

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2011

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2011**

INTRODUCTORY SECTION

BOARD OF EDUCATION AND ADMINISTRATION	i
--	----------

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	1
-------------------------------------	----------

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS	3
---	----------

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS	12
--------------------------------	-----------

STATEMENT OF ACTIVITIES	13
--------------------------------	-----------

BALANCE SHEET – GOVERNMENTAL FUNDS	14
---	-----------

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS	16
---	-----------

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – GOVERNMENTAL FUNDS	17
---	-----------

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	19
---	-----------

STATEMENT OF FIDUCIARY NET ASSETS	20
--	-----------

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS	20
---	-----------

NOTES TO BASIC FINANCIAL STATEMENTS	21
--	-----------

OTHER REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND	49
--	-----------

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – FOOD SERVICE FUND	50
---	-----------

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – COMMUNITY SERVICE FUND	51
--	-----------

SCHEDULE OF FUNDING PROGRESS	52
-------------------------------------	-----------

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
TABLE OF CONTENTS (CONTINUED)
YEAR ENDED JUNE 30, 2011**

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – DEBT SERVICE FUND	53
---	-----------

UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE	54
--	-----------

SINGLE AUDIT AND OTHER REQUIRED REPORTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	55
--	-----------

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	57
--	-----------

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	59
---	-----------

REPORT ON MINNESOTA LEGAL COMPLIANCE	60
---	-----------

SCHEDULE OF FINDINGS AND QUESTIONED COSTS	61
--	-----------

INTRODUCTORY SECTION

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
BOARD OF EDUCATION AND ADMINISTRATION
YEAR ENDED JUNE 30, 2011**

BOARD OF EDUCATION

<u>NAME</u>	<u>TERM ON BOARD EXPIRES</u>	<u>BOARD POSITION</u>
Dean Anderson	December 31, 2014	Chairperson
David Anderson	December 31, 2012	Vice Chairperson
Jean Robley	December 31, 2014	Clerk/Treasurer
Pamela Carlson	December 31, 2012	Director
Jim Hafdal	December 31, 2012	Director
Alan Zeithamer	December 31, 2014	Director
Sandy Susag	December 31, 2014	Director

ADMINISTRATION

Terry Quist, Ph.D.	Superintendent
Trevor Peterson	Director of Business Services

FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 206, 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 financial statements include prior year partial comparative information, which was derived from the District's June 30, 2010 financial statements and, in our report dated December 10, 2010 we expressed unqualified opinions on the respective financial statements of the governmental activities, each major fund and the fiduciary funds.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 206, as of June 30, 2011, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in the notes to the 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 results in the District reporting nonspendable, restricted, assigned, and unassigned fund balances in its governmental fund types.



(1)


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Board of Education
Independent School District No. 206

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2011, on our consideration of Independent School District No. 206's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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



LarsonAllen LLP

Alexandria, Minnesota
November 29, 2011

REQUIRED SUPPLEMENTARY INFORMATION

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

This section of Alexandria Public Schools – Independent School District No. 206's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2011. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

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

- Net assets decreased by 7.7% over the prior year.
- Overall actual revenues in the Statement of Activities were \$44,778,253 while overall expenses totaled \$46,054,963.
- The General fund balance decreased \$1,128,217 while the Food Service fund balance increased \$48,817 and Community Service fund balance increased \$44,218.
- The Debt Service fund balance decreased by \$165,472.

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 as a trustee or agent for the benefit of others.

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

District-Wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

District-Wide Statements (Continued)

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

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

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

Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds* – focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

The District has two kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, such as the dental plan and OPEB Trust Fund. The District is responsible for ensuring that only those to whom the assets belong use the assets reported in these funds. The District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets

The District's *combined* net assets were \$15,237,279. This was a 7.7% decrease from the prior year.

	Governmental Activities		Percentage Change
	2011	2010	
Current and Other Assets	\$ 26,869,825	\$ 26,522,948	1.3 %
Capital and Non-Current Assets	45,327,753	43,057,446	5.3
Total Assets	72,197,578	69,580,394	3.8
Current Liabilities	17,285,753	17,569,036	(1.6)
Long Term Liabilities	39,674,546	35,497,369	11.8
Total Liabilities	56,960,299	53,066,405	7.3
Net Assets			
Invested in Capital Assets, Net of Related Debt	14,184,763	13,777,832	3.0
Restricted	1,027,870	2,083,037	(50.7)
Unrestricted	24,646	653,120	(96.2)
Total Net Assets	\$ 15,237,279	\$ 16,513,989	(7.7)

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Assets

District's total revenues were \$44,778,253, while total costs of all programs and services were \$46,054,963 for the year ended June 30, 2011. The District's expenses are predominantly related to educating and caring for students. Total expenses surpassed revenues, decreasing net assets \$1,237,279 over last year.

	Governmental Activities for the		Total % Change
	fiscal year ended June 30,		
	2011	2010	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 2,471,577	\$ 2,186,656	13.03 %
Operating Grants and Contributions	10,280,429	9,857,428	4.29
Capital Grants and Contributions	907,813	-	N/A
<u>General Revenues</u>			
Property Taxes	9,224,241	7,977,153	15.63
Unrestricted State Aid	21,174,295	23,092,508	(8.31)
Investment Earnings	34,588	73,434	(52.90)
Other	685,310	673,912	1.69
Total Revenues	<u>44,778,253</u>	<u>43,861,091</u>	2.09
Expenses			
Administration	1,543,025	1,553,512	(0.68)
District Support Services	1,239,411	1,019,956	21.52
Regular Instruction	18,205,412	17,726,043	2.70
Vocational Education Instruction	438,776	495,210	(11.40)
Special Education Instruction	9,456,709	9,017,631	4.87
Instructional Support Services	1,834,286	1,708,021	7.39
Pupil Support Services	2,127,373	2,515,887	(15.44)
Sites and Buildings	4,736,574	3,929,233	20.55
Fiscal and Other Fixed Cost Programs	70,327	71,285	(1.34)
Food Service	2,040,375	1,945,401	4.88
Community Service	1,540,824	1,429,491	7.79
Unallocated - Depreciation	954,240	736,047	29.64
Interest and Fiscal Charges on Long-Term Liabilities	1,867,631	1,793,766	4.12
Total Expenses	<u>46,054,963</u>	<u>43,941,483</u>	4.81
Increase in Net Assets	(1,276,710)	(80,392)	
Beginning Net Assets	16,513,989	16,594,381	
Ending Net Assets	<u>\$ 15,237,279</u>	<u>\$ 16,513,989</u>	

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

The net cost of all *governmental* activities this year was \$46,054,963.

- Some of the cost was paid by the users of the District's programs (\$2,471,577).
- The federal and state governments subsidized certain programs with grants and contributions (\$11,188,242).
- Most of the District's costs (\$32,395,144), however, were paid for by District taxpayers and the taxpayers of our state.
- This portion of governmental activities was paid for with \$9,224,241 in property taxes and \$21,174,295 in state aid based on the statewide education aid formula. In addition, the District earned additional revenues of \$719,898 related to investment earnings and other general revenues.

Figure A-1 Sources of District's Revenues for Fiscal 2011

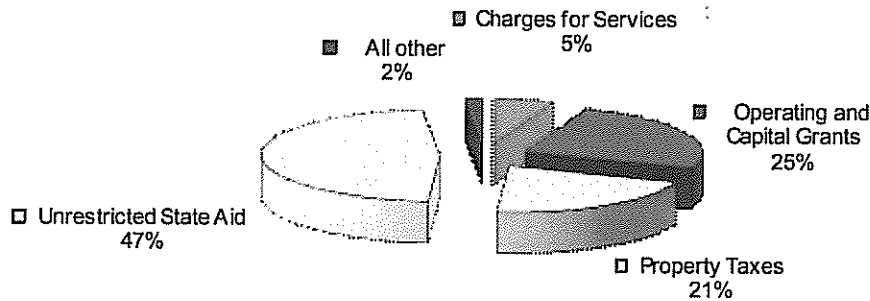
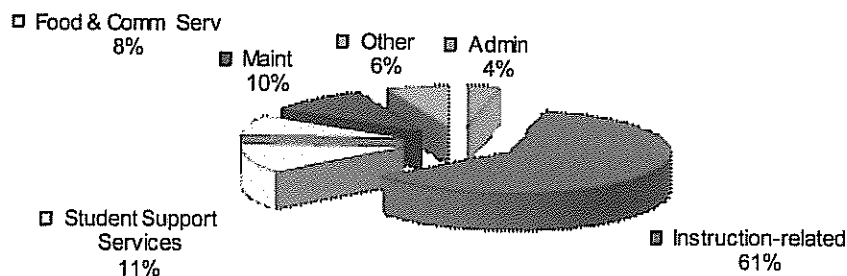


Figure A-4 District Expenses for Fiscal 2011



**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Cost of Services

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2011	2010		2011	2010	
Administration	\$ 1,543,025	\$ 1,553,512	(0.68)%	\$ 1,542,666	\$ 1,553,512	(0.70)%
District Support Services	1,239,411	1,019,956	21.52	1,187,173	1,019,956	16.39
Regular Instruction	18,205,412	17,726,043	2.70	15,925,342	16,120,937	(1.21)
Vocational Education Instruction	438,776	495,210	(11.40)	353,045	491,010	(28.10)
Special Education Instruction	9,456,709	9,017,631	4.87	2,989,672	1,992,436	50.05
Instructional Support Services	1,834,286	1,708,021	7.39	1,500,222	1,708,021	(12.17)
Pupil Support Services	2,127,373	2,515,887	(15.44)	1,757,593	2,185,395	(19.58)
Sites and Buildings	4,736,574	3,929,233	20.55	3,884,385	3,864,814	0.51
Fiscal and Other Fixed Cost Programs	70,327	71,285	(1.34)	70,327	71,285	(1.34)
Food Service	2,040,375	1,945,401	4.88	(48,278)	(60,821)	(20.62)
Community Service	1,540,824	1,429,491	7.79	411,126	421,041	(2.35)
Unallocated - Depreciation	954,240	736,047	29.64	954,240	736,047	29.64
Interest and Fiscal Charges on Long-Term Liabilities	1,867,631	1,793,766	4.12	1,867,631	1,793,766	4.12
Total	<u>\$ 46,054,963</u>	<u>\$ 43,941,483</u>	4.81	<u>\$ 32,395,144</u>	<u>\$ 31,897,399</u>	1.56

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$6,590,281, an increase of \$1,237,400 or 23.1%.

Revenues of these governmental funds were \$44,792,956 and other financing sources were \$6,460,062, while total expenditures were \$50,015,618. A summary of the revenues reported on the general fund financial statements appears below:

GENERAL FUND

The following schedule presents a summary of General Fund Revenues.

