INDEPENDENT SCHOOL DISTRICT NO. 879
Delano, Minnesota

AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

INDEPENDENT SCHOOL DISTRICT NO. 879

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BOARD OF EDUCATION AND ADMINISTRATION
For the Year Ended June 30, 2015

Board of Education	Position	Term Expires
Amy Johnson	Chairperson	December 31, 2016
Randy Durick	Vice Chairperson	December 31, 2016
Carolyn Milano	Clerk	December 31, 2018
Lisa Seguin	Treasurer	December 31, 2018
Mark Larson	Director	December 31, 2018
Sarah Baker	Director	December 31, 2016
Corey Black	Director	December 31, 2018

Administration	
Matthew Schoen	Superintendent
Mary Reeder	Business Manager

bergankdv

INDEPENDENT AUDITOR'S REPORT

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Cedar Rapids, IA
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Coralville, IA
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St. Cloud, MN
56302-3713
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F 320.251.1784

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To the School Board
Independent School District No. 879
Delano, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 879, Delano, Minnesota, as of and for the year ended June 30, 2015, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to on the previous present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 879, Delano, Minnesota, as of June 30, 2015, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Implementation of GASB 68 and GASB 71

As discussed in Note 10 to the financial statements, the District has adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions and* GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and the Schedule of Funding Progress – Other Post Employment Benefits on page 58, Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability GERF Retirement Funds on page 59, Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability TRA Retirement Funds on page 59, Schedule of District Contributions of GERF Retirement Funds on page 60 and Schedule of District Contributions of TRA Retirement Funds on page 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) *Circular A-133*, *Audits of States, Local Governments and Nonprofit Organizations*, and is also not a required part of the financial statements.

The accompanying supplementary information identified in the Table of Contents and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information and the Schedule of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

The financial statements include partial year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2014, from which such partial information was derived.

We also have previously audited the District's 2014 basic financial statements and our report, dated November 6, 2014, expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Bergan KDV Ltd.

BerganKDV, Ltd.
Minneapolis, Minnesota
November 2, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

This section of Independent School District No. 879, Delano Public Schools' annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2015. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued in June 1999. Certain comparative information between the current year (2014-2015) and the prior year (2013-2014) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- *General Fund 01:* - The overall fund balance increased by $ 500,689.
- *Food Service Fund 02:* - The overall fund balance increased by $ 4,668.
- *Community Service Fund 04:* - The overall fund balance decreased by $ 165,764.
- *Debt Service Fund 07:* - The overall fund balance decreased by $ 8,771.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-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 government-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The following outline shows how the various parts of this annual report are arranged and related to one another.

A. Management's Discussion and Analysis
B. Basic Financial Statements
   1. Government-Wide Financial Statements
   2. Fund Financial Statements

Government-Wide Financial Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

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

- Over time, increases or decreases in the District's net position is 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 government-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 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 government-wide statements, we provide additional information at the bottom of the governmental funds statements that explains the relationship (or differences) between them.

Fund Financial Statements (Continued)

- **Fiduciary Funds** – The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

Net Position
Table A-1

	Governmental Activities 2015	Governmental Activities 2014	Percentage Change
Current and Other Assets	$ 15,488,287	$ 15,173,747	2.07%
Capital Assets	27,398,602	28,322,106	-3.26%
Total Assets	42,886,889	43,495,853	-1.40%
Deferred Outflows of Resources	2,568,059	-	100.00%
Current Liabilities	4,649,412	4,572,039	1.69%
Long-Term Liabilities	19,668,335	21,310,187	-7.70%
Net Pension Liability	12,327,650	-	100.00%
Total Liabilities	36,645,397	25,882,226	119.20%
Deferred Inflows of Resources	8,573,828	4,730,348	81.25%
Net Position:			
Invested in Capital Assets, Net of Related Debt	5,846,472	5,352,069	9.24%
Restricted	2,508,189	2,398,737	4.56%
Unrestricted	(8,118,938)	5,132,473	-258.19%
Net Position	$ 235,723	$ 12,883,279	-98.17%

The District's combined net position was $ 235,723 on June 30, 2015, a decrease of $ 12,647,556, which is due in large part to the implementation of GASB 68 Pension Fund Reporting. (See Table A-1.)

Changes in Net Position

The following Table A-2 presents the change in Net Position of the District:

Table A-2 – Change in Net Position

	Governmental Activities for the Fiscal Year Ended June 30,		Total Percentage Change
	2015	2014	
REVENUES:			
Program Revenues:			
Charges for Services	$ 2,762,263	$ 2,794,367	-1.15%
Operating Grants and Contributions	3,776,488	3,451,856	9.40%
Capital Grants and Contributions	32,131	23,068	39.29%
General Revenues:			
Property Taxes	4,932,989	3,761,805	31.13%
State Aid-Formula Grants	16,884,823	16,889,947	-0.03%
Investment Earnings	14,730	13,135	12.14%
Other	29,435	24,737	18.99%
Total Revenues	28,432,859	26,958,915	5.47%
EXPENDITURES:			
Administration	1,098,631	1,090,016	0.79%
District Support Services	986,690	1,112,722	-11.33%
Elem & Sec Regular Instruction	11,333,137	10,827,650	4.67%
Vocational Education Instruction	496,188	317,703	56.18%
Special Education Instruction	3,116,021	2,943,568	5.86%
Instructional Support Services	1,110,915	989,538	12.27%
Pupil Support Services	2,227,697	1,929,329	15.46%
Sites and Buildings	1,889,809	2,074,850	-8.92%
Fiscal & Other Fixed Cost Programs	93,010	94,862	-1.95%
Food Service	967,292	968,887	-0.16%
Community Education and Services	2,191,658	2,136,698	2.57%
Unallocated Depreciation	806,650	809,823	-0.39%
Interest & Fiscal Charges on Long-Term Debt	1,059,481	1,005,379	5.38%
Total Expenditures	27,377,179	26,301,025	4.09%
Increase/(Decrease) in Net Position	1,055,680	657,890	60.46%
Beginning of Year Net Position	12,883,279	12,225,389	5.38%
Change in Accounting Principle (Note 10)	(13,703,236)	-	100.00%
Beginning Net Position - Restated	(819,957)	12,225,389	105.38%
End of Year Net Position	$ 235,723	$ 12,883,279	-98.17%

The District's total revenues were $ 28,432,859 for the year ended June 30, 2015. Property taxes and state aid-formula grants accounted for 77% of total revenue for the year. (See Figure A-1). The remaining 23% came from other program revenues (charges for services and operating and capital grants and contributions), general revenues and investment earnings.

Figure A-1 Sources of District's Revenues for Fiscal 2015

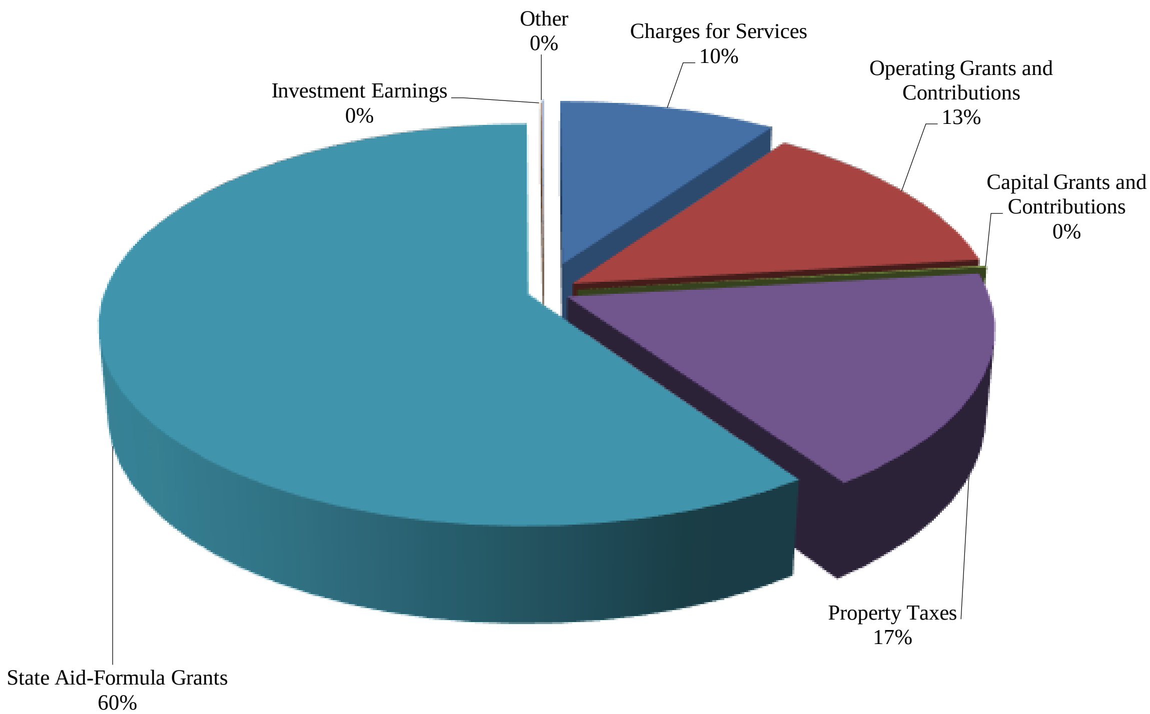
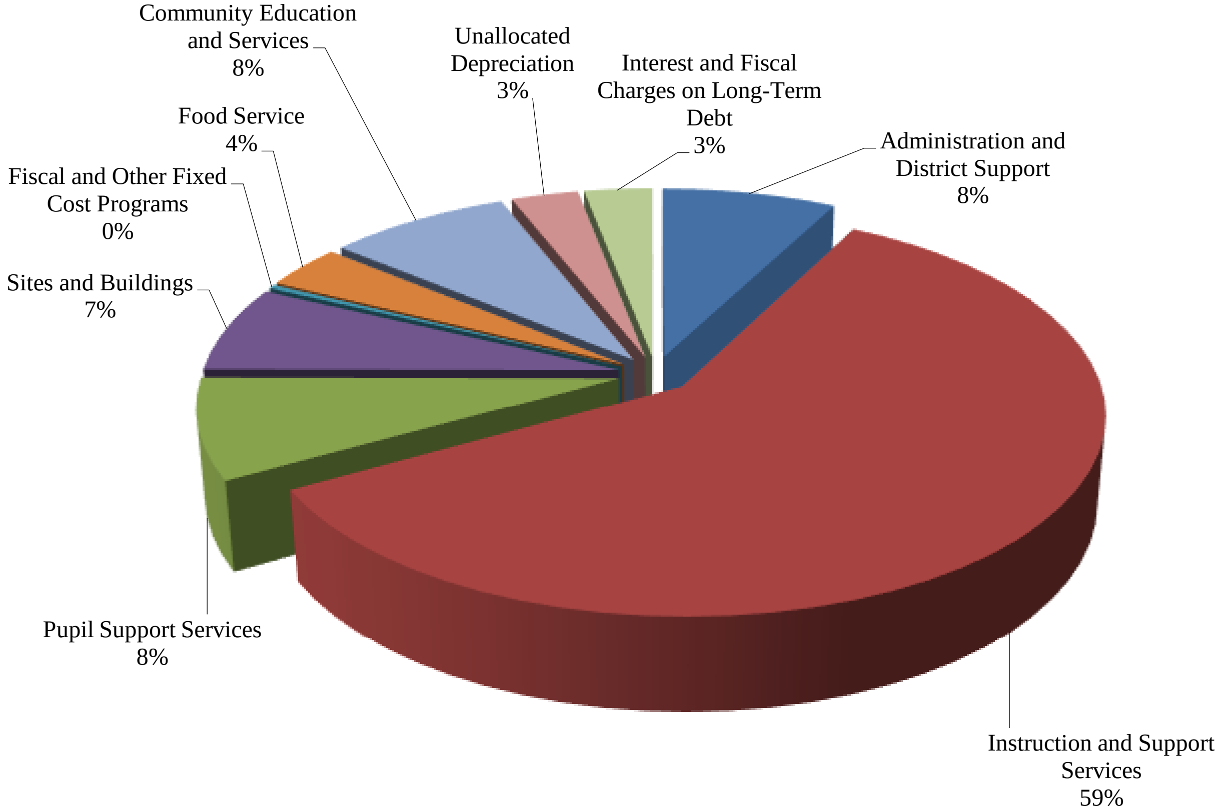


Figure A-2 District Expenses for Fiscal 2015



The total costs of all programs and services were $27,377,179 for fiscal year 2015. The District's expenses are predominately related to instruction and pupil support services (67%). (See Figure A-2.) Interest and fiscal charges for the District's bonds account for another 3%, and 7% accounts for the facilities maintenance needs of the entire district.

