

INDEPENDENT SCHOOL DISTRICT #466  
DASSEL-COKATO PUBLIC SCHOOLS

AUDITED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2011

Conway, Deuth & Schmiesing, PLLP  
Certified Public Accountants  
Litchfield, Minnesota

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INDEPENDENT SCHOOL DISTRICT #466

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INDEPENDENT SCHOOL DISTRICT #466

ELECTED OFFICIALS AND PERSONNEL  
JUNE 30, 2011

| <u>Board of Education</u> |                  | <u>Term Expires</u> |
|---------------------------|------------------|---------------------|
| Chairperson               | Kevin Bjork      | 12/31/2014          |
| Vice-Chairperson          | Richard Tormanen | 12/31/2014          |
| Clerk                     | Irene Bender     | 12/31/2012          |
| Treasurer                 | Tracy McConkey   | 12/31/2012          |
| Director                  | Rebecca Clemen   | 12/31/2014          |
| Director                  | Mark Linder      | 12/31/2012          |
| <u>Administration</u>     |                  |                     |
| Superintendent            | Jeff Powers      |                     |
| Business Manager          | Tina Palmer      |                     |

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Quality | Dedication | Integrity

### INDEPENDENT AUDITOR'S REPORT

To The Board of Education  
Independent School District #466  
Cokato, Minnesota

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #466, Cokato, Minnesota, 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. The prior year partial comparative information has been derived from the District's 2010 financial statements and, in our report dated December 23, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 Independent School District #466, Cokato, Minnesota, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the notes to the basic financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended June 30, 2011. Adoption of the provisions of this statement results in significant changes to the classifications of the components of fund balance.

Members: American Institute of Certified Public Accountants, Minnesota Society of Certified Public Accountants

|   |  |  |  |   |
|---|--|--|--|---|
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In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 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 and Schedules of Funding Progress and Employer Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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 consists of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The statements and schedules listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining statements of nonmajor funds, individual fund statements, financial schedules, UFARS Compliance Table, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The Elected Officials and Personnel page has not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on the information presented.

*Conway, Deuth & Schmiesing, PLLP*

CONWAY, DEUTH & SCHMIESING, PLLP  
Certified Public Accountants  
Litchfield, Minnesota

November 21, 2011

REQUIRED SUPPLEMENTARY INFORMATION

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INDEPENDENT SCHOOL DISTRICT #466  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011

This section of the Independent School District Dassel-Cokato School #466's annual financial report presents the District's management's discussion and analysis of the District's financial performance during the fiscal year that ended June 30, 2011. Please read it in conjunction with the District's financial statements, which immediately follows this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 - Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments issued in June 1999.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2010-2011 fiscal year include the following:

- Net assets increased 8.26% or \$1,717,646 over the prior year.
- Overall actual revenues in the Statement of Activities were \$23,576,214, while overall expenditures totaled \$21,858,568.
- The Unassigned General Fund balance increased \$476,608 from the prior year which was a planned increase due to the District receiving federal stimulus funds but in turn not increasing other expenditures.

**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 supplementary information. The basic financial statements include two types of statements that present different views of the District:

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

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

INDEPENDENT SCHOOL DISTRICT #466  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011

**Figure A-1 Organization of Dassel-Cokato Schools' Annual Financial Report**

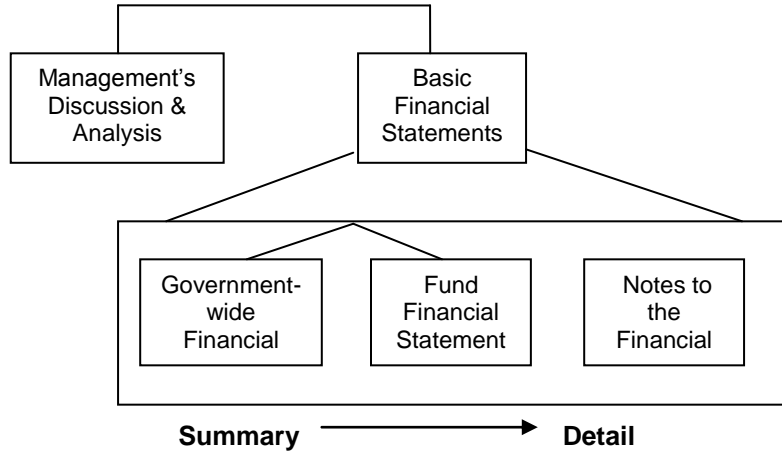


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

INDEPENDENT SCHOOL DISTRICT #466

MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011

| <b>Figure A-2 Major Features of the Government-Wide and Fund Financial Statements</b> |  |   |  |   |
|---|--|---|--|---|
|   | Government-wide Statements   | Fund Financial Statements   |  |   |
|   |  | Governmental Funds  | Proprietary Funds  | Fiduciary Funds   |
| Scope   | Entire district (except fiduciary funds)   | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance  | Activities the District operates similar to private businesses: Internal service fund  | Instances in which the District administers resources on behalf of someone else, such as scholarship programs                                 |
| Required financial statements   | <ul style="list-style-type: none"> <li>▪ Statement of Net Assets</li> <li>▪ Statement of Activities</li> </ul> | <ul style="list-style-type: none"> <li>▪ Balance Sheet</li> <li>▪ Statement of Revenue, Expenditures and Changes in Fund Balances</li> </ul>                                  | <ul style="list-style-type: none"> <li>▪ Statement of Net Assets</li> <li>▪ Statement of Revenues, Expenses, and Changes in Net Assets</li> <li>▪ Statement of Cash Flows</li> </ul> | <ul style="list-style-type: none"> <li>▪ Statement of Fiduciary Net Assets</li> <li>▪ Statement of Changes in Fiduciary Net Assets</li> </ul> |
| Accounting Basis and measurement focus  | Accrual accounting and economic resources focus  | Modified accrual accounting and current financial focus   | Accrual accounting and economic resources focus  | Accrual accounting and economic resources focus   |
| Type of asset/liability information   | All assets and liabilities, both financial and capital, short-term and long-term                               | Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included                 | All assets and liabilities, both financial and capital, and short-term and long-term   | All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can                   |
| Type of inflow/outflow information  | All revenues and expenses during year, regardless of when cash is received or paid                             | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and related liability is due and payable | All revenues and expenses during the year, regardless of when cash is received or paid   | All additions and deductions during the year, regardless of when cash is received or paid   |

**Government-wide Statements**

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

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

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.

INDEPENDENT SCHOOL DISTRICT #466

MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011

- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of the school buildings and other facilities.

In the government-wide financial statements the District's activities are shown in one category:

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

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's *funds* – focusing on its most significant or “major” funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes.

The District has three kinds of funds:

- *Governmental Funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information in separate statements that explains the relationship (or differences) between them.
- *Proprietary Funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements.
  - The District uses an *internal service fund* to report activities that provide supplies and services for the District's other programs and activities. The District currently has one internal service fund for self-insurance dental plan benefits.
- *Fiduciary Funds* – The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

INDEPENDENT SCHOOL DISTRICT #466  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net assets.** The District's *combined* net assets were \$22,505,985 on June 30, 2011. (See Table A-1.)

| <b>Governmental Activities</b>                  |                      |                      | Total<br>Percentage<br>Change<br>2010-2011 |
|---|----------------------|----------------------|--|
|   | 2011                 | 2010                 |  |
| Current and Other Assets                        | \$ 18,689,351        | \$ 12,837,063        | 45.59%                                     |
| Capital Assets                                  | 26,065,047           | 26,281,442           | -0.82%                                     |
| <b>Total Assets</b>                             | <b>\$ 44,754,398</b> | <b>\$ 39,118,505</b> | 14.41%                                     |
| Long-Term Liabilities                           | \$ 17,730,638        | \$ 10,926,231        | 62.28%                                     |
| Other Liabilities                               | 4,517,775            | 7,403,935            | -38.98%                                    |
| <b>Total Liabilities</b>                        | <b>22,248,413</b>    | <b>18,330,166</b>    | 21.38%                                     |
| Net Assets                                      |                      |                      |  |
| Invested in Capital Assets, Net of Related Debt | 15,237,146           | 13,686,539           | 11.33%                                     |
| Restricted                                      | 3,591,940            | 3,991,170            | -10.00%                                    |
| Unrestricted                                    | 3,676,899            | 3,110,630            | 18.20%                                     |
| <b>Total Net Assets</b>                         | <b>22,505,985</b>    | <b>20,788,339</b>    | 8.26%                                      |
| <b>Total Liabilities and Net Assets</b>         | <b>\$ 44,754,398</b> | <b>\$ 39,118,505</b> | 14.41%                                     |

INDEPENDENT SCHOOL DISTRICT #466

MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011

The following Table A-2 presents the change in net assets of the District:

|  | 2011                 | 2010                 | Total<br>Percentage<br>Change<br>2010-2011 |
|--|----------------------|----------------------|--|
| <b>REVENUES</b>                                      |                      |                      |  |
| Program Revenues                                     |                      |                      |  |
| Charges for Services                                 | \$ 1,106,893         | \$ 1,111,578         | -0.42%                                     |
| Operating Grants and Contributions                   | 4,524,721            | 5,325,135            | -15.03%                                    |
| Capital Grants and Contributions                     | 303,663              | 318,176              | -4.56%                                     |
| General Revenues                                     |                      |                      |  |
| Property Taxes                                       | 3,436,062            | 3,310,126            | 3.80%                                      |
| State Aid-Formula Grants                             | 13,975,493           | 12,912,957           | 8.23%                                      |
| Other  | 229,382              | 228,781              | 0.26%                                      |
| <b>Total Revenues</b>                                | <u>23,576,214</u>    | <u>23,206,753</u>    | 1.59%                                      |
| <b>EXPENDITURES</b>                                  |                      |                      |  |
| Administration                                       | 1,126,792            | 1,108,220            | 1.68%                                      |
| District Support Services                            | 320,139              | 356,146              | -10.11%                                    |
| Elementary and Secondary Regular Education           | 9,579,596            | 9,798,511            | -2.23%                                     |
| Vocational Education Instruction                     | 319,709              | 375,363              | -14.83%                                    |
| Special Education Instruction                        | 2,652,881            | 2,662,667            | -0.37%                                     |
| Instructional Support Services                       | 1,396,631            | 1,364,926            | 2.32%                                      |
| Pupil Support Services                               | 1,651,890            | 1,604,311            | 2.97%                                      |
| Sites and Buildings                                  | 2,599,716            | 2,649,407            | -1.88%                                     |
| Fiscal and Other Fixed Costs Programs                | 48,391               | 54,779               | -11.66%                                    |
| Food Service   | 868,713              | 868,204              | 0.06%                                      |
| Community Education and Services                     | 715,771              | 640,764              | 11.71%                                     |
| Interest and Fiscal Charges on Long-Term Liabilities | 578,339              | 531,478              | 8.82%                                      |
| <b>Total Expenditures</b>                            | <u>21,858,568</u>    | <u>22,014,776</u>    | -0.71%                                     |
| <b>Increase in Net Assets</b>                        | 1,717,646            | 1,191,977            | 44.10%                                     |
| <b>Beginning of Year Net Assets</b>                  | <u>20,788,339</u>    | <u>19,596,362</u>    | 6.08%                                      |
| <b>End of Year Net Assets</b>                        | <u>\$ 22,505,985</u> | <u>\$ 20,788,339</u> | 8.26%                                      |

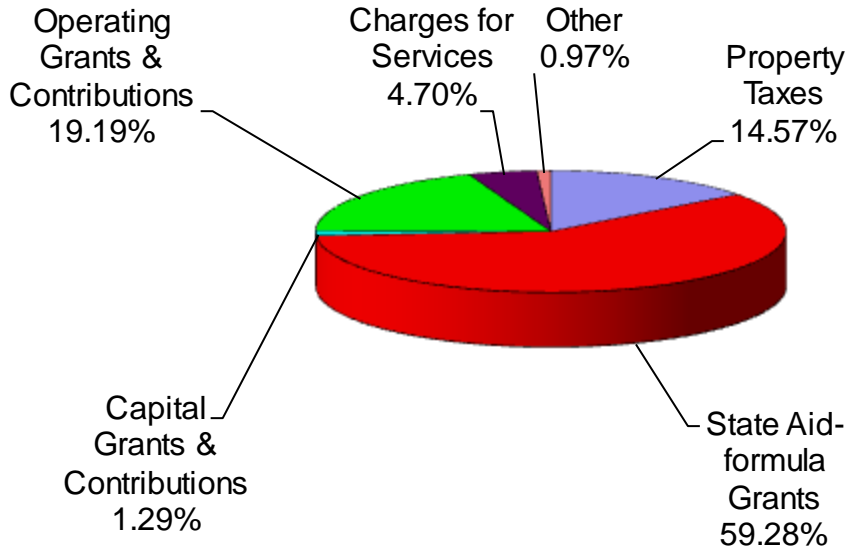
**Changes in net assets.** The District's total revenues were \$23,576,214 for the year ended June 30, 2011. Property taxes and state formula aid accounted for 73.85 percent of total revenue for the year. (See Figure A-3.) Another 0.97 percent came from other general revenues combined with investment earnings and the remainder of 25.18 percent from program revenues.

The total cost of all programs and services was \$21,858,568. The District's expenses are predominately related to educating and caring for students (76.81 percent.) (See Figure A-4.) Administrative costs for the District accounted for 5.15 percent of the total costs.

Total revenues exceeded expenses by \$1,717,646 for the year.

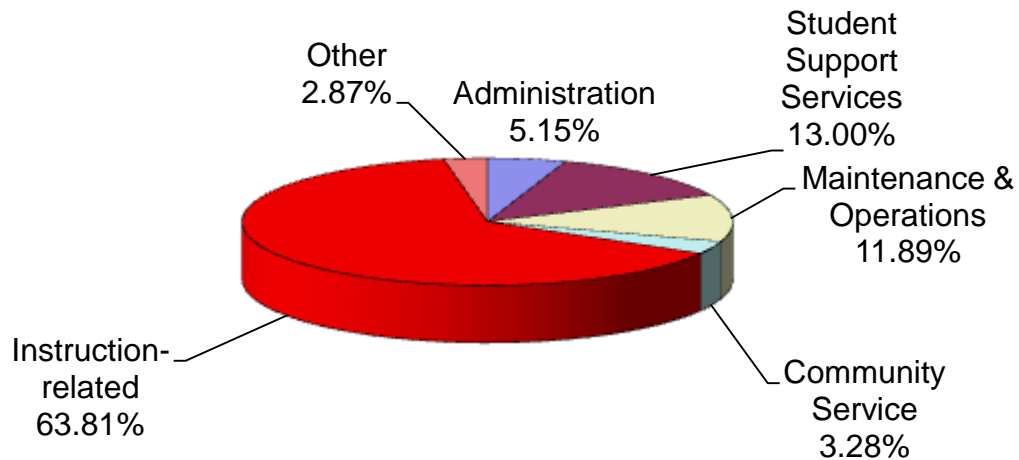
INDEPENDENT SCHOOL DISTRICT #466  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED JUNE 30, 2011

**Figure A-3 Sources of Dassel-Cokato Schools Revenue Fiscal Year 2011**



- The cost of all *governmental* activities this year was \$21,858,568.
- Some of the cost was paid by the users of the District's programs, \$1,106,893.

**Figure A-4 Dassel-Cokato Schools Expenses for Fiscal Year 2011**



- The federal and state governments subsidized certain programs with grants and contributions of \$4,828,384.
- Most of the District's costs, \$17,640,937, however, were paid for by District taxpayers and the taxpayers around the state. This portion of governmental activities expenses were paid for with \$3,436,062 in property taxes, \$13,975,493 in state aid based in the general education funding formula, and with investment and other general revenues of \$229,382.

INDEPENDENT SCHOOL DISTRICT #466

MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011

The net cost of governmental activities is their total costs less program revenues applicable to each category. (See Table A-3.)

|  | Total Cost of Services |                      | Total<br>Percentage<br>Change | Net Cost of Services |                      | Total<br>Percentage<br>Change |
|--|------------------------|----------------------|-------------------------------|----------------------|----------------------|-------------------------------|
|  | 2011                   | 2010                 | 2010-2011                     | 2011                 | 2010                 | 2010-2011                     |
|  |                        |                      |                               |                      |                      |                               |
| Administration                                       | \$ 1,126,792           | \$ 1,108,220         | 1.68%                         | \$ 1,110,781         | \$ 1,096,954         | 1.26%                         |
| District Support Services                            | 320,139                | 356,146              | -10.11%                       | 320,139              | 356,146              | -10.11%                       |
| Elementary and Secondary Regular Instruction         | 9,579,596              | 9,798,511            | -2.23%                        | 7,680,906            | 6,744,325            | 13.89%                        |
| Vocational Education Instruction                     | 319,709                | 375,363              | -14.83%                       | 310,163              | 362,686              | -14.48%                       |
| Special Education Instruction                        | 2,652,881              | 2,662,667            | -0.37%                        | 438,954              | 838,902              | -47.68%                       |
| Instructional Support Services                       | 1,396,631              | 1,364,926            | 2.32%                         | 1,254,468            | 1,181,240            | 6.20%                         |
| Pupil Support Services                               | 1,651,890              | 1,604,311            | 2.97%                         | 1,593,018            | 1,587,099            | 0.37%                         |
| Sites and Buildings                                  | 2,599,716              | 2,649,407            | -1.88%                        | 2,295,658            | 2,331,231            | -1.53%                        |
| Fiscal and Other Fixed Costs Programs                | 48,391                 | 54,779               | -11.66%                       | 48,391               | 54,779               | -11.66%                       |
| Food Service   | 868,713                | 868,204              | 0.06%                         | 12,410               | (23,988)             | -151.73%                      |
| Community Education and Services                     | 715,771                | 640,764              | 11.71%                        | 280,064              | 199,035              | 40.71%                        |
| Interest and Fiscal Charges on Long-Term Liabilities | 578,339                | 531,478              | 8.82%                         | 578,339              | 531,478              | 8.82%                         |
| <b>Total</b>   | <b>\$ 21,858,568</b>   | <b>\$ 22,014,776</b> | <b>-0.71%</b>                 | <b>\$ 15,923,291</b> | <b>\$ 15,259,887</b> | <b>4.35%</b>                  |

**Fund Balance**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a *combined* fund balance of \$15,292,356, an increase of \$7,833,808 from last year's ending fund balance of \$7,458,548. The reason for the increase is cash held in escrow of \$7,842,024 due to a bond refunding which took place in November. The cash in escrow will be used to pay off the general obligation bonds of 2003 and 2004 in February of 2013.

INDEPENDENT SCHOOL DISTRICT #466  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011

**Revenues and Expenditures**

Revenues for the District's governmental funds totaled \$23,540,192 and total expenditures were \$23,681,977. A summary of the revenues and expenditures reported on the governmental fund financial statements appear below:

|                            | Revenues             | Expenditures         | Other<br>Financing<br>Sources (Uses) | Fund Balance<br>Increase<br>(Decrease) |
|----------------------------|----------------------|----------------------|--------------------------------------|--|
| General Fund               | \$ 20,070,537        | \$ 19,769,201        | \$ (36,239)                          | \$ 265,097                             |
| Debt Service Fund          | 1,933,887            | 2,098,339            | 8,011,832                            | 7,847,380                              |
| Building Construction Fund | 132                  | 233,252              |                                      | (233,120)                              |
| Other Governmental Funds   |                      |                      |                                      |  |
| Food Service Fund          | 875,003              | 869,297              |                                      | 5,706                                  |
| Community Service Fund     | 660,633              | 711,888              |                                      | (51,255)                               |
| Totals                     | <u>\$ 23,540,192</u> | <u>\$ 23,681,977</u> | <u>\$ 7,975,593</u>                  | <u>\$ 7,833,808</u>                    |

**General Fund Budgetary Highlights**

During the year ended June 30, 2011, the District revised its operating budget one time. The revision was done in February because many factors are unknown at the time the original budget is approved as required by state statute prior to July 1. By February, student enrollment numbers are easier to estimate, state aids are based on these pupil numbers, therefore these numbers are easier to calculate with more accuracy. Other factors which need to be adjusted are federal grants and changes in state laws and the pupil funding formulas.

Although the District's final general fund budget anticipated that expenditures would exceed revenues by \$693,392 the actual results for the year show that the general fund balance increased by \$265,097. Some specific notations are below:

- Special education revenues exceeded the budgeted amount by \$415,443.
- Sites and building expenditures were below the budgeted amount by \$112,403.
- There were several other less significant areas as well where revenues exceeded budget and expenditures were under (or over) budget that combined to produce the outcome.

**Debt Service Fund**

The District experienced a \$7,847,380 increase in fund balance in the Debt Service Fund due to a bond refunding which took place in November. \$7,842,019 is cash in an escrow account to pay off the general obligation bonds of 2003 and 2004 in February 2013. After factoring out cash in escrow, the remaining fund balance as of June 30, 2011, is \$494,766, which is available for meeting future debt service obligations.

