

Board of Trustees

REVISED

(To include the discussion during the Board Budget Workshop)

FY 2016

Budget Work Session

April 28, 2015

Agenda

- 1. Overview**
- 2. Enrollment and Support Units**
- 3. State revenue**
- 4. Federal revenue**
- 5. Other revenue**
- 6. Staffing**
- 7. Salary increases**
- 8. Benefit increases**
- 9. Professional services**
- 10. Supplies**
- 11. Liability insurance**
- 12. Net income**
- 13. Special Purpose Funds**

TRUSTEES PRESENT: Chairman Alexander, Trustee House, Trustee Reynolds, Trustee Checketts, Trustee Donahue

OTHERS PRESENT: Tim McMurtrey, James Gilbert, Cliff Ogborn, Sharon Whitman, Nikki Crusier, Karen Gordon, Jeff Johnson, Anita Straw, Marilyn Kellerman, Phil McCluskey, Rosemary Ash, Rich Urquidi, Albert Longhurst

Overview

This discussion describes the history and assumptions regarding the preliminary 2015-2016 budget. *This budget description explains the budgeting variables so that the Mountain Home School District Board of Trustees can give input, recommendations, and directions regarding the budget.* The final budget will change based on the workshop discussions and direction.

The revenue and expense discussions below are for activity in the General Fund (*Fund 100*). The General Fund is where the primary activity of the District occurs such as staff salaries, healthcare expenses, contracted services, general supplies, and liability insurance. Some expenses are paid for by special State or Federal Grants and are considered to be in "Special Revenue" Funds, not the General Fund. A brief description of Special Revenue Funds is at the end of this budget discussion. Within the General Fund, money that is not spent in any one year is kept in a Fund Balance (savings account) to be used in future years. The Fund Balance may be either restricted (dedicated to a particular use or purpose), or unrestricted (available for any need). The terms restricted and unrestricted are often referred to as Appropriated or Unappropriated. The budget is for the period beginning July 1, 2015, through June 30, 2016. This timeframe is called a fiscal year and is commonly indicated by the term FY. The timeframe through June 30, 2016, is FY 2016.

The General Fund gets its money from three primary sources, the first being the State Department of Education payments as appropriated by legislation, the second being the Federal payments for children who are connected with the military called "Impact Aid" revenue, and the third being the Levy approved by the citizens of Mountain Home in the Supplemental Levy; we are in the second year of the current levy.

The legislature implemented a change in their reimbursement methodology to Districts called the Career Ladder; *this has nothing to do with how we pay our staff; it's how the State pays school districts.* In essence, this replaced the education and experience placement table having 98 cells with a table having 13 cells, 3 cells for residents up to a BA degree, and 10 cells for staff holding a Master's degree. This compressed table is referred to as the Career Ladder, but has nothing to do with our certificated salary scale. While the State interpretation of how this looks is still being developed, I project an increase in funding of \$321,000. Included in this figure is the phony corner from previous years. Currently, this payment methodology is set to be the reimbursement model for instructional staff moving forward. The Career Ladder reimbursement model excludes the 11 certificated staff we have assigned to Pupil Personnel Services, Administrative, or classified reimbursement. These remain on a reimbursement table similar to last year's table.

We are still looking at a budgeted deficit Fund Balance of a negative \$623,000 from fiscal year 2015. This will need to be addressed in the near future by cutting expenses or retaining some of the increased funding.

From the three sources of revenue with the first being funding from the State of Idaho that will be increased in 2016; the second being the Federal Revenue (Impact Aid) budgeted at a decrease of \$175,000 from FY 2015; the third source is the Local Revenue (the Supplemental Levy) budgeted to remain the same as FY 2015. The Supplemental Levy is not due for a vote again until May 2016.

Expenses are categorized into seven major categories. Each category has subsets of accounts within them. The seven categories are salaries, benefits, contracted services, supplies, capital, insurance, and transfers. How the net amount of revenues over expenses will be split up between stakeholders will be a delicate balance and driven by the Board of Trustees.

Enrollment and Support Units

In FY 2016, we are budgeting student enrollment at 3,870, which is a drop of two students from the FY 2015 school year. Richard McKenna Charter School is planning to open an elementary school and the loss of students this might create is not anticipated in this school year. If they take 170 elementary students in the future, this will be approximately 7.0 less Support Units for the District, 7.8 less teaching staff, as well as a financial reduction of a negative \$625,000. This is not taking into account if any of these students will be militarily connected and cause a financial reduction in Impact Aid. It is not anticipated to proportionately reduce our Special Education expense.

Enrollment dropped in FY 2015 by 33 students, in spite of what looked like a recent upturn trend in 2014 in student enrollment, *but Bennett Mountain High School student enrollment will increase from 65 students to 80 students.* Utilizing the current year's enrollment by grade and location, I am projecting no change in enrollment for the budget year over the current year. The current enrollment with a projected attendance rate of 92.8% will produce 183.5 Support Units. This Support Unit projection is slightly less than the FY 2015 actual of 184.15 Support Units, due to the mix of students, the divisors by grade level, and attendance rate.

