

**ISD 279
Osseo Area Schools**

**2007-08
FISCAL
Report**

An overview of the district's financial position



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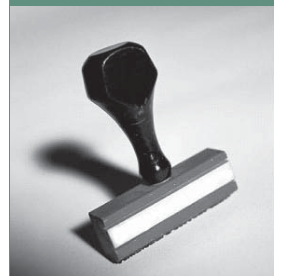
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Reporting **FINANCIAL** Issues

BUILDING
PUBLIC
TRUST

Engaging
Our
COMMUNITY



Background

This summary of the 2007-2008 fiscal year provides an overview of ISD 279-Osseo Area Schools finances, with the intent of helping citizens 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, as well as the district's overall financial position.

About the FISCAL advisory team

The Financial Involvement School-Community Accountability Liaisons (FISCAL) advisory team provides community-based input and feedback on school financial issues. In addition to reviewing financial data across ISD 279, the team advises the school district on economic issues.

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. This report is not an audited opinion of the School District's finances. Rather, it provides a simplified overview that helps members of the public understand the School District's sources of revenues, use of funds, and overall financial position.

FISCAL advisory team members provide input and feedback from their perspectives as community members who have an interest in the financial operations of the school district.

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

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

Responsible stewardship of taxpayer dollars

- ◆ ISD 279 received a **clean FY 2008 audit**, with the auditor noting that financial information for the district was in excellent condition. The auditor also stated that, in the context of some new in-depth auditing standards, ISD 279's audit was "even more exemplary." For the 18th consecutive year, the Osseo School District was awarded the Association of School Business Officials International's **Certificate of Excellence in Financial Reporting**. For four of the five years of the award's existence, ISD 279 has received the Minnesota Department of Education **School Finance Award**.
- ◆ From January 1 through December 31, 2008, about **\$400,000 in energy savings** was achieved through the Schools for Energy Efficiency program. Compared to the same time period the previous year, total energy use was reduced by 7%. The goal for the program is to achieve an annual 10% reduction in energy use districtwide.
- ◆ ISD 279 has moved to a **paperless system** for records and data retention in several administrative departments.
- ◆ ISD 279 maintained intense focus on expenditures directed to the classroom. 90¢ per dollar of the district's General Fund was spent on school-level expenditures in FY 2008; 7¢ per dollar paid for student transportation; 4¢ per dollar paid for district administration. *Source: FY 2008 independent annual audit*
- ◆ ISD 279 received **nearly \$21 million in grant funds** in 2007-2008. Grant funds leveraged local dollars and allowed schools to provide value-added programs and services that meet student needs.

Impact on FY 2009

Numerous factors, largely due to increases in the costs of providing programs and services combined with a failed operating levy increase request, led to expenditure reductions of \$14.7 million for the 2008-2009 school year.



General Operating Revenue

For the year ended June 30, 2008



State Aid	\$172,935,695	77.7¢	↑
Property Taxes	\$36,023,837	16.2¢	↑
Federal Aid	\$7,006,205	3.1¢	↑
Other	\$6,622,385	3.0¢	↑
Total General Operating Revenue	\$222,588,122		

ISD 279 receives money from several sources: state aids, 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 project, or estimate, its revenue each year. Once the revenue has been projected, the district allocates the money to school sites through a formal budget process. Each dollar received in the General Fund for 2007-2008 was derived from the funding sources noted above.