**Building Construction Fund**

During the fiscal year, the District completed the roof project at the High School and Middle School complexes. The balance in the Building Construction fund will be closed out during fiscal year 2012.

**Food Service Fund**

The District experienced a \$5,706 increase in fund balance in the Food Service Fund resulting in a fund balance of \$357,108 which is in excess of state statute requirements. The District will once again offer juice and milk at no cost to families during elementary break time for the 2011-12 school year in order to spend down some of the fund balance. The District is also anticipating at least a 10% increase in food costs due to the new requirements through the USDA. The District will continue to monitor the fund balance during the 2011-12 fiscal year.

INDEPENDENT SCHOOL DISTRICT #466  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011

**Internal Service Fund**

The District has a self insurance dental fund set up for the express purpose of managing the dental insurance benefits of eligible employees. Net assets increased by \$19,018 to \$36,313 as of June 30, 2011. The District chose not to increase premiums for the 2011-12 fiscal year due to the fund balance growing.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of fiscal year 2011, the District had invested \$49,322,625 in a broad range of capital assets, including school building, technology equipment, building equipment and land. (See Table A-4.) Detailed information on Capital Assets can be found in Note 7 to the financial statements. Total depreciation expense for the year was \$1,627,312. The District had disposals of \$235,364.

| <b>Table A-4</b>                                |                      |                      |  |
|---|----------------------|----------------------|--|
| <b>Dassel-Cokato Schools</b>                    |                      |                      |  |
| <b>Capital Assets - Governmental Activities</b> |                      |                      |  |
|   | 2011                 | 2010                 | Total<br>Percentage<br>Change<br>2010-2011 |
| Land  | \$ 958,413           | \$ 958,413           | 0.00%                                      |
| Construction in Progress                        |                      | 593,000              | -100.00%                                   |
| Land Improvements                               | 968,771              | 902,658              | 7.32%                                      |
| Buildings                                       | 40,263,010           | 38,965,568           | 3.33%                                      |
| Equipment                                       | 7,132,431            | 6,723,610            | 6.08%                                      |
| Less Accumulated Depreciation                   | (23,257,578)         | (21,861,807)         | 6.38%                                      |
|   | <u>\$ 26,065,047</u> | <u>\$ 26,281,442</u> | -0.82%                                     |
| Net Capital Assets                              | <u>\$ 26,065,047</u> | <u>\$ 26,281,442</u> | -0.82%                                     |

**Long-term Liabilities**

At year-end, the District had \$17,810,000 in general obligation bonds as shown in Table A-5. The District also had \$202,710 in other postemployment benefits payable, \$680,000 in a certificate of participation and \$170,670 in capital lease payable at June 30, 2011. (More detailed information about the District's long-term liabilities is presented in Notes 9, 10, 11 and 12 of the financial statements.)

- The District retired \$2,210,537 of outstanding bonds and other long-term debt.
- \$7,910,000 in general obligation refunding bonds was issued during the year to refund the general obligation bonds of 2003 and 2004 which will take place in February of 2013.

INDEPENDENT SCHOOL DISTRICT #466  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011

| <b>Table A-5</b>                         |               |               |  |
|--|---------------|---------------|--|
| <b>Dassel-Cokato Schools</b>             |               |               |  |
| <b>Outstanding Long-Term Liabilities</b> |               |               |  |
|  | 2011          | 2010          | Total<br>Percentage<br>Change<br>2010-2011 |
| General Obligation Bonds Payable         | \$ 17,810,000 | \$ 11,420,000 | 55.95%                                     |
| Unamortized Debt Premiums                | 77,231        | 21,585        | 257.80%                                    |
| Other Postemployment Benefits Payable    | 202,710       | 157,589       | 28.63%                                     |
| Compensated Absences Payable             |               | 235,123       | -100.00%                                   |
| Capital Lease Payable                    | 170,670       | 329,903       | -48.27%                                    |
| Certificate of Participation             | 680,000       | 845,000       | -19.53%                                    |
|  | \$ 18,940,611 | \$ 13,009,200 | 45.59%                                     |
| Total                                    |               |               |  |

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

The District currently has levy authority for state allowed levy revenue sources, and also has a \$447.03 per pupil unit excess operating referendum in place for the 2011-12 school year; however the District is heavily dependent on the State of Minnesota for its revenue stream.

The District benefits from an open enrollment net gain of approximately 125 pupil units. The District has experienced a slight decline in enrollment over the last three years. For fiscal year 2011-12 the District has seen its largest decline in enrollment in many years; over 50 students. The reason for the decline is families moving to find employment. The District anticipates enrollment to remain constant as the preschool population is similar to the graduating class at approximately 170 students.

The state legislature sets the amount of revenue from aids and levies that Minnesota school districts will receive. During the last legislative session, districts in Minnesota received an increase of \$50 per pupil on the general education formula for both the 2011-12 and 2012-13 school years. The downfall to the increase was the state increasing the state aid shift from 70/30 to 60/40 which resulted in the state holding over \$1.6 million in additional money from the District. Currently the District is able to continue operating without borrowing money but is always analyzing the best way to become more efficient and yet still provide academic excellence to students of all ages. This District has always maintained sound fiscal policies and strives to continue this tradition even in these challenging economic times.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District Office, Independent School District #466, 4852 Reardon Avenue SW, Suite 1700, Cokato, MN 55321.

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## BASIC FINANCIAL STATEMENTS

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INDEPENDENT SCHOOL DISTRICT #466

STATEMENT OF NET ASSETS

JUNE 30, 2011

WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2010

|   | Governmental Activities |                      |
|---|-------------------------|----------------------|
|   | 2011                    | 2010                 |
| <b>ASSETS</b>                                   |                         |                      |
| Cash and Investments                            | \$ 3,326,613            | \$ 4,984,307         |
| Cash with Fiscal Agent                          | 7,842,024               | 826,125              |
| Receivables                                     | 1,535,468               | 1,950,517            |
| Due from Other Governments                      | 5,585,719               | 4,805,854            |
| Inventory                                       | 29,750                  | 29,675               |
| Prepaid Expenses                                | 126,830                 | 77,680               |
| Deferred Charges                                | 242,947                 | 162,905              |
| Capital Assets                                  |                         |                      |
| Assets Not Being Depreciated                    | 958,413                 | 1,551,413            |
| Other Capital Assets, Net of Depreciation       | 25,106,634              | 24,730,029           |
| <b>Total Assets</b>                             | <b>\$ 44,754,398</b>    | <b>\$ 39,118,505</b> |
| <b>LIABILITIES AND NET ASSETS</b>               |                         |                      |
| <b>Liabilities</b>                              |                         |                      |
| Payables  | \$ 791,634              | \$ 1,425,269         |
| Due to Other Minnesota School Districts         | 96,907                  | 154,743              |
| Due to Other Governmental Units                 | 39,751                  | 2,095                |
| Interest Payable                                | 300,670                 | 200,279              |
| Unearned Revenue                                | 166,707                 | 61,617               |
| Taxes Levied for Subsequent Year                | 1,912,133               | 3,476,963            |
| Noncurrent Liabilities                          |                         |                      |
| Due Within One Year                             | 1,209,973               | 2,082,969            |
| Due in More Than One Year                       | 17,730,638              | 10,926,231           |
| <b>Total Liabilities</b>                        | <b>22,248,413</b>       | <b>18,330,166</b>    |
| <b>Net Assets</b>                               |                         |                      |
| Invested in Capital Assets, Net of Related Debt | 15,237,146              | 13,686,539           |
| Restricted for                                  |                         |                      |
| Debt Service                                    | 369,062                 | 473,616              |
| Capital Projects                                | 2,694,180               | 2,920,408            |
| State Mandated                                  | 75,981                  | 109,685              |
| Other Activities                                | 452,717                 | 487,461              |
| Unrestricted                                    | 3,676,899               | 3,110,630            |
| <b>Total Net Assets</b>                         | <b>22,505,985</b>       | <b>20,788,339</b>    |
| <b>Total Liabilities and Net Assets</b>         | <b>\$ 44,754,398</b>    | <b>\$ 39,118,505</b> |

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #466

STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2011  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

|  | 2011                 |   |  |  | 2010   |  |
|--|----------------------|---|--|--|--|--|
|  | Expenses             | Program Revenues                            |  |  | Net (Expense)<br>Revenue and<br>Changes in<br>Net Assets | Net (Expense)<br>Revenue and<br>Changes in<br>Net Assets |
|  |                      | Fees, Fines,<br>and Charges<br>for Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                               | Governmental<br>Activities                               |
| <b>GOVERNMENTAL ACTIVITIES</b>                       |                      |   |  |  |  |  |
| Administration                                       | \$ 1,126,792         | \$ 16,011                                   | \$                                       | \$                                     | \$ (1,110,781)   | \$ (1,096,954)   |
| District Support Services                            | 320,139              |   |  |  | (320,139)  | (356,146)  |
| Elementary and Secondary Regular Instruction         | 9,579,596            | 259,417                                     | 1,639,273                                |  | (7,680,906)  | (6,744,325)  |
| Vocational Education Instruction                     | 319,709              | 841   | 8,705                                    |  | (310,163)  | (362,686)  |
| Special Education Instruction                        | 2,652,881            | 42,872                                      | 2,171,055                                |  | (438,954)  | (838,902)  |
| Instructional Support Services                       | 1,396,631            | 75,082                                      | 67,081                                   |  | (1,254,468)  | (1,181,240)  |
| Pupil Support Services                               | 1,651,890            | 4,315                                       | 54,557                                   |  | (1,593,018)  | (1,587,099)  |
| Sites and Buildings                                  | 2,599,716            | 395   |  | 303,663                                | (2,295,658)  | (2,331,231)  |
| Fiscal and Other Fixed Costs Programs                | 48,391               |   |  |  | (48,391)   | (54,779)   |
| Food Service   | 868,713              | 381,702                                     | 474,601                                  |  | (12,410)   | 23,988   |
| Community Education and Services                     | 715,771              | 326,258                                     | 109,449                                  |  | (280,064)  | (199,035)  |
| Interest and Fiscal Charges on Long-Term Liabilities | 578,339              |   |  |  | (578,339)  | (531,478)  |
| <b>Total Governmental Activities</b>                 | <b>\$ 21,858,568</b> | <b>\$ 1,106,893</b>                         | <b>\$ 4,524,721</b>                      | <b>\$ 303,663</b>                      | <b>(15,923,291)</b>                                      | <b>(15,259,887)</b>                                      |
| <b>GENERAL REVENUES</b>                              |                      |   |  |  |  |  |
| Taxes Levied for                                     |                      |   |  |  |  |  |
| General Purposes                                     |                      |   |  |  | 1,532,237  | 1,422,595  |
| Community Education and Services                     |                      |   |  |  | 133,418  | 129,686  |
| Debt Service   |                      |   |  |  | 1,770,407  | 1,757,845  |
| Aids and Payments from the State                     |                      |   |  |  | 13,975,493   | 12,912,957   |
| Other General Revenues                               |                      |   |  |  | 160,763  | 156,227  |
| Investment Earnings                                  |                      |   |  |  | 68,619   | 72,554   |
| <b>Total General Revenues</b>                        |                      |   |  |  | <b>17,640,937</b>  | <b>16,451,864</b>  |
| Change in Net Assets                                 |                      |   |  |  | 1,717,646  | 1,191,977  |
| <b>NET ASSETS, BEGINNING OF YEAR</b>                 |                      |   |  |  | <b>20,788,339</b>  | <b>19,596,362</b>  |
| <b>NET ASSETS, END OF YEAR</b>                       |                      |   |  |  | <b>\$ 22,505,985</b>                                     | <b>\$ 20,788,339</b>                                     |

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #466

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2010

|   | General<br>Fund     | Building Construction<br>Capital Projects<br>Fund | Debt Service<br>Fund | Other Governmental<br>Funds | Total Governmental Funds |                      |
|---|---------------------|---|----------------------|-----------------------------|--------------------------|----------------------|
|   |                     |   |                      |                             | 2011                     | 2010                 |
| <b>ASSETS</b>                             |                     |   |                      |                             |                          |                      |
| Cash and Investments                      | \$ 1,924,266        | \$  | \$ 911,992           | \$ 440,430                  | \$ 3,276,688             | \$ 4,949,767         |
| Cash with Fiscal Agent                    |                     | 5   | 7,842,019            |                             | 7,842,024                | 826,125              |
| Receivables                               |                     |   |                      |                             |                          |                      |
| Accounts                                  | 3,484               |   |                      | 2,705                       | 6,189                    | 37,780               |
| Current Property Taxes                    | 713,735             |   | 581,559              | 68,006                      | 1,363,300                | 1,823,031            |
| Delinquent Property Taxes                 | 46,729              |   | 59,450               | 4,424                       | 110,603                  | 77,628               |
| Interest                                  | 4,554               |   | 50,822               |                             | 55,376                   | 12,078               |
| Due from Other Governments                |                     |   |                      |                             |                          |                      |
| Other Minnesota School Districts          | 233,668             |   |                      | 1,803                       | 235,471                  | 173,517              |
| State Department of Education             | 5,148,602           |   | 42,742               | 36,422                      | 5,227,766                | 4,387,446            |
| Federal Department of Education           | 19,508              |   |                      | 337                         | 19,845                   | 113,083              |
| Other Governmental Units                  | 58,494              |   | 40,037               | 4,106                       | 102,637                  | 131,808              |
| Inventory                                 |                     |   |                      | 29,750                      | 29,750                   | 29,675               |
| Prepaid Items                             | 121,327             |   |                      | 5,503                       | 126,830                  | 77,680               |
| <b>Total Assets</b>                       | <b>\$ 8,274,367</b> | <b>\$ 5</b>                                       | <b>\$ 9,528,621</b>  | <b>\$ 593,486</b>           | <b>\$ 18,396,479</b>     | <b>\$ 12,639,618</b> |
| <b>LIABILITIES AND FUND BALANCE</b>       |                     |   |                      |                             |                          |                      |
| <b>Liabilities</b>                        |                     |   |                      |                             |                          |                      |
| Payables                                  |                     |   |                      |                             |                          |                      |
| Accounts                                  | \$ 276,055          | \$  | \$                   | \$ 8,642                    | \$ 284,697               | \$ 283,388           |
| Contracts                                 |                     |   |                      |                             |                          | 593,000              |
| Salaries and Payroll Deductions           | 476,960             |   |                      | 16,365                      | 493,325                  | 531,605              |
| Due to Other Minnesota School Districts   | 90,095              |   |                      | 6,812                       | 96,907                   | 154,743              |
| Due to Other Governmental Units           | 39,698              |   |                      | 53                          | 39,751                   | 2,126                |
| Deferred Revenue                          | 176,464             |   | 59,450               | 41,396                      | 277,310                  | 139,245              |
| Taxes Levied for Subsequent Year          | 711,662             |   | 1,132,386            | 68,085                      | 1,912,133                | 3,476,963            |
| <b>Total Liabilities</b>                  | <b>1,770,934</b>    | <b>0</b>  | <b>1,191,836</b>     | <b>141,353</b>              | <b>3,104,123</b>         | <b>5,181,070</b>     |
| <b>Fund Balance</b>                       |                     |   |                      |                             |                          |                      |
| Nonspendable                              | 121,327             |   |                      | 35,253                      | 156,580                  | 107,355              |
| Restricted                                | 2,770,161           | 5   | 8,336,785            | 416,880                     | 11,523,831               | 4,215,856            |
| Unassigned                                | 3,611,945           |   |                      |                             | 3,611,945                | 3,135,337            |
| <b>Total Fund Balance</b>                 | <b>6,503,433</b>    | <b>5</b>  | <b>8,336,785</b>     | <b>452,133</b>              | <b>15,292,356</b>        | <b>7,458,548</b>     |
| <b>Total Liabilities and Fund Balance</b> | <b>\$ 8,274,367</b> | <b>\$ 5</b>                                       | <b>\$ 9,528,621</b>  | <b>\$ 593,486</b>           | <b>\$ 18,396,479</b>     | <b>\$ 12,639,618</b> |

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #466

RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET ASSETS

JUNE 30, 2011

WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2010

|  | <u>2011</u>          | <u>2010</u>          |
|--|----------------------|----------------------|
| Total Fund Balances - Governmental Funds   | \$ 15,292,356        | \$ 7,458,548         |
| Amounts reported for governmental activities in the Statement of Net Assets are different because:   |                      |                      |
| Internal Service Fund for dental insurance, is not included as financial resources and therefore are not reported as assets in the governmental funds.   | 36,313               | 17,295               |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.   |                      |                      |
| Governmental Capital Assets  | 49,322,625           | 48,143,249           |
| Accumulated Depreciation   | (23,257,578)         | (21,861,807)         |
| Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for current period's expenditures, and therefore are reported as deferred revenue in the funds. | 110,603              | 77,628               |
| 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.  |                      |                      |
| Bond Principal Payable   | (17,810,000)         | (11,420,000)         |
| Capital Lease Payable and Certificate of Participation   | (850,670)            | (1,174,903)          |
| Unamortized Premiums   | (77,231)             | (21,585)             |
| Governmental funds do not report a liability for accrued interest until due and payable.   | (300,670)            | (200,279)            |
| Governmental funds report debt issuance costs as expenditures at the time of issuance. Issuance costs are reported as deferred charges in the government-wide financial statements.                              | 242,947              | 162,905              |
| Postemployment benefits payable is not due and payable in the current period and therefore is not reported as a liability in the funds.  |                      |                      |
| Compensated Absences   |                      | (235,123)            |
| Other Postemployment Benefits  | (202,710)            | (157,589)            |
| Total Net Assets - Governmental Activities   | <u>\$ 22,505,985</u> | <u>\$ 20,788,339</u> |

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #466

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2011  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

|  | General Fund        | Building Construction Capital Projects Fund | Debt Service Fund   | Other Governmental Funds | Total Governmental Funds |                     |
|--|---------------------|---|---------------------|--------------------------|--------------------------|---------------------|
|  |                     |   |                     |                          | 2011                     | 2010                |
| <b>REVENUES</b>  |                     |   |                     |                          |                          |                     |
| Local Property Tax Levies                                    | \$ 2,106,474        | \$  | \$ 1,753,122        | \$ 196,385               | \$ 4,055,981             | \$ 3,303,384        |
| Other Local and County Revenues                              | 524,303             | 132   | 38,290              | 434,515                  | 997,240                  | 934,505             |
| Revenue from State Sources                                   | 16,498,984          |   | 142,475             | 93,763                   | 16,735,222               | 15,916,584          |
| Revenue from Federal Sources                                 | 884,755             |   |                     | 429,271                  | 1,314,026                | 2,567,037           |
| Sales and Other Conversions of Assets                        | 56,021              |   |                     | 381,702                  | 437,723                  | 478,499             |
| <b>Total Revenues</b>  | <b>20,070,537</b>   | <b>132</b>                                  | <b>1,933,887</b>    | <b>1,535,636</b>         | <b>23,540,192</b>        | <b>23,200,009</b>   |
| <b>EXPENDITURES</b>  |                     |   |                     |                          |                          |                     |
| <b>Current</b>   |                     |   |                     |                          |                          |                     |
| Administration   | 1,047,311           |   |                     |                          | 1,047,311                | 1,046,996           |
| District Support Services                                    | 312,879             |   |                     |                          | 312,879                  | 350,194             |
| Elementary and Secondary Regular Instruction                 | 9,642,951           |   |                     |                          | 9,642,951                | 9,787,762           |
| Vocational Education Instruction                             | 318,635             |   |                     |                          | 318,635                  | 371,314             |
| Special Education Instruction                                | 2,675,856           |   |                     |                          | 2,675,856                | 2,691,374           |
| Community Education and Services                             |                     |   |                     | 698,397                  | 698,397                  | 626,520             |
| Instructional Support Services                               | 1,080,009           |   |                     |                          | 1,080,009                | 1,039,418           |
| Pupil Support Services                                       | 1,568,107           |   |                     | 838,038                  | 2,406,145                | 2,326,615           |
| Sites and Buildings  | 1,421,484           |   |                     |                          | 1,421,484                | 1,439,233           |
| Fiscal and Other Fixed Costs Programs                        | 53,960              |   |                     |                          | 53,960                   | 50,361              |
| Capital Outlay   | 1,283,894           | 233,252                                     |                     | 44,750                   | 1,561,896                | 1,355,936           |
| <b>Debt Service</b>  |                     |   |                     |                          |                          |                     |
| Principal  | 324,233             |   | 1,520,000           |                          | 1,844,233                | 1,608,562           |
| Interest and Fiscal Charges                                  | 39,882              |   | 578,339             |                          | 618,221                  | 565,843             |
| <b>Total Expenditures</b>                                    | <b>19,769,201</b>   | <b>233,252</b>                              | <b>2,098,339</b>    | <b>1,581,185</b>         | <b>23,681,977</b>        | <b>23,260,128</b>   |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 301,336             | (233,120)                                   | (164,452)           | (45,549)                 | (141,785)                | (60,119)            |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                     |   |                     |                          |                          |                     |
| Certificate of Participation Proceeds                        |                     |   |                     |                          |                          | 826,017             |
| Refunding Bond Proceeds                                      |                     |   | 7,910,000           |                          | 7,910,000                |                     |
| Refunding Bond Premium                                       |                     |   | 62,546              |                          | 62,546                   |                     |
| Sale of Capital Assets                                       | 3,047               |   |                     |                          | 3,047                    |                     |
| Transfers In   |                     |   | 39,286              |                          | 39,286                   | 35,257              |
| Transfers Out  | (39,286)            |   |                     |                          | (39,286)                 | (35,257)            |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>(36,239)</b>     | <b>0</b>                                    | <b>8,011,832</b>    | <b>0</b>                 | <b>7,975,593</b>         | <b>826,017</b>      |
| <b>Net Change in Fund Balances</b>                           | <b>265,097</b>      | <b>(233,120)</b>                            | <b>7,847,380</b>    | <b>(45,549)</b>          | <b>7,833,808</b>         | <b>765,898</b>      |
| <b>FUND BALANCE, BEGINNING OF YEAR</b>                       | <b>6,238,336</b>    | <b>233,125</b>                              | <b>489,405</b>      | <b>497,682</b>           | <b>7,458,548</b>         | <b>6,692,650</b>    |
| <b>FUND BALANCE, END OF YEAR</b>                             | <b>\$ 6,503,433</b> | <b>\$ 5</b>                                 | <b>\$ 8,336,785</b> | <b>\$ 452,133</b>        | <b>\$ 15,292,356</b>     | <b>\$ 7,458,548</b> |

