

# **BARR-REEVE**

## **COMMUNITY SCHOOLS**

**FY2017**

**BUDGET BOOKLET**

**BUDGET HEARING:  
8/31/16**

**BUDGET ADOPTION:  
9/13/16**

It is my hope that the following document will serve as an outline and overview of our Fiscal Year 2017 budget and how it is built as well as serve as a guide that demonstrates a sound fiscal outlook moving forward.

I want to stress that this budget makes a lot of “assumptions” and could see many changes from now until the end of FY 2017. These assumptions include, but are not limited to, that we will receive all of the revenues (for all of the funds) spelled out in the budget (we may not), that expenditures will remain consistent and rise minimally or at the cost of inflation (unknown at this point), and that student enrollment and our assessed valuation of property will remain steady *at best*.

I have been taught, and in a small rural school corporation it is considered best practice, to put together what one would call a “defensive” budget. This means that I have used very conservative assumptions to compile our budget estimate. As it goes every year, we are building a budget that goes out nearly 18 months (July 2016 thru December 2017) and has to be completed prior to us having some vital information that will heavily impact how the budget works. The two PRIMARY VARIABLES THAT DETERMINE OUR REVENUE are “missing or unsure at the current time”. These TWO VARIABLES include: (1) our assessed valuation of property in the district as well as (2) conclusive information of our student enrollment for the 2016-2017 and 2017-2018 school years.

Our school corporation’s assessed valuation of property will determine what our actual levies could be and what actual revenue we can or will receive from these local sources. If that number changes significantly, that would most definitely impact not only how much revenue we could receive, but how much that revenue could impact our tax rate on individuals in our school district. Please remember that there are many “safeguards” in place to protect the tax payer, so any adverse impact to the AV would most likely negatively or adversely impact our revenue.

Our final enrollment numbers and the actual dollar figure we will receive over the next six months will not officially be determined until September 16, 2016 of this year which is count day. We will have to wait until February of 2017 to see what the first 6 months of 2017 will garner us in state revenue. We wait again until September of 2017 to see what the “actual” final revenue of our 2017 budget will actually be from the state. If our student enrollment number changes in number or “dynamic: i.e. special education numbers, student demographics, vocational numbers” this could heavily impact our state revenue and our REAL/ACTUAL 2017 state revenue numbers.

When you build a budget, you are attempting to answer 5 primary questions:

- How much revenue might we receive and from where?
- How much will we spend and what will we spend it on?
- Will our budget be balanced?
- What does our budget mean for our taxpayers?
- What is our long-term fiscal outlook?