The cost of all governmental activities this year was $ 27,377,179.

- Some of the cost was paid by the users of the District's programs - $ 2,762,263
- The federal and state governments subsidized certain programs with grants and contributions – $ 3,808,619
- Most of the District's costs - $ 21,817,812, however, were paid for by District taxpayers and the taxpayers of the State of Minnesota

Typically the District does not incorporate funds allocated to direct instruction as part of an analysis of expenditures in all governmental funds. Funding for general operation of the District is controlled by the state and the District does not have latitude to allocate money received from entrepreneurial-type funds like Food Service and Community Education. Therefore, a more accurate analysis would be limited to the allocation of resources received for the general operation of the District and would show that 67% of those resources are spent on instruction and support services associated with education.

NET COST OF GOVERNMENTAL ACTIVITIES

Table A-3

	Total Cost of Services		Total Percentage Change	Net Cost of Services		Total Percentage Change
	2015	2014	2014-2015	2015	2014	2014-2015
Administration	$ 1,098,631	$ 1,090,016	0.79%	$ 1,051,231	$ 1,008,017	4.29%
District Support Services	986,690	1,112,722	-11.33%	956,244	1,102,873	-13.30%
Elementary & Secondary Regular Education	11,333,137	10,827,650	4.67%	10,431,794	9,939,519	4.95%
Vocational Education Instruction	496,188	317,703	56.18%	496,188	317,703	56.18%
Special Education Instruction	3,116,021	2,943,568	5.86%	892,183	1,039,387	-14.16%
Instructional Support Services	1,110,915	989,538	12.27%	1,099,798	975,653	12.72%
Pupil Support Services	2,227,697	1,929,329	15.46%	2,163,760	1,876,459	15.31%
Sites and Buildings	1,889,809	2,074,850	-8.92%	1,448,592	1,643,159	-11.84%
Fiscal and Other Fixed Cost Programs	93,010	94,862	-1.95%	93,010	94,862	-1.95%
Food Service	967,292	968,887	-0.16%	(9,112)	17,523	-152.00%
Community Education and Services	2,191,658	2,136,698	2.57%	316,478	201,377	57.16%
Unallocated Depreciation	806,650	809,823	-0.39%	806,650	809,823	-0.39%
Interest & Fiscal Charges on Long-Term Debt	1,059,481	1,005,379	5.38%	1,059,481	1,005,379	5.38%
Total	$ 27,377,179	$ 26,301,025	4.09%	$ 20,806,297	$ 20,031,734	3.87%

Table A-3 presents the total cost of governmental activities, as well as the cost of those activities. The net cost represents total cost less program revenues applicable in each category.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of $ 7,807,854, an increase of $ 330,822 over last year's ending fund balance of $ 7,477,032.

Revenues and other financing sources for the District's governmental funds were $ 43,112,803, while total expenditures and other financing uses were $ 42,781,981, for a positive net change of $ 330,822.

General Fund

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

General Fund revenues are outlined in Table A-4 below:

SUMMARY OF GENERAL FUND REVENUES
Table A-4

	Year Ended June 30, 2015	Year Ended June 30, 2014	Amount of Increase (Decrease)	Percent Increase (Decrease)
LOCAL SOURCES:				
Property Taxes	$ 2,461,855	$ 1,607,111	$ 854,744	53.19%
Other Local and County Sources	907,822	990,967	(83,145)	-8.39%
State Sources	19,411,060	18,847,368	563,692	2.99%
Federal Sources	271,509	360,743	(89,234)	-24.74%
Sales & Other Conversion of Assets	10,468	9,230	1,238	13.41%
Total General Fund Revenue	$ 23,062,714	$ 21,815,419	$ 1,247,295	5.72%

Revenues from the General Fund totaled $ 23,062,714, an increase of 5.72% over the preceding year. Basic general education revenue is determined by multiple state formulas, largely enrollment driven, and consists of an equalized mix of property tax and state aid revenue. Other state-authorized revenue, including excess levy referendum, involves an equalized mix of property tax and state aid revenue. The mix of property tax and state aid can change significantly from year to year without any net change on revenue.

In the 2013-2014 school year, property taxes decreased and state sources of revenue increased due to the property tax shift being paid back in that year; in 2014-2015, there was no tax shift to be recognized, so revenue sources show a corresponding increase and decrease when compared to the prior year. State sources of revenue also increased due to enrollment and special education revenue. In 2013-2014, other local and county sources included a donation received for the Auditorium renovation project; there was no such donation in 2014-2015, which caused a decrease in from the prior year. The change in federal sources decreased due to one-time federal funds received to offset the cost of early retiree reinsurance program in the 2013-2014 school year, as well as decreased federal special education revenue received in the 2014-2015 school year compared to the prior year.

General Fund expenditures are itemized in Table A-5:

SUMMARY OF GENERAL FUND EXPENDITURES
Table A-5

	Year Ended June 30, 2015	Year Ended June 30, 2014	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	$ 12,150,866	$ 11,593,987	$ 556,879	4.80%
Employee Benefits	5,015,799	4,653,458	362,341	7.79%
Purchased Services	3,424,001	3,341,183	82,818	2.48%
Supplies and Materials	1,039,665	947,787	91,878	9.69%
Capital Expenditures	784,092	953,662	(169,570)	-17.78%
Other Expenditures	147,777	411,184	(263,407)	-64.06%
Total General Fund Revenue	$ 22,562,200	$ 21,901,261	$ 660,939	3.02%

Total General Fund expenditures increased by $ 660,939 or 3.02% over the previous year.

Salaries increased due to hiring new staff due to All Day Kindergarten and special education needs, as well as contract settlements. Employee benefits increased due benefits associated with additional new staff and contract changes, as well as 0.25% increase to PERA. Professional services increased due to additional special education and care and treatment transportation routes. Supplies and materials increased due to increased fuel oil costs and curriculum purchases. Capital expenditures decreased due to the replacement of a portion of the Middle School roof, renovations to the Auditorium and door security/wireless technology upgrades that were done the year before.

In 2014-2015, the General Fund recorded a surplus of $ 500,689. The unassigned fund balance closed at $ 4,384,645, which is 19.4% of General Fund unrestricted, operating expenditures.

It is the goal of the School Board of Education to maintain an unassigned fund balance of 12% of operating expenditures. For the fiscal year ended June 30, 2015, the District is in compliance with that fund balance goal.

GENERAL FUND

General Fund Budgetary Highlights

Actual revenues were $ 178,416 over the final budget, a 0.78% variance. Actual expenditures were $ 287,490 under budget, a 1.26% variance. The variance between original and final budgeted revenue amounts was due to budgeting for lower ADM's for general education aid and unforeseen special education expenditures which increased the special education aid. The expenditure budget variance is due to decreased costs for health and safety projects, deferred maintenance projects and unspent budgeted dollars for retiree insurance.

DEBT SERVICE FUND

The Debt Service Fund expenditures exceeded revenues by $ 8,771 in 2014-2015.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District investment in capital assets for its governmental activities amounts to $27,398,603 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment (see Table A-6). Additional information on capital assets can be found in Note 4 of this report.

CAPITAL ASSETS - GOVERNMENTAL ACTIVITIES
Table A-6

	2015	2014	Percentage Change
Land	$ 1,022,151	$ 1,022,151	0.00%
Land Improvements	1,574,775	1,574,775	0.00%
Buildings	37,473,707	37,473,707	0.00%
Equipment	2,080,717	2,012,567	3.39%
Capital Lease	3,178,525	3,178,525	0.00%
Construction in Progress	-	-	0.00%
Less Accumulated Depreciation	(17,931,273)	(16,939,619)	5.85%
Total	$ 27,398,602	$ 28,322,106	-3.26%

Long-Term Liabilities

At year-end, the District had $ 33,913,740 in total long-term debt, an increase of 47.44% from the previous year, as shown in Table A-7. (More detailed information about long-term liabilities can be found in Note 5 of the financial statements.)

LONG-TERM LIABILITIES
Table A-7

	2015	2014	Percentage Change
General Obligation Bonds Payable	$ 18,045,000	$ 20,840,000	-13.41%
Bond Premium Payable	1,591,944	-	100.00%
Capital Lease Payable	1,915,186	2,130,037	-10.09%
Compensated Absences Payable	33,960	31,480	7.88%
Net Pension Liability	12,327,650	-	100.00%
Total	$ 33,913,740	$ 23,001,517	47.44%

The biggest factor in the increase in long-term liabilities was due to the implementation of GASB 68 and adding the Net pension Liability, offsetting the increase was a decrease due to refunding of the 2005 bonds.

FACTORS BEARING ON THE DISTRICT'S FUTURE

On November 3, 2015, the District will be asking the voters to approve two building bond referendum questions to build an Intermediate Grades 4-6 building, as well as make changes to the existing buildings and athletic spaces. The total of the two questions is $ 65 million dollars. Question two is contingent upon question one passing. If at least one of the questions does pass, then in the 2015 Pay 2016 levy process, the district will levy the operating referendum levy that was passed in 2007 but never levied up to this point.

The District had a healthy General fund balance at the end of the 2014-2015 school year. A five-year financial planning program will continue to be used as a tool in long-term financial planning. Enrollment will continue to be monitored; enrollment in 2014-2015 increased by 37 students from 2013-2014, and the District is projecting enrollment to increase by 15 students in the 2015-2016 school year. Finally, the District will continue to strive to achieve its mission statement of "Educational Excellence is our Foremost Goal".

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Delano Public Schools ISD #879, Attention: Business Manager, 700 Elm Avenue East, Delano, MN 55328.

