

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

PETITION ENGAGEMENT

INDEPENDENT SCHOOL DISTRICT 682

FOR THE YEARS ENDED JUNE 30, 2005, THROUGH
JUNE 30, 2007

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INDEPENDENT SCHOOL DISTRICT 682

**For the Years Ended June 30, 2005, through
June 30, 2007**



Petition Engagement

**Audit Practice Division
Office of the State Auditor
State of Minnesota**

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**INDEPENDENT SCHOOL DISTRICT 682
PETITION ENGAGEMENT**

TABLE OF CONTENTS

	<u>Page</u>
Introduction	1
Issues	
One-Day Bond	1
School District Budgets	3
Capital Expenditures	4
Savings of Closing Rural Schools	6
Impact of Declining Enrollment	8
Unreserved Fund Balance	9
Appendix A	11

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Petitioners
Superintendent and School Board
Independent School District 682

INTRODUCTION

Eligible voters of Independent School District 682 petitioned the Office of the State Auditor (OSA) to examine the books, records, accounts, and affairs of the District in accordance with Minn. Stat. § 6.54 for the years ended June 30, 2005, through June 30, 2007. The statute allows the OSA, in the public interest, to confine the scope of the examination to less than that requested by the petition. Through discussion and agreement with petitioner representatives, the scope of our review was limited to addressing the issues discussed below.

One-Day Bond

The petitioners raised concerns regarding whether or not the District followed the guidelines for receiving and spending one-day bond monies.

The Roseau School District participates in the Minnesota Capital Loan Program authorized under the Maximum Effort School Aid Law, Minn. Stat. §§ 126C.61-.72. The Capital Loan Program is a state-sponsored education funding program designed as a means for school districts that are considered property poor to use a combination of local tax effort and State of Minnesota financial assistance. Proceeds of the loans may be used only for sites for education facilities and for acquiring, bettering, furnishing, or equipping those sites.

In November 1989, the District approved a local bonding levy of approximately \$9,000,000 to construct and remodel the Roseau school. This bonding was matched with a \$9,136,249 capital loan from the State of Minnesota. The original bonds were refunded in December 2004 to achieve a lower interest rate.

In June 1999, the District approved a bonding levy of \$4.5 million. This levy was used to construct the Rams Sport Center, the pre-school wing of the elementary building, and an Industrial Arts classroom; and to make improvements to the rural school sites.

The District also has \$89,015 in debt service loans outstanding as of December 31, 2007. Debt service loans are available to school districts under Minn. Stat. § 126C.68. These loans are granted in any year that the required tax levy is insufficient to meet the following year's required debt service. Districts within the State of Minnesota that have outstanding general obligation debt generally must annually levy an amount that, if collected in full, together with estimated collection of other revenues pledged for the payment of obligations, will produce 105 percent of the principal and interest payments due for that year. *See* Minn. Stat. § 475.61, subd. 1. This is referred to as the "Required Debt Service Levy."

Any district that has an outstanding capital loan (as described in the second paragraph in this section) or debt service loan (as described in the previous paragraph) must also compute an amount referred to as the "Maximum Effort Debt Service Levy." This is calculated as 32 percent of adjusted net tax capacity for districts receiving loans prior to January 1, 2002.

Any school district with an outstanding capital loan is required to make annual payments to the state equal to the greater of the debt excess amount in the debt redemption fund or the amount by which the Maximum Effort Debt Service Levy exceeds the Required Debt Service Levy. By statute, the Commissioner of Education oversees the computation of the "excess amount" in the debt redemption fund and notifies the county auditor of each district's Maximum Effort Debt Service Levy. Minn. Stat §§ 126C.69, subd. 12(b) and 126C.71, subd. 1. As a method of reducing or avoiding making debt service loan and capital loan payments, many school districts issue one-day bonds. The theory behind these bonds is that through them, districts can redirect or eliminate the debt excess amounts in the debt redemption fund. If, after 50 years from the original date of the capital loan, there is still an outstanding balance, the unpaid capital loan balance is forgiven.

