



***Independent School District No. 877  
2010-2011 End of Year Financial Report  
School Board Workshop – Oct. 10, 2011***

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Attached you will find the District’s preliminary financial results for the year ended June 30, 2011. Overall, the District’s financial position continues to be balanced. The General Fund’s final revenues and expenditures came in more favorably than budget. The Food Service and Community Service funds continue to be self-supporting funds.

2009-2010 End of Year

The School Board approved a \$10.845 million OPEB bond earlier in the 2009-2010 school year for **o**ther **p**ost-**e**mployment **b**enefits such as severance and insurance contributions. The OPEB bond proceeds and transfer to the trust were removed from the tables and charts to display consistent financial comparisons since this was a one-time event. The OPEB bond activity was recorded as follows:

	<b>OPEB Contribution</b>	<b>OPEB Transfer Out</b>
<b>General Fund</b>	<u>\$9,758,387</u>	<u>(\$9,712,137)</u>
<b>Food Service</b>	<u>\$352,780</u>	<u>(\$352,780)</u>
<b>Community Service</b>	<u>\$625,383</u>	<u>(\$625,383)</u>

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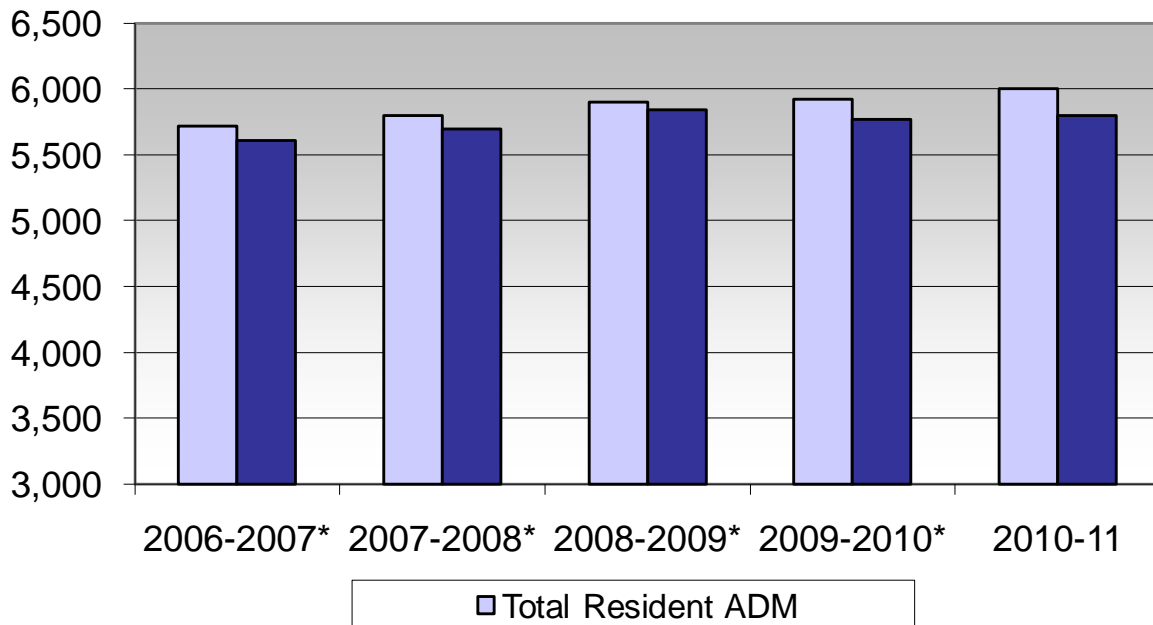
Average Daily Membership

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
<b>Total Resident ADM</b>	5,717	5,799	5,900	5,920	5,999
<b>Total Adjusted ADM</b>	5,604	5,697	5,838	5,770	5,797

