

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

**FROM: BRUCE ELLERMAN**

**DATE: OCTOBER 4, 2018**

**RE: MONTHLY FINANCIAL REPORT – SEPTEMBER 2018**

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Being only three months into fiscal year 2018-19, it is still too early to establish any meaningful financial trends based on actual revenues or expenditures to date in most accounts. However, there have been no events or information subsequent to the budget adoption in June that would have a significant negative impact district projections. In fact, if anything, the outlook for 2018-19 would appear to be trending in an overall favorable direction as:

- salary savings from staff attrition looks better than expected;
- actual teacher staffing is 2 FTE (full time equivalent) positions less than budgeted;
- actual student “Average Daily Attendance” for last year was slightly above budget (will have positive impact on state aid);
- electric utility rates were reduced 6% by Ameren effective August 1<sup>st</sup>; and
- investment interest rates are trending higher than budget.

While these positive factors may be partially offset by the impact of enrollment being slightly lower than expected (will have negative impact on state aid), the addition of one afternoon bus route at Steger/Givens/Hixson and increasing computer repair/software subscription costs, early indications are the overall net outlook is favorable for 2018-19. Any formal budget adjustments to reflect this information and other developments will be presented to the Board for consideration in December.

Operating Revenues (Original Budget = \$61,517,300)

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	\$40,255,000	\$246,806	0.26%	0.48%
State Formula	\$8,500,000	\$1,981,772	23.31%	23.89%
Prop C	\$4,078,000	\$1,008,107	24.72%	24.71%

Local property taxes are a function of assessed valuation, property tax rate and collection rate. Since 2018 is not a reassessment year, the only increase in the tax base this year will be from new construction and from the dissolution of the Shoppes at Old Webster tax increment finance (TIF) district. And while these 2 factors combined to contribute about \$7.7 million (almost 1%) to the district’s overall assessed valuation, much of this increase is offset by unfavorable State Tax Commission decisions (\$1.8 million), by reduced personal property values (\$1.4 million) and by miscellaneous other new exemptions and adjustments (\$1.8 million). Therefore, the overall net increase in assessed values based on current information from the assessor’s office is only about \$2.7 million (+.34%). Fortunately, the district is able to revise the property tax rates to compensate for some of these assessed valuation reductions, so there will be no net impact on the overall 2018-19 revenue budget. Meanwhile a 97.7% budgeted collection rate continues to appear reasonable based the past few years actual collections (past 4 years average collection rate was 97.64%). From a timing perspective, the bulk of local property tax collections occur in the months of December and January each year as taxpayers make their annual remittances. In contrast, 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. Adjustments to these state revenue lines may be needed this year to reflect actual ADA being slightly higher than expected last year and actual enrollment being slightly lower than expected this year.

Expenditures (Original Operating Budget = \$61,414,800)

	Budget	Actual YTD	YTD %	Prior YTD %
Salaries/Benefits	\$46,839,800	\$6,860,968	14.65%	15.54%
All Other	\$14,575,000	\$3,523,740	24.18%	24.25%

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 the first teacher payroll isn’t until the end of August, YTD actual expense amounts are therefore not yet meaningful. Nonetheless, it does appear the overall expenditure budget is reasonable at this time compared to the proportion of the school year that has passed—3 months/12 months = 25.00%. In fact, some degree of overall net downward adjustment may be needed—specifically to reflect actual levels of salary savings from staff attrition, actual staffing FTE and to reflect the recent electricity rate decrease. Furthermore, additional expenditure adjustments may be forthcoming as a more thorough and detailed examination of actual prior year (2017-18) district expense levels is completed, as well as to reflect the carryover of about \$630K of unspent building and capital projects budgets from last year.

Recognizing the foregoing timing issues and pending adjustments, 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 026—Title I. The timing of this revenue budget is dependent on when pay applications are submitted by the district for federal reimbursement of Title I related expenses. The amount indicated in this revenue line therefore represents reimbursement of Title I expenses which were made in the later part of last year.
- 2) Line 087—Care of Grounds. Most 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.
- 3) Line 085—Maintenance, Line 086—Building Upkeep, Line 087—Care of Grounds, Line 096—Building Improvement, Line 097—Maintenance Equipment and Line 098—Furniture. Expenditures in these budget line items tend to be front-loaded as most related facilities work and furniture/equipment acquisition occurs in the summer when school is not in session. They are all expected to remain within budget as the year progresses or to receive budget/fund transfers from other line item accounts as needed without requiring any increase in the overall budget.
- 4) Line 102—Interest and Fees. The district’s outstanding bonds are structured so that interest payments are made in September and March each year while principal payments are only made in March. At this point in the year, only the September interest payments have been made, which represent half of the year’s budgeted interest cost.

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