

ANCHORAGE SCHOOL DISTRICT  
ANCHORAGE, ALASKA

ASD MEMORANDUM #81 (2009-2010)

November 9, 2009

TO: SCHOOL BOARD

FROM: OFFICE OF THE SUPERINTENDENT

SUBJECT: TREASURER'S REPORT/FINANCIAL RECAP:  
September 30, 2009

*ASD Goal: The Business Management Division supports the mission of the district and will be highly effective, efficient and responsive to internal and external customers through ensuring public accountability and financial health through public planning and adherence to long-term strategic goals via timely, relevant and accurate financial reporting consistent with generally accepted accounting principles.*

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 report as a whole includes year-to-date information as of September 30, 2009

I. GRAPHIC OVERVIEW

The graphic overview provides summary information on the district investments. These 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.

Included on page 1 of the report is a graph representing the types of investment instruments held by the district as of September 30, 2009, except for the Student Activities Fund. In addition, a monthly comparison of cumulative interest earnings for fiscal year 2008-2009 and fiscal year 2009-2010 is presented on page 2. As of September 30, 2009, the district had invested \$93.822 million in the Municipal Investment Pool, \$27.315 million in U.S. Government Securities, \$13.161

million invested in repurchase agreements, \$9.412 million in commercial paper, \$.903 million in certificates of deposit, totaling \$144.613 million invested.

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 prior fiscal year.

## 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, 2009, and a summary of the investment transactions completed September 1 through September 30, 2009 and all investments held at the end of the month, including a separate report for the Municipal Investment Pool.

The demand deposits in the General Fund as of September 30, 2009 reported negative funds available of (\$1,189,384) 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.

The total amount of investments on hand at September 30, 2009 was \$144,613,465 and the combined total of these liquid assets consisting of the demand deposits and investments were \$143,424,081. A schedule of investments is presented on pages 5 through 7.

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 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 district transacted 79 direct investments during the month of September. The specific direct investments purchased are presented commencing with page 8 of the Treasurer's Report. The anticipated earnings for these new investments are \$51,647 which will be recorded in the General, Capital Projects and Debt Service Funds. 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.

Board Policy also provides that the district can request the municipality to invest

funds on its behalf following the investment policy in the Municipal Code which allows for additional investment types that typically provide higher yields in secure investment vehicles. The Municipality of Anchorage created the Municipal Investment Pool as a vehicle to enhance interest earnings for the municipality and district through investing non-restricted funds into a pooled environment held in trust and managed through three 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 ASD board Policy 724.32 and Anchorage Municipal Code 06.50.030 as required.

For the month of September, the Municipal Investment Pool did post an investment gain. This includes unrealized gains and losses that are based on the value of the investment at the month end. These unrealized gains and losses that affect the district's portfolio are primarily "paper entries" that show the difference in the current fair value and the purchase price that remain until either the investment matures or defaults. Significant market adjustments can greatly influence this value on a daily basis, but true gains and losses only occur if the investments are sold above or below the original purchase value. The change in market value is recorded as a gain or loss along with all other earnings accumulated each month as investment income. The current yield to maturity on bonds held at month-end was 2.22 percent.

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 \$117,291,601. Based on necessary cash needs, withdrawals occurred in the month in the amount of \$23,920,000. The ending market value of \$93,821,872 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 total investment income recorded from the Municipal Investment Pool for the month end was positive in the amount of \$450,271. The average daily balance of the district's pooled investments for the month was \$108,751,634.

In summary, the district's investment performance for fiscal year 2009-2010 year-to-date is shown by the following portfolio yield calculations located on page 11:

- The Weighted Average Interest Rate for investments purchased during September was 1.58 percent.
- The Yield to Maturity represents the yield if all investments are held to their maturity date. This is a combined yield for the direct investments and the Municipal Investment Pool. For the month of September 2009, the Yield to Maturity is 2.21 percent.

- The Year-to-Date Cumulative Yield represents the weighted average yield of all investments purchased by the district since July 1, 2009. On September 30<sup>th</sup>, the Year-to-Date Cumulative Yield was positive 7.40 percent. Unrealized interest earnings and changes in fair market value from July and August provided two-thirds of the total interest income recorded to date for the fiscal year providing for such a high yield.

## II. FINANCIAL RECAP

The Financial Recap is a summary of revenues, expenditures and encumbrances for the current fiscal year through September 30, 2009. 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 \$19.067 million. Year-to-date 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 Financial Recap includes information on all funds included in the district upper limit spending authority, and the Capital Projects Fund which is funded primarily by general obligation bond sales that are authorized by voter-approved propositions.

The upper limit spending authority for the district includes the General, Local/State/Federal Grants, Student Nutrition and Debt Service Funds. These four funds are presented as the ASD 2009-2010 Financial Plan to both the school board and assembly for approval prior to the start of the fiscal year. The school board approved the financial plan and a first revision with ASD Memorandums 2008-2009 #198 and #357. The Anchorage Assembly initially reduced the submitted financial plan (A0 No. 2009-17(S)); however, Acting Mayor Claman vetoed the assembly's action thereafter. No further action was taken on the submitted plan and therefore it was accepted as initially submitted according to AMC 6.10.080D. The school board (2009-2010 ASD memorandum #2) and assembly (AR-2009-162(S)) both passed a significant revision to the upper limit spending authority on July 30, 2009 and August 11, 2009, respectively. Upon the revision, the 2009-2010 upper limit spending authority for the four funds was set at \$830,840,080.

