Legislative Research Commission

Office of Education Accountability

School Districts' Fund Balance Study

Research Report No. 376

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Foreword

In December 2009, the Education Assessment and Accountability Review Subcommittee directed the Office of Education Accountability to examine school districts' fund balances. A primary purpose of this study is to review fund balances held by districts and explore the purposes and intended uses of these funds. This study analyzes school districts' fund balances for the general fund, special revenue fund, capital outlay fund, building fund, construction fund, and food service fund for fiscal years 2005 through 2009.

Robert Sherman
Director

Legislative Research Commission
Frankfort, Kentucky
September 8, 2010

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Summary

During recent legislative sessions, the General Assembly has been forced to make difficult budgeting decisions while managing revenue shortfalls. The legislature has avoided cuts to the Support Education Excellence in Kentucky funding formula in the past, but policy makers are interested in uncovering new revenue for education funding and encouraging reduction of expenditures where possible. In recent years, legislators have examined funds available in school districts' general fund balances as a possible source to offset education spending cuts. It could be assumed that large fund balances mean that districts are hoarding money or setting it aside in slush funds. District superintendents fear that high fund balances might be misconstrued by legislators, who could be tempted to tap into fund balances to offset cuts in the education budget. The purpose of this study is to explore the purpose and use of school districts' fund balances and to make policy recommendations that will increase accuracy and transparency in fund balance budgeting.

While the subject matter of this report is technical and reflects the language of finance professionals, the report highlights the need for data accuracy and transparency. It is in the best interest of legislators, superintendents, and the Kentucky Department of Education (KDE) to have accurate data to make critical budgeting decisions. The policy recommendations included in Chapter 4 list the report's key points.

The vast majority of districts meet state requirements to maintain a 2 percent minimum budget contingency. As education budgets increase, fund balances must also increase to meet state requirements. Thus, total fund balance has risen over the last 5 years. However, the fund balance percentage has remained relatively stable statewide, when controlling for the two largest districts in the state, at about 12 percent, the equivalent of about 2 months' worth of total expenditures.

Most superintendents report that budgeted contingency should ideally be 1 to 2 months of general fund expenses, which equates to 6 to 12 percent on the current calculation for fund balance percentage. National standards regarding how much public schools should maintain in fund balance have not been promulgated. However, the Government Finance Officers Association recommends that public-sector organizations maintain a minimum of 2 months' worth of general fund revenue or expenditures. Moody's Investors Service, Fitch, and Standard and Poor's—three major bond rating companies—suggest the importance of maintaining 5 percent to 10 percent of operating expenditures in the general fund balance for education. Thus, the Office of Education Accountability (OEA) recommends that KDE review the current minimum requirement of 2 percent for contingency and general fund balance percentages.

A primary finding of this study is that high fund balances are not necessarily a sign of district inefficiency. In many cases, districts have targeted fund balance reserves to meet demands for facility upgrades, construction projects, technology purchases, cash flow, and unforeseen emergencies. However, policy makers and researchers cannot easily ascertain the intended uses of fund balances because reporting and accounting protocols are either incomplete or ignored. KDE should ensure that districts use the proper accounting codes to promote transparency and consistency in reporting fund balances. Similarly, unused funds that were restricted to a limited purpose, such as construction, should be applied to the unmet-needs calculation for school

facilities purposes. These actions would correct current practices that make it difficult to figure out how or where general fund revenues are spent.

The Governmental Accounting Standards Board provides states with guidelines in public budgeting and accounting procedures. In its research, the board found that the existing standards on fund balance were being misinterpreted by government agencies and that the public was having difficulty interpreting fund balance and financial statements. All government agencies must comply with the new reporting requirements on their 2011 end-of-year financial statements. At present, Kentucky has not implemented the board's protocols, and this report recommends that KDE incorporate these changes along with coding issues on districts' balance sheets by June 30, 2011. These changes will promote more transparency in understanding the financial position of school districts, which, in turn, provides legislators with more accurate data on fund balances.

Another problem uncovered in this research is that end-of-year balances do not always match beginning amounts on working budgets. This discrepancy could lead to overspending or underbudgeting by a district. OEA recommends that KDE require that districts' end-of-year balances match new fiscal year working budgets.

Grants in the special revenue fund and money for projects in the construction fund are spent over multiple years, making it impossible to track expenditures or receipts on the KDE's annual finance report. At present, districts are not required to submit annual project budget updates to KDE. Consequently, it is difficult to determine whether individual projects have been accounted for properly. KDE should require districts to submit annual detailed project budgets for the construction fund and the special revenue fund. This practice would enhance project monitoring and fiscal discipline.

In reviewing fund balances, staff found that in some districts, other major funds end the year with negative balances. This is prohibited by current statute language, and KDE should require districts to cover any negative balances with general fund revenue. Tightening accounting practices will contribute to a more robust dialogue on education funding and fund balances. This report makes several recommendations aimed at improving and strengthening the fund balance calculation.

OEA is sensitive to KDE's concern about its capacity to implement accounting recommendations in light of continued staff cuts and limited resources. However, it is imperative that decision makers have accurate data to inform legislators and the general public. General fund revenues are significant and draw attention during budget hearings. Thus, it is in KDE's fiscal interest to implement the recommendations made in this report.

Chapter 1

Introduction

During recent legislative sessions, the General Assembly has been forced to make difficult budgeting decisions while dealing with continuing shortfalls in revenue. As of June 30, 2009, 174 school districts had a total general fund balance of $774 million.

During recent legislative sessions, the General Assembly has been forced to make difficult budgeting decisions while dealing with continuing shortfalls in revenue. The General Assembly and school districts rely on the Support Education Excellence in Kentucky (SEEK) funding formula, using a mixture of state and local tax dollars, to ensure funding equity across the state. While SEEK has been spared cuts in the past, there is continued interest in finding ways to fund education while encouraging reduction of expenditures where possible. In recent years, legislators have scrutinized funds available in school districts' general fund balances. As of June 30, 2009, 174 school districts had a total general fund balance of $774 million. This study provides analysis of general fund balances, how they have changed over the years, and how districts incorporate fund balances in their long-term plans.

A district must include, at a minimum, a contingency reserve of 2 percent of the district's entire budget per KRS 160.470 on the tentative budget.

Each year, school districts are required to create budgets that estimate revenues and expenditures for the upcoming year. A district must include on its tentative budget a contingency reserve of at least 2 percent of the district's entire budget, per KRS 160.470. At the end of each fiscal year, a district submits to the Kentucky Department of Education (KDE) an annual financial report (AFR). The AFR includes detailed information about the types and amounts of revenues collected and how these revenues were spent. Any unexpended funds are reported in the fund balance section of the district's balance sheet, also submitted to KDE. These fund balances and budgeted amounts are analyzed in this study.

Description of This Study

In December 2009, the Education Assessment and Accountability Review Subcommittee directed the Office of Education Accountability (OEA) to examine school districts' fund balances. A primary purpose of this study is to review fund balances held by districts and explore the purposes and intended use of these funds.

In December 2009, the Education Assessment and Accountability Review Subcommittee directed the Office of Education Accountability (OEA) to examine school districts' fund balances. A primary purpose of this study is to review fund balances held by districts and report the purposes and intended uses of these funds. This study analyzes school districts' fund balances for the general fund, special revenue fund, capital outlay fund, building fund, construction fund, and food service fund for fiscal years 2005 through 2009. Fiscal data for this analysis were provided by KDE and include districts' annual financial reports, balance sheets, and working budgets. OEA staff conducted interviews with superintendents and finance officers of districts identified as having restrictions/reserve accounts on the balance sheet or general fund balances of 20 percent or higher, as of June 30, 2009, to determine the intended use of these balances.

OEA administered a short survey to all superintendents to obtain their input on issues related to fund balances. Several states were contacted to determine how they regulate and manage fund balances.

OEA also administered a short survey to all superintendents to obtain their input on issues related to fund balances. In addition, several states were contacted to determine how they regulate and manage fund balances.

Organization of the Report

Chapter 1 provides an overview of the Kentucky chart of accounts (COA) and calculation methods for contingency and fund balances.

The remainder of this chapter provides an overview of the Kentucky chart of accounts (COA) used by school districts for financial reporting and definitions and calculation methods for contingency and fund balances. This chapter concludes with a sample of states' requirements for fund balances, as well as information on federal reporting requirements and business rules.

Chapter 2 analyzes data related to districts' fund balances, revenues, budgets, and reserves in the general fund.

Chapter 2 analyzes data related to districts' fund balances, revenues, budgets, and reserves in the general fund. The chapter also presents budgeted contingency amounts for each district's general fund. Survey results and interview data on fund balances provide additional insights.

Chapter 3 analyzes fund balances and revenues for special revenue, capital outlay, building, construction, and food service funds.

Chapter 3 analyzes fund balances and revenues for special revenue, capital outlay, building, construction, and food service funds. Capital outlay funds expended on maintenance and insurance are also reviewed.

Chapter 4 presents the final conclusions and recommendations.

Chapter 4 presents the conclusions and recommendations.

Financial Accounting Overview

The National Center for Education Statistics publishes the *Financial Accounting for State and Local School Systems* handbook that includes national standards and guidance for school districts to ensure data are uniform across states.

The National Center for Education Statistics (NCES) publishes the *Financial Accounting for State and Local School Systems* handbook that includes national standards and guidance for school districts to ensure data are uniform across states. These standards also comply with generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB). GASB, a nonprofit and independent organization, establishes financial accounting and reporting standards for local and state governments.

According to 702 KAR 3:120, "a local board of education shall follow the uniform financial accounting system detailed in 'KETS [Kentucky Education Technology System] District Administrative System Chart of Accounts,' and the 'Charts of Accounts Descriptions.' " In a previous OEA study, staff analyzed the National Center for Education Statistics and KDE accounting codes and found several problems (Commonwealth. Legislative. Office. *Indicators*). OEA recommended that KDE review these coding discrepancies, update the chart of accounts, and provide chart of accounts descriptions. KDE held several internal meetings with district finance officers to analyze the codes. A revised chart of accounts was developed, and all districts had to implement the new codes by June 30, 2010, for the FY 2010 AFR. KDE published the Chart of Accounts Descriptions and posted them on its website in April 2010.

KRS 156.670 sets out the requirements to develop the Kentucky Education Technology System Master Plan, which mandates all districts to use the same accounting software. The software used is commonly known as MUNIS.

KRS 156.670 sets out the requirements to develop the KETS Master Plan, which mandates all districts to use the same accounting software. The original contract for accounting software was bid by KDE and granted effective September 15, 1994, to a company now known as Tyler Technologies. The software is commonly known as MUNIS. The contract has been either renewed or extended since the original bid. According to the FY 2004 contract, KDE approved a 2-year renewal beginning with FY 2005, with an additional 3 years of 1-year contract renewals ending June 30, 2010. According to the Finance and Administration Cabinet, there is no statute or regulation requiring a time line on when services have to be bid. KDE staff members indicate that they will seek continuation of the contract for another year, citing that a significant amount of new funding would be needed if a new software program were to be implemented. KDE staff provided the cabinet estimates ranging from $25 million to $50 million for KDE to bid and implement a new software program, and a recurring $7 million to $10 million would be needed for annual maintenance (Speer).

Chart of Accounts Overview

Though there are several components to the COA, only funds and object codes are covered in this study.

Though there are several components to the COA, only funds and object codes are covered in this study. The following is a brief description of the funds and accounts used in this study.

Funds

A fund is a separate accounting entity with a self-balancing set of accounts for cash, revenues, assets, liabilities, and fund balances.

A fund is a separate accounting entity with a self-balancing set of accounts for cash, revenues, assets, liabilities, and fund balances. KDE's chart of accounts for funds was created using the NCES guidelines.

The general fund is the main operating fund for school districts. It includes financial resources with the fewest restrictions on spending.

The general fund, coded as Fund 1, is the main operating fund for school districts. It includes financial resources with the fewest restrictions on spending. Districts use this fund to pay for school-based decision making allocations, which includes the majority of staff salaries; districtwide and central office staff salaries; transportation; supplies and utilities costs; and maintenance.

The special revenue fund includes local, state, and federal grants that are restricted for specific purposes. Grants typically are spent over 12 to 36 months.

The special revenue fund, coded as Fund 2, includes local, state, and federal grants that are restricted for specific purposes. Frequently, the grant revenues expended out of this fund cross over multiple years, as some state and federal grants cover 12 to 36 months. Therefore, codes in this fund can be tracked across multiple years.

The capital outlay fund is used primarily to pay for debt service. Recent changes to statutes and budget language have opened this fund to pay for insurance, maintenance, and operating expenses.

The capital outlay fund, coded as Fund 310, is used primarily to pay for debt service; however, recent changes to statutes and budget language have opened this fund to pay for insurance, maintenance, and operating expenses. KRS 157.420 defines the restrictions governing expenditures of capital outlay funds, with additional guidance provided in budget language. These restrictions will be discussed in further detail in Chapter 3.

The building fund is used to pay debt service and can be used for major renovation or new construction of school buildings.

The building fund, coded as Fund 320, is used to pay debt service and can be used for major renovation or new construction of school buildings. KRS 157.440 establishes requirements for participation in the Facilities Support Program of Kentucky (FSPK).

The construction fund is used for approved construction projects. Funds are transferred to this account from capital outlay, building fund, general fund, or bond proceeds.

The construction fund, coded as Fund 360, is used for construction projects. After a project has KDE approval, funds are transferred to this account from capital outlay, building fund, general fund, or bond proceeds. This is a multiyear fund and is set up like the special revenue fund. Districts track individual projects using project codes.

The food service fund accounts for the food service program operated at each school in the district.

The food service fund, coded as Fund 51, accounts for the food service program operated at each school in the district. This fund records receipts and expenditures from breakfast, lunch, and à la carte sales as well as the summer feeding program.

Object Codes

All transactions require object codes that identify the service or commodity obtained with an expenditure, the source of revenue (local, state, federal), or the type of balance sheet account (asset, liability, and fund balance). Object codes are uniformly established and maintained in the chart of accounts, and most object codes can be used across individual funds.

Reporting Requirements

The foundation of every financial plan is the budgeting process. Kentucky school districts operate under a zero-based budgeting process, which means program activities and services are justified annually.

The foundation of every financial plan is the budgeting process. There are several budgeting methods, such as line-item budgeting, performance budgeting, program and planning budgeting, zero-based budgeting, and outcome-focused budgeting. Kentucky school districts operate under a zero-based budgeting process, which means program activities and services are justified annually. Individual decisions are made on the basis of program goals and activities within each school. For each program, costs are assigned, outcomes are defined, and priorities are ranked. Zero-based budgeting is useful when spending must be reduced.

Several statutes and regulations govern district-level budgeting and accounting practices. Per KRS 160.550, superintendents and local board members are not allowed to vote for any expenditure exceeding income and revenue for any year. Any district in violation of this law may be certified deficient by the Kentucky Board of Education.

Several statutes and regulations govern district-level budgeting and accounting practices. While some are highlighted in this chapter, Appendix A includes a summary of all relevant statutes and regulations pertaining to this study. KRS 160.550 stipulates that superintendents and local board members are not allowed to vote for any expenditure exceeding income and revenue for any year. Any district in violation of this law may be certified deficient by the Kentucky Board of Education. A district that is certified deficient cannot expend funds, make employment offers, make purchases, or ratify contracts unless approved by the commissioner of education. Any school district subject to the commissioner's approval process shall remain so until the board has approved a sound budget for a succeeding fiscal year.

Before a district exceeds its budget, 702 KAR 3:050 requires the local board of education to submit an application to KDE to determine whether an emergency exists.

Before a district may exceed its budget, 702 KAR 3:050 requires the local board of education to submit an application to KDE to determine whether an emergency exists. The commissioner is responsible for examining all facts and taking whatever action is deemed appropriate. Any application to exceed the current budget, as well as any emergency declared by the commissioner, shall be submitted to the state board for final decision. However, according to KDE, no districts have recently requested to exceed the working budget.

According to KRS 160.470, local boards of education are required to adopt three budgets: the draft, the tentative, and the final working budget.

According to KRS 160.470, local boards of education are required to adopt three budgets: the draft, the tentative, and the final working budget. Table 1.1 lists the budgets and annual financial reports required and filing dates.

Table 1.1
Required Reports and Filing Dates

Report	Description	Filing Date
Draft Budget	Local board of education shall formally and publicly examine detailed line items estimating revenues and expenditures for the next fiscal year.	Jan. 31
Tentative Budget	Local board of education shall adopt a tentative budget, which shall include a minimum reserve of 2 percent of the total budget.	May 30
Working Budget	Local board of education shall submit to the Kentucky Board of Education a final working budget for current fiscal year. The state board shall establish regulatory guidelines for this budget.	Sept. 30
Annual Financial Report and Balance Sheet	Local board of education shall submit to KDE an unaudited annual financial report of revenues and expenditures with breakdowns of budgeted amounts. The balance sheet includes assets, liabilities, and fund balances.	July 25

Source: KRS 160.470, KRS 157.060 and 702 KAR 3:110.

Budget Process

By January 31 of each year, a school board is required to develop and approve a draft budget for the upcoming fiscal year.

Draft Budget. By January 31 of each year, a school board is required to develop and approve a draft budget for the upcoming fiscal year. Because the current fiscal year is only half over when this process begins, all budget data are estimated. One important estimated data point is the beginning balance; however, this piece of information is not final until the end of June, when the current budget cycle is complete. As a result, the budgets are developed using estimations of the amount of money that will be carried over from the previous year, plus estimates of local, state, and federal revenues.

The tentative working budget must be approved by the local board of education by the end of May—1 month before the current fiscal year ends. This budget must contain a minimum contingency of 2 percent of the total budget.

Tentative Budget. The second budget required by statute for the upcoming fiscal year is the tentative working budget, which must be approved by the local board of education by the end of May—1 month before the current fiscal year ends. At this point, the district has a more accurate estimate of the funds it will be able to budget, including the beginning balance. KRS 160.470 also requires that the district budget a "minimum reserve of two percent (2%) of the total budget." Frequently the 2 percent reserve is referred to as a "contingency" or a "rainy day" amount. While no definition is provided by statute, it is generally considered that an amount of money should be reserved in a budget to ensure the district has adequate funds to cover emergency expenses.

Each year, KDE performs a calculation to determine whether sufficient funds are reserved. To determine whether each district has at least a 2 percent contingency, KDE divides the budgeted contingency amount in the expenditure object code 0840 by all expenditures from Funds 1, 2, 310, 320, and 51.

The final budget required to be approved by the local board of education and submitted to KDE is the working budget. The working budget is due by September 30 and is built on final fiscal data from the previous year, not estimated data.

Working Budget. The third and final budget required to be approved by the local board of education and submitted to KDE is the working budget. The working budget is due by September 30 and is built on final fiscal data from the previous year, not estimated data. The budget includes the actual beginning balance, which is the carryover of unexpended funds from the previous year. While the statute does not require inclusion of a reserve or contingency amount in the working budget, KDE continues to require districts to budget at least 2 percent, as mandated for the tentative budget. After a district has received KDE approval of the working budget, there is no further review of district solvency until review of year-end fiscal data.

Each district's budget includes a beginning balance. The working budget uses an actual beginning balance based on the audited ending balance on the district's balance sheet.

Budget Beginning Balance. As described above, each district's budget includes a beginning balance. The working budget uses an actual beginning balance based on the audited ending balance on the district's balance sheet. A beginning balance is calculated using the prior year's ending balance, less certain restricted and reserved money. Restricted/reserved funds are dedicated by the district for specified allowable purposes and uses. Examples of dollars not carried over to the next year include reserves for sick leave, debt service, and construction projects.

Annual Financial Report

Districts are required to submit to KDE, by July 25, an unaudited annual financial report (AFR). The AFR is a year-end summary of revenues and expenditures, and it provides breakdowns of budgeted amounts.

KRS 157.060 requires educational institutions and school districts supported by taxpayers to report to the Kentucky Board of Education at the close of each scholastic year all detailed funds received from state and other sources along with detailed expenditures for the year. Each year, districts are required to submit to KDE, by July 25, an unaudited annual financial report. The AFR is a year-end summary of revenues and expenditures, and it provides breakdowns of budgeted amounts, actual expenditures, and the division of expenditures between district and school administration, and the amount spent on instruction as of June 30 each year. As set out by 702 KAR 3:110, the AFR and balance sheet must be submitted electronically.

Balance Sheet

The balance sheet shows a school district's financial condition at a specific point in time. Balance sheets as of June 30 must be submitted to KDE by July 25 along with the AFR.

The balance sheet shows a school district's financial condition at a specific point in time. Balance sheets as of June 30 must be submitted to KDE by July 25 along with the AFRs. District finance officers provide the board of education a monthly balance sheet and should provide periodic estimates of ending fund balance to ensure compliance with statutes and regulations.

One section of the balance sheet includes fund balances, which are classified as either reserved/restricted funds or unreserved/unrestricted funds.

One section of the balance sheet includes fund balances, which are classified as either reserved/restricted funds or unreserved/unrestricted funds. Reserved funds are resources that cannot be appropriated and spent, such as reserve for inventories or funds that are legally limited to being spent for a specific purpose. Upon approval of the board of education, reserved fund balances are restricted on a district's balance sheets, and the money is set aside for the approved tentative plans. While the board may decide to restrict these funds for planning purposes, the board can, at any time, reverse its decision and use these funds for other purposes. For this reason, general fund reserved balances are included in calculating Kentucky's districts' end-of-year fund balances. The unreserved fund balance represents the amount available for appropriation in the next fiscal year that can be spent for any purpose the district chooses. Unreserved fund balances, prior-year encumbrances, and restricted for school based carryforward become the beginning balance on subsequent annual budgets. Reserved/restricted dollars remain on the balance sheet until the board acts to spend them.

KDE uses specific balance sheet object codes to determine the undesignated fund balance of each district's general fund, as shown in Table 1.2. When the district's undesignated fund balance is determined, it is divided by the total expenditures for Funds 1, 2, 310, 320, and 51 less the expense object code 0280 (on-behalf-of payments) to calculate the general fund's ending balance percentage.[1]

Table 1.2
KDE Balance Sheet Object Codes
for Undesignated Fund Balance

Object Code	Purpose
8770	Unreserved fund balance
8755	Prior year encumbrances
8760	Restricted for site-based carry forward
8766	Restricted for future construction
8767	Other restricted fund balances
8769	Restricted net assets
Total	District undesignated fund balance

Source: Staff compilation of data from the Kentucky Department of Education.

Additional Guidance

Federal and Business Requirements

There are no national standards regarding how much public schools should maintain in their fund balances. However, the Government Finance Officers Association suggests a minimum of 2 months of general fund revenue or expenditures.

Currently, there are no national standards regarding how much public schools should maintain in their fund balances. However, the Government Finance Officers Association approved a best practices document in October 2009 on the appropriate level of unrestricted fund balance in the general fund (Government). It suggests governments should maintain a minimum of 2 months of general fund revenue or expenditures. A footnote suggests that a significantly lower minimum may be approved for school districts because they are in a better position to forecast contingency amounts, as school revenues and expenditures are more diverse and less volatile. It suggests that all governments establish a formal policy on fund balance and how much should be maintained.

Three major bond rating companies recommend maintaining 5 to 10 percent of operating expenditures in the general fund balance for education.

Three major bond rating companies—Moody's Investors Service, Fitch, and Standard and Poor's—state the importance of maintaining 5 to 10 percent of operating expenditures in the general fund balance for education. Critics of the current system of education budgeting contend that schools need to operate more like

[1] OEA includes Fund 400 (debt service) and excludes fund transfer object codes in its calculation of undesignated fund balance. This is done to eliminate double-counting of expenditures. This calculation varies slightly from the KDE calculation and is used in the OEA District Data Profiles report.

private businesses. Under this guidance, school districts would keep 1 to 3 months' worth of general fund operating expenses. One month's worth of general fund operating expense equates to a 6 percent balance using the current calculation in Kentucky. Chapter 2 discusses this in detail.

GASB 54 Requirements

The Governmental Accounting Standards Board (GASB) has provided states with guidelines in public budgeting and accounting procedures. In its prior research, GASB found that the existing standards on fund balance were being misinterpreted by government agencies and that the public was having difficulty interpreting fund balance and financial statements.

The Governmental Accounting Standards Board has provided states with guidelines in public budgeting and accounting procedures. In its prior research, GASB found that the existing standards on fund balance were being misinterpreted by government agencies and that the public was having difficulty interpreting fund balance and financial statements. The objective of the new GASB 54 reporting requirements was to enhance the usefulness of fund balance and provide clearer classifications for fund balance usage. Classifications are established to define the hierarchy constraints imposed on the use of these funds. Depending upon which entity mandates the constraint determines the classification balance sheet codes. They are classified by the legislative body, the local board, and the superintendent or committees approved by the superintendent. All governmental agencies are to implement these standards for the June 30, 2011, financial reporting period.

The new GASB categories on a district's balance sheet will appear as nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance. Nonspendable fund balances include items that are not expected to be converted to cash, such as inventories, and will also include the long-term amount of loans. Restricted fund balances are amounts that can be spent only for a specific purpose stipulated by a constitutional provision or legislation. This includes districts' grant funds, capital outlay, and FSPK funds that are unspent at year end. The committed and assigned fund balances are similar in nature, and some agencies will have only one of these classifications. The committed fund balance is imposed by the government's highest level of decision-making authority, such as legislation, resolution, or ordinance. These funds cannot be used for any other reason unless the government takes action to recommit funds. Assigned fund balances are set aside for a specific purpose, to be used by the governing body itself, by a committee, or by someone to whom the board delegates authority. Both assigned and committed balances have constraints placed on them to be used for a specific purpose. Unassigned fund balances are what are left after districts have assigned all other funds. This account is used only in the general fund, unless another fund has a deficit.

Other States' Requirements

OEA contacted surrounding states and states belonging to the Southern Regional Education Board to determine any statutory requirements for end-of-year general fund balances and the calculation methods. The results of this review are in Appendix B. Of the 13 states surveyed, including Kentucky, about one-third require districts to maintain a minimum amount in their general funds. Of those requiring a minimum, two states also require a cap on the maximum allowed. Two states do not require a minimum fund balance but do place limits on the maximum.

Of the 13 states surveyed, 4 require caps on the maximum general fund balance allowed. Several states require districts either to reserve their fund balances, rainy day funds, or cash flow reserves on their balance sheets or to record them in a separate fund. Thus, no requirement is necessary in the budgeting process.

