

ACADEMY 20 BOARD OF EDUCATION
January 22, 2015

Subject: Monthly Financial Report through December 2014.

Recommended Action: Discussion.

Background: Colorado Revised Statute (CRS) 22-45-102(b) identifies that the board of education will review the financial condition of the district at least quarterly during the fiscal year. The district's Finance Department provides the Board of Education monthly reports with budget to actual data and prior year comparative data. In addition to the monthly data, the quarterly reports provide fund balance projections as required by statute.

Reference to Governing Policy:

Policy 2.4.10 Financial Condition & Activities

Policy 2.6.7 Financial Planning & Budgeting

Submitted by: Submitted by Tom Gregory, Chief Financial Officer and Dr. Mark Hatchell, Superintendent

Date: January 14, 2015

Academy School District Twenty

Dr. Mark Hatchell, *Superintendent of Schools*

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MEMORANDUM

TO: Dr. Mark Hatchell, Superintendent
Board of Education

FROM: Tom Gregory, District Fiscal Officer

DATE: January 14, 2015

SUBJECT: December Financial Report

REVENUES

Graph #1 and Table #1 show that through December we have collected about 29.0% of budgeted revenue with the majority from state equalization. The district's major revenue sources include state equalization, property tax and vehicle ownership tax. At this time last year, the revenue collection percentage was about 28.4%. Graph #2, illustrates the monthly comparisons between last fiscal year and the current fiscal year. An important note about this graph is that it shows a straight-line trend in revenue collections through February and then large jumps in March through June for FY2014. It is in these months that the majority of property taxes are paid to the district. Collections for FY2015 should follow a similar trend each month during the year.

EXPENDITURES

General Fund year-to-date expenditures compared to budget are shown in graphs #3, 4 & 5 as well as in Table #1. Graph #3 shows that with 6 months of the year complete (50.0%), spending, which includes total appropriation, is at 44.3%. There are several items that contribute to the spending percentage at this time of the year.

- 1) the full transfer amounts were made to the Capital Reserve Capital Projects (CRCP), Transportation and Technology Funds in the month of July
- 2) teacher salaries for July and August are paid from their 2013-2014 salary schedule and will require an accrual for July and August 2015 so their salaries are lower as a percentage of budget spent than the other job classifications
- 3) new teachers added to the payroll for this school year received their first paycheck in August with their pay divided over 13 months instead of 12 months
- 4) Many of the purchased services contracts are front-loaded with the entire 2014-2015 services billed and paid early in the year.

"The mission of Academy School District 20 is to educate every student in a safe and nurturing environment and to provide comprehensive, challenging curricular and extracurricular opportunities that meet the unique needs of every individual by expanding interests, enhancing abilities, and equipping every student with the knowledge, skills, and character essential to being a responsible citizen of our community, our nation, and the world."

Costs included in the Major Program Categories reported in Graph #4 are defined below.

Instruction, Student & Staff Support and Site Management includes:

- all instructional, co-curricular and extracurricular programs
- all pupil support programs (counseling, social work, nursing, etc.)
- all staff support programs (library /media, staff development, and instructional program supervision
- the office of the principal and school office staff

Charter Schools include the direct flow through payments required by charter contracts

School Support include custodians, crossing guards, maintenance and utilities

District Admin includes:

- the office of the superintendent and board of education
- business services (finance and budget, payroll, accounting, purchasing and warehouse)
- public information services
- human resources
- technological services

Reserves include:

- TABOR 3% emergency reserve
- Encumbrance and carryover reserves
- Unassigned reserves

Year-to-date expenditures, excluding reserves, of (52.1%) are greater than last year (50.6%). The budgets for salaries/benefits and for non-salary expenditures have been increased, but not to the level of the expected growth in actuals, which increases the percentage spent. Graph #5 compares the year-to-date expenditure between last fiscal year and the current fiscal year. As shown in the graph, our expenditure trend for FY2014 was virtually a straight line. The trend for FY2015 should follow a very similar pattern.

Table #1 of the report compares General Fund original budget, adjusted budget, year-to-date actual and variance information for FY2014-2015 revenues and expenditures to FY2013-2014. Budget information presented for FY2013-2014 includes all adjustments for the Midyear modification as well as contingency reserve transfers made during the year.

CASH and INVESTMENTS

Graph #6 compares last fiscal year's total resources and expenditures from operations by month. As shown in this graph, expenditures exceeded resources by January 2014. The main reasons were due to the full transfers made to the CRCP, Transportation and Technology Funds in July 2013 and property taxes not collected until the spring 2014. It is important to note that in March 2014, total resources for the year exceed total expenditures. This is a common trend based on our property tax collection cycle.

Graph #7 is similar to Graph #6 but it compares the current year resources and expenditures from operations by month. In FY2009-2010 expenditures exceeded resources by the end of September 2009, this stretched to November 2010 in FY2010-2011, remained at November in FY2011-2012 and moved again to January 2013 in FY2012-2013 because of the District's healthier cash position over the years, as evidenced in Graph #8 titled "Cash & Investments Available to Meet Operating Needs". As expected, the Special Education revenue which is generally posted in September arrived in October. Our cash flow rebounded and is expected to follow a similar pattern as last year.

On Table #1 the line titled "Total Resources Over (Under) Total Expenditures" shows our cash flow position from operations with a comparison between fiscal years. This amount represents

the total of revenues received net of expenditures paid and does not represent the total cash balances on hand to pay for operations.

Given legislative requirements for the state cash flow loan program, the district is not eligible to participate this year. Cash flows for the last ten fiscal years were such that we did not borrow funds from any external source. On June 19, 2014 the Board passed interfund borrowing resolution 150-14 for fiscal year 2014-2015. The resolution permits the district to use unencumbered cash balances in other funds, excluding debt service funds, on a short term basis to fund district operations. We will very closely monitor the cash balance requirements and availability of other funds during the year in order to manage the cash flow needs of the district.

Investment information for the General Fund and the Bond Redemption Fund is illustrated in the following table. There are two important items to note related to this table.