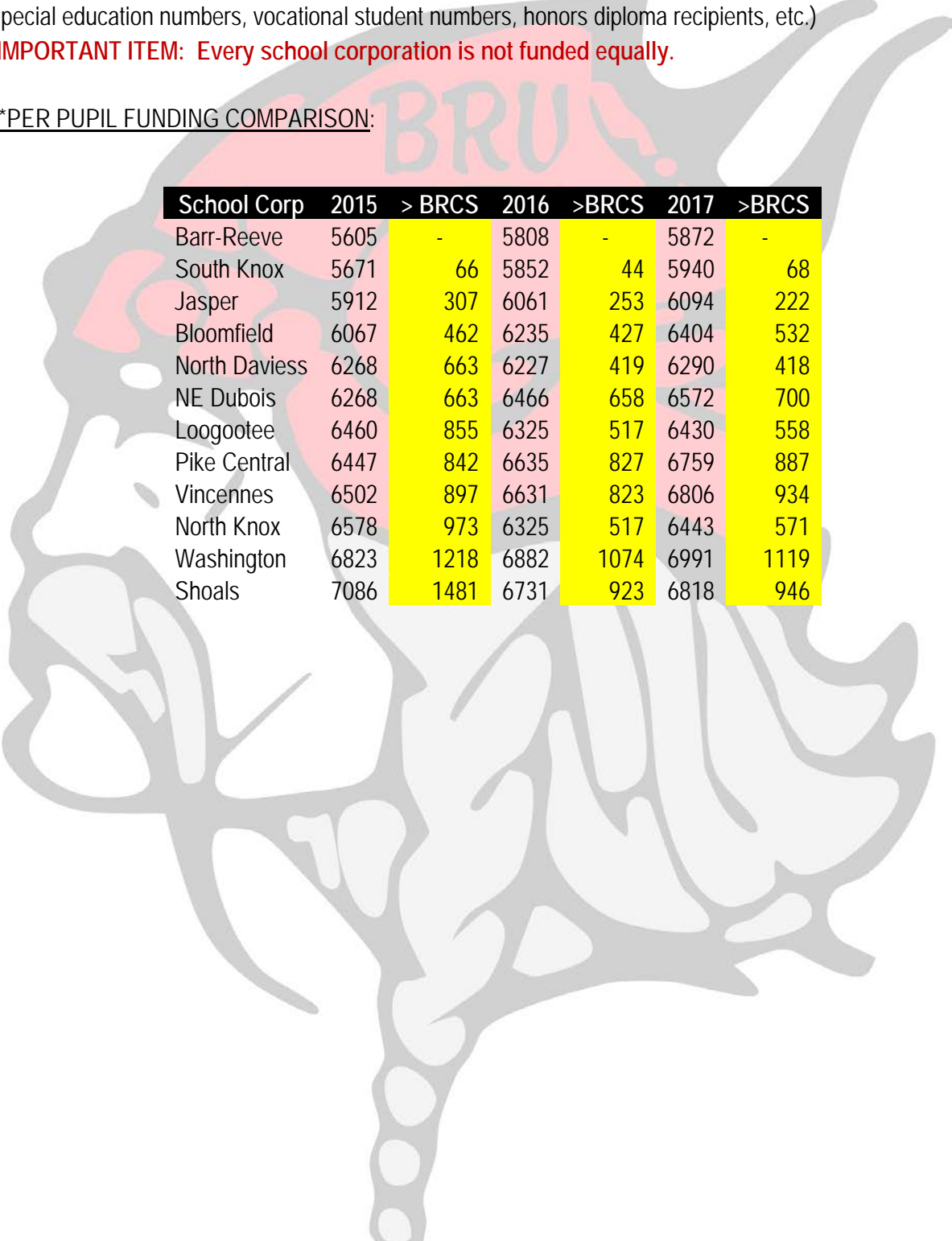
**2017 REVENUE:**

The primary sources of our 2017 revenue are our state funding (Basic Grant) for our General Fund and local property taxes for the other major budgeted funds. Those other funds also receive some additional "miscellaneous" revenue from excise taxes. Our funds may also receive some additional money from various miscellaneous sources, including, but not limited to, rental of school owned facilities and properties, interest earnings, etc. Most of this additional revenue will go into our General Fund.

The Basic Grant is our revenue from the state is based upon the biannual state budget and is determined by a formula based upon many different factors. (Student enrollment numbers, socio-economic levels, special education numbers, vocational student numbers, honors diploma recipients, etc.)

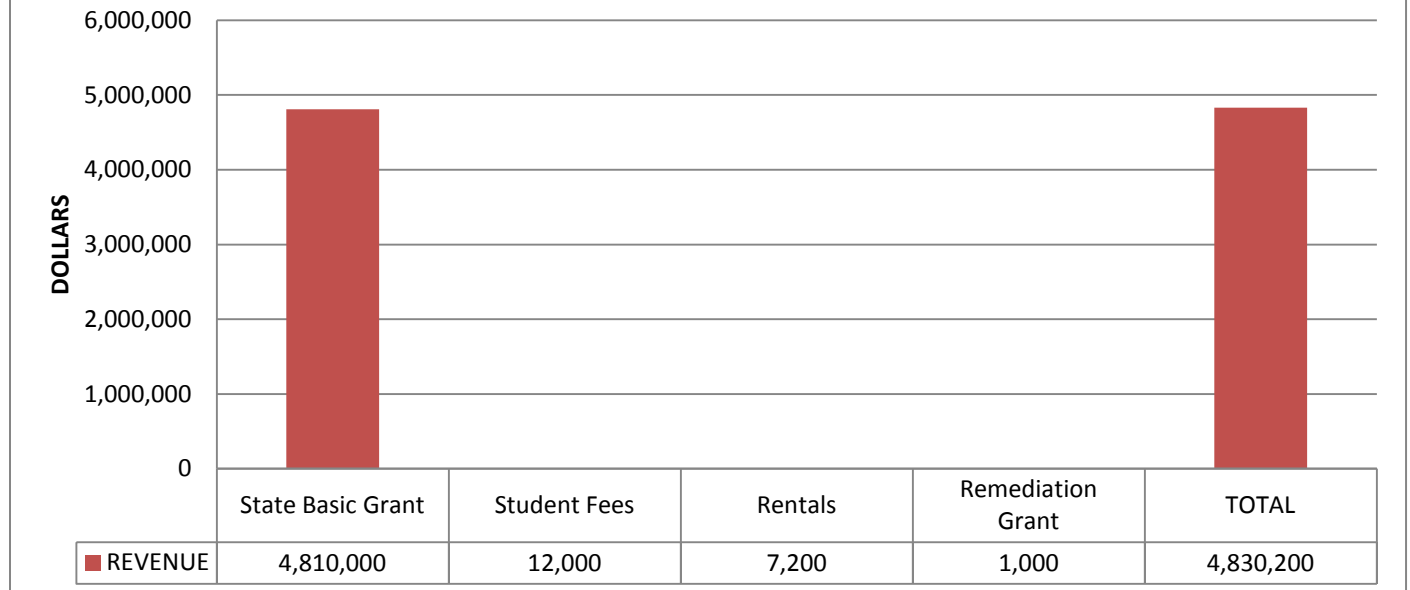
**IMPORTANT ITEM: Every school corporation is not funded equally.**