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BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 879

STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities
ASSETS	
Cash and Investments	
(Including Cash Equivalents)	$ 10,177,707
Current Property Taxes Receivable	2,430,416
Delinquent Property Taxes Receivable	93,840
Accounts Receivable	10,366
Interest Receivable	7,874
Due from Department of Education	2,232,272
Due from Federal Government through Department of Education	19,330
Due from Other Minnesota School Districts	75,218
Due from Other Governmental Units	20,917
Inventory	46,656
Prepaid Items	117,558
Equity Interest in Joint Venture	203,930
Net Other Post Employment Benefits (OPEB) Asset	52,203
Capital Assets, Not being Depreciated:	
Land	1,022,151
Capital Assets, Net of Accumulated Depreciation:	
Land Improvements	729,188
Buildings	25,014,941
Machinery and Equipment	632,322
Total Assets	42,886,889
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources Related to Pensions	2,568,059
Total Assets and Deferred Outflows of Resources	$ 45,454,948
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
Liabilities	
Accounts Payable	$ 93,967
Salaries and Benefits Payable	2,183,293
Interest Payable	217,163
Due to Other Minnesota School Districts	65,070
Due to Other Governmental Units	62,570
Unearned Revenue	109,594
Bonds Payable:	
Payable Within One Year	1,660,000
Payable After One Year	17,976,944
Capital Lease Payable	
Payable Within One Year	223,795
Payable After One Year	1,691,391
Vacation Payable:	
Payable Within One Year	33,960
Net Pension Liability	12,327,650
Total Liabilities	36,645,397
Deferred Inflows of Resources	
Property Taxes Levied for Subsequent Year's Expenditures	4,818,955
Deferred Inflows of Resources Related to Pensions	3,754,873
Total Deferred Inflows of Resources	8,573,828
Net Position	
Net Investment in Capital Assets	5,846,472
Restricted for:	
Debt Service	342,805
Other Purposes	2,165,384
Unrestricted	(8,118,938)
Total Net Position	235,723
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 45,454,948

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

INDEPENDENT SCHOOL DISTRICT NO. 879

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities					
Administration	$ 1,098,631	$ -	$ 47,400	$ -	$ (1,051,231)
District Support Services	986,690	559	29,887	-	(956,244)
Elementary and Secondary Regular Instruction	11,333,137	357,037	512,175	32,131	(10,431,794)
Vocational Education Instruction	496,188	-	-	-	(496,188)
Special Education Instruction	3,116,021	31,832	2,192,006	-	(892,183)
Instructional Support Services	1,110,915	-	11,117	-	(1,099,798)
Pupil Support Services	2,227,697	-	63,937	-	(2,163,760)
Sites and Buildings	1,889,809	9,600	431,617	-	(1,448,592)
Fiscal and Other Fixed Cost Programs	93,010	-	-	-	(93,010)
Food Service	967,292	665,392	311,012	-	9,112
Community Education and Services	2,191,658	1,697,843	177,337	-	(316,478)
Unallocated Depreciation	806,650	-	-	-	(806,650)
Interest and Fiscal Charges on Long-Term Debt	1,059,481	-	-	-	(1,059,481)
Total Governmental Activities	$ 27,377,179	$ 2,762,263	$ 3,776,488	$ 32,131	(20,806,297)

General Revenues	
Taxes:	
Property Taxes, Levied for General Purposes	2,466,742
Property Taxes, Levied for Community Service	150,869
Property Taxes, Levied for Debt Service	2,315,378
State Aid-Formula Grants	16,884,823
Other General Revenues	29,435
Investment Income	14,730
Total General Revenues	21,861,977
Change in Net Position	1,055,680
Net Position - Beginning	12,883,279
Change in Accounting Principle (Note 10)	(13,703,236)
Net Position - Beginning, Restated	(819,957)
Net Position - Ending	$ 235,723

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

INDEPENDENT SCHOOL DISTRICT NO. 879

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2015

	General	Debt Service	Other Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and Investments	$ 7,689,343	$ 1,694,731	$ 793,633	$ 10,177,707
Current Property Taxes Receivable	1,205,093	1,142,113	83,210	2,430,416
Delinquent Property Taxes Receivable	43,635	46,404	3,801	93,840
Accounts Receivable	1,472	-	8,894	10,366
Interest Receivable	7,874	-	-	7,874
Due from Department of Education	2,213,975	1,334	16,963	2,232,272
Due from Federal Government through Department of Education	19,330	-	-	19,330
Due from Other Minnesota School Districts	66,628	-	8,590	75,218
Due from Other Governmental Units	18,980	-	1,937	20,917
Inventory	20,622	-	26,034	46,656
Prepaid Items	117,323	-	235	117,558
Total Assets	$ 11,404,275	$ 2,884,582	$ 943,297	$ 15,232,154
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts Payable	$ 58,725	$ -	$ 35,242	$ 93,967
Salaries and Benefits Payable	2,014,466	-	168,827	2,183,293
Due to Other Minnesota School Districts	65,070	-	-	65,070
Due to Other Governmental Units	60,611	-	1,959	62,570
Unearned Revenue	3,689	-	105,905	109,594
Total Liabilities	2,202,561	-	311,933	2,514,494
Deferred Inflows of Resources				
Property Taxes Levied for Subsequent Year's Expenditures	2,325,010	2,324,614	169,331	4,818,955
Unavailable Revenue - Delinquent Property Taxes	42,246	44,926	3,679	90,851
Total Deferred Inflows of Resources	2,367,256	2,369,540	173,010	4,909,806
Fund Balances				
Nonspendable	137,945	-	26,269	164,214
Restricted	1,703,351	515,042	432,085	2,650,478
Committed	133,030	-	-	133,030
Assigned	475,487	-	-	475,487
Unassigned	4,384,645	-	-	4,384,645
Total Fund Balances	6,834,458	515,042	458,354	7,807,854
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 11,404,275	$ 2,884,582	$ 943,297	$ 15,232,154

INDEPENDENT SCHOOL DISTRICT NO. 879

RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS
June 30, 2015

Total Fund Balance - Governmental Funds	$ 7,807,854
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Equity interests in underlying capital assets of joint ventures are not reported in the funds because they do not represent current assets.	
Equity Interest in Joint Venture - Wright Technical Center	203,930
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of Capital Assets	45,329,875
Less Accumulated Depreciation	(17,931,273)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Bond Principal Payable	(18,045,000)
Capital Lease Payable	(1,915,186)
Net Premium on Bonds Payable	(1,591,944)
Vacation Payable	(33,960)
Net OPEB Asset	52,203
Net Pension Liability	(12,327,650)
Deferred Outflows of Resources and Deferred Inflows of Resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.	
Deferred Inflows of Resources related to Pensions	(3,754,873)
Deferred Outflows of Resources related to Pensions	2,568,059
Delinquent property taxes receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	90,851
Governmental funds do not report a liability for accrued interest on bonds and capital loans until due and payable.	(217,163)
Total Net Position - Governmental Activities	$ 235,723

INDEPENDENT SCHOOL DISTRICT NO. 879

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	General	Debt Service	Other Nonmajor Funds	Total Governmental Funds
REVENUES				
Local Property Taxes	$ 2,461,855	$ 2,298,841	$ 149,553	$ 4,910,249
Other Local and County Revenues	907,822	2,308	1,640,697	2,550,827
Revenue from State Sources	19,411,060	13,342	171,116	19,595,518
Revenue from Federal Sources	271,509	-	263,843	535,352
Sales and Other Conversion of Assets	10,468	-	778,270	788,738
Total Revenues	23,062,714	2,314,491	3,003,479	28,380,684
EXPENDITURES				
Current				
Administration	1,073,328	-	-	1,073,328
District Support Services	825,149	-	-	825,149
Elementary and Secondary Regular Instruction	11,214,911	-	-	11,214,911
Vocational Education Instruction	354,564	-	-	354,564
Special Education Instruction	3,122,946	-	-	3,122,946
Instructional Support Services	1,098,146	-	-	1,098,146
Pupil Support Services	2,226,930	-	-	2,226,930
Sites and Buildings	1,769,124	-	-	1,769,124
Fiscal and Other Fixed Cost Programs	93,010	-	-	93,010
Food Service	-	-	968,423	968,423
Community Education and Services	-	-	2,146,123	2,146,123
Capital Outlay				
Administration	4,788	-	-	4,788
District Support Services	202,724	-	-	202,724
Elementary and Secondary Regular Instruction	201,578	-	-	201,578
Special Education Instruction	25,365	-	-	25,365
Instructional Support Services	26,046	-	-	26,046
Sites and Buildings	25,112	-	-	25,112
Food Service	-	-	3,725	3,725
Community Education and Services	-	-	46,304	46,304
Debt Service				
Principal	215,539	15,935,000	-	16,150,539
Interest and Fiscal Charges	82,940	1,120,206	-	1,203,146
Total Expenditures	22,562,200	17,055,206	3,164,575	42,781,981
Excess of Revenues Over (Under) Expenditures	500,514	(14,740,715)	(161,096)	(14,401,297)
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	175	-	-	175
Bond Issuance	-	13,140,000	-	13,140,000
Bond Premium	-	1,591,944	-	1,591,944
Total Other Financing Sources (Uses)	175	14,731,944	-	14,732,119
Net Change in Fund Balances	500,689	(8,771)	(161,096)	330,822
FUND BALANCES				
Beginning of Year	6,333,769	523,813	619,450	7,477,032
End of Year	$ 6,834,458	$ 515,042	$ 458,354	$ 7,807,854

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

INDEPENDENT SCHOOL DISTRICT NO. 879

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds	$ 330,822
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net income from the equity interest in a joint venture does not provide current financial resources and its not reported as revenue in the funds.	(147,738)
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital Outlays	68,150
Depreciation Expense	(991,654)
Vacation and severance payable are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(2,480)
Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in the net position in the Statement of Activities.	
Bonds Payable	15,935,000
Capital Lease Payable	214,851
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	144,353
Proceeds from the issuance of debt is recognized as other financing sources in the governmental funds increasing fund balance but having no effect on net assets in the Statement of Activities.	
Bonds Payable	(13,140,000)
Government funds report debt issuance premiums and discounts as an other financing source or use at the time of issuance. Premiums and discounts are reported as an unamortized adjustment to total debt in the government-wide financial statements.	(1,591,944)
Net OPEB are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	24,808
Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	
State Aid related to Pension expense	29,435
Pension expense	159,337
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	22,740
Change in Net Position - Governmental Activities	$ 1,055,680

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

INDEPENDENT SCHOOL DISTRICT NO. 879

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
REVENUES				
Local Property Taxes	$ 2,552,281	$ 2,446,742	$ 2,461,855	$ 15,113
Other Local and County Revenues	450,258	873,477	907,822	34,345
Revenue from State Sources	18,068,582	19,282,103	19,411,060	128,957
Revenue from Federal Sources	284,893	271,508	271,509	1
Sales and Other Conversion of Assets	-	10,468	10,468	-
Total Revenues	21,356,014	22,884,298	23,062,714	178,416
EXPENDITURES				
Current				
Administration	1,064,812	1,077,963	1,073,328	(4,635)
District Support Services	852,861	820,309	825,149	4,840
Elementary and Secondary Regular Instruction	10,906,461	11,330,642	11,214,911	(115,731)
Vocational Education Instruction	280,504	357,353	354,564	(2,789)
Special Education Instruction	2,908,082	2,937,696	3,122,946	185,250
Instructional Support Services	1,293,725	1,186,476	1,098,146	(88,330)
Pupil Support Services	2,287,941	2,406,794	2,226,930	(179,864)
Sites and Buildings	2,013,666	1,851,768	1,769,124	(82,644)
Fiscal and Other Fixed Cost Programs	98,385	93,050	93,010	(40)
Capital Outlay				
Administration	7,500	9,845	4,788	(5,057)
District Support Services	204,064	202,867	202,724	(143)
Elementary and Secondary Regular Instruction	117,300	196,897	201,578	4,681
Special Education Instruction	11,400	27,715	25,365	(2,350)
Instructional Support Services	20,370	26,295	26,046	(249)
Pupil Support Services	1,100	-	-	-
Sites and Buildings	62,000	25,543	25,112	(431)
Debt Service				
Principal	213,896	215,538	215,539	1
Interest and Fiscal Charges	82,518	82,939	82,940	1
Total Expenditures	22,426,585	22,849,690	22,562,200	(287,490)
Excess of Revenues Over (Under) Expenditures	(1,070,571)	34,608	500,514	465,906
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	-	175	175	-
Net Change in Fund Balances	$ (1,070,571)	$ 34,783	500,689	$ 465,906
FUND BALANCE				
Beginning of Year			6,333,769	
End of Year			$ 6,834,458	

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

INDEPENDENT SCHOOL DISTRICT NO. 879

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2015

	Private Purpose Trust Fund
ASSETS	
Current:	
Cash and Investments	$ 31,829
NET POSITION	
Held in Trust for Scholarships	$ 31,829

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2015

	Private Purpose Trust Fund
ADDITIONS	
Other Local Revenues	$ 56,864
DEDUCTIONS	
Pupil Support Services	56,040
Change in Net Position	824
NET POSITION	
Beginning of Year	31,005
End of Year	$ 31,829

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

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

The student activity accounts of the District are under the School Board's control and are included within the General Fund activity. Separate audited financial statements have not been issued.