\*Source: School District Profiles

**Average Daily Membership**

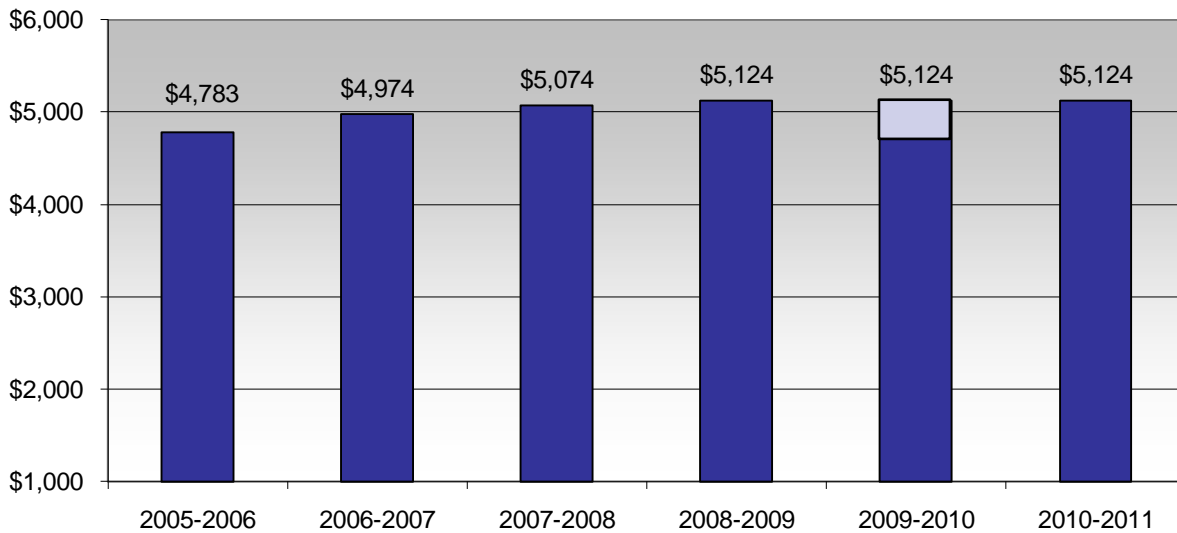


General Education Aid

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.

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
<b>General Education Formula Allowance</b>	\$4,783	\$4,974	\$5,074	\$5,124	\$5,124	\$5,124
<b>Percent Increase From Prior Year</b>	4.00%	4.00%	2.00%	1.00%	0.00%	0.00%

**General Education Aid Per Pupil**



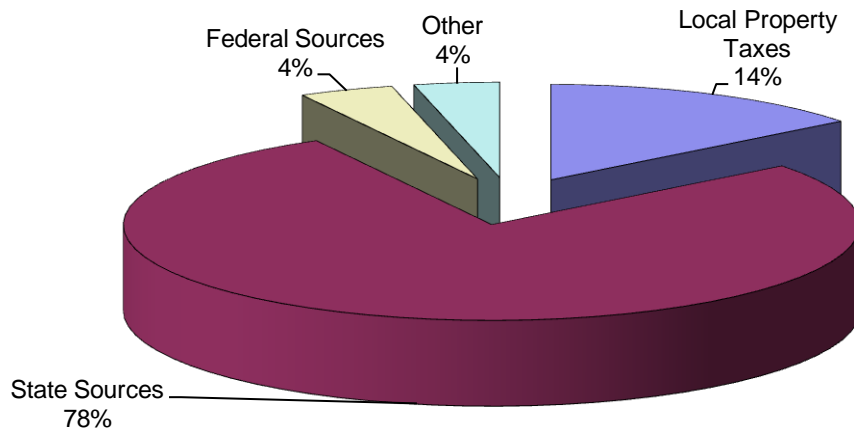
General Fund - Revenue

In the General Fund, revenues came in under budget by \$144,357, which is approximately 0.28%. 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 less federal funds being used for tuition payments.

Total General Fund revenue decreased by \$9,912 from the previous year and was relatively stable due to flat enrollment and no increase on the General Education Aid formula. Revenue from State Sources increased \$1,675,779 from the 2009-2010 fiscal year whereas the Revenue from Federal Sources decreased \$3,533,971 due to how the Minnesota Department of Education was classifying the Stabilization funds that replaced part of the General Education Aid formula. The District also experienced the State’s property tax shift increasing property tax revenue \$1,816,734 with a similar offsetting decrease in the Revenue from State Sources.