	Year Ended		Change	
	June 30, 2011	June 30, 2010	Increase (Decrease)	Percent
Local Sources				
Property Taxes	\$ 5,447,584	\$ 4,134,304	\$ 1,313,280	31.8 %
Earnings on Investments	31,724	12,783	18,941	148.2
Other	1,231,372	1,010,692	220,680	21.8
State Sources	27,476,227	26,297,418	1,178,809	4.5
Federal Sources	3,495,626	5,217,342	(1,721,716)	(33.0)
Total General Fund Revenue	<u>\$ 37,682,533</u>	<u>\$ 36,672,539</u>	<u>\$ 1,009,994</u>	2.8

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

GENERAL FUND (CONTINUED)

Revenues from state and federal sources totaled \$30,971,853. Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. Other state-authorized revenue includes excess levy referendum and equity aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change in revenues.

The following schedule presents a summary of General Fund Expenditures.

	<u>Year Ended</u>		<u>Change</u>	
	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Increase (Decrease)</u>	<u>Percent</u>
Salaries	\$ 24,491,919	\$ 24,178,896	\$ 313,023	1.3 %
Employee Benefits	6,226,033	5,780,800	445,233	7.7
Purchased Services	4,367,537	4,754,518	(386,981)	(8.1)
Supplies and Materials	1,854,001	1,530,654	323,347	21.1
Capital Expenditures	2,108,078	1,575,033	533,045	33.8
Other Expenditures	403,244	250,903	152,341	60.7
Total Expenditures	<u>\$ 39,450,812</u>	<u>\$ 38,070,804</u>	<u>\$ 1,380,008</u>	3.6

Total General Fund Expenditures increased 1,380,008 from the previous year.

The total fund balance of the General Fund decreased to \$2,105,297 at June 30, 2011. The unassigned fund balance decreased from \$2,042,604 at June 30, 2010 to \$1,723,770 at June 30, 2011. The District closely monitors its fund balances.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

GENERAL FUND (CONTINUED)

General Fund Budgetary Highlights

During the year ended June 30, 2011, the District revised its operating budget twice. The revision was planned, and was necessary because when the initial budget was prepared and adopted (a budget must be in place prior to the beginning of the fiscal year on July 1) details of student enrollment numbers, staffing levels, grant allocations, budget reinvestments and other significant information items were not yet known. When these items became known, the budget was revised to reflect them. This revision was made in December following the budget assumptions that were approved by the Board. A similar revision is made each year for the same reasons.

OTHER MAJOR FUNDS

The Food Service Fund operations resulted in an increase in fund balance of \$48,817.

The Community Service Fund operations resulted in an increase in fund balance of \$44,218.

The Capital Projects Fund experienced an increase in fund balance of \$2,438,054, due to a new bond issued related to additional projects.

DEBT SERVICE FUND

The Debt Service Fund expenditures exceeded revenues by \$165,472.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By June 30, 2011, the District had invested \$71,569,127 in a broad range of capital assets, including school buildings, athletic facilities, vehicles, computer and audio-visual equipment. Note 4 to the financial statements presents an analysis of fixed assets transactions during the year ended June 30, 2011. Additions consisted primarily of technology and bus fleet improvements, as well as construction in progress for Lincoln Elementary and Discovery Middle School. Capital asset deletions were primarily food service, bus fleet and technology items that had become obsolete and were eliminated.

	<u>2011</u>	<u>2010</u>	<u>Percentage Change</u>
Land	\$ 6,234,903	\$ 6,234,903	-
Construction in Progress	2,765,500	-	N/A
Land Improvements	2,774,881	2,774,881	-
Buildings and Improvements	49,076,265	49,076,265	-
Equipment	10,717,578	9,916,718	8.1
Less: Accumulated Depreciation	<u>(26,241,374)</u>	<u>(24,945,321)</u>	5.2
Total	<u>\$ 45,327,753</u>	<u>\$ 43,057,446</u>	5.3

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Liabilities

At year end, the District had \$40,345,000 in general obligation bonds, as shown below. (More detailed information about the District's long-term liabilities is presented in Note 6 to the financial statements.) Debt of \$32,700,000 was to finance the construction of a new school building and the remodeling of existing buildings. The District has also issued \$7,645,000 to fund future OPEB liabilities.

	<u>2011</u>	<u>2010</u>
General Obligation Bonds	\$ 40,345,000	\$ 36,320,000
Net Bond Premium and Discount	864,330	925,812
Obligations Under Capital Leases	499,786	84,741
Supplemental Benefits Payable	-	4,624
Total	<u>\$ 41,709,116</u>	<u>\$ 37,335,177</u>
Long-term liabilities:		
Due within one year	\$ 2,034,570	\$ 1,837,808
Due in more than one year	39,674,546	35,497,369
Total	<u>\$ 41,709,116</u>	<u>\$ 37,335,177</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

- The District passed one (1) question on a four-question Operating Levy Referendum ballot during November 2004, providing additional revenues for the next ten fiscal years. The passed resolution provides revenue to maintain the District's current programming and course offerings and to minimize future cuts.
- The two major concerns for the District, as we move forward with planning for the future, are the funding levels provided by the state legislature and District enrollment numbers, although the District anticipates an upward trend for enrollment numbers beginning with the 2010-11 school year and for subsequent years to come
- The school board recently approved a Fund Balance Policy that states the District will strive to achieve and maintain an unassigned fund balance ranging between 8.50% and 12.75% of annual expenditures. While the District's fund balance is currently below that range, the District has identified a timeline to build the fund balance to within that range. The District will strive to maintain its long-standing commitment of academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report contact the Business Office, Independent School District No. 206, 1410 S. McKay Ave, Suite 201, Alexandria, MN 56308.

BASIC FINANCIAL STATEMENTS

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
STATEMENT OF NET ASSETS
JUNE 30, 2011
(WITH COMPARATIVE DATA AS OF JUNE 30, 2010)**

	Governmental Activities	
	2011	2010
ASSETS		
Cash and Investments	\$ 6,309,382	\$ 7,699,952
Receivables		
Property Taxes	4,185,371	4,114,629
Other Governments	10,218,012	8,423,448
Other	125,926	18,655
Prepaid Items	107,275	148,575
Inventories	16,389	16,250
Due from Fiduciary Funds	104,145	-
Net OPEB Asset	5,267,837	5,930,503
Net Supplemental Pension Asset	283,967	-
Bond Issuance Costs, Net	251,521	170,936
Capital Assets		
Land and Construction in Progress	9,000,403	6,243,618
Other Capital Assets, Net of Depreciation	36,327,350	36,813,828
Total Assets	<u>72,197,578</u>	<u>69,580,394</u>
LIABILITIES		
Short-Term Borrowing	1,967,639	2,963,822
Salaries and Payroll Deductions Payable	4,193,379	3,925,392
Accounts and Contracts Payable	2,081,544	701,981
Accrued Interest	874,675	828,493
Due to Other Governmental Units	181,348	58
Unearned Revenue		
Property Taxes	5,904,011	7,259,629
Local Sources	48,587	51,853
Long-Term Liabilities		
Portion Due Within One Year	2,034,570	1,837,808
Portion Due in More Than One Year	39,674,546	35,497,369
Total Liabilities	<u>56,960,299</u>	<u>53,066,405</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	14,184,763	13,777,832
Restricted for:		
Operating Capital Purposes	188,814	379,497
State-Mandated Reserves	85,438	382,023
Food Service	525,973	477,156
Community Service	227,645	180,369
Capital Projects - Building Construction	-	575,620
Debt Service	-	88,372
Unrestricted	24,646	653,120
Total Net Assets	<u>\$ 15,237,279</u>	<u>\$ 16,513,989</u>

See accompanying Notes to Basic Financial Statements.

ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2010)

Functions	Program Revenues			Capital		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Grants and Contributions	2011	2010	
Governmental Activities							
Administration	\$ 1,543,025	\$ 359	\$ -	\$ -	\$ (1,542,666)	\$ (1,553,512)	
District Support Services	1,239,411	-	-	52,238	(1,187,173)	(1,019,956)	
Regular Instruction	18,205,412	271,014	1,890,439	118,617	(15,925,342)	(16,120,937)	
Vocational Education Instruction	438,776	3,330	82,401	-	(353,045)	(491,010)	
Special Education Instruction	9,456,709	352,886	6,114,151	-	(2,989,672)	(1,992,436)	
Instructional Support Services	1,834,286	22,562	107,940	203,562	(1,500,222)	(1,708,021)	
Pupil Support Services	2,127,373	43,537	250,899	75,344	(1,757,593)	(2,185,395)	
Sites and Buildings	4,736,574	69,921	324,216	458,052	(3,884,385)	(3,864,814)	
Fiscal and Other Fixed Cost Programs	70,327	-	-	-	(70,327)	(71,285)	
Food Service	2,040,375	1,162,206	926,447	-	48,278	60,821	
Community Service	1,540,824	545,762	583,936	-	(411,126)	(421,041)	
Interest and Fiscal Charges on Long-Term Liabilities	1,867,631	-	-	-	(1,867,631)	(1,793,766)	
Unallocated - Depreciation	954,240	-	-	-	(954,240)	(736,047)	
Total School District	<u>\$ 46,054,963</u>	<u>\$ 2,471,577</u>	<u>\$ 10,280,429</u>	<u>\$ 907,813</u>	<u>(32,395,144)</u>	<u>(31,897,399)</u>	
General Revenues							
Property Taxes Levied for:							
General Purposes					5,391,267	4,182,041	
Community Service					591,115	385,849	
Debt Service					3,241,869	3,409,263	
State Aid Not Restricted to Specific Purposes					21,174,295	23,092,508	
Earnings on Investments					34,588	73,434	
Miscellaneous					685,310	673,912	
Total General Revenues					<u>31,118,434</u>	<u>31,817,007</u>	
Change in Net Assets					<u>(1,276,710)</u>	<u>(80,392)</u>	
Net Assets - Beginning					<u>16,513,989</u>	<u>16,594,381</u>	
Net Assets - Ending					<u>\$ 15,237,279</u>	<u>\$ 16,513,989</u>	

See accompanying Notes to Basic Financial Statements.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011
(WITH COMPARATIVE DATA AS OF JUNE 30, 2010)**

