

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION**

**YEAR ENDED JUNE 30, 2011**

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INDEPENDENT SCHOOL DISTRICT NO. 623  
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## **INTRODUCTORY SECTION**

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
SCHOOL BOARD AND ADMINISTRATION  
JUNE 30, 2011**

**SCHOOL BOARD**

<b>NAME</b>	<b>TERM ON BOARD EXPIRES</b>	<b>BOARD POSITION</b>
Lisa Edstrom	December 31, 2011	Chairperson
William Majerus	December 31, 2013	Treasurer
Thomas Ring	December 31, 2011	Clerk
Katharina Gogins	December 31, 2013	Director
Shari Dion	December 31, 2011	Director
Mona Langston	December 31, 2013	Director

**ADMINISTRATION**

Dr. John Thein	Superintendent
Joe Wemette	Assistant Superintendent
Bob Rygh	Director of HR/Operations
Dr. Chris Sonenblum	Director of Student Services
Karen Schaub	Director of Community Education and Public Relations
Barbara Anderson	Assistant Director for Finance and Budgeting
District Offices:	Independent School District No. 623 Roseville Area Schools 1251 W. County Road B-2 Roseville, MN 55113-3299 (651) 635-1600

## **FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

School Board  
Independent School District No. 623  
Roseville Area Schools  
Roseville, Minnesota

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 623 as of and for the year ended June 30, 2011, 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 prior year partial comparative information has been derived from the District's 2010 financial statements and, in our report dated November 17, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 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 respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 623 as of June 30, 2011, and the respective changes in financial position, thereof, and the respective budgetary comparison for the General Fund and the Major Special Revenue Funds for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in the notes to the financial statements, the District adopted the provisions of Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of and for the year ended June 30, 2011. This statement may result in the District reporting nonspendable, restricted, and unassigned fund balances in its governmental fund types.

School Board  
Independent School District No. 623  
Roseville Area Schools

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2011, on our consideration of the District'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 and the Schedule of Funding Progress for Postemployment Benefit Plan, as listed in the table of contents is not a required part of the basic financial statements but is 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 District's basic financial statements. The individual fund statements and schedules as listed in the table of contents as supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Uniform Financial Accounting and Reporting Standards Compliance Table is presented as supplemental information as required by the Minnesota Department of Education, are also not a required part of the basic financial statements of Independent School District No. 623. The individual fund financial statements and schedules, the schedule of expenditures of federal awards and the Uniform Financial Accounting and Reporting Standards Compliance Table, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The other district information section listed in the table of contents is not necessary for a fair presentation of the basic financial statements, but is presented as additional analytical data. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

  
LarsonAllen LLP

Minneapolis, Minnesota  
November 23, 2011

## **REQUIRED SUPPLEMENTARY INFORMATION**

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011**

This section of Roseville Area Schools – Independent School District No. 623's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2011. Please read it in conjunction with the District's financial statements, which immediately follows this section. The Management's Discussion and Analysis (MD&A) is a required element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. Certain comparative information between the current year (2010-2011) and the prior year (2009-2010) is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2010-2011 fiscal year include the following:

- Net assets increased by \$316,653, or 4.6% from June 30, 2010.
- Overall General Fund revenues and other financing sources were \$75,449,591 as compared to \$75,554,302 of expenditures.
- The fund balance of the General Fund decreased overall by \$104,711 from the prior year. The fund balance in the unassigned fund balance category increased by \$205,024, having begun the year with a balance of \$3,902,969 (after restatement for compliance with GASB 54), and ending with a balance of \$4,107,993. Planned expenditures in the restricted for Health & Safety and restricted for operating capital resulted in the overall fund balance decrease.

**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* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others to whom the resources belong.

**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.

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011**

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 – is 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., food service).

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 to 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 scholarship funds and the Suburban Ramsey Family Collaborative. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Assets**

The District's *combined* net assets were \$26,060,951 on June 30, 2011. This was an increase of 1.2% (see Table A-1).

**Table A-1  
The District's Net Assets**

	Governmental Activities		Percentage Change
	2011	2010	
Current and Other Assets	\$ 42,663,582	\$ 35,196,294	21.2 %
Capital and Non-Current Assets	69,748,439	71,794,023	(2.8)
Total Assets	<u>112,412,021</u>	<u>106,990,317</u>	5.1
Current Liabilities	37,311,437	30,371,867	22.8
Long-Term Liabilities	49,039,633	50,874,152	(3.6)
Total Liabilities	<u>86,351,070</u>	<u>81,246,019</u>	6.3
Net Assets:			
Invested in Capital Assets, Net of Related Debt	25,211,164	24,511,189	2.9
Restricted	2,870,959	1,574,960	82.3
Unrestricted	(2,021,172)	(341,851)	491.2
Total Net Assets	<u>\$ 26,060,951</u>	<u>\$ 25,744,298</u>	1.2

The change in the District's financial position is the result of several factors. Total Net Assets of the District increased by \$316,653 which indicates that net governmental revenues exceeded net governmental activity costs. Long-term liabilities decreased by \$1,834,519, or 3.6%. Current liabilities increased \$6,939,570 because of increased borrowing for cash flow purposes resulting from delays in state aid payments enacted by the Legislature. Because of those same payment delays, state receivables increased by approximately \$4.6 million. Payments due to other districts increased by \$1,756,968 as a result of the District taking on the role of fiscal host for students attending the East Metro Integration District who come from non-member districts. The state aid for these students is recognized as revenue for the District, and the payment to EMID is recorded as a District expenditure, and was payable at year end. Total receivables for all federal grants decreased by approximately \$1.1 million, attributable to reduced federal ARRA stimulus funds.

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011**

**Changes in Net Assets**

The District's revenues for all governmental activities were \$91,619,596 for the year ended June 30, 2011. Property taxes and state formula aid accounted for 73% of total revenue for the year (see Figure A-1). Another 1% came from other general revenues combined with investment earnings, 8% from charges for services, and the remaining 18% from operating grants and contributions. For 2010 only, the state replaced approximately \$3.8 million of state aid with federal ARRA stimulus funds in order to balance the state's budget, and the state contribution returned to its former level in 2011.

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

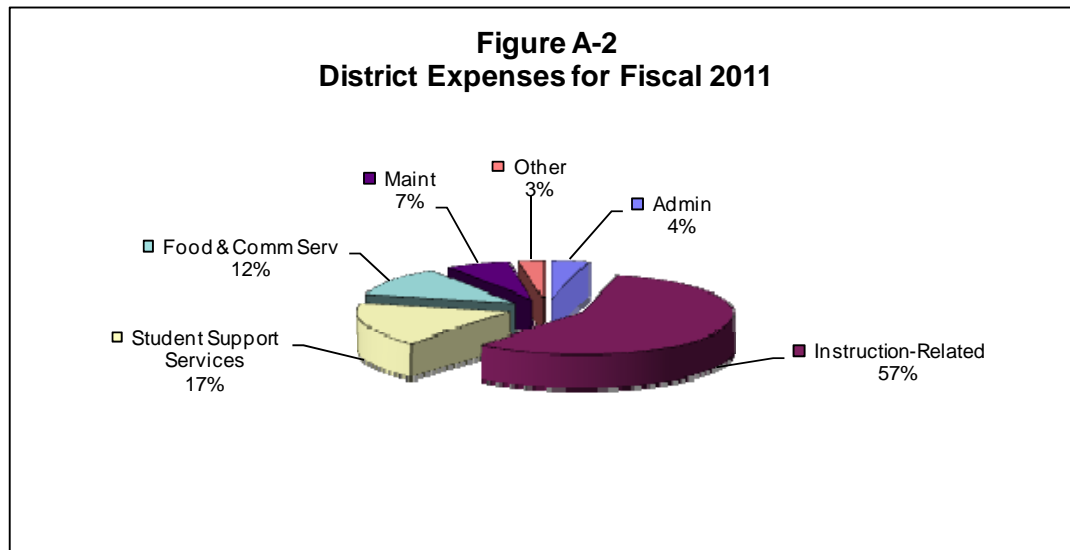
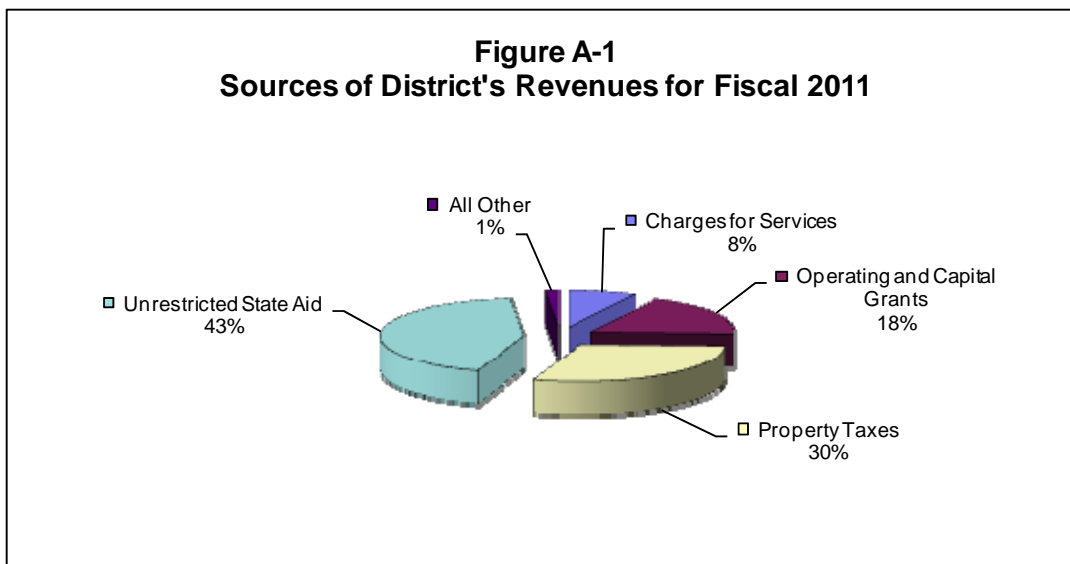
	Governmental Activities for the Fiscal Year Ended June 30,		Total % Change
	2011	2010	
<b>Revenues</b>			
<u>Program Revenues</u>			
Charges for Services	\$ 6,880,023	\$ 6,631,927	3.7 %
Operating Grants and Contributions	14,917,596	20,199,426	(26.1)
Capital Grants and Contributions	1,709,070	1,643,738	4.0
<u>General Revenues</u>			
Property Taxes	27,115,564	20,877,474	29.9
Unrestricted State Aid	39,657,476	36,899,890	7.5
Investment Earnings	5,655	25,384	(77.7)
Other	1,334,212	1,280,605	4.2
Total Revenues	<u>91,619,596</u>	<u>87,558,444</u>	4.6
<b>Expenses</b>			
Administration	3,604,600	5,069,727	(28.9)
District Support Services	2,821,902	3,224,661	(12.5)
Regular Instruction	37,362,283	32,682,601	14.3
Vocational Education Instruction	1,235,455	1,147,085	7.7
Special Education Instruction	13,694,565	12,915,948	6.0
Instructional Support Services	5,604,954	6,177,113	(9.3)
Pupil Support Services	7,576,023	7,226,035	4.8
Sites and Buildings	6,079,221	6,422,541	(5.3)
Fiscal and Other Fixed Cost Programs	167,531	151,625	10.5
Food Service	3,465,370	3,137,059	10.5
Community Service	7,480,620	7,698,026	(2.8)
Interest and Fiscal Charges on Long-Term Liabilities	2,210,419	2,935,805	(24.7)
Total Expenses	<u>91,302,943</u>	<u>88,788,226</u>	2.8
<b>Change in Net Assets</b>	316,653	(1,229,782)	
Beginning Net Assets	25,744,298	26,974,080	
Ending Net Assets	<u>\$ 26,060,951</u>	<u>\$ 25,744,298</u>	

The increase in total expenses from 2010 to 2011 in large part is attributable to the tuition paid to East Metro Integration District students to attend EMID schools from non-member districts. Those payments account for \$1.7 million of the increase in expenses, and are more than matched by the related increase in state aid. Increased District enrollment generated additional state aid as well.

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011**

The cost of all *governmental* activities this year was \$91,302,943.

- Some of the cost was paid by the users of the District's programs (\$6,880,023).
- The federal and state governments subsidized certain programs with grants and contributions (\$16,626,666).
- Most of the District's costs (\$68,112,907), however, were paid for by District taxpayers, taxpayers of our state, and other miscellaneous general revenues.
- Of the amount paid for by taxpayers of the District and the state, \$27,115,564 came in the form of property taxes, \$39,657,476 in state aid based on the statewide education aid formula, and \$1,339,867 in investment earnings and other general revenues.



**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011**

All governmental activities includes not only funds received for the general operation of the District, which are used for classroom instruction, but also includes resources from the entrepreneurial-type funds of Food Service and Community Education, and from resources for fiscal service transactions. Funding for the general operation of the District is controlled by the state and the District does not have the latitude to allocate money received in Food Service or Community Education or for fiscal services to enhance classroom instruction resources. The District cannot take funds from these restricted areas and use the funds to hire teachers to enhance instruction.

**Table A-3  
Program Services and Net Cost of Services**

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2011	2010		2011	2010	
Administration	\$ 3,604,600	\$ 5,069,727	(28.9)%	\$ 3,531,970	\$ 3,016,059	17.1 %
District Support Services	2,821,902	3,224,661	(12.5)	2,181,988	2,195,548	(0.6)
Regular Instruction	37,362,283	32,682,601	14.3	34,120,435	28,838,518	18.3
Vocational Education Instruction	1,235,455	1,147,085	7.7	1,234,607	1,120,309	10.2
Special Education Instruction	13,694,565	12,915,948	6.0	6,431,396	5,084,325	26.5
Instructional Support Services	5,604,954	6,177,113	(9.3)	4,581,943	4,665,493	(1.8)
Pupil Support Services	7,576,023	7,226,035	4.8	7,161,162	6,923,015	3.4
Sites and Buildings	6,079,221	6,422,541	(5.3)	5,540,832	4,675,826	18.5
Fiscal and Other Fixed Cost Programs	167,531	151,625	10.5	167,531	151,625	10.5
Food Service	3,465,370	3,137,059	10.5	48,522	(160,813)	(130.2)
Community Service	7,480,620	7,698,026	(2.8)	585,449	867,425	(32.5)
Interest and Fiscal Charges on Long-Term Liabilities	2,210,419	2,935,805	(24.7)	2,210,419	2,935,805	(24.7)
Total	<u>\$ 91,302,943</u>	<u>\$ 88,788,226</u>	2.8	<u>\$ 67,796,254</u>	<u>\$ 60,313,135</u>	12.4

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a *combined* fund balance of \$7,552,766, which is \$117,741 more than last year's ending fund balance of \$7,435,025. The District was able to maintain its financial position despite the lack of funding increases.

Revenues for the District's governmental funds were \$91,565,485. The refunding of \$23,065,000 of long term debt and other sources brought the total revenue and other financing sources to \$114,702,242. Total expenditures and other financing uses were \$114,584,501, which also includes payment of the refunded bonds.

**GENERAL FUND**

The General Fund reflects the primary operations of the District that provide educational services to students from kindergarten through grade 12. This includes pupil transportation activities and capital outlay projects.

