BARR-REEVE
Community Schools

FY2018

BUDGET BOOKLET

BUDGET HEARING: 8/30/17

BUDGET ADOPTION: 9/12/17

It is my hope that the following document will serve as an outline and overview of our Fiscal Year 2018 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 2018. 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*. One other item to address this year is the potential that a building project of some sort may take place sometime in 2018. This year, I have put in some numbers that will more than "cover the corporation" if any of that project takes place and bond repayment starts during 2018.

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 2017 thru December 2018) 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 2017-2018 and 2018-2019 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 twelve (12) months will not officially be determined until September 15, 2017 of this year which is count day. We wait again until September of 2018 to see what the "actual" final revenue of our 2018 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" (some of these counts aren't until December) this could heavily impact our state revenue and our REAL/ACTUAL 2018 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?**

<u>2018 REVENUE:</u>

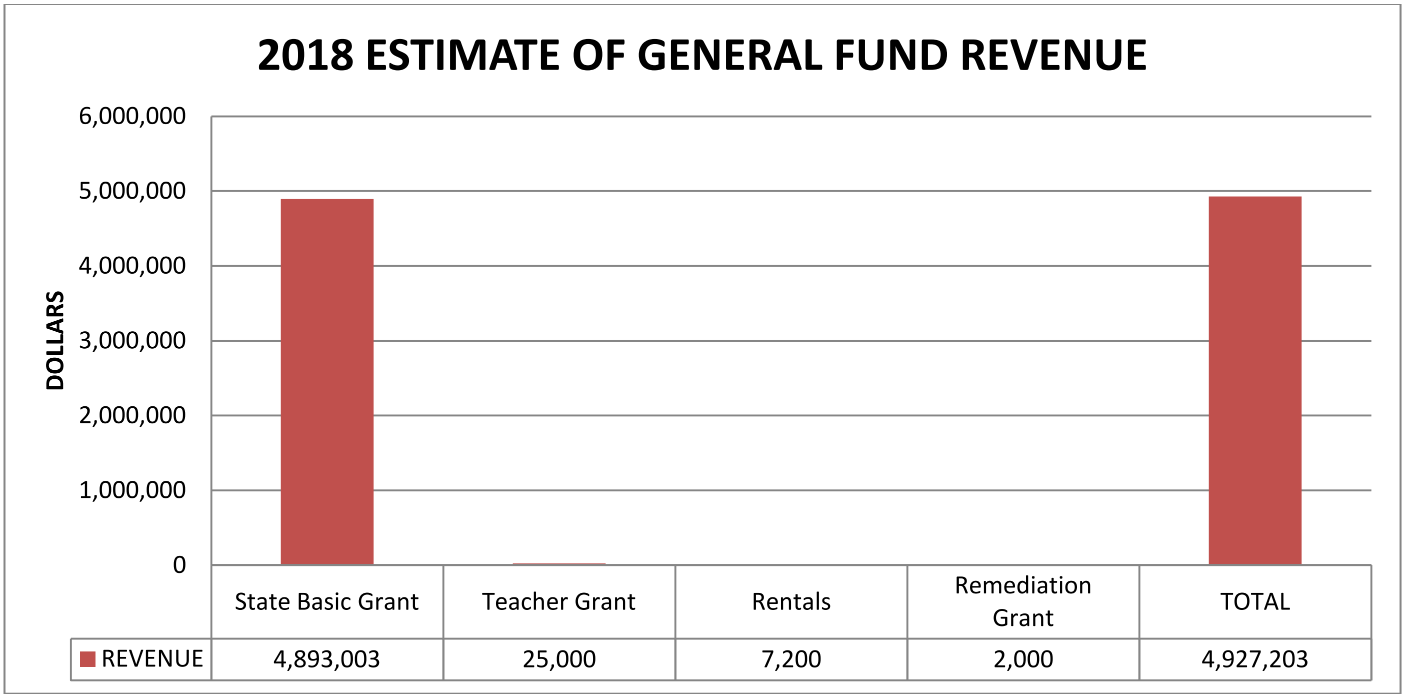
The primary sources of our 2018 revenue are our state funding (Basic Grant) for our General Fund and local property taxes for the other major budgeted funds. Those other funds also receive some additional "miscellaneous" revenue from excise taxes. Our funds may also receive some additional money from 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.