Chapter 2

The General Fund

The primary operating fund for districts is called the general fund, coded as Fund 1. Districts pay most major expenses, including student transportation; building maintenance; general operating, such as electric, phone, and other utility bills; supplies; and the majority of employee salaries and benefits from the general fund.

The primary operating fund for districts is called the general fund, coded as Fund 1. Districts pay most major expenses, including student transportation; building maintenance; general operating, such as electric, phone, and other utility bills; supplies; and the majority of employee salaries and benefits from the general fund. This chapter reviews school district fiscal data gathered from districts' annual financial reports, balance sheets, and working budgets submitted to KDE. AFRs and balance sheets are reported yearly and provide detailed district finance information, such as projected revenue, how funds were spent, and the financial condition of each district as of June 30. This chapter reports accumulated general fund balances for each district and provides districts' explanations for these balances.

OEA analysis of data in this chapter shows that few districts fall below the state-required minimum reserve; however, several districts have balances above what major bonding rating companies and the Government Finance Officers Association recommends as best practices.

OEA analysis of data in this chapter shows that few districts fall below the state-required minimum reserve; however, several districts have balances above what major bonding rating companies and Government Finance Officers Association recommends as best practices. Fund balances vary substantially by district, and superintendents are leery of moving forward with projects because of the financial uncertainty in the past couple of years.

Organization of the Chapter

The first section of this chapter presents an overview of revenue sources and amounts recorded in districts' general fund. The chapter reviews how accurately districts budget revenues, expenditures, and anticipated ending balances and concludes with the results from OEA's survey of superintendents.

The first section of this chapter presents an overview of revenue sources and amounts recorded in districts' general fund. Some districts invest funds to earn interest at a higher rate than from banks' standard checking accounts; thus, investments as reported on districts' balance sheets are presented. Trend data from FY 2005 through FY 2009 general fund ending balances and districts' explanations of those balances are presented. The chapter also reviews how accurately districts budget revenues, expenditures, and anticipated ending balances. The chapter concludes with the results from OEA's survey of superintendents, including their comments on general fund balances.

Revenues

General fund revenues come largely from state and local sources, with a small amount from federal sources. The majority of the school districts' state revenue comes through the Support Education Excellence in Kentucky (SEEK) funding system.

General fund revenues come largely from state and local sources, with a small amount from federal sources. The majority of the school districts' state revenue comes through the Support Education Excellence in Kentucky funding system, implemented in 1990 as part of the Kentucky Education Reform Act. Local revenue comes through local taxes levied, such as property, motor vehicle, utilities, and occupational taxes. Federal revenue in this fund comes mainly from Medicaid reimbursements.

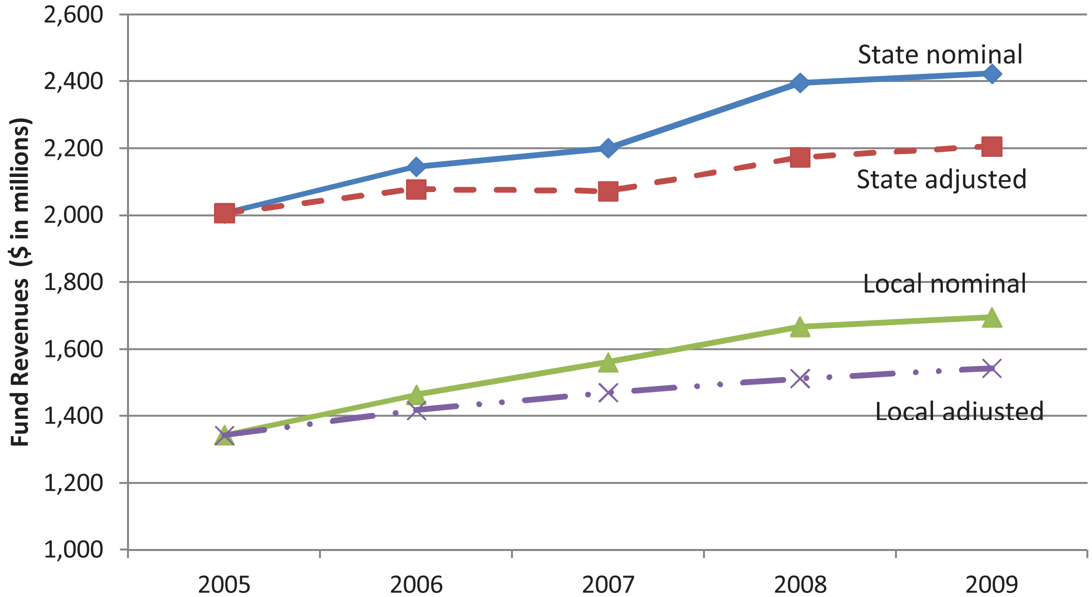
State revenues accounted for approximately 59 percent of all revenues recorded in districts' general funds in FY 2009. Local revenues accounted for approximately 41 percent.

State revenues accounted for approximately 59 percent of all revenues recorded in districts' general funds in FY 2009. Local revenues accounted for approximately 41 percent. In FY 2005, state revenues were roughly 60 percent, and local revenues were 40 percent.

State revenues recorded in the general fund increased by $416.6 million from FY 2005 to FY 2009, and local revenues across the state increased by $352.3 million. Federal sources of funding make up less than 1 percent of general fund revenues.

Federal sources of funding make up less than 1 percent of general fund revenues. Between FY 2005 and FY 2009, total federal dollars fluctuated from $5.9 million to $5.7 million. Figure 2.A shows that state revenues recorded in the general fund increased by $416.6 million from FY 2005 to FY 2009, and local revenues across the state increased by $352.3 million. When adjusted for inflation, state revenue increased by $199 million and local revenue increased by $200 million from FY 2005 through FY 2009. In total, the real general fund revenues districts received increased by $768.9 million, and inflation-adjusted revenues increased by $319 million. While the percentage of local, state, and federal funds did not fluctuate much between FY 2005 and FY 2009, there is wide variation in the amounts received through these three streams of revenue at the district level.

Figure 2.A
General Fund Revenue by Local and State Sources
Inflation-adjusted and Nominal Dollars
FY 2005-FY 2009



Source: Staff analysis of data from the Kentucky Department of Education.

District wealth is an important factor that affects state funding through SEEK; wealthier districts generate more local revenue than those that are less wealthy.

The amount of SEEK funds received by a district depends on student population factors such as the number of students transported and the number of at-risk, home hospital, and exceptional students. District wealth is also an important factor that affects state funding through SEEK; wealthier districts generate more local revenue than less wealthy districts and receive less SEEK funding.

Appendix C provides a breakdown of per-pupil local, state, and federal revenues recorded in each district's general fund for FY 2009. Table 2.1 compares local and state funding streams at Anchorage Independent, East Bernstadt Independent, and Bracken County and highlights how district wealth influences district funding.

Anchorage Independent received 87.1 percent of its general fund revenue through local revenue, while state funds supplied 12.9 percent in FY 2009. East Bernstadt Independent received 8.6 percent of its total general funds through local revenue and 91.3 percent from state funds.

Anchorage Independent received 87.1 percent of its general fund revenue through local revenue, while state funds supplied 12.9 percent in FY 2009. In total, Anchorage Independent had approximately $14,490 per pupil in general fund revenues. In contrast, East Bernstadt Independent received 8.6 percent of its total general funds through local revenue and 91.3 percent from state funds, and had $6,096 per pupil in general fund revenues.

Table 2.1
Per-pupil Local, State, and Total Local and State Funding With Percentage, FY 2009

	Local Funding		State Funding		Total Local and State Funding
District	**Percent**	**Per-pupil**	**Percent**	**Per-pupil**	**Per-pupil**
Anchorage Ind.	87.1%	$12,619	12.9%	$1,871	$14,490
East Bernstadt Ind.	8.6	522	91.3	5,568	6,090
Bracken Co.	15.4	895	84.5	4,905	5,800
State Average	41.1%	$2,896	58.8%	$4,139	$7,035

Note: Table does not include federal funding, which is generally less than 1percent for all districts.
Source: Staff analysis of data from the Kentucky Department of Education.

Anchorage Independent received the smallest amount of state revenue in the general fund, only $1,871 per pupil. East Bernstadt Independent received the most per-pupil state funding, $5,568.

Of all districts, Anchorage Independent received the smallest amount of state revenue in the general fund, only $1,871 per pupil in FY 2009. East Bernstadt Independent received the most state funding, $5,568 per pupil. Bracken County received the lowest amount of total general fund dollars, $5,804 per pupil. The gap between the per-pupil total general fund revenue available to Bracken County compared to that for Anchorage Independent was $8,686. The state average was $7,044 per student in total revenue in the general fund.

Investments

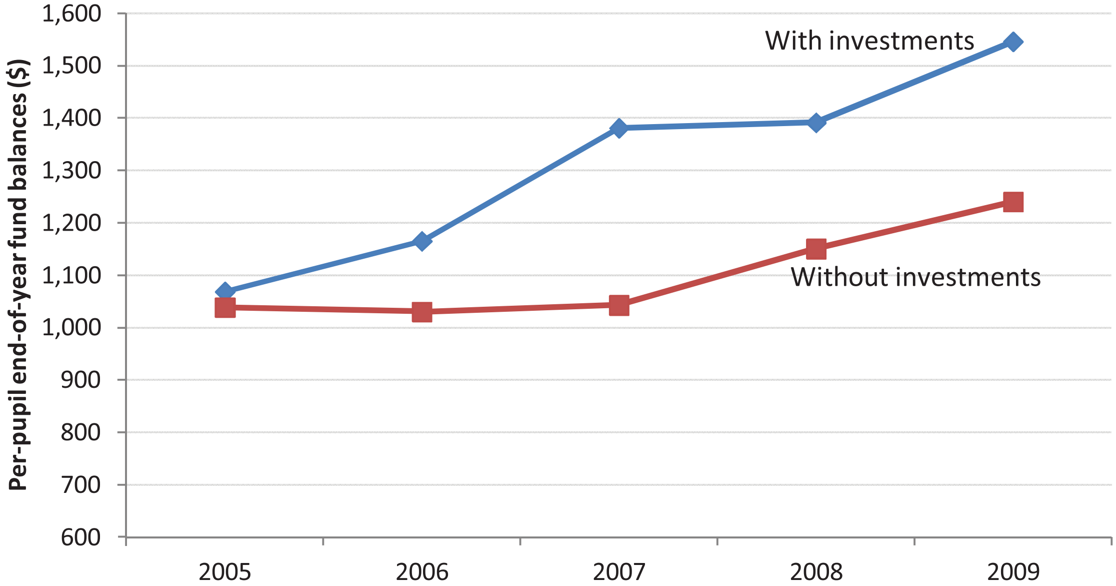
At various times during the year, districts may have significant amounts of cash. Some districts invest to earn more than the minimum interest paid through standard checking accounts.

At various times during the year, districts may have significant amounts of cash. Some districts invest to earn more than the minimum interest paid through standard checking accounts. Staff analyzed districts' balance sheets to see how many districts were investing funds as of June 30 of each year and found that nearly half of the districts indicated they invested their funds.

Districts that invested funds over the last 5 years had higher fund balances than noninvesting districts.

Fiscal data collected from districts do not permit analysis of individual investment performance or interest earned on investments. Staff analysis, shown in Figure 2.B, found that districts that invested funds had higher fund balances than did noninvesting districts. Between FY 2008 and FY 2009, fund balances of investing districts and non-investing districts increased at about the same rate, but those that invested maintained their lead.

Figure 2.B
Per-pupil Fund Balances for Districts With and Without Investments, FY 2005-FY 2009



Source: Staff analysis of data from the Kentucky Department of Education.

District End-of-year Fund Balances and Percentages

The percentage of fund balance is derived by aggregating certain identified fund balance codes and dividing that sum by the total expenditures in all funds less on-behalf-of payments.

The percentage of fund balance is derived by aggregating certain identified fund balance codes and dividing that sum by the total expenditures in all funds less on-behalf-of payments. There is no statutory year-end balance requirement, but KDE uses the threshold of 2 percent when determining fiscal solvency. KDE does not review or analyze the dollar amount saved or the stated purpose of the funds reserved.

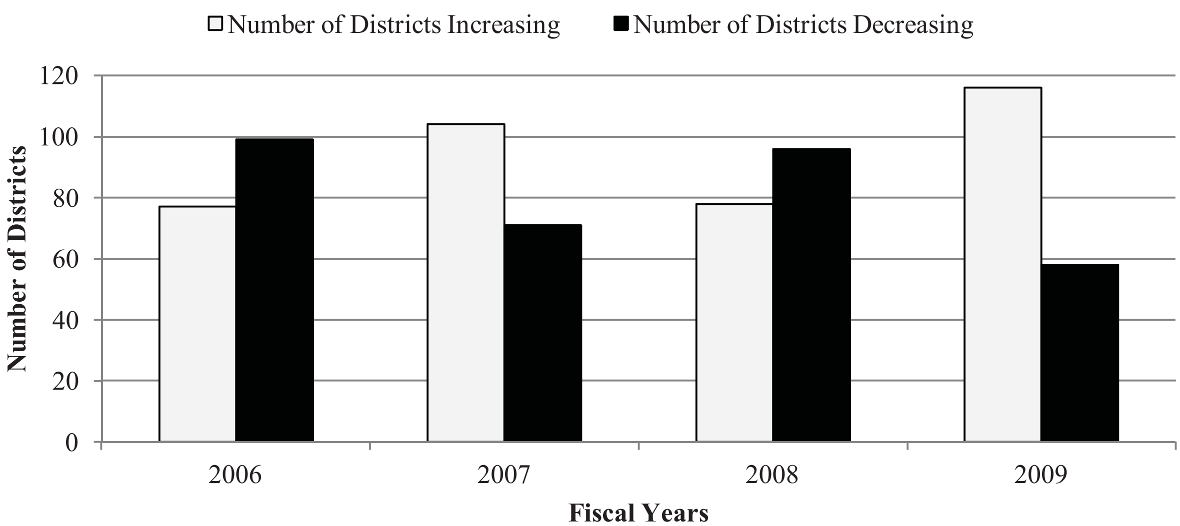
Districts' fund balances grew in current dollars from approximately $523 million in FY 2005 to approximately $774 million in FY 2009, However, $122.5 million of the increase came from the two largest districts in the state.

Districts' fund balances grew in constant dollars from approximately $523 million in FY 2005 to approximately $774 million in FY 2009, exceeding the rate of inflation. However, a review of individual districts showed that $122.5 million of the increase came from the two largest districts in the state. Jefferson County's fund balance grew by approximately $77 million, and Fayette County's grew by approximately $45.5 million, accounting for about half of the total growth. Jefferson County ended FY 2009 with a fund balance of 13.4 percent and Fayette County ended with 23.8 percent.

From FY 2008 to FY 2009, 58 districts' fund balances declined, and 116 districts' fund balances increased.

The number of districts with increasing and decreasing fund balances from FY 2005 to FY 2009 has fluctuated. From FY 2008 to FY 2009, 58 districts' fund balances declined, and 116 districts' fund balances increased, as shown in Figure 2.C. This change was more pronounced than in any of the previous years, reflecting more districts with increasing balances and fewer districts with decreasing balances.

Figure 2.C
Number of Fund Balance Increases or Decreases, Annual Change



Source: Staff analysis of data from the Kentucky Department of Education.

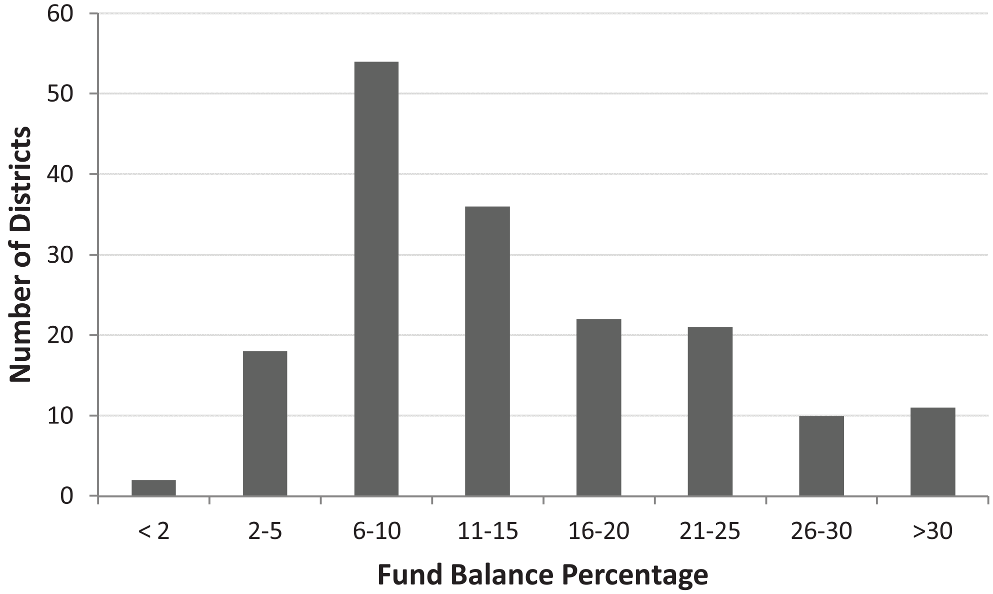
A number of factors influence the large range of year-end balance percentages across districts in FY 2009, such as district revenue and expenditures, facility needs, district wealth, and previously incurred district debts.

As shown in Figure 2.D, there was a large range of year-end balance percentages across districts in FY 2009. A number of factors influenced these results, such as district revenue and expenditures, facility needs, district wealth, and previously incurred district debts. In order to better understand this issue, staff analyzed finance data, surveyed all superintendents, and interviewed finance officers in districts with fund balances of 20 percent or higher.

At the end of FY 2009, only 2 districts fell below the 2 percent minimum, 18 districts ended at 2-5 percent, and 100 districts had an ending fund balance of 11 percent or more.

Figure 2.D shows that at the end of FY 2009, only two districts fell below the 2 percent minimum. Eighteen districts ended at 2-5 percent. One hundred districts had an ending fund balance of 11 percent or more. The median year-end balance for FY 2009 was 12 percent. Appendix D includes the data used in this calculation, including each district's fund balance, total expenses, and fund balance percent for FY 2009. Appendix E includes districts' general fund balances and percent of fund balance for FY 2005 to FY 2008.

Figure 2.D
Range of Fund Balance Percentages, FY 2009

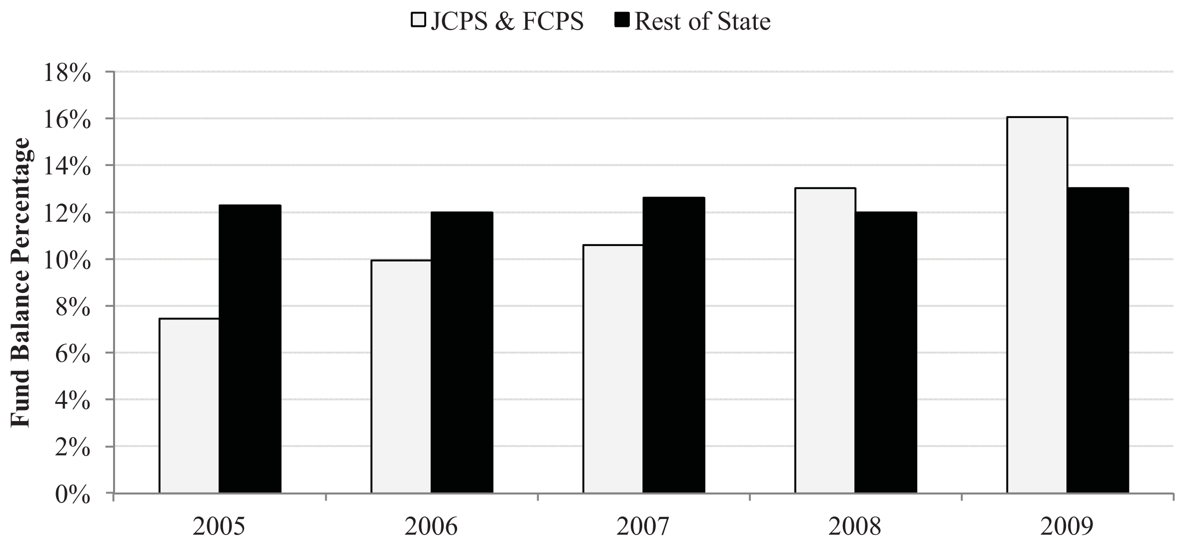


Source: Staff analysis of data from the Kentucky Department of Education.

While the change in absolute dollar amounts has steadily increased, the fund balance percentage for the state has remained relatively stable.

While the change in absolute dollar amounts has steadily increased, the fund balance percentage for the state has remained relatively stable. Figure 2.E breaks down Kentucky districts into two categories: 1) Jefferson County and Fayette County combined and 2) the aggregate of all other districts. The fund balance percentage has remained flat for the rest of the state, ranging from 12 to 13 percent. The fund balance percentage has more than doubled for the combined districts of Jefferson and Fayette. In 2009, Fayette had more than $13 million restricted on its balance sheet for construction projects and $5 million for sick leave, litigation, and energy cost, causing the fund balance percentage to be about 23 percent. Jefferson County has major cash flow issues from July until October each year, resulting in the need to keep more than $71 million to cover operational expenses during this time. Jefferson ended FY 2009 with a little more than 13 percent fund balance.

Figure 2.E
Changes in Fund Balance Percentage, FY 2005-2009



Note: JCPS and FCPS refer to Jefferson County Public Schools and Fayette County Public Schools, respectively.
Source: Staff analysis of data from the Kentucky Department of Education.

Superintendents in districts with at least a 20 percent fund balance reported that balances reflect the need to cover construction projects, bonding that the building fund could not finance, and unforeseen emergency expenditures.

Staff contacted all districts with at least a 20 percent fund balance in the general fund, seeking additional explanation for the seemingly large fund balances. Some districts with high balances had properly coded the restrictions for some of the funds, but others had not. Superintendents reported that balances reflect the need to cover construction projects, bonding that the building fund could not finance, and unforeseen emergency expenditures. Appendix F includes responses from superintendents describing their intended uses of fund balances.

Restrictions/Reserve Accounts

Through the chart of accounts, based on government guidance, KDE provides specific approved codes to reserve and restrict funds. However, KDE does not provide any analysis or guidance regarding these funds. At present, there is no policy or regulation specifying the amount of funds that can be restricted or the length of time the funds may be reserved. Districts reported reserving funds for technology needs, bus purchases, and instructional programs, but more balance sheet codes are needed to accurately reflect the reasons why some districts have high fund balances. This would promote public transparency.

In FY 2009, nearly $102 million was restricted on districts' balance sheets in the general fund, and $45.5 million, or 45 percent of the restricted funds, was intended to be used for construction or bonding needs.

In FY 2009, nearly $102 million was restricted on districts' balance sheets in the general fund that was included in the fund balance calculation. OEA contacted all districts that had funds restricted in FY 2009 to determine reasons for the restrictions and found that $45.5 million, or 45 percent of the restricted funds, was intended to be used for construction or bonding needs. The remaining amounts were targeted to various purposes and are detailed in Appendix G.

On the 2009 balance sheets, approximately $10.4 million, or 10 percent of the total restricted funds, was inaccurately coded. Several districts used codes that are not part of the chart of accounts.

On the 2009 balance sheets, approximately $10.4 million, or 10 percent of the total restricted funds, was inaccurately coded. Several districts used codes that are not part of the chart of accounts and are reflected in Appendix F as "unknown." The use of accurate object codes is important because KDE's annual district end-of-year fund calculation includes only amounts coded accurately. As a result of inaccurate coding, seven districts' fund balances were understated in FY 2009 by KDE.

Restricted for Sick Leave

The median planned or restricted sick leave amount is approximately $90,000; however, the median amount spent on sick leave payouts was less than $40,000.

Districts have the option to restrict or escrow part of their money for unused sick leave payments. KRS 157.420(3) allows this escrow account but limits the account to contain no more than 50 percent of the maximum liability for the current year. These dollars cannot be used for any other purpose and cannot be considered part of the general fund balance when determining available local revenue for the facilities' unmet-need calculation. KDE also does not include this account when it is determining the end-of-year fund balance. Staff analysis found examples of districts that appear to be restricting more than allowed. The median planned or restricted sick leave amount in FY 2009 was about $90,000; however, the median amount spent on sick leave payouts was less than $40,000, a 49 percent difference.

Some districts have not adjusted their sick leave balances from FY 2005 through FY 2009.

OEA's cursory review of these accounts from FY 2005 through FY 2009 found that some districts have not adjusted their balances for 5 years. The number of personnel eligible to retire each year fluctuates; therefore, districts' restrictions should change accordingly. Because these funds are excluded from unmet-need and fund balance calculations, it is imperative that districts restrict the proper amount.

Year-end Fund Balance Cap

The range of year-end balance amounts varies greatly depending on what future expenses the district has identified. While there is an enforced minimum balance requirement for budgeting purpose, there is not a limit on the maximum amount of funds a district can hold at the end of a fiscal year. In the past, KRS 157.615 capped year-end fund balances at 10 percent, and anything over 10 percent had to be restricted on the districts' balance sheets for School Facilities Construction Commission (SFCC) purposes. Because use of SFCC funds is restricted to top-priority needs on the district facility plan, districts were reluctant to let those funds accumulate. In 2001, this provision was removed, allowing districts to end the year with an unlimited fund balance.

Districts are not required to submit future spending plans that outline how large fund balances are to be spent.

Districts are not required to submit future spending plans that outline how large fund balances are to be spent. According to the GFOA research bulletin on unreserved fund balance, an informal standard of fund balance threshold for governments should not be in excess of 10 percent of annual operating expenditures (School). Anything over that should be examined carefully, and appropriate justification for maintaining that level should be documented. OEA interviews with district finance officers found that most districts have made tentative plans to spend their fund balances.

