

## **An Overview of the 2006-2007 Budget**

**June 2006**

### **■ Introduction**

The annual budget of Spring Lake Park District 16 includes an analysis of the actual financial condition of the school system at June 30, 2005, and the anticipated positions at June 30, 2006, and June 30, 2007.

The annual budget also includes an analysis of the proposed revenues



and expenditures for the District's fiscal year, beginning July 1, 2006 and ending June 30, 2007.

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. Minnesota Education Laws 2005 were used as the basis for preparing the fiscal year 2006-2007 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.

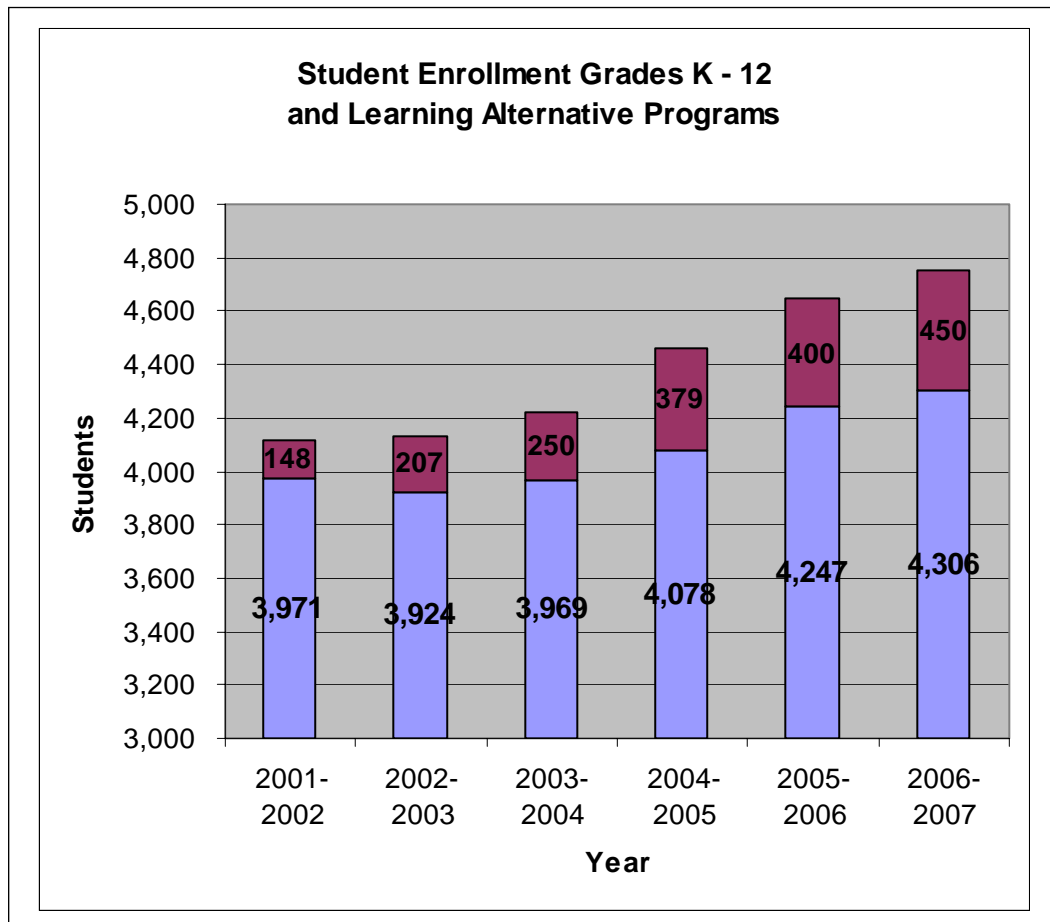
Effective resource management combined with prudent financial management practices allow the district to respond to enrollment changes, balance revenue to expenditures, and

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 2006-2007 school year is projected to increase from 4,647 students to 4,756 students. This increase represents moderate enrollment growth of 109 additional students, or 2.3%. Enrollment growth of the district is largely attributed to both an increase in the 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 four years, revised enrollment estimates for the 2005-2006 school year, and preliminary enrollment projections for the 2006-2007 school year. Long-term projections indicate that the district will continue to see moderate enrollment growth over the next several years. Additional enrollment information, by grade and by site, is available in Exhibit IV.



## ■ 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. Summary budget detail of the general fund is found in Exhibit I.

