



***Independent School District No. 877
2011-2012 End of Year Financial Report
School Board Workshop – Oct. 8, 2012***

Attached you will find the District’s preliminary financial results for the year ended June 30, 2012. Overall, the District’s financial position continues to be balanced. The General Fund’s final revenues and expenditures came in more favorably than budgeted. The Food Service and Community Service funds continue to be self-supporting funds.

Average Daily Membership

Resident ADM includes all resident students who are enrolled in the District, educated in another district for which tuition is paid, or attending another district under enrollment options. Adjusted ADM includes resident students attending the District, nonresident enrollment option students, and nonresident tuition students. History shows us we tend to service fewer students than reside in our community. In previous years, both resident ADM and adjusted ADM exhibited steady increases from year to year. However, the total adjusted ADM displayed its first sign of declining enrollment in 2009-2010. The numbers of housing foreclosures, building permits, and overall economic conditions have impacted our school district’s enrollment.

	2006-2007*	2007-2008*	2008-2009*	2009-2010*	2010-2011*	2011-12
Total Resident ADM	5,717	5,799	5,900	5,920	6,001	6,002
Total Adjusted ADM	5,604	5,697	5,838	5,770	5,799	5,751

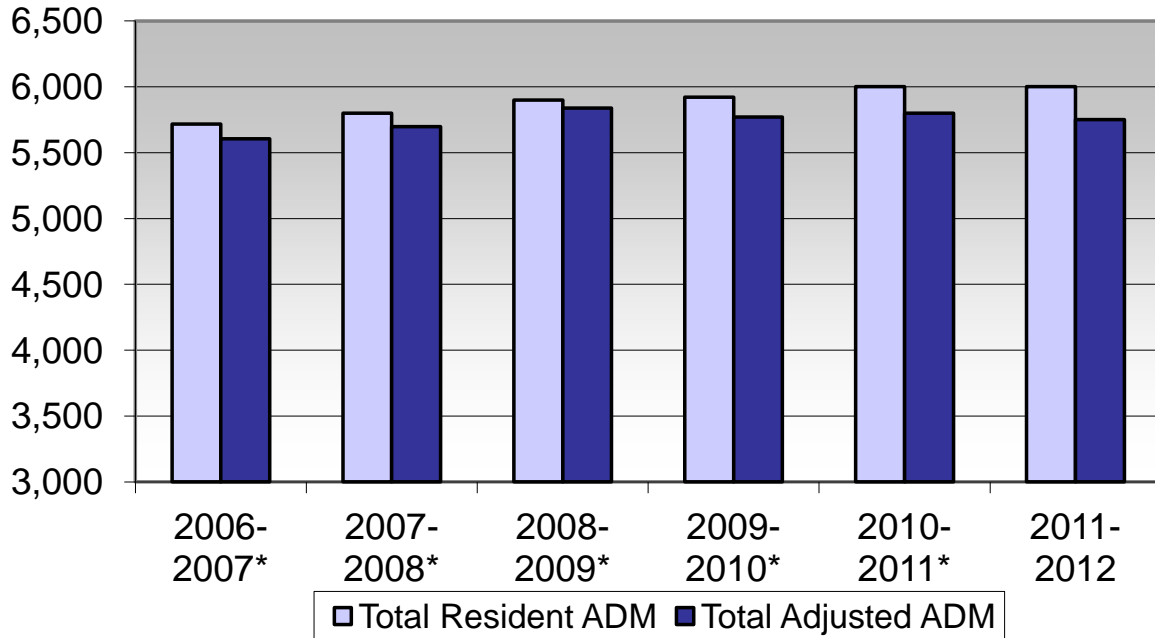
*Source: *School District Profiles*



Making a Difference!

