INDEPENDENT SCHOOL DISTRICT NO. 832
MAHTOMEDI, MINNESOTA

Financial Statements
and Supplemental Information

Year Ended
June 30, 2015

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INDEPENDENT SCHOOL DISTRICT NO. 832

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INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 832

School Board and Administration
as of June 30, 2015

SCHOOL BOARD

	Position
Judith Schwartz	Chairperson
Lucy Payne	Clerk/Vice Chair
Kevin Donovan	Treasurer
Mike Chevalier	Director
Mary Jo Deters	Director
Julie McGraw	Director

ADMINISTRATION

Mark Larson	Superintendent of Schools
Rochel Manders	Director of Business Services

FINANCIAL SECTION

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MMKR
CERTIFIED PUBLIC ACCOUNTANTS

PRINCIPALS
Thomas M. Montague, CPA
Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 832
Mahtomedi, 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. 832, Mahtomedi, Minnesota (the District) 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.

(continued)

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OPINIONS

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows 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.

EMPHASIS OF MATTER

As described in Note 1 of the notes to basic financial statements, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, during the year ended June 30, 2015. 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 and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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 introductory section and supplemental information, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis as required by the Minnesota Department of Education, and is also not a required part of the basic financial statements of the District.

The supplemental information, the Schedule of Expenditures of Federal Awards, and the UFARS Compliance Table 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

(continued)

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Prior Year Comparative Information

We have previously audited the District's 2014 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated November 12, 2014. In our opinion, the partial 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.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
November 24, 2015

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This section of Independent School District No. 832, Mahtomedi, Minnesota's (the District) annual financial statements presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2015. Please read it in conjunction with the other components of the District's annual financial statements.

FINANCIAL HIGHLIGHTS

- The District's assets and deferred outflows of resources were lower than its liabilities and deferred inflows of resources at June 30, 2015 by $4,466,512 (net position). The District's total net position increased by $522,949 during the fiscal year ended June 30, 2015, exclusive of the change in accounting principle reported in the current year as discussed below.
- The District recorded a change in accounting principle in the current year for reporting the District's participation in the Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA) pension plans. This change reduced beginning net position in the government-wide financial statements by $22,849,774.
- At June 30, 2015, the District's governmental funds reported a combined ending fund balance of $8,165,649, a decrease of $170,322 from the prior year. The fund balance decrease was planned along with budget cuts due to the defeat of the operating levy renewal in November 2013.
- The District's General Fund unassigned fund balance decreased from $3,433,899 to $2,918,858 during fiscal year 2015. This balance is in compliance with the School Board's fund balance policy, which requires a minimum unassigned fund balance of at least 8 percent of expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual statements consists of the following parts:

- Independent Auditor's Report;
- Management's Discussion and Analysis;
- Basic financial statements, including the government-wide financial statements, fund financial statements, and the notes to basic financial statements;
- Required supplementary information; and
- Supplemental information, which includes combining and individual fund statements and schedules.

The following explains the two types of statements included in the basic financial statements:

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (Statement of Net Position and Statement of Activities) 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 financial statements report the District's *net position* and how it has changed. Net position—the difference between the District's assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are indicators of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District requires consideration of additional nonfinancial 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 all shown in one category titled "governmental activities." These activities, including regular and special education instruction, transportation, administration, food services, and community education, are primarily financed with state aids and property taxes.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds, rather than the District as a whole. Funds (Food Service and Community Service Special Revenue) that do not meet the threshold to be classified as major funds are called "nonmajor" funds. Detailed financial information for nonmajor funds can be found in the supplemental information section.

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 or to show that it is properly using certain revenues.

The District maintains the following kinds of funds:

Governmental Funds – 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 fund statements provide a detailed *short-term* view that helps to determine whether there are more or less 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 financial statements, we provide additional information (reconciliation schedules) immediately following the governmental fund statements that explain the relationship (or differences) between these two types of financial statement presentations.

Proprietary Funds – The District maintains one type of proprietary fund. The Internal Service Fund is used as an accounting device to accumulate and allocate costs internally among the District's various functions. The District uses its Internal Service Fund to account for its employee health self-insurance activities. These services have been included within governmental activities in the government-wide financial statements. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary Funds – The District is the trustee, or fiduciary, for assets that belong to others. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. 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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table 1 is a summarized view of the District's Statement of Net Position:

Table 1
Summary Statement of Net Position
as of June 30, 2015 and 2014

	2015	2014
Assets		
Current and other assets	$ 24,796,544	$ 23,645,493
Capital assets, net of depreciation	67,753,745	68,934,870
Total assets	**$ 92,550,289**	**$ 92,580,363**
Deferred outflows of resources		
Pension plan deferments – PERA and TRA	**$ 3,233,293**	**$ –**
Liabilities		
Current and other liabilities	$ 3,252,366	$ 3,627,270
Long-term liabilities, including due within one year	78,414,171	60,707,381
Total liabilities	**$ 81,666,537**	**$ 64,334,651**
Deferred inflows of resources		
Property taxes levied for subsequent year	$ 12,506,922	$ 10,385,399
Pension plan deferments – PERA and TRA	6,076,635	–
Total deferred inflows of resources	**$ 18,583,557**	**$ 10,385,399**
Net position		
Net investment in capital assets	$ 12,905,622	$ 11,471,462
Restricted	1,800,899	1,432,599
Unrestricted	(19,173,033)	4,956,252
Total net position	**$ (4,466,512)**	**$ 17,860,313**

The District's financial position is the product of many factors. For example, the determination of the District's net investment in capital assets involves many assumptions and estimates, such as current and accumulated depreciation amounts. A conservative versus liberal approach to depreciation estimates, as well as capitalization policies, will produce a significant difference in the calculated amounts. The other major factor in determining net position as compared to fund balances is the liability for long-term severance, pension, and other post-employment benefits (OPEB), which impacts the unrestricted portion of net position.

Total net position decreased by $22,326,825, which reflects an increase of $522,949 from current year operating results, while the change in accounting principle mentioned earlier reduced unrestricted net position by $22,849,774. This change in accounting principle for pensions significantly increased deferred outflows of resources, long-term liabilities, and deferred inflows of resources, as presented in the table above.

Table 2 presents a summarized version of the Statement of Activities of the District:

Table 2
Summary Statement of Activities
for the Years Ended June 30, 2015 and 2014

	2015	2014
Revenues		
Program revenues		
Charges for services	$ 3,000,310	$ 3,247,598
Operating grants and contributions	3,303,034	3,938,358
Capital grants and contributions	377,865	1,352,365
General revenues		
Property taxes	11,102,617	8,585,059
General grants and aids	23,240,959	24,487,681
Other	1,740,098	1,028,174
Total revenues	42,764,883	42,639,235
Expenses		
Administration	1,655,841	1,738,890
District support services	1,649,503	1,292,932
Elementary and secondary regular instruction	18,248,216	17,359,798
Vocational education instruction	497,700	604,895
Special education instruction	5,748,810	5,644,383
Instructional support services	1,666,593	1,532,351
Pupil support services	2,489,090	2,520,949
Sites and buildings	3,728,643	4,541,235
Fiscal and other fixed cost programs	110,258	107,460
Food service	1,398,475	1,368,529
Community service	1,718,100	2,091,210
Depreciation not allocated to other functions	750,341	750,341
Interest and fiscal charges on debt	2,580,364	2,993,178
Total expenses	42,241,934	42,546,151
Change in net position	522,949	93,084
Net position – beginning, previously reported	17,860,313	17,767,229
Change in accounting principle	(22,849,774)	–
Net position – beginning, restated	(4,989,461)	17,767,229
Net position – ending	$ (4,466,512)	$ 17,860,313

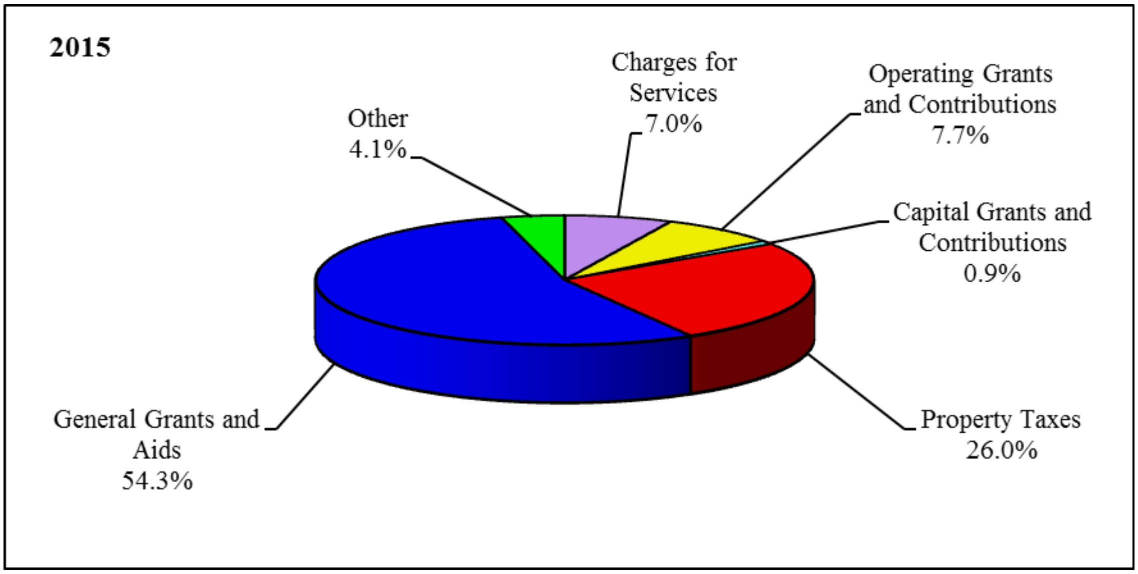
This format is similar to fund financial statements except that this is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

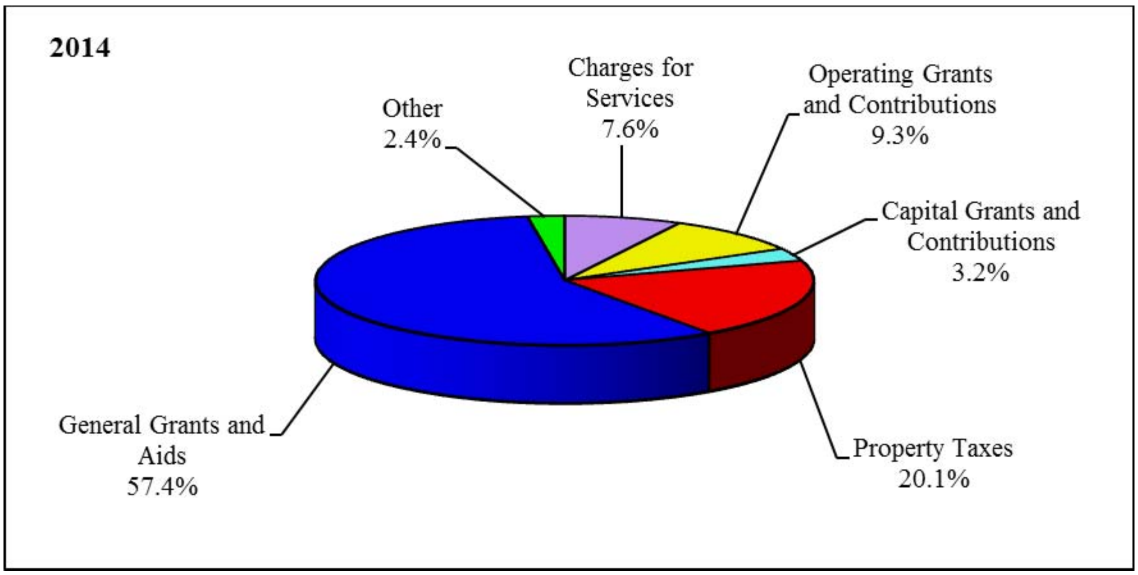
General grants and aids are lower and property taxes are higher in fiscal 2015, due mostly to the impact of the tax shift.

The decrease in sites and buildings expense relates to the sale of an elementary school building in 2014.