1st, the Colotrust balance for the General Fund Account provides operating cash flow until consumed, at which time other bank balances would be accessed pursuant to the interfund borrowing resolution. The district's TABOR 3% emergency reserve is in a separate account to comply with C.R.S. 22-44-105 and will be set as required by the June 30, 2014 audited fund balance.

2nd, C.R.S. 22-44-103 requires the district to use a 3rd party bank trust department, with offices in Colorado, to oversee the property taxes collected for the district's Bond Redemption Fund, which is used to accumulate funds for debt payments in June and December. This statute permits the district to direct investments within the trust account. Wells Fargo Bank has been designated as the trustee, and has been directed to place available funds with Colotrust for investment. Wells Fargo Bank transferred \$15,855,185, the required amounts for December principal and interest payments, to our bond paying agents leaving the balance of \$9,105,914 after the payments.

| Investments | Dec-14 | Nov-14 | Oct-14 | Sep-14 | Aug-14 |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| General Fund Account | | | | | |
| Colotrust | 33,178,304 | 36,944,997 | 40,010,661 | 46,988,043 | 52,128,433 |
| Total General Fund | 33,178,304 | 36,944,997 | 40,010,661 | 46,988,043 | 52,128,433 |
| TABOR Account | | | | | |
| Colotrust | 4,593,000 | 4,593,000 | 4,593,000 | 4,593,000 | 4,593,000 |
| Total TABOR | 4,593,000 | 4,593,000 | 4,593,000 | 4,593,000 | 4,593,000 |
| Bond Redemption Account | | | | | |
| Wells Fargo - Colotrust | 9,105,914 | 24,708,200 | 24,610,816 | 24,630,761 | 24,576,179 |
| Total Bond Redemption | 9,105,914 | 24,708,200 | 24,610,816 | 24,630,761 | 24,576,179 |
| Total Investments | \$46,877,218 | \$66,246,197 | \$69,214,477 | \$76,211,804 | \$81,297,612 |

Colotrust COP's (proceeds and interest) that were reported with the Building Fund Accounts during construction are now included with the Colotrust General Fund Account pooled investments. Interest earned on the COP's is available for appropriation in the Capital Reserve Capital Projects Fund.

Tax collections from the county treasurer are deposited directly with Wells Fargo Bank for the Bond Redemption Fund and to Colotrust for the General Fund. Collections from state aid are deposited directly into the Chase district checking account. Periodically, as operating funds are needed, electronic transfers are initiated to move funds from Colotrust into the Chase account.

PROJECTED FUND BALANCE

This is the second quarterly projection for the June 30, 2015 fund balance. There are 5 components used in this fund balance projection:

- 1) the audited fund balance from the prior year,
- 2) an assumed revenue collections percentage,
- 3) assumed expenditure percentages,
- 4) estimate for longevity payouts in January,
- 5) the projected increase in the TABOR reserve

The audit for FY2013-2014 has been completed and was delivered to the Board in November 2014. The audited unassigned fund balance is \$23,756,488, a decrease of \$118,323 from June 30, 2013, and is used in this projection of the FY2014-2015 ending fund balance.

Projections for actual revenue and expenditures are based on assumptions until all activity in the fiscal year is completed and audited. The assumptions for revenues and expenditures are derived from the actual activity from the prior year. At this time the assumed revenues for FY2014-2015 are expected to be 100.0% of adopted budget and non-salary/benefit expenditures are projected at 95%.

Using these assumptions, the June 30, 2015 fund balance projection shows a decrease of approximately \$1.2m in unassigned fund balance. As the year goes on, actual activity will be used to modify and refine the projection. The actual activity for the next quarter may be used to modify the fund balance projection used in the 2015-2016 adopted budget.