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Average Daily Membership

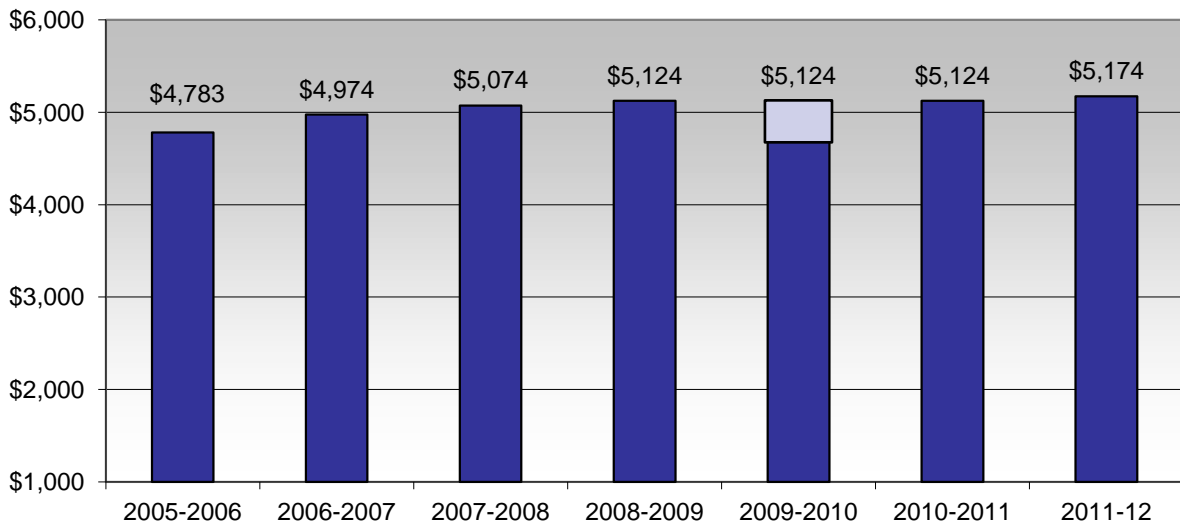


General Education Aid

The largest source of revenue for the District is basic general education aid. Total basic general education revenue is calculated by multiplying the formula allowance by the number of pupil units for which a school is entitled. Pupil units are calculated using a weighting system applied to the average daily membership (WADM's). During the 2009 Legislative session, the basic general education formula was frozen for the next two years. In addition, part of the 2009-2010 basic general education formula was back-filled with federal stabilization dollars. The 2011 legislature did increase the formula by about 1% for 2011-12 and 2012-13.

	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-12
General Education Formula Allowance	\$4,974	\$5,074	\$5,124	\$5,124	\$5,124	\$ 5,174
Percent Increase From Prior Year	4.00%	2.00%	1.00%	0.00%	0.00%	0.98%

General Education Aid Per Pupil



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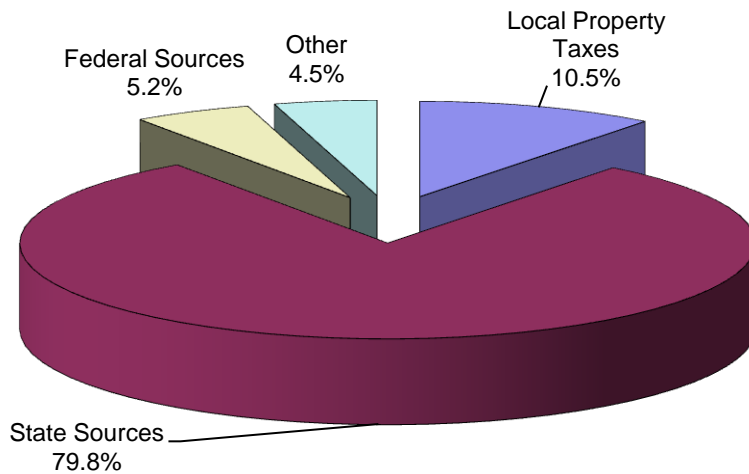
General Fund - Revenue

In the General Fund, revenues came in under budget by \$6,026, which is approximately 0.01%. There were offsetting budget variances between Local Property Taxes and Revenue from State Sources due to the State’s property tax shift. The District also received less Revenue from Federal Sources as a result of lower expenditures than anticipated.

Total General Fund revenue increased by \$2,126,406 from the previous year and was primarily due to an increase in federal reimbursement from the Ed Jobs program, an increase in the General Education Aid formula, the STEM Grant, and Third Party Billing reimbursement. Revenue from State Sources increased in total by \$2,823,990 from the 2010-2011 fiscal year. Revenue from Federal Sources increased \$654,529 from the 2010-2011 fiscal year. Local sources increased \$493,511 from the 2010-2011 fiscal year. The District also experienced the State’s property tax shift for 2011-12 as it shifted revenue by decreasing property tax revenue by \$2,261,088 with a similar offsetting increase in the Revenue from State Sources.

