

ACADEMY 20 BOARD OF EDUCATION
October 16, 2014

Subject: Monthly Financial Report through September 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: October 4, 2014

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: October 4, 2014

SUBJECT: September Financial Report

REVENUES

Graph #1 and Table #1 show that through September we have collected about 13.6% 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 14.6%---last year the Special Education funding had been received in September, but that nearly \$3,000,000 categorical state revenue stream has not been received to date. This also impacts cash on hand and is reflected in this month's cash flow graph. 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 3 months of the year complete (25.0%), spending, which includes total appropriation, is at 24.9%. 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 (29.2%) are comparable to last year (28.1%). 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”. Although the Special Education revenue has not been received yet, when it arrives in October our cash flow should rebound and 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 will transfer \$15,954,525, the required amounts for December principal and interest payments, to our bond paying agents. The current account balance of \$24,630,761 is sufficient to provide the amount necessary for the December 2014 payments.

Investments	Sep-14	Aug-14	Jul-14	Jun-14	May-14
General Fund Account					
Colotrust	46,988,043	52,128,433	57,688,465	60,917,818	51,532,585
Total General Fund	46,988,043	52,128,433	57,688,465	60,917,818	51,532,585
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	24,630,761	24,576,179	24,377,446	24,341,624	21,992,208
Total Bond Redemption	24,630,761	24,576,179	24,377,446	24,341,624	21,992,208
Total Investments	\$76,211,804	\$81,297,612	\$86,658,911	\$89,852,442	\$78,117,793

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 first quarterly projection for the June 30, 2015 fund balance. There are 4 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) the projected increase in the TABOR reserve

The actual fund balance from the prior year is not established until the audit for the year is completed. The audit for the FY2013-2014 is in the final stages and will be presented to the Board in November. Anticipated unassigned fund balance for June 30, 2014 is \$23,883,240, an increase of \$8,429 over June 30, 2013. This is a change from the information presented to the board at the September 18, 2014 meeting. Previously staff reported a projected increase in total fund balance but a reduction in unassigned fund balance of approximately \$300,000. This change is due to Longevity payouts to eligible employees. Longevity payouts exceeded the budget by approximately \$313,000. Instead of using unassigned fund balance to backfill this expense (as previously considered) the Chief Financial Officer is recommending appropriate use of a portion of the district's "Longevity Bonus" assigned fund balance of \$2,000,000 to backfill the budget shortfall. This situation may also occur in the FY2014-2015 year because of the anticipated Longevity payouts scheduled for January of 2015. This has no impact on total 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 \$666k in unassigned fund balance. Since school has only been in session for about six weeks, this projection is not based on a significant amount of actual transaction data for the year. As the year goes on, actual activity will be used to modify and refine the projection.