	2009-2010 Actual	2010-2011 Revised Budget	2010-2011 Actual	\$ Budget Variance	% Budget Variance
<b>Revenue</b>					
Local Property Taxes	\$5,751,245	\$3,399,125	\$7,567,979	\$4,168,854	122.64%
State Sources	\$38,950,416	\$44,668,688	\$40,626,195	(\$4,042,493)	-9.05%
Federal Sources	\$5,711,279	\$2,447,064	\$2,177,308	(\$269,756)	-11.02%
Other	\$1,930,078	\$1,962,586	\$1,961,624	(\$962)	-0.05%
<b>Total</b>	<b>\$52,343,018</b>	<b>\$52,477,463</b>	<b>\$52,333,106</b>	<b>(\$144,357)</b>	<b>-0.28%</b>

**2010-2011 General Fund Revenue By Source**



**Independent School District No. 877  
2010-2011 End of Year Financial Report  
School Board Workshop – Oct. 10, 2011**

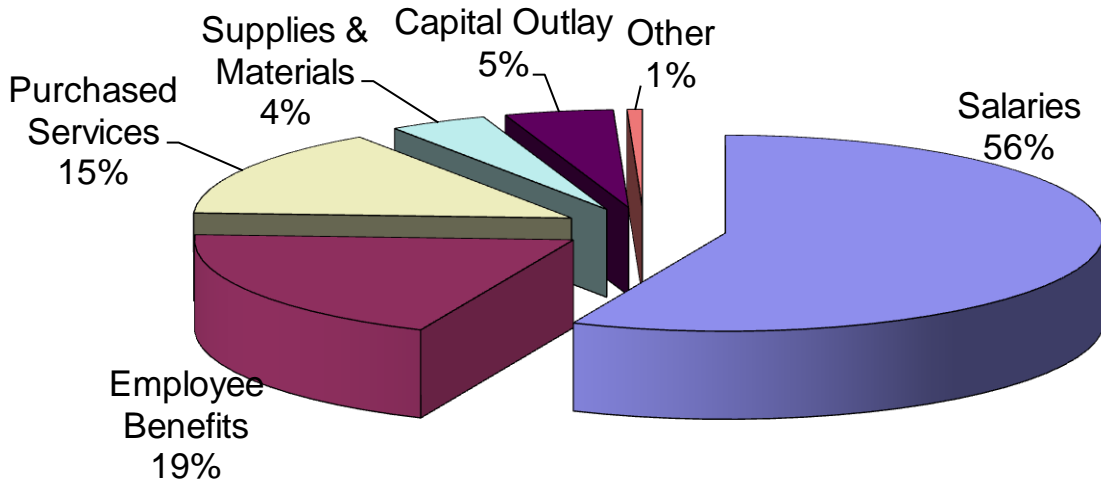
General Fund – Expenditures By Object

In the General Fund, expenditures were under budget by \$857,214 or 1.63%. Through lower fuel and utility prices and conservation, utility expenditures and transportation fuel costs came in under budget by more than \$400,000. Employee benefits were under budget by \$275,000. Additionally, the District had \$130,000 budgeted for short-term borrowing but could delay this for one more year since there was a positive cash flow balance as of June 30<sup>th</sup>.

The General Fund expenditures increased \$453,629, or 0.9% from the previous year. For another year, the District maintained its expenditures for the 2010-2011 school year to provide long-term financial stability.

