

## SIGNIFICANT BUDGET AND ACCOUNTING REQUIREMENTS

### *BASIS OF PRESENTATION – FUND ACCOUNTING*

The District uses funds to report on its financial position and the result of its operations.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, recording cash, together with related liabilities and balances and changes. The District uses governmental funds for most of its activities, including the collection of special revenue funds, the acquisition or construction of capital project funds, and the servicing of debt service fund.

#### *Government Fund Types*

Government Funds are those through which most functions of the School District are financed. The acquisition, use and balances of the School Districts financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of governmental fund types is upon determination of changes in financial position, rather than upon net income determination. The following are the School District's fund types:

General Fund – The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. This fund type includes Food Services.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. Pursuant to state law, the School District cannot issue debt that extends beyond the current fiscal year.

Capital Project Fund – The Capital Project Fund is used to account for financial resources to be used for the acquisition or construction of major capital assets. The Capital Project Funds are used for school construction and major renovation to buildings.

### *BASIS OF BUDGETING AND ACCOUNTING*

Basis of accounting is the term that describes the criteria governing the timing of the recognition of transactions and events.

The modified accrual basis of budgeting and accounting is followed by the Government Funds. Under the modified accrual basis, revenues are recognized when susceptible to accrual, i.e., both measurable and available. Measurable means the amount of the transaction that can be determined. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest and principal on long-term debt which is recorded when due, are recorded when the fund liability is incurred. Encumbrances outstanding at year-end are reported as reserved fund balances since they do not constitute expenditures or liabilities and are reappropriated in the ensuing year's budget. Depreciation expense is not included in the budget.

## CLASSIFICATION OF REVENUES AND EXPENTURES

### REVENUES

The Operating Budget is comprised of four major revenue sources: state, federal, county and local miscellaneous.

#### State

State revenue flows to the school division in a myriad of ways. The most predominant way is based on student average daily membership. Other methods used by the state to fund local education programs are the allocation of state sales tax, grants, and participation in regional educational programs. The state also provides Lottery funds to districts. Minidoka will receive \$253,288 in FY08-09. Lottery funds received must be spent on non-recurring expenditures, such as capital projects. State revenue has remained fairly constant in recent years as a percentage of the total budget.

#### Federal

Federal revenue sources in the Operating Budget include Title IA, Title IC, Title IIA, Title IID, Title V-A, Title III, Title VIB and Reading First. The most significant federal revenue source is Title IA.

#### County/Local

County funding consists of property tax receipts. In 2006 Legislation passed HB1 that changed how the M & O budget was disbursed. The District no longer certifies for an M & O levy. The money is disbursed from the State from State sales taxes. The district certifies for a supplemental levy for Plant facility projects and Bond redemption.

#### Local Miscellaneous

Local miscellaneous revenue includes tuition charged to out of county districts to provide services to students, interest revenue on investments, lease of school property, etc.

The following data and graph show historical comparisons of major revenue sources to the school division:

FY	County/Local	State	Federal
02	4,882,183	18,984,139	3,494,170
03	5,194,065	18,726,393	3,931,964
04	5,461,183	18,876,259	4,102,640
05	4,896,577	19,039,251	4,501,729
06	4,438,553	22,239,974	4,575,143
07	3,785,000	23,502,788	4,418,657
08	3,324,500	24,050,475	3,899,844

## *EXPENDITURES*

The Operating Budget is comprised of seven major categories: Instruction, Administration /Attendance/ Guidance and Health, Pupil Transportation, Operation and Maintenance, Non Instructional, Facilities and Acquisition and Other Services.

### Instruction- 500

Programs and services dealing directly with the interaction between teachers and students. Also, included in the instruction category are the activities associated with curriculum development and instructional staff training.

### Administration/ Attendance & Health- 600-650

Activities concerned with establishing and administering policy for operating the school division. These include Board Services, Executive Services, Human Resources, Fiscal Services and Health Services.

### Pupil Transportation- 680

Activities associated with transporting students to and from school and on other trips related to school activities.

### Operations & Maintenance- 660

Activities concerned with keeping building open, comfortable and safe for use. This includes heating, lighting, ventilating systems, repair of facilities and replacement of facility equipment, security and administrative technology services.

### Non-Instructional Services- 700

This expenditure functions concerns program areas of food service and community service programs. These program expenditures may be accounted for as part of the school district general fund, or may be treated as an individual fund with subclassifications and various codes.

### Facility Acquisition Services- 800

Expenditure for this function reflect planning, acquiring land for buildings, building remodeling, building construction, additions to buildings, and improving landscaping sites.

### Other Sevices- 900

This classification provides for transactions and activities often necessary for budgeting debt service, fund transfers, and contingency reserve.