The number of Support Units is generated from the Average Daily Attendance (ADA) and unit divisors from Idaho Code. The unit divisors are basically an assumption of what an average class size is for the different grade levels, the higher the grade, the lower the divisor, and the more the number of Support Units per student. The number of Support Units is influenced by the mix of the students' ages, as well as the attendance rate. Since Support Units are driven by ADA and not enrollment, a higher attendance rate yields more Support Units although the total enrollment may remain the same.

Bennett Mountain High School continues to grow and is retaining the students we would have lost in years past. Their divisor is the lowest in the District and their increased funding per *capita* is above any other school in the District. They are about at the maximum of their capacity this year.

Impact Aid students living on base are budgeted at 405 students, which is less than the FY 2015 actual of 433 students and more than the FY 2014 of 399 students. There is no indication that the on base "A" students would increase substantially in the near future. Housing on the base remains less than fully occupied, but newcomers still prefer living in the community. *We also have "B" students who are students living in town, but their military parents work on the base, and "C" students who are civilian and live in town, but their civilian parents work on federally owned property.* We transferred 32 students from off-base military to civilian status if there were both a civilian and military parent. This transfer maximized Impact Aid reimbursement. We are still short of the number of civilians by themselves to be counted separately without this transfer. If we lose the ability to count the civilians, this would be a financial hit to the District of close to a negative \$300,000.

Enrollment		Budget	Federal Survey Card day				2012
			FY 2016	FY 2015	FY 2014	FY 2013	
Enrollment							
Stephensen Elementary	1-3	175	176	175	176	184	
East	1-3	300	299	304	303	301	
North	1-3	240	232	259	266	283	
West	1-3	260	268	257	254	217	
	Subtotal 1-3	975	975	995	999	985	
Stephensen Elementary	4-6	55	49	66	45	45	
East	4-6	105	94	116	89	87	
North	4-6	85	78	87	77	99	
West	4-6	75	89	71	72	81	
HMS	5-6	580	593	567	576	547	
	Subtotal 4-6	900	903	907	859	859	
HMS	7	-				-	
Jr High		575	590	570	578	573	
Bennett Mtn		80	65	48	-		
High School		965	973	1,010	1,008	1,024	
	Sub Sec	1,620	1,628	1,628	1,586	1,597	
Kindergarten		320	311	320	308	310	
Pre-K		50	52	48	46	61	
Pine		5	3	7	6	6	
Total		3,870	3,872	3,905	3,804	3,818	

State Revenue

Revenue from the State is comprised from four sources. The first three sources are paid on five periodic State payments called "Foundation Payments." The last State Revenue source is a periodic payment generally paid late in the year.

The first source of State Revenue is what is referred to as Entitlement (Discretionary Revenue), which is based on the total number of Support Units we generate. In 2015, the District received \$22,401 for 184.2 Support Units. This is still below the 2009 entitlement amount of \$25,696 per Support Unit. In FY 2016, this amount has been increased to \$23,868 per Support Unit. This is an increase of 6.5% or \$218,000. These funds are discretionary with no specific restrictions or implied usage regarding how they are to be spent.

The second source of State Revenue is Salary-based Apportionment. Until FY 2016, all certificated *instructional* employees were considered in this calculation. In FY 2016, only the Pupil Personnel Services (PPS) staff members (*Psychologists & Counselors*) are used in this calculation. This source of revenue uses the number of Support Units, applies an arbitrary factor for the number of "staff" the Support Unit needs, multiplied by an arbitrary salary for each category of staff. The factor for the number and salary of the "staff" assigned to the Support Units are driven by Idaho Code. This is not what we pay our staff or *how we determine* how many staff we hire; it is just a way of equitably dividing the entire State Education Allotment to the districts based on common criteria.

Administration and classified have their own calculations similar to the one for Pupil Personnel Services (PPS). In FY 2016, the majority of the certificated *employees* are included in the Career Ladder calculation discussed earlier. The base reimbursement rate for administration increased 3% from \$32,151 to \$33,116, or \$23,053 total revenue increase. Classified base reimbursement increased 3% from \$19,249 to \$19,826, or \$39,384 total revenue increase. The PPS increased 3% from \$23,354 to \$24,055, or total revenue of \$11,425. The Career Ladder calculation increased revenue by \$321,360. Included in this number is the separate adjustment for the "phony corner" from which we received \$172,971 in revenue from last year.

State Allocation Indexes		Budget FY 15-16	Actual FY 14-15
State Distribution Factor (Entitlement)		23,868	22,401
SDE Base Reimbursement to District			
Administrative		33,116	32,151
Certified		24,055	23,354
Classified		19,826	19,249

Per Support Unit		State Allowance	State Allowance
Certified		1.1	1.1
Administrative		0.075	0.075
Classified		0.375	0.375

The third area of revenue from the State is for Transportation costs. *The District used to be reimbursed 85% of the allowable transportation costs.* Idaho Code mandates a cap for transportation reimbursement of 3% of the statewide average expense for either per rider or per mile. The State disallows all expenses related to athletics and fieldtrips to leave only home-to-school expenses. The State now only reimburses 75% of those allowable *Transportation* Costs. If the District exceeds the 3% state average in both per rider and per mile, we would not be reimbursed for anything due to us above the cap. We are reimbursed for the FY 2015 expenditures in FY 2016, so we are always running a year behind in reimbursement of our expenses. We are currently over the state average for cost per rider, but are under the State cost per mile. This is due to the large area of our District, but sparse population. We compete against all districts in being under the state average regardless of whether they are self-operated or like us, contracted.

