INDEPENDENT SCHOOL DISTRICT NO. 273
EDINA, MINNESOTA

Financial Report

Year Ended
June 30, 2010

INDEPENDENT SCHOOL DISTRICT NO. 273

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INDEPENDENT SCHOOL DISTRICT NO. 273

School Board and Administration
Year Ended June 30, 2010

SCHOOL BOARD

	Position
Randy Meyer	Chairperson
Idith Almog	Vice Chairperson
Peyton Robb	Treasurer
Cathy Cella	Assistant Treasurer
Bert Ledder	Clerk
Regina Neville	Assistant Clerk
Elaine Skrentner	Assistant Clerk

ADMINISTRATION

Dr. Ric Dressen	Superintendent
Jay Willemssen	Director of Business Services
James Gilligan	Controller
Robert Plombon	Assistant Controller

FINANCIAL SECTION

MMKR
CERTIFIED PUBLIC
ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

To the School Board of
Independent School District No. 273
Edina, 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. 273, Edina, Minnesota (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the District's financial statements for the year ended June 30, 2009, and in our report dated November 2, 2009, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable 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. Such information does not include all of the information required in a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2009, from which such partial information was derived.

(continued)

Malloy, Montague, Karnowski, Radosevich & Co., P.A.
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In accordance with *Government Auditing Standards*, we have also issued a report dated October 14, 2010 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedules of Funding Progress for the Other Post-Employment Benefits Plan and the Pension Benefits Plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

The combining and individual fund statements and schedules and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole. The supplemental information and the UFARS Compliance Table have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

October 14, 2010

This section of Independent School District No. 273, Edina, Minnesota's (the District) annual financial report presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2010. Please read it in conjunction with the other components of the District's annual financial report.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of the following parts:

- Independent Auditor's Report;
- Management's Discussion and Analysis;
- Basic financial statements, including the government-wide financial statements, fund financial statements, and the notes to basic financial statements;
- Required Supplementary Information; and
- Combining and individual fund statements and schedules.

The following explains the two types of statements included in the basic financial statements:

Government-Wide Statements

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

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

- Over time, increases or decreases in the District's net assets are indicators of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District requires consideration of additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

Fund Financial Statements

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

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

- Some funds are required by state law and by bond covenants.
- The District can establish other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District maintains the following kinds of funds:

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

Proprietary Funds – The District maintains one type of proprietary fund. Internal service funds are used as an accounting device to accumulate and allocate costs internally among the District's various functions. The District uses its Internal Service Fund to account for its self-insured employee dental program. These services have been included within governmental activities in the government-wide financial statements. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

Table 1
Summary Statement of Net Assets
as of June 30, 2010 and 2009

	2010	2009
Assets		
Current and other assets	$ 65,067,938	$ 47,216,557
Capital assets, net of depreciation	104,775,364	111,139,899
Total assets	**$ 169,843,302**	**$ 158,356,456**
Liabilities		
Current and other liabilities	$ 57,083,764	$ 39,666,188
Long-term liabilities, including due within one year	82,443,161	87,306,990
Total liabilities	**$ 139,526,925**	**$ 126,973,178**
Net assets		
Invested in capital assets, net of related debt	$ 24,176,553	$ 23,918,669
Restricted	1,666,905	1,703,889
Unrestricted	4,472,919	5,760,720
Total net assets	**$ 30,316,377**	**$ 31,383,278**

The District's financial position is the product of many factors. For example, the determination of the District's investment in capital assets, net of related debt involves many assumptions and estimates, such as current and accumulated depreciation amounts. A conservative versus liberal approach to depreciation estimates, as well as capitalization policies, will produce a significant difference in the calculated amounts.

Total net assets decreased by $1,066,901, which reflects the current year operating results. As presented in the table above, invested in capital assets, net of related debt experienced an increase over the prior year while the restricted and unrestricted net assets decreased.

Table 2 presents a condensed version of the Statement of Activities of the District:

Table 2
Summary Statement of Activities
for the Years Ended June 30, 2010 and 2009

	2010	2009
Revenues		
Program revenues		
Charges for services	$ 9,482,624	$ 9,053,200
Operating grants and contributions	11,082,710	10,905,133
General revenues		
Property taxes	31,515,377	30,339,870
General grants and aids	50,630,436	50,073,701
All other	1,082,285	2,282,493
Total revenues	103,793,432	102,654,397
Expenses		
Administration	3,164,755	3,093,026
District support services	2,681,793	2,593,246
Elementary and secondary regular instruction	47,706,718	45,311,092
Vocational education instruction	198,105	234,098
Special education instruction	15,510,799	14,337,507
Instructional support services	6,621,122	7,699,548
Pupil support services	6,408,137	6,217,918
Sites and buildings	8,974,909	9,464,764
Fiscal and other fixed cost programs	140,448	147,316
Food service	3,169,990	3,154,261
Community service	6,914,269	6,749,055
Interest and fiscal charges on debt	3,369,288	3,571,118
Total expenses	104,860,333	102,572,949
Change in net assets	$ (1,066,901)	$ 81,448

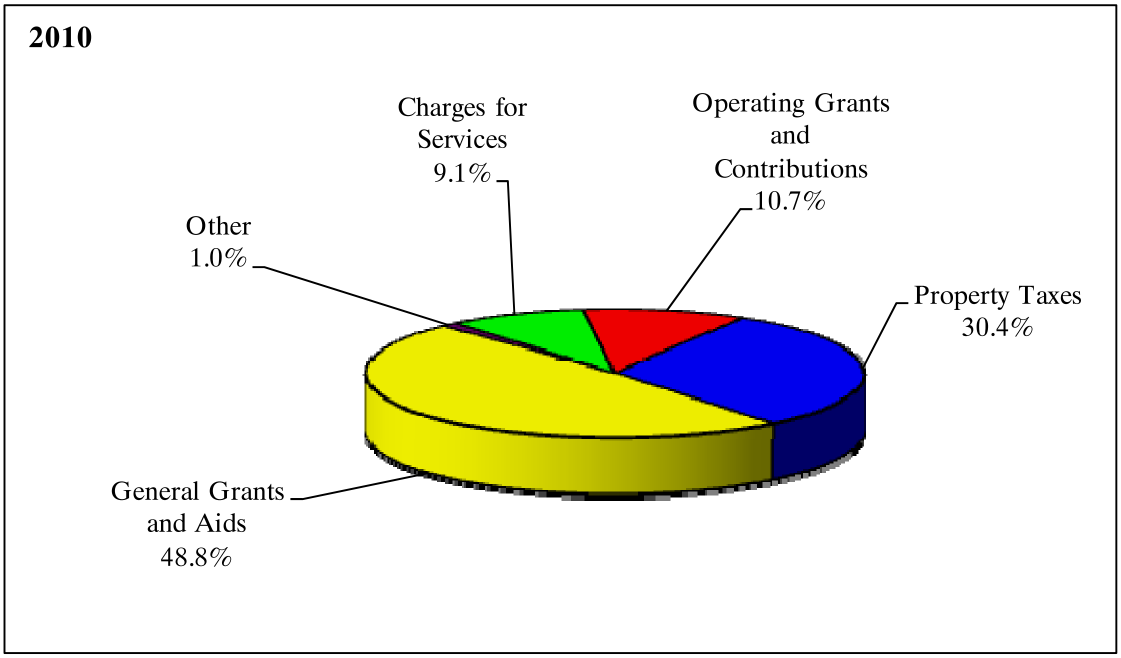
This format is similar to fund financial statements except that this is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

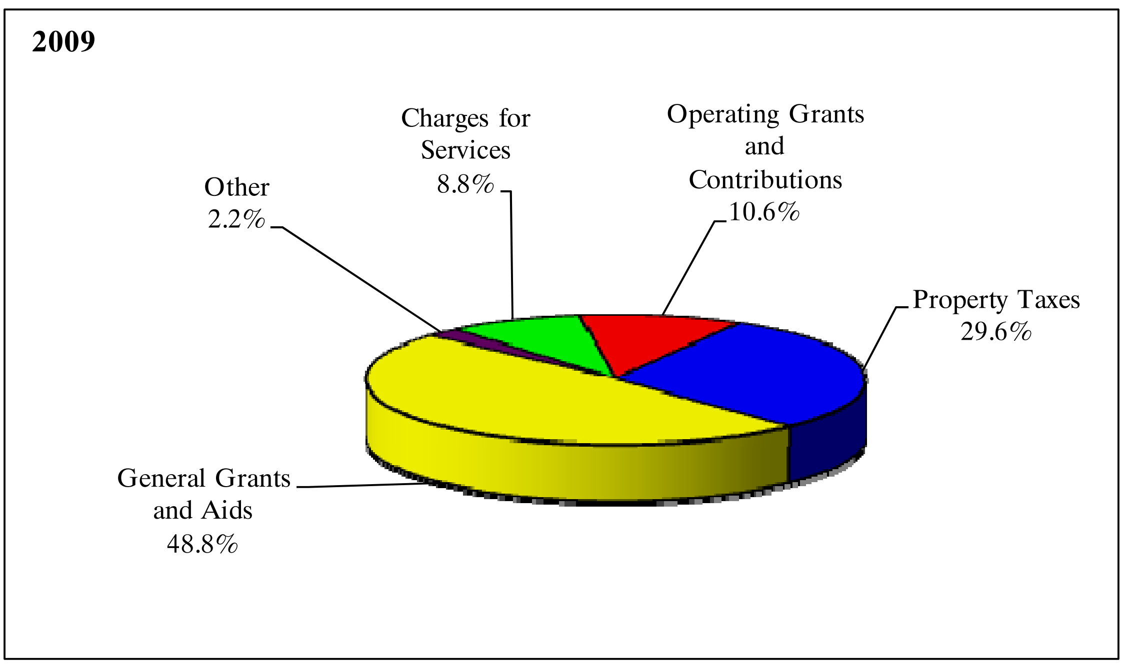
As seen above, total revenues for fiscal year 2010 experienced a $1,139,035 increase from the prior year. This increase was due to increases in enrollment, tax revenues and federal grant awards through the American Recovery and Reinvestment Act (ARRA).

Expenses increased by $2,287,384 compared to fiscal year 2009 levels. Most of the increase was in salaries and benefits, which were $2,146,983 higher than the previous year mainly due to contractual increases.

