



***Independent School District No. 877  
2009-2010 End of Year Financial Report  
School Board Workshop – Oct. 11, 2010***

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Attached you will find the District’s preliminary financial results for the year ended June 30, 2010. Overall, the District’s financial position continues to be balanced, and expenditures were controlled with the second round of budget reductions and a district-wide wage freeze. The General Fund’s final revenues and expenditures came in more favorable than budget. The Food Service and Community Service funds continue to be self-supporting funds.

The School Board approved a \$10.845 million OPEB bond earlier in the 2009-2010 school year for other post-employment benefits 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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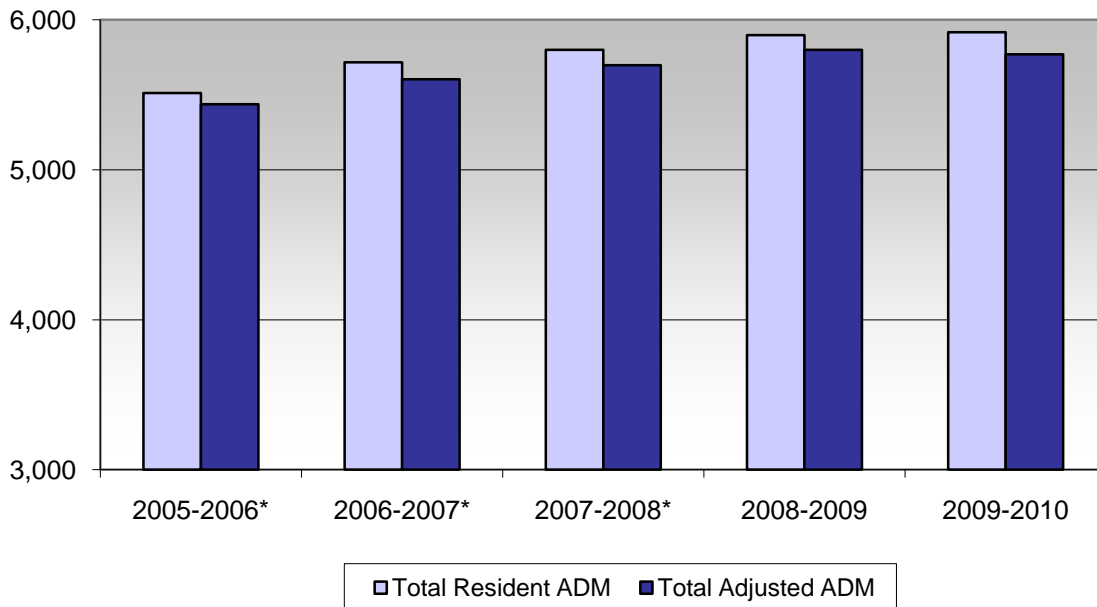
Average Daily Membership

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 number of housing foreclosures, building permits, and overall economic conditions have impacted our school district's enrollment.

	2005-2006*	2006-2007*	2007-2008*	2008-2009	2009-2010
<b>Total Resident ADM</b>	5,511	5,717	5,799	5,897	5,917
<b>Total Adjusted ADM</b>	5,437	5,604	5,697	5,799	5,770

