



St. Louis Park Public Schools

TO: Dr. Kate Maguire, Superintendent
FROM: Patricia Magnuson, Director of Business Services
SUBJECT: FY2023 Year End Fund Balances

The purpose of this memo is to outline preliminary audit results as of June 30, 2023.

Summary

Following the year-end audit, Business Office staff members prepared the attached fund balance summary to portray the district's financial position as of June 30, 2023. The General Fund Unassigned Fund Balance ended FY2023 at 8.71%, above the Policy 714 minimum of 6%.

Details

These final results (summarized below) will impact the beginning balance for FY2024 and will be included as part of the FY2024 budget update. Note the distinction between Operating Funds (General, School Nutrition and Community Service) and Non-Operating Funds. Non-Operating Funds, other than Debt Service, are generally not included in the budgeted.

FY2023 Year-End Actual Results by Fund						
Fund	Beginning Fund Balance	Revenue	Transfers In	Expenditures	Transfers Out	Ending Fund Balance
Operating Funds						
General	\$ 15,120,175	\$ 71,476,501	\$ 2,314,688	\$ 74,538,287	\$ 2,314,688	\$ 12,058,389
School Nutrition	\$ 870,106	\$ 2,366,208	\$ -	\$ 2,305,475	\$ -	\$ 930,838
Community Service	\$ 12,801	\$ 8,055,784	\$ 103,512	\$ 7,568,413	\$ -	\$ 603,683
Subtotal Operating	\$ 16,003,082	\$ 81,898,493	\$ 2,418,200	\$ 84,412,176	\$ 2,314,688	\$ 13,592,911
Non-Operating Funds						
Building Construction	\$ 4,841,408	\$ 145,192,308	\$ -	\$ 16,448,526	\$ -	\$ 133,585,190
Debt Service	\$ 2,248,540	\$ 12,804,098	\$ -	\$ 12,367,534	\$ -	\$ 2,685,104
Internal Service	\$ 2,151,272	\$ 9,967,584	\$ -	\$ 8,821,406	\$ -	\$ 3,297,450
Trust and Agency	\$ (3,097,839)	\$ 40,400	\$ -	\$ 207,033	\$ -	\$ (3,264,472)
Custodial	\$ 140,382	\$ 360,289	\$ -	\$ 353,135	\$ 103,512	\$ 44,024
Subtotal Non-Operating	\$ 6,283,763	\$ 168,364,679	\$ -	\$ 38,197,633	\$ 103,512	\$ 136,347,297
Grand Total	\$ 22,286,845	\$ 250,263,172	\$ 2,418,200	\$ 122,609,809	\$ 2,418,200	\$ 149,940,208

Below is a summary budget to actual comparison of the ending fund balance for the three operating funds.

Operating Funds FY2023 Budget vs. Actual by Fund				
Fund	Budgeted Ending Fund Balance	Actual Ending Fund Balance	Variance by Fund	
General	\$ 12,334,620	\$ 12,058,389	\$ (276,231)	-2.24%
Unassigned %	8.8%	8.71%	-.09%	
School Nutrition	\$ 875,073	\$ 930,838	\$ 55,766	6.37%
Community Service	\$ 663,247	\$ 603,683	\$ (59,564)	-8.98%
Subtotal Operating	\$ 13,872,940	\$ 13,592,911	\$ (280,029)	-2.02%



Changes from prior year

Due to staff turnover and the transition to the PowerSchool eFinancePLUS system in FY2023, the Business Office had the opportunity to evaluate accounting methodologies and implement best practices as we closed the books for the first time in the new system. The audit and closing process was drawn out and uncovered a few inconsistencies and outdated accounting practices. This resulted in a more rigorous and detailed accounting of unassigned, assigned, non-spendable and restricted fund balances and a more accurate depiction of financial results within these categories. Some items to note in each fund balance category:

- Unassigned (General Fund) - residual amounts in the general fund not reported in any other classification; this balance plus the assigned balance for subsequent years budget deficit are used to calculate the unreserved general fund balance for school board policy purposes
- Assigned (General Fund) - unrestricted funds constrained by the school district's intent that they be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed; the school board has traditionally assigned fund balance in the following categories
 - Subsequent year's budget deficit
 - Severance
 - ATPPS balance

For FY2023 we recommend that a new category for donations, gifts and local grants be assigned. This allows the district to hold funds dedicated to specific purposes outside of the unassigned balance and will allow for the assigned carryover of funds designed to be spent over more than one fiscal year.

- Nonspendable (General, School Nutrition and Community Education) - funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact; the district has prepaid balances in all three funds and an inventory balance in the School Nutrition Fund.
- Restricted - funds that have legally enforceable constraints placed on their use; most funds carry restricted balances and some funds balances are fully restricted (building construction, debt service, custodial); generally funds are restricted due to UFARS requirements; some items to note:
 - for FY2023 each restricted category (even those without ending balances) is represented on the fund balance sheet, the result is a more accurate accounting of unassigned revenues and expenditures and a more transparent reflection of the multiple categories of restricted revenue sources
- Net Assets (OPEB Trust and Internal Service) - some fund balances represent the net assets held by the district;
 - for FY2023 the restricted balance in the Internal Service Fund is split between the amounts for self-funded medical and dental
- The accounting for Children First has been removed from the Community Education Fund and added to the Custodial Fund. Some items to note:



- For the second year in a row, Children First has ended the fiscal year with a negative fund balance. The District cannot carry debt for custodial accounts, so this must be rectified.
- School districts should not provide services for custodial funds, however, due to the increased demand for services such as payroll, accounting, technology, and human resources, Children First was charged for these services in a manner similar to how the Community Service and School Nutrition Funds are charged for General Fund Services. FY2023 was the first year that this chargeback has been implemented. The District does not have statutory authority to provide these types of services to custodial accounts, so these services must be ended. In the meantime, the district will continue to utilize the chargeback method.

Next Steps

The Business Office will continue to work with the district audit firm, Malloy, Montague, Karnowski and Radosevich (MMKR) to prepare the final audit report for acceptance by the School Board at a future meeting.