



***Independent School District No. 877
2013-2014 End of Year Financial Report
School Board Workshop – Oct. 13, 2014***

This document recaps the District’s preliminary financial results for the year ended June 30, 2014. Overall, the District’s financial position continues to be balanced. The General Fund’s final revenues and expenditures came in more favorably than budgeted. The Food Service fund required a transfer of funds to cover a shortfall and Community Service funds continue to show a positive balance. The Alternative Facilities fund shows a zero balance as that project has come to a completion with the exception of some punch list items. The district is, again, required to show the cumulative balance for new retiree insurance contributions held in an irrevocable trust.

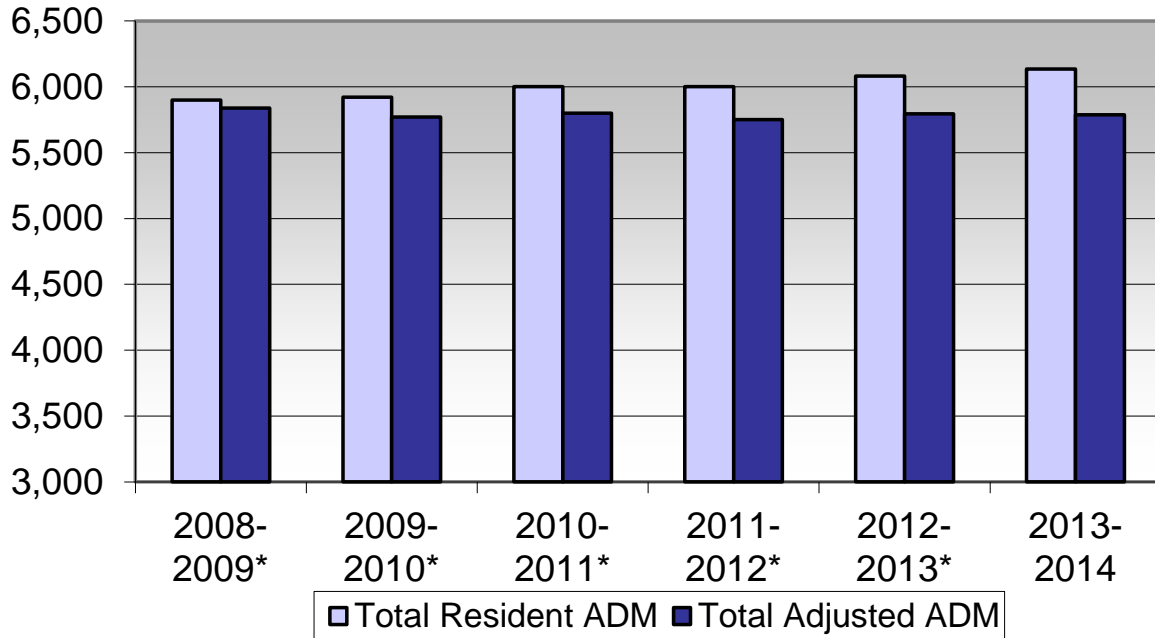
Average Daily Membership

Resident ADM includes all resident students who are enrolled in the District, educated in another district for which tuition is paid, or attending another district under enrollment options. Adjusted ADM includes resident students attending the District, nonresident enrollment option students, and nonresident tuition students. History shows us we tend to service fewer students than reside in our community. In previous years, both resident ADM and adjusted ADM exhibited steady increases from year to year. However, the total adjusted ADM displayed its first sign of declining enrollment in 2009-2010. The numbers of housing foreclosures, building permits, and overall economic conditions have impacted our school district’s enrollment. Our total adjusted ADM has remained stable the last two years.

