

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

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INDEPENDENT SCHOOL DISTRICT NO. 656
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INTRODUCTORY SECTION

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**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
BOARD OF EDUCATION AND ADMINISTRATION
FISCAL YEAR 2013 – 2014**

BOARD OF EDUCATION

	<u>Term on Board Expires December 31,</u>	<u>Position on Board During 2013-2014</u>
Jason Engbrecht	2016	Chair
Thomas Casper	2014	Vice Chair
Yvette Marthaler	2016	Treasurer
Howard Bode	2014	Clerk
Debra Davis	2014	Director
Jerry Robicheau	2016	Director
Richard Olson	2014	Director

ADMINISTRATION

Todd Sesker	Superintendent
Colleen Mertesdorf	Director of Finance and Operations

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Education
Independent School District No. 656
Faribault, 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. 656, as of and for the year ended June 30, 2014, 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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 656 as of June 30, 2014, and the respective changes in financial position and, the respective budgetary comparisons for the General Fund, Food Service Fund, Community Service Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 656 as of and for the year ended June 30, 2013, and we expressed unmodified opinions on those audited financial statements in our report dated November 8, 2013. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 schedule of funding progress for postemployment benefit plan, 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 Governmental Accounting Standards Board 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Independent School District No. 656's basic financial statements. The uniform financial accounting and reporting standards compliance table, as required by Minnesota Department of Education is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The uniform financial accounting and reporting standards compliance table and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Education
Independent School District No. 656

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2014 on our consideration of Independent School District No. 656's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result 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 Independent School District No. 656's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Austin, Minnesota
October 7, 2014

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REQUIRED SUPPLEMENTARY INFORMATION

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**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

This section of Independent School District No. 656's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2014. Please read it in conjunction with the District's financial statements, which immediately follow this letter.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Government Accounting Standard Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2013-14 fiscal year include the following:

- Student enrollment – student enrollment decreased from the previous year, going from 3,932 in 2012-13 to 3,793 in 2013-14.
- The General Fund Unassigned Fund Balance increased, going from \$7,105,501 at the end of 2012-13 to \$8,254,263 at the end of 2013-14.
- The District finalized work on the deferred maintenance projects financed by the 2009 sale of bonds. This is reflected by the \$77,176 decrease in the Building Construction Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts: Independent Auditors' Report, Required Supplementary Information which includes MD&A (this section), the basic financial statements, Single Audit and other required reports.

The basic financial statements include several statements that present different views of the District:

The ***government-wide financial statements***, including the *Statement of Net Position* and the *Statement of Activities*, provide both short-term and long-term information about the District's overall financial status. The government-wide 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 statements report the District's net position and how they have changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, additional consideration should be given to non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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 are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

The District maintains two groups of fund financial statements. They are:

- ***Governmental funds statements*** tell how basic services were financed in the short term as well as what remains for future spending. The District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that determines whether there are more or less financial resources that can be spent in the future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information (reconciliation schedules) is provided following the governmental funds statement that explains the relationship (or differences) between these two types of financial statement presentations.
- ***Fiduciary funds statements*** provide information about the financial relationships in which the District acts only as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was \$44.3 million on June 30, 2014. This represents an increase of 8.12% from the prior year. (See Figure A-1 below.)

**Figure A-1
Independent School District No. 656
Net Position – Governmental Activities
As of June 30, 2014 and 2013**

	Governmental Activities		Percentage Change
	2014	2013	
Current and Other Assets	\$ 27,709,450	\$ 23,343,229	18.70%
Capital and Non-Current Assets	56,378,158	58,155,824	-3.06%
Total Assets	84,087,608	81,499,053	3.18%
Deferred Outflows of Resources	-	11,389	-100.00%
Current Liabilities	9,185,233	9,581,769	-4.14%
Long Term Liabilities	20,370,024	23,801,833	-14.42%
Total Liabilities	29,555,257	33,383,602	-11.47%
Deferred Inflows of Resources	10,248,735	7,167,712	42.98%
Net Position			
Net Investment in Capital Assets	34,029,327	31,492,882	8.05%
Restricted	2,313,116	1,898,159	21.86%
Unrestricted	7,941,173	7,568,087	4.93%
Total Net Position	\$ 44,283,616	\$ 40,959,128	8.12%

