CONCERN:

Consider Working Budget

DISCUSSION:

The Working Budget is presented for Board approval at this meeting. A local school board is required to submit a Working Budget by September 30. The Tentative Budget approved by the Board in May 2012 is now recommended for amendment to include the following:

* Revised Revenue based on projected revenue from the adopted tax levy and SEEK released by the Kentucky Department of Education (KDE) on July 31, 2011, adjusted for 2011-12 End of the Year (EOY) Average Daily Attendance (ADA) data and projected growth.
* Other changes in revenue based on actual experience in 2011-12 or other changes such as higher or lower interest rates, more or fewer students enrolled, etc.
* Changes in expenses to funds based on review of actual expense in 2011-12.

Revenue for all funds recommended for the Working Budget is shown in Table A. The data in Table A include an overview of projected revenue plus beginning balances.

## **Table A**

**Revenue – All Funds – 2011-2012 Working Budget**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **A** | **B** | **C** | **D** | **E** |
| **FUND** | **Prior Year** | **Last Year** | **Current Year** | **$** | **%** |
|  | **Actual** | **Actual** | **Budget** | **Change** | **Change** |
|  | **2010-11** | **2011-12** | **2012-13** | **C - B** | **D / B** |
| GENERAL FUND | $17,416,242 | $19,105,490 | $19,415,678 | 310,188 | 1.6% |
| SPECIAL REVENUE FUNDS | $2,932,089 | $2,561,953 | $1,621,755 | (940,198) | -36.7% |
| CAPITAL OUTLAY FUND | $264,330 | $217,333 | $213,500 | (3,834) | -1.8% |
| FACILITY BUILDING FUND | $1,577,315 | $1,551,789 | $1,535,962 | (15,827) | -1.0% |
| FOOD SERVICE FUND | $1,252,164 | $1,289,824 | $1,619,500 | 320,675 | 24.7% |
| **TOTAL ALL FUNDS, excl Construction & Trust/Agency** | **$23,442,142** | **$24,726,389** | **$24,406,395** | **(319,994)** | **-1.3%** |

Note: *Column A, B & C above exclude any payments made on behalf of the Elizabethtown Independent Schools by the state for fringe benefits.*

Table B (see page 2) provides more detail as to General Fund revenue. Overall, General Fund revenue is projected to increase for compared to 2011-12. The major factors for this increase:

* an increase in the beginning balance of $550,909.

The general fund SEEK revenue shown in Table B reflects an increase in ADA but a decrease in per pupil funding. The SEEK base value per pupil was set by the General Assembly at $3,903 for the 11-12 fiscal year, however the General Assembly decreased the amount to $3,833 for 12-13. The tentative SEEK calculation is based on KDE’s most recent forecast which includes EOY 2012 ADA of 2,145 which is an increase of 25 from the 11-12 final ADA.

## **Table B**

## **General Fund Revenue – Working Budget**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **A** | **B** | **C** | **D** | **E** |
| **Revenue Source** | **Prior Year** | **Last Year** | **Current Year** | **$** | **%** |
|  | **Actual** | **Actual** | **Budget** | **Change** | **Change** |
|  | **2011-12** | **2011-12** |  | **C - B** | **D / B** |
| Beginning Balance | $3,760,093 | 4,629,477 | 5,180,386 | 550,909 | 11.9% |
| Local GF Revenue | $5,123,653 | 5,234,061 | 5,088,016 | (146,045) | -2.8% |
| State GF Revenue | $8,452,487 | 9,112,675 | 9,089,276 | (23,399) | -0.3% |
| Federal GF Revenue | $30,559 | 65,192 | 6,000 | (59,192) | -90.8% |
| Other Receipts | $49,448 | 64,084 | 52,000 | (12,084) | -18.9% |
| **Total Gen. Fund** | **$17,416,242** | **19,105,490** | **19,415,678** | **310,188** | **1.6%** |

Note: *Columns A, B and C above exclude any payments made on behalf of the Elizabethtown Independent Schools by the state for fringe benefits.*

Proposed revenue is detailed in the attached Working Budget. Table C provides an overview of all proposed General Fund revenue and adjustments made since the May 2012review of projected revenue. The changes are: Beginning Balance – up $550,909; Local GF Revenue – down $146,045, due to high collection of delinquent property tax in 2011-12; State GF Revenue down due to decrease in per pupil funding, Federal GF Revenue – down $59,192, due to loss of Medicaid eligible OP/PT providers and Other Receipts – down due to sale of surplus property in 11-12.

