

Provo City School District

Annual Budget

2007-08



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ABOUT THIS BUDGET GUIDE

This budget focuses on the Provo School District budget for the 2007-08 school-year. The budget covers the cost of instructing, transporting, feeding, supporting and providing a safe shelter for over 13,000 schoolchildren in Provo. However, when we speak of the budget, we're actually referring to several budgets that, when combined, cover the cost of providing these services. Money for schools comes from many sources, including local taxpayers, the State of Utah, the federal government, and investments.

The budget has been developed to help maximize student achievement and development. Resources have been allocated with the purpose of helping students in the District enlarge their capacities, interests, and love of learning. This can't be accomplished without involving the entire community.

The District is facing changing demographics that bring greater student needs and require more resources to assure student progress. This year, with the help of taxpayers, the legislature and outstanding educators and staff, the District will provide programs and resources that will help students master the basics, develop a depth of content knowledge, excel in their interests, feel respected and loved in a safe and orderly environment, and develop into responsible, respectful and compassionate citizens. The District's goals and objectives have been developed to do just this.

While the challenges are greater than ever, so is the District's resolve to provide the best services possible to students in Provo. One thing is certain – Provo School District is a great place to get an education, and the future is brighter than ever.

PROVO: PAST AND PRESENT



Provo City is situated in Utah Valley, an area just south of Salt Lake City that traditionally was home to part of the Ute Indian tribe. The Utes settled in villages close to Utah Lake both for protection from northeastern tribes and to attain fish, their primary food source. Fathers Escalante and Dominguez, the first non-American Indians to visit the area, entered Utah Valley in 1776. However, due to the Spanish focus on colonization efforts elsewhere, they failed to establish permanent settlement in the area.

During the first decades of the 19th century, many fur trappers and traders hunted beaver in Utah Valley. Etienne Provost --a French-Canadian trapper--working out of Taos in present-day New Mexico is perhaps the first white man to have seen the Great Salt Lake. In 1824 he led a company into the Great Basin. While camping, they encountered a band of Shoshone Indians. The mountain men were invited into the Shoshone camp, but were told it was bad luck to have metallic objects nearby. As Provost's men laid their weapons aside, the Shoshone attacked them. Only Provost and a few of his entourage escaped.

Highly admired by his contemporaries and considered to be a knowledgeable, skillful, and successful mountain man, Provo City, Provo River, and Provo Canyon are named after him.

Mormon pioneers established Provo as a permanent settlement in 1849. It became the second largest city in the territory until Ogden became a major railroad hub in the 1870s. In 1875, the settlers established Brigham Young Academy, the beginnings of today's Brigham Young University. Attracting national attention for both its academic and athletic programs, it is the largest church-affiliated institution of higher learning in the nation today.

Throughout the city's history, Provo has served as Utah Valley's center of industry, commerce, and government. One bustling example is the Provo Woolen Mills. Since sheep thrived in Utah's climate and a mill site was readily available on the Provo River to supply water and power to a plant, the Provo Woolen Mills opened in 1872 as Utah's first large factory. The LDS Church and private donations paid for its construction and upon completion, it employed upwards of 150 people. Many of its workers were skilled immigrant laborers from British textile factories. Later, the Provo factory turned to young women to run the looms. It specialized in heavy woolens; blankets, shawls, yarns, and flannels with about one-third of them being exported. The Provo Woolen Mills experienced ebbs and flows, continuing to operate until 1932.

With a current population of 118,000, Provo is the county seat of Utah County and home to the county offices and courts. Its close proximity to the mountains gives its residents superior recreational opportunities throughout both the winter and summer months.

Source: State of Utah



Source: Provo City

WHERE PROVO SCHOOL DISTRICT FITS IN

Utah is made up of 40 school districts. The total enrollment of K-12 students for FY 2008, including charter schools, is projected to be 540,000. At a little over 13,000 students, Provo School District makes up about 2.5% of this total. This makes Provo the 10th largest school district in the state.

Over the next several years, the school-aged population in Utah is expected to grow dramatically, while in Provo it's projected to remain relatively flat. One reason for this is the fact that there is little available land in Provo, while neighboring school districts have much more available land to grow on. This problem is compounded by the fact that Provo is a one-city, urban school district, and new growth in the state in recent years has typically been centered in suburban areas on the periphery of major cities.

UTAH'S TOP 10 SCHOOL DISTRICTS BY ENROLLMENT

<u>Rank</u>	<u>District</u>	<u>Enrollment</u>
1	Jordan	77,385
2	Granite	68,541
3	Davis	61,679
4	Alpine	55,209
5	Weber	29,029
6	Nebo	25,830
7	Salt Lake	23,482
8	Washington	22,980
9	Cache	13,627
10	Provo	13,200

Based on 2005 enrollment

Although the District isn't growing quickly like several other districts, its enrollment is shifting to the west. So, while some schools on the east side of the city might be experiencing declining numbers, enrollments of schools on the west side are growing rapidly. The opening of Lakeview Elementary in 2008 will help alleviate crowding on the west side of the city.

SIGNIFICANT LAWS AFFECTING THE BUDGET

The following is a summary of the significant provisions of the laws of the State of Utah applicable to Utah School District budgets. This budget is adopted in compliance with these legal requirements.

53A-19-101. Superintendent of school district as budget officer — School district budget.

1. The superintendent of each school district is the budget officer of the district.
2. Prior to June 1 of each year, the superintendent shall prepare and file with the local school board a tentative budget. The tentative budget and supporting documents shall include the following items:
 - a. the revenues and expenditures of the preceding fiscal year;
 - b. the estimated revenues and expenditures of the current fiscal year;
 - c. an estimate of the revenues for the succeeding fiscal year based upon the lowest tax levy that will raise the required revenue, using the current year's taxable value as the basis for this calculation;
 - d. a detailed estimate of the essential expenditures for all purposes for the next succeeding fiscal year; and
 - e. the estimated financial condition of the district by funds at the close of the current fiscal year.
3. The tentative budget shall be filed with the district business administrator for public inspection at least 15 days prior to the date of its proposed adoption by the local school board.

53A-19-102. Local school boards budget procedures.

1. Prior to June 22 of each year, each local school board shall adopt a budget and make appropriations for the next fiscal year. If the tax rate in the proposed budget exceeds the certified tax rate defined in Subsection 59-2-924(2), the board shall comply with the Tax Increase Disclosure Act in adopting the budget.
2. Prior to the adoption of a budget containing a tax rate which does not exceed the certified tax rate, the board shall hold a public hearing on the proposed budget. In addition to complying with Title 52, Chapter 4, Open and Public Meetings, in regards to the hearing, the board shall do the following:
 - a. publish the required newspaper notice at least one week prior to the hearing; and
 - b. file a copy of the proposed budget with the board's business administrator for public inspection at least ten days prior to the hearing.
3. The board shall file a copy of the adopted budget with the state auditor and the State Board of Education.

53A-19-103. Undistributed reserve in school board budget.

1. A local school board may adopt a budget with an undistributed reserve. The reserve may not exceed 5% of the maintenance and operation (general fund) budget adopted by the board in accordance with a scale developed by the State Board of Education. The scale is based on the size of the school district's budget.
2. The board may appropriate all or a part of the undistributed reserve made to any expenditure classification in the maintenance and operation (general fund) budget by written resolution adopted by a majority vote of the board setting forth the reasons for the appropriation. The board shall file a copy of the resolution with the State Board of Education and the state auditor.
3. The board may not use undistributed reserves in the negotiation or settlement of contract salaries for school district employees.

53A-19-104. Limits on appropriations — estimated expendable revenue.

1. A local school board may not make any appropriation in excess of its estimated expendable revenue, including undistributed reserves, for the following fiscal year.
2. In determining the estimated expendable revenue, any existing deficits arising through excessive expenditures from former years are deducted from the estimated revenue for the ensuing year to the extent of at least 10% of the entire tax revenue of the district for the previous year.
3. In the event of financial hardships, the board may deduct from the estimated expendable revenue for the ensuing year, by fund, at least 25% of the deficit amount.
4. All estimated balances available for appropriations at the end of the fiscal year shall revert to the funds from which they were appropriated and shall be fund balances available for appropriation in the budget of the following year.
5. A local school board may reduce a budget appropriation at its regular meeting if notice of the proposed action is given to all board members and the district superintendent at least one week prior to the meeting.
6. An increase in an appropriation may not be made by the board unless the following steps are taken:

- a. the board receives a written request from the district superintendent that sets forth the reasons for the proposed increase;
- b. notice of the request is published in a newspaper of general circulation within the school district at least one week prior to the board meeting at which the request will be considered; and
- c. the board holds a public hearing on the request prior to the board's acting on the request.

53A-19-106. Warrants drawn by business administrator.

The business administrator of a local school board may not draw warrants on school district funds except in accordance with and within the limits of the budget passed by the local school board.

53A-19-107. Emergency expenditures.

This chapter does not apply to appropriations required because of emergencies involving loss of life or great loss of property.

53A-19-108. Monthly budget reports.

- 1. The business administrator of each local school board shall provide each board member with a report, on a monthly basis, that includes the following information:
 - a. the amounts of all budget appropriations;
 - b. the disbursements from the appropriations as of the date of the report; and
 - c. the percentage of the disbursements as of the date of the report.
- 2. A copy of the report shall be available for public review.

PROPOSED BUDGET DEVELOPMENT AND ADMINISTRATION POLICIES

The following proposed budget policies of the Board of Education guide the preparation and administration of this budget.

1. Operating Budget Policies

- A. The District will cover current expenditures with current revenues. The District will avoid budgetary procedures that cover current expenditures at the expense of meeting future years' expenditures, such as postponing expenditures, accruing future years' revenues, or rolling over short-term debt.
- B. The budget will provide for adequate maintenance of capital, plant, and equipment, and for orderly replacement of equipment.
- C. The District will maintain an online budgetary control system to assist in following the budget plan.

- D. The District will prepare monthly reports comparing actual revenues and expenditures to budgeted amounts.
- E. Where possible, the District will integrate performance measurement and productivity indicators with the budget.

2. Capital Improvement Budget Policies

- A. The District will develop and administer a multi-year plan for capital improvements and update it annually.
- B. The District will budget for major capital projects in accordance with the priorities of the Board of Education.
- C. The District will coordinate development of the capital improvement budget with development of the operating budget. Future operating costs associated with new capital improvements will be projected and included in operating budgets.
- D. The District will maintain all assets at a level adequate to protect the District's capital investment and to minimize future maintenance and replacement costs.
- E. The District will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted to the board for approval.
- F. The District will restrict any new or replacement construction to be consistent with state guidelines for school building utilization.

