

Duluth Public Schools

Independent School District #709

Duluth, Minnesota

FINANCIAL STATEMENTS

Year Ended June 30, 2011



**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

ORGANIZATION
JUNE 30, 2011

School Board Directors

		<u>Term Expires</u>
Judy Seliga Punyko	Chairperson	12/31/2011
Ann Wasson	Vice Chairperson	12/31/2013
Tim Grover	Clerk of the Board	12/31/2011
Mary Cameron	Treasurer	12/31/2013
Gary Glass		12/31/2011
Art Johnston		12/31/2013
Tom Kasper		12/31/2013

Ex Officio Members

Superintendent
Keith Dixon, Appointed July, 2005
Deputy Clerk
William Hanson, Appointed July, 2003

Dean R. Ager, CPA
Michael S. Altman, CPA
Deborah J. Medlin, CPA
Darla R. Benoit, CPA
Ronald E. Peterson, CPA/ABV
Thomas J. Eling, CPA
Thomas L. Sykes, CPA of Counsel

Independent Auditor's Report

December 6, 2011

To the School Board
Independent School District No. 709
Duluth, Minnesota

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 709, Duluth, Minnesota (District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statement, Independent School District No. 709, Duluth, Minnesota, adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*, in 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pages 4 through 10, budgetary comparison information, page 51, and the information about the District's other postemployment benefits, page 52, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The combining and individual fund financial statements and schedules, and other supplementary information, pages 53 through 77, are presented for the purpose of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements and schedules, and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional audit procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly presented in all material respects in relation to the financial statements taken as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United States, the District's basic financial statements for the year ended June 30, 2010, which are not presented with the accompanying financial statements. In our report dated December 10, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. That 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 financial statements and schedules, and other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2010 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2010 combining and individual fund financial statements and schedules, and other supplementary information are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Eileen A. Schilling Ltd.

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

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DULUTH, MINNESOTA**

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INDEPENDENT SCHOOL DISTRICT NO. 709 – DULUTH PUBLIC SCHOOLS
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2011

As management of Independent School District No. 709 (District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2011.

FINANCIAL HIGHLIGHTS

- The District’s total net assets of governmental activities increased approximately \$2.9 million, versus 2010, primarily due to an increase in capital assets related to our facilities plan.
- General revenues accounted for 86.7 million, or 67% of all fiscal year 2011 revenues. This represents a decrease of \$1.6 million versus the prior year. Program specific revenues of \$43.5 million (charges for services, grants and contributions) accounted for 33% of total fiscal 2011 revenues. This represents a decrease of \$3.9 million versus the prior year due to grant monies that could not be renewed.
- The District spent approximately \$127.3 million on governmental activities. This represents a decrease of \$5.5 million (equal to 4.1%) versus prior year. The decrease results from significant reductions in operating expenses which were offset by expenses related to long-term debt related to the Long Range Facilities Plan (LRFP).
- Among major funds, the General fund had \$100.8 million in revenues, consisting mainly of state aids and local property taxes, and \$105.8 million in expenditures. This deficit of \$5.0 million was \$2.8 million more than the prior year.
- General Fund spending was \$0.7 million less than the revised budget of \$106.5 million. This is due to open purchase orders, school budgets and referendum spending that will be carried over to FY 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor’s Report, Required Supplementary Information which includes the Management’s Discussion and Analysis (this section), the Basic Financial Statements, and Supplemental Information. The District’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation, and operation of non-instructional services.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accrual basis of accounting is used for fiduciary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District's budget process. The District adopts an annual expenditure budget for all governmental funds. A budgetary comparison statement has been provided for the General fund as required supplementary information.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the major budgetary comparisons.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$4.4 million as of June 30, 2011. This increase of \$2.9 marks the sixth gain in the past eight years.

Duluth Public Schools Statement of Net Assets As of June 30,

	2011	2010 (Restated)	Total Percentage Change 2010- 2011
Current and Other Assets	\$169,673,158	\$263,454,628	(35.6)%
Capital Assets	<u>236,146,482</u>	<u>115,042,092</u>	105.3%
Total Assets	\$405,819,640	\$378,496,720	7.2%
Long-term Liabilities	323,988,963	\$322,609,643	0.4%
Other Liabilities	<u>77,467,695</u>	<u>54,404,613</u>	42.4%
Total Liabilities	\$401,456,658	\$377,014,256	6.5%
Net Assets/(Liabilities)			
Invested in capital assets, net of related debt	\$29,258,467	\$22,207,444	31.8%
Restricted	10,530,320	7,324,896	43.8%
Unrestricted	<u>(35,425,805)</u>	<u>(28,049,876)</u>	26.3%
Total Net Assets	<u>\$4,362,982</u>	<u>\$1,482,464</u>	194.3%

District Assets of \$405.8 million include, \$0.3 million in other assets, \$30.7 million in unrestricted cash, property tax and state aid receivables of \$44.3 million capital assets being depreciated of \$41.4 million, \$94.4 million in restricted cash, (for the facilities plan) and \$194.7 million in undepreciated capital assets.

District Liabilities of \$401.5 million include \$311.3 million in Long-term Debt (facilities plan), \$12.7 million for the current portion of long-term debt, \$37.1 million due to employees and vendors for expenditures incurred but not paid as of fiscal year-end, \$19.4 million for a short term loan, 19.1 million for revenues collected for future fiscal years and \$1.9 million in other liabilities.

**Duluth Public Schools
Change in Net Assets
For the Year ended June 30,**

	<u>2011</u>	<u>2010</u>	Total % Change 2010- <u>2011</u>
Revenues:			
Program Revenues:			
Charges for Services	\$10,542,295	\$6,749,844	56.2%
Operating grants and contributions	32,983,290	40,751,498	(19.1)%
General Revenues:			
Property taxes	21,411,978	20,543,174	4.2%
State aids	58,681,608	59,561,082	(1.5)
Other	<u>6,595,075</u>	<u>5,012,919</u>	31.6
Total Revenues	\$130,214,246	\$132,618,517	(1.8)%
Expenses:			
Administration	\$5,599,964	\$4,719,546	18.7
District support services	3,795,391	2,818,589	34.7
Elementary and secondary regular instruction	49,441,123	53,141,932	(7.0)
Vocational education instruction	1,502,716	1,761,294	(14.7)%
Special education instruction	22,947,007	23,079,736	(0.6)%
Instructional support services	3,958,788	3,053,244	29.7%
Pupil support services	8,757,974	8,805,231	(0.5)%
Sites and buildings	9,897,874	9,416,524	5.1%
Fiscal and other fixed cost programs	269,564	268,668	0.3%
Food service	3,110,688	3,243,560	(4.1)
Community service	7,881,769	10,914,513	(27.8)%
Interest and fiscal charges on long-term debt	<u>10,170,870</u>	<u>11,575,054</u>	(12.1)%
Total expenses	<u>\$127,333,728</u>	<u>\$132,797,891</u>	4.1%
Change in net assets	<u>2,880,518</u>	<u>(179,374)</u>	<u>1705.9%</u>
Beginning of year net assets	<u>\$1,482,464</u>	<u>\$1,661,838</u>	<u>(10.8%)</u>
End of year net assets	<u>\$4,362,982</u>	<u>\$1,482,464</u>	<u>194.3%</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

GENERAL FUND

The General Fund fund balance decreased \$7.9 million to a total of \$6.8 million as follows:

Unassigned fund balance decreased by \$7.9 million to \$-0.3 million. Unrealized property sales of \$4.4 million and an identified but unaddressed reserve shortfall (due to enrollment) of \$1.0 million explain the variance beyond the budget.

Committed fund balance (severance – insurance premiums) of \$4.1 million increased \$0.6 million from the prior year due to more employees approaching retirement age.

Assigned fund balances of \$1.8 million decreased by \$0.1 million from the prior year.

Restricted fund balances decreased by \$0.4 million, due to a \$0.7 million decrease in operating capital funds, along with a \$0.2 million decrease in learning development funds, and a \$0.1 million decrease in staff development funds. These reductions were partially offset by an increase of \$0.3 million in basic skills funds, a \$0.2 million increase in integration funds and \$0.1 million in gifted and talented funds.

Non-spendable fund balances decreased by \$0.1 million due primarily to a decrease in the inventory reserve of \$41,597. Prepayments were reduced by \$26,006.

BUDGET REVISIONS

General fund (which includes the District's general, transportation and capital funds) adopted revenue budget of \$96.8 million was revised upward to \$102.7 million as a result of a \$2.6 million increase in Title program budgets, \$1.2 million in Federal stimulus monies, an increase of \$0.4 million in additional revenues and grants for special education, a \$0.7 million increase in technology revenues and refunds and a \$1.0 million increase for grants related to student and curriculum support.

General fund adopted expenditure budget of \$99.1 million was increased by \$7.4 million to \$106.5 million. In addition to the \$5.9 million of items identified in the preceding paragraph, there was \$1.5 million of budget carryover from the prior year.

VARIANCES TO FINAL REVISED BUDGET

General fund revenues were \$2.0 million less than the revised budget (a difference of 1.9%). This represents grant and federal program revenues that will be realized in FY 2012.

General fund spending was \$0.7 million less than the revised budget. This was due to unspent funds for open purchase orders, school budgets, staff development, and referendum spending will also be carried over into fiscal 2012.

CAPITAL ASSETS

In fiscal 2011, the District acquired \$123.3 million of new capital assets, reflecting the impact of our Long Range Facilities Plan. Large items included ongoing facilities improvements, school bus purchases, and technology equipment. Depreciation of \$1.9 million was taken on existing items. As of June 30, 2011, the district had capital items costing \$267.8 million, which had an undepreciated value of \$236.1 million. Most of the capital investment is in buildings and equipment.

LONG-TERM LIABILITIES

At year-end, the district had \$287.9 million of outstanding bonds payable certificates of participation. This reflects an increase of \$1.1 million versus the principal amount of \$286.8 million due in 2010. State statute limits the District's debt to 15% of the fair market value of property in the District. This sets the District debt limit at approximately \$961.3 million as of June 30, 2011.

The remainder of long-term liabilities is the \$36.1 million recognized for severance benefits and other post-employments benefits (OPEB). This represents an increase of \$0.3 million versus prior year.

ECONOMIC AND BUDGETARY FACTORS

Factors affecting the District's future financial condition include the following:

Declining enrollment – as the population of school-age children residing in the District declines, District revenues decline, as most of our funding is based on the number of pupils served in the District.

School choice – in addition to population decline, more residents have chosen educational options other than the District. Increases in charter schools, home schooling and private school enrollment has contributed to pupil and corresponding revenue loss.

State Budget – the current economic forecast for the state of Minnesota continues to be more negative than in the recent past. Since K-12 education makes up over 40% of state spending and because State revenues account for over 71% of the District's General revenues, the District will be impacted by decisions made relative to education spending. The District anticipates that state aid payment delays will continue, perpetuating the need for short-term borrowing.

Medical Insurance – premium increases have been reduced through a plan change to a high-deductible statewide insurance plan. The District continues to work with employees to reduce the utilization of prescription drugs and medical services. As a result of these efforts, the District has realized a reduction of 8% in premiums for FY12.

Retiree benefits (severance) – this large liability exceeds the amounts currently set aside to pay these benefits upon retirements. This may impact the General fund, as interest

earned on any invested funds will accrue to the trust for severance and not be available as General fund revenue.

DISTRICT FINANCIAL CONTACT

This financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives and utilizes. Should you have questions about this report, or need additional information, please contact:

Bill Hanson, CFO/Executive Director of Business Services, ISD #709
215 N. 1st Avenue East, Duluth, MN 55802
or call 218-336-8704

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

Exhibit 1

**Statement of Net Assets
June 30, 2011**

	Governmental Activities
Assets	
Cash and temporary investments	\$ 30,711,759
Receivables	
Taxes	14,602,722
Accounts and interest receivable	2,878,263
Due from other governmental units	26,792,639
Inventory	211,961
Prepayments	71,675
 Restricted assets	
Cash and investments for capital projects	94,404,139
Capital assets, net of depreciation	
Capital assets not being depreciated	194,707,196
Capital assets being depreciated	41,439,286
 Total assets	<u><u>\$ 405,819,640</u></u>
 Liabilities	
Salaries payable	\$ 14,520,693
Accounts and contracts payable	17,465,143
Short-term loan	19,375,000
Accrued interest payable	5,091,395
Due to other funds	255,119
Due to other governmental units	439,247
Compensated absences	383,762
Unearned revenue	162,403
Taxes levied for subsequent years' expenditures	18,890,916
Unamortized premium and discount, net	884,017
Long term liabilities	
Due within one year	12,694,080
Due in more than one year	311,294,883
 Total liabilities	<u><u>\$ 401,456,658</u></u>
 Net Assets	
Invested in capital assets, net of related debt	\$ 29,258,467
Restricted for:	
Debt service payments	10,530,320
Unrestricted	(35,425,805)
Total Assets	<u><u>\$ 4,362,982</u></u>
 Total liabilities and net assets	<u><u>\$ 405,819,640</u></u>

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**Statement of Activities
For the Year Ended June 30, 2011**

Functions/Programs	Expenses
Government Activities	
Administration	\$ 5,599,964
District Support Services	3,795,391
Regular Instruction	49,441,123
Vocational Education Instruction	1,502,716
Special Education Instruction	22,947,007
Instructional Support Services	3,958,788
Pupil Support Services	8,757,974
Sites and Buildings	9,897,874
Fiscal and Other Fixed Cost Programs	269,564
Food Service	3,110,688
Community Service	7,881,769
Interest and Fiscal Charges on Long Term Debt	10,170,870
Total Governmental Activities	<u>\$ 127,333,728</u>

