



2022-2023

Preliminary Budget

June 20, 2022

**MANKATO AREA PUBLIC SCHOOLS
2022-2023 PRELIMINARY BUDGET**

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MANKATO AREA PUBLIC SCHOOLS 2022-2023 PRELIMINARY BUDGET

INTRODUCTION

In the current economic and political climate, many school districts are finding it increasingly difficult to provide a quality education and at the same time balance the budget. The maintenance of a sound financial position represents one of the most important aspects of credibility with the public and credit worthiness with rating/bonding companies. When evaluating financial operations, rating companies examine numerous measures, including the relative size and availability of operating reserves, the district's revenue structure, major expenditure items, revenue and expenditure growth trends, accuracy of enrollment projections, budget variances, cash flow, budget planning and monitoring, labor relations, and long-term capital plans. Much emphasis is placed on the degree of financial control demonstrated by the district.

A school district's General Fund balance is one of the key measures that provides a "snapshot" of a school district's financial position. The unassigned balance provides the district with reserves that can be used to address unforeseen contingencies and to enhance cash flow.

In their reviews, many rating companies have found that the lack of any formal reserve policy usually leads to overspending and often results in substantial weakening of district finances. This lack of a formal reserve policy and subsequent financial deterioration can lead to the loss of public confidence and a downgrade in credit worthiness. Because of the importance of a reserve policy, the School Board adopted Policy 723, which states that the School Board will attempt to maintain a minimum reserve equal to 30 days (8 percent) expenditures in each of its operating funds. Starting in FY 20, GASB 84 now requires all student association accounts (Fund 10) to come under board control and be part of the General Fund. This requirement added \$380,368 in budgeted revenue and \$424,062 in budgeted expense to the General Fund for this FY 23 budget. Similarly, Scholarships (Fund 21) are also now required to be reported within the General Fund. This added \$14,000 in revenue and \$2,060 in expense for the FY 23 budget.

GENERAL FUND

A reserve of 30 days expenditures for the General Fund would be approximately \$9,309,292. For FY 22, the District is planning to grow the total general fund balance slightly to \$10,908,602. This budget represents 34 days of operations and 9.4 percent. The estimated June 30, 2023 total General Fund balance is \$4,230,872. This is equivalent to 13 days of operations, or 3.5 percent of the general fund. This anticipated decrease in the fund balance is due to the loss of the one-time ESSER III funds that were used in FY 22 coupled with a continued decline in enrollment. Greater detail of this is provided in the back of this budget document.

FOOD SERVICE FUND

The Food Service Fund balance on June 30, 2023 is budgeted to be \$2,013,325 or approximately 145 days of expenditure reserve. After almost two years of students being able to eat at no charge due to a special pandemic-related USDA program, there will be a slight increase to student meal prices for 2022-23. Yet, these updated meal prices remain below statewide averages.

COMMUNITY SERVICE FUND

The Community Service Fund balance on June 30, 2023 is budgeted to be \$703,203 or approximately 36 days of expenditure reserve.

CAPITAL EXPENDITURE FUND

The estimated Capital Expenditure Fund balance on June 30, 2023 is budgeted to be (\$3,817,971). The School District began Long Term Facilities Maintenance (LTFM) funding of projects in fiscal year 2016-17. Capital Fund expenditures are determined each year when the District's Ten-Year Facility Plan is updated. The Capital Expenditure Fund is considered a part of the District's General Fund. However, the funds still must be reserved for capital purposes as in past years.

DEBT SERVICE FUND

The Debt Service Fund is budgeted to have a reserve balance on June 30, 2023 of \$1,380,707. These reserve funds are needed to ensure adequate cash flow for the annual payment of bonds originally issued in January of 2001, January of 2006, August of 2008 and February 2014. These bonds are scheduled to be paid off in the years 2021, 2026, 2029 and 2034 respectively. Advance bond refunding to take advantage of low interest rates increased the reserve balance. Funds are held in escrow to the bond call dates.

OPEB TRUST AND OPEB DEBT SERVICE FUNDS

The OPEB (Other Post Employment Benefit) Trust Fund and OPEB Debt Service funds were established to record the entries for the irrevocable trust bonds proceeds and payments. The bonds are scheduled to be paid off in 2024, and are used to meet post-employment benefit obligations.

TOTAL BUDGET SUMMARY *

Total budgeted revenue for in all operating funds in 2021-2022 is \$134,606,264. This is a decrease of 4.3 percent compared to the 2021-2022 budgeted amount of \$140,589,735. This decrease in revenue is due to the loss of the onetime ESSER III funds that were used in FY 22. For 2022-2023, the budgeted total expenditures are \$142,519,749. This is an increase of 3.0 percent compared to the 2021-2022 budgeted amount of \$138,258,074. This increase is primarily related to capital/LTFM projects and inflationary factors such as employment contracts.

*Total Amount excludes OPEB Trust, OPEB Debt Service, and Building Construction

Adopted: May 7, 1996
Revised: April 18, 2011
April 17, 2017

District 77 Policy 723

723 FUND BALANCES

I. PURPOSE

The purpose of this policy is to create new fund balance classifications to allow for more useful fund balance reporting and for compliance with the reporting guidelines specified in Statement No. 54 of the Governmental Accounting Standards Board (GASB).