3. Debt Management Policies

- A. The District will confine long-term borrowing to capital projects and purchases of equipment, as required by law.
- B. Total general obligation debt will not exceed 1.5% of the reasonable fair market value of taxable property within the District.
- C. The District will not use long-term debt for current operations.
- D. The District will meet all debt service obligations when due.
- E. The District will maintain communication with bond rating agencies about its financial condition. The District will follow a policy of full disclosure in every financial report and official statement.
- F. The District will provide to the capital markets ongoing disclosure of annual financial information and material events that may affect the District's financial strength.

4. Revenue Estimation Policies

- A. The District business administrator will estimate annual revenues by an objective, analytical process. The District will not include revenue in the budget that cannot be verified with documentation of its source and amount.

5. Fund Balance and Reserve Policy

- A. In order to maintain and protect the long term financial capacity of the District, total fund balance and reserves in the General Fund will be maintained at or near 5% of total General Fund unrestricted revenues.
- B. The capital fund will maintain a minimum balance of two million dollars for emergency repair situations.

6. Accounting, Auditing, and Financial Reporting Policies

- A. The accounting system will report financial information, on a basis consistent with Generally Accepted Accounting Principles, as established by the Governmental Accounting Standards Board.
- B. Regular monthly and annual financial reports will present a summary of financial activity by fund.
- C. An independent certified public accounting firm will be selected by the Board of Education and will perform an annual audit, and will publicly issue its opinion on the District's financial statement.
- D. The District will seek to obtain and maintain a Certificate of Achievement for Excellence in Financial Reporting from the Association of School Business Officials International and the Government Finance Officers Association. The District will also seek to obtain and maintain the Meritorious Budget Award from the Association of School Business Officials International and the Distinguished Budget Presentation Award from the Government Finance Officers Association.

MISSION STATEMENT

“Provo City schools maximize student achievement and development. Students in our schools enlarge their capacities, interests, and love of learning. They:

- Master the basics (the foundation of literacy and numeracy)
- Develop depth of content knowledge
- Excel in their interests
- Feel respected and loved in a safe and orderly environment
- Develop responsible, respectful, and compassionate citizenship



We will accomplish our mission through connecting with the community.”

The District’s goals and objectives support its mission. Each objective has a specific action plan that is to take place, and indicators and timelines have been established to ensure the objectives are met properly, and on-time.

SUMMARY OF 2007-08 GOALS AND OBJECTIVES

Goal: Provide a High-quality Education to Provo’s Diverse Population	
Objectives:	Develop standard/common floor of opportunity for students
	Establish management and leadership expectations for principals
	Set measurable student achievement objectives at each school
	Provide a safe and orderly school environment
	Increase number of Hispanic/Latino teachers in the District
Goal: Build Confidence in and Seek Input from Stakeholders	
Objectives:	Build confidence and seek input from employees
Goal: Build and Maintain Sound District Management	
Objectives:	Pursue efficient operations and fiscal accountability to taxpayers
	Develop and employee health/wellness program
	Successfully complete the second year of bond projects and related activities
	Implement strategic financial initiatives
	Develop a transition plan for long-term facilities leadership

SHORT-TERM BUDGET INITIATIVES

The following short-term initiatives have been determined by the board to be necessary for the District to be successful in 2007-08. Each one relates specifically to one of the three goals the District's management has set for 2007-08. These initiatives were posted on the front page of the district website, and a contact email address was set up for the sole purpose of gaining citizen and employee input. This was a very positive experience, and the input received was thoughtful and helpful. These and future comments and suggestions will help shape the direction of the District in the short and long term.

- **Geo-mapping** is necessary to establish school boundaries with the completion of the new elementary school as well as to develop more efficient busing routes
- **Increased security** measures will be implemented to minimize losses from theft and vandalism
- Fully **fund remaining Other Post Employment Benefits** (OPEB) annual required contribution (ARC)
- Evaluate salary schedules to **assure compensation is competitive** with surrounding districts now that retirement benefits are substantially reduced.
- Implement **new math curriculum**
- Take measures to encourage employees to maintain **healthy lifestyles** in an effort to minimize health insurance premium increases
- Take steps to build **CTE budgets at the state funding level** without additional K-12 supplements
- Provide additional support for **elementary literacy instruction**, especially for students-at-risk
- Determine if **Central Utah Enterprises** (CUE) is part of Provo City School District and part of the district budget or if CUE is to be an independent entity.
- Expand the human resources staff by hiring a **human resources professional** to better deal with the complex nature of employment law and employment issues that arise in today's environment.
- Begin steps to **properly maintain District facilities**
 - a. Begin/complete construction of two elementary schools.
 - b. Complete bond projects.
 - c. Increase annual maintenance and repair budget.
 - d. Implement a 15-year bus replacement schedule (dependent on state funding).
 - e. Develop a long-term facilities maintenance plan.
- Take steps to assure students develop a **Love of Learning**

BUDGET DEVELOPMENT PROCESS

Budget development is a year-round process. It begins in early fall after the annual report is prepared. At that time the board reviews its long-term strategic plan and sets goals and objectives for the upcoming fiscal year. The Budget department works closely with directors and principals to identify strategies and programs to achieve the board-established goals and objectives for the upcoming fiscal year through the fall.

In January the board is presented a set of budget initiatives which administration feels will accomplish the board-established outcomes. The board modifies, if necessary, the budget initiatives and forwards the budget initiatives for public comment.

From January through May the budget department works with directors, principles, and department heads to develop a detailed budget for the upcoming fiscal year. Employee compensation is negotiated with several bargaining groups. The legislature determines the District's state funding level, and requirements are balanced against resources.

The proposed budget is presented to and discussed with the Board of Education. The Board votes to adopt the budget at a public hearing held in June. Once adopted, the budget document becomes the official operating plan of the District. If the Board should decide that a tax increase is required to accomplish its desired goals and objectives, it will conduct a public hearing in August.

BUDGET APPROVAL PROCESS

1. For the fiscal year beginning July 1, the business administrator prepares a tentative budget which is presented to the Board of Education by the superintendent on or before the preceding June
2. After study, deliberation, possible amendments, and a public hearing, the Board of Education legally adopts the final budget prior to June 22.
3. Once adopted, the budget can be amended by subsequent Board action. Reductions in or reallocations of appropriations may be approved by the Board after recommendation of the superintendent, but increased appropriations by fund require a public hearing prior to amending the budget.
4. Adjustments in estimated revenue and appropriations for the prior fiscal year are included in the budget document and are approved by the Board as the revised budget.
5. As determined by the State Superintendent of Public Instruction, the level at which expenditures may not legally exceed appropriations is the total budget of a given fund.
6. At the end of a year, unencumbered appropriations lapse.
7. The District has a long term building replacement and retrofit program which has been developed through a process that included a study and recommendations by a broad based committee representing many experts in our community. This process included a structural engineering study of each building and a geotechnical analysis of each site. Also, each year each building is reviewed by representatives of the District's architectural, engineering, and trades staff, and the school principal and/or other representatives of the school. As a result of this review, the District's five year Capital Improvement Plan is revised for the budget year and for four future years.

PROPOSED BUDGET TIMELINE

	February	Budget meetings with all principals and directors completed
	Late March	Revisions to current year budget due
	April	Initial budget for coming year is given to administration for review
	Early May	Budgets for the coming year are distributed to schools
	Before June 22	The Board revised the current year budget and adopts the coming year budget after public comment
	Before July 1	Adopted and Revised budgets are delivered to the State Auditor
	August	Truth-in-Taxation (if necessary)
	Before October 1	Adopted and Revised budgets including prior year expenditures are delivered to the State Auditor
	October	Goals and objectives for next year are determined
	November	Current year budget monitoring is done and corrections are made

BUDGET ADMINISTRATION AND MANAGEMENT PROCESS

Every dollar of expenditures included in this budget is assigned to some person as a “cost center controller” for that particular piece of the budget. This person may be a general administrator, department administrator or building level administrator. These cost center administrators are responsible to control “their” budget, and are subject to disciplinary action for failure to properly control or manage their budget. Expenditures will not be incurred unless they are properly classified and authorized by the cost center controller and within the limits of available appropriations. An online budget control system provides cost center budget status information on demand. Requisitions, purchase orders, etc. are reported as encumbrances against available appropriations at the time they are originated.

Cost center controllers are with few exceptions authorized to make changes (reallocations) within their budget with approval of the budget department. New program budgets or expansion of program budgets require cabinet and Board approval.

BASIS OF BUDGETING

The District operates within budget requirements for school districts as specified by state law and as interpreted by the State Superintendent of Public Instruction. Budgets are presented on the modified accrual basis of accounting for all government funds. All annual appropriations lapse at fiscal year-end with the exception of those indicated as a fund balance reserve.

DEFINITION OF A BALANCED BUDGET

The District considers the budget balanced when total expenditures are equal to total revenues. However, the budget is also balanced in situations where total expenditures are less than total revenues, which is technically a surplus. There are also instances when the district might plan to spend fund balances from previous years on one-time or non-routine expenditures. The District considers the budget to be balanced in this case also, provided the funding from previous years is available, and a plan is in place to not build ongoing expenditures into this type of funding.

BALANCED BUDGET SCENARIOS

Scenario 1: Revenues = Expenditures
Scenario 2: Revenues > Expenditures (surplus)
Scenario 3: Revenues + Appropriated Fund Balances = Expenditures

DESCRIPTION OF FUNDS

The District's budget is divided into funds. Each fund is used to account for a specific type of activity. The general operating (or just "general") fund is by far the largest, accounting for 78% of revenues and 68% of expenditures. The Utah State Office of Education recently introduced the student activities fund, which is used to track revenues and expenditures of the individual school accounts. Financial data for this fund is available beginning in FY 2008: The following is a brief description of each fund:

General Operating Fund

This fund is the chief operating fund of the District. It is used to account for all financial resources of the school district except those required to be accounted for in another fund. The District may have only one general fund.

Student Activities Fund

This special revenue fund accounts for activities at the school-level, including sports, clubs, and instruction-related programs.

Non K-12 Fund

This special revenue fund is used to account for activities not related to regular, K-12 operations. Adult education, pre-school and recreation are examples of programs that operate in this fund.