General Operating Expenditures

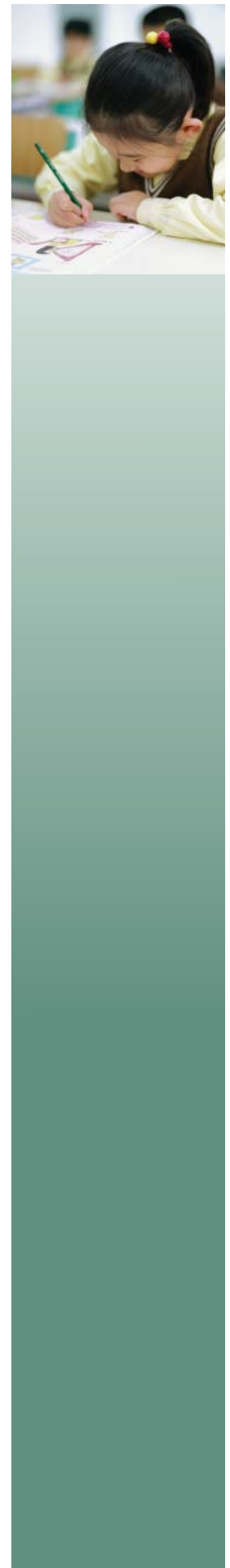
For the year ended June 30, 2008



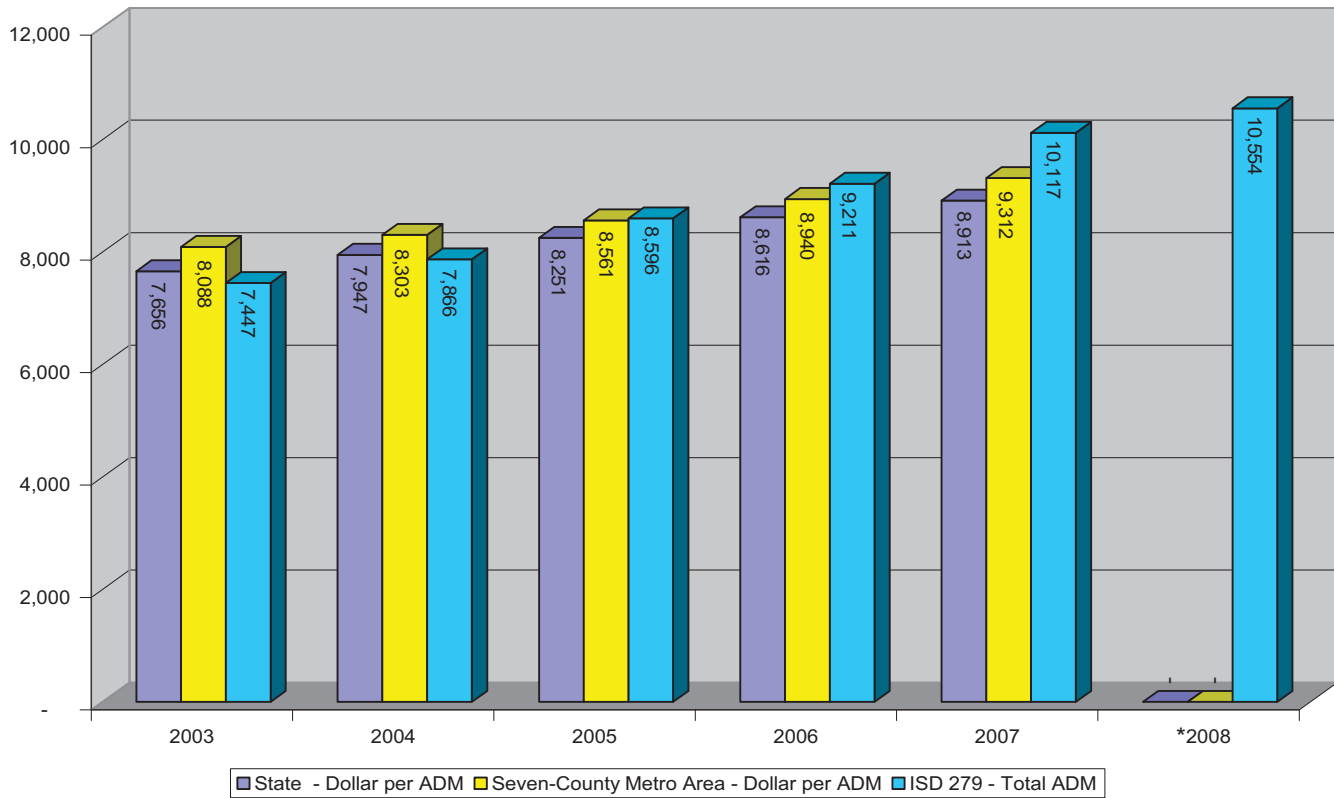
Instruction	\$176,100,697	77.2¢	↑
Transportation/Pupil Support Serv.	\$22,148,423	9.7¢	↑
Buildings & Grounds	\$14,107,319	6.2¢	↑
District Administration	\$10,052,596	4.4¢	↑
School Administration	\$5,208,267	2.3¢	↑
Other	\$473,187	0.2¢	↑
Total General Operating Expenditures	\$228,090,480		

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

Source: FY 2008 independent audit by Malloy, Montague, Karnowski, Radosevich and Co., P.A.



