



UNITING COMMUNITIES OF EXCELLENCE

Comprehensive
ANNUAL FINANCIAL
REPORT

For the fiscal year ended June 30, 2012

OUR MISSION

is to inspire and prepare all students
with the confidence, courage and competence
to achieve their dreams;
contribute to community;
and engage in a lifetime of learning.

INDEPENDENT SCHOOL DISTRICT 279
OSSEO AREA SCHOOLS
Maple Grove, Minnesota

COMPREHENSIVE ANNUAL FINANCIAL REPORT
for the Fiscal Year Ended June 30, 2012

INDEPENDENT SCHOOL DISTRICT NO. 279
OSSEO AREA SCHOOLS

11200 – 93rd Avenue North
Maple Grove, MN 55369

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ISD 279
OSSEO AREA SCHOOLS

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INDEPENDENT SCHOOL DISTRICT NO. 279

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SECTION I

INTRODUCTION

November 5, 2012

**FISCAL YEAR 2012 COMPREHENSIVE
ANNUAL FINANCIAL REPORT**

To: ISD No. 279 – Osseo Area Schools School Board members and citizens

INTRODUCTION

This letter accompanies the submission of the comprehensive annual financial report (CAFR) of Independent School District No. 279 – Osseo Area Schools (the District) for the fiscal year ended June 30, 2012. This report fairly presents the District's financial position, results of operations, and cash flows in accordance with national and state standards. The District is responsible for its contents and has made every effort to ensure the accuracy and completeness of this presentation. An independent firm of certified public accountants audits this report.

As a part of required supplementary information, the "Management's Discussion and Analysis" (MD&A) allows the District to explain, in layman's terms, its financial position and results of operations of the past fiscal year.

REPORT FORMAT

This CAFR is presented in three sections: introductory, financial, and statistical. The introductory section includes this letter of transmittal, an organizational chart, a list of School Board members and administration personnel, a map of the District, and a copy of the Association of School Business Officials International Certificate of Excellence in Financial Reporting for the previous year. The financial section includes the independent auditor's report, MD&A, basic financial statements, required supplementary information, and supplemental information, which includes the combining and individual fund statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year comparative basis.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A of the District can be found immediately following the report of the independent auditors.

FEDERAL SINGLE AUDIT AND STATE COMPLIANCE AUDIT

The District is required to undergo an annual single audit in conformity with the provisions of the Federal Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. The District is also required to undergo an annual Minnesota State legal compliance audit under Minnesota Statute § 6.65. Independent auditor reports and a Schedule of Expenditures of Federal Awards are included in a separately issued document.

REPORTING ENTITY AND ITS SERVICES

The financial reporting entity includes all the funds of the primary government (the District). Component units are legally separate entities for which the District (primary government) is financially accountable. There are no organizations considered to be component units of the District.

The District provides a full range of public education services appropriate to grade levels ranging from pre-kindergarten through Grade 12. These include regular and enriched academic education, special education for exceptional children, and vocational education. Food service and transportation are provided as supporting programs. The District's community education program includes early childhood and extended day programs, along with a myriad of classes for lifelong learning experiences for children and adults.

The District was incorporated in 1953 and serves portions of eight suburban communities on the northwestern edge of the Minneapolis/St. Paul metropolitan area. The District enrolled 20,583 students in fiscal year 2012 from a population of 136,896 citizens residing in a 66 square mile area. In terms of the number of students, the District is Minnesota's fifth largest school district. The District encompasses all or most of the cities of Osseo, Maple Grove, and Brooklyn Park, and smaller portions of five other cities.

During fiscal year 2012, the District operated 30 buildings: 3 high schools, 4 junior high schools, 17 elementary schools, 1 area learning center, 2 early childhood sites, an adult education center, an ice arena complex, and a central administration/warehouse building. The District also operated programs in two leased facilities for special education. The instructional program is organized using several grade configurations: E-3, 4-6, K-6, 7-9, and 10-12.

LOCAL ECONOMIC CONDITION AND OUTLOOK

With the exception of the voter-approved excess operating referendum and bond referendum, the District is dependent on the state of Minnesota for its revenue authority and state aid. Recent experience demonstrates that legislated revenue for education has not been sufficient to meet instructional program needs and increased costs due to inflation.

The state continues to face substantial challenges balancing revenues and expenditures and imposed reduced funding flows for public school districts to address state cash flow needs. In 2011, the Legislature approved an increase in the general education formula for fiscal years 2012 and 2013 of 1 percent for each fiscal year to offset mandated increases in employer contributions to pensions and cost of short-term borrowing due to aid and tax shifts.

MISSION, CORE VALUES, AND STRATEGIC OBJECTIVES

The District's mission, core values, and strategic objectives provide direction for the investment of human and financial resources across the system.

MISSION

Our mission is to inspire and prepare all students with the confidence, courage, and competence to achieve their dreams; contribute to community; and engage in a lifetime of learning.

CORE VALUES

1. We believe that lifelong learning is essential for the individual and community to thrive.
2. We believe that everyone has equal intrinsic values.
3. We believe that trust is essential to sustaining successful relationships and to achieving results.
4. We believe that better decisions emerge when diverse perspectives are intentionally included in a collaborative process.
5. We believe that everyone benefits when cultural differences are acknowledged and understood, and individuals are treated respectfully and equitably.
6. We believe that everyone can learn more.

STRATEGIC OBJECTIVES

By 2015, all students will –

1. Articulate, plan for, and progress toward their evolving dreams.
2. Choose to contribute to community in a mutually meaningful way.
3. Demonstrate initiative and persistence to continually learn that which is important to them.

STRATEGIES: Result Statements by Strategy

Result statements in **color** are priority results for 2012–2013.

Strategy: We will create transformational system change to ensure equitable student achievement.*

- **Standards-based grading is used in all classrooms to ensure equitable achievement gains and to support standards-based instruction.**
- **The District uses a comprehensive system to measure and report progress on equitable gains and to plan for continuous improvement.**
- Departments and sites use equitable student achievement gain data to create and implement high quality improvement plans.

- Extended learning opportunities have expanded to provide more K–12 interventions for students who need them.
- Preschool opportunities have expanded to provide more pre-K interventions for students who need them.
- All sites have implemented research-based positive behavior intervention practices that promote equitable student achievement.

*Equitable student achievement has three components.

1. Ensure high levels of achievement for all students.
2. Accelerate achievement for students of color and other underperforming groups.
3. Close the achievement gap for all students.

Strategy: We will develop understanding and support of our district’s mission and core values among members of our community.

- Community members and students are engaged in collaborative activities that result in mutual benefit.
- Community members have increased trust in the District.

Strategy: We will engage students and families as partners to achieve our mission and strategic objectives.

- Communications between home and school regarding school programs and student progress are differentiated to meet student and family needs.
- Families and students feel welcome at school and respected and trusted by school staff.
- Families have the knowledge and skills to navigate the school system and effectively engage in their student’s education.
- Resources and services are coordinated, communicated, and accessible to students and families.
- Volunteer initiatives contribute to student learning and support schools and families.

Strategy: We will leverage and align the talents of our employees and the assets of our system to achieve our mission and strategic objectives.

- Employees understand our system’s Culturally Responsive Standards of Practice.
- Staff managers demonstrate core competencies of standards of management practice.
- A long-range financial planning model is being implemented to align system resources with our mission and strategic objectives.

The 2012–2013 strategic plan is available on the District’s website: www.district279.org.

DECISION-MAKING

The strategic plan was adopted by the School Board on July 17, 2007 and reaffirmed in 2012. The plan initially included specific results regarding decision-making that are now operationalized. Leadership is required to implement a collaborative decision-making framework that appropriately includes diverse perspectives in the decision-making process. Accountability for collaborative decision-making is documented through the annual submission of collaborative decision-making implementation plans by site and district leaders.

TECHNOLOGY PLAN

Technology is increasingly used to connect people to resources for the purposes of learning and working. The previous Technology Plans spoke directly to this mission by providing for infrastructure improvements, including a fiber optic communications backbone, modernized communications closets, hardware standards, a tech-refresh plan and the expansion of the district web page.

The current 2013–2015 Technology Integration Plan provides specific goals and objectives designed to meet the identified goals and objectives:

1. A service catalog is available that describes the professional development opportunities that exist as well as the hardware and software services that are available.
2. Customers and Instructional & Information Technology Team staff utilize an online help desk and knowledge base systems to manage technology support requests.
3. Parents and families regularly access online resources.
4. The District has a roadmap to go paperless.
5. At least some students at each K–12 site regularly use their own technology devices for instructional purposes.

These goals continue the concept of increasing communications capacity but, in addition, focus on the needs to better prepare teachers, students, administrators, and district support staff to better utilize technology for instruction, communication, and management purposes.

Students, families, teachers, administrators, and district support staff will benefit from the technology plan in the following ways:

1. Student achievement will grow as access to information technologies facilitates instructional practice and greater access to academic performance standards for administrators and teachers leads to more data-driven curriculum decisions focusing on the needs of learners. Students will become better learners and communicators after acquiring higher skill levels with the processes of locating, evaluating, analyzing, and reporting information in electronic formats. We will identify areas of the curriculum needing improvement and will integrate technology-based solutions supported by research, best practice, and state/federal standards.
2. The development of a plan to facilitate technology proficiency standards for administration, teachers, and support staff will lead to the integration of technology standards into job descriptions, and to employee evaluation procedures that include appropriate technology use.
3. Annual job-specific technology staff development for all employee groups will lead to a greater return on our technology investment. Staff development for technology will be delivered through a variety of methods including large and small group instruction, TIES classes/workshops, other outside agencies, and online systems such as Moodle.
4. Increased access to a robust voice, video, and data delivery system will allow staff, students, and parents to access a variety of information sources for a greater variety of instructional and management processes. Maintaining security, virus protection, appropriate levels of access for all users, and dependable backups will allow for consistent operations for all users. An expanded evaluation process for new technologies and software products will allow for more rapid integration of emerging technologies. Publishing hardware and software standards to the District's website will allow stakeholders to view district standards.

5. Increased access to instructional and management information will lead to the development of a more robust district web site that will provide a greater variety of appropriate learner and management information to a wider variety of audiences (students, staff, parents, and community) via a District Web Portal.

The link to the actual plan on the website is:

http://district279.org/departments/InstructionalMediaTech/documents/2013-2015_TechnologyPlan.pdf.

In fiscal year 2012, the District invested \$4,488,552 in technology.

BUDGET PROCESS

In fiscal year 2010, the District implemented a budget planning process for developing the annual budget. This process was continued in fiscal year 2011. The budget planning steps began in December 2010 with an outline of the process and a review of the history and context for budget planning for the 2011–2013 biennium. In addition, the capital budget planning included facility and capital needs assessment and presentation of a 10-year capital budget proposal.

The School Board reviewed the proposals at work sessions in December 2010, January 2011, and February 2011. Public input and feedback on the proposal was obtained in January and February and the School Board approved a budget enhancement of up to \$1 million additional expenditures for the general operating budget on March 1, 2011, for fiscal year 2012.

BUDGET ADJUSTMENT OVERVIEW

School Board Policy 730 requires the District to maintain a 5 percent unassigned fund balance.

Minnesota Statute § 123B.83 requires districts to “limit its expenditures so that its net unreserved general fund balance does not constitute statutory operating debt under section 123B.81.”

The proposed budget is based on a variety of key factors.

- The proposed budget must align with the district strategic plan (<http://www.district279.org/who/stratplan.cfm>), while maximizing resources and sustaining progress over time.
- Continue to deliver high quality instruction to students.
- Minimize increase in class sizes to the extent possible.
- Provide for a secure and healthy learning environment.
- Align staffing with declining enrollment.

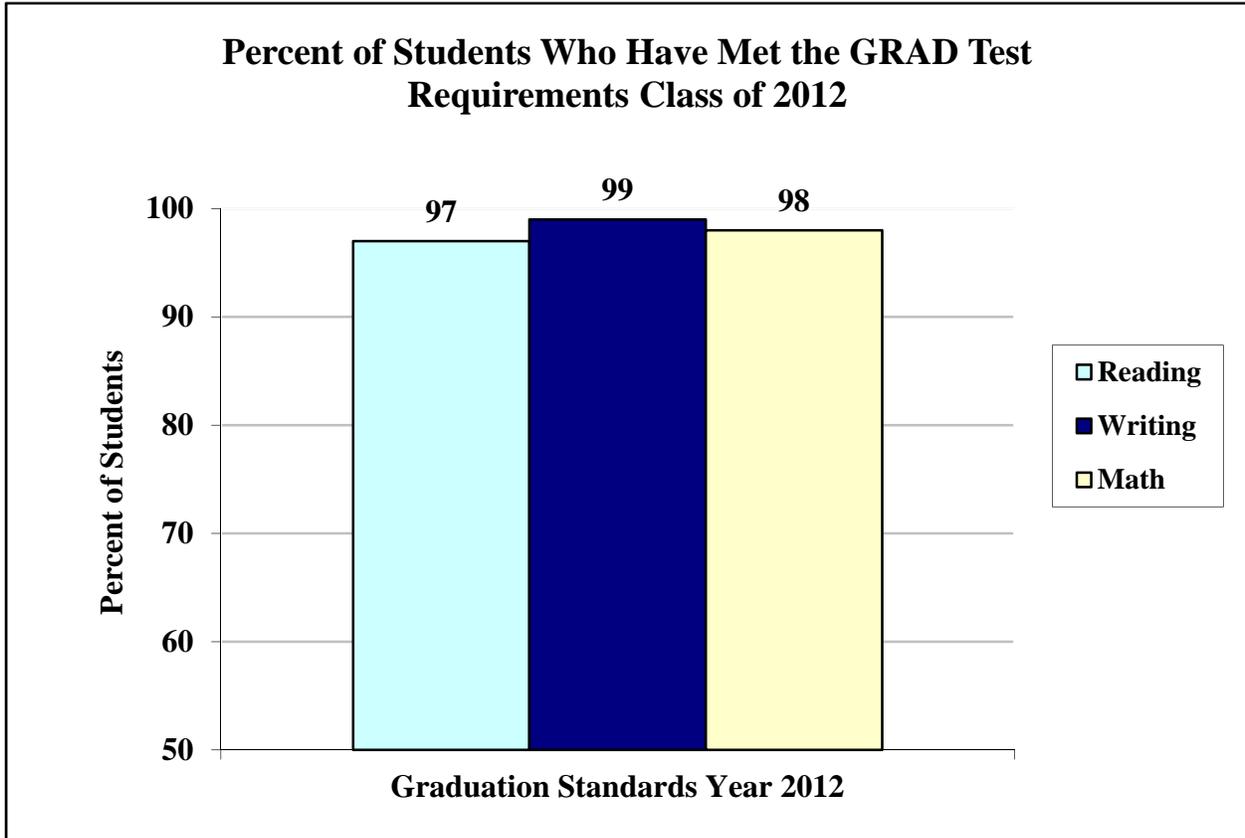
STUDENT ASSESSMENT AND TESTING 2011–2012

The District uses student assessment data in many ways. The District uses the Northwest Evaluation Associate Achievement Measures of Academic Progress to measure students’ movement towards meeting the state tests required for graduation. The class of 2012 had to meet three state test requirements to graduate. These tests are named the Minnesota GRAD tests. The GRAD tests help us to measure our end product, our graduates.

MINNESOTA GRAD TESTS

The following graph shows the percentage of students who met the GRAD test graduation requirement in each of the three tested areas.

A great majority of the District's students pass the GRAD tests on their first or second try. The small percentages of students who have not met their GRAD test requirements by the end of Grade 12 are primarily students in the Special Education or the English Language Learners' program.



FINANCIAL CONTROLS

The management of the District is responsible for establishing and maintaining internal controls designed to ensure that the assets of the District are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America and with Minnesota Uniform Financial Accounting and Reporting Standards. The internal control framework is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits require estimates and judgments by management.

In addition, the District maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the School Board. Each June, the School Board adopts an annual budget for the following fiscal year for the General Fund (including separate budgets for the Operating and Capital Expenditure Accounts), Food Service Special Revenue Fund, Community Service Special Revenue Fund, General Obligation Bonds Debt Service Account, and Other Post-Employment Benefits Bonds Debt Service Accounts. An annual budget is not adopted for the Capital Projects – Building Construction Fund because project-length financial plans are adopted in accordance with bond issue authorization. An annual budget is also not adopted for the Refunding Bonds Debt Service Account as this fund consists solely of trust accounts with sufficient resources to retire refunded bond issues. The level of budgetary control is at the fund level. However, in the General Fund, the Operating and Capital Expenditure Accounts are treated as separate funds for budgeting purposes.

As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

CERTIFICATE OF EXCELLENCE

This report will be submitted to the Association of School Business Officials International for consideration for the Certificate of Excellence in Financial Reporting. The District received this award as a result of its initial submission in fiscal year 1990 and all subsequent submissions on an annual basis through fiscal year 2011. The District expects to continue to earn the recognition that accompanies the standards of accuracy and thoroughness of the Certificate of Excellence program.

ACKNOWLEDGMENTS

The time, effort, and attention that go into the timely preparation of a CAFR require the commitment and cooperation of many people. Special appreciation is hereby extended to the entire Business Services Department staff for their dedication and to the School Board for their encouragement and leadership.

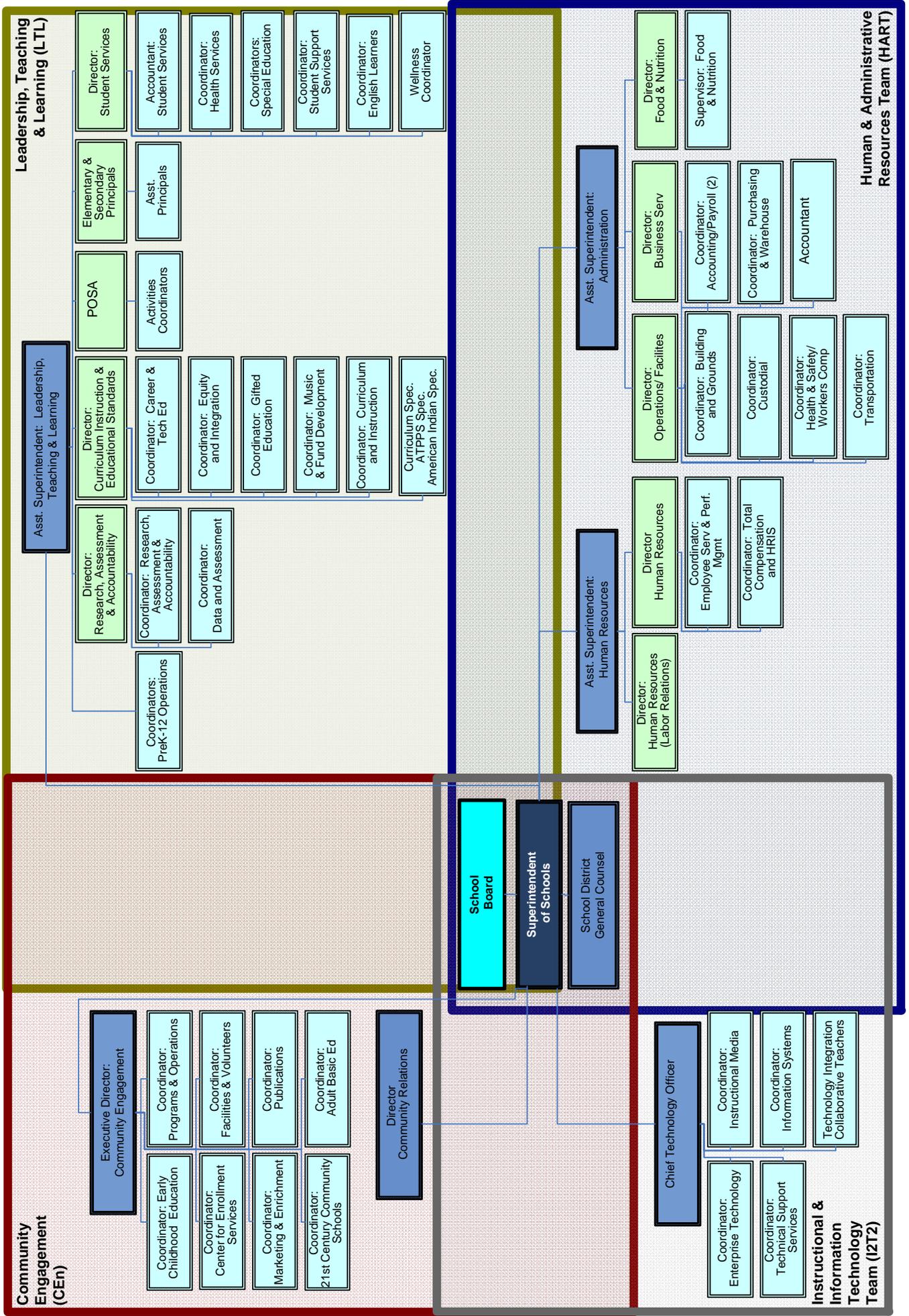


Kim Riesgraf, Ed.D.
Assistant Superintendent, Administration



Kelly Benusa, CPA, RSBO, SFO
Director, Business Services

ISD 279 - Osseo Area Schools Integrated Organization Chart
2011-2012



INDEPENDENT SCHOOL DISTRICT NO. 279

School Board and Administration
as of June 30, 2012

SCHOOL BOARD

	<u>Board Position</u>
Dean Henke	Chairperson
Kimberly Green	Vice Chairperson
Teresa Lunt	Clerk
James Burgett	Treasurer
Laura Cottington	Director
Tammie Epley	Director

ADMINISTRATION

Cabinet

Dr. Kate Maguire	Superintendent
Dr. Keith Jacobus	Assistant Superintendent, Division of Leadership, Teaching, and Learning
Dr. Kim Riesgraf	Assistant Superintendent, Administration
Richard Melvin	Assistant Superintendent, Human Resources
Tim Wilson	Chief Technology Officer
Brian Siverson-Hall	Executive Director, Community Education
Barbara Olson	Director, School/Community Relations
Margaret Westin, Esq.	School District General Counsel

Business Services Office

Kelly Benusa, CPA, RSBO, SFO	Director, Business Services
Cindy Brown, RSBO, APM	Coordinator, Accounting/Payroll
Michael Hueller, CPA	Coordinator, Accounting/Payroll

**ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**



This Certificate of Excellence in Financial Reporting is presented to

INDEPENDENT SCHOOL DISTRICT 279 – OSSEO AREA SCHOOLS
For its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2011

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Executive Director

SECTION II

FINANCIAL

INDEPENDENT AUDITOR'S REPORT

To the School Board of
Independent School District No. 279
Maple Grove, 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. 279 (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 2, 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 and, where applicable, cash flows 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)

In accordance with *Government Auditing Standards*, we have also issued a report dated November 5, 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, the Schedule of Funding Progress, and the Schedule of Employer Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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; combining and individual fund statements and schedules, as listed in the table of contents as supplemental information; and statistical section; 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 combining and individual fund statements and schedules 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 and statistical sections 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, Rudosevich, & Co., P.A.

November 5, 2012

INDEPENDENT SCHOOL DISTRICT NO. 279

Management's Discussion and Analysis Year Ended June 30, 2012

This section of Independent School District No. 279's (the District) comprehensive annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2012. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2012 include the following:

- Net assets increased 2.8 percent over the prior year.
- Overall actual revenues in the Statement of Activities were approximately \$280 million and about \$6.1 million more than expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of five parts: independent auditor's report, Management's Discussion and Analysis (MD&A) (this section), the basic financial statements, required supplementary information, and the combining and individual fund statements and schedules, which are presented as supplemental information. The basic financial statements include several kinds of statements which present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the government-wide statements.
- The *governmental fund statements* tell how basic services such as regular and special education were financed in the *short-term* as well as what remains for future spending.
- The *proprietary fund statements* offer *short-term* and *long-term* financial information about the activities the District operates *like businesses*.
- The *fiduciary fund statements* provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Figure A shows how the various parts of this annual report are arranged and relate to one another:

Figure A
Organization of Comprehensive Annual Financial Report

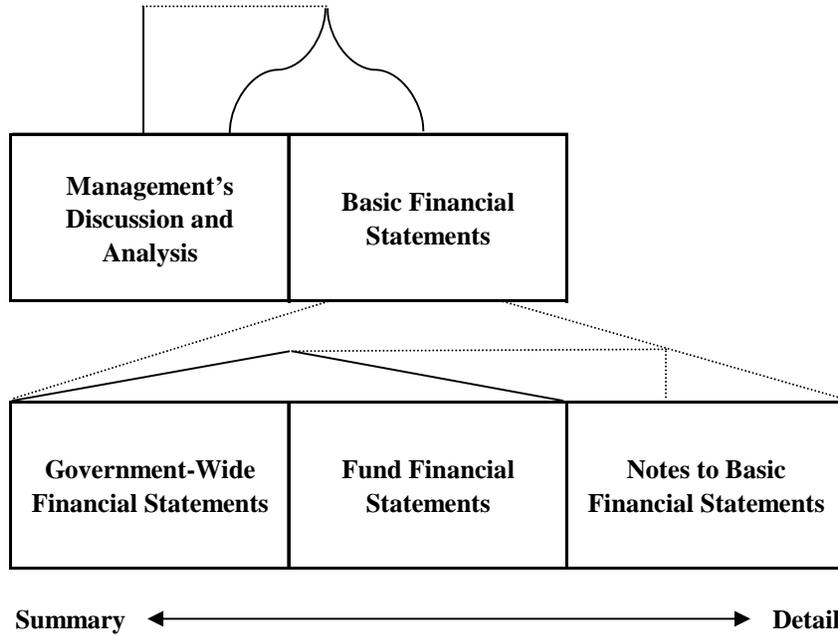


Figure B summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of the MD&A highlights the structure and content of each of the statements.

