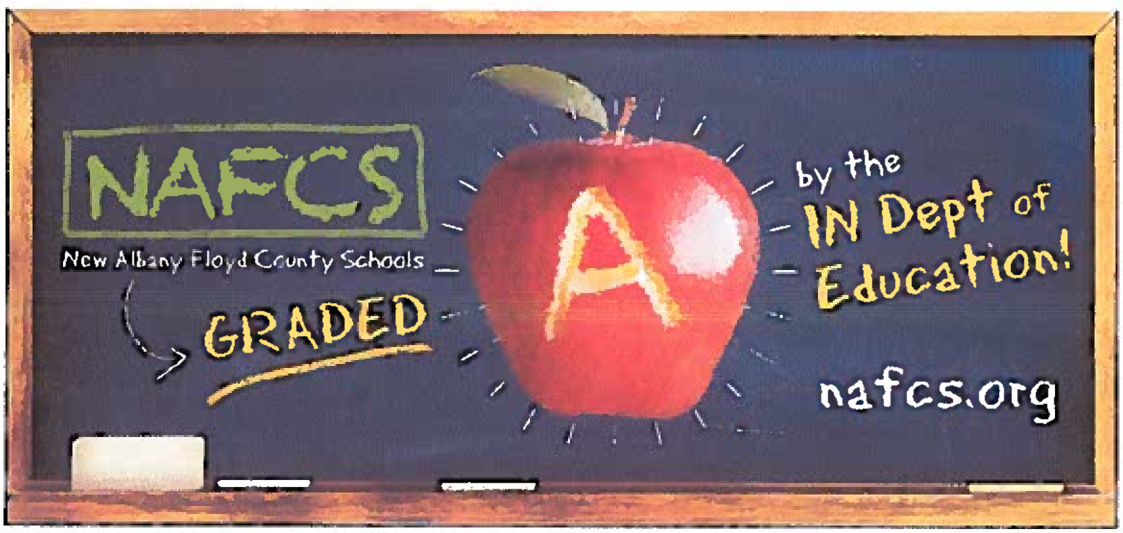
NEW ALBANY FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION

2017 BUDGET



Excellence in Public Education...

January 1, 2017 to December 31, 2017

Prepared by
Fred McWhorter II
Chief Business Officer / Treasurer

Introductory Section

NEW ALBANY-FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION

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BUDGET

OF

NEW ALBANY-FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION

Calendar Year
Beginning January 1, 2017
Ending December 31, 2017

Report Issued by

Fred McWhorter II, Chief Business Officer/Treasurer

NEW ALBANY-FLOYD COUNTY
CONSOLIDATED SCHOOL CORPORATION

2017 BUDGET TIMELINE:

March 2016	Initial CPF Planning Meetings
April/May/June 2016	Budget Meetings and Development
June/July 2016	Budget Drafts Prepared for 2017 Budget & Discussion with Supt. & Admin. Team
July, 2016	DLGF Field Workshop
August 2016	Budget Process Overview, Board Work Session
August 26, 2016	Deliver Budget Information to Newspaper for advertising
September 2, 2015	2017 CPF and Bus Replacement Plan Publication (The News & Tribune) (At least 10 days before hearing, Sept. 13th last day to submit legally)
September 2, 2016	Submit Online Budget Notice on Gateway (At least 10 days before hearing)
September 12, 2016	Public Hearing on 2017-2019 CPF Plan, 2017-2028 Bus Replacement Plan, & 2017 School Budgets (Must be at least 10 days before adoption)
October 17, 2016	2017 Budget, CPF Plan, and Bus Replacement Plan Adoption (November 1st is legally the last possible day to adopt the bus & CPF plans) (November 1st is legally the last possible day to adopt the school budgets)
October 19, 2016	File Adopted Budget on Gateway (Nov. 3rd last legal day or 2 days after adoption)
October 25, 2016	CPF Notice of Adoption publication (The News & Tribune) (15 day remonstrance period begins)
November 9, 2016	Verify Remonstrance Status of CPF Plan with County Auditor
December 2016	Department of Local Government Finance Field Hearing/Meeting
February 15, 2017	Final Budget Order Issued

NEW ALBANY-FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION
2017 BUDGET
EXECUTIVE SUMMARY

Management is pleased to present the 2017 Budget for the New Albany-Floyd County Consolidated School Corporation (NAFCS), New Albany, Indiana. All budgets have been placed within a single publication utilizing a pyramid approach so that readers may progress from a broad overview toward greater specificity. Management believes this report dramatically improves the NAFCS budget as a communication tool and as a reference document as the school district continues its quest toward "*providing each child with an outstanding, unsurpassed education.*"

The 2017 Budget, which is a calendar year budget for governmental funds as required by Indiana statute, is organized into five (5) major sections, i.e. I) Introductory Section, II) Organizational Section, III) Financial Section, IV) Information Section, and V) Appendix. The budget also includes a three (3) year Capital Projects Fund Plan which represents a written plan establishing the capital priorities and proposed expenditures for the facilities and technology programs. Also included is a twelve-year School Bus Replacement Plan, which provides for the planned retirement of replacing school buses at the end of their useful life. In an effort to make the budget more understandable, charts and graphs have also been utilized in appropriate places.

NAFCS is required to publish budget forms for their community to inspect (see Informational Section). Budgets are customarily advertised higher than anticipated due to unknown variables such as assessed valuation (property wealth), excise tax, etc. Historically, the DLGF will reduce the advertised budget at a final hearing once the unknown variables have been determined.