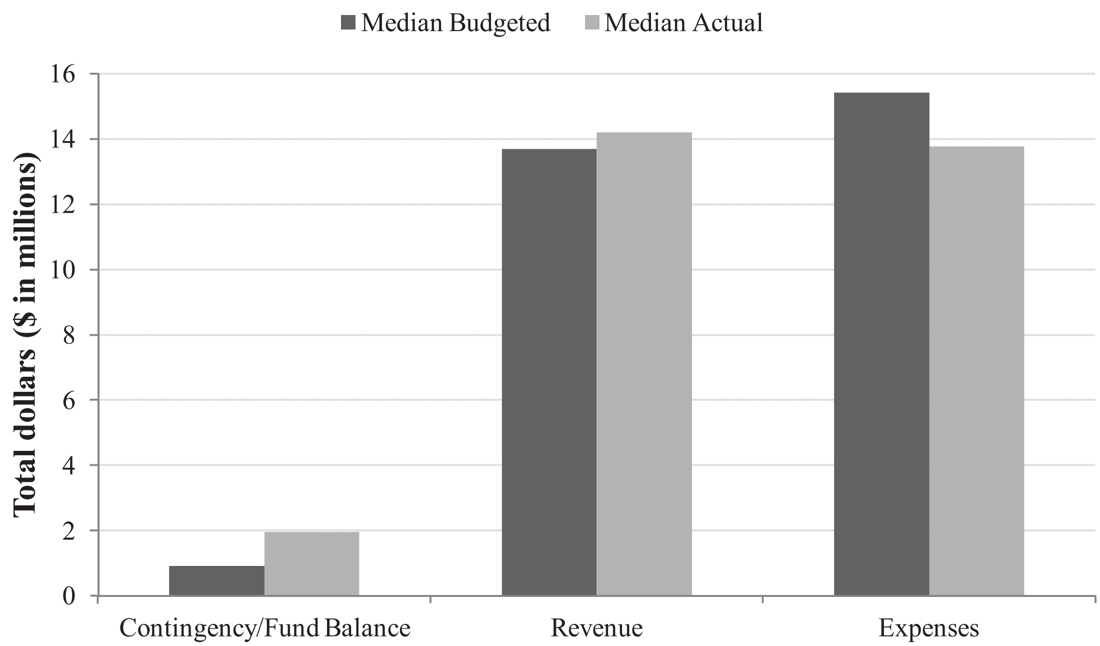
Comparisons of Budgeted Contingency to Actual End-of-year Fund Balance

To determine accuracy in budgeting, staff compared the budgeted contingencies on the districts' working budgets to actual year-end amounts on districts' balance sheets. When comparing these two items, staff included only those funds that would be included on the beginning balance of a budget, leaving out restricted funds not carried over, to more accurately reflect the working budget.

Districts appear to be conservative with their projections, underbudgeting revenues while overestimating expenditures. The estimated contingency or reserve amount in the working budget should be closely aligned with the year-end fund balance amount.

As shown in Figure 2.F, there is a large discrepancy between the median amounts of both revenue and expenditures budgeted when compared to the median actual revenue and expenditures reported on districts' year-end AFRs. Districts appear to be conservative with their projections, underbudgeting revenues while overestimating expenditures. The estimated contingency or reserve amount in the working budget should be closely aligned with the year-end fund balance amount.

Figure 2.F
Comparison of Budgeted to Actual Contingency, Revenue, and Expenses, FY 2009

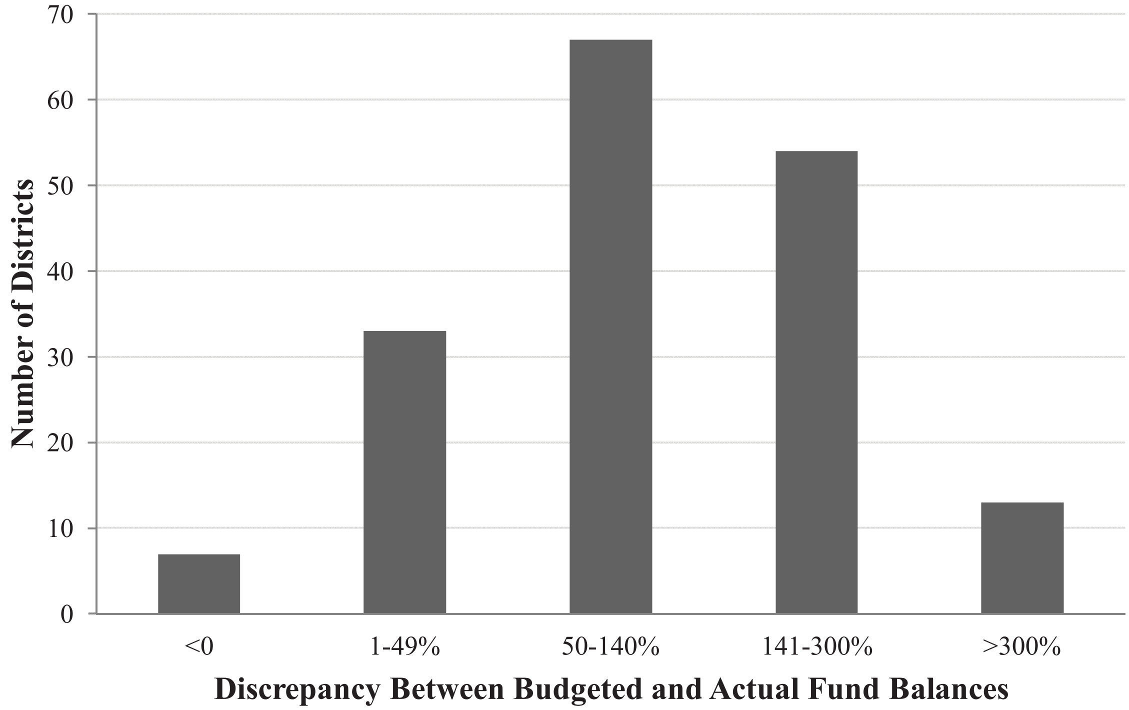


Source: Staff compilation of data from the Kentucky Department of Education.

Seven districts spent more than they had budgeted in contingency. Local boards of education are required by 702 KAR 3:050 to submit an application to KDE before exceeding their budgets. However, KDE stated that this regulation has not been enforced, resulting in districts spending more funds than budgeted.

Figure 2.G shows that seven districts spent more than they had budgeted in contingency. Local boards of education are required by 702 KAR 3:050 to submit an application to KDE before exceeding their budgets. However, KDE stated that this regulation has not been enforced, resulting in districts spending more funds than budgeted. Thirty-three districts estimated their anticipated fund balance within 50 percentage points, while 67 district estimates were off by at least 141 percent, one being off by 1,037 percent.

Figure 2.G
Number of Districts by Percentage Above/Below Budgeted and Actual Fund Balance Amounts, FY 2009



Source: Staff compilation of data from the Kentucky Department of Education.

Superintendent Survey

OEA surveyed all district superintendents and achieved a 100 percent response rate.

OEA conducted an online survey of all 174 district superintendents to better understand the reasons for fund balances. All superintendents responded. Appendix H contains a list of all survey questions.

Superintendents overwhelmingly reported that districts need to have funds to cover any unforeseen events and that they have unmet facility needs.

Year-end fund balances and the districts' role in providing sound fiscal leadership are clearly topics of interest among superintendents. Superintendents were asked to explain the need to maintain balances in excess of the minimum amounts mandated by the state. Superintendents overwhelmingly responded that districts need to have funds to cover any unforeseen events and that they have unmet facility needs. Examples of emergency or unforeseen circumstances that require additional unbudgeted funds include replacing worn-out boilers, floating school construction bonds, increasing energy costs, safeguarding against overly optimistic revenue forecasts, covering expenses if the state recoups general fund SEEK or special revenue projects in the special revenue fund, and covering payroll expenses during the first part of the year before the collection of local property taxes.

Superintendents want to ensure adequate cash flow to cover fiscal obligations throughout the year. A few superintendents acknowledged that extra cash is sometimes needed in June, July, and August to cover payroll before the collection of property tax revenue.

Another concern of superintendents is ensuring adequate cash flow to cover fiscal obligations throughout the year. Superintendents were asked if districts had to borrow funds for cash flow. Some districts reported having cash flow problems such as meeting payroll requirements, but only seven districts had to borrow funds in the past 5 years to meet expense obligations. Two reported that late property tax receipts resulted in cash flow problems.

The survey also asked superintendents for their opinions on the minimum level of funds necessary to hold in reserve. Superintendents in only 14 districts said the current 2 percent requirement is sufficient to meet their district's needs, those in 52 said the minimum requirement should be 5 percent, and those in 15 districts said it should be more than 10 percent.

Fifty-eight of the 174 superintendents said the minimum fund balance requirement should be set at 1 month of general fund total expenditures.

Districts were also asked to explain their recommended minimum. Fifty-eight of the 174 superintendents said the requirement should be minimally set at 1 month of general fund total expenditures. Thirty-seven superintendents said that an increase in the minimum fund balance was needed for funding cuts, new buildings and maintenance, and the unknowns of the economy; however, they did not specify whether fund balance should be an additional 1, 2, or 3 months of general fund operating expenses. Eighteen superintendents reported they would have cash flow issues if they did not keep above the 2 percent requirement.

Many superintendents said high fund balances reflect prudent fiscal behavior that represents districts' foresight in dealing with an uncertain fiscal future.

Many superintendents said high fund balances reflect prudent fiscal behavior that represents district foresight in dealing with an uncertain fiscal future. According to one respondent,

> …we have worked very hard for years to build up a healthy contingency that will allow us to absorb excess operational costs of opening our new High School. … It would be a disservice to our students and taxpayers to reduce our district's funding simply because we have been resourceful enough to plan ahead for our students' future needs.

Approximately half of Kentucky school districts had a fund balance of 12 percent or greater, which is equivalent to 2 or more months of expenses.

Judging from superintendents' opinions and current best practice suggestions, support exists for increasing mandated budgeted reserves and year-end balances. As of FY 2009, more than half of Kentucky school districts had a fund balance of 12 percent or greater, which is equivalent to 2 months or more of expenses. About 30 percent of districts had a balance of 18 percent or greater, which is equivalent to 3 months or more of expenses.

About one-third of districts ended the year with balances in excess of 18 percent, while 20 districts ended the year with fund balances below 6 percent, or 1 month of expenses. Thus, only a few districts would have difficulty meeting a higher minimum balance requirement of at least 6 percent, or 1 month of expenses.

Other Superintendent Concerns

A number of superintendents pointed out that reported fund balances do not reflect pending investments in school infrastructure or emergency expenditures that all districts must manage.

A number of superintendents pointed out that reported fund balances are not accurate reflections of districts' fiscal health. Fund balances are a snapshot of a district's fiscal situation on June 30. Over the course of an academic year, the fund balances fluctuate. Typically, available funds peak when property taxes are collected in November and December and are lower during other times of the year. Superintendents pointed out that the fund balance is reported without any context. It does not reflect pending investments in school infrastructure or emergency expenditures that all districts must manage.

Many superintendents highlighted concern about unfunded mandates in light of possible decreases in SEEK funding.

Many superintendents expressed frustration over budget constraints affecting Kentucky. They expressed concern about unfunded mandates in light of possible decreases in SEEK funding. As reasons to maintain fund balances, superintendents listed issues and programs that add to costs already incurred by districts, including mandated salary raises, purchasing new buses, renovating older buildings, implementing response to intervention, purchasing textbooks, Flex Focus cuts, potential fringe benefits increases associated with House Bill 540 in the 2010 legislative session, and hedging against sick leave pay for retirees.[1] One superintendent noted that auditors recommended a reserve that would cover 3 to 6 months of operating expenses.

Superintendents expressed concern that assumptions about large fund balances are unfounded.

Superintendents expressed concern that assumptions about large fund balances are unfounded. Some cited construction of new schools and facilities as reasons their districts carried seemingly large fund balances; superintendents reported that they have built up their fund balances over many years to complete such projects.

[1] Flex Focus provides money for extended school services, preschool professional development, textbooks, and safe schools.

Chapter 3

Other Major Funds

Chapter 3 focuses on districts' other major funds. These include the special revenue fund (Fund 2), capital outlay (Fund 310), building fund (Fund 320), construction fund (Fund 360), and food service fund (Fund 51).

Chapter 3 focuses on the major funds, other than the general fund, districts have in their financial system. These include the special revenue fund (Fund 2), capital outlay (Fund 310), building fund (Fund 320), construction fund (Fund 360), and food service fund (Fund 51). Data used in this chapter are reported from districts' annual financial reports and balance sheets submitted to the Kentucky Department of Education.

Organization of the Chapter

This chapter is divided into several sections, each devoted to the funds identified above. The analysis focuses on the types of revenues the fund receives and the restricted uses of these revenues. Staff also analyzed the districts that have used capital outlay funds for maintenance, operational expenses, and insurance over the past 5 years, as this is a recent flexibility provided by legislators.

Special Revenue Fund

The special revenue fund includes local, state, and federal grants or projects local districts receive that must be spent on specific purposes. Grants in this fund can be spent over multiple years, so the fund is commonly referred to as a multiyear fund.

The special revenue fund includes local, state, and federal grants or projects local districts receive that must be spent on specific purposes. Examples of local grants include Crusade for Children and funds run through fiscal courts to local school districts. Examples of state grants include Safe Schools, Extended School Services, Textbooks, and Family Resource/Youth Service Center. Examples of federal grants include Title 1 funds used for economically disadvantaged children; Individuals with Disabilities Act funds used for special education; and Perkins funds used for vocational programs. Grants in this fund can be spent over multiple years, so the fund is commonly referred to as a multiyear fund. Because each individual grant stipulates how money must be spent, there are no governing state statutes or regulations.

Revenues

For FY 2009, federal revenue makes up 63 percent of total funding, while state and local revenue make up 33 percent and 4 percent, respectively.

Revenues in the special revenue fund come from local, state, and federal sources. For FY 2009, federal revenue was 63 percent of total funding, while 33 percent came from the state and 4 percent came from local sources. In FY 2005, 66 percent of total dollars came from federal sources, down 3 percent in FY 2009. As shown in Table 3.1, total revenue has fluctuated. State revenues dropped from $306.5 million in FY 2008 to $269.5 million in FY 2009 due to a reduction in Flex Focus funds and the commissioner using the commonwealth school improvement funds for implementing No Child Left Behind. Appendix I includes a breakdown of each district by revenue source for FY 2009.

Table 3.1
Special Revenue Fund Revenues by Local, State, and Federal Sources
FY 2005-FY 2009

Fiscal Year	Local Revenue	State Revenue	Federal Revenue	Total Revenue
2005	$24,162,218	$221,991,087	$487,737,803	$733,891,108
2006	29,235,958	252,453,613	507,866,457	789,556,028
2007	34,279,728	293,936,481	493,526,458	821,742,667
2008	34,233,296	306,569,475	508,351,561	849,154,332
2009	36,023,969	269,571,545	517,657,533	823,253,047

Source: Staff analysis of data from the Kentucky Department of Education.

Fund Balance

The special revenue fund is a multiyear fund.

The special revenue fund is a multiyear fund, meaning the projects and grants are spent over multiple years. Unlike the general fund, for which certain accounts at the end of the year roll into the beginning balance for the next year, the special revenue fund should never have a beginning balance. Revenue received by districts before closing the fiscal year for work that has yet to be completed is commonly called unearned revenue. These revenues are classified as deferred revenue on the balance sheet. Table 3.2 shows the special revenue fund balance from FY 2005 to FY 2009. Districts seem to have increased fund balances in reaction to economic uncertainty. It should be noted that this table does not reflect what districts still have available to spend in each individual grant. In FY 2007, six districts ended with a deficit balance, causing the overall state total to be negative. Appendix J includes school districts' fund balances for FY 2009 for the special revenue fund.

Table 3.2
Special Revenue Fund Balance,
FY 2005-FY 2009

Fiscal Year	Total Fund Balance
2005	$2,924,354
2006	3,013,000
2007	(1,864,464)
2008	4,172,404
2009	4,418,120

Source: Staff analysis of data from the Kentucky Department of Education.

Capital Outlay Fund

The capital outlay fund was originally spent on direct payment of construction costs and debt service; however, budget language and recent changes to KRS 157.420 allow for additional expenses.

The capital outlay fund was originally created for districts to spend revenues on direct payment of construction costs and debt service; however, budget language and recent changes to KRS 157.420 have allowed districts to also purchase land and pay for maintenance repairs, insurance, and general operating expenses.

The General Assembly, in KRS 160.599, created the emergency revolving school loan fund account for districts experiencing the following conditions: loss of physical facilities due to fire or natural disaster, insufficient insurance on facilities to replace the loss, being bonded to capacity with insufficient resources to meet capital outlay needs, or failure of the sheriff to timely collect local tax revenues. 702 KAR 4:100 sets out the procedures for receiving and repaying loans from this fund. According to KDE, the revolving loan fund had a balance of $1 million; however, because districts had not used this fund in the past several years, Executive Order 2008-0111 took the fund’s money on January 4, 2008, as part of a budget reduction act.

Revenues

Since 1954, districts have received $100 per adjusted average daily attendance provided through the SEEK formula to spend on capital outlay expenditures.

Since 1954, districts have received $100 per adjusted average daily attendance provided through the SEEK formula to spend on capital outlay expenditures. The only other revenue districts receive in this fund is interest accrued from interest bearing bank accounts. Table 3.3 shows the capital outlay revenues from FY 2005 to FY 2009.

Table 3.3
Capital Outlay Fund by Local and State Sources
FY 2005-FY 2009

Fiscal Year	Local Revenue	State Revenue	Total Revenue
2005	$250,363	$57,730,520	$57,980,883
2006	422,937	58,205,256	58,628,193
2007	701,438	58,686,849	59,388,287
2008	524,281	58,840,282	59,364,563
2009	376,059	59,027,249	59,403,308

Source: Staff analysis of data from the Kentucky Department of Education.

Fund Balance

Districts that end with a fund balance in odd-numbered years must restrict any available funds on the balance sheet on July 1 to participate in the School Facilities Construction Commission (SFCC). In FY 2009, 77 districts—or 44 percent of all districts—ended the year without any available funds in the capital outlay fund.

Districts that end with a fund balance in odd-numbered years must restrict any available funds on the balance sheet on July 1 to participate in the School Facilities Construction Commission. In FY 2009, 77 districts—or 44 percent of all districts—ended the year without any available funds in the capital outlay fund. Table 3.4 shows the total available capital outlay funds from FY 2005 to FY 2009. This breakdown shows the amounts restricted for SFCC construction projects as well as what is available to be spent on non-SFCC projects. From FY 2005 to FY 2008, the capital outlay budget grew by about 38 percent, but the SFCC balance dropped by $3 million in FY 2009. Appendix J includes school districts' fund balances for FY 2009 for the capital outlay fund.

Table 3.4
Capital Outlay Fund Balance
FY 2005-FY 2009

Fiscal Year	School Facilities Construction Commission	Other	Total Fund Balance
2005	$8,709,011	$9,106,003	$17,815,014
2006	10,431,876	12,377,560	22,809,436
2007	11,030,614	11,671,367	22,701,981
2008	12,127,296	12,385,809	24,513,105
2009	9,164,416	12,814,595	21,979,011

Source: Staff analysis of data from the Kentucky Department of Education.

Maintenance, Insurance, and General Operating

In FY 2009, capital outlay funds spent on maintenance and property insurance varied by how the districts were instructed to code these expenses. It appears that some districts are not coding these expenses correctly.

Staff review found that the amount of FY 2009 capital outlay funds spent on maintenance and property insurance varied depending on how districts coded these expenses. Districts were instructed by KDE to code these expenditures to a specific function code and object code to enable expenditure tracking. However, staff performed the calculation using the specific function code and object code as instructed by KDE and again using object code only. It appears some districts failed to use the correct function code. Table 3.5 shows that the difference between the two calculations is approximately $1.1 million. As more funds in capital outlay are spent on normal general fund expenditures, this situation leaves less for districts to spend on facility unmet needs and may need to be reviewed in the future.

Table 3.5
Maintenance and Property Insurance Spent Out of Capital Outlay by Object Codes and Function Codes, FY 2009

Expenditure	Amount by Object Code	Amount by Function and Object Code	Difference
Maintenance	$6,877,629	$5,776,180	$1,101,449
Property Insurance	6,220,026	5,278,751	941,275

Source: Staff analysis of data from the Kentucky Department of Education.

Building Fund

KRS 157.440 governs the building fund and limits spending to debt service on facility bond issues, new facilities, and major renovations of existing facilities as listed in the district's approved facility plan.

The building fund was authorized by the General Assembly in 1990. KRS 157.440 governs this fund and limits spending to debt service on facility bond issues, new facilities, and major renovations of existing facilities as listed in the district's approved facility plan. Allowable expenditures include purchase of sites, construction and equipping of new school buildings, and debt service on facility bond issues.

Revenues

The building fund records the revenue of the Facilities Support Program of Kentucky. Districts levy a 5-cent equivalent tax per $100 in assessed property value that is earmarked for facilities.

The building fund records the revenue of the Facilities Support Program of Kentucky. Districts levy a 5-cent equivalent tax per $100 in assessed property value that is earmarked for facilities. This local tax is equalized by the state at 150 percent of the statewide average per-pupil property assessment. Any district that wants to participate in SFCC funding must levy this tax. Over the years, the General Assembly has seen the need for increased funding to maintain buildings and has added building levies.

Over the years, the General Assembly has seen the need for increased funding to maintain buildings and has added building levies, such as the growth nickels, recallable nickel, equalized facility funding nickel, federal Base Realignment and Closure nickel, and category 5 nickel.

The first growth nickel was established in 1994 and allowed districts to levy an additional 5-cent equivalent tax if districts grew by at least 150 students and experienced 3 percent overall growth in the preceding 5 years. This was then equalized by the state beginning in FY 2004 if districts levied an additional growth nickel.

Another levy is the recallable nickel. Beginning in FY 2006, retroactive equalization has been provided for those districts levying the recallable nickel.

In FY 2006, if districts already committed at least a 10-cent equivalent tax to the building fund or had debt service in this amount and received no equalization other than the original FSPK equalization, they received equalization for facilities for 20 years. This nickel is referred to as the equalized facility funding nickel.

In the 2008 Regular Session, the General Assembly authorized the levy of an additional 5-cent equivalent rate after April 24, 2008, provided that the district is located in a county that will have additional students as a direct result of the federal Base Realignment and Closure Act and receives a determination by the commissioner of education that the projected increase in students is sufficient to require new facilities or major renovation of existing facilities to accommodate the new students. Districts can receive equalization provided they have levied the original growth nickel and receive no equalization other than FSPK.

In the 2010 Special Session, districts that had school facilities classified as Category 5 on May 18, 2010, were given the ability to levy an additional 5-cent equivalent tax rate for building purposes without being subject to recall, or the board may request that the issue be placed on the ballot. Districts will receive equalization the following year.

For FY 2009, local revenues make up 71 percent of total funds in the building fund, and state revenues make up 29 percent. Both local and state sources have increased in each fiscal year, amounting to a total increase of $104 million from FY 2005 to FY 2009.

For FY 2009, local revenues made up 71 percent of total funds in the building fund and state revenues made up 29 percent. As shown in Table 3.6, local and state sources of revenue increased in each fiscal year, amounting to a total increase of $104 million from FY 2005 to FY 2009. Appendix K includes revenues by district for the building fund for FY 2009.

Table 3.6
Building Fund Revenue by Local and State Sources
FY 2005-FY 2009

Fiscal Year	Local Revenue	State Revenue	Total Revenue
2005	$177,500,895	$71,491,034	$248,991,929
2006	211,498,256	74,882,584	286,380,840
2007	239,344,766	86,507,394	325,852,160
2008	244,827,824	82,265,147	327,092,971
2009	252,156,935	101,123,468	353,280,403

Source: Staff analysis of data from the Kentucky Department of Education.

It is important to note that funding from the General Assembly to the SFCC for district offers of assistance is not included on districts' financial statements. SFCC makes offers of assistance to districts and makes debt service payments on the districts' behalf.

Fund Balance

Balances in the building fund are treated the same as those in the capital outlay fund; any unspent funds in the odd-numbered years must be restricted for SFCC purposes on July 1.

Balances in the building fund are treated the same as those in the capital outlay fund; any unspent funds in the odd-numbered years must be restricted for SFCC purposes on July 1. While Table 3.7 shows that the fund balance for districts in the building fund was almost $100 million in FY 2009, almost a third of these funds was restricted for SFCC. However, the remaining $70,028,587 would have to be restricted for SFCC funds on July 1, 2009. Appendix J includes school districts' fund balances for FY 2009 for the building fund.

Table 3.7
Building Fund Balance, FY 2005-FY 2009

Fiscal Year	School Facilities Construction Commission	Other	Total Fund Balance
2005	$31,049,483	$55,814,030	$86,863,513
2006	46,782,309	37,367,221	84,149,530
2007	41,008,322	41,319,309	82,327,631
2008	49,993,221	46,007,750	96,000,971
2009	28,877,500	70,028,587	98,906,087

Source: Staff analysis of data from the Kentucky Department of Education.

Construction Fund

The construction fund is a multiyear fund.

The construction fund is a multiyear fund like the special revenue fund because construction projects run over multiple years and the accounts must stay open until the construction is completed. Once a district receives KDE's approval to start a building project, all funds are transferred into a specific project in the construction fund to be expended.

Revenues

Revenues from the construction fund are generated by selling bonds or transferring funds from capital outlay, building fund, or the general fund after the building project has been approved by KDE.

Revenues from the construction fund are generated by selling bonds or transferring funds from capital outlay, building fund, or the general fund after the building project has been approved by KDE.

Fund Balance

Because this fund is a multiyear fund, fund balances are recorded on districts' balance sheets as restricted for future construction, and there should be no beginning balances on districts' annual financial reports. Available balances after a construction project is completed should be captured in the unmet-need calculation

Food Service

The food service fund tracks schools' receipts and expenditures for providing breakfast and lunch to their students. This account is financed and operated like a private business.

The food service fund tracks schools' receipts and expenditures for providing breakfast and lunch to their students. This account is financed and operated like a private business. All records of revenues and expenditures generated from the school breakfast and lunch programs are coded to this fund.

Revenues

The revenue streams depend on the economic status of the state.

The revenue streams coming into this fund greatly depend on the economic condition of the state. In Kentucky, 64 percent of food service revenue came from federal sources in FY 2009, while 35 percent was raised by local funds generated from students who pay for their meals. Federal funds made up 60 percent of the food service revenues in FY 2005, showing that more Kentucky students are using the free and reduced-price lunch program offered by the federal government. This is most likely a reflection of the economic recession. Table 3.8 includes a breakdown of how much revenue was generated in the food service fund for FY 2005-

FY 2009. Appendix L includes revenue by district for FY 2009 for the food service fund.

