

# OSSEO AREA SCHOOLS

ISD  279



FY 2016

## **CITIZEN'S GUIDE TO SCHOOL DISTRICT FINANCES**

2015-2016 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 2016 (2015-2016 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 20,000 learners in our PreK-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 \$265.5 million, the district manages approximately \$66.1 million among seven other fund categories: Food Service, Community Service, Capital Projects, 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](http://www.district279.org)

## Recognition for excellence in financial management

- ISD 279 received a clean audit of its FY 2016 finances. The auditors reported a "consistent, almost exceptional result" that is uncommon for many districts but typical for Osseo Area Schools.
- 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 twelve 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 accuracy in financial reporting.
- For the 27th consecutive year, the Osseo School District was awarded the Association of School Business Officials International's Certificate of Excellence in Financial Reporting.
- The Association of School Business Officials International named Kelly Benusa, director of business service, a 2015 Pinnacle of Achievement Award recipient.

## Success in cost containment

- Cost containment efforts across the system resulted in \$2 million in savings in the area of purchased services and supplies for FY 2016.

## Leveraging taxpayer dollars through careful stewardship

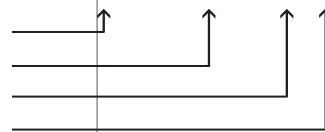
- The school district maintains an intense focus on classroom instruction. More than 79% of the operating budget goes directly to classroom instruction for students.
- By refinancing debt at a lower rate, the school district has saved local taxpayers nearly \$21.3 million in interest costs since 2005.
- ISD 279 received \$34.5 million in grant funds in FY 2016. Grant funds leveraged local dollars and allowed schools to provide value-added programs and services that meet student needs. FY 2016 saw an increase of \$1.4 million in grant funds over the prior year.

# GENERAL/TRANSPORTATION FUND REVENUES

For the year ended June 30, 2016



State Aid	\$185,858,768	72.7%
Property Taxes	56,353,162	22.0%
Federal Aid	8,184,157	3.2%
Other	5,440,123	2.1%
<b>Total General/Transportation Fund Revenues</b>	<b>\$255,836,210</b>	<b>100%</b>



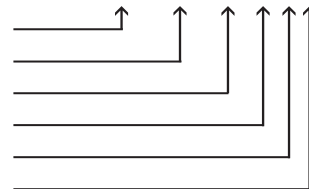
ISD 279 receives money from several sources: state aid, property taxes, federal aid and categorical revenues. The amount from any one source may vary from year to year. Because of this fluctuation, the district annually estimates its revenue, then allocates money to school sites through a formal budget process. Each dollar received in the General/Transportation Fund for FY 2016 was derived from the funding sources noted above.

# GENERAL/TRANSPORTATION FUND EXPENDITURES

For the year ended June 30, 2016



Instruction	\$193,910,120	79.2%
Transportation/Pupil Support Services	20,033,798	8.2%
Buildings & Grounds	14,018,585	5.7%
District Administration	10,815,433	4.4%
School Administration	5,521,493	2.3%
Other	529,352	0.2%
<b>Total General/Transportation Fund Expenditures</b>	<b>\$244,828,781</b>	<b>100%</b>



