INDEPENDENT SCHOOL DISTRICT NO. 280
RICHFIELD, MINNESOTA

Financial Report

Year Ended
June 30, 2010

INDEPENDENT SCHOOL DISTRICT NO. 280

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INDEPENDENT SCHOOL DISTRICT NO. 280

School Board and Administration
Year Ended June 30, 2010

SCHOOL BOARD

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

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, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information presented has been derived from the District's financial statements for the year ended June 30, 2009 and, in our report dated October 28, 2009, 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2010, and the respective changes in financial position thereof 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.

The financial statements include partial prior year comparative information. Such information 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, 2009, from which such partial information was derived.

(continued)

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In accordance with *Government Auditing Standards*, we have also issued a report dated October 25, 2010 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of this 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. This 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, the Schedules of Funding Progress and Employer Contributions for the Independent School District No. 280 Other Post-Employment Benefits Plan, and the Schedule of Funding Progress for the Independent School District No. 280 Pension Benefits Plan, 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 the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

October 25, 2010

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, 2010. 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, 2010 by $15,674,144 (net assets). The District's total net assets decreased by $2,856,680 during the fiscal year ended June 30, 2010.

At June 30, 2010, the District's governmental funds reported a combined ending fund balance of $6,030,148, a decrease of $1,708,042 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 $4,536,705, a decrease of $848,745 from the prior year. The unreserved – undesignated portion of the year-end fund balance was $2,230,924, which represents approximately 4.3 percent of annual General Fund expenditures based on fiscal 2010 expenditure levels.

The District's two other major governmental funds also experienced fund balance decreases. The Capital Projects – Building Construction Fund reported an ending fund balance of $492,984, a decrease of $124,829, representing the balance remaining of the District's $6,340,000 bond issue to improve the indoor air quality at Central School. The Debt Service Fund reported an ending fund balance of $699,182, a decrease of $810,606.

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 funds 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 funds 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, 2010 and 2009

	2010	2009
Assets		
Current and other assets	$ 37,395,670	$ 37,680,171
Capital assets, net of depreciation	63,874,936	65,888,767
Total assets	**$ 101,270,606**	**$ 103,568,938**
Liabilities		
Current and other liabilities	$ 20,832,046	$ 18,147,972
Long-term liabilities, including due within one year	64,764,416	66,890,142
Total liabilities	**$ 85,596,462**	**$ 85,038,114**
Net assets		
Invested in capital assets, net of related debt	$ 19,482,652	$ 19,152,250
Restricted	2,587,007	3,213,164
Unrestricted	(6,395,515)	(3,834,590)
Total net assets	**$ 15,674,144**	**$ 18,530,824**

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 $2,856,680 during the year ended June 30, 2010. The amount invested in capital assets, net of related debt increased by $330,402. Restricted net assets decreased by $626,157. The unrestricted portion of net assets decreased by $2,560,925 during the year, primarily due to the District spending down the unreserved fund balance in its General Fund by $561,429, and a decrease of $1,333,781 in the "negative net other post-employment benefits (OPEB) obligation" asset reported in the government-wide financial statements due to the recognition of this year's actuarially determined annual OPEB cost.

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

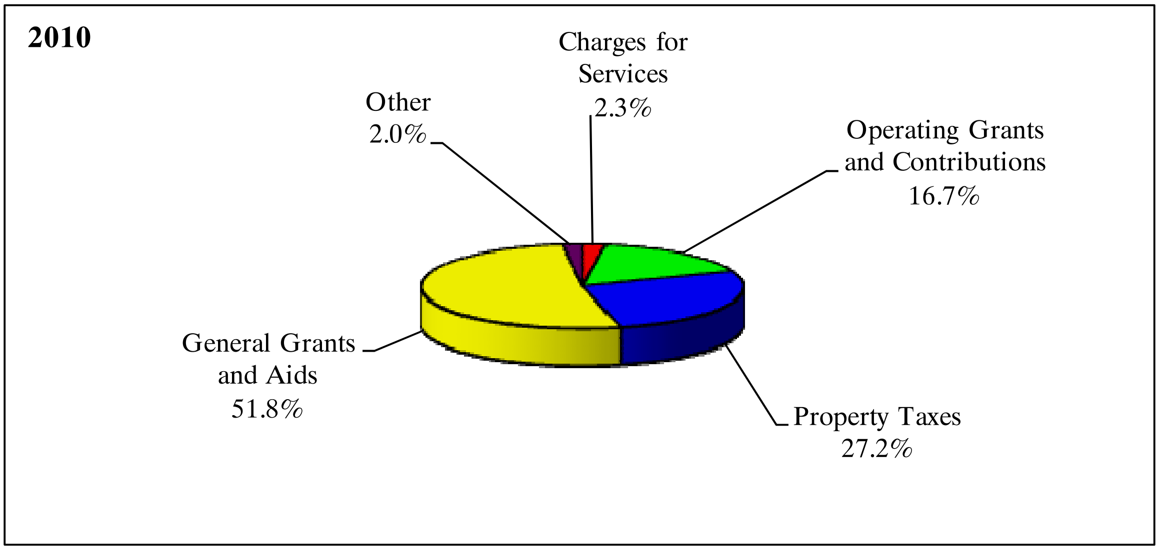
Table 2
Change in Net Assets
for the Years Ended June 30, 2010 and 2009

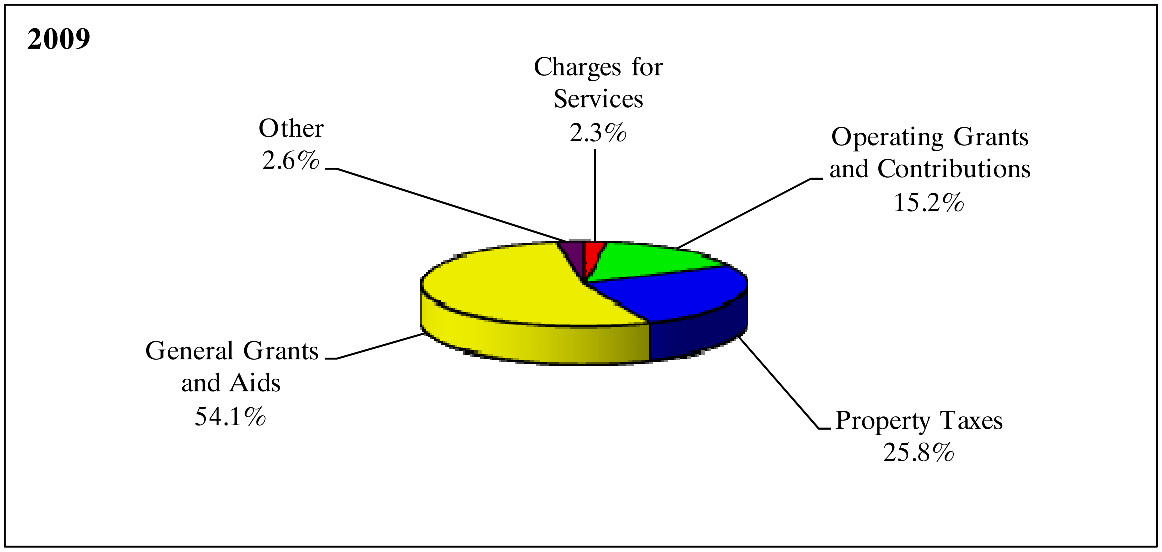
	2010	2009
Revenues		
Program revenues		
Charges for services	$ 1,317,261	$ 1,336,533
Operating grants and contributions	9,590,517	8,756,114
General revenues		
Property taxes	15,565,797	14,821,178
General grants and aids	29,656,010	31,124,669
Other	1,148,554	1,484,407
Total revenues	**57,278,139**	**57,522,901**
Expenses		
Administration	2,408,132	2,325,051
District support services	1,387,693	1,352,282
Elementary and secondary regular instruction	24,525,779	24,404,170
Vocational education instruction	804,192	811,352
Special education instruction	9,356,398	8,683,632
Instructional support services	1,729,489	1,476,300
Pupil support services	4,423,174	4,725,255
Sites and buildings	6,803,508	6,399,723
Fiscal and other fixed cost programs	216,135	315,921
Food service	1,570,841	1,501,484
Community service	1,289,240	1,291,549
Unallocated depreciation	3,014,043	2,690,491
Interest and fiscal charges	2,606,195	2,360,774
Total expenses	**60,134,819**	**58,337,984**
Change in net assets	**$ (2,856,680)**	**$ (815,083)**

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.