	2008-2009*	2009-2010*	2010-2011*	2011-12*	2012-13*	2013-14
Total Resident ADM	5,900	5,920	6,001	6,002	6,081	6,134
Total Adjusted ADM	5,838	5,770	5,799	5,751	5,795	5,787

*Source: *School District Profiles*

Average Daily Membership



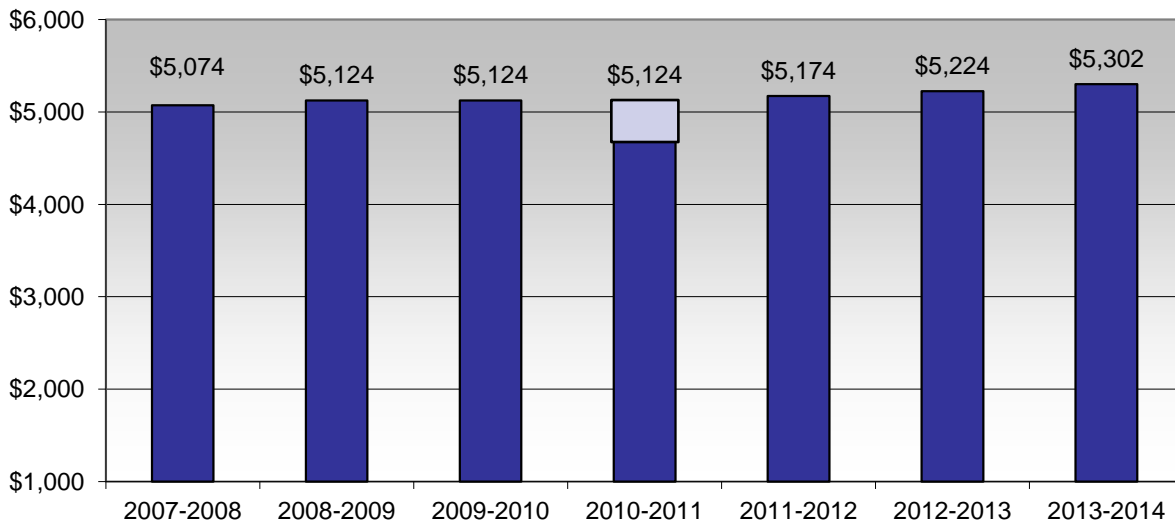
*Source: School District Profiles

General Education Aid

The largest source of revenue for the District is basic general education aid. Total basic general education revenue is calculated by multiplying the formula allowance by the number of pupil units for which a school is entitled. Pupil units are calculated using a weighting system applied to the average daily membership (WADM's). During the 2009 Legislative session, the basic general education formula was frozen for the next two years. In addition, part of the 2009-2010 basic general education formula was back-filled with federal stabilization dollars. The legislature did increase the formula by about 1% for 2011-12 and 2012-13, and 1.49% for 2013-14.

	2008-2009	2009-2010	2010-2011	2011-12	2012-2013	2013-14
General Education Formula Allowance	\$5,124	\$5,124	\$5,124	\$5,174	\$ 5,224	\$ 5,302
Percent Increase From Prior Year	1.00%	0.00%	0.00%	0.98%	0.97%	1.49%

General Education Aid Per Pupil



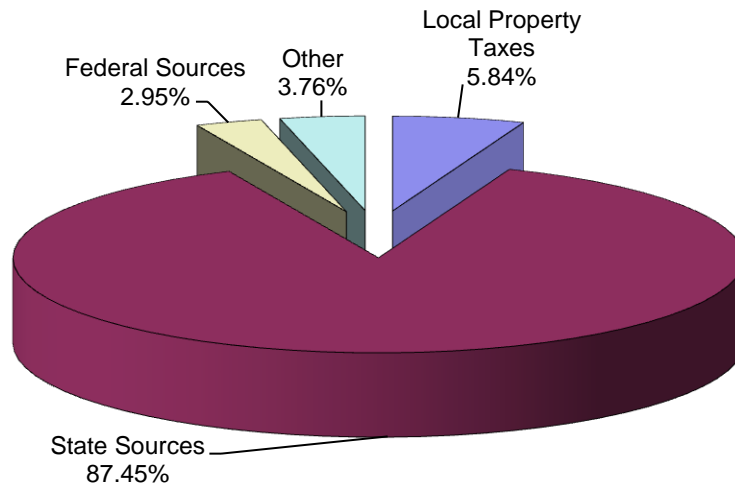
General Fund - Revenue

In the General Fund, revenues net of other funding sources came in over budget by \$274,798, which is approximately a 0.5% variance. There were offsetting budget variances between Local Property Taxes and Revenue from State Sources due to the State's property tax shift. The District also saw more revenue from student activities as a number of student activity accounts moved into the board-controlled student activity accounts.