**\*\*PER PUPIL FUNDING COMPARISON:**



School Corp	2015	> BRCS	2016	>BRCS	2017	>BRCS
Barr-Reeve	5605	-	5808	-	5872	-
South Knox	5671	66	5852	44	5940	68
Jasper	5912	307	6061	253	6094	222
Bloomfield	6067	462	6235	427	6404	532
North Daviess	6268	663	6227	419	6290	418
NE Dubois	6268	663	6466	658	6572	700
Loogootee	6460	855	6325	517	6430	558
Pike Central	6447	842	6635	827	6759	887
Vincennes	6502	897	6631	823	6806	934
North Knox	6578	973	6325	517	6443	571
Washington	6823	1218	6882	1074	6991	1119
Shoals	7086	1481	6731	923	6818	946

## 2017 ESTIMATE OF GENERAL FUND REVENUE



All of our other funds (Debt Service, Pension Debt Service, Capital Projects, Transportation, Bus Replacement and Referendum) will receive two types of revenue. The main source of revenue for these funds will be from local property taxes. Another form of revenue is considered “miscellaneous revenue” and is money derived from local excise taxes.

DLGF Budget Form 2 (and table below) includes a list of our estimated budgeted revenues for 2017 from all sources with the exception of property taxes.

### 2017 Summary of (Estimate) Revenues other than property taxes (Miscellaneous Revenues):

2017 Sources of Revenue (ESTIMATED)						
FUND	FIT	LICENSE	CVET	STATE GRANTS	MISC	TOTAL
General Fund				\$ 4,810,000	\$ 22,200	\$ 4,830,200
Debt Service	\$ 80	\$ 9,000	\$ 1,500			\$ 10,580
Pension Debt	\$ 120	\$ 12,000	\$ 2,000		\$ 115,375	\$ 129,495
Cap Projects	\$ 300	\$ 34,000	\$ 5,000			\$ 39,300
Transportation	\$ 250	\$ 29,000	\$ 4,000			\$ 33,250
Bus Replacement						
Rainy Day						
Referendum	\$ 600	\$ 62,000	\$ 10,000			\$ 72,600
<b>TOTALS</b>	<b>\$ 1,350</b>	<b>\$ 146,000</b>	<b>\$ 22,500</b>	<b>\$ 4,810,000</b>	<b>\$ 137,575</b>	<b>\$ 5,115,425</b>

Property Tax Revenue is estimated on DLGF Budget Form 3. It is important to note that the DLGF (Department of Local Government Finance), who we submit and ask annual approval for our budget, applies various statutory and regulatory laws, rules, and formulas to determine the maximum allowable tax levy for each fund. In their terminology, they call these “controls”. Therefore, all the funds which receive property tax dollars are “controlled funds.” The nature of their controls varies a bit by fund.

