

Agreed Upon Procedures

2016

Jefferson County Board of Education

For the Fiscal Year Ended June 30, 2016



Strothman+Co

Agreed Upon Procedures

Jefferson County Board of Education

For the Fiscal Year Ended June 30, 2016

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**Independent Accountants' Report on
Applying Agreed-Upon Procedures**



Members of the Board
Jefferson County Board of Education
Louisville, Kentucky

We have performed the procedures enumerated in the Summary of Procedures and Findings, which were agreed to by the management of Jefferson County Board of Education (the "District"), solely to assist you with respect to teacher (certified) salary increases and to overall salary increases by District employees effective June 30, 2016 (prepared in accordance with District specifications). The District's management is responsible for its accounting records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are described in the enclosed Summary of Procedures and Findings.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on salary increases. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use by management and by Members of the Board of the District, and is not intended and should not be used by anyone other than those specified parties.


Louisville, Kentucky
September 27, 2016

Summary of Procedures and Findings

Jefferson County Board of Education

June 30, 2016

Procedure #1

For teachers (certified), we analyzed data provided by management to determine whether any potential cost savings from the retirements and terminations of teachers less the additional cost of new hires and reassignments covers the cost of step increases.

Assumptions

Contracted salaries at 187 days were used in our calculation rather than actual salaries in order to exclude any extra service costs.

Retirement and termination data is based on actual retirements and terminations from May 2015 – May 2016.

New hires and reassignment data is based on actual hirings and reassignments from July 2015 - June 2016.

The cost of the step increase represents the actual amounts of increases given for each step for the fiscal year 2017. The step increase was applied to the actual contracted salaries for teachers for fiscal year 2016 for those that were employed as of June 30, 2016, using the fiscal year 2016 salary table.

Retiree sick-leave payroll payout was included in our calculation.

Onboarding costs were excluded from our calculation. Management estimates these to be approximately \$7,791,164 for the fiscal year ended June 30, 2016.

A normalization was applied to account for the excess of new hires over retirements and terminations.

Findings

Our analysis shows that the cost of step increases to teachers is in excess of the cost savings resulting from retirements and terminations, net of the additional cost of new hires and reassignments.

See the attached schedule, Cost of Step Increases – Teachers, on page 6.

Procedure #2

Discuss the source and parameters used to extract data used in our procedures with management.

Findings

We discussed the source and parameters used by management to extract data used in our procedures.

Summary of Procedures and Findings--Continued

Jefferson County Board of Education

June 30, 2016

Procedure #3

Review data used in our procedures for reasonableness and consistency with the parameters discussed with management.

Findings

We reviewed the data used in our procedures for reasonableness and consistency with the parameters discussed with management.

Procedure #4

Agree 10 contracted salary amounts, hire dates and termination dates from the data used to MUNIS data. Agree 10 new hires and 10 terminations to Board minutes.

Findings

We agreed all 10 contracted salary amounts, hire dates and termination dates from the data used to MUNIS data without any exceptions and we agreed all 10 new hires and 10 terminations to the Board minutes without any exceptions.

Procedure #5

Review and recalculate the step increase and agree the rates used to the approved salary table for fiscal year 2016.

Findings

We recalculated the step increase for fiscal year 2017 without any exceptions and agreed step increases to the approved salary table for fiscal year 2016.

Procedure #6

Agree the salary expense for fiscal year 2015 to the general ledger, and compare fiscal year 2016 and fiscal year 2015 total salary expenses for reasonableness.

Findings

We agreed the salary expense for fiscal year 2015 to the MUNIS general ledger and the two years' salary expense totals appeared reasonable.

Summary of Procedures and Findings--Continued

Jefferson County Board of Education

June 30, 2016

Procedure #7

Compare actual teacher salaries to budgeted teacher salaries for fiscal years 2012 – 2016.

Findings

Overall variances for each year are 2.61% or less. Fiscal year 2016 grant funds budget to actual vary 9.73% due to multi-year grants.

See the attached schedule, Teacher Salaries Budget to Actual, on page 7.

Procedure #8

Prepare a summary schedule of revenues and savings available to fund teachers' as well as other employees' salary increases.

Findings

See attached schedule, Revenue & Savings to Fund Salary Increases, on page 5.