Table 3.8
Food Service Fund by Local, State, and Federal Sources
FY 2005-FY 2009

Fiscal Year	Local Revenue	State Revenue	Federal Revenue	Total Revenue
2005	$104,660,999	$3,806,480	$164,971,233	$273,438,712
2006	108,243,365	4,141,235	174,818,463	287,203,063
2007	111,251,626	4,018,671	183,410,426	298,680,723
2008	114,487,785	3,987,090	195,132,217	313,607,092
2009	113,299,318	4,009,162	208,245,360	325,553,840

Source: Staff analysis of data from the Kentucky Department of Education.

Fund Balance

According to 702 KAR 6:075, districts are supposed to keep only up to 3 months' worth of operating expenses in the food service fund.

The food service fund balance was about $53.7 million in FY 2009 and had been fairly steady since FY 2005. While some districts had no fund balances or deficit fund balances, others had hefty fund balances in food service. Per 702 KAR 6:075, districts are supposed to keep only up to 3 months' worth of operating expenses in this fund. According to KDE's Nutrition and Health Service director, some of the large food service balances occur because of districts saving to purchase equipment for new cafeterias. Districts may need to purchase equipment for older schools as well but hold off on these purchases until the new-school purchases are made. Large balances may also reflect raised meal prices. Beginning in October 2010, KDE will track all districts' fund balances, and any districts with balances more than 3 months' worth of operating expenses will have to submit a plan to the department on how they will reduce the balance. Appendix J lists school districts' food service fund balances for FY 2009.

Chapter 4

Conclusions and Recommendations

General fund year-end balances are needed for a variety of factors, such as construction, technology and instructional needs, covering cuts in state grants, one-time payments for disasters or other unforeseen events, and covering cash flow problems.

General fund year-end balances are needed for a variety of factors. A large amount of these funds is being saved for specific purposes such as construction, technology and instructional needs, potential general fund expenditures to cover cuts in state grants in the special revenue fund, and significant one-time payments for disasters or other unforeseen events. Higher levels of fund balances are also needed by districts that have cash flow problems and need extra cash to cover payroll for June, July, and August, the months before local property taxes are collected.

This report details the need for greater transparency in reporting and documenting the reasons for some districts' large year-end general fund balances.

This report details the need for greater transparency in reporting and documenting the reasons for some districts' large year-end general fund balances. While many of the districts have plans for these funds, the intended uses are not always readily apparent. The new GASB reporting requirements should make improvements in this area; however, additional fund balance object codes need to be added to the chart of accounts to allow for greater transparency in detailing why districts are reserving funds.

Fund Balance Requirements

Most districts with large fund balances are saving for construction projects. These dollars are not counted when KDE calculates districts' unmet needs for School Facility Construction Commission purposes.

Judging from districts' use of codes in reporting restricted funds, most districts are saving funds for construction projects, which increases fund balances. Reasons why these funds are needed vary, although districts reported that they either did not have enough bonding potential to complete a project or that the project is classified as a priority 4 need on their facility plan. Priority 4 needs are items such as new ball fields, new construction or repairs for central office, and bus garages. Districts can spend restricted capital project funds on priority 4 projects only if they have no priority 1-3 needs, such as upgrading or constructing new school buildings. These dollars are also not currently accounted for when KDE calculates districts' unmet needs for SFCC purposes: neither are any dollars that are not expended when a construction project has been completed in the construction fund.

From reviewing current best practice suggestions and superintendents' opinions, OEA staff found that support exists for increasing minimum budgeted reserves and year-end balances. In order to analyze the impact of increases on districts, staff calculated the impact of raising the requirement to 6 percent, which is generally equal to 1 month of expenses.

Recommendation 4.1

Recommendation 4.1
The Kentucky Department of Education should review fund balance requirements to ensure that the minimum 2 percent requirement is adequate.

Recommendation 4.2

Recommendation 4.2
The Kentucky Department of Education should mandate that districts use restricted/reserve object codes when fund balances are more than 12 percent or 2 months' worth of general fund expenditures.

Recommendation 4.3

Recommendation 4.3
In calculating the unmet need for School Facilities construction Commission, the Kentucky Department of Education should include funds reserved for future construction in the general fund, and any available funds after closing individual construction projects in the construction fund should also be included in the unmet-need calculation.

KDE is not capturing more than $10 million that districts have restricted on their balance sheets using object codes that do not exist on the current chart of accounts.

Fund balances are scrutinized by legislators, researchers, and the general public. It is important that this calculation is transparent, is calculated correctly, and includes the proper codes across all districts. KDE is not capturing more than $10 million that districts have restricted on their balance sheets using object codes that do not exist on the current chart of accounts. Three years ago, when KDE started the chart of account revisions, balance sheet codes were not included in the initial cleanup process—they would be addressed in phase two. In a previous study, OEA recommended that school fees and activity funds be reported to the federal government to ensure accuracy when comparing states' revenues and expenditures across the US (Commonwealth). KDE also uses the balance sheet object code 8769, restricted for net assets, in the fund balance calculation; however, the National Center for Education Statistics recommends that this account not be used on the general fund balance sheet. KDE also does not exclude fund transfers in its fund balance percentage calculation. If fund transfers are included, districts' expenditures are overstated.

Recommendation 4.4

Recommendation 4.4
The Kentucky Department of Education should exclude "fund transfers" and restricted for net assets and include the debt service fund (also known as Fund 400) in the fund balance calculation.

To improve transparency, the chart of accounts needs to include more-detailed fund balance object codes and a description of what these codes should be used for, including specifying which funds should have these codes. Several districts are saving funds for technology initiatives; however, no reserve object code exists for this reason. A few districts are saving for all-day kindergarten or other instructional programs that currently cannot be identified on the balance sheet.

Recommendation 4.5

Recommendation 4.5
The Kentucky Department of Education should complete the chart of accounts cleanup by June 30, 2011. This cleanup should include adding balance sheet object codes for technology, instructional needs, and other areas for transparency in fund balance reporting.

KDE Business Rules and Internal Processes

Improvements should be made to KDE's current set of business rules or edits that are electronically performed on annual financial reports and tentative and working budgets

KDE has a set of business rules or edits it performs electronically on the annual financial report and tentative and working budgets. These edits check for discrepancies to ensure districts have the 2 percent contingency and fund balance, that SEEK payments are recorded correctly, and that professional development funds are properly allocated to schools. While these edits are a good starting point, there are other areas that need attention, such as beginning balances. Several districts' beginning balances on the approved working budgets did not match their ending balances on the AFRs. This situation was found in the general fund and other funds. If districts do not have an accurate beginning balance, they are liable to overspend funds as well as to not allocate all available funds.

Because special revenue and construction funds are multiyear funds and grant information is retained by project numbers, it is not possible to monitor these funds on the AFR. Districts are currently not required to send KDE project budget reports on these funds; however, some grants in the special revenue fund are reported quarterly to programs within the department. For greater transparency in these funds, districts should submit project budget reports for these two funds at least once a year to ensure that grant amounts are spent and that construction projects are monitored.

Recommendation 4.6

Recommendation 4.6
The Kentucky Department of Education should ensure that districts' beginning balances on the working budgets match the prior-year ending balances on annual financial reports.

Recommendation 4.7

Recommendation 4.7
The Kentucky Department of Education should require districts to submit detailed project budget reports for the special revenue fund and construction fund at least once a year.

The General Assembly, through KRS 160.470, requires districts to include a 2 percent contingency on the districts' tentative budgets. However, on the working budgets, the General Assembly states that districts shall conform to the administrative regulation set by the Kentucky Board of Education. No regulation addresses the working budget minimum contingency amount set for districts.

Recommendation 4.8

Recommendation 4.8
The Kentucky Board of Education should establish a regulation requiring districts to budget a minimum contingency amount on the working budget.

KDE deems districts having less than 2 percent contingency on the annual finance report to be in need of review and places them on its "watch list." KDE then assigns a finance liaison to work with the superintendent and finance officer. The liaison will visit the district at least once a month to review finances and staffing allocations and to work with the district to restore its fund balance back to at least the 2 percent minimum requirement. A district that ends the year with a negative balance in the general fund is deemed a deficit district, and a finance liaison is placed in that district as well. In addition to performing the same duties as for the watch districts, the finance liaison also approves all purchases for the deficit district and attends all local board meetings to inform board members of the financial situation of the district. Table 4.1 lists the districts placed on the watch list from FY 2002 to FY 2009. In FY 2006, six districts were placed on this list, compared to three in FY 2009. Table 4.2 highlights the districts that have ended the general fund in deficit for the past 8 years. KDE has not been consistent regarding how long districts receive support and does not provide updates to the Kentucky Board of Education regarding changes in their financial status.

Table 4.1
Districts on the Kentucky Department of Education's Watch List
FY 2002-FY 2009

District	2002	2003	2004	2005	2006	2007	2008	2009
Jackson	■	■	■	■	■			
Fulton				■				
Adair					■			
Clark					■			
Jackson Ind.					■			
Leslie					■			
Ludlow Ind.					■			
Campbellsville Ind.						■		
Russell						■		■
Wayne						■		
Covington Ind.							■	■
Dayton Ind.							■	
Newport Ind.							■	■
Pulaski							■	
Total	1	1	1	2	6	3	4	3

Sources: Kentucky Board of Education agenda items and minutes; e-mail from Larry Stinson 2/12/09.

Table 4.2
Deficit Districts, FY 2002-FY 2009

District	2002	2003	2004	2005	2006	2007	2008	2009
Covington Ind.	■	■					■	
Jackson Ind.				■				
Frankfort Ind.					■			
Russell							■	
Wayne							■	
Total	1	1	0	1	1	0	3	0

Sources: Kentucky Board of Education agenda items and minutes; e-mail from Larry Stinson 2/12/09.

Recommendation 4.9

Recommendation 4.9
The Kentucky Department of Education should establish a uniform process for determining when districts are placed on the watch and deficit lists, the length of time they remain on the lists, and when they are removed from the lists and should give regular updates to the Kentucky Board of Education on the districts' financial conditions.

KDE does not enforce the mandate of 702 KAR 3:050 that requires districts to submit applications to exceed their working budgets. If KDE enforces this regulation, along with reviewing district data throughout the year, KDE could intervene earlier and prevent districts from being on the watch or deficit list.

OEA staff analyzed districts' ending balances for all funds from FY 2005 to FY 2009. There were districts that ended the fiscal year with negative fund balances in the special revenue fund, capital outlay, building fund, and food service fund. According to KRS 160.550, no superintendent or board member shall knowingly approve expenditures in excess of the income shown on the budget adopted by the local board and approved by the Kentucky Board of Education. Those districts ending the year with negative fund balances are in violation of this statute. Prior practice at KDE required districts to use general fund revenues to cover these negative fund balances.

Recommendation 4.10

Recommendation 4.10
The Kentucky Department of Education should enforce KRS 160.550 and 702 KAR 3:050 and prohibit districts from ending the year with a negative balance in any fund.

Other

The General Assembly established the emergency revolving school loan fund for districts experiencing hardships or having insufficient resources to meet their capital outlay needs (KRS 160.599). Regulation 702 KAR 4:100 sets out the procedures for receiving and repaying loans from this fund. However, through Executive Order 2008-0111, these funds were taken as part of a budget reduction act and have not been replenished.

Recommendation 4.11

Recommendation 4.11
The General Assembly should consider either replenishing the emergency revolving school loan fund or repealing KRS 160.599.

Works Cited

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Appendix A

Statutes and Regulations

<table>
<tr><th>Statute</th><th>Explanation</th></tr>
<tr><td>KRS 156.265</td><td>State Committee for School District Audits comprises:
Governor, or designee
Attorney General
Auditor of Public Accounts
A person designated by the Legislative Research Commission to represent Office of Education Accountability
Commissioner of Education
Statute requires accounts of each board to be audited not less than once every fiscal year.</td></tr>
<tr><td>KRS 157.060</td><td>Each school district shall make a report to the Kentucky Board of Education (KBE) detailing all funds received and expended for the year.</td></tr>
<tr><td>KRS 157.420</td><td>The following restrictions govern the expenditure of funds from the public school fund:
1) Salary paid to teachers shall be at least equivalent to amount established in the biennial budget for rank and experience of a 185-day term during the regular school year.
2) Beginning with the 2004-2006 biennium, KBE shall not approve any working budget or salary schedule unless the 185-day schedule for certified staff has been adjusted over the previous year's salary schedule by the cost- of-living adjustment percentage provided for state government workers under the biennial budget. The Support Education Excellence in Kentucky (SEEK) base shall be increased by the annual required cost-of-living adjustment percentage.
3) A district that pays teachers or employees for unused sick leave at the time of retirement may create an escrow account to maintain the funds necessary to pay those who qualify for this benefit. Fund is limited to not more than 50 percent of maximum liability for the current year, determined by number of staff employed on September 15. The funds shall not be used for any other purpose and shall not be considered part of the general fund balance in determining available local revenue.
4) The per-pupil capital outlay allotment shall be used for the following purposes:
Direct payment of construction costs
Debt service on voted and funding bonds
Payment or lease-rental agreements under which the board will acquire ownership of school plant
Retirement of deficit resulting from capital construction overexpenditure
Reserve fund to be carried forward
Subject to the commissioner of education's approval, a district may request to use capital outlay funds to purchase land for a new school or modify an existing school if the project is included on the district facility plan and will be completed within 8 years.
A district experiencing average daily attendance (ADA) increases of 20 percent over a 5-year period may request approval from the commissioner of education to use capital outlay funds for the operation of a new school for the first 2 years following its opening.
A district may request approval from the commissioner of education to use capital outlay funds for maintenance expenditures or for purchase of property insurance without forfeiting participation in the School Facilities Construction Commission (SFCC) program.
5) A district may use capital outlay funds for energy conservation measures under guaranteed energy savings contracts.
6) A district that has a special levy for capital outlay or debt service equal to the capital outlay</td></tr>
</table>

	allotment or a proportionate share may request approval from the commissioner of education to use proceeds for current expenses. 7) A district that has no capital outlay needs may request approval from the commissioner of education to use funds for school plant maintenance, repair, insurance, equipment replacement, school bus purchases, and technology purchases for education purposes only. 8) The department of education shall designate each school facility as permanent, functional, or transitional. 9) Classes held in a facility deemed a historical settlement school on January 1, 1994, may continue provided the facility meets health and safety standards for education facilities as required by administrative regulations. 10) A district that has requested a midyear adjustment to its SEEK funding under KRS 157.360 (15) may request approval from the commissioner of education to use capital outlay funds for the purchase of school buses or for increased operational expenses for the first 3 years following the increased growth without forfeiture of the district's participation in the SFCC program. The 2009 Regular Session provides that capital outlay funds used for expenditures, in either fiscal year 2009 or 2010, other than those designated in KRS 157.420 (4) and (5), shall be included in determining the amount of local available revenue for the purpose of calculating unmet need for participation in the SFCC program. The land purchases approved under these provisions shall not be included in the calculation of the district's unmet need. The 2009 Special Session of the General Assembly allows school districts to request approval from the commissioner of education to use capital outlay funds for general operating expenses in fiscal year 2009-2010 without forfeiture of the district's participation in the SFCC program.
KRS 157.620	A district must have unmet needs and meet the following eligibility criteria to participate in the school construction funding program: • Commit at least an equivalent tax rate of 5 cents to debt service, new facilities, or major renovations of existing school facilities. • Restrict all available local revenue on July 1 of odd-numbered years for school building construction, to be used for top priorities of the most current school facilities plan approved by the Kentucky Board of Education. On or before October 15 of the year immediately preceding an even-numbered year regular session of the General Assembly, the Kentucky Board of Education shall certify the following to SFCC: • each district's amount of school facility construction needs • each district's amount of available local revenue • whether each district has met the eligibility criteria
KRS 158.780	The Kentucky Board of Education shall establish a program for the following: • Voluntary improvement program—to assist local districts with developing innovative management practices and adopting currently accepted practices. • Involuntary supervision—upon conducting an administrative hearing, if the Kentucky Board of Education determines a critical lack of efficiency or effectiveness exists in governance or administration, the board shall assume sufficient supervision of the district to ensure appropriate corrective action occurs. • "State assisted district" or "state managed district"—Upon conducting an administrative hearing, if the Kentucky Board of Education determines that a pattern of lack of efficiency or effectiveness in governance or administration warrants action, the board shall assume control of the district.
KRS 158.785	Upon review of data or other information, including site investigations of district management practices, that indicates the presence of critically ineffective or inefficient management, the commissioner of education shall order a management audit of the district's governance and administration. A local school board or superintendent may also request a management audit. When the commissioner of education recommends to the Kentucky Board of Education that a district be designated as "state assisted district" or "state managed district," the following must

	be established: • There is a pattern of significant lack of efficiency and effectiveness in governance or administration. • State assistance or state management is necessary to correct the inefficiencies and ineffectiveness. When a district is designated a "state assisted district," the following actions are required of the commissioner: • Provide management assistance to the district to develop and implement a plan to correct deficiencies found in the management audit. • Monitor the development and implementation of the correctional plan. If the plan is not being adequately developed or implemented, the commissioner shall recommend to KBE that the district be declared a "state managed district." When a district is designated a "state managed district," the following actions are required of the commissioner: • All aspects of management—administrative, operational, financial, personnel, and instructional—formerly exercised by the school board and superintendent are exercised by the commissioner or his designee. • The Kentucky Board of Education may remove school board member or superintendent. • Commissioner may revoke appointment to administrative position after 30 days of being appointed a "state managed district." • Commissioner may make administrative appointments necessary to exercise full and complete control of all aspects of management. A school district shall be designated as a "state managed district" until the Kentucky Board of Education determines the pattern of ineffective and inefficient governance or administration and the specific deficiencies noted in the management audit have been corrected. No district shall remain under the status of "state managed district" longer than 3 consecutive school years unless the Kentucky Board of Education extends time after a new management audit has been reviewed.
KRS 160.431	A finance officer shall be appointed by the superintendent to be responsible for cash, investment, and financial management of the district. A finance officer is required to complete 42 hours of continuing education every 2 years.
KRS 160.470	The tax rates that a district may levy—Compensating, Subsection (1), and 4 percent Increase—are defined, hearing and recall provisions are described, and publication guidelines are provided. Each district shall prepare a draft budget on or before January 31 of each calendar year. Each district shall adopt a tentative working budget, which shall include a minimum reserve of 2 percent of the total budget, on or before May 30. Each district shall submit a working budget to the Kentucky Board of Education no later than September 30. The 2009 special session of the general assembly allows districts to adopt a tentative working budget that does not have a minimum 2 percent reserve of the total budget.
KRS 160.550	No superintendent shall recommend and no board member shall knowingly approve expenditure in excess of the income and revenue of any year as shown on the budget adopted by the board and approved by the Kentucky Board of Education, except for a purpose for which bonds have been voted or in case an emergency is declared by KBE. A district certified to KBE as being in violation of this statute may not spend any funds unless the commissioner has approved the expenditure in writing. The district's certification shall continue until KBE has approved the district's budget for the succeeding fiscal year.
KRS 160.599	Procedures for receiving and repaying loans made from the Emergency Revolving School Loan Fund Account are described. The emergency loan fund was established for districts experiencing a loss of physical facilities due to fire or natural disaster with insufficient insurance on such facilities to replace the loss, where the district is bonded to capacity and has

	insufficient resources to meet its capital outlay needs, and for districts in which there is a failure of the sheriff to timely collect local tax revenues.
KRS 424.220	The financial statements shall show: • total amount of funds collected and received during the fiscal year from each individual source; and • total amount of funds disbursed during the fiscal year to each individual payee exceeding $1,000. Amounts paid to staff can be shown as lump-sum expenditures by category. The 2003, 2005, 2006, and 2008 Regular Sessions of the General Assembly allow districts to publish in the newspaper of largest general circulation in the county that the financial statements are available electronically at a designated web site or that a printed copy is available at the public library.
KRS 424.250	The board of education of the district shall cause the district's budget to be advertised by publishing a copy of the budget in the newspaper.
Regulation	**Explanation**
702 KAR 3:045	The commissioner of education is authorized to withhold SEEK funds from any school district that fails to timely file reports required by statutes, rules, and regulations.
702 KAR 3:050	Upon receiving a district's application to exceed the current budget, the commissioner of education shall determine whether an emergency exists within the meaning of KRS 160.550. The commissioner also has the authority to declare an emergency in those cases where the health and safety of the pupils are placed in jeopardy or the school program is disrupted. The application to exceed the current budget, as well as any emergency declared by the commissioner of education, is submitted to the Kentucky Board of Education for final decision.
702 KAR 3:110	The due dates of documents electronically submitted through MUNIS are as follows: • Tentative Budget—May 30 • Annual Financial Report—July 25 • Balance Sheet—July 25 • Working Budget—September 30 The working budget shall be disapproved by the Kentucky Board of Education if it is financially unsound or fails to provide for the following: • principal and interest payment on any outstanding voted school improvement bonds authorized and issued with written approval of KBE • rental payments connected to outstanding school building revenue bonds authorized with written approval of KBE • compliance with applicable laws Upon receiving disapproval by KBE, the district shall amend its budget and resubmit.
702 KAR 3:120	A district shall follow the uniform financial accounting system detailed in "KETS District Administrative System Chart of Accounts" and "Charts of Accounts Descriptions." All financial records shall be filed in either the superintendent's office or in a location designated by the superintendent.
702 KAR 4:100	Procedures for receiving and repaying loans made from the Emergency Revolving School Loan Fund Account are described. The emergency loan fund was established for districts experiencing a loss of physical facilities due to fire or natural disaster or failure to timely receive local tax revenues.
702 KAR 6:075	Requirements necessary to properly protect all funds accruing to the local school nutrition program are described. A local school nutrition program shall be operated on a nonprofit basis. Actual cash balances shall not exceed 3 months' operating balance.

703 KAR 3:205	The operational procedures for the management improvement program are outlined. If review of data regarding a school district indicates significant deficiencies, then the department shall conduct an on-site review, which may include an examination of district operations in • governance policy and procedures, • instructional programming and organization, • fiscal management and accountability procedures, • maintenance and condition of physical plant, • facility construction, • student transportation, and • community perception and support. If the review reveals significant deficiencies and the commissioner of education determines that they indicate the presence of critically ineffective or inefficient management, the commissioner shall order a management audit. The comprehensive audit shall cover the following areas: • Planning • Operational support • Fiscal management • Personnel administration • Instructional management Following the comprehensive audit, the department shall prepare a report and the commissioner shall determine whether a pattern exists of significant lack of effectiveness and efficiency. If so, and if state assistance or state management is necessary, the commissioner shall make a recommendation declaring such to the Kentucky Board of Education. If a district is declared state assisted or state managed, the district shall develop and implement an improvement plan. A district remains state assisted until the commissioner recommends to KBE that significant progress has been made in implementing the improvement plan or KBE makes a determination that the district shall be state managed.
703 KAR 5:130	The district's accountability program, including eligibility for district rewards and procedures for determining assistance, and other consequences are described. A district containing a school classified as Level 3 that has not been a Level 3 previously shall modify its district consolidated plan by including a specific support plan to assist in improving its academic achievement. The plan shall address the following areas: • Instructional leadership • Instructional staff access to curriculum-related materials and training • Professional development planning process • Structure for instructional improvement • Financial services and support • Facilities • Certified employee evaluation system A district containing a school classified as Level 3 for two or more consecutive accountability cycles shall be subject to a district audit conducted by a district evaluation team. The district evaluation team shall submit a report, including its recommendations, to the commissioner of education, the district superintendent, and the local board of education. The recommendations may include the following: • No additional action needed • Revisions to the school support plan are needed • Revisions in implementation procedures are needed • Management audit is needed

Appendix B

States' Requirements for End-of-year Fund Balance, Rainy Day Reserve Fund, and Cash Flow Reserve Fund

State	End-of-year Fund Balance, Rainy Day Reserve Fund, or Cash Flow Reserve Fund	Allocation Basis
Alabama	School boards are required to maintain a 1-month operating balance.	Minimum 1-month operating balance is calculated by dividing the general fund expenditures and fund transfers out by 12.
Arkansas	Allowed but not required.	Not specified.
Delaware	Required to fund at least 1 month of payroll for next fiscal year.	District submits three financial position reports throughout the year (February 1, May 1, and August 31) to establish that it has sufficient balances to fund at least 1 month of payroll.
Florida	School districts are required to maintain an unreserved general fund balance sufficient to address normal contingencies. However, unappropriated fund balances may not exceed 10 percent of total appropriations and transfers for operational purposes.	The financial condition ratio is determined by dividing the general fund unreserved fund balance (both designated and undesignated) by the general fund total revenues.
Georgia	Allowed but not required. Cannot exceed 15 percent of current year's total budget.	Not specified.
Indiana	Allowed but not required.	Not specified.
Kansas	Allowed but not required. For school years 2009 through 2012, the contingency reserve fund amount cannot exceed 10 percent of general fund budget. For school years 2013 and following, the contingency reserve fund amount cannot exceed 6 percent	Not specified.
Mississippi	Allowed but not required.	Recommends that districts maintain an ending balance in general operating fund equal to or greater than 7 percent of the total revenue deposited into that fund during the fiscal year

State	End-of-year Fund Balance, Rainy Day Reserve Fund, or Cash Flow Reserve Fund	Allocation Basis
Missouri	Allowed but not required.	Requires notice to the board if fiscal year-end balance of classroom and incidental funds are less than 1 percent of prior year amount expended from the funds.
Oklahoma	Allowed but not required.	Districts can use carryover funds for emergencies and to offset reductions in state aid, and as startup funds for the next fiscal year. Carryover funds are subject to percentage restrictions specified in statute.
South Carolina	Allowed but not required.	Determined by local school board. Recommended 1-2 months expenditures.
Tennessee	Districts are required to have a special revenue account known as "dedicated education fund" within the general fund. The account must maintain a balance above 3 percent for operation and districts can expend only 3 percent for emergencies.	Not specified.
West Virginia	Allowed but not required. It is strongly recommended that all school districts budget 3 percent to 5 percent of their total projected revenues for contingency.	Not specified.

Source: Staff compilation of data from Mississippi's Office of the State Auditor, Performance Audit Division Brief: The Myth of School Rainy Day funds, Vol. 5, No. 3, May 19, 2008; and responses to OEA's email inquiries sent to Southern Regional Education Board member states and surrounding states.

