



FY 2019

CITIZEN'S GUIDE

TO SCHOOL DISTRICT FINANCES

2018-2019 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 FY 2019 (2018-2019 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 PreK-12 schools.

This document describes revenues and expenditures in the General/Transportation Fund, which comprises **67%** of all funds managed by the school district. In addition to the General/Transportation Fund of **\$272.9** million, the district manages approximately **\$132.1** 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

Recognition for Excellence in Financial Management

- ISD 279 received a clean audit of its FY 2019 finances. The auditors reported the District's financial records to be in excellent condition.
- 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 **fifteen 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 **30th consecutive year**, the Osseo School District was awarded the Association of School Business Officials International's Certificate of Excellence in Financial Reporting.

Success in Cost Containment

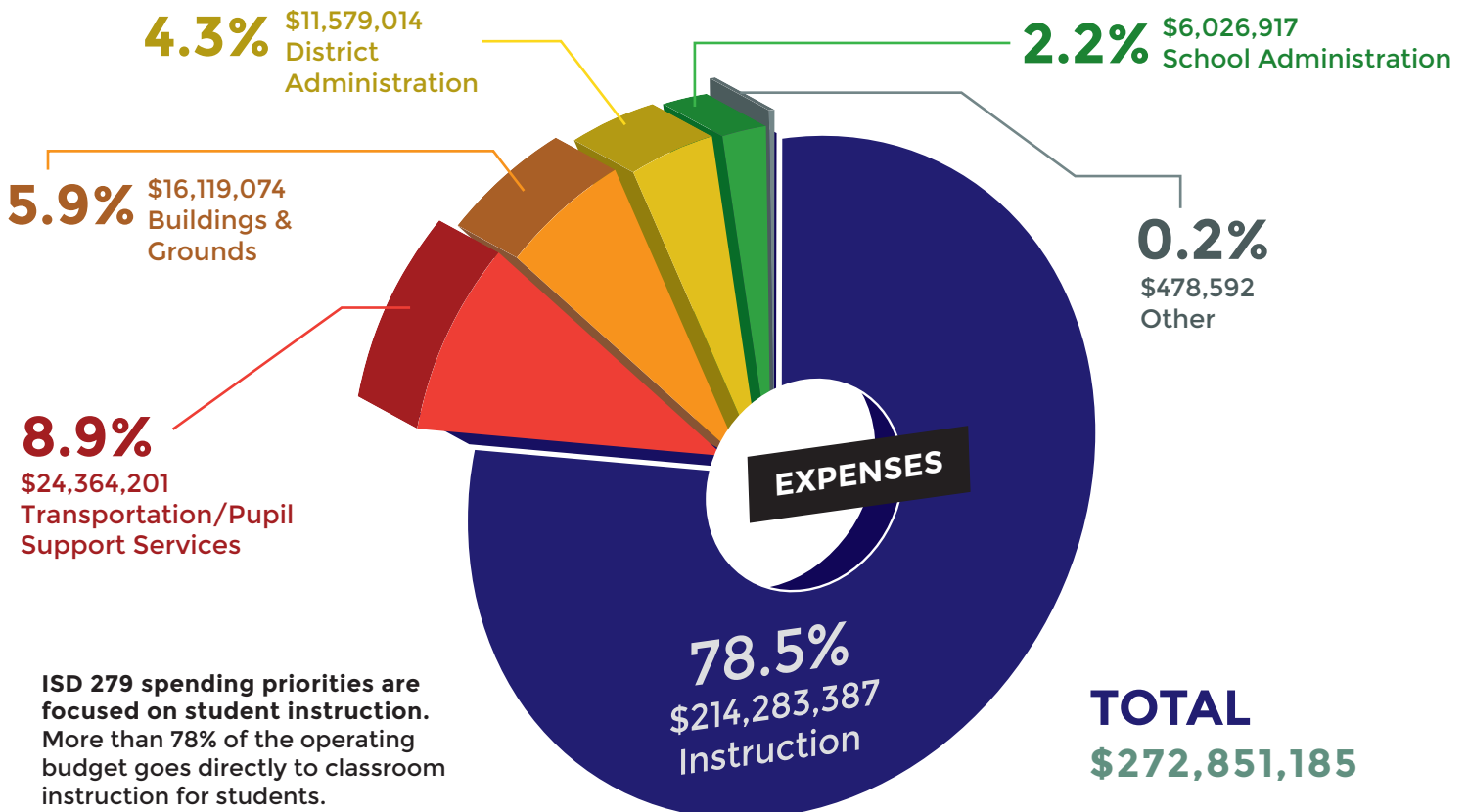
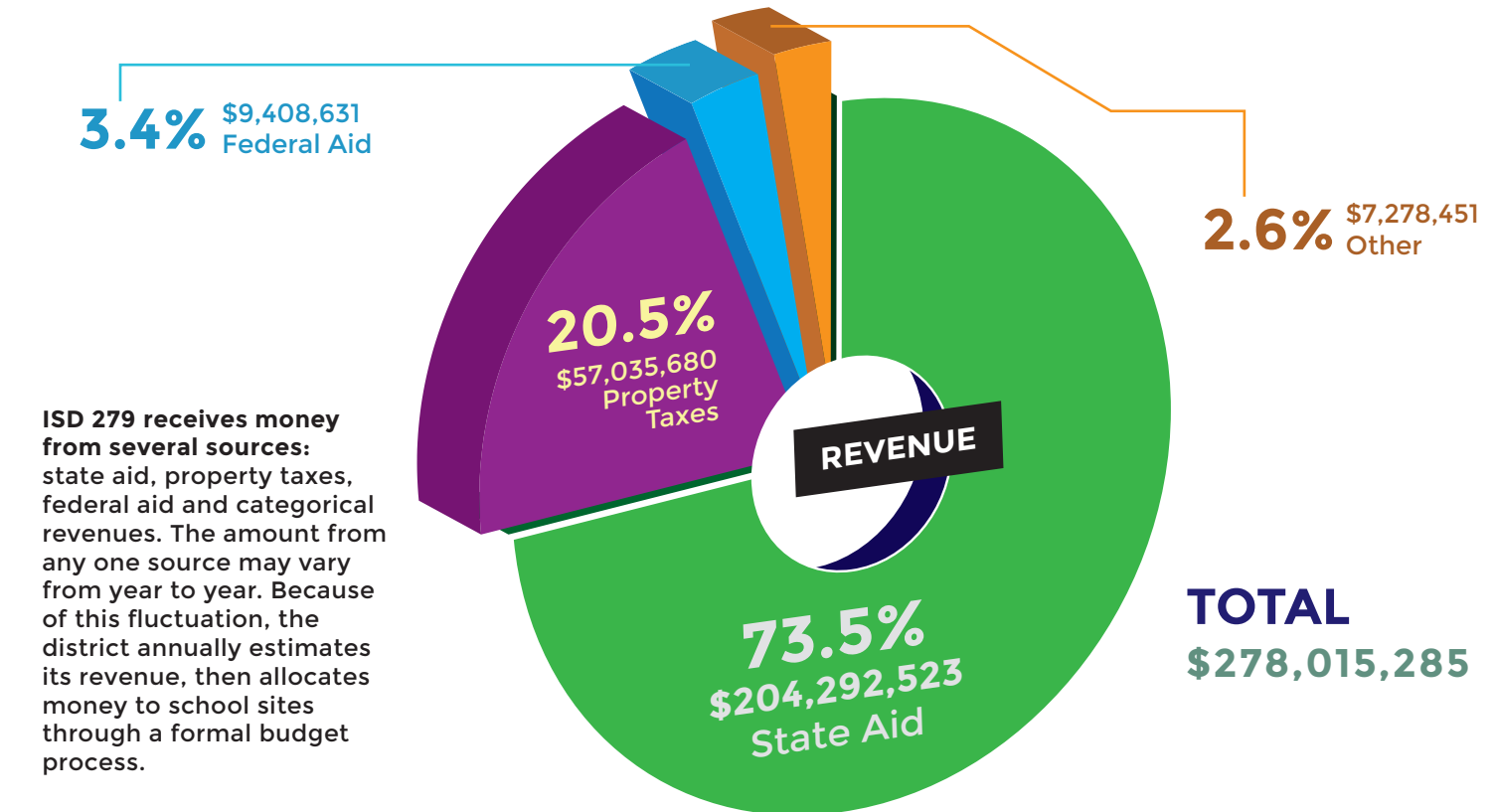
- Cost containment efforts across the system resulted in **\$850,000** in savings in the area of purchased services and supplies and **\$401,000** in the area of utilities due to energy efficiency tactics for FY 2019.