Management Concerns:

There has been wide media coverage about limited funding and reduced services impacting public education not only in Indiana but across the United States. Unfortunately, the New Albany-Floyd County Schools has not escaped these funding issues. The 2017 budget year will continue to present challenges for the New Albany-Floyd County Schools. However, we believe 2017 will represent a balanced General Fund budget.

The New Albany-Floyd County Schools General Fund which is used for our daily operating expenses for salaries and benefits had been operating at a deficit since 2009 when the economy went into a recession and significant State cuts to public education were made. However, difficult expenditure reductions and restructuring over the past several years has been able to bring revenue in line with expenses which resulted in a balanced budget for 2013, 2014, 2015 and 2016. It is anticipated that the 2017 budget will be balanced as well. This is contingent upon how future union bargaining impacts the budget as well as fluctuations in student enrollment. NAFCS had experienced enrollment declines over the past several years, however, it appears that enrollment declines may have bottomed out whereas NAFCS enrollment has been stable over the past 3 years. We are optimistic that gradual growth in student enrollment will occur.

Labor and benefit costs make up approximately 90% of the general fund expenditures. Health insurance costs, beyond wages, continue to be the number one cost for the district. However, local health insurance restructuring in 2013 will help mitigate any major corporation increases in 2017. Although the potential financial impact stemming from full implementation of the Affordable Care Act is still unknown.

A review of how we spend our general fund monies compared to other school corporations across the state shows that New Albany-Floyd County Schools spends above average in the area of instruction and is below the State average in general administration and school administration. There is a comparison document located in the Financial Section of this document.

Retirement costs are another general fund expense that has created a budget concern. The school corporation currently contributes, 2.5% of salary on behalf of teachers to a local retirement plan, 401(a), and an additional 10.5% to the state teacher's retirement plan. The Corporation also contributes 14.2% toward the Public Employers Retirement Fund for eligible classified (non-teacher) employees.

Another budget concern for the district centers upon student transportation costs. These costs are accounted for separately in our Transportation Operating Fund. Rising operating costs and diesel fuel were causing this fund to spend more than available revenue. In addition, changes to the tax cap circuit breaker law have substantially had a negative effect on the Transportation Fund and will continue to do so in the years to come. However, whereas this fund has had deficit spending in the past we believe 2017 will be a balanced budget. This is an area where continued diligent monitoring is required.

The School Corporation has in excess of $5 million in a Rainy Day Fund. This represents only approximately 1 month of operating expenses. Emphasis will be made to maintain and/or increase this balance.

Budget Highlights:

Whereas New Albany-Floyd County Schools has experienced financial difficulties in the past, we do not expect our operations to materially change from this point forward provided that expenses can continue to be kept under control. This has been evidenced by a General Fund balanced budget for the past 4 years. Cost containment measures which management has and is putting into place are having a positive effect on the budget.

We believe the 2017 property tax rate will be substantially similar to the 2016 property tax rate. However, we believe it will decrease slightly depending upon final assessed valuation of the community as set by the Department of Local Government Finance (DLGF).

In summary, whereas there will always be significant fiscal challenges that will require difficult decisions for both staff and community, the school corporation is in a better position today to deal with things to come. Management appreciates all of the provided input and support received from the community, teachers and staff during the 2017 budget process on behalf of the New Albany-Floyd County Consolidated Schools. Management firmly believes this document will provide insight for those seriously interested in generating a deeper understanding of this public policy. If you should have any questions, feel free to contact the corporation's Business Office at (812) 542-2129.

Fred McWhorter II
Chief Business Officer/Treasurer

Tomorrow... Together

Organizational Section

NEW ALBANY-FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION ABOUT OUR SCHOOLS

The New Albany-Floyd County Consolidated School Corporation is a public school district and has operated as a separate governmental unit since 1956, being organized under the provisions of Indiana Code 20-4. The NA-FC CS Corporation is located in Floyd County, Indiana, directly across the scenic Ohio River from Louisville, Kentucky. The corporation serves the city of New Albany, the towns of Georgetown and Greenville, and Floyd County townships covering approximately 149 square miles. Floyd County is a multi-ethnic community of over 71,000 residents with a variety of racial and religious groups and economic levels represented in the student population.

A seven-member elected board governs the corporation. New Albany-Floyd County Consolidated School Corporation provides a comprehensive educational program that encompasses 9 elementary schools, three middle schools, two high schools, a pre-school center, an area vocational school, and alternative school programs. The corporation also houses centers for administration, transportation, and facilities. Of 293 public-school districts in the state, NA-FC CSC is the seventeenth largest school district in student population.

