

I. BUDGET MESSAGE 2014-2015

A. Introduction

The Lathrop R-II Board of Education, in conjunction with the Lathrop school community, staff and parents, continues to strive to improve educational outcomes for students. The Board of Education and the District's number one goal is improving academic achievement to achieve a "Distinction in Performance" rating from the Department of Elementary & Secondary Education. We will achieve this by focusing on improving academic instruction, funding extra curricular activities, improving facilities and maintenance services, updating the District's technology and ensuring competitive salaries.

The 2013-2014 year ending District balance in all funds and all accounts is approximately \$9,803,582. This is a bit misleading due to the fact that we have 6.5 million dollars in escrow that will be used to refinance our bonds in 2016. The percentage of fund 1 and 2 in reserve is approximately 28.97% with a Fund 1 ending balance of approximately \$2,568,490. The district has worked hard to ensure that it remains financially sound. The continued support of the taxpayers is appreciated. The reserves for the district have been maintained due to conservative budgeting, and reducing of expenses. Although the economy seems to be rebounding at this time, our assessed valuation is slower to recover and therefore local funds are still not increasing.

B. Instructional Service Plan

We expect our enrollment to be right around 910 students for the 2014-2015 school year. Enrollment data indicates that the District's enrollment for the 2012-2013 year reached a high of 940 students after ending the previous year at 899. This is significant because the state funds us based upon the highest student enrollment of the current year or prior two years. We will receive funding in 2014-2015 based upon our enrollment figures from 2012-2013.

	Membership		
	September	January	End of Year Enrollment
2006-2007	874	865	872
2007-2008	886	891	880
2008-2009	865	872	870
2009-2010	895	893	880
2010-2011	852	851	859
2011-2012	872	890	899
2012-2013	942	916	921
2013-2014	899	890	891

In addressing student needs for 2014-2015, the district will maintain the current programs and add the following. Athletic Director/Assistant Principal at the high school, add three classes to our Family and Consumer Science Program making it a full-time position, middle school softball program and a half-time Parents as Teachers Educator.

In order to meet student needs for the 2014-2015 school year, the following staff positions have been budgeted:

STAFF (FTE-Full Time Equivalency)

6	Administrators
1	Technology Director
1	Technology Integration Coach
84	Certified Staff
10	Para-Professionals
2	Building level aides
8.8	Secretaries
4	Food Service Employees
10	Custodians
2	PAT Coordinator (3 people)
1	Building and Grounds Supervisor
2	Maintenance Employees
2	School Nurses

C. Revenue Projections

As with all districts in the state of Missouri, Lathrop R-II receives the majority of revenue from four sources. These are local, county, state and federal monies. The rules and regulations involved in allocation of these funds are set forth by the Missouri legislature, approved by the governor's office and enacted through rules and regulations by the Missouri Department of Elementary and Secondary Education. The revenue projections in this budget document are based on data available at the time of its preparation and are subject to change throughout the year as state, federal and local rules and regulations change.

C-1 Local Revenue

Local revenues are driven by the District's tax levy and assessed valuation. Information provided by the Clinton County and Caldwell County clerks indicates that the total assessed valuation for the Lathrop R-II School District as of August 2013 was \$60,870,322. This was a gain of about 5% over the last five years, but nearly the same

as last year and lower than the year before. We had a large increase for a couple of years during the construction of a natural gas pipeline, but other than that there has not been much growth locally, which is reflective of the state economy. We have not been provided with any information on how our assessed valuation might be for 2014-2015 at this time. As of now we're going to assume no growth in assessed valuation. Final numbers will not be available until August. The anticipated tax levy for the 2014-2015 school year is provided below with comparisons to prior years.