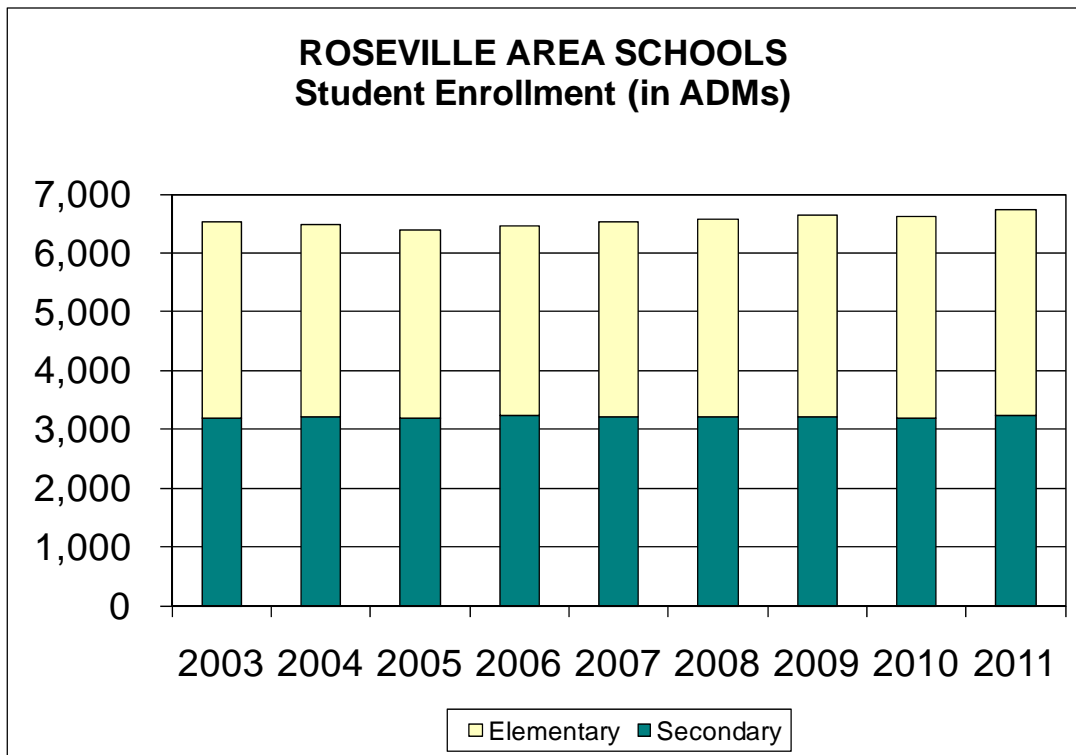
**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011**

Approximately 90% of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources available to the District. This includes special education state aid that is based upon a cost reimbursement model providing approximately 68% of personnel expenditures. The revenue is later prorated to a lesser amount dependent on the total revenue appropriated by the Legislature for this purpose. Other state formulas then determine what portion of the revenue will be provided by property taxes and what portion will come from state aid. The state further controls the timing of payments made to school districts, which affects the cash balances available to meet ongoing costs.

**ENROLLMENT**

Enrollment is a critical factor in determining revenue with approximately 90% of General Fund revenue being determined by enrollment. The following chart shows that the number of students has been steadily increasing over the last six years.

**Table A-4  
Enrollment Trend  
Average Daily Membership (ADM)**



**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011**

Over the last six years the District has experienced increases averaging about 1% in average daily membership served. The numbers of students enrolling from neighboring districts through the options programs has continued to increase, and in 2010-11 we served about 908 students from other districts, while about 437 of our District's residents attended other school districts. The students we serve plus our resident students served by other districts under tuition agreements plus students who are residents of non-EMID members who attend the East Metro Integration District all generate revenue, mostly through the General Education Aid formula. We expect the pre-school population to remain steady and provide approximately 450 kindergarten students per year as compared to approximately 500 students graduating annually, picking up additional students throughout all grade levels. We expect that the District will continue to enroll steady or increasing numbers of students from other districts as space permits in our classrooms and programs.

The following schedule presents a summary of General Fund Revenues.

**Table A-5  
General Fund Revenues**

Fund	Year Ended		Change	
	June 30, 2011	June 30, 2010	Increase (Decrease)	Percent
Local Sources:				
Property Taxes	\$ 21,113,593	\$ 16,645,559	\$ 4,468,034	26.8 %
Earnings on Investments	1,401	20,228	(18,827)	(93.1)
Other	2,572,218	2,331,558	240,660	10.3
State Sources	49,205,958	45,732,451	3,473,507	7.6
Federal Sources	2,545,701	8,236,359	(5,690,658)	(69.1)
Total General Fund Revenue	<u>\$ 75,438,871</u>	<u>\$ 72,966,155</u>	<u>\$ 2,472,716</u>	3.4

General Fund Revenue increased by \$2,472,716 or 3.4% from the previous year. Property tax revenue increased by \$4,468,034. The 2010 Legislature enacted legislation that required school districts to recognize as revenue a greater portion of property taxes in an earlier year. This allows the State to delay payments of the same amount until the subsequent year. The amount of property taxes recognized early was \$4,925,184. Had this law not been in effect, our property tax revenue would have decreased slightly. See Note 1 – J. – Property Taxes in the Notes to Basic Financial Statements for more information on this advance recognition.

Basic general education revenue is determined by multiple state formulas, largely enrollment driven, and consists of mostly state aid revenue. Other state-authorized revenues, which include the operating levy referendum, operating capital revenue and the property tax shift, involve an equalized mix of property tax and state aid revenue. The mix of property tax and state aid can change significantly from year to year without any net change on total revenue, and is dependent on legislative action.

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011**

State revenue increased overall by \$3,473,507. State revenue based on the General Education formula increased by \$3.8 million over the prior year as a result of the return to full funding of General Education Revenue. As a result of the state budget crisis, the state had reduced payments to school districts by the amount of federal stabilization aid made available in 2009-10. State revenue for Compensatory Revenue, which is based on the number of students we serve who are eligible for free and reduced lunches, increased by \$218,309.

Increased enrollment in District schools plus the revenue generated by students attending EMID schools, for which we are fiscal host, generated additional General Education revenue and other related aids of more than \$2.5 million. State Special Education aid revenue also increased significantly. There were smaller increases in several other state aid categories, including transportation provided for non-public and EMID students. And finally, the State reduced revenue by an amount equal to the amount of property tax recognized early, or \$4,925,184.

Federal revenue decreased overall by \$5,690,658, or 69%. The American Recovery and Reinvestment Act of 2009 (ARRA) brought the District almost \$6,000,000 in one-time federal funds in 2009-2010. Of that, \$3.8 million was used to replace the state general education revenue reduction. Additional funds in the amount of \$383,097 were used for Title I services for students at risk, and \$1,684,833 was used to fund special education services. There was a small amount of these funds carried over into 2010-2011, but for the most part these funds were eliminated.

Continuing low interest rates and the delays in state aid payments resulted in reductions in the District's return on investments, which was \$18,827 less than the previous year. The District stresses safety and asset preservation over yield in its investment decisions. The category of "Other" revenue includes space rental, participation fees, sales of materials to students, gifts and miscellaneous revenue. It also includes revenue received from Medical Assistance for providing health-related services to students who have Individualized Education Plans. Overall, revenue in this category increased by \$240,660.

The following schedule presents a summary of General Fund Expenditures.

**Table A-6  
General Fund Expenditures**

	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30, 2011	June 30, 2010		
Salaries	\$ 42,614,275	\$ 41,892,400	\$ 721,875	1.7 %
Employee Benefits	15,833,081	14,557,047	1,276,034	8.8
Purchased Services	12,501,052	10,932,224	1,568,828	14.4
Supplies and Materials	3,026,942	3,137,710	(110,768)	(3.5)
Capital Expenditures	1,346,217	2,597,740	(1,251,523)	(48.2)
Other Expenditures	232,735	289,230	(56,495)	(19.5)
Total Expenditures	<u>\$ 75,554,302</u>	<u>\$ 73,406,351</u>	<u>\$ 2,147,951</u>	2.9

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011**

Total General Fund Expenditures increased \$2,147,951 or 2.9% from the previous year. Staff salaries accounted for \$721,875 of increased expenditures over the previous year. This is an increase of 1.7%. The cost of employee benefits increased by \$1,276,034, or 8.8%. Medical insurance premiums increased by \$869,788. School districts are required to reimburse the state for unemployment payments made to former employees. Those payments increased by \$55,420. An update of the District's actuarially determined liability for post employment retirement benefits resulted in a decrease of the benefit costs funded by the OPEB Trust in the amount of approximately \$200,000. Other benefits are tied to percentages of salaries paid, such as FICA and state retirement association contributions, and account for the balance of the increase.

Overall, payments for purchased services increased by \$1,568,828. Much of the increase (\$1,790,268) is related to remitting the General Education revenue earned by students attending EMID schools who are residents of non-member districts. The District retains a small amount of the revenue earned by these students, and remits the remaining balance to EMID. The District decreased its use of federal aid to pay special education tuition by \$100,000. Costs for electricity were decreased by \$44,332 through conservation efforts and the transfer of some expenses to the Food Service Fund to reflect that program's actual usage of energy. The cost of staff development decreased by about \$140,000 with the decrease of the Federal ARRA Stimulus funds. Much of those one-time funds were used to increase the capacity of staff to address the achievement gap in student performance. The cost of transporting students to and from school, as well as to and from events, increased \$59,128 over the previous year.

Spending for supplies and materials decreased by \$110,768. The District spent \$24,340 less for heating its buildings than in the previous year because of energy efficiencies. Expenditures for textbooks decreased by \$81,691, consistent with the amount budgeted. Textbooks were adopted and replaced in the areas of health, language arts, math and world languages. Spending for instructional supplies and general supplies were similar to spending in the previous year.

Spending for capital expenditures decreased by \$1,251,423 from the prior year. The District completed the improvements to the RAHS stadium in the prior year, which accounts for \$1.1 million of the decrease. The District also reduced spending on administrative computer hardware by \$100,000, spent \$20,000 less for musical instruments, and \$25,000 for special education equipment both for student and administrative use. Spending on building maintenance projects combined with Health & Safety projects remained about the same as in the prior year.

In 2010-11, total General Fund expenditures exceeded revenue and other financing sources by \$104,711. Therefore, the total fund balance decreased from a balance of \$5,350,727 at June 30, 2010, to a balance of \$5,246,016 at June 30, 2011. After deducting statutory restrictions and non-spendable balances, the unassigned fund balance increased from \$3,902,969 (restated to reflect implementation of GASB 54) at June 30, 2010, to \$4,107,993 at June 30, 2011 – an increase of \$205,024.

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011**

The unassigned fund balance is the single best measure of overall financial health of a school district. The unassigned fund balance plus the non-spendable fund balance combined totals \$4,357,664. The Minnesota Department of Education divides this balance by the expenditures related to these balances to calculate the fund balance as a percentage of expenditures. The District's fund balance at June 30, 2011, represents 6.92% of applicable annual expenditures. With this fund balance, the District will be better equipped to weather financial emergencies should they arise, as well as face continuing funding constraints imposed by the State.

**General Fund Budgetary Highlights**

Following approval of the budget prior to the beginning of the fiscal year, the District revises the annual operating budget in mid-year. These budget adjustments typically fall into two categories:

- Implementing budgets for specially funded projects, which include both federal and state grants and reinstating unexpended funds being carried over.
- Legislation passed subsequent to budget adoption, changes necessitated by collective bargaining agreements, and increases in appropriations for significant unbudgeted costs.

Actual revenues were \$4,468,557 more than budgeted. About \$375,000 was attributable to unbudgeted student activities funded through fund-raising, gifts and the sale of spirit wear and other items. Earnings on investments were nearly \$50,000 less than budgeted because of continuing record low interest rates. As fiscal host for the East Metro Integration District for students attending from non-member schools, the District received nearly \$1.8 million for the two years 2009-10 and 2010-11. Since the financial impact of this action wasn't available from the State until very late in the year, this amount wasn't included in the revised budget approved in February, although the School Board was apprised of the impact. Other General Education revenue generated by higher enrollment than projected accounted for close to \$500,000. More than \$1.1 million is attributable to state special education aid. Because the calculation for state special education aid is dependent on data from other districts that is unknown until eight months after the fiscal year ends, the District estimates conservatively when budgeting for this revenue. Our best estimate at year-end is recorded as revenue. Any variance between the District's estimate and actual revenue affects revenue in the succeeding year. About half of the increase was due to final state calculations for the 2009-10 school year that became available in April, and the balance for our estimate of the year ending June 30, 2011. About \$175,000 was attributable to sales of materials produced by career and technical classes which are used to fund additional classroom supplies and equipment.

Actual General Fund expenditures were \$2,207,245 over budget. Nearly \$1.8 million of that is the expenditure related to the revenue generated by students attending the East Metro Integration District from non-member schools. About \$375,000 of the variance is related to the unbudgeted student activities funded through fund-raising, gifts and the sale of spirit wear and other items. Expenditures in this category are limited to the actual revenue generated. The other major variance was due to under-budgeting the special services programs. About \$100,000 is related to salaries and benefits associated with meeting specific needs as they arise for students with IEPs. The balance, about \$400,000, is related to the tuition costs outside of the state tuition billing system that were paid or owed to other districts. These were offset by under-expenditures of \$145,000 in costs for District Administration and Support, and \$324,000 in Instructional Support Services, for staff benefits, consultants and instructional supplies. Finally, capital expenditures in all program areas were under-spent by \$200,000. Other variances were much smaller, and offset each other.

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011**

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by \$2,376,743, the actual results for the year show expenditures exceeded revenues and other financing sources only by \$104,711.

**OTHER MAJOR FUNDS**

Revenues exceeded expenditures in the Food Service Fund by \$61,163 and revenues and other financing sources exceeded expenditures in the Community Service Fund by \$194,639. From the standpoint of maintaining current operating expenditures within the range of annual revenue and maintaining a sound fund balance, the Community Service Fund operates on a sound financial basis, and ended the year with a fund balance of \$959,766, or 12.5% of expenditures. The Food Service Fund ended the year with a positive fund balance of \$512,748. The Food Service Fund has been using a portion of its revenue to replace worn out equipment and provide a small reserve increase to offset unexpected emergencies. It is also expected to pay a larger share of the costs it incurs in energy usage in the 2011-12 budget.

**CONSTRUCTION AND DEBT SERVICE FUNDS**

The Construction Fund records revenue and expenses for the Alternative Facilities Levy program. Because of the age of its buildings and their total square footage, the District is eligible to levy for funds to finance specific projects to maintain the structural integrity of the buildings. These projects are submitted to the state Department of Education and must be approved prior to authorizing the levy. This fund is permitted to go into deficit to the extent of approved and anticipated revenues.

The Combined Debt Service Funds are comprised of a regular debt service account and an account for Other Postemployment Benefit Bonds. Combined Debt Service Funds expenditures exceeded revenues by \$34,654. Revenues in the Regular Debt Service Fund Account are used to pay off the principal and interest of bonds issued in past years for building construction and improvements. The total balance of the regular debt service account at June 30, 2011 is \$674,638, and will be used to meet the debt service obligations of refunding bonds issued in 2004 and 2010. The Other Postemployment Benefits Bond Fund records the expenditures and revenues related to repayment of the bonded debt issued to create the Other Postemployment Benefits Trust. The OPEB fund balance of \$58,027, combined with revenues generated by levies on future property taxes, will be used to pay the obligation on the debt as they come due.