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

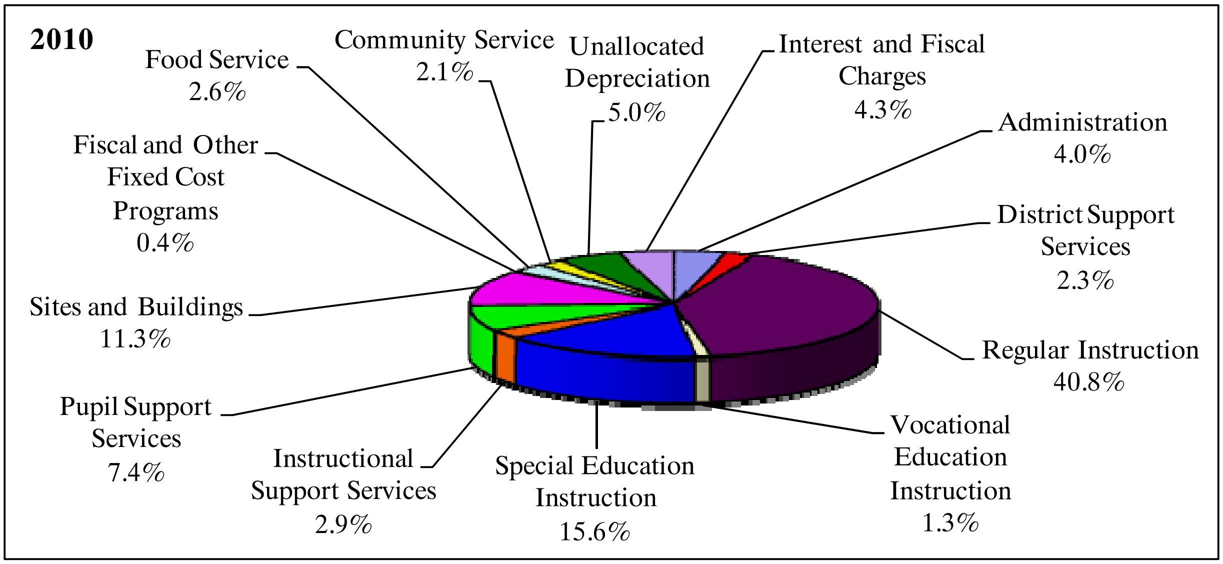
Figure A – Sources of Revenue for Fiscal Years 2010 and 2009

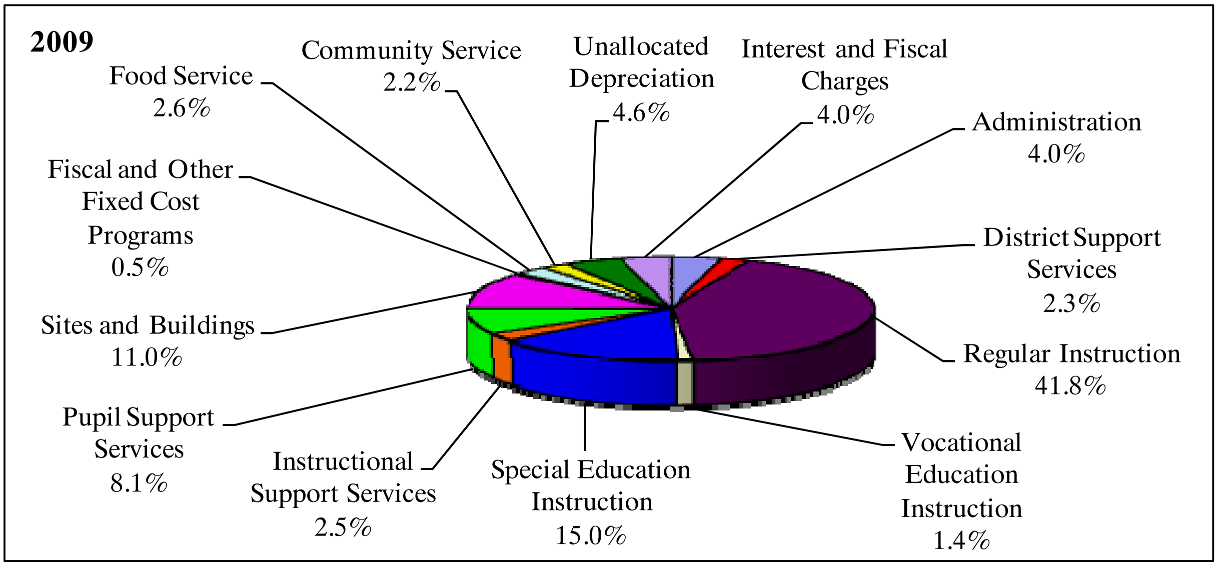




The largest share of the District's revenue is received from the state, including most of the general and operating grants. This means that the District's financial condition depends significantly on the state's current financial position.

Figure B – Expenses for Fiscal Years 2010 and 2009





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, 2010 and 2009

	2010	2009	Increase (Decrease)
Major funds			
General	$ 4,536,705	$ 5,385,450	$ (848,745)
Capital Projects – Building Construction	492,984	617,813	(124,829)
Debt Service	699,182	1,509,788	(810,606)
Nonmajor funds			
Food Service Special Revenue	155,259	77,003	78,256
Community Service Special Revenue	146,018	148,136	(2,118)
Total governmental funds	$ 6,030,148	$ 7,738,190	$ (1,708,042)

In 2010, the General Fund balance decreased due to the budgeted use of fund balance to retain district programs.

The Capital Projects – Building Construction Fund balance decrease was caused by the planned spend down of proceeds remaining from the District's $6.34 million alternate facilities construction bond issue, which was used to complete indoor air quality projects.

The decrease in the Debt Service Fund was mainly due to $730,000 of capitalized interest from the District's $15.9 million OPEB bond issue being used to make the first debt service interest payments on the issue.

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	$ 50,161,236	$ 49,690,344	$ (470,892)	(0.9%)
Expenditures	$ 50,412,361	$ 50,474,802	$ 62,441	0.1%

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 and 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.

Table 5 summarizes the operating results of the General Fund:

Table 5
General Fund
Operating Results

		Over (Under) Final Budget		Over (Under) Prior Year	
	2010 Actual	Amount	Percent	Amount	Percent
Revenue	$ 50,238,036	$ 547,692	1.1%	$ (389,360)	(0.8%)
Expenditures	51,477,907	$ 1,003,105	2.0%	$(13,068,133)	(20.2%)
Other financing sources (uses)	391,126	$ 391,126	100.0%	$(14,514,308)	(97.4%)
Net change in fund balances	$ (848,745)				

The increase in actual revenue is primarily due to increases in property tax revenue and state general education aid. The expenditure increase and budget variance is mainly due to capital outlays for the K–5 Reorganization, Richfield High School PA System, and an increase in transportation costs.

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, 2010 and 2009:

Table 6
Capital Assets

	2010	2009	Increase (Decrease)
Land	$ 349,265	$ 349,265	$ –
Land improvements	4,031,588	3,735,914	295,674
Buildings	86,049,678	79,417,347	6,632,331
Equipment	6,787,819	6,425,860	361,959
Construction in progress	95,014	6,308,712	(6,213,698)
Less accumulated depreciation	(33,438,428)	(30,348,331)	(3,090,097)
Total	$ 63,874,936	$ 65,888,767	$ (2,013,831)
Depreciation expense	$ 3,196,632	$ 2,850,920	$ 345,712

The increase in buildings is due to the completion of construction improvements made for the indoor air quality project at Central School, Richfield Dual Language School playground, and a partial roof replacement at Richfield High School. The decrease in construction in progress represents the completion of the projects mentioned above, along with an increase for the replacement of the Richfield High School freight elevator.

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

	2010	2009	Increase (Decrease)
General obligation bonds	$ 58,975,000	$ 61,320,000	$ (2,345,000)
Capital leases	2,111,898	2,198,144	(86,246)
Compensated absences	316,036	298,577	17,459
Severance benefits	3,099,472	2,957,619	141,853
Net pension benefits obligation	262,010	115,802	146,208
Total	$ 64,764,416	$ 66,890,142	$ (2,125,726)

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 five-year lease agreement. The District is also replacing school buses using a series of seven-year lease agreements.

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	$ 3,962,387,625
Limit rate	15.0%
Legal debt limit	$ 594,358,144

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 amount for all Minnesota school districts is $5,124 for fiscal year 2010, and will remain at this level for fiscal year 2011. A weakened economy and growing demand on limited resources have created challenges in funding education for Minnesota schools in recent years. As a result of these challenges, in fiscal year 2010 the District spent down the unreserved fund balance in its General Fund by $561,429 and in fiscal year 2011 was forced to make budget reductions of $600,000.

During fiscal 2010, the School Board authorized administration to move 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. Both changes were implemented in fiscal year 2011.

During the 2010 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. During the summer of 2010, the District will be upgrading two elevators at Richfield High School to comply with new federal code compliance.

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. During fiscal year 2008, the District implemented a dual language kindergarten program at Elliot Education Center. Each subsequent year the District will add one grade level to the dual language program until 5th grade. 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.

