

An Overview of the 2009-2010 Budget

June 2009

■ Introduction

The annual budget of Spring Lake Park District 16 includes an analysis of the actual financial condition of the school system at July 1, 2008, and the anticipated positions at June 30, 2009, and June 30, 2010.

The annual budget also includes an analysis of the proposed revenues



and expenditures for the District's fiscal year, beginning July 1, 2009 and ending June 30, 2010.

The budget is prepared in accordance with generally accepted accounting principles and Minnesota Uniform Financial Accounting and Reporting Standards (UFARS). UFARS requires the District to establish separate funds in accordance with statutory requirements and state and federal regulations governing the district's various revenue sources and expenditure purposes. Each fund is treated as an independent accounting entity.

Prior to July 1 of each year, the School Board adopts its annual budget for the following fiscal year. Current Minnesota Education Laws were used as the basis for preparing the fiscal year 2009-2010 financial budget.

The School Board, superintendent, district leadership, staff, community, and students continually look at ways to provide opportunities that are aligned with the District's mission and vision. As an accountable, credible school district, the budget reflects a purposeful alignment of resources, structures and systems.

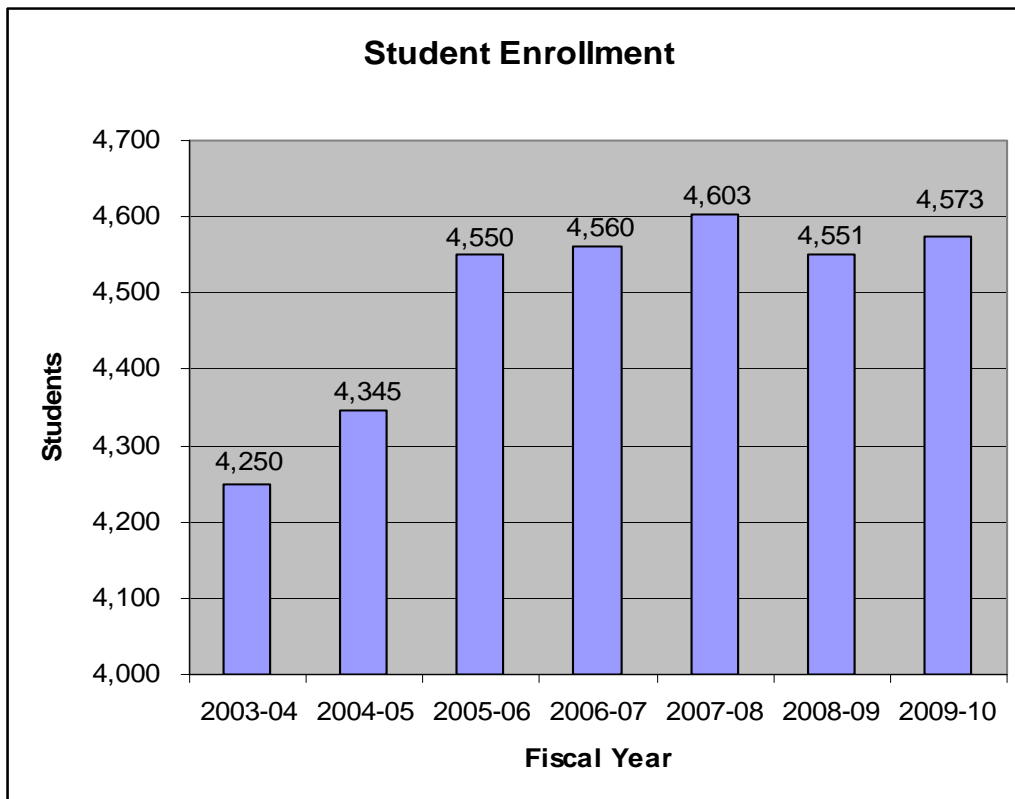
Effective resource management combined with prudent financial management practices allow the district to respond to enrollment changes, balance revenue to expenditures, and maintain systems that ensure financial stability. With the public's increased demand for accountability, the expanding complexity of Minnesota school district funding, and the

challenge to do more with less, district administration will continue to seek opportunities to effectively manage the financial resources of the school district.

