

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 2016 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 June 20, 2016 adjusted for 2015-16 End of the Year (EOY) Average Daily Attendance (ADA) data and projected growth.
- Other changes in revenue based on actual experience in 2015-16 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 2015-16.

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 – 2016-17 Working Budget**

| <b>FUND</b>  | <b>A<br/>Prior Year<br/>Actual<br/>2014-15</b> | <b>B<br/>Last Year<br/>Actual<br/>2015-16</b> | <b>C<br/>Current Year<br/>Budget<br/>2016-17</b> | <b>D<br/>\$<br/>Change<br/>C - B</b> | <b>E<br/>%<br/>Change<br/>D / B</b> |
|--|--|---|--|--------------------------------------|-------------------------------------|
| GENERAL FUND   | 21,678,325                                     | 21,722,700                                    | 21,517,602                                       | 205,099)                             | (.09)                               |
| SPECIAL REVENUE FUNDS  | 2,137,959                                      | 2,202,465                                     | 2,220,634  | 18,169                               | .8                                  |
| CAPITAL OUTLAY FUND  | 238,892  | 231,510                                       | 217,134  | (14,376)                             | (6.2)                               |
| FACILITY BUILDING FUND   | 1,765,866                                      | 1,738,450                                     | 1,681,638  | (56,812)                             | (3.3)                               |
| FOOD SERVICE FUND  | 1,237,361                                      | 1,285,123                                     | 1,288,400  | 3,277                                | .3                                  |
| <b>TOTAL ALL FUNDS, excl<br/>Construction &amp; Trust/Agency</b> | <b>27,058,403</b>                              | <b>27,180,249</b>                             | <b>26,925,408</b>                                | <b>(254,841)</b>                     | <b>(.9)</b>                         |

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 decrease as compared to 2015-16. The major factors for this:

- A decrease in ADA and Seek fund
- A decrease in interest revenue

The general fund SEEK revenue shown in Table B reflects a decrease in ADA. The SEEK base value per pupil was set by the General Assembly at \$3,981 which is the same as 2015-16.

**Table B  
General Fund Revenue – Working Budget**

| <b>Revenue Source</b>  | <b>A<br/>Prior Year<br/>Actual<br/>2014-15</b> | <b>B<br/>Last Year<br/>Actual<br/>2015-16</b> | <b>C<br/>Current Year<br/>Budget<br/>2016-17</b> | <b>D<br/>\$<br/>Change<br/>C - B</b> | <b>E<br/>%<br/>Change<br/>D / B</b> |
|------------------------|--|---|--|--------------------------------------|-------------------------------------|
| Beginning Balance      | 5,505,260                                      | 5,353,244                                     | 5,576,163  | 222,919                              | 4.2                                 |
| Local GF Revenue       | 5,588,139                                      | 5,794,646                                     | 5,886,394  | 91,748                               | 1.6                                 |
| State GF Revenue       | 10,389,099                                     | 10,420,135                                    | 9,901,045  | (519,090)                            | (5)                                 |
| Federal GF Revenue     | 49,802   | 40,315  | 40,000   | (315)                                | (.8)                                |
| Other Receipts         | 146,025  | 114,360                                       | 114,000  | (360)                                | (.3)                                |
| <b>Total Gen. Fund</b> | <b>21,678,325</b>                              | <b>21,722,700</b>                             | <b>21,517,602</b>                                | <b>(205,099)</b>                     | <b>(.9)</b>                         |

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 below provides an overview of all proposed General Fund revenue and adjustments made since the May 2016 review of projected revenue. The changes are: Beginning Balance – up \$183,259 and Local GF Revenue – increased \$ 85,470, increase in property tax and utility tax receipts.

**Table C  
General Fund Revenue – Tentative to Working Budget**

| <b>Revenue Source</b>  | <b>Tentative Budget<br/>May 2016</b> | <b>Working Budget<br/>Sep 2016</b> | <b>\$<br/>Change</b> |
|------------------------|--------------------------------------|------------------------------------|----------------------|
| Beginning Balance      | 5,392,904                            | 5,576,163                          | 183,259              |
| Local GF Revenue       | 5,800,924                            | 5,886,394                          | 85,470               |
| State GF Revenue       | 9,901,045                            | 9,901,045                          | 0                    |
| Federal GF Revenue     | 40,000                               | 40,000                             | 0                    |
| Other Receipts         | 114,000                              | 114,000                            | 0                    |
| <b>Total Gen. Fund</b> | <b>21,248,873</b>                    | <b>21,517,602</b>                  | <b>268,729</b>       |

