

FINANCIAL OVERVIEW

2018-19 Tentative Budget



August 21, 2018

**Board of Education
Regular, Monthly Meeting**

Prepared by:

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Introduction

The annual budget, as adopted by the Board of Education, sets the plan for accomplishing the financial goals of the District.

On August 21, 2018, the Board of Education will be presented with the 2018-19 Tentative Budget with a recommendation to approve it. According to the Illinois School Code, the Board of Education is required to approve an annual budget by September 30th of each year.

Lastly, the Budget is designed to:

- Meet all requirements imposed by Illinois law and applicable rules;
- Provide expending and taxing authority by the District;
- Satisfy a level of financial information provided to the community by state, local and federal governments.

Budget Development

Zero-based budgeting (ZBB) was used in the creation of the Budget. ZBB is defined as a method of budgeting in which all expenses must be justified for each new fiscal year. It starts from a “zero base,” and every function within the District is analyzed for its needs and costs. The Budget is built around what is needed, regardless of whether the Budget is higher or lower than the previous year.

Each account was analyzed and detailed expenditures were inputted into an account in order to develop a sum for each account. The resulting sum has been inputted into Skyward, our financial software, and used to monitor expenditures.

The development of the Budget involved the following stakeholders:

- Assistant Superintendents;
- Directors and Department Heads;
- Principals and Building Administrators.



Revenue and Expenditures

Most transactions incurred by the District will either be a revenue or expenditure that will be recorded in the appropriate account based on its purpose.

Definitions

Revenue

A transaction that represents the receipt of cash without creating a liability or canceling an asset.

Sources of Revenue

Property Taxes: Money received from within the District's boundaries through the tax levy process

Other Revenue: Additional sources of revenues that are not classified as Property Taxes or from state or federal sources

State Revenue: Receipts received from the State of Illinois that may be for specific purposes or not.

Federal Revenue: Receipts received from the federal government that may be for specific purposes or not.

Expenditures

A transaction that usually represents the payment of cash or the establishment of an obligation.

Types of Expenditures

Salaries: Gross salary for personal services rendered while on the payroll of the district.

Benefits: Fringe benefits paid by the district on behalf of the employee.

Purchased Services: Amounts paid for personal services rendered by personnel who are not district employees, and other services that the district may purchase.

Supplies & Materials: Amount paid for material items of an expendable nature.

Capital Outlay: Amount paid for the acquisition of fixed assets or additions to fixed assets.

Other Objects: Amounts for goods and services not otherwise classified above.

Non-Capital Equipment: Items that would be classified as capital assets except that they cost less than the capitalization threshold adopted by the school board but more than \$500.

Termination Benefits: Limited solely to payments made to terminated or retiring employees as compensation for unused sick or vacation days.

Tax Levy

The amount of the District's need for property taxes as certified by the Board of Education's annual levy resolution in December.

Tax Extension

The process by which the County Clerk calculates the District's tax rate

Debt Limit

13.8% of the District's equalized assessed valuation. As of June 30, 2017, the District's statutory debt limit was approximately \$77 million with an outstanding bond principal of approximately \$57 million. This means that the District has the authority to sell an additional \$20 million in bonds.



Crete-Monee School District 201U

Revenues & Expenditures: All Funds

Revenues	2016-17 Audited Year-End	2017-18 Adopted Budget	2017-18 Adjusted Budget	2017-18 Amended Budget	2018-19 Tentative Budget
Property Taxes	\$ 46,110,882	\$ 49,388,731	\$ 49,388,731	\$ 50,138,732	\$ 51,709,874
Other Local Revenue	\$ 3,364,035	\$ 2,355,500	\$ 2,206,600	\$ 2,908,308	\$ 2,778,206
Revenue from State Sources	\$ 20,772,669	\$ 16,174,000	\$ 18,869,224	\$ 21,720,969 ¹	\$ 20,555,915
Revenue from Federal Sources	\$ 4,672,336	\$ 3,580,250	\$ 4,459,507	\$ 4,918,352	\$ 5,019,490
Total Revenue for All Funds	\$ 74,919,922	\$ 71,498,481	\$ 74,924,062	\$ 79,686,361	\$ 80,063,485