	2009-2010 Actual	2010-2011 Revised Budget	2010-2011 Actual	\$ Budget Variance	% Budget Variance
<b>Expenditures</b>					
Salaries	\$28,408,338	\$29,455,155	\$29,355,858	(\$99,297)	-0.34%
Employee Benefits	\$9,486,900	\$10,268,452	\$9,992,682	(\$275,770)	-2.69%
Purchased Services	\$7,756,534	\$7,894,038	\$7,615,889	(\$278,149)	-3.52%
Supplies & Materials	\$2,171,320	\$2,546,013	\$2,177,657	(\$368,356)	-14.47%
Capital Outlay	\$3,204,490	\$2,046,292	\$2,409,619	\$363,327	17.76%
Other	\$406,000	\$534,475	\$335,506	(\$198,969)	-37.23%
<b>Total</b>	<b>\$51,433,582</b>	<b>\$52,744,425</b>	<b>\$51,887,211</b>	<b>(\$857,214)</b>	<b>-1.63%</b>

**2010-2011 General Fund Expenditures By Object**



**Independent School District No. 877**  
**2010-2011 End of Year Financial Report**  
**School Board Workshop – Oct. 10, 2011**

General Fund - Fund Balance

With total revenues ending at \$52,333,106 plus other financing sources at \$396,909 and total expenditures at \$51,887,211, the General Fund's overall fund balance increased \$842,804 to \$12,059,364 as of June 30, 2011. 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.

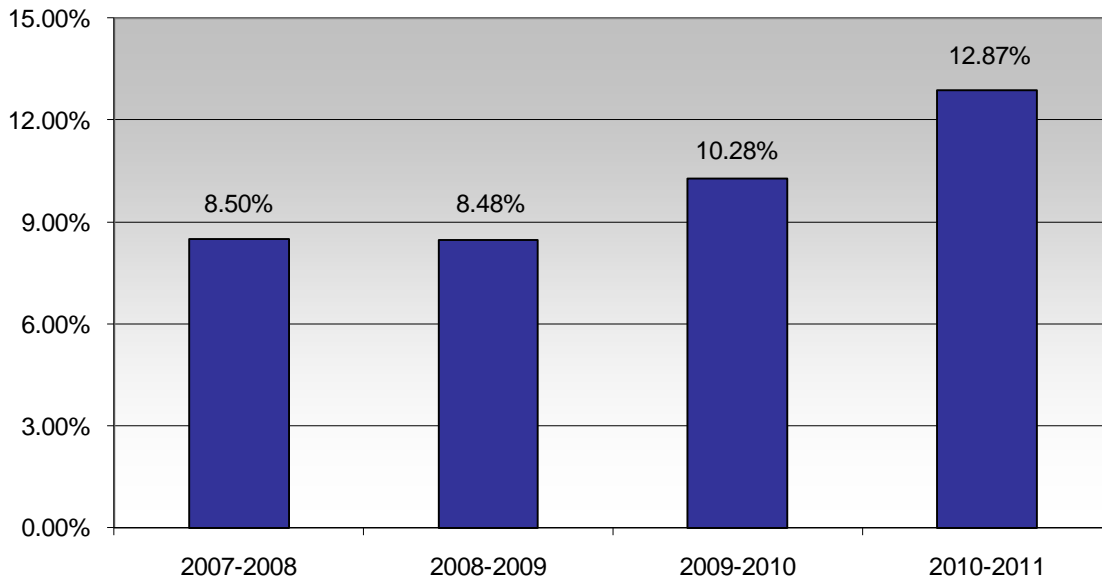
	2007-2008	2008-2009	2009-2010	2010-2011
<b>Restricted Fund Balance</b>				
Health & Safety	(\$25,350)	\$128,458	\$147,396	(\$77,456)
Severance Pay	\$669,869	\$658,484	\$0	\$0
Operating Capital	\$412,851	\$390,331	\$38,273	\$61,415
Staff Development	\$0	\$74,801	\$74,801	\$74,801
Deferred Maintenance	\$0	\$0	\$18,871	\$11,890
	<u>\$1,057,370</u>	<u>\$1,252,074</u>	<u>\$279,341</u>	<u>\$70,650</u>
<b>Committed Fund Balance</b>				
Severance Ins Premiums	\$1,430,324	\$1,834,523	\$3,474,913	\$3,965,750
<b>Assigned Fund Balance</b>				
Carryover	\$269,847	\$469,191	\$164,257	\$138,181
Student Activities	\$278,113	\$255,244	\$202,258	\$171,444
Dental Insurance	\$227,390	\$259,291	\$275,723	\$249,898
Capital	\$0	\$327,355	\$327,355	\$327,355
Third Party Special Ed	\$0	\$260,000	\$0	\$186,840
Stimulus	\$0	\$0	\$341,200	\$273,509
	<u>\$775,350</u>	<u>\$1,571,081</u>	<u>\$1,310,793</u>	<u>\$1,347,227</u>
<b>Nonspendable Fund Balance</b>	\$0	\$0	\$0	\$398,695
<b>Unassigned Fund Balance</b>	<u>\$4,233,226</u>	<u>\$4,278,722</u>	<u>\$6,151,513</u>	<u>\$6,277,042</u>
<b>Total Fund Balance</b>	<u><u>\$7,496,270</u></u>	<u><u>\$8,936,400</u></u>	<u><u>\$11,216,560</u></u>	<u><u>\$12,059,364</u></u>