Joint Venture

A joint venture is a legal entity or other organization that results from a contracted agreement and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control. The participants retain either an ongoing financial interest or an ongoing financial responsibility. The District participates in one joint venture. A description of this organization is included in Note 9.

B. Basic Financial Statement Information

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Basic Financial Statement Information (Continued)

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

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

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

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded 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 years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Measurement Focus and Basis of Accounting (Continued)

2. Recording of Expenditures

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

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

Description of Funds:

Major Funds:

General Fund – This Fund is the basic operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

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

Nonmajor Funds:

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

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

Fiduciary Fund:

Private Purpose Trust Fund – The Scholarship Trust Fund is used to account for resources received and held by the District in a trustee capacity to be used in making scholarship awards.

D. Deposits and Investments

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

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. *Minnesota Statutes* authorizes the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements and commercial paper of the highest quality with a maturity of no longer than 270 days. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Deposits and Investments (Continued)

The Minnesota School District Liquid Asset Fund (MSDLAF) and MNTrust Investment Shares portfolio are external investment pools not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under Rule 2.a.7. The fair value of the position in the pools are the same as the value of the pool shares.

Minnesota Statutes 118A require all deposits be protected by federal depository insurance, corporate surety bonds or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

Custodial Credit Risk – Deposits: Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's policy states all deposits must be in compliance with *Minnesota Statutes* 118A.03 for any amounts exceeding FDIC, SAIF, BIF, FCUA or other federal deposit coverage.

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The District's investment policy states the District shall manage its investments in a manner to attain a market yield rate of return through various economics and budgetary cycles, while preserving and protecting the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments to be in the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy indicates the District will follow state law.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's investment policy states the District will attempt to diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities.

Custodial Credit Risk – Investments: For investments, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The District's investment policy states all investments shall be held in third party safekeeping by an institution designated as a custodial agent.

E. Property Tax Receivable

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

F. Property Taxes Levied for Subsequent Year's Expenditures

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2014, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in fiscal year 2015. The remaining portion of the levy will be recognized when measurable and available.

G. Inventories

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

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

I. Property Taxes

The District is located in Wright and Hennepin Counties.

Property tax levies are certified to the County Auditors in December of each year for collection from taxpayers in May and October of the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Such taxes become a lien on property on the following January 1. The Counties generally remits taxes to the District at periodic intervals as they are collected.

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

J. Capital Assets

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

J. Capital Assets

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

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

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

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has one item that qualifies for reporting in this category. A deferred outflow related to pension activity results from the net effect of the change in proportionate share, differences between expected and actual economic experience, changes in actuarial assumptions and employer contributions subsequent to the measurement date.

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items which qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the governmental funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the governmental funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. The third item is deferred inflows related to pension activity, a result of the net difference between projected and actual earnings on plan investments.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

L. Long-Term Obligations

In the government-wide financial statements long-term debt and other long term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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 or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Compensated Absences

Certain District employees earn vacation days based on the number of completed years of service. Vacation is accumulated at various rates and maximum hours are capped at different amounts. Certain employees are compensated for unused vacation upon termination of employment.

Employees are entitled to paid sick leave at various rates for each month of full-time service. Employees are not compensated for unused sick leave upon termination of employment (sick pay is recorded as an expenditure when payment is made).

N. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA) and additions to/deductions from PERA's and TRA's fiduciary net position have been determined on the same basis as they are reported by PERA and TRA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. Additional information can be found in TRA Note 7.F.

O. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2015.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

P. Fund Equity

In the fund financial statements, governmental funds report various levels of spending constraints.

- Nonspendable Fund Balances – These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include prepaids and inventory.

- Restricted Fund Balances – These amounts are subject to externally enforceable legal restrictions.

- Committed Fund Balances – The government's highest level of decision making authority is the School Board. The formal action to establish or modify a commitment must be made by the School Board.

- Assigned Fund Balances – The School Board, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The School Board also delegates the power to assign fund balances to the Superintendent or Business Manager.

- Minimum Fund Balance Policy – The District will strive to maintain a minimum unassigned General Fund balance of 12% of operating expenditures.

Q. Net Position

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

R. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

S. Comparative Data

Comparative data for the prior year has been presented only for certain sections of the accompanying financial statements in order to provide an understanding of the changes in the Academy's financial position and operations. This data has been restated where necessary for comparable classifications.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the School Superintendent submits to the School Board, a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

2. The Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.

3. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue and Debt Service Funds.

4. Budgets for the General, Special Revenue and Debt Service Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

B. Excess of Expenditures Over Appropriations

Budgetary control for governmental funds is established by each fund's total appropriations. Expenditures exceeded appropriations in the following funds:

	Budget	Actual
Community Service	$ 2,049,584	$ 2,192,427
Debt Service	17,016,595	17,055,206

NOTE 3 – DEPOSITS AND INVESTMENTS

A. Deposits

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

Custodial Credit Risk: As of June 30, 2015, the District's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name. The District's deposits as of June 30, 2015 were comprised of checking accounts with a carrying amount of $ 740,534 and certificates of deposit amounting to $ 2,489,400.

NOTE 3 – DEPOSITS AND INVESTMENTS

A. Deposits (Continued)

As of June 30, 2015, the District had the following deposits:

Checking	$ 417,590
Certificates of Deposit	2,489,400
Total Deposits	$ 2,906,990

B. Investments

As of June 30, 2015, the District had the following investments:

	Fair Value	Moody's/S&P Ratings
MSDLAF - Liquid Class	$ 1,030,898	AAA
MSDLAF - Max Class	2,759,845	AAA
MNTrust Investment Share Portfolio	3,511,153	Aaa
Total Investments	$ 7,301,896	

Credit Risk: The District's investments were rated in the table above by Standards and Poor's (S&P) and Moody's Investor Services. These investments were in the top two rating categories.

Concentration of Credit Risk: The District's policy does not allow for an investment in any one issuer that is in excess of five percent of the total investments. At June 30, 2015, the District held no investments in excess of five percent of total investment.

Summary of deposits and investments as of June 30, 2015:

Deposits (Note 3.A.)	$ 2,906,990
Petty Cash	650
Investments (Note 3.B.)	7,301,896
Total Deposits and Investments	$ 10,209,536

NOTE 3 – DEPOSITS AND INVESTMENTS

B. Investments (Continued)

Deposits and investments are presented in the June 30, 2015 basic financial statements as follows:

Statement of Net Position:	
Cash and Investments	$ 10,177,707
Statement of Fiduciary Net Position:	
Cash and Investments - Private Purpose Trust Fund	31,829
Total Deposits and Investments	$ 10,209,536

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	$ 1,022,151	$ -	$ -	$ 1,022,151
Capital Assets being Depreciated:				
Improvements	1,574,775	-	-	1,574,775
Buildings	40,652,232	-	-	40,652,232
Equipment	2,012,567	68,150	-	2,080,717
Total Capital Assets being Depreciated	44,239,574	68,150	-	44,307,724
Less Accumulated Depreciation for:				
Improvements	835,490	10,097	-	845,587
Buildings	14,810,055	827,237	-	15,637,292
Equipment	1,294,074	154,320	-	1,448,394
Total Accumulated Depreciation	16,939,619	991,654	-	17,931,273
Total Capital Assets being Depreciated, Net	27,299,955	(923,504)	-	26,376,451
Governmental Activities, Capital Assets, Net	$ 28,322,106	$ (923,504)	$ -	$ 27,398,602

NOTE 4 – CAPITAL ASSETS

Depreciation expense for the year ended June 30, 2015 was charged to the following functions:

Administration	$ 29,513
Elementary and Secondary Regular Instruction	22,962
Special Education Instruction	476
Pupil Support Services	8,218
Sites and Buildings	112,187
Community Service	11,473
Unallocated	806,825
Total Depreciation Expense	$ 991,654

NOTE 5 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rate	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-Term Liabilities:						
G.O. Bonds, Including Refunding Bonds:						
G.O. Alternative Facilities Bonds, Series 2008A	04/23/08	3.50%-4.625%	$ 4,865,000	02/01/28	$ 3,945,000	$ 155,000
G.O. Capital Facilities Bonds, Series 2008B	06/10/08	2.25%-3.65%	920,000	02/01/18	305,000	100,000
G.O. Bonds, Series 2008C	07/01/08	3.10%-4.10%	980,000	02/01/24	655,000	65,000
G.O. School Refunding Bonds, Series 2015A	04/08/15	3.00%-5.00%	13,140,000	02/01/25	13,140,000	1,340,000
Total G.O. Bonds					18,045,000	1,660,000
Premium on Bonds Payable					1,591,944	-
Capital Leases					1,915,186	223,795
Vacation Payable					33,960	33,960
Total all Long-Term Liabilities					$ 21,586,090	$ 1,917,755

The long-term bond liabilities listed above were issued to finance acquisition and construction of capital facilities or to refinance (refund) previous bond issues. The bond obligations are paid from the Debt Service Fund. Severance, vacation and capital leases are paid from the General Fund.

On April 8, 2015, the District issued $ 13,140,000 G.O. School Building Refunding Bonds, Series 2015A, with an interest rate of 3% to 5%. The District issued the Bonds to refund the 2005 G.O. School Refunding Bonds. The District completed the refunding to reduce its debt service payment over the next 20 years by $ 1,965,648. This resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $ 1,774,725.

NOTE 5 – LONG-TERM DEBT

B. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-Term Liabilities:				
G.O. Bonds	$ 20,840,000	$ 13,140,000	$ 15,935,000	$ 18,045,000
Premium on Bonds Payable	-	1,591,944	-	1,591,944
Capital Leases	2,130,037	-	214,851	1,915,186
Vacation Payable	31,480	27,870	25,390	33,960
Total Long-Term Liabilities	$ 23,001,517	$ 14,759,814	$ 16,175,241	$ 21,586,090

C. Debt Payment Schedule

Minimum annual principal and interest payments required to retire bonds:

Year Ending June 30,	G.O. Bonds Principal	Interest	Total
2016	$ 1,660,000	$ 682,173	$ 2,342,173
2017	1,395,000	712,229	2,107,229
2018	1,470,000	646,079	2,116,079
2019	1,545,000	576,346	2,121,346
2020	1,610,000	502,646	2,112,646
2021-2025	9,165,000	1,373,562	10,538,562
2026-2028	1,200,000	112,850	1,312,850
Total	$ 18,045,000	$ 4,605,885	$ 22,650,885

D. Capital Lease

On May 4, 2007, the District entered into a lease purchase agreement with CitiCapital for the acquisition of building improvements. The capital lease agreement includes monthly principal and interest payments of $ 23,950 for each of the 15 years of the agreement.

