



***Independent School District No. 877
2015-2016 End of Year Financial Report
School Board Workshop – Oct. 10, 2016***

This document recaps the District’s preliminary financial results for the year ended June 30, 2016. 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 project payout ahead of budget at year end. The district is, again, required to show the cumulative balance for new retiree insurance contributions held in irrevocable trusts.

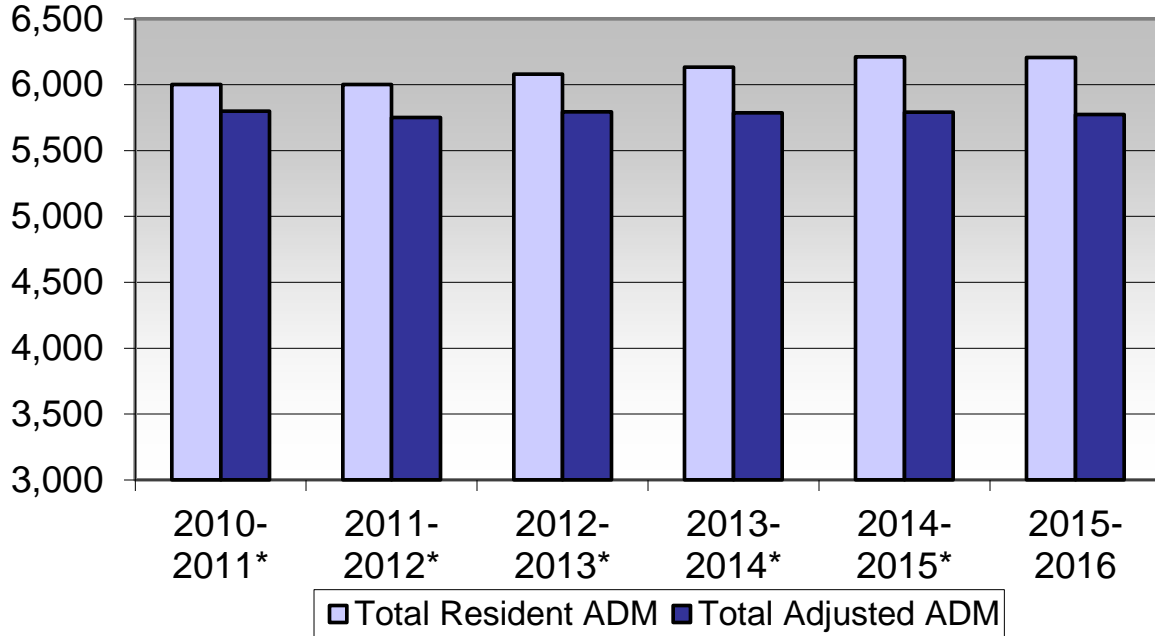
Average Daily Membership

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 that we tend to service fewer students than reside in our community. We saw our resident ADM totals decrease slightly for the first time since 2010-11. Our total adjusted ADM dropped slightly from last year after remaining stable the prior three years.

	2010-2011*	2011-12*	2012-13*	2013-14*	2014-15*	2015-16
Total Resident ADM	6,001	6,002	6,081	6,134	6,212	6,206
Total Adjusted ADM	5,799	5,751	5,795	5,787	5,791	5,774