■ Enrollment History and Projections

The Spring Lake Park School district's student enrollment in the 2009-2010 school year is projected to increase from 4,551 students to 4,573 students. This increase represents a slight enrollment growth of 22 additional students, or 0.5%. Enrollment growth of the district has largely been attributed to both an increase in the resident student population of the district as well as an increase in the demand for the innovative programs the district has implemented.

The chart below shows the district's actual enrollment history for the last five years, revised enrollment estimates for the 2008-2009 school year, and preliminary enrollment projections for the 2009-2010 school year. Long-term projections indicate that the district will continue to see slight enrollment growth over the next several years. Additional enrollment information, by grade and by site, is available at the end of this report.



■ **General Fund Financial Condition**

The general fund is used to account for all financial resources except those required to be accounted for in another fund. As a result of 1995 legislative action, the transportation and capital expenditure funds have been combined and continue to be included in the general fund. Thus, the discussion that follows analyzes both the general fund operating budget as well as the total general fund budget, comparing them to the revised 2008-2009 budgets. Summary budget detail of the general fund is found in the attached Fund Balance Report.

General fund operating budget

- General fund operating revenues are budgeted at \$42,813,785, an increase of \$1,494,789 or 3.6%. This increase is primarily attributed to a catch up of operating referendum and integration levy revenue which were under levied in the previous year, as well as an increase in student enrollment. There is also \$250,000 of federal stimulus special education revenue being recorded. For 2009-2010 there was no increase in the state general education funding formula allowance.
- General fund operating expenditures are budgeted at \$42,809,938, an increase of \$998,141, or 2.4%. This increase is primarily attributed to inflationary increases for salaries and benefits, utilities, and other purchased services. Budget capacity for one-time and other categorical funded expenditures is also included in this amount.
- General fund operating revenues will exceed operating expenditures by \$6,703. The general fund unreserved, undesignated fund balance is projected to be a positive amount of \$1,110,803 on June 30, 2009 and represents 2.7% of annual operating expenditures.

General fund total budget

- General fund total revenues are budgeted at \$45,735,819, an increase of \$593,440 or 1.3%. The majority of this increase relates to areas described above for the general fund operating budget. Those increases are offset largely by a decrease in revenue for state authorized health and safety projects. Minnesota statutes provide revenue to reimburse school districts for the cost incurred in making certain facility improvements to ensure the health and safety of students, staff and the public. The remainder of this change is due as well as one time technology aid from the state received only for 2008-2009.
- General fund total expenditures are budgeted at \$46,286,300, an increase of \$871,995, or 1.9%. This increase is largely attributed to projected inflationary increases as described above as well as an increase in state authorized health and safety projects for which the revenue is also being received.
- General fund total revenues are projected to exceed expenditures in the unreserved/undesignated account while falling short of expenditures in each of the sub-accounts. In both the reserve for health and safety and reserve for operating

capital accounts, the district has planned expenditures for which the revenues will be received in the following fiscal year based on the reimbursement schedule set up by the Minnesota Department of Education. The total general fund balance is projected to be a positive amount of \$499,943 on June 30, 2010. It is important to note that the reserved fund balances included in the total general fund balance can only be used for state legislated purposes.

Comments:

General Fund expenditures by program detail is found in the attached Exhibit.

■ **Special Revenue Funds Financial Condition**

The district also maintains four special revenue funds. These are restricted funds having specific purposes. They include food service, community service, building construction, and debt service funds.

Food Service fund activities are those relating to school lunch and other related programs.

- Revenues are budgeted at \$1,859,500 an increase of \$9,500 or 0.5%.
- Expenditures are budgeted at \$1,918,260, an increase of \$68,260 or 3.7%.
- Unreserved fund balance is projected to be a positive amount and it is deemed to be at a level recommended through industry standards.

Comments:

The changes between the years are largely attributed to increases in meal participation assumptions and projected increases in the cost of milk, food, and energy. Meal prices for families have not been increased for 2009-2010.

Community Service fund activities are those relating to adult education programs, recreation, and civic programs.

- Revenues are budgeted at \$2,465,134, an increase of \$112,134 or 4.8%.
- Expenditures are budgeted at \$2,465,134, an increase of \$116,644 or 4.9%.
- Revenues and expenditures are balanced and the fund is anticipated to maintain its current financial condition at June 30, 2009.

Comments:

The revenue and expenditure changes are primarily due to anticipated increases in community participation in community education programming and facility rentals.

