



**2019
POPULAR
ANNUAL
FINANCIAL
REPORT**



TO THE CITIZENS OF THE DES MOINES INDEPENDENT COMMUNITY SCHOOL DISTRICT,

Des Moines Public Schools is committed to ensuring residents have access to and understand the District's finances. In furtherance of this commitment, the District developed its first Popular Annual Financial Report (PAFR) for fiscal year 2018. A PAFR is an easy-to-read publication that provides citizens with an important overview of how their tax dollars are managed and spent. It is designed to be readily accessible and easily understandable to the general public and other interested parties without a background in public finance.

This PAFR focuses on the general operating activities and key financial trends of the District's General Fund for fiscal year 2019 (July 1, 2018 – June 30, 2019).

The report includes highlights and summarizes information from the District's Comprehensive Annual Financial Report (CAFR). This information does not replace the CAFR. The CAFR outlines the District's financial position and operating activities each fiscal year and is presented in conformity with generally accepted accounting principles (GAAP). The PAFR does not conform to GAAP and associated standards set forth by the applicable governing bodies, but it is suitable for those readers who prefer an overview or summary of the District's financial condition.

The most recent and previous CAFRs are available on the DMPS Web site on the Financial Reports page (<https://www.dmschools.org/departments/business-finance/financial-reports/cafr/>).

The PAFR is part of the District's ongoing commitment to keep citizens informed about finances in Des Moines Public Schools and to be accountable for the receipt and expenditure of public funds.

Respectfully Submitted,



Nicholas Lenhardt, CPA, SBO
Controller

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Fiscal Year 2019 School Board



THE NUMBERS BEHIND DES MOINES PUBLIC SCHOOLS



32,789
STUDENTS



1,799
CLASS OF 2018 GRADS



2,902
TEACHERS



4,887
FTE



11:1
STUDENT: TEACHER
RATIO



35,000
MEALS SERVED DAILY



72
BUILDINGS



1,400,000
MILES DRIVEN YEARLY

OUR MISSION

The Des Moines Public Schools exists so that graduates possess the knowledge, skills, and abilities to be successful at the next stage of their lives.

OUR VISION

To be the model for urban education in the United States.

OUR BOARD GOALS

1. The percent of all third grade students on track in reading will increase from 52% to 72% by June 2023, as measured by FAST.
2. The percent of Black Male third grade students on track in reading will increase from 35% to 72% by June 2023, as measured by FAST.
3. The percent of Black Male students completing Algebra I with a B or higher by the end of grade 9 will increase from 17% to 35% by August 2023.

OUR BELIEFS

1. We believe in every child, and no matter their circumstance, will support them in achieving at their highest level.
2. We believe all students will have the best staff working to provide and support their education.
3. We believe in the full engagement of our parents and community in the support of our students' education.
4. We believe, as a community, in providing the resources necessary to offer PreK-12 education of the highest quality.
5. We believe first-rate facilities are essential to quality education.
6. We believe in a school district that operates with transparency, accountability, and efficiency at every level.