## BUDGET FORMAT

The budget for the fiscal year 2008-2009 has been prepared in accordance with the Idaho Financial Accounting Reporting Management System (IFARMS); this system is designed to:

- Provide for statewide uniformity in budgeting, accounting, and reporting
- Provide a system for each district to demonstrate prudent use of its resources
- Provide a means of compliance with state and national standards and with principles of governmental accounting
- Provide accountability for educational programs

Revenues and expenditures are reported by fund as defined by IFARMS; each fund is a self-balancing set of accounts that includes all cash, financial resources, related liabilities and fund equity. An explanation of purpose is provided for each fund.

Expenditures are budgeted by program and by object of expenditure. The programs describe a plan of activities or tasks to accomplish a predetermined set of objectives; the program defines “why” expenditures will be made i.e. to support an elementary program. The object classification describes “what” goods or services are to be purchased; i.e. salaries or supplies. The objects of expenditure are defined as follows:

Salaries - The gross amount paid to employees for full-time, part-time and substitute work.

Employee Benefits - The amounts paid by the District, on behalf of the employee, for fringe benefits, which the District is required to pay by law, contract or board policy. Portions of the benefits are insurance premiums paid for the employee, which include health, dental, vision and life insurance. The cost of these benefits varies depending on the number of employees. Other benefits are based on a percentage of the employee’s salary. These include Social Security, Public Employees Retirement and Worker Compensation.

Purchased Services – The amounts paid for professional, technical, and property services are provided by individuals, organizations, private businesses, and public agencies. Persons or firms with specialized skills or knowledge perform these professional and technical services. Payment received for these services is not part of payroll. Services are purchased to operate, repair, maintain or rent facilities for the District. This category includes student transportation and District utility costs.

Supplies and Materials – The amounts paid for the purchase of materials are considered expendable or consumable. This category includes purchases of minor equipment (under \$500).

Capital Objects – Items of a permanent or lasting nature, which have met the District’s capitalization policy and are to be recorded as fixed assets.

Debt Retirement – Redemption of outstanding bonds and the payment of interest on bonds and other financing instruments.

Insurance and Judgments – The amounts expended for property, liability, and fidelity insurance.

Transfers and Contingency – The category provides for the transfer of assets from one fund to another and for a budgetary contingency.

## BUDGET DEVELOPMENT AND PRESENTATION

The development, review, and consideration of the budget were completed with a detailed review of every revenue and expenditure within the District. Information on each of the fund budgets is provided in the financial portion of this document.

Preparation of the 2008-2009 General Fund Budget was completed through a collaborative effort of the Minidoka School Board, district administration, principals, and staff members, as well as opportunities for public input from members of our community. The issues and needs raised during this budget development process can be found throughout the 2008-2009 General Fund Budget. Our budget development contains three major components:

**Planning**            Review of the strategic plan, requests from principals, and requests from budget officers and projection of salary allocations.

**Preparation**        All budget requests are compiled, benefits are determined and experience and education costs are calculated. The District then waits for the Legislature to appropriate the public school funding for the year. The budget committee meets to work towards a balanced budget and public work sessions are held.

**Adoption**            A public hearing is held and the budget is submitted to the Board for approval.

Following Board approval, budget officers are notified and spending authority is given as of July 1. This budget document and annual financial report is designed as an operating plan to assure fiscal efficiency and effectiveness. This document illustrates the results and intent of the District's operations. It is, in addition, a published financial plan, policy document and communications medium.

## IMPACT OF CAPITAL PROJECTS ON OPERATING BUDGET

Minidoka County School District #331 continues to have declining enrollment. As a result, the amount of money generated for school maintenance declines. Bond proceeds pay for new construction on new buildings, but it is the General Fund that picks up the on-going operating costs for new buildings.

Currently the district has a 2 year supplemental levy for plant facility projects that helps match State funds for school building maintenance. It is harder to quantify, but many capital improvements funded through the School Plant Facilities Fund also impact the General Fund operating budget in a positive way. For example, a roof replacement means less money spent on labor and repairs for the first few years after the roof is replaced. The same is true for projects such as floor, door and boiler replacement. There is less operating money spent on labor and repairs for the first few years after the improvements.

Also in 2006 the district passed an Energy Conservation bond which allowed for funding of energy efficient equipment. The district projects completed by the District should save more than enough operating funds to pay the costs to repay the bond payment. Monitoring procedures have been put in place to tell us the impact the conservation measures have made and will make on the District's utility usage.

The graphs below indicate amounts that have been directed to each of the categories over the past five years and the amounts directed to salaries and benefits and the total expenditures over the past five years.