On January 25, 2013 the District entered into a capital lease agreement for copiers with US Bank Equipment Finance. The capital lease agreement includes monthly principal and interest payments of $ 1,100 for each of the five years of the agreement.

NOTE 5 – LONG-TERM DEBT

D. Capital Lease (Continued)

On June 24, 2013, the District entered into a capital lease agreement for a postage meter machine with MailFinance. The capital lease includes monthly principal and interest payments of $ 172 for each of the five years of the agreement.

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

Year Ending June 30,	
2016	$ 298,479
2017	298,479
2018	294,034
2019	283,082
2020	283,082
2021-2023	778,479
Total Lease Payments	2,235,635
Less Amount Representing Interest	320,449
Present Value of Capital Lease	$ 1,915,186

The assets acquired with the capital leases have a cost of $ 3,246,472 and accumulated depreciation of $ 492,395 for a net value of $ 2,754,077.

NOTE 6 –FUND BALANCES/NET POSITION

Fund Equity

Fund equity balances are classified as follows to reflect the limitations and restrictions of the respective funds.

	General Fund	Debt Service Fund	Other Nonmajor Funds	Total
Nonspendable for:				
Inventory	$ 20,622	$ -	$ 26,034	$ 46,656
Prepaids Items	117,323	-	235	117,558
Total Nonspendable	137,945	-	26,269	164,214
Restricted/Reserved for:				
Staff Development	82,913	-	-	82,913
Deferred Maintenance	464,747	-	-	464,747
Health and Safety	19,659	-	-	19,659
Operating Capital	1,136,032	-	-	1,136,032
Debt Service	-	515,042	-	515,042
Food Service	-	-	177,351	177,351
Community Education	-	-	246,565	246,565
Early Childhood and Family Education	-	-	2,593	2,593
School Readiness	-	-	2,359	2,359
Adult Basic Education	-	-	966	966
Community Service	-	-	2,251	2,251
Total Restricted/Reserved	1,703,351	515,042	432,085	2,650,478
Committed for:				
Separation/Retirement Benefits	133,030	-	-	133,030
Assigned for:				
Donated Funds	233,946	-	-	233,946
Student Activities	29,930	-	-	29,930
Q Comp	211,611	-	-	211,611
Total Assigned	475,487	-	-	475,487
Unassigned	4,384,645	-	-	4,384,645
Total Reserved Fund Balance	$ 6,834,458	$ 515,042	$ 458,354	$ 7,807,854

NOTE 6 –FUND BALANCES/NET POSITION

Fund Equity (Continued)

Nonspendable for Inventory – This balance represents fund balance that has already been spent as inventory.

Nonspendable for Prepaid Items – This balance represents fund balance that has already been spent as prepaid items.

Restricted/Reserved for Staff Development – This balance represents unspent staff development revenues set aside from general education revenue that were restricted/reserved for staff development related to Finance Code 316. Expenditures for staff development must equal at least 2% of the basic general education revenue, unless legal stipulations are met (Minnesota Statutes 122A.61, subdivision 1).

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

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

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

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

Restricted for Food Service – This balance represents the accumulation of the activity to provide the food service program.

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

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

Restricted/Reserved for School Readiness – This balance represents the resources available to provide for services for school readiness programs (*Minnesota Statutes* 1240.16)

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

NOTE 6 –FUND BALANCES/NET POSITION

Fund Equity (Continued)

Restricted for Community Service – This balance represents the accumulation of the activity to provide the community service program.

Committed for Separation/Retirement Benefits – This balance represents resources segregated from the unassigned fund balance for retirement benefits, including compensated absences, pensions, other post employment benefits (OPEB) and termination benefits (as defined in GASB Statements Nos. 16, 27, 45, 47 and 50 and *Minnesota Statutes* 123B.79, subd. 7).

Assigned for Donated Funds – This balance represents resources segregated from unassigned fund balance for different groups (athletics, media center, principals, etc.) who have done fundraising or receive donations for specific purposes.

Assigned for Student Activities – This balance represents resources segregated from unassigned fund balance for different student activities that have done fundraising or receive donations for specific purposes.

Assigned for Q Comp – This balance represents resources segregated from unassigned fund balances for unspent Q Comp dollars.

Net position restricted for other purposes on the Statement of Net Position are comprised of the total positive General Fund restricted fund balances and the total net position restricted for food service and community service.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association

A. Plan Description

The TRA is an administrator of a multiple employer, cost-sharing, defined benefit retirement fund. TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member and three statutory officials.

Teachers employed in Minnesota's public elementary and secondary school, charter schools and certain educational institutions maintained by the state (except those teachers employed by the cities of Duluth and St. Paul, and by the University of Minnesota system) are required to be TRA members. State university, community college and technical college teachers first employed by the Minnesota State College and Universities (MnSCU) may elect TRA coverage within one year of eligible employment. Alternatively, these teachers may elect coverage through the Defined Contribution Retirement Plan (DCR) administered by MnSCU.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association (Continued)

B. Benefits Provided

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

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

Tier 1 Benefits

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

With these provisions:

- Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- 3% per year early retirement reduction factor for all years under normal retirement age.
- Unreduced benefits for early retirement under a Rule of 90 (age plus allowable service equals 90 or more).

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.9% per year for Coordinated members and 2.7% for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier II Benefits (Continued)

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

The benefit provisions stated apply to active plan participants. Vested, terminated employees who are entitled to benefits but not yet receiving them are bound by the plan provisions in effect at the time they last terminated their public service.

C. Contribution Rate

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year were:

	Ending June 30, 2014		Ending June 30, 2015	
	Employee	Employer	Employee	Employer
Basic	10.5%	11.0%	11.0%	11.5%
Coordinated	7.0%	7.0%	7.5%	7.5%

The following is a reconciliation of employer contributions in TRA's CAFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations.

Employer contributions reported in TRA's CAFR Statement of Changes in Fiduciary Net Position	$ 299,299,837
Deduct Employer contributions not related to future contribution efforts	(398,798)
Deduct TRA's contributions not included in allocation	(370,701)
Employer contributions reported in schedule of employer and non-employer pension allocations	$ 298,530,338

Amounts reported in the allocation schedules may not precisely agree with financial statement amounts or actuarial valuations due to the number of decimal places used in the allocations. TRA has rounded percentage amounts to the nearest ten thousandths.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	
Measurement Date	June 30, 2014
Valuation Date	July 1, 2014
Experience Study	October 30, 2009
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Investment Rate of Return	8.25%
Wage Inflation	3.00%
Projected Salary Increase	3.5-12%, based on years of service
Cost of Living Adjustment	2.0% until year 2034, 2.5% thereafter
Mortality Assumption	
Pre-retirement	RP 2000 non-annuitant generational mortality, white collar adjustment, male rates set back five years and female rates set back seven years
Post-retirement	RP 2000 annuitant generational mortality, white collar adjustment, male rates set back two years and female rates set back three years
Post-disability	RP 2000 disabled retiree mortality, without adjustment

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 to June 30, 2008, and a limited scope experience study dated August 29, 2014. The limited scope experience study addressed only inflation and long-term rate of return for the GASB 67 valuation.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term
Domestic Stocks	45 %	5.50 %
International Stocks	15	6.00
Bonds	18	1.45
Alternative Assets	20	6.40
Unallocated Cash	2	0.50
Total	100 %	

E. Discount Rate

The discount rate used to measure the total pension liability was 8.25%. The projection of cash flows used to determine the discount rate was assumed that employee contributions will be made at the fiscal 2015 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

F. Net Pension Liability

On June 30, 2015, the District reported a liability of $ 9,593,706 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was 0.2082% at the end of the measurement period and 0.1991% for the beginning of the year.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

The pension liability amount reflected a reduction due to direct aid provided to TRA. The amount recognized by the district as its proportionate share of the net pension liability, the direct aid and total portion of the net pension liability that was associated with the district were as follows:

District's proportionate share of net pension liability	$ 9,593,706
State's proportionate share of the net pension liability associated with the district	674,763

A change in benefit provisions that affected the measurement of the total pension liability since the prior measurement date was an increase of the contribution rates for both the member and employer. Section C contains the rate information.

There was a change in actuarial assumptions that affected the measurement of the total liability since the prior measurement date. Post-retirement benefit adjustments are now assumed to increase from 2.0% annually to 2.5% annually once the legally specified criteria are met. This is estimated to occur July 1, 2034.

For the year ended June 30, 2015, the district recognized pension expense of $ 603,042. It also recognized $ 29,435 as an increase to pension expense for the support provided by direct aid.

On June 30, 2015, the District had deferred resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 818,603	$ -
Net difference between projected and actual earnings on plan investments	-	3,016,164
Changes in proportion	431,872	-
District's Contributions to TRA Subsequent to the Measurement Date	750,300	-
Total	$ 2,000,775	$ 3,016,164

$ 750,300 reported as deferred outflows of resources related to pensions resulting from school contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

Deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

2016	$ (492,982)
2017	(492,982)
2018	(492,982)
2019	(492,982)
2020	206,239

G. Pension Liability Sensitivity

The following presents the district's proportionate share of the net pension liability calculated using the discount rate of 8.25% as well as the liability measured using 1% lower and 1% higher.

District proportionate share of NPL		
1% decrease (7.25%)	Current (8.25%)	1% increase (9.25%)
$ 15,855,111	$ 9,593,706	$ 4,373,859

The Employer's proportion of the net pension liability was based on the employer contributions to TRA in relation to TRA's total employer contributions including direct aid contributions from the State of Minnesota, City of Minneapolis and Minneapolis School District.

H. Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in a separately-issued TRA financial report. That can be obtained at www.MinnesotaTRA.org, or by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, MN, 55103-4000, or by calling (651) 296-2409 or (800) 657-3669.

Public Employees' Retirement Association

A. Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plans administered by PERA. PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees' Retirement Association

A. Plan Description (Continued)

General Employees Retirement Fund (GERF)

PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353, and 356.

All full-time and certain part-time employees of the District other than teachers are covered by the GERF. 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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

B. Benefits Provided

PERA provides retirement, disability and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. PERA benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members, and are based upon years of service and average high-five salary.

C. Contributions

Minnesota Statutes set the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees' Retirement Association (Continued)

D. Contributions (Continued)

GERF Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in calendar year 2014. Coordinated Plan members contributed 6.5% of pay in 2015. In calendar year 2014, the District was required to contribute 11.78% of pay for Basic Plan members and 7.25% for Coordinated Plan members. In 2015, employer rates increased to 7.5% in the Coordinated Plan. The District's contributions to the GERF for the plan's fiscal year ended June 30, 2015, were $ 243,566. The District's contributions were equal to the required contributions for each year as set by state statute.

E. Pension Costs

GERF Pension Costs

At June 30, 2015, the District reported a liability of $ 2,733,944 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2014, the District's proportion was 0.0582%.

For the year ended June 30, 2015, the District recognized pension expense of $ 202,955 for its proportionate share of GERF's pension expense.

