



CITIZEN'S GUIDE

TO SCHOOL DISTRICT FINANCES

Osseo Area Schools
FISCAL YEAR 2012
(2011-2012 School Year)

OSSEO AREA SCHOOLS
ISD  279

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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 2012 (2011-2012 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 20,500 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 \$225 million, the district manages approximately \$72 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 2012 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 eight consecutive years ISD 279 has received the Minnesota Department of Education **School Finance Award** for demonstrating timely submission of financial data and compliance with state statutes; presence of select indicators of fiscal health; and a accuracy in financial reporting.
- For the 23rd 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 maintains an **intense focus on classroom instruction**. More than 78% of the operating budget goes directly to classroom instruction for students. Source: FY 2012 independent annual audit.
- By refinancing debt at a lower interest rate, the school district has **saved local taxpayers nearly \$11.3 million since 2005** in school-related property taxes.
- ISD 279 received **\$31.5 million in grant funds** in FY 2012. Grant funds leveraged local dollars and allowed schools to provide value-added programs and services that meet student needs. FY 2012 saw an increase of \$5.5 million in grant funds over the prior year, due to the one-time general education aid reduction offset by the Federal Fiscal Stabilization Funds and other one-time federal stimulus dollars received in FY 2011.

Success in cost containment

- Belt-tightening across the system resulted in nearly **\$2.4 million in savings** in the area of purchased services and supplies for FY 2012.
- 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 2012, about \$853,000 in **fuel savings** was achieved through an energy cost avoidance program and a milder winter. Cumulative cost avoidance savings since the beginning of the program in 2008 is nearly \$2.6 million.

GENERAL/TRANSPORTATION FUND REVENUES

For the year ended June 30, 2012



State Aid	\$161,516,194	72.2%	↑
Property Taxes	\$44,965,114	20.1%	↑
Federal Aid	\$11,021,029	4.9%	↑
Other	\$6,265,415	2.8%	↑
Total General/Transportation Fund Revenue	\$223,767,752	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 2012 was derived from the funding sources noted above.

GENERAL/TRANSPORTATION FUND EXPENDITURES

For the year ended June 30, 2012



Instruction	\$175,918,686	78.2%	↑
Transportation/Pupil Support Services	\$20,216,904	9.0%	↑
Buildings & Grounds	\$13,252,957	5.9%	↑
District Administration	\$10,003,428	4.4%	↑
School Administration	\$5,214,235	2.3%	↑
Other	\$338,499	0.2%	↑
Total General Operating Expenditures	\$224,944,709	100%	

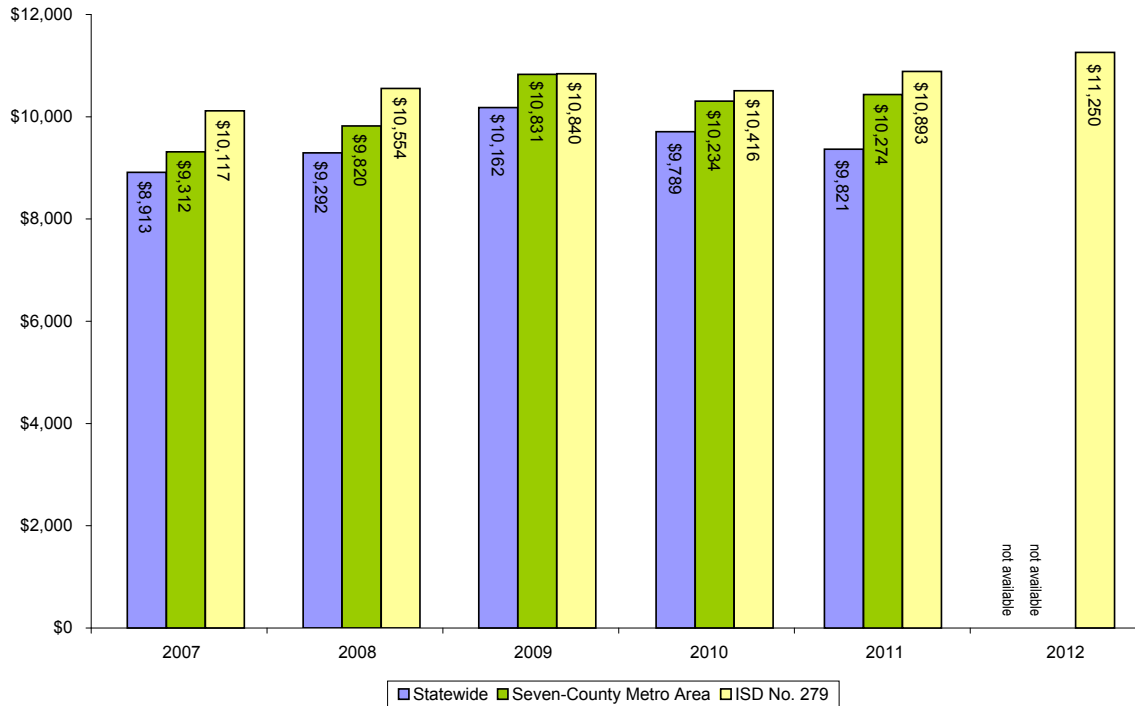
ISD 279 spending priorities are focused on student instruction. More than 78% of the operating budget goes directly to classroom instruction for students.