\*Source: School District Profiles

**Average Daily Membership**

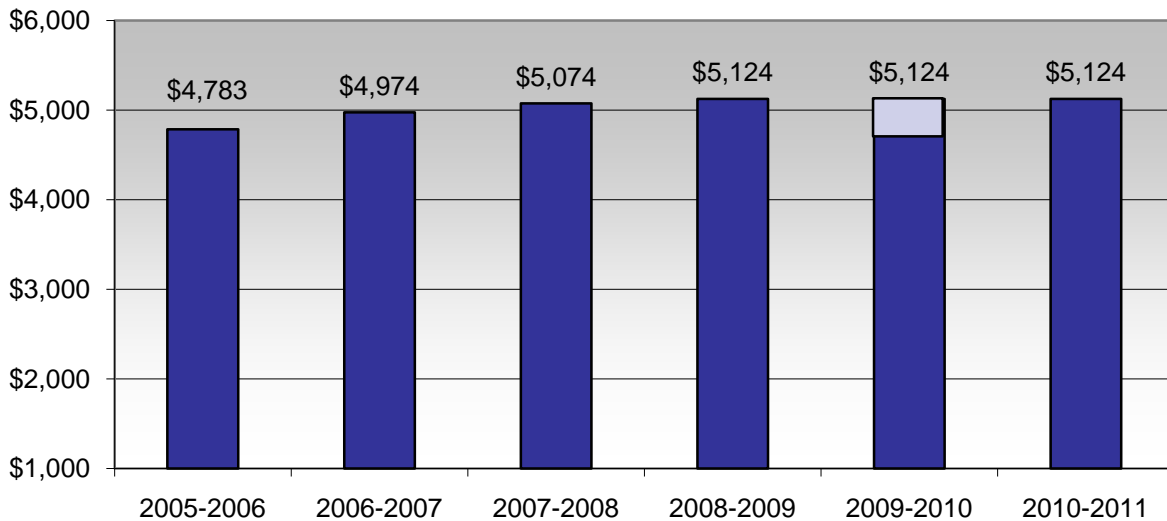


General Education Aid

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**



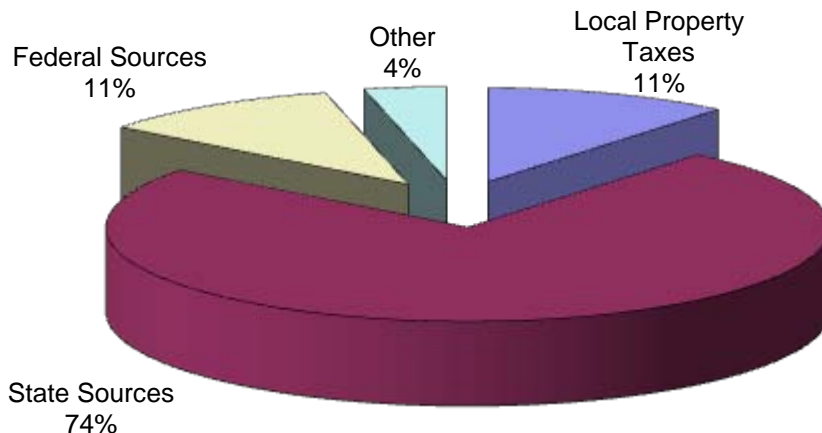
General Fund - Revenue

In the General Fund, revenues came in more than budget by \$31,370 which is approximately 0.06%. The District received more state Special Education Aid than anticipated which was offset by recognizing less Special Education stimulus dollars in 2009-2010.

Total General Fund revenue increased by \$454,960, or 0.89% from the previous year, which was intended and planned after taking into account the additional federal stimulus funds. Revenue from State Sources decreased \$3,097,703 from the 2008-2009 fiscal year whereas the Revenue from Federal Sources increased \$3,954,501 due to how the Minnesota Department of Education was classifying the Stabilization funds that replaced part of the General Education Aid formula. School districts also received additional Special Education and Title I stimulus federal funds. The District received \$536,412 less in Other revenue from the previous year. In 2008-2009, the District received over \$200,000 from the Microsoft legal settlement and realized approximately \$200,000 more in Activity revenue.

