INDEPENDENT SCHOOL DISTRICT NO. 280
RICHFIELD, MINNESOTA

Financial Report

Year Ended
June 30, 2011

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INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 280

School Board and Administration
Year Ended June 30, 2011

SCHOOL BOARD

	Position
Peter Toensing	Chairperson
John Easterwood	Vice Chairperson
David Lamberger	Clerk
Sandy Belkengren	Treasurer
Tom Flood	Director
Todd Nollenberger	Director

ADMINISTRATION

Robert Slotterback	Superintendent
Craig Holje	Director of Personnel and Administrative Services
Michael Schwartz	Business Manager
Jason Mutzenberger	Supervisor of Financial Services

FINANCIAL SECTION

MMKR
CERTIFIED PUBLIC ACCOUNTANTS

PRINCIPALS
Kenneth W. Malloy, CPA
Thomas M. Montague, CPA
Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA

INDEPENDENT AUDITOR'S REPORT

To the School Board of
Independent School District No. 280
Richfield, Minnesota

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 280, Richfield, Minnesota (the District) as of and for the year ended June 30, 2011, 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. The prior year partial comparative information presented has been derived from the District's financial statements for the year ended June 30, 2010, and in our report dated October 25, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used, and the 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, 2011, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 of the notes to basic financial statements, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" during the year ended June 30, 2011.

The financial statements include prior year partial comparative information, which does not include all of the information required in a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2010, from which it was derived.

(continued)

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In accordance with *Government Auditing Standards*, we have also issued a report dated November 10, 2011 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, 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, Schedules of Funding Progress, and Schedule of Employer Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, 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. We have applied certain limited procedures to the required supplementary information 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 basic financial statements. The introductory section, combining and individual fund statements and schedules, and supplemental information, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is also not a required part of the basic financial statements of the District. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis as required by the Minnesota Department of Education, and is also not a required part of the basic financial statements of the District.

The combining and individual fund statements and schedules and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional 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 basic financial statements as a whole. The introductory section, supplemental information, and UFARS Compliance Table have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

November 10, 2011

As management of Independent School District No. 280, Richfield, Minnesota (the District), we have provided readers of the District's financial statements with this narrative overview and analysis of the District's financial activities during the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with the other components of the District's annual financial report.

FINANCIAL HIGHLIGHTS

The District's assets exceeded its liabilities at June 30, 2011 by $14,616,162 (net assets). The District's total net assets decreased by $1,057,982 during the fiscal year ended June 30, 2011.

At June 30, 2011, the District's governmental funds reported a combined ending fund balance of $4,803,612, a decrease of $1,226,536 from the prior year.

The District's General Fund, its primary operating fund, ended the most recent fiscal year with a total fund balance of $3,533,696, a decrease of $1,003,009 from the prior year. The unrestricted portion of the year-end fund balance was $1,617,655, which represents approximately 3.0 percent of annual General Fund expenditures based on fiscal 2011 expenditure levels.

The Capital Projects – Building Construction Fund completed all ongoing projects and transferred the remaining $485,560 of unspent funds to the Debt Service Fund to close the fund. Consequently, the Debt Service Fund reported an ending fund balance of $1,077,265, an increase of $378,083.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements consist of the following three components: the government-wide financial statements, fund financial statements, and the notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Statements

The government-wide statements (Statement of Net Assets and Statement of Activities) report information about the District as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Assets includes *all* of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the District's *net assets* and how they have changed. Net assets—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are indicators of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District requires consideration of additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements the District's activities are all shown in one category titled "governmental activities." These activities, including regular and special education, transportation, administration, food services, and community education, are primarily financed with state aids and property taxes.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds, rather than the District as a whole. Funds (Food Service Special Revenue and Community Service Special Revenue) that do not meet the threshold to be classified as major funds are called "nonmajor" funds. Detailed financial information for nonmajor funds can be found in the combining and individual fund statements and schedules section.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.

- The District may establish other funds to control and manage money for particular purposes.

The District maintains the following kinds of funds:

Governmental Funds – The District's basic services are included in governmental funds, which generally focus on: 1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental fund statements that explain the relationship (or differences) between these two types of financial statement presentations.

Fiduciary Funds – The District is the trustee, or fiduciary, for assets that belong to other organizations. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table 1 is a summarized view of the District's Statement of Net Assets:

Table 1
Summary of Net Assets
as of June 30, 2011 and 2010

	2011	2010
Assets		
Current and other assets	$ 37,785,469	$ 37,395,670
Capital assets, net of depreciation	62,317,711	63,874,936
Total assets	**$ 100,103,180**	**$ 101,270,606**
Liabilities		
Current and other liabilities	$ 23,704,257	$ 20,832,046
Long-term liabilities, including due within one year	61,782,761	64,764,416
Total liabilities	**$ 85,487,018**	**$ 85,596,462**
Net assets		
Invested in capital assets, net of related debt	$ 19,677,911	$ 19,482,652
Restricted	1,510,272	2,587,007
Unrestricted	(6,572,021)	(6,395,515)
Total net assets	**$ 14,616,162**	**$ 15,674,144**

The District's financial position is the product of many factors. For example, the determination of the District's investment in capital assets, net of related debt involves many assumptions and estimates, such as current and accumulated depreciation amounts. Changes in variables such as estimated depreciable lives or capitalization policies may produce significant differences in the calculated amounts. Another major factor in the determination of net assets is funding of the District's liabilities for long-term severance, pension benefits, and other post-employment benefits, which impact the unrestricted portion of net assets.

The District's total net assets decreased by $1,057,982 during the year ended June 30, 2011. The amount invested in capital assets, net of related debt increased $195,259. Restricted net assets decreased $1,076,735, primarily due to the District spending down its restricted operating capital fund balance. The unrestricted portion of net assets decreased $176,506 during the year.

Table 2 presents a condensed version of the Change in Net Assets of the District:

Table 2
Change in Net Assets
for the Years Ended June 30, 2011 and 2010

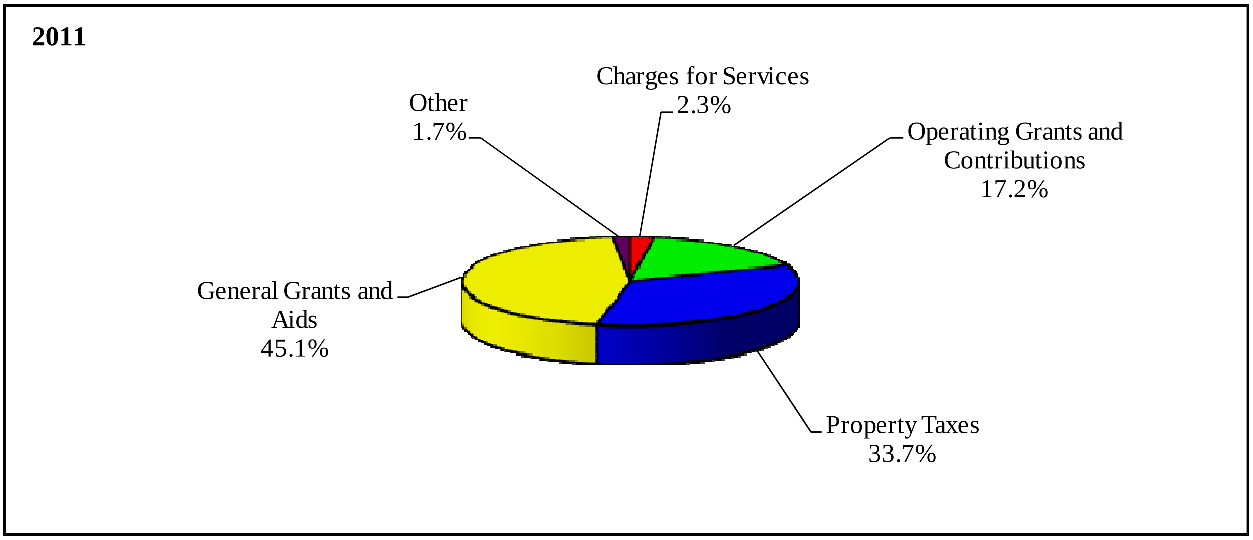
	2011	2010
Revenues		
Program revenues		
Charges for services	$ 1,351,240	$ 1,317,261
Operating grants and contributions	10,298,601	9,590,517
General revenues		
Property taxes	20,230,069	15,565,797
General grants and aids	27,076,258	29,656,010
Other	1,021,567	1,148,554
Total revenues	**59,977,735**	**57,278,139**
Expenses		
Administration	2,364,391	2,408,132
District support services	1,365,550	1,387,693
Elementary and secondary regular instruction	25,498,288	24,525,779
Vocational education instruction	752,047	804,192
Special education instruction	9,275,816	9,356,398
Instructional support services	1,439,697	1,729,489
Pupil support services	4,514,682	4,423,174
Sites and buildings	6,732,002	6,803,508
Fiscal and other fixed cost programs	220,807	216,135
Food service	1,809,824	1,570,841
Community service	1,320,500	1,289,240
Unallocated depreciation	3,066,722	3,014,043
Interest and fiscal charges	2,675,391	2,606,195
Total expenses	**61,035,717**	**60,134,819**
Change in net assets	**$ (1,057,982)**	**$ (2,856,680)**

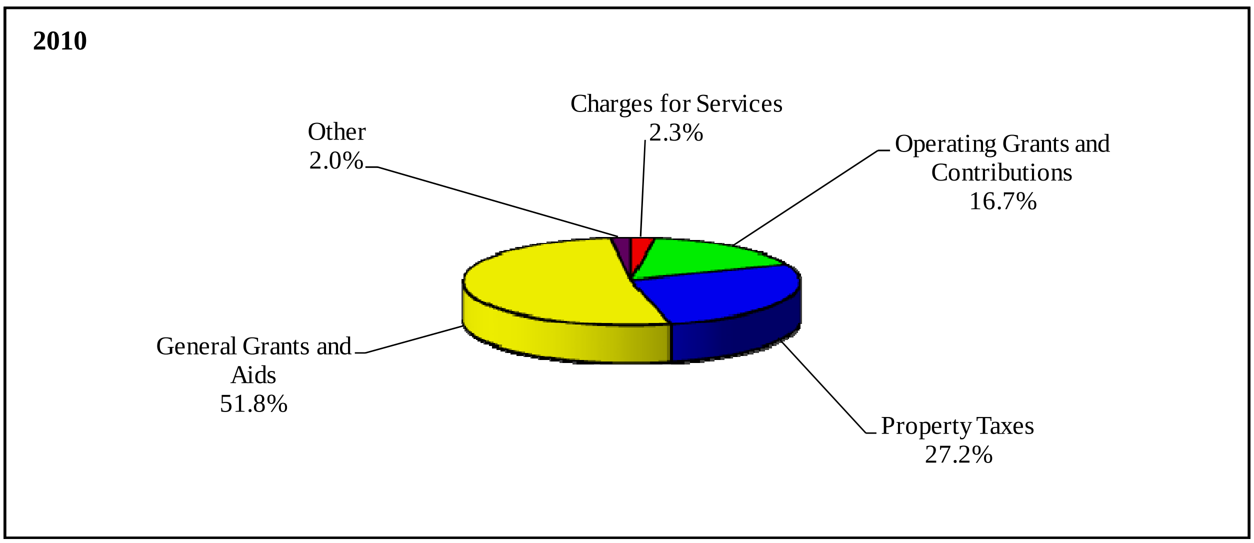
The statement is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

Total revenue for the 2011 fiscal year was $2,699,596 higher than last year primarily due to an increase of 138 students (average daily membership). The District experienced cost of living increases along with step and lane changes resulting in an increase in expenses of $900,898.

Figures A and B show further analysis of these revenue sources and expense functions:

Figure A – Sources of Revenue for Fiscal Years 2011 and 2010



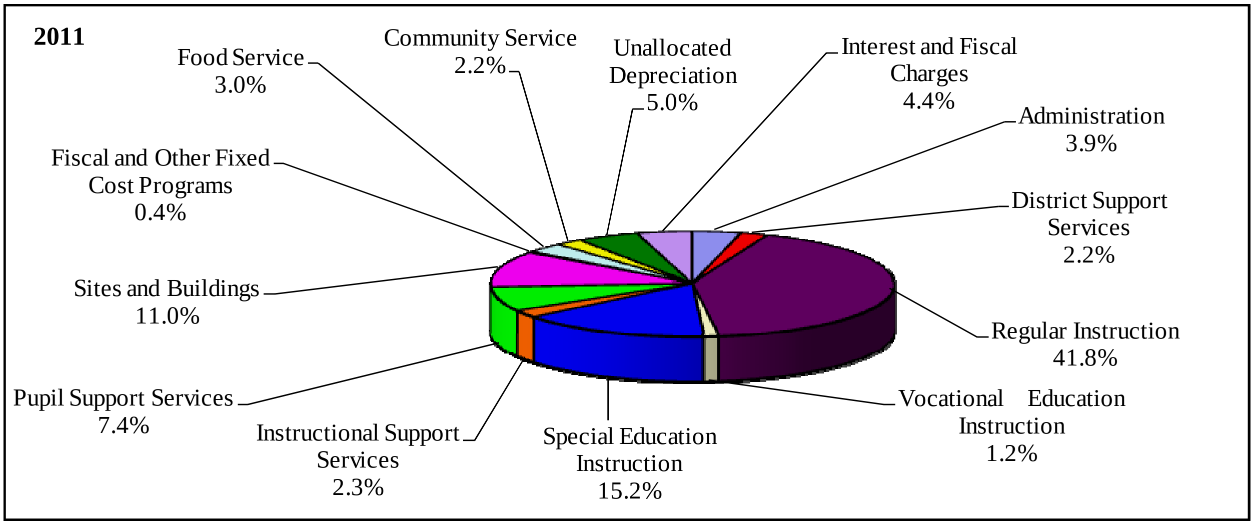


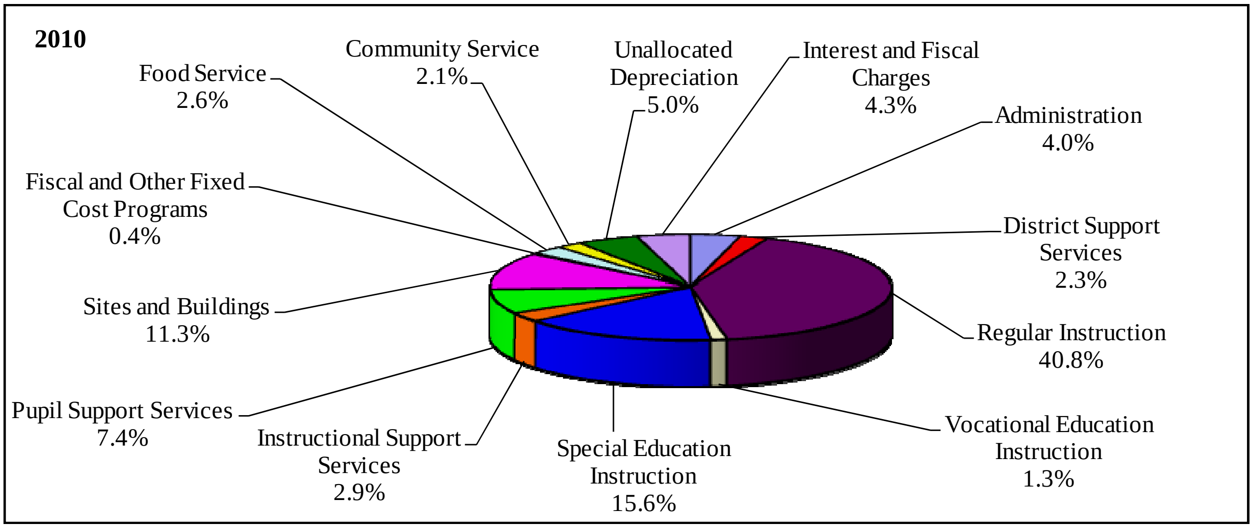
The largest share of the District's revenue is received from the state, including most of the general and operating grants. This means that the District's financial condition depends significantly on the state's current financial position.

