

CITIZEN'S GUIDE

TO ISD 279 SCHOOL DISTRICT FINANCES

Osseo Area Schools

FISCAL YEAR 2009
(2008-2009 School Year)





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Building
PUBLIC Trust

Engaging
 Our **COMMUNITY**

Reporting
FINANCIAL Issues



BACKGROUND

This Citizen's Guide provides a summary of ISD 279-Osseo Area Schools finances for Fiscal Year 2009 (2008-2009 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 comprises nearly 80% of all funds managed by the school district. In addition to the General/Transportation Fund of \$228 million, the district manages approximately \$61 million among four other fund categories: Food Service, Community Service, Debt Service and Operating Capital.

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 Web site at www.district279.org

Recognition for excellence in financial management

- ISD 279 received a **clean audit** of its FY 2009 finances. The independent auditor said the school district "is in the forefront of providing some of the best practices of financial management of school districts."
- For the 20th consecutive year, the Osseo School District was awarded the Association of School Business Officials International's **Certificate of Excellence in Financial Reporting**.
- For the past five consecutive years ISD 279 has received the Minnesota Department of Education **School Finance Award**.
- Moody's Investors Service has assigned an underlying rating of Aa2 to the district's general obligation bonds. Aa2 is the **second highest rating** Moody's has assigned to a Minnesota school district; only four school districts in Minnesota have a higher underlying bond rating from Moody's.

Leveraging taxpayer dollars through careful stewardship

- ISD 279 received nearly \$23 million in grant funds in 2008-2009. Grant funds leveraged local dollars and allowed schools to provide value-added programs and services that meet student needs.
- The school district maintained an intense focus on classroom-related expenditures. Out of every dollar spent from the General Fund, 88¢ paid for school-level expenditures in FY 2009; 9¢ paid for student transportation; and 3¢ paid for district administration. Source: FY 2009 independent annual audit.
- Under authority provided by the Minnesota Legislature, the school district sold bonds to pay for Other Post-Employment Benefits (i.e., retiree benefits), lessening pressure on the General Fund that pays for classroom and other operating expenses.

Success in cost containment

- Significant progress has been made in containing health insurance costs. By the close of FY 2009, district contributions toward health insurance had been capped for all but one employee group. As of January 2010, 100% of the district's employee groups have caps on district contributions toward insurance. In addition, all employees have access to a deductible plan.
- During the first three quarters of 2009, about \$375,000 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 \$850,000.
- Approximately \$750,000 in cost savings was achieved in FY 2009 by making school bus routes more efficient.
- Belt-tightening across the system resulted in \$750,000 in savings in the area of purchased services and supplies/materials for FY 2009.
- ISD 279 uses a cost-saving paperless system for records and data retention in several administrative departments.



GENERAL/TRANSPORTATION FUND REVENUES

For the year ended June 30, 2009



State Aid	\$165,720,993	74.1%	↑
Property Taxes	\$43,470,958	19.4%	↑
Federal Aid	\$7,978,772	3.6%	↑
Other	\$6,585,131	2.9%	↑
Total General/Transportation Fund Revenue	\$223,755,854	100%	

ISD 279 receives money from several sources: state aid, property taxes, federal aid and other categorical revenues. The amount from any one source may vary from year to year. Because of this fluctuation, the district must estimate its revenue each year. Once the revenue has been estimated, the district allocates the money to school sites through a formal budget process. Each dollar received in the General/Transportation Fund for 2008-2009 was derived from the funding sources noted above.

GENERAL/TRANSPORTATION FUND EXPENDITURES

For the year ended June 30, 2009



Instruction	\$178,112,265	78.1%	↑
Transportation/Pupil Support Services	\$20,370,175	8.9%	↑
Buildings & Grounds	\$14,143,153	6.2%	↑
District Administration	\$8,999,895	3.9%	↑
School Administration	\$6,058,214	2.7%	↑
Other	\$406,778	0.2%	↑
Total General Operating Expenditures	\$228,090,480	100%	