Exhibit 2

Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
\$	\$	\$	\$
7,382	117,720		(5,482,244)
2,889,644	6,549,212		(3,788,009)
0	338,051		(40,002,267)
486,833	13,073,080		(1,164,665)
190,905	1,831,282		(9,387,094)
74,045	1,916,878		(1,936,601)
4,785,180	168,064		(6,767,051)
			(4,944,630)
			(269,564)
1,086,636	2,131,564		107,512
1,021,670	5,084,424		(1,775,675)
	1,773,015		(8,397,855)
<u>\$ 10,542,295</u>	<u>\$ 32,983,290</u>	<u>\$</u>	<u>\$ (83,808,143)</u>
General Revenues			
Taxes			
Property Taxes, levied for General Purposes			\$ 11,073,797
Property Taxes, levied for Community Service			851,485
Property Taxes, levied for Debt Service			9,486,696
State aid-formula grants			58,681,608
Other general revenues			2,054,048
Investments Earnings			4,541,027
Total General Revenues			<u>\$ 86,688,661</u>
Change in net assets			\$ 2,880,518
Net liabilities - beginning			<u>1,482,464</u>
Net assets - ending			<u>\$ 4,362,982</u>

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**Balance Sheet
GOVERNMENTAL FUNDS
June 30, 2011**

	<u>General</u>	<u>Capital Projects</u>
<u>Assets</u>		
Cash and investments	\$ 17,099,131	\$ 94,404,139
Taxes and credits receivable	5,090,106	
Accounts and interest receivable	69,702	2,795,452
Due from		
Other funds	74,952	
Other Minnesota school districts	792,780	
Department of Education	21,534,912	50,419
Federal through Department of Education	2,372,858	
Federal - direct	3,290	
Other governmental units	127,937	
Inventory	128,928	
Prepayments	71,550	125
Total Assets	<u>\$ 47,366,146</u>	<u>\$ 97,250,135</u>

Exhibit 3

Debt Service	Other Funds	Total Government Funds
\$ 12,983,689	\$ 628,939	\$ 125,115,898
8,870,229	642,387	14,602,722
5,116	7,993	2,878,263
		74,952
		792,780
805,115	627,131	23,017,577
	126,894	2,499,752
	346,442	349,732
	4,861	132,798
	83,033	211,961
		71,675
<u>\$ 22,664,149</u>	<u>\$ 2,467,680</u>	<u>\$ 169,748,110</u>

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**Balance Sheet
GOVERNMENTAL FUNDS
June 30, 2011**

	<u>General</u>	<u>Capital Projects</u>
<u>Liabilities</u>		
Salaries payable	\$ 13,958,605	\$ 5,472
Accounts payable	874,704	1,538,003
Short term loan	19,375,000	
Due to		
Other funds	199,813	
Other Minnesota school districts	142,590	
Other governmental units	296,657	
Claims payable	245,365	
Construction contracts		14,719,675
Deferred revenue	158,688	
Delinquent taxes	369,576	
Taxes levied for subsequent years' expenditures	4,945,371	
Total Liabilities	<u>\$ 40,566,369</u>	<u>\$ 16,263,150</u>

**Exhibit 3
(Continued)**

<u>Debt Service</u>	<u>Other Funds</u>	<u>Total Government Funds</u>
\$	\$ 556,616	\$ 14,520,693
	87,396	2,500,103
		19,375,000
	130,258	330,071
		142,590
		296,657
		245,365
		14,719,675
	3,715	162,403
412,593	36,813	818,982
<u>13,317,461</u>	<u>628,084</u>	<u>18,890,916</u>
<u>\$ 13,730,054</u>	<u>\$ 1,442,882</u>	<u>\$ 72,002,455</u>

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**Balance Sheet
GOVERNMENTAL FUNDS
June 30, 2011**

	<u>General</u>	<u>Capital Projects</u>
Fund Balance (Deficit)		
NonSpendable:		
Inventory	\$ 128,928	\$
Prepayments	71,550	125
Restricted for:		
Basic skills programs	329,293	
Staff development	302,381	
Gifted and talented	22,786	
Alternative facilities		20,554,021
Projects funded by COP		16,254,645
Capital projects		44,178,194
Debt service		
Food service		
Community education		
Early childhood family education		
Adult basic education		
Community service		
Committed for:		
Severance-insurance premiums	4,080,744	
Assigned for:		
School carryover	680,633	
Student activities	1,149,583	
Desegregation	293,340	
Unassigned		
General	(259,461)	
Total Fund Balance	<u>\$ 6,799,777</u>	<u>\$ 80,986,985</u>
Total Liabilities and Fund Balance	<u>\$ 47,366,146</u>	<u>\$ 97,250,135</u>

**Exhibit 3
(Continued)**

<u>Debt Service</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
\$	\$ 83,033	\$ 211,961
		71,675
		329,293
		302,381
		22,786
		20,554,021
		16,254,645
		44,178,194
8,934,095		8,934,095
	623,014	623,014
	69,770	69,770
	160,099	160,099
	61,524	61,524
	27,358	27,358
		4,080,744
		680,633
		1,149,583
		293,340
		(259,461)
<u>\$ 8,934,095</u>	<u>\$ 1,024,798</u>	<u>\$ 97,745,655</u>
<u>\$ 22,664,149</u>	<u>\$ 2,467,680</u>	<u>\$ 169,748,110</u>

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

Exhibit 4

**Reconciliation of the Balance Sheet to the
Statement of Net Assets
Governmental Funds
June 30, 2011**

Total fund balances - governmental funds	\$ 97,745,655
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	267,765,816
Less: accumulated depreciation	(31,619,334)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Bond principal payable	(66,960,000)
Certificates of participation	(220,915,000)
Long-term liabilities, including severance payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
	(33,319,431)
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
	(383,762)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	
	818,982
Governmental funds do not report a liability for accrued interest until due and payable.	
	(5,091,395)
Changes in net other post-employment benefits obligations are reported only in the statement of activities.	
	(2,794,532)
Governmental funds report debt issuance premiums and discounts as an other financing source or use at the time of issuance. Premiums and discounts are reported as an unamortized asset or liability in the District-wide financial statements.	
	<u>(884,017)</u>
Total net assets (liabilities) - governmental activities	<u>\$ 4,362,982</u>

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
GOVERNMENTAL FUNDS
Year Ended June 30, 2011**

	General	Capital Projects
Revenues		
Local property tax levies	\$ 11,036,584	\$ 168,450
Interest income	61,153	4,466,237
Other local and county	4,861,024	4,579
State sources	74,443,715	168,063
Federal sources	9,950,566	
Sales and other conversions of assets	399,513	
Total Revenues	<u>\$ 100,752,555</u>	<u>\$ 4,807,329</u>
Expenditures		
Administration	\$ 5,586,829	\$
District support services	2,649,414	
Regular instruction	48,777,597	
Vocational instruction	1,495,399	
Special education instruction	22,807,509	
Community education and services		
Instructional support services	3,809,696	
Pupil support services	8,460,095	
Sites, buildings and equipment	8,102,812	841,574
Fiscal and other fixed cost programs	269,564	
Debt service		
Principal		
Interest and fiscal charges		
Capital outlay	3,823,772	120,292,591
Total Expenditures	<u>\$ 105,782,687</u>	<u>\$ 121,134,165</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (5,030,132)</u>	<u>\$ (116,326,836)</u>
Other Financing Sources (Uses)		
Sale of equipment	\$ 5,546	\$
Sale of property	448,085	
Proceeds from bonds and loans, net	3,180	6,522,753
Transfer In		
Transfer Out	(3,344,250)	(3,209,284)
Total Other Financing Sources (Uses)	<u>\$ (2,887,439)</u>	<u>\$ 3,313,469</u>
Net change in fund balance	<u>\$ (7,917,571)</u>	<u>\$ (113,013,367)</u>
Fund Balance		
Beginning of Year	<u>14,717,348</u>	<u>194,000,352</u>
End of Year	<u><u>\$ 6,799,777</u></u>	<u><u>\$ 80,986,985</u></u>

Exhibit 5

Debt Service	Other Funds	Total Governmental Funds
\$ 9,491,165	\$ 862,952	\$ 21,559,151
13,637		4,541,027
	1,742,544	6,608,147
2,683,716	2,148,213	79,443,707
1,164,016	5,200,474	16,315,056
	1,077,841	1,477,354
<u>\$ 13,352,534</u>	<u>\$ 11,032,024</u>	<u>\$ 129,944,442</u>
\$	\$	\$ 5,586,829
		2,649,414
		48,777,597
		1,495,399
		22,807,509
	7,814,752	7,814,752
		3,809,696
	3,104,564	11,564,659
		8,944,386
		269,564
5,475,000		5,475,000
10,746,852		10,746,852
	41,682	124,158,045
<u>\$ 16,221,852</u>	<u>\$ 10,960,998</u>	<u>\$ 254,099,702</u>
<u>\$ (2,869,318)</u>	<u>\$ 71,026</u>	<u>\$ (124,155,260)</u>
\$	\$	\$ 5,546
		448,085
42,412		6,568,345
6,553,534		6,553,534
		(6,553,534)
<u>\$ 6,595,946</u>	<u>\$</u>	<u>\$ 7,021,976</u>
\$ 3,726,628	\$ 71,026	\$ (117,133,284)
5,207,467	953,772	214,878,939
<u>\$ 8,934,095</u>	<u>\$ 1,024,798</u>	<u>\$ 97,745,655</u>

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

Exhibit 6

**Reconciliation of the Statement of
Revenues, Expenditures, and Changes in Fund Balance
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2011**

Total net changes in fund balances - governmental funds	\$ (117,133,284)
---	------------------

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlays	123,216,760
Disposal of capital assets	(188,032)
Depreciation expense	(1,924,338)

The amount of bond proceeds used to finance the acquisition of capital assets is reported in the governmental funds as source of financing. Bond proceeds are not revenues in the statement of activities, but rather constitute long-term liabilities	(6,605,000)
--	-------------

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	5,565,000
--	-----------

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues regardless of when it is due.	535,936
--	---------

Net amortization of premiums and discounts.	(49,954)
---	----------

Change in severance and post-employment benefits is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	(339,320)
---	-----------

Payment of compensated absences is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	(50,078)
--	----------

Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditure and therefore are deferred in the funds.	(147,172)
--	-----------

Change in net assets - governmental activities	<u>\$ 2,880,518</u>
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INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Exhibit 7

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Federal Employee Benefit Trust	Private- Purpose Funds	Agency Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ 1,458,217	\$ 145,236	\$ 1,722
Interest receivable	15,958		
Due from other funds	<u>255,119</u>	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 1,729,294</u></u>	<u><u>\$ 145,236</u></u>	<u><u>\$ 1,722</u></u>
Liabilities			
Deferred revenue	<u>\$</u>	<u>\$</u>	<u>\$ 1,722</u>
Total Liabilities	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,722</u></u>
Net Assets			
Reserved for endowment	\$	\$ 127,535	\$
Reserved for clock tower		17,701	
Reserved for retirees	<u>1,729,294</u>	<u> </u>	<u> </u>
Total Net Assets	<u><u>\$ 1,729,294</u></u>	<u><u>\$ 145,236</u></u>	<u><u>\$</u></u>
Total Liabilities and Net Assets	<u><u>\$ 1,729,294</u></u>	<u><u>\$ 145,236</u></u>	<u><u>\$ 1,722</u></u>

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

Exhibit 8

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

	Federal Employee Benefit Trust	Private- Purpose Funds
	<u> </u>	<u> </u>
Additions		
Miscellaneous	\$ 255,119	\$
Investment earnings		
Interest	<u>21,115</u>	<u>1,932</u>
Total Additions	<u>\$ 276,234</u>	<u>\$ 1,932</u>
Deductions		
Benefits	\$ 200,000	\$
Pupil support services		<u>20</u>
Total Deductions	<u>\$ 200,000</u>	<u>\$ 20</u>
Changes in Net Assets	\$ 76,234	\$ 1,912
Net Assets - Beginning	<u>1,653,060</u>	<u>143,324</u>
Net Assets - Ending	<u><u>\$ 1,729,294</u></u>	<u><u>\$ 145,236</u></u>

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

1. Summary of Significant Accounting Policies

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Financial Reporting Entity

The District is an instrumentality of the State of Minnesota established to function as an educational institution. The Board of Education consists of elected officials and is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board of Education and is responsible for administrative control of the District.

The District's financial statements include 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 include 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.

The financial transactions of student activities are included in the financial statements. Student activities are established by various student organizations (which have District employees as advisors). Amounts are usually generated and spent at the discretion of the student organizations and faculty advisors. The School Board has chosen to directly control the activities.

Basic Financial Statement Presentation

The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District except for the fiduciary funds. The Fiduciary Funds are only reported in the Statements of Fiduciary Net Assets at the fund financial statement level.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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 items not properly included among program revenues are reported instead as general revenues.

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

1. Summary of Significant Accounting Policies (continued)

The District applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net assets are available. Depreciation expense can be specifically identified by function and is included in the direct expenses of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. The effect of interfund activity has been removed from the district-wide financial statements.

Separate fund financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregate information for the remaining non-major governmental funds is reported in a single column in the fund financial statements.

The fiduciary funds are presented in the fiduciary fund financial statements by type (pension and agency). Since, by definition, these assets are being held for the benefit of a third party (private parties, severance obligations, etc.) and cannot be used to address activities or obligations of the District, these funds are not incorporated into the district-wide statements.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are fiduciary fund financial statements. 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". Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

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. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within one year.
2. Recording of Expenditures – Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation

The District has established funds to account for and segregate the financial consequences of its various activities. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and expenditures or expenses. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and by how such activities are controlled. Descriptions of the funds included in this report are as follows:

Major Governmental Funds

The General Fund of the District accounts for administration, kindergarten through 12th grade instruction, transporting students to and from school, purchases of land, buildings, improvements, equipment, and textbooks, major repairs, activities and other costs to the District and related revenues.