Yearly Tax Levy Comparisons

	2011-2012-Actual		2012-2013-Actual		2013-2014 Actual		2014-2015 Proposed	
	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	Adjusted
Incidental	4.39	4.39	4.39	4.39	4.39	4.39	4.39	4.39
Capital Projects	-	-						
Total Operating	4.39	4.39	4.39	4.39	4.39	4.39	4.39	4.39
Debt Service	.4725	.4725	.6725	.6725	.8725	.8725	.9725	.9725
Total Levy	4.8625	4.8625	5.0625	5.0625	5.2625	5.2625	5.3625	5.3625

In past years, we kept our overall levy relatively constant by offsetting increases in the operating fund levy with a decrease in the debt service levy or vice versa and using some Classroom Trust Fund revenue. Due to a change in the state law in 2008-2009, the levy was raised in the operational levy to the ceiling and a voluntary rollback was taken in the debt service levy, so the total levy remained the same. In 2009-2010 the operational levy remained the same but the debt service levy was increased due to the decrease in assessed value. In 2010-2011 the opposite was true. However, with decreasing assessed valuation and increasing bond payments we were no longer able to continue this practice and both levies were increased the past three years. In fact, we have been steadily increasing our debt service levy to keep up with those increasing payments. We are planning to go up to .9725 this year, which should be the end of the increases unless our assessed valuation would happen to decline again. The debt service levy is used to repay bonds and will be finalized at the tax rate hearing in August.

As in the past, the district continues to invest surplus funds in certificates of deposits in Clinton County banks and with the Missouri Securities Investment Program. The district's day-to-day business operation financials are handled through the Goppert Financial Bank and the Hamilton Bank. The district's fund allocation strategy has served it well and continues to be reviewed to ensure the district is gaining maximum benefit from invested monies.

The district continues to support extracurricular activities, and as such the student activities budget continues to be monitored on an annual basis. Accepted practice for

the school activities budget is to allow for budget revenues to equal expenditures so the student activities portion of the budget does not negatively impact the total budget proposal. The majority of the Activities budget is self-supporting and only expends monies that have been brought in through fundraising activities. A few activities require support from the district and are proposed by the building administrator and/or activities director so that the board can make informed decisions in that regard.

The revenue generated by school sponsored clubs and teams is placed in local revenue. The revenue generated in 2013-2014 was \$288,000. These revenues cannot be included in the budget as they are reserved to be spent by said clubs and teams.

C-2 County Revenues

The county revenues to this district are generated from two primary sources; the first is the district's portion of the fines and forfeitures collected by the county. Second source is the district's portion of revenue produced by taxes on state assessed railroads and utilities property in the county. Projections for the 2014-2015 school year are based on actual receipts from prior school years and information provided by DESE. The total projected revenue for the county for the 2014-2015 school year is \$444,418.

C-3 State Revenues

State funding of public school districts changed beginning with the 2006-2007 school year with the implementation of a new state funding formula. The formula was supposed to be fully implemented for the 2012-2013 school year. Unfortunately, with the downturn in the economy the funding goals for the formula have not been met for the last three years and will not be in 2014-2015 making the new formula inoperable. The state adequacy target (amount of funds determined necessary by the state to educate students in high performing schools) was supposed to be up to \$6343 for last year, and higher again for this year but again, lack of funding has not allowed that to happen. It was lowered to \$6141 last year and we really only received 93% of that. It will remain the same for 2014-2015 and since we did receive an increase in funding from the legislature 96% of that amount, which is up about 3% from last year. Payments are received in the following areas: formula calculation, classroom trust, transportation, vocational education, early childhood development/PAT, early childhood special education and Prop C. If we plan for steady enrollment in both regular term and summer school, we will receive about the same amount of funding from the state as last year. The number of students in that count are the number of students we have this year, or from one of the previous two year, whichever is highest. We are still working off of 2012-2013 numbers, but next year we may be paid on fewer students, which is something we'll have to watch.

C-4 FEDERAL REVENUE

Revenues from federal sources flow directly to local school districts through the State Department of Education. These revenues include support for school lunch programs, special education programs, entitlement programs, as well as other various federal programs. The funding in some areas has been decreased, while others remain constant. Federal reimbursement for special education and some Title programs have not increased despite the increased costs of educating the identified students. So, while these are federally mandated programs, the funding of them becomes increasingly the responsibility of the local school district.

D. EXPENDITURE PLAN

D – 1 STAFF COMPENSATION

This budget proposes allowing movement on all schedules and an increase to certified staff salary schedules of \$200 to the base and \$5 - \$10 to the steps. This will keep us at third in the conference and higher than anyone to our North. This will make the average teacher raise about 2.3%.