Property taxes are the next largest source of funding. The level of funding property tax sources provide is not only dependent on taxpayers of the District by way of operating and building referenda, but also by decisions made by the Legislature in the mix of state aid and local effort in a variety of funding formulas.

The proportionate share of district revenue from these two sources changed significantly from fiscal 2010 to fiscal 2011, due to a large increase in the "tax shift." The tax shift is an accounting tool used to balance the state budget, whereby districts recognize cash collections for the subsequent year's property tax levy as current year revenue, and the state reduces aid payments to districts by an equal amount.

Figure B – Expenses for Fiscal Years 2011 and 2010





The District's expenses are predominately related to educating students. Programs (or functions) such as elementary and secondary regular instruction, vocational education instruction, special education instruction, and instructional support services are directly related to classroom instruction, while the rest of the programs support instruction and other necessary costs to operate the District.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is also reflected in its governmental funds. Table 3 shows the change in total fund balances of each of the District's governmental funds:

Table 3
Governmental Fund Balances
as of June 30, 2011 and 2010

	2011	2010	Increase (Decrease)
Major funds			
General	$ 3,533,696	$ 4,536,705	$ (1,003,009)
Capital Projects – Building Construction	–	492,984	(492,984)
Debt Service	1,077,265	699,182	378,083
Nonmajor funds			
Food Service Special Revenue	92,409	155,259	(62,850)
Community Service Special Revenue	100,242	146,018	(45,776)
Total governmental funds	$ 4,803,612	$ 6,030,148	$ (1,226,536)

In 2011, the General Fund balance decreased due to the budgeted use of fund balance to retain district programs.

The Capital Projects – Building Construction Fund was closed after the completion of the indoor air quality projects financed with the proceeds of the District's $6.34 million alternative facilities construction bond issue. Unspent funds of $485,560 were transferred to the Debt Service Fund.

The increase in the Debt Service Fund was mainly due to the transfer from the Capital Projects – Building Construction Fund.

Analysis of the General Fund

Table 4 summarizes the amendments to the General Fund budget:

Table 4
General Fund
Budget

	Original Budget	Final Budget	Increase (Decrease)	Percent Change
Revenue	$ 50,559,476	$ 52,606,296	$ 2,046,820	4.0%
Expenditures	$ 52,326,530	$ 53,174,577	$ 848,047	1.6%

The District was required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. It is the District's practice to amend the General Fund budget during the year for known significant changes in circumstances such as: updated enrollment estimates, legislation changes, new or additional funding, staffing changes, employee contract settlements, adjustments to health insurance premiums, special education tuition changes, or utility rate changes.

The changes from the original revenue and expenditure budgets to the final budgets are due to additional grant awards, salary and benefit adjustments based on negotiated contract settlements, and a recalculation of state aid and levy using updated enrollment numbers. The District also received a Federal Education Jobs Grant of $814,933, which provides educational and related services for early childhood, elementary, and secondary education.

Table 5 summarizes the operating results of the General Fund:

Table 5
General Fund
Operating Results

		Over (Under) Final Budget		Over (Under) Prior Year	
	2011 Actual	Amount	Percent	Amount	Percent
Revenue	$ 52,079,784	$ (526,512)	(1.0%)	$ 1,841,748	3.7%
Expenditures	53,452,449	$ 277,872	0.5%	$ 1,974,542	3.8%
Other financing sources (uses)	369,656	$ 369,656	100.0%	$ (21,470)	(5.5%)
Net change in fund balances	$ (1,003,009)				

The increase in 2011 actual revenue is primarily due to an increase in the District's compensatory funding (additional funding based on students that qualify for free or reduced lunch). The expenditure increase is due to construction projects at Richfield High School, along with district-wide salary and benefit increases.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 6 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ending June 30, 2011 and 2010:

Table 6
Capital Assets

	2011	2010	Increase (Decrease)
Land	$ 349,265	$ 349,265	$ –
Land improvements	4,495,771	4,031,588	464,183
Buildings	86,853,560	86,049,678	803,882
Equipment	6,602,674	6,787,819	(185,145)
Construction in progress	152,298	95,014	57,284
Less accumulated depreciation	(36,135,857)	(33,438,428)	(2,697,429)
Total	$ 62,317,711	$ 63,874,936	$ (1,557,225)
Depreciation expense	$ 3,270,910	$ 3,196,632	$ 74,278

The increase in land improvements is due to the completion of a playground at Central Schools and the partial installment of synthetic turf at Richfield High School. The increase in buildings is due to the completion of construction improvements made to Richfield High School, including an intercom system, partial roof replacement, and two elevator replacements.

Long-Term Liabilities

Table 7 illustrates the components of the District's long-term liabilities and the change from the prior year:

Table 7
Outstanding Long-Term Liabilities

	2011	2010	Increase (Decrease)
General obligation bonds	$ 56,540,000	$ 58,975,000	$ (2,435,000)
Capital leases	1,984,800	2,111,898	(127,098)
Compensated absences	305,760	316,036	(10,276)
Severance benefits	2,538,083	3,099,472	(561,389)
Net pension benefits obligation	414,118	262,010	152,108
Total	$ 61,782,761	$ 64,764,416	$ (2,981,655)

The decrease in general obligation bonds is due to the scheduled debt service payments made during the year. The change in capital leases is based on the District's technology plan to replace and update technology on a five-year cycle. Technology equipment is being purchased under a series of five-year lease agreements. The District is also replacing school buses using a series of seven-year lease agreements. Severance benefits for some employee groups now appear under pension benefits which is the reason for the decrease.

The state limits the amount of general obligation debt the District can issue to 15 percent of the market value of all taxable property within the District's corporate limits. (See Table 8)

Table 8
Limitations on Debt

District's market value	$ 3,629,904,825
Limit rate	15.0%
Legal debt limit	$ 544,485,724

Additional details of the District's capital assets and long-term debt activity can be found in the notes to basic financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of the voter-approved excess operating referendum, the District is dependent on the state of Minnesota for approximately 70 percent of its annual General Fund revenues. These revenues have not been sufficient or kept pace with the (CPI-U) inflationary index over the past 10 years to meet instructional program needs and costs due to inflation.

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The basic general education formula allowance for Minnesota school districts remained stable in fiscal year 2011 at $5,124 per pupil. The Legislature has added $50 per pupil to the formula each of the next two fiscal years, which is the first increase in basic general education aid since fiscal year 2009. A weakened economy and growing demand on limited resources continue to present challenges in funding education for Minnesota schools.

During fiscal 2011, the District moved forward with a second magnet school based on a Science, Technology, Engineering, and Math (S.T.E.M.) theme. The District also changed its schools from a kindergarten – second grade structure to a kindergarten – fifth grade structure.

During the 2011 fiscal year, the District completed an indoor air quality project at Central School, the final school in the District that did not have an updated indoor air quality renovation. Additionally, the District upgraded two elevators at Richfield High School to comply with new federal code compliance. During the summer of 2011, the District will be installing synthetic turf at Richfield High School.

The District successfully implemented a no-fee-based extended all-day kindergarten program at both Centennial and Sheridan Hills Elementary Schools in fiscal year 2007. The Richfield Dual Language School established in 2008 continues to add a grade level each year until Grade 5. This year the dual language school was a K–3 school. Research has shown that more students have been retained in the District since the implementation of all-day kindergarten and the inception of the dual language school.

The District continues to expand its enrichment opportunities for all students and is enhancing its gifted and talented programs. The District received a grant from the Kern Family Foundation to establish Project Lead The Way at Richfield Public Schools. This project is designed to develop engineering and technology programs at both the middle school and high school levels. The grant runs through June 30, 2013.

In the fall of 2011, the District will be asking the community to revoke the District's existing referendum authority of $301 per pupil unit and replace it with new authority of $717 per pupil unit, a net increase of $416 per pupil unit. The levy would generate approximately $1.9 million of new funding per year for a 10-year period.

The District continues to experience strong enrollment increases of 132 students in fiscal 2011 and a projected increase of 170 students in fiscal 2012. These increases are a result of implementing changes requested by the community some of which include all-day kindergarten, magnet schools and higher level course offerings at the secondary level.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Independent School District No. 280, 7001 Harriet Avenue South, Richfield, Minnesota 55423.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Net Assets
as of June 30, 2011
(With Partial Comparative Information as of June 30, 2010)

	Governmental Activities	
	2011	2010
Assets		
Cash and temporary investments	$ 4,898,977	$ 5,379,096
Receivables		
Current taxes	8,382,487	8,394,457
Delinquent taxes	262,593	205,362
Accounts and interest receivable	310,013	332,425
Due from fiduciary fund	831,653	946,567
Due from other governmental units	12,307,423	10,017,555
Inventory	80,208	115,434
Prepaid items	594,057	500,872
Deferred charges	302,512	316,670
Negative net other post-employment benefit obligations	9,815,546	11,187,232
Capital assets		
Not depreciated	501,563	444,279
Depreciated, net of accumulated depreciation	61,816,148	63,430,657
Total capital assets, net of accumulated depreciation	62,317,711	63,874,936
Total assets	$ 100,103,180	$ 101,270,606
Liabilities		
Aid anticipation certificates	$ 10,060,000	$ 3,000,000
Salaries payable	275,845	255,496
Accounts and contracts payable	1,204,404	1,052,374
Accrued interest payable	1,153,446	1,193,638
Due to other governmental units	301,949	415,214
Property taxes levied for subsequent year	10,708,613	14,915,324
Long-term liabilities		
Due within one year	3,501,966	3,424,865
Due in more than one year	58,280,795	61,339,551
Total long-term liabilities	61,782,761	64,764,416
Total liabilities	85,487,018	85,596,462
Net assets		
Invested in capital assets, net of related debt	19,677,911	19,482,652
Restricted for		
Capital asset acquisition	1,307,046	2,187,765
Debt service	48,790	–
Food service	54,021	123,907
Community service	100,415	145,946
Other purposes (state funding restrictions)	–	129,389
Unrestricted	(6,572,021)	(6,395,515)
Total net assets	14,616,162	15,674,144
Total liabilities and net assets	$ 100,103,180	$ 101,270,606

See notes to basic financial statements

Statement of Activities
Year Ended June 30, 2011
(With Partial Comparative Information for the Year Ended June 30, 2010)

		2011			2010
		Program Revenues		Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities					
Administration	$ 2,364,391	$ 272,906	$ 7,379	$ (2,084,106)	$ (2,216,629)
District support services	1,365,550	–	–	(1,365,550)	(1,387,693)
Elementary and secondary regular instruction	25,498,288	242,346	2,478,995	– (22,776,947)	(22,393,265)
Vocational education instruction	752,047	–	–	– (752,047)	(804,192)
Special education instruction	9,275,816	197,677	4,230,986	(4,847,153)	(4,796,764)
Instructional support services	1,439,697	–	–	(1,439,697)	(1,729,489)
Pupil support services	4,514,682	13,468	1,666,817	(2,834,397)	(2,896,616)
Sites and buildings	6,732,002	–	–	(6,732,002)	(6,803,508)
Fiscal and other fixed cost programs	220,807	–	–	(220,807)	(216,135)
Food service	1,809,824	348,610	1,367,207	(94,007)	98,958
Community service	1,320,500	276,233	547,217	(497,050)	(461,470)
Unallocated depreciation	3,066,722	–	–	(3,066,722)	(3,014,043)
Interest and fiscal charges	2,675,391	–	–	(2,675,391)	(2,606,195)
Total governmental activities	$ 61,035,717	$ 1,351,240	$10,298,601	(49,385,876)	(49,227,041)
General revenue					
Taxes					
Property taxes, levied for general purposes				14,954,696	11,249,803
Property taxes, levied for community service				616,555	417,856
Property taxes, levied for debt service				4,658,818	3,898,138
General grants and aids				27,076,258	29,656,010
Other general revenues				1,013,147	1,133,673
Investment earnings				8,420	14,881
Total general revenues				48,327,894	46,370,361
Change in net assets				(1,057,982)	(2,856,680)
Net assets – beginning				15,674,144	18,530,824
Net assets – ending				$ 14,616,162	$ 15,674,144