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

**Table D  
General Fund Expense – Working Budget**

| <b>CODE</b> | <b>FUNCTION DESCRIPTION</b>   | <b>A<br/>Prior Year<br/>Actual<br/>2014-15</b> | <b>B<br/>Last Year<br/>Actual<br/>2015-16</b> | <b>C<br/>Current Year<br/>Budget<br/>2016-17</b> | <b>D<br/>\$<br/>Change<br/>C - B</b> | <b>E<br/>%<br/>Change<br/>D / B</b> |
|-------------|---|--|---|--|--------------------------------------|-------------------------------------|
| 0100        | SALARIES PERSONNEL SERVICES<br><i>Percent of General Fund Expense</i> | 11,999,792<br>76.0                             | 12,403,969<br>77.5                            | 12,464,534<br>75.5                               | 60,565                               | .5                                  |
| 0200        | EMPLOYEE BENEFITS<br><i>Percent of General Fund Expense</i>           | 1,080,136<br>6.8                               | 1,166,304<br>7.3                              | 1,173,096<br>7.1                                 | 6,791                                | .6                                  |
| 0300        | PURCHASED PROF & TECH SER<br><i>Percent of General Fund Expense</i>   | 143,496<br>.9                                  | 172,106<br>1.1                                | 195,043<br>1.2                                   | 22,937                               | 13.3                                |
| 0400        | PURCHASED PROPERTY SERVICES<br><i>Percent of General Fund Expense</i> | 390,549<br>2.5                                 | 311,422<br>1.9                                | 456,725<br>2.8                                   | 145,303                              | 46.7                                |
| 0500        | OTHER PURCHASED SERVICES<br><i>Percent of General Fund Expense</i>    | 294,530<br>1.9                                 | 286,350<br>1.8                                | 266,376<br>1.6                                   | (19,975)                             | (7)                                 |
| 0600        | SUPPLIES & MATERIALS<br><i>Percent of General Fund Expense</i>        | 1,257,834<br>8.0                               | 1,104,288<br>6.9                              | 1,410,044<br>8.5                                 | 305,756                              | 27.7                                |
| 0700        | PROPERTY<br><i>Percent of General Fund Expense</i>                    | 426,091<br>2.7                                 | 220,605<br>1.4                                | 116,281<br>.7                                    | (104,324)                            | (47.3)                              |
| 0800        | MISCELLANEOUS<br><i>Percent of General Fund Expense</i>               | 139,713<br>.9                                  | 42,223<br>.3                                  | 164,095<br>1.0                                   | 121,872                              | 288.6                               |
| 0900        | OTHER USES OF FUNDS<br><i>Percent of General Fund Expense</i>         | 53,733<br>.3                                   | 300,242<br>1.9                                | 254,376<br>1.5                                   | (45,867)                             | (15.3)                              |
|             | <b>Subtotal for General Fund</b>                                      | <b>15,785,874</b>                              | <b>16,007,510</b>                             | <b>16,500,569</b>                                | <b>493,059</b>                       | <b>3.1</b>                          |
| 0840        | CONTINGENCY<br><i>Percent of General Fund Expense</i>                 |  |   | 5,017,033  | 5,017,033                            |                                     |
|             | <b>Total for General Fund</b>   | <b>15,785,874</b>                              | <b>16,007,510</b>                             | <b>21,517,602</b>                                | <b>5,510,092</b>                     | <b>34.4</b>                         |

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 82.6% 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, for the last two years compared to 2016-17 budgeted costs. The increase in salaries includes experience step to all staff as well as a 1% increase to the salary schedules.

The General Fund 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**

|  | <b>Actual<br/>2014-15</b> | <b>Actual<br/>2015-16</b> | <b>Budget<br/>2016-17</b> | <b>\$<br/>Change**</b> | <b>%<br/>Change**</b> |
|--|---------------------------|---------------------------|---------------------------|------------------------|-----------------------|
| Salaries GF Personnel                    | 11,999,792                | 12,403,969                | 12,464,534                | 60,565                 | .5                    |
| <i>Percent General Fund</i>              | <i>76.0</i>               | <i>77.5</i>               | <i>75.5</i>               |                        |                       |
| Benefits <i>excl. accum. sk. Lv. (*)</i> | 1,080,136                 | 1,166,304                 | 1,173,096                 | 6,791                  | .6                    |
| <i>Percent General Fund</i>              | <i>6.8</i>                | <i>7.3</i>                | <i>7.1</i>                |                        |                       |
| <b>Total Salaries &amp; Benefits</b>     | <b>13,079,928</b>         | <b>13,570,273</b>         | <b>13,637,629</b>         | <b>67,356</b>          | <b>.5</b>             |
| <b><i>Percent General Fund</i></b>       | <b><i>82.9</i></b>        | <b><i>84.8</i></b>        | <b><i>82.6</i></b>        |                        |                       |

