



CITIZEN'S GUIDE

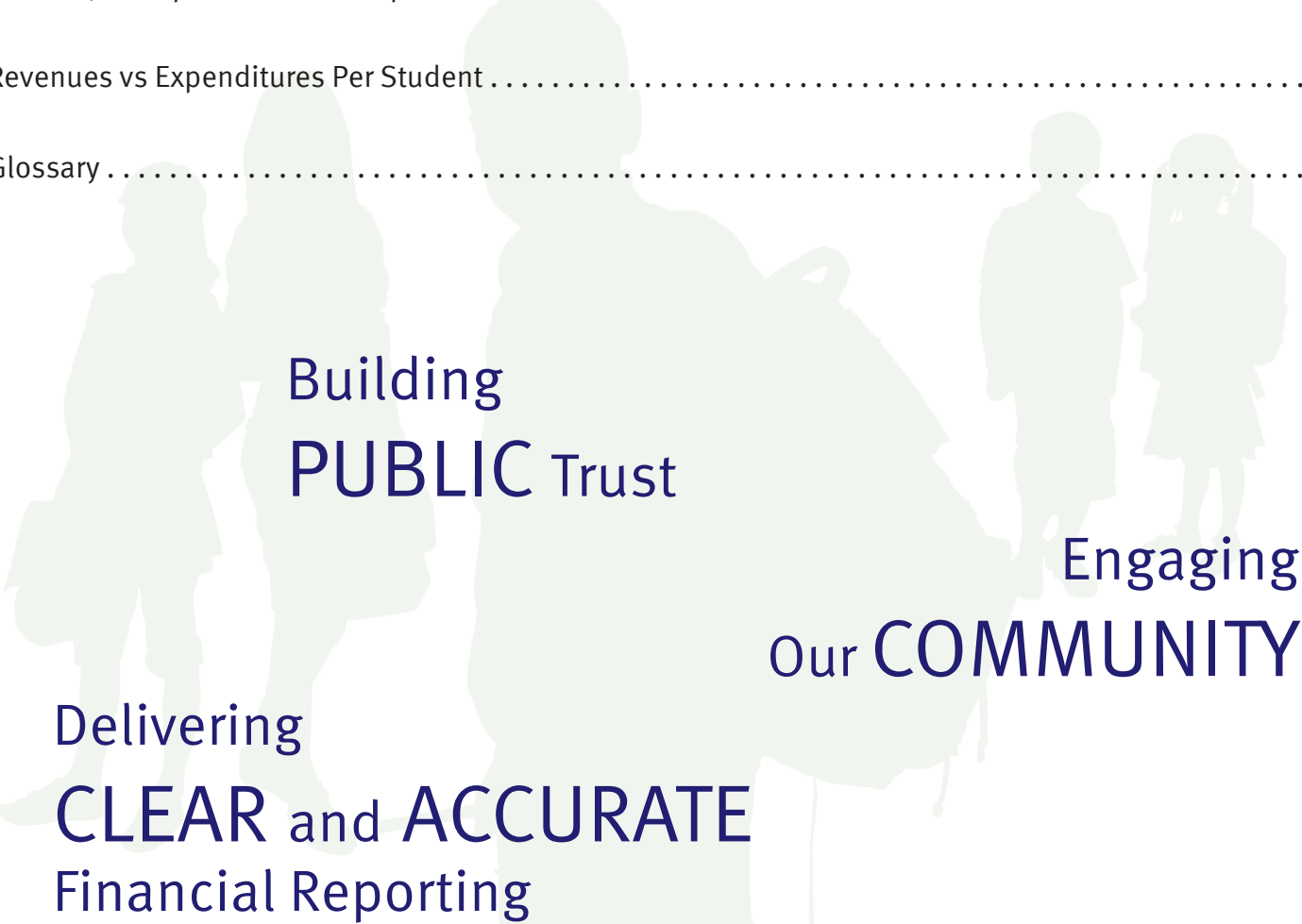
TO SCHOOL DISTRICT FINANCES

Osseo Area Schools
FISCAL YEAR 2010
(2009-2010 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 2010 (2009-2010 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 76% of all funds managed by the school district. In addition to the General/Transportation Fund of \$218 million, the district manages approximately \$70 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 Web site at www.district279.org

Recognition for excellence in financial management

- ISD 279 received a **clean audit** of its FY 2010 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."
- 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 six 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 20th 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**. More than 77% of the operating budget goes directly to classroom instruction for students. Source: FY 2010 independent annual audit.
- By refinancing debt at a lower interest rate, the school district has **saved local taxpayers nearly \$11 million since 2005** (\$5 million in FY 2010 alone) in school-related property taxes.
- ISD 279 received nearly **\$41.5 million in grant funds** in 2009-2010. Grant funds leveraged local dollars and allowed schools to provide value-added programs and services that meet student needs. FY 2010 saw an increase of \$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.

