



CITIZEN'S GUIDE

TO SCHOOL DISTRICT FINANCES

Osseo Area Schools
FISCAL YEAR 2011
(2010-2011 School Year)



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Building
PUBLIC Trust

Engaging
Our **COMMUNITY**

Delivering
CLEAR and **ACCURATE**
Financial Reporting

BACKGROUND

This Citizen's Guide provides a summary of ISD 279-Osseo Area Schools finances for Fiscal Year 2011 (2010-2011 school year). Its purpose is to help members of the public understand where the school district's revenues come from and how funds are used to educate the 21,000 learners in our E-12 schools.

This document describes revenues and expenditures in the General/Transportation Fund, which represents nearly 76% of all funds managed by the school district. In addition to the General/Transportation Fund of \$221 million, the district manages approximately \$77 million among six other fund categories: Food Service, Community Service, Debt Service, Operating Capital, Internal Services, and Trust.

The information in this document has been reviewed by the Financial Involvement School-Community Accountability Liaisons (FISCAL) advisory team. The FISCAL team provides community-based input and feedback on school financial issues; reviews financial data across ISD 279; and advises the school district on economic issues.

This publication is not an audited opinion of the school district's finances. Rather, it is a brief overview of ISD 279's revenues, use of funds, and overall financial position. Malloy, Montague, Karnowski, Radosevich, & Co. (MMKR), a certified public accounting firm that specializes in school district accounting, provides an annual independent audit of ISD 279.

Data sources for this report include the independent annual audit by MMKR, financial and management reports, information from the Minnesota Department of Education, and Minnesota legislative documents on education finance.

For more information, visit the ISD 279 website at www.district279.org

Recognition for excellence in financial management

- ISD 279 received a **clean audit** of its FY 2011 finances. The independent auditor said the school district has “excellent financial record keeping and reliable financial data.”
- Moody's Investors Service has assigned an underlying rating of Aa1 to the district's general obligation bonds. Aa1 is the **second highest bond rating** Moody's has assigned to a Minnesota school district; only three school districts in Minnesota have a higher underlying bond rating from Moody's.
- For the past seven consecutive years ISD 279 has received the Minnesota Department of Education **School Finance Award** for demonstrating “**sound fiscal health and financial policies and procedures.**”
- For the 21st consecutive year, the Osseo School District was awarded the Association of School Business Officials International's **Certificate of Excellence in Financial Reporting.**

Leveraging taxpayer dollars through careful stewardship

- The school district maintained an **intense focus on classroom instruction**. Nearly 77% of the operating budget goes directly to classroom instruction for students. Source: FY 2011 independent annual audit.
- By refinancing debt at a lower interest rate, the school district has **saved local taxpayers \$11.3 million since 2005** in school-related property taxes.
- ISD 279 received nearly **\$37 million in grant funds** in 2010-2011. Grant funds leveraged local dollars and allowed schools to provide value-added programs and services that meet student needs. FY 2011 saw a decrease of \$4.5 million in grant funds over the prior year, due to the one-time general education aid reduction offset by Federal Fiscal Stabilization Funds and other one-time federal stimulus dollars received in FY 2010.

Success in cost containment

- Belt-tightening across the system resulted in nearly **\$1.4 million in savings** in the area of purchased services and supplies for FY 2011.
- Significant progress has been made in **containing health insurance costs** by providing employees with a deductible plan that results in lower insurance costs to the school district.
- During FY 2011, about \$413,000 in **energy savings** was achieved through an energy cost avoidance program. Cumulative cost avoidance savings since the beginning of the program in 2008 is more than \$1.7 million.

GENERAL/TRANSPORTATION FUND REVENUES

For the year ended June 30, 2011



State Aid	\$142,872,500	62.4%	↑
Property Taxes	\$63,977,647	27.9%	↑
Federal Aid	\$15,979,803	7.0%	↑
Other	\$6,275,759	2.7%	↑
Total General/Transportation Fund Revenue	<u>\$229,105,709</u>	100%	

ISD 279 receives money from several sources: state aid, property taxes, federal aid and categorical revenues. The amount from any one source may vary from year to year. Because of this fluctuation, the district annually estimates its revenue, then allocates the money to school sites through a formal budget process. Each dollar received in the General/Transportation Fund for FY 2011 was derived from the funding sources noted above.

