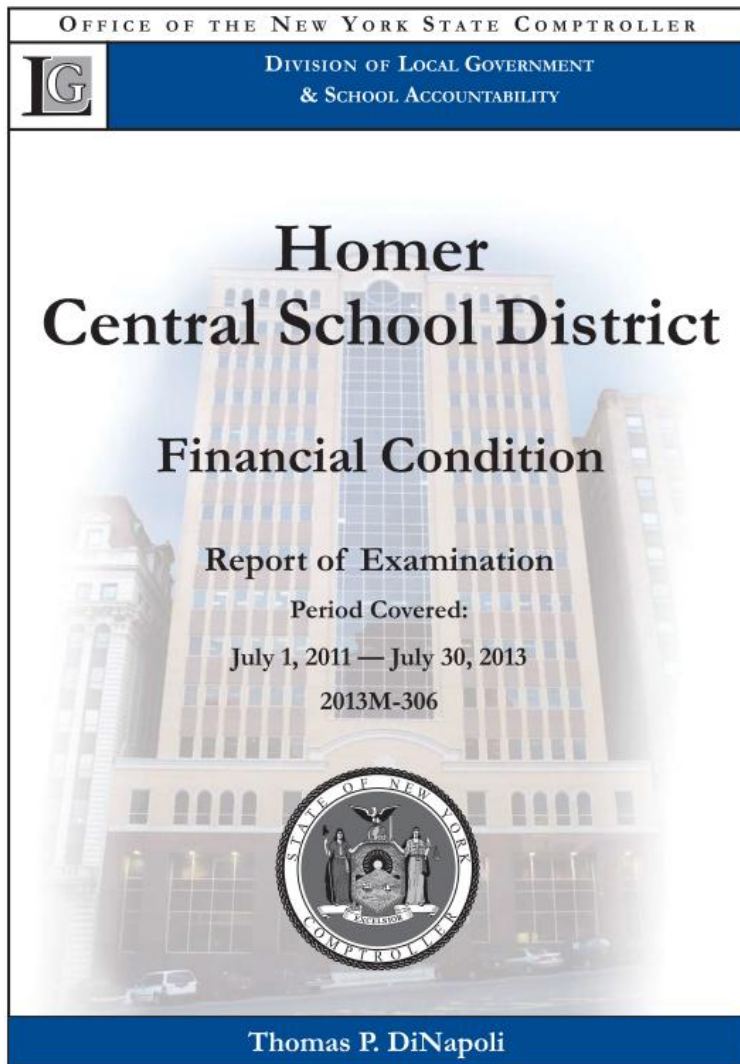


# Financial Conditions Report



What does it mean?

Luke Morenus, BOE Member



# Financial Conditions Report

“Facts are stubborn things, but statistics are pliable.”

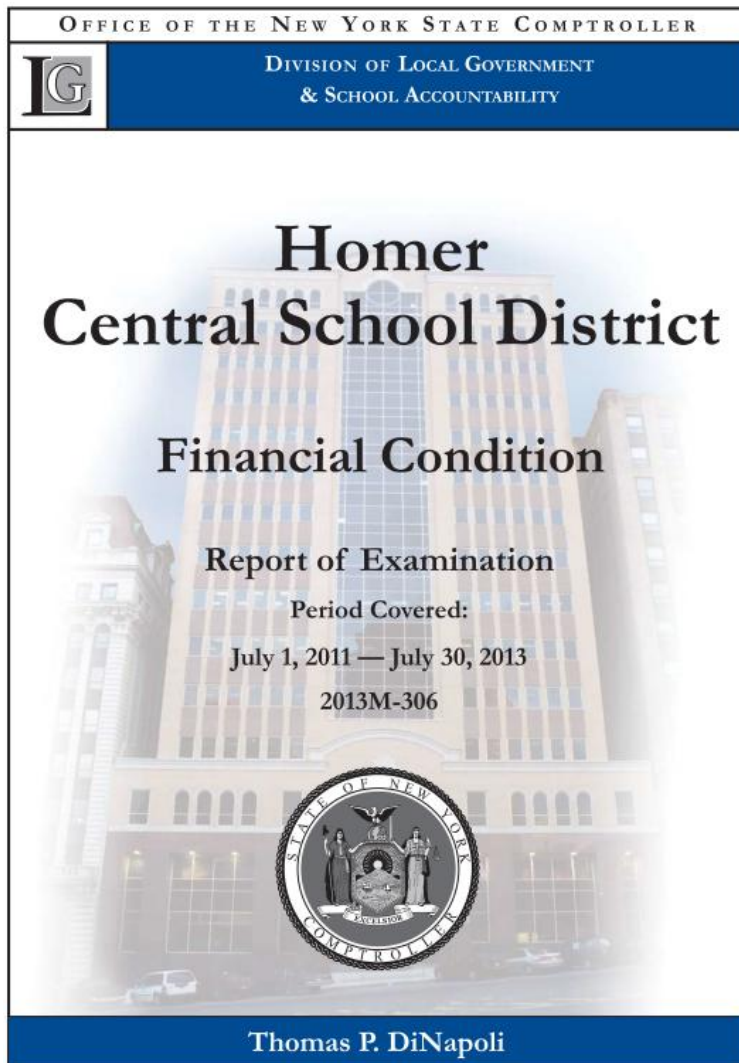
— [Mark Twain](#)

