

MANAGEMENT DISCUSSION AND ANALYSIS

Special Education Service Agency

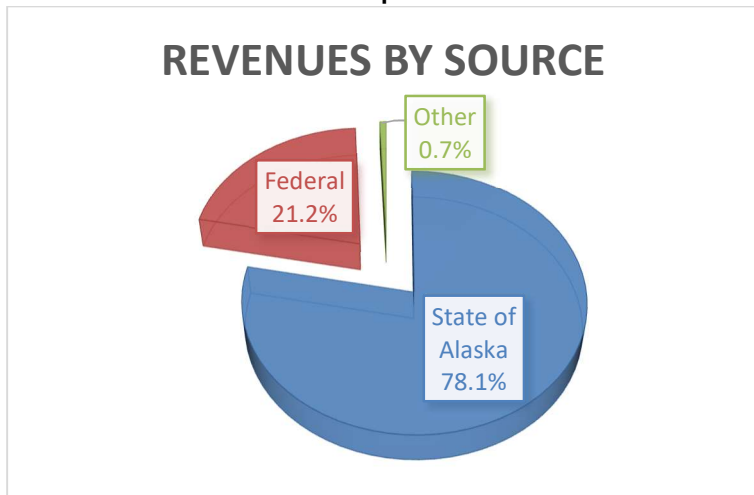
Management's Discussion and Analysis

The Management's Discussion and Analysis of the Special Education Service Agency (SESA) provides an overview of SESA's financial activities for the year ended June 30, 2022. The objective of this discussion and analysis is to provide the readers of the financial statements with information on key highlights of SESA's financial activities, and provide detailed information on specific financial projects. Professional standards require the inclusion of certain comparative information in the Management's Discussion and Analysis (MD&A).

Financial Highlights

- The overall condition of SESA for the year ended June 30, 2022, leaves SESA with a \$3,072,057 fund balance, which is \$486,048 more than the beginning fund balance. This increase in fund balance occurred due to receiving one-time discretionary federal pass thru funding grant of \$360,000 which helped to reduce the General Fund's originally budgeted expenses.
- The financial statements continue to contain information related to net pension and OPEB liabilities and pension/OPEB expense, per GASB. The Statement of Net Position is affected by GASB because it is required to contain pension and OPEB related deferred outflows, deferred inflows, net pension and OPEB liabilities.
- The assets of SESA exceeded its liabilities at June 30, 2022 by \$3,072,057. Of this amount, \$2,296,515 is unassigned, with \$713,349 set aside through Board action as operating reserve, \$44,011 as nonspendable (prepaid items), \$16,854 assigned to the Alaska Autism Walk, and \$1,328 to AARC. SESA receives the majority of its grant funding via quarterly reimbursements and therefore must maintain adequate cash flow to pay for those expenses. SESA's cash flow must span the timeframe between when expenses are made and when payments are received by grantors. During FY22, on average SESA expended \$666,000 before receiving payments from grantors. At year-end SESA outlays over \$970,000 prior to receiving payments from grantors.
- Revenue streams that are available to SESA come from local, state, and federal sources. Of the \$4,391,921 in revenues for the year ended June 30, 2022, 78.1% is from the State of Alaska, 21.2% comes from federal funding, in the form of grants, and 0.7% is from other income. Last year, state revenues were 80.9%, federal revenues were 18.5%, and other income was 0.6% of SESA's total revenues. Graph 1, below, illustrates the sources of revenues for the year ended June 30, 2022.