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

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 2016 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 2016 were primarily in salaries and contingency. 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**

| <b>CODE</b> | <b>FUNCTION DESCRIPTION</b>   | <b>Tentative Budget<br/>May 2016</b> | <b>Working Budget<br/>Sept 2016</b> | <b>\$<br/>Change</b> |
|-------------|---|--------------------------------------|-------------------------------------|----------------------|
| 0100        | SALARIES PERSONNEL SERVICES<br><i>Percent of General Fund Expense</i> | 12,501,841<br>75.6                   | 12,464,534<br>75.5                  | (37,307)             |
| 0200        | EMPLOYEE BENEFITS<br><i>Percent of General Fund Expense</i>           | 1,173,095<br>7.1                     | 1,173,096<br>7.1                    | 0                    |
| 0300        | PURCHASED PROF & TECH SER<br><i>Percent of General Fund Expense</i>   | 176,330<br>1.1                       | 195,043<br>1.2                      | 18,713               |
| 0400        | PURCHASED PROPERTY SERVICES<br><i>Percent of General Fund Expense</i> | 455,525<br>2.8                       | 456,725<br>2.8                      | 1,200                |
| 0500        | OTHER PURCHASED SERVICES<br><i>Percent of General Fund Expense</i>    | 289,376<br>1.8                       | 266,276<br>1.6                      | (23,100)             |
| 0600        | SUPPLIES & MATERIALS<br><i>Percent of General Fund Expense</i>        | 1,396,944<br>8.7                     | 1,410,044<br>8.5                    | 13,100               |
| 0700        | PROPERTY<br><i>Percent of General Fund Expense</i>                    | 114,000<br>.7                        | 116,281<br>.7                       | 2,281                |
| 0800        | MISCELLANEOUS<br><i>Percent of General Fund Expense</i>               | 363,471<br>2.2                       | 164,095<br>1.0                      | (199,376)            |
| 0900        | OTHER USES OF FUNDS<br><i>Percent of General Fund Expense</i>         | 50,000<br>.3                         | 254,376<br>1.5                      | 204,376              |
|             | <b>Subtotal for General Fund</b>                                      | <b>16,520,583</b>                    | <b>16,500,569</b>                   | <b>(20,014)</b>      |
| 0840        | CONTINGENCY<br><i>Percent of General Fund Expense</i>                 | 4,728,290<br>28.6                    | 5,017,033<br>29.3                   | 288,743              |
|             | <b>Total for General Fund</b>   | <b>21,248,873</b>                    | <b>21,517,602</b>                   | <b>268,729</b>       |

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 which would be \$538,508. KDE encourages local districts to consider inclusion of a 5% budgeted reserve. A 5% reserve of Elizabethtown’s total Working Budget is \$1,346,270.

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 \$5,017,033 is approximately 18.6% of the total 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 the actual expense as “percent of revenue” for previous fiscal years.

**Table G**  
**Expense as Percent of Revenue – Working Budget**

| <u><b>ACTUAL</b></u>                 | <b>Actual<br/>2014-15</b> | <b>Actual<br/>2015-16</b> | <b>Projected<br/>2016-17</b> |
|--------------------------------------|---------------------------|---------------------------|------------------------------|
| GF Revenues less Beginning Balance   | 16,173,066                | 16,369,455                | 15,941,439                   |
| GF Expenses less Contingency         | 15,785,874                | 16,007,510                | 16,500,476                   |
| +/- Difference                       | 387,192                   | 361,946                   | (559,037)                    |
| <b>Expense as Percent of Revenue</b> | <b>97.6</b>               | <b>97.8</b>               | <b>103.5</b>                 |

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 \$5.0 Million.

**RECOMMENDATION:**

Approve the Working Budget as attached to this enclosure.

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**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** (**0110**, **0120**, **0130**, 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