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 Finance Department, 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, 2010
(With Partial Comparative Information as of June 30, 2009)

	Governmental Activities	
	2010	2009
Assets		
Cash and temporary investments	$ 5,379,096	$ 8,673,410
Receivables		
Current taxes	8,394,457	7,988,129
Delinquent taxes	205,362	189,526
Accounts and interest	332,425	277,660
Due from other governmental units	10,017,555	6,073,415
Due from OPEB trust	946,567	988,625
Inventory	115,434	84,087
Prepaid items	500,872	553,478
Deferred charges	316,670	330,828
Negative net other post-employment benefits obligation	11,187,232	12,521,013
Capital assets		
Not depreciated	444,279	6,657,977
Depreciated, net	63,430,657	59,230,790
Total capital assets, net of accumulated depreciation	63,874,936	65,888,767
Total assets	$ 101,270,606	$ 103,568,938
Liabilities		
Tax anticipation certificates	$ 3,000,000	$ –
Salaries and compensated absences payable	255,496	489,564
Accounts and contracts payable	1,052,374	1,924,432
Accrued interest payable	1,193,638	1,247,358
Due to other governmental units	415,214	373,078
Property taxes levied for subsequent year	14,915,324	14,108,540
Unearned revenue	–	5,000
Long-term liabilities		
Due within one year	3,424,865	3,295,327
Due in more than one year	61,339,551	63,594,815
Total long-term liabilities	64,764,416	66,890,142
Total liabilities	85,596,462	85,038,114
Net assets		
Invested in capital assets, net of related debt	19,482,652	19,152,250
Restricted for		
Capital asset acquisition	2,187,765	2,575,270
Debt service	–	315,219
Other purposes	399,242	322,675
Unrestricted	(6,395,515)	(3,834,590)
Total net assets	15,674,144	18,530,824
Total liabilities and net assets	$ 101,270,606	$ 103,568,938

See notes to basic financial statements

Statement of Activities
Year Ended June 30, 2010
(With Partial Comparative Information for the Year Ended June 30, 2009)

	2010				2009
		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	$ 2,408,132	$ 182,711	$ 8,792	$ (2,216,629)	$ (2,062,712)
District support services	1,387,693	–	–	(1,387,693)	(1,352,282)
Elementary and secondary regular instruction	24,525,779	304,549	1,827,965	(22,393,265)	(22,598,052)
Vocational education instruction	804,192	–	–	(804,192)	(811,352)
Special education instruction	9,356,398	173,811	4,385,823	(4,796,764)	(4,016,770)
Instructional support services	1,729,489	–	–	(1,729,489)	(1,476,300)
Pupil support services	4,423,174	12,340	1,514,218	(2,896,616)	(3,687,969)
Sites and buildings	6,803,508	–	–	(6,803,508)	(6,399,723)
Fiscal and other fixed cost programs	216,135	–	–	(216,135)	(315,921)
Food service	1,570,841	373,554	1,296,245	98,958	4,304
Community service	1,289,240	270,296	557,474	(461,470)	(477,295)
Unallocated depreciation	3,014,043	–	–	(3,014,043)	(2,690,491)
Interest and fiscal charges	2,606,195	–	–	(2,606,195)	(2,360,774)
Total governmental activities	$ 60,134,819	$ 1,317,261	$ 9,590,517	(49,227,041)	(48,245,337)
General revenues					
Taxes					
Property taxes, levied for general purposes				11,249,803	10,578,733
Property taxes, levied for community service				417,856	367,270
Property taxes, levied for debt service				3,898,138	3,875,175
General grants and aids				29,656,010	31,124,669
Other general revenues				1,133,673	1,312,389
Investment earnings				14,881	172,018
Total general revenues				46,370,361	47,430,254
Change in net assets				(2,856,680)	(815,083)
Net assets – beginning				18,530,824	19,345,907
Net assets – ending				$ 15,674,144	$ 18,530,824

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 280

Balance Sheet
Governmental Funds
as of June 30, 2010
(With Partial Comparative Information as of June 30, 2009)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds 2010	Total Governmental Funds 2009
Assets						
Cash and temporary investments	$ 1,726,687	$ 492,984	$ 2,982,815	$ 176,610	$ 5,379,096	$ 8,673,410
Receivables						
Current taxes	5,610,469	–	2,561,680	222,308	8,394,457	7,988,129
Delinquent taxes	143,791	–	55,708	5,863	205,362	189,526
Accounts and interest	322,999	–	–	9,426	332,425	277,660
Due from other governmental units	9,725,893	–	66,196	225,466	10,017,555	6,073,415
Due from other funds	18	–	–	–	18	–
Due from fiduciary funds	933,903	–	–	12,664	946,567	988,625
Inventory	31,303	–	–	84,131	115,434	84,087
Prepaid items	465,432	–	–	35,440	500,872	553,478
Total assets	$ 18,960,495	$ 492,984	$ 5,666,399	$ 771,908	$ 25,891,786	$ 24,828,330
Liabilities and Fund Balances						
Liabilities						
Tax anticipation certificates	$ 3,000,000	$ –	$ –	$ –	$ 3,000,000	$ –
Salaries and compensated absences payable	239,947	–	–	15,549	255,496	489,564
Accounts and contracts payable	1,030,901	–	–	21,473	1,052,374	1,924,432
Accrued interest payable	17,850	–	–	–	17,850	–
Due to other governmental units	413,716	–	–	1,498	415,214	373,078
Due to other funds	–	–	–	18	18	–
Property taxes levied for subsequent year	9,577,585	–	4,911,509	426,230	14,915,324	14,108,540
Unearned revenue	–	–	–	–	–	5,000
Deferred revenue – delinquent taxes	143,791	–	55,708	5,863	205,362	189,526
Total liabilities	14,423,790	–	4,967,217	470,631	19,861,638	17,090,140
Fund balances						
Reserved	2,059,603	492,984	699,182	76,613	3,328,382	4,582,438
Unreserved – designated	246,178	–	–	–	246,178	256,135
Unreserved – undesignated						
Reported in major funds	2,230,924	–	–	–	2,230,924	2,782,396
Reported in special revenue funds	–	–	–	224,664	224,664	117,221
Total fund balances	4,536,705	492,984	699,182	301,277	6,030,148	7,738,190
Total liabilities and fund balances	$ 18,960,495	$ 492,984	$ 5,666,399	$ 771,908	$ 25,891,786	$ 24,828,330

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, 2010
(With Partial Comparative Information as of June 30, 2009)

	2010	2009
Total fund balances – governmental funds	$ 6,030,148	$ 7,738,190
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	97,313,364	96,237,098
Accumulated depreciation	(33,438,428)	(30,348,331)
Long-term liabilities are included in net assets, but are excluded from fund balances until due and payable.		
General obligation bonds payable	(58,975,000)	(61,320,000)
Capital leases payable	(2,111,898)	(2,198,144)
Severance benefits payable	(3,099,472)	(2,957,619)
Compensated absences	(316,036)	(298,577)
Net pension and 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) until actually due.	10,925,222	12,405,211
Accrued interest payable on long-term liabilities is included in net assets, but is excluded from fund balances until due and payable.	(1,175,788)	(1,247,358)
Debt issuance premiums and discounts are excluded from net assets until amortized, but are included in fund balances upon issuance as other financing sources and uses.	316,670	330,828
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.	205,362	189,526
Total net assets – governmental activities	$ 15,674,144	$ 18,530,824

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, 2010
(With Partial Comparative Information for the Year Ended June 30, 2009)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds 2010	Total Governmental Funds 2009
Revenue						
Local sources						
Property taxes	$ 11,237,159	$ –	$ 3,895,219	$ 417,583	$ 15,549,961	$ 14,780,166
Investment earnings	7,184	1,520	4,813	1,364	14,881	172,018
Other	1,799,669	–	–	656,037	2,455,706	2,648,922
State sources	31,609,959	–	175,074	641,118	32,426,151	36,494,173
Federal sources	5,584,065	–	–	1,231,539	6,815,604	3,386,610
Total revenue	50,238,036	1,520	4,075,106	2,947,641	57,262,303	57,481,889
Expenditures						
Current						
Administration	2,236,456	–	–	–	2,236,456	2,991,419
District support services	1,344,757	–	–	–	1,344,757	1,637,303
Elementary and secondary regular instruction	23,715,332	–	–	–	23,715,332	31,655,973
Vocational education instruction	783,680	–	–	–	783,680	997,170
Special education instruction	9,090,519	–	–	–	9,090,519	11,003,461
Instructional support services	1,615,364	–	–	–	1,615,364	1,811,565
Pupil support services	4,525,761	–	–	–	4,525,761	5,270,777
Sites and buildings	7,349,636	–	–	–	7,349,636	8,358,322
Fiscal and other fixed cost programs	216,135	–	–	–	216,135	315,921
Food service	–	–	–	1,534,415	1,534,415	1,827,295
Community service	–	–	–	1,264,202	1,264,202	1,502,562
Capital outlay	–	126,349	–	72,886	199,235	5,566,873
Debt service						
Principal	477,372	–	2,345,000	–	2,822,372	2,836,929
Interest and fiscal charges	122,895	–	2,540,712	–	2,663,607	1,968,343
Total expenditures	51,477,907	126,349	4,885,712	2,871,503	59,361,471	77,743,913
Excess (deficiency) of revenue over expenditures	(1,239,871)	(124,829)	(810,606)	76,138	(2,099,168)	(20,262,024)
Other financing sources (uses)						
Bonds issued	–	–	–	–	–	22,225,000
Refunding bonds issued	–	–	–	–	–	9,500,000
Premium on bonds issued	–	–	–	–	–	232,744
Capital leases	391,126	–	–	–	391,126	365,600
Payment to refunded bond escrow agent	–	–	–	–	–	(9,710,000)
Transfers in	–	–	–	–	–	729,599
Transfers (out)	–	–	–	–	–	(729,599)
Total other financing sources (uses)	391,126	–	–	–	391,126	22,613,344
Net change in fund balances	(848,745)	(124,829)	(810,606)	76,138	(1,708,042)	2,351,320
Fund balances						
Beginning of year	5,385,450	617,813	1,509,788	225,139	7,738,190	5,386,870
End of year	$ 4,536,705	$ 492,984	$ 699,182	$ 301,277	$ 6,030,148	$ 7,738,190