II. GENERAL STATEMENT OF POLICY

The policy of this school district is to comply with GASB Statement No. 54. To the extent a specific conflict occurs between this policy and the provisions of GASB Statement No. 54, the GASB Statement shall prevail.

III. DEFINITIONS

- A. “Assigned” fund balance amounts are comprised of 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. In funds other than the general fund, the assigned fund balance represents the remaining amount that is not restricted or committed. The assigned fund balance category will cover the portion of a fund balance that reflects the school district’s intended use of those resources. The action to assign a fund balance may be taken after the end of the fiscal year. An assigned fund balance cannot be a negative number.
- B. “Committed” fund balance amounts are comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the school board and that remain binding unless removed by the school board by subsequent formal action. The formal action to commit a fund balance must occur prior to fiscal year end; however, the specific amounts actually committed can be determined in the subsequent fiscal year. A committed fund balance cannot be a negative number.
- C. “Enabling legislation” means legislation that authorizes a school district to assess, levy, charge, or otherwise mandate payment of resources from external providers and includes a legally enforceable requirement that those resources be used only for the specific purposes listed in the legislation.
- D. “Fund balance” means the arithmetic difference between the assets and liabilities reported in a school district fund.

- E. “Nonspendable” fund balance amounts are comprised of funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. They include items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, non-financial assets held for resale, or the permanent principal of endowment funds.
- F. “Restricted” fund balance amounts are comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.
- G. “Unassigned” fund balance amounts are the residual amounts in the general fund not reported in any other classification. Unassigned amounts in the general fund are technically available for expenditure for any purpose. The general fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.
- H. “Unrestricted” fund balance is the amount of fund balance left after determining both nonspendable and restricted net resources. This amount can be determined by adding the committed, assigned, and unassigned fund balances.

IV. CLASSIFICATION OF FUND BALANCES

The school district shall classify its fund balances in its various funds in one or more of the following five classifications: nonspendable, restricted, committed, assigned, and unassigned.

V. MINIMUM FUND BALANCE

The school board will attempt to maintain a minimum reserve equal to one month's (8%) expenditures in each of its operating funds.

VI. ORDER OF RESOURCE USE

If resources from more than one fund balance classification could be spent, the school district will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned.

VII. COMMITTING FUND BALANCE

A majority vote of the school board is required to commit a fund balance to a specific purpose and subsequently to remove or change any constraint so adopted by the board.

VIII. ASSIGNING FUND BALANCE

The school board, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The board also delegates the power to assign fund balances to the following: Superintendent of Schools and the Director of Business Affairs. Assignments so made shall be reported to the school board on a monthly basis, either separately or as part of ongoing reporting by the assigning party if other than the school board.

An appropriation of an existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance.

IX. REVIEW

The school board will conduct an annual review of the sufficiency of the minimum unassigned general fund balance level.

Legal References: Statement No. 54 of the Governmental Accounting Standards Board

Cross References: MSBA Service Manual, Chapter 7, Education Funding

MANKATO AREA PUBLIC SCHOOLS FUND BALANCE SUMMARY

FUND	7/1/2022 ESTIMATED BALANCE	2022-2023 ESTIMATED REVENUE	2022-2023 ESTIMATED EXPENDITURES	6/30/2023 ESTIMATED BALANCE
GENERAL-UNASSIGNED	\$8,518,980	\$96,979,633	\$101,336,777	\$4,161,836
GENERAL- RESERVED SEVERANCE/SD*/BASIC SKILLS	\$2,975,397	\$9,540,682	\$9,610,212	\$2,905,867
CAPITAL OUTLAY	(\$1,335,163)	\$3,760,859	\$6,243,667	(\$3,817,971)
GENERAL-LONG TERM FAC MAINTENCE	\$308,056	\$3,602,020	\$3,288,514	\$621,562
STUDENT ASSOCIATION (FUND 10)	\$429,332	\$380,368	\$424,062	\$385,638
SCHOLARSHIPS (FUND 21)	\$64,711	\$14,000	\$2,060	\$76,651
FOOD SERVICE	\$2,383,575	\$4,712,660	\$5,082,910	\$2,013,325
COMMUNITY SERVICE	\$1,184,948	\$6,679,162	\$7,160,907	\$703,203
BUILDING CONSTRUCTION	\$27,562,753	\$55,000	\$16,427,341	\$11,190,412
DEBT SERVICE	\$1,814,467	\$8,936,880	\$9,370,640	\$1,380,707
OPEB TRUST	\$14,297,875	\$1,575,000	\$1,288,532	\$14,584,343
OPEB DEBT SERVICE	\$199,254	\$820,550	\$829,475	\$190,329
TOTAL ALL FUNDS*	\$16,344,303	\$134,606,264	\$142,519,749	\$8,430,818

