

INDEPENDENT SCHOOL DISTRICT #832
REGULAR MEETING – BOARD OF EDUCATION
Thursday, November 10, 2011 - 7:00 PM
Mahtomedi District Education Center - Community Room

The Mission of the Mahtomedi School District No. 832, as a multi-community public school system, is to provide individually challenging, lifelong learning experiences for all people, leading to productive and self-fulfilling roles in a global society, accomplished through partnerships with students, families, staff and communities all committed to excellence.

- AGENDA -

1. CALL TO ORDER
2. ROLL CALL OF ATTENDANCE
3. APPROVAL OF THE AGENDA
4. APPROVAL OF THE CONSENT AGENDA - See #14 for Consent Agenda Items
5. PRESENTATIONS/RECOGNITION
 - A. Community Volunteer Recognition
Presenter: Mary George
 - B. Community Education Presentation 5
Presenter: Chuck Ericksen and Jeff Whisler
6. PUBLIC COMMENT
Visitors attending the meeting who wish to address the school board on any issue that is on the agenda may do so at this time. Please refer to the last page for the procedure that has been established for public comments.
7. REPORT FROM STUDENT REPRESENTATIVE
 - A. Alexandra Atkins, Student Representative
8. APPROVAL OF MINUTES
 - A. October 13 2011 - Regular Meeting 9
 - B. October 27, 2011 - Study Session 14
9. DISCUSSION/INFORMATION ITEMS
 - A. Calendar of Events 17
 - B. Facilities Update
Presenter: Todd Richter, JCI
 - C. Northeast Metro 916 Presentation 19
Presenter: Connie Hayes, NE Metro 916
10. ACTION ITEMS
 - A. Approval of 2010-2011 Audit 33
Presenter: Jim Eichten, MMKR
 - B. Schedule Special Meeting to Canvass Returns of Votes of School District

Special Election

Presenter: Mark Larson

11. SCHOOL BOARD COMMITTEE REPORTS

A. Association of Metropolitan School Districts (AMSD) Board

Presenter: Mary Jo Deters

B. Integration District: Educational Equity Alliance (EEA)

Presenter: Mary Jo Deters

C. Minnesota School Boards Association (MSBA) Legislative Liaison

Presenter: Kevin Donovan

D. Northeast Metro 916 Board

Presenter: Judy Schwartz

E. Other Items/Reports

12. SUPERINTENDENT'S REPORT

13. ADJOURNMENT

14. CONSENT AGENDA ITEMS (Items Approved Under #4)

A. Approval to Pay Bills - Check No. 373148 to 373570 and 80001721 to 80001801 139

B. Approval of Wire Transfer Transactions 149

C. Approval of Agreement for Policy Customization Services (with the Minnesota School Boards Association) 150

D. Approval of Student Travel Request - Mahtomedi High School Interact Club to Kansas City, Missouri - February 16-20, 2012 152

E. Approval of Donations/Grants Totaling \$28,350

1. From 3M to Mahtomedi Engineering Program - \$14,950

2. From Mahtomedi PTO to Mahtomedi Engineering Program - \$10,000

3. From Anonymous to Mahtomedi High School Scholarships - \$2,000

4. From 3M Foundation to Mahtomedi Area Community Education - \$1,000

5. From All Points Media to Mahtomedi Area Community Education - \$400

F. Personnel

1. Approval of Contracts and Work Agreements

a. Deborah Carr - Lunchroom Paraprofessional - Mahtomedi Middle School (10/24/11)

b. Annette Goeser - Academic Intervention Paraprofessional - Wildwood Elementary School (10/31/11)

c. Holly Hillstrom - Title 1 Paraprofessional - Wildwood Elementary School (10/31/11)

d. Deborah Lauer - ELL Teacher - Wildwood and O. H. Anderson Elementary Schools (10/24/11)

Agenda - November 10, 2011

- e. Martha Sather - Fifth Grade Teacher - O. H. Anderson Elementary School (10/24/11 to 12/22/11)
 - f. Adreinne Stromberg - Title 1 Paraprofessional - Wildwood Elementary School (10/31/11)
2. Approval of Resignations/Retirements/Terminations
- a. David Stevens - Band Director - Mahtomedi High School (1/8/2012)

PUBLIC PARTICIPATION IN SCHOOL BOARD MEETINGS REGULAR SCHOOL BOARD MEETING

Thank you for coming. The School Board of Independent School District #832 hopes you will find the meeting informative. By attending, you will better understand how your school district operates. The School Board meeting is a meeting "in public," and not a public meeting. In order to conduct its work in a professional and business-like manner, the school board has established the following rules for conducting the meeting:

- Comments and questions on issues are welcome at the scheduled time on the agenda. The school board is prohibited by law from discussing concerns about individual employees or students in a public meeting. Please forward comments or issues regarding individual employees or students to the superintendent at mark.larson@mahtomedi.k12.mn.us or 651-407-2001.
- If you would like to speak to the school board, you will be recognized during Public Comment. The public may comment on any item on the agenda. The school board generally does not take action on any issue that is not on the agenda. Concerns or questions are forwarded to the superintendent for review and recommended action before consideration by the school board. Unless requested by a school board member, items on the consent agenda are not discussed by the school board at the meeting.
- The chairperson will ask citizens in attendance to sign in if they wish to address the school board. If you are late and wish to speak, please give your name, address, and agenda number to the clerk when you arrive.
- Individuals will be recognized in the order received. Since we are videotaping tonight's meeting for delayed broadcast, individuals who wish to address the school board or ask questions need to go to the microphone. Please state your name and address after being recognized and limit your comments to three minutes (approximately 450 written words). Everyone wishing to comment will be recognized and heard before anyone speaks twice.

Mahtomedi Public Schools
Independent School District #832
1520 Mahtomedi Avenue
Mahtomedi, MN 55115

Regular Meeting - Board of Education

Date: November 10, 2011

Agenda Item # 5. B

TOPIC: Community Education Presentation

PURPOSE OF PRESENTATION: The purpose of this presentation is for Jeff Whisler and Chuck Ericksen to provide the Board and community with an overview on the status of Community Education.

ACTION RECOMMENDED: Discussion Only.

Submitted By:

Chuck Ericksen and Jeff Whisler

Name

Co-Directors of Community Education

Title

Concurrence By:



Dr. Mark Larson

Superintendent of Schools

832 Community Education Highlights Report

Chuck Ericksen's Perspective

Some things I'm working on:

- A. Helping build, strengthen and maintain our Advisory Council. We lost most of our Advisory Council when Russ Frankel left. We've got an almost entirely new council. We're getting stronger month to month and we'd like a few more on our council. We take on projects after discussing them at a Council meeting and move forward based on need, feasibility and leadership.

So far this year we're working on:

- a) Conducting program evaluation work on each program area within Community Education, based on an assessment of needs and interests of those we serve and will include recommendations for improvement of services.
 - b) Finding space for senior center within the DEC. (Della and Kathy)
 - c) Bringing Bio-medical engineering programming into the high school curriculum (Jim & Christy)
 - d) Exploring community celebration possibilities (Janette)
 - e) Developing a book share program for parents of ECFE programs with Girl Scouts (Terri)
 - f) Developing an intergenerational book club' project between seniors citizens and middle school students (Anneka)
- B. Facilitating a Comprehensive Arts Planning Project with Alisa Phelps and other teachers, administrators and community members. I wrote this two year, \$8,000 grant in partnership with a number of teachers. In addition to the \$8,000, it brings us a variety of technical resources from the Perpich Center for the Arts. By the end of this school year we will have a Comprehensive five year Arts Plan and begin implementation in 2012-13.

My role:

- Serve as a liaison with the Perpich Center for the Arts.
 - Help set agendas and communicate with team members, help facilitate meetings, take notes at planning meetings, write reports, and communicate progress to stakeholders.
 - Help mobilize resources and write grants as needed.
- C. Helping Kathy Ulvin strengthen our Senior Citizen programming. Our goal is to help older adults
 - a) strengthen their social networks,
 - b) gain access to diverse learning opportunities,
 - c) connect with school and the community in meaningful ways, and
 - d) receive the services they need to have a high quality of life in their community.

Actions underway:

- a) Establishing a senior center with the DEC
- b) Developing opportunities for seniors to volunteer in our schools.
- c) Developing new classes and programs through partnerships with Century College, the YMCA, neighboring school districts and other organizations.

- d) Increasing services to seniors through the development of a new non-profit...the Consortium of Lake Area Senior Services (Class)
- e) Convening several cross-community conversations to explore senior needs, organizational challenges and collaborative problem-solving with representatives from local government, churches, health care, public safety and housing organizations.

Current Highlights of our Senior programming

- a) Community lunches with guest speakers take place on 1st and 3rd Wednesdays and are very popular and well attended.
- b) Have begun delivering meals on those days to people who are homebound.
- c) Recently established Room 121 in the DEC as a Senior Center Room.
- d) Offering new fitness classes (Zumba, Tai Chi) and plan to have many other classes offered now that we have a day-time space available for programming.
- f) ‘Adopted grandparents’ have been volunteering to read to preschool children. This will take place throughout the school year and we will work to expand other volunteer opportunities with other grade levels and schools.
- g) Offering a variety of special events. i.e. Legion Appreciation Dinner (November 11), High School Play - Matinee (November 30), December outing to Stillwater in partnership with North St. Paul, and a tour of the “House of Santa”.

D. Helping Nancy Melquist Evaluate Early Childhood Programs (ECFE, School Readiness and Screening efforts, Preschool and Mini-M.A.C.) to look for opportunities for improvement.

Purpose: To improve and better coordinate early childhood programs and services so that all children are ‘school ready’ upon entering kindergarten. We will use the *10 Essential Elements of Effective Early Care and Education Programs* to frame our evaluation. This research-based document was developed during the Minnesota Governors’ Summit on School Readiness.

Actions:

- a) Gather data; i.e. collect data that already exists, identify what data is missing and how to gather it, and host discussions and/or survey as needed.
- b) Analyze data and develop plans for change and improvement.

Current Highlights of Early Childhood and Family Programs

- 72 students attend Mahtomedi Area Preschool on a weekly basis.
- 13 of the Mahtomedi Area Preschool students receive scholarship assistance.
- 63 students and their parents participate in weekly ECFE parent-child classes at the District Education Center.
- The Early Childhood and Family Programs have an active parent advisory council who are busy planning the early childhood carnival – a major program fundraiser occurring in February. Funds raised are used for preschool scholarships, classroom equipment and busing costs for field trips.
- The Early Childhood and Family Programs parent advisory council will be helping with program evaluation in the spring.

Community Education Board Presentation

Prepared by: Jeff Whisler

November 10, 2011

- I will be working with Mary George and Pam Klinkhammer to develop individual and program goals for each area that they are responsible for.

- Currently working with Mary George and the community education support staff to explore a new e-commerce system that can be implemented district wide.

- I will be meeting with the various municipalities to re-establish an effective partnership with each of them.

- I will be continuing to work with the Athletic Council on the following areas:
 - The scheduling of all athletic facilities (inside & outside) for the district.
 - To discuss and plan for capital improvement for athletic facilities.
 - Stadium usage
 - East athletic fields
 - Improvements to outdoor hockey rinks
 - To discuss the possibility of having one parent athletic association that oversees all of the individual associations.
 - To continue to provide leadership in the area of coaches education and health and safety items.

- Questions.....

Minutes of Regular Meeting

Board of Education Mahtomedi Public Schools

A Regular meeting of the Board of Education of the Mahtomedi Public Schools was held **Thursday, October 13, 2011**, beginning at 7:00 PM in the Mahtomedi District Education Center - Community Room.

1. CALL TO ORDER

Meeting called to order at 7:00 p.m. by Chair Kevin Donovan.

2. ROLL CALL OF ATTENDANCE

Present: Cathy Dalton; Mary Jo Deters; Kevin Donovan; Judy Schwartz (arrived at 7:21); Steve Wolgamot; Superintendent Mark Larson, ex officio; and Allie Atkins, Student Representative. Absent: Bob Donohoe.

3. APPROVAL OF THE AGENDA

Wolgamot moved, Deters seconded, approval of the agenda. Carried.

4. APPROVAL OF THE CONSENT AGENDA - See #14 for Consent Agenda Items

Deters moved, Wolgamot seconded, approval of the actions recommended on the consent agenda. Carried.

5. PRESENTATIONS/RECOGNITION

A. Student Recognition - National Merit

The following students were recognized by the school board and administration:

2012 National Merit Program Outstanding Students - Not Present: Jessica Self and Morgan Turner.

2012 National Merit Program Commended Students: Stephen Becklin, Noah Muth, David Peterson, and Sam Schroeder. Not Present: Alissa Bartholomew, Brennan Johnson, Taylor Johnson, Regan McCormick, and Anna Stonehouse.

2012 National Merit Scholarship Semifinalists: Alexandra Atkins, Beau Berger, Rebekah Dennison, and Alexander Medved.

On behalf of the Mahtomedi High School students, staff, and families, administrators Kathe Nickleby and Chris Moore presented to the school board a plaque from *Newsweek* and the Bill Gates' Foundation recognizing Mahtomedi High School as one of America's Best High Schools in 2011. Mahtomedi High School was ranked 158 out of the top 500.

B. Mahtomedi Middle School - Highlighting Changes/New Goals/Advisories

Mahtomedi Middle School Principal Dr. Mike Neubeck and Assistant Principal Su Sorenson highlighted the following at Mahtomedi Middle School: summer construction which included the office, boy's locker room, lockers, cafeteria, science rooms, English rooms, media center, special education wing, dehumidification units, security enhancements, and voice enhancement system; new banners and street signs on the walls; school goals in reading, math, and school satisfaction/climate; technology goals; changes to Advisory; and the 2011-2012 school theme.

6. PUBLIC COMMENT

None.

7. REPORT FROM STUDENT REPRESENTATIVE

A. Alexandra Atkins, Student Representative

School Board Student Representative Allie Atkins reported on the following events at Mahtomedi High School: Homecoming which included spirit week, dunk tank, pep fest, senior girls' dance line, National Merit Award recipients recognition, and pep band; bullying event, OHA respect retreat, Student Leadership Committee meeting, and all-school testing day.

8. APPROVAL OF MINUTES

A. September 15, 2011 - Regular Meeting

Schwartz moved, Wolgamot seconded, approval of the minutes from the September 15, 2011, school board meeting. Carried.

B. September 29, 2011 - Special Meeting/Study Session

Schwartz moved, Wolgamot seconded, approval of the minutes from the September 29, 2011, special meeting/study session. Carried.

9. DISCUSSION/INFORMATION ITEMS

A. Calendar of Events

Chair Kevin Donovan reviewed with school board members the calendar of events.

B. Facilities Update

Todd Richter, Project Manager from JCI, updated the school board on the following as it relates to construction: continuing to go through the punch list items, getting the heat up and running at O. H. Anderson School and Mahtomedi High School, still hope to move dirt this fall, still working through approvals with the watershed districts, and gave a budget update.

C. Mahtomedi Virtual Academy

Chris Moore, Assistant Principal at Mahtomedi High School, explained to school board members how Nick Falde, Special Education Teacher, had an interest in online learning, started to research how to become an online learning provider, and will be applying to the Department of Education for certification. Falde shared the application process and state standards with school board members. Apex Learning is the curriculum provider being used at this time to get certification. The application will be submitted November 1 and it will take up to six months for the Department of Education to review it, okay it, and list it on their website as a certified provider of online learning.

D. Technology Update

Patrick Crothers and Anastasia Eldredge presented on the use of technology throughout the district. Eldredge described how the SmartBoard has been incorporated into her AP calculus classes and how that has extended to other pieces of technology. Eldredge spoke about the process she used to start recording her class lessons with SmartNotebook's SmartRecorder and puts those lessons on her web page, her use of the Slate to write on her SmartBoard without being at the SmartBoard, and the use of Senteos in her classroom. Crothers also spoke about the video Mark Hamre Principal at Wildwood School produced for parents not able to attend a recent meeting about the new elementary reading curriculum.

E. AYP Update

Lynne Viker, Director of Teaching and Learning, presented on the school district's Adequate Yearly Progress (AYP) status. Viker went over the subgroups, the district had 100% participation, all subgroups were above the 90% target, Mahtomedi's graduation rate was 99.24%, all schools and subgroups met proficiency AYP or Safe Harbor status, and the district met AYP status in all areas for 2011.

10. ACTION ITEMS

- A. Approval of Resolution Appointing Election Judges for the November 8, 2011, Special Election

Schwartz moved, Wolgamot seconded, approval of the resolution appointing election judges for the November 8, 2011, special election. Carried.

- B. Approval of Resolution Authorizing Washington County to Designate an Absentee Ballot Board

Wolgamot moved, Schwartz seconded, approval of the resolution authorizing Washington County to designate an absentee ballot board. Carried.

11. SCHOOL BOARD COMMITTEE REPORTS

- A. Association of Metropolitan School Districts (AMSD) Board

School Board Treasurer Mary Jo Deters mentioned the article on the FABLAB that was in the October *AMSD Connections* newsletter.

- B. Integration District: Educational Equity Alliance (EEA)

The first MDCC meeting will be Wednesday, October 26.

- C. Minnesota School Boards Association (MSBA) Legislative Liaison

School Board Chair Kevin Donovan mentioned the upcoming delegate assembly meetings and that MSBA is in the process of hiring a new MSBA executive director as Bob Meeks will be retiring.

- D. Northeast Metro 916 Board

School Board Director Judy Schwartz highlighted a couple of items on the report that was included in the packet.

- E. Other Items/Reports

None.

12. SUPERINTENDENT'S REPORT

Superintendent Mark Larson reported on the following: Tech levy renewal meetings that have been held and upcoming meetings, TIES annual meeting, goal setting meetings with the

principals, homecoming, visits to the schools, administrators attending the Ratwik Law Conference, attending the Best Prep Ceremony, and the upcoming MAEF meeting.

13. ADJOURNMENT

Wolgamot moved, Deters seconded, adjournment. Meeting adjourned at 8:40 p.m. Carried.

14. CONSENT AGENDA ITEMS (Items Approved Under #4)

- A. Approval to Pay Bills - Check No. 372626 to 373147 and 80001628 to 80001720
- B. Approval of Wire Transfer Transactions
- C. Approval of Assurance of Compliance with State and Federal Law Prohibiting Discrimination
- D. Approval of Student Travel Request - German Students to Germany and Austria - June 12-22, 2012
- E. Approval of Donations/Grants - Totaling \$10,570
 - 1. From Margaret Rivers Fund to Mahtomedi Area Community Education (Adult Senior Program) - \$4,000
 - 2. From American Legion Kramer-Berg Post 507 to Mahtomedi Area Community Education (Adult Senior Program) - \$3,000
 - 3. From Kramer-Berg American Legion Post 507 to Mahtomedi Area Community Education (MMS Athletics) - \$2,920
 - 4. From Anonymous to Mahtomedi High School Boys' Hockey Program - \$400
 - 5. From Kramer-Berg American Legion Post 507 to Mahtomedi Area Community Education (Yellow Ribbon Network) - \$250
- F. Personnel
 - 1. Approval of Contracts and Work Agreements
 - a. Casey Miller - Long-Term Substitute Social Studies Teacher - Mahtomedi High School (10/24/11 to 1/23/12)
 - b. Susan Neubauer - Long-Term Substitute Speech Pathologist - Mahtomedi High School (9/6/11 to 10/19/11)
 - c. Katie Pyka - Long-Term Substitute Science Teacher - Mahtomedi Middle School (10/24/11 to 1/20/11)
 - 2. Approval of Resignations/Retirements/Terminations
 - a. Jodell Galman - Paraprofessional - Mahtomedi Middle School (9/26/11)
 - b. Tina Lee-Jinks - Paraprofessional - Wildwood Elementary School (9/21/11)

CATHY DALTON, CLERK

Minutes of Special Meeting/Study Session

Board of Education Mahtomedi Public Schools

A Special Meeting/Study Session of the Board of Education of the Mahtomedi Public Schools was held **Thursday, October 27, 2011**, beginning at 7:00 PM in the Mahtomedi District Education Center - Community Room.

1. CALL TO ORDER

Meeting called to order at 7:10 p.m. by Chair Kevin Donovan.

2. ROLL CALL OF ATTENDANCE

Present: Cathy Dalton; Mary Jo Deters; Bob Donohoe; Kevin Donovan; Judy Schwartz; Steve Wolgamot (arrived 7:24); and Superintendent Mark Larson, ex officio.

Also Present: Luke Appert and Jaclyn May, from Cushman & Wakefield/NorthMarq; Pat Maloney, from Ratwik, Roszak & Maloney; Nicole Flesner, Human Resources Supervisor; Denise Sundstrom, Director of Business Services; and Lynne Viker, Director of Teaching and Learning and Support Services.

3. APPROVAL OF THE AGENDA

Donohue moved, Deters seconded, approval of the agenda. Carried.

4. DISCUSSION/INFORMATION ITEMS

A. Cushman & Wakefield/NorthMarq Presentation

Jaclyn May and Luke Appert from Cushman & Wakefield/NorthMarq, updated school board members on where they are at in marketing the sale of the Wildwood School property. May and Appert shared the marketing materials that they are in the process of finalizing - direct-mail postcard, e-brochure, assorted property sheet (which is put out monthly), brochure (for individual on-site tours), booklet (containing in-depth information). School board members discussed with May and Appert the various pictures on the marketing material, who might show an interest in the site, what happens when an offer comes in, communicating with the community, and the building/site will probably not be available for occupancy until September 2013 due to the delay in building new Wildwood.

B. MSBA Agreement for Policy Customization Services

Superintendent Mark Larson discussed with school board members the need to have the District Policy Manual updated. The Minnesota School Boards Association provides a policy customization service. MSBA will provide a Policy Consultant to review all existing policies to make sure they are in compliance with current federal and state requirements, explain to board members what changes will be made, and provide one copy of the new policy manual. Although there is a fee involved, school board members agreed that this is an important task and once completed would like all of the policies on the district's website.

C. Evaluation Tools

1. School Board

Superintendent Mark Larson discussed various evaluation tools that could be used to evaluate the school board. School board members discussed maybe using MSBA's self evaluation tool to start with. It was determined that more research would be done on evaluation tools for the school board.

2. Superintendent

School board members and Superintendent Mark Larson discussed what they liked about several examples of superintendent evaluations that were included in their packet. It was determined that Evaluation of the Superintendent is the one that would be used with the following changes, the Board Relations section from Performance Appraisal of the Superintendent would be added as a category, it would be a 5 point instead of a 10 point scale, and a comments section would be added after each category.

3. Teacher

Lynne Viker, Director of Teaching & Learning & Support Services, and Nicole Flesner, Human Resources Supervisor, discussed with school board members the Teacher Evaluation Review Committee members, the goal of the committee, evaluation domains, assessment levels, and evaluation cycle. Viker and Flesner also shared with school board members the probationary schedule of domains and an example of domain #1 and detailed rubric.

5. ACTION ITEMS

A. Approval of Easement Agreements with the City of Mahtomedi

Schwartz moved, Wolgamot seconded approval of the Ice Rink; Warming House, Lot 2, Block 1, Oakleigh; and Warming House, lot 3, Block 1, Oakleigh Easement

Agreements with the City of Mahtomedi. Carried.

6. OTHER ITEMS

A. Discussion of Labor Negotiations Pursuant to Minnesota Statute 13D.03

Attorney Pat Maloney from Ratwik, Rosak & Maloney, discussed with school board members and administration the ongoing teacher negotiations.

7. ADJOURNMENT

Wolgamot moved, Donohoe seconded, adjournment. Meeting adjourned at 9:15 p.m.
Carried.

CATHY DALTON, CLERK

CALENDAR OF EVENTS

NOVEMBER		
DATE/TIME	MEETING/EVENT	LOCATION
<u>Tuesday, November 8</u>	ELECTION DAY	
<u>Thursday, November 10</u> 7:00 p.m.	School Board Meeting	District Education Center - Community Room
<u>Friday, November 11</u> 7:30 a.m.	No School - Conferences City/School District Leaders Meeting	District Education Center - Board Room
<u>Saturday, November 12</u> 1:00-3:00 p.m.	Mahtomedi Engineering Open House and FABLAB Grand Opening	Mahtomedi High School
<u>Monday, November 14</u> 5:00 p.m. 7:00 p.m.	MAEF Board of Trustees Meeting “M” Club/Parent Information Meeting	Dellwood Hills Country Club Mahtomedi High School - Media Center
<u>Tuesday, November 15</u> 6:30-8:30 p.m.	Community Education Advisory Council Mtg.	District Education Center - Board Room
<u>Friday, November 18</u> 8:00 a.m.	Wildwood PTO “Before the Bell” Meeting	Wildwood Elementary School
<u>Sunday, November 20</u> 4:00 p.m.	Wildwood Artist Series - <i>Mahtomedi Music Faculty</i>	Chautauqua Center
<u>Wednesday, November 23</u>	No School - Staff Development	
<u>Thursday, November 24 - Friday, November 25</u>	No School - Thanksgiving Break	
<u>Wednesday, November 30</u> 8:15 a.m.	O. H. Anderson PTO “Before the Bell” Mtg.	O. H. Anderson Elementary School

CALENDAR OF EVENTS

DECEMBER		
DATE/TIME	MEETING/EVENT	LOCATION
<u>Friday, December 2</u> 7:00 a.m.	AMSD Board of Directors Meeting	TIES Building, St. Paul
<u>Tuesday, December 7</u> 6:00 p.m.	Northeast Metro 916 School Board Meeting	Bellaire School, White Bear Lake
<u>Thursday, December 8</u> 7:00 p.m.	School Board Meeting	District Education Center - Community Room
<u>Monday, December 12</u> 7:00 p.m.	MAEF Board of Trustees Meeting	TBD
<u>Thursday, December 23- Monday, January 2</u>	No School - Winter Break	

Mahtomedi Public Schools
Independent School District #832
1520 Mahtomedi Avenue
Mahtomedi, MN 55115

Regular Meeting - Board of Education

Date: November 10, 2011

Agenda Item #9.C.

TOPIC: Northeast Metro 916 Presentation

PURPOSE OF PRESENTATION: The purpose of the presentation is to provide the school board an overview of the programs and services Mahtomedi has available to their students and staff through membership with Northeast Metro 916 Intermediate School District. Superintendent Connie Hayes, Educational Services Director Jessica Wiley and Special Education Director Dan Naidicz will share details from the three district divisions. Several programs that have unique partnership between Northeast Metro 916 and Mahtomedi will be highlighted.

ACTION RECOMMENDED: Information only.

Submitted By:

Connie Hayes

Name

Superintendent of 916

Title

Concurrence By:

Mark Larson

Dr. Mark Larson

Superintendent of Schools

About Northeast Metro 916 INTERMEDIATE SCHOOL DISTRICT

*Mahtomedi Board of Education Presentation
November 10, 2011*

1

OUR VALUES

These five values guide our choices and actions within all of our program areas:

INTEGRITY
RESPECT
INNOVATION
ACCOUNTABILITY
COLLABORATION



Mission

Northeast Metro Intermediate School District 916 responds to the unique needs of students, educators and school districts with innovation, quality and trusted experience.

2

PARTNERS IN EDUCATION

Through the sharing of resources, talent and ideas, Northeast Metro 916 provides cost-effective, specialized and reliable services to member districts and the students and families we collectively support.

How we benefit member districts:

- Innovative and quality educational options not available, or limited, in member districts.
- High staff retention resulting in consistent and reliable learning environments.
- Programs created and delivered in partnership with members.
- Educational options that provide a high return on investment.

Our 10 Member Districts:

- Centennial #12
- Columbia Heights #13
- Mahtomedi #832
- Mounds View # 621
- North St. Paul-Maplewood-Oakdale #622
- Roseville #623
- South Washington County #833
- Spring Lake Park #16
- Stillwater Area #834
- White Bear Lake #624

Mission

Northeast Metro Intermediate School District 916 responds to the unique needs of students, educators and school districts with innovation, quality and trusted experience.

3

What are intermediate school districts?

Intermediate districts are specialty school districts that provide defined shared student services to a group of K-12 "member" school districts.

A Few Quick Facts:

- Minnesota has three intermediate school districts.
- Combined, the three districts serve more than 18,000 students across 31 member districts.
- Intermediates offer specialized educational programs and services to member districts that, individually, find it difficult to provide on a smaller scale.

Mission

Northeast Metro Intermediate School District 916 responds to the unique needs of students, educators and school districts with innovation, quality and trusted experience.

4

Our Board of Education Members

Chairperson
 Tracy Brunnette
 South Washington County 833

Director
 Karen Lodico
 Centennial 12

Director
 Janet Newberg
 White Bear Lake 624

Vice Chair
 Marilyn Forsberg
 Spring Lake Park 16

Director
 Keith Roberts
 Columbia Heights 13

Director
Judy Schwartz
Mahtomedi 832

Clerk
 Nancy Livingston
 North St. Paul-Maplewood-
 Oakdale 622

Director
 Marre Jo Sager
 Mounds View 621

Director
 Kathy Buchholz
 Stillwater 834

Treasurer
 Bill Majerus
 Roseville 623

Mission

Northeast Metro Intermediate School District 916 responds to the unique needs of students, educators and school districts with innovation, quality and trusted experience.

5



The Students We Serve:

Career and Technical =	1,297
Special Education =	883
Area Learning Centers (3) =	1,974
Valley Crossing Community	
School (K-6) =	669
Total =	4,045



Mission

Northeast Metro Intermediate School District 916 responds to the unique needs of students, educators and school districts with innovation, quality and trusted experience.

