JOHNSTON COMMUNITY SCHOOL DISTRICT
ANNUAL FINANCIAL HEALTH REPORT

Prepared by
Jan Miller-Hook

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JOHNSTON
COMMUNITY
SCHOOL DISTRICT
Excellence In Education

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Note: Those highlighted represent the seven general fund key financial indicators recommended by IASB.

Financial Indicators Executive Summary:

This report references the General Fund only.

The district's overall financial condition remained fairly stable fiscal year 2014 due to increased funding from the state coupled with no textbook adoption costs. The Board has been diligent in increasing financial solvency through the board's decision to deliberately levy additional cash reserves. Over the last ten years, the district has gone from a negative 6.3% financial solvency to a positive 6.7% financial solvency. There have been ups and downs with the solvency ratio because of demands of a growing district with a new elementary in fiscal 2008, low funding from the state which included across the board cuts for fiscal 2009 and 2010, and then very low funding from the state fiscal years 2011-2013 which included 0%, 2%, and 2% allowable growth funding. State funding then increased fiscal year 2014 with 2% allowable growth and a one time 2% state allocation. While fiscal year 2015 includes 4% supplemental aid (new term for allowable growth) and budget reductions were made, the district will still need to monitor and adjust recurring expenses such as salaries and benefits which represent over 80 percent of the operating budget.

The general fund balance and financial solvency ratio stayed fairly constant with an increase of $233,380 to the general fund and a change in financial solvency from 6.8% to 6.7%. Restricted fund balances increased $57,509, and represent fund balances that can only be spent for specific purposes.

Board policy has a financial solvency ratio target of 5-15% with 10% as a minimal goal, and unspent target of 5-15%. Toward this goal, the cash reserve levy of $1,511,364 was included in the board's actions in a desire to maintain/ increase the financial solvency ratio, fund annual allowable growth, and protect the district against unfunded allowable growth.

At the end of fiscal 2014, the District has a positive fund balance, financial solvency ratio within the target but decreasing slightly, and unspent balance within the target but decreasing. Looking out beyond fy 14, it will be necessary to continue levying cash reserves to increase and maintain acceptable levels within the financial indicators, and monitor and adjust recurring expenses such as salaries and benefits to maintain acceptable unspent balance.

Financial Indicators Summary Sheet

	2010	2011	2012	2013	2014
Balance Sheet Comparison					
Assets	5.1%	11.1%	-0.5%	1.0%	3.1%
Liabilities	6.8%	2.7%	-5.0%	8.2%	2.9%
Fund Balance	-11.4%	109.2%	25.2%	-30.5%	4.9%
Rev. & Expend. Comparison					
Revenues	5.5%	11.1%	1.2%	-0.4%	6.7%
Expenditures	5.4%	5.2%	3.9%	5.5%	2.7%
Fund Balance	-11.4%	109.2%	25.2%	-30.5%	4.9%
Current Ratio, Measures Short-term Solvency	108.5%	117.4%	122.9%	114.7%	115.0%
Day's Net Cash Ratio Short Term Solvency (Days)	48	68	72	64	61
Financial Solvency Ratio , District Equity Position	3.6%	8.1%	10.1%	6.8%	6.7%
Percent Revenues Spent	100.6%	95.3%	97.7%	103.4%	99.6%
Annual Unspent Ratio	0.42%	2.15%	-1.41%	-2.46%	-0.83%
Fund balance to unspent balance, Measures fiscal health.	-65%	-38%	-14%	-26%	-19%
Unspent Balance Ratio, Unbudgeted Spending Reserves:					
Regular	12.1%	13.3%	11.8%	9.3%	8.4%
Unreserved	10.9%	12.1%	10.4%	8.2%	7.2%
Employee Cost Ratio	81.5%	81.3%	82.0%	82.0%	82.0%

Description of Financial Indicator Ratios

Current Ratio (CR):
The current ratio is one of the most widely used measures of short-term liquidity for both public and private sector organizations. It is used to predict the school's ability to meet its current obligations from current assets from continuing operations. The operational equation is: current ratio=current assets/current liabilities. The minimum target range for this indicator is 1.0. An indicator of less than 1.0 would indicate a condition where the district has more current liabilities than assets.

Day's Net Cash Ratio (DCR):
The Day's Net Cash Ratio is typically calculated at the end of a fiscal period and gives a good indication of how long a district can operate without the additional infusion of revenue. One of the limitations of this indicator is that district expenditures are most generally made in large amounts on only a few days each month such as monthly payroll. At the same time, most schools receive revenue in large amounts only a few times per month such as state aid that is received once a month September through June. The timing of these receipts and expenditures is important to maintaining effective business operations. For this reason, the Day's Net Cash Ratio is important. Inadequate cash on hand to service expenditure obligations requires the school to borrow funds creating added debt expense not directly tied to student instruction. However, an over abundance of cash could be construed as excess accumulation of cash from community taxpayers. The operational equation is: day's net cash ratio=cash + investments/total general fund expenditures/365. The target range for this indicator is 90 to 120 days. In Iowa, it is especially important to note that state foundation aid to schools ends each fiscal year in mid-June, and the first payment for the new fiscal year does not begin again until mid-September, a full 90 day gap.

