



LYNDEN
SCHOOL DISTRICT

Tradition + Pride + Excellence

The Budget
2022/2023

At the 10,000-foot Level

For the Lynden School District Board of Directors

Budget, Executive Summary

2022/2023

The budget for the 2022 / 2023 fiscal year is completed and ready for consideration by the Lynden School District Board of Directors (Board) for adoption.

Budget Hearing & Proposed Adoption

The district provided a brief overview of the 2022/2023 budget at the Board's regular meeting on July 14, 2022. At the August 11, 2022, regular School Board meeting, the district provided a budget overview; on the agenda were a budget hearing and proposed adoption of the budget.

After the budget was adopted, the district posted the following on the district website for public reference; 1) August 11, 2022, budget hearing presentation, 2) this document, the 2022/2023 Budget, Executive Summary, and 3) the Office of Superintendent of Public Instruction (OSPI) version of the 2022/2023 budget.

Budget Highlights

The 2022/2023 Budget was developed with a formal process to examine enrollment, revenue streams, resource allocation (staffing & non-staffing), and projected financial health. Board policy, district-goals, instructional & program needs, and available resources were the primary drivers.

The process was collaborative, involving stakeholders at the building, department, program, district, and Board level. Dual verification of major assumptions was an integral part of the process, one such example being enrollment and thorough review of grade-by-grade assumptions by district administrators, and with the outside perspective of a consultant.

A factor unique to the State of Washington (State) was a significant influence. The State passed a budget that included an increase to salaries of 5.50%. The district is funded for approximately 60-65% of its staff, the remaining staff realizing the 5.50% increase are funded with local funds that did not increase at that same rate.

In the era of COVID-19, predicting enrollment has been a significant challenge. For that reason, for 2022/2023 the district believes it has taken a conservative approach to its projection. COVID-19 also has an impact on the budget for 2023/2024, the district is facing something known as the ESSER-Cliff, essentially the federal relief funds that have been provided to mitigate the impact of COVID-19 sunset in 2022 / 2023, this will remove more than \$1 million from the district's revenue stream in 2023/2024 and beyond.

The district's enrollment prior to COVID-19 had been increasing; however, COVID-19 impacted the district like most public-school districts in Washington and a decline occurred. The district has budgeted conservatively for 2022/2023, recognizing this trend.

The district has a general fund budget that plans to utilize approximately \$2,433,950 of its fund balance in 2022/2023. This is to maintain a strong instructional program and is based upon a conservative approach to enrollment, expenditures, and present financial circumstances and finish with a fund balance of approximately \$2.50 million. Please continue for more detail regarding the 2022/2023 budget, including other funds.

Budget Overview

Board Responsibility

As a first-class school district, as designated by the State of Washington, the district must adopt its budget by August 31st annually.

The Board must annually approve expenditure authority for five (5) funds managed by the district (see next section). While not codified in a formal policy or accounting manual, the district has committed to providing comprehensive information regarding fund balance, enrollment, revenue, staffing & non-staffing expenditures, and other relevant information necessary for the Board to make a well-informed decision regarding the approval/adoption of the annual budget.

Funds

The district manages five (5) governmental funds that are governed by unique requirements. Information for the purpose of these funds is provided below:

General Fund (GF): Used to account for expendable financial resources, for the purpose of (not all-inclusive) teaching and teaching support, special education, vocational education, compensatory education, other instructional activity, district-wide support, food service, and pupil transportation. Some of these activities may also be supported by other funds, when appropriate. Its resources are typically local levy, local non-tax, state, and federal support.

Capital Projects Fund (CPF): Used to account for construction or acquisition of major capital assets, such as land or buildings. In addition, major acquisitions such as technology infrastructure or upgrades to extend the useful life of a building. Its resources are typically local levy, state match, and fund transfers.

Debt Service Fund (DSF): Used solely for the purposes of paying off long-term debt principal and interest. Its resources are typically local levy and other fund transfers.

