

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 2023 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 3, 2023 adjusted for 2023 End of the Year (EOY) Average Daily Attendance (ADA) data and projected growth.
- Other changes in revenue based on actual experience in 2022-23 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 2022-23.

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 2021-22	B Last Year Actual 2022-23	C Current Year Budget 2023-24	D \$ Change C - B	E % Change D / B
GENERAL FUND	\$22,488,153	\$24,462,711	\$25,532,641	889,929	3.6
SPECIAL REVENUE FUNDS	\$4,173,724	4,448,198	1,825,198	-2,622,999	-59.0
CAPITAL OUTLAY FUND	223,913	274,745	226,000	-48,745	-17.7
FACILITY BUILDING FUND	1,998,323	2,387,172	2,367,556	-19,616	-0.8
FOOD SERVICE FUND	2,307,327	2,047,620	1,617,500	-430,120	-21.0
TOTAL ALL FUNDS, excl Construction & Trust/Agency	\$31,191,440	\$33,620,447	\$31,388,896	-2,231,552	7.2

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 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 \$4,200.

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

Revenue Source	A Prior Year Actual 2021-22	B Last Year Actual 2022-23	C Current Year Budget 2023-24	D \$ Change C - B	E % Change D / B
Beginning Balance	\$4,581,456	\$5,590,828	\$6,344,445	753,618	13.5
Local GF Revenue	\$7,492,429	\$7,959,216	\$8,155,199	195,983	2.5
State GF Revenue	\$10,223,595	\$10,676,731	\$10,720,997	44,266	0.4
Federal GF Revenue	\$51,915	\$43,431	\$43,000	-431	-1.0
Other Receipts	\$138,759	\$192,506	\$89,000	-103,506	-53.8
Total Gen. Fund	\$22,488,153	24,462,711	25,352,641	1,749,298.50	7.8%

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 2023 review of projected revenue.

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

Revenue Source	Tentative Budget May 2023	Working Budget Sep 2023	\$ Change
Beginning Balance	\$5,590,000	\$6,344,445	\$754,445
Local GF Revenue	\$7,609,380	\$8,155,199	\$545,819
State GF Revenue	\$10,829,209	\$10,720,997	(\$108,212)
Federal GF Revenue	\$43,000	\$43,000	\$0
Other Receipts	\$89,000	\$89,000	0
Total Gen. Fund	\$22,459,694	25,352,641	\$1,192,052

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 2021-22	B Last Year Actual 2022-23	C Current Year Budget 2023-24	D \$ Change C - B	E % Change D / B
0100	SALARIES PERSONNEL SERVICES <i>Percent of General Fund Expense</i>	\$12,569,769 70.2%	\$12,860,737 70.6%	\$13,925,683 71.0%	\$1,064,946	8.3%
0200	EMPLOYEE BENEFITS <i>Percent of General Fund Expense</i>	1,513,368 8.5%	1,461,383 8.0%	1,351,244 6.9%	(110,140)	-7.5%
0300	PURCHASED PROF & TECH SER <i>Percent of General Fund Expense</i>	\$262,589 1.5%	\$338,273 1.9%	\$485,836 2.5%	\$147,563	43.6%
0400	PURCHASED PROPERTY SERVICES <i>Percent of General Fund Expense</i>	\$603,383 3.4%	\$1,110,096 6.1%	\$1,431,375 7.3%	\$321,279	28.9%
0500	OTHER PURCHASED SERVICES <i>Percent of General Fund Expense</i>	\$1,273,207 7.1%	\$427,298 2.3%	\$358,057 1.8%	(69,241)	-16.2%
0600	SUPPLIES & MATERIALS <i>Percent of General Fund Expense</i>	\$1,244,100 6.9%	\$1,315,084 7.2%	\$1,419,080 7.2%	103,996	7.9%
0700	PROPERTY <i>Percent of General Fund Expense</i>	\$74,276 0.4%	\$87,743 0.5%	\$211,900 1.1%	\$124,157	141.5%
0800	MISCELLANEOUS <i>Percent of General Fund Expense</i>	\$50,524 0.3%	\$78,566 0.4%	\$97,600 0.5%	\$19,034	24.2%
0900	OTHER USES OF FUNDS <i>Percent of General Fund Expense</i>	\$314,357 1.8%	\$540,261 3.0%	\$340,119 1.7%	(200,142)	-37.0%
	Subtotal for General Fund	\$17,905,574	\$18,219,441	\$19,620,895	\$1,401,454	7.7%
0840	CONTINGENCY <i>Percent of General Fund Expense</i>	\$0 0.0%	\$0 0.0%	\$5,731,747 29.2%	\$5,731,747	100.0%
	Total for General Fund	\$17,905,574	\$18,219,441	\$25,352,641	\$7,133,200	39.2%

