FY2019-2020 Ending Fund Balance

October 30, 2020

During the budget process, district administration projected the overall general fund ending equity balance would increase. This was anticipated due to large year end purchases that could not be completed due to the COVID-19 closure. It was projected that overall fund balance would increase, while the unassigned fund balance would decrease. This would mean that the district financial position would be worse than prior years.

Now that our audit is complete and we have our final FY20 ending fund balance, it shows that total fund balance did increase as expected, and unassigned fund balance increased by just over $500k in spite of the projected decrease. The causes of this increase in unassigned fund balance are one time sources. Because they are one time sources, the district should recognize that using this surplus to fund on-going costs will need to have an on-going funding source after the funds are expended. Here are the main factors causing this increase:

- **State revenue for prior year came in higher than projected**
  As discussed at the September 14th board meeting, the state calculated support units more favorably than anticipated during the spring closure. This accounted for unanticipated revenues that are not expected to be on-going, even if the state calculates units in the same fashion. The reason why we cannot expect this is because this fall the district's enrollment has dropped 8% compared to the enrollment figures we used to build the budget. There is word that the state will change the formula to calculate on enrollment rather than attendance. This change would soften the impact of this enrollment drop. But, with this calculation change we would not be in a position to earn more revenue than was budgeted. With the changes we are not guaranteed to earn even *as much* revenue as was budgeted. At this time there are still fundamental unknowns in how current year funding will be calculated.

- **School PLUS weathered impacts of COVID without assistance from the General Fund**
  In the spring we projected that our School PLUS program would require assistance from the general fund to stay out of a deficit. School PLUS was able to continue to pay staff all spring with discontinued revenues. This was funded through School PLUS's prior net earnings.

- **PERSI Sick Leave Rate holiday**
  In January 2020, PERSI announced that there would be a rate holiday on the employer paid PERSI Sick Leave benefits for 18 months. This was unexpected and not included in the FY20 budget.

- **One time savings from operating expenses**
  There were one time savings realized from reduction in operations during the closure.

Because these savings and additional revenues are all from a one time source, an increase in fund balance year-to-year is not expected. District administration recommends that this surplus be retained in fund balance until a clearer picture of current year state funding and overall budgetary impacts of COVID-19 are known, as the fund balance may be relied upon to stabilize the budget in current year.