The final revenue stream from the State is Other Revenue. This is money earmarked for special things such as Leadership Payments, remediation, classroom technology, advanced opportunities, Limited English Proficiency (LEP), lottery, and Professional Development. Leadership Payments are in addition to the salary dollars paid to certificated employees in which the certificated *employees* are eligible for by performing duties in a leadership capacity. These payments are made for specific purposes or reimbursements for restricted expenditures and are unavailable for General Discretionary use. The budget for other State support payments is listed below. I am comparing the FY 2016 budget against the FY 2014 actual budget since most of these payments are not made until the last foundation payment in July.

Other State Revenue

	Budget FY 2016	Actual FY 2014
Lottery	75,000	75,267
Differential pay / Leadership	180,000	267,511
Medicaid reimbursement	358,000	348,200
LEP	35,000	32,151
High School redesign math/science	65,000	61,414
Remediation	60,000	53,230
Professional Development	110,000	43,915
Idaho Reading Initiative	25,000	33,871
All Others	47,000	26,545
Total	955,000	942,104

Federal Revenue

The number of students with military connections drives the Federal Revenue. This can include students whose parents work at Gowen Field or at the bombing range. Students are categorized into three groups, "A" students are students whose parents live and work on a military installation; "B" students are students whose parents work on federal

property, but live in a civilian location; ***“C” students are students*** of non-military parents who work on federally owned “dirt” regardless of location. The District received approximately \$2,600 for each “A” student and \$522 for each “B” student for the 2011 fiscal year.

We also are reimbursed for civilians working on federal property on Impact Aid card day. These are parents who are civilian employees working on base, postal workers, National Forest, etc., who are working on federally owned (not leased) “dirt” on Impact Aid ***Card*** day. Although each civilian student has 5% of the financial value of a student whose parents live and work on the base, this group must be greater than 10% of enrollment or we are not allowed to count any of them. If we lose the students of federally connected civilians, it will impact us negatively by \$290,000.

For each student that moves from the base to town, we suffer a net revenue loss of about \$2,100. A history showing the number of military “A” students and federally connected “B” students is shown below. I am showing students by category budgeted for FY 2016 below.

Impact Aid has been a fluctuating source of funding over the past few years. The Impact Aid revenue has been as high as \$4,350,000 in FY 2005 to a low of \$1,275,000 in FY 2014. Some of the change is due to a decline in students; reduced Federal Program appropriations, privatized housing forcing ***military families*** to move off base, altered mission objectives, and reduced base staffing mix, have all contributed to the revenue decline.

Payments from Impact Aid are spread out over a number of years. As of this session, our last year of Impact Aid that has been finalized and closed is from FY 2012. The payments are delayed due to application appeals, audits, and corrections that have to be addressed before the last of the payments are sent out. The payment amounts are not known until we receive a voucher announcing the year, and amount of the payment. We are uncertain of when the payments will be sent and even if a year that has been finalized, may be reopened. ***The District was notified today (April 28, 2015) through a NAFIS letter stating that Impact Aid for FY2013 is anticipated to close sometime in in August 2015.***

Impact Aid		Budget	
Fund 100			
Membership			
	Weight	FY 2016	Oct-14
On-base military studen	1.00		
Membership		405	433
Ave daily attend		376	418
wted support unit		376	418
Off-base military studen	0.20		
Membership		550	605
Ave daily attend		510	584
wted support unit		102	117
Civilians working on bas	0.05		
Membership		329	334
Ave daily attend		305	323
wted support unit		15	16
Civilians working off bas	0.05		
Membership		50	57
Ave daily attend		46	55
wted support unit		2	3
Total 8003(b) military affiliation only		955	1,038
Non-military federal students		379	391
Total Impact Aid students rec funds		1,334	1,429

Supplemental Levy

The citizens of Mtn. Home voted to allow us to levy a General Maintenance and Operations Levy for \$2,700,000. This levy has to be renewed every 2 years and must be passed by the patrons with a 50% approval rate. FY 2016 is the second year of the current levy authorization. This levy generates approximately 12% of our annual revenue.

Emergency Levy

We are not anticipating asking for an Emergency Levy for FY 2016.

Other Revenue

Other revenue is money we receive from all the smaller grants, interest, etc., that the District is involved in. The largest of the other category is Medicaid. We are billing Medicaid for the special needs services that are partially reimbursable. These funds are restricted to providing services and supplies for the special needs students in our District. We also receive indirect funds from Federal Programs. These indirect allocations are for the time, recordkeeping, and costs involved in administering the Federal Programs paid for with General Fund money. Another area of Other Revenue is interest income that we receive from our short-term investments in the State Investment Pool.

