

New Deal Independent School District

401 South Auburn Avenue
Post Office Box 280
New Deal, Texas 79350-0280

Steven L. Jerden, CPA
Chief Financial Officer

August 10, 2007

The Honorable Board of Trustees
New Deal Independent School District
P O Box 280
401 South Auburn Avenue
New Deal TX 79350-0280

Members of the Board of Trustees:

The proposed budget for the fiscal year ending August 31, 2008 for the New Deal Independent School District is attached. The proposed budget is composed of five sections: executive summary, fact sheet, conflict of interest, proposed revenues, and proposed expenditures. The District's Chief Financial Officer assumes full responsibility for data accuracy and completeness. This budget presents the District's finance and operations plan, and all necessary disclosures. Administration is confident that the proposed budget will continue to provide funding in a dynamic and progressive manner to allow the District's schools to maintain their high level of performance as in previous years.

BUDGET PRESENTATION

The development, review and consideration of the proposed General Fund and Special Revenue Fund Budgets were completed with a detailed review of every revenue and expenditure item within the context of the District's mission and goals and the budget and operating policies. Information on each of the fund budgets is provided in this budget document.

The Finance Department is proud to publish and disseminate budget information to the Board of Trustees and to our community.

The proposed budget, the year-end Comprehensive Annual Financial Report, and the Financial Integrity Rating System of Texas are the primary vehicles to present the financial plan and the results of operations of the District. Additionally, the Texas Education Agency (TEA) maintains student, staff and financial results pertaining to New Deal and the other 1,038 School Districts

within the State of Texas in the Public Education Information Management System database for inquiry.

CURRICULUM AND INSTRUCTION GOALS

Based on the mission and design principles of the District, the Board of Trustees adopts curriculum and instruction goals to promote efforts to improve the quality of learning and teaching in the schools. The human and financial resources are subsequently allocated in the budget to achieve the mission and goals of the District. Therefore, the budget reflects the allocation of revenue and expenditures to support educational programs and services defined by the District’s mission and goals articulated through financial and operating policies. It is a delicate balance of policy choices. Additionally, it also represents a delicate balance between the educational needs of students and the ability of the community to provide the necessary financial support.

BUDGET PROCESS AND SIGNIFICANT CHANGES

The budget process is comprised of five phases that include planning, preparation, adoption, implementation and evaluation. The preparation of the budget commenced in March, with the development of the forecast of student enrollments for the 2007-08 school year. The forecast of student enrollments provides the assumption on which allocations for building the budgets are formulated and staff resources are determined. Based on student enrollment of approximately 731 students, the development of employee salaries and benefits has been projected at approximately 64% of the total proposed budget.

Budgets and staffing allocations are based on Board of Trustee policy that has not been changed from prior years. Additionally, the Board of Trustees has not instituted changes in the delivery of the educational programs and services that have materially affected the financial or operating policies of the District.

The following schedule presents comparisons of proposed expenditures for the General Fund and Special Revenue Funds with the original budgets for the current year:

<u>Fund</u>	<u>Budget</u>		<u>% Change</u>
	<u>Initial 2006-07</u>	<u>2007-08 Proposed</u>	
General Fund	\$6,292,573	\$7,120,661	11.96%
Special Revenue Funds	\$632,427	\$611,339	-0.30%
Total	<u>\$6,925,000</u>	<u>\$7,732,000</u>	11.66%

ANALYSIS OF PROPOSED BUDGETS

Dissemination of information to students is labor intensive. This fact is reflected in the allocation of the financial resources of the District. As noted above, payroll costs are projected to consume approximately 64% of total expenditures in the General Fund and Special Revenue Funds.

Counselor, nurse, librarian, and teacher salaries are based on experience and state minimum salary schedules published annually by TEA. All other salaries have been computed based on staffing decisions of the Board.