Success in cost containment

- Belt-tightening across the system resulted in nearly **\$1.6 million in savings** in the area of purchased services and supplies for FY 2010.
- 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 2010, about \$480,000 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 \$1.3 million.

GENERAL/TRANSPORTATION FUND REVENUES

For the year ended June 30, 2010



State Aid	\$148,358,068	65.8%	↑
Property Taxes	\$44,661,262	19.8%	↑
Federal Aid	\$26,935,136	11.9%	↑
Other	\$5,593,167	2.5%	↑
Total General/Transportation Fund Revenue	\$225,547,633	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 2010 was derived from the funding sources noted above.

GENERAL/TRANSPORTATION FUND EXPENDITURES

For the year ended June 30, 2010



Instruction	\$168,433,325	77.2%	↑
Transportation/Pupil Support Services	\$21,265,279	9.7%	↑
Buildings & Grounds	\$13,157,337	6.0%	↑
District Administration	\$9,979,526	4.6%	↑
School Administration	\$5,245,557	2.4%	↑
Other	\$323,660	0.1%	↑
Total General Operating Expenditures	\$218,404,684	100%	

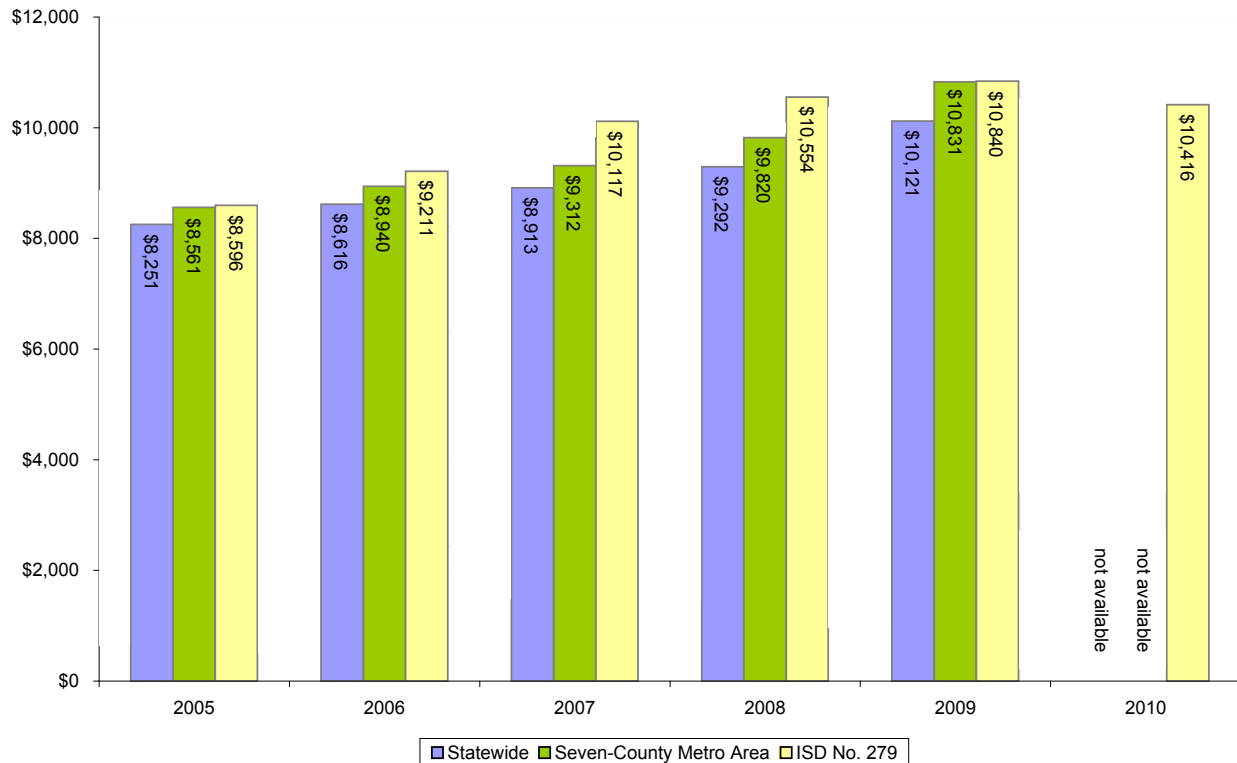
ISD 279 spending priorities are focused on student instruction. More than 77% of the operating budget goes directly to classroom instruction for students.