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

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

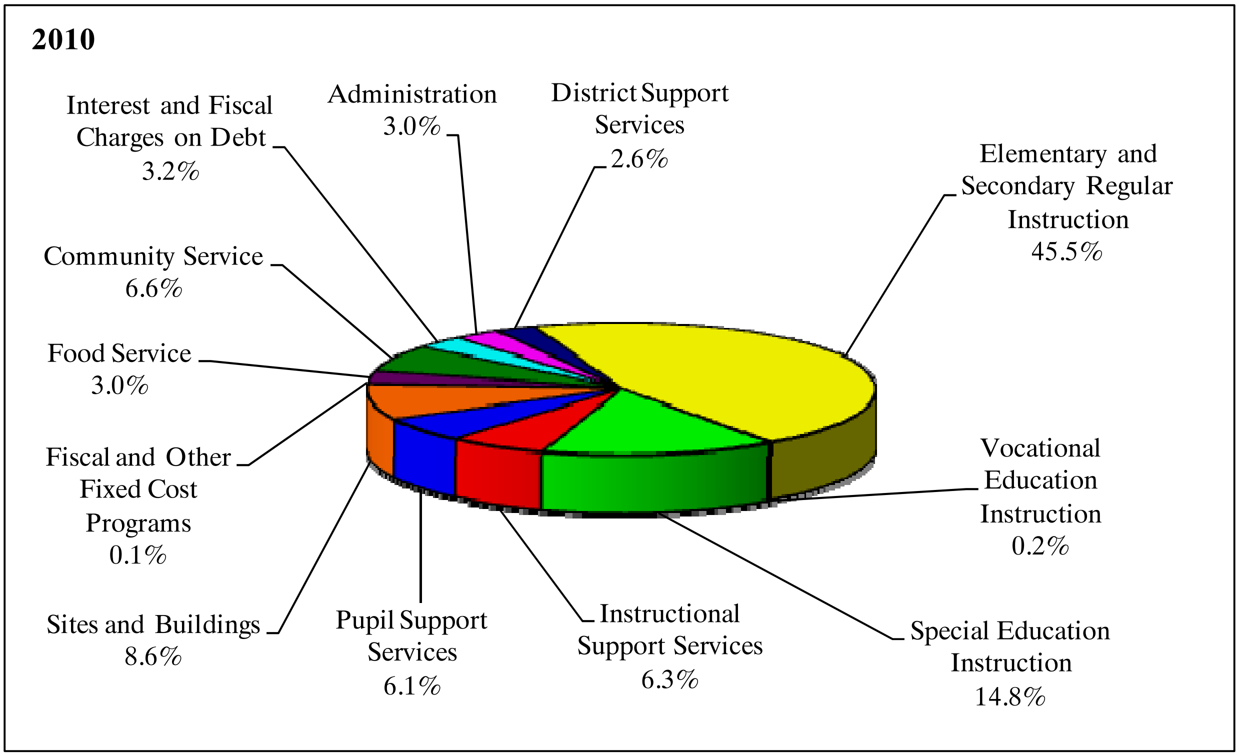


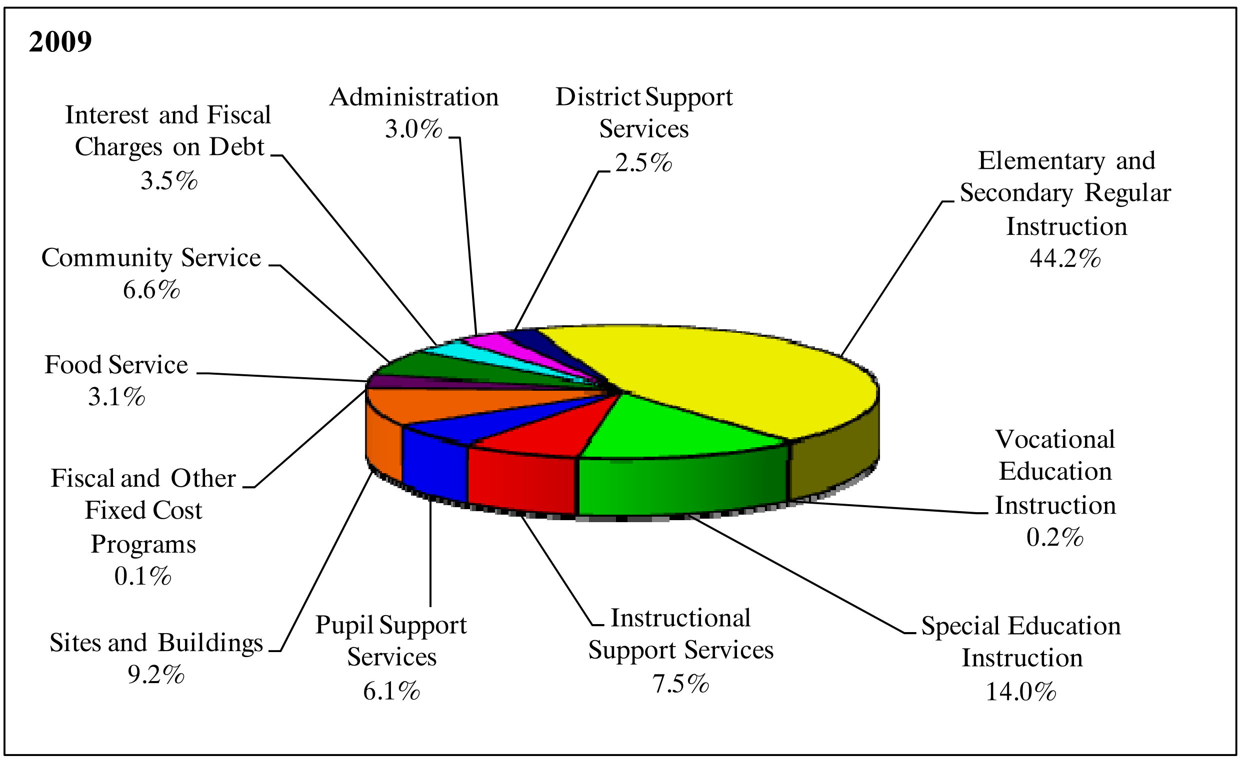


The largest share of the District's revenue is received from the state, including the aid formula and most of the operating grants. This significant reliance on the state for funding has placed tremendous pressures on local school districts as a result of limited funding due to the state's financial position in recent years.

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

Figure B – Expenses for Fiscal Years 2010 and 2009





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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Table 3
Governmental Fund Balances
as of June 30, 2010 and 2009

	2010	2009	Increase (Decrease)
Major funds			
General	$ 10,172,941	$ 8,807,297	$ 1,365,644
Capital Projects – Building Construction	(1,994,405)	(734,694)	(1,259,711)
Debt Service	43,035	26,605	16,430
Nonmajor funds			
Food Service Special Revenue	363,672	330,764	32,908
Community Service Special Revenue	1,290,888	1,358,569	(67,681)
Total governmental funds	$ 9,876,131	$ 9,788,541	$ 87,590

Reserved fund balances of the General Fund decreased $814,314, designated fund balances increased $1,993,612, and the District's unreserved – undesignated portion of fund balance increased $186,346 during the year.

The decrease in the Capital Projects – Building Construction Fund balance reflects the planned spend down of the alternative facility bonds issued in prior years.

Analysis of the General Fund

Table 4 summarizes the amendments to the General Fund budget:

Table 4
General Fund
Budget

	Original Budget	Final Budget	Increase (Decrease)	Percent Change
Revenue	$ 82,903,002	$ 83,112,605	$ 209,603	0.3%
Expenditures	$ 82,568,396	$ 84,123,360	$ 1,554,964	1.9%

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. During the year, the District might amend that budget for known changes in circumstances such as enrollment levels, legislative funding, and employee contract settlements.

Table 5 summarizes the operating results of the General Fund:

Table 5
General Fund
Operating Results

		Over (Under) Final Budget		Over (Under) Prior Year	
	2010 Actual	Amount	Percent	Amount	Percent
Revenue	$ 83,391,904	$ 279,299	0.3%	$ 2,314,113	2.9%
Expenditures	82,028,260	$ (2,095,100)	(2.5%)	$ 2,234,262	2.8%
Other financing sources (uses)	2,000	$ 2,000	N/A	$ 2,000	N/A
Net change in fund balances	$ 1,365,644				

N/A – Not Applicable

Actual revenue for fiscal year 2010 was close to the amended budget while actual expenditures were 2.5 percent under budget. The expenditure variance in 2010 was spread across several programs, with the largest under spending occurring in elementary and secondary regular instruction, instructional support services, and pupil support services.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 6 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ending June 30, 2010 and 2009.

Table 6
Capital Assets

	2010	2009	Increase (Decrease)
Land	$ 1,627,557	$ 1,627,557	$ –
Land improvements	3,847,824	3,737,746	110,078
Buildings	168,239,635	163,398,659	4,840,976
Furniture and equipment	12,105,694	11,944,650	161,044
Construction in progress	118,785	4,402,170	(4,283,385)
Less accumulated depreciation	(81,164,131)	(73,970,883)	(7,193,248)
Total	$ 104,775,364	$ 111,139,899	$ (6,364,535)
Depreciation expense	$ 7,406,248	$ 7,285,844	$ 120,404

The changes presented in the table above reflect the ongoing activity and completion of projects at district sites during fiscal year 2010.

The District only capitalizes furniture and equipment valued at $5,000 or more.

Long-Term Liabilities

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

Table 7
Outstanding Long-Term Liabilities

	2010	2009	Increase (Decrease)
General obligation bonds payable	$ 79,415,000	$ 85,795,000	$ (6,380,000)
Capital leases payable	151,477	221,589	(70,112)
Severance benefits payable	415,129	–	415,129
Net OPEB obligation	1,416,563	741,490	675,073
Net pension obligation	1,044,992	548,911	496,081
Total	$ 82,443,161	$ 87,306,990	$ (4,863,829)

The decrease in general obligation bonds payable and capital leases payable is due to the planned repayment schedule reflecting principal payments during fiscal year 2010.

The change in severance was due to recent changes in employee contracts resulting in the District recording a liability as of year-end on the Statement of Net Assets.