### *General fund operating budget*

- General fund operating revenues are budgeted at \$35,708,381, an increase of \$1,627,763 or 4.78%. This increase is primarily attributed to a projected increase in student enrollment of 109 students combined with a slight revenue increase of \$191 per student in the state general education funding formula allowance.
- General fund operating expenditures are budgeted at \$35,697,874, an increase of \$1,662,812, or 4.88%. This increase is primarily attributed to a projected increase in student enrollment of 109 students as well as inflationary increases for salaries and benefits, utilities, and other purchased services.
- General fund operating revenues will exceed operating expenditures by \$10,507. The general fund unreserved, undesignated fund balance is projected to be a positive amount of \$229,838 on June 30, 2007. **This will be the third consecutive year that the district will have a positive fund balance in the unreserved, undesignated general fund account.**

### *General fund total budget*

- General fund total revenues are budgeted at \$39,740,508, an increase of \$998,472 or 2.58%. This change includes a projected increase in student enrollment combined with a planned decrease of approximately \$1 million in health and safety revenue. Minnesota statutes require that all health and safety projects exceeding \$500,000 be accounted for in the building construction fund. Thus, this negative revenue adjustment in the general fund will be offset by a similar amount of health and safety alternative facilities revenue in the building construction fund.
- General fund total expenditures are budgeted at \$40,776,178, an increase of \$2,408,612, or 6.28%. This increase is largely attributed to a projected increase in student enrollment, inflationary increases, additional programming expenditures, and operating capital and health and safety funded expenditures that were postponed pending successful passage of the district's bond referendum in February 2006.
- General fund total revenues will exceed expenditures in all accounts except for the health and safety account as discussed above. The total general fund balance is projected to be a positive amount of \$2,362,393 on June 30, 2007. 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 revenues by source is found in Exhibit II and general fund expenditures by program detail is found in Exhibit III.*

## ■ **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 \$1,700,836, an increase of \$27,096 or 1.6%.
- Expenditures are budgeted at \$1,600,473, an increase of \$70,231 or 4.4%.
- Excess of Revenues over Expenditures is projected to be \$30,132.
- Unreserved fund balance is projected to be a positive amount and it is deemed to be adequate.

***Comments:***

*The changes between the years are largely attributed to increases in meal participation assumptions and milk and energy cost increases anticipated in the 2006-2007 school year.*

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

- Revenues and Expenditures are each budgeted at \$2,100,000.
- Revenues and Expenditures are balanced and the fund continues to be self-supporting.
- Total fund balance is projected to continue to be a positive amount.

***Comments:***

*The revenue and expenditure decreases are primarily due to the completion of several federal grant programs that are scheduled to end in September 2006.*

**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.

- Revenues are budgeted at \$1,542,000 to reflect the district's first year of participation in the alternative facilities health and safety program. This program requires that all projects in excess of \$500,000 are to be accounted for in the building construction fund instead of the general fund of the district. Projects less than \$500,000 will continue to be included in the general fund of the district.
- Health and safety alternative facility expenditures are expected to begin in the summer of 2007.

***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. However, alternative facility revenue and expenditure budgets for health and safety eligible projects are included in this fund.*

**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 \$3,100,000, and represent property tax levy revenue to repay bonded indebtedness on bonds authorized by voters in 1995. It is important to note that property tax levy revenue on the bond referendum approved by voters in 2006 will begin in the 2007-2008 fiscal year.
- Expenditures are budgeted at \$4,577,729, and represent principal and interest payments on bonds authorized by voters in 1995. In addition, this amount includes the February 2007 interest payment on bonds authorized by voters and issued in 2006. The planned use of debt service funds on hand will provide adequate resources to repay bonded indebtedness.
- Excess of Expenditures over Revenues is projected to be \$1,477,729, as discussed above.
- Total fund balance is projected to be a surplus amount.

***Comments:***

*The District plans to utilize excess funds in the debt service fund in making its first interest payment, due February 2007, for the recent bond issue of \$45 million. Future payments of bonded indebtedness will be fully paid through property tax 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 2007-2008 budget and to continue to 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.

Spring Lake Park School District 16  
 Adopted fund balance report 06-07  
 as of Adopted June 2006

