

INDEPENDENT SCHOOL DISTRICT #832  
REGULAR MEETING – BOARD OF EDUCATION  
Thursday, November 14, 2013 - 7:00 PM  
Mahtomedi District Education Center - Community Room

**Mission Statement** - Mahtomedi Public Schools will ensure a rigorous and relevant education where: all learners are valued and supported, positive relationships are developed, and students are empowered to reach their full potential in a global society.

**- 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. Student/Staff/Community Recognition
  - B. Mahtomedi High School - Activity Programming  
Presenter: Matt Menier
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. Jack Sellwood, Student Representative
8. APPROVAL OF MINUTES
  - A. October 10, 2013 - Regular Meeting 5
  - B. October 24, 2013 - Study Session 10
9. DISCUSSION/INFORMATION ITEMS
  - A. Calendar of Events 12
  - B. NWEA Fall Test Scores 14  
Presenter: Kim O'Connor
  - C. Student and Family Out Reach 15  
Presenter: Julie Rolling
  - D. Staffing Update - Wildwood Elementary and O. H. Anderson Elementary 16  
Presenter: Lynne Viker
10. ACTION ITEMS
  - A. Approval of 2012-2013 Audit 17  
Presenter: Jim Eichten, MMKR and Rochel Manders
  - B. Approval of Resolution Canvassing Returns of Special Election 141

Presenter: Mark Larson

- C. Approval of Resolution Directing the Administration to Prepare Recommendations for Reductions in Programs and Positions and Reasons Therefor (2014-2015) 152  
Presenter: Mark Larson

11. SCHOOL BOARD COMMITTEE REPORTS

- A. Association of Metropolitan School Districts (AMSD) Board  
Presenter: Bob Donohoe
- 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 154  
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
  - 1. Check Register 02 - Check No. 282259 to 282318 and 381845 to 382258 and 80004358 to 80004462 156
  - 2. Check Register 05 - Check No. 50000133 to 50000149 168
- B. Approval of Wire Transfer Transactions 169
- C. Donations/Grants - Totaling \$17,249.92
  - 1. Approval of Donation from 3M Foundation to Mahtomedi Engineering Program - \$9,000
  - 2. Approval of Grants from Mahtomedi Area Educational Foundation to Mahtomedi Engineering Program - \$6,249.92
  - 3. Approval of Donation from Mahtomedi "M" Club to Mahtomedi High School Nordic Ski program - \$1,500
  - 4. Approval of Donation from Yvonne Cadwallader and John Huizinga to Mahtomedi Engineering Program - \$500
- D. Personnel
  - 1. Approval of Contracts and Work Agreements
    - a. Carol Benjamin - ECFE Program Director - Community Education (2013-2014)
    - b. Jennifer Boxmeyer - Special Education Paraprofessional - ECSE (10/23/13)

**Agenda** - November 14, 2013

- c. Masako Kedrowski - Lunchroom Paraprofessional - Wildwood Elementary School (10/23/13)
  - d. Monica Kubow - .6 FTE Licensed School Nurse - Mahtomedi High School (10/31/13)
  - e. Dana Paulson - Media Specialist - O. H. Anderson Elementary School (10/7/13 to 6/9/14)
  - f. Lynnette Showers - .2 FTE Elementary Math Teacher - Wildwood Elementary School (10/31/13)
  - g. Amy Winter - .2 FTE Reading Teacher - Wildwood Elementary School (10/28/13)
2. Approval of Leaves of Absence
- a. Christina Boice-Mallach - School Psychologist - O. H. Anderson Elementary School (10/10/13)
3. Approval of Resignations/Retirements/Terminations
- a. Leslie Firkins - Paraprofessional - Wildwood Elementary School (10/3/13)
  - b. Nancy Schumacher - Clerical - Community Education (Revised from 10/31/13 to 12/6/13)

## **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](mailto: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 the Public Comment portion of the meeting. 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.

# Minutes of Regular Meeting

## Board of Education Mahtomedi Public Schools

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A Regular meeting of the Board of Education of the Mahtomedi Public Schools was held **Thursday, October 10, 2013**, 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 Cathy Dalton.

### 2. ROLL CALL OF ATTENDANCE

Present: Cathy Dalton; Mary Jo Deters; Bob Donohoe; Judy Schwartz; Steve Wolgamot; Superintendent Mark Larson, ex officio; and Jack Sellwood, Student Representative.  
Absent: Kevin Donovan.

### 3. APPROVAL OF THE AGENDA

Donohoe moved, Schwartz seconded, approval of the agenda. Carried.

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

Schwartz moved, Donohoe seconded, approval of the actions recommended on the consent agenda. Carried.

### 5. PRESENTATIONS/RECOGNITION

#### A. Mahtomedi Area Educational Foundation - Annual Pledge Drive

Kristi Skillings, representing the Mahtomedi Area Educational Foundation (MAEF), reported that MAEF is gearing up for its annual Fall fund drive. MAEF awarded \$92,000 in grants, \$48,000 in scholarships, and \$5,000 in sponsorships to students and teachers last school year.

#### B. Student/Staff/Community Recognition

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

- O. H. Anderson Elementary School - Recognized as an *Award School* for the second year in a row by the Minnesota Department of Education.

- Minnesota Youth Institute: Gillian Wilkins and Stuart Wilkins. Not Present: Jerome Jacobsen.
- National Merit Competition: Justin Engbrecht, Alexandra Farragher, Laura Moore, Rachel Reyes, Tyler Zappa. Not Present: Darby Chalmers, Mary Peterson, Harrison Post, Jubilee Prosser.
- National Merit Finalist: Nick Boyd.
- Graduate Certificate in Engineering and Education: Adam Beyer

Rochel Manders, the new Director of Business Services was introduced.

C. Mahtomedi Middle School - Aspiring to Greatness

Dr. Mike Neubeck, Principal, Mary George, Engineering Program Coordinator, and John Krause, science/engineering teacher, presented on the following as it relates to Mahtomedi Middle School: enrollment, new teachers, trend data in math, reading, and science, 2013-2014 math, reading, and science goals and how being achieved, new technology (Chromebooks), new FabLab, and results from parent survey.

6. PUBLIC COMMENT

None.

7. REPORT FROM STUDENT REPRESENTATIVE

A. Jack Sellwood, Student Representative

School Board Student Representative Jack Sellwood reported on the following events at Mahtomedi High School: homecoming festivities, upcoming choir concert, all-school testing, Veterans' Day celebration, conferences, food drive, and sports recap.

8. APPROVAL OF MINUTES

A. September 12, 2013 - Regular Meeting

Wolgamot moved, Donohoe seconded, approval of the minutes from the September 12, 2013, school board meeting. Carried.

B. September 26, 2013 - Study Session

Wolgamot moved, Donohoe seconded, approval of the minutes from the September 26, 2013, study session. Carried.

9. DISCUSSION/INFORMATION ITEMS

A. Calendar of Events

Chair Cathy Dalton reviewed with school board members the calendar of events.

B. Building Goals

Rob Pontious, MCP Program Coordinator, presented on the following as it relates to the Mahtomedi Compensation Plan: site goals for each of the schools, peer coaching, professional learning communities, and teacher evaluations in 2014-2015.

C. Support Services - Growing Scholars and Project SWAG

Lisa Boland Blake, Gifted and Talented Coordinator, and Audra Dircks-Haveman, Growing Scholars Teacher, presented on the following as it relates to the Growing Scholars Program: purpose and vision, history in Mahtomedi, spring 2011 compared to the summer of 2013 demographics, funding Equity Alliance 622, growing program 2012-2013 compared to 2013-2014, identification criteria, and what parents are saying.

Lindsey Scanlon, ELL Teacher, presented on the following as it relates to Project SWAG (Students Working on the Achievement Gap): purpose of the program, who helped get the program off the ground, how the program works, and how the program is funded.

D. Curriculum Review Cycle

Lynne Viker, Director of Teaching and Learning and Support Services handed out the curriculum review cycle and process schedule 2013 through 2023.

E. Operating Levy Update

Superintendent Mark Larson updated school board members on what has been happening as it relates to the upcoming operating levy referendum. The operating levy referendum is asking voters to revoke the current levy and replace it with a higher amount.

10. ACTION ITEMS

A. Approval of Resolution Appointing Election Judges for the November 5, 2013 Special Election

Wolgamot moved, Schwartz seconded, approval of the resolution appointing election judges for the November 5, 2013, special election. Carried.

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

Wolgamot moved, Donohoe 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 Bob Donohoe reported on the following highlights from the last AMSD meeting: English Learners presentation by Bloomington Schools and working on 2014 legislative platform: 21<sup>st</sup> century school facilities, school board approved technology levies, eliminate unfunded mandates, expand early learning opportunities, retain effective teachers, adequately funded Q-comp, and provide pathways to graduation for English language learners.

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

School Board Clerk/Vice Chair Mary Jo Deters reported the next meeting is October 23 but highlighted awards the EEA has received over the last several years.

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

January 16 and 17, 2014 - Annual Leadership Conference.

- D. Northeast Metro 916 Board

School Board Director Judy Schwartz referred to the 916 Talking Points that are included in the packet.

- E. Other Items/Reports

None.

## 12. SUPERINTENDENT'S REPORT

Superintendent Mark Larson reported on the following: great opening of school, curriculum nights, and the levy presentations that have taken place.

## 13. ADJOURNMENT

Donohoe moved, Schwartz seconded, adjournment. Meeting adjourned at 9:07 p.m. Carried.

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

A. Approval to Pay Bills

1. Check Register 02 - Check No. 381458 to 381844 and 80004229 to 80004357
2. Check Register 05 - Check No. 50000113 to 50000132

B. Approval of Wire Transfer Transactions

C. Approval of Assurance of Compliance with State and Federal Law Prohibiting Discrimination

D. Approval of Donations/Grants Totaling \$45,551.05

1. From Cossack Foundation to Mahtomedi High School Gymnasium Project - \$25,708 (tech support)
2. From Cossack Foundation to Mahtomedi High School Gymnasium Project - \$17,943.05
3. From Anonymous to Wildwood Elementary School - \$1,000
4. From Daniel May to Mahtomedi High School Girls' Hockey Program - \$600
5. From Robert Pontious to Mahtomedi High School Choir Program - \$300

E. Personnel

1. Approval of Contracts and Work Agreements

- a. a. Deborha Cooper - Paraprofessional - Mahtomedi High School (9/10/13)
- b. April Lang - Health Paraprofessional - St. Jude of the Lake School (9/10/13)
- c. Joanne Pratt - Reading Teacher - O. H. Anderson Elementary School (2013-2014)
- d. Jean Swanson - Preschool Instructor - Community Education (2013-2014)
- e. Julianne Wynia - Paraprofessional - Mahtomedi Middle School (9/3/13)
- f. Jodi Zemke - General Elementary Education Teacher - O. H. Anderson Elementary School (2013-2014)

MARY JO DETERS, CLERK

Public notice for solicitation of bids, requests for quotes, and requests for proposals are located on the ISD 832 website, [www.mahtomedi.k12.mn.us](http://www.mahtomedi.k12.mn.us).

# Minutes of Study Session

## Board of Education Mahtomedi Public Schools

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A **Study Session** of the Board of Education of the Mahtomedi Public Schools was held **Thursday, October 24, 2013**, beginning at 7:00 PM in the Mahtomedi District Education Center - Community Room.

### 1. CALL TO ORDER

Meeting called to order at 7:12 p.m. by Chair Cathy Dalton.

### 2. ROLL CALL OF ATTENDANCE

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

Also Present: Rochel Manders, Director of Business Services; Beth Sneden, Professional Development and Special Education Supervisor; and Lynne Viker, Director of Teaching and Learning and Support Services.

### 3. APPROVAL OF THE AGENDA

Schwartz moved, Donovan seconded, approval of the agenda. Carried.

### 4. DISCUSSION/INFORMATION ITEMS

#### A. Curriculum Review

##### 1. Physical Education/Health

Lynne Viker, Director of Teaching and Learning and Support Services, and Beth Sneden, Professional Development and Special Education Supervisor, informed school board members that this year the physical education/health curriculum is being reviewed. The group has met once and discussed how students can establish physical fitness and healthy lifestyles for a lifetime.

#### B. Staff Development Plan

Beth Sneden, Professional Development and Special Education Supervisor, presented to the school board the following as it relates to the 2013 District-Wide Staff

Development Plan: committee members, role of the committee, student achievement goals, staff development goals, delivery model for staff development, and updates to the state statute.

C. SEED Program Topics

Superintendent Mark Larson informed school board members that at yesterday's Educational Equity Alliance meeting it was discussed that a couple of other school districts have approached North St. Paul-Maplewood-Oakdale about joining the EEA. Larson also discussed with school board members the type of SEED presentation and topic they would like Lindsey Scanlon to provide next spring.

D. Operating Levy Update

Superintendent Mark Larson gave an update to school board members about what has taken place so far as it relates to the upcoming operating levy.

E. Calendar of Events Attendance

School board members reviewed the calendar of events and the upcoming events that they will attend.

5. ADJOURNMENT

Donovan moved, Donohoe seconded, adjournment. Meeting adjourned at 8:23 p.m. Carried.

MARY JO DETERS, CLERK

Public notice for solicitation of bids, requests for quotes, and requests for proposals are located on the ISD 832 website, [www.mahtomedi.k12.mn.us](http://www.mahtomedi.k12.mn.us).

## CALENDAR OF EVENTS

| <b>NOVEMBER</b>  |   |   |
|--|---|---|
| DATE/TIME  | MEETING/EVENT   | LOCATION  |
| <b><u>Monday, November 11</u></b><br>7:00-8:00 p.m.                        | MHS Parent Communication Network Meeting  | Mahtomedi High School - Choir Room  |
| <b><u>Wednesday, November 13</u></b><br>9:30 a.m.                          | PTO Board Meeting-( <i>Deters</i> )   | District Education Center - Community Room  |
| <b><u>Thursday, November 14</u></b><br>5:45 p.m.<br>7:00 p.m.              | Dinner Session<br>School Board Meeting  | District Education Center - Board Room<br>District Education Center - Community Room                      |
| <b><u>Friday, November 15</u></b><br>7:00 p.m.                             | “Give to the Max” Day<br>MHS Fall Play - <i>The (Female) Odd Couple</i>                     | Black Box Theater   |
| <b><u>Saturday, November 16</u></b><br>7:00 p.m.                           | MHS Fall Play - <i>The (Female) Odd Couple</i>  | Black Box Theater   |
| <b><u>Monday, November 18</u></b><br>7:00 p.m.                             | MAEF Board of Trustees Meeting-( <i>Donovan</i> )   | District Education Center - Community Room  |
| <b><u>Wednesday, November 20</u></b><br>Noon                               | Adult Senior Community Lunch - Thanks-giving Potluck  | District Education Center - Community Room  |
| <b><u>Friday, November 22-<br/>Saturday, November 23</u></b><br>7:00 p.m.  | MHS Fall Play - <i>The (Female) Odd Couple</i>  | Black Box Theater   |
| <b><u>Monday, November 25</u></b><br>6:30-8:00 p.m.                        | Community Education Advisory Council Mtg.   | District Education Center - Room 102/104  |
| <b><u>Wednesday, November 27</u></b>                                       | No School - Staff Development   |   |
| <b><u>Thursday, November 28 -<br/>Friday, November 29</u></b>              | No School - Thanksgiving Break  |   |
| <b>DECEMBER</b>  |   |   |
| DATE/TIME  | MEETING/EVENT   | LOCATION  |
| <b><u>Tuesday, December 3</u></b><br>6:00 p.m.                             | Northeast Metro 916 School Board Meeting-( <i>Schwartz</i> )                                | Bellaire School, White Bear Lake  |
| <b><u>Wednesday, December 4</u></b><br>Noon                                | Adult Senior Community Lunch - <i>Silver Harmony Singers</i>                                | District Education Center - Community Room  |
| <b><u>Friday, December 6</u></b><br>7:00 a.m.                              | AMSD Board of Directors Meeting-( <i>Donohoe</i> )  | TIES Building, St. Paul   |
| <b><u>Monday, December 9</u></b><br>7:00 p.m.                              | 6 <sup>th</sup> Grade Band Concert  | Chautauqua Fine Arts Center   |
| <b><u>Tuesday, December 10</u></b><br>6:30 p.m.<br>8:00 p.m.               | 7 <sup>th</sup> Grade Band Concert<br>8 <sup>th</sup> Grade Band Concert                    | Chautauqua Fine Arts Center<br>Chautauqua Fine Arts Center  |
| <b><u>Wednesday, December 11</u></b><br>9:30 a.m.                          | PTO Meeting   | District Education Center - Room 102/104  |
| <b><u>Thursday, December 12</u></b><br>5:45 p.m.<br>7:00 p.m.<br>7:00 p.m. | Dinner Session<br>School Board Meeting<br>MMS Play - <i>The Best Christmas Pageant Ever</i> | District Education Center - Board Room<br>District Education Center - Community Room<br>Black Box Theatre |
| <b><u>Friday, December 13</u></b><br>7:00 p.m.                             | MMS Play - <i>The Best Christmas Pageant Ever</i>   | Black Box Theatre   |

## CALENDAR OF EVENTS

| <b>DECEMBER Cont.</b>  |  |   |
|--|--|---|
| DATE/TIME  | MEETING/EVENT  | LOCATION  |
| <b><u>Saturday, December 14</u></b><br>2:00 & 7:00 p.m.                  | MMS Play - <i>The Best Christmas Pageant Ever</i>  | Black Box Theatre   |
| <b><u>Monday, December 16</u></b><br>6:30 p.m.<br>6:30 p.m.<br>7:45 p.m. | MAEF Social-( <i>Donovan</i> )<br>7 <sup>th</sup> Grade Choir Concert<br>8 <sup>th</sup> Grade Choir Concert | TBD<br>Chautauqua Fine Arts Center<br>Chautauqua Fine Arts Center |
| <b><u>Tuesday, December 17</u></b><br>7:00 p.m.                          | 6th Grade Choir Concert  | Chautauqua Fine Arts Center                                       |
| <b><u>Wednesday, December 18</u></b><br>Noon                             | Adult Senior Community Lunch   | District Education Center - Community Room                        |
| <b><u>Monday, December 23-</u></b><br><b><u>Wednesday, January 1</u></b> | No School - Winter Break   |   |

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

**Regular Meeting - Board of Education**

**Date:** November 14, 2013

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**Agenda Item #9. B.**

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**TOPIC:** NWEA Test Scores

**BACKGROUND:** Historically a brief update on NWEA/MAP results is given after each testing season, using RIT scores and national percentiles. Due to the changes in state MCA III testing for reading and math, there are additional assessments offered in math as a practice test, called the OLPA. After last year's testing we found a high correlation between performance on the OLPA and performance on the MCA III, therefore some grades chose to assess using the OLPA this fall rather than the NWEA/MAP. To look at growth we will be using spring NWEA/MAP scores. One thing to note about using spring to spring testing scores is a difference in population; there are students that move into the district that will be included in one year and not the previous year.

**PURPOSE OF PRESENTATION:** The purpose of this presentation is to provide the Board and community with an overview of the growth students have made from spring of 2012 to the spring of 2013 in both math and reading using NWEA/MAP RIT scores and national percentiles and inform the Board and community of what the district is using to measure growth in math and reading over a calendar year, rather than a school year.

**LEARNING OBJECTIVE:** As a result of this presentation, the Board will have an understanding of:

- how we are assessing student growth with NWEA/MAP scores
- how our students' scores and growth compare nationally to their peers

**ACTION RECOMMENDED:** Discussion Only.

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**Submitted By:**

Kim O'Connor

**Name**

Data and Assessment Coordinator

**Title**

**Concurrence By:**



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**Dr. Mark Larson**

**Superintendent of Schools**

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

**Regular Meeting - Board of Education**

**Date:** November 14, 2013

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**Agenda Item #9. C.**

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**TOPIC:** Student and Family Out Reach

**BACKGROUND:** Discuss the Home and School Connection Worker's role as well as the position's history, referral process and students served.

**PURPOSE OF PRESENTATION:** The purpose of this presentation is to provide the Board and community with an overview of the Home and School Connection Worker's position.

**LEARNING OBJECTIVE:** As a result of this presentation, the Board will have an understanding of the history of the program, who the program serves, and the role of the Home and School Connection Worker.

**ACTION RECOMMENDED:** Discussion Only.

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**Submitted By:**

**Julie M. Rolling, MAAT, LPC**

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**Name**

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**Title**

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**Concurrence By:**



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**Dr. Mark Larson**  
**Superintendent of Schools**

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

**Regular Meeting - Board of Education**

**Date:** November 14, 2013

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**Agenda Item #9. D.**

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**TOPIC:** Staffing Update - Wildwood Elementary and O. H. Anderson Elementary

**BACKGROUND:** We added staff at Wildwood and O.H Anderson because of increasing numbers in both math and reading blocks.

**PURPOSE OF PRESENTATION:** The purpose of this presentation is to provide the Board and community with an overview of the additional staff and their support.

**LEARNING OBJECTIVE:** As a result of this presentation, the Board will have an understanding of the needed changes for staffing at Wildwood and O.H Anderson.

**ACTION RECOMMENDED:** Discussion Only.

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**Submitted By:**

**Concurrence By:**

Lynne Viker

**Name**

Director of Teaching and Learning and  
Support Services

**Title**



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**Dr. Mark Larson**  
**Superintendent of Schools**

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

**Regular Meeting - Board of Education**

**Date:** November 14, 2013

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**Agenda Item #10 A.**

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**TOPIC:** Approval of 2012-2013 Audit

**BACKGROUND:** This is an annual financial audit presentation for FY 2012-13 which is required by MDE.

**PURPOSE OF PRESENTATION:** The purpose of this presentation is to provide the Board and community with an overview of the financial position of the school district.

**LEARNING OBJECTIVE:** As a result of this presentation, the Board will have an understanding of the financial position of the school district as of June 30, 2013.

**ACTION RECOMMENDED:** Approval.

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**Submitted By:**

**Concurrence By:**

Rochel Manders

**Name**

Director of Business Services

**Title**



Dr. Mark Larson

**Superintendent of Schools**

Management Report

for

Independent School District No. 832  
Mahtomedi, Minnesota  
June 30, 2013

To the School Board and Management 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, 2013. 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
- Legislative Summary
- Accounting and Auditing Updates

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.

The purpose of this report is solely to provide those charged with governance of the District, management, and those who have responsibility for oversight of the financial reporting process comments resulting from our audit process and information relevant to school district financing in Minnesota. Accordingly, this report is not suitable for any other purpose.

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

Minneapolis, Minnesota  
November 11, 2013

## AUDIT SUMMARY

The following is a 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 (OMB) 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, 2013, and the related notes to the financial statements. 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 OMB 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, 2013:

- We have issued an unmodified opinion on the District's annual financial statements.
- We reported one deficiency involving the District's internal control over financial reporting that we considered to be a significant deficiency:
  - 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.
- The results of our testing disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.
- We reported that the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements.
- The results of our tests indicate that the District has complied, in all material respects, with the requirements applicable to each major federal program.
- We reported no deficiencies in the internal controls over compliance and its operation that we consider to be material weaknesses in our testing of major federal programs.
- We reported no instances of noncompliance with Minnesota state laws and regulations.

## **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 fiscal year ended June 30, 2013, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

GASB Statement No. 63 changed how governmental entities present a statement of net position, adding two new basic financial statement elements, and replacing “net assets” with “net position” as the terminology used to describe the difference between the other four elements. The two basic financial statement elements added are “deferred inflows of resources” and “deferred outflows of resources.” These new elements are differentiated from assets (deferred outflows of resources) and liabilities (deferred inflows of resources), but have similar effects on net position.

GASB Statement No. 65 identifies specific items previously presented as assets that will now be presented as either deferred outflows of resources or outflows (expenses/expenditures), and items previously reported as liabilities that will now be presented as deferred inflows of resources or inflows (revenues).

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, none of the misstatements detected as a result of audit procedures and corrected by management, when applicable, were material, either individually or in the aggregate, to each opinion unit’s financial statements taken as a whole.

## **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 2013 is not finalized until after the District has closed its financial records for the fiscal period. 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 2013 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 Position 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.

The District’s self-insured activities require recording a liability for claims incurred but not yet reported, which are based on estimates.

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.

The financial statement disclosures are neutral, consistent, and clear.

#### **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 REPRESENTATIONS**

We have requested certain representations from management that are included in the management representation letter dated November 11, 2013.

#### **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.

## **OTHER MATTERS**

With respect to the supplemental information, Schedule of Expenditures of Federal Awards, and Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplemental information, Schedule of Expenditures of Federal Awards, and the UFARS Compliance Table to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves.

With respect to the introductory section accompanying the financial statements, our procedures were limited to reading this other information, and in doing so we did not identify any material inconsistencies with the audited financial statements.

## 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. A summary of legislative changes affecting school districts and charter schools included later in this report gives an indication of how complicated the funding system is. This 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. The amount of the formula allowance and the percentage change from year to year excludes non-comparable changes such as temporary funding increases, the “roll-in” of aids that were previously funded separately, and the one-time replacement of a portion of general education aid with federal fiscal stabilization funds in fiscal 2010.

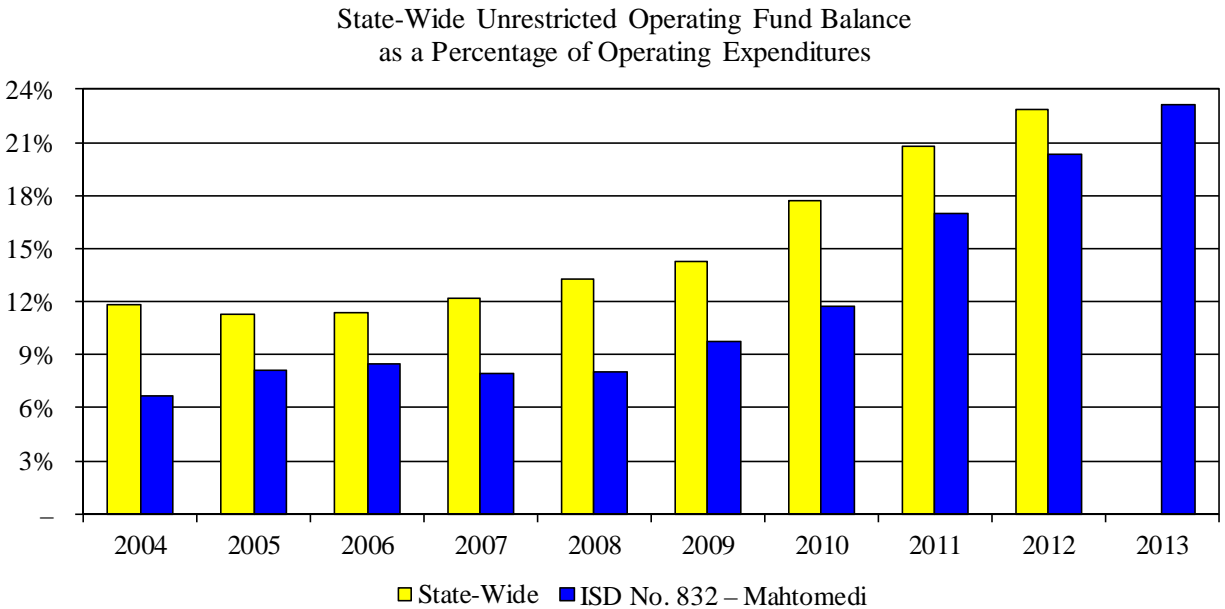
| Fiscal Year<br>Ended June 30 | Formula Allowance |                     |
|------------------------------|-------------------|---------------------|
|                              | Amount            | Percent<br>Increase |
| 2004                         | \$ 4,601          | – %                 |
| 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 %               |
| 2014                         | \$ 5,302          | 1.5 %               |
| 2015                         | \$ 5,806          | 1.5 % *             |

\* The \$504 increase in 2015 was offset by changes to pupil weightings and the general education aid formula that reduced the increase to the equivalent of \$80 or 1.5% state-wide.

In recent years, the modest increases, if any, in the formula allowance have forced many districts to continually cut expenditure budgets or seek increased referendum revenue in order to maintain programs.

## STATE-WIDE SCHOOL DISTRICT FINANCIAL HEALTH

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



Note: State-wide information is not available for fiscal 2013.

The calculation above reflects only the unrestricted 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 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, 2012, this ratio was 20.4 percent for the District, as compared to a state-wide average of 22.9 percent. The District's unrestricted operating fund balance as a percentage of operating expenditures was 23.1 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, Other Post-Employment Benefits Debt Service Fund, Internal Service Fund, and fiduciary funds. Other financing sources, such as proceeds from sales of capital assets, insurance recoveries, bond sales, loans, and interfund transfers, are also excluded.

| <b>Governmental Funds Revenue per Student (ADM) Served</b>  |                  |                  |                            |                  |                         |                  |                  |
|---|------------------|------------------|----------------------------|------------------|-------------------------|------------------|------------------|
|   | State-Wide       |                  | Seven-County<br>Metro Area |                  | ISD No. 832 – Mahtomedi |                  |                  |
|   | 2011             | 2012             | 2011                       | 2012             | 2011                    | 2012             | 2013             |
| <b>General Fund</b>   |                  |                  |                            |                  |                         |                  |                  |
| Property taxes  | \$ 2,130         | \$ 1,550         | \$ 2,811                   | \$ 2,019         | \$ 2,734                | \$ 1,917         | \$ 1,809         |
| Other local sources   | 432              | 448              | 358                        | 378              | 432                     | 492              | 559              |
| State   | 7,213            | 7,920            | 7,063                      | 7,949            | 6,527                   | 7,436            | 7,549            |
| Federal   | 720              | 588              | 755                        | 621              | 334                     | 457              | 232              |
| <b>Total General Fund</b>   | <b>10,495</b>    | <b>10,506</b>    | <b>10,987</b>              | <b>10,967</b>    | <b>10,027</b>           | <b>10,302</b>    | <b>10,149</b>    |
| <b>Special revenue funds</b>  |                  |                  |                            |                  |                         |                  |                  |
| Food Service  | 474              | 488              | 470                        | 483              | 436                     | 445              | 448              |
| Community Service   | 513              | 525              | 619                        | 633              | 610                     | 597              | 595              |
| Debt Service Fund   | 1,053            | 1,088            | 1,131                      | 1,180            | 1,187                   | 1,704            | 1,821            |
| <b>Total revenue</b>  | <b>\$ 12,535</b> | <b>\$ 12,607</b> | <b>\$ 13,207</b>           | <b>\$ 13,263</b> | <b>\$ 12,260</b>        | <b>\$ 13,048</b> | <b>\$ 13,013</b> |
| ADM served per MDE School District Profiles Report (current year estimated)   |                  |                  |                            |                  | <u>3,227</u>            | <u>3,243</u>     | <u>3,255</u>     |
| <p>Note: Excludes the Capital Projects – Building Construction Fund, Other Post-Employment Benefits Debt Service Fund, Internal Service Fund, and fiduciary funds.</p> <p>Source of state-wide and seven-county metro area data: School District Profiles Report published by the MDE</p> |                  |                  |                            |                  |                         |                  |                  |

ADM used in the table above is based on enrollments consistent with those used in the MDE School District Profiles Report, which include extended time ADM, and may differ from ADM reported in other tables.

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 \$42.4 million in the governmental funds reflected above in fiscal 2013, an increase of \$40,199 from the prior year. Total revenue per ADM served decreased by \$35 per student. General Fund tax revenue decreased \$108 per student and state aid revenues increased \$113 per student, mainly due to a combination of the effect of the tax shift, a decrease in state special education aid earned, and approximately \$0.5 million of additional general education funding generated by an increase in the number of students served and a \$50 per pupil unit increase in the general education formula allowance.

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

| <b>Governmental Funds Expenditures per Student (ADM) Served</b>   |                  |                  |                            |                  |                         |                  |                  |
|---|------------------|------------------|----------------------------|------------------|-------------------------|------------------|------------------|
|   | State-Wide       |                  | Seven-County<br>Metro Area |                  | ISD No. 832 – Mahtomedi |                  |                  |
|   | 2011             | 2012             | 2011                       | 2012             | 2011                    | 2012             | 2013             |
| General Fund  |                  |                  |                            |                  |                         |                  |                  |
| Administration and district support   | \$ 813           | \$ 823           | \$ 788                     | \$ 805           | \$ 765                  | \$ 808           | \$ 799           |
| Elementary and secondary regular instruction  | 4,829            | 4,866            | 5,107                      | 5,103            | 4,783                   | 4,912            | 5,038            |
| Vocational education instruction  | 144              | 138              | 136                        | 136              | 172                     | 194              | 182              |
| Special education instruction   | 1,904            | 1,866            | 2,015                      | 2,004            | 1,722                   | 1,812            | 1,700            |
| Instructional support services  | 446              | 459              | 526                        | 537              | 357                     | 359              | 351              |
| Pupil support services  | 874              | 895              | 937                        | 957              | 680                     | 705              | 741              |
| Sites and buildings and other   | 811              | 802              | 765                        | 755              | 864                     | 871              | 935              |
| Total General Fund – noncapital   | 9,821            | 9,849            | 10,274                     | 10,297           | 9,343                   | 9,661            | 9,746            |
| General Fund capital expenditures   | 452              | 462              | 419                        | 410              | 266                     | 200              | 267              |
| Total General Fund  | 10,273           | 10,311           | 10,693                     | 10,707           | 9,609                   | 9,861            | 10,013           |
| Special revenue funds   |                  |                  |                            |                  |                         |                  |                  |
| Food Service  | 469              | 486              | 469                        | 480              | 431                     | 408              | 497              |
| Community Service   | 515              | 526              | 623                        | 630              | 597                     | 605              | 583              |
| Debt Service Fund   | 1,111            | 1,337            | 1,208                      | 1,312            | 1,524                   | 1,899            | 1,732            |
| Total expenditures  | <u>\$ 12,368</u> | <u>\$ 12,660</u> | <u>\$ 12,993</u>           | <u>\$ 13,129</u> | <u>\$ 12,161</u>        | <u>\$ 12,773</u> | <u>\$ 12,825</u> |
| ADM served per MDE School District Profiles Report (current year estimated)   |                  |                  |                            |                  | <u>3,227</u>            | <u>3,243</u>     | <u>3,255</u>     |
| Note: Excludes the Capital Projects – Building Construction Fund, Other Post-Employment Benefits Debt Service Fund, Internal Service Fund, and fiduciary funds. |                  |                  |                            |                  |                         |                  |                  |
| 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 differences from program to program reflect the District’s particular character, such as its community service programs, as well as the fluctuations from year to year for such things as capital expenditures.

