



FY 2022

# CITIZEN'S GUIDE

## TO SCHOOL DISTRICT FINANCES

2021-2022 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 2022 (2021-2022 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 **20,400 learners** in our PreK-12 schools.

This document describes revenues and expenditures in the General Fund, which comprises **74.5%** of all funds managed by the school district. In addition to the General Fund of **\$297** million, the district manages approximately **\$101.7** million among seven other fund categories: Food Service, Community Service, Capital Projects, Debt Service, Capital, Internal Services, and Custodial.

The Financial Involvement School-Community Accountability Liaisons (FISCAL) advisory 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, Radosovich, & 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 2022 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 **eighteen 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 **33rd 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

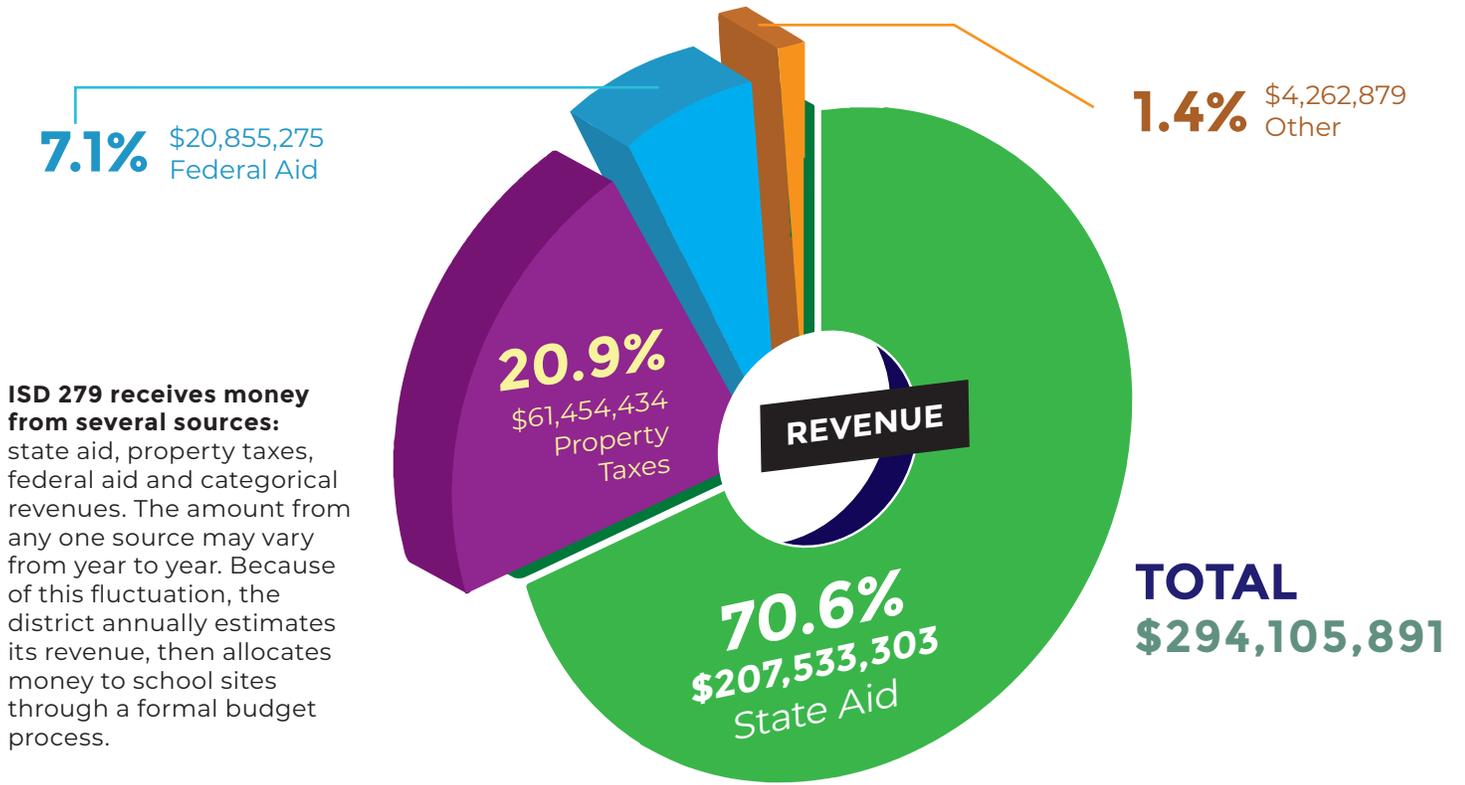
- Cost containment efforts across the system resulted in **\$1,907,000** in savings in the area of purchased services and supplies and **\$253,000** in the area of utilities due to energy efficiency tactics.

