



## ***Independent School District No. 877 2014-2015 End of Year Financial Report School Board Workshop – Oct. 12, 2015***

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This document recaps the District’s preliminary financial results for the year ended June 30, 2015. Overall, the District’s financial position continues to be positive. The General Fund’s final revenues and expenditures came in more favorably than budgeted. The Food Service fund showed an increase from operations and Community Service funds showed a decrease in fund balance. The Building Construction fund shows activity and a fund balance as a number of projects were in various stages of completion at year end. The district is, again, required to show the cumulative balance for new retiree insurance contributions held in irrevocable trusts.

### Average Daily Membership

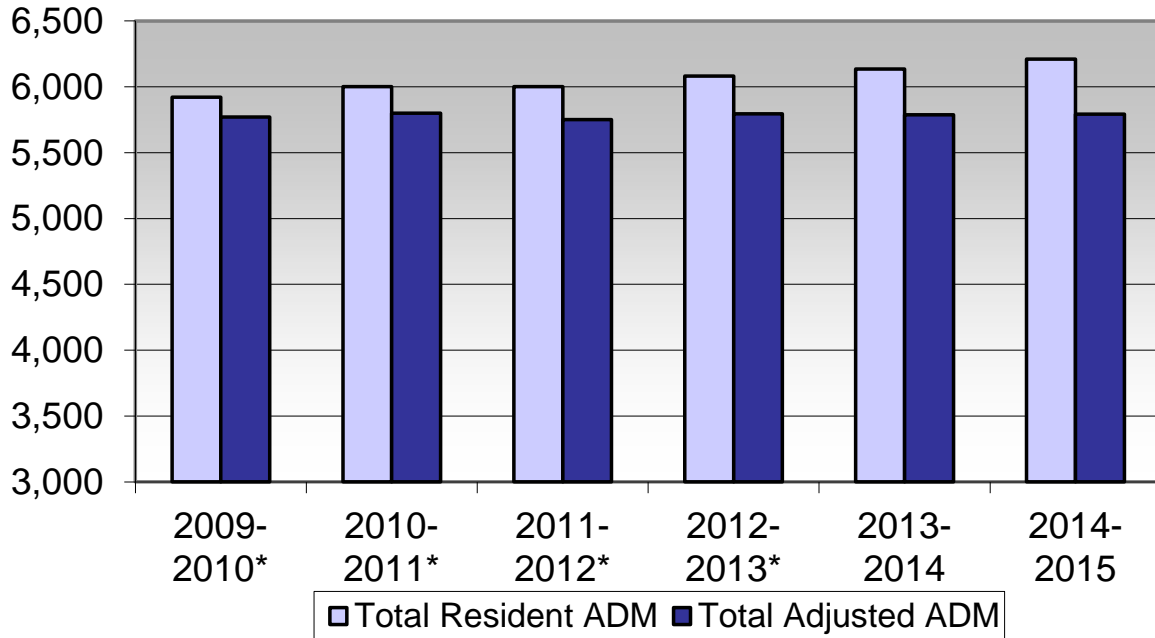
Resident ADM includes all resident students who are enrolled in the District, educated in another district for which tuition is paid, or attending another district under enrollment options. Adjusted ADM includes resident students attending the District, nonresident enrollment option students, and nonresident tuition students. History shows us we tend to service fewer students than reside in our community. We have seen our total resident ADM counts increase since 2009-10. Our total adjusted ADM has remained stable the last three years.