General Fund - Fund Balance

The unreserved/undesignated fund balance increased to \$6,675,737 as of June 30, 2011 or 12.87% of expenditures. The District was able to maintain its financial position with two rounds of budget reductions in 2008-2009 & 2009-2010, employee wage freeze in 2009-2010, and cost containment measures in 2007-2008. The fund balance percentage is around 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.

	2007-2008	2008-2009	2009-2010	2010-2011
<b>Nonspendable Fund Balance</b>	\$0	\$0	\$0	\$398,695
<b>Unassigned Fund Balance</b>	\$4,233,226	\$4,278,722	\$6,151,513	\$6,277,042
	<u>\$4,233,226</u>	<u>\$4,278,722</u>	<u>\$6,151,513</u>	<u>\$6,675,737</u>
<b>Total General Fund Expenditures</b>	<u>\$49,795,805</u>	<u>\$50,447,927</u>	<u>\$59,821,245</u>	<u>\$51,887,211</u>
<b>Fund Balance as a % of Total General Fund Expenditures</b>	8.50%	8.48%	10.28%	12.87%

**Fund Balance as a % of Total General Fund Expenditures**



Food Service – Fund 02

In the Food Service fund, revenues exceeded expenditures causing the fund balance to increase \$33,476 to arrive at a balance of \$136,145 as of June 30, 2011. Food Service revenues were under budget by \$145,545 whereas the expenditures were under budget by \$125,849.

Total breakfast and lunch meals served to students increased from 801,904 to 817,906. 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 2010-2011 was 39.2% of the meals served versus 37.5% of the meals served in 2009-2010. A la carte sales were also below projection in 2010-2011, so less a la carte food was purchased. A dish room remodel for Montrose was planned and budgeted in 2010-2011 but was moved to the following 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.

<b>Fund 02</b>	<b>2009-2010 Actual</b>	<b>2010-2011 Revised Budget</b>	<b>2010-2011 Actual</b>	<b>\$ Budget Variance</b>	<b>% Budget Variance</b>
<b>Revenue</b>					
State Sources	\$116,492	\$120,450	\$122,706	\$2,256	1.87%
Federal Sources	\$936,855	\$949,300	\$1,023,676	\$74,376	7.83%
Sales to Students/Adults	\$1,704,006	\$1,935,132	\$1,712,955	(\$222,177)	-11.48%
Sale of Equipment	\$400	\$0	\$0	\$0	#DIV/0!
<b>Total</b>	<b>\$2,757,753</b>	<b>\$3,004,882</b>	<b>\$2,859,337</b>	<b>(\$145,545)</b>	<b>-4.84%</b>
<b>Expenditures</b>					
Salaries	\$1,033,285	\$1,069,500	\$1,051,957	(\$17,543)	-1.64%
Employee Benefits	\$338,618	\$340,630	\$412,875	\$72,245	21.21%
Purchased Services	\$129,139	\$153,630	\$156,514	\$2,884	1.88%
Supplies & Materials	\$1,172,292	\$1,318,550	\$1,197,108	(\$121,442)	-9.21%
Capital Outlay	\$14,135	\$57,000	\$0	(\$57,000)	-100.00%
Other	\$5,938	\$12,400	\$7,407	(\$4,993)	-40.27%
<b>Total</b>	<b>\$2,693,407</b>	<b>\$2,951,710</b>	<b>\$2,825,861</b>	<b>(\$125,849)</b>	<b>-4.26%</b>
<b>Fund Balance</b>	<b>\$102,669</b>	<b>\$155,841</b>	<b>\$136,145</b>	<b>(\$19,696)</b>	