Expenditures Per Student (ADM) Served



	State-Wide					Seven-County Metro Area					ISD No. 279					
	2003	2004	2005	2006	2007	2003	2004	2005	2006	2007	2003	2004	2005	2006	2007	2008
Administrative and district support services	\$633	\$658	\$726	\$745	\$780	\$623	\$615	\$732	\$744	\$772	\$525	\$571	\$582	\$657	\$672	\$701
Elementary and secondary regular instruction	3,812	3,950	4,054	4,191	4,362	3,964	4,103	4,163	4,313	4,523	3,738	3,939	4,383	4,536	4,971	5,208
Vocational education instruction	131	129	130	133	131	123	124	122	127	127	167	177	180	194	180	171
Special education instruction	1,308	1,403	1,533	1,632	1,649	1,402	1,527	1,670	1,771	1,815	1,438	1,559	1,719	1,838	1,995	2,097
Instructional support services	411	417	382	405	425	468	497	441	458	481	420	409	462	496	536	614
Pupil support services (Includes Transportation)	697	701	710	741	784	768	773	760	800	857	576	574	628	757	1,000	1,017
Sites and buildings	602	689	716	769	782	687	664	673	727	737	466	637	642	733	763	746
Other operating programs	62	-	-	-	-	53	-	-	-	-	117	-	-	-	-	-
Total General Fund operating expenditures	\$7,656	\$7,947	\$8,251	\$8,616	\$8,913	\$8,088	\$8,303	\$8,561	\$8,940	\$9,312	\$7,447	\$7,866	\$8,596	\$9,211	\$10,117	\$10,554

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.

As the table shows, ISD 279's per-pupil expenditures increased by \$437 over the previous year. The largest increases occurred in special education instruction, it increased \$102 (5.1 percent); and elementary and secondary regular instruction grew by \$237 (4.8 percent). Both increases were primarily related to improvements in employment contracts for ATPPS (the local version of Q-Comp), as well as increases to compensatory allocation-related expenditures.

Source: Fy 2008 independent audit management report, Malloy, Montague, Karnowski, Radosevich and Co., P.A. School District Profiles Report published by the MDE.

* Statewide and seven-county metro area information for 2008 not yet available.

FY 2008 General/Transportation Actual Expenditure Allocation to Sites Average Regular Instruction Cost Per Projected Student

UNRESERVED EXPENDITURES

SITE	Cost	**Students Projected (sorted by size)	*Incremental Cost Per Students Projected
Basswood.....	\$ 5,442,279	986	\$ 5,520
Edinbrook.....	\$ 5,379,140	954	\$ 5,639
Woodland.....	\$ 5,329,775	922	\$ 5,781
Rush Creek.....	\$ 5,205,633	861	\$ 6,046
Fernbrook.....	\$ 4,071,970	655	\$ 6,217
Palmer Lake.....	\$ 3,601,452	624	\$ 5,772
Fair Oaks.....	\$ 3,396,127	584	\$ 5,815
Weaver Lake.....	\$ 3,787,098	580	\$ 6,529
Rice Lake.....	\$ 3,411,995	567	\$ 6,018
Cedar Island.....	\$ 3,572,820	562	\$ 6,357
Oak View.....	\$ 3,438,715	556	\$ 6,185
Elm Creek.....	\$ 3,650,909	537	\$ 6,799
Birch Grove - Magnet.....	\$ 3,163,598	529	\$ 5,980
Edgewood - Magnet.....	\$ 3,057,064	513	\$ 5,959
Zanewood.....	\$ 3,132,844	503	\$ 6,228
Crest View.....	\$ 2,421,889	434	\$ 5,580
Garden City.....	\$ 2,695,112	402	\$ 6,704
Park Brook.....	\$ 2,553,221	362	\$ 7,053
Osseo.....	\$ 2,257,070	337	\$ 6,698
Total Elementary Students.....	\$ 69,568,711	11,468	\$ 6,066
Maple Grove JH.....	\$ 9,910,647	1,590	\$ 6,233
Osseo JH.....	\$ 8,097,151	1,277	\$ 6,341
Brooklyn JH.....	\$ 6,832,123	1,117	\$ 6,116
North View JH - Magnet.....	\$ 6,406,870	1,044	\$ 6,137
Total Junior High Students.....	\$ 31,246,791	5,028	\$ 6,215
Osseo Area Learning Center (OALC).....	\$ 3,322,646	228	\$14,573
Maple Grove Sr.....	\$ 12,675,974	1,868	\$ 6,786
Osseo Sr.....	\$ 11,911,000	1,690	\$ 7,048
Park Center Sr - Magnet.....	\$ 11,007,855	1,677	\$ 6,564
Total Senior High Students.....	\$ 35,594,829	5,235	\$ 6,799
Total secondary students projected.....		10,491	
Total elementary & secondary students projected.....		21,959	
Education Service Center (ESC).....	\$ 7,936,67	21,959	\$ 361
Other Area Learning Center (ALC) Tuition.....	\$ 641,179	87	\$ 7,370
Subtotal general/transportation operating budget.....	\$ 148,310,834	21,959	\$ 6,754