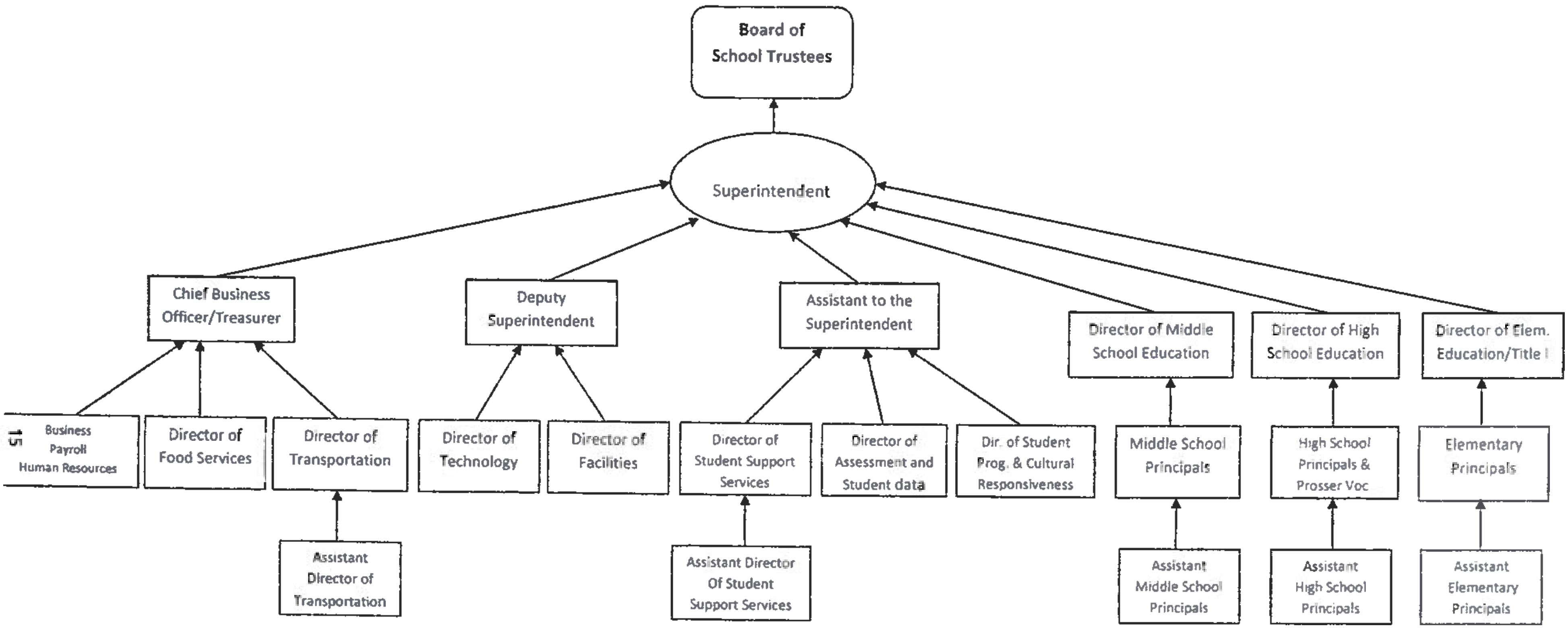
The district's enrollment totals more than 11,500 students in pre-kindergarten through twelfth grade. The district employs more than 1,450 full-time personnel, which includes approximately 700 teachers.

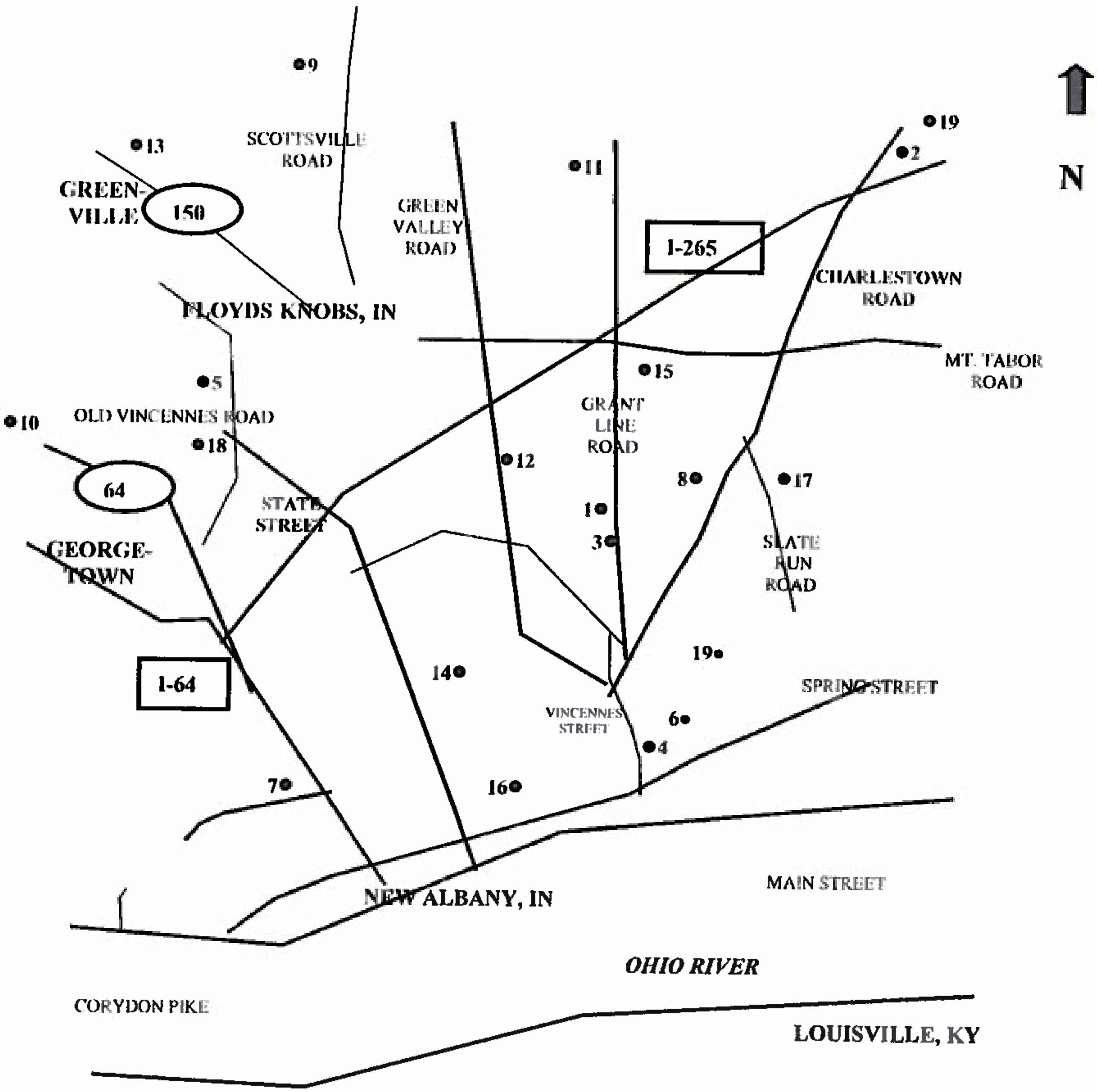
The New Albany-Floyd County Consolidated School Corporation is committed to offering a diverse curriculum designed to meet the needs of all children within the school community. Students are held accountable for acquiring a basic foundational pool of knowledge and demonstrating that knowledge through classroom opportunities as well as through a wide variety of assessment tools and application-based strategies. Instructional staff members are trained in the best practice research and emerging national trends in curriculum, teaching strategies and assessment.

