

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2008

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INDEPENDENT SCHOOL DISTRICT NO. 206
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YEAR ENDED JUNE 30, 2008**

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INDEPENDENT SCHOOL DISTRICT NO. 206
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INTRODUCTORY SECTION

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
BOARD OF EDUCATION AND ADMINISTRATION
YEAR ENDED JUNE 30, 2008**

BOARD OF EDUCATION

| <u>NAME</u> | <u>TERM ON BOARD EXPIRES</u> | <u>BOARD POSITION</u> |
|--------------------|-------------------------------------|------------------------------|
| Dean Anderson | December 31, 2010 | Chairperson |
| David Anderson | December 31, 2008 | Vice Chairperson |
| Judy Florell | December 31, 2010 | Clerk/Treasurer |
| Pamela Carlson | December 31, 2008 | Director |
| Jim Hafdal | December 31, 2008 | Director |
| Alan Zeithamer | December 31, 2010 | Director |
| Jean Robley | December 31, 2010 | Director |

ADMINISTRATION

| | |
|--------------------|------------------|
| Terry Quist, Ph.D. | Superintendent |
| Tom Wiczorek | Business Manager |

FINANCIAL SECTION



CPAs, Consultants & Advisors
www.larsonallen.com

INDEPENDENT AUDITORS' REPORT

Board of Education
Independent School District No. 206
Alexandria, Minnesota

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary fund information of Independent School District No. 206, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements include prior year partial comparative information, which was derived from the District's June 30, 2007 financial statements. The June 30, 2007 financial statements were audited by Ness, Waller, Pearson & Co., Ltd (whose practice became part of LarsonAllen LLP effective January 1, 2008) whose report dated November 14, 2007, expressed an unqualified opinion on the respective financial statements of the governmental activities, each major fund and the fiduciary funds.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the governmental activities, each major fund and the fiduciary fund information of the Independent School District No. 206, as of June 30, 2008, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the notes to the basic financial statements, the Independent School District No. 206 adopted the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial reporting by Employers for Postemployment Benefits Other than Pensions*, as of and for the year ended June 30, 2008. This statement results in the District reporting a liability for postemployment benefits other than pensions that the District provides to its employees and retirees.



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Board of Education
Independent School District No. 206

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2008, on our consideration of Independent School District No. 206's internal control over financial reporting and on 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* and should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison information and the schedule of funding progress for post employment benefit plan as listed as other required supplementary information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Independent School District No. 206's basic financial statements. The other supplementary information, schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the Uniform Financial Accounting and Reporting Standards Compliance Table as required by the Minnesota Department of Education are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and Uniform Financial Accounting and Reporting Standards Compliance Table have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material aspects in relation to the basic financial statements taken as a whole. The other supplementary information has not been subjected to the auditors' procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.



LarsonAllen LLP

Alexandria, Minnesota
December 21, 2008

REQUIRED SUPPLEMENTARY INFORMATION

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2008**

This section of Alexandria Public Schools – Independent School District No. 206's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2008. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2007-2008 fiscal years include the following:

- The District completed the other post employment actuarial study and implemented GASB statement no. 45.
- Net assets increased by 11 percent over the prior year.
- Overall actual revenues in the Statement of Activities were \$42,032,877 while overall expenses totaled \$40,351,997.
- The General fund balance increased \$477,573 while the Food Service fund balance increased \$25,159 and Community Service fund balance increased \$2,954.
- The Debt Service fund balance increased by \$267,989.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *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 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.
- Fiduciary funds statement provide information about the financial relationships in which the district acts as a trustee or agent for the benefit of others.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

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 assets 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.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2008**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

District-Wide Statements (Continued)

The two district-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets 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 non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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 aids 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 two kinds of funds:

- *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 that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, such as the dental plan and special education. The District is responsible for ensuring that only those to whom the assets belong use the assets reported in these funds. The District's fiduciary activities are reported in a separate statement of fiduciary net assets as agency funds. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2008**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets

The District's *combined* net assets were \$16,966,392. This was a 11% increase from the prior year. (See Table A-1.)

| | Governmental Activities | | Percentage Change |
|--------------------------------|--------------------------------|----------------------|------------------------------|
| | 2008 | 2007 | |
| Current and Other Assets | \$ 37,496,371 | \$ 17,385,515 | 115.7 % |
| Capital and Non-Current Assets | 25,053,436 | 19,881,973 | 26.0 |
| Total Assets | 62,549,807 | 37,267,488 | 67.8 |
| Current Liabilities | 13,752,906 | 13,155,855 | 4.5 |
| Long Term Liabilities | 31,830,509 | 8,826,121 | 260.6 |
| Total Liabilities | 45,583,415 | 21,981,976 | 107.4 |
| Net Assets | | | |
| Invested in Capital Assets | | | |
| Net of Related Debt | 11,614,001 | 10,731,973 | 8.2 |
| Restricted | 1,777,465 | 1,605,923 | 10.7 |
| Unrestricted | 3,516,312 | 2,947,616 | 19.3 |
| Total Net Assets | \$ 16,907,778 | \$ 15,285,512 | 10.6 |

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2008**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Assets

The District's total revenues were \$42,032,877 for the year ended June 30, 2008. Property taxes and state formula aid accounted for 77 percent of total revenues for the year (see Figure A-3 on the next page). The remaining 23 percent came from other general revenues combined with investment earnings and program revenues.

**Table A-2
Change in Net Assets**

| | Governmental Activities for the | | Total % Change |
|--|--|----------------------|---------------------------|
| | fiscal year ended June 30, | | |
| | 2008 | 2007 | |
| Revenues | | | |
| <u>Program Revenues</u> | | | |
| Charges for Services | \$ 2,370,608 | \$ 2,204,111 | 7.55 % |
| Operating Grants and Contributions | 6,026,205 | 6,886,386 | (12.49) |
| <u>General Revenues</u> | | | |
| Property Taxes | 6,642,164 | 5,126,833 | 29.56 |
| Unrestricted State Aid | 25,638,571 | 25,877,886 | (0.92) |
| Investment Earnings | 843,682 | 398,297 | 111.82 |
| Other | 511,647 | 97,914 | 422.55 |
| Total Revenues | <u>42,032,877</u> | <u>40,591,427</u> | 3.55 |
| Expenses | | | |
| Administration | 1,501,336 | 2,279,238 | (34.13) |
| District Support Services | 1,122,274 | 1,355,522 | (17.21) |
| Regular Instruction | 17,944,556 | 18,014,948 | (0.39) |
| Vocational Education Instruction | 498,862 | 565,110 | (11.72) |
| Special Education Instruction | 6,461,281 | 6,364,273 | 1.52 |
| Instructional Support Services | 1,263,744 | 1,637,531 | (22.83) |
| Pupil Support Services | 2,589,550 | 2,467,359 | 4.95 |
| Sites and Buildings | 4,145,805 | 3,396,330 | 22.07 |
| Fiscal and Other Fixed Cost Programs | 74,143 | 100,919 | (26.53) |
| Food Service | 1,802,138 | 1,677,125 | 7.45 |
| Community Service | 1,385,573 | 1,275,371 | 8.64 |
| Unallocated - Depreciation | 591,451 | 639,930 | (7.58) |
| Interest and Fiscal Charges on Long-Term Liabilities | 971,284 | 521,646 | 86.20 |
| Total Expenses | <u>40,351,997</u> | <u>40,295,302</u> | 0.14 |
| Increase in Net Assets | 1,680,880 | 296,125 | |
| Beginning Net Assets | 15,285,512 | 14,989,387 | |
| Ending Net Assets | <u>\$ 16,966,392</u> | <u>\$ 15,285,512</u> | |

The total cost of all programs and services was \$40,351,997. The District's expenses are predominantly related to educating and caring for students.

Total revenues surpassed expenses, increasing net assets \$1,680,880 over last year.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2008**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

The net cost of all *governmental* activities this year was \$32,101,587.

- Some of the cost was paid by the users of the District's programs \$2,370,608.
- The federal and state governments subsidized certain programs with grants and contributions of \$6,026,205.
- Most of the District's costs \$33,636,064, however, were paid for by District taxpayers and the taxpayers of our state.
- This portion of governmental activities was paid for with \$6,642,164 in property taxes and \$25,638,571 in state aid based on the statewide education aid formula. In addition, the District earned additional revenues of \$1,355,329 related to investment earnings and other general revenues.

Figure A-1 Sources of District's Revenues for Fiscal 2008

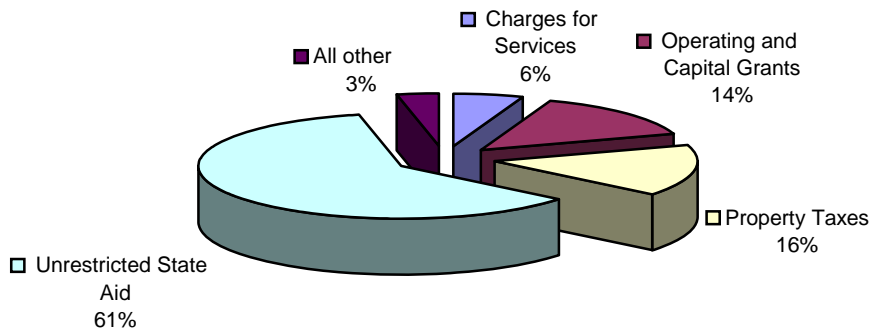
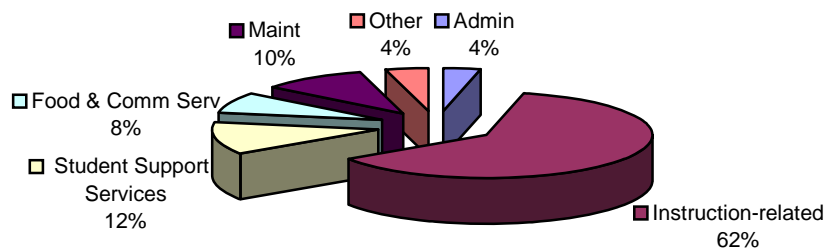