6

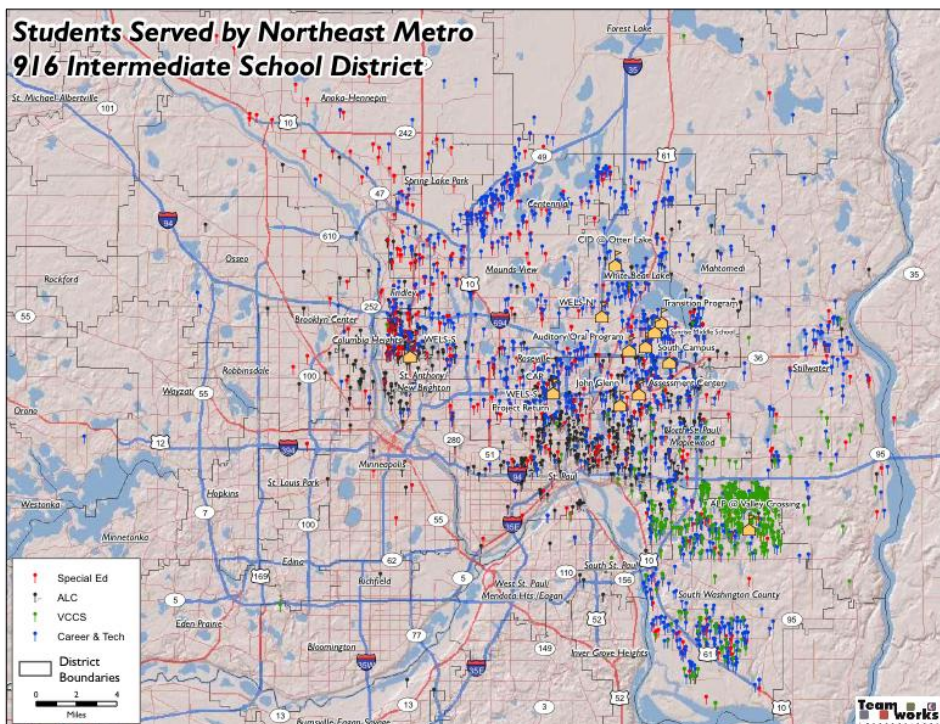
About Our Students:

- Our Special Education and Career and Technical programs educate students referred to us by member districts and by participating, non-member districts.
- Valley Crossing Community School serves K-6 students from three member school districts (Stillwater, South Washington County and North St. Paul-Maplewood-Oakdale).
- Students choose to attend our Area Learning Center programs.

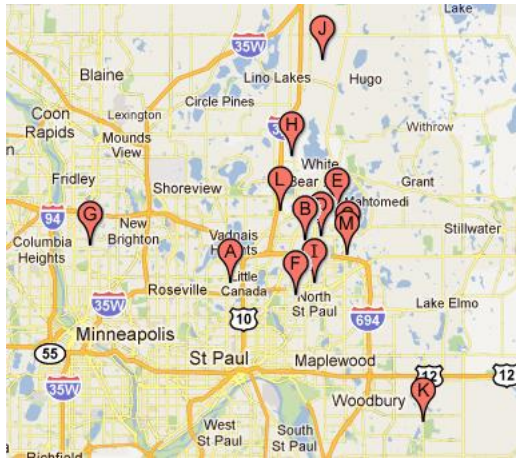
Mission

Northeast Metro Intermediate School District 916 responds to the unique needs of students, educators and school districts with innovation, quality and trusted experience.

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Map of Programs



- A Capitol View Center**
 - Alternate Learning Program at Capitol View
 - Assistive Technology Library
 - Audiology
 - Creative Alternatives Program
 - Deaf/Hard of Hearing Services
 - East View Academy
 - Educational Services
 - Information Systems
 - Project Return
 - Work Exploration Life Skills South
- B Auditory/Oral Program**
- C Career and Technical Center**
- D South Campus**
- E District Office**
 - Transition Program
- F Alternate Learning Program @ John Glenn**
- G Metro Heights Academy**
- H Communications & Interactional Disorders Program at Otter Lake Elementary**
- I Related Services**
 - Assessment Center
- J ALP at Oneka**
- K Valley Crossing Community School**
 - Alternate Learning Program at Valley Crossing
- L Work Experience Life Skills North**
- M Mahtomedi Learning Center**

How We Are Organized

- Joint Powers Agreement
- 10-member school board comprised of school board members appointed by the member districts
- Three divisions: Administrative Services, Educational Services, and Special Education Services
- Advisory councils comprised of professional staff from member districts



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Our Member District Advisory Councils:

- ✓ Share ideas and information,
- ✓ Plan collaboratively, and
- ✓ Network about educational issues affecting our students and districts.

Northeast Metro 916 Advisory Councils:

- Superintendents
- Business Managers
- Special Education Directors
- Special Education Coordinators
- Curriculum Coordinators
- Staff Development Coordinators
- Gifted Program Coordinators
- Career and Tech School Relations Council

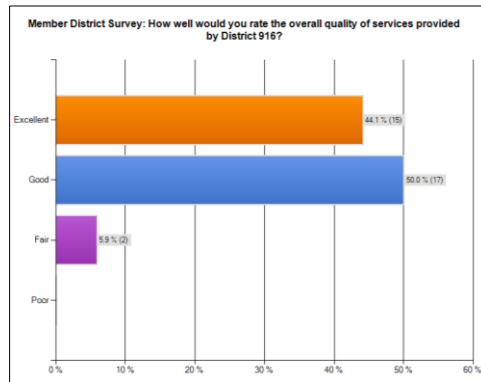
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2011 Member Relations and Communications Needs Assessment Themes:

- Northeast Metro 916 is viewed as responsive, collaborative and professional by member district stakeholders.
- Future communications opportunities exist to leverage Northeast Metro 916's strengths.

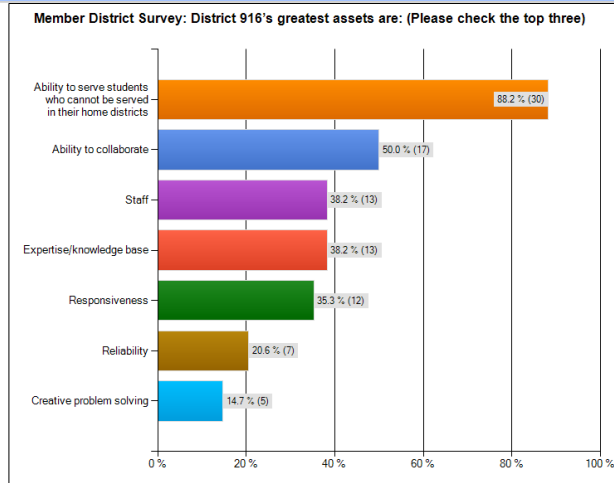


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Member District Perceptions



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Northeast Metro 916 Budget Facts:

- Total budget (FY 2012) = \$44.8 million
- Revenue sources:**
 - Tuition and charges for services = \$40.6 million
 - Valley Crossing lease levy = \$1.4 million
 - Safe school levy = \$720,000
 - 916 lease levy = \$636,000
 - Health and safety levy = \$88,000
 - Fund balance = \$1.3 million
- Expenditures:**
 - Salaries = \$25.1 million
 - Benefits = \$9.7 million
 - Other = \$9.9 million

Sample of 916 Member Cost Savings

Type of Service	Member District Costs	Non-Member District Costs	Comparable Service Costs
Legal Services (hourly rates)	\$75/hour for 200+ hours \$90/hour for 100 to 199 hours \$108/hour for 99 or fewer hours	\$83/hour for 200+ hours \$100/hour for 100 to 199 hours \$120/hour for 99 or fewer hours	\$250 to \$300 per hour
Audiology one-time evaluation services	\$137	\$167	\$175
Interpreters (after-hours services)	\$51/hour (min of 2-hour commitment with 24-hour cancellation)	\$57/hour (min of 2-hour commitment with 24-hour cancellation)	\$65 to \$75/hour (min of 2-hour commitment with 48-hour cancellation)

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Mahtomedi Students Served by Northeast Metro 916:

	<u>Head Count</u>	<u>ADM</u>
Special Education	19	9.31
Career and Technical*	40	9.92
Educational Services (ALC)	66	30.60

* Potential College Credits Completed = 95

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Administrative Services

- **Business Conducted on Behalf of Member Districts**
 - Student accounting (match our students with your students)
 - State reporting on categorical revenues back to your districts
- **Other Services**
 - Legal
 - Purchasing/procurement
 - Fiscal agency (for grants and special projects)
 - Instant Alert
 - Ad hoc business functions
 - Contracted staffing and services

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Educational Services

For Students

- Northern Star Online - Online Learning
<http://www.northernstaronline.org>
- Valley Crossing Community School (K-6 elementary serving three member districts)
- Area Learning Centers
- Career and Technical Center

For Member District Staff

- Curriculum and Instruction Service
- Gifted Services
- Professional Development
- Grants and Research Office
<http://www.grantsandresearchhelp.us>

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Area Learning Centers: The Northeast Metro 916 Advantage

- Small, personal and collaborative
- Credit recovery options in evening and summer
- Planning and preparation for post-high school transitions
- Partnership with member district ALCs to develop program options that complement each other
- Interventions and intensive support for GRAD math and reading testing
- Collaborative Problem Solving model, which dramatically reduced suspensions
- Progressive technology integration in curriculum and instruction

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Career and Technical Center: Applied Learning

- Rigorous programming in occupations with high demand
- Focus on college and career readiness skills to enable transitions to post secondary options
- College credit articulation agreements with more than 20 colleges (2-year and 4-year)
- Advanced technical skill training and industry recognized certification
- Academics integrated into applied learning curriculum
- Professional partnerships with business and industry
- Modern labs and equipment



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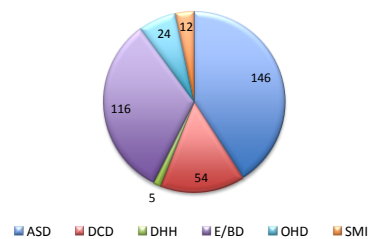
Special Education Services

For students ages 4 to 21 years old

Supporting students who have one or more of the following conditions:

- Communication and Interaction Disorders
- Hearing Impairments
- Learning Disabilities
- Cognitive Impairments
- Physical Impairments
- Severe Emotional/Behavioral Disorders (EBD)
- Neurobiological Disorders with associative behaviors

Student Count by Disability



ASD = Autism Spectrum Disorders
 DCD = Developmental Cognitive Disabilities
 DHH = Deaf and Hard of Hearing
 E/BD = Emotional or Behavioral Disorders
 OHD = Other Health Disabilities
 SMI = Severely Multiply Impaired

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Special Education Services

For students ages 4 to 21 years old

Provided Four Ways:

- Center Based – Federal Setting IV
- Contracted to Local Districts
- At Valley Crossing Community School
- At treatment centers – education service (residential and day treatment)

Unique Services:

- Project Return (Alternative to suspension/expulsion)
- Assessment Center (comprehensive educational and mental health evaluations)
- Assistive Tech Assessment Team

Specialties:

- Communication Interactional Disorders (ASD)
- Severely Multiply Impaired
- High needs behavior – turning it around
- Mental illness overlays – partnership with Human Services Inc. (HSI) and Child Therapeutic Support Services (CTSS) level II certified
- Vocational Education/Work Experience
- Audiological and DHH Services

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Special Education – Contracted Services

- Behavior Analyst
- Nursing
- Occupational Therapy
- Physical and Other Health Impaired
- Physical Therapy
- School Psychologist
- Social Worker
- Speech and Language Therapy
- DAPE and Work Experience
- Augmentative and Assistive Technology
- Assessment and Consultation (i.e., Autism Specialists)
- Administration



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Special Education for Deaf and Hard of Hearing



Auditory/Oral Program

For children from birth to 2 years of age - Consults or related services to ECSE in local districts.

For children 3 years old to kindergarten (Stillwater, Fall 2012) - Integrated program 1 to 5 half days with ECFE and intensive speech and language services.






- Audiological Assessments
- Access to Equipment – FM systems
- Standards of Service across districts
- Auditory/Oral Preschool program and family support services
- Teachers of D/HH – students in member districts
- Interpreters and Interveners
- After-school activities

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Overall Trends and Their Implications

- | | | |
|---|---|---|
| <ul style="list-style-type: none"> ▪ We and our member districts are collectively experiencing shortages of special education and related services staff. |  | <ul style="list-style-type: none"> ▪ We can collaborate and share rather than compete for these staff. |
| <ul style="list-style-type: none"> ▪ Due to cuts in human services budgets, students previously served by county and residential services are in our schools and their needs are affecting our classrooms and services in all areas. |  | <ul style="list-style-type: none"> ▪ Makes partnerships with mental health organizations/service providers essential in meeting students' overall educational and psychological needs. |
| <ul style="list-style-type: none"> ▪ Due to the increasing mental health needs of students, we need to strengthen mental health related services. |  | <ul style="list-style-type: none"> ▪ Requires a broader continuum of education-based mental health services across our 10 school districts. |
| <ul style="list-style-type: none"> ▪ We are observing an increased intensity of students with very aggressive behavior (from across member districts). |  | <ul style="list-style-type: none"> ▪ Creates the need for highly specialized, flexible environments that provide more intervention and individual classroom spaces. |
| <ul style="list-style-type: none"> ▪ More stringent regulations on behavior management in schools |  | <ul style="list-style-type: none"> ▪ Requires the need to increase and improve staff training. (Professional Crisis Management and Behavior Tools) |

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Our Partnership with Mahtomedi Schools

- Special Transportation Routing System – share buses with other districts
- After managing the Mahtomedi Area Learning Center for one year, Mahtomedi requested 916 assume the program and continues to serve Mahtomedi students (2010)
- Targeted services with Northeast Metro 916 generated an additional \$48,471 in revenue for Mahtomedi Schools in FY11
- Math Science Teacher Partnership (MSTP) - a year of math/science training for Mahtomedi Middle School math teachers valued at \$20,000.
- Purchasing shared staffing; participation in multiple joint purchasing contracts.
- Year 3 of Community Education Director joint contract with NSP
- HR – Ventures training for staff hiring tools

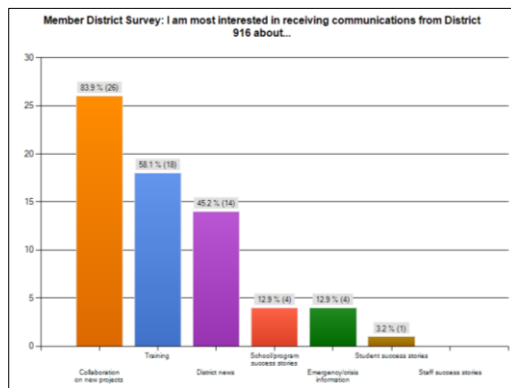
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Potential Opportunities:

- Greater communication inside and outside Northeast Metro 916 about about new projects, training and sharing news.
- Play a more active role in other collaboratives in which member districts participate.
- Combine services with other metro area collaboratives (intermediates and other partnership groups).



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Mahtomedi Public Schools
Independent School District #832
1520 Mahtomedi Avenue
Mahtomedi, MN 55115

Regular Meeting - Board of Education

Date: November 10, 2011

Agenda Item #10. A.

TOPIC: Approval of 2010-2011 Audit

PURPOSE OF PRESENTATION: Presentation of the 2010-2011 Audit by Jim Eichten, Partner, MMKR (Malloy, Montague, Karnowski, Radosevich & Co., P.A.).

ACTION RECOMMENDED: Approval.

Submitted By:

Denise Sundstrom

Denise Sundstrom
Director of Business Services

Concurrence By:

Mark Larson

Dr. Mark Larson
Superintendent of Schools

Management Report

for

Independent School District No. 832
Mahtomedi, Minnesota
June 30, 2011

PRELIMINARY

To the School Board of
Independent School District No. 832
Mahtomedi, Minnesota

We have prepared this management report in conjunction with our audit of Independent School District No. 832, Mahtomedi, Minnesota's (the District) financial statements for the year ended June 30, 2011. The purpose of this report is to communicate information relevant to the financing of public education in Minnesota and to provide comments resulting from our audit process. We have organized this report into the following sections:

- Audit Summary
- Funding Public Education in Minnesota
- Financial Trends of Your District
- Accounting and Auditing Updates
- Legislative Summary

We would be pleased to further discuss any of the information contained in this report or any other concerns that you would like us to address. We would also like to express our thanks for the courtesy and assistance extended to us during the course of our audit.

This report is intended solely for the information and use of management, those charged with governance of the District, and those who have responsibility for oversight of the financial reporting process. It is not intended to be, and should not be, used by anyone other than these specified parties.

November 8, 2011

AUDIT SUMMARY

The following summary of our audit work, key conclusions, and other information that we consider important or that is required to be communicated to the School Board, administration, or those charged with governance of the District.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, *GOVERNMENT AUDITING STANDARDS*, AND THE U.S. OFFICE OF MANAGEMENT AND BUDGET CIRCULAR A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2011. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the U.S. Office of Management and Budget Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you verbally and in our audit engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously discussed and coordinated in order to obtain sufficient audit evidence and complete an effective audit.

AUDIT OPINION AND FINDINGS

Based on our audit of the District's financial statements for the year ended June 30, 2011:

- We have issued an unqualified opinion on the District's annual financial statements.
- We reported two significant deficiencies involving the District's internal control over financial reporting that we considered to be significant deficiencies:
 - 1) The District has limited segregation of duties in several areas, including the processing of general disbursements and payroll transactions. The limited segregation of duties is primarily caused by the limited size of the District's business office staff.
 - 2) During our audit, The District recorded an adjusting journal entry proposed by our firm to make the financial information of the District fairly stated. Contracts payable and the related capital outlay expenditure account balances in the Capital Projects – Building Construction Fund were not adjusted correctly. Auditing standards consider the identification by the auditor of a material misstatement that was not initially identified by the audit entity to be a deficiency in the related internal control.
- The results of our testing disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.
- We noted that the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements.
- Our opinion on the District's compliance with requirements that could have a direct and material effect on each major federal program was qualified due to a reportable instance of noncompliance with federal reporting requirements.

The District did not properly submit quarterly jobs data survey reports required for the special education cluster (CFDA No. 84.391 and 84.392), which included American Recovery and Reinvestment Act (ARRA) funds.

- We reported one deficiency in the District’s internal control over compliance in our testing of major federal programs that we considered a material weakness.

The District’s internal controls over reporting were not sufficient to assure the District complied with the ARRA quarterly jobs data surveys reporting requirement for the special education cluster (CFDA No. 84.391 and 84.392).

- We reported one finding based on our testing of the District’s compliance with Minnesota laws and regulations.

When soliciting bids for construction services on the District’s website, simultaneous publication of these bids is required as part of the minutes of regular School Board meetings or in a separate notice published in the official newspaper. For contracts awarded during the year that we tested, we noted the District did not simultaneously publish these bids as part of the minutes of the regular School Board meetings or advertise for bids in the official newspaper.

SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 of the notes to basic financial statements. For the year ended June 30, 2011, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This statement established new fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Where applicable, management has corrected all such misstatements. In addition, one of the misstatements detected as a result of audit procedures and corrected by management was material, either individually or in the aggregate, to the financial statements taken as a whole. During our audit we proposed one audit adjustment as previously discussed in the audit opinion and findings section of this report.

ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

General education revenue and certain other revenues are computed by applying an allowance per student to the number of students served by the District. Student attendance is accumulated in a state-wide database—MARSS. Because of the complexity of student accounting and because of certain enrollment options, student information is input by other school districts and the MARSS data for fiscal year 2011 is not finalized until well into fiscal year 2012. General education revenue and certain other revenues are computed using preliminary information on the number of students served in the resident district and also utilizing some estimates, particularly in the area of enrollment options.

Special education state aid includes an adjustment related to tuition billings to and from other school districts for special education services which are computed using formulas derived by the Minnesota Department of Education (MDE). Because of the timing of the calculations, this adjustment for fiscal 2011 is not finalized until after the District has closed its financial records for the fiscal period. The impact of this adjustment on the receivable and revenue recorded for state special education aid is calculated using preliminary information available to the District.

The District has recorded a liability in the Statement of Net Assets for severance benefits payable for which it is probable employees will be compensated. The "vesting method" used by the District to calculate this liability is based on assumptions involving the probability of employees becoming eligible to receive the benefits (vesting), the potential use of accumulated sick leave prior to termination, and the age at which such employees are likely to retire.

The District has recorded activity for other post-employment benefits (OPEB). These obligations are calculated using actuarial methodologies described in GASB Statement No. 45. These actuarial calculations include significant assumptions, including projected changes, healthcare insurance costs, investment returns, retirement ages, and employee turnover.

The depreciation of capital assets involves estimates pertaining to useful lives.

We evaluated the key factors and assumptions used by management in the areas discussed above in determining that they are reasonable in relation to the financial statements taken as a whole.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing and completing our audit.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the District’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

OTHER AUDIT FINDINGS OR ISSUES

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated November 8, 2011.

FUNDING PUBLIC EDUCATION IN MINNESOTA

Due to its complexity, it would be impossible to fully explain the funding of public education in Minnesota within this report. The last section of this report, which contains a summary of legislative changes affecting school districts, gives an indication of how complicated the funding system is. The following section provides some state-wide funding and financial trend information.

BASIC GENERAL EDUCATION REVENUE

The largest single funding source for Minnesota school districts is basic general education aid. Each year, the Legislature sets a basic formula allowance. Total basic general education revenue is calculated by multiplying the formula allowance by the number of pupil units for which a district is entitled to aid. Pupil units are calculated using a legislatively determined weighting system applied to average daily membership (ADM). Over the years, various modifications have been made to this calculation, including changes in weighting and special consideration for declining enrollment districts.

The table below presents a summary of the formula allowance for the past decade and as approved for the next two fiscal years. We have adjusted the percentage change from year to year for non-comparable changes such as referendum reduction and aids that were previously separately funded and subsequently “rolled-in” or “rolled-out” to general education revenue.

Fiscal Year Ended June 30,	Formula Allowance	
	Amount	Percent Increase
2002	\$ 4,068	2.6 %
2003	\$ 4,601	2.6 % (1)
2004	\$ 4,601	– %
2005	\$ 4,601	– %
2006	\$ 4,783	4.0 %
2007	\$ 4,974	4.0 %
2008	\$ 5,074	2.0 %
2009	\$ 5,124	1.0 %
2010	\$ 5,124	– %
2011	\$ 5,124	– %
2012	\$ 5,174	1.0 %
2013	\$ 5,224	1.0 %

(1) Percentage adjusted to eliminate changes caused by referendum reduction and rolled-in (out) aids which does not affect total district revenue.

As noted in the table above, after having been frozen at the same level for the last three years, the Legislature has added \$50 to the basic formula allowance for both fiscal 2012 and 2013. In recent years, the modest increases in the formula allowance have forced many districts to continually cut expenditure budgets or seek increased referendum revenue in order to maintain programs.

The table above does not reflect temporary funding changes such as the \$51 per pupil unit one-time additional general education aid school districts and charter schools received in 2008–2009, or the technology and operating capital aid received by school districts and charter schools in 2007–2008 (\$40 per pupil unit) and 2008–2009 (\$55 per pupil unit). It also does not reflect the one-time replacement of a portion of a district’s general education aid with federal fiscal stabilization funds in fiscal 2010.

STATE OUTLOOK

The 2011 legislative session began with the Governor and Legislature facing a projected budget deficit of \$6.2 billion (later revised down to \$5.0 billion in the February 2011 Economic Forecast) for the 2012–2013 biennium. In addition, the 2010 election had dramatically changed the state’s political landscape. A Democratic Governor was in power for the first time since 1991, while the Republicans had majority control of both the House and the Senate for the first time since 1971. Predictably, as the session progressed it became clear that the Governor and Legislature were having difficulty agreeing on a state budget for the next biennium. Shortly after the 2011 regular session ended, the Governor vetoed eight major state appropriation bills and the omnibus tax bill passed by the Legislature, which left the majority of state agencies without a budget for the next fiscal year. This resulted in a shutdown of “nonessential” state agencies that began July 1, 2011 and effectively ended with the passing of appropriation bills in a special session on July 19th and 20th.

The large projected budget deficit facing the 2011 Legislature was typical of the financial challenges the state has experienced in recent years. Unfavorable economic conditions have caused a steady deterioration of the state’s financial condition, which has resulted in series of cuts and holdbacks in state aids to local governments and other entities. As was the case in the last biennium, the adopted state budget for 2012–2013 utilized several large “accounting shifts” in an attempt to minimize the need for tax increases or state aid cuts to balance the budget. The accounting shifts, further explained in the Legislative Summary section of this report, included delaying an even higher percentage of estimated state aid payments to school districts and charter schools, and a small expansion of the “tax shift,” which accelerates the recognition of district tax levy revenue with an off-setting reduction in state aid. Both of these types of shifts significantly reduce the amount of operating cash available to Minnesota school districts and charter schools, but are intended to be revenue neutral. While these shifts have spared districts from deeper aid cuts in the short-term, some argue that their use does not address the state’s budget woes, but only delays them. If the economy remains sluggish, further state budget shortfalls are likely.

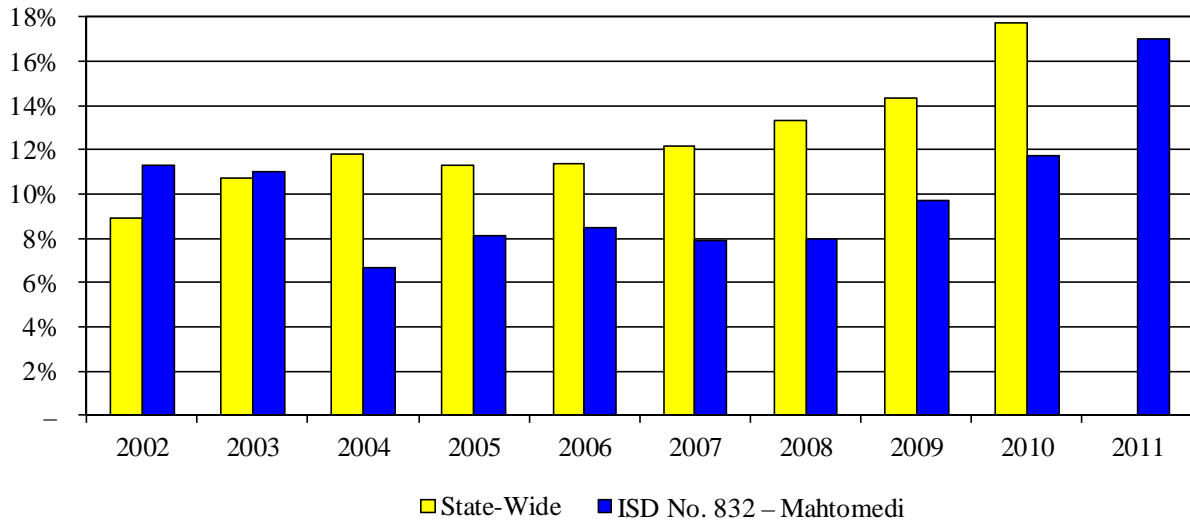
EFFECT ON INTERNAL CONTROLS

These circumstances have resulted in a sustained cycle of budget reductions for many Minnesota school districts and charter schools, forcing many to make significant staffing cuts or reassignments. In some cases, such measures have weakened internal controls by reducing the segregation of accounting duties or delaying the performance of key control procedures. Unfortunately, the economic downturn has also placed additional financial strain on many individuals, elevating the risk of fraud and theft. Recent communications from the Minnesota Office of the State Auditor have reported a substantial increase in incidents of fraud and theft involving local governments. A comprehensive and functioning system of internal controls is critical to safeguarding public assets and producing the accurate and timely financial information necessary to effectively manage a school district. When faced with difficult budgetary decisions, we encourage our clients to be mindful of these factors and to continue to make sound financial controls a priority.

STATE-WIDE SCHOOL DISTRICT FINANCIAL HEALTH

One of the most common and comparable statistics used to evaluate school district financial health is the unrestricted (formerly unreserved) operating fund balance as a percentage of operating expenditures.

State-Wide Unrestricted/Unreserved Operating Fund Balance
as a Percentage of Operating Expenditures



Note: State-wide information is not available for fiscal 2011.

The calculation above reflects only the unrestricted/unreserved fund balance of the General Fund, and the corresponding expenditures, which is the same method the state uses for the calculation of statutory operating debt (SOD). We have also included the comparable percentages for your district.

Even with limited funding increases, school district unrestricted/unreserved fund balance has been increasing as a percentage of operating expenditures on a state-wide basis in recent years. This trend is the result of many factors, including districts reducing operating expenditures, adapting to funding restrictions, efforts to maintain fund balance for cash flow purposes, and in some cases community support in the form of operating referendums.

As of June 30, 2010, this ratio was 11.7 percent for the District, as compared to a state-wide average of 17.7 percent. The District's unrestricted operating fund balance as a percentage of operating expenditures was 17.0 percent at the end of the current year.

The table below shows a comparison of governmental fund revenue per ADM received by Minnesota school districts and your district. Revenues for all governmental funds are included, except for the Capital Projects – Building Construction Fund and Post-Employment Benefits Debt Service Fund. Other financing sources such as proceeds from sales of capital assets, insurance recoveries, bond sales, loans, and interfund transfers are also excluded.