The State of Indiana requires that students take a standardized test, ISTEP+, in grades three through eight and grade ten and must be passed in order to graduate. The school district has a number of programs in place to ensure local curriculum alignment with state expectations and proficiencies. These include in-service teacher training, identifying at-risk students, tutorial and remediation opportunities and summer school programs.

The NA-FC CS Corporation recognizes the parents and community as important members of the educational system. Interested citizens may become involved as volunteers in the schools, as members of special advisory boards, and may serve on strategic planning committees. Parents are welcome in the school buildings, and appointments with teachers, counselors or administrators may be scheduled by calling the school. In addition, each school has an active parent organization that works closely with teachers, administrators and students to enhance the quality of education.

The NA-FC CS Corporation communicates with the community in a number of ways. Each school building has a newsletter that it periodically sends home with students. In addition, the School Corporation has a Facebook page as well as a Website (www.nafcs.k12.in.us) that links individual building Websites and provides such information as calendars, budgets, lunch menus and more.


Board of School Trustees
Superintendent
Chief Business Officer/Treasurer
Deputy Superintendent
Assistant to the Superintendent
Director of Middle School Education
Director of High School Education
Director of Elem. Education/Title I
Business Payroll Human Resources
Director of Food Services
Director of Transportation
Director of Technology
Director of Facilities
Director of Student Support Services
Director of Assessment and Student data
Dir. of Student Prog. & Cultural Responsiveness
Middle School Principals
High School Principals & Prosser Voc
Elementary Principals
Assistant Director of Transportation
Assistant Director Of Student Support Services
Assistant Middle School Principals
Assistant High School Principals
Assistant Elementary Principals



New Albany-Floyd County Consolidated School Building Locations

1. Administration/Facilities Buildings
2. C.A. Prosser School of Technology
3. Education Support Center
4. New Albany High School
5. Floyd Central Junior/Senior High School
6. Hazelwood Middle School
7. Scribner Middle School
8. Fairmont Elementary School
9. Floyds Knobs Elementary School
10. Georgetown Elementary
11. Grant Line Elementary School
12. Green Valley Elementary School
13. Greenville Elementary
14. Children's Academy of New Albany
15. Mt. Tabor Elementary
16. S. Ellen Jones Elementary
17. Slate Run Elementary
18. Highland Hills Middle School
19. Transportation Center

NA-FC CONSOLIDATED SCHOOL CORPORATION

NEW ALBANY-FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION
The School District Budgetary Process
2017 Annual Budget

Administrative Overview

The New Albany-Floyd County Consolidated School Corporation is governed by a seven member elected Board of Education serving staggered terms of four years each. The Board of Education is non-partisan office. The Board of Education levies its own taxes, adopts its own resolutions having the effect of local law governing educational matters, and issues its own general obligation bonds subject to approval of the Department of Local Government Finance (DLGF). The DLGF is also the final authority over the New Albany-Floyd County Consolidated School Corporation's budget. The Board of Education has the power to control management and operations without significant influence from the city and county officials. Management believes that the preceding facts support presenting this report on an independent basis and not as a component unit of another governmental unit. Management also considers all other units of government within Floyd County to be separate from New Albany-Floyd County Consolidated School Corporation, and their annual budgets are not treated as component units within this report.

The Budgetary Process

Overview

The budget is initially prepared and approved at the local level, with subsequent final approval by the DLGF. Budget modifications are made in accordance with the laws of the State of Indiana.

Budgets for the budgetary funds of the school district are prepared in detail by functional classification. The disbursements have been converted to object classification for external reporting.

Formal budgets are required by state statute and have been adopted for the seven (6) Governmental Funds: General Fund, Debt Service Fund, Capital Projects Fund, Transportation Fund, School Bus Replacement Fund, and Rainy Day Fund.

Controls

The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the New Albany-Floyd County Consolidated School Corporation's Board of School Trustees.

Activities of the General, Debt Service, Capital Projects, Transportation, School Bus Replacement, and Rainy Day Fund are included in the annual appropriated budget. The level of budgetary control is established by fund and major category of expense. The seven major categories of expenses are salaries, employee benefits, purchased services, supplies and materials, capital outlay, other charges, and transfers. The New Albany-Floyd County Consolidated School Corporation also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts do not lapse at year end. These carryover encumbrances are closely monitored to insure that expenditures do not exceed the original encumbrance, and in turn the carryover budget.

Process

For many school districts, budgeting is a year-round process, including the New Albany-Floyd County Consolidated School Corporation. Goals and objectives are set several months in advance of the budget year. These goals are then communicated to staff members in anticipation of budget development.

For Indiana, the budgeting goals are translated into monetary terms during the months of July and August. Inventory, equipment and supply needs for the following year are determined for each building. The Chief Business Officer first reviews budget requests. Once reviewed, the requests are put into budgetary schedules and shared with the Superintendent. Work sessions are then held with the Superintendent and administration as well as input from Board members to fine tune the budget requests.