## **Table C**

# **General Fund Revenue – Tentative to Working Budget**

|  |  |  |  |
| --- | --- | --- | --- |
| **Revenue Source** | **Tentative Budget** | **Working Budget** | **$** |
|  | **May 2012** | **Sep 2012** | **Change** |
| Beginning Balance | 4,445,407 | 5,180,386 | 734,979 |
| Local GF Revenue | 4,934,016 | 5,088,016 | 154,000 |
| State GF Revenue | 9,089,276 | 9,089,276 | 0 |
| Federal GF Revenue | 6,000 | 6,000 | 0 |
| Other Receipts | 52,000 | 52,000 | 0 |
| **Total Gen. Fund** | **18,526,699** | **19,415,678** | **888,979** |

Changes in local tax revenue for were presented at the public hearing in August. Local school districts are directed by KDE to be very conservative in estimating revenue from these sources.

## **Table D**

## **General Fund Expense – Working Budget**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **A** | **B** | **C** | **D** | **E** |
| **CODE** | **FUNCTION DESCRIPTION** | **Prior Year** | **Last Year** | **Current Year** | **$** | **%** |
|  | | **Actual** | **Actual** | **Budget** | **Change** | **Change** |
|  |  | **2010-11** | **2011-12** |  | **C - B** | **D / B** |
| 0100 | SALARIES PERSONNEL SERVICES | $10,159,213 | $10,929,371 | $11,509,844 | $580,473 | 5.3% |
|  | *Percent of General Fund Expense* | *79.5%* | *78.5%* | *77.7%* |  |  |
| 0200 | EMPLOYEE BENEFITS | $663,467 | $746,129 | $802,328 | $56,198 | 7.5% |
|  | *Percent of General Fund Expense* | *5.2%* | *5.4%* | *5.4%* |  |  |
| 0300 | PURCHASED PROF & TECH SER | $147,390 | $186,537 | $191,019 | $4,482 | 2.4% |
|  | *Percent of General Fund Expense* | *1.2%* | *1.3%* | *1.3%* |  |  |
| 0400 | PURCHASED PROPERTY SERVICES | $295,431 | $307,660 | $319,275 | $11,615 | 3.8% |
|  | *Percent of General Fund Expense* | *2.3%* | *2.2%* | *2.2%* |  |  |
| 0500 | OTHER PURCHASED SERVICES | $161,765 | $280,362 | $252,217 | ($28,145) | -10.0% |
|  | *Percent of General Fund Expense* | *1.3%* | *2.0%* | *1.7%* |  |  |
| 0600 | SUPPLIES & MATERIALS | $1,126,361 | $1,109,075 | $1,434,912 | $325,838 | 29.4% |
|  | *Percent of General Fund Expense* | *8.8%* | *8.0%* | *9.7%* |  |  |
| 0700 | PROPERTY | $118,089 | $266,524 | $118,200 | ($148,324) | -55.7% |
|  | *Percent of General Fund Expense* | *0.9%* | *1.9%* | *0.8%* |  |  |
| 0800 | MISCELLANEOUS | $64,798 | $74,175 | $130,070 | $55,895 | 75.4% |
|  | *Percent of General Fund Expense* | *0.5%* | *0.5%* | *0.9%* |  |  |
| 0900 | OTHER USES OF FUNDS | $50,252 | $25,267 | $50,000 | $24,733 | 97.9% |
|  | *Percent of General Fund Expense* | *0.4%* | *0.2%* | *0.3%* |  |  |
|  | **Subtotal for General Fund** | **$12,786,762** | **$13,925,099** | **$14,807,862** | **$882,766** | **6.3%** |
| 0840 | CONTINGENCY | $0 |  | $4,607,813 |  |  |
|  | *Percent of General Fund Expense* | *0.0%* |  | *31.1%* |  |  |
|  | **Total for General Fund** | **$12,786,765** | **$13,925,099** | **$19,415,678** |  |  |

Note: *Columns A, B and C above exclude any payments made on behalf of the Elizabethtown Independent Schools by the state for fringe benefits.*

Recommended expense allocations are presented in summary form in Table D (see page 3). It is important to note that approximately 83% of the General Fund is dedicated to personnel expense**.**  Table E presents a summary of actual personnel and benefit costs as a portion of the General Fund, excluding accumulated sick leave, for the last two years compared to 2012-13 budgeted costs. The increase in salaries includes experience step to all staff, as well as staff funded thru the Federal EduJobs funds are accounted for in the General Fund for 2012-13.