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

Table 8
Limitations on Debt

District's market value	$ 8,215,059,200
Limit rate	15.0%
Legal debt limit	$ 1,232,258,880

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

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The basic general education formula amount for all Minnesota school districts remained stable in fiscal year 2010 at $5,124 and will remain at this level for fiscal year 2011. A weakened economy and growing demand on limited resources have created challenges in funding education for Minnesota schools in recent years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department, Independent School District No. 273, 5701 Normandale Road, Edina, Minnesota 55424.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	Governmental Activities	
	2010	2009
Assets		
Cash and temporary investments	$ 29,041,833	$ 21,664,687
Receivables		
Current taxes	16,897,044	16,462,613
Delinquent taxes	406,649	377,789
Accounts and interest	172,060	201,779
Due from other governmental units	17,844,890	7,833,196
Prepaid items	705,462	676,493
Capital assets, net of depreciation		
Not depreciated	1,746,342	6,029,727
Depreciated	103,029,022	105,110,172
Total capital assets, net of depreciation	104,775,364	111,139,899
Total assets	$ 169,843,302	$ 158,356,456
Liabilities		
Tax anticipation certificates	$ 15,088,738	$ –
Salaries and compensated absences payable	3,294,106	3,328,287
Accounts and contracts payable	4,969,584	4,676,983
Accrued interest payable	1,492,430	1,508,945
Unamortized premium	1,032,334	1,204,641
Due to other governmental units	597,312	462,428
Property taxes levied for subsequent year	29,737,515	27,627,953
Unearned revenue	871,745	856,951
Long-term liabilities		
Due within one year	6,971,677	6,450,112
Due in more than one year	75,471,484	80,856,878
Total long-term liabilities	82,443,161	87,306,990
Total liabilities	139,526,925	126,973,178
Net assets		
Invested in capital assets, net of related debt	24,176,553	23,918,669
Restricted for		
Food service	363,672	330,764
Community service	1,303,233	1,373,125
Unrestricted	4,472,919	5,760,720
Total net assets	30,316,377	31,383,278
Total liabilities and net assets	$ 169,843,302	$ 158,356,456

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2010				2009
		Program Revenues		Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities					
Administration	$ 3,164,755	$ 102,572	$ –	$ (3,062,183)	$ (3,019,973)
District support services	2,681,793	97	–	(2,681,696)	(2,577,783)
Elementary and secondary regular instruction	47,706,718	666,206	377,548	(46,662,964)	(43,740,641)
Vocational education instruction	198,105	–	–	(198,105)	(234,098)
Special education instruction	15,510,799	20,911	7,957,164	(7,532,724)	(6,768,131)
Instructional support services	6,621,122	15,540	–	(6,605,582)	(7,677,265)
Pupil support services	6,408,137	21,738	1,994,768	(4,391,631)	(4,039,394)
Sites and buildings	8,974,909	394,323	–	(8,580,586)	(9,052,700)
Fiscal and other fixed cost programs	140,448	–	–	(140,448)	(147,316)
Food service	3,169,990	2,620,547	482,603	(66,840)	(90,734)
Community service	6,914,269	5,640,690	270,627	(1,002,952)	(1,695,463)
Interest and fiscal charges on debt	3,369,288	–	–	(3,369,288)	(3,571,118)
Total governmental activities	$104,860,333	$ 9,482,624	$ 11,082,710	(84,294,999)	(82,614,616)
	General revenues				
	Taxes				
	Property taxes, levied for general purposes			20,251,169	18,870,685
	Property taxes, levied for capital projects			443,156	1,539,017
	Property taxes, levied for community service			922,749	854,803
	Property taxes, levied for debt service			9,898,303	9,075,365
	General grants and aids			50,630,436	50,073,701
	Other general revenues			1,022,614	1,951,900
	Investment earnings			59,671	330,593
	Total general revenues			83,228,098	82,696,064
	Change in net assets			(1,066,901)	81,448
	Net assets – beginning			31,383,278	31,301,830
	Net assets – ending			$30,316,377	$31,383,278

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Totals 2010	Totals 2009
Assets						
Cash and temporary investments	$ 20,981,580	$ –	$ 4,875,568	$ 2,998,833	$ 28,855,981	$ 21,516,426
Receivables						
Current taxes	10,777,421	506,324	5,128,663	484,636	16,897,044	16,462,613
Delinquent taxes	255,026	13,421	125,857	12,345	406,649	377,789
Accounts and interest	156,341	–	–	15,719	172,060	201,779
Due from other funds	1,309,082	–	–	–	1,309,082	–
Due from other governmental units	17,679,232	3,816	57,424	104,418	17,844,890	7,833,196
Prepaid items	701,017	–	–	4,445	705,462	676,493
Total assets	$ 51,859,699	$ 523,561	$ 10,187,512	$ 3,620,396	$ 66,191,168	$ 47,068,296
Liabilities and Fund Balances						
Liabilities						
Tax anticipation certificates	$ 15,088,738	$ –	$ –	$ –	$ 15,088,738	$ –
Salaries payable	3,095,593	22,784	–	175,729	3,294,106	3,328,287
Accounts and contracts payable	4,527,552	172,273	100	207,171	4,907,096	4,626,347
Accrued interest payable	102,794	–	–	–	102,794	–
Due to other funds	–	1,309,082	–	–	1,309,082	–
Due to other governmental units	597,312	–	–	–	597,312	462,428
Property taxes levied for subsequent year	17,761,032	1,000,406	10,018,520	957,557	29,737,515	27,627,953
Unearned revenue	258,711	–	–	613,034	871,745	856,951
Deferred revenue – delinquent taxes	255,026	13,421	125,857	12,345	406,649	377,789
Total liabilities	41,686,758	2,517,966	10,144,477	1,965,836	56,315,037	37,279,755
Fund balances						
Reserved	(944,675)	(1,959,895)	–	1,290,221	(1,614,349)	476,084
Unreserved						
Designated	3,743,327	–	–	–	3,743,327	1,749,715
Undesignated, reported in major funds	7,374,289	(34,510)	43,035	–	7,382,814	7,234,262
Undesignated, reported in special revenue funds	–	–	–	364,339	364,339	328,480
Total fund balances	10,172,941	(1,994,405)	43,035	1,654,560	9,876,131	9,788,541
Total liabilities and fund balances	$ 51,859,699	$ 523,561	$ 10,187,512	$ 3,620,396	$ 66,191,168	$ 47,068,296

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 273

Reconciliation of the Balance Sheet to the Statement of Net Assets as of June 30, 2010 (With Partial Comparative Information as of June 30, 2009)

	2010	2009
Total fund balances – governmental funds	$ 9,876,131	$ 9,788,541
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	185,939,495	185,110,782
Less accumulated depreciation	(81,164,131)	(73,970,883)
Long-term liabilities are included in net assets, but are excluded from fund balances until due and payable.		
General obligation bonds payable	(79,415,000)	(85,795,000)
Capital leases payable	(151,477)	(221,589)
Severance benefits payable	(415,129)	–
Net other post-employment benefit obligations reported in the Statement of Net Assets do not require the use of current financial resources and are not reported as assets (liabilities) until due.	(1,416,563)	(741,490)
Net pension obligations reported in the Statement of Net Assets do not require the use of current financial resources and are not reported as assets (liabilities) until due.	(1,044,992)	(548,911)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	123,364	97,625
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.	406,649	377,789
Accrued interest payable on long-term debt is included in net assets, but is excluded from fund balances until due and payable.	(1,389,636)	(1,508,945)
Debt issuance premiums and discounts are excluded from net assets until amortized, but are included in fund balances upon issuance as other financing sources and uses.	(1,032,334)	(1,204,641)
Total net assets – governmental activities	$30,316,377	$31,383,278

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 273

Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2010
(With Partial Comparative Information for the Year Ended June 30, 2009)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Totals 2010	Totals 2009
Revenue						
Local sources						
Property taxes	$ 20,228,122	$ 443,687	$ 9,889,748	$ 924,960	$ 31,486,517	$ 30,124,164
Investment earnings	36,684	13	9,927	13,047	59,671	330,593
Other	2,243,886	115	–	8,261,237	10,505,238	10,550,627
State sources	53,924,966	–	76,704	329,505	54,331,175	58,902,746
Federal sources	6,958,246	–	–	423,725	7,381,971	2,076,088
Total revenue	83,391,904	443,815	9,976,379	9,952,474	103,764,572	101,984,218
Expenditures						
Current						
Administration	2,891,265	–	–	–	2,891,265	3,092,640
District support services	2,613,421	–	–	–	2,613,421	2,593,246
Elementary and secondary regular instruction	40,142,301	–	–	–	40,142,301	37,099,317
Vocational education instruction	198,105	–	–	–	198,105	234,098
Special education instruction	15,271,688	–	–	–	15,271,688	14,285,730
Instructional support services	6,593,566	–	–	–	6,593,566	7,885,063
Pupil support services	6,345,288	–	–	–	6,345,288	6,217,918
Sites and buildings	7,681,111	–	–	–	7,681,111	8,116,755
Fiscal and other fixed cost programs	140,448	–	–	–	140,448	136,045
Food service	–	–	–	3,071,441	3,071,441	3,027,724
Community service	–	–	–	6,669,787	6,669,787	6,844,506
Capital outlay	–	1,703,526	–	246,019	1,949,545	5,394,092
Debt service						
Principal	70,112	–	6,380,000	–	6,450,112	5,902,817
Interest and fiscal charges	80,955	–	3,579,949	–	3,660,904	3,789,500
Total expenditures	82,028,260	1,703,526	9,959,949	9,987,247	103,678,982	104,619,451
Excess (deficiency) of revenue over expenditures	1,363,644	(1,259,711)	16,430	(34,773)	85,590	(2,635,233)
Other financing sources						
Sale of capital assets	2,000	–	–	–	2,000	–
Net change in fund balances	1,365,644	(1,259,711)	16,430	(34,773)	87,590	(2,635,233)
Fund balances						
Beginning of year	8,807,297	(734,694)	26,605	1,689,333	9,788,541	12,423,774
End of year	$ 10,172,941	$ (1,994,405)	$ 43,035	$ 1,654,560	$ 9,876,131	$ 9,788,541

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 273

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Year Ended June 30, 2010
(With Partial Comparative Information for the Year Ended June 30, 2009)

	2010	2009
Total net change in fund balances – governmental funds	$ 87,590	$ (2,635,233)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded as net assets and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	1,041,713	4,862,088
Depreciation expense	(7,406,248)	(7,285,844)
Losses on the disposal of capital assets are included in the change in net assets, but are not included in the change in fund balances.	–	(3,692)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The change in net assets of the Internal Service Fund is included in governmental activities in the Statement of Activities.	25,739	97,625
Certain expenses are included in the change in net assets, but do not require the use of current funds, and are not included in the change in fund balances.		
Severance benefits payable	(415,129)	–
Repayment of long-term debt principal does not affect the change in net assets. However, it reduces fund balances.		
General obligation bonds payable	6,380,000	5,785,000
Capital leases payable	70,112	117,817
The change in net other post-employment benefit obligations do not require the use of current financial resources and are not included in the change in fund balances until due.	(675,073)	(741,490)
The change in net pension obligations do not require the use of current financial resources and are not included in the change in fund balances until due.	(496,081)	(548,911)
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 funds balances when due.	119,309	46,074
Debt issuance premiums and discounts are included in the change in net assets as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.	172,307	172,308
Certain revenue (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.	28,860	215,706
Change in net assets – governmental activities	$ (1,066,901)	$ 81,448