Figures A and B show further analysis of these revenue sources and expense functions:

Figure A – Sources of Revenues for Fiscal Years 2015 and 2014





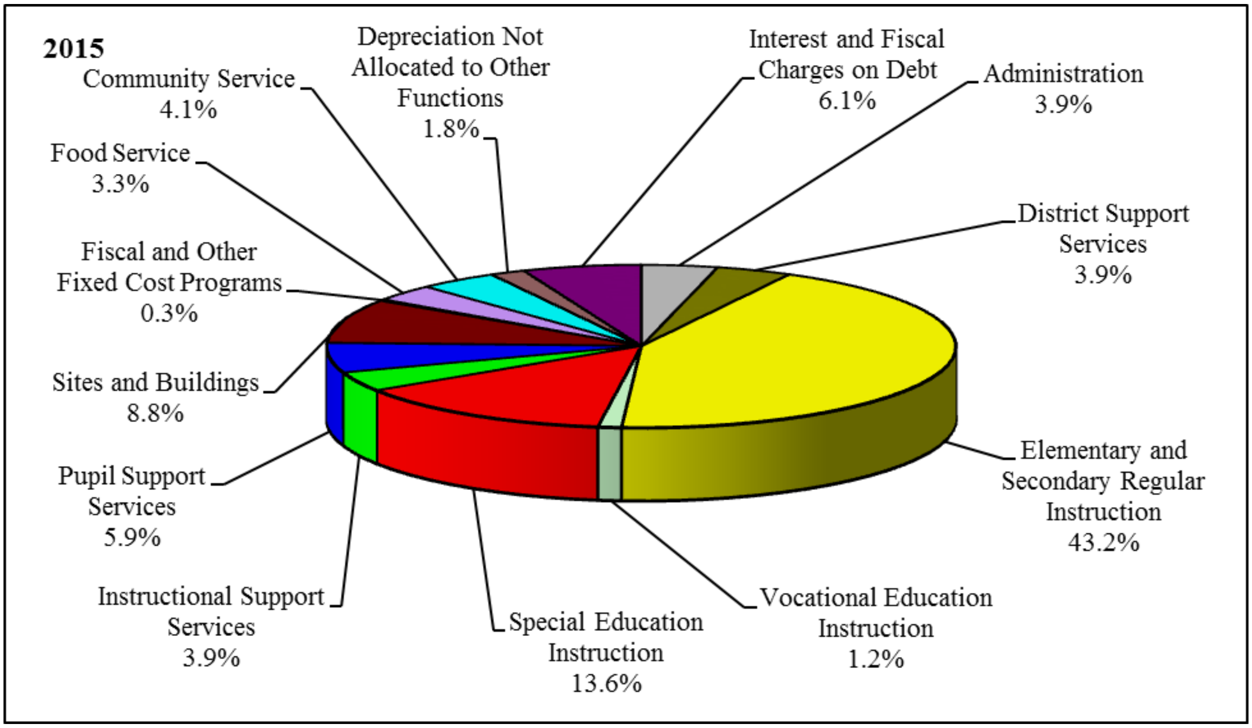
The largest share of the District's revenue is received from the state, including the aid formula and most of the operating grants. This significant reliance on the state for funding has placed tremendous pressure on local school districts as a result of limited funding due to the state's financial position in recent years.

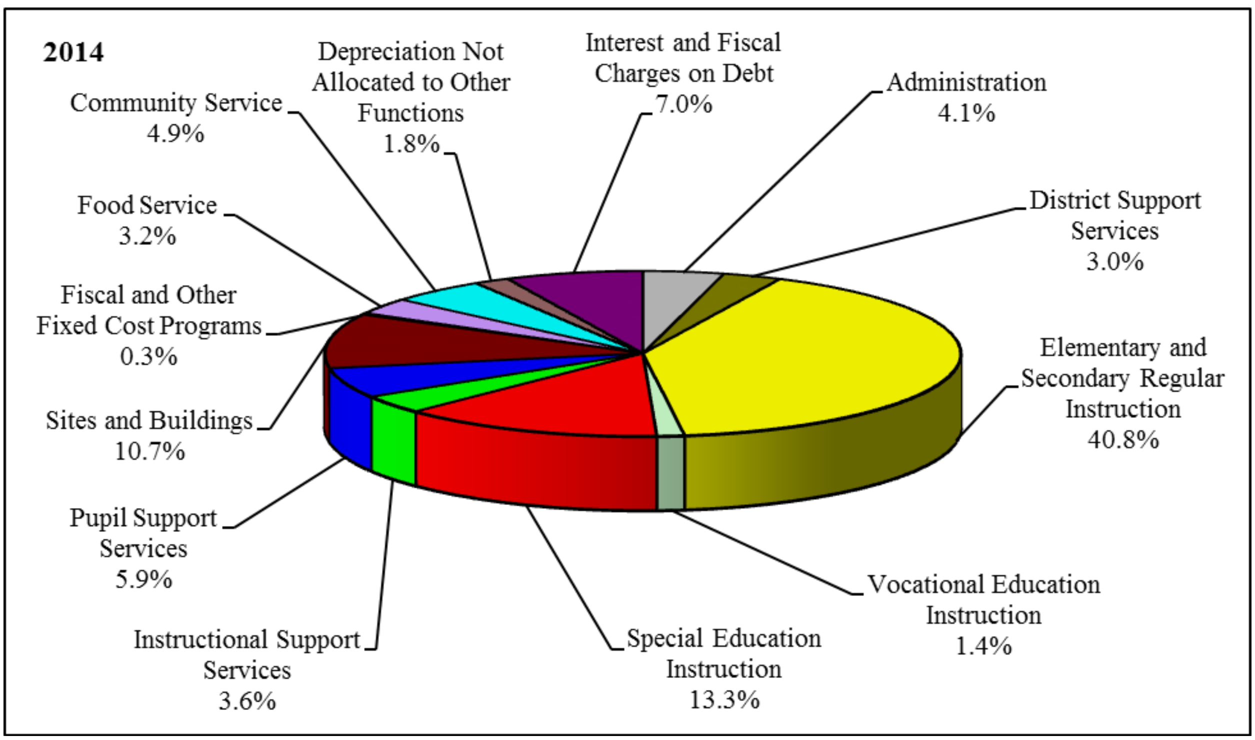
Property taxes are generally the next largest source of funding. The level of funding property tax sources provide is not only dependent on taxpayers of the District by way of operating and building referenda, but also by decisions made by the Legislature in the mix of state aid and local effort in a variety of funding formulas.

The proportionate share of district revenue from these two sources may change significantly between fiscal years, due to the "tax shift." The tax shift is an accounting tool used on occasion to balance the state budget, whereby districts recognize cash collections for the subsequent year's property tax levy as current year revenue, and the state adjusts aid payments to districts by an equal amount.

Figure B shows further analysis of these expense functions.

Figure B – Expenses for Fiscal Years 2015 and 2014





The District's expenses are predominately related to educating students. Programs (or functions) such as elementary and secondary regular instruction, vocational education instruction, special education instruction, and instructional support services are directly related to classroom instruction, while the rest of the programs support instruction and other necessary costs to operate the District.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is also reflected in its governmental funds. Table 3 shows the change in total fund balances of each of the District's governmental funds:

Table 3
Governmental Fund Balances
as of June 30, 2015 and 2014

	2015	2014	Increase (Decrease)
Major funds			
General	$ 5,362,651	$ 7,061,209	$ (1,698,558)
Debt Service			
Regular	1,906,101	648,839	1,257,262
Other post-employment benefits	41,756	61,456	(19,700)
Nonmajor funds			
Food Service Special Revenue	412,688	307,171	105,517
Community Service Special Revenue	442,453	257,296	185,157
Total governmental funds	$ 8,165,649	$ 8,335,971	$ (170,322)

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's School Board.

Table 3 shows the changes in fund balances by each governmental fund. The decrease in the General Fund balance was related to a planned decrease rather than making budget reductions for fiscal 2015 and additional special education expenditures for the prior year and current year. The regular Debt Service Fund balance increase is due to a refunding of the District's Build America Bonds which yielded a large savings for future years. The Food Service Special Revenue Fund balance increased mainly due to higher participation in the school lunch program and a decrease in equipment expenditures from the prior year. The Community Service Special Revenue Fund balance increased due to half-day kindergarten becoming a full-day program with funding from the state and subsequent movement of these items to the General Fund for recording purposes.

General Fund

The General Fund is used to account for all revenues and expenditures of the District not accounted for elsewhere. The General Fund is used to account for: K–12 educational activities, district instructional and student support programs, expenditures for the superintendent, district administration, normal operations and maintenance, pupil transportation, capital expenditures, and other legal school district expenditures not specifically designated to be accounted for in any other fund.

Table 4 summarizes the amendments to the General Fund budget:

Table 4
General Fund
Budget

	Original Budget	Final Budget	Increase (Decrease)	Percent Change
Revenue	$ 33,577,354	$ 33,455,860	$ (121,494)	(0.4%)
Expenditures	$ 34,287,402	$ 35,796,184	$ 1,508,782	4.4%

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. During the year, the District amends the budget for known changes in circumstances such as enrollment levels, legislative funding, and employee contract settlements.

Table 5 summarizes the operating results of the General Fund:

Table 5
General Fund
Operating Results

		Over (Under) Final Budget		Over (Under) Prior Year	
	2015	Amount	Percent	Amount	Percent
Revenue and other financing sources	$ 33,650,690	$ 194,830	0.6%	$ 64,217	0.2%
Expenditures	(35,349,248)	$ (446,936)	(1.2%)	$ 830,641	2.4%
Net change in fund balances	$ (1,698,558)				

The revenue budget variance was mainly due to a $64,071 variance in state sources due to an increase in actual enrollment of about seven average daily memberships more than projected in addition to a decrease in state special education revenue. Other revenue sources were over budget by $171,561 in the year ended June 30, 2015, due to additional donations received. The overall revenues were slightly higher than the prior year. The expenditure variance was spread across several programs and object categories of the General Fund. Expenditures increased from the prior year mostly due to increased personnel costs in the elementary and secondary regular instructional category.

Comments on Significant Activities in Other Funds

The Food Service Special Revenue Fund balance increased $105,517 in fiscal 2015 due to increased student participation in the school lunch program. Expenditures decreased $129,041 mainly due to nonrecurring equipment purchases in the prior year. The fund balance at the end of the fiscal year was $412,688, or 30.5 percent, of current year expenditures. This was the 10th year of a successful joint powers agreement for food service with Independent School District No. 834, Stillwater Area Public Schools.

The Community Service Special Revenue Fund balance increased $185,157 to a balance of $442,453, or 26.2 percent, of expenditures due to the half-day kindergarten program becoming full-day and moving the activity to the General Fund where the state funding is recorded.

The Debt Service Fund balance ended fiscal 2015 at $1,947,857, an increase of $1,237,562 due to refunding bonds issued in the current year. The Debt Service Fund balance is dedicated for payments on refunded bonds and for future debt service obligations.

Internal service funds are used to account for the financing of goods and services provided by one department or agency of a government to other departments or agencies on a cost reimbursement basis. The District currently maintains one Internal Service Fund. This fund is used to account for the District's self-insured health insurance function. Operating revenues for the Internal Service Fund for fiscal 2015 totaled $4,119,244. Operating expenses totaled $4,162,173 for health benefit claims. The net position for the Internal Service Fund as of June 30, 2015 totaled a deficit of ($181,026). Plan design changes will be implemented to help this fund to be self-supporting.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

Table 6 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ending June 30, 2015 and 2014:

Table 6
Capital Assets

	2015	2014	Increase (Decrease)
Land	$ 1,561,766	$ 1,561,766	$ –
Construction in progress	–	39,916,597	(39,916,597)
Buildings	71,491,991	35,284,600	36,207,391
Land improvements	13,024,513	8,630,512	4,394,001
Furniture and equipment	2,641,102	2,220,758	420,344
Less accumulated depreciation	(20,965,627)	(18,679,363)	(2,286,264)
Total	$ 67,753,745	$ 68,934,870	$ (1,181,125)
Depreciation expense	$ 2,298,510	$ 960,491	$ 1,338,019

The District's $1.1 million of capital asset additions in fiscal 2015 relate to construction on a new elementary school in the District, a high school roof replacement, and furniture and equipment purchases.

Long-Term Liabilities

Table 7 illustrates the components of the District's long-term liabilities, together with the change from the prior year:

Table 7
Outstanding Long-Term Liabilities

	2015	2014	Increase (Decrease)
General obligation bonds payable	$ 50,740,000	$ 60,030,000	$ (9,290,000)
Net (discount) premium	7,482,052	(25,929)	7,507,981
Certificates of participation payable	–	225,000	(225,000)
Net pension liability – PERA*	3,485,544	–	3,485,544
Net pension liability – TRA*	16,196,867	–	16,196,867
Severance benefits payable	320,749	305,014	15,735
Compensated absences payable	188,959	173,296	15,663
Total	$ 78,414,171	$ 60,707,381	$ 17,706,790

*Reflects current year change in accounting principle; prior year balances were not restated.

As previously discussed, the District recorded a change in accounting principle in the current year for reporting the District's participation in the PERA and TRA pension plans. Information needed to restate previous periods was not readily available; therefore, prior period amounts were not restated.

The decrease in general obligation bonds payable is due to the planned repayment schedule reflecting principal payments during fiscal year 2015 and the issuance of refunding bonds in the current year.

The final payment for the certificates of participation was released from the escrow account; therefore, no expense was recorded in 2015.

The state limits the amount of general obligation debt the District can issue to 15 percent of the market value of all taxable property within the District's corporate limits. (See Table 8)

Table 8
Limitations on Debt

District's market value	$ 1,919,612,800
Limit rate	15.0%
Legal debt limit	$ 287,941,920

Additional details of the District's capital assets and long-term debt activity can be found in the notes to basic financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of the voter-approved operating referendum, the District is dependent on the state of Minnesota for a majority of its revenue authority. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation.

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. In the 2015 fiscal year, several funding and pupil weighting changes went into effect, which included an equivalent increase of $105, or 2.0 percent, for the basic general education formula funding. The Legislature has added $117, or 2.0 percent, per pupil to the formula for fiscal year 2016 and an additional $119, or 2.0 percent, per pupil to the formula for fiscal year 2017. The ongoing demands on limited resources continue to present challenges in funding education for Minnesota schools.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

These financial statements are designed to provide citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives and utilizes. Should you have questions about these statements or need additional information, please contact Rochel Manders, Director of Business Services (phone (651) 407-2000), Independent School District No. 832, 1520 Mahtomedi Avenue, Mahtomedi, Minnesota 55115.