## Information Sources

- State Comptroller’s Report
- External Audits: 2008 - 2013
- Budget Documents: 2008 – 2013
- [homercentral.org](http://homercentral.org)



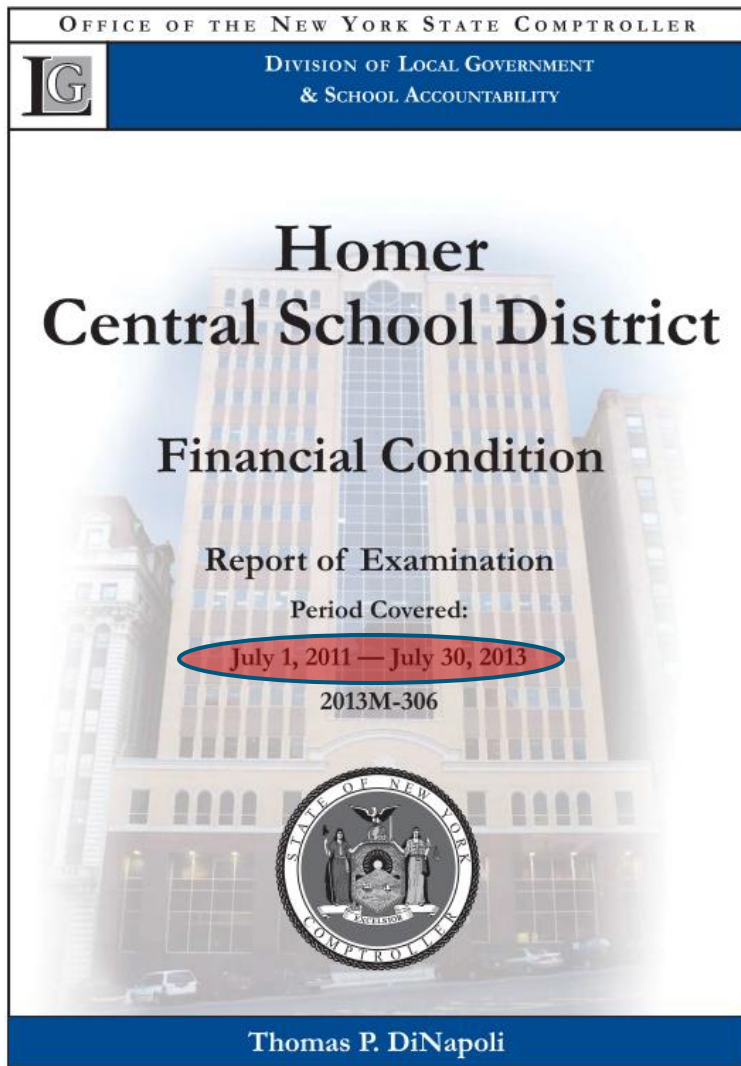
# Financial Conditions Report



- Office of the State Comptroller
- What the numbers show
- How we can learn from them