Source: FY 2012 independent audit by Malloy, Montague, Karnowski, Radosevich and Co.

EXPENDITURES PER STUDENT SERVED

Administrative and district support services costs per pupil are consistently 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					
	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011	2012
Administrative and district support services	\$780	\$811	\$854	\$807	\$813	\$772	\$817	\$876	\$781	\$788	\$672	\$701	\$716	\$726	\$747	\$763
Elementary and secondary regular instruction	4,362	4,529	5,112	4,885	4,829	4,523	4,730	5,411	5,069	5,107	4,971	5,208	5,512	5,186	5,489	5,772
Vocational education instruction	131	142	153	149	144	127	141	152	150	136	180	171	142	162	141	167
Special education instruction	1,649	1,703	1,817	1,832	1,904	1,815	1,904	2,002	1,992	3,015	1,995	2,097	2,152	2,128	2,172	2,167
Instructional support services	425	461	502	461	446	481	536	598	550	526	536	614	655	557	571	594
Pupil support services	784	835	874	861	874	857	914	968	937	937	1,000	1,017	970	1,014	987	982
Sites and buildings and other	782	811	850	794	811	737	778	824	755	765	763	746	693	643	786	805
Total General Fund operating expenditures	\$8,913	\$9,292	\$10,162	\$9,789	\$9,821	\$9,312	\$9,820	\$10,831	\$10,234	\$10,274	\$10,117	\$10,554	\$10,840	\$10,416	\$10,893	\$11,250

Note: In FY 2012, instructional expenditures increased due to the addition of 15 full-time equivalent licensed staff, to reduce class sizes; expand all-day kindergarten options; and provide more behavior intervention licensed staff at elementary sites.

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.

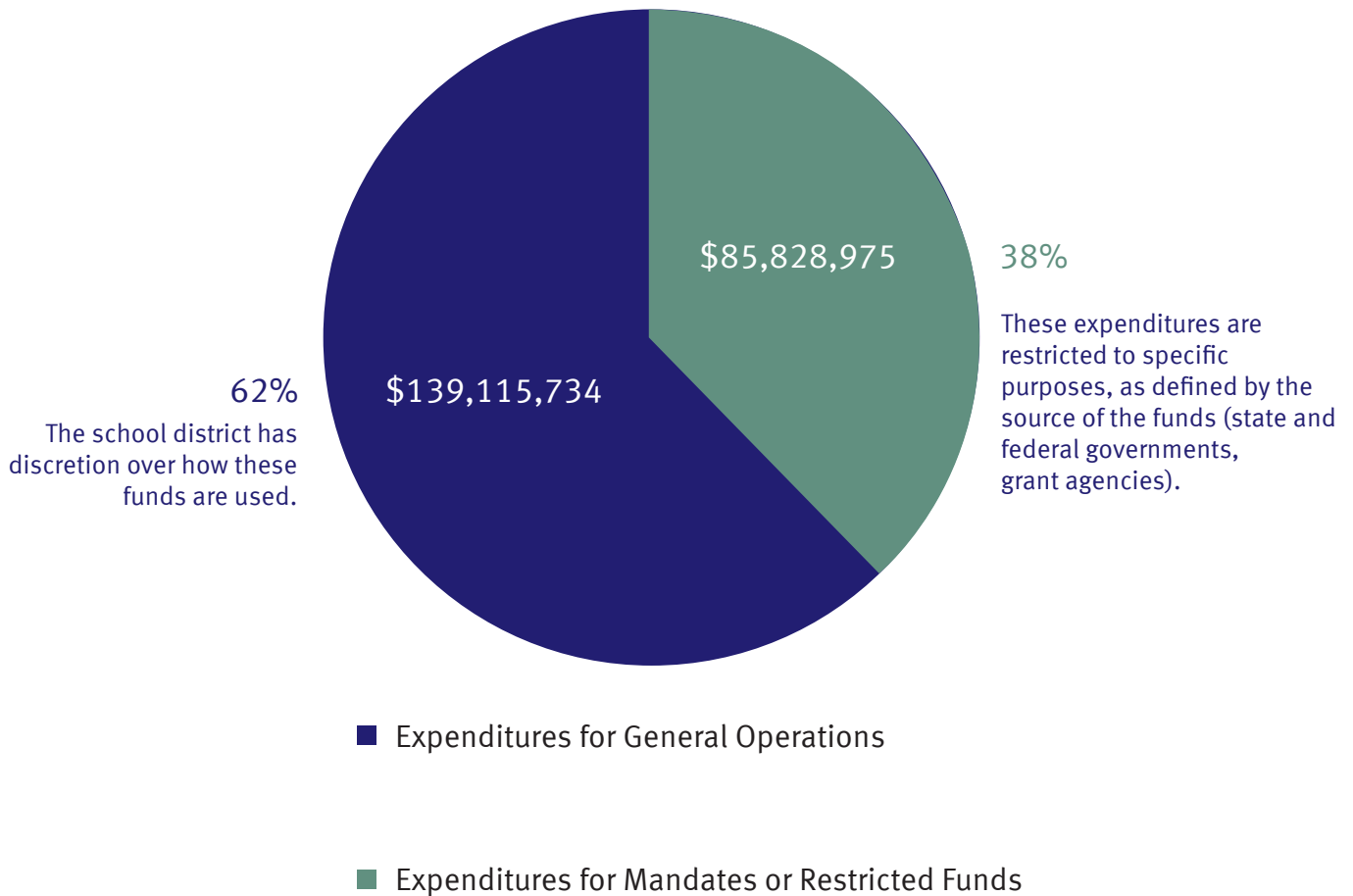
Source: FY 2012 independent audit management report, Malloy, Montague, Karnowski, Radosevich and Co., P.A.