Employee Cost Ratio (ECR):
Because education is a service based industry, staffing costs represent the single largest category of general fund expenditures for school districts. This ratio illustrates important trend changes in staffing costs as a percent of general fund expenditures. Historically, budget data show districts spending 75-85% of their general fund on staff related costs. The operational equation is: wages plus benefits/general fund expenditures.

Financial Solvency Ratio (FSR):
This is a measure of financial health that was revised in 2011 for current terminology regarding fund balances. The ratio of unassigned plus assigned general fund balance to actual revenues is defined in the following operational equation: financial solvency ratio=unassigned plus assigned general fund balance/general fund revenues-AEA flow thru. The target ranges and classification criteria establish the following: (a) target solvency position equals 5.00%-10.00%, (b) acceptable solvency position equals 0.00%-4.99%, (c) solvency alert equals -3.00%--.01%, and (d) solvency threat equals less than -3.00%.

Unspent Balance Ratio (UBR):
The Unspent Balance Ratio measures the amount of cumulative district spending authority not spent at the end of each fiscal year. This ratio is unique to Iowa schools. Iowa schools are funded according to a state formula, which is different than any other in the country. Because spending authority is vitally important to the financial health of any Iowa district, it must be included as an indicator to assess fiscal health. Department of Management provides data for this indicator on the report titled Unspent Balance Calculations. The operational equation is: unspent balance ratio=unspent cumulative spending authority/maximum budget authority. The target range for this indicator logically is roughly equal to that of fund balance, and the minimum suggested target should be 5%.

Balance Sheet Comparisons
General Fund Only

	fy10	fy11	fy12	fy13	fy14	$ Change	% Change
Assets:							
Cash & Investments	$ 7,181,400	$ 10,765,509	$ 11,932,103	$ 11,122,579	$ 10,863,544	$ (259,035)	-2.3%
Receivables	26,393,321	26,526,224	25,166,113	26,348,117	27,792,780	$ 1,444,663	5.5%
Inventories	49,222	42,426	47,836	49,391	44,569	$ (4,822)	-9.8%
ISCAP	-	-				$ -	-
Other Assets	2,375	15,750	-	7,900	3,295	$ (4,605)	-58.3%
Total Assets	33,626,318	37,349,909	37,146,052	37,527,987	38,704,188	$ 1,176,201	3.1%
Liabilities:							
Payables	959,621	1,473,839	1,068,361	1,162,946	1,346,255	$ 183,309	15.8%
Payroll	5,168,407	5,922,269	6,108,082	6,617,948	6,584,939	$ (33,009)	-0.5%
Other Liabilities	24,854,992	24,424,405	23,048,525	24,935,452	25,727,973	$ 792,521	3.2%
Total Liabilities	30,983,020	31,820,513	30,224,968	32,716,346	33,659,167	942,821	2.9%
Fund Balance:							
Restricted	758,352	807,541	922,952	791,882	849,391	$ 57,509	7.3%
Unassigned	1,884,946	4,721,855	5,998,132	4,019,759	4,195,630	$ 175,871	4.4%
Total Fund Balance	$2,643,298	$5,529,396	$6,921,084	$4,811,641	$5,045,021	233,380	4.9%

Note: The large receivables and payables include fy15property taxes certified by the county auditor. GASB reporting requires the inclusion of these taxes when certified.

Revenue & Expenditures Comparison
General Fund Only

	fy10	fy11	fy12	fy13	fy14	$ Change	% Change
Revenues:							
Local tax sources	$ 22,939,945	$ 23,708,820	$ 24,192,193	$ 22,964,453	$ 24,611,063	$ 1,646,610	7.2%
State sources	23,395,100	27,909,198	30,702,657	31,648,589	33,865,879	$ 2,217,290	7.0%
Federal sources	4,060,405	3,729,793	1,690,636	1,765,183	1,898,661	$ 133,478	7.6%
Other local sources	4,307,231	5,438,512	4,959,341	4,932,018	5,017,799	$ 85,781	1.7%
Total revenues	54,702,681	60,786,323	61,544,827	61,310,243	65,393,402	4,083,159	6.7%
Expenditures:							
Instruction	37,446,848	39,538,924	41,509,827	44,266,367	45,235,757	$ 969,390	2.2%
Support services	15,290,722	15,923,345	16,284,483	16,874,724	17,495,218	$ 620,494	3.7%
Noninstructional	116,426	117,099	122,585	35,760	45,200	$ 9,440	26.4%
Other expenditures	2,187,815	2,320,857	2,236,244	2,307,835	2,448,847	$ 141,012	6.1%
Total expenditures	55,041,811	57,900,225	60,153,139	63,484,686	65,225,022	1,740,336	2.7%
Operating Transfers	-	-		65,000	65,000	$ -	
Upward Adjustment	-	-				$ -	
Changes in fund balance:	(339,130)	2,886,098	1,391,688	(2,109,443)	233,380	$ 2,342,823	
Excess(deficiency) of Revenues and Expenditures	(339,130)	2,886,098	1,391,688	(2,109,443)	233,380	2,342,823	