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2011, the District had invested more than \$111.5 million in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices (see Table A-7). (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total net depreciation expense for the year was \$2,512,070.

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

	2011	2010	Percentage Change
Land	\$ 22,011	\$ 22,011	- %
Construction in Progress	74,927	-	N/A
Land Improvements	5,759,908	5,418,959	6.3
Buildings and Improvements	99,224,792	99,022,215	0.2
Equipment	6,443,240	6,396,208	0.7
Less: Accumulated Depreciation	(55,522,221)	(53,228,471)	4.3
<b>Total</b>	<b>\$ 56,002,657</b>	<b>\$ 57,630,922</b>	<b>(2.8)</b>

**Long-Term Liabilities**

At year-end, the District had \$47,765,000 in general obligation bonds – a decrease of 6.43% from last year – as detailed in Note 6 to the financial statements. The decrease was due to the payment of principal on its bonded debt, and refunding of the 2001 general obligation bonds at a lower interest rate. The District also had an estimated \$886,682 in vacation payable at June 30, 2011, an increase of \$75,314 since June 30, 2010. Other compensated absences, which is the amount estimated to be paid in severance to current employees in the future, decreased by \$119,037, as there are fewer employees who qualify for this benefit.

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

	2011	2010	Percentage Change
General Obligation Bonds	\$ 47,765,000	\$ 51,045,000	(6.43)%
Net Bond Premium and Discount	953,064	(690,368)	(238.05)
Accrued Vacation	886,682	811,368	9.28
Other Compensated Absences	1,317,427	1,436,464	(8.29)
<b>Total</b>	<b>\$ 50,922,173</b>	<b>\$ 52,602,464</b>	<b>(3.19)</b>
Long-Term Liabilities:			
Due within One Year	\$ 1,882,540	\$ 1,728,312	
Due in More than One Year	49,039,633	50,874,152	
	<b>\$ 50,922,173</b>	<b>\$ 52,602,464</b>	

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011**

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

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

The general education formula is the method by which school districts receive a majority of their financial support. State funding of this formula has not kept pace with cost increases, and has fallen behind general inflationary increases. The Association of Metropolitan School Districts estimates that by 2010-11, the per-pupil formula, adjusted for inflation, had fallen \$1,448 behind the 1991-92 formula, and the cross-subsidy, the difference between the costs of mandated special education services and the revenue provided for those costs, continues to grow and erode funds available for general education purposes. The most recent data provided by the state is for 2008-09, and shows that in the District, \$5,934,628 of General Education Revenue was needed to subsidize the costs of providing needed services to students with Individualized Education Plans.

The 2011 Minnesota Legislature increased the per-pupil formula allowance by \$50 per pupil unit for both 2011-12 and 2012-13. However, this additional revenue was intended to cover the cost of additional borrowing required as a result of state aid payment delays. In addition, the increased cost of .5% per year for the next four years in employer contributions to teachers' retirement accounts will more than offset the funding increase. District voters in September 2006 approved a \$2.1 million increase in the operating referendum, and provided additional funds to cover increased operating expenses for 2007-08 through 2014. The District uses the proceeds of the referendum to maintain programming and class sizes, and to eliminate deficits. Those deficits were eliminated in 2008-09, and have been used since to fill the inflationary funding gap. The unpredictable nature of state funding creates a significant challenge in funding education for Minnesota school districts, and the District continues to look to increase efficiencies in its operations and to program creatively in order to offset the lack of funding increases.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Independent School District 623, District Center, 1251 West County Road B-2, Roseville, Minnesota 55113.

**Bond Ratings**  
The District's bonds presently carry a Moody's "AA2" rating.

**Limitations on Debt**  
The state limits the amount of general obligation debt the District can issue to 15% of the assessed value of all taxable property within the District's corporate limits. Our outstanding debt is significantly below this limit – which is currently \$775 million.

## **BASIC FINANCIAL STATEMENTS**

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
STATEMENT OF NET ASSETS  
JUNE 30, 2011  
(WITH COMPARATIVE DATA AS OF JUNE 30, 2010)**

	Governmental Activities	
	2011	2010
<b>ASSETS</b>		
Cash and Investments	\$ 8,063,081	\$ 3,870,970
Receivables:		
Property Taxes	12,885,939	13,068,629
Other Governments	19,559,635	15,846,927
Other	1,873,462	2,089,993
Prepaid Items	216,508	226,197
Inventories	64,957	93,578
Bond Issuance Costs, Net	134,913	80,486
Other Postemployment Benefits	13,610,869	14,082,615
Capital Assets:		
Land and Construction in Process	96,938	22,011
Other Capital Assets, Net of Depreciation	55,905,719	57,608,911
Total Assets	112,412,021	106,990,317
<b>LIABILITIES</b>		
Short-Term Borrowing	16,500,000	5,000,000
Salaries and Compensated Absences Payable	496,624	535,261
Accounts and Contracts Payable	1,073,424	1,197,513
Accrued Interest	754,353	1,215,881
Due to Other Governmental Units	2,869,248	1,473,728
Property Tax Shift Adjustment	88,432	-
Unearned Revenue:		
Property Taxes	12,975,274	18,745,922
Local Sources	671,542	475,250
Long-Term Liabilities:		
Portion Due Within One Year	1,882,540	1,728,312
Portion Due in More Than One Year	49,039,633	50,874,152
Total Liabilities	86,351,070	81,246,019
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	25,211,164	24,511,189
Restricted for:		
General Fund Operating Capital Purposes	709,344	-
General Fund State-Mandated Reserves	179,007	358,248
Food Service	512,748	451,585
Community Service	959,766	765,127
Unrestricted	(2,021,172)	(341,851)
Total Net Assets	\$ 26,060,951	\$ 25,744,298

See accompanying Notes to Basic Financial Statements.

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2010)**

Functions	2011				2010	2010
	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Total Governmental Activities
<b>Governmental Activities</b>						
Administration	\$ 3,604,600	\$ 10,720	\$ 61,910	\$ -	\$ (3,531,970)	\$ (3,016,059)
District Support Services	2,821,902	1,785	110,522	527,607	(2,181,988)	(2,195,548)
Regular Instruction	37,362,283	1,085,422	1,646,987	509,439	(34,120,435)	(28,838,518)
Vocational Education Instruction	1,235,455	848	-	-	(1,234,607)	(1,120,309)
Special Education Instruction	13,694,565	472,599	6,790,570	-	(6,431,396)	(5,084,325)
Instructional Support Services	5,604,954	27,607	739,338	256,066	(4,581,943)	(4,665,493)
Pupil Support Services	7,576,023	45,835	367,102	1,924	(7,161,162)	(6,923,015)
Sites and Buildings	6,079,221	107,343	17,012	414,034	(5,540,832)	(4,675,826)
Fiscal and Other Fixed Cost Programs	167,531	-	-	-	(167,531)	(151,625)
Food Service	3,465,370	1,615,225	1,801,623	-	(48,522)	160,813
Community Service	7,480,620	3,512,639	3,382,532	-	(585,449)	(867,425)
Interest and Fiscal Charges on Long-Term Liabilities	2,210,419	-	-	-	(2,210,419)	(2,935,805)
<b>Total School District</b>	<b>\$ 91,302,943</b>	<b>\$ 6,880,023</b>	<b>\$ 14,917,596</b>	<b>\$ 1,709,070</b>	<b>(67,796,254)</b>	<b>(60,313,135)</b>
<b>General Revenues</b>						
Property Taxes Levied for:						
General Purposes					21,155,811	16,671,927
Community Service					1,294,956	872,456
Debt Service					4,275,019	3,011,082
Capital Projects					389,778	322,009
State Aid Not Restricted to Specific Purposes					39,657,476	36,899,890
Earnings on Investments					5,655	25,384
Miscellaneous					1,334,212	1,280,605
<b>Total General Revenues</b>					<b>68,112,907</b>	<b>59,083,353</b>
Change in Net Assets					316,653	(1,229,782)
Net Assets - Beginning					25,744,298	26,974,080
Net Assets - Ending					<b>\$ 26,060,951</b>	<b>\$ 25,744,298</b>

See accompanying Notes to Basic Financial Statements.

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011  
(WITH COMPARATIVE DATA AS OF JUNE 30, 2010)**

	Major Funds					Total Governmental Funds	
	General	Food Service	Community Service	Capital Projects	Debt Service	2011	2010
<b>ASSETS</b>							
Cash and Investments	\$ 5,028,438	\$ 492,723	\$ -	\$ 135,651	\$ 2,406,269	\$ 8,063,081	\$ 3,870,970
Receivables:							
Current Property Taxes	9,374,581	-	503,465	-	2,489,109	12,367,155	12,664,401
Delinquent Property Taxes	403,723	-	21,780	-	93,281	518,784	404,228
Due from Other Minnesota School Districts	298,745	19,905	145,197	-	-	463,847	241,627
Due from Minnesota Department of Education	17,145,918	-	184,006	-	52,536	17,382,460	12,826,516
Due from Federal through Minnesota Department of Education	632,699	26,356	14,955	-	-	674,010	1,787,747
Due from Federal Government Received Directly	-	-	730,360	-	-	730,360	730,040
Due from Other Governmental Units	269,536	-	39,422	-	-	308,958	260,997
Other Receivables	66,453	263	32,096	-	-	98,812	147,358
Due from Other Funds	1,670,509	49,636	80,190	-	-	1,800,335	1,942,635
Prepaid Items	210,868	1,661	3,979	-	-	216,508	226,197
Inventory	38,804	26,153	-	-	-	64,957	93,578
<b>Total Assets</b>	<b>\$ 35,140,274</b>	<b>\$ 616,697</b>	<b>\$ 1,755,450</b>	<b>\$ 135,651</b>	<b>\$ 5,041,195</b>	<b>\$ 42,689,267</b>	<b>\$ 35,196,294</b>
<b>LIABILITIES AND FUND BALANCE (DEFICIT)</b>							
Liabilities:							
Short-Term Borrowing	\$ 16,500,000	\$ -	\$ -	\$ -	\$ -	\$ 16,500,000	\$ 5,000,000
Salaries and Compensated Absences Payable	380,396	3,081	113,147	-	-	496,624	535,261
Accounts and Contracts Payable	873,292	30,206	135,846	34,080	-	1,073,424	1,197,513
Due to Other Governmental Units	2,838,277	-	30,971	-	-	2,869,248	1,473,728
Due to Other Funds	-	-	25,685	-	-	25,685	-
Accrued Interest Payable	94,405	-	-	-	-	94,405	45,839
Property Tax Shift Adjustment	88,432	-	-	-	-	88,432	-
Deferred Revenue:							
Property Taxes Levied for Subsequent Year	8,283,661	-	441,659	-	4,249,954	12,975,274	18,745,922
Delinquent Property Taxes	268,830	-	14,461	-	58,576	341,867	287,756
Local Sources	566,965	70,662	33,915	-	-	671,542	475,250
<b>Total Liabilities</b>	<b>29,894,258</b>	<b>103,949</b>	<b>795,684</b>	<b>34,080</b>	<b>4,308,530</b>	<b>35,136,501</b>	<b>27,761,269</b>
Fund Balance:							
Nonspendable:							
Inventory	38,804	26,153	-	-	-	64,957	93,578
Prepaid Items	210,868	1,661	3,979	-	-	216,508	226,197
Restricted for:							
Alternative Facilities	-	-	-	101,571	-	101,571	100,267
Health and Safety	179,007	-	-	-	-	179,007	358,248
Operating Capital	709,344	-	-	-	-	709,344	819,024
Community Education Programs	-	-	669,331	-	-	669,331	488,088
Early Childhood and Family Educations Programs	-	-	60,819	-	-	60,819	64,115
School Readiness	-	-	18,287	-	-	18,287	14,584
Adult Basic Education	-	-	19,927	-	-	19,927	16,792
Other Purposes	-	484,934	187,423	-	732,665	1,405,022	1,351,163
Unassigned	4,107,993	-	-	-	-	4,107,993	3,902,969
<b>Total Fund Balance</b>	<b>5,246,016</b>	<b>512,748</b>	<b>959,766</b>	<b>101,571</b>	<b>732,665</b>	<b>7,552,766</b>	<b>7,435,025</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 35,140,274</b>	<b>\$ 616,697</b>	<b>\$ 1,755,450</b>	<b>\$ 135,651</b>	<b>\$ 5,041,195</b>	<b>\$ 42,689,267</b>	<b>\$ 35,196,294</b>

See accompanying Notes to Basic Financial Statements.

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO.623  
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2011  
(WITH COMPARATIVE DATA AS OF JUNE 30, 2010)**

	2011	2010
<b>Total Fund Balance for Governmental Funds</b>	<b>\$ 7,552,766</b>	<b>\$ 7,435,025</b>
<p>Total net assets reported for governmental activities in the statement of net assets is different because:</p> <p>Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:</p>		
Land	22,011	22,011
Construction in Progress	74,927	-
Land Improvements, Net of Accumulated Depreciation	3,347,474	3,208,470
Buildings and Improvements, Net of Accumulated Depreciation	51,036,109	52,827,210
Equipment, Net of Accumulated Depreciation	1,522,136	1,573,231
<p>Long-term assets related to funded OPEB plans are not financial resources and, therefore, are not reported in the funds.</p>		
	13,610,869	14,082,615
<p>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.</p>		
	341,867	287,756
<p>Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.</p>		
	(659,948)	(1,170,042)
<p>Bond issuance costs are reported as expenditures in the governmental funds.</p>		
	134,913	80,486
<p>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:</p>		
Bonds Payable	(47,765,000)	(51,045,000)
Unamortized Premiums	(1,598,880)	-
Unamortized Discounts	645,816	690,368
Other Compensated Absences	(1,317,427)	(1,436,464)
Accrued Vacation	(886,682)	(811,368)
<b>Total Net Assets of Governmental Activities</b>	<b><u>\$ 26,060,951</u></b>	<b><u>\$ 25,744,298</u></b>

See accompanying Notes to Basic Financial Statements.