Figure A-4 District Expenses for Fiscal 2008



**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2008**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

**Table A-3
Cost of Services**

| | <u>Total Cost of Services</u> | | <u>Percentage Change</u> | <u>Net Cost of Services</u> | | <u>Percentage Change</u> |
|---|-------------------------------|----------------------|------------------------------|-----------------------------|----------------------|------------------------------|
| | <u>2008</u> | <u>2007</u> | | <u>2008</u> | <u>2007</u> | |
| Administration | \$ 1,501,336 | \$ 2,279,238 | (34.13)% | \$ 1,500,974 | \$ 2,278,845 | (34.13)% |
| District Support Services | 1,122,274 | 1,355,522 | (17.21) | 1,122,274 | 1,348,746 | (16.79) |
| Regular Instruction | 17,944,556 | 18,014,948 | (0.39) | 17,200,929 | 16,396,433 | 4.91 |
| Vocational Education Instruction | 498,862 | 565,110 | (11.72) | 493,154 | 364,644 | 35.24 |
| Special Education Instruction | 6,461,281 | 6,364,273 | 1.52 | 2,015,552 | 2,608,841 | (22.74) |
| Instructional Support Services | 1,263,744 | 1,637,531 | (22.83) | 1,257,976 | 1,608,328 | (21.78) |
| Pupil Support Services | 2,589,550 | 2,467,359 | 4.95 | 2,211,686 | 1,995,719 | 10.82 |
| Sites and Buildings | 4,145,805 | 3,396,330 | 22.07 | 3,876,882 | 2,974,793 | 30.32 |
| Fiscal and Other Fixed Cost Programs | 74,143 | 100,919 | (26.53) | 74,143 | 36,658 | 102.26 |
| Food Service | 1,802,138 | 1,677,125 | 7.45 | 137,676 | (8,910) | (1645.19) |
| Community Service | 1,385,573 | 1,275,371 | 8.64 | 501,203 | 412,955 | 21.37 |
| Unallocated - Depreciation | 591,451 | 639,930 | (7.58) | 591,451 | 639,930 | (7.58) |
| Interest and Fiscal Charges on Long-Term Liabilities | 971,284 | 521,646 | 86.20 | 971,284 | 547,823 | N/A |
| Total | <u>\$ 40,351,997</u> | <u>\$ 40,295,302</u> | 0.14 | <u>\$ 31,955,184</u> | <u>\$ 31,204,805</u> | 2.40 |

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$6,486,876, an increase of \$773,675 or 13.54 percent, excluding the capital projects fund.

Revenues of the District's governmental funds were \$41,922,258, while total expenditures were \$46,981,697. A summary of the revenues reported on the general fund financial statements appears in Table A-5 below:

The following schedule presents a summary of General Fund Revenues.

GENERAL FUND

**Table A-5
General Fund Revenues**

| | <u>Year Ended</u> | | <u>Change</u> | |
|----------------------------|--------------------------|--------------------------|--------------------------------|----------------|
| | <u>June 30, 2008</u> | <u>June 30, 2007</u> | <u>Increase (Decrease)</u> | <u>Percent</u> |
| Local Sources | | | | |
| Property Taxes | \$ 4,627,378 | \$ 3,699,909 | \$ 927,469 | 25.1 % |
| Earnings on Investments | 303,918 | 331,534 | (27,616) | (8.3) |
| Other | 1,142,484 | 1,137,694 | 4,790 | 0.4 |
| State Sources | 28,912,920 | 29,079,787 | (166,867) | (0.6) |
| Federal Sources | 1,431,575 | 1,484,165 | (52,590) | (3.5) |
| Total General Fund Revenue | <u>\$ 36,418,275</u> | <u>\$ 35,733,089</u> | <u>\$ 685,186</u> | 1.9 |

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2008**

GENERAL FUND (CONTINUED)

Revenues from state and federal sources totaled \$30,344,495, a net decrease of \$219,457 or .72% from the preceding year. Total General Fund Revenues increased by \$685,186 or 1.9% from the previous year. Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. Other state-authorized revenue includes excess levy referendum and equity aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change in revenues. The small decrease in state and federal sources for fiscal 2008 is attributable to the stable enrollment. The amount of interest earned decreased by 8.3%. This factor was attributable to the stability of the District's cash flow, the ability to invest additional dollars, and rising interest rates.

The following schedule presents a summary of General Fund Expenditures.

**Table A-6
General Fund Expenditures**

| | <u>Year Ended</u> | | <u>Change</u> | |
|------------------------|--------------------------|--------------------------|--------------------------------|----------------|
| | <u>June 30, 2008</u> | <u>June 30, 2007</u> | <u>Increase (Decrease)</u> | <u>Percent</u> |
| Salaries | \$ 23,045,926 | \$ 23,324,664 | \$ (278,738) | (1.2)% |
| Employee Benefits | 5,887,383 | 5,933,541 | (46,158) | (0.8) |
| Purchased Services | 3,448,539 | 3,257,778 | 190,761 | 5.9 |
| Supplies and Materials | 2,015,098 | 1,961,579 | 53,519 | 2.7 |
| Capital Expenditures | 1,825,372 | 1,398,909 | 426,463 | 30.5 |
| Other Expenditures | 126,572 | 122,208 | 4,364 | 3.6 |
| Total Expenditures | <u>\$ 36,348,890</u> | <u>\$ 35,998,679</u> | <u>\$ 350,211</u> | 1.0 |

Total General Fund Expenditures increased \$350,211 or 1.0% from the previous year.

During fiscal year 2008, employee salaries and benefits decreased by 2.0%. The decrease in salaries is primarily due to employee retirements. The District continues to look at various cost containment measures to minimize the effect rising health insurance premiums have on the costs of the District's employee compensation packages.

The total fund balance of the General Fund increased to \$5,200,925 at June 30, 2008. The unreserved fund balance increased from \$2,969,734 at June 30, 2007 to \$3,994,865 at June 30, 2008. The District closely monitors its fund balances.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2008**

GENERAL FUND (CONTINUED)

General Fund Budgetary Highlights

During the year ended June 30, 2008, the District revised its operating budget twice. The revision was planned, and was necessary because when the initial budget was prepared and adopted (a budget must be in place prior to the beginning of the fiscal year on July 1) details of student enrollment numbers, staffing levels, grant allocations, budget reinvestments and other significant information items were not yet known. When these items became known, the budget was revised to reflect them. This revision was made in December following the budget assumptions that were approved by the Board. A similar revision is made each year for the same reasons.

The District's final general fund budget anticipated that revenues would exceed expenditures by \$35,475, the actual results for the year showed an increase of \$69,385.

OTHER MAJOR FUNDS

The Food Service Fund incurred an increase of \$25,159.

For the fiscal year ended June 30, 2008, Community Service Fund operations resulted in an increase in fund balance of \$2,954.

DEBT SERVICE FUND

The Debt Service Fund expenditures exceeded revenues by \$7,778,582, however, there were bond principal and premium of \$8,046,571 resulting in a fund balance of \$726,355 at June 30, 2008.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By June 30, 2008, the District had invested \$55,792,353 in a broad range of capital assets, including school buildings, athletic facilities, vehicles, computer and audio-visual equipment (see Table A-7). Note 4 to the financial statements presents an analysis of fixed assets transactions during the year ended June 30, 2008. Additions consisted primarily of site, technology and bus fleet improvements. Capital asset deletions were primarily food service, bus fleet and technology items that had become obsolete and were eliminated.

**Table A-7
The District's Capital Assets**

| | <u>2008</u> | <u>2007</u> | <u>Percentage Change</u> |
|--------------------------------|----------------------|----------------------|------------------------------|
| Land | \$ 859,335 | \$ 859,335 | - |
| Land Improvements | 2,917,510 | 2,917,510 | - |
| Buildings and Improvements | 29,765,759 | 29,710,174 | 0.2 |
| Equipment | 16,814,333 | 17,357,818 | (3.1) |
| Construction in Progress | 5,435,416 | - | N/A |
| Less: Accumulated Depreciation | <u>(30,738,918)</u> | <u>(30,962,862)</u> | (0.7) |
| Total | <u>\$ 25,053,435</u> | <u>\$ 19,881,975</u> | 26.0 |

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2008**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Liabilities

At year end, the District had \$31,330,000 in general obligation bonds, as shown in Table A-8. The District also had \$521,885 in severance payable at June 30, 2008. (More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.) This debt was to finance the construction of a new school building and the remodeling of existing buildings.

**Table A-8
The District's Long-Term Liabilities**

| | <u>2008</u> | <u>2007</u> | <u>Percentage Change</u> |
|----------------------------------|----------------------|----------------------|------------------------------|
| General Obligation Bonds | \$ 31,330,000 | \$ 9,150,000 | 242.4 % |
| Net Bond Premium and Discount | 1,156,749 | - | N/A |
| Obligations Under Capital Leases | 211,875 | - | N/A |
| Severance Benefits Payable | 521,885 | 1,006,121 | (48.1) |
| Total | <u>\$ 33,220,509</u> | <u>\$ 10,156,121</u> | 227.1 |
| Long-term liabilities: | | | |
| Due within one year | \$ 1,390,000 | \$ 1,330,000 | |
| Due in more than one year | 31,830,509 | 8,826,121 | |
| | <u>\$ 33,220,509</u> | <u>\$ 10,156,121</u> | |

FACTORS BEARING ON THE DISTRICT'S FUTURE

- The District passed one (1) question on a four-question Operating Levy Referendum ballot during November 2004, providing additional revenues for the next ten fiscal years. The passed resolution provides revenue to maintain the District's current programming and course offerings and to minimize future cuts.
- The three (3) questions that failed addressed the concerns of technology updates, transportation fleet updates and maintaining extracurricular activities. These areas of programming have been monitored and difficult decisions may need to be made as the District plans for the future allocation of funds. The District has experienced on-going expenses in bus fleet operations and technology department maintenance due to the aging of equipment in these areas.
- The two major concerns for the District, as we move forward with planning for the future, are the funding levels provided by the state legislature and District enrollment numbers.
- While history shows that legislative revenue increases have not been sufficient to meet instructional program needs and increased cost due to inflation, fortunately the District has experienced a stable enrollment period to counteract the declining funding that many state districts are encountering. However, October enrollment for FY08 shows a district-wide decrease in enrollment for the fourth time in the last eight years. The District will study the reasons behind this enrollment decrease to determine if this was an aberration or a future trend that needs to be addressed. This study will impact the budget adjustments that are brought forward for board approval.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2008**

FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)

- Another area of concern is the fuel and utility increases that are projected for the winter of 2008-09. Again the District will be proactive in monitoring and implementing measures to help curtail the projected cost increases.
- Accordingly, the District will continue to utilize the Reinvestment Budgeting Process and the District Financial Stabilization Plan. These programs have been successful in the past and will improve our allocation of resources according to District priorities. The District will strive to maintain its long-standing commitment of academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

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 contact the Business Office, Independent School District No. 206, 1910 Aga Drive, Alexandria, MN 56308.