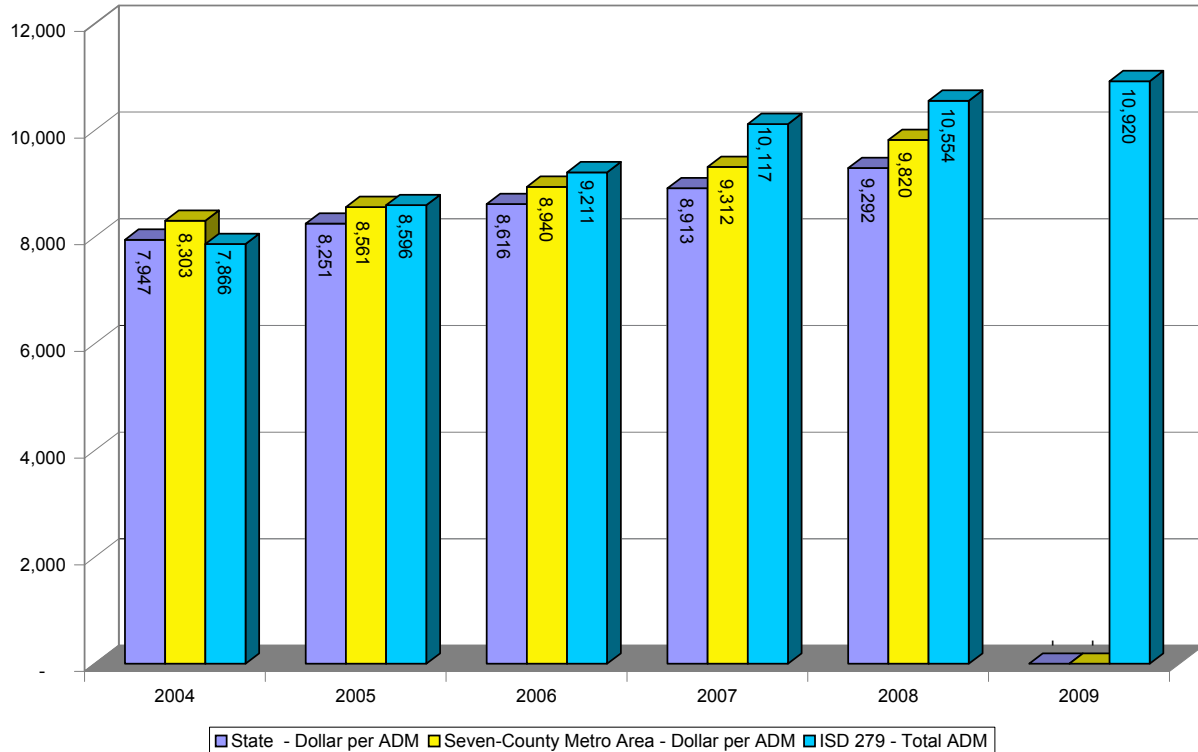
ISD 279 spending priorities are focused on student instruction. More than 78% of the entire operating budget goes directly to classroom instruction for students.

Source: FY 2009 independent audit by Malloy, Montague, Karnowski, Radosevich and Co.

EXPENDITURES PER STUDENT SERVED

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

Under new state accounting rules implemented in FY 2009, bonds used to pay for retiree benefits were included as expenditures, which resulted in the appearance of a per pupil expenditure increase over the previous year. Not counting the bonds, **actual per pupil expenditures decreased by \$388 over the previous year**, due to \$14.7 million in expenditure reductions made for the 2008-2009 school year.



	State-Wide					Seven-County Metro Area					ISD No. 279					
	2004	2005	2006	2007	2008	2004	2005	2006	2007	2008	2004	2005	2006	2007	2008	2009
Administrative and district support services	\$658	\$726	\$745	\$780	\$811	\$615	\$732	\$744	\$772	\$817	\$571	\$582	\$657	\$672	\$701	\$717
Elementary and secondary regular instruction	3,950	4,054	4,191	4,362	4,529	4,103	4,163	4,313	4,523	4,730	3,939	4,383	4,536	4,971	5,208	5,508
Vocational education instruction	129	130	133	131	142	124	122	127	127	141	177	180	194	180	171	171
Special education instruction	1,403	1,533	1,632	1,649	1,703	1,527	1,670	1,771	1,815	1,904	1,559	1,719	1,838	1,995	2,097	2,128
Instructional support services	417	382	405	425	461	497	441	458	481	536	409	462	496	536	614	655
Pupil support services	701	710	741	784	835	773	760	800	857	914	574	628	757	1000	1017	970
Sites and buildings and other	689	716	769	782	811	664	673	727	737	778	637	642	733	763	746	771
Total General Fund operating expenditures	\$7,947	\$8,251	\$8,616	\$8,913	\$9,292	\$8,303	\$8,561	\$8,940	\$9,312	\$9,820	\$7,866	\$8,596	\$9,211	\$10,117	\$10,554	\$10,920

