INDEPENDENT SCHOOL DISTRICT NO. 877
Buffalo-Hanover-Montrose, Minnesota

AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

INDEPENDENT SCHOOL DISTRICT NO. 877

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BOARD OF EDUCATION AND ADMINISTRATION
For the Year Ended June 30, 2013

Board of Education	Position	Term Expires
Sue Lee	Chairperson	December 31, 2015
Melissa Brings	Vice Chairperson	December 31, 2015
Doug Olson	Clerk	December 31, 2013
Laurie Raymond	Treasurer	December 31, 2015
Patti Pokorney	Acting Clerk/Treasurer	December 31, 2015
Dean Perry	Director	December 31, 2013
Ken Ogden	Director	December 31, 2013

Administration	
Scott Thielman	Superintendent
Gary Kawlewski	Director of Finance and Operations
Miranda Kramer	Controller

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INDEPENDENT AUDITOR'S REPORT

To the School Board
Independent School District No. 877
Buffalo-Hanover-Montrose, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 877, Buffalo-Hanover-Montrose, Minnesota, 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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 877, Buffalo-Hanover-Montrose, Minnesota, as of June 30, 2013, and the respective changes in financial position 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.

Implementation of GASB 63

As discussed in Note 13 to the financial statements, the District has adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position.*

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and the Schedule of Funding Progress – Other Post Employment Benefits on page 64, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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 accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) *Circular A*-133, *Audits of States, Local Governments and Nonprofit Organizations*, and is also not a required part of the financial statements.

KDV

The accompanying supplementary information identified in the Table of Contents and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. 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 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.

Report on Summarized Comparative Information

The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statement for the year ended June 30, 2012, from which such partial information was derived.

We have previously audited the District's 2012 financial statements and our report, dated October 3, 2012, expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Kern, DeWenter, Viere Ltd

KERN, DEWENTER, VIERE, LTD.
St. Cloud, Minnesota
October 15, 2013

INDEPENDENT SCHOOL DISTRICT NO. 877

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

This section of Independent School District No. 877's (the "District") annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2013. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is a new element of required supplementary information specified in the GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, issued in June 1999. Certain comparative information between the current year (2012-2013) and the prior year (2011-2012) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2012-2013 fiscal year include the following:

- The District's total combined net position increased over 5.7% over the course of the year and was $ 32.5 million at June 30, 2013.
- During the year, the District's expenses were $65.4 million and its revenues were $67.2 million. Revenues increased by $607 thousand from the prior year.
- The General Fund reported an unassigned fund balance this year of $ 8.3 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts: Independent Auditor's Report, required supplementary information which includes the MD&A, the basic financial statements and supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

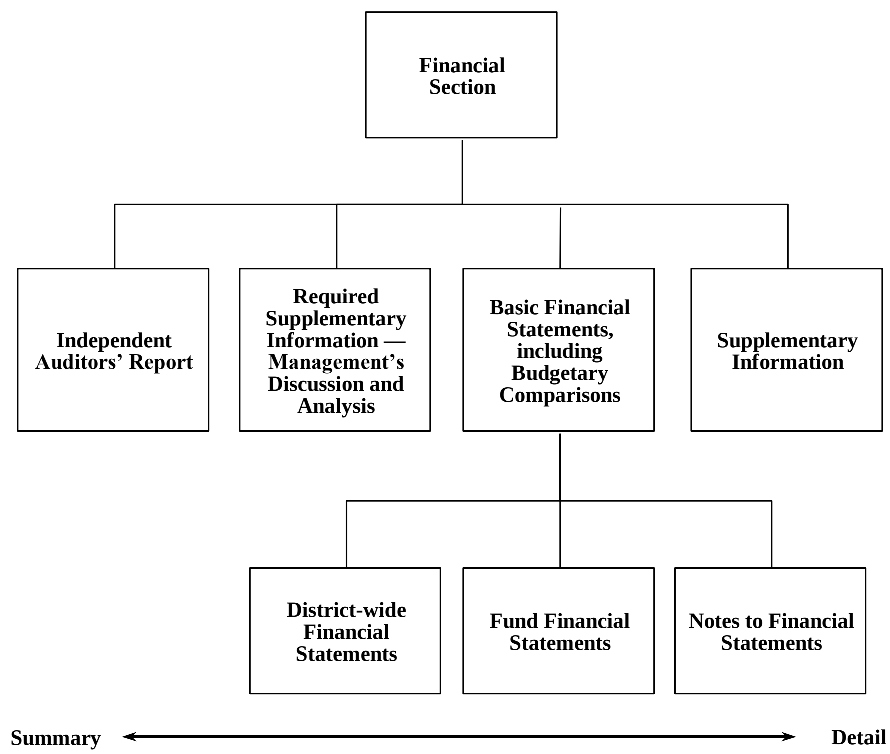
- The first two statements are the district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide financial statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements also include notes that explain in more detail information in the basic financial statements. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1

Annual Financial Report



OVERVIEW OF THE FINANCIAL STATEMENTS

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

Figure A-2
Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements - Governmental	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary, such as special education, building maintenance, food service and community education	Instances in which the District is the trustee or agent for someone else's resources
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance	• Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resource focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be consumed and liabilities paid during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

District-Wide Statements

The district-wide statements 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 and liabilities. 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 district-wide statements report the District's net position and how they have changed. The term "net position" is defined as the difference between the District's assets and liabilities and is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

In the district-wide financial statements, the District's activities are shown in one category:

- **Governmental Activities:** Most of the District's basic services are included here, such as regular and special education, transportation, administration, food services and community education. Property taxes and state appropriations finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the District as a whole. 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 (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

The District has one type of fund:

- **Governmental Funds:** Most of 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 funds statements provide a detailed short-term view to determine whether the District's working capital will be sufficient to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide reconciliations between the governmental funds statements and the district-wide statements, which do present a long-term focus.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's consolidated net position increased 5.73% and was $ 32,520,478 on June 30, 2013 (See Table A-1). The District's total assets decreased 22.39% primarily due to the retirement of principal and interest held in escrow from an advanced refunding of general obligation bonds. Additionally, the district saw a decrease in Federal Sources from the loss of funding from the Education Jobs Bill. Total liabilities decreased 30.20% due to the district's retirement of principal and interest held in escrow from an advance refunding of general obligation bonds.

The net investment in capital assets increased as the debt is being paid off at a faster rate than the assets are being depreciated. The restricted net position increased mainly from the change in the restricted for debt service.

Table A-1
The District's Net Position

	Governmental Activities		Percentage
	2013	2012	Change
ASSETS:			
Current and Other Assets	$ 33,076,114	$ 63,534,812	-47.94%
Capital and Non-Current Assets	80,444,094	82,739,540	-2.77%
Total Assets	$ 113,520,208	$ 146,274,352	-22.39%
LIABILITIES:			
Current Liabilities	19,046,308	52,822,282	-63.94%
Long-Term Liabilities	61,953,422	63,229,291	-2.02%
Total Liabilities	$ 80,999,730	$ 116,051,573	-30.20%
NET POSITION:			
Net Investment in Capital Assets	$ 18,246,578	$ 17,166,721	6.29%
Restricted	1,626,046	694,355	134.18%
Unrestricted	12,647,854	12,897,815	-1.94%
Total Net Position	$ 32,520,478	$ 30,758,891	5.73%

Change in Net Position

The net change in assets for 2012-2013 was $ 1,761,587 based on total revenues of $ 67.2 million and total expenses of $ 65.4 million. Table A-2 on the following page shows the breakdown into the various revenue and expense categories.

INDEPENDENT SCHOOL DISTRICT NO. 877

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table A-2
Change in Net Position

	Governmental Activities		Percentage
	2013	2012	Change
REVENUES:			
Program Revenues:			
Charges for Services	$ 5,016,556	$ 4,863,375	3.15%
Operating Grants and Contributions	10,813,218	11,060,195	-2.23%
Capital Grants and Contributions	1,323,752	1,320,158	0.27%
General Revenues:			
Property Taxes	13,681,680	12,989,852	5.33%
Unrestricted State Aid	35,156,917	34,842,652	0.90%
Investment Earnings	41,297	18,566	122.43%
Other	1,120,694	2,642,105	-57.58%
Income (Loss) from Joint Venture	(873)	27,206	-103.21%
Gain on Sale of Capital Assets	3,121	89	3406.74%
Total Revenues	67,156,362	67,764,198	-0.90%
EXPENSES:			
Administration	1,505,069	1,563,606	-3.74%
District Support Services	1,319,384	1,153,408	14.39%
Regular Instruction	29,525,172	28,832,295	2.40%
Vocational Education Instruction	1,559,559	1,440,789	8.24%
Special Education Instruction	9,565,980	8,943,786	6.96%
Instructional Support Services	2,906,897	2,943,129	-1.23%
Pupil Support Services	4,694,646	4,560,338	2.95%
Sites and Buildings	4,698,559	5,054,869	-7.05%
Fiscal and Other Fixed Cost Programs	135,728	201,271	-32.56%
Food Service	2,948,965	2,999,095	-1.67%
Community Service	3,779,527	3,244,783	16.48%
Interest and Fiscal Charges on Long-term Liabilities	2,755,289	3,177,383	-13.28%
Total Expenses	65,394,775	64,114,752	2.00%
CHANGE IN NET POSITION:	1,761,587	3,649,446	-51.73%
Beginning Net Position	30,758,891	27,109,445	13.46%
Ending Net Position	$ 32,520,478	$ 30,758,891	5.73%

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Revenues

The District’s total revenues were approximately $ 67.2 million for the year ended June 30, 2013. Property taxes and state formula aid accounted for 73% of total revenue for the year (See Figure A-3). Another 2% came from other general revenues combined with investment earnings, and the remaining 25% from program revenues.

Figure A-3
Sources of District's Revenues for Fiscal 2013

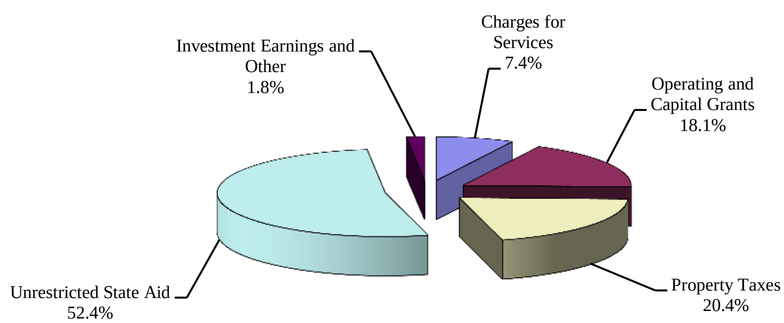
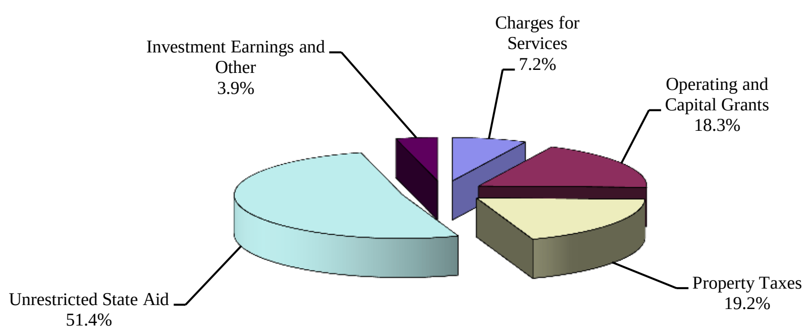


Figure A-3
Sources of District's Revenues for Fiscal 2012



FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Expenses

The total cost of all programs and services increased 2.00% to $ 65,394,775. The District's expenses are predominantly related to educating, caring for, and transporting students. The administrative expenses of the District accounted for 4% of total costs for 2012-13 and 2011-12 respectively (see Figure A-4).

Figure A-4
District Expenses for Fiscal 2013

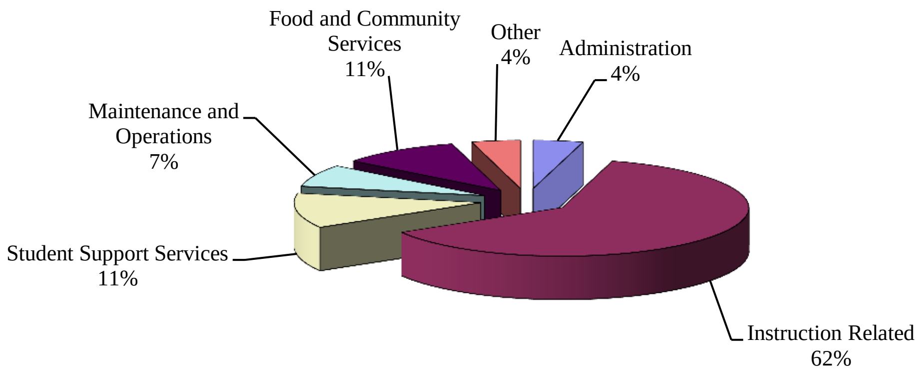
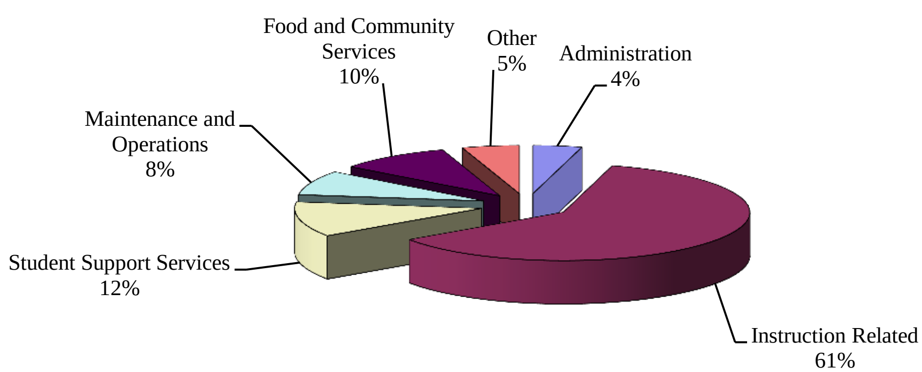


Figure A-4
District Expenses for Fiscal 2012



FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Governmental Activities

Typically, the District does not incorporate funds allocated to direct instruction as part of an analysis of expenditures in all governmental funds. Funding for general operation of the District is controlled by the state and the District does not have latitude to allocate money received from entrepreneurial-type funds of food service and community education. Therefore, a more accurate analysis would be limited to the allocation of resources received for the general operation of the District and would show that 74% of those resources are spent on instruction and support services associated with instruction.