Leveraging Taxpayer Dollars Through Careful Stewardship

- The school district maintains an intense focus on classroom instruction. More than **78.5%** 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 **\$22.8** million in interest costs since 2005.
- ISD 279 received **\$47.2** million in grant funds in FY 2019. Grant funds leveraged local dollars and allowed schools to provide value-added programs and services that meet student needs. FY 2019 saw an increase of **0.5%** in grant funds over the prior year.

GENERAL/TRANSPORTATION FUND

For the year ended June 30, 2019

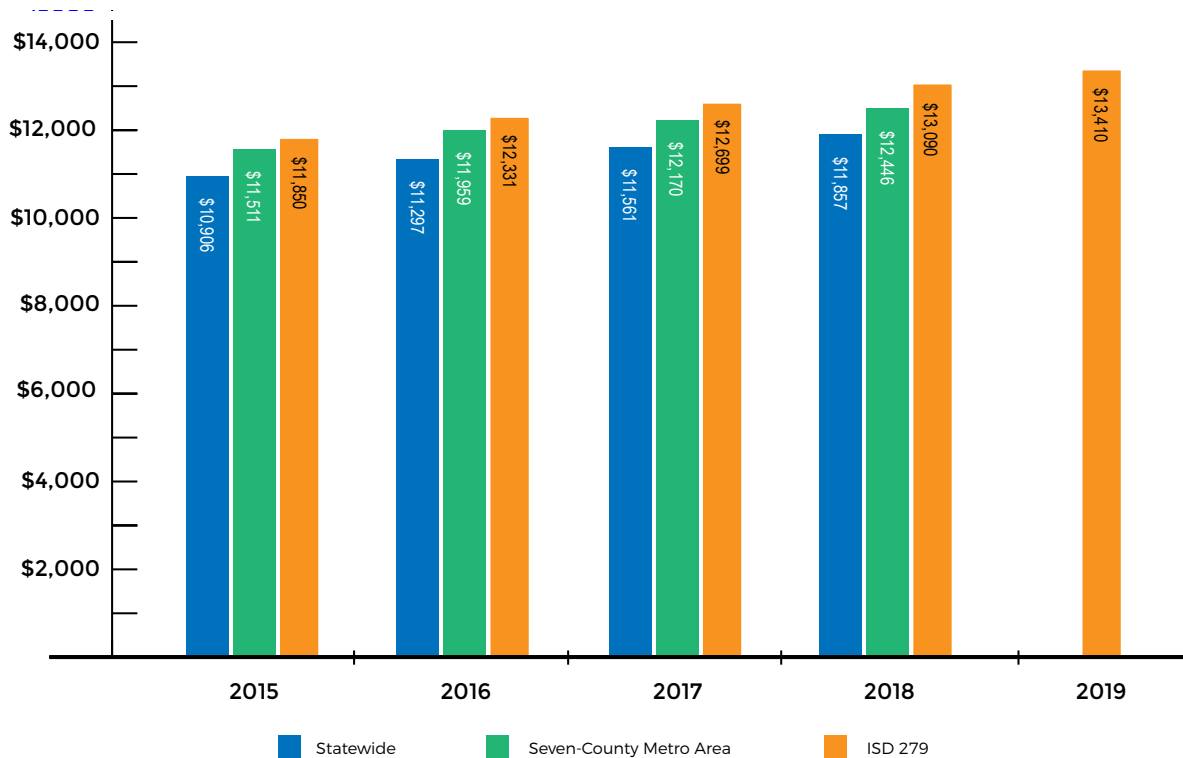


Source: FY 2019 independent audit by Malloy, Montague, Karnowski, Radosevich and Co.