Contribution Ratio General Fund

Formula: **Line Source Revenue / Total Revenue**

Year	2010	2011	2012	2013	2014
Local	$22,939,945	$23,708,820	$24,192,193	$22,964,453	$24,611,063
State	23,395,100	27,909,198	30,702,657	31,648,589	33,865,879
Federal	4,060,405	3,729,793	1,690,636	1,765,183	1,898,661
Other	4,307,231	5,438,512	4,959,341	4,932,018	5,017,799
Total	$54,702,681	$60,786,323	$61,544,827	$61,310,243	$65,393,402

Year	2010	2011	2012	2013	2014
Local	41.9%	39.0%	39.3%	37.5%	37.6%
State	42.8%	45.9%	49.9%	51.6%	51.8%
Federal	7.4%	6.1%	2.7%	2.9%	2.9%
Other	7.9%	8.9%	8.1%	8.0%	7.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Purpose: Measures local taxation effort

Trend: N/A

Target: N/A

Need/Concern: As a district's property tax wealth grows, the school aid formula shifts financial responsibility from the state to the local district.

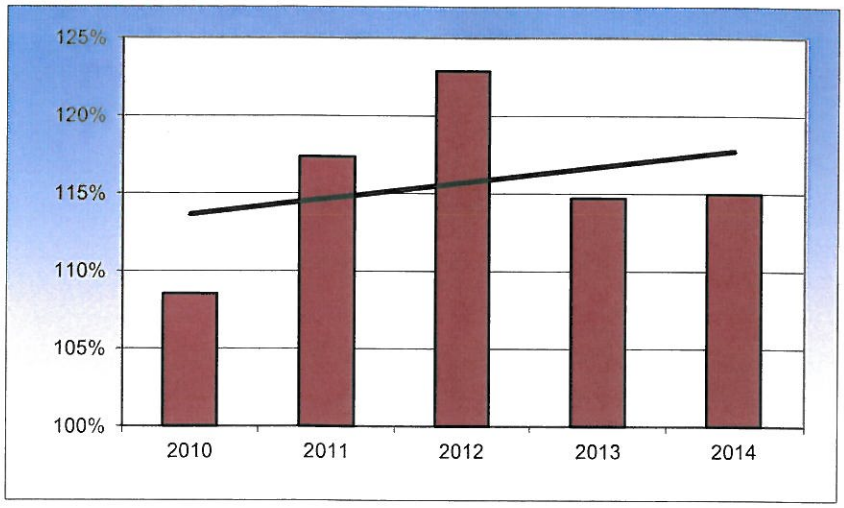
Corrective Action: N/A

Current Ratio

Formula: $\dfrac{\text{Current Assets}}{\text{Current Liabilities}}$

Financial Information and Computation:

Year	2010	2011	2012	2013	2014
Assets	$ 33,626,318	$ 37,349,909	$ 37,146,052	$ 37,527,987	$ 38,704,188
Liabilities	$ 30,983,020	$ 31,820,513	$ 30,224,968	$ 32,716,346	$ 33,659,167
Ratio	108.53%	117.38%	122.90%	114.71%	114.99%



Purpose: Measures short - term solvency

FY 14 not much change due to increased state revenue and not textbook adoption

Target: Greater than 100%

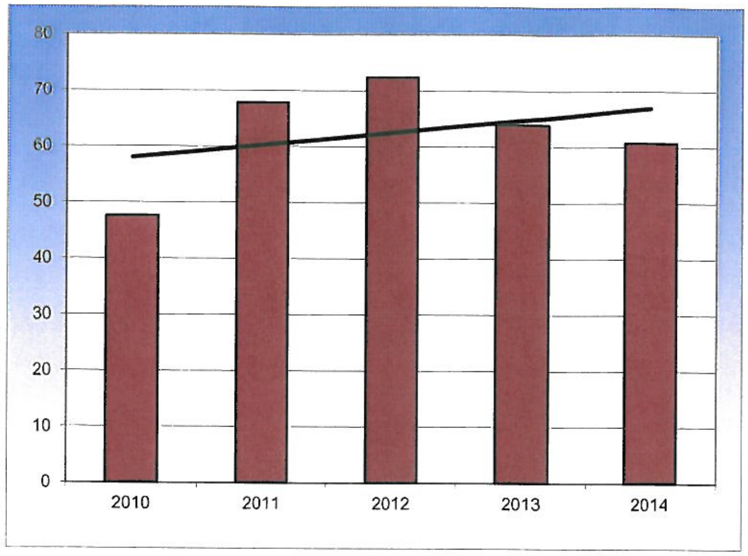
Need/Concern: When the assets/liabilities ratio is below 1, the district does not have the ability to pay off all current liabilities. Outside financial companies use this as a measure of financial health. The ratio needs to be greater than 1 to obtain the best bond rating possible.

