



SWALLOW SCHOOL DISTRICT
INSPIRING EXCELLENCE SINCE 1844

Swallow School District

2017-2018 Final Budget

Budget Development

The budget development process is an ongoing activity beginning years in advance. The Swallow School District creates five-year forecasts under multiple scenarios based on history, known data, and estimates of future revenues and expenditures. These forecasts are continually updated as new information becomes available, plans change, or with state and federal legislative changes.

In the winter and spring prior to a budget (fiscal) year, the Board of Education gives input on budget parameters and goals. The Board is presented with a preliminary budget in June, then approves an interim budget in July. The Board approved interim budget is then presented to district residents at the Budget Hearing and Annual Meeting in August for their approval.

As discussed in greater detail in the sections following, there are many budget factors, such as student enrollment counts and state General Aid amounts, that are not finalized until September and October. Given these factors, the budget is not final until the Board adopts a final budget and tax levy at the end of October.

Budget Factors

There are many factors that are taken into consideration when creating a budget. Some of the main factors are highlighted below.

Enrollment: This is the biggest factor in school finance and budgeting in Wisconsin. There are two main forms of enrollment: resident students and open enrolled students. Resident student counts are used to determine the Revenue Limit and General Aid revenue. Open Enrollment counts are used to determine the Open Enrollment revenue transfer amounts. Enrollment counts are also a factor on many expenditures.

Resident student enrollment has been declining at Swallow School District. This leads to reduced revenue, but not always reduced expenditures. Declining enrollment is not unique to this district, as a majority of districts across the state are experiencing enrollment declines.

Student Needs: As student needs change, programs, staffing, and curriculum need to change with them. Some examples include:

- Increased technology needs lead to added expense for infrastructure upgrades.
- Modern teaching methods require modern spaces and furnishings, and staff sometimes need professional development on emerging legal requirements or standards.
- The needs of special education students can vary significantly from year to year, leading to staffing changes.

- In 2017-18 the Swallow School District is hosting 4K onsite for the first time. This has led to staffing, equipment, and facility needs that impact the budget.

Facility Needs: As buildings age, they often require additional maintenance. Eventually some systems, like HVAC or plumbing, reach the end of their life and need replacement. Large ticket items, such as a roof replacement, are too costly to cover out of the regular operating budget so districts need to accumulate savings over many years, or hold a referendum, in order to pay for them.

Some sections of the Swallow School building are aging and will be requiring substantial maintenance or replacement. Many of the building's mechanical systems are located in a section built in the 1950's, and the oldest section of the building was built in the 1890's. These areas, along with portions of the roof, will need significant and costly updates in the near future.

Legislative Action: New laws at both the federal and state level often change school funding or add new requirements.

The state of Wisconsin operates on two-year budget cycles. With each cycle, school funding and other regulations can see wide ranging changes that are often difficult to predict. Since the Wisconsin legislature did not finalize the 2017-2019 state budget until late September, school districts were three months into a fiscal year without knowing where their revenue limits would be set or what the state's portion of financial support would be. This left many districts scrambling to finalize their own budgets and tax levies in the legally required timelines. It is difficult to plan for the future under these circumstances. The state budget often includes public school policy items as well, which can have significant impacts on school district budgets.

Revenue Formulas

There are two formulas created by the state that determine the vast majority of a public school district's funding: the revenue limit formula and the Equalization Aid formula.

The revenue limit formula determines the maximum amount of money the district is allowed to receive through Equalization Aid (also known as General Aid) and local property taxes. Factors within this formula include enrollment, a district's base revenue per pupil amount as set by the state, and any exemptions the district may qualify for.

The Equalization Aid formula determines how much Equalization aid a district will receive from the state. Factors within this formula include the total amount of aid the state is providing, the district's prior year expenditures, the district's enrollment, and the district's property values.