Total General Fund revenue increased by \$1,971,265 from the previous year and was primarily due to higher reimbursement from increased costs in special education and special transportation and the increase in the per pupil formula for general education revenue. Our conservative budgeting practices in special education reimbursement as a whole resulted in recognizing additional revenue from the prior year as well. Due to changes in district-wide property values, the district also saw a shift from local levy to aid in certain components of general education revenue. This resulted in less property tax revenue than the prior year. Additionally, the reduction in the OPEB pay as you go levy was recognized in the current year. The 2012-13 delinquent tax receivable was overstated and corrected itself this year furthering the reduction in tax revenue recognized. Revenue from Local Property Taxes was lower by \$2,757,287. Of this amount, the State's property tax shift for 2013-14 decreased property tax revenue by \$2,129,861 with a similar offsetting increase in the Revenue from State Sources. Revenue from State Sources increased in total by \$4,505,861 from the 2012-2013 fiscal year. Revenue from Federal Sources decreased \$25,463 from the 2012-2013 fiscal year. Local sources increased \$191,316 from the prior fiscal year.

	2012-2013 Actual	2013-2014 Revised Budget	2013-2014 Actual	\$ Budget Variance	% Budget Variance
Revenue					
Local Property Taxes	\$5,997,896	\$3,329,072	\$3,240,609	(\$88,463)	-2.66%
State Sources	\$44,035,578	\$48,182,117	\$48,544,438	\$362,321	0.75%
Federal Sources	\$1,614,558	\$1,709,473	\$1,640,022	(\$69,451)	-4.06%
Other	\$1,891,888	\$2,015,725	\$2,086,117	\$70,392	3.49%
Total	\$53,539,920	\$55,236,387	\$55,511,185	\$274,798	0.50%

2013-2014 General Fund Revenue By Source



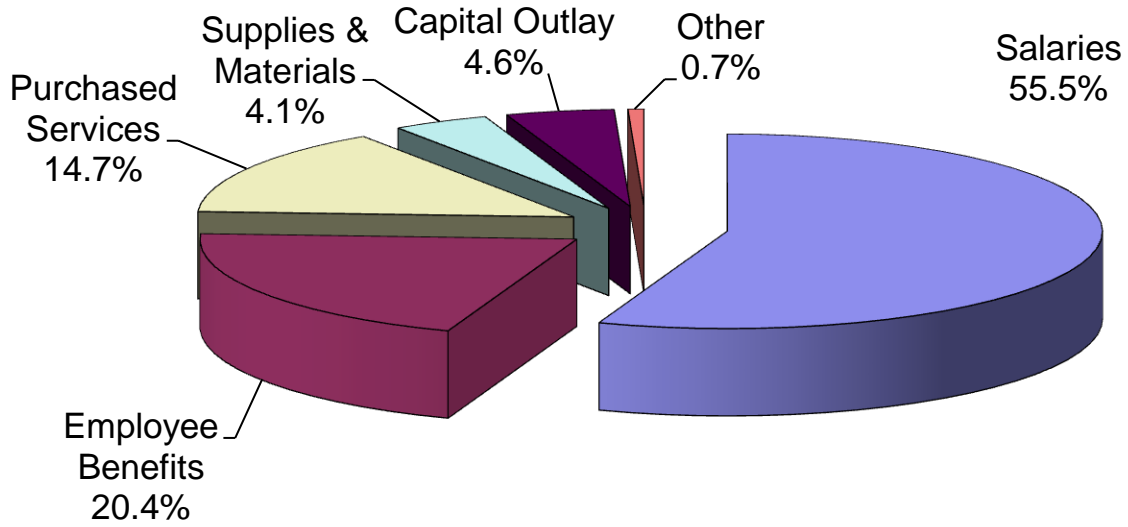
General Fund – Expenditures By Object

In the General Fund, expenditures net of other funding uses were under budget by \$597,739 or 1.06%. The district was under budget by more than \$184,000 in operations and maintenance costs in spite of extreme weather conditions this year. Employee benefits were under budget due to lower than expected costs in workers compensation and reemployment. We also continue to utilize a conservative benefits budget model. Staffing and other contingencies were less than projected. Some of the cost savings is related to school cancellations. Sub and extended time costs were underspent by about \$70,600. Health and Safety expenditures were under budget by \$33,000 due to lower costs than anticipated. We saw significantly higher special education transportation and special needs transportation costs than projected. We also invested more resources into curriculum purchases than originally planned. We continue to employ the district's practice of conservative budgeting thus resulting in the savings that are shown.