Table A-3 presents the cost of 12 major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

Some of the cost was paid by the users of the District's program revenue of $ 5,016,556. The federal and state governments subsidized certain programs with grants and contributions ($ 10,813,218 for operating purposes and $ 1,323,752 for capital purposes). District taxpayers and the taxpayers of the State of Minnesota, however, paid for most of the District's costs with general revenue of $ 50,002,836. The remaining portion of governmental activities was paid for with $ 13,681,680 in property taxes, $ 35,156,917 of state aid based on the state-wide education aid formula and $ 1,164,239 with investment earnings and other general revenues.

Table A-3
Program Expenses and Net Cost of Services

	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	2013	2012	Change	2013	2012	Change
Administration	$ 1,505,069	$ 1,563,606	-3.74%	$ 1,505,069	$ 1,563,606	-3.74%
District Support Services	1,319,384	1,153,408	14.39%	1,302,334	1,135,286	14.71%
Regular Instruction	29,525,172	28,832,295	2.40%	25,227,619	24,424,738	3.29%
Vocational Education Instruction	1,559,559	1,440,789	8.24%	1,557,454	1,440,567	8.11%
Special Education Instruction	9,565,980	8,943,786	6.96%	3,635,867	2,695,036	34.91%
Instructional Support Services	2,906,897	2,943,129	-1.23%	2,907,167	2,942,954	-1.22%
Pupil Support Services	4,694,646	4,560,338	2.95%	4,428,284	4,328,573	2.30%
Sites and Buildings	4,698,559	5,054,869	-7.05%	3,835,212	4,196,842	-8.62%
Fiscal and Other Fixed Cost Programs	135,728	201,271	-32.56%	122,514	174,987	-29.99%
Food Service	2,948,965	2,999,095	-1.67%	107,628	119,991	-10.30%
Community Service	3,779,527	3,244,783	16.48%	856,812	671,061	27.68%
Interest and Fiscal Charges on Long-term Liabilities	2,755,289	3,177,383	-13.28%	2,755,289	3,177,383	-13.28%
Total	$ 65,394,775	$ 64,114,752	2.00%	$ 48,241,249	$ 46,871,024	2.92%

INDEPENDENT SCHOOL DISTRICT NO. 877

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of $ 19,899,715. Of this amount, $ 1,556,862 is restricted to cover future debt obligations.

Revenues for the District's governmental funds were $ 67,159,946 while total expenditures were $ 68,304,600. After factoring in Other Financing Sources, the District completed the year with a net change in fund balance of $ 31,119,133, the most significant factor in leading to the decrease was the refunding bond payment from the escrow account.

GENERAL FUND

The General Fund includes the primary operations of the District in providing educational services to students from kindergarten through grade 12 including pupil transportation activities and capital outlay projects.

The following schedule presents a summary of General Fund revenues.

Table A-4
General Fund Revenues

	Year Ended		Change	
	June 30, 2013	June 30, 2012	Increase (Decrease)	Percent
Property Taxes	$ 5,997,896	$ 5,722,356	$ 275,540	4.82%
Other Local and County Revenues	1,850,329	2,394,891	(544,562)	-22.74%
State Sources	44,035,577	43,450,184	585,393	1.35%
Federal Sources	1,614,557	2,831,837	(1,217,280)	-42.99%
Sales and Other Conversion of Assets	41,560	60,247	(18,687)	-31.02%
Total Revenue	$ 53,539,919	$ 54,459,515	$ (919,596)	-1.69%

Total General Fund revenue decreased from the previous year by $ 919,596, or 1.69%. Property taxes revenue increased $ 275,540 from the 2011-2012 fiscal year with the continuation of the State's property tax shift. Revenue from state sources increased $ 585,393 due to an increase in the State's General Education Revenue formula allowance as well as the addition of Literacy Aid. The revenue from federal sources decreased $ 1,217,280 due to the net change of the Education Jobs bill funds ending this fiscal year.

GENERAL FUND

The following schedule presents a summary of General Fund expenditures.

Table A-5
General Fund Expenditures

	Year Ended		Change	
	June 30, 2013	June 30, 2012	Increase (Decrease)	Percent
Salaries	$ 29,854,800	$ 29,718,240	$ 136,560	0.46%
Employee Benefits	10,469,041	10,393,384	75,657	0.73%
Purchased Services	7,577,695	7,660,954	(83,259)	-1.09%
Supplies and Materials	2,059,259	2,268,740	(209,481)	-9.23%
Capital Expenditures	1,825,149	1,793,948	31,201	1.74%
Other Expenditures	319,560	419,395	(99,835)	-23.80%
Total Expenditures	$ 52,105,504	$ 52,254,661	$ (149,157)	-0.29%

Total General Fund expenditures decreased $ 149,157, or .29%, from the previous year. The District maintained its expenditures for the 2012-2013 school year with the continuation of conservative budgeting practices.

In the 2012-2013 school year, General Fund revenues and other financing sources exceeded expenditures by $ 1,420,859. As a result, the total fund balance at June 30, 2013 increased to $ 15,794,123 of which $ 7,119,725 is restricted, committed, or assigned. The unassigned fund balance increased from the prior year, ending at a balance of $ 8,361,633 at June 30, 2013, or 16.05% of expenditures with the non-spendable fund balance of $ 312,765 included. The District closely monitors its fund balance.

INDEPENDENT SCHOOL DISTRICT NO. 877

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2013

GENERAL BUDGETARY HIGHLIGHTS

The District revises its annual budget once each year. The budget amendment caused the changes shown between the original budget amount and the final budget amount which primarily fall into the following two categories:

- Change in salaries from projected amounts due to staffing for enrollment and special education needs and contract settlements.

- Changes in revenue entitlements from state aid proration and enrollment changes in weighted average daily membership (WADM).

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues and other sources by about $ 49,777, the actual results for the year show $ 1,420,859 excess revenue and other financing sources over expenditures. Revenues were over the District's final budget by 0.27% whereas expenditures were under budget by 2.51%.

- Actual revenues were slightly higher than expected by $ 143,645 and due primarily to slightly lower final enrollment counts. The District received more local property tax revenue than anticipated which was offset by recognizing less state general education aid in 2012-2013 due to the state's property tax shift.

- Actual expenditures were $ 1,344,047 under budget reflecting the District's conservative budgeting practices. The district was under budget by more than $372,000 due to lower energy usage through conservation and a mild winter and through lower than expected transportation costs. The high school roof project was under budget and was not completed by year end thus under budget by $130,915. Employee benefits were under budget by $146,800. Staffing and other contingencies were not needed saving about $145,000. Sub and extended time costs were underspent by about $127,500. Health and Safety expenditures were under budget by $101,000 due to lower costs than anticipated. Building carryovers increased in anticipation of planned expenditures for the 2013-14 year by over $169,000

CAPITAL PROJECTS AND DEBT SERVICE FUNDS

There was activity in the Building Construction Fund during the 2012-2013 school year due to the start of the heating, ventilating, and air conditioning project at Parkside Elementary School. The District had $3,958,576 from the sale of bonds and interest proceeds as of June 30, 2013. The District had expenditures from construction in process of $1,599,189 leaving a remaining balance of $2,359,387 as of June 30, 2013. The project will be completed during the early part of the 2013-2014 year.

The Debt Service Fund total expenditures and other financing uses exceeded revenue and other financing sources by $ 34,738,902 in fiscal year 2012-2013. Of this amount, $33,935,000 was due to the retirement of the escrow account from an advance refunding of its 2003B General Obligation Bonds and the 2005A Alternative Facilities Bonds. The remaining fund balance of $1,479,653 at June 30, 2013 is available for meeting future debt service obligations.

OTHER NONMAJOR FUNDS

The Food Service Fund expenditures matched revenues and other financing sources for the year. The District was required to make a fund transfer of $ 16,677 to cover the amount in deficit as of June 30, 2013. The food service department had less regular and ala carte meals served with increased costs from labor and supply costs. The District, however, received slightly higher federal reimbursement rates for meals served.

The Community Service Fund expenditures exceeded revenues and other financing sources by $ 156,555 and decreased its fund balance to $ 189,343 at June 30, 2013.

The Post Employment Debt Service Fund revenues exceeded expenditures by $ 23,468 and increased its fund balance to $ 77,209 at June 30, 2013. The balance will be used for future debt service obligations.

FIDICUARY FUNDS

The District created a sunset clause in certain contracts for retiree insurance contributions. Individuals hired after the sunset date are no longer eligible for the grandfathered post-retirement insurance benefits. The new provisions require the district to make ongoing contributions to the new employee's HRA account held in an outside irrevocable trust. Each contract has a contribution limit for the individual employee. The value of the irrevocable trust was $ 253,626 as of June 30, 2013.

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 District's post-employment benefits. The District started to use the Trust in the 2012-2013 year to cover post-employment obligations. The amount held in trust for OPEB as of June 30, 2013 is $12,935,766 and increased in value by $370,177.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2012, the District had invested approximately $ 116.8 million in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment and administrative offices, (see Table A-6). This amount represents a net increase of $ 2,115,944 or 1.84%, from last year. Total depreciation expense for the year was approximately $ 3.5 million. More detailed information about capital assets can be found in Note 4 to the financial statements.

CAPITAL ASSET AND DEBT ADMINISTRATION

Table A-6
The District's Capital Assets

	2013	2012	Percentage Change
Land	$ 4,224,158	$ 4,224,158	0.00%
Construction in Progress	1,678,732	41,394	N/A
Land Improvements	2,977,424	2,960,182	0.58%
Buildings and Improvements	102,457,454	102,304,427	0.15%
Equipment and Transportation Vehicles	5,534,768	5,226,431	5.90%
Total Historical Cost	116,872,536	114,756,592	1.84%
Less Accumulated Depreciation	(46,180,730)	(42,675,641)	8.21%
Total	$ 70,691,806	$ 72,080,951	-1.93%

Construction – Next Five Years

An alternative facility project at Parkside Elementary School was in progress as of June 30, 2013. The project is the final ventilation project for the district and estimated to cost $ 4.02 million. Work is scheduled to be completed by the fall of 2013.

Long-Term Debt

At year-end, the District had $ 65,662,964 in general obligation (G.O.) bonds and capital leases, an decrease of 34.74% from last year as shown in Table A-7. The District also had $ 1,514,846 in future post-employment severance benefits payable at June 30, 2013. The School Board has committed $ 4,689,661 for payment of future post-employment severance and health benefits. More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.

CAPITAL ASSET AND DEBT ADMINISTRATION

Table A-7
The District's Long-Term Liabilities

	2013	2012	Percentage Change
G.O. Bonds	$ 59,785,000	$ 94,230,000	-36.55%
Net Bond Premium and Discount	3,876,517	4,202,380	-7.75%
Net G.O. Bonds	63,661,517	98,432,380	-35.32%
Obligations Under Capital Leases	2,001,447	2,178,002	-8.11%
Net G.O. Bonds and Capital Leases	65,662,964	100,610,382	-34.74%
Severance Payable	1,145,646	1,115,241	2.73%
Compensated Absences Payable	369,200	338,804	8.97%
Total	$ 67,177,810	$ 102,064,427	-34.18%

Bond Ratings

The District's G.O. bonds carry an MSDE enhanced rating of Aa2 according to the most recent Moody's Investor Service Rating.

Limitations on Debt

The state limits the amount of G.O. debt the District can issue to 15% of the market value of all taxable property within the District's corporate limits. The District's outstanding debt is significantly below this limit.

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

During the 2011 State Legislative session, the basic general education formula was increased by $ 50 per pupil unit for the next two years. The District also qualified for a new state aid component called Literacy Aid in fiscal year 2013 which amounted to an additional $ 50 per pupil unit. With the increased financial health for the State of Minnesota, the state aid payment shift moved from 64.3/35.7 for 2012 and beyond to 86.4/13.6 as of June 30, 2013 and beyond. This has helped to alleviate the need for school districts to borrow funds for cash flow. The 2013 Legislature also added an additional $78 and $79 per pupil for the next two years respectively. The Legislature also gave school boards authority to increase operating referendum revenue up to $300 per pupil without voter approval. Additionally, the legislation also created greater state equalization of certain revenue programs. Even though the additional funding will help create some funding stability, the District will need to continue its conservative budgeting practices.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Independent School District No. 877, 214 1st Avenue NE, Buffalo, Minnesota 55313.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 877

STATEMENT OF NET POSITION
June 30, 2013
(With Comparative Totals as of June 30, 2012)

	Governmental Activities	
	2013	2012
ASSETS		
Cash and Investments	$ 19,175,463	$ 3,092,493
Cash with Fiscal Agent	-	34,825,672
Current Property Taxes Receivable	6,273,333	7,111,834
Delinquent Property Taxes Receivable	288,034	293,866
Accounts Receivable	158,672	188,152
Interest Receivable	7,683	2,297
Due from Department of Education	5,807,031	16,006,660
Due from Federal Government through Department of Education	702,194	1,092,012
Due from Other Minnesota School Districts	71,992	120,697
Due from Other Governmental Units	199,364	305,310
Inventory	176,218	152,564
Prepaid Items	216,130	343,255
Advance of Unearned General Education Aid	-	309,617
Property Tax Shift Adjustment	-	20
Deferred Charges	207,602	226,475
Equity Interest in Joint Venture	983,283	984,156
Net OPEB Asset	8,561,403	9,674,433
Capital Assets not being Depreciated:		
Land	4,224,158	4,224,158
Capital Assets, Net of Accumulated Depreciation:		
Construction in Progress	1,678,732	41,394
Land Improvements	830,991	954,598
Buildings	62,277,737	65,266,444
Machinery and Equipment	1,680,188	1,594,357
Total Assets	$ 113,520,208	$ 146,810,464
LIABILITIES AND NET POSITION		
Liabilities		
Accounts Payable	$ 1,776,539	$ 819,854
Salaries and Benefits Payable	820,679	803,329
Interest Payable	933,555	1,475,296
Due to Other Minnesota School Districts	249,368	244,560
Due to Other Governmental Units	119,165	130,251
Unearned Revenue	76,313	105,573
Property Taxes Levied for Subsequent Year's Expenditures	9,846,301	10,408,283
Bond Payable, Net:		
Payable Within One Year	4,670,000	38,300,000
Payable After One Year	58,991,517	60,132,380
Capital Lease Payable:		
Payable Within One Year	185,188	176,447
Payable After One Year	1,816,259	2,001,555
Compensated Absences Payable:		
Payable Within One Year	369,200	338,804
Severance Payable:		
Payable Within One Year	-	19,885
Payable After One Year	1,145,646	1,095,356
Total Liabilities	80,999,730	116,051,573
Net Position		
Invested in Capital Assets, Net of Related Debt	18,246,578	17,166,721
Restricted for:		
Debt Service	981,664	148,463
Other Purposes	644,382	545,892
Unrestricted	12,647,854	12,897,815
Total Net Position	32,520,478	30,758,891
Total Liabilities and Net Position	$ 113,520,208	$ 146,810,464

The Notes to the Financial Statements are an integral part of this statement.