Supplemental (Other) Programs Fund

This special revenue fund is used to account for activities and expenditures of restricted programs. Competitive grants and other "soft" monies are accounted for in this fund.

Debt Service Fund

This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Fund

This fund is used to account for resources and payments for the acquisition of capital facilities and equipment.

Food Services Fund

This is a governmental fund used to account for revenues and expenses related to school food services.



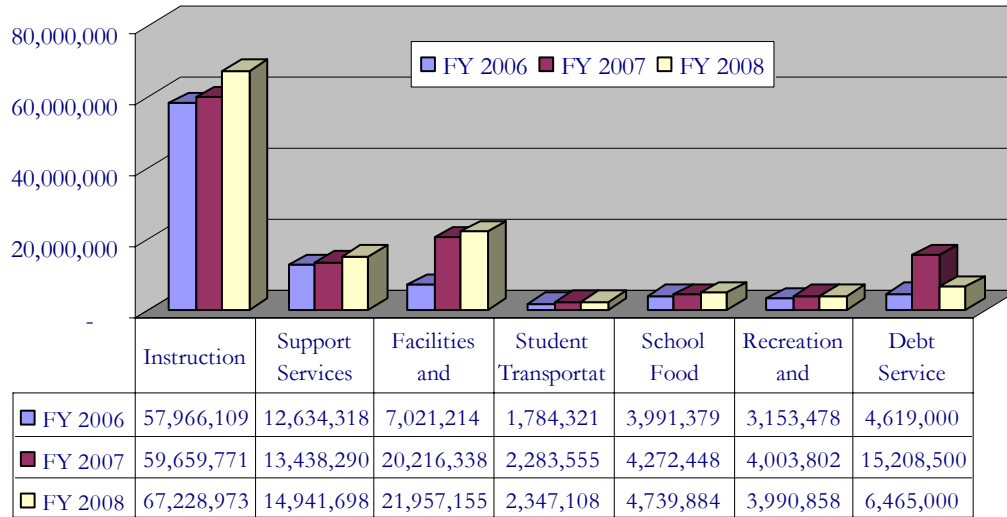
Provo City School District



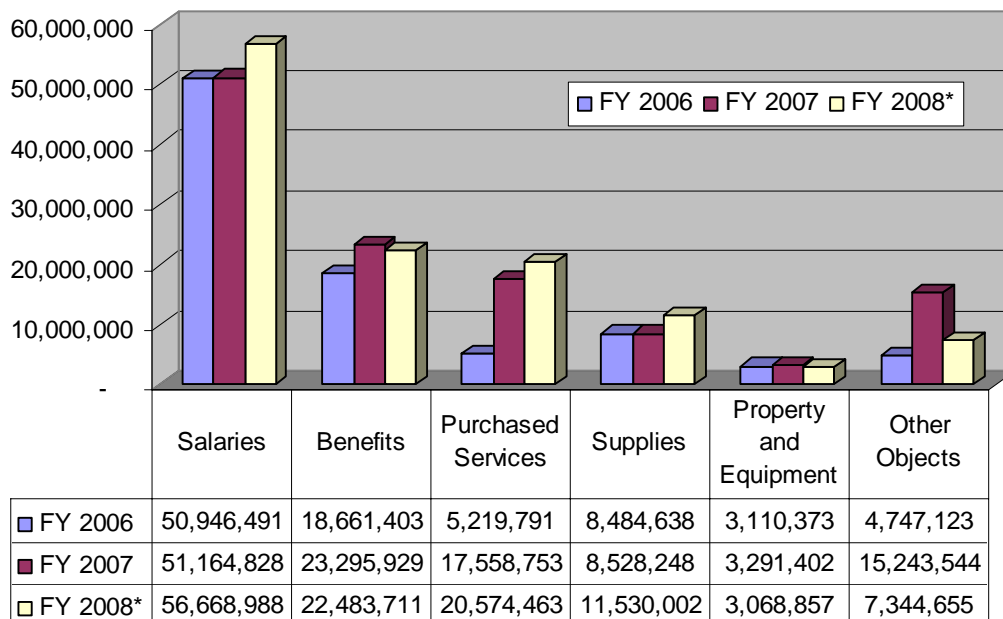
SUMMARY OF MAJOR REVENUES AND EXPENSES – FY 2008

Revenues by Fund	General	Student Activities	Non K-12	Other Funds	Debt Service	Capital Projects	Food Services	All Funds
Comm. Services Activities:		1,012,100						1,012,100
Earnings on Investments:	1,050,000					895,000		1,945,000
Federal Sources:	8,725,478		126,542	771,779			2,626,091	12,249,890
Local Revenue:	1,768,854	2,230,300	40,200	677,252		226,000	-	4,942,606
Property Taxes:	14,119,703		1,379,957		5,088,212	6,916,324		27,504,196
School Lunch Revenue:							1,435,740	1,435,740
State Sources:	55,086,545		1,706,176	1,264,921			505,000	58,562,642
Transportation Revenue:	104,000							104,000
Tuition:	<u>34,275</u>	<u>634,300</u>	<u>77,198</u>					<u>745,773</u>
Total Revenues	80,888,855	3,876,700	3,330,073	2,713,952	5,088,212	8,037,324	4,566,831	108,501,947
Expenditures by Fund	General	Student Activities	Non K-12	Other Funds	Debt Service	Capital Projects	Food Services	All Funds
Salaries:	50,624,201		1,829,856	1,440,486		1,064,845	1,709,600	56,668,988
Benefits:	20,546,675		519,714	505,581		357,009	554,732	22,483,711
Purchased Services:	3,030,126	757,200	421,498	339,598		15,899,299	126,742	19,617,263
Supplies:	3,986,440	2,209,600	164,013	230,168		3,031,005	1,908,776	9,220,402
Property and Equipment:	1,715,727	125,000	66,543	50,468		840,119	271,000	2,943,857
Other:	<u>(130,114)</u>	<u>629,800</u>	<u>44,564</u>	<u>166,371</u>	<u>6,080,000</u>	<u>385,000</u>	<u>169,034</u>	<u>6,714,855</u>
Total Expenditures:	79,773,055	3,721,600	3,046,188	2,732,672	6,080,000	21,577,277	4,739,884	121,670,676
Net (Revenue - Expenses):	1,115,800	155,100	283,885	(18,720)	(991,788)	(13,539,953)	(173,053)	(13,168,729)
Other Financing Sources:	-	-	-	-	-	-	-	-
Net Chg in Fund Balance:	1,115,800	155,100	283,885	(18,720)	(991,788)	(13,539,953)	(173,053)	(13,168,729)
Fund Balance - Beginning:	4,526,929	-	416,142	385,204	1,676,923	31,746,848	1,669,692	40,421,738
Fund Balance - Ending:	5,642,729	155,100	700,027	366,484	685,135	18,206,895	1,496,639	27,253,009

MULTI-YEAR EXPENDITURES BY FUNCTION



MULTI-YEAR EXPENDITURES BY OBJECT



MULTI-YEAR REVENUES COMPARISON

Revenue Source	<i>FY 2006</i>	<i>FY 2007</i>	<i>FY 2008*</i>
Local Sources:	29,772,065	31,795,248	37,689,415
State Sources:	49,580,472	52,770,367	58,562,642
Federal Sources:	12,181,166	12,235,142	12,249,890
Total Revenues:	91,533,703	96,800,757	108,501,947
Other Financing Sources:	492,000	48,586,850	-

*Includes new Student Activities Fund

MULTI-YEAR EXPENDITURES BY FUNCTION

Function	<i>FY 2006</i>	<i>FY 2007</i>	<i>FY 2008</i>
Instruction	57,966,109	59,659,771	67,228,973
Support Services	12,634,318	13,438,290	14,941,698
Facilities and Maintenance	7,021,214	20,216,338	21,957,155
Student Transportation	1,784,321	2,283,555	2,347,108
School Food Services	3,991,379	4,272,448	4,739,884
Recreation and Community Services	3,153,478	4,003,802	3,990,858
Debt Service	4,619,000	15,208,500	6,465,000
Total:	91,169,819	119,082,704	121,670,676

*Includes new Student Activities Fund

MULTI-YEAR EXPENDITURES BY FUND

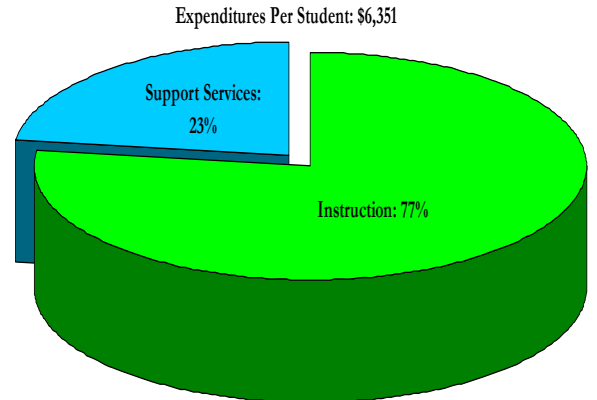
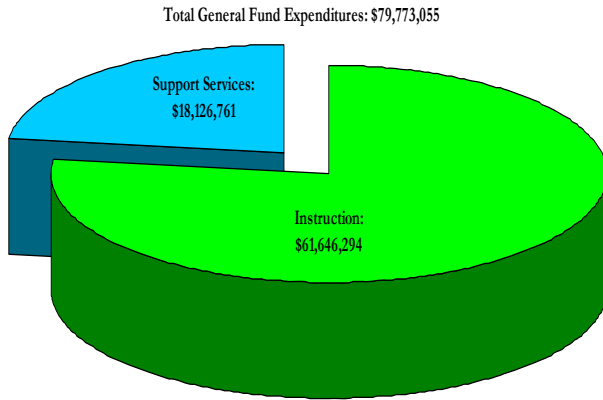
Fund	<i>FY 2006</i>	<i>FY 2007</i>	<i>FY 2008</i>
General	70,112,707	74,782,929	79,773,055
Student Activities	-	-	3,721,600
Non K-12	3,111,579	3,086,902	3,046,188
Other Funds	2,611,067	2,628,411	2,732,672
Debt Service	3,880,000	12,806,000	6,080,000
Capital Projects	7,463,087	21,506,014	21,577,277
Food Services	3,991,379	4,272,448	4,739,884
Total:	91,169,819	119,082,704	121,670,676