<u>**PER PUPIL FUNDING COMPARISON</u>:

School Corp	2015	> BRCS	2016	>BRCS	2017	>BRCS
Barr-Reeve	5605	-	5808	-	*5768	* (5,846)
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



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 2018 *from all sources with the exception of property taxes*.

2018 Summary of (Estimate) Revenues *other than property taxes* (Miscellaneous Revenues):

2018 Sources of Revenue (ESTIMATED)

FUND	FIT	LICENSE	CVET	STATE GRANTS	MISC	TOTAL
General Fund				$ 4,893,003	$ 34,200	$ 4,927,203
Debt Service	$ 50	$ 6,200	$ 900			$ 7,150
Pension Debt	$ 50	$ 6,300	$ 900		$ 115,000	$ 122,250
Cap Projects	$ 360	$ 43,000	$ 6,200			$ 49,560
Transportation	$ 270	$ 31,000	$ 4,400			$ 35,670
Bus Replacement						
Rainy Day						
Referendum	$ 500	$ 68,000	$ 9,000			$ 77,500
TOTALS	$ 1,230	$ 154,500	$ 21,400	$ 4,893,003	$ 149,200	**$ 5,219,333**

<u>Property Tax Revenue</u> 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 ***<u>I project</u>*** our actual levies may look like following DGLF approval.

<u>2018 Advertised and Projected Property Tax Revenue:</u>

2018 Advertised and Projected Property Tax Levies		
Fund	Advertised Levy	Projected Levy
Debt Service	$ 769,609	$ 769,609
Pension Debt Service	$ 102,099	$ 102,099
Capital Projects	$ 984,244	$ 690,000
Transportation	$ 906,228	$ 510,346
Bus Replacement	$ 345,188	$ -
Referendum	$ 1,187,000	$ 1,085,000
TOTAL LEVIES	$ 4,294,368	$ 3,157,054

This final chart illustrates my estimate of total revenue for our corporation for FY 2018. 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).

2018 Combined Summary TOTAL of Estimated Revenues:

2018 Sources of Revenue (ESTIMATED)

FUND	PROPERTY TAX	FIT	LICENSE	CVET	STATE GRANTS	MISC	TOTAL
General Fund					$ 4,893,003	$ 34,200	$ 4,927,203
Debt Service	769,609	$ 50	$ 6,200	$ 900			$ 776,759
Pension Debt	102,099	$ 50	$ 6,300	$ 900		$ 115,000	$ 224,349
Cap Projects	984,244	$ 360	$ 43,000	$ 6,200			$ 1,033,804
Transportation	906,228	$ 270	$ 31,000	$ 4,400			$ 941,898
Bus Replacement							
Rainy Day							
Referendum	1,085,000	$ 500	$ 68,000	$ 9,000			$ 1,162,500
TOTALS	$ 3,847,180	$ 1,230	$ 154,500	$ 21,400	$ 4,893,003	$ 149,200	**$ 9,066,513**