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, 2010
(With Partial Comparative Information for the Year Ended June 30, 2009)

	2010	2009
Total net change in fund balances – governmental funds	$ (1,708,042)	$ 2,351,320
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	1,202,109	6,816,548
Depreciation expense	(3,196,632)	(2,850,920)
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.	(19,308)	(620)
Debt proceeds are reported as a source of financing in the governmental funds. Debt proceeds are not reported as revenues in the Statement of Activities, but are reflected as additional long-term liabilities.	(391,126)	(32,090,600)
Repayment of long-term debt principal does not affect the change in net assets. However, it reduces fund balances.	2,822,372	12,546,929
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.	71,570	(590,224)
Net pension and other post-employment benefit obligations reported in the Statement of Activities do not require use of current financial resources and are not reported until actually due.	(1,479,989)	13,106,679
Debt issuance premiums and discounts 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)	(34,951)
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 benefits	(141,853)	(104,978)
Compensated absences	(17,459)	(5,278)
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.	15,836	41,012
Change in net assets – governmental activities	$ (2,856,680)	$ (815,083)

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, 2010

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenue				
Local sources				
Property taxes	$ 10,545,970	$ 10,273,431	$ 11,237,159	$ 963,728
Investment earnings	100,000	50,000	7,184	(42,816)
Other	3,032,173	1,470,824	1,799,669	328,845
State sources	33,939,029	31,901,285	31,609,959	(291,326)
Federal sources	2,544,064	5,994,804	5,584,065	(410,739)
Total revenue	50,161,236	49,690,344	50,238,036	547,692
Expenditures				
Current				
Administration	2,254,999	2,193,494	2,236,456	42,962
District support services	1,308,647	1,403,443	1,344,757	(58,686)
Elementary and secondary regular instruction	23,524,538	23,270,429	23,715,332	444,903
Vocational education instruction	780,776	781,713	783,680	1,967
Special education instruction	8,906,996	9,277,643	9,090,519	(187,124)
Instructional support services	1,171,615	1,388,468	1,615,364	226,896
Pupil support services	3,989,954	3,937,826	4,525,761	587,935
Sites and buildings	7,723,724	7,490,274	7,349,636	(140,638)
Fiscal and other fixed cost programs	241,915	218,300	216,135	(2,165)
Debt service				
Principal	442,428	447,060	477,372	30,312
Interest and fiscal charges	66,769	66,152	122,895	56,743
Total expenditures	50,412,361	50,474,802	51,477,907	1,003,105
Excess (deficiency) of revenue over expenditures	(251,125)	(784,458)	(1,239,871)	(455,413)
Other financing sources				
Capital leases	–	–	391,126	391,126
Net change in fund balances	$ (251,125)	$ (784,458)	(848,745)	$ (64,287)
Fund balances				
Beginning of year			5,385,450	
End of year			$ 4,536,705	

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 280

Statements of Fiduciary Net Assets
as of June 30, 2010

	Scholarship Private-Purpose Trust Fund	Post-Employment Benefits Trust Fund
Assets		
Deposits	$ 433,921	$ 3,429,542
Investments, at fair value		
U.S. government agency securities	–	1,112,110
State and local obligations	–	4,717,528
Commercial paper	–	1,195,758
Negotiable certificates of deposit	–	2,079,746
MN trust investment shares portfolio	–	1,966,639
Accounts and interest receivable	–	39,741
Total assets	433,921	14,541,064
Liabilities		
Due to governmental funds	–	946,567
Net assets		
Held in trust for employee benefits and scholarships	$ 433,921	$ 13,594,497

Statements of Changes in Fiduciary Net Assets
Year Ended June 30, 2010

	Scholarship Private-Purpose Trust Fund	Post-Employment Benefits Trust Fund
Additions		
Contributions – private donations	$ 37,197	$ –
Investment earnings		
Interest	7,255	246,429
Net increase in fair value of investments	–	194,484
Total investment earnings	7,255	440,913
Less investment expenses	–	292
Net investment earnings	7,255	440,621
Total additions	44,452	440,621
Deductions		
Benefits	–	946,567
Scholarships	31,664	–
Total deductions	31,664	946,567
Change in net assets	12,788	(505,946)
Net assets		
Beginning of year	421,133	14,100,443
End of year	$ 433,921	$ 13,594,497

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 2010 fiscal year, the District paid $707,537 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The School Board approved mid-year budget amendments which increased General Fund appropriations by $62,441. Actual General Fund expenditures exceeded final budgeted appropriations by $1,003,105 for the year ended June 30, 2010. In addition, actual expenditures exceeded final budgeted appropriations by $36,092 in the Food Service Special Revenue Fund and by $21,091 in the Community Service Special Revenue 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 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 in the governmental funds 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 $1,483,633 of the property tax levy collectible in 2010 as revenue to the District in fiscal year 2009–2010. The remaining portion of the taxes collectible in 2010 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; and natural disasters, 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 2010.

The District participates in the Minnesota School Board Association Insurance Trust (MSBAIT), a public entity risk management and insurance program for approximately 375 member districts, for workers' compensation coverage. The District pays an annual premium to MSBAIT for insurance coverage. The MSBAIT agreement provides that MSBAIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits for each insured event.

P. Net Assets

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

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. Interfund Receivables and Payables

As of June 30, 2010, the Food Service Special Revenue Fund has a payable of $18 due to the General Fund, which represents an interfund loan to eliminate a temporary cash deficit. Interfund balances reported in the fund financial statements are eliminated in the government-wide financial statements.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	$	4,968,555
Investments		15,341,685
Cash on hand		4,100
Total	$	20,314,340

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

Cash and temporary investments		
Statement of Net Assets	$	5,379,096
Deposits and Investments		
Statement of Fiduciary Net Assets –		
Scholarship Private-Purpose Trust Fund		433,921
Post-Employment Benefits Trust Fund		14,501,323
Total	$	20,314,340

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 $4,968,555 while the balance on the bank records was $4,976,765. At June 30, 2010, 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	AAA	S&P	$ 1,112,110	$ –	$ –	$ 1,112,110
State and local obligations	AAA	S&P	$ –	$ 1,534,269	$ 3,183,259	4,717,528
Commercial paper	AAA	S&P	$ –	$ 1,195,758	$ –	1,195,758
Negotiable certificates of deposit	N/A	N/A	$ 557,942	$ 1,731,805	$ –	2,289,747
Investment pools	AAAm	S&P	N/A	N/A	N/A	3,584,928
Investment pools	Aaa	Moody's	N/A	N/A	N/A	2,441,614
Total investments						$ 15,341,685

N/A – Not Applicable

The amount in investment pools includes $2,441,614 invested in the MnTrust Investment Shares Portfolio and $3,584,928 in the Minnesota School District Liquid Asset Fund, both of which are external investment pools not registered with the Securities Exchange Commission (SEC) that follow the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pools is the same as the value of the pool shares.

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, 2010, the District's investment portfolio includes the following percentages of specific issuers:

U.S. agency securities	
FHLB	7.3%
State and local obligations	
ISD No. 281, Robbinsdale	7.8%
ISD No. 181, Brainerd	9.9%
Metropolitan Council	6.7%
Commercial paper	
Bank of America	7.8%

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010 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	6,308,712	313,907	–	(6,527,605)	95,014
Total capital assets, not depreciated	6,657,977	313,907	–	(6,527,605)	444,279
Capital assets, depreciated					
Land improvements	3,735,914	89,513	–	206,161	4,031,588
Buildings	79,417,347	310,887	–	6,321,444	86,049,678
Equipment	6,425,860	487,802	(125,843)	–	6,787,819
Total capital assets, depreciated	89,579,121	888,202	(125,843)	6,527,605	96,869,085
Less accumulated depreciation for					
Land improvements	(1,226,714)	(192,826)	–	–	(1,419,540)
Buildings	(24,736,669)	(2,593,216)	–	–	(27,329,885)
Equipment	(4,384,948)	(410,590)	106,535	–	(4,689,003)
Total accumulated depreciation	(30,348,331)	(3,196,632)	106,535	–	(33,438,428)
Net capital assets, depreciated	59,230,790	(2,308,430)	(19,308)	6,527,605	63,430,657
Total capital assets, net	$ 65,888,767	$ (1,994,523)	$ (19,308)	$ –	$ 63,874,936

NOTE 3 – CAPITAL ASSETS (CONTINUED)

Depreciation expense for the year ended June 30, 2010 was charged to the following governmental functions:

Administration	$ 466
Elementary and secondary regular instruction	19,325
Special education instruction	1,431
Community education and services	316
Instructional support services	60,612
Pupil support services	73,983
Sites and buildings	13,798
Food service	12,658
Unallocated depreciation	3,014,043
Total depreciation expense	$ 3,196,632

NOTE 4 – TAX ANTICIPATION CERTIFICATES

The District issued short-term tax anticipation certificates for cash flow purposes. Interest and fiscal charges of $10,183 were incurred in the General Fund in the current year related to this debt. Short-term borrowing activity for the year ended June 30, 2010 is as follows:

Issue Date	Maturity Date	Interest Rate	June 30, 2009	Additions	Retirements	June 30, 2010
01/07/2010	02/07/2011	1.25%	$ –	$ 3,000,000	$ –	$ 3,000,000

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
1998 Refunding bonds	12/01/1998	4.25–4.55%	$ 10,000,000	02/01/2015	$ 45,000
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	3,745,000
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					$ 58,975,000

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.