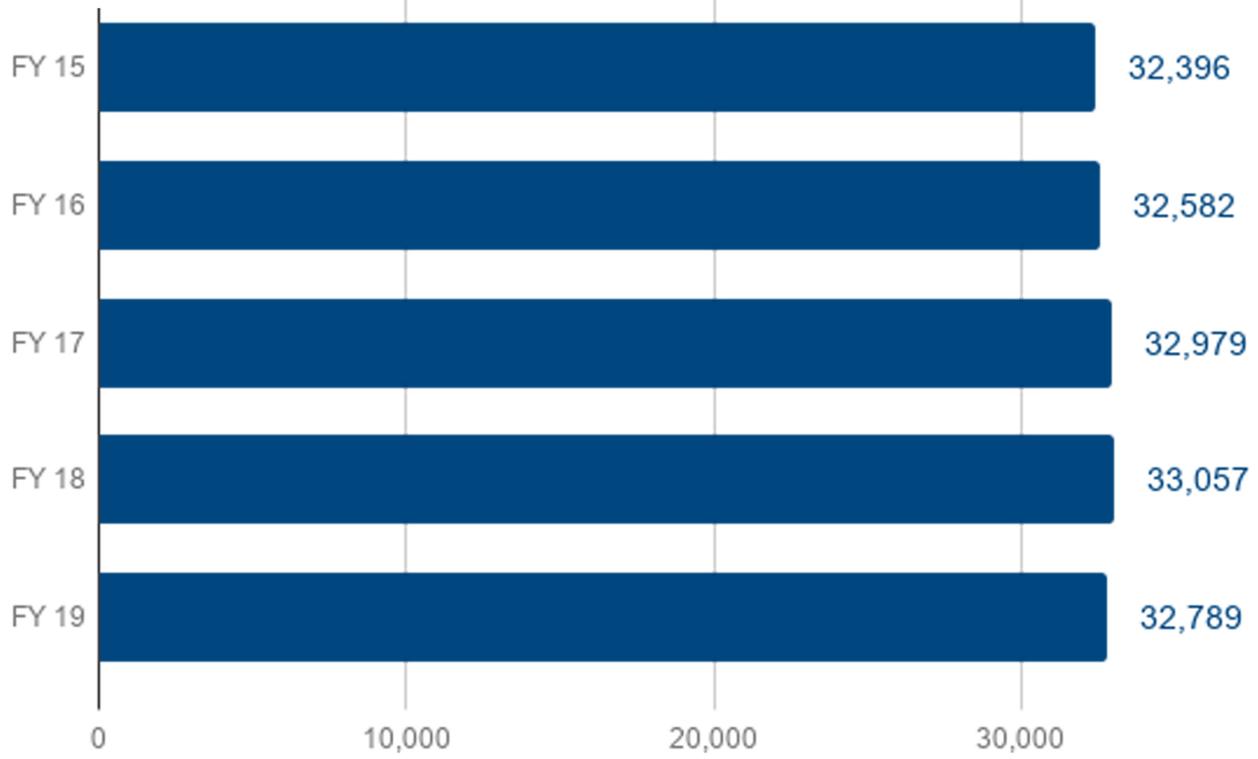
6,066,644
SQUARE FEET MAINTAINED



ENROLLMENT

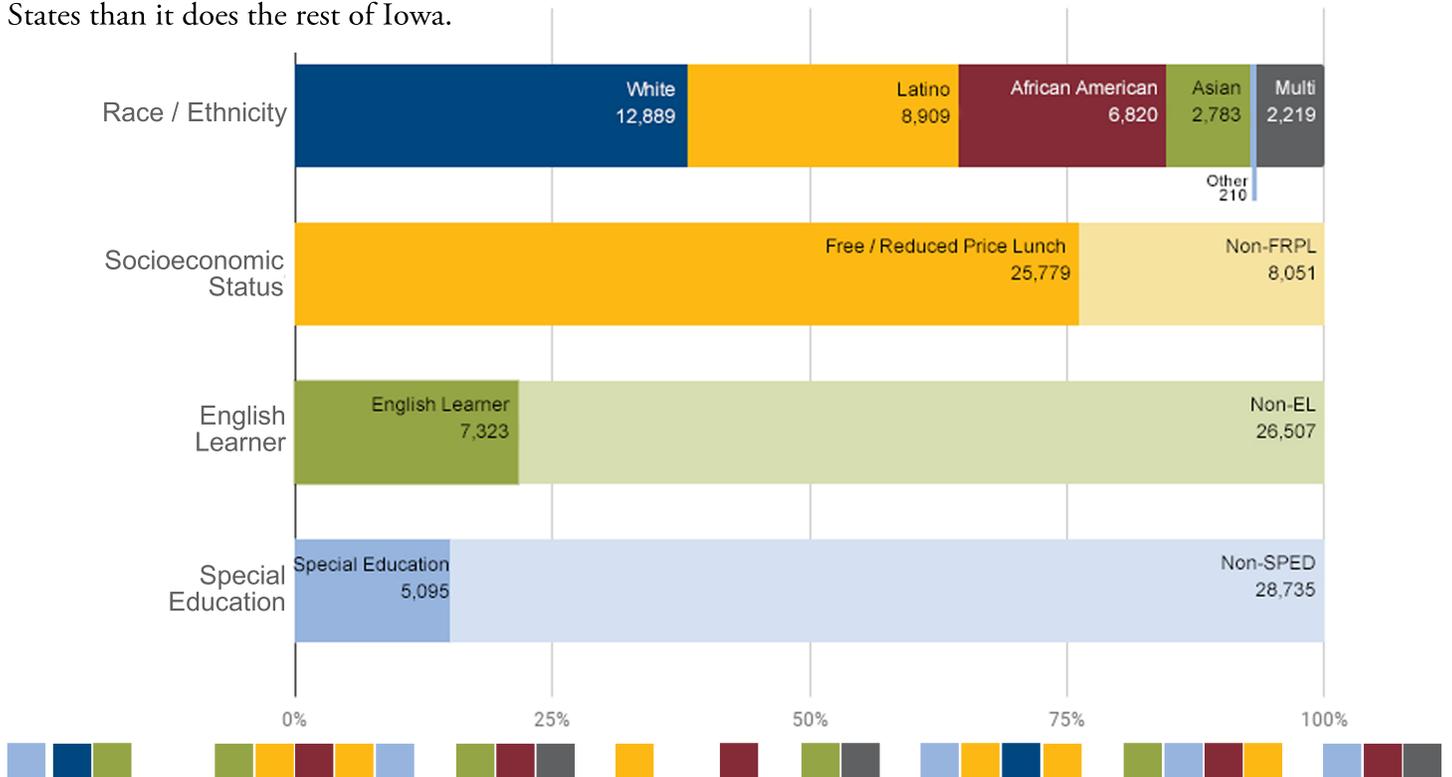
For more than 100 years, DMPS, accredited by the North Central Association of Secondary Schools and Colleges and the Iowa Department of Education, has educated hundreds of thousands of children in Iowa’s capital city.

In FY 2019, 32,789 K-12 students were educated in Des Moines Public Schools. DMPS is the largest provider of PreK-12 education in Iowa.



DEMOGRAPHICS

Des Moines is a vibrant, innovative, and diverse city. DMPS is a “majority-minority” school district and is enriched by its diverse population of students. In terms of incidences of childhood poverty, minority enrollment, and children who do not speak English as their first language, Des Moines looks more like the rest of the United States than it does the rest of Iowa.