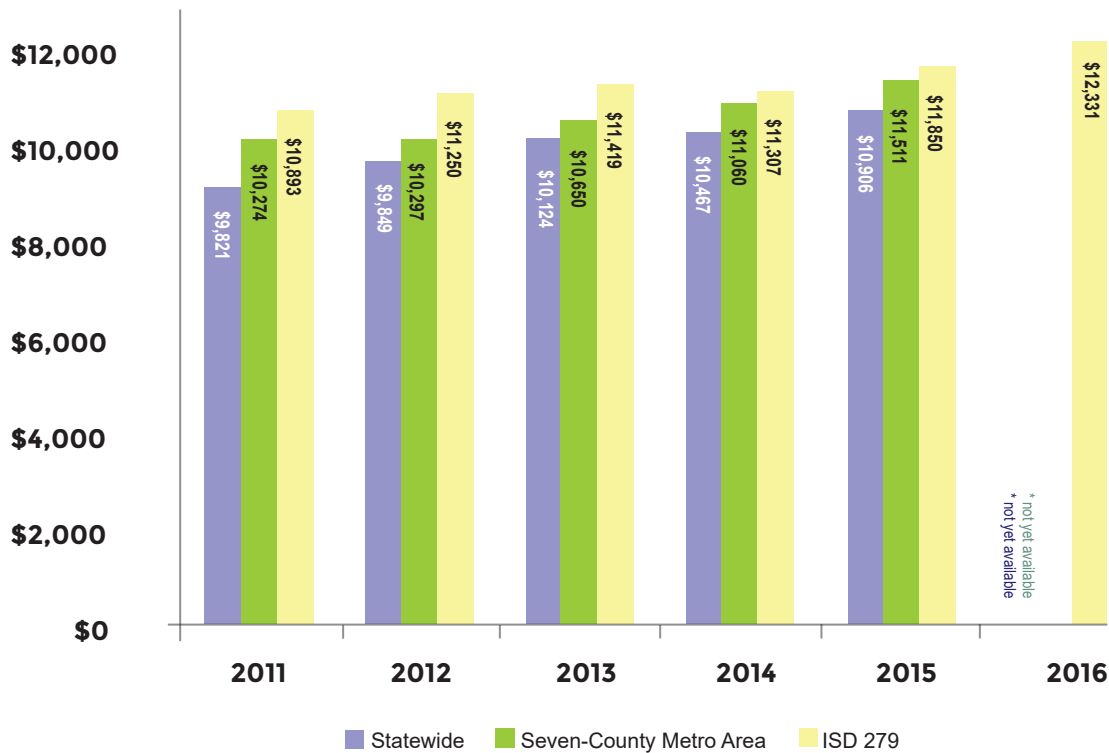
ISD 279 spending priorities are focused on student instruction. More than 79% of the operating budget goes directly to classroom instruction for students.

Source: FY 2016 independent audit by Malloy, Montague, Karnowski, Radosevich and Co.

# EXPENDITURES PER STUDENT SERVED

*Administrative and district support service 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					
	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015	2011	2012	2013	2014	2015	2016
Administrative and district support services	\$813	\$823	\$849	\$882	\$941	\$788	\$805	\$837	\$886	\$951	\$747	\$763	\$721	\$716	\$770	\$817
Elementary and secondary regular instruction	4,829	4,866	4,982	5,091	5,301	5,107	5,103	5,273	5,408	5,635	5,489	5,772	5,869	5,649	6,044	6,277
Vocational education instruction	144	138	138	140	147	136	136	132	130	136	141	167	86	150	122	153
Special education instruction	1,904	1,866	1,909	1,987	2,058	2,015	2,004	2,055	2,044	2,196	2,172	2,167	2,273	2,227	2,241	2,336
Instructional support services	446	459	477	536	586	526	537	562	630	689	571	594	599	708	759	767
Pupil support services	874	895	919	950	992	937	957	991	1,019	1,072	987	982	1,047	1,027	1,030	974
Sites and buildings and other	811	802	850	881	881	765	755	800	843	832	786	805	824	830	884	1,007
<b>Total General Fund operating expenditures</b>	<b>\$9,821</b>	<b>\$9,849</b>	<b>\$10,124</b>	<b>\$10,467</b>	<b>\$10,906</b>	<b>\$10,274</b>	<b>\$10,297</b>	<b>\$10,650</b>	<b>\$11,060</b>	<b>\$11,511</b>	<b>\$10,893</b>	<b>\$11,250</b>	<b>\$11,419</b>	<b>\$11,307</b>	<b>\$11,850</b>	<b>\$12,331</b>

The District spent \$310,999,147 in governmental funds reflected above in Fiscal Year 2016, an increase of \$14,454,672 (4.9 percent) from the prior year. On a per student basis, this represents an increase of \$740. General Fund operating expenditures (excluding capital) increased \$481 per student, mainly in elementary and secondary regular instruction and sites, buildings and other related to the issuance of capital leases in recent years. The District also recognized about \$3 million of pension expenditures for on-behalf contributions made by the state to the TRA pension plan. Community Service Fund Expenditures increased \$97 per pupil, mainly due to program growth.

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.

