INDEPENDENT SCHOOL DISTRICT NO. 280
RICHFIELD, MINNESOTA

Financial Statements and
Supplemental Information

Year Ended
June 30, 2012

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INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 280

School Board and Administration
Year Ended June 30, 2012

SCHOOL BOARD

	Position
Sandy Belkengren	Chairperson
John Easterwood	Vice Chairperson
David Lamberger	Clerk
Todd Nollenberger	Treasurer
John Ashmead	Director
Deb Etienne	Director

ADMINISTRATION

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

FINANCIAL SECTION

MMKR
CERTIFIED PUBLIC
ACCOUNTANTS

PRINCIPALS
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, 2012, 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, 2011, and in our report dated November 10, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2012, 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 prior year partial comparative information, which does not include all of the information required in a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2011, from which it was derived.

(continued)

Malloy, Montague, Karnowski, Radosevich, & Co., P.A.
5353 Wayzata Boulevard • Suite 410 • Minneapolis, MN 55416 • Telephone: 952-545-0424 • Telefax: 952-545-0569 • www.mmkr.com

In accordance with *Government Auditing Standards*, we have also issued a report dated October 30, 2012 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and required supplementary information, 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The introductory section, supplemental information, and other district information, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is also not a required part of the basic financial statements of the District. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis as required by the Minnesota Department of Education, and is also not a required part of the basic financial statements of the District.

The supplemental information, Schedule of Expenditures of Federal Awards, and the UFARS Compliance Table are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory section and other district information 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 30, 2012

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, 2012. We encourage readers to consider the information presented here in conjunction with the other components of the District's financial statements.

FINANCIAL HIGHLIGHTS

The District's assets exceeded its liabilities at June 30, 2012 by $11,391,024 (net assets). The District's total net assets decreased by $3,225,138 during the fiscal year ended June 30, 2012.

At June 30, 2012, the District's governmental funds reported a combined ending fund balance of $2,615,509, a decrease of $2,188,103 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 $1,480,057, a decrease of $2,053,639 from the prior year. The unrestricted portion of the year-end fund balance was $968,035, which represents approximately 1.8 percent of annual General Fund expenditures based on fiscal 2012 expenditure levels.

The Debt Service Fund reported an ending fund balance of $983,062, a decrease of $94,203.

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 supplemental 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 combining and individual fund statements and schedules for the nonmajor funds are provided as supplemental information.

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

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

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

The District maintains the following kinds of funds:

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

Table 1
Summary of Net Assets
as of June 30, 2012 and 2011

	2012	2011
Assets		
Current and other assets	$ 40,007,014	$ 37,785,469
Capital assets, net of depreciation	60,952,650	62,317,711
Total assets	**$ 100,959,664**	**$ 100,103,180**
Liabilities		
Current and other liabilities	$ 30,141,738	$ 23,704,257
Long-term liabilities, including due within one year	59,426,902	61,782,761
Total liabilities	**$ 89,568,640**	**$ 85,487,018**
Net assets		
Invested in capital assets, net of related debt	$ 21,069,485	$ 19,677,911
Restricted	206,264	1,510,272
Unrestricted	(9,884,725)	(6,572,021)
Total net assets	**$ 11,391,024**	**$ 14,616,162**

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 $3,225,138 during the year ended June 30, 2012. The amount invested in capital assets, net of related debt increased $1,391,574. Restricted net assets decreased $1,304,008, primarily due to the District spending down its restricted operating capital fund balance. The unrestricted portion of net assets decreased $3,312,704 during the year.

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

Table 2
Change in Net Assets
for the Years Ended June 30, 2012 and 2011

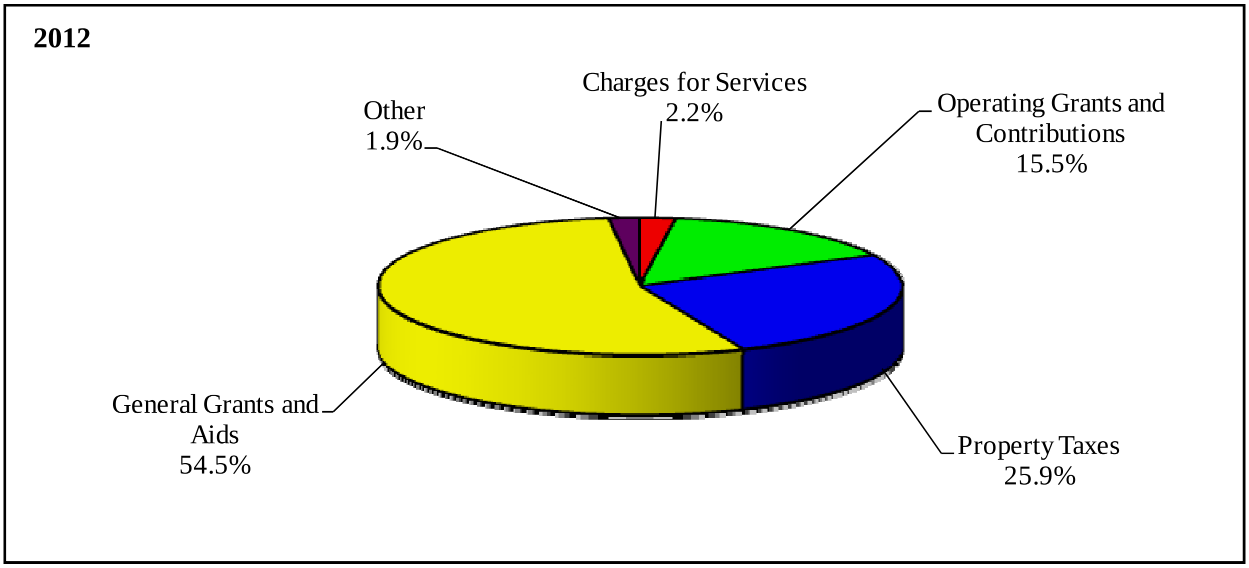
	2012	2011
Revenues		
Program revenues		
Charges for services	$ 1,323,815	$ 1,351,240
Operating grants and contributions	9,293,298	10,298,601
General revenues		
Property taxes	15,535,989	20,230,069
General grants and aids	32,608,548	27,076,258
Other	1,140,976	1,021,567
Total revenues	**59,902,626**	**59,977,735**
Expenses		
Administration	2,469,933	2,364,391
District support services	1,427,634	1,365,550
Elementary and secondary regular instruction	26,191,779	25,498,288
Vocational education instruction	725,344	752,047
Special education instruction	9,935,410	9,275,816
Instructional support services	1,442,920	1,439,697
Pupil support services	4,942,630	4,514,682
Sites and buildings	6,635,565	6,732,002
Fiscal and other fixed cost programs	233,039	220,807
Food service	1,985,798	1,809,824
Community service	1,307,059	1,320,500
Unallocated depreciation	3,216,881	3,066,722
Interest and fiscal charges	2,613,772	2,675,391
Total expenses	**63,127,764**	**61,035,717**
Change in net assets	**$ (3,225,138)**	**$ (1,057,982)**

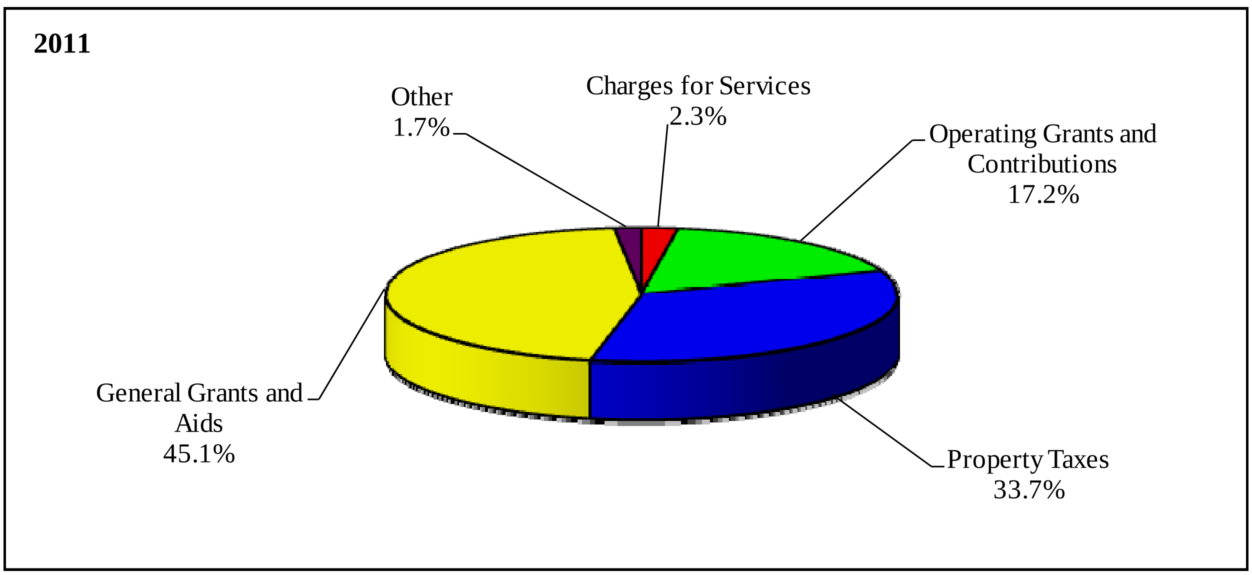
The statement is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

Total revenue for the 2012 fiscal year was $75,109 lower than last year due to a combination of an increase of 152 students (average daily membership) and a decrease in property taxes and federal grant revenue. The District experienced cost of living increases along with salary step and lane changes resulting in an increase in expenses of $2,092,047.