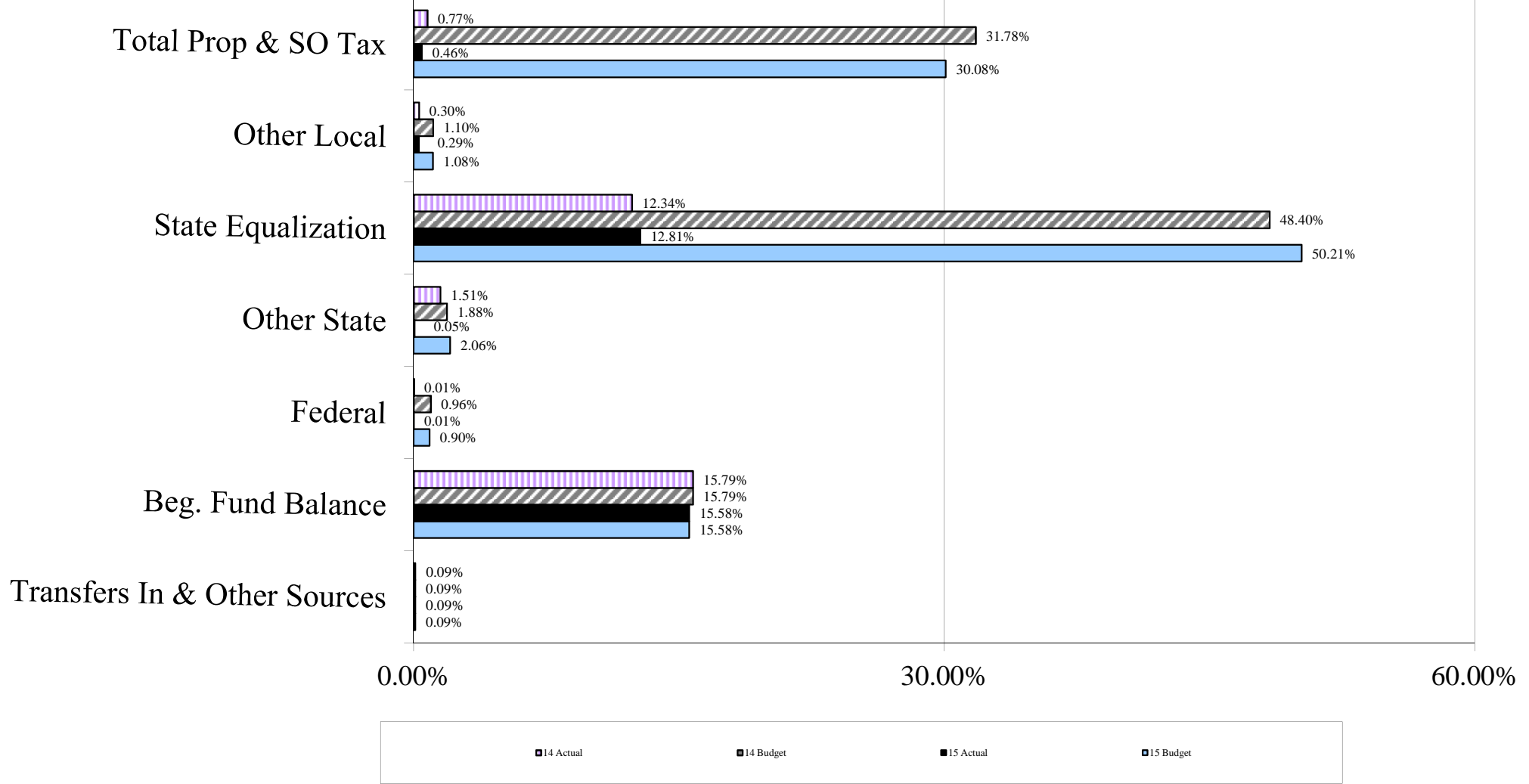
September 2014

General Fund

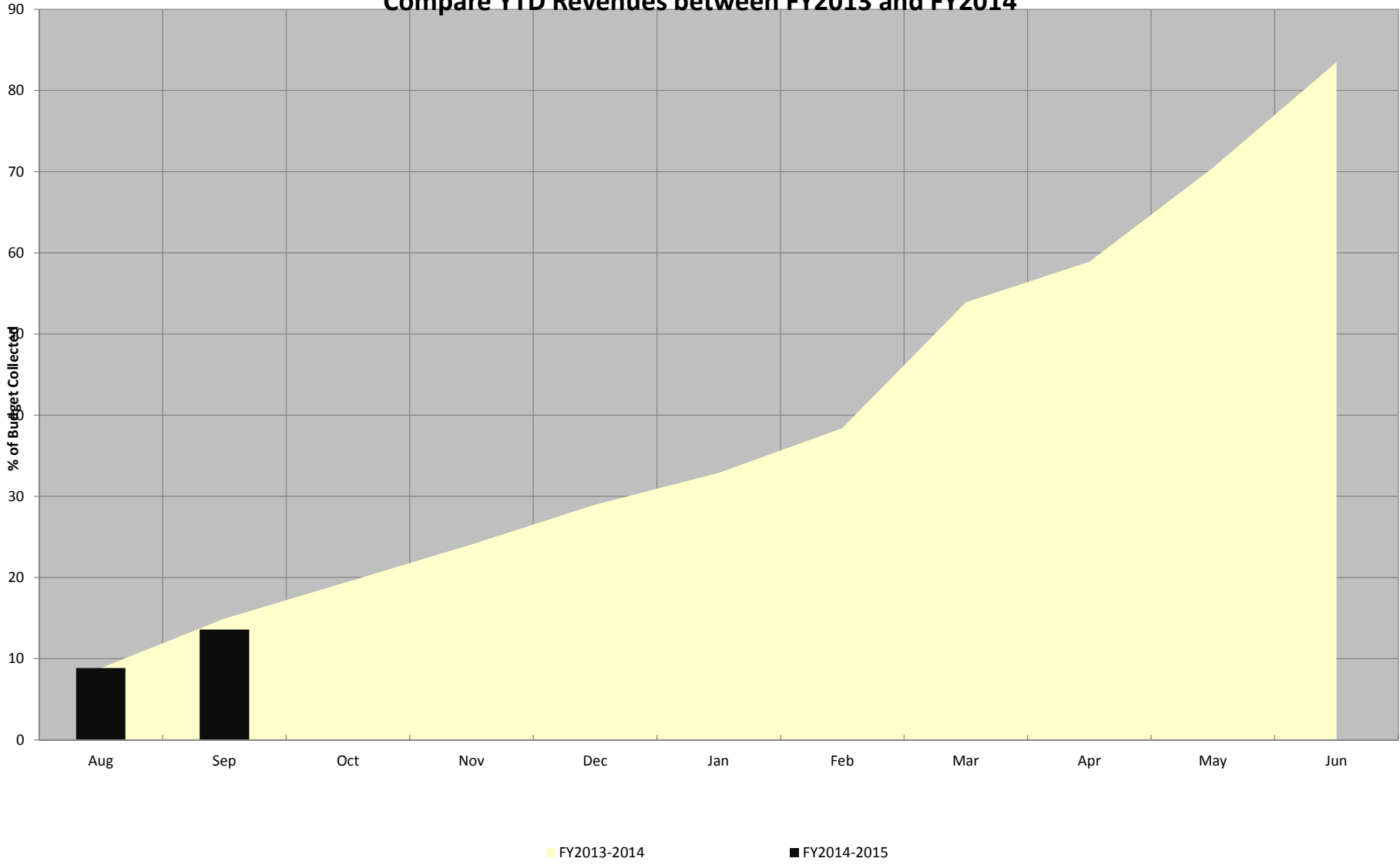
Financial Report

General Fund Major Revenue Categories