MULTI-YEAR EXPENDITURES BY OBJECT

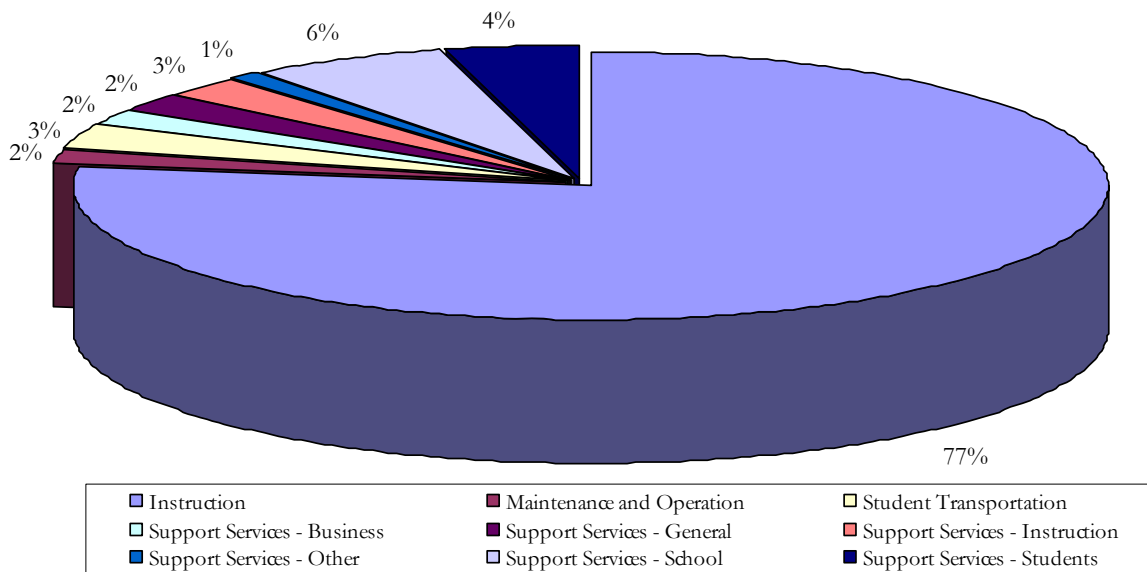
Object Type	FY 2006	FY 2007	FY 2008*
Administration Salaries	856,914	905,216	979,474
Principal Salaries	1,916,922	2,188,417	2,386,791
Teacher Salaries	31,526,427	31,488,459	35,766,149
Guidance/Other Certified Salaries	3,459,152	3,064,060	3,185,882
Secretarial Salaries	2,388,387	2,829,057	3,068,045
Paraprofessional Salaries	5,954,944	5,658,462	5,821,256
Bus Driver Salaries	913,826	1,054,487	1,148,496
Custodial/Maintenance Salaries	2,068,239	2,061,524	2,237,046
Other Salaries	1,861,680	1,915,146	2,075,849
Retirement Benefits	6,701,860	7,166,915	8,098,091
Social Security Benefits	3,797,064	3,738,642	4,395,360
Health Insurance Benefits	7,549,468	6,756,427	8,011,862
Industrial Insurance Benefits	484,126	502,308	597,211
Other Benefits/OPEB	128,885	5,131,637	1,381,187
Purchased Services	2,741,116	2,330,647	3,135,384
Repairs/Maintenance Services	664,893	1,084,814	976,621
Rentals	45,000	58,450	35,155
Remodeling/Construction	1,041,882	13,324,880	15,588,523
Communication	203,758	236,648	223,729
Travel	523,142	523,314	615,051
Supplies	5,038,208	4,729,872	7,504,711
Fuel/Utilities (Energy)	2,159,780	2,234,080	2,347,645
Food (school lunch)	1,286,650	1,564,296	1,677,646
Buildings	1,015,942	1,466,005	453,060
Property/Equipment	2,094,431	1,825,397	2,615,797
Other Objects	4,747,123	15,243,544	7,344,655
Total:	91,169,819	119,082,704	121,670,676

*Includes new Student Activity Fund

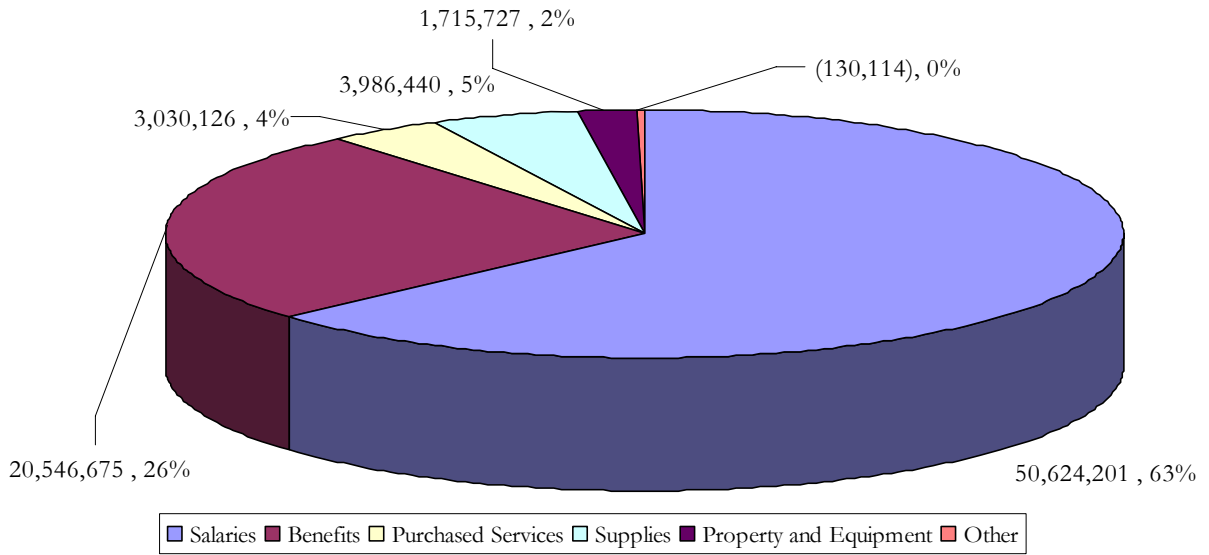
GENERAL FUND FY 2008 EXPENDITURES AT-A-GLANCE



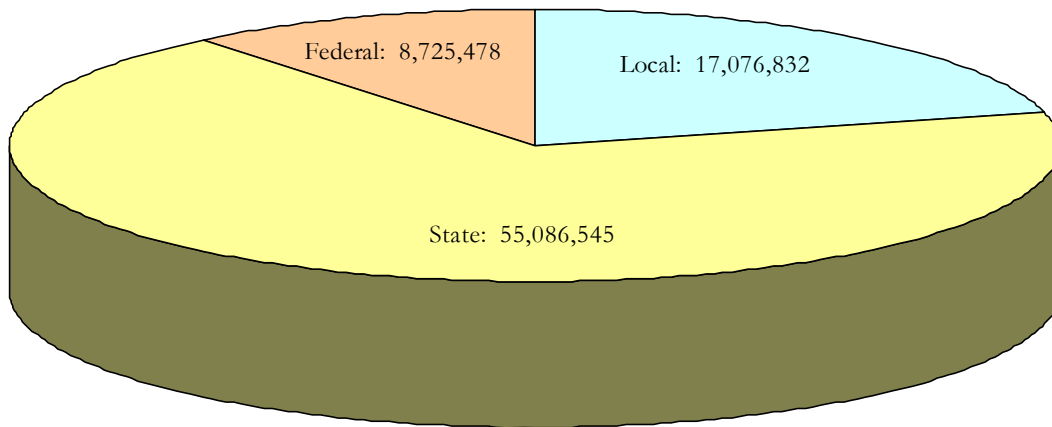
FY 2008 General Fund Budget by Function



FY 2008 General Fund Budget by Object



FY 2008 General Fund Revenue by Source



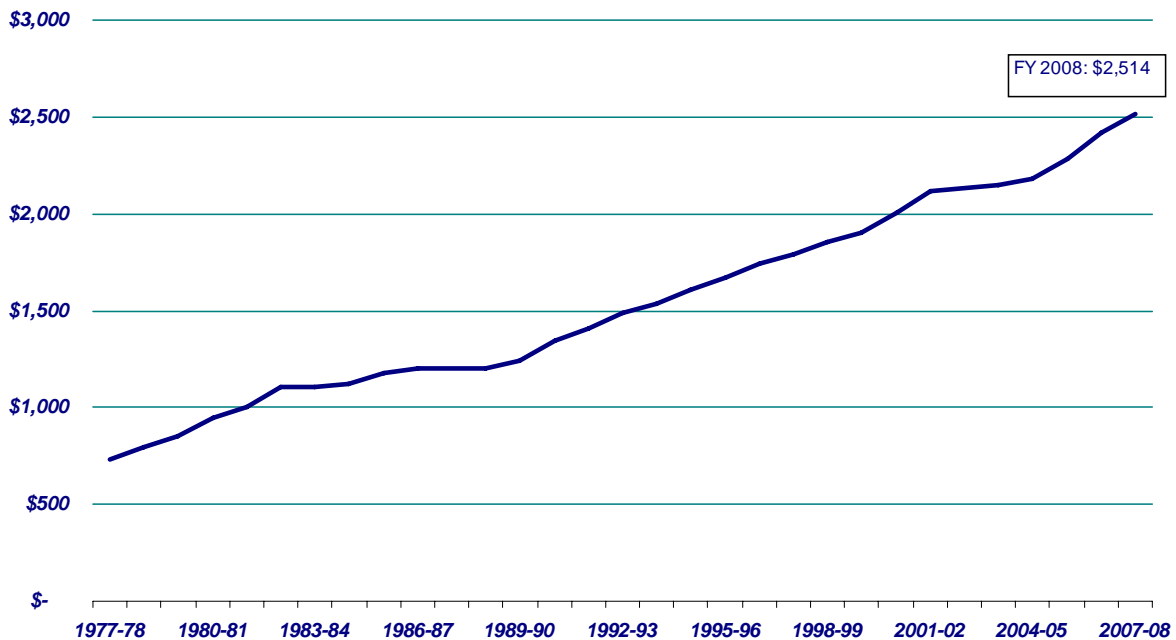
MAJOR REVENUE SOURCES AND ASSUMPTIONS AND TRENDS USED

State Support



The State of Utah is the largest revenue source of the school district, with revenues exceeding a projected \$58.5 million for FY 2008. This represents a 15% increase over FY 2007 funding. The largest component of state funding is from the Weighted Pupil Unit (WPU). As illustrated in the figure below, growth from the WPU has doubled in the past twenty years. The WPU is \$2,514 in FY 2008, a 4% increase over FY 2007. New for FY 2008 is nearly \$1.8 million given to the District by the legislature to adjust educator salaries to a more competitive level. Each district in the state received this funding based on enrollment. The legislature has expressed a desire to continue funding an additional salary adjustment for educators through 2010 - assuming funding is available. The District appreciates the support and emphasis the legislature has placed on public education in recent years.

