

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

**FROM: BRUCE ELLERMAN**

**DATE: MAY 10, 2019**

**RE: MONTHLY FINANCIAL REPORT – APRIL 2019**

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With only two months remaining in fiscal year 2018-19, district revenue and expenditure levels continue to trend right in line with budget projections in almost all accounts. The few noteworthy budget to actual variations in revenues and expenditures to date that have emerged are not significant compared to the overall district budget but are nonetheless footnoted and explained herein. To date there have been no events or information subsequent to last December's budget adjustments that would have a significant negative impact on district projections going forward. In fact, if anything, the outlook for 2018-19 is slightly trending in an overall favorable direction.

In fact, this positive momentum is expected to continue into the 2019-20 fiscal year as the district finalizes the budget for the coming year (and extends projections for two additional years). Continued strength in residential housing market values and a reasonable inflation rate is providing a 1.9% CPI boost through the 2019 property reassessment process. This is only about .1% less than what the district had been assuming to date. Meanwhile state funding is increasingly looking like it may rise as both the Governor and the Legislature (House and Senate) have recommended continued full funding of the Foundation Formula and are expecting continuing growth in Prop C sales tax receipts. Of course, this is always a moving target as the state budget picture and economic results continue to evolve in the remaining few weeks before the Legislative session adjourns. On the expenditure side, competitive market teacher salary adjustments appear to remain affordable as other St. Louis County school district salary schedules have increased a little less than projected. This should help keep pressure manageable on Webster's teacher salary schedule going forward into next year. Other salary areas (support staff and administrative) also appear to be within a manageable CPI range.

Operating Revenues (Adjusted Budget = \$61,772,900)

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	\$37,723,196	93.71%	90.62%
State Formula	\$8,500,000	\$7,128,410	83.86%	85.70%
Prop C	\$4,078,000	\$3,386,709	83.05%	82.70%

Local property taxes are a function of assessed valuation, property tax rate and collection rate. 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. Therefore, YTD Property Tax collections typically remain relatively low through November of each year, spike in December and January, and then slowly make the rest of the climb from February through June. Through March of 2019, property tax revenues are running slightly ahead of historical YTD figures from past years. This favorable variance could just be a reflection of cash flow timing but bodes well since last year, actual property tax collections ended the year at 100.3% of budget. Furthermore, the district has been notified by the county that it is holding about \$2.6 million in protested tax payments that will be released to the district in June. This by itself will get us to about 99.7% of the property tax revenue budget. Based on historical patterns, the district can expect to receive the other .3% (or more) as part of late (but typical) May and June property tax collections. Protested taxes are a normal occurrence each year and actually, the protested balance is lower than in past years. In contrast to property taxes, State Formula and Prop C revenues are received by the district more or less evenly each month throughout the fiscal year and is a function of Average Daily Attendance (ADA) and state funding levels. Both State Formula and Prop C revenues are running reasonably close to budget targets in comparison to the proportion of the year that has passed (10 months/12 months = 83.33%). While both of these revenue sources were trailing budget estimates for the first several months of the year, they are both now very close to budget based on this 83.33% YTD benchmark.

#### Expenditures (Adjusted Operating Budget = \$61,738,593)

	Budget	Actual YTD	YTD %	Prior YTD %
Salaries/Benefits	\$46,478,000	\$33,688,799	72.48%	73.52%
All Other	\$15,260,593	\$10,866,274	71.20%	78.27%

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 tends to lag all year until final summer payrolls are run and distributed in May each year. In light of this timing factor and compared to the prior year-to-date % spent, it does appear the overall expenditure budget is very reasonable at this time compared to the 83.33% of the school year that has passed.