The General Fund expenditures increased \$3,863,043, or 7.4% from the previous year. This is the second year of using the OPEB Trust and the OPEB Trust paid for \$1,027,514 that would have otherwise been in the general fund expenditures. However, for another year, at least, the District maintained its expenditures for the 2013-14 school year thus helping to provide long-term financial stability.

	2012-2013 Actual	2013-2014 Revised Budget	2013-2014 Actual	\$ Budget Variance	% Budget Variance
Expenditures					
Salaries	\$29,854,800	\$31,412,371	\$31,080,937	\$331,434	-1.06%
Employee Benefits	\$10,469,046	\$11,707,139	\$11,390,937	\$316,202	-2.70%
Purchased Services	\$7,578,928	\$8,047,822	\$8,200,465	(\$152,643)	1.90%
Supplies & Materials	\$2,058,124	\$2,438,054	\$2,312,864	\$125,190	-5.13%
Capital Outlay	\$1,825,051	\$2,537,614	\$2,601,566	(\$63,952)	2.52%
Other	\$319,560	\$423,290	\$381,781	\$41,509	-9.81%
Total	\$52,105,508	\$56,566,290	\$55,968,551	\$597,739	-1.06%

2013-2014 General Fund Expenditures By Object



General Fund - Fund Balance

With total revenues ending at \$55,511,185 plus other financing sources and uses at \$183,187 and total expenditures at \$55,968,551, the General Fund's overall fund balance decreased \$274,179 to \$15,519,942 as of June 30, 2014. To be consistent in our reporting, the District's fund balance policy is calculated with the Non-spendable and Unassigned Fund Balance totals.

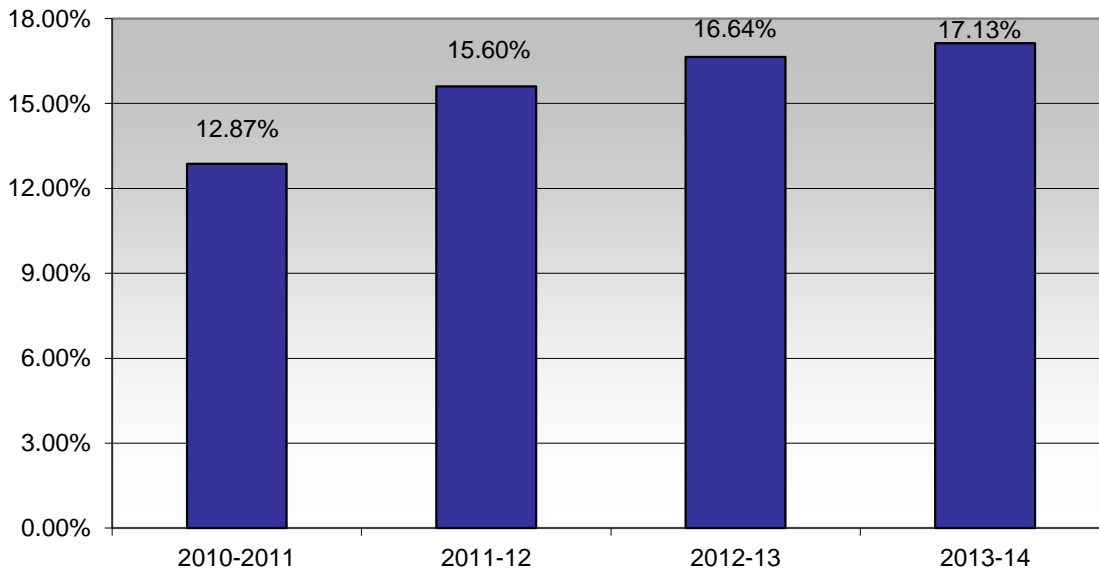
	2010-2011	2011-12	2012-13	2013-14
Restricted Fund Balance				
Health & Safety	(\$77,456)	(\$112,811)	(\$65,660)	\$14,272
Severance Pay	\$0	\$0	\$0	\$0
Operating Capital	\$61,415	\$111,841	\$368,212	\$233,458
Staff Development	\$74,801	\$74,801	\$74,801	\$74,801
Deferred Maintenance	\$11,890	\$981	\$14	\$883
	<u>\$70,650</u>	<u>\$74,812</u>	<u>\$377,366</u>	<u>\$323,415</u>
Committed Fund Balance				
Severance Ins Premiums	\$3,965,750	\$4,118,869	\$4,689,661	\$4,075,012
Assigned Fund Balance				
Carryover	\$138,181	\$171,929	\$341,646	\$144,006
Student Activities	\$171,444	\$134,880	\$143,576	\$211,361
Dental Insurance	\$249,898	\$247,330	\$223,220	\$215,581
Capital	\$327,355	\$1,000,000	\$775,750	\$405,534
Third Party Special Ed	\$186,840	\$422,029	\$501,964	\$522,320
Stimulus	\$273,509	\$66,543	\$66,543	\$66,543
	<u>\$1,347,227</u>	<u>\$2,042,710</u>	<u>\$2,052,698</u>	<u>\$1,565,345</u>
Nonspendable Fund Balance	\$398,695	\$417,092	\$312,765	\$335,791
Unassigned Fund Balance	<u>\$6,277,042</u>	<u>\$7,719,782</u>	<u>\$8,361,631</u>	<u>\$9,220,380</u>
Total Fund Balance	<u>\$12,059,364</u>	<u>\$14,373,265</u>	<u>\$15,794,121</u>	<u>\$15,519,943</u>