The District experienced an increase in total expenditures per student in fiscal 2013 of \$52, or 0.4 percent, due mostly to a 2.6 percent increase in elementary and secondary regular instruction due to increased personnel costs. This increase was partially offset by a decrease of \$112 per student in special education instruction due to savings in purchased services. As the table reflects, the District has traditionally expended less per ADM on general operating costs and total costs than the seven-county metro area averages.

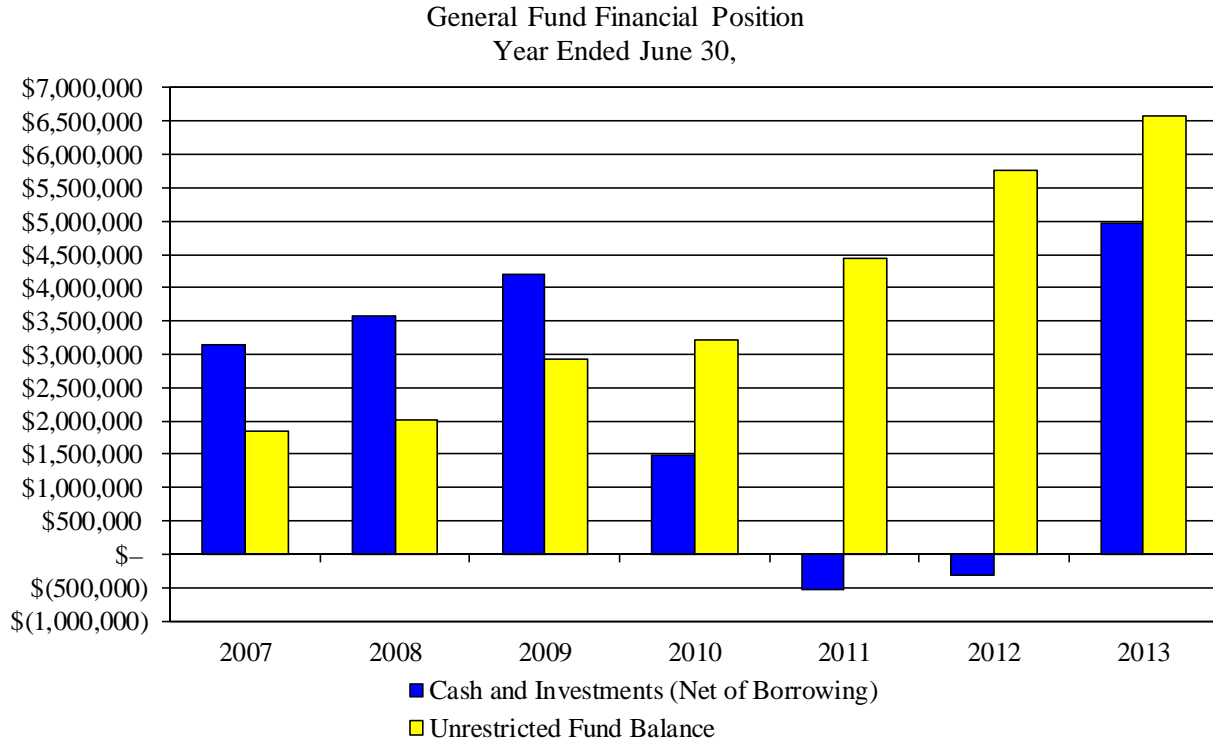
## SUMMARY

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 above. 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 and changes in the volume of financial activity. Unrestricted fund balance and cash balance are typically used as indicators of financial health.



The District ended fiscal year 2013 with a General Fund cash balance of \$4,970,454 (net of borrowing or interfund payables), an increase of \$5,279,796 from the previous year’s deficit cash balance. This change was primarily due to the change in the metering of state aid payments. This cash balance does not include cash and investments held in trust.

Unrestricted fund balance at year-end was \$6,575,563, an increase of \$821,454. The General Fund has continued to experience a stable fund balance position. The increase in the General Fund balance was related to a planned increase as outlined in the adopted budgeted and revenues being slightly above projected amounts.

### GENERAL FUND CASH FLOW

The level of cash and investments varies considerably during the year due to the timing of various revenues and expenditures.

Changes in the tax shift and state aid payment schedules significantly affect the cash flow of Minnesota school districts. As further described in the Legislative Summary section of this report, the metering of state aids normally paid on a 90–10 schedule has changed several times over the last few years, with the state holdback as high as 40 percent at one point in fiscal year 2012. At June 30, 2013, the metering of state aids was being paid on an 86.4–13.6 schedule.

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

|  | June 30,            |                     |                     |                     |                     |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
|  | 2009                | 2010                | 2011                | 2012                | 2013                |
| Nonspendable fund balances   | \$ -                | \$ -                | \$ 11,999           | \$ 3,417            | \$ 6,272            |
| Restricted fund balances (1)   | 895,449             | 1,047,845           | 1,164,796           | 1,289,271           | 906,706             |
| Unrestricted fund balances   |                     |                     |                     |                     |                     |
| Assigned   | 1,018,148           | 996,208             | 966,193             | 1,516,438           | 2,675,784           |
| Unassigned   | 1,904,204           | 2,224,000           | 3,473,433           | 4,237,671           | 3,899,779           |
| <b>Total fund balance</b>  | <b>\$ 3,817,801</b> | <b>\$ 4,268,053</b> | <b>\$ 5,616,421</b> | <b>\$ 7,046,797</b> | <b>\$ 7,488,541</b> |
| Unassigned fund balances as a percentage of expenditures   | 5.6%                | 7.0%                | 11.2%               | 13.3%               | 12.0%               |
| <p>(1) Includes deficits in restricted fund balance accounts allowed to accumulate deficits under UFARS, which are part of unassigned fund balance on the accounting standards generally accepted in the United States-based financial statements.</p> |                     |                     |                     |                     |                     |

The table above reflects the total General Fund unrestricted fund balance and percentages, which differs from those used in the previous discussion of state-wide fund balances, which are based on a state formula. 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.

### **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, 2013, the unassigned fund balance of the General Fund was 12.0 percent of the total General Fund expenditures.

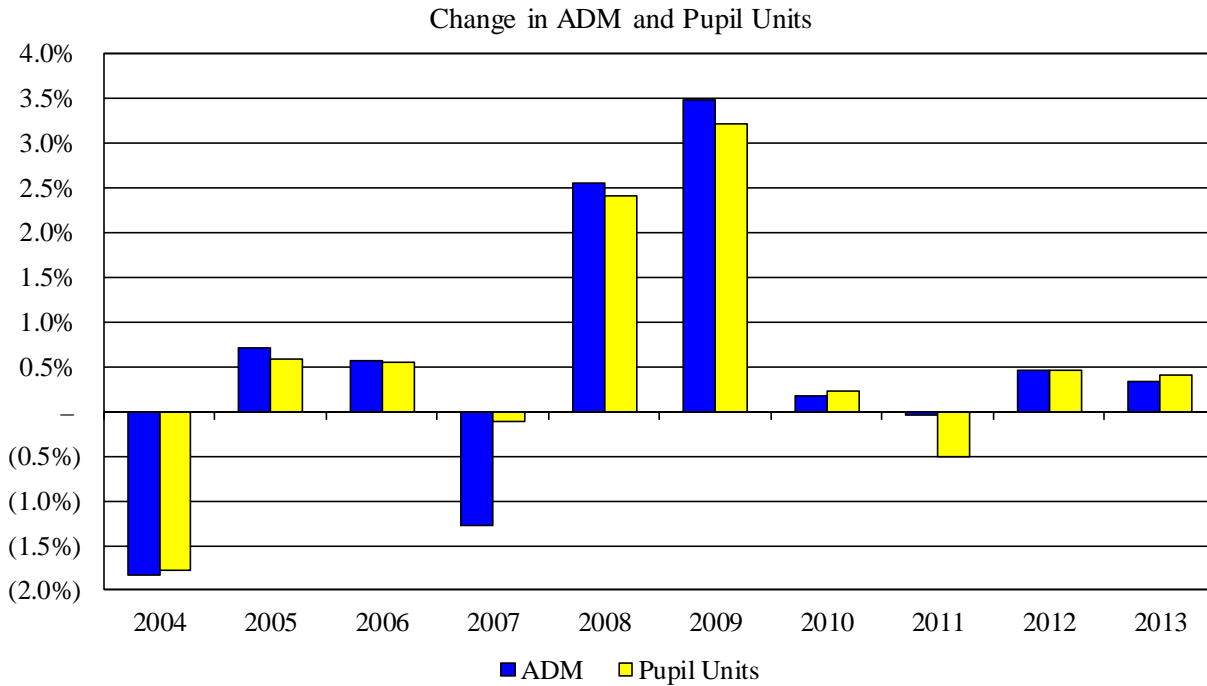
If the fund balance falls below 8 percent, the School Board shall implement a procedure to stabilize the District's financial position. This shall involve:

1. No new programs will be added at the District level unless matched by a like revenue source;
2. Allocations such as textbooks, supplies, etc., shall be frozen; and
3. 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 expenditures 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.

## AVERAGE DAILY MEMBERSHIP AND PUPIL UNITS

The following graph shows the rate of ADM change from year to year, and the relationship of the resulting pupil units:

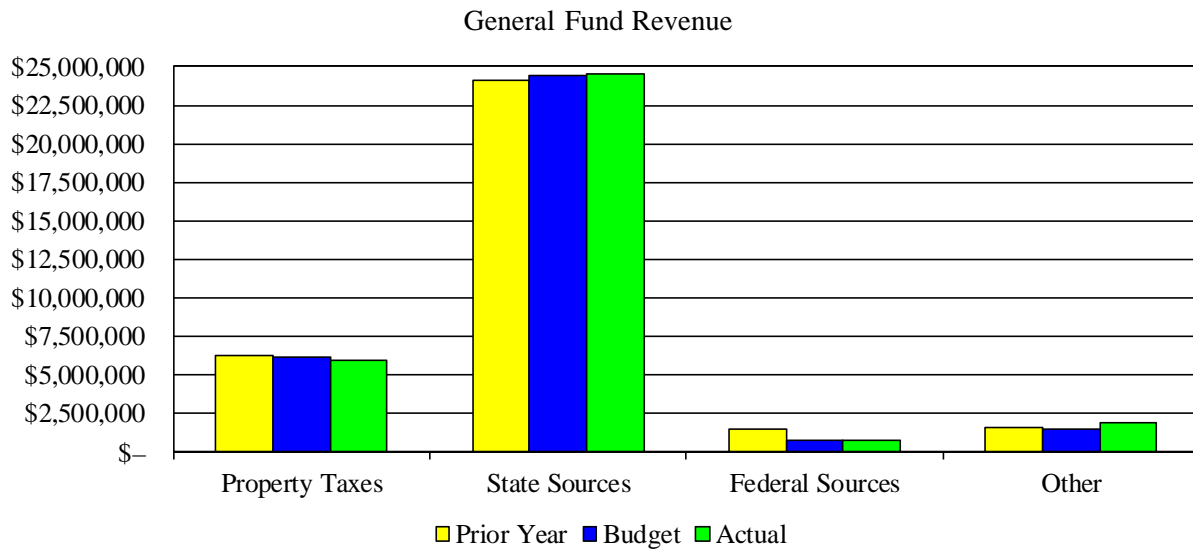


ADM is a measure of students attending class, which is then converted to pupil units (the base for determining revenue) using a statutory formula. Not only is the original budget based on ADM estimates, the final audited financial statements are based on updated, but still estimated, ADM since the counts 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 11 ADM from the prior year to 3,252 served in the current year.

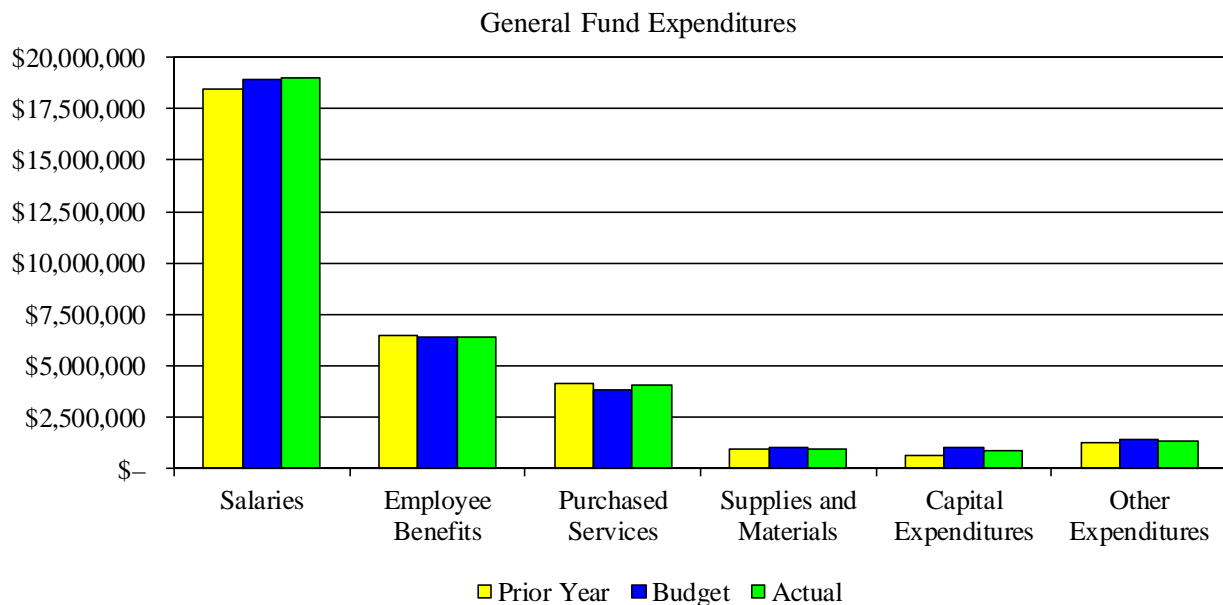
## GENERAL FUND REVENUE AND EXPENDITURES

The following graph summarizes the District's General Fund revenue for 2013:



Total General Fund revenues were \$33,034,291 for the year ended June 30, 2013, which was \$334,951 (1.0 percent) over the final budget, and \$373,414 lower than the previous year. The decrease from the prior year was due to a combination of decreased special education aid and the elimination of Education Jobs Fund federal grant. Revenues were more than budget due to a favorable variance in donations. This graph also reflects the tax shift between state aids and tax sources that offset dollar-for-dollar.

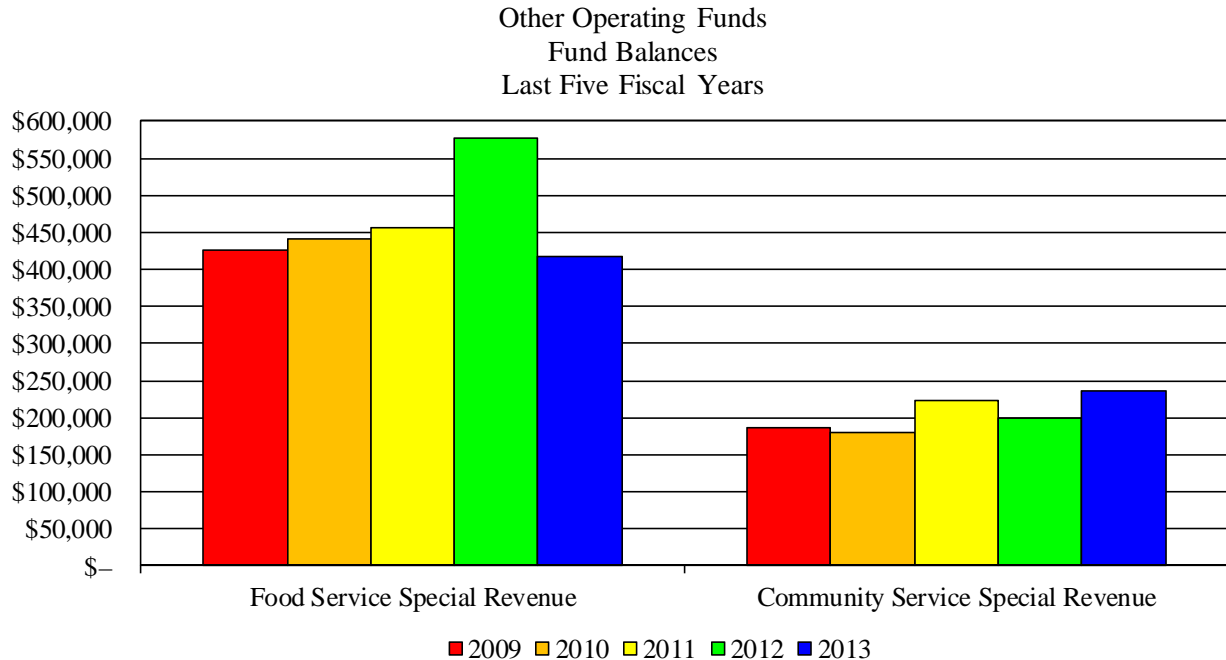
The following graph presents the District's General Fund expenditures for 2013:



Total General Fund expenditures were \$32,592,897 for the year ended June 30, 2013, which was \$35,995 less than the final budget, and \$615,568 (1.9 percent) more than the prior year. Salaries and benefits were \$455,909 higher than the previous year due to planned contractual salary and benefit increases.

**OTHER FUNDS OF THE DISTRICT**

The following graph shows what is referred to as the other operating funds. The remaining nonoperating 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 experienced a \$158,412 decrease in fund balance, which was \$162,648 less than the planned \$321,060 decrease in fund balance.

This operation has maintained a healthy fund balance for several years and has also been able to assist in funding a portion of several capital improvements to food service facilities in recent years. The District should review upcoming capital needs of the child nutrition operation and incorporate that information in establishing an optimal level of fund balance that is also within state and federal fund balance limits.

**Community Service Special Revenue Fund**

The District’s Community Service Special Revenue Fund experienced an increase in fund balance of \$36,543 for the year ended June 30, 2013, which was \$31,527 higher than the \$5,016 planned increase in fund balance.

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**

The activity in this fund represents the District's revenue and expenditures for the construction of capital facilities authorized by bond issue. The District utilized \$17,365,721 of capital project funds during fiscal 2013. At June 30, 2013, this fund has \$1,385,983 of building construction funds available.

### **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.

### **Internal Service Fund**

The Internal Service Fund is considered a proprietary fund and is used to account for health insurance offered by the District to its employees as a self-insured plan.

## 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 governmental 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 financial statements provide information on the total cost of delivering educational services, including capital assets and long-term liabilities.

Theoretically, net position represents District resources available 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, this statement divides net position into three components: net investment in capital assets, restricted, and unrestricted. The following table presents a summarized reconciliation of the District's governmental fund balances to net position, and the separate components of net position for the last two years:

|  | June 30,                 |                          | Increase<br>(Decrease)  |
|--|--------------------------|--------------------------|-------------------------|
|  | 2012                     | 2013                     |                         |
| Net position – governmental activities           |                          |                          |                         |
| Total fund balances – governmental funds         | \$ 27,226,004            | \$ 10,592,912            | \$ (16,633,092)         |
| Total capital assets, net of depreciation        | 52,046,523               | 69,168,990               | 17,122,467              |
| Total long-term debt                             | (66,807,801)             | (63,723,735)             | 3,084,066               |
| Other adjustments                                | 1,671,753                | 1,729,062                | 57,309                  |
| <br>Total net position – governmental activities | <br><u>\$ 14,136,479</u> | <br><u>\$ 17,767,229</u> | <br><u>\$ 3,630,750</u> |
| Net position                                     |                          |                          |                         |
| Net investment in capital assets                 | \$ 7,391,507             | \$ 10,124,781            | \$ 2,733,274            |
| Restricted                                       | 1,832,561                | 1,326,867                | (505,694)               |
| Unrestricted                                     | 4,912,411                | 6,315,581                | 1,403,170               |
| <br>Total net position                           | <br><u>\$ 14,136,479</u> | <br><u>\$ 17,767,229</u> | <br><u>\$ 3,630,750</u> |

Some of the District's fund balances translate into restricted net position 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 position category consists mainly of the General Fund unrestricted fund balances, offset against non-capital long-term obligations such as severance payable. Consequently, many Minnesota school districts have accumulated deficits in this component of net position.

Net investment in capital assets is the ratio of capitalized asset purchases, net of any depreciation to the amount of outstanding debt obligations that were issued to finance these capital purchases.

Total net position increased \$3,630,750 during fiscal 2013, including an increase in net investment in capital assets of \$2,733,274, which is related to the construction of the new elementary school. Unrestricted net position increased \$1,403,170, due to the operating results of the General Fund and Internal Service Fund in the current year.

## LEGISLATIVE SUMMARY

The 2013 legislative session began with a projected budget deficit of \$1.1 billion, later revised down to a deficit of \$627 million in the February 2013 economic forecast. With the Democrats controlling the House, Senate, and Governor's office, it was anticipated that setting the state's biennial budget would be an easier task than in recent contentious legislative sessions. However, the Governor's budget proposal included a number of highly controversial recommendations, including an additional state income-tax tier for the highest wage earners and an expansion of sales tax base to a number of services. As a result, the session went as long as was constitutionally allowable, with the last bill passed at midnight on the final day of the session.

The laws passed by the 2013 Legislature included a number of significant changes to Minnesota school district financing. Included were the reestablishment of a general education tax levy, revisions and reforms to district operating referendum levies, substantial overhauls of the general education and special education funding formulas, funding for all-day kindergarten, and a simplification of school district pupil accounting. Minnesota school districts will benefit from 1.5 percent increases to the basic general education formula allowance approved for each year of the biennium. Also passed was a one-time initiative to dedicate any further surplus accrued by the state through June 30, 2013 to accelerate the state aid payment schedule for school districts, potentially reducing the lingering negative impact of legislative shifts on their cash flow.

The following is a brief summary of recent legislation that has significantly affected the funding of Minnesota school districts:

**Basic General Education Revenue** – The per pupil basic general education formula allowance for fiscal year (FY) 2013 was \$5,224. The allowance will increase \$78 to \$5,302 for FY 2014. The allowance for FY 2015 increases \$504 to \$5,806; however, simultaneous changes to pupil weights and the general education formula structure reduce the state-wide general education revenue increase to the equivalent of an \$80 formula increase under the old pupil weights and formula structure.

**Pupil Unit Weights** – Pupil unit weights for FY 2014 are unchanged from FY 2013, with the clarification that a kindergarten pupil receiving at least 850 hours of instruction during the school year is considered to be a full-time pupil for calculating extended-time general education revenue. Pupil weights for FY 2015 have been reduced and simplified. Weights for students in pre-kindergarten through grade 6 will be 1.0 for districts with free all-day kindergarten, with the weighting set at 0.55 for kindergarten pupils receiving less than 850 hours of instruction during the school year or in an all-day kindergarten program that charges a fee. Pupil weights will be 1.2 for students in grades 7 through 12.

**Other Pupil Accounting Changes** – In addition to the simplification of pupil unit weights, the following changes were made to pupil accounting:

- Beginning in FY 2014, school districts are required to have at least 165 days of instruction for students in grades 1 through 11, unless the school district has a four-day week schedule approved by the Commissioner of Education.
- Beginning in FY 2014, school districts and charter schools will no longer generate extended time revenue for students in programs designed to accelerate their grade level advancement to enable them to graduate before their peers.
- Marginal cost pupil units are eliminated beginning in FY 2015 and a new declining enrollment revenue component of general education aid is established, equal the decline in adjusted pupil units between the prior year and current year times 28 percent of the basic general education aid allowance.

**Other Changes to the General Education Formula** – In addition to the basic formula allowance increase, a number of other changes were made to the general education formula for FY 2015 to neutralize the impact of pupil weighting changes, including:

- An increase in the extended time allowance from \$4,601 to \$5,017.
- An increase in the gifted and talented revenue allowance from \$12 to \$13.
- An increase in the small schools allowance from \$522.40 to \$544, along with a decrease in the qualifying threshold from 1,000 to 960 pupil units.
- An increase in the operating capital revenue from \$73 per pupil unit + \$100 times the building age index to \$79 per pupil unit + \$109 times the building age index.
- Increases in the equity revenue allowances, from \$75 to \$80 for sliding scale and from \$46 to \$50 for flat rate.
- The elimination of the pension adjustment reduction to general education aid, with districts having below average pension adjustment guaranteed to receive a minimum of the state average gain from the elimination of the pension adjustment.

**Changes to the Uses of General Education Aid** – The following changes and clarifications were made regarding the allowable uses of general education aid:

- Effective FY 2014, operating capital revenue may be used for hardware, software, and annual licensing fees related to the purchase or lease of computers.
- Effective FY 2014, staff development revenue may be used for teacher evaluation costs.
- Effective FY 2014, up to 5 percent of a district's compensatory revenue may be used for programs designed to prepare children for entry into school.
- Effective FY 2015, general education revenue generated for all-day kindergarten may be used for programs to meet the needs of three and four-year-olds within the district.
- Effective FY 2015, Q-Comp revenue is rolled out of the general education formula and established as a separate categorical aid.
- Effective FY 2015, the revenue set aside for learning and development is converted from an amount based on pupil unit weights to a flat amount per ADM of \$299 per kindergarten student and \$459 per student in Grades 1 through 6.

**Special Education Funding Reform** – Beginning in FY 2016, the state funding formulas for special education will change as follows:

- ***Special Education Regular Aid*** – Special education regular aid for FY 2016 will be limited to the lesser of:
  - 62 percent of old formula special education expenditures for the prior year,
  - 50 percent of nonfederal special education expenditures for the prior year, or
  - 56 percent of the amount calculated using a new pupil driven formula based on prior year data.
- ***Special Education Excess Cost Aid*** – Special education excess cost aid for FY 2016 will be the greater of the following, calculated using prior year data:
  - 56 percent of the difference between the district's unreimbursed nonfederal special education costs and 7 percent of the district's general education revenue, or
  - 62 percent of the difference between the district's unreimbursed old formula special education costs and 2.5 percent of the district's general education revenue.

Beginning in FY 2016, special education aid will be paid directly to cooperatives and intermediate districts, rather than flowing through the resident districts. Tuition bills will be reduced by the aid paid directly to these entities.

In transitioning to the new formula, during FY 2014 and FY 2015:

- **Special Education Regular Aid** – The current special education regular aid formula remains in place for these two years.
- **Special Education Cross Subsidy Reduction Aid** – A new special education cross subsidy reduction aid will be added for these two fiscal years only. Aid for FY 2014 will equal the lesser of \$20 per ADM served or 1 percent of the amount generated for the district under the new pupil-based formula, with a state-wide limit of \$13 million. Aid for FY 2015 will equal the lesser of \$48 per ADM served or 2.27 percent of the amount generated for the district under the new pupil-based formula, with a state-wide limit of \$30 million.
- **Special Education Excess Cost Aid** – the calculation of special education excess cost aid for these two fiscal years will use prior year data and will exclude special education tuition receipts and expenditures. The calculations will take into account special education cross subsidy aid and general education aid attributable to students served outside of the regular classroom more than 60 percent of the time.

Beginning in FY 2015, special education tuition billing is changed so that the resident district is responsible for 90 percent of unfunded costs (vs. 100 percent currently) and the serving district or charter school is responsible for 10 percent of unfunded costs for open-enrolled students. This does not apply to students placed by tuition agreement, or served by a charter school with at least 70 percent special education students.

**General Education Levy Reform** – The following changes were made to various elements of the general education tax levy effective FY 2015:

- A uniform general education levy is reestablished, known as the “student achievement levy.” All districts may levy up to the student achievement rate, which is set to raise \$20 million state-wide in FY 2015. Districts that levy less than the maximum permitted rate will be subject to a proportionate reduction in its general education aid.
- The equalization factor for operating capital is increased to offset the impact of the student achievement levy.
- Operating referendum revenue is converted from an amount based on resident marginal cost pupil units to an amount based on adjusted pupil units (APUs), due to the elimination of marginal cost pupil units. The separate alternative attendance adjustment is eliminated and rolled into the allowance per APU. The allowance per APU will be set so the total revenue prior to applicable caps is the same as under the old law.
- Districts are allowed to convert up to \$300 per APU of existing operating referendum revenue from voter approved to board approved. Districts with approved operating referendums of less than \$300 per APU are permitted to authorize additional referendum revenue up to the \$300 per APU limit. Operating referenda will be equalized based on a new, three-tiered formula.
- A new “location equity levy” is established, providing school districts with any land area in the seven-county metro area with authority for a location equity levy of \$424 per APU. Districts with adjusted ADM of greater than 2,000 that do not qualify as metro districts are eligible for a location equity levy of \$212 per APU. Both levies are equalized at \$510,000. Districts may opt out of location equity revenue by a board vote taken by September 1 of the fiscal year preceding the fiscal year when the revenue takes effect (e.g. September 2013 for FY 2015 revenue).

**Career and Technical Levy** – Beginning in FY 2014, this levy is converted to an equalized aid and levy, with an equalization factor of \$7,612. The state-wide limit for career and technical revenue is increased 34 percent to \$20,657,000 for FY 2014. Revenue for FY 2014 will continue to be based on the current formula, with the proration factor adjusted to hit the state-wide revenue target. Beginning in 2015, the state-wide revenue limit expires, and funding will be based on 35 percent of approved program expenditures.

**Safe Schools Levy** – Beginning in FY 2015, the safe schools levy increases from \$30 to \$36 per pupil unit, with \$4 of the increase representing new revenue and \$2 to adjust for the changes to pupil weightings. The use of this levy is expanded to include facility security enhancements, efforts to improve school climate, and mental health services.

**Achievement and Integration Revenue** – Beginning in FY 2014, integration revenue is replaced with achievement and integration revenue. Revenue for FY 2014 consists of two components, initial revenue and incentive revenue. Initial revenue equals \$350 per APU times a minority concentration factor, plus 66 percent of the difference between FY 2013 integration revenue and FY 2014 revenue computed using the new rate. Incentive revenue equals \$10 per APU. Total achievement and integration revenue will be split between aid and levy.

Districts will be required to use at least 80 percent of achievement and integration revenue for innovative and integrated learning environments. Up to 20 percent of this revenue may be used for professional development. Administration expenditures may not exceed 10 percent of revenue. The MDE will keep 0.3 percent of each district's initial revenue for oversight costs.

**Schools Lunch Aid** – The state reimbursement rate for each school lunch served increases from 12 cents to 12.5 cents, effective July 1, 2013.

**Early Learning Scholarships** – Early learning program scholarships of up to \$5,000 per year per child are available for families with a child age three or four on September 1st of the current year that have income equal to or less than 185 percent of the federal poverty level. Any sibling ages zero to five have access to a scholarship to attend the same program. Parents under the age of 21 pursuing a high school degree may be eligible for a scholarship for a child age 0 to 5.

**Fund Transfers** – For FY 2013 through FY 2015, 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. For FY 2014 and FY 2015 only, this authorization was modified to also prohibit transfers from the reserved account for staff development.

**State Aid Payment Deferral** – State aids normally paid on a 90–10 schedule have been paid on a deferred payment schedule since FY 2009 for both school districts and charter schools. Originally set to a 60–40 payment schedule for FY 2012, a series of operating surpluses have enabled the state to accelerate the aid payment schedule to 86.4–13.6 as of June 30, 2013. The Legislature created a one-time mechanism to use any state surplus that accumulates by June 30, 2013 to further repay school district aid payment shifts.

**Community Education Reserve Limits** – The limitations on the community education, early childhood family education, and school readiness reserve accounts and the associated aid and levy reductions have been repealed beginning in FY 2014.

**TRA Rates** – 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.

## ACCOUNTING AND AUDITING UPDATES

### **GASB STATEMENT NO. 67 – FINANCIAL REPORTING FOR PENSION PLANS – AN AMENDMENT OF GASB STATEMENT NO. 25**

The primary objective of this statement is to improve financial reporting by state and local governmental pension plans. GASB Statement No. 67 replaces the requirements of GASB Statement Nos. 25 and 50 for pension plans that are administered through trusts or equivalent arrangements that meet the following criteria: contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable; pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms; and pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members. The requirements of GASB Statement Nos. 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this statement and to defined contribution plans that provide post-employment benefits other than pensions. The statement makes a number of changes in the financial statement presentation, measurement, and required disclosures relating to the reporting of these types pension plans. This statement is effective for financial statements for fiscal years beginning after June 15, 2013. Earlier application is encouraged.

### **GASB STATEMENT NO. 68 – ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS – AN AMENDMENT OF GASB STATEMENT NO. 27**

The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. This statement replaces the requirements of GASB Statement Nos. 27 and 50, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria (as described above for GASB Statement No. 67). The requirements of GASB Statement Nos. 27 and 50 remain applicable for pensions that are not covered by the scope of this statement.

This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In addition, this statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This statement also addresses circumstances in which a nonemployer entity has a legal requirement to make contributions directly to a pension plan. This statement is effective for financial statements for fiscal years beginning after June 15, 2014. Earlier application is encouraged.

Included in this statement are major changes in how employers that participate in cost-sharing pension plans, such as TRA and PERA, account for pension benefit expenses and liabilities. In financial statements prepared using the economic resources measurement focus and accrual basis of accounting (government-wide and proprietary funds), a cost-sharing employer that does not have a special funding situation is required to recognize a liability for its proportionate share of the net pension liability of all employers with benefits provided through the pension plan.

A cost-sharing employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate share of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions. In addition, the effects of (1) a change in the employer's proportion of the collective net pension liability and (2) differences during the measurement period between the employer's contributions and its proportionate share of the total of contributions from employers included in the collective net pension liability are required to be determined. These effects are required to be recognized in the employer's pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all active and inactive employees that are provided with pensions through the pension plan.

## **GASB STATEMENT NO. 69 – GOVERNMENT COMBINATIONS AND DISPOSALS OF GOVERNMENT OPERATIONS**

This statement provides accounting and financial reporting guidance, including disclosure requirements, for government combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. Included within the scope of this statement are combinations of governmental entities or combinations of governmental entities, with nongovernmental entities (such as a nonprofit entity) as long as the new or continuing organization is a government. This statement does not apply to combinations in which a government acquires an organization that continues to exist as a separate entity, or acquires an equity interest in an organization that remains legally separate from the acquiring government. A disposal of operations occurs when a government either transfers or sells specific operations. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2013. Earlier application is encouraged.

### **CHANGES TO FEDERAL GRANT AUDIT REQUIREMENTS**

The U.S. Office of Management and Budget (OMB) has issued *Proposed OMB Uniform Guidance: Cost Principles, Audit, and Administrative Requirements for Federal Awards*, which proposes broad revisions to OMB Circular A-133 and other key grant reforms. The proposed guidance includes a number of significant changes to the federal Single Audit process, including; an increase in dollar threshold for requiring a Single Audit, changes to the process for determining major programs, a reduction in the percentage of expenditures required to be covered by a Single Audit, revised criteria for determining low-risk auditees, a reduction in the types of compliance requirements to be tested, and an increase in the threshold for reporting questioned costs. The proposed guidance would also consolidate OMB circulars and cost principles; and change certain federal requirements related to indirect costs, time and effort reporting, and grant administration.