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BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 832

Statement of Net Position
as of June 30, 2015
(With Partial Comparative Information as of June 30, 2014)

	Governmental Activities	
	2015	2014
Assets		
Cash and temporary investments	$ 11,694,552	$ 11,710,361
Receivables		
Current taxes	6,694,315	5,611,385
Delinquent taxes	123,450	193,867
Accounts and interest	64,331	39,294
Due from other governmental units	3,141,540	3,353,554
Inventory	17,313	18,046
Prepaid items	60,355	14,414
Negative net other post-employment benefits obligation	1,942,727	2,467,206
Restricted assets – temporarily restricted		
Cash and investments for debt service	1,057,961	237,366
Capital assets		
Not depreciated	1,561,766	41,478,363
Depreciated, net of accumulated depreciation	66,191,979	27,456,507
Total capital assets, net of accumulated depreciation	67,753,745	68,934,870
Total assets	92,550,289	92,580,363
Deferred outflows of resources		
Pension plan deferments – PERA and TRA	3,233,293	–
Total assets and deferred outflows of resources	$ 95,783,582	$ 92,580,363
Liabilities		
Salaries payable	$ 99,979	$ 105,913
Accounts and contracts payable	824,065	1,077,422
Accrued interest payable	945,376	1,130,922
Due to other governmental units	155,593	163,173
Unearned revenue	1,227,353	1,149,840
Long-term liabilities		
Due within one year	3,655,101	3,820,101
Due in more than one year	74,759,070	56,887,280
Total long-term liabilities	78,414,171	60,707,381
Total liabilities	81,666,537	64,334,651
Deferred inflows of resources		
Property taxes levied for subsequent year	12,506,922	10,385,399
Pension plan deferments – PERA and TRA	6,076,635	–
Total deferred inflows of resources	18,583,557	10,385,399
Net position		
Net investment in capital assets	12,905,622	11,471,462
Restricted for		
Capital asset acquisition	944,315	865,639
Food service	412,688	307,171
Community service	443,896	259,789
Unrestricted	(19,173,033)	4,956,252
Total net position	(4,466,512)	17,860,313
Total liabilities, deferred inflows of resources, and net position	$ 95,783,582	$ 92,580,363

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 832

Statement of Activities
Year Ended June 30, 2015
(With Partial Comparative Information for the Year Ended June 30, 2014)

		2015				2014
		Program Revenues			Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities						
Administration	$ 1,655,841	$ –	$ –	$ –	$ (1,655,841)	$ (1,738,890)
District support services	1,649,503	–	–	–	(1,649,503)	(1,292,932)
Elementary and secondary regular instruction	18,248,216	343,355	139,244	–	(17,765,617)	(16,862,609)
Vocational education instruction	497,700	–	–	–	(497,700)	(604,895)
Special education instruction	5,748,810	–	2,736,293	–	(3,012,517)	(2,216,261)
Instructional support services	1,666,593	–	–	–	(1,666,593)	(1,532,351)
Pupil support services	2,489,090	4,280	–	–	(2,484,810)	(2,501,285)
Sites and buildings	3,728,643	70,578	–	377,865	(3,280,200)	(3,129,367)
Fiscal and other fixed cost programs	110,258	–	–	–	(110,258)	(107,460)
Food service	1,398,475	1,081,008	377,650	–	60,183	(26,562)
Community service	1,718,100	1,501,089	49,847	–	(167,164)	(251,699)
Depreciation not allocated to other functions	750,341	–	–	–	(750,341)	(750,341)
Interest and fiscal charges	2,580,364	–	–	–	(2,580,364)	(2,993,178)
Total governmental activities	$ 42,241,934	$ 3,000,310	$ 3,303,034	$ 377,865	(35,560,725)	(34,007,830)
	General revenue					
	Taxes					
	Property taxes, levied for general purposes				5,444,375	3,589,054
	Property taxes, levied for community service				285,295	141,468
	Property taxes, levied for debt service				5,372,947	4,854,537
	General grants and aids				23,240,959	24,487,681
	Other general revenues				1,726,882	1,014,673
	Investment earnings				13,216	13,501
	Total general revenue				36,083,674	34,100,914
	Change in net position				522,949	93,084
	Net position – beginning, previously reported				17,860,313	17,767,229
	Change in accounting principle				(22,849,774)	–
	Net position – beginning, restated				(4,989,461)	17,767,229
	Net position – ending				$ (4,466,512)	$ 17,860,313

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 832

Balance Sheet
Governmental Funds
as of June 30, 2015
(With Partial Comparative Information as of June 30, 2014)

	General Fund	Debt Service Fund	Nonmajor Funds
Assets			
Cash and temporary investments	$ 5,820,836	$ 3,703,565	$ 1,146,522
Cash and investments held by trustee	–	1,057,961	–
Receivables			
Current taxes	3,850,746	2,708,490	135,079
Delinquent taxes	62,781	57,487	3,182
Accounts and interest	52,989	–	9,835
Due from other governmental units	3,097,945	356	43,239
Inventory	–	–	17,313
Prepaid items	55,608	–	4,747
Total assets	$ 12,940,905	$ 7,527,859	$ 1,359,917
Liabilities			
Salaries payable	$ 49,729	$ –	$ 50,250
Accounts and contracts payable	425,292	–	48,284
Due to other governmental units	87,841	–	67,752
Unearned revenue	14,891	282,590	74,199
Total liabilities	577,753	282,590	240,485
Deferred inflows of resources			
Property taxes levied for subsequent year	6,973,663	5,270,411	262,848
Unavailable revenue – delinquent taxes	26,838	27,001	1,443
Total deferred inflows of resources	7,000,501	5,297,412	264,291
Fund balances (deficit)			
Nonspendable	55,608	–	22,060
Restricted	944,315	1,947,857	862,648
Assigned	1,443,870	–	–
Unassigned	2,918,858	–	(29,567)
Total fund balances	5,362,651	1,947,857	855,141
Total liabilities, deferred inflows of resources, and fund balances	$ 12,940,905	$ 7,527,859	$ 1,359,917

See notes to basic financial statements

Total Governmental Funds	
2015	2014
$ 10,670,923	$ 10,809,473
1,057,961	237,366
6,694,315	5,611,385
123,450	193,867
62,824	39,294
3,141,540	3,353,554
17,313	18,046
60,355	14,414
$ 21,828,681	$ 20,277,399
$ 99,979	$ 105,913
473,576	797,632
155,593	163,173
371,680	390,645
1,100,828	1,457,363
12,506,922	10,385,399
55,282	98,666
12,562,204	10,484,065
77,668	32,460
3,754,820	2,644,724
1,443,870	2,228,509
2,889,291	3,430,278
8,165,649	8,335,971
$ 21,828,681	$ 20,277,399

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INDEPENDENT SCHOOL DISTRICT NO. 832

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2015
(With Partial Comparative Information as of June 30, 2014)

	2015	2014
Total fund balances – governmental funds	$ 8,165,649	$ 8,335,971
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	88,719,372	87,614,233
Accumulated depreciation	(20,965,627)	(18,679,363)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.		
General obligation bonds payable	(50,740,000)	(60,030,000)
Net discount (premium)	(7,482,052)	25,929
Certificates of participation payable	–	(225,000)
Net pension liability – PERA	(3,485,544)	–
Net pension liability – TRA	(16,196,867)	–
Severance benefits payable	(320,749)	(305,014)
Compensated absences payable	(188,959)	(173,296)
Net other post-employment benefit obligations reported in the Statement of Net Position do not require the use of current financial resources and are not reported as assets (liabilities) in governmental funds until actually due.	1,942,727	2,467,206
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(945,376)	(1,130,922)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	(181,026)	(138,097)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – PERA and TRA pension plans	3,233,293	–
Deferred inflows – PERA and TRA pension plans	(6,076,635)	–
Deferred inflows – delinquent property taxes	55,282	98,666
Total net position – governmental activities	$ (4,466,512)	$ 17,860,313

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 832

Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2015
(With Partial Comparative Information for the Year Ended June 30, 2014)

	General Fund	Debt Service Fund	Nonmajor Funds
Revenue			
Local sources			
Property taxes	$ 5,472,218	$ 5,387,438	$ 286,345
Investment earnings	7,595	4,351	1,270
Other	2,070,386	–	2,620,180
State sources	25,551,053	3,462	108,421
Federal sources	548,906	377,865	319,076
Total revenue	33,650,158	5,773,116	3,335,292
Expenditures			
Current			
Administration	1,625,130	–	–
District support services	1,629,882	–	–
Elementary and secondary regular instruction	18,275,458	–	–
Vocational education instruction	489,000	–	–
Special education instruction	5,713,305	–	–
Instructional support services	1,615,312	–	–
Pupil support services	2,477,437	–	–
Sites and buildings	3,176,091	–	–
Fiscal and other fixed cost programs	110,258	–	–
Food service	–	–	1,352,306
Community service	–	–	1,678,916
Capital outlay	–	–	13,396
Debt service			
Principal	225,000	3,605,000	–
Interest and fiscal charges	12,375	3,036,966	–
Total expenditures	35,349,248	6,641,966	3,044,618
Excess (deficiency) of revenue over expenditures	(1,699,090)	(868,850)	290,674
Other financing sources (uses)			
Sale of assets	532	–	–
Premium on debt issued	–	7,791,412	–
Debt issued	–	39,315,000	–
Payments on bond refunding	–	(45,000,000)	–
Total other financing sources (uses)	532	2,106,412	–
Net change in fund balances	(1,698,558)	1,237,562	290,674
Fund balances			
Beginning of year	7,061,209	710,295	564,467
End of year	$ 5,362,651	$ 1,947,857	$ 855,141

See notes to basic financial statements

Total Governmental Funds	
2015	2014
$ 11,146,001	$ 8,661,833
13,216	13,501
4,690,566	4,874,415
25,662,936	27,513,894
1,245,847	1,652,217
42,758,566	42,715,860
1,625,130	1,579,423
1,629,882	1,237,512
18,275,458	17,194,673
489,000	597,955
5,713,305	5,572,283
1,615,312	1,482,572
2,477,437	2,492,164
3,176,091	4,057,652
110,258	107,460
1,352,306	1,371,286
1,678,916	2,091,355
13,396	1,512,450
3,830,000	3,375,000
3,049,341	2,806,350
45,035,832	45,478,135
(2,277,266)	(2,762,275)
532	505,334
7,791,412	–
39,315,000	–
(45,000,000)	–
2,106,944	505,334
(170,322)	(2,256,941)
8,335,971	10,592,912
$ 8,165,649	$ 8,335,971

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INDEPENDENT SCHOOL DISTRICT NO. 832

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2015
(With Partial Comparative Information for the Year Ended June 30, 2014)

	2015	2014
Total net change in fund balances – governmental funds	$ (170,322)	$ (2,256,941)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded in net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	1,118,679	1,687,035
Depreciation expense	(2,298,510)	(960,491)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.	(1,294)	(960,664)
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.		
General obligation bonds payable	(39,315,000)	–
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	48,605,000	3,200,000
Certificates of participation payable	225,000	175,000
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.	185,546	19,059
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.	(7,507,981)	(205,887)
Certain expenses are included in the change in net position but do not require the use of current funds, and are not included in the change in fund balances.		
Net pension liability – PERA	553,959	–
Net pension liability – TRA	4,018,996	–
Severance benefits payable	(15,735)	(190,821)
Compensated absences payable	(15,663)	38,062
Negative net other post-employment benefits obligation	(524,479)	68,191
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the Internal Service Fund is included in the governmental activities in the Statement of Activities.	(42,929)	(442,834)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – PERA and TRA pension plans	1,827,701	–
Deferred inflows – PERA and TRA pension plans	(6,076,635)	–
Deferred inflows – delinquent property taxes	(43,384)	(76,625)
Change in net position – governmental activities	$ 522,949	$ 93,084

See notes to basic financial statements

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INDEPENDENT SCHOOL DISTRICT NO. 832

Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended June 30, 2015

	Budgeted Amounts			
	Original	Final	Actual	Over (Under) Final Budget
Revenue				
Local sources				
Property taxes	$ 5,458,966	$ 5,458,966	$ 5,472,218	$ 13,252
Investment earnings	5,000	5,000	7,595	2,595
Other	1,520,350	1,898,825	2,070,386	171,561
State sources	25,896,559	25,486,982	25,551,053	64,071
Federal sources	696,479	606,087	548,906	(57,181)
Total revenue	33,577,354	33,455,860	33,650,158	194,298
Expenditures				
Current				
Administration	1,652,443	1,643,988	1,625,130	(18,858)
District support services	1,805,284	1,727,214	1,629,882	(97,332)
Elementary and secondary regular instruction	17,652,487	18,457,235	18,275,458	(181,777)
Vocational education instruction	542,007	471,620	489,000	17,380
Special education instruction	5,689,842	5,722,404	5,713,305	(9,099)
Instructional support services	1,173,122	1,558,092	1,615,312	57,220
Pupil support services	2,555,310	2,624,539	2,477,437	(147,102)
Sites and buildings	2,972,793	3,481,184	3,176,091	(305,093)
Fiscal and other fixed cost programs	244,114	109,908	110,258	350
Debt service				
Principal	–	–	225,000	225,000
Interest and fiscal charges	–	–	12,375	12,375
Total expenditures	34,287,402	35,796,184	35,349,248	(446,936)
Excess (deficiency) of revenue over expenditures	(710,048)	(2,340,324)	(1,699,090)	641,234
Other financing sources				
Sale of assets	–	–	532	532
Net change in fund balances	$ (710,048)	$ (2,340,324)	(1,698,558)	$ 641,766
Fund balances				
Beginning of year			7,061,209	
End of year			$ 5,362,651	