One-day bonds are typically sold to a local bank that holds the bonds without the possibility of resale for a very short period, usually one or two days. The theory is that the district redeems the bonds with the excess in the debt redemption fund. As a result, property taxpayers do not see any increase in taxes due to the issuance of the bonds, and the district retains funds that should have been used to repay the state under the Minnesota Capital Loan Program. The district then uses the "one-day bond" proceeds for acquiring, bettering, furnishing, or equipping education facilities.

The District received approval from the voters in four separate elections to issue one-day bonds, each for \$495,000, to provide funds for a phased program of acquisition and betterment of school sites and facilities. The voter approvals were received on November 8, 2005; September 12, 2006; November 6, 2007; and September 9, 2008. To date, the District has issued three of the authorized bonds. A taxable General Obligation School Building Bond, Series 2006A, was

issued for \$540,000 and dated October 17, 2006. A taxable General Obligation School Building Bond, Series 2007A, was issued for \$500,000 and dated November 7, 2007. A taxable General Obligation School Building Bond, Series 2008A, was issued for \$516,000 and dated November 6, 2008. The bonds approved by the voters in the September 2008 election are anticipated to be issued in November 2009.

The District received voter approval too late in 2005 to issue one-day bonds in time to avoid the scheduled loan payment due in December 2005. Since then, the District has timed the issuance of one-day bonds to avoid loan repayments. The amount that was scheduled to be repaid to the state on December 15, 2006, was \$363,817; the amount scheduled to be repaid for December 15, 2007, was \$524,486.¹

Pursuant to the purposes identified in the one-day bonds, the District has undertaken such projects as window replacement, lighting upgrade, renovations to the weight room and elevator, fitness center construction, heating upgrade, gym floor replacement, and technology updates. For the fiscal year ended June 30, 2007, the District expended \$125,703; for the year ended June 30, 2008, the District expended \$967,387.² The sum of the two years' expenditures total \$1,093,090. Although the District already has voter approval for two additional bond issues, due to timing differences, the District has advanced monies from fund balance so that construction projects can be undertaken during the summer months when the students are not present.

School District Budgets

The petitioners raised questions as to how much the District's spending exceeds the budget and where the funds are spent.

Minn. Stat. § 123B.77, subd. 4, states that, “[p]rior to July 1 of each year, the board of each district must approve and adopt its revenue and expenditure budgets for the next school year. The budget document so adopted must be considered an expenditure-authorizing or appropriations document. No funds shall be expended by any board or district for any purpose in any school year prior to the adoption of the budget document which authorizes that expenditure, or prior to an amendment to the budget document by the board to authorize the expenditure. Expenditures of funds in violation of this subdivision shall be considered unlawful expenditures.”

The Roseau School Board does adopt a budget prior to the beginning of the school year to meet the requirements of the statute. This preliminary budget is often a “roll over” of the final budget for the preceding year. This is done with the understanding that it will be updated at a subsequent date. The School Board has the authority to amend the budget throughout the year as it deems necessary. Upon the completion of the District's annual financial audit, the District will

¹ Scheduled payments to the State of Minnesota were obtained from Chris Kubesh at the Minnesota Department of Education.

² Expenses were taken from the School District's audited financial statements for the Building Construction Capital Project Fund.

examine the budget and determine if adjustment in certain areas is necessary. At this later date, the District is better able to use exact enrollment numbers and consider other variables that might arise. The School Board holds regular monthly meetings. Also, when necessary, it will hold special work sessions to deal with more detailed matters and discussion. All of these meetings are open to the public pursuant to statute. The agenda for each meeting sets aside time for public input and comment.