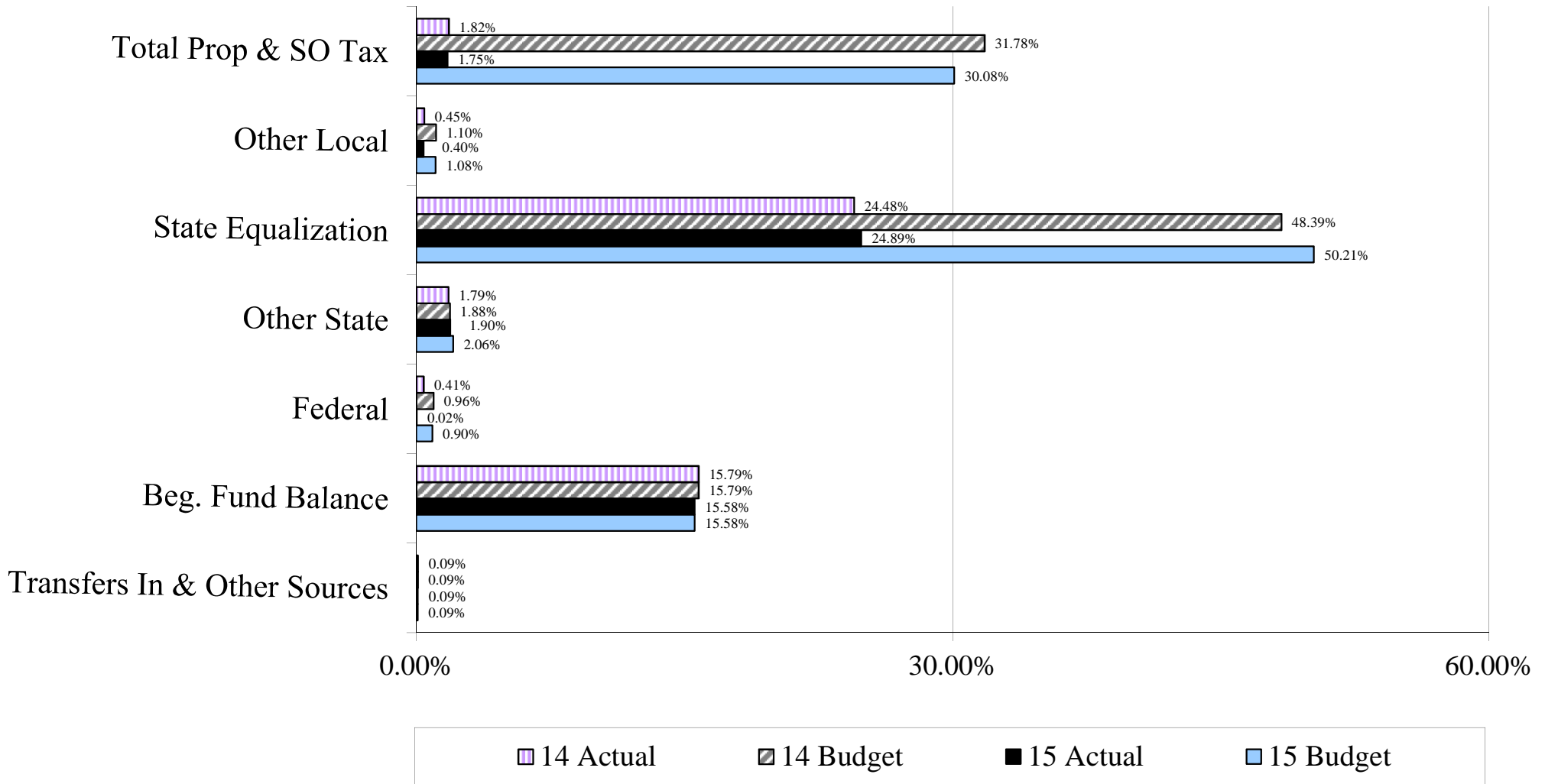
December 2014

General Fund

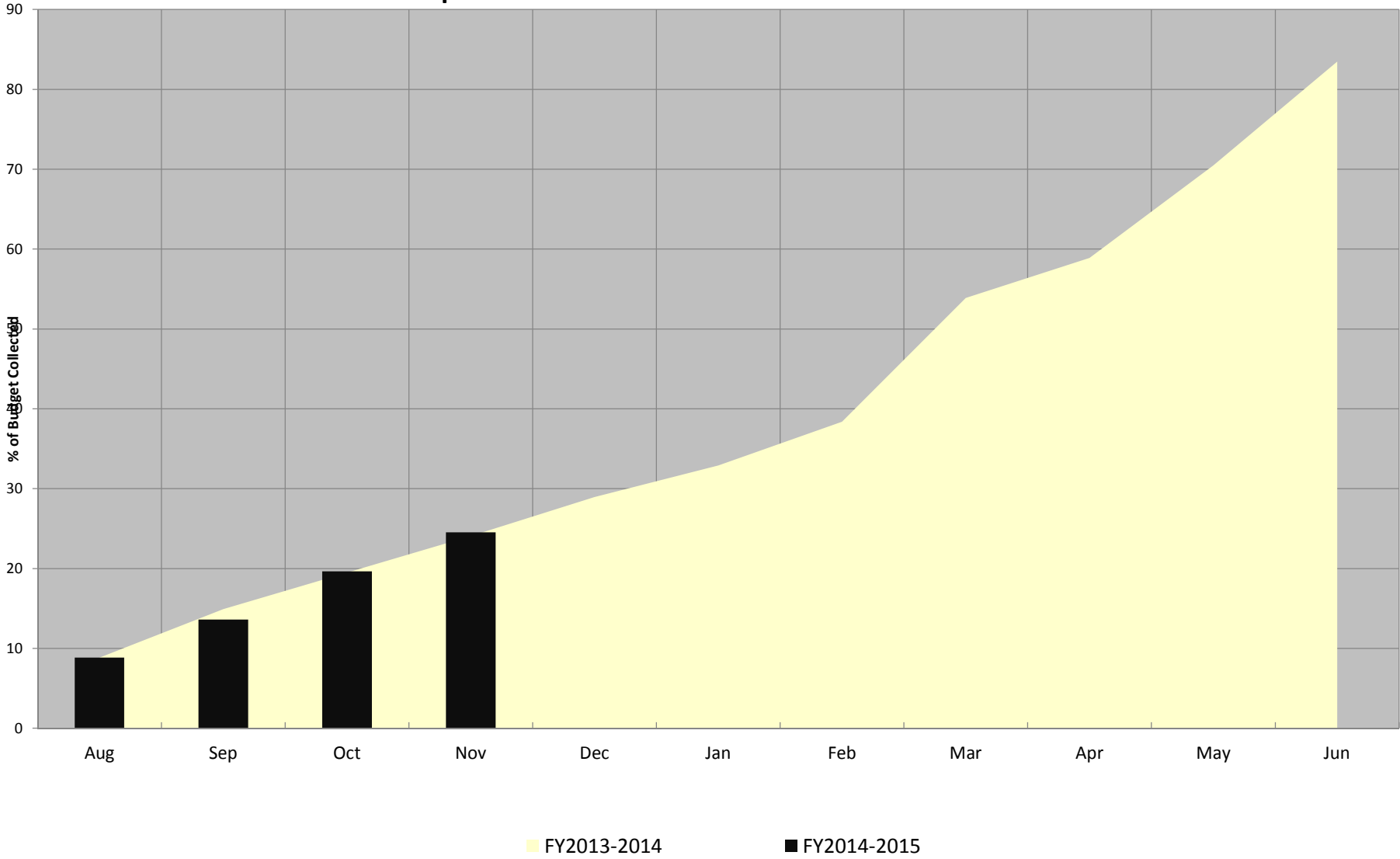
Financial Report

General Fund Major Revenue Categories

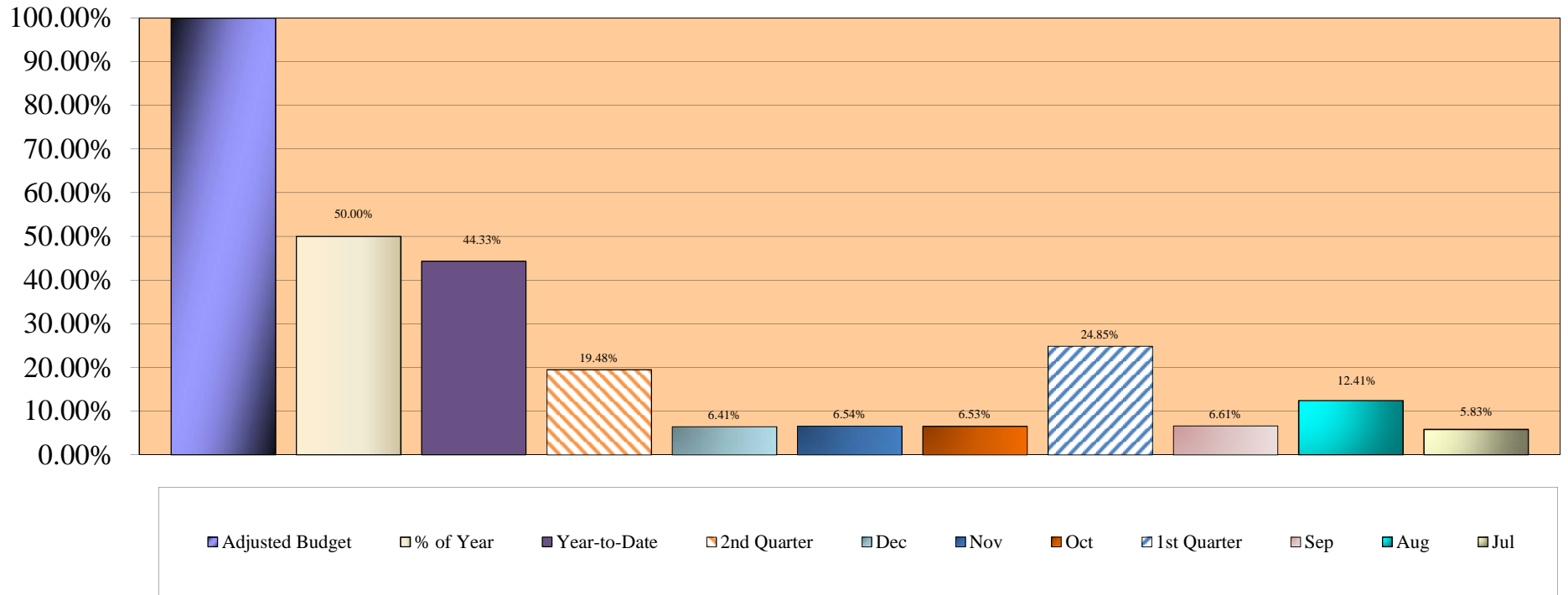