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

Recommended expense allocations are presented in summary form in Table D (see page 3). It is important to note that approximately 77.9 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 2023-24 budgeted costs. The increase in salaries includes experience step plus 2% to all 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 – orking Budget

	Actual 2021-22	Actual 2022-23	Budget 2023-24	\$ Change**	% Change**
Salaries GF Personnel	\$12,569,769	\$12,860,737	\$13,925,683	\$1,064,946	8.3%
<i>Percent General Fund</i>	70.2%	70.6%	71.0%		
Benefits <i>excl. accum. sk. Lv. (*)</i>	\$1,513,368	\$1,461,383	\$1,351,244	(\$110,140)	-7.5%
<i>Percent General Fund</i>	9.2%	8.3%	7.7%		
Total Salaries & Benefits	\$14,083,138	\$14,322,121	\$15,276,927	\$954,806	6.7%
<i>Percent General Fund</i>	78.7%	78.6%	77.9%		

**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 2023 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 2023 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 2023	Working Budget Sept 2023	\$ Change
0100	SALARIES PERSONNEL SERVICES <i>Percent of General Fund Expense</i>	\$13,686,207 70.6%	\$13,925,683 71.0%	\$239,476
0200	EMPLOYEE BENEFITS <i>Percent of General Fund Expense</i>	\$1,381,244 7.1%	1,351,244 6.9%	(\$30,000)
0300	PURCHASED PROF & TECH SER <i>Percent of General Fund Expense</i>	\$485,836 2.5%	\$485,836 2.5%	0
0400	PURCHASED PROPERTY SERVICES <i>Percent of General Fund Expense</i>	\$1,435,875 7.4%	\$1,431,375 7.3%	(4,500)
0500	OTHER PURCHASED SERVICES <i>Percent of General Fund Expense</i>	\$349,457 1.8%	\$358,057 1.8%	\$8,600
0600	SUPPLIES & MATERIALS <i>Percent of General Fund Expense</i>	\$1,393,080 7.2%	\$1,419,080 7.2%	\$26,000
0700	PROPERTY <i>Percent of General Fund Expense</i>	\$211,900 1.1%	\$211,900 1.1%	0
0800	MISCELLANEOUS <i>Percent of General Fund Expense</i>	\$112,600 0.6%	\$97,600 0.5%	(\$15,000)
0900	OTHER USES OF FUNDS <i>Percent of General Fund Expense</i>	\$340,119 1.8%	\$340,119 1.7%	\$0
	Subtotal for General Fund	\$19,396,316	\$19,620,895	\$224,579
0840	CONTINGENCY <i>Percent of General Fund Expense</i>	\$4,764,273 24.6%	\$5,731,747 30.7%	\$967,474
	Total for General Fund	\$24,160,589	\$25,635,021	\$1,192,052

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 \$627,778. KDE encourages local districts to consider inclusion of a 5% budgeted reserve. A 5% reserve of Elizabethtown’s total Working Budget is \$1,569,445.

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 \$5,731,747 is approximately 18% 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 2021-22	Actual 2022-23	Projected 2023-24
GF Revenues less Beginning Balance	\$17,909,195	18,871,884	19,008,196
GF Expenses less Contingency	16,897,325	18,118,266	19,620,894
+/- Difference	1,011,870	753,618	(612,698)
Expense as Percent of Revenue	94.3	96.0	1.03

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 \$5.70 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