	2008-2009 Actual	2009-2010 Revised Budget	2009-2010 Actual	\$ Budget Variance	% Budget Variance
<b>Revenue</b>					
Local Property Taxes	\$5,616,671	\$5,779,115	\$5,751,245	(\$27,870)	-0.48%
State Sources	\$42,048,119	\$38,745,671	\$38,950,416	\$204,745	0.53%
Federal Sources	\$1,756,778	\$5,944,136	\$5,711,279	(\$232,857)	-3.92%
Other	\$2,466,490	\$1,842,726	\$1,930,078	\$87,352	4.74%
<b>Total</b>	<b>\$51,888,058</b>	<b>\$52,311,648</b>	<b>\$52,343,018</b>	<b>\$31,370</b>	<b>0.06%</b>

**2009-2010 General Fund Revenue By Source  
(Excluding OPEB Bond)**



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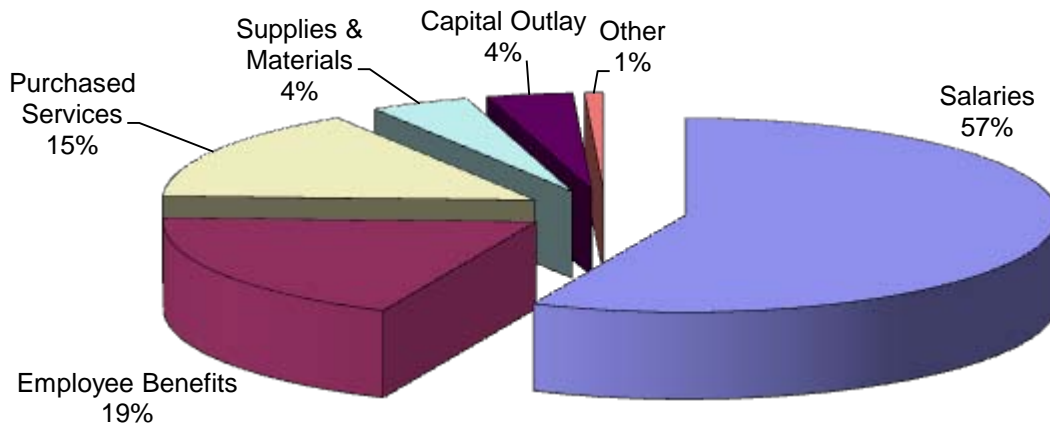
General Fund – Expenditures By Object

In the General Fund, expenditures were under budget by \$922,587 or 1.81%. Through lower fuel and utility prices and conservation, utility expenditures and transportation fuel costs came in under budget by more than \$240,335. Additional savings were realized under lower Special Education tuition bills. The District also had budgeted in 2010 funds for the Buffalo Community Middle School tennis court renovation that will take place in 2011. Additionally, the District has \$341,200 of federal stimulus funds carrying over to the following year.

The General Fund expenditures decreased \$338,819, or 0.7% from the previous year. Expenditures were maintained for the 2009-2010 school year with the second round of budget reductions and the district-wide wage freeze.

	2008-2009 Actual	2009-2010 Revised Budget	2009-2010 Actual	\$ Budget Variance	% Budget Variance
<b>Expenditures</b>					
Salaries	\$28,841,636	\$28,597,110	\$28,408,338	(\$188,772)	-0.66%
Employee Benefits	\$9,124,824	\$10,257,040	\$9,486,900	(\$770,140)	-7.51%
Purchased Services	\$7,762,849	\$7,831,296	\$7,756,534	(\$74,762)	-0.95%
Supplies & Materials	\$2,392,768	\$2,504,159	\$2,168,996	(\$335,163)	-13.38%
Capital Outlay	\$2,042,626	\$1,523,646	\$1,882,340	\$358,694	23.54%
Other	\$283,224	\$318,444	\$406,000	\$87,556	27.49%
<b>Total</b>	<b>\$50,447,927</b>	<b>\$51,031,695</b>	<b>\$50,109,108</b>	<b>(\$922,587)</b>	<b>-1.81%</b>

**2009-2010 General Fund Expenditures By Object  
(Excluding OPEB Bond)**



General Fund - Fund Balance

With total revenues ending at \$62,101,405 and total expenditures at \$59,821,245, the General Fund's overall fund balance increased \$2,280,160 to \$11,216,560 as of June 30, 2010. As mentioned in previous board meetings, the Minnesota Department of Education discontinued the Severance Pay Reserve fund balance and expanded the Severance Ins Premiums Designated fund balance definition. The District will combine the Severance Pay Reserve fund balance with the Severance Ins Premiums Designated fund balance and intends to designate funds similar to what it has done in the past. The Severance Ins Premiums Designated fund balance designates 60% of the next 5 years in retiree severance and insurance obligations. With the district-wide wage freeze savings, the Severance Ins Premiums Designated fund balance increased \$981,906 to \$3,474,913.