Staffing

Our salary scale for our administrative and classified staff is different in the rate we pay our employees and the number we employ than what the State uses to allocate funds to our District. We try to maintain staff in similar number to those generating the revenue, but our needs have historically outweighed the reimbursement. In FY 2015, our administrative staff was 14.15 FTEs (Full Time Equivalency) and the State allowance was 13.81 FTEs. This is based on the State allowance factor of .075 administrators per Support Unit. The certified staff was 199.0 FTEs and the State allowance was 202.5 FTEs based on the State allowance factor of 1.1 certified staff per Support Unit, and the classified staff was at 71.0 FTEs and the State allowance was 69.1 FTEs based on the State Allowance factor of .375 per Support

Unit. ***In reality, the school districts that were contacted were over budgeted in dollars and in staff in all the areas because it is not feasible to run a school district at the State allowance level.***

In FY 2016, the State is moving away from the certificated allowance calculation. We are trying to utilize the staff in the most efficient manner based on the new enrollment by grade level in FY 2016. Our salaries in aggregate by category are higher than the reimbursements from the State. The excess salaries and benefits are paid for from the Discretionary Funds or Impact Aid Funds previously discussed.

Salaries

Salaries for the Administrative team are being held constant despite adding an Information Technology Director. Mr. Gilbert informed the Board during the October 2014 board meeting that he didn't plan to fill the Assistant Superintendent position. We have spread that workload among the other administrative staff. It is apparent that with the technology of today, an IT Director is essential to the operations of a school district. This director will oversee e-rate, internet connectivity, software contracts, hardware maintenance, technology training, and network management. For each 1% increase on the base of the administrative salary scale costs the District \$15,000 including benefits.

Certified staffing will be budgeted close to the State allowance and be adjusted as enrollment dictates during fall enrollment. For each 1% on the base, salaries would increase \$100,000 including benefits. Certificated staff will increase if enrollment increases during fall registration. Vacant positions are always held open in anticipation of reduced enrollment and filled as enrollment dictates. This creates a scramble at times for qualified staff at the last minute.

Classified staff has an allowance factor of .375 FTEs per Support Unit. This is based on the number of hours they work divided by the State Department of Education full time hours of 1,380. We have several staff who work less than 1,380 hours per year. If a person works in excess of 1,380 hours, they cannot be counted as more than 1.0 FTE. For each 1% increase on the base of the classified salary scale costs the District \$27,000 including benefits.

Benefits

The State reimburses the District for PERSI and FICA on the allowable salary based on Support Units. Any PERSI or FICA on wages paid above the allowance is not reimbursed. As we exceed the allowance, we receive no retirement reimbursement. Although there is no increase in the above rates, if the salaries continue to escalate above the State allowance, there is no reimbursement for the retirement benefits related to those excess salary dollars.

Health Insurance is increasing at approximately 32% for medical premiums this year. We have had several claims this year that are reaching the \$125,000 ***level***, and claims expense has exceeded premiums this year, which doesn't include our reinsurance or catastrophic premium that we have to pay, administrative fee that we have to pay, or the Obamacare tax that we have to pay. The State does not specifically reimburse the District for any portion of our healthcare premiums. The General Fund portion of our premiums without any increase for FY 2016 is budgeted at \$1,729,000. ***The increased cost to the District for FY2016 for health insurance is \$421,000, if the District picks up the increase to the healthcare cost, this is not included in this Net Income figure.*** The District also has to pay for Workmen's Compensation budgeted at \$110,000, Sick Leave Retirement budgeted at \$150,000, and Recertification budgeted at \$9,000.

Other Services

Contracted services are comprised of services performed by outside agencies to do the services we cannot do within the District. There have been several increases in contracted services over the past several years. We are still under contract with Cynergistic for the energy study contract for \$78,000 ***until 2016***. This is offset by a reduction in energy saved, but we will not realize any net savings this year.

Mr. Longhurst is working diligently on reducing special education costs by \$145,000. We are also incurring contract services for special education needs through CPI and Contracted Therapists. We have been focused on how to provide the same required services for less. This focus will continue through next year and there is a budgeted reduction on these services in FY 2016 of \$145,000, from the annualized FY 2015 expenditures.

Transportation is budgeted at \$1,052,000 for the pupil to school expenses.

Utilities continue to increase and total utility expense is driven not only by cost but also by weather conditions. Total utilities are budgeted at \$570,000 for heat, power, and water for FY 2016. **Mr. Ogborn was going to budget utilities at a higher level, but with the energy conservation program and the hopes that Idaho Power would not increase rates, he backed the budget down to a zero percent increase for 2016.** This past year has had record high temperatures in February and March, and if FY 2016 is a normal year, we may exceed the budget in this category. **Chairman Alexander stated that backing down the budget for utilities is unrealistic, but we can discuss this later. Mr. Ogborn replied that he was being hopeful. Discussion began about utilities and the fluctuation of utility rates. Mr. Ogborn stated that he would revise the budget for the anticipated utilities increase.**

Contracted Services

	Budget FY 2016	Budget FY 2015	Actual FY 2014
Utilities	570,100	601,500	595,974
Transportation	1,052,000	1,052,000	1,080,574
Contracted Services	1,225,600	1,349,800	1,817,422
All Other	459,300	442,700	476,999
Total	3,307,000	3,446,000	3,970,969

Supplies

There are three main areas of Supply Expense. First, the maintenance has increased over the years as more of the building repairs have fallen on the General Fund to cover the repairs, which was once covered by the Plant Facility Levy. **Mr. Ogborn explained that he budgeted slightly less in maintenance this year with the anticipation of the Plant Facility Levy passing in August 2015, and some of what is covered under the maintenance supply would then be covered by the Plant Facility.** I am budgeting a zero percent increase over the FY 2014 actual costs in FY 2016.