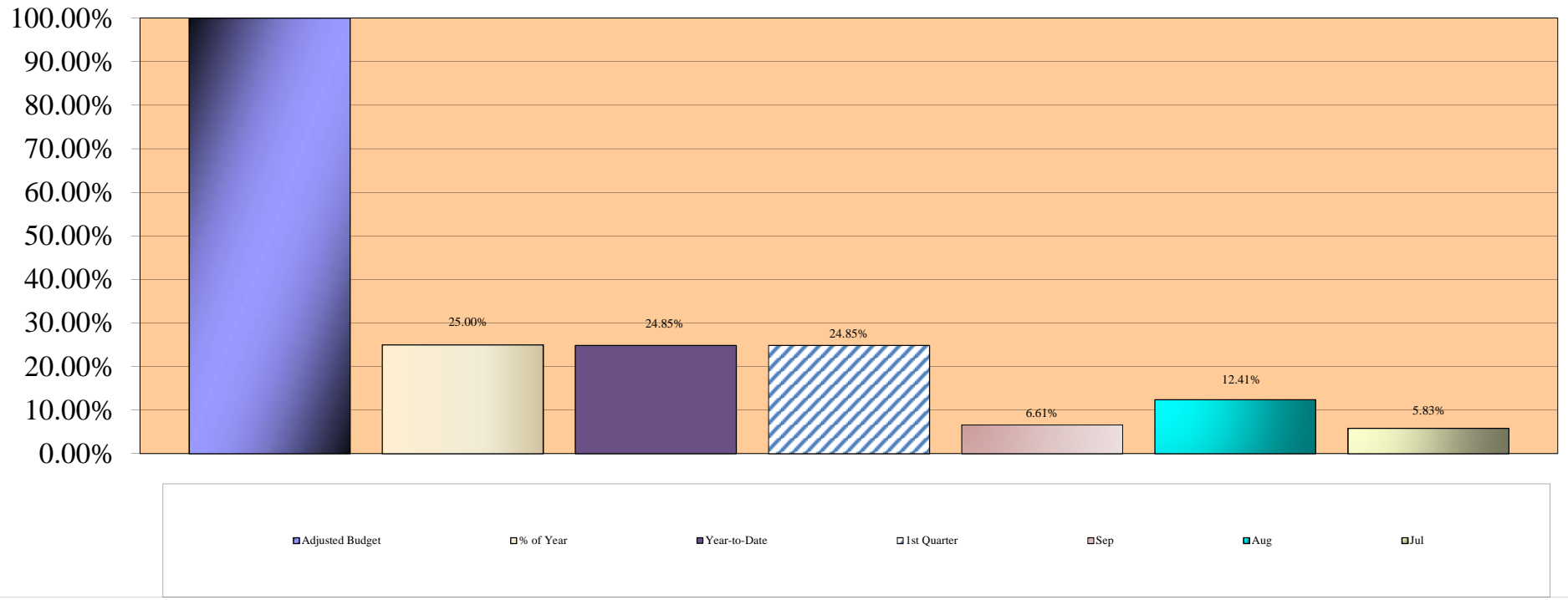
Year-to-Date Budget to Actual through September 2014 Compared to Year-to-Date Budget to Actual through September 2013