Historical Value of The WPU



The current legislature has been very supportive of public education in Utah, and as of July 2007, the State was projecting between \$160 and \$260 million in surplus revenue. It's assumed the legislature will continue to increase funding for education over the next several years.

Local Sources



Property Taxes

The District levies property taxes to provide operating funds for the District. Each year, the District receives a certified tax rate from Utah County, and from that is able to set tax rates. The Basic Program tax rate is set by the State of Utah., and individual school districts set other rates with maximum levies set by law.

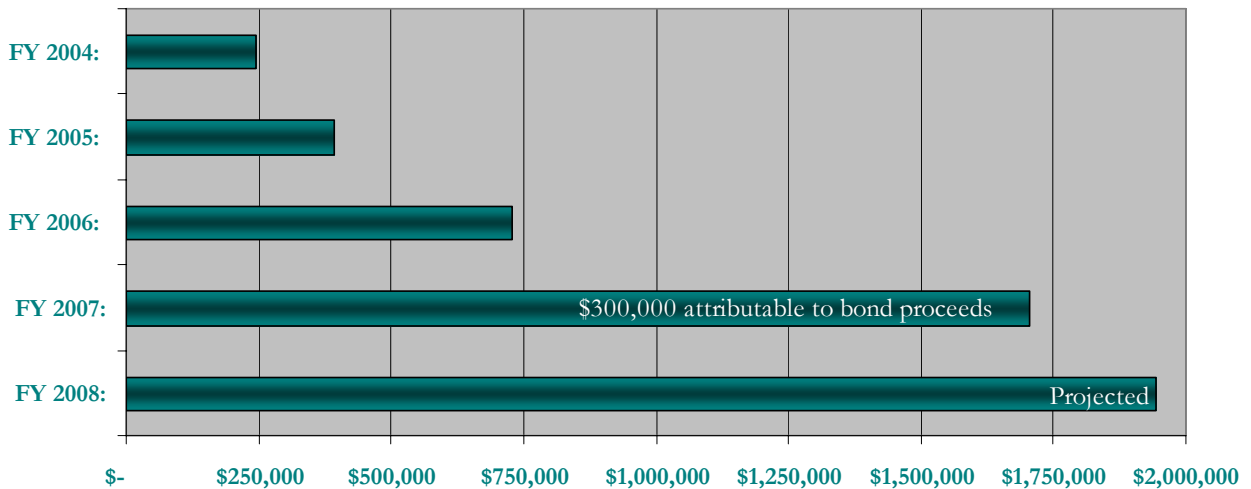
Property taxes make up the second largest component of funding for the District. For FY 2008, the overall tax rate went down from .006147 to .005239. As a result, most homeowners in Provo will actually pay less in taxes on their homes in 2008. However, due to a significant increase in assessed home values, the District will collect approximately \$1,000,000 more in overall property taxes. As a result, while the tax rate for FY 2008 is actually going down, a truth-in-taxation is required because the District is budgeting more in property taxes than the previous year. Truth-in-Taxation statutes require an entity to go through a series of steps which include proper notification of the proposed tax increase to the tax payers and a public hearing.

Other Local Revenues

In the summary budgets, other local revenues are often combined with property taxes. These local revenues include earnings from investments, and income from students, such as school lunches. Local revenues are projected to continue to climb, especially in the food services fund as more students are paying for their lunch due to a robust state economy and low unemployment rate.

The District's investment activities are governed by the Utah State Money Management Act, which limits the types of investments the District can participate in. The District invests mainly in what's referred to as the Utah Public Treasurer's Investment Fund (PTIF – often referred to as “the Pool”), which provides security, stability and competitive returns. The “Pool” is diversified, with no more than 5% of assets invested with a single issuer. With rates continuing to climb, District management has placed a strong emphasis on sound cash management. Among other things, this means as grant expenditures are made, reimbursement from the federal government or awarding agency is requested as soon as possible, with monthly reimbursement requests the rule. The following is a chart showing the growth in revenue from investments the last few years.

Earnings on Investments Fiscal Years 2004 - 2008



Sale of Joaquin Elementary

In FY 2006, \$800,000 of the \$6.5 million sales price was received from the sale of Joaquin Elementary. In FY 2007, the remaining \$5.7 million was received. The proceeds from the sale went toward one-time expenditures, such as capital improvements and employee bonuses. This funding isn't available in FY 2008.

Federal Sources

The federal government provides direct and flow-through support to specific programs in the District. For FY 2008, it's anticipated that the District will receive just over \$12 million in federal support. This figure is roughly equivalent to the FY 2007 amount, and revenues from this source are projected to remain flat for the next couple of years. The largest programs the District operates with federal funding are IDEA, Title I, 21st Century Community Learning Centers and the school lunch program.

Much of the federal funding available to the District falls under the No Child Left Behind Act of 2001. According to the Department of Education, "No Child Left Behind is based on stronger accountability for results, more freedom for states and communities, proven education methods, and more choices for parents." The District's mission, goals and objectives are all geared toward the aim of no child being left behind in Provo.



Other Income Sources:

In 2006, Provo voters approved a \$35 million bond and leeway. While most of the funding for the bond was received in FY 2007, the projects will be ongoing throughout the District through 2009.

The bond and leeway will:

- Support neighborhood elementary schools across the city
- Strengthen neighborhoods and encourage families to live in Provo
- Remove portable classrooms
- Renew and properly maintain traditional schools
- Compensate teachers for their valuable work
- Fortify educational services and reduce class-size
- Sustain a long-term vision for education in Provo School District



FY 2008 CAPITAL IMPROVEMENT LIST

School	Project	Capital Fund	Bond	Rec. Fund
Amelia Earhart	Water heater replacement	5,400		
	IP telephony	14,300		
	Student drop-off	26,000		
Canyon Crest	HVAC		60,000	
	Carpet (6 classrooms)	8,600		
Edgemont	Drop-in ceiling (foyer)	7,000		
	Bell/sound system	8,792		
	Lunchroom sound system	5,600		
	Carpet (2 rooms)	2,600		
	Stage curtains	13,000		
	Toilet stalls	8,700		
	Enclose soffit - entire school	11,000		
	Repair ceiling (old part)	5,100		
	Window project (2008)		155,000	
	Roof (pod area)	116,000		
	Farrer	Asphalt (east area)		
Geo-guard lunchroom roof		35,000		
Hot water heater replacement		12,000		
Roof (southeast section)		60,000		
Franklin	Intercom	18,200		
	Sound system (gym)	5,600		
Grandview	IP telephony	14,300		
Provost	Carpet (office, classrooms)	8,000		
	Sound system (gym)	5,600		
	Playground			26,000
	New Classrooms		1,182,000	
Rock Canyon	IP telephony	14,300		
	Drop ceiling (north & south halls)	13,000		
	IP telephony	14,300		
Spring Creek	Sidewalk			7,000
Sunset View	Fire sprinklers (north wing)	72,000		
	Drop ceiling (north wing)	79,000		
	Floor tile (entire building)	10,400		
	Paint hall walls	26,000		
	Lights (6 classrooms - north wing)	27,000		
	Doors	6,000		
	Carpet (12 classrooms)	18,000		
	Library/classrooms		2,414,000	
	Wasatch	Playgrounds		
Landscape/parking				25,000
Window replacement			402,000	

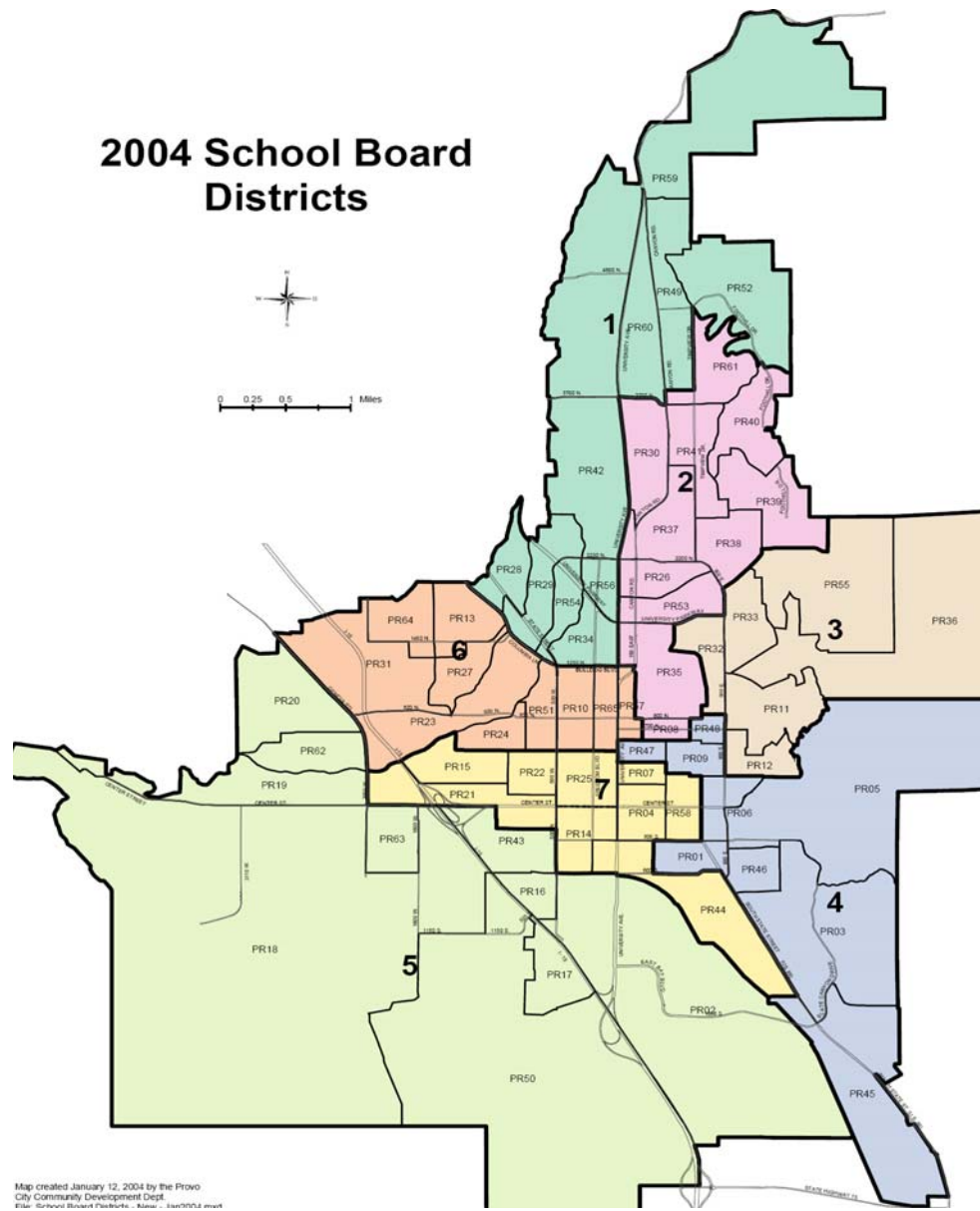
FY 2008 CAPITAL IMPROVEMENT LIST CONTINUED