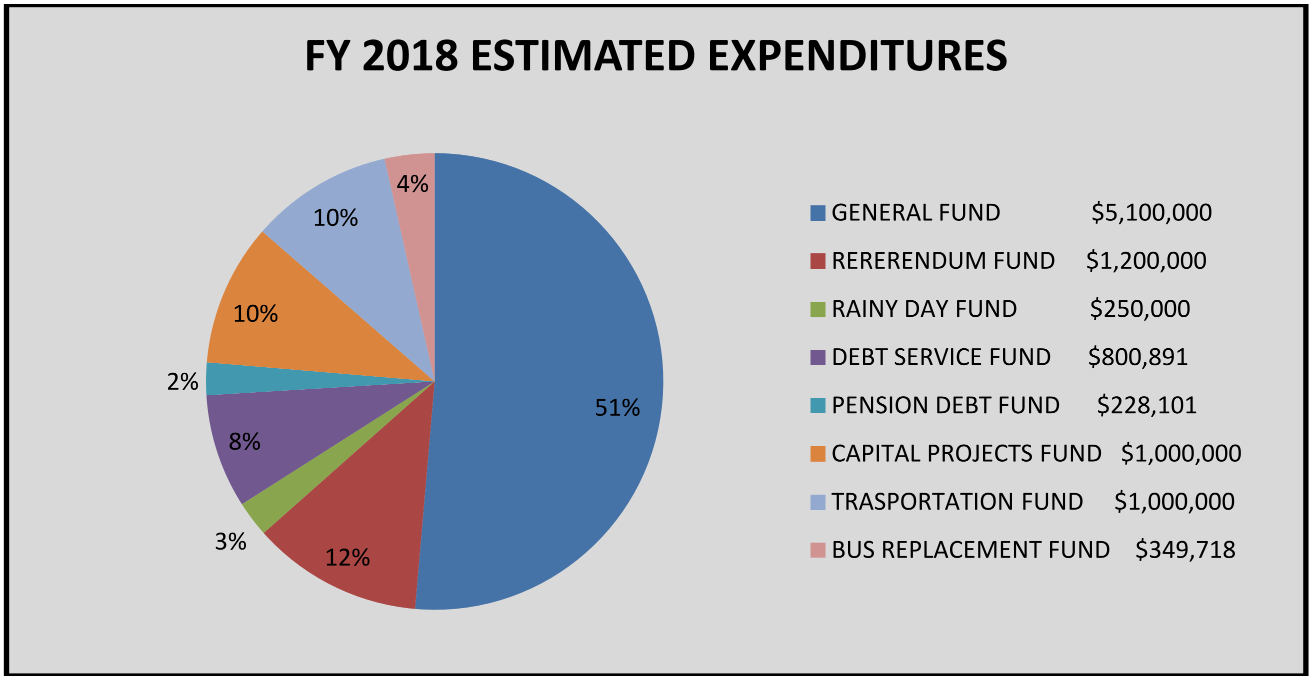
****Answer to question #1: How much revenue might we receive and from where?**

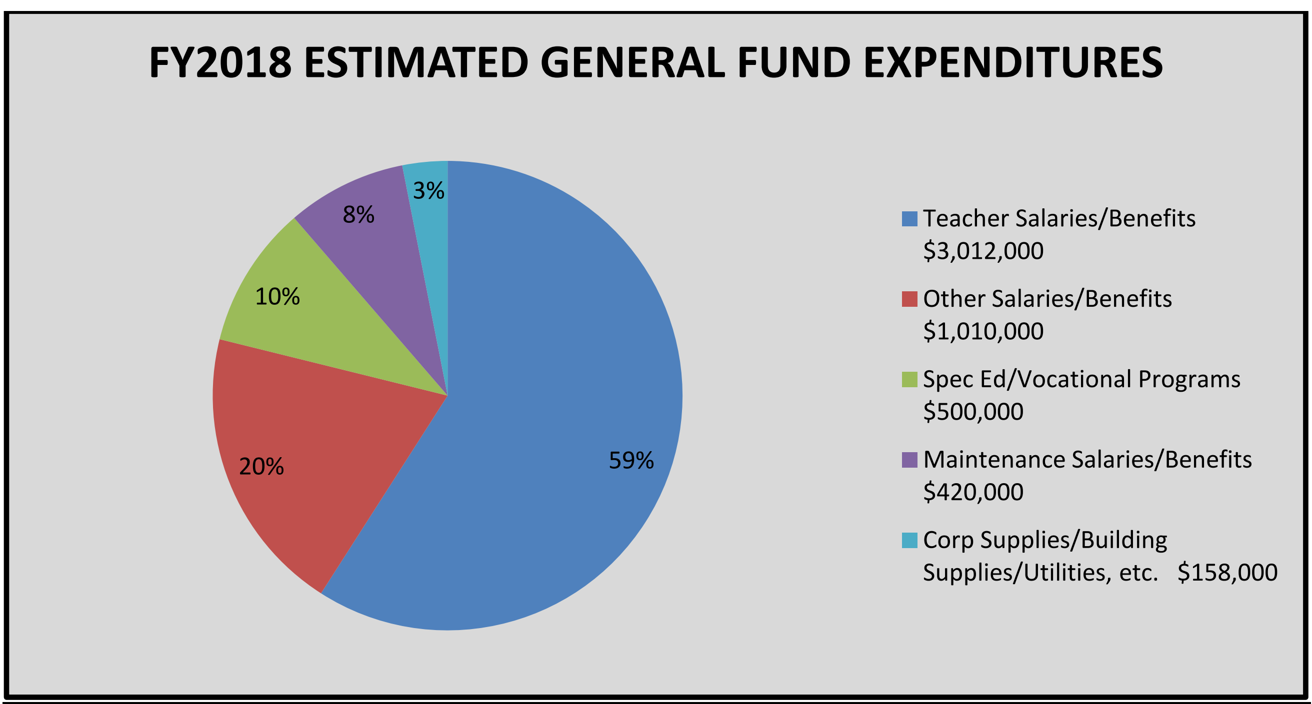
****My "inflated estimate" of revenue has us receiving $9,066,513 ($4,927,203 from State Grants and Misc Revenue, $292,130 in other Misc Revenue and $3,847,180 from Local Property Taxes).**