The difference between the results of these two formulas becomes the amount a district can levy for local property taxes. Therefore, as Equalization Aid decreases, local property taxes must increase to make up the difference. The reverse is also true.

$$\text{Total Revenue Limit} - \text{State Equalization Aid} = \text{Local Property Taxes}$$

Enrollment

There are multiple different types of enrollment counts, some of which are tied to sources of funding. Some of these counts are discussed below, along with how they relate to the Swallow School District.

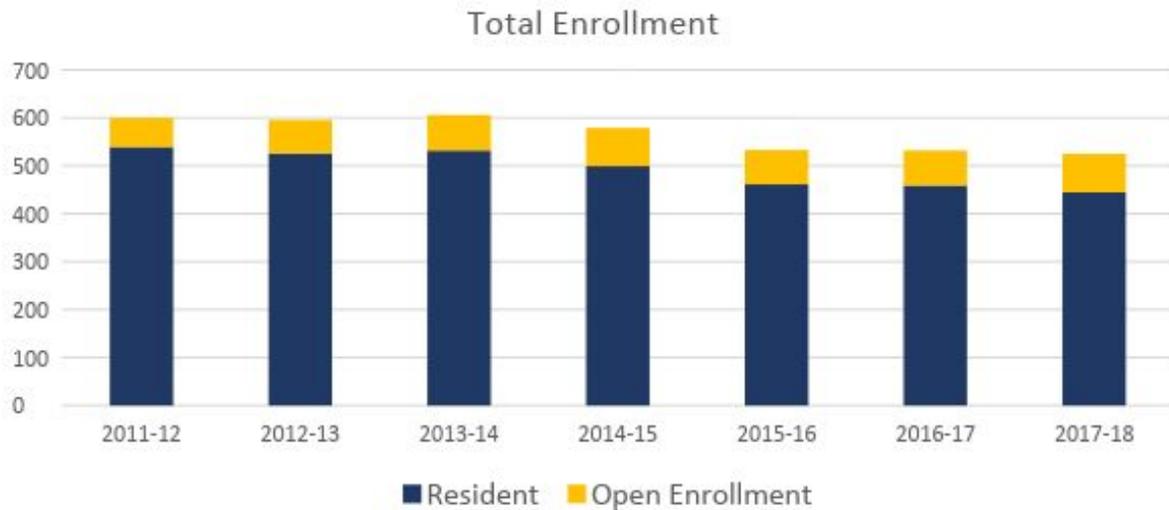


Figure 1

Total enrollment is a simple headcount of the number of students attending school as of the third Friday in September. While total enrollment has remained relatively stable from 2015-16 to 2017-18, resident enrollment has declined. This was a continuation of the trend that began in 2014-15. Had the district not implemented 4K in 2016-17, both total and resident enrollment would have seen a significant drop. A decrease in resident enrollment of 15 students was seen in 2017-18.



Figure 2

Revenue Limit Membership is a full-time equivalency (FTE) count of district resident students as of the current year’s third Friday in September. The revenue limit formula uses a three-year rolling average of membership counts as a factor towards determining the district’s total revenue limit. This count is the single most important factor in Swallow’s financial picture.

Generally, decreasing membership leads to a lower revenue limit. However, since the Swallow School District has seen continual declines without a year of increase, the district currently falls under two exemptions in the revenue limit formula: a Declining Enrollment Exemption and a Hold Harmless Exemption. These exemptions exist to stabilize a district’s revenue limit through declining enrollment in order to ease the transition to decreased funding. When membership counts eventually stabilize, these exemptions will stop and Swallow’s revenue limit will drop dramatically before stabilizing in the years after.

Equalization Aid Membership is another FTE count of resident students that is used in the Equalization Aid formula. It is calculated in a similar way to Revenue Limit Membership, except the formula uses counts from the prior year’s third Friday in September and second Friday in January.