	2010-2011 Actual	2011-2012 Revised Budget	2011-2012 Actual	\$ Budget Variance	% Budget Variance
Revenue					
Local Property Taxes	\$7,567,979	\$7,782,203	\$5,722,356	(\$2,059,847)	-26.47%
State Sources	\$40,626,195	\$41,386,464	\$43,450,185	\$2,063,721	4.99%
Federal Sources	\$2,177,308	\$2,919,276	\$2,831,837	(\$87,439)	-3.00%
Other	\$1,961,624	\$2,377,595	\$2,455,135	\$77,540	3.26%
Total	\$52,333,106	\$54,465,538	\$54,459,512	(\$6,026)	-0.01%

2011-2012 General Fund Revenue By Source



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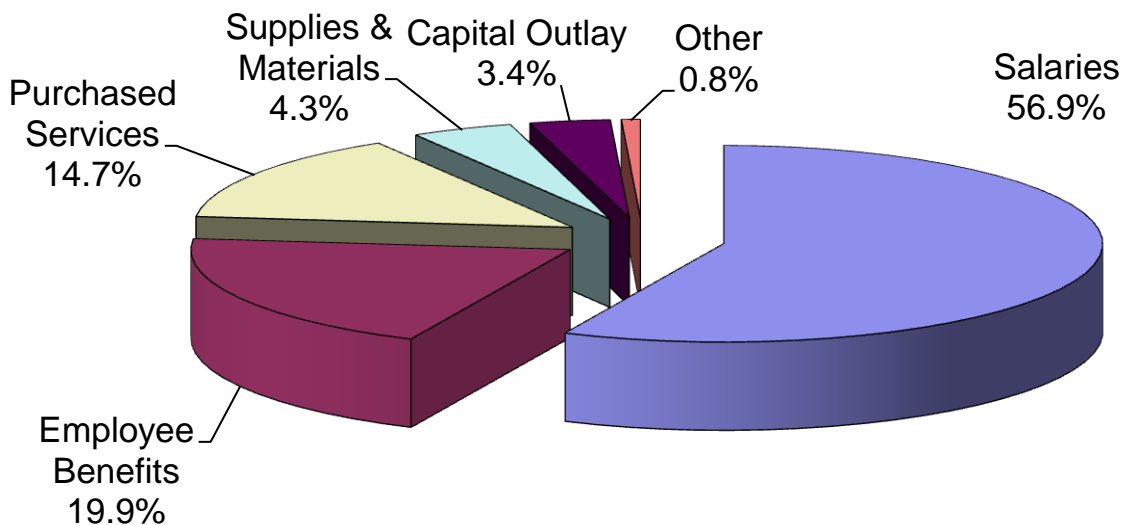
General Fund – Expenditures By Object

In the General Fund, expenditures were under budget by \$1,490,526 or 2.77%. The district was under budget by more than \$425,000 due to lower energy usage through conservation and a mild winter and through lower than expected transportation costs. Employee benefits were under budget by \$302,270. The District had \$130,000 budgeted for short-term borrowing but could delay this for another year due to the state increasing the aid shift percentage and, thus, causing a positive cash flow balance as of June 30th. The \$100,000 district copier lease program was not utilized for the 2011-12 year but will be utilized for 2012-13.

The General Fund expenditures increased \$367,447, or 0.1% from the previous year. For another year, the District maintained its expenditures for the 2011-12 school year to provide long-term financial stability.