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 273

Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended June 30, 2010

	Budgeted Amounts			
	Original	Final	Actual	Over (Under) Final Budget
Revenue				
Local sources				
Property taxes	$ 19,707,300	$ 19,697,476	$ 20,228,122	$ 530,646
Investment earnings	161,000	121,000	36,684	(84,316)
Other	1,812,815	2,176,999	2,243,886	66,887
State sources	58,664,496	54,104,562	53,924,966	(179,596)
Federal sources	2,557,391	7,012,568	6,958,246	(54,322)
Total revenue	82,903,002	83,112,605	83,391,904	279,299
Expenditures				
Current				
Administration	2,849,053	2,983,682	2,891,265	(92,417)
District support services	2,789,142	2,735,272	2,613,421	(121,851)
Elementary and secondary regular instruction	39,860,059	41,154,090	40,142,301	(1,011,789)
Vocational education instruction	78,616	210,035	198,105	(11,930)
Special education instruction	14,360,117	15,163,911	15,271,688	107,777
Instructional support services	7,651,454	6,981,561	6,593,566	(387,995)
Pupil support services	6,291,531	6,719,501	6,345,288	(374,213)
Sites and buildings	8,302,350	7,904,241	7,681,111	(223,130)
Fiscal and other fixed cost programs	305,359	120,000	140,448	20,448
Debt service				
Principal	70,112	70,112	70,112	–
Interest and fiscal charges	10,603	80,955	80,955	–
Total expenditures	82,568,396	84,123,360	82,028,260	(2,095,100)
Excess (deficiency) of revenue over expenditures	334,606	(1,010,755)	1,363,644	2,374,399
Other financing sources				
Sale of capital assets	–	–	2,000	2,000
Net change in fund balances	$ 334,606	$ (1,010,755)	1,365,644	$ 2,376,399
Fund balances				
Beginning of year			8,807,297	
End of year			$ 10,172,941	

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 273

Statement of Net Assets
Proprietary Fund
Internal Service Fund
as of June 30, 2010
(With Partial Comparative Information as of June 30, 2009)

	2010	2009
Assets		
Current assets		
Cash and temporary investments	$ 185,852	$ 148,261
Liabilities		
Current liabilities		
Accounts and contracts payable	62,488	50,636
Net assets		
Unrestricted	$ 123,364	$ 97,625

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 273

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
Internal Service Fund
Year Ended June 30, 2010
(With Partial Comparative Information for the Year Ended June 30, 2009)

	2010	2009
Operating revenue		
Charges for services	$ 774,987	$ 454,473
Operating expenses		
Dental claims and expenses	749,248	356,848
Operating income (loss)	25,739	97,625
Net assets		
Beginning of year	97,625	–
End of year	$ 123,364	$ 97,625

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 273

Statement of Cash Flows
Proprietary Fund
Internal Service Fund
Year Ended June 30, 2010
(With Partial Comparative Information for the Year Ended June 30, 2009)

	2010	2009
Cash flows from operating activities		
Contributions from employees	$ 774,987	$ 454,473
Dental claims and other expense payments	(737,396)	(306,212)
Net cash provided (used) by operating activities	37,591	148,261
Cash and temporary investments		
Beginning of year	148,261	–
End of year	$ 185,852	$ 148,261
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	$ 25,739	$ 97,625
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities		
Changes in assets and liabilities		
Accounts and contracts payable	11,852	50,636
Net cash provided (used) by operating activities	$ 37,591	$ 148,261

See notes to basic financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

Independent School District No. 273, Edina, Minnesota (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District serves pre-kindergarten through 12th grade students attending the District either as a resident of the District or through an open enrollment option election. It is governed by a School Board elected by voters of the District to four-year terms. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

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

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. Based on these criteria, there are no organizations considered to be component units of the District.

In addition to component units, the District is required to disclose its relationships with related organizations. The District is a member of Technology and Information Educational Services (TIES), a consortium of Minnesota school districts that provides data processing services and support to its member districts. TIES is a separate legal entity that is financially independent of the District. Further, the District does not appoint a voting majority of TIES' Board of Directors. Therefore, TIES is not included as part of the District's reporting entity. During the fiscal year ended June 30, 2010, the District paid TIES $1,109,622 for services provided.

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, the District's School Board 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. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. Depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. 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 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.

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

1. **Revenue Recognition** – Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues to be available if they are collected within 60 days after year-end. Grants and similar revenues are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to Minnesota Statutes. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Internal service funds are presented in proprietary fund financial statements by type. Because the principal users of the internal services are the District's governmental activities, 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (other district funds) 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. 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.

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

Description of Funds

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

Major Governmental Funds

General Fund – The General Fund is the government's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

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

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

Nonmajor Governmental Funds

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

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

Proprietary Funds

Internal Service Fund – The Internal Service Fund accounts for the financing of goods or services provided by one department to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The District's Internal Service Fund is used to account for dental insurance offered by the District to its employees as a self-insured plan.

E. Budgetary Information

The School Board adopts an annual budget for all governmental funds prepared on the same basis of accounting as the fund financial statements. Under accounting principles generally accepted in the United States of America, presentation of a budget-to-actual comparison is only required for the General Fund and major special revenue funds. Legal budgetary control is at the fund level.

The School Board must approve revisions to budgeted amounts. The School Board approved mid-year budget revisions increasing General Fund revenues by $209,603 and expenditures by $1,554,964. Expenditures in the Capital Projects – Building Construction Fund exceeded budgeted appropriations by $182,271. Budgeted expenditure appropriations lapse at year-end.

F. Cash and Temporary Investments

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. Bond proceeds recorded in the Capital Projects – Building Construction Fund are not pooled, and earnings on these proceeds are allocated directly to that fund.

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

G. Receivables

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

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are reported as expenses/expenditures at the time of consumption.

I. Property Taxes

The majority of district revenue is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then 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 $3,690,627 of the property tax levy collectible in 2010 as revenue to the District in fiscal year 2009–2010. The remaining portion of the taxes collectible in 2010 is recorded as deferred revenue (property taxes levied for subsequent year).

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

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

J. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost if purchased or constructed. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District defines capital assets as those with an initial, individual cost of $5,000 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings and 5 to 15 years for furniture and equipment. Land and construction in progress are not depreciated.

The District does not possess material amounts of infrastructure capital assets. Such items are considered to be part of the cost of buildings or other improvable property.

K. 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. If material, bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds using the straight-line method.

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 or discounts on debt issuances are reported as other financing sources or uses, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Compensated Absences

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

M. Severance Benefits

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

Severance benefits payable are recorded as a liability in the government-wide statements as they are earned and it becomes probable they will vest at some point in the future. Severance benefits payable are accrued in the governmental fund financial statements as the liability matures due to employee termination.

N. Risk Management and Self-Insurance

1. **General Insurance** – 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 2010.

2. **Self-Insurance** – The District established an Internal Service Fund to account for and finance its uninsured risk of loss for its employee dental plan. Under this plan, the District provides coverage to participating employees and their dependents for various dental costs as described in the plan.

   The District makes premium payments to the Internal Service Fund on behalf of program participants based on provisional rates determined by insurance company estimates of monthly claims paid for each coverage class, plus the stop-loss health insurance premium costs and administrative service charges.

   District claim liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported. Because actual claim liabilities depend on complex factors such as inflation, changes in legal doctrines, and damage awards, the process used in computing a claim liability does not necessarily result in an exact amount. Claim liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in the balance of dental claim liabilities were as follows:

Fiscal Year Ended June 30,	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2009	$ –	$ 356,848	$ 306,212	$ 50,636
2010	$ 50,636	$ 749,248	$ 737,396	$ 62,488

O. 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 (internal service) fund's equity in the government-wide cash and investment management pool is considered to be cash equivalent.

P. 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 disclosures of contingent amounts of revenues and expense/expenditures during the reporting period. Actual results could differ from those estimates.

Q. Net Assets

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

R. Deficit Fund Equity

As of June 30, 2010, the District has an accumulated fund balance deficit of $1,994,405 in its Capital Projects – Building Construction Fund. This deficit will be eliminated through future alternative facilities and capital project levies.

NOTE 2 – CASH AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	$ 231,814
Investments	28,810,019
Total	$ 29,041,833

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

B. Deposits

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

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

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

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

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

At year-end, the carrying amount of the District's deposits was $231,814 while the balance on the bank records was $231,794. At June 30, 2010, all deposits were fully covered by federal depository insurance, surety bonds, or 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 Rating	Rating Agency	Maturity Duration	Carrying Value
Investment pools/mutual funds				
Minnesota School District Liquid Asset Fund	AAAm	S&P	N/A	$ 28,810,019

N/A – Not Applicable

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

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

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

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

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

In addition to statutory restrictions, the District's investment policy requires that commercial paper be of corporations organized in the United States; having at least $1 billion of outstanding corporate paper obligations; rated at the highest classification by Standard and Poor's (A-1) and Moody's Investment Services (P-1); and not be on credit watch for potential downgrades. No more than 50 percent of the District's investments can be in commercial paper on any given day. The District does not allow investments in derivatives. Negotiable certificates of deposit are required to be fully insured.

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 policies limit the investment on any given day, in any given corporation, to $1 million.

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 activity for the year ended June 30, 2010 is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	$ 1,627,557	$ –	$ –	$ –	$ 1,627,557
Construction in progress	4,402,170	354,910	–	(4,638,295)	118,785
Total capital assets, not depreciated	6,029,727	354,910	–	(4,638,295)	1,746,342
Capital assets, depreciated					
Land improvements	3,737,746	110,078	–	–	3,847,824
Buildings	163,398,659	202,681	–	4,638,295	168,239,635
Furniture and equipment	11,944,650	374,044	(213,000)	–	12,105,694
Total capital assets, depreciated	179,081,055	686,803	(213,000)	4,638,295	184,193,153
Less accumulated depreciation for					
Land improvements	(2,642,096)	(100,885)	–	–	(2,742,981)
Buildings	(63,678,846)	(6,545,131)	–	–	(70,223,977)
Furniture and equipment	(7,649,941)	(760,232)	213,000	–	(8,197,173)
Total accumulated depreciation	(73,970,883)	(7,406,248)	213,000	–	(81,164,131)
Net capital assets, depreciated	105,110,172	(6,719,445)	–	4,638,295	103,029,022
Total capital assets, net	$ 111,139,899	$ (6,364,535)	$ –	$ –	$ 104,775,364

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

Administration	$ 386
Elementary and secondary regular instruction	6,737,298
Special education instruction	51,777
Instructional support services	29,673
Sites and buildings	470,993
Food service	97,105
Community service	19,016
Total depreciation expense	$ 7,406,248

NOTE 4 – TAX ANTICIPATION CERTIFICATES

Short-term borrowing for cash flow purposes is summarized as follows:

Issue Date	Maturity Date	Interest Rate	June 30, 2009	Additions	Retirements	June 30, 2010
1/14/2010	2/14/2011	1.50%	$ –	$ 15,153,450	$ 64,712	$ 15,088,738

Interest and fiscal charges of $38,082 were charged to the General Fund in fiscal year 2010 related to these certificates.