We examined minutes from the School Board meetings for budget items affecting fiscal years ending June 30, 2005, through June 30, 2007, and noted the following significant budgeting activities:

- 2004
 - June 25, 2004 - “Roll Over” fiscal year (FY) 2004 budget as preliminary working budget for FY 2005
 - December 13, 2004 - Adopted the 2004-2005 school budget

- 2005
 - May 11, 2005 - Special work session for budget
 - May 23, 2005 - Special work session for budget
 - June 21, 2005 - “Roll Over” FY 2005 budget as preliminary working budget for FY 2006
 - September 1, 2005 - Revised 2005-2006 estimated school budget

- 2006
 - February 16, 2006 - Adopted the 2005-2006 school budget
 - April 6, 2006 - Special work session for budget at Roseau site
 - April 10, 2006 - Special work session for budget at Wannaska site
 - April 11, 2006 - Special work session for budget at Malung site
 - April 26, 2006 - Special work session for budget at Roseau site
 - May 18, 2006 - Special work session for budget at Roseau site
 - June 28, 2006 - Adopted preliminary FY 2007 budget
 - November 14, 2006 - Adopted 2006-2007 school budget

We examined summary budget and actual totals for the District’s General Fund for the years ended June 30, 2005, through June 30, 2007. We took note and inquired of variances greater than +/- \$50,000 and 15 percent. Appendix A (pages 11 – 13) presents budget to actual data for FY 2005, 2006, and 2007, along with explanations for variances meeting the above criteria. The explanations appear reasonable.

Capital Expenditures

The petitioners expressed concerns that the District’s capital expenditures are excessive in times when enrollment is decreasing and the District is faced with making budget cuts.

The School Board has discretion to determine the level of capital expenditures. The District annually sets its budget for capital expenditures for the year. These expenditures range from replacement of various pieces of equipment to improvements to buildings and other District infrastructure. The budget is set at the regularly scheduled Board meeting. These meetings are open to the public, so input from concerned citizens may be considered.

The District must comply with Minnesota statutory requirements for contracting and bidding when purchasing certain capital assets. An examination of the District’s audited financial statements for the years ended June 30, 2005 through 2008, was performed. The financial statements contain an auditor’s opinion on the legal compliance requirements, including those related to contracting and bidding. The reports reviewed did not indicate any instances of noncompliance with these statutes.

For testing purposes, we based our analysis of the District’s capital expenditures on the additions included in the audited financial statements. The District uses a capitalization threshold of \$5,000. This means that the District capitalizes only items purchased for over \$5,000 on its balance sheet.

Capitalized Expenditures Per Audited Financial Statements

<u>Year</u>	<u>Capitalized Expenditures</u>	<u>Number of Students</u>	<u>Expenditures Per Student</u>
2004 - 2005	\$ 521,913	1,424	\$ 366.51
2005 - 2006	200,223	1,375	145.62
2006 - 2007	216,140	1,352	159.87
2007 - 2008	625,486	1,307	478.57

From analysis of capitalized expenditures for the period examined, the year ended June 30, 2005, did have larger capitalized expenditures than the years ended June 30, 2006, and June 30, 2007. This was the result of the District acquiring parcels of land adjacent to the current District property in Roseau. Additions to land for the 2004-2005 year were \$210,000, resulting in a higher ratio of expenditures per student. A comparison of the expenditures per student ratio for the years ended June 30, 2006, and June 30, 2007, shows the District’s level of capitalized expenditures was fairly consistent. The increase in capitalized expenditures for the year ending June 30, 2008, was a result of the District spending one-day bond monies for the acquisition, betterment, furnishing, and equipping of District property.

Capital items that are purchased under the \$5,000 capitalization threshold are expensed in the year purchased. The following table summarizes the District's capital expenditures both over and under the \$5,000 capitalization threshold. These amounts were obtained from the Minnesota Department of Education as reported to it by the District.

Capital Expenditures Per the Minnesota Department of Education

<u>Year</u>	<u>Total Capital Expenditures</u>	<u>Number of Students</u>	<u>Expenditures Per Student</u>
2004 - 2005	\$ 964,766	1,424	\$ 677.50
2005 - 2006	480,231	1,375	349.26
2006 - 2007	545,942	1,352	403.80
2007 - 2008	1,590,890	1,307	1,217.21

Comparing the expenditures per student ratio for both the capitalized expenditures per audited financial statements and the capital expenditures per the Minnesota Department of Education, the same trend is shown for similar reasons.

Savings of Closing Rural Schools

The petitioners questioned whether the projected savings presented by the District for closing the Malung and Wannaska schools were actually recognized.