## Leveraging Taxpayer Dollars Through Careful Stewardship

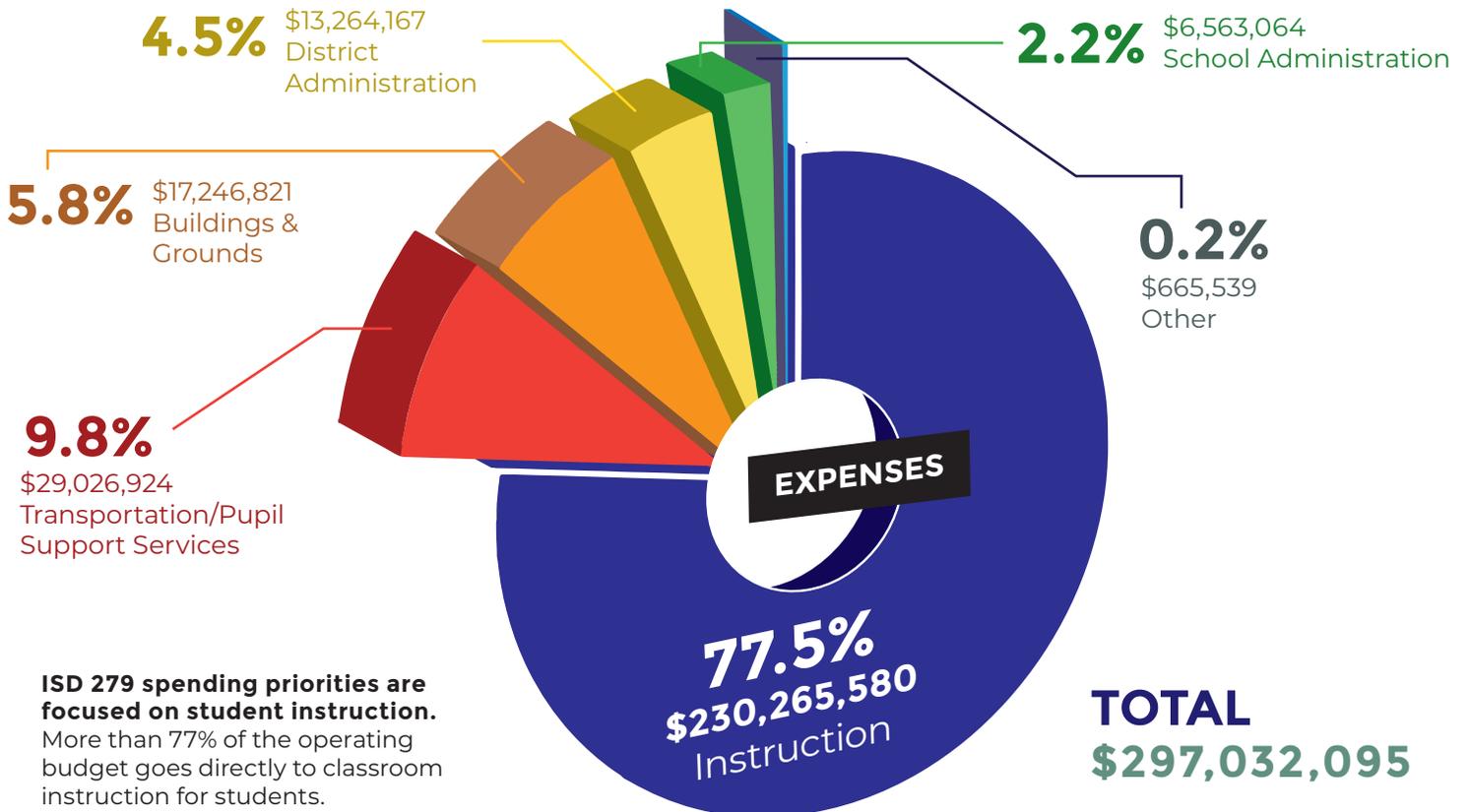
- The school district maintains an intense focus on classroom instruction. More than **77.1%** of the operating budget goes directly to classroom instruction for students.
- By refinancing debt at a lower rate, the school district has saved local taxpayers nearly **\$18** million in interest costs since 2005.
- ISD 279 received **\$61.2** million in grant funds in FY 2021. Grant funds leveraged local dollars and allowed schools to provide value-added programs and services that meet student needs. FY 2022 saw an increase of **15.3%** in grant funds over the prior year.