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

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 $1,262,614 (the present value of future minimum lease payments as of the inception dates of the leases). The leases are being paid through the General Fund.

The District has also entered into five capital lease agreements for the acquisition of technology equipment. The leases, which bear interest rates ranging from 3.87 to 4.64 percent, call for annual principal and interest payments through July 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. The leases are being paid through the General Fund.

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). The 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
2010	$ 2,435,000	$ 2,538,715	$ 468,002	$ 94,625
2011	2,500,000	2,465,103	430,718	74,024
2012	3,115,000	2,387,240	294,906	54,801
2013	3,140,000	2,274,796	271,632	41,990
2014	3,305,000	2,145,446	148,064	30,093
2015–2019	17,260,000	8,562,144	364,962	79,699
2020–2024	22,415,000	4,544,255	133,614	9,817
2025–2027	4,805,000	436,250	–	–
	$ 58,975,000	$ 25,353,949	$ 2,111,898	$ 385,049

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

E. Changes in Long-Term Liabilities

	June 30, 2009	Additions	Retirements	June 30, 2010	Due Within One Year
General obligation bonds	$ 61,320,000	$ –	$ 2,345,000	$ 58,975,000	$ 2,435,000
Capital leases	2,198,144	391,126	477,372	2,111,898	468,002
Severance benefits	2,957,619	231,224	89,371	3,099,472	205,621
Compensated absences	298,577	316,036	298,577	316,036	316,242
Net pension benefits obligation	115,802	187,283	41,075	262,010	–
	$ 66,890,142	$ 1,125,669	$ 3,251,395	$ 64,764,416	$ 3,424,865

NOTE 6 – RESERVED AND DESIGNATED FUND BALANCES

Certain portions of fund balance are reserved based on state requirements to track special program funding, to provide funding on certain long-term liabilities, or as required by other outside parties. Deficit reserves represent costs incurred by the District for which it has specific future statutory funding authority. The District's School Board has also designated portions of fund balance for specific purposes. At June 30, 2010, the District has recorded the following reservations and designations of fund balances:

	Reserved	Designated
General Fund		
Reserved for health and safety	$ (128,122)	$ –
Reserved for capital projects levy	29,716	–
Reserved for operating capital	2,158,009	–
Designated for student activities	–	129,389
Designated for wellness expo	–	740
Designated for severance and retirement benefits	–	97,100
Designated for Kern Grant	–	18,693
Designated for garden project	–	256
Total General Fund	2,059,603	246,178
Capital Projects – Building Construction Fund		
Reserved for alternative facilities	492,984	–
Debt Service Fund		
Reserved for general debt service	699,182	–
Nonmajor funds		
Community Service Special Revenue Fund		
Reserved for community education programs	52,439	–
Reserved for school readiness	3,389	–
Reserved for early childhood family education programs	20,785	–
Total nonmajor funds	76,613	–
Total all funds	$ 3,328,382	$ 246,178

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS PLAN

A. Plan Description

The District provides post-employment insurance benefits to certain eligible employees through the Independent School District No. 280 Other Post-Employment Benefits 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.

C. Annual OPEB Cost and Net OPEB Obligation

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	$ 1,186,848
Interest on net OPEB obligation	(565,313)
Adjustment to annual required contribution	712,246
Annual OPEB cost (expense)	1,333,781
Contributions made	–
Change in net OPEB obligation	1,333,781
Net OPEB obligation – beginning of year	(12,521,013)
Negative net OPEB obligation – end of year	$ (11,187,232)

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

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, 2008, 2009, and 2010 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
2008	$ –	$ 1,810,320	$ 1,119,155	61.8%	$ 691,165
2009	$ 691,165	$ 1,841,421	$ 15,053,599	817.5%	$ (12,521,013)
2010	$ (12,521,013)	$ 1,333,781	$ –	0.0%	$ (11,187,232)

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.

F. Post-Employment Benefits Trust Fund

The District administers a defined benefit Other Post-Employment Benefits 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.

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

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	$	189,028
Interest on net pension obligation		5,183
Adjustment to annual required contribution		(6,928)
Annual pension cost		187,283
Contributions made		41,075
Increase in net pension obligation		146,208
Net pension obligation – beginning of year		115,802
Net pension obligation – end of year	$	262,010

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, 2008, 2009, and 2010 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
2008	$ –	$ 170,598	$ 160,295	94.0%	$ 10,303
2009	$ 10,303	$ 171,062	$ 65,563	38.3%	$ 115,802
2010	$ 115,802	$ 187,283	$ 41,075	21.9%	$ 262,010

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 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 Statutes 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.

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

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

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 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 employer contribution rate for Coordinated Plan members was 5.5 percent and 9.5 percent for Basic Plan members. Legislation passed during the 2010 session increased member and employer contribution rates by 0.5 percent annually over a four-year period beginning July 1, 2011. Total covered payroll salaries for all TRA members state-wide during fiscal years June 30, 2009, 2008, and 2007 were approximately $3.76 billion, $3.65 billion, and $3.53 billion, respectively.

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

The District's contributions for the years ended June 30, 2010, 2009, and 2008 were $1,195,064, $1,144,612, and $1,106,055, respectively, equal to the contractually required contributions for each year as set by state statutes.

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 the Public Employees' Retirement Association of Minnesota (PERA). PERA administers the Public Employees' Retirement Fund (PERF), which is a cost-sharing, multi-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

PERF members belong to either the Coordinated 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.

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 statutes, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated 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 Coordinated Plan members 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 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 PERF. 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.

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

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. PERF Basic and Coordinated Plan members were required to contribute 9.1 percent and 6.0 percent, respectively, of their annual covered salary in 2009. The contribution rate for Coordinated Plan members will increase to 6.25 percent effective January 1, 2011. The District is required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan PERF members and 6.75 percent for Coordinated Plan PERF members. Employer contribution rates for the Coordinated Plan increased to 7.00 percent effective January 1, 2010 and will increase to 7.25 percent effective January 1, 2011.

The District's contributions to PERF for the years ended June 30, 2010, 2009, and 2008 were $512,879, $483,134, and $452,048, 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 dependent 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.

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 dependent 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 dependent 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.

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
2008	$ 1,810,320	61.8%	$ 691,165
2009	$ 1,841,422	817.5%	$ (12,521,012)
2010	$ 1,333,781	–	$ (11,187,232)

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, 2010

	Special Revenue Funds		
	Food Service	Community Service	Totals
Assets			
Cash and temporary investments	$ –	$ 176,610	$ 176,610
Receivables			
Current taxes	–	222,308	222,308
Delinquent taxes	–	5,863	5,863
Accounts and interest	5,765	3,661	9,426
Due from other governmental units	65,734	159,732	225,466
Due from fiduciary funds	7,610	5,054	12,664
Inventory	84,131	–	84,131
Prepaid items	5,678	29,762	35,440
Total assets	$ 168,918	$ 602,990	$ 771,908
Liabilities and Fund Balances			
Liabilities			
Salaries and compensated absences payable	$ 2,175	$ 13,374	$ 15,549
Accounts and contracts payable	11,466	10,007	21,473
Due to other governmental units	–	1,498	1,498
Due to other funds	18	–	18
Property taxes levied for subsequent year	–	426,230	426,230
Deferred revenue – delinquent taxes	–	5,863	5,863
Total liabilities	13,659	456,972	470,631
Fund balances			
Reserved	–	76,613	76,613
Unreserved – undesignated	155,259	69,405	224,664
Total fund balances	155,259	146,018	301,277
Total liabilities and fund balances	$ 168,918	$ 602,990	$ 771,908

Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2010

	Special Revenue Funds		
	Food Service	Community Service	Totals
Revenue			
Local sources			
Property taxes	$ –	$ 417,583	$ 417,583
Investment earnings	271	1,093	1,364
Other	382,303	273,734	656,037
State sources	64,706	576,412	641,118
Federal sources	1,231,539	–	1,231,539
Total revenue	1,678,819	1,268,822	2,947,641
Expenditures			
Current			
Food service	1,534,415	–	1,534,415
Community service	–	1,264,202	1,264,202
Capital outlay	66,148	6,738	72,886
Total expenditures	1,600,563	1,270,940	2,871,503
Net change in fund balances	78,256	(2,118)	76,138
Fund balances			
Beginning of year	77,003	148,136	225,139
End of year	$ 155,259	$ 146,018	$ 301,277