Public hearings are held in September to communicate the details of the budget to the New Albany-Floyd County Consolidated School Corporation community. From these hearings the final touches are put on the budget to be sent to the Floyd County Auditor.

The County Auditor publishes tax rates based on current information. Late in the year, the DLGF conducts a final review at a hearing held to set the tax rates, levies and the certified assessed valuation for the subsequent year. Official Budget Orders are sent to all taxing units by February 15 of the budget year per Indiana Code.

Capital Projects Budgeting Process

A three (3) year Capital Projects Fund Plan must be developed. This plan must be advertised, and a public hearing must be held on the plan. Finally, the Board of School Trustees must adopt the plan by resolution. Only the first year of the plan is actually approved by Budget Order while the second and third years are subject to modification as the district's needs change.

Input is solicited for the Capital Projects Fund Plan from building principals and directors prior to budget development. The Deputy Superintendent then formulates a rough draft that is refined by work sessions with the Superintendent and School Board. After further review by the Board of School Trustees in a public work session, the plan is incorporated into the appropriate budget forms and then follows the same hearing and review process as the other governmental funds. Care is taken not to impact future operating budgets negatively, and every opportunity is seized to lower operating costs with improved materials and equipment during projects.

Management

The annual budget is an important part of overall school district planning. The school district's budget is divided into separate funds for the purpose of control and separation of various expenditure areas. Each of the different funds constitute a complete accounting entity.

The General Fund, which is the largest of all the funds, is established for controlling most of the operating expenses of the school district. Included in the General Fund are appropriations for salaries and fringe benefits, instructional supplies, maintenance supplies, equipment, utilities, insurance, summer programs, professional development, and community service programs. Building principals are responsible for administering their instructional supply and professional development allocations.

The Debt Service Fund is used to pay debt obligations of the school district. The school district currently has debt payments for capital improvements made at New Albany High School, Floyd Central High School, Scribner Middle School, Hazelwood Middle School, and Highland Hills Middle School.

The Capital Projects Fund is used to pay for any capital outlay expenditures. It is also used for technology, instructional equipment, planned construction, repair, replacement, or remodeling of school facilities as well as emergency situations. Building principals are responsible for administering their instructional equipment allocations.

The Transportation Fund includes salaries and fringe benefits, gasoline and oil for buses, insurance on school buses, cost of repair, parts, and equipment.

The Bus Replacement Fund includes replacement costs of school buses as well as costs for additional buses when necessary.

Much discussion concerning the school district's budget centers around the appropriations made and the spending pattern that evolves from these appropriations. **It must be noted that no spending can take place until the sources of funding for the appropriations have been identified and certified by the DGLF. Deficit spending is not allowed in governmental units in the State of Indiana.** Appropriation spending is, therefore, controlled by the income and cash available. The sources of funding have been identified for each of the funds used by the school district and the appropriations in the funds have been made only after careful consideration has been given to the level of funding for each fund. Comptroller activities are performed by the Chief Business Officer who monitors expenditure reports by cost center and advises building principals and other administrators when appropriate.

Current Issues in Budgeting

Funding Formula

The General Assembly stipulates the maximum amount of revenue a local school corporation is allowed to obtain for General Fund purposes. Prior to 2009 Property tax levies for the General Fund were frozen in 1973 by the General Assembly. The tax freeze was implemented to shift the funding for the General Fund from local to state sources. Prior to 1973, local property taxes accounted for approximately sixty-five percent of the funding for the General Fund. The remaining thirty-five percent came from state and miscellaneous sources. The percentages of funding for the General Fund had been reversed with the state providing the majority of revenues for this fund. Since the late 1970's, the property tax freeze has been eroded to the point where the property tax rate and tax levy for the General Fund were adjusted each year by the General Assembly. Further, the legislature determined the amount of state aid that was distributed to the General Fund for each school corporation. Effective January 1, 2003 the General Assembly instituted a 60% property tax replacement credit (PTRC) toward Indiana public school's general funds. The PTRC while it didn't affect the school's general fund tax rate it did effectively lower the school's general fund tax bill by 60% to residential properties. Effective January 1, 2005 the General Assembly modified the school funding formula again to more reflect dollars following students. It therefore eliminated a school corporation 1% revenue guarantee provision and replaced it with a 99% of revenue provision. This effectively made student enrollment the number one determining factor of revenue within the funding formula. Effective with the 2009 budget the property tax levy is no longer a component of the General Fund formula. The State of Indiana raised sales tax $0.01 to generated additional State dollars thus reducing the need for property tax dollars to the General Fund. Unfortunately, the first year of implementation resulted in a revenue shortfall. This formula continues to this day.

Property Tax Valuation

Historically all real property in Indiana was assessed at one-third true cash value, under new assessment procedures, real property is assessed at True Tax Value. One hundred percent True Tax Value is used for calculation of the tuition support. Further, action by the 2003 Indiana General Assembly requires the DLGF to adopt rules establishing a system for annually adjusting the assessed value of real property. This annual adjusting commonly called "trending" was implemented in 2007. This change has caused a shifting of assessment valuation from commercial property to residential property thus putting more tax burden on homeowners. In response to this unintentional additional tax burden a supplemental homestead deduction was implemented in 2009 thus giving taxpayers an additional tax credit. In addition, the General Fund levy and Special Education Preschool fund levy were eliminated. However, whereas the elimination of the general fund and special education preschool fund levies will in theory reduce the overall school tax rate the supplemental homestead credit will have the opposite effect thus forcing School Corporation to raise rates on other funds.