	Major Funds		
	General	Food Service	Community Service
ASSETS			
Cash and Investments	\$ 181,348	\$ 615,733	\$ 238,763
Receivables			
Current Property Taxes	1,964,607	-	214,610
Delinquent Property Taxes	38,168	-	3,058
Due from Minnesota Department of Education	8,987,227	-	141,197
Due from Federal through Minnesota Department of Education	1,035,102	-	-
Other Receivables	108,594	-	17,332
Due from Other Funds	273,785	-	-
Prepaid Items	107,275	-	-
Inventory	-	16,389	-
Total Assets	<u>\$ 12,696,106</u>	<u>\$ 632,122</u>	<u>\$ 614,960</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Short-Term Borrowing	\$ 1,967,639	\$ -	\$ -
Salaries and Payroll Deductions Payable	3,996,499	92,057	104,826
Accounts and Contracts Payable	686,684	14,092	34,087
Due to Other Governmental Units	181,348	-	-
Due to Other Funds	1,722,055	-	-
Accrued Interest Payable	32,560	-	-
Deferred Revenue:			
Property Taxes Levied for Subsequent Year	1,953,946	-	211,725
Delinquent Property Taxes	38,168	-	3,058
Local Sources	11,910	-	36,677
Total Liabilities	<u>- 10,590,809</u>	<u>106,149</u>	<u>390,373</u>
Fund Balance			
Nonspendable:			
Prepaid Items	107,275	-	-
Inventory	-	16,389	-
Restricted:			
Staff Development	-	-	-
Deferred Maintenance	65,910	-	-
Health and Safety	19,528	-	-
Operating Capital	188,814	-	-
Community Education Programs	-	-	75,034
Early Childhood and Family Educations Programs	-	-	53,402
School Readiness	-	-	48,053
Other Restricted	-	509,584	48,098
Unassigned	1,723,770	-	-
Total Fund Balance	<u>2,105,297</u>	<u>525,973</u>	<u>224,587</u>
Total Liabilities and Fund Balance	<u>\$ 12,696,106</u>	<u>\$ 632,122</u>	<u>\$ 614,960</u>

See accompanying Notes to Basic Financial Statements.

Capital Projects	Debt Service	Total Governmental Funds	
		2011	2010
\$ 4,527,745	\$ 745,793	\$ 6,309,382	\$ 7,699,952
-	1,939,007	4,118,224	3,979,383
-	25,921	67,147	135,246
-	54,486	9,182,910	7,331,897
-	-	1,035,102	1,091,551
-	-	125,926	22,557
-	1,722,055	1,995,840	452,971
-	-	107,275	148,575
-	-	16,389	16,250
<u>\$ 4,527,745</u>	<u>\$ 4,487,262</u>	<u>\$ 22,958,195</u>	<u>\$ 20,878,382</u>
\$ -	\$ -	\$ 1,967,639	\$ 2,963,822
-	-	4,193,382	3,925,395
1,344,431	2,250	2,081,544	701,981
-	-	181,348	58
169,640	-	1,891,695	456,873
-	-	32,560	30,643
-	3,738,340	5,904,011	7,259,629
-	25,922	67,148	135,247
-	-	48,587	51,853
<u>1,514,071</u>	<u>3,766,512</u>	<u>16,367,914</u>	<u>15,525,501</u>
-	-	107,275	148,575
-	-	16,389	16,250
-	-	-	224,683
-	-	65,910	280,129
-	-	19,528	157,340
-	-	188,814	379,497
-	-	75,034	76,024
-	-	53,402	48,737
-	-	48,053	15,814
3,013,674	720,750	4,292,106	575,620
-	-	1,723,770	3,430,212
<u>3,013,674</u>	<u>720,750</u>	<u>6,590,281</u>	<u>5,352,881</u>
<u>\$ 4,527,745</u>	<u>\$ 4,487,262</u>	<u>\$ 22,958,195</u>	<u>\$ 20,878,382</u>

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011
(WITH COMPARATIVE DATA AS OF JUNE 30, 2010)**

	2011	2010
Total Fund Balance for Governmental Funds	\$ 6,590,281	\$ 5,352,881
 Total net assets reported for governmental activities in the statement of net assets is different because:		
 Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	6,234,903	6,234,903
Construction in Progress	2,765,500	-
Land Improvements, Net of Accumulated Depreciation	366,442	437,844
Buildings and Improvements, Net of Accumulated Depreciation	32,919,243	33,800,631
Equipment, Net of Accumulated Depreciation	3,041,665	2,584,068
 The Net OPEB assets are not current financial resources and therefore are not reported at fund level.		
	5,267,837	5,930,503
 The Net Supplemental Pension assets are not current financial resources and therefore are not reported at fund level.		
	283,967	-
 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.		
	67,148	135,247
 Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
	(842,115)	(797,850)
 Bond issuance costs are reported as expenditures in the governmental funds.		
	251,524	170,939
 Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. Balances at year-end are:		
Bonds Payable	(40,345,000)	(36,320,000)
Unamortized Premiums	(864,330)	(925,812)
Obligations Under Capital Leases	(499,786)	(84,741)
Severance Benefits Payable	-	(4,624)
Total Net Assets of Governmental Activities	\$ 15,237,279	\$ 16,513,989

See accompanying Notes to Basic Financial Statements.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2010)**

	Major		
	General	Food Service	Community Service
REVENUES			
Local Sources			
Property Taxes	\$ 5,447,584	\$ -	\$ 592,168
Earnings on Investments	31,724	539	453
Other	1,231,372	1,162,206	709,914
State Sources	27,476,227	95,470	276,070
Federal Sources	3,495,626	830,977	6,437
Total Revenues	<u>37,682,533</u>	<u>2,089,192</u>	<u>1,585,042</u>
EXPENDITURES			
Current			
Administration	1,524,217	-	-
District Support Services	898,224	-	-
Regular Instruction	17,849,132	-	-
Vocational Education Instruction	430,222	-	-
Special Education Instruction	9,310,661	-	-
Instructional Support Services	1,653,344	-	-
Pupil Support Services	2,474,733	-	-
Sites and Buildings	2,900,305	-	-
Fiscal and Other Fixed Cost Programs	70,327	-	-
Food Service	-	1,998,715	-
Community Service	-	-	1,519,974
Capital Outlay	2,108,078	41,660	20,850
Debt Service			
Principal	171,622	-	-
Interest and Fiscal Charges	59,947	-	-
Total Expenditures	<u>39,450,812</u>	<u>2,040,375</u>	<u>1,540,824</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,768,279)	48,817	44,218
OTHER FINANCING SOURCES (USES)			
Capital Lease Proceeds	613,882	-	-
Insurance Recovery Proceeds	26,180	-	-
Bond Proceeds	-	-	-
Total Other Financing Sources (Uses)	<u>640,062</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(1,128,217)	48,817	44,218
Fund Balances - Beginning	3,233,514	477,156	180,369
FUND BALANCES - ENDING	<u>\$ 2,105,297</u>	<u>\$ 525,973</u>	<u>\$ 224,587</u>

See accompanying Notes to Basic Financial Statements.

Funds		Total Governmental	
Capital Projects	Debt Service	Funds	
		2011	2010
\$ -	\$ 3,252,588	\$ 9,292,340	\$ 7,922,924
1,413	459	34,588	73,434
-	-	3,103,492	2,850,519
-	181,729	28,029,496	26,971,713
-	-	4,333,040	5,978,223
1,413	3,434,776	44,792,956	43,796,813
-	-	1,524,217	1,527,114
-	-	898,224	890,350
-	-	17,849,132	17,462,326
-	-	430,222	483,513
-	-	9,310,661	8,896,647
-	-	1,653,344	1,589,065
-	-	2,474,733	2,339,565
-	-	2,900,305	3,113,937
-	-	70,327	71,285
-	-	1,998,715	1,945,401
-	-	1,519,974	1,429,491
3,377,539	-	5,548,127	3,675,332
-	1,795,000	1,966,622	1,530,000
-	1,811,068	1,871,015	1,996,808
3,377,539	3,606,068	50,015,618	46,950,834
(3,376,126)	(171,292)	(5,222,662)	(3,154,021)
-	-	613,882	81,260
-	-	26,180	10,049
5,814,180	5,820	5,820,000	-
5,814,180	5,820	6,460,062	91,309
2,438,054	(165,472)	1,237,400	(3,062,712)
575,620	886,222	5,352,881	8,415,593
\$ 3,013,674	\$ 720,750	\$ 6,590,281	\$ 5,352,881

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011
(WITH COMPARATIVE DATA FOR THE YEAR ENDED JUNE 30, 2010)**

	2011	2010
Net Change in Fund Balance-Total Governmental Funds	\$ 1,237,400	\$ (3,062,712)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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 capital outlays exceeded depreciation in the current period.</p>		
Capital Outlays	3,731,601	3,024,072
Gain (Loss) on Disposal of Capital Assets	-	(125,051)
Depreciation Expense	(1,461,294)	(1,216,188)
<p>Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net assets.</p>		
Other Financing Source - Capital Lease	(586,667)	(81,260)
Principal Payments - Capital Leases	171,622	113,314
<p>Payments to the District's irrevocable trust are recognized as expenditures at the fund level while the change in the net prepaid OPEB obligation is in the statement of net assets.</p>		
	(662,666)	(603,242)
<p>The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:</p>		
General Obligation Bond Proceeds	(5,820,000)	-
Bond Premium	-	-
Bond Issuance Costs	94,417	-
Repayment of Bond Principal	1,795,000	1,530,000
Change in Accrued Interest Expense - General Obligation Bonds	(44,266)	150,941
Amortization of Bond Issuance Costs	(13,831)	(9,382)
Amortization of Bond Premium	61,482	61,483
<p>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.</p>		
	(68,099)	54,229
<p>In the statement of activities, certain operating expenses - severance benefits, termination benefits, and compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).</p>		
	288,591	83,404
Change in Net Assets of Governmental Activities	\$ (1,276,710)	\$ (80,392)

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2011**

	<u>OPEB Trust</u>	<u>Dental Agency Fund</u>
ASSETS		
Cash and Investments	<u>\$ 6,711,917</u>	<u>\$ 93,471</u>
LIABILITIES		
Due to Other Funds	\$ 104,145	\$ -
Funds Held for Other Organizations	-	<u>93,471</u>
Benefits Payable	<u>32,281</u>	
NET ASSETS	<u>\$ 6,575,491</u>	

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

	<u>OPEB Trust</u>
ADDITIONS	
Earnings on Investments	\$ 187,483
DEDUCTIONS	
Health Insurance Benefits	589,815
Miscellaneous	87
Total Deductions	<u>589,902</u>
Change in Net Assets	(402,419)
Net Assets - Beginning of Year	6,977,910
Net Assets - End of Year	<u>\$ 6,575,491</u>

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
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. 206 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments.

B. Financial Reporting Entity

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

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

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

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

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation

The district-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The fiduciary funds are only reported in the combining statement of fiduciary net assets at the fund financial statement level.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The District applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net assets are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Generally, the effect of material interfund activity has been removed from the district-wide financial statements.