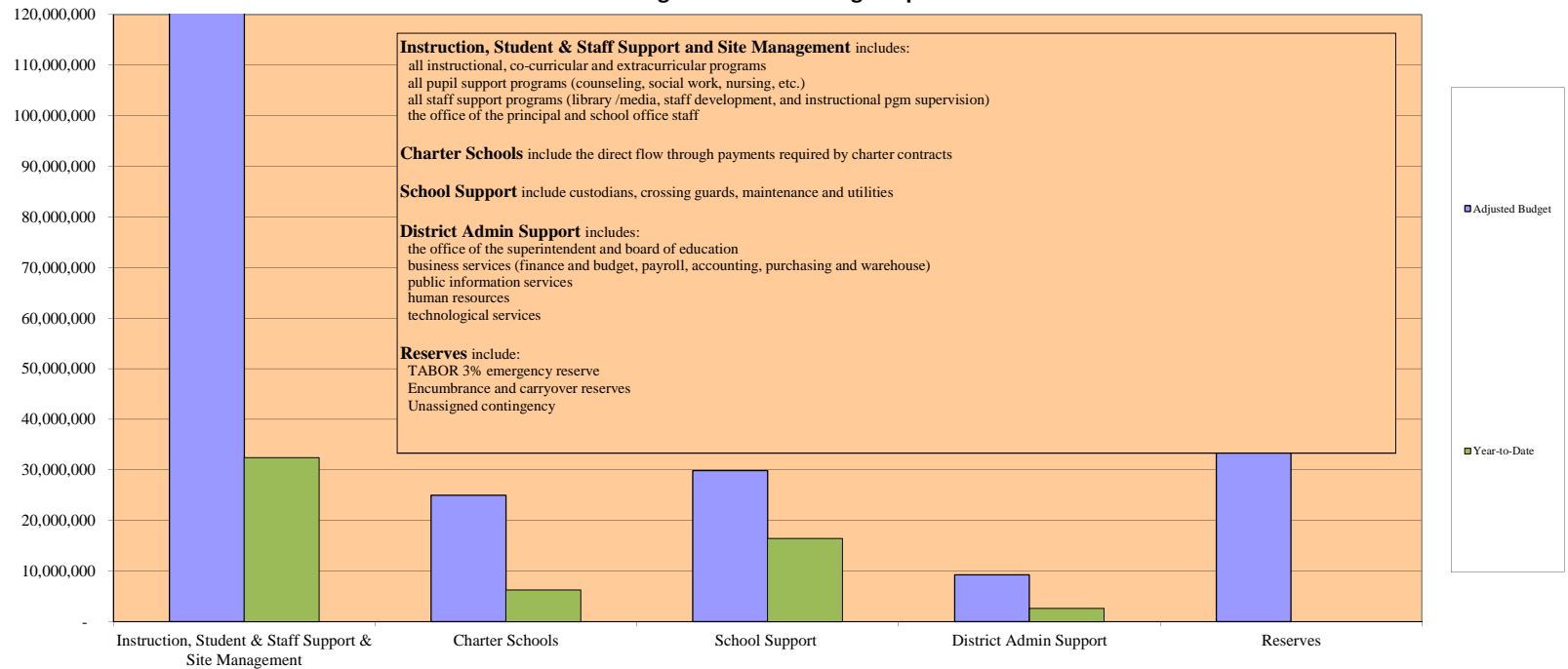
Compare YTD Revenues between FY2013 and FY2014



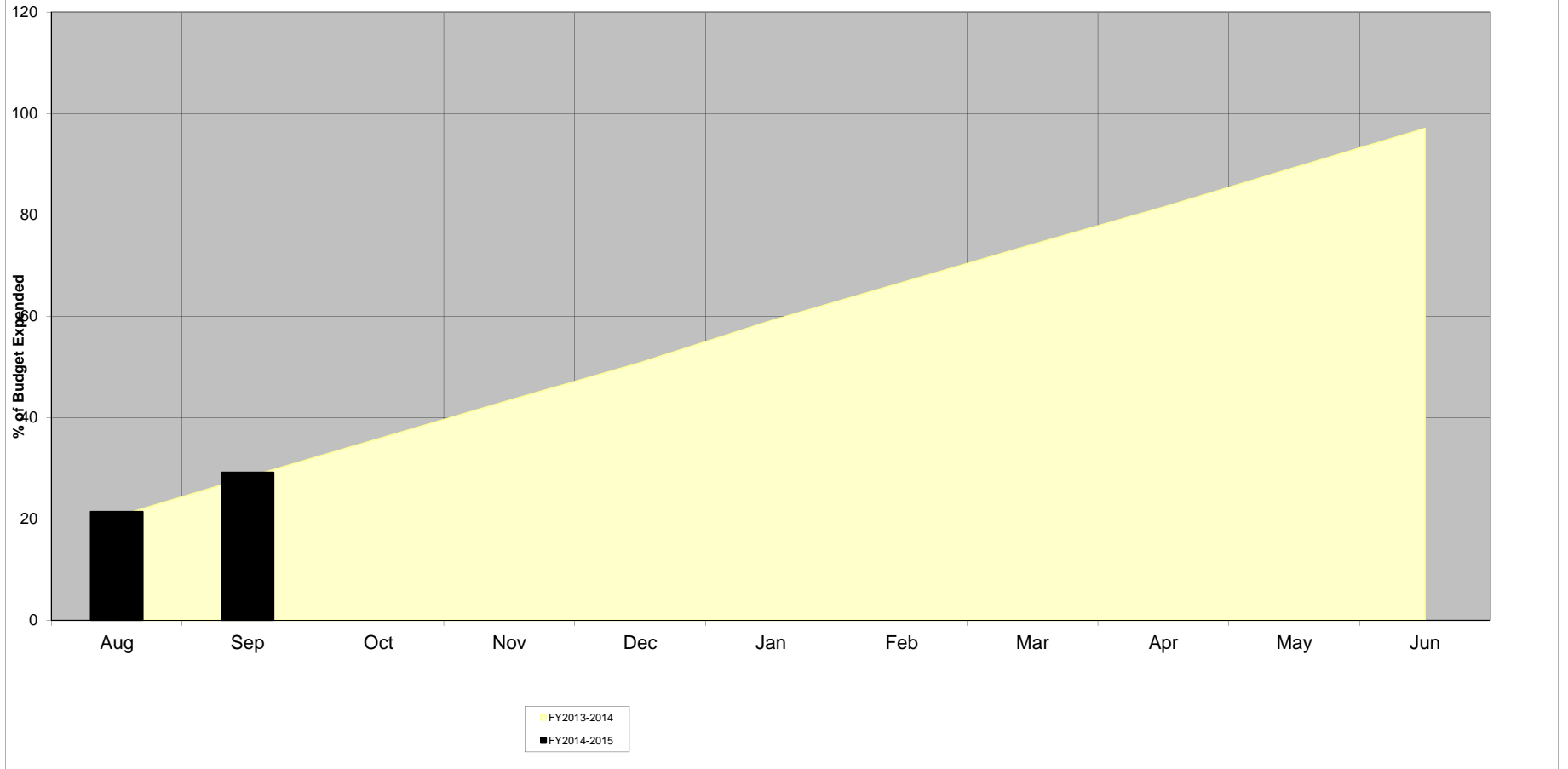
General Fund Total Expenditures Budget to Actual Comparison by Month and Year-to-Date - Unaudited