	2009-2010*	2010-2011*	2011-12*	2012-13*	2013-14*	2014-15
<b>Total Resident ADM</b>	5,920	6,001	6,002	6,081	6,134	6,210
<b>Total Adjusted ADM</b>	5,770	5,799	5,751	5,795	5,787	5,791

\*Source: *School District Profiles*

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**Average Daily Membership**



\*Source: School District Profiles

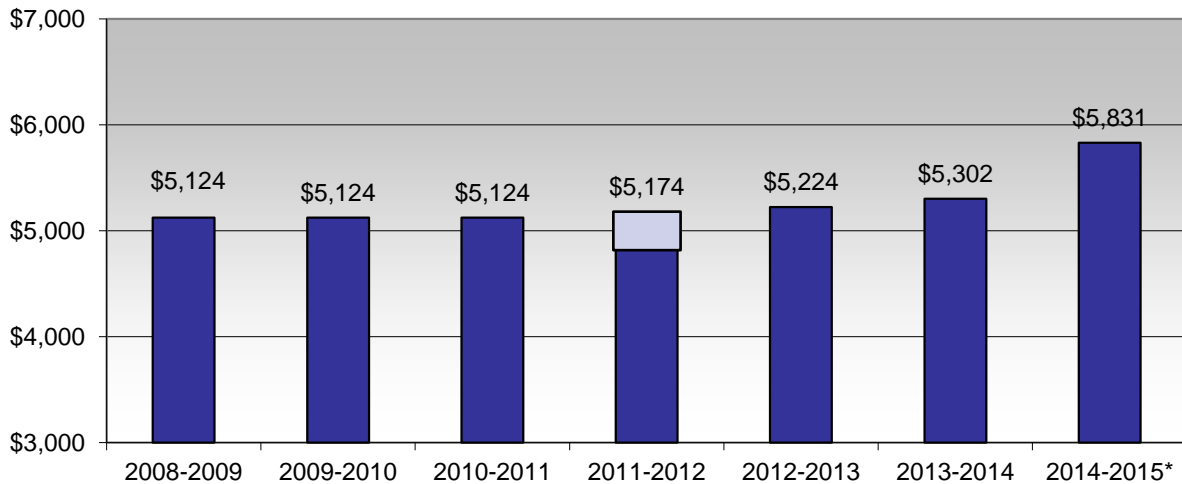
General Education Aid

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, 1.49% for 2013-14, and 1.5% for 2014-15.

	2009-2010	2010-2011	2011-12	2012-2013	2013-14	2014-15*
<b>General Education Formula Allowance</b>	\$5,124	\$5,124	\$5,174	\$ 5,224	\$ 5,302	\$ 5,831
<b>Percent Increase From Prior Year</b>	0.00%	0.00%	0.98%	0.97%	1.49%	9.98%

\*The 2013 Legislature changed pupil unit weighting and increased the formula. The net increase in \$ per student was \$79 or 1.5%

**General Education Aid Per Pupil**



\*The 2013 Legislature changed pupil unit weighting and increased the formula. The net increase in \$ per student was \$79 or 1.5%

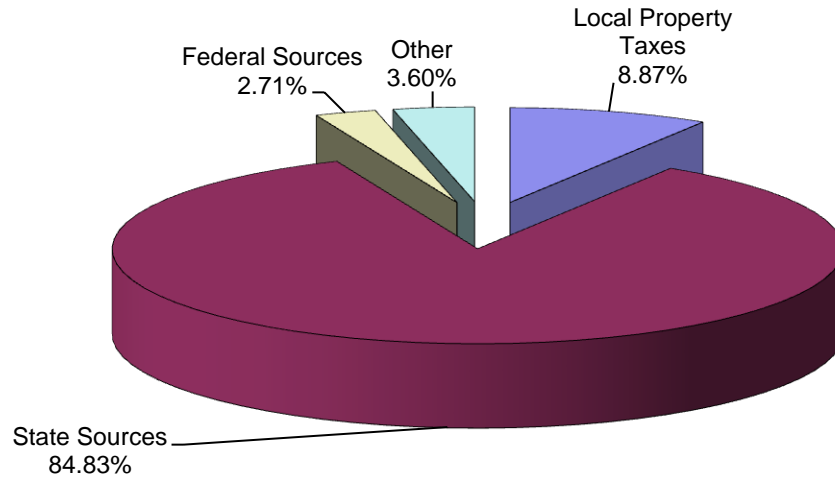
General Fund - Revenue

In the General Fund, revenues net of other funding sources came in over budget by \$287,685, which is approximately a 0.49% 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 slightly higher pupil counts and student activities as a number of student activity accounts raised funds beyond the projected amount due to various projects or activities for those groups.