Building Construction fund The building construction fund is used to account for bond proceeds, investment earnings, and expenditures for facility improvements funded with voter approved bond referendum or alternative facilities health and safety revenue. On February 28, 2006, the voters authorized the district to issue \$95.9 million in bonds and to execute its facility improvement plan. Projects associated with this bond referendum are scheduled to be completed during the 2009-2010 school year.

Comments:

While revenue and expenditure activity are accounted for in the building construction fund, an annual budget is not included for projects already approved by voters through referendum.

Debt Service fund The financial condition of the debt service fund, a fund which accounts for resources used to repay bonded indebtedness incurred to finance major district property acquisition, construction, and improvement programs, appears to be adequate.

- Revenues are budgeted at \$8,010,980, and represent property tax levy revenue to repay bonded indebtedness on bonds authorized by voters in 1995 and in 2006.
- Expenditures are budgeted at \$7,598,575, and represent principal and interest payments on bonds authorized by voters in 1995 and in 2006.
- Total fund balance is projected to be a surplus amount.

Comments:

Future payments of bonded indebtedness will be fully paid through voter approved property tax levies. Statutes require that school districts levy 105% of scheduled principal and interest payments. Once overages reach state calculated levels they are used to reduce future levies.

■ **Budget Development and Future Implications**

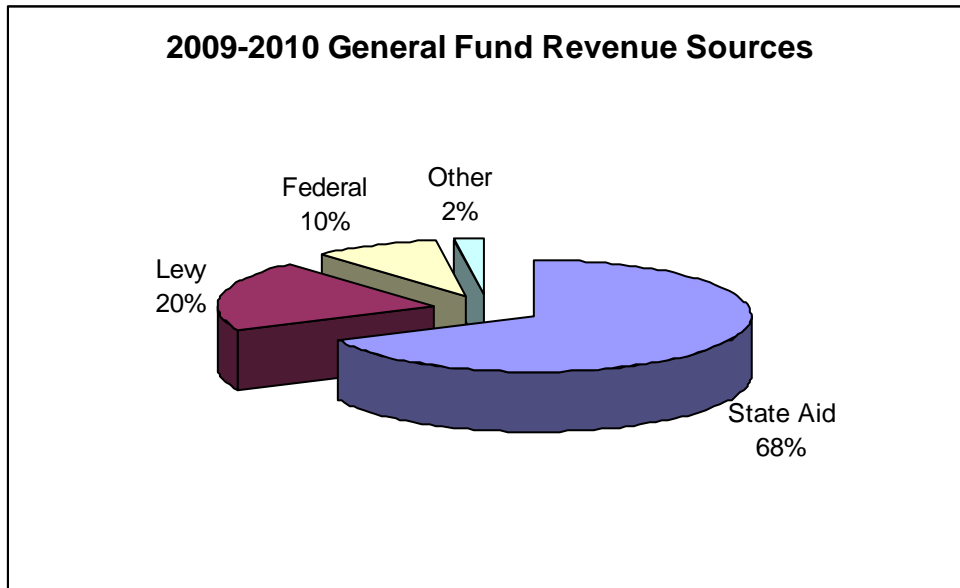
The development of the annual budget continues to remain a cooperative effort of various district individuals and groups. Many hours were devoted to reviewing prior and current year budgets and operations. Extensive efforts will again be required next year as district officials work together to construct a fiscal year 2010-2011 budget and to continue to gradually build a reserve that will bring the District's fund balance to a responsible and reasonable level.

General fund expenditure detail is divided into program category dimensions described below:

1. **District and School Administration** is the organizational hierarchy at the school principal level and above. Examples are principals, superintendent, and school board.
2. **District Support Services** are function or task-oriented services that may cross many combinations or other major divisions of program categories. Examples are the business office and the operation department offices of personnel-payroll and computer services.
3. **Regular Instruction** is the level of instruction and academic departments found within each elementary and secondary school. It typically includes all activities that are classroom, co-curricular, and extra-curricular in nature.
4. **Vocational Instruction** is the level of instruction pertaining to senior high school vocational education.
5. **Exceptional Instruction** is compensatory and special education subdivided by student needs. Examples are gifted and talented, Title I programs, and special education instruction.
6. **Community Education and Services** is instruction provided outside the normal school day. It provides educational programming for students at times other than regular school hours.
7. **Instructional Support Services** consist of activities designed to assist instructional staff with the content and process of providing learning experiences to students in grades K-12. Local examples are curriculum development, media, staff development, and computer assisted instruction.
8. **Pupil Support Services** consist of activities that do not qualify as instructional services to students in grades K-12. Local examples are counseling, health, attendance, pupil transportation, and food services.
9. **Site, Buildings, and Equipment** consist of activities related to the acquisition, operation, maintenance, repairs, and remodeling of all physical plant, facilities, grounds, and district equipment.
10. **Fiscal and Other Fixed Cost Programs** consist of miscellaneous services not otherwise covered in other program categories. Local examples are expenditures for interest expense paid on short-term district debt, property insurance, and employee benefits paid in the form of unemployment compensation, workers' compensation, and severance payments.