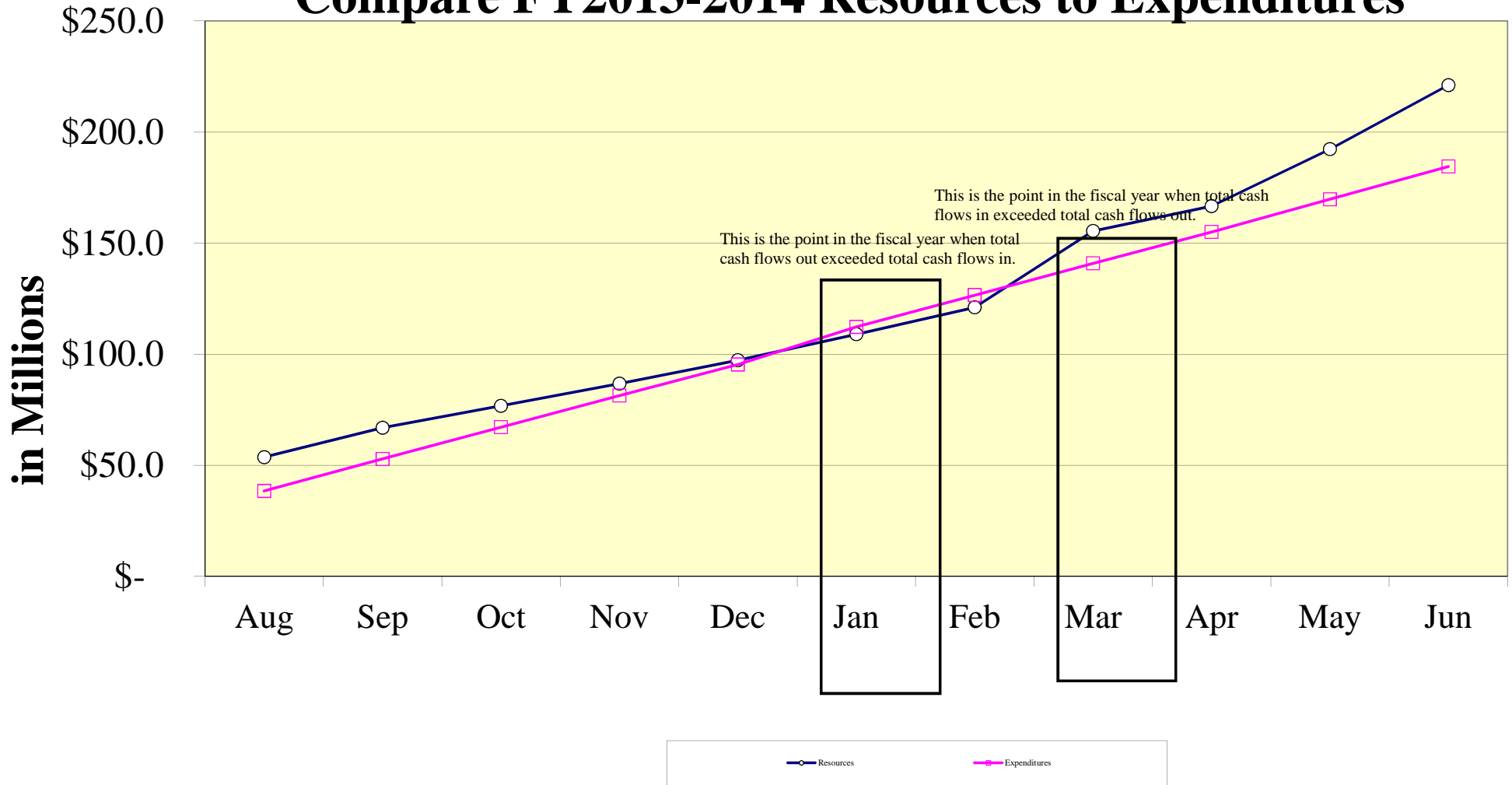
**General Fund Expenditures Budget To Actual by Major Program Category
Year-to-Date Budget to Actual through September 2014**