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*				
	2015	2016	2017	2018	2015	2016	2017	2018	2015	2016	2017	2018	2019
Administrative and district support services	\$941	\$960	\$991	\$1,031	\$951	\$958	\$996	\$1,045	\$770	\$817	\$823	\$855	\$870
Elementary and secondary regular instruction	5,301	5,466	5,539	5,646	5,635	5,849	5,887	5,976	6,044	6,277	6,435	6,609	6,746
Vocational education instruction	147	158	166	170	136	146	153	154	122	153	165	181	180
Special education instruction	2,058	2,182	2,225	2,298	2,196	2,330	2,334	2,418	2,241	2,336	2,300	2,322	2,411
Instructional support services	586	622	660	658	689	725	765	748	759	767	848	898	951
Pupil support services	992	1,019	1,074	1,118	1,072	1,104	1,165	1,209	1,030	974	1,040	1,092	1,142
Sites and buildings and other	881	890	906	936	832	847	870	896	884	1,007	1,088	1,133	1,110
Total General Fund operating expenditures	\$10,906	\$11,297	\$11,561	\$11,857	\$11,511	\$11,959	\$12,170	\$12,446	\$11,850	\$12,331	\$12,699	\$13,090	\$13,410

The District spent \$352,555,104 in the governmental funds reflected above in fiscal 2019, an increase of \$17,255,104 (5.2 percent) from the prior year. On a per student basis, this represents an increase of \$710. General Fund operating expenditures (excluding capital) increased \$320 per student, mainly in elementary and secondary regular instruction related to changes in labor contract agreements. General Fund capital expenditures increased \$402 per student, mainly from the issuance of capital leases for technology and custodial equipment.

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.

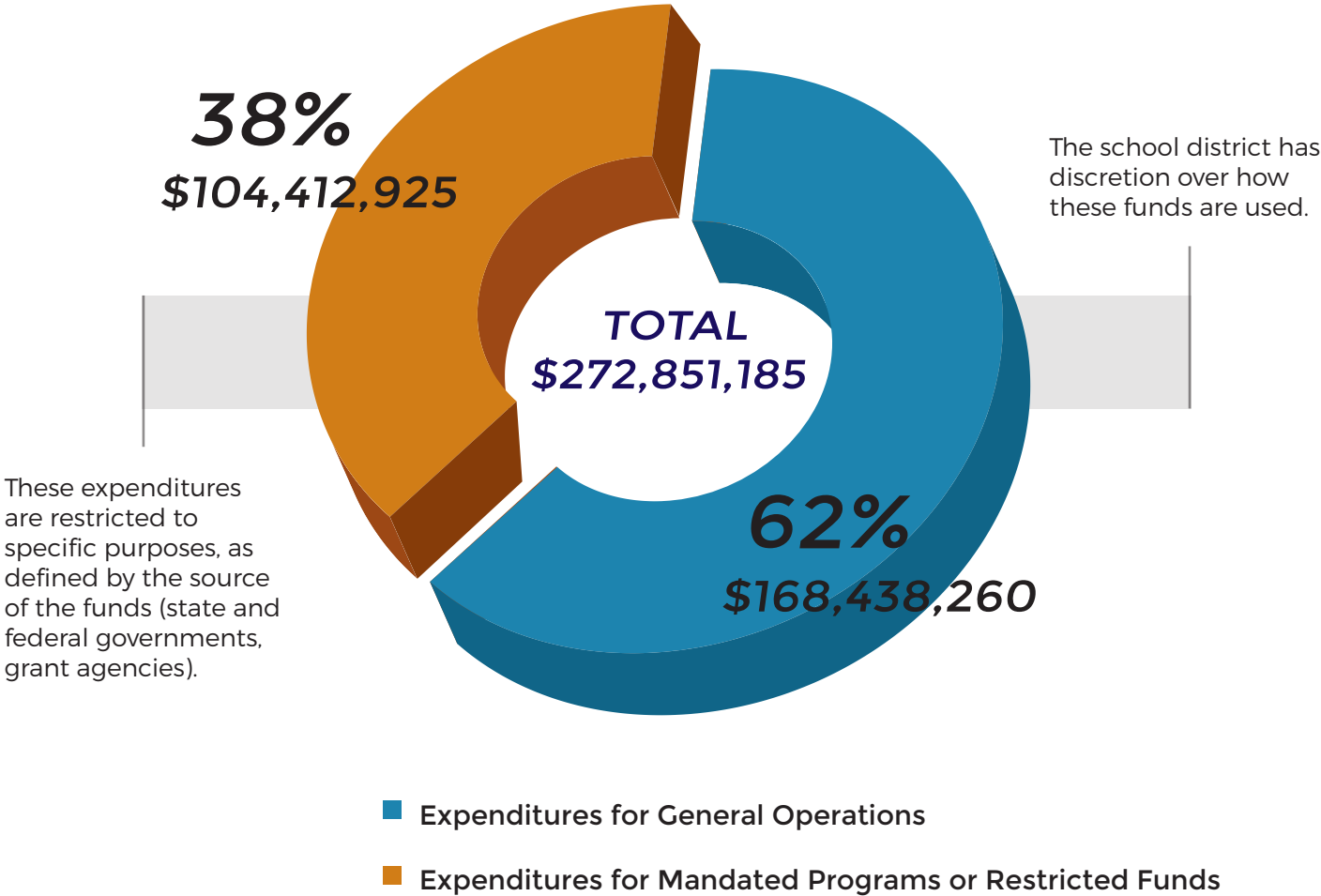
Source: FY 2019 independent audit management report, Malloy, Montague, Karnowski, Radosevich and Co., P.A.