INDEPENDENT SCHOOL DISTRICT NO. 832  
MAHTOMEDI, MINNESOTA

Financial Statements  
and Supplemental Information

Year Ended  
June 30, 2013

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INTRODUCTORY SECTION

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INDEPENDENT SCHOOL DISTRICT NO. 832

School Board and Administration  
as of June 30, 2013

**SCHOOL BOARD**

|                 | <u>Position</u>  |
|-----------------|------------------|
| Cathy Dalton    | Chairperson      |
| Mary Jo Deters  | Clerk/Vice Chair |
| Robert Donohoe  | Treasurer        |
| Kevin Donovan   | Director         |
| Judith Schwartz | Director         |
| Steven Wolgamot | Director         |

**ADMINISTRATION**

|                  |                               |
|------------------|-------------------------------|
| Mark Larson      | Superintendent of Schools     |
| Denise Sundstrom | Director of Business Services |

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

**REPORT ON THE FINANCIAL STATEMENTS**

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**AUDITOR'S RESPONSIBILITY**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

(continued)

## **OPINIONS**

In our opinion, the financial statements referred to on the previous page 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **OTHER MATTERS**

### **Required Supplementary Information**

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

### **Other Information**

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

The supplemental information, the Schedule of Expenditures of Federal Awards, and the UFARS Compliance Table 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section 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 them.

(continued)

**OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota  
November 11, 2013

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## INDEPENDENT SCHOOL DISTRICT NO. 832

### Management's Discussion and Analysis Fiscal Year Ended June 30, 2013

This section of Independent School District No. 832, Mahtomedi, Minnesota's (the District) annual financial statements presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2013. Please read it in conjunction with the other components of the District's annual financial statements.

#### **FINANCIAL HIGHLIGHTS**

- The District's total net position of governmental activities increased by \$3,630,750, resulting in total net position of \$17,767,229 as of June 30, 2013.
- At June 30, 2013, the District's governmental funds reported a combined ending fund balance of \$10,592,912, a decrease of \$16,633,092 from the prior year. Most of this change was in the District's Capital Projects – Building Construction Fund due to the construction of a new elementary school.
- The District's General Fund unassigned fund balance decreased from \$4,237,671 to \$3,678,128 during fiscal year 2013. 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
- Supplemental information, which includes combining and individual fund statements and schedules.

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

#### **Government-Wide Financial Statements**

The government-wide financial statements (Statement of Net Position 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 Position includes *all* of the District's assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources. 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 financial statements report the District's *net position* and how it has changed. Net position—the difference between the District's assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources—is one way to measure the District's financial health or *position*.

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

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

### **Fund Financial Statements**

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

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

**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 Position and a Statement of Changes in Fiduciary Net Position. 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 Position:

|  | <u>2013</u>                 | <u>2012</u>                 |
|--|-----------------------------|-----------------------------|
| <b>Assets</b>  |                             |                             |
| Current and other assets                             | \$ 23,855,258               | \$ 43,316,235               |
| Capital assets, net of depreciation                  | <u>69,168,990</u>           | <u>52,046,523</u>           |
| <b>Total assets</b>                                  | <b><u>\$ 93,024,248</u></b> | <b><u>\$ 95,362,758</u></b> |
| <b>Liabilities</b>                                   |                             |                             |
| Current and other liabilities                        | \$ 3,673,755                | \$ 5,834,962                |
| Long-term liabilities, including due within one year | <u>63,723,735</u>           | <u>66,807,801</u>           |
| <b>Total liabilities</b>                             | <b><u>\$ 67,397,490</u></b> | <b><u>\$ 72,642,763</u></b> |
| <b>Deferred inflows of resources</b>                 |                             |                             |
| Property taxes levied for subsequent year            | <u>\$ 7,859,529</u>         | <u>\$ 8,583,516</u>         |
| <b>Net position</b>                                  |                             |                             |
| Net investment in capital assets                     | \$ 10,124,781               | \$ 7,391,507                |
| Restricted   | 1,326,867                   | 1,832,561                   |
| Unrestricted   | <u>6,315,581</u>            | <u>4,912,411</u>            |
| <b>Total net position</b>                            | <b><u>\$ 17,767,229</u></b> | <b><u>\$ 14,136,479</u></b> |

The District's financial position is the product of many factors. For example, the determination of the District's net investment in capital assets 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 position 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 position.

The decrease in current and other assets and the increase in capital assets, net of depreciation, relates to the construction of a new elementary school.

The District's total net position increased by \$3,630,750 during the year ended June 30, 2013. Net investment in capital assets increased by \$2,733,274, due to the relationship of debt retirement as compared to depreciation on capital assets, as well as increased construction in progress on the new elementary school as previously discussed. Unrestricted net position increased by \$1,403,170, due mostly to the operating results of the General Fund and Internal Service Fund in the current year.

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

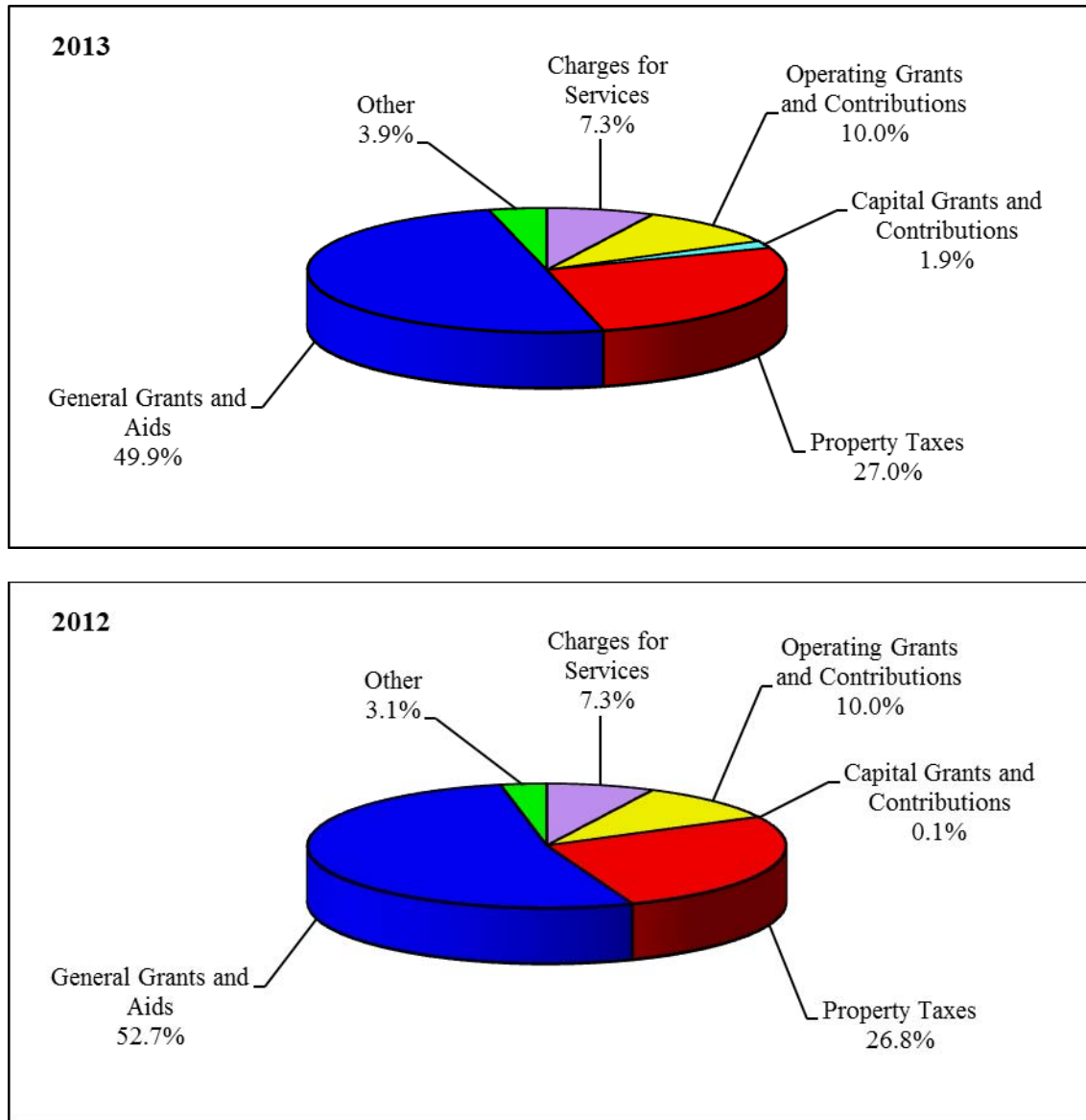
| <b>Table 2</b>                                    |                      |                      |
|---|----------------------|----------------------|
| <b>Summary Statement of Activities</b>            |                      |                      |
| <b>for the Years Ended June 30, 2013 and 2012</b> |                      |                      |
|   | <u><b>2013</b></u>   | <u><b>2012</b></u>   |
| <b>Revenues</b>                                   |                      |                      |
| Program revenues                                  |                      |                      |
| Charges for services                              | \$ 3,100,631         | \$ 3,149,454         |
| Operating grants and contributions                | 4,295,757            | 4,285,586            |
| Capital grants and contributions                  | 801,049              | 22,459               |
| General revenues                                  |                      |                      |
| Property taxes                                    | 11,556,865           | 11,457,233           |
| General grants and aids                           | 21,352,625           | 22,558,387           |
| Other   | 1,663,634            | 1,329,849            |
| <b>Total revenues</b>                             | <u>42,770,561</u>    | <u>42,802,968</u>    |
| <b>Expenses</b>                                   |                      |                      |
| Administration                                    | 1,511,321            | 1,546,258            |
| District support services                         | 1,108,193            | 1,118,406            |
| Elementary and secondary regular instruction      | 16,395,507           | 16,100,509           |
| Vocational education instruction                  | 589,598              | 631,536              |
| Special education instruction                     | 5,549,173            | 5,935,824            |
| Instructional support services                    | 1,166,442            | 1,229,749            |
| Pupil support services                            | 2,415,677            | 2,300,874            |
| Sites and buildings                               | 3,153,908            | 2,594,788            |
| Fiscal and other fixed cost programs              | 91,036               | 90,186               |
| Food service                                      | 1,344,172            | 1,336,047            |
| Community service                                 | 1,891,568            | 1,937,540            |
| Depreciation not allocated to other functions     | 798,582              | 810,300              |
| Interest and fiscal charges on debt               | 3,124,634            | 3,646,143            |
| <b>Total expenses</b>                             | <u>39,139,811</u>    | <u>39,278,160</u>    |
| <b>Change in net position</b>                     | 3,630,750            | 3,524,808            |
| <b>Net position – beginning</b>                   | <u>14,136,479</u>    | <u>10,611,671</u>    |
| <b>Net position – ending</b>                      | <u>\$ 17,767,229</u> | <u>\$ 14,136,479</u> |

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.

General grants and aids are lower in fiscal 2013 due mostly to the elimination of the federal revenue related to the Education Jobs Fund and other federal grants.

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

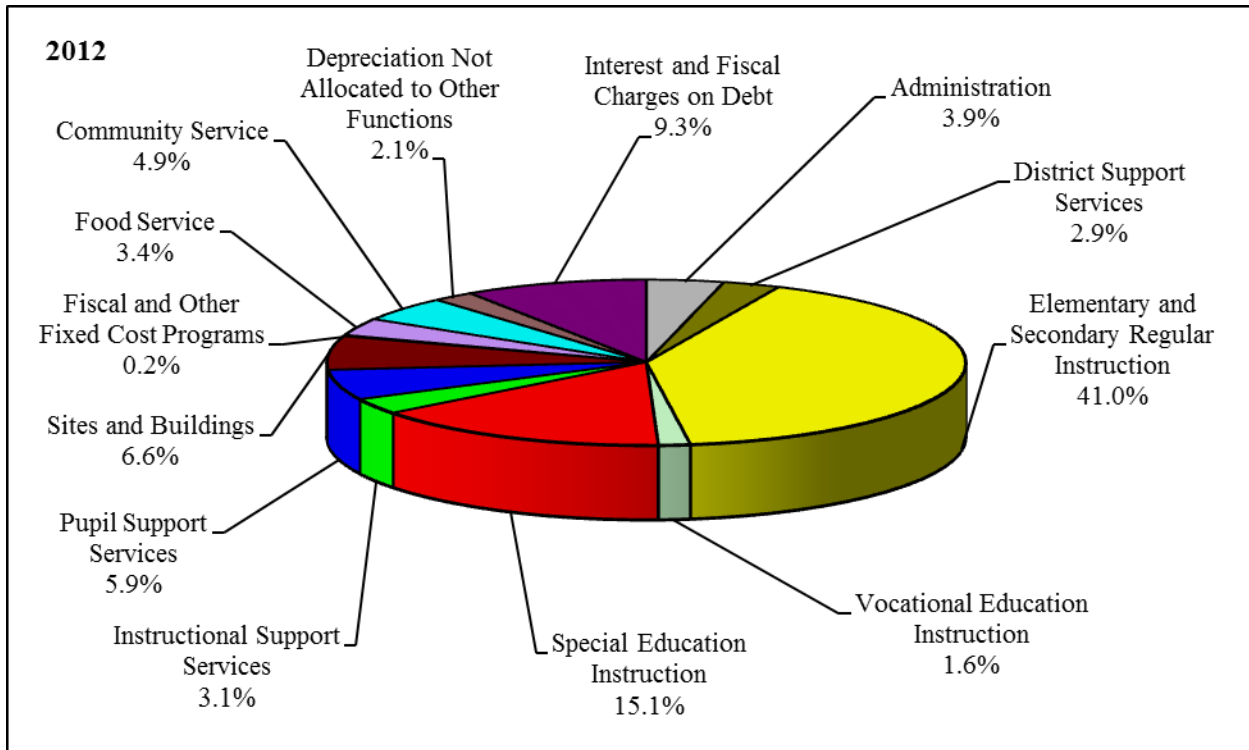
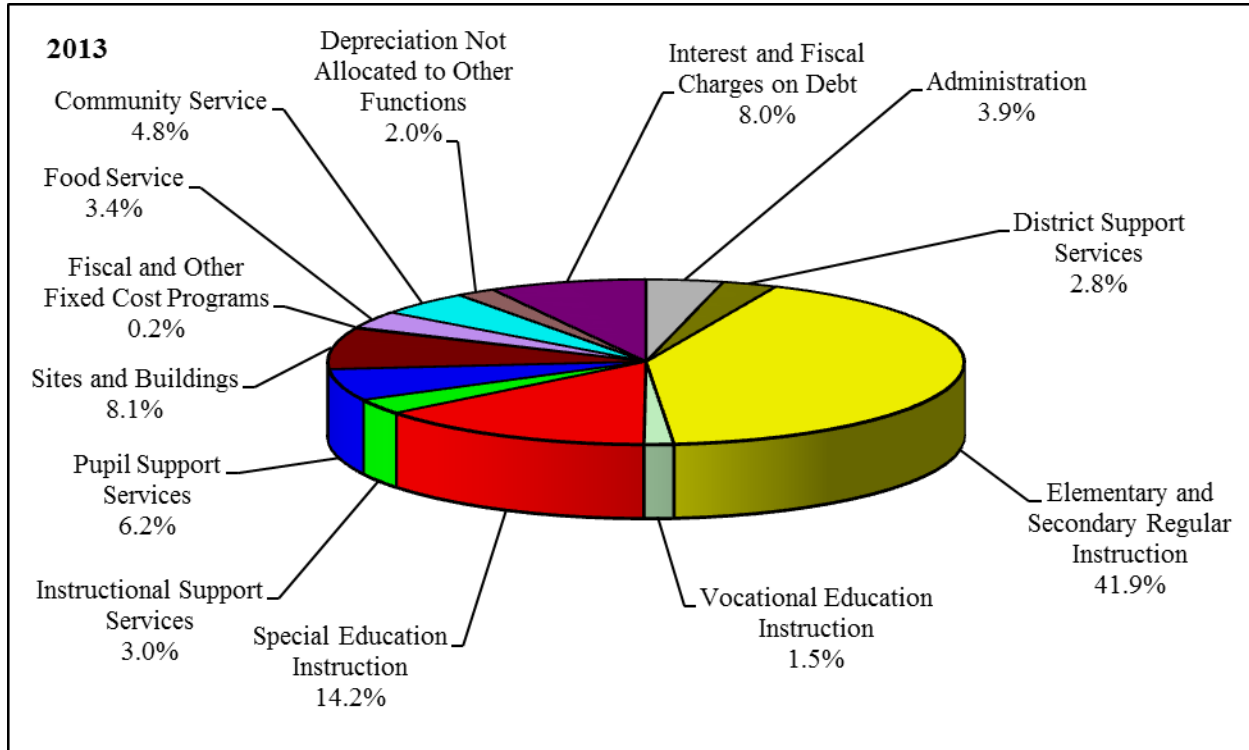
**Figure A – Sources of Revenues for Fiscal Years 2013 and 2012**



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

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

**Figure B – Expenses for Fiscal Years 2013 and 2012**



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>2013</u>          | <u>2012</u>          | <u>Increase<br/>(Decrease)</u> |
|--|----------------------|----------------------|--------------------------------|
| Major funds                              |                      |                      |                                |
| General                                  | \$ 7,488,541         | \$ 7,046,797         | \$ 441,744                     |
| Capital Projects – Building Construction | 1,385,983            | 18,615,879           | (17,229,896)                   |
| Debt Service                             |                      |                      |                                |
| Regular                                  | 1,022,076            | 733,803              | 288,273                        |
| Other post-employment benefits           | 43,081               | 54,425               | (11,344)                       |
| Nonmajor funds                           |                      |                      |                                |
| Food Service Special Revenue             | 417,771              | 576,183              | (158,412)                      |
| Community Service Special Revenue        | <u>235,460</u>       | <u>198,917</u>       | <u>36,543</u>                  |
| Total governmental funds                 | <u>\$ 10,592,912</u> | <u>\$ 27,226,004</u> | <u>\$ (16,633,092)</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 revenues being slightly above projected amounts. The Capital Projects – Building Construction Fund balance decreased in the current year due to the further spenddown of 2010B building bonds on construction project costs. The Food Service Special Revenue Fund balance decreased due to a planned decrease in the adopted budget and expenditures being slightly less than projected amounts.

## 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<br/>(Decrease)</u> | <u>Percent Change</u> |
|--------------|------------------------|----------------------|--------------------------------|-----------------------|
| Revenue      | <u>\$ 32,236,345</u>   | <u>\$ 32,699,340</u> | <u>\$ 462,995</u>              | <u>1.4%</u>           |
| Expenditures | <u>\$ 32,270,965</u>   | <u>\$ 32,628,892</u> | <u>\$ 357,927</u>              | <u>1.1%</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>2013</u>         | <u>Over (Under)<br/>Final Budget</u> |                | <u>Over (Under) Prior Year</u> |                |
|-------------------------------------|---------------------|--------------------------------------|----------------|--------------------------------|----------------|
|                                     |                     | <u>Amount</u>                        | <u>Percent</u> | <u>Amount</u>                  | <u>Percent</u> |
| Revenue and other financing sources | \$ 33,034,641       | \$ 335,301                           | 1.0%           | \$ (373,064)                   | (1.1%)         |
| Expenditures                        | <u>(32,592,897)</u> | \$ (35,995)                          | (0.1%)         | \$ 615,568                     | 1.9%           |
| Net change in fund balances         | <u>\$ 441,744</u>   |                                      |                |                                |                |
| N/A – Not Available                 |                     |                                      |                |                                |                |

The largest revenue variance was in other local sources, which were over budget by \$359,484, due to a large donation for the renovation of the high school gymnasium. Local property taxes were under budget by \$199,924, and state sources were over budget by \$180,474 in the year ended June 30, 2013, due to the impact of the tax shift. The decrease in revenues from the prior year was a combination of decreased special education entitlements and the elimination of the Education Jobs Fund federal grant.

The expenditure variance was spread across several programs and object categories of the General Fund. Expenditures increased from the prior year mostly due to a combination of increased personnel costs in the elementary and secondary regular instructional areas and increased capital outlay.

### **Comments on Significant Activities in Other Funds**

The Food Service Special Revenue Fund balance decreased \$158,412 in fiscal 2013. The fund balance at the end of the fiscal year was \$417,771, or 25.8 percent, of current year expenditures. This year was the eighth year of a successful joint powers agreement for food service with Independent School District No. 834, Stillwater Area Public Schools.

The Community Service Special Revenue Fund balance increased \$36,543 to a balance of \$235,460, or 12.4 percent, of expenditures.

The Capital Projects – Building Construction Fund balance decreased \$17.2 million due to the continued spenddown of 2010B building bonds for construction projects.

The Debt Service Fund balance ended fiscal 2013 at \$1,065,157, an increase of \$276,929. The entire Debt Service Fund balance is dedicated for future debt service obligations.

Internal service funds are used to account for the financing of goods and services provided by one department or agency of a government to other departments or agencies on a cost reimbursement basis. The District currently maintains one Internal Service Fund. This fund is used to account for the District's self-insured health insurance function. Operating revenues for the Internal Service Fund for fiscal 2013 totaled \$3,757,320. Operating expenses totaled \$3,452,583 for health benefit claims. The net position for the Internal Service Fund as of June 30, 2013 totaled \$304,737.

## 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, 2013 and 2012:

|                               | <u>2013</u>          | <u>2012</u>          | Increase<br>(Decrease) |
|-------------------------------|----------------------|----------------------|------------------------|
| Land                          | \$ 1,571,466         | \$ 1,571,466         | \$ -                   |
| Construction in progress      | 38,526,783           | 20,513,459           | 18,013,324             |
| Buildings                     | 37,197,609           | 37,197,609           | -                      |
| Land improvements             | 9,097,735            | 9,097,735            | -                      |
| Furniture and equipment       | 2,169,438            | 2,091,241            | 78,197                 |
| Less accumulated depreciation | <u>(19,394,041)</u>  | <u>(18,424,987)</u>  | <u>(969,054)</u>       |
| Total                         | <u>\$ 69,168,990</u> | <u>\$ 52,046,523</u> | <u>\$ 17,122,467</u>   |
| Depreciation expense          | <u>\$ 1,001,951</u>  | <u>\$ 1,030,659</u>  | <u>\$ (28,708)</u>     |

The District's \$18.1 million of capital asset additions in fiscal 2013 relate to building construction on a new elementary school in the District.

### Long-Term Liabilities

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

|                                       | <u>2013</u>          | <u>2012</u>          | Increase<br>(Decrease) |
|---------------------------------------|----------------------|----------------------|------------------------|
| General obligation bonds payable      | \$ 63,230,000        | \$ 66,370,000        | \$ (3,140,000)         |
| Net (discount) premium                | (231,816)            | (508,783)            | 276,967                |
| Certificates of participation payable | 400,000              | 575,000              | (175,000)              |
| Severance benefits payable            | 114,193              | 157,917              | (43,724)               |
| Compensated absences payable          | <u>211,358</u>       | <u>213,667</u>       | <u>(2,309)</u>         |
| Total                                 | <u>\$ 63,723,735</u> | <u>\$ 66,807,801</u> | <u>\$ (3,084,066)</u>  |

The decrease in general obligation bonds payable is due to the planned repayment schedule reflecting principal payments during fiscal year 2013.

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 | \$ 1,781,435,900      |
| Limit rate              | <u>15.0%</u>          |
| Legal debt limit        | <u>\$ 267,215,385</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 operating referendum, the District is dependent on the state of Minnesota for a majority of 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 increased \$50 per pupil in fiscal year 2013 to \$5,224. The Legislature has added \$78, or 1.5 percent, per pupil to the basic formula allowance for fiscal year 2014. Several funding and pupil weighting changes take effect in fiscal year 2015, which result in the equivalent of an \$80, or 1.5 percent, per pupil increase.

### **CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT**

These financial statement are 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.

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BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 832

Statement of Net Position  
as of June 30, 2013

|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| Assets   |                                    |
| Cash and temporary investments                                     | \$ 12,324,790                      |
| Receivables  |                                    |
| Current taxes  | 5,581,513                          |
| Delinquent taxes   | 262,588                            |
| Accounts and interest  | 60,477                             |
| Due from other governmental units                                  | 2,956,860                          |
| Inventory  | 23,231                             |
| Prepaid items  | 9,418                              |
| Negative net other post-employment benefits obligation             | 2,399,015                          |
| Restricted assets – temporarily restricted                         |                                    |
| Cash and investments for debt service                              | 237,366                            |
| Capital assets   |                                    |
| Not depreciated  | 40,098,249                         |
| Depreciated, net of accumulated depreciation                       | 29,070,741                         |
| Total capital assets, net of accumulated depreciation              | <u>69,168,990</u>                  |
| Total assets   | <u>\$ 93,024,248</u>               |
| Liabilities  |                                    |
| Salaries payable   | \$ 56,686                          |
| Accounts and contracts payable                                     | 1,588,759                          |
| Accrued interest payable   | 1,149,981                          |
| Due to other governmental units                                    | 240,103                            |
| Unearned revenue   | 638,226                            |
| Long-term liabilities  |                                    |
| Due within one year  | 3,586,358                          |
| Due in more than one year  | 60,137,377                         |
| Total long-term liabilities  | <u>63,723,735</u>                  |
| Total liabilities  | 67,397,490                         |
| Deferred inflows of resources                                      |                                    |
| Property taxes levied for subsequent year                          | 7,859,529                          |
| Net position   |                                    |
| Net investment in capital assets                                   | 10,124,781                         |
| Restricted for   |                                    |
| Capital asset acquisition  | 669,340                            |
| Food service   | 417,771                            |
| Community service  | 239,756                            |
| Unrestricted   | 6,315,581                          |
| Total net position   | <u>17,767,229</u>                  |
| Total liabilities, deferred inflows of resources, and net position | <u>\$ 93,024,248</u>               |

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 832

Statement of Activities  
Year Ended June 30, 2013

| Functions/Programs                            | Expenses             | Program Revenues     |                                    |                                  | Net (Expense)                       |
|---|----------------------|----------------------|------------------------------------|----------------------------------|-------------------------------------|
|   |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Revenue and Changes in Net Position |
|   |                      |                      |                                    |                                  | Governmental Activities             |
| <b>Governmental activities</b>                |                      |                      |                                    |                                  |                                     |
| Administration                                | \$ 1,511,321         | \$ -                 | \$ -                               | \$ -                             | \$ (1,511,321)                      |
| District support services                     | 1,108,193            | -                    | -                                  | -                                | (1,108,193)                         |
| Elementary and secondary regular instruction  | 16,395,507           | 416,958              | 357,128                            | -                                | (15,621,421)                        |
| Vocational education instruction              | 589,598              | -                    | -                                  | -                                | (589,598)                           |
| Special education instruction                 | 5,549,173            | -                    | 3,464,737                          | -                                | (2,084,436)                         |
| Instructional support services                | 1,166,442            | -                    | -                                  | -                                | (1,166,442)                         |
| Pupil support services                        | 2,415,677            | -                    | 47,338                             | -                                | (2,368,339)                         |
| Sites and buildings                           | 3,153,908            | -                    | -                                  | 801,049                          | (2,352,859)                         |
| Fiscal and other fixed cost programs          | 91,036               | -                    | -                                  | -                                | (91,036)                            |
| Food service                                  | 1,344,172            | 1,082,042            | 375,946                            | -                                | 113,816                             |
| Community service                             | 1,891,568            | 1,601,631            | 50,608                             | -                                | (239,329)                           |
| Depreciation not allocated to other functions | 798,582              | -                    | -                                  | -                                | (798,582)                           |
| Interest and fiscal charges                   | 3,124,634            | -                    | -                                  | -                                | (3,124,634)                         |
| <b>Total governmental activities</b>          | <b>\$ 39,139,811</b> | <b>\$ 3,100,631</b>  | <b>\$ 4,295,757</b>                | <b>\$ 801,049</b>                | <b>(30,942,374)</b>                 |
| <b>General revenue</b>                        |                      |                      |                                    |                                  |                                     |
| <b>Taxes</b>                                  |                      |                      |                                    |                                  |                                     |
|   |                      |                      |                                    |                                  | 5,858,242                           |
|   |                      |                      |                                    |                                  | 269,427                             |
|   |                      |                      |                                    |                                  | 5,429,196                           |
|   |                      |                      |                                    |                                  | 21,352,625                          |
|   |                      |                      |                                    |                                  | 1,589,347                           |
|   |                      |                      |                                    |                                  | 74,287                              |
|   |                      |                      |                                    |                                  | <u>34,573,124</u>                   |
|   |                      |                      |                                    |                                  | Change in net position              |
|   |                      |                      |                                    |                                  | 3,630,750                           |
|   |                      |                      |                                    |                                  | Net position – beginning            |
|   |                      |                      |                                    |                                  | <u>14,136,479</u>                   |
|   |                      |                      |                                    |                                  | Net position – ending               |
|   |                      |                      |                                    |                                  | <u>\$ 17,767,229</u>                |

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 832

Balance Sheet  
 Governmental Funds  
 as of June 30, 2013

|  | <u>General Fund</u>         | <u>Capital Projects –<br/>Building<br/>Construction Fund</u> | <u>Debt<br/>Service Fund</u> |
|--|-----------------------------|--|------------------------------|
| <b>Assets</b>  |                             |  |                              |
| Cash and temporary investments   | \$ 4,970,454                | \$ 2,317,315   | \$ 3,375,901                 |
| Cash and investments held by trustee                                   | 237,366                     | –  | –                            |
| Receivables  |                             |  |                              |
| Current taxes  | 2,922,423                   | –  | 2,516,188                    |
| Delinquent taxes   | 143,464                     | –  | 112,772                      |
| Accounts and interest  | 50,472                      | –  | –                            |
| Due from other governmental units                                      | 2,940,141                   | –  | 474                          |
| Inventory  | –                           | –  | –                            |
| Prepaid items  | 6,272                       | –  | –                            |
|  | <u>                    </u> | <u>                    </u>                                  | <u>                    </u>  |
| Total assets   | <u>\$ 11,270,592</u>        | <u>\$ 2,317,315</u>  | <u>\$ 6,005,335</u>          |
| <b>Liabilities</b>   |                             |  |                              |
| Salaries payable   | \$ 37,873                   | \$ –   | \$ –                         |
| Accounts and contracts payable   | 370,181                     | 931,332  | 2,300                        |
| Due to other governmental units  | 181,468                     | –  | –                            |
| Unearned revenue   | 241,868                     | –  | –                            |
| Total liabilities  | <u>831,390</u>              | <u>931,332</u>   | <u>2,300</u>                 |
| <b>Deferred inflows of resources</b>                                   |                             |  |                              |
| Property taxes levied for subsequent year                              | 2,853,644                   | –  | 4,863,900                    |
| Unavailable revenue – delinquent taxes                                 | 97,017                      | –  | 73,978                       |
| Total deferred inflows of resources                                    | <u>2,950,661</u>            | <u>                    </u>                                  | <u>4,937,878</u>             |
| <b>Fund balances</b>   |                             |  |                              |
| Nonspendable   | 6,272                       | –  | –                            |
| Restricted   | 1,128,357                   | 1,385,983  | 1,065,157                    |
| Assigned   | 2,675,784                   | –  | –                            |
| Unassigned   | 3,678,128                   | –  | –                            |
| Total fund balances  | <u>7,488,541</u>            | <u>1,385,983</u>   | <u>1,065,157</u>             |
|  | <u>                    </u> | <u>                    </u>                                  | <u>                    </u>  |
| Total liabilities, deferred inflows<br>of resources, and fund balances | <u>\$ 11,270,592</u>        | <u>\$ 2,317,315</u>  | <u>\$ 6,005,335</u>          |

See notes to basic financial statements

| <u>Nonmajor Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|-----------------------|---|
| \$ 771,580            | \$ 11,435,250                           |
| -                     | 237,366                                 |
| 142,902               | 5,581,513                               |
| 6,352                 | 262,588                                 |
| 10,005                | 60,477                                  |
| 16,245                | 2,956,860                               |
| 23,231                | 23,231                                  |
| 3,146                 | 9,418                                   |
| <u>\$ 973,461</u>     | <u>\$ 20,566,703</u>                    |
| <br>                  |   |
| \$ 18,813             | \$ 56,686                               |
| 47,809                | 1,351,622                               |
| 58,635                | 240,103                                 |
| 48,692                | 290,560                                 |
| <u>173,949</u>        | <u>1,938,971</u>                        |
| <br>                  |   |
| 141,985               | 7,859,529                               |
| 4,296                 | 175,291                                 |
| <u>146,281</u>        | <u>8,034,820</u>                        |
| <br>                  |   |
| 26,377                | 32,649                                  |
| 630,471               | 4,209,968                               |
| -                     | 2,675,784                               |
| (3,617)               | 3,674,511                               |
| <u>653,231</u>        | <u>10,592,912</u>                       |
| <br>                  |   |
| <u>\$ 973,461</u>     | <u>\$ 20,566,703</u>                    |

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INDEPENDENT SCHOOL DISTRICT NO. 832

Reconciliation of the Balance Sheet to the  
Statement of Net Position  
Governmental Funds  
as of June 30, 2013

|  |                             |
|--|-----------------------------|
| Total fund balances – governmental funds   | \$ 10,592,912               |
| Amounts reported for governmental activities in the Statement of Net Position are different because:   |                             |
| Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.  |                             |
| Cost of capital assets   | 88,563,031                  |
| Accumulated depreciation   | (19,394,041)                |
| Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses. |                             |
| General obligation bonds   | (63,230,000)                |
| Net discount (premium)   | 231,816                     |
| Certificates of participation  | (400,000)                   |
| Severance benefits   | (114,193)                   |
| Compensated absences   | (211,358)                   |
| Net other post-employment benefit obligations reported in the Statement of Net Position do not require the use of current financial resources and are not reported as assets (liabilities) in governmental funds until actually due.   |                             |
|  | 2,399,015                   |
| Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.  |                             |
|  | (1,149,981)                 |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.                                      |                             |
|  | 304,737                     |
| Certain revenues (including delinquent property taxes) are included in net position, but are excluded from fund balances until they are available to liquidate liabilities of the current period.  |                             |
|  | <u>175,291</u>              |
| Total net position – governmental activities   | <u><u>\$ 17,767,229</u></u> |

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, 2013

|  | <u>General Fund</u> | <u>Capital Projects –<br/>Building<br/>Construction Fund</u> | <u>Debt<br/>Service Fund</u> |
|--|---------------------|--|------------------------------|
| <b>Revenue</b>                                   |                     |  |                              |
| Local sources                                    |                     |  |                              |
| Property taxes                                   | \$ 5,886,674        | \$ –   | \$ 5,440,175                 |
| Investment earnings                              | 4,505               | 66,695   | 2,231                        |
| Other  | 1,815,553           | 69,130   | –                            |
| State sources                                    | 24,570,965          | –  | 3,490                        |
| Federal sources                                  | 756,594             | –  | 801,049                      |
| Total revenue                                    | <u>33,034,291</u>   | <u>135,825</u>   | <u>6,246,945</u>             |
| <b>Expenditures</b>                              |                     |  |                              |
| Current  |                     |  |                              |
| Administration                                   | 1,498,957           | –  | –                            |
| District support services                        | 1,105,537           | –  | –                            |
| Elementary and secondary regular instruction     | 16,471,615          | –  | –                            |
| Vocational education instruction                 | 592,392             | –  | –                            |
| Special education instruction                    | 5,578,169           | –  | –                            |
| Instructional support services                   | 1,141,933           | –  | –                            |
| Pupil support services                           | 2,414,068           | –  | –                            |
| Sites and buildings                              | 3,492,827           | –  | –                            |
| Fiscal and other fixed cost programs             | 91,036              | –  | –                            |
| Food service                                     | –                   | –  | –                            |
| Community service                                | –                   | –  | –                            |
| Capital outlay                                   | –                   | 17,365,721   | –                            |
| Debt service                                     |                     |  |                              |
| Principal  | 175,000             | –  | 3,140,000                    |
| Interest and fiscal charges                      | 31,363              | –  | 2,830,016                    |
| Total expenditures                               | <u>32,592,897</u>   | <u>17,365,721</u>  | <u>5,970,016</u>             |
| Excess (deficiency) of revenue over expenditures | 441,394             | (17,229,896)   | 276,929                      |
| <b>Other financing sources</b>                   |                     |  |                              |
| Sale of assets                                   | 350                 | –  | –                            |
| Net change in fund balances                      | 441,744             | (17,229,896)   | 276,929                      |
| <b>Fund balances</b>                             |                     |  |                              |
| Beginning of year                                | <u>7,046,797</u>    | <u>18,615,879</u>  | <u>788,228</u>               |
| End of year                                      | <u>\$ 7,488,541</u> | <u>\$ 1,385,983</u>  | <u>\$ 1,065,157</u>          |

See notes to basic financial statements

| <u>Nonmajor Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|-----------------------|---|
| \$ 270,687            | \$ 11,597,536                           |
| 856                   | 74,287                                  |
| 2,701,411             | 4,586,094                               |
| 89,323                | 24,663,778                              |
| 331,894               | 1,889,537                               |
| <u>3,394,171</u>      | <u>42,811,232</u>                       |
|                       |   |
|                       | 1,498,957                               |
|                       | 1,105,537                               |
|                       | 16,471,615                              |
|                       | 592,392                                 |
|                       | 5,578,169                               |
|                       | 1,141,933                               |
|                       | 2,414,068                               |
|                       | 3,492,827                               |
|                       | 91,036                                  |
| 1,327,535             | 1,327,535                               |
| 1,870,718             | 1,870,718                               |
| 317,787               | 17,683,508                              |
|                       |   |
|                       | 3,315,000                               |
|                       | 2,861,379                               |
| <u>3,516,040</u>      | <u>59,444,674</u>                       |
|                       |   |
| (121,869)             | (16,633,442)                            |
|                       |   |
| <u>          -</u>    | <u>          350</u>                    |
| (121,869)             | (16,633,092)                            |
|                       |   |
| <u>775,100</u>        | <u>27,226,004</u>                       |
|                       |   |
| <u>\$ 653,231</u>     | <u>\$ 10,592,912</u>                    |

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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, 2013

Total net change in fund balances – governmental funds \$ (16,633,092)

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

Capital outlays are recorded in net position 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      | 18,125,725  |
| Depreciation expense | (1,001,951) |

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 position. However, only the sale proceeds are included in the change in fund balances.