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 832

Statement of Net Position
Proprietary Fund
Internal Service Fund
as of June 30, 2015
(With Partial Comparative Information as of June 30, 2014)

	2015	2014
Assets		
Current assets		
Cash and temporary investments	$ 1,023,629	$ 900,888
Receivables		
Accounts and interest	1,507	–
Total assets	1,025,136	900,888
Liabilities		
Current liabilities		
Accounts and contracts payable	350,489	279,790
Unearned revenue	855,673	759,195
Total current liabilities	1,206,162	1,038,985
Net position		
Unrestricted	$ (181,026)	$ (138,097)

Statement of Revenue, Expenses, and Changes in Fund Net Position
Proprietary Fund
Internal Service Fund
Year Ended June 30, 2015
(With Partial Comparative Information for the Year Ended June 30, 2014)

	2015	2014
Operating revenue		
Charges for services		
Contributions from governmental funds	$ 4,119,244	$ 3,403,752
Operating expenses		
Claims and settlements	4,162,173	3,846,586
Operating income (loss)	(42,929)	(442,834)
Net position		
Beginning of year	(138,097)	304,737
End of year	$ (181,026)	$ (138,097)

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 832

Statement of Cash Flows
Proprietary Fund
Internal Service Fund
Year Ended June 30, 2015
(With Partial Comparative Information for the Year Ended June 30, 2014)

	2015	2014
Cash flows from operating activities		
Received from assessments made to other funds	$ 4,214,215	$ 3,815,281
Payments for claims	(4,091,474)	(3,803,933)
Net cash provided from operating activities	122,741	11,348
Cash and temporary investments		
Beginning of year	900,888	889,540
End of year	$ 1,023,629	$ 900,888
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	$ (42,929)	$ (442,834)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Changes in assets and liabilities		
Accounts and interest receivable	(1,507)	–
Accounts and contracts payable	70,699	42,653
Unearned revenue	96,478	411,529
Net cash flows from operating activities	$ 122,741	$ 11,348

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 832

Statement of Fiduciary Net Position
Fiduciary Funds
as of June 30, 2015

	Post-Employment Benefits Trust Fund
Assets	
Cash and temporary investments	$ 1,278,593
Investments	
Local government obligations	685,086
MNTrust Investment Shares Portfolio	177,948
Accounts and interest receivable	15,348
Total assets	2,156,975
Net position	
Held in trust for other post-employment benefits	$ 2,156,975

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2015

	Post-Employment Benefits Trust Fund
Additions	
Investment earnings	$ 35,241
Deductions	
Benefits paid to plan members	144,860
Change in net position	(109,619)
Net position	
Beginning of year	2,266,594
End of year	$ 2,156,975

See notes to basic financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 832, Mahtomedi, Minnesota (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a six-member School Board elected by voters of the District to serve four-year terms. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

The accompanying financial statements include all funds, departments, agencies, boards, commissions, and other organizations that comprise the District, along with any component units.

Component units are legally separate entities for which the District (the primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. Based on these criteria, there are no organizations considered to be component units of the District.

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, the District's School Board can elect to either control or not control extracurricular student activities. The District's School Board has elected to control and be financially accountable with respect to the underlying extracurricular activities. Accordingly, the extracurricular student activity accounts are included in these financial statements.

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and 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 Statement of Changes in Fiduciary Net Position at the fund financial statement level. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

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 internally directed revenues are reported instead as general revenues.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. For capital assets that can be specifically identified with or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. For capital assets that essentially serve all functional areas, depreciation expense is reported as "depreciation not allocated to other functions." Interest on debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements. The Proprietary Fund (Internal Service Fund) is presented in the proprietary fund financial statements. Because the principal users of the internal services are the District's governmental activities, the financial statement of the Proprietary Fund (Internal Service Fund) is consolidated into the governmental activities in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity. Fiduciary funds are presented in the fiduciary fund financial statements by type; pension (or other benefit) trust, private-purpose trust, and agency. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's Internal Service Fund is charges to employees for insurance. Operating expenses for the internal service funds include the cost of services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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. Revenues are generally considered as available if collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. **Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt, compensated absences, severance, other post-employment health benefits, and other long-term liabilities, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in the governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and use the accrual basis of accounting as described earlier in these notes.

Description of Funds

The existence of the various district funds has been established by the Minnesota Department of Education. Each fund is accounted for as an independent entity. A description of the funds included in this report is as follows:

Major Governmental Funds

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and payment of general obligation debt principal, interest, and related costs. The regular debt service account is used for all general obligation debt service except for the financial activities of the other post-employment benefits (OPEB) Debt Service Account. The OPEB Debt Service Account is used to pay principal, interest, and related costs on the 2009A taxable OPEB bond issue.

Nonmajor Governmental Funds

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is used primarily to record financial activities of the District's child nutrition program.

Community Service Special Revenue Fund – The Community Service Special Revenue Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adult or early childhood programs, or other similar services.

Proprietary Funds

Internal Service Funds – The internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. The District has one Internal Service Fund. The District's Internal Service Fund includes financing for self-insurance of the employee health insurance program.

Fiduciary Funds

Post-Employment Benefits Trust Fund – The Post-Employment Benefits Trust Fund is used to administer resources received and held by the District as the trustee for others. The Post-Employment Benefits Trust Fund includes assets held in an irrevocable trust to fund post-employment insurance benefits of eligible employees.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information

The budget for each fund is prepared on the same basis of accounting as the financial statements. Legal budgetary control is at the fund level. Budgeted expenditure appropriations lapse at year-end. Each June, the School Board adopts an annual budget for the following fiscal year for all governmental funds. Actual expenditures exceeded budgeted amounts in the Community Service Fund Special Revenue Fund and the Debt Service Fund by $65,043 and $661,605, respectively.

F. Cash and Temporary Investments

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

Cash and investments held by trustee include balances held in segregated accounts that are established for specific purposes. In the Debt Service Fund, an escrow account is established for cash and investments held for debt service related to the issuance of refunding bonds. Interest earned in this trust account is allocated directly to the Debt Service Fund. The cash, investments, and any related interest receivable are reported as restricted assets in the government-wide financial statements.

In the Post-Employment Benefits Trust Fund, investments reported at fair value are deposited by the District in an irrevocable trust account, the use of which is restricted to paying other post-employment health insurance benefits as specified in the trust agreement. Interest earned on this trust account is allocated directly to that fund.

Investments are generally stated at fair value, except for investments in 2a7-like external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptances, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less are reported at amortized cost.

G. Receivables

When necessary, the District utilizes an allowance for uncollectible accounts to value its receivables. However, the District considers all of its current receivables to be collectible. The only receivables not expected to be fully collected within one year are property taxes receivable.

H. Inventories

Inventories are recorded using the consumption method of accounting and consist of purchased food, supplies, and surplus commodities received from the federal government. Purchased food and supplies are recorded at cost on a first-in, first-out basis. Surplus commodities are stated at standardized costs, as determined by the U.S. Department of Agriculture.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recognized as expenditures/expenses at the time of consumption.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Property Taxes

The majority of district revenue is determined annually by statutory funding formulas. The total revenue allowed by these formulas is allocated between property taxes and state aid by the Legislature based on education funding priorities.

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes $711,779 of the property tax levy collectible in 2015 as revenue to the District in fiscal year 2014–2015. The remaining portion of the taxes collectible in 2015 is recorded as a deferred inflow of resources (property taxes levied for the subsequent year).

Property tax levies are certified to the County Auditor 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 county generally remits taxes to the District at periodic intervals as they are collected.

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as deferred inflows of resources (unavailable revenue) in the fund-based financial statements because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes is considered necessary.

K. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair market value at the date of donation. The District defines capital assets as those with an initial, individual cost of $5,000 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary, ranging from 20 to 50 years for land improvements and buildings and improvements, and 5 to 20 years for furniture and equipment. Capital assets that are not depreciated include land and construction in progress.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. If material, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums or discounts on debt issuances are reported as other financing sources or uses, respectively.

M. Compensated Absences Payable

Under the terms of union contracts, certain employees accrue vacation and sick leave at varying rates, portions of which may be carried over to future years. Employees are reimbursed for any unused, accrued vacation and related benefits upon termination. Unused sick leave enters into the calculation of severance benefits for some employees upon termination. Compensated absences are accrued when earned in the government-wide financial statements. Compensated absences are accrued in governmental fund financial statements only to the extent they have been used or otherwise matured prior to year-end.

N. Severance Benefits

The District provides lump sum severance benefits to eligible employees in accordance with provisions in certain collectively bargained contracts. Eligibility for these benefits is based on years of service and/or minimum age requirements. The severance benefit is calculated by converting a portion of unused accumulated sick leave. No individual can receive severance benefits in excess of one year's salary.

Severance benefits payable are recorded as a liability in the government-wide financial statements as they are earned and it becomes probable they will vest at some point in the future. Severance benefits payable are accrued in the governmental fund financial statements as the liability matures due to employee termination.

O. State-Wide Pension Plans

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 the PERA's and the TRA's fiduciary net positions have been determined on the same basis as they are reported by the PERA and the 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.

The TRA has a special funding situation created by direct aid contributions made by the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association into the TRA in 2006.

P. Risk Management and Self-Insurance

1. **General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal year 2015.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. **Self-Insurance** – The District has established an Internal Service Fund to account for and finance its self-insured risk of loss for employee health insurance plans. Under this plan, the District provides coverage to participating employees and their dependants for certain health costs as described in the plans.

   The District makes premium payments that include both employer and employee contributions to the Internal Service Fund on behalf of program participants based on rates determined by insurance company estimates of monthly claims paid for each coverage class, plus the stop-loss health insurance premium costs and administrative service charges.

   District claim liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported. Because actual claim liabilities depend on complex factors such as inflation, changes in legal doctrines, and damage awards, the process used in computing a claim liability does not necessarily result in an exact amount. Claim liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

Changes in the Internal Service Fund's claim liabilities for the last two fiscal years were as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2014	$ 237,137	$ 3,846,586	$ (3,803,933)	$ 279,790
2015	$ 279,790	$ 4,162,173	$ (4,091,474)	$ 350,489

Q. 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred outflows of resources related to pensions reported in the government-wide Statement of Net Position. This deferred outflow results from differences between expected and actual experience, changes of assumptions, differences between projected and actual earnings on pension plan investments, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension standards.

In addition to liabilities, statements of financial position or balance sheets 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 future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items which qualify for reporting in this category.

The first 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The second 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 third item, deferred inflows of resources related to pensions, is reported in the government-wide Statement of Net Position. This deferred inflow results from differences between expected and actual experience, changes of assumptions, and the difference between projected and actual earnings on pension plan investments. These amounts are deferred and amortized as required under pension standards.

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, and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

S. Net Position

In the government-wide and Internal Service Fund financial statements, net position represents the difference between assets and liabilities, and deferred inflow of resources (if any). Net position is displayed in three components:

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.

- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

- **Unrestricted Net Position** – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

T. Fund Balance Classifications

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.

- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.

- **Committed** – Consists of internally imposed constraints that are established by resolution of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to School Board resolution, the Director of Business Services is authorized to establish assignments of fund balance.

- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to first use restricted resources, then use unrestricted resources as they are needed.

When committed, assigned, or unassigned resources are available for use, it is the District's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

U. Statement of Cash Flows

For purposes of the Statement of Cash Flows, the District considers all highly liquid debt instruments with an original maturity from the time of purchase by the District of three months or less to be cash equivalents. The Proprietary (Internal Service) Fund's equity in the government-wide cash and investment management pool is considered to be cash equivalent.

V. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total but not at the level of detail required for a presentation in conformity 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 the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

W. Change in Accounting Principles

During the year ended June 30, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. GASB Statement No. 68 included major changes in how employers account for pension benefit expenses and liabilities. In financial statements prepared using the economic resources measurement focus and accrual basis of accounting (government-wide and proprietary funds), an employer is required to recognize a liability for its share of the net pension liability provided through the pension plan. An employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources for its share related to pensions. This standard required retroactive implementation, which resulted in the restatement of net position as of June 30, 2014. The net position of governmental activities in the government-wide financial statements as of June 30, 2014 was decreased by $22,849,774. This change reflects the District's proportionate share of the net pension liabilities ($24,255,366 decrease in net position) and related deferred outflows of resources ($1,405,592 increase in net position) for the PERA and TRA pension plans, which are now reported by employers under current guidance. Certain amounts necessary to fully restate fiscal year 2014 financial information are not determinable; therefore, prior year comparative amounts have not been restated.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

Cash and investments at year-end consist of the following:

Deposits	$	2,685,074
Investments		12,209,066
Total	$	14,894,140

Cash and investments are presented in the financial statements as follows:

Statement of Net Position		
Cash and temporary investments	$	11,694,552
Restricted assets – temporarily restricted		
Cash and investments for debt service		1,057,961
Statement of Fiduciary Net Position		
Cash and temporary investments		1,278,593
Investments		
Local government obligations		685,086
MNTrust Investment Shares Portfolio		177,948
Total	$	14,894,140

B. Deposits

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

The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

The District's deposit policy does not further limit depository choices.