INDEPENDENT SCHOOL DISTRICT NO. 877

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

		Program Revenues			Net (Expense) Revenues and Changes in Net Position — Governmental Activities	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2013	2012
Governmental Activities						
Administration	$ 1,505,069	$ -	$ -	$ -	$ (1,505,069)	$ (1,563,606)
District Support Services	1,319,384	17,050	-	-	(1,302,334)	(1,135,286)
Elementary and Secondary Regular Instruction	29,525,172	526,506	3,283,391	487,656	(25,227,619)	(24,424,738)
Vocational Education Instruction	1,559,559	-	2,105	-	(1,557,454)	(1,440,567)
Special Education Instruction	9,565,980	180,243	5,749,870	-	(3,635,867)	(2,695,036)
Instructional Support Services	2,906,897	(270)	-	-	(2,907,167)	(2,942,954)
Pupil Support Services	4,694,646	98,400	167,962	-	(4,428,284)	(4,328,573)
Sites and Buildings	4,698,559	27,251	-	836,096	(3,835,212)	(4,196,842)
Fiscal and Other Fixed Cost Programs	135,728	13,214	-	-	(122,514)	(174,987)
Food Service	2,948,965	1,653,097	1,188,240	-	(107,628)	(119,991)
Community Education and Services	3,779,527	2,501,065	421,650	-	(856,812)	(671,061)
Interest and Fiscal Charges on Long-Term Debt	2,755,289	-	-	-	(2,755,289)	(3,177,383)
Total Governmental Activities	$ 65,394,775	$ 5,016,556	$ 10,813,218	$ 1,323,752	(48,241,249)	(46,871,024)
General Revenues						
Taxes:						
Property Taxes, Levied for General Purposes					5,992,546	5,673,905
Property Taxes, Levied for Community Service					561,182	568,099
Property Taxes, Levied for Debt Service					7,127,952	6,747,848
State Aid-Formula Grants					35,156,917	34,842,652
Other General Revenues					1,120,694	2,642,105
Investment Income					41,297	18,566
Net Income (Loss) from Joint Venture					(873)	27,206
Gain on Sale of Capital Assets					3,121	89
Total General Revenues					50,002,836	50,520,470
Change in Net Position					1,761,587	3,649,446
Net Position - Beginning					30,758,891	27,109,445
Net Position - Ending					$ 32,520,478	$ 30,758,891

The Notes to the Financial Statements are an integral part of this statement.

INDEPENDENT SCHOOL DISTRICT NO. 877

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2013
(With Comparative Totals as of June 30, 2012)

	General	Debt Service	Building Construction	Other Nonmajor Funds	Total Governmental Funds 2013	Total Governmental Funds 2012
ASSETS						
Cash and Investments	$ 10,414,839	$ 4,711,193	$ 3,549,806	$ 499,625	$ 19,175,463	$ 3,092,493
Cash with Fiscal Agent	-	-	-	-	-	34,825,672
Current Property Taxes Receivable	2,621,553	3,125,880	-	525,900	6,273,333	7,111,834
Delinquent Property Taxes Receivable	120,990	144,529	-	22,515	288,034	293,866
Accounts Receivable	158,672	-	-	-	158,672	188,152
Interest Receivable	7,683	-	-	-	7,683	2,297
Due from Department of Education	5,751,939	4,956	-	50,136	5,807,031	16,006,660
Due from Federal Government through Department of Education	702,194	-	-	-	702,194	1,092,012
Due from Other Minnesota School Districts	19,265	-	-	52,727	71,992	120,697
Due from Other Governmental Units	182,369	-	-	16,995	199,364	305,310
Due from Other Funds	1,718	-	-	-	1,718	1,666,751
Inventory	96,635	-	-	79,583	176,218	152,564
Prepaid Items	216,130	-	-	-	216,130	343,255
Advance of Unearned General Education Aid	-	-	-	-	-	309,617
Property Tax Shift Adjustment	-	-	-	-	-	20
Total Assets	$ 20,293,987	$ 7,986,558	$ 3,549,806	$ 1,247,481	$ 33,077,832	$ 65,511,200
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts Payable	$ 546,785	$ -	$ 1,190,419	$ 39,335	$ 1,776,539	$ 819,854
Salaries and Benefits Payable	782,158	-	-	38,521	820,679	803,329
Due to Other Minnesota School Districts	249,368	-	-	-	249,368	244,560
Due to Other Governmental Units	119,165	-	-	-	119,165	130,251
Due to Other Funds	-	-		1,718	1,718	1,666,751
Deferred Revenue	121,680	144,529	-	98,138	364,347	399,439
Property Taxes Levied for Subsequent Year's Expenditures	2,680,708	6,362,376	-	803,217	9,846,301	10,408,283
Severance Payable	-	-	-	-	-	19,885
Total Liabilities	4,499,864	6,506,905	1,190,419	980,929	13,178,117	14,492,352
Fund Balances						
Nonspendable	312,765	-	-	79,583	392,348	495,819
Restricted	377,365	1,479,653	2,359,387	266,552	4,482,957	36,693,005
Committed	4,689,661	-	-	-	4,689,661	4,118,869
Assigned	2,052,699	-	-	-	2,052,699	2,042,711
Unassigned	8,361,633	-	-	(79,583)	8,282,050	7,668,444
Total Fund Balances	15,794,123	1,479,653	2,359,387	266,552	19,899,715	51,018,848
Total Liabilities and Fund Balances	$ 20,293,987	$ 7,986,558	$ 3,549,806	$ 1,247,481	$ 33,077,832	$ 65,511,200

INDEPENDENT SCHOOL DISTRICT NO. 877

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS June 30, 2013 (With Comparative Totals as of June 30, 2012)

	2013	2012
Total Fund Balances - Governmental Funds	$ 19,899,715	$ 51,018,848
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.		
Cost of Capital Assets	116,872,536	114,756,592
Less Accumulated Depreciation	(46,180,730)	(42,675,641)
Equity interests in underlying capital assets of joint ventures are not reported in the funds because they do not represent current financial assets.		
Equity Interest in Joint Venture - Wright Technical Center	983,283	984,156
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bond Principal Payable	(59,785,000)	(94,230,000)
Net Premium on Bonds Payable	(3,876,517)	(4,202,380)
Deferred Charges	207,602	226,475
Capital Lease Payable	(2,001,447)	(2,178,002)
Compensated Absences Payable	(369,200)	(338,804)
Severance Payable	(1,145,646)	(1,095,356)
Net OPEB asset created through treatment of General Obligation (G.O.) Taxable OPEB Bonds as employer contribution to defined benefit OPEB plan is not recognized in the governmental funds.	8,561,403	9,674,433
Delinquent property taxes receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	288,034	293,866
Governmental funds do not report a liability for accrued interest on bonds and capital leases until due and payable.	(933,555)	(1,475,296)
Total Net Position - Governmental Activities	$ 32,520,478	$ 30,758,891

The Notes to the Financial Statements are an integral part of this statement.

INDEPENDENT SCHOOL DISTRICT NO. 877

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

	General	Debt Service	Construction	Other Nonmajor Funds	Total Governmental Funds 2013	Total Governmental Funds 2012
REVENUES						
Local Property Taxes	$ 5,997,896	$ 6,613,419	$ -	$ 1,076,197	$ 13,687,512	$ 13,095,465
Other Local and County Revenues	1,850,329	7,512	1,176	2,634,263	4,493,280	4,639,310
Revenue from State Sources	44,035,577	36,446	-	525,551	44,597,574	44,457,729
Revenue from Federal Sources	1,614,557	-	-	1,072,366	2,686,923	3,867,015
Sales and Other Conversion of Assets	41,560	-	-	1,653,097	1,694,657	1,782,997
Total Revenues	53,539,919	6,657,377	1,176	6,961,474	67,159,946	67,842,516
EXPENDITURES						
Current						
Administration	1,462,562	-	-	-	1,462,562	1,585,702
District Support Services	1,240,640	-	-	-	1,240,640	1,127,479
Elementary and Secondary Regular Instruction	25,267,476	-	-	-	25,267,476	25,605,340
Vocational Education Instruction	1,528,951	-	-	-	1,528,951	1,443,608
Special Education Instruction	9,226,537	-	-	-	9,226,537	8,946,078
Instructional Support Services	2,451,324	-	-	-	2,451,324	2,570,376
Pupil Support Services	4,663,331	-	-	-	4,663,331	4,569,622
Sites and Buildings	4,303,806	-	311,825	-	4,615,631	4,411,237
Fiscal and Other Fixed Cost Programs	135,728	-	-	-	135,728	201,271
Food Service	-	-	-	2,872,394	2,872,394	2,933,905
Community Education and Services	-	-	-	3,741,363	3,741,363	3,200,879
Capital Outlay						
Administration	8,301	-	-	-	8,301	2,769
District Support Services	14,512	-	-	-	14,512	10,848
Elementary and Secondary Regular Instruction	230,713	-	-	-	230,713	342,638
Vocational Education Instruction	5,647	-	-	-	5,647	9,523
Special Education Instruction	44,616	-	-	-	44,616	97,542
Instructional Support Services	528,334	-	-	-	528,334	303,421
Pupil Support Services	1,919	-	-	-	1,919	1,341
Sites and Buildings	991,107	-	1,173,504	-	2,164,611	1,025,866
Food Service	-	-	-	14,612	14,612	59,293
Community Education and Services	-	-	-	15,821	15,821	21,955
Debt Service						
Principal	-	4,365,000	-	-	4,365,000	4,215,000
Interest and Fiscal Charges	-	3,210,139	-	494,438	3,704,577	3,217,039
Total Expenditures	52,105,504	7,575,139	1,485,329	7,138,628	68,304,600	65,902,732
Excess of Revenues Over (Under) Expenditures	1,434,415	(917,762)	(1,484,153)	(177,154)	(1,144,654)	1,939,784
OTHER FINANCING SOURCES (USES)						
Proceeds from Sale of Capital Assets	3,121	-	-	-	3,121	89
Bond Issuance	-	-	3,855,000	-	3,855,000	31,215,000
Bond Premium	-	-	102,400	-	102,400	3,838,747
Proceeds from Capital Leases	-	-	-	-	-	108,957
Bond Refunding Payments	-	(33,935,000)	-	-	(33,935,000)	-
Transfers In	-	113,860	-	16,677	130,537	-
Transfers Out	(16,677)	-	(113,860)	-	(130,537)	-
Total Other Financing Sources (Uses)	(13,556)	(33,821,140)	3,843,540	16,677	(29,974,479)	35,162,793
Net Change in Fund Balances	1,420,859	(34,738,902)	2,359,387	(160,477)	(31,119,133)	37,102,577
FUND BALANCES						
Beginning of Year	14,373,264	36,218,555	-	427,029	51,018,848	13,916,271
End of Year	$ 15,794,123	$ 1,479,653	$ 2,359,387	$ 266,552	$ 19,899,715	$ 51,018,848

INDEPENDENT SCHOOL DISTRICT NO. 877

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

	2013	2012
Net Change in Fund Balances - Total Governmental Funds	$ (31,119,133)	$ 37,102,577
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital Outlays	2,131,524	317,487
Depreciation Expense	(3,520,669)	(3,507,138)
Net income from the equity interest in joint venture does not provide current financial resources and is not reported as revenue in the funds.	(873)	27,206
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(30,396)	2,665
Severance benefits are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(50,290)	(32,809)
Proceeds of G.O. Taxable OPEB Bonds issued during 2010 were contributed to the OPEB plan to retire the unfunded obligation. Governmental funds report such outlay as expenditures. The impact on the Statement of Activities is the creation of a new net OPEB asset which is a combinationof the contribution to the irrevocable trust from the proceeds of the OPEB bond issue and theamortization of the net OPEB obligation for the current year.	(1,113,030)	525,707
Principal payments on long-term debt and leases are recognized as expenditures in the governmental funds but have no effect on the net position in the Statement of Activities.	4,541,555	4,439,999
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	541,741	(221,950)
Governmental funds report the effect of bond discounts, premiums and issuance costs when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	306,990	(3,574,728)
Proceeds from the sale of bonds and leases are recognized as other financing sources in the governmental funds increasing fund balance but having no effect on net assets in the Statement of Activities.	(3,855,000)	(31,323,957)
Principal refunding payments on long-term debt are recognized as an other financing use in the governmental funds but have no effect in the net assets in the Statement of Activities.	33,935,000	-
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	(5,832)	(105,613)
Change in Net Position - Governmental Activities	$ 1,761,587	$ 3,649,446

The Notes to the Financial Statements are an integral part of this statement.