(1,307)

Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.

|                               |           |
|-------------------------------|-----------|
| General obligation bonds      | 3,140,000 |
| Certificates of participation | 175,000   |

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

13,712

Debt issuance premiums and discounts are included in the change in net position 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.

(276,967)

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

|  |           |
|--|-----------|
| Severance benefits payable                             | 43,724    |
| Compensated absences payable                           | 2,309     |
| Negative net other post-employment benefits obligation | (220,469) |

Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.

304,737

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

(40,671)

|  |                     |
|--|---------------------|
| Change in net position – governmental activities | <u>\$ 3,630,750</u> |
|--|---------------------|

See notes to basic financial statements

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INDEPENDENT SCHOOL DISTRICT NO. 832

Statement of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 General Fund  
 Year Ended June 30, 2013

|  | Budgeted Amounts   |                   | Actual              | Over (Under)<br>Final Budget |
|--|--------------------|-------------------|---------------------|------------------------------|
|  | Original           | Final             |                     |                              |
| <b>Revenue</b>                                   |                    |                   |                     |                              |
| Local sources                                    |                    |                   |                     |                              |
| Property taxes                                   | \$ 8,466,598       | \$ 6,086,598      | \$ 5,886,674        | \$ (199,924)                 |
| Investment earnings                              | 4,000              | 2,000             | 4,505               | 2,505                        |
| Other  | 1,460,069          | 1,456,069         | 1,815,553           | 359,484                      |
| State sources                                    | 21,574,046         | 24,390,491        | 24,570,965          | 180,474                      |
| Federal sources                                  | 731,632            | 764,182           | 756,594             | (7,588)                      |
| Total revenue                                    | <u>32,236,345</u>  | <u>32,699,340</u> | <u>33,034,291</u>   | <u>334,951</u>               |
| <b>Expenditures</b>                              |                    |                   |                     |                              |
| Current  |                    |                   |                     |                              |
| Administration                                   | 1,486,552          | 1,511,338         | 1,498,957           | (12,381)                     |
| District support services                        | 1,179,106          | 1,179,813         | 1,105,537           | (74,276)                     |
| Elementary and secondary regular instruction     | 16,225,556         | 16,513,826        | 16,471,615          | (42,211)                     |
| Vocational education instruction                 | 591,134            | 599,211           | 592,392             | (6,819)                      |
| Special education instruction                    | 5,574,827          | 5,502,434         | 5,578,169           | 75,735                       |
| Instructional support services                   | 1,174,882          | 1,151,431         | 1,141,933           | (9,498)                      |
| Pupil support services                           | 2,446,875          | 2,406,917         | 2,414,068           | 7,151                        |
| Sites and buildings                              | 3,170,670          | 3,472,559         | 3,492,827           | 20,268                       |
| Fiscal and other fixed cost programs             | 215,000            | 85,000            | 91,036              | 6,036                        |
| Debt service                                     |                    |                   |                     |                              |
| Principal  | 175,000            | 175,000           | 175,000             | -                            |
| Interest   | 31,363             | 31,363            | 31,363              | -                            |
| Total expenditures                               | <u>32,270,965</u>  | <u>32,628,892</u> | <u>32,592,897</u>   | <u>(35,995)</u>              |
| Excess (deficiency) of revenue over expenditures | (34,620)           | 70,448            | 441,394             | 370,946                      |
| Other financing sources                          |                    |                   |                     |                              |
| Sale of assets                                   | -                  | -                 | 350                 | 350                          |
| Net change in fund balances                      | <u>\$ (34,620)</u> | <u>\$ 70,448</u>  | <u>441,744</u>      | <u>\$ 371,296</u>            |
| Fund balances                                    |                    |                   |                     |                              |
| Beginning of year                                |                    |                   | <u>7,046,797</u>    |                              |
| End of year                                      |                    |                   | <u>\$ 7,488,541</u> |                              |

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 832

Statement of Net Position  
 Proprietary Fund  
 Internal Service Fund  
 as of June 30, 2013

|                                |                   |
|--------------------------------|-------------------|
| Assets                         |                   |
| Current assets                 |                   |
| Cash and temporary investments | \$ 889,540        |
| Liabilities                    |                   |
| Current liabilities            |                   |
| Accounts and contracts payable | 237,137           |
| Unearned revenue               | 347,666           |
| Total current liabilities      | <u>584,803</u>    |
| Net position                   |                   |
| Unrestricted                   | <u>\$ 304,737</u> |

Statement of Revenue, Expenses, and Changes in Fund Net Position  
 Proprietary Fund  
 Internal Service Fund  
 Year Ended June 30, 2013

|                        |                   |
|------------------------|-------------------|
| Operating revenue      |                   |
| Charges for services   | \$ 3,757,320      |
| Operating expenses     |                   |
| Claims and settlements | <u>3,452,583</u>  |
| Operating income       | 304,737           |
| Net position           |                   |
| Beginning of year      | <u>—</u>          |
| End of year            | <u>\$ 304,737</u> |

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 832

Statement of Cash Flows  
 Proprietary Fund  
 Internal Service Fund  
 Year Ended June 30, 2013

|   |                          |
|---|--------------------------|
| Cash flows from operating activities  |                          |
| Received from assessments made to other funds   | \$ 4,104,986             |
| Payments for claims   | (3,215,446)              |
| Net cash provided by operating activities   | <u>889,540</u>           |
| <br>Cash and temporary investments  |                          |
| Beginning of year   | <u>—</u>                 |
| End of year   | <u><u>\$ 889,540</u></u> |
| <br>Reconciliation of operating income to net cash<br>provided by operating activities    |                          |
| Operating income  | \$ 304,737               |
| Adjustments to reconcile operating income to net cash<br>provided by operating activities |                          |
| Changes in assets and liabilities   |                          |
| Accounts and contracts payable  | 237,137                  |
| Unearned revenue  | <u>347,666</u>           |
| Net cash provided by operating activities   | <u><u>\$ 889,540</u></u> |

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 832

Statement of Fiduciary Net Position  
Fiduciary Funds  
as of June 30, 2013

|  | <u>Post-Employment<br/>Benefits<br/>Trust Fund</u> |
|--|--|
| Assets   |  |
| Cash and temporary investments                   | \$ 1,110,616                                       |
| Investments                                      |  |
| Local government obligations                     | 1,189,724  |
| MNTrust Investment Shares Portfolio              | 170,292  |
| Accounts and interest receivable                 | 19,489   |
| Total assets                                     | <u>2,490,121</u>                                   |
| Net position                                     |  |
| Held in trust for other post-employment benefits | <u>\$ 2,490,121</u>                                |

Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
Year Ended June 30, 2013

|                               | <u>Post-Employment<br/>Benefits<br/>Trust Fund</u> |
|-------------------------------|--|
| Additions                     |  |
| Contributions                 |  |
| Employer                      | \$ -   |
| Investment earnings           | 51,519   |
| Total additions               | <u>51,519</u>                                      |
| Deductions                    |  |
| Benefits paid to plan members | <u>416,376</u>                                     |
| Change in net position        | (364,857)  |
| Net position                  |  |
| Beginning of year             | <u>2,854,978</u>                                   |
| End of year                   | <u>\$ 2,490,121</u>                                |

See notes to basic financial statements

**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 Position 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 Position and Statement of Changes in Fiduciary Net Position 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, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements. The proprietary fund (Internal Service Fund) is presented in the proprietary fund financial statements. Because the principal users of the internal services are the District’s governmental activities, the financial statement of the proprietary fund (Internal Service Fund) is consolidated into the governmental activities in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity. 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 financial statements.

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

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

- 1. Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. 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.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 2. Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt, 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.

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

### Description of Funds

The existence of the various district funds has been established by the Minnesota Department of Education. 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 or construction of major capital facilities authorized by bond issue.

**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.

#### Proprietary Funds

**Internal Service Funds** – The internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The District has one internal service fund. The District’s internal service fund includes financing for self-insurance of the employee health insurance program.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Fiduciary Funds**

**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.

### **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, an escrow account is established for cash and investments held for debt service related to the issuance of certificates of participation. Interest earned in this trust account is allocated directly to the General Fund. The cash, investments, and related interest receivable are reported as restricted assets in the government-wide financial statements.

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 on this trust account is allocated directly to that fund.

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.

### **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.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **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. 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 \$2,931,144 of the property tax levy collectible in 2013 as revenue to the District in fiscal year 2012–2013. The remaining portion of the taxes collectible in 2013 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.

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 reported as deferred inflows of resources (unavailable revenue) 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.

### **K. 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.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

### **L. 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 and discounts 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 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.

### **M. 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.

### **N. 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 financial 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.

### **O. Risk Management and Self-Insurance**

- 1. General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal year 2013.
- 2. Self-Insurance** – The District has established an Internal Service Fund to account for and finance its self-insured risk of loss for employee health insurance plans. Under this plan, the District provides coverage to participating employees and their dependants for certain health costs as described in the plans.

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Changes in the Internal Service Fund’s claim liabilities for the current fiscal year were as follows:

|      | <u>Beginning of<br/>Fiscal<br/>Year Liability</u> | <u>Current<br/>Year Claims<br/>and Changes<br/>in Estimates</u> | <u>Claim Payments</u> | <u>Balance at<br/>Fiscal Year-End</u> |
|------|---|---|-----------------------|---------------------------------------|
| 2013 | \$ –  | \$ 3,452,583  | \$ (3,215,446)        | \$ 237,137                            |

**P. Deferred Inflows of Resources**

In addition to liabilities, statements of financial position or balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items which qualify for reporting in this category.

The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the governmental funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available.

The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the governmental funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied, and in the governmental fund financial statements during the year for which they are levied, if available.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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.

### R. Net Position

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

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.
- **Restricted Net Position** – Consists of net position 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 Position** – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

### 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.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

### T. Statement of Cash Flows

For purposes of the Statement of Cash Flows, the District considers all highly liquid debt instruments with an original maturity from the time of purchase by the District of three months or less to be cash equivalents. The proprietary (internal service) fund's equity in the government-wide cash and investment management pool is considered to be cash equivalent.

### U. Changes in Accounting Principles

During the year ended June 30, 2013, the District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 63 created two new financial statement elements, *deferred outflows of resources* (a consumption of net position that is applicable to a future reporting period, and *deferred inflows of resources* (an acquisition of net position that is applicable to a future reporting period), which are distinct from assets and liabilities. It also defined *net position* as the residual of all other elements presented in a statement of net position (assets + deferred outflows of resources – liabilities – deferred inflows of resources = net position). GASB Statement No. 65 identified specific items previously reported as assets that will now be classified as either deferred outflows of resources or outflows (expenditures/expenses), and items previously reported as liabilities that will now be reported as either deferred inflows of resources or inflows (revenues).

## NOTE 2 – DEPOSITS AND INVESTMENTS

### A. Components of Cash and Investments

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

|             |    |                   |
|-------------|----|-------------------|
| Deposits    | \$ | 1,563,522         |
| Investments |    | 13,465,266        |
| Petty cash  |    | 4,000             |
|             |    | <hr/>             |
| Total       | \$ | <u>15,032,788</u> |

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

|  |    |                   |
|--|----|-------------------|
| Statement of Net Position                  |    |                   |
| Cash and temporary investments             | \$ | 12,324,790        |
| Restricted assets – temporarily restricted |    |                   |
| Cash and investments for debt service      |    | 237,366           |
| Statement of Fiduciary Net Position        |    |                   |
| Cash and temporary investments             |    | 1,110,616         |
| Investments                                |    |                   |
| Local government obligations               |    | 1,189,724         |
| MNTrust Investment Shares Portfolio        |    | 170,292           |
|  |    | <hr/>             |
| Total                                      | \$ | <u>15,032,788</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.

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 \$1,563,522 while the balance on the bank records was \$2,604,695. At June 30, 2013, 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.

**NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**C. Investments**

The District has the following investments at year-end:

| Investment Type                             | Credit Risk   |               | Interest Risk –<br>Maturity Duration in Years |            |            | Carrying Value       |
|---|---------------|---------------|---|------------|------------|----------------------|
|   | Credit Rating | Rating Agency | Less Than 1                                   | 1 to 5     | 6 to 10    |                      |
| Local government obligations                | AAA           | S&P           | \$ –  | \$ 95,526  | \$ –       | \$ 95,526            |
| Local government obligations                | AA            | S&P           | \$ 202,960                                    | \$ 430,168 | \$ 213,793 | 846,921              |
| Local government obligations                | A             | S&P           | \$ –  | \$ 247,277 | \$ –       | 247,277              |
| Investment pools/mutual funds               |               |               |   |            |            |                      |
| Minnesota School District Liquid Asset Fund |               |               |   |            |            |                      |
| Liquid portfolio                            | AAA           | S&P           | N/A   | N/A        | N/A        | 1,870,827            |
| First American Treasury Fund Obligation     | AAA           | S&P           | N/A   | N/A        | N/A        | 237,366              |
| MNTrust Investment Shares Portfolio         | AAA           | S&P           | N/A   | N/A        | N/A        | 10,167,349           |
| Total                                       |               |               |   |            |            | <u>\$ 13,465,266</u> |

N/A – Not Applicable

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.

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

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

## NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

**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 Minnesota 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.

**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<br>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.

**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.

**NOTE 3 – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2013 is as follows:

|                                       | Balance –<br>Beginning<br>of Year | Additions            | Deletions         | Balance –<br>End of Year |
|---------------------------------------|-----------------------------------|----------------------|-------------------|--------------------------|
| Capital assets, not depreciated       |                                   |                      |                   |                          |
| Land                                  | \$ 1,571,466                      | \$ –                 | \$ –              | \$ 1,571,466             |
| Construction in progress              | 20,513,459                        | 18,013,324           | –                 | 38,526,783               |
| Total capital assets, not depreciated | <u>22,084,925</u>                 | <u>18,013,324</u>    | <u>–</u>          | <u>40,098,249</u>        |
| Capital assets, depreciated           |                                   |                      |                   |                          |
| Buildings                             | 37,197,609                        | –                    | –                 | 37,197,609               |
| Land improvements                     | 9,097,735                         | –                    | –                 | 9,097,735                |
| Furniture and equipment               | 2,091,241                         | 112,401              | (34,204)          | 2,169,438                |
| Total capital assets, depreciated     | <u>48,386,585</u>                 | <u>112,401</u>       | <u>(34,204)</u>   | <u>48,464,782</u>        |
| Less accumulated depreciation for     |                                   |                      |                   |                          |
| Buildings                             | (15,120,339)                      | (732,715)            | –                 | (15,853,054)             |
| Land improvements                     | (2,119,745)                       | (150,463)            | –                 | (2,270,208)              |
| Furniture and equipment               | (1,184,903)                       | (118,773)            | 32,897            | (1,270,779)              |
| Total accumulated depreciation        | <u>(18,424,987)</u>               | <u>(1,001,951)</u>   | <u>32,897</u>     | <u>(19,394,041)</u>      |
| Net capital assets, depreciated       | <u>29,961,598</u>                 | <u>(889,550)</u>     | <u>(1,307)</u>    | <u>29,070,741</u>        |
| Total capital assets, net             | <u>\$ 52,046,523</u>              | <u>\$ 17,123,774</u> | <u>\$ (1,307)</u> | <u>\$ 69,168,990</u>     |

Depreciation expense for the year ended June 30, 2013 was charged to the following governmental functions:

|   |                     |
|---|---------------------|
| District support services                     | \$ 630              |
| Elementary and secondary regular instruction  | 22,744              |
| Instructional support services                | 38,524              |
| Pupil support services                        | 6,042               |
| Sites and buildings                           | 121,125             |
| Food service                                  | 13,469              |
| Community education                           | 835                 |
| Depreciation not allocated to other functions | <u>798,582</u>      |
| Total depreciation expense                    | <u>\$ 1,001,951</u> |

**NOTE 4 – LONG-TERM LIABILITIES**

**A. General Obligation Bonds Payable**

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

| <u>Issue</u>   | <u>Issue Date</u> | <u>Interest Rate</u> | <u>Original Issue</u> | <u>Final Maturity</u> | <u>Principal Outstanding</u> |
|--|-------------------|----------------------|-----------------------|-----------------------|------------------------------|
| General obligation bonds payable                             |                   |                      |                       |                       |                              |
| School Building Bonds, Series 1995                           | 06/01/1995        | 5.6–6.0%             | \$ 5,194,754          | 02/01/2017            | \$ 6,015,000                 |
| Taxable OPEB Bonds, Series 2009A                             | 05/05/2009        | 3.5–5.4%             | \$ 3,265,000          | 02/01/2024            | 2,705,000                    |
| School Refunding Bonds, Series 2010A                         | 05/01/2010        | 4.0–5.0%             | \$ 8,720,000          | 02/01/2018            | 7,740,000                    |
| School Building Bonds, Series 2010B<br>(Build America Bonds) | 07/26/2010        | 4.3–5.8%             | \$ 45,000,000         | 02/01/2031            | 45,000,000                   |
| School Refunding Bonds, Series 2012A                         | 05/01/2012        | 0.3–1.4%             | \$ 2,135,000          | 02/01/2019            | <u>1,770,000</u>             |
| Total general obligation bonds payable                       |                   |                      |                       |                       | <u>\$ 63,230,000</u>         |

**B. Certificates of Participation Payable**

| <u>Issue</u>                          | <u>Issue Date</u> | <u>Interest Rate</u> | <u>Original Issue</u> | <u>Final Maturity</u> | <u>Principal Outstanding</u> |
|---------------------------------------|-------------------|----------------------|-----------------------|-----------------------|------------------------------|
| Certificates of participation payable |                   |                      |                       |                       |                              |
| 1997A Certificates of Participation   | 01/01/1997        | 4.00–5.50%           | \$ 2,390,000          | 02/01/2015            | \$ 400,000                   |

In January 1997, the District sold \$2,390,000 of certificates of participation under Minnesota Statute § 123B.51. Scheduled future ad valorem lease obligation tax levies will be made to finance the retirement of principal and interest payments on the certificates. These certificates of participation are being paid by the General Fund.

**C. Description of Long-Term Liabilities**

**General Obligation School Building and Refunding 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.

**General Obligation Taxable OPEB Bonds** – These obligations were issued to finance OPEB. Assets of the OPEB 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.

**NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)**

**D. Other Long-Term Liabilities**

The District offers a number of benefits to its employees, including severance 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.

**E. Minimum Debt Payments**

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

| Year Ending<br>June 30, | General Obligation Bonds |                      | Certificates of Participation |                  |
|-------------------------|--------------------------|----------------------|-------------------------------|------------------|
|                         | Principal                | Interest             | Principal                     | Interest         |
| 2014                    | \$ 3,200,000             | \$ 2,776,158         | \$ 175,000                    | \$ 21,913        |
| 2015                    | 3,245,000                | 2,725,360            | 225,000                       | 12,374           |
| 2016                    | 3,305,000                | 2,669,750            | –                             | –                |
| 2017                    | 3,225,000                | 2,622,613            | –                             | –                |
| 2018                    | 3,345,000                | 2,541,038            | –                             | –                |
| 2019–2023               | 15,690,000               | 10,528,180           | –                             | –                |
| 2024–2028               | 18,445,000               | 6,517,630            | –                             | –                |
| 2029–2031               | 12,775,000               | 1,461,869            | –                             | –                |
|                         | <u>\$ 63,230,000</u>     | <u>\$ 31,842,598</u> | <u>\$ 400,000</u>             | <u>\$ 34,287</u> |

**F. Changes in Long-Term Liabilities**

|                                       | Balance –<br>June 30, 2012 | Additions         | Retirements         | Balance –<br>June 30, 2013 | Due Within<br>One Year |
|---------------------------------------|----------------------------|-------------------|---------------------|----------------------------|------------------------|
| General obligation bonds payable      | \$ 66,370,000              | \$ –              | \$ 3,140,000        | \$ 63,230,000              | \$ 3,200,000           |
| Net (discount) premium                | (508,783)                  | –                 | (276,967)           | (231,816)                  | –                      |
| Certificates of participation payable | 575,000                    | –                 | 175,000             | 400,000                    | 175,000                |
| Severance benefits payable            | 157,917                    | 23,187            | 66,911              | 114,193                    | –                      |
| Compensated absences payable          | 213,667                    | 255,379           | 257,688             | 211,358                    | 211,358                |
|                                       | <u>\$ 66,807,801</u>       | <u>\$ 278,566</u> | <u>\$ 3,362,632</u> | <u>\$ 63,723,735</u>       | <u>\$ 3,586,358</u>    |

## NOTE 5 – FUND BALANCES

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

### A. Classifications

At June 30, 2013, a summary of the District's governmental fund balance classifications are as follows:

|  | General Fund        | Capital<br>Projects –<br>Building<br>Construction<br>Fund | Debt Service<br>Fund | Nonmajor<br>Funds | Total                |
|--|---------------------|---|----------------------|-------------------|----------------------|
| <b>Nonspendable</b>                                |                     |   |                      |                   |                      |
| Inventory  | \$ –                | \$ –  | \$ –                 | \$ 23,231         | \$ 23,231            |
| Prepaid items                                      | 6,272               | –   | –                    | 3,146             | 9,418                |
| Total nonspendable                                 | <u>6,272</u>        | <u>–</u>  | <u>–</u>             | <u>26,377</u>     | <u>32,649</u>        |
| <b>Restricted</b>                                  |                     |   |                      |                   |                      |
| Capital projects levy                              | 97,300              | –   | –                    | –                 | 97,300               |
| Operating capital                                  | 1,031,057           | –   | –                    | –                 | 1,031,057            |
| Community education programs                       | –                   | –   | –                    | 222,834           | 222,834              |
| Early childhood family<br>education programs       | –                   | –   | –                    | 15,797            | 15,797               |
| Food service                                       | –                   | –   | –                    | 391,840           | 391,840              |
| Building construction                              | –                   | 1,385,983   | –                    | –                 | 1,385,983            |
| Debt service                                       | –                   | –   | 1,065,157            | –                 | 1,065,157            |
| Total restricted                                   | <u>1,128,357</u>    | <u>1,385,983</u>  | <u>1,065,157</u>     | <u>630,471</u>    | <u>4,209,968</u>     |
| <b>Assigned</b>                                    |                     |   |                      |                   |                      |
| Separation benefits                                | 411,850             | –   | –                    | –                 | 411,850              |
| Student activities                                 | 157,748             | –   | –                    | –                 | 157,748              |
| Building carryover                                 | 716,658             | –   | –                    | –                 | 716,658              |
| Subsequent year budget                             | 889,528             | –   | –                    | –                 | 889,528              |
| New school operations                              | 500,000             | –   | –                    | –                 | 500,000              |
| Total assigned                                     | <u>2,675,784</u>    | <u>–</u>  | <u>–</u>             | <u>–</u>          | <u>2,675,784</u>     |
| <b>Unassigned</b>                                  |                     |   |                      |                   |                      |
| School readiness restricted<br>account deficit     | –                   | –   | –                    | (3,617)           | (3,617)              |
| Health and safety restricted<br>account deficit    | (177,719)           | –   | –                    | –                 | (177,719)            |
| Deferred maintenance restricted<br>account deficit | (43,932)            | –   | –                    | –                 | (43,932)             |
| Unassigned   | 3,899,779           | –   | –                    | –                 | 3,899,779            |
| Total unassigned                                   | <u>3,678,128</u>    | <u>–</u>  | <u>–</u>             | <u>(3,617)</u>    | <u>3,674,511</u>     |
| Total  | <u>\$ 7,488,541</u> | <u>\$ 1,385,983</u>                                       | <u>\$ 1,065,157</u>  | <u>\$ 653,231</u> | <u>\$ 10,592,912</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 (excluding restricted account deficits) of 8 percent of total General Fund expenditures. At June 30, 2013, the unassigned fund balance of the General Fund was 12.0 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:

1. No new programs will be added at the District level unless matched by a like revenue source;
2. Allocations such as textbooks, supplies, etc., shall be frozen; and
3. 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 expenditures 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 the 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. The plans are established and administered in accordance with Minnesota Statutes, Chapter 354 and 356.

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

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

Two methods are used to compute benefits for the 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<br>per Year |
|---|------------------------|
| <b>Basic Plan</b>   |                        |
| First 10 years  | 2.2 percent            |
| All years after   | 2.7 percent            |
| <b>Coordinated Plan</b>   |                        |
| 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 factor for all years under normal retirement age.
- Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

**Tier II**

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for Coordinated Plan members and 2.7 percent per year for Basic Plan members. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated Plan members and 2.7 percent for Basic Plan members applies. Actuarially equivalent early retirement reduction factors with augmentation are used for early retirement before the normal age of 65. These reduction factors average approximately 4–5.4 percent per year.

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

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death of the retiree—no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans that 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)**

The TRA publicly issues a comprehensive annual financial report presenting financial statements, supplemental information on funding levels, investment performance, and further information on benefits provisions. The report may be accessed at the TRA website at [www.minnesotatra.org](http://www.minnesotatra.org). Alternatively, a copy of the report may be obtained by writing the TRA at Teachers' Retirement Association, 60 Empire Drive, Suite 400, St. Paul, Minnesota 55103-4000 or by calling (651) 296-2409 or (800) 657-3669.

### **B. Funding Policy**

Minnesota Statutes, Chapter 354 sets the rates for employee and employer contributions. These statutes are established and amended by the State Legislature. Coordinated and Basic Plan members are required to contribute 6.5 percent and 10.0 percent, respectively, of their annual covered salary during fiscal year 2013 as employee contributions. The TRA employer contribution rates are 6.5 percent for Coordinated Plan members and 10.5 percent for Basic Plan members during fiscal year 2013. Total covered payroll salaries for all TRA members state-wide during the fiscal years June 30, 2012, 2011, and 2010 were approximately \$3.87 billion, \$3.84 billion, and \$3.79 billion, respectively.

The District's contributions for the years ended June 30, 2013, 2012, and 2011 were \$1,022,972, \$916,686, and \$818,713, 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 on July 1 of 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 the PERA. The PERA administers the General Employees Retirement Fund (GERF), which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

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

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

Two methods are used to compute benefits for the 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 members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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.

The PERA issues a publicly available financial report that includes financial statements and required supplementary information for the GERP. That report may be obtained on the PERA website at [www.mnpera.org](http://www.mnpera.org) by writing to the 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. The GERP Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.25 percent, respectively, of their annual covered salary in fiscal 2013. In fiscal 2013, the District was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members and 7.25 percent for Coordinated Plan members.

The District's contributions to the GERP for the years ended June 30, 2013, 2012, and 2011 were \$273,919, \$277,576, and \$258,521, respectively. The District's contributions were 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. The plan does not issue a publicly available financial report. 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:

|  |                       |
|--|-----------------------|
| ARC  | \$ 157,604            |
| Interest on net OPEB obligation                  | (78,585)              |
| Adjustment to ARC                                | <u>141,450</u>        |
| Annual OPEB cost (expense)                       | 220,469               |
| Contributions made                               | <u>–</u>              |
| Increase in net OPEB obligation                  | 220,469               |
| Negative net OPEB obligation – beginning of year | <u>(2,619,484)</u>    |
| Negative net OPEB obligation – end of year       | <u>\$ (2,399,015)</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<br>Year Ended<br>June 30, | Annual<br>OPEB Cost | Employer<br>Contribution | Percentage of<br>Annual OPEB<br>Cost Contributed | Negative<br>Net OPEB<br>Obligation (Asset) |
|----------------------------------|---------------------|--------------------------|--|--|
| 2011                             | \$ 223,450          | \$ 63,744                | 28.5 %   | \$ (2,741,397)                             |
| 2012                             | \$ 210,630          | \$ 88,717                | 42.1 %   | \$ (2,619,484)                             |
| 2013                             | \$ 220,469          | \$ –                     | – %  | \$ (2,399,015)                             |

**D. Funded Status and Funding Progress**

As of July 1, 2012, the most recent actuarial valuation date, the plan was 95.6 percent funded. The actuarial accrued liability for benefits was \$2,987,759, and the actuarial value of assets was \$2,854,978, resulting in an unfunded actuarial accrued liability (UAAL) of \$132,781. The covered payroll (annual payroll of active employees covered by the plan) was \$18,008,351, and the ratio of the UAAL to the covered payroll was 0.7 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, 2012 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 8.0 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. All rates include a 2.5 percent inflation assumption. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization period at July 1, 2012 for the various amortization layers ranged from 26 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 | 15                |
| Active plan members                           | <u>330</u>        |
| Total members                                 | <u><u>345</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.