Governmental Funds Revenue per Student (ADM) Served								
	State-Wide		Seven-County Metro Area		ISD No. 832 – Mahtomedi			
	2009	2010	2009	2010	2009	2010	2011	
	General Fund							
Property taxes	\$ 1,371	\$ 1,473	\$ 1,833	\$ 1,968	\$ 1,814	\$ 2,011	\$ 2,718	
Other local sources	458	435	381	372	435	456	430	
State	7,859	7,119	7,920	7,143	7,276	6,597	6,489	
Federal	452	1,233	489	1,274	224	853	332	
Total General Fund	<u>10,140</u>	<u>10,260</u>	<u>10,623</u>	<u>10,757</u>	<u>9,749</u>	<u>9,917</u>	<u>9,969</u>	
Special revenue funds								
Food Service	454	469	453	465	428	431	433	
Community Service	507	503	613	604	674	634	607	
Debt Service Fund	<u>1,034</u>	<u>1,040</u>	<u>1,131</u>	<u>1,137</u>	<u>959</u>	<u>985</u>	<u>1,180</u>	
Total revenue	<u>\$ 12,135</u>	<u>\$ 12,272</u>	<u>\$ 12,820</u>	<u>\$ 12,963</u>	<u>\$ 11,810</u>	<u>\$ 11,967</u>	<u>\$ 12,189</u>	
ADM served per MDE School District Profiles Report (current year estimated)					<u>3,234</u>	<u>3,236</u>	<u>3,246</u>	
Note: Excludes the Capital Projects – Building Construction Fund and Post-Employment Benefits Debt Service Fund								
Source of state-wide and seven-county metro area data: School District Profiles Report published by the MDE								

The mix of local and state revenues vary from year to year primarily based on funding formulas and the state's financial condition. The mix of revenue components from district to district varies due to factors such as the strength of property values, mix of property types, operating and bond referendums, enrollment trends, density of population, types of programs offered, and countless other criteria.

The District earned approximately \$39.6 million in the governmental funds reflected above in fiscal 2011, an increase of about \$800,000 (2.2 percent) from the prior year. Total revenue per ADM served increased by \$222 per student. General Fund tax revenue increased \$707 per student, mainly due to a \$2.4 million increase in the tax shift. General Fund revenue from federal grants declined by \$521 per student, primarily due to a one-time \$1.7 million replacement of general education aid with federal fiscal stabilization funds in fiscal 2010. General Fund state aid revenues were \$108 per student less than last year due to the combination of the effects of the tax shift, federal stabilization funding changes, and an increase in state aid funding from the state special education aid categories.

The District also experienced an increase in the Debt Service Fund revenue in fiscal 2011 which was related to the federal tax credit revenue received on the Build America Bonds issued in fiscal 2011.

The following table reflects similar comparative data available from the MDE for all governmental fund expenditures, excluding the Capital Projects – Building Construction Fund and Post-Employment Benefits Debt Service Fund. Other financing uses, such as bond refundings and transfers, are also excluded.

Governmental Funds Expenditures per Student (ADM) Served							
	State-Wide		Seven-County Metro Area		ISD No. 832 – Mahtomedi		
	2009	2010	2009	2010	2009	2010	2011
	General Fund						
Administration and district support	\$ 854	\$ 807	\$ 876	\$ 781	\$ 798	\$ 801	\$ 761
Elementary and secondary regular instruction	5,112	4,885	5,411	5,069	5,789	4,873	4,755
Vocational education instruction	153	149	152	150	256	229	171
Special education instruction	1,817	1,832	2,002	1,992	1,515	1,678	1,712
Instructional support services	502	461	598	550	445	456	355
Pupil support services	874	861	968	937	669	674	676
Sites and buildings and other	850	794	824	755	840	794	859
Total General Fund expenditures (excluding capital)	<u>10,162</u>	<u>9,789</u>	<u>10,831</u>	<u>10,234</u>	<u>10,312</u>	<u>9,505</u>	<u>9,289</u>
General Fund capital expenditures	466	440	443	414	287	275	264
Special revenue funds							
Food Service	454	458	453	456	382	426	429
Community Service	522	513	634	618	681	636	593
Debt Service Fund	<u>1,244</u>	<u>1,129</u>	<u>1,334</u>	<u>1,184</u>	<u>983</u>	<u>1,054</u>	<u>1,515</u>
Total expenditures	<u>\$ 12,848</u>	<u>\$ 12,329</u>	<u>\$ 13,695</u>	<u>\$ 12,906</u>	<u>\$ 12,645</u>	<u>\$ 11,896</u>	<u>\$ 12,090</u>
ADM served per MDE School District Profiles Report (current year estimated)					<u>3,234</u>	<u>3,236</u>	<u>3,246</u>
Note: Excludes the Capital Projects – Building Construction Fund and Post-Employment Benefits Debt Service Fund							
Source of state-wide and seven-county metro area data: School District Profiles Report published by the MDE							

Expenditure patterns also vary from district to district for various reasons. Factors affecting the comparison include the growth cycle or maturity of the District, average employee experience, availability of funding, population density, and even methods of allocating costs.

The District's total expenditures per ADM are typically just below the metro area average. The difference in 2009 was caused by the large number of districts in the metro area that issued bonds to finance their OPEB liabilities, which inflated their governmental fund expenditures.

General Fund expenditures (excluding capital) decreased \$216 per student, mainly in regular instruction (\$118 per pupil), vocational education instruction (\$58 per pupil), and instructional support services (\$101 per pupil). Most of these expenditure reductions were the result of cost reductions that were implemented for fiscal 2011.

Expenditures in the Debt Service Fund increased \$461 per student in the current year as a result of the recent issuance of additional debt by the District.

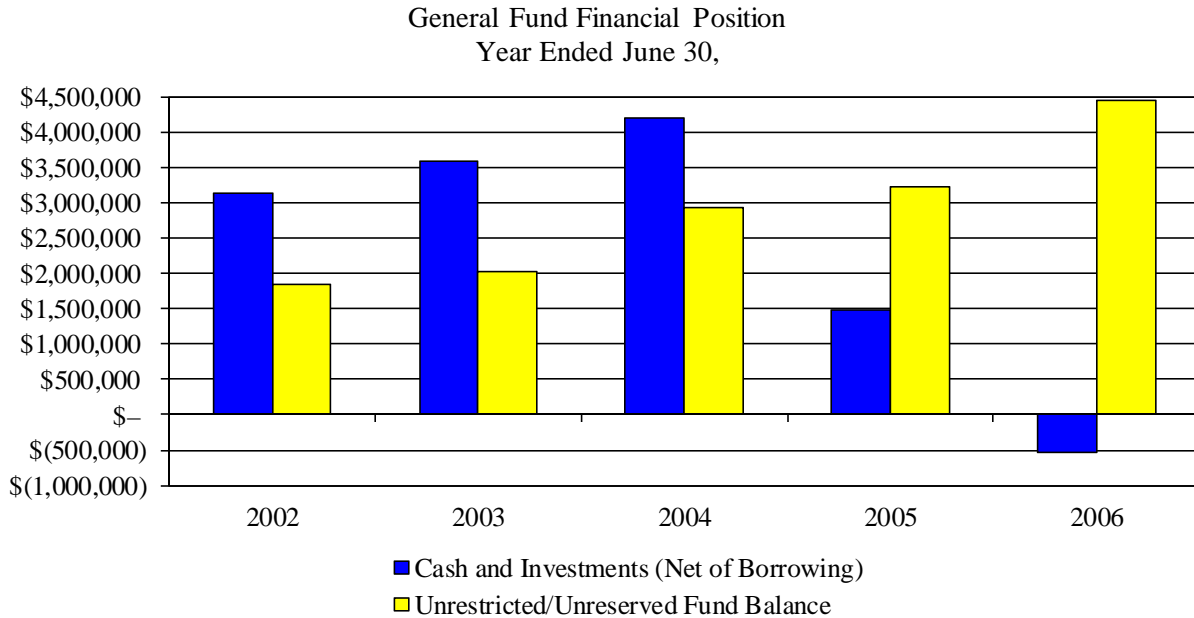
SUMMARY

The funding for and financial position of Minnesota school districts has fluctuated significantly over the past several years due to a number of factors, including those discussed on the previous page. This situation continues to present a challenge for school boards, administrators, and management of these districts in providing the best education with the limited resources available in a climate of unknown future funding levels.

FINANCIAL TRENDS OF YOUR DISTRICT

GENERAL FUND FINANCIAL POSITION

The following graph displays the District's General Fund trends of financial position. Unrestricted (formerly unreserved) fund balance and cash balance are typically used as indicators of financial health.



The District ended fiscal year 2011 with a deficit General Fund cash balance of \$531,080 (net of borrowing or interfund payables), a decrease of \$2,008,006 from the previous year. This change was primarily due to the change in the metering of state aid payments and an increase in the tax shift in fiscal 2011.

Unrestricted/unreserved fund balance at year-end was \$4,439,626, an increase of \$1,219,418. The General Fund has continued to experience a stable fund balance position. The increase in the General Fund balance was partially related to a planned increase in the adopted budgeted and a combination of revenues being slightly above projected amounts and expenditures being slightly below budgeted amounts.

The following table presents the components of the General Fund balance for the past five years:

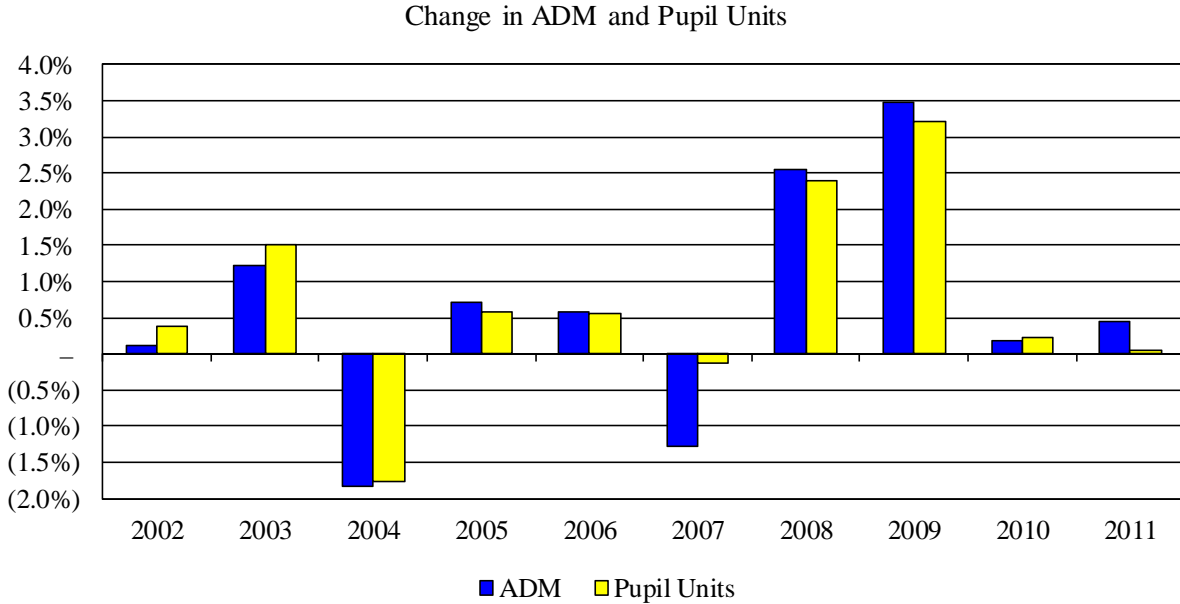
	June 30,				
	2007	2008	2009	2010	2011
Nonspendable fund balances	\$ -	\$ -	\$ -	\$ -	\$ 11,999
Restricted (formerly reserved) fund balances (1)	1,128,493	1,345,567	895,449	1,047,845	1,164,796
Unrestricted (formerly unreserved) fund balances					
Assigned (formerly designated)	428,642	419,409	1,018,148	996,208	966,193
Unassigned (formerly undesignated)	1,422,687	1,599,834	1,904,204	2,224,000	3,473,433
Total fund balance	\$ 2,979,822	\$ 3,364,810	\$ 3,817,801	\$ 4,268,053	\$ 5,616,421
Unassigned (formerly undesignated) fund balances as a percentage of expenditures	<u>5.1%</u>	<u>5.5%</u>	<u>5.6%</u>	<u>7.0%</u>	<u>11.2%</u>
(1) Includes deficits in restricted fund balance accounts allowed to accumulate deficits under UFARS, which are part of unassigned fund balances on accounting principles generally accepted in the United States of America-based financial statements.					

In the preceding table, General Fund unrestricted/unreserved fund balances and the related percentages of total General Fund expenditures differ from those used in the previous discussion of state-wide fund balances, which are based on the state SOD formula.

The School Board has formally adopted a fund balance policy. This policy states that the School Board will strive to maintain a minimum unassigned General Fund balance of 8 percent of total General Fund expenditures. At June 30, 2011, the unassigned fund balance of the General Fund was 11.2 percent of the total General Fund Expenditures.

The resources represented by this fund balance are critical to a district's ability to maintain adequate cash flow throughout the year, to retain its programs, and to cushion against the impact of unexpected costs or funding shortfalls.

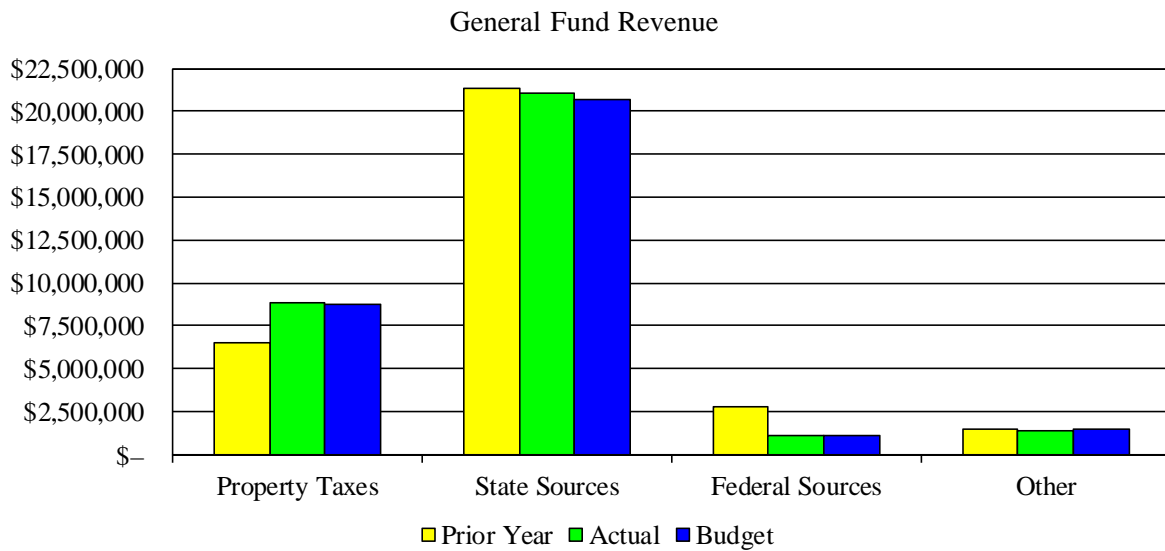
AVERAGE DAILY MEMBERSHIP AND PUPIL UNITS



ADM is a measure of students attending class, which is then converted to pupil units (the base for determining revenue) using a statutory formula. Not only is the original budget based on ADM estimates, the final audited financial statements are based on updated, but still estimated, ADM since the counts are not finalized until around January of the following year. When viewing revenue budget variances, one needs to consider these ADM changes, the impact of the prior year final adjustments which affect this year’s revenue, and also the final adjustments caused by open enrollment gains and losses.

The District experienced an increase of 15 ADM from the prior year to 3,242 served in the current year.

The following graph summarizes the District's General Fund revenue for 2011:

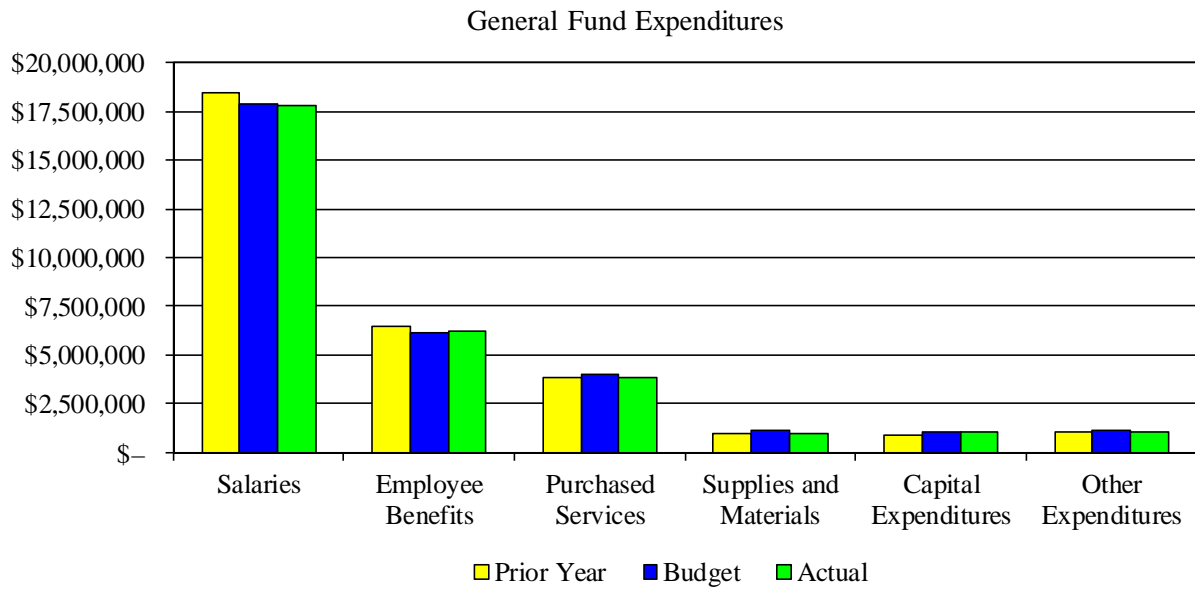


Total General Fund revenues were \$32,357,535 for the year ended June 30, 2011, which was \$465,388 (1.5 percent) over the final budget. Most of this variance was related to revenues from state sources being over budget by \$410,891 due to higher than expected state special education aid being received in the current year.

General Fund total revenues were \$264,285 higher than the previous year. As discussed earlier, an increase in the tax shift resulted in a shift of about \$2.4 million from state aid to taxes in fiscal 2011, and in fiscal 2010, about \$1.7 million of state general education aid was replaced with one-time federal stimulus funding. Neither of these factors changed the total revenue received in the District's General Fund, but they caused significant fluctuations between the various revenue sources, obscuring the true changes in revenue from year to year.

Excluding the impact of the tax shift and the impact of the one-time federal stimulus funding, revenue from state sources in the General Fund increased about \$425,000 from the previous year. The District earned around \$360,000 more special education aid in fiscal 2011 due to increased costs of the special education program at the District in fiscal 2011.

The following graph presents the District's General Fund expenditures for 2011:

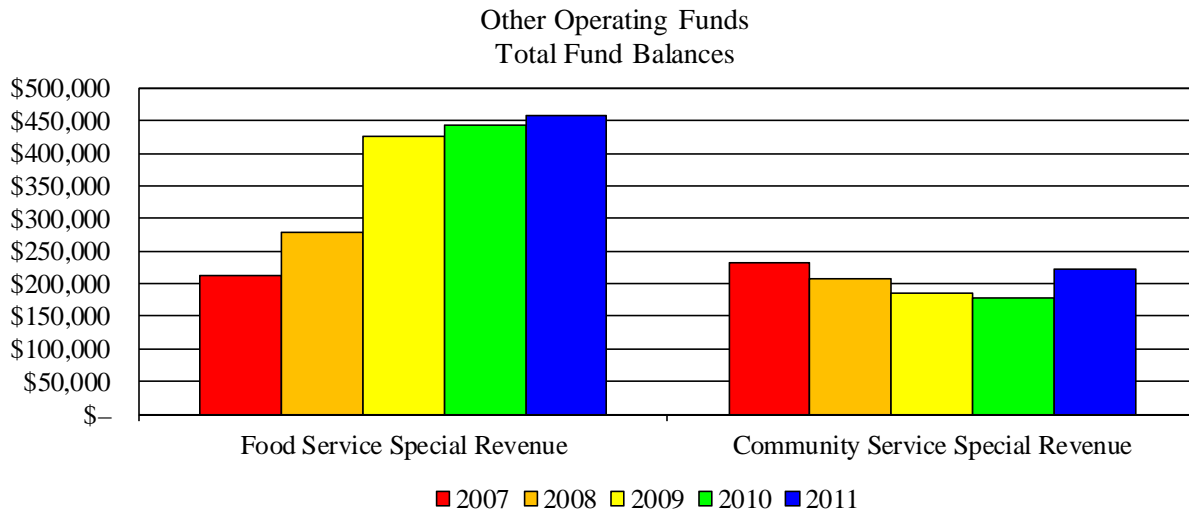


Total General Fund expenditures were \$31,009,167 for the year ended June 30, 2011, which was \$397,924 (1.3 percent) under the final budget. Some of the variance was due to lower than expected fuel costs in fiscal 2011. The Student Activity Account spending was also lower than projected in fiscal 2011. In addition, cost containment efforts in the District resulted in savings in nearly all of the areas included above.

Total General Fund expenditures were \$635,331, or 1.3 percent, less than the prior year. Salaries and benefits were \$917,325 lower than the previous year due to the District's effort to reduce expenditures, which included reducing staff.

OTHER FUNDS OF THE DISTRICT

The following graph shows what is referred to as the other operating funds. The remaining non-operating funds are only included in narrative form below, since their level of fund balance can fluctuate significantly due to such things as issuing and spending the proceeds of refunding or building bonds and, therefore, the trend of fund balance levels are not necessarily a key indicator of financial health. It does not mean that these funds cannot experience financial trouble or that their fund balances are unimportant.



Food Service Special Revenue Fund

The District's Food Service Special Revenue Fund ended fiscal 2011 with a fund balance increase of \$14,826, compared to a budgeted increase of \$4,232. Food service revenue was \$1,407,069, which was over budget by \$74,769, mainly in federal lunch subsidy revenue and meal sales. Expenditures were \$1,392,243, over budget by \$64,175. This operation has been able to maintain a healthy fund balance of \$456,985, equal to 32.8 percent of its annual expenditures.

Over the years, we have emphasized to our school district clients that food service operations should be self-sustaining, and should not become an additional burden on general education funds. This would include the accumulation of fund balance for future capital improvements to food service facilities and to provide a cushion in the event of a negative trend in operations.

Community Service Special Revenue Fund

The District's Community Service Special Revenue Fund ended fiscal 2011 with a fund balance increase of \$44,199, compared to a budgeted increase of \$8,123. Revenues were \$1,969,971, which exceeded budget by \$48,107. Expenditures were \$1,925,772, over budget by \$12,031. This fund balance of \$223,230 represents 11.6 percent of current year expenditures.

The Community Service Special Revenue Fund, like the Food Service Special Revenue Fund, needs to be self-sustaining. In addition to cost controls, financial analysis of the costs of providing programs, including overhead, is important. Fees and tuition charges should be sufficient to cover these costs as well as potential funding shortfalls from state, federal, or property tax sources.

Capital Projects – Building Construction Fund

This fund experienced a fund balance increase of \$33,806,722 in fiscal 2011. The activity presented in this fund represents the District's revenue and expenditures for the construction of capital facilities authorized by bond issue. The District issued \$45 million in debt to finance planned construction in fiscal 2011.

Debt Service Fund

The funding of debt service is controlled in accordance with each outstanding debt issue's financing plan. It is important to remember that resources of the Debt Service Fund are dedicated to the payment of outstanding debt obligations of the District.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's financial statements include fund-based information that focuses on budgetary compliance, and the sufficiency of the District's current assets to finance its current liabilities. The GASB Statement No. 34 reporting model also requires the inclusion of two government-wide financial statements designed to present a clear picture of the District as a single, unified entity. These government-wide statements provide information on the total cost of delivering educational services, including capital assets and long-term liabilities.

Theoretically, net assets represent the resources the District has leftover to use for providing services after its debts are settled. However, those resources are not always in expendable form, or there may be restrictions on how some of those resources can be used. Therefore, the statement divides the net assets into three components: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The following table presents a summarized conversion of the District's governmental fund balances (as discussed earlier) to net assets and the separate components for the last three years:

	June 30,		
	2009	2010	2011
Net assets – governmental activities			
Total fund balances – governmental funds	\$ 5,590,430	\$ 15,187,531	\$ 50,451,005
Total capital assets, net of depreciation	28,572,392	27,901,134	37,130,422
Total long-term debt	(28,821,289)	(36,213,346)	(79,436,989)
Other adjustments	2,663,499	2,534,153	2,467,233
Total net assets – governmental activities	<u>\$ 8,005,032</u>	<u>\$ 9,409,472</u>	<u>\$ 10,611,671</u>
Net assets			
Invested in capital assets, net of related debt	\$ 8,914,690	\$ 9,800,014	\$ 4,930,599
Restricted	1,858,252	1,870,232	1,851,917
Unrestricted	<u>(2,767,910)</u>	<u>(2,260,774)</u>	<u>3,829,155</u>
Total net assets	<u>\$ 8,005,032</u>	<u>\$ 9,409,472</u>	<u>\$ 10,611,671</u>

Some of the District's fund balances translate into restricted net assets by virtue of external restrictions (statutory restrictions) or by the nature of the fund they are in (e.g. Food Service Special Revenue Fund balance can only be spent for food service program costs). The unrestricted net assets category consists mainly of the General Fund unrestricted fund balances, offset against non-capital long-term obligations such as vacation or severance payable. Consequently, many Minnesota school districts have accumulated deficits in this component of net assets.

Total net assets increased \$1,202,199 during fiscal 2011. The increase in net assets in the current year is directly related to the improved fund balance in the General Fund in fiscal 2011.

ACCOUNTING AND AUDITING UPDATES

GASB STATEMENT NO. 60 – ACCOUNTING AND FINANCIAL REPORTING FOR SERVICE CONCESSION ARRANGEMENTS

This statement provides accounting and financial reporting guidance for governments that participate as either a transferor or an operator in a service concession arrangement (SCA). SCAs are arrangements whereby a government transfers the rights to operate one of its capital assets to a third party operator (either a private party or another government) for consideration, with the operator then being compensated from the fees or charges collected in connection with the operation of the asset. To qualify as an SCA, an arrangement must meet all of the following criteria: 1) the transferor must convey to the operator both the right and the obligation to use one of its capital assets to provide services to the public; 2) the operator must provide significant consideration to the transferor; 3) the operator must be compensated from the fees or charges it collects from third parties; 4) the transferor must have the ability to either determine, modify, or approve what services are to be provided to whom at what price; and 5) the transferor must retain a significant residual interest in the service utility of the asset. This statement provides guidance to governments that are party to an SCA for reporting the assets, obligations, and flow of revenues that result from the arrangement; along with the required financial statement disclosures. The requirements of this statement must be implemented for periods beginning after December 15, 2011, with earlier implementation encouraged.

GASB STATEMENT NO. 61 – THE FINANCIAL REPORTING ENTITY: OMNIBUS

This statement amends the current guidance in GASB Statement No. 14, “The Financial Reporting Entity,” for identifying and presenting component units. This statement changes the fiscal dependency criterion for determining component units. Potential component units that meet the fiscal dependency criterion for inclusion in the financial reporting entity under existing guidance will only be included if there is also “financial interdependency” (an ongoing relationship of potential financial benefit or burden) with the primary government. This statement also clarifies the types of relationships that are considered to meet the “misleading to exclude” criterion for inclusion as a component unit; changes the criteria for blending component units; gives direction for the determination and disclosure of major component units; and adds a requirement to report an explicit, measurable equity interest in a discretely presented component unit in a statement of position prepared using the economic resources measurement focus. The requirements of this statement must be implemented for periods beginning after June 15, 2012, with earlier implementation encouraged.

GASB STATEMENT NO. 63 – FINANCIAL REPORTING OF DEFERRED OUTFLOWS OF RESOURCES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources; which are defined as the consumption or acquisition of net assets, respectively, applicable to a future reporting period. The statement amends certain reporting requirements in GASB Statement No. 34 and related pronouncements, providing a format for a new Statement of Net Position, which reports deferred outflows of resources and deferred inflows of resources separately from assets and liabilities. It also renames the residual of assets, deferred outflows of resources, liabilities, and deferred inflows of resources as net position, rather than net assets. The requirements of this statement must be implemented for periods beginning after December 15, 2011, with earlier implementation encouraged.

GASB PENSION EXPOSURE DRAFTS

In June, 2011 GASB issued two exposure drafts on accounting and reporting for pensions, one for the reporting of pension benefits within the financial statements of participating employers and the other for pension plan financial reporting. These two exposure drafts are intended to update or replace the current guidance for pension reporting in GASB Statement Nos. 25 and 27.

The exposure drafts propose a variety of changes in financial statement presentation, measurement, and required disclosures relating to pension benefits. Included are proposed major changes in how employers that participate in cost-sharing defined benefit pension plans, such as TRA and PERA, account for pension benefit expenses and liabilities. Currently, employers participating in such plans recognize pension expenses and liabilities only to the extent of their contractually required annual contributions to the plan. The exposure draft proposes that those employers recognize their proportionate share of the collective net pension liability and collective pension expense for all participating employers. If adopted, this guidance could have a significant impact on the financial statements of the participating employers, as participants in plans with a substantial unfunded liability would be required to report their proportionate share of the unfunded liability in their government-wide financial statements.

The proposed effective dates for both exposure drafts are for periods beginning after June 15, 2012, if certain conditions are met, otherwise for periods beginning after June 30, 2013.

FEDERAL FUNDING ACCOUNTABILITY AND TRANSPARENCY ACT (TRANSPARENCY ACT)

Effective October 1, 2010, the Transparency Act requires federal award recipients to report specific data, including compensation data in certain circumstances, related to subawards. One of the key requirements of the Transparency Act was the creation of a single, searchable website that provides the public with greater access to information on federal spending. The Transparency Act requires recipients to report first-tier subaward and executive compensation data for new federal grants as of October 1, 2010, if the initial award is equal to or over \$25,000. Pass-through entities (primary recipients) must report subaward data through the Federal Funding Accountability and Transparency Subaward Reporting System (FSRS) by the end of the month following the month in which the subaward obligation is made. For a more detailed discussion of the Transparency Act see Part 3, Section L of the 2011 Office of Management and Budget (OMB) A-133 Compliance Supplement available at www.whitehouse.gov/omb. The OMB has issued several documents that provide guidance on the Transparency Act, including *Open Government Directive – Federal Spending Transparency* and *Subaward and Compensation Data Reporting* available at www.whitehouse.gov/omb/open.