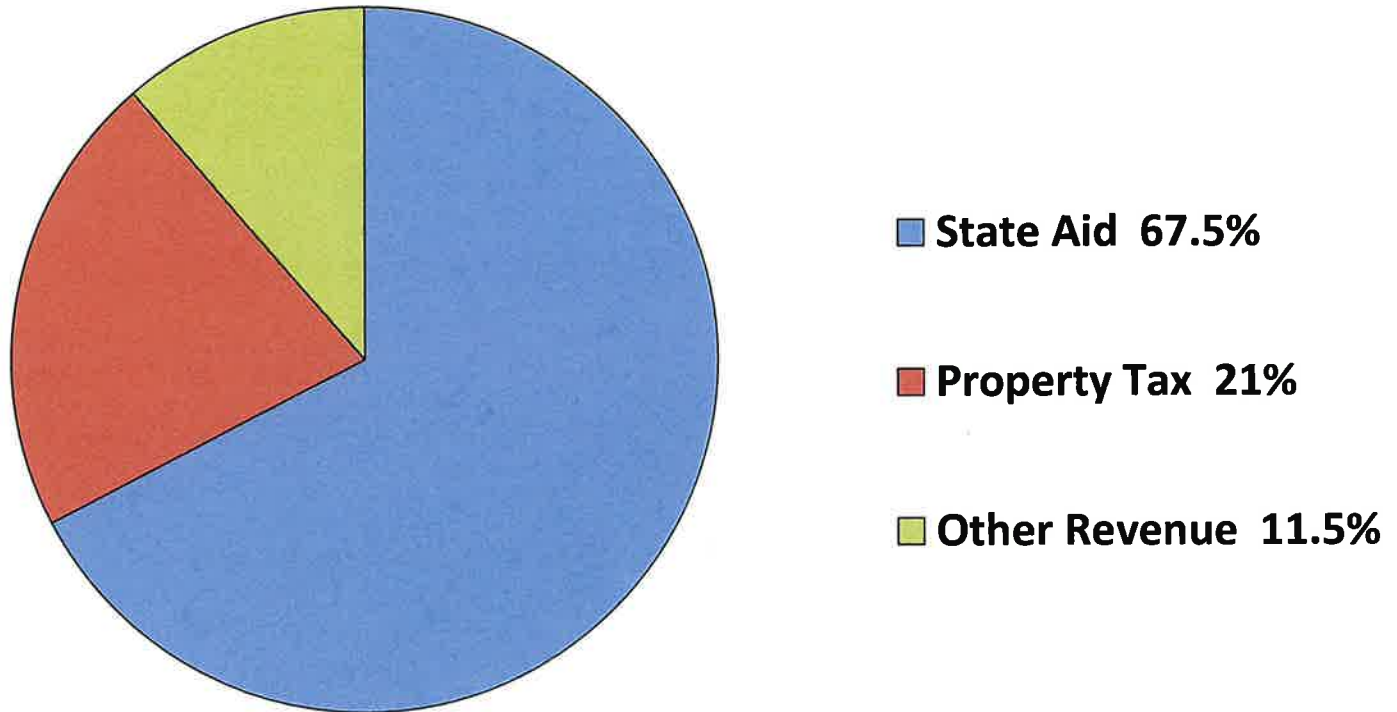
* Total Amount excludes OPEB Trust, OPEB Debt Service, and Building Construction

Fund balance in building construction due to new LTFM bonds that will be paid through LTFM levy.

**Mankato Area Public Schools
SUMMARY OF REVENUE SOURCES
ALL OPERATING FUNDS**

YEAR ENDED 30-Jun	PROPERTY TAX LEVIES	% OF TOTAL	STATE REVENUES	% OF TOTAL	ALL OTHER SOURCES	% OF TOTAL	TOTAL REVENUES
2011	\$15,798,179	18.40%	\$56,322,194	65.60%	\$13,724,016	19.70%	\$82,727,985
2012	\$15,666,505	18.33%	\$58,002,663	67.86%	\$11,803,883	16.00%	\$85,844,389
2013	\$16,717,644	18.91%	\$60,443,409	68.38%	\$11,229,270	13.81%	\$85,473,051
2014	\$14,919,523	16.82%	\$62,490,008	70.45%	\$11,286,090	12.71%	\$88,390,323
2015	\$18,540,676	17.07%	\$67,804,926	62.43%	\$22,260,407	12.73%	\$108,606,009
2016	\$19,611,798	19.35%	\$69,548,566	68.62%	\$12,194,810	12.03%	\$101,355,174
2017	\$21,243,823	19.02%	\$76,450,381	68.44%	\$14,012,248	12.54%	\$111,706,452
2018	\$21,874,740	18.60%	\$80,364,175	68.34%	\$15,354,956	13.06%	\$117,593,871
2019	\$26,028,419	20.92%	\$83,283,316	66.93%	\$15,120,865	12.15%	\$124,432,600
2020	\$26,842,107	20.72%	\$86,936,799	67.11%	\$15,762,733	12.17%	\$129,541,639
2021	\$27,193,313	15.51%	\$88,813,140	50.67%	\$59,284,506	33.82%	\$175,290,959
2022	\$29,218,656	21.80%	\$89,541,134	66.82%	\$15,251,671	11.38%	\$134,011,461
2023	\$28,611,503	21.26%	\$90,689,591	67.37%	\$15,305,170	11.37%	\$134,606,264