In comparison to last year, total General Fund revenue increased by \$2,942,970. This was primarily due to the new location equity revenue, an increase in the general education revenue formula, teacher development revenue, an increase in special education revenue and increased revenue from fundraising. Revenue from Local Property Taxes was higher by \$1,940,761 primarily due to the majority of tax shift being eliminated for the current year. Revenue from state sources were higher by \$1,031,475 due to location equity revenue, an increase in the general education revenue formula, and an offset from the tax shift change. Revenue from Federal Sources decreased \$57,818 from the 2013-2014 fiscal year. Local sources increased \$28,550 from the prior fiscal year.

	2013-2014 Actual	2014-2015 Revised Budget	2014-2015 Actual	\$ Budget Variance	% Budget Variance
<b>Revenue</b>					
Local Property Taxes	\$3,240,609	\$4,665,431	\$5,181,370	\$515,939	11.06%
State Sources	\$48,544,438	\$49,945,641	\$49,575,914	(\$369,727)	-0.74%
Federal Sources	\$1,640,022	\$1,608,951	\$1,582,204	(\$26,747)	-1.66%
Other	\$2,075,370	\$1,935,700	\$2,103,920	\$168,220	8.69%
<b>Total</b>	<b>\$55,500,438</b>	<b>\$58,155,723</b>	<b>\$58,443,408</b>	<b>\$287,685</b>	<b>0.49%</b>

**2014-2015 General Fund Revenue By Source**



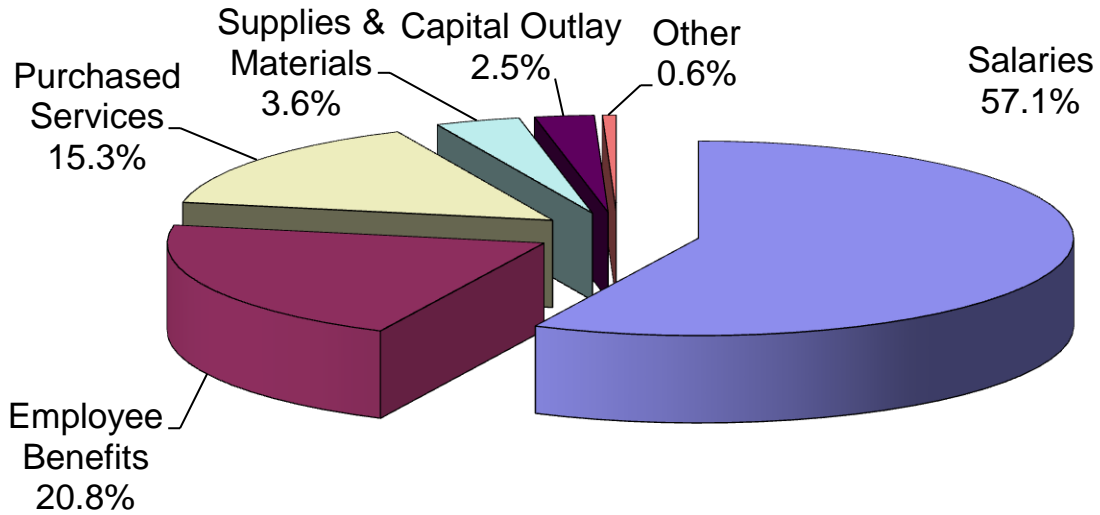
General Fund – Expenditures by Object

In the General Fund, expenditures net of other funding uses were under budget by \$1,915,094 or -3.23%. The district was under budget by more than \$346,795 in operations and maintenance costs due to a milder winter 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. The teacher development program will carry \$110,000 of its funds into next year. Sub and extended time costs were underspent by about \$85,000. Health and Safety and operating capital expenditures were under budget by \$246,000 due to lower costs than anticipated and little use of contingency funds. Tuition costs were \$152,000 less than projected. We were able to avoid using other general fund contingency amounts. We continue to employ the district's practice of conservative budgeting thus resulting in the savings that are shown.