INDEPENDENT SCHOOL DISTRICT NO. 877

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
REVENUES				
Local Property Taxes	$ 7,727,324	$ 5,577,144	$ 5,997,896	$ 420,752
Other Local and County Revenues	1,787,346	1,849,287	1,850,329	1,042
Revenue from State Sources	42,211,224	44,420,222	44,035,577	(384,645)
Revenue from Federal Sources	1,476,670	1,504,921	1,614,557	109,636
Sales and Other Conversion of Assets	40,800	44,700	41,560	(3,140)
Total Revenues	53,243,364	53,396,274	53,539,919	143,645
EXPENDITURES				
Current				
Administration	1,483,796	1,492,783	1,462,562	(30,221)
District Support Services	1,306,972	1,326,470	1,240,640	(85,830)
Elementary and Secondary Regular Instruction	25,356,496	25,387,972	25,267,476	(120,496)
Vocational Education Instruction	1,535,939	1,582,736	1,528,951	(53,785)
Special Education Instruction	9,409,656	9,445,377	9,226,537	(218,840)
Instructional Support Services	2,673,017	2,585,774	2,451,324	(134,450)
Pupil Support Services	4,655,294	4,689,173	4,663,331	(25,842)
Sites and Buildings	4,798,342	4,725,989	4,303,806	(422,183)
Fiscal and Other Fixed Cost Programs	289,000	195,500	135,728	(59,772)
Capital Outlay				
Administration	10,464	10,464	8,301	(2,163)
District Support Services	17,102	18,450	14,512	(3,938)
Elementary and Secondary Regular Instruction	308,106	306,796	230,713	(76,083)
Vocational Education Instruction	5,495	5,495	5,647	152
Special Education Instruction	63,919	75,175	44,616	(30,559)
Instructional Support Services	432,562	507,562	528,334	20,772
Pupil Support Services	1,400	1,400	1,919	519
Sites and Buildings	842,435	1,092,435	991,107	(101,328)
Total Expenditures	53,189,995	53,449,551	52,105,504	(1,344,047)
Excess of Revenues Over (Under) Expenditures	53,369	(53,277)	1,434,415	1,487,692
OTHER FINANCING SOURCES				
Proceeds from Sale of Capital Assets	1,500	3,500	3,121	(379)
Transfers Out	-	-	(16,677)	(16,677)
Total Other Financing Sources	1,500	3,500	(13,556)	(17,056)
Net Change in Fund Balances	$ 54,869	$ (49,777)	1,420,859	$ 1,470,636
FUND BALANCE				
Beginning of Year			14,373,264	
End of Year			$ 15,794,123	

The Notes to the Financial Statements are an integral part of this statement.

INDEPENDENT SCHOOL DISTRICT NO. 877

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2013

		Total Trust Funds
ASSETS		
Current		
Investments		
Brokered Money Market	$	305,313
Fixed Income		4,878,750
Equities		7,685,282
Mutual Funds		227,612
Total Cash and Investments		13,096,957
Accounts Receivable		92,435
Total Assets	$	13,189,392
NET POSITION		
Held in Trust for OPEB	$	13,189,392

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2013

		Total Trust Funds
ADDITIONS		
Contributions	$	489,977
Investment Income		
Interest, Dividends, Change in Fair Value		1,299,410
Less Investment Expenses		(73,123)
Net Investment Income		1,226,287
Total Additions		1,716,264
DEDUCTIONS		
Employee Benefit Deductions		1,092,461
Change in Net Position		623,803
NET POSITION		
Beginning of Year		12,565,589
End of Year	$	13,189,392

The Notes to the Financial Statements are an integral part of this statement.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District operates under a school board form of government for the purpose of providing educational services to individuals within the District areas. The governing body consists of a seven member board elected by the voters of the District to serve four-year terms.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

A. Reporting Entity

The financial statements present the District and its component units. The District includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the District are financially accountable and are included within the financial statements of the District because of the significance of their operational or financial relationships with the District.

The District is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the District.

As a result of applying the component unit definition criteria above, it has been determined the District has no component units.

Some student activity accounts of the District are under School Board control; therefore, these student activities are included in the General Fund. There are other student activity accounts which are not under School Board control and separate financial statements have been issued for these activities.

A copy of the financial statements of the student activity accounts may be obtained by writing in care of Independent School District No. 877, Buffalo-Hanover-Montrose Schools, 214 First Avenue Northeast, Buffalo, Minnesota 55313.

1. Joint Ventures

A joint venture is a legal entity or other organization that results from a contracted agreement and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control. The participants retain either an ongoing financial interest or an ongoing financial responsibility. The District participates in one joint venture. A description of this organization is included in Note 12.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Basic Financial Statement Information

The government-wide financial statements (i.e. the Statement of Net Position and the 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 the Statement of changes in Fiduciary Net Position at the fund financial statement level.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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 items not properly included among program revenues are reported instead as general revenues.

The District applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net assets are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. Depreciation expense relating to assets that serve multiple functions is presented as unallocated deprecation in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these Statements.

Separate fund financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Trust Fund is presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the District, this Fund is not incorporated into the government-wide statements.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements and fiduciary fund 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. 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 as described below and on the following page.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Measurement Focus and Basis of Accounting (Continued)

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. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to *Minnesota Statutes* and accounting principles generally accepted in the United States of America. *Minnesota Statutes* include state aid funding formulas for specific years. Federal revenue is recorded in the year in which the related expenditure is incurred. Other revenue is considered available if collected within one year.

2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred. The exceptions to this general rule are that interest and principal expenditures in the Debt Service Fund, compensated absences and claims and judgments are recognized upon maturity.

The District applies resources in the following order when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available: restricted, committed, assigned and unassigned.

Description of Funds:

Major Funds:

General Fund – This Fund includes the general operations and pupil transportation activities of the District, as well as the capital related activities such as maintenance of facilities, equipment purchases, health and safety and disabled accessibility projects.

Debt Service Fund – This Fund is used to account for the accumulation of resources for, and payment of, G.O. bond principal, interest and related costs.

Building Construction Capital Project Fund – This Fund is used to account for construction costs.

Nonmajor Funds:

Food Service Special Revenue Fund – This Fund is used to account for food service revenues and expenditures.

Community Service Special Revenue Fund – This Fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood and family education or other similar services.

Post Employment Debt Service Fund – This Fund is used to account for the accumulation of resources for payments of OPEB bonds, principal and related costs.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Funds: (Continued)

Fiduciary Fund:

OPEB Irrevocable Trust Fund – This Fund is used for reporting resources set aside and held in an irrevocable trust arrangement for OPEB.

HRA Trust Fund – This Fund is used for reporting resources set aside and held in a trust arrangement for HRA contributions.

D. Deposits and Investments

The District's total deposits and investments are comprised of two major components, each with its own set of legal and contractual provisions as described on the following pages.

1. District Funds Other than OPEB and HRA Trust Funds

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

Minnesota Statutes requires all deposits be protected by federal depository insurance, corporate surety bonds or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. State statutes authorize the government and the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

Short-term, highly liquid debt instruments (including commercial paper, banker's acceptances and U.S. Treasury and agency obligations) purchased with a remaining maturity of one year or less are reported at amortized cost. Other investments are reported at fair value.

Cash and investments at June 30, 2013 were comprised of shares in the Minnesota School District Liquid Asset Fund (MSDLAF), money market funds and brokered certificates of deposit. The MSDLAF is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under Rule 2.a.7. The fair value of the position in the pool is the same as the value of the pool shares.

The District had a formal deposit and investment policy in place as of June 30, 2013 to address the following risks:

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Deposits and Investments (Continued)

1. District Funds Other than OPEB and HRA Trust Funds (Continued)

Custodial Credit Risk – Deposits: For a deposit, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a deposit policy that requires the District's deposits to be collateralized as required by *Minnesota Statutes* 118.03 for an amount exceeding FDIC or FSLIC coverage. *Minnesota Statutes* require all deposits be protected by federal depository insurance.

Interest Rate Risk: This is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The District's investment policy states the portfolio shall be managed in a manner to attain a market rate of return through budgetary and economic cycles while preserving and protecting capital in the overall portfolio. Investment maturities shall be scheduled to coincide with projected cash flow needs.

Credit Risk: This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The District's investment policy refers to *Minnesota Statutes* 118A.01 through 118A.06. Statutes limit investments in the top two ratings issued by nationally recognized statistical rating organizations. The District will minimize credit risk by limiting investments to those allowed by statutory constraints.

Concentration of Credit Risk: The District's investment policy places no limit on the amount the District may invest in any one issuer, though it does state the District shall diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities and that no more than 50% of the total portfolio will be with any one instrument.

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy states investments shall be held by institutions designated by the School Board.

2. OPEB and HRA Trust Funds

These funds represent investments administered by the District's OPEB and HRA Trust investment managers. As of June 30, 2013, they were comprised of brokered money markets, government agencies, corporate securities, equities and mutual funds.

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Deposits and Investments (Continued)

2. OPEB and HRA Trust Fund (Continued)

Minnesota Statutes authorize the OPEB and HRA Trust 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, commercial paper of the highest quality with a maturity no longer than 270 days and in the State Board of Investments. Investments are stated at fair value.

Interest Rate Risk: The District's OPEB Trust Investment Policy states the investment emphasis is on the current income requirements and capital preservation, with a secondary emphasis on capital appreciation. The District has a moderate risk tolerance. The asset allocation strategy for the trust is as follows:

Asset Class	Percent	Range
Cash Equivalents	2%	0-100%
Bonds	48%	+/- 15%
Equities	50%	+/- 15%

Credit Risk: The District will minimize credit risk by limiting investments to those allowed in the Trust portfolio.

Concentration of Credit Risk: The District's OPEB Trust Investment Policy states no single security, with the exception of a security issued by the U.S. Government, its agencies and/or instrumentalities, shall at the time of purchase, constitute more than 5% of the value of the portfolio. The Policy also indicates the District has an investment horizon which is considered to be long-term, in excess of 10 years.

Custodial Credit Risk: The District's OPEB Trust Investment Policy does not address custodial credit risk.

E. Property Tax Receivable

Current property taxes receivable are recorded for taxes certified the previous December and collectible in the current calendar year, which have not been received by the District. Delinquent property taxes receivable represents uncollected taxes for the past six years, and are deferred and included in the liability section of the fund financial statements as deferred revenue because they are not available to finance the operations of the District in the current year.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

F. Property Taxes Levied for Subsequent Year's Expenditures

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2012, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in fiscal year 2013. The remaining portion of the levy will be recognized when measurable and available.

G. Inventories

Inventories of commodities donated directly by the U.S. Department of Agriculture are recorded at market value. Other inventories are stated at cost as determined on a first-in, first-out (FIFO) basis. Inventories are recorded as expenditures when consumed rather than when purchased.

H. Prepaid Items

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

I. Property Taxes

The District is located in the Counties of Wright and Hennepin.

Property tax levies are certified to the County Auditors 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 counties spread all levies over taxable property. Such taxes become a lien on property on the following January 1. The Counties generally remit taxes to the District at periodic intervals as they are collected.

A portion of property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

J. Capital Assets

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements.

Capital assets are defined by the District as assets with an initial individual cost of more than $ 5,000 with an estimated useful life in excess of five years, including all computer equipment regardless of the value. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

J. Capital Assets (Continued)

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 20 to 50 years for land improvements and buildings and 5 to 20 years for equipment.

Capital assets not being depreciated include land and construction in progress. The District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

K. 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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

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

L. Compensated Absences

Vacation pay is earned at various rates by employees and accrued as compensated absences in the Statement of Net Position.

Substantially all employees are entitled to sick leave at various rates. Classified employees are not compensated for unused sick leave upon a qualified termination of employment.

Non-classified employees receive payment for a set number of sick days after reaching age 55 and completing 15 years of service. The amount of compensated absences for sick leave anticipated to be paid upon employees' retirements is recorded as severance payable in the Statement of Net Position.

M. Post Employment Severance and Health Benefits

Severance and health benefits consist of lump sum retirement payments and post employment health care benefits.

The District maintains various early retirement incentive payment plans for its employee groups. Teacher and administrator employee group plans contain benefit formulas based on years of service and/or minimum age requirements. No employee can receive early retirement incentive payments exceeding one year's salary.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. Post Employment Severance and Health Benefits (Continued)

Under the terms of certain collectively bargained employment contracts, the District is required to pay the medical and dental insurance premiums for retired teachers and administrators until they reach specific age requirements such as Medicare eligibility. The amount to be paid is equal to the full monthly premium cost for insurance coverage available under the appropriate current employment contract.

N. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District’s insurance coverage during the year ending June 30, 2013.

O. Fund Equity

In the fund financial statements, governmental funds report fund classifications that compromise a hierarchy based primarily on the extent to which the District is bound to honor the constraints on the specific purpose for which amounts in these funds can be spent.

- Nonspendable Fund Balance – These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, nonfinancial assets held for resale, or the permanent principal of endowment funds.

- Restricted Fund Balance – These are amounts that are comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

- Committed Fund Balance – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the School Board.

- Assigned Fund Balance – These are amounts that are constrained by the District’s intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the Director of Finance and Operations or the School Board.

- Unassigned Fund Balance – These are amounts that are the residual amounts in the General Fund not reported in any other classification. Unassigned amounts in the General Fund are technically available for expenditure for any purpose. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted and committed fund balances exceed the total net resources of that fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

O. Fund Equity (Continued)

- Minimum Fund Balance Policy – The School Board shall strive to maintain a fund balance of between 8% and 12% of fund balance to total operating expenditures in the General Fund. The fund balance shall be defined as the sum of the unassigned fund balance, the restricted next year's approved budget deficit fund balance and the nonspendable fund balances.