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2011  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2010)**

	Major Funds					Total Governmental Funds	
	General	Food Service	Community Service	Capital Projects	Debt Service	2011	2010
<b>REVENUES</b>							
Local Sources:							
Property Taxes	\$ 21,113,593	\$ -	\$ 1,292,372	\$ 389,000	\$ 4,266,488	\$ 27,061,453	\$ 20,844,455
Earnings on Investments	1,401	-	-	-	4,254	5,655	25,384
Other	2,572,218	1,615,225	4,026,792	-	-	8,214,235	7,912,532
State Sources	49,205,958	122,310	195,335	-	175,116	49,698,719	46,523,375
Federal Sources	2,545,701	1,679,313	2,360,409	-	-	6,585,423	12,219,679
Total Revenues	<u>75,438,871</u>	<u>3,416,848</u>	<u>7,874,908</u>	<u>389,000</u>	<u>4,445,858</u>	<u>91,565,485</u>	<u>87,525,425</u>
<b>EXPENDITURES</b>							
Current:							
Administration	4,027,508	-	-	-	-	4,027,508	3,827,010
District Support Services	2,475,886	-	-	-	-	2,475,886	2,353,695
Regular Instruction	34,488,498	-	-	-	-	34,488,498	31,391,276
Vocational Education Instruction	1,202,308	-	-	-	-	1,202,308	1,197,613
Special Education Instruction	13,806,467	-	-	-	-	13,806,467	13,473,755
Instructional Support Services	5,282,663	-	-	-	-	5,282,663	5,955,266
Pupil Support Services	7,231,068	-	-	-	-	7,231,068	6,796,258
Sites and Buildings	5,595,160	-	-	-	-	5,595,160	5,622,668
Fiscal and Other Fixed Cost Programs	167,531	-	-	-	-	167,531	151,625
Food Service	-	3,255,761	-	-	-	3,255,761	3,082,921
Community Service	-	-	7,639,933	-	-	7,639,933	7,576,204
Capital Outlay	1,346,217	99,924	43,126	387,696	-	1,876,963	3,118,737
Debt Service:							
Principal	-	-	-	-	1,665,000	1,665,000	1,585,000
Interest and Fiscal Charges	(69,004)	-	-	-	2,873,759	2,804,755	2,999,738
Total Expenditures	<u>75,554,302</u>	<u>3,355,685</u>	<u>7,683,059</u>	<u>387,696</u>	<u>4,538,759</u>	<u>91,519,501</u>	<u>89,131,766</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(115,431)	61,163	191,849	1,304	(92,901)	45,984	(1,606,341)
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds from Sale of Equipment	-	-	2,790	-	-	2,790	-
Insurance Recovery Proceeds	10,720	-	-	-	-	10,720	7,714
Bond Proceeds	-	-	-	-	21,450,000	21,450,000	-
Bond Premium	-	-	-	-	1,673,247	1,673,247	-
Payment to Refunded Bond Escrow Agent	-	-	-	-	(23,065,000)	(23,065,000)	-
Total Other Financing Sources (Uses)	<u>10,720</u>	<u>-</u>	<u>2,790</u>	<u>-</u>	<u>58,247</u>	<u>71,757</u>	<u>7,714</u>
Net Change in Fund Balances	(104,711)	61,163	194,639	1,304	(34,654)	117,741	(1,598,627)
Fund Balances - Beginning	<u>5,350,727</u>	<u>451,585</u>	<u>765,127</u>	<u>100,267</u>	<u>767,319</u>	<u>7,435,025</u>	<u>9,033,652</u>
Fund Balances - Ending	<u>\$ 5,246,016</u>	<u>\$ 512,748</u>	<u>\$ 959,766</u>	<u>\$ 101,571</u>	<u>\$ 732,665</u>	<u>\$ 7,552,766</u>	<u>\$ 7,435,025</u>

See accompanying Notes to Basic Financial Statements.

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
RECONCILIATION OF THE STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2010)**

	2011	2010
<b>Net Change in Fund Balance - Total Governmental Funds</b>	\$ 117,741	\$ (1,598,627)

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 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Outlays	887,518	1,971,683
Gain (Loss) on Disposal of Capital Assets	9,797	4,325
Proceeds from Sales of Capital Assets	(13,510)	(7,714)
Depreciation Expense	(2,512,070)	(2,467,812)

Other postemployment benefits are reported in the government funds when amounts are paid. The statement of activities reports the values of benefits earned during the year.	(471,746)	(735,010)
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The governmental funds report debt proceeds as financing sources, while repayment of debt 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, discounts 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 long-term debt and related items is as follows:

General Obligation Bond Proceeds	(21,450,000)	-
Payment to Refunded Bond Escrow Agent	23,065,000	-
Bond Premium	(1,673,247)	-
Bond Issuance Costs	63,219	-
Repayment of Bond Principal	1,665,000	1,585,000
Change in Accrued Interest Expense - General Obligation Bonds	510,094	113,062
Amortization of Bond Issuance Costs	(8,792)	(4,577)
Amortization of Bond Premium	74,367	-
Amortization of Bond Discount	(44,552)	(44,552)

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.	54,111	33,019
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In the statement of activities, certain operating expenses - vacations, special termination benefits (early retirement) and other 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).	43,723	(78,579)
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<b>Change in Net Assets of Governmental Activities</b>	<b>\$ 316,653</b>	<b>\$ (1,229,782)</b>
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See accompanying Notes to Basic Financial Statements.

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Sources:				
Property Taxes	\$ 16,156,916	\$ 21,125,391	\$ 21,113,593	\$ (11,798)
Earnings on Investments	100,000	50,000	1,401	(48,599)
Other	1,525,755	1,661,796	2,572,218	910,422
State Sources	49,912,612	45,568,798	49,205,958	3,637,160
Federal Sources	2,201,780	2,564,329	2,545,701	(18,628)
Total Revenues	<u>69,897,063</u>	<u>70,970,314</u>	<u>75,438,871</u>	<u>4,468,557</u>
<b>EXPENDITURES</b>				
Current:				
Administration	3,988,005	4,045,749	4,027,508	(18,241)
District Support Services	2,602,811	2,603,202	2,475,886	(127,316)
Elementary and Secondary Regular Instruction	31,758,094	31,997,075	34,488,498	2,491,423
Vocational Education Instruction	1,211,136	1,220,547	1,202,308	(18,239)
Special Education Instruction	12,749,640	13,273,309	13,806,467	533,158
Instructional Support Services	5,642,963	5,607,441	5,282,663	(324,778)
Pupil Support Services	6,795,656	7,057,495	7,231,068	173,573
Sites and Buildings	5,802,325	5,780,734	5,595,160	(185,574)
Fiscal and Other Fixed Cost Programs	150,000	167,000	167,531	531
Capital Outlay	1,321,761	1,552,505	1,346,217	(206,288)
Debt Service:				
Interest and Fiscal Charges	20,000	42,000	(69,004)	(111,004)
Total Expenditures	<u>72,042,391</u>	<u>73,347,057</u>	<u>75,554,302</u>	<u>2,207,245</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,145,328)	(2,376,743)	(115,431)	2,261,312
<b>OTHER FINANCING SOURCES</b>				
Insurance Recovery Proceeds	-	-	10,720	10,720
Net Change in Fund Balance	<u>\$ (2,145,328)</u>	<u>\$ (2,376,743)</u>	(104,711)	<u>\$ 2,272,032</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>5,350,727</u>	
End of Year			<u>\$ 5,246,016</u>	

See accompanying Notes to Basic Financial Statements.

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
MAJOR FOOD SERVICE FUND  
YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local Sources:				
Earnings on Investments	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
Other - Primarily Meal Sales	1,863,900	1,863,900	1,615,225	(248,675)
State Sources	145,000	135,000	122,310	(12,690)
Federal Sources	1,329,000	1,567,000	1,679,313	112,313
Total Revenues	<u>3,339,900</u>	<u>3,567,900</u>	<u>3,416,848</u>	<u>(151,052)</u>
<b>EXPENDITURES</b>				
Current:				
Food Service	3,147,963	3,239,647	3,255,761	16,114
Capital Outlay	-	75,000	99,924	24,924
Total Expenditures	<u>3,147,963</u>	<u>3,314,647</u>	<u>3,355,685</u>	<u>41,038</u>
Net Change in Fund Balance	<u>\$ 191,937</u>	<u>\$ 253,253</u>	61,163	<u>\$ (192,090)</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>451,585</u>	
End of Year			<u>\$ 512,748</u>	

See accompanying Notes to Basic Financial Statements.

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
MAJOR COMMUNITY SERVICE FUND  
YEAR ENDED JUNE 30, 2011**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Sources:				
Property Taxes	\$ 828,490	\$ 1,246,090	\$ 1,292,372	\$ 46,282
Earnings on Investments	7,000	4,500	-	(4,500)
Other - Primarily Tuition and Fees	3,987,521	4,066,930	4,026,792	(40,138)
State Sources	610,345	214,100	195,335	(18,765)
Federal Sources	2,862,172	3,090,499	2,360,409	(730,090)
Total Revenues	<u>8,295,528</u>	<u>8,622,119</u>	<u>7,874,908</u>	<u>(747,211)</u>
<b>EXPENDITURES</b>				
Current:				
Community Service	8,185,121	8,502,078	7,639,933	(862,145)
Capital Outlay	<u>30,173</u>	<u>31,472</u>	<u>43,126</u>	<u>11,654</u>
Total Expenditures	<u>8,215,294</u>	<u>8,533,550</u>	<u>7,683,059</u>	<u>(850,491)</u>
Excess of Revenues Over Expenditures	80,234	88,569	191,849	103,280
<b>OTHER FINANCING SOURCES</b>				
Proceeds from Sale of Equipment	<u>-</u>	<u>2,790</u>	<u>2,790</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 80,234</u>	<u>\$ 91,359</u>	194,639	<u>\$ 103,280</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>765,127</u>	
End of Year			<u>\$ 959,766</u>	

See accompanying Notes to Basic Financial Statements.

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2011**

	Private- Purpose Trust	Other Postemployment Benefits Trust	Agency Funds
<b>ASSETS</b>			
Cash and Investments	\$ 13,905	\$ 15,726,609	\$ 745,468
Accounts Receivable	-	-	70,948
Total Assets	<u>13,905</u>	<u>15,726,609</u>	<u>\$ 816,416</u>
<b>LIABILITIES</b>			
Accounts and Contracts Payable	-	-	\$ 135
Due to Other Funds	-	1,774,650	-
Accrued Liabilities	-	-	116
Assets Held for Collaborative	-	-	816,165
Total Liabilities	<u>-</u>	<u>1,774,650</u>	<u>\$ 816,416</u>
<b>NET ASSETS</b>			
Held in Trust	<u>\$ 13,905</u>	<u>\$ 13,951,959</u>	

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
YEAR ENDED JUNE 30, 2011**

	Private- Purpose Trust	Other Postemployment Benefits Trust
<b>ADDITIONS</b>		
Gifts and Donations	\$ 12,552	\$ -
Earnings on Investments	-	694,795
Total Additions	<u>12,552</u>	<u>694,795</u>
<b>DEDUCTIONS</b>		
Other Postemployment Benefits Expense	-	1,774,650
Miscellaneous	9,405	-
Total Deductions	<u>9,405</u>	<u>1,774,650</u>
Change in Net Assets	3,147	(1,079,855)
Net Assets - Beginning of Year	<u>10,758</u>	<u>15,031,814</u>
Net Assets - End of Year	<u>\$ 13,905</u>	<u>\$ 13,951,959</u>

See accompanying Notes to Basic Financial Statements.

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Basis of Presentation

The financial statements of Independent School District No. 623 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 financial reporting principles.

This financial report has been prepared in conformity with GASB Statement No. 34.

B. Financial Reporting Entity

Independent School District No. 623 (the District) is an instrumentality of the State of Minnesota established to function as an educational institution. The elected School Board (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.

U.S. Generally Accepted Accounting Principles (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. 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 School Board 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 School Board 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.

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Jointly Governed Organization

The East Metro Integration District (EMID) was established through a joint powers agreement between Independent School District No. 623, Independent School District No. 622, Independent School District No. 625, Independent School District No. 833, Independent School District No. 006, Independent School District No. 197, Independent School District No. 832, Independent School District No. 834, Independent School District No. 199, and Independent School District No. 624 (member districts). The member School Districts establish policies and take steps to ensure that a sufficient number of pupils from each of the member districts will be enrolled in the EMID elementary and middle schools. The member School Districts pay tuition equal to all state aids paid and all local tax levies received by the Districts, based on the weighted average daily membership of the pupils attending the EMID schools. As a result, revenues and expenditures related to the EMID schools are reflected in the General Fund as property tax levy and general education aid revenues and as regular instruction expenditures.

D. 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 statements 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 financial 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.

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. 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, as are fiduciary fund financial statements. 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.

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 U.S. generally accepted accounting principles. 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 revenue.

**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 a 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 and revenue is recognized.

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. 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 the funds included in this report are 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. Revenues for the Food Service Fund are generated from user fees, federal reimbursements, and state aids.

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. Revenues for the Community Service Fund are generated primarily from user fees, local property taxes and state aids.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources used for the acquisition or construction of major capital facilities.

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*

Private-Purpose Trust

The Private-Purpose Trust Fund is used to account for money held by the District in the capacity of trustee or others. The fund is used for the activity of the District's scholarship fund.

Other Postemployment Benefit Trust

The Other Postemployment Benefit Trust Fund is used to account for resources set aside and held in an irrevocable trust arrangement for postemployment benefits.

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Measurement Focus and Basis of Accounting (Continued)

Agency Fund

The Agency Fund is established to account for cash and other assets held by the District as the agent for others. This fund is used to account for a local collaborative time study grant.

F. Budgeting

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

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the School Board 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 School Board action. Revisions to budgeted amounts must be approved by the School Board.

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

Budget amounts include mid-year budget amendments as follows:

Revenues	Original Budget	Amendments	Amended Budget
General Fund	\$ 69,897,063	\$ 1,073,251	\$ 70,970,314
Special Revenue Funds:			
Food Service Fund	3,339,900	228,000	3,567,900
Community Service Fund	8,295,528	326,591	8,622,119
Expenditures			
General Fund	\$ 72,042,391	\$ 1,304,666	\$ 73,347,057
Special Revenue Funds:			
Food Service Fund	3,147,963	166,684	3,314,647
Community Service Fund	8,215,294	318,256	8,533,550

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

**ROSEVILLE AREA SCHOOLS  
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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

F. Budgeting (Continued)

At the end of each fiscal year, if the General Fund has a net unassigned deficit fund balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota school districts which excludes certain reserves specified in Minnesota Statutes, exceeding 2.5% of expenditures, a condition referred to as "statutory operating debt" exists. That debt requires retirement through the accumulation of subsequent operating surpluses in accordance with a "special operating plan" approved by the Commissioner of the Department of Education.

G. Cash and Investments

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.

Investments are stated at their fair value as determined by quoted market prices, except for money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less which are recorded at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Money market investments are short-term, highly liquid debt instruments including commercial paper, banker's acceptances, and U.S. Treasury and agency obligations.

H. 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.

I. Inventories

Inventories are recorded using the consumption method of accounting and consist of purchased paper supplies, food, supplies, and surplus commodities received from the federal government. Food and supply 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.

J. 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.

**ROSEVILLE AREA SCHOOLS  
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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

K. Property Taxes

Property tax levies are established by the School Board 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 the District's 2000 Pay 2001 operating referendum levy (frozen at \$2,907,227) advance recognized as revenue in fiscal 2011 with no corresponding state aid adjustment. Starting in fiscal year 2011, the tax shift was expanded to include all other General and Community Service Fund levies (net of credits). State aids are then reduced in fiscal year 2011 by this expanded shift amount, making this portion of the tax shift revenue neutral to school districts. This resulted in a significant increase in the advance recognition of tax revenue in the General Fund (and corresponding state aid holdback totaling \$4,925,184) but also included an advance recognition tax shift in the District's Community Service Fund (and corresponding state aid holdback totaling \$417,600). Since advance collections of Pay 2011 levy amounts at June 30, 2011, were sufficient to cover the amounts required to be advance recognized as revenue in fiscal 2011, the amount advance recognized is tax revenue. To the extent advance collections would have been insufficient to cover the amount to be advance recognized, state statute requires that fiscal 2012 general education aid be recognized. 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, 2011, 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.

**ROSEVILLE AREA SCHOOLS  
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NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

L. 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 \$2,000 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 government-wide financial statement, 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.

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.

M. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. 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.

