

School Board Meeting:

April 28, 2025

Subject:

**2024-25 Final Revised
Budget Adjustments**

Presenter:

**Ryan L. Tangen, Director
Finance and Operations**

SUGGESTED SCHOOL BOARD ACTION:

Recommend board approval.

DESCRIPTION:

The district budget is updated twice after its formal adoption in June 2024. The first revision happens in January in preparation of the financial projection and only includes the General Fund. The second or "Final Revised Budget" includes all district funds.

GENERAL FUND REVENUE

General Fund revenues are adjusted for changes in property taxes, state formula aid entitlements, special education aid, revised federal program allocations, and local revenues. The updated enrollment forecast and prior year entitlement changes account for the majority of the changes in state funding.

The number of students educated by BHM Schools is the most important input for both revenue and expenditure budgets. The original budget estimated the weighted student estimates or "Adjusted Pupil Units" (APU) to be 5,541 for the 2024-25 school year. Based on the November 2024 enrollment projection, the total APU was revised to 5,535. Monthly enrollment has remained consistent with prior year trends so those same totals were used for the final revision. This 6 APU decrease in pupil units has a direct effect on the General Education Formula Aid, Operating Capital Revenue, Long-Term Facilities Maintenance Revenue, Integration Revenue, and many more. Special Education Aid is projected to be higher than what was originally budgeted due to decreased tuition billing and higher fiscal year 2024 qualified expenditures. Even with the decrease in revenue due to the lower APU, revenue from State Sources is projected to be higher than the original budget primarily due to the increase in special education aid, new aid categories, state endowment fund, grants, and prior-year adjustments. Overall, revenue from State Sources increased by \$1,613,486 for the final revision. Prior year adjustments are considered one-time funding and account for \$729,013 of the increase.

Federal revenue adjustments consist of updated entitlements for title and special education, and grant revisions. These changes decreased our revenue from Federal Sources by \$524,542 for the final revision.

Other revenue budget adjustments included higher-than-expected interest income, local grants, tuition billing, student activities, and donations. These increases resulted in an overall increase of revenue from Other sources by \$221,711 for the final revision.

Local Property Taxes were adjusted for additional revenue related to Apportionment, early recognition of certain levies, miscellaneous collections, and other levy adjustments. The net increase in Local Property Taxes was \$316,125.

Overall, the General Fund revenues increased by \$1,231,399 from the original budget to the final revised budget.

GENERAL FUND EXPENDITURES

The General Fund expenditure adjustments focused on revised estimates for salaries and benefits, curriculum purchases, grant revisions, and student activities. Salaries and benefits are adjusted twice per year; first with the mid-year update in December also with the final budget revision. When employee groups are not settled, a projection is used for an overall increase. This method is fairly accurate for the overall expenditures but may vary by individual as not everybody qualifies for step movement or lane changes. During the year, all of the contingency positions were allocated. Some vacancies were late to be filled, or not filled at all, and coupled with retirements and resignations, this is the major contributor to the salaries and employee benefits adjustments. Unemployment, severance, and workers' compensation expenditures are included in the benefits category and accounted for \$653,246 of the budget decrease. The Salaries and Employee Benefits budget decreased by a combined total of \$732,325.

The Purchased Services budget included decreased transportation costs and technology expenditures but were offset by increases in special education contracted services, leases, tuition agreements with other districts, grant revisions, and operating expenditures. Overall, the Purchased Services budget decreased by \$15,133.

The Supply budget also realized an overall decrease. An increase in curriculum purchases was offset by decreases in technology, special education, title, grant revisions, and student activities. The final revised Supply budget decreased by \$120,275.

Changes in the Capital Outlay category are due to increases in expenditures for grant revisions, revised Long-Term Facility Maintenance (LTFM) and capital projects, technology, grants, and activities. The majority of LTFM and capital project adjustments are related to project timing. Overall, the Capital Outlay category decreased by \$170,676.

The Other category experienced numerous budget increases and decreases resulting in very little change.