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #466

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011  
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

|  | <u>2011</u>         | <u>2010</u>         |
|--|---------------------|---------------------|
| Total Net Change in Fund Balances - Governmental Funds   | \$ 7,833,808        | \$ 765,898          |
| <p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>  |                     |                     |
| <p>Capital outlay is 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.</p>   |                     |                     |
| Capital Outlay   | 1,414,740           | 1,156,875           |
| Depreciation Expense   | (1,627,312)         | (1,593,339)         |
| Capital Asset Disposals  | (235,364)           | (70,575)            |
| Accumulated Depreciation Related to Capital Asset Disposals  | 231,541             | 69,657              |
| <p>The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the Statement of Net Assets, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities and repayment of principal reduces the liability. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences is as follows:</p> |                     |                     |
| Debt Issuance Premium  | (62,546)            | (8,805)             |
| Debt Issuance Proceeds   | (7,910,000)         | (845,000)           |
| Debt Issuance Costs  | 103,558             | 27,788              |
| Bond Principal and Capital Lease Retirement  | 1,844,233           | 1,608,562           |
| Amortization of Issuance Costs   | (23,515)            | (20,104)            |
| Amortization of Premiums   | 6,899               | 3,612               |
| Change in Accrued Interest Expense   | (100,391)           | 10,507              |
| <p>Postemployment benefits payable in the Statement of Activities differs from the amount reported in the governmental funds because this benefit is recognized as an expenditure in the funds when due. In the Statement of Activities, postemployment benefits payable is recognized when accrued.</p>   |                     |                     |
| Compensated Absences   | 235,123             | 149,544             |
| Other Postemployment Benefits  | (45,121)            | (70,953)            |
| <p>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.</p>  |                     |                     |
|  | 32,975              | 6,742               |
| <p>An internal service fund is used by the District's management to charge the costs of the self insurance dental program to the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.</p>  |                     |                     |
|  | <u>19,018</u>       | <u>1,568</u>        |
| Change in Net Assets - Governmental Activities   | <u>\$ 1,717,646</u> | <u>\$ 1,191,977</u> |

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #466

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2011

|   | Budgeted Amounts |              | Actual       | Over (Under)<br>Final<br>Budget |
|---|------------------|--------------|--------------|---------------------------------|
|   | Original         | Final        |              |                                 |
| <b>REVENUES</b>                                   |                  |              |              |                                 |
| Local Property Tax Levies                         |                  |              |              |                                 |
| Tax Levy  | \$ 1,510,876     | \$ 1,506,089 | \$ 2,106,474 | \$ 600,385                      |
| Other Local and County Revenues                   |                  |              |              |                                 |
| County Apportionment                              | 32,000           | 32,000       | 45,172       | 13,172                          |
| Revenue from Other Minnesota Districts            | 41,731           | 56,007       | 58,598       | 2,591                           |
| Tuition, Fees and Admissions                      | 210,150          | 210,150      | 211,583      | 1,433                           |
| Investment Earnings                               | 29,000           | 29,000       | 29,547       | 547                             |
| Rent for School Facilities                        | 4,750            | 5,750        | 5,729        | (21)                            |
| Other Local Revenues                              | 80,150           | 134,625      | 173,674      | 39,049                          |
| Total Other Local and County Revenues             | 397,781          | 467,532      | 524,303      | 56,771                          |
| Revenue from State Sources                        |                  |              |              |                                 |
| Endowment Fund Apportionment                      | 60,000           | 59,094       | 60,574       | 1,480                           |
| General Education Aid                             | 15,180,740       | 15,200,060   | 15,192,619   | (7,441)                         |
| Market Value Credit                               | 42,259           | 47,383       | 47,383       |                                 |
| Special Education Aid                             | 1,430,500        | 1,302,000    | 1,717,443    | 415,443                         |
| Shared Time Aid                                   | 4,402            | 4,402        | 799          | (3,603)                         |
| Deferred Maintenance Aid                          | 33,623           | 33,623       | 43,109       | 9,486                           |
| State Aid Adjustment                              |                  |              | (588,518)    | (588,518)                       |
| Other State Revenues                              | 10,062           | 8,185        | 25,575       | 17,390                          |
| Total Revenue from State Sources                  | 16,761,586       | 16,654,747   | 16,498,984   | (155,763)                       |
| Revenue from Federal Sources                      |                  |              |              |                                 |
| Title I, Grants to Local Education Agencies       | 286,892          | 307,581      | 286,104      | (21,477)                        |
| ARRA Title I Grants to Local Educational Agencies | 31,544           | 40,544       | 40,050       | (494)                           |
| Title II - Part A -Improving Teacher Quality      | 104,019          | 103,844      | 104,135      | 291                             |
| Title IV - Safe and Drug-Free Schools             | 7,300            |              | 3            | 3                               |
| ARRA Special Education                            | 246,972          | 246,972      | 246,943      | (29)                            |
| Special Education                                 | 193,234          | 199,654      | 198,815      | (839)                           |
| Career and Technical Education                    | 11,000           | 11,000       | 8,705        | (2,295)                         |
| Total Revenue from Federal Sources                | 880,961          | 909,595      | 884,755      | (24,840)                        |
| Sales and Other Conversions of Assets             |                  |              |              |                                 |
| Sales and Insurance Recovery                      | 43,140           | 43,140       | 56,021       | 12,881                          |
| Total Revenues                                    | 19,594,344       | 19,581,103   | 20,070,537   | 489,434                         |

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #466

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2011

|   | Budgeted Amounts |                  | Actual           | Over (Under)<br>Final<br>Budget |
|---|------------------|------------------|------------------|---------------------------------|
|   | Original         | Final            |                  |                                 |
| <b>EXPENDITURES</b>   |                  |                  |                  |                                 |
| <b>Current</b>  |                  |                  |                  |                                 |
| <b>Administration</b>   |                  |                  |                  |                                 |
| Salaries and Wages  | \$ 752,604       | \$ 752,604       | \$ 735,820       | \$ (16,784)                     |
| Employee Benefits   | 220,568          | 220,068          | 223,071          | 3,003                           |
| Purchased Services  | 61,030           | 49,705           | 36,321           | (13,384)                        |
| Supplies and Materials  | 29,398           | 29,098           | 26,770           | (2,328)                         |
| Other Expenditures  | 28,899           | 28,899           | 25,329           | (3,570)                         |
| <b>Total Administration</b>                                   | <b>1,092,499</b> | <b>1,080,374</b> | <b>1,047,311</b> | <b>(33,063)</b>                 |
| <b>District Support Services</b>                              |                  |                  |                  |                                 |
| Salaries and Wages  | 178,073          | 178,073          | 177,073          | (1,000)                         |
| Employee Benefits   | 61,752           | 61,907           | 53,294           | (8,613)                         |
| Purchased Services  | 73,050           | 75,550           | 53,553           | (21,997)                        |
| Supplies and Materials  | 11,500           | 11,000           | 6,323            | (4,677)                         |
| Other Expenditures  | 26,250           | 26,250           | 22,636           | (3,614)                         |
| <b>Total District Support Services</b>                        | <b>350,625</b>   | <b>352,780</b>   | <b>312,879</b>   | <b>(39,901)</b>                 |
| <b>Elementary and Secondary Regular Instruction</b>           |                  |                  |                  |                                 |
| Salaries and Wages  | 7,091,781        | 7,015,307        | 7,011,723        | (3,584)                         |
| Employee Benefits   | 1,873,303        | 1,868,306        | 1,775,503        | (92,803)                        |
| Purchased Services  | 512,146          | 516,679          | 515,072          | (1,607)                         |
| Supplies and Materials  | 334,548          | 337,158          | 315,296          | (21,862)                        |
| Other Expenditures  | 27,100           | 27,750           | 25,357           | (2,393)                         |
| <b>Total Elementary and Secondary<br/>Regular Instruction</b> | <b>9,838,878</b> | <b>9,765,200</b> | <b>9,642,951</b> | <b>(122,249)</b>                |
| <b>Vocational Education Instruction</b>                       |                  |                  |                  |                                 |
| Salaries and Wages  | 236,332          | 221,428          | 214,751          | (6,677)                         |
| Employee Benefits   | 64,097           | 62,109           | 55,479           | (6,630)                         |
| Purchased Services  | 34,745           | 4,745            | 1,684            | (3,061)                         |
| Supplies and Materials  | 43,903           | 43,903           | 46,721           | 2,818                           |
| <b>Total Vocational Education Instruction</b>                 | <b>379,077</b>   | <b>332,185</b>   | <b>318,635</b>   | <b>(13,550)</b>                 |

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #466

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2011

|                                      | Budgeted Amounts |              | Actual       | Over (Under)<br>Final<br>Budget |
|--------------------------------------|------------------|--------------|--------------|---------------------------------|
|                                      | Original         | Final        |              |                                 |
| EXPENDITURES (Cont'd)                |                  |              |              |                                 |
| Current (Cont'd)                     |                  |              |              |                                 |
| Special Education Instruction        |                  |              |              |                                 |
| Salaries and Wages                   | \$ 2,084,697     | \$ 2,037,470 | \$ 1,995,106 | \$ (42,364)                     |
| Employee Benefits                    | 472,553          | 461,947      | 428,968      | (32,979)                        |
| Purchased Services                   | 250,470          | 301,985      | 226,892      | (75,093)                        |
| Supplies and Materials               | 27,201           | 28,196       | 24,890       | (3,306)                         |
| Total Special Education Instruction  | 2,834,921        | 2,829,598    | 2,675,856    | (153,742)                       |
| Instructional Support Services       |                  |              |              |                                 |
| Salaries and Wages                   | 538,667          | 525,308      | 559,021      | 33,713                          |
| Employee Benefits                    | 120,386          | 119,098      | 122,582      | 3,484                           |
| Purchased Services                   | 126,300          | 124,300      | 120,369      | (3,931)                         |
| Supplies and Materials               | 280,238          | 283,638      | 276,534      | (7,104)                         |
| Other Expenditures                   | 1,500            | 1,500        | 1,503        | 3                               |
| Total Instructional Support Services | 1,067,091        | 1,053,844    | 1,080,009    | 26,165                          |
| Pupil Support Services               |                  |              |              |                                 |
| Salaries and Wages                   | 596,442          | 618,214      | 617,490      | (724)                           |
| Employee Benefits                    | 134,616          | 144,300      | 132,361      | (11,939)                        |
| Purchased Services                   | 691,405          | 672,022      | 661,485      | (10,537)                        |
| Supplies and Materials               | 158,915          | 161,195      | 155,795      | (5,400)                         |
| Other Expenditures                   | 1,500            | 1,500        | 976          | (524)                           |
| Total Pupil Support Services         | 1,582,878        | 1,597,231    | 1,568,107    | (29,124)                        |
| Sites and Buildings                  |                  |              |              |                                 |
| Salaries and Wages                   | 475,543          | 475,640      | 462,854      | (12,786)                        |
| Employee Benefits                    | 177,974          | 178,213      | 171,392      | (6,821)                         |
| Purchased Services                   | 617,319          | 617,319      | 577,256      | (40,063)                        |
| Supplies and Materials               | 262,015          | 262,015      | 209,779      | (52,236)                        |
| Other Expenditures                   | 700              | 700          | 203          | (497)                           |
| Total Sites and Buildings            | 1,533,551        | 1,533,887    | 1,421,484    | (112,403)                       |

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #466

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2011

|  | Budgeted Amounts |              | Actual       | Over (Under)<br>Final<br>Budget |
|--|------------------|--------------|--------------|---------------------------------|
|  | Original         | Final        |              |                                 |
| EXPENDITURES (Cont'd)  |                  |              |              |                                 |
| Current (Cont'd)   |                  |              |              |                                 |
| Fiscal and Other Fixed Costs Programs                        |                  |              |              |                                 |
| Purchased Services   | \$ 55,001        | \$ 55,201    | \$ 53,960    | \$ (1,241)                      |
| Capital Outlay   |                  |              |              |                                 |
| Administration   | 84,545           | 84,545       | 85,477       | 932                             |
| District Support Services                                    | 2,000            | 2,000        | 4,650        | 2,650                           |
| Elementary and Secondary Regular Instruction                 | 90,260           | 117,760      | 114,556      | (3,204)                         |
| Instructional Support Services                               | 298,300          | 298,300      | 319,680      | 21,380                          |
| Pupil Support Services                                       | 102,000          | 173,980      | 162,557      | (11,423)                        |
| Sites and Buildings  | 501,134          | 597,209      | 596,974      | (235)                           |
| Total Capital Outlay   | 1,078,239        | 1,273,794    | 1,283,894    | 10,100                          |
| Debt Service   |                  |              |              |                                 |
| Sites and Buildings  |                  |              |              |                                 |
| Principal  | 324,233          | 324,233      | 324,233      |                                 |
| Interest and Fiscal Charges                                  | 39,882           | 39,882       | 39,882       |                                 |
| Total Debt Service   | 364,115          | 364,115      | 364,115      | 0                               |
| Total Expenditures   | 20,176,875       | 20,238,209   | 19,769,201   | (469,008)                       |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (582,531)        | (657,106)    | 301,336      | 958,442                         |
| OTHER FINANCING SOURCES (USES)                               |                  |              |              |                                 |
| Sale of Capital Assets                                       |                  | 3,000        | 3,047        | 47                              |
| Transfers Out  | (39,286)         | (39,286)     | (39,286)     |                                 |
| Total Other Financing Sources (Uses)                         | (39,286)         | (36,286)     | (36,239)     | 47                              |
| Net Change in Fund Balances                                  | \$ (621,817)     | \$ (693,392) | 265,097      | \$ 958,489                      |
| FUND BALANCE, BEGINNING OF YEAR                              |                  |              | 6,238,336    |                                 |
| FUND BALANCE, END OF YEAR                                    |                  |              | \$ 6,503,433 |                                 |

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #466

STATEMENT OF NET ASSETS  
 PROPRIETARY FUND - DENTAL BENEFITS PLAN  
 JUNE 30, 2011  
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2010

|                                  | Governmental Activities -<br>Internal Service Fund |                  |
|----------------------------------|--|------------------|
|                                  | <u>2011</u>  | <u>2010</u>      |
| ASSETS                           |  |                  |
| Cash and Investments             | <u>\$ 49,925</u>                                   | <u>\$ 34,540</u> |
| LIABILITIES AND NET ASSETS       |  |                  |
| Liabilities                      |  |                  |
| Payables                         |  |                  |
| Dental Insurance                 | \$ 13,612  | \$ 17,245        |
| Net Assets                       |  |                  |
| Unrestricted                     | <u>36,313</u>                                      | <u>17,295</u>    |
| Total Liabilities and Net Assets | <u>\$ 49,925</u>                                   | <u>\$ 34,540</u> |

INDEPENDENT SCHOOL DISTRICT #466

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 PROPRIETARY FUND - DENTAL BENEFITS PLAN  
 YEAR ENDED JUNE 30, 2011  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

|                                 | Governmental Activities -<br>Internal Service Fund |                         |
|---------------------------------|--|-------------------------|
|                                 | <u>2011</u>  | <u>2010</u>             |
| OPERATING REVENUES              |  |                         |
| Other Local and County Revenues | \$ 166,846   | \$ 165,985              |
| OPERATING EXPENSES              |  |                         |
| Pupil Support Services          |  |                         |
| Employee Benefits               |  |                         |
| Dental Insurance                | 126,084  | 138,711                 |
| Administration Fees             | <u>21,749</u>                                      | <u>25,722</u>           |
| Total Operating Expenses        | <u>147,833</u>                                     | <u>164,433</u>          |
| Operating Income (Loss)         | 19,013   | 1,552                   |
| NONOPERATING REVENUES           |  |                         |
| Investment Earnings             | <u>5</u>   | <u>16</u>               |
| Net Change in Net Assets        | 19,018   | 1,568                   |
| NET ASSETS, BEGINNING OF YEAR   | <u>17,295</u>                                      | <u>15,727</u>           |
| NET ASSETS, END OF YEAR         | <u><u>\$ 36,313</u></u>                            | <u><u>\$ 17,295</u></u> |

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #466

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND - DENTAL BENEFITS PLAN  
 YEAR ENDED JUNE 30, 2011  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

|   | Governmental Activities -<br>Internal Service Fund |                  |
|---|--|------------------|
|   | 2011   | 2010             |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |  |                  |
| Receipts from User Charges  | \$ 166,846   | \$ 165,985       |
| Payments for Insurance Claims   | (129,717)  | (139,722)        |
| Payments for Administration Fees  | (21,749)   | (25,722)         |
|   | <u>15,380</u>                                      | <u>541</u>       |
| Net Cash Provided (Used) By Operating Activities  |  |                  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |  |                  |
| Interest Received on Investments  | <u>5</u>   | <u>16</u>        |
|   | 15,385   | 557              |
| Net Increase (Decrease) in Cash and Cash Equivalents  |  |                  |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>   |  |                  |
|   | <u>34,540</u>                                      | <u>33,983</u>    |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>   |  |                  |
|   | <u>\$ 49,925</u>                                   | <u>\$ 34,540</u> |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO<br/>CASH FLOWS FROM OPERATING ACTIVITIES</b>            |  |                  |
| Operating Income (Loss)   | \$ 19,013  | \$ 1,552         |
| Adjustments to Reconcile Operating Income (Loss) to Net<br>Cash Provided (Used) by Operating Activities |  |                  |
| Increase (Decrease) in<br>Dental Insurance Payable  | <u>(3,633)</u>                                     | <u>(1,011)</u>   |
| Net Cash Provided (Used) By Operating Activities  | <u>\$ 15,380</u>                                   | <u>\$ 541</u>    |

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #466

STATEMENT OF FIDUCIARY NET ASSETS  
PRIVATE PURPOSE TRUST FUND

JUNE 30, 2011

WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2010

|                                  | <u>2011</u>      | <u>2010</u>      |
|----------------------------------|------------------|------------------|
| ASSETS                           |                  |                  |
| Cash and Investments             | <u>\$ 68,776</u> | <u>\$ 80,058</u> |
| LIABILITIES AND NET ASSETS       |                  |                  |
| Liabilities                      |                  |                  |
| Accounts Payable                 | \$               | \$ 5,253         |
| Net Assets                       |                  |                  |
| Restricted                       | <u>68,776</u>    | <u>74,805</u>    |
| Total Liabilities and Net Assets | <u>\$ 68,776</u> | <u>\$ 80,058</u> |

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
PRIVATE PURPOSE TRUST FUND

YEAR ENDED JUNE 30, 2011

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

|                                     | <u>2011</u>      | <u>2010</u>      |
|-------------------------------------|------------------|------------------|
| ADDITIONS                           |                  |                  |
| Earnings from Investments and Gifts | \$ 9,203         | \$ 46,430        |
| DEDUCTIONS                          |                  |                  |
| Miscellaneous Expense               | <u>15,232</u>    | <u>44,146</u>    |
| Net Change in Net Assets            | (6,029)          | 2,284            |
| NET ASSETS, BEGINNING OF YEAR       | <u>74,805</u>    | <u>72,521</u>    |
| NET ASSETS, END OF YEAR             | <u>\$ 68,776</u> | <u>\$ 74,805</u> |

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Independent School District #466 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America. The more significant of the government's accounting policies are described below.

A. REPORTING ENTITY

The Independent School District #466 Board of Education ("District") is the basic level of government which has the financial accountability and control over all activities related to the public school education for the Dassel Cokato School District. The District receives funding from local, state, and federal sources and must comply with the expenditure requirements of these funding source entities.