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 2009 independent audit management report, Malloy, Montague, Karnowski, Radosevich and Co., P.A.

*Statewide and seven-county metro area information for 2009 is not yet available.

FY 2009 GENERAL/TRANSPORTATION ACTUAL EXPENDITURE ALLOCATION TO SITES

The unreserved expenditure figures show how per-pupil expenditures at each site compare to the district average.
The reserved expenditure figures show how reserved funds are used to meet the needs of special populations.

UNRESERVED EXPENDITURES

SITE	Expenditure	Students Projected (sorted by size)	Average Expenditure Per Projected Student
Rush Creek	\$ 5,625,049	999	\$ 5,631
Fernbrook	\$ 5,417,259	986	\$ 5,494
Woodland	\$ 5,415,081	972	\$ 5,571
Basswood	\$ 5,332,333	959	\$ 5,560
Edinbrook	\$ 5,250,571	912	\$ 5,757
Palmer Lake	\$ 4,041,444	767	\$ 5,269
Oak View	\$ 3,797,746	737	\$ 5,153
Rice Lake	\$ 4,069,229	722	\$ 5,636
Elm Creek	\$ 4,162,901	699	\$ 5,956
Cedar Island	\$ 3,316,592	562	\$ 5,901
Weaver - Magnet	\$ 3,728,940	557	\$ 6,695
Zanewood	\$ 3,021,856	488	\$ 6,192
Garden City	\$ 2,620,631	428	\$ 6,123
Crest View	\$ 2,202,145	413	\$ 5,332
Park Brook	\$ 2,597,577	406	\$ 6,398
Birch Grove - Magnet	\$ 2,609,739	360	\$ 7,249
Fair Oaks	\$ 2,203,002	332	\$ 6,636
Total Elementary Students	\$ 65,412,095	11,299	\$ 5,789
Maple Grove JH	\$ 9,323,880	1,653	\$ 5,641
Osseo JH	\$ 7,708,230	1,319	\$ 5,844
Brooklyn JH	\$ 6,126,337	1,047	\$ 5,851
North View JH - Magnet	\$ 5,418,073	934	\$ 5,801
Total Junior High Students	\$ 28,576,520	4,953	\$ 5,770
Osseo Area Learning Center (OALC)	\$ 2,912,485	236	\$ 12,341
Maple Grove Sr	\$ 11,930,819	1,834	\$ 6,505
Osseo Sr	\$ 11,235,940	1,718	\$ 6,540
Park Center Sr - Magnet	\$ 9,482,684	1,460	\$ 6,495
Total Senior High Students	\$ 32,649,443	5,012	\$ 6,514
Total secondary students projected		<u>10,201</u>	
Total elementary & secondary students projected		<u>21,500</u>	
Education Service Center (ESC)	\$ 6,479,454	21,500	\$ 301
Other Area Learning Center (ALC) Tuition	\$ 1,244,158	86	\$ 14,467
Subtotal general/transportation operating budget	\$ 137,274,155	21,500	\$ 6,385

RESERVED EXPENDITURES

* BUDGET ALLOCATED BASED ON STUDENTS SERVED	Expenditure	Students Projected (sorted by size)	Average Expenditure Per Projected Student
Total Special Education (SPED) cost	\$ 49,276,147	3,116	\$ 15,814
Special Education federal grants	\$ 3,877,944	3,116	\$ 1,245
Special Education net cost (includes state aid portion)	\$ 45,398,203	3,116	\$ 14,569
Total English Language Learners (ELL) cost	\$ 5,055,941	1,894	\$ 2,669
Title III & State Refugee Impact grants	\$ 348,384	1,894	\$ 184
ELL net cost (includes state aid portion)	\$ 4,707,557	1,894	\$ 2,486
Other Grants & Revenue	\$ 20,294,553		
Other Post Employment Benefits Bonds Sold	\$ 15,835,500	21,500	\$ 737
Total General/Transportation Expenditure Budget	\$ 227,736,296		

* Budgets for special education, English language learners, other grant and revenue are in addition to average expenditure per student projected by site.

