

ANCHORAGE SCHOOL DISTRICT
ANCHORAGE, ALASKA

ASD MEMORANDUM #84 (2007-2008)

October 22, 2007

TO: SCHOOL BOARD

FROM: OFFICE OF THE SUPERINTENDENT

SUBJECT: TREASURER'S REPORT/FINANCIAL RECAP:
September 30, 2007

ASD Goal: Ensure public accountability through continued preparation and publication of the Profile of Performance, budget basics, and budget and bond summaries; effective consultation with community to ensure wise use of financial resources and responsible construction and maintenance of facilities; effective communication with students, staff, parents, community and government at all levels.

PERTINENT FACTS:

The attached report consists of three parts: the Graphic Overview, the Treasurer's Report and the Financial Recap. The Graphic Overview is presented on a quarterly basis and the Treasurer's Report and the Financial Recap are presented on a monthly basis. The Treasurer's report and Financial Recap are year-to-date information as of September 30, 2007.

I. GRAPHIC OVERVIEW

District investments are primarily made through the Municipality of Anchorage. Overnight repurchase agreements are made through the District's banking services, whereas, the Student Activities Fund investments are made by individual schools in insured accounts.

Effective June 1, 2007 the Anchorage School District and Municipality of Anchorage began investing non-restricted funds into a pooled environment held in trust and managed through two external investment management groups. The external investment managers actively manage investments within the Municipal Investment Pool to maximize performance while ensuring all District and

Municipal investments meet the Districts' Board Policy 724.32 and Anchorage Municipal Code 06.50.030 as required.

Funds that are restricted such as bond proceeds, or other funds held in trust or escrow are not included within the Municipal Investment Pool but invested as direct investments. The Anchorage School District requires direct investments, in excess of any insured amount, to be collateralized at all times with United States Government guaranteed securities having a market value, plus accrued interest, which equals or exceeds the collateralized amount of the investment. The Municipality invests directly in United States Government guaranteed securities or through collateralized investments that meet District requirements.

Included on page 1 of the report is a graph representing the types of investment instruments held by the District as of September 30, 2007, except for the Student Activities Fund. In addition, a monthly comparison of cumulative interest earnings for fiscal year 2006-2007 and fiscal year 2007-2008 is presented on page 2. The cumulative interest earnings for the three-month period ended September 30, 2007 were \$2.885 million as compared to \$2.026 million for the same period of time in the prior year. As of September 30, 2007, the District had invested \$87.968 million in the Municipal Investment Pool, \$33.730 million in U.S. Government Securities, \$32.931 million in commercial paper and \$18.261 million invested in repurchase agreements. The creation of the Municipal Investment Pool has rewarded the District with greater investment earnings because of the active management of the investments. Strong interest rates, cash flow analysis and the change in banking services contracts have also contributed to the increase in interest earnings over the prior year earnings.

The graph on page 3 is titled Weighted Average Interest Rate for Investments Purchased. This graph compares the weighted monthly average yield on investments acquired in the current year with the figures for the fiscal year 2006-2007.

I. TREASURER'S REPORT

The Anchorage School District Treasurer's Report includes a summary of the total demand deposits and investments, which are on hand as of September 30, 2007, and a summary of the investment transactions completed September 1 through September 30, 2007.

The demand deposits in the General Fund as of September 30, 2007 reported negative funds available of (\$61,744) as listed on page 4. The District's banking services contract includes the investment of the bank float that provides additional interest revenue to the District. In addition to the bank float, additional interest was earned starting in September because of the change in banking services contract. With the implementation of the new banking services contract, the District increased the overnight repurchase investment interest rate by almost 1 percent. Given similar investments, the District anticipates earning over \$200,000 more a year in interest income from the change in banking services contracts.

The total amount of investments on hand at September 30, 2007 was \$172,889,654 and the combined total of these liquid assets consisting of the demand deposits and investments were \$172,827,910. A schedule of investments is presented on pages 5 and 6.

The District transacted 105 direct investments during the month of September. The specific direct investments purchased are presented commencing with page 7 of the Treasurer's Report. The anticipated earnings for these new investments is \$406,034, which will be recorded in the General Fund, Capital Projects Fund and Debt Service Fund. The interest earnings on direct investments made by the District are recorded upon receipt of the actual interest earnings on the various dates of maturity. The interest earnings on investments made by the Municipality of Anchorage on behalf of the District are accrued monthly.