School	Project	Capital Fund	Bond	Rec. Fund
Westridge	Marquee	5,000		
	Carpet (media center)	8,000		
	HVAC		20,000	
	IP telephony	14,300		
Centennial	Chiller room	18,000		
	Convert classrooms (drama, band, chorus)	15,000		
	Auditorium/classroom addition		3,424,500	
Dixon	Lunchroom remodel	50,000		
	Boys' locker room	9,300		
	Dimmer stage	5,400		
	IP telephony	18,150		
	Geo-guard (TLC center)	45,000		
Independence	HVAC	60,000		
	IP telephony	14,500		
Provo	Restrooms (tech area)	8,000		
	Geo-guard (metal shop)	27,000		
	Sidewalk (A-wing)			52,000
	Fire alarms		105,000	
	Data/phone		53,000	
	Electrical		8,000	
	Paint, floor, ceiling, lights, wall carpet (15 classrooms)		115,000	
	Restrooms		32,000	
	Corridors		35,000	
	Windows		25,000	
	Upper floor corridor ceiling lights		8,500	
	Demolition work		57,225	
	Parking			85,000
	Mobile dance floor		32,000	
	Pool maintenance			130,000
Timpview	Track			70,000
	Restroom stalls (sports area)	16,000		
	HVAC (tech area)	30,000		
	Re-roof storage	14,000		
	Surface tennis court			65,000
Timpanogos/Oakridge	Move mobiles (4)	60,000		
District Office	PDC roof	43,500		
Maintenance projects	Identified projects under \$5,000	75,000		
Maintenance personnel	Salaries and benefits	600,000		
Director's budget	Contingency/emergency	200,000		
Total:		2,006,942	8,128,225	493,000

BOARD OF EDUCATION

There are seven voted board members that represent constituents throughout the Provo City. Each serves a four-year term. The current members (including district) are:

- Darryl Alder - Board President (5)
- Mary Ann Christiansen - Board Vice President (7)
- Richard Sheffield (3)
- Shannon Poulsen (4)
- Carolyn Wright (2)
- Sue Curtis (1)
- Sandy Packard (6)



DEPARTMENTS WITHIN THE DISTRICT

The District is divided into several departments. While each department might have its own mission, goals and objectives, each supports the overall mission of the District. Normally, each department is responsible for specific components of the District's overall goals and objectives. The following is a brief description of the departments that operate in the District:

Curriculum

The Curriculum and Learning Office of Provo City School District provides support to teachers, administrators, and parents in enabling students to gain academic skills and knowledge necessary for their successful futures. Local, state, and federal resources provide teaching materials for students and teachers, professional development targeted to instructional improvement for new and experienced teachers, analysis of student performance data, tutoring services for at-risk learners, and enriched learning opportunities for students of all abilities. Their key focus is literacy enhancement for all students with additional energy directed to mathematics, science, and other critical areas of learning.



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Student Services

The Mission of Student services is to provide the best support to students and families. Student Services is responsible for support services throughout the district including: police, nurses, social workers, attendance officers, safe schools, and other programs.

Student Services provides equal access to education and promotes educational excellence by providing support to schools, helping meet the needs of families, assisting students with unresolved needs, and providing opportunities for students to stay in school.

Child Nutrition

Child nutrition falls under business services. The child nutrition department is committed to providing a safe nutritious meal to every student, continually improving our programs, the children's meal time experience and our communication and involvement with parents.



Personnel

The Personnel Department is given the responsibility to find, recruit and retain qualified teachers and support staff that are committed to District goals, insure that employees working in the District meet the academic and licensing standards set by the state and federal government, maintain personnel records and pertinent information on all past and present employees, distribute the agreed upon wages and benefits to employees according to negotiated agreements and the law and develop and enforce policy related to the successful personnel operation of the District.

Career and Technology Education

The Mission of Career and Technology Education (CTE) is to provide all students a seamless education system, driven by a Student Education Occupation Plan (SEOP), through competency-based instructions culminating in essential life skills, certified occupational skills and meaningful employment and/or entrance into a higher education institution for advanced preparation.

CTE classes provide every student with the opportunity to explore a variety of career areas in their middle school and high school years that will equip him/her with the academic knowledge, technical and employment skills vital for entry into the evolving workforce of the 21st century.

Special Programs

Special Programs is actually three large divisions, including Title I, Special Education and Technology. Each of these programs has its own goals and objectives, including:

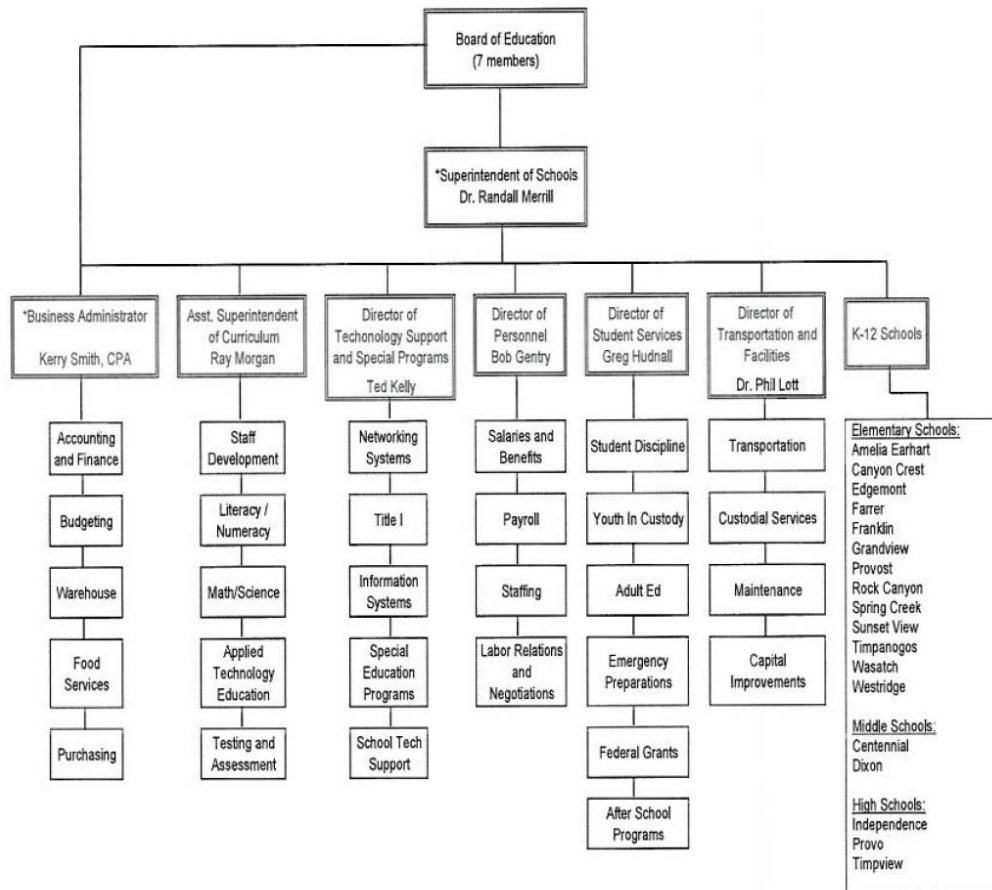
- Closing the achievement gap between high and low-performing children, especially the achievement gaps between minority and non-minority students, and between disadvantaged children and their more advantaged peers
- Providing special education service providers and students with greater access to classroom-based materials and resources including adaptive devices, networks, hardware, software, and other classroom materials that support the achievement of individual student goals
- Developing long-term strategies for improving student academic achievement, including technology literacy, through the effective use of technology in the classroom, and the capacity of teachers to integrate technology effectively into curricula, instruction, and assessment

Business Administration

The business department is responsible for facilitating financial information and reporting on it accurately. It coordinates the annual financial audit with the District’s external auditors, and completes financial reports for the state legislature and office of education. Key components of the business department include accounting, finance/budgeting, accounts payable, accounts receivable, food services and the warehouse.



ORGANIZATION CHART



FULL-TIME EQUIVALENT (FTE) POSITIONS BY FUNCTION

Function	FY 2005	FY 2006	FY 2007
Instruction	981	1,117	1,141
Support Services			
Students	50	59	54
Instructional Staff	40	36	33
District Administration	9	24	24
School Administration	75	79	80
Business and Central Operation and Maintenance	22	23	25
Transportation	85	119	152
Food Services	39	47	50
Food Services	58	83	91
Community Services	65	186	173
Total full-time equivalent positions:	1,422	1,772	1,822

OVERVIEW OF SIGNIFICANT ISSUES AFFECTING THE BUDGET

There are several trends that have created budgetary issues for the District. Each of these concerns has been addressed in District's goals and objectives, short-term initiatives, or both. Some of the most important issues are:

- Other Post Employment Benefits (OPEB)
- Rising salary costs to remain competitive
- Rising health care
- Rising energy costs
- Significant need to address aging buildings

The Funding of OPEB

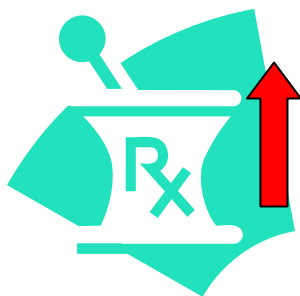
Other Post-Employment Benefits, or OPEB, are a major concern for most government agencies, including Provo School District. The District has made great strides the past two years in funding its OPEB liability ahead of schedule, and plans to continue to do so.