# GENERAL FUND

## For the year ended June 30, 2022



**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.

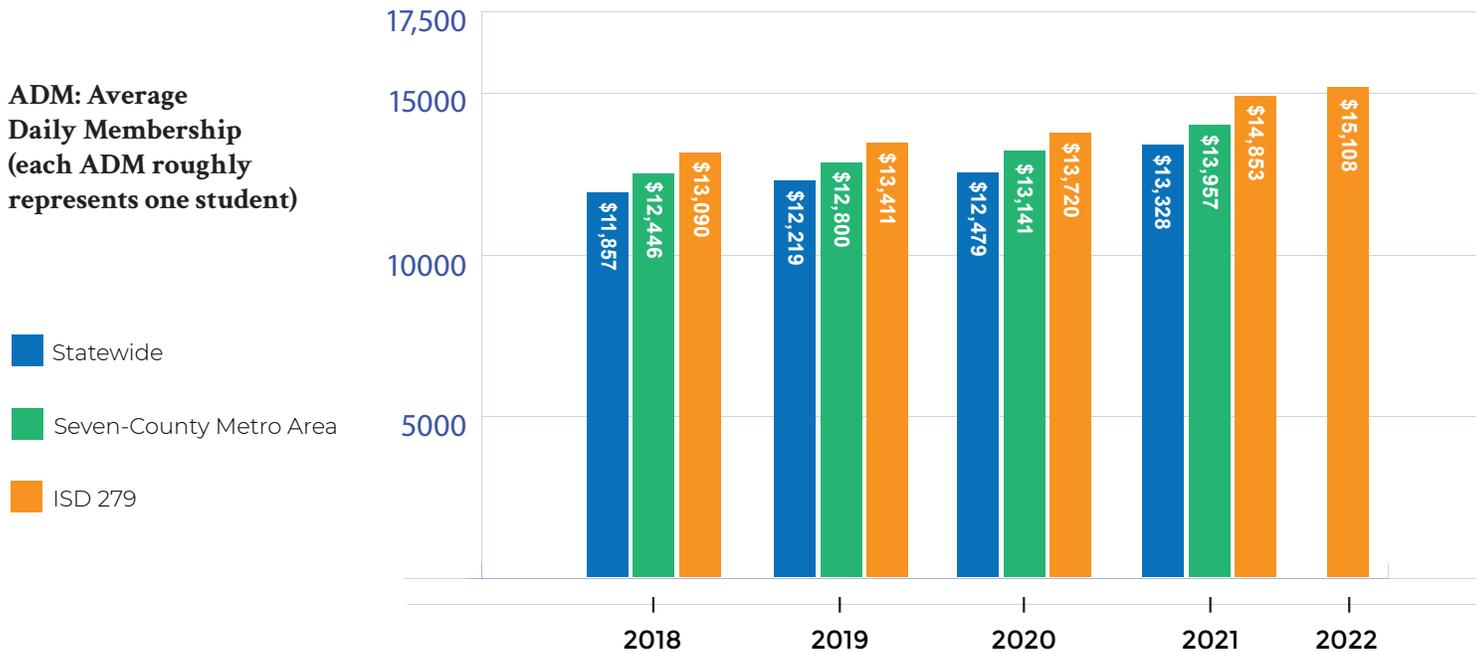


**ISD 279 spending priorities are focused on student instruction.** More than 77% of the operating budget goes directly to classroom instruction for students.

Source: FY 2022 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.