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

Figure A – Sources of Revenue for Fiscal Years 2012 and 2011



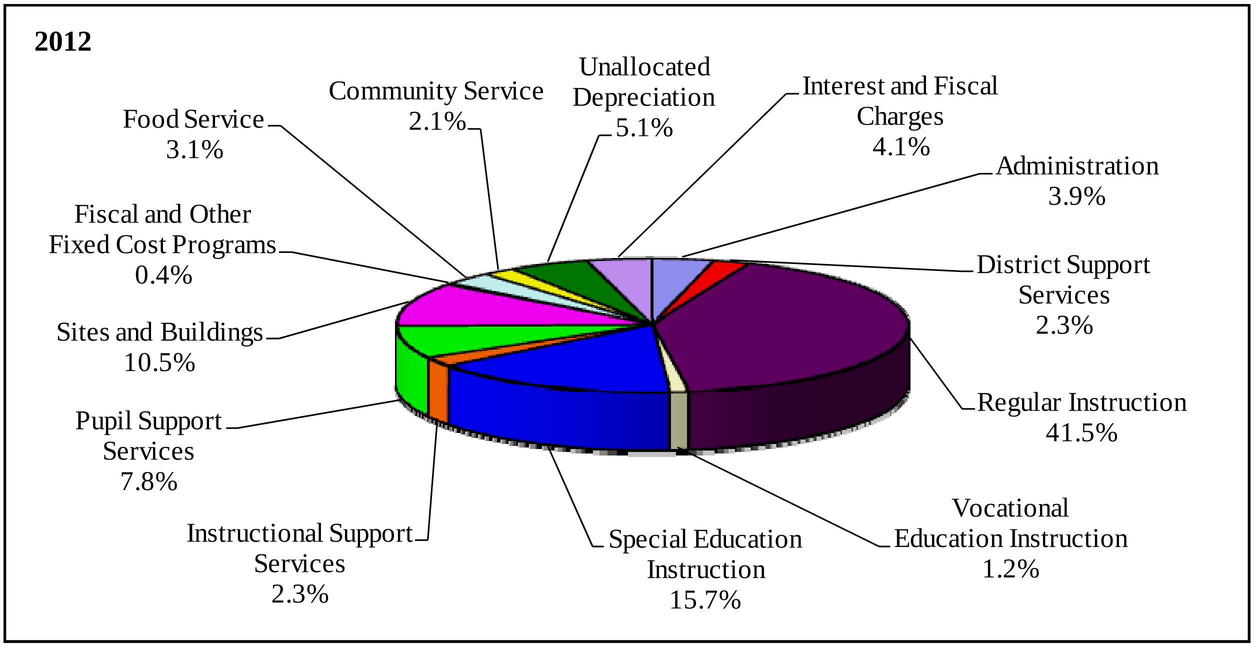


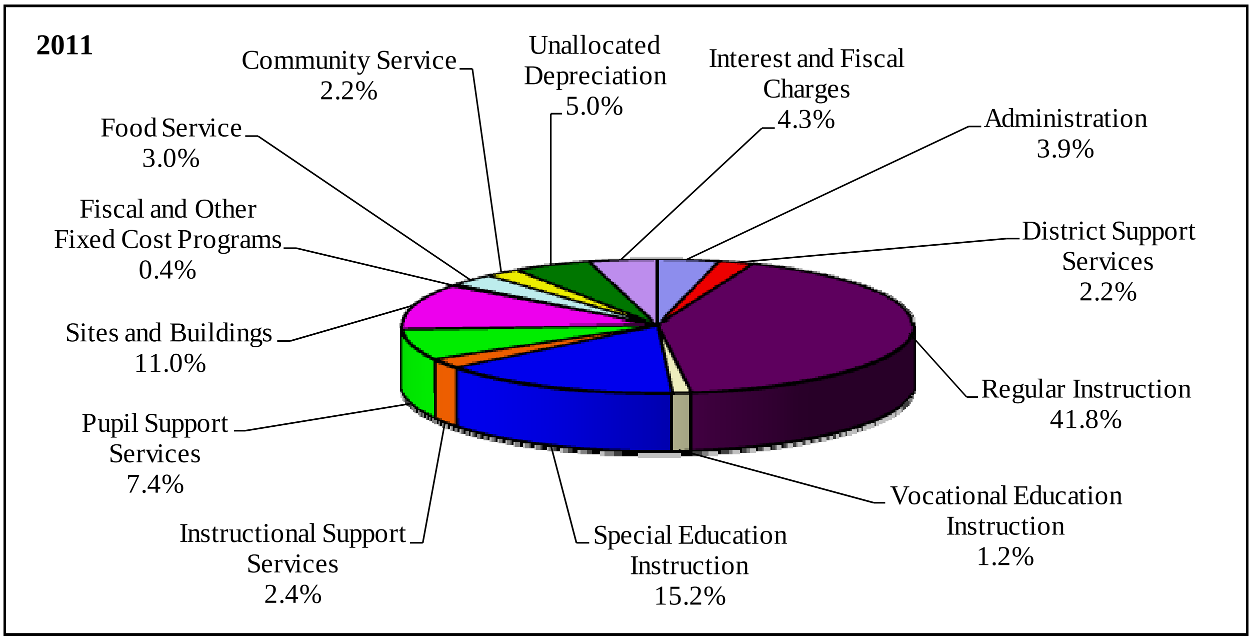
The largest share of the District's revenue is received from the state, including most of the general and operating grants. This means that the District's financial condition depends significantly on the state's current financial position.

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

The proportionate share of district revenue from these two sources changed significantly from fiscal 2011 to fiscal 2012, due to a "tax shift." The tax shift is an accounting tool used to balance the state budget, whereby districts recognize cash collections for the subsequent year's property tax levy as current year revenue, and the state reduces aid payments to districts by an equal amount.

Figure B – Expenses for Fiscal Years 2012 and 2011





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, 2012 and 2011

	2012	2011	Increase (Decrease)
Major funds			
General	$ 1,480,057	$ 3,533,696	$ (2,053,639)
Debt Service	983,062	1,077,265	(94,203)
Nonmajor funds			
Food Service Special Revenue	96,127	92,409	3,718
Community Service Special Revenue	56,263	100,242	(43,979)
Total governmental funds	$ 2,615,509	$ 4,803,612	$ (2,188,103)

In 2012, the General Fund balance decreased due to the budgeted use of fund balance to retain district programs and spending down the operating capital fund balance.

The decrease in the Debt Service Fund was mainly due to the under levy of property tax revenue.

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	$ 50,803,926	$ 51,860,987	$ 1,057,061	2.1%
Expenditures	$ 53,324,323	$ 53,813,629	$ 489,306	0.9%

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

The changes from the original revenue and expenditure budgets to the final budgets are due to additional grant awards, salary and benefit adjustments based on negotiated contract settlements, and a recalculation of state aid and levy using updated enrollment numbers.

Table 5 summarizes the operating results of the General Fund:

Table 5
General Fund
Operating Results

		Over (Under) Final Budget		Over (Under) Prior Year	
	2012 Actual	Amount	Percent	Amount	Percent
Revenue	$ 51,930,473	$ 69,486	0.1%	$ (149,311)	(0.3%)
Expenditures	54,424,451	$ 610,822	1.1%	$ 972,002	1.8%
Other financing sources (uses)	440,339	$ 440,339	100.0%	$ 70,683	19.1%
Net change in fund balances	$ (2,053,639)				

The decrease in 2012 actual revenue is primarily due to a decrease in property tax revenue. The expenditure increase is due to construction projects at Richfield High School, along with district-wide salary and benefit increases.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 6 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ending June 30, 2012 and 2011:

Table 6
Capital Assets

	2012	2011	Increase (Decrease)
Land	$ 349,265	$ 349,265	$ –
Land improvements	5,768,110	4,495,771	1,272,339
Buildings	87,392,697	86,853,560	539,137
Equipment	6,882,860	6,602,674	280,186
Construction in progress	12,589	152,298	(139,709)
Less accumulated depreciation	(39,452,871)	(36,135,857)	(3,317,014)
Total	$ 60,952,650	$ 62,317,711	$ (1,365,061)
Depreciation expense	$ 3,428,560	$ 3,270,910	$ 157,650

The increase in land improvements is due to the completion of the synthetic turf installed at Richfield High School, along with upgrades to the irrigation system and parking lot. The increase in buildings is due to upgrades of the intercom systems at Richfield Middle School and Centennial Elementary, and a partial roof replacement at Richfield Middle School.

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

	2012	2011	Increase (Decrease)
General obligation bonds	$ 54,040,000	$ 56,540,000	$ (2,500,000)
Capital leases	1,935,332	1,984,800	(49,468)
Severance benefits	2,597,745	2,538,083	59,662
Compensated absences	293,897	305,760	(11,863)
Net pension benefits obligation	559,928	414,118	145,810
Total	$ 59,426,902	$ 61,782,761	$ (2,355,859)

The decrease in general obligation bonds is due to the scheduled debt service payments made during the year, including the final payment for 2008A Refunding Bonds. The change in capital leases is based on the District's technology plan to replace and update technology on a five-year cycle. Technology equipment is being purchased under a series of five-year lease agreements. The District is also replacing school buses using a series of seven-year lease agreements. Severance benefits for some employee groups now appear under pension benefits which is the reason for the increase.

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	$ 3,534,830,197
Limit rate	15.0%
Legal debt limit	$ 530,224,530

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 72 percent of its annual General Fund revenues. These revenues have not been sufficient or kept pace with the (CPI-U) inflationary index over the past 10 years to meet instructional program needs and costs due to inflation.

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The basic general education formula allowance for Minnesota school districts increased by $50 in fiscal year 2012 to $5,174 per pupil. The Legislature has added another $50 per pupil to the formula for the next fiscal year. A weakened economy and growing demand on limited resources continue to present challenges in funding education for Minnesota schools.

During the past four years, the District has upgraded the Public Address (PA) system at five of their seven buildings. The plan is to complete the upgrade of the final two buildings in the summer of 2013. These upgrades are to improve security and safety at all district buildings. The District has also received a grant from the Hennepin County Youth Organization and the Minnesota Twins Foundation to make the high school baseball field ADA accessible as well as other improvements to the facility.

The District successfully implemented a no-fee-based extended all-day kindergarten program at both Centennial and Sheridan Hills Elementary Schools in fiscal year 2007. The Richfield Dual Language School established in 2008 continues to add a grade level each year until Grade 5. This year the dual language school was a K–4 school. Research has shown that more students have been retained in the District since the implementation of all-day kindergarten and the inception of the dual language school.

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

In the fall of 2012, the District will be asking the community to renew the District's existing referendum authority of $301 per pupil unit and approve new levy authority, in a second question, of $60 per pupil unit. The new levy would generate approximately $300,000 of new funding per year for a 10-year period.

The District continues to experience strong enrollment gains. The student population of the District, based on annual October 1 student counts, has increased by over 400 students the last three years with the addition of 132 students in fiscal 2011, 170 students in fiscal 2012, and a projected increase in fiscal year 2013 of 106. These increases are a result of implementing changes requested by the community, some of which include all-day kindergarten, magnet schools, and higher level course offerings at the secondary level. The large increase in enrollment over the last three years has created a strain on the District's facilities, especially at the elementary level. There have been preliminary discussions about creating a third magnet school to continue to provide the community choices and to help alleviate overcrowded buildings in the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Net Assets
as of June 30, 2012
(With Partial Comparative Information as of June 30, 2011)

	Governmental Activities	
	2012	2011
Assets		
Cash and temporary investments	$ 6,896,995	$ 4,898,977
Receivables		
Current taxes	8,255,832	8,382,487
Delinquent taxes	168,659	262,593
Accounts and interest receivable	309,133	310,013
Due from fiduciary fund	785,630	831,653
Due from other governmental units	14,944,134	12,307,423
Inventory	89,126	80,208
Prepaid items	414,401	594,057
Deferred charges	289,578	302,512
Negative net other post-employment benefit obligations	7,853,526	9,815,546
Capital assets		
Not depreciated	361,854	501,563
Depreciated, net of accumulated depreciation	60,590,796	61,816,148
Total capital assets, net of accumulated depreciation	60,952,650	62,317,711
Total assets	$ 100,959,664	$ 100,103,180
Liabilities		
Aid anticipation certificates	$ 16,500,000	$ 10,060,000
Salaries payable	306,392	275,845
Accounts and contracts payable	1,029,516	1,204,404
Accrued interest payable	1,195,889	1,153,446
Due to other governmental units	113,313	301,949
Property taxes levied for subsequent year	10,893,968	10,708,613
Unearned revenue	102,660	–
Long-term liabilities		
Due within one year	4,089,196	3,501,966
Due in more than one year	55,337,706	58,280,795
Total long-term liabilities	59,426,902	61,782,761
Total liabilities	89,568,640	85,487,018
Net assets		
Invested in capital assets, net of related debt	21,069,485	19,677,911
Restricted for		
Capital asset acquisition	71,307	1,307,046
Debt service	–	48,790
Food service	58,937	54,021
Community service	76,020	100,415
Unrestricted	(9,884,725)	(6,572,021)
Total net assets	11,391,024	14,616,162
Total liabilities and net assets	$ 100,959,664	$ 100,103,180