Associated Student Body (ASB) Fund: Used to account for activity that is outside of academic activity for student participation. A common acronym in Washington is CARS (Cultural, Athletic, Recreational, Social) is used to describe ASB activity. If the students are driving an activity that is in-line with CARS, it is an ASB resource and/or cost. The students approve this budget and the district's role is to support in the area of accounting, budgeting, and guidance. Its resources are typically student fund raisers, athletic gate receipts, and support from the General Fund.

Transportation Vehicle Fund (TVF): Used to account for the purpose of purchase and major repair of pupil transportation equipment (yellow buses).

Budget Summary (All Funds)

The table below provides expenditure authority for the district's General Fund, Capital Projects Fund, Debt Service Fund, Associated Student Body (ASB) Fund, and the Transportation Vehicle Fund.

Information regarding general fund enrollment, staffing levels, and financial projections are provided at a high level.

 LYNDEN SCHOOL DISTRICT <i>Tradition + Pride + Excellence</i>			
Budget Hearing & Proposed Adoption (August 11, 2022)			
<u>* Authorized Expenditures</u>	<u>2021/2022</u>	<u>Budget</u> <u>2022/2023</u>	<u>% Change</u>
General Fund	\$ 53,937,429	\$ 56,710,615	5.14%
Capital Projects Fund	\$ 950,000	\$ 749,268	-21.13%
Debt Service Fund	\$ 4,535,965	\$ 3,784,240	-16.57%
Associated Student Body Fund *1	\$ 549,000	\$ 758,968	38.25%
Transportation Vehicle Fund	\$ 250,000	\$ 300,000	20.00%
*Student Enrollment & Staffing FTE			
Enrollment, K-12 (Non-ALE)	2,983.00	2,849.00	-4.49%
Enrollment, ALE	263.00	370.00	40.68%
Total Enrollment (Excluding Running Start & Impact)	3,246.00	3,219.00	-0.83%
Total Certificated Staff	245.51	240.10	-2.20%
Total Classified Staff	146.74	146.83	0.06%
* General Fund Information			
Projected Beginning Fund Balance	\$ 5,724,164	\$ 5,551,691	-3.01%
Total Revenue	\$ 52,631,500	\$ 54,121,475	2.83%
Total Staffing (\$)	\$ 44,250,392	\$ 46,921,717	6.04%
Total MSOC's *1	\$ 9,687,037	\$ 9,788,898	1.05%
Total Expenditures	\$ 53,937,429	\$ 56,710,615	5.14%
Other Financing Activity	\$ (123,000)	\$ (389,316)	216.52%
Projected Change in Fund Balance	\$ (1,428,929)	\$ (2,978,456)	108.44%
Projected Ending Fund Balance	\$ 4,295,235	\$ 2,573,235	-40.09%

*1 - MSOC budget contains \$1,000,000 of budget capacity, offset by \$1,000,000 of revenue capacity

Budget Summary (General Fund Only)

As mentioned earlier, the General Fund accounts for teaching & learning, support services, and other areas that are essential to the day-to-day instruction and operations of the district.

The district employees nearly 500-people, with an estimated annual payroll of \$46.5 million and expends nearly \$10 million for non-staffing related-costs.

Below is a document that provides an aggregate look at the finances for the Lynden School District (General Fund) for the years 2017/2018 through the projected 2022/2023 year.

