

Delphi Financial Analysis

Prepared by

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Administrator Assistance

DISCLAIMER

- Administrator Assistance was contracted by the Delphi Community School Corporation to conduct a financial analysis of the school district. The district was interested in understanding the current financial condition of the district. Ed Eiler of Administrator Assistance served as consultant and completed the analysis.
- In preparing the analysis the consultant examined the financial records of the school corporation in their present condition and met with and discussed several financial issues with the superintendent and interim treasurer. The analysis does not include an analysis of staffing or programs; but rather, focuses solely on the financial operations of the district. The analysis is not an audit and does not attempt to review the complete business practices of the district to ensure compliance with all state and federal laws, rules, or regulations. The analysis represents the opinion of the author. Any decisions made after reading the opinion should only be undertaken by the superintendent and the board of school trustees of the Delphi Community School Corporation after consultation with and the approval of legal counsel.
- The consultant would like to thank the board and superintendent of the Delphi Community School Corporation for the opportunity to work with them and expresses his appreciation to the superintendent, interim treasurer and school staff who provided valuable feedback and assistance.

CASH FLOW

During 2018 the school district's total expenses excluding federal funds were \$853,590 in excess of recurring revenue. These expenses were offset by carryover cash balances and \$562,658 in Rainy Day Funds. In addition the levy in the Debt Service Fund in 2019 was \$330,064 less than the levy in 2018. This was due to changes in the debt structure of the school district, the timing of payments and the allowable operating balance. As a point of clarification, it appears when the previous treasurer prepared the budget the debt payment for the 2018 General Obligations Bonds was unknown and the treasurer used an estimated payment amount of \$500,000. The DLGF certified the actual amount was \$248,868 higher, allowed an operating balance of that amount and indicated the district would need to advertise an additional appropriation. The combination of the 2018 expenditures and reduced debt levy meant the district's cash position would be \$1,102,458 less than in 2018. Expenditures versus revenue to date in 2019 and the fact that federal funds are reimbursed after expenses have added to cash flow issues. The previous treasurer's cash flow projection shows a negative balance in the Education and Operation Fund in October of \$437,741. The cash flow projection shows November expenses in those funds of \$1,085,548. The maximum accumulative cash flow deficit for those two funds total \$1,523,289. While the Debt Service Fund cash balance may help reduce the need for cash a little, the cash position of the other corporation funds including federal funds may largely offset such funds.

Rainy Day Fund

- 1782 Budget Order \$734,398
- Cash Balance 12/31/2018 \$581,739
- Present Balance \$538,863
- Leader in Me \$ 30,000
- Cash Available in 2018 \$508,863
- **Reduce Appropriation to \$508,863**
- Use for Education Fund Expenses
- Check Rainy Day Fund Resolution to determine whether the resolution needs to be changed

DEBT SERVICE

APPROPRIATION

- Budget Order **\$1,487,136**

REVENUE

- 12/31 Cash Bal \$ 539,202
- Misc Revenue \$ 134,380
- Prop Tax \$ 1,119,093
- Total **\$ 1,792,675***

- Could be reduced by percentage of property tax collected

DEBT SERVICE

EXPENSES

- Bond Payments \$1,735,254
- Loan Interest \$ 10,500
- Total \$1,745,754

ACTIONS NEEDED

- Need an additional
- Appropriation of \$ 258,616

PENSION BONDS

APPROPRIATION

- Budget Order \$188,480

REVENUE

- 12/31 Cash Bal \$ 104,710
- Line 8b \$ 17,383
- Property Tax \$ 144,761
- Total \$ 266,854*

- * Could be reduced by percentage of property tax collected

PENSION BONDS

EXPENSES

- Bond Payments \$ 188,480

ACTIONS

- No additional measures are needed

Education Fund

APPROPRIATION

- Budget Order \$8,483,067
- Chart of Accts \$7,950,215
- No evidence of any encumbrances

REVENUE

- Cash Bal 12/31 \$ 5,937
- Line 8b 2019 Rev \$9,414,019
- Subtotal \$9,419,956
- Trf to Operations \$1,560,000
- Net Educ Funds \$7,859,956

Education Fund

PROJECTED EXPENSES

- 1/1-6/30 \$4,576,062
- Previous Treasurer's est. \$4,577,395
- - Ix Expenses \$ 365,000
 - Spec Ed & HSA
- -Trf to Oper \$ 125,000
- Lower TRF \$ 30,000
- Last 6 mos exp \$4,056,062
- Previous Treasurer's est. \$3,702,500
- Total Expenses \$8,632,124
- Revenue \$7,859,956
- NEED \$ 772,168

ADDRESSING THE NEED

- Rainy Day \$508,863
- Reduce transfer
- To Operations by \$265,000
- New transfer total would be \$1,295,000
- Ed Fund Appropriations \$8,124,956

OPERATIONS FUND

APPROPRIATIONS

- Budget Order \$4,561,650
- Encumbrances
- Bus Purchase \$ 133,827
- CPF \$ 318,910
- Max Approp **\$5,014,387**
- Chart of Accts \$5,437,529
- **Chart of Accounts will need to be reduced to match revenue available**

REVENUE

- Line 8b \$1,912,555*
 - * Includes \$1,560,000 ed trf
- 12/31 Cash \$ 225,662**
 - **(CPF, Trans & Bus Purchase)
- Prop Tax \$2,935,995
- Total **\$5,074,212**
- Reduced Transfer
 - \$265,000
- Max Revenue **\$4,809,212*****
***Will be reduced by circuit breaker and percentage of collection actually received

OPERATIONS FUND

EXPENSES

- 1/1-6/30 \$2,487,080
- Previous Treasurer's est. \$2,298,427
- 1x Expenses -\$ 416,952
 - \$256,952 prop/casualty ins, bus & vehicle purchase)
 - \$115,000 less equip purchase
 - \$145,000 Less Emergency Allocation
- Last 6 mos exp \$2,070,128
- Previous Treasurer's est. \$1,943,468
- Solar Payment \$ 251,879
- Total Expense **\$4,809,087**

ACTIONS NEEDED

- Limit Equipment Purchase
- \$1,170,000 needs to be transferred from the Education Fund to the Operations Fund the balance of the year.
- Monitor property tax collections will likely be ca. \$100,000 less due to circuit breaker

2020

- Education Fund
- Reduction in transfer to Operations Fund of \$265,000 needs to become a permanent reduction
- Teacher Retirement Fund Reduction should reduce expenses by another \$30,000
- Non recurring HSA contribution would reduce expense \$165,000
- Staffing Adjustments would result in reduced expenses of \$40,000

- Operations Fund
- Transfer solar payments to debt service. Would offset the lack of 12/31 cash balance & results in further reducing transfer to Operations Fund by an amount of payment \$263,000.
- Issue Bond for the purchase of any buses, all equipment including technology and major repairs, remodeling or renovations with aim that the purchase of buses and equipment from the bonds instead of the Operations Fund would equal at least \$360,000. Sell as taxable bond to recover previous expenses to increase reserves.
- Bond counsel needs to be consulted to determine the steps to be followed, the timing of when these steps could be accomplished.

Present & Future Need

- Cash Flow Analysis needs to be done
- Tax Anticipation Warrants need to be issued
- Banks need to be reconciled to Funds
- Reports need to be run at the same time at the end of the month
- Board need to review Fund Balances and Appropriation Summaries monthly