

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 2022 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 August 2, 2022 adjusted for 2022 End of the Year (EOY) Average Daily Attendance (ADA) data and projected growth.
- ☒ Other changes in revenue based on actual experience in 2021-22 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 2021-22.

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 – Working Budget

FUND	A Prior Year Actual 2020-21	B Last Year Actual 2021-22	C Current Year Budget 2022-23	D \$ Change C - B	E % Change D / B
GENERAL FUND	\$20,741,643	\$22,490,941	\$23,433,943	943001.97	4.2%
SPECIAL REVENUE FUNDS	3,168,366	4,170,936	2,145,273	-2,025,663	-48.6%
CAPITAL OUTLAY FUND	217,914	223,913	226,293	2,380	1.1%
FACILITY BUILDING FUND	1,987,638	1,998,323	2,273,660	275,337	13.8%
FOOD SERVICE FUND	1,362,153	2,307,326	1,790,050	-517,276	-22.4%
TOTAL ALL FUNDS, excl Construction & Trust/Agency	\$27,477,714	\$31,191,440	\$29,869,219	1,322,220.70	4.8%

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. The major factors for this:

- An increase in beginning balance, seek and property tax revenue

The general fund SEEK revenue shown in Table B reflects an increase in ADA. The SEEK base value per pupil was set by the General Assembly at \$4,100 which is an increase from 2021-22.

Table B
General Fund Revenue – Working Budget

Revenue Source	A Prior Year Actual 2020-21	B Last Year Actual 2021-22	C Current Year Budget 2022-23	D \$ Change C - B	E % Change D / B
Beginning Balance	\$3,986,535	\$4,581,456	\$5,363,067	781,611.39	17.1%
Local GF Revenue	\$6,900,280	\$7,492,429	\$7,099,562	-392,866.65	-5.2%
State GF Revenue	\$9,681,156	\$10,226,383	\$10,839,314	612,930.96	6.0%
Federal GF Revenue	\$51,777	\$51,915	\$43,000	-8,914.72	-17.2%
Other Receipts	\$121,895	\$138,759	\$89,000	-49,759.01	-35.9%
Total Gen. Fund	\$20,741,643	\$22,490,941	\$23,433,943	943,001.97	4.2%

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 2022 review of projected revenue. The changes are: and local revenue up 248,182 and misc. receipts down 34,000

Table C
General Fund Revenue – Tentative to Working Budget

Revenue Source	Tentative Budget May 2022	Working Budget Sep 2022	\$ Change
Beginning Balance	\$4,603,000	\$5,363,067	\$781,611
Local GF Revenue	\$6,851,380	\$7,099,562	\$248,182
State GF Revenue	\$10,839,314	\$10,839,314	\$0
Federal GF Revenue	\$43,000	\$43,000	\$0
Other Receipts	\$123,000	\$89,000	(\$34,000)
Total Gen. Fund	\$22,459,694	\$23,433,943	\$974,249

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 2020-21	B Last Year Actual 2021-22	C Current Year Budget 2022-23	D \$ Change C - B	E % Change D / B
0100	SALARIES PERSONNEL SERVICES <i>Percent of General Fund Expense</i>	\$12,151,697 75.0%	\$12,569,769 69.3%	\$13,693,463 73.7%	\$1,123,693	8.9%
0200	EMPLOYEE BENEFITS <i>Percent of General Fund Expense</i>	1,493,443.40 9.2%	1,513,368.55 8.3%	1,430,953.30 7.7%	(\$82,415)	-5.4%
0300	PURCHASED PROF & TECH SER <i>Percent of General Fund Expense</i>	\$253,445 1.6%	\$262,589 1.4%	\$298,836 1.6%	\$36,247	13.8%
0400	PURCHASED PROPERTY SERVICES <i>Percent of General Fund Expense</i>	\$458,086 2.8%	\$603,383 3.3%	\$841,875 4.5%	\$238,492	39.5%
0500	OTHER PURCHASED SERVICES <i>Percent of General Fund Expense</i>	\$352,139 2.2%	\$1,273,207 7.0%	\$299,517 1.6%	(\$973,690)	-76.5%
0600	SUPPLIES & MATERIALS <i>Percent of General Fund Expense</i>	\$969,325 6.0%	\$1,244,100 6.9%	\$1,371,015 7.4%	\$126,915	10.2%
0700	PROPERTY <i>Percent of General Fund Expense</i>	\$157,708 1.0%	\$74,276 0.4%	\$190,900 1.1%	\$116,624	157.0%
0800	MISCELLANEOUS <i>Percent of General Fund Expense</i>	\$64,542 0.4%	\$50,524 0.3%	112,600.00 0.6%	\$62,076	122.9%
0900	OTHER USES OF FUNDS <i>Percent of General Fund Expense</i>	\$310,357 1.9%	\$537,221 3.0%	\$329,608 1.8%	(\$207,613)	-38.6%
	Subtotal for General Fund	\$16,210,743	\$18,128,438	\$18,568,807	\$440,369	2.4%
0840	CONTINGENCY <i>Percent of General Fund Expense</i>	\$0 0.0%	\$0 0.0%	\$4,865,136 26.2%	\$4,865,136	100.0%
	Total for General Fund	\$16,210,743	\$18,128,438	\$23,433,943		