See notes to basic financial statements

Statement of Activities
Year Ended June 30, 2012
(With Partial Comparative Information as of June 30, 2011)

Functions/Programs	Expenses	2012 Program Revenues: Charges for Services	2012 Program Revenues: Operating Grants and Contributions	2012 Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	2011 Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental activities					
Administration	$ 2,469,933	$ 322,949	$ 4,699	$ (2,142,285)	$ (2,084,106)
District support services	1,427,634	–	–	(1,427,634)	(1,365,550)
Elementary and secondary regular instruction	26,191,779	254,209	1,641,640	(24,295,930)	(22,776,947)
Vocational education instruction	725,344	–	–	(725,344)	(752,047)
Special education instruction	9,935,410	99,637	4,702,562	(5,133,211)	(4,847,153)
Instructional support services	1,442,920	–	–	(1,442,920)	(1,439,697)
Pupil support services	4,942,630	10,919	844,628	(4,087,083)	(2,834,397)
Sites and buildings	6,635,565	–	–	(6,635,565)	(6,732,002)
Fiscal and other fixed cost programs	233,039	–	–	(233,039)	(220,807)
Food service	1,985,798	377,032	1,574,114	(34,652)	(94,007)
Community service	1,307,059	259,069	525,655	(522,335)	(497,050)
Unallocated depreciation	3,216,881	–	–	(3,216,881)	(3,066,722)
Interest and fiscal charges	2,613,772	–	–	(2,613,772)	(2,675,391)
Total governmental activities	$ 63,127,764	$ 1,323,815	$ 9,293,298	(52,510,651)	(49,385,876)
General revenue					
Taxes					
Property taxes, levied for general purposes				10,521,626	14,954,696
Property taxes, levied for community service				405,194	616,555
Property taxes, levied for debt service				4,609,169	4,658,818
General grants and aids				32,608,548	27,076,258
Other general revenues				1,126,668	1,013,147
Investment earnings				14,308	8,420
Total general revenues				49,285,513	48,327,894
Change in net assets				(3,225,138)	(1,057,982)
Net assets – beginning				14,616,162	15,674,144
Net assets – ending				$ 11,391,024	$ 14,616,162

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 280

Balance Sheet
Governmental Funds
as of June 30, 2012
(With Partial Comparative Information as of June 30, 2011)

	General Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds 2012	Total Governmental Funds 2011
Assets					
Cash and temporary investments	$ 3,337,698	$ 3,496,000	$ 63,297	$ 6,896,995	$ 4,898,977
Receivables					
Current taxes	5,436,587	2,597,612	221,633	8,255,832	8,382,487
Delinquent taxes	115,460	48,639	4,560	168,659	262,593
Accounts and interest	304,146	–	4,987	309,133	310,013
Due from other governmental units	14,662,108	85,379	196,647	14,944,134	12,307,423
Due from other funds	99,896	–	–	99,896	65,869
Due from OPEB trust	771,661	–	13,969	785,630	831,653
Inventory	29,454	–	59,672	89,126	80,208
Prepaid items	411,261	–	3,140	414,401	594,057
Total assets	$ 25,168,271	$ 6,227,630	$ 567,905	$ 31,963,806	$ 27,733,280
Liabilities and Fund Balances					
Liabilities					
Aid anticipation certificates	$ 16,500,000	$ –	$ –	$ 16,500,000	$ 10,060,000
Salaries payable	271,326	–	35,066	306,392	275,845
Accounts and contracts payable	991,123	–	38,393	1,029,516	1,204,404
Accrued interest payable	133,893	–	–	133,893	50,395
Due to other governmental units	103,720	–	9,593	113,313	301,949
Due to other funds	–	–	99,896	99,896	65,869
Property taxes levied for subsequent year	5,470,032	5,195,929	228,007	10,893,968	10,708,613
Unearned revenue	102,660	–	–	102,660	–
Deferred revenue – delinquent taxes	115,460	48,639	4,560	168,659	262,593
Total liabilities	23,688,214	5,244,568	415,515	29,348,297	22,929,668
Fund balances					
Nonspendable	440,715	–	62,812	503,527	674,265
Restricted	71,307	983,062	89,578	1,143,947	2,511,692
Assigned	607,067	–	–	607,067	1,617,655
Unassigned	360,968	–	–	360,968	–
Total fund balances	1,480,057	983,062	152,390	2,615,509	4,803,612
Total liabilities and fund balances	$ 25,168,271	$ 6,227,630	$ 567,905	$ 31,963,806	$ 27,733,280

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, 2012
(With Partial Comparative Information as of June 30, 2011)

	2012	2011
Total fund balances – governmental funds	$ 2,615,509	$ 4,803,612
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	100,405,521	98,453,568
Accumulated depreciation	(39,452,871)	(36,135,857)
Long-term liabilities are included in net assets, but are excluded from fund balances until due and payable.		
General obligation bonds	(54,040,000)	(56,540,000)
Capital leases	(1,935,332)	(1,984,800)
Severance benefits	(2,597,745)	(2,538,083)
Compensated absences	(293,897)	(305,760)
Net pension benefits obligation	(559,928)	(414,118)
Net other post-employment benefit obligations reported in the Statement of Net Assets do not require the use of current financial resources and are not reported as assets (liabilities) in governmental funds until actually due.	7,853,526	9,815,546
Accrued interest payable on long-term debt is included in net assets, but is excluded from fund balances until due and payable.	(1,061,996)	(1,103,051)
Debt issuance premiums, discounts, and issuance costs are excluded from net assets until amortized, but are included in fund balances upon issuance as other financing sources and uses.	289,578	302,512
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.	168,659	262,593
Total net assets – governmental activities	$ 11,391,024	$ 14,616,162

See notes to basic financial statements

Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2012
(With Partial Comparative Information as of June 30, 2011)

	General Fund	Debt Service Fund	Nonmajor Funds	Total Governmental Funds 2012	Total Governmental Funds 2011
Revenue					
Local sources					
Property taxes	$ 10,587,151	$ 4,635,106	$ 407,666	$ 15,629,923	$ 20,172,838
Investment earnings	11,917	2,066	325	14,308	8,420
Other	1,807,143	–	663,206	2,470,349	2,469,765
State sources	37,026,885	239,159	619,115	37,885,159	32,610,288
Federal sources	2,497,377	–	1,499,444	3,996,821	4,659,193
Total revenue	51,930,473	4,876,331	3,189,756	59,996,560	59,920,504
Expenditures					
Current					
Administration	2,353,857	–	–	2,353,857	2,371,106
District support services	1,365,761	–	–	1,365,761	1,339,401
Elementary and secondary regular instruction	25,066,366	–	–	25,066,366	25,134,023
Vocational education instruction	695,800	–	–	695,800	731,005
Special education instruction	9,548,848	–	–	9,548,848	9,100,333
Instructional support services	1,312,859	–	–	1,312,859	1,324,449
Pupil support services	4,880,377	–	–	4,880,377	4,565,045
Sites and buildings	8,306,378	–	–	8,306,378	7,979,702
Fiscal and other fixed cost programs	233,039	–	–	233,039	220,807
Food service	–	–	1,922,710	1,922,710	1,769,533
Community service	–	–	1,271,353	1,271,353	1,294,561
Capital outlay	–	–	35,954	35,954	21,007
Debt service					
Principal	489,807	2,500,000	–	2,989,807	2,931,754
Interest and fiscal charges	171,359	2,470,534	–	2,641,893	2,733,970
Total expenditures	54,424,451	4,970,534	3,230,017	62,625,002	61,516,696
Excess (deficiency) of revenue over expenditures	(2,493,978)	(94,203)	(40,261)	(2,628,442)	(1,596,192)
Other financing sources (uses)					
Capital leases	440,339	–	–	440,339	369,656
Transfers in	–	–	–	–	485,560
Transfers (out)	–	–	–	–	(485,560)
Total other financing sources (uses)	440,339	–	–	440,339	369,656
Net change in fund balances	(2,053,639)	(94,203)	(40,261)	(2,188,103)	(1,226,536)
Fund balances					
Beginning of year	3,533,696	1,077,265	192,651	4,803,612	6,030,148
End of year	$ 1,480,057	$ 983,062	$ 152,390	$ 2,615,509	$ 4,803,612

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, 2012
(With Partial Comparative Information as of June 30, 2011)

	2012	2011
Total net change in fund balances – governmental funds	$ (2,188,103)	$ (1,226,536)
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	2,110,372	1,714,385
Depreciation expense	(3,428,560)	(3,270,910)
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.	(46,873)	(700)
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.	(440,339)	(369,656)
Repayment of long-term debt does not affect the change in net assets. However, it reduces fund balances.		
General obligation bonds	2,500,000	2,435,000
Capital leases	489,807	496,754
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	(59,662)	561,389
Compensated absences	11,863	10,276
Net pension benefits obligation	(145,810)	(152,108)
Net other post-employment benefit obligations	(1,962,020)	(1,371,686)
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.	41,055	72,737
Debt issuance premiums, discounts, and issuance costs are included in the change in net assets as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.	(12,934)	(14,158)
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.	(93,934)	57,231
Change in net assets – governmental activities	$ (3,225,138)	$ (1,057,982)

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, 2012

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenue				
Local sources				
Property taxes	$ 11,130,776	$ 10,972,278	$ 10,587,151	$ (385,127)
Investment earnings	25,000	25,000	11,917	(13,083)
Other	1,304,475	1,522,048	1,807,143	285,095
State sources	36,368,631	36,957,236	37,026,885	69,649
Federal sources	1,975,044	2,384,425	2,497,377	112,952
Total revenue	50,803,926	51,860,987	51,930,473	69,486
Expenditures				
Current				
Administration	2,329,136	2,299,762	2,353,857	54,095
District support services	1,387,459	1,395,980	1,365,761	(30,219)
Elementary and secondary regular instruction	24,262,448	24,714,125	25,066,366	352,241
Vocational education instruction	772,872	728,458	695,800	(32,658)
Special education instruction	9,389,331	9,606,682	9,548,848	(57,834)
Instructional support services	1,176,169	1,224,359	1,312,859	88,500
Pupil support services	4,084,266	4,121,752	4,880,377	758,625
Sites and buildings	8,830,064	8,629,933	8,306,378	(323,555)
Fiscal and other fixed cost programs	414,567	414,567	233,039	(181,528)
Debt service				
Principal	491,872	491,872	489,807	(2,065)
Interest and fiscal charges	186,139	186,139	171,359	(14,780)
Total expenditures	53,324,323	53,813,629	54,424,451	610,822
Excess (deficiency) of revenue over expenditures	(2,520,397)	(1,952,642)	(2,493,978)	(541,336)
Other financing sources				
Capital leases	–	–	440,339	440,339
Net change in fund balances	$ (2,520,397)	$ (1,952,642)	(2,053,639)	$ (100,997)
Fund balances				
Beginning of year			3,533,696	
End of year			$ 1,480,057	

See notes to basic financial statements

Statement of Fiduciary Net Assets
Fiduciary Funds
as of June 30, 2012

	Scholarship Private-Purpose Trust Fund	Post-Employment Benefits Trust Fund
Assets		
Deposits	$ 416,425	$ 4,210,594
Investments held by trustee, at fair value		
State and local obligations	–	4,614,391
Negotiable certificates of deposit	–	2,393,927
MnTrust Investment Shares Portfolio	–	2,261,890
Accounts and interest receivable	1,348	116,237
Total assets	417,773	13,597,039
Liabilities		
Due to district	–	785,630
Net assets		
Held in trust for employee benefits and other purposes	$ 417,773	$ 12,811,409

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2012

	Scholarship Private-Purpose Trust Fund	Post-Employment Benefits Trust Fund
Additions		
Contributions		
Private donations	$ 18,656	$ –
Investment earnings	7,031	373,380
Total additions	25,687	373,380
Deductions		
Benefits	–	785,880
Scholarships	29,921	–
Total deductions	29,921	785,880
Change in net assets	(4,234)	(412,500)
Net assets		
Beginning of year	422,007	13,223,909
End of year	$ 417,773	$ 12,811,409

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 2012 fiscal year, the District paid $650,520 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 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 other long-term liabilities, 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.