The School Board passed resolutions dated June 28, 2006, and June 14, 2007, closing the Malung and Wannaska schools, respectively. The District represented to the taxpayers that the financial savings from closing the Malung and Wannaska schools was necessary due to declining enrollment, insufficient revenues, and cost-saving measures of the District.

In the Board minutes dated June 21, 2006, the District presented information to the public in support of passing the resolution to close the Malung school. The District presented a listing of costs estimated to be saved. Those costs varied from teacher and administrative salaries and benefits, to transportation and mileage costs, and to expenditures associated with maintaining the building itself. The projected savings for closing the Malung school were presented to be \$265,883 for the 2006-2007 school year. Also, on June 14, 2007, the District presented additional costs estimated to be saved by closing the Wannaska school. Salaries, transportation, and maintenance costs again were the largest projected savings. The projected savings for closing the Wannaska school were presented to be \$172,205 for the 2007-2008 school year.

We asked the District to provide us with an estimate of savings based on actual cuts associated with closing the Malung and Wannaska schools. The District considered the effects of transferring staff from the closed schools to the Roseau school to fill current vacancies. Some of the savings were estimates of saved time and mileage from travel between locations. These estimates were based on historical trends. Savings for the Malung school were estimated to be \$181,747 for the 2006-2007 school year. Savings for the Wannaska school were estimated to be \$127,041 for the 2007-2008 school year. For both school closings, the estimated actual savings provided to us were less than the projected savings presented to the public.

Following are actual expenditures and student counts. Expenditures were taken from the District's general ledger, which agrees with the audited annual financial statements. The number of students was obtained from the District and verified with the Minnesota Department of Education.

<u>2005</u>	<u>Elementary Expenditures</u>	<u>Number of Elementary Students</u>	<u>Average Expenditure Per Student</u>
Roseau	\$ 2,309,677	601	\$ 3,843
Malung	202,374	69	2,933
Wannaska	216,812	77	2,816
Total	<u>\$ 2,728,863</u>	<u>747</u>	3,653

<u>2006</u>	<u>Elementary Expenditures</u>	<u>Number of Elementary Students</u>	<u>Average Expenditure Per Student</u>
Roseau	\$ 2,483,972	587	\$ 4,232
Malung	247,589	73	3,392
Wannaska	305,173	67	4,555
Total	<u>\$ 3,036,734</u>	<u>727</u>	4,177

<u>2007</u>	<u>Elementary Expenditures</u>	<u>Number of Elementary Students</u>	<u>Average Expenditure Per Student</u>
Roseau	\$ 2,482,116	637	\$ 3,897
Malung	6,193	-	N/A
Wannaska	321,950	52	6,191
Total	<u>\$ 2,810,259</u>	<u>689</u>	4,079

<u>2008</u>	<u>Elementary Expenditures</u>	<u>Number of Elementary Students</u>	<u>Average Expenditure Per Student</u>
Roseau	\$ 2,752,228	674	\$ 4,083
Malung	898	-	N/A
Wannaska	2,338	-	N/A
Total	<u>\$ 2,755,464</u>	<u>674</u>	4,088

In fiscal year 2006, the District reached its highest amount of expenditures charged to the elementary level education. This was the final year that all three elementary locations were open. Also, this year had the largest average expenditure per enrolled student. Each successive year, the District's elementary education expenses have decreased. The total enrollment has dropped each year also. Calculating the expense per enrolled student has seen the amount either drop or stay relatively stable. This trend shows that the District has had some success in reducing or controlling its overall expenditures while also factoring in the downward trend in enrollment.

Impact of Declining Enrollment

The petitioners expressed concerns over how the decline in enrollment impacts the Roseau School District's financial condition.

According to the Minnesota Department of Education, a majority of rural Minnesota school districts are experiencing declining enrollment of students. Roseau School District is not unique in this trend. For fiscal years ended June 30, 2005 through 2007, the District reported a drop in enrollment from 1,424 to 1,352 students. This is 72 students, or a five percent decrease in students, over the three-year period.

We examined total revenue dollars as reported in the District's audited financial statements for all governmental funds for the fiscal years ended June 30, 2005 through 2007. A summary of that information can be seen in the table below. The number of students was obtained from the District's records and verified with the Minnesota Department of Education.