N. Accrued Employee Benefits

Vacation Pay

The District's twelve-month employees are entitled to annual vacations. These benefits are reported as liabilities in the government-wide financial statements and as expenditures when taken in the fund financial statements.

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

N. Accrued Employee Benefits (Continued)

Sick Pay

Substantially all district employees are entitled to sick leave at various rates. For certain employees, unused sick leave is a factor in the calculation of an employee's severance pay upon retirement.

Severance and Health Benefits

Severance and health benefits consist of lump sum early retirement incentive payments and postemployment health care benefits. Accounting policies for severance and health benefits are described below.

**1. Early Retirement Incentive and Convertible Sick Leave**

The District maintains various early retirement incentive payment plans for its employee groups. Each employee group plan contains benefit formulas based on years of service and/or minimum age requirements. No employee can receive early retirement incentive payments exceeding one year's salary. For substantially all employees, early retirement incentive benefits are eliminated if employment with the District occurred subsequent to July 1, 1994. In addition, certain bargaining unit members are eligible to be compensated for unused accumulated sick leave upon termination subject to certain conditions. If retirement occurs by year-end, the related benefits are included with salaries and other compensated absences as a current liability. See Note 6 for further information.

**2. Postemployment Health Care Benefits**

Under the terms of certain collectively bargained employment contracts, including the teachers' and administrators' contracts, the District is required to pay the health and dental insurance premiums for retired employees until they reach specified age requirements such as Medicare eligibility. These plans are no longer available to employees hired subsequent to July 1, 1994. The long-term portion of the postemployment health care benefits liability is included as Other Postemployment Benefits of long-term debt. See Note 10 for further information.

O. Deferred Revenue

Deferred revenues are those in which resources are received by the District before it has a legal claim to them. The District has reported deferred revenues for 2011-2012 school year deposits.

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

P. Fund Balance

At June 30, 2011, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In the fund financial statements, governmental funds report fund balances in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable – portions of fund balance related to prepaids, inventories, long-term receivables, and corpus on any permanent fund.

Restricted – funds are constrained from outside parties (statute, grantors, bond agreements, etc.).

Committed – funds are established and modified by a resolution approved by the Board of Education.

Assigned – consists of internally imposed constraints. The Board of Education passed a resolution authorizing the Superintendent or the Superintendent's designee to assign fund balances and their intended uses.

Unassigned – is the residual classification for the general fund and also reflects negative residual amounts in other funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted first, then unrestricted fund balance.

When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned amounts.

The District formally adopted a fund balance policy for the General Fund. The policy establishes a year-end target unassigned fund balance of 3% of the annual budget for fiscal year 2011.

Q. 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; injuries to employees; natural disasters and workers compensation. The District purchases commercial insurance coverage for such risks.

There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

R. Net Assets

Net assets represent the difference between assets and liabilities in the District-wide and Fiduciary Fund 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.

S. 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 District's financial position and operations.

**NOTE 2 STEWARDSHIP AND ACCOUNTABILITY**

Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following fund at June 30, 2011.

	Budget	Expenditures	Excess
General Fund	\$ 73,347,057	\$ 75,554,302	\$ 2,207,245
Special Revenue Funds:			
Food Service Fund	3,314,647	3,355,685	41,038

The overages were considered by District management to be the result of necessary expenditures critical to operations and were approved by the Board.

**NOTE 3 DEPOSITS AND INVESTMENTS**

A. 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 statement of net assets and the balance sheet as "Cash and Investments." In accordance with Minnesota Statutes, the District maintains deposits at financial institutions which are authorized by the School District's Board.

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

A. Deposits (Continued)

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits. 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. Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust departments of a commercial bank or other financial institution not owned or controlled by the depository.

The carrying value and bank balance of the District's deposits in banks at June 30, 2011 is \$1,177,720 and \$2,018,799, respectively, and were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

At June 30, 2011, the District's petty cash fund totaled \$1,620.

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

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

B. Investments (Continued)

- 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.

At June 30, 2011, the District’s investment balances were as follows:

**Minnesota State Board of Investments –**

S.B.I. Internal Fixed Pool	\$ 15,726,609
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The School has funds invested in a variety of mutual funds with the State Board of Investments (S.B.I.) at June 30, 2011. These investments are valued at fair market value. The average years to maturity for mutual funds are less than one year. The S.B.I. investments are unrated.

**Investments Held with Broker –**

***Custodial Credit Risk*** – For an investment, custodial risk is the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The School District’s investment policy doesn’t specifically address custodial credit risk.

***Interest Rate Risk***

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District’s investment policy doesn’t specifically address interest rate risk. Information about the sensitivity of the fair values of the School District’s investments to market interest rate risk fluctuations is provided by the following table that shows the distribution of the School District’s investments by maturity:

<u>Type</u>	<u>Under 12 Months</u>
Money Market Funds	\$ 7,643,114

**ROSEVILLE AREA SCHOOLS  
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NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

B. Investments (Continued)

**Investments Held with Broker – (Continued)**

***Credit Risk***

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following chart summarizes year-end ratings for the School District's investments as rated by Moody's Investors Service:

Type	Credit Quality Rating	Amount
Money Market Funds	Aaa	\$ 7,643,114

***Concentration of Credit Risk***

The District places no limit on the amount that the District may invest in any one issuer. The District did not have any investments with one issuer which individually comprise more than 5% of the District's total investments.

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 22,011	\$ -	\$ -	\$ 22,011
Construction in Progress	-	74,927	-	74,927
Total Capital Assets, Not Being Depreciated	22,011	74,927	-	96,938
Capital Assets, Being Depreciated:				
Land Improvements	5,418,959	340,949	-	5,759,908
Buildings and Improvements	99,022,215	202,577	-	99,224,792
Equipment	6,396,208	269,065	(222,033)	6,443,240
Total Capital Assets, Being Depreciated	110,837,382	812,591	(222,033)	111,427,940
Accumulated Depreciation for:				
Land Improvements	(2,210,489)	(201,945)	-	(2,412,434)
Buildings and Improvements	(46,195,005)	(1,993,678)	-	(48,188,683)
Equipment	(4,822,977)	(316,447)	218,320	(4,921,104)
Total Accumulated Depreciation	(53,228,471)	(2,512,070)	218,320	(55,522,221)
Total Capital Assets, Being Depreciated, Net	57,608,911	(1,699,479)	(3,713)	55,905,719
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 57,630,922</b>	<b>\$ (1,624,552)</b>	<b>\$ (3,713)</b>	<b>\$ 56,002,657</b>

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 4 CAPITAL ASSETS (CONTINUED)**

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

<b>Governmental Activities</b>	
District Support Services	\$ 97,281
Regular Instruction	2,133,172
Special Education Instruction	6,968
Instructional Support Services	61,077
Sites and Buildings	24,801
Food Service	184,961
Community Service	3,810
	<u>3,810</u>
Total Depreciation Expense, Governmental Activities	<u><u>\$ 2,512,070</u></u>

**NOTE 5 AID AND TAX ANTICIPATION CERTIFICATES**

The District sold aid anticipation certificates dated October 14, 2009 with a value of \$5,000,000 at an interest rate of 1.25%. These certificates matured and were repaid on September 27, 2010. Additional aid anticipation certificates dated September 30, 2010 with a value of \$5,000,000 at an interest rate of 1.5% were sold by the District. These certificates mature on September 30, 2011. The District also issued tax anticipation certificates dated May 10, 2011 with a value of \$11,500,000 at an interest rate of 2.0%. These certificates mature on March 30, 2012. Interest and fiscal charges on aid anticipation certificates for the year ended June 30, 2011 in the General Fund totaled \$108,462.

Changes in short-term borrowing are as follows:

Balance - June 30, 2010	\$ 5,000,000
Additions	16,500,000
Payments	(5,000,000)
Balance - June 30, 2011	<u><u>\$ 16,500,000</u></u>

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 6 LONG-TERM LIABILITIES**

A. Components of Long-Term Debt

Issue Date	Net Interest Rate	Original Issue	Final Maturity	Balance Outstanding	
				Due Within One Year	Total
11-15-2004	4.17%	\$ 10,320,000	2-1-2026	\$ 415,000	\$ 8,490,000
1-7-2009	7.04%	17,825,000	2-1-2029	50,000	17,825,000
11-1-2010	2.66%	21,450,000	2-1-2025	1,290,000	21,450,000
Total General Obligation Bonds				1,755,000	47,765,000
Bond Premium - Net				-	1,598,880
Bond Discounts - Net				-	(645,816)
Accrued Vacation				-	886,682
Other Compensated Absences				127,540	1,317,427
				<u>\$ 1,882,540</u>	<u>\$ 50,922,173</u>

B. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term debt, not including severance, health benefits payable, or other compensated absences are as follows:

Year Ending June 30,	General Obligation Bonds Payable	
	Principal	Interest
2012	\$ 1,755,000	\$ 2,453,135
2013	1,995,000	2,249,738
2014	2,095,000	2,198,587
2015	2,150,000	2,143,688
2016	2,210,000	2,086,550
2017 - 2021	12,315,000	9,143,135
2022 - 2026	14,870,000	6,305,807
2027 - 2031	10,375,000	1,426,390
Total	<u>\$ 47,765,000</u>	<u>\$ 28,007,030</u>

C. Description of Long-Term Debt

General Obligation School Building Bonds

These bonds were issued to finance acquisition, construction, and/or improvement of capital facilities or to refinance (refund) previous bond issues. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated for the retirement of these bonds. The annual future debt service levies authorized are equal to 105% of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 6 LONG-TERM LIABILITIES (CONTINUED)**

C. Description of Long-Term Debt (Continued)

General Obligation School Building Bonds (Continued)

On November 10, 2010, the District issued \$21,450,000 of General Obligation School Building Refunding Bonds, Series 2010B, to advance refund on February 1, 2011, the 2012 through 2025 maturities of the District's outstanding \$31,355,000 General Obligation School Building Refunding Bonds, Series 2001A. This current refunding reduced the District's total future debt service payments by \$4,423,690 and resulted in a present value savings of \$3,673,883.

General Obligation Taxable OPEB Bonds

These bonds were issued for funding actuarial liabilities to pay other postemployment benefits. Assets of the OPEB Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated for the retirement of these bonds. The annual future debt service levies authorized are equal to 105% of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

Severance and Other Postemployment Benefits Payable

Severance and other postemployment benefits payable consist of early retirement incentive payments, administrator experience benefits and postemployment health insurance benefits payable to employees upon retirement.

D. Changes in Long-Term Debt

	June 30, 2010	Additions	Retirements	June 30, 2011
Bonds Payable	\$ 51,045,000	\$ 21,450,000	\$ 24,730,000	\$ 47,765,000
Bond Premium	-	1,673,247	74,367	1,598,880
Bond Discounts	(690,368)	-	(44,552)	(645,816)
Vacation Payable	811,368	75,314	-	886,682
Other Compensated Absences	1,436,464	20,027	139,064	1,317,427
	<u>\$ 52,602,464</u>	<u>\$ 23,218,588</u>	<u>\$ 24,898,879</u>	<u>\$ 50,922,173</u>

Governmental compensated absences and retirement benefits are typically liquidated (paid) by the operating funds.

**ROSEVILLE AREA SCHOOLS  
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JUNE 30, 2011**

**NOTE 7 FUND BALANCES**

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. A description of deficit balance restrictions is included herein since the District has specific statutory authority to levy taxes for such deficits.

Restricted fund balances at June 30, 2011 are as follows:

- a. Restricted for Health and Safety  
The District levies taxes and receives state aid to be used for health and safety projects in accordance with a plan approved by the State. The balance in the account represents approved expenditures incurred by the District for which it has future levy authority.
- b. Restricted for Operating Capital  
The District levies taxes and receives state aid to be used for the purchase of equipment or facilities. The cumulative excess of such revenues over equipment and facilities expenditures is reported as a reservation of fund balance in the General Fund.
- c. Restricted for School Readiness  
The fund balance restriction represents accumulated resources available to provide school readiness programming in accordance with funding made available for that purpose.
- d. Restricted for Adult Basic Education  
The fund balance restriction represents the balance of carryover monies for all activity involving Adult Basic Education.
- e. Restricted for Community Education Programs  
The fund balance restriction represents accumulated resources available to provide general community education programming.
- f. Restricted for Early Childhood and Family Education Programs  
This fund balance restriction represents accumulated resources available to provide services for early childhood and family education programming.
- g. Restricted for Alternative Facilities  
This fund balance represents available for approved expenditures based on the ten-year plan for capital projects.
- h. Restricted for Other Purposes  
This fund balance represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

**ROSEVILLE AREA SCHOOLS  
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**NOTE 8 GYMNASTICS GYMNASIUM AGREEMENT**

In 1996, the City of Roseville (the City) paid \$920,000 to the District to construct a gymnastics gymnasium. Under the terms of the agreement, the City will allow the District to utilize the gymnasium in turn for the City's ability to use the High School. In addition, the District has borne the costs of constructing a parking lot in proximity to the gymnasium. The agreement is cancelable by either party with 90 days' written notice. In the event of termination, the City will be entitled to the depreciated value of its investment, based on a 50-year life depreciated on a straight-line basis.

**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 Basic members were first hired prior to July 1, 1989. 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 disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota Statutes and vest after three years of service credit. The defined retirement benefits are based on a member's highest average salary for any five consecutive years of allowable service, age, and a formula multiplier based on years of credit at termination of service.

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 website at [www.tra.state.mn.us](http://www.tra.state.mn.us). Alternatively, a copy of the report may be obtained by writing TRA at Teachers Retirement Association, 60 Empire Drive Suite 400, St. Paul, MN 55103-1855 or by calling (651) 296-6449 or 1-800-657-3853.

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 9 RETIREMENT PLANS (CONTINUED)**

A. Teacher's Retirement Association (TRA) (Continued)

**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 as employee contributions.

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 District contributions for the years ended June 30, 2011, 2010 and 2009 were \$1,898,415, \$1,853,917 and \$1,759,175, respectively, equal to the required contributions for each year as set by state statute.

B. Public Employees' Retirement Association (PERA)

**1. Plan Description**

All full-time and certain part-time employees of the School (other than teachers) are covered by a defined benefit plan administered by the Public Employees' Retirement Association of Minnesota (PERA). PERA administers the General Employees' Retirement Fund (GERF) which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. GERF members belong to either the Coordinated 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 GERF. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org), by writing to PERA at 60 Empire Drive #200, St. Paul, MN 55103-2088, or by calling (651) 296-7460 or 1-800-652-9026.

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 9 RETIREMENT PLANS (CONTINUED)**

B. Public Employees' Retirement Association (PERA) (Continued)

**2. Funding Policy**

Minnesota Statutes Chapter 353 sets the rates for the 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. GERP Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.00%, respectively, of their annual covered salary in 2010. Member contribution rates for the Coordinated Plan increased to 6.25% effective January 1, 2011.

The District is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERP members and 7.00% for Coordinated Plan members. Employer contribution rates for the Coordinated Plan increased to 7.25% effective January 1, 2011.

The District's contributions for the years ended June 30, 2011, 2010 and 2009 were \$875,707, \$833,044 and \$763,258, respectively, equal to the contractually required contributions for each year as set by state statute.

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 anniversary 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 and employee contributions for the year ended June 30, 2011 are \$320,063 and \$1,522,573, respectively.

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 10 OTHER POSTEMPLOYMENT BENEFITS PLAN**

At June 30, 2009, 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, 2009 and June 30, 2011.

