

THE ANNUAL BUDGET

In an effort to be as meaningful as possible, the Fairbanks North Star Borough School District's budget information is presented in many different formats. Often the same information is summarized in various fund, function, program, or object code presentations depending on what might be the most useful to the reader.

The School District's annual budget is required to be prepared and submitted as outlined by the *State of Alaska Department of Education and Early Development Uniform Chart of Accounts and Account Code Descriptions for Public School Districts (2014 Edition)*. Additionally, School Board policy states that the District's budget be presented by major program.

A brief description of funds, functions, programs and object codes may be helpful in assisting the reader in finding the most useful information.

Fund Accounting

The accounts of the School District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid School District management in demonstrating compliance with finance related legal and contractual provisions. The funds of the School District are classified into three categories: governmental, proprietary, and fiduciary. Each category is divided into separate fund types. The fund classifications and a description of each fund type follow:

Governmental Funds

Operating Fund – the primary or general operating fund of the School District, used to account for all financial transactions except those required to be accounted for in other funds.

Special Revenue Funds – account for proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Although each fund may contain many individual grants or projects that are accounted for separately, the School District currently groups such projects into six special revenue funds: Student Transportation, Nutrition Services, School Activities, Local Programs, State Programs, and Federal Programs. Special revenue funds are typically operational in nature and are typically budgeted on an annual basis.

Capital Projects Fund – account for those financial resources to be used for the acquisition, construction, and major maintenance of facilities and equipment. The Borough accounts for most acquisition, construction, and major maintenance projects of school facilities. The School District accounts for projects related to acquisition of furnishings and equipment for new or remodeled buildings. Capital projects funds are typically not operational in nature and are not typically budgeted on an annual basis.

Proprietary Fund

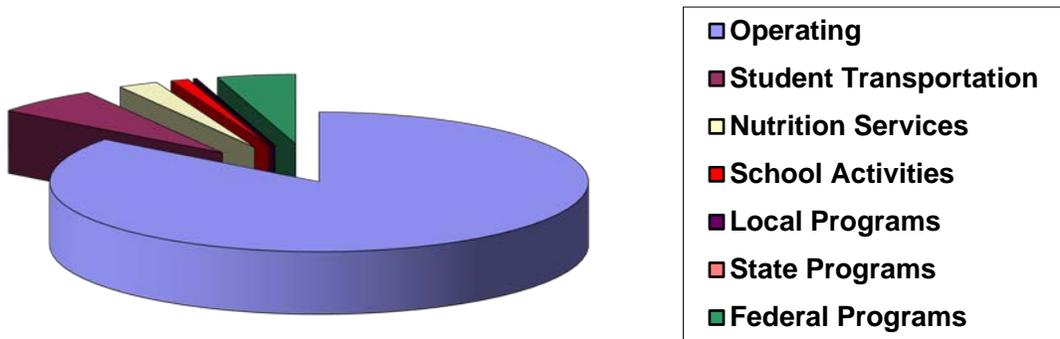
Internal Service Fund – accounts for self-insurance and risk management services provided to other funds of the School District on a cost reimbursement basis. An internal service fund only provides the School District the mechanism to track and allocate costs, so there are no annual budgets included in this fund.

Fiduciary Fund

Agency Fund – accounts for the assets held by the school district as an agent for various students and school related organizations. The fund is custodial in nature and does not involve annual budgets.

The School District has many different types of funds, but only the Operating Fund and those Special Revenue Funds with annual budgets are included in this document. The following chart shows the relative size of all funds presented in the Approved Budget.

2017-18 Approved Budget



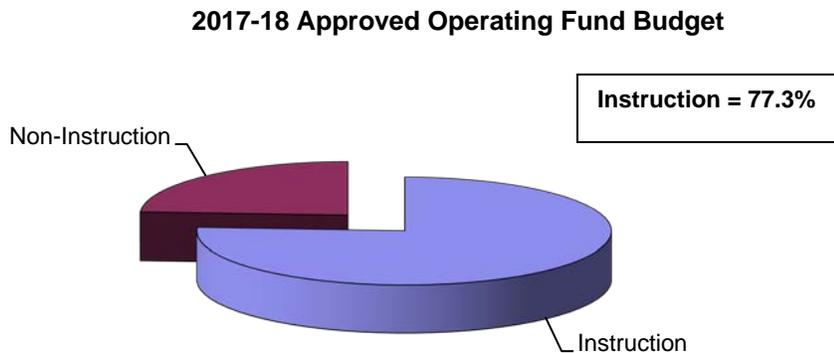
<u>Fund</u>	<u>Amount</u>	<u>%</u>
Operating	\$ 204,868,931	85.3%
Student Transportation	15,059,731	6.3%
Nutrition Services	5,763,593	2.4%
School Activities	2,600,000	1.1%
Local Programs	245,000	0.1%
State Programs	150,000	0.1%
Federal Programs	11,265,000	4.7%
	<u>\$ 239,952,255</u>	<u>100.0%</u>