### **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, 2013 was approximately \$1,400,000.

### **C. Legal Claims**

The District has the usual and customary legal claims pending at year-end, mostly of minor nature and/or covered by insurance. Although the outcomes of these claims 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, 2013

**Schedule of Funding Progress**

| Actuarial<br>Valuation<br>Date | Actuarial<br>Accrued<br>Liability | Actuarial<br>Value of<br>Plan Assets | Unfunded<br>Actuarial<br>Accrued<br>Liability | Funded<br>Ratio | Covered<br>Payroll | Unfunded<br>Liability as a<br>Percentage of<br>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 %  |
| July 1, 2012                   | \$ 2,987,759                      | \$ 2,854,978                         | \$ 132,781                                    | 95.6 %          | \$ 18,008,351      | 0.7 %  |

**Schedule of Employer Contributions**

| Year Ended<br>June 30, | Annual<br>Required<br>Contribution | Employer<br>Contributions | Percentage<br>Contributed | Net OPEB<br>Obligation |
|------------------------|------------------------------------|---------------------------|---------------------------|------------------------|
| 2009                   | \$ 348,926                         | \$ 3,459,283              | 991.4 %                   | \$ (3,110,357)         |
| 2010                   | \$ 162,427                         | \$ -                      | - %                       | \$ (2,901,103)         |
| 2011                   | \$ 161,340                         | \$ 63,744                 | 28.5 %                    | \$ (2,741,397)         |
| 2012                   | \$ 148,541                         | \$ 88,717                 | 59.7 %                    | \$ (2,619,484)         |
| 2013                   | \$ 157,604                         | \$ -                      | - %                       | \$ (2,399,015)         |

SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 832

Nonmajor Governmental Funds  
 Combining Balance Sheet  
 as of June 30, 2013

|  | Special Revenue Funds |                   | Total             |
|--|-----------------------|-------------------|-------------------|
|  | Food Service          | Community Service |                   |
| <b>Assets</b>  |                       |                   |                   |
| Cash and temporary investments   | \$ 454,797            | \$ 316,783        | \$ 771,580        |
| Receivables  |                       |                   |                   |
| Current taxes  | –                     | 142,902           | 142,902           |
| Delinquent taxes   | –                     | 6,352             | 6,352             |
| Accounts and interest  | –                     | 10,005            | 10,005            |
| Due from other funds   | –                     | –                 | –                 |
| Due from other governmental units                                      | 7,684                 | 8,561             | 16,245            |
| Inventory  | 23,231                | –                 | 23,231            |
| Prepaid items  | 2,700                 | 446               | 3,146             |
|  | <u>          </u>     | <u>          </u> | <u>          </u> |
| Total assets   | <u>\$ 488,412</u>     | <u>\$ 485,049</u> | <u>\$ 973,461</u> |
| <b>Liabilities</b>   |                       |                   |                   |
| Salaries payable   | \$ –                  | \$ 18,813         | \$ 18,813         |
| Accounts and contracts payable   | 18,450                | 29,359            | 47,809            |
| Due to other governmental units  | 52,191                | 6,444             | 58,635            |
| Unearned revenue   | –                     | 48,692            | 48,692            |
| Total liabilities  | <u>70,641</u>         | <u>103,308</u>    | <u>173,949</u>    |
| <b>Deferred inflows of resources</b>                                   |                       |                   |                   |
| Property taxes levied for subsequent year                              | –                     | 141,985           | 141,985           |
| Unavailable revenue – delinquent taxes                                 | –                     | 4,296             | 4,296             |
| Total deferred inflows of resources                                    | <u>–</u>              | <u>146,281</u>    | <u>146,281</u>    |
| <b>Fund balances</b>   |                       |                   |                   |
| Nonspendable for inventory   | 23,231                | –                 | 23,231            |
| Nonspendable for prepaids  | 2,700                 | 446               | 3,146             |
| Restricted   | 391,840               | 238,631           | 630,471           |
| Unassigned   | –                     | (3,617)           | (3,617)           |
| Total fund balances  | <u>417,771</u>        | <u>235,460</u>    | <u>653,231</u>    |
|  | <u>          </u>     | <u>          </u> | <u>          </u> |
| Total liabilities, deferred inflows<br>of resources, and fund balances | <u>\$ 488,412</u>     | <u>\$ 485,049</u> | <u>\$ 973,461</u> |

INDEPENDENT SCHOOL DISTRICT NO. 832

Nonmajor Governmental Funds  
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances  
 Year Ended June 30, 2013

|                             | Special Revenue Funds |                   | Total             |
|-----------------------------|-----------------------|-------------------|-------------------|
|                             | Food Service          | Community Service |                   |
| Revenue                     |                       |                   |                   |
| Local sources               |                       |                   |                   |
| Property taxes              | \$ -                  | \$ 270,687        | \$ 270,687        |
| Investment earnings         | 585                   | 271               | 856               |
| Other                       | 1,082,054             | 1,619,357         | 2,701,411         |
| State sources               | 44,053                | 45,270            | 89,323            |
| Federal sources             | 331,894               | -                 | 331,894           |
| Total revenue               | <u>1,458,586</u>      | <u>1,935,585</u>  | <u>3,394,171</u>  |
| Expenditures                |                       |                   |                   |
| Current                     |                       |                   |                   |
| Food service                | 1,327,535             | -                 | 1,327,535         |
| Community service           | -                     | 1,870,718         | 1,870,718         |
| Capital outlay              | 289,463               | 28,324            | 317,787           |
| Total expenditures          | <u>1,616,998</u>      | <u>1,899,042</u>  | <u>3,516,040</u>  |
| Net change in fund balances | (158,412)             | 36,543            | (121,869)         |
| Fund balances               |                       |                   |                   |
| Beginning of year           | <u>576,183</u>        | <u>198,917</u>    | <u>775,100</u>    |
| End of year                 | <u>\$ 417,771</u>     | <u>\$ 235,460</u> | <u>\$ 653,231</u> |

INDEPENDENT SCHOOL DISTRICT NO. 832

General Fund  
Balance Sheet  
as of June 30, 2013

|  |                             |
|--|-----------------------------|
| Assets   |                             |
| Cash and temporary investments   | \$ 4,970,454                |
| Cash and investments held by trustee                                   | 237,366                     |
| Receivables  |                             |
| Current taxes  | 2,922,423                   |
| Delinquent taxes   | 143,464                     |
| Accounts and interest  | 50,472                      |
| Due from other governmental units                                      | 2,940,141                   |
| Prepaid items  | <u>6,272</u>                |
| Total assets   | <u><u>\$ 11,270,592</u></u> |
| Liabilities  |                             |
| Salaries payable   | \$ 37,873                   |
| Accounts and contracts payable   | 370,181                     |
| Due to other governmental units  | 181,468                     |
| Unearned revenue   | <u>241,868</u>              |
| Total liabilities  | 831,390                     |
| Deferred inflows of resources  |                             |
| Property taxes levied for subsequent year                              | 2,853,644                   |
| Unavailable revenue – delinquent taxes                                 | <u>97,017</u>               |
| Total deferred inflows of resources                                    | 2,950,661                   |
| Fund balances (deficit)  |                             |
| Nonspendable for prepaid items   | 6,272                       |
| Restricted for capital projects levy                                   | 97,300                      |
| Restricted for operating capital                                       | 1,031,057                   |
| Assigned for separation benefits                                       | 411,850                     |
| Assigned for student activities  | 157,748                     |
| Assigned for building carryover  | 716,658                     |
| Assigned for subsequent year budget                                    | 889,528                     |
| Assigned for new school operations                                     | 500,000                     |
| Unassigned – deferred maintenance restricted account deficit           | (43,932)                    |
| Unassigned – health and safety restricted account deficit              | (177,719)                   |
| Unassigned   | <u>3,899,779</u>            |
| Total fund balances  | <u><u>7,488,541</u></u>     |
| Total liabilities, deferred inflows<br>of resources, and fund balances |                             |
|  | <u><u>\$ 11,270,592</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, 2013

|  | <u>Budget</u>     | <u>Actual</u>     | <u>Over (Under)<br/>Budget</u> |
|--|-------------------|-------------------|--------------------------------|
| <b>Revenue</b>                                     |                   |                   |                                |
| Local sources                                      |                   |                   |                                |
| Property taxes                                     | \$ 6,086,598      | \$ 5,886,674      | \$ (199,924)                   |
| Investment earnings                                | 2,000             | 4,505             | 2,505                          |
| Other  | 1,456,069         | 1,815,553         | 359,484                        |
| State sources                                      | 24,390,491        | 24,570,965        | 180,474                        |
| Federal sources                                    | 764,182           | 756,594           | (7,588)                        |
| Total revenue                                      | <u>32,699,340</u> | <u>33,034,291</u> | <u>334,951</u>                 |
| <b>Expenditures</b>                                |                   |                   |                                |
| Current  |                   |                   |                                |
| Administration                                     |                   |                   |                                |
| Salaries   | 1,075,692         | 1,079,411         | 3,719                          |
| Employee benefits                                  | 343,146           | 351,776           | 8,630                          |
| Purchased services                                 | 71,000            | 45,647            | (25,353)                       |
| Supplies and materials                             | 8,500             | 8,904             | 404                            |
| Other expenditures                                 | 13,000            | 13,219            | 219                            |
| Total administration                               | <u>1,511,338</u>  | <u>1,498,957</u>  | <u>(12,381)</u>                |
| District support services                          |                   |                   |                                |
| Salaries   | 447,838           | 447,838           | -                              |
| Employee benefits                                  | 186,554           | 113,402           | (73,152)                       |
| Purchased services                                 | 378,521           | 387,427           | 8,906                          |
| Supplies and materials                             | 12,400            | 486               | (11,914)                       |
| Capital expenditures                               | 10,000            | 2,449             | (7,551)                        |
| Other expenditures                                 | 144,500           | 153,935           | 9,435                          |
| Total district support services                    | <u>1,179,813</u>  | <u>1,105,537</u>  | <u>(74,276)</u>                |
| Elementary and secondary regular instruction       |                   |                   |                                |
| Salaries   | 10,818,288        | 10,831,556        | 13,268                         |
| Employee benefits                                  | 3,632,523         | 3,613,808         | (18,715)                       |
| Purchased services                                 | 610,187           | 648,458           | 38,271                         |
| Supplies and materials                             | 495,005           | 488,931           | (6,074)                        |
| Capital expenditures                               | 126,638           | 74,154            | (52,484)                       |
| Other expenditures                                 | 831,185           | 814,708           | (16,477)                       |
| Total elementary and secondary regular instruction | <u>16,513,826</u> | <u>16,471,615</u> | <u>(42,211)</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, 2013

|  | <u>Budget</u>    | <u>Actual</u>    | <u>Over (Under)<br/>Budget</u> |
|--|------------------|------------------|--------------------------------|
| Expenditures (continued)               |                  |                  |                                |
| Current (continued)                    |                  |                  |                                |
| Vocational education instruction       |                  |                  |                                |
| Salaries                               | 365,689          | 364,658          | (1,031)                        |
| Employee benefits                      | 125,122          | 123,689          | (1,433)                        |
| Purchased services                     | 96,100           | 90,349           | (5,751)                        |
| Supplies and materials                 | 11,300           | 13,451           | 2,151                          |
| Capital expenditures                   | 500              | -                | (500)                          |
| Other expenditures                     | 500              | 245              | (255)                          |
| Total vocational education instruction | <u>599,211</u>   | <u>592,392</u>   | <u>(6,819)</u>                 |
| Special education instruction          |                  |                  |                                |
| Salaries                               | 3,662,646        | 3,740,284        | 77,638                         |
| Employee benefits                      | 1,263,697        | 1,275,109        | 11,412                         |
| Purchased services                     | 331,129          | 347,678          | 16,549                         |
| Supplies and materials                 | 69,417           | 63,868           | (5,549)                        |
| Capital expenditures                   | 55,631           | 44,762           | (10,869)                       |
| Other expenditures                     | 119,914          | 106,468          | (13,446)                       |
| Total special education instruction    | <u>5,502,434</u> | <u>5,578,169</u> | <u>75,735</u>                  |
| Instructional support services         |                  |                  |                                |
| Salaries                               | 728,111          | 747,809          | 19,698                         |
| Employee benefits                      | 262,479          | 261,117          | (1,362)                        |
| Purchased services                     | 94,710           | 65,455           | (29,255)                       |
| Supplies and materials                 | 65,131           | 66,960           | 1,829                          |
| Capital expenditures                   | -                | -                | -                              |
| Other expenditures                     | 1,000            | 592              | (408)                          |
| Total instructional support services   | <u>1,151,431</u> | <u>1,141,933</u> | <u>(9,498)</u>                 |
| Pupil support services                 |                  |                  |                                |
| Salaries                               | 636,848          | 661,413          | 24,565                         |
| Employee benefits                      | 215,298          | 218,786          | 3,488                          |
| Purchased services                     | 1,467,951        | 1,468,838        | 887                            |
| Supplies and materials                 | 73,680           | 54,076           | (19,604)                       |
| Capital expenditures                   | 5,000            | 2,459            | (2,541)                        |
| Other expenditures                     | 8,140            | 8,496            | 356                            |
| Total pupil support services           | <u>2,406,917</u> | <u>2,414,068</u> | <u>7,151</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, 2013

|                                      | <u>Budget</u>     | <u>Actual</u>       | <u>Over (Under)<br/>Budget</u> |
|--------------------------------------|-------------------|---------------------|--------------------------------|
| Expenditures (continued)             |                   |                     |                                |
| Current (continued)                  |                   |                     |                                |
| Sites and buildings                  |                   |                     |                                |
| Salaries                             | 1,150,034         | 1,157,389           | 7,355                          |
| Employee benefits                    | 396,957           | 401,030             | 4,073                          |
| Purchased services                   | 810,484           | 953,384             | 142,900                        |
| Supplies and materials               | 314,450           | 232,953             | (81,497)                       |
| Capital expenditures                 | 799,534           | 746,721             | (52,813)                       |
| Other expenditures                   | 1,100             | 1,350               | 250                            |
| Total sites and buildings            | <u>3,472,559</u>  | <u>3,492,827</u>    | <u>20,268</u>                  |
| Fiscal and other fixed cost programs |                   |                     |                                |
| Purchased services                   | 85,000            | 91,036              | 6,036                          |
| Debt service                         |                   |                     |                                |
| Principal                            | 175,000           | 175,000             | -                              |
| Interest                             | 31,363            | 31,363              | -                              |
| Total debt service                   | <u>206,363</u>    | <u>206,363</u>      | <u>-</u>                       |
| Total expenditures                   | <u>32,628,892</u> | <u>32,592,897</u>   | <u>(35,995)</u>                |
| Excess of revenue over expenditures  | 70,448            | 441,394             | 370,946                        |
| Other financing sources              |                   |                     |                                |
| Sale of assets                       | -                 | 350                 | 350                            |
| Net change in fund balances          | <u>\$ 70,448</u>  | 441,744             | <u>\$ 371,296</u>              |
| Fund balances                        |                   |                     |                                |
| Beginning of year                    |                   | <u>7,046,797</u>    |                                |
| End of year                          |                   | <u>\$ 7,488,541</u> |                                |

INDEPENDENT SCHOOL DISTRICT NO. 832

Food Service Special Revenue Fund  
 Balance Sheet  
 as of June 30, 2013

|                                     |                          |
|-------------------------------------|--------------------------|
| Assets                              |                          |
| Cash and temporary investments      | \$ 454,797               |
| Receivables                         |                          |
| Due from other governmental units   | 7,684                    |
| Inventory                           | 23,231                   |
| Prepaid items                       | <u>2,700</u>             |
| Total assets                        | <u><u>\$ 488,412</u></u> |
| Liabilities                         |                          |
| Accounts and contracts payable      | \$ 18,450                |
| Due to other governmental units     | <u>52,191</u>            |
| Total liabilities                   | 70,641                   |
| Fund balances                       |                          |
| Nonspendable for inventory          | 23,231                   |
| Nonspendable for prepaid items      | 2,700                    |
| Restricted for food service         | <u>391,840</u>           |
| Total fund balances                 | <u><u>417,771</u></u>    |
| Total liabilities and fund balances | <u><u>\$ 488,412</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, 2013

|                              | <u>Budget</u>       | <u>Actual</u>     | <u>Over (Under)<br/>Budget</u> |
|------------------------------|---------------------|-------------------|--------------------------------|
| Revenue                      |                     |                   |                                |
| Local sources                |                     |                   |                                |
| Investment earnings          | \$ 600              | \$ 585            | \$ (15)                        |
| Other – primarily meal sales | 1,141,000           | 1,082,054         | (58,946)                       |
| State sources                | 48,000              | 44,053            | (3,947)                        |
| Federal sources              | 283,200             | 331,894           | 48,694                         |
| Total revenue                | <u>1,472,800</u>    | <u>1,458,586</u>  | <u>(14,214)</u>                |
| Expenditures                 |                     |                   |                                |
| Current                      |                     |                   |                                |
| Salaries                     | 125,000             | 108,181           | (16,819)                       |
| Employee benefits            | 5,960               | 3,454             | (2,506)                        |
| Purchased services           | 562,900             | 549,799           | (13,101)                       |
| Supplies and materials       | 700,000             | 664,581           | (35,419)                       |
| Other expenditures           | –                   | 1,520             | 1,520                          |
| Capital outlay               | 400,000             | 289,463           | (110,537)                      |
| Total expenditures           | <u>1,793,860</u>    | <u>1,616,998</u>  | <u>(176,862)</u>               |
| Net change in fund balances  | <u>\$ (321,060)</u> | (158,412)         | <u>\$ 162,648</u>              |
| Fund balances                |                     |                   |                                |
| Beginning of year            |                     | <u>576,183</u>    |                                |
| End of year                  |                     | <u>\$ 417,771</u> |                                |

INDEPENDENT SCHOOL DISTRICT NO. 832

Community Service Special Revenue Fund  
 Balance Sheet  
 as of June 30, 2013

|  |                          |
|--|--------------------------|
| Assets   |                          |
| Cash and temporary investments   | \$ 316,783               |
| Receivables  |                          |
| Current taxes  | 142,902                  |
| Delinquent taxes   | 6,352                    |
| Accounts and interest  | 10,005                   |
| Due from other governmental units                                      | 8,561                    |
| Prepaid items  | <u>446</u>               |
| Total assets   | <u><u>\$ 485,049</u></u> |
| Liabilities  |                          |
| Salaries payable   | \$ 18,813                |
| Accounts and contracts payable   | 29,359                   |
| Due to other governmental units  | 6,444                    |
| Unearned revenue   | <u>48,692</u>            |
| Total liabilities  | 103,308                  |
| Deferred inflows of resources  |                          |
| Property taxes levied for subsequent year                              | 141,985                  |
| Unavailable revenue – delinquent taxes                                 | <u>4,296</u>             |
| Total deferred inflows of resources                                    | 146,281                  |
| Fund balances (deficit)  |                          |
| Nonspendable for prepaid items   | 446                      |
| Restricted for community education programs                            | 222,834                  |
| Restricted for early childhood family education programs               | 15,797                   |
| Unassigned – school readiness restricted account deficit               | <u>(3,617)</u>           |
| Total fund balances  | <u>235,460</u>           |
| Total liabilities, deferred inflows<br>of resources, and fund balances | <u><u>\$ 485,049</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, 2013

|                                    | <u>Budget</u>   | <u>Actual</u>     | <u>Over (Under)<br/>Budget</u> |
|------------------------------------|-----------------|-------------------|--------------------------------|
| Revenue                            |                 |                   |                                |
| Local sources                      |                 |                   |                                |
| Property taxes                     | \$ 275,631      | \$ 270,687        | \$ (4,944)                     |
| Investment earnings                | 482             | 271               | (211)                          |
| Other – primarily tuition and fees | 1,556,566       | 1,619,357         | 62,791                         |
| State sources                      | <u>71,452</u>   | <u>45,270</u>     | <u>(26,182)</u>                |
| Total revenue                      | 1,904,131       | 1,935,585         | 31,454                         |
| Expenditures                       |                 |                   |                                |
| Current                            |                 |                   |                                |
| Salaries                           | 944,849         | 933,913           | (10,936)                       |
| Employee benefits                  | 323,494         | 327,197           | 3,703                          |
| Purchased services                 | 546,909         | 537,313           | (9,596)                        |
| Supplies and materials             | 55,033          | 63,768            | 8,735                          |
| Other expenditures                 | 4,306           | 8,527             | 4,221                          |
| Capital outlay                     | <u>24,524</u>   | <u>28,324</u>     | <u>3,800</u>                   |
| Total expenditures                 | 1,899,115       | 1,899,042         | (73)                           |
| Net change in fund balances        | <u>\$ 5,016</u> | 36,543            | <u>\$ 31,527</u>               |
| Fund balances                      |                 |                   |                                |
| Beginning of year                  |                 | <u>198,917</u>    |                                |
| End of year                        |                 | <u>\$ 235,460</u> |                                |

INDEPENDENT SCHOOL DISTRICT NO. 832

Capital Projects – Building Construction Fund  
Balance Sheet  
as of June 30, 2013

|                                      |                     |
|--------------------------------------|---------------------|
| Assets                               |                     |
| Cash and temporary investments       | <u>\$ 2,317,315</u> |
| Liabilities                          |                     |
| Accounts and contracts payable       | \$ 931,332          |
| Fund balances                        |                     |
| Restricted for building construction | <u>1,385,983</u>    |
| Total liabilities and fund balances  | <u>\$ 2,317,315</u> |

INDEPENDENT SCHOOL DISTRICT NO. 832

Capital Projects – Building Construction Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Year Ended June 30, 2013

|                             |    |                         |
|-----------------------------|----|-------------------------|
| Revenue                     |    |                         |
| Local sources               |    |                         |
| Investment earnings         | \$ | 66,695                  |
| Other                       |    | 69,130                  |
| Total revenue               |    | <u>135,825</u>          |
| Expenditures                |    |                         |
| Capital outlay              |    |                         |
| Purchased services          |    | 592,531                 |
| Capital expenditures        |    | 16,773,190              |
| Total expenditures          |    | <u>17,365,721</u>       |
| Net change in fund balances |    | (17,229,896)            |
| Fund balances               |    |                         |
| Beginning of year           |    | <u>18,615,879</u>       |
| End of year                 | \$ | <u><u>1,385,983</u></u> |

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INDEPENDENT SCHOOL DISTRICT NO. 832

Debt Service Fund  
Balance Sheet by Account  
as of June 30, 2013

|  | Regular<br>Debt Service<br>Account | OPEB<br>Debt Service<br>Account | Totals              |
|--|------------------------------------|---------------------------------|---------------------|
| Assets   |                                    |                                 |                     |
| Cash and temporary investments   | \$ 3,167,679                       | \$ 208,222                      | \$ 3,375,901        |
| Receivables  |                                    |                                 |                     |
| Current taxes  | 2,336,560                          | 179,628                         | 2,516,188           |
| Delinquent taxes   | 105,772                            | 7,000                           | 112,772             |
| Due from other governmental units                                      | 444                                | 30                              | 474                 |
|  | <u>5,610,455</u>                   | <u>394,880</u>                  | <u>6,005,335</u>    |
| Total assets   | <u>\$ 5,610,455</u>                | <u>\$ 394,880</u>               | <u>\$ 6,005,335</u> |
| Liabilities  |                                    |                                 |                     |
| Accounts and contracts payable   | \$ 2,300                           | \$ -                            | \$ 2,300            |
| Deferred inflows of resources  |                                    |                                 |                     |
| Property taxes levied for subsequent year                              | 4,516,672                          | 347,228                         | 4,863,900           |
| Unavailable revenue – delinquent taxes                                 | 69,407                             | 4,571                           | 73,978              |
| Total deferred inflows of resources                                    | <u>4,586,079</u>                   | <u>351,799</u>                  | <u>4,937,878</u>    |
| Fund balances  |                                    |                                 |                     |
| Restricted for debt service  | <u>1,022,076</u>                   | <u>43,081</u>                   | <u>1,065,157</u>    |
|  | <u>\$ 5,610,455</u>                | <u>\$ 394,880</u>               | <u>\$ 6,005,335</u> |
| Total liabilities, deferred inflows<br>of resources, and fund balances | <u>\$ 5,610,455</u>                | <u>\$ 394,880</u>               | <u>\$ 6,005,335</u> |

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, 2013

|                             | Budget       | Regular<br>Debt Service<br>Account | Actual<br>OPEB<br>Debt Service<br>Account |
|-----------------------------|--------------|------------------------------------|---|
| <b>Revenue</b>              |              |                                    |   |
| Local sources               |              |                                    |   |
| Property taxes              | \$ 5,363,561 | \$ 5,119,459                       | \$ 320,716                                |
| Investment earnings         | 50,000       | 2,231                              | -   |
| State sources               | 80,000       | 3,267                              | 223                                       |
| Federal sources             | 801,049      | 801,049                            | -   |
| Total revenue               | 6,294,610    | 5,926,006                          | 320,939                                   |
| <b>Expenditures</b>         |              |                                    |   |
| Debt service                |              |                                    |   |
| Principal                   | 3,140,000    | 2,945,000                          | 195,000                                   |
| Interest                    | 2,843,011    | 2,682,036                          | 137,283                                   |
| Fiscal charges and other    | 15,450       | 10,697                             | -   |
| Total expenditures          | 5,998,461    | 5,637,733                          | 332,283                                   |
| Net change in fund balances | \$ 296,149   | 288,273                            | (11,344)                                  |
| <b>Fund balances</b>        |              |                                    |   |
| Beginning of year           |              | 733,803                            | 54,425                                    |
| End of year                 |              | \$ 1,022,076                       | \$ 43,081                                 |

| Total        | Over (Under)<br>Budget |
|--------------|------------------------|
| \$ 5,440,175 | \$ 76,614              |
| 2,231        | (47,769)               |
| 3,490        | (76,510)               |
| 801,049      | —                      |
| 6,246,945    | (47,665)               |
| 3,140,000    | —                      |
| 2,819,319    | (23,692)               |
| 10,697       | (4,753)                |
| 5,970,016    | (28,445)               |
| 276,929      | \$ (19,220)            |
| 788,228      |                        |
| \$ 1,065,157 |                        |

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SINGLE AUDIT AND OTHER REQUIRED REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 832

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2013

| Federal Grantor Pass/Through Grantor/Program Title      | Federal<br>CFDA No. | Federal<br>Expenditures |
|---|---------------------|-------------------------|
| <b>U.S. Department of Education</b>                     |                     |                         |
| Passed through Minnesota Department of Education        |                     |                         |
| Special education cluster                               |                     |                         |
| Special Education – Grants to States                    | 84.027              | \$ 596,271              |
| Special Education – Preschool Grants                    | 84.173              | <u>18,654</u>           |
| Total special education cluster                         |                     | 614,925                 |
| Improving Teacher Quality State Grants                  | 84.367              | 55,334                  |
| Title I – Grants to Local Educational Agencies          | 84.010              | 77,850                  |
| Special Education – Grants for Infants and Families     | 84.181              | 6,219                   |
| Passed through Intermediate School District No. 916     |                     |                         |
| Career and Technical Education – Basic Grants to States | 84.048              | 2,266                   |
| <b>U.S. Department of Agriculture</b>                   |                     |                         |
| Passed through Minnesota Department of Education        |                     |                         |
| Child nutrition cluster                                 |                     |                         |
| School Breakfast Program                                | 10.553              | 10,849                  |
| National School Lunch Program                           | 10.555              | 319,880                 |
| Special Milk Program for Children                       | 10.556              | <u>1,166</u>            |
| Total child nutrition cluster                           |                     | <u>331,895</u>          |
| Total federal awards                                    |                     | <u>\$ 1,088,489</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 \$71,716 is reported in this schedule, representing the value of commodities received and disbursed for the U.S. Department of Agriculture National School Lunch Program (CFDA No. 10.555).

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

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

| Program Title                                | Federal<br>CFDA No. | Amount<br>Provided |
|--|---------------------|--------------------|
| Title I – Grants to Local Education Agencies | 84.010              | \$ 1,799           |
| Improving Teacher Quality State Grants       | 84.367              | \$ 458             |



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

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

We have audited, 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 11, 2013.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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. A significant deficiency is a deficiency, or a 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.

(continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001 that we consider to be a significant deficiency.

#### **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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*.

#### **DISTRICT'S RESPONSES TO FINDINGS**

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### **PURPOSE OF THIS REPORT**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Minneapolis, Minnesota  
November 11, 2013



PRINCIPALS

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

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 the District's major federal programs for the year ended June 30, 2013. 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.

**MANAGEMENT'S RESPONSIBILITY**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

(continued)

## **OPINION ON EACH MAJOR FEDERAL PROGRAM**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to on the previous page that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Minneapolis, Minnesota  
November 11, 2013

INDEPENDENT AUDITOR'S REPORT  
ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, 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, 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 11, 2013.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the Office of the State Auditor pursuant to Minnesota Statute § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts. Our audit included all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

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

Minneapolis, Minnesota  
November 11, 2013

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INDEPENDENT SCHOOL DISTRICT NO. 832

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013

**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?   X   Unmodified  
       Qualified  
       Adverse  
       Disclaimer

Internal control over financial reporting:

Material weakness(es) identified?        Yes   X   No

Significant deficiencies identified?   X   Yes        No

Noncompliance material to the financial statements noted?        Yes   X   None reported

**Federal Awards**

Internal controls over major federal award programs:

Material weakness(es) identified?        Yes   X   No

Significant deficiencies identified?        Yes   X   No

Type of auditor's report issued on compliance for major programs?   X   Unmodified  
       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   X   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   |
| – Special Education – Preschool Grants                                    | 84.173   |
| The U.S. Department of Agriculture child nutrition cluster consisting of: |          |
| – School Breakfast Program  | 10.553   |
| – National School Lunch Program   | 10.555   |
| – Special Milk Program for Children                                       | 10.556   |

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

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

INDEPENDENT SCHOOL DISTRICT NO. 832

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2013

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**SIGNIFICANT DEFICIENCIES**

**2013-001 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** – The Director of Business Services.

**Planned Completion Date** – June 30, 2014.

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

**Plan to Monitor** – The 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.

INDEPENDENT SCHOOL DISTRICT NO. 832

Schedule of Findings and Questioned Costs (continued)  
Year Ended June 30, 2013

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

None.

**D. FINDINGS – MINNESOTA LEGAL COMPLIANCE AUDIT**

None.

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

None.

INDEPENDENT SCHOOL DISTRICT NO. 832

Uniform Financial Accounting and Reporting Standards  
Compliance Table  
June 30, 2013

|                          |  | Audit         | UFARS         | Audit – UFARS |
|--------------------------|--|---------------|---------------|---------------|
| <b>General Fund</b>      |  |               |               |               |
| Total revenue            |  | \$ 33,034,291 | \$ 33,034,291 | \$ –          |
| Total expenditures       |  | \$ 32,592,897 | \$ 32,592,897 | \$ –          |
| Nonspendable             |  |               |               |               |
| 460                      | Nonspendable fund balance              | \$ 6,272      | \$ 6,272      | \$ –          |
| Restricted/reserve       |  |               |               |               |
| 403                      | Staff development                      | \$ –          | \$ –          | \$ –          |
| 405                      | Deferred maintenance                   | \$ (43,932)   | \$ (43,932)   | \$ –          |
| 406                      | Health and safety                      | \$ (177,719)  | \$ (177,719)  | \$ –          |
| 407                      | Capital projects levy                  | \$ 97,300     | \$ 97,300     | \$ –          |
| 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                      | \$ 1,031,057  | \$ 1,031,057  | \$ –          |
| 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                  | \$ 2,675,784  | \$ 2,675,784  | \$ –          |
| Unassigned               |  |               |               |               |
| 422                      | Unassigned fund balance                | \$ 3,899,779  | \$ 3,899,779  | \$ –          |
| <b>Food Service</b>      |  |               |               |               |
| Total revenue            |  | \$ 1,458,586  | \$ 1,458,588  | \$ (2)        |
| Total expenditures       |  | \$ 1,616,998  | \$ 1,616,998  | \$ –          |
| Nonspendable             |  |               |               |               |
| 460                      | Nonspendable fund balance              | \$ 25,931     | \$ 25,931     | \$ –          |
| Restricted               |  |               |               |               |
| 452                      | OPEB liability not in trust            | \$ –          | \$ –          | \$ –          |
| 464                      | Restricted fund balance                | \$ 391,840    | \$ 391,840    | \$ –          |
| Unassigned               |  |               |               |               |
| 463                      | Unassigned fund balance                | \$ –          | \$ –          | \$ –          |
| <b>Community Service</b> |  |               |               |               |
| Total revenue            |  | \$ 1,935,585  | \$ 1,935,585  | \$ –          |
| Total expenditures       |  | \$ 1,899,042  | \$ 1,899,042  | \$ –          |
| Nonspendable             |  |               |               |               |
| 460                      | Nonspendable fund balance              | \$ 446        | \$ 446        | \$ –          |
| Restricted/reserve       |  |               |               |               |
| 426                      | \$25 taconite                          | \$ –          | \$ –          | \$ –          |
| 431                      | Community education                    | \$ 222,834    | \$ 222,834    | \$ –          |
| 432                      | ECFE                                   | \$ 15,797     | \$ 15,797     | \$ –          |
| 444                      | School readiness                       | \$ (3,617)    | \$ (3,617)    | \$ –          |
| 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, 2013

|                                    |                              | Audit         | UFARS         | Audit – UFARS |
|------------------------------------|------------------------------|---------------|---------------|---------------|
| <b>Building Construction</b>       |                              |               |               |               |
| Total revenue                      |                              | \$ 135,825    | \$ 135,825    | \$ –          |
| Total expenditures                 |                              | \$ 17,365,721 | \$ 17,365,721 | \$ –          |
| 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      | \$ 1,385,983  | \$ 1,385,983  | \$ –          |
| Unassigned                         |                              |               |               |               |
| 463                                | Unassigned fund balance      | \$ –          | \$ –          | \$ –          |
| <b>Debt Service</b>                |                              |               |               |               |
| Total revenue                      |                              | \$ 5,926,006  | \$ 5,926,006  | \$ –          |
| Total expenditures                 |                              | \$ 5,637,733  | \$ 5,637,733  | \$ –          |
| Nonspendable                       |                              |               |               |               |
| 460                                | Nonspendable fund balance    | \$ –          | \$ –          | \$ –          |
| Restricted/reserve                 |                              |               |               |               |
| 425                                | Bond refundings              | \$ –          | \$ –          | \$ –          |
| 451                                | QZAB payments                | \$ –          | \$ –          | \$ –          |
| Restricted                         |                              |               |               |               |
| 464                                | Restricted fund balance      | \$ 1,022,076  | \$ 1,022,076  | \$ –          |
| Unassigned                         |                              |               |               |               |
| 463                                | Unassigned fund balance      | \$ –          | \$ –          | \$ –          |
| <b>Trust</b>                       |                              |               |               |               |
| Total revenue                      |                              | \$ –          | \$ –          | \$ –          |
| Total expenditures                 |                              | \$ –          | \$ –          | \$ –          |
| 422                                | Net position                 | \$ –          | \$ –          | \$ –          |
| <b>Internal Service</b>            |                              |               |               |               |
| Total revenue                      |                              | \$ 3,757,320  | \$ 3,757,320  | \$ –          |
| Total expenditures                 |                              | \$ 3,452,583  | \$ 3,452,583  | \$ –          |
| 422                                | Net position                 | \$ 304,737    | \$ 304,737    | \$ –          |
| <b>OPEB Revocable Trust Fund</b>   |                              |               |               |               |
| Total revenue                      |                              | \$ –          | \$ –          | \$ –          |
| Total expenditures                 |                              | \$ –          | \$ –          | \$ –          |
| 422                                | Net position                 | \$ –          | \$ –          | \$ –          |
| <b>OPEB Irrevocable Trust Fund</b> |                              |               |               |               |
| Total revenue                      |                              | \$ 51,519     | \$ 51,519     | \$ –          |
| Total expenditures                 |                              | \$ 416,376    | \$ 416,376    | \$ –          |
| 422                                | Net position                 | \$ 2,490,121  | \$ 2,490,121  | \$ –          |
| <b>OPEB Debt Service Fund</b>      |                              |               |               |               |
| Total revenue                      |                              | \$ 320,939    | \$ 320,939    | \$ –          |
| Total expenditures                 |                              | \$ 332,283    | \$ 332,283    | \$ –          |
| Nonspendable                       |                              |               |               |               |
| 460                                | Nonspendable fund balance    | \$ –          | \$ –          | \$ –          |
| Restricted                         |                              |               |               |               |
| 425                                | Bond refundings              | \$ –          | \$ –          | \$ –          |
| 464                                | Restricted fund balance      | \$ 43,081     | \$ 43,081     | \$ –          |
| 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.

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

**Regular Meeting - Board of Education**

**Date:** November 14, 2013

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**Agenda Item #10. B.**

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**TOPIC:** Approval of Resolution Canvassing Returns of Special Election

**BACKGROUND:** In August, 2013, the school board approved a resolution determining the necessity of revoking an existing referendum revenue authorization of \$568.55 and replacing it with a new authorization of \$898.55 and calling a special election.

**PURPOSE OF PRESENTATION:** The purpose of this presentation is to present the results and canvass the returns of the special elections held on November 5, 2013.