The Working Budget provides a set aside of $100,000 to pay accumulated benefits at the time of retirement for all eligible staff members. It is very unlikely that all eligible staff members will choose to retire at the same time.

# **Table E**

##### Summary of Projected Personnel Expense – Working Budget

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **Actual** | **Actual** | **Budget** | **$** | **%** |
|  |  | **2010-11** | **2011-12** |  | **Change\*\*** | **Change\*\*** |
| Salaries GF Personnel | | $10,159,213 | 10,929,371 | 11,509,844 | 580,473 | 5.3% |
| *Percent General Fund* | | *79.5%* | *78.5%* | *77.7%* |  |  |
| Benefits *excl. accum. sk. Lv. (\*)* | | $663,467 | 746,129 | 802,328 | 56,198 | 7.5% |
| *Percent General Fund* | | *4.4%* | *5.4%* | *5.4%* |  |  |
| Total Salaries & Benefits | | **$10,822,680** | **11,675,500** | **12,312,172** | **636,672** | **5.4%** |
| ***Percent General Fund*** | | ***83.9%*** | ***83.9%*** | ***83.1%*** |  |  |

*\*Excludes state payments on-behalf of the school district, which are unbudgeted as per state instructions.*

*\*\*Reflects movement of General Fund personnel costs to Fund 2 SFSF Grant.*

Proposed expenses are detailed in the attached Working Budget. Table F (see page 5) provides an overview of all proposed General Fund expenses and changes made since the

May 2012 review of projected expenses. Appendix A (see page 7) contains brief descriptions of the object codes utilized in Table F. Expense changes from the Tentative Budget approved in May 2012 were primarily in salaries and contingency. Salaries increase because of the shift of General fund payroll from federal EduJobs funding. The contingency increased because 2011-12 revenues were above the budget projection and expenses were under budget. Appendix A (see page 7) contains brief descriptions of the object codes utilized in table F & G.

# **Table F**

# **General Fund Expense – Tentative to Working Budget**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **CODE** | **FUNCTION DESCRIPTION** | **Tentative Budget** | **Working Budget** | **$** |
|  |  | **May 2012** | **Sep 2012** | **Change** |
| 0100 | SALARIES PERSONNEL SERVICES | 11,445,792 | 11,509,844 | 64,052 |
|  | *Percent of General Fund Expense* | 77.7% | 77.7% |  |
| 0200 | EMPLOYEE BENEFITS | 807,373 | 802,328 | (5,045) |
|  | *Percent of General Fund Expense* | 5.5% | 5.4% |  |
| 0300 | PURCHASED PROF & TECH SER | 189,519 | 191,019 | 1,500 |
|  | *Percent of General Fund Expense* | 1.3% | 1.3% |  |
| 0400 | PURCHASED PROPERTY SERVICES | 311,275 | 319,275 | 8,000 |
|  | *Percent of General Fund Expense* | 2.1% | 2.2% |  |
| 0500 | OTHER PURCHASED SERVICES | 257,217 | 252,217 | (5,000) |
|  | *Percent of General Fund Expense* | 1.7% | 1.7% |  |
| 0600 | SUPPLIES & MATERIALS | 1,429,576 | 1,434,912 | 5,336 |
|  | *Percent of General Fund Expense* | 9.7% | 9.7% |  |
| 0700 | PROPERTY | 118,200 | 118,200 | 0 |
|  | *Percent of General Fund Expense* | 0.8% | .08% |  |
| 0800 | MISCELLANEOUS | 130,070 | 130,070 | 0 |
|  | *Percent of General Fund Expense* | 0.9% | 0.9% |  |
| 0900 | OTHER USES OF FUNDS | 50,000 | 50,000 | 0 |
|  | *Percent of General Fund Expense* | 0.3% | 0.3% |  |
|  | **Subtotal for General Fund** | **14,739,022** | **14,807,865** | **68,843** |
| 0840 | CONTINGENCY | 3,787,678 | 4,607,813 | 820,135 |
|  | *Percent of General Fund Expense* | 25.7% | 31.1% |  |
|  | **Total for General Fund** | **18,526,700** | **19,415,678** | **888,978** |

KDE defines “total budget” as the budgeted expenditures in the General, Special Revenue, Capital Outlay, Building, and Food Service Funds excluding the Contingency. The budgeted reserve (Contingency) in the Working Budget has been determined accordingly.

The minimum reserve or Contingency required is 2% of the total Working Budget ($456,293). KDE encourages local districts to consider inclusion of a 5% budgeted reserve. A 5% reserve of Elizabethtown’s total Working Budget is $1,140,733.

