

2012-13 Budget Adoption June 20, 2012

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TOPICS FOR DISCUSSION

- **General Fund**
 - Why Does the District Show a \$1.1M Deficit for 11-12?
 - What has been done to Improve the District's Financial Position in 12-13?
- **Other Funds – What Are They Used For?**
 - Deferred Maintenance (Fund 14)
 - Special Reserve (Fund 17)
 - Capital Facilities (Fund 25)

How Did the District Go From a "Balanced Budget to a \$1.1M Deficit in 11-12?

- Estimated Revenues are Slightly Higher than Budgeted \$ 294,022
- Estimated Expenditures are Much Higher (\$1,856,994)
- Significantly Larger Transfer from Special Reserve Necessary to Provide Cash Flow and Help Offset the Excess in Expenditures Over Adopted Budget \$ 881,932
- 2011-12 Operational Deficit (681,040)

Why Does the District Show a Deficit in 11-12?

- The 11-12 Adopted Budget Did Not Reflect Generally Accepted Budgeting Practices
 - Some On-Going Expenditures Were Not Budgeted
 - Gas and Electricity \$ 47,779
 - Expenditures for Solar Project \$254,613
 - Other Facilities Improvements \$114,305
 - Payment for QSCB Financing for Solar Project \$148,750
 - Other Budget Categories Were Under-budgeted
 - Employee Benefits \$231,189
 - Services and Other Operating Expenses \$ 95,542

Why Does the District Show a Deficit in 11-12?

- **Accounting Process Did Not Always Follow Generally Accepted Principles**
 - District Reimburse Bank Trustee for Invoices Paid to Vendors that were Ineligible Costs to the Financing \$ 415,387
 - A Portion of These Expenses as well as Additional Solar Expenses in 11-12 will be Reimbursed by Available Financing Project Funds (\$520,877)
 - Did Not Segregate Lane Housing Funds as Restricted - Used as Part of Ending Balance \$ 200,000
 - Did Not Recognize Lane Contribution for Science - Recognized as 10-11 Revenue but not Restricted - Used as Part of Ending Balance - No Expenditure Budget Set Up in 2011-12 \$ 53,050

Why Does the District Show a Deficit in 11-12?

- Budget for 11-12 Used Future June 2012 Contribution as Current Income Because June 2011 Payment Used as Income in 2010-11 - June 2012 Payment Currently Deferred to 2012-13 in Budget \$1,000,000
- Budget Originally Included a Transfer from Special Reserve of \$88,068. Due to the Negative Consequences of the Above Actions the Remaining Balances in the Special Reserve have been Transferred into the General Fund, but a \$1.1M Deficit Still Remains \$ 882,000

• Beginning Balance	\$ 184,682
• Audit Adjustments	
• Cash with Fiscal Agent (Balance of Proceeds from Loan for Solar at 6/30/11)	\$1,536,245
• Overstated Accounts Receivable and AP Adjustments from 10-11	(\$ 391,328)
• <u>Adjusted Beginning Balance, 7/1/11</u>	\$ 1,329,599
• Less 11-12 Operational Deficit	(\$ 681,040)
• <u>Est. Ending Balance, 6/30/12</u>	\$ 648,559
<p>• <u>This number is positive, but doesn't account for restricted components of the Ending Balance.....</u></p>	

• Est. Ending Balance, 6/30/12	\$ 648,559
• Components of Ending Balance	
• Revolving Cash	(\$ 2,500)
• Restricted Ending Balance, Lane Housing	(\$200,000)
• Restricted Ending Balance, Lane Science	(\$ 53,050)
• On Deposit w/Fiscal Agent for Solar Project	(<u>\$1,536,245</u>)
• General Fund Unappropriated Reserve	(\$1,143,236)
<p>• Although the Calculated Ending Balance is Positive, the restricted set-asides for which the District has a fiduciary responsibility exceed that amount by \$1,143,236.</p>	

WHAT HAS BEEN DONE TO REDUCE THIS DEFICIT IN 12-13?

- **Removing 11-12 One-Time Expenses Reduces 5000/6000 Accounts**
 - Reimbursing Bank for Ineligible Capital Expenses \$415,387
 - Solar and Other Capital Improvements Paid From General Fund \$368,918
 - A Portion of These Will Be Funded With Capital Lease Proceeds (\$520,877)

- **Budget Reductions (See Updated List in Board Packet)** \$1,088,948
- **Reduction in Contribution to Other Programs**
 - Lane Restricted Funds Set-Aside 11-12 One-Time Adjustment to Ending Balance \$253,050
 - Reduction in General Fund Unrestricted to Support Special Education \$307,791
 - Due to Reduction in Staff (Program/Student Caseload) and No Student Placements in NPS

Future Budget Development Process

- **Budget Advisory Committee**
 - Over the next few weeks, a plan will be developed to provide school staff, parents and community with the opportunity to:
 - Learn more about school finance
 - Provide Periodic Review of Current Year Finances and Annual Audit
 - Participate in the budget development process and
 - Become key communicators in the community regarding budget and school program issues

Changes in Internal Controls and Other Business Practices

- **Establish Functional Chart of Accounts**
 - Clearly Segregates Resources (e.g. Parcel Tax, Foundation, Donations, Special Projects)
 - Provides a Series of Function, Site and Object Codes to Track Expenditures Funded by Those Resources
 - Allows for Consistent Historical Comparisons to Support Future Budget Decisions

- **Position Control System**

- All Positions Authorized by the 12-13 Budget will be entered into the system, assigned a position number, and the person assigned to the position will be linked to that number and funding source(s)
- When the position is vacant, the position vacancy will be reviewed for reauthorization prior to advertisement and hiring
- All new positions proposed for hiring will follow a formal process of approval before being assigned a number in the system
- The Position Control System is an existing module within the CECC financial system used by SMCOE and PVSD

- **On-Line Purchase Order System with Capability of Rejecting a Requisition if there are no funds available**

- Requisitions Will be Checked for Funds and Reviewed by the Interim CBO for Appropriate Signature Approvals and Funding Source Before PO is Prepared
- If PO is \$15,000 or over, it will be Presented to the Board for Final Approval
- Board will Receive PO and Warrant Listings on a Timely and Consistent Basis
- **Verify All Documentation Required for Financial Transactions**
 - All transactions will have the appropriate documentation prior to completing the activity

- **Cash Receipts will be issued for all funds received** (e.g. teacher receives checks for field trip, gives them to office manager or accounting technician, the funds will be counted/verified and a receipt will be issued to confirm the transaction)
- **Periodic Review of Primary Functions**
 - Limited office staff makes it difficult to separate duties. The CBO and Accounting Technician will develop a system of periodic review of the primary functions assigned to each to ensure transparency, accuracy and adherence to proper policies and procedures

DISTRICT OPERATING FUNDS

- **GENERAL FUND -**
 - *Main operating fund of the LEA*
 - *Used to account for all activities not accounted for in another fund*
 - *An LEA may have only one general fund*
- **SPECIAL REVENUE FUNDS**
 - *Used to account for proceeds of specific revenue sources restricted or committed to expenditure for specified purposes, other than debt service or capital projects*
 - *Cafeteria Special Revenue Fund*



- **CAPITAL PROJECT FUNDS**

- *Used to account for financial resources that are restricted, committed, or assigned for the acquisition or construction of major capital facilities and other capital*
- *Building Fund (Bonds/State Building Funds) and Capital Facilities Fund (Developer Fees)*