It is important to note that the budget amounts for the State and Federal Program Funds are only estimates for informational purposes only. By board policy, each grant is officially accepted by the Board of Education upon notification of grant award.

FUNCTIONS

The *State of Alaska Department of Education and Early Development Uniform Chart of Accounts and Account Code Descriptions for Public School Districts (2014 Edition)* requires that budget and financial information be reported by function. Functions are used to summarize broad classifications of financial activities or services performed. Functions provide the reporting framework for reporting information in a manner which is useful to school boards, superintendents, the Department of Education and Early Development, and the State Legislature.

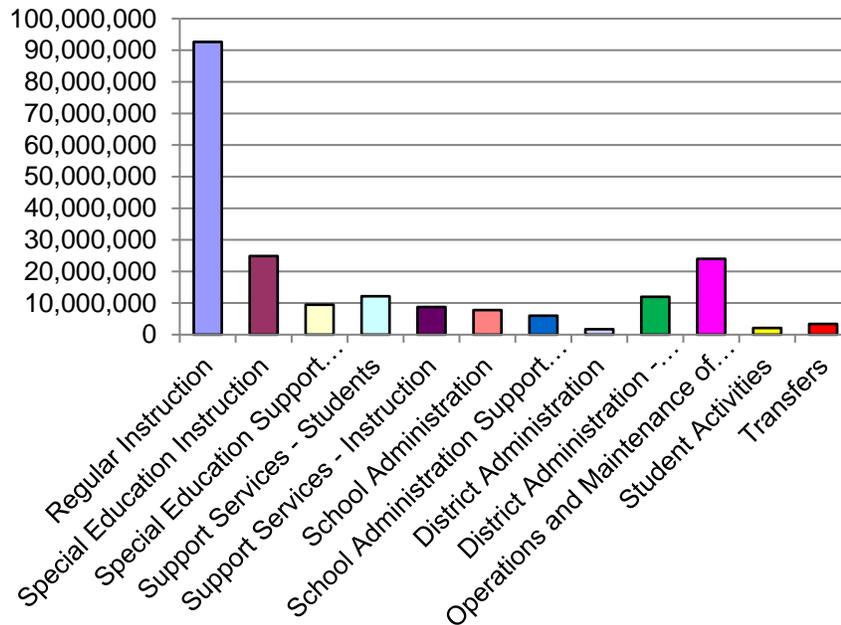
Alaska Statute 14.17.520 requires that at least 70% of the District's Operating Fund Budget be expended on the *Instruction Component* of District operations as defined by statute.



The following table and chart shows the relative size of all functions presented in the approved operating fund budget and the functions which comprise the instruction component of our budget as defined by AS 14.17.520 (* transfers ignored in state computation).

Function	Amount	%	FTE
Instructional Component of Budget			
Regular Instruction	92,646,316	46.0%	724.50
Special Education Instruction	24,869,247	12.3%	285.32
Special Education Support Services - Students	9,469,729	4.7%	84.00
Support Services - Students	12,154,285	6.0%	120.95
Support Services - Instruction	8,746,055	4.3%	67.61
School Administration	<u>7,779,798</u>	<u>3.9%</u>	<u>43.00</u>
	155,665,430	77.3%	1325.38
Non-Instructional Component of Budget			
School Administration Support Services	5,996,094	3.0%	81.00
District Administration	1,730,905	0.9%	7.00
District Administration - Support Services	11,979,397	5.9%	67.50
Operations and Maintenance of Plant	23,989,457	11.9%	165.30
Student Activities	<u>2,115,183</u>	<u>1.0%</u>	<u>3.50</u>
	45,811,036	22.7%	324.30
* Transfers to Other Funds	<u>3,392,465</u>		
Total 2017-18 Approved Budget	<u><u>204,868,931</u></u>	<u><u>100.0%</u></u>	<u><u>1649.68</u></u>

**2017-18 Approved Operating Fund
Budget by Function**



Following is a brief description of the State defined functions:

Instruction

Includes the educational activities directly involving the interaction between teachers and students. Instruction may be provided in the classroom, in the home, through correspondence, and in other learning situations such as field trips. Included here are such costs as classroom teachers and aides.