NOTE 5 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

The District currently has the following general obligation bonds payable outstanding:

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
School Building Bonds	12/17/2003	3.00–4.50%	$ 85,800,000	02/01/2024	$ 66,700,000
Refunding Bonds	11/01/2005	3.50–5.00%	$ 18,200,000	02/01/2013	8,605,000
Alternative Facilities Bonds	05/08/2008	3.00–3.60%	$ 4,500,000	02/01/2019	4,110,000
Total general obligation bonds payable					$ 79,415,000

These bonds were issued to finance acquisition and/or construction of capital facilities or to finance (refund) prior bond issues. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated for the retirement of these bonds. 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.

B. Capital Leases Payable

The District has entered into several capital lease agreements for building improvements and equipment. The leases, which bear interest rates ranging from 4.94 percent to 5.19 percent, call for periodic principal and interest payments through February 1, 2012. The leased assets have been recorded at $1,751,761 (the present value of future minimum lease payments as of the inception dates of the leases). Total accumulated depreciation on these assets is $465,532. The leases are being paid through the General Fund.

C. Other Long-Term Liabilities

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

D. Minimum Debt Payments

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

Year Ending	General Obligation Bonds Payable		Capital Leases Payable	
June 30,	Principal	Interest	Principal	Interest
2011	$ 6,710,000	$ 3,327,265	$ 73,798	$ 6,916
2012	6,975,000	3,035,765	77,679	3,037
2013	7,255,000	2,732,215	–	–
2014	4,440,000	2,415,965	–	–
2015	4,655,000	2,242,765	–	–
2016–2020	25,780,000	8,326,660	–	–
2021–2024	23,600,000	2,680,250	–	–
	$ 79,415,000	$ 24,760,885	$ 151,477	$ 9,953

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

E. Changes in Long-Term Liabilities

	Balance – Beginning of Year	Additions	Retirements	Balance – End of Year	Due Within One Year
General obligation bonds payable	$ 85,795,000	$ –	$ 6,380,000	$ 79,415,000	$ 6,710,000
Capital leases payable	221,589	–	70,112	151,477	73,798
Severance benefits payable	–	429,156	14,027	415,129	187,879
Net OPEB obligation (see Note 8)	741,490	1,640,882	965,809	1,416,563	–
Net pension obligation (see Note 9)	548,911	828,323	332,242	1,044,992	–
	$ 87,306,990	$ 2,898,361	$ 7,762,190	$ 82,443,161	$ 6,971,677

NOTE 6 – RESERVED AND DESIGNATED FUND BALANCES

Based on state requirements, certain portions of fund balances are reserved to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. Under state accounting guidelines, the District is allowed to record deficit reserves which represent costs incurred by the District for which it has specific future statutory funding authority. In addition, the District's School Board has designated portions of fund balances for specific purposes.

At June 30, 2010, the District has recorded the following reservations and designations of fund balances:

	Reserved	Designated
General Fund		
Reserved for health and safety	$ (1,287,809)	$ –
Reserved for operating capital	343,134	–
Designated for lease agreements	–	35,751
Designated for carryover	–	818,867
Designated for separation/retirement benefits	–	2,297,615
Designated for Q Comp	–	148,223
Designated for special education	–	442,871
Total General Fund	(944,675)	3,743,327
Capital Projects – Building Construction Fund		
Reserved for alternative facilities	(684,866)	–
Reserved for capital projects levy	(1,275,029)	–
Total Capital Projects – Building Construction Fund	(1,959,895)	–
Nonmajor funds		
Community Service Special Revenue Fund		
Reserved for community education programs	1,097,694	–
Reserved for early childhood family education programs	190,596	–
Reserved for school readiness	1,931	–
Total nonmajor funds	1,290,221	–
Total all funds	$ (1,614,349)	$ 3,743,327

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

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

Tier I

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

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).

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

Tier II

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

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

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

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

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

B. Funding Policy

Minnesota Statutes, Chapter 354 sets the rates for employee and employer contributions. These statutes are established and amended by the State Legislature. Coordinated and Basic Plan members are required to contribute 5.5 percent and 9.0 percent, respectively, of their annual covered salary as employee contributions. The employer contribution rate for Coordinated Plan members was 5.5 percent and 9.5 percent for Basic Plan members. Legislation passed during the 2010 session increased member and employer contribution rates by 0.5 percent annually over a four-year period beginning July 1, 2011. Total covered payroll salaries for all TRA members state-wide during fiscal years June 30, 2009, 2008, and 2007 were approximately $3.76 billion, $3.65 billion, and $3.53 billion, respectively.

The District's contributions for the years ended June 30, 2010, 2009, and 2008 were $2,209,827, $2,131,733, and $1,941,155, respectively, equal to the contractually required contributions for each year as set by state statutes.

Public Employees' Retirement Association (PERA)

A. Plan Description

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

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

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

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

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

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

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

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

B. Funding Policy

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic and Coordinated Plan members were required to contribute 9.1 percent and 6.0 percent, respectively, of their annual covered salary in 2009. The contribution rate for Coordinated Plan members will increase to 6.25 percent effective January 1, 2011. The District is required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan PERF members and 6.75 percent for Coordinated Plan PERF members. Employer contribution rates for the Coordinated Plan increased to 7.00 percent effective January 1, 2010 and will increase to 7.25 percent effective January 1, 2011.

The District's contributions to PERF for the years ended June 30, 2010, 2009, and 2008 were $1,054,955, $1,025,310, and $950,918, respectively, equal to the contractually required contributions for each year as set by state statutes.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS PLAN

A. Plan Descriptions

The District provides post-employment benefits to certain eligible employees through its Other Post-Employment Benefits Plan, a single-employer defined benefit plan administered by the District. All post-employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. These benefits are summarized as follows:

Post-Employment Insurance Benefits – All retirees of the District have the option under state law to continue their medical insurance coverage through the District from the time of retirement until the employee reaches the age of eligibility for Medicare. For members of certain employee groups, the District pays for all or part of the eligible retiree's premiums for medical and/or dental insurance from the time of retirement until the employee reaches the age of eligibility for Medicare. Benefits paid by the District differ by bargaining unit, with some contracts specifying a certain dollar amount per month, and some covering premium costs as defined within each collective bargaining agreement. Retirees not eligible for these district-paid premium benefits must pay the full district premium rate for their coverage.

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

B. Funding Policy

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

C. Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefits (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's net OPEB obligation to the plan:

Annual required contribution	$	1,653,036
Interest on net OPEB obligation		33,367
Adjustment to annual required contribution		(45,521)
Annual OPEB cost (expense)		1,640,882
Contributions made		965,809
Increase in net OPEB obligation		675,073
Net OPEB obligation – beginning of year		741,490
Net OPEB obligation – end of year	$	1,416,563

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

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

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	$ 1,607,515	$ 866,025	53.9%	$ 741,490
June 30, 2010	$ 1,640,882	$ 965,809	58.9%	$ 1,416,563

D. Funded Status and Funding Progress

As of July 1, 2008, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $11,975,266, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $11,975,266. The covered payroll (annual payroll of active employees covered by the plan) was $49,308,752, and the ratio of the UAAL to the covered payroll was 24.3 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 July 1, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 4.5 percent investment rate of return (net of administrative expenses) based on the District's own investments; a 3.0 percent rate of projected salary increases; an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after eight years for medical insurance; and an annual healthcare trend rate of 4.0 percent for dental insurance. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization period at July 1, 2008 was 30 years.

NOTE 9 – PENSION BENEFITS PLAN

A. Plan Description

The District provides pension (severance) benefits to certain eligible employees through its Pension Benefits Plan, a single-employer defined benefit plan administered by the District. All pension benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. The benefits are calculated using a predetermined number of days depending on the employee group, multiplied by the employee's daily base pay, or in certain cases, a fixed amount per year of service. Payments are made in either a lump sum or installments to a 403(b) plan or in a lump sum directly to the employee. These contractual agreements do not include any specific contribution or funding requirements.

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 periodically by the District.

C. Annual Pension Cost and Net Pension Obligation

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

Annual required contribution	$	837,320
Interest on net pension obligation		24,701
Adjustment to annual required contribution		(33,698)
Annual pension cost (expense)		828,323
Contributions made		332,242
Increase in net pension obligation		496,081
Net pension obligation – beginning of year		548,911
Net pension obligation – end of year	$	1,044,992

The District's annual pension cost, the percentage of annual pension cost contributed to the plan, and the net pension obligation for the year are as follows:

Fiscal Year Ended	Annual Pension Cost	Employer Contribution	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
June 30, 2009	$ 803,622	$ 254,711	31.7%	$ 548,911
June 30, 2010	$ 828,323	$ 332,242	40.1%	$ 1,044,992

D. Funded Status and Funding Progress

As of July 1, 2008, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $5,723,086, and the actuarial value of assets was $0, resulting in an UAAL of $5,723,086. The covered payroll (annual payroll of active employees covered by the plan) was $37,646,571 and the ratio of the UAAL to the covered payroll was 15.2 percent.

NOTE 9 – PENSION BENEFITS PLAN (CONTINUED)

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

E. Actuarial Methods and Assumptions

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

In the July 1, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 4.5 percent investment rate of return (net of administrative expenses) based on the District's own investments and a 3.0 percent salary increase for all members. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization period at July 1, 2008 was 30 years.

NOTE 10 – 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 dependent care benefits. Payments are made from the Plan to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the participant.

Before the beginning of the Plan year, which is from January 1 to December 31, each participant designates a total amount of pre-tax dollars to be contributed to the Plan during the year. The Plan is administered by the District and is accounted for in the District's General Fund. 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.