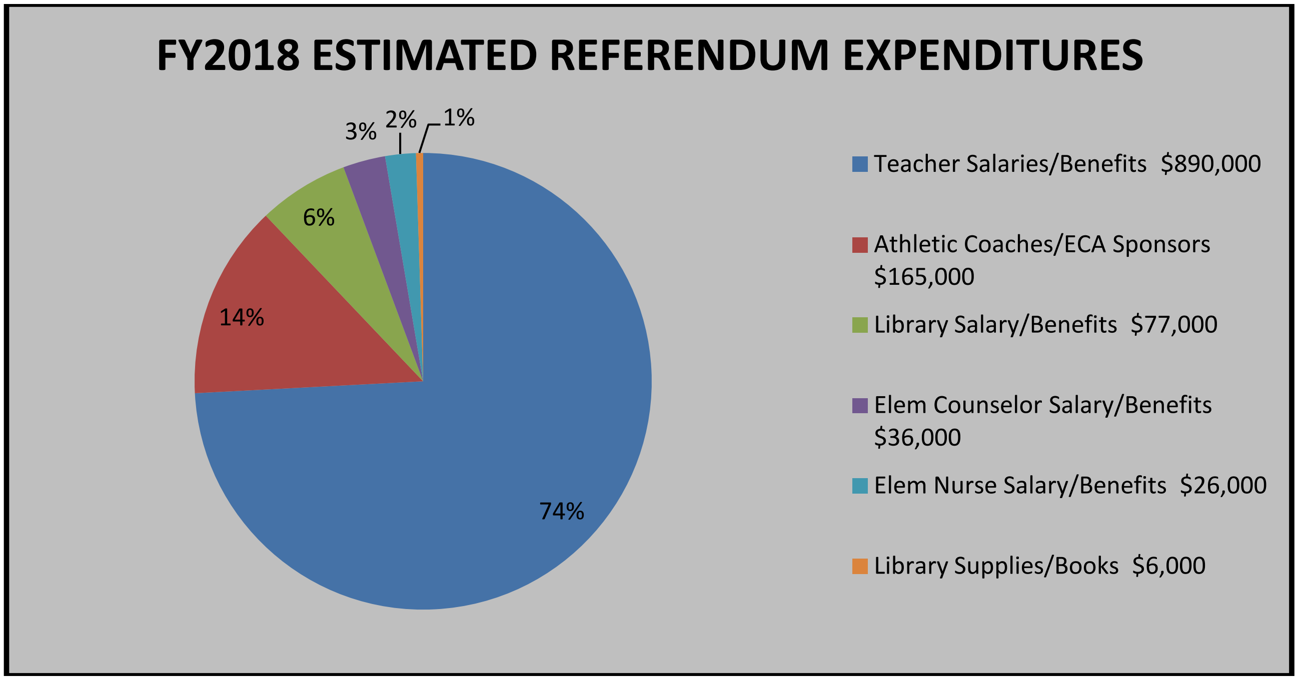
****My "projected estimate" of revenue that I feel we could actually receive comes in at around $8,376,387 ($4,927,203 from State Grants and Misc Revenue, $292,130 in other Misc Revenue and $3,157,054 from Local Property Taxes). This is a conservative projection. A lot of this depends upon where our debt service number ends up in late January and early February.**