Special Education Instruction

Includes the educational activities directly involving the interaction between teachers and special education students in the classroom or other facility. Included here are the costs of instruction for the student who deviates from the average or normal child in mental, physical, or social characteristics to such an extent that he or she requires a modification of school practices or special education services in order to develop to his or her maximum potential. Included here are such costs as special education classroom teachers and aides.

Special Education Support Services – Students

Includes educational activities designed to assess and improve the well-being of special education students. Included here are the costs of such activities as special education guidance, health services, social work, psychological services, speech pathology, audiology services, and physical therapy services provided to students as the result of an Individualized Education Program (IEP).

Support Services – Students

Includes the activities designed to assess and improve the well-being and health of students and to supplement the instruction process. Included here are guidance services, health services, attendance, and social work services.

Support Services – Instruction

Includes those activities that assist instructional staff with the content and process of providing learning experiences for students. Included are improvement of instructional services (curriculum development and techniques of instruction), library services, audiovisual services, and in-service training.

School Administration

Includes the activities of overall management, direction and leadership of a school. This includes general supervision of the school, evaluation of school staff members, assignment of duties to staff, and coordination of school instructional activities. Included here are certificated school administrative staff, including principals and head teachers while not in the classroom teaching.

School Administration Support Services

Includes the activities that support the School Administration function. Included here are the non-certificated school administrative staff including secretaries and clerks and general school office expenditures.

District Administration

Includes the activities of broad overall district-wide executive and general administration of the school district. This includes the office of the superintendent, activities of the elected school board, lobbyist services, public relations, and any district-wide planning, research, development and evaluation activities.

District Administration Support Services

Includes the activities of managing and conducting general administrative services of the school district including accounting, payroll and budgeting, purchasing, recruiting and placement, statistical manipulation and reporting, and data processing. Included are collecting and organizing data, and preparing financial, property, student, and personnel reports.

Operations and Maintenance of Plant

Includes activities of keeping buildings open and ready for use, equipment in an effective state of repair and grounds keeping. Includes administrative costs of operations, custodial and maintenance supplies, utilities and energy costs, building rental expense, and property and vehicle insurance costs.

Student Activities

Includes activities that are non-instructional school sponsored and sanctioned student activities. Includes coordination costs, travel for all extra-curricular activities, and all student activity extra duty compensation.

Student Transportation

Includes activities of transporting students between home and school.

Adult and Continuing Education Instruction

Includes activities of teaching adults and out-of-school youth in an educational program not based primarily on previous education attainment and which is generally characterized by less than full time attendance.

Food Service

Includes the activities of non-instructional management and operation of food service programs of the school or school district. Includes preparation and serving of regular and incidental meals, lunches or snacks in connection with school activities, and the delivery of food.

Debt Service

Includes payments for both principal and interest on normally long-term debt.

Transfers to Other Funds

Includes transfer of cash between funds either for the purpose of subsidizing programs or matching various grant programs.

PROGRAMS

Although State regulations require budgetary and financial reporting by pre-defined “function” classifications, those budget presentations may not be the most useful to the parent or average reader.

Very often parents and citizens like to hear discussions of budget information summarized by “programs” that they identify with, and where there is a general understanding of the program offering within the school community.

The Fairbanks North Star Borough School District Board of Education develops the annual budget by major program areas that are meaningful to them and the community. These may represent instructional areas such as *Elementary Schools*, or administrative departments like *Human Resources*.