GENERAL/TRANSPORTATION FUND EXPENDITURES

For the year ended June 30, 2011



Instruction	\$172,143,314	77.7%	↑
Transportation/Pupil Support Services	\$20,510,261	9.3%	↑
Buildings & Grounds	\$13,479,877	6.1%	↑
District Administration	\$9,874,328	4.5%	↑
School Administration	\$5,063,114	2.3%	↑
Other	\$338,224	0.1%	↑
Total General Operating Expenditures	<u>\$221,409,118</u>	100%	

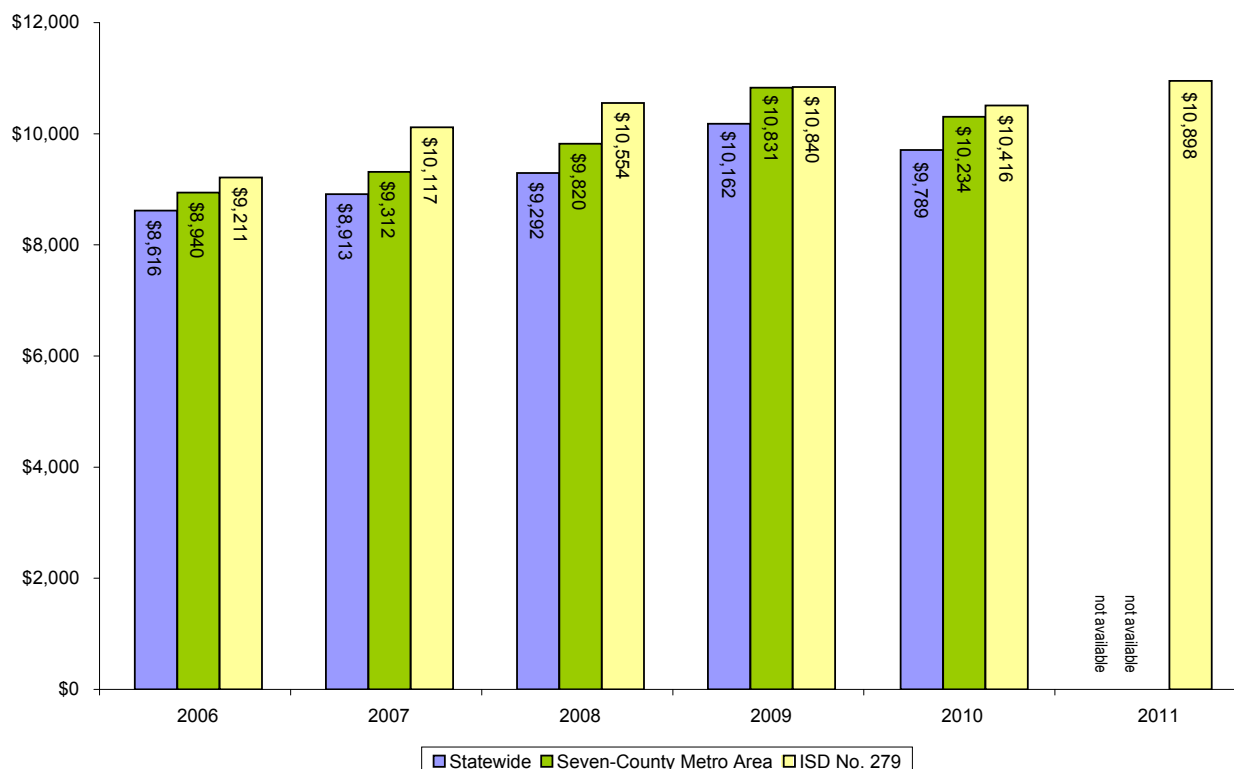
ISD 279 spending priorities are focused on student instruction. More than 77% of the operating budget goes directly to classroom instruction for students.

Source: FY 2011 independent audit by Malloy, Montague, Karnowski, Radosevich and Co.

EXPENDITURES PER STUDENT SERVED

For the fifth consecutive year, administrative and district support services costs per pupil were lower than the seven-county metro area and statewide averages.