Generally, all debt service funds (both pension and regular debt service) are considered to have “need based” controls. The DLGF annually reviews the amortization schedules of the debt payments to be covered and then sets the property tax levy for an amount equal to that need for the upcoming budget year. School Corporation’s capital projects funds are controlled on the basis of the tax rate. A statutory formula is used annually by the DLGF to compute the maximum tax rate that will be allowed, and this rate is then used to compute the tax levy for the budget year that will be permitted. Referendum funds are also rate controlled, with the rate approved on the ballot question set as a maximum rate each year. This maximum rate can never increase, but may be adjusted downward to reflect any major increases in assessed valuation. Transportation and bus replacement funds have direct controls on their levies, with a statutory formula used that directly computes the levy amount to be allowed each year.

Again, like I stated in the initial paragraphs of this document. I am being very conservative with these numbers, but I also want to stress again, that we elevate advertised revenues and expenses in both the CPF and Transportation funds in order to protect our rate against any decline in our Assessed Valuation (which I did not know at the time of preparing the budget). I also want to add that we will not receive any bus replacement tax revenue as most of that will be utilized to neutralize the levy for Pension Debt Service (along with CPF and Transportation).

The following chart illustrates property tax levies that we have advertised on our Budget Form 3 and also provides what I project our actual levies may look like following DGLF approval.

2017 Advertised and Projected Property Tax Revenue:

2017 Advertised and Projected Property Tax Levies				
Fund	Advertised Levy		Projected Levy	
Debt Service	\$	100,000	\$	100,000
Pension Debt Service	\$	93,686	\$	93,686
Capital Projects	\$	972,937	\$	570,041
Transportation	\$	887,011	\$	472,636
Bus Replacement	\$	499,921	\$	-
Referendum	\$	1,085,000	\$	1,085,000
<b>TOTAL LEVIES</b>	<b>\$</b>	<b>3,638,555</b>	<b>\$</b>	<b>2,321,363</b>

This final chart illustrates my estimate of total revenue for our corporation for FY 2017. Again, like I stated in the initial paragraphs of this document, I am being very conservative with our numbers, but I also want to stress again, that we elevate projected revenues and expenses in the CPF and Transportation funds in order to protect our rate against any decline in our Assessed Valuation (which we currently do not know at the time of preparing the budget). I also want to add that we will not receive any bus replacement tax revenue as most of that will be utilized to neutralize the levy for Pension Debt Service (along with CPF and Transportation).

2017 Combined Summary TOTAL of Estimated Revenues:

2017 Sources of Revenue (ESTIMATED)							
FUND	PROPERTY TAX	FIT	LICENSE	CVET	STATE GRANTS	MISC	TOTAL
General Fund					\$ 4,810,000	\$ 20,200	\$ 4,830,200
Debt Service	100,000	\$ 80	\$ 9,000	\$ 1,500			\$ 110,580
Pension Debt	93,686	\$ 120	\$ 12,000	\$ 2,000		\$ 115,375	\$ 223,181
Cap Projects	972,937	\$ 300	\$ 34,000	\$ 5,000			\$ 1,012,237
Transportation	887,011	\$ 250	\$ 29,000	\$ 4,000			\$ 920,261
Bus Replacement							
Rainy Day							
Referendum	1,085,000	\$ 600	\$ 62,000	\$ 10,000			\$ 1,157,600
<b>TOTALS</b>	<b>\$ 3,138,634</b>	<b>\$ 1,350</b>	<b>\$ 146,000</b>	<b>\$ 22,500</b>	<b>\$ 4,810,000</b>	<b>\$ 135,575</b>	<b>\$ 8,254,059</b>