Figure B – Major Features of the Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance, food service, and community education	Activities of the District that operate similar to businesses: Internal Service Fund	Instances in which the District administers resources on behalf of someone else
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenue, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Revenue, Expenses, and Changes in Fund Net Assets • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Assets • Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-Wide Statements

The government-wide statements 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 an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider 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 shown in one category:

- *Governmental Activities* – Most of the District's basic services are included here, such as regular and special education, transportation, administration, food services, and community education. Property taxes and state aids finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds*—focusing on its most significant or major funds—not the District as a whole. 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 establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District has three kinds of funds:

- **Governmental Funds** – Most of 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 fewer 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 in the governmental fund statements that explains the relationship (or differences) between them.
- **Proprietary Funds** – Internal service fund services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District uses internal service funds to report activities that provide supplies and services for the District's other programs and activities. The District currently has three internal service funds consisting of a self-insured dental plan, retirement incentive pay, and a post-employment benefits revocable trust.
- **Fiduciary Funds** – The District is the trustee, or *fiduciary*, for assets that belong to others, such as the Flexible Benefit Plan, Post-Employment Benefits Irrevocable Trust, and Local Collaborative Time Study Grant. 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

Net Assets – The District’s *combined* net assets were \$223,557,471 on June 30, 2012. This was an improvement of 2.8 percent from the prior year.

	<u>2012</u>	<u>2011</u>
Assets		
Current and other assets	\$ 156,631,975	\$ 203,607,323
Capital assets	<u>301,792,822</u>	<u>302,196,273</u>
Total assets	<u><u>\$ 458,424,797</u></u>	<u><u>\$ 505,803,596</u></u>
Liabilities		
Long-term liabilities	\$ 177,807,698	\$ 229,644,729
Other liabilities	<u>57,059,628</u>	<u>58,671,407</u>
Total liabilities	<u><u>\$ 234,867,326</u></u>	<u><u>\$ 288,316,136</u></u>
Net assets		
Invested in capital assets, net of related debt	\$ 168,810,854	\$ 163,464,982
Restricted	9,848,155	12,675,484
Unrestricted	<u>44,898,462</u>	<u>41,346,994</u>
Total net assets	<u><u>\$ 223,557,471</u></u>	<u><u>\$ 217,487,460</u></u>

The District’s improved financial position is the product of many factors. However, one event from last year stands out. The District repaid \$51,170,000 of outstanding general obligation bonds, alternative facilities bonds, and refunded general obligation bonds.

Table 2
Summary Statement of Activities
for the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Revenues		
Program revenues		
Charges for services	\$ 17,749,032	\$ 18,304,547
Operating grants and contributions	62,160,093	66,466,389
Capital grants and contributions	7,521,842	7,589,202
General revenues		
Property taxes	68,586,485	88,766,261
General grants and aids	123,399,761	103,822,810
Other	601,733	1,428,027
Total revenues	<u>280,018,946</u>	<u>286,377,236</u>
Expenses		
Administration	10,010,161	9,889,383
District support services	7,846,332	7,939,090
Elementary and secondary regular instruction	119,863,495	117,486,457
Vocational education instruction	3,483,484	2,979,308
Special education instruction	44,724,609	45,409,052
Instructional support services	12,333,695	15,395,191
Pupil support services	20,217,797	20,512,419
Sites and buildings	15,331,085	13,423,282
Fiscal and other fixed cost programs	338,499	338,224
Food service	10,795,396	10,230,489
Community service	14,095,978	13,880,502
Unallocated depreciation	7,694,060	7,320,312
Interest and fiscal charges on debt	7,214,344	8,151,200
Total expenses	<u>273,948,935</u>	<u>272,954,909</u>
Change in net assets	<u><u>\$ 6,070,011</u></u>	<u><u>\$ 13,422,327</u></u>
End of year net assets	<u><u>\$ 223,557,471</u></u>	<u><u>\$ 217,487,460</u></u>

Changes in Net Assets – The District’s total revenues were \$280,018,946 for the year ended June 30, 2012. Property taxes and general grants and aids accounted for 68.6 percent (see Figure C) of total revenue for the year.

The District’s property taxes were lower and general grants and aids were higher in fiscal year 2012 due to the allocation of revenue between state sources and property taxes in fiscal year 2012 as compared to fiscal year 2011 due to the recognition of the tax shift.

The total cost of all programs and services was \$273,948,935. The District’s expenses are predominantly related to educating and caring for students (76.1 percent) (see Figure D). The administrative activities of the District accounted for 3.7 percent of total costs.

Total revenues exceeded expenses, increasing net assets \$6,070,011 over last year.

Figure C – Sources of Revenues for Fiscal Year 2012

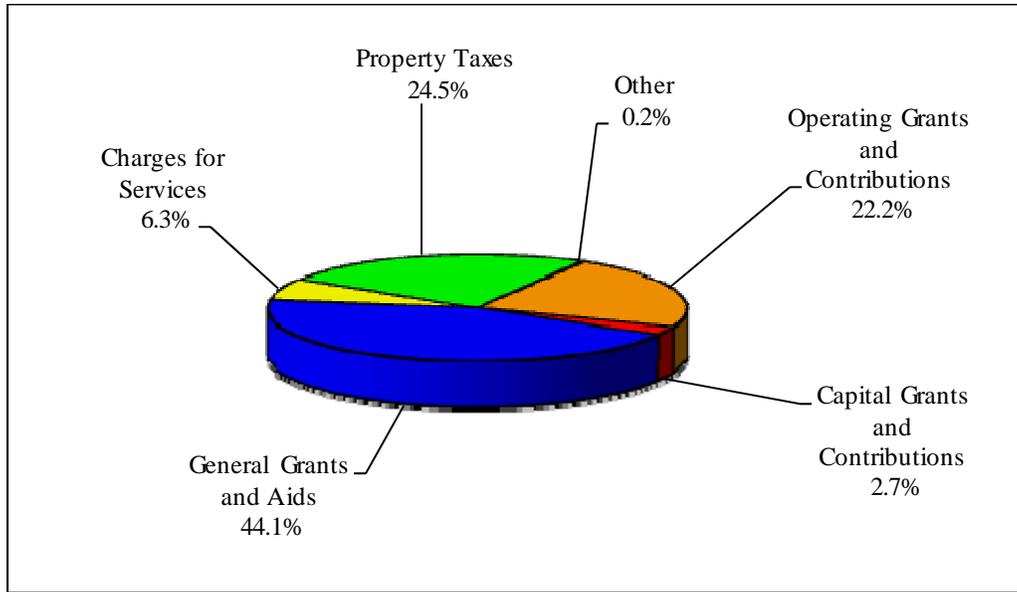
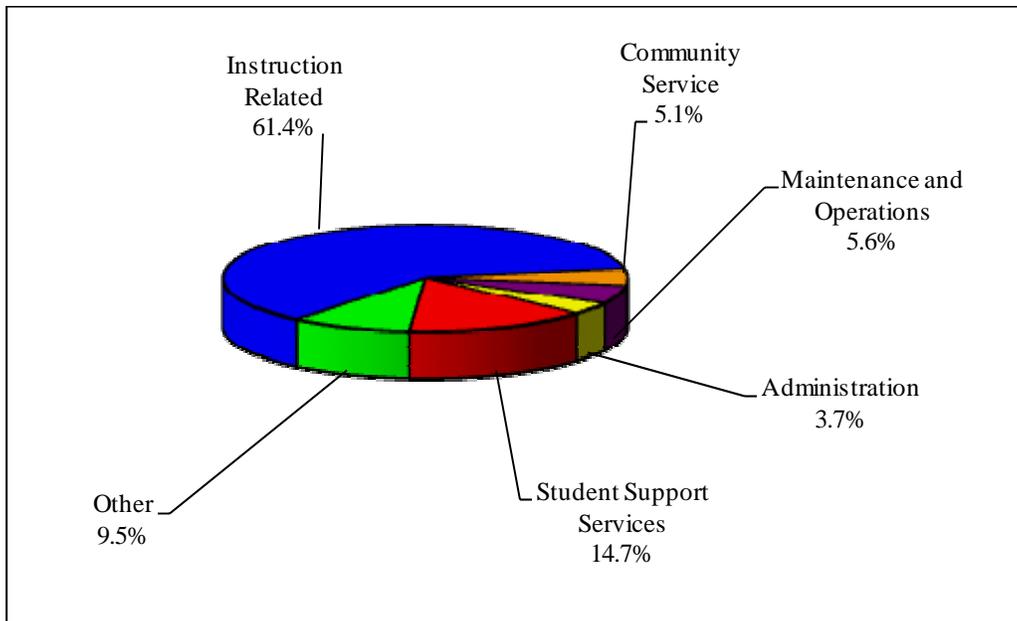


Figure D – Expenses for Fiscal Year 2012



- The cost of all *governmental* activities for fiscal year 2012 was \$273,948,935.
- Some of the cost, \$17,749,032, was paid by the users of the District’s programs.
- The federal and state governments subsidized certain programs with grants and contributions of \$69,681,935.
- Most of the District’s costs, totaling \$191,986,246, were paid for by district taxpayers and the taxpayers of our state through general grants and aids. This portion of governmental activities was paid for with \$68,586,485 in property taxes and \$123,399,761 of state aid based on the state-wide education aid formula.

Table 3
Net Cost of Governmental Activities

	<u>Total Cost of Services</u>		<u>Total Percent Change 2011-2012</u>	<u>Net Cost of Services</u>		<u>Total Percent Change 2011-2012</u>
	<u>2012</u>	<u>2011</u>		<u>2012</u>	<u>2011</u>	
Administration	\$ 10,010,161	\$ 9,889,383	1.2%	\$ 7,246,629	\$ 7,052,304	2.8%
District support services	7,846,332	7,939,090	(1.2%)	7,737,834	7,834,225	(1.2%)
Elementary and secondary						
regular instruction	119,863,495	117,486,457	2.0%	96,852,109	91,556,525	5.8%
Vocational education instruction	3,483,484	2,979,308	16.9%	3,212,962	2,781,519	15.5%
Special education instruction	44,724,609	45,409,052	(1.5%)	16,324,804	14,717,977	10.9%
Instructional support services	12,333,695	15,395,191	(19.9%)	12,143,412	14,970,803	(18.9%)
Pupil support services	20,217,797	20,512,419	(1.4%)	18,279,344	18,938,663	(3.5%)
Sites and buildings	15,331,085	13,423,282	14.2%	7,399,559	5,311,372	39.3%
Fiscal and other fixed cost						
programs	338,499	338,224	0.1%	338,499	338,224	0.1%
Food service	10,795,396	10,230,489	5.5%	188,870	(186,196)	(201.4%)
Community service	14,095,978	13,880,502	1.6%	1,885,542	1,807,843	4.3%
Depreciation not included in						
other functions	7,694,060	7,320,312	5.1%	7,694,060	7,320,312	5.1%
Interest and fiscal charges on debt	7,214,344	8,151,200	(11.5%)	7,214,344	8,151,200	(11.5%)
Total	\$ 273,948,935	\$ 272,954,909	0.4%	\$ 186,517,968	\$ 180,594,771	3.3%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a *combined* fund balance of \$66,153,539, a decrease from last year's ending fund balance of \$114,640,051, or 42.3 percent. This is primarily due to the District repaying \$51,170,000 of outstanding general obligation bonds, alternative facilities bonds, and refunded general obligation bonds during fiscal year 2012.

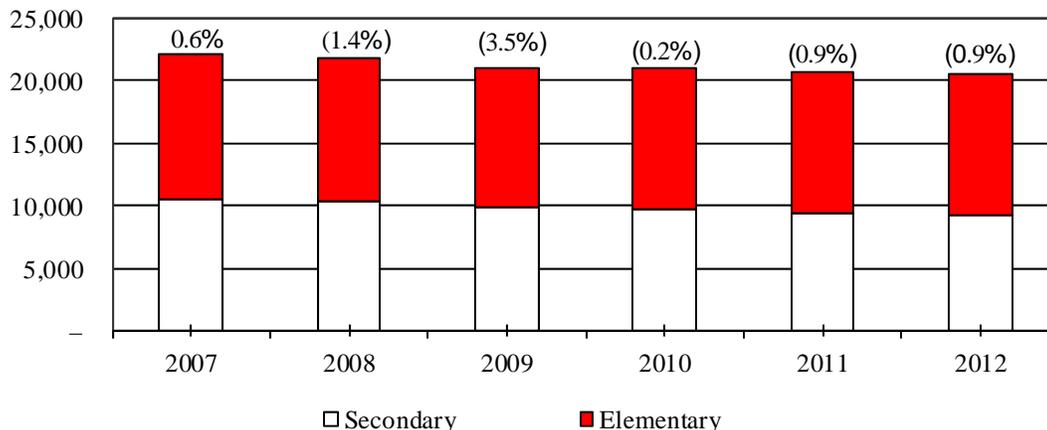
Revenues for the District's governmental funds were \$280,079,192, while total expenditures were \$291,052,436.

GENERAL FUND

The General Fund includes the primary operations of the District in providing educational services to students from pre-kindergarten through Grade 12, including pupil transportation activities and capital outlay projects.

The following graph shows the percentage change in the number of students over the last several years:

Students (Average Daily Membership)
Percentage Change From Previous Years



Over the last six years, the District has seen a 6.9 percent decrease in the number of students. Enrollment projections predict a slight decrease in enrollment over the next several years.

The following schedule presents a summary of General Fund revenues:

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2012	2011		
Local sources				
Property taxes	\$ 44,965,114	\$ 63,977,647	\$ (19,012,533)	(29.7%)
Investment earnings	40,271	65,581	(25,310)	(38.6%)
Other	7,132,608	7,443,803	(311,195)	(4.2%)
State sources	169,038,006	150,461,702	18,576,304	12.3%
Federal sources	11,021,029	15,979,803	(4,958,774)	(31.0%)
Total General Fund revenue	\$ 232,197,028	\$ 237,928,536	\$ (5,731,508)	(2.4%)

Total General Fund revenue decreased by \$5,731,508, or 2.4 percent, in fiscal year 2012 compared with fiscal year 2011. Basic general education revenue is determined by a state per student funding formula. Other state-authorized revenue, including excess levy referendum, involves an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change in revenue. As previously discussed, the District's property taxes were lower and state sources were higher in fiscal year 2012 due to the allocation of revenue between state sources and property taxes in fiscal year 2012 as compared to fiscal year 2011 due to the recognition of the tax shift.

Federal sources decreased \$5 million in fiscal year 2012 as compared to fiscal year 2011. This decrease was due mostly to one-time federal stimulus aid received in fiscal year 2011.

The following schedule presents a summary of General Fund expenditures:

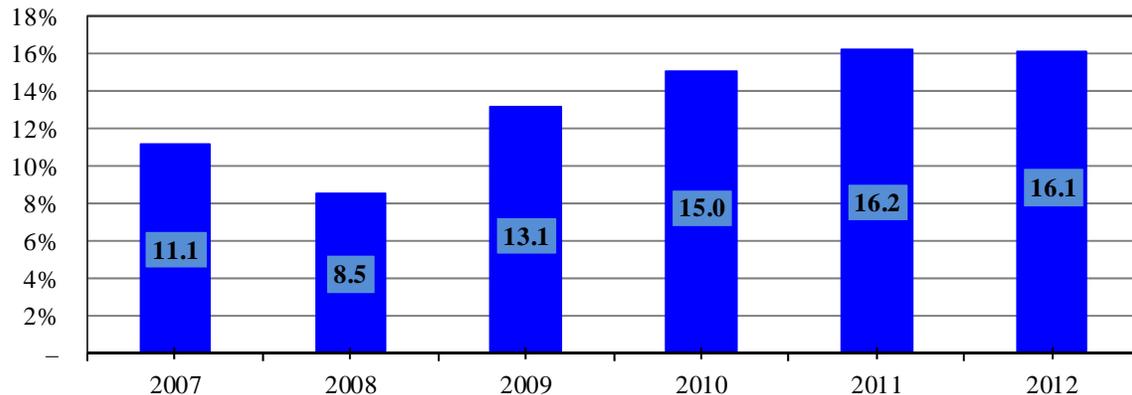
	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2012	2011		
Salaries	\$ 146,567,619	\$ 142,269,327	\$ 4,298,292	3.0%
Employee benefits	46,875,134	44,864,941	2,010,193	4.5%
Purchased services	28,542,917	29,988,582	(1,445,665)	(4.8%)
Supplies, materials, and equipment	11,884,733	17,357,557	(5,472,824)	(31.5%)
Other expenditures	<u>2,539,757</u>	<u>1,443,277</u>	<u>1,096,480</u>	76.0%
Total expenditures	<u>\$ 236,410,160</u>	<u>\$ 235,923,684</u>	<u>\$ 486,476</u>	0.2%

Total General Fund expenditures increased \$486,476, or 0.2 percent, from the previous year.

In fiscal year 2012, salaries increased 3.0 percent and employee benefits increased 4.5 percent. The increase in salaries and benefits is attributed to employee contract improvements and an additional 15 full-time teaching positions added to reduce class sizes, increase all-day kindergarten options, and increase the number of behavior intervention teachers at elementary sites.

Purchased services decreased by \$1.4 million and supplies, materials, and equipment decreased by \$5.5 million from the prior year. The decrease in purchased services was due to reduced transportation costs due to routing efficiencies and reduced tuition costs to other districts because of the Osseo Area Learning Center and Targeted Services programs being served in district for fiscal year 2012. The decrease in supplies, materials, and equipment is partly due to a capital lease issued during fiscal year 2011 in the amount of \$2,597,000 for computers and other computer-related hardware. The remaining decrease was due to operating capital projects that occurred in fiscal year 2011, including \$2.7 million for various projects, such as controlled entrance and security upgrades, irrigation and landscape restoration, and technology refreshments that did not occur in fiscal 2012. In addition to these savings, a memo for cost containment measures for fiscal year 2012 was emailed to all budget managers on February 15, 2012 from Superintendent Kate Maguire directing all budget managers to ensure that at least 10 percent of their remaining General Fund budget capacity as of January 1, 2012 in purchased services and supplies be preserved (left unspent) by June 30, 2012.

The following graph shows the General Fund unassigned/unreserved fund balance (net of any restricted account deficits) as a percentage of expenditures:



In fiscal year 2012, General Fund revenue and other financing sources were less than expenditures and other financing uses by \$3,831,400. Therefore, total fund balance decreased to \$51,607,678 at June 30, 2012. After deducting nonspendable, assigned, and restricted amounts (including restricted account deficits), the unassigned fund balance decreased from \$38,222,696 at June 30, 2011 to \$38,057,262 at June 30, 2012.

The graph above is the single best measure of overall financial health. The unassigned fund balance of \$38,057,262 at June 30, 2012 represents 16.1 percent of annual expenditures, or slightly more than eight weeks of operations. The District closely monitors its fund balances.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. These budget amendments fall into two categories:

- Implementing budgets for specially funded projects, which include both federal and state grants; reinstating prior year purchase orders being carried over; and budgeting for clearing, resale, and gifts.
- Changes in appropriations for significant unbudgeted costs.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues and other financing sources by \$12,816,875, the actual results for the year show a decrease of \$3,831,400.

- Actual revenues were \$2,128,931 more than expected. State sources were over budget by \$1.7 million due to \$1 million in additional general education aid from serving more students than previously estimated and special education, special education excess revenue formulas adjustments, and special education wards of the state collections. Other revenue sources were over budget by \$1.1 million due to several items, including more collections from third party billings for medical assistance and increased facility rentals compared to planned amounts. Federal sources were under budgeted entitlement amounts by \$731,000. These grants contain carryover provisions and will be spent down during the next fiscal year as planned.

- Actual expenditures were about \$6.5 million under budget, or a 2.7 percent variance. This is the result of several contributing factors. Salaries were \$498,000 less than budget, because actual contract settlements, along with the allocation of staff, were less than budget. Purchased services were \$4.3 million less than budget due to conservation efforts of staff and administration and final tuition billings being less than previously anticipated. Supplies and materials were \$1.5 million less than budget due to conservation efforts of staff and administration and fuel savings of \$853,000 due to a milder winter in fiscal year 2012 than in the past, as well as continued energy conservation efforts. Federal and state grant actual expenditures were \$505,000 less than budgeted entitlements.
- Other financing sources were \$381,732 over budget, due to the issuance of a capital lease for copiers.

CAPITAL PROJECTS AND DEBT SERVICE FUNDS

The Capital Projects – Building Construction Fund expenditures exceeded revenues by \$4,593,216, resulting in a decreased fund balance of \$5,253,567 at June 30, 2012.

The Debt Service Fund expenditures exceeded revenues and other financing sources and other financing uses by \$39,963,123 in fiscal year 2012. The remaining fund balance of \$3,753,106 at June 30, 2012 is available for meeting future debt service obligations.

NONMAJOR FUNDS

Expenditures exceeded revenues in the nonmajor funds by \$98,773. The Food Service Special Revenue Fund had a decline in fund balance of \$97,282. This was lower than budgeted due to actual employee settlement costs being less than budgeted amounts. The Community Service Special Revenue Fund had a decline in fund balance of \$1,491. From the standpoint of maintaining current operating expenditures within the range of annual revenue, these funds continue to operate on a sound financial basis and are monitored throughout the year.

INTERNAL SERVICE FUNDS

During fiscal year 2012, the District operated a Dental Self-Insurance Internal Service Fund. This fund accounts for the District's self-insured dental insurance program. Net assets in this fund increased \$72,711, resulting in net assets of \$344,431 at June 30, 2012.

Over the next several years, the District's annual obligation to pay post-employment benefits will remain at its current level because a large block of employees will be reaching retirement age. Accordingly, the District established a Retirement Incentive Pay Internal Service Fund and adopted a plan to fund its early retirement incentive (severance) as the benefits are earned in accordance with governmental accounting standards. The Retirement Incentive Pay Internal Service Fund is used to finance the early retirement incentive benefits provided by all of the departments and funds of the District on a cost-reimbursement basis.

The Retirement Incentive Pay Internal Service Fund change in net assets increased \$1,936,296, resulting in net assets of \$761,207 at June 30, 2012. The majority of this increase is attributed to increased contributions from governmental funds as a result of the projections in an independent actuarial valuation study dated March 1, 2012, which computed future costs in this area.

The Post-Employment Benefits Revocable Trust Internal Service Fund was established to fund other post-employment benefits (OPEB) in accordance with standards described in Governmental Accounting Standards Board (GASB) Statement Nos. 43 and 45. This revocable trust fund was established to provide a source of funds to fund current and future benefit obligations to employees. On June 30, 2012, this fund has net assets of \$11,716,269. The assets held in this fund are dedicated for the purpose of paying these obligations.

The most recent independent actuarial study dated March 1, 2012, computed the present value of these benefits. The long-term liability represents net OPEB pension benefit obligations based on actuarial estimates. The District has been fortunate to pre-fund a portion of this post-employment benefit liability. This funding is built into the ongoing annual budget. By funding the plan now, the District will avoid the future reductions of regular programming that would have been necessary to pay for these post-employment benefits.

For information on the funding progress of the OPEB obligations of the District, refer to the notes to basic financial statements.

POST-EMPLOYMENT BENEFITS IRREVOCABLE TRUST FUND

The Post-Employment Benefits Irrevocable Trust Fund was established to fund OPEB in accordance with standards described in GASB Statement Nos. 43 and 45. This irrevocable trust fund was established to provide a source of funds to fund current and future benefit obligations to employees. On June 30, 2012, this fund has net assets of \$2,526,909. The assets held in this fund are dedicated for the purpose of paying these obligations.

The most recent independent actuarial study dated March 1, 2012, computed the present value of these benefits. The long-term liability represents the present value of these benefits based on medical benefits earned. The District has been fortunate to pre-fund a portion of this post-employment benefits liability. This funding is built into the ongoing annual budget. By funding the plan now, the District will avoid the future reductions of regular programming that would have been necessary to pay for these post-employment benefits.

For information on the funding progress of the OPEB obligations of the District refer to the notes to basic financial statements.

CAPITAL ASSETS, DEBT ADMINISTRATION, AND LONG-TERM LIABILITIES

Capital Assets

By the end of fiscal year 2012, the District had invested almost \$437 million in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices (see Table 4). (More detailed information about capital assets can be found in Note 3 of the notes to basic financial statements.) Total depreciation expense for the year was \$10.2 million as compared to a prior year depreciation expense of \$9.8 million.

	2012	2011	Total Percent Change 2011–2012
Land	\$ 10,691,698	\$ 10,691,698	–
Land improvements	27,843,458	26,321,967	5.8%
Buildings	387,290,466	377,938,760	2.5%
Furniture and equipment	10,652,175	10,739,471	(0.8%)
Construction in progress	391,975	2,726,381	(85.6%)
Less accumulated depreciation	<u>(135,076,950)</u>	<u>(126,222,004)</u>	7.0%
Total	<u>\$ 301,792,822</u>	<u>\$ 302,196,273</u>	(0.1%)

Debt Administration

At June 30, 2012, the District had bonded debt of \$145,755,000. Under current state statutes, the District's general obligation bonded debt issuances are subject to a legal limitation equal to 15 percent of the actual value of all taxable property within the District. The District is within its legal authority for bonded debt.

Long-Term Liabilities

Table 5
Outstanding Long-Term Liabilities

	<u>2012</u>	<u>2011</u>	<u>Total Percent Change</u>
General obligation bond principal payable	\$ 145,755,000	\$ 196,925,000	(26.0%)
Capital leases	2,031,788	2,597,000	100.0%
Unamortized premiums on debt issued	7,685,146	8,772,303	(12.4%)
Post-employment severance benefits payable	16,251,016	16,676,144	(2.5%)
Net other post-employment benefit obligation	<u>6,084,748</u>	<u>4,674,282</u>	30.2%
Total	<u>\$ 177,807,698</u>	<u>\$ 229,644,729</u>	(22.6%)

More detailed information about the District's long-term liabilities is presented in Note 4 of the notes to basic financial statements.

Bond Ratings

The District's general obligation bonds carry a rating of Aa1.