General Fund Revenues

Spring Lake Park School District receives its general fund revenue through a combination of state aid (68%), local property tax levy (20%), federal funding (10%) and other local revenues (2%), as seen in the chart below:



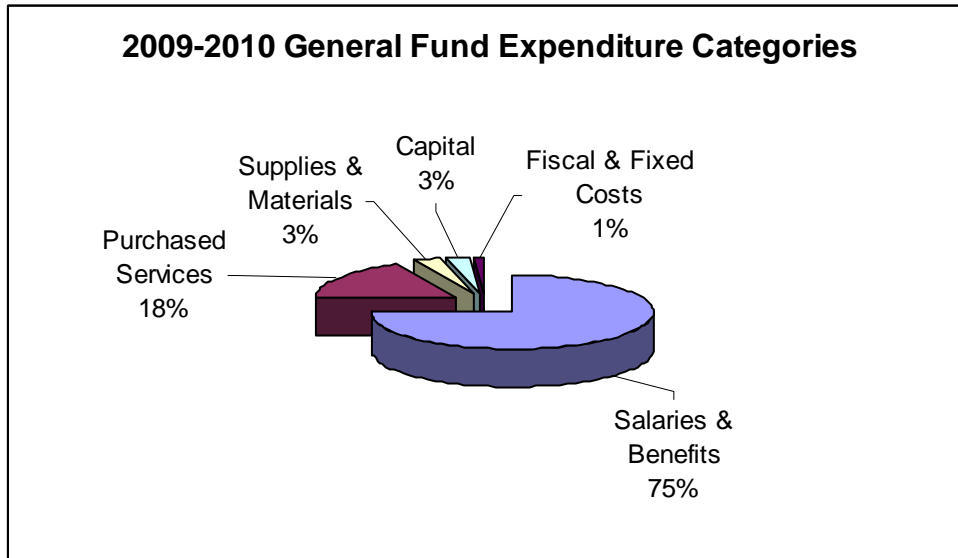
Data of the District's revenue sources for 2009-2010 are compared to the prior year below:

<u>Revenue Source</u>	<u>Revised Budget 2008-2009</u>	<u>Revised Budget 2009-2010</u>	<u>Change</u>	
State Aid	33,407,133	30,979,907	(2,427,226)	
Local Levy	8,489,646	9,302,583	812,937	
Federal	1,730,449	4,363,629	2,633,180	
Other	1,515,151	1,089,700	(425,451)	
	<u>45,142,379</u>	<u>45,735,819</u>	<u>593,440</u>	1.3%

For 2009-2011 biennium the State of Minnesota used Federal stimulus dollars to balance their budget. In doing so, they reduced the amount of funding the state allocates to school districts per pupil and replaced it with federal stimulus aid. The results for our district was a \$2,700,000 reduction in state aid and a corresponding increase in federal aid.

General Fund Expenditures

General fund expenditures are categorized below by type of use:



Data of the District's expenditure uses for 2009-2010 are compared to the prior year below:

Expenditure Use	Revised Budget 2008-2009	Proposed Budget 2009-2010	Change	
Salaries & Benefits	33,355,546	34,818,821	1,463,275	
Purchased Services	8,605,706	8,255,678	(350,028)	
Supplies & Materials	1,601,845	1,432,841	(169,004)	
Capital	1,376,108	1,286,060	(90,048)	
Fiscal & Fixed Costs	475,100	492,900	17,800	
	45,414,305	46,286,300	871,995	1.9%

For 2009-2010 the District hired internally four positions that had been contracted out the previous year, causing purchased services to decrease while salaries and benefits increased.