Currently, the District’s budget document presents summarized budget data in sixteen program areas, each represented by a tab section of the document. Each program area may have numerous program sections for which budgets are presented. The *Program* and *Program Sections* summarized in this budget document include:

Programs	Program Section
Board of Education Superintendent	Board of Education Superintendent’s Office Communications, Development & Engagement Community & Public Relations Copying & Printing Services
Administrative Services	Administrative Services Office Accounting Services Procurement & Warehouse Business Services
Human Resources	Human Resources Office Recruiting and Staff Development
Facilities Management	Facilities Management Office Buildings & Utilities Custodial & Grounds Building Rentals
Instruction and Supervision	Elementary Instruction & Supervision Secondary Instruction & Supervision English Language Learners Leadership Development Native Youth Olympics (NYO) S.M.A.R.T. - Secondary Intervention Safe and Healthy Students Student Health Districtwide Safety
Personalized Learning	Personalized Learning e-Learning Labs B.E.S.T - Correspondence After Schools Program Regular Instruction Summer School Golden Heart Academy

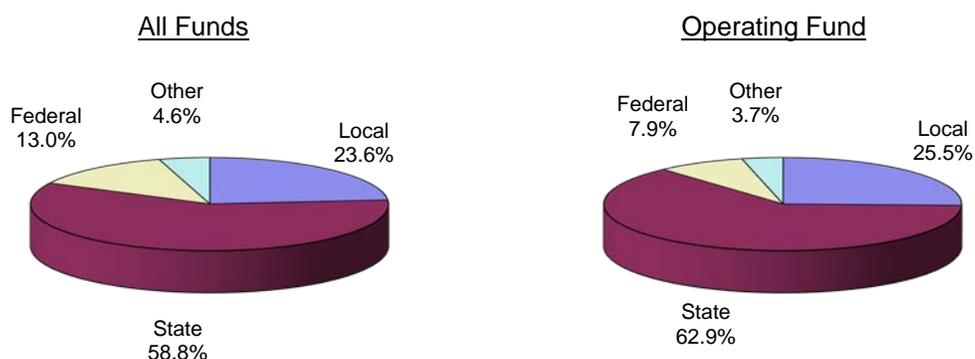
Programs (Continued)	Program Section
Teaching & Learning	Teaching & Learning Curriculum Office Districtwide Career & Technical Education Assessment & Intervention Instructional Curriculum Materials K-8 Intervention Program Library Media Services Professional Development Instructional Technology
Special Education Support	Special Education Support Services Special Education Instruction Extended Learning Special Education Summer School
Information & Technology	Technology Office Student Information Systems Business Information Systems Network & Computer Services
Non-Departmental	Indirect Cost recovery Transfers to Other Funds TRS/PERS On-behalf Allocation Reserve Teaching Positions & Subs Association Presidents' Leave
Elementary Schools	Office of the Principal Elementary School Instruction Elementary School Support Services Elementary School Student Activities Elementary Intervention Program
Middle Schools	Office of the Principal Middle School Instruction Middle School Support Services Middle School Student Activities
Junior/Senior High Schools	Office of the Principal Jr./Sr. High School Instruction Jr./Sr. High School Support Services Jr./Sr. High School Student Activities
Senior High Schools	Office of the Principal Senior High School Instruction Senior High School Support Services Senior High School Student Activities
Charter Schools	Boreal Sun Charter School Chinook Montessori Charter School Effie Kokrine Early College Charter School Star of the North Secondary Charter School Watershed Charter School

OBJECT CODES

The *State of Alaska Department of Education and Early Development Uniform Chart of Accounts and Account Code Descriptions for Public School Districts (2014 Edition)* requires that budget and financial information be reported by pre-defined object codes. Object codes describe the budgetary or financial activity represented by a specific transaction. Revenue object codes refer to the source and type of specific revenue. Expenditure object codes describe the service or commodity obtained as a result of a specific expenditure.

Revenue Object Codes

2017-18 Approved Budget by Revenue Source



<u>All Funds</u>
\$ 56,654,417
141,163,182
31,167,191
10,967,465
<u>\$ 239,952,255</u>

<u>Revenue Source</u>
Local
State
Federal
Other

<u>Oper Fund</u>
\$ 52,159,000
128,852,418
16,282,513
7,575,000
<u>\$ 204,868,931</u>

All District revenues are required to be reported within one of the following State defined object codes.

Borough – Direct Appropriation

Monies distributed to the School District by direct appropriation from the local Borough for general school purposes.

The required local contribution to a Borough School District is the equivalent of a 2.6 mill tax levy on the full and true value of taxable real and personal property as determined by the State. As local property values increase, the ability of the local tax base to support education increases, and the minimum required local contribution to education increases.

