ZIONSVILLE COMMUNITY SCHOOLS

MEMORANDUM

To: All Members, Board of School Trustees; Dr. Scott Robison, Superintendent
From: Michael A. Shafer, C.P.A., Chief Financial Officer
RE: Financial Update for the Board of School Trustees
Date: September 8, 2020

MESSAGE:

Attached please find the monthly financial reports for July 2020. The overall financial results remain within acceptable ranges for this point in the year. The Education and Operations Funds continue to exhibit some differences from budget projections caused by the COVID-19 pandemic and its assorted ramifications. We expect that in the next several weeks, as the costs to start up the school year impact our finances in a more direct way, we will be reporting more extensive purchases of specialized items (sanitizer, disinfectants, masks and personal protective equipment, and so on). Other costs and expenses associated with combatting COVID-19 (including extra cleaning, specialized software, and many others yet to be determined) are also likely to have increasingly large impacts on us.

The latest news on state funding is that there is no new data out yet. However, the State Budget Agency has stated in a memo that a new revenue forecast will be completed this month. We now know that the state has recouped a substantial portion of the $600 million income tax shortfall that resulted from the delay of the tax payment deadline from April to July. This does still leave the state around 8% below the revenue projection for the biennium to date. We will be very interested in the new revenue forecast when it becomes available.

As an informational item, Board members may be interested to know that we have provided to our leadership team and ZEA leadership the following information regarding the federal payroll tax holiday and our response to this possibility here at ZCS.

On Friday, August 28, 2020, the Internal Revenue Service issued definitive guidance in regard to President Donald J. Trump's executive order regarding the deferral of certain payroll taxes. The new IRS notice, Notice 2020-65 https://www.irs.gov/pub/irs-drop/n-20-65.pdf , informs us that the executive order, technically referred to in the IRS notice as a "Presidential Memorandum," authorizes but does not require employers to defer temporarily the withholding from employee pay of OASDI taxes. These taxes, commonly called "social security taxes" are equal to 6.2% of each employee's gross pay.