Appendix C

Per-pupil General Fund Local, State, and Federal Revenues
Fiscal Year 2009

District	Per-pupil Local Revenue	Percentage of Total	Per-pupil State Revenue	Percentage of Total	Per-pupil Federal Revenue	Percentage of Total	Per-pupil Total Revenue
Adair	$1,589	23.6%	$5,132	76.3%	$3	0.0%	$6,724
Allen	1,076	18.3	4,806	81.5	13	0.2	5,895
Anchorage Ind.	12,619	87.1	1,871	12.9	0	0.0	14,490
Anderson	2,107	35.0	3,921	65.0	0	0.0	6,028
Ashland Ind.	2,233	33.7	4,373	66.0	17	0.3	6,623
Augusta Ind.	1,618	24.8	4,903	75.2	0	0.0	6,521
Ballard	2,043	30.8	4,574	69.0	10	0.1	6,627
Barbourville Ind.	1,241	19.9	4,998	80.1	0	0.0	6,239
Bardstown Ind.	2,755	40.5	4,051	59.5	0	0.0	6,806
Barren	1,987	30.6	4,470	68.9	31	0.5	6,488
Bath	1,218	18.8	5,218	80.7	29	0.4	6,465
Beechwood Ind.	4,360	61.5	2,727	38.5	0	0.0	7,087
Bell	1,300	18.5	5,706	81.2	23	0.3	7,029
Bellevue Ind.	3,374	46.4	3,874	53.2	30	0.4	7,278
Berea Ind.	2,113	28.4	5,305	71.4	10	0.1	7,428
Boone	3,870	59.0	2,680	40.9	9	0.1	6,559
Bourbon	2,543	38.4	4,076	61.6	0	0.0	6,619
Bowling Green Ind.	3,026	41.5	4,268	58.5	0	0.0	7,294
Boyd	2,847	38.0	4,601	61.4	42	0.6	7,490
Boyle.	2,336	35.7	4,207	64.3	0	0.0	6,543
Bracken	895	15.4	4,905	84.5	5	0.1	5,805
Breathitt	1,224	17.7	5,688	82.1	13	0.2	6,926
Breckinridge	2,047	30.3	4,704	69.6	4	0.1	6,755
Bullitt	2,155	36.0	3,824	64.0	0	0.0	5,979
Burgin Ind.	3,118	48.9	3,256	51.1	0	0.0	6,373
Butler	1,311	19.7	5,162	77.7	169	2.5	6,642
Caldwell	1,629	24.8	4,942	75.2	2	0.0	6,573
Calloway	2,542	38.5	4,058	61.5	0	0.0	6,600
Campbell	4,100	56.9	3,097	43.0	8	0.1	7,205
Campbellsville Ind.	2,636	35.1	4,832	64.3	52	0.7	7,520
Carlisle	1,597	23.7	5,117	76.0	15	0.2	6,729
Carroll	4,096	50.9	3,956	49.1	0	0.0	8,052
Carter	1,113	16.7	5,483	82.5	52	0.8	6,648
Casey	1,393	20.2	5,487	79.6	14	0.2	6,894
Caverna Ind.	2,553	35.5	4,638	64.5	0	0.0	7,191
Christian	1,990	30.2	4,543	69.0	55	0.8	6,588
Clark	2,412	39.7	3,665	60.3	0	0.0	6,077
Clay	1,201	16.6	6,003	83.1	24	0.3	7,228
Clinton	1,744	25.4	5,101	74.4	14	0.2	6,859

District	Per-pupil Local Revenue	Percentage of Total	Per-pupil State Revenue	Percentage of Total	Per-pupil Federal Revenue	Percentage of Total	Per-pupil Total Revenue
Cloverport Ind.	1,141	15.1	6,356	84.0	73	1.0	7,570
Corbin Ind.	1,211	20.6	4,661	79.4	0	0.0	5,872
Covington Ind.	4,331	47.6	4,758	52.3	12	0.1	9,101
Crittenden	1,671	26.3	4,677	73.7	2	0.0	6,350
Cumberland	1,889	26.3	5,273	73.4	22	0.3	7,184
Danville Ind.	4,207	51.3	3,987	48.7	0	0.0	8,194
Daviess	2,376	35.3	4,342	64.6	7	0.1	6,724
Dawson Springs Ind.	952	14.4	5,662	85.6	0	0.0	6,614
Dayton Ind.	1,679	24.0	5,308	75.8	14	0.2	7,000
East Bernstadt Ind.	522	8.6	5,568	91.3	6	0.1	6,096
Edmonson	1,324	19.4	5,450	80.0	35	0.5	6,810
Elizabethtown Ind.	2,233	34.0	4,328	66.0	1	0.0	6,562
Elliott	959	14.4	5,660	85.2	22	0.3	6,641
Eminence Ind.	1,551	24.3	4,807	75.4	21	0.3	6,379
Erlanger-Elsmere Ind.	3,218	44.9	3,927	54.8	18	0.3	7,164
Estill	1,048	16.3	5,363	83.6	7	0.1	6,419
Fairview Ind.	1,278	19.7	5,206	80.3	0	0.0	6,484
Fayette	5,859	71.3	2,364	28.7	0	0.0	8,223
Fleming	1,318	20.8	5,004	79.0	9	0.1	6,331
Floyd	1,800	25.9	5,143	74.0	5	0.1	6,948
Fort Thomas Ind.	4,515	60.1	3,004	39.9	0	0.0	7,519
Frankfort Ind.	3,969	44.4	4,975	55.6	0	0.0	8,944
Franklin	3,050	47.4	3,383	52.5	5	0.1	6,438
Fulton	2,375	30.7	5,341	69.1	18	0.2	7,733
Fulton Ind.	3,150	36.2	5,514	63.4	34	0.4	8,698
Gallatin	2,482	35.2	4,564	64.8	0	0.0	7,046
Garrard	1,948	28.9	4,777	71.0	6	0.1	6,731
Glasgow Ind.	2,508	36.4	4,378	63.6	0	0.0	6,886
Grant	1,505	24.3	4,668	75.4	17	0.3	6,190
Graves	1,518	25.0	4,559	75.0	0	0.0	6,076
Grayson	1,565	25.1	4,661	74.9	0	0.0	6,226
Green	1,355	20.7	5,193	79.3	0	0.0	6,548
Greenup	1,770	26.1	5,003	73.9	0	0.0	6,774
Hancock	2,920	39.7	4,417	60.0	23	0.3	7,359
Hardin	2,142	32.7	4,379	66.8	39	0.6	6,560
Harlan	1,376	20.5	5,315	79.3	10	0.1	6,701
Harlan Ind.	$971	16.0	5,081	84.0	0	0.0	6,052
Harrison	1,702	26.9	4,607	72.7	28	0.4	6,337
Hart	1,795	25.8	5,166	74.2	2	0.0	6,963
Hazard Ind.	1,975	28.7	4,899	71.3	0	0.0	6,874
Henderson	2,589	37.7	4,264	62.1	9	0.1	6,862
Henry	2,011	31.2	4,431	68.7	4	0.1	6,446
Hickman	2,389	32.9	4,869	67.1	0	0.0	7,258
Hopkins	2,038	28.9	5,005	70.9	12	0.2	7,055
Jackson	1,038	14.5	6,103	85.0	39	0.5	7,180
Jackson Ind.	1,089	15.3	6,036	84.6	11	0.2	7,136
Jefferson	5,356	63.2	3,123	36.8	0	0.0	8,479

District	Per-pupil Local Revenue	Percentage of Total	Per-pupil State Revenue	Percentage of Total	Per-pupil Federal Revenue	Percentage of Total	Per-pupil Total Revenue
Jenkins Ind.	1,669	21.8	5,996	78.2	0	0.0	7,665
Jessamine.	2,994	44.2	3,768	55.7	6	0.1	6,768
Johnson	1,199	18.0	5,451	81.7	19	0.3	6,669
Kenton	3,364	51.1	3,210	48.8	7	0.1	6,581
Knott	2,702	38.7	4,273	61.2	4	0.1	6,978
Knox	1,313	19.5	5,435	80.5	3	0.0	6,752
LaRue	1,589	23.9	5,059	76.0	5	0.1	6,653
Laurel	1,476	24.3	4,587	75.4	22	0.4	6,085
Lawrence	1,559	23.2	5,155	76.7	7	0.1	6,721
Lee	1,138	18.6	4,953	81.1	13	0.2	6,103
Leslie	1,655	23.5	5,373	76.4	8	0.1	7,036
Letcher	1,890	24.9	5,699	75.0	9	0.1	7,598
Lewis	1,242	18.5	5,424	80.9	40	0.6	6,706
Lincoln	1,306	19.3	5,447	80.5	10	0.2	6,763
Livingston	2,894	42.6	3,899	57.4	0	0.0	6,793
Logan	1,719	26.9	4,665	72.9	11	0.2	6,395
Ludlow Ind.	2,223	32.6	4,605	67.4	0	0.0	6,828
Lyon	3,860	57.5	2,842	42.3	14	0.2	6,716
Madison	2,168	34.0	4,193	65.9	6	0.1	6,367
Magoffin	1,057	15.1	5,947	84.8	10	0.1	7,014
Marion	2,075	30.8	4,624	68.7	31	0.5	6,730
Marshall	2,911	44.0	3,712	56.0	0	0.0	6,623
Martin	2,076	29.7	4,924	70.3	0	0.0	7,000
Mason	2,657	39.5	4,038	60.1	28	0.4	6,723
Mayfield Ind.	1,894	26.7	5,162	72.9	29	0.4	7,085
McCracken	2,831	43.7	3,641	56.2	6	0.1	6,478
McCreary	1,159	16.5	5,853	83.5	0	0.0	7,012
McLean	1,679	25.5	4,878	74.1	23	0.4	6,580
Meade	1,275	20.8	4,839	79.1	6	0.1	6,120
Menifee	982	13.8	6,011	84.6	113	1.6	7,106
Mercer	2,088	31.5	4,531	68.5	0	0.0	6,619
Metcalfe	1,729	24.2	5,401	75.6	10	0.1	7,140
Middlesboro Ind.	1,948	26.1	5,526	74.0	(10)	00.1	7,464
Monroe	1,360	20.9	5,143	79.0	10	0.2	6,513
Montgomery	1,619	26.1	4,564	73.7	9	0.1	6,192
Monticello Ind.	872	13.0	5,820	86.8	12	0.2	6,704
Morgan	1,330	19.4	5,514	80.3	22	0.3	6,866
Muhlenberg	3,343	40.7	4,854	59.1	22	0.3	8,219
Murray Ind.	2,956	37.7	4,891	62.3	0	0.0	7,847
Nelson	2,319	36.3	4,068	63.7	0	0.0	6,387
Newport Ind.	4,129	50.1	4,086	49.6	28	0.3	8,243
Nicholas	1,151	18.7	5,002	81.3	0	0.0	6,153
Ohio	1,617	23.6	5,234	76.4	3	0.0	6,854
Oldham	2,900	46.1	3,392	53.9	0	0.0	6,292
Owen	1,590	25.1	4,744	74.8	9	0.1	6,343
Owensboro Ind.	3,292	40.5	4,829	59.4	3	0.0	8,124
Owsley	1,119	15.4	6,147	84.6	0	0.0	7,266

District	Per-pupil Local Revenue	Percentage of Total	Per-pupil State Revenue	Percentage of Total	Per-pupil Federal Revenue	Percentage of Total	Per-pupil Total Revenue
Paducah Ind.	3,179	40.9	4,580	58.9	21	0.3	7,780
Paintsville Ind.	3,504	45.9	4,130	54.1	0	0.0	7,634
Paris Ind.	2,206	33.6	4,354	66.3	11	0.2	6,571
Pendleton	1,451	22.7	4,953	77.3	0	0.0	6,404
Perry	1,925	27.4	5,096	72.5	9	0.1	7,030
Pike	2,248	32.4	4,682	67.5	7	0.1	6,937
Pikeville Ind.	4,327	53.1	3,796	46.6	22	0.3	8,145
Pineville Ind.	1,049	16.2	5,398	83.3	36	0.6	6,483
Powell	1,007	15.8	5,355	84.2	0	0.0	6,362
Pulaski	1,913	30.7	4,313	69.3	0	0.0	6,226
Raceland-Worthington Ind.	1,365	22.2	4,778	77.8	0	0.0	6,143
Robertson	1,400	20.0	5,563	79.5	37	0.5	7,000
Rockcastle	1,073	15.8	5,692	84.0	15	0.2	6,780
Rowan	2,219	32.3	4,654	67.7	6	0.1	6,879
Russell	1,782	26.4	4,886	72.4	83	1.2	6,751
Russell Ind.	2,507	37.2	4,230	62.7	6	0.1	6,743
Russellville Ind.	2,554	33.4	5,057	66.1	43	0.6	7,654
Science Hill Ind.	1,327	20.8	5,051	79.1	11	0.2	6,389
Scott	2,649	42.4	3,596	57.5	8	0.1	6,253
Shelby	3,155	45.4	3,787	54.5	10	0.1	6,952
Silver Grove Ind.	4,463	49.1	4,618	50.9	0	0.0	9,081
Simpson	2,166	35.9	3,859	64.0	5	0.1	6,030
Somerset Ind.	3,162	46.2	3,661	53.5	16	0.2	6,839
Southgate Ind.	5,537	69.6	2,414	30.4	0	0.0	7,951
Spencer	2,150	35.2	3,952	64.8	0	0.0	6,102
Taylor	1,765	27.9	4,543	71.9	13	0.2	6,321
Todd	1,535	22.8	5,167	76.9	17	0.2	6,719
Trigg	4,447	53.4	3,883	46.6	0	0.0	8,330
Trimble	2,086	30.5	4,733	69.3	15	0.2	6,834
Union	2,557	33.7	5,015	66.1	14	0.2	7,586
Walton-Verona Ind.	3,729	47.9	4,064	52.1	0	0.0	7,793
Warren	2,359	39.7	3,578	60.2	5	0.1	5,942
Washington	2,124	30.0	4,945	70.0	0	0.0	7,069
Wayne	1,421	21.2	5,244	78.1	48	0.7	6,713
Webster	1,919	28.3	4,853	71.5	13	0.2	6,785
West Point Ind.	2,628	30.9	5,865	69.1	0	0.0	8,493
Whitley	1,106	15.9	5,857	84.2	(9)	0.1	6,954
Williamsburg Ind.	1,453	22.4	5,029	77.4	16	0.2	6,498
Williamstown Ind.	1,974	28.8	4,887	71.2	0	0.0	6,861
Wolfe	1,039	14.6	6,067	85.2	15	0.2	7,121
Woodford	2,921	49.3	3,005	50.7	5	0.1	5,931
State Average	$2,896	41.1%	$4,139	58.8%	$10	0.1%	$7,045

Note: The addition of per-pupil local, state, and federal percentage of total may not equal 100 percent due to rounding.
Source: Staff compilation of data from the Kentucky Department of Education.

Appendix D

School Districts' General Fund Balances, Fiscal Year 2009

District	General Fund Balance	Total Expenditures	Fund Balance Percent
Adair	$1,218,498	$21,334,644	5.7%
Allen	2,485,311	22,064,996	11.3
Anchorage Ind.	1,471,544	5,602,321	26.3
Anderson	2,518,476	30,008,132	8.4
Ashland Ind.	2,027,902	24,909,865	8.1
Augusta Ind.	646,226	2,834,640	22.8
Ballard	1,893,029	12,769,338	14.8
Barbourville Ind.	431,109	4,740,224	9.1
Bardstown Ind.	777,388	19,876,549	3.9
Barren	1,127,800	38,798,460	2.9
Bath	3,409,938	15,760,358	21.6
Beechwood Ind.	1,843,316	8,797,017	21.0
Bell	794,065	27,022,744	2.9
Bellevue Ind.	1,646,418	6,554,190	25.1
Berea Ind.	3,305,704	9,672,058	34.2
Boone	22,382,207	147,126,849	15.2
Bourbon	3,273,837	22,667,512	14.4
Bowling Green Ind.	3,498,470	33,529,623	10.4
Boyd	2,866,917	28,652,009	10.0
Boyle	1,653,982	21,945,357	7.5
Bracken	1,541,772	8,877,386	17.4
Breathitt	1,413,008	21,313,405	6.6
Breckinridge	9,135,735	24,091,805	37.9
Bullitt	9,768,390	93,392,273	10.5
Burgin Ind.	876,767	3,255,029	26.9
Butler	2,234,485	19,173,066	11.7
Caldwell	3,678,137	15,655,970	23.5
Calloway	8,159,800	23,820,863	34.3
Campbell	5,184,620	39,966,503	13.0
Campbellsville Ind.	1,430,521	10,325,725	13.9
Carlisle	535,412	6,903,766	7.8
Carroll	4,645,267	17,162,415	27.1
Carter	2,425,330	37,386,970	6.5
Casey	5,403,829	19,565,193	27.6
Caverna Ind.	1,613,555	8,158,985	19.8
Christian	9,619,085	74,684,578	12.9

District	General Fund Balance	Total Expenditures	Fund Balance Percent
Clark	3,154,183	38,814,750	8.1
Clay	2,564,680	32,446,472	7.9
Clinton	3,155,169	16,024,633	19.7
Cloverport Ind.	390,685	3,037,997	12.9
Corbin Ind.	1,387,662	19,268,489	7.2
Covington Ind.	274,550	45,325,200	0.6
Crittenden	918,759	10,217,648	9.0
Cumberland	628,950	9,585,137	6.6
Danville Ind.	2,862,316	18,319,607	15.6
Daviess	7,123,398	92,290,258	7.7
Dawson Springs Ind.	1,232,604	5,782,809	21.3
Dayton Ind.	320,465	7,815,638	4.1
East Bernstadt Ind.	463,016	4,150,765	11.2
Edmonson	1,219,429	16,987,318	7.2
Elizabethtown Ind.	3,087,657	16,530,757	18.7
Elliott	294,572	10,051,252	2.9
Eminence Ind.	1,224,811	5,158,296	23.7
Erlanger-Elsmere Ind.	1,945,583	18,053,717	10.8
Estill	2,735,807	19,475,668	14.1
Fairview Ind.	469,230	6,194,146	7.6
Fayette	75,297,271	315,822,967	23.8
Fleming	3,426,425	18,891,821	18.1
Floyd	6,113,217	51,940,024	11.8
Fort Thomas Ind.	1,408,722	20,492,658	6.9
Frankfort Ind.	1,453,139	8,577,314	16.9
Franklin	3,074,691	47,014,179	6.5
Fulton	1,357,359	5,681,006	23.9
Fulton Ind.	557,924	4,481,756	12.5
Gallatin	1,048,408	14,214,141	7.4
Garrard	1,725,076	21,056,669	8.2
Glasgow Ind.	3,530,785	15,863,062	22.3
Grant	4,740,580	29,992,934	15.8
Graves	1,712,579	35,820,950	4.8
Grayson	2,445,319	34,023,799	7.2
Green	1,548,988	12,933,167	12.0
Greenup	2,780,914	25,462,061	10.9
Hancock	2,771,406	13,449,496	20.6
Hardin	15,065,771	106,824,113	14.1
Harlan	2,650,250	36,435,369	7.3
Harlan Ind.	1,195,473	6,325,412	18.9
Harrison	3,341,470	23,527,278	14.2

District	General Fund Balance	Total Expenditures	Fund Balance Percent
Hart	1,965,025	20,913,439	9.4
Hazard Ind.	1,419,365	8,051,325	17.6
Henderson	18,913,143	53,659,899	35.3
Henry	3,811,373	17,034,292	22.4
Hickman	1,215,016	7,090,741	17.1
Hopkins	8,511,886	58,928,401	14.4
Jackson	1,351,919	20,305,893	6.7
Jackson Ind.	314,327	3,534,544	8.9
Jefferson	125,728,729	928,304,708	13.5
Jenkins Ind.	337,724	5,159,694	6.6
Jessamine	5,474,678	63,335,007	8.6
Johnson	6,684,270	31,916,946	20.9
Kenton	10,639,159	103,784,896	10.3
Knott	3,280,166	21,924,882	15.0
Knox	6,555,085	39,493,496	16.6
LaRue	6,640,067	18,230,695	36.4
Laurel	6,257,617	68,734,408	9.1
Lawrence	1,634,735	20,310,351	8.1
Lee	1,095,124	9,817,380	11.2
Leslie	1,182,264	17,111,741	6.9
Letcher	2,742,338	28,769,594	9.5
Lewis	1,898,670	20,248,979	9.4
Lincoln	5,152,835	35,728,505	14.4
Livingston	1,896,896	11,350,721	16.7
Logan	9,841,581	27,269,228	36.1
Ludlow Ind.	1,438,884	6,970,437	20.6
Lyon	828,496	7,432,518	11.2
Madison	8,545,914	82,691,753	10.3
Magoffin	4,520,071	21,998,542	20.6
Marion	3,084,906	24,658,532	12.5
Marshall	3,525,920	37,311,013	9.5
Martin	1,387,802	19,534,211	7.1
Mason	3,368,771	22,201,188	15.2
Mayfield Ind.	1,058,801	13,214,335	8.0
McCracken	10,084,869	56,220,355	17.9
McCreary	1,903,812	27,747,333	6.9
McLean	2,188,617	14,544,813	15.1
Meade	10,296,108	37,209,275	27.7
Menifee	1,294,689	9,413,270	13.8
Mercer	804,887	28,066,271	2.9
Metcalfe	4,139,206	13,582,364	30.5

District	General Fund Balance	Total Expenditures	Fund Balance Percent
Middlesboro Ind.	328,292	13,961,137	2.4
Monroe	1,290,502	17,206,297	7.5
Montgomery	8,214,652	34,029,506	24.1
Monticello Ind.	769,068	7,242,967	10.6
Morgan	1,063,206	17,863,011	6.0
Muhlenberg	13,322,530	43,729,469	30.5
Murray Ind.	5,402,996	13,074,766	41.3
Nelson	1,970,723	35,938,338	5.5
Newport Ind.	145,101	21,505,933	0.7
Nicholas	2,320,797	9,735,579	23.8
Ohio	6,144,097	31,250,427	19.7
Oldham	11,349,447	93,032,137	12.2
Owen	2,173,818	15,669,544	13.9
Owensboro Ind.	7,143,844	38,410,858	18.6
Owsley	922,517	9,223,215	10.0
Paducah Ind.	2,595,118	32,400,402	8.0
Paintsville Ind.	2,297,143	7,021,265	32.7
Paris Ind.	494,128	6,272,766	7.9
Pendleton	699,968	21,795,752	3.2
Perry	2,621,340	36,295,696	7.2
Pike	6,270,963	81,239,576	7.7
Pikeville Ind.	1,949,642	11,208,030	17.4
Pineville Ind.	316,333	4,827,919	6.6
Powell	1,157,258	20,103,634	5.8
Pulaski	1,444,255	62,101,848	2.3
Raceland-Worthington Ind.	649,476	8,221,816	7.9
Robertson	227,017	3,372,711	6.7
Rockcastle	3,467,955	23,762,842	14.6
Rowan	1,330,178	25,704,569	5.2
Russell	581,778	25,085,800	2.3
Russell Ind.	2,633,345	16,842,566	15.6
Russellville Ind.	2,495,796	10,295,993	24.2
Science Hill Ind.	174,329	3,324,347	5.2
Scott	7,200,856	59,075,563	12.2
Shelby	13,173,395	50,702,583	26.0
Silver Grove Ind.	672,055	2,785,702	24.1
Simpson	2,699,781	22,665,569	11.9
Somerset Ind.	1,828,045	11,264,632	16.2
Southgate Ind.	306,644	1,658,747	18.5
Spencer	2,323,231	19,983,604	11.6

District	General Fund Balance	Total Expenditures	Fund Balance Percent
Taylor	881,734	19,433,289	4.5
Todd	5,135,337	17,953,910	28.6
Trigg	5,272,147	16,466,360	32.0
Trimble	5,359,800	11,453,942	46.8
Union	5,570,910	21,586,316	25.8
Walton-Verona Ind.	2,912,483	12,352,986	23.6
Warren	19,230,414	95,916,430	20.1
Washington	3,242,503	14,357,648	22.6
Wayne	885,534	21,946,536	4.0
Webster	1,712,469	17,054,453	10.0
West Point Ind.	682,325	1,365,986	50.0
Whitley	2,860,706	39,830,714	7.2
Williamsburg Ind.	211,739	6,466,718	3.3
Williamstown Ind.	1,383,773	8,545,219	16.2
Wolfe	571,959	13,034,239	4.4
Woodford	4,245,590	28,697,441	14.8
State Total	$773,909,777	$5,552,916,823	13.9%

Note: Total expenditures from Funds 1, 2, 51, 310, 320, and 400 less on-behalf-of payments and fund transfers.
Source: Staff compilation of data from the Kentucky Department of Education.

