

School Board Meeting:

April 25, 2022

Subject:

**2021-22 Final Revised
Budget Adjustments**

Presenter:

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

SUGGESTED SCHOOL BOARD ACTION:

Recommend board approval.

DESCRIPTION:

FUND 01 REVENUE – General Fund

The General Fund revenue adjustments consist of changes to property taxes, federal programs such as Title I and Special Education, Federal Pandemic Relief Funds (FPRF), local revenues that changed over the course of the year, and state aid entitlement changes.

The original budget estimated the student numbers or “Adjusted Pupil Units” to be 5,978 for the 2021-22 school year. Based on the November 2021 enrollment projection, the total APU was revised to 5,866 for the mid-year forecast. Monthly enrollment has remained consistent since November so those same totals were used for the final revision. This 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, but this year, the decrease was offset by a 1.45% unbudgeted increase in the General Education Formula aid. Special education aid is projected to be lower than what was originally budgeted due to lower expenditures in prior years. Even with the decrease in Adjusted Pupil Units and decrease in Special Education aid, State Sources revenue is projected to be higher than the original budget due to the increase in percentage of General Education Formula Aid.

Federal revenue entitlements were updated with prior year carryover amounts from MDE and updated amounts for the current year and additional allocations of Federal Pandemic Relief Aid (FPRF). FPRF continues to be a major influence in our budget. These changes increased our revenue budget by \$807,460 for the midyear revision and the budget was increased another \$184,500 for the final revision making the total budget increase \$991,960 over the original budget. The majority of Federal Pandemic Relief Funds were not known until early summer or later.

Other budget adjustments included increased revenue from tuition arrangements with other districts and increased student activities resulting in higher donations.

FUND 01 EXPENDITURES – General Fund

The General Fund expenditure amendments mainly resulted from Federal Pandemic Relief Funds and salaries. Salaries are adjusted twice per year; first with the mid-year update in December and with the final budget revision. All employee groups are settled at this time but individual increases were not available for the final budget revision so a projection was used for an overall increase. This method will be fairly accurate overall, but may vary by individual as not everybody qualifies for step movement or lane changes. All of the contingency positions were allocated and an additional eleven and a half positions were funded utilizing Federal Pandemic Relief Funds. Some vacancies were late to be filled, or not filled at all, and coupled with retirements and resignations, this led to a larger than usual employee adjustment. Some special education vacancies needed to be outsourced and those costs are reflected in the Purchased Services category. The contract settlement and additional positions added resulted in an overall increase to salaries.

The Employee Benefits budget is down in total due to several factors but unfilled vacancies and a decrease in insurance premiums were the leading factors.

The Purchased Services budget included reductions in utility costs, tuition paid, and Long-Term Facility Maintenance costs. These reductions were surpassed by increases in transportation, travel costs, and educational service expenditures resulting in an increased Purchased Services budget overall.

The Supply budget also realized an overall increase. The increase can be attributed to additional expenditures resulting from Federal Pandemic Relief Funds and price increases. Additional maintenance supplies were needed and these supplies suffered significant price increases. A higher level of student activity fundraising and donations also contributed to the budget increase.

Changes in the Capital Outlay category are due to Long-term Facility Maintenance adjustments resulting from project savings and timing for other budgeted projects.

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

The original budget projection showed a decrease in the unassigned fund balance from \$10,033,048 to \$9,635,339, a decrease of \$775,783 or -.58%. The midyear revision incorporated the 2020-21 final audited results and revised current year projection. The 2020-21 audited fund balance was \$10,620,905 or 15.00%. The midyear revised unassigned fund balance for 2021-22 was projected to be \$11,059,891 or 15.28%. The final revised 2021-22 budget projects an ending unassigned fund balance of \$11,346,798 or 15.68%.

FUND 2 – Food Service Fund

The COVID-19 pandemic changed how Nutrition Services operates and how it is funded. The change came with uncertainty but has unexpectedly continued to provide meals at no cost to students. The free meal program changed for this school year adding restrictions on how meals are provided but continues to provide free meals. This has led to higher than anticipated participation and increased revenue and expenditures. The budget is based on the continuation of the program through the end of the school year. The pandemic has also caused product shortages, increased product pricing, and high delivery costs. The federal meal reimbursement rate is higher than the district charges students. The higher reimbursement rate multiplied by high meal counts has produced greater revenue. Product costs are higher but staffing has been difficult resulting in unfilled positions offsetting the pricing increases. The Food Service Fund balance is expected to have a significant positive change for 2021-22 increasing the fund balance by \$1,617,703. Food Service Fund balance is restricted and cannot be used for any other district expenditures. It is anticipated the funding for free meals will end July 1, 2022. This will decrease student participation and revenue per meal. Food costs are not expected to decrease in the near future.

FUND 04 – Community Education Fund

The COVID-19 pandemic essentially stopped the Community Education program and the fund balance decreased accordingly. KidKare, Youth Enrichment and other community education programs are back at full capacity and projected to have a positive fund balance at year end. Expenditures for staffing and supplies increased to provide programming. The Community Education Fund is projected to have an increase in fund balance of \$305,930 bringing the year end fund balance to \$96,696.

FUND 6 – Building Construction Fund

The Building Construction Fund only has expenditures related to the high school tennis court project.

FUND 7 and 47 – Debt Service Funds

The revenue and expenditure budgets for the Debt Service Funds are tied to property taxes and bond issuance making them fairly predictable. The 2021-22 budget was adjusted to include refunding of the GO School Building Refunding bonds series 2012A.

FUND 18 – HRA Trust Fund

Although these funds are actually expenditures of the General Fund budget, they are held in a trust fund for future benefit of active employees. These benefits were negotiated in lieu of other post-employment benefits that were in several employee contracts. These funds have a vesting schedule and revert back 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 and estimated interest earnings from the fund.

FUND 45 – OPEB Trust Fund

The COVID-19 pandemic has greatly affected the OPEB Trust as we are seeing significant market valuation changes due to the pandemic. The revenue for the OPEB Trust Fund was decreased to reflect current market performance.

ATTACHMENT(S):

- ISD 877 BHM Final Budget 2021-22
- 2021-21 Final Revised Budget General Fund Balance Detail