Formula: $\frac{\text{Cash \& Investments}}{\text{Average Daily Cash Expenditures}}$

Day's Net Cash Ratio

Financial Information and Computation:

Year		2010	2011	2012	2013	2014
Cash & Investment		$ 7,181,400	$ 10,765,509	$ 11,932,103	$ 11,122,579	$ 10,863,544
Total Expenditures		$ 55,041,811	$ 57,900,225	$ 60,153,139	$ 63,484,686	$ 65,225,022
Daily (365) Expenditures		$150,799	$158,631	$164,803	$173,931	$178,699
Ratio In Days		48	68	72	64	61



Purpose: Measures short-term solvency and ability to cash-flow expenditures without receiving additional revenue.

Trend: Upward

Target: 90 days

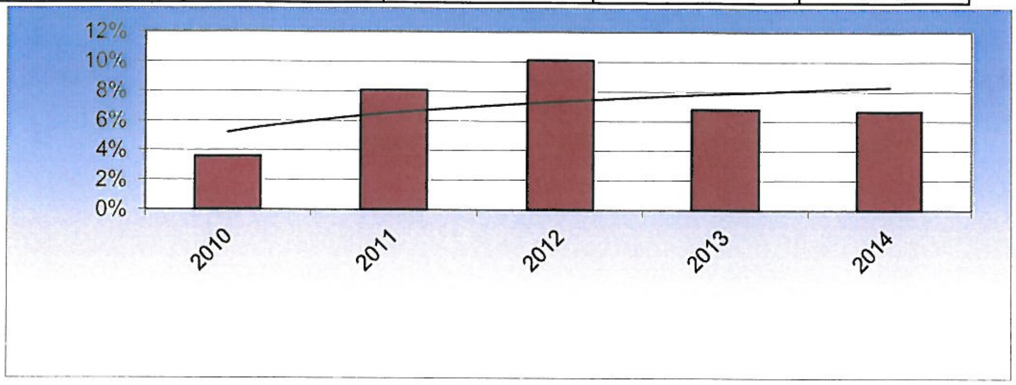
This indicator is below target but has improved in past years and will need to improve in future.

Corrective Action: Levy for cash reserve

Financial Solvency Ratio*

$$\frac{\text{Unassigned Fund Balance}}{\text{Total Revenue-AEA flowthru}}$$

Year	2010	2011	2012	2013	2014
UUFB	$ 1,884,946	$ 4,721,855	$ 5,998,132	$ 4,019,759	$ 4,195,630
Revenue	$ 52,514,866	$ 58,465,467	$ 59,308,542	$ 59,067,408	$ 63,009,555
F/S Ratio	3.6%	8.1%	10.1%	6.8%	6.7%



-Target Solvency Position, 5 - 10%

-Acceptable Solvency Position, 0 - 4.99%

-Solvency Alert, -3 - 0%

-Solvency Concern, -3% & lower

*As defined by the Iowa Association of School Boards, ISCAP Program.

Purpose: Measures the District's Fund Equity position

Trend: Reversed, climbing, opened TR FY08, 1.5% cut FY 09, 10% ATB cut FY 10 Ed Jobs funding FY11, FY11-12 science adoption and 0% allowable growth, decreasing FY13 increased operating costs including adoption, low funding. Fiscal 2014 increased state funding and no textbook adoption.

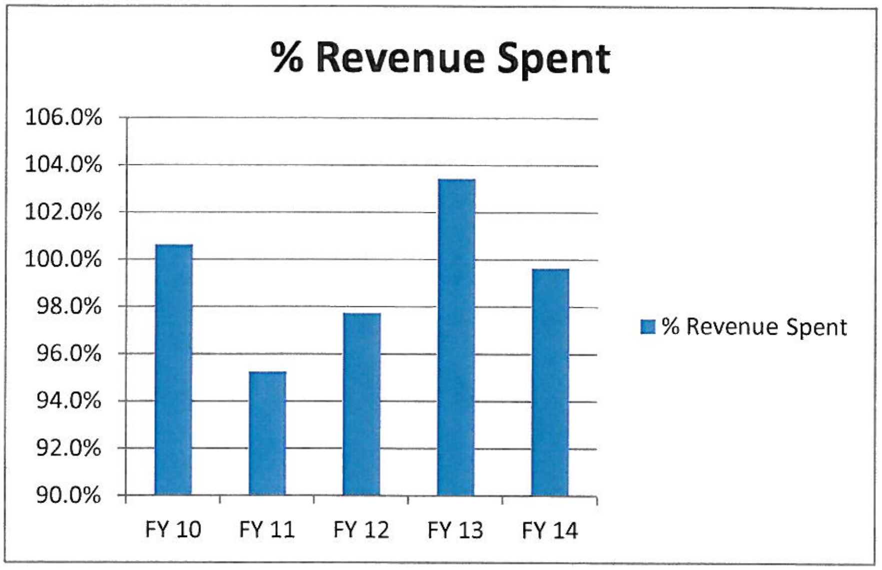
Target: Minimum of 5%, Goal 10%

Need/Concern: It was improving until the 10% ATB cut in FY10, increased due to ed jobs FY11, and continued to increase FY12 due to cash reserve levy (offset by 0% allowable growth and science adoption). However, FY13 was a large decrease due to textbook adoption and increased operating costs with inadequate state funding coupled with a lower cash reserve levy. Fiscal 2014 had increased state funding but no textbook expenses. Budget cuts were identified for FY15 to meet ongoing educational expenses.