*Source: *School District Profiles*

Average Daily Membership



*Source: School District Profiles

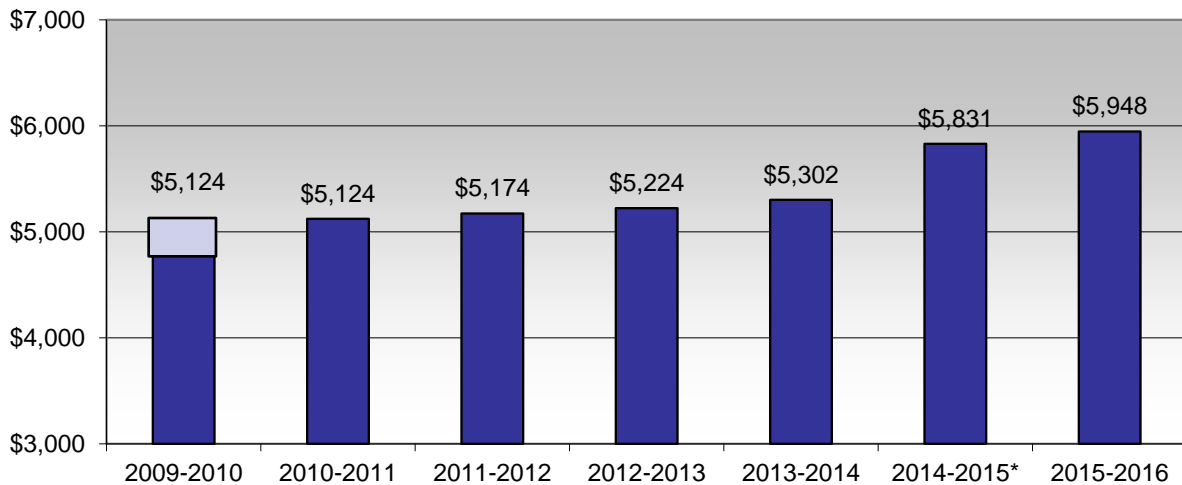
General Education Aid

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, 1.49% for 2013-14, 1.5% for 2014-15 and 2.01% for 2015-16.

	2010-2011	2011-12	2012-2013	2013-14	2014-15*	2015-16
General Education Formula Allowance	\$5,124	\$5,174	\$5,224	\$ 5,302	\$ 5,831	\$ 5,948
Percent Increase From Prior Year	0.00%	0.98%	0.97%	1.49%	9.98%	2.01%

*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%

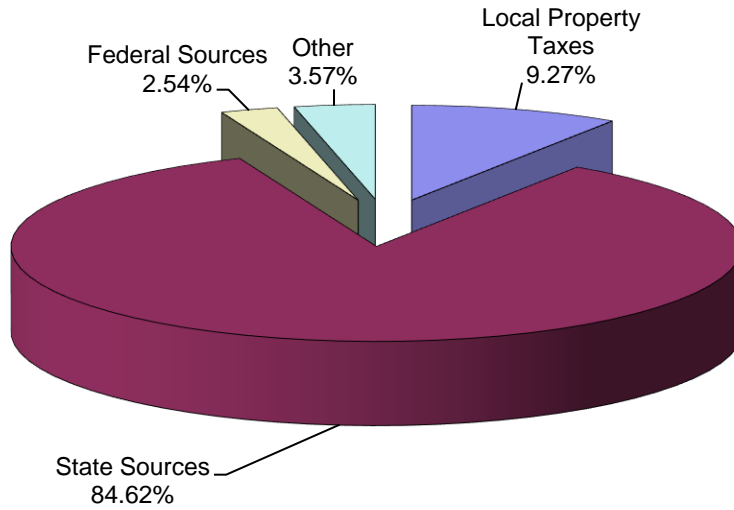
General Fund - Revenue

In the General Fund, revenues net of other funding sources came in over budget by \$1,212,493 which is approximately a 2.03% variance. For the first time, the district had to show its portion of the state’s TRA liability which was an increase to revenue. The district also had to record an offsetting increase to expenditures as well. The transaction in total was revenue neutral to the district. Increased special education costs for staffing and transportation caused an increase in special education aid above the projection. General Education Aid was slightly higher due to higher pupil units than the budget projection. Interest earnings came in higher than the budget projection.

In comparison to last year, total General Fund revenue increased by \$2,580,283. Revenue from Local Property Taxes was higher by \$473,000 due to the PPD program being added in 2015-16 and health and safety revenue. Revenue from state sources was higher by \$2,065,000 due to an increase in the general education revenue formula, the PPD program, and the TRA liability. Revenue from Federal Sources decreased \$29,600 due to lower entitlements. Local sources increased \$71,700 from the prior fiscal year due primarily to increased interest earnings and slightly higher third party billing collections.