LEGISLATIVE SUMMARY

The following is a brief summary of recent legislative changes and issues affecting the funding of Minnesota school districts. More detailed and extensive summaries are available from the MDE.

Basic General Education Revenue – The per pupil basic general education formula allowance for fiscal year (FY) 2011 was \$5,124. The allowance will increase \$50 each of the next two years, to \$5,174 for FY 2012, and \$5,224 for FY 2013.

Small Schools Revenue – Small schools revenue will be added as a new component of general education revenue beginning in FY 2013. School districts with less than 1,000 adjusted marginal cost pupil units (AMCPU) will qualify for an additional revenue allowance per AMCPU of: \$522.40 times (1,000 – AMCPU)/1,000. Charter schools are not eligible for this aid.

Compensatory Pilot Project Formula Aid – The 20 largest school districts in the state in terms of adjusted pupil units may be eligible to this one-time aid for FY 2013. To be eligible, the District's compensatory revenue per compensatory pupil unit (free + 1/2 of reduced price lunch count) must be less than \$1,400. The aid, which can only be used for basic skills purposes, will equal the amount needed to bring the District's compensatory aid up to \$1,400 per compensatory pupil unit.

Training and Experience Revenue – Training and experience revenue will be eliminated as a component of general education revenue effective FY 2012.

State Aid Payment Deferral – State aids normally paid on a 90–10 schedule were changed to a 73–27 schedule for FY 2010 and 70–30 for FY 2011. Beginning in FY 2012, these aids will be paid on a 60–40 payment schedule, which will also apply to charter schools. An exception was allowed for charter schools in which at least 90 percent of the enrollment receives special education services, accelerating regular special education aid payments only to a 90–10 payment schedule.

Early Graduation Programs – Two programs were created that provide students that graduate early with awards between \$2,500 and \$7,500, depending on how many semesters early they graduate. Students qualifying for the Early Graduation Achievement Scholarship Program receive a scholarship award that may be used at any accredited higher education institution, and students qualifying for the Early Graduation Military Service Award Program receive a cash award equivalent to the scholarship program awards. Beginning in FY 2012, school districts and charter schools will no longer generate pupil units and the associated funding for early graduates participating in these programs.

Temporary Suspension of Reserved Revenue for Staff Development – The temporary suspension of the requirement for school districts and charter schools to reserve 2 percent of their basic general education revenue for staff development, initially suspended for FY 2010 and FY 2011, was extended to include FY 2012 and FY 2013.

Licensed School Support Staff – The requirement for school districts to reserve \$3 per pupil of the safe schools levy proceeds for licensed school support staff, as well the maintenance of effort requirement relating to school counselors and other licensed support staff, have been eliminated.

Uses of Operating Capital Revenue – The use of operating capital revenue has been expanded to include costs associated with leasing vehicles, and costs directly associated with closing a school facility, including moving and storage costs.

Endowment/Permanent School Fund Payments – Effective March 1, 2012, the distribution of endowment/permanent school fund revenue will be based on the adjusted average daily membership (ADM) pupils served by each school district rather than resident ADM pupils. Also, charter schools will qualify to receive endowment/permanent school fund payments beginning that same date.

Teacher Contract Deadline – The January 15 deadline for settling teacher contracts and the related penalty have been eliminated.

Literacy Incentive Aid – For FY 2013 and later, a new literacy incentive aid is available to school districts and charter schools. Only school sites that enroll students in Grades 3 and 4, with reading MCA test results from the prior year, generate revenue. There is no requirement for the funds to be spent at the school generating the revenue. The aid may be used for any General Fund purpose.

Literacy incentive aid is the sum of two components, proficiency aid and growth aid. Proficiency aid equals \$85 times the school's enrollment from October 1 of the previous year times the school's proficiency index (the percent of third graders meeting or exceeding proficiency on the reading Minnesota Comprehensive Assessments (MCA) test, averaged across the previous three test administrations). Growth aid equals \$85 times the school's enrollment on the previous October 1 times the percentage of fourth graders making medium or high growth on the reading MCA, averaged across the previous three test administrations.

Integration Aid – The current integration rule remains in effect with no sunset. However, the current integration aid funding formula remains in place only for FY 2012 and FY 2013. The integration revenue statute is repealed in FY 2014, and the base appropriation for a new program is established for FY 2014 and FY 2015. The Commissioner of Education will convene a 12-member Integration Revenue Replacement Advisory Task Force to develop recommendations for repurposing integration revenue funds to create and sustain opportunities for students to achieve improved educational outcomes.

Property Tax Revenue Recognition Change (Tax Shift) – Beginning in FY 2011, 48.6 percent of property taxes levied for the next school year will be recognized as revenue in the current year, and state aids will be reduced by that same amount. The shift calculation was changed to use gross levies before state tax credits are deducted. Shifted amounts will be repaid (decreased) when the state attains certain specific financial goals, and the aid payment schedule is restored to 90–10.

Homestead Market Value Credit – The homestead market value credit, which reduces the property taxes spread to homestead property based on net tax capacity and replaces it with state aid, is repealed effective for taxes payable in 2012. To help neutralized the impact of the credit repeal on homeowners, a portion of each homestead taxpayer's market value will be excluded in determining the property's net tax capacity for determining net tax capacity-based taxes. The exclusion starts at 40 percent of the value for homes valued up to \$76,000, and is gradually reduced as the home value increases, phasing out completely for homes valued over \$413,800.

Career and Technical Levy – Beginning with taxes payable in 2012, this levy is increased to the greater of \$80 times the District's ADM in Grades 9 through 12, or 35 percent of approved expenditures (instead of the lesser of \$80 times the District's ADM in Grades 10 through 12, or 25 percent of approved expenditures).

Fund Transfers – For FY 2012 and FY 2013 only, school districts are authorized to transfer any money from one fund or account to another, excluding transfers from the food service or community service funds, as long as the transfer does not increase state aid obligations or increase local property taxes. School boards may only approve such transfers after they have adopted a resolution stating that the transfer will not diminish instructional opportunities for students.

PERA and TRA Rates – Contribution rates for employers and employees of the PERA Coordinated Plan increase by 0.25 percent effective January 1, 2011. Contribution rates for employers and employees for both the TRA Basic and Coordinated Plans increase by 0.5 percent each year through FY 2015. There is no additional aid to help fund these increases.

Minnesota Department of Education Budget – The MDE budget has been reduced by 5.0 percent annually for FY 2012 and FY 2013.

INDEPENDENT SCHOOL DISTRICT NO. 832
MAHTOMEDI, MINNESOTA

Financial Report

Year Ended
June 30, 2011

PRELIMINARY

INDEPENDENT SCHOOL DISTRICT NO. 832

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INDEPENDENT SCHOOL DISTRICT NO. 832

School Board and Administration
as of June 30, 2011

SCHOOL BOARD

	<u>Term Expires</u>	<u>Position</u>
Kevin Donovan	January 5, 2015	Chairperson
Cathy Dalton	January 5, 2015	Clerk / Vice Chair
Mary Jo Deters	January 7, 2013	Treasurer
Robert Donohoe	January 5, 2015	Director
Judith Schwartz	January 7, 2013	Director
Steven Wolgamot	January 7, 2013	Director

ADMINISTRATION

Mark Larson
Denise Sundstrom

Superintendent of Schools
Director of Business Services

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the School Board of
Independent School District No. 832
Mahtomedi, Minnesota

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 832, Mahtomedi, Minnesota (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2011, and the respective changes in financial position, and the budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 of the notes to basic financial statements, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" during the year ended June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 8, 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, 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.

(continued)

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

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

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

November 8, 2011

INDEPENDENT SCHOOL DISTRICT NO. 832

Management's Discussion and Analysis Fiscal Year Ended June 30, 2011

This section of Independent School District No. 832, Mahtomedi, Minnesota's (the District) annual financial report presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2011. Please read it in conjunction with the other components of the District's annual financial report.

FINANCIAL HIGHLIGHTS

- The District's total net assets of governmental activities increased by \$1,202,199, resulting in total net assets of \$10,611,671 as of June 30, 2011.
- The District's long-term bonds payable increased by \$42,105,000. New bonded debt of \$45,000,000 was issued for school building projects in fiscal 2011. Principal payments on existing bonded debt totaled \$2,895,000.
- The District's General Fund unassigned fund balance increased from \$2,224,000 to \$3,473,433 during fiscal year 2011. This balance is in compliance with the School Board's fund balance policy, which requires a minimum unassigned fund balance of at least 8 percent of expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-Wide Statements

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

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

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

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

Fund Financial Statements

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

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

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

The District maintains the following kinds of funds:

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

Fiduciary Funds – The District is the trustee, or fiduciary, for assets that belong to others. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations. 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. 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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

	<u>2011</u>	<u>2010</u>
Assets		
Current and other assets	\$ 67,108,741	\$ 30,167,819
Capital assets, net of depreciation	<u>37,130,422</u>	<u>27,901,134</u>
Total assets	<u>\$ 104,239,163</u>	<u>\$ 58,068,953</u>
Liabilities		
Current and other liabilities	\$ 15,108,241	\$ 12,446,135
Long-term liabilities, including due within one year	<u>78,519,251</u>	<u>36,213,346</u>
Total liabilities	<u>\$ 93,627,492</u>	<u>\$ 48,659,481</u>
Net assets		
Invested in capital assets, net of related debt	\$ 4,930,599	\$ 9,800,014
Restricted	1,851,917	1,870,232
Unrestricted	<u>3,829,155</u>	<u>(2,260,774)</u>
Total net assets	<u>\$ 10,611,671</u>	<u>\$ 9,409,472</u>

The District's financial position is the product of many factors. For example, the determination of the District's investment in capital assets, net of related debt involves many assumptions and estimates, such as current and accumulated depreciation amounts. A conservative versus liberal approach to depreciation estimates, as well as capitalization policies, will produce a significant difference in the calculated amounts. The other major factor in determining net assets as compared to fund balances is the liability for severance benefits and compensated absences, which are basically unfunded. This impacts the unrestricted portion of net assets.

The District's total net assets increased by \$1,202,199 during the year ended June 30, 2011. Most of this increase is directly related to the increase in fund balance in the current year in the General Fund.

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

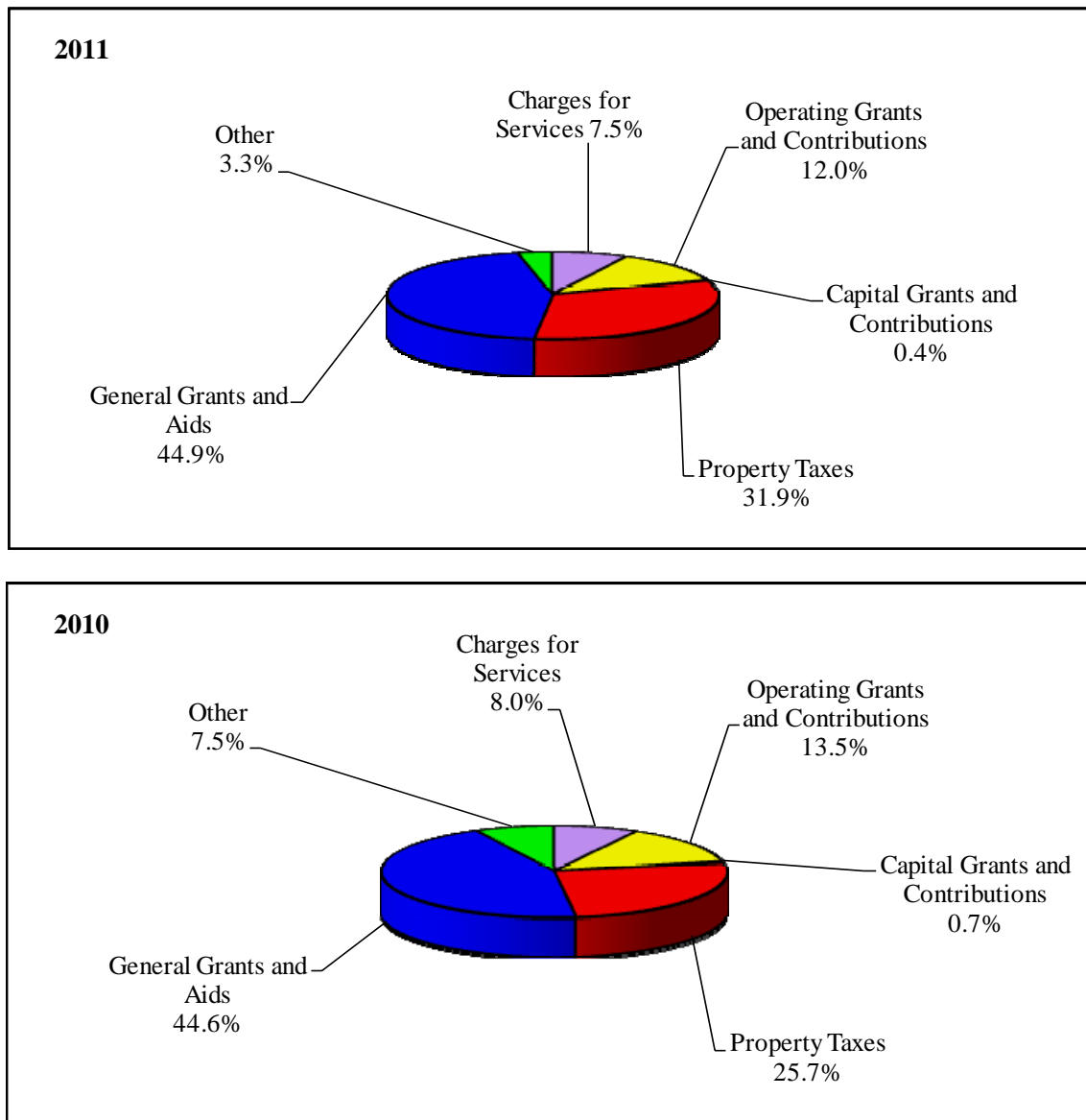
	2011	2010
Revenues		
Program revenues		
Charges for services	\$ 3,005,699	\$ 3,101,633
Operating grants and contributions	4,795,505	5,250,300
Capital grants and contributions	147,291	286,878
General revenues		
Property taxes	12,792,932	9,986,478
General grants and aids	17,941,558	17,289,223
Other	1,347,540	2,897,470
Total revenues	40,030,525	38,811,982
Expenses		
Administration	1,421,436	1,638,004
District support services	1,084,293	898,413
Elementary and secondary regular instruction	15,650,000	16,028,266
Vocational education instruction	554,901	742,237
Special education instruction	5,622,043	5,529,642
Instructional support services	1,207,740	1,545,304
Pupil support services	2,210,751	2,190,463
Sites and buildings	3,325,449	3,203,254
Fiscal and other fixed cost programs	78,236	187,440
Food service	1,365,723	1,298,815
Community service	1,925,624	2,048,080
Depreciation not included in other functions	811,651	831,300
Interest and fiscal charges on debt	3,570,479	1,266,324
Total expenses	38,828,326	37,407,542
Change in net assets	1,202,199	1,404,440
Net assets – beginning	9,409,472	8,005,032
Net assets – ending	\$ 10,611,671	\$ 9,409,472

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

The increase in property taxes is due to the recognition of the property tax shift in fiscal 2011 of \$2,490,126. General grants and aids are higher than in 2010 because there was no offset to general education aid for the federal stimulus.

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

Figure A – Sources of Revenues for Fiscal Years 2011 and 2010

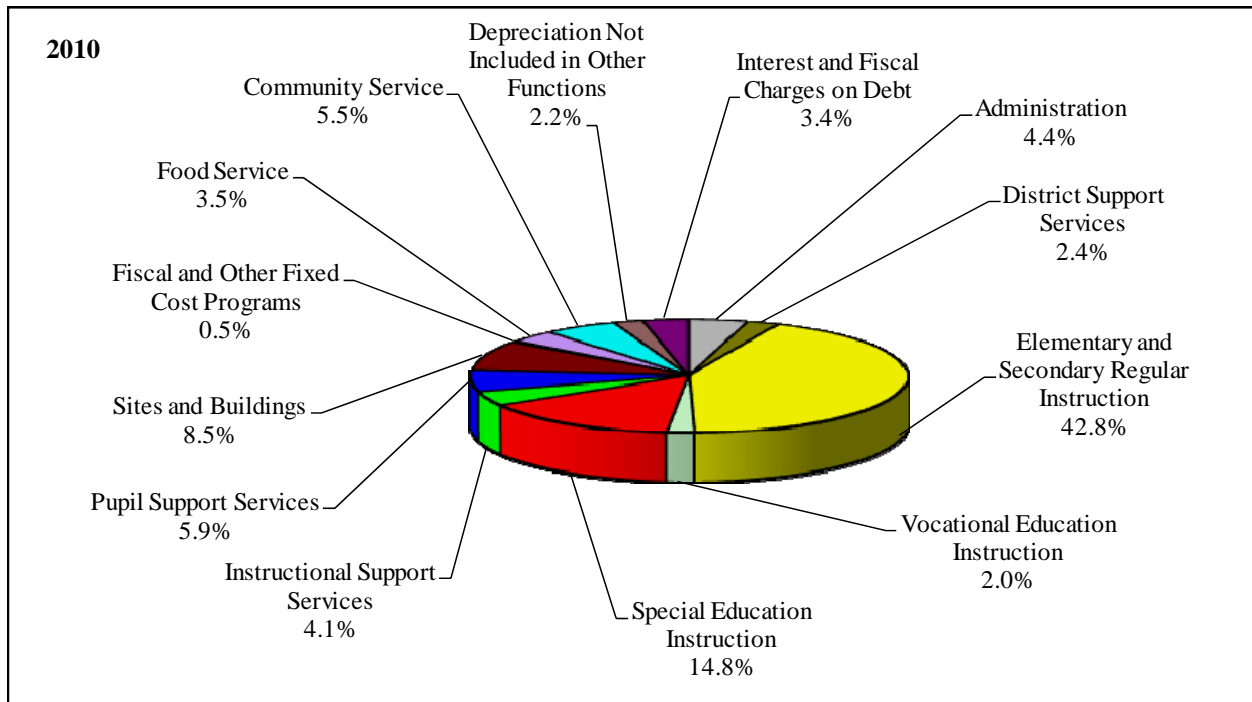
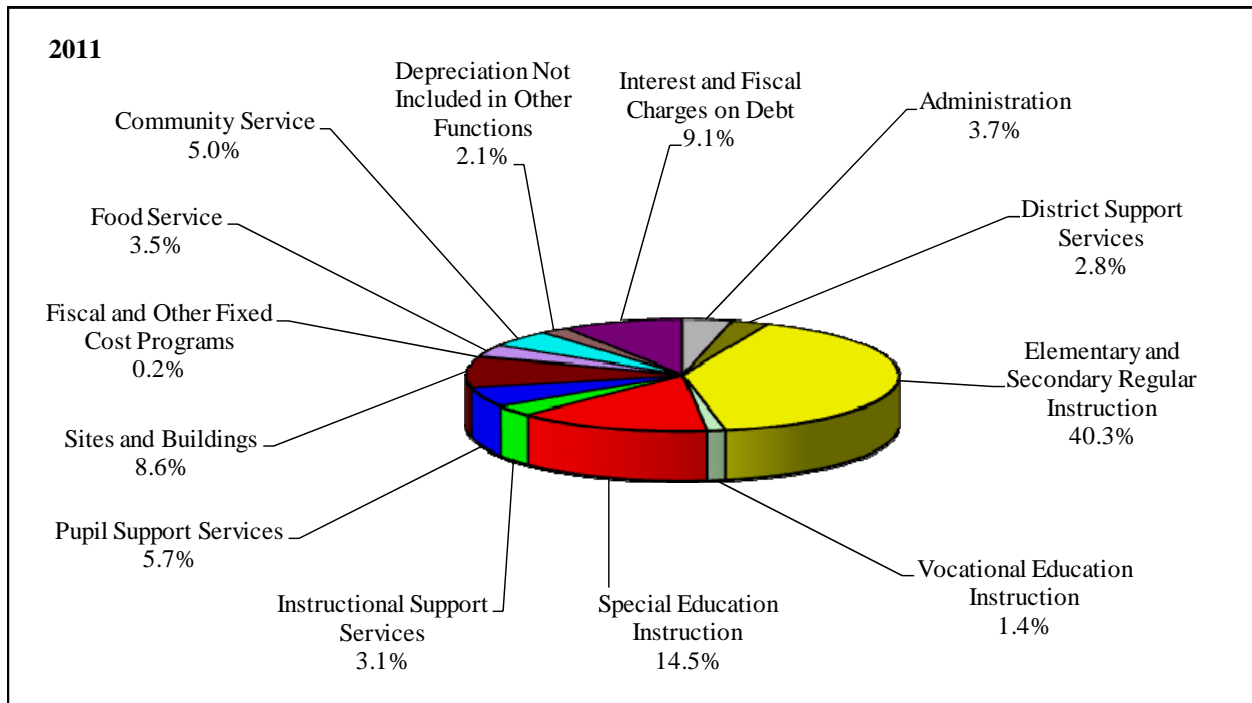


The largest share of the District’s revenue is received from the state, including the aid formula and most of the capital and operating grants. This significant reliance on the state for funding has placed tremendous pressure on local school districts as a result of limited increases in the state general education formula and an increase in the sharing of some formulas with equalized property tax increases.

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

The proportionate share of district revenue from these two sources changed significantly from fiscal 2010 to fiscal 2011, due to a large increase in the “tax shift.” The tax shift is an accounting tool used to balance the state budget, whereby districts recognize cash collections for the subsequent year’s property tax levy as current year revenue, and the state reduces aid payments to districts by an equal amount.

Figure B – Expenses for Fiscal Years 2011 and 2010



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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease)</u>
Major funds			
General	\$ 5,616,421	\$ 4,268,053	\$ 1,348,368
Capital Projects – Building Construction	33,806,722	–	33,806,722
Debt Service			
Regular	10,335,534	10,298,288	37,246
Other post-employment benefits	12,113	–	12,113
Nonmajor funds			
Food Service Special Revenue	456,985	442,159	14,826
Community Service Special Revenue	<u>223,230</u>	<u>179,031</u>	<u>44,199</u>
 Total governmental funds	 <u>\$ 50,451,005</u>	 <u>\$ 15,187,531</u>	 <u>\$ 35,263,474</u>

Table 3 shows the changes in fund balances by each governmental fund. The increase in the General Fund balance was partially related to a planned increase in the adopted budget and a combination of revenues being slightly above projected amounts, and expenditures being slightly below budgeted amounts. The Capital Projects – Building Construction Fund balance increased due to the current year issuance of the general obligation school building bonds in fiscal 2011.

General Fund

The General Fund is used to account for all revenues and expenditures of the District not accounted for elsewhere. The General Fund is used to account for: K–12 educational activities, district instructional and student support programs, expenditures for the superintendent, district administration, normal operations and maintenance, pupil transportation, capital expenditures, and other legal school district expenditures not specifically designated to be accounted for in any other fund.

Table 4 summarizes the amendments to the General Fund budget:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Revenue	<u>\$ 31,569,987</u>	<u>\$ 31,892,147</u>	<u>\$ 322,160</u>	<u>1.0%</u>
Expenditures	<u>\$ 31,519,216</u>	<u>\$ 31,407,091</u>	<u>\$ (112,125)</u>	<u>(0.4%)</u>

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

Table 5 summarizes the operating results of the General Fund:

	<u>2011</u>	<u>Over (Under) Final Budget</u>		<u>Over (Under) Prior Year</u>	
		<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Revenue	\$ 32,357,535	\$ 465,388	1.5%	\$ 264,285	0.8%
Expenditures	(31,009,167)	\$ 397,924	1.3%	\$ (635,331)	(2.0%)
Other financing sources (uses)	<u>–</u>	\$ –	N/A	\$ (1,500)	(100.0%)
Net change in fund balances	<u>\$ 1,348,368</u>				
N/A – Not Available					

Total General Fund revenues for 2011 were \$32,357,535, an increase of \$264,285 from the prior year and \$465,388 over budgeted amounts. General Fund revenue was over budgeted amounts primarily due to special education aid exceeding projected amounts.

General Fund expenditures for 2011 were \$31,009,167, a decrease of \$635,331 from the prior year and \$397,924 less than budgeted amounts. The most notable area where expenditures were under budgeted amounts includes expenditures for sites and buildings, which were lower than budget by about \$150,000. Expenditure reductions of \$985,000 were implemented for fiscal 2011. This included the high school and middle school schedule changes, Mahtomedi Learning Center moving to Northeast Metropolitan Intermediate School District No. 916, and other staffing reductions.

Comments on Significant Activities in Other Funds

The Food Service Special Revenue Fund balance increased \$14,826 in fiscal 2010. The fund balance at the end of the fiscal year was \$456,985, or 32.8 percent, of current year expenditures. This year was the seventh year of a successful joint powers agreement for food service with Stillwater Area Schools.

The Community Service Special Revenue Fund balance increased \$44,199 to a balance of \$223,230, or 11.6 percent, of expenditures. Reductions in community service staff and programs resulted in a positive variance in revenue over expenditures in fiscal 2011. The last time there was a positive variance in this fund was in fiscal 2002.

The Capital Projects – Building Construction Fund balance increased \$33.8 million due to the issuance of debt and the planned school building construction in the current fiscal year.

The Debt Service Fund balance increased \$49,359, which is the result of required debt levies exceeding expenditure amounts.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

Table 6 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ending June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>	Increase (Decrease)
Land	\$ 1,571,466	\$ 1,571,466	\$ -
Construction in progress	9,794,388	-	9,794,388
Buildings	37,197,609	37,197,609	-
Land improvements	3,992,115	4,276,559	(284,444)
Furniture and equipment	2,125,179	1,687,425	437,754
Less accumulated depreciation	<u>(17,550,335)</u>	<u>(16,831,925)</u>	<u>(718,410)</u>
Total	<u>\$ 37,130,422</u>	<u>\$ 27,901,134</u>	<u>\$ 9,229,288</u>
Depreciation expense	<u>\$ 1,020,349</u>	<u>\$ 1,004,640</u>	<u>\$ 15,709</u>

The District's \$9.2 million of capital asset additions in fiscal 2011 relate to building construction from the recently approved bond issue.

Long-Term Liabilities

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

	<u>2011</u>	<u>2010</u>	Increase (Decrease)
General obligation bonds payable	\$ 76,735,685	\$ 34,116,540	\$ 42,619,145
Net (discount) premium	706,577	884,983	(178,406)
Certificates of participation payable	740,000	895,000	(155,000)
Severance benefits payable	140,426	145,354	(4,928)
Compensated absences payable	<u>196,563</u>	<u>171,469</u>	<u>25,094</u>
Total	<u>\$ 78,519,251</u>	<u>\$ 36,213,346</u>	<u>\$ 42,305,905</u>

New bond issues of \$45 million and principal payments of \$3.1 million caused long-term liabilities to increase significantly.