Transportation Fund

From 1996 to 2000, the Transportation Fund consisted of two (2) accounts or "sub-funds," viz. the Transportation Operating Fund and the Transportation Bus Replacement Fund. Simply stated, the purchase of school buses was separated from all other transportation expenditures. For budgeting and accounting purposes, however, all data was collapsed under the single umbrella of "Transportation Fund." And a levy was established for that fund only.

In 2000, the Indiana General Assembly divided these accounts into two (2) independent funds each with its own individual levy, budgets, and account numbers. The former Transportation Operating Fund became known as the Transportation Fund on July 1, 2000, and the former Transportation Bus Replacement Fund became known as the Bus Replacement Fund on that same date.

The Transportation Fund has a levy cap. Prior to January 1, 2003 the levy was restricted to a maximum 5% increase. Effective January 1, 2003 a new formula for calculating the levy cap is based upon a 6-year average growth quotient of Indiana Non Farm Personal Income as computed by the Bureau of Economic Analysis. This change effectively lowered the maximum increase in 2017 to 3.8%.

Bus Replacement Fund

The reader is referred to the section above, "Transportation Fund," for a discussion of the establishment of the Bus Replacement Fund. This fund is used solely for the purchase of school buses.

Indiana school districts were required to develop a ten (10) year school bus replacement plan; however, effective for 2009 budget and after a twelve (12) year bus replacement plan is required. In 2012 a levy cap was implemented by the legislature limiting the amount of local funds that can be raised. This plan must be advertised, and a public hearing must be held regarding the plan. Finally, the plan must be adopted by resolution by the Board of School Trustees.

New Albany-Floyd County Consolidated School Corporation has developed a plan that accumulates funds over time. This plan allows the district to replace buses at the end of their useful life through a competitive bidding process for cash rather than incur costly interest and financing expenses.

New Hires after July 1, 1995

Certified employees hired after July 1, 1995, cost employing districts more than employees hired before that date for pension contributions. The employer's share of contribution to the Teachers' Retirement Fund (TRF) is no longer paid by the State of Indiana for any certified employee hired after July 1, 1995. The State does continue to pay the employer's share for all certified employees hired prior to the July 1, 1995 date. Although the funding formula once provided a calculation for TRF dollars for new hires, that line item was deleted from the funding formula in 1998. New Albany-Floyd County Consolidated School Corporation must, therefore, absorb this increase and find other appropriations to cover the expense. Approximately 79% of the New Albany-Floyd County Consolidated School Corporation's certified staff falls into the category of new hires after July 1, 1995. Eventually, all certified employees will fall into the category of new hires after July 1, 1995, and the school district will be fully responsible for the employer's share of contribution to TRF for certified employees. For those employees hired after July 1, 1995 the school corporation's retirement contribution is an additional 7.5% of wages paid. This percentage may be adjusted annually in the future.

Laws Affecting Budgets of School Districts

The specific requirements for the calculation of revenue and expenditures, presentation and process of budgeting are derived from Title 6, 20, and 21 of the Indiana Code. These titles deal in general with all State and Local government agencies as well as specifically with school districts. This discussion is not meant to be all encompassing but to merely highlight some of the legal issues in budgeting of school district revenue and expenditures in Indiana.

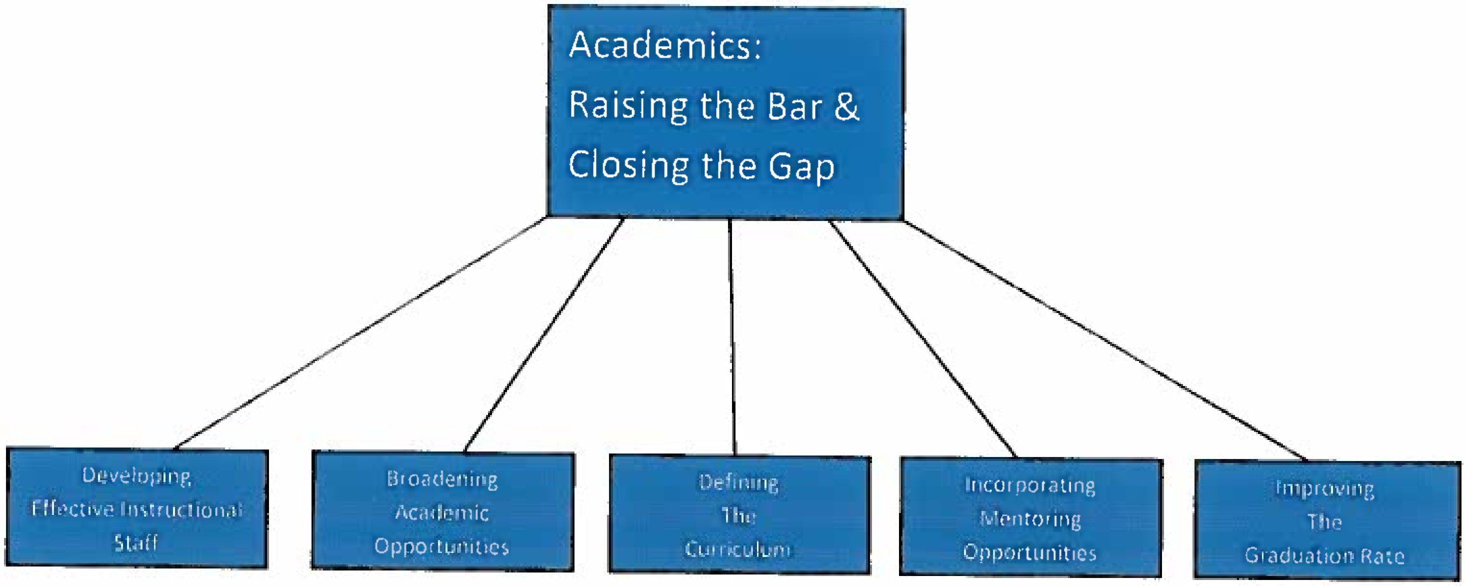
Title 6 gives the school districts specific guidelines in dealing with taxation of property, State gross retail and use taxes, State tax liability credits for teachers, and issues dealing with local taxation such as exemptions from employment tax, and exemption from taxation from the proceeds and interest on Municipal Bonds. Article 1 deals directly with the procedures for fixing and reviewing budgets, tax rates and tax levies. It is important to note that not only school districts are affected by this article but many State agencies like the Department of Local Government Finance (DLGF) are impacted as well. The DLGF is required to present school districts with certain, pertinent information which is crucial to budget development.