Mankato Area Public Schools Revenue by Source



Total Budgeted 2022-23 Revenues:
\$134,606,264

**MANKATO AREA PUBLIC SCHOOLS
EXPENDITURE SUMMARY
ALL FUNDS**

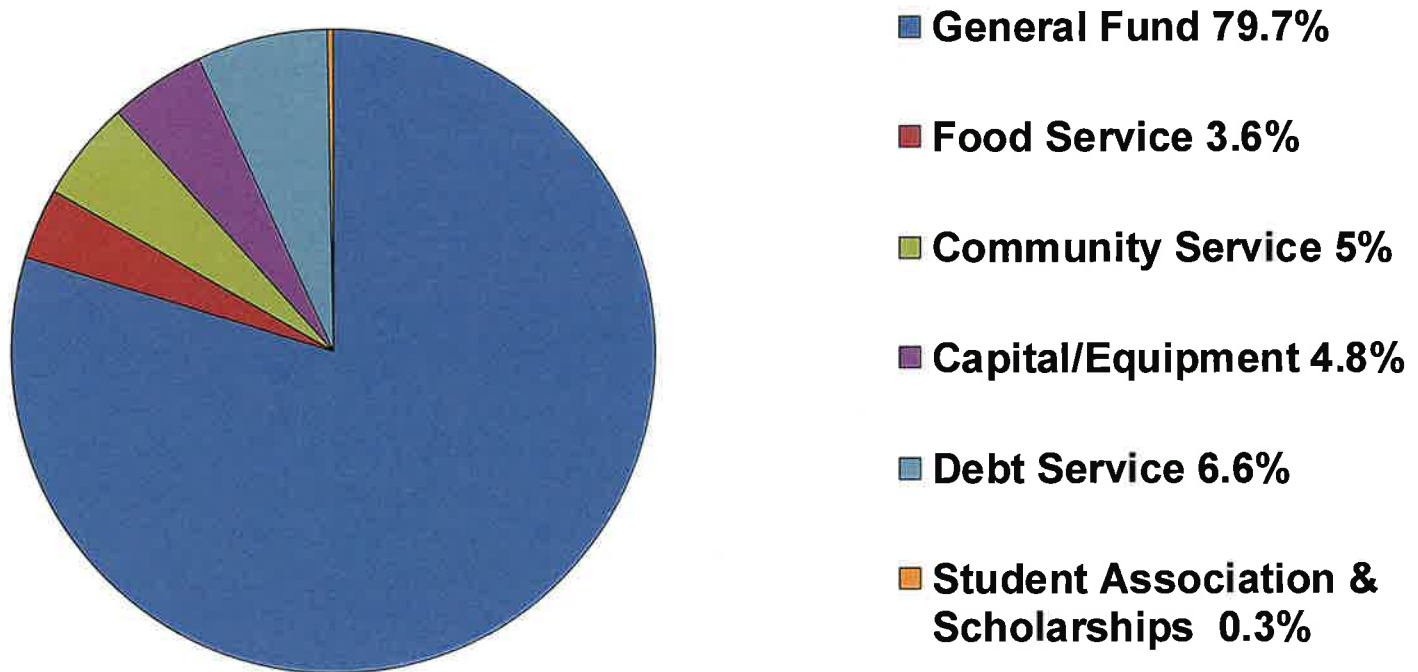
		FY 23
EXPENDITURE		PERCENT
CATEGORY	AMOUNT	OF TOTAL
Administration	\$4,214,383	3.5%
District Support Services	\$2,438,424	2.0%
Regular Instruction	\$53,276,468	44.1%
Vocational Education Instruction	\$2,193,487	1.8%
Special Education Instruction	\$25,232,467	20.9%
Instructional Support Services	\$5,812,826	4.8%
Pupil Support Services	\$9,992,299	8.3%
Sites and Buildings	\$9,498,544	7.9%
Fiscal & Other Fixed Costs	\$947,128	0.8%
Capital Outlay	\$6,873,144	5.7%
Student Association (Fund 10)	\$424,062	0.4%
Scholarships (Fund 21)	\$2,060	0.0%
TOTAL	\$120,905,292	100%

Community Service	\$7,160,907
Food Services	\$5,082,910
Debt Service	\$9,370,640
TOTAL	\$21,614,457

GRAND TOTAL **\$142,519,749**

Note: Total Amount excludes OPEB Trust, OPEB Debt Service, and Building Construction

Mankato Area Public Schools Expenditures by Fund



Total 2022-23 Budgeted Expenditures:
\$142,519,749

	2021-22	2022-23	
INSTRUCTIONAL STAFF	FTES	FTES	Change
Elementary K-5 Classroom Teachers	174	174	0.00
Elementary Specialists (Art, music, PE, Media, Couns, Intervention)	50.41	47.41	-3.00
ADSIS Intervention K-8	10	10	0.00
Secondary 7-12 Classroom Teachers	192.5	190	-2.50
Secondary Specialists (Couns, Media, Intervention)	14	14	0.00
ELL Teachers	19	19	0.00
Central HS/Freedom Teachers	12	12	0.00
Special Education (all)	158.49	158.49	<u>0.00</u>
Subtotal	630.4	624.9	-5.50
 OTHER STAFF			
Licensed Support Personnel (not included in other categories)	19.92	19.92	0.00
Licensed Administrative/Supervisory	32	32	0.00
Nonlicensed Administrative/Supervisory	6	6	0.00
Nonlicensed Support Personnel (not included in other categories)	6.3	6.3	0.00
Community Education Personnel	28.764	28.764	0.00
Clerical	67.115	67.115	0.00
Custodian/Maintenance	63.2	63.2	0.00
Food Service	40.22	40.22	0.00
Paraprofessionals	203.68	203.68	0.00
Technology Support/Print Shop	13.35	13.35	<u>0.00</u>
Subtotal	480.549	480.549	0.00
 GRAND TOTAL	1110.95	1105.45	-5.50