	2014-2015 Actual	2015-2016 Revised Budget	2015-2016 Actual	\$ Budget Variance	% Budget Variance
Revenue					
Local Property Taxes	\$5,181,370	\$5,665,826	\$5,654,623	(\$11,204)	-0.20%
State Sources	\$49,575,914	\$50,461,792	\$51,640,876	\$1,179,084	2.34%
Federal Sources	\$1,582,204	\$1,551,915	\$1,552,551	\$636	0.04%
Other	\$2,103,920	\$2,131,665	\$2,175,642	\$43,977	2.06%
Total	\$58,443,408	\$59,811,198	\$61,023,691	\$1,212,493	2.03%

2015-2016 General Fund Revenue By Source



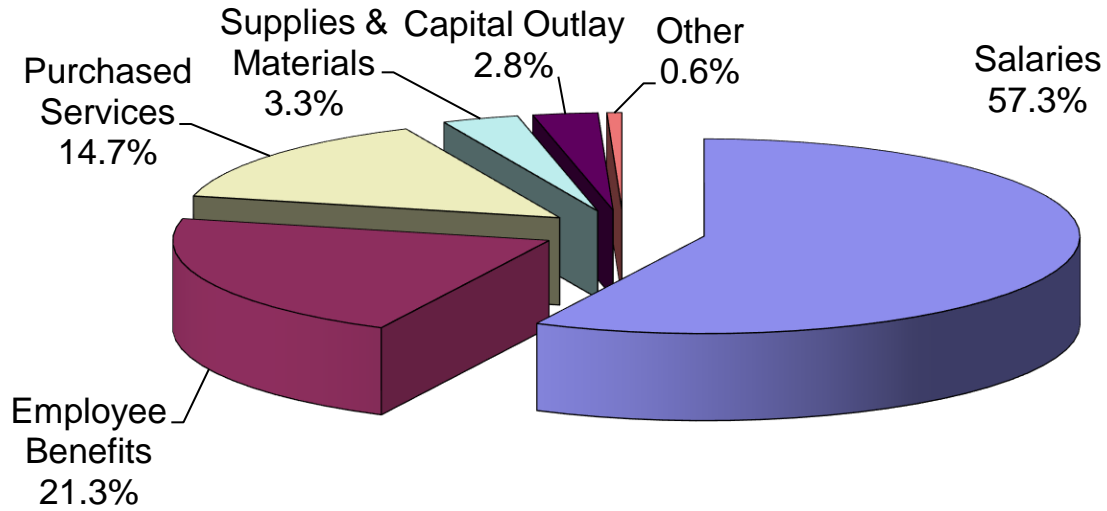
General Fund – Expenditures by Object

In the General Fund, expenditures net of other funding uses were under budget by \$692,120 or -1.13%. The district had lower than anticipated expenditures for salaries due to lower substitute costs than projected and non-certified staff costs being less than projected. Employee benefits were over budget due to the recognition of the expenditure side of the TRA liability of \$674,000. However, the remainder of benefits were under budget. This was due to a work comp premium rebate at the end of the year, lower than expected costs in health insurance, and other benefits being under budget due to the fact that they are calculated as a percentage of salary. Operations and maintenance costs for non-salary and benefit areas were under budget by more than \$190,000 due in part to a milder winter this year. Tuition costs were \$213,500 less than projected. Special and special education transportation were over budget by \$304,000. Supplies and materials were under spent due in part to curriculum cycle purchases being deferred a year. We also had some shifts from purchases being budgeted in professional services or supplies and materials when capital items were purchased instead. We were able to avoid using some of the General Fund contingency amounts that spread across several non-salary and benefit categories.

The General Fund expenditures increased \$3,338,175, or 5.82% from the previous year. The increase was primarily due to the addition of the PPD program, the TRA liability recognition, transportation cost increases, and inflationary increases as a part of our employee contracts. This is the third year of using the OPEB Trust and the Trust paid for \$867,000 that would have otherwise been in the General Fund expenditures.