General Fund - Fund Balance

The unassigned/unrestricted fund balance increased to \$9,556,171 as of June 30, 2014 or 17.13% of expenditures. The District was able to maintain its financial position with two rounds of budget reductions in 2008-2009 and 2009-2010, an employee wage freeze in 2009-2010, and cost containment measures in 2007-2008. The district also received additional state aid and federal aid for 2011-2012 and 2012-13. We saw an increase in special education and general education aid for 2013-14. The district also started using the OPEB Trust in 2012-13. The district has maintained its conservative budget approach to help maintain financial stability going forward. The fund balance percentage is slightly above the parameters of our fund balance policy of 8-12% and will buy the District some time before future action is needed.

	2010-2011	2011-12	2012-13	2013-14
Nonspendable Fund Balance	\$398,695	\$417,092	\$312,765	\$335,791
Unassigned Fund Balance	\$6,277,042	\$7,719,782	\$8,361,631	\$9,220,380
	<u>\$6,675,737</u>	<u>\$8,136,874</u>	<u>\$8,674,396</u>	<u>\$9,556,171</u>
Total General Fund Expenditures	<u>\$51,887,211</u>	<u>\$52,145,701</u>	<u>\$52,122,185</u>	<u>\$55,785,572</u>
Fund Balance as a % of Total General Fund Expenditures	12.87%	15.60%	16.64%	17.13%

Fund Balance as a % of Total General Fund Expenditures



Food Service – Fund 02

In the Food Service Fund, expenditures exceeded revenues causing the fund balance to decrease by \$215,423. The district was required by law to make a funds transfer from the General fund in the amount of \$215,423 to cover the deficit. Including the funds transfer, Food Service revenues were over budget by \$102,682 whereas the expenditures were over budget by \$102,682.

Total breakfast and lunch meals served to students decreased from 760,311 to 711,300. The Food Service Fund also had an increase in the state and federal meal reimbursement rates, which helped to offset some of the losses in sales revenue. Overall meal counts were down as a result of the changes in the menus as required by the USDA causing lower participation. The number of free and reduced meals in 2013-2014 was 39.5% of the meals served versus 40.6% of the meals served in 2012-2013. Food service revenues from all sources were down \$114,461 from the previous year. Expenditures were down \$87,073 from the previous year. However, labor costs in total were still slightly higher than the projection. Food costs were higher than projected. Milk costs were less than projected due to a lower bid for the year as well.