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

District’s market value	\$ 1,996,489,800
Limit rate	<u>15.0%</u>
Legal debt limit	<u><u>\$ 299,473,470</u></u>

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

FACTORS BEARING ON THE DISTRICT’S FUTURE

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

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The basic general education formula allowance for Minnesota school districts remained stable in fiscal year 2011 at \$5,124 per pupil. The Legislature has added \$50 per pupil to the formula each of the next two fiscal years, which is the first increase in basic general education aid since fiscal year 2009. A weakened economy and growing demand on limited resources continue to present challenges in funding education for Minnesota schools. The District continues to utilize sophisticated enrollment and financial planning tools, along with detailed and conservative budgeting and budget monitoring processes. The District will continue to seek all available sources of funding, respond to enrollment changes, balance revenues to expenditures, and maintain systems that ensure financial stability.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the resources it receives and utilizes. Should you have questions about this report or need additional information, please contact Denise Sundstrom, Director of Business Services (phone (651) 407–2000), Independent School District No. 832, 1520 Mahtomedi Avenue, Mahtomedi, Minnesota 55115.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 832

Statement of Net Assets
as of June 30, 2011

	<u>Governmental Activities</u>
Assets	
Cash and temporary investments	\$ 40,799,038
Receivables	
Current taxes	6,096,469
Delinquent taxes	406,314
Accounts and interest receivable	233,067
Due from other governmental units	7,194,443
Inventory	9,044
Prepaid items	15,924
Negative net other post-employment benefits obligation	2,741,397
Restricted assets – temporarily restricted	
Cash and investments for debt service	9,613,045
Capital assets	
Not depreciated	11,365,854
Depreciated, net of accumulated depreciation	25,764,568
Total capital assets, net of accumulated depreciation	<u>37,130,422</u>
Total assets	<u>\$ 104,239,163</u>
Liabilities	
Salaries payable	\$ 85,707
Accounts and contracts payable	4,635,307
Accrued interest payable	1,425,842
Due to other governmental units	268,471
Property taxes levied for subsequent year	8,400,088
Unearned revenue	292,826
Long-term liabilities	
Due within one year	3,391,563
Due in more than one year	75,127,688
Total long-term liabilities	<u>78,519,251</u>
Total liabilities	93,627,492
Net assets	
Invested in capital assets, net of related debt	4,930,599
Restricted for	
Capital asset acquisition	181,999
Food service	456,985
Community service	230,136
Other purposes (state funding restrictions)	982,797
Unrestricted	3,829,155
Total net assets	<u>10,611,671</u>
Total liabilities and net assets	<u>\$ 104,239,163</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 832

Statement of Activities
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities					
Administration	\$ 1,421,436	\$ -	\$ -	\$ -	\$ (1,421,436)
District support services	1,084,293	-	-	-	(1,084,293)
Elementary and secondary regular instruction	15,650,000	251,679	1,187,956	-	(14,210,365)
Vocational education instruction	554,901	-	4,457	-	(550,444)
Special education instruction	5,622,043	8,065	3,155,016	-	(2,458,962)
Instructional support services	1,207,740	-	-	-	(1,207,740)
Pupil support services	2,210,751	-	81,083	-	(2,129,668)
Sites and buildings	3,325,449	65,348	-	147,291	(3,112,810)
Fiscal and other fixed cost programs	78,236	-	-	-	(78,236)
Food service	1,365,723	1,106,562	299,847	-	40,686
Community service	1,925,624	1,574,045	67,146	-	(284,433)
Depreciation not included in other functions	811,651	-	-	-	(811,651)
Interest and fiscal charges	3,570,479	-	-	-	(3,570,479)
Total governmental activities	\$ 38,828,326	\$ 3,005,699	\$ 4,795,505	\$ 147,291	(30,879,831)
General revenue					
Taxes					
Property taxes, levied for general purposes					8,815,494
Property taxes, levied for community service					420,166
Property taxes, levied for debt service					3,557,272
General grants and aids					17,941,558
Other general revenues					1,110,591
Investment earnings					236,949
Total general revenue					32,082,030
					Change in net assets
					1,202,199
					Net assets – beginning
					9,409,472
					Net assets – ending
					\$ 10,611,671

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 832

Balance Sheet
Governmental Funds
as of June 30, 2011

	<u>General Fund</u>	<u>Capital Projects -- Building Construction Fund</u>	<u>Debt Service Fund</u>
Assets			
Cash and temporary investments	\$ —	\$ 37,089,840	\$ 3,297,029
Cash and investments held by trustee	237,366	—	9,375,679
Receivables			
Current taxes	3,295,790	—	2,660,889
Delinquent taxes	256,799	—	137,626
Accounts and interest	77,786	120,739	34,113
Due from other funds	—	—	—
Due from other governmental units	7,125,194	—	18,344
Inventory	—	—	—
Prepaid items	11,999	—	—
	<u>\$ 11,004,934</u>	<u>\$ 37,210,579</u>	<u>\$ 15,523,680</u>
Liabilities and Fund Balances			
Liabilities			
Salaries payable	\$ 57,898	\$ —	\$ —
Accounts and contracts payable	1,058,928	3,403,857	—
Due to other funds	531,808	—	—
Due to other governmental units	170,999	—	—
Property taxes levied for subsequent year	3,166,201	—	5,097,173
Unearned revenue	254,505	—	—
Deferred revenue	148,174	—	78,860
Total liabilities	<u>5,388,513</u>	<u>3,403,857</u>	<u>5,176,033</u>
Fund balances			
Nonspendable	11,999	—	—
Restricted	1,164,796	33,806,722	10,347,647
Assigned	966,193	—	—
Unassigned	3,473,433	—	—
Total fund balances	<u>5,616,421</u>	<u>33,806,722</u>	<u>10,347,647</u>
	<u>\$ 11,004,934</u>	<u>\$ 37,210,579</u>	<u>\$ 15,523,680</u>

See notes to basic financial statements

<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
\$ 412,169	\$ 40,799,038
-	9,613,045
139,790	6,096,469
11,889	406,314
429	233,067
531,808	531,808
50,905	7,194,443
9,044	9,044
3,925	15,924
<u>\$ 1,159,959</u>	<u>\$ 64,899,152</u>

\$ 27,809	\$ 85,707
172,522	4,635,307
-	531,808
97,472	268,471
136,714	8,400,088
38,321	292,826
6,906	233,940
479,744	14,448,147

12,969	24,968
667,246	45,986,411
-	966,193
-	3,473,433
680,215	50,451,005
<u>\$ 1,159,959</u>	<u>\$ 64,899,152</u>

INDEPENDENT SCHOOL DISTRICT NO. 832

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

Total fund balances – governmental funds \$ 50,451,005

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets are included in net assets, but are excluded from fund balances because they do not represent financial resources.

Cost of capital assets	54,680,757
Accumulated depreciation	(17,550,335)

Long-term liabilities are included in net assets, but are excluded from fund balances until due and payable. Debt issuance premiums and discounts are excluded from net assets until amortized, but are included in fund balances upon issuance as other financing sources and uses.

General obligation bonds	(78,360,000)
Net discount (premium)	917,738
Certificates of participation	(740,000)
Compensated absences	(196,563)
Severance	(140,426)

Net other post-employment benefit obligations reported in the Statement of Net Assets do not require the use of current financial resources and are not reported as assets (liabilities) in governmental funds until actually due.

2,741,397

Accrued interest payable is included in net assets, but is excluded from fund balances until due and payable.

(1,425,842)

Certain revenues (including delinquent property taxes) are included in net assets, but are excluded from fund balances until they are available to liquidate liabilities of the current period.

233,940

Total net assets – governmental activities

\$ 10,611,671

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 832

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended June 30, 2011

	<u>General Fund</u>	<u>Capital Projects – Building Construction Fund</u>	<u>Debt Service Fund</u>
Revenue			
Local sources			
Property taxes	\$ 8,822,194	\$ –	\$ 3,556,663
Investment earnings	2,988	129,597	103,222
Other	1,392,519	–	451,702
State sources (shifts)	21,062,553	–	61,147
Federal sources	1,077,281	–	–
Total revenue	<u>32,357,535</u>	<u>129,597</u>	<u>4,172,734</u>
Expenditures			
Current			
Administration	1,409,698	–	–
District support services	1,069,135	–	–
Elementary and secondary regular instruction	15,539,417	–	–
Vocational education instruction	554,901	–	–
Special education instruction	5,612,424	–	–
Instructional support services	1,154,102	–	–
Pupil support services	2,199,954	–	–
Sites and buildings	3,187,894	–	–
Fiscal and other fixed cost programs	78,236	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	10,183,487	–
Debt service			
Principal	155,000	–	2,895,000
Interest and fiscal charges	48,406	–	2,353,340
Total expenditures	<u>31,009,167</u>	<u>10,183,487</u>	<u>5,248,340</u>
Excess (deficiency) of revenue over expenditures	1,348,368	(10,053,890)	(1,075,606)
Other financing sources (uses)			
Debt issued	–	43,860,612	1,139,388
Discount on debt issued	–	–	(14,423)
Total other financing sources (uses)	<u>–</u>	<u>43,860,612</u>	<u>1,124,965</u>
Net change in fund balances	1,348,368	33,806,722	49,359
Fund balances			
Beginning of year	<u>4,268,053</u>	<u>–</u>	<u>10,298,288</u>
End of year	<u>\$ 5,616,421</u>	<u>\$ 33,806,722</u>	<u>\$ 10,347,647</u>

See notes to basic financial statements

<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
\$ 420,456	\$ 12,799,313
1,142	236,949
2,712,735	4,556,956
(10,254)	21,113,446
252,961	1,330,242
<u>3,377,040</u>	<u>40,036,906</u>
–	1,409,698
–	1,069,135
–	15,539,417
–	554,901
–	5,612,424
–	1,154,102
–	2,199,954
–	3,187,894
–	78,236
1,326,833	1,326,833
1,891,880	1,891,880
99,302	10,282,789
–	3,050,000
–	2,401,746
<u>3,318,015</u>	<u>49,759,009</u>
59,025	(9,722,103)
–	45,000,000
–	(14,423)
–	<u>44,985,577</u>
59,025	35,263,474
<u>621,190</u>	<u>15,187,531</u>
<u>\$ 680,215</u>	<u>\$ 50,451,005</u>

INDEPENDENT SCHOOL DISTRICT NO. 832

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2011

Total net change in fund balances – governmental funds \$ 35,263,474

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

Capital outlays are recorded as net assets and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.

Capital outlays	10,352,740
Depreciation expense	(1,020,349)

A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net assets. However, only the sale proceeds are included in the change in fund balances.

(103,103)

The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.

(45,000,000)

Repayment of long-term debt does not affect the change in net assets. However, it reduces fund balances.

General obligation bonds	2,895,000
Certificates of participation	155,000

Interest on long-term debt is included in the change in net assets as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.

(818,571)

Debt issuance premiums, discounts, and issuance costs are included in the change in net assets as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.

(335,739)

Certain expenses are included in the change in net assets, but do not require the use of current funds, and are not included in the change in fund balances.

Compensated absences payable	(25,094)
Severance benefits payable	4,928
Net other post-employment benefits obligation	(159,706)

Certain revenues (including delinquent property taxes) are included in the change in net assets, but are excluded from the change in fund balances until they are available to liquidate liabilities of the current period.

(6,381)

Change in net assets – governmental activities \$ 1,202,199

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 832

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 General Fund
 Year Ended June 30, 2011

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Property taxes	\$ 6,364,714	\$ 8,725,547	\$ 8,822,194	\$ 96,647
Investment earnings	25,000	10,000	2,988	(7,012)
Other	1,328,000	1,416,724	1,392,519	(24,205)
State sources	22,735,671	20,651,662	21,062,553	410,891
Federal sources	1,116,602	1,088,214	1,077,281	(10,933)
Total revenue	<u>31,569,987</u>	<u>31,892,147</u>	<u>32,357,535</u>	<u>465,388</u>
Expenditures				
Current				
Administration	1,450,134	1,439,088	1,409,698	(29,390)
District support services	1,058,760	1,061,114	1,069,135	8,021
Elementary and secondary regular instruction	16,011,887	15,730,264	15,539,417	(190,847)
Vocational education instruction	633,559	555,902	554,901	(1,001)
Special education instruction	5,266,212	5,635,100	5,612,424	(22,676)
Instructional support services	1,117,015	1,130,617	1,154,102	23,485
Pupil support services	2,235,565	2,235,580	2,199,954	(35,626)
Sites and buildings	3,329,678	3,337,020	3,187,894	(149,126)
Fiscal and other fixed cost programs	213,000	79,000	78,236	(764)
Debt service				
Principal	155,000	155,000	155,000	-
Interest	48,406	48,406	48,406	-
Total expenditures	<u>31,519,216</u>	<u>31,407,091</u>	<u>31,009,167</u>	<u>(397,924)</u>
Net change in fund balances	<u>\$ 50,771</u>	<u>\$ 485,056</u>	<u>1,348,368</u>	<u>\$ 863,312</u>
Fund balances				
Beginning of year			<u>4,268,053</u>	
End of year			<u>\$ 5,616,421</u>	

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 832

Statement of Fiduciary Net Assets
Fiduciary Funds
as of June 30, 2011

	Post-Employment Benefits Trust Fund	Private-Purpose Trust Fund
Assets		
Cash and temporary investments	\$ —	\$ 4,650
Investments		
Certificates of deposit	1,112,400	—
Government agency securities	1,442,514	—
Money markets	352,747	—
Accounts and interest receivable	32,364	—
Total assets	<u>2,940,025</u>	<u>4,650</u>
Net assets		
Held in trust for scholarships	—	4,650
Held in trust for other post-employment benefits	<u>2,940,025</u>	<u>—</u>
	<u>\$ 2,940,025</u>	<u>\$ 4,650</u>

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

	Post-Employment Benefits Trust Fund	Private-Purpose Trust Fund
Additions		
Contributions		
Employer	\$ 63,744	\$ —
Investment earnings	62,395	—
Total additions	<u>126,139</u>	<u>—</u>
Deductions		
Other private-purpose expenses	—	476
Benefits paid to plan members	127,695	—
Total deductions	<u>127,695</u>	<u>476</u>
Change in net assets	(1,556)	(476)
Net assets		
Beginning of year	<u>2,941,581</u>	<u>5,126</u>
End of year	<u>\$ 2,940,025</u>	<u>\$ 4,650</u>

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 832

Notes to Basic Financial Statements
June 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 832, Mahtomedi, Minnesota (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a six-member School Board elected by voters of the District to serve four-year terms. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

The accompanying financial statements include all funds, departments, agencies, boards, commissions, and other organizations that comprise the District, along with any component units.

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

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, the District's School Board can elect to either control or not control extracurricular student activities. The District's School Board has elected to control and be financially accountable with respect to the underlying extracurricular activities. Accordingly, the extracurricular student activity accounts are included in these financial statements.

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Assets and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The fiduciary funds are only reported in the Statement of Fiduciary Net Assets at the fund financial statement level. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. For capital assets that can be specifically identified with or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. For capital assets that essentially serve all functional areas, depreciation expense is reported as “depreciation not allocated to other functions.” Interest on debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type: pension (or other benefit), trust, private-purpose trust, and agency. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide statements.

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

1. **Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are generally considered as available if collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.
2. **Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt, compensated absences, severance, other post-employment health benefits, and other long-term liabilities, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

Trust fund financial statements are reported using the economic resources measurement focus. All fiduciary funds use the accrual basis of accounting as described earlier in these notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Funds

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

Major Governmental Funds

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

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

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and payment of general obligation debt principal, interest, and related costs. The regular debt service account is used for all general obligation debt service except for the financial activities of the other post-employment benefits (OPEB) Debt Service Account. The OPEB Debt Service Account is used to pay principal, interest, and related costs on the 2009A taxable OPEB bond issue.

Nonmajor Governmental Funds

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is used primarily to record financial activities of the District’s child nutrition program.

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

Fiduciary Funds

Private-Purpose Trust Fund – The Private-Purpose Trust Fund is used to account for resources held in trust to be used by various other third parties to award scholarships to students and for other purposes for which the resources are being held.

Post-Employment Benefits Trust Fund – The Post-Employment Benefits Trust Fund is used to administer resources received and held by the District as the trustee for others. The Post-Employment Benefits Trust Fund includes assets held in an irrevocable trust to fund post-employment insurance benefits of eligible employees.

E. Budgetary Information

The budget for each fund is prepared on the same basis of accounting as the financial statements. Legal budgetary control is at the fund level. Budgeted expenditure appropriations lapse at year-end. Each June, the School Board adopts an annual budget for the following fiscal year for all governmental funds except the Capital Projects – Building Construction Fund. Budgetary controls for the Capital Project – Building Construction Fund are accomplished through the use of project controls.

Food Service Special Revenue Fund, Community Service Special Revenue Fund, and Debt Service Fund expenditures exceeded final budgeted appropriations by \$64,175, \$12,031, and \$1,565,399, respectively, for the year ended June 30, 2011.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Temporary Investments

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

Cash and investments held by trustee include balances held in segregated accounts that are established for specific purposes. In the General Fund and Debt Service Fund, escrow accounts are established for cash and investments held for debt service related to the issuance of certificates of participation and refunding bonds. Interest earned in these trust accounts are allocated directly to the fund for which it applies.

In the Post-Employment Benefits Trust Fund, investments reported at fair value are deposited by the District in an irrevocable trust account, the use of which is restricted to paying other post-employment health insurance benefits as specified in the trust agreement. Interest earned in these trust accounts is allocated directly to these funds.

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

G. Receivables

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

H. Inventories

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

I. Prepaid Items

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

J. Interfund Balances

All outstanding balances between funds that are not lending or borrowing arrangements are reported as "due to/from other funds." Interfund balances are reported in the fund financial statements, but are eliminated in the government-wide financial statements. At June 30, 2011, the General Fund had a payable of \$531,808 to the Food Service Special Revenue Fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the “tax shift,” which periodically changes the District’s recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year’s levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes \$3,270,946 of the property tax levy collectible in 2011 as revenue to the District in fiscal year 2010–2011. The remaining portion of the taxes collectible in 2011 is recorded as unearned revenue (property taxes levied for subsequent year).

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

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

L. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair market value at the date of donation. The District defines capital assets as those with an initial, individual cost of \$2,500 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

The District does not possess any material amounts of infrastructure capital assets, such as sidewalks or parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. If material, bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds using the straight-line method.

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

N. Compensated Absences Payable

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

O. Severance Benefits

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

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

P. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which it carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal year 2011.

Q. Use of Estimates

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Net Assets

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

- **Invested in Capital Assets, Net of Related Debt** – Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- **Restricted Net Assets** – Consists of net assets restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- **Unrestricted Net Assets** – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

S. Fund Balance Classifications

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

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
- **Committed** – Consists of internally imposed constraints that are established by resolution of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to School Board resolution, the Director of Business Services is authorized to establish assignments of fund balance.
- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Change in Accounting Principle

For the year ended June 30, 2011, the District has implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The District is implementing this standard retroactively, meaning prior year fund balance classifications have been restated. More information on these fund balance classifications is included elsewhere in these notes.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	\$ 22,439,239
Investments	<u>30,885,155</u>
Total	<u><u>\$ 53,324,394</u></u>

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

Statement of Net Assets	
Cash and temporary investments	\$ 40,799,038
Restricted assets – temporarily restricted	
Cash and investments for debt service	9,613,045
Statement of Fiduciary Net Assets	
Cash and temporary investments	
Private-Purpose Trust Fund	4,650
Investments	
Post-Employment Benefits Trust Fund	<u>2,907,661</u>
Total	<u><u>\$ 53,324,394</u></u>

B. Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the District’s School Board.

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

The District’s deposit policy does not further limit depository choices.

At year-end, the carrying amount of the District’s deposits was \$22,439,239 while the balance on the bank records was \$25,145,636. At June 30, 2011, all deposits were fully covered by federal depository insurance, surety bonds, or by collateral held by the District’s agent in the District’s name.

C. Investments

The District has the following investments at year-end:

Investment Type	Credit Risk		Interest Risk – Maturity Duration in Years			Total
	Credit Rating	Rating Agency	Less Than 1	1 to 5	5 to 10	
U.S. treasury securities	N/A	N/A	\$ 150,118	\$ 9,225,230	\$ –	\$ 9,375,348
U.S. government securities	AAA	S&P	\$ 990,126	\$ 4,745,167	\$ –	5,735,293
Local government obligations	AAA	S&P	\$ –	\$ 706,153	\$ –	706,153
Local government obligations	Aa2	Moody’s	\$ 1,401,793	\$ –	\$ –	1,401,793
Local government obligations	Aa1	Moody’s	\$ –	\$ 490,020	\$ –	490,020
Local government obligations	Aaa	Moody’s	\$ 1,436,771	\$ –	\$ –	1,436,771
Local government obligations	AA-	S&P	\$ 511,025	\$ –	\$ –	511,025
Local government obligations	Aa3	Moody’s	\$ 482,084	\$ –	\$ –	482,084
Negotiable certificates of deposit	N/A	N/A	\$ 249,063	\$ 738,612	\$ –	987,675
Investment pools/mutual funds						
Minnesota School District Liquid Asset Fund						
Liquid portfolio	AAAm	S&P	N/A	N/A	N/A	1,157,298
First American Treasury Obligation Fund	Aaa	Moody’s	N/A	N/A	N/A	237,366
MNTrust Investment Shares Portfolio	Aaa	Moody’s	N/A	N/A	N/A	8,364,329
Total						<u>\$30,885,155</u>

N/A – Not Applicable
N/R – Not Rated

The Minnesota School District Liquid Asset Fund (MSDLAF) and the MNTrust Investment Shares Portfolio (MNTrust) are regulated by Minnesota Statutes and are external investment pools not registered with the Securities Exchange Commission (SEC) that follow the same regulatory rules of the SEC under rule 2a7. The District’s investment in the MSDLAF and the MNTrust is measured at the net asset value per share provided by the pools, which is based on an amortized cost method that approximates fair value.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

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

Concentration Risk – This is the risk associated with investing a significant portion of the District’s investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds.

The District’s investment policy states that the District will diversify use of investment instruments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities. The maximum percent of the District’s portfolio in any instrument is as follows:

U.S. treasury obligations (bills, notes, and bonds)	100%
U.S. government agency securities and instrumentalities of government-sponsored corporations	100%
Bankers’ acceptances (Ba)	75%
Commercial paper – prime (C)	75%
Repurchase agreements (Repos)	50%
Certificates of deposit (CDs)	75%
Local government investment pool	100%

Also, no more than 50 percent of the total portfolio will be with any one instrument.

At June 30, 2011, the District’s investment portfolio includes the following percentages of specific issuers:

Federal Home Loan Bank	15.4%
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NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The District’s investment policy includes limits on investment maturities as a means of managing its exposure to fair value arising from increasing interest rates.

Other Post-Employment Benefits (OPEB) Trust Fund – This fund represents investments administered by the District’s OPEB Trust Fund investment managers. The District’s investment policy, discussed previously, extends to the OPEB Trust Fund investments.

Minnesota Statutes authorize the OPEB Trust Fund to invest in obligations of the U.S. treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the state of Minnesota or its municipalities, bankers’ acceptances, future contracts, corporate bonds, common stock and foreign stock of the highest quality, mutual funds, repurchase and reverse agreements, and commercial paper of the highest quality with a maturity no longer than 270 days and in the State Board of Investments. Investments are stated at fair value.

The OPEB Trust Agreement indicates permitted investments include one or more series of MNTrust shares relating to a separate portfolio of investments, or from multi-class shares of MNTrust within the same portfolio.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance – Beginning of Year	Additions	Deletions	Balance – End of Year
Capital assets, not depreciated				
Land	\$ 1,571,466	\$ –	\$ –	\$ 1,571,466
Construction in progress	–	9,794,388	–	9,794,388
Total capital assets, not depreciated	<u>1,571,466</u>	<u>9,794,388</u>	<u>–</u>	<u>11,365,854</u>
Capital assets, depreciated				
Buildings	37,197,609	–	–	37,197,609
Land improvements	4,276,559	12,500	(296,944)	3,992,115
Furniture and equipment	1,687,425	545,852	(108,098)	2,125,179
Total capital assets, depreciated	<u>43,161,593</u>	<u>558,352</u>	<u>(405,042)</u>	<u>43,314,903</u>
Less accumulated depreciation for				
Buildings	(13,631,471)	(744,434)	–	(14,375,905)
Land improvements	(2,071,213)	(150,649)	219,861	(2,002,001)
Furniture and equipment	(1,129,241)	(125,266)	82,078	(1,172,429)
Total accumulated depreciation	<u>(16,831,925)</u>	<u>(1,020,349)</u>	<u>301,939</u>	<u>(17,550,335)</u>
Net capital assets, depreciated	<u>26,329,668</u>	<u>(461,997)</u>	<u>(103,103)</u>	<u>25,764,568</u>
Total capital assets, net	<u>\$ 27,901,134</u>	<u>\$ 9,332,391</u>	<u>\$ (103,103)</u>	<u>\$ 37,130,422</u>

NOTE 3 – CAPITAL ASSETS (CONTINUED)

Depreciation expense for the year ended June 30, 2011 was charged to the following governmental functions:

District support services	\$ 630
Elementary and secondary regular instruction	13,028
Special education	780
Instructional support services	47,674
Pupil support services	12,830
Sites and buildings	120,830
Food service	12,091
Community education	835
Depreciation not allocated to other functions	<u>811,651</u>
Total depreciation expense	<u>\$ 1,020,349</u>

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

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

Issue	Issue Date	Interest Rate	Original Issue	Final Maturity	Principal Outstanding
General obligation bonds payable					
1995 School Building Bonds	06/01/1995	5.6–6.0%	\$ 5,194,754	02/01/2017	\$ 9,215,000
2002 School Building Bonds	02/01/2002	4.0–5.0%	\$ 12,200,000	02/01/2018	9,980,000
2003 School Building Refunding Bonds	09/18/2003	1.8–4.1%	\$ 3,175,000	02/01/2017	1,795,000
2004A Alternative Facility Bonds	03/10/2004	2.5–4.3%	\$ 780,000	02/01/2024	565,000
General Obligation Taxable OPEB Bonds, Series 2009A	05/05/2009	3.5–5.4%	\$ 3,265,000	02/01/2024	3,085,000
General Obligation School Refunding Bonds, Series 2010A	05/01/2010	4.0–5.0%	\$ 8,720,000	02/01/2018	8,720,000
General Obligation School Building Bonds, Series 2010B (Build America Bonds)	07/26/2010	4.3–5.8%	\$ 45,000,000	02/01/2031	<u>45,000,000</u>
Total general obligation bonds payable					<u>\$ 78,360,000</u>

B. Description of Long-Term Liabilities

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

During fiscal year 2010, the District issued \$8,720,000 of General Obligation Refunding Bonds, Series 2010A, to replace the \$9,035,000 of General Obligation Bonds, Series 2002 (bonds maturing years 2013 through 2018). An escrow account currently holds the proceeds to pay the remainder of the 2002 bonds which will be refunded in 2012. The net present value savings was \$456,785. The District completed the refunding to reduce its debt service payments by \$523,939.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

General Obligation Taxable Other Post-Employment Benefit Bonds – These obligations were issued to finance OPEB. Assets of the OBEP Debt Service Account, together with scheduled deferred ad valorem tax revenue, are dedicated for the retirement of these obligations. The annual future debt service levies authorized are equal to 105 percent of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

Build America Bonds – The District’s 2010B General Obligation School Building Bonds were issued as Qualified School Construction Bonds – Direct Pay, for which the District will receive a federal tax credit equal to 35 percent of the interest payment on this debt issue.

C. Other Long-Term Liabilities

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

D. Minimum Debt Payments

Minimum annual principal and interest payments to maturity for general obligation bonds and certificates of participation are as follows:

Year Ending June 30,	General Obligation Bonds		Certificates of Participation	
	Principal	Interest	Principal	Interest
2012	\$ 3,030,000	\$ 3,381,871	\$ 165,000	\$ 40,190
2013	4,075,000	3,323,664	175,000	31,363
2014	4,210,000	3,221,839	175,000	21,913
2015	4,335,000	3,112,611	225,000	12,375
2016	4,465,000	2,994,720	–	–
2017–2021	20,410,000	12,355,863	–	–
2022–2026	17,275,000	8,274,535	–	–
2027–2031	20,560,000	3,512,260	–	–
	<u>\$ 78,360,000</u>	<u>\$ 40,177,363</u>	<u>\$ 740,000</u>	<u>\$ 105,841</u>

E. Changes in Long-Term Liabilities

	Balance – June 30, 2010	Additions	Retirements	Balance – June 30, 2011	Due Within One Year
General obligation bonds payable	\$ 36,255,000	\$ 45,000,000	\$ 2,895,000	\$ 78,360,000	\$ 3,030,000
Net (discount) premium	(1,253,477)	(14,423)	(350,162)	(917,738)	–
Certificates of participation payable	895,000	–	155,000	740,000	165,000
Severance benefits payable	145,354	3,023	7,951	140,426	–
Compensated absences payable	171,469	261,780	236,686	196,563	196,563
	<u>\$ 36,213,346</u>	<u>\$ 45,250,380</u>	<u>\$ 2,944,475</u>	<u>\$ 78,519,251</u>	<u>\$ 3,391,563</u>

NOTE 5 – FUND BALANCES

During fiscal 2011, the District retroactively implemented the requirements of a new accounting pronouncement, GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.”

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

A. Classifications

At June 30, 2011, a summary of the District’s governmental fund balance classifications are as follows:

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Prepaid items	\$ 11,999	\$ –	\$ –	\$ 9,769	\$ 21,768
Inventory	–	–	–	3,200	3,200
Total nonspendable	<u>11,999</u>	<u>–</u>	<u>–</u>	<u>12,969</u>	<u>24,968</u>
Restricted					
Deferred maintenance	37,214	–	–	–	37,214
Health and safety	97,082	–	–	–	97,082
Capital projects levy	84,917	–	–	–	84,917
Operating capital	945,583	–	–	–	945,583
Capital projects	–	33,806,722	–	–	33,806,722
Bond refunding	–	–	9,409,791	–	9,409,791
Debt service	–	–	937,856	–	937,856
Community education programs	–	–	–	215,904	215,904
Early childhood family education programs	–	–	–	3,795	3,795
School readiness	–	–	–	2,806	2,806
Food service	–	–	–	444,741	444,741
Total restricted	<u>1,164,796</u>	<u>33,806,722</u>	<u>10,347,647</u>	<u>667,246</u>	<u>45,986,411</u>
Assigned					
Separation benefits	411,850	–	–	–	411,850
Student activities	210,198	–	–	–	210,198
Building carryover	344,145	–	–	–	344,145
Total assigned	<u>966,193</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>966,193</u>
Unassigned					
Unassigned	<u>3,473,433</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,473,433</u>
Total	<u>\$ 5,616,421</u>	<u>\$ 33,806,722</u>	<u>\$ 10,347,647</u>	<u>\$ 680,215</u>	<u>\$ 50,451,005</u>

NOTE 5 – FUND BALANCES (CONTINUED)

B. Fund Balance Policy

The School Board has formally adopted a fund balance policy. This policy states that the School Board will strive to maintain a minimum unassigned General Fund balance of 8 percent of total General Fund expenditures. At June 30, 2011, the unassigned fund balance of the General Fund was 11.2 percent of the total General Fund expenditures.

If the fund balance falls below 8 percent, the School Board shall implement a procedure to stabilize the District's financial position. This shall involve:

- A. No new programs will be added at the District level unless matched by a like revenue source;
- B. Allocations such as textbooks, supplies, etc., shall be frozen; and
- C. The District will review other measures which shall not immediately affect delivery of programs but could have a cost savings. An example might be areas where expenses have historically been lower than budgeted levels.

If the fund balance is projected to decrease below 7 percent, the District shall take measures to either generate additional revenues or to reduce expenditures through budget cuts or a combination of both.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

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

Teachers' Retirement Association (TRA)

A. Plan Description

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

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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

Tier I

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

With these provisions:

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

Tier II

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

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

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

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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

B. Funding Policy

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

The District's contributions for the years ended June 30, 2011, 2010, and 2009 were \$818,713, \$845,700, and \$836,980, respectively, equal to the contractually required contributions for each year as set by state statutes.