Limitations on Debt

The state limits the amount of general obligation debt the District can issue to 15 percent of the assessed value of all taxable property within the District's corporate limits. The District's outstanding debt is significantly below this limit, which is currently \$1,881,545,183.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Legislature approved an increase in the general education formula for fiscal years 2012 and 2013 of 1 percent for each fiscal year. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation. The District will strive to maintain its longstanding commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility. The District will continue to use a budget planning process to ensure that expenditures are aligned with revenues. Efforts will continue to be made to influence legislators to recommit to their financial support for public education.

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 Services Department, Independent School District No. 279, Educational Service Center, 11200 – 93rd Avenue North, Maple Grove, Minnesota 55369-6605.



Our Mission

**is to inspire and prepare all students
with the confidence, courage and competence
to achieve their dreams;
contribute to community;
and engage in a lifetime of learning.**

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 279

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	\$ 35,342,088	\$ 51,379,586
Receivables		
Current taxes	35,809,421	35,824,225
Delinquent taxes	1,286,575	1,903,222
Accounts and interest receivable	619,494	734,311
Due from other governmental units	64,863,237	54,808,750
Inventory	910,143	949,419
Prepaid items	—	1,760,347
Restricted assets – temporarily restricted		
Cash and investments for OPEB	17,606,335	16,646,947
Interest receivable for OPEB	194,682	178,528
Cash and investments for debt service	—	39,416,255
Interest receivable for debt service	—	5,733
Total restricted assets – temporarily restricted	17,801,017	56,247,463
Capital assets		
Not depreciated	11,083,673	13,418,079
Depreciated, net of accumulated depreciation	290,709,149	288,778,194
Total capital assets, net of accumulated depreciation	301,792,822	302,196,273
Total assets	\$ 458,424,797	\$ 505,803,596
Liabilities		
Salaries payable	\$ 718,612	\$ 942,397
Accounts and contracts payable	4,036,558	5,400,571
Due to other governmental units	1,462,607	1,305,524
Property taxes levied for subsequent year	46,248,520	45,475,231
Unearned revenue	1,759,947	1,738,508
Accrued interest payable	2,833,384	3,809,176
Long-term liabilities		
Due within one year	16,740,150	53,848,469
Due in more than one year	161,067,548	175,796,260
Total long-term liabilities	177,807,698	229,644,729
Total liabilities	234,867,326	288,316,136
Net assets		
Invested in capital assets, net of related debt	168,810,854	163,464,982
Restricted for		
Capital asset acquisition	4,228,672	6,765,377
Food service	3,106,891	3,204,173
Community service	2,458,654	2,468,934
Other purposes (state funding restrictions)	53,938	237,000
Unrestricted	44,898,462	41,346,994
Total net assets	223,557,471	217,487,460
Total liabilities and net assets	\$ 458,424,797	\$ 505,803,596

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 279

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

Functions/Programs	2012				2011	2011
	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities						
Administration	\$ 10,010,161	\$ 2,135,093	\$ 628,439	\$ -	\$ (7,246,629)	\$ (7,052,304)
District support services	7,846,332	21,892	86,606	-	(7,737,834)	(7,834,225)
Elementary and secondary regular instruction	119,863,495	1,490,186	21,521,200	-	(96,852,109)	(91,556,525)
Vocational education instruction	3,483,484	-	270,522	-	(3,212,962)	(2,781,519)
Special education instruction	44,724,609	14,377	28,385,428	-	(16,324,804)	(14,717,977)
Instructional support services	12,333,695	6,603	64,819	118,861	(12,143,412)	(14,970,803)
Pupil support services	20,217,797	-	1,938,453	-	(18,279,344)	(18,938,663)
Sites and buildings	15,331,085	528,545	-	7,402,981	(7,399,559)	(5,311,372)
Fiscal and other fixed cost programs	338,499	-	-	-	(338,499)	(338,224)
Food service	10,795,396	4,829,635	5,776,891	-	(188,870)	186,196
Community service	14,095,978	8,722,701	3,487,735	-	(1,885,542)	(1,807,843)
Unallocated depreciation	7,694,060	-	-	-	(7,694,060)	(7,320,312)
Interest and fiscal charges	7,214,344	-	-	-	(7,214,344)	(8,151,200)
Total governmental activities	\$273,948,935	\$17,749,032	\$62,160,093	\$ 7,521,842	(186,517,968)	(180,594,771)
General revenue						
Taxes						
Property taxes, levied for general purposes					44,688,424	63,920,940
Property taxes, levied for community service					1,835,225	2,648,450
Property taxes, levied for debt service					19,362,076	19,827,193
Property taxes, levied for building construction					2,700,760	2,369,678
General grants and aids					123,399,761	103,822,810
Other general revenues					7,514	52,094
Investment earnings					594,219	1,375,933
Total general revenue					192,587,979	194,017,098
Change in net assets					6,070,011	13,422,327
Net assets – beginning					217,487,460	204,065,133
Net assets – ending					\$ 223,557,471	\$ 217,487,460

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 279

Balance Sheet
Governmental Funds
as of June 30, 2012

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

	General Fund	Capital Projects –	Debt	Nonmajor Funds	Total Governmental Funds	
		Building	Service Fund		2012	2011
		Construction Fund				
Assets						
Cash and temporary investments	\$ –	\$ 5,658,693	\$ 13,749,713	\$ 4,593,012	\$ 24,001,418	\$ 35,480,997
Cash and investments held by trustee	–	–	–	–	–	39,416,255
Receivables						
Current taxes	24,447,235	–	10,465,334	896,852	35,809,421	35,824,225
Delinquent taxes	883,812	–	371,355	31,408	1,286,575	1,903,222
Accounts and interest	372,995	12,117	–	234,382	619,494	740,039
Due from other governmental units	63,413,498	–	279,644	1,170,095	64,863,237	54,808,750
Inventory	501,279	–	–	408,864	910,143	949,419
Prepaid items	–	–	–	–	–	1,760,347
Total assets	\$ 89,618,819	\$ 5,670,810	\$ 24,866,046	\$ 7,334,613	\$ 127,490,288	\$ 170,883,254
Liabilities and Fund Balances						
Liabilities						
Salaries payable	\$ 441,924	\$ 2,775	\$ –	\$ 273,913	\$ 718,612	\$ 942,397
Accounts and contracts payable	3,150,717	414,468	–	348,683	3,913,868	5,274,752
Due to other governmental units	1,462,607	–	–	–	1,462,607	1,305,524
Due to other funds	6,138,674	–	–	–	6,138,674	–
Property taxes levied for subsequent year	24,535,225	–	20,796,263	917,032	46,248,520	45,475,231
Unearned revenue	1,530,507	–	–	229,440	1,759,947	1,738,508
Deferred revenue	751,487	–	316,677	26,357	1,094,521	1,506,791
Total liabilities	38,011,141	417,243	21,112,940	1,795,425	61,336,749	56,243,203
Fund balances (deficit)						
Nonspendable	501,279	–	–	408,864	910,143	2,709,766
Restricted	4,965,594	5,253,567	3,753,106	5,201,069	19,173,336	66,341,669
Assigned	8,861,190	–	–	–	8,861,190	7,994,876
Unassigned	37,279,615	–	–	(70,745)	37,208,870	37,593,740
Total fund balances	51,607,678	5,253,567	3,753,106	5,539,188	66,153,539	114,640,051
Total liabilities and fund balances	\$ 89,618,819	\$ 5,670,810	\$ 24,866,046	\$ 7,334,613	\$ 127,490,288	\$ 170,883,254

See notes to basic financial statements



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INDEPENDENT SCHOOL DISTRICT NO. 279

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)

	<u>2012</u>	<u>2011</u>
Total fund balances – governmental funds	\$ 66,153,539	\$ 114,640,051
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	436,869,772	428,418,277
Accumulated depreciation	(135,076,950)	(126,222,004)
Long-term liabilities are included in net assets, but are excluded from fund balances until due and payable. 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.		
General obligation bonds	(145,755,000)	(196,925,000)
Capital leases	(2,031,788)	(2,597,000)
Premium on bonds	(7,685,146)	(8,772,303)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Assets.		
	12,821,907	11,247,824
Accrued interest payable is included in net assets, but is excluded from fund balances until due and payable.		
	(2,833,384)	(3,809,176)
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.		
	<u>1,094,521</u>	<u>1,506,791</u>
Total net assets – governmental activities	<u>\$ 223,557,471</u>	<u>\$ 217,487,460</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 279

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

	General Fund	Capital Projects –	Debt	Nonmajor Funds	Total Governmental Funds	
		Building Construction Fund			Service Fund	2012
Revenue						
Local sources						
Property taxes	\$ 44,965,114	\$ 2,700,760	\$ 19,488,867	\$ 1,844,014	\$ 68,998,755	\$ 88,854,246
Investment earnings	40,271	19,611	177,143	5,170	242,195	951,880
Other	7,132,608	–	–	14,154,949	21,287,557	21,475,142
State sources	169,038,006	–	783,316	2,917,265	172,738,587	153,387,645
Federal sources	11,021,029	–	–	5,791,069	16,812,098	21,357,251
Total revenue	<u>232,197,028</u>	<u>2,720,371</u>	<u>20,449,326</u>	<u>24,712,467</u>	<u>280,079,192</u>	<u>286,026,164</u>
Expenditures						
Current						
Administration	10,010,161	–	–	–	10,010,161	9,887,474
District support services	5,738,350	–	–	–	5,738,350	5,925,326
Elementary and secondary regular instruction	121,086,618	–	–	–	121,086,618	115,476,010
Vocational education instruction	3,518,848	–	–	–	3,518,848	2,983,259
Special education instruction	44,716,402	–	–	–	44,716,402	45,407,700
Instructional support services	12,364,771	–	–	–	12,364,771	15,591,201
Pupil support services	20,217,797	–	–	–	20,217,797	20,510,806
Sites and buildings	17,436,926	–	–	–	17,436,926	19,803,684
Fiscal and other fixed cost programs	338,499	–	–	–	338,499	338,224
Food service	–	–	–	10,517,361	10,517,361	9,987,972
Community service	–	–	–	13,963,156	13,963,156	13,762,170
Capital outlay	–	7,313,587	–	330,723	7,644,310	6,811,326
Debt service						
Principal	946,944	–	13,275,000	–	14,221,944	12,730,000
Interest and fiscal charges	34,844	–	9,242,449	–	9,277,293	11,320,100
Total expenditures	<u>236,410,160</u>	<u>7,313,587</u>	<u>22,517,449</u>	<u>24,811,240</u>	<u>291,052,436</u>	<u>290,535,252</u>
Excess (deficiency) of revenue over expenditures	(4,213,132)	(4,593,216)	(2,068,123)	(98,773)	(10,973,244)	(4,509,088)
Other financing sources (uses)						
Refunding bonds issued	–	–	–	–	–	5,775,000
Debt issued	–	–	–	–	–	8,685,000
Premium on debt issued	–	–	–	–	–	370,331
Bond retirement from escrow	–	–	(37,895,000)	–	(37,895,000)	(75,415,000)
Capital lease issued	381,732	–	–	–	381,732	2,597,000
Proceeds from sale of assets	–	–	–	–	–	15,004
Total other financing sources (uses)	<u>381,732</u>	<u>–</u>	<u>(37,895,000)</u>	<u>–</u>	<u>(37,513,268)</u>	<u>(57,972,665)</u>
Net change in fund balances	(3,831,400)	(4,593,216)	(39,963,123)	(98,773)	(48,486,512)	(62,481,753)
Fund balances						
Beginning of year	<u>55,439,078</u>	<u>9,846,783</u>	<u>43,716,229</u>	<u>5,637,961</u>	<u>114,640,051</u>	<u>177,121,804</u>
End of year	<u>\$ 51,607,678</u>	<u>\$ 5,253,567</u>	<u>\$ 3,753,106</u>	<u>\$ 5,539,188</u>	<u>\$ 66,153,539</u>	<u>\$ 114,640,051</u>

See notes to basic financial statements



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INDEPENDENT SCHOOL DISTRICT NO. 279

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 for the Year Ended June 30, 2011)

	<u>2012</u>	<u>2011</u>
Total net change in fund balances – governmental funds	\$ (48,486,512)	\$ (62,481,753)
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	9,886,251	13,491,861
Depreciation expense	(10,191,576)	(9,846,651)
A 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.		
	(98,126)	–
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.		
	–	(14,460,000)
The amount of capital lease proceeds is reported in the governmental funds as a source of financing. Capital lease proceeds are not revenues in the Statement of Activities, but rather constitute long-term liabilities.		
	(381,732)	(2,597,000)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net assets of the internal service funds is included in the governmental activities in the Statement of Activities.		
	1,574,083	(1,539,714)
Repayment of long-term debt does not affect the change in net assets. However, it reduces fund balances.		
General obligation bonds	51,170,000	88,145,000
Capital leases	946,944	–
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.		
	975,792	1,536,291
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.		
	1,087,157	1,262,278
Certain revenues (including delinquent property taxes) are included in the change in net assets, but are excluded from the change in fund balances until they are available to liquidate liabilities of the current period.		
	<u>(412,270)</u>	<u>(87,985)</u>
Change in net assets – governmental activities	<u>\$ 6,070,011</u>	<u>\$ 13,422,327</u>

See notes to basic financial statements



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INDEPENDENT SCHOOL DISTRICT NO. 279

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 General Fund
 Year Ended June 30, 2012

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Property taxes	\$ 38,547,067	\$ 44,835,922	\$ 44,965,114	\$ 129,192
Investment earnings	71,000	52,500	40,271	(12,229)
Other	3,014,900	6,061,430	7,132,608	1,071,178
State sources	158,192,143	167,366,423	169,038,006	1,671,583
Federal sources	—	11,751,822	11,021,029	(730,793)
Total revenue	<u>199,825,110</u>	<u>230,068,097</u>	<u>232,197,028</u>	<u>2,128,931</u>
Expenditures				
Current				
Administration	8,394,633	10,360,282	10,010,161	(350,121)
District support services	5,977,443	7,128,131	5,738,350	(1,389,781)
Elementary and secondary regular instruction	78,013,599	122,455,275	121,086,618	(1,368,657)
Vocational education instruction	2,462,202	3,200,585	3,518,848	318,263
Special education instruction	33,402,000	46,517,957	44,716,402	(1,801,555)
Instructional support services	8,877,496	12,556,466	12,364,771	(191,695)
Pupil support services	19,273,310	20,446,804	20,217,797	(229,007)
Sites and buildings	16,867,639	18,958,117	17,436,926	(1,521,191)
Fiscal and other fixed cost programs	37,684,608	375,000	338,499	(36,501)
Debt service				
Principal	851,511	851,511	946,944	95,433
Interest and fiscal charges	34,844	34,844	34,844	—
Total expenditures	<u>211,839,285</u>	<u>242,884,972</u>	<u>236,410,160</u>	<u>(6,474,812)</u>
Excess (deficiency) of revenue over expenditures	(12,014,175)	(12,816,875)	(4,213,132)	8,603,743
Other financing sources				
Capital lease issued	—	—	381,732	381,732
Proceeds from sale of assets	2,524,000	—	—	—
Total other financing sources	<u>2,524,000</u>	<u>—</u>	<u>381,732</u>	<u>381,732</u>
Net change in fund balances	<u>\$ (9,490,175)</u>	<u>\$ (12,816,875)</u>	<u>(3,831,400)</u>	<u>\$ 8,985,475</u>
Fund balances				
Beginning of year			<u>55,439,078</u>	
End of year			<u>\$ 51,607,678</u>	

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 279

Statement of Net Assets
 Governmental Activities
 Internal Service Funds
 as of June 30, 2012
 (With Partial Comparative Information as of June 30, 2011)

	<u>2012</u>	<u>2011</u>
Assets		
Current assets		
Cash and temporary investments	\$ 11,340,670	\$ 15,898,589
Cash and investments held by trustee	17,606,335	16,646,947
Interest receivable	194,682	178,533
Due from other funds	6,138,674	—
Total assets	<u>35,280,361</u>	<u>32,724,069</u>
Liabilities		
Current liabilities		
Accounts and contracts payable	122,690	125,819
Post-employment severance benefits payable	2,113,470	1,826,958
Long-term liabilities		
Net other post-employment benefit obligation	6,084,748	4,674,282
Post-employment severance benefits payable	14,137,546	14,849,186
Total liabilities	<u>22,458,454</u>	<u>21,476,245</u>
Net assets (deficit)		
Restricted for employee benefits	11,716,269	12,151,193
Unrestricted	1,105,638	(903,369)
Total net assets	<u>\$ 12,821,907</u>	<u>\$ 11,247,824</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 279

Statement of Revenue, Expenses, and Changes in Fund Net Assets
 Governmental Activities
 Internal Service Funds
 Year Ended June 30, 2012
 (With Partial Comparative Information for the Year Ended June 30, 2011)

	<u>2012</u>	<u>2011</u>
Operating revenue		
Contributions from governmental funds	\$ 4,934,517	\$ 2,519,705
Operating expenses		
Dental benefit claims	1,329,695	1,326,416
Post-employment severance benefits	972,297	3,022,051
Other post-employment benefits	1,410,466	135,005
Total operating expenses	<u>3,712,458</u>	<u>4,483,472</u>
Operating income (loss)	1,222,059	(1,963,767)
Nonoperating revenue		
Investment earnings	<u>352,024</u>	<u>424,053</u>
Change in net assets	1,574,083	(1,539,714)
Net assets		
Beginning of year	<u>11,247,824</u>	<u>12,787,538</u>
End of year	<u>\$ 12,821,907</u>	<u>\$ 11,247,824</u>

See notes to basic financial statements



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INDEPENDENT SCHOOL DISTRICT NO. 279

Statement of Cash Flows
Governmental Activities
Internal Service Funds
Year Ended June 30, 2012

(With Partial Comparative Information for the Year Ended June 30, 2011)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Received from assessments made to other funds	\$ 4,934,517	\$ 2,519,705
Payments for dental claims	(1,332,824)	(1,322,381)
Post-employment severance benefits payments	(1,397,425)	(1,591,997)
Net cash provided (used) by operating activities	<u>2,204,268</u>	<u>(394,673)</u>
Cash flows from noncapital financing activities		
Payment of interfund borrowing	(6,138,674)	-
Cash flows from investing activities		
Investment income received	<u>335,875</u>	<u>403,391</u>
Net change in cash and cash equivalents	(3,598,531)	8,718
Cash and cash equivalents		
Beginning of year	<u>32,545,536</u>	<u>32,536,818</u>
End of year	<u>\$ 28,947,005</u>	<u>\$ 32,545,536</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$ 1,222,059	\$ (1,963,767)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities		
Changes in assets and liabilities		
Accounts and contracts payable	(3,129)	4,035
Post-employment severance benefits payable	(425,128)	1,430,054
Net other post-employment benefit obligation	<u>1,410,466</u>	<u>135,005</u>
Net cash provided (used) by operating activities	<u>\$ 2,204,268</u>	<u>\$ (394,673)</u>
Cash and cash equivalents are reported on the Statement of Assets as follows:		
Cash and temporary investments	\$ 11,340,670	\$ 15,898,589
Cash and investments held by trustee	<u>17,606,335</u>	<u>16,646,947</u>
Total cash and cash equivalents	<u>\$ 28,947,005</u>	<u>\$ 32,545,536</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 279

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

	<u>Employee Benefit Trust Funds</u>	<u>Agency Fund</u>
Assets		
Cash and temporary investments	\$ —	<u>\$ 1,780,097</u>
Investments held by trustee, at fair value		
Negotiable certificates of deposits	977,206	
Municipal bonds	1,312,335	
First American Prime Obligation Fund	232,111	
MNTrust Investment Shares Portfolio	218,946	
Accounts receivable	<u>5,257</u>	
Total assets	2,745,855	
Liabilities		
Accounts and contracts payable	199,491	\$ —
Due to other governmental units	<u>—</u>	<u>1,780,097</u>
Total liabilities	<u>199,491</u>	<u>\$ 1,780,097</u>
Net assets		
Held in trust for employee benefits	<u>\$ 2,546,364</u>	

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

	<u>Employee Benefit Trust Funds</u>
Additions	
Plan member contributions	\$ 1,903,492
Investment earnings	<u>9,265</u>
Total additions	1,912,757
Deductions	
Benefits to plan members	<u>2,620,848</u>
Change in net assets	(708,091)
Net assets	
Beginning of year	<u>3,254,455</u>
End of year	<u>\$ 2,546,364</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 279

Notes to Basic Financial Statements
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 279 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The 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.

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 has elected not to control or be otherwise financially accountable with respect to the underlying extracurricular activities. Accordingly, the extracurricular student activity accounts are not included in these financial statements.

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. The fiduciary funds are only reported in the Statement of Fiduciary Net Assets at the fund financial statement level. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported as general revenues.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 “depreciation not included in other functions.” Interest on 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, proprietary, 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 are presented in the fiduciary fund financial statements by type, pension (or other benefit) trust, and agency. 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.

The internal service funds are presented in the proprietary fund financial statements. Because the principal user of the internal services are the District’s governmental activities, the financial statements of the internal service funds are consolidated into the governmental column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenue of the District’s internal service funds are charges to customers for service. Operating expenses for the internal service funds include the cost of services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 items 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 Minnesota Statutes (which include state aid funding formulas for specific years) and accounting principles generally accepted in the United States of America. Federal revenue is recorded in the year in which the related expenditure is made. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 2. Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt, post-employment severance benefits, other post-employment health benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Internal service and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as described earlier in these notes.

The District applies only those applicable pronouncements of the Financial Accounting Standards Board issued on or before November 30, 1989 in accounting and reporting for its proprietary operations.

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. The District’s General Fund maintains two accounts:

- 1. Operating Account** – The Operating Account is used to account for the general operations of the District, including pupil transportation activities.
- 2. Capital Expenditure Account** – The Capital Expenditure Account is used to account for the maintenance of facilities, equipment purchases, health and safety projects, and disabled accessibility projects.

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

Debt Service Fund – Debt service funds are used to account for the accumulation of resources for, and payment of, general obligation bonds, interest, and related costs. The General Obligation Bonds Debt Service Account is used for the debt service on all general obligation bonds except for the 2010A Refunding Bond and 2009A Taxable Other Post-Employment Benefit (OPEB) Bond issues for which separate Refunding Bonds and OPEB Bonds Debt Service Accounts are established.

Nonmajor Governmental Funds

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is used to account for food service revenues and expenditures.

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, K–6 extended day programs, or other similar services.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Funds

Internal Service Funds – The internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The District has three internal service funds. The District's internal service funds include financing for self-insurance of the employee dental insurance program, retirement incentive pay, and post-employment benefits revocable trust activity.

Fiduciary Funds

Employee Benefit Trust Funds – The employee benefit trust funds are used to administer resources received and held by the District as the trustee for others. These funds include the District's Flexible Benefit Plan (Internal Revenue Code § 125 Cafeteria Plan) and the Post-Employment Benefits Irrevocable Trust Fiduciary Fund (Internal Revenue Code § 501(c) 9). The Post-Employment Benefits Irrevocable Trust Fiduciary Fund includes assets held in an irrevocable trust to fund post-employment healthcare benefits of eligible employees.

Agency Fund – The Agency Fund is established to account for cash and other assets held by the District as the agent for others. This fund is used to account for a local collaborative time study grant and computer lease escrow.

E. Budgeting

The budget for each fund is prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund account level. The School Board adopts an annual budget for the following fiscal year for the General Fund (including separate budgets for the Operating and Capital Expenditure Accounts), Food Service Special Revenue Fund, Community Service Special Revenue Fund, General Obligation Bonds Debt Service Account, and Other Post-Employment Benefits Bonds Debt Service Account. An annual budget is not adopted for the Capital Projects – Building Construction Fund because project-length financial plans are adopted in accordance with bond issue authorization. An annual budget is also not adopted for the Refunding Bonds Debt Service Account as this fund consists solely of trust accounts with sufficient resources to retire the refunded bond issues.

Budgeted expenditure appropriations lapse at year-end.

F. Cash and 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.

Cash and investments held by trustee include balances held in segregated accounts that are established for specific purposes. In the Debt Service Fund, the Refunding Bond Escrow Account held by trustee is used to hold refunding bond assets held prior to call dates on refunded bond issues. In the internal service funds, trust accounts are established to finance future OPEB obligations. In the employee benefit trust funds, trust accounts are established for flexible benefits and OPEB payable to employees. Interest earned on these investments was allocated directly to those accounts.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments are generally stated at fair value, except for investments in 2a7-like external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less are also reported at amortized cost. Investment income is accrued at the balance sheet date.

G. Receivables

All receivables are shown net of any allowance for uncollectibles. No allowances for uncollectibles have been recorded. 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 method. 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 reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

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 \$24,904,484 of the property tax levy collectible in 2012 as revenue to the District in fiscal year 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$5,000 or more for capitalizing capital assets. 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 surplus assets are sold for an immaterial amount when declared as no longer 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 furniture and equipment.

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

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

L. Interfund Balances

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

At June 30, 2012, the General Fund had a payable of \$6,138,674 due to the Retirement Incentive Pay Internal Service Fund for cash flow purposes.

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

N. Vacation Pay

Since teachers are not eligible for vacation pay and amounts accrued to other employees are insignificant, no vacation liabilities are recorded in the financial statements.

O. Sick Pay

Substantially all district employees are entitled to sick leave at various rates. Unused sick leave enters into the calculation of post-employment severance and health benefits for some employees upon termination.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Post-Employment Severance Benefits

The District provides post-employment severance benefits to certain eligible employees. The District finances these obligations with an internal service fund.

The District maintains various early retirement incentive payment plans for its employee groups. The amount of the early retirement incentive payment is calculated by converting a portion of accrued sick leave, by computing a benefit based solely on years of service, or a combination of both. No employee can receive a payment exceeding one year's salary. All of the post-employment benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements.