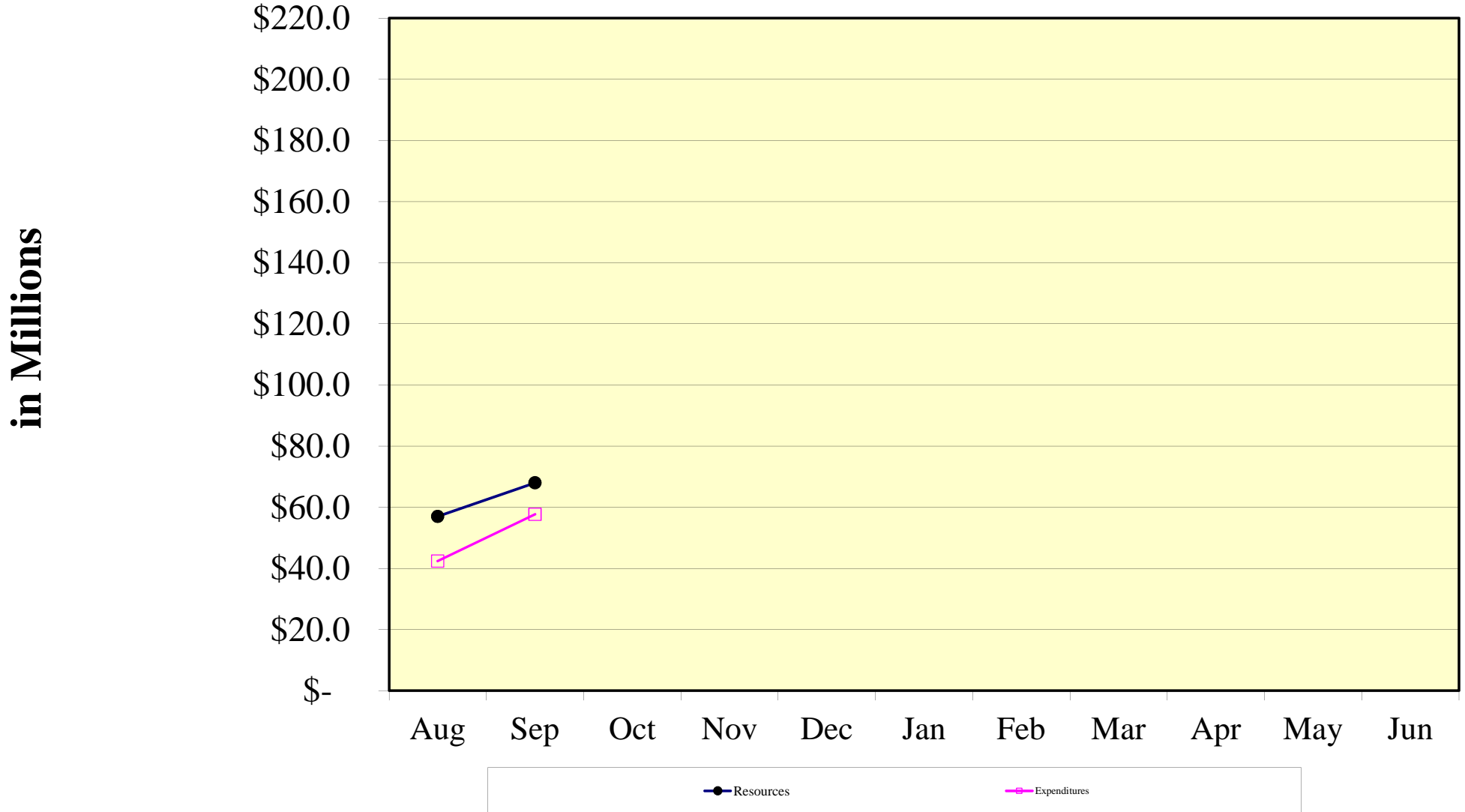
Compare YTD Expenditures between FY2013 and FY2014



