unbudgeted purchase and installation of LED lighting around the district. To date, Clark, Edgar Road, Bristol & Hudson have been completed, with Avery currently underway. Each Elementary school costs about $10,000 to convert, with about 75% of the cost to be reimbursed by Ameren. As these reimbursements are

received, they will be deposited back into these accounts to reduce net expenditures. Furthermore, any over-budget amounts remaining after such reimbursements will be offset at year-end by unspent funds from Line 096—Building Improvements budget.

11) Line 087—Care of Grounds. Over $90,000 of the YTD expenditures in this line item is for the district-wide sealing and striping of parking lots. Some of this expense will be transferred to Line 096—Building Improvements in the event the Grounds line item budget is exhausted during the year.
12) Line 102—Interest and Fees. This is a debt service fund account to which interest and paying agent costs related to servicing the District's long-term debt (General Obligation Bonds). When the District budget was originally adopted in June, it did not include expenses related to the debt refunding completed in December, 2017. This refunding will save the district over $900,000 in future interest costs over the next 10 years. The increased interest cost of the refunded debt will be offset by increased interest earning from the refunding proceeds currently in escrow until the call date for the refunded bonds. Meanwhile, a budget adjustment will be presented to the Board in June to allow for the issuance cost impact on this year's budget.
13) Line 103—Bond Refunding. This is a debt service fund account reflecting proceeds from the debt refunding completed in December, 2017. When the District budget was originally adopted in June, it did not include any allowances for the debt refunding which will save the district over $900,000 in future interest costs over the next 10 years. Meanwhile, a budget adjustment will be presented to the Board in June to record the escrowed proceeds from the refunding in this year's budget.

RECOMMENDED BOARD ACTION….report only, no action needed.