

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 2018 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, 2018 adjusted for 2017-18 End of the Year (EOY) Average Daily Attendance (ADA) data and projected growth.
- ☒ Other changes in revenue based on actual experience in 2017-18 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 2017-18.

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 – 2018-19 Working Budget

FUND	A Prior Year Actual 2016-17	B Last Year Actual 2017-18	C Current Year Budget 2018-19	D \$ Change C - B	E % Change D / B
GENERAL FUND	21,856,268	22,589,996	22,036,787	(553,210)	(2.8)
SPECIAL REVENUE FUNDS	2,314,591	2,215,326	1,906,025	(309,301)	(14.0)
CAPITAL OUTLAY FUND	219,204	226,832	218,500	(8,331)	(3.7)
FACILITY BUILDING FUND	1,714,288	1,778,745	1,802,270	23,525	1.3
FOOD SERVICE FUND	1,514,813	1,596,541	1,467,700	(128,841)	(8.1)
TOTAL ALL FUNDS, excl Construction & Trust/Agency	27,619,466	28,407,441	27,431,282	(976,158)	(3.4)

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 2018-19. The major factors for this:

- Prior year insurance proceeds
- A decrease in state funding

The general fund SEEK revenue shown in Table B reflects a slight increase in ADA. The SEEK base value per pupil was set by the General Assembly at \$4,000 which is slight increase from 2017-18.

Table B
General Fund Revenue – Working Budget

Revenue Source	A Prior Year Actual 2016-17	B Last Year Actual 2017-18	C Current Year Budget 2018-19	D \$ Change C - B	E % Change D / B
Beginning Balance	5,576,163	5,729,288	5,641,283	(88,005)	(1.5)
Local GF Revenue	6,126,554	6,291,479	6,250,302	(41,177)	(.7)
State GF Revenue	9,980,693	10,130,476	10,031,202	(99,274)	(1.0)
Federal GF Revenue	42,361	44,671	41,000	(3,671)	(8.2)
Other Receipts	130,796	394,082	73,000	(321,082)	(81.5)
Total Gen. Fund	21,856,568	22,589,997	22,036,787	(553,210)	(2.4)

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 2018 review of projected revenue. The changes are: Beginning Balance – down \$ 58,717 and Local GF Revenue – increased \$ 19,000 .

Table C
General Fund Revenue – Tentative to Working Budget

Revenue Source	Tentative Budget May 2018	Working Budget Sep 2018	\$ Change
Beginning Balance	5,700,000	5,641,283	(58,717)
Local GF Revenue	6,231,302	6,250,302	19,000
State GF Revenue	10,031,202	10,031,202	0
Federal GF Revenue	40,000	41,000	0
Other Receipts	73,000	73,000	0
Total Gen. Fund	22,075,504	22,036,787	(38,717)

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

CODE	FUNCTION DESCRIPTION	A Prior Year Actual 2016-17	B Last Year Actual 2017-18	C Current Year Budget 2018-19	D \$ Change C - B	E % Change D / B
0100	SALARIES PERSONNEL SERVICES <i>Percent of General Fund Expense</i>	12,464,048 76.8	12,754,138 75.3	12,979,683 75.1	225,544	1.8
0200	EMPLOYEE BENEFITS <i>Percent of General Fund Expense</i>	1,251,642 7.7	1,219,357 7.2	1,273,666 7.4	54,310	4.5
0300	PURCHASED PROF & TECH SER <i>Percent of General Fund Expense</i>	171,806 1.1	228,828 1.4	248,188 1.4	19,360	8.5
0400	PURCHASED PROPERTY SERVICES <i>Percent of General Fund Expense</i>	475,438 2.9	856,313 5.1	624,775 3.6	(231,538)	(27.0)
0500	OTHER PURCHASED SERVICES <i>Percent of General Fund Expense</i>	293,765 1.8	229,599 1.4	265,468 1.5	35,869	15.6
0600	SUPPLIES & MATERIALS <i>Percent of General Fund Expense</i>	1,105,216 6.8	1,185,680 7.0	1,394,866 8.1	209,186	17.6
0700	PROPERTY <i>Percent of General Fund Expense</i>	144,956 0.9	179,573 1.1	105,900 .6	(73,673)	(41.0)
0800	MISCELLANEOUS <i>Percent of General Fund Expense</i>	70,531 .4	42,677 .3	103,100 .6	60,423	141.6
0900	OTHER USES OF FUNDS <i>Percent of General Fund Expense</i>	244,761 1.5	252,548 1.5	291,332 1.7	38,784	15.4
	Subtotal for General Fund	16,222,165	16,948,713	17,286,978	338,265	2.0
0840	CONTINGENCY <i>Percent of General Fund Expense</i>			4,749,809 27.5		
	Total for General Fund	16,222,165	16,948,713	22,036,787	5,088,074	30.0