PROGRAM TYPE

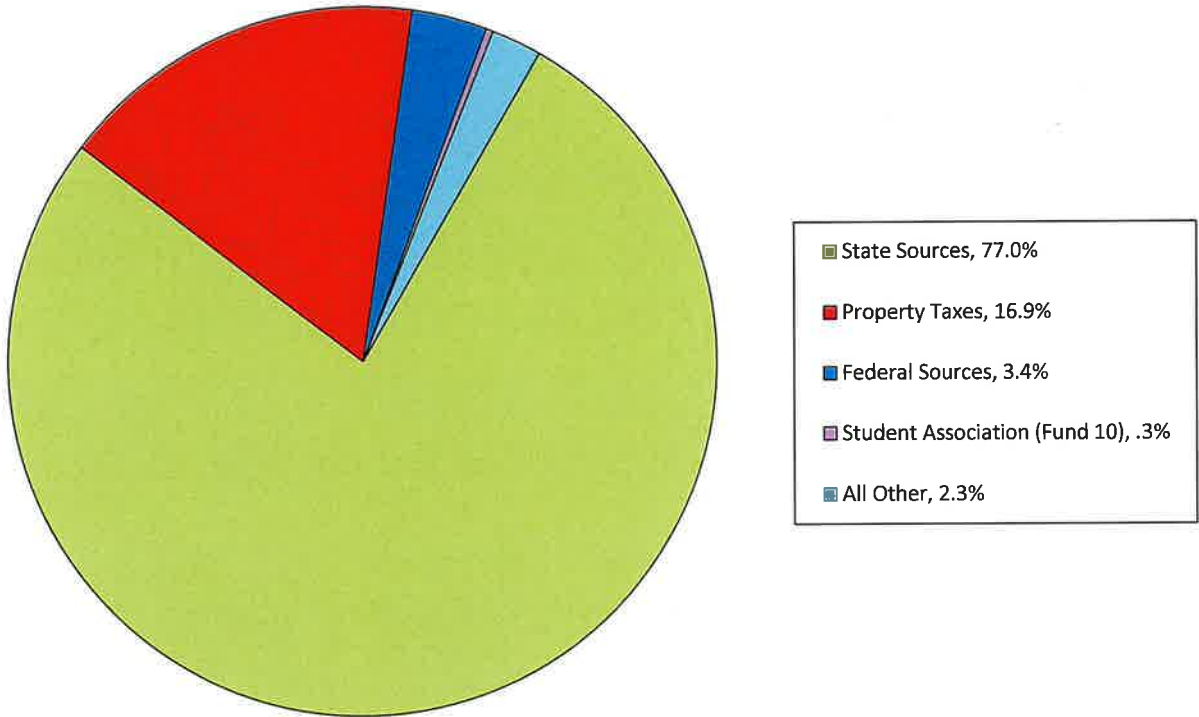
The program dimension of district accounting is used to designate the programmatic areas in which financial activity takes place. The ten categories of the program series are as follows:

1. Administration
This budget category includes all costs associated with District management. It includes all budgets associated with the school board, superintendent, special services and ALC. It also includes costs related to head principals and head secretaries.
2. District Support Services
This budget category includes all costs associated with district support services including district level administrative support, business office support, human resource office support, information technology departments, legal, communications, offset, and elections.
3. Elementary and Secondary Regular Instruction
This budget category includes all costs associated with classroom activities including teachers and teacher aides and instructional supplies. It also includes all costs associated with the extracurricular program.
4. Vocational Education Instruction
Vocational teachers and expenses.
5. Special Education Instruction
This budget category includes all costs associated with the special education programs and services including teachers, and program assistants.
6. Community Education and Services
All expenses related to Community Education.
7. Instructional Support Services
This budget category includes curriculum, educational media, staff development, and assistant principals.
8. Pupil Support Services
This budget category includes all costs associated with the provision of special services that enhance student attendance and performance in school. Pupil Support Services includes counseling, health services, social workers, assistant secretaries, and transportation.
9. Sites and Buildings
This budget category includes all costs associated with the maintenance and upkeep of our various buildings and grounds. Personnel, utilities, and supplies are included within these costs.
10. Fiscal and Other Costs Programs
This budget category includes costs associated with retirement of long-term obligations, severance pay and benefits, technology, property insurance, and special projects involving purchases exceeding \$500.