The Capital Projects Fund accounts for construction of facility additions financed by levy or bonds.

The Debt Redemption Debt Service Fund accounts for the retirement of bonds issued for kindergarten through 12th grade projects and payments of related interest. The assets of this fund are legally restricted to the aforementioned purpose.

Non-major Governmental Funds

The Food Service Fund accounts for meals provided to students. Revenues consist of state and federal aids and grants and sales to pupils and adults.

The Community Services Fund accounts for instruction of persons not in kindergarten through 12th grades. Revenues consist of state and federal aids and grants and participation fees.

Fiduciary Funds

The Private Purpose Funds account for principal and unexpended earnings of the Miller Memorial Playground endowment and the Clock Tower endowment.

Federal Employee Benefit Trust accounts for employees' severance for federally funded programs.

The Agency Funds account for assets held for employees and other agencies.

Budget Policies and Basis

The School Board is responsible for the budget and for the District's financial performance against the budget. District employees prepare a proposed budget on the modified accrual basis of accounting. The budget is amended and approved by the Board before the beginning of the fiscal year as required by Minn. Stat. § 123.B.77, subd. 4. The Board reviews the District's financial progress against the budget regularly throughout the year.

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

1. Summary of Significant Accounting Policies (continued)

Budget and Budgetary Accounting

Formal budgetary accounting is employed as a management control for all funds of the District. For each fund for which a formal budget is adopted the same basis of accounting is used to reflect actual revenues and expenditures recognized on the basis of accounting principles generally accepted in the United States of America.

Reported budget amounts represent the originally adopted budget as amended. Expenditures in excess of the budget require approval of the School Board. Employees report significant deviations from budget line amounts to the Board as they are recognized throughout the year. The annual budget is not legally binding on the District unless the District has a total deficit in its K-12 general and operating funds that exceed 2.5 percent of expenditures. The budget is adopted through passage of a resolution. The School Board must approve revisions that alter total expenditures of any fund without offsetting revenues.

Cash and Investments

Cash and investments of the individual funds are combined to form a pool, except for the fiduciary funds, and are invested, to the extent available, in securities as authorized by state law. Investment income is reported in the General, Capital, and Fiduciary Funds. Funds with negative cash balances are not charged interest. Certificates of deposits and securities of the U.S. government and its agencies are recorded at fair value, based on quoted market price. External investment pools and money market funds are recorded at fair value, based on the fair value of the position in the pool.

Receivables

Amounts due from individuals and organizations are recorded as receivables at year-end. Receivables are shown net of an allowance for uncollectible accounts. At [June 30, 2011](#), the allowance for uncollectible accounts was \$45,862. The only receivables not expected to be collected within one year are current and delinquent property taxes receivable.

Inventory

General Fund inventory includes instructional and other materials held in the central storeroom. Inventory in the Food Service Fund consists of food and supplies. The General Fund central storeroom inventory is priced using the weighted average method. All inventories are accounted for using the consumption method. Under the consumption method, expenditures are recognized when inventory is used rather than when purchased. Food and supplies are valued at cost on a first-in, first-out basis.

Prepayments

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are reported using the consumption method and recorded as an expenditure at the time of consumption.

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

1. Summary of Significant Accounting Policies (continued)

Restricted Assets

Restricted assets are cash and cash equivalents whose use is limited by legal requirements such as a bond indenture. Restricted assets are reported only in the district-wide financial statements.

Capital Assets

Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$5,000 or more for capitalizing capital assets. Capital assets are recorded in the district-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, ranging from five to fifty years.

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

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

Compensated Absences

The District records a liability for earned but unpaid vacation. Unpaid sick leave does not vest and therefore is not accrued. Sick pay is recognized when paid and unused balances are used in severance calculations.

Long-term Liabilities

In the district-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

1. Summary of Significant Accounting Policies (continued)

Fund Balances

During fiscal year 2011, the District adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which established new fund balance classifications to allow for more useful fund balance reporting.

In the fund financial statements, governmental funds report fund balance amounts within one of the following fund balance categories: nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balance is either (a) not in spendable form, or (b) legally or contractually required to remain intact. Restricted fund balance includes amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the School Board. Assigned fund balance includes amounts intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed. The portion of the fund balance not nonspendable, restricted, committed or assigned is reported as unassigned fund balance. If resources from more than one fund balance classification could be spent, the district will strive to spend resources from fund balance classifications in the following order: restricted, committed, assigned, and unassigned.

In accordance with the District's fund balance policy, formal board action is required to establish, modify or rescind a fund balance commitment and the District's management is authorized to assign fund balance to a specific purpose. To ensure financial stability, the board adopted a fund balance policy that shall establish and maintain an amount in the general fund unassigned amount, and/or the severance-insurance restricted amount, equal to ten percent of the combined budgetary unrestricted expenditures from the general fund, food service fund, community services fund, capital fund, and debt service fund.

Net Assets

Net assets represent the difference between assets and liabilities in the district-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 district-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws and regulations of other governments.

Property Taxes

The property tax calendar in Minnesota follows the calendar year. Taxes are levied in December of the year prior to collections and become a lien on January 1 based on the School Board's certification and property values as of the previous January 1. Taxes are due May 15 and October 15 to the county as agent for the District. The county remits taxes to the District in June, November, and January.

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

2. Cash and Investments

Deposits

Minn. Stat. § 118A.04 authorizes the District to deposit its cash and to invest in financial institutions designated by the District's Board. Minnesota Statutes require that all District deposits be covered 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.

Investments

Minn. Stat. § 118A.04 and 118A.05 generally authorizes the following types of investments as available to the District:

- (1) Securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by subd. 6;
- (2) Shares of a Minnesota joint powers investment trust or shares of an investment company that is registered under the Federal Investment Company Act of 1940 pursuant to the restrictions of Minn. Stat § 118A.05 subd. 4;
- (3) General obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota or other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) Time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers' acceptances of United States banks;
- (5) Commercial paper issued by United States corporations, or their Canadian subsidiaries, that is of the highest quality and matures in 270 days or less;
- (6) Guaranteed investment contracts (gic's) issued or guaranteed by United States commercial banks, or domestic branches of foreign banks, or United States insurance companies, if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories;
- (7) Repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers; and
- (8) Securities lending agents under the provisions of Minn. Stat. § 118A.05 subd.3.

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

2. Cash and Investments (continued)

Investments (continued)

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

Interest Rate Risk – Interest rate risk is the risk that changes in the market interest rates that will adversely affect the fair value of an investment. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The District has the following investments at [June 30, 2011](#):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 Yr</u>	<u>1-3 Years</u>	<u>Over 3 Years</u>
Government Agencies	\$ 11,936,617	\$ 8,596,414	\$ 3,340,203	
External Investment Pool	34,489,843	34,489,843		
Commercial Paper	4,949,373	4,949,373		
Money Market Funds	10,969,919	10,969,919		
Negotiable CD's	62,996,772	50,141,918	12,547,627	307,227
Total Investments	\$ 125,342,524	\$ 109,147,467	\$ 15,887,830	\$ 307,227

Credit Risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the District's policy to invest only in securities that meet the ratings requirements set by state statute.

The District's exposure to credit risk as of [June 30, 2011](#) is as follows:

<u>S&P or Moody's Rating</u>	<u>Fair Value</u>
AAA	\$ 11,936,617
AAAm	34,489,843
AA	201,988
A	311,313
Not rated	78,402,763
Total	\$ 125,342,524

Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. At [June 30, 2011](#), none of the District's investments were subject to custodial credit risk.

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

2. Cash and Investments (continued)

Investments (continued)

Concentration of Credit Risk – The concentration of credit risk is the risk of loss that may be caused by the District's investment in a single issuer. The District places no limit on the amount the District may invest in any one issuer. Investments in any one issuer (excluding mutual funds and internal investment pools) that represents five percent or more of the District's investments are as follows:

<u>Issuer</u>	<u>Amount</u>
Federal Home Loan Bank	\$ 9,641,998
US Bank	17,047,500
Key Bank	13,836,137
TD Bank	7,583,400
Citibank	12,277,900

The District's total cash and investments as of June 30, 2011 are as follows:

Petty Cash	\$ 4,025
Deposits	1,374,524
Investments	<u>125,342,524</u>
	<u><u>\$ 126,721,073</u></u>

The District's total cash and investments as of June 30, 2011 are as follows:

Statement of Net Assets	
Cash and temporary investments	\$ 30,711,759
Restricted Assets:	
Cash and investments for capital projects	94,404,139
Statement of Fiduciary Net Assets	
Cash and Cash Equivalents	
Federal Employee Benefit Trust	1,458,217
Private Purpose Funds	145,236
Agency Funds	<u>1,722</u>
Total Cash and Investments	<u><u>\$ 126,721,073</u></u>

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

3. Taxes and Credits Receivable

Current taxes and credits receivable represent the uncollected balance of the 2010 levy, collectible in 2011, including related state property tax relief aid. Delinquent taxes receivable represent taxes due from levies of the prior six years. At June 30, 2011, property taxes and credits receivable consisted of:

<u>Fund</u>	<u>Current</u>	<u>Delinquent</u>	<u>Total</u>
General	\$ 4,914,852	\$ 369,576	\$ 5,284,428
Community Services Fund	605,574	36,813	642,387
Debt Redemption Debt Service	8,457,637	412,592	8,870,229
Total	<u>\$ 13,978,063</u>	<u>\$ 818,981</u>	<u>\$ 14,797,044</u>

4. Inventory

Inventory at June 30, 2011, consisted of:

General Fund - Supplies	\$ 128,928
Food Service Fund - food	83,033
Total	<u>\$ 211,961</u>

5. Capital Assets

A summary of the changes in capital assets is as follows:

	Balance June 30, 2010	Additions	Disposals	Balance June 30, 2011
Capital assets, not being depreciated				
Land	\$ 1,387,557	\$ 1,017,765	\$ (42,483)	\$ 2,362,839
Constr. work in proc.	70,795,707	121,548,650		192,344,357
Total capital assets, not being depreciated	<u>\$ 72,183,264</u>	<u>\$ 122,566,415</u>	<u>\$ (42,483)</u>	<u>\$ 194,707,196</u>
Capital assets, being depreciated				
Land improvements	\$ 3,313,584			\$ 3,313,584
Buildings	61,798,614	396,004	(280,473)	61,914,145
Furniture & Equipment	7,713,552	296,824	(179,485)	7,830,891
Total capital assets, being depreciated	<u>\$ 72,825,750</u>	<u>\$ 692,828</u>	<u>\$ (459,958)</u>	<u>\$ 73,058,620</u>
Less: Accumulated Depreciation	<u>(29,966,922)</u>	<u>(1,924,338)</u>	<u>271,926</u>	<u>(31,619,334)</u>
Capital assets, being depreciated, net	<u>\$ 42,858,828</u>	<u>\$ (1,231,510)</u>	<u>\$ (188,032)</u>	<u>\$ 41,439,286</u>
Total capital assets, net of depreciation	<u>\$ 115,042,092</u>	<u>\$ 121,334,905</u>	<u>\$ (230,515)</u>	<u>\$ 236,146,482</u>

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

5. Capital Assets

Depreciation expense was charged to governmental functions as follows:

Administration	4,160
District Support Service	261,314
Elem/Sec Regular Instruction	26,482
Vocational Education Instruction	3,860
Special Education Instruction	4,824
Community Education and Service	31,459
Instructional Support Services	2,837
Pupil Support Services	214,198
Sites and Buildings	1,375,204
Total	\$ 1,924,338

Included in amounts reported for fixed assets are land, buildings, and equipment related to closure hearings conducted by the School Board in May and June of 2011. The closure hearings included Central High School, Secondary Technical Center, Lincoln Park Elementary, Lester Park Elementary (315 N. 54th Ave E.), Laura MacArthur Elementary (727 N. Central Ave.), and Rockridge Elementary. The net book value of these assets total \$9,442,460.