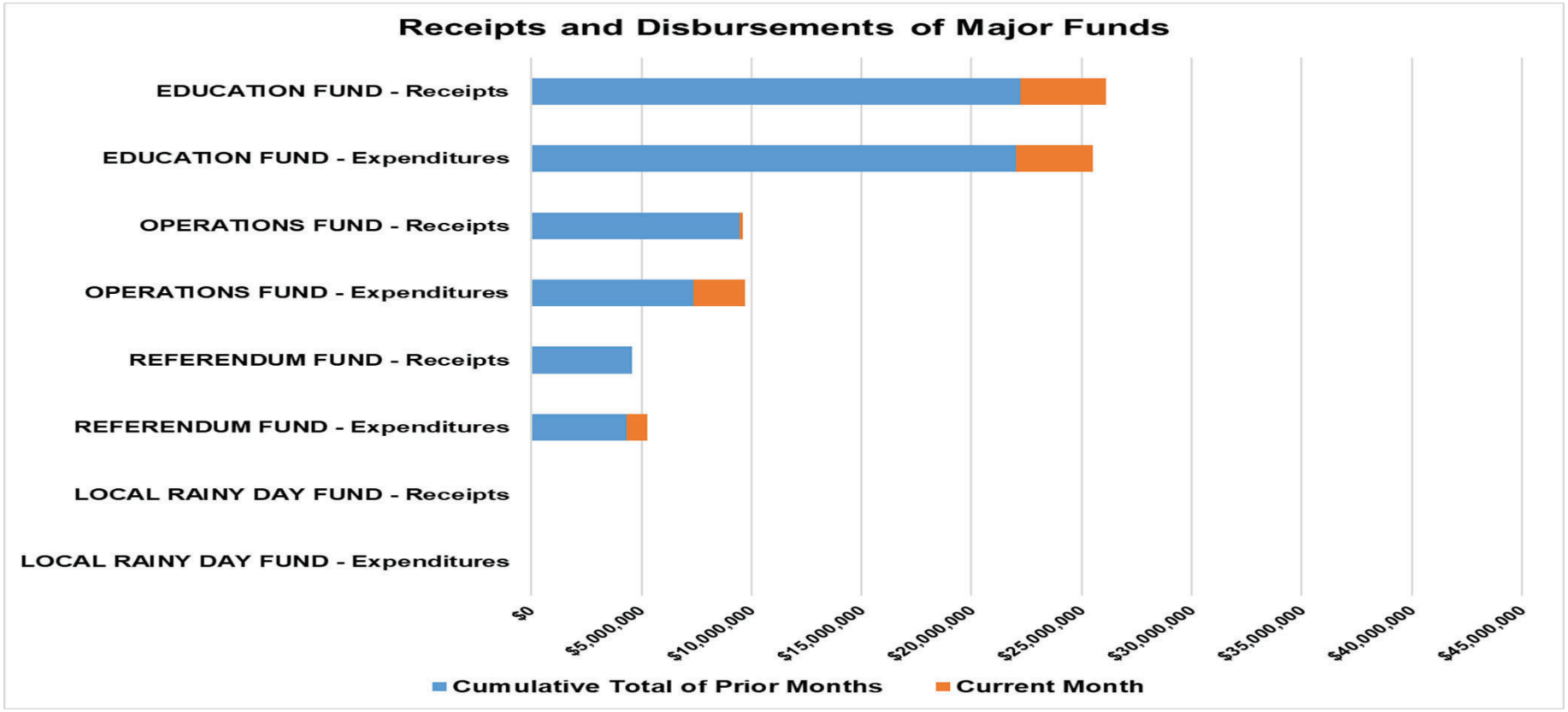
However, the IRS notice informs us that the deferral of these taxes is only temporary. Any tax deferred by the employer during the period September 1, 2020 through December 31, 2020 must be repaid through future payroll withholdings during the period January 1, 2021 through April 30, 2021. Specifically, the notice states "An Affected Taxpayer must withhold and pay the total Applicable Taxes that the Affected Taxpayer deferred under this notice ratably from wages and compensation paid between January 1, 2021 and April 30, 2021 or interest, penalties, and additions to tax will begin to accrue on May 1, 2021." The "Affected Taxpayer" in this language is the employer. This statement in plain English means that the employer who defers withholding the 6.2% Social security tax in the last four months of 2020 must withhold double the normal amount from each employee's paycheck during the first four months of 2021.

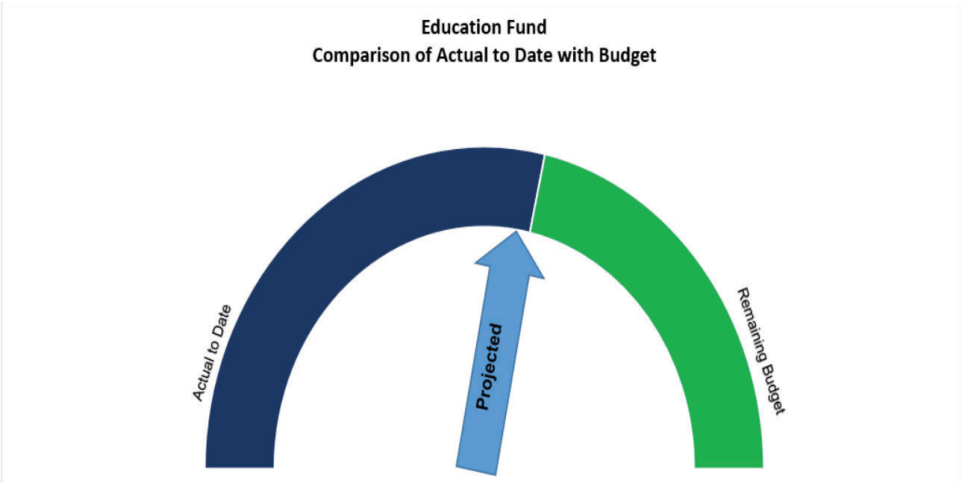
The following table illustrates what would happen to an employee if we were to defer the tax withholding. For purposes of the illustration, we are using an annual salary equal to the current average pay of a teacher:

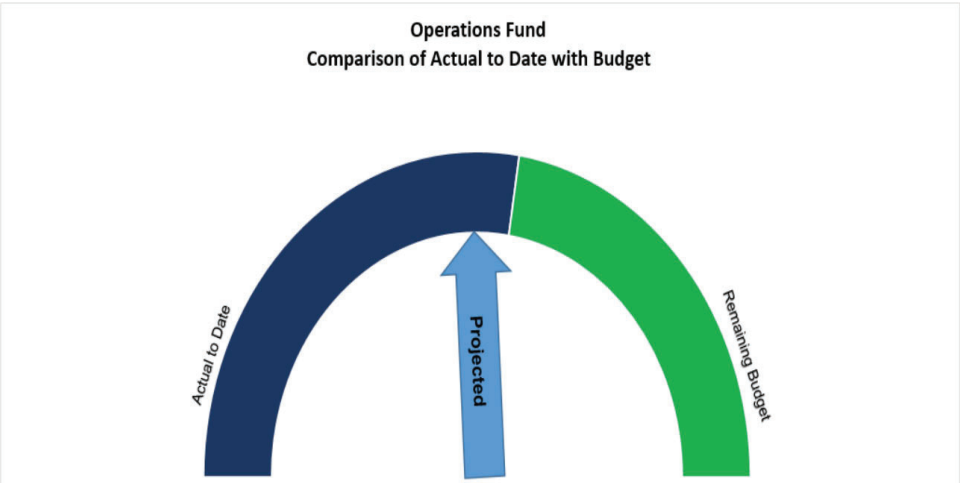
	Current Social Security Tax Withholdings	Sept. 1 to Dec. 31 Social Security Tax Withholdings	Jan. 1 to April 30, 2021 Social Security Tax Withholdings
Current Average Teacher Salary - Annual	$ 57,729.67	$ 57,729.67	$ 57,729.67
Current Average Teacher Salary - Bi-Weekly	$ 2,220.37	$ 2,220.37	$ 2,220.37
Bi-Weekly Social Security Withholdings:			
Medicare	$ 32.20	$ 32.20	$ 32.20
OASDI	**$ 137.66**	**$ -**	**$ 275.32**
Total Social Security Taxes	$ 169.86	$ 32.20	$ 307.52

As shown, the average teacher would see the OASDI amount drop to zero until December 31, but then skyrocket to a withholding of $275.32 per paycheck for four months! Frankly, this type of roller coaster in an employee's net pay appears to be undesirable and detrimental to nearly all our employees. This IRS notice with the clear directive that double withholding would have to occur after the first of 2021 is decisive for us in concluding that it is not in our employees' best interest to defer the taxes as allowed by the Presidential Memorandum. Accordingly, our payroll department will refrain from participating in the withholdings deferral option offered under the President's executive order. Please let me know if you have any questions or concerns about this.

Financial Overview – July 2020







Zionsville Community Schools
Monthly Financial Summary
Report of Revenues, Expenditures, Transfers and Balances
Budgeted and Special Funds - July 2020