Further 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) Lines 003—Financial Institution Tax. This is an income tax on banks, S&L's and other financial organizations throughout the state. It is collected by the state and distributed in a single payment around March/April each year by the state based on deposit balances and locations of the financial institution (branch offices for multi-site organizations). In fact, the district received a little over \$200,000 after the March 31<sup>st</sup> financial cut-off date.
- 2) Line 009 and 069—Student Activities. This is a self-supporting program separate from the district operating funds. It is supported solely by student payments and fundraising. These line items therefore offset one another. Expenditures in any given year may not exceed the combined revenue plus prior year balance carryovers.
- 3) Line 010 and 075 Food Service. Local collections through the district breakfast and lunch program are up as participation rates have improved due to menu changes and a major renovation of the high school serving line. The food service program is a self-supporting program and it is interesting to note that while receipts are up, year-to-date expenses in Line 075 are still under budget. We therefore expect this program to close the year with a surplus.
- 4) Line 013—Fines and Forfeitures. This revenue is distributed once annually around October. No further significant activity in this revenue account is expected for the remainder of the year.
- 5) Line 014—State Assessed Railroad and Utilities. This is a property tax based revenue on railroad, electric and phone lines throughout the state. It is collected by the county based on a county-wide average tax rate and then apportioned out to school districts around February/March of each year in essentially a single payment. No further significant activity in this account is expected.
- 6) Line 023—Food Service. State food payments are made once yearly in April.
- 7) Line 024—Other State. About 85% of this revenue source is for residential “public placement” funds paid by the state to partially reimburse districts for the educational expenditures on students placed by the court, DFS or other state agencies. The bulk of this public placement payment is normally received in February each year with a relatively small final balance sometimes paid in June.
- 8) Line 025—Food Service. Federal food service revenues represent payments through the USDA for student meals. These payments are based on actual meal counts and do not begin until school starts in August and even then lag by up to 2 month as meals served are reported during the following month & reimbursed in the month after that. Therefore, the % collected generally runs behind.

- 9) Line 026—Title I. Under the cash basis of accounting used by the district, the timing of receipts is dependent on when pay applications are submitted for federal reimbursement of Title I related expenses. The amount indicated in this revenue line therefore represents the timing of reimbursement for Title I expenses which were made in the later part of last year (and therefore budgeted in last year) but were submitted for reimbursement in the current fiscal year.
- 10) Line 028—Other Federal. This bulk of this revenue source represents federal reimbursement of interest paid by the district on Build America Bonds. These reimbursement payments are only made twice a year around September & April.
- 11) Lines 043 and 093—Health Insurance. While health insurance payments are made monthly, they are held in a “suspense” account until the related bi-monthly payrolls are actually run. As a result, these line items generally follow the same expenditure pattern as salaries, running under budget during the year until summer checks are cut in May/June.
- 12) Line 050—Elections. This represents the cost charged to the district by the county election authority for any school district ballot issues (Board elections, tax levies, bond issues) such as the April 2, 2019 Prop E bond issue. No further expenditures in this account are expected during the remainder of the year.
- 13) Line 059—Insurance. The full annual premium for property, liability & workers’ comp insurance is paid to Missouri United School Insurance Council (MUSIC), a self-insured pool of public school districts in the state, in December each year. No further expenditures will be made from this account for the rest of 2018-19.
- 14) Line 062—Safety and Security. This account includes SRO’s, security alarm fees/maintenance, overflow high school parking lease and elevator/chairlift maintenance. It has historically run over budget due to SRO costs & the aging alarms/elevators in the district. Budgets for future years are being increased.
- 15) Lines 070 and 071—Development Fund and Textbooks. The expenditures in these two accounts are front-loaded during the year as most professional development and most textbook purchases occur over the summer prior to the start of school. The % expended will therefore begin the year relatively high but should stay within the budget over the course of the year.
- 16) Line 67—Custodial Supplies, Line 085—Maintenance, Line 086—Building Upkeep, 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 (primarily from Line 96—Building Improvement) as needed without requiring any increase in the overall budget. In addition, the Furniture line in particular is also affected by insurance claims for water damages that the district has experienced. Replacement furniture is purchased out of this budget line item and then reimbursed when the insurance payment is received. The furniture account therefore can appear to exceed budget until such offsetting insurance reimbursement is received.
- 17) 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.
- 18) Line 096—Building Improvement. Many 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. In addition, unspent funds in this line item are used to supplement/offset other facilities budgets that otherwise exceed budget during the year.
- 19) 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, all interest and principal payments have been disbursed, with the only remaining expenses being minor paying agent and/or bank fees for the rest of the year.

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