ADM: Average Daily Membership (each ADM roughly represents one student)



	Statewide*					Seven-County Metro Area*					ISD 279					
	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010	2006	2007	2008	2009	2010	2011
Administrative and district support services	\$745	\$780	\$811	\$854	\$807	\$744	\$772	\$817	\$876	\$781	\$657	\$672	\$701	\$716	\$726	\$748
Elementary and secondary regular instruction	4,191	4,362	4,529	5,112	4,885	4,313	4,523	4,730	5,411	5,069	4,536	4,971	5,208	5,512	5,186	5,491
Vocational education instruction	133	131	142	153	149	127	127	141	152	150	194	180	171	142	162	141
Special education instruction	1,632	1,649	1,703	1,817	1,832	1,771	1,815	1,904	2,002	1,992	1,838	1,995	2,097	2,152	2,128	2,173
Instructional support services	405	425	461	502	461	458	481	536	598	550	496	536	614	655	557	571
Pupil support services	741	784	835	874	861	800	857	914	968	937	757	1,000	1,017	970	1,014	988
Sites and buildings and other	769	782	811	850	794	727	737	778	824	755	733	763	746	693	643	786
Total General Fund operating expenditures	\$8,616	\$8,913	\$9,292	\$10,162	\$9,789	\$8,940	\$9,312	\$9,820	\$10,831	\$10,234	\$9,211	\$10,117	\$10,554	\$10,840	\$10,416	\$10,898

Note: In FY 2011, instructional expenditures increased due to the addition of 15 full-time equivalent licensed staff.

Expenditure patterns vary from district to district for various reasons. Factors affecting the comparison include, among others, the growth cycle or maturity of the district, average employee experience, availability of funding, population density, and methods of allocating costs.

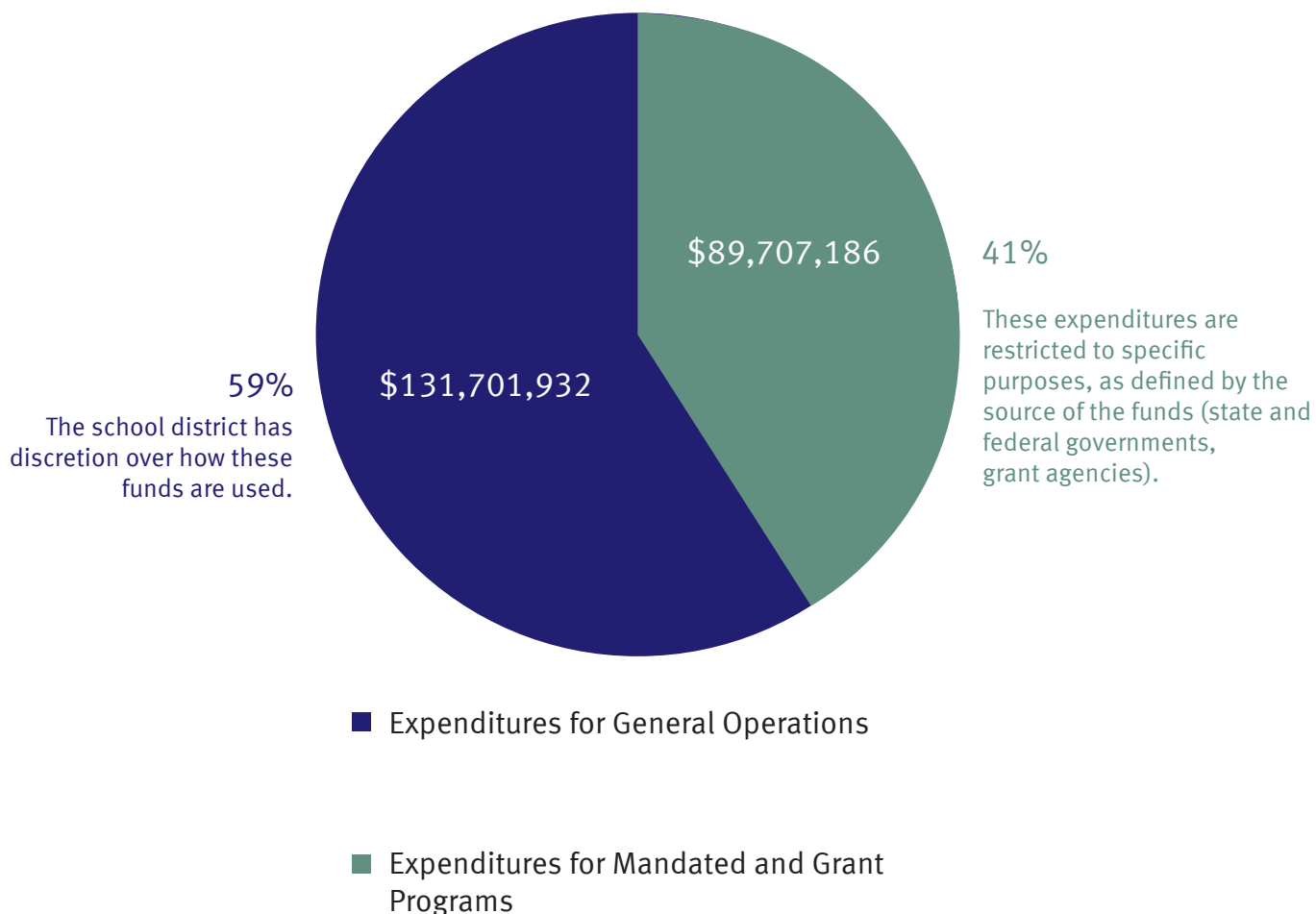
Source: FY 2011 independent audit management report, Malloy, Montague, Karnowski, Radosevich and Co., P.A.