EXHIBIT I

	Audited Fund Balance 7/1/2005	Revised Revenue Budget 2005-2006	Revised Expenditure Budget 2005-2006	Revised Change in Fund Balance	Revised Fund Balance 6/30/2006	Proposed Revenue Budget 2006-2007	Proposed Expenditure Budget 2006-2007	Proposed Change in Fund Balance	Proposed Fund Balance 6/30/2007
Operating Funds									
General Fund									
Unreserved/Undesignated									
Operating fund Balance	\$ 173,775	\$34,080,618	\$ 34,035,062	\$ 45,556	\$ 219,331	\$ 35,708,381	\$ 35,697,874	\$ 10,507	\$ 229,838
Reserved/Designated Fund Balance									
Reserve - Severance/ Health Benefits	620,273	500,000	500,000	-	620,273	500,000	500,000	-	620,273
Reserve - Health & Safety	943,673	738,459	430,745	307,714	1,251,387	(604,066) (a)	533,200	(1,137,266) (a)	114,121
Reserve - Area Learning Center	502,099	2,000,000	2,101,558	(101,558)	400,541	2,300,000	2,297,200	2,800	403,341
Reserve - Operating Capital	281,252	1,222,959	1,100,201	122,758	404,010	1,636,193	1,547,904	88,289	492,299
Designated - Student Activities	82,921	200,000	200,000	-	82,921	200,000	200,000	-	82,921
Designated - Voc Land	419,600	-	-	-	419,600	-	-	-	419,600
General Fund	<u>\$ 3,023,593</u>	<u>\$38,742,036</u>	<u>\$ 38,367,566</u>	<u>\$ 374,470</u>	<u>\$3,398,063</u>	<u>\$ 39,740,508</u>	<u>\$ 40,776,178</u>	<u>\$ (1,035,670) (a)</u>	<u>\$ 2,362,393</u>
Food Service Fund	159,318	1,673,740	1,600,473	73,267	232,585	1,700,836	1,670,704	30,132	262,717
Community Service Fund	(17,249)	2,659,912	2,641,727	18,185	936	2,100,000	2,100,000	-	936
Total Operating Funds	<u>\$ 3,165,662</u>	<u>\$43,075,688</u>	<u>\$ 42,609,766</u>	<u>\$ 465,922</u>	<u>\$3,631,584</u>	<u>\$ 43,541,344</u>	<u>\$ 44,546,882</u>	<u>\$ (1,005,538)</u>	<u>\$ 2,626,046</u>
Non Operating Funds									
Alternative Facilities - Health and Safety	-	-	-	-	-	1,542,000 (a)	-	1,542,000 (a)	1,542,000
Debt Service Fund	363,347	4,019,080	2,884,300	1,134,780	1,498,127	3,100,000	4,577,729	(1,477,729) (b)	20,398
Trust and Agency Fund	28,180	100,000	100,000	-	28,180	100,000	100,000	-	28,180
Total All Funds	<u>\$ 3,557,189</u>	<u>\$47,194,768</u>	<u>\$ 45,594,066</u>	<u>\$ 1,600,702</u>	<u>\$5,157,891</u>	<u>\$ 48,283,344</u>	<u>\$ 49,224,611</u>	<u>\$ (941,267)</u>	<u>\$ 4,216,624</u>

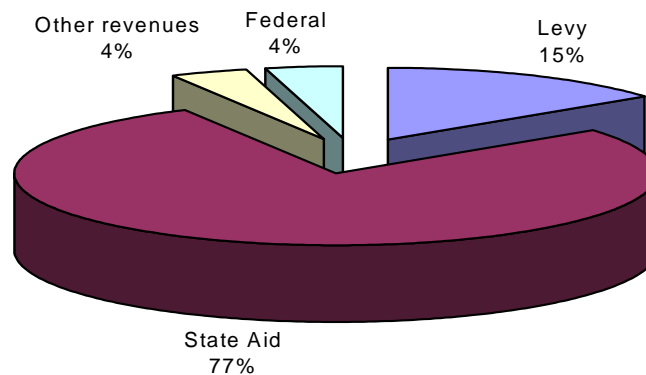
(a) Minnesota statutes require that all health and safety projects exceeding \$500,000 be accounted for in the building construction fund. Thus, this negative revenue adjustment in the general fund will be offset by a similar amount of health and safety alternative facilities revenue in the building construction fund. Projects less than \$500,000 will continue to be included in the general fund of the district.

(b) The District plans to utilize excess funds in the debt service fund in making its first interest payment, due February 2007, for the recent bond issue of \$45 million. Future payments of bonded indebtedness will be fully paid through property tax levies.

**General Fund Revenues**

Spring Lake Park School District receives its general fund revenue through a combination of state aid (77%), local property tax levy (15%), federal funding (4%), and other local revenues (4%), as seen in the chart below:

2006-2007 District General Fund Revenue Sources



General fund total revenues in 2006-2007 are budgeted at \$39,740,508, a net increase of \$998,472 or 2.58%. This increase is primarily attributed to a projected increase in student enrollment of 109 students combined with a slight revenue increase of \$191 per student in the state general education funding formula allowance. Thus, the district will see additional state aid of over \$1.2 million. Both local property taxes and federal revenues sources are projected to decline in 2006-2007, while other local revenues are expected to increase primarily due to an increase in projected interest earnings. Comparative data of the District's revenue sources for 2006-2007 are compared with the prior year below:

Revenue Source	Revised Budget	Adopted Budget	Change	
	2005-2006	2006-2007		
State Aid	\$ 29,628,445	\$ 30,856,866	\$ 1,228,421	
Local Levy	\$ 6,110,871	\$ 5,834,942	\$ (275,929)	
Federal	\$ 1,559,020	\$ 1,505,000	\$ (54,020)	
Other	\$ 1,443,700	\$ 1,543,700	\$ 100,000	
	<u>\$ 38,742,036</u>	<u>\$ 39,740,508</u>	<u>\$ 998,472</u>	<u>2.58%</u>

Spring Lake Park School District 16  
 Adopted General Fund Expenditure Budget by Program  
 Adopted Budget June 2006

CLASSIFICATION	Revised Budget 2005-06	Proposed Budget 2006-07	Proposed Change \$	%
<b>EXPENDITURES:</b>				
District and School Administration:				
Board of Education	\$131,400	\$134,500		
Office of the Superintendent	\$319,000	\$328,700		
Instructional Administration	\$23,395	\$24,400		
School Administration	\$1,267,450	\$1,312,960		
Total	<u>\$1,741,245</u>	<u>\$1,800,560</u>	<u>\$ 59,315</u>	<u>3.4%</u>
District Support Services:				
General Admin Support	\$298,700	\$323,200		
Other Admin Support	\$240,640	\$248,100		
Business Services	\$851,100	\$887,600		
Total	<u>\$1,390,440</u>	<u>\$1,458,900</u>	<u>\$ 68,460</u>	<u>4.9%</u>
Regular Instruction:				
Elem Kindergarten	\$449,150	\$471,150		
Elem Ed Grades (1-5)	\$6,340,112	\$6,771,460		
Secondary Ed-General (7-12)	\$2,280,056	\$2,424,105		
Art Education (K-12)	\$355,650	\$371,000		
Business Education (9-12)	\$1,675	\$1,675		
Title I (1-5)	\$211,930	\$214,000		
Basic Skills/Assur of Mastery				
Gifted and Talented (K-12)	\$452,650	\$467,500		
Basic Skills/LEP (K-12)	\$372,900	\$408,600		
English Language (K-12)	\$1,032,240	\$1,097,300		
Foreign Language (7-12)	\$412,800	\$394,750		
Phy Education (K-12)	\$548,513	\$598,238		
Health-(K-12)	\$548,512	\$598,237		
Family Living Science (7-12)	\$128,700	\$134,700		
Industrial Education (7-12)	\$112,950	\$143,000		
Mathematics (7-12)	\$822,600	\$909,800		
Music (K-12)	\$857,125	\$876,125		
Natural Science (7-12)	\$723,900	\$816,800		
Social Science (7-12)	\$744,200	\$797,150		
Cocurricular:	\$351,946	\$354,164		
- Classes, student government				
Boys/Girls Athletics	\$767,104	\$779,440		
Extracurricular:				
- Plays, Drama, school publications and student club activities	\$193,170	\$193,620		
Total	<u>\$17,707,883</u>	<u>\$18,822,814</u>	<u>\$ 1,114,931</u>	<u>6.3%</u>
Vocational Instruction	<u>\$661,855</u>	<u>\$668,700</u>	<u>\$ 6,845</u>	<u>1.0%</u>

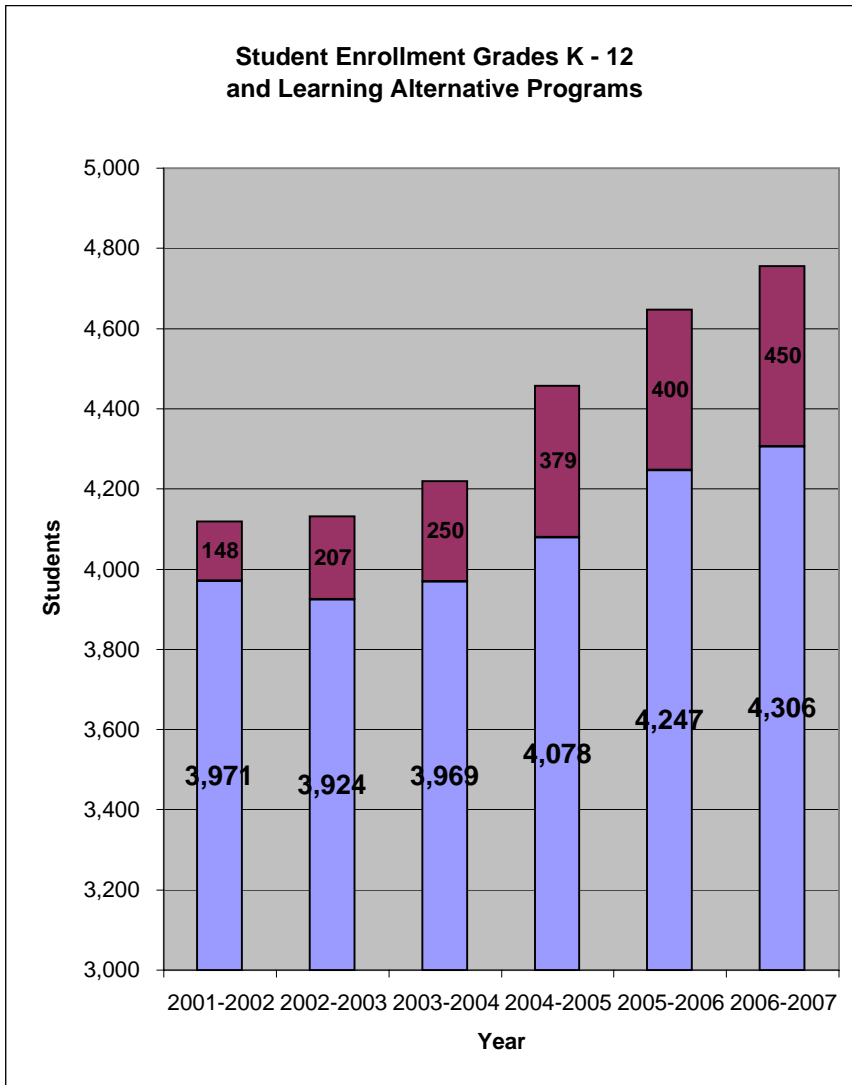
Spring Lake Park School District 16  
 Adopted General Fund Expenditure Budget by Program  
 Adopted Budget June 2006