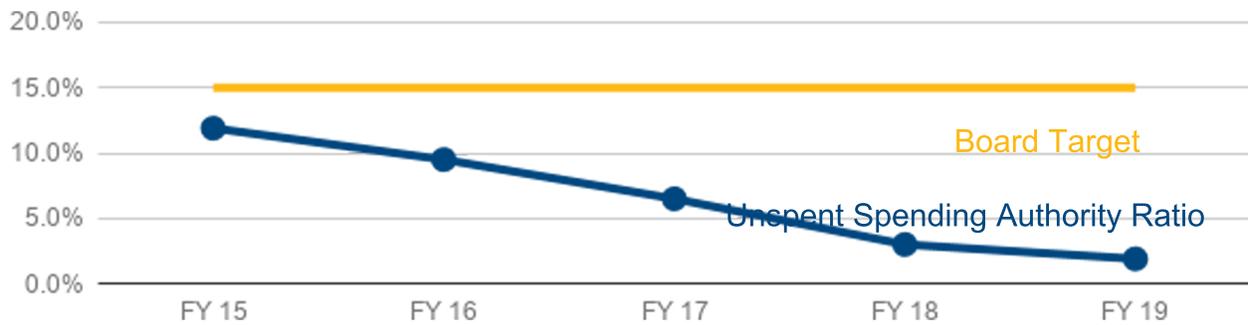


SPENDING AUTHORITY

The state controls the maximum amount each district can spend each year through the spending authority function. Under the spending authority control, it is illegal for a school district to exceed its maximum authorized budget. It is important to understand that the limit on spending is the amount of spending authority a district has, not the amount of cash or fund balance a district has. The District’s total spending authority includes the current-year authorized budget plus the unspent authorized budget from the prior year (e.g., the amount of money that a district was authorized to spend in a fiscal year but did not, similar to “savings”). In situations where spending authority is not growing, if no adjustments are made to expenses, the unspent budget is tapped into to cover expenses.