*Statewide and seven-county metro area information for 2011 is not yet available.

HOW MUCH OF THE ANNUAL BUDGET IS WITHIN THE SCHOOL DISTRICT'S CONTROL?

The School District has discretionary control of 60% of the annual budget

About 40% of FY 2011's expenditures were tied to mandated and grant programs that require that the dollars received are spent for specific purposes. Unrestricted expenditures, about 60% of the budget, allow for discretion and can be spent on the general operations of the district.



Grant Programs - Entitlements received for a specific purpose that contain spending restrictions.

Mandated Programs - Particular programs for which schools are required to provide services, even if a revenue stream is not available or fully funded. Examples include special education and English learner services.

GENERAL/TRANSPORTATION FUND

OPERATIONS AND FINANCIAL POSITION

This balance sheet demonstrates the school district's financial position, an indicator of the overall financial health of district finances. Based on information available at publication, by FY 2013, the budget reserve (the "savings account") will be less than 7% of expenditures.

	2010 Actual	% Change From Prior Year	2011 Actual	% Change From Prior Year	2012 Projected	% Change From Prior Year	2013 Projected
Beginning Fund Balance	\$ 32,449,719		\$ 40,823,630		\$ 48,520,221		\$ 40,525,345
Revenue	225,547,633	1.6%	229,105,709	-14.7%	195,459,487	0.0%	195,459,487
Expenditures	218,404,684	1.4%	221,409,118	-8.1%	203,454,363	3.75%	211,083,902
Intrafund Transfer In	1,230,962						
Ending Fund Balance	<u>\$ 40,823,630</u>		<u>\$ 48,520,221</u>		<u>\$ 40,525,345</u>		<u>\$ 24,900,930</u>
Unreserved Unassigned Fund Balance	34,382,285		38,222,696		30,227,820		14,603,405
Reserved Nonspendable/Restricted/Assigned Fund Balance	6,441,345		10,297,525		10,297,525		10,297,525
Total Fund Balance	<u>\$ 40,823,630</u>		<u>\$ 48,520,221</u>		<u>\$ 40,525,345</u>		<u>\$ 24,900,930</u>
Number of weeks of expenditures the unreserved fund balance covers	8.2		9.0		7.7		3.6
Unreserved fund balance as a percentage of Expenditures	15.7%		17.3%		14.9%		6.9%
Student Enrollment (ADM)	20,964		20,764		20,629		20,428
Poverty (Free/Reduced Price Meals)	41.8%		44.8%				
English Learners (EL) per ADM	6.8%		6.6%				
Special Education	14.8%		15.1%				

Unreserved fund balance is generally considered the amount of money left after paying bills. However, due to accounting requirements, the fund balance does not reflect the amount of money actually in the bank; a significant portion of state aid must be recorded in the year before it is received. Therefore, the fund balance is usually larger than the actual amount of cash on hand.