The unrestricted budget reserve (Contingency) is necessary for maintaining adequate cash flow during the year, providing for unanticipated emergency expenditures, and to provide a buffer from immediate program cuts in the event of any reduction in anticipated receipts. A restricted budget reserve is for specific needs such as litigation, or other special needs the board may wish to designate. The unrestricted reserve of $4,607,813 is approximately 20.2% of the total Working Budget.

The Elizabethtown Independent School District also has a General Fund Escrow Fund Balance of $1,460,000 that is not included in the unrestricted reserve. These funds are available for

one-time expenses that have been determined by the Board, serve as a reserve for current or future major construction projects or serve as an additional General Fund reserve. The district has some capacity for discretionary projects in the Working Budget.

Table G presents the district’s “Expense as Percent of Revenue” historical trend for comparison purposes. The recommended Working Budget contains expenses budgeted lower than revenue, which has also occurred in previous fiscal years.

During these uncertain fiscal times, it is proving difficult to accurately budget General Fund revenue and expenses because circumstances often change during the fiscal year. For example, the Governor could order a mid-year decrease in SEEK funding which would have a negative impact on projected revenue. Concerning General Fund expenses, diesel fuel or utilities could unexpectedly increase. Also, it is difficult to accurately budget for expenses such as substitute personnel or overtime pay. Table G shows both the budgeted expense (Panel 1) and the actual expense (Panel 2) as “percent of revenue” for previous fiscal years.

## **Table G**

## **Expense as Percent of Revenue – Working Budget**

**Panel 1**

|  |  |  |  |
| --- | --- | --- | --- |
| ***BUDGETED*** | **B** | **C** | **D** |
|  | **Projected** | **Projected** | **Projected** |
|  | **2010-11** | **2011-12** | **2012-13** |
| Projected GF Revenues less Beginning Balance | $12,715,084 | $13,105,537 | $14,235,292 |
| Projected GF Expenses less Contingency | $12,950,979 | $13,282,065 | $14,807,866 |
| +/- Difference | ($235,895) | ($176,498) | ($572,574) |
| **Expense as Percent of Revenue** | **101.9%** | **101.3%** | **104.0%** |
| **Panel 2** |  |  |  |
| ***ACTUAL*** | **C** | **D** | **D** |
|  | **Actual** | **Actual** | **Projected** |
|  | **2010-11** | **2011-12** | **2012-13** |
| GF Revenues less Beginning Balance | $13,656,148 | $14,476,012 | $14,235,292 |
| GF Expenses less Contingency | $12,786,764 | $13,925,103 | $14,807,866 |
| +/- Difference | $869,384 | $550,909 | ($572,574) |
| **Expense as Percent of Revenue** | **93.6%** | **96.2%** | **104.0%** |

Note: *All columns above exclude any payments made on behalf of the Elizabethtown Independent Schools by the state for fringe benefits.*

The recommended Working Budget is a balanced budget from the perspective there is a projected ending balance of approximately $4.6 M.

RECOMMENDATION:

Approve the Working Budget as attached to this enclosure.

### **APPENDIX A**

EXPENSE TYPES:

Within each major function, specific types of expenses are grouped together. These groupings utilize the first two (2) digits of the object. For instance, salary-related object codes always begin with **01** (**01**10, **01**20, **01**30, etc.), so the “**01**” causes these expenses to be combined in the expense type grouping “**0100**.” The following summarizes the types of expenses grouped under the function:

**0100 Salaries Personnel Services** – salary-related expenses, such as wages, stipends, etc.

**0200 Employee Benefits**  – fringe benefits, such as employee insurance, FICA match, Medicare match, CERS match, and KTRS match, when applicable

**0300 Purchased Professional & Technical Services** – contractual services, such as legal, consultants, audit, architectural, engineering, etc.

**0400 Purchased Property Services** – other services, such as repairs/maintenance, rent utilities, etc.

**0500 Other Purchased Services** – expenses such as travel, telephone, postage, advertising, insurance, printing, etc.

**0600 Supplies & Materials** – expenses such as general supplies, textbooks, reference materials, software, food, testing materials, etc.

**0700 Property** – furniture, fixtures, equipment, computers, buses, etc.

**0800 Miscellaneous** – fieldtrip expenses (other than the driver’s salary), registration, fees, permits, uniforms, etc.

**0840 Contingency** – used for budgeting purposes only as determined by the Board

**0900 Other Uses of Funds** – fund transfers and principal and interest payments on bonds