The District has established a separate Retirement Incentive Pay Internal Service Fund to account for the post-employment severance benefits. The benefits are funded as the liability is incurred on an actuarially determined basis. In addition to the funding of accumulated benefits already earned, the District's funding policy requires an annual contribution of an amount equal to the current year service cost adjusted for any amortization. As part of the actuarial valuation, the projected unit credit actuarial cost method is used. A discount rate (equal to the current interest rate on the District's investments) is used to discount the obligation. The District has approximately 497 active participants being funded by the Retirement Incentive Pay Internal Service Fund.

Q. 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 year 2012.

The District maintains the Dental Self-Insurance Internal Service Fund to account for and finance its uninsured risk of loss for an employee dental plan. The Flexible Benefit Plan Trust Internal Service Fund is funded by the District, employee contributions, and interest income. The District pays for claims by an individual up to \$1,000. The claims liability of \$122,690 reported in the fund at June 30, 2012 is based on the requirement that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the loss can be reasonably estimated.

Although the District only pays up to \$1,000 per individual per year, there is a possibility for loss if claims exceed premiums collected. The District does not expect this occurrence would have a material financial effect on the District.

Changes in the fund's claim liability were:

<u>Year Ended June 30,</u>	<u>Claim Liability Beginning of Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Claim Liability End of Year</u>
2011	\$ 121,784	\$ 1,326,417	\$ 1,322,382	\$ 125,819
2012	\$ 125,819	\$ 1,329,695	\$ 1,332,824	\$ 122,690

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Statement of Cash Flows

For purposes of the Statement of Cash Flows, the District considers all highly liquid debt instruments with an original maturity from the time of purchase by the District of three months or less to be cash equivalents. The Proprietary Fund's equity in the government-wide cash and investment management pool is considered to be cash equivalent. The cash and investments held by trustee in the Post-Employment Benefits Revocable Trust Internal Service Fund is also considered a cash equivalent.

S. Restricted Assets

Restricted assets are cash and cash equivalents and the related interest receivable whose use is limited by legal requirements such as a bond indenture. Restricted assets are reported only in the government-wide financial statements. In the fund financial statements these assets have been reported as "cash and investments held by trustee" and the interest receivable is included within "accounts and interest receivable."

T. 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."

U. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **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.
- **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 nonspendable, restricted, assigned, or unassigned resources are available for use, it is the District's policy to use resources in the following order: 1) nonspendable, 2) restricted, 3) assigned, and 4) unassigned.

V. Prior Period Comparative Financial Information

The basic financial statements include certain prior year partial comparative information in total, but not at the level of detail required for 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 the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

W. 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.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	\$ 14,303,609
Investments	43,159,859
Cash on hand	<u>5,650</u>
Total	<u>\$ 57,469,118</u>

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

Statement of Net Assets	
Cash and temporary investments	\$ 35,342,088
Statement of Net Assets – restricted assets – temporarily restricted	
Cash and investments for OPEB	17,606,335
Statement of Fiduciary Net Assets	
Investments, at fair value	
Negotiable certificates of deposit	977,206
Municipal bonds	1,312,335
First American Prime Obligation Fund	232,111
MNTrust Investment Shares Portfolio	218,946
Statement of Fiduciary Net Assets – Agency Fund	
Cash and temporary investments	<u>1,780,097</u>
Total	<u>\$ 57,469,118</u>

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.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

At year-end, the carrying amount of the District's deposits was \$14,303,609 while the balance on the bank records was \$15,456,503. At June 30, 2012, all deposits were fully covered by federal depository insurance, surety bonds, or by collateral held by the District's agent in the District's name.

C. Investments

The District has the following investments at year-end:

Investment Type	Credit Risk		Interest Risk – Maturity Duration in Years			Total
	Rating	Agency	Less Than 1	1 to 5	5 to 10	
Municipal bonds	AAA	S&P	\$ –	\$ 1,028,871	\$ –	\$ 1,028,871
Municipal bonds	AAA	Moody's	240,204	–	–	240,204
Municipal bonds	Aa	Moody's	1,113,018	1,983,795	809,296	3,906,109
Municipal bonds	AA	S&P	–	2,857,874	–	2,857,874
Municipal bonds	A	S&P	–	1,276,672	–	1,276,672
Negotiable certificates of deposit	N/A	N/A	1,182,486	2,467,332	–	3,649,818
Investment pools/mutual funds						
Minnesota School District Liquid Asset Fund	AAA	S&P	N/A	N/A	N/A	14,913,599
First American Prime Obligations Fund Class Y	AAA	S&P	N/A	N/A	N/A	914,670
MNTrust Investment Shares Portfolio	Aaa	Moody's	N/A	N/A	N/A	14,372,042
Total investments						<u>\$ 43,159,859</u>

N/A – Not Applicable

The amount in investment pools/mutual funds includes \$3,621,108 invested in the MNTrust Investment Shares Portfolio, \$10,750,934 invested in the MNTrust Term Series, and \$14,913,599 invested 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.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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.

The District has an internal investment policy that limits investment choices and addresses these potential risks beyond the statutory limitations described above. The District’s policy requires that investments be diversified to avoid unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities. No more than 66 percent of the total portfolio can be placed with any one depository. The maximum percentage, in which the portfolio can be invested, in specific instruments, is as follows:

U.S. treasury obligations	100%
U.S. government agency securities and instrumentalities of government sponsored corporations	75%
Repurchase agreements	25%
Certificates of deposit – FDIC covered	100%
Certificates of deposit – savings and loans	75%
Local government investment pool	75%
Money market funds	75%

For assets held in the Post-Employment Benefits Irrevocable and Revocable Trust Funds, the investment options available to the District are expanded to include the investment types specified in Minnesota Statute § 356A.06, Subd. 7. Minnesota Statutes authorize the Trust Fund to invest in obligations of the U.S. treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the state of Minnesota or its municipalities, bankers’ acceptances, future contracts, corporate bonds, common stock and foreign stock of the highest quality, mutual funds, repurchase and reverse agreements, and commercial paper of the highest quality with a maturity no longer than 270 days and in the State Board of Investments.

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 does not further address concentration risk.

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, the District considers such things as interest rates and cash flow needs when purchasing investments.

NOTE 3 – CAPITAL ASSETS

Capital assets and accumulated depreciation 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	\$ 10,691,698	\$ –	\$ –	\$ –	\$ 10,691,698
Construction in progress	2,726,381	5,539,971	–	(7,874,377)	391,975
Total capital assets, not depreciated	13,418,079	5,539,971	–	(7,874,377)	11,083,673
Capital assets, depreciated					
Land improvements	26,321,967	2,068,912	(547,421)	–	27,843,458
Buildings	377,938,760	1,516,768	(39,439)	7,874,377	387,290,466
Furniture and equipment	10,739,471	760,600	(847,896)	–	10,652,175
Total capital assets, depreciated	415,000,198	4,346,280	(1,434,756)	7,874,377	425,786,099
Less accumulated depreciation for					
Land improvements	(15,667,799)	(1,115,997)	547,186	–	(16,236,610)
Buildings	(104,897,286)	(7,745,763)	14,194	–	(112,628,855)
Furniture and equipment	(5,656,919)	(1,329,816)	775,250	–	(6,211,485)
Total accumulated depreciation	(126,222,004)	(10,191,576)	1,336,630	–	(135,076,950)
Net capital assets, depreciated	288,778,194	(5,845,296)	(98,126)	7,874,377	290,709,149
Total capital assets, net	<u>\$ 302,196,273</u>	<u>\$ (305,325)</u>	<u>\$ (98,126)</u>	<u>\$ –</u>	<u>\$ 301,792,822</u>

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

District support services	\$ 2,146,355
Elementary and secondary regular instruction	31,607
Vocational education instruction	2,856
Special education instruction	8,207
Instructional support services	81,977
Food service	199,687
Community service	26,827
Unallocated depreciation	7,694,060
Total depreciation expense	<u>\$ 10,191,576</u>

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds

Issue	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding
General obligation bonds, including refunding bonds					
2005A Refunding Bonds	10/18/2005	4.50%–5.00%	\$ 67,055,000	02/01/2021	\$ 60,505,000
2006A Alternative Facilities Bonds	12/28/2006	3.85%	5,235,000	02/01/2017	3,120,000
2009A Taxable OPEB Bonds	01/07/2009	6.00%	16,000,000	02/01/2022	16,000,000
2009B Alternative Facilities Bonds	06/11/2009	3.13%–4.00%	8,945,000	02/01/2022	8,945,000
2009C Refunding Bonds	12/03/2009	2.00%–3.00%	16,585,000	02/01/2014	8,820,000
2010A Refunding Bonds	03/25/2010	4.00%–5.00%	35,790,000	02/01/2021	35,790,000
2010B Refunding Bonds	11/04/2010	3.00%	5,775,000	02/01/2014	3,890,000
2011A Alternative Facilities Bonds	04/27/2011	4.00%–4.125%	8,685,000	02/01/2023	8,685,000
Total general obligation bonds					<u>\$ 145,755,000</u>

B. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term liabilities, excluding post-employment severance benefits payable and net OPEB obligations:

Year Ending June 30,	General Obligation Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2013	\$ 13,665,000	\$ 6,800,119	\$ 961,680	\$ 20,108
2014	14,215,000	6,248,194	974,675	7,112
2015	11,995,000	5,673,594	95,433	–
2016	12,590,000	5,068,325	–	–
2017	13,220,000	4,433,481	–	–
2018–2022	75,585,000	11,445,819	–	–
2023	4,485,000	185,006	–	–
	<u>\$ 145,755,000</u>	<u>\$ 39,854,538</u>	<u>\$ 2,031,788</u>	<u>\$ 27,220</u>

C. Description of Long-Term Liabilities

General Obligation Bonds – These obligations were issued to finance acquisition and/or construction of capital facilities, finance OPEB, or to refinance (refund) previous bond issues. Assets of the debt service funds, together with scheduled deferred ad valorem tax revenue, are dedicated for the retirement of these obligations. The annual future debt service levies authorized are equal to 105 percent of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

On March 25, 2010, the District issued \$35,790,000 of General Obligation School Building Refunding Bonds, Series 2010A. The proceeds of this issue were used to refund, in advance of their stated maturity, the 2013 through 2021 maturities of the 2002A General Obligation School Building Bonds, totaling \$37,895,000. The proceeds of the 2010A bond issue was placed in an escrow account pending the February 1, 2012 call date of the refunded issue. Until the call date, the District made all debt service payments on the 2002A issue, while interest payments on the 2010A issue were paid from proceeds of the escrow account. On February 1, 2012, the escrow account was used to call the remaining principal of the 2002A issue and the District assumed the remaining principal and interest payments on the 2010A issue. This advance refunding was undertaken to reduce total debt service payments by \$3,467,925. Although the transaction did not result in an accounting gain or loss, it did result in an economic gain (difference between present value of the debt service payments of the refunded and refunding bonds) of \$2,962,598.

Capital Leases Payable – The District entered into a capital lease on May 17, 2011. The lease has a three-year term, bears an interest rate of 1.5 percent, and has a final maturity of June 2014. The capital lease will be repaid by the General Fund.

The District entered into a capital lease on July 21, 2011. The lease has a four-year term, bears no interest and has a final maturity of April 2015. The capital lease will be repaid by the General Fund.

The assets acquired through these leases totaled \$2,978,732 (the present value of the future minimum lease payments as of the inception date), which is reported in furniture and equipment on the Statement of Net Assets.

Post-Employment Severance Benefits Payable – Post-employment severance benefits payable consist of early retirement incentive pay (based on convertible sick leave) payable to employees upon retirement. Post-employment severance benefits are paid by the Retirement Incentive Pay Internal Service Fund.

D. Changes in Long-Term Liabilities

	June 30, 2011	Additions	Retirements	June 30, 2012	Due Within One Year
Long-term liabilities					
General obligation bonds	\$ 196,925,000	\$ –	\$ 51,170,000	\$ 145,755,000	\$ 13,665,000
Capital leases	2,597,000	381,732	946,944	2,031,788	961,680
Unamortized premiums on debt issued	8,772,303	–	1,087,157	7,685,146	–
Post-employment severance benefits payable	16,676,144	1,804,927	2,230,055	16,251,016	2,113,470
Net OPEB obligation (See Note 6)	4,674,282	2,602,291	1,191,825	6,084,748	–
	<u>\$ 229,644,729</u>	<u>\$ 4,788,950</u>	<u>\$ 56,625,981</u>	<u>\$ 177,807,698</u>	<u>\$ 16,740,150</u>

NOTE 5 – 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 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	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Inventory	\$ 501,279	\$ –	\$ –	\$ 408,864	\$ 910,143
Restricted					
Operating capital	4,911,656	–	–	–	4,911,656
Gifted and talented	53,938	–	–	–	53,938
Alternative facilities program	–	5,253,567	–	–	5,253,567
Food service	–	–	–	2,698,027	2,698,027
Early childhood family education programs	–	–	–	8,545	8,545
Adult basic education	–	–	–	4,653	4,653
Community education	–	–	–	2,489,844	2,489,844
General debt service	–	–	3,611,880	–	3,611,880
Other post-employment benefits bonds debt service	–	–	141,226	–	141,226
Total restricted	4,965,594	5,253,567	3,753,106	5,201,069	19,173,336
Assigned					
Assigned for subsequent year budget deficit	8,861,190	–	–	–	8,861,190
Unassigned					
Health and safety restricted account deficit	(682,984)	–	–	–	(682,984)
Safe schools restricted account deficit	(94,663)	–	–	–	(94,663)
School readiness restricted account deficit	–	–	–	(70,745)	(70,745)
Unassigned	38,057,262	–	–	–	38,057,262
Total unassigned	37,279,615	–	–	(70,745)	37,208,870
Total	\$ 51,607,678	\$ 5,253,567	\$ 3,753,106	\$ 5,539,188	\$ 66,153,539

B. Minimum Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding maintaining a minimum fund balance for the General Fund. The policy states that the District will endeavor to maintain an unassigned fund balance that will not fall below 5 percent of the District's General Fund operating expenditure budget, excluding operating capital programs. At June 30, 2012, the unassigned fund balance of the General Fund was 16.9 percent of the fiscal 2012 General Fund Operating Account expenditures.

NOTE 6 – POST-EMPLOYMENT HEALTHCARE BENEFIT PLAN

A. Plan Description

The District provides post-employment healthcare benefits to certain eligible employees. The District provides these benefits in a single-employer defined benefit healthcare plan administered by the District. The plan does not issue a publicly available financial report. All of the post-employment benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements. These benefits are summarized as follows:

Others' Post-Employment Medical Plan – All retirees of the District have the option to continue their medical coverage into retirement. Retirees must pay the full district premium rate for their coverage and dependant coverage. Coverage in the District's plan ends at age 65.

Teachers' Post-Employment Medical Plan – For teachers with 15 continuous years of service, they are eligible to receive a contribution towards the teacher's health insurance after retirement from age 55 to 65. The amount will be determined by multiplying the teacher's daily rate of pay at the time of retirement times the number of the teacher's accumulated sick leave days in excess of 123 days as of the date of retirement. However, the total amount will not exceed \$37,800. The monthly district contribution toward the premium will be determined using the cumulative total amount earned divided by the number of months until the teacher qualifies for Medicare. The benefit amount will not exceed 100 percent of the premium of the insurance plan selected by the teacher. If the teacher's full time equivalent (FTE) status is not full-time at the time of retirement, the benefit will be prorated according to the teacher's current FTE.

Administrators' Post-Employment Medical Plan – The District pays for full medical plan coverage after retirement for certain administrators and their spouses and dependants up to age 65.

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 Irrevocable Trust Fiduciary Fund to fund these obligations.

C. Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on annual required contributions (ARC) of the District, an amount determined on an actuarially determined basis in accordance with the parameters of GASB Statement No. 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 net OPEB obligation to the plan:

ARC	\$ 2,672,645
Interest on net OPEB obligation	233,714
Adjustment to ARC	<u>(304,068)</u>
Annual OPEB cost	2,602,291
Contributions made	<u>1,191,825</u>
Increase in net OPEB obligation	1,410,466
Net OPEB obligation – beginning of year	<u>4,674,282</u>
Net OPEB obligation – end of year	<u><u>\$ 6,084,748</u></u>

NOTE 6 – POST-EMPLOYMENT HEALTHCARE BENEFIT PLAN (CONTINUED)

The District's annual OPEB cost, the percentage of annual OPEB costs contributed to the plan, and the net OPEB obligation for the past three years are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 1,641,792	\$ –	– %	\$ 4,539,277
2011	\$ 1,860,580	\$ 1,725,575	92.7 %	\$ 4,674,282
2012	\$ 2,602,291	\$ 1,191,825	45.8 %	\$ 6,084,748

D. Funded Status and Funding Progress

On March 1, 2012, the most recent actuarial valuation date, the plan was 17.4 percent funded. The actuarial accrued liability for benefits was \$18,433,766, and the actuarial value of assets was \$3,208,232, resulting in an unfunded actuarial accrued liability (UAAL) of \$15,225,534. The covered payroll (annual payroll of active employees covered by the plan) was \$134,920,782, and the ratio of the UAAL to the covered payroll was 11.3 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 March 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, a 2.5 percent rate of projected salary increases, steps and educational advances, an annual healthcare cost trend rate of 9.5 percent initially, reduced by decrements to an ultimate rate of 5 percent after 10 years. Both rates included a 2.5 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level dollar amount of projected payroll on an open basis. The remaining amortization period on June 30, 2012 was 30 years.

NOTE 6 – POST-EMPLOYMENT HEALTHCARE BENEFIT PLAN (CONTINUED)

F. Post-Employment Benefits Irrevocable Trust Fiduciary Fund

The District administers a defined benefit Post-Employment Benefits Irrevocable Trust Fiduciary Fund. The assets of the plan are reported in the District’s financial report in the Post-Employment Benefits Irrevocable Trust Fiduciary 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 Irrevocable Trust Fiduciary 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 March 1, 2012:

Retirees and beneficiaries receiving benefits	183
Active plan members	<u>2,694</u>
Total members	<u><u>2,877</u></u>

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

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

Teachers’ Retirement Association (TRA)

A. Plan Description

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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

Tier I

	<u>Step Rate Formula</u>	<u>Percentage per Year</u>
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.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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 \$6,682,351, \$5,998,238, and \$5,923,738, 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 7 – 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 \$3,080,087, \$3,001,253, and \$2,818,421, respectively, equal to the contractually required contributions for each year as set by state statutes.

NOTE 8 – SPECIAL TERMINATION BENEFITS

During the 2012 fiscal year, the District offered a one-time early retirement incentive program for teachers meeting certain age and years of service eligibility requirements. During the first year of a two-year program, teachers who notified the District of their intent to retire by March 1, 2012, were eligible for a \$17,000 early retirement payment or a prorated amount for part-time teachers. During the year, 32 teachers participated in this program, resulting in a cost of \$544,000 to the District. As of June 30, 2012, the full amount has been accrued in the government-wide and fund financial statements.

NOTE 9 – FLEXIBLE BENEFIT PLAN

The District has a flexible benefit plan which is classified as a “cafeteria plan” (the Plan) under § 125 of the Internal Revenue Code. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the Plan for healthcare and dependant care benefits.

Before the beginning of the Plan year, 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 contributions to the medical reimbursement portion of the Plan, whether or not such contributions have been made.

Payments of insurance premiums (health, dental, life, and disability) are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General Fund.

Amounts withheld for medical reimbursement and dependant care are paid by the District to a trust account maintained by an outside administrator on a monthly basis. Payments are made by the outside administrator to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the employee. The medical reimbursement and dependant care activity is included in the financial statements in the Post-Employment Benefits Revocable Trust Internal Service Fund, Flexible Benefit Plan Trust Fund, and the Post-Employment Benefits Irrevocable Trust Internal Service Fund.

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 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 10 – LEASE ARRANGEMENTS

The District is leasing equipment, buildings, and space in several locations. The District incurred costs of approximately \$939,301 for operating leases during the year ended June 30, 2012. These leases are scheduled to expire on various dates through 2015. Many of the leases are negotiated on a yearly basis and payment commitments extend out one year. The following is a summary of minimum lease payment commitments for all operating leases:

Year Ending June 30,	Amount
2013	\$ 334,660
2014	347,726
2015	<u>27,533</u>
	<u>\$ 709,919</u>

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Revenue

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.

B. Contingencies

The District is a defendant in various lawsuits. Although the outcomes of these lawsuits are not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

C. Construction Contracts

At June 30, 2012, the District had commitments totaling approximately \$1.4 million under various construction contracts for which the work was not yet completed.

NOTE 12 – SUBSEQUENT EVENT

In September 2012, the District entered into a land sale agreement with total proceeds of \$2.8 million.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 279

Other Post-Employment Benefits Plan
 Schedule of Funding Progress and Schedule of Employer Contributions
 June 30, 2012

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
June 30, 2009	\$ 22,674,817	\$ 5,759,998	\$ 16,914,819	25.4 %	\$ 126,532,526	13.4 %
June 30, 2011	\$ 26,564,231	\$ 3,199,535	\$ 23,364,696	12.0 %	\$ 116,125,716	20.1 %
March 1, 2012	\$ 18,433,766	\$ 3,208,232	\$ 15,225,534	17.4 %	\$ 134,920,782	11.3 %

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
2010	\$ 1,685,404	– %	\$ 4,539,277
2011	\$ 1,928,903	89.5 %	\$ 4,674,282
2012	\$ 2,672,645	44.6 %	\$ 6,084,748

Note 1: The Schedule of Funding Progress reflects information from the most recent actuarial reports. On October 15, 2009, the District issued taxable OPEB bonds to fund a significant portion of the actuarial accrued liability and initial debt service costs.

Note 2: The Unfunded Actuarial Accrued Liability was amortized on a level dollar basis over a period of 30 years for the March 1, 2012 actuarial study.

SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 279

Nonmajor Governmental Funds
 Combining Balance Sheet
 as of June 30, 2012
 (With Partial Comparative Information for the Year Ended June 30, 2011)

	Special Revenue Funds			
	Food Service	Community Service	Totals	
			2012	2011
Assets				
Cash and temporary investments	\$ 2,886,253	\$ 1,706,759	\$ 4,593,012	\$ 4,590,880
Receivables				
Current taxes	–	896,852	896,852	972,463
Delinquent taxes	–	31,408	31,408	44,819
Accounts and interest	1,137	233,245	234,382	238,488
Due from other governmental units	194,541	975,554	1,170,095	1,193,048
Inventory	408,864	–	408,864	463,247
Prepaid items	–	–	–	2,031
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 3,490,795</u>	<u>\$ 3,843,818</u>	<u>\$ 7,334,613</u>	<u>\$ 7,504,976</u>
Liabilities and Fund Balances				
Liabilities				
Salaries payable	\$ 13,767	\$ 260,146	\$ 273,913	\$ 282,317
Accounts and contracts payable	140,697	207,986	348,683	377,385
Property taxes levied for subsequent year	–	917,032	917,032	964,166
Unearned revenue	229,440	–	229,440	208,001
Deferred revenue	–	26,357	26,357	35,146
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>383,904</u>	<u>1,411,521</u>	<u>1,795,425</u>	<u>1,867,015</u>
Fund balances (deficits)				
Nonspendable for inventory	408,864	–	408,864	463,247
Nonspendable for prepaids	–	–	–	2,031
Restricted	2,698,027	2,503,042	5,201,069	5,237,015
Unassigned	–	(70,745)	(70,745)	(64,332)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>3,106,891</u>	<u>2,432,297</u>	<u>5,539,188</u>	<u>5,637,961</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 3,490,795</u>	<u>\$ 3,843,818</u>	<u>\$ 7,334,613</u>	<u>\$ 7,504,976</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

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

	Special Revenue Funds			
	Food Service	Community Service	Totals	
			2012	2011
Revenue				
Local sources				
Property taxes	\$ -	\$ 1,844,014	\$ 1,844,014	\$ 2,650,091
Investment earnings	2,781	2,389	5,170	9,643
Other	4,900,388	9,254,561	14,154,949	14,031,339
State sources	430,409	2,486,856	2,917,265	2,186,520
Federal sources	5,275,729	515,340	5,791,069	5,377,448
Total revenue	<u>10,609,307</u>	<u>14,103,160</u>	<u>24,712,467</u>	<u>24,255,041</u>
Expenditures				
Current				
Food service	10,517,361	-	10,517,361	9,987,972
Community service	-	13,963,156	13,963,156	13,762,170
Capital outlay	189,228	141,495	330,723	198,291
Total expenditures	<u>10,706,589</u>	<u>14,104,651</u>	<u>24,811,240</u>	<u>23,948,433</u>
Net change in fund balances	(97,282)	(1,491)	(98,773)	306,608
Fund balances				
Beginning of year	<u>3,204,173</u>	<u>2,433,788</u>	<u>5,637,961</u>	<u>5,331,353</u>
End of year	<u>\$ 3,106,891</u>	<u>\$ 2,432,297</u>	<u>\$ 5,539,188</u>	<u>\$ 5,637,961</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

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

	<u>2012</u>	<u>2011</u>
Assets		
Cash and temporary investments	\$ 2,886,253	\$ 2,987,871
Receivables		
Accounts and interest	1,137	3,060
Due from other governmental units	194,541	124,465
Inventory	408,864	463,247
Prepaid items	<u>—</u>	<u>2,031</u>
Total assets	<u>\$ 3,490,795</u>	<u>\$ 3,580,674</u>
Liabilities and Fund Balances		
Liabilities		
Salaries payable	\$ 13,767	\$ 10,106
Accounts and contracts payable	140,697	158,394
Unearned revenue	<u>229,440</u>	<u>208,001</u>
Total liabilities	383,904	376,501
Fund balances		
Nonspendable for inventory	408,864	463,247
Nonspendable for prepaid items	—	2,031
Restricted	<u>2,698,027</u>	<u>2,738,895</u>
Total fund balances	<u>3,106,891</u>	<u>3,204,173</u>
Total liabilities and fund balances	<u>\$ 3,490,795</u>	<u>\$ 3,580,674</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