Expenditures	2016-17 Audited Year-End	2017-18 Adopted Budget	2017-18 Adjusted Budget	2017-18 Amended Budget	2018-19 Tentative Budget
Salaries	\$ 34,685,619	\$ 36,075,594	\$ 36,352,359	\$ 36,702,359	\$ 39,446,446
Benefits	\$ 9,295,992	\$ 7,748,460	\$ 8,233,717	\$ 8,310,717	\$ 8,977,728
Purchased Services	\$ 9,512,689	\$ 11,362,489	\$ 13,133,953	\$ 13,527,061	\$ 11,463,361
Supplies & Materials	\$ 4,621,724	\$ 5,066,015	\$ 5,447,052	\$ 5,782,540	\$ 6,205,242
Capital Outlay	\$ 8,198,818	\$ 77,650	\$ 668,589	\$ 847,312	\$ 238,778
Other Objects (includes \$11.9 million debt service payment)	\$ 14,847,123	\$ 15,413,355	\$ 12,221,972	\$ 12,221,972	\$ 14,780,174
Non-Capital Equipment	\$ 376,247	\$ 280,971	\$ 903,014	\$ 1,618,255	\$ 424,312
Termination Benefits	\$ 43,644	\$ 19,315	\$ 5,000	\$ 21,000	\$ 5,000
Total Revenue for All Funds	\$ 81,581,856	\$ 76,043,849	\$ 76,965,656	\$ 79,031,217	\$ 81,541,041
Excess/Deficit for All Funds	\$ (6,661,934)	\$ (4,545,368)	\$ (2,041,594)	\$ 655,144	\$ (1,477,556)

¹ State revenue includes a one-time receipt of categorical aid (\$2.3 million) from fiscal year 2017 that could not be accrued to fiscal year 2017.

Capital Outlay Expenditures Not Included in Budget

Estimated Demolition of Sixth Grade Center:	\$ 2,011,500
Proposed Payment to Chicago Heights Construction:	\$ 1,025,000
Estimated Construction Expenditures:	\$ 3,036,500

Crete-Monee School District 201U

Revenue & Expenditure: All Funds

2018-19 Tentative Budget

Revenues: \$80,063,485

Revenue from Property Taxes

Increased revenue due to the dissolution of Monee TIF 2
Estimated Spring 2019 property taxes using 2.0% CPI

Other Local Revenue

Revenue from Field Trips
Revenue from sport teams and activities
E-Rate Revenue at \$400,000

Revenue from State Sources

General State Aid at increased funding level
Regular and Special Education Transportation reimbursement - 3 payments

Revenue from Federal Sources

Title I funds at reduced level

Expenditures: \$81,557,929

Salaries

Special Education Permanent Guest Teachers (2)
100% market salaries of non-union personnel
Certified personnel for In-School Suspension at middle school - (1.0 FTE)
Stipend for additional Athletic Coordinator at the middle school
Additional Track and Cross Country Assistant Coaches
Maintenance person in Building & Grounds
New custodian - 2.0 FTE
Accounts Payable & Grant Administrator
Instructor for Manufacturing Program at high school (.5 FTE)
Instructor for JROTC Program at high school (1.0 FTE)

Benefits

Purchased Services

Allowance for Professional Development for Board of Education members
Field trip expenditures in operational budgets
New lease & maintenance agreement for copiers
Architectural fees for development of facility plan
Landscaping and lawn services
SRO Officers: 1 at the middle school and 1 at the high school
Network switches and access points
Cabling and wiring at Balmoral, MEC, CSK, Monee Elementary
Consulting fee and trailer rental for Manufacturing Program

Supplies & Materials

Supplies & Materials for JROTC Program
Supplies & Materials for Manufacturing Program
Consolidation of copier paper purchase
Increase in utilities at 5%
Activity expenditures in operational budgets - all schools

Capital Outlay

Replacement pick-up truck
Replacement transit van

Other Objects

Bond and interest payment

Non-Capital Equipment

Chromeboxes for schools

Termination Benefits

Board of Education Policy 4:20 - Fund Balances

The Superintendent or designee shall maintain fund balances adequate to ensure the District's ability to maintain levels of service and pay its obligations in a prompt manner in spite of unforeseen events or unexpected expenses. The Superintendent or designee shall inform the Board whenever it should discuss drawing upon its reserves or borrowing money.