Source: FY 2010 independent audit by Malloy, Montague, Karnowski, Radosevich and Co.

EXPENDITURES PER STUDENT SERVED

Districtwide per pupil costs in FY 2010 were lower than each of the two prior years.

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



	Statewide*					Seven-County Metro Area*					ISD 279					
	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009	2010
Administrative and district support services	\$726	\$745	\$780	\$811	\$887	\$732	\$744	\$772	\$817	\$876	\$582	\$657	\$672	\$701	\$716	\$726
Elementary and secondary regular instruction	4054	4,191	4,362	4,529	5090	4,163	4,313	4,523	4,730	5411	4,383	4,536	4,971	5,208	5,512	5186
Vocational education instruction	130	133	131	142	149	122	127	127	141	152	180	194	180	171	142	162
Special education instruction	1533	1,632	1,649	1,703	1,794	1,670	1,771	1,815	1,904	2002	1,719	1,838	1,995	2,097	2,152	2,128
Instructional support services	382	405	425	461	493	441	458	481	536	598	462	496	536	614	655	557
Pupil support services	710	741	784	835	868	760	800	857	914	968	628	757	1000	1017	970	1014
Sites and buildings and other	716	769	782	811	840	673	727	737	778	824	642	733	763	746	693	643
Total General Fund operating expenditures	\$8,251	\$8,616	\$8,913	\$9,292	\$10,121	\$8,561	\$8,940	\$9,312	\$9,820	\$10,831	\$8,596	\$9,211	\$10,117	\$10,554	\$10,840	\$10,416

Note: 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 prior year. Not counting the bonds, actual per pupil expenditures in FY 2009 decreased by \$388 over the previous year.

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 2010 independent audit management report, Malloy, Montague, Karnowski, Radosevich and Co., P.A.

*Statewide and seven-county metro area information for 2010 is not yet available.

EXPENDITURES PER STUDENT SERVED, BY SITE

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

UNRESTRICTED EXPENDITURES FOR GENERAL OPERATIONS

SITE	Expenditure	Students Served (sorted by size)	Average Expenditure Per Student Served
Rush Creek	\$ 5,426,449	996	\$ 5,448
Woodland	5,189,601	989	5,247
Basswood	5,248,163	972	5,399
Fernbrook	4,954,477	920	5,385
Edinbrook	4,690,129	910	5,154
Weaver - Magnet	3,879,639	741	5,236
Rice Lake	3,594,835	695	5,172
Palmer Lake	3,425,350	692	4,950
Elm Creek	3,618,116	615	5,883
Birch Grove - Magnet	2,950,065	555	5,315
Oak View	2,997,288	522	5,742
Zanewood	2,688,297	473	5,684
Cedar Island	2,782,967	456	6,103
Park Brook	2,096,532	348	6,025
Garden City	2,142,321	345	6,210
Fair Oaks	2,016,957	339	5,950
Crest View	1,999,390	337	5,933
Total elementary students	\$ 59,700,576	10,905	\$ 5,475
Maple Grove	\$ 8,999,529	1,625	\$ 5,538
Osseo	7,153,847	1,261	5,673
Brooklyn	5,663,848	960	5,900
North View - Magnet	4,464,056	720	6,200
Total junior high students	\$ 26,281,280	4,566	\$ 5,756
Maple Grove	\$ 10,298,818	1,707	\$ 6,033
Osseo	8,896,914	1,634	5,445
Park Center - Magnet	7,839,053	1,357	5,777
Total senior high students	\$ 27,034,785	4,698	\$ 5,755
Osseo Area Learning Center (OALC)	\$ 2,583,885	230	\$ 11,234
Tuition paid to Area Learning Centers in other school districts	\$ 1,120,932	91	\$ 12,318
Total students served			
Education Service Center (ESC)	\$ 4,918,342	20,399	\$ 241
Subtotal unrestricted expenditures for general operations	\$ 121,639,800	20,399	\$ 5,963