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		Over (Under) Budget	2011
	Budget	Actual		Actual
Revenue				
Local sources				
Investment earnings	\$ 3,500	\$ 2,781	\$ (719)	\$ 4,332
Other – primarily meal sales	4,866,138	4,900,388	34,250	4,990,861
State sources	451,836	430,409	(21,427)	420,594
Federal sources	5,131,006	5,275,729	144,723	5,005,230
Total revenue	<u>10,452,480</u>	<u>10,609,307</u>	<u>156,827</u>	<u>10,421,017</u>
Expenditures				
Current				
Salaries	3,837,417	3,728,250	(109,167)	3,654,702
Employee benefits	1,066,909	1,043,394	(23,515)	990,804
Purchased services	858,104	859,161	1,057	823,600
Supplies and materials	4,888,641	4,878,949	(9,692)	4,512,984
Other expenditures	–	7,607	7,607	5,882
Capital outlay	177,725	189,228	11,503	103,879
Total expenditures	<u>10,828,796</u>	<u>10,706,589</u>	<u>(122,207)</u>	<u>10,091,851</u>
Net change in fund balances	<u>\$ (376,316)</u>	<u>(97,282)</u>	<u>\$ 279,034</u>	<u>329,166</u>
Fund balances				
Beginning of year		<u>3,204,173</u>		<u>2,875,007</u>
End of year		<u>\$ 3,106,891</u>		<u>\$ 3,204,173</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

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

	<u>2012</u>	<u>2011</u>
Assets		
Cash and temporary investments	\$ 1,706,759	\$ 1,603,009
Receivables		
Current taxes	896,852	972,463
Delinquent taxes	31,408	44,819
Accounts and interest	233,245	235,428
Due from other governmental units	<u>975,554</u>	<u>1,068,583</u>
Total assets	<u>\$ 3,843,818</u>	<u>\$ 3,924,302</u>
Liabilities and Fund Balances		
Liabilities		
Salaries payable	\$ 260,146	\$ 272,211
Accounts and contracts payable	207,986	218,991
Property taxes levied for subsequent year	917,032	964,166
Deferred revenue – delinquent taxes	<u>26,357</u>	<u>35,146</u>
Total liabilities	1,411,521	1,490,514
Fund balances (deficit)		
Restricted for community education programs	2,489,844	2,302,813
Restricted for early childhood family education programs	8,545	68,831
Restricted for adult basic education	4,653	126,476
Unassigned – school readiness restricted account deficit	<u>(70,745)</u>	<u>(64,332)</u>
Total fund balances	<u>2,432,297</u>	<u>2,433,788</u>
Total liabilities and fund balances	<u>\$ 3,843,818</u>	<u>\$ 3,924,302</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

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		Over (Under) Budget	2011
	Budget	Actual		Actual
Revenue				
Local sources				
Property taxes	\$ 1,843,617	\$ 1,844,014	\$ 397	\$ 2,650,091
Investment earnings	3,500	2,389	(1,111)	5,311
Other – primarily tuition and fees	9,405,851	9,254,561	(151,290)	9,040,478
State sources	2,700,146	2,486,856	(213,290)	1,765,926
Federal sources	639,222	515,340	(123,882)	372,218
Total revenue	<u>14,592,336</u>	<u>14,103,160</u>	<u>(489,176)</u>	<u>13,834,024</u>
Expenditures				
Current				
Salaries	9,182,107	8,953,233	(228,874)	8,809,450
Employee benefits	2,262,525	2,142,204	(120,321)	2,091,401
Purchased services	1,718,896	1,636,492	(82,404)	1,700,812
Supplies and materials	1,277,982	1,146,943	(131,039)	1,082,599
Other expenditures	132,109	84,284	(47,825)	77,908
Capital outlay	176,835	141,495	(35,340)	94,412
Total expenditures	<u>14,750,454</u>	<u>14,104,651</u>	<u>(645,803)</u>	<u>13,856,582</u>
 Net change in fund balances	<u>\$ (158,118)</u>	\$ (1,491)	<u>\$ 156,627</u>	\$ (22,558)
Fund balances				
Beginning of year		<u>2,433,788</u>		<u>2,456,346</u>
End of year		<u>\$ 2,432,297</u>		<u>\$ 2,433,788</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

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

	<u>2012</u>	<u>2011</u>
Assets		
Cash and temporary investments	\$ —	\$ 6,812,261
Receivables		
Current taxes	24,447,235	24,175,812
Delinquent taxes	883,812	1,296,402
Accounts and interest	372,995	489,246
Due from other governmental units	63,413,498	53,393,875
Inventory	501,279	486,172
Prepaid items	—	1,732,957
	<u> </u>	<u> </u>
Total assets	<u>\$ 89,618,819</u>	<u>\$ 88,386,725</u>
Liabilities and Fund Balances		
Liabilities		
Salaries payable	\$ 441,924	\$ 658,381
Accounts and contracts payable	3,150,717	4,360,625
Due to other governmental units	1,462,607	1,305,524
Due to other funds	6,138,674	—
Property taxes levied for subsequent year	24,535,225	24,064,433
Unearned revenue	1,530,507	1,530,507
Deferred revenue – delinquent taxes	751,487	1,028,177
Total liabilities	<u>38,011,141</u>	<u>32,947,647</u>
Fund balances (deficits)		
Nonspendable for inventory	501,279	486,172
Nonspendable for prepaid items	—	1,732,957
Restricted for operating capital	4,911,656	7,330,000
Restricted for gifted and talented	53,938	236,320
Restricted for safe schools	—	681
Assigned for subsequent year budget deficit	8,861,190	7,994,876
Unassigned – health and safety restricted account deficit	(682,984)	(564,624)
Unassigned – safe schools restricted account deficit	(94,663)	—
Unassigned	38,057,262	38,222,696
Total fund balances	<u>51,607,678</u>	<u>55,439,078</u>
	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 89,618,819</u>	<u>\$ 88,386,725</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

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		Over (Under) Budget	2011
	Budget	Actual		Actual
Revenue				
Local sources				
Property taxes	\$ 44,835,922	\$ 44,965,114	\$ 129,192	\$ 63,977,647
Investment earnings	52,500	40,271	(12,229)	65,581
Other	6,061,430	7,132,608	1,071,178	7,443,803
State sources	167,366,423	169,038,006	1,671,583	150,461,702
Federal sources	11,751,822	11,021,029	(730,793)	15,979,803
Total revenue	230,068,097	232,197,028	2,128,931	237,928,536
Expenditures				
Current				
Administration				
Salaries	7,847,526	7,808,937	(38,589)	7,622,482
Employee benefits	1,736,596	1,683,258	(53,338)	1,651,044
Purchased services	306,386	141,749	(164,637)	196,819
Supplies and materials	95,276	115,180	19,904	110,901
Capital expenditures	24,532	6,733	(17,799)	13,146
Other expenditures	349,966	254,304	(95,662)	293,082
Total administration	10,360,282	10,010,161	(350,121)	9,887,474
District support services				
Salaries	4,092,737	4,142,685	49,948	4,099,562
Employee benefits	1,121,573	1,091,063	(30,510)	1,092,942
Purchased services	1,088,668	(88,024)	(1,176,692)	19,514
Supplies and materials	360,382	180,221	(180,161)	245,539
Capital expenditures	109,858	46,953	(62,905)	287,173
Other expenditures	354,913	365,452	10,539	180,596
Total district support services	7,128,131	5,738,350	(1,389,781)	5,925,326
Elementary and secondary regular instruction				
Salaries	82,698,588	82,551,566	(147,022)	78,899,737
Employee benefits	28,077,692	28,109,362	31,670	26,281,508
Purchased services	5,582,225	4,658,137	(924,088)	4,800,431
Supplies and materials	3,698,765	3,262,603	(436,162)	3,592,163
Capital expenditures	2,141,842	2,285,427	143,585	1,465,309
Other expenditures	256,163	219,523	(36,640)	436,862
Total elementary and secondary regular instruction	122,455,275	121,086,618	(1,368,657)	115,476,010

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 279

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		Over (Under) Budget	2011
	Budget	Actual		Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	1,742,587	1,682,679	(59,908)	1,557,160
Employee benefits	559,787	541,471	(18,316)	510,774
Purchased services	755,873	1,122,809	366,936	816,997
Supplies and materials	68,276	90,045	21,769	45,094
Capital expenditures	67,267	75,501	8,234	51,008
Other expenditures	6,795	6,343	(452)	2,226
Total vocational education instruction	3,200,585	3,518,848	318,263	2,983,259
Special education instruction				
Salaries	30,794,266	30,751,747	(42,519)	30,858,253
Employee benefits	10,291,153	10,235,827	(55,326)	10,201,498
Purchased services	4,774,401	3,256,331	(1,518,070)	3,538,211
Supplies and materials	456,586	282,611	(173,975)	363,400
Capital expenditures	116,250	109,807	(6,443)	281,855
Other expenditures	85,301	80,079	(5,222)	164,483
Total special education instruction	46,517,957	44,716,402	(1,801,555)	45,407,700
Instructional support services				
Salaries	8,598,733	8,456,423	(142,310)	8,282,780
Employee benefits	1,475,464	1,469,915	(5,549)	1,488,487
Purchased services	1,126,786	808,468	(318,318)	1,001,753
Supplies and materials	752,350	863,218	110,868	735,804
Capital expenditures	124,935	142,013	17,078	3,726,498
Other expenditures	478,198	624,734	146,536	355,879
Total instructional support services	12,556,466	12,364,771	(191,695)	15,591,201
Pupil support services				
Salaries	4,954,369	4,869,131	(85,238)	4,799,357
Employee benefits	1,748,459	1,704,898	(43,561)	1,596,778
Purchased services	13,685,100	13,584,725	(100,375)	14,041,431
Supplies and materials	57,838	57,395	(443)	69,790
Capital expenditures	893	893	-	1,385
Other expenditures	145	755	610	2,065
Total pupil support services	20,446,804	20,217,797	(229,007)	20,510,806

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 279

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		Over (Under) Budget	2011	
	Budget	Actual		Budget	Actual
Expenditures (continued)					
Current (continued)					
Sites and buildings					
Salaries	6,336,595	6,304,451	(32,144)	6,149,996	
Employee benefits	2,108,094	2,039,340	(68,754)	2,041,910	
Purchased services	5,178,934	4,720,223	(458,711)	5,235,202	
Supplies and materials	3,016,907	2,171,797	(845,110)	2,543,080	
Capital expenditures	2,317,587	2,194,336	(123,251)	3,825,412	
Other expenditures	—	6,779	6,779	8,084	
Total sites and buildings	18,958,117	17,436,926	(1,521,191)	19,803,684	
Fiscal and other fixed cost programs					
Purchased services	375,000	338,499	(36,501)	338,224	
Debt service					
Principal	851,511	946,944	95,433	—	
Interest and fiscal charges	34,844	34,844	—	—	
Total debt service	886,355	981,788	95,433	—	
Total expenditures	242,884,972	236,410,160	(6,474,812)	235,923,684	
Excess (deficiency) of revenue over expenditures	(12,816,875)	(4,213,132)	8,603,743	2,004,852	
Other financing sources					
Capital lease issued	—	381,732	381,732	2,597,000	
Proceeds from sale of assets	—	—	—	15,004	
Total other financing sources	—	381,732	381,732	2,612,004	
Net change in fund balances	<u>\$ (12,816,875)</u>	<u>(3,831,400)</u>	<u>\$ 8,985,475</u>	<u>4,616,856</u>	
Fund balances					
Beginning of year		55,439,078		50,822,222	
End of year		<u>\$ 51,607,678</u>		<u>\$ 55,439,078</u>	

ISD 279
OSSEO AREA SCHOOLS

UNITING COMMUNITIES OF EXCELLENCE

Our Mission

**is to inspire and prepare all students
with the confidence, courage and competence
to achieve their dreams;
contribute to community;
and engage in a lifetime of learning.**

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund – Operating Account
 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		Over (Under) Budget	2011
	Budget	Actual		Actual
Revenue				
Local sources				
Property taxes	\$ 44,835,922	\$ 44,965,114	\$ 129,192	\$ 63,977,647
Investment earnings	50,000	38,774	(11,226)	60,016
Other	5,636,430	6,226,641	590,211	6,215,743
State sources	159,904,755	161,516,194	1,611,439	142,872,500
Federal sources	11,751,822	11,021,029	(730,793)	15,979,803
Total revenue	222,178,929	223,767,752	1,588,823	229,105,709
Expenditures				
Current				
Administration				
Salaries	7,847,526	7,808,937	(38,589)	7,622,482
Employee benefits	1,736,596	1,683,258	(53,338)	1,651,044
Purchased services	306,386	141,749	(164,637)	196,819
Supplies and materials	95,276	115,180	19,904	110,901
Other expenditures	349,966	254,304	(95,662)	293,082
Total administration	10,335,750	10,003,428	(332,322)	9,874,328
District support services				
Salaries	4,087,733	4,142,685	54,952	4,027,672
Employee benefits	1,120,821	1,091,063	(29,758)	1,073,257
Purchased services	637,785	(496,886)	(1,134,671)	(395,325)
Supplies and materials	360,382	180,221	(180,161)	245,539
Other expenditures	243,673	297,152	53,479	111,971
Total district support services	6,450,394	5,214,235	(1,236,159)	5,063,114
Elementary and secondary regular instruction				
Salaries	82,698,588	82,551,566	(147,022)	78,899,737
Employee benefits	28,077,692	28,109,362	31,670	26,281,508
Purchased services	5,548,235	4,627,754	(920,481)	4,770,959
Supplies and materials	2,440,943	1,987,296	(453,647)	2,260,497
Capital expenditures	393,141	459,539	66,398	311,778
Other expenditures	256,163	219,523	(36,640)	436,862
Total elementary and secondary regular instruction	119,414,762	117,955,040	(1,459,722)	112,961,341

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund – Operating Account
 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		Over (Under) Budget	2011
	Budget	Actual		Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	1,742,587	1,682,679	(59,908)	1,557,160
Employee benefits	559,787	541,471	(18,316)	510,774
Purchased services	755,873	1,122,809	366,936	816,997
Supplies and materials	53,276	69,212	15,936	45,094
Capital expenditures	57,267	61,791	4,524	41,360
Other expenditures	6,795	6,343	(452)	2,226
Total vocational education instruction	3,175,585	3,484,305	308,720	2,973,611
Special education instruction				
Salaries	30,794,266	30,751,747	(42,519)	30,858,253
Employee benefits	10,291,153	10,235,827	(55,326)	10,201,498
Purchased services	4,774,401	3,256,331	(1,518,070)	3,538,211
Supplies and materials	456,586	282,611	(173,975)	363,400
Capital expenditures	94,549	74,245	(20,304)	276,143
Other expenditures	85,301	80,079	(5,222)	164,483
Total special education instruction	46,496,256	44,680,840	(1,815,416)	45,401,988
Instructional support services				
Salaries	7,283,220	7,193,254	(89,966)	7,864,923
Employee benefits	1,062,032	1,097,765	35,733	1,348,113
Purchased services	1,123,861	808,468	(315,393)	1,001,753
Supplies and materials	601,679	523,667	(78,012)	487,712
Capital expenditures	42,254	44,362	2,108	20,974
Other expenditures	136,162	130,985	(5,177)	82,899
Total instructional support services	10,249,208	9,798,501	(450,707)	10,806,374
Pupil support services				
Salaries	4,954,369	4,869,131	(85,238)	4,799,357
Employee benefits	1,748,459	1,704,898	(43,561)	1,596,778
Purchased services	13,685,100	13,584,725	(100,375)	14,041,431
Supplies and materials	57,838	57,395	(443)	69,790
Capital expenditures	–	–	–	840
Other expenditures	145	755	610	2,065
Total pupil support services	20,445,911	20,216,904	(229,007)	20,510,261

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund – Operating Account
 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		Over (Under)	2011
	Budget	Actual	Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	6,128,465	6,093,788	(34,677)	5,956,331
Employee benefits	2,055,353	1,988,763	(66,590)	1,994,845
Purchased services	2,732,078	3,055,895	323,817	3,088,290
Supplies and materials	2,966,907	2,114,511	(852,396)	2,440,411
Total sites and buildings	<u>13,882,803</u>	<u>13,252,957</u>	<u>(629,846)</u>	<u>13,479,877</u>
Fiscal and other fixed cost programs				
Purchased services	<u>375,000</u>	<u>338,499</u>	<u>(36,501)</u>	<u>338,224</u>
Total expenditures	<u>230,825,669</u>	<u>224,944,709</u>	<u>(5,880,960)</u>	<u>221,409,118</u>
Net change in fund balances	<u>\$ (8,646,740)</u>	<u>(1,176,957)</u>	<u>\$ 7,469,783</u>	<u>7,696,591</u>
Fund balances				
Beginning of year		<u>48,520,221</u>		<u>40,823,630</u>
End of year		<u>\$ 47,343,264</u>		<u>\$ 48,520,221</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund – Capital Expenditure Account
 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		Over (Under) Budget	2011
	Budget	Actual		Actual
Revenue				
Local sources				
Investment earnings	\$ 2,500	\$ 1,497	\$ (1,003)	\$ 5,565
Other	425,000	905,967	480,967	1,228,060
State sources	<u>7,461,668</u>	<u>7,521,812</u>	<u>60,144</u>	<u>7,589,202</u>
Total revenue	<u>7,889,168</u>	<u>8,429,276</u>	<u>540,108</u>	<u>8,822,827</u>
Expenditures				
Current				
Administration				
Capital expenditures	24,532	6,733	(17,799)	13,146
District support services				
Salaries	5,004	–	(5,004)	71,890
Employee benefits	752	–	(752)	19,685
Purchased services	450,883	408,862	(42,021)	414,839
Capital expenditures	109,858	46,953	(62,905)	287,173
Other expenditures	<u>111,240</u>	<u>68,300</u>	<u>(42,940)</u>	<u>68,625</u>
Total district support services	<u>677,737</u>	<u>524,115</u>	<u>(153,622)</u>	<u>862,212</u>
Elementary and secondary regular instruction				
Purchased services	33,990	30,383	(3,607)	29,472
Supplies and materials	1,257,822	1,275,307	17,485	1,331,666
Capital expenditures	<u>1,748,701</u>	<u>1,825,888</u>	<u>77,187</u>	<u>1,153,531</u>
Total elementary and secondary regular instruction	<u>3,040,513</u>	<u>3,131,578</u>	<u>91,065</u>	<u>2,514,669</u>
Vocational education instruction				
Supplies and materials	15,000	20,833	5,833	–
Capital expenditures	<u>10,000</u>	<u>13,710</u>	<u>3,710</u>	<u>9,648</u>
Total vocational education services	<u>25,000</u>	<u>34,543</u>	<u>9,543</u>	<u>9,648</u>
Special education instruction				
Capital expenditures	21,701	35,562	13,861	5,712

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund – Capital Expenditure Account
 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)				
Instructional support services				
Salaries	1,315,513	1,263,169	(52,344)	417,857
Employee benefits	413,432	372,150	(41,282)	140,374
Purchased services	2,925	–	(2,925)	–
Supplies and materials	150,671	339,551	188,880	248,092
Capital expenditures	82,681	97,651	14,970	3,705,524
Other expenditures	342,036	493,749	151,713	272,980
Total instructional support services	<u>2,307,258</u>	<u>2,566,270</u>	<u>259,012</u>	<u>4,784,827</u>
Pupil support services				
Capital expenditures	893	893	–	545
Sites and buildings				
Salaries	208,130	210,663	2,533	193,665
Employee benefits	52,741	50,577	(2,164)	47,065
Purchased services	2,446,856	1,664,328	(782,528)	2,146,912
Supplies and materials	50,000	57,286	7,286	102,669
Capital expenditures	2,317,587	2,194,336	(123,251)	3,825,412
Other expenditures	–	6,779	6,779	8,084
Total sites and buildings	<u>5,075,314</u>	<u>4,183,969</u>	<u>(891,345)</u>	<u>6,323,807</u>
Debt service				
Principal	851,511	946,944	95,433	–
Interest and fiscal charges	34,844	34,844	–	–
Total debt service	<u>886,355</u>	<u>981,788</u>	<u>95,433</u>	<u>–</u>
Total expenditures	<u>12,059,303</u>	<u>11,465,451</u>	<u>(593,852)</u>	<u>14,514,566</u>
Excess (deficiency) of revenue over expenditures	(4,170,135)	(3,036,175)	1,133,960	(5,691,739)
Other financing sources				
Capital lease issued	–	381,732	381,732	2,597,000
Proceeds from sale of assets	–	–	–	15,004
Total other financing sources	<u>–</u>	<u>381,732</u>	<u>381,732</u>	<u>2,612,004</u>
Net change in fund balances	<u>\$ (4,170,135)</u>	<u>(2,654,443)</u>	<u>\$ 1,515,692</u>	<u>(3,079,735)</u>
Fund balances				
Beginning of year		<u>6,918,857</u>		<u>9,998,592</u>
End of year		<u>\$ 4,264,414</u>		<u>\$ 6,918,857</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Capital Projects – Building Construction Fund
 Comparative Balance Sheet
 as of June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets		
Cash and temporary investments	\$ 5,658,693	\$ 10,351,593
Receivables		
Accounts and interest	12,117	6,572
Prepaid items	<u>–</u>	<u>25,359</u>
Total assets	<u>\$ 5,670,810</u>	<u>\$ 10,383,524</u>
Liabilities and Fund Balances		
Liabilities		
Salaries payable	\$ 2,775	\$ 1,699
Accounts and contracts payable	414,468	535,042
Total liabilities	<u>417,243</u>	<u>536,741</u>
Fund balances		
Nonspendable for prepaids	–	25,359
Restricted for alternative facilities program	<u>5,253,567</u>	<u>9,821,424</u>
Total fund balances	<u>5,253,567</u>	<u>9,846,783</u>
Total liabilities and fund balances	<u>\$ 5,670,810</u>	<u>\$ 10,383,524</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Capital Projects – Building Construction Fund
 Comparative Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Revenue		
Local sources		
Property taxes	\$ 2,700,760	\$ 2,369,678
Investment earnings	19,611	3,203
Total revenue	<u>2,720,371</u>	<u>2,372,881</u>
Expenditures		
Capital outlay		
Salaries	128,739	114,115
Employee benefits	35,638	34,698
Supplies and materials	–	7
Capital expenditures	7,149,210	6,464,215
Total capital outlay	<u>7,313,587</u>	<u>6,613,035</u>
Debt service		
Interest and fiscal charges	–	42,138
Total expenditures	<u>7,313,587</u>	<u>6,655,173</u>
Excess (deficiency) of revenue over expenditures	(4,593,216)	(4,282,292)
Other financing sources		
Debt issued	–	8,685,000
Net change in fund balances	(4,593,216)	4,402,708
Fund balances		
Beginning of year	<u>9,846,783</u>	<u>5,444,075</u>
End of year	<u>\$ 5,253,567</u>	<u>\$ 9,846,783</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Debt Service Fund
Balance Sheet by Account
as of June 30, 2012

(With Comparative Totals as of June 30, 2011)

	General Obligation Bonds	Refunding Bonds	Other Post-Employment Benefits Bonds	Totals	
				2012	2011
Assets					
Cash and temporary investments	\$ 13,130,169	\$ –	\$ 619,544	\$ 13,749,713	\$ 13,726,263
Cash and investments held by trustee	–	–	–	–	39,416,255
Receivables					
Current taxes	9,963,971	–	501,363	10,465,334	10,675,950
Delinquent taxes	356,870	–	14,485	371,355	562,001
Accounts and interest	–	–	–	–	5,733
Due from other governmental units	265,841	–	13,803	279,644	221,827
Total assets	\$ 23,716,851	\$ –	\$ 1,149,195	\$ 24,866,046	\$ 64,608,029
Liabilities and Fund Balances					
Liabilities					
Accounts and contracts payable	\$ –	\$ –	\$ –	\$ –	\$ 1,700
Property taxes levied for subsequent year	19,800,090	–	996,173	20,796,263	20,446,632
Deferred revenue – delinquent taxes	304,881	–	11,796	316,677	443,468
Total liabilities	20,104,971	–	1,007,969	21,112,940	20,891,800
Fund balances					
Restricted for bond refunding	–	–	–	–	39,421,988
Restricted for general debt service	3,611,880	–	–	3,611,880	4,192,637
Restricted for OPEB bonds debt service	–	–	141,226	141,226	101,604
Total fund balances	3,611,880	–	141,226	3,753,106	43,716,229
Total liabilities and fund balances	\$ 23,716,851	\$ –	\$ 1,149,195	\$ 24,866,046	\$ 64,608,029

INDEPENDENT SCHOOL DISTRICT NO. 279

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

	General Obligation Bonds	Refunding Bonds	Other Post-Employment Benefits Bonds	Total	
				2012	2011
Revenue					
Local sources					
Property taxes	\$ 18,528,068	\$ -	\$ 960,799	\$ 19,488,867	\$ 19,856,830
Investment earnings	6,281	170,250	612	177,143	873,453
State sources	744,655	-	38,661	783,316	739,423
Total revenue	<u>19,279,004</u>	<u>170,250</u>	<u>1,000,072</u>	<u>20,449,326</u>	<u>21,469,706</u>
Expenditures					
Debt service					
Principal	13,275,000	-	-	13,275,000	12,730,000
Interest and fiscal agent fees	6,584,761	1,697,238	960,450	9,242,449	11,277,962
Total expenditures	<u>19,859,761</u>	<u>1,697,238</u>	<u>960,450</u>	<u>22,517,449</u>	<u>24,007,962</u>
Excess (deficiency) of revenue over expenditures	(580,757)	(1,526,988)	39,622	(2,068,123)	(2,538,256)
Other financing sources (uses)					
Refunding bonds issued	-	-	-	-	5,775,000
Premium on debt issued	-	-	-	-	370,331
Bond retirement from escrow	-	(37,895,000)	-	(37,895,000)	(75,415,000)
Total other financing sources (uses)	<u>-</u>	<u>(37,895,000)</u>	<u>-</u>	<u>(37,895,000)</u>	<u>(69,269,669)</u>
Net change in fund balances	(580,757)	(39,421,988)	39,622	(39,963,123)	(71,807,925)
Fund balances					
Beginning of year	<u>4,192,637</u>	<u>39,421,988</u>	<u>101,604</u>	<u>43,716,229</u>	<u>115,524,154</u>
End of year	<u>\$ 3,611,880</u>	<u>\$ -</u>	<u>\$ 141,226</u>	<u>\$ 3,753,106</u>	<u>\$ 43,716,229</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