Type	17-18	18-19	19-20	20-21	21-22 (Budg)	21-22 (Proj)	22-23
Beginning Fund Balance	\$ 3,563,403	\$ 3,212,170	\$ 4,970,811	\$ 6,183,824	\$ 5,724,164	\$ 5,709,754	\$ 5,551,691
Total Revenue	\$ 38,353,466	\$ 45,182,591	\$ 48,412,571	\$ 50,001,481	\$ 52,631,500	\$ 52,521,289	\$ 54,121,475
Total Expenditures	\$ 38,652,422	\$ 42,891,671	\$ 46,778,571	\$ 50,168,362	\$ 53,937,429	\$ 52,596,265	\$ 56,710,615
Other Financing Uses	\$ (52,277)	\$ (532,278)	\$ (420,986)	\$ (307,189)	\$ (123,000)	\$ (83,087)	\$ (389,316)
Net Change in Fund Balance	\$ (351,233)	\$ 1,758,641	\$ 1,213,013	\$ (474,070)	\$ (1,428,929)	\$ (158,063)	\$ (2,978,456)
Prior Period Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Fund Balance	\$ 3,212,170	\$ 4,970,811	\$ 6,183,824	\$ 5,709,754	\$ 4,295,235	\$ 5,551,691	\$ 2,573,235
Fund Balance, Actual Versus Target \$	\$ 1,279,549	\$ 2,826,228	\$ 3,844,896	\$ 3,201,336	\$ 1,598,364	\$ 2,921,877	\$ (262,296)
Fund Balance, Actual Versus Target %	8.31%	11.59%	13.22%	11.38%	7.96%	10.56%	4.62%

Fiscal Concerns for 23/24, IPD, & loss of

ESSER

Focus for Spring 2023 Board & Admin



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**The Budget
2022/2023**

At the Ground Level

Budget Process - Introduction

Before we dive into process, there are five elements that need a brief explanation for the budget process.

❖ Fiscal Year

- The district's fiscal year is from September 1st through August 31st.

❖ Budget Process - Calendar

- The district is mandated by RCW (Revised Code of Washington) 28A.505 to complete its budget by August 31st annually. There are other important factors that are incorporated into the budget schedule. Two main dates; 1) May 15th – the district has a contractual and legal obligation to inform certificated administrative and instructional staff if their contract status for the forthcoming fiscal year will change, and 2) July 10th – a draft of the forthcoming fiscal year budget must be available for public access – this does not have to be the final budget; however, it should reflect materially the budget plan.
- A budget calendar for the district is developed via what the administration terms a “backfill plan.” For 2022-2023, the construction of the budget has a deadline of August 11, 2022, and the district has a development calendar to complete the budget prior that date with benchmarks spelled out along the way.

❖ Accounting & Reporting Structure

- The district follows the guidance of the Office of Superintendent of Public Instruction (OSPI) for the State of Washington as an Other Comprehensive Basis of Accounting (OCBOA). This essentially means the district accounts for its fund on an accrual basis. A formal accounting manual is provided for by OSPI, designating types of assets, liability, revenue, expenditure, & fund balance (more commonly known as equity in the private sector) for accounting and reporting purposes.

❖ Fund Balance

- The term fund balance is a focal point in the budget process, what is fund balance? Fund balance is essentially the district's savings account. It is necessary to maintain a fund balance for two main issues; 1) the state does not fund the district on an equal % basis from month-to-month, resulting in low revenue streams in the months of February and June, and 2) it exists for a rainy day, such as an unexpected loss in enrollment or an unforeseen and significant increase in costs tied to inflation. Fund balance is typically in terms of a percentage (%) of total revenues or total expenditures (e.g. – a 5% fund balance for a \$50 million budget would be \$2.5 million before other restrictions). The board establishes a minimum fund balance policy, in our case, that is 5%.

❖ Revised Code of Washington (RCW) & Washington Administrative Code (WAC)

- RCW
 - The permanent laws that are in place in the State of Washington. These are enacted by the legislature and signed by the Governor, or via a public initiative
 - These are regulations (policies) that put into place that are supported by RCW and are considered law in the State of Washington

Budget Process – Major Parameters

The district administrative team develops the budget with major factors that drive the process; 1) district culture & board policy, 2) enrollment projection, 3) educational & operational priorities, and 4) what is on the horizon for fiscal year 2023/2024.

