

**OFFICE OF CHIEF OPERATIONS OFFICER
Summary of State Board of Education Agenda Items
May 15-16, 2014**

OFFICE OF SCHOOL FINANCIAL SERVICES

17. Report on Carroll County School District

No Action: Discussion Only

Back-up material attached

May 15, 2014

Report on the financial condition of the Carroll County School District to the
Mississippi State Board of Education

The Carroll County School District ended Fiscal Year 2013 with a deficit fund balance in the District Maintenance Fund of \$1,421,652. When this deficit was netted against a Sixteenth Section Principal Loan liability the District Maintenance Fund ended the Fiscal Year with a positive fund balance of approximately \$13,000. However, when the annual audit was completed, the auditor made an audit adjustment that caused the district to flip from a positive fund balance of approximately \$13,000 to a deficit fund balance of approximately \$35,000.

A Financial Advisor has been working with the district since April 2, 2014, and has reached the following conclusions:

Cash Flow

Schedule of Projected Cash Flow

April 2014

805,983.70 Bank Balance as of April 29, 2014

526,011.89 Actual Payroll - April 30, 2014

May 2014

279,971.81 Projected Bank Balance as of April 30, 2014

60,000.00 Projected Ad Valorem Receipts - May 2014

336,885.00 Projected MAEP and Master Teacher Receipts - May 2014

71,000.00 Projected Docket - May 2014

530,000.00 Projected Payroll - May 2014

75,856.81 Projected Bank Balance as of May 31, 2014

June 2014

71,000.00 Projected Ad Valorem Receipts - June 2014

336,885.00	Projected MAEP and Master Teacher Receipts - June 2014
344,194.00	Sixteenth Section Interest Transfer
75,000.00	Projected Docket - June 2014
530,000.00	Projected Payroll - June 2014

222,935.81	Projected Bank Balance as of June 30, 2014
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July 2014

80,000.00	Projected Ad Valorem Receipts - July 2014
336,885.00	Projected MAEP and Master Teacher Receipts - July 2014
400,000.00	Projected Old July 2014 Payroll
157,642.00	Projected New July 2014 Payroll

82,178.81	Projected Bank Balance as of July 31, 2014
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August 2014

80,000.00	Projected Ad Valorem Receipts - August 2014
336,885.00	Projected MAEP and Master Teacher Receipts - August 2014
530,000.00	Projected Payroll - August 2014
330,000.00	Projected Docket - August 2014

(360,936.19)	Projected Bank Balance as of August 31, 2014
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In Fiscal Year 2014 the district utilized a Tax Anticipation Loan of \$500,000 to support its cash flow needs. It is projected to need the same help or more in Fiscal Year 2015.

Fund Balance June 30, 2014

The Financial Advisor, with the assistance of the school district Business Manager, has amended the Fiscal Year 2014 District Maintenance Fund budget, as well as all funds that feed off it. Based upon that amendment, the Fund Balance of the District Maintenance Fund at June 30, 2014, is projected to be a deficit of \$945,562. When this deficit is netted against the Sixteenth Section Principal Loan liability of \$1,331,397, the district would end with a positive fund balance of \$385,835.

There are a couple of key points that need to be highlighted to arrive at this balance:

- This balance is subject to the district collecting all Ad Valorem Tax revenue budgeted. I talked with individuals in both the Carroll County Chancery Clerk's Office and the Carroll

County Tax Collector's Office and requested their projection of Ad Valorem Receipts that will be settled to the school district through June 30, 2014. Their recommendation is to use prior year collections as a best guess. Comparing Fiscal Year 2014 receipts to Fiscal Year 2013 receipts, I believe those receipts will be at least \$150,000 short.

- This balance is also subject to the district transferring all projected available Sixteenth Section Interest funds to the District Maintenance Fund. As of April 30, 2014, the district has already transferred \$380,709 to District Maintenance. The district has a remaining balance of \$344,014 to transfer. If this transfer is completed there will be none to carry forward to Fiscal Year 2015.

Fund Balance June 30, 2015

The Financial Advisor, with the assistance of the school district Business Manager, has prepared an initial budget for Fiscal Year 2015. Based upon that projected budget, the Fund Balance at June 30, 2015 in the District Maintenance Fund is projected to be a deficit of \$794,613. When this deficit is netted against the Sixteenth Section Principal Loan liability of \$1,207,076, the district would end with a positive fund balance of \$412,463.

There are a couple of key points that need to be highlighted to arrive at this balance:

- With the exception of lease revenue collected in Fiscal Year 2015, the district will have no available Sixteenth Section Interest Funds to transfer into the District Maintenance Fund for Fiscal Year 2015.
- The original budget is very conservative concerning expenditures.
- This balance is only possible if the district collects all Ad Valorem Tax revenue budgeted.

Summary

If the projections for Fiscal Year 2014 and 2015 are reasonable, the district will reduce the deficit in the District Maintenance Fund Balance from \$1,421,652 to \$794,613. For this to become actual results several things will need to happen:

Expenditures:

As noted above, the Fiscal Year 2015 Budget has been prepared being very conservative concerning expenditures. Obviously, since most school district budgets in Mississippi reflect 70 – 80 percent in salaries and benefits, the most significant impact in reduction of expenditures is usually made there. However, the Carroll County School District does not have the ability to

reduce staff much more than they already have without adversely affecting their ability to complete their mission of educating children. In addition, a test of certified staff at Marshall Elementary School reveals that they are at the minimum number of teachers to meet state standards. The test further indicates that a reduction of any of these state / local funded teachers could result in a federal violation of supplanting rather than supplementing.