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

	2012		Over (Under)	2011
	Budget	Actual	Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 18,592,157	\$ 18,528,068	\$ (64,089)	\$ 18,893,797
Investment earnings	15,000	6,281	(8,719)	20,088
State sources	744,655	744,655	-	703,412
Total revenue	<u>19,351,812</u>	<u>19,279,004</u>	<u>(72,808)</u>	<u>19,617,297</u>
Expenditures				
Debt service				
Principal retirement	13,275,000	13,275,000	-	12,730,000
Interest and fiscal agent fees	<u>6,626,652</u>	<u>6,584,761</u>	<u>(41,891)</u>	<u>7,228,431</u>
Total expenditures	<u>19,901,652</u>	<u>19,859,761</u>	<u>(41,891)</u>	<u>19,958,431</u>
Excess (deficiency) of revenue over expenditures	(549,840)	(580,757)	(30,917)	(341,134)
Other financing sources (uses)				
Refunding bonds issued	-	-	-	5,775,000
Premium on debt issuance	-	-	-	370,331
Bond retirement from escrow account	-	-	-	(5,975,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>170,331</u>
Net change in fund balances	<u>\$ (549,840)</u>	<u>(580,757)</u>	<u>\$ (30,917)</u>	<u>(170,803)</u>
Fund balances				
Beginning of year		<u>4,192,637</u>		<u>4,363,440</u>
End of year		<u>\$ 3,611,880</u>		<u>\$ 4,192,637</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Refunding Bonds Debt Service Account
 Comparative Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Revenue		
Local sources		
Investment earnings	\$ 170,250	\$ 853,066
Expenditures		
Interest and fiscal agent fees	<u>1,697,238</u>	<u>3,089,081</u>
Excess (deficiency) of revenue over expenditures	(1,526,988)	(2,236,015)
Other financing sources (uses)		
Bond retirement from escrow account	<u>(37,895,000)</u>	<u>(69,440,000)</u>
Net change in fund balances	(39,421,988)	(71,676,015)
Fund balances		
Beginning of year	<u>39,421,988</u>	<u>111,098,003</u>
End of year	<u><u>\$ —</u></u>	<u><u>\$ 39,421,988</u></u>



Our Mission

**is to inspire and prepare all students
with the confidence, courage and competence
to achieve their dreams;
contribute to community;
and engage in a lifetime of learning.**

INDEPENDENT SCHOOL DISTRICT NO. 279

Other Post-Employment Benefits Bonds Debt Service Account
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Year Ended June 30, 2012
 (With Comparative Totals for the Year Ended June 30, 2011)

	2012		Over (Under) Budget	2011
	Budget	Actual		Actual
Revenue				
Local sources				
Property taxes	\$ 969,339	\$ 960,799	\$ (8,540)	\$ 963,033
Investment earnings	500	612	112	299
State sources	<u>38,661</u>	<u>38,661</u>	<u>-</u>	<u>36,011</u>
Total revenue	<u>1,008,500</u>	<u>1,000,072</u>	<u>(8,428)</u>	<u>999,343</u>
Expenditures				
Debt service				
Interest and fiscal agent fees	<u>961,000</u>	<u>960,450</u>	<u>(550)</u>	<u>960,450</u>
Net change in fund balances	<u>\$ 47,500</u>	<u>39,622</u>	<u>\$ (7,878)</u>	<u>38,893</u>
Fund balances				
Beginning of year		<u>101,604</u>		<u>62,711</u>
End of year		<u>\$ 141,226</u>		<u>\$ 101,604</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Internal Service Funds
 Combining Statement of Net Assets
 as of June 30, 2012
 (With Comparative Totals as of June 30, 2011)

	Dental Self-Insurance	Retirement Incentive Pay	Post-Employment Benefits Revocable Trust Fund	Totals	
				2012	2011
Assets					
Cash and temporary investments	\$ 467,121	\$ 10,873,549	\$ –	\$ 11,340,670	\$ 15,898,589
Cash and investments held by trustee	–	–	17,606,335	17,606,335	16,646,947
Interest receivable	–	–	194,682	194,682	178,533
Due from other funds	–	6,138,674	–	6,138,674	–
Total assets	<u>467,121</u>	<u>17,012,223</u>	<u>17,801,017</u>	<u>35,280,361</u>	<u>32,724,069</u>
Liabilities					
Current liabilities					
Accounts and contracts payable	122,690	–	–	122,690	125,819
Post-employment severance benefits payable	–	2,113,470	–	2,113,470	1,826,958
Long-term liabilities					
Net other post-employment benefit obligation	–	–	6,084,748	6,084,748	4,674,282
Post-employment severance benefits payable	–	14,137,546	–	14,137,546	14,849,186
Total liabilities	<u>122,690</u>	<u>16,251,016</u>	<u>6,084,748</u>	<u>22,458,454</u>	<u>21,476,245</u>
Net assets (deficit)					
Restricted for employee benefits	–	–	11,716,269	11,716,269	12,151,193
Unrestricted	344,431	761,207	–	1,105,638	(903,369)
Total net assets	<u>\$ 344,431</u>	<u>\$ 761,207</u>	<u>\$ 11,716,269</u>	<u>\$ 12,821,907</u>	<u>\$ 11,247,824</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Internal Service Funds
 Combining Statement of Revenue, Expenses, and Changes in Fund Net Assets
 Year Ended June 30, 2012
 (With Comparative Totals for the Year Ended June 30, 2011)

	Dental Self-Insurance	Retirement Incentive Pay	Post-Employment Benefits Revocable Trust Fund	Totals	
				2012	2011
Operating revenue					
Contributions from governmental funds	\$ 1,402,308	\$ 2,894,344	\$ 637,865	\$ 4,934,517	\$ 2,519,705
Operating expenses					
Dental benefit claims	1,329,695	–	–	1,329,695	1,326,416
Post-employment severance benefits	–	972,297	–	972,297	3,022,051
Other post-employment benefits	–	–	1,410,466	1,410,466	135,005
Total operating expenses	<u>1,329,695</u>	<u>972,297</u>	<u>1,410,466</u>	<u>3,712,458</u>	<u>4,483,472</u>
Operating income (loss)	72,613	1,922,047	(772,601)	1,222,059	(1,963,767)
Nonoperating revenue					
Investment earnings	<u>98</u>	<u>14,249</u>	<u>337,677</u>	<u>352,024</u>	<u>424,053</u>
Change in net assets	72,711	1,936,296	(434,924)	1,574,083	(1,539,714)
Net assets (deficit)					
Beginning of year	<u>271,720</u>	<u>(1,175,089)</u>	<u>12,151,193</u>	<u>11,247,824</u>	<u>12,787,538</u>
End of year	<u>\$ 344,431</u>	<u>\$ 761,207</u>	<u>\$ 11,716,269</u>	<u>\$ 12,821,907</u>	<u>\$ 11,247,824</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Internal Service Funds
 Combining Statement of Cash Flows
 For the Year Ended June 30, 2012
 (With Comparative Totals for the Year Ended June 30, 2011)

	Dental Self-Insurance	Retirement Incentive Pay	Post-Employment Benefits Revocable Trust Fund	Totals	
				2012	2011
Cash flows from operating activities					
Contributions from governmental funds	\$ 1,402,308	\$ 2,894,344	\$ 637,865	\$ 4,934,517	\$ 2,519,705
Payments for dental claims	(1,332,824)	–	–	(1,332,824)	(1,322,381)
Post-employment severance benefit payments	–	(1,397,425)	–	(1,397,425)	(1,591,997)
Net cash provided (used) by operating activities	69,484	1,496,919	637,865	2,204,268	(394,673)
Cash flows from noncapital financing activities					
Payment of interfund borrowing	–	(6,138,674)	–	(6,138,674)	–
Cash flows from investing activities					
Investment income received	103	14,249	321,523	335,875	403,391
Net change in cash and cash equivalents	69,587	(4,627,506)	959,388	(3,598,531)	8,718
Cash and cash equivalents					
Beginning of year	397,534	15,501,055	16,646,947	32,545,536	32,536,818
End of year	\$ 467,121	\$ 10,873,549	\$ 17,606,335	\$ 28,947,005	\$ 32,545,536
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 72,613	\$ 1,922,047	\$ (772,601)	\$ 1,222,059	\$ (1,963,767)
Adjustments to reconcile operating income (loss) to cash provided by operating activities					
Changes in assets and liabilities					
Accounts and contracts payable	(3,129)	–	–	(3,129)	4,035
Post-employment severance benefits payable	–	(425,128)	–	(425,128)	1,430,054
Net other post-employment benefit obligation	–	–	1,410,466	1,410,466	135,005
Net cash provided (used) by operating activities	\$ 69,484	\$ 1,496,919	\$ 637,865	\$ 2,204,268	\$ (394,673)
Cash and cash equivalents are reported on the Statement of Net Assets as follows:					
Cash and temporary investments	\$ 467,121	\$ 10,873,549	\$ –	\$ 11,340,670	\$ 15,898,589
Cash and investments held by trustee	–	–	17,606,335	17,606,335	16,646,947
Total cash and cash equivalents	\$ 467,121	\$ 10,873,549	\$ 17,606,335	\$ 28,947,005	\$ 32,545,536

INDEPENDENT SCHOOL DISTRICT NO. 279

Fiduciary Funds
Employee Benefit Trust Funds
Combining Statement of Fiduciary Net Assets
as of June 30, 2012

	Flexible Benefit Plan	Post-Employment Benefits Irrevocable Trust Fund	Totals
Assets			
Cash and investments held by trustee	\$ 218,946	\$ 2,521,652	\$ 2,740,598
Accounts and interest receivable	-	5,257	5,257
Total assets	<u>218,946</u>	<u>2,526,909</u>	<u>2,745,855</u>
Liabilities			
Accounts payable	<u>199,491</u>	-	<u>199,491</u>
Net assets			
Held in trust for employee benefits	<u>\$ 19,455</u>	<u>\$ 2,526,909</u>	<u>\$ 2,546,364</u>

Fiduciary Funds
Employee Benefit Trust Funds
Combining Statement of Changes in Fiduciary Net Assets
Year Ended June 30, 2012

	Flexible Benefit Plan	Post-Employment Benefits Irrevocable Trust Fund	Totals
Additions			
Plan members contributions	\$ 1,903,492	\$ -	\$ 1,903,492
Investment earnings	-	9,265	9,265
Total additions	<u>1,903,492</u>	<u>9,265</u>	<u>1,912,757</u>
Deductions			
Benefits paid to plan members	<u>1,938,957</u>	<u>681,891</u>	<u>2,620,848</u>
Change in net assets	(35,465)	(672,626)	(708,091)
Net assets			
Beginning of year	<u>54,920</u>	<u>3,199,535</u>	<u>3,254,455</u>
End of year	<u>\$ 19,455</u>	<u>\$ 2,526,909</u>	<u>\$ 2,546,364</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Fiduciary Funds
 Agency Funds
 Schedule of Changes in Assets and Liabilities
 Year Ended June 30, 2012

	<u>Balance – July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance – June 30, 2012</u>
Local collaborative time study				
Assets				
Cash and temporary investments	<u>\$ 1,742,828</u>	<u>\$ –</u>	<u>\$ (37,269)</u>	<u>\$ 1,780,097</u>
Liabilities				
Due to other governmental units	<u>\$ 1,742,828</u>	<u>\$ –</u>	<u>\$ (37,269)</u>	<u>\$ 1,780,097</u>
Computer lease escrow				
Assets				
Cash and temporary investments	<u>\$ 289,284</u>	<u>\$ 8</u>	<u>\$ 289,292</u>	<u>\$ –</u>
Liabilities				
Due to other governmental units	<u>\$ 289,284</u>	<u>\$ 8</u>	<u>\$ 289,292</u>	<u>\$ –</u>
Total agency funds				
Assets				
Cash and temporary investments	<u>\$ 2,032,112</u>	<u>\$ 8</u>	<u>\$ 252,023</u>	<u>\$ 1,780,097</u>
Liabilities				
Due to other governmental units	<u>\$ 2,032,112</u>	<u>\$ 8</u>	<u>\$ 252,023</u>	<u>\$ 1,780,097</u>



Our Mission

**is to inspire and prepare all students
with the confidence, courage and competence
to achieve their dreams;
contribute to community;
and engage in a lifetime of learning.**

SECTION III
STATISTICAL

STATISTICAL SECTION (UNAUDITED)

This section of Independent School District No. 279's (the District) comprehensive annual financial report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the District's most significant local revenue source, property taxes.

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

Operating Indicators

These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides, and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the District's CAFR for the relevant year.

INDEPENDENT SCHOOL DISTRICT NO. 279

Net Assets by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Invested in capital assets, net of related debt	\$ 102,325,728	\$ 99,920,464	\$ 105,535,469	\$ 124,787,611	\$ 124,409,664	\$ 131,450,075	\$ 144,073,305	\$ 150,448,560	\$ 163,464,982	\$ 168,810,854
Restricted	6,959,356	8,590,494	7,175,670	12,617,075	14,759,910	17,721,351	13,292,206	15,771,277	12,675,484	9,848,155
Unrestricted	18,806,452	35,199,817	31,645,703	27,262,251	28,172,864	20,057,766	31,514,504	37,845,296	41,346,994	44,898,462
Total governmental activities net assets	<u>\$ 128,091,536</u>	<u>\$ 143,710,775</u>	<u>\$ 144,356,842</u>	<u>\$ 164,666,937</u>	<u>\$ 167,342,438</u>	<u>\$ 169,229,192</u>	<u>\$ 188,880,015</u>	<u>\$ 204,065,133</u>	<u>\$ 217,487,460</u>	<u>\$ 223,557,471</u>

INDEPENDENT SCHOOL DISTRICT NO. 279

Changes in Net Assets
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities										
Administration	\$ 8,203,153	\$ 9,027,666	\$ 8,860,354	\$ 9,742,766	\$ 9,993,084	\$ 10,063,773	\$ 9,010,266	\$ 9,990,833	\$ 9,889,383	\$ 10,010,161
District support services	6,438,112	6,403,655	6,913,381	7,839,330	7,758,332	8,083,375	7,466,464	7,470,338	7,939,090	7,846,332
Elementary and secondary regular instruction	84,409,293	87,604,488	103,110,282	101,323,546	113,139,917	118,598,218	110,299,265	112,598,739	117,486,457	119,863,495
Vocational education instruction	3,682,448	3,842,878	3,913,382	4,263,387	3,941,086	3,728,269	3,009,509	3,414,483	2,979,308	3,483,484
Special education instruction	31,900,919	33,920,333	37,556,692	40,645,883	44,143,783	45,785,607	41,770,841	44,629,039	45,409,052	44,724,609
Instructional support services	11,399,730	10,383,833	11,900,502	13,154,946	14,088,857	14,963,628	13,992,893	12,435,878	15,395,191	12,333,695
Pupil support services	12,714,181	12,627,859	13,684,700	16,638,284	22,116,462	22,161,931	19,904,914	21,266,892	20,512,419	20,217,797
Sites and buildings	20,172,789	17,480,238	14,730,947	15,429,568	16,424,757	15,964,989	15,930,494	15,167,362	13,423,282	15,331,085
Fiscal and other fixed cost programs	605,172	642,007	662,348	648,147	675,592	473,187	406,778	323,660	338,224	338,499
Food service	7,954,650	7,652,495	8,429,539	8,580,455	8,768,750	9,196,217	9,640,003	9,834,805	10,230,489	10,795,396
Community service	9,429,559	10,640,161	11,102,886	11,212,714	12,921,276	12,936,464	13,444,016	13,819,853	13,880,502	14,095,978
Depreciation not included in other functions	13,454,516	4,919,865	4,951,841	5,621,407	6,608,269	7,583,134	6,942,870	7,173,730	7,320,312	7,694,060
Interest and fiscal charges on debt	-	11,172,327	9,620,461	11,488,036	12,238,463	11,673,207	11,603,663	12,218,481	8,151,200	7,214,344
Total governmental activities expenses	210,364,522	216,317,805	235,437,315	246,588,469	272,818,628	281,211,999	263,421,976	270,344,093	272,954,909	273,948,935
Program revenues										
Governmental activities										
Charges for services										
Food service	4,766,629	4,857,340	4,863,520	5,023,991	4,967,714	5,129,756	5,088,224	5,171,603	4,924,319	4,829,635
Community service	4,855,121	6,734,686	6,138,828	6,389,336	7,638,000	8,138,424	8,106,834	8,126,265	8,417,053	8,722,701
All other	4,996,036	6,315,099	5,495,156	5,369,229	4,784,065	4,141,480	5,267,724	5,142,327	4,963,175	4,196,696
Operating grants and contributions	43,533,154	42,365,561	46,264,580	60,924,189	54,064,749	61,524,104	57,098,030	75,496,551	66,466,389	62,160,093
Capital grants and contributions	9,273,119	9,211,002	7,471,965	7,433,946	7,289,819	9,847,821	8,781,111	7,663,263	7,589,202	7,521,842
Total governmental activities program revenues	67,424,059	69,483,688	70,234,049	85,140,691	78,744,347	88,781,585	84,341,923	101,600,009	92,360,138	87,430,967
Net (expense) revenue	(142,940,463)	(146,834,117)	(165,203,266)	(161,447,778)	(194,074,281)	(192,430,414)	(179,080,053)	(168,744,084)	(180,594,771)	(186,517,968)
General revenues and other changes in net assets										
Governmental activities										
Taxes										
Property taxes, levied for general purposes	12,444,938	34,682,198	25,751,901	15,771,786	31,857,093	36,266,718	43,768,195	44,627,270	63,920,940	44,688,424
Property taxes, levied for community service	1,299,743	2,102,577	1,428,028	732,972	1,496,514	1,559,500	1,272,495	2,500,000	2,648,450	1,835,225
Property taxes, levied for debt service	17,937,777	19,295,491	17,612,082	19,189,590	17,725,156	17,672,387	18,727,775	19,240,286	19,827,193	19,362,076
Property taxes, levied for capital projects	800,000	800,000	1,000,000	2,417,258	2,417,258	3,496,264	2,252,863	1,690,268	2,369,678	2,700,760
General grants and aids	119,579,381	108,374,114	118,250,007	123,672,171	130,531,939	129,243,681	128,054,844	110,986,372	103,822,810	123,399,761
Gain on sale of capital assets	-	-	-	14,694,266	-	-	-	1,242,367	-	-
Other general revenues	40,160	53,689	89,671	113,958	114,092	63,633	46,918	20,433	52,094	7,514
Investment earnings	7,828,502	580,639	1,717,644	5,165,872	6,570,363	6,014,985	4,607,786	3,622,206	1,375,933	594,219
Total governmental activities	159,930,501	165,888,708	165,849,333	181,757,873	190,712,415	194,317,168	198,730,876	183,929,202	194,017,098	192,587,979
Change in net assets	\$ 16,990,038	\$ 19,054,591	\$ 646,067	\$ 20,310,095	\$ (3,361,866)	\$ 1,886,754	\$ 19,650,823	\$ 15,185,118	\$ 13,422,327	\$ 6,070,011

INDEPENDENT SCHOOL DISTRICT NO. 279

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved										
Operating Account	\$ 1,039,762	\$ 310,244	\$ 234,305	\$ 256,619	\$ 327,996	\$ 506,027	\$ 660,346	\$ 533,030	\$ -	\$ -
Capital Expenditure Account	3,291,751	2,914,202	3,132,721	11,040,797	12,047,096	12,214,774	7,336,875	10,161,288	-	-
Unreserved – Capital Expenditure Account	(992,490)	(308,588)	(774,543)	(2,042,771)	(1,689,393)	(395,386)	(55,785)	(162,696)	-	-
Unreserved – Operating Account	18,617,656	34,974,032	37,460,651	34,934,417	25,769,032	20,088,634	31,789,373	40,290,600	-	-
Nonspendable										
Operating Account	-	-	-	-	-	-	-	-	2,065,648	465,537
Capital Expenditure Account	-	-	-	-	-	-	-	-	153,481	35,742
Restricted										
Operating Account	-	-	-	-	-	-	-	-	237,001	53,938
Capital Expenditure Account	-	-	-	-	-	-	-	-	7,330,000	4,911,656
Assigned	-	-	-	-	-	-	-	-	7,994,876	8,861,190
Unassigned										
Operating Account	-	-	-	-	-	-	-	-	38,222,696	37,962,599
Capital Expenditure Account	-	-	-	-	-	-	-	-	(564,624)	(682,984)
Total General Fund	<u>\$ 21,956,679</u>	<u>\$ 37,889,890</u>	<u>\$ 40,053,134</u>	<u>\$ 44,189,062</u>	<u>\$ 36,454,731</u>	<u>\$ 32,414,049</u>	<u>\$ 39,730,809</u>	<u>\$ 50,822,222</u>	<u>\$ 55,439,078</u>	<u>\$ 51,607,678</u>
All other governmental funds										
Reserved	\$ 84,574,065	\$ 27,039,457	\$ 3,372,535	\$ 76,097,156	\$ 74,967,997	\$ 75,194,504	\$ 83,953,551	\$ 119,002,177	\$ -	\$ -
Unreserved, reported in										
Special revenue funds	1,422,098	1,455,242	1,552,891	1,690,982	1,521,478	2,032,961	2,312,497	2,871,254	-	-
Capital Projects – Building Construction Fund	-	-	-	(3,530,679)	59,710	-	-	-	-	-
Debt Service Fund – General Obligation Bonds	5,049,076	5,878,903	4,779,774	4,779,568	5,013,972	4,757,150	5,092,734	4,426,151	-	-
Nonspendable										
Special revenue funds	-	-	-	-	-	-	-	-	465,278	408,864
Capital Projects – Building Construction Fund	-	-	-	-	-	-	-	-	25,359	-
Restricted										
Special revenue funds	-	-	-	-	-	-	-	-	5,237,015	5,201,069
Capital Projects – Building Construction Fund	-	-	-	-	-	-	-	-	9,821,424	5,253,567
Debt Service Fund – General Obligation Bonds	-	-	-	-	-	-	-	-	43,716,229	3,753,106
Unassigned, reported in										
Special revenue funds	-	-	-	-	-	-	-	-	(64,332)	(70,745)
Total all other governmental funds	<u>\$ 91,045,239</u>	<u>\$ 34,373,602</u>	<u>\$ 9,705,200</u>	<u>\$ 79,037,027</u>	<u>\$ 81,563,157</u>	<u>\$ 81,984,615</u>	<u>\$ 91,358,782</u>	<u>\$ 126,299,582</u>	<u>\$ 59,200,973</u>	<u>\$ 14,545,861</u>
Unreserved/unassigned – Operating Account as a percentage of total expenditures	<u>11.5%</u>	<u>20.7%</u>	<u>20.2%</u>	<u>17.4%</u>	<u>11.6%</u>	<u>8.8%</u>	<u>14.0%</u>	<u>18.4%</u>	<u>17.3%</u>	<u>16.9%</u>

Note: The District implemented GASB Statement No. 54 in fiscal 2011, which established new fund balance classifications.