The unspent Spending Authority Ratio is a measure of the district’s unbudgeted authorized spending capacity and is defined as: the District’s unspent spending authority divided by the District’s maximum budget authority. Spending authority is directly tied to student enrollment, and there are only three general means by which the district’s spending authority can increase: (1) increased State Supplemental Aid, (2) increased enrollment, or (3) increased miscellaneous income.

The Board target for Spending Authority is 15%. In FY 2017, the district’s forecasting model indicated that if the district continually received 1% increases to Supplemental State Aid and enrollment declined, by 2019, expenses would exceed revenues by more than \$5 million (and rising) each year, if changes were not made.

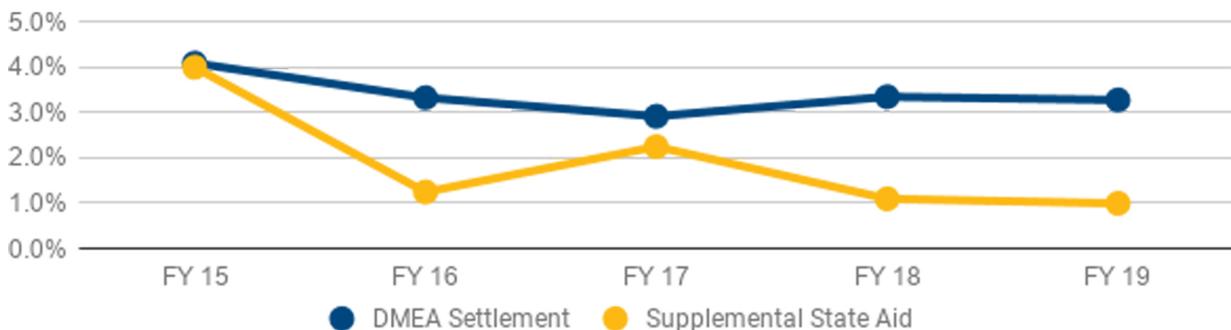


The District modeled out multiple scenarios with the focus on returning the District to a Spending Authority Ratio that meets the Board’s target of 15%, assuming current trends for Supplemental State Aid, student enrollment, negotiated salary & benefit packages, health care costs, and costs of goods & services continue. Consequently, this district is planning on aggressively reducing expenditures each year over the next three years.

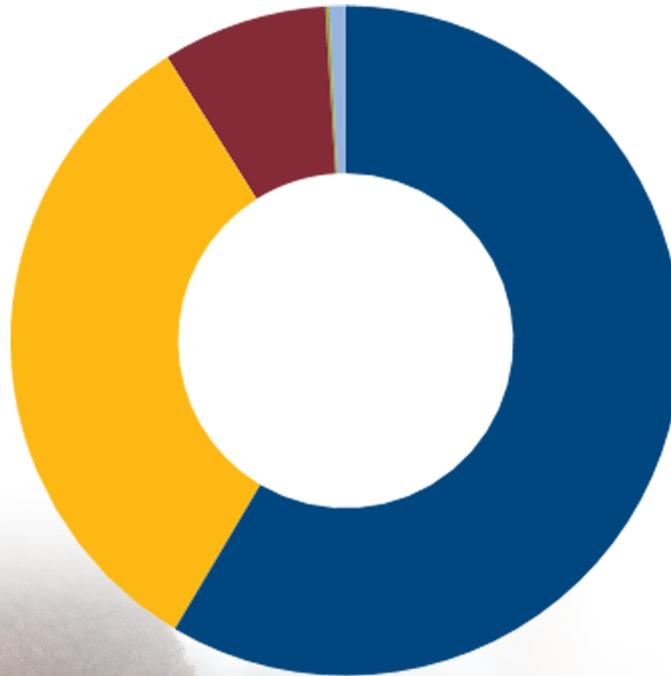
At the end of FY 2019, the unspent Spending Authority Ratio for the General Fund is projected to be 1.9%, a decreased when compared to 3.0% at the end of FY 2018. After making significant expenditure reductions in FY 2019 and for FY 2020, the Unspent Spending Authority Ratio is projected to increase in FY 2020.