RESERVED EXPENDITURES

* BUDGET ALLOCATED BASED ON STUDENTS SERVED	Cost	**Students Projected	*Incremental Cost Per Student Served
Total Special Education (SPED) cost.....	\$ 55,594,903	3,186	\$ 17,450
Special Education federal grants.....	\$ 3,785,632	3,186	\$ 1,188
	\$ 51,809,271	3,186	\$ 16,262
Total English Language Learners (ELL) cost.....	\$ 5,964,004	2,058	\$ 2,898
Title III & State Refugee Impact grants.....	\$ 303,178	2,058	\$ 147
ELL net cost (includes state aid portion).....	\$ 5,660,826	2,058	\$ 2,751
Other Grants & Revenue.....	\$ 18,220,751		
Total General/Transportation Expenditure Budget.....	\$ 228,090,492		

* Budgets for special education, English language learners, other grants and revenues are in addition to incremental cost per students 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. By FY2011, the budget reserve (the "savings account") will be less than 5% of expenditures. In order to stay out of debt, 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	2006 Actual	% Change From Year	2007 Actual	% Change From Year	2008 Actual	% Change From Year	2009 Projected	% Change From Year	2010 Projected	% Change From Year	2011 Projected
Beginning Fund Balance		\$ 37,694,956		\$ 35,191,036		\$ 26,097,028		\$ 20,594,660		\$ 25,719,728		\$ 22,277,749
Revenue												
Unreserved	4.8%	150,969,941	4.7%	158,055,049	3.0%	162,852,288	4.5%	170,170,545	0.0%	170,170,545	0.0%	170,170,545
Reserved	6.8%	46,737,570	16.5%	54,458,859	9.7%	59,735,836	-17.8%	49,130,693	0.0%	49,130,693	0.0%	49,130,693
Total Revenue	5.3%	197,707,511	7.5%	212,513,908	4.7%	222,588,124	-1.5%	219,301,238	0.0%	219,301,238	0.0%	219,301,238
Expenditures												
Unreserved	7.1%	126,089,412	10.1%	138,833,876	3.4%	143,525,589	-7.7%	132,464,712	4.0%	137,763,300	4.0%	143,273,832
Reserved	9.6%	74,122,019	11.7%	82,774,040	2.2%	84,564,903	-3.4%	81,711,458	4.0%	84,979,916	4.0%	88,379,113
Total Expenditures	8.0%	200,211,431	10.7%	221,607,916	2.9%	228,090,492	-6.1%	214,176,170	4.0%	222,743,217	4.0%	231,652,945
Ending Fund Balance		<u>\$ 35,191,036</u>		<u>\$ 26,097,028</u>		<u>\$ 20,594,660</u>		<u>\$ 25,719,728</u>		<u>\$ 22,277,749</u>		<u>\$ 9,926,042</u>
Unreserved Fund Balance		34,934,417		25,720,711		20,088,635		25,213,703		21,771,724		9,420,017
Reserved Fund Balance		256,619		376,317		506,025		506,025		506,025		506,025
Total Fund Balance		<u>\$ 35,191,036</u>		<u>\$ 26,097,028</u>		<u>\$ 20,594,660</u>		<u>\$ 25,719,728</u>		<u>\$ 22,277,749</u>		<u>\$ 9,926,042</u>
How many weeks of expenditures can the unreserved fund balance cover?		9.1		6.0		4.6		6.1		5.1		2.1
Unreserved Fund Balance as a Percentage of Expenditures		17.4%		11.6%		8.8%		11.8%		9.8%		4.1%
Adjustment Required to Reach 5% Ending Fund Balance Target												\$ 1,656,606
Student Enrollment (ADM)		21,943		22,083		21,769		20,950		20,775		20,490
Poverty (Free/Reduced Price Meals)		34.4%		36.1%		37.4%						
English Language Learners (ELL)		11.2%		11.1%		9.5%						
Special Education		13.6%		14.1%		14.6%						