The General Fund expenditures increased \$1,372,462, or 2.45% from the previous year. This is the third year of using the OPEB Trust and the OPEB Trust paid for \$841,568 that would have otherwise been in the general fund expenditures. However, for another year, at least, the District maintained its expenditures for the 2014-15 school year thus helping to provide long-term financial stability.

	2013-2014 Actual	2014-2015 Revised Budget	2014-2015 Actual	\$ Budget Variance	% Budget Variance
<b>Expenditures</b>					
Salaries	\$31,080,937	\$32,991,313	\$32,756,714	\$234,599	-0.71%
Employee Benefits	\$11,390,937	\$12,554,789	\$11,946,918	\$607,871	-4.84%
Purchased Services	\$8,200,465	\$9,394,695	\$8,755,467	\$639,228	-6.80%
Supplies & Materials	\$2,312,864	\$2,378,450	\$2,085,111	\$293,339	-12.33%
Capital Outlay	\$2,601,566	\$1,452,392	\$1,460,239	(\$7,847)	0.54%
Other	\$381,781	\$484,468	\$336,565	\$147,903	-30.53%
<b>Total</b>	<b>\$55,968,551</b>	<b>\$59,256,107</b>	<b>\$57,341,013</b>	<b>\$1,915,094</b>	<b>-3.23%</b>

**2014-15 General Fund Expenditures By Object**



General Fund - Fund Balance

With total revenues ending at \$58,443,408 and total expenditures at \$55,968,551, the General Fund's overall fund balance increased \$1,102,395 to \$16,611,591 as of June 30, 2015. To be consistent in our reporting, the District's fund balance policy is calculated with the Non-spendable and Unassigned Fund Balance totals.

	2011-12	2012-13	2013-14	2014-15
<b>Restricted Fund Balance</b>				
Health & Safety	(\$112,811)	(\$65,660)	\$14,272	(\$137,329)
Operating Capital	\$111,841	\$368,212	\$233,458	\$624,964
Staff Development	\$74,801	\$74,801	\$74,801	\$67,063
Teacher Development	\$0	\$0	\$0	\$110,131
Deferred Maintenance	\$981	\$14	\$883	\$730
	<u>\$74,812</u>	<u>\$377,366</u>	<u>\$323,415</u>	<u>\$665,558</u>
<b>Committed Fund Balance</b>				
Severance Ins Premiums	\$4,118,869	\$4,689,661	\$4,075,012	\$4,062,933
<b>Assigned Fund Balance</b>				
Carryover	\$171,929	\$341,646	\$144,006	\$211,124
Student Activities	\$134,880	\$143,576	\$211,361	\$317,703
Dental Insurance	\$247,330	\$223,220	\$215,581	\$199,667
Capital	\$1,000,000	\$775,750	\$405,534	\$385,973
Third Party Special Ed	\$422,029	\$501,964	\$522,502	\$493,734
Stimulus	\$66,543	\$66,543	\$66,543	\$0
	<u>\$2,042,710</u>	<u>\$2,052,698</u>	<u>\$1,565,527</u>	<u>\$1,608,202</u>
<b>Nonspendable Fund Balance</b>	\$417,092	\$312,765	\$335,791	\$331,689
<b>Unassigned Fund Balance</b>	<u>\$7,719,782</u>	<u>\$8,361,631</u>	<u>\$9,209,451</u>	<u>\$9,943,210</u>
<b>Total Fund Balance</b>	<u>\$14,373,265</u>	<u>\$15,794,121</u>	<u>\$15,509,196</u>	<u>\$16,611,591</u>