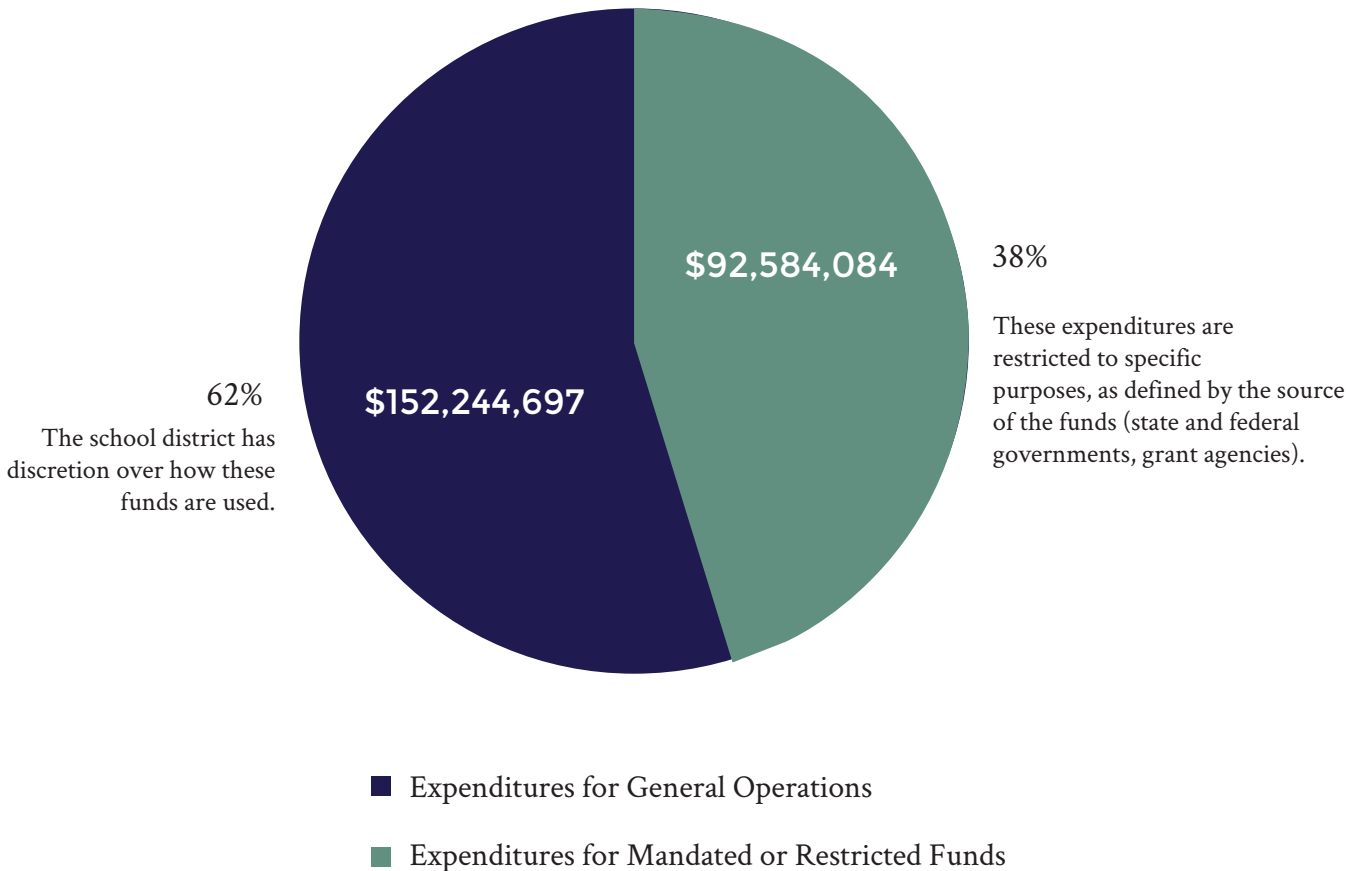
Source: FY 2016 independent audit management report, Malloy, Montague, Karnowski, Radosevich and Co., P.A.

\*Statewide and seven-county metro area information for 2016 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**

Unrestricted expenditures, about 62% of the budget, allow for discretion and can be spent on the general operations of the district. About 38% of FY 2016 expenditures were tied to mandates or restricted to specific purposes.