INDEPENDENT SCHOOL DISTRICT NO. 280

General Fund
Comparative Balance Sheet
as of June 30, 2010 and 2009

	2010	2009
Assets		
Cash and temporary investments	$ 1,726,687	$ 3,958,849
Receivables		
Current taxes	5,610,469	5,622,252
Delinquent taxes	143,791	131,147
Accounts and interest	322,999	274,228
Due from other governmental units	9,725,893	5,969,136
Due from other funds	18	–
Due from fiduciary funds	933,903	975,956
Inventory	31,303	20,278
Prepaid items	465,432	547,044
Total assets	$ 18,960,495	$ 17,498,890
Liabilities and Fund Balances		
Liabilities		
Tax anticipation certificates	$ 3,000,000	$ –
Salaries and compensated absences payable	239,947	462,930
Accounts and contracts payable	1,030,901	1,587,057
Accrued interest payable	17,850	–
Due to other governmental units	413,716	371,522
Property taxes levied for subsequent year	9,577,585	9,555,784
Unearned revenue	–	5,000
Deferred revenue – delinquent taxes	143,791	131,147
Total liabilities	14,423,790	12,113,440
Fund balances (deficits)		
Reserved for health and safety	(128,122)	(176,337)
Reserved for capital projects levy	29,716	40,863
Reserved for operating capital	2,158,009	2,482,393
Unreserved		
Designated for student activities	129,389	134,917
Designated for garden project	256	–
Designated for wellness expo	740	270
Designated for separation and retirement benefits	97,100	97,100
Designated for Kern Grant	18,693	23,848
Undesignated	2,230,924	2,782,396
Total fund balances	4,536,705	5,385,450
Total liabilities and fund balances	$ 18,960,495	$ 17,498,890

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2010
(With Comparative Actual Amounts for the Year Ended June 30, 2009)

	2010			2009
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 10,273,431	$ 11,237,159	$ 963,728	$ 10,545,970
Investment earnings	50,000	7,184	(42,816)	66,554
Other	1,470,824	1,799,669	328,845	1,970,110
State sources	31,901,285	31,609,959	(291,326)	35,683,368
Federal sources	5,994,804	5,584,065	(410,739)	2,361,394
Total revenue	49,690,344	50,238,036	547,692	50,627,396
Expenditures				
Current				
Administration				
Salaries	1,433,356	1,444,233	10,877	1,399,141
Employee benefits	423,867	429,938	6,071	1,197,220
Purchased services	92,191	87,939	(4,252)	90,374
Supplies and materials	150,571	203,184	52,613	244,003
Capital expenditures	20,500	16	(20,484)	1,599
Other expenditures	73,009	71,146	(1,863)	59,082
Total administration	2,193,494	2,236,456	42,962	2,991,419
District support services				
Salaries	588,826	631,092	42,266	579,383
Employee benefits	231,012	273,701	42,689	594,891
Purchased services	354,670	303,943	(50,727)	292,412
Supplies and materials	55,650	60,918	5,268	28,168
Capital expenditures	11,979	11,979	–	6,507
Other expenditures	161,306	63,124	(98,182)	135,942
Total district support services	1,403,443	1,344,757	(58,686)	1,637,303
Elementary and secondary regular instruction				
Salaries	15,363,729	15,517,573	153,844	15,112,330
Employee benefits	4,855,935	4,963,113	107,178	13,053,526
Purchased services	2,082,121	2,019,085	(63,036)	2,378,706
Supplies and materials	778,334	939,779	161,445	619,918
Capital expenditures	87,988	235,675	147,687	446,246
Other expenditures	102,322	40,107	(62,215)	45,247
Total elementary and secondary regular instruction	23,270,429	23,715,332	444,903	31,655,973

(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, 2010
(With Comparative Actual Amounts for the Year Ended June 30, 2009)

	2010			2009
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	356,062	356,548	486	368,340
Employee benefits	101,458	105,193	3,735	318,541
Purchased services	304,143	298,263	(5,880)	292,945
Supplies and materials	20,050	23,676	3,626	17,344
Total vocational education instruction	781,713	783,680	1,967	997,170
Special education instruction				
Salaries	5,754,593	5,731,738	(22,855)	5,462,237
Employee benefits	1,952,134	2,005,188	53,054	4,399,637
Purchased services	1,289,810	1,157,682	(132,128)	1,068,697
Supplies and materials	204,560	170,981	(33,579)	63,047
Capital expenditures	70,158	22,621	(47,537)	6,268
Other expenditures	6,388	2,309	(4,079)	3,575
Total special education instruction	9,277,643	9,090,519	(187,124)	11,003,461
Instructional support services				
Salaries	937,828	1,007,474	69,646	805,395
Employee benefits	278,445	289,895	11,450	701,365
Purchased services	76,615	48,222	(28,393)	42,516
Supplies and materials	95,020	46,221	(48,799)	51,732
Capital expenditures	500	222,820	222,320	210,557
Other expenditures	60	732	672	–
Total instructional support services	1,388,468	1,615,364	226,896	1,811,565
Pupil support services				
Salaries	1,778,980	1,896,367	117,387	1,827,575
Employee benefits	585,259	607,906	22,647	1,214,747
Purchased services	1,261,360	1,536,461	275,101	1,689,899
Supplies and materials	303,012	303,029	17	331,577
Capital expenditures	5,765	180,424	174,659	188,168
Other expenditures	3,450	1,574	(1,876)	18,811
Total pupil support services	3,937,826	4,525,761	587,935	5,270,777

(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, 2010
(With Comparative Actual Amounts for the Year Ended June 30, 2009)

	2010			2009
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	2,247,623	2,209,987	(37,636)	2,295,924
Employee benefits	882,324	883,954	1,630	1,814,089
Purchased services	1,872,405	1,790,476	(81,929)	1,682,504
Supplies and materials	1,067,657	841,925	(225,732)	920,509
Capital expenditures	1,420,265	1,480,806	60,541	1,571,399
Other expenditures	–	142,488	142,488	73,897
Total sites and buildings	7,490,274	7,349,636	(140,638)	8,358,322
Fiscal and other fixed cost programs				
Purchased services	208,800	208,444	(356)	306,771
Other expenditures	9,500	7,691	(1,809)	9,150
Total fiscal and other fixed cost programs	218,300	216,135	(2,165)	315,921
Debt service				
Principal	447,060	477,372	30,312	401,929
Interest and fiscal charges	66,152	122,895	56,743	102,200
Total debt service	513,212	600,267	87,055	504,129
Total expenditures	50,474,802	51,477,907	1,003,105	64,546,040
Excess (deficiency) of revenue over expenditures	(784,458)	(1,239,871)	(455,413)	(13,918,644)
Other financing sources (uses)				
Bonds issued	–	–	–	15,239,799
Capital leases	–	391,126	391,126	365,600
Transfers (out)	–	–	–	(699,965)
Total other financing sources (uses)	–	391,126	391,126	14,905,434
Net change in fund balances	$ (784,458)	(848,745)	$ (64,287)	986,790
Fund balances				
Beginning of year		5,385,450		4,398,660
End of year		$ 4,536,705		$ 5,385,450

INDEPENDENT SCHOOL DISTRICT NO. 280

Food Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2010 and 2009

	2010	2009
Assets		
Cash and temporary investments	$ –	$ 24,564
Receivables		
Accounts and interest	5,765	2,874
Due from other governmental units	65,734	–
Due from fiduciary funds	7,610	7,613
Inventory	84,131	63,809
Prepaid items	5,678	5,852
Total assets	$ 168,918	$ 104,712
Liabilities and Fund Balances		
Liabilities		
Salaries and compensated absences payable	$ 2,175	$ 14,015
Accounts and contracts payable	11,466	13,694
Due to other funds	18	–
Total liabilities	13,659	27,709
Fund balances		
Unreserved – undesignated	155,259	77,003
Total liabilities and fund balances	$ 168,918	$ 104,712

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, 2010
(With Comparative Actual Amounts for the Year Ended June 30, 2009)

	2010			2009
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	$ 1,000	$ 271	$ (729)	$ 1,585
Other – primarily meal sales	417,709	382,303	(35,406)	424,394
State sources	60,361	64,706	4,345	58,751
Federal sources	1,085,401	1,231,539	146,138	1,025,216
Total revenue	1,564,471	1,678,819	114,348	1,509,946
Expenditures				
Current				
Salaries	602,873	631,637	28,764	610,149
Employee benefits	196,830	204,718	7,888	574,190
Purchased services	9,000	9,417	417	4,849
Supplies and materials	673,340	684,964	11,624	634,834
Other expenditures	3,338	3,679	341	3,273
Capital outlay	79,090	66,148	(12,942)	25,105
Total expenditures	1,564,471	1,600,563	36,092	1,852,400
Excess (deficiency) of revenue over expenditures	–	78,256	78,256	(342,454)
Other financing sources (uses)				
Bonds issued	–	–	–	387,715
Transfers (out)	–	–	–	(17,808)
Total other financing sources (uses)	–	–	–	369,907
Net change in fund balances	$ –	78,256	$ 78,256	27,453
Fund balances				
Beginning of year		77,003		49,550
End of year		$ 155,259		$ 77,003

INDEPENDENT SCHOOL DISTRICT NO. 280

Community Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2010 and 2009

	2010	2009
Assets		
Cash and temporary investments	$ 176,610	$ 298,582
Receivables		
Current taxes	222,308	254,073
Delinquent taxes	5,863	5,590
Accounts and interest	3,661	558
Due from other governmental units	159,732	61,721
Due from fiduciary funds	5,054	5,056
Prepaid items	29,762	582
Total assets	$ 602,990	$ 626,162
Liabilities and Fund Balances		
Liabilities		
Salaries and compensated absences payable	$ 13,374	$ 12,619
Accounts and contracts payable	10,007	17,223
Due to other governmental units	1,498	1,556
Property taxes levied for subsequent year	426,230	441,038
Deferred revenue – delinquent taxes	5,863	5,590
Total liabilities	456,972	478,026
Fund balances		
Reserved for community education programs	52,439	83,137
Reserved for school readiness	3,389	3,390
Reserved for early childhood family education programs	20,785	21,391
Unreserved – undesignated	69,405	40,218
Total fund balances	146,018	148,136
Total liabilities and fund balances	$ 602,990	$ 626,162