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

Nonmajor Governmental Funds

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

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

Fiduciary Funds

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

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

E. Budgetary Information

The School Board adopts an annual budget for all governmental funds prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted expenditure appropriations lapse at year-end. Actual expenditures exceeded final budgeted appropriations for the year ended June 30, 2012 by $610,822 in the General Fund, $131,940 in the Food Service Special Revenue Fund, and $23,026 in the Community Service Special Revenue Fund.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Earnings from the investments of the Scholarship Private-Purpose Trust Fund are allocated directly to that fund.

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

G. Receivables

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

H. Inventories

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

I. Prepaid Items

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

J. Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes $5,639,806 of the property tax levy collectible in 2012 as revenue to the District in fiscal year 2011–2012. The remaining portion of the taxes collectible in 2012 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

N. Severance

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

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

O. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation, for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal 2012.

P. Interfund Balances

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

As of June 30, 2012, the Community Service Special Revenue Fund has a payable of $99,896 due to the General Fund, which represents an interfund loan to eliminate a temporary cash deficit.

Q. Use of Estimates

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

R. Net Assets

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Fund Balance Classifications

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

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

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

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

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

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

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	$ 7,852,300
Investments	12,938,022
Cash on hand	3,900
Total	$ 20,794,222

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

Cash and temporary investments	
Statement of Net Assets	$ 6,896,995
Deposits and investments	
Statement of Fiduciary Net Assets	
Scholarship Private-Purpose Trust Fund	416,425
Post-Employment Benefits Trust Fund	13,480,802
Total	$ 20,794,222

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 $7,852,300 while the balance on the bank records was $7,853,705. At June 30, 2012, 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
State and local obligations	AAA	S&P	$ 96,295	$ 2,843,046	$ 1,675,050	$ 4,614,391
Negotiable certificates of deposit	N/A	N/A	$ 496,632	$ 1,897,295	$ –	2,393,927
Investment pools	AAAm	S&P	N/A	N/A	N/A	5,929,704
Total investments						$ 12,938,022

N/A – Not Applicable

The amount in investment pools includes $4,712,000 invested in the MnTrust Investment Shares Portfolio, $1,000,000 invested in the MnTrust Term Series, and $5,601 in the Minnesota School District Liquid Asset Fund, which are external investment pools regulated by Minnesota Statutes not registered with the Securities Exchange Commission (SEC) that follow the same regulatory rules of the SEC under rule 2a7. The District's investment in these funds is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value.

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

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

Concentration Risk – This is the risk associated with investing a significant portion of the District's investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District's investment policy limits the percentage of its total portfolio invested in certain instruments as follows: bankers' acceptances (25 percent), commercial paper (85 percent), repurchase agreements (25 percent), certificates of deposit (50 percent from commercial banks and 50 percent from savings and loan associations), and local government investment pools (75 percent). At June 30, 2012, the District's investment portfolio includes the following percentages of specific issuers:

State and local obligations	
ISD No. 181, Brainerd, Minnesota	12.9%
ISD No. 281, Robbinsdale, Minnesota	9.9%
Metropolitan Council of Minnesota	8.3%

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 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	152,298	1,317,531	–	(1,457,240)	12,589
Total capital assets, not depreciated	501,563	1,317,531	–	(1,457,240)	361,854
Capital assets, depreciated					
Land improvements	4,495,771	49,682	–	1,222,657	5,768,110
Buildings	86,853,560	304,554	–	234,583	87,392,697
Equipment	6,602,674	438,605	(158,419)	–	6,882,860
Total capital assets, depreciated	97,952,005	792,841	(158,419)	1,457,240	100,043,667
Less accumulated depreciation for					
Land improvements	(1,637,213)	(333,076)	–	–	(1,970,289)
Buildings	(29,949,684)	(2,638,453)	–	–	(32,588,137)
Equipment	(4,548,960)	(457,031)	111,546	–	(4,894,445)
Total accumulated depreciation	(36,135,857)	(3,428,560)	111,546	–	(39,452,871)
Net capital assets, depreciated	61,816,148	(2,635,719)	(46,873)	1,457,240	60,590,796
Total capital assets, net	$ 62,317,711	$ (1,318,188)	$ (46,873)	$ –	$ 60,952,650

NOTE 3 – CAPITAL ASSETS (CONTINUED)

Depreciation expense for the year ended June 30, 2012 was charged to the following governmental functions:

Administration	$ 564
Elementary and secondary regular instruction	22,870
Special education instruction	8,360
Community education and services	316
Instructional support services	60,613
Pupil support services	98,118
Sites and buildings	5,105
Food service	15,733
Unallocated depreciation	3,216,881
Total depreciation expense	$ 3,428,560

NOTE 4 – AID ANTICIPATION CERTIFICATES

The District issued short-term aid anticipation certificates for cash flow purposes. Interest and fiscal charges of $63,495, net of premium amortization, were incurred in the General Fund in the current year related to this debt. Short-term borrowing activity for the year ended June 30, 2012 is as follows:

Issue Date	Maturity Date	Interest Rate	June 30, 2011	Additions	Retirements	June 30, 2012
12/29/2010	09/30/2011	1.00%	$ 10,600,000	$ –	$ 10,600,000	$ –
09/07/2011	09/07/2012	1.00%	–	16,500,000	–	16,500,000
			$ 10,600,000	$ 16,500,000	$ 10,600,000	$ 16,500,000

NOTE 5 – LONG-TERM LIABILITIES

A. General Obligation Bonds

The District currently has the following general obligation bonds outstanding:

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
2003B Alternative Facilities Bonds	12/01/2003	4.00–4.25%	$ 14,000,000	02/01/2020	$ 14,000,000
2005A Alternative Facilities Bonds	02/01/2005	4.00–4.30%	$ 4,160,000	02/01/2025	4,160,000
2006B Alternative Facilities Bonds	03/15/2006	3.85–4.05%	$ 5,300,000	02/01/2025	5,300,000
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	8,355,000
2009A Taxable OPEB Bonds	03/24/2009	5.00–5.75%	$ 15,885,000	02/01/2027	15,885,000
Total general obligation bonds					$ 54,040,000

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

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

B. Capital Leases

The District has entered into 5 capital lease agreements for the acquisition of 12 buses. The leases, which bear interest rates ranging from 3.97 to 4.64 percent, call for annual principal and interest payments through August 2017. 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 $1,124,140 (the present value of future minimum lease payments as of the inception dates of the leases).

The District has also entered into three capital lease agreements for the acquisition of technology equipment. The leases, which bear interest rates ranging from 3.45 to 4.64 percent, call for annual principal and interest payments through August 2016. At the end of each lease term, the District has the option to purchase the assets for $1. The values of the individual assets acquired through these leases were below the District's capitalization threshold, so they were not recorded as capital assets.

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

In 2012, the District entered into a capital lease agreements for buses and technology equipment. The leases, which bear interest rates ranging from 2.65 to 3.09 percent, call for annual principal and interest payments through July 2018. At the end of the lease terms, the District has the option to purchase the assets for $1. The leased assets have been recorded at $337,679 (the present value of future minimum lease payments as of the inception dates of the leases).

On December 31, 2011, the District entered into a capital lease agreement for energy improvements. The leases, which bear an interest rate of 4.0 percent, call for annual principal and interest payments through August 2023. At the end of the lease terms, the District has the option to purchase the assets for $1. The leased assets have been recorded at $102,660 (the present value of future minimum lease payments as of the inception dates of the leases).

All capital leases are being paid through the General Fund.

C. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including severance benefits, compensated absences, pension benefits, and OPEB. 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.

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

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
2013	$ 3,115,000	$ 2,387,240	$ 412,183	$ 76,368
2014	3,140,000	2,274,796	398,572	62,208
2015	3,305,000	2,145,446	279,355	45,961
2016	3,495,000	2,009,446	220,535	35,067
2017	3,525,000	1,866,246	179,839	26,710
2018–2022	18,610,000	7,088,900	436,710	57,273
2023–2027	18,850,000	2,578,060	8,138	177
	$ 54,040,000	$ 20,350,134	$ 1,935,332	$ 303,764

E. Changes in Long-Term Liabilities

	June 30, 2011	Additions	Retirements	June 30, 2012	Due Within One Year
General obligation bonds	$ 56,540,000	$ –	$ 2,500,000	$ 54,040,000	$ 3,115,000
Capital leases	1,984,800	440,339	489,807	1,935,332	412,183
Severance benefits	2,538,083	148,705	89,043	2,597,745	268,116
Compensated absences	305,760	293,897	305,760	293,897	293,897
Net pension benefits obligation	414,118	202,098	56,288	559,928	–
	$ 61,782,761	$ 1,085,039	$ 3,440,898	$ 59,426,902	$ 4,089,196

NOTE 6 – FUND BALANCES

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

A. Classifications

At June 30, 2012, a summary of the District's governmental fund balance classifications are as follows:

	General Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable				
Inventory	$ 29,454	$ –	$ 59,672	$ 89,126
Prepaids	411,261	–	3,140	414,401
Total nonspendable	440,715	–	62,812	503,527
Restricted				
Capital projects levy	43,043	–	–	43,043
Operating capital	28,264	–	–	28,264
Debt service	–	983,062	–	983,062
Food service	–	–	33,894	33,894
Community education programs	–	–	42,572	42,572
Early childhood family education programs	–	–	4,521	4,521
School readiness	–	–	8,591	8,591
Total restricted	71,307	983,062	89,578	1,143,947
Assigned				
Student activities	130,814	–	–	130,814
Wellness expo	661	–	–	661
Ship Grant	5,180	–	–	5,180
Third party special education	25,938	–	–	25,938
Synthetic turf	35,648	–	–	35,648
Next years' budget	408,826	–	–	408,826
Total assigned	607,067	–	–	607,067
Unassigned				
Health and safety restricted deficit	(121,827)	–	–	(121,827)
Unassigned	482,795	–	–	482,795
Total unassigned	360,968	–	–	360,968
Total	$ 1,480,057	$ 983,062	$ 152,390	$ 2,615,509

B. Minimum Unassigned Fund Balance Policy

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

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

A. Plan Description

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

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

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

B. Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined annually by the District. The District has established the Post-Employment Benefits Trust Fund to finance these obligations.