** Actual students served may vary from student projections.

GENERAL 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. With information available at this time, by FY 2011, the budget reserve (the "savings account") will be sufficient to cover less than 4 weeks of operations. In order to stay out of debt, it is likely that the district will either make cuts in staff and programs; request an operating levy increase from voters; or do a combination of both.

	% Change from Year	2008 Actual	% Change from Year	2009 Actual	% Change from Year	2010 Projected	% Change from Year	2011 Projected
Beginning Fund Balance		\$ 26,097,028		\$ 20,594,661		\$ 32,449,719		\$ 29,040,767
Revenue								
Unreserved	3.0%	162,852,286	3.1%	167,950,417	0.0%	157,230,025	0.0%	157,230,025
Other Post Employment Benefits Bond Reserved	9.7%	59,735,836	-6.9%	55,596,777	-5.0%	52,814,512	0.0%	52,814,512
Total Revenue	4.7%	222,588,122	7.6%	239,591,354	-12.3%	210,044,537	0.0%	210,044,537
Expenditures								
Unreserved	3.4%	143,525,586	-7.0%	133,461,338	4.0%	131,606,093	4.0%	136,870,337
Other Post Employment Benefits Bond Reserved	2.2%	84,564,903	-7.5%	78,230,798	4.0%	81,847,396	4.0%	85,121,292
Total Expenditures	2.9%	228,090,489	-0.2%	227,736,296	-6.3%	213,453,489	4.0%	221,991,629
Ending Fund Balance		\$ 20,594,661		\$ 32,449,719		\$ 29,040,767		\$ 17,093,675
Unreserved Fund Balance		20,088,636		31,789,373		28,380,421		16,433,329
Reserved Fund Balance		506,025		660,346		660,346		660,346
Total Fund Balance		\$ 20,594,661		\$ 32,449,719		\$ 29,040,767		\$ 17,093,675

How many weeks of expenditures can the unreserved fund balance cover?	4.6	7.3	6.9	3.8
Unreserved fund balance as a percentage of expenditures	8.8%	14.0%	13.3%	7.4%
Adjustment required to reach 5% ending fund balance target				
Student Enrollment (ADM)	21,770	21,009	20,683	20,570
Poverty (Free/Reduced Price Meals)	37.4%	39.0%		
English Language Learners (ELL) per ADM	7.4%	7.0%		
Special Education	14.6%	14.8%		

Unreserved revenue/expenditures are those amounts the District receives that can be spent on any legal education expenditure.

Reserved revenue/expenditures are specifically restricted for expenditure on certain items. They are also typically those services the District is mandated to provide. For example, federal and state special education, English Language Learner, career or technology education, safe schools, reemployment, first grade preparedness, compensatory, integration, Title I, Title II, Title III, Title VI B, block grant, and various other federal or state grant programs.

