

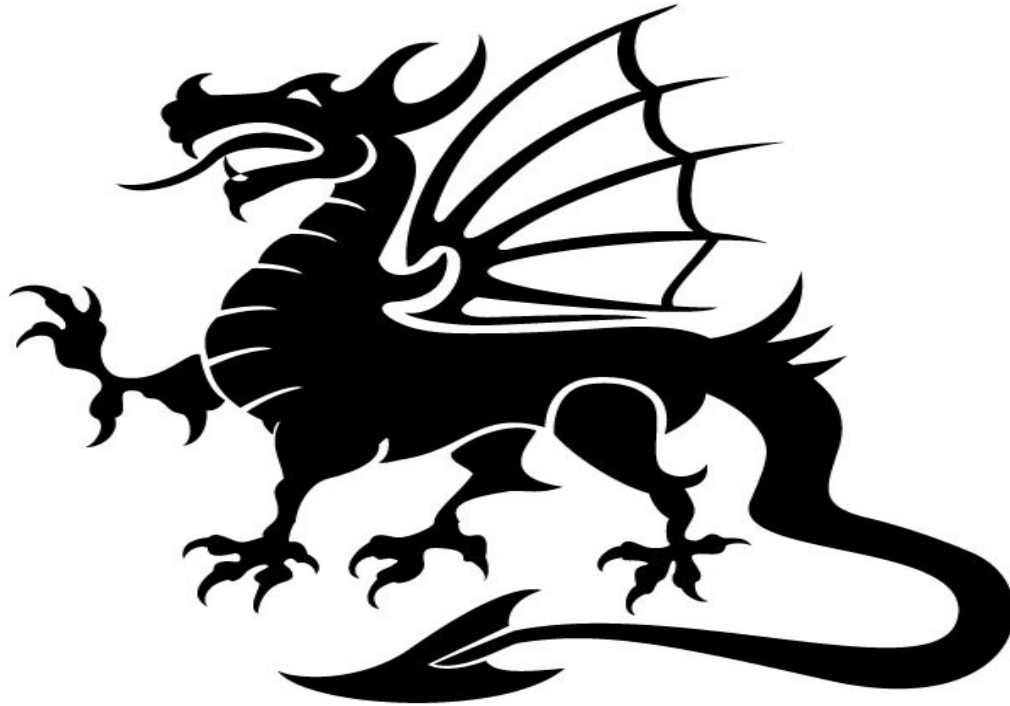


LAKE ORION COMMUNITY SCHOOLS

BUDGET AMENDMENT #1

FISCAL YEAR 2017-18

Effective January 24, 2018



Lake Orion Community Schools Board of Education

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LAKE ORION COMMUNITY SCHOOLS

Budget Amendment #1 - Fiscal Year 2017-18

EXECUTIVE SUMMARY

(As Presented by Fund)

FUNDING SOURCE OVERVIEW INFORMATION:

Operational funding for Lake Orion Community Schools is categorized into five broad revenue sources. The five types of revenue sources are local source, state source, federal source, payments from other public schools and other financing source revenues. Local source revenues include locally levied property taxes, program based fees, and investment revenues. State source revenues include state aid foundation allowance funds, categorical funding, and other state funded grants. Federal source revenues are comprised of federally issued grants. Payments from other public schools & governmental entities include public school tuition, ISD collected millage taxes, and Medicaid related revenue. Other financing source revenue examples include operating transfers between funds, indirect revenues, bond proceeds and fund modifications.

EXPENDITURE OVERVIEW INFORMATION:

Operational expenditures fall into three broad function based categories as defined by the Michigan Public School Accounting Manual. The first category is Instruction. Instruction includes the activities dealing directly with the teaching of pupils or the interaction between teacher and pupil. The second category is Support Services. Support Services are services which provide administrative, technical (such as guidance and health), and logistical support to facilitate and enhance instruction and to a lesser degree community services. Support services exist as adjuncts for the fulfillment of the objectives of instruction. The third category is Community Services. Community Services consist of those activities that are not directly related to providing education for pupils in a school system. Examples would include services provided by the school system for the community as a whole or some segment of the community, such as community recreation programs, civic activities, public libraries, and programs of custody and care of children, and community welfare activities. Each category of function based expenditures is further broken down into seven additional cost pools. These include salary & wages, fringe benefits, purchased services, supplies & materials, capital outlay, other expenditures, and outgoing transfers.