	2014-2015 Actual	2015-2016 Revised Budget	2015-2016 Actual	\$ Budget Variance	% Budget Variance
Expenditures					
Salaries	\$32,756,714	\$35,111,346	\$34,789,462	\$321,884	-0.92%
Employee Benefits	\$11,946,918	\$12,663,546	\$12,899,435	(\$235,889)	1.86%
Purchased Services	\$8,755,467	\$9,239,444	\$8,914,333	\$325,111	-3.52%
Supplies & Materials	\$2,085,111	\$2,496,047	\$1,994,219	\$501,828	-20.10%
Capital Outlay	\$1,460,239	\$1,432,580	\$1,692,183	(\$259,603)	18.12%
Other	\$336,565	\$428,344	\$389,554	\$38,790	-9.06%
Total	\$57,341,013	\$61,371,307	\$60,679,188	\$692,120	-1.13%

2015-16 General Fund Expenditures By Object



General Fund - Fund Balance

With total revenues ending at \$61,024,328 and total expenditures at \$60,679,188, the General Fund's overall fund balance increased \$345,140 to \$16,956,731 as of June 30, 2016. To be consistent in our reporting, the district's fund balance policy is calculated with the Non-spendable and Unassigned Fund Balance totals.

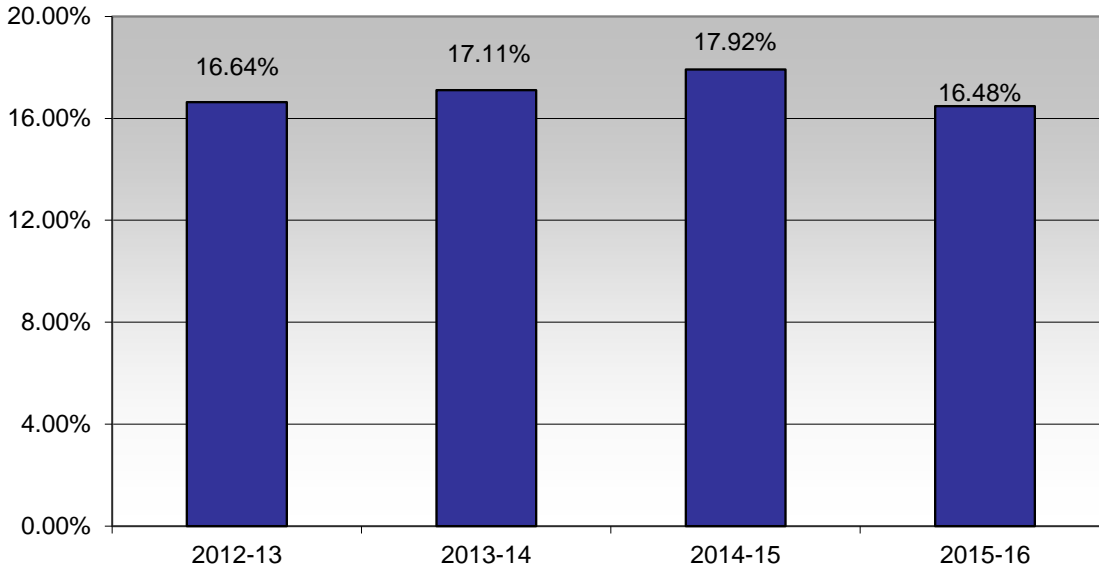
	2012-13	2013-14	2014-15	2015-16
Restricted Fund Balance				
Health & Safety	(\$65,660)	\$14,272	(\$137,329)	(\$64,860)
Operating Capital	\$368,212	\$233,458	\$624,964	\$614,501
Staff Development	\$74,801	\$74,801	\$67,063	\$62,695
Teacher Development	\$0	\$0	\$110,131	\$103,247
Deferred Maintenance	\$14	\$883	\$730	\$0
	<u>\$377,366</u>	<u>\$323,415</u>	<u>\$665,558</u>	<u>\$715,582</u>
Committed Fund Balance				
Severance Ins Premiums	\$4,689,661	\$4,075,012	\$4,062,933	\$4,165,436
Assigned Fund Balance				
Carryover	\$341,646	\$144,006	\$211,124	\$355,597
Student Activities	\$143,576	\$211,361	\$317,703	\$356,604
Dental Insurance	\$223,220	\$215,581	\$199,667	\$146,525
Capital	\$775,750	\$405,534	\$385,973	\$654,759
Third Party Special Ed	\$501,964	\$522,502	\$493,734	\$560,353
Stimulus	\$66,543	\$66,543	\$0	\$0
	<u>\$2,052,698</u>	<u>\$1,565,527</u>	<u>\$1,608,202</u>	<u>\$2,073,838</u>
Nonspendable Fund Balance	\$312,765	\$335,791	\$331,689	\$262,876
Unassigned Fund Balance	\$8,361,631	\$9,209,451	\$9,943,210	\$9,738,999
Total Fund Balance	<u>\$15,794,121</u>	<u>\$15,509,196</u>	<u>\$16,611,591</u>	<u>\$16,956,732</u>