Fund Title	Beginning Balance Jan. 1, 2020	Previous YTD Receipts	Previous YTD Expenditures	Ending Balance June 30, 2020	July Receipts	July Expenditures	Ending Balance July 31, 2020
EDUCATION FUND	$12,640,088.90	$22,241,221.33	$22,032,987.33	$ 12,848,322.90	$ 3,844,848.43	$ 3,495,280.81	$ 13,197,890.52
REFERENDUM FUND	$ 5,795,926.70	$ 4,593,350.57	$ 4,336,386.78	$ 6,052,890.49	$ -	$ 939,496.06	$ 5,113,394.43
DEBT SERVICE FUND	$ 6,379,693.54	$15,152,988.61	$11,262,850.00	$ 10,269,832.15	$ -	$ 2,085,095.27	$ 8,184,736.88
PENSION BOND D.S. FUND	$ 355,133.71	$ 342,884.75	$ 327,759.50	$ 370,258.96	$ -	$ -	$ 370,258.96
OPERATIONS FUND	$ 3,819,065.23	$ 9,454,896.49	$ 7,373,044.92	$ 5,900,916.80	$ 175,915.16	$ 2,318,728.32	$ 3,758,103.64
LOCAL RAINY DAY FUND	$ 1,383,288.48	$ 13,849.87	$ -	$ 1,397,138.35	$ -	$ -	$ 1,397,138.35
2017 A BOND FUND	$ 48,227.98	$ -	$ -	$ 48,227.98	$ 3.74	$ 5.00	$ 48,226.72
2017 B BOND FUND	$ 110,212.37	$ -	$ -	$ 110,212.37	$ 7.77	$ 5.00	$ 110,215.14
2018 A BOND FUND	$ 515,286.24	$ -	$ 174,059.30	$ 341,226.94	$ -	$ 750.00	$ 340,476.94
2018 B BOND FUND	$ 338,184.47	$ -	$ 16,691.38	$ 321,493.09	$ -	$ 750.00	$ 320,743.09
LILLY COUNSELING GRANT	$ 191,511.10	$ 100.00	$ 66,514.57	$ 125,096.53	$ 1,286.00	$ 3,463.00	$ 122,919.53
TOTALS	$31,576,618.72	$51,799,291.62	$45,590,293.78	$ 37,785,616.56	$ 4,022,061.10	$ 8,843,573.46	$ 32,964,104.20

Zionsville Community Schools
Monthly Financial Summary
Actual Revenues and Expenditures Compared to Monthly Projections
Budgeted Funds and Special Funds - July 2020