- The Business Office shall monitor the fund balance. If the fund balance falls below 8%, the School Board shall implement a procedure to stabilize the District's financial position. This shall involve:

  A. No new programs will be added at the District level unless matched by a like revenue source;

  B. Allocations such as textbooks, supplies, etc., shall be frozen; and

  C. The District will review other measures which will not immediately affect delivery of programs but could have a cost savings. An example might be areas where expenses have historically been lower than budgeted levels.

- If the fund balance is projected to decrease below 6%, the District shall take measures to either generate additional revenues or to reduce expenditures through budget cuts or a combination of both.

P. Net Position

Net position represents the difference between assets and liabilities in the government-wide financial statements. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position are reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

R. Comparative Data

Comparative total data for the prior year has been presented in total in the fund financial statements and government-wide statements in order to provide an understanding of the changes in financial position and operations of these funds. Certain amounts have been reclassified to conform to the presentation used in the current year

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. Each June, the School Board adopts an annual budget for the following year for the General, Food Service, Community Service and Debt Service Funds. The approved budget is published in summary form in the District's legal newspaper. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Director of Finance and Operations submits to the School Board prior to July 1, a proposed operating budget for the year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by School Board action. Budget revisions are presented and approved by the School Board in the spring.

Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at a decentralized level.

Budget provisions for the Debt Service Fund are set by state law governing required debt service levels.

B. Excess of Expenditures Over Appropriations

Budgetary controls for governmental funds are established by each fund's total appropriations. Expenditures exceed appropriations in the following Fund for the year ending June 30, 2013.

Fund	Appropriations	Expenditures	Over
Building Construction	$ 720,088	$ 1,485,329	$ 765,241
Food Service	2,792,638	2,887,006	94,368
Community Service	3,629,395	3,757,184	127,789

NOTE 3 – DEPOSITS AND INVESTMENTS

District Funds Other than OPEB Trust Funds

A. Deposits

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

Custodial Credit Risk – Deposits: As of June 30, 2013, the District's bank balance $ 7,394,153 was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

As of June 30, 2013 the District had the following deposits:

Checking	$ 460,718
Certificates of Deposit	8,900,000
Total Deposits	$ 9,360,718

B. Investments

As of June 30, 2013, the District had the following pooled investments:

Investment Type	Fair Value	Investment Maturities Less than 1 Year	Credit Rating
Brokered Money Markets	$ 4,023,738	$ 4,023,738	N/A
Brokered Certificates of Deposit	2,414,276	2,414,276	N/A
MSDLAF	3,370,731	3,370,731	AAAm
Total Investments	$ 9,808,745	$ 9,808,745	

NOTE 3 – DEPOSITS AND INVESTMENTS

B. Investments (Continued)

Credit Risk: The District's investments are rated in the table on the previous page. Also as indicated in the table, there are certain investments that are not subject to credit risk and therefore, not rated.

OPEB and HRA Trust Funds

As of June 30, 2013, the District's OPEB and HRA Trust Fund had the following investments:

		Investment Maturities				
Investment Type	Fair Value	Less than 1 Year	1-2 Years	2-5 Years	5-10 Years	Greater than 10 years
Brokered Money Markets	$ 305,313	$ 305,313	$ -	$ -	$ -	$ -
Fixed Income:						
Government Agencies	3,186,716	-	126,050	661,310	933,891	1,465,465
Corporate Securities	1,262,730	-	103,737	328,925	648,570	181,498
Equities	4,078,817	4,078,817	-	-	-	-
Mutual Funds	4,263,381	4,263,381	-	-	-	-
Total Investments	$13,096,957	$ 8,647,511	$ 229,787	$ 990,235	$ 1,582,461	$ 1,646,963

Credit Risk: The District's investments in government agencies and corporate securities were rated Baa2 or greater by Moody's. The remaining investments are not subject to credit risk and, therefore, not rated. The District's OPEB Investment Policy states investments must have a rating of Baa3 or greater.

Concentration of Credit Risk: The District's OPEB investments in Harbor International Funds (5.3%), SIMT Small Cap Fund (9.5%), Vanguard International Growth Fund (5.1%), United States Treasury Notes (5.5%), and Federal Home Loan Mortgage Corporations (5.8%) were all above 5% of total OPEB investments.

C. Deposits and Investments

The following is a summary of total deposits and investments:

District Governmental Funds:	
Deposits (Note 3.A.)	$ 9,360,718
Investments (Note 3.B.)	9,808,745
Petty Cash	6,000
OPEB and HRA Irrevocable Trust Funds:	
Investments	13,096,957
Total Deposits and Investments	$ 32,272,420

NOTE 3 – DEPOSITS AND INVESTMENTS

C. Deposits and Investments (Continued)

Deposits and investments are presented in the June 30, 2013 basic financial statements as follows:

ement of Net Position:	
Cash and Investments	$ 19,175,463
ement of Fiduciary Net Position:	
Trust Fund	13,096,957
Total Deposits and Investments	$ 32,272,420

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	$ 4,224,158	$ -	$ -	$ 4,224,158
Construction in Progress	41,394	1,678,732	41,394	1,678,732
Total Capital Assets not being Depreciated	4,265,552	1,678,732	41,394	5,902,890
Capital Assets being Depreciated:				
Land Improvements	2,960,182	17,242	-	2,977,424
Buildings	102,304,427	153,027	-	102,457,454
Equipment and Vehicles	5,226,431	323,917	15,580	5,534,768
Total Capital Assets being Depreciated	110,491,040	494,186	15,580	110,969,646
Less Accumulated Depreciation for:				
Land Improvements	2,005,584	140,849	-	2,146,433
Buildings	37,075,222	3,104,495	-	40,179,717
Equipment and Vehicles	3,594,835	275,325	15,580	3,854,580
Total Accumulated Depreciation	42,675,641	3,520,669	15,580	46,180,730
Total Capital Assets being Depreciated, Net	67,815,399	(3,026,483)	-	64,788,916
Governmental Activities Capital Assets, Net	$ 72,080,951	$ (1,347,751)	$ 41,394	$ 70,691,806

NOTE 4 – CAPITAL ASSETS

Depreciation expense of $ 3,520,669 for the year ended June 30, 2013 was charged to the following governmental functions:

District Support Services	$ 6,478
Elementary and Secondary Regular Instruction	3,273,597
Special Education Instruction	4,838
Instructional Support Services	121,218
Pupil Support	525
Sites and Buildings	62,555
Food Service	44,052
Community Service	7,406
Total Depreciation Expense	$ 3,520,669

NOTE 5 – INTERFUND ACTIVITY

A. Due to/Due from Other Funds

As of June 30, 2013, the following amounts were due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Other Nonmajor Funds	$ 1,718

These balances are to cover cash deficits and will be repaid as resources become available.

B. Interfund Transfers

The Building Construction Fund transferred $ 113,860 to the Debt Service Fund as per the bond documents, a portion of the proceeds were to be directed to the Debt Service Fund.

The General Fund transferred $ 16,677 to the Food Service Fund to cover the deficit fund balance.

NOTE 6 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One year
Long-Term Liabilities:						
G.O. Bonds, Including Refunding Bonds:						
Refunding Bonds	12/17/08	4.00%-5.125%	20,340,000	02/01/22	$ 13,985,000	$ 1,770,000
2009A OPEB Bonds	09/15/09	2.00%-4.90%	10,845,000	02/01/23	10,730,000	-
2012A G.O. Refunding Bonds	03/16/12	2.00%-4.00%	31,215,000	02/01/24	31,215,000	2,690,000
2005A Alternative Facilities Bonds	05/01/13	1.00%-2.00%	3,855,000	02/01/24	3,855,000	210,000
Total G.O. Bonds					59,785,000	4,670,000
Unamortized Bond Premium					3,876,517	-
Net Bonds Payable					63,661,517	4,670,000
Capital Leases Payable					2,001,447	185,188
Severance Payable					1,145,646	-
Compensated Absences Payable					369,200	369,200
Total all Long-Term Liabilities					$ 67,177,810	$ 5,224,388

Long-term bond and loan liabilities listed above were issued to finance acquisition and construction of capital facilities, to refinance (refund) previous bond issues and cover annual OPEB costs and net OPEB obligations. Other long-term liabilities, such as severance and compensated absences, are typically liquidated through the General Fund.

B. Minimum Debt Payments for Bonds

Minimum annual principal and interest payments required to retire bond liabilities:

	Principal	Interest
2014	$ 4,670,000	$ 2,257,494
2015	4,660,000	2,146,663
2016	4,810,000	1,993,963
2017	4,970,000	1,836,463
2018	5,140,000	1,668,645
2019-2023	29,065,000	4,973,459
2024	6,470,000	216,500
Total	$ 59,785,000	$ 15,093,187

NOTE 6 – LONG-TERM DEBT

C. Capital Lease Obligations

In March 2004, the District entered into a lease purchase agreement for the construction of a warehouse/storage building. The total financed was $ 122,850 with an interest rate of 3.89% and is to be repaid through the General Fund. The lease agreement requires the District to make annual payments through January 15, 2012.

In October 2006, the District entered into a lease purchase agreement for the construction of an addition to the Phoenix Learning Center. The total financed was $ 750,000 with an interest rate of 4.79% and is to be repaid through the General Fund. The lease agreement requires the District to make annual payments through October 15, 2021.

In April 2010, the District entered into a lease purchase agreement for the remodel of the Montrose Early Childhood Building. The total financed was $ 1,324,474 with an interest rate of 5.55% and is to be paid through the General Fund. The lease agreement requires the District to make annual payments through May 1, 2025.

In March 2011, the District entered into a lease purchase agreement for the construction of tennis courts. The total financed was $ 500,000 with an interest rate of 4.25% and is to be paid through the General Fund. The lease requires the District to make semiannual payments through April 1, 2018.

The future minimum lease obligations and the net present value of these minimum lease payments were as follows:

Year Ending June 30,	
2014	$ 285,696
2015	285,696
2016	285,696
2017	285,696
2018	285,696
2019-2023	904,421
2024-2025	262,847
Total Minimum Lease Payments	2,595,748
Less Amount Representing Interest	(594,301)
Present Value of Minimum Lease Payments	$ 2,001,447

NOTE 6 – LONG-TERM DEBT

C. Capital Lease Obligations (Continued)

The carrying value and related accumulated depreciation at June 30, 2013 for the assets purchased was as follows:

Carrying Value	$ 3,176,847
Less Accumulated Depreciation	(760,350)
Assets, Net of Depreciation	$ 2,416,497

D. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-Term Liabilities:				
G.O. Bonds	$ 94,230,000	$ 3,855,000	$ 38,300,000	$ 59,785,000
Net Premium	4,202,380	102,400	428,263	3,876,517
Capital Leases Payable	2,178,002	-	176,555	2,001,447
Severance Payable	1,115,241	73,508	43,103	1,145,646
Compensated Absences Payable	338,804	499,918	469,522	369,200
Total Long-Term Liabilities	$ 102,064,427	$ 4,530,826	$ 39,417,443	$ 67,177,810

NOTE 7 – FUND BALANCES

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities or as required by other outside parties.

Fund Equity

Fund equity balances are classified on the following page to reflect the limitations and restrictions of the respective funds.

INDEPENDENT SCHOOL DISTRICT NO. 877

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 7 – FUND BALANCES

Fund Equity (Continued)

A. Restricted/Reserved Fund Balance

	General Fund	Debt Service	Building Construction	Other Nonmajor Funds	Total
Nonspendable for:					
Inventory	$ 96,635	$ -	$ -	$ 79,583	$ 176,218
Prepaid Items	216,130	-	-	-	216,130
Total Nonspendable	312,765	-	-	79,583	392,348
Restricted/Reserved for:					
Health and Safety	(65,661)	-	-	-	(65,661)
Operating Capital	368,212	-	-	-	368,212
Staff Development	74,801	-	-	-	74,801
Deferred Maintenance	13	-	-	-	13
Community Education	-	-	-	138,066	138,066
Adult Basic Education	-	-	-	12,505	12,505
Early Childhood and Family Education	-	-	-	28,276	28,276
School Readiness	-	-	-	10,494	10,494
Community Service	-	-	-	2	2
Alternative Facilities Program	-	-	2,359,387	-	2,359,387
Debt Service	-	1,479,653	-	77,209	1,556,862
Total Restricted/Reserved	377,365	1,479,653	2,359,387	266,552	4,482,957
Committed for:					
Separation Benefits	4,689,661	-	-	-	4,689,661
Assigned for:					
Carryover	341,646	-	-	-	341,646
Dental Insurance	223,220	-	-	-	223,220
Capital	775,750	-	-	-	775,750
Third Party Special Education	501,964	-	-	-	501,964
Stimulus	66,543	-	-	-	66,543
Student Activities	143,576	-	-	-	143,576
Total Assigned	2,052,699	-	-	-	2,052,699
Unassigned	8,361,633	-	-	(79,583)	8,282,050
Total Fund Balance	$ 15,794,123	$ 1,479,653	$ 2,359,387	$ 266,552	$ 19,899,715

NOTE 7 – FUND BALANCES

Fund Equity (Continued)

A. Restricted/Reserved Fund Balance (Continued)

Nonspendable for Inventory – A portion of the fund balance has been spent on inventory and is not available for other uses.

Nonspendable for Prepaid Items – A portion of the fund balance has been spent on prepaid items and is not available for other uses.

Restricted/Reserved for Health and Safety – This balance represents available resources to be used for health and safety projects in accordance with an approved health and safety plan.

Restricted/Reserved for Operating Capital – This balance represents available resources in the General Fund to be used to purchase equipment and facilities.

Restricted/Reserved for Staff Development – This balance represents unspent staff development revenues set aside from general education revenue that were reserved for staff development.

Restricted/Reserved for Deferred Maintenance – Districts that qualified for deferred maintenance revenue (aid and levy) but have not spent the proceeds must reserve the balance in this code. An independent or special school district that does not qualify to participate in the alternative facilities bonding and levy program under *Minnesota Statutes* 123B.59, subd. 1. para (a) is eligible to receive deferred maintenance revenue per *Minnesota Statutes* 123B.591.