Revenue Limit

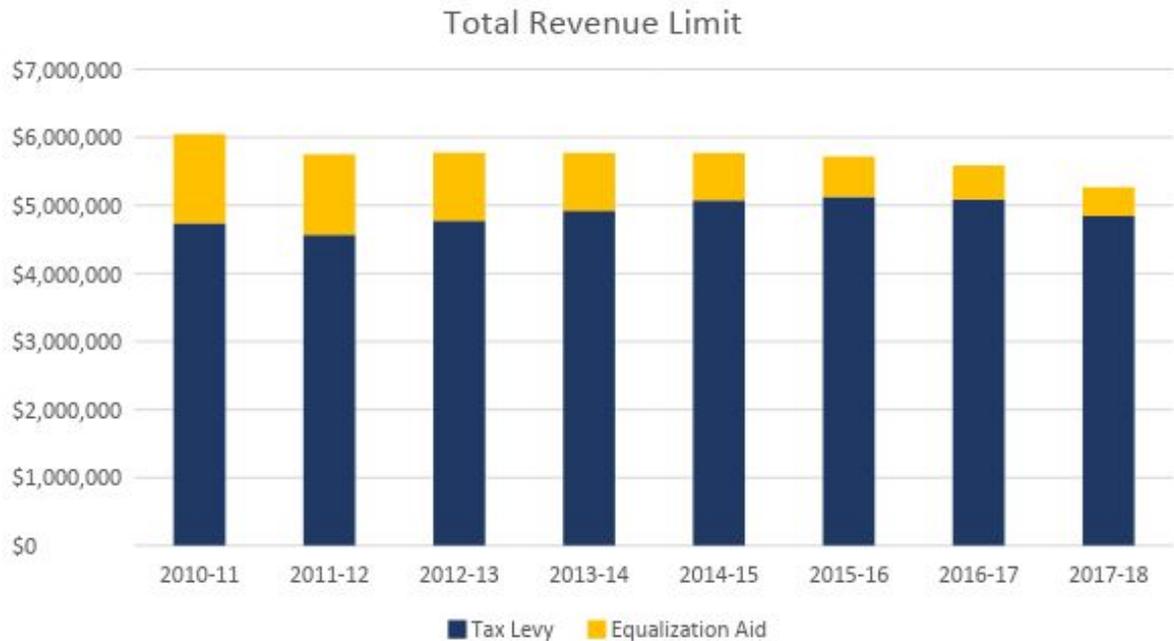


Figure 3

The Swallow School District's total revenue limit had remained relatively stable until 2016-17 when it dropped over \$131,000. It dropped another \$235,544 for 2017-18. These drops are due to declining enrollment over the last few years and the revenue limit exemptions beginning to decline. Figure 3 gives a visual representation of the relationship between Equalization Aid and the tax levy. As previously discussed, when Equalization Aid is reduced the tax levy must increase to cover the difference. If the district were to receive additional aid the tax levy would drop.