Funds designated for carryover decreased \$304,934 due to the new math curriculum adoption. The third party billing designation was removed, and the funds received will be an on-going source of revenue to fund the two Special Education contingency positions. The District had \$341,200 of federal stimulus dollars that were not spent in 2009-2010 and intends to spend those funds in the following year.

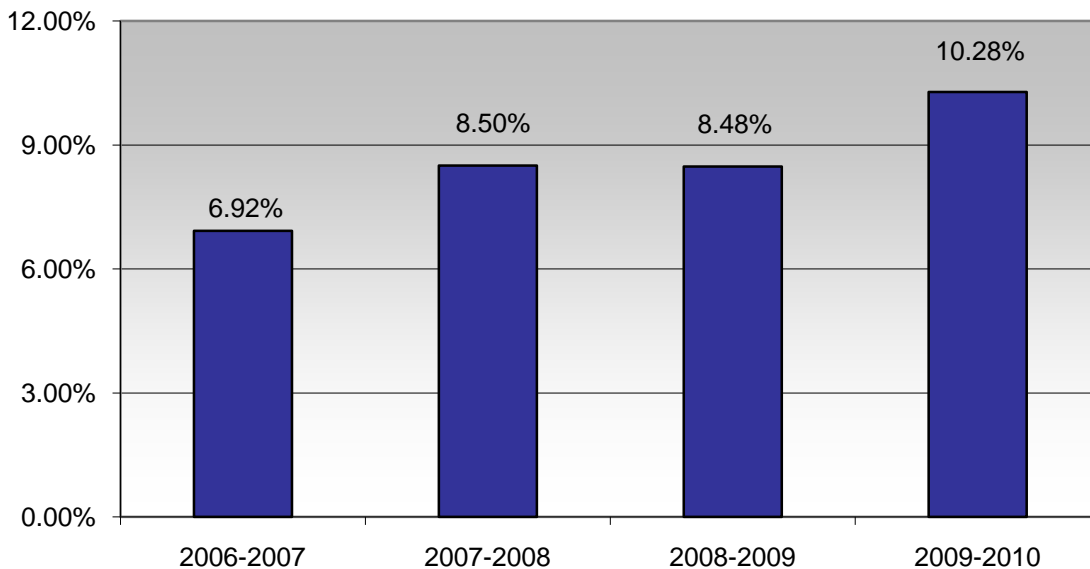
	2006-2007	2007-2008	2008-2009	2009-2010
<b>Reserved Fund Balance</b>				
Health & Safety	(\$4,118)	(\$25,350)	\$128,458	\$147,396
Severance Pay	\$581,908	\$669,869	\$658,484	\$0
Operating Capital	\$40	\$412,851	\$390,331	\$38,273
Staff Development	\$0	\$0	\$74,801	\$74,801
Deferred Maintenance	\$0	\$0	\$0	\$18,871
	<u>\$577,830</u>	<u>\$1,057,370</u>	<u>\$1,252,074</u>	<u>\$279,341</u>
<b>Designated Fund Balance</b>				
Severance Ins Premiums	\$1,459,200	\$1,430,324	\$1,834,523	\$3,474,913
Carryover	\$318,253	\$269,847	\$469,191	\$164,257
New Facilities	\$980,841	\$0	\$0	\$0
Student Activities	\$276,081	\$278,113	\$255,244	\$202,258
Dental Insurance	\$187,041	\$227,390	\$259,291	\$275,723
Capital	\$0	\$0	\$327,355	\$327,355
Third Party Special Ed	\$0	\$0	\$260,000	\$0
Stimulus	\$0	\$0	\$0	\$341,200
	<u>\$3,221,416</u>	<u>\$2,205,674</u>	<u>\$3,405,604</u>	<u>\$4,785,706</u>
<b>Undesignated Fund Balance</b>				
	<u>\$3,432,202</u>	<u>\$4,233,226</u>	<u>\$4,278,722</u>	<u>\$6,151,513</u>
<b>Total Fund Balance</b>	<u><u>\$7,231,448</u></u>	<u><u>\$7,496,270</u></u>	<u><u>\$8,936,400</u></u>	<u><u>\$11,216,560</u></u>