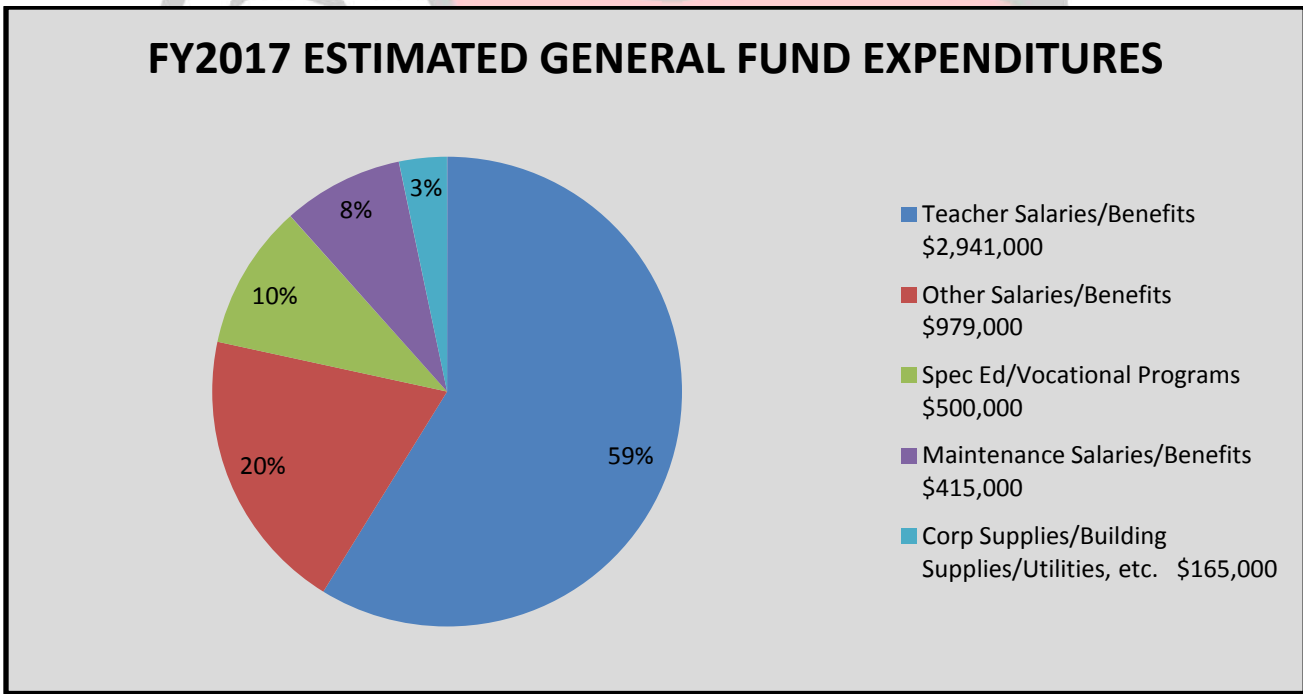
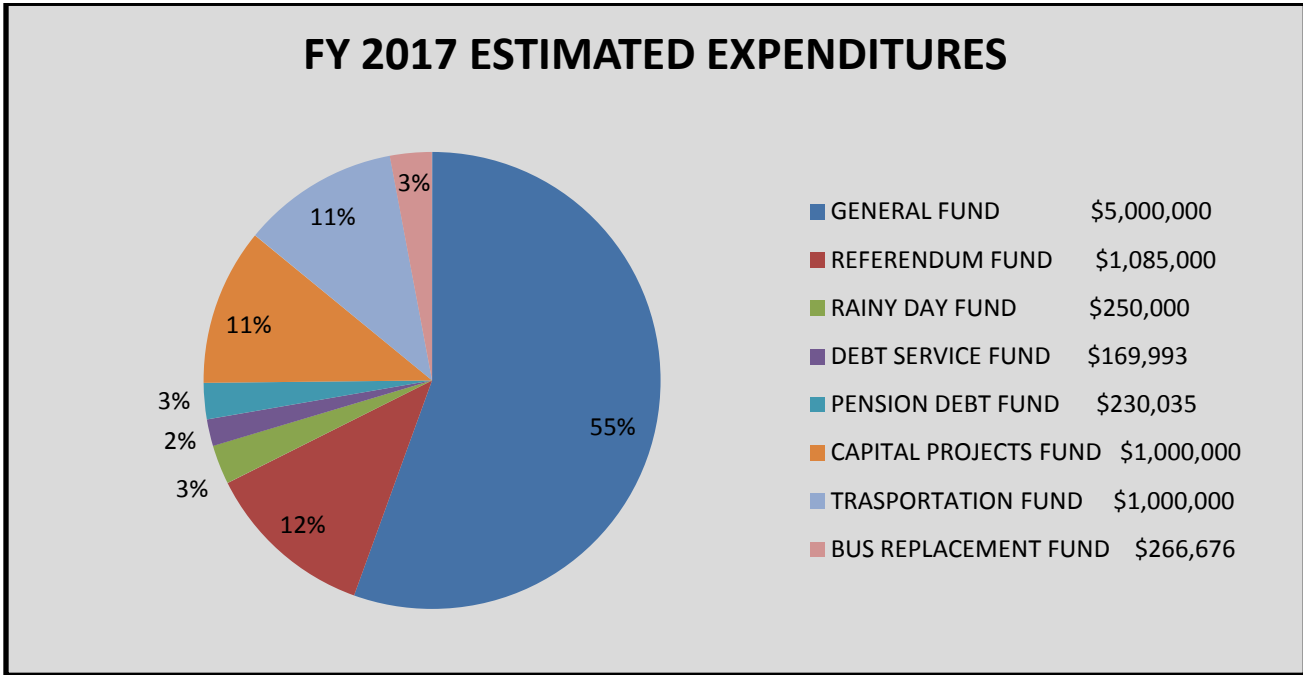
**\*\*Answer to question #1: How much revenue might we receive and from where?**