General Fund - Fund Balance

The unassigned/unrestricted fund balance decreased to \$10,001,876 as of June 30, 2016 or 16.48% of expenditures. This is a 1.44% decrease from the prior year. 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.

	2012-13	2013-14	2014-15	2015-16
Nonspendable Fund Balance	\$312,765	\$335,791	\$331,689	\$262,876
Unassigned Fund Balance	\$8,361,631	\$9,209,451	\$9,943,210	\$9,738,999
	<u>\$8,674,396</u>	<u>\$9,545,242</u>	<u>\$10,274,898</u>	<u>\$10,001,876</u>
Total General Fund Expenditures	<u>\$52,122,185</u>	<u>\$55,785,572</u>	<u>\$57,341,013</u>	<u>\$60,679,188</u>
Fund Balance as a % of Total General Fund Expenditures	<u>16.64%</u>	<u>17.11%</u>	<u>17.92%</u>	<u>16.48%</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 \$231,838. Food Service revenues were over budget by \$13,879 and the expenditures were under budget by \$88,587.

Total breakfast and lunch meals served to students decreased from 785,065 to 771,218. The Food Service Fund had increases in the local, state, and federal meal reimbursement rates to increase revenue. In addition, we received \$71,000 in commodities over the prior year. Ala carte sales went up by about \$55,000 and our revenue from the summer Food Service program went up about \$51,000 from the prior year. The number of free and reduced meals in 2015-16 was 37.7% of the meals served versus 38.6% of the meals served in 2014-2015. Food service revenues from all sources were up \$187,325 from the previous year. Expenditures were down \$18,952 from the previous year. Labor costs in total were below the projection assisted in part by the worker's compensation premium rebate. Food costs were slightly higher than projected. Supplies and milk costs were less than projected.

Fund 02	2014-15 Actual	2015-16 Revised Budget	2015-16 Actual	\$ Budget Variance	% Budget Variance
Revenue					
State Sources	\$174,876	\$175,387	\$174,893	\$494	0.28%
Federal Sources	\$1,110,398	\$1,202,402	\$1,213,265	(\$10,863)	-0.90%
Sales to Students/Adults	\$1,600,806	\$1,681,736	\$1,685,247	(\$3,511)	-0.21%
Total	\$2,886,080	\$3,059,525	\$3,073,405	(\$13,880)	-0.45%
Expenditures					
Salaries	\$1,042,784	\$1,035,791	\$1,037,527	(\$1,736)	-0.17%
Employee Benefits	\$506,364	\$519,274	\$483,896	\$35,378	6.81%
Purchased Services	\$137,675	\$148,132	\$151,318	(\$3,186)	-2.15%
Supplies & Materials	\$1,163,233	\$1,212,957	\$1,166,520	\$46,437	3.83%
Capital Outlay	\$7,540	\$4,000	\$0	\$4,000	100.00%
Other	\$2,924	\$10,000	\$2,306	\$7,694	76.94%
Total	\$2,860,519	\$2,930,154	\$2,841,567	\$88,587	3.02%
Fund Balance	\$25,560	\$154,931	\$257,398	\$102,467	

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 \$152,041 or 4.29% while expenditures were over budget by \$352,555 or 10.12%. 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 KidKare Program had a net loss of \$113,011. The total Community Service Fund balance was a negative \$192,067 or a decrease of \$136,156 on June 30, 2016.