# Office of the State Comptroller

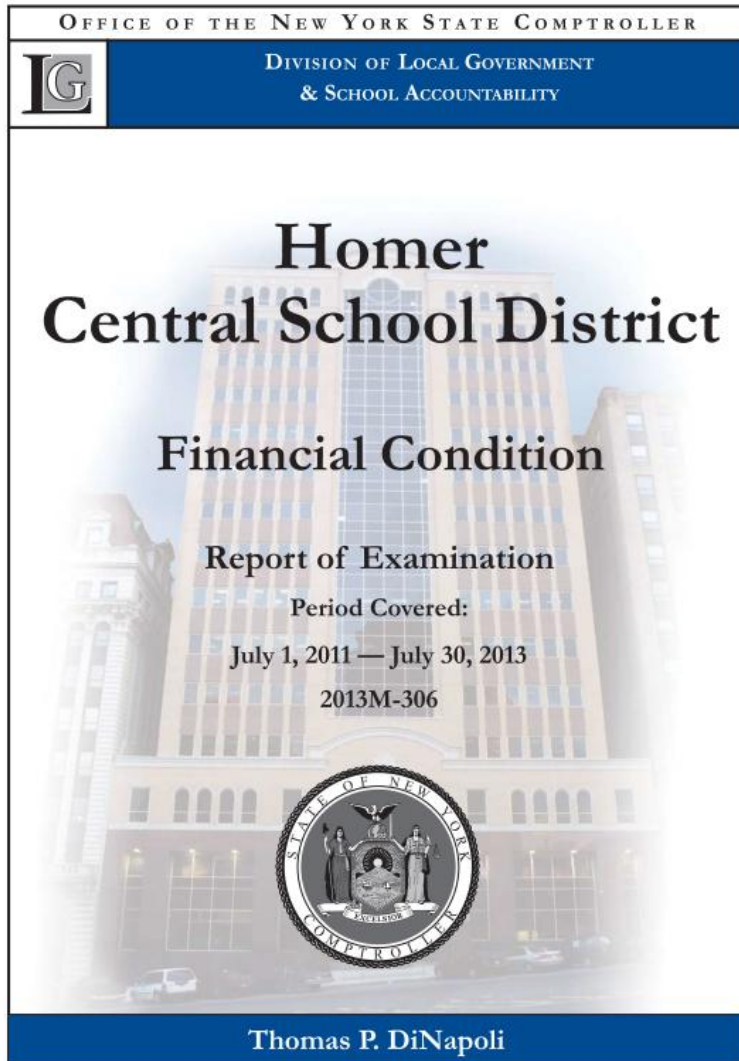


## *The Audit*

- July 2011 – July 2013
- Objective: To examine the District's financial condition



# Office of the State Comptroller



## *The Main Question*

Did the Board and District management ensure that budget estimates and reserve balances were reasonable?



# The Bottom Line

**Table 1: Budget vs. Actual Revenues and Expenditures**

	2008-09	2009-10	2010-11	2011-12	2012-13	Totals
Estimated Revenues <sup>a</sup>	\$36,898,050	\$38,199,905	\$37,836,495	\$37,811,205	\$37,400,000	\$188,145,655
Actual Revenues	\$35,467,671	\$36,998,971	\$34,525,369	\$34,179,426	\$36,152,488	\$177,323,925
Variance	(\$1,430,379)	(\$1,200,934)	(\$3,311,126)	(\$3,631,779)	(\$1,247,512)	(\$10,821,730)
Appropriations	\$37,198,050	\$38,649,905	\$38,286,495	\$39,211,205	\$38,400,000	\$191,745,655
Actual Expenditures	\$34,152,505	\$35,378,737	\$35,070,837	\$35,455,251	\$36,198,616	\$176,255,946
Variance	\$3,045,545	\$3,271,168	\$3,215,658	\$3,755,954	\$2,201,384	\$15,489,709
Operating Surplus/ (Deficit)	\$1,315,166	\$1,620,234	(\$545,468)	(\$1,275,825)	(\$46,128)	\$1,067,979

<sup>a</sup>This amount does not include the amount of appropriated fund balance.

For the original study period (July 2011 – July 2013) the District has experienced an overall Operating Deficit of over \$1.3 million:

$$(\$46,128) + (\$1,275,825) = (\$1,321,153)$$

**Table 1: Budget vs. Actual Revenues and Expenditures**

	2008-09	2009-10	2010-11	2011-12	2012-13	Totals
Estimated Revenues <sup>a</sup>	\$36,898,050	\$38,199,905	\$37,836,495	\$37,811,205	\$37,400,000	\$188,145,655
Actual Revenues	\$35,467,671	\$36,998,971	\$34,525,369	\$34,179,426	\$36,152,488	\$177,323,925
Variance	(\$1,430,379)	(\$1,200,934)	(\$3,311,126)	(\$3,631,779)	(\$1,247,512)	(\$10,821,730)
Appropriations	\$37,198,050	\$38,649,905	\$38,286,495	\$39,211,205	\$38,400,000	\$191,745,655
Actual Expenditures	\$34,152,505	\$35,378,737	\$35,070,837	\$35,455,251	\$36,198,616	\$176,255,946
Variance	\$3,045,545	\$3,271,168	\$3,215,658	\$3,755,954	\$2,201,384	\$15,489,709
Operating Surplus/ (Deficit)	\$1,315,166	\$1,620,234	(\$545,468)	(\$1,275,825)	(\$46,128)	\$1,067,979
<sup>a</sup> This amount does not include the amount of appropriated fund balance.						

