



District Finances Review

FEBRUARY 6, 2023

21-22 in Review

▶ General Fund Revenues

Budgeted:\$26,249,595

Actual: \$27,416,888

▶ General Fund Expenses and Other Financing

Budgeted:\$26,769,604

Actual: \$26,069,829

Beginning General Fund Balance: \$10,958,557

Increase in General Fund Balance: \$ 1,346,059

Ending General Fund Balance: \$12,304,616

21-22 in Review

- ▶ Major Variances in Revenue:
 - ▶ Earned Income Tax came in \$483,000 higher than budgeted
 - ▶ \$339,898 refund of contingency from the Borough for Construction Projects that was not anticipated (non-recurring)
- ▶ Major Variances in Expenses:
 - ▶ Salaries and Benefits came in \$570,000 less than budgeted
 - ▶ Charter Tuition can in \$254,000 less than budgeted

21-22 in Review

- ▶ Capital Reserve Fund Balance decreased from \$3,539,892 to \$620,165 as those funds were used to finish paying costs for the construction project that was wrapped up in 21-22.
- ▶ Cafeteria Fund net position had positive growth of \$141,000 in 21-22. This, however, is all related to the way Cafeteria Fund accounts for changes in pension liability. Without the entry for that adjustment which decreased pension expenses by \$196,000, the Cafeteria would have shown a decrease in net assets of \$55,000.

Auditor General and Fund Balances

- ▶ Recently, the PA Auditor General released an audit related to Fund Balances, Tax Increases, and Referendum Exceptions
- ▶ He indicated that District's did follow existing rules, but felt that changes needed to be made to further limit Districts' ability to raise taxes and apply for exceptions

Auditor General and Fund Balances

- ▶ Auditor General Recommendations for changes to Fund Balances
 - Add a provision to Act 1 that requires districts to use committed and assigned General Fund balances and the prior fiscal year's surplus funds prior to requesting a referendum exception to raise taxes above the index
 - Revise the Pennsylvania School Code's terminology used in the determination of the mandated threshold for raising taxes from *unreserved, undesignated* to *unrestricted* to include committed and assigned funds in the calculation to prevent school districts from retaining millions of dollars in General Fund commitments and assignments while increasing taxes

Auditor General and Fund Balances

- Determine if there should be parameters around budgeting practices and transferring operating surpluses while increasing taxes. For instance, that all transfers from the General Fund be considered unassigned funds and included as interfund transfers on a General Fund budget prior to being transferred to other Governmental Funds.

PASBO Response to the Auditor General

- ▶ The PA Public School Code prohibits a school district from increasing property taxes if the size of its unassigned fund balance exceeds a certain percentage of its total budgeted expenditures (this limit is 8% for most of Pennsylvania's 500 school districts). The Auditor General's report suggests that this prohibition on property tax increases should be reinterpreted to capture unassigned fund balance as well as committed and assigned fund balance.
- ▶ The other fund balance types—non-spendable, restricted, committed, and assigned fund balances—are essential for General Fund stabilization, and they reflect the careful decisions and multi-fiscal year planning by locally elected school boards across Pennsylvania.

PASBO Response to the Auditor General

- ▶ Some of the most common directed uses for existing committed and assigned fund balance are state-mandated costs such as pension contributions, special education, and charter school tuition costs that are not under the school district's control. Special education expenditures grew to nearly \$6 billion in 2020-21 and only about \$1 billion was funded by the state. Charter school tuition costs grew to nearly \$2.7 billion in 2020-21 with no state reimbursement.
- ▶ Other committed and assigned fund balance uses are for healthcare costs that routinely exceed inflation and for future infrastructure needs and upgrades, especially when there is no longer state funding for even the most basic of renovations. Schools have large buildings that require regular planned and unexpected maintenance and improvements to maintain the life of the building, to meet safety requirements for students and staff, and to ensure quality learning environments.

21-22 District General Fund Balance

- ▶ Current General Fund Balance Assignments, Commitments, and Restrictions:
 - ▶ \$4,580,000 for future maintenance, infrastructure, and construction
 - ▶ \$1,935,632 in the South Central Trust for Self-Insured Health Care
 - ▶ \$1,902,938 not assigned
 - ▶ \$1,000,000 to offset future PSERS increases
 - ▶ \$1,000,000 for future curriculum and technology purchases
 - ▶ \$800,000 for future health care increases
 - ▶ \$500,000 for future instruction expenses
 - ▶ \$450,000 for the upcoming CPCTC project
 - ▶ \$100,995 of PAC surplus to be used by the PAC
 - ▶ Various smaller amounts for some other items