At June 30, 2015, the District reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 41,958	$ -
Changes in Actuarial Assumptions	281,760	-
Difference Between Projected and Actual Investments Earnings	-	738,709
District's Contributions to GERF Subsequent to the Measurement Date	243,566	-
	$ 567,284	$ 738,709

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

$ 243,566 reported as deferred outflows of resources related to pensions resulting from District contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2016	$ (76,771)
2017	(76,771)
2018	(76,771)
2019	(184,678)

E. Actuarial Assumptions

The total pension liability in the June 30, 2014, actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

GERF

Assumptions	GERF	
Inflation	2.75 %	Per Year
Active Member Payroll Growth	3.50	Per Year
Investment Rate of Return	7.90	

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments.

Actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004 through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

The following changes in actuarial assumptions for GERF occurred in 2014: As of July 1, 2013, the postretirement benefit increase rate was assumed to increase from 1.0% to 2.5% on January 1, 2046. As of July 1, 2014, the postretirement benefit increase rate was assumed to increase from 1.0% to 2.5% on January 1, 2031.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments is 7.9% for GERF. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term
Domestic Stocks	45%	5.50 %
International Stocks	15%	6.00
Bonds	18%	1.45
Alternative Assets	20%	6.40
Cash	2%	0.50
Total	100%	

F. Discount Rates

The discount rate used to measure the total pension liability was 7.9% for GERF. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on those assumptions, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following table presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF Discount Rate	6.9%	7.9%	8.9%
District's Proportionate Share of the GERF Net Pension Liability	$ 4,407,229	$ 2,733,944	$ 1,357,225

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees' Retirement Association (Continued)

H. Pension Plan Fiduciary Net Position

Detailed information about GERF's fiduciary net position is available in a separately-issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District provides single-employer defined benefit health care insurance and life insurance upon retirement to certain retirees. Medical coverage is administered by BlueCross BlueShield. It is the District's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees.

B. Funding Policy

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with BlueCross BlueShield. The required contributions are based on projected pay-as-you-go financing requirements. For 2015, the District contributed $ 399,466 to the plan.

As of June 30, 2014, the last valuation date, there were approximately 26 retirees receiving health benefits from the District's health plan. The plan has a total of 271 active participants and dependents. Of that total, 245 are not yet eligible to receive benefits.

C. Annual OPEB Cost and Net OPEB Costs Obligation

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

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN

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

ARC	$	374,444
Interest on Net OPEB Obligation		(1,096)
Adjustment to ARC		1,310
Annual OPEB Cost		374,658
Contributions Made		(399,466)
Increase in Net OPEB Obligation		(24,808)
Net OPEB Obligation - Beginning of Year		(27,395)
Net OPEB Obligation - End of Year	$	(52,203)

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

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/15	$ 374,658	$ 399,466	107%	$ (52,203)
06/30/14	362,449	360,848	100%	(27,395)
06/30/13	361,388	435,682	121%	(28,996)

D. Funded Status and Funding Progress

As of the July 1, 2014 actuarial study, the most recent actuarial valuation date, the District had no assets deposited to fund the plan. The actuarial accrued liability for benefits was $ 3,252,827 and the actuarial value of assets was $ 0, resulting in an unfunded actuarial accrued liability (UAAL) of $ 3,252,827. The covered payroll (annual payroll of active employees covered by the plan) was $ 11,289,258, and the ratio of the UAAL to the covered payroll was 28.8%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Schedule of Funding Progress – Other Post Employment Benefits, presented as required supplementary information following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN

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 the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

At the July 1, 2014 actuarial valuation date, the projected unit credit with 30 year amortization of the unfunded liability method was used. The actuarial assumptions included a 4.0% discount rate. The District currently does not plan to prefund for this benefit. At the actuarial valuation date, the annual health care cost trend rate was calculated to be 7.5% initially, reduced incrementally to an ultimate rate of 5% after 10 years. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at July 1, 2014 was 30 years.

NOTE 9 – COMMITMENTS

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

The addition was financed through capital lease agreements. Each participating district annually authorizes a leading levy to cover their allocated portion of the lease payment based on the formula set out in the joint powers agreement. Participating districts will also be apportioned operating costs and continuing costs for the addition based on the current cost. Separately issued financial statements can be obtained from Wright Technical Center, 1400 Highway 25 North Buffalo, Minnesota 55313-1936.

NOTE 10 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions and GASB* Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* This resulted in an adjustment to the beginning net position on the Statement of Activities of $ 13,703,236 to add the beginning net pension liability.

NOTE 11 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB has issued GASB Statement No. 75 relating to accounting and financial reporting for postemployment benefits other than pensions. The new statement requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about OPEB liabilities.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 879

SCHEDULE OF FUNDING PROGRESS – OTHER POST EMPLOYMENT BENEFITS
June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
07/01/10	$ -	$ 3,817,291	$ 3,817,291	0%	$ 9,671,203	39.47%
07/01/12	-	3,427,975	3,427,975	0%	9,892,804	34.65%
07/01/14	-	3,252,827	3,252,827	0%	11,289,258	28.81%

INDEPENDENT SCHOOL DISTRICT NO. 879

SCHEDULE OF DISTRICT'S AND NON-EMPLOYER PROPORTIONATE SHARE OF NET PENSION LIABILITY LAST TEN YEARS GERF RETIREMENT FUNDS

For Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered-Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0582%	$ 2,733,944	$ 3,057,131	89.4%	78.75%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

SCHEDULE OF DISTRICT'S AND NON-EMPLOYER PROPORTIONATE SHARE OF NET PENSION LIABILITY LAST TEN YEARS TRA RETIREMENT FUNDS

For Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered-Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.2082%	$ 9,593,706	$ 674,763	$ 10,268,469	$ 9,502,734	101.0%	81.5%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 879

SCHEDULE OF DISTRICT CONTRIBUTIONS
GERF RETIREMENT FUNDS
LAST TEN YEARS

Fiscal Year Ending June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2014	$ 221,642	$ 221,642	$ -	$ 3,057,131	7.25%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

SCHEDULE OF DISTRICT CONTRIBUTIONS
TRA RETIREMENT FUNDS
LAST TEN YEARS

Fiscal Year Ending June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2014	$ 665,191	$ 665,191	$ -	$ 9,502,734	7.0%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 879

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015

	Special Revenue Funds		
	Food Service	Community Service	Total
ASSETS			
Cash and Investments (Including Cash Equivalents)	$ 227,936	$ 565,697	$ 793,633
Current Property Taxes Receivable	-	83,210	83,210
Delinquent Property Taxes Receivable	-	3,801	3,801
Accounts Receivable	740	8,154	8,894
Due from Department of Education	912	16,051	16,963
Due from Other Minnesota School Districts	-	8,590	8,590
Due from Other Governmental Units	-	1,937	1,937
Inventory	14,959	11,075	26,034
Prepaid Items	185	50	235
Total Assets	$ 244,732	$ 698,565	$ 943,297
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts Payable	$ 1,782	$ 33,460	$ 35,242
Salaries and Benefits Payable	18,728	150,099	168,827
Due to Other Governmental Units	-	1,959	1,959
Unearned Revenue	31,727	74,178	105,905
Total Liabilities	52,237	259,696	311,933
Deferred Inflows of Resources			
Property Taxes Levied for Subsequent Year's Expenditures	-	169,331	169,331
Unavailable Revenue - Delinquent Property Taxes	-	3,679	3,679
Total Deferred Inflows of Resources	-	173,010	173,010
Fund Balances			
Nonspendable	15,144	11,125	26,269
Restricted	177,351	254,734	432,085
Total Fund Balances	192,495	265,859	458,354
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 244,732	$ 698,565	$ 943,297

INDEPENDENT SCHOOL DISTRICT NO. 879

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	Special Revenue Funds		Total
	Food Service	Community Service	Nonmajor Funds
REVENUES			
Local Property Taxes	$ -	$ 149,553	$ 149,553
Other Local and County Revenues	3,193	1,637,504	1,640,697
Revenue from State Sources	44,390	126,726	171,116
Revenue from Federal Sources	263,843	-	263,843
Sales and Other Conversion of Assets	665,390	112,880	778,270
Total Revenues	976,816	2,026,663	3,003,479
EXPENDITURES			
Current			
Food Service	968,423	-	968,423
Community Education and Services	-	2,146,123	2,146,123
Capital Outlay			
Food Service	3,725	-	3,725
Community Education and Services	-	46,304	46,304
Total Expenditures	972,148	2,192,427	3,164,575
Net Change in Fund Balances	4,668	(165,764)	(161,096)
FUND BALANCES			
Beginning of Year	187,827	431,623	619,450
End of Year	$ 192,495	$ 265,859	$ 458,354

INDEPENDENT SCHOOL DISTRICT NO. 879

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - DETAIL GENERAL FUND
For the Year Ended June 30, 2015

	2015				2014
	Budgeted Amounts		Actual	Variance with Final Budget -	Actual
	Original	Final	Amounts	Over (Under)	Amounts
REVENUES					
Local Property Taxes					
Property Tax Levy	$ 2,462,281	$ 2,371,281	$ 2,386,827	$ 15,546	$ 2,719,438
County Apportionment	70,000	52,000	51,786	(214)	38,466
Miscellaneous Taxes	20,000	23,461	23,242	(219)	23,799
Property Tax Shift	-	-	-	-	(1,174,592)
Total Local Property Taxes	2,552,281	2,446,742	2,461,855	15,113	1,607,111
Other Local and County Revenues					
Tuition and Fees	272,430	306,789	320,457	13,668	292,896
Interest	10,000	12,000	11,017	(983)	9,767
Other Local Revenues	167,828	554,688	576,348	21,660	688,304
Total Other Local and County Revenues	450,258	873,477	907,822	34,345	990,967
Revenue from State Sources					
General Education Aid	15,776,933	16,693,380	16,580,759	(112,621)	15,656,731
Endowment Fund	67,000	72,125	72,125	-	66,896
Special Education Aid	1,520,000	1,796,846	2,036,944	240,098	1,662,685
Educational Agricultural and Homestead Credit	4,600	4,285	4,285	-	4,637
Other Aids	700,049	715,467	716,947	1,480	1,456,419
Total Revenue from State Sources	18,068,582	19,282,103	19,411,060	128,957	18,847,368
Revenue from Federal Sources					
Title I	63,205	74,017	74,017	-	64,681
Special Education	173,700	148,945	148,946	1	222,653
Other	47,988	48,546	48,546	-	73,409
Total Revenue from Federal Source	284,893	271,508	271,509	1	360,743
Sales and Other Conversion of Assets					
Local Sales and Other Conversion of Assets	-	10,468	10,468	-	9,230
Total Revenues	21,356,014	22,884,298	23,062,714	178,416	21,815,419
EXPENDITURES					
Current:					
Administration					
Salaries and Wages	719,763	727,954	735,566	7,612	720,752
Employee Benefits	291,005	287,911	280,535	(7,376)	267,461
Purchased Services	11,600	15,405	12,705	(2,700)	10,643
Supplies and Materials	11,960	26,680	24,627	(2,053)	23,972
Capital Expenditures	7,500	9,845	4,788	(5,057)	25,984
Other Expenditures	30,484	20,013	19,895	(118)	15,609
Total Administration	1,072,312	1,087,808	1,078,116	(9,692)	1,064,421
District Support Services					
Salaries and Wages	328,270	328,270	339,293	11,023	326,382
Employee Benefits	221,301	175,355	172,197	(3,158)	161,910
Purchased Services	217,850	233,895	232,075	(1,820)	249,989
Supplies and Materials	54,900	30,149	28,980	(1,169)	33,225
Capital Expenditures	204,064	202,867	202,724	(143)	323,592
Other Expenditures	30,540	52,640	52,604	(36)	25,797
Total District Support Services	1,056,925	1,023,176	1,027,873	4,697	1,120,895