	Statewide*				Seven-County Metro Area*				ISD 279*				
	2018	2019	2020	2021	2018	2019	2020	2021	2018	2019	2020	2021	2022
Administrative and district support services	1,031	1,065	1,093	1184	1045	1,078	1,100	1205	855	871	924	998	1010
Elementary and secondary regular instruction	5,646	5,787	5,881	6198	5976	6,112	6,231	6527	6609	6746	6738	6878	6896
Vocational education instruction	170	180	186	197	154	165	171	179	181	180	178	172	213
Special education instruction	2,298	2,380	2,481	2626	2418	2,505	2,626	2792	2322	2411	2591	2786	2880
Instructional support services	658	669	683	812	748	751	787	917	898	951	1018	1505	1475
Pupil support services	1,118	1,178	1,203	1228	1209	1,282	1,316	1285	1092	1142	1179	1248	1400
Sites and buildings and other	936	960	952	1083	896	907	910	1052	1133	1110	1092	1266	1234
<b>Total General Fund operating expenditures</b>	<b>11,857</b>	<b>12,219</b>	<b>12,479</b>	<b>13,328</b>	<b>12,446</b>	<b>12,800</b>	<b>13,141</b>	<b>13,957</b>	<b>13,090</b>	<b>13,411</b>	<b>13,720</b>	<b>14,853</b>	<b>15,108</b>

The District spent \$370,116,591 in the governmental funds reflected above in fiscal 2022, an increase of \$13,407,292 (3.8 percent) from the prior year. On a per student basis, this represents an increase of \$397 per student. General Fund operating expenditures (excluding capital) increased \$255 per student, with the largest increase in pupil support services including transportation services. General Fund capital expenditures increased \$201 per student, mainly for operating capital and long-term facilities maintenance at the District’s sites and buildings. Food Service Special Revenue Fund expenditures increased \$152 per student, mainly due to the programs operating closer to pre-pandemic levels. Debt Service Fund expenditures decreased \$295 per student, due to decreased scheduled debt payments in the current 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.

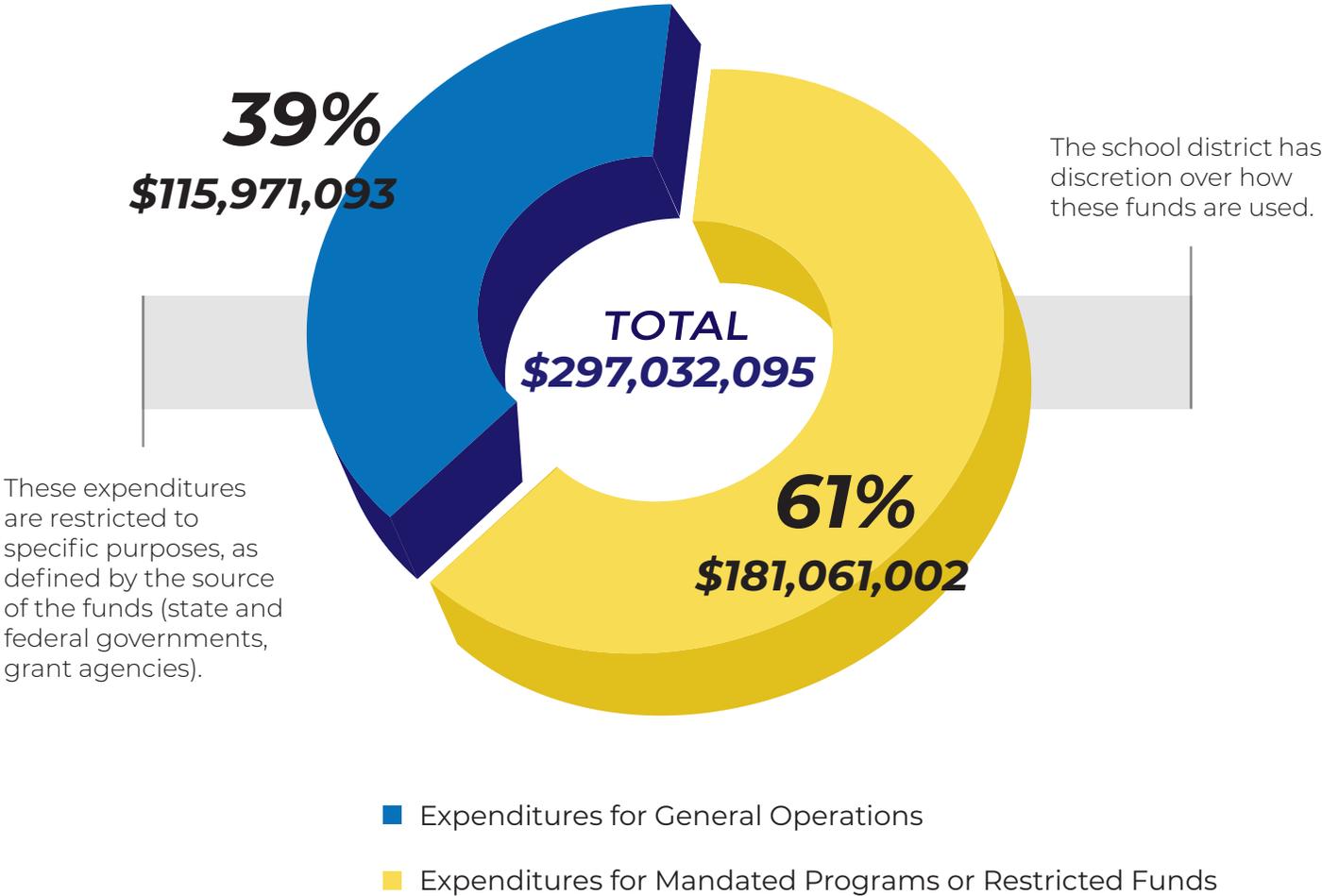
Source: FY 2022 independent audit management report, Malloy, Montague, Karnowski, Radosevich and Co., P.A.