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 280

Balance Sheet
Governmental Funds
as of June 30, 2011
(With Partial Comparative Information as of June 30, 2010)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds 2011	Total Governmental Funds 2010
Assets						
Cash and temporary investments	$ 1,456,172	$ –	$ 3,406,992	$ 35,813	$ 4,898,977	$ 5,379,096
Receivables						
Current taxes	5,536,440	–	2,617,767	228,280	8,382,487	8,394,457
Delinquent taxes	180,985	–	74,576	7,032	262,593	205,362
Accounts and interest	302,540	–	–	7,473	310,013	332,425
Due from other governmental units	12,039,613	–	69,116	198,694	12,307,423	10,017,555
Due from other funds	65,869	–	–	–	65,869	18
Due from OPEB trust	819,016	–	–	12,637	831,653	946,567
Inventory	21,043	–	–	59,165	80,208	115,434
Prepaid items	587,952	–	–	6,105	594,057	500,872
Total assets	$ 21,009,630	$ –	$ 6,168,451	$ 555,199	$ 27,733,280	$ 25,891,786
Liabilities and Fund Balances						
Liabilities						
Aid anticipation certificates	$ 10,060,000	$ –	$ –	$ –	$ 10,060,000	$ 3,000,000
Salaries payable	250,426	–	–	25,419	275,845	255,496
Accounts and contracts payable	1,166,615	–	–	37,789	1,204,404	1,052,374
Accrued interest payable	50,395	–	–	–	50,395	17,850
Due to other governmental units	300,532	–	–	1,417	301,949	415,214
Due to other funds	–	–	–	65,869	65,869	18
Property taxes levied for subsequent year	5,466,981	–	5,016,610	225,022	10,708,613	14,915,324
Deferred revenue – delinquent taxes	180,985	–	74,576	7,032	262,593	205,362
Total liabilities	17,475,934	–	5,091,186	362,548	22,929,668	19,861,638
Fund balances						
Nonspendable	608,995	–	–	65,270	674,265	616,306
Restricted	1,307,046	–	1,077,265	127,381	2,511,692	3,561,597
Assigned	1,617,655	–	–	–	1,617,655	1,852,245
Total fund balances	3,533,696	–	1,077,265	192,651	4,803,612	6,030,148
Total liabilities and fund balances	$ 21,009,630	$ –	$ 6,168,451	$ 555,199	$ 27,733,280	$ 25,891,786

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 280

Reconciliation of the Balance Sheet to the
Statement of Net Assets
Governmental Funds
as of June 30, 2011
(With Partial Comparative Information as of June 30, 2010)

	2011	2010
Total fund balances – governmental funds	$ 4,803,612	$ 6,030,148
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets are included in net assets, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	98,453,568	97,313,364
Accumulated depreciation	(36,135,857)	(33,438,428)
Long-term liabilities are included in net assets, but are excluded from fund balances until due and payable.		
General obligation bonds	(56,540,000)	(58,975,000)
Capital leases	(1,984,800)	(2,111,898)
Severance	(2,538,083)	(3,099,472)
Compensated absences	(305,760)	(316,036)
Net pension benefits	(414,118)	(262,010)
Net other post-employment benefit obligations reported in the Statement of Net Assets do not require the use of current financial resources and are not reported as assets (liabilities) in governmental funds until actually due.	9,815,546	11,187,232
Accrued interest payable is included in net assets, but is excluded from fund balances until due and payable.	(1,103,051)	(1,175,788)
Debt issuance premiums, discounts, and issuance costs are excluded from net assets until amortized, but are included in fund balances upon issuance as other financing sources and uses.	302,512	316,670
Certain revenues (including delinquent property taxes) are included in net assets, but are excluded from fund balances until they are available to liquidate liabilities of the current period.	262,593	205,362
Total net assets – governmental activities	$ 14,616,162	$ 15,674,144

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2011
(With Partial Comparative Information for the Year Ended June 30, 2010)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds 2011	Total Governmental Funds 2010
Revenue						
Local sources						
Property taxes	$ 14,917,502	$ –	$ 4,639,950	$ 615,386	$ 20,172,838	$ 15,549,961
Investment earnings	6,758	22	1,330	310	8,420	14,881
Other	1,839,160	–	–	630,605	2,469,765	2,455,706
State sources	31,958,208	–	230,389	421,691	32,610,288	32,426,151
Federal sources	3,358,156	–	–	1,301,037	4,659,193	6,815,604
Total revenue	52,079,784	22	4,871,669	2,969,029	59,920,504	57,262,303
Expenditures						
Current						
Administration	2,371,106	–	–	–	2,371,106	2,236,456
District support services	1,339,401	–	–	–	1,339,401	1,344,757
Elementary and secondary regular instruction	25,134,023	–	–	–	25,134,023	23,715,332
Vocational education instruction	731,005	–	–	–	731,005	783,680
Special education instruction	9,100,333	–	–	–	9,100,333	9,090,519
Instructional support services	1,324,449	–	–	–	1,324,449	1,615,364
Pupil support services	4,565,045	–	–	–	4,565,045	4,525,761
Sites and buildings	7,979,702	–	–	–	7,979,702	7,349,636
Fiscal and other fixed cost programs	220,807	–	–	–	220,807	216,135
Food service	–	–	–	1,769,533	1,769,533	1,534,415
Community service	–	–	–	1,294,561	1,294,561	1,264,202
Capital outlay	–	7,446	–	13,561	21,007	199,235
Debt service						
Principal	496,754	–	2,435,000	–	2,931,754	2,822,372
Interest and fiscal charges	189,824	–	2,544,146	–	2,733,970	2,663,607
Total expenditures	53,452,449	7,446	4,979,146	3,077,655	61,516,696	59,361,471
Excess (deficiency) of revenue over expenditures	(1,372,665)	(7,424)	(107,477)	(108,626)	(1,596,192)	(2,099,168)
Other financing sources (uses)						
Capital leases	369,656	–	–	–	369,656	391,126
Transfers in	–	–	485,560	–	485,560	–
Transfers (out)	–	(485,560)	–	–	(485,560)	–
Total other financing sources (uses)	369,656	(485,560)	485,560	–	369,656	391,126
Net change in fund balances	(1,003,009)	(492,984)	378,083	(108,626)	(1,226,536)	(1,708,042)
Fund balances						
Beginning of year	4,536,705	492,984	699,182	301,277	6,030,148	7,738,190
End of year	$ 3,533,696	$ –	$ 1,077,265	$ 192,651	$ 4,803,612	$ 6,030,148

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 280

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2011
(With Partial Comparative Information as of June 30, 2010)

	2011	2010
Total net change in fund balances – governmental funds	$ (1,226,536)	$ (1,708,042)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded as net assets and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	1,714,385	1,202,109
Depreciation expense	(3,270,910)	(3,196,632)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net assets. However, only the sale proceeds are included in the change in fund balances.	(700)	(19,308)
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.	(369,656)	(391,126)
Repayment of long-term debt does not affect the change in net assets. However, it reduces fund balances.		
General obligation bonds	2,435,000	2,345,000
Capital leases	496,754	477,372
Interest on long-term debt is included in the change in net assets as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.	72,737	71,570
Debt issuance premiums, discounts, and issuance costs are included in the change in net assets as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.	(14,158)	(14,158)
Certain expenses are included in the change in net assets, but do not require the use of current funds, and are not included in the change in fund balances.		
Severance	561,389	(141,853)
Compensated absences	10,276	(17,459)
Net pension benefits obligation	(152,108)	(146,208)
Net other post-employment benefit obligations	(1,371,686)	(1,333,781)
Certain revenues (including delinquent property taxes) are included in the change in net assets, but are excluded from the change in fund balances until they are available to liquidate liabilities of the current period.	57,231	15,836
Change in net assets – governmental activities	$ (1,057,982)	$ (2,856,680)

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended June 30, 2011

	Budgeted Amounts			
	Original	Final	Actual	Over (Under) Final Budget
Revenue				
Local sources				
Property taxes	$ 11,220,593	$ 15,200,693	$ 14,917,502	$ (283,191)
Investment earnings	40,000	40,000	6,758	(33,242)
Other	1,361,889	1,450,255	1,839,160	388,905
State sources	34,990,703	31,979,273	31,958,208	(21,065)
Federal sources	2,946,291	3,936,075	3,358,156	(577,919)
Total revenue	50,559,476	52,606,296	52,079,784	(526,512)
Expenditures				
Current				
Administration	2,330,092	2,342,054	2,371,106	29,052
District support services	1,257,989	1,358,500	1,339,401	(19,099)
Elementary and secondary regular instruction	24,049,756	24,740,732	25,134,023	393,291
Vocational education instruction	757,318	742,713	731,005	(11,708)
Special education instruction	9,613,448	9,747,118	9,100,333	(646,785)
Instructional support services	1,159,741	1,205,921	1,324,449	118,528
Pupil support services	4,046,214	4,208,405	4,565,045	356,640
Sites and buildings	8,144,834	7,741,435	7,979,702	238,267
Fiscal and other fixed cost programs	404,510	404,510	220,807	(183,703)
Debt service				
Principal	468,003	485,332	496,754	11,422
Interest and fiscal charges	94,625	197,857	189,824	(8,033)
Total expenditures	52,326,530	53,174,577	53,452,449	277,872
Excess (deficiency) of revenue over expenditures	(1,767,054)	(568,281)	(1,372,665)	(804,384)
Other financing sources				
Capital leases	–	–	369,656	369,656
Net change in fund balances	$ (1,767,054)	$ (568,281)	(1,003,009)	$ (434,728)
Fund balances				
Beginning of year			4,536,705	
End of year			$ 3,533,696	

See notes to basic financial statements

Statement of Fiduciary Net Assets
Fiduciary Funds
as of June 30, 2011

	Scholarship Private-Purpose Trust Fund	Post-Employment Benefits Trust Fund
Assets		
Deposits	$ 421,185	$ 3,955,807
Investments held by trustee, at fair value		
State and local obligations	–	4,833,315
Negotiable certificates of deposit	–	2,640,014
Commercial paper	–	1,176,304
MNTrust Investment Shares Portfolio	–	1,377,504
Accounts and interest receivable	822	72,618
Total assets	422,007	14,055,562
Liabilities		
Due to district	–	831,653
Net assets		
Held in trust for employee benefits and other purposes	$ 422,007	$ 13,223,909

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2011

	Scholarship Private-Purpose Trust Fund	Post-Employment Benefits Trust Fund
Additions		
Contributions		
Private donations	$ 13,180	$ –
Investment earnings	6,624	461,294
Total additions	19,804	461,294
Deductions		
Benefits	–	831,882
Scholarships	31,718	–
Total deductions	31,718	831,882
Change in net assets	(11,914)	(370,588)
Net assets		
Beginning of year	433,921	13,594,497
End of year	$ 422,007	$ 13,223,909

See notes to basic financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 280, Richfield, Minnesota (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a six-member School Board elected by the voters of the District. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

The accompanying financial statements include all funds, departments, agencies, boards, commissions, and other organizations that comprise the District, along with any component units.

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 includes 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.

In addition to component units, the District is required to disclose its relationships with related organizations. The District is a member of Technology and Information Educational Services (TIES), a consortium of Minnesota school districts that provides data processing services and support to its member districts. TIES is a separate legal entity that is financially independent of the District. Further, the District does not appoint a voting majority of TIES' Board of Directors. Therefore, TIES is not included as part of the District's reporting entity. During the 2011fiscal year, the District paid $767,324 to TIES for goods and services provided.

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, the District's School Board can elect to either control or not control extracurricular activities. The District's School Board has elected to exercise control over extracurricular activities; therefore, the extracurricular student activity accounts are included in the District's General Fund.

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Assets and 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. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are 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 internally directed revenues are reported instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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" described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. For capital assets that can be specifically identified with, or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. For capital assets that essentially serve all functional areas, depreciation expense is reported as "unallocated depreciation." Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements. Fiduciary funds, such as the District's Scholarship Private-Purpose Trust Fund and Post-Employment Benefits Trust Fund, are presented in the fiduciary fund financial statements. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide statements.

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. For this purpose, the District generally considers revenues to be available if they are collected within 60 days after year-end. Grants and similar revenues are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

2. **Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The fiduciary funds are reported using the economic resources measurement focus and use the accrual basis of accounting as described earlier in these notes.

Description of Funds

The existence of the various district funds has been established by the Minnesota Department of Education. Each fund is accounted for as an independent entity. Descriptions of the funds included in this report are as follows:

Major Governmental Funds

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects – Building Construction Fund – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition, construction, or improvement of major capital facilities authorized by bond issue or capital project levies.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and payment of, general obligation debt principal, interest, and related costs.

Nonmajor Governmental Funds

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is primarily used to account for the District's child nutrition program.

Community Service Special Revenue Fund – The Community Service Special Revenue Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adult or early childhood programs, or other similar services.

Fiduciary Funds

Scholarship Private-Purpose Trust Fund – The Scholarship Private-Purpose Trust Fund is used to account for resources held in trust to be used by various other third parties to award scholarships to former students of the District.

Post-Employment Benefits Trust Fund – The Post-Employment Benefits Trust Fund is used to administer assets held in an irrevocable trust to fund post-employment insurance benefits for eligible employees.

E. Budgetary Information

The School Board adopts an annual budget for all governmental funds prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted expenditure appropriations lapse at year-end. Actual expenditures exceeded final budgeted appropriations for the year ended June 30, 2011 by $277,872 in the General Fund, by $154,688 in the Food Service Special Revenue Fund, and by $22 in the Capital Projects – Building Construction Fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Temporary Investments

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. Earnings from the investments of the Capital Projects – Building Construction Fund and the Scholarship Private-Purpose Trust Fund are allocated directly to these funds.

Cash and investments in the Post-Employment Benefits Trust Fund represents assets contributed to an irrevocable trust established to finance the District's liability for post-employment insurance benefits. Earnings from the investments of this trust are allocated directly to this fund.

Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptances, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less, and investments in 2a7-like external investment pools, are reported at amortized cost. Other investments are reported at fair value.

G. Receivables

When necessary, the District utilizes an allowance for uncollectible accounts to value its receivables. However, the District considers all of its current receivables to be collectible. The only receivables not expected to be fully collected within one year are property taxes receivable.

H. Inventories

Inventories are recorded using the consumption method of accounting and consist of purchased food, supplies, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out basis. Surplus commodities are stated at standardized costs, as determined by the U.S. Department of Agriculture.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recorded as expenditures/expenses when consumed.