The financial statements present the District and its component units. The District includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the District are financially accountable and are included within the financial statements of the District because of the significance of their operational or financial relationships with the District.

The District is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the District.

As a result of applying the component unit definition criteria above, it has been determined the District has no component units.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. The School Board has a fiduciary responsibility in establishing broad policies and ensuring that appropriate financial records are maintained for student activities. However, in accordance with Minnesota Statutes, the District's School Board has not elected to control or exercise oversight responsibility with respect to the underlying student activities. Accordingly, the student activity accounts are not included in these financial statements.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-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 Fund. The Fiduciary Fund is only reported at the fund financial statement level. Eliminations have been made to minimize the double counting of internal activities.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Cont'd)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of all charges would distort the direct costs and program revenue reported for the various functions concerned.

Separate financial statements are provided for governmental, proprietary and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Cont'd)

The governmental fund financial statements are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting, in which revenues are recognized when they become measurable and available. Revenues are considered to be measurable when the amount of the transaction can be determined and available when they are collectible within the current period or soon enough thereafter 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 and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditures is made. Food service sales, community education tuition, and other miscellaneous revenue (except interest earnings) are recorded as revenues when received because they are generally not measurable until then. Interest earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The District does not use encumbrances for either budgeting or financial reporting purposes.

It is generally the District's policy to use restricted resources first, then unrestricted resources as they are needed when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to incurring the qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

**Description of Funds**

The existence of the various District funds have been established by the State of Minnesota, Department of Education. The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. A description of the funds included in this report is as follows:

*Major Governmental Funds:*

The General Fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations and pupil transportation activities of the District, as well as the capital related activities such as maintenance of facilities, equipment purchases, health and safety projects, and disabled accessibility projects.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Cont'd)

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

The Capital Projects Fund is used to account for proceeds from sale of bonds and other revenues to be used for authorized construction.

*Nonmajor Governmental Funds:*

The Food Service Special Revenue Fund accounts for all activities associated with the preparation and serving of regular and incidental meals, lunches or snacks in connection with school activities.

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

*Proprietary Fund:*

The Internal Service Fund accounts for the financing of services provided by one department to other departments of the District on a cost reimbursement basis. The Dental Plan Fund is accounted for as an Internal Service Fund. Accrued liabilities include provisions for claims reported and claims incurred but not yet reported.

*Fiduciary Fund:*

The Private-Purpose Trust Fund is used to account for trust arrangements under which principal and income benefits individuals, private organizations, or other governments. This fund accounts for gifts and bequests that are to be used for scholarships.

D. BUDGETS AND BUDGETARY ACCOUNTING

Budgets are prepared for District funds on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets presented in this report for comparison to actual amounts are presented in accordance with generally accepted accounting principles.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) Prior to July 1, the School Superintendent submits to the Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- 2) The Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. BUDGETS AND BUDGETARY ACCOUNTING (Cont'd)

3) Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Capital Projects Fund, and the Dental Benefits Internal Service Fund. Formal budgetary integration is not required, but has been used, for the Debt Service Fund because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.

4) Budgets are adopted on a basis consistent with generally accepted accounting principles.

Once a budget is approved, it can be amended at the fund level only by approval of a majority of the members of the Board of Education. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board of Education. Individual amendments were not material in relation to the original appropriations. All budget appropriations lapse at year-end.

E. ASSETS, LIABILITIES, AND EQUITY

**Cash and Investments:**

Cash balances from all funds of the District are pooled and invested, to the extent available, in allowable cash management accounts. Earnings from such investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

Investments are carried at fair value. The Minnesota School District Liquid Asset Fund is an external investment pool 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 in the pool is the same as the value of the pool shares.

For purposes of the statement of cash flows, the District considers cash in bank and all highly liquid instruments (including restricted assets) to be cash and cash equivalents in its proprietary funds.

**Custodial Credit Risk - Deposits:** This is the risk that in the event of the failure of a depository financial institution, the District will not be able to recover deposits or collateral securities that are in possession of an outside party. Minnesota Statute §118A requires all deposits be protected by federal deposit insurance, corporate security bonds or collateral. The market value of collateral pledged must be equal to 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds. The District has a policy that requires the District's deposits be collateralized as required by Minnesota Statutes for an amount exceeding FDIC, SAIF, BIF, or FCUA coverage.

**Credit Risk:** This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes §118A.04 and §118A.05 limit investments to the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy limits investments to those specified in the above statutes.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, LIABILITIES, AND EQUITY (Cont'd)

**Cash and Investments:** (Cont'd)

**Concentration of Credit Risk:** This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's investment policy states the District will diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities.

**Interest Rate Risk:** This is the risk that the market value of securities will fall due to the changes in market interest rates. The District's policy states investment maturities should be scheduled to coincide with projected District cash flow needs, taking into account large routine or scheduled expenditures, as well as anticipated receipt dates of anticipated revenues. The policy also indicates investments shall be managed to attain a market rate of return through various economic and budgetary cycles, while preserving and protecting the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

**Custodial Credit Risk - Investments:** This is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy on custodial credit risk states securities will be held in third party safekeeping by an institution designated as custodial agent. The custodial agent shall issue a safekeeping receipt to the District listing the specific instrument, the name of the issuer, the name in which the security is held, the rate, the maturity, serial numbers and other distinguishing marks, and other pertinent information.

**Accounts Receivable:**

Accounts receivable represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary. The only receivables not expected to be collected within one year are current property taxes receivable.

**Current Property Taxes Receivable:**

Current property taxes receivable represent current real and personal property tax levies, certified the previous October and collectible in the current calendar year, which have not been received by the District.

**Delinquent Property Taxes Receivable:**

Delinquent property taxes receivable represent taxes collectible in the years 2004 to 2010 that remain uncollected at June 30, 2011. They are equally offset by a deferred revenue amount in the liabilities of the fund financial statements.

**Inventory:**

Inventories in the Food Service Fund are stated at cost and consist of expendable supplies held for consumption. The supplies are recorded as an expenditure at the time the liability is assumed. The United States Department of Agriculture (USDA) commodity foods received are recorded as revenue when received and amounts remaining at year-end are included in the Food Service Fund inventory. The cost of commodity foods is determined using a standard price list furnished by the USDA.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, LIABILITIES, AND EQUITY (Cont'd)

**Prepaid Items:**

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

**Capital Assets:**

Tangible and intangible capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded at their estimated fair market value at the date of donation. The District maintains a threshold level of \$1,000 or more for capitalizing tangible and intangible capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

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.

The District does not possess any material amounts of intangible capital assets.

**Property Taxes Levied for Subsequent Years:**

Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the state which will be recognized as revenue in the next fiscal year beginning July 1, 2011, are included in this account to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

**Long-Term Obligations:**

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

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as debt 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 #466

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, LIABILITIES, AND EQUITY (Cont'd)

**Accrued Employee Benefits:**

*Vacation and Sick Pay:*

District employees earn vacation days based upon the number of completed years of service. The District compensates employees for unused vacation upon termination of employment. The accrual for vacation payable for the year ended June 30, 2011, was \$35,050.

Employees are entitled to paid sick leave at various rates for each month of full-time service. Employees are not compensated for unused sick leave upon termination of employment. Sick pay is recorded as an expenditure when payment is made.

*Pension Benefits:*

District employees participate in the Public Employees Retirement Association of Minnesota or the Teachers Retirement Association. All contributions made by the District on behalf of its employees are reported as expenditures when paid.

*Other Postemployment Benefits:*

Under the provisions of the various employee and union contracts the District provides health and dental care coverage until age 65 if certain age and minimum years of service requirements have been met. The amount to be incurred is limited as specified by contract. All premiums are funded on a pay-as-you-go basis.

**Fund Balance:**

The District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended June 30, 2011. This standard changed fund balance classifications within the fund level statements.

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources reported in governmental funds. These classifications are as follows:

*Nonspendable* - consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact, such as, inventories and prepaid items.

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

*Committed* - consists of amounts that are constrained for specific purposes that are internally imposed by formal action of the Board of Education. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. These constraints are established by Resolution of the Board of Education.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, LIABILITIES, AND EQUITY (Cont'd)

**Fund Balance:** (Cont'd)

*Assigned* - consists of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to School Board Policy, the Superintendent and Business Manager are authorized to establish assignments of fund balance.

*Unassigned* - is the residual classification for the General Fund and also reflects negative residual amounts in other funds.

The District uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Board of Education has formally adopted a fund balance policy for the General Fund. The District's policy is to strive to maintain a minimum unassigned fund balance of 10% of the annual budget.

**Net Assets:**

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

F. REVENUES AND EXPENDITURES

**Revenues:**

Property tax levies are established by the Board of Education in December each year and are certified to the County for collection in the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become a lien on January 1. Taxes are due on May 15 and October 15. The County generally remits taxes to the District at periodic intervals as they are collected. A portion of property taxes levied is paid through various state tax credits which are included in revenue from state sources in the governmental fund financial statements.

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as deferred revenue (Property Taxes Levied for Subsequent Year). The majority of District revenue in the General Fund (and to a lesser extent in the District's Community Service Special Revenue Fund) is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift".

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

F. REVENUES AND EXPENDITURES (Cont'd)

**Revenues:** (Cont'd)

In accordance with State law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum which is frozen at \$84,377 for the District. For the year ended June 30, 2011, State law is also requiring recognition of 48.6% or \$652,894 of the current operating referendum and all other levies other than Career Technical and Reemployment Insurance. Career Technical and Reemployment Insurance are recognized early based on statutory requirements in the amounts of \$36,749 and \$22,610, respectively.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the State which will be recognized as revenue in the next fiscal year beginning July 1, 2011, are included in Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

**Expenditures:**

Expenditure recognition for governmental fund types is limited to amounts represented by current liabilities. Noncurrent liabilities are not recognized as governmental fund expenditures or fund liabilities.

**Self-Insurance:**

The District is self-insured for employees' dental insurance. Claims are recorded when a determinable claim or loss has been incurred. In addition, the District records an estimated liability for claims incurred but not yet billed to the District as of the fiscal year end. The District purchases re-insurance on both an individual and aggregate basis, which limits risk to the District.

G. USE OF ESTIMATES

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

H. PRIOR YEAR INFORMATION

The basic financial statements include certain prior-year partial comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2010, from which the partial information was derived.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. VIOLATIONS OF FINANCE-RELATED OBLIGATIONS

There were no violations of finance-related obligations.

B. DEFICIT FUND BALANCES

The District had no deficit fund balances as of June 30, 2011.

C. EXCESS OF EXPENDITURES OVER BUDGET

Budgetary control for governmental funds is established by each fund's total appropriations. Expenditures exceeded appropriations for the following funds for the year ended June 30, 2011:

|   | <u>Expenditures</u> | <u>Budget</u> | <u>Excess</u> |
|---|---------------------|---------------|---------------|
| Community Service Special Revenue Fund      | \$ 711,888          | \$ 608,789    | \$ 103,099    |
| Building Construction Capital Projects Fund | 233,252             |               | 233,252       |
| Debt Service Fund                           | 2,098,339           | 2,012,881     | 85,458        |

NOTE 3. CASH AND INVESTMENTS

Cash and investments as of June 30, 2011, were as follows:

|   | <u>Book<br/>Balance</u> |
|---|-------------------------|
| Governmental Activities                   |                         |
| Cash and Investments                      |                         |
| Bank Checking Accounts                    | \$ 2,103                |
| Petty Cash                                | 6,041                   |
| Amounts with Fiscal Agent                 | 7,842,024               |
| Pooled Cash in Money Market at Depository | 921,916                 |
| External Investment Pool                  | 2,396,553               |
| Total Cash and investments                | <u>\$ 11,168,637</u>    |
| Governmental Activities                   |                         |
| Cash and Investments                      | \$ 3,326,613            |
| Cash with Fiscal Agent                    | 7,842,024               |
|   | <u>\$ 11,168,637</u>    |
| Fiduciary Fund                            |                         |
| Pooled Cash in Bank Account               | \$ 14,344               |
| Bank Savings Account                      | 2,558                   |
| Money Market at Depository                | 4,205                   |
| Nonnegotiable Certificates of Deposit     | 47,669                  |
| Total Fiduciary Fund                      | <u>\$ 68,776</u>        |

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 3. CASH AND INVESTMENTS

Cash and investments as of June 30, 2011, were as follows:

A. DEPOSITS

*Custodial Credit Risk - Deposits:* As of June 30, 2011, the District's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

B. INVESTMENTS

*Credit Risk* - As of June 30, 2011, the District's investments in MSDLAF and MSDLAF+ Max were rated AAAM by Standard & Poor's (S&P). The District's investments in the MN Trust Money Market and certificates of deposit are not rated.

NOTE 4. RECEIVABLES

Receivables as of June 30, 2011, are as follows:

|                               | Total<br>Receivables | Amounts not<br>Scheduled<br>for Collection<br>During the<br>Subsequent<br>Year |
|-------------------------------|----------------------|--|
| Governmental Activities       |                      |  |
| Accounts                      | \$ 6,189             | \$   |
| Current Property Taxes        | 1,363,300            |  |
| Delinquent Property Taxes     | 110,603              |  |
| Interest                      | 55,376               |  |
| Total Governmental Activities | <u>\$ 1,535,468</u>  | <u>\$ 0</u>  |

NOTE 5. DUE FROM OTHER GOVERNMENTS

Due from other governments as of June 30, 2011, are as follows:

|                                  | Total Due<br>from Other<br>Governments | Amounts not<br>Scheduled<br>for Collection<br>During the<br>Subsequent<br>Year |
|----------------------------------|--|--|
| Governmental Activities          |  |  |
| Other Minnesota School Districts | \$ 235,471                             | \$   |
| State Department of Education    | 5,227,766                              |  |
| Federal Department of Education  | 19,845                                 |  |
| Other Governmental Units         | 102,637                                |  |
| Total Governmental Activities    | <u>\$ 5,585,719</u>                    | <u>\$ 0</u>  |

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 6. INVENTORIES

Inventories at year-end consisted of the following Food Service Fund items:

|                               | <u>2011</u>      |
|-------------------------------|------------------|
| Governmental Activities       |                  |
| Commodities                   | \$ 17,036        |
| Food                          | 10,227           |
| Supplies                      | <u>2,487</u>     |
| Total Governmental Activities | <u>\$ 29,750</u> |

NOTE 7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, was as follows:

|   | <u>Beginning<br/>Balance</u> | <u>Increase</u>   | <u>Decrease</u>     | <u>Ending<br/>Balance</u> |
|---|------------------------------|-------------------|---------------------|---------------------------|
| Governmental Activities                         |                              |                   |                     |                           |
| Capital Assets, Not Being Depreciated           |                              |                   |                     |                           |
| Land  | \$ 958,413                   | \$                | \$                  | \$ 958,413                |
| Construction in Progress                        | <u>593,000</u>               |                   | <u>(593,000)</u>    |                           |
| Total Capital Assets,<br>Not Being Depreciated  | 1,551,413                    | 0                 | (593,000)           | 958,413                   |
| Capital Assets, Being Depreciated               |                              |                   |                     |                           |
| Land Improvements                               | 902,658                      | 66,113            |                     | 968,771                   |
| Buildings                                       | 38,965,568                   | 1,297,442         |                     | 40,263,010                |
| Equipment                                       | <u>6,723,610</u>             | <u>644,185</u>    | <u>(235,364)</u>    | <u>7,132,431</u>          |
| Total Capital Assets,<br>Being Depreciated      | 46,591,836                   | 2,007,740         | (235,364)           | 48,364,212                |
| Less Accumulated Depreciation for:              |                              |                   |                     |                           |
| Land Improvements                               | 566,102                      | 29,909            |                     | 596,011                   |
| Buildings                                       | 16,670,845                   | 1,104,141         |                     | 17,774,986                |
| Equipment                                       | <u>4,624,860</u>             | <u>493,262</u>    | <u>(231,541)</u>    | <u>4,886,581</u>          |
| Total Accumulated<br>Depreciation               | <u>21,861,807</u>            | <u>1,627,312</u>  | <u>(231,541)</u>    | <u>23,257,578</u>         |
| Total Capital Assets, Being<br>Depreciated, Net | <u>24,730,029</u>            | <u>380,428</u>    | <u>(3,823)</u>      | <u>25,106,634</u>         |
| Governmental Activities<br>Net Capital Assets   | <u>\$ 26,281,442</u>         | <u>\$ 380,428</u> | <u>\$ (596,823)</u> | <u>\$ 26,065,047</u>      |

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 7. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to functions/programs as follows:

|  |                     |
|--|---------------------|
| Governmental Activities                              |                     |
| Administration                                       | \$ 27,802           |
| District Support Services                            | 4,801               |
| Elementary and Secondary Regular Instruction         | 75,011              |
| Vocational Education Instruction                     | 546                 |
| Special Education Instruction                        | 1,445               |
| Instructional Support Services                       | 184,794             |
| Pupil Support Services                               | 117,004             |
| Sites and Buildings                                  | 1,185,478           |
| Food Service   | 23,401              |
| Community Education and Services                     | 7,030               |
| Total Depreciation Expense - Governmental Activities | <u>\$ 1,627,312</u> |

NOTE 8. PAYABLES

Payables as of June 30, 2011, are as follows:

|                                 |                                 |
|---------------------------------|---------------------------------|
|                                 | <u>Total</u><br><u>Payables</u> |
| Governmental Activities         |                                 |
| Accounts                        | \$ 284,697                      |
| Salaries and Payroll Deductions | 493,325                         |
| Dental Insurance                | 13,612                          |
| Total Governmental Activities   | <u>\$ 791,634</u>               |

NOTE 9. LONG-TERM DEBT

|  | <u>Original</u><br><u>Amount</u><br><u>Issued</u> | <u>Final</u><br><u>Maturity</u><br><u>Date</u> | <u>Interest</u><br><u>Rate</u> | <u>Balance</u><br><u>Outstanding</u> |
|--|---|--|--------------------------------|--------------------------------------|
| <u>Governmental Activities</u>               |   |  |                                |                                      |
| G.O. Crossover Refunding Bonds of 1998A      | \$ 365,000  | 12/1/2012                                      | 3.80 - 4.70%                   | \$ 75,000                            |
| G.O. School Building Bonds of 2003           | 9,980,000   | 2/1/2023                                       | 1.50 - 4.60%                   | 7,250,000                            |
| G.O. School Building Bonds of 2004           | 2,165,000   | 2/1/2023                                       | 3.80 - 4.70%                   | 1,430,000                            |
| G.O. Refunding Bonds of 2007                 | 2,885,000   | 3/1/2015                                       | 4.00%                          | 1,145,000                            |
| G.O. Crossover Refunding Bonds, Series 2010B | 7,910,000   | 2/1/2023                                       | 2.00-3.00%                     | 7,910,000                            |
| Capital Lease Purchase of 2007               | 800,000   | 8/15/2012                                      | 7.20%                          | 170,670                              |
| Certificate of Participation, Series 2010A   | 845,000   | 2/1/2015                                       | 1.50 - 3.00%                   | 680,000                              |
| Unamortized Debt Premiums                    |   |  |                                | 77,231                               |
| Other Postemployment Benefits                |   |  |                                | 202,710                              |
| Total Governmental Activities                |   |  |                                | <u>\$ 18,940,611</u>                 |

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 10. CHANGES IN LONG-TERM LIABILITIES

|   | Beginning<br>Balance | Additions           | Reductions            | Ending<br>Balance    | Due Within<br>One Year |
|---|----------------------|---------------------|-----------------------|----------------------|------------------------|
| <u>Governmental Activities</u>            |                      |                     |                       |                      |                        |
| G.O. Crossover Refunding Bonds of 1998A   | \$ 110,000           | \$                  | \$ (35,000)           | \$ 75,000            | \$ 35,000              |
| G.O. School Building Bonds of 2003        | 7,690,000            |                     | (440,000)             | 7,250,000            | 460,000                |
| G.O. School Building Bonds of 2004        | 1,540,000            |                     | (110,000)             | 1,430,000            | 110,000                |
| G.O. Refunding Bonds of 2007              | 2,080,000            |                     | (935,000)             | 1,145,000            | 260,000                |
| G.O. Refunding Bonds, Series 2010B        |                      | 7,910,000           |                       | 7,910,000            |                        |
| Capital Lease Purchase of 2007            | 329,903              |                     | (159,233)             | 170,670              | 170,670                |
| Certificate of Participation Series 2010A | 845,000              |                     | (165,000)             | 680,000              | 165,000                |
| Unamortized Debt Premiums                 | 21,585               | 62,545              | (6,899)               | 77,231               | 9,303                  |
| Other Postemployment Benefits Payable     | 157,589              | 169,403             | (124,282)             | 202,710              |                        |
| Compensated Absences Payable              | 235,123              |                     | (235,123)             |                      |                        |
| Total Governmental Activities             | <u>\$ 13,009,200</u> | <u>\$ 8,141,948</u> | <u>\$ (2,210,537)</u> | <u>\$ 18,940,611</u> | <u>\$ 1,209,973</u>    |