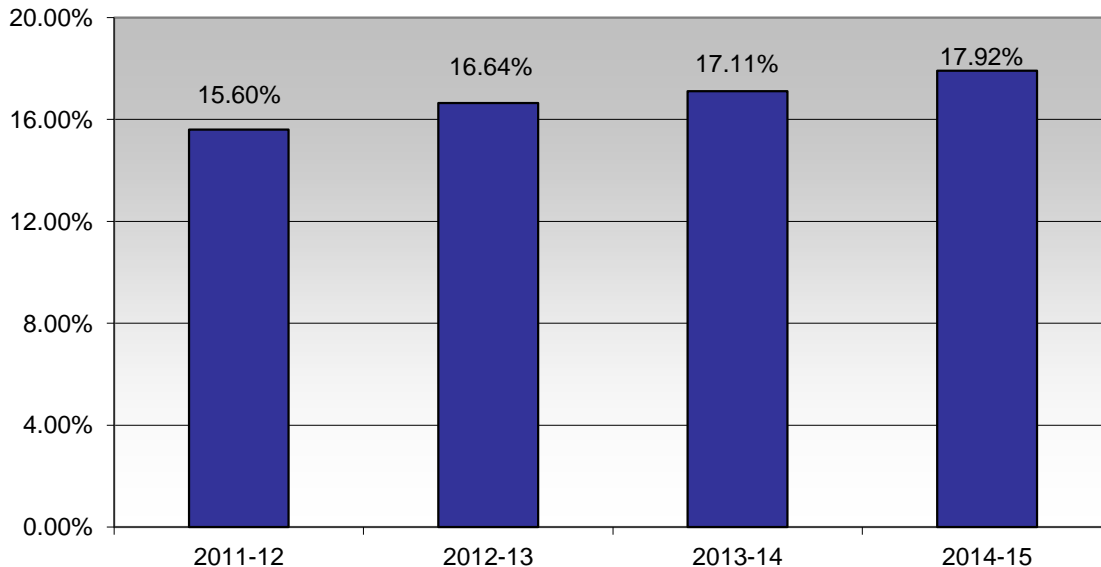


General Fund - Fund Balance

The unassigned/unrestricted fund balance increased to \$10,274,898 as of June 30, 2015 or 17.92% of expenditures. The District was able to maintain its financial position with additional state aid and lower than anticipated expenditures. The district has maintained its conservative budget approach to help maintain financial stability going forward. The fund balance percentage is above the parameters of our fund balance policy of 8-12% and will buy the District some time before future action is needed.

	2011-12	2012-13	2013-14	2014-15
<b>Nonspendable Fund Balance</b>	\$417,092	\$312,765	\$335,791	\$331,689
<b>Unassigned Fund Balance</b>	\$7,719,782	\$8,361,631	\$9,209,451	\$9,943,210
	<u>\$8,136,874</u>	<u>\$8,674,396</u>	<u>\$9,545,242</u>	<u>\$10,274,898</u>
<b>Total General Fund Expenditures</b>	<u>\$52,145,701</u>	<u>\$52,122,185</u>	<u>\$55,785,572</u>	<u>\$57,341,013</u>
<b>Fund Balance as a % of Total General Fund Expenditures</b>	<u>15.60%</u>	<u>16.64%</u>	<u>17.11%</u>	<u>17.92%</u>

**Fund Balance as a % of Total General Fund Expenditures**



Food Service – Fund 02

In the Food Service Fund, revenues exceeded expenditures causing the fund balance to increase by \$25,560. Food Service revenues were under budget by \$20,184 and the expenditures were under budget by \$18,060.

Total breakfast and lunch meals served to students increased from 711,300 to 785,065. The Food Service Fund also had an increase in the state and federal meal reimbursement rates. Overall meals counts were up as a result of the changes in the menus, the new free kindergarten breakfast program, and the summer food service program. The number of free and reduced meals in 2014-15 was 38.6% of the meals served versus 39.5% of the meals served in 2013-2014. Food service revenues from all sources were down \$87,999 from the previous year. However, factoring out last year's fund balance transfer, actual revenues increased \$127,424. Expenditures were down \$113,560 from the previous year. Labor costs in total were below the projection. Food costs were higher than projected. Milk costs were less than projected.

