

To: Rob Long, Superintendent of Schools

From: Bruce Singer, Business Manager

Date: January 8, 2018

RE: Budget Development - Three Year Cycle

Budget Development covers a three year cycle.

Currently, we are developing the 2018-2019 Budget. We can consider our current stage as the "Planning/ Development Stage".

Planning/ Development Stage: (Development of the 2018-2019 School Year Budget)

A budget helps in planning for the actual operations next year, allows us to consider how the conditions might change and what steps should be taken now, to ensure a balanced budget, review reasonable assumptions, and analyze current trends. It also requires the need to co-ordinate the activities of the various organizational components, i.e., instructional, non-instructional, capital improvements, equipment and supply needs for the upcoming year. Essentials of budget include:

- To monitor resources to ensure anticipated revenues match projected expenditures.
- To communicate plans to the Board of Education and community.
- To motivate managers to strive to achieve budget goals.
- To provide visibility into the company's performance.
- For accountability, subject to Annual External Audits.

In summary, the purpose of budgeting tools:

1. Tools provide a forecast of revenues and expenditures, that is, construct a model of how the school district might perform financially if certain strategies, events and plans are carried out.
2. Tools enable the actual financial operation of the business to be measured against the forecast.

Expenditure Year- 2018-2019 School Year

Please be reminded that there are only three possible outcomes during the Expenditure Year, as follows:

The actual expenditures will be finalized during July/August 2019. Therefore, the planning stage, beginning November, 2018, needs to be fairly accurate to predict expenditures for 18 months in the future; the expenditure cycle is only completed after the Financial External Audit is completed (September, 2019).

One possible outcome- The actual expenditure is exactly as predicted. The actual final expenditure is exact to the projected budget. This would be extreme, not realistic.

Second possible outcome- The actual level of expenditure exceeds the projected budget. The actual expenditures were greater than predicted or the actual revenue did not materialize as predicted.

There are a few unpleasant cures: reduce the appropriated fund balance, which would cause a tax increase or alternatively reduce reserves. Neither choice is financially advantageous.

Third Possible outcome- Underspend the budget, or revenue exceeded expectations. This is the financially strongest position. This will allow for continuity of instructional programs, and a potentially increase in reserves. Both are positive results.

Revenue Year- 2018-2019 School Year

Many state aid components are subject to the prior year actual expenditures. As noted above, the External Financial Audit is finalized during September, 2019; the year-end state aid report (ST-3) can only be submitted after the Board of Education accepts the Annual Financial Audit. As recently reported, during December, 2017, New York State posted that actual state aid would be reduced by \$13,000 due to lower levels of prior year expenditures (2016-2017). The lower expenditures occurred in home to school transportation. Lower expenditures result in lower state aid, which is not known until the following school year.

Attached, you will find:

2018-19 Budget Calendar which reflects activities which must occur during the Planning/Development year.

If, in the event you have any questions, please do not hesitate to contact me.

Thank you.