6. Lease Obligations

Operating Leases

The District is committed under various operating leases for building space, parking facilities, and equipment. Rent expense for the year ended [June 30, 2011](#), was \$498,664

Future minimum lease payments under operating leases, which are not reflected in these financial statements, consist of the following at [June 30, 2011](#):

<u>Year Ending June 30</u>	
2012	\$ 488,457
2013	358,534
2014	71,520
2015	1,400
Total	<u>\$ 919,911</u>

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

7. Long-Term Liabilities

Certificates of Participation

\$111,440,000 Full Term Refunding Certificates of Participation, Series 2008B due in annual installments of \$2,440,000 to \$10,385,000 plus 3.50 to 5.00 percent interest from February 1, 2009 through February 1, 2028. \$ 105,710,000

\$71,170,000 Taxable Full Term Certificates of Participation, Series 2009A (Build America Bonds - Direct Pay) due in annual installments of \$2,675,000 to \$6,265,000 plus 2.250 to 5.600 percent interest from February 1, 2010 through February 1, 2028. 71,170,000

\$35,400,000 Certificates of Participation, Series 2009B due in annual installments of \$1,300,000 to \$2,770,000 plus 4.00 to 5.00 percent interest from March 1, 2012 through March 1, 2030. 35,400,000

\$2,620,000 Full Term Refunding Certificates of Participation, Series 2010B due in annual installments of \$500,000 to \$550,000 plus 1.50 to 2.30 percent interest from September 1, 2010 through March 1, 2015. 2,120,000

\$5,000,000 Full Term Refunding Certificates of Participation, Series 2010C due in annual installments of \$210,000 to \$370,000 plus 2.00 to 4.00 percent interest from August 1, 2011 through February 1, 2028. 5,000,000

\$1,605,000 Certificates of Participation, Series 2010D due in annual installments of \$90,000 to \$110,000 plus 2.50 to 4.65 percent interest from March 1, 2011 through March 1, 2030. 1,515,000

Total \$ 220,915,000

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

7. Long-Term Liabilities – (continued)

The annual requirements to amortize the principal and interest are:

Year Ended				
June 30	Total	Principal	Interest	
2012	\$ 17,674,276	\$ 7,950,000	\$ 9,724,276	
2013	17,856,101	8,420,000	9,436,101	
2014	18,066,551	8,895,000	9,171,551	
2015	18,263,449	9,400,000	8,863,449	
2016	17,898,398	9,380,000	8,518,398	
2017-2028	239,629,078	176,870,000	62,759,078	
Total	<u>\$ 329,387,853</u>	<u>\$ 220,915,000</u>	<u>\$ 108,472,853</u>	

Bonds Payable

\$4,180,000 General Obligation Refunding Bonds (Series 2007) due in annual installments of \$620,000 to \$770,000 plus 3.300 to 3.625 percent interest from August 1, 2008 through February 1, 2014. 2,220,000

\$59,235,000 General Obligation Alternative Facilities Bonds (Series 2008A) due in annual installments of \$590,000 to \$5,200,000 plus 3.500 to 4.625 percent interest from February 1, 2009 through February 1, 2028 57,590,000

\$8,785,000 General Obligation School Building Refunding Bonds (Series 2010A) due in annual installments of \$1,635,000 to \$550,000 plus 2.00 to 3.00 percent interest from August 1, 2010 through February 1, 2016. 7,150,000

Total \$ 66,960,000

The annual requirements to amortize the principal and interest are:

Year Ended				
June 30	Total	Principal	Interest	
2012	\$ 5,871,958	\$ 3,240,000	\$ 2,631,958	
2013	5,892,827	3,345,000	2,547,827	
2014	5,880,463	3,420,000	2,460,463	
2015	5,750,700	3,380,000	2,370,700	
2016	5,842,750	3,585,000	2,257,750	
2017-2028	65,290,125	49,990,000	15,300,125	
Total	<u>\$ 94,528,823</u>	<u>\$ 66,960,000</u>	<u>\$ 27,568,823</u>	

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

7. Long-Term Liabilities – (continued)

Changes in long-term debt for the year ended June 30, 2011, are:

	Balance June 30, 2010	Increase	Payments/ Adjustments	Balance June 30, 2011
Certificates of participation	\$ 216,775,000	\$ 6,605,000	\$ 2,465,000	\$ 220,915,000
Bonds payable	70,060,000		3,100,000	66,960,000
OPEB	2,240,321	1,754,660	1,200,449	2,794,532
Severance obligation	33,534,322	2,404,657	2,619,548	33,319,431
Total	<u>\$ 322,609,643</u>	<u>\$ 10,764,317</u>	<u>\$ 9,384,997</u>	<u>\$ 323,988,963</u>

Certificates of Participation and bonds are paid from the General and Debt Service Funds. OPEB and severance obligations are paid from the General, Food Service, Community Service, or the Federal Employee Benefit Trust funds.

The American Recovery and Reinvestment Act of 2009 (ARRA) created build America bonds and recovery zone economic development bonds. As a result of this act, the District receives direct payments from the Federal Government equal to 35 percent of the interest payments due on bond Series 2009A. During the year the District received an interest subsidy from the Federal Government totaling \$1,164,016.

The following is a summary of the current (due in one year or less) and the long-term portion (due in more than one year) of long-term debt as of [June 30, 2011](#).

	Current Portion	Long-term Portion	Total
Certificates of participation	\$ 7,950,000	\$ 212,965,000	\$ 220,915,000
Bonds payable	3,240,000	63,720,000	66,960,000
OPEB		2,794,532	2,794,532
Severance obligation	1,504,080	31,815,351	33,319,431
Total	<u>\$ 12,694,080</u>	<u>\$ 311,294,883</u>	<u>\$ 323,988,963</u>

Legal Debt Margin

The District's legal debt limit is 15% of the fair market value of the property within the District. The District's legal debt margin at [June 30, 2011](#) is approximately \$961,261,365

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

8. Short -Term Liabilities

Certificates of Indebtedness

On March 29, 2011, the District issued \$19,375,000 General Obligation Tax and Aid Anticipation Certificates of Indebtedness, Series 2011A in anticipation of aids to be received from or through the Department of Education of the State of Minnesota, as well as taxes levied in the year 2010 for collection in 2011, including any amounts payable to the District by the State of Minnesota to replace such taxes. Proceeds will be used to provide moneys to meet current expenses of the District's operating funds and to cover a cash flow deficit.

<u>Date Due</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
9/29/2011	\$ 11,021,875	\$ 10,925,000	\$ 96,875
3/29/2011	8,492,250	8,450,000	42,250
Total	<u>\$ 19,514,125</u>	<u>\$ 19,375,000</u>	<u>\$ 139,125</u>

9. Compensated Absences

Vacation and sick leave are earned based on various bargaining unit contracts and length of service as follows:

	<u>Vacation</u>	<u>Sick Leave</u>
Teachers	None	10 days per year
Administrative	10 - 25 days per year	10 - 13 days per year
Maintenance	2 - 5 weeks per year	18 days per year
Non-certified	0 - 6 weeks per year	13 - 18 days per year

At June 30, 2011, \$383,762 has been included in the district-wide financial statements.

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

10. Severance Obligations

Upon retirement, most District employees are entitled to a severance amount based on accumulated unused sick leave, age, years of service and wage rate at date of retirement, as established by contracts with bargaining units or other employment contracts. These contracts establish the terms and amounts each retiree is eligible to receive, and establish when these severance benefits vest, all of which may differ between each bargaining unit and employee group.

For some bargaining units, the District remits either a lump sum or one third of the calculated severance benefit to the Minnesota State Retirement System Health Care Savings Plan (HCSP) upon retirement of the employee. The remaining two thirds of the calculated amount due the employee is paid over a two year period. These funds will be disbursed in accordance with the HCSP account agreement, which is a separate agreement between the HCSP and the retiree. For the remaining employees, the District pays a portion of the severance benefit to the state HCSP and retains a portion for the employees to use to pay future health insurance premiums.

Severance is recorded as an expenditure when paid. The retained severance obligation for this benefit is for future health insurance benefits and amounts due to the state HCSP. The District has committed \$4,080,744 which represents one-half of the total severance obligations for post employment health care benefits held by the District plus the remaining two thirds due HCSP.

During 2011, 89 retirees received a total benefit of \$1,922,330. The District funds these expenditures as paid except for the severance for employees of federal programs, which is funded through the Federal Employee Benefit Trust.

Retained severance benefit obligations for retirees	\$ 3,433,224
Retained severance benefit obligations for qualified employees	31,615,500
Total termination benefits payable	\$ 35,048,724
Amount deposited in Federal Employee Benefit Trust Fund	(1,729,293)
Total	<u>\$ 33,319,431</u>

11. Interfund Transactions

Individual fund receivable and payable balances at June 30, 2011:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 33,111	\$ 199,813
Community Service		88,417
Fiduciary Funds		
Federal Employee Benefit Trust	255,119	
Total Funds	<u>\$ 288,230</u>	<u>\$ 288,230</u>

These amounts represent federal severance calculation and interest due and to eliminate deficit cash balance in the Community Service Fund.

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

Interfund Transactions – (continued)

Individual fund transfers during the year ended June 30, 2011 were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General fund		\$ 3,344,250
Debt redemption fund	6,553,534	
Capital Projects fund		3,209,284
Total Funds	<u>\$ 6,553,534</u>	<u>\$ 6,553,534</u>

The amounts transferred were in accordance with the District's long range facilities plan.

12. Fund Balance

Below is a detail description of the restricted net asset amount reported on the Statement of Net Assets.

Basic skills program	\$ 329,293
Staff development	302,381
Gifted and talented	22,786
Debt service	8,934,095
Food Service	623,014
Community Education	69,770
Early childhood family education	160,099
Adult basic education	61,524
Community service	27,358
Total Restricted Net Assets	<u>\$ 10,530,320</u>

The general fund had an unassigned deficit of \$259,461. The deficit will be eliminated with future levies and other revenues.

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

13. Post-Employment Healthcare Plan

The cost of post-employment benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45, the District recognizes the costs of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the District's future cash flows. The plan does not issue a standalone financial report, but is included in this report of the District.

Plan Description – Duluth Public Schools administers a single-employer defined benefit OPEB plan which allows retired employees to remain on the District's plan after severing from the District (implicit rate subsidy) at the retirees expense. The District has no contractual liability to contribute financially toward the retiree's premium.

Funding – Employer contribution requirements are established and may be amended as set forth in the applicable employment and bargaining unit agreements. The plan is financed on a pay-as-you-go basis. As of July 1, 2009 the date of the latest actuarial valuation, approximately 1,089 retirees and their dependents were receiving postemployment health insurance benefits and an estimated 1,418 active employees are eligible to receive future benefits under the plan.

Annual OPEB Cost and Net OPEB Obligation – Duluth Public School's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of Duluth Public Schools' annual OPEB cost for the year, the amount actually contributed to the plan, and changes in Duluth Public Schools' net OPEB obligation as of June 30, 2011:

Annual Required Contribution (ARC)/Annual OPEB Cost	
Annual Required Contribution (ARC)	\$ 1,794,605
Interest on net OPEB obligation	89,613
Adjustment to ARC	(129,558)
Contributions made:	\$ 1,754,660
Actuarially determined contribution toward implicit rate portion of the ARC	(1,200,449)
Increase in OPEB obligation	\$ 554,211
Net OPEB obligation, June 30, 2010	2,240,321
Net OPEB obligation, June 30, 2011	<u>\$ 2,794,532</u>

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

13. Post-Employment Healthcare Plan – (continued)

Duluth Public Schools' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contribution</u>	<u>Net OPEB Obligation</u>
June 30, 2009	1,271,941	42.08%	1,561,437
June 30, 2010	1,637,206	58.53%	2,240,321
June 30, 2011	1,754,660	68.41%	2,794,532

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date, the plan was 100 percent unfunded. The actuarial accrued liability and the unfunded actuarial accrued liability (UAAL) for benefits was \$15,477,010. The covered payroll (annual payroll of active employees covered by the plan) was \$57,987,820, and the ratio of the UAAL to the covered payroll was 26.69 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of 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 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, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2009, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a discount rate of 4 percent, health care trend rates ranging from 10 percent initially, reduced by decrements to an ultimate rate of 5 percent after ten years. The UAAL is being amortized as a level dollar amount over thirty years.

14. Pension Plans

Substantially all employees of the District are required by State law to belong to pension plans administered by the Duluth Teachers' Retirement Fund Association (DTRFA) or the Public Employees Retirement Association (PERA).

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

14. Pension Plans (continued)

1. Duluth Teachers' Retirement Fund Association

a. Plan Description

Certified employees of the District are covered by defined benefit plans administered by the DTRFA. DTRFA administers cost sharing, multiple employer retirement plans. These plans are established and administered in accordance with *Minnesota Statutes*, Chapters 354A, 356, 356A, 317A and the Articles of Incorporation and bylaws of the Association.

DTRFA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits vest after three years of credited service and are established by Articles of Incorporation and bylaws, and by State Statute. The defined retirement benefits are based on a member's highest 5-year average salary, age, and years of credit at termination of service.

Association members may be eligible for benefits under three different plans depending on year of hire. Members in all three plans are covered by Social Security.

Old Plan: Covers Association members hired prior to July 1, 1981. Normal retirement benefits are earned at age 60, or age plus service totals 90. Retirement benefits vest after 10 years or age 60. The annual normal retirement benefit is equal to 1.45 percent of the member's high five-year average salary multiplied by the number of years of credited service. Early retirement benefits are available at age 55 with 10 or more years of credited service with a .25 percent per month early retirement deduction under age 60. Old plan members may elect Tier I or Tier II plans if they produce a higher annual retirement benefit.

Tier I Plan: Covers Association members hired or rehired before July 1, 1989. Normal retirement benefits are earned at age 65, or at age 62 with at least 30 years of service, or if age plus service totals 90. Retirement benefits vest after 3 years of service or at age 65. The annual retirement benefit is equal to 1.20 percent for each of the first ten years of service credit and 1.70 percent for each subsequent year of service credit multiplied by the high five successive years average salary. Early retirement benefits are available at age 55 with three or more years of credited service or at any age with 30 or more years of credited service with a .25 percent per month early retirement deduction under the normal retirement age. Tier I Plan members may elect the Tier II Plan if it produces a higher annual retirement benefit.

Tier II Plan: Covers Association members hired or rehired after June 30, 1989. Normal retirement benefits are tied to the Social Security normal retirement age, but in no event is normal retirement age higher than age 66. Retirement benefits vest after 3 years or age 65. The annual normal retirement benefit is equal to 1.70 percent for all years of credited service multiplied by the high five successive years of average salary. Benefits are available as early as age 55 with three or more years of credited service with an actuarial equivalence early retirement reduction under normal retirement age.

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

14. Pension Plans – (continued)

a. Plan Description (continued)

Under all plans, members may elect to receive their pension benefits in the form of a single-life annuity, a joint and survivor annuity or a life and term certain annuity, and have the option of electing Social Security actuarial income leveling. Terminating members may receive a refund of their contributions with interest computed at 6 percent or may elect an augmented deferred retirement benefit if retirement benefits have vested.