Fund 04	2014-2015 Actual	2015-2016 Revised Budget	2015-2016 Actual	\$ Budget Variance	% Budget Variance
Revenue					
Local Property Taxes	\$480,626	\$490,671	\$442,430	\$48,241	9.83%
State Sources	\$414,387	\$458,018	\$509,028	(\$51,010)	-11.14%
Tuition, Fees, & Misc.	\$2,664,458	\$2,599,420	\$2,748,692	(\$149,272)	-5.74%
Total	\$3,559,471	\$3,548,109	\$3,700,150	(\$152,041)	-4.29%
Expenditures					
Salaries	\$2,430,714	\$2,319,583	\$2,524,702	(\$205,119)	-8.84%
Employee Benefits	\$702,211	\$601,103	\$723,999	(\$122,896)	-20.45%
Purchased Services	\$319,640	\$292,115	\$314,592	(\$22,477)	-7.69%
Supplies & Materials	\$275,876	\$243,400	\$250,601	(\$7,201)	-2.96%
Capital Outlay	\$20,793	\$18,500	\$12,837	\$5,663	30.61%
Other	\$8,186	\$9,050	\$9,576	(\$526)	-5.81%
Total	\$3,757,420	\$3,483,751	\$3,836,306	(\$352,555)	-10.12%
Fund Balance Change					
	Beg. Balance	Proj. Balance	Actual Balance	Net Change	
Community Education	(\$5,750)	\$47,027	(\$124,082)	(\$118,332)	
ECFE	(\$3,303)	\$13,453	(\$27,519)	(\$24,216)	
School Readiness	(\$47,669)	(\$47,669)	(\$38,190)	\$9,479	
Adult Basic Education	\$7,766	\$7,766	\$12,213	\$4,448	
Unassigned/Nonspendable	(\$6,954)	(\$12,129)	(\$14,489)	(\$7,535)	
Fund Balance Totals	(\$55,910)	\$8,448	(\$192,067)	(\$136,156)	

Building Construction – Fund 6

The Building Construction Fund tracks 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 for this year represented the advertising donations and interest earned during the year and totaled \$154,563. Expenditures for work completed as of the end of the year totaled \$12,899,549. The total Building Construction Fund balance was \$18,338,174 on June 30, 2016 which was a decrease of \$12,744,986.

Fund 6	2014-2015	2015-2016	2015-2016	\$ Budget Variance	% Budget Variance
	Actual	Revised Budget	Actual		
Revenue					
Interest Revenue	\$9,753	\$93,000	\$63,617	(\$29,383)	-31.59%
Donations	\$5,000	\$69,937	\$90,946	\$21,009	30.04%
Bond Proceeds	\$33,110,849	\$0	\$0	\$0	0.00%
Total	\$33,125,601	\$162,937	\$154,563	(\$8,374)	-5.14%
Expenditures					
Construction Costs	\$2,042,441	\$10,949,982	\$12,899,549	\$1,949,567	17.80%
Total	\$2,042,441	\$10,949,982	\$12,899,549	\$1,949,567	17.80%
	Beg. Balance	Proj. Balance	Actual Balance	Net Change	
Fund Balance	\$31,083,160	\$20,296,115	\$18,338,174	(\$12,744,986)	

Health Reimbursement Account Trust – Fund 18

As a result of recent contract negotiations, the district has created a sunset clause in the teachers' contract, the administrators' contract, 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 \$1,048,400 on June 30, 2016 which was an increase of \$282,495.

Fund 18	2014-2015 Actual	2015-2016 Revised Budget	2015-2016 Actual	\$ Budget Variance	% Budget Variance
Revenue					
Interest Revenue	\$12,782	\$12,000	\$15,166	\$3,166	26.38%
District Contributions	\$273,679	\$338,500	\$267,329	(\$71,171)	-21.03%
Total	\$286,461	\$350,500	\$282,495	(\$68,005)	-19.40%
Expenditures					
Transfers Out	\$0	\$0	\$0	\$0	0.00%
Total	\$0	\$0	\$0	\$0	0.00%
	Beg. Balance	Proj. Balance	Actual Balance	Net Change	
Fund Balance	\$765,905	\$1,116,405	\$1,048,400	\$282,495	

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 amount held in trust for OPEB as of June 30, 2016 was \$13,264,253 and decreased in total value by \$349,570.