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

Public Employees' Retirement Association (PERA)

A. Plan Description

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

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

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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

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

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

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

B. Funding Policy

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

The District's contributions to GERF for the years ended June 30, 2011, 2010, and 2009 were \$258,521, \$249,794, and \$232,833, respectively, equal to the contractually required contributions for each year as set by state statutes.

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

A. Plan Description

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

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

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

In addition, full-time teachers who are at least 50 years of age or have completed 20 years of professional service in the appropriate unit in the District shall be eligible for severance pay pursuant to the provisions in the severance pay article of the teachers’ master agreement. All persons whose actual service began prior to July 1, 1989 shall be eligible for this benefit.

The full-time teachers shall accumulate 10 days of credit for each full year of actual teaching in the District up to a maximum of one year’s salary as determined by the salary schedule placement. In applying these provisions, a teacher’s daily rate of pay shall be the basic rate of the teacher’s last day of actual service as provided in the basic salary schedule for the basic school year. These amounts are contributed directly to a health savings account and are, therefore, by definition considered OPEB under the provisions of GASB Statement No. 45.

B. Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined annually by the District. There are invested plan assets accumulated for payment of future benefits which are held in the Post-Employment Benefits Trust Fund.

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

C. Annual OPEB Cost and Net OPEB Obligation

The District’s annual OPEB cost (expense) is calculated based on annual required contributions (ARC) of the District, an amount determined on an actuarially determined basis in accordance with the parameters of GASB Statement No. 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the District’s net OPEB obligation to the plan:

Annual required contribution	\$ 161,340
Interest on net OPEB obligation	(87,033)
Adjustment to annual required contribution	149,143
Annual OPEB cost (expense)	<u>223,450</u>
Contributions made	<u>63,744</u>
Increase in net OPEB obligation	159,706
Negative net OPEB obligation – beginning of year	<u>(2,901,103)</u>
Negative net OPEB obligation – end of year	<u>\$ (2,741,397)</u>

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

Fiscal Year Ended June 30,	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Negative Net OPEB Obligation (Asset)
2009	\$ 348,926	\$ 3,459,283	991.4 %	\$ (3,110,357)
2010	\$ 209,254	\$ –	– %	\$ (2,901,103)
2011	\$ 223,450	\$ 63,744	28.5 %	\$ (2,741,397)

D. Funded Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the plan was 97.0 percent funded. The actuarial accrued liability for benefits was \$2,994,460, and the actuarial value of assets was \$2,905,712, resulting in an unfunded actuarial accrued liability (UAAL) of \$88,748. The covered payroll (annual payroll of active employees covered by the plan) was \$16,983,592, and the ratio of the UAAL to the covered payroll was 0.5 percent.

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

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

E. Actuarial Methods and Assumptions

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

In the July 1, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 3.0 percent investment rate of return (net of administrative expenses) based on the District’s own investments; a 3.0 percent rate of projected salary increases; an annual healthcare cost trend rate of 8.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent for medical insurance; and an annual healthcare trend rate of 4.0 percent for dental insurance. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization period at June 30, 2010 for the various amortization layers ranged from 28 to 30 years.

F. Post-Employment Benefits Trust Fund

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

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

G. Membership

Membership in the plan consisted of the following as of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	17
Active plan members	<u>324</u>
Total members	<u><u>341</u></u>

NOTE 8 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Receivables

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

NOTE 8 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

B. Construction Contracts

The District is committed to various contracts awarded for construction and maintenance projects. The District's commitment for uncompleted work on these contracts at June 30, 2011 was approximately \$18,000,000.

C. Legal Claims

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

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 832

Other Post-Employment Benefits Plan
 Schedule of Funding Progress and Schedule of Employer Contributions
 June 30, 2011

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
July 1, 2008	\$ 3,162,316	\$ -	\$ 3,162,316	- %	\$ 16,347,056	19.3 %
July 1, 2010	\$ 2,994,460	\$ 2,905,712	\$ 88,748	97.0 %	\$ 16,983,592	0.5 %

Schedule of Employer Contributions

Year Ended June 30,	Annual OPEB Cost	Employer Contributions	Percentage Contributed	Net OPEB Obligation
2009	\$ 348,926	\$ 3,459,285	991.0 %	\$ (3,110,357)
2010	\$ 209,254	\$ -	- %	\$ (2,901,103)
2011	\$ 223,450	\$ 63,744	28.5 %	\$ (2,741,397)

Note: The Schedule of Funding Progress reflects information from the most recent actuarial reports. On May 5, 2009, the District issued taxable OPEB bonds to fund a significant portion of the actuarial accrued liability and initial debt service costs.

COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

INDEPENDENT SCHOOL DISTRICT NO. 832

Nonmajor Governmental Funds
 Combining Balance Sheet
 as of June 30, 2011

	Special Revenue Funds		Total
	Food Service	Community Service	
Assets			
Cash and temporary investments	\$ 78,629	\$ 333,540	\$ 412,169
Receivables			
Current taxes	–	139,790	139,790
Delinquent taxes	–	11,889	11,889
Accounts and interest	–	429	429
Due from other funds	531,808	–	531,808
Due from other governmental units	14,084	36,821	50,905
Inventory	9,044	–	9,044
Prepaid items	3,200	725	3,925
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 636,765</u>	<u>\$ 523,194</u>	<u>\$ 1,159,959</u>
Liabilities and Fund Balances			
Liabilities			
Salaries payable	\$ –	\$ 27,809	\$ 27,809
Accounts and contracts payable	82,308	90,214	172,522
Due to other governmental units	97,472	–	97,472
Property taxes levied for subsequent year	–	136,714	136,714
Unearned revenue	–	38,321	38,321
Deferred revenue	–	6,906	6,906
Total liabilities	<u>179,780</u>	<u>299,964</u>	<u>479,744</u>
Fund balances			
Nonspendable for inventory	9,044	–	9,044
Nonspendable for prepaids	3,200	725	3,925
Restricted	444,741	222,505	667,246
Total fund balances	<u>456,985</u>	<u>223,230</u>	<u>680,215</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 636,765</u>	<u>\$ 523,194</u>	<u>\$ 1,159,959</u>

INDEPENDENT SCHOOL DISTRICT NO. 832

Nonmajor Governmental Funds
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Year Ended June 30, 2011

	<u>Special Revenue Funds</u>		<u>Total</u>
	<u>Food Service</u>	<u>Community Service</u>	
Revenue			
Local sources			
Property taxes	\$ -	\$ 420,456	\$ 420,456
Investment earnings	660	482	1,142
Other	1,106,562	1,606,173	2,712,735
State sources (shifts)	46,886	(57,140)	(10,254)
Federal sources	252,961	-	252,961
Total revenue	<u>1,407,069</u>	<u>1,969,971</u>	<u>3,377,040</u>
Expenditures			
Current			
Food service	1,326,833	-	1,326,833
Community service	-	1,891,880	1,891,880
Capital outlay	65,410	33,892	99,302
Total expenditures	<u>1,392,243</u>	<u>1,925,772</u>	<u>3,318,015</u>
Net change in fund balances	14,826	44,199	59,025
Fund balances			
Beginning of year	<u>442,159</u>	<u>179,031</u>	<u>621,190</u>
End of year	<u>\$ 456,985</u>	<u>\$ 223,230</u>	<u>\$ 680,215</u>

INDEPENDENT SCHOOL DISTRICT NO. 832

General Fund
Balance Sheet
as of June 30, 2011

Assets	
Cash and investments with trustee	\$ 237,366
Receivables	
Current taxes	3,295,790
Delinquent taxes	256,799
Accounts and interest	77,786
Due from other governmental units	7,125,194
Prepaid items	<u>11,999</u>
 Total assets	 <u><u>\$ 11,004,934</u></u>
Liabilities and Fund Balances	
Liabilities	
Salaries payable	\$ 57,898
Accounts and contracts payable	1,058,928
Due to other funds	531,808
Due to other governmental units	170,999
Property taxes levied for subsequent year	3,166,201
Unearned revenue	254,505
Deferred revenue – delinquent taxes	<u>148,174</u>
Total liabilities	5,388,513
Fund balances	
Nonspendable for prepaid items	11,999
Restricted for deferred maintenance	37,214
Restricted for health and safety	97,082
Restricted for capital projects levy	84,917
Restricted for operating capital	945,583
Assigned for separation benefits	411,850
Assigned for student activities	210,198
Assigned for building carryover	344,145
Unassigned	<u>3,473,433</u>
Total fund balances	<u>5,616,421</u>
 Total liabilities and fund balances	 <u><u>\$ 11,004,934</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 832

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2011

	Budget	Actual	Over (Under) Budget
Revenue			
Local sources			
Property taxes	\$ 8,725,547	\$ 8,822,194	\$ 96,647
Investment earnings	10,000	2,988	(7,012)
Other	1,416,724	1,392,519	(24,205)
State sources	20,651,662	21,062,553	410,891
Federal sources	1,088,214	1,077,281	(10,933)
Total revenue	<u>31,892,147</u>	<u>32,357,535</u>	465,388
Expenditures			
Current			
Administration			
Salaries	1,020,477	1,007,000	(13,477)
Employee benefits	329,111	343,412	14,301
Purchased services	66,000	46,838	(19,162)
Supplies and materials	4,000	450	(3,550)
Other expenditures	19,500	11,998	(7,502)
Total administration	<u>1,439,088</u>	<u>1,409,698</u>	(29,390)
District support services			
Salaries	411,330	413,754	2,424
Employee benefits	189,723	174,153	(15,570)
Purchased services	354,911	307,150	(47,761)
Supplies and materials	10,200	7,819	(2,381)
Capital expenditures	10,000	8,897	(1,103)
Other expenditures	84,950	157,362	72,412
Total district support services	<u>1,061,114</u>	<u>1,069,135</u>	8,021
Elementary and secondary regular instruction			
Salaries	10,047,539	9,982,973	(64,566)
Employee benefits	3,412,521	3,508,217	95,696
Purchased services	657,193	647,042	(10,151)
Supplies and materials	562,300	522,037	(40,263)
Capital expenditures	127,311	104,775	(22,536)
Other expenditures	923,400	774,373	(149,027)
Total elementary and secondary regular instruction	<u>15,730,264</u>	<u>15,539,417</u>	(190,847)

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 832

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual (continued)
 Year Ended June 30, 2011

	Budget	Actual	Over (Under) Budget
Expenditures (continued)			
Current (continued)			
Vocational education instruction			
Salaries	341,286	347,981	6,695
Employee benefits	115,806	115,507	(299)
Purchased services	82,700	76,549	(6,151)
Supplies and materials	16,010	14,494	(1,516)
Other expenditures	100	370	270
Total vocational education instruction	<u>555,902</u>	<u>554,901</u>	<u>(1,001)</u>
Special education instruction			
Salaries	3,685,462	3,704,104	18,642
Employee benefits	1,265,255	1,237,330	(27,925)
Purchased services	383,825	412,039	28,214
Supplies and materials	98,793	95,876	(2,917)
Capital expenditures	92,334	56,463	(35,871)
Other expenditures	109,431	106,612	(2,819)
Total special education instruction	<u>5,635,100</u>	<u>5,612,424</u>	<u>(22,676)</u>
Instructional support services			
Salaries	703,999	730,833	26,834
Employee benefits	257,418	268,827	11,409
Purchased services	112,300	85,584	(26,716)
Supplies and materials	56,700	66,758	10,058
Capital expenditures	-	1,799	1,799
Other expenditures	200	301	101
Total instructional support services	<u>1,130,617</u>	<u>1,154,102</u>	<u>23,485</u>
Pupil support services			
Salaries	572,715	561,248	(11,467)
Employee benefits	191,259	178,737	(12,522)
Purchased services	1,400,638	1,386,433	(14,205)
Supplies and materials	55,768	58,306	2,538
Capital expenditures	5,000	4,298	(702)
Other expenditures	10,200	10,932	732
Total pupil support services	<u>2,235,580</u>	<u>2,199,954</u>	<u>(35,626)</u>

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 832

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual (continued)
 Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures (continued)			
Current (continued)			
Sites and buildings			
Salaries	1,074,787	1,043,506	(31,281)
Employee benefits	404,680	396,386	(8,294)
Purchased services	904,337	841,989	(62,348)
Supplies and materials	308,755	224,420	(84,335)
Capital expenditures	643,361	681,140	37,779
Other expenditures	1,100	453	(647)
Total sites and buildings	<u>3,337,020</u>	<u>3,187,894</u>	<u>(149,126)</u>
Fiscal and other fixed cost programs			
Purchased services	79,000	78,236	(764)
Debt service			
Principal	155,000	155,000	-
Interest	48,406	48,406	-
Total debt service	<u>203,406</u>	<u>203,406</u>	<u>-</u>
Total expenditures	<u>31,407,091</u>	<u>31,009,167</u>	<u>(397,924)</u>
Net change in fund balances	<u>\$ 485,056</u>	1,348,368	<u>\$ 863,312</u>
Fund balances			
Beginning of year		<u>4,268,053</u>	
End of year		<u>\$ 5,616,421</u>	

INDEPENDENT SCHOOL DISTRICT NO. 832

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

Assets	
Cash and temporary investments	\$ 78,629
Receivables	
Due from other funds	531,808
Due from other governmental units	14,084
Inventory	9,044
Prepaid items	<u>3,200</u>
 Total assets	 <u><u>\$ 636,765</u></u>
Liabilities and Fund Balances	
Liabilities	
Accounts and contracts payable	\$ 82,308
Due to other governmental units	<u>97,472</u>
Total liabilities	179,780
Fund balances	
Nonspendable for prepaid items	3,200
Nonspendable for inventory	9,044
Restricted	<u>444,741</u>
Total fund balances	<u>456,985</u>
 Total liabilities and fund balances	 <u><u>\$ 636,765</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 832

Food Service Special Revenue Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue			
Local sources			
Investment earnings	\$ 10,000	\$ 660	\$ (9,340)
Other – primarily meal sales	1,057,300	1,106,562	49,262
State sources	52,000	46,886	(5,114)
Federal sources	213,000	252,961	39,961
Total revenue	<u>1,332,300</u>	<u>1,407,069</u>	<u>74,769</u>
Expenditures			
Current			
Salaries	126,500	152,280	25,780
Employee benefits	7,187	13,229	6,042
Purchased services	499,681	507,322	7,641
Supplies and materials	653,500	653,932	432
Other expenditures	1,200	70	(1,130)
Capital outlay	40,000	65,410	25,410
Total expenditures	<u>1,328,068</u>	<u>1,392,243</u>	<u>64,175</u>
Net change in fund balances	<u>\$ 4,232</u>	14,826	<u>\$ 10,594</u>
Fund balances			
Beginning of year		<u>442,159</u>	
End of year		<u>\$ 456,985</u>	

INDEPENDENT SCHOOL DISTRICT NO. 832

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

Assets	
Cash and temporary investments	\$ 333,540
Receivables	
Current taxes	139,790
Delinquent taxes	11,889
Accounts and interest	429
Due from other governmental units	36,821
Prepaid items	<u>725</u>
Total assets	<u><u>\$ 523,194</u></u>
Liabilities and Fund Balances	
Liabilities	
Salaries payable	\$ 27,809
Accounts and contracts payable	90,214
Property taxes levied for subsequent year	136,714
Unearned revenue	38,321
Deferred revenue – delinquent taxes	<u>6,906</u>
Total liabilities	299,964
Fund balances	
Nonspendable for prepaid items	725
Restricted for community education programs	215,904
Restricted for early childhood family education programs	3,795
Restricted for school readiness	<u>2,806</u>
Total fund balances	<u>223,230</u>
Total liabilities and fund balances	<u><u>\$ 523,194</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 832

Community Service Special Revenue Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue			
Local sources			
Property taxes	\$ 464,882	\$ 420,456	\$ (44,426)
Investment earnings	2,000	482	(1,518)
Other – primarily tuition and fees	1,514,529	1,606,173	91,644
State sources (shifted)	<u>(59,547)</u>	<u>(57,140)</u>	<u>2,407</u>
Total revenue	1,921,864	1,969,971	48,107
Expenditures			
Current			
Salaries	1,055,014	946,384	(108,630)
Employee benefits	330,449	330,288	(161)
Purchased services	458,915	540,488	81,573
Supplies and materials	51,271	56,716	5,445
Other expenditures	7,402	18,004	10,602
Capital outlay	<u>10,690</u>	<u>33,892</u>	<u>23,202</u>
Total expenditures	1,913,741	1,925,772	12,031
Net change in fund balances	<u>\$ 8,123</u>	44,199	<u>\$ 36,076</u>
Fund balances			
Beginning of year		<u>179,031</u>	
End of year		<u>\$ 223,230</u>	

INDEPENDENT SCHOOL DISTRICT NO. 832

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

Assets

Cash and temporary investments	\$ 37,089,840
Receivables	
Accounts and interest	<u>120,739</u>
Total assets	<u>\$ 37,210,579</u>

Liabilities and Fund Balances

Liabilities	
Accounts and contracts payable	\$ 3,403,857
Fund balances	
Restricted for building construction	<u>33,806,722</u>
Total liabilities and fund balances	<u>\$ 37,210,579</u>

INDEPENDENT SCHOOL DISTRICT NO. 832

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

Revenue		
Local sources		
Investment earnings	\$	129,597
Expenditures		
Capital outlay		
Purchased services		5,723,030
Capital expenditures		<u>4,460,457</u>
Total expenditures		<u>10,183,487</u>
Excess (deficiency) of revenue over expenditures		(10,053,890)
Other financing sources		
Debt issued		<u>43,860,612</u>
Net change in fund balances		33,806,722
Fund balances		
Beginning of year		<u>—</u>
End of year	\$	<u><u>33,806,722</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 832

Debt Service Fund
Balance Sheet by Account
as of June 30, 2011

	Regular Debt Service Account	OPEB Debt Service Account	Totals
Assets			
Cash and temporary investments	\$ 3,126,058	\$ 170,971	\$ 3,297,029
Cash and investments held by trustee	9,375,679	-	9,375,679
Receivables			
Current taxes	2,479,839	181,050	2,660,889
Delinquent taxes	130,341	7,285	137,626
Accounts and interest	34,113	-	34,113
Due from other governmental units	16,588	1,756	18,344
Total assets	\$ 15,162,618	\$ 361,062	\$ 15,523,680
Liabilities and Fund Balances			
Liabilities			
Property taxes levied for subsequent year	\$ 4,752,038	\$ 345,135	\$ 5,097,173
Deferred revenue – delinquent taxes	75,046	3,814	78,860
Total liabilities	4,827,084	348,949	5,176,033
Fund balances			
Restricted for bond refunding	9,409,791	-	9,409,791
Restricted for debt service	925,743	12,113	937,856
Total fund balances	10,335,534	12,113	10,347,647
Total liabilities and fund balances	\$ 15,162,618	\$ 361,062	\$ 15,523,680

INDEPENDENT SCHOOL DISTRICT NO. 832

Debt Service Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account
 Budget and Actual
 Year Ended June 30, 2011

	Budget	Regular Debt Service Account	Actual OPEB Debt Service Account
Revenue			
Local sources			
Property taxes	\$ 3,570,752	\$ 3,219,896	\$ 336,767
Investment earnings	25,000	103,222	—
Other	—	451,702	—
State sources	50,000	55,294	5,853
Total revenue	3,645,752	3,830,114	342,620
Expenditures			
Debt service			
Principal	2,895,000	2,715,000	180,000
Interest	762,941	2,189,549	150,058
Fiscal charges and other	25,000	13,284	449
Total expenditures	3,682,941	4,917,833	330,507
Excess (deficiency) of revenue over expenditures	(37,189)	(1,087,719)	12,113
Other financing sources			
Debt issued	—	1,139,388	—
Discount on debt issued	—	(14,423)	—
Total other financing sources	—	1,124,965	—
Net change in fund balances	\$ (37,189)	37,246	12,113
Fund balances			
Beginning of year		10,298,288	—
End of year		\$ 10,335,534	\$ 12,113

<u>Total</u>	<u>Over (Under) Budget</u>
\$ 3,556,663	\$ (14,089)
103,222	78,222
451,702	451,702
61,147	11,147
<u>4,172,734</u>	<u>526,982</u>
2,895,000	-
2,339,607	1,576,666
13,733	(11,267)
<u>5,248,340</u>	<u>1,565,399</u>
(1,075,606)	(1,038,417)
1,139,388	1,139,388
(14,423)	(14,423)
<u>1,124,965</u>	<u>1,124,965</u>
49,359	<u>\$ 86,548</u>
<u>10,298,288</u>	
<u>\$ 10,347,647</u>	

SINGLE AUDIT AND OTHER REQUIRED REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 832

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor Pass/Through Grantor/Program Title	Federal CFDA No.	Federal Expenditures
U.S. Department of Education		
Passed through Minnesota Department of Education		
Special education cluster		
Special Education – Grants to States	84.027	\$ 451,130
ARRA – Special Education – Grants to States	84.391	326,364
Special Education – Preschool Grants	84.173	22,757
ARRA – Special Education – Preschool Grants	84.392	<u>13,511</u>
Total special education cluster		813,762
Improving Teacher Quality State Grants	84.367	67,281
Safe and Drug-Free Schools and Communities – State Grants	84.186	1,820
Title I – Grants to Local Educational Agencies	84.010	63,721
Early intervention services cluster		
ARRA – Special Education – Grants for Infants and Families	84.393	3,397
Passed through Independent School District No. 831		
Special Education – Grants for Infants and Families	84.181	<u>7,706</u>
Total early intervention services cluster		11,103
Passed through Intermediate School District No. 916		
Career and Technical Education – Basic Grants to States	84.184	3,446
U.S. Department of Agriculture		
Passed through Minnesota Department of Education		
Child nutrition cluster		
School Breakfast Program	10.553	11,044
National School Lunch Program	10.555	205,173
Special Milk Program for Children	10.556	<u>965</u>
Total child nutrition cluster		217,182
U.S. Department of Energy		
Passed through Minnesota Department of Commerce		
Wind Turbine Grant	81.UNKNOWN	48,970
Lighting Grant	81.UNKNOWN	<u>98,321</u>
Total federal awards		<u>\$ 1,325,606</u>

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

Note 2: Non-monetary assistance of \$19,391 is reported in this schedule, representing the value of commodities received and disbursed for the U.S. Department of Agriculture National School Lunch Program (CFDA No. 10.555).

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

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

To the School Board of
Independent School District No. 832
Mahtomedi, Minnesota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 832, Mahtomedi, Minnesota (the District) 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 8, 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

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

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

(continued)

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

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2011-1 and 2011-2 to be significant deficiencies.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District, in a separate letter dated November 8, 2011.

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

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

November 8, 2011

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

To the School Board of
Independent School District No. 832
Mahtomedi, Minnesota

Compliance

We have audited Independent School District No. 832, Mahtomedi, Minnesota's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of 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 Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

As described in item 2011-3 in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding reporting that are applicable to ARRA – special education cluster. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

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

(continued)

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2011-3 to be a material weakness.

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

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

November 8, 2011

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

To the School Board of
Independent School District No. 832
Mahtomedi, Minnesota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 832, Mahtomedi, Minnesota (the District) 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 8, 2011.

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

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

The results of our tests indicate that, for the items tested, the District complied with the material terms and conditions of applicable legal provisions, except as noted in the Schedule of Findings and Questioned Costs.

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

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

November 8, 2011

INDEPENDENT SCHOOL DISTRICT NO. 832

Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

A. SUMMARY OF AUDIT RESULTS

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

Financial Statements

What type of auditor's report is issued? Unqualified
 Qualified
 Adverse
 Disclaimer

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiencies identified? Yes None reported

Noncompliance material to the financial statements noted? Yes No

Federal Awards

Internal controls over major federal award programs:

Material weakness(es) identified? Yes No

Significant deficiencies identified? Yes None reported

Type of auditor's report issued on compliance for major programs? Unqualified
 Qualified
 Adverse
 Disclaimer

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes No

Programs tested as major programs:

Program or Cluster	CFDA No.
The U.S. Department of Education special education cluster consisting of:	
– Special Education – Grants to States	84.027
– ARRA – Special Education – Grants to States	84.391
– Special Education – Preschool Grants	84.173
– ARRA – Special Education – Preschool Grants	84.392

Threshold for distinguishing type A and B programs. \$ 300,000

Does the auditee qualify as a low-risk auditee? Yes No

INDEPENDENT SCHOOL DISTRICT NO. 832

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2011

B. FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

2011-1 Segregation of Duties

Criteria – Internal control over financial reporting.

Condition – Independent School District No. 832, Mahtomedi, Minnesota (the District) has limited segregation of duties in several areas, including the processing of general disbursements and payroll transactions.

Questioned Costs – Not applicable.

Context – This is a current year and prior year finding.

Cause – The limited segregation of duties is primarily caused by the limited size of the District's business office staff.

Effect – One important element of internal accounting controls is an adequate segregation of duties such that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction. A lack of segregation of duties subjects the District to a higher risk that errors or fraud could occur and not be detected in a timely manner in the normal course of business.

Recommendation – We recommend that the District continue its efforts to segregate duties as best it can within the limits of what the District considers to be cost beneficial.

Corrective Action Plan

Actions Planned – The District intends to review the transaction cycles identified above and work with the District's financial auditors to review specific weaknesses identified during the annual audit and actions needed to eliminate or mitigate this internal control weakness. Upon completion of this review, the District will weigh the related costs and benefits associated with implementation changes needed to eliminate this condition.

Official Responsible – Denise Sundstrom, Director of Business Services.

Planned Completion Date – June 30, 2012.

Disagreement With or Explanation of Finding – The District has no disagreement with the finding.

Plan to Monitor – Denise Sundstrom, Director of Business Services, will make the entire business office aware of its objective to address this condition and supervise the progress of planned actions during the year.

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2011

B. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

SIGNIFICANT DEFICIENCIES (CONTINUED)

2011-2 Preparation of Adjusting Journal Entries

Criteria – Preparation of the trial balance should be completely handled by the District, including adjusting all account balances to be fairly stated for completion of the annual financial audit.

Condition – During our audit, the District recorded an adjusting journal entry proposed by our firm to make the financial information of the District fairly stated. Auditing standards consider the identification by the auditor of a material misstatement that was not initially identified by the audit entity to be a deficiency in the related internal control.

Questioned Costs – Not applicable.

Context – This is a current year finding.

Cause – This was an oversight by district personnel.

Effect – Contracts payable and the related capital outlay expenditure account balances in the Capital Projects – Building Construction Fund were not adjusted correctly. As a result, an adjusting journal entry was prepared by the auditor that was required to be entered to correctly state these account balances in the financial information of the District.

Recommendation – We recommend that the District continue to review practices and make sure all account balances are fairly stated in the District's financial information prior to the start of the annual financial audit.

Corrective Action Plan

Actions Planned – The District will review account balance adjustment procedures to ensure financial information is fairly stated prior to the start of the annual audit to ensure proper financial statement presentation.

Official Responsible – Denise Sundstrom, Director of Business Services.

Planned Completion Date – June 30, 2012.

Disagreement With or Explanation of Finding – The District has no disagreement with the finding.

Plan to Monitor – Denise Sundstrom, Director of Business Services, will continue to work on ensuring that the financial information is fairly stated at the start of the annual financial statement audit.

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

**MATERIAL WEAKNESS IN INTERNAL CONTROL OVER COMPLIANCE AND REPORTABLE INSTANCES
OF NONCOMPLIANCE – SPECIAL EDUCATION CLUSTER (ARRA – SPECIAL EDUCATION – GRANTS TO
STATES – CFDA NO. 84.391 AND ARRA – SPECIAL EDUCATION – PRESCHOOL GRANTS – CFDA
NO. 84.392)**

2011-3 Internal Control Over Compliance With Federal Reporting Requirements

Criteria – Management is responsible for establishing and maintaining effective internal control over compliance with requirements applicable to federal programs, including Section 1512 of the American Recovery and Reinvestment Act (ARRA) which requires recipients to report a quarterly estimate of the number of jobs created or retained through the use of ARRA funds.

Condition – During our audit, we noted that the District did not have sufficient controls in place to assure compliance with this requirement for the major programs noted above, which resulted in noncompliance with a type of federal compliance requirement that could have a direct and material effect on these programs. The District did not properly submit the four required quarterly jobs data surveys for each of these programs.

Questioned Costs – Not applicable.

Context – This is a current year finding.

Cause – The District did not submit the quarterly jobs data surveys.

Effect – Noncompliance with the reporting requirements could be viewed as a violation of the award agreement.

Recommendation – We recommend that the District submit the quarterly jobs data surveys to report the number of the jobs created and retained as a result of funding received through the ARRA.

Corrective Action Plan

Actions Planned – The District’s Director of Business Services will verify the quarterly jobs data surveys are submitted to eliminate this finding in the future.

Official Responsible – Denise Sundstrom, Director of Business Services.

Planned Completion Date – September 15, 2011.

Disagreement With or Explanation of Finding – The District has no disagreement with the finding.

Plan to Monitor – Denise Sundstrom, Director of Business Services, will review procedures prior to the above planned completion date.

INDEPENDENT SCHOOL DISTRICT NO. 832

Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2011

D. FINDINGS – MINNESOTA LEGAL COMPLIANCE AUDIT

2011-4 Contracting and Bidding

Criteria – Minnesota Statute § 331A.03, Subd. 3.

Condition – When soliciting bids for construction services on the District’s website, simultaneous publication of these bids is required as part of the minutes of regular School Board meetings or in a separate notice published in the official newspaper, a description of all solicitations or requests, along with the means by which dissemination occurred. For one such contract awarded during the year, the District did not simultaneously advertise for bids in the official newspaper.