If active members die prior to the receipt of their first retirement allowance payment, death benefits are payable under each of the three plans. Active members who have not reached normal retirement age and have at least three years of credited service may receive a disability benefit upon becoming permanently disabled.

A guaranteed 2% cost-of-living adjustment (COLA) is payable to eligible benefit recipients each January 1. An additional percentage increase is added to the guaranteed 2% COLA to the extent that five-year annualized investment returns exceed the plans 8.5% actuarially assumed rate of interest, and to the extent that contribution rates are determined to be actuarially sufficient.

DTRFA issues a financial report that includes financial statements and required supplementary information and makes it available to the public by written request to DTRFA, 625 East Central Entrance, Duluth, MN 55811 or by calling (218) 722-2894.

b. Funding Policy

Minnesota Statutes Chapter 354A.12 sets the rates for employers and employee contributions. These statutes are established and amended by the state legislature. The District contributions to the pension plans are equal to the amount required by state statutes. DTRFA members are required to contribute 5.50% of their annual covered payroll in FY 2011 increasing to 6.00% for FY 2012 and 6.50% for FY 2013. The District is required to contribute 5.79% of annual covered payroll in FY 2011 increasing to 6.29% in FY 2012 and 6.79% in FY 2013. The District's contributions for the years ending June 30, 2011, 2010, 2009 were \$2,713,091, \$2,773,309, and \$2,856,787, respectively equal to the contractually required contributions for each year as set by state statute.

2. Public Employees Retirement Association

a. Plan Description

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

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

14. Pension Plans – (continued)

2. Public Employees Retirement Association (continued)

a. Plan Description (continued)

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

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

Two methods are used to compute benefits for GERF's Coordinated Plan members. The retiring member receives the higher of 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 services and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For 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 members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated 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 normal 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 are bound by the provisions in effect at the time they last terminated their public service.

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

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

14. Pension Plans – (continued)

2. Public Employees Retirement Association (continued)

b. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by the statutes. Effective PERA Basic Plan members are required to contribute 9.10% of their annual covered salary. Coordinated Plan members were required to contribute 6.00% for the calendar year increasing to 6.25% for the calendar year 2011. The District is required to contribute 11.78% of the annual covered salary for Basic Plan GERF members. The required District contribution percentages for Coordinated Plan GERF members was 7.00% for the calendar year 2010 increasing to 7.25% on January 1, 2011. The District contributions for the years ending June 30, 2011, 2010 and 2009 were \$1,123,898, \$1,151,046, and \$1,157,327 respectively. The District's contributions were equal to the contractually required contributions for each year as set by state statute.

15. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employee health and dental; and natural disasters. Risks of loss related to employee dental claims are self-insured. Risk of loss associated with workers' compensation claims are insured through participation in the Minnesota School Boards Association Insurance Trust. All other risks of loss are insured by the purchase of commercial insurance. There were no significant reductions in insurance coverage from the previous year. There were no settlements in excess of insurance for any of the past three fiscal years.

The Minnesota School Boards Association Insurance Trust is a public entity risk pool currently operated as a common risk management and insurance program for member school districts. The District pays an annual premium based on annual payroll rates and an experience modification factor for workers' compensation coverage.

Effective January 1994, the District changed to self-insuring employee dental claims. Risk management activities for employee dental claims are accounted for in the District's General Fund. Claims, expenditures, and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have occurred but have not been reported. Changes in the balances of the dental claims liability during the years ending June 30, 2010 and 2011 were as follows:

	<u>July 1</u>	<u>Changes in Estimates</u>	<u>Claim Payments</u>	<u>June 30</u>
2010	\$ 83,867	\$ 779,080	\$ 793,996	\$ 68,951
2011	\$ 68,951	\$ 816,829	\$ 812,807	\$ 72,973

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011**

16. Commitments

At [June 30, 2011](#), the District had commitments under various construction and service contracts totaling \$44,162,311. The construction commitments will be paid by the Capital Projects Fund.

17. Contingent Liabilities

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

The District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the District's counsel the resolution of these matters will not have a material adverse effect of the financial conditions of the District.

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

Statement A-1

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND
BUDGET AND ACTUAL
Year Ended June 30, 2011
With Comparative Actual Amounts for the Year Ended June 30, 2010**

	Budget			Over (Under)	Prior Year
	Original	Final	Actual	Final Budget	Actual
Revenues					
Local property tax levies	\$ 9,014,623	\$ 9,014,623	\$ 11,036,584	\$ 2,021,961	\$ 9,250,856
Interest income	254,489	254,489	61,153	(193,336)	378,379
Other local and county	2,825,194	3,884,883	4,861,024	976,141	4,343,715
State sources	77,350,446	77,800,646	74,443,715	(3,356,931)	71,016,588
Federal sources	6,784,970	11,226,557	9,950,566	(1,275,991)	15,255,123
Sales and other conversions of assets	534,145	534,145	399,513	(134,632)	552,687
Total Revenues	\$ 96,763,867	\$ 102,715,343	\$ 100,752,555	\$ (1,962,788)	\$ 100,797,348
Expenditures					
Administration	\$ 5,030,954	\$ 5,634,610	\$ 5,586,829	\$ 47,781	\$ 4,707,024
District support services	3,922,784	4,235,502	2,649,414	1,586,088	4,139,052
Regular instruction	41,686,125	47,193,455	48,777,597	(1,584,142)	48,768,705
Vocational instruction	1,516,162	1,636,190	1,495,399	140,791	1,733,199
Special education instruction	22,004,008	22,259,972	22,807,509	(547,537)	23,010,094
Instructional support services	3,947,007	4,683,806	3,809,696	874,110	3,025,477
Pupil support services	7,330,930	7,455,897	8,460,095	(1,004,198)	8,425,865
Sites, buildings and equipment	7,747,796	8,024,867	8,102,812	(77,945)	8,162,965
Fiscal and other fixed cost programs	2,598,102	1,137,026	269,564	867,462	268,668
Capital outlay	3,276,136	4,225,296	3,823,772	401,524	755,626
Total Expenditures	\$ 99,060,004	\$ 106,486,621	\$ 105,782,687	\$ 703,934	\$ 102,996,675
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,296,137)	\$ (3,771,278)	\$ (5,030,132)	\$ (1,258,854)	\$ (2,199,327)
Other Financing Sources (Uses)					
Sale of equipment	\$	\$	\$ 5,546	\$ (5,546)	\$
Sale of property	4,774,000	3,646,189	448,085	3,198,104	
Proceeds from bonds and loans, net		3,180	3,180		581,159
Operating transfers in					37,338
Operating transfers out	(3,435,553)	(3,344,250)	(3,344,250)		(2,283,687)
Total Other Financing Sources (Uses)	\$ 1,338,447	\$ 305,119	\$ (2,887,439)	\$ 3,192,558	\$ (1,665,190)
Net change in fund balance	\$ (957,690)	\$ (3,466,159)	\$ (7,917,571)	\$ (4,451,412)	\$ (3,864,517)
Fund Balance					
Beginning of Year			\$ 14,717,348		\$ 18,581,865
End of Year			\$ 6,799,777		\$ 14,717,348

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

Statement A-2

**INFORMATION ABOUT THE DISTRICT'S OTHER POSTEMPLOYMENT
HEALTH CARE PLAN
June 30, 2011**

Schedule of funding Progress by Valuation Date

Actuarial Valuation Date	Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
July 1, 2008	\$ -	\$ 10,532,000	\$ 10,532,000	-	\$ 61,239,381	17.20%
July 1, 2009		15,477,010	15,477,010	-	57,987,820	26.69%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Percentage Contributed
June 30, 2009	\$ 1,271,941	42.08%
June 30, 2010	\$ 1,637,206	58.53%
June 30, 2011	\$ 1,754,660	68.41%

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

Statement B-1

**BALANCE SHEETS
GENERAL FUND
JUNE 30**

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Cash and investments	\$ 17,099,131	\$ 7,969,156
Taxes and credits receivable	5,090,106	8,198,744
Accounts and interest receivable	69,702	62,668
Due from		
Other funds	74,952	17,799
Other Minnesota school districts	792,780	776,135
Department of Education	21,534,912	18,830,591
Federal through Department of Education	2,372,858	2,042,107
Federal - direct	3,290	9,588
Other governmental units	127,937	69,705
Inventory	128,928	170,525
Prepayments	71,550	97,556
Total Assets	<u>\$ 47,366,146</u>	<u>\$ 38,244,574</u>
<u>Liabilities</u>		
Salaries payable	\$ 13,958,605	\$ 13,688,671
Accounts payable	874,704	594,283
Short term loan	19,375,000	
Due to		
Other funds	199,813	69,412
Other Minnesota school districts	142,590	53,164
Other governmental units	296,657	794
Claims payable	245,365	134,385
Deferred revenue	158,688	888,974
Delinquent taxes	369,576	
Taxes levied for subsequent year's expenditures	4,945,371	8,097,543
Total Liabilities	<u>\$ 40,566,369</u>	<u>\$ 23,527,226</u>
Fund Balance		
NonSpendable:		
Inventory	\$ 128,928	\$ 170,525
Prepayments	71,550	97,556
Restricted for:		
Basic skills programs	329,293	88,891
Learning and development	-	167,247
Operating capital	-	368,728
Staff development	302,381	369,616
Gifted and talented	22,786	
Committed for:		
Severance-insurance premiums	4,080,744	3,498,679
Assigned for:		
Operating capital	-	300,000
School carryover	680,633	730,425
Student activities	1,149,583	1,195,108
Desegregation	293,340	101,200
Unassigned	(259,461)	7,629,373
Total Fund Balance	<u>\$ 6,799,777</u>	<u>\$ 14,717,348</u>
Total Liabilities and Fund Balance	<u>\$ 47,366,146</u>	<u>\$ 38,244,574</u>

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

Statement C-1

**BALANCE SHEETS
CAPITAL PROJECTS FUND
JUNE 30**

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Cash and investments	\$ 94,404,139	\$ 198,499,367
Accounts and interest receivable	2,795,452	5,290,225
Due from		
Department of Education	50,419	45,378
Prepayments	125	
Total Assets	<u>\$ 97,250,135</u>	<u>\$ 203,834,970</u>
<u>Liabilities</u>		
Salaries payable	\$ 5,472	\$ 2,355
Accounts payable	1,538,003	1,268,419
Construction contracts	14,719,675	8,563,844
Total Liabilities	<u>\$ 16,263,150</u>	<u>\$ 9,834,618</u>
Fund Balance		
NonSpendable:		
Prepayments	\$ 125	\$
Restricted for:		
Alternative facility program	20,554,021	1,246,907
Projects funded by Certificates of Participation	16,254,645	48,520,197
Capital projects	44,178,194	144,233,248
Total Fund Balance	<u>\$ 80,986,985</u>	<u>\$ 194,000,352</u>
End of Year	<u>\$ 97,250,135</u>	<u>\$ 203,834,970</u>

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

Statement D-1

**BALANCE SHEETS
DEBT REDEMPTION DEBT SERVICE FUND
JUNE 30**

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Cash and investments	\$ 12,983,689	\$ 9,776,145
Taxes and credits receivable	8,870,229	7,834,996
Accounts and interest receivable	5,116	
Due from		
Department of Education	<u>805,115</u>	<u>731,224</u>
Total Assets	<u>\$ 22,664,149</u>	<u>\$ 18,342,365</u>
<u>Liabilities</u>		
Deferred revenue	\$ 412,593	\$ 630,091
Taxes levied for subsequent year's expenditures	<u>13,317,461</u>	<u>12,504,807</u>
Total Liabilities	<u>\$ 13,730,054</u>	<u>\$ 13,134,898</u>
Fund Balance		
Restricted for:		
Debt service	<u>\$ 8,934,095</u>	<u>\$ 5,207,467</u>
Total Fund Balance	<u>\$ 8,934,095</u>	<u>\$ 5,207,467</u>
End of Year	<u>\$ 22,664,149</u>	<u>\$ 18,342,365</u>

**INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA**

Statement E-1

**COMBINING BALANCE SHEET
OTHER FUNDS
JUNE 30, 2011
With Comparative Amounts at June 30, 2010**

	Food Service	Community Services	Totals	
			2011	2010
<u>Assets</u>				
Cash and investments	\$ 627,839	\$ 1,100	\$ 628,939	\$ 924,387
Taxes and credits receivable		642,387	642,387	650,185
Accounts and interest receivable	3,079	4,914	7,993	3,980
Due from				
Department of Education		627,131	627,131	666,498
Federal through Department of Education	34,658	92,236	126,894	81,221
Federal - direct		346,442	346,442	834,347
Other governmental units		4,861	4,861	4,024
Inventory	83,033		83,033	89,047
Prepayments				9,859
Total Assets	\$ 748,609	\$ 1,719,071	\$ 2,467,680	\$ 3,263,548
<u>Liabilities</u>				
Salaries payable	\$ 12,881	\$ 543,735	\$ 556,616	\$ 690,584
Accounts payable	29,681	57,715	87,396	400,237
Due to				
Other funds		130,258	130,258	69,247
Deferred revenue		3,715	3,715	104,917
Property tax shift		36,813	36,813	
Taxes levied for subsequent year's expenditures		628,084	628,084	1,044,791
Total Liabilities	\$ 42,562	\$ 1,400,320	\$ 1,442,882	\$ 2,309,776
Fund Balance				
NonSpendable:				
Inventory	\$ 83,033	\$	\$ 83,033	\$ 89,047
Prepayments				9,859
Restricted for:				
Community education		69,770	69,770	834
Early childhood family education		160,099	160,099	188,014
School readiness				14,129
Adult basic education		61,524	61,524	62,821
Fund balance	623,014	27,358	650,372	589,068
Total Fund Balance	\$ 706,047	\$ 318,751	\$ 1,024,798	\$ 953,772
End of Year	\$ 748,609	\$ 1,719,071	\$ 2,467,680	\$ 3,263,548