Year-to-Date Budget to Actual through December 2014 Compared to Year-to-Date Budget to Actual through December 2013



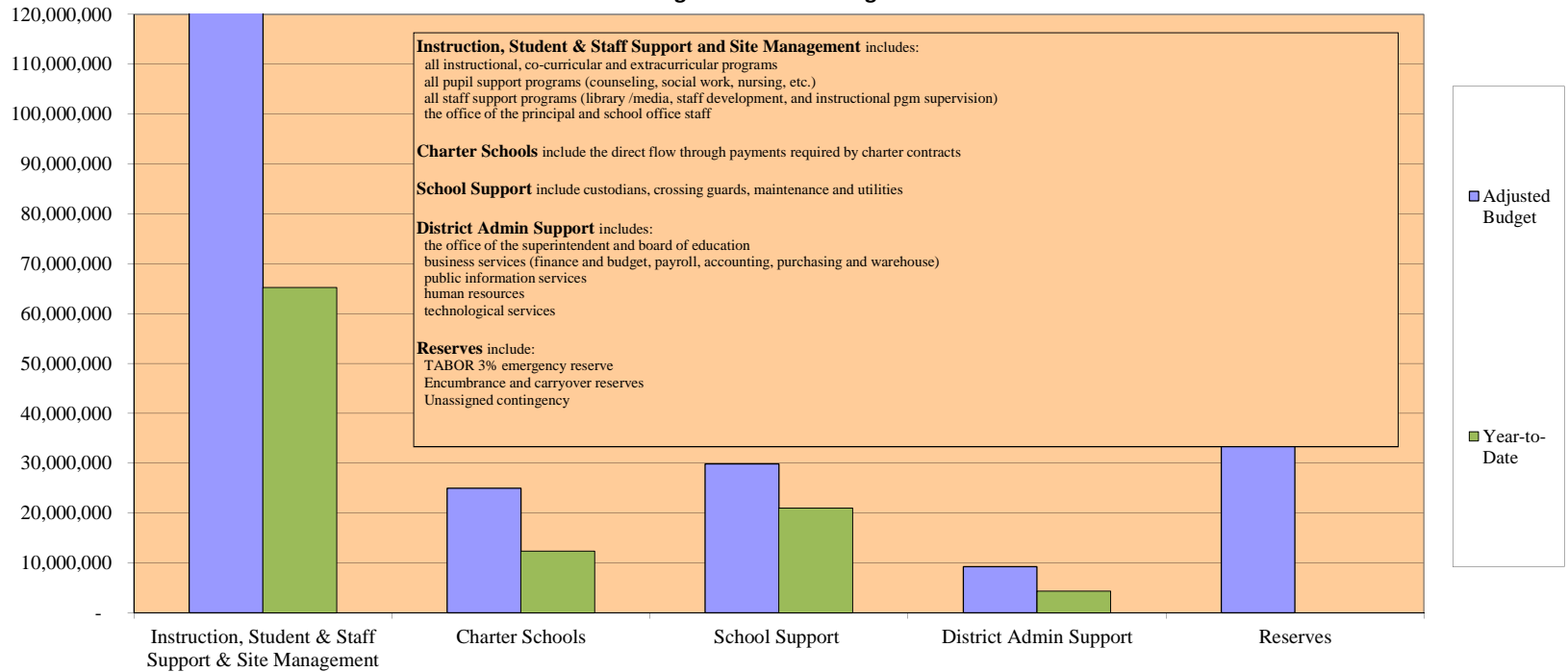
Compare YTD Revenues between FY2013 and FY2014