Changes in net position. The District's total revenues were \$52.9 million and total expenses were \$49.6 million for the year ended June 30, 2014. (See Figure A-2 on the next page.) Unrestricted state aid and property taxes accounted for 61% of the total revenue for the year. Operating and capital grants and charges for services contributed 39%. (See Figure A-3 on page 8.) Student support services and instruction-related expenses accounted for 77% of the District's expenses. The District's administrative activities accounted for 4% of total costs. (See Figure A-4 on page 9.) Total revenues surpassed expenditures, increasing net position by \$3,324,488.

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

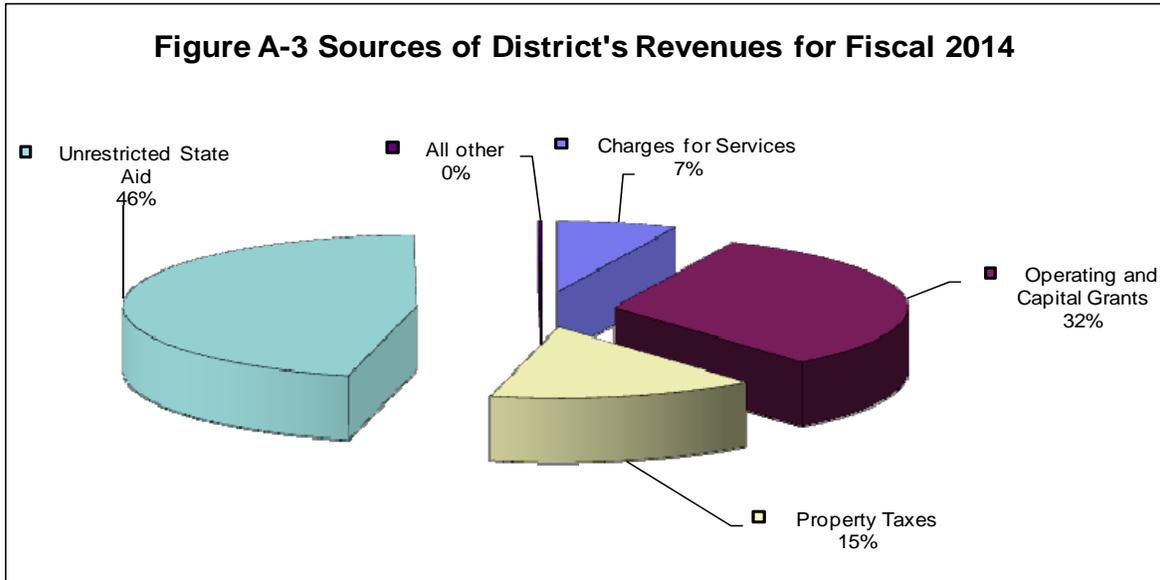
**Figure A-2
Independent School District No. 656
Change in Net Position
For the Years Ended June 30, 2014 and 2013**