NOTE 11. DEBT SERVICE REQUIREMENTS

Minimum annual principal and interest payments required to retire long-term debt, not including pension benefits or other postemployment benefits payable are as follows:

Governmental Activities

| Year Ending<br>June 30 | G.O. Crossover Refunding<br>Bonds of 1998A |                 | G.O. School Building<br>Bonds of 2003 |                     |
|------------------------|--|-----------------|---------------------------------------|---------------------|
|                        | Principal                                  | Interest        | Principal                             | Interest            |
| 2012                   | \$ 35,000                                  | \$ 2,685        | \$ 460,000                            | \$ 309,835          |
| 2013                   | 40,000                                     | 940             | 475,000                               | 292,815             |
| 2014                   |  |                 | 500,000                               | 275,003             |
| 2015                   |  |                 | 525,000                               | 255,253             |
| 2016                   |  |                 | 550,000                               | 233,990             |
| 2017-2021              |  |                 | 3,190,000                             | 793,863             |
| 2022-2023              |  |                 | 1,550,000                             | 107,725             |
|                        | <u>\$ 75,000</u>                           | <u>\$ 3,625</u> | <u>\$ 7,250,000</u>                   | <u>\$ 2,268,484</u> |

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 11. DEBT SERVICE REQUIREMENTS (Cont'd)

| Year Ending<br>June 30 | G.O. School Building<br>Bonds of 2004 |                   | G.O. Refunding<br>Bonds of 2007 |                   |
|------------------------|---------------------------------------|-------------------|---------------------------------|-------------------|
|                        | Principal                             | Interest          | Principal                       | Interest          |
| 2012                   | \$ 110,000                            | \$ 58,115         | \$ 260,000                      | \$ 45,800         |
| 2013                   | 115,000                               | 54,430            | 275,000                         | 35,400            |
| 2014                   | 115,000                               | 50,405            | 300,000                         | 24,400            |
| 2015                   | 115,000                               | 46,150            | 310,000                         | 12,400            |
| 2016                   | 115,000                               | 41,723            |                                 |                   |
| 2017-2021              | 610,000                               | 135,238           |                                 |                   |
| 2022-2023              | 250,000                               | 16,813            |                                 |                   |
|                        | <u>\$ 1,430,000</u>                   | <u>\$ 402,874</u> | <u>\$ 1,145,000</u>             | <u>\$ 118,000</u> |

| Year Ending<br>June 30 | Capital Lease<br>Purchase of 2007 |                  | Certificate of Participation<br>Series 2010A |                  |
|------------------------|-----------------------------------|------------------|--|------------------|
|                        | Principal                         | Interest         | Principal                                    | Interest         |
| 2012                   | \$ 170,670                        | \$ 12,258        | \$ 165,000                                   | \$ 17,900        |
| 2013                   |                                   |                  | 170,000                                      | 14,600           |
| 2014                   |                                   |                  | 170,000                                      | 10,350           |
| 2015                   |                                   |                  | 175,000                                      | 5,250            |
|                        | <u>\$ 170,670</u>                 | <u>\$ 12,258</u> | <u>\$ 680,000</u>                            | <u>\$ 48,100</u> |

| Year Ending<br>June 30 | G.O. Crossover Refunding<br>Bonds, Series 2010B |                     |
|------------------------|---|---------------------|
|                        | Principal                                       | Interest            |
| 2012                   | \$  | \$ 236,841          |
| 2013                   |   | 189,473             |
| 2014                   | 710,000   | 189,473             |
| 2015                   | 725,000   | 175,272             |
| 2016                   | 740,000   | 160,772             |
| 2017-2021              | 3,970,000                                       | 562,355             |
| 2022-2023              | 1,765,000                                       | 78,652              |
|                        | <u>\$ 7,910,000</u>                             | <u>\$ 1,592,838</u> |

In 2008, the District entered into a lease-purchase agreement for roof improvements. The asset under the capital lease agreement was \$922,327 as of June 30, 2011. Accumulated depreciation was \$161,407. The asset is being depreciated over its useful life. Depreciation of \$46,116 for the asset is included in depreciation expense (sites and buildings function) for the year ended June 30, 2011.

Other postemployment benefits payable consist of postemployment health insurance benefits available to employees as specified in the employee's employment contract upon retirement. Health benefits have been paid by the General Fund, Community Service Fund, and Food Service Fund.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 12. OTHER POSTEMPLOYMENT BENEFIT PLAN

At June 30, 2009, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This implementation allows the District to report its liability for other postemployment benefits consistent with established generally accepted accounting principles and to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees on the financial statements.

A. PLAN DESCRIPTION

The District operates a single-employer retiree benefit plan ("the Plan") that provides health, dental, and life insurance to eligible employees and their spouses. There are 163 active participants and 22 retired participants. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report.

B. FUNDING POLICY

Contribution requirements are also negotiated between the District and union representatives. The District contributes 0% - 100% of the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2011, the District contributed \$124,282 to the plan.

C. ANNUAL OPEB COST AND NET OPEB OBLIGATION

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No 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 un-funded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually paid from the plan, and changes in the District's net OPEB obligation.

|  |                          |
|--|--------------------------|
| Annual Required Contribution               | \$ 172,213               |
| Interest on Net OPEB Obligation            | 6,303                    |
| Adjustment to Annual Required Contribution | (9,113)                  |
| Annual OPEB Cost (Expense)                 | <u>169,403</u>           |
| Contributions Made                         | <u>(124,282)</u>         |
| Increase in Net OPEB Obligation            | 45,121                   |
| Net OPEB Obligation - Beginning of Year    | 157,589                  |
| Net OPEB Obligation - End of Year          | <u><u>\$ 202,710</u></u> |

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 12. OTHER POSTEMPLOYMENT BENEFIT PLAN (Cont'd)

C. ANNUAL OPEB COST AND NET OPEB OBLIGATION (Cont'd)

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the preceding two years:

| Fiscal<br>Year Ended | Annual<br>OPEB Cost | Annual<br>Plan Sponsor<br>Contribution | Percentage<br>of Annual<br>OPEB Cost<br>Contributed | Net OPEB<br>Obligation |
|----------------------|---------------------|--|---|------------------------|
| 6/30/2011            | \$ 169,403          | \$ 124,282                             | 73%   | \$ 202,710             |
| 6/30/2010            | 170,669             | 99,716                                 | 58%   | 157,589                |
| 6/30/2009            | 172,213             | 85,577                                 | 50%   | 86,636                 |

D. FUNDED STATUS AND FUNDING PROGRESS

As of July 1, 2008, the most recent actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was \$1,627,801. The annual payroll for active employees covered by the plan in the actuarial valuation was \$7,904,505 for a ratio of UAAL to covered payroll of 20.59%.

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 healthcare cost trends. 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.

E. ACTUARIAL METHODS AND ASSUMPTIONS

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

In the July 1, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 10% reduced by decrements to an ultimate rate of 5% after ten years. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 was 30 years.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 13. DEFERRED COMPENSATION PLAN

The Independent School District #466 implemented a 403(b) plan effective July 1, 1998. This 403(b) plan will replace the existing Early Retirement Plan and Severance Plan. Full-time employees will receive matching contributions from the District, according to the following schedule. Part-time teachers shall receive prorated benefits proportional to the extent of their employment.

| Years of<br>Service | District<br>Contribution | Teacher<br>Contribution |
|---------------------|--------------------------|-------------------------|
| 0-1                 | \$ 0                     | \$ 0                    |
| 2-3                 | 300                      | 300                     |
| 4-5                 | 400                      | 400                     |
| 6-10                | 500                      | 500                     |
| 11-15               | 600                      | 600                     |
| 16-20               | 800                      | 800                     |
| 21+                 | 1,200                    | 1,200                   |

Upon inception of the plan for an eight year period commencing July 1, 1998, and culminating June 30, 2006, participants in the existing early retirement/severance plan will be kept "whole" with the total eligible early retirement/severance package, provided they are contributing the maximum annual eligible employee contribution through step 26 and beyond, and therefore receiving the maximum annual District matching contribution. Failure to contribute the maximum each year shall result in a forfeiture of early retirement/severance pay.

Participants retiring between June 30, 2006, and June 30, 2010, would receive a maximum of 80% of the entitlements described in the Master Agreement of 2009-11 if they contribute the maximum amount to their 403(b) through step 21 and beyond. Members retiring after June 30, 2010, will receive early retirement solely under the provisions of the 403(b) plan with a maximum District contribution of \$18,000. For year ended June 30, 2011, the District and employee match was \$125,402 and \$395,651, respectively.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 14. FUND BALANCES

Portions of the District's fund balances are nonspendable, restricted due to legal restrictions, or unassigned. The following is a summary of fund balance components at June 30, 2011.

|                       | General             | Debt<br>Service     | Building<br>Construction | Nonmajor<br>Funds | Total                |
|-----------------------|---------------------|---------------------|--------------------------|-------------------|----------------------|
| <b>Nonspendable</b>   |                     |                     |                          |                   |                      |
| Inventory             | \$                  | \$                  | \$                       | \$ 29,750         | \$ 29,750            |
| Prepaid Items         | 121,327             |                     |                          | 5,503             | 126,830              |
| Total Nonspendable    | 121,327             | 0                   | 0                        | 35,253            | 156,580              |
| <b>Restricted</b>     |                     |                     |                          |                   |                      |
| Staff Development     | 60,569              |                     |                          |                   | 60,569               |
| Deferred Maintenance  | 582,341             |                     |                          |                   | 582,341              |
| Health and Safety     | 54,623              |                     |                          |                   | 54,623               |
| Operating Capital     | 2,057,217           |                     |                          |                   | 2,057,217            |
| Gifted and Talented   | 11,930              |                     |                          |                   | 11,930               |
| Safe Schools Levy     | 3,481               |                     |                          |                   | 3,481                |
| Community Education   |                     |                     |                          | 46,578            | 46,578               |
| E.C.F.E.              |                     |                     |                          | 22,528            | 22,528               |
| School Readiness      |                     |                     |                          | 23,657            | 23,657               |
| Other Fund Activities |                     | 8,336,785           | 5                        | 324,117           | 8,660,907            |
| Total Restricted      | 2,770,161           | 8,336,785           | 5                        | 416,880           | 11,523,831           |
| <b>Unassigned</b>     |                     |                     |                          |                   |                      |
|                       | 3,611,945           |                     |                          |                   | 3,611,945            |
|                       | <u>\$ 6,503,433</u> | <u>\$ 8,336,785</u> | <u>\$ 5</u>              | <u>\$ 452,133</u> | <u>\$ 15,292,356</u> |

NOTE 15. DEFINED BENEFIT PENSION PLAN - STATEWIDE

Substantially all employees of the District are required by State law to belong to pension plans administered by the Teachers Retirement Association (TRA) or Public Employees Retirement Association (PERA), all of which are administered on a statewide basis.

A. TEACHERS RETIREMENT ASSOCIATION

**Plan Description:**

All teachers employed by the District are covered by defined benefit plans administered by the Teachers Retirement Association (TRA). TRA members belong to either the Coordinated 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. The plans are established and administered in accordance with Minnesota Statutes, Chapters 354 and 356.

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

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 15. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

A. TEACHERS RETIREMENT ASSOCIATION (Cont'd)

**Plan Description:** (Cont'd)

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

| Tier I      | Step Rate Formula   | Percentage    |
|-------------|---|---------------|
| Basic       | 1st ten years of service  | 2.2% per year |
|             | All years after   | 2.7% per year |
| Coordinated | 1st ten years if service years are prior to July 1, 2006              | 1.2% per year |
|             | 1st ten years if service years are July 1, 2006 or after              | 1.4% per year |
|             | All other years of service if service years are prior to July 1, 2006 | 1.7% per year |
|             | All other years of service if service years are July 1, 2006 or after | 1.9% per year |

With these provisions:

- a. Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- b. 3% per year early retirement reduction factors for all years under normal retirement age.
- c. Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more.)

-or-

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

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

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 15. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

A. TEACHERS RETIREMENT ASSOCIATION (Cont'd)

**Plan Description:** (Cont'd)

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

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

TRA publicly issues a Comprehensive Annual Financial Report (CAFR) presenting financial statements, supplemental information on funding levels, investment performance, and further information on benefits provisions. The report may be accessed at the TRA web site [www.minnesotatra.org](http://www.minnesotatra.org). Alternatively, a copy of the report may be obtained by writing or calling TRA:

Teachers Retirement Association  
60 Empire Drive Suite 400  
St. Paul, MN 55103-4000  
651-296-6449  
800-657-3853

**Funding Policy:**

Minnesota Statutes Chapter 354 sets the rates for the employee and employer contributions. These statutes are established and amended by the state legislature. Coordinated and Basic Plan members are required to contribute 5.5 percent and 9.0 percent, respectively, of their annual covered salary as employee contributions. The TRA employer contribution rates are 5.5 percent for Coordinated members and 9.5 percent for Basic members. Total covered payroll salaries for all TRA members statewide during fiscal year ended June 30, 2010 was approximately \$3.79 billion. TRA covered payroll for all members statewide for the fiscal years ended June 30, 2009 and June 30, 2008 were \$3.76 billion and \$3.65 billion, respectively.

The District contributions for the year ending June 30, 2011, 2010, and 2009 were \$490,403, \$505,567, and \$497,733, respectively, equal to the required contributions for each year as set by state statute.

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

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 15. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

B. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA

**Plan Description:**

All full-time and certain part-time employees of the District (other than teachers) are covered by defined benefit plans administered by the Public 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.

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

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

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

Normal retirement age is 65 for Basic and Coordinated 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 single-life annuity is a lifetime annuity that ceases upon the death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives.

Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

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

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 15. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

B. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA (Cont'd)

**Plan Description:** (Cont'd)

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

**Funding Policy:**

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.0%, respectively, of their annual covered salary in 2010. In 2010, the District was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members and 7% for Coordinated Plan members. Employer contribution rates for the Coordinated Plan increased to 7.25% effective January 1, 2011.

The District's contributions to the Public Employees Retirement Fund for the years ending June 30, 2011, 2010, and 2009, were \$210,162, \$203,784, and \$189,343. The District's contributions were equal to the contractually required contributions for each year as set by state statute.

NOTE 16. CONTINGENCIES

A. LITIGATION

The District is not involved in any litigation as of the date of this report.

B. STATE GRANTS

The District receives state aids through participation in various state categorical aid programs. These programs are subject to audits by the State. The audits for these programs for the year ended June 30, 2011, have not been conducted. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

C. FEDERAL GRANTS

The District receives federal grants through participation in various federal programs. Because the District expends in excess of \$500,000 of federal financial assistance, the District is required to have a single audit performed. The single audit has been performed by the District's independent auditor and the results are issued under a separate report.

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 17. RISK MANAGEMENT

Some of the District's risk management activities are recorded in the Internal Service Fund. The purpose of the fund is to administer the dental program of the District on a cost reimbursement basis. This fund accounts for the risk financing activities of the District but does not constitute a transfer of risk from the District.

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 employees (workers' compensation); and natural disasters. To mitigate these risks, the District has obtained property and casualty insurance and workers' compensation coverage through the Minnesota School Boards Insurance Trust (MSBAIT). The plan requires an annual payment with no additional assessments. MSBAIT has obtained a reinsurance policy. Settlement claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal 2011.

NOTE 18. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2011, consisted of the following:

|   |                  |
|---|------------------|
| Transfer to Debt Service Fund from General Fund | <u>\$ 39,286</u> |
|---|------------------|

The transfer was to assist with financing activities in the recipient fund.

NOTE 19. SELF-INSURED DENTAL PLAN

The District has elected to self-insure their employee dental insurance program. The District has entered into an agreement with an insurance company to provide claims processing and other administrative duties. The District established an internal service fund to account for contributions from other funds for dental insurance and to establish a reserve for catastrophic losses. The amounts charged to expenses include administrative fees, claims paid and accruals for claims incurred but not paid at year end. The District recorded expenses of \$147,833 for the year ended June 30, 2011 which includes administrative costs of \$21,750.

The liability for unpaid claims is included in the Internal Service Fund as accounts payable.

|                                  | FY 2011          | FY 2010          |
|----------------------------------|------------------|------------------|
| Unpaid Claims, Beginning of Year | \$ 17,244        | \$ 18,256        |
| Incurred Claims                  | 120,463          | 135,503          |
| Claims Payments (cash basis)     | <u>(124,095)</u> | <u>(136,515)</u> |
| Unpaid Claims, End of Year       | <u>\$ 13,612</u> | <u>\$ 17,244</u> |

NOTE 20. RECLASSIFICATIONS

Certain prior year financial statement amounts have been reclassified to conform to current year's presentation. This includes restated prior year fund balance classifications within each fund to conform with the requirements of GASB 54. There was no affect on total Net Assets or Fund Balance.

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REQUIRED SUPPLEMENTARY INFORMATION

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INDEPENDENT SCHOOL DISTRICT #466

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS  
JUNE 30, 2011

Schedule of Funding Progress

| Actuarial Valuation Date             | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------------------|-------------------------------|---------------------------------------|--------------------|--------------------|---------------------|---|
| <u>Other Postemployment Benefits</u> |                               |                                       |                    |                    |                     |   |
| July 1, 2008                         | \$                            | \$ 1,627,801                          | \$ 1,627,801       | 0.00%              | \$ 7,904,505        | 20.59%  |

Schedule of Employer Contributions

| Year Ended June 30,                  | Annual Required Contribution | Employer Contribution | Percentage Contributed | Net Obligation |
|--------------------------------------|------------------------------|-----------------------|------------------------|----------------|
| <u>Other Postemployment Benefits</u> |                              |                       |                        |                |
| 2011                                 | \$ 172,213                   | \$ 124,282            | 72.17%                 | \$ 202,710     |
| 2010                                 | 172,213                      | 99,716                | 57.90%                 | 157,589        |
| 2009                                 | 172,213                      | 85,577                | 49.69%                 | 86,636         |

The District implemented GASB Statement No. 45 for fiscal year ended June 30, 2009. Information for prior years is not available.