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 81.4 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 2022-23 budgeted costs. The increase in salaries includes experience step plus 2% to all staff with additional target raises to classified staff.

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 2020-21	Actual 2021-22	Budget 2022-23	\$ Change**	% Change**
Salaries GF Personnel	\$12,151,697	\$12,569,769	\$13,693,463	\$1,123,693	8.9%
<i>Percent General Fund</i>	75.0%	69.3%	73.7%		
Benefits <i>excl. accum. sk. Lv. (*)</i>	1,493,443.40	1,513,368.55	\$1,430,953	(\$82,415)	-5.4%
<i>Percent General Fund</i>	9.2%	8.3%	7.7%		
Total Salaries & Benefits	\$13,645,141	\$14,083,138	\$15,124,416	\$1,041,278	7.4%
<i>Percent General Fund</i>	84.2%	77.7%	81.4%		

**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 2022 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 2022 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 2022	Working Budget Sept 2022	\$ Change
0100	SALARIES PERSONNEL SERVICES <i>Percent of General Fund Expense</i>	\$13,771,602 75.3%	\$13,693,463 73.7%	(\$78,139)
0200	EMPLOYEE BENEFITS <i>Percent of General Fund Expense</i>	\$1,454,978 8.0%	\$1,430,953 7.7%	(\$24,025)
0300	PURCHASED PROF & TECH SER <i>Percent of General Fund Expense</i>	\$269,536 1.5%	\$298,836 1.6%	\$29,300
0400	PURCHASED PROPERTY SERVICES <i>Percent of General Fund Expense</i>	\$563,475 3.1%	\$841,875 4.5%	\$278,400
0500	OTHER PURCHASED SERVICES <i>Percent of General Fund Expense</i>	\$299,517 1.6%	\$299,517 1.6%	\$0
0600	SUPPLIES & MATERIALS <i>Percent of General Fund Expense</i>	\$1,360,018 7.4%	\$1,371,015 7.4%	\$10,997
0700	PROPERTY <i>Percent of General Fund Expense</i>	\$130,900 0.7%	\$190,900 1.1%	\$60,000
0800	MISCELLANEOUS <i>Percent of General Fund Expense</i>	\$103,100 0.6%	\$112,600 0.6%	\$9,500
0900	OTHER USES OF FUNDS <i>Percent of General Fund Expense</i>	\$329,608 1.8%	\$329,608 1.8%	\$0
	Subtotal for General Fund	\$18,282,735	\$18,568,807	\$286,072
0840	CONTINGENCY <i>Percent of General Fund Expense</i>	\$4,116,962 22.5%	\$4,865,807 26.2%	748,174
	Total for General Fund	\$22,399,697	\$23,433,943	\$1,034,246

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 \$597,384. KDE encourages local districts to consider inclusion of a 5% budgeted reserve. A 5% reserve of Elizabethtown’s total Working Budget is \$1,493,461.

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 \$4,865,136 is approximately 16.0% 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 higher than revenue, which has also occurred in previous fiscal years.

During uncertain fiscal times, it can be 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 2020-21	Actual 2021-22	Projected 2022-23
GF Revenues less Beginning Balance	\$16,755,107.82	17,909,485.42	18,070,876.00
GF Expenses less Contingency	16,210,743.00	18,128,438.00	18,568,807.00
+/- Difference	544,364.82	(218,952.58)	(497,931.00)
Expense as Percent of Revenue	96.8%	101.2%	103%

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