J. Property Taxes

The majority of district revenue is determined annually by statutory funding formulas. The total revenue allowed by these formulas is allocated between property taxes and state aids by the Legislature based on education funding priorities.

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes $5,660,700 of the property tax levy collectible in 2011 as revenue to the District in fiscal year 2010–2011. The remaining portion of the taxes collectible in 2011 is recorded as deferred revenue (property taxes levied for subsequent year).

Property tax levies are certified to the County Auditor in December of each year for collection from taxpayers in May and October of the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Such taxes become a lien on property on the following January 1. The county generally remits taxes to the District at periodic intervals as they are collected. A portion of property taxes levied is paid by the state of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred in the fund financial statements because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes is considered necessary.

K. Capital Assets

Capital assets are capitalized at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair market value at the date of donation. Generally, the District defines capital assets as those with an initial, individual cost of $3,000 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-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. Since assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment. Land and construction in progress are not depreciated.

The District does not possess any material amounts of infrastructure capital assets, such as sidewalks or parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

L. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs, if material, are also reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize debt proceeds equal to the par amount of debt issued as other financing sources in the year of issue. Premiums received on debt issuances are reported as additional debt proceeds, 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.

M. Compensated Absences

Eligible employees accrue vacation and sick leave at varying rates as specified by contract, portions of which may be carried over to future years. Employees are reimbursed for any unused, accrued vacation upon termination. Unused sick leave enters into the calculation of severance benefits for some employees upon termination. Compensated absences are accrued in the governmental fund statements only to the extent they have been used or otherwise matured prior to year-end. Unused vacation is accrued as it is earned in the government-wide financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Severance

The District provides lump sum severance benefits to eligible employees in accordance with provisions of certain collectively bargained contracts. Eligibility for these benefits is based on years of service and/or minimum age requirements. Severance benefits are calculated by converting a portion of an eligible employee's unused accumulated sick leave. No individual can receive severance benefits that exceed one year's salary.

Severance pay based on convertible sick leave is recorded as a liability in the government-wide statements as it is earned and it becomes probable that it will vest at some point in the future. Severance pay is accrued in the governmental fund financial statements as the liability matures due to employee retirement.

O. 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; natural disasters; and workers' compensation, for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal 2011.

P. Interfund Balances and Transfers

The current portions of interfund balances representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reported as due to/due from other funds. Interfund balances and transactions are reported in the fund financial statements, but are eliminated in the government-wide financial statements.

As of June 30, 2011, the Community Service Special Revenue Fund has a payable of $65,869 due to the General Fund, which represents an interfund loan to eliminate a temporary cash deficit.

The District transferred $485,560 to close the remaining unused funds from the Capital Projects – Building Construction Fund into the Debt Service Fund.

Q. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

R. Net Assets

In the government-wide financial statements, net assets represent the difference between assets and liabilities. Net assets are displayed in three components:

- **Invested in Capital Assets, Net of Related Debt** – Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.

- **Restricted Net Assets** – Consists of net assets restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

- **Unrestricted Net Assets** – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

S. Fund Balance Classifications

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.

- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.

- **Committed** – Consists of internally imposed constraints that are established by resolution of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to School Board resolution, the District's Superintendent or Business Manager is authorized to establish assignments of fund balance.

- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to first use restricted resources, then use unrestricted resources as they are needed.

When committed, assigned, or unassigned resources are available for use, it is the District's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

T. Change in Accounting Principle

For the year ended June 30, 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The District is implementing this standard retroactively, meaning prior year fund balance classifications have been restated. More information on these fund balance classifications is included elsewhere in these notes.

U. Prior Year Comparative Information

Certain prior year comparative information included in the basic financial statements has been restated to conform to the current year presentation.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

Cash and investments at year-end consist of the following:

Deposits	$	6,045,254
Investments		13,253,752
Cash on hand		4,100
Total	$	19,303,106

Cash and investments are presented in the financial statements as follows:

Cash and temporary investments		
Statement of Net Assets	$	4,898,977
Deposits and Investments		
Statement of Fiduciary Net Assets		
Scholarship Private-Purpose Trust Fund		421,185
Post-Employment Benefits Trust Fund		13,982,944
Total	$	19,303,106

B. Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the School Board, including checking accounts, savings accounts, and non-negotiable certificates of deposit.

The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may be lost.

Minnesota Statutes require that all deposits be protected 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.

The District's deposit policies do not further limit depository choices.

At year-end, the carrying amount of the District's deposits was $6,045,254 while the balance on the bank records was $5,080,411. At June 30, 2011, all deposits were insured or collateralized by securities held by the District's agent in the District's name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments

The District has the following investments at year-end:

Investment Type	Credit Risk Rating	Credit Risk Agency	Interest Risk – Maturity Duration in Years Less Than 1	1 to 5	5 to 10	Total
U.S. agency securities	AAAm	S&P	$ –	$ –	$ 210,288	$ 210,288
State and local obligations	AAA	S&P	$ 403,724	$ 2,389,414	$ 2,040,177	4,833,315
Commercial paper	AAA	S&P	$ 1,176,304	$ –	$ –	1,176,304
Negotiable certificates of deposit	N/A	N/A	$ 743,453	$ 1,896,561	$ –	2,640,014
Investment pools	AAAm	S&P	N/A	N/A	N/A	4,393,831
Total investments						$ 13,253,752

N/A – Not Applicable

The amount in investment pools includes $3,384,690 invested in the MnTrust Investment Shares Portfolio and $1,009,141 in the Minnesota School District Liquid Asset Fund, both of which are external investment pools regulated by Minnesota Statutes not registered with the Securities Exchange Commission (SEC) that follow the same regulatory rules of the SEC under rule 2a7. The District's investment in these funds is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value.

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although the District's investment policies do not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the District's investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. For assets held in the Post-Employment Benefits Trust Fund, the investment options available to the District are expanded to include the investment types specified in Minnesota Statute §356A.06, Subd. 7. The District's investment policies do not further restrict investing in specific financial instruments.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The District's investment policies do not limit the maturities of investments; however, when purchasing investments the District considers such things as interest rates and cash flow needs.

Concentration Risk – This is the risk associated with investing a significant portion of the District's investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District's investment policy limits the percentage of its total portfolio invested in certain instruments as follows: bankers' acceptances (25 percent), commercial paper (85 percent), repurchase agreements (25 percent), certificates of deposit (50 percent from commercial banks and 50 percent from savings and loan associations), and local government investment pools (75 percent). At June 30, 2011, the District's investment portfolio includes the following percentages of specific issuers:

State and local obligations	
ISD No. 181, Brainerd	11.8%
ISD No. 281, Robbinsdale	9.3%
Metropolitan Council of Minnesota	8.0%
Commercial paper	
Bank of America	8.9%

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	$ 349,265	$ –	$ –	$ –	$ 349,265
Construction in progress	95,014	811,120	–	(753,836)	152,298
Total capital assets, not depreciated	444,279	811,120	–	(753,836)	501,563
Capital assets, depreciated					
Land improvements	4,031,588	178,263	–	285,920	4,495,771
Buildings	86,049,678	335,966	–	467,916	86,853,560
Equipment	6,787,819	389,036	(574,181)	–	6,602,674
Total capital assets, depreciated	96,869,085	903,265	(574,181)	753,836	97,952,005
Less accumulated depreciation for					
Land improvements	(1,419,540)	(217,673)	–	–	(1,637,213)
Buildings	(27,329,885)	(2,619,799)	–	–	(29,949,684)
Equipment	(4,689,003)	(433,438)	573,481	–	(4,548,960)
Total accumulated depreciation	(33,438,428)	(3,270,910)	573,481	–	(36,135,857)
Net capital assets, depreciated	63,430,657	(2,367,645)	(700)	753,836	61,816,148
Total capital assets, net	$ 63,874,936	$ (1,556,525)	$ (700)	$ –	$ 62,317,711

Depreciation expense for the year ended June 30, 2011 was charged to the following governmental functions:

Administration	$ 466
Elementary and secondary regular instruction	17,493
Special education instruction	8,360
Community education and services	316
Instructional support services	60,612
Pupil support services	96,958
Sites and buildings	6,441
Food service	13,542
Unallocated depreciation	3,066,722
Total depreciation expense	$ 3,270,910

NOTE 4 – AID ANTICIPATION CERTIFICATES

The District issued short-term tax anticipation certificates for cash flow purposes. Interest and fiscal charges of $73,169 were incurred in the General Fund in the current year related to this debt. Short-term borrowing activity for the year ended June 30, 2011 is as follows:

Issue Date	Maturity Date	Interest Rate	June 30, 2010	Additions	Retirements	June 30, 2011
01/07/2010	02/07/2011	1.25%	$ 3,000,000	$ –	$ 3,000,000	$ –
12/29/2010	09/30/2011	1.00%	10,600,000	–	–	10,600,000
			$ 13,600,000	$ –	$ 3,000,000	$ 10,600,000

NOTE 5 – LONG-TERM LIABILITIES

A. General Obligation Bonds

The District currently has the following general obligation bonds outstanding:

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
2003B Alternative Facilities Bonds	12/01/2003	4.00–4.25%	$ 14,000,000	02/01/2020	$ 14,000,000
2005A Alternative Facilities Bonds	02/01/2005	4.00–4.30%	$ 4,160,000	02/01/2025	4,160,000
2006B Alternative Facilities Bonds	03/15/2006	3.85–4.05%	$ 5,300,000	02/01/2025	5,300,000
2008A Refunding Bonds	05/06/2008	3.00%	$ 8,450,000	02/01/2012	1,355,000
2008B Alternative Facilities Bonds	07/16/2008	3.95–4.13%	$ 6,340,000	02/01/2025	6,340,000
2008C Refunding Bonds	12/09/2008	3.25–4.00%	$ 9,500,000	02/01/2015	9,500,000
2009A Taxable OPEB Bonds	03/24/2009	5.00–5.75%	$ 15,885,000	02/01/2027	15,885,000
Total general obligation bonds					$ 56,540,000

These bonds were issued to finance the acquisition or construction of capital facilities, to finance the retirement (refund) of prior general obligation bond issues, or to finance other post-employment benefits (OPEB). Assets of the Debt Service Fund, together with future ad valorem tax levies, are dedicated for the retirement of these bonds. Future annual debt service levies authorized are equal to 105 percent of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

B. Capital Leases

The District has entered into 6 capital lease agreements for the acquisition of 14 buses. The leases, which bear interest rates ranging from 4.09 to 4.64 percent, call for annual principal and interest payments through July 2016. At the end of each lease term, the District has the option to purchase the buses for $1. The leased assets have been recorded at $1,263,133 (the present value of future minimum lease payments as of the inception dates of the leases).

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

The District has also entered into four capital lease agreements for the acquisition of technology equipment. The leases, which bear interest rates ranging from 3.45 to 4.64 percent, call for annual principal and interest payments through August 2014. At the end of each lease term, the District has the option to purchase the assets for $1. The values of the individual assets acquired through these leases were below the District's capitalization threshold, so they were not recorded as capital assets.

In July 2007, the District entered into a capital lease agreement for buses, technology equipment, and energy improvements. The lease, which bears an interest rate of 4.86 percent, calls for annual principal and interest payments through July 2021. At the end of the lease term, the District has the option to purchase the assets for $1. The leased assets have been recorded at $1,234,000 (the present value of future minimum lease payments as of the inception dates of the leases).

All capital leases are being paid through the General Fund.

C. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including severance benefits and compensated absences. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are paid from the General Fund and the Food Service and Community Service Special Revenue Funds.

D. Minimum Debt Payments

Minimum annual principal and interest payments to maturity for general obligation bonds and capital leases are as follows:

Year Ending	General Obligation Bonds		Capital Leases	
June 30,	Principal	Interest	Principal	Interest
2012	$ 2,500,000	$ 2,465,103	$ 489,807	$ 86,138
2013	3,115,000	2,387,240	356,176	64,735
2014	3,140,000	2,274,796	335,163	49,661
2015	3,305,000	2,145,446	213,941	35,419
2016	3,495,000	2,009,446	153,051	26,595
2017–2021	17,855,000	7,844,034	368,272	64,225
2022–2026	20,305,000	3,526,731	68,392	3,324
2027	2,825,000	162,438	–	–
	$ 56,540,000	$ 22,815,234	$ 1,984,802	$ 330,097

E. Changes in Long-Term Liabilities

	June 30, 2010	Additions	Retirements	June 30, 2011	Due Within One Year
General obligation bonds	$ 58,975,000	$ –	$ 2,435,000	$ 56,540,000	$ 2,500,000
Capital leases	2,111,898	369,656	496,754	1,984,800	489,807
Severance benefits	3,099,472	56,436	617,825	2,538,083	206,399
Compensated absences	316,036	305,760	316,036	305,760	305,760
Net pension benefits obligation	262,010	186,480	34,372	414,118	–
	$ 64,764,416	$ 918,332	$ 3,899,987	$ 61,782,761	$ 3,501,966

NOTE 6 – FUND BALANCES

During fiscal 2011, the District retroactively implemented the requirements of GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions."

The following is a breakdown of equity components of governmental funds which are defined earlier in the report. Any such restrictions which have an accumulated deficit rather than positive balance at June 30 are included in unassigned fund balance in the District's financial statements in accordance with accounting principles generally accepted in the United States of America. However, a description of these deficit balance restrictions is included herein since the District has specific authority to use future resources for such deficits.