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SUPPLEMENTARY INFORMATION

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INDEPENDENT SCHOOL DISTRICT #466

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2011

WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2010

|   | Food Service      | Community Service | Total Governmental Funds |                   |
|---|-------------------|-------------------|--------------------------|-------------------|
|   |                   |                   | 2011                     | 2010              |
| <b>ASSETS</b>                             |                   |                   |                          |                   |
| Cash and Investments                      | \$ 340,894        | \$ 99,536         | \$ 440,430               | \$ 615,224        |
| Receivables                               |                   |                   |                          |                   |
| Accounts                                  | 2,705             |                   | 2,705                    | 122               |
| Current Property Taxes                    |                   | 68,006            | 68,006                   | 74,013            |
| Delinquent Property Taxes                 |                   | 4,424             | 4,424                    | 3,015             |
| Due from Other Governments                |                   |                   |                          |                   |
| Other Minnesota School Districts          |                   | 1,803             | 1,803                    |                   |
| State Department of Education             |                   | 36,422            | 36,422                   | 33,955            |
| Federal Department of Education           | 337               |                   | 337                      | 737               |
| Other Governmental Units                  |                   | 4,106             | 4,106                    | 4,786             |
| Inventory                                 | 29,750            |                   | 29,750                   | 29,675            |
| Prepaid Items                             | 5,503             |                   | 5,503                    |                   |
|   | <u>\$ 379,189</u> | <u>\$ 214,297</u> | <u>\$ 593,486</u>        | <u>\$ 761,527</u> |
| <b>LIABILITIES AND FUND BALANCE</b>       |                   |                   |                          |                   |
| <b>Liabilities</b>                        |                   |                   |                          |                   |
| Payables                                  |                   |                   |                          |                   |
| Accounts                                  | \$ 645            | \$ 7,997          | \$ 8,642                 | \$ 43,048         |
| Salaries and Payroll Deductions           | 766               | 15,599            | 16,365                   | 17,500            |
| Due to Other Minnesota School Districts   | 6,182             | 630               | 6,812                    | 22,550            |
| Due to Other Governmental Units           |                   | 53                | 53                       | 31                |
| Deferred Revenue                          | 14,488            | 26,908            | 41,396                   | 36,419            |
| Taxes Levied for Subsequent Year          |                   | 68,085            | 68,085                   | 144,297           |
|   | <u>22,081</u>     | <u>119,272</u>    | <u>141,353</u>           | <u>263,845</u>    |
| <b>Fund Balance</b>                       |                   |                   |                          |                   |
| Nonspendable                              | 35,253            |                   | 35,253                   | 29,675            |
| Restricted                                | 321,855           | 95,025            | 416,880                  | 468,007           |
|   | <u>357,108</u>    | <u>95,025</u>     | <u>452,133</u>           | <u>497,682</u>    |
| <b>Total Fund Balance</b>                 | <u>357,108</u>    | <u>95,025</u>     | <u>452,133</u>           | <u>497,682</u>    |
| <b>Total Liabilities and Fund Balance</b> | <u>\$ 379,189</u> | <u>\$ 214,297</u> | <u>\$ 593,486</u>        | <u>\$ 761,527</u> |

INDEPENDENT SCHOOL DISTRICT #466

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2011  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

|                                       | Food Service      | Community<br>Service | Total Governmental Funds |                   |
|---------------------------------------|-------------------|----------------------|--------------------------|-------------------|
|                                       |                   |                      | 2011                     | 2010              |
| <b>REVENUES</b>                       |                   |                      |                          |                   |
| Local Property Tax Levies             | \$                | \$ 196,385           | \$ 196,385               | \$ 129,609        |
| Other Local and County Revenues       | 18,700            | 415,815              | 434,515                  | 413,777           |
| Revenue from State Sources            | 45,330            | 48,433               | 93,763                   | 162,988           |
| Revenue from Federal Sources          | 429,271           |                      | 429,271                  | 422,933           |
| Sales and Other Conversions of Assets | 381,702           |                      | 381,702                  | 421,249           |
|                                       |                   |                      | <u>1,535,636</u>         | <u>1,550,556</u>  |
| Total Revenues                        | 875,003           | 660,633              | 1,535,636                | 1,550,556         |
| <b>EXPENDITURES</b>                   |                   |                      |                          |                   |
| Current                               |                   |                      |                          |                   |
| Community Education and Services      |                   | 698,397              | 698,397                  | 626,520           |
| Pupil Support Services                | 838,038           |                      | 838,038                  | 825,265           |
| Capital Outlay                        | 31,259            | 13,491               | 44,750                   | 53,121            |
|                                       |                   |                      | <u>1,581,185</u>         | <u>1,504,906</u>  |
| Total Expenditures                    | 869,297           | 711,888              | 1,581,185                | 1,504,906         |
| Net Change in Fund Balances           | 5,706             | (51,255)             | (45,549)                 | 45,650            |
| FUND BALANCE, BEGINNING OF YEAR       | 351,402           | 146,280              | 497,682                  | 452,032           |
| FUND BALANCE, END OF YEAR             | <u>\$ 357,108</u> | <u>\$ 95,025</u>     | <u>\$ 452,133</u>        | <u>\$ 497,682</u> |

INDEPENDENT SCHOOL DISTRICT #466

BALANCE SHEET  
GENERAL FUND  
JUNE 30, 2011

WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2010

|   | <u>2011</u>         | <u>2010</u>         |
|---|---------------------|---------------------|
| <b>ASSETS</b>                           |                     |                     |
| Cash and Investments                    | \$ 1,924,266        | \$ 3,021,762        |
| Receivables                             |                     |                     |
| Accounts                                | 3,484               | 37,658              |
| Current Property Taxes                  | 713,735             | 772,202             |
| Delinquent Property Taxes               | 46,729              | 32,448              |
| Interest                                | 4,554               | 12,078              |
| Due from Other Governments              |                     |                     |
| Other Minnesota School Districts        | 233,668             | 173,517             |
| State Department of Education           | 5,148,602           | 4,314,455           |
| Federal Department of Education         | 19,508              | 112,346             |
| Other Governmental Units                | 58,494              | 63,090              |
| Prepaid Items                           | <u>121,327</u>      | <u>77,680</u>       |
| Total Assets                            | <u>\$ 8,274,367</u> | <u>\$ 8,617,236</u> |
| <b>LIABILITIES AND FUND BALANCE</b>     |                     |                     |
| Liabilities                             |                     |                     |
| Payables                                |                     |                     |
| Accounts                                | \$ 276,055          | \$ 240,340          |
| Salaries and Payroll Deductions         | 476,960             | 514,105             |
| Due to Other Minnesota School Districts | 90,095              | 132,193             |
| Due to Other Governmental Units         | 39,698              | 2,095               |
| Deferred Revenue                        | 176,464             | 60,661              |
| Taxes Levied for Subsequent Year        | <u>711,662</u>      | <u>1,429,506</u>    |
| Total Liabilities                       | 1,770,934           | 2,378,900           |
| Fund Balance                            |                     |                     |
| Nonspendable                            | 121,327             | 77,680              |
| Restricted                              | 2,770,161           | 3,025,319           |
| Unassigned                              | <u>3,611,945</u>    | <u>3,135,337</u>    |
| Total Fund Balance                      | <u>6,503,433</u>    | <u>6,238,336</u>    |
| Total Liabilities and Fund Balance      | <u>\$ 8,274,367</u> | <u>\$ 8,617,236</u> |

INDEPENDENT SCHOOL DISTRICT #466

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2011  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

|   | 2011            |              | Over (Under)<br>Final<br>Budget | 2010<br>Actual |
|---|-----------------|--------------|---------------------------------|----------------|
|   | Final<br>Budget | Actual       |                                 |                |
| <b>REVENUES</b>   |                 |              |                                 |                |
| Local Property Tax Levies                                     |                 |              |                                 |                |
| Tax Levy  | \$ 1,506,089    | \$ 2,106,474 | \$ 600,385                      | \$ 1,416,793   |
| Other Local and County Revenues                               |                 |              |                                 |                |
| County Apportionment  | 32,000          | 45,172       | 13,172                          | 39,108         |
| Revenue from Other Minnesota Districts                        | 56,007          | 58,598       | 2,591                           | 41,717         |
| Tuition, Fees and Admissions                                  | 210,150         | 211,583      | 1,433                           | 211,172        |
| Investment Earnings   | 29,000          | 29,547       | 547                             | 54,268         |
| Rent for School Facilities                                    | 5,750           | 5,729        | (21)                            | 6,605          |
| Other Local Revenues  | 134,625         | 173,674      | 39,049                          | 151,248        |
| Total Other Local and County Revenues                         | 467,532         | 524,303      | 56,771                          | 504,118        |
| Revenue from State Sources                                    |                 |              |                                 |                |
| Endowment Fund Apportionment                                  | 59,094          | 60,574       | 1,480                           | 60,105         |
| General Education Aid   | 15,200,060      | 15,192,619   | (7,441)                         | 14,016,779     |
| Market Value Credit   | 47,383          | 47,383       |                                 | 42,789         |
| Special Education Aid   | 1,302,000       | 1,717,443    | 415,443                         | 1,433,674      |
| Shared Time Aid   | 4,402           | 799          | (3,603)                         | 3,341          |
| Deferred Maintenance Aid                                      | 33,623          | 43,109       | 9,486                           | 37,365         |
| State Aid Adjustment  |                 | (588,518)    | (588,518)                       |                |
| Other State Revenues  | 8,185           | 25,575       | 17,390                          | 14,965         |
| Total Revenue from State Sources                              | 16,654,747      | 16,498,984   | (155,763)                       | 15,609,018     |
| Revenue from Federal Sources                                  |                 |              |                                 |                |
| Title I, Grants to Local Education Agencies                   | 307,581         | 286,104      | (21,477)                        | 244,911        |
| ARRA Title I Grants to Local Educational Agencies             | 40,544          | 40,050       | (494)                           | 115,022        |
| Title II - Part A - Improving Teacher Quality                 | 103,844         | 104,135      | 291                             | 81,939         |
| Title II - Part D - Enhancing Education<br>Through Technology |                 |              |                                 | 25,609         |
| Title IV - Safe and Drug-Free Schools                         |                 | 3            | 3                               | 8,107          |
| ARRA Stabilization  |                 |              |                                 | 1,336,753      |
| ARRA Special Education  | 246,972         | 246,943      | (29)                            |                |
| Special Education   | 199,654         | 198,815      | (839)                           | 320,557        |
| Career and Technical Education                                | 11,000          | 8,705        | (2,295)                         | 11,206         |
| Total Revenue from Federal Sources                            | 909,595         | 884,755      | (24,840)                        | 2,144,104      |

Supplementary Information - See Auditor's Report

INDEPENDENT SCHOOL DISTRICT #466

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2011  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

|   | 2011            |            | Over (Under)<br>Final<br>Budget | 2010<br>Actual |
|---|-----------------|------------|---------------------------------|----------------|
|   | Final<br>Budget | Actual     |                                 |                |
| <b>REVENUES (Cont'd)</b>                              |                 |            |                                 |                |
| Sales and Other Conversions of Assets                 |                 |            |                                 |                |
| Sales and Insurance Recovery                          | \$ 43,140       | \$ 56,021  | \$ 12,881                       | \$ 57,250      |
| Total Revenues  | 19,581,103      | 20,070,537 | 489,434                         | 19,731,283     |
| <b>EXPENDITURES</b>                                   |                 |            |                                 |                |
| Current   |                 |            |                                 |                |
| Administration  |                 |            |                                 |                |
| Salaries and Wages                                    | 752,604         | 735,820    | (16,784)                        | 733,485        |
| Employee Benefits                                     | 220,068         | 223,071    | 3,003                           | 216,036        |
| Purchased Services                                    | 49,705          | 36,321     | (13,384)                        | 43,619         |
| Supplies and Materials                                | 29,098          | 26,770     | (2,328)                         | 35,217         |
| Other Expenditures                                    | 28,899          | 25,329     | (3,570)                         | 18,639         |
| Total Administration                                  | 1,080,374       | 1,047,311  | (33,063)                        | 1,046,996      |
| District Support Services                             |                 |            |                                 |                |
| Salaries and Wages                                    | 178,073         | 177,073    | (1,000)                         | 187,125        |
| Employee Benefits                                     | 61,907          | 53,294     | (8,613)                         | 58,886         |
| Purchased Services                                    | 75,550          | 53,553     | (21,997)                        | 68,416         |
| Supplies and Materials                                | 11,000          | 6,323      | (4,677)                         | 11,229         |
| Other Expenditures                                    | 26,250          | 22,636     | (3,614)                         | 24,538         |
| Total District Support Services                       | 352,780         | 312,879    | (39,901)                        | 350,194        |
| Elementary and Secondary Regular Instruction          |                 |            |                                 |                |
| Salaries and Wages                                    | 7,015,307       | 7,011,723  | (3,584)                         | 7,164,275      |
| Employee Benefits                                     | 1,868,306       | 1,775,503  | (92,803)                        | 1,837,881      |
| Purchased Services                                    | 516,679         | 515,072    | (1,607)                         | 450,488        |
| Supplies and Materials                                | 337,158         | 315,296    | (21,862)                        | 311,525        |
| Other Expenditures                                    | 27,750          | 25,357     | (2,393)                         | 23,593         |
| Total Elementary and Secondary<br>Regular Instruction | 9,765,200       | 9,642,951  | (122,249)                       | 9,787,762      |

INDEPENDENT SCHOOL DISTRICT #466

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2011  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

|  | 2011            |            | Over (Under)<br>Final<br>Budget | 2010<br>Actual |
|--|-----------------|------------|---------------------------------|----------------|
|  | Final<br>Budget | Actual     |                                 |                |
| EXPENDITURES (Cont'd)                  |                 |            |                                 |                |
| Current (Cont'd)                       |                 |            |                                 |                |
| Vocational Education Instruction       |                 |            |                                 |                |
| Salaries and Wages                     | \$ 221,428      | \$ 214,751 | \$ (6,677)                      | \$ 230,953     |
| Employee Benefits                      | 62,109          | 55,479     | (6,630)                         | 61,678         |
| Purchased Services                     | 4,745           | 1,684      | (3,061)                         | 34,950         |
| Supplies and Materials                 | 43,903          | 46,721     | 2,818                           | 43,733         |
| Total Vocational Education Instruction | 332,185         | 318,635    | (13,550)                        | 371,314        |
| Special Education Instruction          |                 |            |                                 |                |
| Salaries and Wages                     | 2,037,470       | 1,995,106  | (42,364)                        | 2,042,005      |
| Employee Benefits                      | 461,947         | 428,968    | (32,979)                        | 448,812        |
| Purchased Services                     | 301,985         | 226,892    | (75,093)                        | 180,721        |
| Supplies and Materials                 | 28,196          | 24,890     | (3,306)                         | 19,667         |
| Other Expenditures                     |                 |            |                                 | 169            |
| Total Special Education Instruction    | 2,829,598       | 2,675,856  | (153,742)                       | 2,691,374      |
| Instructional Support Services         |                 |            |                                 |                |
| Salaries and Wages                     | 525,308         | 559,021    | 33,713                          | 552,199        |
| Employee Benefits                      | 119,098         | 122,582    | 3,484                           | 120,098        |
| Purchased Services                     | 124,300         | 120,369    | (3,931)                         | 101,880        |
| Supplies and Materials                 | 283,638         | 276,534    | (7,104)                         | 264,408        |
| Other Expenditures                     | 1,500           | 1,503      | 3                               | 833            |
| Total Instructional Support Services   | 1,053,844       | 1,080,009  | 26,165                          | 1,039,418      |
| Pupil Support Services                 |                 |            |                                 |                |
| Salaries and Wages                     | 618,214         | 617,490    | (724)                           | 585,459        |
| Employee Benefits                      | 144,300         | 132,361    | (11,939)                        | 119,344        |
| Purchased Services                     | 672,022         | 661,485    | (10,537)                        | 653,340        |
| Supplies and Materials                 | 161,195         | 155,795    | (5,400)                         | 142,193        |
| Other Expenditures                     | 1,500           | 976        | (524)                           | 1,014          |
| Total Pupil Support Services           | 1,597,231       | 1,568,107  | (29,124)                        | 1,501,350      |

INDEPENDENT SCHOOL DISTRICT #466

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2011  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

|  | 2011            |            | Over (Under)<br>Final<br>Budget | 2010<br>Actual |
|--|-----------------|------------|---------------------------------|----------------|
|  | Final<br>Budget | Actual     |                                 |                |
| EXPENDITURES (Cont'd)  |                 |            |                                 |                |
| Current (Cont'd)   |                 |            |                                 |                |
| Sites and Buildings  |                 |            |                                 |                |
| Salaries and Wages   | \$ 475,640      | \$ 462,854 | \$ (12,786)                     | \$ 472,467     |
| Employee Benefits  | 178,213         | 171,392    | (6,821)                         | 172,909        |
| Purchased Services   | 617,319         | 577,256    | (40,063)                        | 580,512        |
| Supplies and Materials                                       | 262,015         | 209,779    | (52,236)                        | 213,005        |
| Other Expenditures   | 700             | 203        | (497)                           | 340            |
| Total Sites and Buildings                                    | 1,533,887       | 1,421,484  | (112,403)                       | 1,439,233      |
| Fiscal and Other Fixed Costs Programs                        |                 |            |                                 |                |
| Purchased Services   | 55,201          | 53,960     | (1,241)                         | 50,361         |
| Capital Outlay   |                 |            |                                 |                |
| Administration   | 84,545          | 85,477     | 932                             | 85,340         |
| District Support Services                                    | 2,000           | 4,650      | 2,650                           | 1,425          |
| Elementary and Secondary Regular Instruction                 | 117,760         | 114,556    | (3,204)                         | 49,137         |
| Special Education Instruction                                |                 |            |                                 | 6,376          |
| Instructional Support Services                               | 298,300         | 319,680    | 21,380                          | 255,333        |
| Pupil Support Services                                       | 173,980         | 162,557    | (11,423)                        | 94,228         |
| Sites and Buildings  | 597,209         | 596,974    | (235)                           | 217,976        |
| Total Capital Outlay   | 1,273,794       | 1,283,894  | 10,100                          | 709,815        |
| Debt Service   |                 |            |                                 |                |
| Sites and Buildings  |                 |            |                                 |                |
| Principal  | 324,233         | 324,233    |                                 | 148,562        |
| Interest and Fiscal Charges                                  | 39,882          | 39,882     |                                 | 34,365         |
| Total Debt Service   | 364,115         | 364,115    | 0                               | 182,927        |
| Total Expenditures   | 20,238,209      | 19,769,201 | (469,008)                       | 19,170,744     |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (657,106)       | 301,336    | 958,442                         | 560,539        |

INDEPENDENT SCHOOL DISTRICT #466

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2011  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

|                                      | 2011                |                     | Over (Under)<br>Final<br>Budget | 2010<br>Actual      |
|--------------------------------------|---------------------|---------------------|---------------------------------|---------------------|
|                                      | Final<br>Budget     | Actual              |                                 |                     |
| OTHER FINANCING SOURCES (USES)       |                     |                     |                                 |                     |
| Sale of Capital Assets               | 3,000               | 3,047               | 47                              |                     |
| Transfers Out                        | <u>(39,286)</u>     | <u>(39,286)</u>     |                                 | <u>(35,757)</u>     |
| Total Other Financing Sources (Uses) | <u>(36,286)</u>     | <u>(36,239)</u>     | 47                              | <u>(35,757)</u>     |
| Net Change in Fund Balances          | <u>\$ (693,392)</u> | 265,097             | <u>\$ 958,489</u>               | 524,782             |
| FUND BALANCE, BEGINNING OF YEAR      |                     | <u>6,238,336</u>    |                                 | <u>5,713,554</u>    |
| FUND BALANCE, END OF YEAR            |                     | <u>\$ 6,503,433</u> |                                 | <u>\$ 6,238,336</u> |

INDEPENDENT SCHOOL DISTRICT #466

BALANCE SHEET  
 FOOD SERVICE SPECIAL REVENUE FUND  
 JUNE 30, 2011

WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2010

|   | <u>2011</u>       | <u>2010</u>       |
|---|-------------------|-------------------|
| <b>ASSETS</b>                           |                   |                   |
| Cash and investments                    | \$ 340,894        | \$ 377,377        |
| Receivables                             |                   |                   |
| Accounts                                | 2,705             | 122               |
| Due from Other Governments              |                   |                   |
| Federal Department of Education         | 337               | 737               |
| Inventory                               | 29,750            | 29,675            |
| Prepaid Items                           | 5,503             |                   |
|   | <u>5,503</u>      |                   |
| Total Assets                            | <u>\$ 379,189</u> | <u>\$ 407,911</u> |
| <b>LIABILITIES AND FUND BALANCE</b>     |                   |                   |
| <b>Liabilities</b>                      |                   |                   |
| Payables                                |                   |                   |
| Accounts                                | \$ 645            | \$ 20,223         |
| Salaries and Payroll Deductions         | 766               | 104               |
| Due to Other Minnesota School Districts | 6,182             | 22,550            |
| Deferred Revenue                        | 14,488            | 13,632            |
|   | <u>14,488</u>     | <u>13,632</u>     |
| Total Liabilities                       | 22,081            | 56,509            |
| <b>Fund Balance</b>                     |                   |                   |
| Nonspendable                            | 35,253            | 29,675            |
| Restricted                              | 321,855           | 321,727           |
|   | <u>321,855</u>    | <u>321,727</u>    |
| Total Fund Balance                      | <u>357,108</u>    | <u>351,402</u>    |
| Total Liabilities and Fund Balance      | <u>\$ 379,189</u> | <u>\$ 407,911</u> |

INDEPENDENT SCHOOL DISTRICT #466

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOOD SERVICE SPECIAL REVENUE FUND  
 YEAR ENDED JUNE 30, 2011  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

|                                       | 2011            |            | Over (Under)<br>Final<br>Budget | 2010<br>Actual |
|---------------------------------------|-----------------|------------|---------------------------------|----------------|
|                                       | Final<br>Budget | Actual     |                                 |                |
| <b>REVENUES</b>                       |                 |            |                                 |                |
| Other Local and County Revenues       |                 |            |                                 |                |
| Investment Earnings                   | \$ 2,100        | \$ 2,597   | \$ 497                          | \$ 3,570       |
| Other Local Revenues                  | 9,500           | 16,103     | 6,603                           | 15,377         |
| Total Other Local and County Revenues | 11,600          | 18,700     | 7,100                           | 18,947         |
| Revenue from State Sources            |                 |            |                                 |                |
| State School Lunch Aid                | 33,000          | 32,218     | (782)                           | 33,317         |
| Breakfast Program                     | 13,000          | 11,974     | (1,026)                         | 12,558         |
| Minnesota Kindergarten Milk           | 1,200           | 1,138      | (62)                            | 2,135          |
| Total Revenue from State Sources      | 47,200          | 45,330     | (1,870)                         | 48,010         |
| Revenue from Federal Sources          |                 |            |                                 |                |
| School Lunch Program                  | 70,000          | 69,807     | (193)                           | 69,409         |
| Free-Reduced Lunch Aid                | 247,000         | 249,120    | 2,120                           | 243,704        |
| Breakfast Program                     | 50,000          | 54,259     | 4,259                           | 49,823         |
| Special Milk Program                  | 500             | 498        | (2)                             | 458            |
| USDA Commodities                      | 58,000          | 55,587     | (2,413)                         | 59,539         |
| Total Revenue from Federal Sources    | 425,500         | 429,271    | 3,771                           | 422,933        |
| Sales and Other Conversions of Assets | 399,150         | 381,702    | (17,448)                        | 421,249        |
| Total Revenues                        | 883,450         | 875,003    | (8,447)                         | 911,139        |
| <b>EXPENDITURES</b>                   |                 |            |                                 |                |
| <b>Current</b>                        |                 |            |                                 |                |
| Pupil Support Services                |                 |            |                                 |                |
| Salaries and Wages                    | 283,565         | 282,538    | (1,027)                         | 272,090        |
| Employee Benefits                     | 60,561          | 57,349     | (3,212)                         | 54,753         |
| Purchased Services                    | 68,100          | 55,238     | (12,862)                        | 62,898         |
| Supplies and Materials                | 473,800         | 437,902    | (35,898)                        | 430,745        |
| Other Expenditures                    | 5,550           | 5,011      | (539)                           | 4,779          |
| Capital Outlay                        |                 |            |                                 |                |
| Pupil Support Services                | 32,000          | 31,259     | (741)                           | 41,677         |
| Total Expenditures                    | 923,576         | 869,297    | (54,279)                        | 866,942        |
| Net Change in Fund Balances           | \$ (40,126)     | 5,706      | \$ 45,832                       | 44,197         |
| FUND BALANCE, BEGINNING OF YEAR       |                 | 351,402    |                                 | 307,205        |
| FUND BALANCE, END OF YEAR             |                 | \$ 357,108 |                                 | \$ 351,402     |