Corrective Action: Continue to levy cash reserve, monitor and adjust recurring salary/benefit expenses

% Revenue Spent

	FY 10	FY 11	FY 12	FY 13	FY 14
Expenditures	55,041,811	57,900,226	60,153,140	63,484,686	65,225,022
Revenues	54,702,681	60,786,324	61,544,828	61,375,243	65,458,402
% Spent	100.6%	95.3%	97.7%	103.4%	99.6%



Purpose: To show if we are using all of our resources each year

Trend: FY 10 high due to ATB cut, then increasing to a high of 103.4% fiscal year 2013 and decreasing to 99.6% fiscal year 2014.

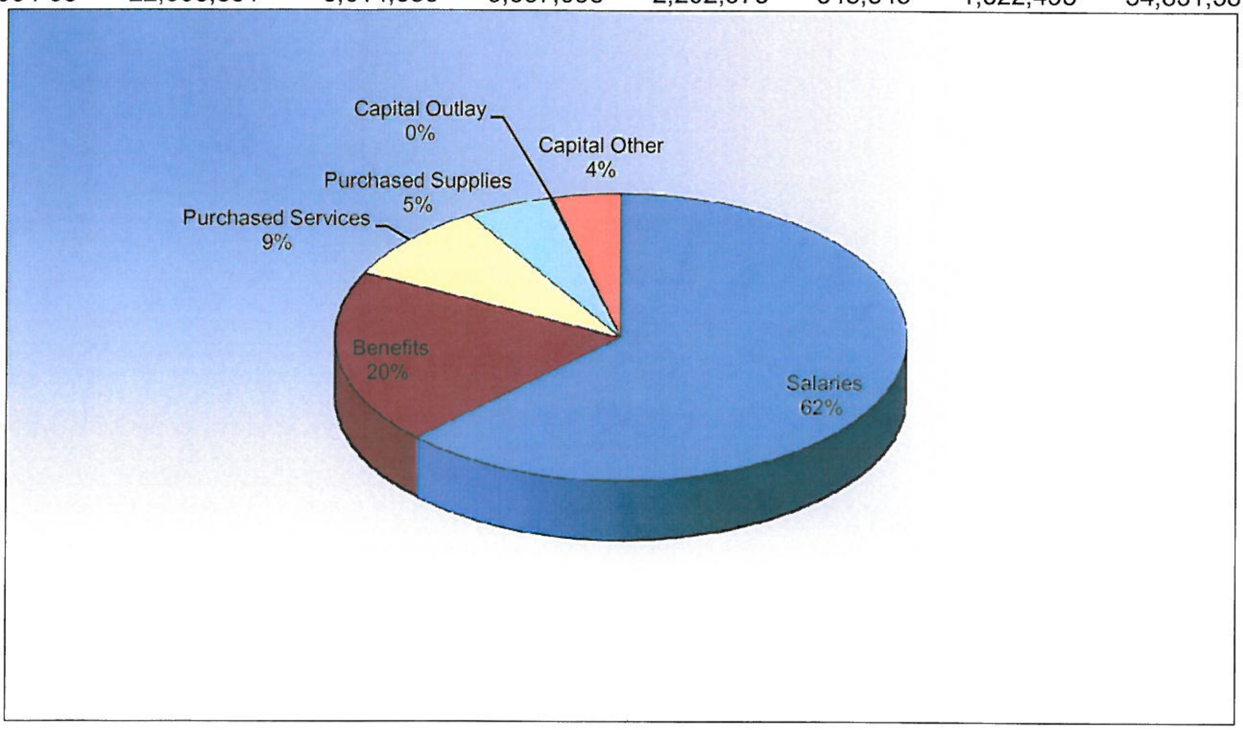
Target: Once solvency ratio goal is obtained, then stabilize at 100%

Need/Concern: Need to build up solvency ratio by spending less than 100% resource