A. Classifications

At June 30, 2011, a summary of the District's governmental fund balance classifications are as follows:

	General Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable				
Inventory	$ 21,043	$ –	$ 59,165	$ 80,208
Prepaids	587,952	–	6,105	594,057
Total nonspendable	608,995	–	65,270	674,265
Restricted				
Capital projects levy	47,329	–	–	47,329
Operating capital	1,259,717	–	–	1,259,717
Debt service	–	1,077,265	–	1,077,265
Food service	–	–	27,573	27,573
Community education programs	–	–	89,418	89,418
Early childhood family education programs	–	–	1,809	1,809
School readiness	–	–	8,581	8,581
Total restricted	1,307,046	1,077,265	127,381	2,511,692
Assigned				
Student activities	132,497	–	–	132,497
Garden project	1,516	–	–	1,516
Wellness expo	409	–	–	409
Separation and retirement benefits	97,100	–	–	97,100
Kern Grant	14,209	–	–	14,209
Ship Grant	8,097	–	–	8,097
3rd party special education	7,074	–	–	7,074
Next years' budget	1,356,753	–	–	1,356,753
Total assigned	1,617,655	–	–	1,617,655
Unassigned				
Health and safety restricted deficit	(449,933)	–	–	(449,933)
Unassigned	449,933	–	–	449,933
Total unassigned	–	–	–	–
Total	$ 3,533,696	$ 1,077,265	$ 192,651	$ 4,803,612

B. Minimum Unassigned Fund Balance Policy

The School Board has formally adopted a fund balance policy that establishes a desired unassigned General Fund balance goal of between 4–8 percent of annual projected expenditures.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

The District provides post-employment insurance benefits to certain eligible employees through the Independent School District No. 280 OPEB Plan, a single-employer defined benefit plan administered by the District. All post-employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements.

All retirees of the District have the option under state law to continue their medical insurance coverage through the District from the time of retirement until the employee reaches the age of eligibility for Medicare. For members of certain employee groups, the District pays the eligible retiree's premiums for medical (single or family coverage premium at active employee rates), dental (single or family coverage premium at active employee rates), and/or life insurance (coverage to 2–3 times their basic annual salary to a maximum of $300,000), for some period after retirement. The length of the benefits to be paid by the District differ by bargaining unit, with some contracts specifying a number of months of coverage based on years of service (ranging from 48–120 months coverage for 15–30 years of continuous service), and some covering premium costs from the time of retirement until the employee reaches the age of eligibility for Medicare.

The District is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees, whether the premiums are paid by the District or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy." This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the District's younger and statistically healthier active employees.

B. Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined annually by the District.

The District's annual OPEB cost (expense) is calculated based on annual required contributions (ARC) of the District, an amount determined on an actuarially determined basis in accordance with the parameters of GASB Statement Nos. 43 and 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation to the plan:

Annual required contribution	$ 1,150,261
Interest on net OPEB obligation	(505,293)
Adjustment to annual required contribution	726,718
Annual OPEB cost (expense)	1,371,686
Contributions made	–
Change in net OPEB obligation	1,371,686
Net OPEB obligation – beginning of year	(11,187,232)
Negative net OPEB obligation – end of year	$ (9,815,546)

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) (CONTINUED)

C. Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2009, 2010, and 2011 are as follows:

Fiscal Year Ended June 30,	Net OPEB Obligation Beginning of Year	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Negative Net OPEB Obligation
2009	$ 691,165	$ 1,841,421	$ 15,053,599	817.5%	$ (12,521,013)
2010	$ (12,521,013)	$ 1,333,781	$ –	–%	$ (11,187,232)
2011	$ (11,187,232)	$ 1,371,686	$ –	–%	$ (9,815,546)

D. Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 85.5 percent funded. The actuarial accrued liability for benefits was $17,599,688, and the actuarial value of assets was $15,053,599, resulting in an unfunded actuarial accrued liability (UAAL) of $2,546,089. The covered payroll (annual payroll of active employees covered by the plan) was $25,945,671 and the ratio of the UAAL to the covered payroll was 9.8 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability 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 ARC 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 immediately following the notes to basic financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. 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 4.5 percent investment rate of return (net of administrative expenses) based on the District's own investments; an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after eight years for medical insurance; and an annual healthcare trend rate of 4.0 percent for dental insurance. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization periods at July 1, 2009 for the various amortization layers ranged from 28 to 30 years.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) (CONTINUED)

F. Post-Employment Benefits Trust Fund

The District administers a defined benefit OPEB Plan. The assets of the plan are reported in the District's financial report in the Post-Employment Benefits Trust Fund. The plan assets may be used only for the payment of benefits of the plan, in accordance with the terms of the plan.

The Post-Employment Benefits Trust Fund is reported using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

G. Membership

Membership in the plan consisted of the following as of July 1, 2009:

Retirees and beneficiaries receiving benefits	125
Active plan members	609
Total members	734

NOTE 8 – PENSION BENEFITS PLAN

A. Plan Description

The District provides pension benefits to certain eligible employees through the Independent School District No. 280 Pension Benefits Plan, a single-employer defined benefit plan administered by the District. All pension benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. These benefits are summarized as follows:

Superintendent Pension Benefits – The District pays a lump sum benefit equal to $4,000 per year of service as superintendent, not to exceed 50 percent of annual salary.

Teacher Pension Benefits – For eligible teachers (with at least 15 years of continuous service and at least 55 years of age), the District pays a lump sum pension benefit that ranges from $7,500 to $10,000, based on years of service at retirement. Eligible teachers can earn an additional lump sum benefit of $5,000 if they have unused sick leave of more than 150 days at retirement.

Other Pension Benefits – The District offers pension benefits to several other employee groups. Eligible employees (with at least 15 years of continuous service and at least 55 years of age) can earn a lump sum pension benefit that differs by bargaining unit, ranging from $3,500 up to 50 percent of their annual salary.

B. Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements.

NOTE 8 – PENSION BENEFITS PLAN (CONTINUED)

C. Annual Pension Cost and Net Pension Obligation

The District's annual pension cost (expense) is calculated based on the ARC of the District, an amount determined on an actuarially determined basis in accordance with the parameters of GASB Statement Nos. 25, 27, and 50. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual pension cost for the year, the amount actually contributed, and the changes in the District's net pension obligation:

Annual required contribution	$ 189,363
Interest on net pension obligation	6,579
Adjustment to annual required contribution	(9,462)
Annual pension cost	186,480
Contributions made	34,372
Increase in net pension obligation	152,108
Net pension obligation – beginning of year	262,010
Net pension obligation – end of year	$ 414,118

The District's annual pension cost, the percentage of annual pension cost contributed to the plan, and the net pension obligation for the years ended June 30, 2009, 2010, and 2011 are as follows:

Fiscal Year Ended June 30,	Net Pension Obligation Beginning of Year	Annual Pension Cost	Employer Contribution	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2009	$ 10,303	$ 171,062	$ 65,563	38.3%	$ 115,802
2010	$ 115,802	$ 187,283	$ 41,075	21.9%	$ 262,010
2011	$ 262,010	$ 186,480	$ 34,372	18.4%	$ 414,118

D. Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $1,743,881, and the actuarial value of assets was $0, resulting in a UAAL of $1,743,881. The covered payroll (annual payroll of active employees covered by the plan) was $25,945,671, and the ratio of the UAAL to the covered payroll was 6.7 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability occurrence of events far into the future. Examples include assumptions about future employment and mortality. Amounts determined regarding the funded status of the plan and the ARC 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 immediately following the notes to basic financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 8 – PENSION BENEFITS PLAN (CONTINUED)

E. 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 4.5 percent investment rate of return (net of administrative expenses) based on the District's own investments and a 3.0 percent salary increase for all members. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization periods at July 1, 2009 for the various amortization layers ranged from 28 to 30 years.

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Substantially all employees of the District are required by state law to belong to defined benefit, multi-employer, cost-sharing pension plans administered by the Teachers' Retirement Association (TRA) or Public Employees' Retirement Association (PERA), all of which are administered on a state-wide basis. Disclosures relating to these plans are as follows:

Teachers' Retirement Association (TRA)

A. Plan Description

All teachers employed by the District are covered by defined benefit plans administered by TRA. TRA members belong to either the Coordinated or 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. These plans are established and administered in accordance with Minnesota Statutes, Chapters 354 and 356.

TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota Statute and vest after three years of service credit. The defined retirement benefits are based on a member's highest average salary for any five consecutive years of allowable service, age, and a formula multiplier based on years of credit at termination of service.

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Two methods are used to compute benefits for TRA's Coordinated and Basic Plan members. Members first employed before July 1, 1989 receive the greater of the Tier I or Tier II as described below:

Tier I

	Step Rate Formula	Percentage per Year
Basic Plan		
	First 10 years	2.2 percent
	All years after	2.7 percent
Coordinated Plan		
	First 10 years if service years are prior to July 1, 2006	1.2 percent
	First 10 years if service years are July 1, 2006 or after	1.4 percent
	All other years of service if service years are prior to July 1, 2006	1.7 percent
	All other years of service if service years are July 1, 2006 or after	1.9 percent

With these provisions:

- Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- Three percent per year early retirement reduction factors for all years under normal retirement age.
- Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

Tier II

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for Coordinated Plan members and 2.7 percent per year for Basic Plan members. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated Plan members and 2.7 percent for Basic Plan members applies. Actuarially equivalent early retirement reduction factors with augmentation are used for early retirement before the normal age of 65. These reduction factors average approximately 4–5.5 percent per year.

Members first employed after June 30, 1989 receive only the Tier II calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death of the retiree—no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans which have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is eligible for a refund of their employee contributions plus interest.

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

TRA publicly issues a Comprehensive Annual Financial Report (CAFR) presenting financial statements, supplemental information on funding levels, investment performance, and further information on benefits provisions. The report may be accessed at the TRA website at tra.state.mn.us. Alternatively, a copy of the report may be obtained by writing TRA at Teachers' Retirement Association, 60 Empire Drive, Suite 400, St. Paul, Minnesota 55103-4000 or by calling (651) 296–6449 or (800) 657–3853.

B. Funding Policy

Minnesota Statutes, Chapter 354 sets the rates for employee and employer contributions. These statutes are established and amended by the State Legislature. Coordinated and Basic Plan members are required to contribute 5.5 percent and 9.0 percent, respectively, of their annual covered salary as employee contributions. The TRA employer contribution rates are 5.5 percent for Coordinated Plan members and 9.5 percent for Basic Plan members. Total covered payroll salaries for all TRA members state-wide during the fiscal years June 30, 2010, 2009, and 2008 were approximately $3.79 billion, $3.76 billion, and $3.65 billion, respectively.

The District's contributions for the years ended June 30, 2011, 2010, and 2009 were $1,231,277, $1,195,064, and $1,144,612, respectively, equal to the contractually required contributions for each year as set by state statute.

The 2010 Legislature approved employee and employer contribution rate increases to be phased-in over a four-year period beginning July 1, 2011. Employee and employer contribution rates will rise 0.5 percent each year of the four-year period. Beginning July 1, 2014, TRA Coordinated Plan employee and employer contribution rates will each be 7.5 percent.

Public Employees' Retirement Association (PERA)

A. Plan Description

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

GERF 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.

PERA provides retirement benefits as well as disability benefits to members, and 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.

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a 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 service 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 all GERF 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 Plan members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated Plan 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 single-life 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 yet 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 GERF. That report may be obtained on the web at mnpera.org; by writing to PERA at 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 state statutes. GERF Basic and Coordinated Plan members were required to contribute 9.1 percent and 6.0 percent, respectively, of their annual covered salary in 2010. The contribution rate for Coordinated Plan members increased to 6.25 percent effective January 1, 2011. The District was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members and 7.00 percent for Coordinated Plan members. Employer contribution rates for the Coordinated Plan increased to 7.25 percent effective January 1, 2011.

The District's contributions to GERF for the years ended June 30, 2011, 2010, and 2009 were $545,919, $512,879, and $483,134, respectively, equal to the contractually required contributions for each year as set by state statutes.

NOTE 10 – FLEXIBLE BENEFIT PLAN

The District has established the Richfield Employees' Flex-Benefits Plan (the Plan). The Plan is a flexible benefit plan classified as a "cafeteria plan" under § 125 of the Internal Revenue Code. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the Plan for health insurance, healthcare, and dependant care benefits. Payments are made from the Plan to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the participant.

NOTE 10 – FLEXIBLE BENEFIT PLAN (CONTINUED)

Before the beginning of the Plan year, which is from July 1 to June 30, each participant designates a total amount of pre-tax dollars to be contributed to the Plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual medical expense contributions to the Plan, whether or not such contributions have been made.

The employee portion of insurance premiums (health, dental, and disability) are withheld and paid by the District directly to the designated insurance companies. The dependant care and medical expense reimbursement portions of the Plan are administered by an independent contact administrator. All plan activity is accounted for in the General Fund and special revenue funds. All property of the Plan and income attributable to that property is solely the property of the District, subject to the claims of the District's general creditors. Participants' rights under the Plan are equal to those of general creditors of the District in an amount equal to the eligible healthcare and dependant care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Legal Claims

The District has the usual and customary types of miscellaneous legal claims pending at year-end, mostly of a minor nature and usually covered by insurance carried for that purpose.