<b>Fund 02</b>	<b>2013-2014 Actual</b>	<b>2014-15 Revised Budget</b>	<b>2014-15 Actual</b>	<b>\$ Budget Variance</b>	<b>% Budget Variance</b>
<b>Revenue</b>					
State Sources	\$108,685	\$190,245	\$174,876	\$15,369	-8.08%
Federal Sources	\$1,020,557	\$1,085,432	\$1,110,398	(\$24,966)	2.30%
Sales to Students/Adults	\$1,629,414	\$1,630,587	\$1,600,806	\$29,781	-1.83%
Funds Transfer	\$215,423	\$0	\$0	\$0	0.00%
<b>Total</b>	<b>\$2,974,079</b>	<b>\$2,906,264</b>	<b>\$2,886,080</b>	<b>\$20,184</b>	<b>-0.69%</b>
<b>Expenditures</b>					
Salaries	\$1,059,668	\$1,022,718	\$1,042,784	(\$20,066)	1.96%
Employee Benefits	\$545,972	\$550,215	\$506,364	\$43,851	-7.97%
Purchased Services	\$150,359	\$154,925	\$137,675	\$17,250	-11.13%
Supplies & Materials	\$1,198,901	\$1,140,121	\$1,163,233	(\$23,112)	2.03%
Capital Outlay	\$8,609	\$7,600	\$7,540	\$60	-0.79%
Other	\$10,570	\$3,000	\$2,924	\$76	-2.53%
<b>Total</b>	<b>\$2,974,079</b>	<b>\$2,878,579</b>	<b>\$2,860,519</b>	<b>\$18,060</b>	<b>-0.63%</b>
<b>Fund Balance</b>	<b>\$0</b>	<b>\$27,685</b>	<b>\$25,560</b>	<b>(\$2,125)</b>	

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Community Service – Fund 04

The Community Service Fund moved to negative fund balances in all categories except Adult Basic Education. Revenues came in over budget by \$318,618 or 9.83% while expenditures were over budget by \$441,373 or 13.31%. There was an increase in program registration in most programs causing increases in tuition and fees revenue. However, this also increased related costs such as the number of employees needed to supervise the classes and supplies purchased for those classes. The Little Kid Kare program had a net loss of \$119,641. The total Community Service Fund balance was a negative \$55,910 on June 30, 2015.

<b>Fund 04</b>	<b>2013-2014 Actual</b>	<b>2014-2015 Revised Budget</b>	<b>2014-2015 Actual</b>	<b>\$ Budget Variance</b>	<b>% Budget Variance</b>
<b>Revenue</b>					
Local Property Taxes	\$281,926	(\$521,384)	(\$480,626)	(\$40,758)	-7.82%
State Sources	\$674,201	(\$418,315)	(\$414,387)	(\$3,928)	-0.94%
Tuition, Fees, & Misc.	\$2,769,117	(\$2,301,154)	(\$2,664,458)	\$363,304	15.79%
<b>Total</b>	<b>\$3,725,243</b>	<b>(\$3,240,853)</b>	<b>(\$3,559,471)</b>	<b>\$318,618</b>	<b>9.83%</b>
<b>Expenditures</b>					
Salaries	\$2,398,366	\$2,100,083	\$2,430,714	(\$330,631)	15.74%
Employee Benefits	\$730,968	\$594,844	\$702,211	(\$107,367)	18.05%
Purchased Services	\$333,318	\$340,670	\$319,640	\$21,030	-6.17%
Supplies & Materials	\$281,806	\$244,300	\$275,876	(\$31,576)	12.93%
Capital Outlay	\$17,806	\$24,500	\$20,793	\$3,707	-15.13%
Other	\$10,282	\$11,650	\$8,186	\$3,464	-29.73%
<b>Total</b>	<b>\$3,772,546</b>	<b>\$3,316,047</b>	<b>\$3,757,420</b>	<b>(\$441,373)</b>	<b>13.31%</b>
Community Education	\$103,278	\$33,904	(\$5,684)	\$39,588	
ECFE	\$34,442	\$34,917	(\$3,303)	\$38,220	
School Readiness	(\$8,186)	(\$17,626)	(\$47,735)	\$30,108	
Adult Basic Education	\$12,505	\$12,105	\$7,766	\$4,340	
Unassigned/Nonspendable	\$0	\$3,545	(\$6,954)	\$10,499	
<b>Fund Balance</b>	<b>\$142,039</b>	<b>\$66,845</b>	<b>(\$55,910)</b>	<b>\$122,755</b>	

