



Explanation of our Ending Fund Balance for the School Year 2023-24

The District has recently received inquiries about the ending fund balances and whether the school district actually experienced a negative ending fund balance for the 23-24 school year. To understand the answer to this question, you must understand some things about a school district budget. Different types of funds in a school district's budget serve a variety of purposes.

The **General Fund** is a school district's primary operating budget. It covers day-to-day expenses like:

- Teacher and staff salaries
- Classroom supplies and materials
- Utilities and facilities maintenance
- Student programs and services

Most of the General Fund comes from **state funding (via the State School Fund), local property taxes, and other local revenues**. This money is flexible, meaning the District can allocate and spend the funds based on the most pressing needs, though budget constraints often lead to difficult spending decisions.

Restricted funds can only be used for specific purposes and cannot be transferred into the General Fund. Examples include:

- **Debt Service Fund** – Pays for long-term debt obligations, such as principal and interest payments on bonds that the District has issued to finance large capital projects.
- **Capital Projects Funds** – These come from voter-approved bonds and can only be used for the specific capital improvements outlined in the bond measure, such as building new schools, major renovations, or safety upgrades.
- **Special Revenue Funds (Grants)** – Include money from federal and state grants, which must be used for designated programs like special education, Title I support for low-income students or nutrition services.

Key Difference

The biggest distinction among the district's various funds is **flexibility**—the General Fund can be used for a wide range of district needs, while Restricted Funds **are legally designated for specific purposes**. For example, a district **cannot use Capital Projects Funds to cover classroom teacher salaries or general operational costs, even if there are budget shortfalls in the General Fund**.



This distinction is crucial when managing school district finances, ensuring funds are spent responsibly and following legal requirements.

The 2023-24 School Year

The District General Fund has a negative ending fund balance of -\$1.23 million dollars in the 2023-24 school year. None of the restricted funds can be used to cover this deficit. When the District mentions a negative fund balance, it refers to the General Fund, which is the fund from which we operate our district on a day-to-day basis. The District is accountable for other assets that, when summed, will result in a positive number. However, none of those other funds can be transferred into the General Fund, as they are restricted in use.

In the 2023-24 school year, our audit shows on page 5 (Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds) that we started with a beginning fund balance of \$7,725,210 in the General Fund, and shows that the General Fund ended with a balance of -\$1,233,379 million dollars, or a loss of \$8.95 million. This deficit is prohibited by board policy and is not fiscally responsible.

This Summer, the District lowered costs by laying off employees or reducing work hours, amounting to an equivalent of 85.99 full-time positions. This allowed the District to decrease general fund expenses in the 2024-25 school year, and we are currently projecting a positive ending fund balance for June 2025.

Local claims that the District is being dishonest and is not actually in a fiscal crisis are false. We are indeed coming out of a fiscal crisis, and it will take many years before our operations fully return to normal after the fiscal mismanagement of the general fund in 2023-24.