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

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, 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.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

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

1. Revenue Recognition - Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenues.
2. Recording of Expenditures - Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

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

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds

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

Major Governmental Funds

General Fund - The General Fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations and pupil transportation activities of the District, as well as the capital related activities such as maintenance of facilities equipment purchases, health and safety projects, and disabled accessibility projects.

Food Service Special Revenue Fund - The Food Service Fund is used to account for food service revenues and expenditures. 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 credits.

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

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

Fiduciary Funds

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

Trust Fund - The Postemployment Benefits Irrevocable Trust Fund – This fund is used for reporting resources set aside and held in an irrevocable trust arrangement for postemployment benefits; mainly health insurance premiums. District contributions to this fund are reported as expenditures in an operating fund.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting

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

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

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

Budgeted amounts include interim budget amendments that increased and decreased revenue and expenditure budgets as follows:

	Original Budget	Amendments	Amended Budget
Revenues and Transfers In			
General Fund	\$ 38,280,968	\$ (347,610)	\$ 37,933,358
Special Revenue Funds			
Community Service Fund	1,409,453	123,155	1,532,608
Expenditures and Transfers Out			
General Fund	37,911,772	15,385	37,927,157
Special Revenue Funds			
Community Service Fund	1,389,665	159,466	1,549,131

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

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 accumulation of subsequent operating surpluses in accordance with a "special operating plan" approved by the commissioner of the Department of Education.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Investments

Cash balances consist of demand deposits and short-term investments with original maturities of three months or less. Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled cash and investment accounts 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.

G. Accounts Receivable

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

H. Inventories

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

I. Net OPEB Asset and Net Supplemental Pension Asset

The Net OPEB Asset represents contributions to the plan in excess of annual OPEB costs since the plan inception, adjusted by the cumulative net increases or decreases in Net OPEB Asset as shown in Note 11, C. The full OPEB liability is being amortized (phased-in) over a 30 year period beginning in fiscal 2008. The net supplemental Pension Asset represents contributions to the plan in excess of annual Pension costs since the plan inception, adjust by the cumulative net increases or decreases in Net Supplemental Pension Asset as shown in Note 12.

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.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
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 Board of Education in December each year and are certified to the County for collection the following calendar year. In Minnesota, counties act as collection agents for all property taxes and are responsible for spreading all levies over taxable property. Such taxes become a lien on January 1. Taxes are generally due on May 15 and October 15 and counties generally remit taxes to Districts at periodic intervals as they are collected. A portion of property taxes levied is paid through state credits which are included in revenue from state sources in the financial statements.

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as deferred revenue (property taxes levied for subsequent year). The majority of District revenue in the General Fund (and to a lesser extent in the District's Community Service Special Revenue Fund) is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift." In the Debt Service Fund, all property taxes collected in a calendar year are recorded as revenue in the fiscal year which begins July 1 of that calendar year.

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 \$365,571) for the District. Starting in fiscal year 2011, the shift was expanded to include all other general and community service fund levies. 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 advance recognition of tax revenue in the District's General Fund (and corresponding state aid holdback totaling \$1,939,495) and an increase in the District's Community Service Fund (and corresponding state aid holdback totaling \$200,035). 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. Certain other portions of the District's 2010 pay 2011 levy, normally revenue for the 2011-12 fiscal year, are also advance recognized as June 30, 2011, as required by state statute to match revenue with the same fiscal year as the related expenditures.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Property Taxes (Continued)

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.

M. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$10,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the district-wide financial statements, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

Capital assets not being depreciated include land and construction in progress.

The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

N. Long-Term Obligations

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

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Long-Term Obligations (Continued)

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.

O. Accrued Employee Benefits

Vacation Pay and Personal Leave

Vacation pay is charged to expense in the year earned. Full-time teachers are granted a leave of 2 teaching days per year (3 days after 15 years of service). Eligible teachers may accumulate personal leave as outlined in the master agreement. Any teacher eligible to accumulate personal days who has not used all available leave during the school year may choose to apply those days towards their accumulated personal days or be paid at the rate of \$90 per day. As of June 30, 2011, \$70,980 of vacation and personal leave pay was included in salaries payable.

Sick Pay

Sick pay is automatically granted at 13 days per year with an accumulation of up to 120 days. Upon accumulating 120 days of sick leave, each teacher will be eligible for a buy back for unused days to a maximum number of 10 days per year at a rate of \$90 per day. No sick pay was accrued at June 30, 2011.

Severance Pay

The District maintains various severance plans for its employee groups. Each employee group plan contains benefit formulas based on years of service and/or minimum age requirements. The related supplemental pension liability was actuarially determined, in accordance with GASB No. 27, at July 1, 2009 (See Note 12).

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. June 30, 2010 partial comparative fund balance data has been reclassified to be presented in accordance with GASB Statement No. 54.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Fund Balance (Continued)

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balances. Nonspendable portions of fund balance are related to prepaid items and inventories. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. The Board of Education passed a resolution authorizing the Superintendent and Business Manager to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts. 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.

It is also the District's policy to strive to maintain an unassigned General Fund balance ranging between 8.5% and 12.75% of the annual General Fund budgeted expenditures.

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; natural disasters and workers compensation. The District purchases commercial insurance coverage for such risks except for employee related dental insurance, which is self-insured by the District with stop-loss coverage to prevent the District from claims losses in excess of planned amounts.

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

R. Other Postemployment Benefits Payable

Under the provisions of the various employee and union contracts, the District provides Health coverage until age 65 if certain age and minimum years of service requirements are met. The amount to be incurred is limited as specified by contract. All premiums are funded on a pay-as-you-go basis, except for the amount of bond proceeds contributed to the postemployment benefits irrevocable trust. This amount was actuarially determined in accordance with GASB 45, at July 1, 2009.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Net Assets

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

The district-wide statement of net assets reports \$1,027,870 of restricted net assets, all of which is restricted by enabling legislation.

T. Comparative Data

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

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

A. Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following funds:

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund	\$ 37,927,157	\$ 39,450,812	\$ 1,523,655
Special Revenue Funds			
Food Service Fund	1,987,463	2,040,375	52,912

These overages were considered by District management to be the result of necessary expenditures critical to operations.

B. Due To/From Other Funds

<u>Receivable Fund:</u>	<u>Payable Fund:</u>			<u>Total</u>
	<u>OPEB Trust Fund</u>	<u>Capital Projects Fund</u>	<u>General Fund</u>	
General Fund	\$ 104,145	\$ 169,640	\$ -	\$ 273,785
Debt Service Fund	-	-	1,722,055	1,722,055
Total	<u>\$ 104,145</u>	<u>\$ 169,640</u>	<u>\$ 1,722,055</u>	<u>\$ 1,995,840</u>

The amount due to the Debt Service Fund represents short-term inter-fund borrowing to cover the General Fund's cash deficit at June 30, 2011. The amount due from the Capital Projects Fund to the General Fund represents expenditures paid by the General Fund to be reimbursed by the Capital Projects Fund. The amount due to the General Fund from the OPEB Trust Fund represents OPEB expenditures paid by the General Fund to be reimbursed by the OPEB Trust Fund.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

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

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

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

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

B. Investments

With the exception of the fiduciary funds held in the District's Other Postemployment Benefit Trust account, the District may also invest idle funds as authorized by Minnesota Statutes as follows:

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

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Fiduciary funds held in the District's Other Postemployment Benefit Trust account may be invested as authorized by *Minnesota Statutes* Chapter 356A.

At June 30, 2011, the District had the following investments:

	<u>Amortized Cost</u>
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	\$ 2,123,170
Municipal Securities	2,515,332
MN Trust Money Market	572,866
Repurchase Agreement	4,116,321
	\$ 9,327,689

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

The MN Trust Investment Share is a money market fund registered under the Investment Act of 1940, meets the conditions of rule 2a-7 of the SEC and holds investments with final maturities less than 13 months.

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 the market interest rates. Information about the sensitivity of the fair values of the District's investments to market interest rate risk fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Municipal Security	\$ 2,515,332	\$ -	\$ -	\$ 322,965	\$ 2,192,367
MSDLAF +	2,123,170	2,123,170	-	-	-
MN Trust Money Market	572,866	572,866	-	-	-
Repurchase Agreement	4,116,321	4,116,321	-	-	-
Total	\$ 9,327,689	\$6,812,357	\$ -	\$ 322,965	\$2,192,367

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Credit Risk – 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 District's investments as rated by Moody's Investors Services:

Type	Credit Quality Rating	Amount
Municipal Security	Aa2	\$ 748,169
Municipal Security	AAA	1,767,163
MSDLAF+	Aam	2,123,170
MN Trust Money Market	AAA	572,866

Concentration of Credit Risk – The District places no limit on the amount the District may invest in any one issuer. The following is a list of investments which individually comprise more than 5% of the District's total investments:

Type	Amount	Percentage
Osseo MN Indpt Sch Dist 279		
Taxable Ser A	\$ 748,169	8.02 %
West St Paul MN Indpt Sch	1,444,198	15.48
MSDLAF+	2,123,170	22.76
MN Trust Money Market	572,866	6.14
Repurchase Agreement	4,116,321	44.13

The deposits and investments are made up of the following:

Deposits	\$ 3,787,081
Investments	9,327,689
Total Cash and Investments	<u>\$ 13,114,770</u>

These amounts are presented in the financial statements as follows:

Cash and Investments - Governmental Balance Sheet	\$ 6,309,382
Cash and Investments - Statement of Fiduciary Net Assets	6,805,388
Total Cash and Investments	<u>\$ 13,114,770</u>

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 4 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 6,234,903	\$ -	\$ -	\$ 6,234,903
Construction in Progress	-	2,765,500	-	2,765,500
Total Capital Assets, Not Being Depreciated	6,234,903	2,765,500	-	9,000,403
Capital Assets, Being Depreciated				
Land Improvements	2,774,881	-	-	2,774,881
Buildings and Improvements	49,076,265	-	-	49,076,265
Equipment	9,916,718	966,101	(165,241)	10,717,578
Total Capital Assets, Being Depreciated	61,767,864	966,101	(165,241)	62,568,724
Accumulated Depreciation for				
Land Improvements	(2,337,037)	(71,402)	-	(2,408,439)
Buildings and Improvements	(15,275,634)	(881,388)	-	(16,157,022)
Equipment	(7,332,650)	(508,504)	165,241	(7,675,913)
Total Accumulated Depreciation	(24,945,321)	(1,461,294)	165,241	(26,241,374)
Total Capital Assets, Being Depreciated, Net	36,822,543	(495,193)	-	36,327,350
Governmental Activities Capital Assets, Net	\$ 43,057,446	\$ 2,270,307	\$ -	\$ 45,327,753

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

Governmental Activities	
Administration	\$ 1,614
District Support Services	110,846
Regular Instruction	8,684
Vocational Education Instruction	3,474
Special Education Instruction	1,344
Instructional Support Services	44,450
Pupil Support Services	222,139
Sites and Buildings	114,503
Unallocated	954,240
Total Depreciation Expense, Governmental Activities	<u>\$ 1,461,294</u>

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 5 SHORT-TERM LIABILITIES

A. Components of Short-Term Liabilities

The District issued \$2,963,822 in General Obligation Aid Anticipation Certificates of Indebtedness, Series 2009B on December 14, 2009 to provide cash flow needs, in accordance with Minnesota Statutes. The certificates have an interest rate of 2.0% and matured on September 10, 2010. The District issued \$1,967,639 in General Obligation Aid Anticipation Certificates of Indebtedness, Series 2010B on September 1, 2010 to provide cash flow needs, in accordance with Minnesota Statutes. The certificates have an interest rate of 2% and mature on September 1, 2011.