B. Federal and State Receivables

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

NOTE 12 – SUBSEQUENT EVENT

On September 7, 2011, the District sold $16,500,000 of aid anticipation certificates for cash flow purposes at an interest rate of 0.4 percent. The certificates mature on September 7, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 280 Other Post-Employment Benefits Plan
Schedule of Funding Progress and Schedule of Employer Contributions

The following schedules present trend information about the funding progress and amounts contributed to the Independent School District No. 280 Other Post-Employment Benefits Plan administered by the District:

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
July 1, 2007	$ 15,054,988	$ –	$ 15,054,988	–	$ 23,493,478	64.1%
July1, 2009	$ 17,599,688	$ 15,053,599	$ 2,546,089	85.5%	$ 25,945,671	9.8%

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	(Negative) Net OPEB Obligation
2009	$ 1,841,422	817.5%	$ (12,521,012)
2010	$ 1,333,781	–	$ (11,187,232)
2011	$ 1,371,686	–	$ (9,815,546)

Independent School District No. 280 Pension Benefits Plan
Schedule of Funding Progress

The following schedule presents trend information about the funding progress of the Independent School District No. 280 Pension Benefits Plan administered by the District:

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
July 1, 2007	$ 1,556,146	$ –	$ 1,556,146	–	$ 23,493,478	6.6%
July 1, 2009	$ 1,743,881	$ –	$ 1,743,881	–	$ 25,945,671	6.7%

COMBINING AND INDIVIDUAL FUND

STATEMENTS AND SCHEDULES

INDEPENDENT SCHOOL DISTRICT NO. 280

Nonmajor Governmental Funds
Combining Balance Sheet
as of June 30, 2011

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	$ 35,813	$ –	$ 35,813
Receivables			
Current taxes	–	228,280	228,280
Delinquent taxes	–	7,032	7,032
Accounts and interest	3,573	3,900	7,473
Due from other governmental units	17,113	181,581	198,694
Due from OPEB trust	7,594	5,043	12,637
Inventory	59,165	–	59,165
Prepaid items	5,671	434	6,105
Total assets	$ 128,929	$ 426,270	$ 555,199
Liabilities and Fund Balances			
Liabilities			
Salaries payable	$ 8,488	$ 16,931	$ 25,419
Accounts and contracts payable	28,032	9,757	37,789
Due to other governmental units	–	1,417	1,417
Due to other funds	–	65,869	65,869
Property taxes levied for subsequent year	–	225,022	225,022
Deferred revenue – delinquent taxes	–	7,032	7,032
Total liabilities	36,520	326,028	362,548
Fund balances			
Nonspendable	64,836	434	65,270
Restricted	27,573	99,808	127,381
Total fund balances	92,409	100,242	192,651
Total liabilities and fund balances	$ 128,929	$ 426,270	$ 555,199

INDEPENDENT SCHOOL DISTRICT NO. 280

Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2011

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	$ –	$ 615,386	$ 615,386
Investment earnings	67	243	310
Other	352,669	277,936	630,605
State sources	66,171	355,520	421,691
Federal sources	1,301,037	–	1,301,037
Total revenue	1,719,944	1,249,085	2,969,029
Expenditures			
Current			
Food service	1,769,533	–	1,769,533
Community service	–	1,294,561	1,294,561
Capital outlay	13,261	300	13,561
Total expenditures	1,782,794	1,294,861	3,077,655
Net change in fund balances	(62,850)	(45,776)	(108,626)
Fund balances			
Beginning of year	155,259	146,018	301,277
End of year	$ 92,409	$ 100,242	$ 192,651

General Fund
Comparative Balance Sheet
as of June 30, 2011 and 2010

	2011	2010
Assets		
Cash and temporary investments	$ 1,456,172	$ 1,726,687
Receivables		
Current taxes	5,536,440	5,610,469
Delinquent taxes	180,985	143,791
Accounts and interest	302,540	322,999
Due from other governmental units	12,039,613	9,725,893
Due from other funds	65,869	18
Due from OPEB trust	819,016	933,903
Inventory	21,043	31,303
Prepaid items	587,952	465,432
Total assets	$ 21,009,630	$ 18,960,495
Liabilities and Fund Balances		
Liabilities		
Aid anticipation certificates	$ 10,060,000	$ 3,000,000
Salaries payable	250,426	239,947
Accounts and contracts payable	1,166,615	1,030,901
Accrued interest payable	50,395	17,850
Due to other governmental units	300,532	413,716
Property taxes levied for subsequent year	5,466,981	9,577,585
Deferred revenue – delinquent taxes	180,985	143,791
Total liabilities	17,475,934	14,423,790
Fund balances (deficits)		
Nonspendable for inventory	21,043	31,303
Nonspendable for prepaids	587,952	465,432
Restricted for capital projects levy	47,329	29,716
Restricted for operating capital	1,259,717	2,158,009
Assigned for student activities	132,497	129,389
Assigned for garden project	1,516	256
Assigned for wellness expo	409	740
Assigned for separation and retirement benefits	97,100	97,100
Assigned for Kern Grant	14,209	18,693
Assigned for Ship Grant	8,097	–
Assigned for third party special education	7,074	–
Assigned for next year's budget	1,356,753	1,606,067
Unassigned – health and safety restricted account deficit	(449,933)	(128,122)
Unassigned	449,933	128,122
Total fund balances	3,533,696	4,536,705
Total liabilities and fund balances	$ 21,009,630	$ 18,960,495

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	2011			2010
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 15,200,693	$ 14,917,502	$ (283,191)	$ 11,237,159
Investment earnings	40,000	6,758	(33,242)	7,184
Other	1,450,255	1,839,160	388,905	1,799,669
State sources	31,979,273	31,958,208	(21,065)	31,609,959
Federal sources	3,936,075	3,358,156	(577,919)	5,584,065
Total revenue	52,606,296	52,079,784	(526,512)	50,238,036
Expenditures				
Current				
Administration				
Salaries	1,509,139	1,557,098	47,959	1,444,233
Employee benefits	476,001	457,678	(18,323)	429,938
Purchased services	66,539	58,153	(8,386)	87,939
Supplies and materials	199,727	228,116	28,389	203,184
Capital expenditures	1,500	2,487	987	16
Other expenditures	89,148	67,574	(21,574)	71,146
Total administration	2,342,054	2,371,106	29,052	2,236,456
District support services				
Salaries	616,933	608,265	(8,668)	631,092
Employee benefits	231,599	236,712	5,113	273,701
Purchased services	373,450	290,951	(82,499)	303,943
Supplies and materials	47,450	58,378	10,928	60,918
Capital expenditures	10,750	10,917	167	11,979
Other expenditures	78,318	134,178	55,860	63,124
Total district support services	1,358,500	1,339,401	(19,099)	1,344,757
Elementary and secondary regular instruction				
Salaries	16,413,791	16,487,890	74,099	15,517,573
Employee benefits	5,296,116	5,242,023	(54,093)	4,963,113
Purchased services	2,118,813	2,135,785	16,972	2,019,085
Supplies and materials	689,928	949,271	259,343	939,779
Capital expenditures	112,961	289,349	176,388	235,675
Other expenditures	109,123	29,705	(79,418)	40,107
Total elementary and secondary regular instruction	24,740,732	25,134,023	393,291	23,715,332

(continued)

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	2011			2010
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	333,589	350,756	17,167	356,548
Employee benefits	105,530	109,842	4,312	105,193
Purchased services	284,014	253,272	(30,742)	298,263
Supplies and materials	19,580	17,135	(2,445)	23,676
Total vocational education instruction	742,713	731,005	(11,708)	783,680
Special education instruction				
Salaries	6,107,273	5,872,303	(234,970)	5,731,738
Employee benefits	2,214,536	2,109,823	(104,713)	2,005,188
Purchased services	1,238,993	999,783	(239,210)	1,157,682
Supplies and materials	131,370	79,618	(51,752)	170,981
Capital expenditures	48,046	35,874	(12,172)	22,621
Other expenditures	6,900	2,932	(3,968)	2,309
Total special education instruction	9,747,118	9,100,333	(646,785)	9,090,519
Instructional support services				
Salaries	806,911	812,378	5,467	1,007,474
Employee benefits	235,740	234,456	(1,284)	289,895
Purchased services	77,815	43,134	(34,681)	48,222
Supplies and materials	85,297	41,244	(44,053)	46,221
Capital expenditures	98	192,440	192,342	222,820
Other expenditures	60	797	737	732
Total instructional support services	1,205,921	1,324,449	118,528	1,615,364
Pupil support services				
Salaries	1,895,184	1,972,609	77,425	1,896,367
Employee benefits	621,219	652,766	31,547	607,906
Purchased services	1,324,730	1,372,032	47,302	1,536,461
Supplies and materials	321,872	342,736	20,864	303,029
Capital expenditures	44,500	224,460	179,960	180,424
Other expenditures	900	442	(458)	1,574
Total pupil support services	4,208,405	4,565,045	356,640	4,525,761

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 280

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	2011			2010
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	2,236,138	2,280,505	44,367	2,209,987
Employee benefits	901,739	888,613	(13,126)	883,954
Purchased services	1,848,934	1,921,685	72,751	1,790,476
Supplies and materials	897,908	890,802	(7,106)	841,925
Capital expenditures	1,776,716	1,918,097	141,381	1,480,806
Other expenditures	80,000	80,000	–	142,488
Total sites and buildings	7,741,435	7,979,702	238,267	7,349,636
Fiscal and other fixed cost programs				
Purchased services	395,010	211,782	(183,228)	208,444
Other expenditures	9,500	9,025	(475)	7,691
Total fiscal and other fixed cost programs	404,510	220,807	(183,703)	216,135
Debt service				
Principal	485,332	496,754	11,422	477,372
Interest and fiscal charges	197,857	189,824	(8,033)	122,895
Total debt service	683,189	686,578	3,389	600,267
Total expenditures	53,174,577	53,452,449	277,872	51,477,907
Excess (deficiency) of revenue over expenditures	(568,281)	(1,372,665)	(804,384)	(1,239,871)
Other financing sources				
Capital leases	–	369,656	369,656	391,126
Net change in fund balances	$ (568,281)	(1,003,009)	$ (434,728)	(848,745)
Fund balances				
Beginning of year		4,536,705		5,385,450
End of year		$ 3,533,696		$ 4,536,705

INDEPENDENT SCHOOL DISTRICT NO. 280

Food Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2011 and 2010

	2011	2010
Assets		
Cash and temporary investments	$ 35,813	$ –
Receivables		
Accounts and interest	3,573	5,765
Due from other governmental units	17,113	65,734
Due from OPEB trust	7,594	7,610
Inventory	59,165	84,131
Prepaid items	5,671	5,678
Total assets	$ 128,929	$ 168,918
Liabilities and Fund Balances		
Liabilities		
Salaries payable	$ 8,488	$ 2,175
Accounts and contracts payable	28,032	11,466
Due to other funds	–	18
Total liabilities	36,520	13,659
Fund balances		
Nonspendable for inventory	59,165	84,131
Nonspendable for prepaids	5,671	5,678
Restricted for food service	27,573	65,450
Total fund balances	92,409	155,259
Total liabilities and fund balances	$ 128,929	$ 168,918

INDEPENDENT SCHOOL DISTRICT NO. 280

Food Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	2011			2010
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	$ 500	$ 67	$ (433)	$ 271
Other – primarily meal sales	402,000	352,669	(49,331)	382,303
State sources	65,000	66,171	1,171	64,706
Federal sources	1,193,541	1,301,037	107,496	1,231,539
Total revenue	1,661,041	1,719,944	58,903	1,678,819
Expenditures				
Current				
Salaries	609,298	643,544	34,246	631,637
Employee benefits	198,217	212,591	14,374	204,718
Purchased services	24,200	10,407	(13,793)	9,417
Supplies and materials	727,541	902,746	175,205	684,964
Other expenditures	3,850	245	(3,605)	3,679
Capital outlay	65,000	13,261	(51,739)	66,148
Total expenditures	1,628,106	1,782,794	154,688	1,600,563
Net change in fund balances	$ 32,935	(62,850)	$ (95,785)	78,256
Fund balances				
Beginning of year		155,259		77,003
End of year		$ 92,409		$ 155,259

INDEPENDENT SCHOOL DISTRICT NO. 280

Community Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2011 and 2010

	2011	2010
Assets		
Cash and temporary investments	$ –	$ 176,610
Receivables		
Current taxes	228,280	222,308
Delinquent taxes	7,032	5,863
Accounts and interest	3,900	3,661
Due from other governmental units	181,581	159,732
Due from OPEB trust	5,043	5,054
Prepaid items	434	29,762
Total assets	$ 426,270	$ 602,990
Liabilities and Fund Balances		
Liabilities		
Salaries payable	$ 16,931	$ 13,374
Accounts and contracts payable	9,757	10,007
Due to other governmental units	1,417	1,498
Due to other funds	65,869	–
Property taxes levied for subsequent year	225,022	426,230
Deferred revenue – delinquent taxes	7,032	5,863
Total liabilities	326,028	456,972
Fund balances		
Nonspendable for prepaids	434	29,762
Restricted for community education programs	89,418	52,439
Restricted for early childhood family education programs	1,809	20,785
Restricted for school readiness	8,581	3,389
Restricted for community service	–	39,643
Total fund balances	100,242	146,018
Total liabilities and fund balances	$ 426,270	$ 602,990

INDEPENDENT SCHOOL DISTRICT NO. 280

Community Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	2011			2010
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 634,688	$ 615,386	$ (19,302)	$ 417,583
Investment earnings	4,000	243	(3,757)	1,093
Other – primarily tuition and fees	271,079	277,936	6,857	273,734
State sources	389,069	355,520	(33,549)	576,412
Total revenue	1,298,836	1,249,085	(49,751)	1,268,822
Expenditures				
Current				
Salaries	441,411	457,443	16,032	428,219
Employee benefits	81,420	87,052	5,632	75,464
Purchased services	654,355	642,798	(11,557)	634,613
Supplies and materials	109,389	96,992	(12,397)	116,187
Other expenditures	9,200	10,276	1,076	9,719
Capital outlay	2,000	300	(1,700)	6,738
Total expenditures	1,297,775	1,294,861	(2,914)	1,270,940
Net change in fund balances	$ 1,061	(45,776)	$ (46,837)	(2,118)
Fund balances				
Beginning of year		146,018		148,136
End of year		$ 100,242		$ 146,018

INDEPENDENT SCHOOL DISTRICT NO. 280

Capital Projects – Building Construction Fund
Comparative Balance Sheet
as of June 30, 2011 and 2010

	2011	2010
Assets		
Cash and temporary investments	$ –	$ 492,984
Liabilities and Fund Balances		
Restricted for alternative facilities program	$ –	$ 492,984

Capital Projects – Building Construction Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	2011			2010
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	$ –	$ 22	$ 22	$ 1,520
Expenditures				
Capital outlay				
Purchased services	–	59	59	83,374
Capital expenditures	7,424	7,387	(37)	42,975
Total expenditures	7,424	7,446	22	126,349
Excess (deficiency) of revenue over expenditures	(7,424)	(7,424)	–	(124,829)
Other financing sources (uses)				
Transfers (out)	(485,560)	(485,560)	–	–
Net change in fund balances	$ (492,984)	(492,984)	$ –	(124,829)
Fund balances				
Beginning of year		492,984		617,813
End of year		$ –		$ 492,984

INDEPENDENT SCHOOL DISTRICT NO. 280

Debt Service Fund
Comparative Balance Sheet
as of June 30, 2011
(With Comparative Totals as of June 30, 2010)