District Culture (Board & Administration)

- ❖ A budget, by its definition reflects an estimate on major elements of the district, in the areas of enrollment, revenues, expenditures, fund balance, staffing levels, and other aspects of financial activity and performance. What is not visible, and yet essential when reviewing a budget is the philosophy of those responsible for the preparation, presentation, adoption, & management of the budget.
- ❖ The 2022-2023 budget that is presented is based upon conservatism and a high expectation of accuracy; this is to ensure that sufficient funds exist should the district experience an unforeseen loss in enrollment, to prepare for the loss of COVID-19 relief funds that will be fully exhausted going into 2023-2024, and the potential for unfunded salary and inflationary impacts in future years.
 - Three core areas where that conservative approach should be noted; 1) estimate upon beginning fund balance – projections for the beginning fund balance are higher than budgeted, 2) estimate for enrollment – projections for enrollment indicate a range of 60 to 100 students (FTE) above budget, and 3) a recognition that present economic trends/conditions (rising inflation, high fuel prices) will have an impact on non-employee costs throughout the system.
 - This type of conservatism is built into the budget and has consensus at the Board & Administrative level.

Enrollment

Definitions

- ❖ Full-time Equivalent (FTE)
 - The percent of a school day/school year is a student attending
 - A student attends 5.5 hours of a 6.0 hour/day is considered .916 FTE
- ❖ Headcount
 - The number of students that are part of a grade level or a school
- ❖ Annual Average FTE (AAFTE)
 - Over a ten-month count, the average FTE a student or group of students attended school
 - A student attends school full-time, 9-months of the 10-month count, the student is counted as a .90 AAFTE
- ❖ Count day
 - The first school day of each month is considered the official day of enrollment (exception: September – the fourth school day)

Enrollment Types

- ❖ K-12 Basic Education
 - Students in kindergarten through 12th grade enrolled in the traditional brick & mortar school
- ❖ K-12 Alternative Education
 - Students in kindergarten through 12th grade enrolled in an alternative learning environment (ALE) program
 - ALE programs are defined by RCW 28A.232.010
- ❖ Career & Technical Education (CTE)
 - Students enrolled in a program that is designed to prepare them with vocational skills

❖ Running Start

- Students enrolled in a post-secondary education program at a technical college or community college funded in-part by the State of Washington
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Enrollment Projection

Enrollment projections are based upon an estimate of student FTE movement from one grade to the next. This is known as a Cohort model. In practice, it is rather simple and logical. An example is provided below:

❖ 1st Grade to 2nd Grade

- 2019/20 – 100 students in first grade
- 2020/21 – 110 students in second grade
- This is Cohort growth of 1.10 (110%)

❖ There are several Cohort models available to a district for use

- Rollup – 100 1st graders will be budgeted as 100 2nd graders
- 1-Year Straight Cohort – Using the example above, the current group of 1st graders would be budgeted at 1.10 for the next year's 2nd graders
- Multi-Year Straight Cohort – If over a five-year period the growth from 1st grade to 2nd grade is 105%, that would be a model that could be used to predict 2nd grade
- Weighted Cohort – This is a Multi-year Cohort model; providing greater factor weight to current trends versus four to five years earlier