SUPPLEMENTAL STATE AID

Supplemental State Aid is the annual percent of growth that is calculated into Iowa’s school foundation formula. The foundation formula is a system established in Iowa Code to determine the level of funding school districts receive from state aid, property taxes, and certain income surtaxes for the General Fund. Supplemental State Aid is vital as costs paid for with funding from the General Fund — such as health care, other compensation components, fuel costs, and cost of goods and services — continue to rise. In recent years, the amount of Supplemental State Aid allocated by the state has not covered the compensation settlements with employee groups. This gap has caused the district to use unspent spending dollars to cover the costs of operations.



FY 2019 GENERAL FUND REVENUES



■ State Sources	58.5%
■ Local Sources	32.6%
■ Federal Sources	8.0%
■ Intermediate Sources	0.2%
■ Other Sources	0.8%

FY 2019 GENERAL FUND EXPENDITURES

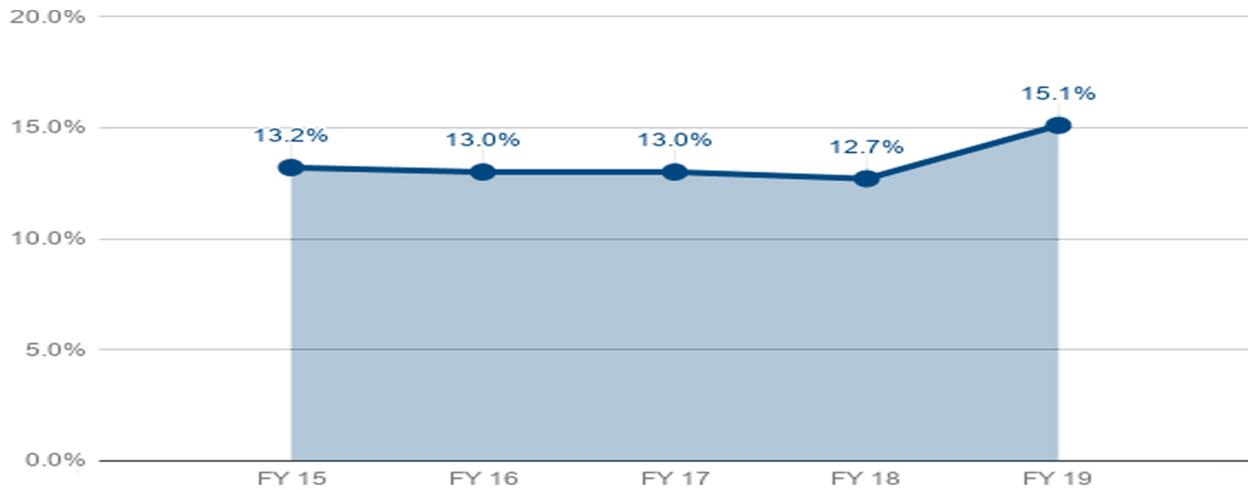


■ Instruction	64.0%
■ Student Services	6.4%
■ Instructional Support Services	6.1%
■ General Administration	2.0%
■ Building Administration	5.1%
■ Business & Central Administration	4.0%
■ Plant Operation & Maintenance	8.2%
■ Student Transportation	2.4%
■ Noninstructional	0.3%
■ AEA Support	3.4%

SOLVENCY

The solvency ratio is a measure of the district’s fund equity position and is defined as the unassigned fund balance (commonly referred to as the cash reserves) divided by the district’s total General Fund revenues, less AEA flow-through. The Iowa Association of School Boards (IASB) considers a solvency ratio of zero to five percent to be “adequate” for short-term credit purposes, while a ratio of five to 10 percent is “good” and can handle the unexpected. The School Board has set a target of 15.0% for the District’s solvency ratio, and guidelines state the solvency ratio should not go below three percent without prior knowledge of the Board.