Allowing movement for all support staff personnel on their respective salary schedules means a minimum of 2.5% increase in pay for them as well. Administrators will also receive about 2.3%

Health insurance premiums will likely increase by 11% for 2014-2015. However, we changed our renewal to January, so we will only experience half of that increase in this fiscal year. The district will continue to pay 100% of the insurance premiums for our full-time employees, including health, dental, and life.

Copies of the certified, classified and extra duty salary schedules are included in this budget.

D – 2 OPERATION, SUPPLIES, INSTRUCTIONAL EQUIPMENT

The district continues to provide the necessary supplies and equipment to provide a positive learning environment. Technology is added and updated on a yearly basis as its integration with instruction continues to grow. During the 2013-2014 school year approximately 600 used laptops were acquired that will significantly improve our students access to the world. Improving our students reading abilities and decreasing the number of drop-outs continue to be our major goals. The district has been very supportive in providing the resources necessary to provide an outstanding educational opportunity for the students of the Lathrop School District.

D – 3 DEBT SERVICE

The district retired the Series 2002 General Obligation bonds in 2010-2011 and our current total indebtedness is \$7,050,000 for Series 2006 bonds that will mature in 2026. The district does carry a healthy reserve in debt service. However, it is not greater than that which would be needed for next year's payment as is suggested by the state. The payments on our bonds are scheduled to begin increasing substantially beginning this year. To continue to be financially sound, our debt service levy should be around 97 cents. We have been gradually increasing the levy over the last few years and will continue to do so until we get to that 97 cent mark. We refinanced our lease purchase loans in 2012-2013 to take advantage of significantly lower interest rates and we did the same with the general obligation bonds in 2013-2014. These two moves will save the district approximately \$700,000 over the next 12 years.

D – 4 CAPITAL EXPENDITURES

The district continues to review the needs of the facilities and works to maintain a positive educational climate for the students. We did a lot of major maintenance work in 2013-2014 including paving the high school parking lot and replacing the water heater at the middle school. We did purchase few mobile labs of iPads, as well as older mobile lab at the middle school. Some tuck-pointing at the high school and increasing handicap accessibility will be at the top of the list for 2014-2015. We are planning to vote on purchasing bonds to build a new athletic complex at the high school on the ballot in the spring of 2015.

D – 5 EXPENDITURE SUMMARY

The proposed 2014-2015 budget for the Lathrop R-II School District projects a beginning balance of approximately \$3,306,549 (after subtracting the \$6.5 million in escrow). This is a decrease of \$84,170 from the beginning balance for the 2013-2014. Projected ending balance for 2014-2015 with the proposed budget is \$2,729,225 (again less \$6.5 million) in all funds and \$2,127,594 in funds 1 and 2, leaving a fund 1 and 2 carryover balance of 23.24%. It has been, and will continue to be, the goal of the Board of Education to expend the funds necessary to provide the best educational opportunities for students in the Lathrop R-II School District. The Board of Education, in conjunction with the Superintendent and Administration, have carefully analyzed all programs and positions in the school district, with input from parents, to aid in developing the budget for the 2014-2015 school year. All expenditure lines have been reviewed and have been projected as close as possible, given available information. The district continues to maintain high standards and expectations for the staff and students.

FINAL BUDGET COMMENT

The Lathrop R-II School District has worked diligently over the past few years to maintain our budget despite difficult economic times. The school board and the administration are deeply appreciative for the support that the local community has shown to the school district. Despite a loss of revenue from state and local funds of almost \$1,000,000 over the last four years, we have still managed to maintain our ending fund balance percentage. The sound financial decisions of the district have allowed us to increase the certified and non-certified staff salaries and provide an outstanding educational environment and program for the students of the Lathrop School District.

This budget does propose deficit spending almost \$500,000 and less than half is one time spending. Considering the state of our economy, this is not something to be taken lightly. It will still leave us with an ending operating fund balance percentage of about 23.24%. The good news is that over the last five years, in the worst of economic times, we have increased students, added teachers, and added programs and made major facility improvements using about \$300,000 of reserve funding. It should be noted that this has been made possible because of the support the community has shown for our plan to steadily increase the debt service levy.