	Actual For Month	Projection For Month	Variance Favorable (Unfavorable) July, 2020	Notes on Significant Variances & Comments	Comparison: State Approved 2020 Annual Budget
REVENUES:					
Education Fund					
State Aid	$ 3,841,806.99	$ 3,788,301.00	$ 53,505.99	1	$ 44,808,251.00
Other	$ 3,041.44	$ -	$ 3,041.44		
Subtotal - Education Fund	$ 3,844,848.43	$ 3,788,301.00	$ 56,547.43		$ 44,808,251.00
Debt Service Fund	$ -	$ -	$ -		$ 23,847,862.00
P.B. Debt Service Fund	$ -	$ -	$ -		$ 627,373.00
Operations Fund					
Rental and Earned Income	$ 10,198.60	$ 176,972.83	$ (166,774.23)	2	$ 1,253,984.00
Property and Excise Taxes	$ -	$ -	$ -		$ 8,356,088.00
Transfers In from Education Fund	$ -	$ -	$ -		
Other	$ 165,716.56	$ -	$ 165,716.56	3	$ 8,572,714.00
Subtotal - Operations Fund	$ 175,915.16	$ 176,972.83	$ (1,057.67)		$ 18,182,786.00
Referendum Fund	$ -	$ -	$ -		$ 8,321,673.00
Rainy Day Fund	$ -	$ 417.00	$ (417.00)		$ 5,000.00
2017A Bonds - Construction Fund	$ 3.74	$ -	$ 3.74		$ -
2017B Bonds - Construction Fund	$ 7.77	$ -	$ 7.77		$ -
2018A Bonds - Construction Fund	$ -	$ -	$ -		$ -
2018B Bonds - Construction Fund	$ -	$ -	$ -		$ -
Lilly Counseling Grant	$ 1,286.00	$ -	$ 1,286.00		$ -
TOTAL REVENUES	$ 4,022,061.10	$ 3,965,690.83	$ 56,370.27		$ 95,792,945.00
EXPENDITURES:					
Education Fund					
Personnel Salaries and Benefits	$ 3,344,644.66	$ 3,353,346.77	$ 8,702.11		
Contracted Services	$ 77,074.61	$ 74,876.00	$ (2,198.61)		
Supplies and Materials	$ 72,632.80	$ 79,876.00	$ 7,243.20		
Transfers Out to Operations Fund	$ -	$ -	$ -		
All Other	$ 928.74	$ -	$ (928.74)		
Subtotal - Education Fund	$ 3,495,280.81	$ 3,508,098.77	$ 12,817.96		$ 46,339,253.00
Debt Service Fund	$ 2,085,095.27	$ 2,085,095.27	$ -	4	$ 22,578,252.00
P.B. Debt Service Fund	$ -	$ -	$ -		$ 651,729.00
Operations Fund					
Personnel Salaries and Benefits	$ 391,165.93	$ 386,104.00	$ (5,061.93)		
Building and Equip. Maintenance	$ 331,793.27	$ 338,392.84	$ 6,599.57		
Contracted Services	$ 257,819.24	$ 261,318.28	$ 3,499.04		
Utilities and P&C Ins	$ 123,123.96	$ 120,000.00	$ (3,123.96)		
Supplies and Materials	$ 59,654.35	$ 69,427.79	$ 9,773.44		
All Other	$ 1,155,171.57	$ 1,155,171.57	$ -	4	
Subtotal - Operations Fund	$ 2,318,728.32	$ 2,330,414.48	$ 11,686.16		$ 17,634,866.00
Referendum Fund					
Personnel Salaries and Benefits	$ 939,496.06	$ 937,735.00	$ (1,761.06)		$ 9,823,964.00
Rainy Day Fund	$ -	$ -	$ -		$ 5,000.00
2017A Bonds - Construction Fund	$ 5.00	$ -	$ (5.00)		$ -
2017B Bonds - Construction Fund	$ 5.00	$ -	$ (5.00)		$ -
2018A Bonds - Construction Fund	$ 750.00	$ -	$ (750.00)		$ -
2018B Bonds - Construction Fund	$ 750.00	$ -	$ (750.00)		$ -
Lilly Counseling Grant Fund	$ 3,463.00	$ -	$ (3,463.00)		$ -
TOTAL EXPENDITURES	$ 8,843,573.46	$ 8,861,343.52	$ 17,770.06		$ 97,028,064.00
COMBINED SURPLUS (DEFICIT) FOR THE PERIOD	$ (4,821,512.36)	$ (4,895,652.69)	$ 74,140.33		$ (1,235,119.00)

Zionsville Community Schools
Monthly Financial Summary
July, 2020

Notes:

1. The larger-than-expected receipt reflects the initial payment by DOE for tuition support for the new 2021 fiscal year. This appears to be based on DOE's calculations of the amounts due for our estimated Fall 2020 ADM counts. This monthly amount is likely to be adjusted downward once actual 2020-2021 ADM figures are known.

2. Earned Income, particularly for rentals, has been curtailed dramatically by the COVID-19 pandemic. We will not likely see a return to our projected budget levels, which were based on historic data, for a significant time.

3. A large insurance premium refund, as well as other miscellaneous items not included in our original budget brought in a significant amount for this month for the Operations Fund. However, these are all one-time occurrences.

4. The proceeds from our temporary loan (properly Tax Anticipation Warrant) from the Indiana Bond Bank of $2,079,937 and $1,151,836, respectively, for the Debt Service and Operations funds were repaid July 29, 2020 with interest at a rate of 1.69% in accordance with the terms of the loan.