*Statewide and seven-county metro area information for 2012 is not yet available.

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

The school district has discretionary control of 62% of the annual budget

About 38% of FY 2012 expenditures were tied to mandates or restricted to specific purposes. Unrestricted expenditures, about 62% of the budget, allow for discretion and can be spent on the general operations of the district.



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 language learner services.

Restricted Funds - Funds received for a specific purpose that carry spending restrictions.

GENERAL FUND OPERATIONS AND FINANCIAL POSITION

This balance sheet demonstrates the school district's financial position, which is an indicator of the overall financial health of district finances. By FY 2014, the budget reserves (the "savings account") will be 5.9% of expenditures. The District is in the process of identifying approximately \$11 million in expenditure reductions that will be required over the next two years (2013-2014 and 2014-2015 school years). In order to stay out of debt in FY 2015, the district will either make cuts in staff and programs; request an operating levy increase from voters; or do a combination of both.

	2011 Actual	% Change From Prior Year	2012 Actual	% Change From Prior Year	2013 Projected	% Change From Prior Year	2014 Projected
Beginning Fund Balance	\$ 40,823,630		\$ 48,520,221		\$ 47,343,264		\$ 38,505,167
Revenue	1.6% 229,105,709	-2.3%	223,767,752	-11.2%	198,672,706	0.0%	198,672,706
Expenditures	1.4% 221,409,118	1.6%	224,944,709	-7.8%	207,510,803	3.75%	215,292,458
Ending Fund Balance	<u>\$ 48,520,221</u>		<u>\$ 47,343,264</u>		<u>\$ 38,505,167</u>		<u>\$ 21,885,415</u>
Unassigned Fund Balance	38,222,696		38,057,262		29,219,165		12,599,413
Nonspendable/Restricted/Assigned Fund Balance	10,297,525		9,286,002		9,286,002		9,286,002
Total Fund Balance	<u>\$ 48,520,221</u>		<u>\$ 47,343,264</u>		<u>\$ 38,505,167</u>		<u>\$ 21,885,415</u>
Number of weeks of expenditures the unreserved fund balance covers	9.0		8.8		7.3		3.0
Unreserved fund balance as a percentage of Expenditures	17.3%		16.9%		14.1%		5.9%
Student Enrollment (ADM)	20,772		20,583		20,295		20,252
Poverty (Free/Reduced Price Meals)	41.8%		45.3%				
English Learners (EL) per ADM	6.8%		6.4%				
Special Education	14.8%		15.4%				

Unassigned 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 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 \$18.7 million, 85% of which is used to cover employee payroll and benefits. On June 30, 2012, the unassigned fund balance would have covered 8.8 weeks of operations.