The School District seeks to maintain aggregate year-end fund balances that would be no less than the 25% percent of the total annual expenditures in each fund.

Estimated Fund Balances as of June 30, 2019

Fund	as of
	June 30, 2019
Education	\$ 10,514,959
O & M	\$ 928,188
Debt Service	\$ 4,101,562
Transportation	\$ 11,656,234
IMRF/SS	\$ 2,609,317
Capital Projects	\$ 2,627,626
Working Cash	\$ 1,455,119
Tort	\$ -
Fire Prevention	\$ 26,294
	\$ 33,919,299
	\$ 81,541,041
	41.60%

School District's Financial Profile

The Illinois State Board of Education (ISBE) has developed the "School District Financial Profile" to help monitor the finances of a school district and identify which are in or are moving toward financial difficulty. This system has replaced the "Financial Watch List and Financial Assurance and Accountability System (FAAS)" that had been used for the assessment of a school district's financial health. The major change in methodology is the FAAS utilized only one financial indicator – the Fund Balance to Revenue Ratio. The Profile includes that indicator plus four additional measures to expand our capability to accomplish a truer risk assessment. The five indicators are individually scored and weighted in order to arrive at a Total Profile Score and applicable designation.

The Financial Profile Indicators are:

- 1 Fund Balance to Revenue Ratio: This indicator reflects the overall financial strength of the district. It is the result of dividing the ending fund balances by the revenues for the four operating and negative IMRF/SS funds. Operating Funds are the Educational, Operations and Maintenance, Transportation and Working Cash Funds.

- 2 Expenditure to Revenue Ratio: This indicator identifies how much is expended for each dollar received. It is computed by dividing total expenditures for the Educational, Operations and Maintenance, and Transportation Funds by the revenues for those same funds plus Working Cash. The calculation also takes into account remaining balances of these funds at the end of the year if a district is scoring low for their Expenditure to Revenue Ratio. This is especially beneficial to districts that have saved for projects and are now incurring the expenditures for them or who have healthy fund balances even after spending a portion of their savings.

- 3 Days Cash on Hand: This indicator provides a projected estimate of the number of days a district could meet operating expenditures provided no additional revenues were received. It is computed by dividing the total expenditures of the Educational, Operations and Maintenance, and Transportation Funds by 360 days to obtain an average expenditure per day. Then the total cash on hand and investments for the same funds plus working Cash are divided by the average expenditures per day. As with the Fund Balance to Revenue Ratio and the Expenditure to Revenue Ratio, the Working Cash Fund has now been incorporated into the calculation.

- 4 Percent of Short-Term Borrowing Ability Remaining: Districts often incur short-term debt due to several factors (i.e., delays in receipt of local revenues, etc.). For this indicator, the sum of unpaid Tax Anticipation Warrants is divided by 85% of the Equalized Assessed Valuation (EAV).

- 5 Percent of Long-Term Debt Margin Remaining: A district often incurs long-term debt for major expenditures such as buildings and equipment. This total is derived by the product of the district's EAV multiplied by its maximum general obligation debt limitation, reduced by any outstanding long-term debt.

Estimated Financial Profile Summary
(Go to the following website for reference to the Financial Profile)

<https://www.isbe.net/Pages/School-District-Financial-Profile.aspx>

Taken from Crete-Monee 201-U's Annual Financial Report for Fiscal Year 2017

District Name: Crete-Monee School District 201-U

District Code: 56-099-201U-26

County Name: Will

1 Fund Balance to Revenue Ratio:

		Total	Ratio	Score	4
Total Sum of Fund Balance (P8, Cells C81, D81, F81 & I81)	Funds 10, 20, 40, 70 + (50 & 80 if negative)	26,662,752.00	0.429	Weight	0.35
Total Sum of Direct Revenues (P7, Cell C8, D8, F8 & I8)	Funds 10, 20, 40, 70	62,201,919.00		Value	1.40
Less: Operating Debt Pledged to Other Funds (P8, Cell C54 thru D74)	Minus Funds 10 & 20	(47,788.00)			
Excluding C:D57, C:D61, C:D65, C:D69 and C:D73)					