Appendix E

School Districts' General Fund Balances Fiscal Year 2005-Fiscal Year 2008

	FY 2005		FY 2006		FY 2007		FY 2008	
District	General Fund Balance	Fund Balance Percent	General Fund Balance	Fund Balance Percent	General Fund Balance	Fund Balance Percent	General Fund Balance	Fund Balance Percent
Adair	$489,061	2.3%	$525,900	2.6%	$741,142	3.5%	$720,091	3.3%
Allen	4,290,186	21.6	3,364,660	15.7	2,218,292	10.0	2,336,702	10.6
Anchorage Ind.	650,163	12.7	565,704	10.0	777,999	14.2	1,104,768	19.8
Anderson	3,897,059	17.4	3,807,782	14.9	3,776,273	13.6	3,212,115	10.6
Ashland Ind.	2,701,361	12.0	3,088,390	13.3	2,343,920	9.8	1,430,072	5.6
Augusta Ind.	755,689	29.7	803,846	31.2	825,970	31.2	775,396	27.8
Ballard	3,623,433	35.7	3,167,941	27.7	3,139,644	27.4	2,165,544	16.6
Barbourville Ind.	199,762	4.7	227,054	5.1	229,093	5.1	291,068	6.2
Bardstown Ind.	428,855	2.7	338,060	2.0	674,713	3.8	650,392	3.3
Barren	851,130	2.9	855,606	2.6	846,595	2.4	814,320	2.1
Bath	1,853,596	14.7	2,604,533	19.6	3,132,282	22.0	3,021,445	19.4
Beechwood Ind.	1,317,670	19.8	1,442,714	18.6	1,709,490	21.2	2,000,641	19.8
Bell	1,607,508	6.7	1,224,066	4.9	1,079,969	4.2	579,872	2.1
Bellevue Ind.	922,875	16.6	1,122,256	19.2	1,303,699	20.9	1,522,244	23.6
Berea Ind.	1,801,168	24.7	2,126,521	26.3	2,680,841	31.8	2,918,424	32.6
Boone	17,388,902	17.2	18,315,552	16.3	21,332,962	17.4	23,011,051	16.4
Bourbon	1,795,992	9.7	2,189,848	9.4	2,748,904	13.0	2,634,004	11.6
Bowling Green Ind.	1,998,433	7.4	2,481,506	6.5	2,800,139	8.9	3,221,059	9.67
Boyd	1,975,978	7.3	1,863,292	6.7	2,171,574	7.9	2,274,605	7.8
Boyle	2,690,055	14.4	2,517,886	12.4	2,360,365	11.1	2,012,115	8.9
Bracken	1,305,118	9.6	1,292,963	15.0	1,349,959	15.2	1,546,987	16.5
Breathitt	2,208,560	12.6	1,977,567	10.3	1,459,425	7.0	1,172,600	5.4
Breckinridge	5,313,198	28.1	6,754,733	34.0	7,537,648	35.7	8,785,089	40.4
Bullitt	6,146,147	9.1	8,597,823	9.5	11,183,964	13.6	9,625,793	10.5
Burgin Ind.	712,800	27.7	676,646	23.9	737,293	25.1	762,498	23.4
Butler	1,877,011	12.6	1,797,562	11.5	2,132,431	12.6	1,870,752	9.5
Caldwell	3,292,279	24.2	3,602,183	25.3	3,880,002	26.0	3,885,381	24.5
Calloway	2,309,368	10.0	4,182,471	18.8	5,858,953	26.3	7,108,774	28.5
Campbell	4,771,788	11.6	2,232,061	5.8	4,990,503	12.6	3,902,208	9.3
Campbellsville Ind.	293,410	3.0	316,316	3.0	138,879	1.3	621,730	5.9
Carlisle	546,081	9.9	485,603	8.2	487,612	7.7	493,925	7.5
Carroll	4,917,442	34.0	5,707,748	38.0	6,127,225	37.8	7,469,265	44.5
Carter	1,698,154	5.2	1,696,450	5.0	2,095,253	5.9	2,013,113	5.3
Casey	2,500,930	15.2	2,833,043	16.0	3,675,845	19.9	4,506,580	22.4

District	FY 2005 General Fund Balance	FY 2005 Fund Balance Percent	FY 2006 General Fund Balance	FY 2006 Fund Balance Percent	FY 2007 General Fund Balance	FY 2007 Fund Balance Percent	FY 2008 General Fund Balance	FY 2008 Fund Balance Percent
Caverna Ind.	1,637,712	29.9	2,110,905	35.5	2,058,307	31.0	1,936,715	28.2
Christian	8,632,050	14.0	9,686,383	15.2	10,455,519	15.4	11,624,441	15.6
Clark	658,387	2.0	200,527	0.6	1,433,736	3.8	3,013,294	7.2
Clay	1,442,594	4.5	808,433	2.5	1,757,773	5.7	1,749,970	5.2
Clinton	1,867,603	14.8	2,267,604	16.2	2,764,668	17.1	2,719,627	16.3
Cloverport Ind.	100,027	3.7	113,629	4.0	155,208	5.7	204,708	6.7
Corbin Ind.	1,030,278	7.1	1,082,752	7.1	1,452,941	9.1	1,377,445	7.5
Covington Ind.	1,497,392	3.6	1,576,747	3.5	1,010,802	2.2	12,138	0.03
Crittenden	1,376,727	15.1	1,214,288	12.5	976,620	9.4	945,315	9.1
Cumberland	590,769	7.1	449,547	5.1	629,811	7.1	631,744	6.7
Danville Ind.	2,304,697	15.0	2,367,073	14.8	2,142,684	12.6	2,510,987	14.0
Daviess	4,594,646	6.1	5,125,480	6.4	6,214,359	7.4	5,594,222	5.9
Dawson Springs Ind.	694,174	13.9	882,478	18.1	980,949	18.7	1,188,091	22.0
Dayton Ind.	452,247	6.0	322,428	3.9	276,163	3.3	71,080	0.8
East Bernstadt Ind.	592,241	18.2	623,817	18.2	654,081	18.2	616,704	15.2
Edmonson	1,265,999	8.3	1,170,380	7.7	1,021,028	6.4	1,018,090	5.1
Elizabethtown Ind.	1,961,240	13.9	1,795,465	11.7	2,489,462	15.4	2,909,417	17.7
Elliott	579,385	6.5	666,349	7.2	473,309	4.7	371,300	3.6
Eminence Ind.	401,407	9.8	506,537	11.7	669,759	14.7	1,025,569	21.3
Erlanger-Elsmere Ind.	1,271,040	7.8	1,288,282	8.1	735,561	4.2	485,346	2.6
Estill	429,104	2.4	1,290,856	7.3	2,003,421	10.5	2,730,674	13.7
Fairview Ind.	153,307	3.1	406,200	8.0	332,145	5.7	417,246	7.1
Fayette	29,608,550	11.5	40,940,438	15.0	54,711,342	19.1	60,615,362	19.2
Fleming	3,071,960	18.1	2,892,076	16.5	2,709,118	15.3	2,785,525	15.1
Floyd	6,801,725	13.8	5,086,059	9.7	4,269,210	8.2	4,315,922	8.1
Fort Thomas Ind.	706,336	4.4	686,601	4.0	696,423	3.8	910,286	4.6
Frankfort Ind.	391,394	5.0	098,018	01.2	593,952	8.1	1,318,281	16.9
Franklin	2,377,887	6.0	2,679,472	6.2	2,749,823	6.2	2,034,375	4.2
Fulton	124,606	2.0	443,115	7.5	602,588	10.7	1,072,914	18.6
Fulton Ind.	793,116	19.3	799,793	19.1	800,944	18.7	620,452	14.0
Gallatin	1,402,837	13.0	1,165,684	9.9	1,435,711	11.4	1,584,189	11.6
Garrard	502,031	2.7	408,225	2.2	724,038	3.7	1,227,890	5.9
Glasgow Ind.	783,487	6.1	1,192,419	8.6	1,809,368	12.3	2,753,789	17.5
Grant	$6,668,739	29.1	5,735,903	20.2	6,094,522	13.5	5,244,769	15.8
Graves	$3,270,678	11.3	3,163,538	10.5	2,116,816	6.3	1,812,913	5.0
Grayson	$2,768,420	10.5	2,466,495	8.7	2,906,688	9.9	3,317,178	10.0
Green	$1,337,852	12.3	975,995	8.3	922,630	7.6	1,195,871	9.5
Greenup	$4,639,223	21.5	4,402,076	19.2	4,139,103	17.5	3,602,518	14.3
Hancock	$902,137	7.4	1,671,677	11.9	1,545,609	12.1	1,929,504	14.4

District	FY 2005 General Fund Balance	FY 2005 Fund Balance Percent	FY 2006 General Fund Balance	FY 2006 Fund Balance Percent	FY 2007 General Fund Balance	FY 2007 Fund Balance Percent	FY 2008 General Fund Balance	FY 2008 Fund Balance Percent
Hardin	$12,577,605	14.3	10,843,875	11.2	11,133,522	11.1	11,715,119	10.7
Harlan	$3,033,838	9.3	1,445,170	4.3	1,720,291	4.9	2,417,954	6.6
Harlan Ind.	$1,124,220	18.6	1,228,080	20.1	1,429,802	23.0	1,206,898	19.1
Harrison	$3,602,945	19.0	3,723,215	17.4	4,063,755	18.8	3,368,811	14.9
Harrodsburg Ind.	$943,059	12.3	668,411	8.4	Null	Null	Null	Null
Hart	$2,096,877	12.3	1,618,351	8.2	1,921,078	9.5	1,652,592	7.8
Hazard Ind.	$551,986	8.8	417,567	6.1	702,029	9.9	1,065,091	14.2
Henderson	$13,704,121	28.5	15,631,539	32.8	17,708,699	32.7	17,650,752	31.8
Henry	$2,445,680	17.7	3,170,113	21.3	3,020,530	18.9	3,487,654	20.6
Hickman	$842,294	13.7	670,049	10.2	652,746	9.8	984,473	14.6
Hopkins	$4,714,622	9.5	4,756,112	9.0	5,464,110	10.3	6,800,469	10.7
Jackson	$261,436	1.5	199,854	1.1	541,320	2.8	638,638	3.1
Jackson Ind.	($120,776)	02.5	46,996	1.3	225,511	5.4	171,798	5.2
Jefferson	$47,828,975	6.1	67,950,061	8.3	67,134,499	7.8	100,166,926	10.9
Jenkins Ind.	$180,337	4.2	193,482	4.2	382,673	8.1	264,089	5.0
Jessamine	$3,971,748	6.8	5,672,205	10.8	5,999,352	10.7	5,314,280	8.8
Johnson	$8,756,866	34.6	9,734,762	35.5	9,469,080	32.0	8,567,383	26.5
Kenton	$7,167,468	8.5	8,437,060	9.4	7,121,586	7.2	5,902,176	5.4
Knott	$1,948,258	9.4	1,566,855	7.5	2,646,137	13.1	2,834,924	13.2
Knox	$6,070,815	17.2	5,339,794	14.1	4,806,213	12.0	5,226,390	13.0
LaRue	$3,326,949	21.5	3,939,904	23.7	4,691,430	27.2	5,448,354	29.6
Laurel	$4,144,775	7.4	6,859,481	11.9	5,303,327	8.2	4,882,376	7.0
Lawrence	$3,846,486	21.3	3,420,562	17.2	1,026,270	4.8	917,067	4.6
Lee	$1,330,476	14.5	1,405,667	15.1	1,555,069	15.9	1,292,517	12.6
Leslie	$1,189,989	7.5	197,673	1.2	1,432,655	9.2	1,601,916	9.3
Letcher	$1,641,234	6.4	1,496,995	5.1	1,579,622	5.4	1,972,790	6.7
Lewis	$1,131,730	6.6	739,613	3.9	1,137,011	6.0	1,245,720	6.2
Lincoln	$4,511,631	14.0	5,085,159	15.5	5,911,849	17.3	5,072,612	13.6
Livingston	$2,920,463	29.5	2,796,131	26.7	2,754,347	25.2	2,433,642	21.0
Logan	$9,383,805	42.2	9,460,922	38.9	8,410,867	32.6	8,942,622	32.1
Ludlow Ind.	$556,500	8.2	117,269	1.7	$620,588	9.8	1,283,408	19.2
Lyon	1,429,781	20.6	884,535	11.5	931,101	12.5	804,293	10.3
Madison	5,751,401	8.9	6,907,948	9.6	5,947,254	7.5	7,458,969	9.3
Magoffin	2,852,967	15.1	4,674,338	24.7	4,968,594	25.1	5,470,589	25.6
Marion	2,400,486	11.5	2,469,511	10.7	2,454,206	10.2	2,316,345	9.1
Marshall	2,490,260	8.4	4,000,706	12.8	4,245,189	12.5	4,079,570	11.0
Martin	533,351	3.0	632,952	3.5	1,326,283	7.1	1,524,508	7.9
Mason	3,709,088	19.5	3,533,502	16.7	3,877,194	18.5	4,456,539	20.1
Mayfield Ind.	668,941	5.9	659,526	5.3	354,906	2.8	684,080	5.0

District	FY 2005 General Fund Balance	FY 2005 Fund Balance Percent	FY 2006 General Fund Balance	FY 2006 Fund Balance Percent	FY 2007 General Fund Balance	FY 2007 Fund Balance Percent	FY 2008 General Fund Balance	FY 2008 Fund Balance Percent
McCracken	4,331,857	9.2	6,497,346	14.0	9,391,010	19.5	10,279,338	19.6
McCreary	876,416	3.6	1,583,490	6.2	1,710,900	6.3	1,070,241	3.8
McLean	400,423	3.4	345,995	2.9	747,405	5.9	1,328,571	9.0
Meade	8,075,723	27.4	9,155,528	29.7	9,735,033	28.8	10,350,252	28.6
Menifee	563,485	6.6	498,320	5.5	516,784	5.5	722,277	7.5
Mercer	2,533,040	17.7	1,843,264	10.6	2,424,146	9.6	1,288,083	4.5
Metcalfe	532,619	4.1	873,244	6.8	1,671,876	13.2	3,018,739	22.3
Middlesboro Ind.	915,055	7.4	803,003	6.1	897,977	6.5	530,124	3.7
Monroe	1,859,244	12.4	1,493,944	9.1	1,624,446	9.4	1,052,561	5.7
Montgomery	2,426,239	8.8	3,230,846	10.5	5,030,806	15.8	6,536,731	19.0
Monticello Ind.	573,067	9.5	452,179	6.6	456,267	7.0	451,863	5.1
Morgan	1,410,820	8.6	1,643,983	9.8	1,804,041	9.8	1,263,198	6.6
Muhlenberg	9,655,323	26.9	11,550,932	30.3	12,589,317	31.0	15,151,014	34.6
Murray Ind.	1,215,514	10.1	1,756,771	13.9	3,284,405	29.8	4,733,602	37.0
Nelson	2,152,069	7.1	2,391,419	7.5	2,435,148	6.9	1,920,821	5.1
Newport Ind.	7,204,621	35.3	5,089,448	22.9	2,018,966	8.9	530,158	2.2
Nicholas	1,870,371	24.6	2,282,318	28.9	2,533,110	31.5	2,693,770	30.7
Ohio	6,139,598	21.5	7,236,531	22.4	7,162,882	23.7	4,873,069	15.0
Oldham	4,171,638	6.2	5,803,233	7.7	7,924,610	9.0	10,240,167	11.5
Owen	2,529,302	19.9	3,006,685	21.9	2,694,941	17.6	2,843,348	17.9
Owensboro Ind.	3,764,046	11.3	3,646,962	10.1	4,942,095	13.8	5,655,379	15.0
Owsley	1,077,005	12.3	1,042,453	12.0	766,626	8.5	700,056	7.4
Paducah Ind.	669,358	2.7	1,753,753	7.0	2,278,330	8.7	2,523,534	8.8
Paintsville Ind.	1,549,440	26.7	1,705,978	26.8	2,026,780	30.2	2,129,770	30.2
Paris Ind.	518,081	9.7	521,111	9.2	514,553	9.0	443,779	7.1
Pendleton	1,653,255	8.7	1,070,055	5.2	1,415,754	6.8	1,244,987	5.0
Perry	2,949,416	8.9	1,553,423	4.5	2,009,452	5.8	2,263,386	6.2
Pike	6,916,356	9.4	2,166,652	2.8	5,373,765	7.0	4,621,005	5.6
Pikeville Ind.	2,844,322	30.2	2,629,701	25.7	2,412,939	22.9	2,144,397	19.3
Pineville Ind.	341,535	8.0	304,863	6.8	472,564	10.6	328,141	6.7
Powell	1,504,512	8.5	1,196,957	6.5	1,529,182	8.1	1,484,502	7.4
Providence Ind.	301,068	9.2	335,027	10.2	237,564	7.3	Null	Null
Pulaski	2,363,383	4.6	2,199,677	4.0	2,000,289	3.3	94,473	0.2
Raceland-Worthington Ind.	1,381,306	20.2	1,285,535	18.2	949,279	12.2	897,220	11.1
Robertson	150,900	4.5	90,282	2.6	102,922	3.1	131,033	3.9
Rockcastle	3,694,240	17.7	3,703,194	17.3	4,006,691	17.7	3,400,850	13.8
Rowan	1,380,194	6.6	1,061,841	4.7	1,555,066	6.5	1,265,296	4.9
Russell	2,317,401	10.6	1,041,180	4.4	71,976	0.3	0204,071	0.8
Russell Ind.	1,062,166	7.9	1,153,450	8.3	1,677,948	11.3	2,278,525	14.5

District	FY 2005 General Fund Balance	FY 2005 Fund Balance Percent	FY 2006 General Fund Balance	FY 2006 Fund Balance Percent	FY 2007 General Fund Balance	FY 2007 Fund Balance Percent	FY 2008 General Fund Balance	FY 2008 Fund Balance Percent
Russellville Ind.	1,866,569	21.0	1,977,525	21.6	2,106,392	23.1	2,520,634	26.1
Science Hill Ind.	678,994	23.7	676,000	22.2	626,370	18.5	220,288	5.9
Scott	3,605,834	7.9	5,031,120	10.2	6,233,155	11.4	5,475,401	8.7
Shelby	12,015,329	32.8	13,347,401	32.2	14,687,603	31.7	12,652,407	25.0
Silver Grove Ind.	529,512	22.9	639,039	27.4	781,151	32.4	820,300	31.3
Simpson	2,812,794	14.6	2,835,955	14.2	3,379,403	16.1	3,326,219	14.7
Somerset Ind.	2,365,398	22.8	2,345,435	21.2	1,907,054	16.6	1,240,048	10.2
Southgate Ind.	182,401	14.8	546,881	42.4	557,024	39.2	445,775	27.1
Spencer	1,387,810	8.9	1,283,145	7.2	1,582,034	8.7	1,888,339	9.5
Taylor	2,060,083	12.5	2,348,739	12.5	1,771,805	9.4	493,867	2.4
Todd	5,182,798	35.4	4,910,559	31.8	5,333,829	33.1	5,299,490	29.6
Trigg	1,676,349	11.4	2,313,075	15.5	2,242,038	14.5	2,452,027	15.0
Trimble	2,341,698	22.8	2,767,038	25.9	3,531,280	31.9	4,648,719	40.4
Union	3,048,259	17.1	2,849,060	15.6	3,860,964	20.0	4,546,356	22.4
Walton-Verona Ind.	2,234,340	25.1	855,489	8.9	1,744,462	17.8	2,216,058	18.1
Warren	10,328,852	14.0	13,162,899	16.4	15,824,674	18.9	15,718,692	16.4
Washington	1,564,542	12.3	1,838,591	13.7	2,345,339	17.7	2,735,262	18.0
Wayne	796,530	4.0	490,345	2.4	32,261	0.2	0260,595	01.2
Webster	1,441,991	11.5	1,179,335	8.9	778,494	5.2	1,047,239	5.8
West Point Ind.	450,556	32.6	456,455	34.5	556,125	42.3	683,676	44.8
Whitley	2,988,258	8.2	2,705,616	7.3	3,471,060	9.1	2,243,719	5.6
Williamsburg Ind.	188,968	3.4	252,159	4.3	252,681	4.2	282,412	4.4
Williamstown Ind.	562,960	7.5	914,243	12.5	954,085	8.7	1,245,928	15.5
Wolfe	971,096	8.7	608,759	5.2	779,000	6.7	1,019,951	8.3
Woodford	1,440,675	6.0	2,487,047	9.9	4,118,795	15.3	4,331,657	15.3
State Total	$522,934,857	11.2%	$572,772,427	11.5%	$633,190,669	12.2%	$680,854,882	12.2%

Note: Null refers to districts that have been consolidated into other systems and no longer exist.
Source: Staff compilation of data from the Kentucky Department of Education.

Appendix F

Districts With at Least 20 Percent or Higher Fund Balance Percentages

This appendix presents comments gleaned from the OEA staff survey of districts.

District	Percent Ending Fund Balance	Explanation of Ending Fund Balance
Anchorage Ind.	26.3%	Currently pays tuition for students attending high school in Jefferson County Public Schools. Tuition paid last year was more than $400,000. Amount continues to increase each year. Also saving for maintenance and boiler replacement.
Augusta Ind.	22.8	District was in deficit about 15 years ago. District anticipates this year's end-of-year fund balance to drop to about $500,000. Approximately $68,000 in general fund is for scholarships. District expects revenues to drop $100,000 next year.
Bath	21.6	Owingsville elementary needs new roof and other renovations. High school needs new roof and improvements to athletic complex currently leased from county parks system. Considering increasing certified salary schedule since it is one of lowest in state. Needs new buses. Also needs to purchase or lease facility for district's alternative program.
Beechwood Ind.	20.9	Since average daily attendance is increasing due to more private school children now attending public school, district needs more classrooms, computers, etc. Approximately $100,000 needed to fix cafeteria before next year.
Bellevue Ind.	25.1	Added two computer labs this year—one was laptops and other was desktops. Purchased desktops for all teachers at both schools, installed additional wireless components, and purchased smart boards and projectors. Also installed new security system throughout the district and new phone system. Approximate cost was $201,500.
Burgin Ind.	26.9	Approximately $150,000 was left over from a previous teacher's endowment. Interest from this is currently used to provide classroom items for teachers. Spent approximately $25,000 on parking lots and refinishing the gym floor. Hired additional teacher at the beginning of the year. Funds used to help offset cuts to Flex Focus funds. Plans to replace school roof and partially pay out of general fund. Needs 102 buses and planning to pay cash. Plans to purchase math textbooks. Needs to supplement extended school services. Saving because district experiences cash flow problems around August/September. Saving in anticipation of an adjustment (reduction) to SEEK appropriations.
Calloway	34.2	Expenditures from general fund have been and will continue to be necessary due to reductions in Flex Focus. Funding for the following items/projects is needed: asphalt for all district parking lots, multiple maintenance and transportation department vehicles, installation of security systems in the schools, upgrade existing phone systems, pending litigation against the district, and construction of an area tech center/vocational school. Most projects will not be started until financial conditions improve.

District	Percent Ending Fund Balance	Explanation of Ending Fund Balance
Dawson Springs Ind.	21.3	List of projects and approximate cost include: rebuild retaining wall behind central office, $11,000; demolish two old houses on campus, $12,000; move fiber optic cabling from demolished houses to data center, $16,000; repave central office parking lot, $19,000; create bus loop in front of preschool, $2,500; reroof 1958 section of elementary, $70,000; and renovate first-floor classrooms and restrooms in elementary, $600,000. District has no bonding potential, so all projects will have to be paid with general fund dollars.
Elizabethtown Ind.	20.0	Plans include several discretionary facility projects, such as upgrades to parking lots, field lighting, and parking lot lights, which have already been approved by board … Discretionary needs cost over $8 million and in a typical budget climate, district would have funded all along rather than waiting.
Eminence Ind.	23.7	Plans to replace heating/air conditioning system for elementary wing. District was deeded the community center building by the City of Eminence, so funds have been set aside to take over the additional expense of maintaining this building. District is in the process of updating its technology infrastructure with new wiring, etc.
Fulton	23.9	District plans include: 1) To maintain a healthy balance for unexpected buildings and grounds needs; i.e. repair and replace doors; tiles; HVAC systems; assure floor maintenance needs are provided; assure painting needs are provided; etc; 2) To make informed choices about student learning needs including purchases of technology, instructional materials (since district does not have textbook funds), and professional development; 3) To prepare for and implement the requirements of Senate Bill 1; 4) To compensate for the continuing decline of funds for student transportation; and 5) To maintain staffing and services at a high level when budget cuts are imposed.
Hancock	20.6	Most of these funds were generated by a utility lawsuit. The district plans to save these funds for a vocational school in the near future
Johnson	20.9	District has no bonding potential and needs these funds to pay for roof repairs and to replace a category 5 school.
Livingston	20.9	Saving funds to replace district's middle school, considered a category 4, and pay for modifications due to safety issues in the high school. Needs new windows and doors with alarm systems according to audit performed at the high school. District is updating fiber optic lines now and plans to update technology at all schools. Land erosion behind the high school is also top priority.

District	Percent Ending Fund Balance	Explanation of Ending Fund Balance
Logan	36.4	District has been saving for years for a new elementary school. The land has been purchased, architectural plans drawn, and the project approved by the state through BG 09-072. The BG-1 was recently rescinded due to lack of funds and the need to supplement educational programs instead of construction. There are several instructional projects for which funds have been accumulated. All the elementary/middle schools have reading and math grants that have enhanced student achievement, and district wants to continue these programs after the grants are complete, probably beginning next fiscal year. The district plans to implement distance learning labs, hopefully beginning this year. Other ongoing programs include Math Alliance, LoTi, Gear Up, Novell Stars, etc. Also, the district plans to replace outdated technology at each school. Board does not consider one month's operating resources to be excessive. Amount budgeted was increased due to tentative funding and the knowledge that state funding cuts could be made during the year, after commitments had been made. Also, fluctuating energy prices were considered. As the economy and funding stabilizes, some of these funds can be rebudgeted toward the construction of the elementary school.
Ludlow Ind.	20.6	The board wants to keep a large amount because it is on the watch list.
Magoffin	20.5	The district is conservative in its spending to allow additional monies to be available for unfunded mandates. District is largely saving to build athletic facilities. District has no track, baseball, or softball fields and no dressing room facilities for visiting football teams. The facility currently being used for weight lifting and for the football dressing room is inadequate. District currently leases the city/county park for home softball, baseball, and track events. District has had plans drawn up by architects on at least three occasions but could not afford the estimated cost, and the location available is in a floodway. District has discussed purchasing land out of the floodway or floodplain for future development of athletic facilities with enough land suitable for a bus garage. Since 2001, the district has built three state-of-the-art elementary schools and is currently renovating and building needed additions to the high school, addressing security and program space. The board recently asked architects to study the feasibility of building a facility to house a concession stand, restrooms, dressing rooms for home and visiting teams with showers, weight room/exercise room for all athletes, batting cage space for softball and baseball, and a wellness facility available to all staff and community agency partners' employees at a minimal monthly fee. The district is awaiting the estimated cost for this building. The district's last estimate to build a softball, baseball, weight room/dressing rooms, and relocate the football field to accommodate the other fields was around $3.8 million. The district will likely complete this project in phases. District has been trying to update its bus fleet by buying four or five new school buses, at least 10 percent of district's fleet.