BASIC FINANCIAL STATEMENTS

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
STATEMENT OF NET ASSETS
JUNE 30, 2008
(WITH COMPARATIVE DATA AS OF JUNE 30, 2007)**

| | Governmental Activities | |
|---|--------------------------------|----------------------|
| | 2008 | 2007 |
| ASSETS | | |
| Cash and Investments | \$ 29,642,957 | \$ 10,789,143 |
| Receivables | | |
| Property Taxes | 3,546,612 | 3,337,355 |
| Other Governments | 3,799,396 | 3,118,145 |
| Other | 162,002 | 31,547 |
| Prepaid Items | 160,976 | 94,150 |
| Inventories | 38,025 | 15,175 |
| Bond Issuance Costs, Net | 146,403 | - |
| Capital Assets | | |
| Land and Construction in Progress | 6,294,751 | 859,334 |
| Other Capital Assets, Net of Depreciation | 18,758,685 | 19,022,639 |
| Total Assets | <u>62,549,807</u> | <u>37,267,488</u> |
| LIABILITIES | | |
| Salaries and Payroll Deductions Payable | 3,839,137 | 4,384,390 |
| Accounts and Contracts Payable | 966,517 | 1,006,504 |
| Accrued Interest | 784,969 | 200,559 |
| Due to Other Governmental Units | 287 | 3,860 |
| Property Tax Shift Adjustment | 12 | - |
| Deferred Revenue | | |
| Property Taxes | 6,715,807 | 6,185,194 |
| Local Sources | 56,177 | 45,348 |
| Long-Term Liabilities | | |
| Portion Due Within One Year | 1,485,080 | 1,330,000 |
| Portion Due in More Than One Year | 31,735,429 | 8,826,121 |
| Total Liabilities | <u>45,583,415</u> | <u>21,981,976</u> |
| NET ASSETS | | |
| Invested in Capital Assets, Net of Related Debt | 11,672,615 | 10,731,973 |
| Restricted for: | | |
| Operating Capital Purposes | 723,153 | 627,831 |
| State-Mandated Reserves | 482,907 | 188,802 |
| Food Service | 376,300 | 351,141 |
| Community Service | 183,296 | 180,342 |
| Capital Projects - Building Construction | 70,423 | - |
| Debt Service | - | 257,807 |
| Unrestricted | 3,457,698 | 2,947,616 |
| Total Net Assets | <u>\$ 16,966,392</u> | <u>\$ 15,285,512</u> |

See accompanying Notes to Basic Financial Statements.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2007)**

| Functions | 2008 Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | |
|---|--------------------------|-------------------------|---------------------------------------|--|----------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Total Governmental Activities 2008 | 2007 |
| Governmental Activities | | | | | |
| Administration | \$ 1,501,336 | \$ 362 | \$ - | \$ (1,500,974) | \$ (2,278,845) |
| District Support Services | 1,122,274 | - | - | (1,122,274) | (1,348,746) |
| Regular Instruction | 17,944,556 | 240,792 | 502,835 | (17,200,929) | (16,396,433) |
| Vocational Education Instruction | 498,862 | 5,708 | - | (493,154) | (364,644) |
| Special Education Instruction | 6,461,281 | 432,919 | 4,012,810 | (2,015,552) | (2,608,841) |
| Instructional Support Services | 1,263,744 | - | 5,768 | (1,257,976) | (1,608,328) |
| Pupil Support Services | 2,589,550 | 210,248 | 167,616 | (2,211,686) | (1,995,719) |
| Sites and Buildings | 4,145,805 | 83,060 | 185,863 | (3,876,882) | (2,974,793) |
| Fiscal and Other Fixed Cost Programs | 74,143 | - | - | (74,143) | (36,658) |
| Food Service | 1,802,138 | 962,954 | 701,508 | (137,676) | 8,910 |
| Community Service | 1,385,573 | 434,565 | 449,805 | (501,203) | (412,955) |
| Unallocated - Depreciation | 591,451 | - | - | (591,451) | (639,930) |
| Total School District | \$ 40,351,997 | \$ 2,370,608 | \$ 6,026,205 | (31,955,184) | (31,204,805) |
| General Revenues | | | | | |
| Property Taxes Levied for: | | | | | |
| General Purposes | | | | 4,622,528 | 3,243,407 |
| Community Service | | | | 363,034 | 313,882 |
| Debt Service | | | | 1,656,602 | 1,569,544 |
| State Aid Not Restricted to Specific Purposes | | | | 25,638,571 | 25,877,886 |
| Earnings on Investments | | | | 843,682 | 398,297 |
| Miscellaneous | | | | 511,647 | 97,914 |
| Total General Revenues | | | | 33,636,064 | 31,500,930 |
| Change in Net Assets | | | | 1,680,880 | 296,125 |
| Net Assets - Beginning | | | | 15,285,512 | 14,989,387 |
| Net Assets - Ending | | | | \$ 16,966,392 | \$ 15,285,512 |

See accompanying Notes to Basic Financial Statements.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008
(WITH COMPARATIVE DATA AS OF JUNE 30, 2007)**

| | Major Funds | | |
|--|----------------------|---------------------|--------------------------|
| | General | Food Service | Community Service |
| ASSETS | | | |
| Cash and Investments | \$ 7,479,014 | \$ 373,252 | \$ 437,542 |
| Receivables | | | |
| Current Property Taxes | 1,871,266 | - | 171,512 |
| Delinquent Property Taxes | 25,240 | - | 3,037 |
| Due from Other Minnesota School Districts | 65,615 | - | - |
| Due from Minnesota Department of Education | 3,077,523 | 71,021 | 48,304 |
| Due from Federal through Minnesota Department of Education | 506,755 | - | 16,878 |
| Due from Other Governmental Units | 800 | - | - |
| Other Receivables | 57,446 | - | - |
| Prepaid Items | 160,976 | - | - |
| Inventory | 21,703 | 16,322 | - |
| Total Assets | <u>\$ 13,266,338</u> | <u>\$ 460,595</u> | <u>\$ 677,273</u> |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities | | | |
| Salaries and Payroll Deductions Payable | \$ 3,712,518 | \$ 60,403 | \$ 66,215 |
| Accounts and Contracts Payable | 876,508 | 23,892 | 31,984 |
| Due to Other Governmental Units | 287 | - | - |
| Property Tax Shift Adjustment | 12 | - | - |
| Deferred Revenue: | | | |
| Property Taxes Levied for Subsequent Year | 3,442,622 | - | 344,788 |
| Delinquent Property Taxes | 25,241 | - | 3,038 |
| Local Sources | 8,225 | - | 47,952 |
| Total Liabilities | <u>8,065,413</u> | <u>84,295</u> | <u>493,977</u> |
| Fund Balance | | | |
| Reserved for | | | |
| Staff Development | 157,703 | - | - |
| Health and Safety | 85,181 | - | - |
| Deferred Maintenance | 240,023 | - | - |
| Severance and Health Benefits | - | - | - |
| Operating Capital | 723,153 | - | - |
| Community Education Programs | - | - | 69,275 |
| Early Childhood and Family Educations Programs | - | - | 56,922 |
| School Readiness | - | - | 9,926 |
| Building Construction | - | - | - |
| Unreserved | | | |
| Designated for: | | | |
| Softball Field | 80,000 | - | - |
| Undesignated, Reported in: | | | |
| General Fund | 3,914,865 | - | - |
| Debt Service Fund | - | - | - |
| Special Revenue Funds | - | 376,300 | 47,173 |
| Total Fund Balance | <u>5,200,925</u> | <u>376,300</u> | <u>183,296</u> |
| Total Liabilities and Fund Balance | <u>\$ 13,266,338</u> | <u>\$ 460,595</u> | <u>\$ 677,273</u> |

See accompanying Notes to Basic Financial Statements.

| Capital Projects | Debt Service | Total Governmental Funds | |
|----------------------|---------------------|-----------------------------|----------------------|
| | | 2008 | 2007 |
| \$ 19,171,401 | \$ 2,181,748 | \$ 29,642,957 | \$ 10,789,143 |
| - | 1,460,505 | 3,503,283 | 3,290,337 |
| - | 15,052 | 43,329 | 47,018 |
| - | - | 65,615 | - |
| - | 12,500 | 3,209,348 | 2,419,811 |
| - | - | 523,633 | 698,334 |
| - | - | 800 | - |
| 104,556 | - | 162,002 | 31,547 |
| - | - | 160,976 | 94,150 |
| - | - | 38,025 | 15,175 |
| <u>\$ 19,275,957</u> | <u>\$ 3,669,805</u> | <u>\$ 37,349,968</u> | <u>\$ 17,385,515</u> |
| - | \$ - | \$ 3,839,136 | \$ 4,384,390 |
| 34,133 | - | 966,517 | 1,006,504 |
| - | - | 287 | 3,860 |
| - | - | 12 | - |
| - | 2,928,397 | 6,715,807 | 6,185,194 |
| - | 15,053 | 43,332 | 47,018 |
| - | - | 56,177 | 45,348 |
| <u>34,133</u> | <u>2,943,450</u> | <u>11,621,268</u> | <u>11,672,314</u> |
| - | - | 157,703 | 132,400 |
| - | - | 85,181 | 56,402 |
| - | - | 240,023 | - |
| - | - | - | 936,985 |
| - | - | 723,153 | 627,831 |
| - | - | 69,275 | 76,134 |
| - | - | 56,922 | 40,117 |
| - | - | 9,926 | 20,572 |
| 19,241,824 | - | 19,241,824 | - |
| - | - | 80,000 | 80,000 |
| - | - | 3,914,865 | 2,889,734 |
| - | 726,355 | 726,355 | 458,366 |
| - | - | 423,473 | 394,660 |
| <u>19,241,824</u> | <u>726,355</u> | <u>25,728,700</u> | <u>5,713,201</u> |
| <u>\$ 19,275,957</u> | <u>\$ 3,669,805</u> | <u>\$ 37,349,968</u> | <u>\$ 17,385,515</u> |