A healthy solvency ratio is beneficial to the District, as it is one of the key financial measures used by rating agencies in determining the District’s bond rating.



DEBT

The District’s total long-term debt decreased by a net of \$15.4 million during fiscal year 2019 due to the continued principal payments on existing bonds. The total outstanding bond debt at the end of the fiscal year was approximately \$190.7 million, consisting of revenue bonds, of which \$16.0 million is due within one year. The debt for the revenue bonds is paid for with revenue from the SAVE (Secure and Advanced Vision for Education) sales tax (formerly known as the Statewide Penny sales tax). The district receives approximately \$30 - \$32 million in SAVE revenue annually.

With the extension of the SAVE sales tax through 2050, the District anticipates issuing future revenue bonds for capital improvement projects.

Amounts are shown in thousands.

Outstanding Debt (in thousands)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Sales Tax Revenue Bonds	\$186,140	\$175,785	\$162,510	\$206,090	\$190,685
TOTAL DEBT	\$186,140	\$175,785	\$162,510	\$206,090	\$190,685



SUMMARIZED FINANCIAL REPORTS

Figures in the Financial Activity Statement and Financial Position Statement are taken from the District's Comprehensive Annual Financial Report (CAFR) but are presented here in a non-GAAP format.

This Popular Annual Financial Report (PAFR) focuses on the District's operating fund: the General Fund. The District's CAFR can be found on the DMPS Web site at:

<https://www.dmschools.org/departments/business-finance/financial-reports/cafr/>

REVENUES OVER EXPENDITURES

The Financial Activity Statement, known in accounting terms as the income statement, provides a summary of the receipts and resources received by the District compared to the disbursements and services provided by the District.

The District took steps to ensure continued compliance with Spending Authority compliance, including a reduction in General Fund expenditures. The reduction in expenditures contributed to an increase in the excess of revenues over expenditures and the fund balance for the General Fund. The District anticipates additional expenditure reductions in FY 2020 and FY 2021.

The amounts below are for the District's General Fund and are shown on a modified accrual basis.

Revenues (in thousands)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
State Sources	\$239,405	\$252,220	\$257,043	\$263,114	\$263,561
Local Sources, including Property Taxes	122,859	133,660	138,396	139,434	146,634
Federal Sources	33,090	31,272	33,821	37,575	35,855
Intermediate Sources	767	807	907	816	840
Other Sources	4,420	1,285	1,239	1,858	3,558
TOTAL REVENUES	\$396,565	\$419,244	\$431,406	\$442,797	\$450,488

Expenditures (in thousands)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Instruction	\$260,333	\$261,683	\$270,710	\$276,585	\$272,973
Student Services	22,474	22,890	24,675	28,562	28,219
Instructional Support Services	14,959	23,292	25,963	26,687	26,959
General Administration	6,665	7,766	7,392	8,158	8,744
Building Administration	21,143	22,540	23,623	23,294	22,616
Business & Central Administration	15,629	16,397	16,653	15,621	17,496
Plant Operation & Maintenance	33,343	32,435	34,309	36,034	36,309
Student Transportation	97,120	10,180	11,409	11,546	10,575
Noninstructional	8,190	1,365	1,216	1,098	1,339
AEA Support	13,829	13,975	14,163	14,752	14,915
TOTAL EXPENDITURES	\$398,906	\$412,523	\$430,114	\$442,337	\$440,144
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(\$2,342)	\$6,721	\$1,292	\$461	\$10,303

ASSETS OVER LIABILITIES AND DEFERRED INFLOWS

The Financial Position Statement, known in accounting terms as the balance sheet, reports the assets available to provide services along with the liabilities (amounts for which the District is obligated to pay in the future) and deferred inflows (primarily assets that do not finance the current fiscal year). The excess of assets over liabilities and deferred inflows provides the net position, or net worth, of the District.

The amounts below are for the District's General Fund.