Supplementary Information - See Auditor's Report

INDEPENDENT SCHOOL DISTRICT #466

BALANCE SHEET  
 COMMUNITY SERVICE SPECIAL REVENUE FUND  
 JUNE 30, 2011

WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2010

|   | <u>2011</u>       | <u>2010</u>       |
|---|-------------------|-------------------|
| <b>ASSETS</b>                           |                   |                   |
| Cash and Investments                    | \$ 99,536         | \$ 237,847        |
| Receivables                             |                   |                   |
| Current Property Taxes                  | 68,006            | 74,013            |
| Delinquent Property Taxes               | 4,424             | 3,015             |
| Due from Other Governments              |                   |                   |
| Other Minnesota School Districts        | 1,803             |                   |
| State Department of Education           | 36,422            | 33,955            |
| Other Governmental Units                | 4,106             | 4,786             |
|   | <u>          </u> | <u>          </u> |
| Total Assets                            | <u>\$ 214,297</u> | <u>\$ 353,616</u> |
| <b>LIABILITIES AND FUND BALANCE</b>     |                   |                   |
| <b>Liabilities</b>                      |                   |                   |
| Payables                                |                   |                   |
| Accounts                                | \$ 7,997          | \$ 22,825         |
| Salaries and Payroll Deductions         | 15,599            | 17,396            |
| Due to Other Minnesota School Districts | 630               |                   |
| Due to Other Governmental Units         | 53                | 31                |
| Deferred Revenue                        | 26,908            | 22,787            |
| Taxes Levied for Subsequent Year        | 68,085            | 144,297           |
|   | <u>          </u> | <u>          </u> |
| Total Liabilities                       | 119,272           | 207,336           |
| Fund Balance                            |                   |                   |
| Restricted                              | <u>95,025</u>     | <u>146,280</u>    |
|   | <u>          </u> | <u>          </u> |
| Total Liabilities and Fund Balance      | <u>\$ 214,297</u> | <u>\$ 353,616</u> |

INDEPENDENT SCHOOL DISTRICT #466

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 COMMUNITY SERVICE SPECIAL REVENUE FUND  
 YEAR ENDED JUNE 30, 2011  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

|  | 2011            |            | Over (Under)<br>Final<br>Budget | 2010<br>Actual |
|--|-----------------|------------|---------------------------------|----------------|
|  | Final<br>Budget | Actual     |                                 |                |
| <b>REVENUES</b>                            |                 |            |                                 |                |
| Local Property Tax Levies                  |                 |            |                                 |                |
| Tax Levy                                   | \$ 133,479      | \$ 196,385 | \$ 62,906                       | \$ 129,609     |
| Other Local and County Revenues            |                 |            |                                 |                |
| Tuition, Fees and Admissions               | 313,200         | 348,258    | 35,058                          | 338,127        |
| Investment Earnings                        | 1,700           | 1,663      | (37)                            | 2,168          |
| Other Local Revenues                       | 51,923          | 65,894     | 13,971                          | 54,535         |
| Total Other Local and County Revenues      | 366,823         | 415,815    | 48,992                          | 394,830        |
| Revenue from State Sources                 |                 |            |                                 |                |
| Preschool Screening                        | 9,000           | 9,760      | 760                             | 9,615          |
| Early Childhood                            | 65,759          | 64,139     | (1,620)                         | 66,644         |
| Learning Readiness                         | 26,708          | 26,708     |                                 | 26,500         |
| Homestead/Agricultural Market Value Credit | 10,591          | 10,555     | (36)                            | 10,429         |
| State Aid Adjustment                       |                 | (64,376)   | (64,376)                        |                |
| Other State Revenues                       | 2,227           | 1,647      | (580)                           | 1,790          |
| Total Revenue from State Sources           | 114,285         | 48,433     | (65,852)                        | 114,978        |
| Total Revenues                             | 614,587         | 660,633    | 46,046                          | 639,417        |
| <b>EXPENDITURES</b>                        |                 |            |                                 |                |
| Current                                    |                 |            |                                 |                |
| Community Education and Services           |                 |            |                                 |                |
| Salaries and Wages                         | 360,546         | 419,445    | 58,899                          | 392,564        |
| Employee Benefits                          | 84,984          | 89,071     | 4,087                           | 82,828         |
| Purchased Services                         | 107,805         | 126,769    | 18,964                          | 99,704         |
| Supplies and Materials                     | 49,104          | 62,631     | 13,527                          | 50,972         |
| Other Expenditures                         | 1,300           | 481        | (819)                           | 452            |
| Capital Outlay                             |                 |            |                                 |                |
| Community Education and Services           | 5,050           | 13,491     | 8,441                           | 11,444         |
| Total Expenditures                         | 608,789         | 711,888    | 103,099                         | 637,964        |
| Net Change in Fund Balances                | \$ 5,798        | (51,255)   | \$ (57,053)                     | 1,453          |
| FUND BALANCE, BEGINNING OF YEAR            |                 | 146,280    |                                 | 144,827        |
| FUND BALANCE, END OF YEAR                  |                 | \$ 95,025  |                                 | \$ 146,280     |

Supplementary Information - See Auditor's Report

INDEPENDENT SCHOOL DISTRICT #466

BALANCE SHEET  
 BUILDING CONSTRUCTION CAPITAL PROJECTS FUND  
 JUNE 30, 2011  
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2010

|                                    | <u>2011</u> | <u>2010</u>       |
|------------------------------------|-------------|-------------------|
| ASSETS                             |             |                   |
| Cash with Escrow Agent             | <u>\$ 5</u> | <u>\$ 826,125</u> |
| LIABILITIES AND FUND BALANCE       |             |                   |
| Liabilities                        |             |                   |
| Contracts Payable                  | \$          | \$ 593,000        |
| Fund Balance                       |             |                   |
| Restricted                         | <u>5</u>    | <u>233,125</u>    |
| Total Liabilities and Fund Balance | <u>\$ 5</u> | <u>\$ 826,125</u> |

INDEPENDENT SCHOOL DISTRICT #466

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 BUILDING CONSTRUCTION CAPITAL PROJECTS FUND  
 YEAR ENDED JUNE 30, 2011  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

|  | 2011            |                  | Over (Under)<br>Final<br>Budget | 2010<br>Actual    |
|--|-----------------|------------------|---------------------------------|-------------------|
|  | Final<br>Budget | Actual           |                                 |                   |
| <b>REVENUES</b>  |                 |                  |                                 |                   |
| Other Local and County Revenues                              |                 |                  |                                 |                   |
| Investment Earnings  | \$              | \$ 132           | \$ 132                          | \$ 108            |
| <b>EXPENDITURES</b>  |                 |                  |                                 |                   |
| Capital Outlay   |                 |                  |                                 |                   |
| Sites and Buildings  |                 | 233,252          | 233,252                         | 593,000           |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 0               | (233,120)        | (233,120)                       | (592,892)         |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                 |                  |                                 |                   |
| Certificate of Participation Proceeds                        |                 |                  |                                 | 826,017           |
| Net Change in Fund Balances                                  | <u>\$ 0</u>     | <u>(233,120)</u> | <u>\$ (233,120)</u>             | 233,125           |
| FUND BALANCE, BEGINNING OF YEAR                              |                 | 233,125          |                                 |                   |
| FUND BALANCE, END OF YEAR                                    |                 | <u>\$ 5</u>      |                                 | <u>\$ 233,125</u> |

INDEPENDENT SCHOOL DISTRICT #466

BALANCE SHEET  
DEBT SERVICE FUND  
JUNE 30, 2011

WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2010

|                                     | <u>2011</u>         | <u>2010</u>         |
|-------------------------------------|---------------------|---------------------|
| <b>ASSETS</b>                       |                     |                     |
| Cash and Investments                | \$ 911,992          | \$ 1,312,781        |
| Cash with Escrow Agent              | 7,842,019           |                     |
| Receivables                         |                     |                     |
| Current Property Taxes              | 581,559             | 976,816             |
| Delinquent Property Taxes           | 59,450              | 42,165              |
| Interest                            | 50,822              |                     |
| Due from Other Governments          |                     |                     |
| State Department of Education       | 42,742              | 39,036              |
| Other Governmental Units            | 40,037              | 63,932              |
|                                     | <u>          </u>   | <u>          </u>   |
| Total Assets                        | <u>\$ 9,528,621</u> | <u>\$ 2,434,730</u> |
| <b>LIABILITIES AND FUND BALANCE</b> |                     |                     |
| Liabilities                         |                     |                     |
| Deferred Revenue                    | \$ 59,450           | \$ 42,165           |
| Taxes Levied for Subsequent Year    | 1,132,386           | 1,903,160           |
|                                     | <u>          </u>   | <u>          </u>   |
| Total Liabilities                   | 1,191,836           | 1,945,325           |
| Fund Balance                        |                     |                     |
| Restricted                          | 8,336,785           | 489,405             |
|                                     | <u>          </u>   | <u>          </u>   |
| Total Liabilities and Fund Balance  | <u>\$ 9,528,621</u> | <u>\$ 2,434,730</u> |

INDEPENDENT SCHOOL DISTRICT #466

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 DEBT SERVICE FUND  
 YEAR ENDED JUNE 30, 2011  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2010

|  | 2011            |              | Over (Under)<br>Final<br>Budget | 2010<br>Actual |
|--|-----------------|--------------|---------------------------------|----------------|
|  | Final<br>Budget | Actual       |                                 |                |
| <b>REVENUES</b>  |                 |              |                                 |                |
| Local Property Tax Levies                                    |                 |              |                                 |                |
| Tax Levy   | \$ 1,760,685    | \$ 1,753,122 | \$ (7,563)                      | \$ 1,756,982   |
| Other Local and County Revenues                              |                 |              |                                 |                |
| Investment Earnings  | 20,500          | 34,681       | 14,181                          | 12,441         |
| Other Local Revenues   | 4,500           | 3,609        | (891)                           | 4,061          |
| Total Other Local and County Revenues                        | 25,000          | 38,290       | 13,290                          | 16,502         |
| Revenue from State Sources                                   |                 |              |                                 |                |
| Homestead/Agricultural Market Value Credit                   | 139,526         | 139,526      |                                 | 141,344        |
| Other State Revenues   | 2,949           | 2,949        |                                 | 3,234          |
| Total Revenue from State Sources                             | 142,475         | 142,475      | 0                               | 144,578        |
| Total Revenues   | 1,928,160       | 1,933,887    | 5,727                           | 1,918,062      |
| <b>EXPENDITURES</b>  |                 |              |                                 |                |
| Debt Service   |                 |              |                                 |                |
| Fiscal and Other Fixed Costs Programs                        |                 |              |                                 |                |
| Principal  | 1,520,000       | 1,520,000    |                                 | 1,460,000      |
| Interest and Fiscal Charges                                  | 492,881         | 578,339      | 85,458                          | 531,478        |
| Total Expenditures   | 2,012,881       | 2,098,339    | 85,458                          | 1,991,478      |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (84,721)        | (164,452)    | (79,731)                        | (73,416)       |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                 |              |                                 |                |
| Refunding Bond Proceeds                                      | 7,889,848       | 7,910,000    | 20,152                          |                |
| Refunding Bond Premium                                       |                 | 62,546       | 62,546                          |                |
| Transfers In   | 39,286          | 39,286       |                                 | 35,757         |
| Total Other Financing Sources (Uses)                         | 7,929,134       | 8,011,832    | 82,698                          | 35,757         |
| Net Change in Fund Balances                                  | \$ 7,844,413    | 7,847,380    | \$ 2,967                        | (37,659)       |
| FUND BALANCE, BEGINNING OF YEAR                              |                 | 489,405      |                                 | 527,064        |
| FUND BALANCE, END OF YEAR                                    |                 | \$ 8,336,785 |                                 | \$ 489,405     |

Supplementary Information - See Auditor's Report

INDEPENDENT SCHOOL DISTRICT #466

SCHEDULE OF NET TAX CAPACITIES, INITIAL TAX RATES AND TAX LEVIES  
JUNE 30, 2011

|                                  | Calendar Year Payable |                      |                      |
|----------------------------------|-----------------------|----------------------|----------------------|
|                                  | 2011                  | 2010                 | 2009                 |
| Net Tax Capacity                 | <u>\$ 9,467,205</u>   | <u>\$ 10,426,048</u> | <u>\$ 10,226,803</u> |
| Initial Tax Rate                 | 20.39%                | 25.83%               | 25.75%               |
| Tax Levies                       |                       |                      |                      |
| Maintenance                      | \$ 1,443,915          | \$ 1,554,659         | \$ 1,472,975         |
| Community Service                | 132,462               | 144,297              | 141,256              |
| General Debt Service             | <u>1,132,386</u>      | <u>1,903,160</u>     | <u>1,915,678</u>     |
| Gross Tax Levy                   | 2,708,763             | 3,602,116            | 3,529,909            |
| State Aid Credits                |                       |                      |                      |
| Disparity Reduction Aid          | 3,401                 | 3,401                | 3,401                |
| Homestead Market Value Credit    | 119,176               | 154,746              | 149,754              |
| Agricultural Market Value Credit | <u>31,042</u>         | <u>42,754</u>        | <u>44,809</u>        |
| Total State Aid Credits          | <u>153,619</u>        | <u>200,901</u>       | <u>197,964</u>       |
| Net Tax Levy                     | <u>\$ 2,555,144</u>   | <u>\$ 3,401,215</u>  | <u>\$ 3,331,945</u>  |

INDEPENDENT SCHOOL DISTRICT #466

SCHEDULE OF BOND AND INTEREST MATURITIES  
JUNE 30, 2011

| Fiscal Year Ending | G.O. Crossover Refunding Bonds of 1998A |                 | G.O. School Building Bonds of 2003 |                     | G.O. School Building Bonds of 2004 |                   | G.O. School Building Refunding Bonds of 2007 |                   | G.O. Crossover Refunding Bonds, Series 2010B |                     | Totals               |                     |                      |
|--------------------|---|-----------------|------------------------------------|---------------------|------------------------------------|-------------------|--|-------------------|--|---------------------|----------------------|---------------------|----------------------|
|                    | Principal                               | Interest        | Principal                          | Interest            | Principal                          | Interest          | Principal                                    | Interest          | Principal                                    | Interest            | Principal            | Interest            | Total                |
| 2012               | \$ 35,000                               | \$ 2,685        | \$ 460,000                         | \$ 309,835          | \$ 110,000                         | \$ 58,115         | \$ 260,000                                   | \$ 45,800         | \$   | \$ 236,841          | \$ 865,000           | \$ 653,276          | \$ 1,518,276         |
| 2013               | 40,000                                  | 940             | 475,000                            | 292,815             | 115,000                            | 54,430            | 275,000                                      | 35,400            |  | 189,473             | 905,000              | 573,058             | 1,478,058            |
| 2014               |   |                 | 500,000                            | 275,003             | 115,000                            | 50,405            | 300,000                                      | 24,400            | 710,000                                      | 189,473             | 1,625,000            | 539,281             | 2,164,281            |
| 2015               |   |                 | 525,000                            | 255,253             | 115,000                            | 46,150            | 310,000                                      | 12,400            | 725,000                                      | 175,272             | 1,675,000            | 489,075             | 2,164,075            |
| 2016               |   |                 | 550,000                            | 233,990             | 115,000                            | 41,723            |  |                   | 740,000                                      | 160,772             | 1,405,000            | 436,485             | 1,841,485            |
| 2017               |   |                 | 575,000                            | 211,165             | 120,000                            | 37,122            |  |                   | 755,000                                      | 145,973             | 1,450,000            | 394,260             | 1,844,260            |
| 2018               |   |                 | 600,000                            | 186,728             | 120,000                            | 32,202            |  |                   | 770,000                                      | 130,873             | 1,490,000            | 349,803             | 1,839,803            |
| 2019               |   |                 | 640,000                            | 160,627             | 120,000                            | 27,163            |  |                   | 795,000                                      | 114,510             | 1,555,000            | 302,300             | 1,857,300            |
| 2020               |   |                 | 665,000                            | 132,468             | 125,000                            | 22,063            |  |                   | 810,000                                      | 95,827              | 1,600,000            | 250,358             | 1,850,358            |
| 2021               |   |                 | 710,000                            | 102,875             | 125,000                            | 16,688            |  |                   | 840,000                                      | 75,172              | 1,675,000            | 194,735             | 1,869,735            |
| 2022               |   |                 | 750,000                            | 70,925              | 125,000                            | 11,188            |  |                   | 865,000                                      | 51,652              | 1,740,000            | 133,765             | 1,873,765            |
| 2023               |   |                 | 800,000                            | 36,800              | 125,000                            | 5,625             |  |                   | 900,000                                      | 27,000              | 1,825,000            | 69,425              | 1,894,425            |
|                    | <u>\$ 75,000</u>                        | <u>\$ 3,625</u> | <u>\$ 7,250,000</u>                | <u>\$ 2,268,484</u> | <u>\$ 1,430,000</u>                | <u>\$ 402,874</u> | <u>\$ 1,145,000</u>                          | <u>\$ 118,000</u> | <u>\$ 7,910,000</u>                          | <u>\$ 1,592,838</u> | <u>\$ 17,810,000</u> | <u>\$ 4,385,821</u> | <u>\$ 22,195,821</u> |

|                     |   |  |  |  |  |
|---------------------|---|--|--|--|--|
| Interest Rate       | 3.80 - 4.70%                                | 1.50 - 4.60%   | 3.80 - 4.70%   | 4.00%  | 2.00 - 3.00%   |
| Payable at:         | First Trust National<br>St. Paul, Minnesota | US Bank Trust National Assoc.<br>St. Paul, Minnesota | US Bank Trust National Assoc.<br>St. Paul, Minnesota | Northland Trust Services, Inc.<br>Minneapolis, Minnesota | Northland Trust Services, Inc.<br>Minneapolis, Minnesota |
| Interest Due Dates: | June 1 and December 1                       | August 1 and February 1                              | August 1 and February 1                              | March 1 and September 1                                  | March 1 and August 1                                     |
| Principal Due Date: | December 1                                  | February 1   | February 1   | March 1  | February 1   |

INDEPENDENT SCHOOL DISTRICT #466

SCHEDULE OF DEFERRED TAX LEVIES TO PAY BONDS  
JUNE 30, 2011

| Calendar Year |           | Fiscal Year<br>Recognized | G.O. Crossover<br>Refunding Bonds<br>of 1998A | G.O. School<br>Building Bonds<br>of 2003 | G.O. School<br>Building Bonds<br>of 2004 | G.O. School<br>Building Refunding<br>Bonds of 2007 | G.O. Crossover<br>Refunding Bonds,<br>Series 2010B | Totals               |
|---------------|-----------|---------------------------|---|--|--|--|--|----------------------|
| Levied        | Collected |                           |   |  |  |  |  |                      |
| 2010          | 2011      | 2012                      | \$ 38,000                                     | \$ 808,327                               | \$ 174,898                               | \$ 321,090   | \$   | \$ 1,342,315         |
| 2011          | 2012      | 2013                      | 39,000  | 806,206                                  | 176,337                                  | 325,920  |  | 1,347,463            |
| 2012          | 2013      | 2014                      |   |  |  | 340,620  | 944,446  | 1,285,066            |
| 2013          | 2014      | 2015                      |   |  |  | 338,520  | 945,286  | 1,283,806            |
| 2014          | 2015      | 2016                      |   |  |  |  | 945,811  | 945,811              |
| 2015          | 2016      | 2017                      |   |  |  |  | 946,021  | 946,021              |
| 2016          | 2017      | 2018                      |   |  |  |  | 945,916  | 945,916              |
| 2017          | 2018      | 2019                      |   |  |  |  | 954,986  | 954,986              |
| 2018          | 2019      | 2020                      |   |  |  |  | 951,119  | 951,119              |
| 2019          | 2020      | 2021                      |   |  |  |  | 960,931  | 960,931              |
| 2020          | 2021      | 2022                      |   |  |  |  | 962,485  | 962,485              |
| 2021          | 2022      | 2023                      |   |  |  |  | 973,350  | 973,350              |
|               |           |                           | <u>\$ 77,000</u>                              | <u>\$ 1,614,533</u>                      | <u>\$ 351,235</u>                        | <u>\$ 1,326,150</u>                                | <u>\$ 9,530,351</u>                                | <u>\$ 12,899,269</u> |