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

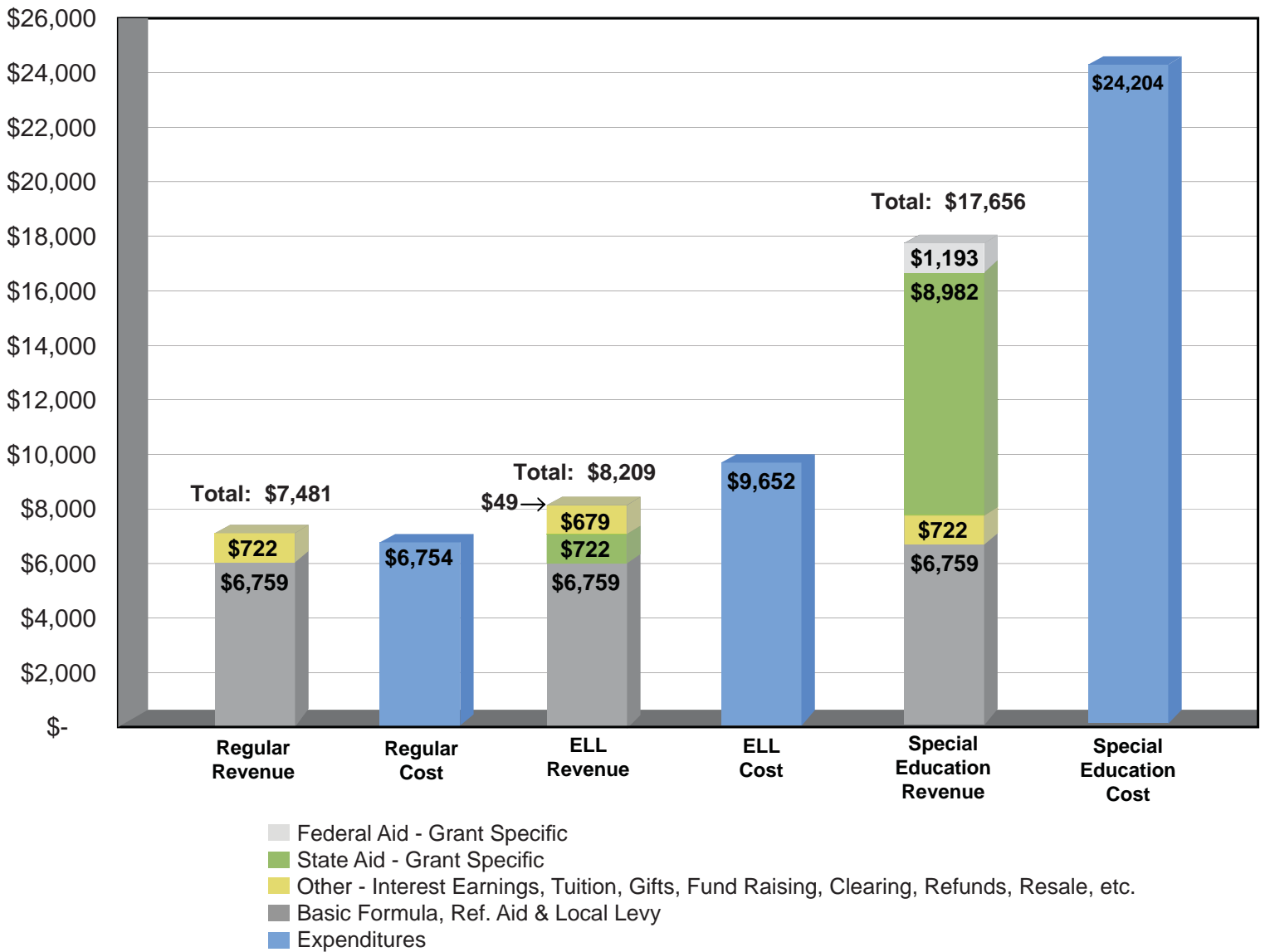
Reserved revenue/expenditures are specifically restricted for expenditure on certain items. They are also typically those services the district is mandated to provide. For example, federal and state special education, English language learner, career or technology education, safe schools, reemployment, 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, 2008, the district's unreserved fund balance would have covered less than five 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 2008 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 expenditures of underfunded mandates. For example, salaries of special education teachers are reimbursed at 68% of cost, so the General Fund picks up the remaining 32% of those expenditures as a “cross subsidy.”



Minnesota Basic Standards Test Passage Rates

The chart below shows the total percent of students in the Class of 2008 who met the state Basic Standards Test requirement by the end of each grade

	10th Grade	11th Grade	12th Grade
Writing	Not Applicable	95%	98%
Math	87%	91%	96%
Reading	90%	95%	98%

www.district279.org for current curricular, financial, and other school district information.

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 \$5,074 in 2007-08.

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.





UNITING COMMUNITIES OF EXCELLENCE

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