All property of the Plan and income attributable to that property is solely the property of the District, subject to the claims of the District's general creditors. Participants' rights under the Plan are equal to those of general creditors of the District in an amount equal to the eligible healthcare and dependent care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 11 – INTERFUND BALANCES AND TRANSACTIONS

The District had the following interfund receivables and payables at June 30, 2010:

	Due From Other Funds	Due to Other Funds
General Fund	$ 1,309,082	$ –
Capital Projects – Building Construction Fund	–	1,309,082
	$ 1,309,082	$ 1,309,082

This balance represents an interfund loan from the General Fund to eliminate a temporary cash deficit in the Capital Projects – Building Construction Fund as of June 30, 2010. Such interfund balances are eliminated in the government-wide financial statements.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Revenues

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. Construction Commitments

At June 30, 2010, the District had commitments totaling $219,674 under various construction contracts for which the work was not yet completed.

C. Legal Claims

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.

REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Funding Progress
June 30, 2010

Other Post-Employment Benefits Plan
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
July 1, 2008	$ 11,975,266	$ –	$ 11,975,266	– %	$ 49,308,752	24.3%

Pension Benefits Plan
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
July 1, 2008	$ 5,723,086	$ –	$ 5,723,086	– %	$ 37,646,571	15.2%

COMBINING AND INDIVIDUAL FUND

STATEMENTS AND SCHEDULES

INDEPENDENT SCHOOL DISTRICT NO. 273

Nonmajor Governmental Funds
Combining Balance Sheet
as of June 30, 2010

	Special Revenue Funds		
	Food Service	Community Service	Totals
Assets			
Cash and temporary investments	$ 608,599	$ 2,390,234	$ 2,998,833
Receivables			
Current taxes	–	484,636	484,636
Delinquent taxes	–	12,345	12,345
Accounts and interest	–	15,719	15,719
Due from other governmental units	19,359	85,059	104,418
Prepaid items	4,445	–	4,445
Total assets	$ 632,403	$ 2,987,993	$ 3,620,396
Liabilities and Fund Balances			
Liabilities			
Salaries payable	$ 3,380	$ 172,349	$ 175,729
Accounts and contracts payable	139,902	67,269	207,171
Property taxes levied for subsequent year	–	957,557	957,557
Unearned revenue	125,449	487,585	613,034
Deferred revenue – delinquent taxes	–	12,345	12,345
Total liabilities	268,731	1,697,105	1,965,836
Fund balances			
Reserved	–	1,290,221	1,290,221
Unreserved – undesignated	363,672	667	364,339
Total fund balances	363,672	1,290,888	1,654,560
Total liabilities and fund balances	$ 632,403	$ 2,987,993	$ 3,620,396

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	Special Revenue Funds		
	Food Service	Community Service	Totals
Revenue			
Local sources			
Property taxes	$ –	$ 924,960	$ 924,960
Investment earnings	2,643	10,404	13,047
Other	2,620,547	5,640,690	8,261,237
State sources	58,878	270,627	329,505
Federal sources	423,725	–	423,725
Total revenue	3,105,793	6,846,681	9,952,474
Expenditures			
Current			
Food service	3,071,441	–	3,071,441
Community service	–	6,669,787	6,669,787
Capital outlay	1,444	244,575	246,019
Total expenditures	3,072,885	6,914,362	9,987,247
Net change in fund balances	32,908	(67,681)	(34,773)
Fund balances			
Beginning of year	330,764	1,358,569	1,689,333
End of year	$ 363,672	$ 1,290,888	$ 1,654,560

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2010	2009
Assets		
Cash and temporary investments	$ 20,981,580	$ 13,576,009
Receivables		
Current taxes	10,777,421	10,225,807
Delinquent taxes	255,026	231,979
Accounts and interest	156,341	176,304
Due from other funds	1,309,082	–
Due from other governmental units	17,679,232	7,721,499
Prepaid items	701,017	676,493
Total assets	$ 51,859,699	$ 32,608,091
Liabilities and Fund Balances		
Liabilities		
Tax anticipation certificates	$ 15,088,738	$ –
Salaries payable	3,095,593	3,131,647
Accounts and contracts payable	4,527,552	4,135,289
Accrued interest payable	102,794	–
Due to other governmental units	597,312	462,098
Property taxes levied for subsequent year	17,761,032	15,741,062
Unearned revenue	258,711	98,719
Deferred revenue – delinquent taxes	255,026	231,979
Total liabilities	41,686,758	23,800,794
Fund balances		
Reserved for severance and health benefits	–	970,615
Reserved for health and safety	(1,287,809)	(1,742,937)
Reserved for operating capital	343,134	641,961
Unreserved		
Designated for lease agreements	35,751	52,024
Designated for carryover	818,867	599,431
Designated for separation/retirement benefits	2,297,615	1,045,106
Designated for Q Comp	148,223	53,154
Designated for special education	442,871	–
Undesignated	7,374,289	7,187,943
Total fund balances	10,172,941	8,807,297
Total liabilities and fund balances	$ 51,859,699	$ 32,608,091

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2010			2009
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 19,697,476	$ 20,228,122	$ 530,646	$ 18,737,025
Investment earnings	121,000	36,684	(84,316)	166,827
Other	2,176,999	2,243,886	66,887	2,082,078
State sources	54,104,562	53,924,966	(179,596)	58,378,178
Federal sources	7,012,568	6,958,246	(54,322)	1,713,683
Total revenue	83,112,605	83,391,904	279,299	81,077,791
Expenditures				
Current				
Administration	2,983,682	2,891,265	(92,417)	3,092,640
District support services	2,735,272	2,613,421	(121,851)	2,593,246
Elementary and secondary regular instruction	41,154,090	40,142,301	(1,011,789)	37,099,317
Vocational education instruction	210,035	198,105	(11,930)	234,098
Special education instruction	15,163,911	15,271,688	107,777	14,285,730
Instructional support services	6,981,561	6,593,566	(387,995)	7,885,063
Pupil support services	6,719,501	6,345,288	(374,213)	6,217,918
Sites and buildings	7,904,241	7,681,111	(223,130)	8,116,755
Fiscal and other fixed cost programs	120,000	140,448	20,448	136,045
Debt service				
Principal	70,112	70,112	–	117,817
Interest and fiscal charges	80,955	80,955	–	15,369
Total expenditures	84,123,360	82,028,260	(2,095,100)	79,793,998
Excess (deficiency) of revenue over expenditures	(1,010,755)	1,363,644	2,374,399	1,283,793
Other financing sources				
Sale of capital assets	–	2,000	2,000	–
Net change in fund balances	$ (1,010,755)	1,365,644	$ 2,376,399	1,283,793
Fund balances				
Beginning of year		8,807,297		7,523,504
End of year		$ 10,172,941		$ 8,807,297

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2010	2009
Assets		
Cash and temporary investments	$ 608,599	$ 506,952
Receivables		
Due from other governmental units	19,359	12,925
Prepaid items	4,445	–
Total assets	$ 632,403	$ 519,877
Liabilities and Fund Balances		
Liabilities		
Salaries payable	$ 3,380	$ 4,372
Accounts and contracts payable	139,902	71,464
Unearned revenue	125,449	113,277
Total liabilities	268,731	189,113
Fund balances		
Unreserved – undesignated	363,672	330,764
Total liabilities and fund balances	$ 632,403	$ 519,877

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2010			2009
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	$ 10,000	$ 2,643	$ (7,357)	$ 14,746
Other – primarily meal sales	2,550,000	2,620,547	70,547	2,645,965
State sources	55,000	58,878	3,878	55,157
Federal sources	395,000	423,725	28,725	362,405
Total revenue	3,010,000	3,105,793	95,793	3,078,273
Expenditures				
Current				
Salaries	85,000	72,491	(12,509)	82,430
Employee benefits	10,750	9,025	(1,725)	10,160
Purchased services	2,937,500	2,932,948	(4,552)	2,871,420
Supplies and materials	55,000	56,977	1,977	63,714
Capital outlay	–	1,444	1,444	–
Total expenditures	3,088,250	3,072,885	(15,365)	3,027,724
Net change in fund balances	$ (78,250)	32,908	$ 111,158	50,549
Fund balances				
Beginning of year		330,764		280,215
End of year		$ 363,672		$ 330,764

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2010	2009
Assets		
Cash and temporary investments	$ 2,390,234	$ 2,673,469
Receivables		
Current taxes	484,636	492,528
Delinquent taxes	12,345	14,556
Accounts and interest	15,719	125
Due from other governmental units	85,059	61,297
Total assets	$ 2,987,993	$ 3,241,975
Liabilities and Fund Balances		
Liabilities		
Salaries payable	$ 172,349	$ 169,936
Accounts and contracts payable	67,269	114,880
Due to other governmental units	–	330
Property taxes levied for subsequent year	957,557	938,749
Unearned revenue	487,585	644,955
Deferred revenue – delinquent taxes	12,345	14,556
Total liabilities	1,697,105	1,883,406
Fund balances		
Reserved for community education programs	1,097,694	1,286,233
Reserved for early childhood family education programs	190,596	68,001
Reserved for school readiness	1,931	6,619
Unreserved – undesignated	667	(2,284)
Total fund balances	1,290,888	1,358,569
Total liabilities and fund balances	$ 2,987,993	$ 3,241,975

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2010			2009
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 938,167	$ 924,960	$ (13,207)	$ 846,434
Investment earnings	60,000	10,404	(49,596)	67,214
Other – primarily tuition and fees	5,291,983	5,640,690	348,707	5,710,584
State sources	223,393	270,627	47,234	396,212
Total revenue	6,513,543	6,846,681	333,138	7,020,444
Expenditures				
Current				
Salaries	4,405,596	4,213,325	(192,271)	4,369,386
Employee benefits	1,046,923	1,132,453	85,530	1,122,380
Purchased services	981,007	1,017,377	36,370	1,026,204
Supplies and materials	330,990	306,532	(24,458)	326,536
Other expenditures	–	100	100	–
Capital outlay	248,607	244,575	(4,032)	171,742
Total expenditures	7,013,123	6,914,362	(98,761)	7,016,248
Net change in fund balances	$ (499,580)	(67,681)	$ 431,899	4,196
Fund balances				
Beginning of year		1,358,569		1,354,373
End of year		$ 1,290,888		$ 1,358,569

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2010	2009
Assets		
Cash and temporary investments	$ –	$ 39,552
Receivables		
Current taxes	506,324	524,848
Delinquent taxes	13,421	13,952
Accounts and interest	–	25,350
Due from other governmental units	3,816	2,902
Total assets	$ 523,561	$ 606,604
Liabilities and Fund Balances		
Liabilities		
Salaries payable	$ 22,784	$ 22,332
Accounts and contracts payable	172,273	304,714
Due to other funds	1,309,082	–
Property taxes levied for subsequent year	1,000,406	1,000,300
Deferred revenue – delinquent taxes	13,421	13,952
Total liabilities	2,517,966	1,341,298
Fund balances		
Reserved for alternative facilities	(684,866)	613,779
Reserved for capital projects levy	(1,275,029)	(1,368,187)
Unreserved – undesignated	(34,510)	19,714
Total fund balances	(1,994,405)	(734,694)
Total liabilities and fund balances	$ 523,561	$ 606,604