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008
(WITH COMPARATIVE DATA AS OF JUNE 30, 2007)**

| | 2008 | 2007 |
|--|----------------------|----------------------|
| Total Fund Balance for Governmental Funds | \$ 25,728,700 | \$ 5,713,201 |
| Total net assets reported for governmental activities in the statement of net assets is different because: | | |
| Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of: | | |
| Land | 859,335 | 859,335 |
| Construction in Progress | 5,435,416 | - |
| Land Improvements, Net of Accumulated Depreciation | 632,911 | 748,390 |
| Buildings and Improvements, Net of Accumulated Depreciation | 15,247,003 | 15,709,020 |
| Equipment, Net of Accumulated Depreciation | 2,878,770 | 2,565,228 |
| Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds. | | |
| | 43,332 | 47,018 |
| Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. | | |
| | (784,969) | (200,559) |
| Bond issuance costs are reported as expenditures in the governmental funds. | | |
| | 146,403 | - |
| Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. Balances at year-end are: | | |
| Bonds Payable | (31,330,000) | (9,150,000) |
| Unamortized Premiums | (1,156,749) | - |
| Obligations Under Capital Leases | (211,875) | - |
| Severance Benefits Payable | (521,885) | (1,006,121) |
| Total Net Assets of Governmental Activities | \$ 16,966,392 | \$ 15,285,512 |

See accompanying Notes to Basic Financial Statements.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2007)**

| | Major | | |
|--|----------------------------|--------------------------|--------------------------|
| | General | Food Service | Community Service |
| REVENUES | | | |
| Local Sources | | | |
| Property Taxes | \$ 4,627,378 | \$ - | \$ 362,817 |
| Earnings on Investments | 303,918 | 15,426 | 16,652 |
| Other | 1,142,484 | 1,110,363 | 515,086 |
| State Sources | 28,912,920 | 88,247 | 477,094 |
| Federal Sources | 1,431,575 | 613,261 | 16,878 |
| Total Revenues | <u>36,418,275</u> | <u>1,827,297</u> | <u>1,388,527</u> |
| EXPENDITURES | | | |
| Current | | | |
| Food Service | - | 1,719,638 | - |
| Community Service | - | - | 1,372,657 |
| Capital Outlay | 1,825,372 | 82,500 | 12,916 |
| Principal | - | - | - |
| Total Expenditures | <u>36,348,890</u> | <u>1,802,138</u> | <u>1,385,573</u> |
| Excess (Deficiency) of Revenues Over Expenditures | 69,385 | 25,159 | 2,954 |
| OTHER FINANCING SOURCES (USES) | | | |
| Capital Lease Proceeds | 293,885 | - | - |
| Insurance Recovery Proceeds | 36,492 | - | - |
| Judgments for School Districts | 77,811 | - | - |
| Bond Principal | - | - | - |
| Bond Premium | - | - | - |
| Payment to Refunded Bond Escrow Agent | - | - | - |
| Total Other Financing Sources (Uses) | <u>408,188</u> | <u>-</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCES | 477,573 | 25,159 | 2,954 |
| Fund Balances - Beginning | <u>4,723,352</u> | <u>351,141</u> | <u>180,342</u> |
| FUND BALANCES - ENDING | <u><u>\$ 5,200,925</u></u> | <u><u>\$ 376,300</u></u> | <u><u>\$ 183,296</u></u> |

See accompanying Notes to Basic Financial Statements.

| Funds | | Total Governmental Funds | |
|-------------------------|---------------------|---------------------------------|---------------------|
| Capital Projects | Debt Service | 2008 | 2007 |
| \$ - | \$ 1,655,655 | \$ 6,645,850 | \$ 5,612,982 |
| 383,464 | 124,222 | 843,682 | 398,297 |
| - | 19 | 2,767,952 | 2,733,450 |
| - | 124,799 | 29,603,060 | 29,732,607 |
| - | - | 2,061,714 | 2,048,551 |
| <u>383,464</u> | <u>1,904,695</u> | <u>41,922,258</u> | <u>40,525,887</u> |
| - | - | 1,719,638 | 1,619,370 |
| - | - | 1,372,657 | 1,266,218 |
| 5,581,819 | - | 7,502,607 | 1,464,469 |
| - | 1,330,000 | 1,330,000 | 1,265,000 |
| <u>5,581,819</u> | <u>1,863,277</u> | <u>46,981,697</u> | <u>40,778,442</u> |
| (5,198,355) | 41,418 | (5,059,439) | (252,555) |
| - | - | 293,885 | - |
| - | - | 36,492 | 48,750 |
| - | - | 77,811 | - |
| 23,342,005 | 7,987,995 | 31,330,000 | - |
| 1,098,174 | 58,576 | 1,156,750 | - |
| - | (7,820,000) | (7,820,000) | - |
| <u>24,440,179</u> | <u>226,571</u> | <u>25,074,938</u> | <u>48,750</u> |
| 19,241,824 | 267,989 | 20,015,499 | (203,805) |
| - | 458,366 | 5,713,201 | 5,917,006 |
| <u>\$ 19,241,824</u> | <u>\$ 726,355</u> | <u>\$ 25,728,700</u> | <u>\$ 5,713,201</u> |

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2007)**

| | 2008 | 2007 |
|--|----------------------|---------------------|
| Net Change in Fund Balance-Total Governmental Funds | \$ 20,015,499 | \$ (203,805) |

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$2,500 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

| | | |
|----------------------|-------------|-------------|
| Capital Outlays | 6,413,321 | 604,338 |
| Depreciation Expense | (1,241,860) | (1,278,982) |

Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net assets.

| | | |
|--|-----------|---|
| Other Financing Source - Capital Lease | (293,885) | - |
| Principal Payments - Capital Leases | 82,010 | - |

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

| | | |
|---|--------------|-----------|
| General Obligation Bond Proceeds | (31,330,000) | - |
| Payment to Refunded Bond Escrow Agent | 7,820,000 | - |
| Bond Premium | (1,156,750) | - |
| Bond Issuance Costs | 146,403 | - |
| Repayment of Bond Principal | 1,330,000 | 1,265,000 |
| Change in Accrued Interest Expense - General Obligation Bonds | (584,410) | 26,176 |

Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.

| | | |
|--|---------|--------|
| | (3,686) | 16,790 |
|--|---------|--------|

In the statement of activities, certain operating expenses - severance benefits, termination benefits, and compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

| | | |
|--|---------------------|-------------------|
| | 484,238 | (133,392) |
| Change in Net Assets of Governmental Activities | \$ 1,680,880 | \$ 296,125 |

**ALEXANDRIA PUBLIC SCHOOLS
 INDEPENDENT SCHOOL DISTRICT NO. 206
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2008
 (WITH COMPARATIVE DATA AS OF JUNE 30, 2007)**

| | <u>Dental Agency Fund</u> | <u>Special Education Agency Fund</u> | <u>2008 Total Agency Funds</u> | <u>2007 Total Agency Funds</u> |
|------------------------------------|-----------------------------------|--|--|--|
| ASSETS | | | | |
| Cash and Investments | \$ 52,430 | \$ 161,561 | \$ 213,991 | \$ 227,528 |
| Total Assets | <u>\$ 52,430</u> | <u>\$ 161,561</u> | <u>\$ 213,991</u> | <u>\$ 227,528</u> |
| LIABILITIES | | | | |
| Funds Held for Other Organizations | <u>52,430</u> | <u>161,561</u> | <u>213,991</u> | <u>232,323</u> |
| Total Liabilities | <u>\$ 52,430</u> | <u>\$ 161,561</u> | <u>\$ 213,991</u> | <u>\$ 232,323</u> |

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 206 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financials reporting principles. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments.

B. Financial Reporting Entity

Independent School District No. 206 (the District) is an instrumentality of the State of Minnesota established to function as an educational institution. The elected Board of Education (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

Accounting Principles Generally Accepted in the United States of America (GAAP) require that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separated from the District. In addition, the District's financial statements are to include all component units - entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. These financial statements include all funds of the District. There are no other entities for which the District is financially accountable.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. The Board of Education does have a fiduciary responsibility in establishing broad policies and ensuring that appropriate financial records are maintained for student activities. However, in accordance with Minnesota State Statutes, the District's Board of Education has not elected to control or exercise oversight responsibility with respect to the underlying student activities. Accordingly, the student activity accounts are not included in these financial statements.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation

The District-Wide financial statements (i.e. the Statement of Net Assets 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 combining statement of fiduciary net assets at the fund financial statement level.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other 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 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 each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Generally, the effect of material interfund activity has been removed from the District-wide financial statements.

Separate Fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Fiduciary funds are presented in the fiduciary fund statements by type. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the District-wide statements.

D. 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 are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

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

1. Revenue Recognition - Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. 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 fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenues.
2. Recording of Expenditures - Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

The District reports deferred revenue on its balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to incurring the qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds

The existence of the various District funds has been established by the State of Minnesota, Department of Education. The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. A description of each fund included in this report is as follows:

Major Governmental Funds

General Fund

The General Fund is used to account for all financial resources except those required to be accounted for in another fund. It 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 projects, and disabled accessibility projects.

Food Service Special Revenue Fund

The Food Service Fund is used to account for food service revenues and expenditures.

Community Service Special Revenue Fund

The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs, K-6 extended day programs or other similar services.

Capital Project Fund

The capital project fund is used to account for the construction project related to a new elementary school.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and payment of, general long-term obligation bond principal, interest, and related costs.

Fiduciary Funds

Agency Funds

The Special Education Agency Fund accounts for the federal revenues the District collects and passes to other Districts as the fiscal host.

The Dental Agency Fund was established to account for the assets of the District's dental plan.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting

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 Board of Education adopts an annual budget for the following fiscal 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 original budget as adopted by the Board of Education. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the Board of Education prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by Board of Education action. Revisions to budgeted amounts must be approved by the Board of Education.

Total fund expenditures in excess of the budget require approval of the Board of Education. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

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

F. Cash and Investments

Cash balances consist of demand deposits and short-term investments with original maturities of three months or less. Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

G. Accounts Receivable

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary. The only receivables not expected to be collected within one year are current property taxes receivable.

H. Inventories

Inventories are recorded using the consumption method of accounting and consist of purchased food and surplus commodities received from the federal government within the Food Service Fund. Food purchases are recorded at invoice cost, computed on a first-in, first-out method, and surplus commodities are stated at standardized cost, as determined by the Department of Agriculture.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

J. Property Taxes

Property tax levies are established by the Board of Education in December each year and are certified to the County for collection the following calendar year. In Minnesota, counties act as collection agents for all property taxes and are responsible for spreading all levies over taxable property. Such taxes become a lien on January 1. Taxes are generally due on May 15 and October 15 and counties generally remit taxes to Districts at periodic intervals as they are collected. A portion of property taxes levied is paid through state credits which are included in revenue from state sources in the financial statements.

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as deferred revenue (property taxes levied for subsequent year). The majority of District revenue in the General Fund (and to a lesser extent in the District's Community Service Special Revenue Fund) is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift."