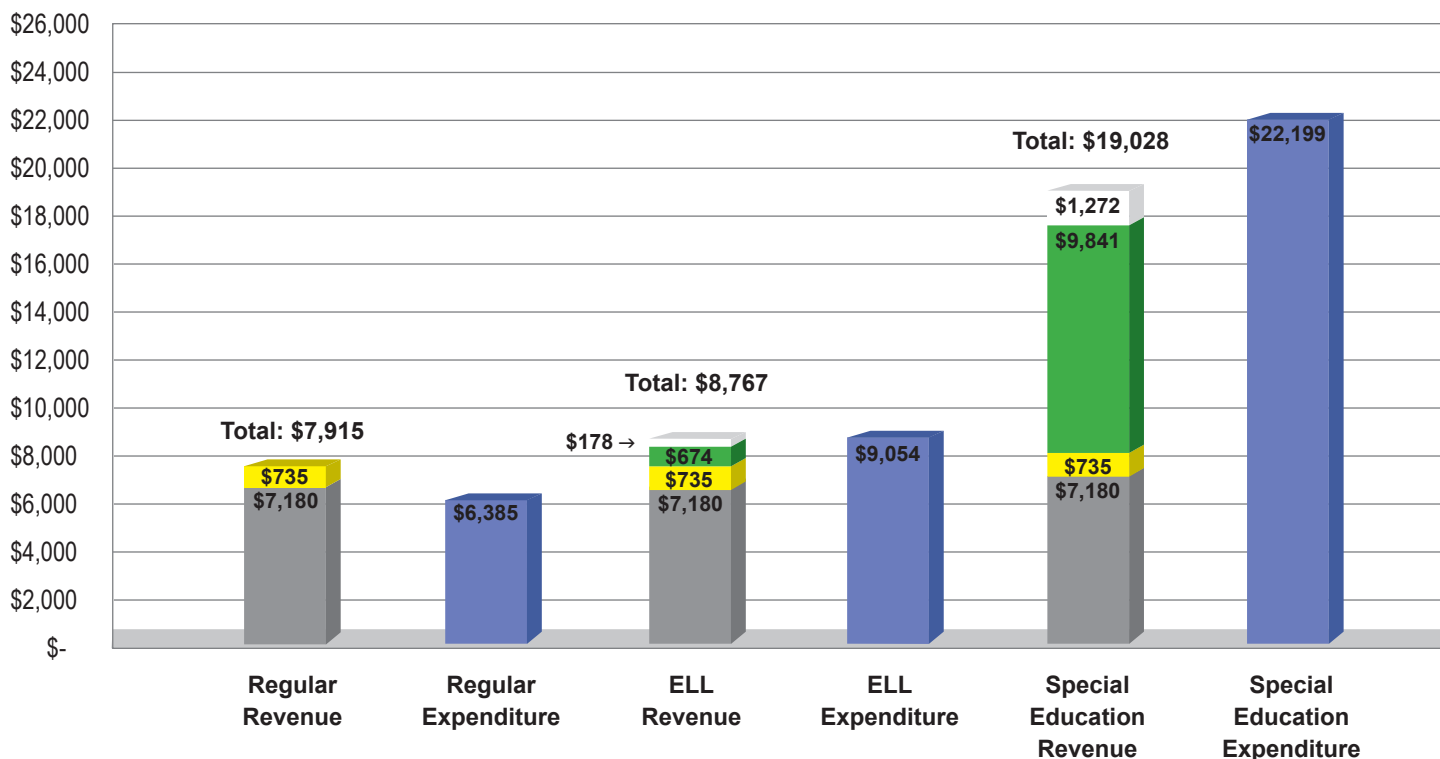
Unreserved fund balance is the amount of money the District has left after paying expenditures to help cashflow the operations as well as buffer the District from being in Statutory Operating Debt. For example, the district's monthly payroll is more than \$11.8 million per month. Therefore, at the end of June 30, 2009 the District's unreserved fund balance would have covered 7.3 weeks of operations.

During the spring of 2009, the School Board approved using budget assumptions of 0% revenue and 4% expenditure growth. Based on the legislative session results for the next biennium, if revenue growth is less than 0%, expenditure growth of 4% will be adjusted accordingly.



FY 2009 PER-STUDENT REVENUE VS. EXPENDITURES

This graph shows the gap between the expenditures and revenues for various special programs compared to regular education. The gap, called the “cross-subsidy,” means that the general operating budget must subsidize the additional costs of underfunded mandates.



- Federal Aid - Grant Specific
- State Aid - Grant Specific
- Other - Interest Earning, Tuition, Gifts, Fund Raising, Clearing, Refunds, Resale, etc.
- Basic Formula, Referendum Aid & Local Levy
- Expenditure



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.

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 2008-09.

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 Language Learners (ELL) - for students entering school with little or no command of the English language.

First Grade Preparedness - Certain schools receive state funds to operate full-day kindergarten programs to develop reading and other skills needed for success in school. Schools with the highest concentration of pupils eligible for free and reduced-price lunch are eligible. The state has eliminated this funding source for FY 2010.

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.

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 Funds - funds specifically restricted for expenditures on certain items (such as construction or training). Some reserved 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.

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.

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

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

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.