**SCHOOL DISTRICT BALLOT QUESTION**  
**REVOKING AN EXISTING REFERENDUM REVENUE AUTHORIZATION;**  
**APPROVING NEW AUTHORIZATION**

The board of Independent School District No. 832 (Mahtomedi), Minnesota has proposed to revoke the School District's existing referendum revenue authorization of \$568.55 per pupil and to replace that authorization with a new authorization of \$898.55 per pupil. The proposed referendum revenue authorization would be applicable for ten (10) years unless otherwise revoked or reduced as provided by law.

Shall the existing referendum revenue authorization be revoked and the increase in the revenue proposed by the board of Independent School District No. 832 (Mahtomedi), Minnesota be approved?

| Votes<br><u>YES</u> | Votes<br><u>NO</u> | Spoiled, Defective or<br><u>Blank Ballots</u> | TOTAL<br><u>VOTES</u> |
|---------------------|--------------------|---|-----------------------|
| 1,867               | 2,354              | _____   | 4,221                 |

The ballot question, having not received the approval of a majority of the votes cast, is hereby declared not to have carried.

**ACTION RECOMMENDED:** Approval.

---

**Submitted By:**

**Concurrence By:**





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**Name**

---

**Dr. Mark Larson**

Superintendent of Schools

---

**Superintendent of Schools**

**Title**

CERTIFICATION OF MINUTES RELATING TO SPECIAL ELECTION

Issuer: Independent School District No. 832 (Mahtomedi), Minnesota

Governing Body: School Board

Kind, date, time and place of meeting: A regular meeting, held on November 14, 2013, at 7:00 p.m., at the Mahtomedi District Education Center.

Members present:

Members absent:

Documents attached:

Minutes of said meeting (including):

RESOLUTION CANVASSING RETURNS OF SPECIAL ELECTION

I, the undersigned, being the duly qualified and acting recording officer of the public corporation referred to in the title of this certificate, certify that the documents attached hereto, as described above, have been carefully compared with the original records of said corporation in my legal custody, from which they have been transcribed; that said documents are a correct and complete transcript of the minutes of a meeting of the governing body of said corporation, and correct and complete copies of all resolutions and other actions taken and of all documents approved by the governing body at said meeting; and that said meeting was duly held by the governing body at the time and place and was attended throughout by the members indicated above, pursuant to call and notice of such meeting given as required by law.

WITNESS my hand officially as such recording officer this \_\_\_ day of November, 2013.

\_\_\_\_\_  
School District Clerk

The Clerk presented affidavits showing filing, mailing publication and posting of notice, in accordance with the resolution adopted August 8, 2013, of the special election held November 5, 2013, to vote on the question with respect to the District's general education revenue authorization. The Clerk also presented the Official Returns and Summary Statements of Judges. The affidavits and the Official Returns and Summary Statements of Judges were duly examined, approved and ordered placed on file in the office of the Clerk.

Member \_\_\_\_\_ introduced the following resolution and moved its adoption, which motion was seconded by Member \_\_\_\_\_:

**RESOLUTION CANVASSING RETURNS OF SPECIAL ELECTION**

BE IT RESOLVED by the School Board of Independent School District No. 832 (Mahtomedi), Minnesota that the special election held in and for the School District on November 5, 2013, was in all respects duly and legally called and held, the returns thereof have been duly canvassed, and the votes cast at the special election for and against the question submitted to the electors was as follows:

**SCHOOL DISTRICT BALLOT QUESTION  
REVOKING AN EXISTING REFERENDUM REVENUE AUTHORIZATION;  
APPROVING NEW AUTHORIZATION**

The board of Independent School District No. 832 (Mahtomedi), Minnesota has proposed to revoke the School District's existing referendum revenue authorization of \$568.55 per pupil and to replace that authorization with a new authorization of \$898.55 per pupil. The proposed referendum revenue authorization would be applicable for ten (10) years unless otherwise revoked or reduced as provided by law.

Shall the existing referendum revenue authorization be revoked and the increase in the revenue proposed by the board of Independent School District No. 832 (Mahtomedi), Minnesota be approved?

| <u>Votes</u><br><u>YES</u> | <u>Votes</u><br><u>NO</u> | <u>Spoiled, Defective or</u><br><u>Blank Ballots</u> | <u>TOTAL</u><br><u>VOTES</u> |
|----------------------------|---------------------------|--|------------------------------|
| <u>1,867</u>               | <u>2,354</u>              | _____  | <u>4,221</u>                 |

The ballot question, having not received the approval of a majority of the votes cast, is hereby declared not to have carried.

Pursuant to Minnesota Statutes, Section 126C.17, Subdivision 9(f) and Section 205A.07, Subdivision 3a, the Clerk is hereby instructed to notify the Commissioner of Education of the results of the referendum and to provide the certified vote totals for each ballot question in written form within 15 days after the results have been certified by the Board.

Upon vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

whereupon the resolution was declared duly passed and adopted and was signed by the Chairperson and attested by the Clerk.

\_\_\_\_\_  
Chairperson

Attest: \_\_\_\_\_  
School District Clerk

**Abstract of Votes Cast  
Independent School District No. 832 (MAHTOMEDI)  
State of Minnesota  
at the General Election  
Held Tuesday, November 05, 2013**

**Compiled from the Official Returns.**

**Summary of Totals**  
**Independent School District No. 832 (MAHTOMEDI)**  
**Tuesday, November 05, 2013 General Election**

|   |             |
|---|-------------|
| <b>Number of persons registered as of 7 a.m.</b>  | <b>9595</b> |
| <b>Number of persons registered on Election Day</b>                                       | <b>214</b>  |
| <b>Number of accepted regular, armed forces and temporarily overseas absentee ballots</b> | <b>0</b>    |
| <b>Number of federal office only absentee ballots</b>                                     | <b>0</b>    |
| <b>Number of presidential absentee ballots</b>  | <b>0</b>    |
| <b>Total number of persons voting</b>   | <b>4222</b> |

**Summary of Totals  
Independent School District No. 832 (MAHTOMEDI)  
Tuesday, November 05, 2013 General Election**

**KEY TO PARTY ABBREVIATIONS**

**NP - Nonpartisan**

**SCHOOL DISTRICT QUESTION 1 (ISD #832)**

|             |             |
|-------------|-------------|
| <b>NP</b>   | <b>NP</b>   |
| <b>YES</b>  | <b>NO</b>   |
| <b>1867</b> | <b>2354</b> |

**Detail of Election Results  
Independent School District No. 832 (MAHTOMEDI)  
Tuesday, November 05, 2013 General Election**

| <b>Precinct</b>   | <b>Persons<br/>Registered<br/>as of 7 A.M.</b> | <b>Persons<br/>Registered<br/>on Election<br/>Day</b> | <b>Total<br/>Number of<br/>Persons<br/>Voting</b> |
|---|--|---|---|
| <b>82 0200 : MAHTOMEDI P-1</b>                                    | <b>2406</b>                                    | <b>77</b>   | <b>1155</b>                                       |
| <b>82 0205 : MAHTOMEDI P-2</b>                                    | <b>2971</b>                                    | <b>70</b>   | <b>1351</b>                                       |
| <b>82 0365 : WHITE BEAR LAKE W-4 P-2</b>                          | <b>266</b>                                     | <b>4</b>  | <b>72</b>   |
| <b>82 9261 : ISD NO. 832 MAHTOMEDI</b>                            | <b>3952</b>                                    | <b>63</b>   | <b>1644</b>                                       |
| <b>Independent School District No. 832<br/>(MAHTOMEDI) Total:</b> | <b>9595</b>                                    | <b>214</b>  | <b>4222</b>                                       |

**Detail of Election Results  
Independent School District No. 832 (MAHTOMEDI)  
Tuesday, November 05, 2013 General Election**

**Office Title: SCHOOL DISTRICT QUESTION 1 (ISD #832)**

| <b>Precinct</b>                          | <b>NP<br/>YES</b> | <b>NP<br/>NO</b> |
|--|-------------------|------------------|
| <b>82 0200 : MAHTOMEDI P-1</b>           | <b>591</b>        | <b>563</b>       |
| <b>82 0205 : MAHTOMEDI P-2</b>           | <b>653</b>        | <b>698</b>       |
| <b>82 0365 : WHITE BEAR LAKE W-4 P-2</b> | <b>32</b>         | <b>40</b>        |
| <b>82 9261 : ISD NO. 832 MAHTOMEDI</b>   | <b>591</b>        | <b>1053</b>      |
| <b>Total:</b>                            | <b>1867</b>       | <b>2354</b>      |

We, the school board members of Independent School District No. 832 (MAHTOMEDI), certify that we have canvassed the returns of the General Election held on Tuesday, November 05, 2013, and have herein specified the names of any candidates receiving votes and the number of votes received by each candidate, and have herein specified the number of votes for and against any ballot questions voted on in this election.

As appears by the returns of the election precincts voting in this election, duly returned to, filed, opened, and canvassed, and now remaining on file in the office of the clerk of Independent School District No. 832 (MAHTOMEDI).

Witness our official signature at \_\_\_\_\_ in Washington County this \_\_\_\_\_ day of \_\_\_\_\_, 2013.

\_\_\_\_\_  
School Board Member

\_\_\_\_\_  
School Board Member

\_\_\_\_\_  
School Board Member

\_\_\_\_\_  
School Board Member

\_\_\_\_\_  
School Board Member

\_\_\_\_\_  
School Board Member

\_\_\_\_\_  
School Board Member

**State of Minnesota  
Independent School District No. 832 (MAHTOMEDI)**

**I, \_\_\_\_\_, Clerk of the Independent School  
District No. 832 (MAHTOMEDI) do hereby certify the within and foregoing**

**\_\_\_\_\_ pages to be a full and correct copy of the original abstract and return of  
the votes cast at the Independent School District No. 832 (MAHTOMEDI) General**

**Election held on Tuesday, November 05, 2013.**

**Witness my hand and official seal of office this \_\_\_\_\_ day of \_\_\_\_\_, 2013.**

\_\_\_\_\_

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

**Regular Meeting - Board of Education**

**Date:** November 14, 2013

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**Agenda Item #10. C.**

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**TOPIC:** Approval of Resolution Directing the Administration to Prepare Recommendations for Reductions in Programs and Positions and Reasons Therefor (2014-2015)

**BACKGROUND:** This is the resolution that is done annually in January in anticipation of spring budget reductions for the following school year.

**PURPOSE OF PRESENTATION:** Due to the failure of the operating levy referendum, the resolution is being put on the November agenda for approval to provide more time to determine the amount and types of reductions that will need to be made.

**ACTION RECOMMENDED:** Approval.

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**Submitted By:**

*Mark Larson*

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**Name**

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**Title**

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**Concurrence By:**

*Mark Larson*

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**Dr. Mark Larson**  
**Superintendent of Schools**



Member \_\_\_\_\_ introduced the following resolution and moved its adoption:

**RESOLUTION DIRECTING THE ADMINISTRATION TO PREPARE  
RECOMMENDATIONS FOR REDUCTIONS IN PROGRAMS AND POSITIONS AND  
REASONS THEREFOR**

WHEREAS, the financial condition of the school district dictates that the School Board will need to reduce expenditures for the 2014-2015 school year, and

WHEREAS, this reduction in expenditures may include discontinuance of positions and/or discontinuance or curtailment of programs, and

WHEREAS, a determination must be made as to which teachers' contracts may need be to terminated and not renewed and which teachers may be placed on unrequested leave of absence without pay or fringe benefits in effecting discontinuance of positions,

BE IT RESOLVED, by the School Board of Independent School District No. 832, as follows:

That the School Board hereby directs the Superintendent of Schools and administration to prepare recommendations for potential discontinuance of programs or positions to effectuate economies in the school district and reduce expenditures and prepare recommendations for the School Board for the potential discontinuance of programs, curtailment of programs, discontinuance of positions or curtailment of positions.

The motion for the adoption of the foregoing resolution was duly seconded by Member \_\_\_\_\_ and upon vote being taken thereon, the following voted in favor thereof: \_\_\_\_\_, and the following voted against the same: \_\_\_\_\_, whereupon said resolution was declared duly passed and adopted.



**TO:** Northeast Metro 916 Board of Education  
**FROM:** Connie Hayes  
**DATE:** November 8, 2013  
**RE:** November 6 Board of Education Meeting Talking Points

Members present: Auge'-622, Donovan-832, Forsberg-16, Lodico-12, Newberg-624, Palmer-13, Ptacek-834, and Sager-621

Members absent: Brunnette-833 and Edstrom-623

Among a number of topics discussed at the November 6, 2013, meeting of the Northeast Metro 916 Board of Education, the following agenda items were addressed:

1. **Mental Health Services Update:** Special Education Director Dan Naidicz outlined some recent initiatives. The District is now working with The Diagnostic Evaluation Center (DEC) who provides a licensed mental health clinician immediately during a student crisis who will evaluate, make a recommendation for hospitalization or alternative treatments quickly, and do patient follow-up to ensure success on the recommended care plan. Another initiative is a fellowship training program with the University of Minnesota for 4<sup>th</sup> and 5<sup>th</sup> year residents to assist mental health teams working with students who have mental health disorders. The third initiative is the partnership with Canvas Health who is providing co-located mental health services to Northeast Metro 916 through the School-Linked Mental Health grants provided by the legislature. In addition to services for the students, another component of the relationship is support for the staff who have to experience traumatic experiences trying to manage the behavior of this complex special education population.
2. **The Cabinet members presented the member district annual reports:** Each year, Northeast Metro 916 provides an individual district summary report, as well as a cumulative report regarding participation in the programs and services at Northeast Metro 916. These reports can be found on the district website at <http://www.nemetro.k12.mn.us/Page/231>.
3. **Board member orientation and communications was discussed by the superintendent:** A project to re-develop the process to orient and educate new school board members to Northeast Metro 916 was started with a board discussion this past summer. A summary of the specific steps that will be taken and anticipated dates for completion were presented. This can easily be expanded to be used for other purposes to inform board members about the district.

4. **A resolution authorizing to enter into a purchase agreement was approved:** Approval for a three-step facility plan was approved by the board in 2012. The Karner Blue Education Center being built in Blaine is the first step to be initiated. The building will open the fall of 2014. This past summer the administration began looking for land opportunities for the second step which would be a similar building to the one in Blaine, but located in the SE section of the district. In September the board reviewed a Letter of Intent, including the price, terms and timeline for purchase. The purchase agreement for 19.49 acres located in the City of Lake Elmo, in the school district of North St. Paul-Maplewood-Oakdale, just north of the Machine Shed restaurant was recommended and approved.
5. **Student Drop-Off landscaping project at Valley Crossing was approved:** A large number of parents drive their students to school each day and an expanded area for students to wait safely is needed, particularly in the winter months.
6. **The Board approved three contracts:** The administration recommended approval for tentative agreements for Administrative Support Staff SEIU Local 284, an individual contract for the Human Resources Supervisor, and the Managers & Assistant Managers. In each case the health insurance did not increase except for 5% in the second half of the second year. Local 284 received a 2% and 2.25% with step movements. Total package for 284 is 7.69%. The HR Supervisor does not have steps and the total package was 6.4%. The Managers/Assistant Managers received a market comparison increase after much study of the other intermediate school districts and the elementary principals in the member districts which were chosen as a comparable market. This group received a 10.84% increase, of which 4.88% reflects the market adjustment.

**FY14 OCT 2013 CHECK REGISTER - BANK 02**

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| 2           | 10/31/2013  | 282259         | 66.95            | 00009           | 0              | AAA AWARDS                                | Outstanding   |
| 2           | 10/31/2013  | 282260         | 2,100.00         | 00109           | 0              | AMERICAN SECURITY LLC                     | Outstanding   |
| 2           | 10/31/2013  | 282261         | 1,594.99         | 01890           | 0              | AMLE                                      | Outstanding   |
| 2           | 10/31/2013  | 282262         | 25.00            | 07791           | 1              | ANDOVER DEBATE TEAM                       | Outstanding   |
| 2           | 10/31/2013  | 282263         | 99.00            | 03636           | 1              | APPLE INC                                 | Outstanding   |
| 2           | 10/31/2013  | 282264         | 250.00           | 06857           | 0              | ASHA                                      | Outstanding   |
| 2           | 10/31/2013  | 282265         | 251.02           | 09482           | 0              | BARB NELSON                               | Outstanding   |
| 2           | 10/31/2013  | 282266         | 150.00           | 09461           | 0              | BEAU BERGER                               | Outstanding   |
| 2           | 10/31/2013  | 282267         | 1,252.73         | 09873           | 0              | BERGIN FRUIT AND NUT CO                   | Outstanding   |
| 2           | 10/31/2013  | 282268         | 100.00           | 09967           | 0              | BERNICE FIELDS/LAW OFFICES OF BERNICE FIE | Outstanding   |
| 2           | 10/31/2013  | 282269         | 337.00           | 04234           | 0              | BLUE CROSS BLUE SHIELD OF MN/SUPPORT      | Outstanding   |
| 2           | 10/31/2013  | 282270         | 2,386.00         | 04949           | 1              | CEMSTONE PRODUCTS CO                      | Outstanding   |
| 2           | 10/31/2013  | 282271         | 1,219.00         | 09837           | 0              | CNC SERVICES INC                          | Outstanding   |
| 2           | 10/31/2013  | 282272         | 30.00            | 09965           | 0              | COLTON SELLMAN                            | Outstanding   |
| 2           | 10/31/2013  | 282273         | 3,582.80         | 09009           | 0              | D & J QUALITY SOURCING LLC                | Outstanding   |
| 2           | 10/31/2013  | 282274         | 1,284.91         | 00599           | 0              | DALCO                                     | Outstanding   |
| 2           | 10/31/2013  | 282275         | 400.47           | 03730           | 0              | DAVID STEVENS                             | Outstanding   |
| 2           | 10/31/2013  | 282276         | 55.00            | 09961           | 0              | DENVER JOHNSON                            | Outstanding   |
| 2           | 10/31/2013  | 282277         | 826.00           | 00678           | 0              | DOMINO'S PIZZA                            | Outstanding   |
| 2           | 10/31/2013  | 282278         | 67.46            | 00679           | 0              | DONATELLI'S                               | Outstanding   |
| 2           | 10/31/2013  | 282279         | 250.00           | 07675           | 0              | DSAM                                      | Outstanding   |
| 2           | 10/31/2013  | 282280         | 333.91           | 00987           | 0              | GRAINGER                                  | Outstanding   |
| 2           | 10/31/2013  | 282281         | 450.00           | 02765           | 0              | HOWARD WALSTEIN/TOTAL ENTERTAINMENT       | Outstanding   |
| 2           | 10/31/2013  | 282282         | 1,085.84         | 03331           | 0              | I.S.D # 622 NO.ST PAUL-MAPLEWOOD-OAKDALE  | Outstanding   |
| 2           | 10/31/2013  | 282283         | 37.75            | 09492           | 0              | JACK SELLWOOD                             | Outstanding   |
| 2           | 10/31/2013  | 282284         | 10.00            | 09962           | 0              | JARED FLADEBO                             | Outstanding   |
| 2           | 10/31/2013  | 282285         | 264.00           | 04011           | 0              | JOANNE SCHWARTZ                           | Outstanding   |
| 2           | 10/31/2013  | 282286         | 150.00           | 09485           | 0              | JOHN RENT                                 | Outstanding   |
| 2           | 10/31/2013  | 282287         | 270.00           | 09963           | 0              | KATHLEEN SIMMER                           | Outstanding   |
| 2           | 10/31/2013  | 282288         | 21,713.60        | 03378           | 0              | KELLY SERVICES, INC                       | Outstanding   |
| 2           | 10/31/2013  | 282289         | 570.03           | 04005           | 0              | KERNEL CONCESSION SUPPLY /R.D.HANSON      | Outstanding   |
| 2           | 10/31/2013  | 282290         | 508.50           | 08806           | 0              | LANDS BEST FOODS                          | Outstanding   |
| 2           | 10/31/2013  | 282291         | 158.50           | 03195           | 0              | LASERPLUS, LLC                            | Outstanding   |
| 2           | 10/31/2013  | 282292         | 69.00            | 09577           | 0              | LDINFO PUBLISHING                         | Outstanding   |
| 2           | 10/31/2013  | 282293         | 57,526.49        | 04685           | 0              | MAX STEININGER INC                        | Outstanding   |
| 2           | 10/31/2013  | 282294         | 17,405.13        | 01812           | 0              | MINNESOTA/WISCONSIN PLAYGROUND            | Outstanding   |
| 2           | 10/31/2013  | 282295         | 3,320.63         | 04089           | 0              | MN UI FUND                                | Outstanding   |
| 2           | 10/31/2013  | 282296         | 442.50           | 02043           | 0              | ON SITE SANITATION INC                    | Outstanding   |
| 2           | 10/31/2013  | 282297         | 554.26           | 02108           | 0              | PEOPLES ELECTRICAL CONTRACTORS            | Outstanding   |
| 2           | 10/31/2013  | 282298         | 364.00           | 02141           | 0              | PINE TREE APPLE ORCHARD                   | Outstanding   |
| 2           | 10/31/2013  | 282299         | 393.60           | 02142           | 0              | PIONEER PRESS                             | Outstanding   |
| 2           | 10/31/2013  | 282300         | 1,003.95         | 02180           | 0              | PRESS PUBLICATIONS                        | Outstanding   |
| 2           | 10/31/2013  | 282301         | 285.00           | 02186           | 0              | PRINTING RESOURCES                        | Outstanding   |
| 2           | 10/31/2013  | 282302         | 2,679.00         | 02203           | 0              | PSAT/NMSQT                                | Outstanding   |
| 2           | 10/31/2013  | 282303         | 1,576.22         | 03136           | 0              | RATWIK ROSZAK & MALONEY P A               | Outstanding   |
| 2           | 10/31/2013  | 282304         | 46.00            | 09964           | 0              | REZA NEJAD                                | Outstanding   |
| 2           | 10/31/2013  | 282305         | 2,784.81         | 07113           | 0              | SAM'S CLUB                                | Outstanding   |
| 2           | 10/31/2013  | 282306         | 587.11           | 07113           | 0              | SAM'S CLUB                                | Outstanding   |
| 2           | 10/31/2013  | 282307         | 378.00           | 06784           | 0              | SANDY SCHOENECKER                         | Outstanding   |
| 2           | 10/31/2013  | 282308         | 204.17           | 02413           | 1              | SCHOLASTIC INC                            | Outstanding   |
| 2           | 10/31/2013  | 282309         | 173.31           | 00553           | 3              | STAPLES ADVANTAGE                         | Outstanding   |

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|-------------|-------------|----------------|------------------|-----------------|----------------|--|---------------|
| 2           | 10/31/2013  | 282310         | 150.00           | 08174           | 0              | TAYLOR KEATE                           | Outstanding   |
| 2           | 10/31/2013  | 282311         | 55.76            | 04972           | 0              | TEACHER DIRECT                         | Outstanding   |
| 2           | 10/31/2013  | 282312         | 135.78           | 02698           | 2              | TEACHER'S DISCOVERY                    | Outstanding   |
| 2           | 10/31/2013  | 282313         | 277.00           | 06624           | 0              | TEACHING STRATEGIES INC                | Outstanding   |
| 2           | 10/31/2013  | 282314         | 186.25           | 09966           | 0              | THE ROBERTS GROUP                      | Outstanding   |
| 2           | 10/31/2013  | 282315         | 63,402.98        | 02748           | 0              | TIES                                   | Outstanding   |
| 2           | 10/31/2013  | 282316         | 50.00            | 09812           | 0              | TREY NEWMAN                            | Outstanding   |
| 2           | 10/31/2013  | 282317         | 175.00           | 09382           | 0              | TRI-CITY UNITED HIGH SCHOOL            | Outstanding   |
| 2           | 10/31/2013  | 282318         | 300.00           | 06918           | 0              | UNIVERSITY OF OREGON                   | Outstanding   |
| 2           | 10/03/2013  | 381845         | 500.00           | 08936           | 0              | ALYSSA KONGSVIK                        | Cleared       |
| 2           | 10/03/2013  | 381846         | 2,000.00         | 00109           | 0              | AMERICAN SECURITY LLC                  | Cleared       |
| 2           | 10/03/2013  | 381847         | 60.00            | 09393           | 0              | AMY ANDERSON                           | Cleared       |
| 2           | 10/03/2013  | 381848         | 4,283.05         | 00139           | 0              | ANDERSON'S                             | Cleared       |
| 2           | 10/03/2013  | 381849         | 599.00           | 03636           | 1              | APPLE INC                              | Cleared       |
| 2           | 10/03/2013  | 381850         | 725.00           | 09146           | 0              | ASPEX                                  | Cleared       |
| 2           | 10/03/2013  | 381851         | 150.00           | 03192           | 1              | AUSM                                   | Cleared       |
| 2           | 10/03/2013  | 381852         | 7,041.83         | 09873           | 0              | BERGIN FRUIT AND NUT CO                | Cleared       |
| 2           | 10/03/2013  | 381853         | 337.00           | 04234           | 0              | BLUE CROSS BLUE SHIELD OF MN/SUPPORT   | Cleared       |
| 2           | 10/03/2013  | 381854         | 1,925.00         | 09635           | 0              | BOOTH & LAVORATO LLC                   | Cleared       |
| 2           | 10/03/2013  | 381855         | 140.00           | 09934           | 0              | BRIAN WOOD                             | Cleared       |
| 2           | 10/03/2013  | 381856         | 1,514.70         | 08892           | 1              | CAMBIUM LEARNING GROUP                 | Cleared       |
| 2           | 10/03/2013  | 381857         | 70.00            | 09933           | 0              | CHUCK LAMERS                           | Cleared       |
| 2           | 10/03/2013  | 381858         | 300.00           | 00549           | 0              | COON RAPIDS HIGH SCHOOL                | Outstanding   |
| 2           | 10/03/2013  | 381859         | 5,642.09         | 09009           | 0              | D & J QUALITY SOURCING LLC             | Cleared       |
| 2           | 10/03/2013  | 381860         | 83.00            | 09936           | 0              | DALE GRAHAM                            | Cleared       |
| 2           | 10/03/2013  | 381861         | 83.00            | 08321           | 0              | DAN WAGNER                             | Cleared       |
| 2           | 10/03/2013  | 381862         | 160.00           | 09930           | 0              | DANELLE ERICKSON                       | Cleared       |
| 2           | 10/03/2013  | 381863         | 1,570.00         | 04408           | 1              | DISCOVERY EDUCATION                    | Cleared       |
| 2           | 10/03/2013  | 381864         | 6,804.44         | 03328           | 0              | DIVERSIFIED SNACK DIVISION             | Cleared       |
| 2           | 10/03/2013  | 381865         | 1,750.00         | 00678           | 0              | DOMINO'S PIZZA                         | Cleared       |
| 2           | 10/03/2013  | 381866         | 160.00           | 06125           | 0              | DONAVON BUMP                           | Cleared       |
| 2           | 10/03/2013  | 381867         | 3,715.00         | 00714           | 0              | EAGLE SCREEN PRINTING/JEFFREY POESCHL  | Cleared       |
| 2           | 10/03/2013  | 381868         | 1,270.17         | 09927           | 0              | EARLY CHILDHOOD FAMILY EDUCATION-STILL | Cleared       |
| 2           | 10/03/2013  | 381869         | 154.44           | 00747           | 0              | EDUCATORS PUBLISHING SERVICE           | Cleared       |
| 2           | 10/03/2013  | 381870         | 83.00            | 04123           | 0              | ELIZABETH OLSON                        | Cleared       |
| 2           | 10/03/2013  | 381871         | 6,519.30         | 00764           | 0              | ELSMORE AQUATICS                       | Cleared       |
| 2           | 10/03/2013  | 381872         | 1,497.00         | 00803           | 0              | EXPRESS SERVICES INC                   | Cleared       |
| 2           | 10/03/2013  | 381873         | 200.00           | 09029           | 0              | FAMILIES FIRST COACHING                | Cleared       |
| 2           | 10/03/2013  | 381874         | 42,526.51        | 06819           | 0              | FIRST STUDENT                          | Cleared       |
| 2           | 10/03/2013  | 381875         | 60.60            | 00848           | 0              | FLINN SCIENTIFIC INC                   | Cleared       |
| 2           | 10/03/2013  | 381876         | 1,531.75         | 00856           | 0              | FOLLETT EDUCATIONAL SERVICES           | Cleared       |
| 2           | 10/03/2013  | 381877         | 131.83           | 00888           | 0              | FREY SCIENTIFIC COMPANY                | Cleared       |
| 2           | 10/03/2013  | 381878         | 84.00            | 06091           | 0              | GREG BROWN                             | Outstanding   |
| 2           | 10/03/2013  | 381879         | 260.00           | 01025           | 0              | GUILFORD PRESS PUBLICATIONS            | Cleared       |
| 2           | 10/03/2013  | 381880         | 124.00           | 01115           | 0              | HERITAGE                               | Cleared       |
| 2           | 10/03/2013  | 381881         | 15,634.08        | 01164           | 1              | HOUGHTON MIFFLIN RECEIVABLES CO LLC    | Cleared       |
| 2           | 10/03/2013  | 381882         | 2,170.66         | 03628           | 1              | INNOVATIVE OFFICE SOLUTIONS, INC       | Cleared       |
| 2           | 10/03/2013  | 381883         | 2,439.23         | 03408           | 0              | INTERMEDIATE DISTRICT 287              | Cleared       |
| 2           | 10/03/2013  | 381884         | 160.00           | 04793           | 0              | JEFF LARSON                            | Cleared       |
| 2           | 10/03/2013  | 381885         | 63.00            | 06332           | 0              | JEFF LINEHAN                           | Cleared       |
| 2           | 10/03/2013  | 381886         | 550.00           | 09938           | 0              | JERRY KEAPICK                          | Cleared       |

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|-------------|-------------|----------------|------------------|-----------------|----------------|--|---------------|
| 2           | 10/03/2013  | 381887         | 70.00            | 08896           | 0              | JOHN ARENIVAR                            | Cleared       |
| 2           | 10/03/2013  | 381888         | 60.00            | 07677           | 0              | JULIE MOLITOR                            | Cleared       |
| 2           | 10/03/2013  | 381889         | 160.00           | 08817           | 0              | KEITH ANDERSON                           | Cleared       |
| 2           | 10/03/2013  | 381890         | 2,684.72         | 03378           | 0              | KELLY SERVICES, INC                      | Cleared       |
| 2           | 10/03/2013  | 381891         | 83.00            | 09935           | 0              | KEVIN SIMPSON                            | Cleared       |
| 2           | 10/03/2013  | 381892         | 264.00           | 09210           | 0              | KITEC INC                                | Cleared       |
| 2           | 10/03/2013  | 381893         | 736.35           | 08806           | 0              | LANDS BEST FOODS                         | Cleared       |
| 2           | 10/03/2013  | 381894         | 219.94           | 03195           | 0              | LASERPLUS, LLC                           | Cleared       |
| 2           | 10/03/2013  | 381895         | 1,190.00         | 09696           | 0              | LEEDS PRECISION INSTRUMENTS, INC         | Cleared       |
| 2           | 10/03/2013  | 381896         | 321.00           | 08614           | 0              | MEGAN & MICHAEL MALVEY                   | Outstanding   |
| 2           | 10/03/2013  | 381897         | 19.64            | 09566           | 0              | MELISSA WARD                             | Cleared       |
| 2           | 10/03/2013  | 381898         | 663.80           | 01683           | 1              | MENARDS                                  | Cleared       |
| 2           | 10/03/2013  | 381899         | 84.00            | 06092           | 0              | MICHAEL BUDION                           | Cleared       |
| 2           | 10/03/2013  | 381900         | 60.00            | 09136           | 0              | MINDY RUZYNSKI                           | Cleared       |
| 2           | 10/03/2013  | 381901         | 1,317.40         | 03723           | 0              | MINNESOTA COACHES                        | Cleared       |
| 2           | 10/03/2013  | 381902         | 300.00           | 01766           | 0              | MN ACADEMY OF SCIENCE                    | Cleared       |
| 2           | 10/03/2013  | 381903         | 79.00            | 09926           | 0              | MOBY MAX                                 | Cleared       |
| 2           | 10/03/2013  | 381904         | 42,400.00        | 09928           | 0              | MUSKA ELECTRIC CO                        | Cleared       |
| 2           | 10/03/2013  | 381905         | 61.20            | 01871           | 0              | NASCO                                    | Cleared       |
| 2           | 10/03/2013  | 381906         | 1,940.40         | 02205           | 4              | NCS PEARSON INC                          | Cleared       |
| 2           | 10/03/2013  | 381907         | 283.76           | 06395           | 3              | NCS PEARSON INC                          | Cleared       |
| 2           | 10/03/2013  | 381908         | 985.95           | 03527           | 2              | NCS PEARSON/HARCOURT ASSESSMENT INC      | Cleared       |
| 2           | 10/03/2013  | 381909         | 87,135.00        | 09843           | 0              | OLYMPIC COMMUNICATIONS INC               | Cleared       |
| 2           | 10/03/2013  | 381910         | 4,384.22         | 05985           | 0              | PAMS LUNCHROOM LLC                       | Cleared       |
| 2           | 10/03/2013  | 381911         | 63.00            | 09931           | 0              | PAT BAUSCHELT                            | Cleared       |
| 2           | 10/03/2013  | 381912         | 63.00            | 09932           | 0              | PAUL LEHMANN                             | Cleared       |
| 2           | 10/03/2013  | 381913         | 1,429.31         | 07477           | 1              | PEARSON EDUCATION                        | Cleared       |
| 2           | 10/03/2013  | 381914         | 326.64           | 03215           | 1              | PEARSON LEARNING GROUP/PEARSON ED        | Cleared       |
| 2           | 10/03/2013  | 381915         | 960.00           | 02108           | 0              | PEOPLES ELECTRICAL CONTRACTORS           | Cleared       |
| 2           | 10/03/2013  | 381916         | 784.00           | 02141           | 0              | PINE TREE APPLE ORCHARD                  | Cleared       |
| 2           | 10/03/2013  | 381917         | 256.30           | 02301           | 1              | RIVERSIDE PUBLISHING CO/HM REC.CO LLC    | Cleared       |
| 2           | 10/03/2013  | 381918         | 39.00            | 02420           | 0              | SCHOOL SPECIALTY INC                     | Cleared       |
| 2           | 10/03/2013  | 381919         | 28.08            | 02420           | 1              | SCHOOL SPECIALTY INC/PREMIER AGENDAS INC | Cleared       |
| 2           | 10/03/2013  | 381920         | 790.13           | 00487           | 2              | SCHOOL SPECIALTY/CLASSROOM DIRECT        | Cleared       |
| 2           | 10/03/2013  | 381921         | 1,378.13         | 02442           | 0              | SCIENCE MUSEUM OF MINN                   | Cleared       |
| 2           | 10/03/2013  | 381922         | 156.69           | 02535           | 0              | SOCIAL STUDIES SCHOOL SERVICE            | Cleared       |
| 2           | 10/03/2013  | 381923         | 1,319.65         | 00553           | 1              | STAPLES ADVANTAGE                        | Cleared       |
| 2           | 10/03/2013  | 381924         | 70.00            | 09937           | 0              | STEPHEN HELDER                           | Cleared       |
| 2           | 10/03/2013  | 381925         | 240.00           | 09929           | 0              | SUBURBAN FLOOR COVERINGS INC             | Cleared       |
| 2           | 10/03/2013  | 381926         | 1,243.04         | 04176           | 0              | SUNBURST CHEMICALS, INC.                 | Cleared       |
| 2           | 10/03/2013  | 381927         | 70.00            | 09399           | 0              | SUNNY AIKORIEGIE                         | Cleared       |
| 2           | 10/03/2013  | 381928         | 129.98           | 02664           | 0              | SUPER DUPER PUBLICATIONS                 | Cleared       |
| 2           | 10/03/2013  | 381929         | 150.00           | 09381           | 0              | SWAIN CC                                 | Cleared       |
| 2           | 10/03/2013  | 381930         | 1,236.00         | 02697           | 1              | TCI-TEACHER'S CURRICULUM INSTITUTE       | Cleared       |
| 2           | 10/03/2013  | 381931         | 248.00           | 04551           | 0              | THE GOODPRINTER                          | Cleared       |
| 2           | 10/03/2013  | 381932         | 160.53           | 02729           | 0              | THERAPY SHOPPE                           | Cleared       |
| 2           | 10/03/2013  | 381933         | 84.00            | 06094           | 0              | TIM GOTHMANN                             | Outstanding   |
| 2           | 10/03/2013  | 381934         | 1,224.10         | 03345           | 0              | TRIO SUPPLY CO                           | Cleared       |
| 2           | 10/03/2013  | 381935         | 8,443.98         | 04884           | 1              | VIRCO INC                                | Cleared       |
| 2           | 10/03/2013  | 381936         | 40.33            | 02896           | 1              | WARD'S NATURAL SCIENCE EST,LLC           | Cleared       |
| 2           | 10/03/2013  | 381937         | 146.23           | 02902           | 2              | WASHINGTON COUNTY                        | Cleared       |