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, 2010
(With Comparative Actual Amounts for the Year Ended June 30, 2009)

	2010			2009
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 571,204	$ 417,583	$ (153,621)	$ 366,723
Investment earnings	4,000	1,093	(2,907)	8,007
Other – primarily tuition and fees	293,178	273,734	(19,444)	254,418
State sources	411,202	576,412	165,210	577,327
Total revenue	1,279,584	1,268,822	(10,762)	1,206,475
Expenditures				
Current				
Salaries	408,819	428,219	19,400	421,200
Employee benefits	85,273	75,464	(9,809)	317,655
Purchased services	631,844	634,613	2,769	633,349
Supplies and materials	108,313	116,187	7,874	121,880
Other expenditures	9,600	9,719	119	8,478
Capital outlay	6,000	6,738	738	1,682
Total expenditures	1,249,849	1,270,940	21,091	1,504,244
Excess (deficiency) of revenue over expenditures	29,735	(2,118)	(31,853)	(297,769)
Other financing sources (uses)				
Bonds issued	–	–	–	257,486
Transfers (out)	–	–	–	(11,826)
Total other financing sources (uses)	–	–	–	245,660
Net change in fund balances	$ 29,735	(2,118)	$ (31,853)	245,660
Fund balances				
Beginning of year		148,136		200,245
End of year		$ 146,018		$ 445,905

INDEPENDENT SCHOOL DISTRICT NO. 280

Capital Projects – Building Construction Fund
Comparative Balance Sheet
as of June 30, 2010 and 2009

	2010	2009
Assets		
Cash and temporary investments	$ 492,984	$ 924,271
Liabilities and Fund Balances		
Liabilities		
Accounts and contracts payable	$ –	$ 306,458
Fund balances		
Reserved for alternative facilities	492,984	617,813
Total liabilities and fund balances	$ 492,984	$ 924,271

INDEPENDENT SCHOOL DISTRICT NO. 280

Capital Projects – Building Construction Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2010
(With Comparative Actual Amounts for the Year Ended June 30, 2009)

	2010			2009
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	$ –	$ 1,520	$ 1,520	$ 51,535
Expenditures				
Capital outlay				
Purchased services	83,500	83,374	(126)	446,631
Supplies and materials	534,313	42,975	(491,338)	3,726
Capital expenditures	–	–	–	5,089,729
Total expenditures	617,813	126,349	(491,464)	5,540,086
Excess (deficiency) of revenue over expenditures	(617,813)	(124,829)	492,984	(5,488,551)
Other financing sources				
Bonds issued	–	–	–	6,105,885
Net change in fund balances	$ (617,813)	(124,829)	$ 492,984	617,334
Fund balances				
Beginning of year		617,813		479
End of year		$ 492,984		$ 617,813

INDEPENDENT SCHOOL DISTRICT NO. 280

Debt Service Fund
Comparative Balance Sheet
as of June 30, 2010 and 2009

	2010	2009
Assets		
Cash and temporary investments	$ 2,982,815	$ 3,467,144
Receivables		
Current taxes	2,561,680	2,111,804
Delinquent taxes	55,708	52,789
Due from other governmental units	66,196	42,558
Total assets	$ 5,666,399	$ 5,674,295
Liabilities and Fund Balances		
Liabilities		
Property taxes levied for subsequent year	$ 4,911,509	$ 4,111,718
Deferred revenue – delinquent taxes	55,708	52,789
Total liabilities	4,967,217	4,164,507
Fund balances		
Reserved for general debt service	699,182	780,189
Reserved for OPEB bonds debt service	–	729,599
Total fund balances	699,182	1,509,788
Total liabilities and fund balances	$ 5,666,399	$ 5,674,295

INDEPENDENT SCHOOL DISTRICT NO. 280

Debt Service Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2010
(With Comparative Actual Amounts for the Year Ended June 30, 2009)

	2010			2009
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 4,111,562	$ 3,895,219	$ (216,343)	$ 3,867,473
Investment earnings	20,000	4,813	(15,187)	44,337
State sources	–	175,074	175,074	174,727
Total revenue	4,131,562	4,075,106	(56,456)	4,086,537
Expenditures				
Debt service				
Principal	2,345,000	2,345,000	–	2,435,000
Interest	2,528,851	2,534,850	5,999	1,727,341
Fiscal charges and other	51,388	5,862	(45,526)	138,802
Total expenditures	4,925,239	4,885,712	(39,527)	4,301,143
Excess (deficiency) of revenue over expenditures	(793,677)	(810,606)	(16,929)	(214,606)
Other financing sources (uses)				
Bonds issued	–	–	–	234,115
Refunding bonds issued	–	–	–	9,500,000
Premium on bonds issued	–	–	–	232,744
Payment to refunded bond escrow agent	–	–	–	(9,710,000)
Transfers in	–	–	–	729,599
Total other financing sources (uses)	–	–	–	986,458
Net change in fund balances	$ (793,677)	(810,606)	$ (16,929)	771,852
Fund balances				
Beginning of year		1,509,788		737,936
End of year		$ 699,182		$ 1,509,788

SUPPLEMENTAL INFORMATION

(UNAUDITED)

INDEPENDENT SCHOOL DISTRICT NO. 280

Government-Wide Revenue by Type
Last Eight Fiscal Years

	Program Revenues		General Revenues			
Year Ended June 30,	Charges for Services	Operating Grants and Contributions	Property Taxes	General Grants and Aids	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%

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 Eight 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%

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
2001	$ 11,269,013	$ 21,064,075	$ 1,220,765	$ 1,975,592	$ 35,529,445
	32%	59%	3%	6%	100%
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%

Note: Beginning in fiscal year 2003, the General Education Tax Levy was eliminated and replaced with state aid.

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
2001	$ 2,049,125	$ 1,578,416	$ 15,173,773	$ 477,253	$ 6,264,942	$ 2,816,399	$ 2,279,902	$ 4,823,024	$ 203,827	$ 35,666,661
	6%	4%	43%	1%	18%	8%	6%	13%	1%	100%
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%

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					
	2001	$ 15,634,895	$ 316,871	$ 3,314,325	$ 19,266,091
	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
Tax capacity rates					
	2001	35.653	0.990	10.354	46.997
	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

Note : Beginning with the levy collectible in 2002, the general education levy was eliminated and replaced with state aid.

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
2001	$ 43,320,532	$ (5,351,538)	$ 5,167,396	$ (10,820,262)	$ 32,316,128
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

Source: State of Minnesota School Tax Report

INDEPENDENT SCHOOL DISTRICT NO. 280

Property Tax Levies and Receivables
Last Ten Fiscal Years

	Original Levy				Uncollected Taxes Receivable as of June 30, 2010			
					Delinquent		Current	
For Taxes Collectible	Local Spread	Fiscal Disparities	Property Tax Credits	Total Spread	Amount	Percent	Amount	Percent
2001	$ 12,098,387	$ 2,925,728	$ 4,241,976	$ 19,266,091	$ –	– %	$ –	– %
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	9,608	0.09	–	–
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	13,619	0.11	–	–
2007	12,299,572	1,438,017	398,215	14,135,804	29,499	0.21	–	–
2008	13,059,904	1,648,768	381,031	15,089,703	69,963	0.46	–	–
2009	13,256,011	1,930,717	389,556	15,576,284	75,926	0.49	–	–
2010	13,654,333	2,293,410	451,214	16,398,957	–	–	8,394,457	51.19
					$ 205,362		$ 8,394,457	

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.

Note 3: Beginning with the levy collectible in 2002, the general education levy was eliminated and replaced with state aid.

Source: State of Minnesota School Tax Report

INDEPENDENT SCHOOL DISTRICT NO. 280

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
2001	31.47	298.67	1,919.94	2,137.30	4,387.38	5,068.11
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	87.91	299.62	1,711.45	1,908.83	4,007.81	4,629.62

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 Kingergarten – Handicapped	Kindergarten	Elementary 1–3	Elementary 4–6	Secondary
Fiscal 2001 through 2007	Various	0.557	1.115	1.060	1.300
Fiscal 2008 through 2010	Various	0.557	1.115	1.060	1.300

OTHER REQUIRED REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 280

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

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	$ 922,924	
Special Education – Preschool Grants	84.173	27,004	
ARRA – Special Education – Grants to States	84.391	309,247	
ARRA – Special Education – Preschool Grants	84.392	17,419	
Total for special education cluster			$ 1,276,594
Title I Grants to Local Educational Agencies cluster			
Title I Grants to Local Educational Agencies	84.010	917,302	
ARRA – Title I Grants to Local Educational Agencies	84.393	197,053	
Total for Title I Grants to Local Educational Agencies cluster			1,114,355
ARRA – State Fiscal Stabilization Fund Education State Grants	84.394		2,677,722
Improving Teacher Quality State Grants	84.367		235,053
Safe and Drug-Free Schools and Communities State Grants	84.186		25,201
English Language Acquisition Grants	84.365		139,804
High School Graduation Initiative	84.360		12,503
Early intervention services cluster			
ARRA – Special Education Grants for Infants and Families	84.393	2,389	
Passed through Independent School District No. 273			
Special Education Grants for Infants and Families	84.181	39,114	
Total for early intervention services cluster			41,503
Passed through Carver-Scott Educational Cooperative			
Career and Technical Education – Basic Grants to States	84.048		35,810
U.S. Department of Health and Human Services			
Passed through Minnesota Department of Education			
Refugee and Entrant Assistance – Discretionary Grants	93.576		52,783
U.S. Department of Agriculture			
Passed through Minnesota Department of Education			
Child nutrition cluster			
School Breakfast Program	10.553	219,830	
National School Lunch Program	10.555	946,565	
Total child nutrition cluster			1,166,395
ARRA – Child Nutrition Discretionary Grants Limited Availability	10.579		59,090
Total federal awards			$ 6,836,813

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 $87,985 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
Blessed Trinity Catholic Schools	84.010	$ 26,920

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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, 2010, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 25, 2010. 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

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 October 25, 2010.