The bulk of the revision was to approve the final dollar amount of funds provided

to the district through the American Recovery and Reinvestment Act of 2009 (ARRA). These ARRA funds will provide for the district \$59,644,426 in additional grant funding through September 2011. The purpose of these funds is to provide a unique opportunity to jump start school reform and improvement efforts while also saving and creating jobs and stimulating the economy. These one-time funds are being spent to improve student achievement, long-term gains in our school system, and increased productivity and effectiveness. The district will determine program effectiveness of both ARRA-funded programs and existing district programs prior to the expiration of the funding to ensure maximum benefit that can be achieved in continuing the school boards goals with all programs retained. The district has received funding through ARRA in eight specific grant awards. At September 30<sup>th</sup>, many positions and programs have been implemented, but expenditures are minimal as projects did not receive state authorization until August.

The General Fund is the fund that the bulk of the district's activity occurs in. The revised budget for the General Fund for 2009-2010 was approved at \$598,467,232. Funding is divided into three categories, local, state, and federal revenues.

Local revenue increases over the prior fiscal year occurred through an increase in local tax appropriation from the Municipality of Anchorage of approximately \$13.4 million. Investment income was budgeted lower than the previous year because of the volatility in the markets, but with existing financial market conditions, actual investment income should exceed the budgeted amount.

This year is the second funding year of legislation stemming from the Joint Legislative Education Funding task force from the summer of 2007. The task force recommendations were passed in House Bill 273 in the second session of the 25<sup>th</sup> Alaska State Legislature and signed by the governor shortly thereafter. The significant changes in funding provided by this passage occur through adjustments to the Alaska Public School Funding Program. The components of the bill that have significant effects for the Anchorage School District include:

- Significant adjustments to the intensive needs student funding by increasing the multiplier from 9 to 11 in fiscal year 2009-2010 and to 11 and 13 for the subsequent fiscal year.
- Increase in the base student allocation of \$100 this year and the following year.
- Recalibration of pupil transportation based off fiscal year 2006-2007 costs to include a consumer price index increase in order for funding to more closely match the increases in related expenditures.
- Expedition of school appropriations within the legislative sessions and for

future year, forward funding to allow for early hiring and more accurate future year budget allocations.

Additional items were included within the recommendations and HB 273 that had positive affects to the district and others around the state, including the phasing in of new district cost factors based on the ISER study completed in 2003. The district cost factors provide considerable funding for all other districts in the state, but Anchorage is used as the base for the cost factors and thus, no additional funding is received through the increased district cost factors.

Anticipated state revenues have increased over the final previous fiscal year state revenues by approximately \$5.1 million because of the increases to the public school funding program listed above. The \$5.1 million increase is the net increase offset by reductions in the state paid employer retirement system relief funding for this year. As the retirement systems overall level of funding increases, less employer relief funding will be required to make up the under-funded past service component, which will result in yearly reductions to the employer relief funding from the state until the actuarially required rate equals the normal cost rate for current members of the systems.

The official state student count period was significantly higher than projected in the budget, which means that actual Alaska Public School Funding Program revenues will be greater than budgeted, although final student count numbers, and funding will not be final until later in the year.

Additionally, the state is again offering a reimbursement program for the federal Medicaid Administrative Claiming survey and the district is participating; this will amount to revenue that was not budgeted for the year, but the amount is unknown at this point. Similar programs in the past provided as much as \$1.1 million in revenue.

Other federal revenue remained similar to the budgeted amount of the prior fiscal year in total. Impact aid funding varies slightly from year to year but is ultimately based on prior year enrollment so the budgeting of funds is allocated as such.

General Fund revenue and expenditure budgets and actuals are presented in summary categories starting on page 12. Reports including a variety of detail are provided for both revenues and expenditures in subsequent pages.

Included in these reports are the fiscal year 2009-2010 revised budget of \$598.467 million and the prior year encumbrance budget of \$19.067 million to combine to the General Fund working budget in the amount of \$617.534 million. The

cumulative actual GAAP expenditures and encumbrances for the three-month period ended September 30, 2009 were \$114.412 million or 18.5 percent of the \$617.534 million working budget.

On page 32 the Cumulative Expenditures by Month for Four Fiscal Years begins which provides information concerning the actual and projected expenditures for fiscal year 2009-2010 compared to the actual cumulative expenditures by month for the prior three years. Actual expenditures are .1 percentage points below projections for the three-month period ended September 30, 2009 which is materially within expectations and projections. In addition, a Comparative Ratio of Monthly Expenditures to Total Expenditures is presented beginning on page 33 to provide the actual expenditures and relative percentages by month for the current and three prior fiscal years for comparative purposes.

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

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Approved by: Janet Stokesbary, Chief Financial Officer