**A. Plan Description**

The District operates a single-employer retiree benefit plan ("the Plan") that provides health, dental, and life insurance to eligible employees and their spouses. The plan includes 826 active participants, 268 retired participants and 133 spouses. 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.

**B. Funding Policy**

Contribution requirements are also negotiated between the District and union representatives. The District contributes the same amount as active employees toward single or family medical coverage for eligible retired plan members and their spouses. For fiscal year 2011, the District made no contributions to the plan.

**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	\$ 245,144
Interest on Net OPEB Obligation	(633,718)
Adjustment to Annual Required Contribution	860,320
Annual OPEB Cost	<u>471,746</u>
Contributions Made	<u>-</u>
Increase in Net OPEB Obligation	471,746
Net OPEB Obligation - Beginning of Year	<u>(14,082,615)</u>
Net OPEB Obligation - End of Year	<u><u>\$ (13,610,869)</u></u>

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 10 POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**C. Annual OPEB Cost and Net OPEB Obligation (Continued)**

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011, 2010, and 2009 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 471,746	0.0%	\$ (13,610,869)
6/30/2010	735,010	0.0%	(14,082,615)
6/30/2009	1,485,086	1097.8%	(14,817,625)

**D. Funded Status and Funding Progress**

As of January 1, 2010, the most recent actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was (\$1,922,291). The annual payroll for active employees covered by the plan in the actuarial valuation was \$38,811,530 for a ratio of UAAL to covered payroll of -5.0%.

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.

**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.

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 10 POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**E. Actuarial Methods and Assumptions (Continued)**

In the July 1, 2010 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 8.5%, reduced by decrements to an ultimate rate of 5% after seven years. The UAAL is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 was not to exceed 30 years.

**NOTE 11 FLEXIBLE BENEFIT PLAN**

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

Before the beginning of the plan year, which is July 1 to June 30, each participant designates a total amount of pre-tax dollars to be contributed to the plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the plan, whether or not such contributions have been made.

All assets of the plan are administered by a third party administrator. Payments are made by the third party administrator to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the participant. Payments of insurance premiums (health, dental, life, and disability) are made by the District directly to the designated insurance companies.

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

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**NOTE 12 INTERFUND BALANCES**

The District had the following interfund receivables and payables at June 30, 2011:

	Due from Other Fund	Due to Other Fund
General Fund	\$ 1,670,509	\$ -
Food Service Special Revenue Fund	49,636	-
Community Service Special Revenue Fund	80,190	25,685
Other Postemployment Benefits Trust	-	1,774,650
	<u>\$ 1,800,335</u>	<u>\$ 1,800,335</u>

The purpose of these interfund balances is as follows:

The Other Postemployment Benefits Trust owes the General Fund, Food Service Fund, and Community Service Fund for OPEB payments made by those funds. The Community Service Fund owes the General Fund for funds borrowed to cover negative cash in the Community Service Fund at June 30, 2011. These balances are expected to be repaid within one year.

**NOTE 13 COMMITMENTS AND CONTINGENCIES**

**A. Federal and State Programs**

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.

**B. Contingencies**

The District is subject to legal proceedings and claims which arise in the ordinary course of business. Management believes the resolution of these matters will not have a material impact on the District.

**C. Construction Contracts**

At June 30, 2011, the District had contract commitments totaling \$794,360 under various construction contracts for which the work was yet to be completed.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**ROSEVILLE AREA SCHOOLS  
 INDEPENDENT SCHOOL DISTRICT NO. 623  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFIT PLAN**

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)
7/1/2010	\$ 15,031,815	\$ 13,109,524	\$ (1,922,291)	114.7%	\$ 38,811,530	-5.0%
7/1/2008	15,389,770	17,403,150	2,013,380	88.4%	35,669,008	5.6%

## **SUPPLEMENTAL INFORMATION**

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
GENERAL FUND  
BALANCE SHEET  
JUNE 30, 2011  
(WITH COMPARATIVE DATA AS OF JUNE 30, 2010)**

	2011	2010
<b>ASSETS</b>		
Cash and Investments	\$ 5,028,438	\$ 101,794
Receivables:		
Current Taxes	9,374,581	9,491,575
Delinquent Taxes	403,723	325,890
Accounts and Interest Receivable	66,453	85,412
Due from Other Funds	1,670,509	1,783,545
Due from Other Minnesota School Districts	298,745	175,199
Due from Minnesota Department of Education	17,145,918	12,652,300
Due from Federal through the Minnesota Department of Education	632,699	1,714,674
Due from Other Governmental Units	269,536	242,904
Inventory	38,804	54,198
Prepaid Items	210,868	216,288
	\$ 35,140,274	\$ 26,843,779
Total Assets		
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Short-Term Borrowing	\$ 16,500,000	\$ 5,000,000
Salaries and Compensated Absences Payable	380,396	430,889
Accounts and Contracts Payable	873,292	1,009,878
Due to Other Minnesota School Districts	2,716,152	959,183
Interest Payable	94,405	45,839
Due to Other Governmental Units	122,125	77,452
Property Tax Shift Adjustment	88,432	-
Property Taxes Levied for Subsequent Year	8,283,661	13,360,762
Deferred Revenue - Delinquent Taxes	268,830	231,720
Deferred Revenue	566,965	377,329
Total Liabilities	29,894,258	21,493,052
Fund Balance:		
Nonspendable:		
Inventory	38,804	54,198
Prepaid Items	210,868	216,288
Restricted for:		
Health and Safety	179,007	358,248
Operating Capital	709,344	819,024
Unassigned	4,107,993	3,902,969
Total Fund Balance	5,246,016	5,350,727
	\$ 35,140,274	\$ 26,843,779
Total Liabilities and Fund Balance		

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2011  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2010)**

	2011		Over (Under) Final Budget	2010
	Final Budget	Actual Amounts		Actual Amounts
<b>REVENUES</b>				
Local Sources:				
Property Taxes	\$ 21,125,391	\$ 21,113,593	\$ (11,798)	\$ 16,645,559
Earnings on Investments	50,000	1,401	(48,599)	20,228
Other	1,661,796	2,572,218	910,422	2,331,558
State Sources	45,568,798	49,205,958	3,637,160	45,732,451
Federal Sources	2,564,329	2,545,701	(18,628)	8,236,359
Total Revenues	70,970,314	75,438,871	4,468,557	72,966,155
<b>EXPENDITURES</b>				
Current:				
Administration:				
Salaries	2,955,184	2,934,804	(20,380)	2,796,101
Employee Benefits	953,376	947,689	(5,687)	870,768
Purchased Services	73,439	100,194	26,755	107,804
Supplies and Materials	7,700	5,653	(2,047)	9,427
Capital Expenditures	-	-	-	30,000
Other Expenditures	56,050	39,168	(16,882)	42,910
Total Administration	4,045,749	4,027,508	(18,241)	3,857,010
District Support Services:				
Salaries	1,489,712	1,470,440	(19,272)	1,462,681
Employee Benefits	611,059	613,847	2,788	590,676
Purchased Services	84,328	47,152	(37,176)	127,343
Supplies and Materials	258,171	241,148	(17,023)	237,384
Capital Expenditures	165,000	167,673	2,673	271,034
Other Expenditures	159,932	103,299	(56,633)	(64,389)
Total District Support Services	2,768,202	2,643,559	(124,643)	2,624,729
Elementary and Secondary Regular Instruction:				
Salaries	21,324,598	21,178,744	(145,854)	20,603,240
Employee Benefits	7,370,552	7,572,295	201,743	6,692,759
Purchased Services	2,016,873	4,219,991	2,203,118	2,458,469
Supplies and Materials	1,261,175	1,451,047	189,872	1,549,665
Capital Expenditures	141,469	208,247	66,778	204,088
Other Expenditures	23,877	66,421	42,544	87,143
Total Elementary and Secondary Regular Instruction	32,138,544	34,696,745	2,558,201	31,595,364

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED JUNE 30, 2011  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2010)**

	2011		Over (Under) Final Budget	2010
	Final Budget	Actual Amounts		Actual Amounts
<b>EXPENDITURES (Continued)</b>				
Current (Continued):				
Vocational Education Instruction:				
Salaries	\$ 666,311	\$ 653,008	\$ (13,303)	\$ 671,998
Employee Benefits	239,751	238,504	(1,247)	229,988
Purchased Services	304,373	308,212	3,839	287,239
Supplies and Materials	10,112	2,584	(7,528)	8,318
Capital Expenditures	5,000	3,670	(1,330)	5,848
Other Expenditures	-	-	-	70
Total Vocational Education Instruction	1,225,547	1,205,978	(19,569)	1,203,461
Special Education Instruction:				
Salaries	8,514,585	8,638,524	123,939	8,361,569
Employee Benefits	3,192,241	3,278,824	86,583	2,966,442
Purchased Services	1,316,121	1,717,050	400,929	1,910,402
Supplies and Materials	234,362	153,884	(80,478)	117,286
Capital Expenditures	183,727	94,179	(89,548)	117,294
Other Expenditures	16,000	18,185	2,185	118,056
Total Special Education Instruction	13,457,036	13,900,646	443,610	13,591,049
Instructional Support Services:				
Salaries	3,207,841	3,199,172	(8,669)	3,589,686
Employee Benefits	1,330,493	1,305,828	(24,665)	1,441,888
Purchased Services	761,469	535,363	(226,106)	626,244
Supplies and Materials	285,538	218,091	(67,447)	278,014
Capital Expenditures	311,025	306,666	(4,359)	212,751
Other Expenditures	22,100	24,209	2,109	19,434
Total Instructional Support Services	5,918,466	5,589,329	(329,137)	6,168,017
Pupil Support Services:				
Salaries	2,172,547	2,218,236	45,689	2,028,456
Employee Benefits	802,712	796,849	(5,863)	707,247
Purchased Services	4,057,031	4,190,082	133,051	4,035,805
Supplies and Materials	24,705	25,826	1,121	24,750
Capital Expenditures	46,784	35,899	(10,885)	76,559
Other Expenditures	500	75	(425)	-
Total Pupil Support Services	7,104,279	7,266,967	162,688	6,872,817

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL (CONTINUED)  
YEAR ENDED JUNE 30, 2011  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2010)**

	2011		Over (Under) Final Budget	2010
	Final Budget	Actual Amounts		Actual Amounts
<b>EXPENDITURES (Continued)</b>				
Current (Continued):				
Sites and Buildings:				
Salaries	\$ 2,342,195	\$ 2,321,347	\$ (20,848)	\$ 2,378,669
Employee Benefits	1,060,760	1,079,245	18,485	1,057,279
Purchased Services	1,211,305	1,215,477	4,172	1,227,293
Supplies and Materials	1,114,944	928,709	(186,235)	912,866
Capital Expenditures	699,500	529,883	(169,617)	1,680,166
Other Expenditures	51,530	50,382	(1,148)	46,561
Total Sites and Buildings	6,480,234	6,125,043	(355,191)	7,302,834
Fiscal and Other Fixed Cost Programs:				
Purchased Services	167,000	167,531	531	151,625
Debt Service:				
Interest and Fiscal Charges	42,000	(69,004)	(111,004)	39,445
Total Expenditures	73,347,057	75,554,302	2,207,245	73,406,351
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,376,743)	(115,431)	2,261,312	(440,196)
<b>OTHER FINANCING SOURCES</b>				
Insurance Recovery Proceeds	-	10,720	10,720	7,714
Net Change in Fund Balance	\$ (2,376,743)	(104,711)	\$ 2,272,032	(432,482)
<b>FUND BALANCE</b>				
Beginning of Year		5,350,727		5,783,209
End of Year		\$ 5,246,016		\$ 5,350,727

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
FOOD SERVICE SPECIAL REVENUE FUND  
BALANCE SHEET  
JUNE 30, 2011  
(WITH COMPARATIVE DATA AS OF JUNE 30, 2010)**

	2011	2010
<b>ASSETS</b>		
Cash and Investments	\$ 492,723	\$ 359,348
Receivables:		
Accounts and Interest Receivable	263	-
Due from Other Funds	49,636	57,064
Due from Other Minnesota School Districts	19,905	25,634
Due from Minnesota Department of Education	-	4,754
Due from Federal through the Minnesota Department of Education	26,356	73,073
Inventory	26,153	39,380
Prepaid Items	1,661	6,579
	\$ 616,697	\$ 565,832
Total Assets		
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Salaries and Compensated Absences Payable	\$ 3,081	\$ 3,026
Accounts and Contracts Payable	30,206	43,739
Deferred Revenue	70,662	67,482
Total Liabilities	103,949	114,247
Fund Balance:		
Nonspendable:		
Inventory	26,153	39,380
Prepaid Items	1,661	6,579
Restricted for Other Purposes	484,934	405,626
Total Fund Balance	512,748	451,585
Total Liabilities and Fund Balance	\$ 616,697	\$ 565,832

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
FOOD SERVICE SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2011  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2010)**

	2011		Over (Under) Final Budget	2010
	Final Budget	Actual Amounts		Actual Amounts
<b>REVENUES</b>				
Local Sources:				
Earnings on Investments	\$ 2,000	\$ -	\$ (2,000)	\$ 396
Other - Primarily Meal Sales	1,863,900	1,615,225	(248,675)	1,647,897
State Sources	135,000	122,310	(12,690)	113,253
Federal Sources	1,567,000	1,679,313	112,313	1,536,722
Total Revenues	3,567,900	3,416,848	(151,052)	3,298,268
<b>EXPENDITURES</b>				
Current:				
Salaries	1,229,144	1,213,712	(15,432)	1,170,533
Employee Benefits	530,433	530,115	(318)	484,338
Purchased Services	17,970	82,038	64,068	46,075
Supplies and Materials	1,453,900	1,424,586	(29,314)	1,376,654
Other Expenditures	8,200	5,310	(2,890)	5,321
Capital Outlay	75,000	99,924	24,924	179,587
Total Expenditures	3,314,647	3,355,685	41,038	3,262,508
Net Change in Fund Balance	\$ 253,253	61,163	\$ (192,090)	35,760
<b>FUND BALANCE</b>				
Beginning of Year		451,585		415,825
End of Year		\$ 512,748		\$ 451,585

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
COMMUNITY SERVICE SPECIAL REVENUE FUND  
BALANCE SHEET  
JUNE 30, 2011  
(WITH COMPARATIVE DATA AS OF JUNE 30, 2010)**

	2011	2010
<b>ASSETS</b>		
Cash and Investments	\$ -	\$ 756,165
Receivables:		
Current Taxes	503,465	539,750
Delinquent Taxes	21,780	17,604
Accounts and Interest Receivable	32,096	61,946
Due from Other Funds	80,190	102,026
Due from Other Minnesota School Districts	145,197	40,794
Due from Minnesota Department of Education	184,006	136,846
Due from Federal Government through the Minnesota Department of Education	14,955	-
Due from Federal Government Received Directly	730,360	730,040
Due from Other Governmental Units	39,422	18,093
Prepaid Items	3,979	3,330
Total Assets	\$ 1,755,450	\$ 2,406,594
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Salaries and Compensated Absences Payable	\$ 113,147	\$ 101,346
Accounts and Contracts Payable	135,846	143,896
Due to Other School Districts	30,971	436,762
Due to Other Governmental Units	-	331
Due to Other Funds	25,685	-
Property Taxes Levied for Subsequent Year	441,659	916,102
Deferred Revenue - Delinquent Taxes	14,461	12,591
Deferred Revenue - Other	33,915	30,439
Total Liabilities	795,684	1,641,467
Fund Balance:		
Nonspendable:		
Prepaid Items	3,979	3,330
Restricted for:		
Community Education Programs	669,331	488,088
Early Childhood and Family Education Programs	60,819	64,115
School Readiness	18,287	14,584
Adult Basic Education	19,927	16,792
Other Purposes	187,423	178,218
Total Fund Balance	959,766	765,127
Total Liabilities and Fund Balance	\$ 1,755,450	\$ 2,406,594