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|-------------|-------------|----------------|------------------|-----------------|----------------|--|---------------|
| 2           | 10/03/2013  | 381938         | 433.24           | 02902           | 2              | WASHINGTON COUNTY                          | Cleared       |
| 2           | 10/03/2013  | 381939         | 3,675.00         | 02918           | 1              | WENGER CORP                                | Cleared       |
| 2           | 10/03/2013  | 381940         | 100.00           | 05875           | 1              | WHITE BEAR LAKE HIGH SCHOOL                | Cleared       |
| 2           | 10/08/2013  | 381941         | 60.00            | 01572           | 0              | CITY OF MAHTOMEDI                          | Cleared       |
| 2           | 10/10/2013  | 381942         | 902.96           | 00016           | 0              | ABBOTT PAINT & CARPET CO                   | Cleared       |
| 2           | 10/10/2013  | 381943         | 97.00            | 00044           | 0              | ADA BADMINTON & TENNIS                     | Cleared       |
| 2           | 10/10/2013  | 381944         | 620.72           | 09140           | 0              | AFFINITY SOLUTIONS INC                     | Cleared       |
| 2           | 10/10/2013  | 381945         | 7,068.42         | 09416           | 0              | AGROPUR                                    | Cleared       |
| 2           | 10/10/2013  | 381946         | 182.50           | 00084           | 0              | AMAZON ENVIRONMENTAL INC                   | Cleared       |
| 2           | 10/10/2013  | 381947         | 234.00           | 00108           | 0              | AMERICAN SCHOOL BOARD JOURNAL              | Cleared       |
| 2           | 10/10/2013  | 381948         | 55.00            | 09124           | 0              | ANDREW BARTCZAK                            | Outstanding   |
| 2           | 10/10/2013  | 381949         | 84.00            | 00172           | 3              | ASCD                                       | Cleared       |
| 2           | 10/10/2013  | 381950         | 2,576.52         | 08859           | 1              | AWS SERVICE CENTER                         | Cleared       |
| 2           | 10/10/2013  | 381951         | 75.00            | 09461           | 0              | BEAU BERGER                                | Cleared       |
| 2           | 10/10/2013  | 381952         | 2,599.77         | 09873           | 0              | BERGIN FRUIT AND NUT CO                    | Cleared       |
| 2           | 10/10/2013  | 381953         | 473.70           | 09940           | 0              | BLUE 84 SPIRIT                             | Cleared       |
| 2           | 10/10/2013  | 381954         | 198.00           | 04738           | 0              | BRUCE DJOCK REPAIR                         | Cleared       |
| 2           | 10/10/2013  | 381955         | 6,596.07         | 07031           | 0              | CARRIE ARDITO                              | Cleared       |
| 2           | 10/10/2013  | 381956         | 149.50           | 06648           | 0              | CENTRAL WOOD PRODUCTS                      | Cleared       |
| 2           | 10/10/2013  | 381957         | 31,607.26        | 01572           | 0              | CITY OF MAHTOMEDI                          | Cleared       |
| 2           | 10/10/2013  | 381958         | 612.82           | 00487           | 0              | CLASSROOM DIRECT /SCHOOL SPECIALTY         | Cleared       |
| 2           | 10/10/2013  | 381959         | 990.00           | 06754           | 0              | COMMANDING EDGE INC                        | Cleared       |
| 2           | 10/10/2013  | 381960         | 1,890.00         | 07266           | 0              | COMPUTER EXPLORERS                         | Cleared       |
| 2           | 10/10/2013  | 381961         | 8,948.00         | 00527           | 0              | COMSTOCK & SONS INC                        | Cleared       |
| 2           | 10/10/2013  | 381962         | 1,180.00         | 00527           | 0              | COMSTOCK & SONS INC                        | Cleared       |
| 2           | 10/10/2013  | 381963         | 1,371.00         | 09009           | 0              | D & J QUALITY SOURCING LLC                 | Cleared       |
| 2           | 10/10/2013  | 381964         | 2,406.18         | 00599           | 0              | DALCO                                      | Cleared       |
| 2           | 10/10/2013  | 381965         | 60.00            | 09147           | 0              | DAVID JONES                                | Cleared       |
| 2           | 10/10/2013  | 381966         | 2,109.34         | 03328           | 0              | DIVERSIFIED SNACK DIVISION                 | Cleared       |
| 2           | 10/10/2013  | 381967         | 840.00           | 00678           | 0              | DOMINO'S PIZZA                             | Cleared       |
| 2           | 10/10/2013  | 381968         | 2,470.00         | 08743           | 0              | EARTHEND                                   | Cleared       |
| 2           | 10/10/2013  | 381969         | 1,278.20         | 06030           | 1              | EARTHGRAINS CO.INC                         | Cleared       |
| 2           | 10/10/2013  | 381970         | 39.80            | 00725           | 0              | ECKROTH MUSIC COMPANY                      | Cleared       |
| 2           | 10/10/2013  | 381971         | 494.00           | 05986           | 0              | EDUCATORS BENEFITS CONSULTANTS,LLC         | Cleared       |
| 2           | 10/10/2013  | 381972         | 1,000.00         | 07629           | 0              | ERIC JOHNSON                               | Outstanding   |
| 2           | 10/10/2013  | 381973         | 318.71           | 00787           | 0              | ERICKSON OIL PRODUCTS INC                  | Cleared       |
| 2           | 10/10/2013  | 381974         | 10.00            | 08957           | 0              | ETHAN DWORAK                               | Outstanding   |
| 2           | 10/10/2013  | 381975         | 1,497.00         | 00803           | 0              | EXPRESS SERVICES INC                       | Cleared       |
| 2           | 10/10/2013  | 381976         | 156.67           | 09943           | 0              | ESPRESSO MIDWEST INC                       | Cleared       |
| 2           | 10/10/2013  | 381977         | 15,881.65        | 06819           | 0              | FIRST STUDENT                              | Cleared       |
| 2           | 10/10/2013  | 381978         | 348.38           | 06697           | 0              | FRATTALLONE'S ACE HARDWARE STORES          | Cleared       |
| 2           | 10/10/2013  | 381979         | 2,585.00         | 09539           | 0              | GARAVENTA LTD                              | Cleared       |
| 2           | 10/10/2013  | 381980         | 110.00           | 04873           | 0              | GENE WARNER                                | Cleared       |
| 2           | 10/10/2013  | 381981         | 193.10           | 09427           | 0              | GREAT GARAGE DOOR CO                       | Cleared       |
| 2           | 10/10/2013  | 381982         | 1,300.00         | 01018           | 0              | GROTH MUSIC                                | Cleared       |
| 2           | 10/10/2013  | 381983         | 1,041.75         | 01038           | 0              | HAAS MUSICAL INSTRUMENT REPAIR             | Cleared       |
| 2           | 10/10/2013  | 381984         | 870.30           | 03430           | 2              | I.S.D # 011-ANOKA-HENNEPIN SCHOOL DISTRICT | Cleared       |
| 2           | 10/10/2013  | 381985         | 10.50            | 01240           | 1              | J W PEPPER INC.                            | Cleared       |
| 2           | 10/10/2013  | 381986         | 549.00           | 00618           | 0              | JIM DEANS                                  | Cleared       |
| 2           | 10/10/2013  | 381987         | 70.00            | 08920           | 0              | JOHN ANDERSON                              | Cleared       |
| 2           | 10/10/2013  | 381988         | 70.00            | 08896           | 0              | JOHN ARENIVAR                              | Cleared       |

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|-------------|-------------|----------------|------------------|-----------------|----------------|---------------------------------------|---------------|
| 2           | 10/10/2013  | 381989         | 316.21           | 08077           | 1              | JOHN DEERE LANDSCAPES/ LESCO          | Cleared       |
| 2           | 10/10/2013  | 381990         | 63.00            | 08838           | 0              | JOHN KOLNIK                           | Cleared       |
| 2           | 10/10/2013  | 381991         | 693.00           | 03364           | 0              | JUDY DEANS                            | Cleared       |
| 2           | 10/10/2013  | 381992         | 6,817.81         | 03378           | 0              | KELLY SERVICES, INC                   | Cleared       |
| 2           | 10/10/2013  | 381993         | 396.00           | 09440           | 0              | KIDCREATE STUDIO/GET MESSY LLC        | Cleared       |
| 2           | 10/10/2013  | 381994         | 122.50           | 01372           | 0              | KNOWLAN'S SUPER MARKETS               | Cleared       |
| 2           | 10/10/2013  | 381995         | 362.85           | 08806           | 0              | LANDS BEST FOODS                      | Cleared       |
| 2           | 10/10/2013  | 381996         | 129.97           | 03195           | 0              | LASERPLUS, LLC                        | Cleared       |
| 2           | 10/10/2013  | 381997         | 5,752.33         | 07606           | 1              | LOFFLER COMPANY INC                   | Cleared       |
| 2           | 10/10/2013  | 381998         | 400.00           | 06650           | 1              | MARSH & MCLENNAN AGENCY-RJF DIVISION  | Cleared       |
| 2           | 10/10/2013  | 381999         | 150.00           | 01609           | 1              | MASA REGION 9                         | Cleared       |
| 2           | 10/10/2013  | 382000         | 475.00           | 05019           | 0              | MASPA                                 | Outstanding   |
| 2           | 10/10/2013  | 382001         | 168.79           | 07990           | 1              | MAYER-JOHNSON                         | Cleared       |
| 2           | 10/10/2013  | 382002         | 195.00           | 01641           | 0              | MCCARTHY WELL COMPANY                 | Cleared       |
| 2           | 10/10/2013  | 382003         | 179.99           | 01684           | 0              | MENARDS OAKDALE CASHWAY LUMBER        | Cleared       |
| 2           | 10/10/2013  | 382004         | 380.25           | 03384           | 0              | MID CITY SERVICES-INDUSTRIAL LAUNDRY  | Cleared       |
| 2           | 10/10/2013  | 382005         | 63.00            | 06894           | 0              | MIKE MCNABB                           | Cleared       |
| 2           | 10/10/2013  | 382006         | 180.00           | 01781           | 0              | MN DEPT OF LABOR AND INDUSTRY         | Cleared       |
| 2           | 10/10/2013  | 382007         | 157.50           | 09754           | 0              | MORGAN LONG                           | Cleared       |
| 2           | 10/10/2013  | 382008         | 125.00           | 01859           | 0              | MULTI-HEALTH SYSTEMS INC              | Cleared       |
| 2           | 10/10/2013  | 382009         | 4,116.97         | 01888           | 0              | NATIONAL INSURANCE SERVICES OF WI INC | Cleared       |
| 2           | 10/10/2013  | 382010         | 10.00            | 09942           | 0              | NICK GERMSCHIED                       | Cleared       |
| 2           | 10/10/2013  | 382011         | 3,432.84         | 09941           | 0              | NORTH AMERICAN SALT CO                | Cleared       |
| 2           | 10/10/2013  | 382012         | 53,680.69        | 01971           | 1              | NORTHEAST METRO 916                   | Cleared       |
| 2           | 10/10/2013  | 382013         | 544.50           | 07973           | 1              | PARTNERS IN EDUCATION INC/ YOUNG REMB | Cleared       |
| 2           | 10/10/2013  | 382014         | 219.45           | 05024           | 0              | PAUL BROOKES PUBLISHING CO.           | Cleared       |
| 2           | 10/10/2013  | 382015         | 476.00           | 02141           | 0              | PINE TREE APPLE ORCHARD               | Outstanding   |
| 2           | 10/10/2013  | 382016         | 92.99            | 02151           | 0              | PLUNKETTS PEST CONTROL INC            | Cleared       |
| 2           | 10/10/2013  | 382017         | 64.20            | 04208           | 0              | POCKET FULL OF THERAPY                | Cleared       |
| 2           | 10/10/2013  | 382018         | 65.26            | 02161           | 0              | POPP.COM INC                          | Cleared       |
| 2           | 10/10/2013  | 382019         | 96.53            | 06012           | 1              | PREMIUM WATERS INC                    | Cleared       |
| 2           | 10/10/2013  | 382020         | 320.10           | 02180           | 0              | PRESS PUBLICATIONS                    | Cleared       |
| 2           | 10/10/2013  | 382021         | 1,278.00         | 09309           | 0              | PWF SOLUTIONS INC                     | Cleared       |
| 2           | 10/10/2013  | 382022         | 100.00           | 02252           | 1              | REGION 4AA                            | Outstanding   |
| 2           | 10/10/2013  | 382023         | 203.90           | 09476           | 0              | SALTY DOG DESIGN LLC                  | Cleared       |
| 2           | 10/10/2013  | 382024         | 83.00            | 09411           | 0              | SHANE STURGES                         | Outstanding   |
| 2           | 10/10/2013  | 382025         | 180.59           | 02474           | 0              | SHIFFLER EQUIPMENT SALES INC          | Cleared       |
| 2           | 10/10/2013  | 382026         | 9,152.00         | 02578           | 0              | SPRINGSTED INC                        | Cleared       |
| 2           | 10/10/2013  | 382027         | 55.52            | 00553           | 1              | STAPLES ADVANTAGE                     | Cleared       |
| 2           | 10/10/2013  | 382028         | 492.44           | 03336           | 1              | STRATEGIC EQUIPMENT                   | Cleared       |
| 2           | 10/10/2013  | 382029         | 249.43           | 04176           | 0              | SUNBURST CHEMICALS, INC.              | Cleared       |
| 2           | 10/10/2013  | 382030         | 75.00            | 08174           | 0              | TAYLOR KEATE                          | Cleared       |
| 2           | 10/10/2013  | 382031         | 6,263.22         | 02748           | 0              | TIES                                  | Cleared       |
| 2           | 10/10/2013  | 382032         | 84.00            | 05588           | 0              | TOM GOTHMANN                          | Cleared       |
| 2           | 10/10/2013  | 382033         | 63.00            | 04958           | 0              | TOM HOULE                             | Cleared       |
| 2           | 10/10/2013  | 382034         | 83.00            | 05966           | 0              | TONY PEREZ                            | Cleared       |
| 2           | 10/10/2013  | 382035         | 429.89           | 03345           | 0              | TRIO SUPPLY CO                        | Cleared       |
| 2           | 10/10/2013  | 382036         | 195.14           | 08982           | 0              | ULINE                                 | Cleared       |
| 2           | 10/10/2013  | 382037         | 314.89           | 09693           | 0              | UNIVERSAL ATHLETIC                    | Cleared       |
| 2           | 10/10/2013  | 382038         | 41,942.33        | 06934           | 0              | US FOODSERVICE INC                    | Cleared       |
| 2           | 10/10/2013  | 382039         | 475.00           | 09880           | 0              | VAUGHN LEUZINGER                      | Cleared       |

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| 2           | 10/10/2013  | 382040         | 189.24           | 02873           | 0              | VOSS LIGHTING                         | Cleared       |
| 2           | 10/10/2013  | 382041         | 444.64           | 02946           | 0              | WHITE BEAR LOCKSMITH                  | Cleared       |
| 2           | 10/10/2013  | 382042         | 55.00            | 02980           | 0              | WILSON RIBBON CO                      | Outstanding   |
| 2           | 10/10/2013  | 382043         | 3,155.00         | 06757           | 0              | WOHLWEND CONCRETE INC                 | Cleared       |
| 2           | 10/10/2013  | 382044         | 15.71            | 00723           | 0              | XCEL ENERGY                           | Cleared       |
| 2           | 10/10/2013  | 382045         | 1,800.00         | 00790           | 0              | XTRAMAN FUNDRAISING                   | Cleared       |
| 2           | 10/10/2013  | 382046         | 1,193.14         | 03025           | 0              | YOUNGBLOOD LUMBER COMPANY             | Cleared       |
| 2           | 10/16/2013  | 382047         | 120.16           | 00094           | 0              | AMERICAN FAMILY ASSURANCE             | Cleared       |
| 2           | 10/16/2013  | 382048         | 34,748.17        | 01096           | 1              | HEALTHPARTNERS                        | Cleared       |
| 2           | 10/16/2013  | 382049         | 650.00           | 01556           | 0              | MAHTOMEDI AREA EDUC.FOUNDATION        | Cleared       |
| 2           | 10/16/2013  | 382050         | 196.00           | 05124           | 0              | MN DEPT. OF REVENUE                   | Cleared       |
| 2           | 10/16/2013  | 382051         | 9.90             | 01888           | 0              | NATIONAL INSURANCE SERVICES OF WI INC | Cleared       |
| 2           | 10/16/2013  | 382052         | 288.00           | 01740           | 0              | NCPERS MINNESOTA-179220               | Cleared       |
| 2           | 10/16/2013  | 382053         | 711.50           | 02017           | 0              | OFFICE & PROFESSIONAL                 | Cleared       |
| 2           | 10/16/2013  | 382054         | 908.00           | 02048           | 0              | OPERATING ENGINEERS LOCAL #70         | Cleared       |
| 2           | 10/16/2013  | 382055         | 233,616.32       | 08212           | 0              | PREFERRED ONE                         | Cleared       |
| 2           | 10/16/2013  | 382056         | 206.40           | 01773           | 0              | MN CHILD SUPPORT                      | Cleared       |
| 2           | 10/16/2013  | 382057         | 125.58           | 05124           | 0              | MN DEPT. OF REVENUE                   | Cleared       |
| 2           | 10/16/2013  | 382058         | 700.00           | 04342           | 0              | WISCONSIN SCTF                        | Cleared       |
| 2           | 10/17/2013  | 382059         | 140.00           | 09119           | 0              | ADVANCEPIERRE FOODS                   | Cleared       |
| 2           | 10/17/2013  | 382060         | 125.00           | 08271           | 0              | AEROSPACE INDUSTRIES ASSOCIATION      | Outstanding   |
| 2           | 10/17/2013  | 382061         | 125.00           | 08271           | 0              | AEROSPACE INDUSTRIES ASSOCIATION      | Outstanding   |
| 2           | 10/17/2013  | 382062         | 125.00           | 08271           | 0              | AEROSPACE INDUSTRIES ASSOCIATION      | Outstanding   |
| 2           | 10/17/2013  | 382063         | 125.00           | 08271           | 0              | AEROSPACE INDUSTRIES ASSOCIATION      | Outstanding   |
| 2           | 10/17/2013  | 382064         | 130.00           | 04879           | 0              | AHMED CHARAI                          | Cleared       |
| 2           | 10/17/2013  | 382065         | 164.45           | 09923           | 0              | ALLI MOGA                             | Outstanding   |
| 2           | 10/17/2013  | 382066         | 164.45           | 09879           | 0              | AMANDA SEXSON                         | Cleared       |
| 2           | 10/17/2013  | 382067         | 2,000.00         | 00109           | 0              | AMERICAN SECURITY LLC                 | Cleared       |
| 2           | 10/17/2013  | 382068         | 83.00            | 09420           | 0              | AMY ISAACSON                          | Cleared       |
| 2           | 10/17/2013  | 382069         | 144.00           | 09949           | 0              | AMY MUNSINGER                         | Cleared       |
| 2           | 10/17/2013  | 382070         | 50.00            | 07911           | 1              | ANOKA HIGH SCHOOL DEBATE TEAM         | Outstanding   |
| 2           | 10/17/2013  | 382071         | 770.49           | 00149           | 0              | APPERSON                              | Cleared       |
| 2           | 10/17/2013  | 382072         | 12.79            | 00208           | 1              | BARNES & NOBLE                        | Cleared       |
| 2           | 10/17/2013  | 382073         | 34,704.49        | 09498           | 0              | BERG DRYWALL LLC                      | Cleared       |
| 2           | 10/17/2013  | 382074         | 1,893.91         | 09873           | 0              | BERGIN FRUIT AND NUT CO               | Cleared       |
| 2           | 10/17/2013  | 382075         | 50.00            | 09953           | 0              | BERNARD RINGBERG                      | Outstanding   |
| 2           | 10/17/2013  | 382076         | 12,714.00        | 00257           | 0              | BERRYS FLOOR COVERING/STEVEN BERRY    | Cleared       |
| 2           | 10/17/2013  | 382077         | 445.33           | 03196           | 0              | BF LAUZON ENTERPRISES INC             | Cleared       |
| 2           | 10/17/2013  | 382078         | 7,000.00         | 09501           | 0              | BOARD OF SCHOOL SUPERINTENDENTS       | Cleared       |
| 2           | 10/17/2013  | 382079         | 100.00           | 09944           | 0              | BROOTH & LAVORATO LLC                 | Outstanding   |
| 2           | 10/17/2013  | 382080         | 3,230.00         | 00346           | 0              | BROTHERS FIRE PROTECTION CO           | Cleared       |
| 2           | 10/17/2013  | 382081         | 569.47           | 01572           | 0              | CITY OF MAHTOMEDI                     | Cleared       |
| 2           | 10/17/2013  | 382082         | 30.00            | 00485           | 1              | CLASSIC SUBURBAN                      | Outstanding   |
| 2           | 10/17/2013  | 382083         | 1,273.48         | 00541           | 0              | CONTINENTAL CLAY COMPANY              | Cleared       |
| 2           | 10/17/2013  | 382084         | 1,521.69         | 00558           | 0              | COURAGE CENTER                        | Cleared       |
| 2           | 10/17/2013  | 382085         | 506.00           | 00599           | 0              | DALCO                                 | Cleared       |
| 2           | 10/17/2013  | 382086         | 84.00            | 05338           | 0              | DAN PELLETIER                         | Cleared       |
| 2           | 10/17/2013  | 382087         | 160.00           | 09930           | 0              | DANELLE ERICKSON                      | Cleared       |
| 2           | 10/17/2013  | 382088         | 20.00            | 09947           | 0              | DISTRICT 112 COMMUNITY EDUCATION      | Outstanding   |
| 2           | 10/17/2013  | 382089         | 1,532.18         | 03328           | 0              | DIVERSIFIED SNACK DIVISION            | Cleared       |
| 2           | 10/17/2013  | 382090         | 1,631.00         | 00678           | 0              | DOMINO'S PIZZA                        | Cleared       |

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|-------------|-------------|----------------|------------------|-----------------|----------------|---------------------------------------|---------------|
| 2           | 10/17/2013  | 382091         | 825.00           | 03360           | 0              | DON BETHKE                            | Cleared       |
| 2           | 10/17/2013  | 382092         | 336.00           | 00679           | 0              | DONATELLI'S                           | Cleared       |
| 2           | 10/17/2013  | 382093         | 2,517.50         | 00714           | 0              | EAGLE SCREEN PRINTING/JEFFREY POESCHL | Cleared       |
| 2           | 10/17/2013  | 382094         | 335.73           | 00725           | 0              | ECKROTH MUSIC COMPANY                 | Cleared       |
| 2           | 10/17/2013  | 382095         | 69.00            | 04123           | 0              | ELIZABETH OLSON                       | Outstanding   |
| 2           | 10/17/2013  | 382096         | 130.00           | 08334           | 0              | ERIC HANSON                           | Cleared       |
| 2           | 10/17/2013  | 382097         | 160.87           | 09878           | 0              | ERIN MCCORMICK                        | Cleared       |
| 2           | 10/17/2013  | 382098         | 21.99            | 09029           | 0              | FAMILIES FIRST COACHING               | Cleared       |
| 2           | 10/17/2013  | 382099         | 101,628.70       | 06819           | 0              | FIRST STUDENT                         | Cleared       |
| 2           | 10/17/2013  | 382100         | 7,170.60         | 09532           | 0              | FRANSEN DECORATING INC                | Cleared       |
| 2           | 10/17/2013  | 382101         | 84.00            | 08301           | 0              | FRED HARRIS                           | Cleared       |
| 2           | 10/17/2013  | 382102         | 55.00            | 04873           | 0              | GENE WARNER                           | Cleared       |
| 2           | 10/17/2013  | 382103         | 374.78           | 00987           | 0              | GRAINGER                              | Cleared       |
| 2           | 10/17/2013  | 382104         | 165.00           | 03081           | 0              | GRAY SEEVER                           | Cleared       |
| 2           | 10/17/2013  | 382105         | 91.75            | 01001           | 0              | GREAT LAKES SPORTS                    | Cleared       |
| 2           | 10/17/2013  | 382106         | 1,803.98         | 01018           | 0              | GROTH MUSIC                           | Cleared       |
| 2           | 10/17/2013  | 382107         | 6,640.00         | 07108           | 1              | HOCKENBERGS                           | Cleared       |
| 2           | 10/17/2013  | 382108         | 351.00           | 05013           | 0              | JAN GUDKNECHT                         | Cleared       |
| 2           | 10/17/2013  | 382109         | 84.00            | 07093           | 0              | JASON PERKINS                         | Cleared       |
| 2           | 10/17/2013  | 382110         | 160.00           | 04793           | 0              | JEFF LARSON                           | Cleared       |
| 2           | 10/17/2013  | 382111         | 63.00            | 06332           | 0              | JEFF LINEHAN                          | Cleared       |
| 2           | 10/17/2013  | 382112         | 99.27            | 08077           | 1              | JOHN DEERE LANDSCAPES/ LESCO          | Cleared       |
| 2           | 10/17/2013  | 382113         | 63.00            | 09951           | 0              | JOHN REITELBACH                       | Cleared       |
| 2           | 10/17/2013  | 382114         | 130.00           | 07639           | 0              | JOSEPH BOMMARITO                      | Outstanding   |
| 2           | 10/17/2013  | 382115         | 225.00           | 03205           | 0              | KATELYNN GREEN                        | Outstanding   |
| 2           | 10/17/2013  | 382116         | 13,830.20        | 09338           | 0              | KMH ERECTORS INC                      | Cleared       |
| 2           | 10/17/2013  | 382117         | 38.08            | 01372           | 0              | KNOWLAN'S SUPER MARKETS               | Cleared       |
| 2           | 10/17/2013  | 382118         | 84.00            | 08871           | 0              | KURT DINGMANN                         | Cleared       |
| 2           | 10/17/2013  | 382119         | 264.00           | 08806           | 0              | LANDS BEST FOODS                      | Cleared       |
| 2           | 10/17/2013  | 382120         | 1,057.76         | 03195           | 0              | LASERPLUS, LLC                        | Cleared       |
| 2           | 10/17/2013  | 382121         | 160.00           | 06097           | 0              | LAWRENCE OSTERMAN                     | Cleared       |
| 2           | 10/17/2013  | 382122         | 5,190.52         | 07606           | 2              | LOFFLER COMPANY INC                   | Cleared       |
| 2           | 10/17/2013  | 382123         | 18,328.35        | 09530           | 0              | LSI CORP OF AMERICA INC               | Cleared       |
| 2           | 10/17/2013  | 382124         | 5,671.91         | 03182           | 1              | MADISON NATIONAL LIFE INS CO INC      | Cleared       |
| 2           | 10/17/2013  | 382125         | 84.00            | 05300           | 0              | MARC FIORAVANTI                       | Cleared       |
| 2           | 10/17/2013  | 382126         | 36,061.05        | 08760           | 0              | MARGOLIS CO                           | Cleared       |
| 2           | 10/17/2013  | 382127         | 80.00            | 01610           | 1              | MASBO                                 | Cleared       |
| 2           | 10/17/2013  | 382128         | 63.00            | 05234           | 0              | MATT DORNFELD                         | Outstanding   |
| 2           | 10/17/2013  | 382129         | 58,431.85        | 08738           | 0              | MCDOWALL CO                           | Cleared       |
| 2           | 10/17/2013  | 382130         | 220.97           | 01683           | 0              | MENARDS                               | Cleared       |
| 2           | 10/17/2013  | 382131         | 90.00            | 01699           | 0              | METRO ECSU                            | Cleared       |
| 2           | 10/17/2013  | 382132         | 160.00           | 05992           | 0              | MIKE PETREY                           | Cleared       |
| 2           | 10/17/2013  | 382133         | 10,500.00        | 01764           | 0              | MMKR- MALLOY MONTAGUE KARNOWSK RAD    | Cleared       |
| 2           | 10/17/2013  | 382134         | 109.31           | 01780           | 5              | MN DEPT OF HUMAN SERVICES             | Cleared       |
| 2           | 10/17/2013  | 382135         | 500.00           | 01804           | 0              | MN STATE H S MATHEMATICS LEAGUE       | Cleared       |
| 2           | 10/17/2013  | 382136         | 279.60           | 07871           | 0              | MODEL ME KIDS                         | Cleared       |
| 2           | 10/17/2013  | 382137         | 255.61           | 01871           | 0              | NASCO                                 | Cleared       |
| 2           | 10/17/2013  | 382138         | 63.00            | 09948           | 0              | NATHANIEL LEFEBVRE                    | Cleared       |
| 2           | 10/17/2013  | 382139         | 786.00           | 09340           | 0              | NITTI ROLLOFF SERVICE INC             | Cleared       |
| 2           | 10/17/2013  | 382140         | 300.00           | 09519           | 0              | NOAH KIRKLAND                         | Cleared       |
| 2           | 10/17/2013  | 382141         | 9,718.65         | 08786           | 0              | NORTH COUNTRY CONCRETE INC            | Cleared       |

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|-------------|-------------|----------------|------------------|-----------------|----------------|-------------------------------------|---------------|
| 2           | 10/17/2013  | 382142         | 2,410.18         | 01971           | 2              | NORTHEAST METRO 916                 | Cleared       |
| 2           | 10/17/2013  | 382143         | 63.00            | 09931           | 0              | PAT BAUSCHELT                       | Cleared       |
| 2           | 10/17/2013  | 382144         | 705.00           | 09058           | 0              | PATTERSON MEDICAL SUPPLY, INC.      | Cleared       |
| 2           | 10/17/2013  | 382145         | 63.00            | 09932           | 0              | PAUL LEHMANN                        | Cleared       |
| 2           | 10/17/2013  | 382146         | 109.98           | 03215           | 2              | PEARSON LEARNING GROUP/PEARSON EDUC | Cleared       |
| 2           | 10/17/2013  | 382147         | 20,295.80        | 08740           | 0              | PHASOR ELECTRIC CO                  | Cleared       |
| 2           | 10/17/2013  | 382148         | 308.00           | 02141           | 0              | PINE TREE APPLE ORCHARD             | Outstanding   |
| 2           | 10/17/2013  | 382149         | 710.00           | 02142           | 0              | PIONEER PRESS                       | Cleared       |
| 2           | 10/17/2013  | 382150         | 1,000.00         | 03531           | 0              | PROFESSIONAL TRAVEL PARTERNS        | Cleared       |
| 2           | 10/17/2013  | 382151         | 1,415.28         | 09309           | 0              | PWF SOLUTIONS INC                   | Cleared       |
| 2           | 10/17/2013  | 382152         | 180.00           | 09092           | 0              | RYAN OLSON                          | Outstanding   |
| 2           | 10/17/2013  | 382153         | 29.95            | 03683           | 1              | SANTILLANA USA                      | Cleared       |
| 2           | 10/17/2013  | 382154         | 150.00           | 08374           | 0              | SCHOOL CHECK IN                     | Cleared       |
| 2           | 10/17/2013  | 382155         | 229.00           | 02599           | 0              | SDR-STAFF DEVELOPMENT RESOURCES     | Cleared       |
| 2           | 10/17/2013  | 382156         | 109.20           | 02537           | 1              | SOFTERWARE INC                      | Cleared       |
| 2           | 10/17/2013  | 382157         | 516.50           | 08401           | 0              | SPRIGGS PLUMBING /HEATING           | Cleared       |
| 2           | 10/17/2013  | 382158         | 4,574.80         | 00553           | 1              | STAPLES ADVANTAGE                   | Cleared       |
| 2           | 10/17/2013  | 382159         | 268.80           | 00553           | 3              | STAPLES ADVANTAGE                   | Cleared       |
| 2           | 10/17/2013  | 382160         | 277.36           | 02610           | 0              | STATE SUPPLY CO INC                 | Cleared       |
| 2           | 10/17/2013  | 382161         | 90.00            | 09952           | 0              | STEPHEN BLYTHE                      | Cleared       |
| 2           | 10/17/2013  | 382162         | 1,514.56         | 03336           | 1              | STRATEGIC EQUIPMENT                 | Cleared       |
| 2           | 10/17/2013  | 382163         | 115.00           | 02135           | 0              | THE PIANO WORKS                     | Outstanding   |
| 2           | 10/17/2013  | 382164         | 2,490.00         | 09945           | 0              | THE SIGN PRODUCERS                  | Cleared       |
| 2           | 10/17/2013  | 382165         | 2,707.12         | 09299           | 0              | THURNBECK STEEL FABRICATION INC     | Cleared       |
| 2           | 10/17/2013  | 382166         | 695.57           | 02748           | 0              | TIES                                | Cleared       |
| 2           | 10/17/2013  | 382167         | 25.30            | 09141           | 0              | TIMOTHY KREY                        | Cleared       |
| 2           | 10/17/2013  | 382168         | 90.25            | 02776           | 0              | TRANS-MISSISSIPPI BIOLOGICAL        | Cleared       |
| 2           | 10/17/2013  | 382169         | 937.16           | 03345           | 0              | TRIO SUPPLY CO                      | Cleared       |
| 2           | 10/17/2013  | 382170         | 449.00           | 08784           | 0              | TRUSTED EMPLOYEES                   | Cleared       |
| 2           | 10/17/2013  | 382171         | 260.00           | 08961           | 0              | TWINS BALLPARK LLC                  | Outstanding   |
| 2           | 10/17/2013  | 382172         | 255.15           | 00047           | 0              | TYCO INTEGRATED SECURITY LLC        | Cleared       |
| 2           | 10/17/2013  | 382173         | 1,267.41         | 08276           | 0              | USA INFLATABLES                     | Outstanding   |
| 2           | 10/17/2013  | 382174         | 219.07           | 02873           | 0              | VOSS LIGHTING                       | Cleared       |
| 2           | 10/17/2013  | 382175         | 250.00           | 04114           | 0              | WASHINGTON COUNTY CTIC              | Cleared       |
| 2           | 10/24/2013  | 382176         | 2,488.90         | 09958           | 0              | ADAM KIP                            | Cleared       |
| 2           | 10/24/2013  | 382177         | 46,361.18        | 00066           | 0              | AIM ELECTRONICS INC                 | Outstanding   |
| 2           | 10/24/2013  | 382178         | 12.79            | 09959           | 0              | ALYSSA HJELSETH                     | Outstanding   |
| 2           | 10/24/2013  | 382179         | 183.00           | 06857           | 0              | ASHA                                | Cleared       |
| 2           | 10/24/2013  | 382180         | 12.79            | 00208           | 1              | BARNES & NOBLE                      | Cleared       |
| 2           | 10/24/2013  | 382181         | 5,000.00         | 00257           | 0              | BERRYS FLOOR COVERING/STEVEN BERRY  | Cleared       |
| 2           | 10/24/2013  | 382182         | 3,277.05         | 03196           | 0              | BF LAUZON ENTERPRISES INC           | Cleared       |
| 2           | 10/24/2013  | 382183         | 84.00            | 07589           | 1              | BLAINE HIGH SCHOOL-DEBATE TEAM      | Cleared       |
| 2           | 10/24/2013  | 382184         | 837.35           | 04738           | 0              | BRUCE DJOCK REPAIR                  | Outstanding   |
| 2           | 10/24/2013  | 382185         | 279.72           | 09448           | 1              | BSN SPORTS                          | Cleared       |
| 2           | 10/24/2013  | 382186         | 700.00           | 02544           | 0              | CAMBIUM LEARNING/SOPRIS WEST        | Cleared       |
| 2           | 10/24/2013  | 382187         | 220.28           | 07299           | 0              | COBORNSDELIVERS LLC                 | Outstanding   |
| 2           | 10/24/2013  | 382188         | 600.00           | 06546           | 0              | COMO PARK ZOO AND CONSERVATORY ED   | Outstanding   |
| 2           | 10/24/2013  | 382189         | 240.00           | 09009           | 0              | D & J QUALITY SOURCING LLC          | Cleared       |
| 2           | 10/24/2013  | 382190         | 657.19           | 00599           | 0              | DALCO                               | Void          |
| 2           | 10/24/2013  | 382191         | 63.00            | 06904           | 0              | DAN NOVAK                           | Cleared       |
| 2           | 10/24/2013  | 382192         | 381.00           | 09200           | 0              | DAVE TARNOWSKI                      | Cleared       |