**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.

**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.

	% Change from Prior Year	2015 Actual	% Change from Prior Year	2016 Actual	% Change from Prior Year	2017 Projected	% Change from Prior Year	2018 Projected
<b>Beginning Fund Balance</b>		\$ 43,965,271		\$ 56,272,211		\$ 67,279,640		\$ 63,646,093
Revenue	6.8%	249,153,255	2.7%	255,836,210	-12.7%	223,270,778	0.5%	224,354,185
Expenditures	2.9%	236,846,315	3.4%	244,828,781	-7.3%	226,904,325	3.75%	235,413,237
Ending Fund Balance		\$ 56,272,211		\$ 67,279,640		\$ 63,646,093		\$ 52,587,041
Unassigned Fund Balance		55,738,741		63,161,707		59,528,160		48,469,108
Nonspendable/Restricted/Assigned Fund Balance		533,470		4,117,933		4,117,933		4,117,933
<b>Total Fund Balance</b>		\$ 56,272,211		\$ 67,279,640		\$ 63,646,093		\$ 52,587,041
How many weeks of expenditures can the unassigned fund balance cover?		<b>12.2</b>		<b>13.4</b>		<b>13.6</b>		<b>10.7</b>
Unassigned fund balance as a percentage of Expenditures		23.5%		25.8%		26.2%		20.6%
Student Enrollment (ADM)		20,370		20,308		20,448		20,546
Low-Income Households (Free/Reduced Price Meals)		50.3%		50.1%				
English Language Learners (ELL)		8.2%		8.5%				
Special Education		15.2%		15.2%				

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 \$20.4 million, 80% of which is used to cover employee payroll and benefits. On June 30, 2016, the unreserved fund balance would have covered 13.4 weeks of operations.

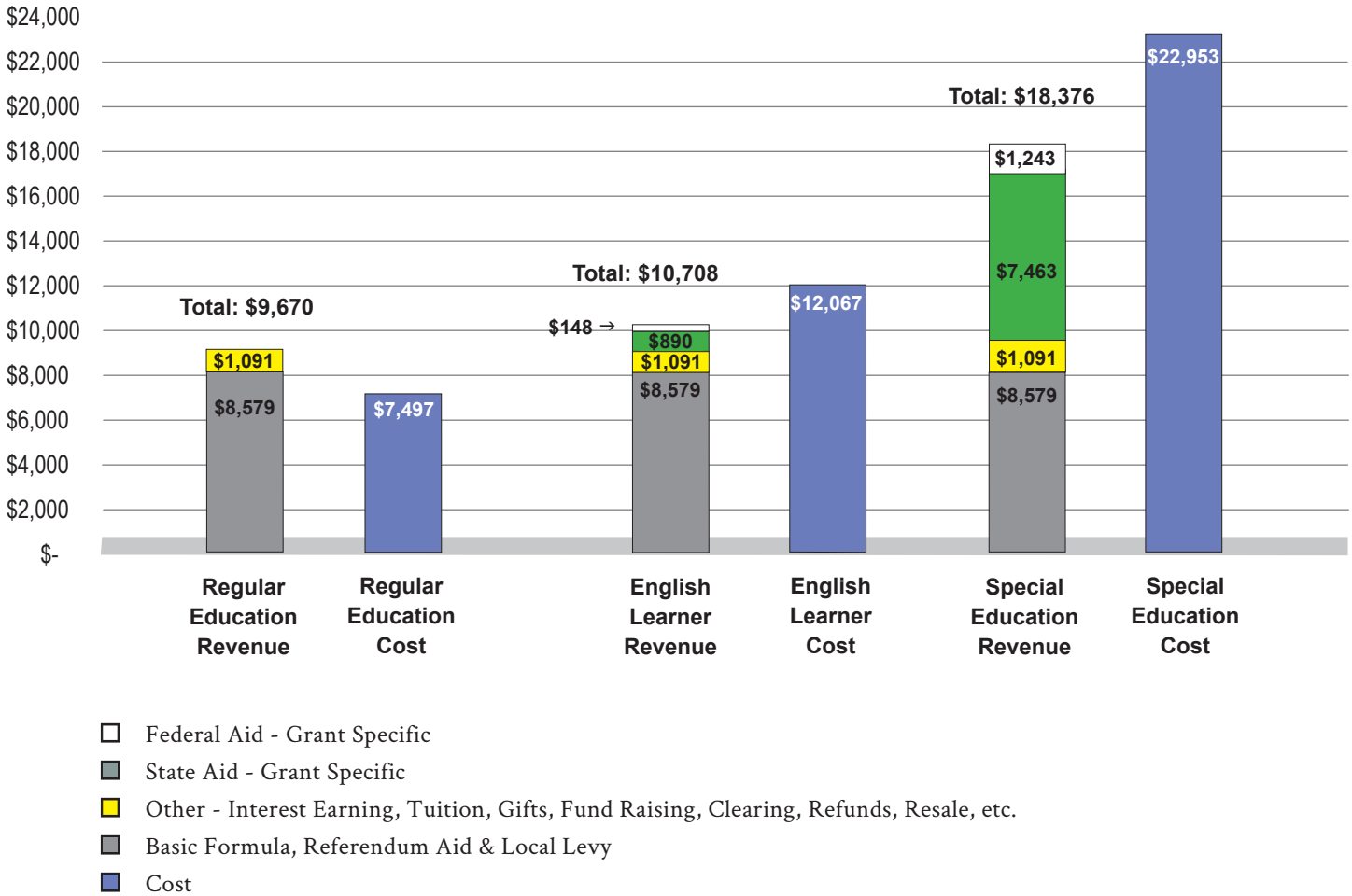
School Board policy regarding fund balance states "the Board will endeavor to maintain an unappropriated fund balance that will not fall below 5% of the District's general fund operating expenditure budget, excluding operating capital programs."