Schedules

Revenue & Savings to Fund Salary Increases

FY 2016 - 2017

	<u>Costs</u>	<u>Savings From Retirements/ Terminations</u>	<u>Cost of New Hires & Reassignments</u>	<u>Projected Increase in Revenues</u>	<u>Revenue Needed to Fund Salary Increases</u>	<u>Remaining Unapportioned Revenue</u>
Teachers						
Step Increase Cost	\$ 7,881,804					
Salaries Increase Cost (0.75%)	3,119,120					
Fringe Benefits	550,046	\$ (1,753,195)	\$ 1,431,282			
		<u>(35,063,903)</u>	<u>28,625,648</u>			
	11,550,970	(36,817,098)	30,056,930		\$ 4,790,802	
Other Employees						
Step Increase Cost	5,256,604					
Salaries Increase Cost (0.75%)	2,159,708					
Fringe Benefits	1,928,241					
	<u>9,344,553</u>				<u>9,344,553</u>	
Totals - All Employee	<u>\$ 20,895,523</u>	<u>\$(36,817,098)</u>	<u>\$ 30,056,930</u>	<u>\$ 21,235,061</u>	<u>\$ 14,135,356</u>	<u>\$ 7,099,705</u>

* Teacher fringe benefits were calculated as 5% of costs.

* Other employee fringe benefits were calculated as 26% of salary costs.

* Retirements and new hire costs for other employees are estimated to net to \$0.

* Increase in revenues is comprised of the following:

Property taxes	\$ 18,568,147
Occupational taxes	9,109,298
Other local revenues	1,006,498
SEEK funding	<u>(7,448,882)</u>
	<u>\$ 21,235,061</u>

* Onboarding costs have been excluded. Such costs, as estimated by management, consist of the following:

Teacher recruiting expense	\$ 1,171,471
Teacher onboarding	104,500
School-based support and training	<u>6,515,193</u>
	<u>\$ 7,791,164</u>

Cost of Step Increases - Teachers

FY16 Teacher Salary Expense by Step/Level			
Step	No. of Teachers	Average Salary	Total Payroll
0	393	43,667	\$ 17,160,945
1	366	45,542	16,668,242
2	271	47,203	12,792,107
3	328	48,816	16,011,690
4	355	51,496	18,281,111
5	275	52,805	14,521,472
6	272	54,140	14,726,076
7	309	56,026	17,312,110
8	278	57,825	16,075,419
9	294	59,826	17,588,909
10	375	61,604	23,101,418
11	320	65,359	20,914,816
12	286	66,916	19,137,864
13	233	68,006	15,845,482
14	239	69,509	16,612,608
15	238	71,839	17,097,591
16	199	74,798	14,884,721
17	206	76,840	15,829,129
18	195	76,519	14,921,229
19	163	76,859	12,528,018
20	153	78,314	11,982,024
21	118	78,384	9,249,281
22	134	78,827	10,562,824
23	117	78,420	9,175,083
24	84	78,960	6,632,615
25	88	79,076	6,958,684
26	80	78,087	6,246,933
27	61	79,483	4,848,462
28	44	79,459	3,496,190
29	223	79,551	17,739,973
30	2	81,887	163,775
41	45	18,446	830,062
Total FY 2016 Recurring Salaries		\$	419,896,864

Exhibit A -- Cost of the Step Increase:		
Step	No. of Teachers	Total Increase
0	387	\$ 289,214
1	363	269,984
2	269	201,868
3	324	603,926
4	355	234,422
5	275	404,637
6	270	388,146
7	309	457,597
8	276	411,548
9	293	438,010
10	367	1,099,190
11	320	481,237
12	284	423,734
13	232	347,511
14	235	350,609
15	234	704,470
16	197	445,435
17	204	-
18	190	-
19	161	241,860
20	145	-
21	113	-
22	128	-
23	115	-
24	78	88,407
25	84	-
26	64	-
27	53	-
28	35	-
29	176	-
30	2	-
41	43	-
Total Step Increase		\$ 7,881,804