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
COMMUNITY SERVICE SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2011  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2010)**

	2011		Over (Under) Final Budget	2010
	Final Budget	Actual Amounts		Actual Amounts
<b>REVENUES</b>				
Local Sources:				
Property Taxes	\$ 1,246,090	\$ 1,292,372	\$ 46,282	\$ 871,076
Earnings on Investments	4,500	-	(4,500)	1,014
Other - Primarily Tuition and Fees	4,066,930	4,026,792	(40,138)	3,933,077
State Sources	214,100	195,335	(18,765)	556,875
Federal Sources	3,090,499	2,360,409	(730,090)	2,446,598
Total Revenues	8,622,119	7,874,908	(747,211)	7,808,640
<b>EXPENDITURES</b>				
Current:				
Salaries	3,789,900	3,862,241	72,341	3,807,563
Employee Benefits	1,309,741	1,325,913	16,172	1,267,553
Purchased Services	2,971,115	2,071,171	(899,944)	2,151,701
Supplies and Materials	400,981	353,105	(47,876)	348,514
Other Expenditures	30,341	27,503	(2,838)	873
Capital Outlay	31,472	43,126	11,654	28,213
Total Expenditures	8,533,550	7,683,059	(850,491)	7,604,417
Excess of Revenues Over Expenditures	88,569	191,849	103,280	204,223
<b>OTHER FINANCING SOURCES</b>				
Proceeds from Sale of Equipment	2,790	2,790	-	-
Net Change in Fund Balance	\$ 91,359	194,639	\$ 103,280	204,223
<b>FUND BALANCE</b>				
Beginning of Year		765,127		560,904
End of Year		\$ 959,766		\$ 765,127

**ROSEVILLE AREA SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. 623**  
**CAPITAL PROJECTS – BUILDING CONSTRUCTION FUND**  
**BALANCE SHEET**  
**JUNE 30, 2011**  
**(WITH COMPARATIVE DATA AS OF JUNE 30, 2010)**

	2011	2010
<b>ASSETS</b>		
Cash and Investments	\$ 135,651	\$ 100,267
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts and Contracts Payable	\$ 34,080	\$ -
Fund Balance:		
Reserved for Alternative Facility Program	101,571	100,267
Total Liabilities and Fund Balance	\$ 135,651	\$ 100,267

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
CAPITAL PROJECTS – BUILDING CONSTRUCTION FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2011  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2010)**

	2011			2010
	Final Budgeted Amounts	Actual Amounts	Over (Under) Final Budget	Actual Amounts
<b>REVENUES</b>				
Local Sources:				
Property Taxes	\$ 389,000	\$ 389,000	\$ -	\$ 321,500
<b>EXPENDITURES</b>				
Current:				
Salaries	58,829	52,072	(6,757)	55,650
Employee Benefits	25,335	22,757	(2,578)	22,936
Capital Outlay	304,125	312,867	8,742	234,611
Total Expenditures	<u>388,289</u>	<u>387,696</u>	<u>(593)</u>	<u>313,197</u>
Net Change in Fund Balance	<u>\$ 711</u>	1,304	<u>\$ 593</u>	8,303
<b>FUND BALANCE</b>				
Beginning of Year		<u>100,267</u>		<u>91,964</u>
End of Year		<u>\$ 101,571</u>		<u>\$ 100,267</u>

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
DEBT SERVICE FUND  
BALANCE SHEET  
JUNE 30, 2011  
(WITH COMPARATIVE DATA AS OF JUNE 30, 2010)**

	Regular Debt Service	Other Postemployment Benefits Bonds	Total 2011	Total 2010
<b>ASSETS</b>				
Cash and Investments	\$ 1,813,966	\$ 592,303	\$ 2,406,269	\$ 2,553,396
Receivables:				
Current Taxes	1,704,201	784,908	2,489,109	2,633,076
Delinquent Taxes	75,275	18,006	93,281	60,734
Due from Minnesota Department of Education	37,361	15,175	52,536	32,616
	<u>3,630,803</u>	<u>1,410,392</u>	<u>5,041,195</u>	<u>5,279,822</u>
Total Assets	<u>\$ 3,630,803</u>	<u>\$ 1,410,392</u>	<u>\$ 5,041,195</u>	<u>\$ 5,279,822</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Property Taxes Levied for Subsequent Year	\$ 2,906,300	\$ 1,343,654	\$ 4,249,954	\$ 4,469,058
Deferred Revenue - Delinquent Taxes	49,865	8,711	58,576	43,445
Total Liabilities	<u>2,956,165</u>	<u>1,352,365</u>	<u>4,308,530</u>	<u>4,512,503</u>
Fund Balance:				
Restricted for Other Purposes	<u>674,638</u>	<u>58,027</u>	<u>732,665</u>	<u>767,319</u>
Total Liabilities and Fund Balance	<u>\$ 3,630,803</u>	<u>\$ 1,410,392</u>	<u>\$ 5,041,195</u>	<u>\$ 5,279,822</u>

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
DEBT SERVICE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2011  
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2010)**

	2011				Over (Under) Final Budget	2010
	Final Budgeted Amounts	Regular Debt Service	Actual Other Postemployment Benefit Bonds	Total Actual Amounts		Actual Amounts
<b>REVENUES</b>						
Local Sources:						
Property Tax	\$ 4,249,483	\$ 3,034,332	\$ 1,232,156	\$ 4,266,488	\$ 17,005	\$ 3,006,320
Earnings on Investments	7,000	4,254	-	4,254	(2,746)	3,746
State Sources	194,213	124,531	50,585	175,116	(19,097)	120,796
Total Revenues	4,450,696	3,163,117	1,282,741	4,445,858	(4,838)	3,130,862
<b>EXPENDITURES</b>						
Debt Service:						
Bond Principal	1,618,907	1,665,000	-	1,665,000	46,093	1,585,000
Bond Interest	2,894,670	1,578,430	1,229,670	2,808,100	(86,570)	2,957,653
Paying Agent Fees and Other	52,000	65,209	450	65,659	13,659	2,640
Total Expenditures	4,565,577	3,308,639	1,230,120	4,538,759	(26,818)	4,545,293
Excess (Deficiency) of Revenues Over (Under) Expenditures	(114,881)	(145,522)	52,621	(92,901)	21,980	(1,414,431)
<b>OTHER FINANCING SOURCES (USES)</b>						
Bond Proceeds	21,450,000	21,450,000	-	21,450,000	-	-
Bond Premium	-	1,673,247	-	1,673,247	1,673,247	-
Payment to Refunded Bond Escrow Agent	(21,450,000)	(23,065,000)	-	(23,065,000)	(1,615,000)	-
Total Other Financing Sources (Uses)	-	58,247	-	58,247	58,247	-
Net Change in Fund Balance	\$ (114,881)	(87,275)	52,621	(34,654)	\$ 80,227	(1,414,431)
<b>FUND BALANCE</b>						
Beginning of Year		761,913	5,406	767,319		2,181,750
End of Year		\$ 674,638	\$ 58,027	\$ 732,665		\$ 767,319

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS  
COMPLIANCE TABLE  
JUNE 30, 2011**

	AUDIT	UFARS	AUDIT-UFARS
<b>01 GENERAL FUND</b>			
Total Revenue	\$ 75,449,591	\$ 75,449,589	\$ 2
Total Expenditures	\$ 75,554,302	\$ 75,554,302	\$ -
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	\$ 249,672	\$ 249,672	\$ -
<i>Restricted/Reserved:</i>			
403 Staff Development	\$ -	\$ -	\$ -
405 Deferred Maintenance	\$ -	\$ -	\$ -
406 Health & Safety	\$ 179,007	\$ 179,007	\$ -
407 Capital Project Levy	\$ -	\$ -	\$ -
408 Cooperative Programs	\$ -	\$ -	\$ -
411 Severance Pay	\$ -	\$ -	\$ -
413 Project Funded by COP	\$ -	\$ -	\$ -
414 Operating Debt	\$ -	\$ -	\$ -
416 Levy Reduction	\$ -	\$ -	\$ -
417 Taconite Building Maint	\$ -	\$ -	\$ -
423 Certain Teacher Programs	\$ -	\$ -	\$ -
424 Operating Capital	\$ 709,344	\$ 709,344	\$ -
426 \$25 Taconite	\$ -	\$ -	\$ -
427 Disabled Accessibility	\$ -	\$ -	\$ -
428 Learning & Development	\$ -	\$ -	\$ -
434 Area Learning Center	\$ -	\$ -	\$ -
435 Contracted Alt. Programs	\$ -	\$ -	\$ -
436 State Approved Alt. Program	\$ -	\$ -	\$ -
438 Gifted & Talented	\$ -	\$ -	\$ -
441 Basic Skills Programs	\$ -	\$ -	\$ -
445 Career and Technical Programs	\$ -	\$ -	\$ -
446 First Grade Preparedness	\$ -	\$ -	\$ -
449 Safe Schools Crime	\$ -	\$ -	\$ -
450 Prekindergarten	\$ -	\$ -	\$ -
451 QZAB Payments	\$ -	\$ -	\$ -
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -
453 Unfunded Sev & Retirement Levy	\$ -	\$ -	\$ -
<i>Restricted:</i>			
464 Restricted Fund Balance	\$ -	\$ -	\$ -
<i>Committed:</i>			
418 Committed for Separation	\$ -	\$ -	\$ -
461 Committed Fund Balance	\$ -	\$ -	\$ -
<i>Assigned:</i>			
462 Assigned Fund Balance	\$ -	\$ -	\$ -
<i>Unassigned:</i>			
422 Unassigned Fund Balance	\$ 4,107,993	\$ 4,107,992	\$ 1
<b>02 FOOD SERVICE</b>			
Total Revenue	\$ 3,416,848	\$ 3,416,846	\$ 2
Total Expenditures	\$ 3,355,685	\$ 3,355,684	\$ 1
<i>Non-Spendable:</i>			
460 Nonspendable Fund Balance	\$ 27,814	\$ 27,814	\$ -
<i>Restricted:</i>			
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -
464 Restricted Fund Balance	\$ 484,934	\$ 484,933	\$ 1
<i>Unassigned</i>			
463 Unassigned Fund Balance	\$ -	\$ -	\$ -
<b>04 COMMUNITY SERVICE</b>			
Total Revenue	\$ 7,874,908	\$ 7,874,908	\$ -
Total Expenditures	\$ 7,683,059	\$ 7,683,059	\$ -
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	\$ 3,979	\$ 3,979	\$ -
<i>Restricted/Reserved:</i>			
426 \$25 Taconite	\$ -	\$ -	\$ -
431 Community Education	\$ 669,331	\$ 669,331	\$ -
432 E.C.F.E.	\$ 60,819	\$ 60,819	\$ -
444 School Readiness	\$ 18,287	\$ 18,287	\$ -
447 Adult Basic Education	\$ 19,927	\$ 19,927	\$ -
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -
<i>Restricted:</i>			
464 Restricted Fund Balance	\$ 187,423	\$ 187,423	\$ -
<i>Unassigned:</i>			
463 Unassigned Fund Balance	\$ -	\$ -	\$ -

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS  
COMPLIANCE TABLE (CONTINUED)  
JUNE 30, 2011**

	AUDIT	UFARS	AUDIT-UFARS
<b>06 BUILDING CONSTRUCTION</b>			
Total Revenue	\$ 389,000	\$ 389,000	\$ -
Total Expenditures	\$ 387,696	\$ 387,696	\$ -
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	\$ -	\$ -	\$ -
<i>Restricted/Reserved:</i>			
407 Capital Projects Levy	\$ -	\$ -	\$ -
409 Alternative Facility Program	\$ 101,571	\$ 101,571	\$ -
413 Project Funded by COP	\$ -	\$ -	\$ -
<i>Restricted</i>			
464 Restricted Fund Balance	\$ -	\$ -	\$ -
<i>Unassigned:</i>			
463 Unassigned Fund Balance	\$ -	\$ -	\$ -
<b>07 DEBT SERVICE</b>			
Total Revenue	\$ 3,163,117	\$ 3,163,118	\$ (1)
Total Expenditures	\$ 3,308,639	\$ 3,308,639	\$ -
<i>Nonspendable</i>			
460 Nonspendable Fund Balance	\$ -	\$ -	\$ -
<i>Restricted/Reserved:</i>			
425 Bond Refundings	\$ -	\$ -	\$ -
451 QZAB Payments	\$ -	\$ -	\$ -
<i>Restricted:</i>			
464 Restricted Fund Balance	\$ 674,638	\$ 674,639	\$ (1)
<i>Unassigned:</i>			
463 Unassigned Fund Balance	\$ -	\$ -	\$ -
<b>08 TRUST</b>			
Total Revenue	\$ 12,552	\$ 12,553	\$ (1)
Total Expenditures	\$ 9,405	\$ 9,406	\$ (1)
422 Net Assets	\$ 13,905	\$ 13,905	\$ -
<b>20 INTERNAL SERVICE</b>			
Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	\$ -	\$ -	\$ -
422 Net Assets	\$ -	\$ -	\$ -
<b>25 OPEB REVOCABLE TRUST</b>			
Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	\$ -	\$ -	\$ -
422 Unreserved/Undesignated	\$ -	\$ -	\$ -
<b>45 OPEB IRREVOCABLE TRUST</b>			
Total Revenue	\$ 694,795	\$ 694,795	\$ -
Total Expenditures	\$ 1,774,650	\$ 1,774,650	\$ -
422 Net Assets	\$ 13,951,959	\$ 13,951,959	\$ -
<b>47 OPEB DEBT SERVICE</b>			
Total Revenue	\$ 1,282,741	\$ 1,282,741	\$ -
Total Expenditures	\$ 1,230,120	\$ 1,230,120	\$ -
<i>Non-Spendable</i>			
460 Nonspendable Fund Balance	\$ -	\$ -	\$ -
<i>Reserved:</i>			
425 Bond Refundings	\$ -	\$ -	\$ -
464 Restricted Fund Balance	\$ 58,027	\$ 58,027	\$ -
<i>Unassigned:</i>			
463 Unassigned Fund Balance	\$ -	\$ -	\$ -

**OTHER DISTRICT INFORMATION SECTION (UNAUDITED)**

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
GENERAL FUND REVENUE BY SOURCE  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

Year Ended June 30,	Local Property Taxes	State Revenues	Federal Revenues	Other Local and Miscellaneous	Total
2002	\$ 21,882,355 40%	\$ 29,032,308 53%	\$ 1,295,946 2%	\$ 2,383,190 4%	\$ 54,593,799 100%
2003	7,552,950 14%	43,405,135 78%	1,717,797 3%	2,627,308 5%	55,303,190 100%
2004	9,599,638 17%	42,876,175 75%	1,798,231 3%	2,566,936 5%	56,840,980 100%
2005	11,868,564 20%	41,812,669 72%	1,688,096 3%	2,652,863 5%	58,022,192 100%
2006	7,377,980 12%	47,725,539 79%	1,829,253 3%	3,428,842 6%	60,361,614 100%
2007	11,411,155 19%	45,729,859 75%	1,896,906 3%	2,235,301 4%	61,273,221 100%
2008	13,182,128 20%	47,720,162 73%	1,863,347 3%	2,656,687 4%	65,422,324 100%
2009	14,849,282 21%	50,478,492 72%	2,245,686 3%	2,685,828 4%	70,259,288 100%
2010	16,645,559 23%	45,732,451 63%	8,236,359 11%	2,351,786 3%	72,966,155 100%
2011	21,113,593 28%	49,205,958 65%	2,545,701 3%	2,573,619 3%	75,438,871 100%

**Note:** The revenue formula allocation between levy revenue and state aids is established annually by state statutes. The change in allocation percentage would not necessarily impact total revenues. Beginning in fiscal 2003, the state took over funding for 100%.