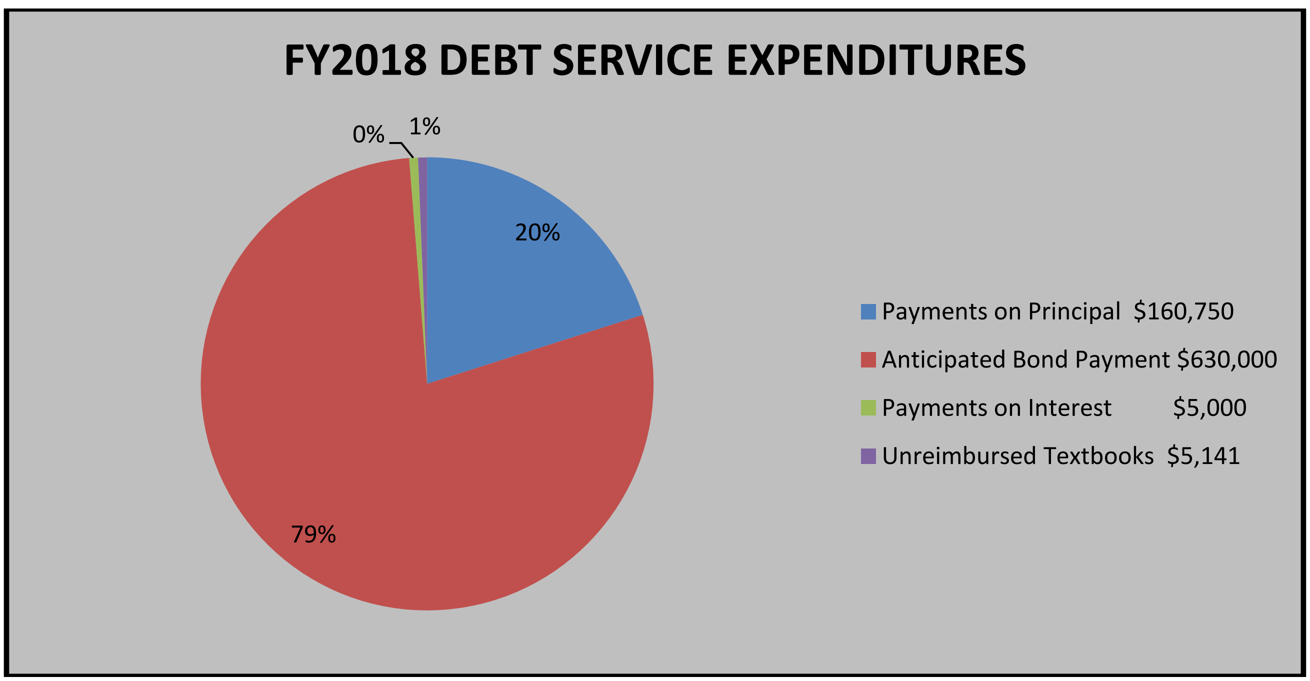
2018 EXPENDITURES:

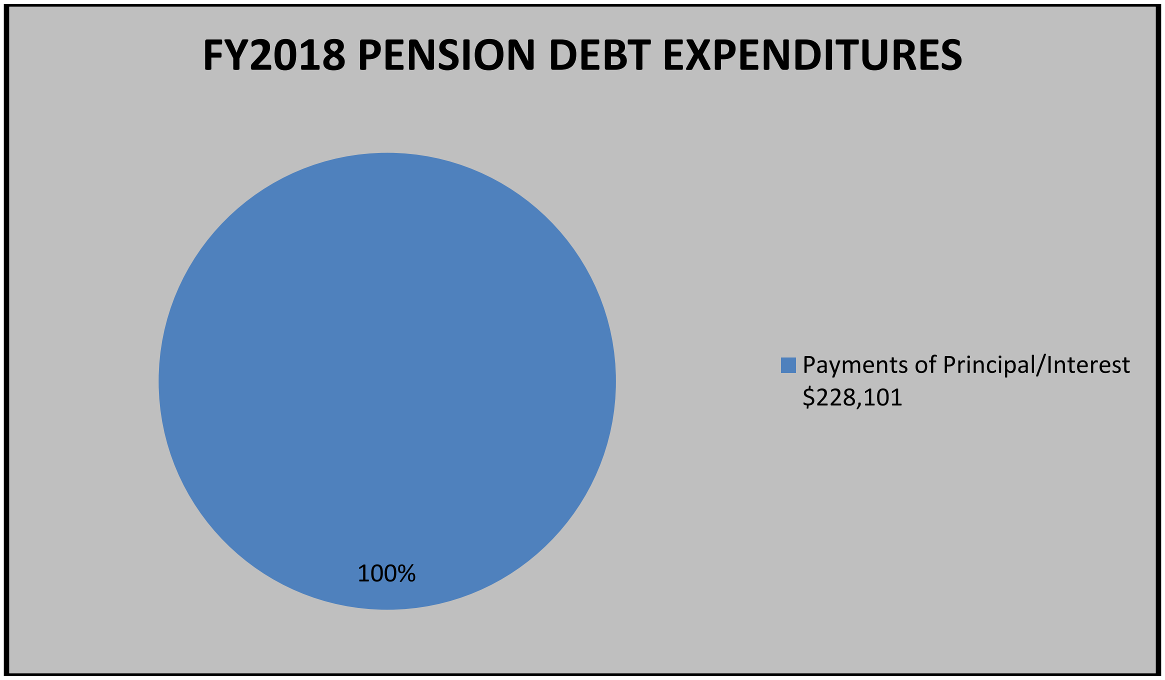
Budget Form 1 lists our estimated projected expenditures by fund for FY 2018. Our form 1 estimates $9,001,704 (not including $816.00 in Property Tax Circuit Breaker Impact) in expenditures for FY2018. (See the chart below)

