

Gary Community Schools Corporation Financial Review

Distressed Unit Appeal Board
February 16, 2018

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Presentation Overview

1. Current Financial Status
2. Cash Flow Status
3. Viable Deficit Reduction Plan (VDRP) Overview and Q&A
4. Internal Controls Implementation and Q&A

Current Financial Status

1. Annual Deficit \$18,000,000 as of 1/31/18 vs. \$22,000,000 as of 8/31/2017
2. No loans or assistance in December 2017, January 2018 and February 2018
3. Viable Deficit Reduction Plan (VDRP) submitted 1/31/18
4. Implementing a monthly Budget vs. Actual process
5. Agreement with NIPSCO paid off and account is current
6. Agreement with CIGNA for past due amounts and account is current

Current Financial Status

7. Transportation contract is current including \$2,000,000 payment in January
8. Custodial contract is current
9. Internal Controls and Procedures manuals adopted and implemented
10. Permanent CFO hired in December 2017
11. New Payroll Coordinator hired in January 2018
12. “Review, Evaluation and Recommendations of Processes and Systems” report submitted 12/31/17

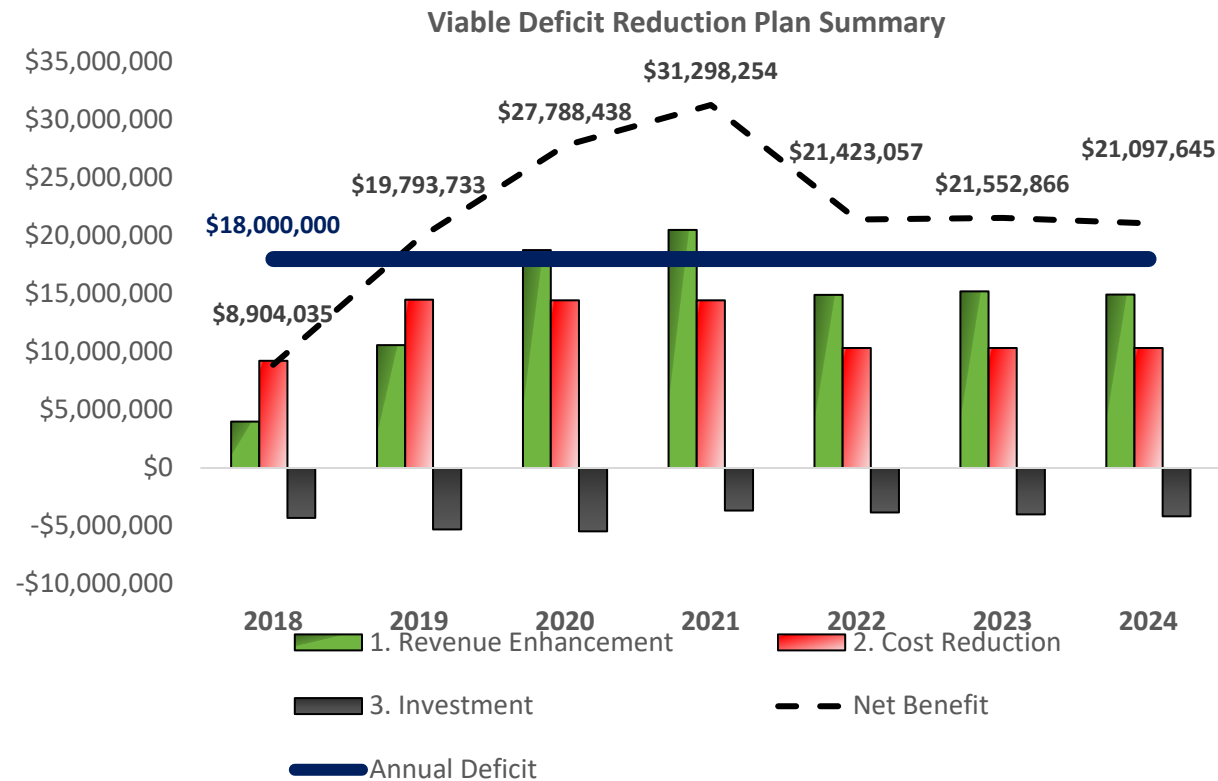
Cash Flow Status

1. Conservative; worst case scenario
2. Not the budget or a financial statement
3. Reflects General Fund revenue and Total expenditures
4. GCSC will need assistance into 2019