The unreserved unassigned fund balance provides cash flow for operations and keeps the district out of debt. To put the fund balance in perspective: The district's monthly operating costs average \$18.5 million, 84% of which is used to cover employee payroll and benefits. On June 30, 2011, the unreserved unassigned fund balance would have covered 9 weeks of operations.

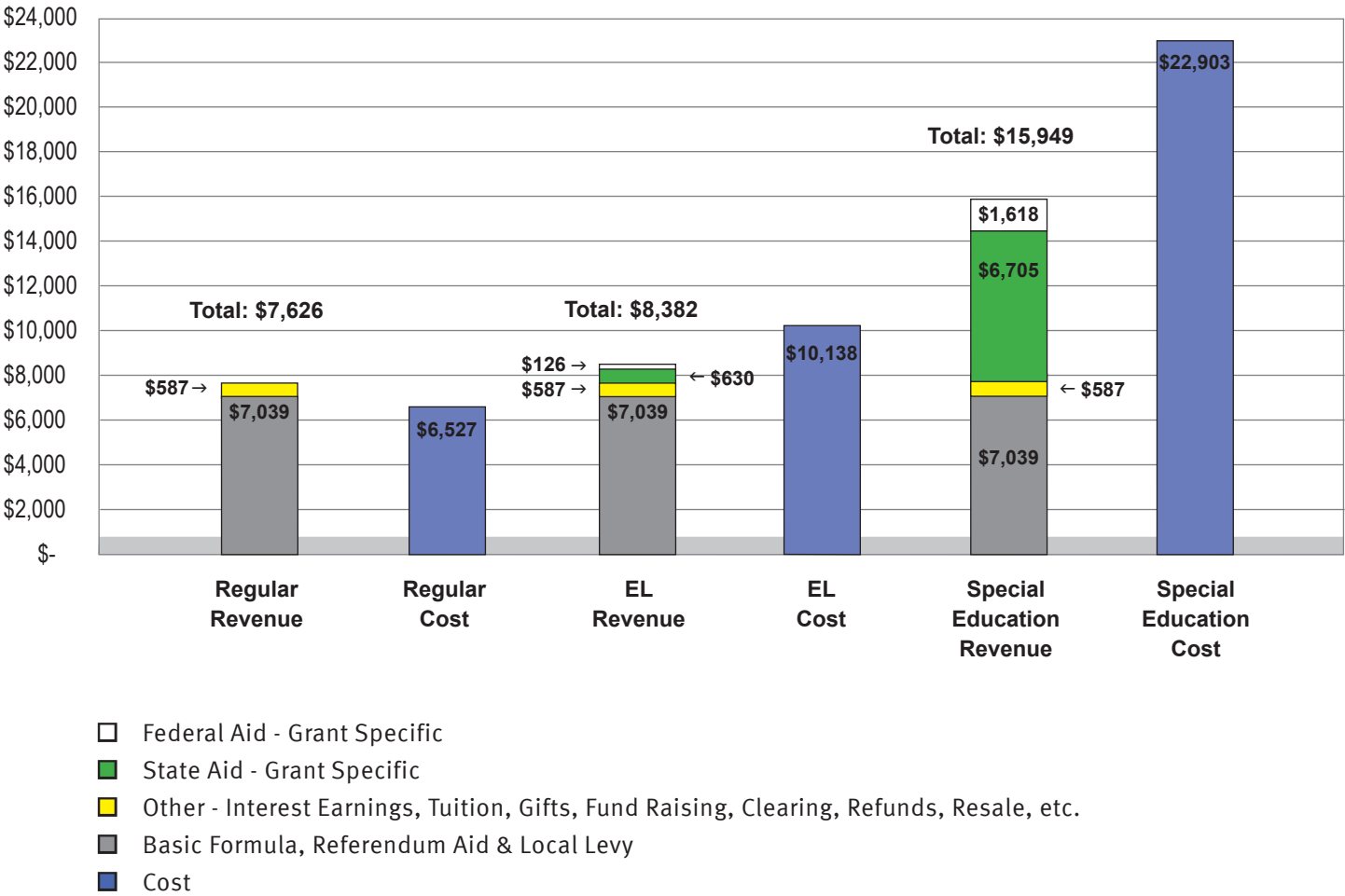
School Board policy regarding fund balance states "the Board will endeavor to maintain an unappropriated fund balance that will not fall below 5% of the District's general fund operating expenditure budget, excluding operating capital programs."

www.district279.org / for current curricular, financial, and other School District information.
www.education.state.mn.us / for current statewide educational information.