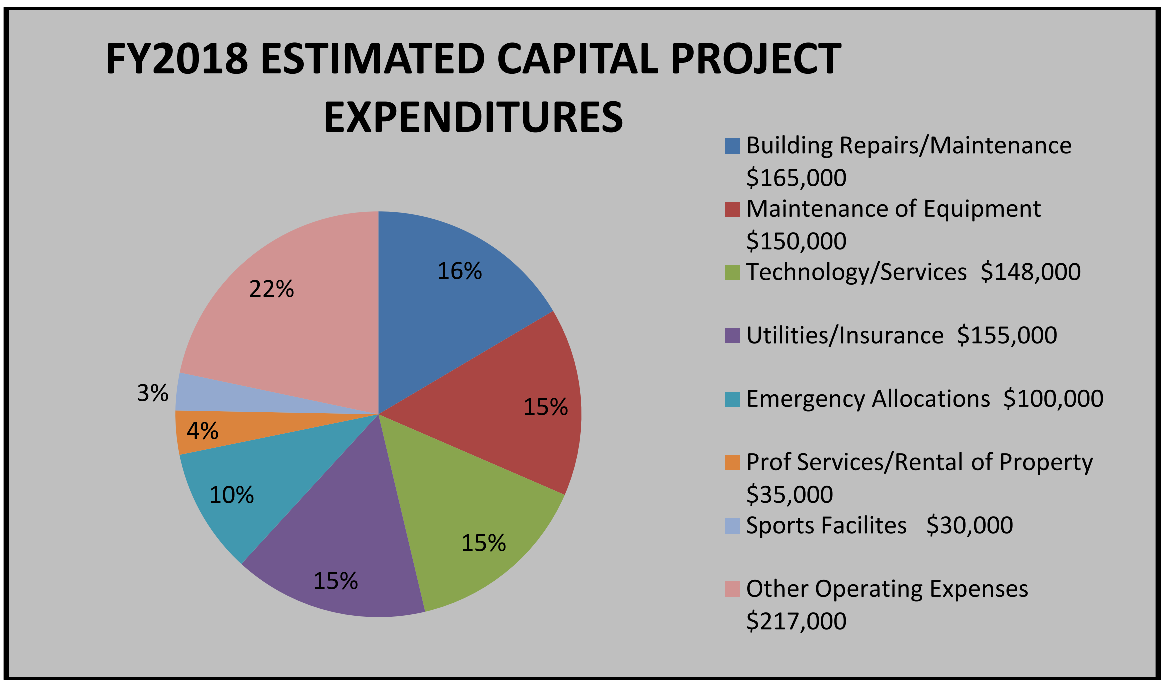


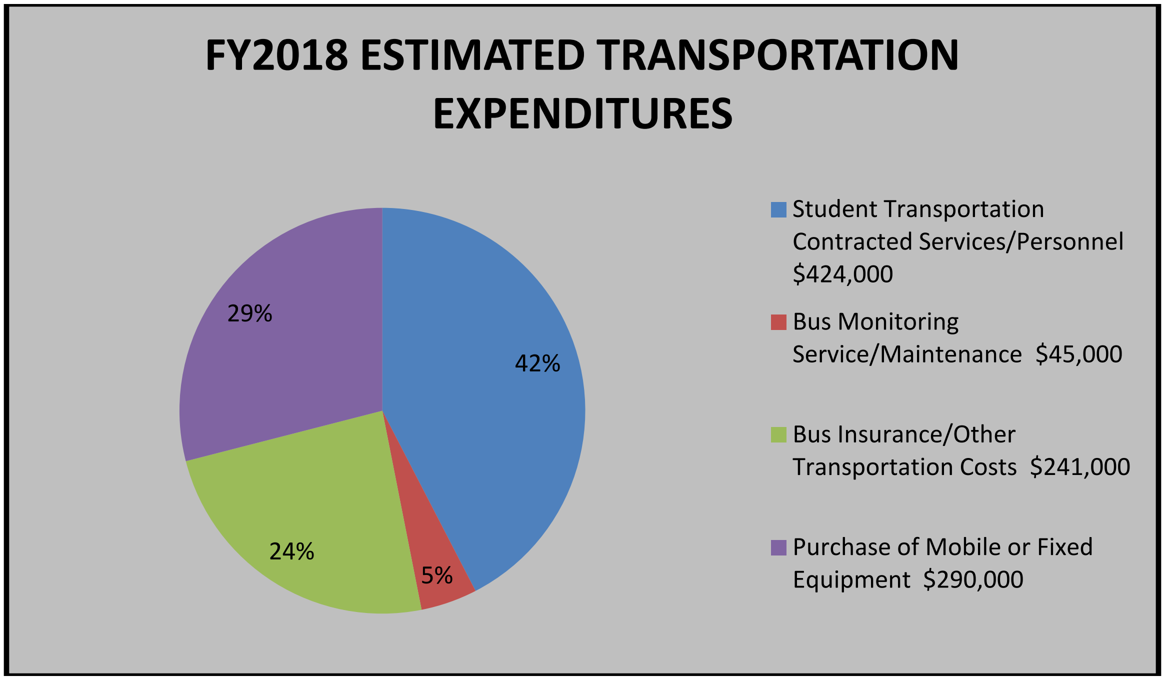



FY2018 ESTIMATED REFERENDUM EXPENDITURES
3%
2%
1%
6%
14%
74%
Teacher Salaries/Benefits $890,000
Athletic Coaches/ECA Sponsors $165,000
Library Salary/Benefits $77,000
Elem Counselor Salary/Benefits $36,000
Elem Nurse Salary/Benefits $26,000
Library Supplies/Books $6,000


FY2018 DEBT SERVICE EXPENDITURES
0%
1%
20%
79%
Payments on Principal $160,750
Anticipated Bond Payment $630,000
Payments on Interest $5,000
Unreimbursed Textbooks $5,141


FY2018 PENSION DEBT EXPENDITURES
100%
Payments of Principal/Interest $228,101


FY2018 ESTIMATED CAPITAL PROJECT EXPENDITURES
16%
15%
15%
15%
10%
4%
3%
22%
Building Repairs/Maintenance $165,000
Maintenance of Equipment $150,000
Technology/Services $148,000
Utilities/Insurance $155,000
Emergency Allocations $100,000
Prof Services/Rental of Property $35,000
Sports Facilites $30,000
Other Operating Expenses $217,000



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 2018 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 2017.

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 2018 1782 Budget Order from the DLGF in late 2017 or early 2018, I will then cut back on our estimated expenditures to match our revenues, as we set up our appropriations reports for 2018.

****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 $7,800,000. The above charts illustrate what these expenditures will cover for 2018.

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

YES. I *conservatively* projected our revenues to come in at $8,000,000 and look for our expenditures to approach around $7,800,000, 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.   Last year's rate was .7697 down from .8026 in FY2016 and also down from FY2015 where it was .8344.
Below is a table that shows our rate over the past few years.

Tax Rate Information:

Payable Year	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Debt Fund	0.2181	0.1931	0.2481	0.0884	0.0000	0.0468	.0491	.0312
Pension Debt	0.0992	0.0923	0.0864	0.0894	0.0839	0.0825	.0674	.0313
Capital Projects Fund	0.2823	0.2781	0.1841	0.2511	0.2198	0.1927	.1851	.2147
Transportation	0.1863	0.1827	0.1814	0.1727	0.1715	0.1624	.1592	.1543
Bus Replacement								
Referendum Operating					0.3167	0.3500	.3418	.3391
Total Rate	0.7859	0.7462	0.7000	0.6016	0.7919	0.8344	.8026	.7629

****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 5 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 and increased enrollment, we would not be solvent as a corporation. The State has just simply cut too deep for small corporations <u>like ours</u> 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 and increased enrollment 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.