General Fund - Fund Balance

The unreserved/undesignated fund balance increased to \$6,151,513 as of June 30, 2010 or 10.28% 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 right in the middle 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.

	2006-2007	2007-2008	2008-2009	2009-2010
<b>Unreserved / Undesignated Fund Balance</b>	\$3,432,202	\$4,233,226	\$4,278,722	\$6,151,513
<b>Total General Fund Expenditures</b>	\$49,571,249	\$49,795,805	\$50,447,927	\$59,821,245
<b>Unreserved / Undesignated Fund Balance as a % of Total General Fund Expenditures</b>	6.92%	8.50%	8.48%	10.28%

**Unreserved / Undesignated 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 \$64,347 to arrive at a balance of \$102,669 as of June 30, 2010. Food Service revenues were under budget by \$68,756 whereas the expenditures were under budget by \$65,773.

Total breakfast and lunch meals served to students increased from 772,309 to 801,904. The Food Service fund also had an increase in the number of free and reduced meals. The number of free and reduced meals in 2009-2010 were 37.5% of the meals served versus 32.6% of the meals served in 2008-2009. A la carte sales were also below projection in 2009-2010, so less a la carte food was purchased. 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>2008-2009 Actual</b>	<b>2009-2010 Revised Budget</b>	<b>2009-2010 Actual</b>	<b>\$ Budget Variance</b>	<b>% Budget Variance</b>
<b>Revenue</b>					
State Sources	\$115,166	\$110,450	\$116,492	\$6,042	5.47%
Federal Sources	\$838,465	\$868,125	\$936,855	\$68,730	7.92%
Sales to Students/Adults	\$1,747,963	\$2,218,715	\$2,056,787	(\$161,928)	-7.30%
Sale of Equipment	\$6,860	\$0	\$400	\$400	#DIV/0!
<b>Total</b>	<b>\$2,708,454</b>	<b>\$3,197,290</b>	<b>\$3,110,534</b>	<b>(\$86,756)</b>	<b>-2.71%</b>
<b>Expenditures</b>					
Salaries	\$1,021,843	\$1,040,500	\$1,033,285	(\$7,215)	-0.69%
Employee Benefits	\$326,348	\$635,460	\$691,398	\$55,938	8.80%
Purchased Services	\$132,913	\$120,300	\$129,139	\$8,839	7.35%
Supplies & Materials	\$1,224,133	\$1,297,200	\$1,172,292	(\$124,908)	-9.63%
Capital Outlay	\$75,676	\$12,000	\$14,135	\$2,135	17.79%
Other	\$7,187	\$6,500	\$5,938	(\$562)	-8.65%
<b>Total</b>	<b>\$2,788,100</b>	<b>\$3,111,960</b>	<b>\$3,046,187</b>	<b>(\$65,773)</b>	<b>-2.11%</b>
<b>Fund Balance</b>	<b>\$38,322</b>	<b>\$123,652</b>	<b>\$102,669</b>	<b>(\$20,983)</b>	



Community Service – Fund 04

The Community Service fund continues to balance its revenues and expenditures. Revenues came in over budget by \$34,213 or 1.24% while expenditures were under budget \$7,598 or 0.27%. During the 2009-2010 school year, fewer classes were scheduled causing a decrease in both revenue and expenditures. For example, fewer students were signed up for Driver's Education and Adult Basic Education experienced fewer contact hours. The Early Childhood Family Education program was also watching their expenditures in preparation for the opening of the Montrose Early Childhood Center. The total Community Service fund balance was \$277,849 at June 30, 2010.