	Regular Debt Service Account	OPEB Debt Service Account	Totals 2011	Totals 2010
Assets				
Cash and temporary investments	$ 2,956,691	$ 450,301	$ 3,406,992	$ 2,982,815
Receivables				
Current taxes	2,148,439	469,328	2,617,767	2,561,680
Delinquent taxes	66,362	8,214	74,576	55,708
Due from other governmental units	56,470	12,646	69,116	66,196
Total assets	$ 5,227,962	$ 940,489	$ 6,168,451	$ 5,666,399
Liabilities and Fund Balances				
Liabilities				
Property taxes levied for subsequent year	$ 4,118,110	$ 898,500	$ 5,016,610	$ 4,911,509
Deferred revenue – delinquent taxes	66,362	8,214	74,576	55,708
Total liabilities	4,184,472	906,714	5,091,186	4,967,217
Fund balances				
Restricted for debt service	1,043,490	33,775	1,077,265	699,182
Total liabilities and fund balances	$ 5,227,962	$ 940,489	$ 6,168,451	$ 5,666,399

INDEPENDENT SCHOOL DISTRICT NO. 280

Debt Service Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2011
(With Comparative Actual Amounts for the Year Ended June 30, 2010)

	2011					2010
		Actual				
	Budget	Regular Debt Service Account	OPEB Debt Service Account	Total	Over (Under) Budget	Actual
Revenue						
Local sources						
Property taxes	$ 4,910,857	$ 3,792,772	$ 847,178	$ 4,639,950	$ (270,907)	$ 3,895,219
Investment earnings	20,000	1,330	–	1,330	(18,670)	4,813
State sources	–	188,236	42,153	230,389	230,389	175,074
Total revenue	4,930,857	3,982,338	889,331	4,871,669	(59,188)	4,075,106
Expenditures						
Debt service						
Principal	2,435,000	2,435,000	–	2,435,000	–	2,345,000
Interest	2,538,715	1,683,159	855,556	2,538,715	–	2,534,850
Fiscal charges and other	50,000	5,431	–	5,431	(44,569)	5,862
Total expenditures	5,023,715	4,123,590	855,556	4,979,146	(44,569)	4,885,712
Excess (deficiency) of revenue over expenditures	(92,858)	(141,252)	33,775	(107,477)	(14,619)	(810,606)
Other financing sources						
Transfers in	485,560	485,560	–	485,560	–	–
Net change in fund balances	$ 392,702	344,308	33,775	378,083	$ (14,619)	(810,606)
Fund balances						
Beginning of year		699,182	–	699,182		1,509,788
End of year		$ 1,043,490	$ 33,775	$ 1,077,265		$ 699,182

SUPPLEMENTAL INFORMATION

(UNAUDITED)

INDEPENDENT SCHOOL DISTRICT NO. 280

Government-Wide Revenue by Type
Last Nine Fiscal Years

Year Ended June 30,	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	General Revenues: Property Taxes	General Revenues: General Grants and Aids	General Revenues: Investment Earnings and Other	Total
2003	$ 2,169,818	$ 6,823,456	$ 7,932,632	$ 26,371,272	$ 1,527,842	$ 44,825,020
	4.9%	15.2%	17.7%	58.8%	3.4%	100.0%
2004	2,113,508	6,923,629	10,899,464	24,289,715	1,255,355	45,481,671
	4.6%	15.2%	24.0%	53.4%	2.8%	100.0%
2005	2,099,664	7,472,080	10,041,109	27,095,435	1,150,797	47,859,085
	4.4%	15.6%	21.0%	56.6%	2.4%	100.0%
2006	2,021,183	8,113,107	8,405,734	30,406,743	8,359,309	57,306,076
	3.5%	14.2%	14.7%	53.1%	14.5%	100.0%
2007	1,713,644	8,625,652	12,332,514	29,313,277	1,759,280	53,744,367
	3.2%	16.1%	22.9%	54.5%	3.3%	100.0%
2008	1,477,447	8,581,588	13,856,102	30,186,960	2,249,216	56,351,313
	2.6%	15.2%	24.6%	53.6%	4.0%	100.0%
2009	1,336,533	8,756,114	14,821,178	31,124,669	1,484,407	57,522,901
	2.3%	15.2%	25.8%	54.1%	2.6%	100.0%
2010	1,317,261	9,590,517	15,565,797	29,656,010	1,148,554	57,278,139
	2.3%	16.7%	27.2%	51.8%	2.0%	100.0%
2011	1,351,240	10,298,601	20,230,069	27,076,258	1,021,567	59,977,735
	2.3%	17.2%	33.7%	45.1%	1.7%	100.0%

Note 1: The District implemented GASB Statement No. 34 in fiscal year 2003. This information is not available for previous fiscal years.

Note 2: In fiscal year 2006, investment earnings and other includes a $6,378,324 gain on the sale of a district elementary school building and land.

INDEPENDENT SCHOOL DISTRICT NO. 280

Government-Wide Expenses by Program
Last Nine Fiscal Years

Year Ended June 30,	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction	Instructional Support Services	Pupil Support Services	Sites and Buildings	Fiscal and Other Fixed Cost Programs	Food Service	Community Service	Unallocated Depreciation	Interest and Fiscal Charges	Total
2003	$ 1,604,627	$ 1,576,431	$ 15,708,130	$ 407,506	$ 6,840,049	$ 2,216,430	$ 3,028,963	$ 4,099,754	$ 208,626	$ 1,159,803	$ 1,094,693	$ 1,094,762	$ 2,108,892	$ 41,148,666
	3.9%	3.8%	38.2%	1.0%	16.6%	5.4%	7.3%	10.0%	0.5%	2.8%	2.7%	2.7%	5.1%	100.0%
2004	1,610,565	1,719,468	16,902,387	444,122	7,111,350	2,494,489	3,317,541	5,111,928	231,337	1,245,379	1,042,356	1,093,160	1,517,993	43,842,075
	3.7%	3.9%	38.5%	1.0%	16.2%	5.7%	7.6%	11.7%	0.5%	2.8%	2.4%	2.5%	3.5%	100.0%
2005	1,797,881	1,416,049	18,532,065	720,765	7,068,962	2,661,851	3,627,859	6,260,263	250,585	1,252,367	1,029,239	1,285,004	1,779,654	47,682,544
	3.8%	3.0%	38.9%	1.5%	14.8%	5.6%	7.6%	13.1%	0.5%	2.6%	2.2%	2.7%	3.7%	100.0%
2006	1,310,473	1,519,966	21,297,644	636,714	7,820,660	1,526,701	3,913,166	5,329,398	230,866	1,297,861	1,100,530	1,574,277	1,933,361	49,491,617
	2.6%	3.1%	43.0%	1.3%	15.8%	3.1%	7.9%	10.8%	0.5%	2.6%	2.2%	3.2%	3.9%	100.0%
2007	2,805,805	1,242,098	23,423,221	548,863	8,528,487	1,568,937	3,883,555	6,028,263	142,414	1,372,994	1,117,676	1,589,890	1,956,655	54,208,858
	5.2%	2.3%	43.2%	1.0%	15.7%	2.9%	7.2%	11.1%	0.3%	2.5%	2.1%	2.9%	3.6%	100.0%
2008	2,168,712	1,677,360	23,719,658	713,696	8,359,431	1,365,116	4,466,203	5,917,173	221,147	1,471,722	1,271,519	2,356,446	1,825,296	55,533,479
	3.9%	3.0%	42.7%	1.3%	15.0%	2.5%	8.0%	10.7%	0.4%	2.7%	2.3%	4.2%	3.3%	100.0%
2009	2,325,051	1,352,282	24,404,170	811,352	8,683,632	1,476,300	4,725,255	6,399,723	315,921	1,501,484	1,291,549	2,690,491	2,360,774	58,337,984
	4.0%	2.3%	41.8%	1.4%	14.9%	2.5%	8.1%	11.0%	0.5%	2.6%	2.2%	4.6%	4.1%	100.0%
2010	2,408,132	1,387,693	24,525,779	804,192	9,356,398	1,729,489	4,423,174	6,803,508	216,135	1,570,841	1,289,240	3,014,043	2,606,195	60,134,819
	4.0%	2.3%	40.8%	1.3%	15.6%	2.9%	7.4%	11.3%	0.4%	2.6%	2.1%	5.0%	4.3%	100.0%
2011	2,364,391	1,365,550	25,498,288	752,047	9,275,816	1,439,697	4,514,682	6,732,002	220,807	1,809,824	1,320,500	3,066,722	2,675,391	61,035,717
	3.9%	2.2%	41.8%	1.2%	15.2%	2.4%	7.4%	11.0%	0.4%	3.0%	2.2%	5.0%	4.3%	100.0%

Note: The District implemented GASB Statement No. 34 in fiscal year 2003. This information is not available for previous fiscal years.

INDEPENDENT SCHOOL DISTRICT NO. 280

General Fund Revenue by Source
Last Ten Fiscal Years

Year Ended June 30,	Local Property Tax Levies	State Revenue	Federal Revenue	Other Local and Miscellaneous	Total
2002	$ 11,242,334	$ 21,032,183	$ 1,501,714	$ 1,856,694	$ 35,632,925
	32%	59%	4%	5%	100%
2003	4,285,483	30,493,127	1,353,445	2,402,485	38,534,540
	11%	79%	4%	6%	100%
2004	7,422,585	28,387,444	1,665,463	2,440,096	39,915,588
	19%	71%	4%	6%	100%
2005	6,220,060	31,224,780	1,804,190	2,470,945	41,719,975
	15%	75%	4%	6%	100%
2006	4,700,729	34,724,834	2,159,582	2,976,986	44,562,131
	10%	78%	5%	7%	100%
2007	8,724,707	34,369,539	2,069,251	2,443,927	47,607,424
	18%	72%	5%	5%	100%
2008	9,524,201	34,942,045	2,260,546	2,707,289	49,434,081
	19%	71%	5%	5%	100%
2009	10,545,970	35,683,368	2,361,394	2,036,664	50,627,396
	21%	70%	5%	4%	100%
2010	11,237,159	31,609,959	5,584,065	1,806,853	50,238,036
	22%	63%	11%	4%	100%
2011	14,917,502	31,958,208	3,358,156	1,845,918	52,079,784
	29%	61%	6%	4%	100%

INDEPENDENT SCHOOL DISTRICT NO. 280

General Fund Expenditures by Program
Last Ten Fiscal Years

Year Ended June 30,	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction	Instructional Support Services	Pupil Support Services	Sites and Buildings	Other Programs	Total
2002	$ 1,903,798	$ 1,473,317	$ 15,507,656	$ 273,986	$ 6,707,990	$ 2,802,278	$ 3,183,064	$ 4,392,685	$ 247,415	$ 36,492,189
	5%	4%	42%	1%	18%	8%	9%	12%	1%	100%
2003	1,646,846	1,562,259	15,726,269	407,506	6,845,491	2,317,884	3,338,391	4,605,236	292,053	36,741,935
	5%	4%	43%	1%	19%	6%	9%	12%	1%	100%
2004	1,609,649	1,717,661	17,061,572	413,484	7,154,578	2,490,744	3,568,819	4,737,523	347,635	39,101,665
	4%	5%	44%	1%	18%	6%	9%	12%	1%	100%
2005	1,676,301	1,409,437	18,811,523	720,765	7,067,531	2,658,106	3,787,447	5,865,258	404,554	42,400,922
	4%	3%	44%	2%	17%	6%	9%	14%	1%	100%
2006	1,732,357	1,358,000	21,664,472	636,714	7,819,229	172,018	3,865,870	6,345,374	501,104	44,095,138
	4%	3%	48%	1%	17%	3%	9%	14%	1%	100%
2007	1,967,668	1,461,953	23,241,106	548,863	8,527,056	1,598,976	4,197,915	8,553,120	443,802	50,540,459
	4%	3%	46%	1%	17%	3%	8%	17%	1%	100%
2008	2,164,045	1,625,689	23,842,763	699,572	8,109,396	1,494,843	4,404,722	11,085,772	748,213	54,175,015
	4%	3%	44%	1%	15%	3%	8%	21%	1%	100%
2009	2,991,419	1,637,303	31,655,973	997,170	11,003,461	1,811,565	5,270,777	8,358,322	820,050	64,546,040
	5%	3%	49%	1%	17%	3%	8%	13%	1%	100%
2010	2,236,456	1,344,757	23,715,332	783,680	9,090,519	1,615,364	4,525,761	7,349,636	816,402	51,477,907
	4%	3%	46%	1%	18%	3%	9%	14%	2%	100%
2011	2,371,106	1,339,401	25,134,023	731,005	9,100,333	1,324,449	4,565,045	7,979,702	907,385	53,452,449
	4%	3%	47%	1%	17%	2%	9%	15%	2%	100%

Note: In 2009, General Fund expenditures were increased due to the District issuing $15.9 million of general obligation OPEB bonds and contributing the proceeds to an irrevocable trust.