RESTRICTED EXPENDITURES FOR MANDATED AND GRANT PROGRAMS

	Expenditure	Students Served (sorted by size)	Average Expenditure Per Student Served
Total Special Education cost	\$ 51,631,593	3,104	\$ 16,634
Special Education federal grants	7,914,675	3,104	2,550
Special Education net cost (includes state aid portion)	\$ 43,716,918	3,104	\$ 14,084
Total English Language Learners (ELL) cost	\$ 6,425,395	1,906	\$ 3,371
Title III & State Refugee Impact grants	348,794	1,906	183
ELL net cost (includes state aid portion)	\$ 6,076,601	1,906	\$ 3,188
Other State, Federal, and Local Grant Revenue	\$ 33,261,207		
Subtotal restricted expenditures for mandated and grant expenditures	96,764,884		
Total General/Transportation Expenditure Budget	\$ 218,404,684		

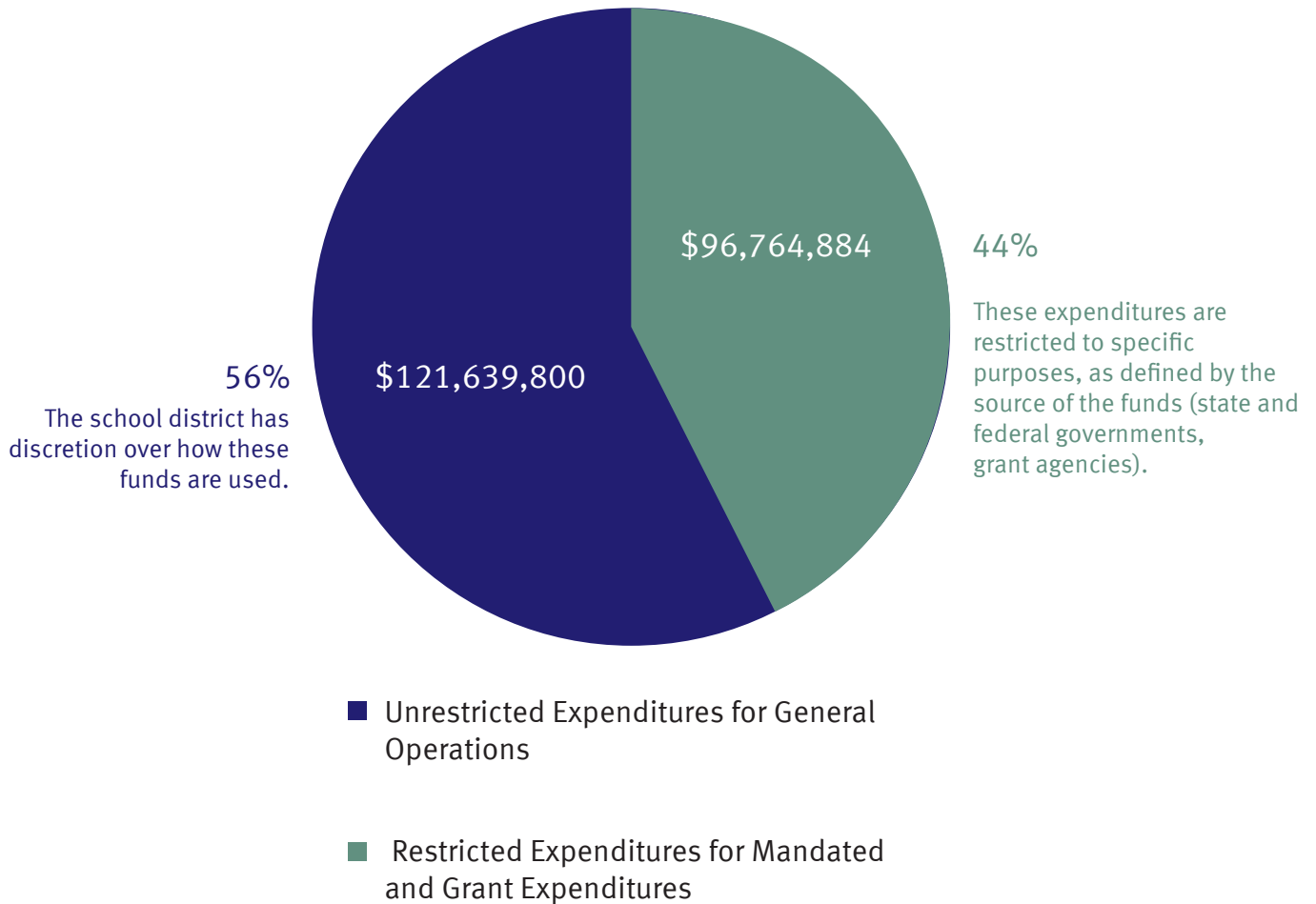
Budgets for special education, English language learners, other grant and revenue are in addition to incremental cost per student.