<b>Fund 04</b>	<b>2008-2009 Actual</b>	<b>2009-2010 Revised Budget</b>	<b>2009-2010 Actual</b>	<b>\$ Budget Variance</b>	<b>% Budget Variance</b>
<b>Revenue</b>					
Local Property Taxes	\$451,858	\$520,869	\$537,712	\$16,843	3.23%
State Sources	\$482,861	\$434,439	\$458,540	\$24,101	5.55%
Tuition, Fees, & Misc.	\$1,891,418	\$1,805,196	\$1,798,465	(\$6,731)	-0.37%
<b>Total</b>	<b>\$2,826,137</b>	<b>\$2,760,504</b>	<b>\$2,794,717</b>	<b>\$34,213</b>	<b>1.24%</b>
<b>Expenditures</b>					
Salaries	\$1,872,896	\$1,898,211	\$1,795,012	(\$103,199)	-5.44%
Employee Benefits	\$449,043	\$402,854	\$468,078	\$65,224	16.19%
Purchased Services	\$310,246	\$260,750	\$290,643	\$29,893	11.46%
Supplies & Materials	\$176,329	\$173,150	\$190,102	\$16,952	9.79%
Capital Outlay	\$28,272	\$25,000	\$7,085	(\$17,915)	-71.66%
Other	\$20,803	\$9,200	\$10,647	\$1,447	15.73%
<b>Total</b>	<b>\$2,857,589</b>	<b>\$2,769,165</b>	<b>\$2,761,567</b>	<b>(\$7,598)</b>	<b>-0.27%</b>
Community Education	\$107,205	\$73,683	\$83,107	\$9,424	
ECFE	\$69,226	\$72,285	\$133,840	\$61,555	
School Readiness	\$44,431	\$67,133	\$48,587	(\$18,546)	
Adult Basic Education	\$11,289	\$11,289	\$12,307	\$1,018	
Unreserved	\$12,548	\$11,648	\$8	(\$11,640)	
<b>Fund Balance</b>	<b>\$244,699</b>	<b>\$236,038</b>	<b>\$277,849</b>	<b>\$41,811</b>	

Building Construction & Alternate Facilities – Funds 06 & 16

The Building Construction and Alternate Facilities funds are now closed. Their combined fund balance decreased from \$1,098,097 as of June 30, 2009 to \$0 as of June 30, 2010. Interest revenue declined in 2009-2010 due to fewer bond proceeds being available and projects being completed.

Under the Building Construction fund, the roof and track projects were completed at Buffalo Community Middle School and the tennis court project at the Buffalo High School.

<b>Funds 06 &amp; 16</b>	<b>2008-2009 Actual</b>	<b>2009-2010 Revised Budget</b>	<b>2009-2010 Actual</b>	<b>\$ Budget Variance</b>
<b>Revenue</b>				
Interest Revenue	\$54,881	\$5,000	\$1,006	(\$3,994)
Sale of Land	\$131,397	\$0	\$0	\$0
<b>Total</b>	<b>\$186,278</b>	<b>\$5,000</b>	<b>\$1,006</b>	<b>(\$3,994)</b>
<b>Expenditures</b>				
Purchased Services	\$135,711	\$50,000	\$34,066	(\$15,934)
Capital Outlay	\$3,216,958	\$1,049,000	\$1,065,037	\$16,037
Transfer Out	\$829,803	\$0	\$0	\$0
<b>Total</b>	<b>\$4,182,472</b>	<b>\$1,099,000</b>	<b>\$1,099,103</b>	<b>\$103</b>
Alternate Facilities	\$0	\$0	\$0	\$0
Unreserved - Bldg Constr	\$1,098,097	\$4,097	\$0	(\$4,097)
<b>Fund Balance</b>	<b>\$1,098,097</b>	<b>\$4,097</b>	<b>\$0</b>	<b>(\$4,097)</b>

Debt Service – Funds 07 & 47

The Debt Service fund balance decreased \$456,401 and is \$1,933,058 as of June 30, 2010. 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.