*****NOTE: Mr. Ogborn informed the Board that the anticipated Plant Facility Levy must be budgeted on the Published L-2 (Published Budget) even though we are not going to the patrons until August for approval, because if he didn't include it in the Published Budget, the District would not be able to levy for it. If it is in the Published Budget and we don't get the levy approved, he can go back and have the levy amount removed from the Published Budget, but he cannot add the levy amount in after the Published Budget. Chairman Alexander said that this information needed to be emphasized because this is something that our patrons do not understand must occur and that is the reason it is in the Published Budget, it's not because we already received the money, it's because we have to project it as if we did. Mr. Ogborn added that he didn't want patrons to think him presumptuous, that the District would just put the Plant Facility Levy money on the Published Budget anyway, but that it is just a formality and that the District would still ask for the patrons' permission to levy the amount.**

Second is fuel for student transportation and district vehicles, which is dependent on the price of diesel and gas during the year. We are required to maintain bussing routes for safety issues and for *those* students living outside a 1½-mile radius from their school. A portion of this is reimbursed and reflected in the revenue piece of the financials.

Third is the "All Other" category, which in addition to supplies and such also includes paper costs for the schools. Students require a tremendous amount of paper in their time at school with an estimate of 17 sheets of paper per student per day. This per student usage includes all consumers of paper for all reasons.

Supply detail

	Budget FY 2016	Budget FY 2015	Actual FY 2014
Maintenance	136,000	111,000	140,045
Fuel	171,000	195,000	153,537
All other	183,000	186,000	192,897
Total	490,000	492,000	486,479

Liability Insurance

We ask our insurance broker to assess the market each year to get the carrier with the lowest premiums. Even with that effort, insurance keeps rising not because of our claims history, but the increase in risk caused by other companies' claims. We have raised our deductibles to \$5,000 to reduce premium costs. When we have a claim, some of the unreimbursed damages offset the reduction in premiums obtained by raising the deductible. Liability insurance is budgeted at \$176,000 for FY 2016.

Transfers

Transfers were budgeted in FY 2016 for Food Service Benefits, which are required by law. We have to transfer revenue into the Food Service Fund for the FICA and PERSI benefits of our food service personnel. This is a federal requirement. The transfer shows as an expense in the General Fund of \$45,000.

Net Income

The above assumptions yield revenues in excess of expenses for FY 2016 of \$576,000, without any increase budgeted for healthcare or salaries. Healthcare is expected to cost \$422,000, with the current estimate and a 1% increase in salary is expected to cost around \$142,000. We will ask for direction from the Board of how to distribute this revenue. The *four* options are *to possibly reduce the levy amount to the patrons or request a lower levy amount next September*, reduce the deficit fund balance (*auditors recommend a 6% Fund Balance*), *give* raises to staff, and/or pay for the increase in healthcare.

When the independent auditor would present the final audit report, they recommended that we should have a reserve, or rainy day fund, of 6% of revenues. This reserve would be Board restricted for emergencies and released only through Board action. Unfortunately, since the funding fell out of the education system in 2009, this has been only a discussion. The goal of this District should be to commit to build a reserve and control expenses until that 6% figure has been achieved.

It has also been several years since the staff has had an increase on the base of their salary scales. The State and the legislature have put money into salary disbursements in an attempt to raise the salaries of staff throughout the State. We have some amazing employees in our District and have to remain financially competitive with the surrounding school districts to attract and retain good staff.

Mr. Ogborn stated that it would be nice to reward our employees for the work they do. We are doing amazing work and turning out amazing students and this could be accomplished without the great work of our staff and of our support staff all the way from the superintendent down to our custodian is involved with getting our seniors to the high quality level. Trustee House added that the monthly building presentations are proof of the great work our staff do daily, producing students at a highly capable level and that we have a good educational program. Chairman Alexander stated that from a moral standpoint, it is really tough to be stuck in a dead-end job and being told that there would be no pay raise, and that they might possibly have to take another pay cut. He thinks it's important to put some money on the salary base.

We currently exceed in salary expense what the State infers we receive in salary through the salary based apportionment calculation. The Career Ladder is a radically different way to calculate apportionment to the Districts

and we will see how this plays out in the coming year. Some Districts are leaning toward converting their salary scales to emulate the Career Ladder structure.

The funds, although intended to go toward salaries, may need to be utilized to offset the increase in healthcare premiums. We are currently lower than similar Districts in our premiums up to this point. One option is to have employees pay a portion of their single coverage. This is common in other districts; however, it would put a higher burden on the classified staff members who earn a lower salary. A fixed employee contribution amount for single coverage is a larger percentage of their gross income than certificated staff.

The levy to the community may be lowered if the State is starting, although minimally, to increase funding. We are still below the FY 2009 State funding level. The District relies heavily on the levy revenue and should start to lower the levy amount as the State increases its funding. It will still be years before funding from the legislature raises to a level where we are no longer dependent on the local patrons to pick up the slack that the State of Idaho should be funding.