Extended Study Period ← → Original Study Period

Following the original analysis, the study was extended back to 2008, in order to:

“...analyze the District’s historical financial condition and budgeting and reserves”

# The Bottom Line

**Table 1: Budget vs. Actual Revenues and Expenditures**

	2008-09	2009-10	2010-11	2011-12	2012-13	Totals
Estimated Revenues <sup>a</sup>	\$36,898,050	\$38,199,905	\$37,836,495	\$37,811,205	\$37,400,000	\$188,145,655
Actual Revenues	\$35,467,671	\$36,998,971	\$34,525,369	\$34,179,426	\$36,152,488	\$177,323,925
Variance	(\$1,430,379)	(\$1,200,934)	(\$3,311,126)	(\$3,631,779)	(\$1,247,512)	(\$10,821,730)
Appropriations	\$37,198,050	\$38,649,905	\$38,286,495	\$39,211,205	\$38,400,000	\$191,745,655
Actual Expenditures	\$34,152,505	\$35,378,737	\$35,070,837	\$35,455,251	\$36,198,616	\$176,255,946
Variance	\$3,045,545	\$3,271,168	\$3,215,658	\$3,755,954	\$2,201,384	\$15,489,709
Operating Surplus/ (Deficit)	\$1,315,166	\$1,620,234	(\$545,468)	(\$1,275,825)	(\$46,128)	\$1,067,979

<sup>a</sup>This amount does not include the amount of appropriated fund balance.

For the expanded study period (July 2008 – July 2013) the District has experienced an overall Operating Surplus of \$1.07 million

*0.56% of the Total Operating Budget*



\$15.5 M

---

The 15.5 million-dollar question

# \$15.5 M : Expense Variance

**Table 1: Budget vs. Actual Revenues and Expenditures**

	2008-09	2009-10	2010-11	2011-12	2012-13	Totals
Estimated Revenues <sup>a</sup>	\$36,898,050	\$38,199,905	\$37,836,495	\$37,811,205	\$37,400,000	\$188,145,655
Actual Revenues	\$35,467,671	\$36,998,971	\$34,525,369	\$34,179,426	\$36,152,488	\$177,323,925
Variance	(\$1,430,379)	(\$1,200,934)	(\$3,311,126)	(\$3,631,779)	(\$1,247,512)	(\$10,821,730)
Appropriations	\$37,198,050	\$38,649,905	\$38,286,495	\$39,211,205	\$38,400,000	\$191,745,655
Actual Expenditures	\$34,152,505	\$35,378,737	\$35,070,837	\$35,455,251	\$36,198,616	\$176,255,946
Variance	\$3,045,545	\$3,271,168	\$3,215,658	\$3,755,954	\$2,201,384	\$15,489,709
Operating Surplus/ (Deficit)	\$1,315,166	\$1,620,234	(\$545,468)	(\$1,275,825)	(\$46,128)	\$1,067,979

<sup>a</sup>This amount does not include the amount of appropriated fund balance.

Moving Up from the Bottom Line...

The District has an “*Aggregate Expenditures Variance*” of **\$15,489,709** over the 5-year study period.

# \$15.5 M : Expense Variance

## *Aggregate Expenditures Variance*

- Spent \$15.5 Million LESS than budgeted
  - Conservative Budgeting
  - Reserve Funds
  - Tax Implications

# \$15.5 M : Expense Variance

## Aggregate Expenditures Variance

**Table 1: Budget vs. Actual Revenues and Expenditures**

	2008-09	2009-10	2010-11	2011-12	2012-13	Totals
Estimated Revenues <sup>a</sup>	\$36,898,050	\$38,199,905	\$37,836,495	\$37,811,205	\$37,400,000	\$188,145,655
Actual Revenues	\$35,467,671	\$36,998,971	\$34,525,369	\$34,179,426	\$36,152,488	\$177,323,925
Variance	(\$1,430,379)	(\$1,200,934)	(\$3,311,126)	(\$3,631,779)	(\$1,247,512)	(\$10,821,730)
Appropriations	\$37,198,050	\$38,649,905	\$38,286,495	\$39,211,205	\$38,400,000	\$191,745,655
Actual Expenditures	\$34,152,505	\$35,378,737	\$35,070,837	\$35,455,251	\$36,198,616	\$176,255,946
Variance	\$3,045,545	\$3,271,168	\$3,215,658	\$3,755,954	\$2,201,384	\$15,489,709
Operating Surplus/ (Deficit)	\$1,315,166	\$1,620,234	(\$545,468)	(\$1,275,825)	(\$46,128)	\$1,067,979

<sup>a</sup>This amount does not include the amount of appropriated fund balance.