INDEPENDENT SCHOOL DISTRICT NO. 279

Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Local sources										
Taxes	\$ 32,537,978	\$ 56,768,534	\$ 45,858,747	\$ 37,894,566	\$ 53,116,313	\$ 58,726,894	\$ 65,613,628	\$ 68,129,655	\$ 88,854,246	\$ 68,998,755
Investment earnings	7,533,417	411,209	1,364,224	4,539,494	5,929,166	5,494,552	4,180,823	3,081,100	951,880	242,195
Other	17,498,366	17,960,815	19,388,736	19,609,949	21,080,964	20,310,897	21,500,746	21,011,030	21,475,142	21,287,557
State sources	161,088,929	149,283,020	157,049,050	176,717,537	176,452,641	186,341,580	178,308,918	159,688,952	153,387,645	172,738,587
Federal sources	8,456,306	10,667,657	12,135,941	12,599,334	11,857,856	11,426,422	12,634,021	31,906,832	21,357,251	16,812,098
Total revenues	<u>227,114,996</u>	<u>235,091,235</u>	<u>235,796,698</u>	<u>251,360,880</u>	<u>268,436,940</u>	<u>282,300,345</u>	<u>282,238,136</u>	<u>283,817,569</u>	<u>286,026,164</u>	<u>280,079,192</u>
Expenditures										
Current										
Administration	8,177,084	9,007,546	8,832,993	9,677,102	9,927,437	10,052,596	9,008,356	9,988,924	9,887,474	10,010,161
District support services	3,378,312	3,419,196	3,837,553	4,730,043	4,918,609	5,208,267	6,597,460	5,386,523	5,925,326	5,738,350
Elementary and secondary regular instruction	82,373,686	85,672,569	95,380,665	99,534,825	109,765,803	113,381,446	118,327,117	110,571,064	115,476,010	121,086,618
Vocational education instruction	3,681,641	3,842,512	3,909,994	4,256,486	3,969,198	3,718,292	3,009,143	3,414,117	2,983,259	3,518,848
Special education instruction	31,692,931	33,900,234	37,406,229	40,322,851	44,059,232	45,643,778	45,242,029	44,620,521	45,407,700	44,716,402
Instructional support services	9,261,138	8,889,269	10,045,533	10,893,040	11,842,154	13,357,181	14,720,337	12,401,998	15,591,201	12,364,771
Pupil support services	12,685,932	12,484,495	13,664,119	16,611,977	22,087,652	22,148,423	20,377,010	21,265,279	20,510,806	20,217,797
Sites and buildings	10,269,980	11,138,734	11,675,814	13,536,960	14,362,239	14,107,319	23,592,865	19,336,434	19,803,684	17,436,926
Fiscal and other fixed cost programs	605,172	642,006	662,348	648,147	675,592	473,187	406,778	323,660	338,224	338,499
Food service	7,646,495	7,578,440	8,201,583	8,388,194	8,830,855	8,981,026	9,475,675	9,551,844	9,987,972	10,517,361
Community service	9,353,070	10,559,648	11,000,245	11,109,433	12,855,079	12,874,087	13,348,656	13,714,124	13,762,170	13,963,156
Capital outlay	56,485,694	45,976,177	35,011,757	22,712,217	13,578,636	12,022,631	2,048,070	7,109,133	6,811,326	7,644,310
Debt service										
Principal	9,979,286	11,360,751	11,376,164	12,538,980	11,334,931	11,550,524	12,557,332	13,161,297	12,730,000	14,221,944
Interest and fiscal charges	14,372,578	11,839,839	10,267,179	10,019,452	13,534,029	12,410,812	11,862,190	12,771,091	11,320,100	9,277,293
Total expenditures	<u>259,962,999</u>	<u>256,311,416</u>	<u>261,272,176</u>	<u>264,979,707</u>	<u>281,741,446</u>	<u>285,929,569</u>	<u>290,573,018</u>	<u>283,616,009</u>	<u>290,535,252</u>	<u>291,052,436</u>
Excess of revenues over (under) expenditures	(32,848,003)	(21,220,181)	(25,475,478)	(13,618,827)	(13,304,506)	(3,629,224)	(8,334,882)	201,560	(4,509,088)	(10,973,244)
Other financing sources (uses)										
Refunding bonds issued	-	-	-	67,055,000	-	-	-	52,375,000	5,775,000	-
Debt issued	-	-	-	-	5,235,000	-	24,945,000	-	8,685,000	-
Premium on debt issued	-	-	-	5,077,782	61,305	-	80,809	5,384,227	370,331	-
Proceeds from sale of assets	-	-	-	14,953,800	-	10,000	-	5,236,426	15,004	-
Transfers in	-	-	-	-	-	234,382	-	-	-	-
Transfers out	-	-	-	-	-	(234,382)	(208,660)	-	-	-
Debt retirement from escrow	(38,375,000)	(21,912,000)	-	-	-	-	-	(17,165,000)	(75,415,000)	(37,895,000)
Capital leases issued	-	424,260	2,970,320	-	2,800,000	-	-	-	2,597,000	381,732
Refunding capital leases issued	-	3,537,000	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(38,375,000)</u>	<u>(17,950,740)</u>	<u>2,970,320</u>	<u>87,086,582</u>	<u>8,096,305</u>	<u>10,000</u>	<u>25,025,809</u>	<u>45,830,653</u>	<u>(57,972,665)</u>	<u>(37,513,268)</u>
Net change in fund balances	<u>\$ (71,223,003)</u>	<u>\$ (39,170,921)</u>	<u>\$ (22,505,158)</u>	<u>\$ 73,467,755</u>	<u>\$ (5,208,201)</u>	<u>\$ (3,619,224)</u>	<u>\$ 16,690,927</u>	<u>\$ 46,032,213</u>	<u>\$ (62,481,753)</u>	<u>\$ (48,486,512)</u>
Debt service as a percentage of noncapital expenditures	<u>12.0%</u>	<u>11.0%</u>	<u>9.6%</u>	<u>9.3%</u>	<u>9.3%</u>	<u>8.7%</u>	<u>8.5%</u>	<u>9.4%</u>	<u>8.7%</u>	<u>8.3%</u>

Note: Starting in fiscal year 2009, General Fund capital outlay is included within the current programs instead of being reported in capital outlay.

INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund – Operating Account Expenditures by Program
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

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	Total	Percent Increase (Decrease) From Prior Year
2003	\$ 8,177,084 5.0%	\$ 3,378,312 2.1%	\$ 82,373,686 50.8%	\$ 3,681,641 2.3%	\$ 31,692,931 19.6%	\$ 9,261,138 5.7%	\$ 12,685,932 7.8%	\$ 10,269,980 6.3%	\$ 605,172 0.4%	\$ 162,125,876 100.0%	(2.7%)
2004	9,007,546 5.3%	3,419,196 2.0%	85,672,569 50.7%	3,842,512 2.3%	33,900,234 20.1%	8,889,269 5.2%	12,484,495 7.4%	11,138,734 6.6%	642,006 0.4%	168,996,561 100.0%	4.2%
2005	8,832,993 4.8%	3,837,553 2.1%	95,380,665 51.4%	3,909,994 2.1%	37,406,229 20.2%	10,045,533 5.4%	13,664,119 7.4%	11,675,814 6.3%	662,348 0.3%	185,415,248 100.0%	9.7%
2006	9,677,102 4.8%	4,730,043 2.4%	99,534,825 49.7%	4,256,486 2.1%	40,322,851 20.1%	10,893,040 5.5%	16,611,977 8.3%	13,536,960 6.8%	648,147 0.3%	200,211,431 100.0%	8.0%
2007	9,927,437 4.5%	4,918,609 2.2%	109,765,803 49.5%	3,969,198 1.8%	44,059,232 19.9%	11,842,154 5.3%	22,087,652 10.0%	14,362,239 6.5%	675,592 0.3%	221,607,916 100.0%	10.7%
2008	10,052,596 4.4%	5,208,267 2.3%	113,381,446 49.7%	3,718,292 1.6%	45,643,778 20.0%	13,357,181 5.9%	22,148,423 9.7%	14,107,319 6.2%	473,187 0.2%	228,090,489 100.0%	2.9%
2009	8,999,895 4.0%	6,058,214 2.7%	115,806,205 50.9%	2,985,960 1.3%	45,205,282 19.8%	13,760,634 6.0%	20,370,175 8.9%	14,143,153 6.2%	406,778 0.2%	227,736,296 100.0%	(0.2%)
2010	9,979,526 4.6%	5,245,557 2.4%	108,739,133 49.8%	3,405,199 1.6%	44,613,682 20.4%	11,675,311 5.4%	21,265,279 9.7%	13,157,337 6.0%	323,660 0.1%	218,404,684 100.0%	(4.1%)
2011	9,874,328 4.5%	5,063,114 2.3%	112,961,341 51.0%	2,973,611 1.3%	45,401,988 20.5%	10,806,374 4.9%	20,510,261 9.3%	13,479,877 6.1%	338,224 0.1%	221,409,118 100.0%	1.4%
2012	10,003,428 4.4%	5,214,235 2.3%	117,955,040 52.4%	3,484,305 1.5%	44,680,840 19.9%	9,798,501 4.4%	20,216,904 9.0%	13,252,957 5.9%	338,499 0.2%	224,944,709 100.0%	1.6%



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INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund – Operating Account Revenue by Source
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

<u>Year Ended June 30,</u>	<u>Local Property Tax Levies (1)</u>	<u>State Revenue (1)</u>	<u>Federal Revenue</u>	<u>Other Local and Miscellaneous</u>	<u>Total</u>
2003	\$ 12,576,421 7%	\$ 148,128,394 86%	\$ 5,359,248 3%	\$ 6,091,861 4%	\$ 172,155,924 100%
2004	34,805,601 19%	136,980,171 74%	7,088,742 4%	5,748,905 3%	184,623,419 100%
2005	25,818,637 14%	146,326,783 78%	8,267,337 4%	7,413,171 4%	187,825,928 100%
2006	15,668,894 8%	165,288,912 84%	8,516,856 4%	8,232,849 4%	197,707,511 100%
2007	31,598,901 15%	165,853,043 78%	7,372,899 3%	7,689,065 4%	212,513,908 100%
2008	36,023,837 16%	172,935,695 78%	7,006,205 3%	6,622,385 3%	222,588,122 100%
2009	43,470,958 19%	165,720,993 74%	7,978,772 4%	6,585,131 3%	223,755,854 100%
2010	44,661,262 20%	148,358,068 66%	26,935,136 12%	5,593,167 2%	225,547,633 100%
2011	63,977,647 28%	142,872,500 62%	15,979,803 7%	6,275,759 3%	229,105,709 100%
2012	44,965,114 20%	161,516,194 72%	11,021,029 5%	6,265,415 3%	223,767,752 100%

(1) Basic general education revenue in the General Fund is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. The state periodically changes the mix of property tax and state aid revenue with no net effect on total revenue.

INDEPENDENT SCHOOL DISTRICT NO. 279

Revenue and Expenditures –
 General Fund, Special Revenue Funds, General Obligation Bonds, and
 Other Post-Employment Benefits Bonds – Debt Service Accounts
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenue										
General Fund										
Operating Account	\$ 172,155,924	\$ 184,623,419	\$ 187,825,928	\$ 197,707,511	\$ 212,513,908	\$ 222,588,122	\$ 223,755,854	\$ 225,547,633	\$ 229,105,709	\$ 223,767,752
Capital Expenditure Account	10,082,182	10,095,712	8,241,156	8,707,146	9,307,362	11,318,906	10,653,126	9,341,486	8,822,827	8,429,276
Special revenue funds										
Food Service	8,002,454	8,245,021	8,555,527	8,952,943	9,284,843	9,640,510	9,934,674	10,295,493	10,421,017	10,609,307
Community Service	9,514,428	10,747,479	10,987,418	11,144,346	13,077,544	13,657,891	13,390,804	13,416,748	13,834,024	14,103,160
Debt service funds										
Debt Service Account – General										
Obligation Bonds	19,450,451	20,583,606	18,920,729	20,477,291	18,941,917	18,753,734	19,478,520	19,166,032	19,617,297	19,279,004
Debt Service Account – Other										
Post-Employment Benefits Bonds	–	–	–	–	–	–	1,515	876,986	999,343	1,000,072
Total revenue	\$ 219,205,439	\$ 234,295,237	\$ 234,530,758	\$ 246,989,237	\$ 263,125,574	\$ 275,959,163	\$ 277,214,493	\$ 278,644,378	\$ 282,800,217	\$ 277,188,571
Expenditures										
General Fund										
Operating Account	\$ 162,125,876	\$ 168,996,561	\$ 185,415,248	\$ 200,211,431	\$ 221,607,916	\$ 228,090,489	\$ 227,736,296	\$ 218,404,684	\$ 221,409,118	\$ 224,944,709
Capital Expenditure Account	10,251,241	10,213,619	11,458,912	17,021,098	10,747,685	9,632,839	15,191,424	10,560,929	14,514,566	11,465,451
Special revenue funds										
Food Service	7,909,128	8,071,951	8,613,587	8,791,714	9,461,753	9,121,744	9,680,730	9,741,558	10,091,851	10,706,589
Community Service	9,440,530	10,621,276	11,109,721	11,217,250	12,920,891	12,929,848	13,432,902	13,816,380	13,856,582	14,104,651
Debt service funds										
Debt Service Account – General										
Obligation Bonds	19,613,449	19,753,779	20,019,858	20,477,497	18,794,993	19,010,556	19,479,210	19,805,100	19,958,431	19,859,761
Debt Service Account – Other										
Post-Employment Benefits Bonds	–	–	–	–	–	–	–	1,024,450	960,450	960,450
Total expenditures	\$ 209,340,224	\$ 217,657,186	\$ 236,617,326	\$ 257,718,990	\$ 273,533,238	\$ 278,785,476	\$ 285,520,562	\$ 273,353,101	\$ 280,790,998	\$ 282,041,611



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INDEPENDENT SCHOOL DISTRICT NO. 279

General Fund – Operating Account Revenue per Student
 Year Ended June 30, 2012
 (Modified Accrual Basis of Accounting)

	<u>Hennepin County Average</u>	<u>ISD No. 279</u>
General education formula revenue per pupil unit (1)		
General education (includes transportation)	\$ 5,174	\$ 5,174
Referendum	1,392	1,382
Gifted and talented, extended, compensatory, and LEP	554	578
Operating capital	211	204
Supplemental, equity, and other	<u>239</u>	<u>307</u>
General education formula revenue per pupil unit (property tax and state aid)	<u>\$ 7,570</u>	<u>\$ 7,645</u>
General Fund – Operating Account revenue per student (2)		
General education formula revenue per student (property tax and state aid)		\$ 9,021
Less Capital Expenditure Account		<u>(358)</u>
General education formula revenue per student – General Fund Operating Account		8,663
State categorical revenue (special education, secondary vocational, cooperation, and other)		<u>1,369</u>
Total property tax and state aid revenue		10,032
Federal revenue (special education, Title I, and other)		535
Other local revenue – interest, participation fees, and other		<u>304</u>
Total General Fund – Operating Account revenue per student		<u>\$ 10,871</u>

(1) Pupil units or adjusted marginal cost pupil units (AMCPU) consist of differential weighting of students by grade level for funding purposes.

(2) Average daily membership (ADM) is a measure of student attendance.

Source: General education formula revenue per pupil unit is from the Minnesota Department of Education.

INDEPENDENT SCHOOL DISTRICT NO. 279

Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Total Taxable Assessed Value</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value as a Percentage of Actual Value</u>
2003	\$ 8,496,061,800	\$ 75,755,700	\$ 8,571,817,500	\$ 9,259,765,200	92.6 %
2004	9,675,606,200	80,527,400	9,756,133,600	10,304,590,400	94.7
2005	11,148,047,300	85,704,800	11,233,752,100	11,571,167,500	97.1
2006	12,437,223,500	87,635,200	12,524,858,700	12,765,496,800	98.1
2007	13,792,479,900	93,196,000	13,885,675,900	14,068,304,000	98.7
2008	14,938,565,700	92,621,600	15,031,187,300	15,142,401,100	99.3
2009	14,948,296,100	94,114,500	15,042,410,600	15,106,544,900	99.6
2010	14,173,173,200	95,121,100	14,268,294,300	14,290,474,500	99.8
2011	13,032,638,800	101,798,900	13,134,437,700	13,157,941,200	99.8
2012	11,833,845,856	105,372,900	11,939,218,756	12,694,768,500	94.0

Source: Hennepin County Department of Property Tax and Public Records

ISD  **279**
OSSEO AREA SCHOOLS

UNITING COMMUNITIES OF EXCELLENCE

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INDEPENDENT SCHOOL DISTRICT NO. 279

Governmental Fund Tax Revenues by Source and Levy Type
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

Fiscal Year	Property Tax				Total
	General Fund	Community Service Special Revenue Fund	Capital Projects -- Building Construction Fund	Debt Service Fund	
2003	\$ 12,576,421	\$ 1,297,596	\$ 800,000	\$ 17,863,961	\$ 32,537,978
2004	34,805,601	2,086,924	800,000	19,076,009	56,768,534
2005	25,818,637	1,428,028	1,000,000	17,612,082	45,858,747
2006	15,668,894	726,825	2,417,258	19,081,589	37,894,566
2007	31,598,901	1,484,987	2,417,258	17,615,167	53,116,313
2008	36,023,837	1,559,673	3,496,264	17,647,120	58,726,894
2009	43,470,958	1,264,260	2,252,863	18,625,547	65,613,628
2010	44,661,262	1,692,225	2,500,000	19,276,168	68,129,655
2011	63,977,647	2,650,091	2,369,678	19,856,830	88,854,246
2012	44,965,114	1,844,014	2,700,760	19,488,867	68,998,755

INDEPENDENT SCHOOL DISTRICT NO. 279

Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	Property Classification	City	2012				2003			
			Tax Capacity	Rank	Percentage of Tax Capacity Value	Market Value	Tax Capacity	Rank	Percentage of Tax Capacity Value	Market Value
The Shoppes at Arbor Lakes	Commercial	Maple Grove	\$ 1,541,994	1	1.3 %	\$ 77,137,200	\$ -	-	- %	\$ -
Boston Scientific Scimed, Inc.	Industrial	Maple Grove	1,021,260	2	0.8	51,100,500	378,574	6	0.5	18,966,200
KIR Maple Grove, LP	Commercial	Maple Grove	960,028	3	0.8	48,038,900	-	-	-	-
Target Corporation	Commercial	Brooklyn Park	793,364	4	0.7	39,668,200	811,750	2	1.0	40,625,000
KIMCO Realty Corporation	Commercial	Maple Grove	640,802	5	0.5	32,077,600	-	-	-	-
Fairview Hospital	Commercial	Maple Grove	633,082	6	0.5	31,691,600	-	-	-	-
DDRA Maple Grove XNG, LLC	Commercial	Maple Grove	544,250	7	0.4	27,250,000	504,714	3	0.6	25,273,200
Thomson Reuters Prop Tx Services	Apartment	Plymouth	448,638	8	0.4	35,891,000	-	-	-	-
BPP, LLC	Industrial	Brooklyn Park	439,060	9	0.4	21,990,500	399,250	5	0.5	20,000,000
Great River Energy	Commercial	Maple Grove	417,710	10	0.3	20,923,000	-	-	-	-
Excel Energy	Utility	Maple Grove	-	-	-	-	1,485,228	1	1.8	74,373,900
Prudential Insurance Co. of America	Commercial	Plymouth	-	-	-	-	410,210	4	0.5	20,548,000
Brooklyn Park 73rd LSD HSG	Apartment	Brooklyn Park	-	-	-	-	362,076	7	0.4	30,173,000
Computer Network Tec	Commercial	Plymouth	-	-	-	-	339,250	8	0.4	17,000,000
United Healthcare Services, Inc.	Commercial		-	-	-	-	333,810	9	0.4	16,728,000
Georgia-Pacific Corporation	Industrial		-	-	-	-	306,220	10	0.4	15,348,500
Total for 10 largest principal taxpayers			<u>\$ 7,440,188</u>		<u>6.1 %</u>	<u>\$ 385,768,500</u>	<u>\$ 5,331,082</u>		<u>6.5 %</u>	<u>\$ 279,035,800</u>

Note: Minnesota's tax capacity system includes class rates whereby commercial, industrial, and utility properties pay taxes based on a higher percentage of market value than homeowners.

Source: Hennepin County Department of Property Tax and Public Records

INDEPENDENT SCHOOL DISTRICT NO. 279

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

Year Collectible	General Fund	Community Service Special Revenue Fund	Debt Service Fund	Total Levy All Funds	Less Homestead and Agricultural Credit Aid (HACA) and Fiscal Disparities	Net Levy	Less Referendum Spread on Market Value	Remaining Amount Spread on Tax Capacity Value	Property Tax Credits (1)
Levies									
2003	\$ 30,394,007	\$ 1,507,926	\$ 20,674,078	\$ 52,576,011	\$ (3,747,876)	\$ 48,828,135	\$ (19,651,321)	\$ 29,176,814	\$ (2,108,974)
2004	25,354,985	1,517,111	18,735,347	45,607,443	(6,724,243)	38,883,200	(16,482,734)	22,400,466	(1,533,203)
2005	27,840,135	1,515,971	20,317,551	49,673,657	(4,978,838)	44,694,819	(17,879,892)	26,814,927	(1,517,549)
2006	32,817,224	1,577,345	18,593,022	52,987,591	(5,130,129)	47,857,462	(21,224,667)	26,632,795	(1,327,290)
2007	41,388,874	1,624,729	18,455,532	61,469,135	(5,521,124)	55,948,011	(23,654,517)	32,293,494	(1,345,808)
2008	45,634,995	1,337,173	19,738,957	66,711,125	(6,509,728)	60,201,397	(30,565,648)	29,635,749	(1,102,357)
2009	47,218,603	1,664,357	20,085,324	68,968,284	(7,119,449)	61,848,835	(30,549,468)	31,299,367	(1,109,074)
2010	46,861,625	1,691,197	20,701,420	69,254,242	(8,295,564)	60,958,678	(29,877,170)	31,081,508	(1,261,264)
2011	47,820,241	1,875,058	20,446,632	70,141,931	(8,986,473)	61,155,458	(30,004,643)	31,150,815	(1,365,729)
2012	48,571,280	1,783,976	20,796,263	71,151,519	(9,187,341)	61,964,178	(31,586,126)	30,378,052	(1,402)
Net tax rates									
Tax capacity rate									
2003	10.300 %	1.682 %	23.060 %	35.042 %					
2004	5.434	1.369	16.906	23.709					
2005	6.507	1.238	16.591	24.336					
2006	6.893	1.167	13.755	21.815					
2007	10.312	1.088	12.358	23.758					
2008	7.275	0.789	11.646	19.710					
2009	7.926	1.003	12.104	21.033					
2010	8.188	1.072	13.121	22.381					
2011	9.087	1.271	13.859	24.217					
2012	8.792	1.275	14.863	24.930					
Market value rate									
2003	0.230	-	-	0.230					
2004	0.169	-	-	0.169					
2005	0.159	-	-	0.159					
2006	0.170	-	-	0.170					
2007	0.172	-	-	0.172					
2008	0.205	-	-	0.205					
2009	0.205	-	-	0.205					
2010	0.211	-	-	0.211					
2011	0.230	-	-	0.230					
2012	0.252	-	-	0.252					

(1) A portion of the total spread levy is paid through various property tax credits for residential homestead properties which are paid through state aids.

Note: In fiscal 2012, a portion of the property tax credits was eliminated and replaced with permanent state aid.

Source: Hennepin County Department of Property Tax and Public Records

INDEPENDENT SCHOOL DISTRICT NO. 279

Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Rate	Tax Collection Calendar Year	Municipalities										ISD No. 279	Hennepin County	Miscellaneous Other (1)	Total Maple Grove Resident
		Hassan Township	Brooklyn Center	Brooklyn Park	Corcoran	Dayton	Maple Grove	Osseo	Plymouth	Rogers					
Tax capacity rate	2003	13.241%	52.792%	43.839%	30.922%	53.845%	35.202%	38.113%	23.455%	–	35.042%	50.607%	7.764%	128.615%	
Market value rate	2003	–	0.05290%	0.03984%	–	–	0.01121%	–	0.01029%	–	0.23035%	–	–	0.24156%	
Tax capacity rate	2004	17.500%	52.437%	42.440%	28.870%	43.595%	32.979%	36.211%	23.179%	–	23.709%	47.324%	7.522%	111.534%	
Market value rate	2004	–	0.04844%	0.01983%	–	–	0.09860%	–	0.00950%	–	0.16958%	–	–	0.26818%	
Tax capacity rate	2005	22.291%	50.487%	36.860%	27.966%	40.771%	30.677%	33.056%	23.132%	–	24.336%	44.172%	7.522%	106.707%	
Market value rate	2005	–	0.04220%	0.03117%	–	–	0.00855%	–	0.00854%	–	0.15982%	–	–	0.16837%	
Tax capacity rate	2006	24.878%	46.934%	37.741%	29.275%	42.524%	30.272%	30.102%	23.197%	–	21.815%	41.016%	7.021%	100.124%	
Market value rate	2006	–	0.03872%	0.02107%	–	–	0.00763%	–	0.00792%	–	0.17045%	–	–	0.17808%	
Tax capacity rate	2007	24.264%	44.292%	35.254%	30.703%	44.446%	30.169%	36.055%	23.280%	–	23.758%	39.110%	7.210%	100.247%	
Market value rate	2007	–	0.03579%	0.02402%	–	–	0.00749%	–	0.00731%	–	0.17155%	–	–	0.17904%	
Tax capacity rate	2008	21.972%	43.896%	37.744%	30.213%	43.004%	29.318%	42.416%	22.887%	–	19.710%	38.571%	7.312%	94.911%	
Market value rate	2008	–	0.03346%	0.02163%	–	–	–	–	0.00693%	–	0.20475%	–	–	0.20475%	
Tax capacity rate	2009	21.306%	47.521%	39.652%	30.677%	43.804%	31.259%	46.580%	24.368%	–	21.033%	40.413%	7.111%	99.816%	
Market value rate	2009	–	0.03387%	0.02310%	–	–	–	–	0.00701%	–	0.20487%	–	–	0.20487%	
Tax capacity rate	2010	22.883%	51.095%	44.157%	32.995%	50.867%	33.845%	45.978%	25.495%	–	22.381%	42.640%	8.133%	106.999%	
Market value rate	2010	–	0.03799%	0.02464%	–	–	–	–	0.00726%	–	0.21123%	–	–	0.211%	
Tax capacity rate	2011	27.886%	57.217%	50.309%	37.041%	48.567%	36.714%	55.419%	26.944%	N/A	24.217%	45.840%	9.095%	115.866%	
Market value rate	2011	–	0.04126%	0.02768%	–	–	–	–	0.01032%	N/A	0.23032%	–	–	0.230%	
Tax capacity rate	2012	–	64.359%	56.087%	39.617%	57.817%	39.450%	64.130%	28.146%	41.183%	24.930%	48.231%	9.423%	122.034%	
Market value rate	2012	–	0.04326%	0.02950%	–	–	–	–	0.01057%	–	0.25181%	–	–	0.252%	

N/A – Not Applicable

Note 1: Information for the City of Rogers was not available for fiscal 2011.

Note 2: Information for Hassan Township will not be included after fiscal 2011 due to it no longer being part of ISD 279 in fiscal 2012.

(1) The miscellaneous other levy includes AVTI, mosquito control, park/museum, metro transit and other metro services, and county parks bond and interest. These miscellaneous levies vary slightly between municipalities.