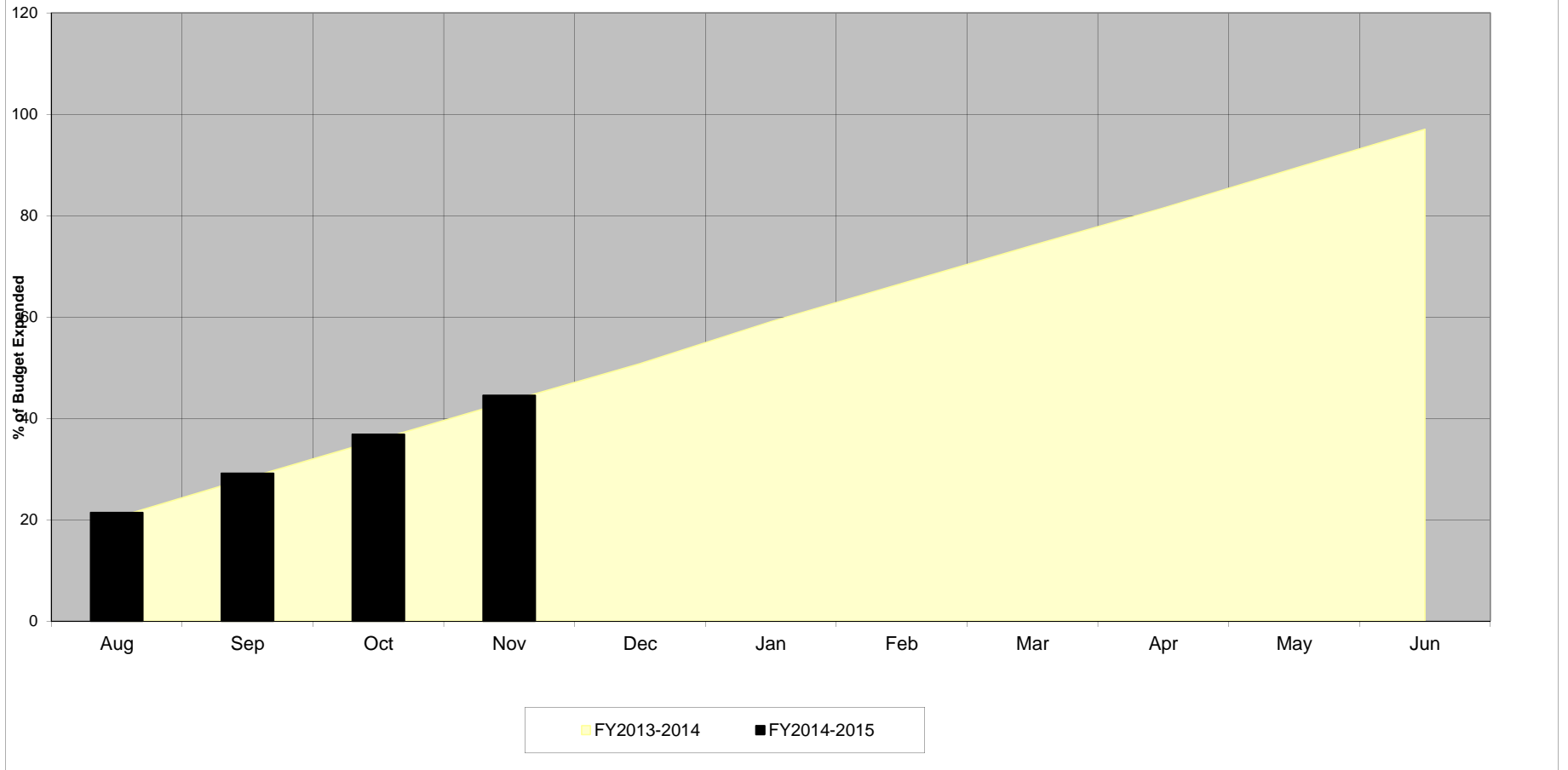
General Fund Total Expenditures Budget to Actual Comparison by Month and Year-to-Date - Unaudited



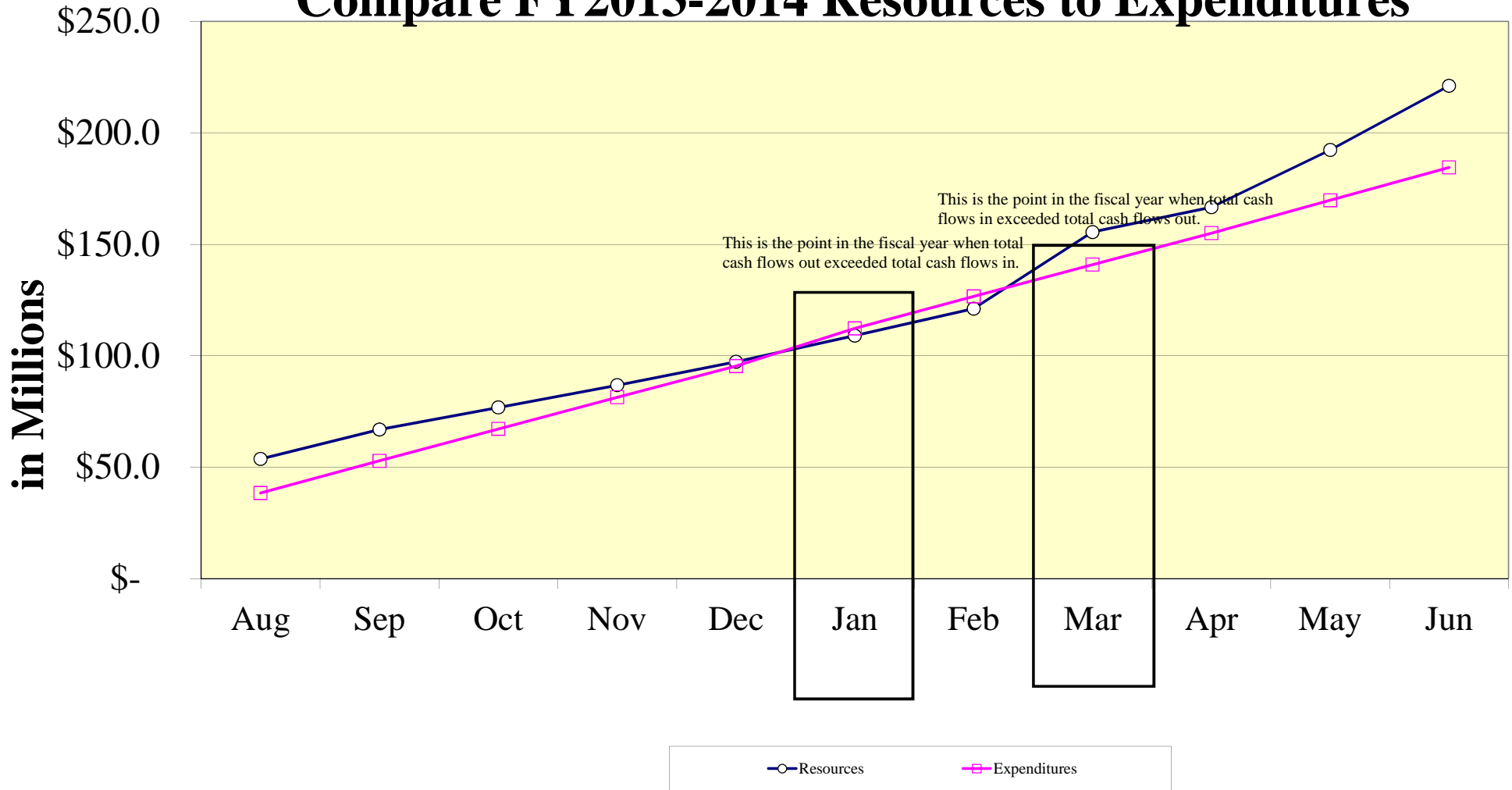
**General Fund Expenditures Budget To Actual by Major Program Category
Year-to-Date Budget to Actual through December 2014**