Exhibit B -- FY16 Retirements/Terminations				
Step	No. of Teachers	Average Salary	Total Payroll	Retirement Sick Payout
0	58	43,192	\$ 2,505,150	-
1	41	43,815	1,796,400	-
2	29	45,617	1,322,898	-
3	33	46,917	1,548,265	-
4	30	49,074	1,472,234	-
5	16	49,752	796,028	-
6	20	52,939	1,058,780	-
7	13	54,731	711,502	15,339.49
8	20	56,701	1,134,025	3,783.36
9	17	59,162	1,005,758	-
10	33	59,181	1,952,984	26,507.42
11	14	62,491	874,871	21,535.48
12	13	64,669	840,703	26,603.62
13	21	67,293	1,413,162	72,692.67
14	17	67,757	1,151,861	39,535.76
15	10	71,162	711,621	29,801.31
16	7	73,486	514,401	18,608.01
17	8	76,759	614,075	14,560.22
18	12	75,204	902,445	65,730.43
19	12	74,480	893,761	80,480.59
20	17	77,010	1,309,165	164,364.49
21	12	77,304	927,649	135,761.85
22	8	76,459	611,669	30,881.50
23	13	76,764	997,935	166,799.59
24	12	78,436	941,229	109,109.28
25	12	76,742	920,906	93,645.91
26	12	78,277	939,322	198,296.19
27	11	79,188	871,065	135,669.75
28	52	78,247	4,068,837	829,736.36
29	24	78,919	1,894,060	413,633.62
30	1	77,951	77,951	980.00
41	23	42,829	985,060	7,813.37
621				
Total Salary Savings		37,765,773		
Total Retirement Cost		(2,701,870)		
Net Savings		\$ 35,063,903		

Exhibit C -- FY16 New Hires & Reassignments			
Step	No. Teachers	Average Salary	Total Salary
0	510	44,288	\$ 22,586,777
1	11	43,889	482,783
2	7	45,912	321,383
3	13	49,200	639,594
4	17	50,423	857,186
5	12	52,167	626,000
6	4	54,979	219,918
7	3	58,635	175,905
8	3	57,513	172,539
9	15	57,998	869,967
10	31	61,616	1,910,101
41	2	43,085	86,170
628			
Total New Hire Salary			\$ 28,948,321

Final Analysis	
Savings from Retirements/Terminations	35,063,903
Replacement Cost for Terms	(28,948,321)
Savings in Excess	6,115,582
Normalizing Adjustment:	
New Hires in Excess of Terms	7
Average New Hire Salary	46,096
Normalizing Credit	322,672
Adjusted Savings in Excess	6,438,254
Cost of Step Increase	7,881,804
Cost in Excess of Savings	\$ (1,443,550)

Teacher Salaries Budget to Actual					
		Final Budget	Actual	(Under)/Over Budget	
FY 2016	General Fund	\$ 383,497,489	\$ 376,096,627	\$ (7,400,862)	-1.93%
FY 2016	Grant Funds	36,884,196	33,293,540	(3,590,656)	-9.73%
		<u>\$ 420,381,685</u>	<u>\$ 409,390,167</u>	<u>\$ (10,991,518)</u>	-2.61%
FY 2015	General Fund	\$ 370,981,578	\$ 369,400,550	\$ (1,581,028)	-0.43%
FY 2015	Grant Funds	33,314,786	31,564,861	(1,749,925)	-5.25%
		<u>\$ 404,296,364</u>	<u>\$ 400,965,411</u>	<u>\$ (3,330,953)</u>	-0.82%
FY 2014	General Fund	\$ 365,871,194	\$ 361,512,754	\$ (4,358,440)	-1.19%
FY 2014	Grant Funds	32,340,387	31,957,680	(382,707)	-1.18%
		<u>\$ 398,211,581</u>	<u>\$ 393,470,434</u>	<u>\$ (4,741,147)</u>	-1.19%
FY 2013	General Funds	\$ 366,623,658	\$ 361,544,296	\$ (5,079,362)	-1.39%
FY 2013	Grant Funds	36,220,462	35,810,998	(409,464)	-1.13%
		<u>\$ 402,844,120</u>	<u>\$ 397,355,294</u>	<u>\$ (5,488,826)</u>	-1.36%
FY 2012	General Fund	\$ 359,231,859	\$ 349,900,024	\$ (9,331,835)	-2.60%
FY 2012	Grant Funds	27,169,534	26,503,911	(665,623)	-2.45%
		<u>\$ 386,401,393</u>	<u>\$ 376,403,935</u>	<u>\$ (9,997,458)</u>	-2.59%