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## REQUIRED REPORTS

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INDEPENDENT SCHOOL DISTRICT #466

UFARS COMPLIANCE TABLE  
YEAR ENDED JUNE 30, 2011

|                                     | Audited       | UFARS         | Difference |                                    | Audited   | UFARS     | Difference |
|-------------------------------------|---------------|---------------|------------|------------------------------------|-----------|-----------|------------|
| <b>01 GENERAL FUND</b>              |               |               |            | <b>06 BUILDING CONSTRUCTION</b>    |           |           |            |
| Total Revenue                       | \$ 20,070,537 | \$ 20,070,538 | \$ (1)     | Total Revenue                      | \$ 132    | \$ 132    | \$         |
| Total Expenditures                  | 19,769,201    | 19,769,201    |            | Total Expenditures                 | 233,252   | 233,252   |            |
| <i>Nonspendable:</i>                |               |               |            | <i>Nonspendable:</i>               |           |           |            |
| 460 Nonspendable                    | 121,327       | 121,327       |            | 460 Nonspendable                   |           |           |            |
| <i>Restricted/Reserved:</i>         |               |               |            | <i>Restricted/Reserved:</i>        |           |           |            |
| 403 Staff Development               | 60,569        | 60,569        |            | 407 Capital Projects Levy          |           |           |            |
| 405 Deferred Maintenance            | 582,341       | 582,341       |            | 409 Alternative Facilities Program |           |           |            |
| 406 Health and Safety               | 54,623        | 54,623        |            | 413 Project Funded by COP          | 5         | 6         | (1)        |
| 407 Capital Projects Levy           |               |               |            | <i>Restricted:</i>                 |           |           |            |
| 408 Cooperative Programs            |               |               |            | 464 Restricted                     |           |           |            |
| 414 Operating Debt                  |               |               |            | <i>Unassigned:</i>                 |           |           |            |
| 416 Levy Reduction                  |               |               |            | 463 Unassigned                     |           |           |            |
| 417 Taconite Building Maintenance   |               |               |            | <b>07 DEBT SERVICE</b>             |           |           |            |
| 423 Certain Teacher Programs        |               |               |            | Total Revenue                      | 1,933,887 | 1,933,887 |            |
| 424 Operating Capital               | 2,057,217     | 2,057,217     |            | Total Expenditures                 | 2,098,339 | 2,098,339 |            |
| 426 \$25 Taconite                   |               |               |            | <i>Restricted/Reserved:</i>        |           |           |            |
| 427 Disabled Accessibility          |               |               |            | 425 Bond Refundings                |           |           |            |
| 428 Learning & Development          |               |               |            | 451 QZAB and QSCB Payments         |           |           |            |
| 434 Area Learning Center            |               |               |            | <i>Restricted:</i>                 |           |           |            |
| 435 Contracted Alt. Programs        |               |               |            | 464 Restricted                     | 8,336,785 | 8,336,785 |            |
| 436 State Approved Alt. Programs    |               |               |            | <i>Unassigned:</i>                 |           |           |            |
| 438 Gifted & Talented               | 11,930        | 11,930        |            | 463 Unassigned                     |           |           |            |
| 441 Basic Skills Programs           |               |               |            | <b>08 TRUST</b>                    |           |           |            |
| 445 Career & Technical Programs     |               |               |            | Total Revenue                      | 9,203     | 9,203     |            |
| 449 Safe Schools - Crime Levy       | 3,481         | 3,481         |            | Total Expenditures                 | 15,232    | 15,232    |            |
| 450 Transition for Pre-Kindergarten |               |               |            | 422 Net Assets                     | 68,776    | 68,776    |            |
| 451 QZAB and QSCB Payments          |               |               |            | <b>20 INTERNAL SERVICE</b>         |           |           |            |
| 452 OPEB Liab Not Held in a Trust   |               |               |            | Total Revenue                      | 166,851   | 166,851   |            |
| 453 Unfunded Sev & Retirement Levy  |               |               |            | Total Expenditures                 | 147,833   | 147,833   |            |
| <i>Restricted:</i>                  |               |               |            | 422 Net Assets                     | 36,313    | 36,313    |            |
| 464 Restricted                      |               |               |            | <b>25 OPEB REVOCABLE TRUST</b>     |           |           |            |
| <i>Committed:</i>                   |               |               |            | Total Revenue                      |           |           |            |
| 418 Separation/Retirement Benefits  |               |               |            | Total Expenditures                 |           |           |            |
| 461 Committed                       |               |               |            | 422 Net Assets                     |           |           |            |
| <i>Assigned:</i>                    |               |               |            | <b>45 OPEB IRREVOCABLE TRUST</b>   |           |           |            |
| 462 Assigned                        |               |               |            | Total Revenue                      |           |           |            |
| <i>Unassigned:</i>                  |               |               |            | Total Expenditures                 |           |           |            |
| 422 Unassigned                      | 3,611,945     | 3,611,945     |            | 422 Net Assets                     |           |           |            |
| <b>02 FOOD SERVICE</b>              |               |               |            | <b>47 OPEB DEBT SERVICE</b>        |           |           |            |
| Total Revenue                       | 875,003       | 875,003       |            | Total Revenue                      |           |           |            |
| Total Expenditures                  | 869,297       | 869,296       | 1          | Total Expenditures                 |           |           |            |
| <i>Nonspendable:</i>                |               |               |            | 422 Net Assets                     |           |           |            |
| 460 Nonspendable                    | 35,253        | 35,254        | (1)        | <b>45 OPEB IRREVOCABLE TRUST</b>   |           |           |            |
| <i>Restricted/Reserved:</i>         |               |               |            | Total Revenue                      |           |           |            |
| 452 OPEB Liab Not Held in a Trust   |               |               |            | Total Expenditures                 |           |           |            |
| <i>Restricted:</i>                  |               |               |            | <i>Nonspendable:</i>               |           |           |            |
| 464 Restricted                      | 321,855       | 321,854       | 1          | 460 Nonspendable Fund Balance      |           |           |            |
| <i>Unassigned:</i>                  |               |               |            | <i>Restricted:</i>                 |           |           |            |
| 463 Unassigned                      |               |               |            | 425 Bond Refunding                 |           |           |            |
| <b>04 COMMUNITY SERVICE</b>         |               |               |            | 464 Restricted Fund Balance        |           |           |            |
| Total Revenue                       | 660,633       | 660,633       |            | <i>Unassigned:</i>                 |           |           |            |
| Total Expenditures                  | 711,888       | 711,889       | (1)        | 463 Unassigned Fund Balance        |           |           |            |
| <i>Nonspendable:</i>                |               |               |            | <b>45 OPEB IRREVOCABLE TRUST</b>   |           |           |            |
| 460 Nonspendable                    |               |               |            | Total Revenue                      |           |           |            |
| <i>Restricted/Reserved:</i>         |               |               |            | Total Expenditures                 |           |           |            |
| 426 \$25 Taconite                   |               |               |            | 422 Net Assets                     |           |           |            |
| 431 Community Education             | 46,578        | 46,577        | 1          | <b>47 OPEB DEBT SERVICE</b>        |           |           |            |
| 432 E.C.F.E                         | 22,528        | 22,528        |            | Total Revenue                      |           |           |            |
| 444 School Readiness                | 23,657        | 23,657        |            | Total Expenditures                 |           |           |            |
| 447 Adult Basic Education           |               |               |            | <i>Nonspendable:</i>               |           |           |            |
| 452 OPEB Liab Not Held in a Trust   |               |               |            | 460 Nonspendable Fund Balance      |           |           |            |
| <i>Restricted:</i>                  |               |               |            | <i>Restricted:</i>                 |           |           |            |
| 464 Restricted                      | 2,262         | 2,263         | (1)        | 425 Bond Refunding                 |           |           |            |
| <i>Unassigned:</i>                  |               |               |            | 464 Restricted Fund Balance        |           |           |            |
| 463 Unassigned                      |               |               |            | <i>Unassigned:</i>                 |           |           |            |
|                                     |               |               |            | 463 Unassigned Fund Balance        |           |           |            |

INDEPENDENT SCHOOL DISTRICT #466

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2011

| Federal Grantor\<br>Pass Through Grantor\<br>Program Title | Federal<br>CFDA<br>Number | Expenditures        |
|--|---------------------------|---------------------|
| U.S. Department of Agriculture                             |                           |                     |
| Minnesota Department of Education                          |                           |                     |
| Child Nutrition Cluster:                                   |                           |                     |
| National School Lunch Program:                             |                           |                     |
| Regular Lunch  | 10.555                    | \$ 69,807           |
| Free and Reduced Lunch                                     | 10.555                    | 249,120             |
| Commodities Rebates  | 10.555                    | 11,951              |
| Food Distribution (Commodities-noncash)                    | 10.555                    | 43,636              |
| Special Milk Program for Children                          | 10.556                    | 498                 |
| School Breakfast Program                                   | 10.553                    | 54,259              |
| Total U.S. Department of Agriculture                       |                           | <u>429,271</u>      |
| U.S. Department of Education                               |                           |                     |
| Minnesota Department of Education                          |                           |                     |
| Title I, Part A Cluster:                                   |                           |                     |
| Title I, Grants to Local Education Agencies                | 84.010                    | 286,104             |
| ARRA Title I Grants to Local Educational Agencies          | 84.389                    | 40,050              |
| Title II, Part A - Improving Teacher Quality State Grants  | 84.367                    | 104,135             |
| Title IV, Part A - Safe and Drug-Free Schools              | 84.186                    | 3                   |
| Meeker and Wright Special Education Cooperative            |                           |                     |
| Special Education Cluster:                                 |                           |                     |
| Special Education_Grants to States:                        |                           |                     |
| Federal Flow Through, P.L. 108-446                         | 84.027                    | 186,639             |
| Discretionary Continuous Improvement Monitoring Process    | 84.027                    | 485                 |
| Special Education_Preschool Grants                         |                           |                     |
| Preschool Incentive Sec. 619, P.L. 108-446                 | 84.173                    | 10,983              |
| Discretionary Professional Development                     | 84.173                    | 708                 |
| ARRA Special Education_Grants to States                    | 84.391                    | 245,198             |
| ARRA Special Education_Preschool Grants                    | 84.392                    | 1,745               |
| Litchfield Independent School District #465                |                           |                     |
| Career and Technical Education                             | 84.048                    | <u>8,705</u>        |
| Total U.S. Department of Education                         |                           | <u>884,755</u>      |
| Total Federal Awards                                       |                           | <u>\$ 1,314,026</u> |

Supplementary Information - See Accompanying Notes to the Schedule of Expenditures of Federal Awards and Auditor's Report

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2011

NOTE 1. REPORTING ENTITY

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Independent School District #466, Cokato, Minnesota. The District's reporting entity is defined in Note 1 to the financial statements.

NOTE 2. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Independent School District #466 under programs of the federal government for the year ended June 30, 2011. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the District.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

NOTE 4. FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

NOTE 5. SUBRECIPIENTS

The District provided federal awards to subrecipients as follows:

| <u>Program Title</u>                              | <u>Federal<br/>CFDA Number</u> | <u>Amount<br/>Provided</u> |
|---|--------------------------------|----------------------------|
| Title I, Grants to Local Education Agencies       | 84.010                         | \$ 65,741                  |
| ARRA Title I Grants to Local Educational Agencies | 84.389                         | <u>31,051</u>              |
|   |                                | <u>\$ 96,792</u>           |

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## COMPLIANCE SECTION

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## INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To The Board of Education  
Independent School District #466  
Cokato, Minnesota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #466, Cokato, Minnesota, as of and for the year ended June 30, 2011, and have issued our report thereon dated November 21, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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

The results of our tests indicate that for the items tested, Independent School District #466, Cokato, Minnesota complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of Independent School District #466 and state agencies and is not intended to be, and should not be, used by anyone other than those specified parties.

*Conway, Deuth & Schmiessing, PLLP*

CONWAY, DEUTH & SCHMIESING, PLLP  
Certified Public Accountants  
Litchfield, Minnesota

November 21, 2011

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

To The Board of Education  
Independent School District #466  
Cokato, Minnesota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #466, Cokato, Minnesota, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

**Willmar Office**

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P.O. Box 570  
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1209 Pacific Avenue  
Ste. 3  
Benson, MN 56215  
Phone: (320) 843-2302

**Morris Office**

401 Atlantic Avenue  
Morris, MN 56267  
Phone: (320) 589-2602

[www.cdscpa.com](http://www.cdscpa.com)

**Litchfield Office**

820 Sibley Avenue N  
Litchfield, MN 55355  
Phone: (320) 693-7975

**St. Cloud Office**

2351 Connecticut Avenue  
Ste. 110  
Sartell, MN 56377  
Phone: (320) 252-7565  
Toll Free: (800) 862-1337

Compliance and Other Matters

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

We noted certain matters that we reported to management of Independent School District #466, Cokato, Minnesota, in a separate letter dated November 21, 2011.

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



CONWAY, DEUTH & SCHMIESING, PLLP  
Certified Public Accountants  
Litchfield, Minnesota

November 21, 2011



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

To the Board of Education  
Independent School District #466  
Cokato, Minnesota

Compliance

We have audited the compliance of Independent School District #466, Cokato, Minnesota with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Independent School District #466 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

|   |  |  |  |   |
|---|--|--|--|---|
| <b>Willmar Office</b><br>331 Third Street SW, Ste. 2<br>P.O. Box 570<br>Willmar, MN 56201<br>Phone: (320) 235-3311<br>Toll Free: (888) 388-1040 | <b>Benson Office</b><br>1209 Pacific Avenue<br>Ste. 3<br>Benson, MN 56215<br>Phone: (320) 843-2302 | <b>Morris Office</b><br>401 Atlantic Avenue<br>Morris, MN 56267<br>Phone: (320) 589-2602 | <b>Litchfield Office</b><br>820 Sibley Avenue N<br>Litchfield, MN 55355<br>Phone: (320) 693-7975 | <b>St. Cloud Office</b><br>2351 Connecticut Avenue<br>Ste. 110<br>Sartell, MN 56377<br>Phone: (320) 252-7565<br>Toll Free: (800) 862-1337 |
|---|--|--|--|---|

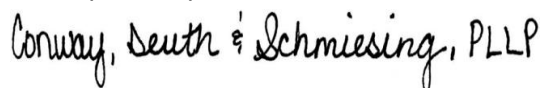
Internal Control Over Compliance

Management of Independent School District #466 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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



CONWAY, DEUTH & SCHMIESING, PLLP  
Certified Public Accountants  
Litchfield, Minnesota

November 21, 2011

INDEPENDENT SCHOOL DISTRICT #466

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

I. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses unqualified opinions on the basic financial statements of Independent School District #466, Cokato, Minnesota.
2. No significant deficiencies in internal control over financial reporting were disclosed by the audit of financial statements of Independent School District #466 as reported in the "Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*."
3. No instances of noncompliance material to the financial statements of Independent School District #466, Cokato, Minnesota, were disclosed during the audit.
4. No significant deficiencies in internal control over compliance were disclosed by the audit of the major federal award programs in the "Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133."
5. The auditor's report on compliance for the major federal award programs for Independent School District #466, Cokato, Minnesota, expresses an unqualified opinion.
6. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs include:

| <u>Program Name</u>       | <u>CFDA No.</u>                    |
|---------------------------|------------------------------------|
| Title I, Part A Cluster   | 84.010 and 84.389                  |
| Special Education Cluster | 84.027, 84.173, 84.391, and 84.392 |

8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Independent School District #466, Cokato, Minnesota, was determined to be a low-risk auditee.

II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

None

III. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

None

IV. FINDINGS AND QUESTIONED COSTS - MINNESOTA LEGAL COMPLIANCE

None

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## STUDENT ACTIVITIES

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INDEPENDENT AUDITOR'S REPORT ON STUDENT ACTIVITIES

Members of the Board of Education, Advisors, and Students
Independent School District #466
Cokato, Minnesota

We have audited the Statement of Cash Receipts and Disbursements of the Student Activity Fund of Independent School District #466 for the year ended June 30, 2011. This financial statement is the responsibility of the District's management. Our responsibility is to express an opinion on this financial statement based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 opinion.

The District has not established procedures to provide assurance that all cash collections are recorded in the accounting records. Accordingly, it was not practical for us to extend our audit of such cash collections beyond the amounts recorded.

As described in Note 1 to the Student Activity Fund Financial Statement, the financial statement is prepared on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, except for such adjustments, if any, as might have been determined to be necessary had the cash collections referred to above been susceptible to satisfactory audit tests, the financial statement referred to above presents fairly, in all material respects, the cash balances of the District's Student Activity Fund as of June 30, 2011, and the revenues it received and the expenditures it paid for the year then ended on the basis of accounting described in Note 1 to the Student Activity Fund Financial Statement.

Conway, Deuth & Schmiessing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants
Litchfield, Minnesota

November 21, 2011

Members: American Institute of Certified Public Accountants, Minnesota Society of Certified Public Accountants

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INDEPENDENT SCHOOL DISTRICT #466

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

|                        | Balance<br>July 1, 2010 | Receipts<br>(Including<br>Transfers In) | Disbursements<br>(Including<br>Transfers Out) | Balance<br>June 30, 2011 |
|------------------------|-------------------------|---|---|--------------------------|
| High School            |                         |   |   |                          |
| Annual                 | \$ 3,040                | \$ 8,313                                | \$ 8,325                                      | \$ 3,028                 |
| FFA                    | 24                      |   |   | 24                       |
| Speech                 | 1                       |   |   | 1                        |
| Prom                   | 5,776                   | 10,807                                  | 12,025  | 4,558                    |
| Class of 2011          | 866                     | 1                                       | 867   |                          |
| Class of 2012          |                         | 2,193                                   |   | 2,193                    |
| National Honor Society | 3,788                   | 20,978                                  | 22,817  | 1,949                    |
| Student Council        | 3,967                   | 9,680                                   | 10,975  | 2,672                    |
| Middle School          |                         |   |   |                          |
| Student Council        | 3,655                   | 24,779                                  | 25,024  | 3,410                    |
| Yearbook               | 576                     | 5,446                                   | 5,424   | 598                      |
|                        | <u>576</u>              | <u>5,446</u>                            | <u>5,424</u>                                  | <u>598</u>               |
| Total                  | <u>\$ 21,693</u>        | <u>\$ 82,197</u>                        | <u>\$ 85,457</u>                              | <u>\$ 18,433</u>         |

See Accompanying Notes and Auditor's Report on Student Activities

INDEPENDENT SCHOOL DISTRICT #466

NOTES TO THE STUDENT ACTIVITY ACCOUNTS FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Student activity fund transactions are defined as extracurricular programs conducted for the motivation and enjoyment of students. These programs and activities are not offered for school credits nor required for graduation. Activities are generally conducted outside of school hours. The content of the activities is determined primarily by students, under the guidance of a staff member or other adult.

Student activities are to be self-sustaining with all expenses paid by dues, admissions, or other student fund raising events.

The accounts of the Student Activity Fund are maintained, and the accompanying financial statements have been prepared, on the cash basis of accounting. Consequently, receipts are recognized when received rather than when earned, and disbursements are recognized when paid rather than when the obligations are incurred.

NOTE 2. COLLATERAL

Cash balances are held in demand accounts. In accordance with Minnesota Statutes, the Student Activity Fund maintain deposits at those depository banks authorized by the Board of Education.

Minnesota Statutes require that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance.

As of June 30, 2011, the Student Activity Fund's deposits were entirely covered by federal depository insurance.



Quality | Dedication | Integrity

INDEPENDENT AUDITOR'S REPORT ON STUDENT ACTIVITIES COMPLIANCE

Members of the Board of Education, Advisors, and Students  
Independent School District #466  
Cokato, Minnesota

We have audited the Statement of Cash Receipts and Disbursements of the Student Activity Fund of Independent School District #466 as of and for the year ended June 30, 2011, and have issued our report thereon dated November 21, 2011. In our report, our opinion was qualified because the District has not established procedures to provide assurance that all cash collections are recorded in the accounting records. Further, the financial statement is prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Manual for Activity Fund Accounting*, issued by the Minnesota Department of Education, pursuant to Minnesota Statutes §123B.49. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Manual for Activity Fund Accounting* provides uniform financial accounting and reporting standards for student activities. Compliance with student activity laws and regulations is the responsibility of the District's student activity account management. We have performed auditing procedures to test compliance with the provisions of this manual. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

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

This report is intended for the information of the Board of Education, management, and students of Independent School District #466 and the Minnesota Department of Education and is not intended to be, and should not be, used by anyone other than those specified parties.

*Conway, Deuth & Schmiessing, PLLP*

CONWAY, DEUTH & SCHMIESING, PLLP  
Certified Public Accountants  
Litchfield, Minnesota

November 21, 2011

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