Actual students served are measured as an ADM (Average Daily Membership), which accounts for students that transition to/from our sites during the school year.

RESTRICTED FUNDS VS UNRESTRICTED FUNDS

Mandated and grant expenditures make up less than half the annual budget

Less than half of FY 2010's expenditures were tied to mandated and grant programs that require that the dollars received are spent for specific purposes. Unrestricted expenditures, about 56% 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 language 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 June 2011, the budget reserve (the "savings account") will be sufficient to cover less than 9 weeks of operations. In order to stay out of debt, the district may make cuts in staff and programs; request an operating levy increase from voters; or do a combination of both.

	% Change from Year	2009 Actual	% Change from Year	2010 Actual	% Change from Year	2011 Projected	% Change from Year	2012 Projected
Beginning Fund Balance		\$ 20,594,661		\$ 32,449,719		\$ 40,823,630		\$ 37,252,797
Revenue	7.6%	239,591,354	-5.9%	225,547,633	-3.5%	217,580,752	0.0%	217,580,752
Expenditures	-0.2%	227,736,296	-4.1%	218,404,684	-0.2%	221,151,585	3.75%	229,444,769
Intrafund Transfer From Operating Capital Account				1,230,962				
Ending Fund Balance		<u>\$ 32,449,719</u>		<u>\$ 40,823,630</u>		<u>\$ 37,252,797</u>		<u>\$ 25,388,780</u>
Unreserved Fund Balance		31,789,373		40,291,533		36,720,700		24,856,683
Reserved Fund Balance		660,346		532,097		532,097		532,097
Total Fund Balance		<u>\$ 32,449,719</u>		<u>\$ 40,823,630</u>		<u>\$ 37,252,797</u>		<u>\$ 25,388,780</u>

How many weeks of expenditures can the unreserved fund balance cover?	7.3	9.6	8.6	5.6
Unreserved fund balance as a percentage of Expenditures	14.0%	18.4%	16.6%	10.8%
Student Enrollment (ADM)	21,010	20,968	20,717	20,626
Poverty (Free/Reduced Price Meals)	39.0%	41.8%		
English Language Learners (ELL)	7.0%	6.8%		
Special Education	14.8%	14.8%		

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 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 \$18.2 million, 65% of which is used to cover employee payroll. On June 30, 2010, the unreserved fund balance would have covered 9.6 weeks of operations.