	2010	Additions	Retirements	2011
2011 Aid Anticipation Certificates	\$ 2,963,822	\$ 1,967,639	\$ 2,963,822	\$ 1,967,639

NOTE 6 LONG-TERM LIABILITIES

A. Components of Long-Term Debt

The District has issued general obligation school building bonds to finance the construction of capital facilities or refinance previous bond issues. Assets of the Debt Service Fund, together with scheduled future tax levies, are dedicated for the retirement of these bonds. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law. In addition, the District issued bonds in 2008 to fund the other postemployment benefits.

Issue Date	Net Interest Rate	Original Issue	Final Maturity	Principal Outstanding		
				Due Within One Year	Due in More Than One Year	Total
9/1/2007	3.75%	\$ 7,740,000	2/1/2013	\$ 1,620,000	\$ 1,670,000	\$ 3,290,000
1/9/2008	4.00% - 5.00%	23,590,000	2/1/2028	-	23,590,000	23,590,000
11/20/2008	6.00% - 7.00%	7,910,000	2/1/2029	245,000	7,400,000	7,645,000
12/15/2010	1.25%-4.5%	5,820,000	2/1/2025	-	5,820,000	5,820,000
Total General Obligation Bonds				1,865,000	38,480,000	40,345,000
Bond Premium - Net					864,330	864,330
Capital Lease Payable				169,570	330,216	499,786
				\$ 2,034,570	\$ 39,674,546	\$ 41,709,116

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

B. Minimum Debt Payments

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

Year Ending June 30	General Obligation Bonds Payable	
	Principal	Interest
2012	\$ 1,865,000	\$ 1,731,944
2013	1,930,000	1,818,438
2014	2,050,000	1,740,213
2015	2,115,000	1,670,688
2016	2,190,000	1,595,000
2017 - 2021	12,370,000	6,475,300
2022 - 2026	11,735,000	3,476,719
2027 - 2031	6,090,000	565,113
	\$ 40,345,000	\$ 19,073,415

C. Description of Long-Term Debt

General Obligation Bonds

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

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

On November 20, 2008, the District issued \$7,910,000 of General Obligation Bonds to provide resources for funding the Other Postemployment Benefit Trust.

On December 15, 2010, the District issued \$5,820,000 of Taxable General Obligation Alternative and Capital Facilities Bonds to provide resources for an improvement of indoor air quality at District schools and to finance the cost of capital improvements to replace various outdated energy systems.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Debt (Continued)

Benefits Payable

Full-time teachers and principals who have met certain requirements may be eligible to receive severance pay. The severance pay provision is computed as a multiple of five days pay for each full year of full time service, not to exceed one hundred days. This calculation total may be subject to a proration formula. Under the provisions of the various employee and union contracts the District provides lump sum severance benefits if certain age and minimum years of service requirements are met. See Note 12 for further information on this liability (asset).

D. Changes in Long-Term Debt

	June 30, 2010	Net Additions	Retirements	June 30, 2011
Bonds Payable	\$ 36,320,000	\$ 5,820,000	\$ 1,795,000	\$ 40,345,000
Bond Premium (Discount)	925,812	-	61,482	864,330
Capital Leases Payable	84,741	586,667	171,622	499,786
Supplemental Benefits Payable	4,624	199,854	204,478	-
	<u>\$ 37,335,177</u>	<u>\$ 6,606,521</u>	<u>\$ 2,232,582</u>	<u>\$ 41,709,116</u>

NOTE 7 CAPITAL LEASES

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

Year Ending June 30	Capital Leases Payable	
	Principal	Interest
2012	\$ 169,570	\$ 16,234
2013	175,909	9,897
2014	151,565	1,726
2015	2,742	8
	<u>\$ 499,786</u>	<u>\$ 27,865</u>

The District had \$189,252 of expenditures, which includes interest of \$17,630, for these leases in fiscal year 2011. The cost of the capitalized assets is \$812,857 and the accumulated depreciation is \$193,524 at June 30, 2011.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 8 OPERATING LEASES

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

<u>Year Ending June 30,</u> 2012	<u>\$ 54,175</u>
-------------------------------------	------------------

The District had \$54,175 of expenditures for these leases in fiscal year 2011.

NOTE 9 RESTRICTED 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. The following is a summary of the restricted fund balances for the governmental funds:

A. Restricted for Staff Development

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

B. Restricted for Health and Safety

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

C. Restricted for Deferred Maintenance

The fund balance reservation represents unspent levy for maintenance.

D. Restricted for Operating Capital

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

E. Restricted for Community Education Programs

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

F. Restricted for Early Childhood and Family Education Programs

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

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 9 RESTRICTED FUND BALANCES (CONTINUED)

G. Restricted for School Readiness

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

H. Restricted for Other Purposes

Restricted for other purpose represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

NOTE 10 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 follow:

A. Teacher's Retirement Association (TRA)

1. Plan Description

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

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

TRA publicly issues a Comprehensive Annual Financial Report (CAFR) presenting financial statements, supplemental information on funding levels, investment performance, and further information on benefits provisions. The report may be accessed at the TRA Web site www.tra.state.mn.us. Alternatively, a copy of the report may be obtained by writing or calling TRA at Teachers Retirement Association, 60 Empire Drive Suite 400, St Paul MN 55103-1855 or by calling (651) 296-6449 or (800) 657-3853.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 10 RETIREMENT PLANS (CONTINUED)

A. Teachers 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.

The District is required to contribute the following percentages of annual covered payroll: 5.5% for Coordinated Plan members and 9.5% for Basic plan members. The contribution requirements of plan members and the District are established and may be amended by State Statute. Total covered payroll salaries for all TRA members statewide during fiscal year ended June 30, 2010 was approximately \$3.76 billion. The District contributions for the years ended June 30, 2011, 2010 and 2009 were \$1,050,874, \$1,036,124, and \$1,019,753, 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 District (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. The report may be obtained on the web at www.mnpera.org, by writing to PERA at 60 Empire Drive Suite 200, St. Paul, MN 55103-2088, or by calling (651) 296-7460 or (800) 652-9026.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 10 RETIREMENT PLANS (CONTINUED)

B Public Employees Retirement Association (PERA) (Continued)

2. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by State Statutes. GERS Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 6.00%, respectively, of their annual covered salary. Employee contribution rates for the Coordinated Plan increased to 6.25% effective January 1, 2011.

The District was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERS members, 7.00% for Coordinated Plan GERS members. Employer contribution rates for the Coordinated Plan increased to 7.25% effective January 1, 2011. The District's contributions to the General Employees' Retirement Fund for the years ending June 30, 2011, 2010, and 2009, were \$361,469, \$396,087, and \$369,177, respectively. The District's contributions were 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 date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. Contributions are invested in tax deferred annuities selected and owned by Plan participants. The District contributions for the years ended June 30, 2011, 2010, and 2009 are \$259,286, \$243,765, and \$242,945, respectively.

NOTE 11 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The District operates a single-employer retiree benefit plan ("the Plan") that provides health and dental insurance to eligible employees and their spouses through the District's health insurance and self-insured dental plan. There are 443 active participants, 59 retired participants and 16 spouses of retired participants. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 11 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

B. Funding Policy

Contribution requirements are also negotiated between the District and union representatives. The District contributes 67% - 100% of the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2011, the District contributed \$0 to the plan, with current year benefits paid out of the trust.

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	\$ 567,359
Interest on Net OPEB Obligation	(266,873)
Adjustment to Annual Required Contribution	362,180
Annual OPEB Cost	<u>662,666</u>
Contributions During the Year	-
Increase in Net OPEB Obligation	<u>662,666</u>
Net OPEB - Beginning of Year	(5,930,503)
Net OPEB - End of Year	<u><u>\$ (5,267,837)</u></u>

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:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB (Asset) / Obligation
6/30/2011	\$ 662,666	- %	\$ (5,267,837)
6/30/2010	603,242	-	(5,930,503)
6/30/2009	841,878	(776.1)	(6,533,745)
6/30/2008	847,763	46.1	390,890

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 11 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$9,083,042, and the actuarial value of assets was \$7,355,603, resulting in an unfunded actuarial accrued liability (UAAL) was of \$1,727,439. The covered payroll (annual payroll for active employees covered by the plan) was \$20,213,404 for a ratio of UAAL to covered payroll of 8.55%

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.

In the July 1, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 9%, reduced by decrements to an ultimate rate of 5% after nine years. The UAAL is being amortized as a level percentage of projected payrolls on an open basis over a 30 year period.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 12 SUPPLEMENTAL BENEFIT PLAN

A. Plan Description

The District provides a defined contribution supplemental pension benefit to certain eligible employees. All of the pension benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements.

B. Funding Policy

Payments under the plan are made on a pay-as-you go basis. There are no invested plan assets accumulated for payment of future benefits. The General Fund is used for funding of all pension/retirement benefits. The employer makes all contributions.

C. Annual Pension Cost and Net Pension Obligation

The District's annual pension cost (expense) is calculated based on annual required contributions (ARC) of the District, an amount determined on an actuarially determined basis in accordance with the parameters of GASB Statement No. 27. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual pension cost for the year, the amount actually contributed to the plan, and the changes in the District net pension obligation to the plan:

Annual Required Contribution	\$ 200,011
Interest on Net Pension Obligation	208
Adjustment to Annual Required Contribution	<u>(365)</u>
Annual Pension Cost (Expense)	199,854
Contributions Made	<u>(488,445)</u>
Decrease in Net OPEB Obligation	(288,591)
Net Pension Obligation - Beginning of Year	<u>4,624</u>
Net Pension Obligation (Asset) - End of Year	<u><u>\$ (283,967)</u></u>

The District's annual Pension cost, the percentage of annual Pension cost contributed to the plan, and the net Pension obligation for the past three years are as follows:

Fiscal Year Ended	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension (Asset) / Obligation
6/30/2011	\$ 199,854	244.4 %	\$ (283,967)
6/30/2010	198,685	142.0	4,624
6/30/2009	166,660	47.2	88,028

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 12 SUPPLEMENTAL BENEFIT PLAN (CONTINUED)

D. Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$ 1,941,469, and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,941,469. The covered payroll (annual payroll of active employees covered by the plan) was \$20,577,111, and the ratio of the UAAL to the covered payroll was 9.44%.

E. Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability occurrence of events far into the future. Examples include assumptions about future employment and mortality. Amounts determined regarding the funded status of the plan and then 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 included as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

The annual required contribution for the current year was determined as part of the July 1, 2009 actuarial valuation using the projected unit actuarial cost method. The actuarial assumptions included a 4.5% discount rate, 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 and projected salary increases at 3.0%.

The actuarial methods and assumptions include techniques that are designed to reduce the effect of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations. The unfunded actuarial accrued liability is being amortized as a level dollar amount of projected payroll over a 30 year period.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 13 JOINT VENTURES

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

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

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

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

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

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

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 14 COMMITMENTS AND CONTINGENCIES

Federal and State Receivables

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

Outstanding Commitments

The District is committed to various contractors in the amount of \$3,026,379 relating to the indoor air quality upgrade and other capital improvement projects for which new bonds were issued in the current year.

NOTE 14 SUBSEQUENT EVENTS

On August 25, 2011, the District issued \$3,438,321 G.O. Aid Anticipation Certificates of Indebtedness, Series 2011B. The Certificate has an interest rate of 2% and is due on September 9, 2012.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Sources				
Property Taxes	\$ 4,314,779	\$ 3,930,668	\$ 5,447,584	\$ 1,516,916
Earnings on Investments	15,000	15,000	31,724	16,724
Other	926,412	982,211	1,231,372	249,161
State Sources	28,724,769	29,164,553	27,476,227	(1,688,326)
Federal Sources	4,300,008	3,840,926	3,495,626	(345,300)
Total Revenues	<u>38,280,968</u>	<u>37,933,358</u>	<u>37,682,533</u>	<u>(250,825)</u>
EXPENDITURES				
Current:				
Administration	1,445,461	1,501,330	1,524,217	22,887
District Support Services	823,961	900,842	898,224	(2,618)
Regular Instruction	18,352,913	17,475,990	17,849,132	373,142
Vocational Education Instruction	432,234	486,332	430,222	(56,110)
Special Education Instruction	8,753,698	9,132,187	9,310,661	178,474
Instructional Support Services	1,306,815	1,578,977	1,653,344	74,367
Pupil Support Services	2,016,089	2,135,157	2,474,733	339,576
Sites and Buildings	2,626,903	2,653,415	2,900,305	246,890
Fiscal and Other Fixed Cost Programs	414,507	303,419	70,327	(233,092)
Capital Outlay	1,507,622	1,527,939	2,108,078	580,139
Debt Service				
Principal	171,622	171,622	171,622	-
Interest and Fiscal Charges	59,947	59,947	59,947	-
Total Expenditures	<u>37,911,772</u>	<u>37,927,157</u>	<u>39,450,812</u>	<u>1,523,655</u>
Excess (Deficiency) of Revenues Over Expenditures	369,196	6,201	(1,768,279)	(1,774,480)
OTHER FINANCING SOURCES				
Capital Lease Proceeds	-	-	613,882	613,882
Insurance Recovery Proceeds	10,000	10,000	26,180	16,180
Total Other Financing Sources	<u>10,000</u>	<u>10,000</u>	<u>640,062</u>	<u>630,062</u>
NET CHANGE IN FUND BALANCE	<u>\$ 379,196</u>	<u>\$ 16,201</u>	<u>(1,128,217)</u>	<u>\$ (1,144,418)</u>
Fund Balance - Beginning of Year			<u>3,233,514</u>	
FUND BALANCE - END OF YEAR			<u>\$ 2,105,297</u>	

Note to Budgetary Comparison Schedule - The Budget is prepared using the modified accrual basis of accounting which is the same basis as the fund financial statements.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
REVENUES				
Local Sources				
Earnings on Investments	\$ 16,000	\$ 16,000	\$ 539	\$ (15,461)
Other - Primarily Meal Sales	1,208,999	1,208,999	1,162,206	(46,793)
State Sources	100,639	100,639	95,470	(5,169)
Federal Sources	661,825	661,825	830,977	169,152
Total Revenues	<u>1,987,463</u>	<u>1,987,463</u>	<u>2,089,192</u>	<u>101,729</u>
EXPENDITURES				
Current				
Salaries	580,302	580,302	590,980	10,678
Employee Benefits	154,970	154,970	169,534	14,564
Purchased Services	89,300	89,300	127,396	38,096
Supplies and Materials	1,144,691	1,144,691	1,110,805	(33,886)
Other Expenditures	1,200	1,200	-	(1,200)
Capital Outlay	17,000	17,000	41,660	24,660
Total Expenditures	<u>1,987,463</u>	<u>1,987,463</u>	<u>2,040,375</u>	<u>52,912</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	48,817	<u>\$ 48,817</u>
FUND BALANCE				
Beginning of Year			<u>477,156</u>	
End of Year			<u>\$ 525,973</u>	

Note to Budgetary Comparison Schedule - The Budget is prepared using the modified accrual basis of accounting which is the same basis as the fund financial statements.

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local Sources				
Property Taxes	\$ 412,330	\$ 391,018	\$ 592,168	\$ 201,150
Earnings on Investments	7,000	7,000	453	(6,547)
Other - Primarily Tuition and Fees	655,800	655,803	709,914	54,111
State Sources	327,884	472,348	276,070	(196,278)
Federal Sources	6,439	6,439	6,437	(2)
Total Revenues	<u>1,409,453</u>	<u>1,532,608</u>	<u>1,585,042</u>	<u>52,434</u>
EXPENDITURES				
Current				
Community Service	1,367,825	1,527,291	1,519,974	(7,317)
Capital Outlay	21,840	21,840	20,850	(990)
Total Expenditures	<u>1,389,665</u>	<u>1,549,131</u>	<u>1,540,824</u>	<u>(8,307)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 19,788</u>	<u>\$ (16,523)</u>	44,218	<u>\$ 60,741</u>
Fund Balance - Beginning of Year			<u>180,369</u>	
FUND BALANCE - END OF YEAR			<u>\$ 224,587</u>	

Note to Budgetary Comparison Schedule – The Budget is prepared using the modified accrual basis of accounting which is the same basis as the fund financial statements

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
SCHEDULE OF FUNDING PROGRESS
YEAR ENDED JUNE 30, 2011**

Schedule of Funding Progress - Other Postemployment Benefits

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)
7/1/2009	\$7,355,603	\$9,083,042	\$ 1,727,439	0.8 %	\$ 20,213,404	8.5 %
7/1/2007	-	7,766,513	7,766,513	-	21,521,280	34.0

Schedule of Funding Progress - Supplemental Pension

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)
7/1/2009	\$ -	\$1,941,469	\$ 1,941,469	- %	\$ 20,577,111	9.4 %
7/1/2007	-	1,466,309	1,466,309	-	19,636,421	7.5

OTHER SUPPLEMENTARY INFORMATION

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2011**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Regular Debt Service</u>	<u>OPEB Debt Serv Account</u>	<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
REVENUES						
Local Sources						
Property Tax	\$ 3,735,043	\$ 3,242,469	\$ 2,498,453	\$ 754,135	\$ 3,252,588	\$ 10,119
Earnings on Investments	5,000	5,000	459	-	459	(4,541)
Other	-	1	-	-	-	(1)
State Sources	<u>146,450</u>	<u>181,764</u>	<u>139,577</u>	<u>42,152</u>	<u>181,729</u>	<u>(35)</u>
Total Revenues	<u>3,886,493</u>	<u>3,429,234</u>	<u>2,638,489</u>	<u>796,287</u>	<u>3,434,776</u>	<u>5,542</u>
EXPENDITURES						
Debt Service:						
Bond Principal	1,795,000	1,795,000	1,560,000	235,000	1,795,000	-
Bond Interest	1,804,544	1,804,544	1,283,094	521,449	1,804,543	(1)
Paying Agent Fees and Other	<u>1,000</u>	<u>6,000</u>	<u>6,525</u>	<u>-</u>	<u>6,525</u>	<u>525</u>
Total Expenditures	<u>3,600,544</u>	<u>3,605,544</u>	<u>2,849,619</u>	<u>756,449</u>	<u>3,606,068</u>	<u>524</u>
OTHER FINANCING SOURCES						
Bond Proceeds	<u>-</u>	<u>-</u>	<u>5,820</u>	<u>-</u>	<u>5,820</u>	<u>5,820</u>
NET CHANGE IN FUND BALANCE	<u>\$ 285,949</u>	<u>\$ (176,310)</u>	<u>(205,310)</u>	<u>39,838</u>	<u>(165,472)</u>	<u>\$ 10,838</u>
Fund Balance - Beginning			<u>880,088</u>	<u>6,134</u>	<u>886,222</u>	
FUND BALANCE - ENDING			<u>\$ 674,778</u>	<u>\$ 45,972</u>	<u>\$ 720,750</u>	