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
GENERAL FUND EXPENDITURES BY PROGRAM  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

Year Ended June 30	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction
2002	\$ 3,254,603 6%	\$ 2,477,078 5%	\$ 23,730,412 43%	\$ 966,190 2%	\$ 9,300,261 17%
2003	3,156,177 5%	2,706,429 5%	25,118,129 44%	1,069,448 2%	9,437,099 16%
2004	3,247,130 6%	2,469,689 4%	24,603,006 43%	985,019 2%	10,385,915 18%
2005	3,045,478 5%	2,411,235 4%	24,928,644 43%	907,023 2%	10,574,905 18%
2006	3,096,699 5%	2,192,475 4%	25,353,772 43%	989,715 2%	10,791,804 18%
2007	3,127,457 5%	2,185,474 4%	26,351,405 43%	1,059,806 2%	10,981,724 18%
2008	3,566,006 5%	2,533,801 4%	28,468,641 44%	1,180,491 2%	10,589,844 16%
2009	6,298,848 8%	3,904,819 5%	36,789,289 44%	1,369,531 2%	13,136,911 16%
2010	3,857,010 5%	2,624,729 4%	31,595,364 43%	1,203,461 2%	13,591,049 19%
2011	4,027,508 5%	2,643,559 3%	34,696,745 46%	1,205,978 2%	13,900,646 18%

Instructional Support Services	Pupil Support Services	Sites and Buildings	Fiscal and Other Fixed Cost Programs	Total
\$ 4,733,865 9%	\$ 4,395,931 8%	\$ 5,412,492 10%	\$ 642,277 1%	\$ 54,913,109 100%
5,151,495 9%	4,262,752 7%	6,051,394 11%	567,380 1%	57,520,303 100%
5,226,541 9%	4,639,223 8%	5,588,344 10%	569,333 1%	57,714,200 100%
5,147,188 9%	4,704,302 8%	5,855,009 10%	579,984 1%	58,153,768 100%
5,044,914 9%	4,951,541 8%	5,831,940 10%	633,834 1%	58,886,694 100%
5,479,220 9%	5,268,064 9%	5,710,038 9%	527,820 1%	60,691,008 100%
6,295,162 10%	5,974,331 9%	5,889,039 9%	372,793 1%	64,870,108 100%
6,877,446 8%	6,305,394 8%	8,039,482 10%	215,667 0%	82,937,387 100%
6,168,017 8%	6,872,817 9%	7,302,834 10%	191,070 0%	73,406,351 100%
5,589,329 7%	7,266,967 10%	6,125,043 8%	98,527 0%	75,554,302 100%

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
STUDENT ENROLLMENT  
LAST TEN FISCAL YEARS  
(UNAUDITED)**

Year Ended June 30,	Average Daily Membership for Students Served for Aid					Total Pupil Units
	Handicapped and Pre-Kindergarten	Kindergarten	Elementary	Secondary	Total	
2002	47.07	405.03	2,979.02	3,203.75	6,634.87	7,683.46
2003	48.87	405.00	2,892.01	3,178.83	6,524.71	7,556.89
2004	56.46	416.40	2,795.66	3,221.84	6,490.36	7,525.09
2005	37.13	402.15	2,744.19	3,199.61	6,383.08	7,407.41
2006	54.04	416.81	2,748.91	3,237.66	6,457.42	7,493.86
2007	55.41	419.41	2,859.74	3,204.08	6,538.64	7,573.05
2008	67.44	401.79	2,889.85	3,219.25	6,578.33	7,652.49
2009	66.27	417.84	2,949.75	3,216.87	6,650.73	7,723.89
2010 *	68.78	461.66	2,919.41	3,180.40	6,630.25	7,673.94
2011 *	85.10	428.60	2,978.93	3,231.64	6,724.27	7,801.25

\* - excluding cooperative fiscal host pass-through

Note: Average Daily Membership is weighted as follows in computing pupil units.

	Pre- Kindergarten	Handicapped Kindergarten	Kindergarten	Elementary Grades 1-3	Elementary Grades 4-6	Secondary
Fiscal 1993	1.000	1.000	0.500	1.000	1.000	1.300
Fiscal 1994	1.000	1.000	0.515	1.030	1.030	1.300
Fiscal 1995 through 1999	1.000	1.000	0.530	1.060	1.060	1.300
Fiscal 2000 through 2007	1.250	1.000	0.557	1.115	1.060	1.300
Fiscal 2008 through 2011	1.250	1.000	0.612	1.115	1.060	1.300

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
DEMOGRAPHICS  
YEAR ENDED JUNE 30, 2011  
(UNAUDITED)**

Number of Students:	
Elementary	3,314
Middle School	957
High School	2,183
Total Number of Students	6,454

Number of Staff:	
Administration	22
Teachers	453
Clerical	81
Teacher Assistants	116
Cooks	46
Custodians	52
Community Education	42
Supervisors and District Support	42
Total Number of Staff	854

Graduation Rate 93%

Post-Secondary Information:	
Number of Students	31
Institutions Attended	6
Number of Courses Taken	93

Households with Students 4,277

Senior Citizen Programs:	
Number Served (Approximately)	16,490
Number of Programs (Approximately)	1,158
Number of Volunteers (Approximately)	645
Number of Hours (Approximately)	21,000

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
SCHEDULE OF INSURANCE AND BOND COVERAGE  
JUNE 30, 2011  
(UNAUDITED)**

Policy Description	Expiration	Coverage
Multi-Peril:		
Fire and Extended Coverage, Vandalism, and Malicious Mischief on all Buildings and Contents (\$10,000 Deductible per Property Listed)	07/01/11	\$ 169,166,039
Equipment Breakdown		
Property Damage Cause by District-owned Equipment Failure	07/01/11	100,000,000
Property Damage Cause by Outside Equipment Failure	07/01/11	99,920,137
Business Interruption	07/01/11	79,863
Workers' Compensation	07/01/11	500,000
Vehicles:		
Bodily Injury and Property Damage	07/01/11	1,000,000
Uninsured Motorist	07/01/11	1,000,000
Personal Injury Protection	07/01/11	Statutory
Comprehensive-Deductible	07/01/11	500
Collision-Deductible	07/01/11	500
Property Floater:		
Fine Arts	07/01/11	37,500
Musical Instruments	07/01/11	315,000
Audio-Visual Equipment and Microcomputers	07/01/11	148,500
Computers	07/01/11	3,180,000
General Liability:	07/01/11	2,000,000
Each Occurrence	07/01/11	1,000,000
Aggregate	07/01/11	2,000,000
Medical Payments per Person	07/01/11	15,000
Umbrella Coverage	07/01/11	2,000,000
Demolition Costs	07/01/11	1,000,000
Increased Cost of Construction	07/01/11	1,000,000
Employee Benefit Liability	07/01/11	3,000,000
Faithful Performance Blanket Bond	07/01/11	100,000
School Leaders Legal Liability	07/01/11	1,000,000
Internet Liability Coverage	07/01/11	1,000,000

## **SINGLE AUDIT AND OTHER REQUIRED REPORTS**

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2011**

FEDERAL AGENCY/PASS-THROUGH GRANTOR/PROGRAM TITLE		FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through Minnesota Department of Education:			
School Breakfast Program	{a}	10.553	\$ 295,954
National School Lunch Program	{a}	10.555	1,125,139
Special Milk Program	{a}	10.556	3,130
Summer Food Program	{a}	10.559	130,042
Food Distribution	{a}	10.555	121,050
Total U. S. Department of Agriculture			<u>1,675,315</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed Through Minnesota Department of Education:			
ESEA Title I Grants to Local Educational Agencies	{c}	84.010	795,055
IDEA, Part B - Special Education Grants to States	{b}	84.027	1,058,580
IDEA, Preschool Grants	{b}	84.173	28,454
Eisenhower Professional Development Grants to States		84.281	210,226
Federal Drug Abuse Prevention Program		84.186	11,699
Title III - LEP		84.365	157,699
Community Service Sub-Grant		84.002	145,119
ARRA - ESEA Title I Grants to Local Education Agencies	{c}	84.389	73,301
ARRA - IDEA, Part B - Special Education Grants to States	{b}	84.391	27,996
ARRA - IDEA, Preschool Grants	{b}	84.392	36,124
ARRA - IDEA, Part C - Early Intervention Services for Infants and Toddlers		84.393	20,605
Received Direct:			
Safe Schools/Healthy Students Grant		84.184	2,211,495
Passed Through Intermediate School District No. 916			
Carl Perkins		84.048	25,443
Total U. S. Department of Education			<u>4,801,796</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed Through Minnesota Department of Education:			
Refugee and Entrant Assistance Discretionary Grants		93.576	87,159
Early Retiree Reinsurance Program		93.546	13,119
ARRA - Head Start		93.708	798
Total U. S. Department of Health and Human Services			<u>101,076</u>
Total Federal Awards			<u>\$ 6,578,187</u>

{a} = Child Nutrition Cluster  
{b} = Special Education Cluster  
{c} = Title I Cluster

Notes to Schedule of Expenditures of Federal Awards:

Note 1:

The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Independent School District No. 623.

Note 2:

The expenditures on this schedule are on the modified accrual basis of accounting, which is described in Note 1 to the basic financial statements of the District.

Note 3:

Nonmonetary assistance is reported in this schedule at the fair market value of commodities received and disbursed for the USDA Commodities Program (CFDA #10.555).

Note 4:

The pass-through entity identifying number is unknown.

**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. 623  
Roseville Area Schools  
Roseville, Minnesota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 623 as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 23, 2011. 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 the District'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 District's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Board of Education  
Independent School District No. 623  
Roseville Area Schools

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District'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 test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 state and federal awarding entities and is not intended to be and should not be used by anyone other than these specified parties.

*Larson Allen LLP*  
LarsonAllen LLP

Minneapolis, Minnesota  
November 23, 2011

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education  
Independent School District No. 623  
Roseville Area Schools  
Roseville, Minnesota

**Compliance**

We have audited Independent School District No. 623's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Independent School District No. 623's major federal programs for the year ended June 30, 2011. Independent School District No. 623's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Independent School District No. 623's management. Our responsibility is to express an opinion on Independent School District No. 623'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. 623'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 Independent School District No. 623's compliance with those requirements.

In our opinion, Independent School District No. 623 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

**Internal Control Over Compliance**

Management of Independent School District No. 623 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Independent School District No. 623's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Independent School District No. 623's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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 state and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

  
LarsonAllen LLP

Minneapolis, Minnesota  
November 23, 2011

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## REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Directors  
Independent School District No. 623  
Roseville Area Schools  
Roseville, Minnesota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 623 as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 23, 2011.

We conducted our audit in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statutes Section 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 Political Subdivisions* covers seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, 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 for the items tested the District complied with the material terms and conditions of applicable legal provisions except as disclosed on the Schedule of Findings as 2011-1.

Independent School District No. 623's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Independent School District No. 623's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the board of directors, 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.

*Larson Allen LLP*  
LarsonAllen LLP

Minneapolis, Minnesota  
November 23, 2011



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**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2011**

**A. SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of Independent School District No. 623.
2. No deficiencies in internal control over financial reporting were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Independent School District No. 623 were disclosed during the audit.
4. No material weaknesses were disclosed during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for Independent School District No. 623 expresses an unqualified opinion.
6. No findings relative to the major federal award programs for Independent School District No. 623 were disclosed during the audit.
7. The programs tested as major programs included:

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

Special Education Grants to States	CFDA #84.027
Special Education Preschool Grants	CFDA #84.173
ARRA-Special Education Grants to States	CFDA #84.391
ARRA-Special Education Preschool Grants	CFDA #84.392

U.S. Department of Education – Title I, Part A Cluster:

Title I Grants to Local Education Agencies	CFDA #84.010
ARRA-Title I Grants to Local Education Agencies	CFDA #84.389

U.S. Department of Education – Safe Schools/Healthy Students:

Safe Schools/Healthy Students	CFDA #84.184
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U.S. Department of Agriculture – Child Nutrition Cluster:

School Breakfast Program	CFDA #10.553
National School Lunch Program	CFDA #10.555
Special Milk Program	CFDA# 10.556
Summer Food Program	CFDA #10.559

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Independent School District No. 623 was not determined to be a low-risk auditee.

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
SCHEDULE OF FINDINGS (CONTINUED)  
YEAR ENDED JUNE 30, 2011**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

None

**C. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None

**D. FINDINGS – MINNESOTA LEGAL COMPLIANCE**

**Finding 2011-1**

***Prompt Payment of Local Government Bills – Minnesota Statute § 471.425, subd. 2***

Finding: Minnesota statute requires the prompt payment of bills of 35 days from receipt for governing boards that meet at least once a month. We noted two instances of the 40 disbursements tested where bills were not paid within 35 days of receipt of the invoice.

**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 review their controls and procedures as it relates to the prompt payment of bills to ensure that all invoices are paid within 35 days of receipt.

**Official Responsible for Ensuring CAP:**

The Assistant Director for Finance and Budget is the official responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP:**

The planned completion date is June 30, 2012.

**Plan to Monitor Completion of CAP:**

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

**ROSEVILLE AREA SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 623  
SUMMARY SCHEDULE OF PRIOR YEAR SINGLE AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2011**

**Finding 2008-1/2009-1/2010-1: Payroll Certifications**

**Condition:** This finding was a significant deficiency which was not considered a material weakness. We reported that required semi-annual payroll certifications were not being prepared for employees who work solely on the federal special education program and Title I program. Additionally, there was a lack of timesheet or time study documentation for employees working on multiple programs.

**Recommendation:** We recommended that the District obtain semi-annual payroll certifications for all employees fully funded by federal programs and document employee time splits in the payroll system as required by OMB Circular A-87.

**Current Status:** The District complied with the requirement for the semi-annual payroll certifications and monthly personnel activity reports as required by OMB Circular A-87 during fiscal year 2011.

**Finding 2010-2: Subrecipient Monitoring**

**Condition:** The District obtained the single audit reports for the subrecipients, however, the District did not issue a management decision on the subrecipient's audit findings or perform follow-up on the implementation of the subrecipient's corrective action plans.

**Recommendation:** We recommend the District review the subrecipient monitoring requirements and develop a process to ensure those requirements are being followed.

**Current Status:** The District complied with the subrecipient monitoring requirements for fiscal year 2011.