INDEPENDENT SCHOOL DISTRICT NO. 280

School Tax Levies and Tax Capacity Rates by Fund
Last Ten Fiscal Years

	Year Collectible	General Fund	Community Service Special Revenue Fund	Debt Service Fund	Total All Funds
Levies					
	2002	$ 4,433,470	$ 484,635	$ 3,528,024	$ 8,446,129
	2003	5,963,414	451,097	3,161,687	9,576,198
	2004	6,166,980	420,636	3,726,977	10,314,593
	2005	6,576,224	386,906	3,773,146	10,736,276
	2006	8,920,823	433,311	3,356,552	12,710,686
	2007	9,559,671	471,854	4,104,279	14,135,804
	2008	10,660,102	378,705	4,050,896	15,089,703
	2009	11,023,528	441,038	4,111,718	15,576,284
	2010	11,061,218	426,230	4,911,509	16,398,957
	2011	10,915,132	437,571	5,016,610	16,369,313
Tax capacity rates					
	2002	6.574	1.945	14.159	22.678
	2003	6.307	1.610	11.284	19.201
	2004	5.832	1.394	12.351	19.577
	2005	8.168	1.160	11.304	20.632
	2006	8.649	1.207	9.348	19.204
	2007	9.714	1.212	10.542	21.468
	2008	10.912	0.937	10.022	21.871
	2009	11.605	1.112	10.366	23.083
	2010	10.511	1.045	12.041	23.597
	2011	12.251	1.164	13.344	26.759

Source: State of Minnesota School Tax Report

INDEPENDENT SCHOOL DISTRICT NO. 280

Tax Capacities
Last Ten Fiscal Years

For Taxes Collectible	Non-Agricultural	Fiscal Disparities Contribution	Fiscal Disparities Distribution	Tax Increment	Total Tax Capacity
2002	$ 33,987,863	$ (3,747,490)	$ 3,133,339	$ (8,526,988)	$ 24,846,724
2003	36,448,096	(4,008,412)	3,548,557	(7,952,101)	28,036,140
2004	40,027,945	(4,761,791)	3,756,364	(8,845,829)	30,176,689
2005	44,116,215	(5,376,991)	3,712,492	(9,302,844)	33,148,872
2006	48,368,155	(5,549,521)	3,835,850	(10,392,306)	36,262,178
2007	52,364,328	(6,137,733)	4,062,540	(11,254,758)	39,034,377
2008	55,347,795	(6,993,569)	4,541,436	(12,350,950)	40,544,712
2009	55,428,070	(7,867,269)	5,172,026	(12,812,496)	39,920,331
2010	51,590,968	(8,248,701)	5,840,702	(8,257,111)	40,925,858
2011	47,080,701	(7,864,995)	5,837,868	(7,011,033)	38,042,541

Source: State of Minnesota School Tax Report

INDEPENDENT SCHOOL DISTRICT NO. 280

Property Tax Levies and Receivables
Last Ten Fiscal Years

For Taxes Collectible	Original Levy: Local Spread	Fiscal Disparities	Property Tax Credits	Total Spread	Uncollected Taxes Receivable as of June 30, 2011: Delinquent Amount	Delinquent Percent	Current Amount	Current Percent
2002	$ 6,885,608	$ 1,085,790	$ 474,731	$ 8,446,129	$ –	– %	$ –	– %
2003	7,927,631	1,202,677	445,890	9,576,198	–	–	–	–
2004	8,585,116	1,283,587	445,890	10,314,593	–	–	–	–
2005	9,038,784	1,269,004	428,488	10,736,276	6,747	0.06	–	–
2006	11,094,416	1,233,840	382,430	12,710,686	10,007	0.08	–	–
2007	12,299,572	1,438,017	398,215	14,135,804	21,304	0.15	–	–
2008	13,059,904	1,648,768	381,031	15,089,703	38,589	0.26	–	–
2009	13,256,011	1,930,717	389,556	15,576,284	33,001	0.21	–	–
2010	13,654,333	2,293,410	451,214	16,398,957	152,945	0.93	–	–
2011	13,543,572	2,346,823	478,918	16,369,313	–	–	8,382,487	51.21
					$ 262,593		$ 8,382,487	

Note 1: Delinquent taxes receivable are written off after seven years.

Note 2: A portion of the total spread levy is paid through various property tax credits for residential homestead properties which are paid through state aids.

Source: State of Minnesota School Tax Report

Student Enrollment
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (for Students Served and Tuition Paid) Handicapped and Pre-Kindergarten	Kindergarten	Elementary	Secondary	Total	Total Pupil Units
2002	32.07	276.96	1,899.47	2,175.30	4,383.80	5,086.15
2003	46.06	264.83	1,808.21	2,199.05	4,318.15	5,028.13
2004	27.26	237.38	1,745.64	2,207.16	4,217.44	4,934.14
2005	48.82	279.00	1,711.26	2,178.27	4,217.35	4,904.73
2006	38.93	248.86	1,729.93	2,123.17	4,140.89	4,824.51
2007	46.86	311.20	1,635.50	2,168.15	4,161.71	4,823.84
2008	56.82	294.75	1,678.48	2,052.78	4,082.83	4,743.93
2009	86.06	297.94	1,671.79	2,002.86	4,058.65	4,705.49
2010	89.40	299.62	1,711.45	1,914.15	4,014.62	4,638.40
2011	80.72	354.07	1,860.17	1,857.25	4,152.21	4,749.20

Note 1: Student enrollment for the most recent year is an estimate.

Note 2: Beginning in 2004, the ADM that can be generated by a single student for general education aid is capped at 1.0. Enrollment for years prior to 2004 is presented above under the "old law" (capped at 1.5 ADM per student).

Note 3: ADM is weighted as follows in computing pupil units:

	Early Childhood and Kindergarten – Handicapped	Kindergarten	Elementary 1–3	Elementary 4–6	Secondary
Fiscal 2002 through 2008	Various	0.557	1.115	1.060	1.300
Fiscal 2009 through 2011	Various	0.557	1.115	1.060	1.300

OTHER REQUIRED REPORTS

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Federal Expenditures	
U.S. Department of Education			
Passed through Minnesota Department of Education			
Special education cluster			
Special Education – Grants to States	84.027	$ 396,195	
Special Education – Preschool Grants	84.173	39,920	
ARRA – Special Education – Grants to States	84.391	714,951	
ARRA – Special Education – Preschool Grants	84.392	28,848	
Total for special education cluster			$ 1,179,914
Education Jobs Fund	84.410		814,933
Title I, Part A cluster			
Title I Grants to Local Educational Agencies	84.010	768,163	
ARRA – Title I Grants to Local Educational Agencies	84.389	173,804	
Total for Title I, Part A cluster			941,967
Improving Teacher Quality State Grants	84.367		164,928
English Language Acquisition Grants	84.365		146,557
Early intervention services cluster			
ARRA – Special Education Grants for Infants and Families	84.393	21,157	
Passed through Independent School District No. 273			
Special Education Grants for Infants and Families	84.181	53,354	
Total for early intervention services cluster			74,511
Passed through Carver-Scott Educational Cooperative			
Career and Technical Education – Basic Grants to States	84.048		18,876
Passed through West Metro Education Program			
Voluntary Public School Choice	84.361		14,949
U.S. Department of Health and Human Services			
Passed through Minnesota Department of Education			
Refugee and Entrant Assistance – Discretionary Grants	93.576		13,514
U.S. Department of Agriculture			
Passed through Minnesota Department of Education			
Child nutrition cluster			
School Breakfast Program	10.553	272,981	
National School Lunch Program	10.555	1,010,942	
Summer Food Service Program for Children	10.559	17,113	
Total child nutrition cluster			1,301,036
Total federal awards			$ 4,671,185

Note 1: This Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the District's basic financial statements.

Note 2: Nonmonetary assistance of $65,271 is reported in this schedule at the fair market value of commodities received and disbursed for the National School Lunch Program (CFDA No. 10.555).

Note 3: All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants, and have not assigned any additional identifying numbers.

Note 4: The District provided federal awards to subrecipients as follows:

Program Title	Federal CFDA No.	Amount Provided
Title I Grants to Local Educational Agencies	84.010	$ 35,273
Improving Teacher Quality State Grants	84.367	$ 34,582

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the School Board of
Independent School District No. 280
Richfield, Minnesota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 280, Richfield, Minnesota (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 10, 2011. 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.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

(continued)

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COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated November 10, 2011.

This report is intended solely for the information and use of management, the School Board, others within the District, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

November 10, 2011

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the School Board of
Independent School District No. 280
Richfield, Minnesota

Compliance

We have audited Independent School District No. 280, Richfield, Minnesota's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

(continued)

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Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the School Board, others within the District, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

November 10, 2011

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH MINNESOTA STATE LAWS AND REGULATIONS

To the School Board of
Independent School District No. 280
Richfield, Minnesota

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 280, Richfield, Minnesota (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 10, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the Office of the State Auditor pursuant to Minnesota Statute § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* covers seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, uniform financial accounting and reporting standards for school districts, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that, for the items tested, the District complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of management, the School Board, others within the District, and the state of Minnesota and is not intended to be, and should not be, used by anyone other than these specified parties.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

November 10, 2011

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Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

A. SUMMARY OF AUDIT RESULTS

This summary is formatted to provide federal granting agencies and pass-through agencies answers to specific questions regarding the audit of federal awards.

Financial Statements

What type of auditor's report is issued?		X Unqualified ___ Qualified ___ Adverse ___ Disclaimer
Internal control over financial reporting:		
Material weakness(es) identified?	___ Yes	X No
Significant deficiencies identified?	___ Yes	X None reported
Noncompliance material to the financial statements noted?	___ Yes	X No

Federal Awards

Internal controls over major federal award programs:		
Material weakness(es) identified?	___ Yes	X No
Significant deficiencies identified?	___ Yes	X None reported
Type of auditor's report issued on compliance for major programs?		X Unqualified ___ Qualified ___ Adverse ___ Disclaimer
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	___ Yes	X No

Programs tested as major programs:

Program or Cluster	CFDA No.
Education Jobs Fund	84.410
The U.S. Department of Education special education cluster consisting of:	
– Special Education – Grants to States	84.027
– ARRA – Special Education – Grants to States	84.391
– Special Education – Preschool Grants	84.173
– ARRA – Special Education – Preschool Grants	84.392
The U.S. Department of Agriculture child nutrition cluster consisting of:	
– School Breakfast Program	10.553
– National School Lunch Program	10.555
– Summer Food Service Program for Children	10.559

Threshold for distinguishing type A and B programs.	$ 300,000	
Does the auditee qualify as a low-risk auditee?	X Yes	___ No

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2011

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

D. FINDINGS – MINNESOTA LEGAL COMPLIANCE AUDIT

None.

E. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No audit findings at June 30, 2010.

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2011

		Audit	UFARS	Audit – UFARS
General Fund				
Total revenue		$ 52,079,784	$ 52,079,784	$ –
Total expenditures		$ 53,452,449	$ 53,452,450	$ (1)
Nonspendable				
460	Nonspendable fund balance	$ 608,995	$ 608,995	$ –
Restricted/reserve				
403	Staff development	$ –	$ –	$ –
405	Deferred maintenance	$ –	$ –	$ –
406	Health and safety	$ (449,933)	$ (449,933)	$ –
407	Capital projects levy	$ 47,329	$ 47,329	$ –
408	Cooperative revenue	$ –	$ –	$ –
411	Severance pay	$ –	$ –	$ –
413	Projects funded by COP	$ –	$ –	$ –
414	Operating debt	$ –	$ –	$ –
416	Levy reduction	$ –	$ –	$ –
417	Taconite building maintenance	$ –	$ –	$ –
423	Certain teacher programs	$ –	$ –	$ –
424	Operating capital	$ 1,259,717	$ 1,259,717	$ –
426	$25 taconite	$ –	$ –	$ –
427	Disabled accessibility	$ –	$ –	$ –
428	Learning and development	$ –	$ –	$ –
434	Area learning center	$ –	$ –	$ –
435	Contracted alternative programs	$ –	$ –	$ –
436	State approved alternative program	$ –	$ –	$ –
438	Gifted and talented	$ –	$ –	$ –
441	Basic skills programs	$ –	$ –	$ –
445	Career and technical programs	$ –	$ –	$ –
446	First grade preparedness	$ –	$ –	$ –
449	Safe schools levy	$ –	$ –	$ –
450	Pre-kindergarten	$ –	$ –	$ –
451	QZAB payments	$ –	$ –	$ –
452	OPEB liability not in trust	$ –	$ –	$ –
453	Unfunded severance and retirement levy	$ –	$ –	$ –
Restricted				
464	Restricted fund balance	$ –	$ –	$ –
Committed				
418	Committed for separation	$ –	$ –	$ –
461	Committed fund balance	$ –	$ –	$ –
Assigned				
462	Assigned fund balance	$ 2,067,588	$ 2,067,588	$ –
Unassigned				
422	Unassigned fund balance	$ –	$ –	$ –
Food Service				
Total revenue		$ 1,719,944	$ 1,719,942	$ 2
Total expenditures		$ 1,782,794	$ 1,782,792	$ 2
Nonspendable				
460	Nonspendable fund balance	$ 64,836	$ 64,836	$ –
Restricted				
452	OPEB liability not in trust	$ –	$ –	$ –
464	Restricted fund balance	$ 27,573	$ 27,573	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Community Service				
Total revenue		$ 1,249,085	$ 1,249,084	$ 1
Total expenditures		$ 1,294,861	$ 1,294,859	$ 2
Nonspendable				
460	Nonspendable fund balance	$ 434	$ 434	$ –
Restricted/reserve				
426	$25 taconite	$ –	$ –	$ –
431	Community education	$ 89,419	$ 89,419	$ –
432	ECFE	$ 1,809	$ 1,809	$ –
444	School readiness	$ 8,581	$ 8,581	$ –
447	Adult basic education	$ –	$ –	$ –
452	OPEB liability not in trust	$ –	$ –	$ –
Restricted				
464	Restricted fund balance	$ –	$ –	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –

Uniform Financial Accounting and Reporting Standards
Compliance Table (continued)
June 30, 2011

		Audit	UFARS	Audit – UFARS
Building Construction				
Total revenue		$ 22	$ 22	$ –
Total expenditures		$ 7,446	$ 7,446	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted/reserve				
407	Capital projects levy	$ –	$ –	$ –
409	Alternative facility program	$ –	$ –	$ –
413	Project funded by COP	$ –	$ –	$ –
Restricted				
464	Restricted fund balance	$ –	$ –	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Debt Service				
Total revenue		$ 3,982,338	$ 3,982,338	$ –
Total expenditures		$ 4,123,590	$ 4,123,590	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted/reserve				
425	Bond refundings	$ –	$ –	$ –
451	QZAB payments	$ –	$ –	$ –
Restricted				
464	Restricted fund balance	$ 1,043,490	$ 1,043,490	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Trust				
Total revenue		$ 19,804	$ 19,804	$ –
Total expenditures		$ 31,718	$ 31,718	$ –
422	Net assets	$ 422,007	$ 422,007	$ –
Internal Service				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
422	Net assets	$ –	$ –	$ –
OPEB Revocable Trust Fund				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
422	Net assets	$ –	$ –	$ –
OPEB Irrevocable Trust Fund				
Total revenue		$ 461,294	$ 461,293	$ 1
Total expenditures		$ 831,882	$ 831,882	$ –
422	Net assets	$ 13,223,909	$ 13,223,909	$ –
OPEB Debt Service Fund				
Total revenue		$ 889,331	$ 889,331	$ –
Total expenditures		$ 855,556	$ 855,556	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
425	Bond refundings	$ –	$ –	$ –
464	Restricted fund balance	$ 33,775	$ 33,775	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –

Note: Statutory restricted deficits, if any, are reported in unassigned fund balances in the financial statements in accordance with accounting principles generally accepted in the United States of America.