Equalization Aid

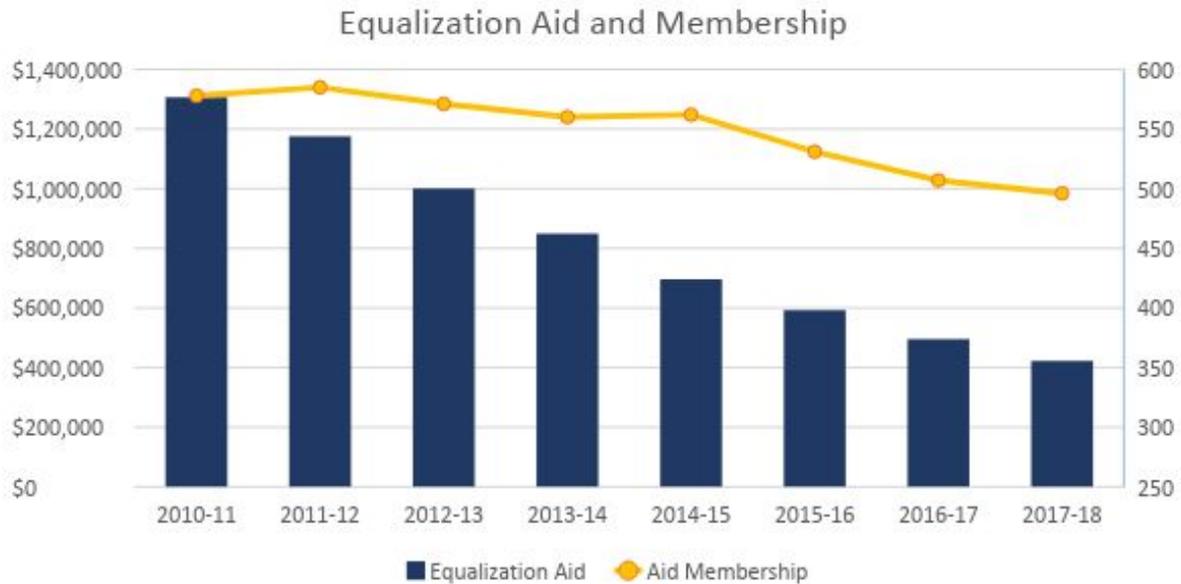


Figure 4

As shown in Figure 4 above, the Swallow School District has been receiving less Equalization Aid each year for many years. The \$1.3 million received in the 2010-11 school year was the highest amount the district had ever received. The \$421,391 for 2017-18 represents a 68% decrease in aid since 2010-11. Aid membership counts, one of the factors in this formula, have only decreased 14% in this same time frame. Two other factors in this formula are the amount the state legislature has committed to Equalization Aid and property values within the district. As the property value per pupil increases, the amount of aid received decreases unless the state commits additional funding to make up the difference. This has not been happening in recent years. The Equalization Aid formula only allows a district to lose up to 15% of its aid per year, which has been the case for Swallow in the past few years. It is anticipated that these reductions will continue into the future unless the state legislature allocates significantly more funding to the Aid pool.

Tax Levy



Figure 5

The tax levy under the revenue limit had been increasing slightly each year from 2011-12 through 2015-16, mostly due to the decreases in Equalization Aid, before decreasing by \$35,869 in 2016-17. The 2017-18 levy decreased another \$160,779 (3.16%). The recent decreases are due to the drops in the district's overall revenue limit authority. These amounts and the amounts displayed in Figure 5 do not include the referendum approved debt levy as that portion of the levy falls outside of the revenue limit formula.



Figure 6

Equalized value is an estimate of the total property value within the district boundaries. This estimate is created by the Wisconsin Department of Revenue and is certified each October for use in the Equalization Aid formula and to calculate the tax rate, also known as the mill rate.

Figure 6 shows a 10-year history of the Swallow School District's equalized value. 2008-09 was the highest valuation in the district's history. When the housing market collapsed, total property values dropped over 13% before bottoming out in 2013-14. Since then the district has seen steady increases in value but is still 2.9% short of peak value. For 2017-18, the increase was 4.01%.



Figure 7

The mill rate represents the amount of property tax a resident would pay per \$1,000 of equalized property value. Due to the drops in revenue limit and tax levy, along with the increase in property values, the mill rate dropped 6.6% in 2017-18 to \$6.71. If a resident owned property with an equalized value of \$400,000 they could expect the Swallow School District's portion of their tax bill to be roughly \$2,684 ($\$400,000/1000 \times 6.71$). It is important to note that although the tax levy is divided amongst the municipalities using equalized value, the municipalities use their own assessed values to distribute tax bills to property owners. This can lead to variances from the above calculation depending on how close the municipality's assessed values are to the equalized value provided by the Department of Revenue. A \$400,000 assessed value may not be equal to a \$400,000 equalized value.