CLASSIFICATION	Revised Budget 2005-06	Proposed Budget 2006-07	Proposed Change	
			\$	%
<u>EXPENDITURES, continued:</u>				
Exceptional Instruction:				
Special Education:	<u>\$6,023,802</u>	<u>\$6,263,500</u>	<u>\$ 239,698</u>	<u>4.0%</u>
Instructional Support Services:				
General Instructional	\$1,127,615	\$1,200,125		
Curriculum Development	\$645,421	\$622,600		
Educational Media	\$659,245	\$692,825		
Staff Development	<u>\$618,120</u>	<u>\$622,100</u>		
Total	<u>\$3,050,401</u>	<u>\$3,137,650</u>	<u>\$ 87,249</u>	<u>2.9%</u>
Pupil Support Services:				
Counseling	\$749,590	\$853,650		
Health Services	\$241,855	\$256,900		
Attendance	\$331,520	\$363,300		
Other Pupil Support	\$55,210	\$57,300		
Transportation Services	<u>\$2,099,520</u>	<u>\$2,217,300</u>		
Total	<u>\$3,477,695</u>	<u>\$3,748,450</u>	<u>\$ 270,755</u>	<u>7.8%</u>
Sites, Buildings, Equipment:				
Operations/Maintenance	\$3,076,400	\$3,322,500		
Facilities and Health and Safety	<u>\$653,745</u>	<u>\$1,163,304</u>		
Total	<u>\$3,730,145</u>	<u>\$4,485,804</u>	<u>\$ 755,659</u>	<u>20.3%</u>
Fiscal/Other Fixed Costs:				
Retire Current Obligations	\$370,000	\$165,000		
Property Insurance	<u>\$214,100</u>	<u>\$224,800</u>		
Total	<u>\$584,100</u>	<u>\$389,800</u>	<u>\$ (194,300)</u>	<u>-33.3%</u>
<b>TOTAL EXPENDITURES</b>	<u><u>\$38,367,566</u></u>	<u><u>\$40,776,178</u></u>	<u><u>\$ 2,408,612</u></u>	<u><u>6.3%</u></u>

Spring Lake Park District 16  
Enrollment projections -All Grades  
Historical and Current Year