At year-end, the carrying amount of the District's deposits was $2,685,074 while the balance on the bank records was $2,685,074. At June 30, 2015, all deposits were fully covered by federal depository insurance, surety bonds, or by collateral held by the District's agent in the District's name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments

The District has the following investments at year-end:

Investment Type	Credit Risk – Credit Rating	Credit Risk – Rating Agency	Interest Risk – Maturity Duration in Years – Less Than 1	Interest Risk – Maturity Duration in Years – 1 to 5	Carrying Value
Local government obligations	AAA	S&P	$ 91,543	$ –	$ 91,543
Local government obligations	AA	S&P	$ 112,038	$ 228,978	341,016
Local government obligations	A	S&P	$ –	$ 252,528	252,528
State and local time deposits	AA	S&P	$ 351,322	$ 706,189	1,057,511
Negotiable certificate of deposit	N/A	N/A	$ 192,898	$ 813,629	1,006,527
Investment pools/mutual funds					
Minnesota School District Liquid Asset Fund					
Liquid portfolio	AAA	S&P	N/A	N/A	837,726
First American Treasury Fund Obligation	AAA	S&P	N/A	N/A	3,000,000
MNTrust Investment Shares Portfolio	AAA	S&P	N/A	N/A	5,622,215
Total					$ 12,209,066

N/A – Not Applicable

The Minnesota School District Liquid Asset Fund (MSDLAF) and the MNTrust Investment Shares Portfolio (MNTrust) are regulated by Minnesota Statutes and are external investment pools not registered with the Securities Exchange Commission (SEC) that follow the same regulatory rules of the SEC under rule 2a7. The District's investment in the MSDLAF and the MNTrust is measured at the net asset value per share provided by the pools, which is based on an amortized cost method that approximates fair value.

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although the District's investment policies do not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the District's investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. The District's investment policies do not further restrict investing in specific financial instruments.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

OPEB Trust Fund – This fund represents investments administered by the District's OPEB Trust Fund investment managers. The District's investment policy, discussed previously, extends to the OPEB Trust Fund investments.

Minnesota Statutes authorize the OPEB Trust Fund 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, corporate bonds, common stock and foreign stock of the highest quality, mutual funds, repurchase and reverse agreements, and commercial paper of the highest quality with a maturity no longer than 270 days and in the Minnesota State Board of Investments. Investments are stated at fair value.

The OPEB Trust Agreement indicates permitted investments include one or more series of MNTrust shares relating to a separate portfolio of investments, or from multi-class shares of MNTrust within the same portfolio.

Concentration Risk – This is the risk associated with investing a significant portion of the District's investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds.

The District's investment policy states that the District will diversify the use of investment instruments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions, or maturities. The maximum percent of the District's portfolio in any instrument is as follows:

U.S. treasury obligations (bills, notes, and bonds)	100%
U.S. government agency securities and instrumentalities of government-sponsored corporations	100%
Bankers' acceptances (Ba)	75%
Commercial paper – prime (C)	75%
Repurchase agreements (Repos)	50%
Certificates of deposit (CDs)	75%
Local government investment pool	100%

Also, no more than 50 percent of the total portfolio will be with any one instrument.

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The District's investment policy includes limits on investment maturities as a means of managing its exposure to fair value arising from increasing interest rates.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	$ 1,561,766	$ –	$ –	$ –	$ 1,561,766
Construction in progress	39,916,597	–	–	(39,916,597)	–
Total capital assets, not depreciated	41,478,363	–	–	(39,916,597)	1,561,766
Capital assets, depreciated					
Buildings	35,284,600	–	–	36,207,391	71,491,991
Land improvements	8,630,512	684,795	–	3,709,206	13,024,513
Furniture and equipment	2,220,758	433,884	(13,540)	–	2,641,102
Total capital assets, depreciated	46,135,870	1,118,679	(13,540)	39,916,597	87,157,606
Less accumulated depreciation for					
Buildings	(15,516,281)	(1,703,691)	–	–	(17,219,972)
Land improvements	(1,947,710)	(439,372)	–	–	(2,387,082)
Furniture and equipment	(1,215,372)	(155,447)	12,246	–	(1,358,573)
Total accumulated depreciation	(18,679,363)	(2,298,510)	12,246	–	(20,965,627)
Net capital assets, depreciated	27,456,507	(1,179,831)	(1,294)	39,916,597	66,191,979
Total capital assets, net	$ 68,934,870	$ (1,179,831)	$ (1,294)	$ –	$ 67,753,745

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

Elementary and secondary regular instruction	$ 46,220
Instructional support services	38,525
Pupil support services	5,760
Sites and buildings	1,434,934
Food service	21,895
Community education	835
Depreciation not allocated to other functions	750,341
Total depreciation expense	$ 2,298,510

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

The District currently has the following general obligation bonds payable outstanding:

Issue	Issue Date	Interest Rate	Original Issue	Final Maturity	Principal Outstanding
General obligation bonds payable					
School Building Bonds, Series 1995	06/01/1995	5.6–6.0%	$ 5,194,754	02/01/2017	$ 2,850,000
Taxable OPEB Bonds, Series 2009A	05/05/2009	3.5–5.4%	$ 3,265,000	02/01/2024	2,295,000
School Refunding Bonds, Series 2010A	05/01/2010	4.0–5.0%	$ 8,720,000	02/01/2018	5,585,000
School Refunding Bonds, Series 2012A	05/01/2012	0.3–1.4%	$ 2,135,000	02/01/2019	1,055,000
School Refunding Bonds, Series 2014A	11/13/2014	4.0–5.0%	$ 38,930,000	02/01/2031	38,570,000
Taxable School Refunding Bonds, Series 2014B	11/13/2014	3.4%	$ 385,000	02/01/2021	385,000
Total general obligation bonds payable					$ 50,740,000

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

B. Certificates of Participation Payable

In January 1997, the District sold $2,390,000 of certificates of participation under Minnesota Statute § 123B.51. Scheduled future ad valorem lease obligation tax levies were made to finance the retirement of principal and interest payments on the certificates. These certificates of participation were paid by the General Fund.

C. Description of Long-Term Liabilities

General Obligation School Building and Refunding Bonds – These bonds were issued to finance acquisition and/or construction of capital facilities or to refinance the retirement (refund) of prior bond issues. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated for the retirement of these bonds. The annual future debt service levies authorized are equal to 105 percent of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

General Obligation Taxable OPEB Bonds – These obligations were issued to finance OPEB. Assets of the OPEB Debt Service Account, together with scheduled deferred ad valorem tax revenue, are dedicated for the retirement of these obligations. The annual future debt service levies authorized are equal to 105 percent of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

Build America Bonds – The District's 2010B General Obligation School Building Bonds were issued as Qualified School Construction Bonds – Direct Pay, for which the District will receive a federal tax credit for a portion of the interest payments on this debt issue.

Refunding Bonds – In November 2014, the District issued $38,930,000 of General Obligation School Refunding Bonds, Series 2014A. These bonds were issued to currently refund, in of advance their stated maturities, the 2019 through 2031 maturities of the Taxable General Obligation School Building Bonds, Series 2010B. These bonds were also issued to refund, in a crossover refunding obligation, the 2016 and 2017 maturities of the District's General Obligation School Building Bonds, Series 1995 totaling $2,850,000 on February 1, 2016. This refunding will result in a net present value cash flow savings of $2,470,767 and a net present value benefit of $346,740.

In November 2014, the District issued $385,000 of Taxable General Obligation School Building Bonds, Series 2014. In February 2018, the proceeds of this issue will be used to refund a portion of the 2018 maturities totaling $340,000 of the District's General Obligation School Refunding Bonds, Series 2010A. This refunding will result in a net present value cash flow loss of ($64,847) and a net present value loss of ($31,887).

D. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including: compensated absences, severance benefits, pensions, and OPEB. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are financed primarily from the General Fund. The District has also established a Post-Employment Benefits Trust Fund to finance OPEB obligations.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

E. Minimum Debt Payments

Minimum annual principal and interest payments to maturity for general obligation bonds and certificates of participation are as follows:

Year Ending June 30,	General Obligation Bonds Principal	General Obligation Bonds Interest
2016	$ 3,305,000	$ 2,280,530
2017	3,225,000	2,233,393
2018	3,345,000	2,151,818
2019	2,595,000	1,987,183
2020	2,395,000	1,888,523
2021–2025	13,810,000	7,663,770
2026–2030	17,925,000	3,812,000
2031–2035	4,140,000	207,000
	$ 50,740,000	$ 22,224,217

F. Changes in Long-Term Liabilities

	Balance – June 30, 2014	Change in Accounting Principle*	Additions	Retirements	Balance – June 30, 2015	Due Within One Year
General obligation bonds payable	$ 60,030,000	$ –	$ 39,315,000	$ 48,605,000	$ 50,740,000	$ 3,305,000
Net (discount) premium	(25,929)	–	7,791,412	283,431	7,482,052	–
Certificates of participation payable	225,000	–	–	225,000	–	–
Net pension liability – PERA	–	4,039,503	257,579	811,538	3,485,544	–
Net pension liability – TRA	–	20,215,863	906,651	4,925,647	16,196,867	–
Severance benefits payable	305,014	–	92,412	76,677	320,749	176,805
Compensated absences payable	173,296	–	271,180	255,517	188,959	173,296
	$ 60,707,381	$ 24,255,366	$ 48,634,234	$ 55,182,810	$ 78,414,171	$ 3,655,101

*Adjustment is part of the change in accounting principle described earlier in these notes.

NOTE 5 – FUND BALANCES

The following is a breakdown of equity components of governmental funds which are defined earlier in the report. Any such restrictions which have an accumulated deficit rather than positive balance at June 30 are included in unassigned fund balance in the District's financial statements in accordance with accounting principles generally accepted in the United States of America. However, a description of these deficit balance restrictions is included herein since the District has specific authority to future resources for such deficits.

NOTE 5 – FUND BALANCES (CONTINUED)

A. Classifications

At June 30, 2015, a summary of the District's governmental fund balance classifications are as follows:

	General Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable				
Inventory	$ –	$ –	$ 17,313	$ 17,313
Prepaid items	55,608	–	4,747	60,355
Total nonspendable	55,608	–	22,060	77,668
Restricted				
Deferred maintenance	2,722	–	–	2,722
Capital projects levy	18,999	–	–	18,999
Health and safety	25,889	–	–	25,889
Operating capital	896,705	–	–	896,705
Community education programs	–	–	376,310	376,310
Early childhood family education programs	–	–	93,663	93,663
Food service	–	–	392,675	392,675
Bond refunding	–	1,057,961	–	1,057,961
Debt service	–	889,896	–	889,896
Total restricted	944,315	1,947,857	862,648	3,754,820
Assigned				
Separation benefits	411,850	–	–	411,850
Student activities	194,406	–	–	194,406
Building carryover	478,433	–	–	478,433
Subsequent year budget	359,181	–	–	359,181
Total assigned	1,443,870	–	–	1,443,870
Unassigned				
School readiness restricted account deficit	–	–	(29,567)	(29,567)
Unassigned	2,918,858	–	–	2,918,858
Total unassigned	2,918,858	–	(29,567)	2,889,291
Total	$ 5,362,651	$ 1,947,857	$ 855,141	$ 8,165,649

B. Fund Balance Policy

The School Board has formally adopted a fund balance policy. This policy states that the School Board will strive to maintain a minimum unassigned General Fund balance (excluding restricted account deficits) of 8 percent of total General Fund expenditures. At June 30, 2015, the unassigned fund balance of the General Fund was 8.3 percent of the total General Fund expenditures.

NOTE 5 – FUND BALANCES (CONTINUED)

If the fund balance falls below 8 percent, the School Board shall implement a procedure to stabilize the District's financial position. This shall involve:

1. No new programs will be added at the district level unless matched by a like revenue source;
2. Allocations such as textbooks, supplies, etc., shall be frozen; and
3. The District will review other measures which shall not immediately affect delivery of programs but could have a cost savings. An example might be areas where expenditures have historically been lower than budgeted levels.

If the fund balance is projected to decrease below 7 percent, the District shall take measures to either generate additional revenues or to reduce expenditures through budget cuts or a combination of both.

C. Deficit Net Position

At June 30, 2015, the District's Internal Service Fund had a deficit net position of $181,026. Plan design changes are being considered to help the fund be self-supporting.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

The 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 General Employees Retirement Fund (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.

2. Teachers Retirement Association (TRA)

The 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. The 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 schools, 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 Colleges 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 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

B. Benefits Provided

The PERA and the TRA provide retirement, disability, and death benefits. Benefit provisions are established by state statutes 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 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given 1 percent increases.

- **TRA** – Post-retirement benefit increases are provided to eligible benefit recipients each January. The TRA increase is 2.0 percent. After the TRA funded ratio exceeds 90 percent for two consecutive years, the annual post-retirement benefit will increase to 2.5 percent.

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

1. 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 the 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 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent 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.

2. TRA Benefits

The 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 Statutes 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 the 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.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Tier I Benefits

Step Rate Formula	Percentage per Year
Basic Plan	
First 10 years of service	2.2%
All years after	2.7%
Coordinated	
First 10 years if service years are up to July 1, 2006	1.2%
First 10 years if service years are July 1, 2006 or after	1.4%
All other years of service if service years are up to July 1, 2006	1.7%
All other years of service if service years are July 1, 2006 or after	1.9%

With these provisions:

(a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.

