

Crosslake Community Schools

FY23 Financial Updates

August 21st, 2023

During the June 12th Board Meeting, the CCS Finance Committee presented a second revision of the FY23 Budget based on the anticipated year end Average Daily Member (ADM) and projected Net Income for the year. This projected Net Income had a larger surplus than what was discussed at the May Board Meeting and the Finance Committee recommended increasing the incentive pay to 10% of the employee's annualized gross wages for the upcoming FY24 school year.

Unfortunately, in July it was discovered that the ADM reports that were available on the Minnesota's Department of Education's (MDE) website were significantly lower than what was recently reported to the Board in the second budget revision. The ADM reported was 423 versus 460, which is a difference of 37 ADMs. This decrease in ADM resulted in a decrease in revenue of \$290,000 for State funding sources. The difference was due to the student information software incorrectly combining students in the Pre-K program, and students going to PSEO, with the K-12 students that are used to calculate most of the State funding that is received during the year. The School has identified what caused the error in reporting and immediately took action to ensure that this won't happen again, including adding additional checks and balances between the Finance Committee and staff that are involved with the onboarding and tracking of student enrollment.

The budget that was approved in June projected the School would have a Net Income of \$456,000 and approximately \$300,000 of that surplus was to be Committed for the FY24 incentive pay. With the actual ADMs being lowered by 37, and reconciling the revenue and expenditures through June, the projected Net Income is now \$124,000 and a fund balance of 26%. With the projected ending results for FY23 no longer having the cushion to support the Committed incentive pay of \$300,000, the Finance Committee met and worked on a FY24 Revised Budget to determine what changes were necessary to maintain at least a 23% Fund Balance after the Committed funds are paid out. Below is a reconciliation of the projected FY24 Beginning Fund Balance after the audit, and how much of the available ESSER funding will be utilized to achieve the goal of 23% Fund Balance.

FY24 Beginning Fund Balance	1,426,815.18
FY24 Budgeted Net Income	146,148.80
FY24 Incentive Pay (Net)	(300,000.00)
Use of ESSER Funds	286,824.72
FY24 Net Income	132,973.52
FY24 Projected Fund Balance	1,559,788.70
FY24 Expenses	6,781,690.00
Fund Balance Percentage	23.00%

By utilizing \$287,000 of ESSER funding, the School will be able to maintain a 23%* Fund Balance. The remaining ESSER funds available to the School will be \$163,000 of which, \$71,000 must be used for After School programs or Summer School programs.

**The 23% Fund Balance does not include the projected \$1,200,000 increase from the Employee Retention Credit as that will be restricted until the School is comfortable recognizing the funds as earned. That is anticipated to be at the end of this fiscal year.*