INDEPENDENT SCHOOL DISTRICT NO. 879

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - DETAIL GENERAL FUND
For the Year Ended June 30, 2015

	2015				2014
	Budgeted Amounts		Actual	Variance with Final Budget -	Actual
	Original	Final	Amounts	Over (Under)	Amounts
EXPENDITURES					
Elementary and Secondary Regular Instruction					
Salaries and Wages	$ 7,325,722	$ 7,311,860	$ 7,287,399	$ (24,461)	$ 7,098,281
Employee Benefits	2,775,870	2,806,309	2,759,071	(47,238)	2,594,128
Purchased Services	461,368	532,233	525,082	(7,151)	513,018
Supplies and Materials	313,634	650,964	614,603	(36,361)	513,907
Capital Expenditures	117,300	196,897	201,578	4,681	97,407
Other Expenditures	29,867	29,276	28,756	(520)	25,416
Total Elementary and Secondary Regular Instruction	11,023,761	11,527,539	11,416,489	(111,050)	10,842,157
Vocational Education Instruction					
Salaries and Wages	73,540	97,289	98,245	956	93,451
Employee Benefits	29,364	41,389	41,234	(155)	37,611
Purchased Services	173,100	215,175	214,823	(352)	176,777
Supplies and Materials	4,500	3,500	262	(3,238)	3,354
Total Vocational Education Instruction	280,504	357,353	354,564	(2,789)	311,193
Special Education Instruction					
Salaries and Wages	1,856,801	1,895,274	2,079,052	183,778	1,912,677
Employee Benefits	757,306	767,970	783,326	15,356	733,468
Purchased Services	181,345	199,648	197,711	(1,937)	206,553
Supplies and Materials	100,130	57,604	48,397	(9,207)	57,519
Capital Expenditures	11,400	27,715	25,365	(2,350)	17,304
Other Expenditures	12,500	17,200	14,460	(2,740)	15,848
Total Special Education Instruction	2,919,482	2,965,411	3,148,311	182,900	2,943,369
Instructional Support Services					
Salaries and Wages	671,947	803,338	744,440	(58,898)	634,544
Employee Benefits	249,956	268,274	251,902	(16,372)	223,540
Purchased Services	143,665	54,751	47,737	(7,014)	60,461
Supplies and Materials	211,943	44,931	39,016	(5,915)	43,171
Capital Expenditures	20,370	26,295	26,046	(249)	12,601
Other Expenditures	16,214	15,182	15,051	(131)	15,187
Total Instructional Support Services	1,314,095	1,212,771	1,124,192	(88,579)	989,504
Pupil Support Services					
Salaries and Wages	361,154	366,469	263,818	(102,651)	194,148
Employee Benefits	508,337	505,465	430,187	(75,278)	315,907
Purchased Services	1,409,500	1,521,771	1,521,092	(679)	1,394,186
Supplies and Materials	7,110	11,249	10,078	(1,171)	14,898
Capital Expenditures	1,100	-	-	-	-
Other Expenditures	1,840	1,840	1,755	(85)	1,938
Total Pupil Support Services	2,289,041	2,406,794	2,226,930	(179,864)	1,921,077

INDEPENDENT SCHOOL DISTRICT NO. 879

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DETAIL GENERAL FUND
For the Year Ended June 30, 2015

	2015				2014
	Budgeted Amounts		Actual	Variance with Final Budget -	Actual
	Original	Final	Amounts	Over (Under)	Amounts
EXPENDITURES					
Sites and Buildings					
Salaries and Wages	$ 655,492	$ 635,737	$ 603,038	$ (32,699)	$ 613,752
Employee Benefits	341,733	294,751	297,351	2,600	319,433
Purchased Services	727,366	615,285	582,308	(32,977)	634,694
Supplies and Materials	276,300	293,275	273,707	(19,568)	257,741
Capital Expenditures	62,000	25,543	25,112	(431)	476,774
Other Expenditures	12,775	12,720	12,720	-	12,910
Total Sites and Buildings	2,075,666	1,877,311	1,794,236	(83,075)	2,315,304
Fiscal and Other Fixed Cost Programs					
Purchased Services	98,385	93,050	93,010	(40)	94,862
Debt Service					
Principal	213,896	215,538	215,539	1	206,928
Interest and Fiscal Charges	82,518	82,939	82,940	1	91,551
Total Debt Service	296,414	298,477	298,479	2	298,479
Total Expenditures	22,426,585	22,849,690	22,562,200	(287,490)	21,901,261
Excess of Revenues Over (Under) Expenditures	(1,070,571)	34,608	500,514	465,906	(85,842)
OTHER FINANCING SOURCES					
Proceeds from Sale of Capital Assets	-	175	175	-	627
Proceeds from Capital Leases	-	-	-	-	8,214
Total Other Financing Sources	-	175	175	-	8,841
Net Change in Fund Balance	$ (1,070,571)	$ 34,783	500,689	$ 465,906	(77,001)
FUND BALANCE					
Beginning of Year			6,333,769		6,410,770
End of Year			$ 6,834,458		$ 6,333,769

INDEPENDENT SCHOOL DISTRICT NO. 879

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DETAIL FOOD SERVICE FUND
For the Year Ended June 30, 2015

	2015				2014
	Budgeted Amounts		Actual	Variance with Final Budget -	Actual
	Original	Final	Amounts	Over (Under)	Amounts
REVENUES					
Other Local and County Revenues					
Interest	$ 400	$ 420	$ 412	$ (8)	$ 358
Other Local Revenues	-	2,779	2,781	2	1,847
Total Other Local and County Revenues	400	3,199	3,193	(6)	2,205
Revenue from State Sources					
Lunch Program Aid	38,640	44,775	44,390	(385)	39,146
Revenue from Federal Sources					
Lunch Aid Program	205,015	202,496	201,824	(672)	203,340
Food Distribution Program	71,000	71,090	62,019	(9,071)	67,508
Total Revenue from Federal Sources	276,015	273,586	263,843	(9,743)	270,848
Sales and Other Conversion of Assets					
Sale of Food	640,236	667,158	665,390	(1,768)	639,523
Total Revenues	955,291	988,718	976,816	(11,902)	951,722
EXPENDITURES					
Current:					
Food Service					
Salaries and Wages	358,505	366,501	363,059	(3,442)	337,255
Employee Benefits	157,384	155,115	151,095	(4,020)	145,935
Purchased Services	32,200	36,505	34,443	(2,062)	36,094
Supplies and Materials	427,700	421,097	414,054	(7,043)	444,757
Capital Expenditures	-	3,725	3,725	-	-
Other Expenditures	5,500	5,775	5,772	(3)	4,782
Total Expenditures	981,289	988,718	972,148	(16,570)	968,823
Net Change in Fund Balance	$ (25,998)	$ -	4,668	$ 4,668	(17,101)
FUND BALANCE					
Beginning of Year			187,827		204,928
Ending of Year			$ 192,495		$ 187,827

INDEPENDENT SCHOOL DISTRICT NO. 879

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - DETAIL COMMUNITY SERVICE FUND
For the Year Ended June 30, 2015

	2015				2014
	Budgeted Amounts		Actual	Variance with Final Budget -	Actual
	Original	Final	Amounts	Over (Under)	Amounts
REVENUES					
Local Property Taxes					
Property Tax Levy	$ 154,135	$ 152,585	$ 149,252	$ (3,333)	$ 174,156
Miscellaneous Taxes	200	350	301	(49)	286
Property Tax Shift	-	-	-	-	(84,333)
Total Local Property Taxes	154,335	152,935	149,553	(3,382)	90,109
Other Local and County Revenues					
Tuition and Fees	1,594,950	1,546,119	1,540,849	(5,270)	1,625,921
Interest	1,500	1,500	993	(507)	1,002
Other Local Revenues	83,500	111,120	95,662	(15,458)	110,785
Total Other Local and County Revenues	1,679,950	1,658,739	1,637,504	(21,235)	1,737,708
Revenue from State Sources					
Educational Agricultural and Homestead Credit	1,100	1,100	869	(231)	1,093
Other Aids	118,704	125,952	125,857	(95)	183,702
Total Revenue from State Sources	119,804	127,052	126,726	(326)	184,795
Sales and Other Conversion of Assets					
Sale of Food	-	102,880	112,880	10,000	99,448
Total Revenues	1,954,089	2,041,606	2,026,663	(14,943)	2,112,060
EXPENDITURES					
Community Education and Services					
Salaries and Wages	1,184,971	1,225,654	1,330,270	104,616	1,312,643
Employee Benefits	303,224	312,061	327,502	15,441	328,550
Purchased Services	274,895	268,267	275,257	6,990	279,390
Supplies and Materials	159,719	192,164	209,316	17,152	180,557
Capital Expenditures	27,500	45,288	46,304	1,016	20,556
Other Expenditures	6,210	6,150	3,778	(2,372)	9,216
Total Expenditures	1,956,519	2,049,584	2,192,427	142,843	2,130,912
Net Change in Fund Balance	$ (2,430)	$ (7,978)	(165,764)	$ (157,786)	(18,852)
FUND BALANCE					
Beginning of Year			431,623		450,475
End of Year			$ 265,859		$ 431,623

INDEPENDENT SCHOOL DISTRICT NO. 879

UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
For the Year Ended June 30, 2015

	Audit	UFARS	Audit-UFARS
01 GENERAL FUND			
Total Revenue	$ 23,062,714	$ 23,062,718	$ (4)
Total Expenditures	22,562,200	22,562,199	1
Nonspendable:			
460 Nonspendable Fund Balance	137,945	137,945	-
Restricted/Reserved:			
403 Staff Development	82,913	82,913	-
405 Deferred Maintenance	464,747	464,747	-
406 Health and Safety	19,659	19,659	-
407 Capital Projects Levy	-	-	-
408 Cooperative Programs	-	-	-
409 Alternative Facility Program	-	-	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
417 Taconite Building Maintenance	-	-	-
424 Operating Capital	1,136,032	1,136,032	-
426 $ 25 Taconite	-	-	-
427 Disabled Accessibility	-	-	-
428 Learning and Development	-	-	-
434 Area Learning Center	-	-	-
435 Contracted Alternative Programs	-	-	-
436 State Approved Alternative Program	-	-	-
438 Gifted and Talented	-	-	-
440 Teacher Development and Evaluation	-	-	-
441 Basic Skills Programs	-	-	-
445 Career Technical Programs	-	-	-
446 First Grade Preparedness	-	-	-
448 Achievement and Integration	-	-	-
449 Safe School Crime	-	-	-
450 Transition for Pre-kindergarten	-	-	-
451 QZAB and QSCB Payments	-	-	-
452 OPEB Liabilities not Held in Trust	-	-	-
453 Unfunded Severance and			
Restricted Retirement Levy	-	-	-
464 Restricted Fund Balance	-	-	-
Committed:			
418 Committed for Separation	133,030	133,030	-
461 Committed	-	-	-
Assigned:			
462 Assigned Fund Balance	475,487	475,487	-
Unassigned:			
422 Unassigned Fund Balance (Net Position)	4,384,645	4,384,647	(2)
02 FOOD SERVICES FUND			
Total Revenue	$ 976,816	$ 976,815	$ 1
Total Expenditures	972,148	972,145	3
Nonspendable:			
460 Nonspendable Fund Balance	15,144	15,144	-
Restricted/Reserved:			
452 OPEB Liabilities not Held in Trust	-	-	-
Restricted:			
464 Restricted Fund Balance	177,351	177,352	(1)
Unassigned:			
463 Unassigned Fund Balance	-	-	-
04 COMMUNITY SERVICE FUND			
Total Revenue	$ 2,026,663	$ 2,026,663	$ -
Total Expenditures	2,192,427	2,192,427	-
Nonspendable:			
460 Nonspendable Fund Balance	11,125	11,125	-
Restricted/Reserved:			
426 $ 25 Taconite	-	-	-
431 Community Education	246,565	246,565	-
432 ECFE	2,593	2,593	-
444 School Readiness	2,359	2,360	(1)
447 Adult Basic Education	966	966	-
452 OPEB Liabilities not Held in Trust	-	-	-
Restricted:			
464 Restricted Fund Balance	2,251	2,247	4
Unassigned:			
463 Unassigned Fund Balance	-	-	-