	2010-2011 Actual	2011-2012 Revised Budget	2011-2012 Actual	\$ Budget Variance	% Budget Variance
Expenditures					
Salaries	\$29,355,858	\$29,938,511	\$29,718,178	(\$220,333)	-0.74%
Employee Benefits	\$9,992,682	\$10,695,687	\$10,393,417	(\$302,270)	-2.83%
Purchased Services	\$7,615,889	\$8,038,579	\$7,660,959	(\$377,620)	-4.70%
Supplies & Materials	\$2,177,657	\$2,411,606	\$2,268,836	(\$142,770)	-5.92%
Capital Outlay	\$2,409,619	\$2,169,057	\$1,793,889	(\$375,168)	-17.30%
Other	\$335,506	\$491,744	\$419,379	(\$72,365)	-14.72%
Total	\$51,887,211	\$53,745,184	\$52,254,658	(\$1,490,526)	-2.77%

2011-2012 General Fund Expenditures By Object



General Fund - Fund Balance

With total revenues ending at \$54,459,512 plus other financing sources at \$109,046 and total expenditures at \$52,254,658, the General Fund's overall fund balance increased \$2,313,900 to \$14,373,265 as of June 30, 2012. As mentioned in previous board meetings, the Minnesota Department of Education and the Government Accounting Standards Board (GASB) changed the classifications of fund balance. The new categories of fund balance are Nonspendable, Restricted, Committed, Assigned, and Unassigned. To be consistent in our reporting, the District's new fund balance policy is calculated with the Nonspendable and Unassigned Fund Balance totals.

	2008-2009	2009-2010	2010-2011	2011-12
Restricted Fund Balance				
Health & Safety	\$128,458	\$147,396	(\$77,456)	(\$112,811)
Severance Pay	\$658,484	\$0	\$0	\$0
Operating Capital	\$390,331	\$38,273	\$61,415	\$111,841
Staff Development	\$74,801	\$74,801	\$74,801	\$74,801
Deferred Maintenance	\$0	\$18,871	\$11,890	\$981
	<u>\$1,252,074</u>	<u>\$279,341</u>	<u>\$70,650</u>	<u>\$74,812</u>
Committed Fund Balance				
Severance Ins Premiums	\$1,834,523	\$3,474,913	\$3,965,750	\$4,118,869
Assigned Fund Balance				
Carryover	\$469,191	\$164,257	\$138,181	\$171,929
Student Activities	\$255,244	\$202,258	\$171,444	\$134,880
Dental Insurance	\$259,291	\$275,723	\$249,898	\$247,330
Capital	\$327,355	\$327,355	\$327,355	\$1,000,000
Third Party Special Ed	\$260,000	\$0	\$186,840	\$422,029
Stimulus	\$0	\$341,200	\$273,509	\$66,543
	<u>\$1,571,081</u>	<u>\$1,310,793</u>	<u>\$1,347,227</u>	<u>\$2,042,710</u>
Nonspendable Fund Balance	\$0	\$0	\$398,695	\$417,092
Unassigned Fund Balance	<u>\$4,278,722</u>	<u>\$6,151,513</u>	<u>\$6,277,042</u>	<u>\$7,719,782</u>
Total Fund Balance	<u><u>\$8,936,400</u></u>	<u><u>\$11,216,560</u></u>	<u><u>\$12,059,364</u></u>	<u><u>\$14,373,265</u></u>

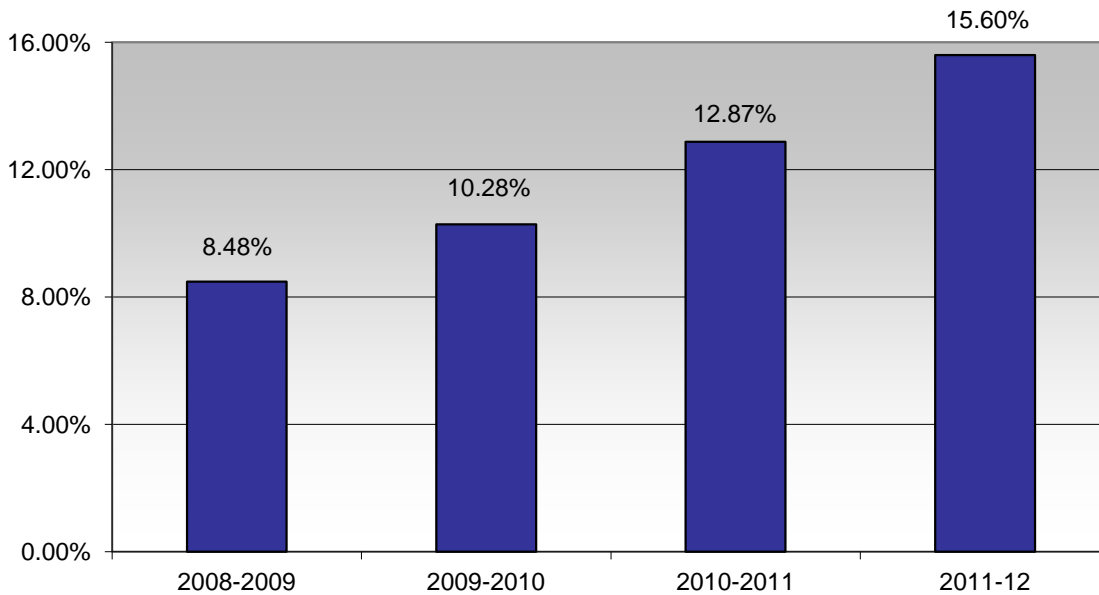
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General Fund - Fund Balance