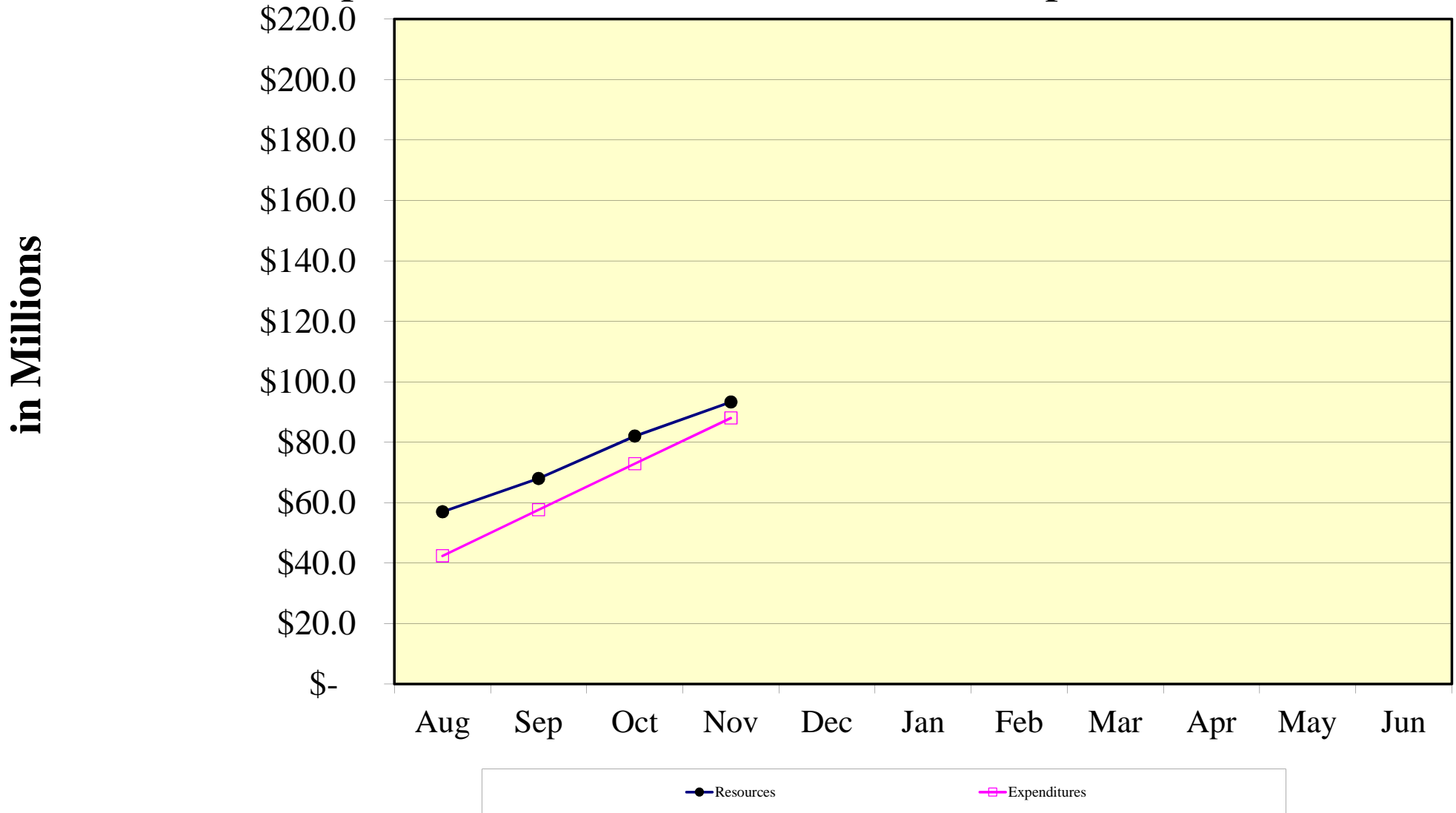
Compare YTD Expenditures between FY2013 and FY2014