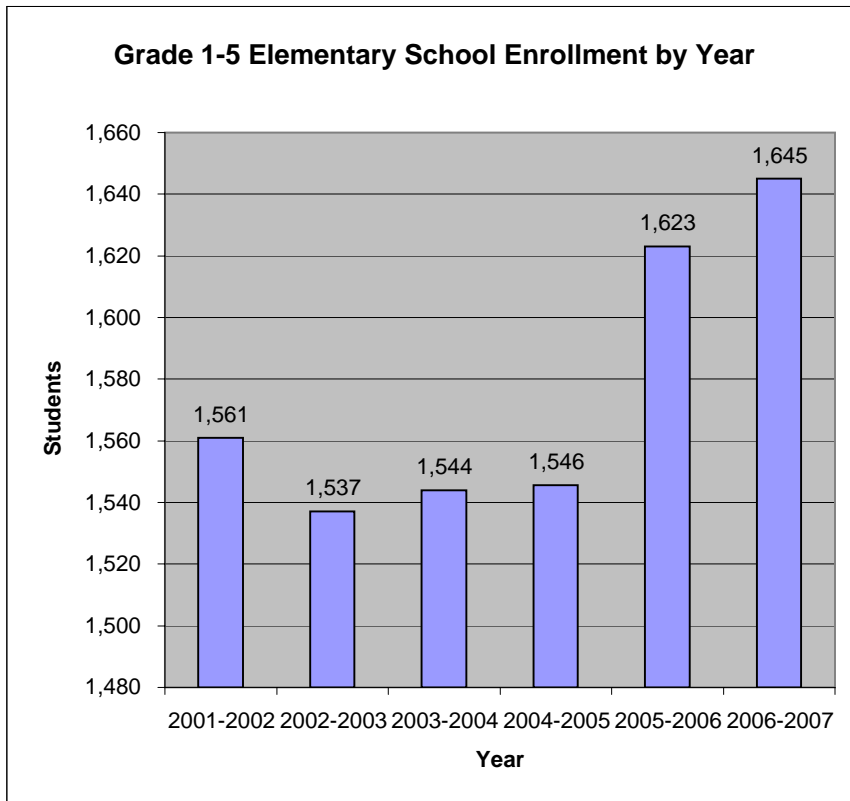
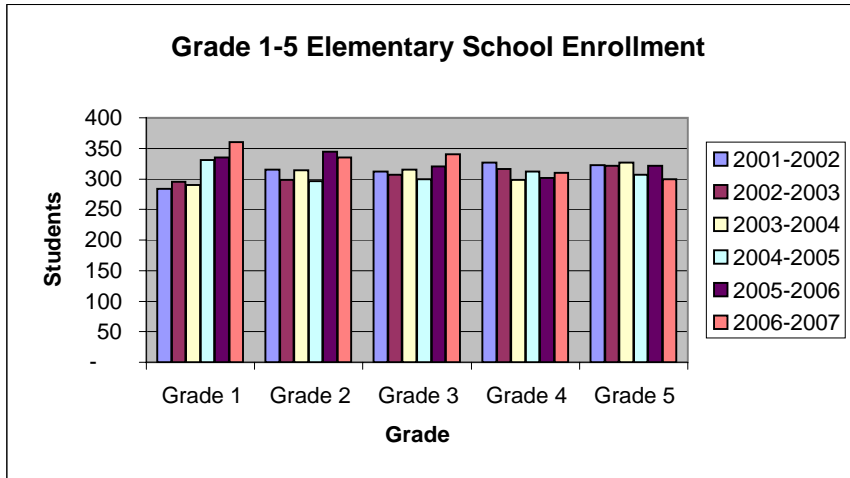
Exhibit IV

	Actual 2001-2002	Actual 2002-2003	Actual 2003-2004	Actual 2004-2005	Estimated 2005-2006	Estimated 2006-2007
Kdgn	287	256	307	315	360	350
Grade 1	284	295	290	331	335	360
Grade 2	315	298	314	297	345	335
Grade 3	312	307	315	300	320	340
Grade 4	327	316	298	312	302	310
Grade 5	323	321	327	307	321	300
Grade 6	321	313	318	349	335	330
Grade 7	320	322	308	325	350	340
Grade 8	310	318	325	335	330	355
Grade 9	334	340	335	345	363	359
Grade 10	307	301	312	311	327	353
Grade 11	282	296	280	292	299	313
Grade 12	249	241	240	262	260	261
Subtotal	3,971	3,924	3,969	4,078	4,247	4,306
LA/ Tuition out	148	207	250	379	400	450
	4,119	4,131	4,219	4,457	4,647	4,756
Student Change		12	88	238	190	109
Percent Change		0.29%	2.13%	5.65%	4.26%	2.35%