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
JUNE 30, 2011**

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenues	\$ 37,708,713	\$ 37,708,709	\$ 4	Total Revenues	\$ 1,413	\$ 1,413	\$ -
Total Expenditures	39,450,812	39,450,812	-	Total Expenditures	3,377,539	3,377,539	-
Non Spendable:				Non Spendable:			
460 Non Spendable Fund Balance	107,275	107,275	-	460 Non Spendable Fund Balance	-	-	-
Restricted/Reserved:				Restricted/Reserved:			
403 Staff Development	-	-	-	407 Capital Projects Levy	-	-	-
405 Deferred Maintenance	65,910	65,910	-	409 Alternative Fac. Program	-	-	-
406 Health & Safety	19,528	19,528	-	413 Projects Funded by COP/LP	-	-	-
407 Capital Project Levy	-	-	-	Restricted:			
408 Cooperative Rev.	-	-	-	464 Restricted	3,013,674	3,013,674	-
409 Alternative Facilities	-	-	-	Unassigned:			
413 Projects Funded by COP/LP	-	-	-	463 Unassigned	-	-	-
414 Operating Debt	-	-	-				
416 Levy Reduction	-	-	-	07 DEBT SERVICE			
417 Excess Taconite Building Maint. Funds	-	-	-	Total Revenues	2,638,489	2,638,490	(1)
423 Certain Teacher Programs	-	-	-	Total Expenditures	2,849,619	2,849,619	-
424 Operating Capital	-	-	-	Non Spendable:			
426 \$25 Taconite	188,814	188,814	-	460 Non Spendable Fund Balance	-	-	-
427 Disabled Accessibility	-	-	-	Restricted/Reserved:			
428 Learning & Development	-	-	-	425 Bond Refundings	-	-	-
434 Area Learning Center	-	-	-	451 QZAB and QSCB Payments	-	-	-
435 Contracted Alt. Programs	-	-	-	Restricted:			
436 St. Approved Alt. Prog.	-	-	-	464 Restricted	674,778	674,779	(1)
438 Gifted & Talented	-	-	-	Unassigned:			
441 Basic Skills	-	-	-	463 Unassigned	-	-	-
445 Career and Technical Programs	-	-	-				
449 Safe Schools Levy	-	-	-	08 TRUST			
450 Pre-Kindergarten	-	-	-	Total Revenues	-	-	-
451 QZAB Payments	-	-	-	Total Expenditures	-	-	-
452 OPEB Liab. Not in Trust	-	-	-	422 Net Assets	-	-	-
453 Unfunded Sev & Retirement Levy	-	-	-				
Restricted:				20 INTERNAL SERVICE			
464 Restricted Fund Balance	-	-	-	Total Revenues	-	-	-
Assigned:				Total Expenditures	-	-	-
462 Assigned Fund Balance	-	-	-	422 Net Assets	-	-	-
Unassigned:							
422 Unassigned	1,723,770	1,723,770	-	25 OPEB REVOCABLE TRUST			
				Total Revenues	-	-	-
02 FOOD SERVICE				Total Expenditures	-	-	-
Total Revenues	2,089,192	2,089,194	(2)	422 Net Assets	-	-	-
Total Expenditures	2,040,375	2,040,376	(1)				
Non Spendable:				45 OPEB IRREVOCABLE TRUST			
460 Non Spendable Fund Balance	16,389	16,389	-	Total Revenues	187,483	187,483	-
Restricted/Reserved:				Total Expenditures	589,902	589,900	2
452 OPEB Liab. Not in Trust	-	-	-	422 Net Assets	6,575,491	6,575,492	(1)
Reserve:							
464 Restricted	509,584	509,586	(2)	47 OPEB DEBT SERVICE			
Unassigned:				Total Revenues	796,287	796,286	1
463 Unassigned	-	-	-	Total Expenditures	756,449	756,450	(1)
				Non Spendable:			
04 COMMUNITY SERVICE				460 Non Spendable Fund Balance	-	-	-
Total Revenues	1,585,042	1,585,042	-	Restricted:			
Total Expenditures	1,540,824	1,540,824	-	425 Bond Refundings	-	-	-
Non Spendable:				464 Restricted	45,972	45,974	(2)
460	-	-	-	Unassigned:			
Restricted/Reserved:				463 Unassigned	-	-	-
426 \$25 Taconite	-	-	-				
431 Community Education	75,034	75,034	-	FY11 OPERATING CAPITAL TRANSFER			
432 E.C.F.E.	53,402	53,402	-	Per Pupil Amount	\$ -	-	-
444 School Readiness	48,053	48,053	-	AMCPU	-	-	-
447 Adult Basic Education	-	-	-	Total Transfer	\$ -	-	-
452 OPEB Liab. Not in Trust	-	-	-				
Restricted:							
464 Restricted	48,098	48,097	1				
Unassigned:							
463 Unassigned	-	-	-				

SINGLE AUDIT AND OTHER REQUIRED REPORTS

**REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 206 as of and for the year ended June 30, 2011, which collectively comprise Independent School District No. 206's basic financial statements and have issued our report thereon dated November 29, 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 Independent School District No. 206's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 combination of control 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. We consider the deficiencies in the accompanying Schedule of Findings and Questioned Costs listed as items 2011-01 and 2011-02 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Independent School District No. 206's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



LarsonAllen LLP

Alexandria, Minnesota
November 29, 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. 206
Alexandria, Minnesota

Compliance

We have audited the compliance of the Independent School District No. 206 with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Independent School District no. 206's major federal programs for the year ended June 30, 2011. Independent School District No. 206's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to the major federal program is the responsibility of Independent School District No. 206's management. Our responsibility is to express an opinion on Independent School District No. 206's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Independent School District No. 206's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, Independent School District No. 206 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of non compliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-03 through 2011-05, 2011-08 and 2011-09.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2011-08 and 2011-09 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2011-03 through 2011-07 to be significant deficiencies.

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

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



LarsonAllen LLP

Alexandria, Minnesota
November 29, 2011

**ALEXANDRIA PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011**

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture		
Passed Through Minnesota Department of Education		
Child Nutrition Cluster:		
Non-Cash Assistance (Commodities):		
National School Lunch Program	10.555	\$ 63,121
Cash Assistance:		
School Breakfast Program	10.553	105,524
National School Lunch Program	10.555	662,332
Cash Assistance Subtotal		<u>767,856</u>
Total U.S. Department of Agriculture		830,977
U.S. Department of Education		
Passed Through Minnesota Department of Education:		
Cash Assistance		
Adult Basic Education Formula Revenue	84.002	6,437
Title II - Improving Teacher Quality State Grants	84.367	150,984
ARRA Education Jobs Fund	84.410	441,387
Cash Assistance Subtotal		<u>598,808</u>
Cash Assistance Clustered Programs:		
Special Education Cluster		
Special Education	84.027	1,446,994
ARRA - Targeted Fund - IDEA Part B 611	84.391	728,849
Special Education Preschool Grants	84.173	53,752
ARRA - Targeted Fund - IDEA Part B 619	84.392	46,391
Early Intervention Services (IDEA) Cluster		
Special Education Grants for Infants and Families with Disabilities	84.181	78,290
ARRA - Targeted Fund - IDEA part C	84.393	10,377
Title I, Part A Cluster		
Title I, Part A	84.010	417,097
ARRA Title I	84.389	121,505
Clustered Programs Subtotal		<u>2,903,255</u>
Total U.S. Department of Education		<u>3,502,063</u>
Total Federal Awards Expended		<u>\$ 4,333,040</u>

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. 206.

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:

The pass-through entity identifying number is unknown.

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REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 206 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 29, 2011.

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

The *Minnesota Legal Compliance Audit Guide for 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, uniform financial accounting and reporting standards for school districts and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that, with respect to the items tested, Independent School District No. 206 complied with the material terms and conditions of applicable legal provisions, except for findings 2011-10 and 2011-11 as described in the accompanying schedule of findings and questioned costs.

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



LarsonAllen LLP

Alexandria, Minnesota
November 29, 2011



**ALEXANDRIA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

PART I: SUMMARY OF AUDITOR'S RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Independent School District No. 206.
2. Two material weaknesses in internal control over financial reporting were disclosed during the audit of the financial statements and are listed as Findings 2011-01 and 2011-02.
3. No instances of noncompliance material to the financial statements of Independent School District No. 206 were disclosed during the audit.
4. Two material weaknesses and five significant control deficiencies were disclosed during the audit of the major federal award programs. These are listed as Findings 2011-08, 2011-09, 2011-03 through 2011-07.
5. The auditors' report on compliance for the major federal award programs for Independent School District No. 206 expresses an unqualified opinion.
6. There were five audit findings relative to the major federal award programs for Independent School District No. 206 disclosed during the audit and are listed as Findings 2011-03 through 2011-05, 2011-08 and 2011-09.
7. The following programs tested as major programs include:

Special Education Cluster:

Special Education Grants to States	CFDA #84.027
ARRA Targeted Fund – IDEA Part B 611	CFDA #84.391
Special Education Preschool Grants	CFDA #84.173
ARRA Targeted Fund – IDEA Part B 619	CFDA #84.392

Education Jobs Fund	CFDA #84.410
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Title I Cluster:

Title I, Part A	CFDA #84.010
ARRA Title I	CFDA #84.389

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Independent School District No. 206 was not determined to be a low-risk auditee.

**ALEXANDRIA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

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

2011-01 ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) (MATERIAL AUDIT ADJUSTMENT)

- Condition:** The financial statements required material audit adjustments.
- Criteria:** The District must be able to prevent or detect a material misstatement in the annual financial statements including footnote disclosures.
- Effect:** The financial statements would have been misstated without the audit entries.
- Cause:** The District made errors in posting some entries.
- Recommendation:** The District should review certain areas of the financial information more closely.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

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

Official Responsible for Ensuring CAP:

Trevor Peterson, Business Manager, is the official responsible for ensuring corrective action of the deficiency.

Planned Completion Date for CAP:

The CAP is ongoing.

Plan to Monitor Completion of CAP:

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

**ALEXANDRIA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

**PART II: FINDINGS RELATED TO INTERNAL CONTROL OVER FINANCIAL REPORTING
(CONTINUED):**

**2011-02 ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING
PRINCIPLES (GAAP) (PREPARATION OF FINANCIAL STATEMENTS)**

Condition: The District does not have an internal control policy in place over annual financial reporting, therefore, the potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the District's internal controls.

Criteria: The District must be able to prevent or detect a material misstatement in the annual financial statements including footnote disclosures.

Effect: The District relies on the audit firm to prepare the financial statements.

Cause: The District relies on the audit firm to prepare the annual financial statements and related footnote disclosures. However, they have reviewed and approved the annual financial statements and related footnote disclosures.

Recommendation: The District should continue to evaluate their internal staff, expertise, and assigned duties to determine if an internal control policy over the annual financial reporting is beneficial.

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 continue to rely upon the audit firm to prepare the financial statements and related footnote disclosures and will review and approve these prior to the issuance of the annual financial statements.

Official Responsible for Ensuring CAP:

The District's Superintendent is the official responsible for ensuring corrective action of the deficiency.

Planned Completion Date for CAP:

The corrective action plan will be implemented during the year ended June 30, 2012.

Plan to Monitor Completion of CAP:

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

**ALEXANDRIA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

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

2011-03: PAYROLL CERTIFICATIONS – SPECIAL EDUCATION CLUSTER CFDA #84.027, 84.391, 84.173, 84.392 AND TITLE I CLUSTER CFDA #84.010, 84.389

- Criteria:** OMB Circular A-87, Attachment B, Section 11h, requires semi-annual payroll certifications to be prepared for employees who work solely on a single Federal award, signed either by the employee or the employee's direct supervisor. When employees work on multiple programs, the employee's time must be supported by approved time studies or timesheets in accordance with specifications contained in the Circular.
- Condition:** We tested special education cluster and title I expenditures. Included in these expenditures, we noted three of six employees coded within the payroll system as working on special education and six of twelve employees coded within the payroll system as working on title I that did not have payroll certifications prepared to support the salaries paid, time studies, or timesheets.
- Cause:** The District's controls were not implemented correctly to identify all of the employees that were required to prepare payroll certifications, time studies or timesheets.
- Effect:** The potential exists that an employee's time could be expensed improperly and not be prevented, or detected and corrected, by the District' internal controls.
- Recommendation:** We recommend the District implement tighter controls that will identify all employees that required monthly or semi-annual time certifications.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The Administration will obtain the semiannual payroll certifications for all employees fully funded by federal programs beginning in fiscal year 2011-12.