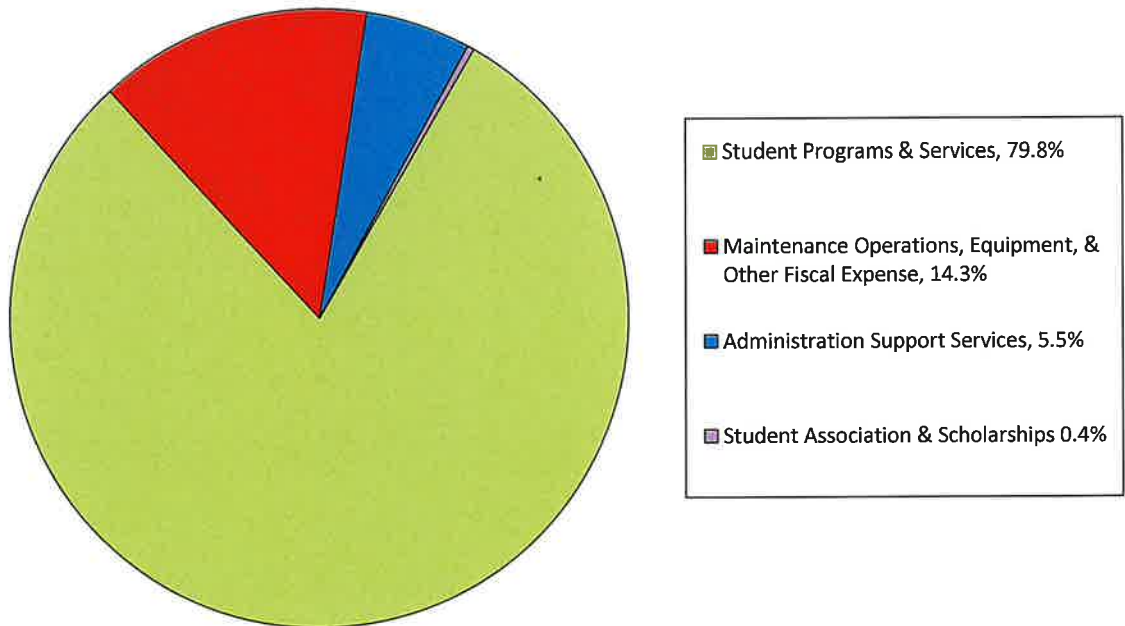
GENERAL FUND

	2020-2021 Actuals	Percent of Total	2021-2022 Revised Budget	Percent of Total	2022-2023 Preliminary Budget	Percent Change from FY 22 to FY 23
Property Taxes	\$18,545,246	15.9%	\$18,851,447	15.9%	\$19,299,930	2.4%
All Other/Local	\$2,606,471	2.2%	\$1,476,811	1.2%	\$2,625,000	77.7%
State Sources	\$86,528,732	74.0%	\$86,275,737	72.6%	\$88,023,264	2.0%
Federal Sources	\$9,069,969	7.8%	\$11,840,751	10.0%	\$3,935,000	-66.8%
Student Association (Fund 10)	\$216,925	0.2%	\$380,368	0.3%	\$380,368	0.0%
Scholarships (Fund 21)	\$7,317	0.0%	\$14,000	0.0%	\$14,000	0.0%
Total Revenue	\$116,974,660	100.0%	\$118,839,114	100.0%	\$114,277,562	-3.8%
Administration	\$4,040,543	3.5%	\$4,091,396	3.5%	\$4,214,383	3.0%
District Support Services	\$2,174,687	1.9%	\$2,367,402	2.0%	\$2,438,424	3.0%
Regular Instruction	\$52,071,478	45.1%	\$51,229,127	44.0%	\$53,276,468	4.0%
Vocational Education Instruction	\$1,941,100	1.7%	\$2,125,756	1.8%	\$2,193,487	3.2%
Special Education Instruction	\$23,432,129	20.3%	\$23,750,260	20.4%	\$25,232,467	6.2%
Instructional Support Services	\$6,425,878	5.6%	\$5,839,643	5.0%	\$5,812,826	-0.5%
Pupil Support Services	\$9,323,447	8.1%	\$9,588,951	8.2%	\$9,992,299	4.2%
Sites and Buildings	\$9,357,114	8.1%	\$11,825,697	10.2%	\$9,498,544	-19.7%
Fiscal & Other Fixed Costs	\$1,065,285	0.9%	\$919,542	0.8%	\$947,128	3.0%
Capital	\$5,446,580	4.7%	\$4,214,660	3.6%	\$6,873,144	63.1%
Student Association (Fund 10)	\$191,389	0.2%	\$411,711	0.4%	\$424,062	0.4%
Scholarships (Fund 21)	\$7,788	0.0%	\$2,000	0.0%	\$2,060	0.0%
Total Expenditures	\$115,477,418	100.0%	\$116,366,145	100.0%	\$120,905,292	3.9%
Revenue over Expenditures	\$1,497,242		\$2,472,969		(\$6,627,730)	
Other Transfers	(\$32,238)					
Fund Balance Change	\$1,465,004		\$2,472,969		(\$6,627,730)	
Fund Balance June 30, 2021	\$8,435,633		\$10,908,602		\$4,280,872	
Percent of Operating Budget	7.3%		9.4%		3.5%	
Days of Operation	27		34		13	