In accordance with State law, the current tax shift consists of an amount equal to 31% of operating referendum which is frozen at the 2000 pay 2001 amount of \$365,571 for the District. The tax shift also includes certain other levies that are recognized early based on statutory requirements.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the State which will be recognized as revenue in the next fiscal year beginning July 1, 2008, are included in Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

Capital 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 District maintains a threshold level of \$10,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the District-wide financial statements, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since 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 purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 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. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

L. Long-Term Obligations

In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Material bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, if material, are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize 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.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Accrued Employee Benefits

Vacation Pay and Personal Leave

Vacation pay is charged to expense in the year earned. Full-time teachers are granted a leave of 2 teaching days per year (3 days after 15 years of service). Eligible teachers may accumulate personal leave as outlined in the master agreement. Any teacher eligible to accumulate personal days who has not used all available leave during the school year may choose to apply those days towards their accumulated personal days or be paid at the rate of \$90 per day. As of June 30, 2008, \$70,669 of vacation and personal leave pay was included in salaries payable.

Severance Pay

Full-time teachers and principals who have met certain requirements may be eligible to receive severance pay. The severance pay provision is computed as a multiple of five days pay for each full year of full-time service, not to exceed one hundred days. This calculation total may be subject to a proration formula.

Sick Pay

Sick pay is automatically granted at 13 days per year with an accumulation of up to 120 days. Upon accumulating 120 days of sick leave, each teacher will be eligible for a buy back for unused days to a maximum number of 10 days per year at a rate of \$90 per day. No sick pay was accrued at June 30, 2008.

N. Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

O. 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 workers compensation. The District is self-insured for employee related dental coverage with a stop-loss coverage to prevent the District from claims losses in excess of planned amounts. The District purchases commercial insurance coverage for such risks. The District participates in the Minnesota Board of Education Association Insurance Trust (MSBA Trust), a public entity risk pool for its workers' compensation insurance. The MSBA Trust operates as a common risk management and insurance program for approximately 375 member districts. The District pays an annual premium to the MSBA Trust for its insurance coverage. The MSBA Trust agreement provides that the MSBA Trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits for each insured event. The reinsurance point is \$100,000 per occurrence for medical and hospitalization.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. In addition, there have been no settlements in excess of the District's insurance coverage in any of the prior three years.

P. Other Postemployment Benefits Payable

Under the provisions of the various employee and union contracts, the District provides Health coverage until age 65 if certain and minimum years of service requirements are met. The amount to be incurred is limited as specified by contract. All premiums are funded on a pay-as-you-go basis. This amount was actuarially determined in accordance with GASB 45, at July 1, 2007.

GASB 45 was implemented prospectively, meaning that the net OPEB obligation was zero at transition. Prior to the implementation of GASB 45, the District estimated its obligation for future Health Care costs for its employees based on age and years of service. The estimated liability was \$936,985 prior to implementation of the standard.

Q. Net Assets

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

The District-wide statement of net assets reports \$1,777,465 of restricted net assets, all of which is restricted by enabling legislation.

R. Comparative Data

Comparative data for the prior year has been presented only for certain sections of the accompanying financial statements in order to provide an understanding of the changes in the School's financial position and operations. Certain comparative information has been reclassified to conform to the current year presentation.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

A. Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following fund at June 30, 2008:

| | <u>Budget</u> | <u>Expenditures</u> | <u>Excess</u> |
|----------------------|---------------|---------------------|---------------|
| General Fund | \$ 35,843,551 | \$ 36,348,890 | \$ 505,339 |
| Special Revenue Fund | | | |
| Food Service Fund | 1,773,504 | 1,802,138 | 28,634 |

The excess was deemed to be necessary by the Board of Education.

B. Deficit Fund Balances

There were no deficit fund balances as of June 30, 2008.

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Investments." In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the School District's Board.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

The District’s deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

The District may also invest idle funds as authorized by Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less
- General obligations rated "A" or better; revenue obligations rated "AA" or better
- General obligations of the Minnesota Housing Finance Agency rate "A" or better
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories
- Repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

B. Investments

At June 30, 2008, the District had the following investments:

| | <u>Amortized Cost</u> |
|--|-----------------------|
| Minnesota School District Liquid Asset Fund Plus (MSDLAF+) | \$ 9,465,256 |
| MBIA, Inc | 19,377,429 |
| | <u>\$ 28,842,685</u> |

MBIA Inc. and MSDLAF+ are external investment pools and their investments are valued at amortized cost, which approximates fair value in accordance with Rule 2a-7 of the Investment Company Act of 1940. The amortized cost method of valuation values a security at its cost on the date of purchase and thereafter assumes a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of investments.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

The deposits are not exposed to interest rate risk or foreign currency risk.

Credit Risk – The MSDLAF+ pool is rated AAAm by Standard & Poor. MBIA, Inc is rated A by Standard and Poor.

The deposits and investments are presented in the financial statements as follows:

| | |
|-------------------------|----------------------|
| Deposits | \$ 1,014,263 |
| Cash Management Funds | 4,595,256 |
| Certificates of Deposit | 4,870,000 |
| MBIA, Inc | <u>19,377,429</u> |
| | <u>\$ 29,856,948</u> |

These amounts are presented in the financial statements as follows:

| | |
|--|----------------------|
| Cash and Investments - Governmental Balance Sheet | \$ 29,642,957 |
| Cash and Investments - Statement of Fiduciary Net Assets | 213,991 |
| Total Cash and Investments | <u>\$ 29,856,948</u> |

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|---------------------|-------------|----------------------|
| Governmental Activities | | | | |
| Capital Assets, Not Being Depreciated | | | | |
| Land | \$ 859,335 | \$ - | \$ - | \$ 859,335 |
| Construction in Progress | - | 5,435,416 | - | 5,435,416 |
| Total Capital Assets, Not Being Depreciated | 859,335 | 5,435,416 | - | 6,294,751 |
| Capital Assets, Being Depreciated | | | | |
| Land Improvements | 2,917,510 | - | - | 2,917,510 |
| Buildings and Improvements | 29,710,174 | 55,585 | - | 29,765,759 |
| Equipment | 17,357,818 | 922,320 | (1,465,805) | 16,814,333 |
| Total Capital Assets, Being Depreciated | 49,985,502 | 977,905 | (1,465,805) | 49,497,602 |
| Accumulated Depreciation for | | | | |
| Land Improvements | (2,169,120) | (115,479) | - | (2,284,599) |
| Buildings and Improvements | (14,001,152) | (517,604) | - | (14,518,756) |
| Equipment | (14,792,590) | (608,778) | 1,465,805 | (13,935,563) |
| Total Accumulated Depreciation | (30,962,862) | (1,241,861) | 1,465,805 | (30,738,918) |
| Total Capital Assets, Being Depreciated, Net | 19,022,640 | (263,956) | - | 18,758,684 |
| Governmental Activities Capital Assets, Net | <u>\$ 19,881,975</u> | <u>\$ 5,171,460</u> | <u>\$ -</u> | <u>\$ 25,053,435</u> |

Depreciation expense was charged to functions of the District as follows:

| | |
|---|---------------------|
| Governmental Activities | |
| Administration | \$ 1,614 |
| District Support Services | 156,885 |
| Regular Instruction | 163,452 |
| Vocational Education Instruction | 3,474 |
| Special Education Instruction | 1,344 |
| Instructional Support Services | 21,603 |
| Pupil Support Services | 177,605 |
| Sites and Buildings | 124,432 |
| Unallocated | 591,451 |
| Total Depreciation Expense, Governmental Activities | <u>\$ 1,241,860</u> |

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 5 LONG-TERM LIABILITIES

A. Components of Long-Term Debt

The District has issued general obligation school building bonds to finance the construction of capital facilities or refinance previous bond issues. Assets of the Debt Service Fund, together with scheduled future tax levies, are dedicated for the retirement of these bonds. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

| Issue Date | Net Interest Rate | Original Issue | Final Maturity | Principal Outstanding | |
|--------------------------------|-------------------|----------------|----------------|-----------------------|---------------------------|
| | | | | Due Within One Year | Due in More Than One Year |
| 9/1/2007 | 3.75% | \$ 7,740,000 | 2/1/2013 | \$ 1,390,000 | \$ 6,350,000 |
| 1/9/2008 | 4.00% - 5.00% | \$ 23,590,000 | 2/1/2028 | - | 23,590,000 |
| Total General Obligation Bonds | | | | 1,390,000 | 29,940,000 |
| Bond Premium - Net | | | | | 1,156,749 |
| Capital Lease Payable | | | | 95,080 | 116,795 |
| Retirement Benefits Payable | | | | - | 130,995 |
| OPEB Benefits | | | | - | 390,890 |
| | | | | <u>\$ 1,485,080</u> | <u>\$ 31,735,429</u> |

B. Minimum Debt Payments

Minimum annual principal and interest payments necessary to retire long-term debt, not including capital lease and severance payable are as follows:

| Year Ending June 30 | General Obligation Bonds Payable | |
|---------------------|----------------------------------|----------------------|
| | Principal | Interest |
| 2009 | \$ 1,390,000 | \$ 1,555,799 |
| 2010 | 1,500,000 | 1,339,344 |
| 2011 | 1,560,000 | 1,283,094 |
| 2012 | 1,620,000 | 1,224,594 |
| 2013 | 1,670,000 | 1,163,844 |
| 2014 - 2018 | 6,185,000 | 5,020,895 |
| 2019 - 2023 | 7,750,000 | 3,397,095 |
| 2024 - 2028 | 9,655,000 | 1,372,569 |
| | <u>\$ 31,330,000</u> | <u>\$ 16,357,234</u> |

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Debt

General Obligation Bonds

On September 1, 2007, the District issued \$7,740,000 of General Obligation Refunding Bonds to provide resources to refund the General Obligation Refunding Bonds of 1997A. This advance refunding was undertaken to reduce overall debt service payments by \$409,936. The economic gain resulting from the refunding transaction calculated on a present value basis is \$340,087.

On January 9, 2008 the District issued \$23,590,000 of General Obligation School Building Bonds to provide resources for a new school building and various upgrades to existing buildings

Benefits Payable

Full-time teachers and principals who have met certain requirements may be eligible to receive severance pay. The severance pay provision is computed as a multiple of five days pay for each full year of full time service, not to exceed one hundred days. This calculation total may be subject to a proration formula. Under the provisions of the various employee and union contracts the District provides lump sum severance benefits and Health Care coverage until age 65 if certain age and minimum years of service requirements are met. The total amount of \$521,885 represents the District's obligation for estimated future Health Care costs of retired persons until they reach age 65 and the severance pay. The District's General Fund finances severance on a pay-as-you-go basis.