Fund 02	2012-2013 Actual	2013-14 Revised Budget	2013-2014 Actual	\$ Budget Variance	% Budget Variance
Revenue					
State Sources	\$115,874	\$133,219	\$108,685	\$24,534	-18.42%
Federal Sources	\$1,072,365	\$1,016,193	\$1,020,557	(\$4,364)	0.43%
Sales to Students/Adults	\$1,654,700	\$1,669,167	\$1,629,414	\$39,753	-2.38%
Funds Transfer	\$16,677	\$52,818	\$215,423	(\$162,605)	307.86%
Total	\$2,859,617	\$2,871,397	\$2,974,079	(\$102,682)	3.58%
Expenditures					
Salaries	\$1,071,613	\$1,071,230	\$1,059,668	\$11,562	-1.08%
Employee Benefits	\$472,598	\$521,695	\$545,972	(\$24,277)	4.65%
Purchased Services	\$142,400	\$147,590	\$150,359	(\$2,769)	1.88%
Supplies & Materials	\$1,178,517	\$1,113,182	\$1,198,901	(\$85,719)	7.70%
Capital Outlay	\$14,612	\$8,700	\$8,609	\$91	-1.04%
Other	\$7,265	\$9,000	\$10,570	(\$1,570)	17.44%
Total	\$2,887,006	\$2,871,397	\$2,974,079	(\$102,682)	3.58%
Fund Balance	\$0	\$0	\$0	\$0	

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Community Service – Fund 04

The Community Service Fund continues to maintain positive fund balances in all categories except School Readiness. Revenues came in over budget by \$199,957 or 5.67% while expenditures were over budget by \$191,470 or 5.35%. There was an increase in program registration in most programs causing increases in tuition and fees revenue and also increasing related costs such as number of employees needed to supervise the classes and supplies. The Little KidKare program had a net loss of \$136,546. The total Community Service Fund balance was \$141,712 on June 30, 2014.

Fund 04	2012-2013 Actual	2013-2014 Revised Budget	2013-2014 Actual	\$ Budget Variance	% Budget Variance
Revenue					
Local Property Taxes	\$561,541	\$258,291	\$281,926	(\$23,635)	9.15%
State Sources	\$406,836	\$683,059	\$674,201	\$8,858	-1.30%
Tuition, Fees, & Misc.	\$2,632,250	\$2,583,610	\$2,768,790	(\$185,180)	7.17%
Total	\$3,600,627	\$3,524,960	\$3,724,917	(\$199,957)	5.67%
Expenditures					
Salaries	\$2,327,735	\$2,349,192	\$2,398,366	(\$49,174)	2.09%
Employee Benefits	\$694,462	\$663,424	\$730,968	(\$67,544)	10.18%
Purchased Services	\$411,888	\$328,210	\$333,318	(\$5,108)	1.56%
Supplies & Materials	\$295,489	\$212,600	\$281,806	(\$69,206)	32.55%
Capital Outlay	\$15,822	\$18,500	\$17,806	\$694	-3.75%
Other	\$11,786	\$9,150	\$10,282	(\$1,132)	12.37%
Total	\$3,757,182	\$3,581,076	\$3,772,546	(\$191,470)	5.35%
Community Education	\$138,066	\$104,855	\$102,951	\$1,904	
ECFE	\$28,276	\$10,663	\$34,442	(\$23,779)	
School Readiness	\$10,495	\$2,158	(\$8,186)	\$10,344	
Adult Basic Education	\$12,505	\$12,505	\$12,505	(\$0)	
Unassigned	\$0	\$3,045	\$0	\$3,045	
Fund Balance	\$189,342	\$133,226	\$141,712	(\$8,486)	

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Alternative Facilities – Fund 16

The Alternative facilities fund recorded the revenues and expenditures from the Parkside Elementary School heating, ventilation, and air conditioning project. The project started in 2012-2013 and was completed in 2013-14 with the exception of a few punch list items to complete. Revenues and expenditures matched the budgets and the fund will be closed out at the end of the fiscal year. The total Alternative Facilities Fund balance was \$0 on June 30, 2014.