District	Percent Ending Fund Balance	Explanation of Ending Fund Balance
Meade	27.7	Meade County Schools has been experiencing growth for the past few years and anticipates a surge of growth in the near future related to base realignment and closure at neighboring Fort Knox. Since 2002, the district's enrollment has increased 8.5 percent, or 395 students. Over the past two school years, the number of students with parents in the active military has increased by 70 students (30 percent), and students with parents working as civilians at Fort Knox has increased by 131 students (34 percent). To address this growth, the district is building a new primary school, at a cost of $17.2 million, to be opened this fall. The district is also in the planning phase for a new middle school that will open in 2-3 years. This will be the district's largest construction project in the past 20 years. The district anticipates hiring many additional teachers, administrators, and support staff, while purchasing much infrastructure such as buses, computers and furniture over the next 5 years to staff these new buildings. Since the district's growth is coming at a time when state funding is being cut, this requires the district to have sufficient contingency funds to keep the district operating while adding new buildings, buses and staff. … Over the past 5 years, the district issued over $43 million in bonds to provide adequate facilities for learning. To finance this, the community agreed to levy a third Facility Nickel tax. Therefore, the district believes that a large contingency will be necessary to continue with their facility plan and fund the new recurring costs created by growth.
Metcalfe	30.5	Funds have been tied up in a BG-1 project. District is constructing a new middle school and anticipates completion of the project to be within 18 to 24 months.
Montgomery	24.1	A larger balance was carried forward from FY 2009 which contained substantial amounts of committed funds: A) $1,500,000 is reserved to retire short-term debts (Kentucky Interlocal School Transportation Association) and repay borrowed funds. This debt has not been repaid, because funds provide emergency protection for the general fund as state funding continues to be unstable. B) $2 million is reserved for an administrative center. The district administration was housed at an old elementary center that was then converted back to classrooms to meet urgent needs. The administration moved into the back of the high school. However, this makes the high school crowded. The administration needs to be housed in another location. C) $2 million is expected to be needed to balance the FY 2011 budget. $1 million in reserves and $750,000 in stimulus money was used to balance the general fund for FY 2010. The sum of $2 million may not be sufficient if state funds are further reduced. D) $1.5 million is needed in technology to complete intelligent classrooms. If funds permit, this will be done in FY 2011. If state funds continue to be unstable, the project will be divided over two fiscal years. E) $200,000 for textbooks and learning materials is needed above state funding. F) $45,000 is needed for instructional planning to incorporate new standards into the curriculum. G) $60,000 is for assessment upgrades and electronic scoring equipment. Obviously, the unfunded needs exceed the available funds. This coupled with the state funding scenario causes the district to hold back on some of these projects in order to protect instructional programs funded through the general fund.
Murray Ind.	41.3	Currently educating 300 students from Calloway County with no state funds following them. The district has been saving funds to help carry them through future years of losing students and trying to maintain bonding potential.

District	Percent Ending Fund Balance	Explanation of Ending Fund Balance
Russellville Ind.	24.2	The district has the following projects that it is saving for: • rewiring schools • purchasing computers—staff computers are now 5 years old • new roof and a new compressor for the heating and cooling in the science wing at the high school • new energy-efficient windows, ceiling tile and lighting, and doors at the high school • air conditioning in the welding shop at area technology center • new gym floor in the next 5 years • purchasing textbooks for the high school • purchasing a bus next year • lights for new soccer field/score board/restrooms/press box The district needs approximately $42,000 per day to operate payroll. Since the district does not get funding until the first of November, it takes about 20 percent carryover to meet bills.
Silver Grove Ind.	24.1	District is saving for two projects—central air conditioning and heat for the high school building and gym renovations.
Todd	28.6	District's fund balance is being maintained for the following needs: • paying more of the cost of retired employees health insurance over the next few years • moving forward to fund all-day kindergarten • funding for preschool for all 4-year-olds who wish to attend • providing support services such as alternative school, credit recovery program, and extended school services in spite of decreased funding or in some cases eliminated funding. These programs are essential for the most at-risk students. • updating bus fleet and transportation services • providing all high school students with laptop computers through a lease that costs more than $300,000 per year • moving toward establishing career/technical center • replacing gym roof on middle school. The cost for this is $300,000-$400,000. • constructing restroom facilities on softball, volleyball, and baseball fields. This cost is around $100,000. • upgrading track. Estimated cost is $200,000. • fencing around all athletic fields. $200,000

District	Percent Ending Fund Balance	Explanation of Ending Fund Balance
Trigg	32.0	The district's unmet facility needs are approximately $14 million, and its bonding potential is approximately $1.2 million; thus renovations must be paid with cash. The district has spent $250,000 of its balance on technology upgrades this academic school year. The Trigg County Board of Education has approved two BG-1 applications for two roof/HVAC projects for the Vocational School and Central office at $900,000 +. Other needs the district will be addressing, as quickly as the economy stabilizes: 1) diesel fuel tanks and pump replacement for transportation department, $495,000; 2) construction of preschool classrooms, $3 million+; 3) elementary school building needs major renovation in the amount of $7 million; 4) the district, operating very conservatively, has elected to not purchase on an annual basis all the school buses necessary to meet the replacement guideline per the depreciation schedule. Needs to purchase at least 4 buses at $300,000; 5) the district, with four schools on one campus, presently has one kitchen and one cafeteria. Construction of a second cafeteria is estimated at $3 million+; 6) the district needs a fourth gymnasium, and the cost is estimated at $4 million.
Walton-Verona Ind.	23.6	District has $12,491,516 in unmet need on its facilities plan. This includes a classroom addition to an elementary school that is already under way but does not include another classroom addition to the high school that is needed immediately; architect is estimating the additional cost for this project to be between $2.5 million and $3 million. These additions are both needed to accommodate the continued growth in student population. Student population has grown 25.9 percent since the end of the 2004-2005 school year. District has very little bonding capacity (less than $500K), so the plan is to start the high school addition in the next 6-18 months, and the only way that this will be accomplished is through local funding as it appears that the district will not be receiving funding from the legislature for additions or renovations or additional offers of assistance. The district has transferred $2 million to its building fund (from the general fund) since the beginning of the year for this very purpose.
Warren	20.0	District's plans include the following: • South Warren High School, $2.5 million, opening August 2010 • South Warren Middle School, $1.5 million, opening August 2010 • Richardsville Elementary, $1.5 million, opening August 2010 • Bristow Elementary, $1.5 million, opening August 2010 • Ivan Downs Elementary, $1.5 million, opening August 2011 • bus purchases, $1.6 million; waiting on information on hybrid bus • network upgrades, $1.2 million, ongoing
Washington	22.6	The district would like build a new high school and renovate the current high school, converting it to a middle school. The district is in the design phase of the building project. However, the district does not have enough bonding capacity to build what it actually needs. The board wants to use a proactive approach to build what is needed in the future versus a reactive approach based on the current bonding capacity. Because of the age of the buildings, the district's current facility needs for maintenance is projected to spend $400,000 over the next few months in maintenance needs (water treatment plant system, fresh air unit replacement / HVAC, roofing needs, etc.) that are outside of the above mentioned "building projects." The district is restructuring and updating its programming instructionally and meeting staffing obligations as well and hopes to fully implement by next fiscal year.

District	Percent Ending Fund Balance	Explanation of Ending Fund Balance
West Point Ind.	49.9	West Point Independent received $2 million from Urgent Needs Funds on January 31, 2008. Our building project was in process, but bills did not start going out until April with the larger amounts not arriving until July and August. The building project was completed, and the new wing was occupied on January 5, 2009. With the completion of this building project, the fund balance was lowered about $2.3 million.

Appendix G

Districts' Explanations for General Fund Balance Sheet Restrictions

This appendix presents comments gleaned from the OEA staff survey of districts.

District	Code	Description	Amount	Reason
Berea Ind.	8767	Other Restricted	$328,330	Cable tax restricted for lawsuit, now set aside for new roof on school.
Boone	8767	Other Restricted	4,199,406	Money is set aside to open new schools. Revenue in lieu of taxes has limited number of years left. Opening a new elementary school in fall 2010. Opening a school every other year, and the estimated cost to open one ranges from $1.5 million to $2.5 million depending on grade level. Seventy-one buses in fleet are more than 12 years old.
Boyle	8765	Unknown Code	347,630	District was going to buy some land. Deal did not go through, and funds were put in beginning balance.
Breckinridge	8759	Unknown Code	84,039	Bus purchases.
Breckinridge	8763	Unknown Code	637,393	Whiteboard and laptop initiatives.
Breckinridge	8766	Future Construction	60,000	Classified retirement match.
Breckinridge	8772	Unknown Code	100,000	Adding foreign-language teachers.
Breckinridge	8779	Unknown Code	9,960	
Breckinridge	8780	Unknown Code	500,000	Unanticipated fuel cost.
Breckinridge	8781	Unknown Code	1,448,929	Reading/writing intervention.
Breckinridge	8782	Unknown Code	70,000	One year of high school textbooks.
Breckinridge	8785	Unknown Code	95,939	One year's worth of maintenance cost
Breckinridge	8787	Unknown Code	79,023	
Breckinridge	8788	Unknown Code	510,349	Innovative ideas from staff or students.
Breckinridge	8789	Unknown Code	150,000	
Breckinridge	8791	Unknown Code	415,000	Energy management proposal.
Bullitt	8779	Unknown Code	148,676	Fiber optic repair.
Caldwell	8766	Future Construction	300,000	Maintenance building, two new roofs, sports complex.
Campbell	8767	Other Restricted	655	Internal Alumni Fund for scholarships.
Carroll	8766	Future Construction	600,000	Renovating K-2 school with Head Start. Construction is just beginning on the 3rd- to 5th-grade renovation.
Danville Ind.	8766	Future Construction	500,000	District planned on buying the central office building it rents. It is now rethinking buying new building or renovating the elementary building and moving central office there.

District	Code	Description	Amount	Reason
Fayette	8766	Future Construction	13,015,545	Clark Property (new elementary school); Russell Cave Property (new warehouse); Equine Science Center (new tech school); Keithshire Elementary (new elementary school).
Fayette	8767	Other Restricted	5,029,059	Energy cost, litigation, sick leave payout.
Frankfort Ind.	8767	Other Restricted	4,232	National Board Certified Teachers. After staying with district for 5 years they get $1,000 a year.
Fulton Ind.	8766	Future Construction	119,602	Restricted for a roof that is leaking at the high school. Money will be used to repair roof and one of the water heaters at Carr Elementary.
Glasgow Ind.	8766	Future Construction	2,753,789	Construct new high school. District hopes to sell bonds July 1, 2010.
Graves	8766	Future Construction	30,073	New roof for a school.
Harlan	8767	Other Restricted	479,000	Self insured for Workers Compensation.
Harlan Ind.	8766	Future Construction	577,318	Already spent $170,000 on a new preschool building. Two more projects coming up. Middle/high school does not have a cafeteria, and the library is more than 40 years old, so it needs to be expanded and rebuilt. Will cost $2 million to $2.5 million.
Henderson	8752	Unknown Code	1,607,000	Smart board technology.
Henderson	8754	Unknown Code	429,000	New computers for the classroom.
Henderson	8756	Reserve for Debt Service	643,000	Six new buses.
Henderson	8757	Unknown Code	643,000	HVAC system for Spotsville Elementary in the summer of 2011, and the rest will be used for Heights Elementary HVAC in 2012
Henderson	8758	Unknown Code	536,000	New roof for Spotsville Elementary in summer of 2011
Henderson	8759	Unknown Code	1,072,000	Construct a districtwide preschool building.
Henry	8763	Unknown Code	49,700	Technology match.
Henry	8766	Future Construction	1,095,470	Restricted years ago for an elementary school but still not enough for bonding potential.
Jefferson	8767	Other Restricted	35,800,000	"Restrict state-required fund balance, 2 percent is somewhere around $18M, but we've tried as we can to bring this amount up to the recommended 5 percent. It's about 4 percent now."
Kenton	8756	Reserve for Debt Service	58,557	Restricted due to donations that are given to three schools and the district can spend only the interest. Interest is only about $500 a year.
Knox	8766	Future Construction	694,392	District accumulated this from sales of school buildings and plans on using this for current facility needs. In 2010, the district is going to use some of the funds to construct a softball field.
LaRue	8756	Reserve for Debt Service	565,016	Qualified Zone Academy Bond restriction.

District	Code	Description	Amount	Reason
LaRue	8767	Other Restricted	1,000,000	Originally set aside for future construction and unfunded salaries. District is considering providing laptops for all high school students. This will cost a lot of upfront money and maintenance.
Lincoln	8767	Other Restricted	225,651	Bus garage in next 3-5 years.
Lyon	8766	Future Construction	193,854	Emergency maintenance, such as new roofs.
Madison	8767	Other Restricted	2,180,802	Currently moved to beginning balance and is spending it on operating expenses for new middle school.
Marshall	8767	Other Restricted	20,229	The district matches $5,000 per year for elementary school playground equipment for the next 4 years.
Muhlenberg	8767	Other Restricted	442,460	Will be used for Bremen Elementary. $12 million project, new auditorium costing $4.5 million, currently submitted a BG-1 for football complex, redoing HVAC at the old high school gyms. $1.5 million out of general fund.
Nelson	8752	Unknown Code	250,000	Coded wrong; should be sick leave.
Nelson	8754	Unknown Code	265,756	Smart board technology.
Nelson	8756	Reserve for Debt Service	325,000	School buses.
Nelson	8757	Unknown Code	300,000	Roof at Cox’s Creek Elementary.
Nelson	8758	Unknown Code	130,000	Roof at Cox’s Creek Elementary.
Ohio	8761	Unknown Code	244,501	Restriction for lawsuit over tax collection. The lawsuit is settled; half the settlement went to sheriff, and half went to the construction account.
Ohio	8767	Other Restricted	2,167,647	Two BG-1s for a football practice field repair and toilet renovations at the high school. One of these cost $400,000 and the other $300,000.
Oldham	8766	Future Construction	1,150,000	This was set aside 2 years ago for the opening of a new elementary school (Locust Grove Elementary) to pay for operating and opening expenses. District will start using these funds in 2011.
Paintsville Ind.	8761	Unknown Code	339,201	Restricted for bond payments.
Paintsville Ind.	8766	Future Construction	1,000,000	District has a high school without a cafeteria, has taken bids, and is starting on site preparation. Roof at Paintsville Elementary will need to be replaced in next 2 years.
Russell Ind.	8767	Other Restricted	57,132	Family Resources and Youth Services Centers donations, Medicaid reimbursements, community education donations, Kentucky Education Technology System donations. Every July 1, district unrestricts this money and puts it in the general fund beginning balance.

District	Code	Description	Amount	Reason
Scott	8767	Other Restricted	1,294,177	Equip new Vo-Tech school, which will be partially opening in the fall of 2010, fully operational in fall of 2011.
Shelby	8766	Future Construction	9,230,521	New facilities and operating expenses.
Simpson	8766	Future Construction	1,000,000	New gym for the high school.
Trimble	8766A	Future Construction	500,331	New bleachers for the middle school.
Trimble	8766B	Future Construction	500,000	Upgrade electrical system at high school.
Trimble	8766C	Future Construction	800,000	Full-day kindergarten.
Trimble	8766D	Future Construction	700,000	Full-day kindergarten.
Union	8766	Future Construction	400,000	HVAC and lighting system.
Union	8767	Other Restricted	1,235,000	Needed for bonding future construction projects.
Wayne	8756	Reserve for Debt Service	132,613	Qualified Zone Academy Bond restriction.

Appendix H

Office of Education Accountability Fund Balance Survey

1. OEA FUND BALANCE SURVEY

The results from this survey will assist the Office of Education Accountability of the Legislative Research Commission with a review and analysis of districts' fund balances. Thank you in advance for responding to this survey and providing the requested information by Friday, March 12, 2010.

Please print a copy of the finished survey for your records. **Click the "Submit" button** at the end of the survey or your response will not be recorded. If you exit before clicking "Submit," re-start the survey, complete it, and click "Submit."

If you have any questions, please contact Sabrina Olds or Pam Young by phone (502-564-8167) or by e-mail (sabrina.olds@lrc.ky.gov, pam.young@lrc.ky.gov).

1. District

District

2. Within the past 5 fiscal years, has your district borrowed money to meet the general fund payroll and accounts payable expenditures as well as unexpected expenditures and revenue shortfalls?

- Yes
- No

If "Yes," provide the month(s), year(s), amount(s) borrowed, and reason(s) for the shortfall:

3. KRS 160.470 (6)(a) requires districts to allocate in the tentative working budget a "minimum reserve of 2 percent of the total budget" for a rainy day fund.

Is the 2% reserve requirement sufficient to ensure that your district can meet the general fund payroll and accounts payable expenditures as well as unexpected expenditures and revenue shortfalls?

- Yes
- No

4. If you answered "No" in question 3, what percentage would be appropriate?

Appropriate percentage

Please explain:

5. Use the space below to describe additional fund balance-related comments and/or concerns.

Appendix I

Per-pupil Special Revenue Fund Local, State, and Federal Revenues Fiscal Year 2009

District	Per-pupil Local Revenue	Percent of Total	Per-pupil State Revenue	Percent of Total	Per-pupil Federal Revenue	Percent of Total	Per-pupil Total Revenue
Adair	$24	1%	$466	28%	$1,192	71%	$1,681
Allen	47	4	347	27	886	69	1,280
Anchorage Ind.	63	15	88	21	276	65	427
Anderson	30	3	551	47	586	50	1,167
Ashland Ind.	18	1	347	23	1,118	75	1,483
Augusta Ind.	11	0	1,024	42	1,420	58	2,455
Ballard	71	4	812	50	755	46	1,637
Barbourville Ind.	49	3	339	22	1,167	75	1,555
Bardstown Ind.	28	3	421	38	649	59	1,098
Barren	73	5	426	29	961	66	1,459
Bath	136	8	575	34	973	58	1,684
Beechwood Ind.	17	3	220	32	444	65	682
Bell	7	0	697	37	1,195	63	1,899
Bellevue Ind.	2	0	397	29	988	71	1,386
Berea Ind.	18	1	468	27	1,253	72	1,739
Boone	18	3	233	36	402	62	653
Bourbon	132	5	586	24	1,713	70	2,431
Bowling Green Ind.	3	0	437	31	969	69	1,409
Boyd	10	1	606	32	1,289	68	1,905
Boyle	41	3	589	47	631	50	1,261
Bracken	0	0	447	41	636	59	1,083
Breathitt	115	4	1,023	36	1,703	60	2,841
Breckinridge	87	5	315	19	1,291	76	1,692
Bullitt	47	5	394	40	547	55	988
Burgin Ind.	0	0	592	58	431	42	1,024
Butler	10	1	457	32	967	67	1,434
Caldwell	0	0	387	31	846	69	1,233
Calloway	46	4	533	41	725	56	1,304
Campbell	1	0	501	53	444	47	947
Campbellsville Ind.	21	1	791	32	1,693	68	2,505
Carlisle	221	14	771	47	635	39	1,627
Carroll	57	4	322	23	1,021	73	1,400
Carter	4	0	539	38	893	62	1,436
Casey	42	3	395	24	1,186	73	1,622
Caverna Ind.	21	1	619	30	1,445	69	2,085
Christian	4	0	500	32	1,057	68	1,561
Clark	28	3	392	36	680	62	1,099
Clay	162	7	620	27	1,542	66	2,324
Clinton	3	0	859	29	2,078	71	2,940
Cloverport Ind.	416	11	1,319	36	1,920	53	3,655
Corbin Ind.	(0)	0	468	36	846	64	1,314

District	Per-pupil Local Revenue	Percent of Total	Per-pupil State Revenue	Percent of Total	Per-pupil Federal Revenue	Percent of Total	Per-pupil Total Revenue
Covington Ind.	100	3	965	30	2,184	67	3,249
Crittenden	0	0	427	30	978	70	1,405
Cumberland	0	0	605	29	1,483	71	2,088
Danville Ind.	340	17	685	34	984	49	2,009
Daviess	49	4	452	41	602	55	1,103
Dawson Springs Ind.	9	1	483	31	1,072	69	1,564
Dayton Ind.	0	0	468	30	1,111	70	1,579
East Bernstadt Ind.	0	0	692	46	814	54	1,506
Edmonson	15	1	719	46	839	53	1,573
Elizabethtown Ind.	38	4	367	42	463	53	868
Elliott	45	2	687	32	1,444	66	2,176
Eminence Ind.	94	7	449	34	793	59	1,336
Erlanger-Elsmere Ind.	25	2	298	30	682	68	1,005
Estill	23	1	590	35	1,082	64	1,695
Fairview Ind.	0	0	520	46	604	54	1,124
Fayette	11	1	479	40	698	59	1,188
Fleming	19	1	674	40	993	59	1,686
Floyd	11	1	485	28	1,216	71	1,712
Fort Thomas Ind.	99	17	146	25	335	58	580
Frankfort Ind.	184	7	1,070	43	1,244	50	2,498
Franklin	11	1	442	46	500	52	953
Fulton	0	0	468	20	1,859	80	2,327
Fulton Ind.	48	2	883	36	1,513	62	2,444
Gallatin	28	2	396	34	747	64	1,171
Garrard	21	2	431	37	724	62	1,176
Glasgow Ind.	0	0	428	32	911	68	1,339
Grant	21	3	203	25	591	72	815
Graves	8	1	426	36	743	63	1,177
Grayson	10	1	471	34	906	65	1,387
Green	11	1	249	23	822	76	1,082
Greenup	4	0	320	24	1,013	76	1,337
Hancock	5	0	509	49	530	51	1,044
Hardin	9	1	431	41	620	58	1,060
Harlan	7	0	574	27	1,558	73	2,139
Harlan Ind.	95	6	529	33	959	61	1,583
Harrison	34	4	286	31	615	66	935
Hart	40	2	726	35	1,286	63	2,052
Hazard Ind.	3	0	1,172	54	1,012	46	2,187
Henderson	5	0	474	40	700	59	1,179
Henry	10	1	448	42	599	57	1,057
Hickman	158	9	579	31	1,102	60	1,839
Hopkins	1	0	385	35	714	65	1,100
Jackson	5	0	750	32	1,556	67	2,311
Jackson Ind.	0	0	811	51	785	49	1,596
Jefferson	232	13	444	25	1,078	61	1,754
Jenkins Ind.	15	1	491	24	1,567	76	2,073
Jessamine	34	3	517	46	585	51	1,136

District	Per-pupil Local Revenue	Percent of Total	Per-pupil State Revenue	Percent of Total	Per-pupil Federal Revenue	Percent of Total	Per-pupil Total Revenue
Johnson	0	0	618	40	916	60	1,534
Kenton	0	0	346	48	369	52	715
Knott	224	10	696	31	1,362	60	2,282
Knox	28	1	670	32	1,423	67	2,121
LaRue	12	1	451	38	728	61	1,191
Laurel	3	0	357	31	802	69	1,162
Lawrence	38	2	701	33	1,413	66	2,152
Lee	14	1	420	20	1,677	79	2,111
Leslie	0	0	864	38	1,383	62	2,247
Letcher	217	13	368	21	1,129	66	1,714
Lewis	0	0	636	34	1,252	66	1,888
Lincoln	69	4	382	20	1,467	77	1,918
Livingston	32	2	655	39	1,000	59	1,687
Logan	0	0	604	41	858	59	1,462
Ludlow Ind.	81	7	434	39	610	54	1,125
Lyon	8	1	442	39	670	60	1,120
Madison	9	1	428	37	723	62	1,160
Magoffin	439	18	578	24	1,372	57	2,389
Marion	13	1	345	33	697	66	1,055
Marshall	0	0	410	39	651	61	1,061
Martin	82	4	788	34	1,453	63	2,323
Mason	43	4	389	35	669	61	1,101
Mayfield Ind.	40	2	455	28	1,153	70	1,648
McCracken	14	2	374	40	535	58	923
McCreary	0	0	819	36	1,467	64	2,286
McLean	15	1	433	38	694	61	1,142
Meade	10	1	314	40	452	58	776
Menifee	101	6	675	38	1,001	56	1,777
Mercer	22	2	482	36	832	62	1,336
Metcalfe	24	1	506	29	1,215	70	1,745
Middlesboro Ind.	0	0	536	29	1,327	71	1,863
Monroe	7	0	605	35	1,094	64	1,706
Montgomery	5	0	432	31	958	69	1,395
Monticello Ind.	1	0	417	17	2,042	83	2,460
Morgan	30	2	478	30	1,072	68	1,580
Muhlenberg	5	0	408	32	842	67	1,255
Murray Ind.	24	1	570	17	2,844	83	3,438
Nelson	7	1	380	43	499	56	886
Newport Ind.	195	6	1,038	34	1,778	59	3,011
Nicholas	179	11	571	34	941	56	1,691
Ohio	120	8	477	33	849	59	1,446
Oldham	45	8	203	35	327	57	575
Owen	47	3	465	27	1,200	70	1,712
Owensboro Ind.	140	7	706	35	1,162	58	2,008
Owsley	180	4	597	12	4,006	84	4,783
Paducah Ind.	47	2	343	16	1,754	82	2,144
Paintsville Ind.	14	1	652	36	1,157	63	1,823

District	Per-pupil Local Revenue	Percent of Total	Per-pupil State Revenue	Percent of Total	Per-pupil Federal Revenue	Percent of Total	Per-pupil Total Revenue
Paris Ind.	19	1	575	36	1,018	63	1,612
Pendleton	0	0	488	44	609	56	1,097
Perry	17	1	651	37	1,100	62	1,768
Pike	76	4	405	23	1,278	73	1,759
Pikeville Ind.	(23)	03	206	23	726	80	909
Pineville Ind.	0	0	732	39	1,122	61	1,854
Powell	15	1	556	33	1,121	66	1,692
Pulaski	11	1	499	34	948	65	1,458
Raceland-Worthington Ind.	14	1	474	35	852	64	1,340
Robertson	13	1	561	31	1,222	68	1,796
Rockcastle	1	0	330	26	945	74	1,276
Rowan	18	1	473	35	876	64	1,367
Russell	5	0	398	29	989	71	1,392
Russell Ind.	57	6	307	34	552	60	916
Russellville Ind.	70	4	551	33	1,053	63	1,674
Science Hill Ind.	0	0	479	46	572	54	1,051
Scott	17	2	361	46	399	51	777
Shelby	68	7	441	47	423	45	932
Silver Grove Ind.	354	16	946	43	875	40	2,175
Simpson	25	2	495	41	695	57	1,215
Somerset Ind.	48	4	319	26	841	70	1,208
Southgate Ind.	319	14	867	37	1,134	49	2,320
Spencer	19	2	444	52	383	45	846
Taylor	24	2	306	30	673	67	1,003
Todd	3	0	828	46	959	54	1,790
Trigg	0	0	532	47	598	53	1,130
Trimble	20	2	245	18	1,070	80	1,335
Union	0	0	610	44	767	56	1,376
Walton-Verona Ind.	0	0	248	42	344	58	592
Warren	8	1	346	35	638	64	992
Washington	63	4	535	35	930	61	1,528
Wayne	12	1	486	33	965	66	1,463
Webster	2	0	321	30	735	69	1,058
West Point Ind.	222	7	1,623	50	1,417	43	3,262
Whitley	111	6	579	30	1,214	64	1,904
Williamsburg Ind.	0	0	597	30	1,420	70	2,017
Williamstown Ind.	35	2	677	34	1,281	64	1,993
Wolfe	48	2	603	28	1,540	70	2,191
Woodford	18	2	285	39	432	59	735
State Average	$62	4%	$461	33%	$884	63%	$1,407

Note: Percent of total local, state, and federal per-pupil revenue may not add up to 100 percent due to rounding.
Source: Staff compilation of data from the Kentucky Department of Education.