2017-18 Revenue

Budgeted General Fund Revenue

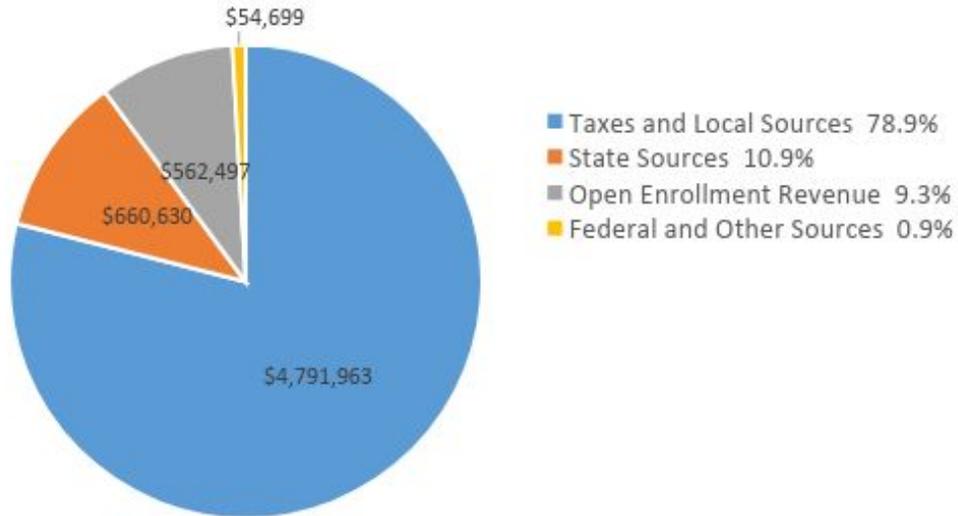


Figure 8

As previously discussed, the Swallow School District is highly dependent on the local property tax levy for funding due to the low amount of revenue coming from the state. Figure 8 shows the breakdown of General Fund revenue sources for the Swallow School District. In the 2015-16 school year, the state averages for funding sources were 45.5% from state sources (including open enrollment revenue), 47.4% from taxes and local sources, and 7.1% from federal sources. Many federal aids are awarded based on poverty levels within school districts. Since the poverty levels within the Swallow School District are extremely low, there is very little federal aid available.