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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 \$240,828 or 8.73% while expenditures were over budget \$219,288 or 7.92%. During the 2010-2011 school year, there was an increase in Kid Kare registration at most school sites causing similar increases in related costs such as number of employees needed to supervise the classes and supplies. The total Community Service fund balance was \$288,404 at June 30, 2011.

<b>Fund 04</b>	<b>2009-2010 Actual</b>	<b>2010-2011 Revised Budget</b>	<b>2010-2011 Actual</b>	<b>\$ Budget Variance</b>	<b>% Budget Variance</b>
<b>Revenue</b>					
Local Property Taxes	\$537,712	\$538,019	\$789,458	\$251,439	46.73%
State Sources	\$458,540	\$438,830	\$202,326	(\$236,504)	-53.89%
Tuition, Fees, & Misc.	\$1,798,465	\$1,780,910	\$2,006,803	\$225,893	12.68%
<b>Total</b>	<b>\$2,794,717</b>	<b>\$2,757,759</b>	<b>\$2,998,587</b>	<b>\$240,828</b>	8.73%
<b>Expenditures</b>					
Salaries	\$1,795,012	\$1,846,194	\$1,916,353	\$70,159	3.80%
Employee Benefits	\$468,078	\$436,100	\$488,132	\$52,032	11.93%
Purchased Services	\$290,643	\$276,650	\$299,247	\$22,597	8.17%
Supplies & Materials	\$190,102	\$178,300	\$241,439	\$63,139	35.41%
Capital Outlay	\$7,085	\$23,000	\$28,379	\$5,379	23.39%
Other	\$10,647	\$8,500	\$14,482	\$5,982	70.38%
<b>Total</b>	<b>\$2,761,567</b>	<b>\$2,768,744</b>	<b>\$2,988,032</b>	<b>\$219,288</b>	7.92%
Community Education	\$83,107	\$90,242	\$129,672	\$39,430	
ECFE	\$133,840	\$127,969	\$99,645	(\$28,324)	
School Readiness	\$48,587	\$38,088	\$40,554	\$2,466	
Adult Basic Education	\$12,307	\$12,957	\$10,669	(\$2,288)	
Unreserved	\$8	(\$2,392)	\$7,864	\$10,256	
<b>Fund Balance</b>	<b>\$277,849</b>	<b>\$266,864</b>	<b>\$288,404</b>	<b>\$21,540</b>	



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**School Board Workshop – Oct. 10, 2011**

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, 2011 is \$12,258,829.

<b>Fund 45</b>	<b>2009-2010 Actual</b>	<b>2010-2011 Revised Budget</b>	<b>2010-2011 Actual</b>	<b>\$ Budget Variance</b>
<b>Revenue</b>				
Interest and Dividends	(\$97,097)	\$1,500,000	\$1,736,355	\$236,355
Investment Expenses	\$0	\$0	(\$70,729)	(\$70,729)
<b>Total</b>	<b>(\$97,097)</b>	<b>\$1,500,000</b>	<b>\$1,665,626</b>	<b>\$165,626</b>
<b>Expenditures</b>				
Health Insurance	\$0	\$0	\$0	\$0
Life Insurance	\$0	\$0	\$0	\$0
Dental Insurance	\$0	\$0	\$0	\$0
Contributions to HAS	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Net Assets</b>	<b>\$10,593,203</b>	<b>\$12,093,203</b>	<b>\$12,258,829</b>	<b>\$165,626</b>

Debt Service – Funds 07 & 47

The Debt Service fund balances for Funds 07 & 47 decreased \$500,698 overall and are \$1,432,360 in total as of June 30, 2011. 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 property tax levy calculations.