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2010			2009
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 452,136	$ 443,687	$ (8,449)	$ 1,531,082
Investment earnings	–	13	13	24,657
Other	–	115	115	112,000
Total revenue	452,136	443,815	(8,321)	1,667,739
Expenditures				
Capital outlay				
Salaries	388,178	383,180	(4,998)	357,476
Employee benefits	112,291	107,588	(4,703)	94,706
Purchased services	–	32,036	32,036	13,176
Capital expenditures	1,020,786	1,180,722	159,936	4,756,992
Total expenditures	1,521,255	1,703,526	182,271	5,222,350
Net change in fund balances	$ (1,069,119)	(1,259,711)	$ (190,592)	(3,554,611)
Fund balances				
Beginning of year		(734,694)		2,819,917
End of year		$ (1,994,405)		$ (734,694)

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2010	2009
Assets		
Cash and temporary investments	$ 4,875,568	$ 4,720,444
Receivables		
Current taxes	5,128,663	5,219,430
Delinquent taxes	125,857	117,302
Due from other governmental units	57,424	34,573
Total assets	$ 10,187,512	$ 10,091,749
Liabilities and Fund Balances		
Liabilities		
Accounts and contracts payable	$ 100	$ –
Property taxes levied for subsequent year	10,018,520	9,947,842
Deferred revenue – delinquent taxes	125,857	117,302
Total liabilities	10,144,477	10,065,144
Fund balances		
Unreserved – undesignated	43,035	26,605
Total liabilities and fund balances	$ 10,187,512	$ 10,091,749

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2010			2009
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 9,846,805	$ 9,889,748	$ 42,943	$ 9,009,623
Investment earnings	70,000	9,927	(60,073)	57,149
State sources	100,000	76,704	(23,296)	73,199
Total revenue	10,016,805	9,976,379	(40,426)	9,139,971
Expenditures				
Debt service				
Principal	6,380,000	6,380,000	–	5,785,000
Interest	3,578,565	3,578,565	–	3,771,107
Fiscal charges and other	3,000	1,384	(1,616)	3,024
Total expenditures	9,961,565	9,959,949	(1,616)	9,559,131
Net change in fund balances	$ 55,240	16,430	$ (38,810)	(419,160)
Fund balances				
Beginning of year		26,605		445,765
End of year		$ 43,035		$ 26,605

SUPPLEMENTAL INFORMATION

(UNAUDITED)

INDEPENDENT SCHOOL DISTRICT NO. 273

General Fund Revenue by Source
Last Ten Fiscal Years

Year Ended June 30,	Local Property Tax Levies	Other Local and County Revenues	State Revenue	Federal Revenue	Total
2001	$ 32,945,250	$ 3,015,344	$ 19,119,383	$ 871,823	$ 55,951,800
	59%	4%	35%	2%	100%
2002	32,480,811	2,638,998	21,340,264	1,069,564	57,529,637
	56%	5%	37%	2%	100%
2003	12,319,314	2,722,771	45,014,782	1,148,177	61,205,044
	20%	4%	74%	2%	100%
2004	17,567,343	3,518,665	42,985,111	934,023	65,005,142
	27%	5%	67%	1%	100%
2005	12,925,332	3,552,892	44,914,300	1,940,520	63,333,044
	20%	6%	71%	3%	100%
2006	9,674,621	3,872,936	51,589,559	1,698,955	66,836,071
	14%	6%	77%	3%	100%
2007	15,915,068	2,970,232	51,257,316	1,579,151	71,721,767
	22%	4%	72%	2%	100%
2008	16,415,623	2,574,904	54,904,780	1,478,313	75,373,620
	22%	3%	73%	2%	100%
2009	18,737,025	2,248,905	58,378,178	1,713,683	81,077,791
	23%	3%	72%	2%	100%
2010	20,228,122	2,280,570	53,924,966	6,958,246	83,391,904
	24%	3%	65%	8%	100%

Note: Beginning in fiscal year 2003 (taxes collectible in 2002), the General Education Tax Levy was eliminated and replaced with state aid.

INDEPENDENT SCHOOL DISTRICT NO. 273

General Fund Expenditures by Program
Last Ten Fiscal Years

Year Ended June 30,	Administration	District Support Services	Instruction	Instructional Support Services	Pupil Support Services	Sites and Buildings	Other Programs	Total	Operating Expenditures Only
2001	$ 3,397,733	$ 2,327,085	$ 35,503,677	$ 3,546,676	$ 3,863,414	$ 8,004,983	$ 298,066	$ 56,941,634	53,533,709
	6%	4%	62%	6%	7%	14%	1%	100%	
2002	3,783,607	2,402,407	36,153,638	3,249,573	4,047,356	9,577,983	408,255	59,622,819	54,238,582
	6%	4%	61%	5%	7%	16%	1%	100%	
2003	3,179,969	2,340,041	38,259,487	4,105,890	4,222,625	9,984,756	754,123	62,846,891	56,774,145
	5%	4%	60%	7%	7%	16%	1%	100%	
2004	3,084,579	2,390,698	39,794,290	4,260,555	4,396,017	7,119,515	966,483	62,012,137	58,545,814
	5%	4%	64%	7%	7%	11%	2%	100%	
2005	3,012,443	2,243,806	40,039,620	4,639,034	5,002,755	6,417,735	997,262	62,352,655	59,522,281
	5%	4%	64%	7%	8%	10%	2%	100%	
2006	3,268,807	2,441,300	43,231,893	4,666,311	5,359,110	9,417,647	892,984	69,278,052	63,315,137
	5%	3%	62%	7%	8%	14%	1%	100%	
2007	3,260,260	2,333,732	46,323,253	5,309,613	5,605,837	9,061,053	611,396	72,505,144	67,948,144
	5%	4%	61%	8%	8%	13%	1%	100%	
2008	3,164,236	2,405,000	48,877,070	5,041,640	5,953,006	7,917,073	521,527	73,879,552	70,985,257
	4%	3%	66%	7%	8%	11%	1%	100%	
2009	3,092,640	2,593,246	51,619,145	7,885,063	6,217,918	8,116,755	269,231	79,793,998	76,569,745
	4%	3%	65%	10%	8%	10%	–%	100%	
2010	2,891,265	2,613,421	55,612,094	6,593,566	6,345,288	7,681,111	291,515	82,028,260	79,074,777
	4%	3%	68%	8%	8%	9%	–%	100%	

Note 1: Instruction includes regular, vocational, and special education instruction.

Note 2: Operating expenditures only exclude capital outlay.

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	Year Collectible	General Fund	Community Service Special Revenue Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Total All Funds
Levies						
	2001	$ 37,438,985	$ 837,816	$ 500,000	$ 6,206,251	$ 44,983,052
	2002	12,173,881	911,621	500,000	6,402,616	19,988,118
	2003	15,364,808	1,003,970	500,000	6,262,208	23,130,986
	2004	12,254,905	818,816	1,000,000	9,893,343	23,967,064
	2005	12,885,440	905,136	1,000,109	9,128,281	23,918,966
	2006	15,614,487	946,912	1,000,111	8,074,618	25,636,128
	2007	16,736,821	1,050,158	1,000,243	8,368,398	27,155,620
	2008	18,851,653	893,439	1,000,553	9,181,816	29,927,461
	2009	19,822,034	938,749	1,000,300	9,947,842	31,708,925
	2010	21,451,658	957,557	1,000,406	10,133,671	33,543,292
Tax rates						
Tax capacity rates						
	2001	36.231	1.178	0.704	8.726	46.839
	2002	3.392	1.763	0.967	12.382	18.504
	2003	9.334	1.807	0.900	11.271	23.312
	2004	3.245	1.358	1.659	16.408	22.670
	2005	3.311	1.344	1.485	13.554	19.694
	2006	6.039	1.246	1.316	10.625	19.226
	2007	5.932	1.241	1.182	9.889	18.244
	2008	4.542	1.001	1.121	10.287	16.951
	2009	4.635	1.037	1.105	10.989	17.766
	2010	5.487	1.050	1.097	11.112	18.746
Market value rates						
	2001	0.263	–	–	–	0.263
	2002	0.216	–	–	–	0.216
	2003	0.194	–	–	–	0.194
	2004	0.178	–	–	–	0.178
	2005	0.166	–	–	–	0.166
	2006	0.154	–	–	–	0.154
	2007	0.147	–	–	–	0.147
	2008	0.177	–	–	–	0.177
	2009	0.183	–	–	–	0.183
	2010	0.194	–	–	–	0.194

Note 1: A tax rate based on market value is used for the District's referendum, equity, and transition levies.

Note 2: The levy for the Capital Projects – Building Construction Fund is a capital projects levy which is included as a component of the general referendum levy based on net tax capacity.

Note 3: Beginning with the levy collectible in 2002, the General Education Tax Levy was eliminated and replaced with state aid.

Source: State of Minnesota School Tax Report

INDEPENDENT SCHOOL DISTRICT NO. 273

Property Tax Levies and Receivables
Last Ten Years

For Taxes Collectible	Original Levy				Uncollected Taxes Receivable as of June 30, 2010			
					Delinquent		Current	
	Local Spread	Fiscal Disparities	Property Tax Credits	Total Spread	Amount	Percent	Amount	Percent
2001	$ 38,412,012	$ 1,609,019	$ 4,962,021	$ 44,983,052	$ –	– %	$ –	– %
2002	18,994,913	666,149	327,056	19,988,118	–	–	–	–
2003	22,145,242	636,644	349,100	23,130,986	–	–	–	–
2004	22,896,961	768,204	301,899	23,967,064	–	–	–	–
2005	22,903,838	794,755	220,373	23,918,966	1,942	0.01	–	–
2006	24,734,667	722,215	179,246	25,636,128	12,913	0.05	–	–
2007	26,277,313	740,269	138,038	27,155,620	21,554	0.08	–	–
2008	29,016,879	789,966	120,616	29,927,461	187,569	0.63	–	–
2009	30,639,825	945,589	123,511	31,708,925	182,671	0.58	–	–
2010	32,343,270	1,061,264	138,758	33,543,292	–	–	16,897,044	50.37
					$ 406,649		$ 16,897,044	

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

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

Source: State of Minnesota School Tax Report

Student Enrollment
Last Ten Fiscal Years

	Average Daily Membership (ADM) (for Students Served or Tuition Paid)					
Year Ended June 30,	Handicapped and Pre-Kindergarten	Kindergarten	Elementary	Secondary	Total	Total Pupil Units
2001	67.19	428.07	3,338.15	3,186.22	7,019.63	8,090.29
2002	61.39	454.92	3,313.04	3,206.62	7,035.97	8,095.49
2003	59.82	499.29	3,349.96	3,246.35	7,155.42	8,208.88
2004	64.75	465.70	3,392.34	3,334.59	7,257.38	8,359.25
2005	66.63	470.52	3,404.12	3,384.07	7,325.34	8,441.91
2006	69.29	496.28	3,480.79	3,482.66	7,529.02	8,671.00
2007	73.21	488.22	3,510.44	3,494.94	7,566.81	8,718.02
2008	69.49	512.62	3,600.26	3,562.08	7,744.45	8,941.35
2009	72.10	514.21	3,672.12	3,649.88	7,908.31	9,137.36
2010	69.76	510.39	3,699.27	3,773.56	8,052.98	9,321.47

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

Note 2: Beginning in 2004, ADM is limited to 1.0 ADM per student.