(b) Three percent per year early retirement reduction factor for all years under normal retirement age.

(c) 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 percent per year for Coordinated Plan members and 2.7 percent per year for Basic Plan members. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated Plan members and 2.7 percent for Basic Plan members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statutes. 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.

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.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

C. Contributions

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

1. 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 percent and 6.5 percent, respectively, of their annual covered salary in calendar year 2014. Coordinated Plan members contributed 6.5 percent of pay in 2015. In calendar year 2014, the District was required to contribute 11.78 percent of pay for Basic Plan members and 7.25 percent for Coordinated Plan members. In 2015, employer rates increased to 7.5 percent in the Coordinated Plan. The District's contributions to the GERF for the plan's fiscal year ended June 30, 2015, were $278,552. The District's contributions were equal to the required contributions for each year as set by state statutes.

2. TRA Contributions

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

	Year Ended June 30,			
	2014		2015	
	Employee	Employer	Employee	Employer
Basic Plan	10.5%	11.0%	11.0%	11.5%
Coordinated Plan	7.0%	7.0%	7.5%	7.5%

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2015, were $1,159,998. The District's contributions were equal to the required contributions for each year as set by state statutes.

D. Pension Costs

1. GERF Pension Costs

At June 30, 2015, the District reported a liability of $3,485,544 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 the 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 the PERA's participating employers. At June 30, 2014, the District's proportion was 0.0742 percent.

For the year ended June 30, 2015, the District recognized pension expense of $257,579 for its proportionate share of the GERF's pension expense.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

At June 30, 2015, the District reported its proportionate share of the 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	$ 53,492	$ –
Differences between projected and actual investment earnings	359,220	941,791
District's contributions to the TRA subsequent to the measurement date	278,552	–
Total	$ 691,264	$ 941,791

A total of $278,552 reported as deferred outflows of resources related to pensions resulting from district contributions to the 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 the GERF pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2016	$ (105,377)
2017	$ (105,377)
2018	$ (105,377)
2019	$ (242,948)

2. TRA Pension Costs

At June 30, 2015, the District reported a liability of $16,196,867 for its proportionate share of the TRA'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 School's proportion of the net pension liability was based on the District's contributions to the TRA in relation to total system contributions including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District's proportionate share was 0.3515 percent at the end of the measurement period and 0.3524 percent for the beginning of the period.

The pension liability amount reflected a reduction due to direct aid provided to the 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	$ 16,196,867
State's proportionate share of the net pension liability associated with the District	$ 1,139,345

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.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

For the year ended June 30, 2015, the District recognized pension expense of negative $856,950. It also recognized $49,701 as pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,382,031	$ –
Difference between projected and actual investment earnings	–	5,092,131
Changes in proportion and differences between contributions made and the District's proportionate share of contributions	–	42,713
District's contributions to the TRA subsequent to the measurement date	1,159,998	–
Total	$ 2,542,029	$ 5,134,844

A total of $1,159,998 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA 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 the TRA will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2016	$ (993,426)
2017	$ (993,426)
2018	$ (993,426)
2019	$ (993,426)
2020	$ 220,891

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:

Assumptions	GERF	TRA
Inflation	2.75% per year	3.0%
Active member payroll growth	3.50% per year	3.75% based on years of service
Investment rate of return	7.90%	8.25%

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.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of actuarial experience studies. 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 Statement No. 67 valuation.

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

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

The long-term expected rate of return on pension plan investments is 7.9 percent for the GERF and 8.25 percent for the TRA. The Minnesota State Board of Investment, which manages the investments of the PERA and the TRA, 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 Expected Rate of Return
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 Rate

The discount rate used to measure the total pension liability was 7.9 percent for the GERF and 8.25 percent for the TRA. 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 the statute. Based on those assumptions, each of the pension plan's fiduciary net positions were 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.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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	6.90%	7.90%	8.90%
District's proportionate share of the GERF net pension liability	$ 5,618,838	$ 3,485,544	$ 1,730,345
TRA discount rate	7.25%	8.25%	9.25%
District's proportionate share of the TRA net pension liability	$ 26,767,874	$ 16,196,867	$ 7,384,301

H. Pension Plan Fiduciary Net Position

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

Detailed information about the TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at the TRA website at www.MinnesotaTRA.org; by writing to the TRA at 60 Empire drive, Suite 400, St. Paul, Minnesota 55103-2088; or by calling (651) 296-2409 or (800) 657-3669.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

The District provides post-employment benefits to certain eligible employees through its OPEB Plan, a single-employer defined benefit plan administered by the District. All post-employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a publicly available financial report. These benefits are summarized as follows:

Post-Employment Insurance Benefits – All retirees of the District have the option under state law to continue their medical insurance coverage through the District from the time of retirement until the employee reaches the age of eligibility for Medicare. For members of certain employee groups, the District pays for all or part of the eligible retiree's premiums for medical and/or dental insurance from the time of retirement until the employee reaches the age of eligibility for Medicare. Benefits paid by the District differ by bargaining unit, with some contracts specifying a certain dollar amount per month, and some covering premium costs as defined within each collective bargaining agreement. Retirees not eligible for these district-paid premium benefits must pay the full district premium rate for their coverage.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

The District is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees, whether the premiums are paid by the District or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy." This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the District's younger and statistically healthier active employees.

In addition, full-time teachers who are at least 50 years of age or have completed 20 years of professional service in the appropriate unit in the District shall be eligible for severance pay pursuant to the provisions in the severance pay article of the teachers' master agreement. All persons whose actual service began prior to July 1, 1989 shall be eligible for this benefit.

The full-time teachers shall accumulate 10 days of credit for each full year of actual teaching in the District up to a maximum of one year's salary as determined by the salary schedule placement. In applying these provisions, a teacher's daily rate of pay shall be the basic rate of the teacher's last day of actual service as provided in the basic salary schedule for the basic school year. These amounts are contributed directly to a health savings account and are, therefore, by definition considered OPEB under the provisions of GASB Statement No. 45.

B. Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined annually by the District. There are invested plan assets accumulated for payment of future benefits which are held in the Post-Employment Benefits Trust Fund.

C. Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on annual required contributions (ARC) of the District, an amount determined on an actuarially determined basis in accordance with the parameters of GASB Statement No. 45. The ARC represents a level 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 following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation to the plan:

ARC	$ 167,351
Interest on net OPEB obligation	(65,109)
Adjustment to ARC	422,237
Annual OPEB cost	524,479
Contributions made	–
Increase in net OPEB obligation	524,479
Negative net OPEB obligation – beginning of year	(2,467,206)
Negative net OPEB obligation – end of year	$ (1,942,727)

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

Fiscal Year Ended June 30,	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Negative Net OPEB Obligation (Asset)
2013	$ 220,469	$ –	– %	$ (2,399,015)
2014	$ (68,191)	$ –	– %	$ (2,467,206)
2015	$ 524,479	$ –	– %	$ (1,942,727)

D. Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the plan was 89.2 percent funded. The actuarial accrued liability for benefits was $2,539,862, and the actuarial value of assets was $2,266,594, resulting in an unfunded actuarial accrued liability (UAAL) of $273,268. The covered payroll (annual payroll of active employees covered by the plan) was $19,404,361, and the ratio of the UAAL to the covered payroll was 1.4 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare 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 following the notes to basic 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.

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 and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 3.0 percent investment rate of return (net of administrative expenses) based on the District's own investments; a 3.0 percent rate of projected salary increases; an annual healthcare cost trend rate of 7.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent for medical insurance; and an annual healthcare trend rate of 4.0 percent for dental insurance. All rates include a 2.5 percent inflation assumption. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization period at July 1, 2014 for the various amortization layers ranged from 24 to 30 years.

F. Post-Employment Benefits Trust Fund

The District administers a defined benefit OPEB Plan. The assets of the plan are reported in the District's financial report in the Post-Employment Benefits Trust Fund. The plan assets may be used only for the payment of benefits of the plan, in accordance with the terms of the plan.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

The Post-Employment Benefits Trust Fund is reported using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

G. Membership

Membership in the plan consisted of the following as of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	18
Active plan members	342
Total members	360

NOTE 8 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Receivables

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

B. Legal Claims

The District has the usual and customary legal claims pending at year-end, mostly of minor nature and/or covered by insurance. Although the outcomes of these claims are not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 832

Defined Benefit Pensions Plans
Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability
GERF/TRA Retirement Funds
June 30, 2015

Public Employees Retirement Association

	2014
District's proportion of the net pension liability (asset)	0.0742%
District's proportionate share of the net pension liability (asset)	$ 3,485,544
District's covered-employee payroll	$ 3,901,247
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	89.34%
Plan fiduciary net position as a percentage of the total pension liability	78.70%

Teachers Retirement Association

District's proportion of the net pension liability (asset)	0.3515%
District's proportionate share of the net pension liability (asset) (a)	$ 16,196,867
District's proportionate share of the state of Minnesota's proportionate share of the net pension liability (b)	1,139,345
Proportionate share of the net pension liability and the District's share of the state of Minnesota's share of the net pension liability (a + b)	$ 17,336,212
District's covered-employee payroll	$ 16,044,763
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	100.95%
Plan fiduciary net position as a percentage of the total pension liability	81.50%

Note: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This information is not available for previous fiscal years.

INDEPENDENT SCHOOL DISTRICT NO. 832

Defined Benefit Pensions Plans
Schedule of District Contributions
GERF/TRA Retirement Funds
June 30, 2015

Public Employees Retirement Association

	2015
Statutorily required contribution	$ 807,170
Contributions in relation to the statutorily required contributions	807,170
Contribution deficiency (excess)	$ –
District’s covered-employee payroll	$ 11,346,773
Contributions as a percentage of covered-employee payroll	7.11%

Teachers Retirement Association

Statutorily required contribution	$ 1,159,998
Contributions in relation to the statutorily required contributions	1,159,998
Contribution deficiency (excess)	$ –
District’s covered-employee payroll	$ 16,114,607
Contributions as a percentage of covered-employee payroll	7.20%

Note: The District implemented GASB Statement No. 68 in fiscal 2015. This information is not available for previous fiscal years.

INDEPENDENT SCHOOL DISTRICT NO. 832

Other Post-Employment Benefits Plan
Schedule of Funding Progress and Schedule of Employer Contributions
June 30, 2015

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
July 1, 2010	$ 2,994,460	$ 2,905,712	$ 88,748	97.0 %	$ 16,983,592	0.5 %
July 1, 2012	$ 2,987,759	$ 2,854,978	$ 132,781	95.6 %	$ 18,008,351	0.7 %
July 1, 2014	$ 2,539,862	$ 2,266,594	$ 273,268	89.2 %	$ 19,404,361	1.4 %

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Employer Contributions	Percentage Contributed	(Negative) Net OPEB Obligation
2010	$ 162,427	$ –	– %	$ (2,901,103)
2011	$ 161,340	$ 63,744	28.5 %	$ (2,741,397)
2012	$ 148,541	$ 88,717	59.7 %	$ (2,619,484)
2013	$ 157,604	$ –	– %	$ (2,399,015)
2014	$ 169,094	$ –	– %	$ (2,467,206)
2015	$ 167,351	$ –	– %	$ (1,942,727)

SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 832

Nonmajor Governmental Funds
Combining Balance Sheet
as of June 30, 2015

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	$ 423,630	$ 722,892	$ 1,146,522
Receivables			
Current taxes	–	135,079	135,079
Delinquent taxes	–	3,182	3,182
Accounts and interest	–	9,835	9,835
Due from other governmental units	38,293	4,946	43,239
Inventory	17,313	–	17,313
Prepaid items	2,700	2,047	4,747
Total assets	$ 481,936	$ 877,981	$ 1,359,917
Liabilities			
Salaries payable	$ –	$ 50,250	$ 50,250
Accounts and contracts payable	2,841	45,443	48,284
Due to other governmental units	66,407	1,345	67,752
Unearned revenue	–	74,199	74,199
Total liabilities	69,248	171,237	240,485
Deferred inflows of resources			
Property taxes levied for subsequent year	–	262,848	262,848
Unavailable revenue – delinquent taxes	–	1,443	1,443
Total deferred inflows of resources	–	264,291	264,291
Fund balances			
Nonspendable for inventory	17,313	–	17,313
Nonspendable for prepaids	2,700	2,047	4,747
Restricted	392,675	469,973	862,648
Unassigned	–	(29,567)	(29,567)
Total fund balances	412,688	442,453	855,141
Total liabilities, deferred inflows of resources, and fund balances	$ 481,936	$ 877,981	$ 1,359,917

INDEPENDENT SCHOOL DISTRICT NO. 832

Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2015

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	$ –	$ 286,345	$ 286,345
Investment earnings	581	689	1,270
Other	1,081,004	1,539,176	2,620,180
State sources	58,574	49,847	108,421
Federal sources	319,076	–	319,076
Total revenue	1,459,235	1,876,057	3,335,292
Expenditures			
Current			
Food service	1,352,306	–	1,352,306
Community service	–	1,678,916	1,678,916
Capital outlay	1,412	11,984	13,396
Total expenditures	1,353,718	1,690,900	3,044,618
Net change in fund balances	105,517	185,157	290,674
Fund balances			
Beginning of year	307,171	257,296	564,467
End of year	$ 412,688	$ 442,453	$ 855,141