Source: Hennepin County Department of Property Tax and Public Records

INDEPENDENT SCHOOL DISTRICT NO. 279

Property Tax Levies and Collections
Last Ten Fiscal Years

Tax Collection Calendar Year	Total Tax Levy	Current Tax Collections	Percent of Current Tax Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	June 30, 2012 Outstanding Delinquent Taxes	Ratio of Delinquent Taxes to Total Tax Levy
2003	\$ 52,576,011	\$ 52,141,930	99.2 %	\$ 434,081	\$ 52,576,011	100.0 %	\$ -	- %
2004	45,607,443	45,150,142	99.0	457,301	45,607,443	100.0	-	-
2005	49,673,657	48,938,217	98.5	735,440	49,673,657	100.0	-	-
2006	52,987,591	51,989,768	98.1	944,382	52,934,150	99.9	-	-
2007	61,465,876	59,939,916	97.5	1,512,546	61,452,462	100.0	13,414	0.0
2008	66,711,125	65,207,245	97.7	1,272,523	66,479,768	99.7	231,357	0.3
2009	68,968,284	67,710,766	98.2	1,073,671	68,784,437	99.7	183,847	0.3
2010	69,254,242	69,024,050	98.7	647,144	69,024,050	99.7	230,192	0.3
2011	70,141,931	69,514,166	99.1	N/A	69,514,166	99.1	627,765	0.9
2012	(1) 71,151,519	N/A	N/A	N/A	N/A	N/A	-	N/A

Reconciliation of current tax collections with property tax revenue

Collections on property tax levy collectible in 2011	\$ 69,514,166
Portion of taxes collected from state of Minnesota as HACA aid and education homestead credit aid – included in revenue from state sources	(1,365,729)
Less tax shift allocation of the levy collectible in 2011 to fiscal year 2011	(2) (24,668,213)
Add tax shift allocation of the referendum levy collectible in 2012 to fiscal year 2012	(2) 24,904,484
Property tax delinquencies, abatements, and county apportionment	<u>614,047</u>
Total local property tax revenue – fiscal year 2012	<u>\$ 68,998,755</u>

\$ 1,286,575

N/A – Not Applicable

(1) Only a portion of calendar year 2012 taxes are collectible by June 30, 2012. A total of \$35,342,098 of 2012 taxes were collected by June 30, 2012.

(2) The state of Minnesota calculates the tax shift allocation based on various portions of the total tax levy.

Source: Hennepin County Department of Property Tax and Public Records

INDEPENDENT SCHOOL DISTRICT NO. 279

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Total Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	State Loan	Certificates of Participation	Capital Leases			
2003	\$ 228,140,000	\$ 300,000	\$ 4,740,000	\$ 1,098,087	\$ 234,278,087	4.0 %	\$ 1,819
2004	201,125,000	–	–	3,841,596	204,966,596	3.3	1,592
2005	191,215,000	–	–	5,345,752	196,560,752	3.0	1,502
2006	247,445,000	–	–	3,579,084	251,024,084	3.6	1,901
2007	243,050,000	–	–	4,674,153	247,724,153	3.2	1,858
2008	233,000,000	–	–	3,173,629	236,173,629	2.8	1,771
2009	246,945,000	–	–	1,616,297	248,561,297	3.0	1,831
2010	270,610,000	–	–	–	270,610,000	3.2	1,980
2011	196,925,000	–	–	2,597,000	199,522,000	N/A	1,476
2012	145,755,000	–	–	2,031,788	147,786,788	N/A	1,080

N/A – Not Available

(1) See the Schedule of Demographic and Economic Statistics for personal income and population data.

Note: Details regarding the District’s outstanding debt can be found in the notes to basic financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 279

Ratio of Net Bonded Debt to
Tax Capacity and Legal Debt Margin
Last Ten Fiscal Years

June 30,	Outstanding Bonded Debt	Balance on Hand – Debt Service Fund	Net Bonded Debt	Taxable Tax Capacity (1)	Ratio of Net Debt to Tax Capacity Value	Estimated Population (1)	Net Debt per Capita
2003	\$ 228,440,000	\$ 23,783,457	\$ 204,656,543	\$ 83,262,410	245.8 %	128,766	\$ 1,589
2004	201,125,000	5,878,903	195,246,097	94,480,859	206.7	128,766	1,516
2005	191,215,000	4,779,774	186,435,226	110,186,257	169.2	130,872	1,425
2006	247,445,000	78,681,383	168,763,617	122,084,778	138.2	132,047	1,278
2007	243,050,000	77,437,018	165,612,982	135,926,824	121.8	133,327	1,242
2008	233,000,000	76,650,169	156,349,831	150,358,956	104.0	133,327	1,173
2009	246,945,000	76,455,727	170,489,273	148,810,762	114.6	135,770	1,256
2010	270,610,000	115,524,154	155,085,846	138,874,529	111.7	136,700	1,134
2011	196,925,000	43,716,229	153,208,771	128,632,017	119.1	135,140	1,134
2012	145,755,000	3,753,106	142,001,894	121,853,398	116.5	136,896	1,037

(1) District population is based upon an annual school district census and U.S. census. This information is certified to the state and is subsequently used in determining community education revenue.

Note: The legal debt limit for a school district in Minnesota is 15 percent of the actual value of all taxable property within the District. As of June 30, 2012, the legal limit was \$1,881,545,183. Outstanding bonded debt as of June 30, 2012 was \$145,755,000, leaving a margin of \$1,735,790,183.

Source: Hennepin County Department of Property Tax and Public Records



Our Mission

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with the confidence, courage and competence
to achieve their dreams;
contribute to community;
and engage in a lifetime of learning.**

INDEPENDENT SCHOOL DISTRICT NO. 279

Direct and Overlapping Debt
as of June 30, 2012

Taxing Unit	Tax Collection Calendar Year – 2012 Taxable Net Tax Capacity	General Obligation Bonded Debt (1)	Debt Applicable to Tax Capacity in ISD No. 279 (2)	
			Percent	Amount
Direct debt				
Independent School District No. 279	\$ 141,175,643	\$ 145,755,000	100.00 %	\$ 145,755,000
Overlapping debt				
Hennepin County	1,251,745,096	729,430,000	9.73	70,973,539
Cities				
Brooklyn Center	14,126,853	15,105,000	30.13	4,551,137
Brooklyn Park	48,003,604	20,765,000	73.56	15,274,734
Corcoran	6,536,742	1,052,000	7.37	77,532
Dayton	4,736,661	–	13.00	–
Hassan Township	3,564,204	155,000	0.08	124
Maple Grove	73,178,280	64,530,000	92.44	59,651,532
Osseo	1,600,504	11,166,263	100.00	11,166,263
Plymouth	90,135,273	16,480,000	13.21	2,177,008
Rogers	10,277,049	6,495,000	0.30	19,485
Others				
Three Rivers Park District	932,985,676	81,810,000	13.06	10,684,386
Metropolitan Council	2,698,832,744	213,645,000	0.52	1,110,954
				<u>175,686,694</u>
Total overlapping debt				<u>\$ 321,441,694</u>
Total direct and debt outstanding				

(1) Excludes tax and aid anticipation debt, revenue debt, and general obligation debt supported by revenue.

(2) The percent overlap is based on the percentage of tax capacity of the individual entities in the District.

Source: Hennepin County Department of Property Tax and Public Records

INDEPENDENT SCHOOL DISTRICT NO. 279

Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$1,279,660,604	\$1,457,960,880	\$1,678,127,730	\$1,867,820,509	\$2,068,305,180	\$2,239,241,543	\$2,236,745,318	\$2,121,656,719	\$1,954,105,770	\$ 1,881,545,183
Total net debt applicable to limit	<u>228,440,000</u>	<u>201,125,000</u>	<u>191,215,000</u>	<u>247,445,000</u>	<u>243,050,000</u>	<u>233,000,000</u>	<u>246,945,000</u>	<u>270,610,000</u>	<u>196,925,000</u>	<u>145,755,000</u>
Legal debt margin	<u>\$1,051,220,604</u>	<u>\$1,256,835,880</u>	<u>\$1,486,912,730</u>	<u>\$1,620,375,509</u>	<u>\$1,825,255,180</u>	<u>\$2,006,241,543</u>	<u>\$1,989,800,318</u>	<u>\$1,851,046,719</u>	<u>\$1,757,180,770</u>	<u>\$ 1,735,790,183</u>
Total net debt applicable to the limit as a percentage of debt limit	17.85%	13.79%	11.39%	13.25%	11.75%	10.41%	11.04%	12.75%	10.08%	7.75%

Legal Debt Margin Calculation for Fiscal Year 2012

Market value	\$12,543,634,550
Debt limit (15% of market value)	1,881,545,183
Debt applicable to limit	
General obligation bonds	<u>145,755,000</u>
Total net debt applicable to limit	<u>145,755,000</u>
Legal debt margin	<u>\$ 1,735,790,183</u>

Note: Under state finance law, the District's outstanding general obligation debt should not exceed 15 percent of total market property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Source: Hennepin County Department of Property Tax and Public Records

INDEPENDENT SCHOOL DISTRICT NO. 279

Deferred Tax Levies for Future Bond Debt Service
as of June 30, 2012

<u>Tax Collection Calendar Year</u>	<u>Deferred Tax Levies</u>
2013	\$ 21,486,353
2014	18,552,023
2015	18,541,661
2016	18,536,155
2017	18,523,175
2018	18,506,099
2019	20,747,298
2020	20,811,952
2021	12,793,837
2022	<u>4,903,507</u>
Total amount to be levied in future years	173,402,060
2012	Amount levied for collection in 2012 and included in property taxes levied for subsequent year at June 30, 2012
	<u>20,796,263</u>
Total deferred tax levies for future bond debt service	<u><u>\$ 194,198,323</u></u>

Note: These levies are subject to reduction based on excess fund balance limitations in accordance with Minnesota Statute § 475.61.

Source: Debt service levy schedules in the various bond issues of the District

INDEPENDENT SCHOOL DISTRICT NO. 279

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income	Per Capita Personal Income (2)	Median Age (3)	School Enrollment (1)	Unemployment Rate (4)
2003	128,766	\$ 5,838,765,504	\$ 45,344	34.9	22,035	4.2 %
2004	128,766	6,186,047,406	48,041	34.9	21,748	4.7
2005	130,872	6,597,519,264	50,412	36.8	21,771	4.1
2006	132,047	6,985,946,535	52,905	37.4	21,942	4.0
2007	133,327	7,791,763,207	58,441	37.5	22,086	4.6
2008	133,327	8,302,938,925	62,275	38.0	21,770	5.4
2009	135,770	8,370,356,270	61,651	37.0	21,010	8.1
2010	136,700	8,383,537,600	61,328	38.0	20,964	7.3
2011	135,140	N/A	N/A	N/A	20,772	6.4
2012	136,896	N/A	N/A	N/A	20,583	N/A

N/A – Not Available

Data sources:

- (1) District population is based upon an annual school district census and U.S. census. This information is certified to the state and is subsequently used in determining community education revenue.
- (2) Admin Minnesota – Department of Administration.
- (3) Admin Minnesota – Department of Administration, State Demographic Center.
- (4) Bureau of Labor Statistics and Minnesota Department of Economic Security.

INDEPENDENT SCHOOL DISTRICT NO. 279

Principal Employers
Current Year and Six Years Ago

Employer	2012		2006	
	Employees	Rank	Employees	Rank
Independent School District No. 279	2,937	1	3,020	2
Boston Scientific Scimed, Inc.	2,800	2	3,600	1
Target Corporation	1,500	3	1,125	4
Walmart	800	4	–	–
Maple Grove Hospital	716	5	–	–
United Parcel Services	664	6	900	5
Prudential Insurance Company	650	7	1,600	3
Data Recognition Corp.	530	8	–	–
Caterpillar Paving Products	524	9	519	7
North Hennepin Community College	420	10	–	–
City of Brooklyn Park	–	–	371	9
Egan McKay	–	–	660	6
Medtronic	–	–	420	8
Banta Catalog Minneapolis	–	–	350	10
Total	<u>11,541</u>		<u>12,565</u>	

Note: 2006 is the most recent data available. Information from nine years ago is not available.

Source: Infogroup (www.salesgenie.com)

INDEPENDENT SCHOOL DISTRICT NO. 279

Building Permits Issued by Major Cities
Last Ten Fiscal Years

Calendar Year	Total Permits		New Residential Permits (1)	
	Number	Value	Number	Value
City of Brooklyn Park				
2002	2,403	\$ 107,792,818	252	\$ 32,564,870
2003	2,770	133,317,775	474	72,115,478
2004	2,423	152,400,610	500	108,469,254
2005	4,670	195,235,861	452	128,379,786
2006	1,919	129,012,246	409	90,623,883
2007	1,015	96,292,834	153	41,331,831
2008	980	50,018,009	133	25,822,197
2009	7,917	95,103,237	109	21,736,225
2010	7,737	53,706,735	68	11,608,882
2011	7,460	74,491,011	78	17,373,799
City of Maple Grove				
2002	3,388	\$ 158,709,298	485	\$ 85,676,223
2003	3,517	198,612,687	452	141,370,149
2004	3,364	205,542,325	419	121,974,847
2005	3,288	188,495,852	307	92,444,299
2006	6,417	242,714,299	275	87,566,460
2007	3,354	191,651,545	219	76,172,797
2008	6,310	187,187,396	224	84,702,911
2009	3,658	116,525,754	219	72,121,817
2010	2,655	136,034,855	284	83,993,912
2011	2,345	149,181,591	226	69,984,374

(1) Includes single-family, duplexes, quad homes, townhomes, multi-unit, and condominiums; excludes apartment complexes.

Note: The District includes portions of eight municipalities. The table above includes the two largest municipalities within the District and is representative of growth in the area. These cities maintain building permit information on a calendar year.

Source: Hennepin County Department of Property Tax and Public Records

INDEPENDENT SCHOOL DISTRICT NO. 279

Employees by Classification
Last Ten Fiscal Years

Year Ended June 30,	Employees							Total Employees	Total Students (ADM)
	Administrators/ Management (1)	Teachers	Clerical	Educational Support Professionals/ Laundry/Water Safety Instruction	Food Service	Custodians	Health Services/ Early Childhood/ Other Employees		
2003	106	1,501	129	569	166	139	222	2,832	22,035
2004	113	1,503	126	627	167	139	238	2,913	21,748
2005	123	1,573	129	676	169	152	220	3,042	21,771
2006	126	1,570	129	665	170	153	207	3,020	21,943
2007	121	1,594	121	702	178	158	230	3,104	22,083
2008	127	1,662	122	687	177	159	227	3,161	21,770
2009	122	1,470	113	732	152	150	150	2,889	21,010
2010	129	1,467	111	742	146	145	144	2,884	20,964
2011	131	1,468	110	760	153	145	138	2,905	20,772
2012	133	1,467	112	783	160	146	136	2,937	20,583
Percent increase (decrease) over 10 years	25%	(2%)	(13%)	38%	(4%)	5%	(39%)	4%	(7%)

(1) School executives, principals, secondary school building assistant principals, principals on special assignment, directors, coordinators, managers, supervisors, and secondary school building business managers and administrative assistants.

Source: The District's Human Resources Department

INDEPENDENT SCHOOL DISTRICT NO. 279

Operating Indicators by Function
Last Ten Fiscal Years

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total population	128,766	128,766	130,872	132,047	133,327	133,327	135,770	136,700	135,140	136,896
Percent of staff with degrees										
Bachelor	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Masters	64%	64%	64%	64%	71%	72%	72%	75%	74%	76%
ACT information										
Average ACT score	21.5	22.3	22.4	22.4	22.4	22.2	22.5	22.4	22.6	22.5
Percent students taking ACT	57%	56%	61%	61%	53%	57%	57%	60%	60%	63%
National merit										
Commended	10	8	8	8	6	8	11	16	14	14
Finalists and semifinalists	6	5	7	7	8	2	4	1	2	3
AP Scholars	N/A	N/A	N/A	N/A	N/A	46	62	98	106	117

N/A – Not Available

Source: Schoolhouse Magazine

INDEPENDENT SCHOOL DISTRICT NO. 279

Capital Asset Statistics by Function
Last Ten Fiscal Years

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Capital assets										
Land	\$ 7,063,406	\$ 7,068,462	\$ 7,219,924	\$ 6,960,390	\$ 6,960,390	\$ 6,966,686	\$ 10,702,198	\$ 10,691,698	\$ 10,691,698	\$ 10,691,698
Land improvements	18,080,695	18,965,203	19,352,305	19,747,238	20,269,853	20,663,242	21,658,286	25,070,461	26,321,967	27,843,458
Buildings	232,516,059	263,960,748	276,745,721	309,369,056	358,419,880	364,898,006	367,767,521	369,466,103	377,938,760	387,290,466
Equipment	17,992,045	8,719,945	12,350,320	13,190,905	12,762,515	12,616,184	10,230,574	10,460,750	10,739,471	10,652,175
Construction in progress	54,302,134	57,657,355	68,523,260	47,872,593	2,182,553	780,430	1,560,542	2,037,404	2,726,381	391,975
Total capital assets	\$ 329,954,339	\$ 356,371,713	\$ 384,191,530	\$ 397,140,182	\$ 400,595,191	\$ 405,924,548	\$ 411,919,121	\$ 417,726,416	\$ 428,418,277	\$ 436,869,772
Capital assets by function and activity										
Administration	\$ 107,189	\$ 19,095	\$ 19,095	\$ 19,095	\$ 19,095	\$ 19,095	\$ 19,095	\$ 19,095	\$ 19,095	\$ 19,095
District support services	116,429,243	114,530,133	114,585,445	114,619,590	114,629,654	114,660,822	114,660,821	113,078,539	113,232,033	112,276,960
Elementary and secondary regular instruction	5,632,630	653,244	692,942	787,427	824,284	894,873	1,021,287	1,094,002	1,099,553	905,208
Vocational education instruction	237,096	27,185	27,185	27,185	27,185	27,185	27,185	27,185	31,811	64,681
Special education instruction	148,707	187,305	257,782	289,187	289,187	289,187	289,187	289,187	296,042	271,043
Instructional support services	4,770,622	4,316,532	4,481,626	4,735,553	4,296,548	3,865,508	902,640	910,440	1,173,720	1,217,309
Pupil support services	-	-	-	-	-	59,647	59,647	59,647	59,647	59,647
Food service	2,597,399	2,601,629	2,892,880	3,230,896	4,088,825	4,185,739	4,888,338	4,479,013	5,057,239	5,151,404
Sites and buildings	198,930,976	233,092,362	260,261,695	272,448,483	275,431,447	280,916,020	289,029,995	296,726,190	306,404,239	315,824,027
Community service	1,100,477	944,228	972,880	982,766	988,966	1,006,472	1,020,926	1,043,118	1,044,898	1,080,398
Total capital assets by function and activity	\$ 329,954,339	\$ 356,371,713	\$ 384,191,530	\$ 397,140,182	\$ 400,595,191	\$ 405,924,548	\$ 411,919,121	\$ 417,726,416	\$ 428,418,277	\$ 436,869,772

Source: The District's Business Services Department



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INDEPENDENT SCHOOL DISTRICT NO. 279

Average Class Size
Last Ten Fiscal Years

Year Ended June 30,	ISD No. 279 Staffing Ratio (1)	Minnesota Department of Education Student to Staff Ratio (2)		
		ISD No. 279	Hennepin County Average	State Average
2003	32.80	15.3	14.0	13.9
2004	32.23	N/A	N/A	N/A
2005	30.36	N/A	N/A	N/A
2006	30.25	N/A	N/A	N/A
2007	29.37	N/A	N/A	N/A
2008	29.30	N/A	N/A	N/A
2009	29.94	N/A	N/A	N/A
2010	29.65	N/A	N/A	N/A
2011	29.13	N/A	N/A	N/A
2012	27.97	N/A	N/A	N/A

N/A – Not Available

- (1) This is the government-wide teacher staffing ratio for regular instructional classrooms.
- (2) The Minnesota Department of Education (MDE) staff ratio is included in the School District Profiles Report published by the MDE each year. This is computed by dividing total students (state-wide MARSS database) by total certified staff (state-wide STARS database).

Source: Minnesota Department of Education and the District's Division of Leadership, Teaching, and Learning

INDEPENDENT SCHOOL DISTRICT NO. 279

School Facilities
as of June 30, 2012

Facility	Use	Constructed	Acres	Classrooms	Square Footage	Capacity	Enrollment (1)
Arbor View Early Childhood Center	School	1983/2001	5.00	26	27,000	247	52
Basswood Elementary	School	1995/2002	36.00	47	102,648	875	987
Birch Grove for the Arts	School	1966/1991/2004	15.00	34	74,314	525	545
Cedar Island Elementary	School	1970	23.16	34	66,871	525	497
Crest View Elementary	School	1960/1990/1999/2003	16.00	29	59,208	350	323
Edinbrook Elementary	School	1988/2002	20.00	44	106,406	960	932
Elm Creek Elementary	School	1980	15.00	33	84,300	525	586
Fair Oaks Elementary	School	1962/1991/2004	13.16	34	75,129	525	396
Fernbrook Elementary	School	1988/2003	43.00	44	105,440	960	860
Garden City Elementary	School	1959/1994/2004	10.00	21	55,153	350	376
Oak View Elementary	School	1991	22.00	36	98,600	700	475
Orchard Lane Elementary	School	1965/1994	13.38	20	47,866	368	-
Osseo Elementary	School	1954/1957/1987/2005	11.00	19	46,144	300	-
Palmer Lake Elementary	School	1964/1991/2005	15.00	34	74,463	525	740
Park Brook Elementary	School	1959/1994/2004	10.00	21	55,011	350	322
Rice Lake Elementary	School	1980	15.42	33	84,300	525	724
Rush Creek Elementary	School	1995/2002	29.00	47	102,648	875	987
Weaver Lake Science, Math & Technology	School	1991	29.08	44	98,600	875	771
Willow Lane ECSE	School	1956/1957/1987	11.10	19	42,796	338	161
Woodland Elementary	School	2002	19.00	46	101,555	875	989
Zanewood Community School	School	1967/2002	9.21	33	81,843	525	459
Brooklyn Junior High	School	1963/1969/1980/2003	28.57	59	176,104	1,237	848
Maple Grove Junior High	School	1990/2003	46.62	93	275,680	1,707	1,635
North View Junior High	School	1970/1986/2002/2007	26.04	63	186,448	1,105	645
Osseo Junior High	School	1966/1969/2002/2004	19.89	63	194,507	1,285	1,238
Maple Grove Senior High	School	1996/2002/2004	110.00	115	335,872	1,940	1,641
Osseo Senior High	School	1952/1957/1960/1962/1964/1966/1975/1988/2002	43.63	122	373,000	1,735	1,404
Park Center Senior High	School	1964/1966/1971/1975/1987/1988/2002/2003	31.00	103	398,774	1,597	1,382
Osseo Area Learning Center	School	2000	5.00	20	47,108	280	154
Educational Service Center/ warehouse/maintenance	Office/maintenance/ warehouse	1969/1975/1980/2005	17.76	-	121,100	N/A	-
New ice arena	Sports	1990/2005	3.62	-	32,640	N/A	-
Old ice arena	Sports	1974	-	-	34,840	N/A	-
Adult Education Center	Adult education	2005	-	-	25,538	N/A	-
Timberland Properties	Special education/CBVAT/ Enrollment Center	Leased	-	13	12,249	80	52
Dane Technologies, Inc.	Special education	Leased	-	10	11,800	100	68
Total					3,815,955	23,164	20,249

N/A – Not Applicable

(1) Enrollment is defined as the adjusted ADMs served excluding resident students tuitioned out to other Minnesota school districts.

Source: The District's Operations Department

INDEPENDENT SCHOOL DISTRICT NO. 279

Food Service
School Lunch Program Data
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Attendance (1)	Total Lunches Served	Days	Average Daily Participation	Participation as a Percentage of Average Daily Attendance	Free Lunch		Reduced Lunch	
						Number Served	Percent of Total	Number Served	Percent of Total
2003	21,374	2,507,074	172	14,576	68.2 %	508,574	20.3 %	170,631	6.8 %
2004	21,095	2,478,685	172	14,411	68.3	556,050	22.4	178,970	7.2
2005	21,118	2,629,008	172	15,285	72.4	658,151	25.0	191,721	7.3
2006	21,285	2,662,435	172	15,479	72.7	719,035	27.0	198,177	7.4
2007	21,420	2,701,115	171	15,796	73.7	752,637	27.9	221,013	8.2
2008	21,116	2,661,288	172	15,473	73.3	778,238	29.2	218,726	8.2
2009	20,379	2,537,579	187	13,570	66.6	763,322	30.1	225,006	8.9
2010	20,339	2,583,066	205	12,600	61.9	856,214	33.1	223,857	8.7
2011	20,141	2,591,135	195	13,288	66.0	904,757	34.9	256,310	9.9
2012	19,966	2,550,155	194	13,145	65.8	915,804	35.9	238,826	9.4

(1) Based on State Food and Nutrition Department guidelines; attendance is deemed to be 97 percent of enrollment.

Source: The District's Food Service Department

INDEPENDENT SCHOOL DISTRICT NO. 279

Students
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (For Students Served or Tuition Paid)					Total		Total Pupil Units	
	Early Childhood and Kindergarten – Handicapped	Kindergarten	Elementary	Secondary	Number	Percent Increase (Decrease)	Number	Percent Increase (Decrease)	
2003	218	1,410	9,910	10,497	22,035	(1.2) %	25,457	(0.9) %	
2004	240	1,368	9,769	10,371	21,748	(1.3)	25,139	(1.3)	
2005	246	1,454	9,608	10,463	21,771	0.1	25,140	–	
2006	261	1,415	9,702	10,565	21,943	0.8	25,375	0.9	
2007	276	1,508	9,755	10,544	22,083	0.6	25,476	0.4	
2008	282	1,421	9,677	10,390	21,770	(1.4)	25,231	(1.0)	
2009	283	1,332	9,424	9,971	21,010	(3.5)	24,361	(3.4)	
2010	315	1,435	9,449	9,765	20,964	(0.2)	24,217	(0.6)	
2011	313	1,377	9,635	9,447	20,772	(0.9)	23,969	(1.0)	
2012	343	1,436	9,487	9,317	20,583	(0.9)	23,705	(1.1)	

Note 1: Student enrollment numbers are estimated for the most recent fiscal year.

Note 2: Beginning in fiscal 2004 ADM is limited to 1.0 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

Source: Minnesota Department of Education



Our Mission

**is to inspire and prepare all students
with the confidence, courage and competence
to achieve their dreams;
contribute to community;
and engage in a lifetime of learning.**