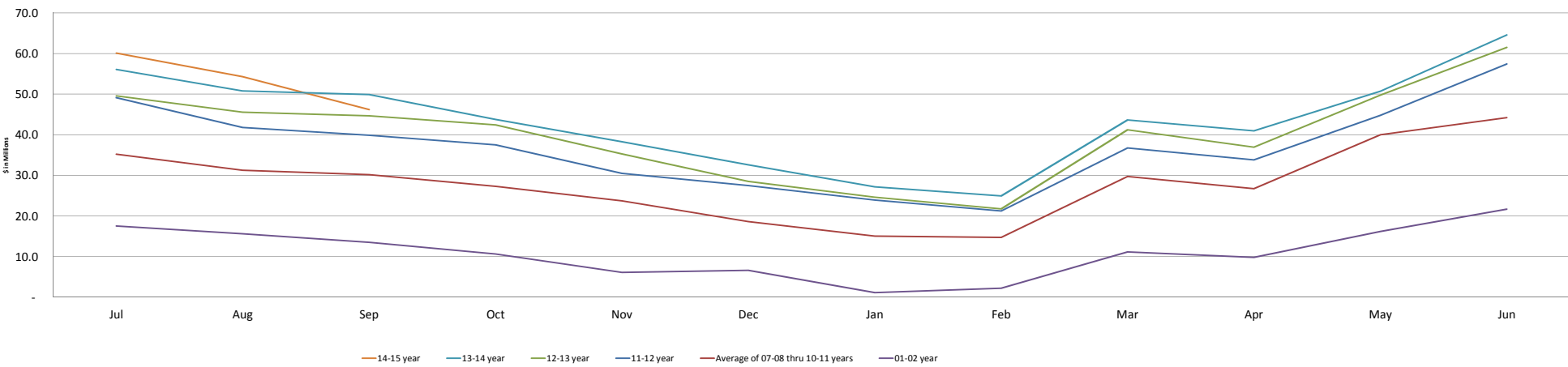
Compare FY2013-2014 Resources to Expenditures



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 Sep 2014
Percent of Year Completed - 25.0%

	Adjusted		% of Actual Revenue to Adjusted Budget	Variance Adjusted Budget to		FY2014		Variance Adjusted Budget to		FY2014
	Budget	Actual		Actual	% of Budget	Final Budget	Actual	Actual	% of Budget	
Local Revenue	\$72,390,963	\$1,750,818	2.42%	(\$70,640,145)	0.75%	\$71,124,957	\$2,318,261	(\$68,806,696)	1.05%	
State Revenue	121,401,830	29,871,860	24.61%	(91,529,970)	12.86%	112,422,442	30,077,596	(82,344,846)	13.57%	
Federal Revenue	<u>2,080,000</u>	<u>31,059</u>	<u>1.49%</u>	<u>(2,048,941)</u>	<u>0.01%</u>	<u>2,080,000</u>	<u>23,406</u>	<u>(2,056,594)</u>	<u>0.01%</u>	
Total Revenue Budget	195,872,793	31,653,737	16.16%	(164,219,056)	13.63%	185,627,399	32,419,263	(153,208,136)	14.62%	
Fund Balance & Transfers	<u>36,377,689</u>	<u>36,377,689</u>		<u>0</u>	<u>15.66%</u>	<u>36,055,032</u>	<u>34,481,058</u>	<u>-1,573,974</u>	<u>15.55%</u>	
Total Revenue & Fund Balance	<u>\$232,250,482</u>	<u>\$68,031,426</u>		<u>(\$164,219,056)</u>	<u>29.29%</u>	<u>\$221,682,431</u>	<u>\$66,900,321</u>	<u>(\$154,782,110)</u>	<u>30.18%</u>	
Object and Job Class										
Administrators										
Salaries	\$10,804,085	\$2,686,169		\$8,117,916	24.86%	\$10,460,288	\$2,573,796	\$7,886,492	24.61%	
Benefits	<u>2,539,430</u>	<u>601,770</u>		<u>1,937,660</u>	<u>23.70%</u>	<u>2,327,370</u>	<u>562,741</u>	<u>1,764,629</u>	<u>24.18%</u>	
Subtotal	13,343,515	3,287,939		10,055,576	24.64%	12,787,658	3,136,537	9,651,121	24.53%	
Teachers										
Salaries	78,693,074	19,106,470		59,586,604	24.28%	75,481,730	18,195,476	57,286,254	24.11%	
Benefits	<u>19,939,873</u>	<u>4,754,243</u>		<u>15,185,630</u>	<u>23.84%</u>	<u>18,274,750</u>	<u>4,357,232</u>	<u>13,917,518</u>	<u>23.84%</u>	
Subtotal	98,632,947	23,860,713		74,772,234	24.19%	93,756,480	22,552,708	71,203,772	24.05%	
Non-teaching Professionals										
Salaries	1,813,111	466,237		1,346,874	25.71%	1,781,290	422,504	1,358,786	23.72%	
Benefits	<u>492,984</u>	<u>120,590</u>		<u>372,394</u>	<u>24.46%</u>	<u>425,530</u>	<u>106,639</u>	<u>318,891</u>	<u>25.06%</u>	
Subtotal	2,306,095	586,827		1,719,268	25.45%	2,206,820	529,143	1,677,677	23.98%	
Paraprofessionals										
Salaries	5,906,319	1,372,028		4,534,291	23.23%	5,637,033	1,254,071	4,382,962	22.25%	
Benefits	<u>1,888,389</u>	<u>430,476</u>		<u>1,457,913</u>	<u>22.80%</u>	<u>1,654,465</u>	<u>389,013</u>	<u>1,265,452</u>	<u>23.51%</u>	
Subtotal	7,794,708	1,802,504		5,992,204	23.12%	7,291,498	1,643,084	5,648,414	22.53%	
Office & Admin Support										
Salaries	6,393,866	1,593,283		4,800,583	24.92%	6,023,130	1,466,367	4,556,763	24.35%	
Benefits	<u>1,856,480</u>	<u>438,678</u>		<u>1,417,802</u>	<u>23.63%</u>	<u>1,665,213</u>	<u>397,416</u>	<u>1,267,797</u>	<u>23.87%</u>	
Subtotal	8,250,346	2,031,961		6,218,385	24.63%	7,688,343	1,863,783	5,824,560	24.24%	
Skilled Trades										
Salaries	6,504,622	1,570,001		4,934,621	24.14%	6,252,196	1,550,141	4,702,055	24.79%	
Benefits	<u>1,923,416</u>	<u>446,695</u>		<u>1,476,721</u>	<u>23.22%</u>	<u>1,749,818</u>	<u>413,220</u>	<u>1,336,598</u>	<u>23.62%</u>	
Subtotal	8,428,038	2,016,696		6,411,342	23.93%	8,002,014	1,963,361	6,038,653	24.54%	
Total Salaries & Benefits										
Salaries	110,115,077	26,794,188		83,320,889	24.33%	105,635,667	25,462,355	80,173,312	24.10%	
Benefits	<u>28,640,572</u>	<u>6,792,452</u>		<u>21,848,120</u>	<u>23.72%</u>	<u>26,097,146</u>	<u>6,226,261</u>	<u>19,870,885</u>	<u>23.86%</u>	
Subtotal	138,755,649	33,586,640		105,169,009	24.21%	131,732,813	31,688,616	100,044,197	24.06%	