INDEPENDENT SCHOOL DISTRICT NO. 832

General Fund
Comparative Balance Sheet
as of June 30, 2015 and 2014

	2015	2014
Assets		
Cash and temporary investments	$ 5,820,836	$ 6,593,040
Cash and investments held by trustee	–	237,366
Receivables		
Current taxes	3,850,746	2,729,332
Delinquent taxes	62,781	104,959
Accounts and interest	52,989	36,371
Due from other governmental units	3,097,945	3,348,557
Prepaid items	55,608	11,571
Total assets	$ 12,940,905	$ 13,061,196
Liabilities		
Salaries payable	$ 49,729	$ 72,935
Accounts and contracts payable	425,292	735,913
Due to other governmental units	87,841	106,875
Unearned revenue	14,891	332,088
Total liabilities	577,753	1,247,811
Deferred inflows of resources		
Property taxes levied for subsequent year	6,973,663	4,697,495
Unavailable revenue – delinquent taxes	26,838	54,681
Total deferred inflows of resources	7,000,501	4,752,176
Fund balances (deficit)		
Nonspendable for prepaid items	55,608	11,571
Restricted for capital projects levy	18,999	–
Restricted for operating capital	896,705	1,328,356
Restricted for deferred maintenance	2,722	58,874
Restricted for health and safety	25,889	–
Assigned for separation benefits	411,850	411,850
Assigned for student activities	194,406	164,342
Assigned for building carryover	478,433	442,269
Assigned for subsequent year budget	359,181	710,048
Assigned for new school operations	–	500,000
Unassigned – capital project levy restricted account deficit	–	(8,300)
Unassigned – health and safety restricted account deficit	–	(225,351)
Unassigned	2,918,858	3,667,550
Total fund balances	5,362,651	7,061,209
Total liabilities, deferred inflows of resources, and fund balances	$ 12,940,905	$ 13,061,196

INDEPENDENT SCHOOL DISTRICT NO. 832

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015			2014
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 5,458,966	$ 5,472,218	$ 13,252	$ 3,631,539
Investment earnings	5,000	7,595	2,595	9,926
Other	1,898,825	2,070,386	171,561	2,033,367
State sources	25,486,982	25,551,053	64,071	27,284,326
Federal sources	606,087	548,906	(57,181)	626,783
Total revenue	33,455,860	33,650,158	194,298	33,585,941
Expenditures				
Current				
Administration				
Salaries	1,156,389	1,149,406	(6,983)	1,131,890
Employee benefits	398,249	399,038	789	375,962
Purchased services	61,000	47,901	(13,099)	25,578
Supplies and materials	11,500	15,200	3,700	25,379
Capital expenditures	–	–	–	814
Other expenditures	16,850	13,585	(3,265)	19,800
Total administration	1,643,988	1,625,130	(18,858)	1,579,423
District support services				
Salaries	461,412	469,179	7,767	535,006
Employee benefits	186,480	133,241	(53,239)	118,140
Purchased services	387,212	362,261	(24,951)	411,449
Supplies and materials	8,100	630	(7,470)	4,955
Capital expenditures	50,500	48,846	(1,654)	3,658
Other expenditures	633,510	615,725	(17,785)	164,304
Total district support services	1,727,214	1,629,882	(97,332)	1,237,512
Elementary and secondary regular instruction				
Salaries	11,888,809	11,834,059	(54,750)	11,034,744
Employee benefits	4,222,157	4,257,469	35,312	3,898,742
Purchased services	737,505	732,559	(4,946)	698,614
Supplies and materials	574,586	531,258	(43,328)	580,409
Capital expenditures	105,542	153,799	48,257	67,750
Other expenditures	928,636	766,314	(162,322)	914,414
Total elementary and secondary regular instruction	18,457,235	18,275,458	(181,777)	17,194,673

(continued)

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015			2014
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	261,788	260,936	(852)	351,936
Employee benefits	88,732	92,503	3,771	113,311
Purchased services	101,600	132,702	31,102	112,366
Supplies and materials	14,100	2,859	(11,241)	14,872
Capital expenditures	5,000	–	(5,000)	5,125
Other expenditures	400	–	(400)	345
Total vocational education instruction	471,620	489,000	17,380	597,955
Special education instruction				
Salaries	3,847,870	3,814,937	(32,933)	3,646,964
Employee benefits	1,388,593	1,381,188	(7,405)	1,308,459
Purchased services	236,822	313,331	76,509	387,166
Supplies and materials	64,216	59,873	(4,343)	62,601
Capital expenditures	69,362	54,667	(14,695)	52,308
Other expenditures	115,541	89,309	(26,232)	114,785
Total special education instruction	5,722,404	5,713,305	(9,099)	5,572,283
Instructional support services				
Salaries	992,172	1,043,869	51,697	994,521
Employee benefits	418,696	426,260	7,564	383,009
Purchased services	71,251	66,727	(4,524)	48,949
Supplies and materials	71,573	52,877	(18,696)	48,735
Capital expenditures	1,500	24,515	23,015	3,351
Other expenditures	2,900	1,064	(1,836)	4,007
Total instructional support services	1,558,092	1,615,312	57,220	1,482,572
Pupil support services				
Salaries	693,515	691,167	(2,348)	678,158
Employee benefits	263,031	252,154	(10,877)	217,558
Purchased services	1,592,388	1,466,160	(126,228)	1,511,017
Supplies and materials	58,855	53,670	(5,185)	78,500
Capital expenditures	3,300	1,064	(2,236)	2,887
Other expenditures	13,450	13,222	(228)	4,044
Total pupil support services	2,624,539	2,477,437	(147,102)	2,492,164

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 832

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015			2014
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	877,152	892,666	15,514	849,520
Employee benefits	335,188	327,105	(8,083)	293,014
Purchased services	991,748	969,752	(21,996)	1,103,491
Supplies and materials	311,100	302,970	(8,130)	311,866
Capital expenditures	965,796	683,308	(282,488)	802,481
Other expenditures	200	290	90	697,280
Total sites and buildings	3,481,184	3,176,091	(305,093)	4,057,652
Fiscal and other fixed cost programs				
Purchased services	109,908	110,258	350	107,460
Debt service				
Principal	–	225,000	225,000	175,000
Interest and fiscal charges	–	12,375	12,375	21,913
Total debt service	–	237,375	237,375	196,913
Total expenditures	35,796,184	35,349,248	(446,936)	34,518,607
Excess (deficiency) of revenue over expenditures	(2,340,324)	(1,699,090)	641,234	(932,666)
Other financing sources				
Sale of assets	–	532	532	505,334
Net change in fund balances	$ (2,340,324)	(1,698,558)	$ 641,766	(427,332)
Fund balances				
Beginning of year		7,061,209		7,488,541
End of year		$ 5,362,651		$ 7,061,209

INDEPENDENT SCHOOL DISTRICT NO. 832

Food Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2015 and 2014

	2015	2014
Assets		
Cash and temporary investments	$ 423,630	$ 358,174
Receivables		
Due from other governmental units	38,293	–
Inventory	17,313	18,046
Prepaid items	2,700	2,700
Total assets	$ 481,936	$ 378,920
Liabilities		
Accounts and contracts payable	$ 2,841	$ 15,591
Due to other governmental units	66,407	56,158
Total liabilities	69,248	71,749
Fund balances		
Nonspendable for inventory	17,313	18,046
Nonspendable for prepaid items	2,700	2,700
Restricted for food service	392,675	286,425
Total fund balances	412,688	307,171
Total liabilities and fund balances	$ 481,936	$ 378,920

INDEPENDENT SCHOOL DISTRICT NO. 832

Food Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015			2014
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	$ 600	$ 581	$ (19)	$ 638
Other – primarily meal sales	1,082,600	1,081,004	(1,596)	1,038,170
State sources	57,759	58,574	815	45,282
Federal sources	306,000	319,076	13,076	288,069
Total revenue	1,446,959	1,459,235	12,276	1,372,159
Expenditures				
Current				
Salaries	117,987	123,457	5,470	117,340
Employee benefits	6,018	6,602	584	4,819
Purchased services	595,477	559,947	(35,530)	565,957
Supplies and materials	696,000	660,714	(35,286)	681,685
Other expenditures	1,500	1,586	86	1,485
Capital outlay	2,500	1,412	(1,088)	111,473
Total expenditures	1,419,482	1,353,718	(65,764)	1,482,759
Net change in fund balances	$ 27,477	105,517	$ 78,040	(110,600)
Fund balances				
Beginning of year		307,171		417,771
End of year		$ 412,688		$ 307,171

INDEPENDENT SCHOOL DISTRICT NO. 832

Community Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2015 and 2014

	2015	2014
Assets		
Cash and temporary investments	$ 722,892	$ 526,475
Receivables		
Current taxes	135,079	145,368
Delinquent taxes	3,182	4,889
Accounts and interest	9,835	2,923
Due from other governmental units	4,946	4,687
Prepaid items	2,047	143
Total assets	$ 877,981	$ 684,485
Liabilities		
Salaries payable	$ 50,250	$ 32,978
Accounts and contracts payable	45,443	46,128
Due to other governmental units	1,345	140
Unearned revenue	74,199	58,557
Total liabilities	171,237	137,803
Deferred inflows of resources		
Property taxes levied for subsequent year	262,848	286,893
Unavailable revenue – delinquent taxes	1,443	2,493
Total deferred inflows of resources	264,291	289,386
Fund balances (deficit)		
Nonspendable for prepaid items	2,047	143
Restricted for community education programs	376,310	233,616
Restricted for early childhood family education programs	93,663	27,158
Unassigned – school readiness restricted account deficit	(29,567)	(3,621)
Total fund balances	442,453	257,296
Total liabilities, deferred inflows of resources, and fund balances	$ 877,981	$ 684,485

INDEPENDENT SCHOOL DISTRICT NO. 832

Community Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015			2014
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 279,205	$ 286,345	$ 7,140	$ 143,271
Investment earnings	–	689	689	588
Other – primarily tuition and fees	1,415,208	1,539,176	123,968	1,802,878
State sources	42,372	49,847	7,475	181,189
Total revenue	1,736,785	1,876,057	139,272	2,127,926
Expenditures				
Current				
Salaries	839,303	892,118	52,815	1,184,652
Employee benefits	260,389	265,112	4,723	391,110
Purchased services	432,626	443,273	10,647	433,038
Supplies and materials	61,729	57,119	(4,610)	57,752
Other expenditures	21,210	21,294	84	24,803
Capital outlay	10,600	11,984	1,384	14,735
Total expenditures	1,625,857	1,690,900	65,043	2,106,090
Net change in fund balances	$ 110,928	185,157	$ 74,229	21,836
Fund balances				
Beginning of year		257,296		235,460
End of year		$ 442,453		$ 257,296

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Debt Service Fund
Balance Sheet by Account
as of June 30, 2015
(With Comparative Totals as of June 30, 2014)

	Regular Debt Service Account	OPEB Debt Service Account	Totals 2015	Totals 2014
Assets				
Cash and temporary investments	$ 3,495,050	$ 208,515	$ 3,703,565	$ 3,331,784
Cash and investments held by trustee	1,057,961	–	1,057,961	–
Receivables				
Current taxes	2,529,876	178,614	2,708,490	2,736,685
Delinquent taxes	54,065	3,422	57,487	84,019
Due from other governmental units	336	20	356	310
Total assets	$ 7,137,288	$ 390,571	$ 7,527,859	$ 6,152,798
Liabilities				
Unearned revenue	$ 282,590	$ –	$ 282,590	$ –
Deferred inflows of resources				
Property taxes levied for subsequent year	4,922,848	347,563	5,270,411	5,401,011
Unavailable revenue – delinquent taxes	25,749	1,252	27,001	41,492
Total deferred inflows of resources	4,948,597	348,815	5,297,412	5,442,503
Fund balances				
Restricted for bond refunding	1,057,961	–	1,057,961	–
Restricted for debt service	848,140	41,756	889,896	710,295
Total fund balances	1,906,101	41,756	1,947,857	710,295
Total liabilities, deferred inflows of resources, and fund balances	$ 7,137,288	$ 390,571	$ 7,527,859	$ 6,152,798

INDEPENDENT SCHOOL DISTRICT NO. 832

Debt Service Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account
Budget and Actual
Year Ended June 30, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015		
		Actual	
	Budget	Regular Debt Service Account	OPEB Debt Service Account
Revenue			
Local sources			
Property taxes	$ 5,396,011	$ 5,073,882	$ 313,556
Investment earnings	5,000	4,351	–
State sources	–	3,260	202
Federal sources	–	377,865	–
Total revenue	5,401,011	5,459,358	313,758
Expenditures			
Debt service			
Principal	3,245,000	3,395,000	210,000
Interest	2,725,361	2,743,205	123,458
Fiscal charges and other	10,000	170,303	–
Total expenditures	5,980,361	6,308,508	333,458
Excess (deficiency) of revenue over expenditures	(579,350)	(849,150)	(19,700)
Other financing sources (uses)			
Premium on debt issued	–	7,791,412	–
Debt issued	–	39,315,000	–
Payments on bond refunding	–	(45,000,000)	–
Total other financing sources (uses)	–	2,106,412	–
Net change in fund balances	$ (579,350)	1,257,262	(19,700)
Fund balances			
Beginning of year		648,839	61,456
End of year		$ 1,906,101	$ 41,756

		2014
Total	Over (Under) Budget	Actual
$ 5,387,438	$ (8,573)	$ 4,887,023
4,351	(649)	2,090
3,462	3,462	3,097
377,865	377,865	737,365
5,773,116	372,105	5,629,575
3,605,000	360,000	3,200,000
2,866,663	141,302	2,776,158
170,303	160,303	8,279
6,641,966	661,605	5,984,437
(868,850)	(289,500)	(354,862)
7,791,412	7,791,412	–
39,315,000	39,315,000	–
(45,000,000)	(45,000,000)	–
2,106,412	2,106,412	–
1,237,562	$ 1,816,912	(354,862)
710,295		1,065,157
$ 1,947,857		$ 710,295

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SINGLE AUDIT AND OTHER REQUIRED REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 832

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Federal Expenditures	
U.S. Department of Education			
Passed through Minnesota Department of Education			
Special education cluster			
Special Education – Grants to States	84.027	$ 422,544	
Special Education – Preschool Grants	84.173	13,154	
Total special education cluster			435,698
Improving Teacher Quality State Grants	84.367		45,756
Title I – Grants to Local Educational Agencies	84.010		61,160
Special Education – Grants for Infants and Families	84.181		6,291
U.S. Department of Agriculture			
Passed through Minnesota Department of Education			
Child nutrition cluster			
School Breakfast Program	10.553	18,307	
National School Lunch Program	10.555	300,769	
Total child nutrition cluster			319,076
Total federal awards			$ 867,981

Note 1: This Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the District's basic financial statements.

