

Duluth Public Schools

Independent School District #709

Duluth, Minnesota

FINANCIAL STATEMENTS

Year Ended June 30, 2010



**DULUTH
PUBLIC
SCHOOLS**

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Independent Auditor's Report

December 10, 2010

To the School Board
Independent School District No. 709
Duluth, Minnesota

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 709, Duluth, Minnesota (District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pages 4 through 10, budgetary comparison information, page 49, and other required supplementary, page 50, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The budgetary comparison information and other required supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to auditing procedures applied in the audit of the financial statements themselves, and other additional audit procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

We have applied certain limited procedures to the management's discussion and analysis, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The combining and individual fund financial statements and other schedules, pages 51 through 77, are presented for the purpose of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements and other schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional audit procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly presented in all material respects in relation to the financial statements taken as a whole.

Eikel & Schilling Ltd.

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

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**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

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**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

ORGANIZATION
JUNE 30, 2010

School Board Directors

		<u>Term Expires</u>
Tim Grover	Chairperson	12/31/2011
Mary Cameron	Vice Chairperson	12/31/2013
Ann Wasson	Clerk of the Board	12/31/2013
Judy Seliga Punyko	Treasurer	12/31/2011
Gary Glass		12/31/2011
Art Johnston		12/31/2013
Tom Kasper		12/31/2013

Ex Officio Members

Superintendent
Keith Dixon, Appointed July, 2005
Deputy Clerk
William Hanson, Appointed July, 2003

**REQUIRED SUPPLEMENTARY
INFORMATION**

INDEPENDENT SCHOOL DISTRICT NO. 709 – DULUTH PUBLIC SCHOOLS
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010

As management of Independent School District No. 709 (District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2010.

FINANCIAL HIGHLIGHTS

- The District continues to meet its fund balance policy goal of 10% of unrestricted expenditures from selected funds.
- The District’s total net assets of governmental activities decreased approximately \$54,000, versus 2009, primarily due to an increase in long-term liabilities (severance liability and long term debt related to our facilities plan).
- General revenues accounted for 85.7 million, or 65% of all fiscal year 2010 revenues. This represents a decrease of \$10.6 million versus the prior year. Program specific revenues of \$46.9 million (charges for services, grants and contributions) accounted for 35% of total fiscal 2010 revenues. This represents an increase of \$8.2 million versus the prior year. This shift is the result of additional federal funding related to the American Recovery and Reinvestment Act (ARRA), the majority of which was offset by reduced amounts of state aid.
- The District spent approximately \$132.8 million on governmental activities. This represents a decrease of \$0.4 million (equal to 0.3%) versus prior year. The decrease results from significant reductions in operating expenses which were offset by expenses related to long-term debt related to the Long Range Facilities Plan (LRFP).
- Among major funds, the General fund had \$100.8 million in revenues, consisting mainly of state aids and local property taxes, and \$103.0 million in expenditures. This deficit of \$2.2 million was \$0.6 million less than the prior year.
- General Fund spending was \$5.8 million less than the revised budget of \$108.8 million. Approximately \$0.9 million of the budget relates to open purchase orders, school budgets and referendum spending that will be carried over to FY 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor’s Report, Required Supplementary Information which includes the Management’s Discussion and Analysis (this section), the Basic Financial Statements, and Supplemental Information. The District’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation, and operation of non-instructional services.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District's budget process. The District adopts an annual expenditure budget for all governmental funds. A budgetary comparison statement has been provided for the General fund as required supplementary information.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the major budgetary comparisons.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$1.6 million as of June 30, 2010. This decrease of \$0.179,000 marks the second decrease in the past seven years.

Duluth Public Schools Statement of Net Assets As of June 30,

	2010	2009	Total Percentage Change 2009- 2010
Current and Other Assets	\$263,454,628	\$209,546,067	25.7%
Capital Assets	<u>115,042,092</u>	<u>57,485,461</u>	100.1%
Total Assets	\$378,496,720	\$267,031,528	41.7%
Long-term Liabilities	\$322,609,643	\$218,282,136	47.8%
Other Liabilities	<u>54,404,613</u>	<u>47,087,554</u>	15.5%
Total Liabilities	\$377,014,256	\$265,369,690	42.1%
Net Assets/(Liabilities)			
Invested in capital assets, net of related debt	\$26,706,459	\$20,118,937	32.7%
Restricted	5,207,467	1,752,187	197.2%
Unrestricted	<u>(30,431,462)</u>	<u>(20,209,286)</u>	50.6%
Total Net Assets	<u>\$1,482,464</u>	<u>\$1,661,838</u>	(10.8)%

District Assets of \$378.5 million include \$198.5 million in restricted cash, (for the facilities plan) \$115.0 million in undepreciated capital assets, \$18.7 million in unrestricted cash, property tax and state aid receivables of \$45.9 million and \$0.4 million in other assets.

District Liabilities of \$376.9 million include \$315.9 million in Long-term Debt (facilities plan), \$6.7 million for the current portion of long-term debt, \$31.5 million due to employees and vendors for expenditures incurred but not paid as of fiscal year-end, \$22.1 million for revenues collected for future fiscal years and \$0.7 million in other liabilities.

**Duluth Public Schools
Change in Net Assets
For the Year ended June 30,**

	<u>2010</u>	<u>2009</u>	Total % Change 2009- <u>2010</u>
Revenues:			
Program Revenues:			
Charges for Services	\$6,749,844	\$5,916,787	14.1%
Operating grants and contributions	40,751,498	32,766,245	24.4%
General Revenues:			
Property taxes	20,543,174	19,734,452	4.1%
State aids	59,561,082	68,618,162	(13.2%)
Other	<u>5,012,919</u>	<u>8,015,387</u>	(37.5%)
Total Revenues	\$132,618,517	\$135,051,033	(1.8%)
 Expenses:			
Administration	\$4,719,546	\$5,087,502	(7.2%)
District support services	2,818,589	3,029,097	(6.9%)
Elementary and secondary regular instruction	53,141,932	52,277,921	(1.7%)
Vocational education instruction	1,761,294	2,321,430	(24.1%)
Special education instruction	23,079,736	22,600,851	2.1%
Instructional support services	3,053,244	3,894,568	(21.6%)
Pupil support services	8,805,231	8,281,791	6.3%
Sites and buildings	9,416,524	12,761,094	(26.2%)
Fiscal and other fixed cost programs	268,668	661,841	(59.4%)
Food service	3,243,560	3,235,153	0.3%
Community service	10,914,513	11,853,355	(7.9%)
Interest and fiscal charges on long-term debt	<u>11,575,054</u>	<u>7,132,929</u>	62.3%
Total expenses	<u>\$132,797,891</u>	<u>\$133,137,532</u>	(0.3)%
 Change in net assets	(179,374)	\$1,913,501	(109.4%)
 Beginning of year net assets (liabilities)	<u>\$1,661,838</u>	<u>\$(251,663)</u>	760.3%
End of year net assets	<u>\$1,482,464</u>	<u>\$1,661,838</u>	(10.8)%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

GENERAL FUND

The General Fund fund balance decreased \$3.9 million as follows:

Unreserved / undesignated fund balance increased by \$0.5 million to \$7.6 million. The District continues to meet the goals established by its policy on fund balance.

Designated fund balances decreased by \$0.5 million, due to a \$1.0 million decrease in student transportation funds, along with a \$0.3 million decrease in both operating capital and school carryover funds. These reductions were partially offset by an increase of \$1.0 million in severance-insurance premium funds (due to a change in the anticipated payout of severance-related expenses) and \$0.1 million in Integration funds.

Reserved fund balances decreased by \$3.9 million due primarily to a decrease in the reserve for severance pay of \$2.0 million. This reserve has been eliminated by the Minnesota Department of Education. Other notable fund balance reductions included the operating capital reserve of \$1.8 million, the staff development reserve of \$0.1 million, and the basic skills reserve of \$0.1 million. These reductions were partially offset by an increase of \$0.1 million in the Learning and Development reserve.

BUDGET REVISIONS

General fund (which includes the District's general, transportation and capital funds) adopted revenue budget of \$98.4 million was revised upward to \$105.7 million as a result of a \$3.5 million increase in Title program budgets, \$2.2 million in Federal stimulus monies, an increase of \$0.3 million in additional revenues and grants for special education, a \$0.5 million increase in technology revenues and refunds and a \$0.8 million increase for grants related to student and curriculum support.

General fund adopted expenditure budget of \$100.0 million was increased by \$8.8 million to \$108.8 million. In addition to the \$7.3 million of items identified in the preceding paragraph, there was \$1.5 million of budget carryover from the prior year.

VARIANCES TO FINAL REVISED BUDGET

General fund revenues were \$4.9 million less than the revised budget (a difference of 4.7%). This represents grant and federal program revenues that will be realized in FY 2011.

General fund spending was \$5.8 million less than the revised budget. In addition to the grant and other program spending that was deferred as noted above, there was \$0.9 million of unspent funds for open purchase orders, school budgets, staff development, and referendum spending will also be carried over into fiscal 2011.

CAPITAL ASSETS

In fiscal 2010, the District acquired \$61.4 million of new capital assets, reflecting the impact of our Long Range Facilities Plan. Large items included ongoing facilities improvements, school bus purchases, and technology equipment. Depreciation of \$1.9 million was taken on existing items. As of June 30, 2010, the district had capital items costing \$145.0 million, which had an undepreciated value of \$115.0 million. Most of the capital investment is in buildings and equipment.

LONG-TERM LIABILITIES

At year-end, the district had \$286.8 million of outstanding bonds payable and certificates of participation. This reflects an increase of \$101.9 million versus the principal amount of \$184.9 million due in 2009. The District's debt rating from Moody's continues at A2. State statute limits the District's debt to 15% of the fair market value of property in the District. This sets the District debt limit at approximately \$961.3 million as of June 30, 2010.

The remainder of long-term liabilities is the \$35.8 million recognized for severance benefits and other post-employment benefits (OPEB). This represents an increase of \$2.4 million versus prior year.

ECONOMIC AND BUDGETARY FACTORS

Factors affecting the District's future financial condition include the following:

Declining enrollment – as the population of school-age children residing in the District declines, District revenues decline, as most of our funding is based on the number of pupils served in the District.

School choice – in addition to population decline, more residents have chosen educational options other than the District. Increases in charter schools, home schooling and private school enrollment has contributed to pupil and corresponding revenue loss.

State Budget – the current economic forecast for the state of Minnesota continues to be more negative than in the recent past. Since K-12 education makes up over 40% of state spending and because State revenues account for over 71% of the District's General revenues, the District will be impacted by decisions made relative to education spending. The District anticipates that state aid payment delays will continue, perpetuating the need for short-term borrowing.

Medical Insurance – premium increases have been reduced through a plan change to a high-deductible statewide insurance plan. The District continues to work with employees to reduce the utilization of prescription drugs and medical services.

Retiree benefits (severance) – this large liability exceeds the amounts currently set aside to pay these benefits upon retirements. This may impact the General fund, as interest earned on any invested funds will accrue to the trust for severance and not be available as General fund revenue.

DISTRICT FINANCIAL CONTACT

This financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives and utilizes. Should you have questions about this report, or need additional information, please contact:

Bill Hanson, CFO/Executive Director of Business Services, ISD #709
215 N. 1st Avenue East, Duluth, MN 55802
or call 218-336-8704

BASIC FINANCIAL STATEMENTS

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

Exhibit 1

**Statement of Net Assets
June 30, 2010**

	Governmental Activities
Assets	
Cash and temporary investments	\$ 18,669,688
Receivables	
Taxes	16,470,895
Accounts and interest receivable	5,356,873
Due from other governmental units	24,090,818
Inventory	259,572
Prepayments	107,415
Restricted assets	
Cash and investments for capital projects	198,499,367
Capital assets, net of depreciation	
Capital assets not being depreciated	72,183,264
Capital assets being depreciated	42,858,828
Total assets	\$ 378,496,720
Liabilities	
Salaries payable	\$ 14,381,610
Accounts and contracts payable	10,961,168
Accrued interest payable	5,627,331
Due to other funds	120,860
Due to other governmental units	53,958
Compensated absences	333,684
Unearned revenue	444,798
Taxes levied for subsequent years' expenditures	21,647,141
Unamortized premium and discount, net	834,063
Long term liabilities	
Due within one year	6,675,449
Due in more than one year	315,934,194
Total liabilities	\$ 377,014,256
Net Assets	
Invested in capital assets, net of related debt	\$ 26,706,459
Restricted for:	
Debt service payments	5,207,467
Unrestricted	(30,431,462)
Total Assets	\$ 1,482,464
Total liabilities and net assets	\$ 378,496,720

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Statement of Activities
For the Year Ended June 30, 2010

Functions/Programs	Expenses
Government Activities	
Administration	\$ 4,719,546
District Support Services	2,818,589
Regular Instruction	53,141,932
Vocational Education Instruction	1,761,294
Special Education Instruction	23,079,736
Instructional Support Services	3,053,244
Pupil Support Services	8,805,231
Sites and Buildings	9,416,524
Fiscal and Other Fixed Cost Programs	268,668
Food Service	3,243,560
Community Service	10,914,513
Interest and Fiscal Charges on Long Term Debt	11,575,054
Total Governmental Activities	<u>\$ 132,797,891</u>