The fiscal year 2007-08 proposed budget supports a total of 97 positions, as detailed below:

- Full-Time 90
- Part-Time 7

The District is fully staffed and no open positions have been budgeted for fiscal year 2007-08; however, one math/science position at high school is budgeted and remains open until the leave of absence is complete.

Budgeted full-time and part-time positions can be classified as follows:

- Teacher/Counselor/Nurse/Librarian - 65 Full - 3 Part
- Classroom Support - 11 Full - 1 Part
- Campus Administration - 3 Full
- Campus Support - 3 Full
- Maintenance - 4 Full - 2 Part
- General Administration - 4 Full - 1 Part

Combined years of experience for the 65 full and 3 part-time employees classified as a teacher, counselor, nurse, and librarian totals 758 years. This results in an average of approximately 11.4 years experience.

Budgeted changes to full and part-time positions for fiscal year 2007-08 are as follows:

- General Maintenance (Part-Time) - Absorbed for FY 2007-08
- Three Teacher Assistants (Full-Time) - Absorbed for FY 2007-08
- Art Teacher (Part-Time) - Absorbed for FY 2007-08
- Teacher Assistant (Part-Time) - New for FY 2007-08
- Middle School Science (Full-Time) - New for FY 2007-08
- Elementary Teacher (Full-Time) - New for FY 2007-08

Proposed payroll costs for fiscal year 2007-08 totals \$4,910,609 or 64% of the total \$7,732,000 proposed budget. Salaries are projected to consume 86% of total payroll costs or \$4,201,118.

Projected benefits and there associated costs are detailed below:

- Texas Teacher Retirement System \$307,012
- Group Health \$295,110
- Medicare/FIMM \$ 52,379
- Workers Compensation \$ 44,256
- Unemployment Compensation \$ 6,383
- Social Security/FICA \$ 4,351

A summary schedule of operating expenditures by object are presented below:

Fund	Budget		% Change
	Initial 2006-07	2007-08 Proposed	
Payroll Costs	\$4,901,471	\$4,910,609	0.14%
Professional & Contracted Services	1,015,910	1,061,345	0.66%
Supplies and Materials	508,814	582,997	1.07%
Other Operating Costs	498,805	577,049	1.13%
Capital Outlay	0	600,000	8.66%
Total	\$6,925,000	\$7,732,000	11.66%

Overall, payroll costs increased by \$9,138 or 0.14%:

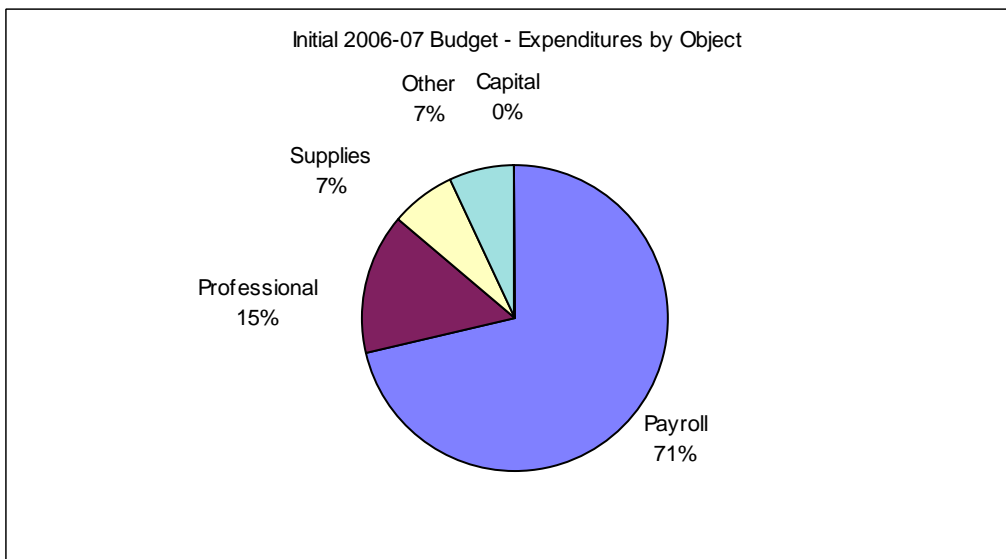
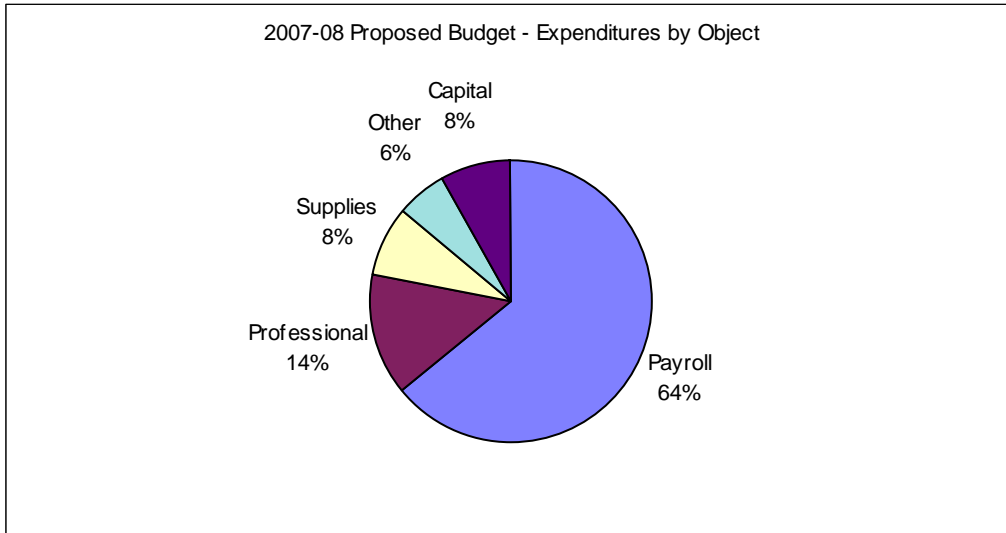
The 0.14% increase in payroll costs is primarily due to:

- State mandated step increases, merit raises, and net salary turnover increased salaries by \$59,251;
- Two full-time teaching instructors and one part-time teaching assistant increased salaries by \$61,558;
- Salary reductions due to attrition of three full-time teacher assistants, one part-time art instructor, and one part-time maintenance staff decreased salaries by \$122,262; and,
- Benefits increased by \$23,481 primarily due to the state contribution rate increase to Teacher Retirement System of Texas.

Professional services, supplies and materials, and other operating costs are in-line with last year.

Capital outlay expenditures increased \$600,000 or 8.66% due to an anticipated building project. This building project will be dependent upon the successful rollback tax rate election that will be held during the November general election.

The following graphs provide a comparison of expenditures by object for the fiscal year 2007-08 proposed budget as compared to the initial budget approved for fiscal year 2006-07 as a percentage of the total budgets:



Included in the general fund and special revenue funds are allocations for transfer to the group health internal service fund (ISF) and the workers' compensation ISF. The allocations to the group health ISF are based on premium quotes provided by Teacher Retirement System of Texas; however,

allocations to the workers' compensation ISF are based on a percentage of salary.

The transfer of funds is provided to support the group health plan of the employees of the District and to provide workers' compensation insurance for the District. Budgeted fund transfers from the general and special revenue funds to the group health and workers' compensation internal service funds total \$295,110 and \$44,256, respectively.

Approximately 83% of the budgeted fund transfers to group health ISF are paid as premium (fixed cost) to the Teacher Retirement System of Texas. The remaining 17% or \$50,169 is used to:

- Build the fund balance of the group health plan; and,
- Act as a "Rainy Day" fund for the District's self-funded dental program.