*Statewide and seven-county metro area information for 2019 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 2019 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	2018 Actual	% Change from Prior Year	2019 Actual	% Change from Prior Year	2020 Projected	% Change from Prior Year	2021 Projected
Beginning Fund Balance		\$ 69,369,108		\$ 73,050,393		\$ 78,214,493		\$ 77,388,738
Revenue	3.7%	268,247,644	3.6%	278,015,285	-9.6%	251,423,046	1.7%	255,719,781
Expenditures (including intrafund transfers)	3.1%	264,566,359	3.1%	272,851,185	-7.6%	252,248,801	3.75%	261,513,131
Ending Fund Balance		\$ 73,050,393		\$ 78,214,493		\$ 77,388,738		\$ 71,595,388
Unassigned Fund Balance		67,945,278		75,728,626		74,902,871		69,109,521
Nonspendable/Restricted/Assigned Fund Balance		5,105,115		2,485,867		2,485,867		2,485,867
Total Fund Balance		\$ 73,050,393		\$ 78,214,493		\$ 77,388,738		\$ 71,595,388
How many weeks of expenditures can the unassigned fund balance cover?		13.4		14.4		15.4		13.7
Unassigned fund balance as a percentage of Expenditures		25.7%		27.8%		29.7%		26.4%

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 \$22.7 million, 85% of which is used to cover employee payroll and benefits. On June 30, 2019, the unassigned fund balance would have covered 14.4 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."