2012-2013 - Spent \$2.2 million less than budgeted - 5.7% of total budget

# The Revenue Side

## *Expense Variance & Use of Reserves*

- Spent \$15.5 million LESS than budgeted
- Collected \$10.8 million LESS than budgeted
- Revenues - Expenses = Operating Surplus (or Deficit)

# Revenue

## *Types of Revenue*

- State & Federal Aid
- Miscellaneous Revenues (PILOT agreements, interest income, shared service revenues, etc.)
- Local Tax Levy
- Reserve Funds

# Revenue

## Actual Revenue

	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Planned Revenue	\$36,898,050	\$38,199,905	\$37,836,495	\$37,811,205	\$37,400,000
Actual Revenue	\$35,467,671	\$36,998,971	\$34,525,369	\$34,179,426	\$36,152,488

# The Bottom Line

## Operating Surplus (or Deficit)

	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Actual Revenue	\$35,467,671	\$36,998,971	\$34,525,369	\$34,179,426	\$36,152,488
Actual Expenses	\$34,152,505	\$35,378,737	\$35,070,837	\$35,455,251	\$36,198,616
<i>Operating Surplus (Deficit)</i>	<b>\$1,315,166</b>	<b>\$1,620,234</b>	<b>(\$545,468)</b>	<b>(\$1,275,825)</b>	<b>(\$46,128)</b>



# Budget Preparation

- Estimate Expenses (conservatively)
- Estimate Revenues
- Calculate “Gap” (surplus or deficit)
- Fill the Gap
  - Cut Program
  - Use Reserves

# Budget Preparation

## Planned use of Reserves

REVENUE	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
State Aid	\$20,392,070	\$22,189,435	\$20,064,860	\$19,478,033	\$19,031,967
Tax Levy	\$13,969,410	\$13,969,410	\$14,282,650	\$14,843,955	\$15,240,767
Other Revenue Sources	\$2,091,060	\$2,041,060	\$2,167,390	\$1,618,070	\$416,819
Planned use of Reserves	\$445,510	\$0	\$1,321,595	\$1,871,147	\$2,710,447
<b>TOTALS</b>	<b>\$36,898,050</b>	<b>\$38,199,905</b>	<b>\$37,836,495</b>	<b>\$37,811,205</b>	<b>\$37,400,000</b>

# Budget Adjustments

---

- Savings on the Expense side gives choices:
  - Spend More
  - Return portion of the Tax Levy
  - Use Less from Reserves

# Budget Adjustments

- Savings on the Expense side gives choices:
  - Spend More
  - Return portion of the Tax Levy
  - Use Less from Reserves
- \$13 million lost due to Gap Elimination Adjustment



# Use of Reserve Funds

## *Planned vs. Actual*

	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Planned use of Reserves	\$445,510	\$0	\$1,321,595	\$1,871,147	\$2,710,447
Actual use of Reserves	\$0	\$0	\$0	\$249,730	\$1,000,000

# Tax Impacts

---

- The Comptroller's Report suggests that by using the full amount of Reserves each year, the Tax Levy could have been held at 2008 levels.

# Tax Impacts

## Planned vs. Actual

	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Tax Levy	\$13,969,410	\$13,969,410	\$14,282,650	\$14,843,955	\$15,240,767
Net Change from 2008-2009	-	\$0	\$313,240	\$874,545	\$1,271,357

Total of \$2.4 million over 5 years

# Choices

- Chose to keep Reserves healthy during uncertain economic climate



- Chose to re-invest in critical infrastructure by using the \$2.4 million in excess tax levy + \$1.5 million in unspent / dedicated reserves to progress the upcoming \$20.9 million Capital Project
- Chose to make cuts where appropriate, and stretch savings as far as possible



# Summary

---

## *The Main Question*

Did the Board and District management ensure that budget estimates and reserve balances were reasonable?

My Answer = Yes



# Summary

---

- The BOE does not take budgeting decisions lightly
- Actively monitor and adjust the long-term financial plan despite an ever-changing financial reality
- Encourage continuous and open dialog