Exhibit 2

Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
\$	\$ 131,181	\$	\$ (4,588,365)
			(2,818,589)
2,926,688	10,673,483		(39,541,761)
33,517	433,914		(1,293,863)
396,266	14,367,841		(8,315,629)
55,053	1,870,948		(1,127,243)
76,759	1,471,535		(7,256,937)
587,733	168,064		(8,660,727)
			(268,668)
1,099,483	2,247,614		103,537
1,574,345	8,428,714		(911,454)
	958,204		(10,616,850)
<u>\$ 6,749,844</u>	<u>\$ 40,751,498</u>	<u>\$</u>	<u>\$ (85,296,549)</u>
General Revenues			
Taxes			
Property Taxes, levied for General Purposes			\$ 9,546,571
Property Taxes, levied for Community Service			854,752
Property Taxes, levied for Debt Service			10,141,851
State aid-formula grants			59,561,082
Other general revenues			170,680
Investments Earnings			4,842,239
Total General Revenues			<u>\$ 85,117,175</u>
Change in net assets			\$ (179,374)
Net liabilities - beginning			<u>1,661,838</u>
Net assets - ending			<u>\$ 1,482,464</u>

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**Balance Sheet
GOVERNMENTAL FUNDS
June 30, 2010**

	General	Capital Projects
<u>Assets</u>		
Cash and investments	\$ 7,969,156	\$ 198,499,367
Taxes and credits receivable	8,198,744	
Accounts and interest receivable	62,668	5,290,225
Due from		
Other funds	17,799	
Other Minnesota school districts	776,135	
Department of Education	18,830,591	45,378
Federal through Department of Education	2,042,107	
Federal - direct	9,588	
Other governmental units	69,705	
Inventory	170,525	
Prepayments	97,556	
	\$ 38,244,574	\$ 203,834,970
Total Assets	\$ 38,244,574	\$ 203,834,970

Exhibit 3

Debt Service	Other Funds	Total Government Funds
\$ 9,776,145	\$ 924,387	\$ 217,169,055
7,621,966	650,185	16,470,895
	3,980	5,356,873
		17,799
		776,135
731,224	666,498	20,273,691
	81,221	2,123,328
	834,347	843,935
	4,024	73,729
	89,047	259,572
	9,859	107,415
<u>\$ 18,129,335</u>	<u>\$ 3,263,548</u>	<u>\$ 263,472,427</u>

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Balance Sheet
GOVERNMENTAL FUNDS
June 30, 2010

	General	Capital Projects
<u>Liabilities</u>		
Salaries payable	\$ 13,688,671	\$ 2,355
Accounts payable	594,283	1,268,419
Due to		
Other funds	69,412	
Other Minnesota school districts	53,164	
Other governmental units	794	
Claims payable	134,385	
Construction contracts		8,563,844
Deferred revenue	888,974	
Taxes levied for subsequent years' expenditures	8,097,543	
Total Liabilities	\$ 23,527,226	\$ 9,834,618

Exhibit 3
(Continued)

<u>Debt Service</u>	<u>Other Funds</u>	<u>Total Government Funds</u>
\$	\$ 690,584	\$ 14,381,610
	400,237	2,262,939
	69,247	138,659
		53,164
		794
		134,385
		8,563,844
417,061	104,917	1,410,952
<u>12,504,807</u>	<u>1,044,791</u>	<u>21,647,141</u>
\$ 12,921,868	\$ 2,309,776	\$ 48,593,488

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**Balance Sheet
GOVERNMENTAL FUNDS
June 30, 2010**

	General	Capital Projects
Fund Balance		
Reserved for		
Basic skills programs	\$ 88,891	\$
Encumbrances		144,233,248
Inventory	170,525	
Learning development	167,247	
School readiness		
Operating capital	368,728	
Prepayments	97,556	
Staff development	369,616	
Community education		
Adult basic education		
Early childhood family education		
Alternative facility program		1,246,907
Projects funded by Certificates of Participation		48,520,197
Designated for		
Desegregation	101,200	
Operating capital	300,000	
School carryover	730,425	
Severance-insurance premiums	3,498,679	
Student activities	1,195,108	
Unreserved-undesignated		
General	7,629,373	
Debt service		
Food service		
Community services		
Total Fund Balance	\$ 14,717,348	\$ 194,000,352
Total Liabilities and Fund Balance	\$ 38,244,574	\$ 203,834,970

**Exhibit 3
(Continued)**

Debt Service	Other Funds	Total Governmental Funds
\$	\$	\$ 88,891
		144,233,248
	89,047	259,572
		167,247
	14,129	14,129
		368,728
	9,859	107,415
		369,616
	834	834
	62,821	62,821
	188,014	188,014
		1,246,907
		48,520,197
		101,200
		300,000
		730,425
		3,498,679
		1,195,108
		7,629,373
5,207,467		5,207,467
	509,488	509,488
	79,580	79,580
<u>\$ 5,207,467</u>	<u>\$ 953,772</u>	<u>\$ 214,878,939</u>
<u>\$ 18,129,335</u>	<u>\$ 3,263,548</u>	<u>\$ 263,472,427</u>

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Exhibit 4

Reconciliation of the Balance Sheet to the
Statement of Net Assets
Governmental Funds
June 30, 2010

Total fund balances - governmental funds	\$ 214,878,939
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	145,009,014
Less: accumulated depreciation	(29,966,922)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Bond principal payable	(70,060,000)
Certificates of participation	(216,775,000)
Long-term liabilities, including severance payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(33,534,322)
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(333,684)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	966,154
Governmental funds do not report a liability for accrued interest until due and payable.	(5,627,331)
Long-term liabilities, including other post-employment benefits obligations, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(2,240,321)
Governmental funds report debt issuance premiums and discounts as an other financing source or use at the time of issuance. Premiums and discounts are reported as an unamortized asset or liability in the District-wide financial statements.	<u>(834,063)</u>
Total net assets - governmental activities	<u>\$ 1,482,464</u>

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**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
GOVERNMENTAL FUNDS
Year Ended June 30, 2010**

	General	Capital Projects
Revenues		
Local property tax levies	\$ 9,250,856	\$ 168,936
Interest income	378,379	4,286,487
Other local and county	4,343,715	1,349
State sources	71,016,588	168,064
Federal sources	15,255,123	
Sales and other conversions of assets	552,687	
Total Revenues	\$ 100,797,348	\$ 4,624,836
Expenditures		
Administration	\$ 4,707,024	\$
District support services	2,136,921	
Regular instruction	50,697,154	
Vocational instruction	1,757,434	
Special education instruction	23,059,541	
Community education and services		
Instructional support services	3,025,477	
Pupil support services	8,425,865	
Sites, buildings and equipment	8,162,965	954,003
Fiscal and other fixed cost programs	268,668	
Debt service		
Principal		
Interest and fiscal charges		
Capital outlay	755,626	58,365,764
Total Expenditures	\$ 102,996,675	\$ 59,319,767
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,199,327)	\$ (54,694,931)
Other Financing Sources (Uses)		
Proceeds from bonds and loans, net	\$ 581,159	\$ 103,781,817
Transfer In	37,338	
Transfer Out	(2,283,687)	(37,338)
Total Other Financing Sources (Uses)	\$ (1,665,190)	\$ 103,744,479
Net change in fund balance	\$ (3,864,517)	\$ 49,049,548
Fund Balance		
Beginning of Year	18,581,865	144,950,804
End of Year	\$ 14,717,348	\$ 194,000,352

Exhibit 5

Debt Service	Other Funds	Total Governmental Funds
\$ 9,988,122	\$ 849,114	\$ 20,257,028
177,373		4,842,239
	1,588,420	5,933,484
2,708,341	2,244,098	76,137,091
349,204	8,432,530	24,036,857
	1,085,108	1,637,795
<u>\$ 13,223,040</u>	<u>\$ 14,199,270</u>	<u>\$ 132,844,494</u>
\$	\$	\$ 4,707,024
		2,136,921
		50,697,154
		1,757,434
		23,059,541
	10,828,353	10,828,353
		3,025,477
	3,151,885	11,577,750
		9,116,968
		268,668
16,045,000		16,045,000
9,106,347		9,106,347
	146,378	59,267,768
<u>\$ 25,151,347</u>	<u>\$ 14,126,616</u>	<u>\$ 201,594,405</u>
<u>\$ (11,928,307)</u>	<u>\$ 72,654</u>	<u>\$ (68,749,911)</u>
\$ 13,099,900	\$	\$ 117,462,876
2,283,687		2,321,025
		(2,321,025)
<u>\$ 15,383,587</u>	<u>\$</u>	<u>\$ 117,462,876</u>
\$ 3,455,280	\$ 72,654	\$ 48,712,965
1,752,187	881,118	166,165,974
<u>\$ 5,207,467</u>	<u>\$ 953,772</u>	<u>\$ 214,878,939</u>

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Exhibit 6

Reconciliation of the Statement of
Revenues, Expenditures, and Changes in Fund Balance
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2010

Total net changes in fund balances - governmental funds	\$ 48,712,965
Amounts reported for governmental activities in the statement of activities are different because:	
<p>Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>	
Capital outlays	61,368,358
Disposal of capital assets	(1,899,133)
Depreciation expense	(1,912,594)
<p>The amount of bond proceeds used to finance the acquisition of capital assets is reported in the governmental funds as source of financing. Bond proceeds are not revenues in the statement of activities, but rather constitute long-term liabilities</p>	
	(117,975,000)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>	
	16,045,000
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues regardless of when it is due.</p>	
	(2,367,622)
<p>Net amortization of premiums and discounts.</p>	
	(101,085)
<p>Payment of severance and post-employment benefits is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>	
	(2,397,507)
<p>Payment of compensated absences is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>	
	61,097
<p>Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditure and therefore are deferred in the funds.</p>	
	<u>286,147</u>
Change in net assets - governmental activities	<u>\$ (179,374)</u>

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Exhibit 7

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Federal Employee Benefit Trust	Private- Purpose Funds	Agency Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ 1,514,401	\$ 161,123	\$ 1,722
Due from other funds	138,659		
Total Assets	<u>\$ 1,653,060</u>	<u>\$ 161,123</u>	<u>\$ 1,722</u>
Liabilities			
Accounts payable	\$	\$	\$
Due to other funds		17,799	
Deferred revenue			1,722
Total Liabilities	<u>\$ -</u>	<u>\$ 17,799</u>	<u>\$ 1,722</u>
Net Assets			
Reserved for endowment	\$	\$ 125,896	\$
Reserved for clock tower		17,428	
Reserved for retirees	1,653,060		
Unreserved - undesignated			
Total Net Assets	<u>\$ 1,653,060</u>	<u>\$ 143,324</u>	<u>\$</u>
Total Liabilities and Net Assets	<u>\$ 1,653,060</u>	<u>\$ 161,123</u>	<u>\$ 1,722</u>

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Exhibit 8

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2010

	<u>Federal Employee Benefit Trust</u>	<u>Private- Purpose Funds</u>	
Additions			
Miscellaneous	\$ 138,659	\$ 5,000	
Investment earnings	12,412	2,842	
Interest			
	<u>151,071</u>	<u>7,842</u>	
Total Additions	\$ 151,071	\$ 7,842	
Deductions			
Benefits	\$ 200,000	\$	
Pupil support services		10,000	
	<u>200,000</u>	<u>10,000</u>	
Total Deductions	\$ 200,000	\$ 10,000	
Changes in Net Assets	\$ (48,929)	\$ (2,158)	
Net Assets - Beginning	<u>1,701,989</u>	<u>145,482</u>	
Net Assets - Ending	<u>\$ 1,653,060</u>	<u>\$ 143,324</u>	

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

1. Summary of Significant Accounting Policies

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Financial Reporting Entity

The District is an instrumentality of the State of Minnesota established to function as an educational institution. The Board of Education consists of elected officials and is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board of Education and is responsible for administrative control of the District.

The District's financial statements include all funds, departments, agencies, boards, commissions, and other component units for which the District is considered to be financially accountable.

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the District.

The financial transactions of student activities are included in the financial statements. Student activities are established by various student organizations (which have District employees as advisors). Amounts are usually generated and spent at the discretion of the student organizations and faculty advisors. The School Board has chosen to directly control the activities.

Basic Financial Statement Presentation

The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District except for the fiduciary funds. The Fiduciary Funds are only reported in the Statements of Fiduciary Net Assets at the fund financial statement level.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational; or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

1. Summary of Significant Accounting Policies (Continued)

The District applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net assets are available. Depreciation expense can be specifically identified by function and is included in the direct expenses of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. The effect of interfund activity has been removed from the district-wide financial statements.

Separate fund financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregate information for the remaining non-major governmental funds is reported in a single column in the fund financial statements.

The fiduciary funds are presented in the fiduciary fund financial statements by type (pension and agency). Since, by definition, these assets are being held for the benefit of a third party (private parties, severance obligations, etc.) and cannot be used to address activities or obligations of the District, these funds are not incorporated into the district-wide statements.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory "tax shift". Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

1. Revenue Recognition – Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within one year.
2. Recording of Expenditures – Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The District has established funds to account for and segregate the financial consequences of its various activities. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and expenditures or expenses. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and by how such activities are controlled. Descriptions of the funds included in this report are as follows:

Major Governmental Funds

The General Fund of the District accounts for administration, kindergarten through 12th grade instruction, transporting students to and from school, purchases of land, buildings, improvements, equipment, and textbooks, major repairs, activities and other costs to the District and related revenues.

The Capital Projects Fund accounts for construction of facility additions financed by levy or bonds.

The Debt Redemption Debt Service Fund accounts for the retirement of bonds issued for kindergarten through 12th grade projects and payments of related interest. The assets of this fund are legally restricted to the aforementioned purpose.

Non-major Governmental Funds

The Food Service Fund accounts for meals provided to students.

The Community Services Fund accounts for instruction of persons not in kindergarten through 12th grades.

Fiduciary Funds

The Private Purpose Funds account for principal and unexpended earnings of the Miller Memorial Playground endowment and the Clock Tower endowment.

Federal Employee Benefit Trust accounts for employees' severance for federally funded programs.

The Agency Funds account for assets held for employees and other agencies.

Budget Policies and Basis

The School Board is responsible for the budget and for the District's financial performance against the budget. District employees prepare a proposed budget on the modified accrual basis of accounting. The budget is amended and approved by the Board before the beginning of the fiscal year as required by Minn. Stat. § 123.B.77, subd. 4. The Board reviews the District's financial progress against the budget regularly throughout the year.