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:

ARC	$ 1,642,290
Interest on net OPEB obligation	(339,476)
Adjustment to ARC	659,206
Annual OPEB cost (expense)	1,962,020
Contributions made	–
Change in net OPEB obligation	1,962,020
Net OPEB obligation – beginning of year	(9,815,546)
Negative net OPEB obligation – end of year	$ (7,853,526)

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

C. Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended June 30, 2010, 2011, and 2012 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
2010	$ (12,521,013)	$ 1,333,781	$ –	–%	$ (11,187,232)
2011	$ (11,187,232)	$ 1,371,686	$ –	–%	$ (9,815,546)
2012	$ (9,815,546)	$ 1,962,020	$ –	–%	$ (7,853,526)

D. Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 63.1 percent funded. The actuarial accrued liability for benefits was $20,945,924, and the actuarial value of assets was $13,223,909, resulting in an unfunded actuarial accrued liability (UAAL) of $7,722,015. The covered payroll (annual payroll of active employees covered by the plan) was $28,037,573 and the ratio of the UAAL to the covered payroll was 27.5 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, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 3.5 percent investment rate of return (net of administrative expenses) based on the District's own investments; an annual healthcare cost trend rate of 8.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after six years for medical insurance; and an annual healthcare trend rate of 4.0 percent for dental insurance. All rates included a 2.5 percent inflation assumption. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization periods at July 1, 2011 for the various amortization layers ranged from 28 to 30 years.

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

F. Post-Employment Benefits Trust Fund

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

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

G. Membership

Membership in the plan consisted of the following as of July 1, 2011:

Retirees and beneficiaries receiving benefits	111
Active plan members	622
Total members	733

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. The plan does not issue a publicly available financial report. 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:

ARC	$	212,234
Interest on net pension obligation		14,420
Adjustment to ARC		(24,556)
Annual pension cost		202,098
Contributions made		56,288
Increase in net pension obligation		145,810
Net pension obligation – beginning of year		414,118
Net pension obligation – end of year	$	559,928

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, 2010, 2011, and 2012 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
2010	$ 115,802	$ 187,283	$ 41,075	21.9%	$ 262,010
2011	$ 262,010	$ 186,480	$ 34,372	18.4%	$ 414,118
2012	$ 414,118	$ 202,098	$ 56,288	27.9%	$ 559,928

D. Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $1,702,807, and the actuarial value of assets was $0, resulting in a UAAL of $1,702,807. The covered payroll (annual payroll of active employees covered by the plan) was $28,037,573, and the ratio of the UAAL to the covered payroll was 6.1 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, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 3.5 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. All rates included a 2.5 percent inflation assumption. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization periods at July 1, 2011 for the various amortization layers ranged from 28 to 30 years.

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

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

Teachers' Retirement Association (TRA)

A. Plan Description

All teachers employed by the District are covered by defined benefit plans administered by TRA. TRA members belong to either the Coordinated or Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. These plans are established and administered in accordance with Minnesota Statutes, Chapters 354 and 356.

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

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

Tier I

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

With these provisions:

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

Tier II

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for Coordinated Plan members and 2.7 percent per year for Basic Plan members. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated Plan members and 2.7 percent for Basic Plan members applies. Actuarially equivalent early retirement reduction factors with augmentation are used for early retirement before the normal age of 65. These reduction factors average approximately 4–5.4 percent per year.

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

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

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

TRA publicly issues a Comprehensive Annual Financial Report (CAFR) presenting financial statements, supplemental information on funding levels, investment performance, and further information on benefits provisions. The report may be accessed at the TRA website at www.minnesotatra.org. 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) 296–2409 or (800) 657–3669.

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 6.0 percent and 9.0 percent, respectively, of their annual covered salary during fiscal year 2012 as employee contributions. The TRA employer contribution rates are 6.0 percent for Coordinated Plan members and 9.5 percent for Basic Plan members during fiscal year 2012. Total covered payroll salaries for all TRA members state-wide during the fiscal years ended June 30, 2011, 2010, and 2009 were approximately $3.84 billion, $3.79 billion, and $3.76 billion, respectively.

The District's contributions for the years ended June 30, 2012, 2011, and 2010 were $1,355,294, $1,231,277, and $1,195,064, respectively, equal to the contractually required contributions for each year as set by state statutes.

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

Public Employees' Retirement Association (PERA)

A. Plan Description

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

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

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

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

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

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

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

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

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic and Coordinated Plan members were required to contribute 9.1 percent and 6.25 percent, respectively, of their annual covered salary. The District was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members and 7.25 percent for Coordinated Plan members.

The District's contributions to GERF for the years ended June 30, 2012, 2011, and 2010 were $573,122, $545,919, and $512,879, respectively, equal to the contractually required contributions for each year as set by state statutes.

NOTE 10 – FLEXIBLE BENEFIT PLAN

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

NOTE 10 – FLEXIBLE BENEFIT PLAN (CONTINUED)

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

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

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Legal Claims

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

B. Federal and State Receivables

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

NOTE 12 – SUBSEQUENT EVENT

On August 8, 2012, the District sold $13,000,000 of aid anticipation certificates for cash flow purposes at an interest rate of 1.5 percent. The certificates mature on September 8, 2013.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
June 30, 2012

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
July1, 2009	$ 17,599,688	$ 15,053,599	$ 2,546,089	85.5 %	$ 25,945,671
July1, 2011	$ 20,945,924	$ 13,223,909	$ 7,722,015	63.1 %	$ 28,037,573

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2009	$ 1,853,459	812.2 %
2010	$ 1,186,948	– %
2011	$ 1,150,261	– %
2012	$ 1,642,290	– %

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, 2009	$ 1,743,881	$ –	$ 1,743,881	– %	$ 25,945,671	6.7 %
July 1, 2011	$ 1,702,807	$ –	$ 1,702,807	– %	$ 28,037,573	6.1 %

SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 280

Nonmajor Governmental Funds
Combining Balance Sheet
as of June 30, 2012

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	$ 63,297	$ –	$ 63,297
Receivables			
Current taxes	–	221,633	221,633
Delinquent taxes	–	4,560	4,560
Accounts and interest	3,691	1,296	4,987
Due from other governmental units	–	196,647	196,647
Due from OPEB trust	8,394	5,575	13,969
Inventory	59,672	–	59,672
Prepaid items	2,561	579	3,140
Total assets	$ 137,615	$ 430,290	$ 567,905
Liabilities and Fund Balances			
Liabilities			
Salaries payable	$ 14,962	$ 20,104	$ 35,066
Accounts and contracts payable	26,526	11,867	38,393
Due to other governmental units	–	9,593	9,593
Due to other funds	–	99,896	99,896
Property taxes levied for subsequent year	–	228,007	228,007
Deferred revenue – delinquent taxes	–	4,560	4,560
Total liabilities	41,488	374,027	415,515
Fund balances			
Nonspendable	62,233	579	62,812
Restricted	33,894	55,684	89,578
Total fund balances	96,127	56,263	152,390
Total liabilities and fund balances	$ 137,615	$ 430,290	$ 567,905

INDEPENDENT SCHOOL DISTRICT NO. 280

Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2012

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	$ –	$ 407,666	$ 407,666
Investment earnings	122	203	325
Other	387,906	275,300	663,206
State sources	74,670	544,445	619,115
Federal sources	1,499,444	–	1,499,444
Total revenue	1,962,142	1,227,614	3,189,756
Expenditures			
Current			
Food service	1,922,710	–	1,922,710
Community service	–	1,271,353	1,271,353
Capital outlay	35,714	240	35,954
Total expenditures	1,958,424	1,271,593	3,230,017
Net change in fund balances	3,718	(43,979)	(40,261)
Fund balances			
Beginning of year	92,409	100,242	192,651
End of year	$ 96,127	$ 56,263	$ 152,390

INDEPENDENT SCHOOL DISTRICT NO. 280

General Fund
Comparative Balance Sheet
as of June 30, 2012 and 2011

	2012	2011
Assets		
Cash and temporary investments	$ 3,337,698	$ 1,456,172
Receivables		
Current taxes	5,436,587	5,536,440
Delinquent taxes	115,460	180,985
Accounts and interest	304,146	302,540
Due from other governmental units	14,662,108	12,039,613
Due from other funds	99,896	65,869
Due from OPEB trust	771,661	819,016
Inventory	29,454	21,043
Prepaid items	411,261	587,952
Total assets	$ 25,168,271	$ 21,009,630
Liabilities and Fund Balances		
Liabilities		
Aid anticipation certificates	$ 16,500,000	$ 10,060,000
Salaries payable	271,326	250,426
Accounts and contracts payable	991,123	1,166,615
Accrued interest payable	133,893	50,395
Due to other governmental units	103,720	300,532
Property taxes levied for subsequent year	5,470,032	5,466,981
Unearned revenue	102,660	–
Deferred revenue – delinquent taxes	115,460	180,985
Total liabilities	23,688,214	17,475,934
Fund balances (deficits)		
Nonspendable for inventory	29,454	21,043
Nonspendable for prepaids	411,261	587,952
Restricted for capital projects levy	43,043	47,329
Restricted for operating capital	28,264	1,259,717
Assigned for student activities	130,814	132,497
Assigned for garden project	–	1,516
Assigned for wellness expo	661	409
Assigned for separation and retirement benefits	–	97,100
Assigned for Kern Grant	–	14,209
Assigned for Ship Grant	5,180	8,097
Assigned for third party special education	25,938	7,074
Assigned for synthetic turf	35,648	–
Assigned for next year's budget	408,826	1,356,753
Unassigned – health and safety restricted account deficit	(121,827)	(449,933)
Unassigned	482,795	449,933
Total fund balances	1,480,057	3,533,696
Total liabilities and fund balances	$ 25,168,271	$ 21,009,630

INDEPENDENT SCHOOL DISTRICT NO. 280

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2012
(With Comparative Actual Amounts for the Year Ended June 30, 2011)

	2012			2011
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 10,972,278	$ 10,587,151	$ (385,127)	$ 14,917,502
Investment earnings	25,000	11,917	(13,083)	6,758
Other	1,522,048	1,807,143	285,095	1,839,160
State sources	36,957,236	37,026,885	69,649	31,958,208
Federal sources	2,384,425	2,497,377	112,952	3,358,156
Total revenue	51,860,987	51,930,473	69,486	52,079,784
Expenditures				
Current				
Administration				
Salaries	1,485,658	1,547,556	61,898	1,557,098
Employee benefits	470,578	463,920	(6,658)	457,678
Purchased services	69,377	63,933	(5,444)	58,153
Supplies and materials	187,336	204,531	17,195	228,116
Capital expenditures	3,000	2,599	(401)	2,487
Other expenditures	83,813	71,318	(12,495)	67,574
Total administration	2,299,762	2,353,857	54,095	2,371,106
District support services				
Salaries	632,650	662,073	29,423	608,265
Employee benefits	254,851	285,307	30,456	236,712
Purchased services	361,024	269,324	(91,700)	290,951
Supplies and materials	50,425	45,889	(4,536)	58,378
Capital expenditures	10,750	10,750	–	10,917
Other expenditures	86,280	92,418	6,138	134,178
Total district support services	1,395,980	1,365,761	(30,219)	1,339,401
Elementary and secondary regular instruction				
Salaries	16,222,693	16,545,905	323,212	16,487,890
Employee benefits	5,568,356	5,748,285	179,929	5,242,023
Purchased services	2,018,393	1,744,511	(273,882)	2,135,785
Supplies and materials	583,971	771,776	187,805	949,271
Capital expenditures	152,339	228,517	76,178	289,349
Other expenditures	168,373	27,372	(141,001)	29,705
Total elementary and secondary regular instruction	24,714,125	25,066,366	352,241	25,134,023