Graph 1

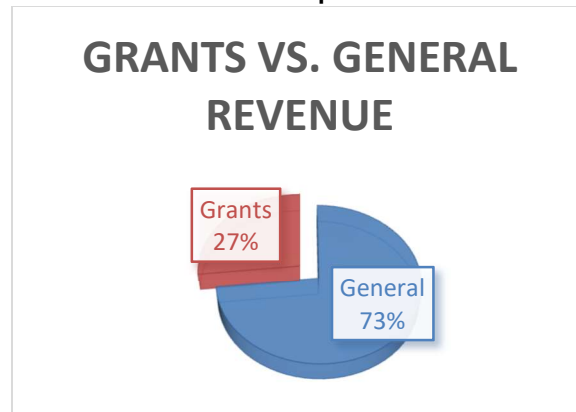


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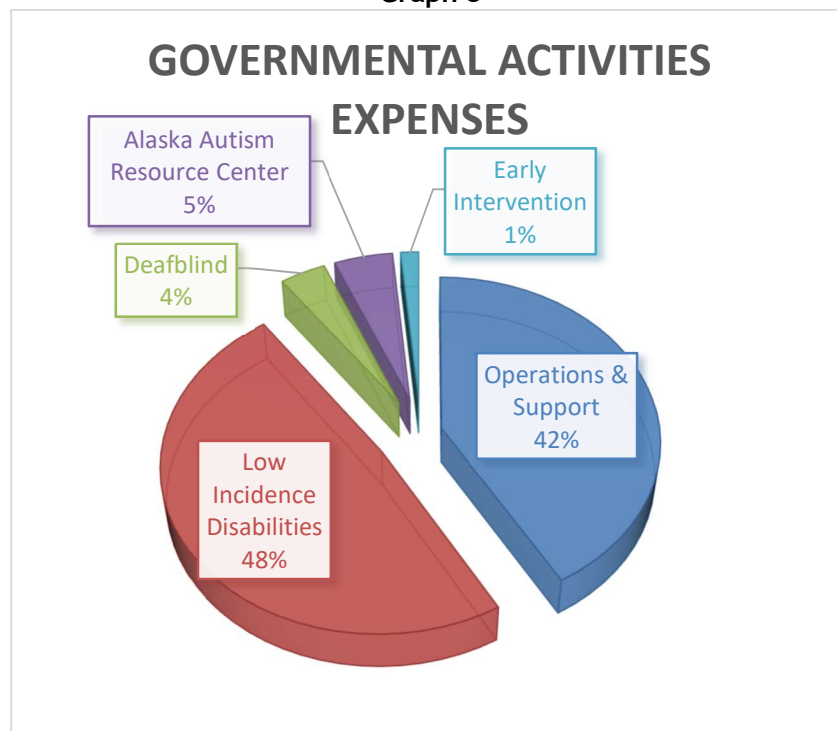
- Per Alaska Statute, SESA receives revenue from the State of Alaska for Low Incidence Disabilities which is recorded in SESA's general fund. This year SESA received \$3,219,994 in general fund revenues, which includes \$253,590 for PERS and TRS On-Behalf. SESA received revenue from state, federal and other grants, totaling \$1,171,927. Graph 2 illustrates this below.

Graph 2



- Expenses related to governmental activities for the year were \$3,021,869; of that amount \$873,095 was offset by other operating grants and contributions.
- Governmental funds expensed as operations & support totaled \$1,624,674. Funds expensed as technical assistance totaled \$2,281,198. Graph 3, below, illustrates the use of funds for operations and support and the various technical assistance purposes (low incidence disabilities, deafblind, early intervention, and Alaska Autism Resource Center).

Graph 3



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Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so that the reader can understand the Special Education Service Agency as a financial whole. We encourage readers to review the notes to the financial statements to enhance their understanding of SESA's financial activities.

Reporting on the Agency as a Whole

Statement of Net Position and the Statement of Activities

The statement of net position and the statement of activities provide information about the activities of the agency. These statements are considered the basic government-wide financial statements and provide a big-picture view of the financial activities of the agency for the year. These statements include all assets and liabilities of the agency using the accrual basis of accounting, similar to the accounting methods used by private sector companies. All the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report SESA's net position and changes in net position. This change in net position is important because over time it may serve as a key indicator in whether the financial position of the agency has improved or diminished.

In the statement of net position and the statement of activities, SESA reports only governmental activities that include operations and support, and technical assistance for low incidence disabilities, deaf and blind, Alaska Autism Resource Center, and early intervention.

Reporting on SESA's Most Significant Funds - Fund Financial Statements

Fund Financial Statements

The fund statements provide detailed information about the funds used by the Special Education Service Agency. SESA's fund statements report activities of the most significant, or "major" funds, separately. Other less significant funds are combined in a single category called "Nonmajor Governmental Funds." The significance of funds is determined based on the proportional size of the funds, the relative importance of the activities of the funds to SESA's operations, and the existence of legal budget requirements. SESA reports activities in governmental funds, which focus on how money flows in and out of the funds and the balances left at year-end available for spending. These funds are reported using modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of SESA's general governmental operations and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance SESA's programs.

Government-Wide Financial Analysis

Net position serves as a key indicator of SESA's financial position. At June 30, 2022, SESA's net position totaled \$2,225,997. Of this amount \$2,220,609 or about 99.7%, is unrestricted, and therefore available for appropriations. Table 1 listed below summarizes the Statement of Net Position for the years ended June 30, 2022 and June 30, 2021.