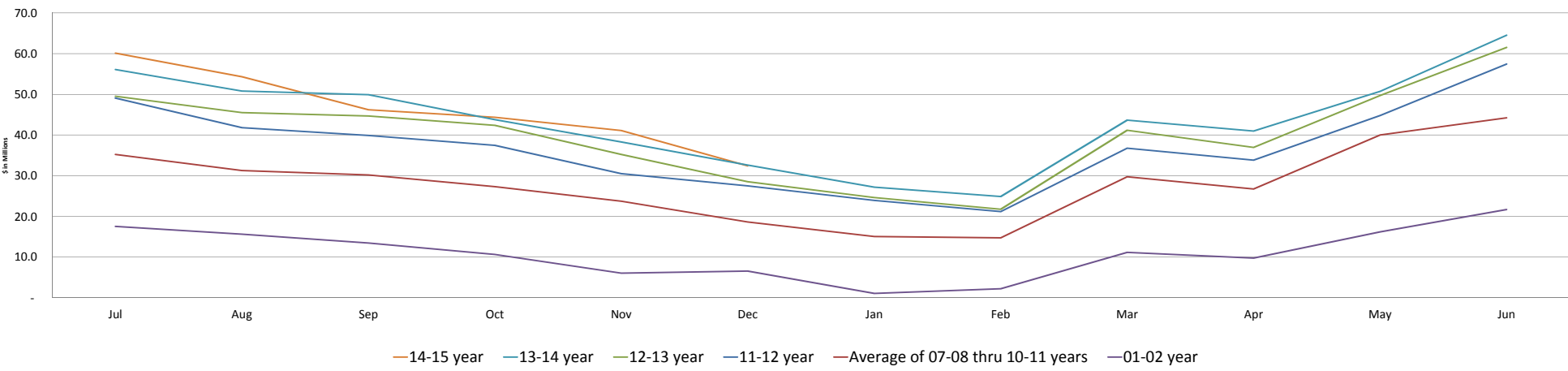
Compare FY2013-2014 Resources to Expenditures



Compare FY 2014-2015 Resources to Expenditures



Cash & Investments Available to Meet Operating Needs
(excludes TABOR reserve and Debt Service)



General Fund
Operating Summary by Object
Year to Date through Dec 2014
Percent of Year Completed - 50.0%

| | Adjusted Budget | Actual | % of Actual Revenue to Adjusted Budget | Variance Adjusted Budget to Actual | % of Budget | FY2014 Final Budget | FY2014 Actual | Variance Adjusted Budget to Actual | FY2014 % of Budget |
|---|----------------------|----------------------|--|------------------------------------|---------------|----------------------|---------------------|------------------------------------|--------------------|
| Local Revenue | \$72,390,963 | \$4,993,666 | 6.90% | (\$67,397,297) | 2.15% | \$71,124,957 | \$4,932,559 | (\$66,192,398) | 2.23% |
| State Revenue | 121,401,830 | 62,214,888 | 51.25% | (59,186,942) | 26.79% | 112,422,442 | 57,032,480 | (55,389,962) | 25.73% |
| Federal Revenue | 2,080,000 | 56,344 | 2.71% | (2,023,656) | 0.02% | 2,080,000 | 899,409 | (1,180,591) | 0.41% |
| Total Revenue Budget | 195,872,793 | 67,264,898 | 34.34% | (128,607,895) | 28.96% | 185,627,399 | 62,864,448 | (122,762,951) | 28.36% |
| Fund Balance & Transfers | 36,377,689 | 36,377,689 | | 0 | 15.66% | 36,055,032 | 34,481,058 | -1,573,974 | 15.55% |
| Total Revenue & Fund Balance | \$232,250,482 | \$103,642,587 | | (\$128,607,895) | 44.63% | \$221,682,431 | \$97,345,506 | (\$124,336,925) | 43.91% |
| Object and Job Class | | | | | | | | | |
| Administrators | | | | | | | | | |
| Salaries | \$10,815,285 | \$5,351,614 | | \$5,463,671 | 49.48% | \$10,460,288 | \$5,133,955 | \$5,326,333 | 49.08% |
| Benefits | 2,528,230 | 1,208,269 | | 1,319,961 | 47.79% | 2,327,370 | 1,126,625 | 1,200,745 | 48.41% |
| Subtotal | 13,343,515 | 6,559,883 | | 6,783,632 | 49.16% | 12,787,658 | 6,260,580 | 6,527,078 | 48.96% |
| Teachers | | | | | | | | | |
| Salaries | 79,037,780 | 38,521,398 | | 40,516,382 | 48.74% | 75,481,730 | 36,629,375 | 38,852,355 | 48.53% |
| Benefits | 20,042,045 | 9,587,162 | | 10,454,883 | 47.84% | 18,274,750 | 8,779,467 | 9,495,283 | 48.04% |
| Subtotal | 99,079,825 | 48,108,560 | | 50,971,265 | 48.56% | 93,756,480 | 45,408,842 | 48,347,638 | 48.43% |
| Non-teaching Professionals | | | | | | | | | |
| Salaries | 1,877,451 | 941,863 | | 935,588 | 50.17% | 1,781,290 | 858,971 | 922,319 | 48.22% |
| Benefits | 501,164 | 244,384 | | 256,780 | 48.76% | 425,530 | 216,155 | 209,375 | 50.80% |
| Subtotal | 2,378,615 | 1,186,247 | | 1,192,368 | 49.87% | 2,206,820 | 1,075,126 | 1,131,694 | 48.72% |
| Paraprofessionals | | | | | | | | | |
| Salaries | 5,938,214 | 2,857,904 | | 3,080,310 | 48.13% | 5,637,033 | 2,571,395 | 3,065,638 | 45.62% |
| Benefits | 1,887,349 | 895,791 | | 991,558 | 47.46% | 1,654,465 | 800,197 | 854,268 | 48.37% |
| Subtotal | 7,825,563 | 3,753,695 | | 4,071,868 | 47.97% | 7,291,498 | 3,371,592 | 3,919,906 | 46.24% |
| Office & Admin Support | | | | | | | | | |
| Salaries | 6,341,501 | 3,145,276 | | 3,196,225 | 49.60% | 6,023,130 | 2,951,772 | 3,071,358 | 49.01% |
| Benefits | 1,839,170 | 872,984 | | 966,186 | 47.47% | 1,665,213 | 804,467 | 860,746 | 48.31% |
| Subtotal | 8,180,671 | 4,018,260 | | 4,162,411 | 49.12% | 7,688,343 | 3,756,239 | 3,932,104 | 48.86% |
| Skilled Trades | | | | | | | | | |
| Salaries | 6,386,752 | 3,140,968 | | 3,245,784 | 49.18% | 6,252,196 | 3,129,378 | 3,122,818 | 50.05% |
| Benefits | 1,859,056 | 893,546 | | 965,510 | 48.06% | 1,749,818 | 836,441 | 913,377 | 47.80% |
| Subtotal | 8,245,808 | 4,034,514 | | 4,211,294 | 48.93% | 8,002,014 | 3,965,819 | 4,036,195 | 49.56% |
| Total Salaries & Benefits | | | | | | | | | |
| Salaries | 110,396,983 | 53,959,023 | | 56,437,960 | 48.88% | 105,635,667 | 51,274,846 | 54,360,821 | 48.54% |
| Benefits | 28,657,014 | 13,702,136 | | 14,954,878 | 47.81% | 26,097,146 | 12,563,352 | 13,533,794 | 48.14% |
| Subtotal | 139,053,997 | 67,661,159 | | 71,392,838 | 48.66% | 131,732,813 | 63,838,198 | 67,894,615 | 48.46% |