GENERAL FUND REVENUE



GENERAL FUND EXPENDITURES



SUMMARY OF UPDATES TO GENERAL FUND June 30, 2022

	2020-2021 Actuals	2021-2022 Revised Budget	2022-2023 Preliminary Budget
Total Revenue	\$116,974,660	\$118,839,114	\$114,277,562
Total Expenditures	\$115,477,418	\$116,366,145	\$120,905,292
Change in Fund Balance	\$1,497,242	\$2,472,969	(\$6,627,730)

Budgeted Fund Balance on
June 30, 2022:

\$10,908,602

Anticipated Fund Balance on
June 30, 2023

\$4,280,872 (13 days, or 3.5% of Total General Fund)

Key Drivers to FY23 Revenue Budget:

- Enrollment: Continued enrollment loss of 182 studnets from October 1 to June 1
- State Formula Allowance: 2.0 percent increase from FY 22 into FY 23
- Loss of one-time ESSER III funds of \$6.46 million used in FY 22
- Local Property Taxes

Key Drivers to FY22 Expense Budget:

- Employment Contracts
 - Wages/Salaries
 - Insurance
- Transportation
- Facility maintenance and operations/LTFM
- Utilities

FOOD SERVICE FUND

	2020-2021	Percent of	2021-2022	Percent of	2022-2023	Percent
	Actuals	Total	Revised	Total	Preliminary	Change
			Budget		Budget	from FY 22
						to FY 23
Other Local	\$64,419	1.3%	\$1,869,725	38.8%	\$1,817,307	-2.8%
State Sources	\$70,403	1.5%	\$222,525	4.6%	\$218,003	-2.0%
Federal Sources	\$4,665,606	97.2%	\$2,721,950	56.5%	\$2,677,350	-1.6%
Total Revenue	\$4,800,428	100.0%	\$4,814,200	100.0%	\$4,712,660	-2.1%
Food Service	\$4,102,205	96.3%	\$4,676,550	97.5%	\$4,817,910	3.0%
Capital Outlay	\$158,200	3.7%	\$120,000	2.5%	\$265,000	120.8%
Total Expenditures	\$4,260,405	100.0%	\$4,796,550	100.0%	\$5,082,910	6.0%

Budgeted Fund Balance on
June 30, 2022: \$2,383,575

Budgeted Fund Balance on
June 30, 2023: \$2,013,325 39.6% 145 Days

COMMUNITY SERVICE FUND

	2020-2021	Percent of	2021-2022	Percent of	2022-2023	Percent
	Actuals	Total	Revised	Total	Preliminary	Change
			Budget		Budget	from FY 22
						to FY 23
Property Taxes	\$836,862	13.9%	\$896,539	13.8%	\$946,199	5.5%
Other Local	\$2,807,714	46.7%	\$3,621,127	55.6%	\$3,582,571	-1.1%
State Sources	\$1,861,481	31.0%	\$1,601,189	24.6%	\$1,877,818	17.3%
Federal Sources	\$503,836	8.4%	\$395,914	6.1%	\$272,574	-31.2%
Total Revenue	\$6,009,893	100.0%	\$6,514,769	100.0%	\$6,679,162	2.5%
Community Service	\$5,661,313	99.9%	\$6,616,294	98.7%	\$7,101,107	7.3%
Capital Outlay	\$7,319	0.1%	\$86,653	1.3%	\$59,800	-31.0%
Total Expenditures	\$5,668,632	100.0%	\$6,702,947	100.0%	\$7,160,907	6.8%

Budgeted Fund Balance on
June 30, 2022: \$1,184,948

Budgeted Fund Balance on
June 30, 2023: \$703,203 9.8% 36 Days

CONSTRUCTION FUND

	2020-2021 Actuals	Percent of Total	2021-2022 Revised Budget	Percent of Total	2022-2023 Preliminary Budget	Percent Change from FY 22 to FY 23
Other Local	\$4,243	100.0%	\$31,310,000	100.0%	\$55,000	-99.8%
Total Revenue	\$4,243	100.0%	\$31,310,000	100.0%	\$55,000	-99.8%
Construction Projects	\$6,004,935	100.0%	\$21,000,000	100.0%	\$16,427,341	-21.8%
Total Expenditures	\$6,004,935	100.0%	\$21,000,000	100.0%	\$16,427,341	-21.8%

Budgeted Fund Balance on
June 30, 2022: \$27,562,753

Budgeted Fund Balance on
June 30, 2023: \$11,190,412

DEBT SERVICE FUND

	2020-2021 Actuals	Percent of Total	2021-2022 Revised Budget	Percent of Total	2022-2023 Preliminary Budget	Percent Change from FY 22 to FY 23
Property Taxes	\$7,860,147	97.6%	\$8,252,646	79.2%	\$8,365,374	1.4%
Other Local	\$2,133	0.0%	\$500	0.0%	\$1,000	100.0%
State Sources	\$193,720	2.4%	\$570,506	5.5%	\$570,506	0.0%
Sale of Bonds			\$1,598,000			-100.0%
Total Revenue	\$8,056,000	100.0%	\$10,421,652	84.7%	\$8,936,880	
Principal	\$5,450,000	64.5%	\$5,390,000	51.9%	\$5,879,000	9.1%
Interest and Fiscal Charges	\$3,001,889	35.5%	\$5,002,432	48.1%	\$3,491,640	-30.2%
Total Expenditures	\$8,451,889	100.0%	\$10,392,432	100.0%	\$9,370,640	-9.8%