General Fund
Operating Summary by Object
Year to Date through Sep 2014
Percent of Year Completed - 25.0%

	Adjusted		% of Actual Revenue to Adjusted Budget	Variance Adjusted		FY2014		Variance Adjusted		FY2014	
	Budget	Actual		Budget to Actual	% of Budget	Final Budget	Actual	Budget to Actual	% of Budget		
Non-Salaries											
Purchased Professional & Technical Services	2,108,199	622,366		1,485,833	29.52%	2,275,715	416,191	1,859,524	18.29%		
Purchased Property Services	3,662,785	1,150,148		2,512,637	31.40%	3,474,780	1,279,581	2,195,199	36.82%		
Other Purchased Services	5,589,443	1,495,482		4,093,961	26.76%	4,543,314	1,470,165	3,073,149	32.36%		
Subtotal	11,360,427	3,267,996		8,092,431	28.77%	10,293,809	3,165,937	7,127,872	30.76%		
Supplies	9,774,279	2,167,948		7,606,331	22.18%	10,497,787	1,640,358	8,857,429	15.63%		
Equipment	236,314	208,632		27,682	88.29%	156,041	91,192	64,849	58.44%		
Other Expenses	422,709	139,883		282,826	33.09%	433,968	148,744	285,224	34.28%		
Subtotal	10,433,302	2,516,463		7,916,839	24.12%	11,087,796	1,880,294	9,207,502	16.96%		
Subtotal Expenditure Accounts	160,549,378	39,371,099		121,178,279	24.52%	153,114,418	36,734,847	116,379,571	23.99%		
Transfer - Charter Schools	25,007,004	6,251,751		18,755,253	25.00%	23,335,967	5,722,593	17,613,374	24.52%		
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	18,352,661		18,755,253	49.46%	35,413,621	16,184,108	19,229,513	45.70%		
Total Expenditure Accounts & Transfers/Allocations	197,657,292	57,723,760		139,933,532	29.20%	188,528,039	52,918,955	135,609,084	28.07%		
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 & unanticipated	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	\$57,723,760		\$174,526,722	24.85%	\$221,682,431	\$52,918,955	\$168,763,476	23.87%		
Total Resources Over (Under)											
Total Expenditures		\$10,307,666					\$13,981,366				

	Unassigned	Restricted/Assigned	Total
July 1, 2014 Un-Audited Fund Balance	\$ 23,883,240	\$ 13,251,979	\$ 37,135,219
Projected Revenues	195,872,793	-	195,872,793
Projected Expenditures	(196,338,597)	-	(196,338,597)
Increase in Restrictions--TABOR	(200,000)	200,000	-
Projected June 30, 2015 Unassigned Fund Bal	\$ 23,217,436	\$ 13,451,979	\$ 36,669,415
Projected Change in Unassigned Fund Balance	\$ (665,804)	\$ 200,000	\$ (465,804)