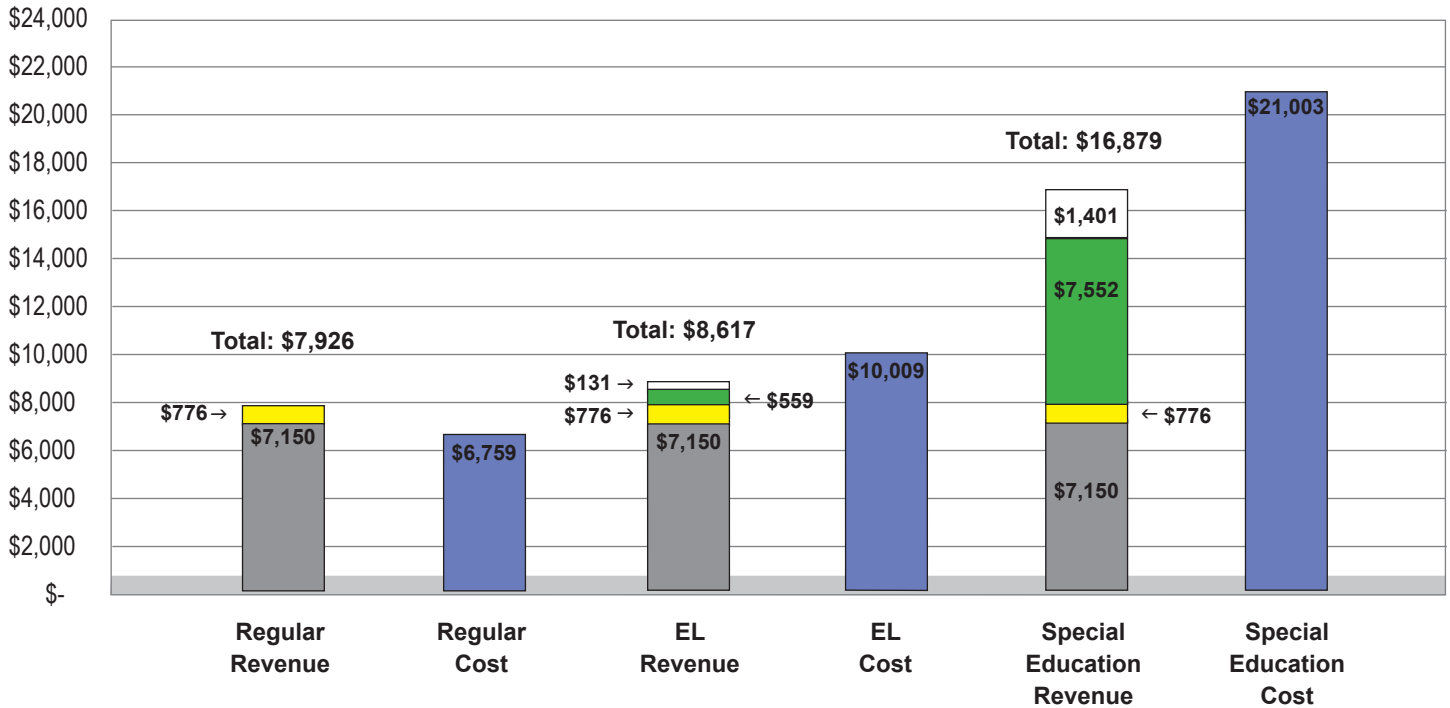
School Board policy regarding fund balance states "the Board will endeavor to maintain an unappropriated fund balance that will not fall below 5% of the District's general fund operating expenditure budget, excluding operating capital programs."

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

Thirty-eight percent (nearly \$86 million) from the General Fund paid for underfunded mandates in FY 2012

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 2012, almost \$86 million was drawn from the General Fund to subsidize 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
- Cost

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 so 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 \$5,174 in 2011-2012.

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 consists of 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 learners, and Title I.

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

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.

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

Unassigned 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.

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

2013 ISD 279 School Board

Dean G. Henke - *Chairperson*
Teresa Lunt - *Vice Chairperson*
Tammie Epley - *Clerk*
Jim Burgett - *Treasurer*
Linda Etim - *Director*
Jacki Girtz - *Director*

Kate Maguire, Ed.D. - *Superintendent*

FY 2013 Fiscal Team

Jacques Apaloo
Kelly Benusa
Krista Cassidy
Russ Funk
Mike Hueller
BJ Irmiter
Marie Kidder
Brian Kleven
John Nelson
Kim Riesgraf
Aric Stienessen
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, 2012-13](#)