Grade	Actual Enrollment Oct-13	Required Units	Actual Units
K	69	3.14	3.00
1	86	3.19	4.00
2	76	2.81	3.00
3	74	2.74	3.00
4	66	2.44	3.00
5	65	1.97	2.00

The school district administration has made some personnel reductions in other areas for the 2015 Fiscal Year. Two coaching vacancies will not be filled. The head football coach recently resigned and that position will be filled from existing staff. A vocational program will be eliminated moving that teacher to a vacant science position. Two vacant assistant teacher positions will not be filled.

Revenues:

Every school district in Mississippi has been negatively affected by the reduction of MAEP funds over the last number of years. In addition, all school districts lost the Ad Valorem Tax Reduction funds that came from the state, and many did not make up that loss from local funds. These issues, and the fact that the history of the district’s local support has not been sufficient to adequately fund the district, has been a major contributor to the district’s financial problems.

The Carroll County School District was compared to 13 other school districts that had an enrollment of 790 -1475 students and an assessed valuation of \$41,600,000 - \$96,300,000. The district ranked in the middle of both categories. The districts were then ranked based upon operating millage rates, total millage rates and ad valorem dollars actually collected. The Carroll County School District ranked last in all three categories. (See attached charts.)

Both the Carroll County School District Board of Education and the district’s levying authority, the Carroll County Board of Supervisors have not shown a willingness to request and levy

sufficient Ad Valorem Taxes to meet the district's needs. For example, an analysis of the school district board minutes dated September 9, 2009, revealed that the Board of Supervisors refused to levy the millage rate sufficient to fund the district's request. When school district board members were asked to send a letter requesting the Board of Supervisors fund the school district request, no vote was taken. The school district board minutes dated September 9, 2010, revealed that the Board of Education voted to not ask for an increase in mills for any loss of Ad Valorem Revenues in 2011.

Recommendations to the Carroll County School Board

- Reduce staff where possible (as noted this has already been addressed)
- Reduce any extended day contracts (vocational)
- Suspend Board Salaries. Some school district boards do not receive pay for serving. Under normal circumstances, this would not be a recommendation. However, since the district has a financial issue, suspend salaries until the financial position improves.
- Suspend the use of a local board attorney. The board currently has a board attorney at each meeting of the board at a cost of \$300 per meeting. Recommend using her on an as-need basis.
- Budget the maximum indirect cost allowable from federal programs.
- Request the state established increase in local support of MAEP, which is exempt from the 4% prior year aggregate receipts of Ad Valorem Tax annual limitation.
- Request from the levying authority, any new property or previously exempt property added to the tax rolls.
- Establish a long-term commitment to request the allowable 4% increase in Ad Valorem Taxes until the financial position of the district is stabilized.

Carroll County School District
 Ad Valorem Tax Millage and Collections / Assessed Valuation / Enrollment
 Comparison of Selected School Districts

GROUP		FY 2013	FY 2013	FY 2013	FY 2013	FY 2013	FY 2013
RANK	SCHOOL DISTRICT	OPERATING MILLAGE RATE	DEBT SERVICE MILLAGE RATE	TOTAL MILLAGE RATE	ENROLLMENT	ASSESSED VALUATION	AD VALOREM REVENUE
1	WINONA/MONTGOMERY COUNTY	89.19	2.90	92.09	1473	56,986,026	2,272,992
2	ABERDEEN	49.21	1.59	50.80	1437	96,276,544	4,944,895
3	PERRY COUNTY	41.63	2.96	44.59	1234	74,093,834	2,919,508
4	KEMPER COUNTY	33.00	0.00	33.00	1173	80,420,274	2,402,060
5	ATTALA COUNTY	45.64	3.08	48.72	1151	86,875,817	3,823,802
6	AMITE COUNTY	33.24	0.00	33.24	1083	84,230,666	2,547,364
7	CARROLL COUNTY	28.90	3.00	31.90	1000	73,792,423	1,920,073
8	NEWTON	54.50	1.15	55.65	993	41,621,097	2,075,758
9	ENTERPRISE	49.72	2.71	52.43	984	48,391,906	2,270,645
10	EAST JASPER	36.87	14.79	51.66	981	80,090,300	3,470,192
11	LELAND	43.70	1.97	45.67	968	46,853,340	1,872,315
12	SOUTH DELTA	32.96	2.84	35.80	919	60,557,462	1,959,231
13	OKTIBBEHA COUNTY	56.00	3.00	59.00	875	71,041,821	3,706,834
14	WEST TALLAHATCHIE	40.14	1.78	41.92	793	58,390,737	2,301,572
<p>> WINONA AND MONTGOMERY COUNTY ARE TWO DIFFERENT DISTRICTS. THEY ARE INCLUDED AND COMBINED BECAUSE THEY REPRESENT NEIGHBORING DISTRICTS.</p> <p>> ALL INFORMATION IS PROVIDED BY THE MISSISSIPPI STATE DEPARTMENT OF EDUCATION - OFFICE OF SCHOOL FINANCIAL SERVICES</p> <p>> SCHOOL DISTRICTS WERE SELECTED BASED UPON HAVING AN ASSESSED VALUATION OF BETWEEN \$41,600,000 AND \$96,300,000 AND AN ENROLLMENT OF BETWEEN 790 AND 1,475 STUDENTS.</p>							
<i>SORTED BY ENROLLMENT</i>							

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SORTED BY COLLECTIONS