Appendix J

School Districts' Fund Balances, Fiscal Year 2009
Funds 2, 51, 310, and 320

District	Fund 2	Fund 51	Fund 310	Fund 320
Adair	$2	$131,098	$250,964	$139,740
Allen	0	694,256	0	96,955
Anchorage Ind.	0	35,442	0	0
Anderson	0	402,172	(175,839)	1,021,519
Ashland Ind.	0	225,273	251,710	25,124
Augusta Ind.	0	28,145	432	16,827
Ballard	0	142,321	386,795	239,578
Barbourville Ind.	0	39,128	18,985	126,219
Bardstown Ind.	0	309,160	0	0
Barren	0	121,795	0	0
Bath	0	289,706	29,222	15,703
Beechwood Ind.	109,204	5,020	19,871	347,325
Bell	1	30,364	882,940	964,296
Bellevue Ind.	0	93,446	17,658	5,786
Berea Ind.	0	102,482	4,117	305,360
Boone	0	2,081,321	0	0
Bourbon	0	111,985	0	187,114
Bowling Green Ind.	184,460	201,338	336,877	857,028
Boyd	0	101,113	0	0
Boyle	0	344,729	44,019	35,739
Bracken	0	61,741	190,184	1,343,980
Breathitt	0	14,476	0	0
Breckinridge	13,572	492,387	284,610	246,006
Bullitt	225,277	1,004,268	0	0
Burgin Ind.	0	6,595	23,567	204,179
Butler	74,404	295,626	190,519	249,700
Caldwell	0	189,538	277,374	809,670
Calloway	0	661,253	285,078	207,227
Campbell	0	243,219	507,210	0
Campbellsville Ind.	0	74,647	0	0
Carlisle	0	124,033	0	0
Carroll	0	67,308	318,306	233,687
Carter	0	604,551	0	426,036
Casey	0	506,920	74,400	33,118
Caverna Ind.	0	44,605	94,428	0
Christian	0	1,948,401	0	703,290

District	Fund 2	Fund 51	Fund 310	Fund 320
Clark	0	385,955	269,656	1,276,349
Clay	0	0	9,997	98,999
Clinton	0	61,525	0	0
Cloverport Ind.	3,699	0	81,306	17,832
Corbin Ind.	0	283,158	0	0
Covington Ind.	0	48,063	0	0
Crittenden	0	143,972	0	0
Cumberland	0	114,616	18,690	236,642
Danville Ind.	0	57,072	115,086	69,667
Daviess	0	1,532,166	0	3,592,472
Dawson Springs Ind.	26,637	106,716	36,083	274,869
Dayton Ind.	0	87,736	26,869	173,096
East Bernstadt Ind.	(2)	67,391	119,054	273,233
Edmonson	60,933	44,633	4,478	95,809
Elizabethtown Ind.	59,980	517,006	1,906,007	4,007,754
Elliott	0	181,388	0	1,738
Eminence Ind.	0	85,660	0	343,057
Erlanger-Elsmere Ind.	0	12,633	0	372,410
Estill	0	88,333	48,176	378,938
Fairview Ind.	0	66,002	0	15,966
Fayette	0	3,594,218	0	821
Fleming	0	218,957	11,560	0
Floyd	0	333,513	421,437	1,245,260
Fort Thomas Ind.	0	301,914	27,606	166,319
Frankfort Ind.	0	0	0	161,729
Franklin	0	194,982	517,263	927,418
Fulton	0	137,615	81,359	0
Fulton Ind.	0	53,043	63,706	297,048
Gallatin	0	134,724	0	666,160
Garrard	0	22,489	0	4,111
Glasgow Ind.	0	210,944	0	1,291,215
Grant	(2)	522,675	1,273,613	2,057,245
Graves	0	130,720	0	185,987
Grayson	0	121,838	743	0
Green	0	191,465	97,911	287,980
Greenup	0	0	0	452,121
Hancock	0	135,364	2,467	1
Hardin	245,850	871,118	14,655	1,767
Harlan	0	396,965	1,900	895,773
Harlan Ind.	0	38,108	0	0
Harrison	0	273,825	3,275	261
Hart	83,626	189,839	0	99,787

District	Fund 2	Fund 51	Fund 310	Fund 320
Hazard Ind.	0	71,806	618,049	171,965
Henderson	0	1,989,232	1,550,150	935,346
Henry	0	204,002	0	0
Hickman	0	19,278	81,069	2,892
Hopkins	573,418	603,052	541,985	0
Jackson	0	89,401	43,467	18,863
Jackson Ind.	0	16,897	0	932
Jefferson	0	1,089,353	0	19,365,290
Jenkins Ind.	0	0	70,116	166,305
Jessamine	0	1,396,550	618,959	793,120
Johnson	0	352,444	173,743	598,532
Kenton	0	1,250,279	0	0
Knott	0	20,799	427,239	57,666
Knox	0	488,351	126,584	0
LaRue	54,559	956,084	0	4,197
Laurel	0	230,289	0	0
Lawrence	0	164,884	58,699	420,259
Lee	0	55,155	61,860	3,504
Leslie	0	190,671	71,919	134,439
Letcher	0	78,999	0	0
Lewis	0	63,004	0	0
Lincoln	0	(16,419)	988,310	36,512
Livingston	0	133,533	75,946	62,681
Logan	106,852	617,543	361,286	468,854
Ludlow Ind.	0	101,317	11,899	55,240
Lyon	0	70,414	17,076	51,917
Madison	0	779,465	29,217	4,562,409
Magoffin	0	80,617	0	0
Marion	0	71,295	176,225	82,673
Marshall	0	246,214	197,133	652,007
Martin	0	127,807	0	59,415
Mason	0	215,620	141,568	426,080
Mayfield Ind.	0	295,700	0	0
McCracken	0	729,161	1,578,469	5,822,122
McCreary	0	437,466	90,586	0
McLean	0	90,328	0	0
Meade	0	3,161	141,961	2,037,965
Menifee	0	42,146	66,578	62,791
Mercer	0	182,694	7,256	48,515
Metcalfe	0	107,110	26,176	196,471
Middlesboro Ind.	(0)	23,188	0	97,010
Monroe	0	22,084	750	5,741

District	Fund 2	Fund 51	Fund 310	Fund 320
Montgomery	0	787,723	0	21,100
Monticello Ind.	0	120,505	14,268	70,075
Morgan	0	363,826	0	1,460,704
Muhlenberg	0	577,352	0	474,123
Murray Ind.	0	265,472	386,157	1,884,855
Nelson	0	586,404	0	0
Newport Ind.	0	3,832	20,698	635,494
Nicholas	0	116,681	0	0
Ohio	801,692	622,849	0	195,649
Oldham	225,599	894,052	0	1,538,367
Owen	0	82,426	0	451,352
Owensboro Ind.	185,995	1,094,447	0	2,433,431
Owsley	0	199,278	38,073	114,178
Paducah Ind.	0	147,233	214,041	1,382,974
Paintsville Ind.	0	197,018	0	217,374
Paris Ind.	0	92,826	21,003	135,356
Pendleton	0	668,030	157,387	4,971,020
Perry	0	44,519	0	32,911
Pike	0	568,300	0	0
Pikeville Ind.	0	0	128,488	844
Pineville Ind.	(0)	21,421	0	0
Powell	0	220,153	0	1,001
Pulaski	0	751,937	0	157,467
Raceland-Worthington Ind.	0	195,843	0	0
Robertson	0	32,302	43,840	57,046
Rockcastle	0	168,008	0	0
Rowan	0	226,391	628,935	1,431,002
Russell	111,177	146,290	0	0
Russell Ind.	0	176,062	330,933	4,580
Russellville Ind.	27,761	199,619	0	0
Science Hill Ind.	0	21,512	0	0
Scott	0	953,007	260,265	1,335
Shelby	0	702,965	0	3,473,094
Silver Grove Ind.	0	(36,443)	48,123	89,734
Simpson	51,211	118,650	118,795	40,218
Somerset Ind.	0	177,988	4,945	181,958
Southgate Ind.	0	17,669	21,368	66,511
Spencer	0	123,162	0	2,698,519
Taylor	0	253,487	0	1,852,317
Todd	114,207	132,494	41,645	599,148
Trigg	59,284	428,365	133,079	75,760

District	Fund 2	Fund 51	Fund 310	Fund 320
Trimble	0	234,493	0	0
Union	0	105,220	42,124	63,229
Walton-Verona Ind.	0	114,794	0	0
Warren	812,290	2,167,690	0	0
Washington	0	18	857,236	2,356,374
Wayne	0	211,301	514	0
Webster	216,713	300,573	7,939	8,724
West Point Ind.	0	0	16,254	181,714
Whitley	0	510,715	622,299	2,035,559
Williamsburg Ind.	(10,282)	9,643	0	57,283
Williamstown Ind.	0	67,857	0	147,813
Wolfe	0	0	0	34,636
Woodford	0	33,971	0	1,058,503
State Total	$4,418,120	$53,699,107	$21,979,011	$98,906,087

Source: Staff compilation of data from the Kentucky Department of Education.

Appendix K

Per-pupil Building Fund Local, State, and Federal Revenues Fiscal Year 2009

District	Per-pupil Local Revenue	Percent of Total	Per-pupil State Revenue	Percent of Total	Per-pupil Total Revenue
Adair	$145	40%	$ 221	60%	$366
Allen	587	57	442	43	1,029
Anchorage Ind.	1,167	100	0	0	1,167
Anderson	661	71	274	29	935
Ashland Ind.	171	48	185	52	356
Augusta Ind.	92	27	246	73	338
Ballard	394	54	336	46	730
Barbourville Ind.	91	25	274	75	365
Bardstown Ind.	740	77	220	23	960
Barren	523	59	368	41	891
Bath	112	31	250	69	362
Beechwood Ind.	551	78	157	22	708
Bell	131	34	254	66	385
Bellevue Ind.	268	73	97	27	365
Berea Ind.	229	31	510	69	739
Boone	1,106	100	0	0	1,106
Bourbon	222	61	142	39	364
Bowling Green Ind.	378	52	346	48	724
Boyd	238	63	141	37	379
Boyle	224	62	136	38	360
Bracken	492	52	447	48	939
Breathitt	121	34	235	66	356
Breckinridge	182	51	174	49	356
Bullitt	689	73	250	27	939
Burgin Ind.	276	79	74	21	350
Butler	121	33	242	67	363
Caldwell	142	40	212	60	354
Calloway	252	70	106	30	358
Campbell	779	100	0	0	779
Campbellsville Ind.	194	54	168	46	362
Carlisle	153	43	206	57	359
Carroll	239	68	114	32	353
Carter	103	29	258	71	361
Casey	131	36	231	64	362
Caverna Ind.	217	60	143	40	360
Christian	189	52	175	48	364
Clark	539	85	93	15	632
Clay	86	24	278	76	364
Clinton	148	41	213	59	361
Cloverport Ind.	70	18	322	82	392
Corbin Ind.	327	40	488	60	815

District	Per-pupil Local Revenue	Percent of Total	Per-pupil State Revenue	Percent of Total	Per-pupil Total Revenue
Covington Ind.	235	64	131	36	366
Crittenden	168	47	187	53	355
Cumberland	337	45	418	55	755
Danville Ind.	275	76	88	24	363
Daviess	423	59	294	41	717
Dawson Springs Ind.	58	16	306	84	364
Dayton Ind.	111	31	249	69	360
East Bernstadt Ind.	47	13	315	87	362
Edmonson	148	40	219	60	367
Elizabethtown Ind.	368	50	368	50	736
Elliott	86	24	276	76	362
Eminence Ind.	125	35	229	65	354
Erlanger-Elsmere Ind.	220	60	146	40	366
Estill	111	24	358	76	469
Fairview Ind.	106	29	261	71	367
Fayette	753	100	0	0	753
Fleming	141	39	224	61	365
Floyd	179	48	193	52	372
Fort Thomas Ind.	557	72	217	28	774
Frankfort Ind.	179	47	205	53	384
Franklin	589	83	120	17	709
Fulton	174	47	198	53	372
Fulton Ind.	182	45	224	55	406
Gallatin	577	53	514	47	1,091
Garrard	542	60	365	40	907
Glasgow Ind.	391	70	167	30	558
Grant	485	55	400	45	885
Graves	167	45	205	55	372
Grayson	166	45	204	55	370
Green	255	47	291	53	546
Greenup	148	41	211	59	359
Hancock	190	53	169	47	359
Hardin	433	75	142	25	575
Harlan	228	50	227	50	455
Harlan Ind.	77	22	281	78	358
Harrison	173	48	188	52	361
Hart	141	39	222	61	363
Hazard Ind.	134	36	233	64	367
Henderson	220	60	147	40	367
Henry	348	49	358	51	706
Hickman	174	49	178	51	352
Hopkins	178	49	185	51	363
Jackson	92	25	271	75	363
Jackson Ind.	52	12	377	88	429
Jefferson	398	100	0	0	398
Jenkins Ind.	85	23	279	77	364
Jessamine	862	85	148	15	1,010

District	Per-pupil Local Revenue	Percent of Total	Per-pupil State Revenue	Percent of Total	Per-pupil Total Revenue
Johnson	105	30	251	70	356
Kenton	961	93	71	7	1,032
Knott	243	68	116	32	359
Knox	123	34	236	66	359
LaRue	148	41	217	59	365
Laurel	527	59	363	41	890
Lawrence	159	43	210	57	369
Lee	133	37	222	63	355
Leslie	182	50	183	50	365
Letcher	154	43	206	57	360
Lewis	116	32	251	68	367
Lincoln	134	37	230	63	364
Livingston	270	73	97	27	367
Logan	153	42	208	58	361
Ludlow Ind.	152	41	222	59	374
Lyon	451	100	0	0	451
Madison	682	72	268	28	950
Magoffin	102	28	266	72	368
Marion	183	52	172	48	355
Marshall	231	64	129	36	360
Martin	173	48	184	52	357
Mason	250	69	110	31	360
Mayfield Ind.	223	32	479	68	702
McCracken	600	83	125	17	725
McCreary	85	23	282	77	367
McLean	151	43	203	57	354
Meade	429	40	648	60	1,077
Menifee	89	25	270	75	359
Mercer	606	65	320	35	926
Metcalfe	125	33	251	67	376
Middlesboro Ind.	167	45	206	55	373
Monroe	220	31	495	69	715
Montgomery	513	58	366	42	879
Monticello Ind.	48	7	591	93	639
Morgan	110	30	257	70	367
Muhlenberg	154	42	210	58	364
Murray Ind.	701	64	396	36	1,097
Nelson	691	72	267	28	958
Newport Ind.	240	67	120	33	360
Nicholas	255	47	284	53	539
Ohio	137	38	225	62	362
Oldham	1,152	83	237	17	1,389
Owen	614	62	375	38	989
Owensboro Ind.	378	69	173	31	551
Owsley	80	22	285	78	365
Paducah Ind.	402	66	207	34	609
Paintsville Ind.	179	50	180	50	359

District	Per-pupil Local Revenue	Percent of Total	Per-pupil State Revenue	Percent of Total	Per-pupil Total Revenue
Paris Ind.	159	45	192	55	351
Pendleton	450	51	429	49	879
Perry	196	54	164	46	360
Pike	180	50	183	50	363
Pikeville Ind.	234	64	130	36	364
Pineville Ind.	119	24	378	76	497
Powell	112	31	250	69	362
Pulaski	409	73	151	27	560
Raceland-Worthington Ind.	89	25	269	75	358
Robertson	112	30	257	70	369
Rockcastle	92	26	268	74	360
Rowan	362	63	210	37	572
Russell	559	62	341	38	900
Russell Ind.	189	53	168	47	357
Russellville Ind.	295	41	425	59	720
Science Hill Ind.	253	34	501	66	754
Scott	847	85	152	15	999
Shelby	876	84	164	16	1,040
Silver Grove Ind.	237	61	151	39	388
Simpson	223	63	132	37	355
Somerset Ind.	255	71	103	29	358
Southgate Ind.	478	100	0	0	478
Spencer	689	72	262	28	951
Taylor	173	48	185	52	358
Todd	270	37	456	63	726
Trigg	238	65	126	35	364
Trimble	292	60	198	40	490
Union	177	49	184	51	361
Walton-Verona Ind.	528	62	329	38	857
Warren	802	82	181	18	983
Washington	391	64	220	36	611
Wayne	157	43	206	57	363
Webster	157	43	205	57	362
West Point Ind.	146	35	270	65	416
Whitley	67	20	272	80	339
Williamsburg Ind.	119	33	241	67	360
Williamstown Ind.	315	38	512	62	827
Wolfe	105	29	256	71	361
Woodford	633	89	81	11	714
State Average	$431	71%	$173	29%	$604

Source: Staff compilation of data from the Kentucky Department of Education.

Appendix L

Per-pupil Food Service Fund Local, State, and Federal Revenues Fiscal Year 2009

District	Per-pupil Local Revenue	Percent of Total	Per-pupil State Revenue	Percent of Total	Per-pupil Federal Revenue	Percent of Total	Per-pupil Total Revenue
Adair	$199	34%	$6	1%	$388	65%	$593
Allen	224	38	6	1	354	61	584
Anchorage Ind.	479	90	4	1	49	9	532
Anderson	254	54	6	1	211	45	471
Ashland Ind.	206	35	6	1	382	64	594
Augusta Ind.	125	20	8	1	500	79	633
Ballard	224	38	7	1	366	61	597
Barbourville Ind.	232	40	6	1	337	59	575
Bardstown Ind.	184	30	22	4	403	66	609
Barren	273	39	7	1	423	60	703
Bath	127	21	8	1	460	77	595
Beechwood Ind.	214	77	3	1	62	22	279
Bell	113	15	8	1	616	84	737
Bellevue Ind.	152	29	6	1	360	69	518
Berea Ind.	209	36	6	1	372	63	587
Boone	260	57	5	1	188	42	453
Bourbon	165	32	6	1	341	67	512
Bowling Green Ind.	242	36	7	1	428	63	677
Boyd	206	38	6	1	333	61	545
Boyle	265	51	5	1	249	48	519
Bracken	165	33	6	1	334	66	505
Breathitt	111	15	8	1	610	84	729
Breckinridge	192	29	7	1	461	70	660
Bullitt	223	44	5	1	278	55	506
Burgin Ind.	253	49	6	1	253	49	512
Butler	183	29	50	8	390	63	623
Caldwell	177	34	6	1	339	65	522
Calloway	269	40	7	1	398	59	674
Campbell	252	53	5	1	220	46	477
Campbellsville Ind.	170	23	7	1	550	76	727
Carlisle	206	34	7	1	386	64	599
Carroll	237	35	7	1	430	64	674
Carter	124	23	6	1	412	76	542
Casey	142	23	7	1	470	76	619
Caverna Ind.	157	21	8	1	570	78	735
Christian	144	24	7	1	439	74	590
Clark	254	41	6	1	359	58	619
Clay	128	21	6	1	466	78	600
Clinton	177	24	8	1	561	75	746
Cloverport Ind.	215	27	8	1	565	72	788
Corbin Ind.	221	38	6	1	353	61	580

District	Per-pupil Local Revenue	Percent of Total	Per-pupil State Revenue	Percent of Total	Per-pupil Federal Revenue	Percent of Total	Per-pupil Total Revenue
Covington Ind.	71	11	13	2	587	87	671
Crittenden	227	38	6	1	362	61	595
Cumberland	192	31	7	1	413	67	612
Danville Ind.	208	33	7	1	412	66	627
Daviess	248	42	7	1	342	57	597
Dawson Springs Ind.	173	28	7	1	434	71	614
Dayton Ind.	100	15	7	1	567	84	674
East Bernstadt Ind.	165	26	8	1	453	72	626
Edmonson	210	35	7	1	392	64	609
Elizabethtown Ind.	195	36	6	1	344	63	545
Elliott	102	17	7	1	504	82	613
Eminence Ind.	214	38	5	1	342	61	561
Erlanger-Elsmere Ind.	139	29	6	1	330	70	475
Estill	173	32	6	1	367	67	546
Fairview Ind.	172	31	6	1	375	68	553
Fayette	207	42	5	1	281	57	493
Fleming	216	33	7	1	438	66	661
Floyd	182	29	7	1	438	70	627
Fort Thomas Ind.	372	83	4	1	71	16	447
Frankfort Ind.	196	32	6	1	409	67	611
Franklin	220	44	5	1	275	55	500
Fulton	116	17	8	1	547	81	671
Fulton Ind.	115	15	8	1	631	84	754
Gallatin	197	30	7	1	459	69	663
Garrard	201	38	6	1	316	60	523
Glasgow Ind.	263	38	7	1	420	61	690
Grant	223	37	7	1	377	62	607
Graves	272	41	7	1	382	58	661
Grayson	189	33	6	1	372	66	567
Green	180	35	6	1	327	64	513
Greenup	231	38	6	1	364	61	601
Hancock	287	47	6	1	317	52	610
Hardin	218	38	7	1	349	61	574
Harlan	118	19	7	1	489	80	614
Harlan Ind.	167	33	5	1	335	66	507
Harrison	254	41	6	1	354	58	614
Hart	193	31	7	1	425	68	625
Hazard Ind.	254	44	6	1	312	55	572
Henderson	258	41	6	1	368	58	632
Henry	293	42	7	1	396	57	696
Hickman	220	37	6	1	365	62	591
Hopkins	172	37	6	1	289	62	467
Jackson	66	9	9	1	670	90	745
Jackson Ind.	144	20	5	1	554	79	703
Jefferson	145	28	6	1	364	71	515
Jenkins Ind.	95	18	7	1	419	81	521
Jessamine	149	37	5	1	250	62	404

District	Per-pupil Local Revenue	Percent of Total	Per-pupil State Revenue	Percent of Total	Per-pupil Federal Revenue	Percent of Total	Per-pupil Total Revenue
Johnson	164	27	34	6	402	67	600
Kenton	224	57	5	1	167	42	396
Knott	222	33	7	1	451	66	680
Knox	83	14	7	1	490	85	580
LaRue	169	32	6	1	359	67	534
Laurel	217	36	6	1	380	63	603
Lawrence	135	24	6	1	410	74	551
Lee	124	18	7	1	561	81	692
Leslie	203	31	7	1	443	68	653
Letcher	175	31	6	1	391	68	572
Lewis	177	28	7	1	454	71	638
Lincoln	153	26	7	1	438	73	598
Livingston	190	36	7	1	336	63	533
Logan	236	41	6	1	336	58	578
Ludlow Ind.	179	37	6	1	294	61	479
Lyon	209	43	5	1	274	56	488
Madison	190	39	5	1	288	60	483
Magoffin	108	16	8	1	557	83	673
Marion	255	40	7	1	381	59	643
Marshall	200	40	6	1	290	58	496
Martin	125	21	7	1	454	77	586
Mason	175	32	6	1	359	66	540
Mayfield Ind.	86	13	8	1	564	86	658
McCracken	256	43	6	1	334	56	596
McCreary	22	3	8	1	617	95	647
McLean	232	37	6	1	396	62	634
Meade	205	39	6	1	314	60	525
Menifee	150	24	7	1	471	75	628
Mercer	230	46	5	1	265	53	500
Metcalfe	196	27	8	1	523	72	727
Middlesboro Ind.	229	30	7	1	538	70	774
Monroe	252	31	8	1	557	68	817
Montgomery	221	37	6	1	365	62	592
Monticello Ind.	88	14	6	1	545	85	639
Morgan	142	23	20	3	446	73	608
Muhlenberg	199	35	6	1	362	64	567
Murray Ind.	311	45	7	1	370	54	688
Nelson	235	47	7	1	258	52	500
Newport Ind.	103	17	101	17	394	66	598
Nicholas	197	31	7	1	423	67	627
Ohio	153	26	7	1	428	73	588
Oldham	232	65	4	1	119	33	355
Owen	190	34	6	1	365	65	561
Owensboro Ind.	148	20	7	1	598	79	753
Owsley	231	23	9	1	763	76	1,003
Paducah Ind.	169	25	7	1	510	74	686
Paintsville Ind.	193	37	4	1	321	62	518

District	Per-pupil Local Revenue	Percent of Total	Per-pupil State Revenue	Percent of Total	Per-pupil Federal Revenue	Percent of Total	Per-pupil Total Revenue
Paris Ind.	166	25	7	1	502	74	675
Pendleton	225	39	6	1	349	60	580
Perry	174	28	7	1	442	71	623
Pike	188	33	6	1	367	65	561
Pikeville Ind.	302	60	6	1	199	39	507
Pineville Ind.	74	11	7	1	599	88	680
Powell	159	28	6	1	403	71	568
Pulaski	128	22	7	1	448	77	583
Raceland-Worthington Ind.	217	45	5	1	261	54	483
Robertson	206	32	0	0	430	68	636
Rockcastle	169	29	6	1	409	70	584
Rowan	195	35	0	0	363	65	558
Russell	197	29	7	1	485	70	689
Russell Ind.	235	52	6	1	212	47	453
Russellville Ind.	162	25	7	1	476	74	645
Science Hill Ind.	254	42	7	1	342	57	603
Scott	259	52	5	1	236	47	500
Shelby	213	43	5	1	282	56	500
Silver Grove Ind.	147	20	8	1	593	79	748
Simpson	217	40	6	1	323	59	546
Somerset Ind.	180	33	6	1	359	66	545
Southgate Ind.	153	29	7	1	371	70	531
Spencer	232	48	5	1	250	51	487
Taylor	164	36	6	1	291	63	461
Todd	225	34	7	1	437	65	669
Trigg	185	36	6	1	318	62	509
Trimble	247	42	7	1	328	56	582
Union	243	39	6	1	373	60	622
Walton-Verona Ind.	349	63	6	1	203	36	558
Warren	228	40	6	1	334	59	568
Washington	247	41	7	1	345	58	599
Wayne	119	18	8	1	550	81	677
Webster	237	34	6	1	445	65	688
West Point Ind.	166	25	6	1	500	74	672
Whitley	93	14	7	1	540	84	640
Williamsburg Ind.	220	31	7	1	487	68	714
Williamstown Ind.	257	41	6	1	368	58	631
Wolfe	68	10	8	1	611	89	687
Woodford	289	55	5	1	227	44	521
State Average	$194	35%	7	1%	$356	64%	$557

Note: Percent of total local, state, and federal per-pupil revenue may not add up to 100 percent due to rounding.
Source: Staff compilation of data from the Kentucky Department of Education.