D. Changes in Long-Term Debt

| | June 30, 2007 | Net Additions | Retirements | June 30, 2008 |
|-----------------------------|----------------------|----------------------|----------------------|----------------------|
| Bonds Payable | \$ 9,150,000 | \$ 31,330,000 | \$ 9,150,000 | \$ 31,330,000 |
| Bond Premium | - | 1,156,749 | - | 1,156,749 |
| Capital Leases Payable | - | 293,885 | 82,010 | 211,875 |
| Retirement Benefits Payable | 69,136 | 61,859 | - | 130,995 |
| Health Insurance Benefits | 936,985 | - | 936,985 | - |
| OPEB Benefits | - | 847,763 | 456,873 | 390,890 |
| | <u>\$ 10,156,121</u> | <u>\$ 33,690,256</u> | <u>\$ 10,625,868</u> | <u>\$ 33,220,509</u> |

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 6 CAPITAL LEASES

The District has entered into various Capital leases for buses and computers. The following is a schedule by years of future minimum rental payments required under the Capital leases:

| Year Ending June 30 | Capital Leases Payable | |
|---------------------|------------------------|-----------|
| | Principal | Interest |
| 2009 | \$ 95,080 | \$ 4,891 |
| 2010 | 93,966 | 6,005 |
| 2011 | 22,829 | 909 |
| | \$ 211,875 | \$ 11,805 |

The District had \$86,233 of expenditures, which includes interest of \$4,223, for these leases in fiscal year 2008. The cost of the capitalized assets is \$293,885 and the accumulated depreciation is \$26,469 at June 30, 2008.

NOTE 7 OPERATING LEASES

The District has entered into various operating leases for buses and vans. The following is a schedule by years of future minimum rental payments required under the operating leases:

| Year Ending June 30, | |
|----------------------|------------|
| 2009 | \$ 54,175 |
| 2010 | 54,175 |
| 2011 | 54,175 |
| | \$ 162,525 |

The District had \$30,437 of expenditures for these leases in fiscal year 2008.

NOTE 8 RESERVED FUND BALANCES

Certain portions of fund balance are reserved 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. The following is a summary of the reserved fund balances for the governmental funds:

A. Reserved for Staff Development

The fund balance reservation represents general education aid resources to be expended for staff development programs.

B. Reserved for Health and Safety

The fund balance reservation represents available resources to be used only to provide for the removal of hazardous substances and other state approved life/health safety projects. Under Minnesota statute, a deficit in this reserve generates specific future levy authority.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 8 RESERVED FUND BALANCES (CONTINUED)

C. Reserved for Deferred Maintenance

The fund balance reservation represents unspent levy for maintenance.

D. Reserved for Severance and Health Benefits

The fund balance reservation represents resources available for severance pay amounts recorded as long-term liabilities. Under state accounting regulations, resources are segregated from the unreserved fund balance in an amount estimated to meet severance obligations in the second ensuing year (fiscal 2009-2010).

E. Reserved for Operating Capital

The fund balance reservation represents available resources to be used only for operating capital purposes, including but not limited to the purchase, lease, repair and improvement of school buildings, and the purchase or lease of computers, vehicles, textbooks, and telecommunications equipment.

F. Reserved for Community Education Programs

The fund balance reservation represents accumulated resources available to provide general community education programming.

G. Reserved for Early Childhood and Family Education Programs

This fund balance reservation represents accumulated resources available to provide services for early childhood family education programming.

H. Reserved for School Readiness

The fund balance reservation represents accumulated resources available to provide school readiness programming in accordance with funding made available for that purpose.

I. Reserved for Building Construction

The fund balance reservation represents resources for the construction of a school building.

J. Designated Fund Balance

The District's unreserved general fund balance of \$3,994,865 on June 30, 2008, includes \$80,000 of board designated funds for replacement of Dean Melton (softball field) facilities.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 9 RETIREMENT PLANS

Substantially all employees of the District are required by state law to belong to pension plans administered by Teachers' Retirement Association (TRA) or Public Employees' Retirement Association (PERA), all of which are administered on a statewide basis. Disclosures relating to these plans follows:

A. Teacher's Retirement Association (TRA)

1. Plan Description

All teachers employed by the District are covered by a cost sharing, multiple employer defined benefit pension plan administered by the State of Minnesota Teachers Retirement Association (TRA). TRA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security and Basic members are not. All new members must participate in the Coordinated Plan. These plans are established and administered in accordance with Minnesota Statutes, Chapters 354 and 356.

TRA provides retirement benefits as well as death and disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota statute and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for five consecutive years of allowable service, age, and years of credit at termination of 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.tra.state.mn.us. Alternatively, a copy of the report may be obtained by writing or calling TRA at Teachers Retirement Association, 60 Empire Drive Suite 400, St Paul MN 55103-1855 or by calling (651) 296-6449 or (800) 657-3853.

2. 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 5.5% and 9.0%, respectively, of their annual covered salary. Total covered payroll salaries for all TRA members statewide during the fiscal year ended June 30, 2007 was approximately \$3.532 billion.

The District is required to contribute the following percentages of annual covered payroll: 5.5% for Coordinated Plan members and 9.5% for Basic plan members. The contribution requirements of plan members and the District are established and may be amended by State Statute. The District contributions for the years ended June 30, 2008, 2007 and 2006 were \$993,088, \$946,119, and \$890,575, respectively, equal to the required contributions for each year as set by state statute.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 9 RETIREMENT PLANS (CONTINUED)

B. Public Employees' Retirement Association (PERA)

1. Plan Description

All full-time and certain part-time employees of the District (other than teachers) are covered by a defined benefit plan administered by the Public Employees' Retirement Association of Minnesota (PERA). PERA administers the Public Employees' Retirement Fund (PERF) which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

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.

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

2. 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. PERF Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 5.50%, respectively, of their annual covered salary in 2007. Contribution rates in the Coordinated Plan increased in 2008 to 6.0%.

The District was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.25% for Coordinated Plan PERF members. Employer contribution rates for the Coordinated Plan increased to 6.50% effective January 1, 2008. The District's contributions to the Public Employees' Retirement Fund for the years ending June 30, 2008, 2007, and 2006, were \$344,019, \$321,403, and \$289,263, respectively. The District's contributions were equal to the contractually required contributions for each year as set by state statute.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 9 RETIREMENT PLANS (CONTINUED)

C. Defined Contribution Plan

The District provides eligible employees future retirement benefits through the District's 403(b) 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. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. Contributions are invested in tax deferred annuities selected and owned by Plan participants. The District contributions for the years ended June 30, 2008, 2007, and 2006 are \$231,067, \$226,477, and \$209,654, respectively.

NOTE 10 POSTEMPLOYMENT BENEFIT PLAN

At June 30, 2008, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The District engaged an actuary to determine the District's liability for postemployment healthcare benefits other than pensions as of June 30, 2008.

A. Plan Description

The District operates a single-employer retiree benefit plan ("the Plan") that provides health and dental insurance to eligible employees and their spouses through the District's health insurance and self-insured dental plan. There are 639 active participants, 52 retired participants and 18 spouses of retired participants. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report.

B. Funding Policy

Contribution requirements are also negotiated between the District and union representatives. The District contributes 67% - 100% of the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2008, the District contributed \$456,873.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 10 POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

C. Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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 un-funded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually paid from the plan, and changes in the District's net OPEB obligation.

| | |
|--|------------|
| Annual Required Contribution | \$ 847,763 |
| Interest on Net OPEB Obligation | - |
| Adjustment to Annual Required Contribution | - |
| Annual OPEB Cost (Expense) | 847,763 |
| Contributions Made | (456,873) |
| Increase in Net OPEB Obligation | 390,890 |
| Net OPEB Obligation - Beginning of Year | - |
| Net OPEB Obligation - End of Year | \$ 390,890 |

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|----------------------|---------------------|--|------------------------|
| 6/30/2008 | \$ 847,763 | 46.1% | \$ 390,890 |

D. Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was \$7,766,513. The annual payroll for active employees covered by the plan in the actuarial valuation was \$21,521,280 for a ratio of UAAL to covered payroll of 36.09%.

Actuarial valuations of an ongoing plan 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 healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions 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, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 10 POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2007 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 9%, reduced by decrements to an ultimate rate of 5% after nine years. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2008 was 29 years.

NOTE 11 JOINT VENTURES

Lakes Area Recreation was established by an agreement between Independent School District No. 206, City of Alexandria, Minnesota, and the Alexandria and LaGrande Townships, pursuant to authority contained in Minnesota Statute Section 471.59. The Recreation Board is responsible for legislative and fiscal control of the program. The majority of the Recreation Program's funding is provided by patron fees and local government contributions.

The Runestone Area Education District No. 61-6014 was organized August 15, 1988. The purpose of the Education District is to increase options for learning and access to educational opportunities for all residents within the boundaries of the member districts by facilitating cooperation among School Districts. Funding is provided by the member districts. The following School Districts are the members of the Runestone Area Education District:

- Independent School District No. 206, Alexandria, Minnesota
- Independent School District No. 207, Brandon, Minnesota
- Independent School District No. 208, Evansville, Minnesota
- Independent School District No. 213, Osakis, Minnesota
- Independent School District No. 2149, Glenwood, Minnesota (Minnewaska Area Schools)
- Independent School District No. 547, Parkers Prairie, Minnesota

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 11 JOINT VENTURES (CONTINUED)

Central Minnesota Educational Telecommunications System, (CMETS) is a joint powers entity established pursuant to provisions of Minnesota Statute Section 471.59. The purpose of CMETS, is to provide a comprehensive educational program for all member districts involved. Member districts jointly provide planning, research, purchasing, development, implementation, and programming of distance learning systems and technological services. The following School Districts are members of CMETS:

Independent School District No. 745, Albany, Minnesota
Independent School District No. 206, Alexandria, Minnesota
Independent School District No. 207, Brandon, Minnesota
Independent School District No. 208, Evansville, Minnesota
Independent School District No. 213, Osakis, Minnesota
Independent School District No. 740, Melrose, Minnesota
Independent School District No. 743, Sauk Centre, Minnesota
Independent School District No. 2149, Glenwood, Minnesota (Minnewaska Area Schools)

Each joint venture's financial statements are audited and available for inspection.