Budgeted Fund Balance on
June 30, 2022: \$1,814,467

Budgeted Fund Balance on
June 30, 2023: \$1,380,707

OPEB TRUST FUND

	2020-2021 Actuals	Percent of Total	2021-2022 Revised Budget	Percent of Total	2022-2023 Preliminary Budget	Percent Change from FY 22 to FY 23
Revenue	\$2,641,054	100.0%	\$1,575,000	100.0%	\$1,575,000	0.0%
Total Revenue	\$2,641,054	100.0%	\$1,575,000	100.0%	\$1,575,000	0.0%
Expenditures	\$1,430,939	100.0%	\$1,285,000	100.0%	\$1,288,532	0.3%
Total Expenditures	\$1,430,939	100.0%	\$1,285,000	100.0%	\$1,288,532	0.3%

Budgeted Fund Balance on
June 30, 2022: \$14,297,875

Budgeted Fund Balance on
June 30, 2023: \$14,584,343

OPEB DEBT SERVICE FUND

	2020-2021 Actuals	Percent of Total	2021-2022 Revised Budget	Percent of Total	2022-2023 Preliminary Budget	Percent Change from FY 22 to FY 23
Property Taxes	\$951,241	99.5%	\$803,867	730.0%	\$820,050	2.0%
Other Local	\$284	0.0%	\$500	0.1%	\$500	0.0%
State Sources	\$4,558	0.5%	\$3,633	0.4%	\$0	-100.0%
Total Revenue	\$956,083	100.0%	\$808,000	730.5%	\$820,550	1.6%
Principal	\$9,000,000	99.3%	\$780,000	94.1%	\$795,000	1.9%
Interest and Fiscal Charges	\$63,484	0.7%	\$48,730	5.9%	\$34,475	-29.3%
Total Expenditures	\$9,063,484	100.0%	\$828,730	100.0%	\$829,475	0.1%

Budgeted Fund Balance on
June 30, 2022: \$199,254

Budgeted Fund Balance on
June 30, 2023: \$190,329

Summary of FY 23 General Fund Budget and Future Outlook

Recent History

On June 30, 2021, the District's total general fund balance was \$8,435,633. This represents 7.31 percent of general fund expense, which was 27 days of operation. For the 2021-22 school year, and largely due to \$6.46 million in one-time federal COVID revenue, the District anticipates growing its total general fund by approximately \$2,472,969 to reach \$10,908,602. This is 9.4 percent of general fund expense, which is 34 days of operation. School Board Policy 723 identifies a minimum fund balance goal of 8.0 percent.

Current Factors Impacting the FY 23 Budget

The District is now preparing the FY 23 Preliminary Budget that will be presented to the School Board on June 20. Despite being able to grow the fund balance during the past two years (FY 21 and 22), the District continues to experience financial challenges. The most significant factor is the loss of the one time \$6.46 million in revenue referenced above. Other factors contributing to deficit spending in FY 23 include inflationary increases of school operations outpacing the state funding allowance of 2.0 percent increase. The inflationary funding "gap" is estimated at \$1.64 million. In addition, the District's enrollment continues to decline. For example, the District lost another 182 K-12 students from October 1 to June 1. This lost revenue equates to roughly \$2.31 million. This dropping enrollment trend is then applied to the FY 23 revenue forecast for budgeting purposes. Coming through the pandemic, the District nonetheless recognizes the significant increase to academic and mental health needs students are now exhibiting. As a result, the District is committed to reinvesting additional instructional and mental health supports in both regular and special education services. This investment in our students' future will provide almost \$2.3 million in additional support. Many of these expenses will be curtailed after 2022-23 when students are better recovered from the effects of the pandemic on student learning.

Spending Down Current Reserve

For several of the reasons referenced above, the District is anticipating a drop in general fund revenue of approximately \$4.6 million in FY 23. When considering all the planned expenses for FY 23, that part of the budget is increasing by \$4.5 million, or 3.9 percent. Because of these factors, the FY 23 Preliminary budget will show a deficit spend of -\$6,627,730. This will bring the total general fund balance to \$4,280,872, which is 3.5 percent or 13 days of operation. Using the existing fund balance in this manner for FY 23 will help students recover learning loss from two school years of a pandemic and provide staff with the tools and resources they'll need to best serve students.

Enrollment Decline Impacts Budget

Looking ahead into the fall of 2022, the District will continue to monitor its enrollment trend. On October 1, 2021 K-12 enrollment was 8375 and on June 1, 2022 it had dropped to 8193. The average daily membership (ADM) for the year was 8280. The District used 8262 ADM for its revenue calculation for budgeting purposes. Depending on fall enrollment, and once the FY 22 audit results are available in November, the District may be in a position for significant budget reductions for the 2023-24 school year. This process would begin in November 2022. The Minnesota legislative process in the spring of 2023 will define school funding for the next biennium. This will also play an important role in helping all Minnesota school districts align revenues with expenses.