GENERAL FUND DISTRICT EXPENDITURES, BY OBJECT

Last Ten Fiscal Years

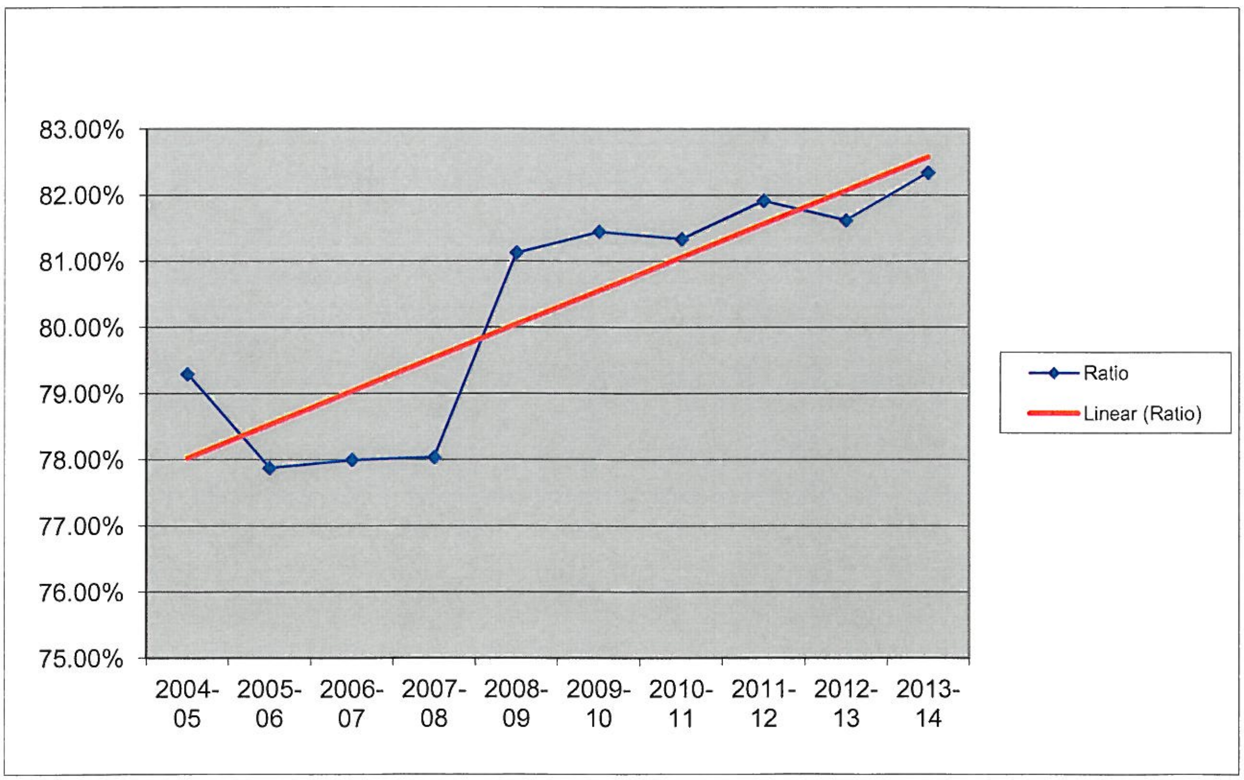
Fiscal Year	Salaries	Benefits	Purchased Services	Supplies	Capital Outlay	Other	Total
2013-14	$40,811,139	$12,901,044	$5,732,922	$3,189,519	$ 98,135	$2,492,263	$65,225,022
2012-13	39,792,304	12,028,192	5,277,632	3,874,187	123,294	2,389,077	63,484,686
2011-12	37,612,794	11,665,760	5,242,777	3,250,804	79,028	2,301,976	60,153,139
2010-11	36,399,406	10,697,119	4,919,049	3,400,912	92,771	2,390,968	57,900,225
2009-10	35,114,493	9,717,685	4,529,897	3,340,165	151,756	2,187,815	55,041,811
2008-09	33,335,004	9,043,043	4,292,116	3,400,335	140,791	2,021,673	52,232,962
2007-08	29,765,219	8,132,403	4,609,547	3,889,192	285,774	1,880,975	48,563,110
2006-07	26,536,568	7,201,396	4,257,673	3,220,967	352,435	1,685,718	43,254,757
2005-06	24,119,506	6,379,661	3,782,699	2,916,905	479,676	1,485,886	39,164,333
2004-05	22,005,891	5,614,383	3,337,095	2,202,975	348,548	1,322,495	34,831,387



Source: 2014 Certified Annual Report

Employee Cost Ratio General Fund
Last Ten Fiscal Years

Fiscal Year	Wages & Benefits	Total Expenditures	Ratio
2004-05	$ 27,620,274	$ 34,831,387	79.30%
2005-06	$ 30,499,167	$ 39,164,333	77.87%
2006-07	$ 33,737,964	$ 43,254,757	78.00%
2007-08	$ 37,897,622	$ 48,563,110	78.04%
2008-09	$ 42,378,047	$ 52,232,962	81.13%
2009-10	$ 44,832,178	$ 55,041,811	81.45%
2010-11	$ 47,096,525	$ 57,900,225	81.34%
2011-12	$ 49,278,554	$ 60,153,139	81.92%
2012-13	$ 51,820,496	$ 63,484,686	81.63%
2013-14	$ 53,712,183	$ 65,225,022	82.35%



Purpose: Determine if salaries and benefits are at levels that can be sustained.

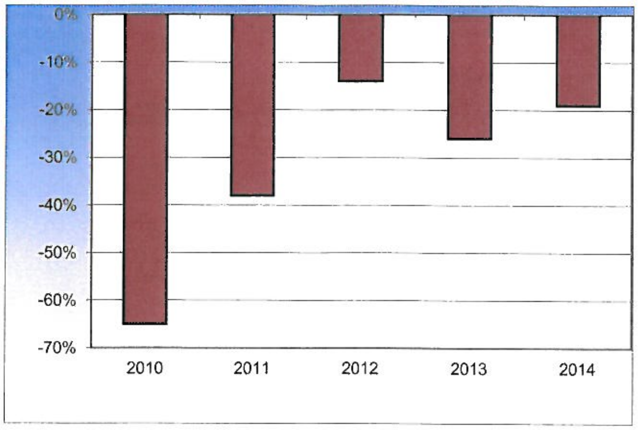
Trend: Trend has been close to 82% for last three years