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| 2           | 10/24/2013  | 382193         | 46.61            | 08424           | 0              | DISCOUNTID                              | Cleared       |
| 2           | 10/24/2013  | 382194         | 789.10           | 00678           | 0              | DOMINO'S PIZZA                          | Cleared       |
| 2           | 10/24/2013  | 382195         | 540.98           | 00679           | 0              | DONATELLI'S                             | Cleared       |
| 2           | 10/24/2013  | 382196         | 451.00           | 00714           | 0              | EAGLE SCREEN PRINTING/JEFFREY POESCHL   | Cleared       |
| 2           | 10/24/2013  | 382197         | 204.24           | 00722           | 0              | EBSCO                                   | Cleared       |
| 2           | 10/24/2013  | 382198         | 6.10             | 00731           | 0              | ED'S TROPHIES INC                       | Cleared       |
| 2           | 10/24/2013  | 382199         | 2,148.20         | 00803           | 0              | EXPRESS SERVICES INC                    | Cleared       |
| 2           | 10/24/2013  | 382200         | 353.10           | 00856           | 0              | FOLLETT EDUCATIONAL SERVICES            | Cleared       |
| 2           | 10/24/2013  | 382201         | 229.75           | 08927           | 0              | GB HANSON AWARDS                        | Outstanding   |
| 2           | 10/24/2013  | 382202         | 263.53           | 00937           | 1              | GENERAL INDUSTRIAL SUPPLY CO            | Cleared       |
| 2           | 10/24/2013  | 382203         | 80.12            | 00987           | 0              | GRAINGER                                | Cleared       |
| 2           | 10/24/2013  | 382204         | 751.95           | 01001           | 0              | GREAT LAKES SPORTS                      | Cleared       |
| 2           | 10/24/2013  | 382205         | 100.00           | 01096           | 0              | HEALTHPARTNERS/GROUP HEALTH INC         | Cleared       |
| 2           | 10/24/2013  | 382206         | 400.00           | 09369           | 0              | HISTORY COMES TO LIFE                   | Cleared       |
| 2           | 10/24/2013  | 382207         | 75.00            | 09954           | 0              | HOLLY PHILLIPS                          | Cleared       |
| 2           | 10/24/2013  | 382208         | 37,711.67        | 03248           | 0              | I.S.D # 834 STILLWATER                  | Outstanding   |
| 2           | 10/24/2013  | 382209         | 20.00            | 09955           | 0              | JANA OR LESTER WILSEY                   | Outstanding   |
| 2           | 10/24/2013  | 382210         | 886.76           | 03141           | 0              | JOAN STAHLMANN                          | Cleared       |
| 2           | 10/24/2013  | 382211         | 400.00           | 09606           | 0              | JONATHAN (JACK) WESTAFER PROJECT 8 PROD | Outstanding   |
| 2           | 10/24/2013  | 382212         | 308.00           | 08531           | 0              | JONATHAN RICE                           | Cleared       |
| 2           | 10/24/2013  | 382213         | 304.00           | 08337           | 0              | KARA BETHKE                             | Cleared       |
| 2           | 10/24/2013  | 382214         | 500.00           | 09956           | 0              | KELLERMAN'S EVENT CENTER                | Cleared       |
| 2           | 10/24/2013  | 382215         | 301.95           | 01420           | 0              | LAKESIDE FLORAL INC                     | Cleared       |
| 2           | 10/24/2013  | 382216         | 1,121.82         | 08645           | 0              | LARKIN HOFFMAN DALY & LINDGREN LTD      | Cleared       |
| 2           | 10/24/2013  | 382217         | 76.97            | 03195           | 0              | LASERPLUS, LLC                          | Outstanding   |
| 2           | 10/24/2013  | 382218         | 1,500.00         | 08389           | 0              | LINDA FENWICK                           | Cleared       |
| 2           | 10/24/2013  | 382219         | 129.00           | 07073           | 0              | LOFFLER                                 | Cleared       |
| 2           | 10/24/2013  | 382220         | 63.00            | 04839           | 0              | MARK COURTNEY                           | Outstanding   |
| 2           | 10/24/2013  | 382221         | 125.00           | 03379           | 0              | MCTLC                                   | Outstanding   |
| 2           | 10/24/2013  | 382222         | 19.56            | 01684           | 0              | MENARDS OAKDALE CASHWAY LUMBER          | Cleared       |
| 2           | 10/24/2013  | 382223         | 1,971.00         | 01747           | 3              | MINNESOTA HISTORICAL SOCIETY            | Outstanding   |
| 2           | 10/24/2013  | 382224         | 1,110.00         | 05059           | 0              | MINNESOTA LANDSCAPE ARBORETUM           | Cleared       |
| 2           | 10/24/2013  | 382225         | 753.35           | 01812           | 0              | MINNESOTA/WISCONSIN PLAYGROUND          | Cleared       |
| 2           | 10/24/2013  | 382226         | 45.00            | 01780           | 1              | MN DEPT OF HEALTH                       | Cleared       |
| 2           | 10/24/2013  | 382227         | 840.00           | 01805           | 0              | MN SWORD PLAY                           | Cleared       |
| 2           | 10/24/2013  | 382228         | 59.00            | 01844           | 0              | MRPA-MN REC.AND PARK ASSN               | Cleared       |
| 2           | 10/24/2013  | 382229         | 50.00            | 01799           | 0              | MSBA-MN SCHOOL BOARDS ASSOC             | Cleared       |
| 2           | 10/24/2013  | 382230         | 415.00           | 06200           | 0              | NORTH SHORE GYM SALES                   | Outstanding   |
| 2           | 10/24/2013  | 382231         | 1,458.75         | 01971           | 2              | NORTHEAST METRO 916                     | Cleared       |
| 2           | 10/24/2013  | 382232         | 448.00           | 02141           | 0              | PINE TREE APPLE ORCHARD                 | Outstanding   |
| 2           | 10/24/2013  | 382233         | 170.30           | 02242           | 0              | REALLY GOOD STUFF INC                   | Cleared       |
| 2           | 10/24/2013  | 382234         | 63.00            | 04815           | 0              | ROB LINDER                              | Cleared       |
| 2           | 10/24/2013  | 382235         | 70.00            | 09960           | 0              | ROXANE MOLINARI                         | Cleared       |
| 2           | 10/24/2013  | 382236         | 370.44           | 01375           | 0              | SANDY KOENIG                            | Cleared       |
| 2           | 10/24/2013  | 382237         | 82.50            | 09186           | 0              | SCHOLASTIC                              | Cleared       |
| 2           | 10/24/2013  | 382238         | 5,944.05         | 03866           | 0              | SCHOLASTIC EQUIPMENT CO.                | Cleared       |
| 2           | 10/24/2013  | 382239         | 113.26           | 02432           | 0              | SCHWAAB INC                             | Cleared       |
| 2           | 10/24/2013  | 382240         | 1,000.00         | 02442           | 0              | SCIENCE MUSEUM OF MINN                  | Cleared       |
| 2           | 10/24/2013  | 382241         | 229.00           | 02599           | 0              | SDR-STAFF DEVELOPMENT RESOURCES         | Cleared       |
| 2           | 10/24/2013  | 382242         | 63.00            | 06979           | 0              | STEVE SCHNEIDER                         | Outstanding   |
| 2           | 10/24/2013  | 382243         | 400.56           | 02748           | 0              | TIES                                    | Cleared       |

**FY14 OCT 2013 CHECK REGISTER - BANK 02**

| <b>Bank</b> | <b>Date</b> | <b>Check #</b> | <b>Check Amt</b> | <b>Vendor #</b> | <b>Address</b> | <b>Vendor Name</b>      | <b>Status</b> |
|-------------|-------------|----------------|------------------|-----------------|----------------|-------------------------|---------------|
| 2           | 10/24/2013  | 382244         | 27.84            | 02750           | 0              | TIME FOR KIDS           | Outstanding   |
| 2           | 10/24/2013  | 382245         | 63.00            | 06963           | 0              | TIMOTHY DEMCO           | Cleared       |
| 2           | 10/24/2013  | 382246         | 297.00           | 05014           | 0              | TOM HATCHER             | Cleared       |
| 2           | 10/24/2013  | 382247         | 63.00            | 04864           | 0              | TOM KNOBLAUCH           | Outstanding   |
| 2           | 10/24/2013  | 382248         | 4,545.74         | 02861           | 2              | TYLER TECHNOLOGIES INC  | Cleared       |
| 2           | 10/24/2013  | 382249         | 12,905.00        | 02825           | 7              | UNIVERSITY OF MINNESOTA | Cleared       |
| 2           | 10/24/2013  | 382250         | 30.81            | 02858           | 1              | VERIZON WIRELESS        | Cleared       |
| 2           | 10/24/2013  | 382251         | 2,180.00         | 02875           | 0              | W E NEAL SLATE COMPANY  | Cleared       |
| 2           | 10/24/2013  | 382252         | 2,900.00         | 05845           | 0              | WALDO-FMSYSTEMS.BIZ CO  | Outstanding   |
| 2           | 10/24/2013  | 382253         | 82.00            | 02902           | 5              | WASHINGTON COUNTY       | Outstanding   |
| 2           | 10/24/2013  | 382254         | 572.00           | 02902           | 5              | WASHINGTON COUNTY       | Outstanding   |
| 2           | 10/24/2013  | 382255         | 572.00           | 02902           | 5              | WASHINGTON COUNTY       | Outstanding   |
| 2           | 10/24/2013  | 382256         | 572.00           | 02902           | 5              | WASHINGTON COUNTY       | Outstanding   |
| 2           | 10/24/2013  | 382257         | 572.00           | 02902           | 5              | WASHINGTON COUNTY       | Outstanding   |
| 2           | 10/24/2013  | 382258         | 10,131.85        | 00723           | 0              | XCEL ENERGY             | Cleared       |
| 2           | 10/03/2013  | 80004358       | 9.98             | 99999           | 10443          | Scanlon, Lindsey S      | Cleared       |
| 2           | 10/03/2013  | 80004359       | 94.92            | 99999           | 4084           | Eliason, Laura G        | Cleared       |
| 2           | 10/03/2013  | 80004360       | 81.37            | 99999           | 7221           | Krause, Sandra M        | Cleared       |
| 2           | 10/03/2013  | 80004361       | 16.20            | 99999           | 2234           | Newman, Keith           | Cleared       |
| 2           | 10/03/2013  | 80004362       | 16.95            | 99999           | 7846           | Benjamin, Carol         | Cleared       |
| 2           | 10/03/2013  | 80004363       | 44.47            | 99999           | 10909          | Rolling, Julie          | Cleared       |
| 2           | 10/03/2013  | 80004364       | 98.20            | 99999           | 2216           | Trautman, Terry         | Cleared       |
| 2           | 10/03/2013  | 80004365       | 74.73            | 99999           | 2268           | Brown, Julie M          | Cleared       |
| 2           | 10/03/2013  | 80004366       | 303.95           | 99999           | 10707          | Channon, Lisa           | Cleared       |
| 2           | 10/03/2013  | 80004367       | 83.48            | 99999           | 10182          | Rohrig, Joyce L         | Cleared       |
| 2           | 10/03/2013  | 80004368       | 65.94            | 99999           | 7221           | Krause, Sandra M        | Cleared       |
| 2           | 10/03/2013  | 80004369       | 117.18           | 99999           | 10910          | Wagner, Luanne          | Cleared       |
| 2           | 10/10/2013  | 80004370       | 20.17            | 99999           | 10807          | O'Connor, Kimberly      | Cleared       |
| 2           | 10/10/2013  | 80004371       | 38.13            | 99999           | 10537          | Huberty, Cassandra      | Cleared       |
| 2           | 10/10/2013  | 80004372       | 20.00            | 99999           | 10537          | Huberty, Cassandra      | Cleared       |
| 2           | 10/10/2013  | 80004373       | 79.89            | 99999           | 10443          | Scanlon, Lindsey S      | Cleared       |
| 2           | 10/10/2013  | 80004374       | 13.56            | 99999           | 10318          | Moga, Laurie M          | Cleared       |
| 2           | 10/10/2013  | 80004375       | 55.36            | 99999           | 2327           | Fox, Heather            | Cleared       |
| 2           | 10/10/2013  | 80004376       | 120.00           | 99999           | 2292           | Nickleby, Kathe         | Cleared       |
| 2           | 10/10/2013  | 80004377       | 54.97            | 99999           | 10947          | Ruth, Jessica           | Cleared       |
| 2           | 10/10/2013  | 80004378       | 67.56            | 99999           | 10537          | Huberty, Cassandra      | Cleared       |
| 2           | 10/10/2013  | 80004379       | 38.53            | 99999           | 10351          | Cappelen, Thomas        | Cleared       |
| 2           | 10/10/2013  | 80004380       | 50.00            | 99999           | 10522          | Bouwens, Kirsten        | Cleared       |
| 2           | 10/10/2013  | 80004381       | 50.00            | 99999           | 10412          | Hamre, Mark B           | Cleared       |
| 2           | 10/10/2013  | 80004382       | 50.00            | 99999           | 10639          | Larson, Mark            | Cleared       |
| 2           | 10/10/2013  | 80004383       | 50.00            | 99999           | 10910          | Wagner, Luanne          | Cleared       |
| 2           | 10/10/2013  | 80004384       | 50.00            | 99999           | 10686          | Neubeck, Michael        | Cleared       |
| 2           | 10/10/2013  | 80004385       | 50.00            | 99999           | 2292           | Nickleby, Kathe         | Cleared       |
| 2           | 10/10/2013  | 80004386       | 45.83            | 99999           | 10700          | Sorenson, Susan         | Cleared       |
| 2           | 10/10/2013  | 80004387       | 50.00            | 99999           | 10224          | Viker, Lynne M          | Cleared       |
| 2           | 10/10/2013  | 80004388       | 50.00            | 99999           | 10908          | Menier, Matthew         | Cleared       |
| 2           | 10/10/2013  | 80004389       | 50.00            | 99999           | 10846          | Sallman, Annette        | Cleared       |
| 2           | 10/10/2013  | 80004390       | 50.00            | 99999           | 10971          | Manders, Rochel         | Cleared       |
| 2           | 10/10/2013  | 80004391       | 25.00            | 99999           | 1038           | Crothers, Patrick       | Cleared       |
| 2           | 10/10/2013  | 80004392       | 25.00            | 99999           | 10196          | Hering, James P         | Cleared       |
| 2           | 10/10/2013  | 80004393       | 25.00            | 99999           | 1039           | Kaczorek, Debora        | Cleared       |

**FY14 OCT 2013 CHECK REGISTER - BANK 02**

| <b>Bank</b> | <b>Date</b> | <b>Check #</b> | <b>Check Amt</b> | <b>Vendor #</b> | <b>Address</b> | <b>Vendor Name</b>    | <b>Status</b> |
|-------------|-------------|----------------|------------------|-----------------|----------------|-----------------------|---------------|
| 2           | 10/10/2013  | 80004394       | 25.00            | 99999           | 10323          | Kostuch, Tonya M      | Cleared       |
| 2           | 10/10/2013  | 80004395       | 50.00            | 99999           | 10356          | Falde, Nicolas S      | Cleared       |
| 2           | 10/10/2013  | 80004396       | 50.00            | 99999           | 10945          | Menier, Ann           | Cleared       |
| 2           | 10/10/2013  | 80004397       | 50.00            | 99999           | 5125           | Albrecht, Daniel      | Cleared       |
| 2           | 10/10/2013  | 80004398       | 40.00            | 99999           | 10427          | Young, Matthew V      | Cleared       |
| 2           | 10/10/2013  | 80004399       | 67.78            | 99999           | 10196          | Hering, James P       | Cleared       |
| 2           | 10/10/2013  | 80004400       | 2,227.85         | 99999           | 10856          | Mason, Scott          | Cleared       |
| 2           | 10/10/2013  | 80004401       | 912.79           | 99999           | 10440          | Arlandson, John       | Cleared       |
| 2           | 10/10/2013  | 80004402       | 9.89             | 99999           | 7544           | Swanson, Jean M       | Cleared       |
| 2           | 10/10/2013  | 80004403       | 9.89             | 99999           | 4900           | Audorff, Shirley      | Cleared       |
| 2           | 10/10/2013  | 80004404       | 1,282.75         | 03057           | 0              | BRAD BERGIE           | Cleared       |
| 2           | 10/10/2013  | 80004405       | 9.89             | 99999           | 7222           | Lanoux, Denise R      | Cleared       |
| 2           | 10/10/2013  | 80004406       | 108.09           | 99999           | 2384           | Hill, Sarah M         | Cleared       |
| 2           | 10/10/2013  | 80004407       | 90.40            | 99999           | 2292           | Nickleby, Kathe       | Cleared       |
| 2           | 10/10/2013  | 80004408       | 44.73            | 99999           | 10616          | Lewis, Harmony L      | Cleared       |
| 2           | 10/10/2013  | 80004409       | 50.31            | 99999           | 10182          | Rohrig, Joyce L       | Cleared       |
| 2           | 10/10/2013  | 80004410       | 255.00           | 99999           | 2372           | Conzemius, Julie      | Cleared       |
| 2           | 10/10/2013  | 80004411       | 643.90           | 03115           | 0              | CHARLES LINDERKAMP    | Cleared       |
| 2           | 10/10/2013  | 80004412       | 1,308.40         | 03088           | 0              | STEVE HAMMERSCHMIDT   | Cleared       |
| 2           | 10/17/2013  | 80004413       | 142.88           | 99999           | 2021           | Driscoll, Deborah     | Cleared       |
| 2           | 10/17/2013  | 80004414       | 9.98             | 99999           | 10859          | Paquette, Chelsea     | Cleared       |
| 2           | 10/17/2013  | 80004415       | 60.71            | 99999           | 7221           | Krause, Sandra M      | Cleared       |
| 2           | 10/17/2013  | 80004416       | 175.00           | 99999           | 3821           | Gerver, Laurie        | Cleared       |
| 2           | 10/17/2013  | 80004417       | 180.00           | 99999           | 10310          | Flesner, Nicole       | Cleared       |
| 2           | 10/17/2013  | 80004418       | 30.17            | 99999           | 2227           | Caskey, Jennifer      | Cleared       |
| 2           | 10/17/2013  | 80004419       | 172.32           | 99999           | 8080           | Poirier, Nicole       | Cleared       |
| 2           | 10/17/2013  | 80004420       | 12.43            | 99999           | 2227           | Caskey, Jennifer      | Cleared       |
| 2           | 10/17/2013  | 80004421       | 55.72            | 99999           | 2227           | Caskey, Jennifer      | Cleared       |
| 2           | 10/17/2013  | 80004422       | 57.42            | 99999           | 2436           | Childs, Rita          | Cleared       |
| 2           | 10/17/2013  | 80004423       | 26.17            | 99999           | 10098          | Fong, Gloria          | Cleared       |
| 2           | 10/24/2013  | 80004424       | 5.94             | 99999           | 10722          | McCabe, Patricia      | Cleared       |
| 2           | 10/24/2013  | 80004425       | 189.84           | 99999           | 2228           | Hei, Mary Jo          | Cleared       |
| 2           | 10/24/2013  | 80004426       | 13.82            | 99999           | 3550           | Felber, George C      | Cleared       |
| 2           | 10/24/2013  | 80004427       | 24.86            | 99999           | 2346           | Akins, John F         | Cleared       |
| 2           | 10/24/2013  | 80004428       | 15.85            | 99999           | 2355           | Erickson, Anne        | Cleared       |
| 2           | 10/24/2013  | 80004429       | 129.99           | 99999           | 7221           | Krause, Sandra M      | Cleared       |
| 2           | 10/24/2013  | 80004430       | 93.93            | 99999           | 3918           | Oswald, Jean G        | Cleared       |
| 2           | 10/24/2013  | 80004431       | 85.32            | 99999           | 7221           | Krause, Sandra M      | Cleared       |
| 2           | 10/24/2013  | 80004432       | 18.08            | 99999           | 4549           | Lovgren, Dyan L       | Cleared       |
| 2           | 10/24/2013  | 80004433       | 173.85           | 09832           | 0              | ANDREA MYERS          | Cleared       |
| 2           | 10/24/2013  | 80004434       | 1,344.20         | 03088           | 0              | STEVE HAMMERSCHMIDT   | Cleared       |
| 2           | 10/24/2013  | 80004435       | 115.26           | 99999           | 3896           | Irsfeld, Lisa M       | Cleared       |
| 2           | 10/28/2013  | 80004436       | 79.50            | 99999           | 10477          | Goff, Karen E         | Cleared       |
| 2           | 10/28/2013  | 80004437       | 125.00           | 99999           | 3491           | Marshall, Karen       | Cleared       |
| 2           | 10/28/2013  | 80004438       | 137.66           | 99999           | 2139           | Rohde, Nancy A        | Cleared       |
| 2           | 10/28/2013  | 80004439       | 122.09           | 99999           | 10525          | Laue, Deanna          | Cleared       |
| 2           | 10/28/2013  | 80004440       | 67.94            | 99999           | 2197           | Fesser, Stacy T       | Cleared       |
| 2           | 10/28/2013  | 80004441       | 40.82            | 99999           | 10859          | Paquette, Chelsea     | Cleared       |
| 2           | 10/28/2013  | 80004442       | 342.30           | 03115           | 0              | CHARLES LINDERKAMP    | Cleared       |
| 2           | 10/28/2013  | 80004443       | 1,191.12         | 03057           | 0              | BRAD BERGIE           | Cleared       |
| 2           | 10/31/2013  | 80004444       | 12.43            | 99999           | 10559          | Ficcadenti, Christine | Cleared       |

**FY14 OCT 2013 CHECK REGISTER - BANK 02**

| <b>Bank</b>  | <b>Date</b> | <b>Check #</b> | <b>Check Amt</b>    | <b>Vendor #</b> | <b>Address</b> | <b>Vendor Name</b>  | <b>Status</b> |
|--------------|-------------|----------------|---------------------|-----------------|----------------|---------------------|---------------|
| 2            | 10/31/2013  | 80004445       | 8.37                | 99999           | 10305          | Gutmann, Sheila     | Cleared       |
| 2            | 10/31/2013  | 80004446       | 37.01               | 99999           | 10305          | Gutmann, Sheila     | Cleared       |
| 2            | 10/31/2013  | 80004447       | 74.57               | 99999           | 10537          | Huberty, Cassandra  | Cleared       |
| 2            | 10/31/2013  | 80004448       | 82.01               | 99999           | 10245          | Dusek, Sara A       | Cleared       |
| 2            | 10/31/2013  | 80004449       | 76.39               | 99999           | 4740           | Robinson, Susan     | Cleared       |
| 2            | 10/31/2013  | 80004450       | 115.41              | 99999           | 2442           | Livingston, Judy    | Cleared       |
| 2            | 10/31/2013  | 80004451       | 318.35              | 99999           | 10488          | Comfort, Julie N    | Cleared       |
| 2            | 10/31/2013  | 80004452       | 79.50               | 99999           | 2181           | Hombres, Elizabeth  | Cleared       |
| 2            | 10/31/2013  | 80004453       | 133.09              | 99999           | 3785           | Rice, Marianne G    | Cleared       |
| 2            | 10/31/2013  | 80004454       | 54.65               | 99999           | 10062          | Wagner-Beek, Leslie | Cleared       |
| 2            | 10/31/2013  | 80004455       | 26.46               | 99999           | 10912          | Leichtle, Emily     | Cleared       |
| 2            | 10/31/2013  | 80004456       | 108.04              | 99999           | 4731           | Lauer, Deborah A    | Cleared       |
| 2            | 10/31/2013  | 80004457       | 22.60               | 99999           | 2332           | Connelly, Barbara   | Cleared       |
| 2            | 10/31/2013  | 80004458       | 352.00              | 99999           | 4599           | Vaughan, Kristin    | Cleared       |
| 2            | 10/31/2013  | 80004459       | 41.72               | 99999           | 10443          | Scanlon, Lindsey S  | Cleared       |
| 2            | 10/31/2013  | 80004460       | 121.64              | 99999           | 4731           | Lauer, Deborah A    | Cleared       |
| 2            | 10/31/2013  | 80004461       | 29.01               | 99999           | 10834          | Lane, James         | Cleared       |
| 2            | 10/31/2013  | 80004462       | 120.00              | 99999           | 2292           | Nickleby, Kathe     | Cleared       |
| <b>TOTAL</b> |             |                | <b>1,588,875.26</b> |                 |                |                     |               |

**FY14 OCT 2013 CHECK REGISTER - BANK 05**

| <b>Bank</b>  | <b>Date</b> | <b>Check #</b> | <b>Check Amt</b> | <b>Vendor #</b> | <b>Address</b> | <b>Vendor Name</b>                 | <b>Status</b> |
|--------------|-------------|----------------|------------------|-----------------|----------------|------------------------------------|---------------|
| 5            | 10/03/2013  | 50000133       | 266.00           | 02747           | 0              | TIERNEY BROTHERS INC               | Cleared       |
| 5            | 10/10/2013  | 50000134       | 164.00           | 04719           | 0              | DOOR SERVICE CO OF THE TWIN CITIES | Outstanding   |
| 5            | 10/10/2013  | 50000135       | 1,642.86         | 02227           | 0              | CENTURYLINK                        | Outstanding   |
| 5            | 10/10/2013  | 50000136       | 144.40           | 02227           | 0              | CENTURYLINK                        | Outstanding   |
| 5            | 10/17/2013  | 50000137       | 226.00           | 03538           | 0              | PARTSTOCK COMPUTER                 | Outstanding   |
| 5            | 10/17/2013  | 50000138       | 1,078.53         | 02747           | 0              | TIERNEY BROTHERS INC               | Outstanding   |
| 5            | 10/17/2013  | 50000139       | 57,526.49        | 04685           | 0              | MAX STEININGER INC                 | Void          |
| 5            | 10/17/2013  | 50000140       | 3,870.00         | 03538           | 0              | PARTSTOCK COMPUTER                 | Outstanding   |
| 5            | 10/24/2013  | 50000142       | 305.00           | 06303           | 1              | JOHNSON CONTROLS                   | Outstanding   |
| 5            | 10/24/2013  | 50000143       | 539.61           | 00631           | 0              | DELTA EDUCATION INC                | Outstanding   |
| 5            | 10/24/2013  | 50000144       | -63.70           | 00631           | 0              | DELTA EDUCATION INC                | Outstanding   |
| 5            | 10/31/2013  | 50000145       | 240.00           | 04719           | 0              | DOOR SERVICE CO OF THE TWIN CITIES | Outstanding   |
| 5            | 10/31/2013  | 50000146       | 90.00            | 05516           | 0              | FAIRVIEW                           | Outstanding   |
| 5            | 10/31/2013  | 50000147       | 77.42            | 02747           | 0              | TIERNEY BROTHERS INC               | Outstanding   |
| 5            | 10/31/2013  | 50000148       | 268.80           | 02747           | 0              | TIERNEY BROTHERS INC               | Outstanding   |
| 5            | 10/31/2013  | 50000149       | -310.15          | 02747           | 0              | TIERNEY BROTHERS INC               | Outstanding   |
| <b>TOTAL</b> |             |                | <b>66,065.26</b> |                 |                |                                    |               |

**INDEPENDENT SCHOOL DISTRICT #832  
WIRE TRANSFER TRANSACTIONS  
MONTH OF OCTOBER 2013**

| <u>DATE</u> | <u>FROM</u>        | <u>TO</u>                          | <u>AMOUNT</u>  | <u>PURPOSE</u>            |
|-------------|--------------------|------------------------------------|----------------|---------------------------|
| 10/2/13     | State of Minnesota | MN Trust                           | \$334.44       | direct state payment      |
| 10/7/13     | US Bank            | Preferred One                      | \$20.77        | claims payment            |
| 10/7/13     | US Bank            | Preferred One                      | \$11,782.81    | claims payment            |
| 10/8/13     | MN Trust           | MSDLAF                             | \$1,000,000.00 | cover checks              |
| 10/11/13    | US Bank            | Chase Card Service/Bank One        | \$12,373.84    | cardmember payment        |
| 10/14/13    | US Bank            | Preferred One                      | \$260.76       | claims payment            |
| 10/14/13    | US Bank            | Preferred One                      | \$15,168.37    | claims payment            |
| 10/15/13    | US Bank            | Peoples Bank of Commerce-EBC Flex  | \$6,816.76     | flex benefits             |
| 10/15/13    | US Bank            | Peoples Bank of Commerce-403-B/457 | \$58,552.84    | TSA payment/Deferred Comp |
| 10/15/13    | US Bank            | Central Bank                       | \$721.60       | para union dues           |
| 10/15/13    | MSDLAF             | US Bank                            | \$527,122.16   | cover checks              |
| 10/15/13    | US Bank            | IRS                                | \$200,578.52   | federal & fica taxes      |
| 10/15/13    | US Bank            | MN Dept of Revenue                 | \$33,511.94    | state payroll taxes       |
| 10/15/13    | US Bank            | Public Emp. Retirement Assoc.      | \$22,866.94    | pera retirement           |
| 10/15/13    | US Bank            | Mn Teachers Retirement             | \$91,548.08    | teachers retirement       |
| 10/15/13    | State of Minnesota | MN Trust                           | \$826,750.36   | direct state payment      |
| 10/15/13    | State of Minnesota | MN Trust                           | \$31,878.73    | direct state payment      |
| 10/17/13    | MN Trust           | MSDLAF                             | \$800,000.00   | cover checks              |
| 10/18/13    | US Bank            | MN Dept of Revenue                 | \$735.00       | sales tax payment         |
| 10/21/13    | US Bank            | Preferred One                      | \$1,444.04     | claims payment            |
| 10/21/13    | US Bank            | Preferred One                      | \$14,769.03    | claims payment            |
| 10/24/13    | MN Trust           | MSDLAF                             | \$2,000,000.00 | cover checks              |
| 10/25/12    | Washington County  | MN Trust                           | \$2,271,326.00 | direct payment            |
| 10/28/13    | US Bank            | Preferred One                      | \$377.11       | claims payment            |
| 10/28/13    | US Bank            | Preferred One                      | \$15,039.44    | claims payment            |
| 10/28/13    | US Bank            | Preferred One                      | (\$516.47)     | claims payment            |
| 10/31/13    | US Bank            | Peoples Bank of Commerce-EBC Flex  | \$6,935.81     | flex benefits             |
| 10/31/13    | US Bank            | Peoples Bank of Commerce-403-B/457 | \$58,468.37    | TSA payment/Deferred Comp |
| 10/31/13    | US Bank            | Central Bank                       | \$724.04       | para union dues           |
| 10/31/13    | US Bank            | The United Educators CU            | \$10,820.50    | MEA teachers union dues   |
| 10/31/13    | MSDLAF             | US Bank                            | \$536,709.66   | cover checks              |
| 10/31/13    | US Bank            | IRS                                | \$208,115.65   | federal & fica taxes      |
| 10/31/13    | US Bank            | MN Dept of Revenue                 | \$34,976.16    | state payroll taxes       |
| 10/31/13    | US Bank            | Public Emp. Retirement Assoc.      | \$22,731.40    | pera retirement           |
| 10/31/13    | US Bank            | Mn Teachers Retirement             | \$93,309.64    | TRA payment               |
| 10/31/13    | State of Minnesota | MN Trust                           | \$881,126.36   | direct state payment      |