General Fund
Operating Summary by Object
Year to Date through Dec 2014
Percent of Year Completed - 50.0%

| | Adjusted Budget | Actual | % of Actual Revenue to Adjusted Budget | Variance | | FY2014 Final Budget | FY2014 Actual | Variance | |
|---|----------------------|----------------------|--|---------------------------|---------------|----------------------|---------------------|---------------------------|--------------------|
| | | | | Adjusted Budget to Actual | % of Budget | | | Adjusted Budget to Actual | FY2014 % of Budget |
| Non-Salaries | | | | | | | | | |
| Purchased Professional & Technical Services | 2,164,924 | 1,227,320 | | 937,604 | 56.69% | 2,275,715 | 916,754 | 1,358,961 | 40.28% |
| Purchased Property Services | 3,667,785 | 2,060,270 | | 1,607,515 | 56.17% | 3,474,780 | 2,042,054 | 1,432,726 | 58.77% |
| Other Purchased Services | 5,685,985 | 2,692,505 | | 2,993,480 | 47.35% | 4,543,314 | 2,496,452 | 2,046,862 | 54.95% |
| Subtotal | 11,518,694 | 5,980,095 | | 5,538,599 | 51.92% | 10,293,809 | 5,455,260 | 4,838,549 | 53.00% |
| Supplies | 9,287,334 | 4,250,096 | | 5,037,238 | 45.76% | 10,497,787 | 3,643,818 | 6,853,969 | 34.71% |
| Equipment | 246,724 | 319,086 | | -72,362 | 129.33% | 156,041 | 154,749 | 1,292 | 99.17% |
| Other Expenses | 442,629 | 267,214 | | 175,415 | 60.37% | 433,968 | 300,740 | 133,228 | 69.30% |
| Subtotal | 9,976,687 | 4,836,396 | | 5,140,291 | 48.48% | 11,087,796 | 4,099,307 | 6,988,489 | 36.97% |
| Subtotal Expenditure Accounts | 160,549,378 | 78,477,650 | | 82,071,728 | 48.88% | 153,114,418 | 73,392,765 | 79,721,653 | 47.93% |
| Transfer - Charter Schools | 25,007,004 | 12,376,788 | | 12,630,216 | 49.49% | 23,335,967 | 11,521,170 | 11,814,797 | 49.37% |
| Transfer - CRCP Fund | 2,371,610 | 2,371,610 | | 0 | 100.00% | 3,349,915 | 2,118,375 | 1,231,540 | 0.00% |
| Transfer - Transportation Fund | 5,080,410 | 5,080,410 | | 0 | 100.00% | 4,465,052 | 4,089,868 | 375,184 | 91.60% |
| Transfer - Technology Fund | 4,648,890 | 4,648,890 | | 0 | 100.00% | 4,262,687 | 4,253,272 | 9,415 | 99.78% |
| Subtotal | 37,107,914 | 24,477,698 | | 12,630,216 | 65.96% | 35,413,621 | 21,982,685 | 13,430,936 | 62.07% |
| Total Expenditure Accounts & Transfers/Allocations | 197,657,292 | 102,955,348 | | 94,701,944 | 52.09% | 188,528,039 | 95,375,450 | 93,152,589 | 50.59% |
| TABOR Reserve | 4,593,000 | 0 | | 4,593,000 | 0.00% | 4,593,000 | 0 | 4,593,000 | 0.00% |
| Contingency & Other Reserves | 7,186,540 | 0 | | 7,186,540 | 0.00% | 7,186,540 | 0 | 7,186,540 | 0.00% |
| Reserve for encumbrance & unanti | 22,813,650 | 0 | | 22,813,650 | 0.00% | 21,374,852 | 0 | 21,374,852 | 0.00% |
| Subtotal | 34,593,190 | 0 | | 34,593,190 | 0.00% | 33,154,392 | 0 | 33,154,392 | 0.00% |
| Total Appropriated Budget | \$232,250,482 | \$102,955,348 | | \$129,295,134 | 44.33% | \$221,682,431 | \$95,375,450 | \$126,306,981 | 43.02% |
| Total Resources Over (Under) | | | | | | | | | |
| Total Expenditures | | \$687,239 | | | | | \$1,970,056 | | |

| | Unassigned | Restricted/Assigned | Total |
|---|----------------|---------------------|----------------|
| July 1, 2014 Audited Fund Balance | \$ 23,756,488 | \$ 13,251,979 | \$ 37,008,467 |
| Projected Revenues | 197,182,198 | - | 197,182,198 |
| Projected Expenditures | (198,215,786) | | (198,215,786) |
| Increase in Restrictions--TABOR | (200,000) | 200,000 | - |
| Projected June 30, 2015 Unassigned Fund Bal | \$ 22,522,900 | \$ 13,451,979 | \$ 35,974,879 |
| Projected Change in Unassigned Fund Balance | \$ (1,233,588) | \$ 200,000 | \$ (1,033,588) |