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

1. Summary of Significant Accounting Policies (Continued)

Budget and Budgetary Accounting

Formal budgetary accounting is employed as a management control for all funds of the District. For each fund for which a formal budget is adopted the same basis of accounting is used to reflect actual revenues and expenditures recognized on the basis of accounting principles generally accepted in the United States of America.

Reported budget amounts represent the originally adopted budget as amended. Expenditures in excess of the budget require approval of the School Board. Employees report significant deviations from budget line amounts to the Board as they are recognized throughout the year. The annual budget is not legally binding on the District unless the District has a total deficit in its K-12 general and operating funds that exceed 2.5 percent of expenditures. The budget is adopted through passage of a resolution. The School Board must approve revisions that alter total expenditures of any fund without offsetting revenues.

Cash and Investments

Cash and investments of the individual funds are combined to form a pool, except for the fiduciary funds, and are invested, to the extent available, in securities as authorized by state law. Investment income is reported in the General, Capital, and Fiduciary Funds. Funds with negative cash balances are not charged interest. Certificates of deposits and securities of the U.S. government and its agencies are recorded at fair value, based on quoted market price. External investment pools and money market funds are recorded at fair value, based on the fair value of the position in the pool.

Receivables

Amounts due from individuals and organizations are recorded as receivables at year-end. Receivables are shown net of an allowance for uncollectible accounts. At June 30, 2010, the allowance for uncollectible accounts was \$45,862. The only receivables not expected to be collected within one year are current and delinquent property taxes receivable.

Inventory

General Fund inventory includes instructional and other materials held in the central storeroom. Inventory in the Food Service Fund consists of food and supplies. The General Fund central storeroom inventory is priced using the weighted average method. All inventories are accounted for using the consumption method. Under the consumption method, expenditures are recognized when inventory is used rather than when purchased. Food and supplies are valued at cost on a first-in, first-out basis.

Prepayments

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are reported using the consumption method and recorded as an expenditure at the time of consumption.

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

1. Summary of Significant Accounting Policies (Continued)

Restricted Assets

Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as a bond indenture. Restricted assets are reported only in the district-wide financial statements.

Capital Assets

Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$5,000 or more for capitalizing capital assets. Capital assets are recorded in the district-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives, ranging from five to fifty years.

Capital assets not being depreciated include land and construction in progress.

The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

Compensated Absences

The District records a liability for earned but unpaid vacation. Unpaid sick leave does not vest and therefore is not accrued. Sick pay is recognized when paid and unused balances are used in severance calculations.

Long-term Liabilities

In the district-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. That portion of the fund balance not reserved is reported as unreserved fund balance and is available for budgeting in future periods. Fund balance designations represent that portion of fund balance the District has set aside for planned future expenditures.

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

1. Summary of Significant Accounting Policies (Continued)

Variance from State Reporting Requirements

Inventory – The Minnesota Department of Education has not defined a reserve for inventory account in its Uniform Financial Accounting and Reporting Standards (UFARS). However, the District has reported a reserve for inventory of \$259,572 on the combined balance sheet in accordance with accounting principles generally accepted in the United States of America.

Prepayments – The Minnesota Department of Education has not defined a reserve for prepayments account in its UFARS. However, the District has reported a reserve for prepayments of \$107,415 on the combined balance sheet in accordance with accounting principles generally accepted in the United States of America.

Net Assets

Net assets represent the difference between assets and liabilities in the district-wide financial statements. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net assets are reported as restricted in the district-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws and regulations of other governments.

Property Taxes

The property tax calendar in Minnesota follows the calendar year. Taxes are levied in December of the year prior to collections and become a lien on January 1 based on the School Board's certification and property values as of the previous January 1. Taxes are due May 15 and October 15 to the county as agent for the District. The county remits taxes to the District in June, November, and January.

2. Cash and Investments

Deposits

Minn. Stat. § 118A.04 authorizes the District to deposit its cash and to invest in financial institutions designated by the District's Board. Minnesota Statutes require that all District deposits be covered by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes: treasury bills, notes and bonds; issues of U.S. Government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

2. Cash and Investments (Continued)

Investments

Minn. Stat. § 118A.04 and 118A.05 generally authorizes the following types of investments as available to the District:

- (1) Securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by subd. 6;
- (2) Shares of a Minnesota joint powers investment trust or shares of an investment company that is registered under the Federal Investment Company Act of 1940 pursuant to the restrictions of Minn. Stat § 118A.05 subd. 4;
- (3) General obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota or other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) Time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers' acceptances of United States banks;
- (5) Commercial paper issued by United States corporations, or their Canadian subsidiaries, that is of the highest quality and matures in 270 days or less;
- (6) Guaranteed investment contracts (gic's) issued or guaranteed by United States commercial banks, or domestic branches of foreign banks, or United States insurance companies, if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories;
- (7) Repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers; and
- (8) Securities lending agents under the provisions of Minn. Stat. § 118A.05 subd.3.

The Minnesota School District Liquid Asset Fund (MSDLAF) and the Mn Trust are external investment pools not registered with the Securities and Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position on the pool is the same as the value of the pool shares.

Interest Rate Risk – Interest rate risk is the risk that changes in the market interest rates that will adversely affect the fair value of an investment. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The District has the following investments at June 30, 2010

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 Yr</u>	<u>1-3 Years</u>	<u>Over 3 Years</u>
Government Agencies	\$ 26,625,988	\$ 10,699,579	\$ 14,466,616	\$ 1,459,793
External Investment Pool	21,666,088	21,666,088		
Money Market Funds	4,259,032	4,259,032		
Negotiable CD's	164,316,757	114,792,849	49,011,101	512,807
Total Investments	<u>\$ 216,867,865</u>	<u>\$ 151,417,548</u>	<u>\$ 63,477,717</u>	<u>\$ 1,972,600</u>

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

2. Cash and Investments (Continued)

Credit Risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the District's policy to invest only in securities that meet the ratings requirements set by state statute.

The District's exposure to credit risk as of June 30, 2010 is as follows:

<u>S&P or Moody's Rating</u>	<u>Fair Value</u>
AAA	\$ 26,625,988
AAAm	5,318,419
Aaa	20,511,264
Not rated	164,412,194
Total	<u>\$ 216,867,865</u>

Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. At June 30, 2010, none of the District's investments were subject to custodial credit risk.

Concentration of Credit Risk – The concentration of credit risk is the risk of loss that may be caused by the District's investment in a single issuer. The District places no limit on the amount the District may invest in any one issuer. Investments in any one issuer (excluding mutual funds and internal investment pools) that represents five percent or more of the District's investments are as follows:

<u>Issuer</u>	<u>Amount</u>
Federal Home Loan Bank	\$ 13,321,892
US Bank	17,572,500
Key Bank	68,837,636
Citibank	61,908,700

The District's total cash and investments as of June 30, 2010 are as follows:

Petty Cash	\$ 4,425
Deposits	1,974,011
Investments	<u>216,867,865</u>
	<u>\$ 218,846,301</u>

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

2. Cash and Investments (Continued)

The District's total cash and investments as of June 30, 2010 are presented in the basic financial statements as follows:

Statement of Net Assets	
Cash and temporary investments	\$ 18,669,688
Restricted Assets:	
Cash and investments for capital projects	198,499,367
Statement of Fiduciary Net Assets	
Cash and Cash Equivalents	
Federal Employee Benefit Trust	1,514,401
Private Purpose Funds	161,123
Agency Funds	<u>1,722</u>
 Total Cash and Investments	 <u><u>\$ 218,846,301</u></u>

3. Taxes and Credits Receivable

Current taxes and credits receivable represent the uncollected balance of the 2009 levy, collectible in 2010, including related state property tax relief aid. Delinquent taxes receivable represent taxes due from levies of the prior six years. At June 30, 2010, property taxes and credits receivable consisted of:

<u>Fund</u>	<u>Current</u>	<u>Delinquent</u>	<u>Total</u>
General	\$ 7,697,931	\$ 500,813	\$ 8,198,744
Community Services Fund	601,905	48,280	650,185
Debt Redemption Debt Service	<u>7,204,906</u>	<u>417,060</u>	<u>7,621,966</u>
Total	<u><u>\$ 15,504,742</u></u>	<u><u>\$ 966,153</u></u>	<u><u>\$ 16,470,895</u></u>

4. Inventory

Inventory at June 30, 2010, consisted of:

General Fund - Supplies	\$ 170,525
Food Service Fund - food	89,047
Total	<u><u>\$ 259,572</u></u>

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

5. Capital Assets

A summary of the changes in capital assets is as follows:

	Balance June 30, 2009	Additions	Disposals	Balance June 30, 2010
Capital assets, not being depreciated				
Land	\$ 1,387,557	\$		\$ 1,387,557
Constr. work in proc.	25,215,017	57,986,618	(12,405,928)	70,795,707
Total capital assets, not being depreciated	<u>\$ 26,602,574</u>	<u>\$ 57,986,618</u>	<u>\$ (12,405,928)</u>	<u>\$ 72,183,264</u>
Capital assets, being depreciated				
Land improvements	\$ 6,007,994	\$	\$ (2,694,410)	\$ 3,313,584
Buildings	47,306,956	15,180,865	(689,207)	61,798,614
Furniture & Equipment	7,329,266	606,803	(222,517)	7,713,552
Total capital assets, being depreciated	<u>\$ 60,644,216</u>	<u>\$ 15,787,668</u>	<u>\$ (3,606,134)</u>	<u>\$ 72,825,750</u>
Less: Accumulated Depreciation	<u>(29,761,329)</u>	<u>(1,912,594)</u>	<u>1,707,001</u>	<u>(29,966,922)</u>
Capital assets, being depreciated, net	<u>\$ 30,882,887</u>	<u>\$ 13,875,074</u>	<u>\$ (1,899,133)</u>	<u>\$ 42,858,828</u>
Total capital assets, net of depreciation	<u><u>\$ 57,485,461</u></u>	<u><u>\$ 71,861,692</u></u>	<u><u>\$ (14,305,061)</u></u>	<u><u>\$ 115,042,092</u></u>

Depreciation expense was charged to governmental functions as follows:

Administration	\$ 10,591
District Support Service	253,328
Elem/Sec Regular Instruction	21,845
Vocational Education Instruction	3,860
Special Education Instruction	4,435
Community Education and Service	31,457
Instructional Support Services	2,512
Pupil Support Services	214,339
Sites and Buildings	1,370,227
Total	<u><u>\$ 1,912,594</u></u>

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

6. Lease Obligations

Operating Leases

The District is committed under various operating leases for building space, parking facilities, and equipment. Rent expense for the year ended June 30, 2010, was \$478,984.

Future minimum lease payments under operating leases, which are not reflected in these financial statements, consist of the following at June 30, 2010:

Year Ending June 30		
2011	\$	241,704
2012		76,797
2013		8,400
2014		1,400
Total	\$	328,301

7. Long-Term Liabilities

Certificates of Participation

\$111,440,000 Full Term Refunding Certificates of Participation, Series 2008B due in annual installments of \$2,440,000 to \$10,385,000 plus 3.50 to 5.00 percent interest from February 1, 2009 through February 1, 2028. \$ 107,585,000

\$71,170,000 Taxable Full Term Certificates of Participation, Series 2009A (Build America Bonds - Direct Pay) due in annual installments of \$2,675,000 to \$6,265,000 plus 2.250 to 5.600 percent interest from February 1, 2010 through February 1, 2028. 71,170,000

\$35,400,000 Certificates of Participation, Series 2009B due in annual installments of \$1,300,000 to \$2,770,000 plus 4.0 to 5.0 percent interest from March 1, 2012 through March 1, 2030. 35,400,000

\$2,620,000 Full Term Refunding Certificates of Participation, Series 2010B due in annual installments of \$500,000 to \$550,000 plus 1.50 to 2.30 percent interest from September 1, 2010 through March 1, 2015. 2,620,000

Total \$ 216,775,000

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

7. Long-Term Liabilities – (Continued)

The annual requirements to amortize the principal and interest are:

Year Ended June 30	Total	Principal	Interest
2011	\$ 12,537,973	\$ 2,375,000	\$ 10,162,973
2012	17,137,866	7,675,000	9,462,866
2013	17,331,379	8,100,000	9,231,379
2014	17,548,554	8,575,000	8,973,554
2015	17,747,176	9,075,000	8,672,176
2016-2028	250,712,858	180,975,000	69,737,858
Total	<u>\$ 333,015,806</u>	<u>\$ 216,775,000</u>	<u>\$ 116,240,806</u>

Bonds Payable

<p>\$2,180,000 General Obligation School Building Refunding Bonds (Series 2003) due in annual installments of \$250,000 to \$360,000 plus 1.15 to 3.20 percent interest from August 1, 2004 through February 1, 2011.</p>	\$ 250,000
<p>\$4,180,000 General Obligation Refunding Bonds (Series 2007) due in annual installments of \$620,000 to \$770,000 plus 3.300 to 3.625 percent interest from August 1, 2008 through February 1, 2014.</p>	2,900,000
<p>\$59,235,000 General Obligation Alternative Facilities Bonds (Series 2008A) due in annual installments of \$590,000 to \$5,200,000 plus 3.500 to 4.625 percent interest from February 1, 2009 through February 1, 2028</p>	58,125,000
<p>\$8,785,000 General Obligation School Building Refunding Bonds (Series 2010A) due in annual installments of \$1,635,000 to \$550,000 plus 2.00 to 3.00 percent interest from August 1, 2010 through February 1, 2016.</p>	<u>8,785,000</u>
Total	<u>\$ 70,060,000</u>

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

7. Long-Term Liabilities – (Continued)

The annual requirements to amortize GO bonds and interest are:

Year Ended June 30	Total	Principal	Interest
2011	\$ 5,799,180	\$ 3,100,000	\$ 2,699,180
2012	5,871,958	3,240,000	2,631,958
2013	5,892,828	3,345,000	2,547,828
2014	5,880,463	3,420,000	2,460,463
2015	5,750,700	3,380,000	2,370,700
2016-2028	71,132,873	53,575,000	17,557,873
Total	\$ 100,328,002	\$ 70,060,000	\$ 30,268,002

Refundings

The District issued \$8,785,000 of general obligation school building refunding bonds Series 2010A for a current refunding of \$8,785,000 of general obligation school building refunding bonds Series 2001B. The current refunding was undertaken to reduce total debt services payments over the next six years by \$612,665 and resulted in an economic gain of \$598,167.