2017-18 Expenditures

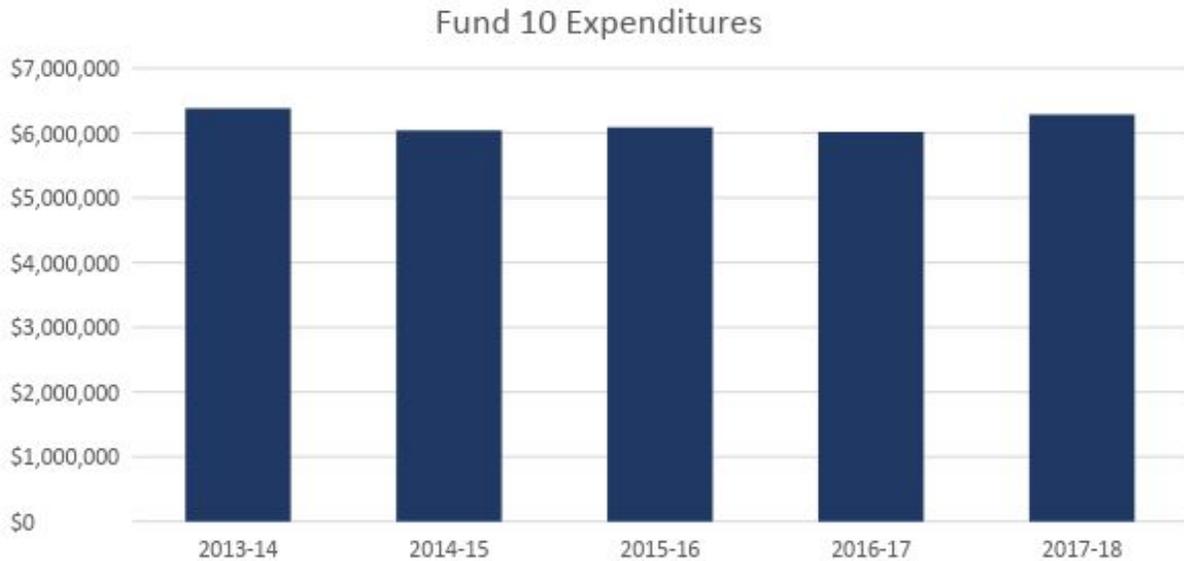


Figure 9 - 2017-18 expenditures are budgeted, all others are actual

Total expenditures in the general fund have been stable in recent years, which corresponds to the stability of total revenues. In Figure 9, all years except 2017-18 represent actual final expenditures, while 2017-18 represents budgeted expenditures. The slight rise in expenditures for 2017-18 is due to expected increases in the facilities and maintenance budget and planned capital improvements. As always, the district will be working to realize as much cost savings as possible in order to come in under budget.

Budgeted General Fund Expenditures by Function

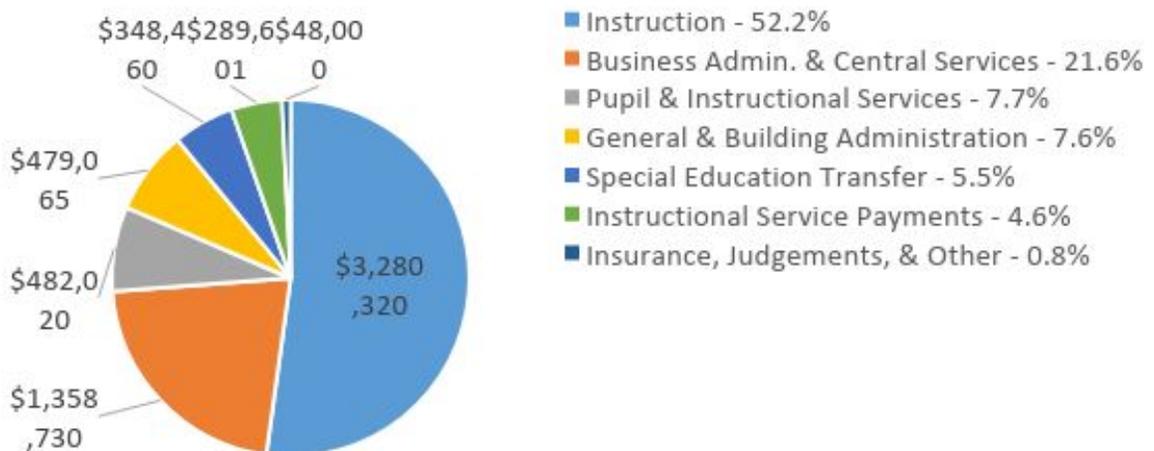


Figure 10

Function is a term used in the Wisconsin Uniform Financial Accounting Requirements to define the purpose of expenditures. Expenditures are required to be organized by function in the budget publications required by statute. Figure 10 shows a breakdown of the 2017-18 general fund budget by function. Below is a listing of some of the expenditures that fall within each function.

- Instruction:** teaching staff, instructional supplies, textbooks, workbooks, aide staff
- Pupil Services:** curriculum coordination, library, health services, Psychologist, testing materials, student services
- General Administration:** Board of Education, Superintendent, assistant, materials, dues, fees, legal, audit
- School Building Administration:** Principal, secretaries, student services
- Business Administration:** business office, facilities and maintenance, transportation, heat, electricity
- Central Services:** technology, copiers, telephone, internet, postage
- Insurance:** liability, property, unemployment, workers' compensation
- Other:** retiree benefits
- Special Education Transfer:** transfer to cover shortfall in special education fund 27
- Instructional Service Payments:** Summer School, open enrollment out payments