2 Expenditures to Revenue Ratio:

		Total	Ratio	Score	4
Total Sum of Direct Expenditures (P7, Cells C17, D17, F17 & I17)	Funds 10, 20 & 40	60,696,137.00	0.976	Adjustment	0
Total Sum of Direct Revenues (P7, Cell C8, D8, F8 & I8)	Funds 10, 20, 40, & 70	62,201,919.00		Weight	0.35
Less: Operating Debt Pledged to Other Funds (P8, Cell C54 thru D74)	Minus Funds 10 & 20	(47,788.00)			
Excluding C:D57, C:D61, C:D65, C:D69 and C:D73)				Value	1.40
Possible Adjustment:					

3 Days Cash on Hand:

		Total	Days	Score	3
Total Sum of Cash & Investments (P5, Cells C4, D4, F4, I4 & C5, D5, F5, & I5)	Funds 10, 20, 40, & 70	27,553,493.00	163.42	Weight	0.10
Total Sum of Direct Expenditures (P7, Cells C17, D17, F17 & I17)	Funds 10, 20, 40 divided by 360	168,600.38		Value	0.30

4 Percent of Short-Term Borrowing Maximum Remaining

		Total	Percent	Score	4
Tax Anticipation Warrants Borrowed (P25, Cell F6-7 & F11)	Funds 10, 20 & 40	-	100%	Weight	0.10
EAV x 85% x Combined Tax Rates (P3, Cell J7 and J10)	(.85 x EAV) x Sum of Combined Tax Rates	26,261,503.58		Value	0.40

4 Percent of Long-Term Debt Maximum Remaining

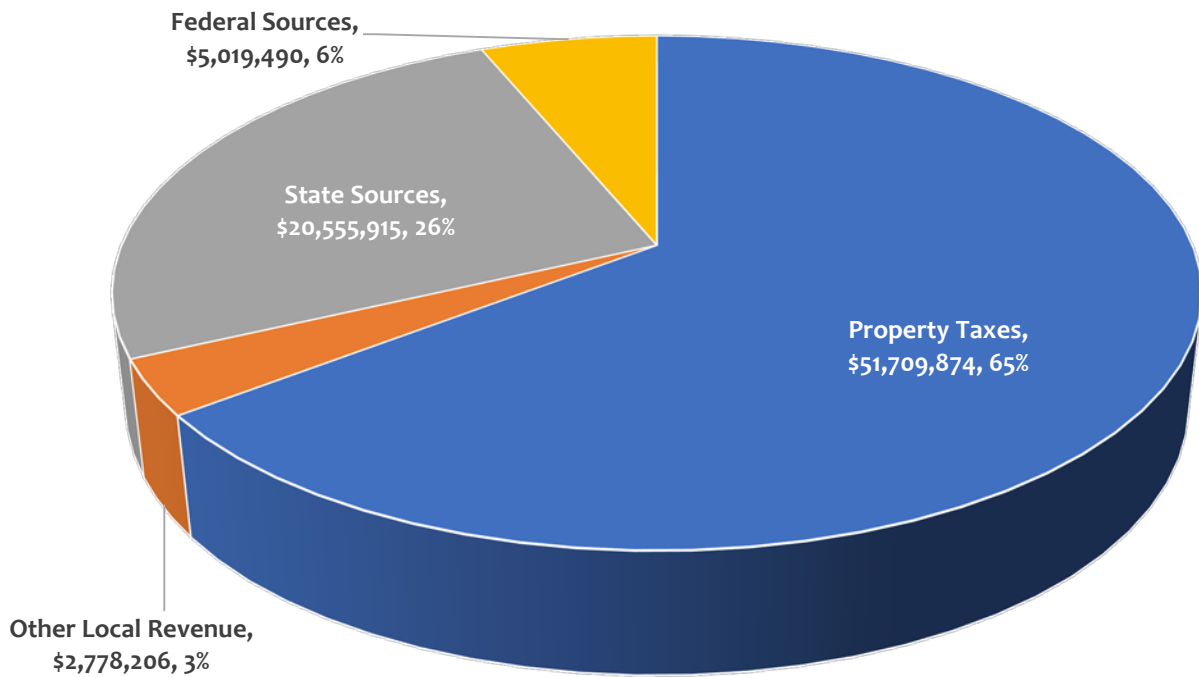
		Total	Percent	Score	1
Long-Term Debt Outstanding (P3, Cell H37)		98,664,289.00	-26.99%	Weight	0.10
Total Long-Term Debt Allowed (P3, Cell H31)		77,690,093.77		Value	0.10

