

From: Mountain Lakes BOE <noreply@mlschools.org>
Subject: Update - Tonight's Budget Presentation, April 27th
Date: April 27, 2020

Dear Mountain Lakes Community,

The budget presentation and motion to approve the 2020-2021 budget that was scheduled to take place at tonight's BOE meeting will be postponed until the May 4th BOE meeting. Tonight, we will still proceed with the regularly scheduled BOE meeting at 6:30pm.

In preparation for the final Budget approval, we have outlined the following which will clarify the issues and provide answers to questions surrounding the past budget practice and the resulting current shortfall.

The questions being asked are how did the budget deficit projected for the 2020-2021 school year happen and is it because the tuition paid to Lake Drive School is insufficient to support its program. Answering the second question first, the Lake Drive School is self-sustaining and does not depend on any other budget revenues. The only reason Lake Drive School is at the center of this budget deficit controversy is because past administrations manipulated the tuition revenues and the program expenses to create a tuition surplus.

The proposed 2020-2021 budget helps to illustrate what occurred. In the proposed budget the tuition and expenses match and are based on the student count when the budget was prepared. Prior administrations began the budget process the same way so that sending districts could be charged the correct tuition. But, after that was done, prior administrations significantly reduced the expenses so that the tuition appeared to far exceed the cost of Lake Drive's program. The excess tuition amounts were then transferred to the general fund budgets to support programs and staffing that exceeded the Board's annual revenues from all other sources each year. Simply put, in each of those years, there was a budget deficit, which was masked by the tuition surpluses that were transferred. So, you may ask, if the Lake Drive expenses reduced in each year were actual expenses, how did the Board pay those expenses when they became due. Here is how it worked. Part of the Lake Drive tuition was designated as revenue and the remaining tuition was earmarked for expenses. As the expenses came due, the administration applied the tuition earmarked as "refunds" under expenses.

However, there were years when the tuition earmarked for expenses (refund) was insufficient to meet Lake Drive's understated costs. In those years, transfers from other budget line items were used to cover the shortfall. That worked for many years, because the annual budgets usually had surplus funds generated by savings from lower insurance premiums than estimated, milder winters that resulted in less heating costs, snow removal and overtime for employees, and employees resigning or retiring being replaced by entry-level salaries, to name a few. Ordinarily, those yearly savings should flow to budget surplus and be appropriated in the following year's budget as capital reserve or property tax relief. Instead, they were used to fund budgets that exceeded revenues at their inception. This is also why the Board's surpluses declined in many years.

This method of accounting is not permitted because it allows a board to overspend its budget and then burden the next year's budget. State law requires boards to adhere to these accounting principles to protect the taxpayers from excess spending by board's without voter

approval. The District's newly appointed auditors, therefore, directed the Board to cease this practice and to budget the revenues and expenses that are anticipated for the 2020-2021 school year. More specifically, the auditors directed that "refunds" not be used for any purpose. The result is that the programs and staffing previously funded by the nonexistent Lake Drive tuition surpluses must now be entirely supported by the Board's annual revenues from all sources. For 2020-2021, there are insufficient revenues from all sources to support the projected expenses.

[12-19-19 minutes approving audit recommendations \(1\).pdf](#)

Here are the details to join tonight's meeting via ZOOM.

Please click the link below to join the webinar:

<https://us02web.zoom.us/j/82169124040>

During the meeting, when there is time set aside for participants to ask questions or speak, you will need to connect with the computer link above so you can raise your digital hand indicating your desire to speak at those designated times.

If you will be calling in and ONLY want audio, use a phone number and the meeting ID below. Do NOT use this method if you will also be connecting with computer as your audio will not be sync'd to your video user in the meeting.

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During the meeting, if you are not actively speaking, please remember to mute your phone to minimize background noise that can make it hard to hear those who are speaking.

Kind regards,

The Mountain Lakes Board of Education