Below is the current income statement for the District without any budgeted increase in healthcare or salary. We will be discussing with the Board how the revenue should be distributed. Although the funding from the State has increased, a drop in budgeted Impact Aid has offset about 20% of the increase from the State. Revenue continues to be inadequate to fill all the goals and needs of the District. We are continuing to be frugal with the expenses and continue to look at reducing costs wherever possible.

That is the current situation based on the evidence and assumptions detailed above. I welcome any input and direction from the Board on refining any of the previous items.

General Fund

PRELIMINARY

Mtn Home School District #193

Income Statement

Fund 100

Revenues

	Proposed Budget FY 2015-2016 6/30/2016	Prior years Budget FY 2014-2015 6/30/2015
Local Revenue	47,000	69,500
County Revenue	2,760,000	2,760,000
State Revenue (inc. rev in lieu of Taxes)	17,093,000	16,394,000
Other State Revenue	955,000	927,000
Federal Revenue	1,375,000	1,550,000
Earnings on Investments / other rev	8,000	7,500
Transfers	35,000	35,000
Total Revenue	22,273,000	21,743,000

Expenses

Salaries	13,166,000	13,021,831
Benefits	4,499,000	4,577,169
Purchased Services	3,307,000	3,446,000
Supplies	490,000	494,000
Capital	14,000	14,000
Other	176,000	140,000
Transfers	45,000	45,000
Total Expenses	21,697,000	21,738,000

Revenues over (under) expenses	576,000	5,000
--------------------------------	----------------	--------------

FY 14 audited Fund Balance	(645,027)
FY 15 budgeted net income	5,000
FY 15 est ending Fund Bal	(640,027)
FY 16 rev in excess of exp	576,000
Budget FY 16 Fund Bal	(64,027)

Special Revenue Funds Special Purpose Funds

Below is a brief discussion of all of the Special Revenue Funds that are outside the scope of the General Fund as discussed above. These funds are either Board restricted or whose use is restricted by either State or Federal regulations.

Federal Forest Funds (Fund 220)

These are funds that we received through the Craig-Wyden Act in lieu of the funds we would have received had the logging restriction not been imposed. We also receive Department of Defense money that is placed in this fund. The Federal Forest Funding has been cut drastically. In FY 2014, we received \$213,000; in FY 2015, we received \$20,000. The money from the Department of Defense was not appropriated one year, so it is now a year-by-year option. This fund is restricted by the Board for technology purchases that include software, internet, and hardware replacement. We replaced half the computers in the school district one year at a cost of about \$480,000. The other half is scheduled for replacement in FY 2016. *Chairman Alexander added that this is woefully inadequate for what we need regarding technology and this is the only fund we have that we can use for technology, not to mention that it is rumored to disappear soon.*

Drivers Education (Fund 241)

This fund received its funding from two sources. One source is student fees, and the other source is the State of Idaho. The State caps its reimbursement on the lesser of costs in excess of student fees, or \$125.00 per student. All funds are restricted to this fund for Drivers Education expenses only.

Vocational Education – State of Idaho (Fund 243)

This fund receives money from the State of Idaho for the vocational classes at the high school and junior high. It is used to pay for salaries and benefits of the additional duties of the staff, as well as equipment used in class. These funds help with the welding and automotive classes. These funds are restricted for the vocational classes only for purchases above the normal classroom costs. We budget this to spend all the money received each year and be at zero at the end of the year.

Technology Fund (Fund 245)

This fund is used to pay for some salaries and equipment. The State of Idaho makes payments to assist with technology in the classroom. The money can be used for several purposes, but it has to be technology driven. We are paid based on the number of Support Units in the District. We budget this to spend all the money received each year and be at zero at the end of the year.

Safe and Drug Free School Fund (Fund 273)

This fund is used for security purposes within the District. Vandalism has cost the District thousands of dollars of *unreimbursable* damage. We are looking at purchasing an updated security system for the high school, but the payment each year will only pay for a fraction of the cost of the desired system. This fund is restricted for security purchases only.

Title I-Basic (Fund 251)

This is a Federal Fund to assist children in the schools with reading improvement. The money can be used for salaries and benefits and other costs related to reading improvement in the schools. Restrictions apply as to how the funds can be used, how much any school is allotted, and whether a school is eligible to use the money. 10% of the money in one year can be carried over to the next year if needed, but any deficits must be reimbursed from the General Fund. We budget this to spend all the money received each year and be at zero at the end of the year. In FY 2015, we received a grant of \$831,058.

Migrant Education (Fund 253)

This is a Federal program with the money being restricted for the betterment of migrant children. We currently use this fund for staffing costs and training of staff that assists Hispanic children and their families. This fund is restricted for migrant education purposes only. We budget this to spend all the money received each year and be at zero at the end of the year. In FY 2015, we received a grant of \$41,763.

Title I-D (Fund 255)

This fund is a federally restricted fund and a part of the Title I Program described above. The money for this is administered by the District, but is restricted for use by the Sequel TSI Therapeutic Residential Treatment Center for adjudicated and non-adjudicated adolescent males, ages 10-18 years of age, with sexually maladaptive behavior that is located up on the hill for the betterment of their students. The District has to have administrative oversight as the public LEA in which the school resides. We work with Sequel and reimburse them for the expenses they incur within the Title I regulations for their students. This money is restricted for Sequel use by the Federal Program. We budget this to spend all the money received each year and be at zero at the end of the year. In FY 2015, we received a grant of \$37,095.