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 will be recorded in Debt Service Fund 47, and the trust activity will be recorded in Fund 45.

Funds 07 & 47	2009-2010		2009-2010 Actual	\$ Budget Variance
	2008-2008 Actual	Revised Budget		
<b>Revenue</b>				
Local Property Taxes	\$6,682,835	\$6,302,265	\$6,288,621	(\$13,644)
State Sources	\$377,840	\$348,000	\$346,964	(\$1,036)
Interest Revenue	\$103,367	\$40,000	\$19,965	(\$20,035)
Transfer In	\$829,803	\$0	\$0	\$0
Bond Proceeds	\$20,837,006	\$0	\$0	\$0
<b>Total</b>	<b>\$28,830,851</b>	<b>\$6,690,265</b>	<b>\$6,655,550</b>	<b>(\$34,715)</b>
<b>Expenditures</b>				
Principal & Interest	\$6,856,285	\$7,110,089	\$7,110,089	\$0
Other	\$66,149	\$6,000	\$1,862	(\$4,138)
Bond Refunding	\$20,805,000	\$0	\$0	\$0
<b>Total</b>	<b>\$27,727,434</b>	<b>\$7,116,089</b>	<b>\$7,111,951</b>	<b>(\$4,138)</b>
<b>Fund Balance</b>	<b>\$2,389,459</b>	<b>\$1,963,635</b>	<b>\$1,933,058</b>	<b>(\$30,577)</b>

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 2009-2010

	<b>Balance</b>	<b>Receipts and</b>	<b>Disbursements</b>	<b>Balance</b>
	<b>July 1, 2009</b>	<b>Transfers In</b>	<b>and</b> <b>Transfers Out</b>	<b>June 30, 2010</b>
Class of 2009 (Graduates)	\$ 279.98	\$ -	\$ 279.98	\$ -
Class of 2010 (Senior)	4,994.97	1,721.25	4,401.60	2,314.62
Class of 2011 (Junior)	123.53	14,219.80	7,340.64	7,002.69
Class of 2012 (Sophomore)	929.15	45.52	-	974.67
Class of 2013 (Freshman)	-	283.34	-	283.34
SH Arts Magnet	2,738.96	1,987.93	3,646.05	1,080.84
SH Band	40,115.75	70,614.01	79,156.88	31,572.88
SH Dance	244.69	8.29	-	252.98
SH Bison Stampede	2,640.51	203.53	351.00	2,493.04
SH Business Professionals of America	-	6,366.95	5,449.63	917.32
SH Choir	11,353.89	41,609.72	45,687.79	7,275.82
SH Culture United	1,375.60	16.79	280.50	1,111.89
SH FFA	7,756.41	29,052.19	23,787.35	13,021.25
SH Football	17,929.75	18,482.55	22,937.09	13,475.21
SH Global Minded Student Activists	117.89	4,548.30	4,200.00	466.19
SH MEADA	-	250.76	59.02	191.74
SH Mock Trial	618.17	615.65	945.45	288.37
SH NHS	120.99	1,648.58	785.40	984.17
SH Orchestra	5,698.90	14,768.51	16,641.52	3,825.89
SH Student Care	903.94	35.30	619.79	319.45
SH Student Council	7,598.15	14,777.04	14,183.60	8,191.59
SH Students Stepping Up	396.07	4.76	174.47	226.36
SH Track-Field	3,080.97	5,704.55	5,227.42	3,558.10
SH World Language	2,802.40	3,093.27	3,495.08	2,400.59
Activity Interest	-	2,506.43	2,506.43	-
<b>Total</b>	<b>\$ 111,820.67</b>	<b>\$ 232,565.02</b>	<b>\$ 242,156.69</b>	<b>\$ 102,229.00</b>

KleinBank CD	\$ 85,000.00
KleinBank Checking	17,229.00
	<b>\$ 102,229.00</b>