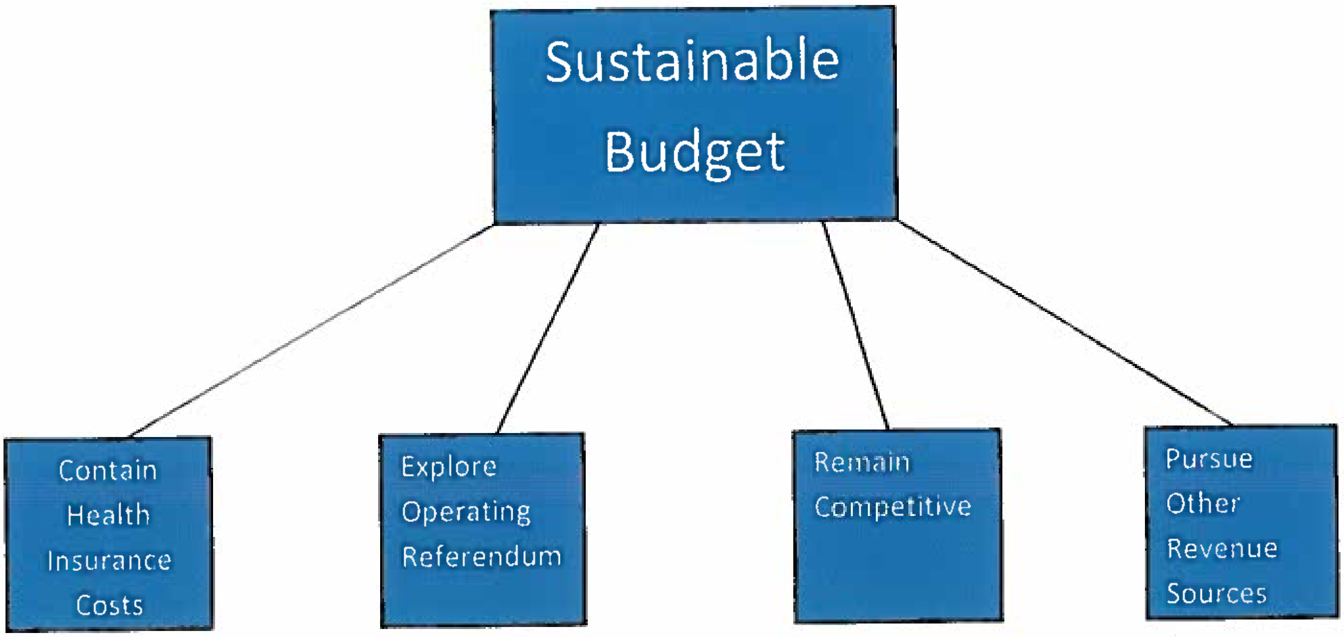
Title 20 of the Indiana Code provides the Board of School Trustees the ability to levy taxes, to make budgets, to appropriate funds, and to distribute the money of the school district. The title also allows school districts to borrow money. These powers are part of the General School Powers Act that establishes school districts and defines their operating boundaries.

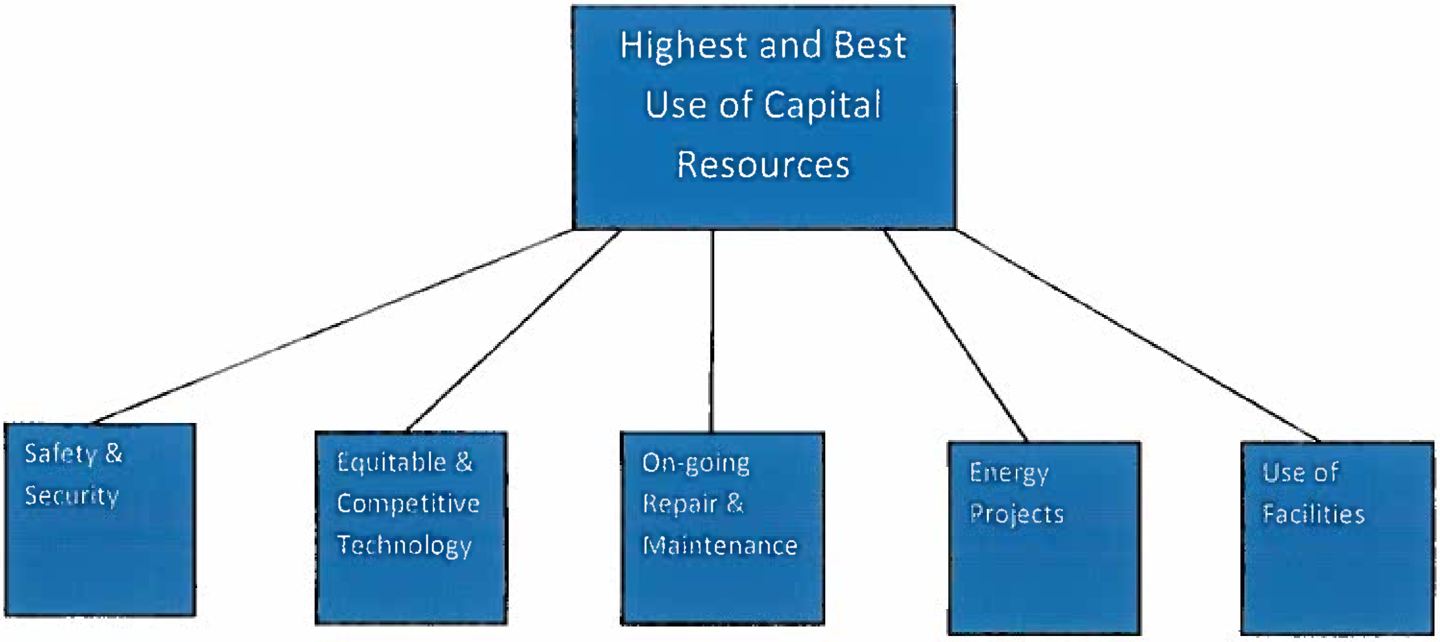
Title 21 confirms the authority of school corporations to use a variety of methods to reduce the costs of acquisition of products and services to maximize the allocation and use of taxpayer provided resources for instruction and learning.