Target: 79-82%, and stabilize

Need/concern: Salaries and benefits are at the high end of the range

Fund Balance vs. Unspent Balance

Year	2010	2011	2012	2013	2014
Unspent Balance	$ 7,603,216	$ 8,876,609	$ 8,042,698	$ 6,517,814	$ 5,982,645
Fund Balance	2,643,298	5,529,396	6,921,084	4,811,641	5,045,021
Percent funded	-65%	-38%	-14%	-26%	-19%



Purpose: Measures District's unfunded spending reserves

Trend: 10% ATB cut, Increased cash reserve/ed jobs funding FY11, and increased cash reserves FY12 offset by 0% allowable growth, no ARRA, and science adoption. FY13 further decrease due to lower cash reserve levy coupled with low 2% allowable growth, math adoption, and increased operating costs. FY 14 increased state funding and no textbook adoption had the effect of increasing the percent funded.

Target: District reserves (unspent balance) fully funded-at least 100%

Need/Concern: The district's lack of cash makes it difficult to spend reserves if it wishes to do so because it just compounds the borrowing situation.

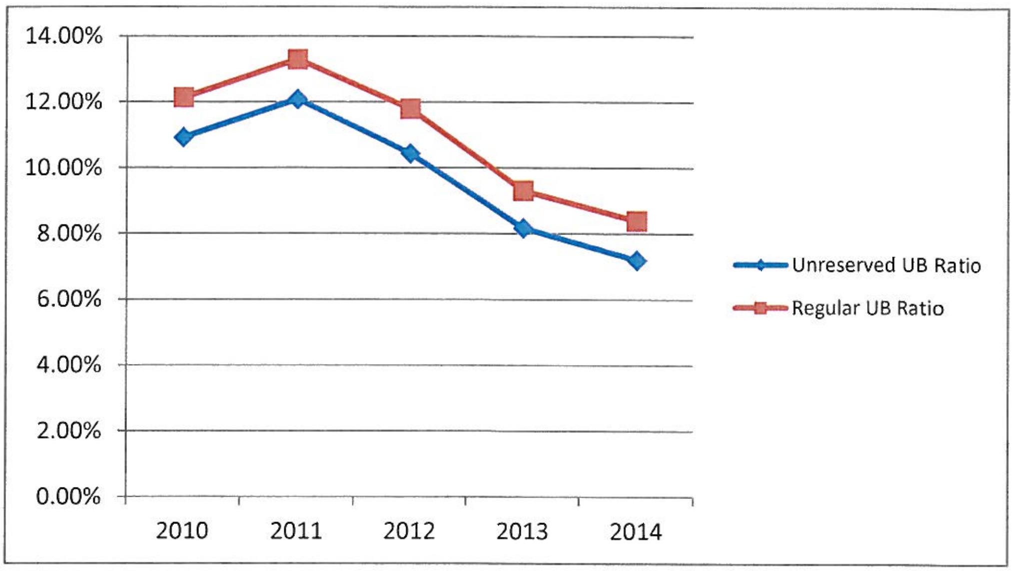
Corrective Action: Continue to levy cash reserve until 100% funded

Unspent Balance Ratio

Formula: $\dfrac{\text{Unspent Spending Authority}}{\text{Maximum Budget Authority}}$

Financial Information and Computation:

Year	Maximum Authorized	Regular Unspent Bal	Unreserved Unspent Bal	Regular UB Ratio	Unreserv. UB Ratio
2010	62,645,027	$ 7,603,216	6,844,864	12.14%	10.93%
2011	66,776,834	$ 8,876,609	8,069,068	13.29%	12.08%
2012	68,195,837	$ 8,042,698	7,119,746	11.79%	10.44%
2013	70,002,500	$ 6,517,814	5,725,932	9.31%	8.18%
2014	71,207,667	$ 5,982,645	5,133,254	8.40%	7.21%