IDEA School-age (Fund 257)

This is a federally restricted program to reimburse the expenses above and beyond normal classroom expenditures for children with special needs. This fund is flexible in the category of expenses, but they must be above and beyond what is normally spent for a child. This fund is restricted for special needs staff and expenses only. This fund allows 15% of the money in one year to be carried over to the next year if needed, but any deficits must be reimbursed from the

General Fund. We budget this to spend all the money received each year and be at zero at the end of the year. In FY 2015, we received a grant of \$769,090.

IDEA Pre-school (Fund 258)

This fund is a federally restricted fund for the purpose of identifying special needs students and providing services to them before they enter kindergarten. This fund is flexible in the category of expenses, but they must be used for special needs services for children younger than school age. This fund is restricted for special needs staff and expenses only. This fund allows 15% of the money in one year to be carried over to the next year if needed, but any deficits must be reimbursed from the General Fund. We budget this to spend all the money received each year and be at zero at the end of the year. In FY 2015, we received a grant of \$40,903.

Title III Federal LEP Language Instruction (Fund 270)

This is a federally restricted grant to provide services and reading improvement to English Language Learners (ELL). We budget this to spend all the money received each year and be at zero at the end of the year. In FY 2015, we received a grant of \$15,986.

Teacher and Principal Quality (2A program) (Fund 271)

This is a federally restricted grant to provided Professional Development to staff. This grant allows 25% of the money in one year to be carried over to the next year if needed, but any deficits must be reimbursed from the General Fund. We budget this to spend all the money received each year and be at zero at the end of the year. In FY 2015, we received a grant of \$167,333.

P-L 874 Fund (Fund 279)

This fund gets its revenue from payments on the Impact Aid vouchers. The revenue for Special Needs students is placed in this fund and the salaries and benefits of the staff who educate these students are charged against this fund. All expenses are restricted for the services provided to special needs students. Trustee House mentioned that at one time, the airbase had more special education students than in town, and then asked for clarification on the numbers of special education students at the airbase. Mr. Gilbert replied that proportionately, the airbase has a higher percentage of special education students. Mr. Gilbert along with Mr. Longhurst replied that the airbase has 20% of its students are special education students, whereas the town only has 12% of its students who are special education students.

Bond Fund (Fund 310)

This fund is where the Bond Levy taxes from the County are placed to pay the Debt Service Payments on the Junior High School bonds. The Bonds will be paid off this June (2015). This fund is restricted for the payment of the interest and bonds that are the obligations of the District. The bonds for the construction of the Junior High School *is scheduled to* be paid for this August (2015).

Plant Facility Fund (Fund 421)

This fund is where the Plant Facility Levy taxes from the County were placed to pay the construction, renovation, and equipment needs of the District. This levy was not renewed by the patrons of Mountain Home. This fund is restricted for the purposes outlined in the levy ballot at each taxpayer approved levy election. I will be budgeting \$1,000,000 in the Plant Facility Fund for the levy vote anticipated in August 2015. If this amount is not budgeted and the levy is approved, we cannot levy the money this year. If the levy is not approved, I will amend the budget and remove this amount.

*****NOTE:** *(refer to the Supplies bullet for a detailed explanation of why the anticipated Plant Facility Levy money had to be included in the Published Budget.*

Mr. Ogborn reviewed the "Other Funds" budget sheet that follows and that the anticipated Plant Facility Levy was included. (refer to the Supplies bullet for an explanation.)

MOUNTAIN HOME SCHOOL DISTRICT #193
Other Funds detail
Budgeted June 30 2016

FUND DESCRIPTION	100 General Fund	220 Federal Forest	241 Drivers Education	243 State Vocational Ed	245 Technology Grant	251 Title I	253 Migrant	255 Title 1-D Delinquent	257 IDEA School-age
FY 2016 BUDGETED REVENUES									
Local Sources	47,000		37,000		-				
County Sources	2,760,000		-		-				
State Sources	18,048,000		22,000	78,000	130,000				
Federal Sources	1,375,000	225,000	-	-		811,000	49,000	50,000	850,000
Other Sources	8,000								
TOTAL REVENUE	22,238,000	225,000	59,000	78,000	130,000	811,000	49,000	50,000	850,000
Transfers in	35,000								
TOTAL REVENUE AND TRANSFERS	22,273,000	225,000	59,000	78,000	130,000	811,000	49,000	50,000	850,000
FY 2016 BUDGETED EXPENDITURES									
Salaries	13,166,000	-	45,000	45,000	60,000	600,000	24,000	9,000	520,000
Benefits	4,499,000	-	8,000	8,000	18,000	174,000	7,000	2,500	150,307
Professional Services	3,307,000	50,000	-	6,807	60,000	38,101	4,500	6,000	-
Supplies	490,000		3,000		5,348		6,100	6,000	
Capital	14,000	500,000	10,000	25,000	137,000			6,957	
Other	176,000	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	21,652,000	550,000	66,000	84,807	280,348	812,101	41,600	30,457	670,307
transfers out	45,000	-				20,000	-	-	15,000
TOTAL EXPEND & TRANSFERS	21,697,000	550,000	66,000	84,807	280,348	832,101	41,600	30,457	685,307
Excess Revenue over exp	576,000	(325,000)	(7,000)	(6,807)	(150,348)	(21,101)	7,400	19,543	164,693
FY 2014 Fund Balance	(645,027)	545,402	21,560	8,207	150,348	21,101	(7,399)	(19,543)	(164,693)
FY 2015 budgeted Rev over Exp	5,000	-	(9,750)	(1,400)	-	-	-	-	-
estimated FY 2015 Fund Balance adjustments	(640,027)	545,402	11,810	6,807	150,348	21,101	(7,399)	(19,543)	(164,693)
Ending FY 2016 estimated Fund Balance	(64,027)	220,402	4,810	-	-	-	1	-	-