	Audit	UFARS	Audit-UFARS
06 BUILDING CONSTRUCTION FUND			
Total Revenue	$ -	$ -	$ -
Total Expenditures	-	-	-
Nonspendable:			
460 Nonspendable Fund Balance	-	-	-
Restricted/Reserved:			
407 Capital Projects Levy	-	-	-
409 Alternative Facility Program	-	-	-
413 Building Projects Funded by COP/LP	-	-	-
Restricted:			
464 Restricted Fund Balance	-	-	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-
07 DEBT SERVICE FUND			
Total Expenditures	$ 2,314,491	$ 2,314,490	$ 1
Nonspendable:	17,055,206	17,055,204	2
460 Nonspendable Fund Balance	-	-	-
Restricted/Reserved:			
425 Bond Refunding	-	-	-
451 QZAB and QSCB Payments	-	-	-
Restricted:			
464 Restricted Fund Balance	515,042	515,042	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-
08 TRUST FUND			
Total Revenue	$ 56,864	$ 56,864	$ -
Total Expenditures	56,040	56,040	-
Unassigned:			
422 Unassigned Fund Balance (Net Position)	31,829	31,829	-
20 INTERNAL SERVICE FUND			
Total Revenue	$ -	$ -	$ -
Total Expenditures	-	-	-
Unassigned:			
422 Unassigned Fund Balance (Net Position)	-	-	-
25 OPEB REVOCABLE TRUST			
Total Revenue	$ -	$ -	$ -
Total Expenditures	-	-	-
Unassigned:			
422 Unassigned Fund Balance (Net Position)	-	-	-
45 OPEB IRREVOCABLE TRUST			
Total Revenue	$ -	$ -	$ -
Total Expenditures	-	-	-
Unassigned:			
422 Unassigned Fund Balance (Net Position)	-	-	-
47 OPEB DEBT SERVICE			
Total Revenue	$ -	$ -	$ -
Total Expenditures	-	-	-
Nonspendable:			
460 Nonspendable Fund Balance	-	-	-
Restricted:			
464 Restricted Fund Balance	-	-	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-

INDEPENDENT SCHOOL DISTRICT NO. 879

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

Federal Agency/Pass Through Agency/Program Title	CFDA Number	Expenditures
U.S. Department of Agriculture		
Through Minnesota Department of Education:		
Child Nutrition Cluster:		
Commodities Programs	10.555	$ 62,019
School Breakfast	10.553	9,714
Milk	10.556	848
Type A Lunch	10.555	191,262
Total Child Nutrition Cluster and U.S. Department of Agriculture		263,843
U.S. Department of Education		
Through Minnesota Department of Education:		
Title I, Part A Cluster:		
Title I, Part A	84.010	74,016
Title II, Part A - Improving Teacher Quality	84.367	48,548
Through Meeker and Wright Special Education Cooperative No. 938:		
Special Education Cluster:		
Special Education	84.027	135,135
Discretionary Continuous Improvement Monitoring Process	84.027	1,001
Preschool Grants	84.173	12,812
Total Special Education Cluster		148,948
Total U.S. Department of Education		271,512
Total Federal Expenditures		$ 535,355

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

INDEPENDENT SCHOOL DISTRICT NO. 879

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2015

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB *Circular A-133, Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2 – INVENTORY

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

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

INDEPENDENT AUDITOR'S REPORT

To the School Board
Independent School District No. 879
Delano, Minnesota

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 879, Delano, Minnesota, as of and for the year ending June 30, 2015, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 2, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified . Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. However, we identified certain deficiencies in internal control described in the accompanying Schedule of Finding and Questioned Costs in Accordance with OMB *Circular A-133* that we consider to be significant deficiencies in internal control, Audit Finding 2011-001.

Compliance and Other Matters

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

District's Response to the Findings

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs in Accordance with OMB *Circular A-133*. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BerganKDV Ltd.

BerganKDV, Ltd.
Minneapolis, Minnesota
November 2, 2015

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

INDEPENDENT AUDITOR'S REPORT

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To the School Board
Independent School District No. 879
Delano, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Independent School District No. 879, Delano, Minnesota with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Cost, in Accordance with OMB *Circular A-133*.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB *Circular A-133*, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB *Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Independent School District No. 879 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB *Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB *Circular A-133*. Accordingly, this report is not suitable for any other purpose.

BerganKDV Ltd.

BerganKDV, Ltd.
Minneapolis, Minnesota
November 2, 2015

INDEPENDENT SCHOOL DISTRICT NO. 879

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH OMB *CIRCULAR A-133*
June 30, 2015

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	Yes, Audit Findings 2011-001
Noncompliance material to financial statements noted?	No

Federal Awards

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

Identification of Major Programs

CFDA No.:	84.027, 84.173
Name of Federal Program or Cluster:	Special Education Cluster
CFDA No.:	10.555, 10.553, 10.556
Name of Federal Program or Cluster:	Child Nutrition Cluster
Dollar threshold used to distinguish between type A and type B programs:	$ 300,000
Auditee qualified as low risk auditee?	No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH OMB *CIRCULAR A-133*
June 30, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS

Audit Finding 2011-001 – Lack of Segregation of Accounting Duties

Criteria or Specific Requirement:
Internal control that supports the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

Condition:
During the year ended June 30, 2015, the District had a lack of segregation of accounting duties due to a limited number of office employees. Examples of the lack of segregation of accounting duties include but are not limited to:

- The District Accountant enters bank deposit amounts in Skyward, along with preparing the monthly bank reconciliations.
- The District Accountant stuffs and mails checks to vendors, along with preparing the monthly bank reconciliations.
- The Business Manager and District Accountant have access to all areas of the accounting system, while performing some initiation and reconciliation duties.

Administration is aware of this condition and will take certain steps to compensate for the lack of segregation, but due to the number of accounting staff needed to properly segregate all of the accounting duties, the costs of obtaining desirable segregation of accounting duties exceeds the benefits which could be derived. Due to this reason, management has determined a complete segregation of accounting duties is impractical to correct. Administration and the School Board must remain aware of this situation and should continually monitor the accounting system, including changes that occur.

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

Effect:
The lack of adequate segregation of accounting duties could adversely affect the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Cause:
There are a limited number of office employees.

Recommendation:
Continue to review the accounting system, including changes that may occur. Implement segregation whenever practical.

SECTION II – FINANCIAL STATEMENT FINDINGS

Audit Finding 2011-001 – Lack of Segregation of Accounting Duties (Continued)

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

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

2. Actions Planned in Response to Finding
   Administration will examine current segregation of accounting duties and identify areas of concern. As these areas are identified, Administration will develop policies that will address and mitigate such potential problems while working within current financial constraints. Specific areas of greatest concern will be identified first and then addressed, followed up by policies with a plan to reduce the risk of problems. Specifics will be noted in the policies as they are brought before the School Board. An individual who is responsible for the implementation of the specific control will be named, as well as information on how the control added will potentially reduce risk of possible misstatement in the financial statements. As areas are addressed, other areas will be examined and corrected whenever possible.

3. Official Responsible for Ensuring CAP
   Matthew Schoen is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP
   The planned completion date for the CAP is ongoing.

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

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no federal award findings or questioned costs.

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REPORT ON LEGAL COMPLIANCE

INDEPENDENT AUDITOR'S REPORT

To the School Board
Independent School District No. 879
Delano, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 879, Delano, Minnesota, as of and for the year ended June 30, 2015, and the related Notes to the Financial Statements, and have issued our report thereon dated November 2, 2015.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* promulgated by the State Auditor pursuant to *Minnesota Statutes* Sec. 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, uniform financial accounting and reporting standards for school districts and miscellaneous provisions. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions,* except as described in the Schedule of Finding and Corrective Action Plan on Legal Compliance and Internal Control. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

BerganKDV Ltd.

BerganKDV, Ltd.
Minneapolis, Minnesota
November 2, 2015

INDEPENDENT SCHOOL DISTRICT NO. 879

SCHEDULE OF FINDING AND CORRECTIVE ACTION PLAN ON LEGAL COMPLIANCE June 30, 2015

CURRENT AND PRIOR YEAR LEGAL COMPLIANCE FINDING:

Eliminate Old Outstanding Checks

According to *Minnesota Statutes* 345.38-.43, if the local government's records show unclaimed property over $ 100 for more than three years, the property should be reported and paid or delivered to the State Commissioner of Commerce.

At June 30, 2015, the District had 1 outstanding check over $ 100 and more than three years old on its bank reconciliation which wasn't reported and paid or delivered to the State Commissioner of Commerce as required by *Minnesota Statutes* 345.38-.43.

CORRECTIVE ACTION PLAN (CAP):

1. <u>Explanation of Disagreement with Audit Finding</u>
   There is no disagreement with the audit finding.

2. <u>Actions Planned in Response to Finding</u>
   The district will report and pay or deliver to the State Commissioner of Commerce all items on the District's bank reconciliations for items subject to *Minnesota Statutes* 345.38-.43.

3. <u>Official Responsible for Ensuring CAP</u>
   Matthew Schoen, Superintendent, is the official responsible for ensuring corrective action of the deficiency.

4. <u>Planned Completion Date for CAP</u>
   The planned completion date for the CAP is June 30, 2016.

5. <u>Plan to Monitor Completion of CAP</u>
   The School Board will be monitoring this CAP.

INDEPENDENT SCHOOL DISTRICT NO. 879

SCHEDULE OF FINDING AND CORRECTIVE ACTION PLAN ON LEGAL COMPLIANCE June 30, 2015

PRIOR YEAR LEGAL COMPLIANCE FINDING:

Abstain from Voting on Contracts with a Conflict of Interest

Minnesota Statutes 471.88, subd. 21 states that notwithstanding subdivision 1, a local school board may contract with a class of school district employees such as teachers or custodians where the spouse of a school board member is a member of the class of employees contracting with the school board and the employee spouse receives no special monetary or other benefit that is substantially different from the benefits that other members of the class receive under the employment contract. A school board invoking this exception must have a majority of disinterested school board members vote to approve the contract, direct the school board member spouse to abstain from voting to approve the contract, and publicly set out the essential facts of the contract at the meeting where the contract is approved.

During our audit, it was noted that one School Board Member whose spouse was employed at the District was subject to *Minnesota Statutes* 471.88, subd. 21 but did not abstain from voting during approval of the fiscal year 2013-2015 Delano Teachers Association contract.

CORRECTIVE ACTION PLAN TAKEN:

No such contracts were voted on during the year ended June 30, 2015.