(continued)

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2012
(With Comparative Actual Amounts for the Year Ended June 30, 2011)

	2012			2011
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	321,813	317,063	(4,750)	350,756
Employee benefits	101,820	103,434	1,614	109,842
Purchased services	288,985	259,038	(29,947)	253,272
Supplies and materials	15,840	16,265	425	17,135
Total vocational education instruction	728,458	695,800	(32,658)	731,005
Special education instruction				
Salaries	6,019,445	6,048,779	29,334	5,872,303
Employee benefits	2,304,694	2,299,341	(5,353)	2,109,823
Purchased services	1,168,484	1,109,870	(58,614)	999,783
Supplies and materials	101,739	78,443	(23,296)	79,618
Capital expenditures	8,420	1,142	(7,278)	35,874
Other expenditures	3,900	11,273	7,373	2,932
Total special education instruction	9,606,682	9,548,848	(57,834)	9,100,333
Instructional support services				
Salaries	778,653	805,337	26,684	812,378
Employee benefits	239,396	256,548	17,152	234,456
Purchased services	63,325	37,177	(26,148)	43,134
Supplies and materials	142,425	52,885	(89,540)	41,244
Capital expenditures	500	160,912	160,412	192,440
Other expenditures	60	–	(60)	797
Total instructional support services	1,224,359	1,312,859	88,500	1,324,449
Pupil support services				
Salaries	1,792,843	1,956,232	163,389	1,972,609
Employee benefits	662,490	717,358	54,868	652,766
Purchased services	1,310,264	1,661,095	350,831	1,372,032
Supplies and materials	350,755	355,496	4,741	342,736
Capital expenditures	4,500	189,676	185,176	224,460
Other expenditures	900	520	(380)	442
Total pupil support services	4,121,752	4,880,377	758,625	4,565,045

(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, 2012
(With Comparative Actual Amounts for the Year Ended June 30, 2011)

	2012			2011
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	2,263,434	2,273,161	9,727	2,280,505
Employee benefits	917,262	927,660	10,398	888,613
Purchased services	1,922,005	2,009,991	87,986	1,921,685
Supplies and materials	822,565	686,274	(136,291)	890,802
Capital expenditures	2,624,667	2,319,838	(304,829)	1,918,097
Other expenditures	80,000	89,454	9,454	80,000
Total sites and buildings	8,629,933	8,306,378	(323,555)	7,979,702
Fiscal and other fixed cost programs				
Purchased services	407,067	222,694	(184,373)	211,782
Other expenditures	7,500	10,345	2,845	9,025
Total fiscal and other fixed cost programs	414,567	233,039	(181,528)	220,807
Debt service				
Principal	491,872	489,807	(2,065)	496,754
Interest and fiscal charges	186,139	171,359	(14,780)	189,824
Total debt service	678,011	661,166	(16,845)	686,578
Total expenditures	53,813,629	54,424,451	610,822	53,452,449
Excess (deficiency) of revenue over expenditures	(1,952,642)	(2,493,978)	(541,336)	(1,372,665)
Other financing sources				
Capital leases	–	440,339	440,339	369,656
Net change in fund balances	$ (1,952,642)	(2,053,639)	$ (100,997)	(1,003,009)
Fund balances				
Beginning of year		3,533,696		4,536,705
End of year		$ 1,480,057		$ 3,533,696

INDEPENDENT SCHOOL DISTRICT NO. 280

Food Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2012 and 2011

	2012	2011
Assets		
Cash and temporary investments	$ 63,297	$ 35,813
Receivables		
Accounts and interest	3,691	3,573
Due from other governmental units	–	17,113
Due from OPEB trust	8,394	7,594
Inventory	59,672	59,165
Prepaid items	2,561	5,671
Total assets	$ 137,615	$ 128,929
Liabilities and Fund Balances		
Liabilities		
Salaries payable	$ 14,962	$ 8,488
Accounts and contracts payable	26,526	28,032
Total liabilities	41,488	36,520
Fund balances		
Nonspendable for inventory	59,672	59,165
Nonspendable for prepaids	2,561	5,671
Restricted for food service	33,894	27,573
Total fund balances	96,127	92,409
Total liabilities and fund balances	$ 137,615	$ 128,929

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, 2012
(With Comparative Actual Amounts for the Year Ended June 30, 2011)

	2012			2011
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	$ 500	$ 122	$ (378)	$ 67
Other – primarily meal sales	400,500	387,906	(12,594)	352,669
State sources	130,000	74,670	(55,330)	66,171
Federal sources	1,295,484	1,499,444	203,960	1,301,037
Total revenue	1,826,484	1,962,142	135,658	1,719,944
Expenditures				
Current				
Salaries	621,554	650,702	29,148	643,544
Employee benefits	229,030	227,602	(1,428)	212,591
Purchased services	31,564	71,344	39,780	10,407
Supplies and materials	904,086	972,519	68,433	902,746
Other expenditures	250	543	293	245
Capital outlay	40,000	35,714	(4,286)	13,261
Total expenditures	1,826,484	1,958,424	131,940	1,782,794
Net change in fund balances	$ –	3,718	$ 3,718	(62,850)
Fund balances				
Beginning of year		92,409		155,259
End of year		$ 96,127		$ 92,409

INDEPENDENT SCHOOL DISTRICT NO. 280

Community Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2012 and 2011

	2012	2011
Assets		
Receivables		
Current taxes	$ 221,633	$ 228,280
Delinquent taxes	4,560	7,032
Accounts and interest	1,296	3,900
Due from other governmental units	196,647	181,581
Due from OPEB trust	5,575	5,043
Prepaid items	579	434
Total assets	$ 430,290	$ 426,270
Liabilities and Fund Balances		
Liabilities		
Salaries payable	$ 20,104	$ 16,931
Accounts and contracts payable	11,867	9,757
Due to other governmental units	9,593	1,417
Due to other funds	99,896	65,869
Property taxes levied for subsequent year	228,007	225,022
Deferred revenue – delinquent taxes	4,560	7,032
Total liabilities	374,027	326,028
Fund balances		
Nonspendable for prepaids	579	434
Restricted for community education programs	42,572	89,418
Restricted for early childhood family education programs	4,521	1,809
Restricted for school readiness	8,591	8,581
Total fund balances	56,263	100,242
Total liabilities and fund balances	$ 430,290	$ 426,270

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, 2012
(With Comparative Actual Amounts for the Year Ended June 30, 2011)

	2012			2011
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 642,921	$ 407,666	$ (235,255)	$ 615,386
Investment earnings	1,000	203	(797)	243
Other – primarily tuition and fees	287,800	275,300	(12,500)	277,936
State sources	312,328	544,445	232,117	355,520
Total revenue	1,244,049	1,227,614	(16,435)	1,249,085
Expenditures				
Current				
Salaries	440,522	471,858	31,336	457,443
Employee benefits	105,099	103,695	(1,404)	87,052
Purchased services	605,025	592,835	(12,190)	642,798
Supplies and materials	87,741	92,675	4,934	96,992
Other expenditures	9,680	10,290	610	10,276
Capital outlay	500	240	(260)	300
Total expenditures	1,248,567	1,271,593	23,026	1,294,861
Net change in fund balances	$ (4,518)	(43,979)	$ (39,461)	(45,776)
Fund balances				
Beginning of year		100,242		146,018
End of year		$ 56,263		$ 100,242

INDEPENDENT SCHOOL DISTRICT NO. 280

Debt Service Fund
Comparative Balance Sheet
as of June 30, 2012
(With Comparative Totals as of June 30, 2011)

	Regular Debt Service Account	OPEB Debt Service Account	Totals 2012	Totals 2011
Assets				
Cash and temporary investments	$ 2,768,966	$ 727,034	$ 3,496,000	$ 3,406,992
Receivables				
Current taxes	1,912,281	685,331	2,597,612	2,617,767
Delinquent taxes	42,607	6,032	48,639	74,576
Due from other governmental units	70,087	15,292	85,379	69,116
Total assets	$ 4,793,941	$ 1,433,689	$ 6,227,630	$ 6,168,451
Liabilities and Fund Balances				
Liabilities				
Property taxes levied for subsequent year	$ 3,825,078	$ 1,370,851	$ 5,195,929	$ 5,016,610
Deferred revenue – delinquent taxes	42,607	6,032	48,639	74,576
Total liabilities	3,867,685	1,376,883	5,244,568	5,091,186
Fund balances				
Restricted for debt service	926,256	56,806	983,062	1,077,265
Total liabilities and fund balances	$ 4,793,941	$ 1,433,689	$ 6,227,630	$ 6,168,451

INDEPENDENT SCHOOL DISTRICT NO. 280

Debt Service Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2012
(With Comparative Actual Amounts for the Year Ended June 30, 2011)

	2012					2011
		Actual				
	Budget	Regular Debt Service Account	OPEB Debt Service Account	Total	Over (Under) Budget	Actual
Revenue						
Local sources						
Property taxes	$ 5,015,979	$ 3,799,353	$ 835,753	$ 4,635,106	$ (380,873)	$ 4,639,950
Investment earnings	5,000	2,066	–	2,066	(2,934)	1,330
State sources	–	196,325	42,834	239,159	239,159	230,389
Total revenue	5,020,979	3,997,744	878,587	4,876,331	(144,648)	4,871,669
Expenditures						
Debt service						
Principal	2,500,000	2,500,000	–	2,500,000	–	2,435,000
Interest	2,465,103	1,609,546	855,556	2,465,102	(1)	2,538,715
Fiscal charges and other	50,000	5,432	–	5,432	(44,568)	5,431
Total expenditures	5,015,103	4,114,978	855,556	4,970,534	(44,569)	4,979,146
Excess (deficiency) of revenue over expenditures	5,876	(117,234)	23,031	(94,203)	(100,079)	(107,477)
Other financing sources						
Transfers in	–	–	–	–	–	485,560
Net change in fund balances	$ 5,876	(117,234)	23,031	(94,203)	$ (100,079)	378,083
Fund balances						
Beginning of year		1,043,490	33,775	1,077,265		699,182
End of year		$ 926,256	$ 56,806	$ 983,062		$ 1,077,265

OTHER DISTRICT INFORMATION

(UNAUDITED)

INDEPENDENT SCHOOL DISTRICT NO. 280

Government-Wide Revenue by Type
Last Ten 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%
2011	1,351,240	10,298,601	20,230,069	27,076,258	1,021,567	59,977,735
	2.3%	17.2%	33.7%	45.1%	1.7%	100.0%
2012	1,323,815	9,293,298	15,535,989	32,608,548	1,140,976	59,902,626
	2.2%	15.5%	25.9%	54.5%	1.9%	100.0%