Fund 16	2012-2013 Actual	2013-2014 Revised Budget	2013-2014 Actual	\$ Budget Variance	% Budget Variance
Revenue					
Interest Revenue	\$1,176	\$1,342	\$1,342	(\$0)	0.00%
Bond Proceeds	\$3,957,400	\$0	\$0	\$0	#DIV/0!
Total	\$3,958,576	\$1,342	\$1,342	(\$0)	0.00%
Expenditures					
Professional fees	\$311,825	\$77,758	\$77,758	\$0	0.00%
Construction Costs	\$1,173,504	\$2,282,971	\$2,282,971	(\$0)	0.00%
Transfers Out	\$113,860	\$0	\$0	\$0	#DIV/0!
Total	\$1,599,189	\$2,360,729	\$2,360,729	\$0	0.00%
Fund Balance	\$2,359,387	\$0	\$0	(\$0)	



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Health Reimbursement Account Trust – Fund 18

As a result of recent contract negotiations, the District has created a sunset clause in the teachers' and administrators' contracts. Individuals hired after the sunset date in their respective contracts are no longer eligible for the grandfathered post-retirement insurance benefits. The new provisions require the district to make an up-front contribution to the employee's HRA account upon hire and an annual contribution to the employee's HRA account for each year of service. Each contract has a contribution limit for the individual employee. These funds are held in an irrevocable trust with Mid-America through National Insurance Services. The employees have to meet certain vesting requirements before they can access these funds. As a result of these new contract provisions, the auditors are now requiring us to show the cumulative balance of contributions plus any accrued interest in these trust accounts for those individuals eligible for this new program. The actual payments to the trust are already included in the general fund expenditures shown previously in this report. This will also be the case in future years. The balances shown represent cumulative contributions and interest earned on those individual accounts as of the end of the fiscal year. The balance in the accounts was \$479,444 on June 30, 2014.

Fund 18	2012-2013 Actual	2013-2014 Revised Budget	2013-2014 Actual	\$ Budget Variance	% Budget Variance
Revenue					
Interest Revenue	\$5,626	\$8,000	\$9,747	\$1,747	21.83%
Bond Proceeds	\$248,000	\$131,809	\$216,071	\$84,262	63.93%
Total	\$253,626	\$139,809	\$225,818	\$86,009	61.52%
Expenditures					
Transfers Out	\$0	\$0	\$0	\$0	0.00%
Total	\$0	\$0	\$0	\$0	0.00%
Fund Balance	\$253,626	\$393,435	\$479,444	\$86,009	

OPEB Irrevocable Trust Fund – Fund 45

During the 2009-2010 school year, the District issued \$10.845 million in OPEB Bonds and at the same time, created an irrevocable trust with Bremer Bank to fund the District's post-employment benefits. The debt payments and property tax levy revenue are recorded in Debt Service Fund 47, and the trust activity is recorded in Fund 45.

The District decided to start using the Trust in the 2012-2013 year to cover post-employment obligations. The interest earnings and dividends recognized each year are basically the change in the financial markets and any distributions out of the Trust. Retiree contributions represent the employee share of retiree insurance costs. The district had lower retiree insurance costs than projected. This is also reflected in lower than expected retiree contributions. The amount held in trust for OPEB as of June 30, 2014 is \$14,037,907 and increased in value by \$1,102,141.

Fund 45	2012-2013 Actual	2013-14 Revised Budget	2013-2014 Actual	\$ Budget Variance
Revenue				
Interest and Dividends	\$1,293,784	\$1,606,884	\$1,982,305	\$375,421
Retiree Contributions	\$241,977	\$223,174	\$216,201	(\$6,973)
Investment Expenses	(\$73,123)	(\$95,000)	(\$68,851)	\$26,149
Total	\$1,462,638	\$1,735,058	\$2,129,655	\$394,597
Expenditures				
Health Insurance	\$547,959	\$590,343	\$561,991	(\$28,352)
Life Insurance	\$10,253	\$9,915	\$10,483	\$568
Dental Insurance	\$30,994	\$37,621	\$36,266	(\$1,355)
Contributions to HRA	\$503,255	\$418,775	\$418,774	(\$1)
Total	\$1,092,461	\$1,056,654	\$1,027,514	(\$29,140)
Net Assets	\$12,935,766	\$13,614,170	\$14,037,907	\$423,737

Debt Service – Funds 07 & 47

The Debt Service Fund balances for Funds 07 and 47 decreased \$62,276 overall and are \$1,538,310 in total as of June 30, 2014. This decrease is primarily due to lower than anticipated tax collections. This remaining balance is restricted to meet future debt obligations of the district.