NOTE 12 COMMITMENTS AND CONTINGENCIES

Federal and State Receivables

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

NOTE 13 SUBSEQUENT EVENTS

The District sold bonds to fund their Other Post Employment Liability of \$7,910,000. These bonds were issued on October 20, 2008 at an average interest rate of 6.877%. These bonds mature through February 1, 2029 and will be funded through levy.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2008**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Over (Under) Final Budget</u> |
|---|-------------------------|-------------------|---------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Local Sources | | | | |
| Property Taxes | \$ 4,274,370 | \$ 4,274,370 | \$ 4,627,378 | \$ 353,008 |
| Earnings on Investments | 235,000 | 300,000 | 303,918 | 3,918 |
| Other | 944,350 | 994,350 | 1,142,484 | 148,134 |
| State Sources | 28,726,106 | 28,789,278 | 28,912,920 | 123,642 |
| Federal Sources | 1,485,938 | 1,521,028 | 1,431,575 | (89,453) |
| Total Revenues | <u>35,665,764</u> | <u>35,879,026</u> | <u>36,418,275</u> | <u>539,249</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Administration | 1,448,373 | 1,448,373 | 1,522,125 | 73,752 |
| District Support Services | 851,693 | 851,693 | 788,416 | (63,277) |
| Regular Instruction | 17,326,528 | 17,501,814 | 17,874,218 | 372,404 |
| Vocational Education Instruction | 510,737 | 513,263 | 503,185 | (10,078) |
| Special Education Instruction | 6,326,841 | 6,385,914 | 6,523,835 | 137,921 |
| Instructional Support Services | 1,633,693 | 1,633,693 | 1,705,329 | 71,636 |
| Pupil Support Services | 2,311,932 | 2,329,132 | 2,399,200 | 70,068 |
| Sites and Buildings | 3,006,637 | 3,139,637 | 3,112,492 | (27,145) |
| Fiscal and Other Fixed Cost Programs | 294,820 | 364,820 | 94,718 | (270,102) |
| Capital Outlay | 1,671,182 | 1,675,212 | 1,825,372 | 150,160 |
| Total Expenditures | <u>35,382,436</u> | <u>35,843,551</u> | <u>36,348,890</u> | <u>505,339</u> |
| Excess of Revenues Over Expenditures | 283,328 | 35,475 | 69,385 | 33,910 |
| OTHER FINANCING SOURCES | | | | |
| Capital Lease Proceeds | - | - | 293,885 | 293,885 |
| Insurance Recovery Proceeds | - | - | 36,492 | 36,492 |
| Judgments for School Districts | - | - | 77,811 | 77,811 |
| Total Other Financing Sources | <u>-</u> | <u>-</u> | <u>408,188</u> | <u>408,188</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ 283,328</u> | <u>\$ 35,475</u> | 477,573 | <u>\$ 442,098</u> |
| Fund Balance - Beginning of Year | | | <u>4,723,352</u> | |
| FUND BALANCE - END OF YEAR | | | <u>\$ 5,200,925</u> | |

Note to Budgetary Comparison Schedule - Expenditures exceeded budget in the fund. The excess was determined to be necessary by the School Board. The Budget is prepared in the same basis as the financial statements.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2008**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Over (Under) Final Budget</u> |
|--|-------------------------|--------------------|---------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Local Sources | | | | |
| Earnings on Investments | \$ 13,000 | \$ 17,000 | \$ 15,426 | \$ (1,574) |
| Other - Primarily Meal Sales | 1,081,475 | 1,081,475 | 1,110,363 | 28,888 |
| State Sources | 79,032 | 79,032 | 88,247 | 9,215 |
| Federal Sources | 566,545 | 566,545 | 613,261 | 46,716 |
| Total Revenues | <u>1,740,052</u> | <u>1,744,052</u> | <u>1,827,297</u> | <u>83,245</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Food Service | 1,744,004 | 1,744,004 | 1,719,638 | (24,366) |
| Capital Outlay | 29,500 | 29,500 | 82,500 | 53,000 |
| Total Expenditures | <u>1,773,504</u> | <u>1,773,504</u> | <u>1,802,138</u> | <u>28,634</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>\$ (33,452)</u> | <u>\$ (29,452)</u> | 25,159 | <u>\$ 54,611</u> |
| Fund Balance - Beginning of Year | | | <u>351,141</u> | |
| FUND BALANCE - END OF YEAR | | | <u>\$ 376,300</u> | |

Note to Budgetary Comparison Schedule - Expenditures exceeded budget in the fund. The excess was determined to be necessary by the School Board. The Budget is prepared in the same basis as the financial statements.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2008**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Over (Under) Final Budget</u> |
|---|-------------------------|------------------|---------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Local Sources | | | | |
| Property Taxes | \$ 425,467 | \$ 391,339 | \$ 362,817 | \$ (28,522) |
| Earnings on Investments | 7,000 | 10,000 | 16,652 | 6,652 |
| Other - Primarily Tuition and Fees | 555,900 | 506,200 | 515,086 | 8,886 |
| State Sources | 412,969 | 468,057 | 477,094 | 9,037 |
| Federal Sources | 18,114 | 16,518 | 16,878 | 360 |
| Total Revenues | <u>1,419,450</u> | <u>1,392,114</u> | <u>1,388,527</u> | <u>(3,587)</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Community Service | 1,368,290 | 1,378,389 | 1,372,657 | (5,732) |
| Capital Outlay | 11,300 | 13,300 | 12,916 | (384) |
| Total Expenditures | <u>1,379,590</u> | <u>1,391,689</u> | <u>1,385,573</u> | <u>(6,116)</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>\$ 39,860</u> | <u>\$ 425</u> | 2,954 | <u>\$ 2,529</u> |
| Fund Balance - Beginning of Year | | | <u>180,342</u> | |
| FUND BALANCE - END OF YEAR | | | <u>\$ 183,296</u> | |

Note to Budgetary Comparison Schedule – The Budget is prepared on the same basis as the financial statements.

**ALEXANDRIA PUBLIC SCHOOLS
 INDEPENDENT SCHOOL DISTRICT NO. 206
 SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFIT PLAN
 YEAR ENDED JUNE 30, 2008**

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------------|--|---|--------------------------|--------------------------|---------------------------|---|
| 6/30/2008 | \$ - | \$ 7,309,640 | \$ 7,309,640 | 0.0% | \$ 21,521,280 | 33.96% |

OTHER SUPPLEMENTARY INFORMATION

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2008**

| | <u>Original Budgeted Amounts</u> | <u>Final Budgeted Amounts</u> | <u>Actual Amounts</u> | <u>Over (Under) Final Budget</u> |
|--|--|---------------------------------------|---------------------------|--|
| REVENUES | | | | |
| Local Sources | | | | |
| Property Tax | \$ 1,629,351 | \$ 1,629,351 | \$ 1,655,655 | \$ 26,304 |
| Earnings on Investments | 4,000 | 10,000 | 124,222 | 114,222 |
| Other | - | - | 19 | 19 |
| State Sources | 150,000 | 150,000 | 124,799 | (25,201) |
| Total Revenues | <u>1,783,351</u> | <u>1,789,351</u> | <u>1,904,695</u> | <u>115,344</u> |
| EXPENDITURES | | | | |
| Debt Service: | | | | |
| Bond Principal | 1,330,000 | 1,330,000 | 1,330,000 | - |
| Bond Interest | 484,573 | 484,573 | 484,573 | - |
| Paying Agent Fees and Other | - | 67,438 | 48,704 | (18,734) |
| Total Expenditures | <u>1,814,573</u> | <u>1,882,011</u> | <u>1,863,277</u> | <u>(18,734)</u> |
| Deficiency of Revenues Under Expenditures | (31,222) | (92,660) | 41,418 | 134,078 |
| OTHER FINANCING SOURCES | | | | |
| Bond Principal | - | - | 7,987,995 | 7,987,995 |
| Bond Premium | - | - | 58,576 | 58,576 |
| Payment to Refunded Bond Escrow Agent | - | - | (7,820,000) | (7,820,000) |
| Total Other Financing Sources | <u>-</u> | <u>-</u> | <u>226,571</u> | <u>226,571</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ (31,222)</u> | <u>\$ (92,660)</u> | 267,989 | <u>\$ 360,649</u> |
| Fund Balance - Beginning | | | <u>458,366</u> | |
| FUND BALANCE - ENDING | | | <u>\$ 726,355</u> | |

SINGLE AUDIT AND OTHER REQUIRED REPORTS

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*

Board of Education
Independent School District No. 206
Alexandria, Minnesota

We have audited the financial statements of the governmental activities, each major fund and the fiduciary fund information of Independent School District No. 206 as of and for the year ended June 30, 2008, which collectively comprise Independent School District No. 206's basic financial statements and have issued our report thereon dated December 21, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Independent School District No. 206's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accounting principles such there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control over financial reporting. We consider the deficiency in the accompanying Schedule of Findings listed as finding 2008-01 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described in the accompanying Schedule of Findings to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Independent School District No. 206's financial statements are free of 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*.

Independent School District No. 206's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, Board of Education, the Office of the State Auditor of Minnesota, and other state agencies and is not intended to be and should not be used by anyone other than those specified parties.



LarsonAllen LLP

Alexandria, Minnesota
December 21, 2008

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
Independent School District No. 206
Alexandria, Minnesota

Compliance

We have audited the compliance of the Independent School District No. 206 with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. Independent School District No. 206's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Independent School District No. 206's management. Our responsibility is to express an opinion on Independent School District No. 206's compliance based on our audit.

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 Independent School District No. 206'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. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008, except as noted in the Schedule of Findings as Finding 2008-2.

Internal Control Over Compliance

The management of Independent School District No. 206 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Independent School District No. 206's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Independent School District No. 206's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

This report is intended solely for the information and use of the Board of Education, management of Independent School District No. 206, the Minnesota Department of Education, and state and federal awarding entities and is not intended to be and should not be used by anyone other than these specified parties.



LarsonAllen LLP

Alexandria, Minnesota
December 21, 2008

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008**

| <u>Grantor/Program</u> | <u>CFDA Number</u> | <u>Federal Expenditures</u> |
|--|------------------------|---------------------------------|
| U.S. Department of Agriculture | | |
| Pass-Through Minnesota Department of Education | | |
| Food Distribution (Commodities) | 10.550 | \$ 58,071 |
| National School Lunch Program (part of Child Nutrition Cluster) | 10.555 | 555,192 |
| | | <u>613,263</u> |
| U.S. Department of Education | | |
| Pass-Through Minnesota Department of Education | | |
| Adult Basic Education State Grant Program | 84.002 | 16,878 |
| Title I Grants to Local Educational Agencies | 84.010 | 348,438 |
| Special Education Grants to States (part of the Special Education Cluster) | 84.027 | 853,179 |
| CIMP Special Education Grants (part of the Special Education Cluster) | 84.027 | 6,340 |
| Special Education Preschool Grants (part of the Special Education Cluster) | 84.173 | 27,935 |
| Special Education Grants for Infants and Families with Disabilities | 84.181 | 27,252 |
| Title V, Safe and Drug-Free Schools | 84.186 | 13,393 |
| Title I, Part A - State Grants for Innovative Programs | 84.298 | 6,120 |
| Title II - Improving Teacher Quality State Grants | 84.367 | 147,929 |
| | | <u>1,447,464</u> |
| Total Federal Awards Expended | | <u>\$ 2,060,727</u> |

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008**

NOTE 1 GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the expenditures of all federal financial assistance programs of Independent School District No. 206. The reporting entity is defined in Note 1 to the financial statements. All federal assistance received directly from federal agencies as well as federal financial assistance passed through other governmental agencies are included on the schedule.