Questioned Costs – Not applicable.

Context – Five out of five bids tested were not in compliance. This is a current year finding.

Cause – This was an oversight by district personnel.

Effect – The District did not properly solicit bids for construction projects according to state statute when the District’s website is also used to advertise for bids.

Recommendation – We recommend that when the District is soliciting bids for construction services on the District’s website, that the District simultaneously publish the bids as part of the minutes of regular School Board meetings or in a separate notice published in the official newspaper. This includes a description of all solicitations or requests so disseminated, along with the means by which the dissemination occurred.

Corrective Action Plan

Actions Planned – All bids awarded for construction will be reviewed by the Building and Grounds Supervisor to assure the required solicitation for bids is completed to comply with this state statute.

Official Responsible – Phil Belden, Building and Grounds Supervisor.

Planned Completion Date – June 30, 2012.

Disagreement With or Explanation of Finding – The District has no disagreement with the finding.

Plan to Monitor – Denise Sundstrom, Director of Business Services, will also review bid files to assure the planned controls are being followed.

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

No audit findings were reported for the year ended June 30, 2010.

INDEPENDENT SCHOOL DISTRICT NO. 832
Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2011

	Audit	UFARS	Audit – UFARS
General Fund			
Total revenue	\$ 32,357,535	\$ 32,357,536	\$ (1)
Total expenditures	\$ 31,009,167	\$ 31,009,168	\$ (1)
Nonspendable			
460 Nonspendable fund balance	\$ 11,999	\$ 11,999	\$ -
Restricted/reserve			
403 Staff development	\$ -	\$ -	\$ -
405 Deferred maintenance	\$ 37,214	\$ 37,214	\$ -
406 Health and safety	\$ 97,082	\$ 97,082	\$ -
407 Capital projects levy	\$ 84,917	\$ 84,917	\$ -
408 Cooperative revenue	\$ -	\$ -	\$ -
411 Severance pay	\$ -	\$ -	\$ -
413 Projects funded by COP	\$ -	\$ -	\$ -
414 Operating debt	\$ -	\$ -	\$ -
416 Levy reduction	\$ -	\$ -	\$ -
417 Taconite building maintenance	\$ -	\$ -	\$ -
423 Certain teacher programs	\$ -	\$ -	\$ -
424 Operating capital	\$ 945,583	\$ 945,583	\$ -
426 \$25 taconite	\$ -	\$ -	\$ -
427 Disabled accessibility	\$ -	\$ -	\$ -
428 Learning and development	\$ -	\$ -	\$ -
434 Area learning center	\$ -	\$ -	\$ -
435 Contracted alternative programs	\$ -	\$ -	\$ -
436 State approved alternative program	\$ -	\$ -	\$ -
438 Gifted and talented	\$ -	\$ -	\$ -
441 Basic skills programs	\$ -	\$ -	\$ -
445 Career and technical programs	\$ -	\$ -	\$ -
446 First grade preparedness	\$ -	\$ -	\$ -
449 Safe schools levy	\$ -	\$ -	\$ -
450 Pre-kindergarten	\$ -	\$ -	\$ -
451 QZAB payments	\$ -	\$ -	\$ -
452 OPEB liability not in trust	\$ -	\$ -	\$ -
453 Unfunded severance and retirement levy	\$ -	\$ -	\$ -
Restricted			
464 Restricted fund balance	\$ -	\$ -	\$ -
Committed			
418 Committed for separation	\$ -	\$ -	\$ -
461 Committed fund balance	\$ -	\$ -	\$ -
Assigned			
462 Assigned fund balance	\$ 966,143	\$ 966,193	\$ (50)
Unassigned			
422 Unassigned fund balance	\$ 3,473,433	\$ 3,473,433	\$ -
Food Service			
Total revenue	\$ 1,407,069	\$ 1,407,069	\$ -
Total expenditures	\$ 1,392,243	\$ 1,392,243	\$ -
Nonspendable			
460 Nonspendable fund balance	\$ 12,244	\$ 12,244	\$ -
Restricted			
452 OPEB liability not in trust	\$ -	\$ -	\$ -
464 Restricted fund balance	\$ 444,741	\$ 444,741	\$ -
Unassigned			
463 Unassigned fund balance	\$ -	\$ -	\$ -
Community Service			
Total revenue	\$ 1,969,971	\$ 1,969,971	\$ -
Total expenditures	\$ 1,925,772	\$ 1,925,773	\$ (1)
Nonspendable			
460 Nonspendable fund balance	\$ 725	\$ 725	\$ -
Restricted/reserve			
426 \$25 taconite	\$ -	\$ -	\$ -
431 Community education	\$ 215,904	\$ 215,904	\$ -
432 ECFE	\$ 3,795	\$ 3,795	\$ -
444 School readiness	\$ 2,806	\$ 2,806	\$ -
447 Adult basic education	\$ -	\$ -	\$ -
452 OPEB liability not in trust	\$ -	\$ -	\$ -
Restricted			
464 Restricted fund balance	\$ -	\$ -	\$ -
Unassigned			
463 Unassigned fund balance	\$ -	\$ -	\$ -

INDEPENDENT SCHOOL DISTRICT NO. 832
Uniform Financial Accounting and Reporting Standards
Compliance Table (continued)
June 30, 2011

	Audit	UFARS	Audit - UFARS
Building Construction			
Total revenue	\$ 129,597	\$ 129,597	\$ -
Total expenditures	\$ 10,183,487	\$ 10,183,487	\$ -
Nonspendable			
460 Nonspendable fund balance	\$ -	\$ -	\$ -
Restricted/reserve			
407 Capital projects levy	\$ -	\$ -	\$ -
409 Alternative facility program	\$ -	\$ -	\$ -
413 Project funded by COP	\$ -	\$ -	\$ -
Restricted			
464 Restricted fund balance	\$ 33,806,722	\$ 33,806,722	\$ -
Unassigned			
463 Unassigned fund balance	\$ -	\$ -	\$ -
Debt Service			
Total revenue	\$ 3,830,114	\$ 3,830,114	\$ -
Total expenditures	\$ 4,917,833	\$ 4,917,833	\$ -
Nonspendable			
460 Nonspendable fund balance	\$ -	\$ -	\$ -
Restricted/reserve			
425 Bond refundings	\$ 9,409,791	\$ 9,409,791	\$ -
451 QZAB payments	\$ -	\$ -	\$ -
Restricted			
464 Restricted fund balance	\$ 925,743	\$ 925,743	\$ -
Unassigned			
463 Unassigned fund balance	\$ -	\$ -	\$ -
Trust			
Total revenue	\$ -	\$ -	\$ -
Total expenditures	\$ 476	\$ 476	\$ -
422 Net assets	\$ 4,650	\$ 4,650	\$ -
Internal Service			
Total revenue	\$ -	\$ -	\$ -
Total expenditures	\$ -	\$ -	\$ -
422 Net assets	\$ -	\$ -	\$ -
OPEB Revocable Trust Fund			
Total revenue	\$ -	\$ -	\$ -
Total expenditures	\$ -	\$ -	\$ -
422 Net assets	\$ -	\$ -	\$ -
OPEB Irrevocable Trust Fund			
Total revenue	\$ 126,139	\$ 126,139	\$ -
Total expenditures	\$ 127,695	\$ 127,695	\$ -
422 Net assets	\$ 2,940,025	\$ 2,940,025	\$ -
OPEB Debt Service Fund			
Total revenue	\$ 342,620	\$ 342,621	\$ (1)
Total expenditures	\$ 330,507	\$ 330,508	\$ (1)
Nonspendable			
460 Nonspendable fund balance	\$ -	\$ -	\$ -
Restricted			
425 Bond refundings	\$ -	\$ -	\$ -
464 Restricted fund balance	\$ 12,113	\$ 12,113	\$ -
Unassigned			
463 Unassigned fund balance	\$ -	\$ -	\$ -

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

CHECK REGISTER

Oct-11

Check Number	Check Status	Check Amount	Check Date	Vendor Number	Vendor Name
373148	Clear	\$363.04	10/04/11	00094	AMERICAN FAMILY ASSURANCE
373149	Clear	\$604.00	10/04/11	01556	MAHTOMEDI AREA EDUC.FOUNDATION
373150	Clear	\$9.90	10/04/11	01888	NATIONAL INSURANCE SERVICES
373151	Clear	\$272.00	10/04/11	01740	NCPERS MINNESOTA-179220
373152	Clear	\$730.50	10/04/11	02017	OFFICE & PROFESSIONAL
373153	Clear	\$803.26	10/04/11	02048	OPERATING ENGINEERS LOCAL #70
373154	Clear	\$27.62	10/04/11	01499	UNITE HERE LOCAL 17
373155		\$250.00	10/06/11	00003	916 EDUCATION FOUNDATION
373156	Clear	\$135.00	10/06/11	03615	AAFCS
373157	Clear	\$537.00	10/06/11	00016	ABBOTT PAINT & CARPET CO
373158	Clear	\$800.00	10/06/11	08893	AGILE SPORTS TECHNOLOGIES
373159	Clear	\$45.00	10/06/11	06986	ANNE WHISLER
373160	Clear	\$784.00	10/06/11	00168	ART'S EXPERT APPLIANCE INC
373161	Clear	\$125.00	10/06/11	00171	ASBO INTERNATIONAL
373162	Clear	\$583.00	10/06/11	03196	BF LAUZON ENTERPRISES INC
373163	Clear	\$600.00	10/06/11	04574	BILL WEIGEL SIGNS
373164	Clear	\$81.00	10/06/11	08897	BOB FOSTER
373165	Clear	\$1,581.36	10/06/11	03057	BRAD BERGIE
373166	Clear	\$3,841.72	10/06/11	07451	CAMBIUM LEARNING TECHNOLOGIES
373167	Clear	\$114.49	10/06/11	02544	CAMBIUM LEARNING/SOPRIS WEST
373168	Clear	\$104.59	10/06/11	07004	CCP INDUSTRIES
373169	Clear	\$82.00	10/06/11	07664	CHRIS ROSSINI
373170	Clear	\$12,964.55	10/06/11	01572	CITY OF MAHTOMEDI
373171	Clear	\$54.22	10/06/11	00487	CLASSROOM DIRECT / SCHOOL SPECIALTY
373172	Clear	\$10.00	10/06/11	08898	COLLIN DWORAK
373173	Clear	\$7,400.00	10/06/11	00527	COMSTOCK & SONS INC
373174	Clear	\$338.99	10/06/11	00538	CONSTRUCTIVE PLAYTHINGS
373175	Clear	\$3,000.00	10/06/11	06939	CRAIG CAMPBELL
373176	Clear	\$9,289.91	10/06/11	00599	DALCO
373177	Clear	\$63.00	10/06/11	08239	DALE FOSTER
373178	Clear	\$81.00	10/06/11	04883	DEB WEINREIS
373179	Clear	\$1,920.00	10/06/11	00628	DELLWOOD HILLS GOLF CLUB
373180	Clear	\$88.41	10/06/11	00634	DEMCO
373181	Clear	\$8,765.63	10/06/11	03328	DIVERSIFIED SNACK DIVISION
373182	Clear	\$1,152.00	10/06/11	00678	DOMINO'S PIZZA
373183	Clear	\$534.00	10/06/11	00714	EAGLE SCREEN PRINTING/JEFFREY POESCHL
373184	Clear	\$2,166.24	10/06/11	06030	EARTHGRAINS CO.INC
373185	Clear	\$1,002.70	10/06/11	03969	ENERGYWISE CONSULTING,LLC
373186	Clear	\$1,197.60	10/06/11	00803	EXPRESS SERVICES INC
373187	Clear	\$5,000.00	10/06/11	06335	FIRST
373188	Clear	\$2,494.51	10/06/11	00856	FOLLETT EDUCATIONAL SERVICES
373189	Clear	\$105.08	10/06/11	00858	FOLLETT SOFTWARE COMPANY
373190	Clear	\$400.97	10/06/11	06697	FRATTALLONE'S ACE HARDWARE STORES
373191	Clear	\$63.00	10/06/11	04873	GENE WARNER
373192	Clear	\$687.50	10/06/11	08798	GENERAL ASP
373193	Clear	\$615.97	10/06/11	06146	GOPHER
373194	Clear	\$259.26	10/06/11	00987	GRAINGER
373195		\$126.00	10/06/11	05967	GREGG ADLER
373196	Clear	\$1,041.75	10/06/11	01038	HAAS MUSICAL INSTRUMENT REPAIR
373197		\$63.00	10/06/11	04801	HAMID MARDI
373198	Clear	\$48.00	10/06/11	08851	HASSAN OVAKHCHAH
373199	Clear	\$8,869.25	10/06/11	06935	HASTINGS CO-OP CREAMERY CO.
373200	Clear	\$127.59	10/06/11	06613	HM RECEIVABLES CO LLC
373201	Clear	\$1,694.86	10/06/11	01164	HOUGHTON MIFFLIN RECEIVABLES CO LLC

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373202	Clear	\$30.00	10/06/11	06942	I.S.D # 112-CHASKA SCHOOL DISTRICT-COMM ED
373203	Clear	\$2,420.00	10/06/11	04163	IPARADIGMS, LLC
373204	Clear	\$160.00	10/06/11	08840	JIM WICK
373205	Clear	\$160.00	10/06/11	07042	JOE STOEHR
373206	Clear	\$63.00	10/06/11	08896	JOHN ARENIVAR
373207	Clear	\$82.00	10/06/11	06966	JOHN FAISON
373208	Clear	\$7,500.00	10/06/11	05863	JOHNSON & CONDON P.A.
373209	Clear	\$2,731.78	10/06/11	08885	JOSEPHINE HOLKER
373210	Clear	\$6,099.06	10/06/11	03378	KELLY SERVICES, INC
373211	Clear	\$63.00	10/06/11	05971	KEVIN HORST
373212	Clear	\$48.01	10/06/11	07806	KIM OZZELLO
373213	Clear	\$442.75	10/06/11	08806	LANDS BEST FOODS
373214	Clear	\$24.00	10/06/11	08534	LARRY PFASIENSKI
373215	Clear	\$14.50	10/06/11	05495	LIFELINE AMPLIFICATION SYSTEMS/AV TECH
373216	Clear	\$108.00	10/06/11	07728	LIFETIME FITNESS-WBL
373217	Clear	\$160.00	10/06/11	05010	LONNIE VAN KLEI
373218	Clear	\$333.75	10/06/11	01539	MACKIN LIBRARY MEDIA/EDUCATIONAL RESOURCES
373219	Clear	\$173.52	10/06/11	01557	MAHTOMEDI AUTO SERVICE
373220	Clear	\$109.74	10/06/11	03490	MARIANNE THOLE
373221	Clear	\$20.00	10/06/11	08890	MARK OR KIMBERLY GANZ
373222		\$225.00	10/06/11	05019	MASPA
373223	Clear	\$23.82	10/06/11	01684	MENARDS OAKDALE CASHWAY LUMBER
373224	Clear	\$24.00	10/06/11	08886	MICHAEL HSU
373225	Clear	\$82.00	10/06/11	06996	MIKE MONITA
373226	Clear	\$160.00	10/06/11	05992	MIKE PETREY
373227	Clear	\$500.00	10/06/11	01804	MN STATE H S MATHEMATICS LEAGUE
373228	Clear	\$20.00	10/06/11	08891	MR OR MRS GRANDSTAND
373229	Clear	\$69.40	10/06/11	02205	NCS PEARSON INC
373230	Clear	\$23.98	10/06/11	01977	NORTHERN TOOL & EQUIPMENT CO/HSBC BUSINESS
373231	Clear	\$3,456.00	10/06/11	08853	ON CALL CLINICIANS
373232	Clear	\$4,311.26	10/06/11	05985	PAMS LUNCHROOM LLC
373233	Clear	\$48.00	10/06/11	06045	PAUL PAURUS
373234	Clear	\$1,240.00	10/06/11	02108	PEOPLES ELECTRICAL CONTRACTORS
373235	Clear	\$63.00	10/06/11	07011	PETER BAHR
373236	Clear	\$73.74	10/06/11	02161	POPP.COM INC
373237	Clear	\$126.00	10/06/11	05092	RICK WALZ
373238	Clear	\$103.00	10/06/11	02301	RIVERSIDE PUBLISHING CO/HM REC.CO LLC
373239	Clear	\$139.03	10/06/11	08865	ROGER MYERS
373240	Clear	\$329.00	10/06/11	04507	ROMAN MARKET INC
373241	Clear	\$1,140.00	10/06/11	05515	SCHOLASTIC PRODUCTS
373242	Clear	\$352.75	10/06/11	02420	SCHOOL SPECIALTY INC
373243	Clear	\$193.84	10/06/11	08457	SCOTT BOYD
373244	Clear	\$305.00	10/06/11	08150	SENTRY SYSTEMS INC
373245	Clear	\$1,000.00	10/06/11	02578	SPRINGSTED INC
373246	Clear	\$688.96	10/06/11	00553	STAPLES
373247	Clear	\$82.61	10/06/11	02610	STATE SUPPLY CO INC
373248	Clear	\$100.00	10/06/11	04551	THE GOODPRINTER
373249	Clear	\$1,350.00	10/06/11	08364	THERAPEUTIC FRAMWORKS INC
373250	Clear	\$5,573.83	10/06/11	02747	TIERNEY BROTHERS INC
373251	Clear	\$63.00	10/06/11	04834	TIM STAFKI
373252	Clear	\$750.00	10/06/11	08895	TONIC SOL-FA
373253	Clear	\$419.29	10/06/11	03345	TRIO SUPPLY CO
373254	Clear	\$181.50	10/06/11	02801	TWIN CITY GARAGE DOOR CO
373255	Clear	\$1,025.00	10/06/11	08276	USA INFLATABLES

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373256	Clear	\$4,735.80	10/06/11	04884	VIRCO INC
373257	Clear	\$90.30	10/06/11	02873	VOSS LIGHTING
373258	Clear	\$12,944.00	10/06/11	08791	WARNERS STELLIAN
373259	Clear	\$145.63	10/06/11	02902	WASHINGTON COUNTY
373260	Clear	\$1,467.08	10/06/11	02902	WASHINGTON COUNTY
373261	Clear	\$18.00	10/06/11	02936	WHITE BEAR AREA CHAMBER OF COM
373262	Clear	\$13,976.60	10/06/11	05820	WILCOX PAPER LLC
373263	Clear	\$45.50	10/06/11	02980	WILSON RIBBON CO
373264	Clear	\$63.00	10/06/11	04812	WOLFGANG KRAFT
373265	Clear	\$687.44	10/06/11	03012	WORTHINGTON DIRECT
373266	Clear	\$26,726.77	10/06/11	00723	XCEL ENERGY
373267	Clear	\$358.00	10/06/11	06104	XPRESS
373268	Clear	\$925.00	10/13/11	00049	ADVANCED SPORTSWEAR INC
373269	Clear	\$157.50	10/13/11	07447	ANGELO TUCCITTO
373270		\$2.75	10/13/11	08906	ANN MENNELL
373271	Clear	\$376.73	10/13/11	08859	ASPEN WASTE SYSTEMS INC
373272	Clear	\$75.00	10/13/11	08312	ATHENA AWARDS COMMITTEE
373273	Clear	\$220.39	10/13/11	00281	BIO CORPORATION
373274	Clear	\$68.00	10/13/11	07589	BLAINE HIGH SCHOOL-DEBATE TEAM
373275		\$635.10	10/13/11	00384	C F I SYSTEMS/JAMES ELLING
373276	Clear	\$710.97	10/13/11	03720	CARPENTER'S SMALL ENGINE
373277	Clear	\$3,935.25	10/13/11	07031	CARRIE ARDITO
373278	Clear	\$2,217.23	10/13/11	02227	CENTURYLINK
373279	Clear	\$871.50	10/13/11	03115	CHARLES LINDERKAMP
373280	Clear	\$20.98	10/13/11	08909	CHUCK MARTZ
373281	Clear	\$31.54	10/13/11	02945	CITY OF WHITE BEAR LAKE
373282	Clear	\$2,000.00	10/13/11	06820	CLASS 5 INC
373283	Clear	\$120.00	10/13/11	00494	CMERDC
373284	Void	\$370.00	10/13/11	06842	CMERDC
373285	Clear	\$93.94	10/13/11	07299	COBORNSDELIVERS LLC
373286	Clear	\$25.00	10/13/11	07753	COON RAPIDS DEBATE TEAM
373287		\$61.00	10/13/11	08915	DEAN JILEK
373288	Clear	\$1,427.09	10/13/11	00678	DOMINO'S PIZZA
373289	Clear	\$1,113.00	10/13/11	03360	DON BETHKE
373290	Clear	\$5,338.00	10/13/11	00714	EAGLE SCREEN PRINTING/JEFFREY POESCHL
373291	Clear	\$157.00	10/13/11	03241	ELECTRONIC DESIGN CO
373292	Clear	\$1,250.00	10/13/11	07629	ERIC JOHNSON
373293	Clear	\$326.91	10/13/11	00787	ERICKSON OIL PRODUCTS INC
373294	Clear	\$130.00	10/13/11	03218	ESTR PUBLICATIONS
373295	Clear	\$1,197.60	10/13/11	00803	EXPRESS SERVICES INC
373296	Clear	\$1,200.72	10/13/11	06819	FIRST STUDENT
373297	Clear	\$115,647.72	10/13/11	06819	FIRST STUDENT
373298	Clear	\$35.22	10/13/11	00888	FREY SCIENTIFIC COMPANY
373299	Clear	\$63.00	10/13/11	08826	GERRY BRANDT
373300	Clear	\$404.00	10/13/11	03051	GINA ZITZER
373301	Clear	\$30.36	10/13/11	06146	GOPHER
373302	Clear	\$200.00	10/13/11	00981	GOPHER STAGE LIGHTING
373303	Clear	\$269.00	10/13/11	08856	GREAT RIVER OFFICE PRODUCTS
373304	Clear	\$74.53	10/13/11	08911	HANNAH BULLER
373305	Clear	\$100.00	10/13/11	07586	HARRY REINER
373306	Clear	\$41.20	10/13/11	08900	HEATHER WHITE
373307	Clear	\$1,444.75	10/13/11	01164	HOUGHTON MIFFLIN RECEIVABLES CO LLC
373308	Clear	\$1,345.00	10/13/11	03331	I.S.D # 622 COMMUNITY ED
373309	Clear	\$995.00	10/13/11	03628	INNOVATIVE OFFICE SOLUTIONS, INC

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373310	Clear	\$137.67	10/13/11	03408	INTERMEDIATE DISTRICT 287
373311	Clear	\$320.00	10/13/11	04805	JAH SCHEDULEING, LLC
373312	Clear	\$200.00	10/13/11	08910	JESSICA TOMLIN
373313	Clear	\$18.00	10/13/11	08905	JIM MCKEOWN
373314	Clear	\$61.00	10/13/11	08916	JOE CHAMBERS
373315	Clear	\$44.75	10/13/11	08077	JOHN DEERE LANDSCAPES/ LESCO
373316		\$54.00	10/13/11	08912	JOHN GEIER
373317		\$63.00	10/13/11	04813	JOHN PAISLEY
373318		\$855.00	10/13/11	03364	JUDY DEANS
373319	Clear	\$168.56	10/13/11	01372	KNOWLAN'S SUPER MARKETS
373320		\$725.00	10/13/11	08861	KRISTEN SCHEPPERLE
373321	Clear	\$887.62	10/13/11	03195	LASERPLUS, LLC
373322	Clear	\$357.50	10/13/11	07999	LIDS TEAM SPORTS
373323	Clear	\$5,489.98	10/13/11	07606	LOFFLER COMPANY INC
373324	Clear	\$5,987.05	10/13/11	03182	MADISON NATIONAL LIFE
373325	Clear	\$735.60	10/13/11	07061	MAEF-MAHTOMEDI AREA EDUCATION FOUNDATION
373326	Clear	\$122.00	10/13/11	07798	MARK CAREY
373327	Clear	\$20.00	10/13/11	08904	MARY BORTH
373328	Clear	\$112.00	10/13/11	08899	MARY MULCAHY
373329	Clear	\$72,306.00	10/13/11	08289	MATRIX COMMUNICATIONS
373330	Clear	\$61.00	10/13/11	08870	MATTHEW CAREY
373331	Clear	\$549.45	10/13/11	03179	MCGRAW-HILL CO.
373332	Clear	\$1,598.43	10/13/11	01672	MEDCO SUPPLY INC
373333	Clear	\$3,449.00	10/13/11	01696	METRO ATHLETIC SUPPLY
373334	Clear	\$350.00	10/13/11	04889	MICHAEL FORBESS
373335	Clear	\$112.00	10/13/11	04181	MIDWEST AUDIO VISUAL, INC.
373336	Clear	\$5.95	10/13/11	08834	NATIONAL NOTARY ASSOC
373337	Clear	\$33,390.47	10/13/11	01971	NORTHEAST METRO 916
373338	Clear	\$155.10	10/13/11	02046	ONION MOUNTAIN TECHNOLOGY
373339	Clear	\$830.09	10/13/11	02052	ORIGINS
373340	Clear	\$110.00	10/13/11	02079	PARK HIGH SCHOOL
373341	Clear	\$258.00	10/13/11	03538	PARTSTOCK COMPUTER
373342	Clear	\$61.00	10/13/11	06545	PAUL RITTENHOUSE
373343	Clear	\$300.43	10/13/11	04204	PEARSON EDUCATION
373344	Clear	\$250.00	10/13/11	02108	PEOPLES ELECTRICAL CONTRACTORS
373345	Clear	\$126.12	10/13/11	06012	PREMIUM WATERS INC
373346	Clear	\$91.98	10/13/11	02180	PRESS PUBLICATIONS
373347	Clear	\$150.00	10/13/11	08908	PRIOR LAKE ROBOTICS
373348	Clear	\$492.00	10/13/11	06121	REGION 4A
373349		\$100.00	10/13/11	02252	REGION 4AA
373350	Clear	\$126.00	10/13/11	08862	RHEA LOSANO
373351		\$0.69	10/13/11	08907	RICHARD HJELSETH
373352	Clear	\$61.00	10/13/11	07039	ROD BLOOM
373353		\$61.00	10/13/11	04957	RON ADAMS
373354	Clear	\$157.50	10/13/11	08863	SAMANTHA KURKOWSHI
373355	Clear	\$587.50	10/13/11	04970	SANDY CEDERGREN
373356	Clear	\$59.33	10/13/11	02413	SCHOLASTIC INC
373357	Clear	\$10.25	10/13/11	02420	SCHOOL SPECIALTY INC
373358	Clear	\$957.88	10/13/11	02420	SCHOOL SPECIALTY INC
373359	Clear	\$53.27	10/13/11	02432	SCHWAAB INC
373360		\$107.59	10/13/11	08880	SENSORY UNIVERSITY
373361	Clear	\$165.00	10/13/11	03123	SHEILA MERZER M A
373362	Clear	\$56.90	10/13/11	02552	SOUTHPAW ENTERPRISES INC
373363	Clear	\$30.90	10/13/11	06951	SPORTDECALS

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373364	Void	\$532.27	10/13/11	00553	STAPLES
373365	Clear	\$1,440.00	10/13/11	03088	STEVE HAMMERSCHMIDT
373366	Clear	\$61.00	10/13/11	08917	STEVE QUIMBY
373367	Clear	\$525.00	10/13/11	08307	SUE HEWITT
373368	Clear	\$301.00	10/13/11	04551	THE GOODPRINTER
373369	Clear	\$2,759.89	10/13/11	02748	TIES
373370	Clear	\$61.00	10/13/11	05979	TIM FRIESE
373371	Clear	\$575.00	10/13/11	08306	TRACY JONES
373372	Clear	\$100.00	10/13/11	08784	TRUSTED EMPLOYEES
373373	Clear	\$44,522.57	10/13/11	06934	US FOODSERVICE INC
373374	Clear	\$32,552.50	10/13/11	08411	WEST METRO LEARNING CONNECTIONS INC
373375	Clear	\$30.00	10/13/11	07027	WHITE BEAR LAKE COMMUNITY SERV DPT
373376	Clear	\$4,928.78	10/13/11	03017	XEROX CORPORATION
373377	Clear	\$63.00	10/13/11	08914	ZACH JOHNSON
373378	Clear	\$1,226.00	10/13/11	00490	CLIMB INC
373379	Clear	\$700.00	10/18/11	04342	WISCONSIN SCTF
373380	Clear	\$62,562.40	10/20/11	08214	AMERICAN HEALTH RESOURCES
373381		\$82.00	10/20/11	07709	ANDY SCHULTZ
373382	Clear	\$617.00	10/20/11	03636	APPLE COMPUTER
373383	Clear	\$103.10	10/20/11	08921	BARBARA BERG
373384	Clear	\$815.93	10/20/11	00659	BLICK ART MATERIALS
373385	Clear	\$5,885.70	10/20/11	05881	CESO-THE CENTER FOR EFFICIENT SCHOOL OPERAT
373386		\$211.34	10/20/11	08903	CHICAGO ARCHITECHTURE FOUNDATION
373387	Clear	\$1,674.00	10/20/11	07266	COMPUTER EXPLORERS
373388	Clear	\$362.34	10/20/11	00591	CURRICULUM ASSOCIATES
373389	Clear	\$82.00	10/20/11	05334	DAVE ROSGA
373390		\$572.25	10/20/11	08078	DEVELOPMENTAL STUDIES CENTER
373391	Clear	\$1,704.00	10/20/11	00678	DOMINO'S PIZZA
373392	Clear	\$554.00	10/20/11	00714	EAGLE SCREEN PRINTING/JEFFREY POESCHL
373393	Clear	\$381.00	10/20/11	03241	ELECTRONIC DESIGN CO
373394	Clear	\$32.90	10/20/11	08926	ERIN BERENS
373395	Clear	\$243.83	10/20/11	08924	ESPRESSO MIDWEST
373396	Clear	\$1,523.20	10/20/11	00803	EXPRESS SERVICES INC
373397	Clear	\$18,233.52	10/20/11	06819	FIRST STUDENT
373398	Clear	\$945.00	10/20/11	03585	FIRST TECHNOLOGIES INC
373399	Clear	\$1,019.92	10/20/11	08864	FLYING HIGH DISC APPAREL
373400	Clear	\$1,200.25	10/20/11	00856	FOLLETT EDUCATIONAL SERVICES
373401	Clear	\$35.15	10/20/11	08918	FRESH AYRE MUSIC/ J.DAVID MOORE
373402		\$60.00	10/20/11	08930	GABI ILLI
373403		\$315.90	10/20/11	08927	GB HANSON AWARDS
373404	Clear	\$81.00	10/20/11	06955	GERRY BRISCO
373405	Clear	\$130.00	10/20/11	03081	GRAY SEEVER
373406		\$260.00	10/20/11	01025	GUILFORD PUBLICATIONS-DEPT 8E
373407	Clear	\$32,609.63	10/20/11	01096	HEALTHPARTNERS
373408	Clear	\$2,000.00	10/20/11	06631	HILDI INC
373409	Clear	\$1,953.09	10/20/11	06613	HM RECEIVABLES CO LLC
373410	Clear	\$3,832.02	10/20/11	01164	HOUGHTON MIFFLIN HARCOURT/HM RECEIVEABLES CO
373411		\$199.00	10/20/11	08860	IXL SUBSCRIPTIONS DEPT
373412		\$160.00	10/20/11	05145	JAMES GRIBBLE
373413	Clear	\$414.00	10/20/11	05013	JAN GUDKNECHT
373414	Clear	\$355.12	10/20/11	08919	JM PROMOTIONS/JUDY METTLEN
373415		\$54.00	10/20/11	08933	JOE BENNING
373416	Clear	\$110.00	10/20/11	08934	JOE RUTKIEWICZ
373417	Clear	\$160.00	10/20/11	08817	KEITH ANDERSON

