

**School Board Meeting:**

**April 25, 2016**

**Subject:**

2015-16 Budget Amendments

**Presenter:**

**Gary Kawlewski**

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**SUGGESTED SCHOOL BOARD ACTION:**

Recommend board approval.

**DESCRIPTION:**

***FUND 01 REVENUE – General Fund***

The General Fund revenue adjustments consist of multiple adjustments to property taxes, federal programs such as Title I and Special Education, local revenues that change over the course of the year, and state aid entitlement changes. The state aid entitlement adjustments result from revised enrollment estimates, new state revenue reports, revised expenditures, and proration on state aids.

Originally the pupil units (WADM's) were estimated to be 6,319 for the 2015-16 school year. We revised the number to 6,290 for the mid-year forecast. As the monthly enrollment reports have been coming in, the estimated pupil units have been adjusted up to 6,304. This affected the General Education state aid and the Operating Capital state aid. We did receive higher than projected general education aid for 14-15 than what was shown for the audit. Special education aid has gone down due to clean up from the prior year and an overly hopeful estimate of aid for the current year.

One major adjustment up was made to property tax revenue for \$518,184. A similar adjustment in the opposite direction was made to state aid to reflect the State's property tax shift that ended in 14-15. Overall, the two adjustments were revenue neutral to the budget. We also are fully implementing the PPD program also known as Qcomp. We are seeing some early revenue recognition for the Career and Technical Education levy and the Reemployment levy.

Federal revenue entitlements were updated with prior year carryover amounts from MDE and updated amounts for the current year.

Other budget adjustments were made for the BCMS land sale, additional interest earnings, a reduction in third party billing revenue, reimbursement for fees paid

for the Affordable Care Act, changes in Fund 9, and reductions in retiree insurance contributions.

### ***FUND 01 EXPENDITURES – General Fund***

The General Fund expenditure amendments consist of two salary projection updates: December and March. All employee groups are settled at this time. Most of the contingency positions are allocated. Salaries and benefits for federal programs were down as part of federal revenue reductions. Some of the positions shifted to state revenue sources while other resources were used to hire contract services. In the regular programs, there were a number of new hires due to retirements and resignations. We are in the first year of using our benefits projection model so our benefit costs were reduced based on better estimates of final costs.

The professional services budget is seeing significant decreases as a result of lower than anticipated tuition costs, utility savings, and a coding change for a lease payment. It is offset a bit by increases in transportation and several additional health and safety projects.

The supplies budget is seeing an increase for curriculum purchases for Montrose elementary school for their School of Innovation project. We are also seeing significant savings from the transportation fuel clause. Fund 9 changes account for the majority of the remaining supply category changes.

The capital category is seeing significant changes due to the shift of technology, the BHS fitness center remodel, the food service equipment purchases, the district office remodel, the recoding of the lease payment budgeted in the wrong category, and some changes in Fund 9.

We are projecting that our unassigned/unrestricted fund balance will end the year at about 13.85%.

### ***FUND 2 – Food Service fund***

We have seen an increase in meals served as a result of recent changes made by the food service staff to counter the significant menu restrictions changed at the federal level. Since this fund is an enterprise fund, more meals served do equate into higher food costs as well. The food service staff members have worked hard to find cost reductions to try to keep the fund balanced. They have also worked hard to implement menu changes that meet the federal guidelines and have also increased participation. We are hopeful that the final projection of a significant increase to the fund balance will hold through the end of the year.

#### ***FUND 4 – Community Education fund***

School Readiness and ECFE are seeing significant state aid increases for this year. The program is also projecting additional revenue in most of the other components of the fund. The biggest changes are in KidKare, Little KidKare, and Drivers Training.

On the expenditure side, the cost changes remain mostly neutral. However, there are shifts within the various expenditure categories. Based on the revised budgets presented, we are anticipating an overall positive balance in Fund 4.

#### ***FUND 6 – Building Construction fund***

All of the activity for the bond issue passed in November of 2014 is reflected in this fund. The revenues reflect an estimate of reinvestment interest projected through June 30, 2016. It also includes two grants that have been received as well as the advertising revenue for the high school field sign. The expenditures reflect projects that will be completed to some degree by the end of June 2016. With a few exceptions, most projects are on schedule. However, based on the past year of payouts, our payout schedule appears to be a bit aggressive so we have adjusted our payout schedule down a bit.

#### ***FUND 7 and 47 – Debt Service funds***

The revenue budget for the Debt Service fund remains basically the same with a slight adjustment up for interest revenue. On the expenditure side, we adjusted the paying agent fees to reflect actual totals.

#### ***FUND 45 – OPEB Trust fund***

The revenue for the OPEB Trust fund is decreased to more accurately reflect the net appreciation expected in our OPEB Trust portfolio. The budget for expenditures was adjusted down to reflect the changes in projected post-retirement benefit expenditures.

#### ***FUND 18 – HRA Trust fund***

Although these funds are actually expenditures of the general fund budget, they are held in a trust fund for future benefit of active employees. These benefits were negotiated in lieu of other post-employment benefits that were in several employee contracts. These funds have a vesting schedule and revert back to

district control in the event the employee does not work in the district long enough to meet the vesting schedule. The changes reflect the revised district payouts and estimated interest earnings from the fund.

**Attachments:**

ISD 877 BHM Final Budget 2015-16

2015-16 Final Revised General Fund Balances 4.22.16