Competitive Salaries Critical to Retain Talent

In the spring of 2007, the District conducted a salary study to analyze and compare the salaries of teachers, administrators and classified employees in the District with other districts in the state. While the total compensation package was in the middle of the pack, it was determined at that time that even more needed to be done to retain the best talent in Provo. As a result, both certified and classified employees received double-digit total compensation package increases for 2008.



Healthcare Inflation



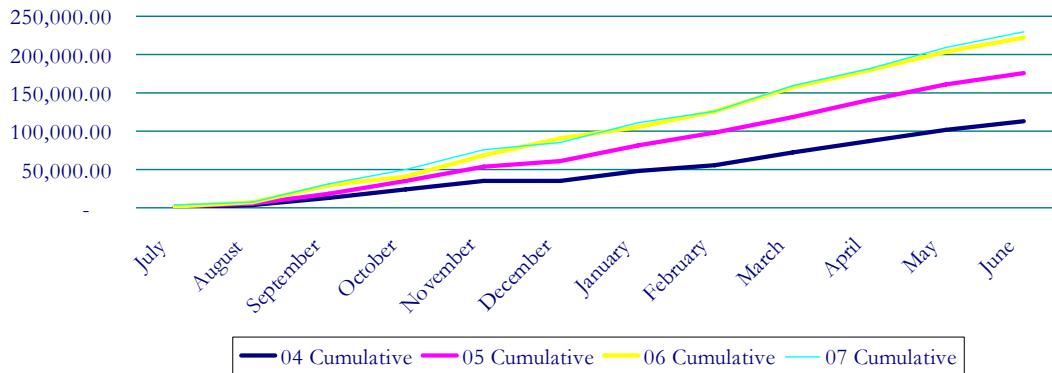
The rising cost of healthcare is a problem nationwide, and the District isn't immune. In 2005, a premium participation plan was put in place, with employees paying a percentage of their premiums. This was designed to not only save money, but more importantly help employees take ownership of their healthcare. In addition to this, a small budget was set aside for the human resources department to enact a healthy lifestyles plan. The expectation is the program will help employees further take control of their own healthcare needs, thus creating healthier, better employees and lower overall healthcare costs for the District.

Energy Costs on the Rise

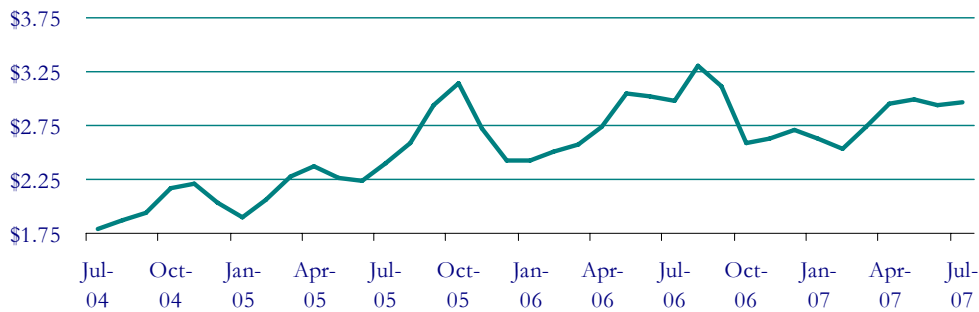
Just as rising energy costs impact each of us individually, the District is impacted by these increases as well. While the District is doing everything it can to conserve, in the end these increases must come from somewhere. In 2007-08, a Geographic Information System (GIS) software program will be implemented to analyze District population and transportation patterns in an effort to maximize efficiency and minimize energy costs. Rather than sit back and let these costs erode the amount of funding available for instruction, the District has taken an aggressive approach to mitigate these costs and put the money where it belongs – in the classroom.



**Fuel Expenditures
Fiscal Years 2004 - 2007**



**Diesel Fuel Prices for Rocky Mountain Region
Fiscal Years 2004 - 2007**



Aging Buildings

For several years, the District struggled to put the amount of resources into its aging buildings necessary to keep up with needs. With the help of the bond, the District is allocating more to buildings over the next three years than it ever has in its history.



Construction on bond projects is currently ahead of schedule. The District regularly posts the status of each of these projects on its website at: <http://www.provo.edu/mstrpln/>.



COMMUNITY STATISTICAL INFORMATION

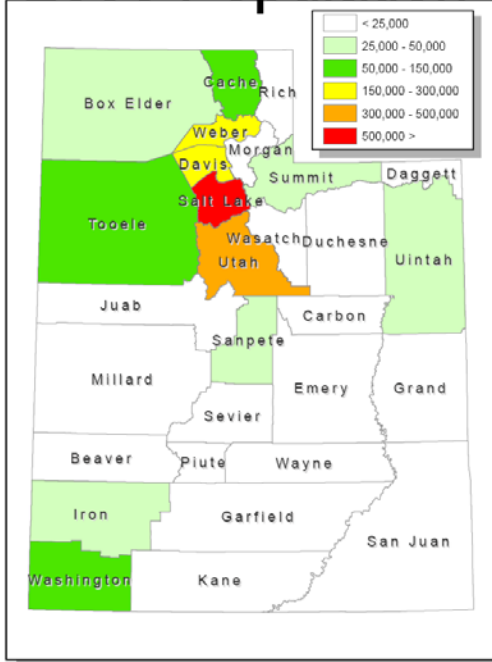


Unprecedented Population Growth in Utah County

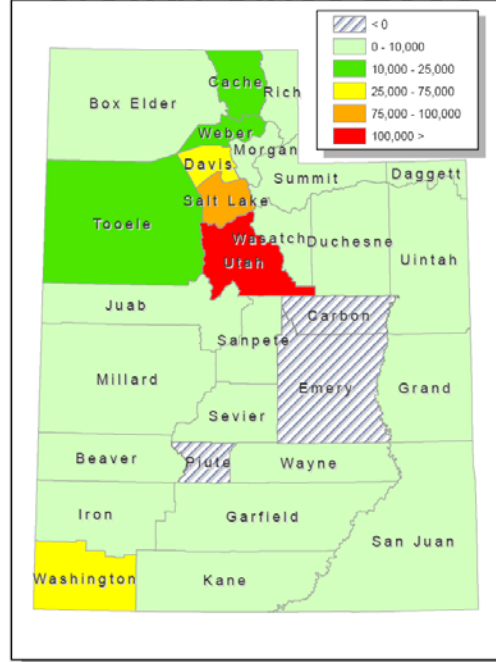
Provo is the county seat of Utah County, which has seen explosive growth in recent years. In 2000, the U.S. Census Bureau counted Utah County's population at 368,536, although state estimates placed that figure somewhat higher. In July 2006, Utah County had an estimated population of 475,425. Following current growth rates, it's expected Utah County passed 500,000 residents in July 2007.

Utah County is part of what is referred to as the Wasatch Front, which is made up by Weber, Davis, Salt Lake and Utah Counties. With more than 2 million residents, the Wasatch Front accounts for 75% of Utah's population. As illustrated in the following graphic, Utah County is the only county in the state to have added more than 100,000 residents in the current decade, and state estimates show this growth to continue at near the current pace through 2010.

2006 Population



Growth Since 2000

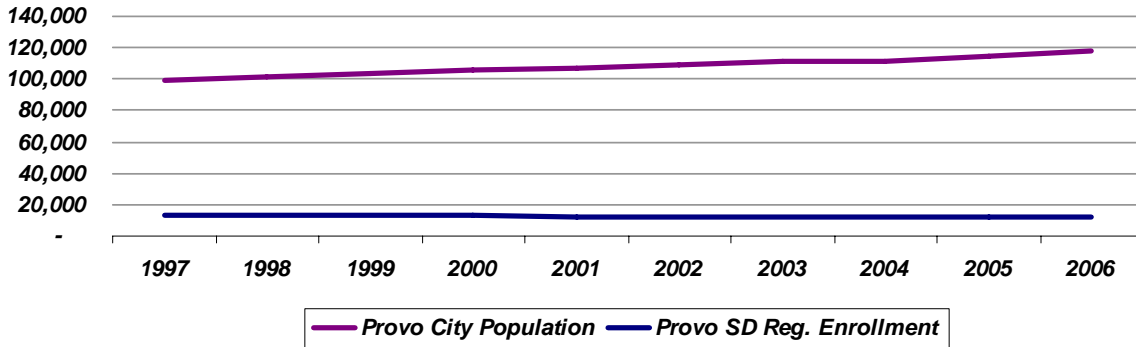


Source: Mountainland Association of Governments (www.mountainland.org)

What About Provo?

Although Provo City continues to grow at a moderate pace, the percentage of Utah County residents residing in Provo continues to decrease as the northern and southern parts of the county are seeing explosive growth. In 2000, Provo made up 29% of the county population. But in 2006, Provo made up approximately 25% of the population – even though Provo had grown at a moderate rate during this period. In addition, the percentage of Provo residents enrolled in the Provo School District continues to fall, as more college-age students move into the area and areas of the city gentrify. Approximately 13 out of every 100 Provo residents is a student in the Provo School District, compared with 22 out of 100 in Alpine School District.

Provo City Population vs. Provo School District Enrollment 1997 - 2006



Utah is at Full-employment

Utah, and Utah County in particular, continues to enjoy a very low unemployment rate. According to State Governor’s Office, the state’s 3.4% unemployment rate was 25% lower than the national average in 2006. By June 2007, the rate was an extraordinarily low 2.6%. Utah County’s rate was 2.5%, constituting what’s known as full-employment, which in basic terms means anyone of employable age who wants to work is employed. This tight labor market makes it more difficult for the District to fill some positions.