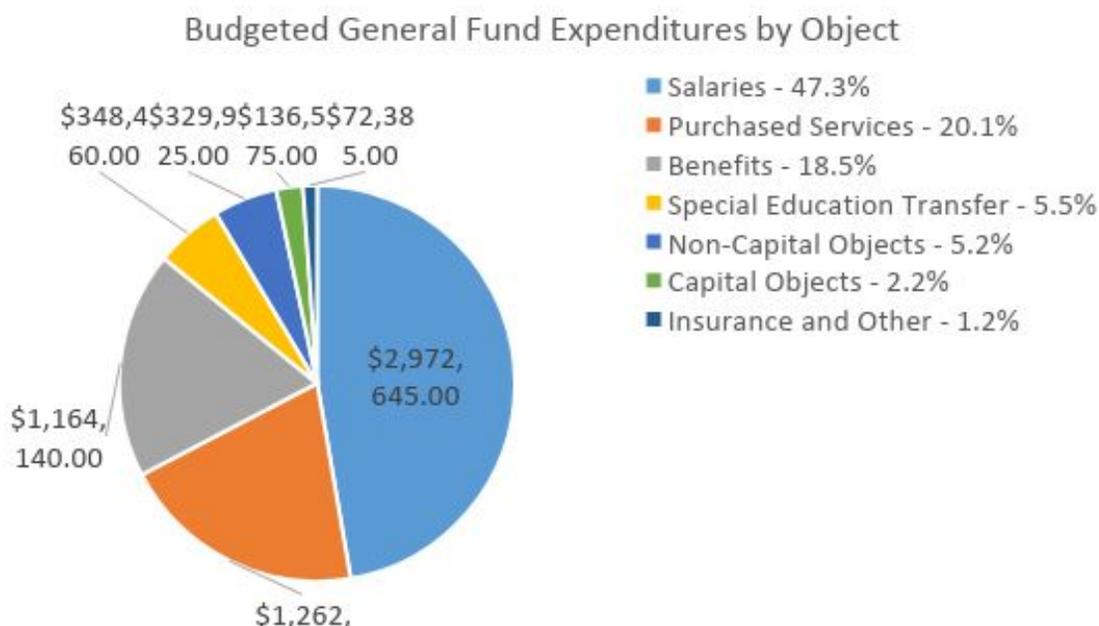


Figure 11

Object is another term used in the Wisconsin Uniform Financial Accounting Requirements to define what the expenditure is. Figure 11 shows a breakdown of the 2017-18 general fund budget by object. Below is a list of some of the expenditures that fall within each object area.

- Salaries:** Salaried staff, hourly staff, stipends

Purchased Services: Professional development, consultants, maintenance contracts, student transportation

Benefits: Health and dental insurance, tuition reimbursement, retirement

Special Education Transfer: transfer to cover shortfall in special education fund 27

Non-Capital Objects: Supplies, furniture, books, software

Capital Objects: Equipment over \$5,000

Insurance and Other: Property, liability, and worker's comp insurance

2017-18 Budget Publication

Below is the 2017-18 budget, in comparison to the 2015-16 and 2016-17 actual revenue and expenditures, in the format required for publication by the Wisconsin Department of Public Instruction.

GENERAL FUND	Audited 2015-16	Unaudited 2016-17	Budget 2017-18
Beginning Fund Balance	3,978,652.99	4,358,238.69	4,706,833.61
Ending Fund Balance	4,358,238.69	4,706,833.61	4,468,853.61
REVENUES & OTHER FINANCING SOURCES			
Transfers-In (Source 100)	2,253.86	0.00	0.00
Local Sources (Source 200)	5,250,657.43	5,148,144.07	4,928,699.00
Inter-district Payments (Source 300 + 400)	448,685.00	488,296.00	425,124.00
Intermediate Sources (Source 500)	0.00	805.00	0.00
State Sources (Source 600)	688,830.17	660,199.46	564,046.00
Federal Sources (Source 700)	61,102.37	61,026.57	4,800.00
All Other Sources (Source 800 + 900)	24,736.47	6,283.96	6,300.00
TOTAL REVENUES & OTHER FINANCING SOURCES	6,476,265.30	6,364,755.06	5,928,969.00
EXPENDITURES & OTHER FINANCING USES			
Instruction (Function 100 000)	3,333,691.66	3,205,639.37	3,187,610.00
Support Services (Function 200 000)	2,167,609.60	2,270,957.39	2,376,536.00
Non-Program Transactions (Function 400 000)	595,378.34	539,563.38	602,803.00
TOTAL EXPENDITURES & OTHER FINANCING USES	6,096,679.60	6,016,160.14	6,166,949.00