The District issued Full Term Refunding Certificates of Participation, Series 2010B for a current refunding of \$2,620,000 of Refunding Certificates of Participation Series 2001. The current refunding was undertaken to reduce total debt services payments over the next five years by \$134,746 and resulted in an economic gain of \$124,811.

Changes in long-term debt for the year ended June 30, 2010, are:

	Balance June 30, 2009	Increase	Payments/ Adjustments	Balance June 30, 2010
Certificates of participation	\$ 111,995,000	\$ 109,190,000	\$ 4,410,000	\$ 216,775,000
Bonds payable	72,910,000	8,785,000	11,635,000	70,060,000
OPEB	1,561,437	1,637,206	958,322	2,240,321
Severance obligation	31,815,699	2,758,802	1,040,179	33,534,322
Total	\$ 218,282,136	\$ 122,371,008	\$ 18,043,501	\$ 322,609,643

Certificates of Participation and bonds are paid from the General and Debt Service Funds. OPEB and severance obligations are paid from the General, Food Service, Community Service, or the Federal Employee Benefit Trust funds

The following is a summary of the current (due in one year or less) and the long-term portion (due in more than one year) of long-term debt as of June 30, 2010.

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

7. Long-Term Liabilities – (Continued)

	Current Portion	Long-term Portion	Total
Certificates of participation	\$ 2,375,000	\$ 214,400,000	\$ 216,775,000
Bonds payable	3,100,000	66,960,000	70,060,000
OPEB		2,240,321	2,240,321
Severance obligation	1,200,449	32,333,873	33,534,322
Total	\$ 6,675,449	\$ 315,934,194	\$ 322,609,643

Legal Debt Margin

The District's legal debt limit is 15% of the fair market value of the property within the District. The District's legal debt margin at June 30, 2010 is approximately \$961,261,365

8. Short -Term Liabilities

Letter of Credit

The District entered into a short term line of credit agreement with Associated Bank, Green Bay, WI for the period June 7, 2010 through July 22, 2010 in the amount not to exceed \$9,234,609 at an interest rate not to exceed 2.96% per annum. The District did not borrow against this line of credit.

9. Compensated Absences

Vacation and sick leave are earned based on various bargaining unit contracts and length of service as follows:

	<u>Vacation</u>	<u>Sick Leave</u>
Teachers	None	10 days per year
Administrative	10 - 25 days per year	10 - 13 days per year
Maintenance	2 - 5 weeks per year	18 days per year
Non-certified	0 - 6 weeks per year	13 - 18 days per year

At June 30, 2010, \$333,684 has been included in the district-wide financial statements.

10. Severance Obligations

Upon retirement, most District employees are entitled to a severance amount based on accumulated unused sick leave, age, years of service and wage rate at date of retirement, as established by contracts with bargaining units or other employment contracts. These contracts establish the terms and amounts each retiree is eligible to receive, and establish when these severance benefits vest, all of which may differ between each bargaining unit and employee group. For some bargaining units, the District remits either a lump sum or one third of the calculated severance benefit to the

Minnesota State Retirement System Health Care Savings Plan (HCSP) upon retirement of the employee. The remaining two thirds of the calculated amount due the employee

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

10. **Severance Obligations (Continued)**

is paid over a two year period. These funds will be disbursed in accordance with the HCSP account agreement, which is a separate agreement between the HCSP and the retiree. For the remaining employees, the District pays a portion of the severance

benefit to the state HCSP and retains a portion for the employees to use to pay future health insurance premiums. As required by UFARS, the balance of the reserve represents the District's estimate of severance payments to be made in the 2010-2011 school year. Severance is recorded as an expenditure when paid. The retained severance obligation for this benefit is for future health insurance benefits and amounts due to the state HCSP. As allowed by UFARS, the District has designated \$3,498,679 which represents one-half of the total severance obligations for post employment health care benefits plus the remaining two thirds due HCSP.

During 2010, 47 retirees received a total benefit of \$1,040,179. The District funds these expenditures as paid except for the severance for employees of federal programs, which is funded through the Federal Employee Benefit Trust.

Retained severance benefit obligations for retirees	\$ 4,474,628
Retained severance benefit obligations for qualified employees	30,574,096
Total termination benefits payable	\$ 35,048,724
Amount deposited in Federal Employee Benefit Trust Fund	(1,514,402)
 Total	 \$ 33,534,322

11. **Interfund Transactions**

Individual fund receivable and payable balances at June 30, 2010:

	Receivable	Payable
General Fund	\$ 17,799	\$ 69,412
Community Service		69,247
Fiduciary Funds		
Federal Employee Benefit Trust	138,659	
Private Purpose		17,799
Total Funds	\$ 156,458	\$ 156,458

These amounts represent federal severance calculation and interest due.

Individual fund transfers during the year ended June 30,2010 were as follows:

	Transfer In	Transfer Out
General fund	\$ 37,338	\$ 2,283,687
Debt redemption fund	2,283,687	
Capital Projects fund		37,338
Total Funds	\$ 2,321,025	\$ 2,321,025

The amounts transferred were in accordance with the District's long range facilities plan.

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

12. Post-Employment Healthcare Plan

The cost of post-employment benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45, the District recognizes the costs of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the District's future cash flows. The plan does not issue a standalone financial report, but is included in this report of the District.

Plan Description – Duluth Public Schools administers a single-employer defined benefit OPEB plan which allows retired employees to remain on the District's plan after severing from the District (implicit rate subsidy) at the retirees expense. The District has no contractual liability to contribute financially toward the retiree's premium.

Funding – Employer contribution requirements are established and may be amended as set forth in the applicable employment and bargaining unit agreements. The plan is financed on a pay-as-you-go basis. As of July 1, 2009 the date of the latest actuarial valuation, approximately 1,089 retirees and their dependents were receiving postemployment health insurance benefits and an estimated 1,418 active employees are eligible to receive future benefits under the plan.

Annual OPEB Cost and Net OPEB Obligation – Duluth Public School's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of Duluth Public Schools' annual OPEB cost for the year, the amount actually contributed to the plan, and changes in Duluth Public Schools' net OPEB obligation as of June 30, 2010:

Annual Required Contribution (ARC)/Annual OPEB Cost	
Annual Required Contribution (ARC)	\$ 1,665,047
Interest on net OPEB obligation	62,457
Adjustment to ARC	(90,298)
Contributions made:	<u>\$ 1,637,206</u>
Actuarially determined contribution toward implicit rate portion of the ARC	(958,322)
Increase in OPEB obligation	<u>\$ 678,884</u>
Net OPEB obligation, June 30, 2009	1,561,437
Net OPEB obligation, June 30, 2010	<u><u>\$ 2,240,321</u></u>

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

12. Post-Employment Healthcare Plan – (Continued)

Duluth Public Schools' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contribution	Net OPEB Obligation
June 30, 2008	\$ 1,311,842	37.13%	\$ 824,714
June 30, 2009	1,271,941	42.08%	1,561,437
June 30, 2010	1,637,206	58.53%	2,240,321

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date, the plan was 100 percent unfunded. The actuarial accrued liability and the unfunded actuarial accrued liability (UAAL) for benefits was \$15,477,010. The covered payroll (annual payroll of active employees covered by the plan) was \$57,987,820, and the ratio of the UAAL to the covered payroll was 26.69 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2009, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a discount rate of 4 percent, health care trend rates ranging from 10 percent initially, reduced by decrements to an ultimate rate of 5 percent after ten years. The UAAL is being amortized as a level dollar amount over thirty years.

13. Pension Plans

Substantially all employees of the District are required by State law to belong to pension plans administered by the Duluth Teachers' Retirement Fund Association (DTRFA) or the Public Employees Retirement Association (PERA).

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

13. Pension Plans (Continued)

1. Duluth Teachers' Retirement Fund Association

a. Plan Description

Certified employees of the District are covered by defined benefit plans administered by the DTRFA. DTRFA administers cost sharing, multiple employer retirement plans. These plans are established and administered in accordance with *Minnesota Statutes*, Chapters 354A, 356, 356A, 317A and the Articles of Incorporation and bylaws of the Association.

DTRFA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits vest after three years of credited service and are established by Articles of Incorporation and bylaws, and by State Statute. The defined retirement benefits are based on a member's highest 5-year average salary, age, and years of credit at termination of service.

Association members may be eligible for benefits under three different plans depending on year of hire. Members in all three plans are covered by Social Security.

Old Plan: Covers Association members hired prior to July 1, 1981. Normal retirement benefits are earned at age 60, or age plus service totals 90. Retirement benefits vest after 10 years or age 60. The annual normal retirement benefit is equal to 1.45 percent of the member's high five-year average salary multiplied by the number of years of credited service. Early retirement benefits are available at age 55 with 10 or more years of credited service with a .25 percent per month early retirement deduction under age 60. Old plan members may elect Tier I or Tier II plans if they produce a higher annual retirement benefit.

Tier I Plan: Covers Association members hired or rehired before July 1, 1989. Normal retirement benefits are earned at age 65, or at age 62 with at least 30 years of service, or if age plus service totals 90. Retirement benefits vest after 3 years of service or at age 65. The annual retirement benefit is equal to 1.20 percent for each of the first ten years of service credit and 1.70 percent for each subsequent year of service credit multiplied by the high five successive years average salary. Early retirement benefits are available at age 55 with three or more years of credited service or at any age with 30 or more years of credited service with a .25 percent per month early retirement deduction under the normal retirement age. Tier I Plan members may elect the Tier II Plan if it produces a higher annual retirement benefit.

Tier II Plan: Covers Association members hired or rehired after June 30, 1989. Normal retirement benefits are tied to the Social Security normal retirement age, but in no event is normal retirement age higher than age 66. Retirement benefits vest after 3 years or age 65. The annual normal retirement benefit is equal to 1.70 percent for all years of credited service multiplied by the high five successive years of average salary. Benefits are available as early as age 55 .

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

13. Pension Plans – (Continued)

with three or more years of credited service with an actuarial equivalence early retirement reduction under normal retirement age.

Under all plans, members may elect to receive their pension benefits in the form of a single-life annuity, a joint and survivor annuity or a life and term certain annuity, and have the option of electing Social Security actuarial income leveling. Terminating members may receive a refund of their contributions with interest computed at 6 percent or may elect an augmented deferred retirement benefit if retirement benefits have vested.

If active members die prior to the receipt of their first retirement allowance payment, death benefits are payable under each of the three plans. Active members who have not reached normal retirement age and have at least three years of credited service may receive a disability benefit upon becoming permanently disabled.

A guaranteed 2% cost-of-living adjustment (COLA) is payable to eligible benefit recipients each January 1. An additional percentage increase is added to the guaranteed 2% COLA to the extent that five-year annualized investment returns exceed the plans 8.5% actuarially assumed rate of interest, and to the extent that contribution rates are determined to be actuarially sufficient.

DTRFA issues a financial report that includes financial statements and required supplementary information and makes it available to the public by written request to DTRFA, 625 East Central Entrance, Duluth, MN 55811 or by calling (218) 722-2894.

b. Funding Policy

Minnesota Statutes Chapter 354A.12 sets the rates for employers and employee contributions. These statutes are established and amended by the state legislature. The District contributions to the pension plans are equal to the amount required by state statutes. DTRFA members are required to contribute 5.50% of their annual covered salary. The District is required to contribute 5.79% of annual covered payroll. The District's contributions for the years ending June 30, 2010, 2009, 2008 were \$2,773,309, \$2,856,787, and \$2,876,790, respectively equal to the contractually required contributions for each year as set by state statute.

2. Public Employees Retirement Association

a. Plan Description

All other full-time and certain part-time employees of the District are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF), which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356.

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

13. Pension Plans – (Continued)

PERA provides retirement benefits as well as disability benefits to members and the option to elect to provide benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated Plan members. The retiring member receives the higher of step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of services and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A normal annuity is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERA. That report may be obtained on the web at mnpera.org, or by writing to PERA, 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088, or by calling (651) 296-7460 or (800) 652-9026.

b. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by the statutes. PERA Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 6.00% respectively, of their annual covered salary. The District is required to

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

13. Pension Plans – (Continued)

contribute 11.78% of the annual covered salary for Basic Plan PERF members. The required District contribution percentages for Coordinated Plan PERF members was 6.75% for the calendar year 2009 increasing to 7.00% on January 1, 2010. The District contributions for the years ending June 30, 2010 2009 and 2008 were \$1,151,046, \$1,157,327, and \$1,109,511, respectively. The District's contributions were equal to the contractually required contributions for each year as set by state statute.

14. Expenditures Over Budget

The following funds incurred expenditures greater than budgeted for the year ended June 30, 2010:

	Final Budget	Actual	Variance
Food Service	\$ 3,178,569	\$ 3,243,560	\$ (64,991)

15. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employee health and dental; and natural disasters. Risks of loss related to employee dental claims are self-insured. Risk of loss associated with workers' compensation claims are insured through participation in the Minnesota School Boards Association Insurance Trust. All other risks of loss are insured by the purchase of commercial insurance. There were no significant reductions in insurance coverage from the previous year. There were no settlements in excess of insurance for any of the past three fiscal years.

