

Drexel R-IV School District

Presentation To Board of Education
And School District Patrons

Overview of Presentation

- School District Funds
- Sources of Revenue
- Review Fund Balances
- Our Observations

School District Funds

- Operating Fund (Incidental Fund)
- Special Revenue Fund (Teachers Fund)
- Debt Service Fund
- Capital Projects Fund
- Specific accounting codes are used to determine into which fund money flows and from which fund payments are made.

General Revenue/Teachers

- Used for the day-to-day operation of the school district.
- Revenues for these two funds come from local property taxes as well as state and federal funding.
- Items paid from these funds include such things as:
 - Salaries for district employees;
 - Benefits for district employees;
 - Instructional supplies;
 - Transportation costs;
 - Food Services; and
 - District utilities, etc.

General Revenue/Teachers

- Combined balance carried in these funds is the primary indicator of a district's financial viability and stability.
- At a minimum, a school district should carry a combined fund balance in the General and Teachers Funds sufficient to make it through December without going negative on a fund balance basis.
- Drexel R-IV General Revenue and Teachers Fund Balance at the end of June 2016 was \$813,262 or 24.08% of the combined expenses in these two funds.

Debt Service Fund

- Used to pay the district's debt that is authorized by voters.
- Has its own tax levy to support the payments and tax rate may fluctuate according to debt repayment.
- Balance is highly predictable because expenditures usually consist of two items, principal and interest and are known in advance.
- Debt Service Fund monies are placed in a separate bank account and are not to be comingled with the district's operating monies.
- State Auditor's Office monitors the fund balance in the Debt Service Fund when calculating the maximum annual Debt Service Fund Levy.

Debt Service Fund

- Drexel R-IV currently has a debt service levy in 2016-17 of \$0.9672.
- These funds are used to pay the interest and principal on the district's debt.
- Total interest paid in FY16 was \$91,115 and total principal paid was \$135,000.
- Debt will be totally paid off in FY34.

Capital Projects Fund

- Money from this fund may only be spent for:
 - Erection of buildings;
 - Additions to buildings;
 - Remodeling or reconstruction of buildings;
 - Furnishing for buildings;
 - Payment of lease purchase obligations;
 - Purchases of real estate; or
 - Other capital outlay expenditures.

Capital Projects Fund

- Any expenditure for equipment that has a unit cost of \$1,000 or more and a useful life estimated at more than one year should be made from Capital Projects fund.
- Current operating expenses such as repairs and supplies can not be paid from Capital Projects Fund.
- Funds may be transferred to Capital Projects using a formula that is in state statute and/or the district may elect to use gaming funds. (more on this later)
- At the end of the 2015-16 Drexel R-IV had a balance of \$168,307 in this fund.

Sources of Revenue

- Local
- State
- Federal

Sources of Revenue

(2015-16)

	<u>Drexel R-IV</u>	<u>State Ave.</u>
Local	46.59%*	56.25%*
State	46.86%	34.31%
Federal	6.55%	9.44%

*Includes Proposition C revenues

Local Funds

- Property taxes are the main source of your local funds.
- Local funds also include such things as fines, merchants and manufacturers surtax, and earnings on investments.
- Tax rate is authorized by voters in the district
- Tax rate may be adjusted by changes in assessed valuation. Board may voluntarily reduce rate. Board sets rate by September 1 each year.
- Current operating tax rate for Drexel R-IV is \$4.2907 per \$100 of Assessed valuation.
- Drexel R-IV receives about 46.59% of its revenue from the local sources as compared to the state average of 56.25%.

State Funds

- Drexel R-IV receives 46.86% of its funding from the state as compared to a state average of 34.31%.
- Drexel R-IV receives state funding from the following state sources:
 - State foundation formula;
 - Proposition C sales tax funds (considered local funds in accounting system);
 - Transportation;
 - Vocational Education;
 - Early Childhood Special Education; and
 - Parents as Teachers.

Basic Formula Factors

Weighted Average Daily Attendance (WADA)

X State Adequacy Target (SAT)

X Dollar Value Modifier (DVM)

— Local Effort

= State Funding

Foundation Formula

- Drexel R-IV is considered a hold harmless school district and is receiving a total of \$1,475,384 from the formula or \$4,258 per weighted ADA. The amount per student is unlikely to change in the future.
- Of this amount, \$119,830 comes from gaming. The district may use this amount in any way they so choose. (gaming revenue above 2009-10 level must be put in general and teachers funds)
- At least 75% of the state formula funds (excluding gaming funds) must be placed in the teachers fund.

Proposition C

- One-cent sales tax approved by voters in 1982.
- One-half of funds used for district expenses. One-half used to reduce property taxes.
- Drexel R-IV passed an issue several years ago waiving the use of these funds to reduce property taxes. All Proposition C funds may be used in Drexel R-IV for operational costs.
- 75% of the Proposition C must be placed in the teachers fund.
- Proposition C funds are paid on the previous year WADA.
- Last year, Drexel R-IV received \$296,411 from Prop C.

Federal Funding

- Federal funding is also complex and largely depends on the how many students are on free and reduced lunches.
- Drexel R-IV receives about 6.55% of its funding from the Federal government which compares to the state average of 9.44%.

Some Observations

- Drexel R-IV has 43.2% of students on free and reduced lunches as compared to a state average of 51.25%.
- Drexel R-IV is equally dependent at this point on local taxes and the state of Missouri for its funding. Whereas some schools are more dependent on local taxes and some are more dependent on the state for its funding source.

Some Observations

- There does not appear to be any large influx of state funding for the public schools in the foreseeable future.
- The Governor recently announced withholding of transportation funding which will significantly impact this revenue source and will require this to be made up from local revenue.

Some Observations

- If Drexel R-IV needs additional funds to improve educational services it offers to its students, the only possible source is to increase the operating tax levy.

Questions?

Please contact Terry Mayfield at

tmayfield@drexelbobcats.net

816-657-4715