To ensure federal agencies that public education in Alaska is funded equitably, the State also establishes a maximum local contribution by formula.

Below are the minimum, maximum and actual local contributions based on revenue and expenditure estimates included in the 2017-18 Approved Budget.

<u>Description:</u>		
Minimum required local contribution to education	\$	29,563,288
Maximum allowed local contribution to education	\$	64,732,228
Local contribution to education	\$	51,145,400
Local contribution as a percentage of maximum allowed		79.0%

Nutrition Services

Receipts from local food sales not reimbursed by State or Federal agencies.

The District provides student meals in compliance with National School Lunch Program guidelines, and are funded with both federal reimbursements and local revenues charged for meals.

The local charge for breakfast and lunch servings included in the 2017-18 budget are shown below.

<u>Meal:</u>	<u>Elementary</u>	<u>Secondary</u>
Breakfast	\$2.00	\$2.25
Lunch	\$3.50	\$3.75

E-Rate

To account for the total e-rate subsidy provided by the Universal Service program.

Other Local Revenues

All other local revenues which are not classified in any other required accounts. Typical other revenue sources for the District include:

- Building rental fees
- Correspondence fees
- Library and media fees
- Other miscellaneous local services

Revenue from State Sources

Revenues from State sources are typically enrollment driven and classified into one of the following object code accounts:

- Foundation Program
- Student Transportation
- Quality Schools Funding
- School Improvement Grants
- Contract for On-Base Schools
- TRS/PERS On Behalf Payments
- State Revenue (Grants)

Alaska Statute 14.17.410 determines the amount of funding for which a School District is eligible. Public school funding is dependent on student enrollments during a twenty day official count period in October, but is impacted by a number of formula variables. Individual school enrollments, geographical location, special education and correspondence program student enrollments all influence what is known as “basic need” funding.

State aid is defined as basic need, minus the amount of a required contribution to education by the local Assembly, and a reduction in State funding contingent on the amount of federal impact aid a District receives.

For 2017-18 State Foundation Funding is estimated and summarized as follows:

Projected enrollments		13,700
Formula enrollment variables/adjustments	+	12,086
Adjusted average daily membership	=	25,786
Estimated base student allocation (BSA)	x \$	5,930
Basic need	=~ \$	152,907,896
Required local contribution	- \$	(29,563,288)
Reduction related to federal impact aid	- \$	(8,134,808)
State Aid		<u>\$ 115,209,800</u>

State support for Student Transportation is required to be accounted for in a separate fund. State funding is not intended or anticipated to cover all costs of student transportation. Each District has a separate funding rate. The State is expected to provide transportation funding for Fairbanks totaling \$12,160,764. The Operating Fund has allocated \$2,898,967 as a transfer to the Student Transportation fund.

A note about TRS/PERS on-behalf payments. In 2007-08, the legislature made substantial changes in how the State’s retirement system unfunded liability was addressed. In addition to the contributions employers are required to make, the State began making direct payments into the retirement system on-behalf of certificated and non-certificated employees of school districts. The State’s contributions are approximately the difference between the required employer rates and the full actuarial projected rates.

While these State payments have no direct relation to the current activity of the District, the offsetting increase in both budgeted State revenue and budgeted expenditures can be dramatic in any given year, and they must be recorded as actual revenues and expenditures based on accepted accounting practices.

On-behalf payments included in the 2017-18 Approved Budget will remain the same as shown in the 2016-17 Approved Budget until the Board adopts the final 2017-18 spending plan. This helps to avoid confusion regarding overall increases to State funding and the District's bottom line budget. The 2017-18 rates compared to the full actuarially determined rates are shown below.

	Required Employer Contribution Rate	Actuarially Determined Rate	On-behalf Rate	On-behalf Amount
Teachers Retirement System	12.56%	26.78%	14.22%	\$ 10,699,014
Public Employees Retirement System	22.00%	25.01%	3.01%	944,124
				<u>\$ 11,643,138</u>

Revenue from Federal Sources – Direct

Revenues from federal sources are classified into one of the following object code accounts:

Impact Aid Eligible – Funds received as payment in-lieu of taxes for students whose parents either work or reside on federal property. Please note that State foundation funding will be reduced by approximately one-half of this amount by State statute.