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373418	Clear	\$10,347.61	10/20/11	03378	KELLY SERVICES, INC
373419		\$195.63	10/20/11	01372	KNOWLAN'S SUPER MARKETS
373420	Clear	\$642.00	10/20/11	08806	LANDS BEST FOODS
373421	Clear	\$352.00	10/20/11	08645	LARKIN HOFFMAN DALY & LINDGREN LTD
373422	Clear	\$777.34	10/20/11	03195	LASERPLUS, LLC
373423	Clear	\$30.00	10/20/11	08931	LAUREN LISOWY
373424		\$500.00	10/20/11	08936	LIZZIE KONGSVIK
373425	Clear	\$1,154.31	10/20/11	01539	MACKIN LIBRARY MEDIA/EDUCATIONAL RESOURCES
373426	Clear	\$212.00	10/20/11	06072	MAD SCIENCE OF MN
373427	Clear	\$3,812.39	10/20/11	03182	MADISON NATIONAL LIFE
373428	Clear	\$160.00	10/20/11	08351	MARC LOMBARDI
373429		\$54.00	10/20/11	08318	MARCO PIROZZOLI
373430		\$61.00	10/20/11	04839	MARK COURTNEY
373431	Clear	\$66,989.00	10/20/11	08289	MATRIX COMMUNICATIONS
373432		\$35.00	10/20/11	01636	MBEI
373433	Clear	\$48.80	10/20/11	01672	MEDCO SUPPLY INC
373434	Clear	\$1,320.00	10/20/11	06809	METRO TESTING
373435		\$160.00	10/20/11	05991	MICHAEL BONN
373436	Clear	\$82.00	10/20/11	07710	MIKE HONSA
373437		\$100.00	10/20/11	08928	MILACA HIGH SCHOOL
373438	Clear	\$9,500.00	10/20/11	01764	MMKR- MALLOY MONTAGUE KARNOWSK RADOSEVICH
373439	Clear	\$45.00	10/20/11	01780	MN DEPT OF HEALTH
373440	Clear	\$179.00	10/20/11	03525	MN DNR WATERS
373441	Clear	\$7,032.33	10/20/11	04089	MN UI FUND
373442	Clear	\$140.00	10/20/11	04184	NEWS-2-YOU (N2Y)
373443	Clear	\$1,455.20	10/20/11	01971	NORTHEAST METRO 916
373444	Clear	\$356.72	10/20/11	03699	OAK GLEN COUNTRY CLUB
373445	Clear	\$1,715.00	10/20/11	02043	ON SITE SANITATION INC
373446	Clear	\$82.00	10/20/11	05513	PAUL NESVIG
373447		\$545.75	10/20/11	02141	PINE TREE APPLE ORCHARD
373448	Clear	\$554.45	10/20/11	02142	PIONEER PRESS
373449	Clear	\$246,554.14	10/20/11	08212	PREFFERED ONE
373450	Clear	\$248.80	10/20/11	02173	PREMIER AGENDAS INC
373451	Clear	\$2,358.00	10/20/11	02203	PSAT/NMSQT
373452	Clear	\$81.00	10/20/11	04940	RANDY MOTT
373453	Clear	\$5,782.00	10/20/11	02252	REGION 4AA
373454	Clear	\$122.00	10/20/11	04815	ROB LINDER
373455		\$81.00	10/20/11	04797	ROBERT CROWE
373456	Clear	\$378.00	10/20/11	04507	ROMAN MARKET INC
373457		\$121.00	10/20/11	08264	SAM KOENING
373458	Clear	\$1,163.33	10/20/11	07113	SAM'S CLUB
373459	Clear	\$426.29	10/20/11	07113	SAM'S CLUB
373460		\$81.00	10/20/11	08929	SARA BRISCO
373461	Clear	\$275.00	10/20/11	03123	SHEILA MERZER M A
373462	Clear	\$546.02	10/20/11	02499	SIR SPEEDY PRINTING
373463	Clear	\$162.00	10/20/11	02537	SOFTERWARE INC
373464	Clear	\$679.13	10/20/11	00553	STAPLES
373465	Unissued	\$0.00	10/20/11	00553	STAPLES
373466	Clear	\$163.40	10/20/11	02603	STAR TRIBUNE
373467		\$82.00	10/20/11	05335	STEVE ROSGA
373468	Clear	\$1,292.31	10/20/11	04176	SUNBURST CHEMICALS, INC.
373469		\$390.00	10/20/11	04711	TAYLORS FALLS CANOE RENTAL
373470	Clear	\$74.50	10/20/11	02711	TECHNOLOGY FOR EDUCATION
373471	Clear	\$61.00	10/20/11	04798	TERRY ARNOLD

CHECK REGISTER

Oct-11

Check Number	Check Status	Check Amount	Check Date	Vendor Number	Vendor Name
373472	Clear	\$686.00	10/20/11	02747	TIERNEY BROTHERS INC
373473		\$61.00	10/20/11	06963	TIMOTHY DEMCO
373474		\$48.00	10/20/11	08932	TOM BENNING
373475		\$342.00	10/20/11	05014	TOM HATCHER
373476	Clear	\$700.62	10/20/11	03345	TRIO SUPPLY CO
373477	Clear	\$1,584.11	10/20/11	06936	VARITRONICS/BRADY WORLDWIDE INC
373478	Clear	\$1,869.02	10/20/11	08923	WATER PARK OF AMERICA
373479	Clear	\$1,857.63	10/20/11	06104	XPRESS
373480	Clear	\$750.00	10/20/11	03029	YOUTH FRONTIERS INC
373481	Clear	\$61.00	10/20/11	08935	ZACH STOLTZ
373482		\$398.05	10/27/11	00047	ADT SECURITY SYSTEMS
373483		\$200.00	10/27/11	03959	ADVANCED ROOFING SOLUTIONS,LLC
373484		\$535.00	10/27/11	00049	ADVANCED SPORTSWEAR INC
373485		\$540.00	10/27/11	08942	AJMJ DESIGN LLC
373486		\$49.90	10/27/11	00095	AMERICAN FLAGPOLE & FLAG CO
373487		\$67.50	10/27/11	07447	ANGELO TUCCITTO
373488		\$809.26	10/27/11	00175	ASSET RECOVERY CORPORATION
373489		\$3,534.80	10/27/11	03196	BF LAUZON ENTERPRISES INC
373490		\$10,737.80	10/27/11	03340	BIX PRODUCE CO LLC
373491		\$30.80	10/27/11	00659	BLICK ART MATERIALS
373492		\$1,011.00	10/27/11	04234	BLUE CROSS BLUE SHIELD OF MN/SUPPORT SOURCE
373493		\$1,599.33	10/27/11	03057	BRAD BERGIE
373494		\$1,559.23	10/27/11	00358	BRYAN ROCK PRODUCTS INC
373495		\$209.85	10/27/11	08892	CAMBIUM LEARNING GROUP
373496		\$808.20	10/27/11	03115	CHARLES LINDERKAMP
373497	Void	\$23,459.23	10/27/11	00406	CHASE CARD SERVICE/BANK ONE
373498		\$1,030.48	10/27/11	00462	CHEMSEARCH
373499		\$737.50	10/27/11	06754	COMMANDING EDGE INC
373500		\$4,651.65	10/27/11	00599	DALCO
373501		\$3,000.00	10/27/11	06007	DAN DESTACHE
373502		\$120.99	10/27/11	08078	DEVELOPMENTAL STUDIES CENTER
373503		\$801.50	10/27/11	08538	DIANA HIRTE
373504		\$1,581.00	10/27/11	03242	DON CUNNINGHAM
373505		\$104.95	10/27/11	00679	DONATELLI'S
373506		\$54.00	10/27/11	08319	DYLAN JAMES
373507		\$292.19	10/27/11	04409	FASTSIGNS OF MAPLEWOOD
373508		\$5,028.63	10/27/11	06819	FIRST STUDENT
373509		\$84.28	10/27/11	08864	FLYING HIGH DISC APPAREL
373510		\$901.84	10/27/11	01464	G&K SERVICES
373511		\$18.10	10/27/11	08937	GAIL OLSEN
373512		\$20.00	10/27/11	08883	GINA CROSBY BOOGREN
373513		\$351.00	10/27/11	00965	GLEWWE DOORS
373514		\$89.65	10/27/11	00987	GRAINGER
373515		\$4,799.00	10/27/11	08941	GROUP LEAF LLC
373516		\$405.00	10/27/11	06142	HISTORICAL PERSPECTIVES FOR CHILDREN INC
373517		\$75.38	10/27/11	03331	I.S.D # 622 NO.ST PAUL-MAPLEWOOD-OAKDALE
373518		\$158.64	10/27/11	07280	JEANNE ZLONIS
373519		\$250.00	10/27/11	03401	JOE KOSCIANSKI
373520		\$73.20	10/27/11	08077	JOHN DEERE LANDSCAPES/ LESCO
373521		\$102.70	10/27/11	08077	JOHN DEERE LANDSCAPES/ LESCO
373522		\$24.00	10/27/11	03195	LASERPLUS, LLC
373523		\$100.00	10/27/11	07858	LEXI HELMER
373524		\$9.00	10/27/11	01557	MAHTOMEDI AUTO SERVICE
373525		\$80.63	10/27/11	01684	MENARDS OAKDALE CASHWAY LUMBER

CHECK REGISTER

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Check Number	Check Status	Check Amount	Check Date	Vendor Number	Vendor Name
373526		\$140.00	10/27/11	01699	METRO ECSU
373527		\$112.00	10/27/11	04181	MIDWEST AUDIO VISUAL, INC.
373528		\$34.71	10/27/11	08547	MIKE PLUMB
373529		\$130.00	10/27/11	01762	MMEA
373530		\$400.00	10/27/11	01781	MN DEPT OF LABOR AND INDUSTRY
373531		\$525.00	10/27/11	08323	MODERN FENCE & CONST. INC
373532		\$16.38	10/27/11	01862	MUSIC CONNECTION INC
373533		\$3,456.00	10/27/11	08853	ON CALL CLINICIANS
373534		\$150.00	10/27/11	02043	ON SITE SANITATION INC
373535		\$1,867.80	10/27/11	02180	PRESS PUBLICATIONS
373536		\$179.00	10/27/11	08940	QUEST EDUCATION SYSTEMS
373537		\$582.80	10/27/11	02358	SALLIOTTE SEWING CO
373538		\$693.00	10/27/11	06784	SANDY SCHOENECKER
373539		\$470.80	10/27/11	02406	SCHMITT MUSIC COMPANY
373540		\$526.50	10/27/11	07674	SHEFFIELD, OLSON & MCQUEEN DBA GREAT GASB
373541		\$715.00	10/27/11	03123	SHEILA MERZER M A
373542		\$165.08	10/27/11	02474	SHIFFLER EQUIPMENT SALES INC
373543		\$446.00	10/27/11	08401	SPRIGGS PLUMBING /HEATING
373544		\$130.82	10/27/11	00553	STAPLES
373545		\$766.40	10/27/11	02610	STATE SUPPLY CO INC
373546		\$666.90	10/27/11	03088	STEVE HAMMERSCHMIDT
373547		\$1,767.00	10/27/11	08943	TANDEM PRINTING INC
373548		\$350.00	10/27/11	05172	TARTAN HIGH SCHOOL
373549		\$18.90	10/27/11	02698	TEACHER'S DISCOVERY
373550		\$351.00	10/27/11	03359	TERRY GRILL
373551		\$146.00	10/27/11	04551	THE GOODPRINTER
373552		\$324.00	10/27/11	02745	THYSSENKRUPP ELEVATOR
373553		\$316.00	10/27/11	02747	TIERNEY BROTHERS INC
373554		\$37.63	10/27/11	02858	VERIZON WIRELESS
373555		\$37.32	10/27/11	02858	VERIZON WIRELESS
373556		\$98.08	10/27/11	02863	VIKING ELECTRIC SUPPLY
373557		\$304.50	10/27/11	02873	VOSS LIGHTING
373558		\$8.00	10/27/11	02939	WHITE BEAR BOWL INC- PLS OPERATION LLC
373559		\$366.31	10/27/11	00723	XCEL ENERGY
373560		\$106.41	10/27/11	03017	XEROX CORPORATION
373561		\$981.47	10/27/11	06104	XPRESS
373562		\$1,143.00	10/27/11	03025	YOUNGBLOOD LUMBER COMPANY
373563		\$60.98	10/27/11	03026	YOUNGS
373564		\$363.04	10/31/11	00094	AMERICAN FAMILY ASSURANCE
373565		\$604.00	10/31/11	01556	MAHTOMEDI AREA EDUC.FOUNDATION
373566		\$9.90	10/31/11	01888	NATIONAL INSURANCE SERVICES
373567		\$272.00	10/31/11	01740	NCPERS MINNESOTA-179220
373568		\$730.50	10/31/11	02017	OFFICE & PROFESSIONAL
373569		\$842.52	10/31/11	02048	OPERATING ENGINEERS LOCAL #70
373570		\$27.62	10/31/11	01499	UNITE HERE LOCAL 17
80001721	Clear	\$18.80	10/06/11	99999	Rana, Marianne E
80001722	Clear	\$314.55	10/06/11	99999	Ryan, Erica M
80001723	Clear	\$62.33	10/06/11	99999	Wagner-Beek, Leslie
80001724	Clear	\$282.62	10/06/11	99999	Baker, Lori J
80001726	Clear	\$11.28	10/06/11	99999	Kuchar, Sue
80001727	Clear	\$147.73	10/06/11	99999	Sommers, Tami J
80001728	Clear	\$229.96	10/06/11	99999	Laue, Deanna
80001729	Clear	\$18.49	10/06/11	99999	Green, Virginia
80001730	Clear	\$175.00	10/06/11	99999	Gerver, Laurie

CHECK REGISTER

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Check Number	Check Status	Check Amount	Check Date	Vendor Number	Vendor Name
80001731	Clear	\$231.84	10/06/11	99999	Phelps, Alisa D
80001732	Clear	\$38.85	10/06/11	99999	Hampel, William
80001733	Clear	\$528.55	10/06/11	99999	Vaughan, Kristin
80001734	Clear	\$182.42	10/06/11	99999	Olson, Lindsey S
80001735	Clear	\$47.89	10/06/11	99999	Adams, Megan
80001736	Clear	\$123.21	10/06/11	99999	Trautman, Terry
80001737	Clear	\$39.41	10/06/11	99999	Poirier, Nicole
80001738	Clear	\$43.51	10/06/11	99999	Gutmann, Sheila
80001739	Clear	\$732.10	10/06/11	99999	Moeller, Michael
80001740	Clear	\$546.88	10/06/11	99999	Kuchar, Sue
80001741	Clear	\$71.29	10/06/11	99999	Dusek, Sara A
80001742	Clear	\$27.25	10/06/11	99999	Sommer, Elizabeth
80001743	Clear	\$55.48	10/06/11	99999	Carlson, Debra K
80001744	Clear	\$88.80	10/13/11	99999	Moore, Christopher
80001745	Clear	\$17.39	10/13/11	99999	Rana, Marianne E
80001746	Clear	\$227.00	10/13/11	99999	Ydstie, Paul E
80001747	Clear	\$14.55	10/13/11	99999	Mickelson, Craig
80001748	Clear	\$27.75	10/13/11	99999	Erickson, Anne
80001749	Clear	\$41.07	10/13/11	99999	Miley, Keith W
80001750	Clear	\$3,800.00	10/13/11	99999	Belden, Phillip
80001751	Clear	\$97.13	10/13/11	99999	Shawbold, Dean
80001752	Clear	\$173.00	10/13/11	99999	Sneden, Bethany
80001753	Clear	\$119.95	10/13/11	99999	Feustel, Krista
80001754	Clear	\$205.00	10/13/11	99999	Lundstrum, Kristin
80001755	Clear	\$57.03	10/13/11	99999	Miley, Keith W
80001756	Clear	\$370.40	10/13/11	99999	Viker, Lynne M
80001757	Clear	\$118.77	10/13/11	99999	Nickleby, Kathe
80001758	Clear	\$98.21	10/13/11	99999	Peterson, Teresa
80001760	Clear	\$103.79	10/13/11	99999	Rohrig, Joyce L
80001761	Clear	\$22.56	10/13/11	99999	Lorntson, Sarah
80001762	Clear	\$421.73	10/13/11	99999	Tumbleson, Thad
80001763	Clear	\$29.92	10/13/11	99999	Ydstie, Paul E
80001764	Clear	\$48.19	10/13/11	99999	Shafer, Kelly K
80001765	Clear	\$22.20	10/20/11	99999	Akins, John F
80001766	Clear	\$205.00	10/20/11	99999	Mickelson, Craig
80001767	Clear	\$40.00	10/20/11	99999	Haugh, Patricia
80001768	Clear	\$116.66	10/20/11	99999	Bacon, Carol
80001769	Clear	\$329.40	10/20/11	99999	Sneden, Bethany
80001770	Clear	\$183.44	10/20/11	99999	Sneden, Bethany
80001771	Clear	\$30.35	10/20/11	99999	Donovan, Julie A
80001772	Clear	\$214.23	10/20/11	99999	Hei, Mary Jo
80001773	Clear	\$196.03	10/20/11	99999	Nickleby, Kathe
80001774	Clear	\$43.67	10/20/11	99999	Robinson, Susan
80001775	Clear	\$82.43	10/20/11	99999	Warren, Jeanna S
80001776	Clear	\$50.78	10/20/11	99999	Vaughan, Kristin
80001777	Clear	\$25.00	10/20/11	99999	Haen, Elisabeth
80001778	Clear	\$1,711.00	10/20/11	99999	Driscoll, Deborah
80001779	Clear	\$271.90	10/20/11	99999	Mickelson, Craig
80001780	Clear	\$45.83	10/20/11	99999	Carlson, Debra K
80001781	Clear	\$16.56	10/20/11	99999	Strege, Bonny K
80001782	Clear	\$80.61	10/20/11	99999	Heagle, Kristin
80001783	Clear	\$66.17	10/20/11	99999	Brown, Julie M
80001784	Clear	\$49.90	10/20/11	99999	Warren, Jeanna S
80001785	Clear	\$434.00	10/27/11	99999	Greene, Daniel

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Check Number	Check Status	Check Amount	Check Date	Vendor Number	Vendor Name
80001786	Clear	\$87.39	10/27/11	99999	Sneden, Bethany
80001787	Clear	\$150.00	10/27/11	99999	Livingston, Judy
80001788	Clear	\$63.01	10/27/11	99999	Allen, John E
80001789	Clear	\$40.00	10/27/11	99999	Conzemius, Julie
80001790	Clear	\$60.14	10/27/11	99999	Sneden, Bethany
80001791	Clear	\$57.62	10/27/11	99999	Hill, Sarah M
80001792	Clear	\$15.04	10/27/11	99999	Olson, Lindsey S
80001793	Clear	\$6.66	10/27/11	99999	McCabe, Patricia
80001794	Clear	\$33.57	10/27/11	99999	Johnson, Jenifer
80001795	Clear	\$31.08	10/27/11	99999	Rye, Geraldine M
80001796	Clear	\$179.87	10/27/11	99999	Forbes, Donna M
80001797	Clear	\$27.84	10/27/11	99999	Sneden, Bethany
80001798	Clear	\$73.95	10/27/11	99999	Robinson, Susan
80001799	Clear	\$30.00	10/27/11	99999	Haen, Elisabeth
80001800	Clear	\$175.00	10/27/11	99999	Lindberg, Elizabeth
80001801	Clear	\$195.15	10/27/11	99999	Whisler, Jeff
	CK AMT	\$1,186,613.47			

**INDEPENDENT SCHOOL DISTRICT #832
WIRE TRANSFER TRANSACTIONS
MONTH OF OCTOBER 2011**

<u>DATE</u>	<u>FROM</u>	<u>TO</u>	<u>AMOUNT</u>	<u>PURPOSE</u>
10/11/11	MN Trust	MSDLAF	\$1,100,000.00	cover checks
10/12/11	US Bank	Chase Card Service/Bank One	\$24,081.93	cardmember payment
10/13/11	US Bank	MN Dept of Revenue	\$301.00	sales tax payment
10/13/11	US Bank	Central Bank	\$561.72	para union dues
10/13/11	US Bank	Peoples Bank of Commerce-EBC Flex	\$8,527.88	flex benefits
10/13/11	US Bank	Peoples Bank of Commerce-403-B/457	\$56,492.78	TSA payment/Deferred Comp
10/14/11	MSDLAF	US Bank	\$525,084.20	cover checks
10/14/11	US Bank	IRS	\$177,241.70	federal & fica taxes
10/14/11	US Bank	MN Dept of Revenue	\$32,317.29	state payroll taxes
10/14/11	US Bank	Public Emp. Retirement Assoc.	\$21,859.92	pera retirement
10/14/11	US Bank	Mn Teachers Retirement	\$74,434.36	teachers retirement
10/15/11	State of Minnesota	MN Trust	\$501,921.40	direct state payment
10/25/11	MN Trust	MSDLAF	\$1,400,000.00	cover checks
10/25/11	Washington County	MN Trust	\$2,520,993.00	direct payment
10/27/11	State of Minnesota	MN Trust	\$1,986,048.44	direct state payment
10/28/11	US Bank	Central Bank	\$591.54	para union dues
10/28/11	US Bank	Peoples Bank of Commerce-EBC Flex	\$8,527.88	flex benefits
10/28/11	US Bank	Peoples Bank of Commerce-403-B/457	\$56,542.78	TSA payment/Deferred Comp
10/28/11	US Bank	Mid State Corp Federal CU	\$10,568.41	MEA teachers union dues
10/31/11	MSDLAF	US Bank	\$528,240.37	cover checks
10/31/11	US Bank	IRS	\$184,354.19	federal & fica taxes
10/31/11	US Bank	MN Dept of Revenue	\$33,746.46	state payroll taxes
10/31/11	US Bank	Public Emp. Retirement Assoc.	\$22,292.55	pera retirement
10/31/11	US Bank	Mn Teachers Retirement	\$75,997.91	TRA payment

AGREEMENT FOR POLICY CUSTOMIZATION SERVICES

This Agreement, made and entered into this 10th day of November 2011, by and between the **Minnesota School Boards Association, a Minnesota non-profit corporation (“Association”)** and **Independent School District No. 832, Mahtomedi (“District”)**, is for policy customization services. In consideration of the mutual promises contained herein, and other good and valuable consideration, the **Association** and the **District** agree as follows:

The Association agrees to provide the District with the services of a Policy Consultant who will develop with the school board and the superintendent a customized policy manual. The Policy Consultant will do the following, to the extent he or she deems necessary:

- ☞ Review existing Board policies, as well as other School District documents and contracts. The review of School District documents and contracts is solely for the purpose of insuring consistency. No analysis of contracts shall be provided.
- ☞ Meet and/or confer with the Board and/or its designee for the purpose of assisting and advising the Board and/or its designee during the customization process.
- ☞ Customize the Board’s existing Policy Reference Manual as stated in Exhibit A, which is attached and incorporated by reference herein.

The District agrees that it will do the following:

- ☞ Provide the Association’s Policy Consultant with the Board’s existing policies, as well as other materials as requested, within 30 days after the Policy Consultant makes a written request.
- ☞ Furnish assistance and information to the Policy Consultant during the policy manual development as requested and in a timely manner.
- ☞ Hold the Association harmless for any damage caused by any policy, contract, advice, or other consulting services rendered pursuant to this Agreement.

The District further agrees to pay to the Association the sum of **\$3,950** according to the following schedule:

50% due upon return of this Agreement	\$1,975
50% due upon receipt of the draft manual	\$1,975

In witness whereof, the parties hereto have executed this Agreement as of the date first written above.

Minnesota School Boards Association

Independent School District No. 832, Mahtomedi

By: _____

By: _____

Robert E. Meeks
Executive Director

Name: _____
Title: Chairman of the Board

By: _____

Name: _____
Title: Clerk

EXHIBIT "A"

CUSTOM POLICY SERVICES

In providing MSBA's Custom Policy Services, MSBA's Policy Consultant or his/her designee will do the following:

Confer with the School Board or its designee to explain what the custom policy service provides and to ascertain what the Board desires with respect to this service.

Have District send copies of all relevant documents to MSBA Policy Consultant.

Ascertain past practices that may have a policy impact.

Review Board minutes from the past five years looking for actions with a policy impact.

Review existing Board policies, collective bargaining agreements, and handbooks noting:

- * Statements of policy that are not supported by an actual adopted Board policy.
- * Conflicts in language between/among policies, handbooks, and labor agreements.
- * Organization for ease of use.
- * Good policies (i.e. clear, concise, legal).
- * Areas where policies are needed to state the Board's expectations more clearly and efficiently.
- * Areas where policies are needed to meet state/federal requirements.

Dovetail District policies with MSBA model policies. District policies not contained in the MSBA policy manual are reviewed for compliance with current federal and state requirements and consistency in use of terms. Those policies are then added to the District's new policy manual.

Number all policies in accordance with the MSBA policy system.

Provide the Board with one draft copy of the new policy manual.
(Note: extensive re-writing may require additional costs.)

Confer with the Board and/or its designee to go through the new policy manual and explain what changes were made, answer questions, etc.

Perform editing services on the policy manual draft copy within 180 days following delivery of the draft copy of the policy manual. Deliver final copy of the revised policy manual to the District along with the electronic files.

Mahtomedi High School Interact Club Trip Proposal

Submitted to Kathe Nickleby on Wednesday, October 26, 2011

Staff Organizer: Sarah Lorntson, Mahtomedi High School Language Arts teacher and Interact advisor

The MHS Interact Club would like to travel to Kansas City, MO over the Presidents Day holiday weekend with the organization Students Today, Leaders Forever on a Pay It Forward Tour.

On this trip, students will:

- Participate in meaningful service learning
- Learn about leadership and teamwork
- Visit college campuses and learn about higher education opportunities

Students will leave Mahtomedi High School at 4:00 pm on Thursday, February 16. They will miss school on Friday the 17th. The bus will return to MHS on Monday, February 20 at 5 pm.

Students will travel on a coach bus arranged by STLF. They will sleep on gym/meeting space floors each night except on Day 4 when they will stay in a hotel. Boys and girls will sleep in separate rooms/spaces.

During the day, students will volunteer with various community organizations. STLF will arrange these service projects.

In Kansas City, students will meet up with other high school students from the Midwest who are also on Pay It Forward Tours.

Chaperones will include Sarah Lorntson (Interact Club advisor) and possibly one other staff member or Rotary Club member. STLF will provide trained team leaders (college students) who will also chaperone. The ratio of students to chaperones will be 6:1.

Up to 35 students can participate in this program, but if interest is great, we may be able to add an additional bus and accommodate 70 students.

The planned itinerary is:

Day 1- Mahtomedi, MN ---> Mankato, MN
Day 2- Mankato, MN---> Des Moines, IA
Day 3- Des Moines, IA ---> Chillicothe, MO
Day 4- Chillicothe, MO ---> Kansas City, MO
Day 5- Kansas City, MO---> Mahtomedi, MN

On the drive from Mankato to Des Moines we will visit Iowa State University. Between Des Moines and Chillicothe we will visit Drake University. At Iowa State, we will arrange a visit with the Engineering program so that students can connect with our partners in the Mahtomedi Engineering Leadership Program.

Cost:

If students register before January 5, the cost is \$285. This covers the bus, lodging, and two meals per day. STLF suggests that students bring \$10/day for an additional meal and some money for souvenirs if they wish.

If students register after January 5, the cost is \$300 per person.

Students register and pay online through STLF, and to reserve a spot, they can put down a \$100 deposit.

STLF offers financial assistance for students who cannot afford the trip, and the Interact Club will raise money to assist students in need, as well.