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Building Construction – Fund 6

The Building Construction fund recorded the revenues and expenditures from the bond issue passed on November 4, 2014. The project started in 2014-15 and is scheduled to be completed in 2019-20. Revenues represent the proceeds from the bond issue, donations, and interest earned during the year and totaled \$33,125,601. Expenditures for work completed as of the end of the year totaled \$2,042,441. The total Building Construction fund balance was \$31,083,160 on June 30, 2015.

<b>Fund 6</b>	<b>2013-2014 Actual</b>	<b>2014-2015 Revised Budget</b>	<b>2014-2015 Actual</b>	<b>\$ Budget Variance</b>	<b>% Budget Variance</b>
<b>Revenue</b>					
Interest Revenue	\$0	\$37,200	\$9,753	(\$27,447)	-73.78%
Donations	\$0	\$0	\$5,000	\$5,000	0.00%
Bond Proceeds	\$0	\$33,110,849	\$33,110,849	(\$1)	0.00%
<b>Total</b>	<b>\$0</b>	<b>\$33,148,049</b>	<b>\$33,125,601</b>	<b>(\$22,448)</b>	<b>-0.07%</b>
<b>Expenditures</b>					
Professional fees	\$0	\$164,968	\$578,513	\$413,545	250.68%
Construction Costs	\$0	\$3,143,464	\$1,463,928	(\$1,679,536)	-53.43%
Transfers Out	\$0	\$0	\$0	\$0	0.00%
<b>Total</b>	<b>\$0</b>	<b>\$3,308,432</b>	<b>\$2,042,441</b>	<b>(\$1,265,991)</b>	<b>-38.27%</b>
<b>Fund Balance</b>	<b>\$0</b>	<b>\$29,839,617</b>	<b>\$31,083,160</b>	<b>\$1,243,543</b>	



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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', administrators', and changed language in some individual contracts for recently hired positions. 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, we are required 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 \$765,905 on June 30, 2015.

<b>Fund 18</b>	<b>2013-2014 Actual</b>	<b>2014-2015 Revised Budget</b>	<b>2014-2015 Actual</b>	<b>\$ Budget Variance</b>	<b>% Budget Variance</b>
<b>Revenue</b>					
Interest Revenue	\$9,747	\$9,000	\$12,782	\$3,782	42.02%
District Contributions	\$216,071	\$271,649	\$273,679	\$2,030	0.75%
<b>Total</b>	<b>\$225,818</b>	<b>\$280,649</b>	<b>\$286,461</b>	<b>\$5,812</b>	2.07%
<b>Expenditures</b>					
Transfers Out	\$0	\$0	\$0	\$0	0.00%
<b>Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	0.00%
<b>Fund Balance</b>	<b>\$479,444</b>	<b>\$760,093</b>	<b>\$765,905</b>	<b>\$5,812</b>	

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 started using the Trust in the 2012-2013 year to cover post-employment obligations and has done so each year since. The interest earnings and dividends recognized each year represent 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 slightly higher retiree insurance costs than projected. The portfolio experienced a drop in value in the month of June and was tracking on budget until that time. The amount held in trust for OPEB as of June 30, 2015 is \$13,613,823 and decreased in total value by \$424,084.