WHAT'S NEW?

The "What's New?" section of this document highlights significant additions, reductions or other changes pertaining to budgetary, financial and operational structural changes for the district. The following pages will contain fund specific information and data related to the following:

- The State Source revenue budget has been revised reflecting the inclusion of multiple revenue items approved by the State after our Board of Education approved the fiscal year 2017-18 LOCS adopted General Fund budget and an adjustment to the budgeted foundation allowance funding based on the actual October student count. The material revenue items included late in the State School Aid budget approval process are:
 - A one-time \$25 per high school pupil funding allowance increase
 - Section 147a (2) MPSERS normal cost offset funding of \$260,600
 - Section 147c (2) MPSERS one-time deposit of \$1,051,400
- State Aid Categorical section 147c (1) revenue and off-setting expenditures budgets have been **decreased** \$(434,467) over the adopted budget levels. The adopted budget for section 147c (1) was based on the prior year's funding level. This year's actual 147c (1) revenue was reduced by \$(434,467). Off-setting section 147c (1) MPSERS expenditures have been adjusted in multiple functional expenditure budgets. Salary and wage expenditures drive the allocation of the off-setting costs. Larger allocations of this cost are recognized in the "Basic Programs and Added Needs" functions because of the concentrations of professional salaries contained within these areas.
- A State Aid Categorical section 147c (2) revenue budget of \$1,051,400, new this year, and off-setting pass through expenditures budgets have been established in this amendment. Off-setting section 147c (2) MPSERS expenditures have been established in multiple functional expenditure budgets. Salary and wage expenditures drive the allocation of the off-setting costs. Larger allocations of this cost are recognized in the "Basic Programs and Added Needs" functions because of the concentrations of professional salaries contained within these areas.
- The General Fund's beginning fund balance has been adjusted upward reflecting the actual audited ending fund balance at June 30, 2017. The budgeted ending fund balance of the General Fund is now at 9.4% of the FY2017-18 budgeted expenditures and transfers.
- This amendment focusses exclusively on the District's General Fund operations. All other funds have been reviewed and do not require amending at this time. As always, all funds will again be reviewed and amended where necessary in the year end final budget amendment.

FUND BALANCE BUDGET CHANGES:

The budgeted fiscal year 2017-18 beginning and ending fund balances have been adjusted to reflect the fiscal year 2016-17 year-end actual audited fund balance plus the operational revenue and expenditure budget changes included in this document. Commentary on fund balance changes between the adopted budgets and the amended budgets are summarized below:

General Fund:

The amendment #1 budget establishes an operating surplus of \$583,760, down by \$(8,556) from the adopted budget. The Fund Balance chart below depicts the change process in this amendment. The amendment #1 projected total fund balance represents 9.4% of total budgeted expenditures and transfers. The total amendment #1 ending fund balance is budgeted at \$7,704,538.

	<u>Adopted Budget</u>	<u>Amend #1 Budget</u>
Non-spendable Fund Balance:	\$	\$ 78,427
Fund Balance:	<u>\$7,185,752</u>	<u>\$7,626,111</u>
Total Fund Balance:	\$7,185,752	\$7,704,538

REVENUE BUDGET CHANGES:

During the course of a fiscal year the District's funds will experience several revenue budget changes. Some minor and others more significant in nature. With respect to this "Executive Summary" document and the analysis that has gone into it, we will be presenting, at a minimum, discussion on the "significant" budget changes. We continue to define "significant" to mean a change in the revenue line item total of \$100,000 or more. In addition to the "significant" budget changes, items of particular interest may also be presented regardless of the magnitude of the change.

General Fund (110 – 190):

The General Fund revenue budget increased by a net \$1,016,002 or 1.25%. The new total revenue budget is \$82,423,998. The following information represents the breakdown of the significant changes by revenue source for the General Fund.

Local Sources:

Local Source revenue has increased by a net \$125,441 to \$8,864,482. Local Source revenue represents 10.8% of the total General Fund revenue. The increase is primarily comprised of the establishment of the insurance revenue budget of \$114,000.