Restricted/Reserved for Community Education – This balance represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, noncredit summer programs, adult basic education programs, youth development and youth service programming, early childhood and family education and extended day programs.

Restricted/Reserved for Adult Basic Education – This account will represent the balance of carryover monies for all activity involving adult basic education.

Restricted/Reserved for Early Childhood and Family Education – This balance represents the resources available to provide for services for early childhood and family education programming.

Restricted/Reserved for School Readiness – This balance represents the resources available to provide for services for school readiness programs. Related to Finance Code 344, School Readiness *Minnesota Statutes* 124D.16.

Restricted for Community Service – This balance represents the remaining aggregate resources for community service programs after other restrictions are removed.

Restricted/Reserved for Alternative Facilities Program – This balance represents the resources available for approved expenditures based on the 10 year plan for capital projects for districts qualifying under *Minnesota Statutes* 123B.59, subd. 1a.

Restricted for Debt Service – This balance represents the resources available for the payment of bond principal, interest and related costs.

NOTE 7 – FUND BALANCES

Fund Equity (Continued)

A. Restricted/Reserved Fund Balance (Continued)

Committed for Separation Benefits – This balance represents the resources set aside for the payment of retirement benefits including compensated absences, pensions, OPEB and termination benefits.

Assigned for Carryover – This balance represents unspent budget appropriations carried over for the subsequent year.

Assigned for Dental Insurance – This balance represents the resources set aside for payment of dental insurance costs.

Assigned for Capital – This balance represents the resources set aside for capital purchases.

Assigned for Third Party Special Education – This balance represents the resources set aside for third party billing purchases.

Assigned for Stimulus – This balance represents the resources set aside for stimulus positions.

Assigned for Student Activities – This balance represents the accumulation of the student activity accounts that are under School Board control.

B. Net Position

Net position restricted for other purposes on the Statement of Net Position are comprised of the total positive restricted fund balances of the General, Food Service and Community Service Funds.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Substantially all employees of the District are required by state law to belong to 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 follow.

Teachers' Retirement Association

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. These Plans are established and administered in accordance with *Minnesota Statutes* Chapter 354 and 356.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association (Continued)

A. Plan Description (Continued)

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.

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

Tier I:

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

With these provisions:

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association (Continued)

A. Plan Description (Continued)

Tier II:

For years of service prior to July 1, 2006, a level formula of 1.7% per year for Coordinated Plan members and 2.7% per year for Basic Plan members applies. For years of service July 1, 2006 and after, a level formula of 1.9% per year for Coordinated Plan members and 2.7% 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 4.0% to 5.4% per year.

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

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans which have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is also 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 yet receiving them are bound by the provisions in effect at the time they last terminated their public service.

TRA publicly issues a Comprehensive Annual Financial Report (CAFR) presenting financial statements, supplemental information on funding levels, investment performance and further information on benefits provisions. The report may be accessed at the TRA web site www.minnesotatra.org. Alternatively, a copy of the report may be obtained by writing TRA at Teachers' Retirement Association, 60 Empire Drive, #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 the employee and employer contributions. These Statutes are established and amended by the State Legislature. Coordinated and Basic Plan members are required to contribute 6.0% and 9.5%, respectively, of their annual covered salary during year 2012 as employee contributions. The TRA employer contribution rates are 6.0% for Coordinated Plan members and 10.0% for Basic Plan members during 2012. Total covered payroll salaries for all TRA members state-wide during the year ended June 30, 2012 was approximately $ 3.87 billion. TRA covered payroll for all members state-wide for the years ended June 30, 2011 and 2010 were $ 3.84 billion and $ 3.79 billion, respectively. The District's contributions for the years ended June 30, 2013, 2012 and 2011 were $ 1,572,358, $ 1,416,154 and $ 1,266,922, respectively, equal to the required contributions for each year as set by state statute.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association (Continued)

B. Funding Policy (Continued)

The 2010 State 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% each year of the four year period. Beginning July 1, 2014, TRA Coordinated Plan employee and employer contribution rates will each be 7.5%.

Public Employees' Retirement Association

A. Plan Description

All full-time and certain part-time employees (nonteacher) of the District are covered by defined benefit plans administered by the PERA. 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 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.

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

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

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees' Retirement Association (Continued)

A. Plan Description (Continued)

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 yet receiving them are bound by the provisions in effect at the time they last terminated their public service.

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

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These Statutes are established and amended by the State Legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2012. In 2012, the District was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members and 7.25% for Coordinated Plan members. The District's contributions to the Public Employees' Retirement Fund for the years ended June 30, 2013, 2012 and 2011 were $ 600,448, $ 579,169 and $ 579,097, respectively, equal to the contractually required contributions for each year as set by state statute.

NOTE 9 – RETIREMENT PLANS

A. Post Retirement Health Care Savings Plan

The District's Post Retirement Health Care Savings Plan (the "Plan") allows employees to use individual accounts to save for medical expenses. The accounts are funded entirely with employer contributions. Employee participation is a voluntary process negotiated through the collective bargaining process. Employees cannot voluntarily contribute to this Plan. Amounts and how it will be funded must be mandated through collective bargaining or through a personnel policy. Any employee covered under the Plan may draw down the balance of the account for reimbursement of eligible medical expenses including health care premiums. Contributions to the Plan by the District totaled $ 44,745 for the year.

B. Defined Contribution Plan

The District provides eligible employees future retirement benefits through the District's Defined Contribution Plan (the "Plan"). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. The District makes matching contribution for some administrative employees of $ 49,375. Contributions are invested to tax deferred annuities selected and owned by Plan participants. Employee contributions for the fiscal year totaled $ 802,587.

NOTE 10 – FLEXIBLE BENEFIT PLAN

The District has a flexible benefit plan which is classified as a "cafeteria plan" under Section 125 of the Internal Revenue Code. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their groups allows eligibility. Eligible employees can elect to participate by contributing pretax dollars withheld from payroll checks to the plan for health care and dependent care benefits.

Before the beginning of the plan year, which runs December 31 to December 31, each participant designates a total amount of pretax dollars to be contributed to the plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the plan, whether or not such contributions have been made.

Payments of insurance premiums (health and dental) are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General Fund.

Amounts withheld for medical reimbursement and dependent care are held for the benefit of the flexible benefit plan. All assets of the plan are administered by an employee of the District. Payments are made by the District to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the participant. The medical reimbursement and dependent care activity is included in the financial statements in the General Fund.

All plan property and income attributable to that property is solely the property of the District, subject to the claims of the District's general creditors. Participants' rights under the plan are equal to those general creditors of the District in an amount equal to eligible health care and dependent care expenses incurred by the participants. The District believes it is unlikely it will use the assets to satisfy the claims of general creditors in the future.

NOTE 11 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers medical coverage. In addition, the plan provides severance benefits based on years of service that are placed directly in a medical savings account upon retirement. Medical coverage is administered by BlueCross BlueShield. It is the District's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees.

B. Funding Policy

Retirees and their spouses contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with BlueCross BlueShield. The required contributions are based on projected pay-as-you-go financing requirements. For 2013, the District contributed $ 0 to the plan. Administrative costs of the plan are financed through investment earnings.

NOTE 11 – POST EMPLOYMENT HEALTH CARE PLAN

B. Funding Policy (Continued)

As of June 30, 2013, there were 83 retirees and beneficiaries receiving health benefits from the District's health plan. The plan has a total of 685 active participants and dependents. Of that total, 543 are not yet eligible to receive benefits.

C. Annual OPEB Cost and Net OPEB Obligation

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

ARC	$ 940,534
Interest on Net OPEB Obligation	(386,977)
Adjustment to ARC	559,473
Annual OPEB Cost (Expense)	1,113,030
Contributions Made	-
Increase in Net OPEB Obligation	1,113,030
Net OPEB Obligation - Beginning of Year	(9,674,433)
Net OPEB Obligation - End of Year	$ (8,561,403)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation was as follows:

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/11	$ 1,092,586	$ 811,947	74%	$ (9,148,726)
06/30/12	560,320	1,086,027	194%	(9,674,433)
06/30/13	1,113,030	-	0%	(8,561,403)

NOTE 11 – POST EMPLOYMENT HEALTH CARE PLAN

D. Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the District had $ 12,565,588 of assets deposited to fund the plan. The actuarial accrued liability for benefits was $ 14,340,547 and the actuarial value of assets was $ 12,565,588, resulting in an unfunded actuarial accrued liability (UAAL) of $ 1,774,959. The covered payroll (annual payroll of active employees covered by the plan) was $ 26,833,738 and the ratio of the UAAL to the covered payroll was 6.6%. In September 2009, the District issued G.O. Taxable OPEB Bonds, established an irrevocable trust and contributed $ 10,690,300 of bond proceeds into the trust to fund the plan. As of June 30, 2013, the ending market value of these assets was $ 12,935,766.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care 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 – Other Post Employment Benefits, presented as required supplementary information following the Notes to the 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.

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, consistent with the long-term perspective of the calculations.

At the July 1, 2012 actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions included a 4% discount rate, which is based on the investment yield expected to finance benefits depending on whether the plan is funded in a separate trust (about 7% to 8.5%, long-term, similar to a pension plan) or unfunded (3.5% to 5%, shorter-term, based on District's general assets). The District currently plans to fund the liability. At the actuarial valuation date, the annual health care cost trend rate was calculated to be 9% initially, reduced incrementally to an ultimate rate of 5% after 8 years. Both rates included a 4% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2012 was 30 years.

The financial statements for the OPEB Plan are reported below because the OPEB Plan does not issue a separate financial report.

NOTE 11 – POST EMPLOYMENT HEALTH CARE PLAN

E. Condensed Financial Statements

STATEMENT OF PLAN NET POSITION
June 30, 2013

ASSETS	
Investments, at Fair Value	$ 12,853,331
Accounts Receivable	82,435
Total Assets	$ 12,935,766
NET POSITION	
Net Position Held in Trust for OPEB	$ 12,935,766

STATEMENT OF CHANGES IN PLAN NET POSITION
For the Year Ended June 30, 2013

ADDITIONS	
Contributions	$ 241,977
Investment Income, net Investment Expenses	1,220,661
Total Additions	1,462,638
DEDUCTIONS	
Employee Benefit Deductions	1,092,461
Change in Net Position	370,177
NET POSITION HELD IN TRUST FOR OPEB	
Beginning of the Year	12,565,589
End of the Year	$ 12,935,766

NOTE 11 – POST EMPLOYMENT HEALTH CARE PLAN

E. Condensed Financial Statements (Continued)

1. Notes to the Condensed Financial Statements

a. Plan Provisions

The Plan is described in detail on the previous pages, including Plan provisions and the authority for Plan changes.

2. Summary of Significant Accounting Policies

a. Basis of Accounting

The financial statements shown on the previous page were prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which the employee services are performed. Benefits are recognized as revenues in the period in which the employee services are performed. Benefits are recognized when due and payable.

b. Investments

The details of the investments and the investment policy are described in Note 1.D.2. of the District's Notes to the Financial Statements.

c. 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 various estimates. Actual results could differ from those estimates.

NOTE 12 – COMMITMENTS

A. Joint Powers Agreement

The District entered in to a joint powers agreement in February 1998 with Wright Technical Center No. 966 (WTC), a cooperative center for vocational education, between and among eight other independent school districts to finance the acquisition and betterment of the addition to the existing WTC facilities.

The addition was financed through capital lease agreements. Each participating district annually authorizes a leading levy to cover their allocated portion of the lease payment based on the formula set out in the joint powers agreement. Participating districts will also be apportioned operating costs and continuing costs for the addition based on the current cost.

Separately issued financial statements can be obtained from Wright Technical Center, 1400 Highway 25 North Buffalo, Minnesota 55313-1936.

NOTE 12 – COMMITMENTS

B. Rental Agreement

The District entered into a rental agreement with the City of Buffalo, Minnesota (the "City") in 2001 for use of the Civic Center by the District.

This agreement is for a period of 15 years commencing September 1, 2000. The agreement calls for a minimum rental of 335 hours of ice time per year at the initial rate of $ 135 per hour and an annual payment of $ 55,000 for use of classrooms, team and locker rooms and additional ice time during the day when school is in session.

Any increase in the hourly rate of rental will be negotiated between the City and the District annually. Minimum annual payments to the City under this agreement are $ 100,225. The District is entitled to a percentage of gate receipts from tickets sold for attendance at District functions as part of the terms of this agreement.

C. Construction Commitments

As of June 30, 2013, the District had outstanding construction commitments as follows:

Project	Project Authorization	Expended through June 30, 2012	Commitment
PES HVAC	$ 4,139,693	$ 1,463,396	$ 2,676,297
BHS Roof Replacement	170,179	156,827	13,352
Scoreboard	66,650	19,995	46,655

NOTE 13 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2013, the District implemented GASB Statement No. 63. This action resulted in the establishment of categories outside of assets and liabilities titled deferred outflows and deferred inflows. The Statement also retitled Net Assets as Net Position.

NOTE 13 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 65 requires governments to reclassify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources.

GASB Statement No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures,* as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 877

SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS
For the Year Ended June 30, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/08	$ -	$ 10,694,069	$ 10,694,069	0.0%	$ 28,429,448	37.6%
07/01/10	10,593,203	13,803,801	3,210,598	76.7%	28,590,040	11.2%
07/01/12	12,565,588	14,340,547	1,774,959	87.6%	26,833,738	6.6%

This Schedule was implemented in 2009 and, therefore, contains three years of data. See Note 11 in the Notes to the Financial Statements for more details on this schedule.

