
Hamburg Community School District
School Finance

2016-2021

Hamburg Financial Situation

The financial health of a school district is based on five indicators. The Hamburg Community School District operated in a negative position following the 2013-2014 school year. The district made adjustments and corrected this finishing with a positive balance in 2014-2015.

1. Solvency Ratio

What is it?

- a. *Measures the fund balance (cash) position at the conclusion of the fiscal year.*
- b. *General Fund measure*
- c. *Unreserved/Undesignated General Fund Balance Divided by Total General Fund Revenues*

What isn't it?

- d. *A measure of the limit of spending.*

Why important?

- e. *Can impact bond rating*
- f. *Public "understands"*

2013-2014 Negative Solvency Ratio

2014-2015 1% Solvency Ratio

2015-2016 TBD (After CAR/Audit)

2. Enrollment Trends

- Finance formula is per pupil – so trend in enrollment is a huge leading indicator of financial health.

- Look not at just headcount enrollment but also enrollment served.
- What are the implications of the following two trends?

Hamburg's enrollment trend has been fairly consistent at 240-245 students.

3. Staff Costs as Percentage of Total General Fund

- Staff costs are the single largest expense in the General Fund.
- School districts range from 75% to 85% of total General Fund expenditures are on staff.
- Important because ultimately impacts spending authority.
- Take out special education staff (ultimately doesn't impact spending authority).

Hamburg staff costs are approximately 81%.

4. Balanced Spending Authority Budget

- Spending authority measure used during budget preparation.
- Annual measure
- Sets target for expenditure increase.
- If planning to use Unspent Balance to finance ongoing expenditures you need to figure out how you will sustain.

Hamburg currently operates under a line item budget that assures having a balanced budget.

5. Unspent Balance (Unspent Budget Authority)

- The single most important measure.
- Total amount of spending authority remaining at conclusion of fiscal year.

- Why important? SBRC will not close you down for a negative solvency ratio – but go negative two years and you can be subject to Phase 2 (Farragut).
- Calculation:

$$\begin{aligned}
 & \textit{Beginning Unspent Balance} \\
 & + \textit{Current Year Spending Authority} \\
 & - \textit{General Fund expenditures} \\
 & = \textit{Ending Unspent Balance}
 \end{aligned}$$

Hamburg will finish the 2015-2016 school year with an ending unspent balance between \$350,000-\$400,000.

The finance committee recommends the school board work diligently to have \$1,000,000 cash with \$1,000,000 in ending unspent balance each year.

2015-2016	\$200,000 ending unspent balance; minimum \$200,000 cash
2016-2017	\$400,000 ending unspent balance; minimum \$400,000 cash
2016-2017	\$600,000 ending unspent balance; minimum \$600,000 cash
2016-2017	\$800,000 ending unspent balance; minimum \$800,000 cash
2016-2017	\$1,000,000 ending unspent balance; minimum \$1,000,000 cash