GENERAL FUND BALANCE – NONSPENDABLE & UNASSIGNED

The original 2024-25 budget projection showed a decrease in the Nonspendable & Unassigned Fund Balance of \$2,940,019 resulting in a balance of \$8,670,985 or 10.49% of expenditures. This total was based on the projected 2023-24 year-end Nonspendable & Unassigned Fund Balance as a starting point but the 2023-24 audited fund balance was \$1,013,917 higher than projected ending at \$12,624,921 or 15.98%. Using the 2023-24

audit results, the original projection increased to \$9,684,902 or 11.72% of expenditures. The midyear revised 2024-25 budget showed a decrease of \$1,699,641 ending at \$10,925,280 or 13.33% of expenditures. The final revised 2024-25 budget projects a decrease of \$1,171,501 with an ending Nonspendable & Unassigned Fund Balance of \$11,611,004 or 14.03% of expenditures.

FUND 2 – Food Service Fund

The 2024-25 school year is the second year of a state program providing free meals for every student. Participation in the second year was not as high as expected and led to fewer meals served. The revised meal participation projection for 2024-25 is 952,240. This is 38,140 less than the original budget and 33,442 less meals served than in 2023-24. The revised state reimbursement rate was slightly higher but the federal reimbursement rate was less than budgeted. Overall, the reduced meals served and federal reimbursement rate resulted in \$246,824 less revenue. The permanent increase in participation was supported by increased or restructured staffing in 2023-24 and additional staff again in 2024-25 leading to a \$62,734 increase in salaries and benefits combined. Supplies decreased \$106,810 due to the projected decrease in meals served. Capital Outlay increased to meet the needs of equipment replacement and other kitchen upgrades. Overall, the Food Service Fund surplus decreased by \$252,748 to a surplus of \$17,241 for a year-end fund balance of \$3,645,384.

FUND 04 – Community Education Fund

Overall, there was very little net change to the revenue budgets. Tuition paid by patrons, fees, and rentals are projected to be less than the original budget. All revenues combined are projected to be \$67,890 less than the original budget. Expenditures for salaries and benefits were adjusted to current projections resulting in an overall increase in expenditures of \$73,843. The changes resulted in a decrease to fund balance of \$26,762 for a year-end fund balance of \$1,085,900.

FUND 6 – Building Construction Fund

The Building Construction Fund accounts for construction activity resulting from the 2023 building bond referendum. The proceeds from the bond sale were deposited in 2023-24 so revenue consists of interest income earned on the balance during 2024-25. Changes to the expenditures were the result of bidding projects and setting timelines. Secure entrances at Buffalo Community Middle School and at Buffalo High School started over spring break. The Building Construction Fund is projected to decrease \$3,767,205 and have a year-end fund balance of \$41,522,084.

FUND 7 and 47 – Debt Service Funds

The revenue and expenditure budgets for the Debt Service Funds are tied to property taxes, bond issuance, interest income, and state credits. The 2024-25 budget was adjusted to include changes to fiscal disparity, equalization aid, and interest income. Debt Service Fund 47 was closed during 2023-24 and the remaining fund balance was transferred to Debt Service Fund 7. Debt Service Fund 7 is projected to have a fund balance increase of \$340,166 with a year-end fund balance of \$2,423,003.

FUND 18 – HRA Trust Fund

Although these funds are expenditures of the General Fund budget, they are held in a trust fund for the future benefit of active employees. These benefits were negotiated in place of other post-employment benefits that were in several employee contracts. These funds have a vesting schedule and revert to district control in the event the employee does not work in the district long enough to meet the vesting schedule. The changes reflect the revised estimated district payouts, offset by forfeitures, and estimated interest earnings from the fund. The HRA Trust Fund is projected to have a fund balance increase of \$251,287 with a year-end fund balance of \$4,301,122.

FUND 45 – OPEB Trust Fund

The revenue for OPEB Trust was adjusted to more accurately reflect the net appreciation expected in the OPEB Trust portfolio and retiree premium contributions. The OPEB Trust Fund is projected to have a fund balance decrease of \$380,094 with a year-end fund balance of \$13,207,533.

ATTACHMENT(S):

- ISD 877 BHM Schools Final Revised Budget 2024-25 Presentation
- ISD 877 BHM Schools Final Revised Budget 2024-25 General Fund Balance Detail