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Table 1
Net Position
Governmental Activities

| <i>June 30,</i> | 2022 | 2021 |
|--|---------------------|------------------|
| Assets | | |
| Current assets | \$ 3,158,599 | 2,666,554 |
| Capital assets, net of accumulated depreciation | 5,388 | 7,611 |
| Net pension and OPEB assets | 1,245,764 | 272,242 |
| Total Assets | 4,409,751 | 2,946,407 |
| Deferred Outflows - pension related & other postemployment benefits related (OPEB) deferrals | 220,510 | 310,917 |
| Total Assets and Deferred Outflows | \$ 4,630,261 | 3,257,324 |
| Liabilities | | |
| Accounts payable | \$ 9,140 | 2,975 |
| Accrued payroll | - | 168 |
| Unearned revenue | 77,402 | 77,402 |
| Noncurrent liabilities - due in more than one year - net pension liability & OPEB | 929,240 | 1,643,387 |
| Total Liabilities | 1,015,782 | 1,723,932 |
| Deferred Inflows - pension related & OPEB | 1,388,482 | 125,524 |
| Net Position | | |
| Net investment in capital assets | 5,388 | 7,611 |
| Unrestricted | 2,220,609 | 1,400,257 |
| Total Net Position | 2,225,997 | 1,407,686 |
| Total Liabilities, Deferred Inflows and Net Position | \$ 4,630,261 | 3,257,324 |

The \$4,630,261 in total liabilities, deferred inflows and net position of governmental activities represents the accumulated results of all past years' operations. The results of this year's operations for SESA are reported in the Statement of Activities.

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Table 2 listed below summarizes the changes in net position for the years ended June 30, 2022 and June 30, 2021.

Table 2

Changes in Net Position

| <i>June 30,</i> | 2022 | 2021 |
|---|---------------------|---------------------|
| Revenues | | |
| Program revenues - operating grants and contributions | \$ 873,095 | \$ 849,387 |
| General revenues: | | |
| State grants and entitlements | 2,937,864 | 2,406,061 |
| Other revenues | 29,039 | 21,433 |
| Total Revenues | \$ 3,839,998 | \$ 3,276,881 |
| Functions/Program Expenses | | |
| Technical Assistance: | | |
| LID Program | \$ 1,284,132 | \$ 1,321,056 |
| Special Programs | 387,527 | 393,387 |
| Support Services - operations and support | 1,350,210 | 1,241,589 |
| Total Expenses | \$ 3,021,869 | \$ 2,956,032 |
| Increase(Decrease) In Net Assets | \$ 818,129 | \$ 320,849 |

The Statement of Activities on page 12 (Exhibit B-1), reports the cost of all governmental activities this year was \$3,021,869 and the net cost of these activities was (\$2,148,774), with the difference coming from program revenues, primarily operating grant contributions. General revenues of \$2,937,864 funded the Low Incidence Disabilities Program and a portion of operations and support activities, while the net position was increased by \$818,129.

In Table 3 below, we have presented the cost of each of SESA's largest functions - Operations & Support, Technical Assistance from Low Incidence Disabilities, Deaf and Blind, Alaska Autism Resource Center, and Early Intervention. We have also listed the net cost of these services, (total cost less revenues generated by these activities). The net cost shows the financial burden that was placed on the agency by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

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Table 3

| <i>Year Ended June 30, 2022</i> | Governmental Total Cost of Services | Activities Net Cost of Services |
|---------------------------------|--|--|
| Operations and Support | \$ 1,350,210 | (\$ 1,027,388) |
| Technical Assistance: | | |
| Low Incidence Disabilities | 1,284,132 | (874,494) |
| Deaf and Blind | 145,169 | - |
| Alaska Autism Resource Center | 185,591 | (246,882) |
| Early Intervention | 56,767 | (10) |
| Totals | \$ 3,021,869 | (\$ 2,148,774) |

General Fund Budgeting Highlights

The Special Education Service Agency's budget is prepared according to state law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During fiscal year 2022, the agency amended its General Fund budget as needed. A schedule of these changes and actual expenditure amounts can be found starting on page 44 (Exhibit E-1) in the Statement of Revenues, Expenditures and Changes in Fund Balance - Original and Final - Budget and Actual.

In the General Fund, final budgeted revenues and other financing sources were \$3,265,586 and \$3,219,994 was received. Expenditures and other financial uses were budgeted at \$3,265,586 and \$2,727,117 was expended.

Capital Asset and Debt Administration

At the end of fiscal year 2022, SESA had \$5,388 invested in capital assets as compared to \$7,611 in 2021, and \$4,193 in 2020. To obtain additional detail regarding the types of Capital Assets that the agency holds, we encourage readers to review (V.) Capital Assets, in the Notes to Basic Financial Statements.

The Agency has no outstanding debt related to capital assets.

Economic Factors and Next Year's Budgets

SESA's general fund revenues are primarily derived from the State of Alaska payments, which are issued according to Alaska Statute 14.30.650 which states that SESA will receive not less than \$23.13 times the number of students in average daily membership (ADM) for the preceding fiscal year.

SESA is moving to a new location in fiscal year 2023. Fund balance will be used to support the relocation.

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Contacting SESA's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of SESA's finances and to reflect SESA's accountability for the monies that it received. If you have questions about this report or wish to request additional financial information, contact Olivia Yancey, Executive Director of Special Education Service Agency at 907-334-1300 or AKEBS, Business Consultants at 907-230-2169.