SCHEDULE OF EMPLOYER CONTRIBUTIONS - OTHER POST EMPLOYMENT BENEFITS

Year Ended June 30,	Annual Required Contribution	Total Contributions	Percentage Contributed	Net OPEB Obligation (Asset)
2011	$ 1,092,586	$ 811,947	74%	$ (9,148,726)
2012	560,320	1,086,027	194%	(9,674,433)
2013	1,113,030	-	0%	(8,561,403)

SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 877

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL DETAIL - GENERAL FUND
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
REVENUES				
Local Property Taxes	$ 7,727,324	$ 5,577,144	$ 5,997,896	$ 420,752
Other Local and County Revenues	1,787,346	1,849,287	1,850,329	1,042
Revenue from State Sources	42,211,224	44,420,222	44,035,577	(384,645)
Revenue from Federal Sources	1,476,670	1,504,921	1,614,557	109,636
Sales and Other Conversion of Assets	40,800	44,700	41,560	(3,140)
Total Revenues	53,243,364	53,396,274	53,539,919	143,645
EXPENDITURES				
Administration				
Salaries	1,057,470	1,054,440	1,046,924	(7,516)
Employee Benefits	332,010	344,027	340,057	(3,970)
Purchased Services	34,566	34,566	21,248	(13,318)
Supplies and Materials	13,700	13,700	11,797	(1,903)
Capital Expenditures	10,464	10,464	8,301	(2,163)
Other Expenditures	46,050	46,050	42,536	(3,514)
Total Administration	1,494,260	1,503,247	1,470,863	(32,384)
District Support Services				
Salaries	668,926	676,240	669,324	(6,916)
Employee Benefits	273,035	267,234	258,372	(8,862)
Purchased Services	333,711	351,696	281,043	(70,653)
Supplies and Materials	11,600	11,600	11,644	44
Capital Expenditures	17,102	18,450	14,512	(3,938)
Other Expenditures	19,700	19,700	20,257	557
Total District Support Services	1,324,074	1,344,920	1,255,152	(89,768)
Elementary and Secondary Regular Instruction				
Salaries	16,939,126	16,901,061	16,768,173	(132,888)
Employee Benefits	6,074,903	6,169,902	6,079,311	(90,591)
Purchased Services	1,166,754	1,114,777	1,184,726	69,949
Supplies and Materials	1,076,298	1,096,251	1,154,177	57,926
Capital Expenditures	308,106	306,796	230,713	(76,083)
Other Expenditures	99,415	105,981	81,089	(24,892)
Total Elementary and Secondary Regular Instruction	25,664,602	25,694,768	25,498,189	(196,579)

INDEPENDENT SCHOOL DISTRICT NO. 877

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL DETAIL - GENERAL FUND
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
EXPENDITURES				
Vocational Education Instruction				
Salaries	$ 730,340	$ 752,990	$ 752,968	$ (22)
Employee Benefits	228,580	251,327	261,259	9,932
Purchased Services	546,064	547,464	478,560	(68,904)
Supplies and Materials	30,185	30,185	33,150	2,965
Capital Expenditures	5,495	5,495	5,647	152
Other Expenditures	770	770	3,014	2,244
Total Vocational Education Instruction	1,541,434	1,588,231	1,534,598	(53,633)
Special Education Instruction				
Salaries	6,689,982	6,529,560	6,404,011	(125,549)
Employee Benefits	2,230,449	2,264,886	2,226,797	(38,089)
Purchased Services	387,340	547,261	517,526	(29,735)
Supplies and Materials	101,885	103,670	75,631	(28,039)
Capital Expenditures	63,919	75,175	44,616	(30,559)
Other Expenditures	-	-	2,572	2,572
Total Special Education Instruction	9,473,575	9,520,552	9,271,153	(249,399)
Instructional Support Services				
Salaries	1,713,896	1,597,793	1,572,686	(25,107)
Employee Benefits	419,626	458,486	453,673	(4,813)
Purchased Services	130,264	130,264	110,841	(19,423)
Supplies and Materials	261,801	261,801	197,038	(64,763)
Capital Expenditures	432,562	507,562	528,334	20,772
Other Expenditures	147,430	137,430	117,086	(20,344)
Total Instructional Support Services	3,105,579	3,093,336	2,979,658	(113,678)
Pupil Support Services				
Salaries	818,265	832,130	842,520	10,390
Employee Benefits	293,490	307,004	311,820	4,816
Purchased Services	3,340,225	3,371,725	3,408,985	37,260
Supplies and Materials	202,564	177,564	99,310	(78,254)
Capital Expenditures	1,400	1,400	1,919	519
Other Expenditures	750	750	696	(54)
Total Pupil Support Services	4,656,694	4,690,573	4,665,250	(25,323)

INDEPENDENT SCHOOL DISTRICT NO. 877

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL DETAIL - GENERAL FUND
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
EXPENDITURES				
Sites and Buildings				
Salaries	$ 1,813,750	$ 1,811,105	$ 1,791,622	$ (19,483)
Employee Benefits	579,080	552,872	537,595	(15,277)
Purchased Services	1,677,062	1,697,062	1,441,145	(255,917)
Supplies and Materials	669,750	606,250	481,132	(125,118)
Capital Expenditures	842,435	1,092,435	991,107	(101,328)
Other Expenditures	58,700	58,700	52,312	(6,388)
Total Sites and Buildings	5,640,777	5,818,424	5,294,913	(523,511)
Fiscal and Other Fixed Cost Programs				
Purchased Services	159,000	195,500	135,728	(59,772)
Other Expenditures	130,000	-	-	-
Total Fiscal and Other Fixed Cost Programs	289,000	195,500	135,728	(59,772)
Total Expenditures	53,189,995	53,449,551	52,105,504	(1,344,047)
Excess of Revenues Over (Under) Expenditures	53,369	(53,277)	1,434,415	1,487,692
OTHER FINANCING SOURCES				
Proceeds from Sale of Capital Assets	1,500	3,500	3,121	(379)
Transfers Out	-	-	(16,677)	(16,677)
Total Other Financing Sources	1,500	3,500	(13,556)	(17,056)
Net Change in Fund Balances	$ 54,869	$ (49,777)	1,420,859	$ 1,470,636
FUND BALANCES				
Beginning of Year			14,373,264	
End of Year			$ 15,794,123	

INDEPENDENT SCHOOL DISTRICT NO. 877

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013
(With Comparative Totals as of June 30, 2012)

	Special Revenue			Debt Service		
	Food Service	Community Service	Total	Post Employment Benefits Debt Service Fund	Total Nonmajor Funds 2013	Total Nonmajor Funds 2012
ASSETS						
Cash and Investments	$ -	$ 157,960	$ 157,960	$ 341,665	$ 499,625	$ 457,051
Current Property Taxes Receivable	-	270,111	270,111	255,789	525,900	585,292
Delinquent Property Taxes Receivable	-	12,013	12,013	10,502	22,515	21,693
Accounts Receivable	-	-	-	-	-	7,033
Due from Department of Education	-	49,751	49,751	385	50,136	168,257
Due from Other Minnesota School Districts	-	52,727	52,727	-	52,727	42,806
Due from Other Governmental Units	6,373	10,622	16,995	-	16,995	-
Inventory	79,583	-	79,583	-	79,583	74,745
Prepaid Items	-	-	-	-	-	3,982
Advance of Unearned General Education Aid	-	-	-	-	-	14,325
Total Assets	$ 85,956	$ 553,184	$ 639,140	$ 608,341	$ 1,247,481	$ 1,375,184
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts Payable	$ 10,637	$ 28,698	$ 39,335	$ -	$ 39,335	$ 43,161
Salaries and Benefits Payable	2,215	36,306	38,521	-	38,521	(55,020)
Due to Other Governmental Units	-	-	-	-	-	144
Due to Other Funds	1,718	-	1,718	-	1,718	21,256
Deferred Revenue	71,386	16,250	87,636	10,502	98,138	117,266
Property Taxes Levied for Subsequent Year's Expenditures	-	282,587	282,587	520,630	803,217	821,348
Total Liabilities	85,956	363,841	449,797	531,132	980,929	948,155
Fund Balances						
Nonspendable	79,583	-	79,583	-	79,583	78,727
Restricted	-	189,343	189,343	77,209	266,552	399,639
Unassigned	(79,583)	-	(79,583)	-	(79,583)	(51,337)
Total Fund Balances	-	189,343	189,343	77,209	266,552	427,029
Total Liabilities and Fund Balances	$ 85,956	$ 553,184	$ 639,140	$ 608,341	$ 1,247,481	$ 1,375,184

INDEPENDENT SCHOOL DISTRICT NO. 877

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)**

	Special Revenue			Debt Service	Total Nonmajor Funds	
	Food Service	Community Service	Total	Post Employment	2013	2012
REVENUES						
Local Property Taxes	$ -	$ 561,541	$ 561,541	$ 514,656	$ 1,076,197	$ 1,063,562
Other Local and County Revenues	1,602	2,632,251	2,633,853	410	2,634,263	2,239,822
Revenue from State Sources	115,874	406,837	522,711	2,840	525,551	624,674
Revenue from Federal Sources	1,072,366	-	1,072,366	-	1,072,366	1,035,178
Sales and Other Conversion of Assets	1,653,097	-	1,653,097	-	1,653,097	1,722,750
Total Revenues	2,842,939	3,600,629	6,443,568	517,906	6,961,474	6,685,986
EXPENDITURES						
Current						
Food Service	2,872,394	-	2,872,394	-	2,872,394	2,933,905
Community Education and Services	-	3,741,363	3,741,363	-	3,741,363	3,200,879
Capital Outlay						
Food Service	14,612	-	14,612	-	14,612	59,293
Community Education and Services	-	15,821	15,821	-	15,821	21,955
Debt Service						
Interest and Fiscal Charges	-	-	-	494,438	494,438	494,438
Total Expenditures	2,887,006	3,757,184	6,644,190	494,438	7,138,628	6,710,470
Excess of Revenues Over (Under) Expenditures	(44,067)	(156,555)	(200,622)	23,468	(177,154)	(24,484)
OTHER FINANCING SOURCES						
Transfers In	16,677	-	16,677	-	16,677	-
Net Change in Fund Balances	(27,390)	(156,555)	(183,945)	23,468	(160,477)	(24,484)
FUND BALANCES						
Beginning of Year	27,390	345,898	373,288	53,741	427,029	451,513
End of Year	$ -	$ 189,343	$ 189,343	$ 77,209	$ 266,552	$ 427,029

INDEPENDENT SCHOOL DISTRICT NO. 877

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - FOOD SERVICE FUND
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
REVENUES				
Other Local and County Revenues	$ 2,200	$ 2,000	$ 1,602	$ (398)
Revenue from State Sources	122,800	118,322	115,874	(2,448)
Revenue from Federal Sources	1,043,100	1,023,506	1,072,366	48,860
Sales and Other Conversion of Assets	1,832,300	1,681,401	1,653,097	(28,304)
Total Revenues	3,000,400	2,825,229	2,842,939	17,710
EXPENDITURES				
Food Service				
Salaries	1,062,000	1,001,982	1,071,613	69,631
Employee Benefits	377,870	464,592	472,598	8,006
Purchased Services	169,350	135,683	142,402	6,719
Supplies and Materials	1,317,100	1,169,756	1,178,516	8,760
Capital Expenditures	25,500	14,625	14,612	(13)
Other Expenditures	10,500	6,000	7,265	1,265
Total Expenditures	2,962,320	2,792,638	2,887,006	94,368
Excess of Revenues Over (Under) Expenditures	38,080	32,591	(44,067)	(76,658)
OTHER FINANCING SOURCES				
Transfers In	-	-	16,677	16,677
Net Change in Fund Balances	$ 38,080	$ 32,591	(27,390)	$ (59,981)
FUND BALANCE				
Beginning of Year			27,390	
End of Year			$ -	

INDEPENDENT SCHOOL DISTRICT NO. 877

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - COMMUNITY SERVICE FUND
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
REVENUES				
Local Property Taxes	$ 827,169	$ 529,205	$ 561,541	$ 32,336
Other Local and County Revenues	2,701,075	2,524,135	2,632,251	108,116
Revenue from State Sources	151,796	421,481	406,837	(14,644)
Total Revenues	3,680,040	3,474,821	3,600,629	125,808
EXPENDITURES				
Community Education and Services				
Salaries	2,518,335	2,329,716	2,327,739	(1,977)
Employee Benefits	621,014	662,634	694,460	31,826
Purchased Services	322,120	350,790	411,472	60,682
Supplies and Materials	232,700	266,715	295,905	29,190
Capital Expenditures	42,500	13,700	15,821	2,121
Other Expenditures	10,150	5,840	11,787	5,947
Total Expenditures	3,746,819	3,629,395	3,757,184	127,789
Net Change in Fund Balances	$ (66,779)	$ (154,574)	(156,555)	$ (1,981)
FUND BALANCE				
Beginning of Year			345,898	
End of Year			$ 189,343	

INDEPENDENT SCHOOL DISTRICT NO. 877

COMBINING STATEMENT OF FIDUCIARY NET POSITION
June 30, 2013

	OPEB Irrevocable Trust Fund	HRA Trust Fund	Total Trust Funds
ASSETS			
Current			
Investments			
Brokered Money Market	$ 61,687	$ 243,626	$ 305,313
Fixed Income	4,878,750	-	4,878,750
Equities	7,685,282	-	7,685,282
Mutual Funds	227,612	-	227,612
Total Cash and Investments	12,853,331	243,626	13,096,957
Accounts Receivable	82,435	10,000	92,435
Total Assets	$ 12,935,766	$ 253,626	$ 13,189,392
NET POSITION			
Held in Trust for OPEB	$ 12,935,766	$ 253,626	$ 13,189,392

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2013

	OPEB Irrevocable Trust Fund	HRA Trust Fund	Total Trust Funds
ADDITIONS			
Contributions	$ 241,977	$ 248,000	$ 489,977
Investment Income			
Interest, Dividends, Change in Fair Value	1,293,784	5,626	1,299,410
Less Investment Expenses	(73,123)	-	(73,123)
Net Investment Income	1,220,661	5,626	1,226,287
Total Additions	1,462,638	253,626	1,716,264
DEDUCTIONS			
Employee Benefit Deductions	1,092,461	-	1,092,461
Change in Net Position	370,177	253,626	623,803
NET POSITION			
Beginning of Year	12,565,589	-	12,565,589
End of Year	$ 12,935,766	$ 253,626	$ 13,189,392

INDEPENDENT SCHOOL DISTRICT NO. 877

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

Federal Agency/Pass Through Agency/Program Title	CFDA Number	Expenditures
U.S. Department of Agriculture		
Through Minnesota Department of Education:		
Child Nutrition Cluster:		
Commodities Programs	10.555	$ 169,219
Commodities Program - Cash	10.555	22,559
School Breakfast	10.553	151,993
Type A Lunch	10.555	727,310
Special Milk	10.556	1,284
Total Child Nutrition Cluster and U.S. Department of Agriculture		1,072,365
U.S. Department of Education		
Through Minnesota Department of Education:		
Title I, Part A Cluster:		
Title I, Part A	84.010	344,124
Title II, Part A - Improving Teacher Quality	84.367	131,733
Title III, Part A - Language Enhancement	84.365	11,197
Special Education Cluster:		
Special Education	84.027	983,555
Special Education Discretionary	84.027	8,100
Coordinated Early Intervening Services	84.027	79,416
Special Education Discretionary Continuous Improvement Monitoring Process	84.027	170
Handicapped Early Education	84.173	22,091
Discretionary Professional Development	84.173	1,605
Total Special Education Cluster		1,094,937
Through Wright County Interagency Early Intervention Committee:		
Special Education - Infants and Toddlers	84.181	32,430
Through Wright Technical Institute		
Carl Perkins	84.048A	2,105
Total Department of Education		1,616,526
Total Federal Expenditures		$ 2,688,891

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

INDEPENDENT SCHOOL DISTRICT NO. 877

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2013

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of 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 basic financial statements.

