

December 16, 2016

For Immediate Release

Conservative-based budgeting is the Board's best option for students, staff, and the community.

We consolidated. Did it save any money?

Yes. According to the annual federal auditor's report presented to the Board on December 12, 2016, the consolidation of schools last year saved the District approximately \$1,000,000 through reductions in costs/expenses. The consolidation was expected to produce this result. These savings pushed the fund balance from roughly 2% (\$393,000) in June of 2015, to an anticipated approximate 10% (\$1,700,000) this January, 2017. While this change represents very difficult District and Board decisions, it is cause to celebrate that we are heading the correct way financially. We must continue to plan and budget conservatively for a somewhat unknown financial future in state funding, declining enrollment, and maintenance needs.

What are budget revisions?

Budget revisions are formal adjustments made to the budget and approved by the Board of Education. A budget revision will be presented to the Board of Education in January, 2017. School budget revisions are normal and can occur up to 4 times per year. This is allowed because school revenues and expenses tend to fluctuate—sometimes significantly—throughout the year: state aid payments come in several times, student counts can increase or decrease, variable expenses can change (fuel, electric, gas, etc.), or service costs can change (snow-plowing, food service, cleaning, etc.) Revisions are necessary in keeping the most accurate information in front of the Board and community, as well as representing changes in revenues and expenses. Typically, revisions are done in December, March, (and May if needed).

What is a preliminary budget?

This is the first budget approved each year. Districts must approve a *preliminary* budget for each year by July 1. This preliminary budget is an educated estimate based on historic revenue and expense trends and any substantiated information from the state on revenues that is known at that time. As noted above, a budget will most likely adjust throughout the year. Revenue and expense variances within 2% of the total budget are within accepted practices. Our variances consistently are within these specs.

What is fund equity?

Fund Equity, or the fund balance, is a ratio, or percentage of expenditures which is a measure of fiscal health. It is not cash on hand or a surplus. The state requires a minimum equity of 5%. In June of 2015 our equity was 2.07%. In January of 2016 our equity was 5.57%. By June of 2016 our equity was 12.1%. We anticipate equity of approximately 10.9% by January, 2017. This growth is a result of our conservative budgeting through consolidation of buildings and reductions in other expenses.

What is the financial future of the District?

We don't have a crystal ball to see the future, but we do have reliable projection models. Enrollment projections are showing a decrease of approximately 155 students over the next four to five years. These decreases are occurring mainly because there are fewer children in our county (and state). This decrease in students represents a loss of potentially a minimum of \$1,200,000 in revenue over the next few years. This doesn't include other reductions that would need to take place to balance the budget through this potential loss in revenues.

Additionally, we have aging parking lots, roofs, and other infrastructure needs requiring maintenance over the next few years. These are nonnegotiable fixes (e.g. a damaged roof will be fixed, etc.). Without a Building and Site Fund, these maintenance items will come out of the general fund.

A healthy fund balance is paramount to facing the above fiscal challenges that are ahead of us. These challenges, while difficult, can be navigated and overcome while providing great opportunities for our students. I believe we can and will emerge a stronger district. To this end, the Board of Education remains committed to a conservative budgeting process.

For the latest budget revision, visit our website at www.lakewoodps.org and navigate to the Superintendent's Office, Superintendent's Communications.

For Safety and Excellence,



Randall J. Fleenor
Superintendent