USDA Reimbursement – proceeds received under the national School Lunch Program.

Other Direct Federal Revenue

Revenue from Federal Sources – Through the State of Alaska

Federal Revenues passed through the State of Alaska are classified into one of the following object code accounts:

Federal Revenue Through the State of Alaska
Medicaid

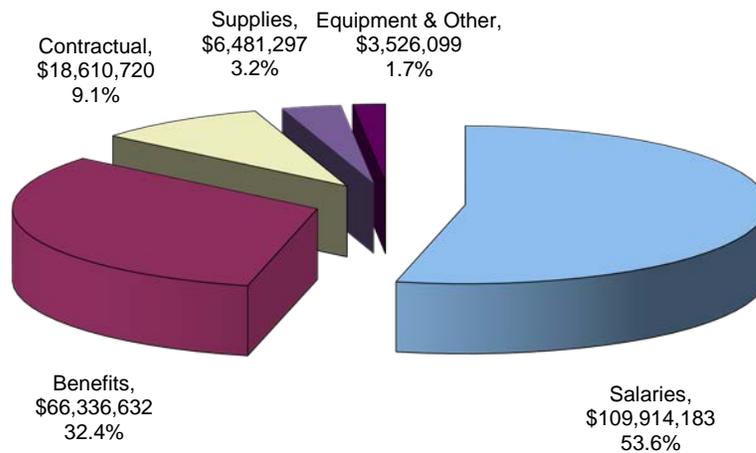
Transfers from Other Funds

Money received unconditionally from another fund without expectation of repayment. Such monies are other financing sources of the receiving fund.

Expenditure Object Codes

All District expenditures are required to be reported within State defined object codes. School districts may accumulate financial information in greater detail than required, but that detailed information must be summarized and reported to the State by the required object codes. The Fairbanks North Star Borough School District uses numerous object codes on a day to day basis to help schools and departments track account status. In general, expenditure object codes fall into five categories: personnel services, contractual services, supplies, other expenses, and equipment.

2017-18 Approved Operating Fund Budget



Although the District uses numerous individual object codes, generally those codes are summarized and reported to the State at the following object levels:

- | | |
|----------------------|-------------------------------------|
| Personnel Services | Certificated Salaries |
| | Non-Certificated Salaries |
| | Employee Benefits |
| Contractual Services | Professional and Technical Services |
| | Staff Travel |
| | Student Travel |
| | Utility Services |
| | Energy |
| | Other Purchased Services |
| Supplies | Insurance and Bond Premiums |
| Other Expenses | Supplies, Materials, and Media |
| | Other Expenses |
| | Indirect Costs |
| | Transfers to Other Funds |
| Equipment | Equipment |

For a complete description of State required object codes, please refer to the *State of Alaska Department of Education and Early Development Uniform Chart of Accounts and Account Code Descriptions for Public School Districts (2014 Edition)*.

**MAJOR BUDGET PARAMETERS AND STANDARD ALLOCATIONS
INCLUDED IN THE 2017-18 APPROVED BUDGET**

The District’s budget is based largely on a number of assumptions and budget parameters established by both the Board of Education and District administration. Standardized staffing and allocation formulas are used throughout the process, and individual school staffing and budgets are greatly dependent on enrollment projections.

Enrollment Projections

The official student count that determines state funding is taken during a twenty day period ending with the last Friday of October each year. The official count not only determines current year state funding, but is also used as the basis for enrollment projections and state funding for the subsequent year. Enrollments are projected by grade level, by school. These projections form the basis for school staffing and supply budget allocations.

Below is a summary of 2016-17 actual enrollments and enrollment projections by grade level groupings included in the 2017-18 Approved Budget. For a complete schedule of enrollments by grade level, by school, please refer to appendix A-1. For a fifteen year history of actual enrollments by grade level, please refer to appendix A-2.

Grade level grouping	2016-17 Actual Enrollments	2017-18 Projected Enrollments
Grades Pre K	138	139
Grades K - 6	7,800	7,700
Grades 7 - 8	2,053	2,029
Grades 9 - 12	3,780	3,832
Total	<u>13,771</u>	<u>13,700</u>

Targeted Class Sizes and Staffing

Pupil Teacher Ratio (PTR) is a term often used when discussing school staffing. Various districts define PTR differently, and may include certificated staff not necessarily in the classroom. We use the term to represent “targeted class size” when we are estimating staffing needs.