NOTE 2 – INVENTORY

Inventories of commodities donated by the U.S. Department of Agriculture are recorded at market value in the Food Service Fund as inventory. Revenue and expenditures are recorded when commodities are used.

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OTHER DISTRICT INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 877

DEFERRED TAX LEVIES
(UNAUDITED)

Calendar Year Levied	Collected	School Building Refunding Bonds of 1999	School Building Bonds of 2003	Alternative Facilities Bonds of 2005	Taxable OPEB Bonds of 2009	Alternative Facilities Bonds of 2013	Total
2013	2014	$ 2,123,100	$ 3,512,460	$ 839,055	$ 518,687	$ 153,694	$ 7,146,996
2014	2015	2,135,280	3,478,703	837,690	518,687	173,801	7,144,161
2015	2016	2,134,020	2,561,685	840,945	1,290,437	319,699	7,146,786
2016	2017	2,135,490	2,572,867	838,163	1,290,681	311,876	7,149,077
2017	2018	2,125,541	2,566,410	-	2,207,194	246,356	7,145,501
2018	2019	2,108,741	2,571,660	-	2,224,541	243,994	7,148,936
2019	2020	2,112,167	2,563,260	-	2,240,207	231,131	7,146,765
2020	2021	645,731	4,022,130	-	2,258,912	223,204	7,149,977
2021	2022	-	4,747,470	-	2,186,378	215,355	7,149,203
2022	2023	-	4,755,660	-	-	2,265,165	7,020,825
		$ 15,520,070	$ 33,352,305	$ 3,355,853	$ 14,735,724	$ 4,384,275	$ 71,348,227

INDEPENDENT SCHOOL DISTRICT NO. 877

PROPERTY TAX LEVIES, RATES AND VALUATIONS
LAST 10 FISCAL YEARS
(Unaudited)

Year Collectible	Net Tax Capacity Valuations	Tax Capacity Rates	General Fund	Community Service Fund	Debt Service Fund	OPEB Debt Service Fund	Total All Funds
2004	$ 19,241,942	0.40045	$ 3,999,310	$ 433,864	$ 5,133,398	$ -	$ 9,566,572
2005	21,885,088	0.33232	4,786,185	394,396	4,189,234	-	9,369,815
2006	27,038,385	0.27768	2,908,810	446,569	6,847,702	-	10,203,081
2007	31,211,062	0.31663	5,024,291	469,777	7,578,738	-	13,072,806
2008	33,777,333	0.28308	5,548,494	468,565	7,072,607	-	13,089,666
2009	34,865,502	0.26180	5,680,660	565,908	6,650,262	-	12,896,830
2010	32,763,398	0.28085	5,673,327	564,269	6,035,737	838,712	13,112,045
2011	30,210,896	0.31952	5,580,632	590,417	6,664,340	518,688	13,354,077
2012	27,627,448	0.35165	5,407,118	560,963	6,650,801	518,688	13,137,570
2013	25,795,102	0.36930	5,353,503	549,781	6,362,376	520,630	12,786,290

Source: School Tax Report

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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*

INDEPENDENT AUDITOR'S REPORT

To the School Board
Independent School District No. 877
Buffalo-Hanover-Montrose, Minnesota

We have audited, in accordance with the 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. 877, Buffalo-Hanover-Montrose, Minnesota, as of and for the year ending 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 October 15, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs in Accordance with OMB *Circular A-133*, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs in Accordance with OMB *Circular A-133* to be a material weakness, 13-01.

KDV

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 Response to the Findings

The District's responses to the finding identified in our audit are described in the accompanying Schedule of Findings and Corrective Action Plans on Legal Compliance and Internal Control. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result 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.

Kern, DeWenter, Viere Ltd

KERN, DEWENTER, VIERE, LTD.
St. Cloud, Minnesota
October 15, 2013

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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB *CIRCULAR A-133*

INDEPENDENT AUDITOR'S REPORT

To the School Board
Independent School District No. 877
Buffalo-Hanover-Montrose, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the compliance of Independent School District No. 877, Buffalo-Hanover-Montrose, Minnesota with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplemen*t 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 Cost.

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 Distict'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 Non-Profit 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 legal determination of the compliance of Independent School District No. 877.

KDV

Opinion on Each Major Federal Program

In our opinion, Independent School District No. 877 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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 above. 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.

Kern, DeWenter, Viere Ltd

KERN, DEWENTER, VIERE, LTD.
St. Cloud, Minnesota
October 15, 2013

INDEPENDENT SCHOOL DISTRICT NO. 877

SCHEDULE OF FINDINGS AND QUESTIONED COSTS IN ACCORDANCE WITH OMB *CIRCULAR A-133*
June 30, 2013

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Audit Finding 13-01
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	No
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB *Circular A-133*?	No

Identification of Major Programs

CFDA No.:	10.553, 10.555, 10.556
Name of Federal Program or Cluster:	Child Nutrition
CFDA No.:	84.010
Name of Federal Program or Cluster:	Title 1, Part A
Dollar threshold used to distinguish between type A and type B programs:	$ 300,000
Auditee qualified as low risk auditee?	Yes

INDEPENDENT SCHOOL DISTRICT NO. 877

SCHEDULE OF FINDINGS AND QUESTIONED COSTS IN ACCORDANCE WITH OMB *CIRCULAR A-133*
June 30, 2013

SECTION II – FINANCIAL STATEMENT FINDINGS

Audit Finding 13-01

Criteria or Specific Requirement:
Internal control that supports the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements requires all material closing entries be posted prior to the audit.

Condition:
During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the District's existing internal control and, therefore, could have resulted in a material misstatement of the District's financial statements.

In order to ensure financial statements were free from material misstatement, audit adjustments were required to reclassify debt service activity.

Questioned Costs:
None

Context:
This finding impacts the internal control for all significant accounting functions.

Effect:
The closing entries not being completed could adversely affect the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Cause:
The District was not adequately prepared for the audit.

Recommendation:
Have all material closing entries completed before the audit.

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
   There is no disagreement with the audit finding.

INDEPENDENT SCHOOL DISTRICT NO. 877

SCHEDULE OF FINDINGS AND QUESTIONED COSTS IN ACCORDANCE WITH OMB *CIRCULAR A-133*
June 30, 2013

SECTION II – FINANCIAL STATEMENT FINDINGS

Audit Finding 13-01 (Continued)

2. Actions Planned in Response to Finding
   The District will review current processes and related internal control to ensure all closing journal entries are completed prior to the audit. Administration will also contact auditors before fieldwork if they have any questions.

3. Official Responsible for Ensuring CAP
   Gary Kawlewski, Director of Finance and Operations, is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP
   The completion date of the CAP is June 30, 2014.

5. Plan to Monitor Completion of CAP
   The School Board will monitor this CAP.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None

KDV

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REPORT ON LEGAL COMPLIANCE

INDEPENDENT AUDITOR'S REPORT

To the School Board
Independent School District No. 877
Buffalo-Hanover-Montrose, 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. 877, Buffalo-Hanover-Montrose, Minnesota as of and for the year ended June 30, 2013, and the related Notes to the Financial Statements, and have issued our report thereon dated October 15, 2013.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* promulgated by the State Auditor pursuant to *Minnesota Statutes* Sec. 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, uniform financial accounting and reporting standards for school districts and miscellaneous provisions. Our audit considered 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 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 communication is not suitable for any other purpose.

Kern, DeWenter, Viere Ltd

KERN, DEWENTER, VIERE, LTD.
St. Cloud, Minnesota
October 15, 2013

INDEPENDENT SCHOOL DISTRICT NO. 877

UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
For the Year Ended June 30, 2013

	Audit	UFARS	Audit-UFARS
01 GENERAL FUND			
Total Revenue	$ 53,539,919	$ 53,539,920	$ (1)
Total Expenditures	52,105,504	52,105,508	(4)
Nonspendable:			
460 Nonspendable Fund Balance	312,765	312,765	-
Restricted/Reserved:			
403 Staff Development	74,801	74,801	-
405 Deferred Maintenance	13	14	(1)
406 Health and Safety	(65,661)	(65,660)	(1)
407 Capital Projects Levy	-	-	-
408 Cooperative Program	-	-	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
417 Taconite Building Maintenance	-	-	-
423 Certain Teacher Programs	-	-	-
424 Operating Capital	368,212	368,212	-
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 Technical Programs	-	-	-
446 First Grade Preparedness	-	-	-
449 Safe School Crime	-	-	-
450 Transaction for Pre-Kindergarten	-	-	-
451 QZAB and QSCB Payments	-	-	-
452 OPEB Liabilities not Held in Trust	-	-	-
453 Unfunded Severance and Retirement Levy	-	-	-
Restricted:			
464 Restricted Fund Balance	-	-	-
Committed:			
418 Committed for Separation	4,689,661	4,689,661	-
461 Committed	-	-	-
Assigned:			
462 Assigned Fund Balance	2,052,699	2,052,698	1
Unassigned:			
422 Unassigned Fund Balance (Net Position)	8,361,633	8,361,631	2
02 FOOD SERVICES FUND			
Total Revenue	$ 2,842,939	$ 2,842,940	$ (1)
Total Expenditures	2,887,006	2,887,006	-
Nonspendable:			
460 Nonspendable Fund Balance	79,583	79,583	-
Restricted/Reserved:			
452 OPEB Liabilities not Held in Trust	-	-	-
Restricted:			
464 Restricted Fund Balance	-	-	-
Unassigned:			
463 Unassigned Fund Balance	(79,583)	(79,583)	-
04 COMMUNITY SERVICE FUND			
Total Revenue	$ 3,600,629	$ 3,600,627	$ 2
Total Expenditures	3,757,184	3,757,182	2
Nonspendable:			
460 Nonspendable Fund Balance	-	-	-
Restricted/Reserved:			
426 $ 25 Taconite	-	-	-
431 Community Education	138,066	138,066	-
432 ECFE	28,276	28,276	-
444 School Readiness	10,494	10,495	(1)
447 Adult Basic Education	12,505	12,505	-
452 OPEB Liabilities not Held in Trust	-	-	-
Restricted:			
464 Restricted Fund Balance	2	-	2
Unassigned:			
463 Unassigned Fund Balance	-	-	-

	Audit	UFARS	Audit-UFARS
06 BUILDING CONSTRUCTION FUND			
Total Revenue	$ 1,176	$ 1,176	$ -
Total Expenditures	1,485,329	1,485,329	-
Nonspendable:			
460 Nonspendable Fund Balance	-	-	-
Restricted/Reserved:			
407 Capital Projects Levy	-	-	-
409 Alternative Facility Program	2,359,387	2,359,387	-
413 Building Projects Funded by COP	-	-	-
Restricted:			
464 Restricted Fund Balance	-	-	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-
07 DEBT SERVICE FUND			
Total Revenue	$ 6,657,377	$ 6,657,376	$ 1
Total Expenditures	7,575,139	7,575,137	2
Nonspendable:			
460 Nonspendable Fund Balance	-	-	-
Restricted/Reserved:			
425 Bond Refunding	-	-	-
451 QZAB and QSCB Payments	-	-	-
Restricted:			
464 Restricted Fund Balance	1,479,653	1,479,653	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-
08 TRUST FUND			
Total Revenue	$ 253,626	$ 253,626	$ -
Total Expenditures	-	-	-
Unassigned:			
422 Unassigned Fund Balance (Net Position)	253,626	253,626	-
20 INTERNAL SERVICE FUND			
Total Revenue	$ -	$ -	$ -
Total Expenditures	-	-	-
Unassigned:			
422 Unassigned Fund Balance (Net Position)	-	-	-
25 OPEB REVOCABLE TRUST			
Total Revenue	$ -	$ -	$ -
Total Expenditures	-	-	-
Unassigned:			
422 Unassigned Fund Balance (Net Position)	-	-	-
45 OPEB IRREVOCABLE TRUST			
Total Revenue	$ 1,462,638	$ 1,462,638	$ -
Total Expenditures	1,092,461	1,092,461	-
Unassigned:			
422 Unassigned Fund Balance (Net Position)	12,935,766	12,935,766	-
47 OPEB DEBT SERVICE			
Total Revenue	$ 517,906	$ 517,906	$ -
Total Expenditures	494,438	494,438	-
Nonspendable:			
460 Nonspendable Fund Balance	-	-	-
Restricted:			
464 Restricted Fund Balance	77,209	77,209	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-