State Sources:

State Source revenue has increased by a net \$437,360 to \$64,989,887. State Source revenue represents 78.9% of the total General Fund revenue. The \$437,360 net increase in State Source funding is primarily comprised of (1) a reduction in budgeted student state aid foundation funding of \$(218,000) tied to the lower than planned SOC student retention rate; (2) the inclusion of a new "per high school student" state aid funding item approved in the final State School Aid budget. This line item was also approved by the State after the LOCS budget was approved; (3) The section 147c (1) categorical revenue's net decreased over the adopted budget (adopted budget based on the prior year) amount by \$(430,000); (4) The inclusion in the General Fund budget of the new section 147c (2) categorical revenue of \$1,051,000. This line item was also approved by the State after the LOCS budget was approved; (5) The reduction in Section 51c Special Education cost based reimbursement revenue of \$(260,000); (6) The inclusion in the General Fund budget of the new section 147a (2) categorical revenue of \$260,000. This line item was approved by the State after the LOCS budget was approved; (7) The net increase over the adopted revenue budget for several of our smaller State Aid funded categorical grants.

Federal Sources:

Federal Source revenue has increased by \$549,456 reflecting actual awards in the district's federal grants. The increase primarily reflects the increase in our Early/Head Start grant programs. Several "Basic Program and Added Needs" category related expenditure budgets have experienced off-setting decreases.

ISD and Medicaid Sources - Payments from other Public Schools:

Intermediate School District (ISD) and Medicaid source revenues have decreased by a net \$(81,255) from the adopted budget to \$5,173,714. ISD Source revenue represents 6.3% of the total General Fund revenue. The decrease is driven by a reduction in our year over year PA18 Special Education allocated revenue.

Other Financing Sources:

Other Financing Source revenue budget decreased by a net \$(15,000) from the adopted budget. Other Financing Source revenue represents 0.4% of the total General Fund revenue.

EXPENDITURE BUDGET CHANGES:

During the course of a fiscal year the District's funds will experience several expenditure budget changes. Some minor and others more significant in nature. With respect to this "Executive Summary" document and the analysis that has gone into it, we will be presenting, at a minimum, discussion on the "significant" budget changes. We continue to define "significant" to mean a change in the expenditure line item total of \$100,000. In addition to the "significant" budget changes items of particular interest may also be presented regardless of the magnitude of the change.

General Fund (110 – 190):

Total budgeted expenditures and operating transfers out have increased by a net \$1,024,558 or 1.27% to a new total budget of \$81,840,238. The following information represents the breakdown of significant expenditure budget changes for the General Fund.

Instruction – Basic Programs:

The Basic Program functional expenditure budgets have decreased by a net \$(256,830) or (0.61) % to \$41,914,440. The net decrease of \$(256,830) in the Basic Programs function(s) budget reflects primarily (1) positive residual effects of the planned FY2017-18 district restructuring, specifically, in several circumstances the actual cost reduction exceeded the budgeted amount; (2) a decrease in multiple wage, retirement and FICA expenditure line item budgets driven by the District's experience of a larger than planned amount of staffing attrition; (3) the addition of the new categorical section 147c(2) expenditures. Salary and wage expenditures drive the allocation of these costs. Larger allocations of this cost are recognized in the "Basic Programs" functions because of the concentrations of professional salaries contained within these functions.

Instruction – Added Needs:

The Added Needs functional expenditure budgets have increased by a net \$391,571 reflecting primarily (1) the addition of the new categorical section 147c (2) expenditures. Salary and wage expenditures drive the allocation of these costs. Larger allocations of this cost are recognized in the "Added Needs" functions because of the concentrations of professional salaries contained within them; (2) multiple grant related changes effecting multiple functional budgets; (3) final adjustments to fees, supplies, purchased services, special education center tuition, and post restructuring staffing budgets.

Support Services – Pupil Support Services:

The net increase of \$122,794 in the Pupil Support Services function(s) budgets reflects primarily (1) The addition of the new categorical section 147c (2) expenditures. Salary and wage expenditures drive the allocation of these costs; (2) Multiple grant related changes effecting multiple functional budgets.