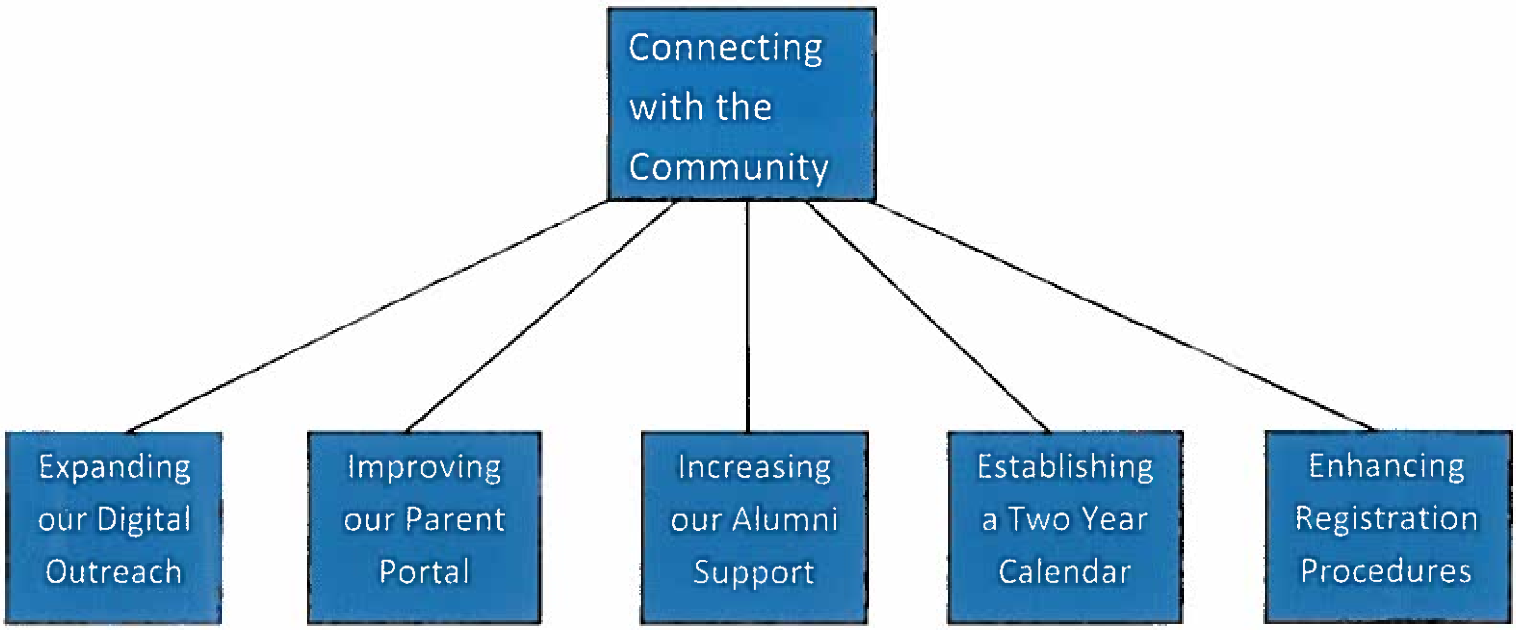
STRATEGIC PLANNING

I. ACADEMICS: RAISING THE BAR & CLOSING THE GAP
II. SUSTAINABLE BUDGET
III. HIGHEST AND BEST USE OF CAPITAL RESOURCES
IV. CONNECTING WITH THE COMMUNITY


Academics:
Raising the Bar &
Closing the Gap
Developing
Effective Instructional
Staff
Broadening
Academic
Opportunities
Defining
The
Curriculum
Incorporating
Mentoring
Opportunities
Improving
The
Graduation Rate


Sustainable Budget
Contain Health Insurance Costs
Explore Operating Referendum
Remain Competitive
Pursue Other Revenue Sources


Highest and Best Use of Capital Resources
Safety & Security
Equitable & Competitive Technology
On-going Repair & Maintenance
Energy Projects
Use of Facilities


Connecting with the Community
Expanding our Digital Outreach
Improving our Parent Portal
Increasing our Alumni Support
Establishing a Two Year Calendar
Enhancing Registration Procedures