SPECIAL PROJECTS FUND	Audited 2015-16	Unaudited 2016-17	Budget 2017-18
Beginning Fund Balance	18,301.04	14,752.30	102,742.50
Ending Fund Balance	14,752.30	102,742.50	29,242.50
REVENUES & OTHER FINANCING SOURCES			
	557,359.43	632,959.14	528,863.00
EXPENDITURES & OTHER FINANCING USES			
	560,908.17	544,968.94	602,363.00

DEBT SERVICE FUND	Audited 2015-16	Unaudited 2016-17	Budget 2017-18
Beginning Fund Balance	105,628.49	105,630.41	20,033.97
Ending Fund Balance	105,630.41	20,033.97	20,173.97
REVENUES & OTHER FINANCING SOURCES	437,364.92	626,660.74	625,140.00
EXPENDITURES & OTHER FINANCING USES	437,363.00	712,257.18	625,000.00

CAPITAL PROJECTS FUND	Audited 2015-16	Unaudited 2016-17	Budget 2017-18
Beginning Fund Balance	333,496.93	334,406.71	396,372.40
Ending Fund Balance	334,406.71	396,372.40	396,872.40
REVENUES & OTHER FINANCING SOURCES	909.78	61,965.69	500.00
EXPENDITURES & OTHER FINANCING USES	0.00	0.00	0.00

FOOD SERVICE FUND	Audited 2015-16	Unaudited 2016-17	Budget 2017-18
Beginning Fund Balance	45,437.11	72,936.46	68,108.85
Ending Fund Balance	72,936.46	68,108.85	53,778.85
REVENUES & OTHER FINANCING SOURCES	161,751.84	160,236.19	155,000.00
EXPENDITURES & OTHER FINANCING USES	134,252.49	165,063.80	169,330.00

Total Expenditures and Other Financing Uses

ALL FUNDS	Audited 2015-16	Unaudited 2016-17	Budget 2017-18
GROSS TOTAL EXPENDITURES – ALL FUNDS	7,229,203.26	7,438,450.06	7,563,642.00
Interfund Transfers (Source 100) - ALL FUNDS	341,217.36	295,456.98	322,301.00
Refinancing Expenditures (FUND 30)	0.00	0.00	0.00
NET TOTAL EXPENDITURES -- ALL FUNDS	6,887,985.90	7,142,993.08	7,241,341.00
PERCENTAGE INCREASE – NET TOTAL FUND EXPENDITURES FROM PRIOR YEAR		3.70%	1.38%

Proposed Property Tax Levy

FUND	Audited 2015-16	Unaudited 2016-17	Budget 2017-18
General Fund	5,127,311.00	5,031,442.00	4,825,699.00
Referendum Debt Service Fund	437,000.00	626,000.00	625,000.00
Non-Referendum Debt Service Fund	0.00	0.00	0.00
Capital Expansion Fund	0.00	60,000.00	0.00
Community Service Fund	0.00	0.00	0.00
TOTAL SCHOOL LEVY	5,564,311.00	5,717,442.00	5,450,699.00
PERCENTAGE INCREASE -- TOTAL LEVY FROM PRIOR YEAR		2.75%	-4.67%