**\*\*My "inflated estimate" of revenue has us receiving \$8,254,059 (\$4,830,200 from State Grants and Misc Revenue, \$285,225 in other Misc Revenue and \$3,138,634 from Local Property Taxes).**

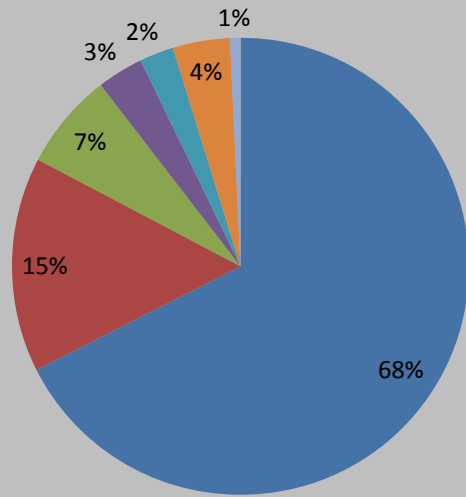
**\*\*My "projected estimate" of revenue that I feel we could actually receive comes in at around \$7,436,788 (\$4,830,200 from State Grants and Misc Revenue, \$285,225 in other Misc Revenue and \$2,321,363 from Local Property Taxes). This is a conservative projection.**

**2017 EXPENDITURES:**

Budget Form 1 lists our estimated projected expenditures by fund for FY 2017. Our form 1 estimates \$9,001,704 (not including \$816.00 in Property Tax Circuit Breaker Impact) in expenditures for FY2017. (See the chart below)

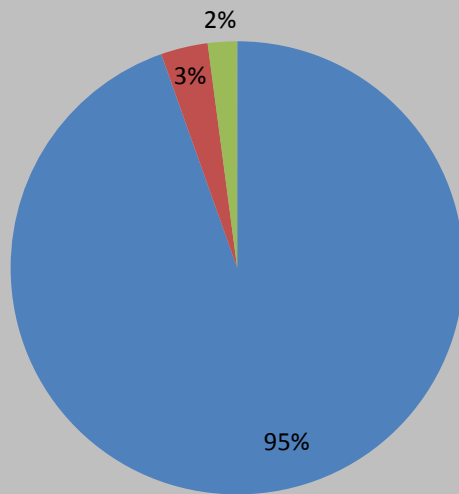


## FY2017 ESTIMATED REFERENDUM EXPENDITURES



- Teacher Salaries/Benefits \$732,500
- Athletic Coaches/ECA Sponsors \$165,000
- Library Salary/Benefits \$74,000
- Elem Counselor Salary/Benefits \$35,500
- Elem Nurse Salary/Benefits \$26,000
- Athletic Supplies \$44,000
- Library Supplies/Books \$8,000