Support Services – Education Media Services:

The net increase of \$123,447 in the Educational Media Services function budget reflects primarily (1) The addition of the new categorical section 147c (2) expenditures; (2) Adjustments to the wage, 147c (1) retirement, and healthcare budgets.

Support Services – School Administration:

The net increase of \$125,815 in the School Administration function budget reflects primarily (1) The addition of the new categorical section 147c (2) expenditures; (2) Adjustments to the 147c (1) retirement expenditures, other benefits and supplies budgets.

Support Services – Operations & Maintenance:

The net increase of \$136,533 in the Operations and Maintenance function budget reflects primarily (1) The addition of the new categorical section 147c (2) expenditures; (2) Adjustments to the 147c (1) retirement and rental budgets.

Support Services - Technology Services:

The net increase of \$126,882 in the Technology Services function budget reflects primarily (1) An addition of \$89,400 in grant funded technology equipment; (2) Adjustment to the budget for the addition of the new firewall software.

All Other District Funds:

The fiscal year 2017-18 Board of Education adopted budgets and appropriations, as approved by the Board on June 28, 2017, for the district's other funds, as listed below, are not affected by this amendment and remain unchanged and in effect.

- Community Services Fund – 230
- Food Service Fund – 250
- Debt Retirement Funds 350, 360, 370 & 390
- Building and Site Sinking Fund Capital Project Fund – 410
- District Capital Projects Fund – 440
- Risk – Internal Service Fund - 810



Lake Orion Community Schools General Fund

Fiscal Year 2017-18 Budget Amendment 1 - January 24, 2018

	<u>Adopted Budget</u>	<u>Proposed Amendments</u>	<u>Amended Budget</u>	<u>% Chg</u>	<u>Explanations</u>
REVENUE					
Local Revenue	\$ 8,739,041	125,441	8,864,482	1.44%	A
State Revenue	64,552,527	437,360	64,989,887	0.68%	B
Federal Revenue	2,496,459	549,456	3,045,915	22.01%	C
ISD and Medicaid Sources	5,254,969	(81,255)	5,173,714	-1.55%	
Other Revenue	365,000	(15,000)	350,000	-4.11%	
TOTAL REVENUE	81,407,996	1,016,002	82,423,998	1.25%	
EXPENDITURES					
<u>Instruction</u>					
Basic Programs	\$ 42,171,270	(256,830)	41,914,440	-0.61%	D, E
Added Needs	10,527,604	391,571	10,919,175	3.72%	D, F
SUB TOTAL	52,698,874	134,741	52,833,615	0.26%	
<u>Support Services</u>					
Pupil Support Services	\$ 6,125,590	122,794	6,248,384	2.00%	D, G
Instructional Staff Support Services:					
Instruction Improvement	673,675	(47,144)	626,531	-7.00%	
Educational Media Services	1,082,964	123,447	1,206,411	11.40%	D, H
Technology Assisted Instruction	50,570	(17,470)	33,100	-34.55%	
Instructional Staff Supervision	801,996	84,286	886,282	10.51%	
General Administration	1,019,666	20,052	1,039,718	1.97%	
School Administration	4,468,480	125,815	4,594,295	2.82%	D, I
Business Services	878,586	34,871	913,457	3.97%	
Operations and Maintenance	5,181,162	136,533	5,317,695	2.64%	D, J
Transportation Services	3,431,172	91,912	3,523,084	2.68%	
Communication Services	130,920	6,605	137,525	5.05%	
Human Resources	800,859	18,609	819,468	2.32%	
Technology Services	1,625,304	129,882	1,755,186	7.99%	D, K
Athletic Activities	1,137,578	51,333	1,188,911	4.51%	
Community Services	296,174	8,292	304,466	2.80%	
SUB TOTAL	27,704,696	889,817	28,594,513	3.21%	
OUTGOING TRANSFERS					
Capital Projects & Debt Service	\$ 412,110	-	412,110	0.00%	
TOTAL TRANSFERS	412,110	-	412,110	0.00%	
TOTAL EXPENDITURES	80,815,680	1,024,558	81,840,238	1.27%	
Revenues Over/(Under) Expenditures	592,316	(8,556)	583,760	-1.44%	
Beginning Fund Balance	6,593,436	527,342	7,120,778	8.00%	L
Ending Fund Balance	7,185,752	518,786	7,704,538	7.22%	
Fund Balance as a % of Expenditures	8.9%		9.4%		



Lake Orion Community Schools General Fund

Fiscal Year 2017-18 Budget Amendment 1 - January 24, 2018

Explanations are provided below for amendments by function resulting in a net increase or decrease of \$100,000.