The unassigned/unrestricted fund balance increased to \$8,136,874 as of June 30, 2012 or 15.6% of expenditures. The District was able to maintain its financial position with two rounds of budget reductions in 2008-2009 and 2009-2010, an employee wage freeze in 2009-2010, and cost containment measures in 2007-2008. The district also received additional state aid and federal aid for 2011-2012. The district has maintained its conservative budget approach to help maintain financial stability going forward. The fund balance percentage is slightly above the parameters of our fund balance policy of 8-12% and will buy the District some time before future action is needed if the State continues the same level of funding to school districts.

	2008-2009	2009-2010	2010-2011	2011-12
Nonspendable Fund Balance	\$0	\$0	\$398,695	\$417,092
Unassigned Fund Balance	\$4,278,722	\$6,151,513	\$6,277,042	\$7,719,782
	<u>\$4,278,722</u>	<u>\$6,151,513</u>	<u>\$6,675,737</u>	<u>\$8,136,874</u>
Total General Fund Expenditures	<u>\$50,447,927</u>	<u>\$59,821,245</u>	<u>\$51,887,211</u>	<u>\$52,145,701</u>
Fund Balance as a % of Total General Fund Expenditures	8.48%	10.28%	12.87%	15.60%

Fund Balance as a % of Total General Fund Expenditures



Food Service – Fund 02

In the Food Service Fund, expenditures exceeded revenues causing the fund balance to decrease \$108,757 to arrive at a balance of \$27,388 as of June 30, 2012. Food Service revenues were under budget by \$144,709 whereas the expenditures were under budget by \$22,252.

Total breakfast and lunch meals served to students increased from 817,096 to 827,505. The Food Service Fund also had an increase in the federal meal reimbursement rates, which increased the Revenue from Federal Sources from the prior year. The number of free and reduced meals in 2011-2012 was 39.1% of the meals served versus 39.2% of the meals served in 2010-2011. A dish room remodel for Montrose was planned and budgeted in 2010-2011 but was moved to this year. The Food Service Fund tries to maintain a minimal fund balance from year to year and helps pay for kitchen construction costs as needed. Food service revenues from all sources were up \$25,103 from the previous year. Expenditures were up \$167,337 from the previous year primarily due to increased labor cost, food and milk costs and the dish room remodel.

Fund 02	2010-2011 Actual	2011-2012 Revised Budget	2011-2012 Actual	\$ Budget Variance	% Budget Variance
Revenue					
State Sources	\$122,706	\$121,800	\$121,177	(\$623)	-0.51%
Federal Sources	\$1,023,676	\$958,050	\$1,035,178	\$77,128	8.05%
Sales to Students/Adults	\$1,712,955	\$1,949,300	\$1,728,086	(\$221,214)	-11.35%
Total	\$2,859,337	\$3,029,150	\$2,884,441	(\$144,709)	-4.78%
Expenditures					
Salaries	\$1,051,957	\$1,073,500	\$1,074,401	\$901	0.08%
Employee Benefits	\$412,875	\$351,300	\$446,491	\$95,191	27.10%
Purchased Services	\$156,514	\$167,150	\$153,555	(\$13,595)	-8.13%
Supplies & Materials	\$1,197,108	\$1,331,100	\$1,251,341	(\$79,759)	-5.99%
Capital Outlay	\$0	\$81,300	\$59,293	(\$22,007)	-27.07%
Other	\$7,407	\$11,400	\$8,116	(\$3,284)	-28.81%
Total	\$2,825,861	\$3,015,750	\$2,993,198	(\$22,552)	-0.75%
Fund Balance	\$136,145	\$149,545	\$27,388	(\$122,157)	