Fund 45	2014-2015 Actual	2015-2016 Revised Budget	2015-2016 Actual	\$ Budget Variance
Revenue				
Interest and Dividends	\$319,002	\$400,000	\$395,978	(\$4,022)
Retiree Contributions	\$179,884	\$184,844	\$189,915	\$5,071
Investment Expenses	(\$81,401)	(\$82,000)	(\$68,229)	\$13,771
Total	\$417,484	\$502,844	\$517,663	\$14,819
Expenditures				
Health Insurance	\$530,550	\$512,151	\$520,023	\$7,872
Life Insurance	\$8,580	\$7,924	\$10,203	\$2,279
Dental Insurance	\$36,195	\$35,939	\$38,783	\$2,844
Contributions to HRA	\$266,243	\$297,703	\$298,223	\$520
Total	\$841,568	\$853,717	\$867,233	\$13,516
Net Assets	Beg. Balance \$13,613,823	Proj. Balance \$13,262,950	Actual Balance \$13,264,253	Net Change (\$349,570)

Debt Service – Funds 07 & 47

The Debt Service Fund balances for Funds 07 and 47 increased \$129,048 overall and are \$1,679,907 in total as of June 30, 2016. The budget variance in revenue is primarily due to lower than anticipated tax collections but a higher than anticipated state aid credit. 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	2014-2015 Actual	2015-2016 Revised Budget	2015-2016 Actual	\$ Budget Variance
Revenue				
Local Property Taxes	\$6,760,393	\$7,824,316	\$7,810,999	(\$13,317)
State Sources	\$35,983	\$36,935	\$65,371	\$28,436
Interest Revenue	\$17,939	\$12,500	\$11,564	(\$936)
Transfer In	\$0	\$0	\$0	\$0
Bond Proceeds	\$0	\$0	\$0	\$0
Total	\$6,814,316	\$7,873,751	\$7,887,934	\$14,183
Expenditures				
Principal & Interest	\$6,806,663	\$7,752,911	\$7,752,911	(\$0)
Other	\$5,525	\$5,975	\$5,975	\$0
Bond Refunding	\$0	\$0	\$0	\$0
Total	\$6,812,188	\$7,758,886	\$7,758,886	(\$0)
	Beg. Balance	Proj. Balance	Actual Balance	Net Change
Fund Balance	\$1,550,859	\$1,665,724	\$1,679,907	\$129,048

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 2015-2016.

	Balance June 30, 2015	Receipts and Transfers In	Disbursements and Transfers Out	Balance June 30, 2016
Class of 2015 (Graduates)	914.58	-	914.58	-
Class of 2016 (Seniors)	4,968.80	2,146.93	6,156.79	958.94
Class of 2017 (Juniors)	409.07	22,800.40	19,024.97	4,184.50
Class of 2018 (Sophomores)	822.90	0.18	-	823.08
Class of 2019 (Freshmen)	-	914.75	-	914.75
SH Arts Magnet	5,136.87	2,098.22	1,279.49	5,955.60
SH Bison Stampede	542.94	3,099.85	1,468.28	2,174.51
SH Business Professionals America	838.27	6,883.53	7,627.73	94.07
SH FFA	137.33	299.84	150.04	287.13
SH NHS	717.04	546.20	172.54	1,090.70
SH Student Care	3,093.56	7,999.91	2,501.89	8,591.58
SH Student Council	2,275.33	10,705.62	7,632.78	5,348.17
SH Students Stepping Up	248.73	-	248.73	-
Activity Interest	-	-	-	-
Total	\$ 20,105.42	\$ 57,495.43	\$ 47,177.82	\$ 30,423.03
			KleinBank CD \$	-
			KleinBank Checking	30,423.03
			\$	30,423.03