

Resolution 2020/21-10
2020/21 Ending Fund Balance Appropriations Transfers
and Creation of Musical Instruments Fund

In accordance with ORS 294.450, budget law allows the Board of Directors to authorize transfers of appropriation after declaring the need, purpose and amount of the transfer.

Board Policy DBDB requires the board to retain an ending fund cash balance of at least 7% of the General Fund. Any amount over 7% would be directed to special funds, as directed by the board. In determining an appropriate unrestricted fund balance, the Board will consider a variety of factors with potential impact on the district's budget including the predictability and volatility of its expenditures; the availability of resources in other funds as well as the potential drain upon general fund resources from other funds, liquidity and designations. Such factors will be reviewed annually. These excess funds are typically due to one-time conditions as either excess revenues or under-expenditures, which normally shouldn't be used to sustain ongoing district programs and staff. The policy is intended to help the district save for capital projects and large purchases, while using the maximum amount of State School Funds to maintain district programs.

The district maintained the required 7% cash balance at the end of 2019-20 and budgeted \$2.4 million dollars of the excess for an expected shortfall in the State School Fund for the second half of the biennium (2020-21). This excess has not been needed for expenditure in 2020-21 and remains in the general fund. In addition, the district realized approximately \$1.9 million dollars of savings in 2019-20 due to the Coronavirus pandemic and the reduction of costs such as travel, substitutes, transportation and professional development fees, which remains in the general fund beginning balance for 2020-21.

District staff recommends reserving \$1-3 million dollars for the anticipated State School Fund shortfall in 2021-22. An additional estimated \$1,000,000 must be reserved for building carryover (building funds that are unspent at year end are budgeted for building use in the following year).

With an estimated ending fund balance of \$6,446,538 as of February 28, 2021, and given the above restrictions, district staff estimates that \$2,850,000 of cash and appropriations is available for transfer from the general fund to special revenue funds.

The district has committed itself to updating Curriculum and Technology on a regular schedule in order to provide updated learning tools to all students. The board has created special revenue funds for these expenditures. However, the only major revenue source is transfers from the general fund. Additionally, the district has a need to maintain its facilities. The Building Maintenance fund is replenished by sales of property or by transfers from the general fund.

The district also wishes to establish a Musical Instrument Fund in order to be able to repair and replace instruments owned by the district which are loaned to students for use in district K-12 music programs and allow the expansion of those programs. District owned instruments are currently in a state of disrepair and funds are needed to improve the quality of instruments provided to students. This will further the board's strategy of promoting diversity, equity and inclusion throughout the

district by giving all students greater access to instruments, allowing them to participate in the district's music programs and provide them with a well-rounded education.

Recommended for transfer are the following appropriations and resources within the named funds:

	<u>Increase</u>	<u>Decrease</u>
General Fund		
Transfers Out	\$2,100,000	
Special Revenue Funds		
Curriculum Fund 290 - Transfers In	\$ 600,000	
Technology Fund 298 – Transfers In	\$ 600,000	
Building Maintenance Fund 293 – Transfers In	\$ 600,000	
Musical Instruments Fund 287 – Transfers In	<u>\$ 300,000</u>	
Total	\$2,100,000	
General Fund		
Instruction (1100.390)		\$ 1,474,000
Support Services (2100.390)		\$ 758,000
Support Services (2240.03xx)		\$ 132,000
Special Revenue Funds		
Musical Instruments Fund 287 – Expenditures	\$ 300,000	
Unappropriated Ending Fund Balance (Funds 290, 298, 293)	<u>\$1,800,000</u>	
(Reserve funds for expenditure in 2021/22)		
Total	\$2,100,000	

The district will additionally increase the amount of general fund unappropriated ending fund balance in the 2021-22 budget by \$750,000 and continue to budget \$750,000 in Contingency funds. This will establish the full 7% ending fund balance required in Unappropriated Ending Fund Balance rather than have a portion of it being budgeted as Contingency funds. This will account for the remainder of the \$2,850,000 available for transfer.

APPROVED BY A VOTE AT A REGULAR MEETING OF THE LINCOLN COUNTY SCHOOL DISTRICT BOARD OF DIRECTORS HELD APRIL 13, 2021.

Board Chair

Superintendent