The Minnesota School Boards Association Insurance Trust is a public entity risk pool currently operated as a common risk management and insurance program for member school districts. The District pays an annual premium based on annual payroll rates and an experience modification factor for workers' compensation coverage.

Effective January 1994, the District changed to self-insuring employee dental claims. Risk management activities for employee dental claims are accounted for in the District's General Fund. Claims, expenditures, and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have occurred but have not been reported. Changes in the balances of the dental claims liability during the years ending June 30, 2009 and 2010 were as follows:

	July 1	Claims and Changes in Estimates	Claim Payments	June 30
2009	\$ 80,368	\$ 800,489	\$ 796,990	\$ 83,867
2010	\$ 83,867	\$ 779,080	\$ 793,996	\$ 68,951

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

16. Commitments

At June 30, 2010, the District had commitments under various construction and service contracts totaling \$144,233,248 all of which have been recorded as a reserve for encumbrances in the capital projects fund.

17. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's counsel the resolution of these matters will not have a material adverse effect of the financial conditions of the District.

18. Subsequent Events

Bond Issues

On October 21, 2010 the District issued \$5,000,000 Full Term Certificates of Participation, Series 2010C maturing on February 1, 2028. The interest due on the bonds ranges from 2.00% to 4.00%. The bonds were issued as part of the District's long-range facilities plan.

On October 21, 2010 the District issued \$1,605,000 Certificates of Participation, Series 2010D maturing on March 1, 2030. The interest due on the bonds ranges from 2.50% to 4.65%. The bonds were issued as part of the District's long-range facilities plan.

19. Accounting Standards Effective in Future Periods

Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*, was recently issued and is effective for the District for the year ending June 30, 2011. Implementation of the new standard establishes fund balance classifications that establish a hierarchy based on the extent to which the District must observe constraints imposed upon the use of resources that are reported by governmental funds. The effect of the standard on the District's financial statements is unknown at this time.

**REQUIRED SUPPLEMENTARY
INFORMATION**

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Statement A-1

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND
BUDGET AND ACTUAL
Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	Budget		Actual	Variance Favorable (Unfavorable)	Prior Year Actual
	Original	Final			
Revenues					
Local property tax levies	\$ 7,632,007	\$ 7,632,007	\$ 9,250,856	\$ 1,618,849	\$ 9,044,463
Interest income	511,420	511,420	378,379	(133,041)	962,685
Other local and county	3,420,131	4,410,975	4,343,715	(67,260)	4,237,313
State sources	79,392,765	73,691,265	71,016,588	(2,674,677)	80,242,359
Federal sources	6,550,994	18,542,810	15,255,123	(3,287,687)	6,885,703
Sales and other conversions of assets	934,563	934,563	552,687	(381,876)	563,590
Total Revenues	\$ 98,441,880	\$ 105,723,040	\$ 100,797,348	\$ (4,925,692)	\$ 101,936,113
Expenditures					
Administration	\$ 4,670,420	\$ 4,757,137	\$ 4,707,024	\$ 50,113	\$ 4,996,497
District support services	3,736,305	4,328,991	2,136,921	2,192,070	1,864,476
Regular instruction	43,996,147	49,675,404	50,697,154	(1,021,750)	51,047,288
Vocational instruction	1,372,602	1,486,632	1,757,434	(270,802)	2,305,448
Special education instruction	22,866,005	25,400,769	23,059,541	2,341,228	22,522,598
Instructional support services	2,802,241	3,695,345	3,025,477	669,868	3,826,429
Pupil support services	7,271,927	7,450,317	8,425,865	(975,548)	7,944,143
Sites, buildings and equipment	8,533,519	8,570,527	8,162,965	407,562	8,688,908
Fiscal and other fixed cost programs	2,811,677	1,130,476	268,668	861,808	236,694
Capital outlay	1,916,892	2,258,130	755,626	1,502,504	1,300,050
Total Expenditures	\$ 99,977,735	\$ 108,753,728	\$ 102,996,675	\$ 5,757,053	\$ 104,732,531
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,535,855)	\$ (3,030,688)	\$ (2,199,327)	\$ 831,361	\$ (2,796,418)
Other Financing Sources (Uses)					
Proceeds from bonds and loans, net	\$	\$ 581,560	\$ 581,159	\$ 401	\$
Operating transfers in			37,338	(37,338)	
Operating transfers out		(2,283,687)	(2,283,687)	0	
Total Other Financing Sources (Uses)	\$	\$ (1,702,127)	\$ (1,665,190)	\$ (36,937)	\$
Net change in fund balance	\$ (1,535,855)	\$ (4,732,815)	\$ (3,864,517)	\$ 868,298	\$ (2,796,418)
Fund Balance					
Beginning of Year			\$ 18,581,865		\$ 21,378,283
End of Year			\$ 14,717,348		\$ 18,581,865

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Statement A-2

INFORMATION ABOUT THE DISTRICT'S OTHER POSTEMPLOYMENT
HEALTH CARE PLAN
June 30, 2010

Schedule of funding Progress by Valuation Date

Actuarial Valuation Date	Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
July 1, 2007		\$ 10,532,000	\$ 10,532,000		\$ 61,239,381	17.20%
July 1, 2009		15,477,010	15,477,010		57,987,820	26.69%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Percentage Contributed
June 30, 2008	\$ 1,311,842	37.13%
June 30, 2009	\$ 1,271,941	42.08%
June 30, 2010	\$ 1,637,206	58.53%

**SUPPLEMENTARY
INFORMATION**

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Statement B-1

BALANCE SHEETS
GENERAL FUND
JUNE 30

	2010	2009
<u>Assets</u>		
Cash and investments	\$ 7,969,156	\$ 22,691,118
Taxes and credits receivable	8,198,744	7,311,752
Accounts and interest receivable	62,668	193,594
Due from		
Other funds	17,799	81,250
Other Minnesota school districts	776,135	686,790
Department of Education	18,830,591	7,441,077
Federal through Department of Education	2,042,107	2,008,284
Federal - direct	9,588	9,040
Other governmental units	69,705	59,344
Inventory	170,525	173,476
Prepayments	97,556	89,632
Total Assets	\$ 38,244,574	\$ 40,745,357
<u>Liabilities</u>		
Salaries payable	\$ 13,688,671	\$ 12,785,622
Accounts payable	594,283	649,989
Due to		
Other funds	69,412	145,677
Other Minnesota school districts	53,164	63,620
Other governmental units	794	1,836
Claims payable	134,385	122,679
Deferred revenue	888,974	607,833
Taxes levied for subsequent year's expenditures	8,097,543	7,786,236
Total Liabilities	\$ 23,527,226	\$ 22,163,492
Fund Balance		
Reserved for		
Basic skills programs	\$ 88,891	\$ 181,651
Inventory	170,525	173,476
Gifted and talented	-	9,595
Learning and development	167,247	-
Operating capital	368,728	2,142,492
Prepayments	97,556	89,632
Severance pay	-	2,000,000
Staff development	369,616	500,410
Designated for		
Desegregation	101,200	40,882
Operating capital	300,000	600,000
Referendum expenditures	-	46,700
School carryover	730,425	991,397
Severance-insurance premiums	3,498,679	2,499,511
Student activities	1,195,108	1,210,908
Student transportation		969,039
Unreserved-undesignated	7,629,373	7,126,172
Total Fund Balance	\$ 14,717,348	\$ 18,581,865
Total Liabilities and Fund Balance	\$ 38,244,574	\$ 40,745,357

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Statement C-1

BALANCE SHEETS
CAPITAL PROJECTS FUND
JUNE 30

	2010	2009
<u>Assets</u>		
Cash and investments	\$ 198,499,367	\$ 147,538,476
Accounts and interest receivable	5,290,225	4,158,601
Due from Department of Education	45,378	16,806
Total Assets	\$ 203,834,970	\$ 151,713,883
<u>Liabilities</u>		
Salaries payable	\$ 2,355	\$ 1,775
Accounts payable	1,268,419	946,817
Due to Other funds	-	81,250
Construction contracts	8,563,844	5,733,237
Total Liabilities	\$ 9,834,618	\$ 6,763,079
Fund Balance		
Reserved for Encumbrances	\$ 144,233,248	\$ 33,946,765
Alternative facility program	1,246,907	2,503,162
Projects funded by Certificates of Participation	48,520,197	87,812,507
Unreserved-undesignated		20,688,370
Total Fund Balance	\$ 194,000,352	\$ 144,950,804
End of Year	\$ 203,834,970	\$ 151,713,883

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Statement D-1

BALANCE SHEETS
DEBT REDEMPTION DEBT SERVICE FUND
JUNE 30

	2010	2009
<u>Assets</u>		
Cash and investments	\$ 9,776,145	\$ 6,492,392
Cash and investments with fiscal agent		73
Taxes and credits receivable	7,621,966	7,314,305
Due from		
Department of Education	731,224	278,634
Total Assets	\$ 18,129,335	\$ 14,085,404
<u>Liabilities</u>		
Deferred revenue	\$ 417,061	\$ 263,331
Taxes levied for subsequent year's expenditures	12,504,807	12,069,886
Total Liabilities	\$ 12,921,868	\$ 12,333,217
Fund Balance		
Reserved for		
Unreserved-undesignated	\$ 5,207,467	\$ 1,752,187
Total Fund Balance	\$ 5,207,467	\$ 1,752,187
End of Year	\$ 18,129,335	\$ 14,085,404

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Statement E-1

COMBINING BALANCE SHEET
OTHER FUNDS
JUNE 30, 2010
With Comparative Amounts at June 30, 2009

	Food Service	Community Services	Totals	
			2010	2009
<u>Assets</u>				
Cash and investments	\$ 520,119	\$ 404,268	\$ 924,387	\$ 962,720
Taxes and credits receivable		650,185	650,185	640,341
Accounts and interest receivable	3,656	324	3,980	8,828
Due from				
Department of Education	1,347	665,151	666,498	421,318
Federal through Department of Education	34,497	46,724	81,221	122,775
Federal - direct		834,347	834,347	806,351
Other governmental units		4,024	4,024	5,740
Inventory	89,047		89,047	113,580
Prepayments		9,859	9,859	1,020
Total Assets	\$ 648,666	\$ 2,614,882	\$ 3,263,548	\$ 3,082,673
<u>Liabilities</u>				
Salaries payable	\$ 13,841	\$ 676,743	\$ 690,584	\$ 606,815
Accounts payable	36,290	363,947	400,237	440,516
Due to				
Other funds		69,247	69,247	88,442
Deferred revenue		104,917	104,917	42,642
Taxes levied for subsequent year's expenditures		1,044,791	1,044,791	1,023,140
Total Liabilities	\$ 50,131	\$ 2,259,645	\$ 2,309,776	\$ 2,201,555
Fund Balance				
Reserved for				
Inventory	\$ 89,047	\$	\$ 89,047	\$ 113,580
Prepayments		9,859	9,859	1,020
School readiness		14,129	14,129	46,916
Community education		834	834	184,038
Adult basic education		62,821	62,821	69,811
Early childhood family education		188,014	188,014	187,329
Unreserved-undesignated	509,488	79,580	589,068	278,424
Total Fund Balance	\$ 598,535	\$ 355,237	\$ 953,772	\$ 881,118
End of Year	\$ 648,666	\$ 2,614,882	\$ 3,263,548	\$ 3,082,673

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Statement E-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
OTHER FUNDS

Year Ended June 30, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

	Food Service	Community Services	Totals	
			2010	2009
Revenues				
Local property tax levies	\$	\$ 849,114	\$ 849,114	\$ 695,279
Other local and county	14,375	1,574,045	1,588,420	1,484,818
State sources	167,443	2,076,655	2,244,098	2,367,954
Federal sources	2,080,171	6,352,359	8,432,530	9,086,699
Sales and other conversions of assets	1,085,108		1,085,108	1,237,359
Total Revenues	\$ 3,347,097	\$ 10,852,173	\$ 14,199,270	\$ 14,872,109
Expenditures				
Community education and services	\$	\$ 10,828,353	\$ 10,828,353	\$ 11,182,628
Pupil support services	3,151,885		3,151,885	3,233,841
Capital outlay	91,675	54,703	146,378	655,650
Total Expenditures	\$ 3,243,560	\$ 10,883,056	\$ 14,126,616	\$ 15,072,119
Excess (Deficiency) of Revenues Over Expenditures	\$ 103,537	\$ (30,883)	\$ 72,654	\$ (200,010)
Fund Balance				
Beginning of Year	494,998	386,120	881,118	1,081,128
End of Year	\$ 598,535	\$ 355,237	\$ 953,772	\$ 881,118

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Statement E-3

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOOD SERVICE FUND
BUDGET AND ACTUAL
Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	Budget		Actual	Variance	Prior Year Actual
	Original	Final		Favorable (Unfavorable)	
Revenues					
Other local and county	\$ 2,500	\$ 2,500	\$ 14,375	\$ 11,875	\$ 4,000
State sources	148,000	148,000	167,443	19,443	176,241
Federal sources	1,668,919	1,761,519	2,080,171	318,652	1,889,653
Sales and other conversions of assets	1,262,700	1,262,700	1,085,108	(177,592)	1,237,359
Total Revenues	\$ 3,082,119	\$ 3,174,719	\$ 3,347,097	\$ 172,378	\$ 3,307,253
Expenditures					
Pupil support services	\$ 3,079,619	\$ 3,074,419	\$ 3,151,885	\$ (77,466)	\$ 3,233,841
Capital outlay	2,500	104,150	91,675	12,475	1,312
Total Expenditures	\$ 3,082,119	\$ 3,178,569	\$ 3,243,560	\$ (64,991)	\$ 3,235,153
Excess (Deficiency) of Revenues Over Expenditures	\$ _____	\$ (3,850)	\$ 103,537	\$ 107,387	\$ 72,100
Fund Balance					
Beginning of Year			494,998		422,898
End of Year			\$ 598,535		\$ 494,998