Additionally, the group health fund includes the District's dental plan. This plan is set-up as an employee "break-even" plan. This type of "break-even" plan provides reasonable coverage at a low cost premium to employees. Therefore, no provision has been made to fund this program.

Provisions have been established to fund the District's Workers' Compensation program. For fiscal year 2007-08, this provision totals \$44,256.

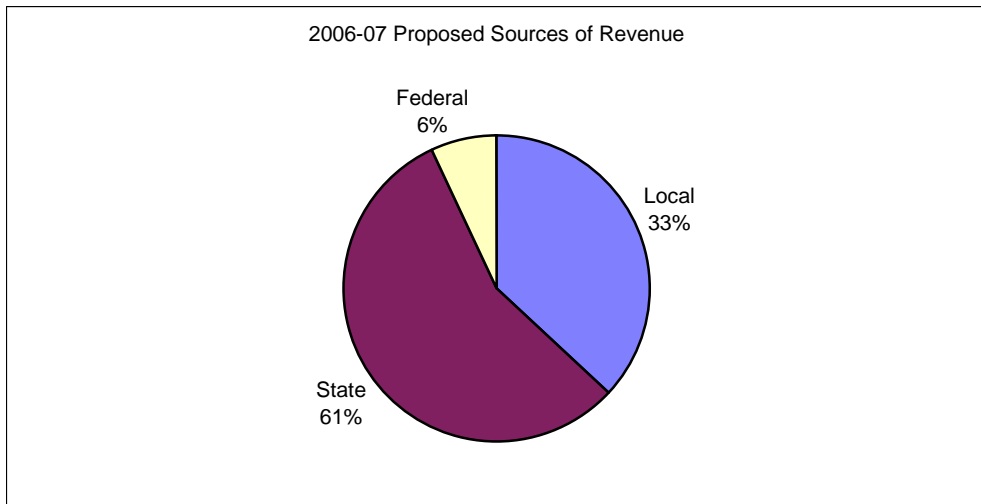
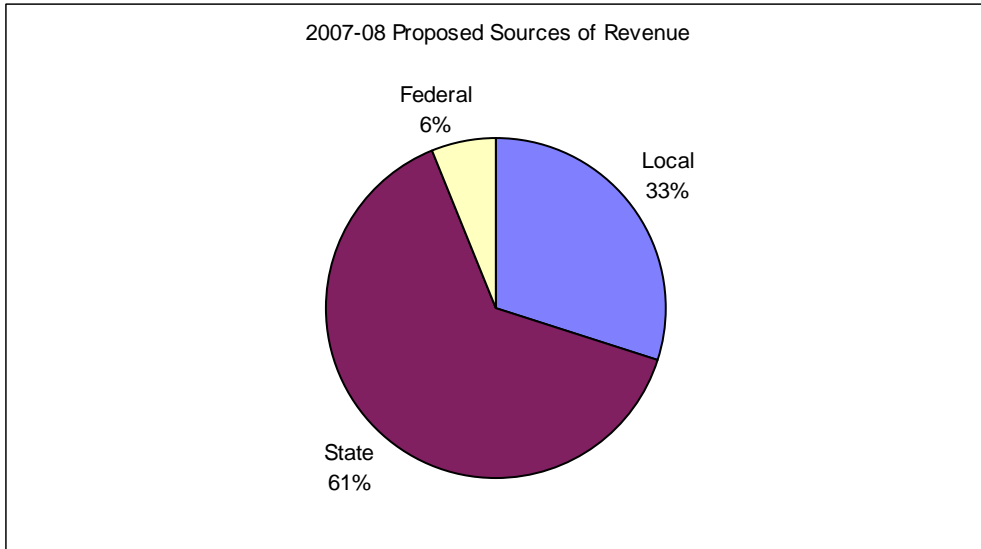
Fixed costs and the loss fund maximum associated with the workers' compensation program total \$14,893 and \$38,036, respectively. Although the provision will only cover the fixed cost premium, the remaining \$29,363 will be available to fund claims, if necessary. In addition, unrestricted net assets total approximately \$258,147.