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Community Service – Fund 04

The Community Service Fund continues to balance its revenues and expenditures. Revenues came in over budget by \$124,752 or 3.95% while expenditures were over budget by \$78,477 or 2.5%. During the 2011-2012 school year, facilities use was higher than expected by \$28,041. The property tax shift is also at play in this fund causing Local Property Taxes to be lower and State Sources to be higher than budget by an offsetting amount of \$299,315. There was an increase in program registration in most programs causing increases in tuition and fees and also increasing related costs such as number of employees needed to supervise the classes and supplies. The total Community Service Fund balance was \$345,896 on June 30, 2012.

Fund 04	2010-2011 Actual	2011-2012 Revised Budget	2011-2012 Actual	\$ Budget Variance	% Budget Variance
Revenue					
Local Property Taxes	\$789,458	\$820,012	\$572,249	(\$247,763)	-30.21%
State Sources	\$202,326	\$168,409	\$473,696	\$305,287	181.28%
Tuition, Fees, & Misc.	\$2,006,803	\$2,167,161	\$2,234,389	\$67,228	3.10%
Total	\$2,998,587	\$3,155,582	\$3,280,334	\$124,752	3.95%
Expenditures					
Salaries	\$1,916,353	\$2,081,912	\$2,067,781	(\$14,131)	-0.68%
Employee Benefits	\$488,132	\$520,502	\$560,142	\$39,640	7.62%
Purchased Services	\$299,247	\$284,125	\$356,736	\$72,611	25.56%
Supplies & Materials	\$241,439	\$224,700	\$209,187	(\$15,513)	-6.90%
Capital Outlay	\$28,379	\$23,000	\$21,954	(\$1,046)	-4.55%
Other	\$14,482	\$10,125	\$7,041	(\$3,084)	-30.46%
Total	\$2,988,032	\$3,144,364	\$3,222,841	\$78,477	2.50%
Community Education	\$129,672	\$159,588	\$212,281	\$52,693	
ECFE	\$99,645	\$85,527	\$78,951	(\$6,576)	
School Readiness	\$40,554	\$37,874	\$32,303	(\$5,571)	
Adult Basic Education	\$10,669	\$10,669	\$12,382	\$1,713	
Unassigned	\$7,864	\$5,964	\$9,980	\$4,016	
Fund Balance	\$288,404	\$299,622	\$345,896	\$46,274	

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OPEB Irrevocable Trust Fund – Fund 45

During the 2009-2010 school year, the District issued \$10.845 million in OPEB Bonds and at the same time, created an irrevocable trust to fund the post-employment benefits with Bremer Bank. The debt payments and property tax levy revenue are recorded in Debt Service Fund 47, and the trust activity is recorded in Fund 45.

The District has decided against using the Trust for a couple of years to let the balance grow to help finance future post-employment obligations. The interest earnings and dividends recognized each year are basically the change in the financial markets since the investment portfolio consists of approximately 50% fixed income bonds and 50% equities. The amount held in trust for OPEB as of June 30, 2012 is \$12,565,588 and increased in value by \$306,759.

Fund 45	2010-2011 Actual	2011-2012 Revised Budget	2011-2012 Actual	\$ Budget Variance
Revenue				
Interest and Dividends	\$1,736,355	\$750,000	\$397,103	(\$352,897)
Investment Expenses	(\$70,729)	(\$80,000)	(\$90,343)	(\$10,343)
Total	\$1,665,626	\$670,000	\$306,759	(\$363,241)
Expenditures				
Health Insurance	\$0	\$0	\$0	\$0
Life Insurance	\$0	\$0	\$0	\$0
Dental Insurance	\$0	\$0	\$0	\$0
Contributions to HRA	\$0	\$0	\$0	\$0
Total	\$0	\$0	\$0	\$0
Net Assets	\$12,258,829	\$12,928,829	\$12,565,588	(\$363,241)



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Debt Service – Funds 07 & 47

The Debt Service Fund balances for Funds 07 and 47 increased \$34,839,935 overall and are \$36,272,295 in total as of June 30, 2012. Of this total, \$34,825,672 is restricted for the advanced bond refunding that was done in 2011-12 and will be closed out in 2012-13. The remaining balance of \$1,446,623 is restricted to meet future debt obligations of the district.