Note: 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 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	Fiscal and Other Fixed Cost Programs	Food Service	Community Service	Unallocated Depreciation	Interest and Fiscal Charges	Total
2003	$ 1,604,627	$ 1,576,431	$ 15,708,130	$ 407,506	$ 6,840,049	$ 2,216,430	$ 3,028,963	$ 4,099,754	$ 208,626	$ 1,159,803	$ 1,094,693	$ 1,094,762	$ 2,108,892	$ 41,148,666
	3.9%	3.8%	38.2%	1.0%	16.6%	5.4%	7.3%	10.0%	0.5%	2.8%	2.7%	2.7%	5.1%	100.0%
2004	1,610,565	1,719,468	16,902,387	444,122	7,111,350	2,494,489	3,317,541	5,111,928	231,337	1,245,379	1,042,356	1,093,160	1,517,993	43,842,075
	3.7%	3.9%	38.5%	1.0%	16.2%	5.7%	7.6%	11.7%	0.5%	2.8%	2.4%	2.5%	3.5%	100.0%
2005	1,797,881	1,416,049	18,532,065	720,765	7,068,962	2,661,851	3,627,859	6,260,263	250,585	1,252,367	1,029,239	1,285,004	1,779,654	47,682,544
	3.8%	3.0%	38.9%	1.5%	14.8%	5.6%	7.6%	13.1%	0.5%	2.6%	2.2%	2.7%	3.7%	100.0%
2006	1,310,473	1,519,966	21,297,644	636,714	7,820,660	1,526,701	3,913,166	5,329,398	230,866	1,297,861	1,100,530	1,574,277	1,933,361	49,491,617
	2.6%	3.1%	43.0%	1.3%	15.8%	3.1%	7.9%	10.8%	0.5%	2.6%	2.2%	3.2%	3.9%	100.0%
2007	2,805,805	1,242,098	23,423,221	548,863	8,528,487	1,568,937	3,883,555	6,028,263	142,414	1,372,994	1,117,676	1,589,890	1,956,655	54,208,858
	5.2%	2.3%	43.2%	1.0%	15.7%	2.9%	7.2%	11.1%	0.3%	2.5%	2.1%	2.9%	3.6%	100.0%
2008	2,168,712	1,677,360	23,719,658	713,696	8,359,431	1,365,116	4,466,203	5,917,173	221,147	1,471,722	1,271,519	2,356,446	1,825,296	55,533,479
	3.9%	3.0%	42.7%	1.3%	15.0%	2.5%	8.0%	10.7%	0.4%	2.7%	2.3%	4.2%	3.3%	100.0%
2009	2,325,051	1,352,282	24,404,170	811,352	8,683,632	1,476,300	4,725,255	6,399,723	315,921	1,501,484	1,291,549	2,690,491	2,360,774	58,337,984
	4.0%	2.3%	41.8%	1.4%	14.9%	2.5%	8.1%	11.0%	0.5%	2.6%	2.2%	4.6%	4.1%	100.0%
2010	2,408,132	1,387,693	24,525,779	804,192	9,356,398	1,729,489	4,423,174	6,803,508	216,135	1,570,841	1,289,240	3,014,043	2,606,195	60,134,819
	4.0%	2.3%	40.8%	1.3%	15.6%	2.9%	7.4%	11.3%	0.4%	2.6%	2.1%	5.0%	4.3%	100.0%
2011	2,364,391	1,365,550	25,498,288	752,047	9,275,816	1,439,697	4,514,682	6,732,002	220,807	1,809,824	1,320,500	3,066,722	2,675,391	61,035,717
	3.9%	2.2%	41.8%	1.2%	15.2%	2.4%	7.4%	11.0%	0.4%	3.0%	2.2%	5.0%	4.3%	100.0%
2012	2,469,933	1,427,634	26,191,779	725,344	9,935,410	1,442,920	4,942,630	6,635,565	233,039	1,985,798	1,307,059	3,216,881	2,613,772	63,127,764
	3.9%	2.3%	41.5%	1.2%	15.7%	2.3%	7.8%	10.5%	0.4%	3.1%	2.1%	5.1%	4.1%	100.0%

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
2003	$ 4,285,483	$ 30,493,127	$ 1,353,445	$ 2,402,485	$ 38,534,540
	11%	79%	4%	6%	100%
2004	7,422,585	28,387,444	1,665,463	2,440,096	39,915,588
	19%	71%	4%	6%	100%
2005	6,220,060	31,224,780	1,804,190	2,470,945	41,719,975
	15%	75%	4%	6%	100%
2006	4,700,729	34,724,834	2,159,582	2,976,986	44,562,131
	10%	78%	5%	7%	100%
2007	8,724,707	34,369,539	2,069,251	2,443,927	47,607,424
	18%	72%	5%	5%	100%
2008	9,524,201	34,942,045	2,260,546	2,707,289	49,434,081
	19%	71%	5%	5%	100%
2009	10,545,970	35,683,368	2,361,394	2,036,664	50,627,396
	21%	70%	5%	4%	100%
2010	11,237,159	31,609,959	5,584,065	1,806,853	50,238,036
	22%	63%	11%	4%	100%
2011	14,917,502	31,958,208	3,358,156	1,845,918	52,079,784
	29%	61%	6%	4%	100%
2012	10,587,151	37,026,885	2,497,377	1,819,060	51,930,473
	20%	71%	5%	4%	100%

INDEPENDENT SCHOOL DISTRICT NO. 280

General Fund Expenditures by Program
Last Ten Fiscal Years

Year Ended June 30,	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction	Instructional Support Services	Pupil Support Services	Sites and Buildings	Other Programs	Total
2003	$ 1,646,846	$ 1,562,259	$ 15,726,269	$ 407,506	$ 6,845,491	$ 2,317,884	$ 3,338,391	$ 4,605,236	$ 292,053	$ 36,741,935
	5%	4%	43%	1%	19%	6%	9%	12%	1%	100%
2004	1,609,649	1,717,661	17,061,572	413,484	7,154,578	2,490,744	3,568,819	4,737,523	347,635	39,101,665
	4%	5%	44%	1%	18%	6%	9%	12%	1%	100%
2005	1,676,301	1,409,437	18,811,523	720,765	7,067,531	2,658,106	3,787,447	5,865,258	404,554	42,400,922
	4%	3%	44%	2%	17%	6%	9%	14%	1%	100%
2006	1,732,357	1,358,000	21,664,472	636,714	7,819,229	172,018	3,865,870	6,345,374	501,104	44,095,138
	4%	3%	48%	1%	17%	3%	9%	14%	1%	100%
2007	1,967,668	1,461,953	23,241,106	548,863	8,527,056	1,598,976	4,197,915	8,553,120	443,802	50,540,459
	4%	3%	46%	1%	17%	3%	8%	17%	1%	100%
2008	2,164,045	1,625,689	23,842,763	699,572	8,109,396	1,494,843	4,404,722	11,085,772	748,213	54,175,015
	4%	3%	44%	1%	15%	3%	8%	21%	1%	100%
2009	2,991,419	1,637,303	31,655,973	997,170	11,003,461	1,811,565	5,270,777	8,358,322	820,050	64,546,040
	5%	3%	49%	1%	17%	3%	8%	13%	1%	100%
2010	2,236,456	1,344,757	23,715,332	783,680	9,090,519	1,615,364	4,525,761	7,349,636	816,402	51,477,907
	4%	3%	46%	1%	18%	3%	9%	14%	2%	100%
2011	2,371,106	1,339,401	25,134,023	731,005	9,100,333	1,324,449	4,565,045	7,979,702	907,385	53,452,449
	4%	3%	47%	1%	17%	2%	9%	15%	2%	100%
2012	2,353,857	1,365,761	25,066,366	695,800	9,548,848	1,312,859	4,880,377	8,306,378	894,205	54,424,451
	4%	3%	46%	1%	18%	2%	9%	15%	2%	100%

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

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	Year Collectible	General Fund	Community Service Special Revenue Fund	Debt Service Fund	Total All Funds
Levies					
	2003	$ 5,963,414	$ 451,097	$ 3,161,687	$ 9,576,198
	2004	6,166,980	420,636	3,726,977	10,314,593
	2005	6,576,224	386,906	3,773,146	10,736,276
	2006	8,920,823	433,311	3,356,552	12,710,686
	2007	9,559,671	471,854	4,104,279	14,135,804
	2008	10,660,102	378,705	4,050,896	15,089,703
	2009	11,023,528	441,038	4,111,718	15,576,284
	2010	11,061,218	426,230	4,911,509	16,398,957
	2011	10,915,132	437,571	5,016,610	16,369,313
	2012	10,894,520	443,325	5,195,929	16,533,774
Tax capacity rates					
	2003	6.307	1.610	11.284	19.201
	2004	5.832	1.394	12.351	19.577
	2005	8.168	1.160	11.304	20.632
	2006	8.649	1.207	9.348	19.204
	2007	9.714	1.212	10.542	21.468
	2008	10.912	0.937	10.022	21.871
	2009	11.605	1.112	10.366	23.083
	2010	10.511	1.045	12.041	23.597
	2011	12.251	1.164	13.344	26.759
	2012	12.690	1.274	14.930	28.894

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
2003	$ 36,448,096	$ (4,008,412)	$ 3,548,557	$ (7,952,101)	$ 28,036,140
2004	40,027,945	(4,761,791)	3,756,364	(8,845,829)	30,176,689
2005	44,116,215	(5,376,991)	3,712,492	(9,302,844)	33,148,872
2006	48,368,155	(5,549,521)	3,835,850	(10,392,306)	36,262,178
2007	52,364,328	(6,137,733)	4,062,540	(11,254,758)	39,034,377
2008	55,347,795	(6,993,569)	4,541,436	(12,350,950)	40,544,712
2009	55,428,070	(7,867,269)	5,172,026	(12,812,496)	39,920,331
2010	51,590,968	(8,248,701)	5,840,702	(8,257,111)	40,925,858
2011	47,080,701	(7,864,995)	5,837,868	(7,011,033)	38,042,541
2012	43,229,608	(6,938,495)	6,030,051	(7,016,169)	35,304,995

Source: State of Minnesota School Tax Report

INDEPENDENT SCHOOL DISTRICT NO. 280

Property Tax Levies and Receivables
Last Ten Fiscal Years

For Taxes Collectible	Original Levy				Uncollected Taxes Receivable as of June 30, 2012			
					Delinquent		Current	
	Local Spread	Fiscal Disparities	Property Tax Credits	Total Spread	Amount	Percent	Amount	Percent
2003	$ 7,927,631	$ 1,202,677	$ 445,890	$ 9,576,198	$ –	– %	$ –	– %
2004	8,585,116	1,283,587	445,890	10,314,593	–	–	–	–
2005	9,038,784	1,269,004	428,488	10,736,276	–	–	–	–
2006	11,094,416	1,233,840	382,430	12,710,686	6,899	0.05	–	–
2007	12,299,572	1,438,017	398,215	14,135,804	17,324	0.12	–	–
2008	13,059,904	1,648,768	381,031	15,089,703	16,330	0.11	–	–
2009	13,256,011	1,930,717	389,556	15,576,284	15,828	0.10	–	–
2010	13,654,333	2,293,410	451,214	16,398,957	28,602	0.17	–	–
2011	13,543,572	2,346,823	478,918	16,369,313	83,676	0.51	–	–
2012	13,908,410	2,625,364	–	16,533,774	–	–	8,255,832	49.93
					$ 168,659		$ 8,255,832	

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

Note 2: Through 2011, a portion of the total spread levy was paid through tax credits for residential homestead properties which were paid through state aids. Homestead tax credits were discontinued by the state Legislature beginning in 2012.

