

**MEMO TO: BOARD MEMBERS;
DR. JOHN SIMPSON**

FROM: BRUCE ELLERMAN

DATE: JULY 13, 2018

RE: MONTHLY FINANCIAL REPORT – JUNE 2018

The District closed the 2017-18 fiscal year largely as expected with no material variances in revenues nor expenditures. Indeed, overall operating revenues (excluding self-supporting programs like preschool, adventure club, student activities and food service) came in about \$795,000 (1.31%) better than budget while operating expenditures (excluding self-supporting programs and facilities project/building budget carryovers of \$454,916 facilities + \$171,277 buildings) came in about \$741,000(1.22%) under budget. These variances are well within the district’s desirable 98% accuracy goal. Further, most of the relatively few significant financial variances that did occur were generally positive in nature, a reflection of the district’s conservative budgeting approach and a generally strong economic environment.

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	\$39,978,032	100.43%	99.72%
State Formula	\$8,773,000	\$9,002,013	102.61%	93.45%
Prop C	\$4,155,287	\$4,181,646	100.63%	100.03%

Local property taxes are a function of assessed valuation, property tax rate and collection rate. While the district tax base (assessed valuation) for 2017 was up significantly from the prior year (2016) due to reassessment, the preliminary average (blended) property tax rate was correspondingly lower than 2016 except to the extent a 2.1% CPI factor that the district was allowed for 2017. Other than that, the district property taxes only increase through new construction, which was around .5%. The 97.8% collection rate used for 2017-18 appears to have been realistic based on the year-end actual property tax revenues. 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 also closed the year right in line with budget expectations as shown above.

Operating Expenditures (Adjusted Operating Budget = \$60,571,980)

	Budget	Actual YTD	% YTD	Prior YTD %
Salaries/Benefits	\$45,382,608	\$44,996,444	99.15%	100.05%
All Other	\$14,779,372	\$13,797,953	93.36%	92.04%

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 May/June. That cycle was evident again in 2017-18 as Salary/Benefits started the year relatively slowly but ended at 99.15% of budget. In contrast, non-salary/benefit expenses generally run below budget throughout the entire year and also usually close the year with significant unspent balances because of the delayed timing/nature of facilities/capital projects and of building budget expenditures. Here again, this typical expenditure cycle was evident in 2017-18 as such non-salary/benefit expenses ended the year at only 93.36% of budget. Of the unspent 6.64% “All Other” balance, about \$626,000 (4.2%) represents unspent facilities/capital/building budget expenditures which will be carried over to the 2018-19 fiscal year. A budget adjustment for this carryover is typically presented to the Board for approval in the following November/December each year.

Recognizing the foregoing normal revenue and expenditure patterns, there are only a few notable variances in actual 2017-18 year-end financial results as compared to budget expectations. These notable variances occurred in the following areas:

- 1) Line 003—Financial Institutions Tax (FIT). This revenue represents a special state-wide surtax on the income of banks, credit unions, cash advance/payday loan companies and other financial institutions. It is distributed to school districts based on net balances on deposit at financial institutions located in each individual school district. Amount of FIT received by Webster has been unusually high for the past two years when compared to historical levels and is difficult to predict with any confidence due to lack of actual data other than past annual receipts. Budget for next year was increased to \$150,000.
- 2) Line 007—Earnings on Investments. Most of the districts available fund balances are invested in time deposits (all maturing within the fiscal year) which do not pay interest until maturity. As these investments mature prior to fiscal year end, the related interest is realized on the cash basis in the financial statements. Actual interest earnings significantly exceeded this year’s budget due to rising short-term interest rates.
- 3) Lines 010, 023, 025 and 075—Various Food Service revenues and expenses. While there were variances in food service revenue and expense line items, the district’s overall meal program continues to be self-supporting. Local state and federal food service revenues during 2017-18 totaled \$1,147,997 while food service

expenditures were \$1,066,879. By DESE regulation, the annual meal program income/<loss> each year must be placed in a dedicated food service fund and be carried forward.

- 4) Line 049—Medical. This line item normally pays for nursing supplies but this year has also been charged for sub nurses and for a nurse placement fee when the district hired one of the sub nurses.
- 5) Line 052—Curriculum/Staff Development. Similar to Facilities, the Curriculum/Staff Development program has funds spread over several different line numbers. When all such Curriculum/Staff Development budgets are combined, total related expenditures were within the overall budget allocation for this area.
- 6) 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.
- 7) 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.
- 8) 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.
- 9) Lines 067, 085, 086, 088 and 097—Custodial Supplies, Maintenance, Building Upkeep, Care of Vehicles and Maintenance Equipment. Year-end expenditures in these accounts were 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 in all of these line

items (after any applicable reimbursements) will be offset at year-end by unspent funds from Line 096—Building Improvements budget.

- 10) Line 074—Computer Equipment/Repair. The bulk of this budget covers annual software subscription/maintenance/service agreements on major district programs such as the Student Information System (SIS), the financial/accounting software, iObservation (teacher evaluation software) and MOREnet (training, support and the district's internet service provider through Univ of Mo/MSBA). This line item was under-budgeted for 2017-18 because previous year expenditures were understated due to the timing of past year payments under the cash basis of accounting (in some years payments were doubled up and in other years no payments were made). This information will be incorporated into future budget planning.
- 11) Line 087—Care of Grounds. Over \$90,000 of the 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 094—Federal Program Salaries. This line item is part of overall teachers salaries and should therefore be considered along with and netted against Lines 89 and 90. On a combined basis, these lines are very close to budget.
- 13) Line 096—Building Improvement. Many of the facilities projects cannot start until after the last day of classes. As a result, they are not completed and paid for until later in the summer. Therefore, much of this line item budget is carried over to the following fiscal year to provide for payment when the related summer projects are ultimately completed.

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