Note 2: Non-monetary assistance of $45,672 is reported in this schedule, representing the value of commodities received and disbursed for the U.S. Department of Agriculture National School Lunch Program (CFDA No. 10.555).

Note 3: All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants, and have not assigned any additional identifying numbers.

MMKR
CERTIFIED PUBLIC
ACCOUNTANTS

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INDEPENDENT AUDITOR'S 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

To the School Board and Management of
Independent School District No. 832
Mahtomedi, 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. 832, Mahtomedi, Minnesota (the District) 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, and have issued our report thereon dated November 24, 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's 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 weakness. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001, that we consider to be a significant deficiency.

(continued)

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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 FINDING

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. 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 it.

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 results 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 report is not suitable for any other purpose.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
November 24, 2015

MMKR
CERTIFIED PUBLIC ACCOUNTANTS

PRINCIPALS
Thomas M. Montague, CPA
Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the School Board and Management of
Independent School District No. 832
Mahtomedi, Minnesota

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Independent School District No. 832, Mahtomedi, Minnesota's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (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 Costs.

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.

(continued)

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OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to on the previous page 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 on the previous page. 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.

PURPOSE OF THIS REPORT

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.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
November 24, 2015

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INDEPENDENT AUDITOR'S REPORT

ON MINNESOTA LEGAL COMPLIANCE

To the School Board and Management of
Independent School District No. 832
Mahtomedi, 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. 832, Mahtomedi, Minnesota (the District) 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, and have issued our report thereon dated November 24, 2015.

MINNESOTA LEGAL COMPLIANCE

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the Office of the State Auditor pursuant to Minnesota Statute § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts. Our audit included 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 Findings and Questioned Costs as item 2015-002. 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.

RESPONSE TO FINDING

The District's response to the legal compliance finding identified in our audit has been included in the Schedule of Findings and Questioned Costs. The District's response was not subject to the auditing procedures applied in our audit of the financial statements and, accordingly, we express no opinion on it.

PURPOSE OF THIS REPORT

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 report is not suitable for any other purpose.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
November 24, 2015

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INDEPENDENT SCHOOL DISTRICT NO. 832

Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

A. SUMMARY OF AUDIT RESULTS

This summary is formatted to provide federal granting agencies and pass-through entities answers to specific questions regarding the audit of federal awards.

Financial Statements

What type of auditor's report is issued?		X Unmodified ___ Qualified ___ Adverse ___ Disclaimer
Internal control over financial reporting:		
Material weakness(es) identified?	___ Yes	X No
Significant deficiencies identified?	X Yes	___ No
Noncompliance material to the financial statements noted?	___ Yes	X None reported

Federal Awards

Internal controls over major federal award programs:		
Material weakness(es) identified?	___ Yes	X No
Significant deficiencies identified?	___ Yes	X No
Type of auditor's report issued on compliance for major programs?		X Unmodified ___ Qualified ___ Adverse ___ Disclaimer
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	___ Yes	X No

Programs tested as major programs:

Program or Cluster	CFDA No.
The U.S. Department of Education child nutrition cluster consisting of:	
– Special Education – Grants to States	84.027
– Special Education – Preschool Grants	84.173

Threshold for distinguishing type A and B programs.	$ 300,000	
Does the auditee qualify as a low-risk auditee?	X Yes	___ No

B. FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

2015-001 Segregation of Duties

Criteria – Internal control over financial reporting.

Condition – Independent School District No. 832, Mahtomedi, Minnesota (the District) has limited segregation of duties in several areas, including the processing of general disbursements and payroll transactions.

Questioned Costs – Not applicable.

Context – This is a current year and prior year finding.

Cause – The limited segregation of duties is primarily caused by the limited size of the District's business office staff.

Effect – One important element of internal accounting controls is an adequate segregation of duties such that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction. A lack of segregation of duties subjects the District to a higher risk that errors or fraud could occur and not be detected in a timely manner in the normal course of business.

Recommendation – We recommend that the District continue its efforts to segregate duties as best it can within the limits of what the District considers to be cost beneficial.

Corrective Action Plan

Actions Planned – The District intends to review the transaction cycles identified above and work with the District's financial auditors to review specific weaknesses identified during the annual audit and actions needed to eliminate or mitigate this internal control weakness. Upon completion of this review, the District will weigh the related costs and benefits associated with implementation changes needed to eliminate this condition.

Official Responsible – The Director of Business Services.

Planned Completion Date – June 30, 2016.

Disagreement With or Explanation of Finding – The District has no disagreement with the finding.

Plan to Monitor – The Director of Business Services will make the entire business office aware of its objective to address this condition and supervise the progress of planned actions during the year.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

D. FINDINGS – MINNESOTA LEGAL COMPLIANCE AUDIT

2015-002 Claims and Disbursements

Criteria – Minnesota Statute § 471.425, Subd. 2.

Condition – Minnesota Statutes require districts to pay each vendor obligation according to the terms of each contract or within 35 days after the receipt of the goods or services or the invoice for the goods or services. If such obligations are not paid within the appropriate time period, the District must pay interest on the unpaid obligations at the rate of 1.5 percent per month or part of a month. For six disbursements selected for testing, the District did not pay the obligation within the required time period, and did not pay interest on the unpaid obligation.

Questioned Costs – Not applicable.

Context – Five of forty disbursements tested were not in compliance. This is a current year and prior year finding.

Cause – This was an oversight by district personnel.

Effect – Certain payments made to vendors were not paid within the timeframe as required by state statute, and the vendors were not paid interest to which they were entitled.

Recommendation – We recommend that the District review claims and disbursement payment procedures in place to ensure future compliance with this statute.

Corrective Action Plan

Actions Planned – The District will review the payment procedures and will properly pay all invoices within the 35-day time limit.

Official Responsible – The Director of Business Services.

Planned Completion Date – June 30, 2016.

Disagreement With or Explanation of Finding – The District has no disagreement with the finding.

Plan to Monitor – The Director of Business Services will make the entire business office aware of its objective to address this condition and supervise the progress of planned actions during the year.

E. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

INDEPENDENT SCHOOL DISTRICT NO. 832

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2015

		Audit		UFARS		Audit – UFARS	
General Fund							
Total revenue		$	33,650,158	$	33,650,156	$	2
Total expenditures		$	35,349,248	$	35,349,246	$	2
Nonspendable							
460	Nonspendable fund balance	$	55,608	$	55,608	$	–
Restricted/reserve							
403	Staff development	$	–	$	–	$	–
405	Deferred maintenance	$	2,722	$	2,721	$	1
406	Health and safety	$	25,889	$	25,890	$	(1)
407	Capital projects levy	$	18,999	$	18,999	$	–
408	Cooperative revenue	$	–	$	–	$	–
411	Severance pay	$	–	$	–	$	–
413	Projects funded by COP	$	–	$	–	$	–
414	Operating debt	$	–	$	–	$	–
416	Levy reduction	$	–	$	–	$	–
417	Taconite building maintenance	$	–	$	–	$	–
423	Certain teacher programs	$	–	$	–	$	–
424	Operating capital	$	896,705	$	896,704	$	1
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	$	–	$	–	$	–
441	Basic skills programs	$	–	$	–	$	–
445	Career and technical programs	$	–	$	–	$	–
446	First grade preparedness	$	–	$	–	$	–
449	Safe schools levy	$	–	$	–	$	–
450	Pre-kindergarten	$	–	$	–	$	–
451	QZAB payments	$	–	$	–	$	–
452	OPEB liability not in trust	$	–	$	–	$	–
453	Unfunded severance and retirement levy	$	–	$	–	$	–
Restricted							
464	Restricted fund balance	$	–	$	–	$	–
Committed							
418	Committed for separation	$	–	$	–	$	–
461	Committed fund balance	$	–	$	–	$	–
Assigned							
462	Assigned fund balance	$	1,443,870	$	1,443,870	$	–
Unassigned							
422	Unassigned fund balance	$	2,918,858	$	2,918,860	$	(2)
Food Service							
Total revenue		$	1,459,235	$	1,459,235	$	–
Total expenditures		$	1,353,718	$	1,353,718	$	–
Nonspendable							
460	Nonspendable fund balance	$	20,013	$	20,013	$	–
Restricted							
452	OPEB liability not in trust	$	–	$	–	$	–
464	Restricted fund balance	$	392,675	$	392,675	$	–
Unassigned							
463	Unassigned fund balance	$	–	$	–	$	–
Community Service							
Total revenue		$	1,876,057	$	1,876,056	$	1
Total expenditures		$	1,690,900	$	1,690,897	$	3
Nonspendable							
460	Nonspendable fund balance	$	2,047	$	2,047	$	–
Restricted/reserve							
426	$25 taconite	$	–	$	–	$	–
431	Community education	$	376,310	$	376,310	$	–
432	ECFE	$	93,663	$	93,663	$	–
444	School readiness	$	(29,567)	$	(29,567)	$	–
447	Adult basic education	$	–	$	–	$	–
452	OPEB liability not in trust	$	–	$	–	$	–
Restricted							
464	Restricted fund balance	$	–	$	–	$	–
Unassigned							
463	Unassigned fund balance	$	–	$	–	$	–

INDEPENDENT SCHOOL DISTRICT NO. 832

Uniform Financial Accounting and Reporting Standards
Compliance Table (continued)
June 30, 2015

			Audit		UFARS		Audit – UFARS
Building Construction							
Total revenue		$	–	$	–	$	–
Total expenditures		$	–	$	–	$	–
Nonspendable							
460	Nonspendable fund balance	$	–	$	–	$	–
Restricted/reserve							
407	Capital projects levy	$	–	$	–	$	–
409	Alternative facility program	$	–	$	–	$	–
413	Project funded by COP	$	–	$	–	$	–
Restricted							
464	Restricted fund balance	$	–	$	–	$	–
Unassigned							
463	Unassigned fund balance	$	–	$	–	$	–
Debt Service							
Total revenue		$	5,459,358	$	5,459,359	$	(1)
Total expenditures		$	6,308,508	$	6,308,508	$	–
Nonspendable							
460	Nonspendable fund balance	$	–	$	–	$	–
Restricted/reserve							
425	Bond refundings	$	1,057,961	$	1,057,961	$	–
451	QZAB payments	$	–	$	–	$	–
Restricted							
464	Restricted fund balance	$	848,140	$	848,140	$	–
Unassigned							
463	Unassigned fund balance	$	–	$	–	$	–
Trust							
Total revenue		$	–	$	–	$	–
Total expenditures		$	–	$	–	$	–
422	Net position	$	–	$	–	$	–
Internal Service							
Total revenue		$	4,119,244	$	4,119,244	$	–
Total expenditures		$	4,162,173	$	4,162,172	$	1
422	Net position	$	(181,026)	$	(181,026)	$	–
OPEB Revocable Trust Fund							
Total revenue		$	–	$	–	$	–
Total expenditures		$	–	$	–	$	–
422	Net position	$	–	$	–	$	–
OPEB Irrevocable Trust Fund							
Total revenue		$	35,241	$	35,241	$	–
Total expenditures		$	144,860	$	144,860	$	–
422	Net position	$	2,156,975	$	2,156,975	$	–
OPEB Debt Service Fund							
Total revenue		$	313,758	$	313,758	$	–
Total expenditures		$	333,458	$	333,458	$	–
Nonspendable							
460	Nonspendable fund balance	$	–	$	–	$	–
Restricted							
425	Bond refundings	$	–	$	–	$	–
464	Restricted fund balance	$	41,756	$	41,756	$	–
Unassigned							
463	Unassigned fund balance	$	–	$	–	$	–

Note: Statutory restricted deficits, if any, are reported in unassigned fund balances in the financial statements in accordance with accounting principles generally accepted in the United States of America.

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