Source: State of Minnesota School Tax Report

Student Enrollment
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (for Students Served and Tuition Paid) Handicapped and Pre-Kindergarten	Kindergarten	Elementary	Secondary	Total	Total Pupil Units
2003	46.06	264.83	1,808.21	2,199.05	4,318.15	5,028.13
2004	27.26	237.38	1,745.64	2,207.16	4,217.44	4,934.14
2005	48.82	279.00	1,711.26	2,178.27	4,217.35	4,904.73
2006	38.93	248.86	1,729.93	2,123.17	4,140.89	4,824.51
2007	46.86	311.20	1,635.50	2,168.15	4,161.71	4,823.84
2008	56.82	294.75	1,678.48	2,052.78	4,082.83	4,743.93
2009	86.06	297.94	1,671.79	2,002.86	4,058.65	4,705.49
2010	89.40	299.62	1,711.45	1,914.15	4,014.62	4,638.40
2011	81.61	354.20	1,861.51	1,858.49	4,155.81	4,753.31
2012	79.00	404.73	1,978.36	1,845.24	4,307.33	4,891.66

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

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

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

	Early Childhood and Kindergarten – Handicapped	Kindergarten	Elementary 1–3	Elementary 4–6	Secondary
Fiscal 2003 through 2007	Various	0.557	1.115	1.060	1.300
Fiscal 2008 through 2012	Various	0.612	1.115	1.060	1.300

<u>OTHER REQUIRED REPORTS</u>

INDEPENDENT SCHOOL DISTRICT NO. 280

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

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	$ 949,345	
Special Education – Preschool Grants	84.173	26,962	
ARRA – Special Education – Grants to States	84.391	133,035	
ARRA – Special Education – Preschool Grants	84.392	1,137	
Total for special education cluster			$ 1,110,479
Education Jobs Fund	84.410		29,607
Title I, Part A cluster			
Title I Grants to Local Educational Agencies	84.010	862,419	
ARRA – Title I Grants to Local Educational Agencies	84.389	111,586	
Total for Title I, Part A cluster			974,005
Improving Teacher Quality State Grants	84.367		131,146
English Language Acquisition Grants	84.365		117,071
Early intervention services cluster			
ARRA – Special Education Grants for Infants and Families	84.393	6,943	
Passed through Independent School District No. 273			
Special Education Grants for Infants and Families	84.181	45,481	
Total for early intervention services cluster			52,424
Passed through Carver-Scott Educational Cooperative			
Career and Technical Education – Basic Grants to States	84.048		18,463
Passed through West Metro Education Program			
Voluntary Public School Choice	84.361		13,520
U.S. Department of Agriculture			
Passed through Minnesota Department of Education			
Child nutrition cluster			
School Breakfast Program	10.553	351,278	
National School Lunch Program	10.555	1,099,731	
Summer Food Service Program for Children	10.559	48,435	
Total child nutrition cluster			1,499,444
Total federal awards			$ 3,946,159

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 $64,701 is reported in this schedule at the fair market value of commodities received and disbursed for the National School Lunch Program (CFDA No. 10.555).

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

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

Program Title	Federal CFDA No.	Amount Provided
Title I Grants to Local Educational Agencies	84.010	$ 28,726
Improving Teacher Quality State Grants	84.367	$ 35,894

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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, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Question Costs, we identified one deficiency in internal control over financial reporting that we consider to be a material weakness.

(continued)

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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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1 to be a material weakness.

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 30, 2012.

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

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.

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

October 30, 2012

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

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

Compliance

We have audited Independent School District No. 280, Richfield, Minnesota's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

(continued)

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Internal Control Over Compliance

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

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

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

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

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

October 30, 2012

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

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

We have audited the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 280, Richfield, Minnesota (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 30, 2012.

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

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

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

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

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

October 30, 2012

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Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

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?	X Yes	___ 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
– ARRA – Special Education – Grants to States	84.391
– Special Education – Preschool Grants	84.173
– ARRA – Special Education – Preschool Grants	84.392

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

MATERIAL WEAKNESS IN INTERNAL CONTROL OVER FINANCIAL REPORTING

2012-1 Adjusting Journal Entries

Criteria – Management is responsible for establishing and maintaining effective internal controls over the financial reporting process. These controls include responsibility for the preparation of Independent School District No. 280, Richfield, Minnesota's (the District) financial statements in accordance with accounting principles generally accepted in the United States of America.

Condition – During the audit, we noted that the investment earnings of the Post-Employment Benefits Trust Fund were overstated, requiring a journal entry to keep the financial statements from being misstated by a material amount. Auditing standards consider the identification by the auditor of a material misstatement that was not initially identified by the District to be a material weakness in the related internal control.

Questioned Costs – Not applicable.

Context – The journal entry reduced investment earnings by $116,237.

Cause – Due to a misunderstanding of the month-end statements provided by its broker, the District double-booked year-end interest receivable accrued on the investments held in trust for its Post-Employment Benefits Trust Fund.

Effect – The revenue and net assets of the Post-Employment Benefits Trust Fund were overstated by an amount considered material to the financial statements.

Recommendation – We recommend that the District continue to review its practices and make sure all account balances are fairly stated at the start of the annual financial audit.

Corrective Action Plan

Actions Planned – The District will continue to review all general ledger account balances to assure they are fairly stated prior to the start of the annual audit to facilitate the preparation of financial statements that are fairly stated in accordance with accounting principles generally accepted in the United States of America.

Official Responsible – Jason Mutzenberger, Supervisor of Financial Services.

Planned Completion Date – June 30, 2013.

Disagreement With or Explanation of Finding – The District is in agreement with this finding.

Plan to Monitor – Jason Mutzenberger, Supervisor of Financial Services, will continue to review all account balances to assure the general ledger is fairly stated at the start of the annual financial statement audit.

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

None.

D. FINDINGS – MINNESOTA LEGAL COMPLIANCE AUDIT

None.

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

No audit findings were reported for the year ended June 30, 2011.

INDEPENDENT SCHOOL DISTRICT NO. 280

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2012

			Audit		UFARS		Audit – UFARS
General Fund							
Total revenue		$	51,930,473	$	51,930,473	$	–
Total expenditures		$	54,424,451	$	54,424,452	$	(1)
Nonspendable							
460	Nonspendable fund balance	$	440,715	$	440,714	$	1
Restricted/reserve							
403	Staff development	$	–	$	–	$	–
405	Deferred maintenance	$	–	$	–	$	–
406	Health and safety	$	(121,827)	$	(121,827)	$	–
407	Capital projects levy	$	43,043	$	43,043	$	–
408	Cooperative revenue	$	–	$	–	$	–
411	Severance pay	$	–	$	–	$	–
414	Operating debt	$	–	$	–	$	–
416	Levy reduction	$	–	$	–	$	–
417	Taconite building maintenance	$	–	$	–	$	–
423	Certain teacher programs	$	–	$	–	$	–
424	Operating capital	$	28,264	$	28,264	$	–
426	$25 taconite	$	–	$	–	$	–
427	Disabled accessibility	$	–	$	–	$	–
428	Learning and development	$	–	$	–	$	–
434	Area learning center	$	–	$	–	$	–
435	Contracted alternative programs	$	–	$	–	$	–
436	State approved alternative program	$	–	$	–	$	–
438	Gifted and talented	$	–	$	–	$	–
441	Basic skills programs	$	–	$	–	$	–
445	Career and technical programs	$	–	$	–	$	–
446	First grade preparedness	$	–	$	–	$	–
449	Safe schools levy	$	–	$	–	$	–
450	Pre-kindergarten	$	–	$	–	$	–
451	QZAB payments	$	–	$	–	$	–
452	OPEB liability not in trust	$	–	$	–	$	–
453	Unfunded severance and retirement levy	$	–	$	–	$	–
Restricted							
464	Restricted fund balance	$	–	$	–	$	–
Committed							
418	Committed for separation	$	–	$	–	$	–
461	Committed fund balance	$	–	$	–	$	–
Assigned							
462	Assigned fund balance	$	607,067	$	607,067	$	–
Unassigned							
422	Unassigned fund balance	$	482,795	$	482,796	$	(1)
Food Service							
Total revenue		$	1,962,142	$	1,962,142	$	–
Total expenditures		$	1,958,424	$	1,958,425	$	(1)
Nonspendable							
460	Nonspendable fund balance	$	62,233	$	62,234	$	(1)
Restricted							
452	OPEB liability not in trust	$	–	$	–	$	–
464	Restricted fund balance	$	33,894	$	33,893	$	1
Unassigned							
463	Unassigned fund balance	$	–	$	–	$	–
Community Service							
Total revenue		$	1,227,614	$	1,227,611	$	3
Total expenditures		$	1,271,593	$	1,271,591	$	2
Nonspendable							
460	Nonspendable fund balance	$	579	$	579	$	–
Restricted/reserve							
426	$25 taconite	$	–	$	–	$	–
431	Community education	$	42,572	$	42,572	$	–
432	ECFE	$	4,521	$	4,521	$	–
444	School readiness	$	8,591	$	8,591	$	–
447	Adult basic education	$	–	$	–	$	–
452	OPEB liability not in trust	$	–	$	–	$	–
Restricted							
464	Restricted fund balance	$	–	$	–	$	–
Unassigned							
463	Unassigned fund balance	$	–	$	–	$	–

INDEPENDENT SCHOOL DISTRICT NO. 280

Uniform Financial Accounting and Reporting Standards
Compliance Table (continued)
June 30, 2012

			Audit	UFARS	Audit – UFARS
Building Construction					
Total revenue			$ –	$ –	$ –
Total expenditures			$ –	$ –	$ –
Nonspendable					
	460	Nonspendable fund balance	$ –	$ –	$ –
Restricted/reserve					
	407	Capital projects levy	$ –	$ –	$ –
	409	Alternative facility program	$ –	$ –	$ –
	413	Project funded by COP	$ –	$ –	$ –
Restricted					
	464	Restricted fund balance	$ –	$ –	$ –
Unassigned					
	463	Unassigned fund balance	$ –	$ –	$ –
Debt Service					
Total revenue			$ 3,997,744	$ 3,997,743	$ 1
Total expenditures			$ 4,114,978	$ 4,114,978	$ –
Nonspendable					
	460	Nonspendable fund balance	$ –	$ –	$ –
Restricted/reserve					
	425	Bond refundings	$ –	$ –	$ –
	451	QZAB payments	$ –	$ –	$ –
Restricted					
	464	Restricted fund balance	$ 926,256	$ 926,256	$ –
Unassigned					
	463	Unassigned fund balance	$ –	$ –	$ –
Trust					
Total revenue			$ 25,687	$ 25,687	$ –
Total expenditures			$ 29,921	$ 29,921	$ –
	422	Net assets	$ 417,773	$ 417,773	$ –
Internal Service					
Total revenue			$ –	$ –	$ –
Total expenditures			$ –	$ –	$ –
	422	Net assets	$ –	$ –	$ –
OPEB Revocable Trust Fund					
Total revenue			$ –	$ –	$ –
Total expenditures			$ –	$ –	$ –
	422	Net assets	$ –	$ –	$ –
OPEB Irrevocable Trust Fund					
Total revenue			$ 373,380	$ 373,380	$ –
Total expenditures			$ 785,880	$ 785,880	$ –
	422	Net assets	$ 12,811,409	$ 12,811,408	$ 1
OPEB Debt Service Fund					
Total revenue			$ 878,587	$ 878,587	$ –
Total expenditures			$ 855,556	$ 855,556	$ –
Nonspendable					
	460	Nonspendable fund balance	$ –	$ –	$ –
Restricted					
	425	Bond refundings	$ –	$ –	$ –
	464	Restricted fund balance	$ 56,806	$ 56,806	$ –
Unassigned					
	463	Unassigned fund balance	$ –	$ –	$ –

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