Official Responsible for Ensuring CAP:

The Special Education Program Director and the Director of Teaching and Learning are the officials 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.

**ALEXANDRIA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

**PART III: FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
(CONTINUED):**

**2011-04: EMPLOYEE CODING – SPECIAL EDUCATION CLUSTER CFDA #84.027, 84.391,
84.173, 84.392**

Criteria: The special education cluster grant states that an employee coded to this grant must work within special education in order to be properly charged and reimbursed for their work.

Condition: We tested special education cluster expenditures. Included in these expenditures, we noted one employee coded within the payroll system as working on special education that was not working in the special education department.

Cause: The District's controls were not implemented correctly to identify all of the employees that were working within the special education department.

Effect: The District received reimbursement for an employee who was not working on the grant. The District did have another employee who was working in the special education department that the District did not get reimbursement for their services. This offset the incorrectly coded employee which caused the reimbursement requested to be under \$10,000 of questioned costs.

Questioned Costs: Under \$10,000

Recommendation: We recommend the District implement tighter controls that will identify all employees that are working within the special education department.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The Administration will implement tighter controls for all employees coded to federal programs beginning in fiscal year 2011-12 to ensure that the District is being reimbursed for allowable expenditures.

Official Responsible for Ensuring CAP:

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

Planned Completion Date for CAP:

The planned completion date is June 30, 2012.

**ALEXANDRIA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

**PART III: FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
(CONTINUED):**

**2011-04: EMPLOYEE CODING – SPECIAL EDUCATION CLUSTER (CONTINUED)
CFDA #84.027, 84.391, 84.173, 84.392**

CORRECTIVE ACTION PLAN (CAP) (CONTINUED):

Plan to Monitor Completion of CAP:

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

**2011-05: IEP REQUIREMENTS – SPECIAL EDUCATION CLUSTER CFDA #84.027, 84.391,
84.173, 84.392**

Criteria: The District should have controls in place to ensure that the student IEPs have all the required information.

Condition: During our testing it was noted that five of forty students tested did not have a signed parent consent form within the IEP file. It was also noted that three of forty students tested did not have appropriate objective criteria and evaluation procedures in their IEP file.

Cause: The District's controls are not adequate to ensure that the IEP file has all of the required information.

Effect: The District could receive funding for students not eligible.

Recommendation: We recommend the District implement tighter controls over the IEP process.

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 and update their procedures related to the completed IEPs.

Official Responsible for Ensuring CAP:

The Special Education Program Director 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.

**ALEXANDRIA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

**PART III: FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
(CONTINUED):**

**2011-06: CONTROLS OVER REIMBURSEMENT REQUESTS – SPECIAL EDUCATION CLUSTER
CFDA #84.027, 84.391, 84.173, 84.392, TITLE I CLUSTER CFDA #84.010, 84.389 AND
EDUCATION JOBS FUNDING (ARRA) CFDA #84.410**

Criteria: OMB Circular A-133 requires recipients of federal funds to have appropriate internal controls to prevent, or detect and correct, any material noncompliance in a time manner.

Condition: Reimbursement requests are prepared and submitted by the same individual. The reports are not reviewed by another responsible official.

Cause: The District's controls are not adequate to ensure that all reimbursement requests are submitted both timely and accurately.

Effect: The potential exists that a material noncompliance could occur and not be prevented, or detected and corrected, by the District's internal controls.

Recommendation: We recommend that the District design and implement internal controls that would be sufficient to prevent, or detect and correct, any noncompliance that may occur.

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 and update their procedures related to additional review of reimbursement requests.

Official Responsible for Ensuring CAP:

The Business Manager, Special Education Director and Director of Teaching and Learning are the officials 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 Business Manager and Superintendent will be monitoring this corrective action plan.

**ALEXANDRIA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

**PART III: FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
(CONTINUED):**

2011-07: CONTROLS OVER REQUIRED REPORTS – SPECIAL EDUCATION CLUSTER CFDA #84.027, 84.391, 84.173, 84.392 AND EDUCATION JOBS FUNDING (ARRA) CFDA #84.410

Criteria: OMB Circular A-133 requires recipients of federal funds to have appropriate internal controls to prevent, or detect and correct, any material noncompliance in a timely manner.

Condition: Reports required by Section 1512 of ARRA for Education Jobs Funding are prepared and submitted by the same individual. The reports are not reviewed by another responsible official. Reports required by Section 1512 of ARRA for Special Education are not being prepared and submitted.

Cause: The District's controls are not adequate to ensure that all required reports are submitted both timely and accurately.

Effect: The potential exists that a material noncompliance could occur and not be prevented, or detected and corrected, by the District's internal controls.

Recommendation: We recommend that the District design and implement internal controls that would be sufficient to prevent, or detect and correct, any noncompliance that may occur.

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 and update their procedures related to submission and review of all required reporting.

Official Responsible for Ensuring CAP:

The Business Manager and Special Education Director are the officials 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 Business Manager and Superintendent will be monitoring this corrective action plan.

**ALEXANDRIA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

**PART III: FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
(CONTINUED):**

2011-08: PAYROLL CERTIFICATIONS – EDUCATION JOBS FUNDING (ARRA) CFDA #84.410

- Criteria:** OMB Circular A-87, Attachment B, Section 11h, requires semi-annual payroll certifications to be prepared for employees who work solely on a single Federal award, signed either by the employee or the employee's direct supervisor. When employees work on multiple programs, the employee's time must be supported by approved time studies or timesheets in accordance with specifications contained in the Circular.
- Condition:** Semi-annual time certifications and/or personnel activity reports for the Education Jobs Funding (ARRA) program were not completed by employees.
- Cause:** The District relied on guidance from the Minnesota Department of Education which indicated that this compliance requirement was not applicable to the Education Jobs Funding (ARRA) program. Guidance from the U.S. Department of Education indicates that it does apply.
- Effect:** The potential exists that an employee's time could be expensed improperly and not be prevented, or detected and corrected, by the District's internal controls.
- Recommendation:** We recommend that the District perform a higher level of due diligence in regards to compliance requirements when applying for and obtaining new federal grants. While the Minnesota Department of Education is the proper source for compliance requirements on certain topics, it is a best practice to become familiar with the various applicable Office of Management and Budget Circulars, specifically OMB Circular A-133 and OMB Circular A-87, which apply directly to the District and the federal grants that it receives.

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 consider a wider range of sources for information on applicability of various compliance requirements when applying for and obtaining new federal grants.

Official Responsible for Ensuring CAP:

The Business Manager is the official responsible for ensuring corrective action of the deficiency.

**ALEXANDRIA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

**PART III: FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
(CONTINUED):**

**2011-08: PAYROLL CERTIFICATIONS – EDUCATION JOBS FUNDING (ARRA) (CONTINUED)
CFDA #84.410**

CORRECTIVE ACTION PLAN (CAP) (CONTINUED):

Planned Completion Date for CAP:

The planned completion date is June 30, 2012.

Plan to Monitor Completion of CAP:

The Superintendent will be monitoring this corrective action plan.

**2011-09: CONTROLS OVER REQUIRED REPORTS – SPECIAL EDUCATION CLUSTER
CFDA #84.027, 84.391, 84.173, 84.392**

Criteria: OMB Circular A-133 requires recipients of federal funds to have appropriate internal controls to prevent, or detect and correct, any material noncompliance in a timely manner.

Condition: Reports required by Section 1512 of ARRA for Special Education are not being prepared or submitted quarterly.

Cause: The District's controls are not adequate to ensure that all required reports are submitted both timely and accurately.

Effect: The potential exists that a material noncompliance could occur and not be prevented, or detected and corrected, by the District's internal controls.

Recommendation: We recommend that the District design and implement internal controls that would be sufficient to prevent, or detect and correct, any noncompliance that may occur.

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 and update their procedures related to submission and review of all required reporting.

Official Responsible for Ensuring CAP:

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

**ALEXANDRIA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

**PART III: FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
(CONTINUED):**

**2011-09: CONTROLS OVER REQUIRED REPORTS – SPECIAL EDUCATION (CONTINUED)
CFDA #84.027, 84.391, 84.173, 84.392**

CORRECTIVE ACTION PLAN (CAP) (CONTINUED):

Planned Completion Date for CAP:

The planned completion date is June 30, 2012.

Plan to Monitor Completion of CAP:

The Business Manager and Superintendent will be monitoring this corrective action plan.

PART IV: FINDINGS AND QUESTIONED COSTS – MINNESOTA LEGAL COMPLIANCE

2011-10: BORROWING OF FUNDS

Criteria: *Minnesota Statutes* §121.911 prohibits a district from borrowing or transferring funds from the Building Construction Fund, Debt Redemption Fund, Trust and Agency Fund, or from any sinking fund for outstanding bonds to increase the available cash balance .

Condition: The District borrowed funds from the Debt Service Fund to cover negative cash balance in the General Fund.

Cause: Unaware of statutory requirements.

Effect: The District is not in compliance with Minnesota Statutes.

Recommendation: We recommend the District review Minnesota State Statutes and comply with all related requirements.

**ALEXANDRIA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 206
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011**

**PART IV: FINDINGS AND QUESTIONED COSTS – MINNESOTA LEGAL COMPLIANCE
(CONTINUED)**

2011-11: LATE PAYMENT OF INVOICES

Criteria: Minnesota Statutes Chapter 471.425, subdivision 2 states a municipality must pay each vendor obligation according to the terms of the contract or, if no contract terms apply, within the standard payment period unless the municipality in good faith disputes the obligation. Standard payment period is defined as 35 days from the receipt of the goods or services whose governing boards meet at least once a month.

Condition: The District did not pay all bills within these time requirements.

Cause: Payments were not filed or prepared on a timely basis and therefore were missed for payment in the current month due.

Effect: The District is not in compliance with Minnesota Statutes.

Recommendation: We recommend the District review Minnesota State Statutes and comply with all related requirements.

PART V: PRIOR YEAR FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>If not Corrected, Provide Planned Corrective Action or Other Explanation</u>
2010-03	Payroll Certifications	Not Corrected	See Finding 2011-03