RESOURCES TO SUPPORT OPERATIONS

Programs and services included in the general fund and special revenue funds are primarily supported by local and state sources of revenue. A comparison of revenue sources to support operations for the current and proposed general fund and special revenue funds are presented below:

<u>Revenue Sources</u>	<u>Budget</u>		<u>% Change</u>
	<u>Initial 2006-07</u>	<u>2007-08 Proposed</u>	
Local	\$2,279,648	\$2,351,768	1.04%
State	4,194,546	4,941,477	10.79%
Federal	450,806	438,755	-0.17%
Total	\$6,925,000	\$7,732,000	11.66%

The following graphs provide a comparison of revenues for the fiscal year 2007-08 and the initial budget approved for fiscal year 2006-07 as a percentage of the total budgets:



Local sources of revenue supporting the proposed budget represent approximately 33% of the total available sources of funds. Of this amount, the largest source of local revenues available to the District is property tax that is derived from current and delinquent ad valorem tax payments.

The proposed budget requires a tax rate of \$1.1700 per \$100 valuation. As a result, the total tax burden for the average homeowner will total \$456.08 at an average taxable value of residence at \$38,981 versus the prior year of \$495.10.

This represents a \$39.02 decrease, primarily due to:

- **Decrease in the tax rate of \$0.20 per \$100 valuation as compared to last year; however, this was partially offset by an,**
- **Increase in the average taxable value of residences of \$2,842 or 7.9%, as compared to last year.**

Local revenue is projected to increase by 1.04% or \$72,120 from the prior year primarily due to an increase in interest income due to interest rate increases; however, this was partially offset by a decrease in property taxes due to the compressed property tax rate.

The District's adjusted net taxable value grew by 14.6% or \$19,816,602 to \$155,182,758. The increase in the net taxable value is primarily due to:

- New property totaling \$2,626,040; and,
- Re-appraisals of existing property totaling \$17,190,562.

Projected property tax revenues are expected to generate approximately \$1,863,029 at a tax rate of \$1.1700 per \$100 valuation for fiscal year 2007-08. This represents a reduction in tax revenues from the prior year of \$46,534 or 2.44%. Tax revenues decreased primarily due to the tax rate compression of \$0.20 per \$100 valuation for FY 2007-08; however, this was partially offset by new property and re-appraisals that will add back approximately \$231,854 at \$1.17.

The proposed tax rate of \$1.17 is \$0.13 above the rollback rate of \$1.04005. Based on House Bill 1 (HB 1) computations, the 13 pennies above rollback will provide approximately \$600,000 of "enrichment" dollars to the District when combined with Tier II state revenues. The increased "enrichment" pennies will increase local revenues by \$201,737 and State revenues by \$390,301. Therefore, for each dollar of local revenue generated, the state will add two dollars.

State revenue sources that support the proposed budget represent approximately 61% of the total available sources of funds. State funding is projected to increase by \$746,931 to \$4,941,477 or 10.8% above last year primarily due to 13 enrichment pennies over the rollback tax rate of \$1.04005.

Proposed enrollment is approximately 731 students, at 96.5 percent attendance. This is a conservative enrollment figure that will generate sufficient revenue to support the proposed budget.

Federal revenues are in-line with last year and comprise approximately 6% or \$438,755 of the total revenue budget.

ACKNOWLEDGMENTS

The District strives to provide an effective mix of quality programs while constantly striving to maintain costs.

We appreciate the support of the Board of Trustees, the citizens of the District, and the business community, all who work cooperatively to ensure the best education for our students and the prudent development of the District. Additionally, we would like to express our gratitude to all employees of the District's schools for their interest and support in planning and conducting the financial affairs of the District in a responsible and progressive manner.

Steve Jerden
Chief Financial Officer