<u>Year</u>	<u>Number of Students</u>	<u>Total Revenues</u>	<u>Revenue Per Student</u>
2004 - 2005	1,424	\$ 12,682,189	\$ 8,906
2005 - 2006	1,375	12,990,283	9,447
2006 - 2007	1,352	13,627,520	10,080

The revenue per student ratio has increased over the three years ending June 30, 2005 through 2007. Part of the reason is that the District receives funding from the State of Minnesota called General Education Aid. This funding is an allocation from the state based on the number of enrolled students in the District. The table below summarizes the District's General Education Aid for the fiscal years ended June 30, 2005 through 2007. The amount of aid received by the District was obtained through the Minnesota Department of Education's website.

<u>Year</u>	<u>Number of Students</u>	<u>General Education Aid</u>	<u>Aid Per Student</u>
2004 - 2005	1,424	\$ 8,756,043	\$ 6,149
2005 - 2006	1,375	8,692,035	6,321
2006 - 2007	1,352	9,100,114	6,731

The calculated aid per student shows increased amounts for each of the three years. This amount is set by the State of Minnesota and is not within the District's control.

We also examined total expenditures as reported in the District’s audited financial statements for all governmental funds for the fiscal years ended June 30, 2005 through 2007. A summary of that information can be seen in the table below.

<u>Year</u>	<u>Number of Students</u>	<u>Total Expenditures</u>	<u>Expenditures Per Student</u>
2004 - 2005	1,424	\$ 13,524,141	\$ 9,497
2005 - 2006	1,375	13,610,347	9,898
2006 - 2007	1,352	13,427,913	9,932

The expenditures per student ratio has also shown an increase in the three years ending June 30, 2005 through 2007.

We calculated the District’s unreserved fund balance for all governmental funds as reported in the audited financial statements on a per student basis. The following table summarizes those calculations.

<u>Year</u>	<u>Number of Students</u>	<u>Unreserved Fund Balance</u>	<u>Unreserved Fund Balance Per Student</u>
2004 - 2005	1,424	\$ 1,581,198	\$ 1,110
2005 - 2006	1,375	1,003,502	730
2006 - 2007	1,352	1,706,650	1,262

The unreserved fund balance per student indicates that, at the end of the 2005-2006 school year, which is the last year all three elementary schools were open, the District had its lowest balance.

The District has had to make cuts in order to balance its budget. Notably, the District closed the Malung and Wannaska rural elementary schools. Reasons for the District’s decision to close these schools include declining enrollment, which reduces the need for an elementary school; insufficient revenues for the District to continue to use those schools; and cost savings to the District.

Unreserved Fund Balance

The petitioners questioned whether closing the schools at Malung and Wannaska actually increased the unreserved fund balance as presented by the District. The District maintained that closing the two rural locations would increase the unreserved fund balance by reducing costs.

The School Board voted to close the Malung school following the fiscal year ending June 30, 2006. The Wannaska school was closed following the fiscal year ending June 30, 2007.

The following is a comparison of the District's unreserved fund balance. The information was obtained from the Minnesota Department of Education. In addition, the information for fiscal years ending June 30, 2005 through 2008, agrees with the District's audited financial reports.

	<u>Unreserved Fund Balance</u>
2002 - 2003	\$ 1,904,356
2003 - 2004	1,922,260
2004 - 2005	1,581,198
2005 - 2006	1,003,502
2006 - 2007	1,706,650
2007 - 2008	1,567,211

Following the closing of the Malung school on June 30, 2006, the unreserved fund balance increased by \$703,148. For fiscal year 2007-2008, unreserved fund balance decreased \$139,439 from the fiscal year 2006-2007, because expenditures exceeded revenues. The District cites increased energy costs and employee compensation for this decrease. It does appear that the closure of the schools initially improved the District's financial condition overall. Due to the scope of this engagement, we cannot express an opinion as to whether the change was based solely on the closure of the schools, as other factors can affect revenues and expenditures.

CONCLUSION

We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on specified elements, accounts, or items relating to the petitioners' concerns as identified in this report. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters may have come to our attention that we would have reported to you.