Total Profile Score: 3.60 *

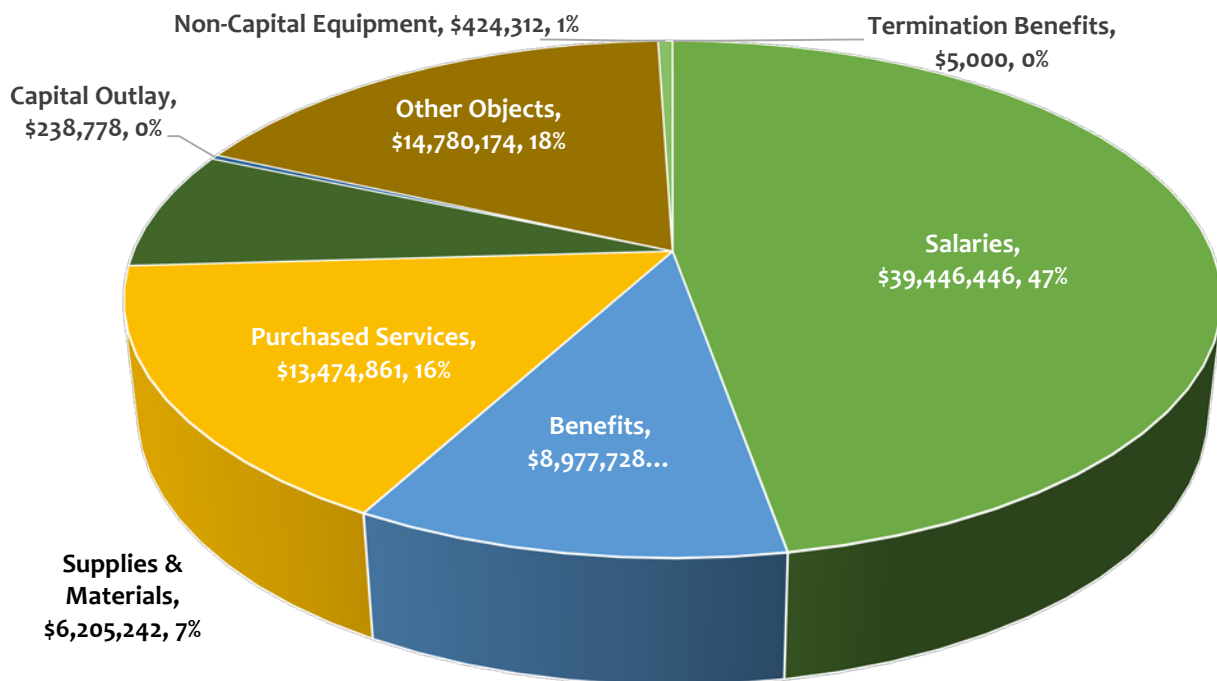
Estimated 2018 Financial Profile Designation: **RECOGNITION**

* Total Profile Score may change based on data provided on the Financial Profile Information, page 3 and by the timing of mandated categorical payments. Final score will be calculated by ISBE.

Revenue: without Construction (\$80,063,485)



Expenditures: Without Construction Transactions (\$81,541,041)



Summary of Current Debt Service

