

**School Board Workshop:**

April 12, 2010

**Subject:**

Cash Flow Projection

**Presenter:**

Tina Burkholder

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**SUGGESTED SCHOOL BOARD ACTION:**

Cash flow report. No action required.

**DESCRIPTION:**

In order to determine if the District should borrow short-term, a cash flow projection is created each school year. The cash flow projection predicts how the cash will flow in and out of the District for the next year and a half for our operating funds: General Fund, Food Service Fund, and Community Ed Fund. The cash flow projection does not include the Debt Service Fund or the Building Construction Fund. On this projection, a couple assumptions were made:

- state revenues based on MDE's 2010-11 entitlement simulation report which includes the property tax shift of \$2.7 million and have 0% change,
- federal revenues remain flat,
- property tax revenue is according to the 2009 Payable 2010 report and increase 2.0% the following year,
- other revenues are the same and reflect a 0% change,
- payroll expenditures increase 3%,
- health insurance premiums increase 10%,
- accounts payable expenditures (supplies & utilities) increase 2%, and
- transportation expenditures increase 2.8%.

Last year the cash flow projection showed a negative balance starting in June 2010. What has changed? On the revenue side, the state and federal entitlement estimates were on the conservative side since MDE didn't come out with their aid entitlement cash simulation schedule until after the report was given. This report is already available for the 2010-11 school year and reflected in this projection.

For expenditures, the accounts payable expenditures are now projected to be closer to \$13.6 million versus the original \$15.4 million. The May 2008 and June 2008 transportation bills of \$272,000 were paid in 2008-09 year and not in 2007-08 thus inflated future expenditure totals. There was also a one-time billing correction in 2008-09 for special education transportation of \$67,000. In 2008-09, the District had \$370,000 in one-time technology money that wasn't continuing into 2009-10. Right now we are starting to look at the final version of the budget. I am also noticing less spending in the 09 activity accounts of approximately \$200,000 compared to the prior year as well as less spending in other accounts payable categories. I think the two rounds of budget reductions, in addition to the dim outlook, are having a larger effect on school spending. In general, we are seeing savings in our spending habits (ex: better pricing) and holding onto the funds we have.

We have time to confirm our cash flow projection and determine our short-term borrowing needs, but at this time it appears we are in good shape. As previously done in the past, I intend to send my cash flow projection to Ehlers. I plan to have a revised cash flow projection in May or June.

Attachments:

Attachment 1 – Cash Projection for 2010-11