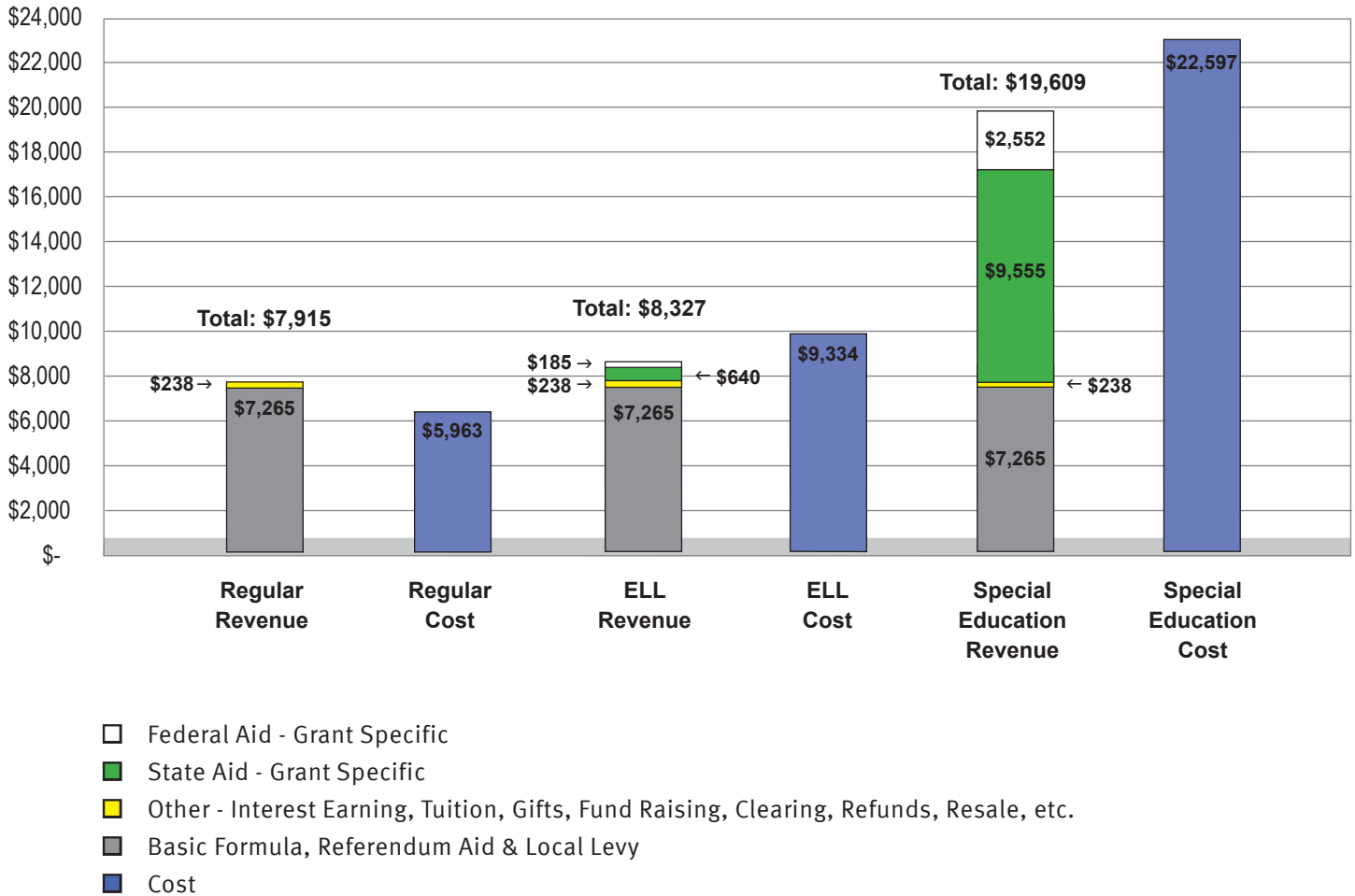
School Board policy regarding fund balance states "the Board will endeavor to maintain an unappropriated fund balance that will not fall below 5% of the District's general fund operating expenditure budget, excluding operating capital programs."

Fiscal Year 2009 revenue and expenditure amounts include \$16 million due to the recognition of other post-employment benefit bonds sold that year. In accordance with guidance from the Minnesota Department of Education, the bond proceeds and expenditures are recognized in the general fund operations prior to being placed in a trust fund.

REVENUES VS EXPENDITURES PER STUDENT

More than \$96 million from the General Fund paid for underfunded mandates in FY 2010

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 2010, more than \$96 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.

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 2009-10.

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.

FY 2010 One-Time General Education Aid Reduction Offset by Federal Fiscal Stabilization Funds- Reduced the FY 2010 general education aid entitlement by \$500 million, allocated among Minnesota school districts and charter schools. This one-time reduction is offset on a dollar-for-dollar basis by federal fiscal stabilization funds.

The American Recovery and Reinvestment Act (ARRA) of 2009 provided additional federal funds to districts in the form of federal fiscal stabilization funds and grants. The ARRA mandated that there be an unprecedented level of oversight and transparency around the spending of these funds, including added audit and internal control requirements.

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.

ISD 279 School Board

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Kim B. Green - *Vice Chairperson*
Laura Cottington - *Clerk*
Jim Burgett - *Treasurer*
Tammie Epley - *Director*
Teresa Lunt - *Director*

Kate Maguire, Ed.D. - *Superintendent*

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For more information about education finance in Minnesota, visit:

[Minnesota School Finance: A Guide for Legislators
Financing Education in Minnesota, 2010-11](#)