Funds invested in the Municipal Investment Pool are presented on page 10 of the Treasurer's Report. The beginning market value for the District's funds was \$93,367,006. One withdrawal occurred in the month for cash flow purposes in the amount of \$6,000,000. The ending market value of \$87,967,839 represents accrued interest and accrued coupon payments as well as the change in market value of all securities held as of the month end. The change in market value is recorded as a gain or loss along with all interest earned each month as investment income. The average daily balance of the District's pooled investments for the month was \$89,967,956.

In summary, the District's investment performance for fiscal year 2007-2008 year-to-date is shown by the following portfolio yield calculations:

- The Weighted Average Interest Rate for investments purchased during September was 4.87 percent and is noted on page 11.

- The Yield to Maturity, as listed on page 11 represents the yield if all investments are held to their maturity date. For the month of September 1007, the Yield to Maturity is 5.37 percent.
- The Year-to-Date Cumulative Yield, noted on page 11, represents the weighted average yield of all investments purchased by the District since July 1, 2006. On September 30th, the Year-to-Date Cumulative Yield was 6.70 percent.

II. FINANCIAL RECAP

The Financial Recap is a summary of revenues, expenditures and encumbrances for the current fiscal year through September 30, 2007. The funds presented are the General Fund; Debt Service Fund; Food Service and Local/State/Federal Grants Special Revenue Funds; and Capital Projects Fund. The expenditures are on generally accepted accounting principles (GAAP) basis. This means the amount in expenditures include payments on encumbrances from the prior year. For example, the working budget on expenditures for the General Fund includes the current year's revised budget plus the encumbrances from prior year of approximately \$17.958 million. Year-to-Date (YTD) expenditures therefore reflect expenditures from the current fiscal year and expenditures from prior years' encumbrances that were carried forward. The appropriations from the prior years for these encumbrances were also carried forward.

The General Fund revised budget for fiscal year 2007-2008 totals \$546.163 million and was approved by the School Board (ASD Memorandum #177) and the Anchorage Assembly (AR No. 2007-91(S)) on February 8, 2007 and May 1, 2007, respectively. The School Board later revised the budget (ASD Memorandum #310) on May 31, 2007. This budget includes increases over the prior year budget mainly as a result of increases in the Alaska State Retirement Systems for teachers and public employees. The Alaska State Legislature and Governor approved a one-year funding solution that provides a direct payment to the retirement systems on behalf of the member organizations. This funding amounts to \$65.389 million for the Anchorage School District and reduces retirement system rates to lower, more sustainable plan costs, addressing the significant cost increases the District has sustained over the recent years.

Additional funding for the year was also allocated by the legislature in the form of a School Improvement Grant in the amount of \$7.891 million. The local tax appropriation increased approximately \$13.940 million. With the additional

funds, the District has been able to add additional instructional programs and budgeted expenditures to further enhance the education of the community's children as a result of the one year state retirement system funding solution, School Improvement Grant and the local tax appropriation. This \$546.163 million is compared to the revised budget of \$473.433 million for the prior year. The cumulative actual GAAP expenditures and encumbrances for the three-month period ended September 30, 2007 were \$92.370 million or 16.37 percent of the \$564.121 million working budget (revised budget plus encumbrance budget).

On page 33 the Cumulative Expenditures by Month for Four Fiscal Years begins which provides information concerning the actual and projected expenditures for fiscal year 2007-2008 compared to the actual cumulative expenditures by month for the prior three years. In addition, a Comparative Ratio of Monthly Expenditures to Total Expenditures is presented beginning on page 34 to provide the actual expenditures and relative percentages by month for the current and three prior fiscal years for comparative purposes. Actual expenditures are .1 percent above projections for the three-month period ended September 30, 2007.

Summary and detailed budget reports are available for each school, department, and other budgetary unit on IFAS on-line with current up-to-date data. This information is available to assist in daily operations.

CC/JS/CS

Attachment

Prepared by: Chad Stiteler, Controller

Approved by: Janet Stokesbary, Chief Financial Officer