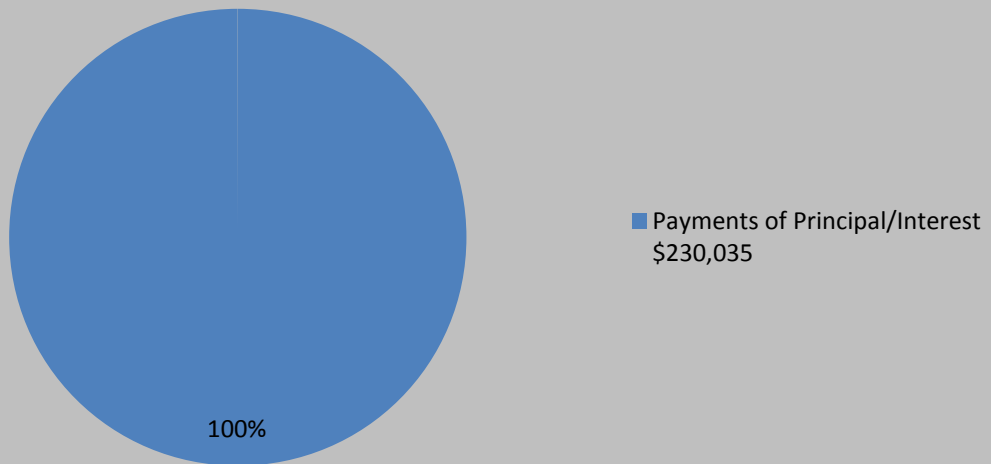
## FY2017 DEBT SERVICE EXPENDITURES



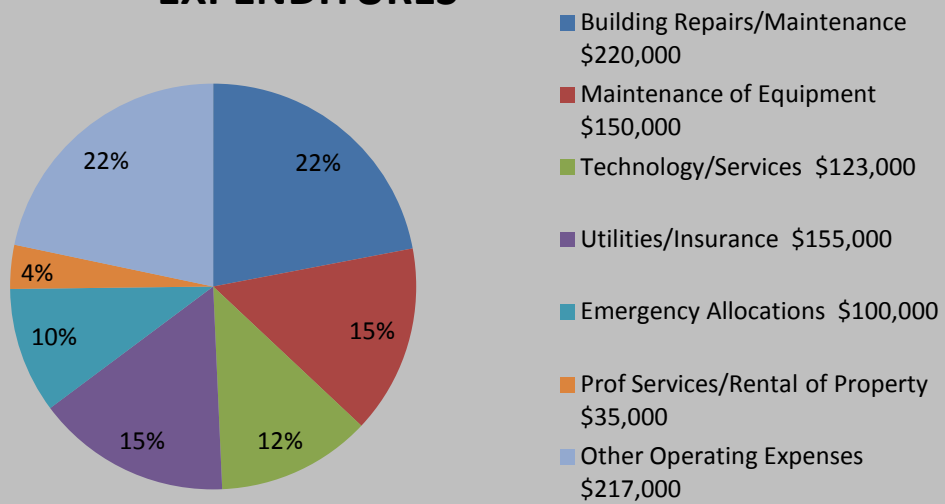
- Payments on Principal \$160,750
- Payments on Interest \$5,700
- Unreimbursed Textbooks \$3,543



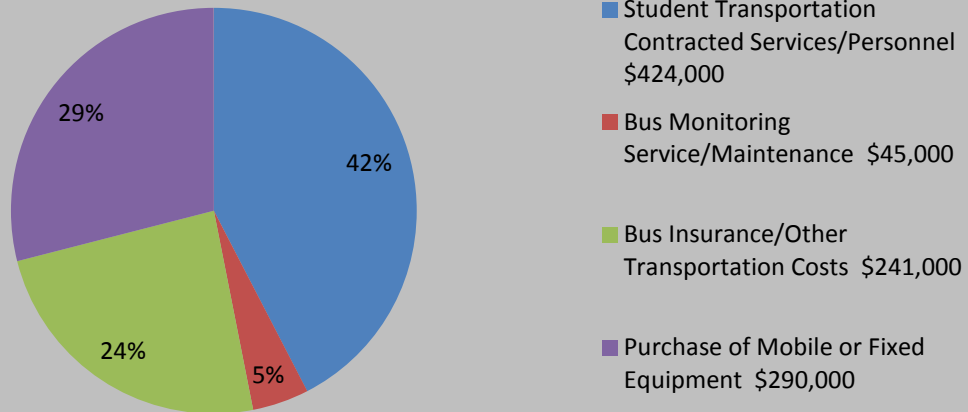
## FY2017 PENSION DEBT EXPENDITURES



## FY2017 ESTIMATED CAPITAL PROJECT EXPENDITURES



## FY2017 ESTIMATED TRANSPORTATION EXPENDITURES



It is important to note that even though there are advertised expenditures out of Bus Replacement that we will not expend (nor receive) any revenue from our Bus Replacement fund (mentioned earlier). The Bus Replacement Levy, along with both CPF and Transportation Levies will be used to neutralize our Pension Debt Levy. We still have to set up the path for revenue and expenditure in order to meet the statutory guidelines set up by the DLGF.