	Governmental Activities for the fiscal year ended June 30,		Total % Change
	2014	2013	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 3,508,937	\$ 3,385,567	3.64%
Operating Grants and Contributions	16,636,985	15,088,028	10.27%
Capital Grants and Contributions	478,047	609,776	-21.60%
<u>General Revenues</u>			
Property Taxes	7,788,146	8,938,630	-12.87%
Unrestricted State Aid	24,386,768	22,761,227	7.14%
Investment Earnings	5,470	24,300	-77.49%
Other	89,700	47,088	90.49%
Total Revenues	<u>52,894,053</u>	<u>50,854,616</u>	4.01%
Expenses			
Administration	1,757,905	1,660,461	5.87%
District Support Services	2,004,280	2,057,507	-2.59%
Regular Instruction	19,665,438	19,266,049	2.07%
Vocational Education Instruction	344,150	317,765	8.30%
Special Education Instruction	9,970,029	9,302,535	7.18%
Instructional Support Services	2,743,832	2,203,225	24.54%
Pupil Support Services	3,676,505	3,602,197	2.06%
Sites and Buildings	4,486,283	4,153,335	8.02%
Fiscal and Other Fixed Cost Programs	142,996	125,298	14.12%
Food Service	2,015,649	2,173,785	-7.27%
Community Service	1,861,379	1,932,545	-3.68%
Interest and Fiscal Charges on Long-Term Liabilities	901,119	1,015,351	-11.25%
Total Expenses	<u>49,569,565</u>	<u>47,810,053</u>	3.68%
Increase in Net Position	3,324,488	3,044,563	9.19%
Beginning Net Position	40,959,128	37,914,565	8.03%
Ending Net Position	<u>\$ 44,283,616</u>	<u>\$ 40,959,128</u>	8.12%

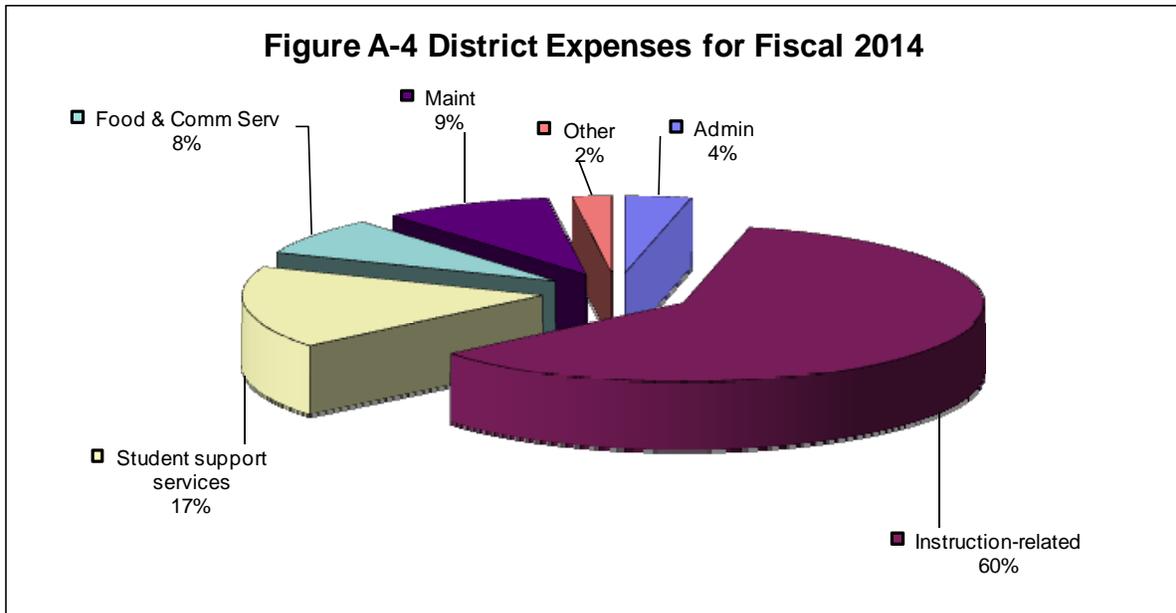
**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

**Figure A-3
Independent School District No. 656
Sources of Revenues
For Fiscal Year 2014**



**Figure A-4
Independent School District No. 656
Expenses
For Fiscal Year 2014**



**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Governmental Activities

Figure A-5, seen below, presents the cost of twelve major District activities such as instruction, pupil and instructional services, administration, maintenance and operations, transportation, and others. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

- The cost of all governmental activities this year was \$49.6 million. The net cost of all governmental activities this year was \$28.9 million.
- The users of the District's programs financed \$3.5 million of the cost of activities through various charges for services.
- The federal and state governments subsidized certain programs with grants and contributions of \$17.1 million.
- District property taxpayers financed \$7.8 million of governmental activities and state taxpayers financed \$24.4 million of unrestricted state aid based on the statewide education aid formula.