Targeted class sizes are established by various grade level groupings, and are used to allocate the number of basic classroom teachers by school. Certain adjustments to basic formula staffing may be made because of small school size, JROTC programs, CTE programs, or other special considerations. Since we know what supplemental staffing is provided, we end up with what we call our “effective” class size targets.

In addition to basic classroom teachers, schools are assigned additional staff (e.g. music and PE teachers, counselors, librarians, nurses) based on standard elementary and secondary allocations. Those are not considered part of PTR.

Because we add program specific staff, utilize grant funded classroom teachers, and add reserve teaching positions that are all supplemental to initial classroom teacher allocations, actual class sizes typically fall below targeted class sizes as indicated below. This is especially true if we are experiencing declining enrollments.

For purposes of budget development the following comparison exists for the 2016-17 Approved Budget as compared to the 2017-18 Approved Budget:

Grade Level	2016-17 Targeted Class Sizes	2017-18 Targeted Class Sizes	2017-18 Expected Class Sizes
Flex Kindergarten	22.5 to 1	22.5 to 1	22.3
Grades 1 - 3	24.0 to 1	24.0 to 1	24.0
Grades 4 - 6	26.0 to 1	26.0 to 1	25.9
Grades 7 - 8	26.5 to 1	28.0 to 1	22.4 to 33.6
Grades 9 - 12	28.5 to 1	30.5 to 1	24.4 to 36.6

Average Cost of Teacher

The District employs around 900 teachers and other certificated staff. Based on the 2017-18 salary schedule, a first year teacher with no previous experience will earn \$48,791 annually. An experienced teacher with a master's degree and additional post graduate credits may earn up to \$94,457 annually. Experienced teachers with special certifications may earn up to \$97,077 annually. Average salary used in the 2017-18 Approved Budget is \$77,350.

Fringe Benefit Rates

A substantial part of our District's budget is personnel costs. Fringe benefits are a large part of those costs. Some components of fringe benefit costs are set by state or federal mandates, such as social security and state retirement contributions. The District is self-insured for other components, and the rates are based on our historic costs and projections.

Fringe benefit rates used in the 2017-18 Budget are:

Fringe benefit	Certificated Staff	Classified Staff	Temporary Staff
Health insurance	31.70%	31.70%	
Unemployment	.15%	.15%	.15%
Workers Compensation	1.00%	1.00%	1.00%
State Retirement System	12.56%	22.00%	
FICA and FICA Medical	1.45%	7.65%	7.65%
Total	46.86%	62.50%	8.80%

School Supply Allocations

School supplies, equipment, repair, and activity funding allocations are established with a combination of lump sum funding per school, plus a per student allocation. Annual allocations have varied somewhat depending on the budget environment in any given year. The 2017-18 Approved Budget is a 7% reduction to the per student allocation for school supply budgets. Special Education and Extended Learning supply allocations are calculated at a status quo allocation level. These allocations are only sufficient to fund day-to-day operations, and do not provide enough funding to upgrade technology on a planned replacement cycle.

Although individual school allocations vary by enrollment, "average" school allocations included in the 2017-18 Budget are:

<u>Allocation Category:</u>	<u>Elementary Schools</u>	<u>Middle Schools</u>	<u>Jr./Sr. High Schools</u>	<u>Senior High Schools</u>
Regular instruction supplies	26,980	34,551	29,198	60,854
Special education supplies	3,703	3,996	2,003	5,723
Extended learning supplies	1,157	2,214	1,720	2,664
Vocational education supplies	-	3,500	12,000	35,000
Equipment	14,898	23,527	29,480	49,001
Equipment repair	3,353	3,697	3,080	7,742
Extra duty contracts	4,530	36,234	99,876	132,159
Other activity funding	2,638	14,156	47,300	68,073

DISTRICTWIDE AND OPERATING FUND BUDGET SUMMARIES 2017-18 APPROVED BUDGET

Included in the next tab section of this document are budget summaries on a districtwide basis. The summaries include all funds for which there are annual budgets, and typically show changes from the prior year approved budget for comparison purposes.

Subsequent tabbed sections present budget data for the operating fund only. Operating fund information and comparisons are presented in more detail. Any organizational restructuring is typically reflected in all data presented.

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