❖ The district chose to use a 1-year Straight Cohort model for 2022/2023

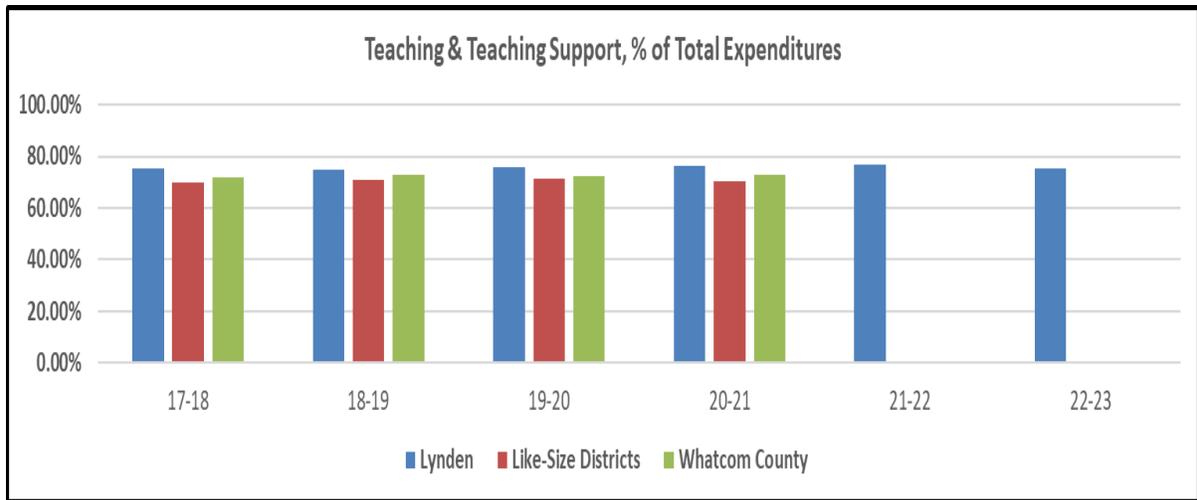
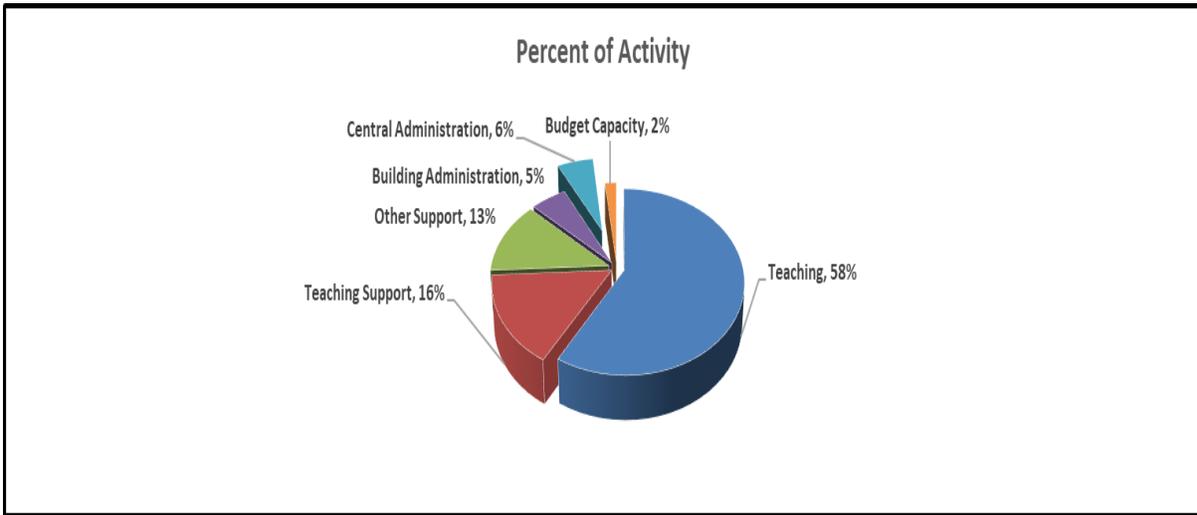
Educational & Operational Priorities

The District is still realizing the impacts of COVID-19 and temporarily still has federal resources to mitigate the impacts on enrollment and student support needs.

For the 2022/2023 school year, staffing levels remaining materially intact (7-8 FTE reduction in certificated instructional staff, via attrition). This will allow for student to certificated instructional staff (CIS) ratios to remain at favorable levels.

Classified staff levels remain intact, providing for strong ratios of students to staff member.

The district has consistent history of allocating resources to teaching and learning at favorable levels in comparison to districts its size and within Whatcom County. Please see the two charts below for a reference.



What is on the horizon for 2023/2024

The district is budgeted to utilize approximately \$2.9 million of its fund balance in 2022/2023, and will realize a loss of federal resources of approximately \$1.3 million at the conclusion of 2022/2023.

Enrollment may mitigate the impacts noted above.

A comprehensive, collaborative process to address the projected challenge for 2023/2024 will be implemented in the fall of 2022.