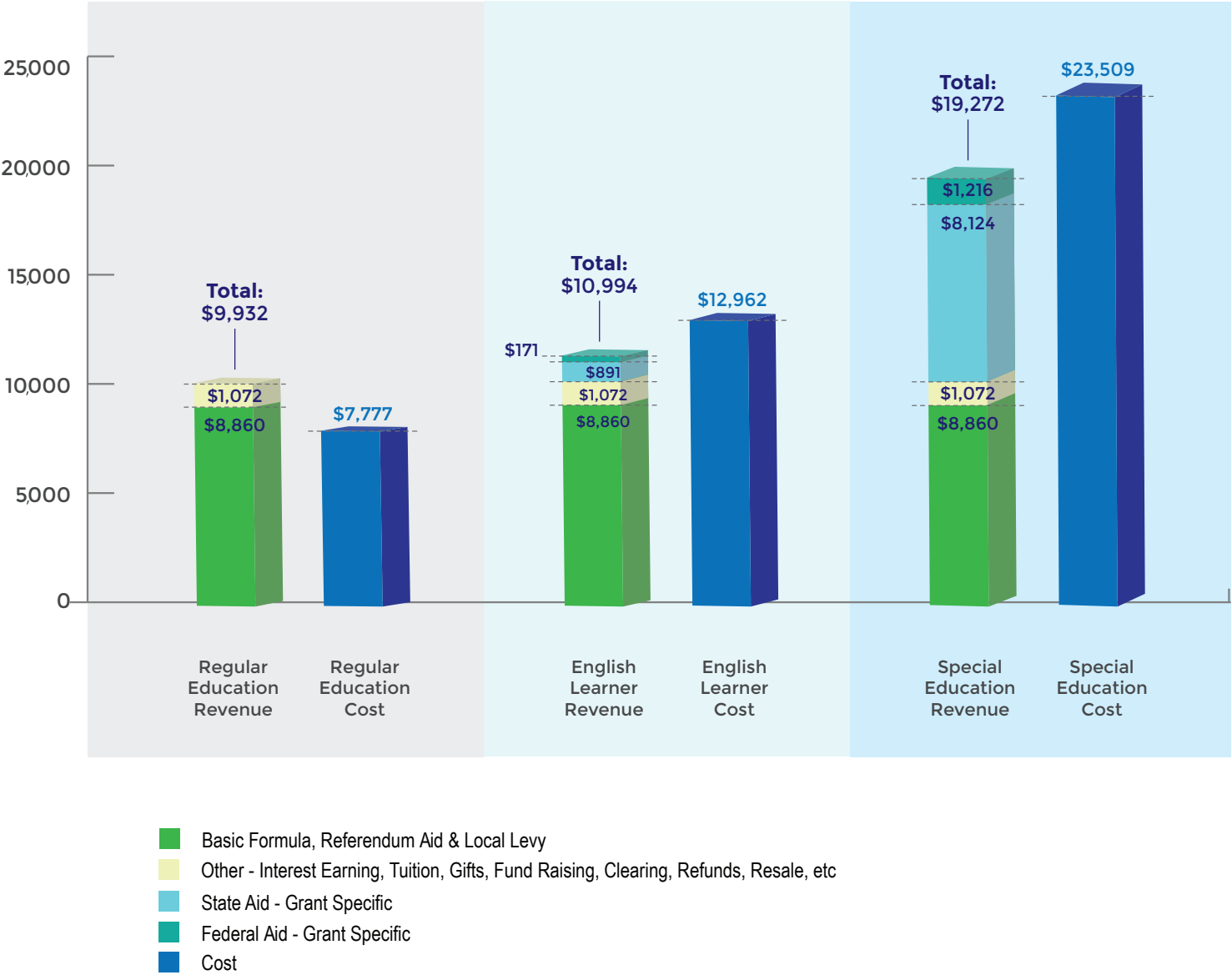
www.district279.org / for current curricular, financial, and other School District information.

www.education.state.mn.us/ for current statewide educational information.

REVENUES VS EXPENDITURES PER STUDENT

More than \$104 million from the General Fund paid for underfunded mandates in FY 2019

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 2019, more than \$104 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 low-income household 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 \$6,312 in the 2018-19 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) - 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 2014, 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 2019 ISD 279 School Board

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Jessica Craig, Vice Chairperson
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Tanya Simons, Treasurer
Kelsey Dawson Walton, Director
Jackie Mosqueda-Jones, Director

Jim Bauck - *Interim Superintendent, Ex Officio*

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For more information about education finance in Minnesota in FY 2019, visit:
[Minnesota School Finance: A Guide for Legislators](#)
[Financing Education in Minnesota, 2018-19](#)