\*Statewide and seven-county metro area information for 2022 is not yet available.

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

**The school district has discretionary control of 61% of the annual budget**

Unrestricted expenditures, about 61% of the budget, allow for discretion and can be spent on the general operations of the district. About 39% of FY 2022 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	2021 Actual	% Change from Prior Year	2022 Actual	% Change from Prior Year	2023 Projected	% Change from Prior Year	2024 Projected
<b>Beginning Fund Balance</b>		\$ 88,618,269		\$ 96,705,567		\$ 93,779,363		\$ 79,610,293
Revenue	<b>2.6%</b>	297,098,819	<b>-1.0%</b>	294,105,891	<b>-11.1%</b>	261,564,192	<b>8.2%</b>	283,021,893
Expenditures (includes transfers out in FY 2020)	<b>3.4%</b>	289,011,521	<b>2.8%</b>	297,032,095	<b>-7.2%</b>	275,733,262	<b>3.75%</b>	284,959,156
Change In Accounting Principle		<b>424,121</b>						
Ending Fund Balance		\$ 96,705,567		\$ 93,779,363		\$ 79,610,293		\$ 77,673,030
Unassigned Fund Balance		77,400,156		77,005,186		75,067,922		55,779,499
Nonspendable/Restricted/Assigned Fund Balance		19,305,411		16,774,177		4,542,371		21,893,531
<b>Total Fund Balance</b>		\$ 96,705,567		\$ 93,779,363		\$ 79,610,293		\$ 77,673,030
How many weeks of expenditures can the unassigned fund balance cover?		<b>13.9</b>		<b>13.5</b>		<b>14.2</b>		<b>10.2</b>
Unassigned fund balance as a percentage of Expenditures		<b>26.8%</b>		<b>25.9%</b>		27.2%		19.6%

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.