It is also important to note that it is not our plan to expend any dollars out of our Rainy Day Fund unless there is an unforeseen issue or emergency item that comes up in 2017 that cannot be covered or paid for out of any of the other existing funds. I project our Rainy Day cash balance to be north of \$500,000 by the end of FY 2016.

It was also noted earlier that both the Capital Projects and Transportation revenues were also elevated to protect the levy against any possible Assessed Valuation decrease. Just as in the Bus Replacement, we have to insure that our estimated expenditures and revenues follow a "similar path" in order to submit those items to the DLGF as well. Therefore, our CPF and Transportation expenditures are elevated (estimated) as well.

We know, however, that the DLGF will cut back the amount allowed for us to raise in revenue, so when I get back the FY 2017 1782 Budget Order from the DLGF in late 2016 or early 2017, I will then cut back on our estimated expenditures to match our revenues, as we set up our appropriations reports for 2017.

**\*\*Answer to question #2: How much will we spend and what will we spend it on?**

As an estimate, if you remove the Bus Replacement and Rainy Day expenditures, and cut back to what I think we will actually expend in CPF and Transportation after inflations and debt neutralization are taken out, I project us expending around \$7,300,000. The above charts illustrate what these expenditures will cover for 2017.

**\*\*Answer to question #3: Will our budget be balanced?**

YES. I *conservatively* projected our revenues to come in at \$7,436,000 and look for our expenditures to approach around \$7,300,000, if not less.

I feel very confident, since I have made very conservative assumptions and estimates as well as put together a very “defensive budget” to cover a great deal of uncertainty that we will have a balanced budget, and that we should be able to continue to add to our cash balances in some of our funds in order to put us in a much better financial condition moving forward.

**\*\*Answer to question #4: What does our budget mean for our taxpayers?**

I feel our budget, for a small rural school corporation is very fair to our taxpayers. Even with a referendum, we are still one of the lowest taxing school corporations in the State of Indiana. It is my projection that our taxpayers should see a significant decrease in the tax rate that the Barr-Reeve School Corporation levies for them in FY 2017. We just received our new AV and with that number, I am going to project that our rate could come in below .75 cents when we get our FY 2017 1782 Budget Notice. Last year’s rate was .8026 and FY2015 was .8344. Just as we promised as we set out our plans for the referendum, we will now fall below the rate of FY2010 and maybe even FY2011. Below is a table that shows our rate over the past few years.

**Tax Rate Information:**

<b>Payable Year</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Debt Fund	0.2181	0.1931	0.2481	0.0884	0.0000	0.0468	.0491
Pension Debt	0.0992	0.0923	0.0864	0.0894	0.0839	0.0825	.0674
Capital Projects Fund	0.2823	0.2781	0.1841	0.2511	0.2198	0.1927	.1851
Transportation	0.1863	0.1827	0.1814	0.1727	0.1715	0.1624	.1592
Bus Replacement							
Referendum Operating					0.3167	0.3500	.3418
<b>Total Rate</b>	<b>0.7859</b>	<b>0.7462</b>	<b>0.7000</b>	<b>0.6016</b>	<b>0.7919</b>	<b>0.8344</b>	<b>.8026</b>

**\*\*Answer to question 5: What is our long-term fiscal outlook?**

Hopefully, throughout this presentation and looking through this document, you can understand more clearly that school funding is a very complex and ever changing dynamic. It is my hope that by staying proactive and keeping BRCS as efficient as possible, while at the same time insuring that our revenue streams are as "fruitful" as they can possibly be, that we can keep BRCS trending upwards as we have over the past 4 years. Our student numbers are a key component in our revenue. Our continued growth has been tremendous in allowing us to see more revenue over the past two years and the next year as well.

The main component of our livelihood is our funding. If it weren't for our referendum, we would not be solvent as a corporation. The State has just simply cut too deep for small corporations like ours to exist without the help of its community. If we want to continue to offer the best programming we can and still maintain what our community would consider a high quality school corporation, this referendum will have to continue in the immediate future. We must stay vigilant in being proactive with our legislators to continue to make public education and our students a priority as well as continue to make the very best decisions here at home on what is best for kids as well as being ever mindful on what we can afford.