This report has been prepared solely for the information and use of the petitioners and the Superintendent, School Board, and management of Independent School District 682, but is a matter of public record, and its distribution is not limited.

/s/Rebecca Otto

/s/Greg Hierlinger

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

February 17, 2009

APPENDIX A

The following tables present budget to actual results for the Roseau School District for the fiscal years ended June 30, 2005, 2006, and 2007. Explanations for variances over \$50,000 and 15 percent are footnoted.

<u>Year Ended June 30, 2005</u>	<u>Beginning Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues					
Local Property Tax Levies	\$ 265,832	\$ 13,530	\$ 279,362	\$ 325,789	\$ 46,427
Other Local and County Revenues	179,058	8,870	187,928	168,075	(19,853)
Revenue From State Sources	9,653,591	(68,674)	9,584,917	9,623,226	38,309
Revenue From Federal Sources	354,331	(122,445)	231,886	447,410	215,524 ¹
Sale/Other Conversion of Assets	1,400	-	1,400	-	(1,400)
Total Revenues	\$ 10,454,212	\$ (168,719)	\$ 10,285,493	\$ 10,564,500	\$ 279,007
Expenditures					
Administration	\$ 476,080	\$ 20,728	\$ 496,808	\$ 496,796	\$ 12
District Support	171,592	17,474	189,066	189,059	7
Regular Instruction	4,488,820	414,951	4,903,771	5,030,602	(126,831)
Vocational Instruction	114,098	3,711	117,809	117,810	(1)
Exceptional Instruction	1,615,559	230,189	1,845,748	1,899,740	(53,992)
Instructional Support	786,514	(80,973)	705,541	706,899	(1,358)
Pupil Support	876,239	120,528	996,767	1,033,367	(36,600)
Buildings and Equipment	1,613,149	(30,667)	1,582,482	1,766,646	(184,164)
Fixed Costs	212,400	(7,845)	204,555	82,510	122,045 ²
Total Expenditures	\$ 10,354,451	\$ 688,096	\$ 11,042,547	\$ 11,323,429	\$ (280,882)
Excess Revenues/Expenditures	\$ 99,761	\$ (856,815)	\$ (757,054)	\$ (758,929)	\$ (1,875)

¹Unused funds from the school lunch program, special education services, and various title programs were carried over from the previous year.

²The District budgets for employee benefits under the fixed costs category. Fixed costs show a favorable expenditure variance of \$122,045. The District's financial auditor prepares an entry to charge back some of the actual expenditures to various programs in order to utilize state and federal funding sources. The financial auditor reclassifies the actual benefit expenditures to the regular instruction category. Regular instruction shows an unfavorable expenditure variance of \$126,831. These variances essentially offset each other.

Year Ended June 30, 2006	Beginning Budget	Adjustments	Final Budget	Actual	Variance
Revenues					
Local Property Tax Levies	\$ 279,362	\$ 96,310	\$ 375,672	\$ 347,769	\$ (27,903)
Other Local and County Revenues	187,928	35,235	223,163	367,758	144,595 ³
Revenue From State Sources	9,584,917	(87,612)	9,497,305	9,597,573	100,268
Revenue From Federal Sources	231,886	160,071	391,957	409,578	17,621
Sale/Other Conversion of Assets	1,400	(1,400)	-	-	-
Total Revenues	\$ 10,285,493	\$ 202,604	\$ 10,488,097	\$ 10,722,678	\$ 234,581
Expenditures					
Administration	\$ 496,808	\$ 5,183	\$ 501,991	\$ 506,916	\$ (4,925)
District Support	189,066	29,615	218,681	219,394	(713)
Regular Instruction	4,903,771	195,192	5,098,963	5,290,013	(191,050)
Vocational Instruction	117,809	31,173	148,982	154,031	(5,049)
Exceptional Instruction	1,845,748	(27,125)	1,818,623	1,862,745	(44,122)
Instructional Support	705,541	65,242	770,783	756,048	14,735
Pupil Support	996,767	100,457	1,097,224	1,064,535	32,689
Buildings and Equipment	1,582,482	23,260	1,605,742	1,450,450	155,292
Fixed Costs	204,555	(6,315)	198,240	68,057	130,183 ⁴
Total Expenditures	\$ 11,042,547	\$ 416,682	\$ 11,459,229	\$ 11,372,189	\$ 87,040
Excess Revenues/Expenditures	\$ (757,054)	\$ (214,078)	\$ (971,132)	\$ (649,511)	\$ 321,621