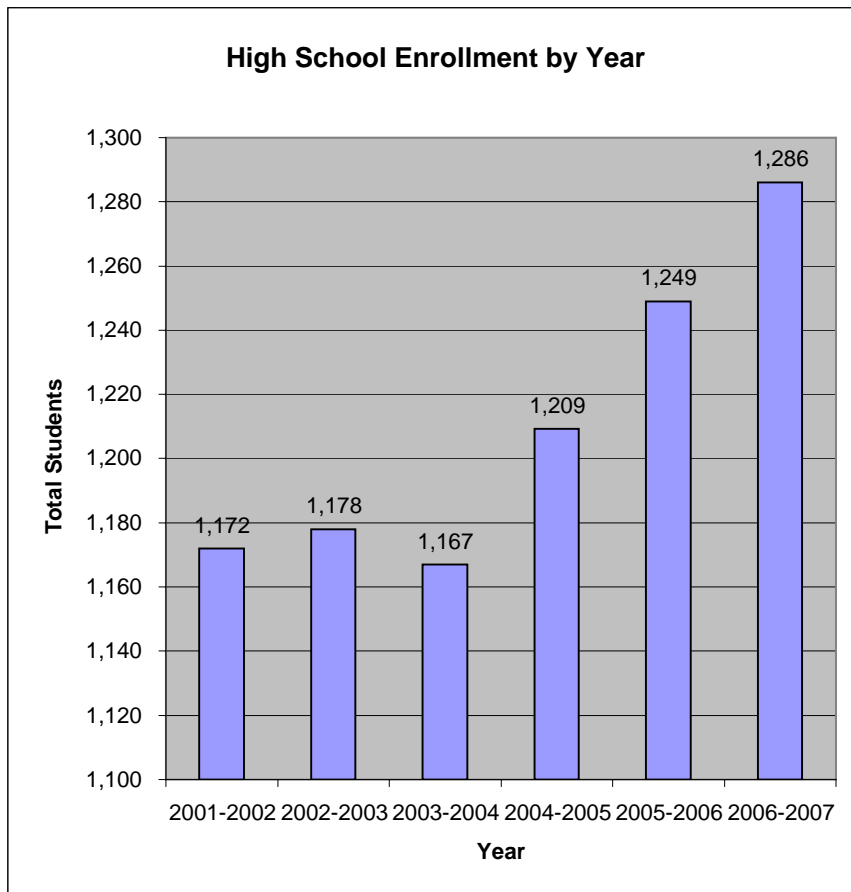
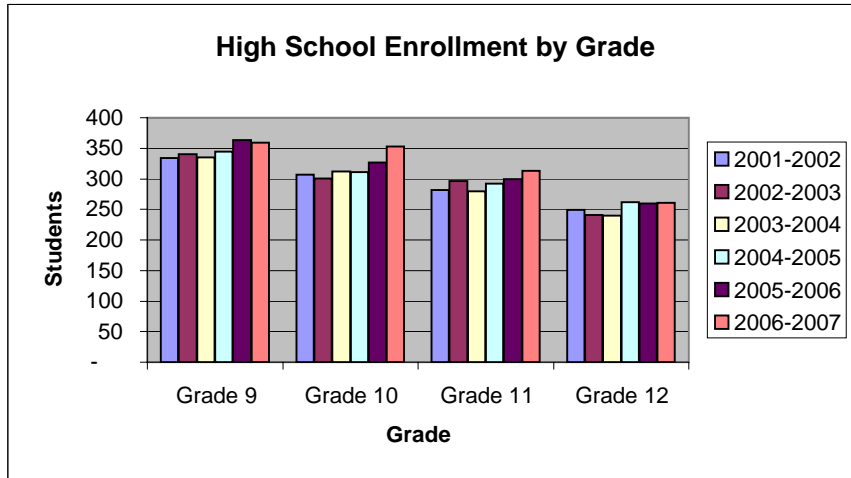
Spring Lake Park District 16  
Enrollment projections -Elementary  
Historical and Current Year

	Actual <u>2001-2002</u>	Actual <u>2002-2003</u>	Actual <u>2003-2004</u>	Actual <u>2004-2005</u>	Estimated <u>2005-2006</u>	Estimated <u>2006-2007</u>
Kdgn	287	256	307	315	360	350
Grade 1	284	295	290	331	335	360
Grade 2	315	298	314	297	345	335
Grade 3	312	307	315	300	320	340
Grade 4	327	316	298	312	302	310
Grade 5	323	321	327	307	321	300
Grade 1-5	1,561	1,537	1,544	1,546	1,623	1,645
Change		(24)	7	2	77	22
% Change		-1.5%	0.5%	0.1%	5.0%	1.4%