A	The \$125,441 net increase in Local Source Funding is primarily comprised of the addition of \$114,000 in revenue from insurance property settlement funds.
B	The \$437,360 net increase in State Source Funding is primarily comprised of (1) a reduction in budgeted per student state aid foundation funding of \$(218,000) tied to the lower than planned SOC student retention rate; (2) The inclusion of a new "per high school student" state aid funding item approved in the final State School Aid budget. This line item was also approved by the State after the LOCS budget was approved; (3) The section 147c(1) categorical General Fund revenue net decreased over the adopted budget and prior year amount by \$(430,000); (4) The inclusion in the General Fund budget of the new section 147c(2) categorical revenue of \$1,051,000. This line item was also approved by the State after the LOCS budget was approved; (5) The reduction in Section 51c Special Education cost based reimbursement revenue of \$(260,000); (6) The inclusion in the General Fund budget of the new section 147a(2) categorical revenue of \$260,000. This line item was approved by the State after the LOCS budget was approved; (7) Net increase over the adopted budget for several smaller State categorical grants.
C	The net increase of \$549,456 in the Federal grant revenue primarily reflects the increase in the Early/Head Start grant funding.
D	Included in the General Fund budget, spread over multiple functional expenditure budgets, is the new section 147c(2) state pass through categorical. The total amount of the new categorical is \$1,051,000. Those functional budgets with higher concentrations of wages will carry a larger amount of the 147c(2) expenditure.
E	The net decrease of \$(256,830) in the Basic Programs function(s) budget reflects primarily (1) Positive residual effects of the planned FY2017-18 district restructuring, specifically, in several circumstances the actual cost reduction exceeded the budgeted amount; (2) a decrease in multiple wage, retirement and FICA expenditure line item budgets driven by the district's experience of a larger than planned amount of staffing attrition; (3) The addition of the new categorical section 147c(2) expenditures as described in item D above.
F	The net increase of \$391,571 in the Added Needs function(s) budget reflects primarily (1) The addition of the new categorical section 147c(2) expenditures as described in item D above; (2) Multiple grant related changes affecting multiple functional budgets; (3) Final adjustments to fees, supplies, purchased services, center tuition, and post restructuring staffing budgets.
G	The net increase of \$122,794 in the Pupil Support Services function(s) budget reflects primarily (1) The addition of the new categorical section 147c(2) expenditures of \$43,700 as described in item D above ; (2) Multiple grant related changes of \$81,500 affecting multiple functional budgets.



Lake Orion Community Schools General Fund

Fiscal Year 2017-18 Budget Amendment 1 - January 24, 2018

Explanations are provided below for amendments by function resulting in a net increase or decrease of \$100,000.

H	The net increase of \$123,447 in the Educational Media Services function budget reflects primarily (1) The addition of the new categorical section 147c(2) expenditures as described in item D above ; (2) Adjustments to the wage, 147c(1) retirement, and healthcare budgets.
I	The net increase of \$125,815 in the School Administration function budget reflects primarily (1) The addition of the new categorical section 147c(2) expenditures of \$86,900 as described in item D above ; (2) Adjustments to the 147c(1) retirement expenditures of \$23,200, other benefits and supplies budgets.
J	The net increase of \$136,533 in the Operations and Maintenance function budget reflects primarily (1) The addition of the new categorical section 147c(2) expenditures as described in item D above ; (2) Adjustments to the 147c(1) retirement and rental budgets.
K	The net increase of \$126,882 in the Technology Services function budget reflects primarily (1) an addition of \$89,400 in grant funded technology equipment; (2) Adjustment to the budget for the addition of the new firewall software.
L	The net increase of \$527,342 in the budgeted Beginning Fund Balance reflects the adjustment to the actual audited figures.