³The Roseau School District received larger than expected settlements of Consolidated Conservation and Volstead revenues from Roseau County. This was primarily due to timber sales and leases on the Con Con lands within the District's boundaries.

⁴The District budgets for employee benefits under the fixed costs category. Fixed costs show a favorable expenditure variance of \$130,183. The District's financial auditor prepares an entry to charge back some of the actual expenditures to various programs in order to utilize state and federal funding sources. The financial auditor reclassifies the actual benefit expenditures to the regular instruction category. Regular instruction shows an unfavorable expenditure variance of \$191,050. Again, these variances are offsetting.

Year Ended June 30, 2007	Beginning Budget	Adjustments	Final Budget	Actual	Variance
Revenues					
Local Property Tax Levies	\$ -	\$ 678,136	\$ 678,136	\$ 681,864	\$ 3,728
Other Local and County Revenues	-	389,966	389,966	385,932	(4,034)
Revenue From State Sources	-	10,062,350	10,062,350	9,949,631	(112,719)
Revenue From Federal Sources	-	363,851	363,851	415,248	51,397
Unreserved Pupil Transportation	79,200	(79,200)	-	-	-
Unreserved General Education	10,877,840	(10,877,840)	-	-	-
Reserved for Health and Safety	96,165	(96,165)	-	-	-
Reserved for Equipment and Facilities	311,710	(311,710)	-	-	-
Total Revenues	\$ 11,364,915	\$ 129,388	\$ 11,494,303	\$ 11,432,675	\$ (61,628)
Expenditures					
Administration	\$ -	\$ 558,261	\$ 558,261	\$ 551,834	\$ 6,427
District Support	-	182,621	182,621	182,606	15
Regular Instruction	-	4,750,177	4,750,177	4,849,562	(99,385)
Vocational Instruction	-	128,529	128,529	129,351	(822)
Special Education Instruction	-	1,944,345	1,944,345	1,780,927	163,418
Instructional Support	-	620,655	620,655	644,708	(24,053)
Pupil Support	-	940,125	940,125	913,562	26,563
Buildings and Equipment	-	1,417,445	1,417,445	1,317,198	100,247
Fixed Costs	-	211,409	211,409	44,369	167,040 ⁵
Capital Outlay	-	555,665	555,665	420,239	135,426 ⁶
Unreserved Pupil Transportation	838,130	(838,130)	-	-	-
Unreserved General Education	10,350,906	(10,350,906)	-	-	-
Reserved for Health and Safety	28,903	(28,903)	-	-	-
Reserved for Unemployment	3,100	(3,100)	-	-	-
Reserved for Severance	26,500	(26,500)	-	-	-
Reserved for Equipment and Facilities	476,200	(476,200)	-	-	-
Total Expenditures	\$ 11,723,739	\$ (414,507)	\$ 11,309,232	\$ 10,834,356	\$ 474,876
Excess Revenues/Expenditures	\$ (358,824)	\$ 543,895	\$ 185,071	\$ 598,319	\$ 413,248

⁵The District budgets for employee benefits under the fixed costs category. Fixed costs show a favorable expenditure variance of \$167,040. The District's financial auditor prepares an entry to charge back some of the actual expenditures to various programs in order to utilize state and federal funding sources. The financial auditor reclassifies the actual benefit expenditures to the regular instruction category. Regular instruction shows an unfavorable expenditure variance of \$99,385. The variances are offsetting.

⁶The District has been trying to control spending for capital equipment. When possible, used equipment has been purchased, such as a used van for less than the budgeted amount for a new one. They have cut actual costs for replacement of athletic, home economics, shop, and science equipment. Improvements for sites and grounds were also \$16,000 less than anticipated.