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Statement E-4

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
COMMUNITY SERVICES FUND
BUDGET AND ACTUAL
Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	Budget		Actual	Variance Favorable (Unfavorable)	Prior Year Actual
	Original	Final			
Revenues					
Local property tax levies	\$ 1,023,140	\$ 1,023,140	\$ 849,114	\$ (174,026)	\$ 695,279
Other local and county	1,538,081	2,173,117	1,574,045	(599,072)	1,480,818
State sources	1,876,872	1,966,549	2,076,655	110,106	2,191,713
Federal sources	7,109,017	7,951,354	6,352,359	(1,598,995)	7,197,046
Total Revenues	\$ 11,547,110	\$ 13,114,160	\$ 10,852,173	\$ (2,261,987)	\$ 11,564,856
Expenditures					
Community education and services	\$ 10,812,553	\$ 13,152,341	\$ 10,828,353	\$ 2,323,988	\$ 11,182,628
Capital outlay	796,309	101,588	54,703	46,885	654,338
Total Expenditures	\$ 11,608,862	\$ 13,253,929	\$ 10,883,056	\$ 2,370,873	\$ 11,836,966
Net change in fund balance	\$ (61,752)	\$ (139,769)	\$ (30,883)	\$ 108,886	\$ (272,110)
Fund Balance					
Beginning of Year			386,120		658,230
End of Year			\$ 355,237		\$ 386,120

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Statement F-1

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUND
BUDGET AND ACTUAL
Year Ended June 30, 2010

With Comparative Actual Amounts for the Year Ended June 30, 2009

	Budget		Actual	Variance Favorable (Unfavorable)	Prior Year Actual
	Original	Final			
Revenues					
Local property tax levies	\$ 535,139	\$ 535,139	\$ 168,936	\$ (366,203)	\$
Interest income	2,681,000	2,681,000	4,286,487	1,605,487	5,824,045
Other local and county			1,349	1,349	
State sources	168,064	168,064	168,064		168,064
Total Revenues	\$ 3,384,203	\$ 3,384,203	\$ 4,624,836	\$ 1,240,633	\$ 5,992,109
Expenditures					
Sites, buildings and equipment	\$ 106,240	\$ 1,069,506	\$ 954,003	\$ 115,503	\$ 527,613
Fiscal and other fixed cost programs			-		425,147
Capital Outlay	119,571,623	118,608,357	58,365,764	60,242,593	28,386,234
Total Expenditures	\$ 119,677,863	\$ 119,677,863	\$ 59,319,767	\$ 60,358,096	\$ 29,338,994
Excess (Deficiency) of Revenues Over Expenditures	\$ (116,293,660)	\$ (116,293,660)	\$ (54,694,931)	\$ 61,598,729	\$ (23,346,885)
Other Financing Sources (Uses)					
Proceeds from bonds and loans, net	95,192,875	95,192,875	103,781,817	8,588,942	
Transfer Out			(37,338)	(37,338)	
Total Other Financing sources (Uses)		95,192,875	103,744,479	8,551,604	
Net change in fund balance	\$ (21,100,785)	\$ (21,100,785)	\$ 49,049,548	\$ 70,150,333	\$ (23,346,885)
Fund Balance					
Beginning of Year			144,950,804		168,297,689
End of Year			\$ 194,000,352		\$ 144,950,804

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Statement G-1

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
DEBT REDEMPTION DEBT SERVICE FUND
BUDGET AND ACTUAL
Year Ended June 30, 2010
With Comparative Actual Amounts for the Year Ended June 30, 2009

	Budget		Actual	Variance Favorable (Unfavorable)	Prior Year Actual
	Original	Final			
Revenues					
Local property tax levies	\$ 12,068,886	\$ 12,068,886	\$ 9,988,122	\$ (2,080,764)	\$ 9,708,108
Interest income			177,373		
State sources	639,450	639,450	2,708,341	2,068,891	2,786,341
Federal sources		349,204	349,204		
Total Revenues	\$ 12,708,336	\$ 13,057,540	\$ 13,223,040	\$ (11,873)	\$ 12,494,449
Expenditures					
Principal	\$ 4,730,000	\$ 16,045,000	\$ 16,045,000	\$ 59,633	\$ 5,720,000
Interest and fiscal charges	7,859,088	9,165,980	9,106,347		5,958,901
Total Expenditures	\$ 12,589,088	\$ 25,210,980	\$ 25,151,347	\$ 59,633	\$ 11,678,901
Excess (Deficiency) of Revenues Over Expenditures	\$ 119,248	\$ (12,153,440)	\$ (11,928,307)	\$ 47,760	\$ 815,548
Other Financing Sources (Uses)					
Proceeds from bonds and loans, net	\$ -	\$ 13,203,452	\$ 13,099,900	\$ (103,552)	\$ -
Transfer In	-	2,283,687	2,283,687		
Total Other Financing Sources (Uses)	\$ -	\$ 15,487,139	\$ 15,383,587	\$ (103,552)	\$ -
Net change in fund balance	\$ 119,248	\$ 3,333,699	\$ 3,455,280	\$ (55,792)	\$ 815,548
Fund Balance					
Beginning of Year			1,752,187		936,639
End of Year			\$ 5,207,467		\$ 1,752,187

STUDENT ACTIVITIES

INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA

Statement H-1

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
STUDENT ACTIVITIES ACCOUNTS AND CERTAIN CURRICULAR AND CO-CURRICULAR ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Activity	Cash Balance 6/30/2009	Receipts and Transfers In	Disbursements and Transfers Out	Cash Balance 6/30/2010
High Schools				
Central	\$ 176,309	\$ 545,888	\$ 566,419	\$ 155,778
Denfeld	216,526	486,216	479,262	223,480
East	267,432	848,745	864,857	251,320
Secondary Technical Center	80,377	58,208	57,724	80,861
Total High Schools	\$ 740,644	\$ 1,939,057	\$ 1,968,262	\$ 711,439
Middle Schools				
Morgan Park	\$ 80,857	\$ 101,284	\$ 97,774	\$ 84,367
Ordean	70,670	-	70,670	-
Woodland	50,325	204,380	120,935	133,770
Total Middle Schools	\$ 201,852	\$ 305,664	\$ 289,379	\$ 218,137
Elementary Schools				
Congdon Park	\$ 10,366	\$ 27,096	\$ 31,125	\$ 6,337
Grant	11,722	18,738	22,008	8,452
Homecroft	32,686	22,759	23,479	31,966
Lakewood	9,683	13,323	12,985	10,021
Laura MacArthur	18,438	24,464	25,594	17,308
Lester Park	14,306	30,757	27,023	18,040
Lincoln Park	17,548	16,194	17,003	16,739
Lowell	27,429	34,891	37,655	24,665
Nettleton	36,446	26,752	23,285	39,913
Piedmont	4,081	-	4,081	-
Rockridge	6,074	11,778	6,224	11,628
Stowe	32,850	16,048	14,343	34,555
Total Elementary Schools	\$ 221,629	\$ 242,800	\$ 244,805	\$ 219,624
ALC	\$ 1,118	\$ 1	\$ 590	\$ 529
Barnes Early Childhood	2,579	2,794	2,152	3,221
Merritt Creek Academy	9,056	2,906	5,976	5,986
Public School Stadium	1,900	38,765	39,970	695
Unity	30,028	8,391	5,984	32,435
Woodland Hills	2,102	2,693	1,753	3,042
Total Student Activities	\$ 1,210,908	\$ 2,543,071	\$ 2,558,871	\$ 1,195,108
District Funds				
Co-curricular	\$ 1,021,033	\$ 2,165,430	\$ 2,177,289	\$ 1,009,174
Extra-curricular	189,875	377,641	381,582	185,934
Total Funds	\$ 1,210,908	\$ 2,543,071	\$ 2,558,871	\$ 1,195,108

INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA

Statement I-1

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
CENTRAL HIGH SCHOOL-STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Activity	Cash Balance 6/30/2009	Receipts and Transfers In	Disbursements and Transfers Out	Cash Balance 6/30/2010
Co-curricular				
Advance Placement	\$ 2,713	\$ 4,430	\$ 5,243	\$ 1,900
Art	82	195	165	112
Athletics	43,152	149,131	139,550	52,733
B. P. A.	832	-	-	832
Basketball-Boys	4,623	4,505	5,048	4,080
Basketball-Girls	733	4,935	5,058	610
Baseball	-	10,263	9,984	279
Biology	244	200	243	201
Classroom Library	500	-	-	500
Cross Country	668	4,444	4,877	235
Danceline	1,298	294	1,592	-
Drama	2,570	18,838	15,176	6,232
Football	5,054	7,950	12,726	278
Forensics	1,964	-	-	1,964
General Fund (Site)	17,263	33,678	25,693	25,248
Grants	1,172	-	-	1,172
Guidance	265	2,628	2,615	278
Habitat	61	883	438	506
Home Economics	50	-	32	18
Industrial Arts	2,765	40	39	2,766
Int Digital Tech	1,075	-	260	815
Library	1,842	272	1,987	127
Music				
Band	7,156	40,175	42,799	4,532
Band Uniforms	1,404	-	450	954
Jazz Ensemble	434	-	298	136
Orchestra	3,709	49,699	49,626	3,782
Pop Concert	6,666	14,965	19,961	1,670
Vocal	5,053	50,763	51,276	4,540
Physical Fitness	8	-	-	8
Rockets	414	435	427	422
Ski-Nordic	1,440	9,611	6,851	4,200
Soccer-Boys	3,966	2,388	5,145	1,209
Soccer-Girls	1,374	3,050	3,620	804
Softball	185	19,960	19,940	205
Sports Officials	1,769	21,924	23,693	-
Swim Girls	484	65	549	-
Tennis-Girls	65	750	774	41
Track-Boys/Girls	2,846	7,790	7,109	3,527
Transcripts	588	404	233	759
Troy Link	1,277	150	1,250	177
Volleyball	2,566	4,817	4,902	2,481
Yearbook	12,649	9,972	15,970	6,651
Total Co-curricular	\$ 142,979	\$ 479,604	\$ 485,599	\$ 136,984

INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA

Statement I-1
(Continued)

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
CENTRAL HIGH SCHOOL-STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Activity	Cash Balance 6/30/2009	Receipts and Transfers In	Disbursements and Transfers Out	Cash Balance 6/30/2010
Extra-curricular				
Asian Club	\$ 395	\$ -	\$ 395	\$ -
Benevolence Account	4,318	5,500	4,699	5,119
Cheerleaders	2,081	4,865	6,018	928
Class of				
2008	709	-	-	709
2009	114	-	-	114
2010	-	5,887	5,071	816
Close Up	71	28,535	27,535	1,071
Key Club	177	2,372	1,896	653
M.M.R.	640	806	915	531
National Honor Society	2,118	379	2,048	449
Pep-booster Club	200	-	-	200
Prom	2,958	8,200	9,714	1,444
Scholarship Fund	14,036	1,750	12,750	3,036
Spanish	706	450	900	256
Stories of Service	984	-	101	883
Student Council	3,823	7,540	8,778	2,585
Total Extra-curricular	\$ 33,330	\$ 66,284	\$ 80,820	\$ 18,794
Total Student Activities	\$ 176,309	\$ 545,888	\$ 566,419	\$ 155,778

**INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA**

Statement I-2

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
DENFELD HIGH SCHOOL-STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Activity	Cash Balance 6/30/2009	Receipts and Transfers In	Disbursements and Transfers Out	Cash Balance 6/30/2010
Co-curricular				
Anatomy	\$ 878	\$ 278	\$ 519	\$ 637
Art	1,245	1,280	923	1,602
Athletics	116,748	291,512	272,674	135,586
Autistic Cookie	591	8,115	8,768	(62)
Biology	6,583	172	6,500	255
Business	500	-	183	317
Ceramics	22	1,583	1,602	3
Choir	3,692	15,010	16,133	2,569
Concession	336	135	-	471
Danceline	1,207	9,566	10,662	111
Drafting	254	-	-	254
Drama	151	-	151	-
Drawing & Painting	85	1,350	1,177	258
Endowment funds	-	1,000	994	6
English	1	250	249	2
General Fund	15,953	33,909	38,880	10,982
Guidance	1,407	6,078	5,898	1,587
Health Grant	1	250	251	-
Home Ec	100	-	-	100
Ignatius	4,294	1,702	5,924	72
Life Skills	218	22	137	103
Link Crew	-	5,000	4,808	192
Math Department	560	-	-	560
Media	2,965	837	3,613	189
Mole day	-	1,413	790	623
Music				
Band	3,491	1,037	3,698	830
Orchestra	2,454	8,452	7,291	3,615
Newspaper	378	2,335	2,619	94
NHS	748	2,182	2,769	161
Parent Involvement	13,036	1,126	1,024	13,138
Physical Education	994	-	-	994
Physics	127	500	114	513
Photography	434	1,340	351	1,423
PSS	14,636	11,704	6,543	19,797
Recycle	176	400	335	241
Science 9	774	250	1,021	3
Speech	73	13,445	13,518	-
Stage and Auditorium	10,182	3,800	2,737	11,245
Stained Glass	19	85	-	104
Star Program	396	-	-	396
Theatre	485	832	1,295	22
Woodworking	3,601	3,616	253	6,964
Yearbook	95	5,963	5,418	640
Total Co-curricular	\$ 209,890	\$ 436,529	\$ 429,822	\$ 216,597

INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA

Statement I-2
(Continued)