REVENUES VS EXPENDITURES PER STUDENT

Forty percent (nearly \$90 million) from the General Fund paid for underfunded mandates in FY 2011

This graph shows the gap between revenues and expenditures per pupil for various special programs compared to regular education. The gap, called the “cross-subsidy,” requires that the general operating budget subsidize the costs of underfunded mandates. In FY 2011, almost \$90 million was drawn from the General Fund to subsidize underfunded mandates.



GLOSSARY

Actual - A number that has been audited.

ADM - (Average Daily Membership) - The total headcount of students. The ADM may be different from the official enrollment reported, since enrollment is usually reported as of a particular date. ADM adjusts for fluctuations in enrollment over the course of a school year.

Assigned Fund Balance - Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority.

Basic Formula - Basic revenue comes from the “formula,” which sets the minimum level of per-pupil funding from the state. The base amount was \$5,124 in 2010-2011.

Compensatory Revenue - Comes from a formula based on the number of students in a school who are poor enough to be eligible for free or reduced-price school lunch.

English Learners (EL) - For students entering school with little or no command of the English language.

General Fund - The general operating fund of a school district. Similar to a household checking account, the General Fund pays the day-to-day school operating expenses.

Integration Revenue - Is available to districts whose student enrollment comprises more than 15% students of color. Integration revenue follows students to their district of attendance if the enrollment contributes to desegregation or integration purposes. Integration revenue is part state aid, part local levy.

Levy - Property taxes collected from local district taxpayers as a component of the overall educational funding formula.

Nonspendable Fund Balance - Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.

Operating Levy - A type of property tax that must be approved by voters. In 2007, voters renewed an expiring levy that supports operating expenses such as employee salaries, supplies, heat and lights.

Other Revenue - Consists of tuition, fees, admissions, rentals, sale services/resale, interest earnings, and other miscellaneous revenues collected and/or received.

Regular Instruction Students - Students who do not qualify for specialized services in specific areas, such as special education, English language learners, and Title I.

Reserved/Restricted Funds - Funds specifically restricted for expenditures on certain items (such as construction or training). Some reserved/restricted funds also carry an additional restriction against carrying over unexpended fund balances from one year to the next.

Reserved Fund Balance - Reserved funds in excess of expenditures that may be used in a later year for expenditures within the original restrictions.

Restricted Fund Balance - Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.

Special Education - An education program for students who are identified as disabled.

Student Instruction - Includes costs of teachers, supplies, paraprofessionals, and curriculum development costs associated with the subjects taught.

Title I - An Elementary and Secondary Education Act program that provides resources for extra help for students who are behind grade level in reading and/or math achievement. The money is provided on the basis of students living in poverty.

Unassigned Fund Balance - The residual classification for the General Fund which also reflects negative residual amounts in other funds.

Unreimbursed - Costs that are not reimbursed by the requiring agency or other entity.

Unreserved Fund Balance - Funds in excess of expenditures that may be carried over from an earlier year and may be used on any legal educational expenditure.

Unreserved/Unassigned Funds - Funds that may be used on any legal educational expenditure.

2012-2013 ISD 279 School Board

Dean G. Henke - *Chairperson*
Kim B. Green - *Vice Chairperson*
Teresa Lunt - *Clerk*
Jim Burgett - *Treasurer*
Tammie Epley - *Director*
Laura Cottingham - *Director*

Kate Maguire, Ed.D. - *Superintendent*

FY 2012 Fiscal Team

Kelly Benusa
Krista Cassidy
Laura Cottingham
Russ Funk
Kim Green
Mark Hudson
Mike Hueller
Marie Kidder
Brian Kleven
John Nelson
Kim Riesgraf
Frank Tews
Teshite Wako

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For more information about education finance in Minnesota, visit:

[Minnesota School Finance: A Guide for Legislators](#)
[Financing Education in Minnesota, 2011-2012](#)