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 82.5 of the General Fund are 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 2018-19 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

	Actual 2016-17	Actual 2017-18	Budget 2018-19	\$ Change**	% Change**
Salaries GF Personnel	12,464,048	12,754,138	12,979,683	225,544	1.8
<i>Percent General Fund</i>	<i>76.8</i>	<i>75.3</i>	<i>75.1</i>		
Benefits <i>excl. accum. sk. Lv. (*)</i>	1,251,642	1,219,368	1,273,666	54,310	4.5
<i>Percent General Fund</i>	<i>7.7</i>	<i>7.2</i>	<i>7.4</i>		
Total Salaries & Benefits	13,715,691	13,973,495	14,253,349	279,854	1.7
<i>Percent General Fund</i>	<i>84.5</i>	<i>82.4</i>	<i>82.5</i>		

**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 2018 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 2017 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

CODE	FUNCTION DESCRIPTION	Tentative Budget May 2018	Working Budget Sept 2018	\$ Change
0100	SALARIES PERSONNEL SERVICES <i>Percent of General Fund Expense</i>	12,911,862 76.3	12,979,683 75.1	67,821
0200	EMPLOYEE BENEFITS <i>Percent of General Fund Expense</i>	1,273,666 7.5	1,273,666 7.4	0
0300	PURCHASED PROF & TECH SER <i>Percent of General Fund Expense</i>	214,448 1.3	248,188 1.4	33,740
0400	PURCHASED PROPERTY SERVICES <i>Percent of General Fund Expense</i>	404,875 2.4	624,775 3.6	219,900
0500	OTHER PURCHASED SERVICES <i>Percent of General Fund Expense</i>	264,468 1.6	265,468 1.5	970
0600	SUPPLIES & MATERIALS <i>Percent of General Fund Expense</i>	1,390,666 8.2	1,394,866 8.1	4,533
0700	PROPERTY <i>Percent of General Fund Expense</i>	64,900 .4	105,900 .6	41,000
0800	MISCELLANEOUS <i>Percent of General Fund Expense</i>	103,100 .6	103,100 .6	0
0900	OTHER USES OF FUNDS <i>Percent of General Fund Expense</i>	291,332 1.7	291,332 1.7	0
	Subtotal for General Fund	16,919,317	17,286,978	367,964
0840	CONTINGENCY <i>Percent of General Fund Expense</i>	5,156,187 30.5	4,749,809 27.5	(406,378)
	Total for General Fund	22,075,504	22,036,787	(38,414)

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 \$548,626. KDE encourages local districts to consider inclusion of a 5% budgeted reserve. A 5% reserve of Elizabethtown’s total Working Budget is \$1,371,564.

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 \$4,749,809 is approximately 17.3% 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>ACTUAL</u>	Actual 2016-17	Actual 2017-18	Projected 2018-19
GF Revenues less Beginning Balance	16,280,405	16,860,707	16,395,504
GF Expenses less Contingency	16,222,165	16,948,713	17,286,978
+/- Difference	58,241	(88,002)	(891,474)
Expense as Percent of Revenue	99.6	100.5	105.4

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 \$4.8 Million.

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** (**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