MOUNTAIN HOME SCHOOL DISTRICT #193
Other Funds detail
Budgeted June 30 2016

FUND DESCRIPTION	258 IDEA Preschool	262 Rural Schools 0	263 Carl Perkins Vocational Ed	270 Title III LEP	271 Teach & Prin Qual	273 Drug-Free	279 PL 874 Special Ed	290 School Lunch
FY 2016 BUDGETED REVENUES								
Local Sources								415,000
County Sources								-
State Sources			-					
Federal Sources	44,000	115,000	45,000	16,000	167,000		80,000	750,000
Other Sources								
TOTAL REVENUE	44,000	115,000	45,000	16,000	167,000		80,000	1,165,000
Transfers in	-	-	-	-	-		-	45,000
TOTAL REVENUE AND TRANSFERS	44,000	115,000	45,000	16,000	167,000		80,000	1,210,000
FY 2016 BUDGETED EXPENDITURES								
Salaries	38,538	60,000	24,000	12,000	80,000		97,000	365,000
Benefits	-	18,000	7,500	4,000	24,000		28,986	134,850
Professional Services	-	37,000	13,500	12,779	55,000			700,000
Supplies			18,109		36,551			15,000
Capital								20,000
Other	-	-	-	-	-			-
TOTAL EXPENDITURES	38,538	115,000	63,109	28,779	195,551		125,986	1,234,850
transfers out								
TOTAL EXPEND & TRANSFERS	38,538	115,000	63,109	28,779	195,551		125,986	1,234,850
Excess Revenue over exp	5,462	-	(18,109)	(12,779)	(28,551)		(45,986)	(24,850)
FY 2014 Fund Balance	(5,462)	-	18,109	12,779	28,551	(4,629)	45,986	(26,150)
FY 2015 budgeted Rev over Exp	-	-	-	-	-	4,629	-	51,000
estimated FY 2015 Fund Balance adjustments	(5,462)	-	18,109	12,779	28,551	-	45,986	24,850
Ending FY 2016 estimated Fund Balance	-	-	-	-	-	-	-	-

FUND DESCRIPTION	310 Bond & Interest	421 Plant Facilities	TOTAL: ALL OTHER FUNDS	Total All Funds
FY 2016 BUDGETED REVENUES				
Local Sources	-	-	452,000	499,000
County Sources	-	1,000,000	1,000,000	3,760,000
State Sources	-	-	230,000	18,278,000
Federal Sources	-	-	3,202,000	4,577,000
Other Sources	-	-	-	8,000
TOTAL REVENUE	-	1,000,000	4,884,000	27,122,000
Transfers in	-	-	45,000	80,000
TOTAL REVENUE AND TRANSFERS	-	1,000,000	4,929,000	27,202,000
FY 2016 BUDGETED EXPENDITURES				
Salaries	-	-	1,979,538	15,145,538
Benefits	-	-	585,143	5,084,143
Professional Services	-	-	983,687	4,290,687
Supplies	-	-	90,108	580,108
Capital	-	-	698,957	712,957
Other	970,357	124,263	1,094,620	1,270,620
TOTAL EXPENDITURES	970,357	124,263	5,432,053	27,084,053
transfers out	-	-	35,000	80,000
TOTAL EXPEND & TRANSFERS	970,357	124,263	5,467,053	27,164,053
Excess Revenue over exp	(970,357)	875,737	(538,053)	37,947
FY 2014 Fund Balance	970,357	274,263	1,868,787	1,223,760
FY 2015 budgeted Rev over Exp	-	(150,000)	(105,521)	(100,521)
estimated FY 2015 Fund Balance	970,357	124,263	1,763,266	1,123,239
adjustments	-	-	-	-
Ending FY 2016 estimated Fund Balance	-	1,000,000	1,225,213	1,161,186

He mentioned that if the Plant Facility fails, he would ask for the amount (\$1 million) to be removed from the Published Budget, and reminded the Board that he had to include this in the Published Budget for the District to be able to levy the amount, but that he could have the amount removed should the Plant Facility Levy fail.

We would have a \$1 million in the Plant Facility Fund if it passes. The total estimated Fund Balance for FY16 is \$1,161,186, if the Plant Facility Levy passes, so if the Board decided to spend the \$576,000 from the General Funds for either salaries, health insurance benefits, or other purpose, or a combination thereof, then we could very easily have a negative fund balance in the General Fund and a negative fund balance in all the other funds.