Assets (in thousands)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Cash & Investments	\$107,324	\$109,901	\$111,147	\$107,286	\$110,825
Receivables	122,427	135,189	141,705	152,539	162,754
Other Assets	1,723	2,022	2,678	2,545	3,968
TOTAL ASSETS	\$231,474	\$247,112	\$255,530	\$262,370	\$277,547

Liabilities & Deferred Inflows (in thousands)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Liabilities	\$51,234	\$54,719	\$58,819	\$58,110	\$57,734
Deferred Inflows	106,034	111,373	114,407	120,143	123,028
TOTAL LIABILITIES & DEFERRED INFLOWS	\$157,268	\$166,092	\$173,226	\$178,253	180,762
ASSETS OVER LIABILITIES & DEFERRED INFLOWS	\$74,206	\$81,020	\$82,304	\$84,117	\$96,785

FUND BALANCE

In the governmental fund financial statements, fund balances are classified as follows:

NONSPENDABLE: Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

RESTRICTED: Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

COMMITTED: Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board through resolution approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same action it employed to commit those amounts.

ASSIGNED: Amounts constrained by the District's intent to use them for a specific purpose. It is the District's policy that the authority to assign fund balance has been delegated by the Board to the Chief Financial Officer and Controller through the adoption of the budget.

UNASSIGNED: All amounts not included in other spendable classifications. The General Fund is the only fund that would report a positive amount in unassigned fund balance. Residual deficit amounts of the other governmental funds would also be reported as unassigned.

Fund Balances (in thousands)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Nonspendable	\$1,723	\$2,023	\$2,678	\$2,545	\$3,968
Restricted	12,396	19,449	20,113	16,978	15,816
Committed	11,500	11,500	11,500	11,500	11,500
Assigned	4,717	2,270	2,748	2,722	2,887
Unassigned	43,871	45,778	45,264	50,372	62,614
TOTAL FUND BALANCES	\$74,206	\$81,020	\$82,304	\$84,117	\$96,785

UNBUNDLING THE TAX RATE

Below are the main components of the District’s total tax rate for fiscal year 2019. The total tax rate is comprised of individual levies that are required by Iowa law to be kept separate.

GENERAL: The General Fund Levy is a function of the state-directed school funding formula. Money from all sources is accounted for in the General Fund, except money required by law to be accounted for in another fund. Expenditures include the cost of providing an educational program to school-age children and day-to-day operations.

MANAGEMENT: Revenues from the Management Levy are used to pay the costs of unemployment benefits, costs of liability insurance and agreements, costs of judgments, and costs of certain early retirement benefits.

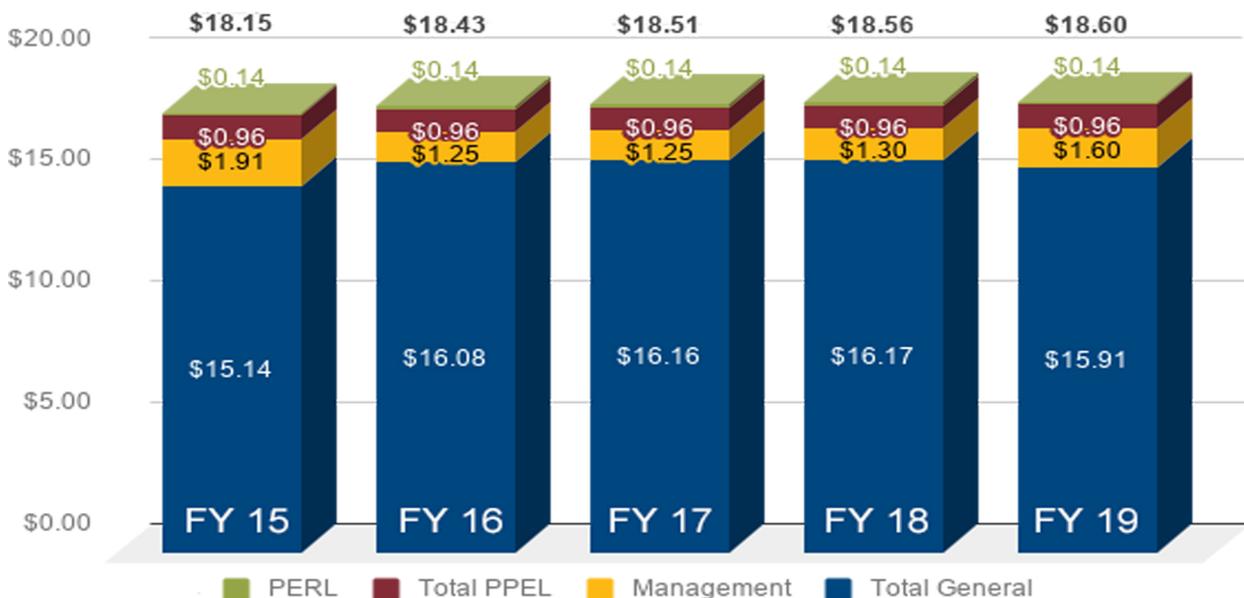
PPEL (Physical Plant & Equipment Levy): Generally, PPEL revenue is to maintain/improve school buildings, buy or lease equipment/technology, and purchase transportation equipment.