Viabile Deficit Reduction Plan

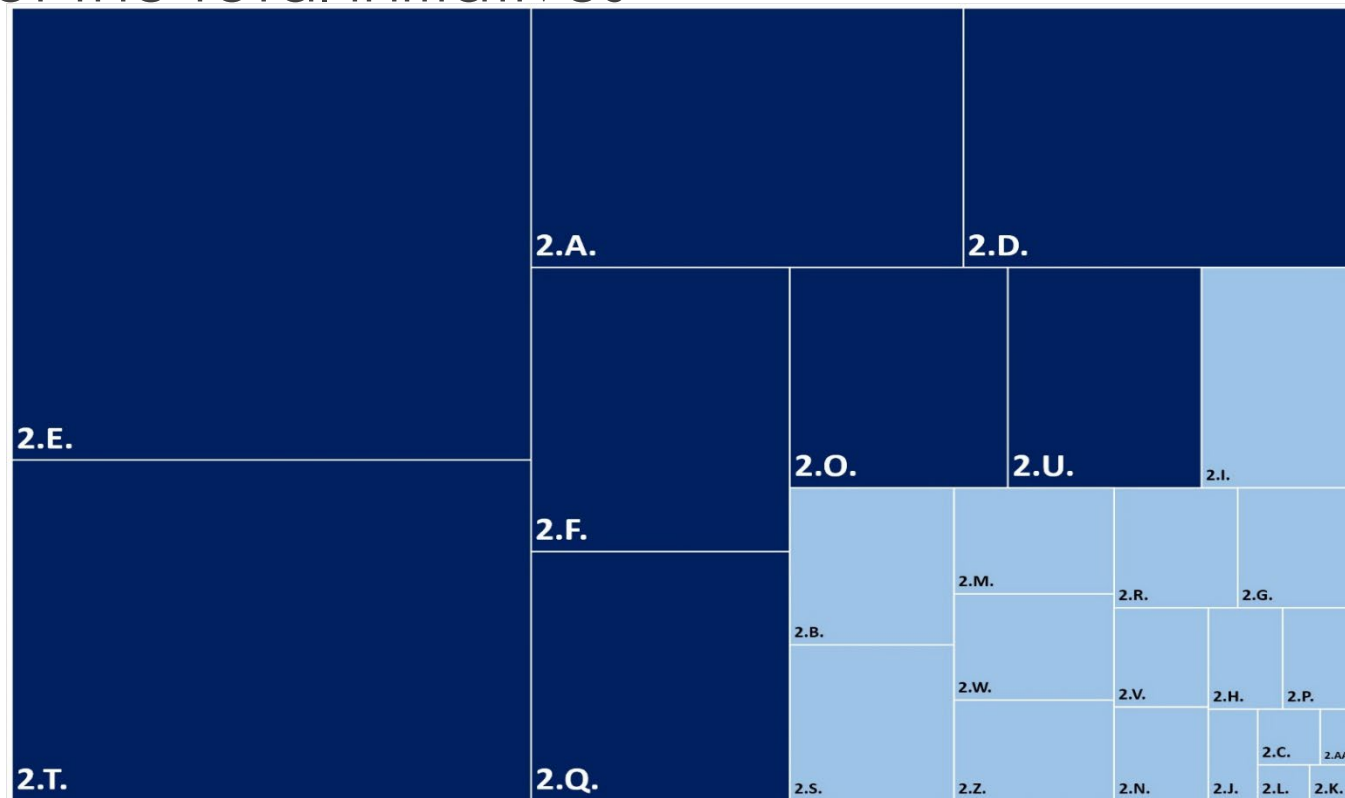
1. Objective is to eliminate the approximate \$18,000,000 annual **deficit** and the approximate \$100,000,000 accumulated **debt**
2. Documents 31 initiatives to generate revenue, reduce costs or both
3. Generates revenue or reduces costs to eliminate approximately half the deficit by the end of 2018
4. Generates revenue or reduces costs to eliminate the entire deficit by the end of 2019 and every subsequent year
5. Revenue in excess of the deficit in 2019 and subsequent years will go towards paying down the accumulated debt

Viable Deficit Reduction Plan



Viable Deficit Reduction Plan

5. Approximately 83% of net benefits are derived from eight initiatives, or 26% of the total initiatives



- 2.E. Local Referendum
- 2.T. Reduction in Force and Attrition
- 2.A. Suspend Common School Loan Payments
- 2.D. Pay for Success
- 2.F. Increase Enrollment
- 2 Q. Building Energy Efficiency and Utility Rate Audit
- 2.O. Debt Restructuring
- 2.U. School Closure / Consolidation

Viabile Deficit Reduction Plan

6. Not every initiative will have an outcome as planned
7. Flexibility to follow multiple pathways to meet objectives
8. Balanced between revenue generation and cost reduction
9. Updated every six months

Internal Controls Implementation

1. Prepared and adopted comprehensive internal controls manual in December, 2017
2. Updated procedures manual in December, 2017
3. Crosswalk between internal controls and procedures manuals
4. Staff training in December 2017
5. Manuals distributed in January 2018
6. Implementation audits in 2018
 - A. Self-audit checklists
 - B. Formal reviews through the year

Internal Controls Implementation

Compliance assurance:

1. GCSC CFO
 - A. Experience
 - B. Additional resource for separation and review
2. Printed manual
3. Checklists
4. Formal reviews
5. Expectations and accountability