*Estimated

Purpose: Measures the District's unbudgeted spending reserves

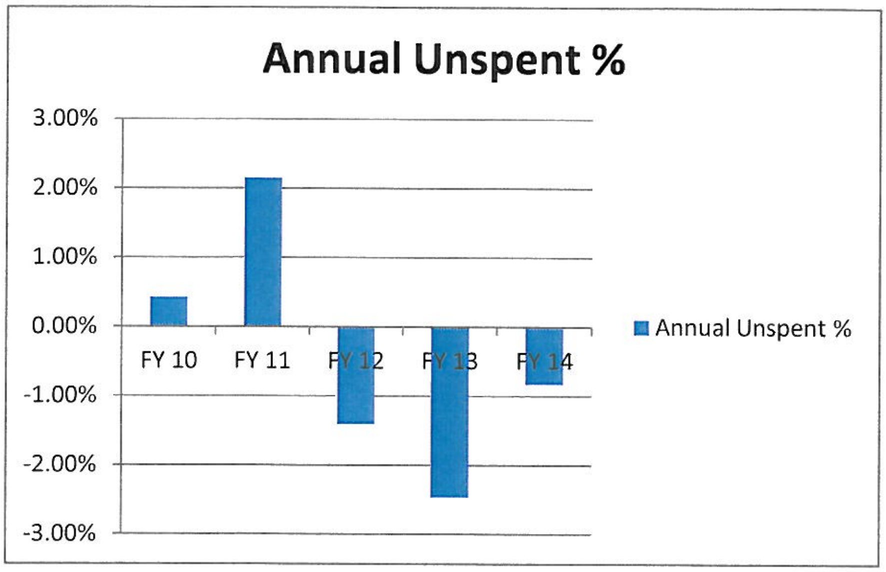
Trend: Downward

Target: Maintain authority within 5-15% target range

Need/concern: An adequate level of budget reserves are important so the District can respond to emergencies and student growth.

Annual Unspent %

	FY 10	FY 11	FY 12	FY 13	FY 14
Max. Authorized Budget	62,645,027	66,776,834	68,195,837	70,002,500	71,207,667
UAB Previous Year	7,370,385	7,603,216	8,876,609	8,042,698	6,517,814
Total Expenditures	55,041,811	57,900,225	60,153,139	63,484,686	65,225,022
	0.42%	2.15%	-1.41%	-2.46%	-0.83%



Purpose: Shows if district is spending all authority generated for given year, using prior years spending authority, or building levels too high

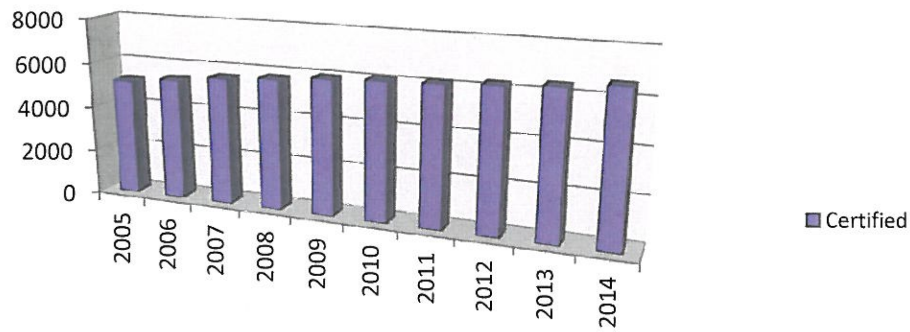
Trend: District has spent into prior years spending authority the last three years

Target: Build to UAB ratio goal, then stabilize at 0%

Need/concern: While FY14 decreased the spending authority less than previous year, this was without a textbook adoption.

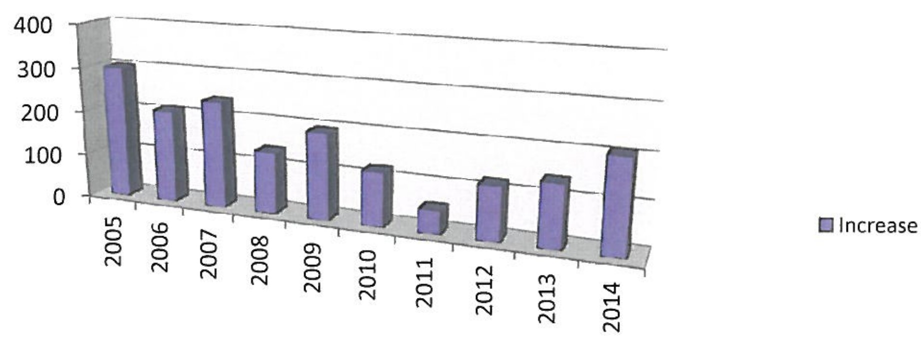
Certified Enrollment-Last Ten Years

Certified Enrollment



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Certified	5186	5395.7	5636.9	5776.3	5972.1	6094.3	6147.7	6269	6409	6617.1

Certified Enrollment



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Increase	300.4	209.7	241.2	139.4	195.8	122.2	53.4	121.3	140	208.06

Settlment History

Year	JEA TPI	JEA TPI	JESPA TPI	JESPA TPI	ADMIN TPI	ALLOW. GROWTH	NEW $
FY 03		4.68%		4.32%	3.70%	1.00%	6.30%
FY 04		4.50%		4.35%	4.30%	2.00%	6.72%
FY 05		4.61%		4.52%	3.90%	2.00%	7.28%
FY 06		5.87%		4.38%	5.28%	4.00%	10.15%
FY 07		5.90%		5.60%	4.90%	4.00%	10.40%
FY 08		5.32%		4.60%	5.20%	4.00%	8.20%
FY 09		5.45%		4.60%	5.20%	4.00%	8.64%
FY 10		3.62%		4.60%	3.20%	4.00%	6.60%
FY 11	**3.21%**	~~4.00%~~	**3.70%**	~~4.60%~~	0.00%	2.00%	5.50%
FY 12		3.16%		3.10%	2.00%	0.00%	2.00%
FY 13		3.91%		3.20%	3.00%	2.00%	2.90%
FY 14		3.94%		2.15%	3.00%	2.00%	4.00%
FY 15		3.49%		2.22%	3.00%	4.00%	6.30%