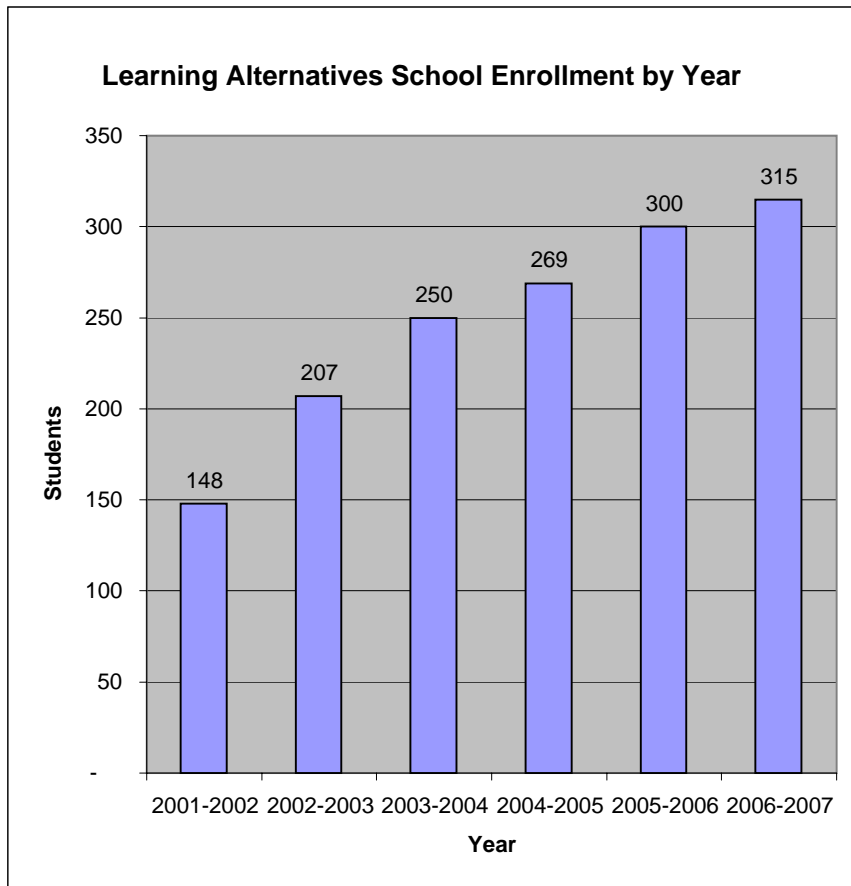
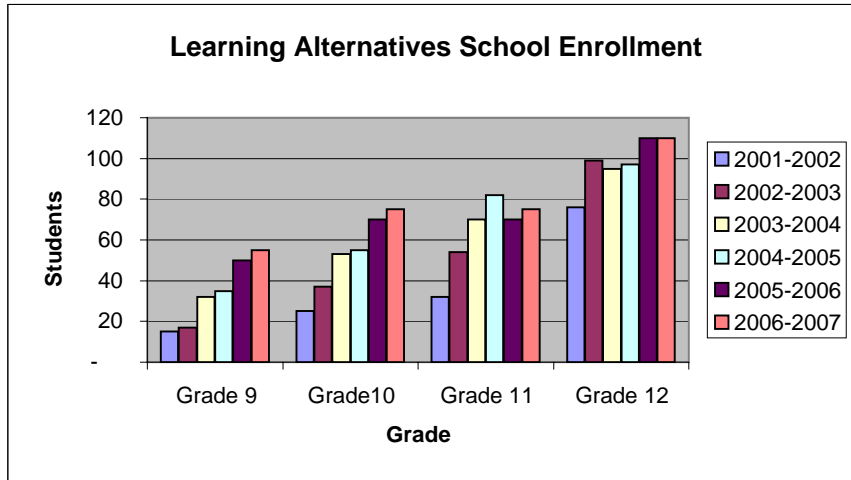
Spring Lake Park District 16  
Enrollment projections -High School  
Historical and Current Year

	Actual <u>2001-2002</u>	Actual <u>2002-2003</u>	Actual <u>2003-2004</u>	Actual <u>2004-2005</u>	Estimated <u>2005-2006</u>	Estimated <u>2006-2007</u>
Grade 9	334	340	335	345	363	359
Grade 10	307	301	312	311	327	353
Grade 11	282	296	280	292	299	313
Grade 12	249	241	240	262	260	261
	1,172	1,178	1,167	1,209	1,249	1,286
Change		6	(11)	42	40	37
% Change		0.5%	-0.9%	3.6%	3.3%	3.0%



Spring Lake Park District 16  
 Enrollment projections -Learning Alternatives  
 Historical and Current Year

	Actual 2001-2002	Actual 2002-2003	Actual 2003-2004	Actual 2004-2005	Estimated 2005-2006	Estimated 2006-2007
Grade 9	15	17	32	35	50	55
Grade10	25	37	53	55	70	75
Grade 11	32	54	70	82	70	75
Grade 12	76	99	95	97	110	110
	148	207	250	269	300	315
Change		59	43	19	31	15
% Change		39.9%	20.8%	7.6%	11.5%	5.0%



Spring Lake Park District 16  
Enrollment projections -Middle School  
Historical and Current Year

	Actual <u>2001-2002</u>	Actual <u>2002-2003</u>	Actual <u>2003-2004</u>	Actual <u>2004-2005</u>	Estimated <u>2005-2006</u>	Estimated <u>2006-2007</u>
Grade 6	321	313	318	349	335	330
Grade 7	320	322	308	325	350	340
Grade 8	310	318	325	335	330	355
	951	953	951	1,008	1,015	1,025
Change		2	(2)	57	7	10
% Change		0.2%	-0.2%	6.0%	0.7%	1.0%