School districts are required to levy 105% of their annual debt payments to cover possible delinquent property taxes. When the fund balance reaches a certain point, the State calculates a debt excess fund balance figure and reduces the tax levy by that amount on the next year's property tax levy.

Funds 07 & 47	2010-2011 Actual	2011-2012 Revised Budget	2011-2012 Actual	\$ Budget Variance
Revenue				
Local Property Taxes	\$6,461,325	\$6,809,223	\$6,800,861	(\$8,362)
State Sources	\$370,013	\$373,805	\$412,674	\$38,869
Interest Revenue	\$6,853	\$16,000	\$4,694	(\$11,306)
Transfer In	\$0	\$0	\$0	\$0
Bond Proceeds	\$0	\$35,053,747	\$35,053,747	\$0
Total	\$6,838,191	\$42,252,775	\$42,271,976	\$19,201
Expenditures				
Principal & Interest	\$7,334,526	\$7,202,753	\$7,202,753	\$0
Other	\$4,363	\$232,475	\$229,288	(\$3,188)
Bond Refunding	\$0	\$0	\$0	\$0
Total	\$7,338,889	\$7,435,228	\$7,432,041	(\$3,188)
Fund Balance	\$1,432,360	\$36,249,907	\$36,272,295	\$22,388



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Student Activities

The final piece of the District’s financial report pertains to student activities. The District has student activities under school board control and student activities not under school board control. If a school district has student activities not under the control of the board, the board should receive an accounting report of those funds at least once a year. The report should be supplemental to the annual audit. Below is a summary of the student activities not under board control for 2011-2012.

	Balance July 1, 2011	Receipts and Transfers In	Disbursements and Transfers Out	Balance June 30, 2012
Class of 2011 (Graduates)	\$ 1,986.57	\$ -	\$ 1,986.57	\$ -
Class of 2012 (Seniors)	3,497.27	1,886.73	4,674.32	709.68
Class of 2013 (Juniors)	283.50	11,707.19	10,788.09	1,202.60
Class of 2014 (Sophomores)	2,243.66	57.71	-	2,301.37
Class of 2015 (Freshmen)	-	2,023.95	110.18	1,913.77
SH Arts Magnet	384.16	2,587.36	1,989.83	981.69
SH Band	35,475.53	92,785.17	104,414.20	23,846.50
BCMS Student Council	-	1,763.70	1,763.70	-
SH Bison Stampede	1,965.09	4,082.59	-	6,047.68
SH Business Professionals of Ameri	558.20	2,985.49	2,923.85	619.84
SH Choir	6,228.28	45,857.27	50,827.05	1,258.50
SH Culture United	395.81	219.04	409.00	205.85
SH Dance	248.36	171.36	413.36	6.36
SH DECA	1,775.57	7,319.62	5,602.50	3,492.69
SH FFA	12,849.13	35,099.65	27,469.19	20,479.59
SH Football	15,120.82	16,843.50	17,514.90	14,449.42
SH Global Minded Student Activists	476.32	622.20	1,091.86	6.66
SH International Language	2,404.38	4,280.04	3,723.01	2,961.41
SH MEADA	-	403.74	255.11	148.63
SH Mock Trial	54.86	1.42	-	56.28
SH NHS	185.51	497.43	593.86	89.08
SH Orchestra	5,031.27	31,598.67	36,290.54	339.40
SH Student Care	173.91	2.89	157.28	19.52
SH Student Council	8,202.22	12,326.35	14,243.73	6,284.84
SH Students Stepping Up	226.49	412.20	405.51	233.18
SH Track-Field	2,961.80	4,163.00	3,894.12	3,230.68
Activity Interest	-	3,279.90	3,279.90	-
Total	\$ 102,728.71	\$ 282,978.17	\$ 294,821.66	\$ 90,885.22
			KleinBank CD	\$ 88,215.60
			KleinBank Checking	2,669.62
				\$ 90,885.22