NOTE 2 BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the Independent School District No. 206's financial statements.

NOTE 3 FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed for the USDA Commodities Program (CFDA #10.550).

REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education
Independent School District No. 206
Alexandria, Minnesota

We have audited the financial statements of the governmental activities, each major fund and the fiduciary fund information of Independent School District No. 206 as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 21, 2008.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minnesota Legal Compliance Audit Guide for Local Government, promulgated by the Legal Compliance Task Force pursuant to Minn. Stat. §6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The Minnesota Legal Compliance Audit Guide for Local Government covers six main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and uniform financial accounting and reporting standards for school districts. Our study included all of the listed categories.

The results of our tests indicate that, with respect to the items tested, Independent School District No. 206 complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the Board of Education, management of the District, the Minnesota Department of Education, and the Office of the Minnesota State Auditor and is not intended to be and should not be used by anyone other than these specified parties.



LarsonAllen LLP

Alexandria, Minnesota
December 21, 2008

**ALEXANDRIA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008**

PART I: SUMMARY OF AUDITOR'S RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Independent School District No. 206.
2. A significant deficiency was disclosed during the audit of the financial statements and is listed as Finding 2008-1. This was considered to be a material weakness.
3. No instances of noncompliance material to the financial statements of Independent School District No. 206 were disclosed during the audit.
4. There was one significant deficiency disclosed during the audit of the major federal award programs. This is listed as Finding 2008-2. This significant deficiency was not considered to be a material weakness.
5. The auditors' report on compliance for the major federal award programs for Independent School District No. 206 expresses an unqualified opinion.
6. There was one audit finding relative to the major federal award programs for Independent School District No. 206 disclosed during the audit and is listed as Finding 2008-2.
7. The following program cluster was tested as a major program:

 U.S. Department of Education – Special Education Cluster:

 Special Education Grants to Schools CFDA #84.027
 CIMP Special Education Grants CFDA #84.027
 Special Education Preschool Grants CFDA #84.173
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Independent School District No. 206 was determined to be a low-risk auditee.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
SCHEDULE OF FINDINGS**

PART II: FINDINGS RELATED TO INTERNAL CONTROL OVER FINANCIAL REPORTING:

2008-01 ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

- Condition:** The financial statements required material audit adjustments.
- Criteria:** The District must be able to prevent or detect a material misstatement in the annual financial statements including footnote disclosures.
- Questioned Costs:** None
- Context:** There were material audit adjustments required to complete the financial statements.
- Effect:** The financial statements would have been misstated without the audit entries.
- Cause:** The District made errors in posting some entries.
- Recommendation:** The District should review certain areas of the financial information more closely.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The District will work to prevent these audit adjustments in the future.

Official Responsible for Ensuring CAP:

Tom Wiczorek, Business Manager, is the official responsible for ensuring corrective action of the deficiency.

Planned Completion Date for CAP:

The CAP is ongoing.

Plan to Monitor Completion of CAP:

The Board of Education will be monitoring this corrective action plan.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
SCHEDULE OF FINDINGS**

PART III: FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

2008-2: PAYROLL CERTIFICATIONS

- Criteria:** OMB Circular A-87, Attachment B, Section 11h, requires semi-annual payroll certifications to be prepared for employees who work solely on a single Federal award, signed either by the employee or the employee's direct supervisor. When employees work on multiple programs, the employee's time must be supported by approved time studies or timesheets in accordance with specifications contained in the Circular.
- Condition:** We tested 40 special education cluster expenditures. Of these 40 expenditures, we noted 22 employees coded within the payroll system as working on special education that did not have payroll certifications prepared to support the salaries paid, time studies, or timesheets.
- Cause:** The District's management was unaware of the requirement under OMB Circular A-87.
- Effect:** Salary costs were not documented in accordance with OMB Circular A-87.
- Recommendation:** We recommend that the District obtain semiannual payroll certifications for all employees fully funded by Federal programs.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The Administration will obtain the semiannual payroll certifications for all employees fully funded by federal programs beginning in fiscal year 2008-09. The Administration was not aware of the requirements for individuals who do not work solely on one federal program.

Official Responsible for Ensuring CAP:

The Special Education Programs Director is the official responsible for ensuring corrective action of the deficiency.

Planned Completion Date for CAP:

The planned completion date is June 30, 2009.

Plan to Monitor Completion of CAP:

The Board of Education will be monitoring this corrective action plan.

PART IV: FINDINGS AND QUESTIONED COSTS – MINNESOTA LEGAL COMPLIANCE

None

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
JUNE 30, 2008**

01 GENERAL FUND

| | |
|--------------------------------|----------------------|
| Total Revenues | \$ 36,532,578 |
| Total Expenditures | <u>\$ 36,348,890</u> |
| <i>Reserved:</i> | |
| 403 Staff Development | <u>\$ 157,703</u> |
| 405 Deferred Maintenance | <u>\$ 240,023</u> |
| 406 Health & Safety | <u>\$ 85,181</u> |
| 407 Capital Project Levy | <u>\$ -</u> |
| 408 Cooperative Rev. | <u>\$ -</u> |
| 411 Severance Pay | <u>\$ -</u> |
| 414 Operating Debt | <u>\$ -</u> |
| 416 Levy Reduction | <u>\$ -</u> |
| 419 Encumbrances | <u>\$ -</u> |
| 423 Certain Teacher Programs | <u>\$ -</u> |
| 424 Operating Capital | <u>\$ 723,153</u> |
| 426 \$25 Taconite | <u>\$ -</u> |
| 427 Disabled Accessibility | <u>\$ -</u> |
| 428 Learning & Development | <u>\$ -</u> |
| 434 Area Learning Center | <u>\$ -</u> |
| 435 Contracted Alt. Programs | <u>\$ -</u> |
| 436 St. Approved Alt. Prog. | <u>\$ -</u> |
| 438 Gifted & Talented | <u>\$ -</u> |
| 439 Grad Standards | <u>\$ -</u> |
| 441 Basic Skills | <u>\$ -</u> |
| 443 Telecomm. Access Cost | <u>\$ -</u> |
| 445 Career and Tech, Programs | <u>\$ -</u> |
| 446 First Grade Preparedness | <u>\$ -</u> |
| 449 Safe Schools Levy | <u>\$ -</u> |
| 450 Pre-Kindergarten | <u>\$ -</u> |
| <i>Unreserved:</i> | |
| 418 Desig. Severance-Ins. Prem | <u>\$ -</u> |
| 422 Unreserved/Undesignated | <u>\$ 3,914,865</u> |

02 FOOD SERVICE

| | |
|--------------------------------|---------------------|
| Total Revenues | \$ 1,827,297 |
| Total Expenditures | <u>\$ 1,802,138</u> |
| <i>Reserved:</i> | |
| 411 Severance | <u>\$ -</u> |
| 419 Encumbrances | <u>\$ -</u> |
| <i>Unreserved:</i> | |
| 418 Desig. Severance-Ins. Prem | <u>\$ -</u> |
| 422 Unreserved/Undesignated | <u>\$ 376,300</u> |

04 COMMUNITY SERVICE

| | |
|--------------------------------|---------------------|
| Total Revenues | \$ 1,388,527 |
| Total Expenditures | <u>\$ 1,385,573</u> |
| <i>Reserved:</i> | |
| 411 Severances | <u>\$ -</u> |
| 419 Encumbrances | <u>\$ -</u> |
| 426 \$25 Taconite | <u>\$ -</u> |
| 431 Community Education | <u>\$ 69,275</u> |
| 432 E.C.F.E. | <u>\$ 56,922</u> |
| 444 School Readiness | <u>\$ 9,926</u> |
| 447 Adult Basic Education | <u>\$ -</u> |
| <i>Unreserved:</i> | |
| 418 Desig. Severance-Ins. Prem | <u>\$ -</u> |
| 422 Unreserved/Undesignated | <u>\$ 47,173</u> |

06 BUILDING CONSTRUCTION

| | |
|------------------------------|----------------------|
| Total Revenues | \$ 383,464 |
| Total Expenditures | <u>\$ 5,581,819</u> |
| <i>Reserved:</i> | |
| 407 Capital Projects Levy | <u>\$ -</u> |
| 409 Alternative Fac. Program | <u>\$ -</u> |
| 419 Encumbrances | <u>\$ -</u> |
| <i>Unreserved:</i> | |
| 422 Unreserved/Undesignated | <u>\$ 19,241,824</u> |

07 DEBT SERVICE

| | |
|-----------------------------|---------------------|
| Total Revenues | \$ 1,904,695 |
| Total Expenditures | <u>\$ 1,863,277</u> |
| <i>Reserved:</i> | |
| 425 Bond Refundings | <u>\$ -</u> |
| <i>Unreserved:</i> | |
| 422 Unreserved/Undesignated | <u>\$ 726,355</u> |

08 TRUST

| | |
|-----------------------------|-------------|
| Total Revenues | \$ - |
| Total Expenditures | <u>\$ -</u> |
| <i>Reserved:</i> | |
| 419 Encumbrances | <u>\$ -</u> |
| <i>Unreserved:</i> | |
| 422 Unreserved/Undesignated | <u>\$ -</u> |

09 AGENCY

| | |
|---|-------------|
| <i>Unreserved: Should Always Be -0-</i> | |
| 422 Unreserved/Undesignated | <u>\$ -</u> |

20 INTERNAL SERVICE

| | |
|-----------------------------|-------------|
| Total Revenues | \$ - |
| Total Expenditures | <u>\$ -</u> |
| <i>Reserved:</i> | |
| 419 Encumbrances | <u>\$ -</u> |
| <i>Unreserved:</i> | |
| 422 Unreserved/Undesignated | <u>\$ -</u> |