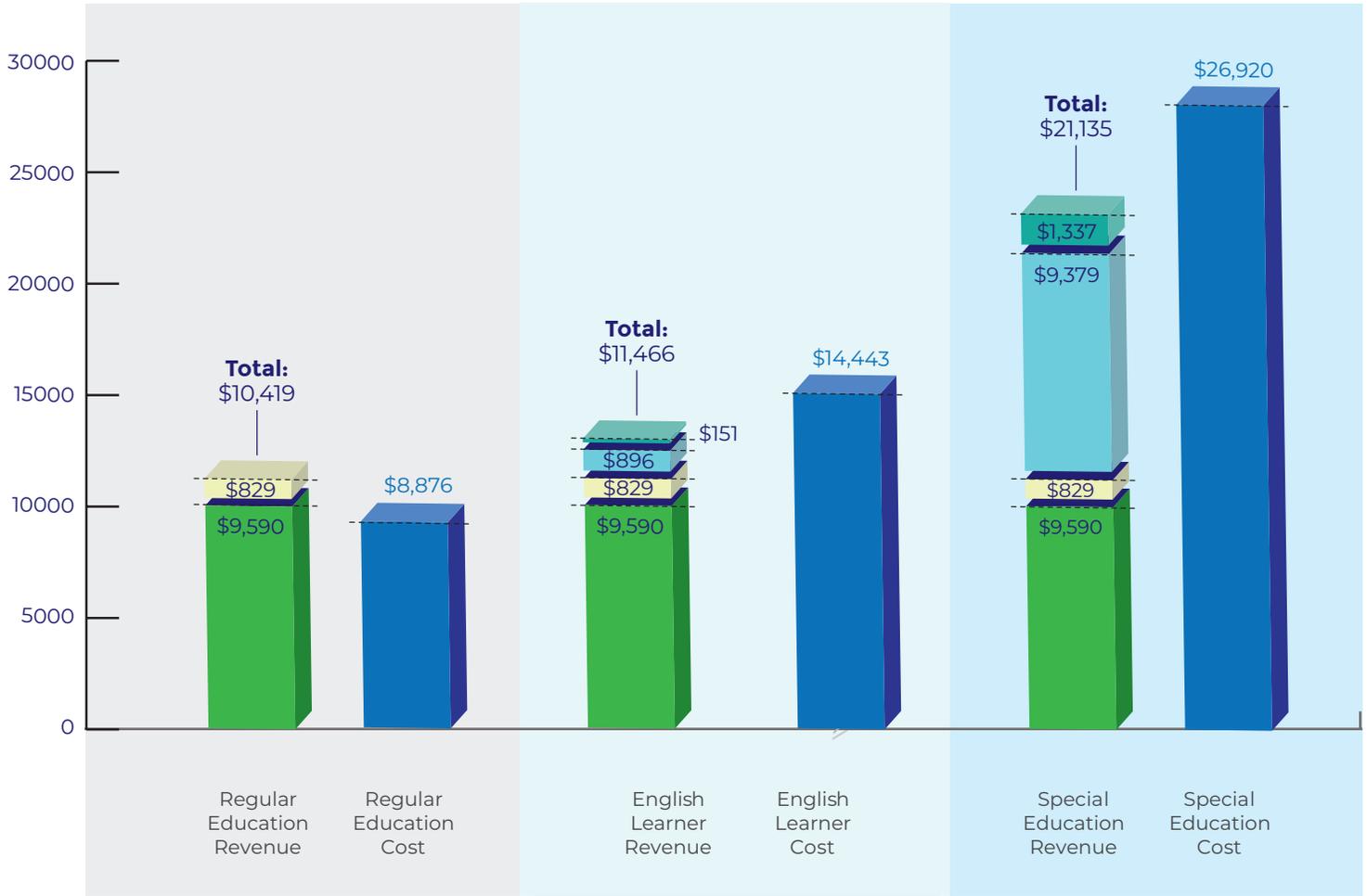
The unassigned fund balance provides cash flow for operations and keeps the district out of debt. To put the fund balance in perspective: The district's monthly operating costs average \$24.8 million, 81% of which is used to cover employee payroll and benefits. On June 30, 2022, the unassigned fund balance would have covered 13.5 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

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.



- Basic Formula, Referendum Aid & Local Levy
- Other - Interest Earning, Tuition, Gifts, Fund Raising, Clearing, Refunds, Resale, etc
- State Aid - Grant Specific
- Federal Aid - Grant Specific
- Cost

# 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 \$6,728 in the 2021-22 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 November of 2022, voters renewed an expiring levy for FY 2024 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 2022 ISD 279 School Board

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Jackie Mosqueda-Jones, Vice Chairperson  
Heather Douglass, Clerk  
Tanya Simons, Treasurer  
Thomas Brooks, Director  
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For more information about education finance in Minnesota in FY 2022, visit:

[Minnesota School Finance: A Guide for Legislators](#)

[Financing Education in Minnesota, 2021-22](#)