<b>Funds 07 &amp; 47</b>	<b>2009-2010 Actual</b>	<b>2010-2011 Revised Budget</b>	<b>2010-2011 Actual</b>	<b>\$ Budget Variance</b>
<b>Revenue</b>				
Local Property Taxes	\$6,288,621	\$6,475,949	\$6,461,325	(\$14,624)
State Sources	\$346,964	\$398,500	\$370,013	(\$28,487)
Interest Revenue	\$19,965	\$13,000	\$6,853	(\$6,147)
Transfer In	\$0	\$0	\$0	\$0
Bond Proceeds	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$6,655,550</b>	<b>\$6,887,449</b>	<b>\$6,838,191</b>	<b>(\$49,258)</b>
<b>Expenditures</b>				
Principal & Interest	\$7,110,089	\$7,334,527	\$7,334,526	(\$1)
Other	\$1,862	\$6,000	\$4,363	(\$1,637)
Bond Refunding	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$7,111,951</b>	<b>\$7,340,527</b>	<b>\$7,338,889</b>	<b>(\$1,638)</b>
<b>Fund Balance</b>	<b>\$1,933,058</b>	<b>\$1,479,980</b>	<b>\$1,432,360</b>	<b>(\$47,620)</b>



**Independent School District No. 877**  
**2010-2011 End of Year Financial Report**  
**School Board Workshop – Oct. 10, 2011**

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 2010-2011.

	Balance July 1, 2010	Receipts and Transfers In	Disbursements and Transfers Out	Balance June 30, 2011
Class of 2010 (Graduates)	\$ 2,314.62	\$ -	\$ 2,314.62	\$ -
Class of 2011 (Senior)	7,002.69	1,515.33	6,531.45	1,986.57
Class of 2012 (Junior)	974.67	12,659.23	10,136.63	3,497.27
Class of 2013 (Sophomore)	283.34	0.16	-	283.50
Class of 2014 (Freshman)	-	2,343.66	100.00	2,243.66
SH Arts Magnet	1,080.84	4,615.55	5,312.23	384.16
SH Band	31,572.88	126,811.39	122,908.74	35,475.53
SH Bison Stampede	2,527.91	101.18	664.00	1,965.09
SH Business Professionals of America	887.21	6,513.28	6,842.29	558.20
SH Choir	7,275.82	13,966.38	15,013.92	6,228.28
SH Culture United	1,111.89	1,477.52	2,193.60	395.81
SH DECA	248.22	0.14	-	248.36
SH Dance	-	3,787.93	2,012.36	1,775.57
SH FFA	13,021.25	30,717.12	30,889.24	12,849.13
SH Football	13,475.21	35,341.05	33,695.44	15,120.82
SH Global Minded Student Activists	466.19	1,361.63	1,351.50	476.32
SH MEADA	191.74	-	191.74	-
SH Mock Trial	288.37	110.04	343.55	54.86
SH NHS	984.17	754.85	1,553.51	185.51
SH Orchestra	3,825.89	4,060.53	2,855.15	5,031.27
SH Student Care	319.45	0.14	145.68	173.91
SH Student Council	8,191.59	10,700.11	10,689.48	8,202.22
SH Students Stepping Up	226.36	0.13	-	226.49
SH Track-Field	3,558.10	5,780.93	6,377.23	2,961.80
SH World Language	2,400.59	3,766.43	3,762.64	2,404.38
Activity Interest	-	407.51	407.51	-
<b>Total</b>	<b>\$ 102,229.00</b>	<b>\$ 266,792.22</b>	<b>\$ 266,292.51</b>	<b>\$ 102,728.71</b>

KleinBank CD	\$ 85,000.00
KleinBank Checking	17,728.71
	<b>\$ 102,728.71</b>