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

	Pre-Kindergarten	Handicapped Kindergarten	Kindergarten	Elementary 1–3	Elementary 4–6	Secondary
Fiscal 2001 through 2007	1.250	1.000	0.557	1.115	1.060	1.300
Fiscal 2008 through 2010	1.250	1.000	0.612	1.115	1.060	1.300

SINGLE AUDIT AND OTHER REQUIRED REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 273

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Federal Expenditures	
U.S. Department of Agriculture			
Passed through Minnesota Department of Education			
Child nutrition cluster			
School Breakfast Program	10.553	$ 30,197	
National School Lunch Program	10.555	364,199	
Total child nutrition cluster			394,396
U.S. Department of Education			
Passed through Minnesota Department of Education			
Special education cluster			
Special Education – Grants to States	84.027	1,236,620	
ARRA – Special Education – Grants to States	84.391	812,121	
Special Education – Preschool Grants	84.173	46,591	
ARRA – Special Education – Preschool Grants	84.392	27,979	
Total special education cluster			2,123,311
Early intervention services cluster			
Special Education – Grants for Infants and Families	84.181	210,708	
ARRA – Special Education – Grants for Infants and Families	84.393	1,124	
Total early intervention services cluster			211,832
Title I Grants to Local Educational Agencies	84.010		173,700
Improving Teacher Quality State Grants	84.367		136,424
Safe and Drug-Free Schools and Communities – State Grants	84.186		15,911
English Language Acquisition Grants	84.365		21,454
ARRA – State Fiscal Stabilization Fund – Education State Grants	84.394		4,216,180
Passed through Carver-Scott Educational Cooperative			
Career and Technical Education – Basic Grants to States	84.048		20,520
U.S. Corporation for National and Community Service			
Passed through Minnesota Department of Education			
Learn and Serve America – School and Community-Based Programs	94.004		7,246
Total federal awards			$ 7,320,974

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

Note 2: Non-monetary assistance of $31,432 is reported in this schedule, representing the value of commodities received and disbursed for the U.S. Department of Agriculture National School Lunch Program (CFDA No. 10.555).

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

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

Program Title	Federal CFDA No.	Amount Provided
City of Bloomington	84.181	$ 52,206
ISD No. 271, Bloomington	84.181	56,862
ISD No. 272, Eden Prairie	84.181	41,123
ISD No. 280, Richfield	84.181	19,298

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

To the School Board of
Independent School District No. 273
Edina, Minnesota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 273, Edina, Minnesota (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 14, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

(continued)

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Compliance and Other Matters

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

We noted certain matters that we reported to management of the District, in a separate letter dated October 14, 2010.

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

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

October 14, 2010

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

To the School Board of
Independent School District No. 273
Edina, Minnesota

Compliance

We have audited Independent School District No. 273, Edina, Minnesota's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 C*ompliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

(continued)

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Internal Control Over Compliance

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

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

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

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

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

October 14, 2010

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

WITH MINNESOTA STATE LAWS AND REGULATIONS

To the School Board of
Independent School District No. 273
Edina, Minnesota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 273, Edina, Minnesota (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 14, 2010.

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

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

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

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

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

October 14, 2010

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

A. SUMMARY OF AUDIT RESULTS

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

Financial Statements

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

Federal Awards

Internal controls over major federal award programs:				
Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified?		Yes	X	None reported
Type of auditor's report issued on compliance for major programs?	X	Unqualified		
		Qualified		
		Adverse		
		Disclaimer		
Any audit findings disclosed that are required to be reported in accordance with section 501(a) of OMB Circular A-133?		Yes	X	No

Programs tested as major programs:

Program or Cluster(s)	CFDA No.
The U.S. Department of Education – special education cluster consisting of:	
– Special Education – Grants to States	84.027
– ARRA – Special Education – Grants to States	84.391
– Special Education – Preschool Grants	84.173
– ARRA – Special Education – Preschool Grants	84.392
The U.S. Department of Education – early intervention services cluster	
– Special Education – Grants for Infants and Families	84.181
– ARRA – Special Education – Grants for Infants and Families	84.393
The U.S. Department of Education	
– ARRA – State Fiscal Stabilization Fund – Education State Grants	84.394

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

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

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

None.

D. FINDINGS – MINNESOTA LEGAL COMPLIANCE AUDIT

None.

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

No audit findings at June 30, 2009.

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

		Audit	UFARS	Audit – UFARS
General Fund				
Total revenue		$ 83,391,904	$ 83,391,903	$ 1
Total expenditures		$ 82,028,260	$ 82,028,259	$ 1
Reserved				
403	Staff development	$ –	$ –	$ –
405	Deferred maintenance	$ –	$ –	$ –
406	Health and safety	$ (1,287,809)	$ (1,287,809)	$ –
407	Capital projects levy	$ –	$ –	$ –
408	Cooperative revenue	$ –	$ –	$ –
413	Projects funded by COP	$ –	$ –	$ –
414	Operating debt	$ –	$ –	$ –
416	Levy reduction	$ –	$ –	$ –
417	Taconite building maintenance	$ –	$ –	$ –
419	Encumbrances	$ –	$ –	$ –
423	Certain teacher programs	$ –	$ –	$ –
424	Operating capital	$ 343,134	$ 343,134	$ –
426	$25 taconite	$ –	$ –	$ –
427	Disabled accessibility	$ –	$ –	$ –
428	Learning and development	$ –	$ –	$ –
434	Area learning center	$ –	$ –	$ –
435	Contracted alternative programs	$ –	$ –	$ –
436	State approved alternative program	$ –	$ –	$ –
438	Gifted and talented	$ –	$ –	$ –
441	Basic skills programs	$ –	$ –	$ –
445	Career and technical programs	$ –	$ –	$ –
446	First grade preparedness	$ –	$ –	$ –
449	Safe schools – crime levy	$ –	$ –	$ –
450	Pre-kindergarten	$ –	$ –	$ –
451	QZAB payments	$ –	$ –	$ –
452	OPEB liability not in trust	$ –	$ –	$ –
453	Unfunded severance and retirement levy	$ –	$ –	$ –
Unreserved				
418	Designated – separation/retirement benefits	$ 2,297,615	$ 2,297,615	$ –
422	Unreserved – undesignated	$ 8,820,001	$ 8,820,001	$ –
Food Service				
Total revenue		$ 3,105,793	$ 3,105,794	$ (1)
Total expenditures		$ 3,072,885	$ 3,072,885	$ –
Reserved				
419	Encumbrances	$ –	$ –	$ –
452	OPEB liability not in trust	$ –	$ –	$ –
Unreserved				
418	Designated – separation/retirement benefits	$ –	$ –	$ –
422	Unreserved – undesignated	$ 363,672	$ 363,672	$ –
Community Service				
Total revenue		$ 6,846,681	$ 6,846,681	$ –
Total expenditures		$ 6,914,362	$ 6,914,362	$ –
Reserved				
419	Encumbrances	$ –	$ –	$ –
426	$25 taconite	$ –	$ –	$ –
431	Community education	$ 1,097,694	$ 1,097,694	$ –
432	ECFE	$ 190,596	$ 190,596	$ –
444	School readiness	$ 1,931	$ 1,931	$ –
447	Adult basic education	$ –	$ –	$ –
452	OPEB liability not in trust	$ –	$ –	$ –
Unreserved				
418	Designated – separation/retirement benefits	$ –	$ –	$ –
422	Unreserved – undesignated	$ 667	$ 666	$ 1
Building Construction				
Total revenue		$ 443,815	$ 443,815	$ –
Total expenditures		$ 1,703,526	$ 1,703,526	$ –
Reserved				
407	Capital projects levy	$ (1,275,029)	$ (1,275,029)	$ –
409	Alternative facility program	$ (684,866)	$ (684,866)	$ –
413	Project funded by COP			
419	Encumbrances	$ –	$ –	$ –
Unreserved				
422	Unreserved – undesignated	$ (34,510)	$ (34,510)	$ –

		Audit	UFARS	Audit – UFARS
Debt Service				
Total revenue		$ 9,976,379	$ 9,976,378	$ 1
Total expenditures		$ 9,959,949	$ 9,959,949	$ –
Reserved				
425	Bond refundings	$ –	$ –	$ –
451	QZAB payments	$ –	$ –	$ –
Unreserved				
422	Unreserved – undesignated	$ 43,035	$ 43,035	$ –
Trust				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
Reserved				
419	Encumbrances	$ –	$ –	$ –
Unreserved				
422	Unreserved – undesignated	$ –	$ –	$ –
Agency				
Unreserved				
422	Unreserved – undesignated	$ –	$ –	$ –
Internal Service				
Total revenue		$ 774,987	$ 774,986	$ 1
Total expenditures		$ 749,248	$ 749,248	$ –
Reserved				
419	Encumbrances	$ –	$ –	$ –
Unreserved				
422	Unreserved – undesignated	$ 123,364	$ 123,364	$ –
OPEB Revocable Trust				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
Reserved				
419	Encumbrances	$ –	$ –	$ –
Unreserved				
422	Unreserved – undesignated	$ –	$ –	$ –
OPEB Irrevocable Trust				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
Reserved				
419	Encumbrances	$ –	$ –	$ –
Unreserved				
422	Unreserved – undesignated	$ –	$ –	$ –
OPEB Debt Service				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
Reserved				
425	Bond refundings	$ –	$ –	$ –
Unreserved				
422	Unreserved – undesignated	$ –	$ –	$ –

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

Unaudited Data Reporting Elements

Fiscal Year 2010 Operating Capital Transfer

Per pupil amount	$ –
Adjusted marginal cost pupil unit	–
Total transfer	$ –