This report is intended solely for the information and use of the School Board, management of 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.

October 25, 2010

CERTIFIED PUBLIC ACCOUNTANTS

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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 C*ompliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. 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 on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

(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 in order to determine our 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.

October 25, 2010

MMKR
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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 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, 2010, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 25, 2010.

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 Local Governments*, 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 Local Governments* 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, except as noted in the Schedule of Findings and Questioned Costs.

This report is intended solely for the information and use of management, the School Board, others within the District, and the Office of the State Auditor 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.

October 25, 2010

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Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

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.
The U.S. Department of Education Special Education Cluster consisting of:	
– Special Education – Grants to States	84.027
– Special Education – Preschool Grants	84.173
– ARRA – Special Education – Grants to States	84.391
– ARRA – Special Education – Preschool Grants	84.392
The U.S. Department of Education Title I Grants to Local Educational Agencies cluster consisting of:	
– Title I – Grants to Local Educational Agencies	84.010
– ARRA – Title I – Grants to Local Educational Agencies	84.393
ARRA – State Fiscal Stabilization Funds – Education State Grants	84.394

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

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

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

None.

D. FINDINGS – MINNESOTA LEGAL COMPLIANCE AUDIT

2010-1 CONTRACT PAYMENT AND PERFORMANCE BONDS

Criteria – Minnesota Statute § 574.26.

Condition – When contracting for construction services with a value exceeding $75,000, Independent School District No. 280, Richfield, Minnesota (the District) is required to obtain performance and payment bonds from the contractor. For two such contracts awarded during the year, the District did not receive performance or payment bonds from the contractor.

Questioned Costs – Not applicable.

Context – Two of four contracts tested were not in compliance. This is a current year finding.

Cause – The two contracts that were not in compliance were below the threshold at which formal written bids were required, and were awarded based on quotes instead. The two contracts tested that went through the written bid process had the required performance and payment bonds.

Effect – The District's interests in these contracts were not protected by performance or payment bonds.

Recommendation – We recommend that the District review its procedures for awarding contracts using quotes, to assure that the required performance and payment bonds are obtained for all future contracts for construction services exceeding $75,000.

Corrective Action Plan

Actions Planned – All contracts awarded for construction services will be reviewed by the Business Manager to assure the required performance and payment bonds are received at the time the contract is executed.

Official Responsible – Michael Schwartz, Business Manager.

Planned Completion Date – June 30, 2010.

D. FINDINGS – MINNESOTA LEGAL COMPLIANCE AUDIT (CONTINUED)

2010-1 CONTRACT PAYMENT AND PERFORMANCE BONDS (CONTINUED)

Corrective Action Plan (continued)

Disagreement With or Explanation of Finding – The District has no disagreement with the finding.

Plan to Monitor – Jason Mutzenberger, Supervisor of Financial Services, will also review contract files to assure the planned controls are being followed and the required performance and payment bonds are obtained.

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

No audit findings at June 30, 2009.

INDEPENDENT SCHOOL DISTRICT NO. 280

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2010

			Audit		UFARS		Audit – UFARS
General Fund							
Total revenue		$	50,238,036	$	50,238,036	$	–
Total expenditures		$	51,477,907	$	51,477,908	$	(1)
Reserved							
403	Staff development	$	–	$	–	$	–
405	Deferred maintenance	$	–	$	–	$	–
406	Health and safety	$	(128,122)	$	(128,122)	$	–
407	Capital projects levy	$	29,716	$	29,716	$	–
408	Cooperative revenue	$	–	$	–	$	–
413	Projects funded by COP	$	–	$	–	$	–
414	Operating debt	$	–	$	–	$	–
416	Levy reduction	$	–	$	–	$	–
417	Taconite building maintenance	$	–	$	–	$	–
419	Encumbrances	$	–	$	–	$	–
423	Certain teacher programs	$	–	$	–	$	–
424	Operating capital	$	2,158,009	$	2,158,009	$	–
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 – crime levy	$	–	$	–	$	–
450	Pre-kindergarten	$	–	$	–	$	–
451	QZAB payments	$	–	$	–	$	–
452	OPEB liability not in trust	$	–	$	–	$	–
453	Unfunded severance and retirement levy	$	–	$	–	$	–
Unreserved							
418	Separation/retirement benefits	$	97,100	$	97,100	$	–
422	Unreserved – undesignated	$	2,380,002	$	2,380,002	$	–
Food Service							
Total revenue		$	1,678,819	$	1,678,820	$	(1)
Total expenditures		$	1,600,563	$	1,600,564	$	(1)
Reserved							
419	Encumbrances	$	–	$	–	$	–
452	OPEB liability not in trust	$	–	$	–	$	–
Unreserved							
418	Separation/retirement benefits	$	–	$	–	$	–
422	Unreserved – undesignated	$	155,259	$	155,259	$	–
Community Service							
Total revenue		$	1,268,822	$	1,268,822	$	–
Total expenditures		$	1,270,940	$	1,270,940	$	–
Reserved							
419	Encumbrances	$	–	$	–	$	–
426	$25 taconite	$	–	$	–	$	–
431	Community education	$	52,439	$	52,439	$	–
432	ECFE	$	20,785	$	20,785	$	–
444	School readiness	$	3,389	$	3,389	$	–
447	Adult basic education	$	–	$	–	$	–
452	OPEB liability not in trust	$	–	$	–	$	–
Unreserved							
418	Separation/retirement benefits	$	–	$	–	$	–
422	Unreserved – undesignated	$	69,405	$	69,405	$	–
Building Construction							
Total revenue		$	1,520	$	1,520	$	–
Total expenditures		$	126,349	$	126,349	$	–
Reserved							
407	Capital projects levy	$	–	$	–	$	–
409	Alternative facility program	$	492,984	$	492,984	$	–
413	Project funded by COP						
419	Encumbrances	$	–	$	–	$	–
Unreserved							
422	Unreserved – undesignated	$	–	$	–	$	–

INDEPENDENT SCHOOL DISTRICT NO. 280

Uniform Financial Accounting and Reporting Standards
Compliance Table (continued)
June 30, 2010

		Audit	UFARS	Audit – UFARS
Debt Service				
Total revenue		$ 4,075,106	$ 4,075,106	$ –
Total expenditures		$ 4,156,113	$ 4,156,114	$ (1)
Reserved				
425	Bond refundings	$ –	$ –	$ –
451	QZAB payments	$ –	$ –	$ –
Unreserved				
422	Unreserved – undesignated	$ 699,182	$ 699,182	$ –
Trust				
Total revenue		$ 44,452	$ 44,452	$ –
Total expenditures		$ 31,664	$ 31,664	$ –
Reserved				
419	Encumbrances	$ –	$ –	$ –
Unreserved				
422	Unreserved – undesignated	$ 433,921	$ 433,921	$ –
Agency				
Unreserved				
422	Unreserved – undesignated	$ –	$ –	$ –
Internal Service				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
Reserved				
419	Encumbrances	$ –	$ –	$ –
Unreserved				
422	Unreserved – undesignated	$ –	$ –	$ –
OPEB Revocable Trust				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
Reserved				
419	Encumbrances	$ –	$ –	$ –
Unreserved				
422	Unreserved – undesignated	$ –	$ –	$ –
OPEB Irrevocable Trust				
Total revenue		$ 440,913	$ 440,913	$ –
Total expenditures		$ 946,859	$ 946,858	$ 1
Reserved				
419	Encumbrances	$ –	$ –	$ –
Unreserved				
422	Unreserved – undesignated	$ 13,594,497	$ 13,594,498	$ (1)
OPEB Debt Service				
Total revenue		$ –	$ –	$ –
Total expenditures		$ 729,599	$ 729,599	$ –
Reserved				
425	Bond refundings	$ –	$ –	$ –
Unreserved				
422	Unreserved – undesignated	$ –	$ –	$ –

Note 1: The District may report certain additional reserved and designated fund balances for financial reporting purposes that are reported to the Minnesota Department of Education as unreserved for purposes of this table.

Note 2: Balances listed above for "Debt Service" and "OPEB Debt Service" are combined as one Debt Service Fund for financial reporting purposes.

Unaudited Data Reporting Elements	
Fiscal Year 2010 Operating Capital Transfer	
Per pupil amount	$ –
Adjusted marginal cost pupil unit	–
Total transfer	$ –