

MODESTO CITY SCHOOLS

TO:	Dr. Sara Noguchi, Superintendent	Regular Meeting
SUBJECT:	Approval of Unaudited Financial Statements for 2021/21	September 13, 2021

PROPOSAL

The COVID-10 pandemic erupted when the District was in the final stages of building the 2020/21 budget. Since then the short-term priority has been implementing immediate responses to the crisis. The execution of the 2020/21 budget has proven extremely challenging to forecast amid high uncertainty, continuous reactive process and the influx of COVID response and recovery funds.

The 2020/21 Adopted budget included estimated expenditure savings of \$12 million. At Second Interim that number was increased to \$21.9 million; at Estimated Actuals it was increased again to \$26.6 million in estimated expenditure savings. Even with continued monitoring and review, it proved impossible to foresee the full fiscal impacts from prolonged distance learning.

UNRESTRICTED

The unrestricted estimated actuals for 2020/21 projected a net decrease to fund balance of \$10.1 million for a total of \$90.8 million. The unrestricted unaudited actuals for 2020/21 reflect a net increase of \$10.9 million to fund balance for a total of \$111.8 million. The unrestricted ending balance change from the estimated actual projection in the revised adopted budget, of \$21 million, was primarily a result of the following factors:

Revenue Factors (in millions):

Local Control Funding Formula (LCFF)	
ADA Adjustment based on 2019/20 REVISED P2	\$1.5
Other State Revenue	
Unrestricted Lottery	\$0.6
Other Local Revenue	
Interest Income	\$0.1
Investments	<\$1.2>
Total increase in Revenue	\$1.0

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Expenditure Factors (in millions):

Additional savings in salaries and benefits	\$7.0
Increase in books and supplies	\$2.9
Additional savings in services	\$6.2
Other Outgo	\$0.1
Net Change in Indirect Transfers	<\$2.3>

Total savings in Expenditures **\$13.9**

Other Financing Sources (in millions):

Net change of Transfers to/from Other Funds	<\$2.0>
Increase in Transfers Out	<\$0.1>
Reduction in Restricted Maintenance Contribution	\$0.7
Reduction in Special Education Contribution	\$7.5
Increase in Revenue	\$3.1M
Savings in Expenditures	\$4.4M

Total savings in Transfers and Contributions **\$6.1**

TOTAL IMPROVEMENT OVER ESTIMATED ACTUALS **\$21.0**

RESTRICTED

The restricted ending balance increased by \$17.4 million over the previous year due to 2020/21 school closures and the receipt of onetime COVID funds that have not yet been spent.

2021/22 UNRESTRICTED BUDGET CHANGES SINCE ADOPTION:**Revenue Changes (in millions):**

- Local Control Funding Formula (LCFF) Adjustments
ADA Adjustment based on 2019/20 REVISED P2 \$1.5
Concentration Formula Increase \$7.5

Total Increase in Estimated Revenue \$9.0

Expenditure Changes (in millions):

- Reduction in State Unemployment Insurance Rate \$1.3
- Reduction in County Transfer - Community Day \$0.5

Total Reduction in Estimated Expenditures \$1.8

Other Financing Sources (in millions):

- Reduction in Special Education Contribution \$2.9
- Reduction in Restricted Maintenance Contribution \$0.1

Total Reduction in Transfers and Contributions \$3.0

The District's financial report is designed to provide the Board of Education with a general overview of the District's finances, as well as illustrate in detail the money received and expended. During the Fall of 2021, the District's external auditors will audit the records contained in this packet, and will render an opinion no later than December 15, 2021.

A copy of the complete financial report is available for review in the office of the Associate Superintendent, Business Services.