Utah County Unemployment Rate 1997 - 2007



Source: Utah Dept. of Workforce Services

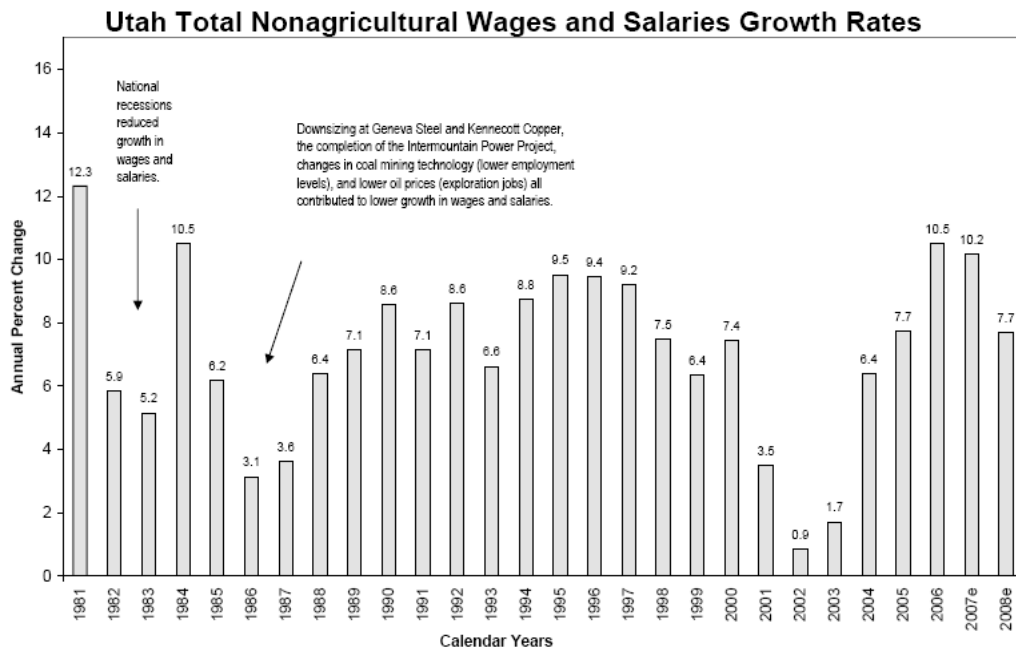
Job Growth is #1 in the Nation

According to a report released in July 2007 by the Utah Department of Workforce Services, Utah’s job growth of 4.5% was the highest in the nation, well above second-place Arizona’s 3.4%. While this is great news for employees, it creates ever tighter demand for labor, which impacts the District as it looks to fill positions.

Personal Income is on the Rise

From 2004 to 2006, personal income in the state rose nearly 17%. Average annual pay in the state rose 9% over the same period of time, from \$31,685 to \$34,601. The state is projecting even higher wage increases for the next several years as wages catch up with increases in productivity and business profits. This is great news for the state’s economy and citizens in general, but it means the District must continue to raise compensation levels to remain competitive.

<http://governor.utah.gov/dea/Forecasts/econind.PDF>.



<http://governor.utah.gov/dea/Forecasts/incwages.pdf>

Utah County’s Economy is Diverse and Stable

Overall, there are 215,000 employed in Utah County. As illustrated in the table below, there are several large employers in Utah County, including Provo School District. However, Utah County has a very diverse economy in terms of the variety of jobs, which most economists believe contributes to economic stability. An economic measurement called the Hachman Index, which is a measure of economic diversity, concludes Utah has the 6th most diverse economy in the US. Additionally, Utah County has one of the most diverse economies in Utah. While there are several factors that lead to a strong economy, the Hachman Index is one indicator showing Utah County’s economy is stable and likely more resilient and insulated than most areas in the nation.

<http://www.governor.utah.gov/dea/Projections/07ProjHachmanIndex.pdf>

Utah County's Largest Employers

Brigham Young University	18,000
Alpine School District	6,240
Utah Valley State College	3,958
Intermountain Healthcare	3,597
Nebo School District	3,065
<i>Provo School District*</i>	<i>2,100</i>
Novell	1,700
Convergys	1,700
Nestle USA Food Group	1,700
NuSkin Enterprises	1,500

Source: Utah County (<http://www.co.utah.ut.us/dept/uveda/empldir/major.asp>)

*Includes all employees, full and part-time

Housing Growth in Utah County

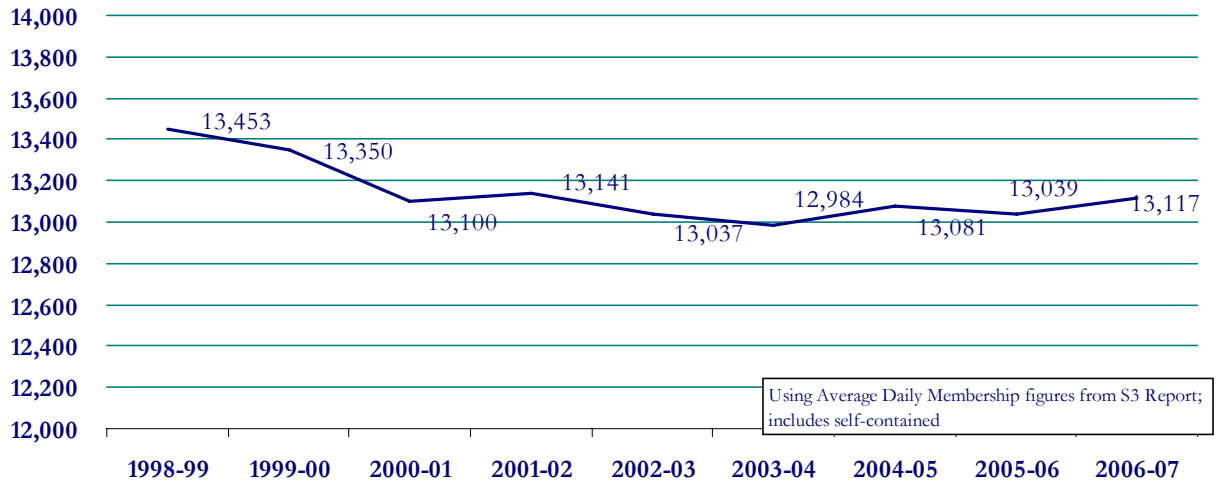
According to a study conducted by the University of Utah's Bureau of Business and Economic Research, 26% of the nearly 25,000 residential housing permits issued in the State of Utah in 2006 were in Utah County. However, most of the heavy growth was in areas north and south of Provo, so the impact and benefit of this growth was dramatically less in Provo than in surrounding districts.

As of the middle of 2007, there was evidence the local housing market was slowing down, as properties values surged and homes became out of reach for some potential homebuyers. However, the housing market in Utah County remains substantially stronger than it is in most of the nation – especially in Provo.

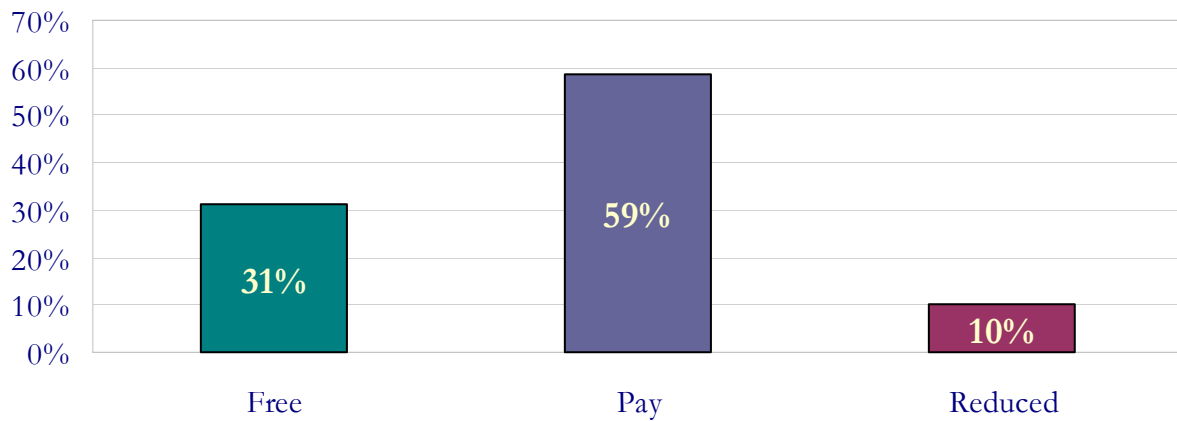


SELECTED PROVO SCHOOL DISTRICT DEMOGRAPHICS AND TRENDS

Provo School District Enrollment

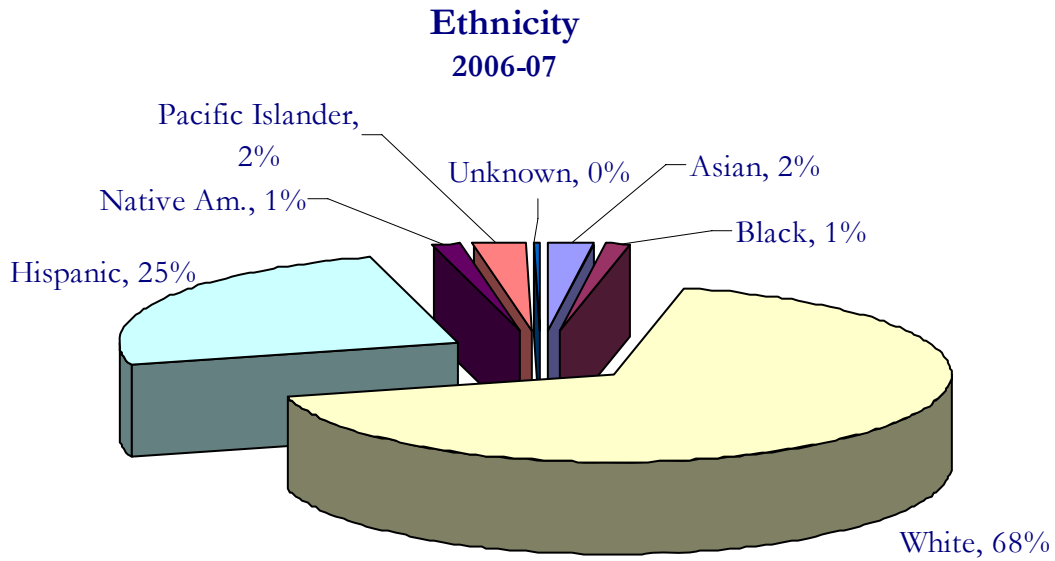


School Lunch Participation 2006-07



SELECTED DISTRICT DEMOGRAPHICS AND TRENDS CONTINUED

It was discussed previously that the District's enrollment has been flat over the last several years, but the enrollment was shifting to the west side of the city. In addition to this trend, enrollment in the District is becoming increasingly diverse. The enrollment growth of Hispanic students is a trend that's worth noting.



Hispanic Students - Percentage of Total Enrollment