PERL (Public Education & Recreation Levy): Revenues from PERL may be used to establish and maintain school playgrounds, provide public educational and recreational activities within the district boundaries, and for community education.

DEBT SERVICE: Revenues from the Debt Service Levy are used to retire principal and interest on the voter-approved general obligation bonds. DMPS does not have any general obligation bonds.

Fund Balances (in thousands)	Authority	Expiration	Maximum	FY 2019 Levy
GENERAL				
Regular	Code	NA	NA	9.252
Dropout Prevention	Board	Annual	5% of cost	1.664
Cash Reserve	Board	Annual	20%	3.489
Instructional Support	Board	2021	10% of cost	1.757
MANAGEMENT	Board (or Vote)	Annual	NA	1.600
PPEL				
Regular	Board	Annual	0.330	0.330
Voted	Vote	2021	1.340	0.630
PERL	Vote	NA	0.135	0.135
DEBT SERVICE	Vote	--	4.050	0.000
TOTAL FY 2019 LEVY				18.601

DMPS HISTORICAL TAX RATES



Expenditures and Services

DEFINITIONS

INSTRUCTION – Teaching activities dealing with direct interaction between teachers and students provided in or outside of the classroom or through any other approved medium, such as a computer.

STUDENT SERVICES – Activities designed to assess, support, and improve the well-being of students and to supplement the teaching process.

INSTRUCTIONAL SUPPORT SERVICES – Activities associated with assisting instructional staff with the content and process of providing learning experiences for students and staff.

GENERAL ADMINISTRATION – Activities concerned with establishing and administering policy for operating the district.

BUILDING ADMINISTRATION – Activities concerned with overall administrative responsibility for a school.

BUSINESS & CENTRAL ADMINISTRATION – Activities concerned with paying, transporting, exchanging, and maintaining goods and services for the district. Included are fiscal, human resource, and internal services necessary for operating the district. Also included are activities, other than general administration, which support each of the other instructional and supporting services programs. These activities include planning, research, development, evaluation, information, staff, and data processing services.

PLANT OPERATION & MAINTENANCE – Activities concerned with keeping the physical plant open, comfortable, and safe for use; keeping the grounds, buildings, and equipment in effective working condition and state of repair; and maintaining safety in buildings, on the grounds, and in the vicinity of schools.

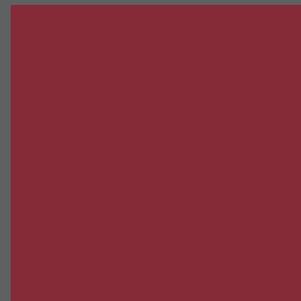
STUDENT TRANSPORTATION – Activities concerned with conveying students to and from school, as provided by State and Federal law. This includes trips between home and school and trips to school activities.

AEA SUPPORT – State funding for the local Area Education Association (AEA) for the instructional support of school districts within its geographical region that passes through the school district's budget.

NONINSTRUCTIONAL – Activities concerned with providing non-instructional services — such as family engagement activities — to students, staff, or the community.



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