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Statement E-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
OTHER FUNDS**

Year Ended June 30, 2011

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

	Food Service	Community Services	Totals	
			2011	2010
Revenues				
Local property tax levies	\$	\$ 862,952	\$ 862,952	\$ 849,114
Other local and county	8,795	1,733,749	1,742,544	1,588,420
State sources	155,041	1,993,172	2,148,213	2,244,098
Federal sources	1,976,523	3,223,951	5,200,474	8,432,530
Sales and other conversions of assets	1,077,841		1,077,841	1,085,108
Total Revenues	\$ 3,218,200	\$ 7,813,824	\$ 11,032,024	\$ 14,199,270
Expenditures				
Community education and services	\$	\$ 7,814,752	\$ 7,814,752	\$ 10,828,353
Pupil support services	3,104,564		3,104,564	3,151,885
Capital outlay	6,124	35,558	41,682	146,378
Total Expenditures	\$ 3,110,688	\$ 7,850,310	\$ 10,960,998	\$ 14,126,616
Excess of Revenues Over Expenditures	\$ 107,512	\$ (36,486)	\$ 71,026	\$ 72,654
Fund Balance				
Beginning of Year	598,535	355,237	953,772	881,118
End of Year	\$ 706,047	\$ 318,751	\$ 1,024,798	\$ 953,772

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Statement E-3

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOOD SERVICE FUND
BUDGET AND ACTUAL
Year Ended June 30, 2011
With Comparative Actual Amounts for the Year Ended June 30, 2010

	Budget			Over (Under)	Prior Year
	Original	Final	Actual	Final Budget	Actual
Revenues					
Other local and county	\$ 4,000	\$ 18,970	\$ 8,795	\$ (10,175)	\$ 14,375
State sources	148,000	148,000	155,041	7,041	167,443
Federal sources	1,891,197	2,001,197	1,976,523	(24,674)	2,080,171
Sales and other conversions of assets	1,176,803	1,066,803	1,077,841	11,038	1,085,108
Total Revenues	\$ 3,220,000	\$ 3,234,970	\$ 3,218,200	\$ (16,770)	\$ 3,347,097
Expenditures					
Pupil support services	\$ 3,218,688	\$ 3,228,526	\$ 3,104,564	\$ 123,962	\$ 3,151,885
Capital outlay	1,312	6,444	6,124	320	91,675
Total Expenditures	\$ 3,220,000	\$ 3,234,970	\$ 3,110,688	\$ 124,282	\$ 3,243,560
Excess of Revenues Over Expenditures	\$	\$	\$ 107,512	\$ 107,512	\$ 103,537
Fund Balance					
Beginning of Year			598,535		494,998
End of Year			\$ 706,047		\$ 598,535

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Statement E-4

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
COMMUNITY SERVICES FUND
BUDGET AND ACTUAL
Year Ended June 30, 2011
With Comparative Actual Amounts for the Year Ended June 30, 2010**

	Budget			Over (Under) Final Budget	Prior Year Actual
	Original	Final	Actual		
Revenues					
Local property tax levies	\$ 1,044,990	\$ 866,535	\$ 862,952	\$ (3,583)	\$ 849,114
Other local and county	1,492,560	1,832,956	1,733,749	(99,207)	1,574,045
State sources	1,894,523	2,139,037	1,993,172	(145,865)	2,076,655
Federal sources	2,843,367	4,007,758	3,223,951	(783,807)	6,352,359
Total Revenues	\$ 7,275,440	\$ 8,846,286	\$ 7,813,824	\$ (1,032,462)	\$ 10,852,173
Expenditures					
Community education and services	\$ 7,233,400	\$ 8,812,255	\$ 7,814,752	\$ 997,503	\$ 10,828,353
Capital outlay	9,510	50,060	35,558	14,502	54,703
Total Expenditures	\$ 7,242,910	\$ 8,862,315	\$ 7,850,310	\$ 1,012,005	\$ 10,883,056
Net change in fund balance	\$ 32,530	\$ (16,029)	\$ (36,486)	\$ (20,457)	\$ (30,883)
Fund Balance					
Beginning of Year			355,237		386,120
End of Year			\$ 318,751		\$ 355,237

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Statement F-1

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
CAPITAL PROJECTS FUND
BUDGET AND ACTUAL
Year Ended June 30, 2011
With Comparative Actual Amounts for the Year Ended June 30, 2010

	Budget			Over (Under)	Prior Year
	Original	Final	Actual	Final Budget	Actual
Revenues					
Local property tax levies	\$	\$ 168,064	\$ 168,450	\$ 386	\$ 168,936
Interest income	4,150,000	4,150,000	4,466,237	316,237	4,286,487
Other local and county			4,579	4,579	1,349
State sources	168,064	168,450	168,063	(387)	168,064
Total Revenues	\$ 4,318,064	\$ 4,486,514	\$ 4,807,329	\$ 320,815	\$ 4,624,836
Expenditures					
Sites, buildings and equipment	\$ 113,775	\$ 1,083,309	\$ 841,574	\$ 241,735	\$ 954,003
Capital Outlay	80,398,680	131,223,963	120,292,591	10,931,372	58,365,764
Total Expenditures	\$ 80,512,455	\$ 132,307,272	\$ 121,134,165	\$ 11,173,107	\$ 59,319,767
Excess (Deficiency) of Revenues Over Expenditures	\$ (76,194,391)	\$ (127,820,758)	\$ (116,326,836)	\$ 11,493,922	\$ (54,694,931)
Other Financing Sources (Uses)					
Proceeds from bonds and loans, net		6,522,753	6,522,753	11,493,922	103,781,817
Transfer Out		(3,209,284)	(3,209,284)		(37,338)
Total Other Financing sources (Uses)		3,313,469	3,313,469	11,493,922	103,744,479
Net change in fund balance	\$ (76,194,391)	\$ (124,507,289)	\$ (113,013,367)	\$ 22,987,844	\$ 49,049,548
Fund Balance					
Beginning of Year			194,000,352		144,950,804
End of Year			\$ 80,986,985		\$ 194,000,352

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

Statement G-1

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
DEBT REDEMPTION DEBT SERVICE FUND
BUDGET AND ACTUAL
Year Ended June 30, 2011
With Comparative Actual Amounts for the Year Ended June 30, 2010

	Budget			Over (Under)	Prior Year
	Original	Final	Actual	Final Budget	Actual
Revenues					
Local property tax levies	\$ 10,327,807	\$ 10,327,807	\$ 9,491,165	\$ (836,642)	\$ 9,988,122
Interest income			13,637		177,373
State sources	2,816,450	2,816,450	2,683,716	(132,734)	2,708,341
Federal sources	1,164,015	1,164,015	1,164,016		349,204
Total Revenues	\$ 14,308,272	\$ 14,308,272	\$ 13,352,534	\$ (969,376)	\$ 13,223,040
Expenditures					
Principal	\$ 5,475,000	\$ 5,475,000	\$ 5,475,000	\$	\$ 16,045,000
Interest and fiscal charges	10,740,415	10,750,415	10,746,852	3,563	9,106,347
Total Expenditures	\$ 16,215,415	\$ 16,225,415	\$ 16,221,852	\$ 3,563	\$ 25,151,347
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,907,143)	\$ (1,917,143)	\$ (2,869,318)	\$ (965,813)	\$ (11,928,307)
Other Financing Sources (Uses)					
Proceeds from bonds and loans, net	\$ -	\$ 42,412	\$ 42,412	\$	\$ 13,099,900
Transfer In	4,563,364	6,644,837	6,553,534	91,303	2,283,687
Total Other Financing Sources (Uses)	\$ 4,563,364	\$ 6,687,249	\$ 6,595,946	\$ 91,303	\$ 15,383,587
Net change in fund balance	\$ 2,656,221	\$ 4,770,106	\$ 3,726,628	\$ (874,510)	\$ 3,455,280
Fund Balance					
Beginning of Year			5,207,467		1,752,187
End of Year			\$ 8,934,095		\$ 5,207,467

**INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA**

Statement H-1

**COMBINED SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
STUDENT ACTIVITIES ACCOUNTS AND CERTAIN CURRICULAR AND CO-CURRICULAR ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Activity	Cash Balance 6/30/2010	Receipts and Transfers In	Disbursements and Transfers Out	Cash Balance 6/30/2011
High Schools				
Central	\$ 155,778	\$ 1,064,118	\$ 864,807	\$ 355,089
Denfeld	223,480	62	223,542	-
East	251,320	1,013,041	1,014,773	249,588
Secondary Technical Center	80,861	73,868	73,937	80,792
Total High Schools	\$ 711,439	\$ 2,151,089	\$ 2,177,059	\$ 685,469
Middle Schools				
Morgan Park	\$ 84,367	\$ 100,956	\$ 110,057	\$ 75,266
Woodland	133,770	94,496	104,693	123,573
Total Middle Schools	\$ 218,137	\$ 195,452	\$ 214,750	\$ 198,839
Elementary Schools				
Congdon Park	\$ 6,337	\$ 27,847	\$ 25,097	\$ 9,087
Grant	8,452	-	8,452	-
Homecroft	31,966	13,427	12,614	32,779
Lakewood	10,021	14,892	15,271	9,642
Laura MacArthur	17,308	27,622	25,001	19,929
Lester Park	18,040	36,369	26,409	28,000
Lincoln Park	16,739	13,376	22,408	7,707
Lowell	24,665	35,880	33,600	26,945
Nettleton	39,913	37,478	25,772	51,619
Rockridge	11,628	1,640	13,268	-
Stowe	34,555	16,070	14,566	36,059
Total Elementary Schools	\$ 219,624	\$ 224,601	\$ 222,458	\$ 221,767
ALC	\$ 529	\$ -	\$ 520	\$ 9
Barnes Early Childhood	3,221	4,454	4,798	2,877
Merritt Creek Academy	5,986	2,795	5,766	3,015
Public School Stadium	695	25,608	25,238	1,065
Unity	32,435	10,918	10,054	33,299
Woodland Hills	3,042	237	36	3,243
Total Student Activities	\$ 1,195,108	\$ 2,615,154	\$ 2,660,679	\$ 1,149,583
District Funds				
Co-curricular	\$ 1,012,853	\$ 2,308,117	\$ 2,322,770	\$ 998,200
Extra-curricular	182,255	307,037	337,909	151,383
Total Funds	\$ 1,195,108	\$ 2,615,154	\$ 2,660,679	\$ 1,149,583

**INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA**

Statement I-1

**SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
CENTRAL/DENFELD HIGH SCHOOL-STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Activity	Cash Balance 6/30/2010	Receipts and Transfers In	Disbursements and Transfers Out	Cash Balance 6/30/2011
Co-curricular				
Advance Placement	\$ 1,900	\$ 9,248	\$ 6,959	\$ 4,189
Anatomy		\$ 637		637
Art	112	4,603	4,642	73
Athletics	52,733	408,589	284,413	176,909
Auditorium/Stage		11,245	5,000	6,245
B. P. A.	832	317		1,149
Basketball-Boys	4,080	6,864	10,441	503
Basketball-Girls	610	3,214	2,775	1,049
Baseball	279	16,587	11,957	4,909
Biology	201	258	375	84
Bridging the Gap		600		600
Classroom Library	500		500	-
Cold Fusion		6,456	5,638	818
Cookie Fund	-	10,116	8,793	1,323
Cross Country	235	3,035	2,646	624
Danceline	-	393	392	1
DECA		8,437	7,753	684
Drafting		254		254
Drama	6,232	10,420	15,830	822
Football	278	22,020	13,201	9,097
Forensics	1,964		1,964	-
General Fund (Site)	25,248	278,200	270,438	33,010
Grants	1,172		1,172	-
Guidance	278	5,031	1,853	3,456
Habitat	506	1,023	280	1,249
Home Economics	18	100		118
Industrial Arts	2,766	1,293	190	3,869
Int Digital Tech	815			815
Library	127	2,646	49	2,724
Math Fund		720		720
Miscellaneous		408	275	133
Mole Day		1,681	782	899
Music				
Band	4,532	11,010	7,564	7,978
Band Uniforms	954	857		1,811
Jazz Ensemble	136	120		256
Orchestra	3,782	7,996	5,789	5,989
Pop Concert	1,670	14,430	16,100	-
Vocal	4,540	7,218	9,683	2,075
Newspaper		2,718	2,709	9
Parent involvement		13,138		13,138
Photography		2,190	932	1,258
Physical Education		994		994

**INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA**

**Statement I-1
(Continued)**

**SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
CENTRAL/DENFELD HIGH SCHOOL-STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Activity	Cash Balance 6/30/2010	Receipts and Transfers In	Disbursements and Transfers Out	Cash Balance 6/30/2011
Physical Fitness	\$ 8		\$ 8	
Physics		\$ 513		\$ 513
PSS		37,351	8,966	28,385
Rockets	422	682	937	167
Ski-Nordic	4,200	4,935	6,870	2,265
Soccer-Boys	1,209	701	1,089	821
Soccer-Girls	804	382	393	793
Softball	205	9,234	8,192	1,247
Speech		19,753	19,438	315
Sports Officials	-			-
Swim Girls	-	5,599	3,404	2,195
Tennis-Girls	41	1,517	1,029	529
Track-Boys/Girls	3,527	9,310	8,497	4,340
Transcripts	759		759	-
Troy Link	177	2,372	2,501	48
Volleyball	2,481	1,899	2,251	2,129
Woodworking		6,964		6,964
Yearbook	6,651	15,234	20,482	1,403
Total Co-curricular	\$ 136,984	\$ 991,512	\$ 785,911	\$ 342,585
Extra-curricular				
Benevolence Account	\$ 5,119	\$ 1,517	\$ 6,200	\$ 436
Cheerleaders	928	13,631	14,080	479
Class of				
Seniors	709	9,579	10,288	-
Juniors	114	340	45	409
Sophomores	816	30	-	846
Close Up	1,071		1,071	-
Gay Straight Alliance		50		50
Geman		101		101
Key Club	653	5,306	5,141	818
M.M.R.	531		103	428
National Honor Society	449	2,253	2,239	463
Pep-booster Club	200			200
Prom	1,444	18,522	17,096	2,870
Scholarship Fund	3,036	3,000	5,250	786
Spanish	256	266		522
STAR Program		396		396
Stories of Service	883			883
Student Council	2,585	17,615	17,383	2,817
Total Extra-curricular	\$ 18,794	\$ 72,606	\$ 78,896	\$ 12,504
Total Student Activities	\$ 155,778	\$ 1,064,118	\$ 864,807	\$ 355,089

**INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA**

Statement I-2

**SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
DENFELD HIGH SCHOOL-STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Activity	Cash Balance 6/30/2010	Receipts and Transfers In	Disbursements and Transfers Out	Cash Balance 6/30/2011
Co-curricular				
Anatomy	\$ 637		\$ 637	\$ -
Art	1,602		1,602	-
Athletics	135,586		135,586	-
Autistic Cookie	(62)	62		-
Biology	255		255	-
Business	317		317	-
Ceramics	3		3	-
Choir	2,569		2,569	-
Concession	471		471	-
Danceline	111		111	-
Drafting	254		254	-
Drawing & Painting	258		258	-
Endowment funds	6		6	-
English	2		2	-
General Fund	10,982		10,982	-
Guidance	1,587		1,587	-
Home Ec	100		100	-
Ignatius	72		72	-
Life Skills	103		103	-
Link Crew	192		192	-
Math Department	560		560	-
Media	189		189	-
Mole day	623		623	-
Music				
Band	830		830	-
Orchestra	3,615		3,615	-
Newspaper	94		94	-
NHS	161		161	-
Parent Involvement	13,138		13,138	-
Physical Education	994		994	-
Physics	513		513	-
Photography	1,423		1,423	-
PSS	19,797		19,797	-
Recycle	241		241	-
Science 9	3		3	-
Stage and Auditorium	11,245		11,245	-
Stained Glass	104		104	-
Star Program	396		396	-
Theatre	22		22	-
Woodworking	6,964		6,964	-
Yearbook	640		640	-
Total Co-curricular	\$ 216,597	\$ 62	\$ 216,659	\$ -

INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA

Statement I-2
(Continued)

**SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
DENFELD HIGH SCHOOL-STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<u>Activity</u>	<u>Cash Balance 6/30/2010</u>	<u>Receipts and Transfers In</u>	<u>Disbursements and Transfers Out</u>	<u>Cash Balance 6/30/2011</u>
Extra-curricular				
Senior class	\$ 31		31	\$ -
Junior class	340		340	-
DECA	81		81	-
German	101		101	-
Key Club	799		799	-
Parking Pass	36		36	-
Pictures	2		2	-
Prom	2,508		2,508	-
Random Acts of Kindness	64		64	-
Retain Wall	16		16	-
Spanish Club	266		266	-
Spirit Pac	1,522		1,522	-
Student in Need	1,117		1,117	-
Total Extra-curricular	\$ 6,883	\$ -	\$ 6,883	\$ -
Total Student Activities	\$ 223,480	\$ 62	\$ 223,542	\$ -

**INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA**

Statement I-3

**SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
EAST HIGH SCHOOL-STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Activity	Cash Balance 6/30/2010	Receipts and Transfers In	Disbursements and Transfers Out	Cash Balance 6/30/2011
Co-curricular				
Advance Placement	\$ 5,955	\$ 10,217	\$ 8,806	\$ 7,366
Art Fund	459	1,970	2,164	265
Athletics	46,354	458,529	421,514	83,369
A-V/Theater	1,730		203	1,527
Baseball	5,882	18,018	21,804	2,096
Biology	3,460			3,460
Book Fund	439			439
Boys' Basketball	8,752	5,175	8,848	5,079
Boys' Soccer	2,688	9,868	10,616	1,940
Boys' Swim	4,129	1,600	2,139	3,590
Boy's Tennis	235	3,924	3,689	470
Bus Pass	308	1,000	550	758
Chemistry	1,182	2,392	1,607	1,967
Choralaires	1,476	1,475	2,188	763
Civics	676	95	616	155
Cookie club	1,704	5,008	5,388	1,324
DECA	668	3,335	3,610	393
Drama	5,299	10,438	9,137	6,600
Eastside Steppers	10,974	4,185	10,047	5,112
FHA-New Horizons	611	389	949	51
Football	10,090	14,569	22,446	2,213
Foreign Language	513	107	179	441
General fund	8,611	42,141	36,393	14,359
Girls' Basketball	3,279	2,294	5,404	169
Girls' Hockey	944	2,711	2,546	1,109
Girls' Soccer	324	5,997	2,976	3,345
Girls' Softball	991	1,623	2,052	562
Girls' Swim	4,566	9,969	11,200	3,335
Girls' Tennis	2,654	4,392	4,814	2,232
Golf Teams	2,865	8,357	8,756	2,466
Guidance	3,641	4,587	4,507	3,721
Health Fund	63		63	-
Hockey Alumni Fund	33		33	-
Hockey Jerseys	350		350	-
Hounds Helping Hands	556		336	220
Industrial Education	1,874	941		2,815
Language Arts	-	5,670	5,311	359
Library-Media	1,376	550	249	1,677
Mathematics Club	138	100	73	165
Multi-Handicap	47		47	-
Music				
Music Department	2,795	20,739	22,690	844
Band	6,230	24,903	24,950	6,183
Orchestra	8,803	40,340	42,874	6,269
Orchestra-Performance	1,827	9,577	9,047	2,357
Vocal	14,966	73,163	85,582	2,547
Newspaper	1,191	7,990	8,266	915
Nordic Ski	2,746	8,573	6,577	4,742

**INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA**

**Statement I-3
(Continued)**

**SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
EAST HIGH SCHOOL-STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Activity	Cash Balance 6/30/2010	Receipts and Transfers In	Disbursements and Transfers Out	Cash Balance 6/30/2011
Physical Education	\$ 32			\$ 32
Physical Science	289		289	-
Physics	2,467	3,126	3,687	1,906
PSS Advertising	2,671			2,671
Robotics	3,572	62,373	56,585	9,360
Safe Schools	3,993	2,651	500	6,144
Social Studies	947		127	820
Sports officials	626		626	-
Track Fund	1,283		1,283	-
Volleyball	713	4,317	4,627	403
Work Experience	1		1	-
Yearbook	18,627	16,937	24,917	10,647
Total Co-curricular	\$ 219,675	\$ 916,315	\$ 914,238	\$ 221,752
Extra-curricular				
American Field Service	\$ 143	\$ -	\$ 143	\$ -
Angel Harp	4,500	4,224	8,724	-
Association	3,220	18,648	17,085	4,783
Cheerleaders	4,229	9,647	12,214	1,662
Class of				
Freshmen	346	300	253	393
Seniors	3,235	5,158	2,434	5,959
Juniors	6,021	9,544	9,970	5,595
German		3,415	3,382	33
Grants	1,256			1,256
Green Club	86	16		102
Grill Team	186			186
Internastional Club		387	150	237
Key Club	904	9,527	9,079	1,352
Knowledge Bowl	738	4,210	4,703	245
Mathematics Club	218	850	923	145
National Honor Society	533	780	607	706
Need Fund	323	800	150	973
Ping Pong Club	70			70
P.R.I.D.E	22		12	10
Rachel Bonzo Mem	488		300	188
Scholarship	925		309	616
Schools for Schools		974	800	174
Scott Anderson	285	100	108	277
Sierra Club	125			125
Solar Car	7			7
Spanish	576	222	407	391
STAR Program	44			44
Student Council	3,165	27,333	28,782	1,716
Students of the Future		591		591
Total Extra-curricular	\$ 31,645	\$ 96,726	\$ 100,535	\$ 27,836
Total Student Activities	\$ 251,320	\$ 1,013,041	\$ 1,014,773	\$ 249,588

INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA

Statement I-4

**SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
SECONDARY TECHNICAL CENTER-STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<u>Activity</u>	<u>Cash Balance 6/30/2010</u>	<u>Receipts and Transfers In</u>	<u>Disbursements and Transfers Out</u>	<u>Cash Balance 6/30/2011</u>
Co-curricular				
BPA	\$ 4,394	\$ 8,854	\$ 9,854	\$ 3,394
Duluth Future Farmers of America	7,346	4,577	3,179	8,744
General Fund	29,910	1,573	6,102	25,381
Hero Childcare	1,054	14,032	12,001	3,085
Hero Hosa	4,196	29,875	26,901	7,170
Hero Food Service	(226)	279	53	-
Hero Waiter/Wait	4,537	4,187	4,349	4,375
Kinder Korner	11,397	6,700	7,409	10,688
Naval Science-NJROTC	2,931		824	2,107
Parking Permits	5,679	1,390		7,069
Small Engine Repair	3,013			3,013
Construction VICA	1,015	151		1,166
Vica	3,609	2,250	3,265	2,594
WECEP	956			956
Total Co-curricular	\$ 79,811	\$ 73,868	\$ 73,937	\$ 79,742
Extra-curricular				
Student Emergency	\$ 1,050			\$ 1,050
Total Extra-curricular	\$ 1,050	\$ -	\$ -	\$ 1,050
Total Student Activities	\$ 80,861	\$ 73,868	\$ 73,937	\$ 80,792

**INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA**

Statement I-5

**SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
MORGAN PARK MIDDLE SCHOOL-STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Activity	Cash Balance 6/30/2010	Receipts and Transfers In	Disbursements and Transfers Out	Cash Balance 6/30/2011
Co-curricular				
Art	\$ 133			\$ 133
Athletics	65			65
Awards	68			68
Band Rental	2,096	3,100	2,096	3,100
Book	1,130	195		1,325
General Fund	35,145	12,179	13,600	33,724
Home Economics	121			121
Industrial Education	2,569	120	283	2,406
Intergenerational	90		90	-
Library-Media	445	2,249	2,132	562
Library-Donation	1,185			1,185
Music				
Band	4,499	17,870	19,913	2,456
Choir	3,142	10,664	11,188	2,618
Jazz	184			184
Orchestra	7,833	502	1,916	6,419
Newspaper	93			93
Orchestra Rental	260	2,076	2,070	266
Physical Education	1,813			1,813
Rockets	21		21	-
Science Service Lrng		300	270	30
Service Learning		400	176	224
UMD Environmental	31		31	-
Yearbook	4,865	5,562	4,745	5,682
Total Co-curricular	\$ 65,788	\$ 55,217	\$ 58,531	\$ 62,474
Extra-curricular				
Dance Club	\$ 25			\$ 25
English Trip	365		365	-
Science club	155	852	636	371
Homebase	1,817			1,817
Sixth Grade	1,573	17,386	15,627	3,332
Seventh Grade		784	575	209
Eighth Grade Party	320	3,682	3,658	344
Scholarship Fund		250	50	200
Ski Club	-	1,936	1,936	-
Spanish Club	157			157
Student Council	2	175		177
Talent show	114			114
Trip Fund	13,905	18,428	27,355	4,978
WECEP	146	2,246	1,324	1,068
Total Extra-curricular	\$ 18,579	\$ 45,739	\$ 51,526	\$ 12,792
Total Student Activities	\$ 84,367	\$ 100,956	\$ 110,057	\$ 75,266

**INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA**

Statement I-6

**SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
WOODLAND MIDDLE SCHOOL-STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Activity	Cash Balance 6/30/2010	Receipts and Transfers In	Disbursements and Transfers Out	Cash Balance 6/30/2011
Co-curricular				
Art	\$ 2,501	\$ 6,422	\$ 8,711	\$ 212
Athletic Fund	-	2,495	2,429	66
Book Account	2,705	22	1,700	1,027
General Fund	17,913	11,189	4,901	24,201
Grants	1,937	600	281	2,256
Home Economics	3,834	95	1,158	2,771
Industrial Education	6,792	195	1,288	5,699
Library-Media	6,268	148	2,849	3,567
Music				
Band	12,628	5,492	10,707	7,413
Orchestra	15,680	18,468	18,603	15,545
Vocal	4,407	10,870	13,047	2,230
Physical Education	1,402	1,384	1,159	1,627
Play Production	878		878	-
Science Department	2,008		15	1,993
Yearbook	11,887	10,334	11,268	10,953
Total Co-curricular	\$ 90,840	\$ 67,714	\$ 78,994	\$ 79,560
Extra-curricular				
Drama	\$ 13,626			\$ 13,626
Grade 6	8,110	14,692	15,022	7,780
Grade 7	2,444	1,973	497	3,920
Grade 8	2,057	1,937	2,037	1,957
Knight Crew	91		91	-
Knowledge Bowl	448	960	900	508
PTSA Student Account	817		817	-
Robotics	67	1,000		1,067
Safe Schools	9,903	2,997	1,912	10,988
Ski	138	882	1,119	(99)
Spanish Club	43			43
Special Ed Store	127	15	60	82
Stamp Club	40			40
Student Council	1,098	1,293	349	2,042
Swim Team	83	1,033	598	518
Track and Field	14			14
Web Crew	75		75	-
WECEP	1,527			1,527
Winter Survival	2,222		2,222	-
Total Extra-curricular	\$ 42,930	\$ 26,782	\$ 25,699	\$ 44,013
Total Student Activities	\$ 133,770	\$ 94,496	\$ 104,693	\$ 123,573

**INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA**

Statement I-7

**SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
ELEMENTARY SCHOOLS, UNITY AND PUBLIC SCHOOL STADIUM-STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Activity	Cash Balance 6/30/2010	Receipts and Transfers In	Disbursements and Transfers Out	Cash Balance 6/30/2011
Congdon Park				
Co-curricular	\$ 5,686	\$ 15,101	\$ 12,164	\$ 8,623
Extra-curricular	651	12,746	12,933	464
Total	\$ 6,337	\$ 27,847	\$ 25,097	\$ 9,087
Grant				
Co-curricular	\$ 5,784		\$ 5,784	\$ -
Extra-curricular	2,668		2,668	-
Total	\$ 8,452	\$ -	\$ 8,452	\$ -
Homecroft				
Extra-curricular	\$ 31,966	\$ 13,427	\$ 12,614	\$ 32,779
Total	\$ 31,966	\$ 13,427	\$ 12,614	\$ 32,779
Lakewood				
Co-curricular	\$ 6,370	\$ 13,185	\$ 12,816	\$ 6,739
Extra-curricular	3,651	1,707	2,455	2,903
Total	\$ 10,021	\$ 14,892	\$ 15,271	\$ 9,642
Laura MacArthur				
Co-curricular	\$ 12,707	\$ 16,582	\$ 16,679	\$ 12,610
Extra-curricular	4,601	11,040	8,322	7,319
Total	\$ 17,308	\$ 27,622	\$ 25,001	\$ 19,929
Lester Park				
Co-curricular	\$ 18,040	\$ 36,369	\$ 26,409	\$ 28,000
Extra-curricular	-			-
Total	\$ 18,040	\$ 36,369	\$ 26,409	\$ 28,000
Lincoln Park				
Co-curricular	\$ 15,248	\$ 12,197	\$ 20,934	\$ 6,511
Extra-curricular	1,491	1,179	1,474	1,196
Total	\$ 16,739	\$ 13,376	\$ 22,408	\$ 7,707
Lowell				
Co-curricular	\$ 14,015	\$ 22,511	\$ 9,581	\$ 26,945
Extra-curricular	10,650	13,369	24,019	-
Total	\$ 24,665	\$ 35,880	\$ 33,600	\$ 26,945

**INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA**

**Statement I-7
(Continued)**

**SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CASH BALANCES
ELEMENTARY SCHOOLS, UNITY AND PUBLIC SCHOOL STADIUM-STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Activity	Cash Balance 6/30/2010	Receipts and Transfers In	Disbursements and Transfers Out	Cash Balance 6/30/2011
Elementary (Continued)				
Nettleton				
Co-curricular	\$ 33,746	\$ 25,762	\$ 16,407	\$ 43,101
Extra-curricular	6,167	11,716	9,365	8,518
Total	\$ 39,913	\$ 37,478	\$ 25,772	\$ 51,619
Rockridge				
Co-curricular	\$ 11,628	\$ 1,640	\$ 13,268	\$ -
Total	\$ 11,628	\$ 1,640	\$ 13,268	\$ -
Stowe				
Co-curricular	\$ 34,555	\$ 16,070	\$ 14,566	\$ 36,059
Total	\$ 34,555	\$ 16,070	\$ 14,566	\$ 36,059
Total Elementary	\$ 219,624	\$ 224,601	\$ 222,458	\$ 221,767
ALC				
Extra-curricular	\$ 529		\$ 520	\$ 9
Barnes Early Childhood				
Co-curricular	\$ 3,221	\$ 4,454	\$ 4,798	\$ 2,877
Merritt Crk Academy				
Co-curricular	\$ 5,986	\$ 2,795	\$ 5,766	\$ 3,015
Public School Stadium				
Co-curricular	\$ 695	\$ 25,608	\$ 25,238	\$ 1,065
Unity				
Co-curricular	\$ 32,435	\$ 10,918	\$ 10,054	\$ 33,299
Woodland Hills				
Co-curricular	\$ 3,042	\$ 237	\$ 36	\$ 3,243
Total Student Activities	\$ 265,532	\$ 268,613	\$ 268,870	\$ 265,275

**INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA**

**SCHEDULE OF CASH RECEIPTS
SECONDARY SCHOOLS - STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Receipts	Central	Denfeld	East	Secondary Technical Center
Advertising	\$ 8,424		\$ 12,000	
Book fines	200		500	
Concession Sales	11,252			
Donations	36,047		77,073	8,207
Fund Raising	100,530		68,661	19,722
Gate Admissions	175,288		263,641	
Interest	3,171			447
Library Fines	8		5	
Miscellaneous	20,787		28,443	1,607
Participation Fees	58,592		114,624	39,697
Picture and Yearbook Sales	10,546		12,333	
School Store	21,183		121,766	
Testing	6,571		12,002	252
Vending Machines	4,198		5,606	908
Total Classified by Source	\$ 456,797	\$ -	\$ 716,654	\$ 70,840
Unclassified *	607,321	62	296,387	3,028
Total Receipts	\$ 1,064,118	\$ 62	\$ 1,013,041	\$ 73,868

* Includes transfers between school site activities' accounts, participation fees, reimbursement transactions, and fund raising receipts reported net of related disbursements.

Schedule J-1

Morgan Park	Woodland	Total
		\$ 20,424
275	65	1,040
		11,252
5,514	14,883	141,724
33,820	16,680	239,413
		438,929
169	199	3,986
125	69	207
2,582	70	53,489
42,583	14,276	269,772
6,929	12,109	41,917
2,690	2,599	148,238
		18,825
2,291	1,757	14,760
\$ 96,978	\$ 62,707	\$ 1,403,976
3,978	31,789	942,565
\$ 100,956	\$ 94,496	\$ 2,346,541

**INDEPENDENT SCHOOL DISTRICT 709
DULUTH, MINNESOTA**

**SCHEDULE OF CASH DISBURSEMENTS
SECONDARY SCHOOLS - STUDENT ACTIVITIES ACCOUNTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Disbursements	Central	Denfeld	East	Secondary Technical Center
Consulting/Fees For Service	\$ 81,234		\$ 83,876	\$ 275
Fees and Admissions	25,944		154,752	12,441
General Supplies	138,379		198,654	3,347
Instructional Supplies	32,750		14,603	9,504
Library Books				
Materials For Resale	52,571		108,837	7,247
Memberships	3,648		11,394	3,395
Miscellaneous	26,660		45,773	885
Postage and Express				
Testing	5,688		1,716	510
Telephone				2,976
Transportation	17,309		55,621	2,571
Travel	65,848		73,161	27,758
Total Classified by Object	\$ 450,031	\$ -	\$ 748,387	\$ 70,909
Unclassified *	414,776	223,542	266,386	3,028
Total Expenditures	\$ 864,807	\$ 223,542	\$ 1,014,773	\$ 73,937

* Includes transfers between school site activities' accounts, reimbursement transactions, and fund raising receipts reported net of related disbursements.

Schedule J-2

Morgan Park	Woodland	Total
\$ 4,413	\$ 3,994	\$ 173,792
17,023	11,616	221,776
17,882	10,920	369,182
33	7,675	64,565
	34	34
26,806	17,404	212,865
35	112	18,584
4,405	4,007	81,730
25		25
		7,914
		2,976
16,672	8,186	100,359
18,788	6,248	191,803
\$ 106,082	\$ 70,196	\$ 1,445,605
3,975	34,497	946,204
\$ 110,057	\$ 104,693	\$ 2,391,809

INDEPENDENT SCHOOL DISTRICT NO. 709
DULUTH, MINNESOTA

FISCAL COMPLIANCE TABLE
JUNE 30, 2011

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$100,752,556	<u>\$100,752,555</u>	\$0	Total Revenue	\$4,807,329	<u>\$4,807,329</u>	\$0
Total Expenditures	\$105,782,866	<u>\$105,782,889</u>	\$0	Total Expenditures	\$121,134,185	<u>\$121,134,185</u>	\$0
Non Spendable:				Non Spendable:			
4.80 Non Spendable Fund Balance	\$200,478	<u>\$200,479</u>	(\$1)	4.80 Non Spendable Fund Balance	\$125	<u>\$125</u>	\$0
Restricted / Reserved:				Restricted / Reserved:			
4.03 Staff Development	\$302,361	<u>\$302,381</u>	\$0	4.07 Capital Projects Levy	\$0	<u>\$0</u>	\$0
4.05 Deferred Maintenance	\$0	<u>\$0</u>	\$0	4.09 Alternative Facility Program	\$20,554,021	<u>\$20,554,021</u>	\$0
4.06 Health and Safety	\$0	<u>\$0</u>	\$0	4.13 Project Funded by COP	\$18,254,645	<u>\$18,254,645</u>	\$0
4.07 Capital Projects Levy	\$0	<u>\$0</u>	\$0	Restricted:			
4.09 Cooperative Revenue	\$0	<u>\$0</u>	\$0	4.84 Restricted Fund Balance	\$44,178,194	<u>\$44,178,194</u>	\$0
4.14 Operating Debt	\$0	<u>\$0</u>	\$0	Unassigned:			
4.16 Levy Reduction	\$0	<u>\$0</u>	\$0	4.83 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0
4.17 Taconite Building Maint	\$0	<u>\$0</u>	\$0				
4.23 Certain Teacher Programs	\$0	<u>\$0</u>	\$0	07 DEBT SERVICE			
4.24 Operating Capital	\$0	<u>\$0</u>	\$0	Total Revenue	\$13,352,534	<u>\$13,352,534</u>	\$0
4.25 \$25 Taconite	\$0	<u>\$0</u>	\$0	Total Expenditures	\$18,221,852	<u>\$18,221,852</u>	\$0
4.27 Disabled Accessibility	\$0	<u>\$0</u>	\$0	Non Spendable:			
4.28 Learning & Development	\$0	<u>\$0</u>	\$0	4.80 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
4.34 Area Learning Center	\$0	<u>\$0</u>	\$0	Restricted / Reserved:			
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	\$0	4.25 Bond Refundings	\$0	<u>\$0</u>	\$0
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	\$0	4.51 QZAS Payments	\$0	<u>\$0</u>	\$0
4.38 Gifted & Talented	\$22,788	<u>\$22,788</u>	\$0	Restricted:			
4.41 Basic Skills Programs	\$329,263	<u>\$329,263</u>	\$0	4.84 Restricted Fund Balance	\$8,934,095	<u>\$8,934,095</u>	\$0
4.45 Career Tech Programs	\$0	<u>\$0</u>	\$0	Unassigned:			
4.49 Safe School Crime	\$0	<u>\$0</u>	\$0	4.83 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0
4.50 Pre-Kindergarten	\$0	<u>\$0</u>	\$0				
4.51 QZAS Payments	\$0	<u>\$0</u>	\$0	08 TRUST			
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0	Total Revenue	\$278,188	<u>\$278,188</u>	\$0
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	\$0	Total Expenditures	\$200,020	<u>\$200,020</u>	\$0
Restricted:				4.22 Unassigned Fund Balance (Net Assets)	\$1,874,530	<u>\$1,874,530</u>	\$0
4.84 Restricted Fund Balance	\$0	<u>\$0</u>	\$0				
Committed:				20 INTERNAL SERVICE			
4.19 Committed for Separation	\$4,080,744	<u>\$4,080,744</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
4.81 Committed Fund Balance	\$0	<u>\$0</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
Assigned:				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
4.82 Assigned Fund Balance	\$2,123,559	<u>\$2,123,559</u>	\$0				
Unassigned:				25 OPEB REVOCABLE TRUST			
4.22 Unassigned Fund Balance	(\$259,481)	<u>(\$259,480)</u>	(\$1)	Total Revenue	\$0	<u>\$0</u>	\$0
				Total Expenditures	\$0	<u>\$0</u>	\$0
02 FOOD SERVICES				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
Total Revenue	\$3,218,200	<u>\$3,218,200</u>	\$0				
Total Expenditures	\$3,110,699	<u>\$3,110,666</u>	\$0	45 OPEB IRREVOCABLE TRUST			
Non Spendable:				Total Revenue	\$0	<u>\$0</u>	\$0
4.80 Non Spendable Fund Balance	\$83,033	<u>\$83,033</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
Restricted / Reserved:				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0				
Restricted:				47 OPEB DEBT SERVICE			
4.84 Restricted Fund Balance	\$623,014	<u>\$623,014</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
Unassigned:				Total Expenditures	\$0	<u>\$0</u>	\$0
4.83 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0	Non Spendable:			
				4.80 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
04 COMMUNITY SERVICE				Restricted:			
Total Revenue	\$7,813,824	<u>\$7,813,823</u>	\$1	4.25 Bond Refundings	\$0	<u>\$0</u>	\$0
Total Expenditures	\$7,850,310	<u>\$7,850,310</u>	\$0	4.84 Restricted Fund Balance	\$0	<u>\$0</u>	\$0
Non Spendable:				Unassigned:			
4.80 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0	4.83 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0
Restricted / Reserved:							
4.25 \$25 Taconite	\$0	<u>\$0</u>	\$0				
4.31 Community Education	\$66,770	<u>\$66,770</u>	\$0				
4.32 E.C.F.E	\$160,069	<u>\$160,069</u>	\$0				
4.44 School Readiness	\$0	<u>\$0</u>	\$0				
4.47 Adult Basic Education	\$61,524	<u>\$61,524</u>	\$0				
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0				
Restricted:							
4.84 Restricted Fund Balance	\$27,358	<u>\$27,358</u>	\$0				
Unassigned:							
4.83 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0				