[www.district279.org](http://www.district279.org) / for current curricular, financial, and other School District information.  
[www.education.state.mn.us](http://www.education.state.mn.us) / for current statewide educational information.

# REVENUES VS EXPENDITURES PER STUDENT

**More than \$96 million from the General Fund paid for underfunded mandates in FY 2016**

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 2016, more than \$96 million was drawn from the General Fund to subsidize underfunded mandates.





# GLOSSARY

**Achievement and Integration Revenue** - Revenue consists of two components, initial revenue and incentive revenue. Initial revenue equals \$350 per Adjusted Pupil Unit (APU) times a free and reduced concentration factor; incentive revenue equals \$10 per APU. Achievement and Integration revenue is part state aid, part local levy.

**Actual** - A number that has been audited.

**ADM** - (Average Daily Membership) - The total head count 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** - 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 whom 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 \$5,831 in 2015-16 school year.

**Compensatory Revenue** - Comes from a formula based on the number of students in a school who are 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.

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

**Nonspendable Fund Balance** - 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 FY 2013, voters renewed an expiring levy that supports operating expenses such as employee salaries, supplies, heat and lights.

**Other Revenue** - 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** - Amounts for which allowable use is 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 with disabilities.

**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 low-income households.

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

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

**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.

## FY 2016 ISD 279 School Board

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Robert Gerhart, Vice Chairperson  
Jacki Girtz, Clerk  
Jim Burgett, Treasurer  
Jessica Craig, Director  
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## FY 2017 FISCAL Advisory Team

Pa Modou Ann  
Brienne Arendt  
Patrick Banzhof  
Irene Barbour  
Kelly Benusa  
Gregg Dahlgren  
Russ Funk  
Megan Havelak  
Mike Hueller  
Constance Jones  
Katie Kerber  
Patricia Magnuson  
Michael Ostaffe  
Sarah Schmidt  
Teshite Wako  
Nathan Wassenberg

**Prepared by:**  
**ISD 279 - Osseo Area Schools**  
**Business Services Department**  
**with input and feedback from the FISCAL Advisory Team**  
**11200 93rd Avenue North**  
**Maple Grove, MN 55369**  
**763.391.7015**  
**[www.district279.org](http://www.district279.org)**

For more information about education finance in Minnesota in FY 2016-, visit:  
[Minnesota School Finance: A Guide for Legislators](#)  
[Financing Education in Minnesota, 2015-16](#)