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
DENFELD HIGH SCHOOL-STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Activity	Cash Balance 6/30/2009	Receipts and Transfers In	Disbursements and Transfers Out	Cash Balance 6/30/2010
Extra-curricular				
Cheerleaders	\$ 457	\$ 7,012	\$ 7,469	\$ -
Senior class	293	3,460	3,722	31
Junior class	481	2,091	2,232	340
Sophore class	20	-	20	-
Freshman class	-	-	-	-
DECA	399	1,880	2,198	81
French Club	1,018	-	1,018	-
German	2,285	5,687	7,871	101
Key Club	464	1,800	1,465	799
Parking Pass	36	-	-	36
Pictures	2	-	-	2
Prom	156	11,699	9,347	2,508
Random Acts of Kindness	64	-	-	64
Retain Wall	16	-	-	16
Spanish Club	266	-	-	266
Spirit Pac	619	14,825	13,922	1,522
Student in Need	60	1,233	176	1,117
Total Extra-curricular	\$ 6,636	\$ 49,687	\$ 49,440	\$ 6,883
Total Student Activities	\$ 216,526	\$ 486,216	\$ 479,262	\$ 223,480

INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA

Statement I-3

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
EAST HIGH SCHOOL-STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Activity	Cash Balance 6/30/2009	Receipts and Transfers In	Disbursements and Transfers Out	Cash Balance 6/30/2010
Co-curricular				
Advance Placement	\$ 4,445	\$ 7,188	\$ 5,678	\$ 5,955
Art Fund	-	7,500	7,041	459
Athletics	35,562	342,173	331,381	46,354
A-V/Theater	2,210	-	480	1,730
Baseball	8,539	17,168	19,825	5,882
Biology	4,397	724	1,661	3,460
Book Fund	442	117	120	439
Boys' Basketball	9,642	6,354	7,244	8,752
Boys' Soccer	1,373	12,777	11,462	2,688
Boys' Swim	3,612	1,600	1,083	4,129
Boy's Tennis	221	1,657	1,643	235
Bus Pass	420	2,043	2,155	308
Chemistry & Physics	9,735	15,824	21,910	3,649
Choralaires	1,248	1,500	1,272	1,476
Civics	714	126	164	676
Cookie club	1,577	5,143	5,016	1,704
DECA	999	2,662	2,993	668
Drama	4,711	9,829	9,241	5,299
Eastside Steppers	14,625	18,809	22,460	10,974
Football	9,900	22,509	22,319	10,090
Foreign Language	453	189	129	513
General fund	16,906	24,361	32,656	8,611
Girls' Basketball	4,541	2,811	4,073	3,279
Girls' Hockey	3,915	1,044	4,015	944
Girls' Soccer	1,815	1,210	2,701	324
Girls' Softball	4,715	4,249	7,973	991
Girls' Swim	1,952	14,619	12,005	4,566
Girls' Tennis	2,860	5,520	5,726	2,654
Golf Teams	2,564	4,649	4,348	2,865
Guidance	1,423	5,419	3,201	3,641
Health Fund	63	-	-	63
Hockey Alumni Fund	186	980	1,133	33
Hockey Jerseys	320	30	-	350
Hounds Helping Hands	396	300	140	556
Industrial Education	2,969	2,134	3,229	1,874
Language Arts	898	5,802	6,700	-
Library-Media	90	2,894	1,608	1,376
Mathematics Club	58	80	-	138
Multi-Handicap	47	-	-	47
Music				
Music Department	9,590	19,814	26,609	2,795
Band	6,483	25,610	25,863	6,230
Orchestra	5,528	65,550	62,275	8,803
Orchestra-Performance	310	3,948	2,431	1,827
Vocal	15,113	30,011	30,158	14,966
Newspaper	2,857	7,974	9,640	1,191
Nordic Ski	6,859	7,121	11,234	2,746

INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA

Statement I-3
(Continued)

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
EAST HIGH SCHOOL-STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Activity	Cash Balance 6/30/2009	Receipts and Transfers In	Disbursements and Transfers Out	Cash Balance 6/30/2010
Ordean Field	\$ 1	\$ -	\$ 1	\$ -
Physical Education	7	25	-	32
Physical Science	289	-	-	289
PSS Advertising	2,671	-	-	2,671
Robotics	4,130	4,876	5,434	3,572
Scholarship	925	-	-	925
Social Studies	828	657	538	947
Sports officials	-	21,873	21,247	626
Track Fund	2,516	45	1,278	1,283
Volleyball	1,873	3,642	4,802	713
Work Experience	1	-	-	1
Yearbook	23,074	10,194	14,641	18,627
Total Co-curricular	\$ 243,598	\$ 753,334	\$ 780,936	\$ 215,996
Extra-curricular				
American Field Service	\$ 143	\$ -	\$ -	\$ 143
Angel Harp	-	4,500	-	4,500
Association	2,825	16,496	16,101	3,220
Cheerleaders	333	19,755	15,859	4,229
Class of				
Freshmen	368	150	172	346
Seniors	731	3,861	1,357	3,235
Juniors	6,322	8,966	9,267	6,021
FHA-New Horizons	751	325	465	611
Grants	106	1,650	500	1,256
Green Club	86	290	290	86
Grill Team	195	-	9	186
Key Club	726	5,162	4,984	904
Knowledge Bowl	76	2,121	1,459	738
Lab Quest	-	1,974	1,974	-
Mathematics Club	214	255	251	218
National Honor Society	389	1,620	1,476	533
Need Fund	2,376	-	2,053	323
Ping Pong Club	-	70	-	70
P.R.I.D.E	26	45	49	22
Rachel Bonzo Mem	788	-	300	488
Safe Schools	2,455	6,041	4,503	3,993
Scott Anderson	339	-	54	285
Service Learning	120	34	154	-
Sierra Club	140	165	180	125
Solar Car	-	2,000	1,993	7
Spanish	576	-	-	576
STAR Program	328	-	284	44
Student Council	3,421	19,931	20,187	3,165
Total Extra-curricular	\$ 23,834	\$ 95,411	\$ 83,921	\$ 35,324
Total Student Activities	\$ 267,432	\$ 848,745	\$ 864,857	\$ 251,320

INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA

Statement I-4

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
SECONDARY TECHNICAL CENTER-STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<u>Activity</u>	<u>Cash Balance 6/30/2009</u>	<u>Receipts and Transfers In</u>	<u>Disbursements and Transfers Out</u>	<u>Cash Balance 6/30/2010</u>
Co-curricular				
BPA	\$ 3,642	\$ 11,869	\$ 11,117	\$ 4,394
Duluth Future Farmers of America	6,732	5,971	5,357	7,346
General Fund	30,735	2,174	2,999	29,910
Hero Childcare	1,178	4,354	4,478	1,054
Hero Hosa	4,496	16,557	16,857	4,196
Hero Food Service	1,009	1,098	2,333	(226)
Hero Waiter/Wait	3,154	2,994	1,611	4,537
Kinder Korner	9,688	6,258	4,549	11,397
Naval Science-NJROTC	4,600	-	1,669	2,931
Parking Permits	5,479	200	-	5,679
Small Engine Repair	3,013	-	-	3,013
Construction VICA	3,515	30	2,530	1,015
Vica	680	6,703	3,774	3,609
WECEP	956	-	-	956
Total Co-curricular	\$ 78,877	\$ 58,208	\$ 57,274	\$ 79,811
Extra-curricular				
Student Emergency	\$ 1,500	\$ -	\$ 450	\$ 1,050
Total Extra-curricular	\$ 1,500	\$ -	\$ 450	\$ 1,050
Total Student Activities	\$ 80,377	\$ 58,208	\$ 57,724	\$ 80,861

INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA

Statement I-5

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
MORGAN PARK MIDDLE SCHOOL-STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Activity	Cash Balance 6/30/2009	Receipts and Transfers In	Disbursements and Transfers Out	Cash Balance 6/30/2010
Co-curricular				
Art	\$ 133	\$ -	\$ -	\$ 133
Athletics	65	-	-	65
Awards	68	-	-	68
Band Rental	400	3,716	2,020	2,096
Book	1,235	-	105	1,130
General Fund	29,790	18,492	13,137	35,145
Home Economics	112	9	-	121
Industrial Education	3,331	610	1,372	2,569
Intergenerational	90	-	-	90
Library-Media	419	200	174	445
Library-Donation	1,185	-	-	1,185
Music				
Band	3,523	19,624	18,648	4,499
Choir	2,157	8,626	7,641	3,142
Jazz	410	-	226	184
Orchestra	12,446	4,669	9,282	7,833
Newspaper	93	-	-	93
Orchestra Rental	180	2,243	2,163	260
Physical Education	2,332	15	534	1,813
Rockets	21	-	-	21
UMD Environmental	31	-	-	31
Yearbook	3,502	6,186	4,823	4,865
Total Co-curricular	\$ 61,523	\$ 64,390	\$ 60,125	\$ 65,788
Extra-curricular				
Cheer Club	\$ -	\$ 151	\$ 151	\$ -
Dance Club	25	-	-	25
English Trip	365	-	-	365
Science club	629	766	1,240	155
Homebase	2,134	-	317	1,817
Sixth Grade	5,212	16,793	20,432	1,573
Eighth Grade Party	393	980	1,053	320
Ski Club	-	1,892	1,892	-
Spanish Club	157	-	-	157
Student Council	404	739	1,141	2
Talent show	-	980	866	114
Track	24	505	529	-
Trip Fund	9,231	12,662	7,988	13,905
WECEP	760	1,426	2,040	146
Total Extra-curricular	\$ 19,334	\$ 36,894	\$ 37,649	\$ 18,579
Total Student Activities	\$ 80,857	\$ 101,284	\$ 97,774	\$ 84,367

INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA

Statement I-6

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
ORDEAN MIDDLE SCHOOL-STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>Activity</u>	<u>Cash Balance 6/30/2009</u>	<u>Receipts and Transfers In</u>	<u>Disbursements and Transfers Out</u>	<u>Cash Balance 6/30/2010</u>
Co-curricular				
Band	\$ 6,738		\$ 6,738	\$ -
General Fund	27,087		27,087	-
Library-Media	4,315		4,315	-
Life Skills/Indu	2,743		2,743	-
Music				
Orchestra	6,827		6,827	-
Vocal	1,530		1,530	-
Physical Education	44		44	-
Science	1,628		1,628	-
Sixth Grade	280		280	-
WECEP	1,427		1,427	-
Yearbook				
Total Co-curricular	\$ 52,619	\$ -	\$ 52,619	\$ -
Extra-curricular				
Drama Club	\$ 13,624		\$ 13,624	\$ -
Ski Club	301		301	-
Student Council	4		4	-
Yearbook	4,122		4,122	-
Total Extra-curricular	\$ 18,051	\$ -	\$ 18,051	\$ -
Total Student Activities	\$ 70,670	\$ -	\$ 70,670	\$ -

INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA

Statement I-7

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
WOODLAND MIDDLE SCHOOL-STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Activity	Cash Balance 6/30/2009	Receipts and Transfers In	Disbursements and Transfers Out	Cash Balance 6/30/2010
Co-curricular				
5 and 6 Musical	\$ 30	\$ -	\$ 30	\$ -
Art	1,429	12,435	11,363	2,501
Book Account	2,548	218	61	2,705
General Fund	(78)	23,082	5,091	17,913
Grants	2,320	771	1,154	1,937
Home Economics	3,051	1,119	336	3,834
Industrial Education	4,802	5,872	3,882	6,792
Library-Media	1,691	4,854	277	6,268
Music				
Band	2,135	23,635	13,142	12,628
Orchestra	5,922	30,018	20,260	15,680
Vocal	2,027	15,763	13,383	4,407
Phys Ed Locks	480	899	1,379	-
Physical education	-	1,402	-	1,402
Play Production	848	30	-	878
Science Department	841	3,364	2,197	2,008
Yearbook	7,811	16,159	12,083	11,887
Total Co-curricular	\$ 35,857	\$ 139,621	\$ 84,638	\$ 90,840
Extra-curricular				
Drama	\$ 2	\$ 13,624	\$ -	\$ 13,626
Grade 6	2,409	26,107	20,406	8,110
Grade 7	2,011	4,821	4,388	2,444
Grade 8	327	5,870	4,140	2,057
Knight Crew	466	-	375	91
Knowledge Bowl	28	420	-	448
PTSA Student Account	898	9	90	817
Robotics	-	67	-	67
Safe Schools	4,045	8,253	2,395	9,903
Ski	-	1,821	1,683	138
Spanish Club	43	-	-	43
Special Ed Store	127	-	-	127
Stamp Club	72	-	32	40
Student Council	891	457	250	1,098
Swim Team	(18)	1,421	1,320	83
Think or Sink	1	-	1	-
Track and Field	646	462	1,094	14
Volleyball Club	7	-	7	-
Web Crew	191	-	116	75
WECEP	100	1,427	-	1,527
Winter Survival	2,222	-	-	2,222
Total Extra-curricular	\$ 14,468	\$ 64,759	\$ 36,297	\$ 42,930
Total Student Activities	\$ 50,325	\$ 204,380	\$ 120,935	\$ 133,770

INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA

Statement I-8

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
ELEMENTARY SCHOOLS, UNITY AND PUBLIC SCHOOL STADIUM-STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Activity	Cash Balance 6/30/2009	Receipts and Transfers In	Disbursements and Transfers Out	Cash Balance 6/30/2010
Congdon Park				
Co-curricular	\$ 9,359	\$ 18,725	\$ 22,398	\$ 5,686
Extra-curricular	1,007	8,371	8,727	651
Total	\$ 10,366	\$ 27,096	\$ 31,125	\$ 6,337
Grant				
Co-curricular	\$ 8,493	\$ 4,259	\$ 6,968	\$ 5,784
Extra-curricular	3,229	14,479	15,040	2,668
Total	\$ 11,722	\$ 18,738	\$ 22,008	\$ 8,452
Homecroft				
Extra-curricular	\$ 32,686	\$ 22,759	\$ 23,479	\$ 31,966
Total	\$ 32,686	\$ 22,759	\$ 23,479	\$ 31,966
Lakewood				
Co-curricular	\$ 6,032	\$ 13,323	\$ 12,985	\$ 6,370
Extra-curricular	3,651	-	-	3,651
Total	\$ 9,683	\$ 13,323	\$ 12,985	\$ 10,021
Laura MacArthur				
Co-curricular	\$ 11,077	\$ 21,157	\$ 19,527	\$ 12,707
Extra-curricular	7,361	3,307	6,067	4,601
Total	\$ 18,438	\$ 24,464	\$ 25,594	\$ 17,308
Lester Park				
Co-curricular	\$ 14,306	\$ 30,757	\$ 27,023	\$ 18,040
Extra-curricular	-	-	-	-
Total	\$ 14,306	\$ 30,757	\$ 27,023	\$ 18,040
Lincoln Park				
Co-curricular	\$ 16,081	\$ 16,194	\$ 17,027	\$ 15,248
Extra-curricular	1,467	-	(24)	1,491
Total	\$ 17,548	\$ 16,194	\$ 17,003	\$ 16,739
Lowell				
Co-curricular	\$ 14,894	\$ 23,478	\$ 24,357	\$ 14,015
Extra-curricular	12,535	11,413	13,298	10,650
Total	\$ 27,429	\$ 34,891	\$ 37,655	\$ 24,665

INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA

Statement I-8
(Continued)

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
ELEMENTARY SCHOOLS, UNITY AND PUBLIC SCHOOL STADIUM-STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Activity	Cash Balance 6/30/2009	Receipts and Transfers In	Disbursements and Transfers Out	Cash Balance 6/30/2010
Elementary (Continued)				
Nettleton				
Co-curricular	\$ 27,690	\$ 22,476	\$ 16,420	\$ 33,746
Extra-curricular	8,756	4,276	6,865	6,167
Total	\$ 36,446	\$ 26,752	\$ 23,285	\$ 39,913
Piedmont				
Co-curricular	\$ 3,169		\$ 3,169	\$ -
Extra-curricular	912		912	-
Total	\$ 4,081	\$ -	\$ 4,081	\$ -
Rockridge				
Co-curricular	\$ 6,074	\$ 11,778	\$ 6,224	\$ 11,628
Total	\$ 6,074	\$ 11,778	\$ 6,224	\$ 11,628
Stowe				
Co-curricular	\$ 32,850	\$ 16,048	\$ 14,343	\$ 34,555
Total	\$ 32,850	\$ 16,048	\$ 14,343	\$ 34,555
Total Elementary	\$ 221,629	\$ 242,800	\$ 244,805	\$ 219,624
ALC				
Extra-curricular	\$ 1,118	\$ 1	\$ 590	\$ 529
Barnes Early Childhood				
Co-curricular	\$ 2,579	\$ 2,794	\$ 2,152	\$ 3,221
Merritt Crk Academy				
Co-curricular	\$ 9,056	\$ 2,906	\$ 5,976	\$ 5,986
Public School Stadium				
Co-curricular	\$ 1,900	\$ 38,765	\$ 39,970	\$ 695
Unity				
Co-curricular	\$ 30,028	\$ 8,391	\$ 5,984	\$ 32,435
Woodland Hills				
Co-curricular	\$ 2,102	\$ 2,693	\$ 1,753	\$ 3,042
Total Student Activities	\$ 268,412	\$ 298,350	\$ 301,230	\$ 265,532

INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA

SCHEDULE OF CASH RECEIPTS
SECONDARY SCHOOLS - STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

Receipts	Central	Denfeld	East	Secondary Technical Center
Advertising	\$ 3,953	\$ 7,422	\$ 15,110	\$ -
Book fines	752	494	589	
Concession Sales	2,998	12,828	19,133	
Donations	42,038	15,480	72,671	4,147
Fund Raising	88,325	103,310	47,177	19,349
Gate Admissions	95,250	63,087	186,883	233
Interest	2,845	3,839	10,049	671
Library Fines	150	10	409	
Miscellaneous	19,881	19,611	56,997	
Participation Fees	103,749	74,117	111,048	30,773
Picture and Yearbook Sales	14,355	1,210	7,900	
School Store	16,444	(80)	53,241	
Testing	267	1,373	8,715	814
Vending Machines	5,667	1,732	3,783	1,359
Total Classified by Source	\$ 396,674	\$ 304,433	\$ 593,705	\$ 57,346
Unclassified *	149,214	181,783	255,040	862
Total Receipts	\$ 545,888	\$ 486,216	\$ 848,745	\$ 58,208

* Includes transfers between school site activities' accounts, participation fees, reimbursement transactions, and fund raising receipts reported net of related disbursements.

<u>Morgan Park</u>	<u>Ordean</u>	<u>Woodland</u>	<u>Total</u>
\$ -		\$ -	\$ 26,485
66		398	2,299
			34,959
1,664		26,342	162,342
33,303		36,283	327,747
			345,453
367		331	18,102
123		150	842
3,823			100,312
39,570		36,070	395,327
7,667		14,393	45,525
1,249		6,385	77,239
			11,169
2,737		2,095	17,373
<u>\$ 90,569</u>	<u>\$ -</u>	<u>\$ 122,447</u>	<u>\$ 1,565,174</u>
<u>10,715</u>	<u>-</u>	<u>81,933</u>	<u>679,547</u>
<u><u>\$ 101,284</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 204,380</u></u>	<u><u>\$ 2,244,721</u></u>

INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA

SCHEDULE OF CASH DISBURSEMENTS
SECONDARY SCHOOLS - STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(UNAUDITED)

Disbursements	Central	Denfeld	East	Secondary Technical Center
Consulting/Fees For Service	\$ 37,215	\$ 37,736	\$ 44,850	\$ -
Fees and Admissions	30,272	32,484	83,851	4,471
General Supplies	59,278	140,675	200,274	4,172
Instructional Supplies	42,583	4,732	35,986	7,376
Library Books			1,415	
Materials For Resale	48,113	27,218	28,085	8,865
Memberships	3,642	3,313	6,054	10,442
Miscellaneous	15,971	5,527	48,486	
Postage and Express	92		303	
Testing	3,093	836	6,914	405
Telephone				2,790
Transportation	5,019	18,976		
Travel In-District	26,007	12,975	37,361	1,041
Travel Out-of-District	145,919	13,008	116,238	17,300
Total Classified by Object	\$ 417,204	\$ 297,480	\$ 609,817	\$ 56,862
Unclassified *	149,215	181,782	255,040	862
Total Expenditures	\$ 566,419	\$ 479,262	\$ 864,857	\$ 57,724

* Includes transfers between school site activities' accounts, reimbursement transactions, and fund raising receipts reported net of related disbursements.

<u>Morgan Park</u>	<u>Ordean</u>	<u>Woodland</u>	<u>Total</u>
\$ 4,179		\$ 5,620	\$ 129,600
25,611		27,017	203,706
15,020		21,310	440,729
			90,677
163			1,578
27,519		34,789	174,589
35		99	23,585
2,383		484	72,851
52			447
			11,248
			2,790
11,242		5,932	41,169
695		2,531	80,610
160		11,716	304,341
<u>\$ 87,059</u>	<u>\$ -</u>	<u>\$ 109,498</u>	<u>\$ 1,577,920</u>
<u>10,715</u>	<u>70,670</u>	<u>11,437</u>	<u>679,721</u>
<u><u>\$ 97,774</u></u>	<u><u>\$ 70,670</u></u>	<u><u>\$ 120,935</u></u>	<u><u>\$ 2,257,641</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

FISCAL COMPLIANCE TABLE
JUNE 30, 2010

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$100,797,348	<u>\$100,797,348</u>	\$0	Total Revenue	\$4,624,836	<u>\$4,624,837</u>	(\$1)
Total Expenditures	\$102,996,675	<u>\$102,996,674</u>	\$1	Total Expenditures	\$59,319,767	<u>\$59,319,767</u>	\$0
Reserved:				Reserved:			
4.03 Staff Development	\$369,616	<u>\$369,616</u>	\$0	4.07 Capital Projects Levy	\$0	<u>\$0</u>	\$0
4.05 Deferred Maintenance	\$0	<u>\$0</u>	\$0	4.09 Alternative Facility Program	\$1,246,907	<u>\$1,246,907</u>	\$0
4.06 Health and Safety	\$0	<u>\$0</u>	\$0	4.13 Project Funded by COP	\$48,520,197	<u>\$48,520,197</u>	\$0
4.07 Capital Projects Levy	\$0	<u>\$0</u>	\$0	4.19 Encumbrances	\$144,233,248	<u>\$144,233,248</u>	\$0
4.08 Cooperative Revenue	\$0	<u>\$0</u>	\$0	Unreserved:			
4.13 Project Funded by COP	\$0	<u>\$0</u>	\$0	4.22 Unreserved/Undesignated	\$0	<u>\$0</u>	\$0
4.14 Operating Debt	\$0	<u>\$0</u>	\$0				
4.16 Levy Reduction	\$0	<u>\$0</u>	\$0	07 DEBT SERVICE			
4.17 Taconite Building Maint	\$0	<u>\$0</u>	\$0	Total Revenue	\$13,223,040	<u>\$13,223,040</u>	\$0
4.19 Encumbrances	\$0	<u>\$0</u>	\$0	Total Expenditures	\$25,151,347	<u>\$25,151,347</u>	\$0
4.23 Certain Teacher Programs	\$0	<u>\$0</u>	\$0	Reserved:			
4.24 Operating Capital	\$368,728	<u>\$368,729</u>	(\$1)	4.25 Bond Refundings	\$0	<u>\$0</u>	\$0
4.26 \$25 Taconite	\$0	<u>\$0</u>	\$0	4.51 QZAB Payments	\$0	<u>\$0</u>	\$0
4.27 Disabled Accessibility	\$0	<u>\$0</u>	\$0	Unreserved:			
4.28 Learning & Development	\$167,247	<u>\$167,247</u>	\$0	4.22 Unreserved/Undesignated	\$5,207,467	<u>\$5,207,467</u>	\$0
4.34 Area Learning Center	\$0	<u>\$0</u>	\$0				
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	\$0	08 TRUST			
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	\$0	Total Revenue	\$158,913	<u>\$158,913</u>	\$0
4.38 Gifted & Talented	\$0	<u>\$0</u>	\$0	Total Expenditures	\$210,000	<u>\$210,000</u>	\$0
4.41 Basic Skills Programs	\$88,891	<u>\$88,891</u>	\$0	Reserved:			
4.45 Career Tech Programs	\$0	<u>\$0</u>	\$0	4.19 Encumbrances	\$0	<u>\$0</u>	\$0
4.46 First Grade Preparedness	\$0	<u>\$0</u>	\$0	Unreserved:			
4.49 Safe School Crime	\$0	<u>\$0</u>	\$0	4.22 Unreserved/Undesignated	\$1,796,384	<u>\$1,796,384</u>	\$0
4.50 Pre-Kindergarten	\$0	<u>\$0</u>	\$0				
4.51 QZAB Payments	\$0	<u>\$0</u>	\$0	09 AGENCY			
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0	Unreserved:			
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	\$0	4.22 Unreserved/Undesignated	\$0	<u>\$0</u>	\$0
Unreserved:							
4.18 Severance-Ins. Premium	\$3,498,679	<u>\$3,498,679</u>	\$0	20 INTERNAL SERVICE			
4.22 Unreserved/Undesignated	\$10,224,187	<u>\$10,224,187</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
				Total Expenditures	\$0	<u>\$0</u>	\$0
				Reserved:			
02 FOOD SERVICES				4.19 Encumbrances	\$0	<u>\$0</u>	\$0
Total Revenue	\$3,347,097	<u>\$3,347,097</u>	\$0	Unreserved:			
Total Expenditures	\$3,243,500	<u>\$3,243,501</u>	(\$1)	4.22 Unreserved/Undesignated	\$0	<u>\$0</u>	\$0
Reserved:							
4.19 Encumbrances	\$0	<u>\$0</u>	\$0	25 OPEB REVOCABLE TRUST			
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
Unreserved:				Total Expenditures	\$0	<u>\$0</u>	\$0
4.18 Severance-Ins. Premium	\$0	<u>\$0</u>	\$0	Reserved:			
4.22 Unreserved/Undesignated	\$598,535	<u>\$598,535</u>	\$0	4.19 Encumbrances	\$0	<u>\$0</u>	\$0
				Unreserved:			
				4.22 Unreserved/Undesignated	\$0	<u>\$0</u>	\$0
04 COMMUNITY SERVICE				45 OPEB IRREVOCABLE TRUST			
Total Revenue	\$10,852,173	<u>\$10,852,173</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
Total Expenditures	\$10,883,056	<u>\$10,883,056</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
Reserved:				Reserved:			
4.19 Encumbrances	\$0	<u>\$0</u>	\$0	4.19 Encumbrances	\$0	<u>\$0</u>	\$0
4.26 \$25 Taconite	\$0	<u>\$0</u>	\$0	Unreserved:			
4.31 Community Education	\$834	<u>\$834</u>	\$0	4.22 Unreserved/Undesignated	\$0	<u>\$0</u>	\$0
4.32 E.C.F.E	\$188,014	<u>\$188,014</u>	\$0				
4.44 School Readiness	\$14,129	<u>\$14,129</u>	\$0	47 OPEB DEBT SERVICE			
4.47 Adult Basic Education	\$62,821	<u>\$62,821</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
Unreserved:				Reserved:			
4.18 Severance-Ins. Premium	\$0	<u>\$0</u>	\$0	4.25 Bond Refundings	\$0	<u>\$0</u>	\$0
4.22 Unreserved/Undesignated	\$89,439	<u>\$89,440</u>	(\$1)	Unreserved:			
				4.22 Unreserved/Undesignated	\$0	<u>\$0</u>	\$0

Unaudited Data Reporting Elements

FY10 OPERATING CAPITAL TRANSFER

Per Pupil Amount	\$0.00
AMCPU	\$0.00
Total Transfer	\$0.00