<b>Fund 45</b>	<b>2013-2014 Actual</b>	<b>2014-2015 Revised Budget</b>	<b>2014-2015 Actual</b>	<b>\$ Budget Variance</b>
<b>Revenue</b>				
Interest and Dividends	\$1,982,305	\$700,000	\$319,002	(\$380,998)
Retiree Contributions	\$216,201	\$179,777	\$179,884	\$107
Investment Expenses	(\$68,851)	(\$75,000)	(\$81,401)	(\$6,401)
<b>Total</b>	<b>\$2,129,655</b>	<b>\$804,777</b>	<b>\$417,484</b>	<b>(\$387,293)</b>
<b>Expenditures</b>				
Health Insurance	\$561,991	\$515,509	\$530,550	\$15,041
Life Insurance	\$10,483	\$8,877	\$8,580	(\$297)
Dental Insurance	\$36,266	\$36,491	\$36,195	(\$296)
Contributions to HRA	\$418,774	\$257,283	\$266,243	\$8,960
<b>Total</b>	<b>\$1,027,514</b>	<b>\$818,160</b>	<b>\$841,568</b>	<b>\$23,408</b>
<b>Net Assets</b>	<b>\$14,037,907</b>	<b>\$14,024,524</b>	<b>\$13,613,823</b>	<b>(\$410,701)</b>

Debt Service – Funds 07 & 47

The Debt Service Fund balances for Funds 07 and 47 increased \$2,128 overall and are \$1,550,859 in total as of June 30, 2015. The budget variance in revenue 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.

<b>Funds 07 &amp; 47</b>	<b>2013-2014 Actual</b>	<b>2014-2015 Revised Budget</b>	<b>2014-2015 Actual</b>	<b>\$ Budget Variance</b>
<b>Revenue</b>				
Local Property Taxes	\$6,875,830	\$6,810,080	\$6,760,393	(\$49,687)
State Sources	\$36,937	\$36,935	\$35,983	(\$952)
Interest Revenue	\$10,420	\$14,499	\$17,939	\$3,440
Transfer In	\$0	\$0	\$0	\$0
Bond Proceeds	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$6,923,187</b>	<b>\$6,861,514</b>	<b>\$6,814,316</b>	<b>(\$47,199)</b>
<b>Expenditures</b>				
Principal & Interest	\$6,927,494	\$6,806,663	\$6,806,663	(\$1)
Other	\$3,825	\$5,525	\$5,525	\$0
Bond Refunding	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$6,931,319</b>	<b>\$6,812,188</b>	<b>\$6,812,188</b>	<b>(\$1)</b>
<b>Fund Balance</b>	<b>\$1,548,731</b>	<b>\$1,598,057</b>	<b>\$1,550,859</b>	<b>(\$47,198)</b>

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. 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 2014-2015.

	<b>Balance June 30, 2014</b>	<b>Receipts and Transfers In</b>	<b>Disbursements and Transfers Out</b>	<b>Balance June 30, 2015</b>
Class of 2014 (Graduates)	864.99	-	864.99	(0.00)
Class of 2015 (Seniors)	12,317.55	1,560.00	12,964.07	913.48
Class of 2016 (Juniors)	707.54	24,185.38	19,924.96	4,967.96
Class of 2017 (Sophomores)	240.99	168.00	-	408.99
Class of 2018 (Freshmen)	-	864.99	42.24	822.75
SH Arts Magnet	2,330.22	7,150.05	4,344.17	5,136.10
SH Bison Stampede	566.82	185.00	209.00	542.82
SH Business Professionals America	2,129.61	6,309.88	7,601.66	837.83
SH DECA	3,313.85	-	3,313.85	-
SH FFA	8,480.69	-	8,343.89	136.80
SH NHS	1,241.71	575.00	1,100.00	716.71
SH Student Care	300.34	3,934.00	1,141.08	3,093.26
SH Student Council	2,583.23	8,143.18	8,451.83	2,274.58
SH Students Stepping Up	248.67	-	-	248.67
Activity Interest	-	5.47	-	5.47
<b>Total</b>	<b>\$ 35,326.21</b>	<b>\$ 53,080.95</b>	<b>\$ 68,301.74</b>	<b>\$ 20,105.42</b>

KleinBank CD	\$ -
KleinBank Checking	20,105.42
	<b>\$ 20,105.42</b>