School districts are required to levy 105% of their annual debt payments to cover possible delinquent property taxes. When the fund balance reaches a certain point, the State calculates a debt excess fund balance figure and reduces the tax levy by that amount on the next year's property tax levy.

Funds 07 & 47	2012-2013 Actual	2013-2014 Revised Budget	2013-2014 Actual	\$ Budget Variance
Revenue				
Local Property Taxes	\$7,128,074	\$6,930,833	\$6,875,830	(\$55,003)
State Sources	\$39,286	\$36,935	\$36,937	\$2
Interest Revenue	\$7,922	\$7,900	\$0	(\$7,900)
Transfer In	\$113,860	\$0	\$0	\$0
Bond Proceeds	\$0	\$0	\$0	\$0
Total	\$7,289,141	\$6,975,668	\$6,912,767	(\$62,901)
Expenditures				
Principal & Interest	\$8,066,912	\$6,927,494	\$6,927,494	(\$0)
Other	\$2,663	\$4,450	\$3,825	(\$625)
Bond Refunding	\$33,935,000	\$0	\$0	\$0
Total	\$42,004,575	\$6,931,944	\$6,931,319	(\$625)
Fund Balance	\$1,556,862	\$1,600,586	\$1,538,310	(\$62,276)

Student Activities

The final piece of the District’s financial report pertains to student activities. The District has student activities under school board control and student activities not under school board control. A review of all accounts was performed this year and a number of accounts were moved from accounts not under board control to accounts under board control. If a school district has student activities not under the control of the board, the board should receive an accounting report of those funds at least once a year. The report should be supplemental to the annual audit. Below is a summary of the student activities not under board control for 2013-2014.

	Balance June 30, 2013	Receipts and Transfers In	Disbursements and Transfers Out	Balance June 30, 2014
Class of 2013 (Graduates)	315.92	-	315.92	-
Class of 2014 (Seniors)	3,801.89	1,730.00	4,699.80	832.09
Class of 2015 (Juniors)	2,137.71	12,652.48	2,530.33	12,259.86
Class of 2016 (Sophomores)	699.72	-	-	699.72
Class of 2017 (Freshmen)	-	315.92	77.44	238.48
SH Arts Magnet	2,287.69	6,291.12	6,270.68	2,308.13
SH Band	23,706.29	12,444.69	36,150.98	-
SH Bison Stampede	3,081.48	2,267.00	4,796.00	552.48
SH Business Professionals America	166.77	9,283.53	7,325.39	2,124.91
SH Choir	4,128.21	11,030.50	15,158.71	-
SH Culture United	206.38	-	206.38	-
SH Dance	96.53	-	96.53	-
SH DECA	2,835.70	670.00	224.65	3,281.05
SH FFA	19,087.27	1,340.00	12,092.45	8,334.82
SH Football	10,261.14	24,509.00	34,770.14	-
SH Global Minded Student Activists	6.69	-	6.69	-
SH International Language	2,968.87	3,383.89	6,352.76	-
SH MEADA	704.34	-	704.34	-
SH Mock Trial	56.42	-	56.42	-
SH NHS	979.36	862.00	612.00	1,229.36
SH Orchestra	2,213.71	3,480.00	5,693.71	-
SH Student Care	22.36	300.00	22.36	300.00
SH Student Council	2,076.79	11,389.95	10,931.23	2,535.51
SH Students Stepping Up	265.81	-	20.00	245.81
SH Track-Field	910.86	-	910.86	-
Activity Interest	-	443.99	60.00	383.99
Total	\$ 83,017.91	\$ 102,394.07	\$ 150,085.77	\$ 35,326.21

KleinBank CD	\$ -
KleinBank Checking	35,326.21
\$	35,326.21