**Figure A-5
Independent School District No. 656
Net Cost of Governmental Activities
For the Years Ended June 30, 2014 and 2013**

	<u>Total Cost of Services</u>		<u>Percentage Change</u>	<u>Net Cost of Services</u>		<u>Percentage Change</u>
	<u>2014</u>	<u>2013</u>		<u>2014</u>	<u>2013</u>	
Administration	\$ 1,757,905	\$ 1,660,461	5.87%	\$ 1,757,905	\$ 1,652,548	6.38%
District Support Services	2,004,280	2,057,507	-2.59%	1,935,446	1,910,266	1.32%
Regular Instruction	19,665,438	19,266,049	2.07%	11,331,350	12,023,879	-5.76%
Vocational Education Instruction	344,150	317,765	8.30%	330,083	309,435	6.67%
Special Education Instruction	9,970,029	9,302,535	7.18%	2,479,538	2,353,306	5.36%
Instructional Support Services	2,743,832	2,203,225	24.54%	2,416,079	1,843,047	31.09%
Pupil Support Services	3,676,505	3,602,197	2.06%	3,501,161	3,399,114	3.00%
Sites and Buildings	4,486,283	4,153,335	8.02%	3,991,152	3,534,554	12.92%
Fiscal and Other Fixed Cost Programs	142,996	125,298	14.12%	142,996	125,298	14.12%
Food Service	2,015,649	2,173,785	-7.27%	(3,284)	118,906	-102.76%
Community Service	1,861,379	1,932,545	-3.68%	162,051	440,978	-63.25%
Interest and Fiscal Charges on Long-Term Liabilities	901,119	1,015,351	-11.25%	901,119	1,015,351	-11.25%
Total	<u>\$ 49,569,565</u>	<u>\$ 47,810,053</u>	3.68%	<u>\$ 28,945,596</u>	<u>\$ 28,726,682</u>	0.76%

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds. The General Fund, Food Service Fund, Community Service Fund and Debt Service Fund revenues exceeded expenditures thereby increasing the fund balance in those funds. The Capital Projects – Building Construction Fund expenditures exceeded revenues, thereby decreasing the fund balance in this fund.

The General Fund increased due to the fact that revenues were more than what was budgeted and expenditures were less than what was budgeted. A more detailed analysis will follow this general section.

The Food Service Fund saw a slight increase of approximately \$35,000. The increase in the Food Service fund Balance during 2013-14 was due to the fact that revenues came in over expenses.

The restricted fund balances for Community Education Programs, Early Childhood/Family Education, School Readiness, Adult Basic Education and Restricted for Other Purposes all saw increases in their fund balances. All programs will need to be closely monitored to maintain a continued balanced budget.

The Capital Projects – Building Construction Fund decreased due to the completion of deferred maintenance projects as planned using the proceeds of the \$15,000,000 bond issue that was approved during the 2008-09 year.

The Debt Service Fund increased approximately \$121,000 due to an excess of revenues over expenditures.

At the end of the 2013-14 fiscal year, the District's governmental funds reported combined fund balances of \$12,754,496. This is a 15% increase from the prior year, due to revenues exceeding expenditures in all funds except the Capital Projects – Building Construction fund.

Revenues for the District's governmental funds were \$52,882,415, while total expenditures were \$51,445,229. As a result, the District completed the year with an excess of revenues over expenditures of \$1,437,186, prior to other financing sources and uses of \$226,530.

General Fund

The General Fund is used to account for all revenues and expenditures of the school 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 legal District expenditures not specifically designated to be accounted for in any other fund.

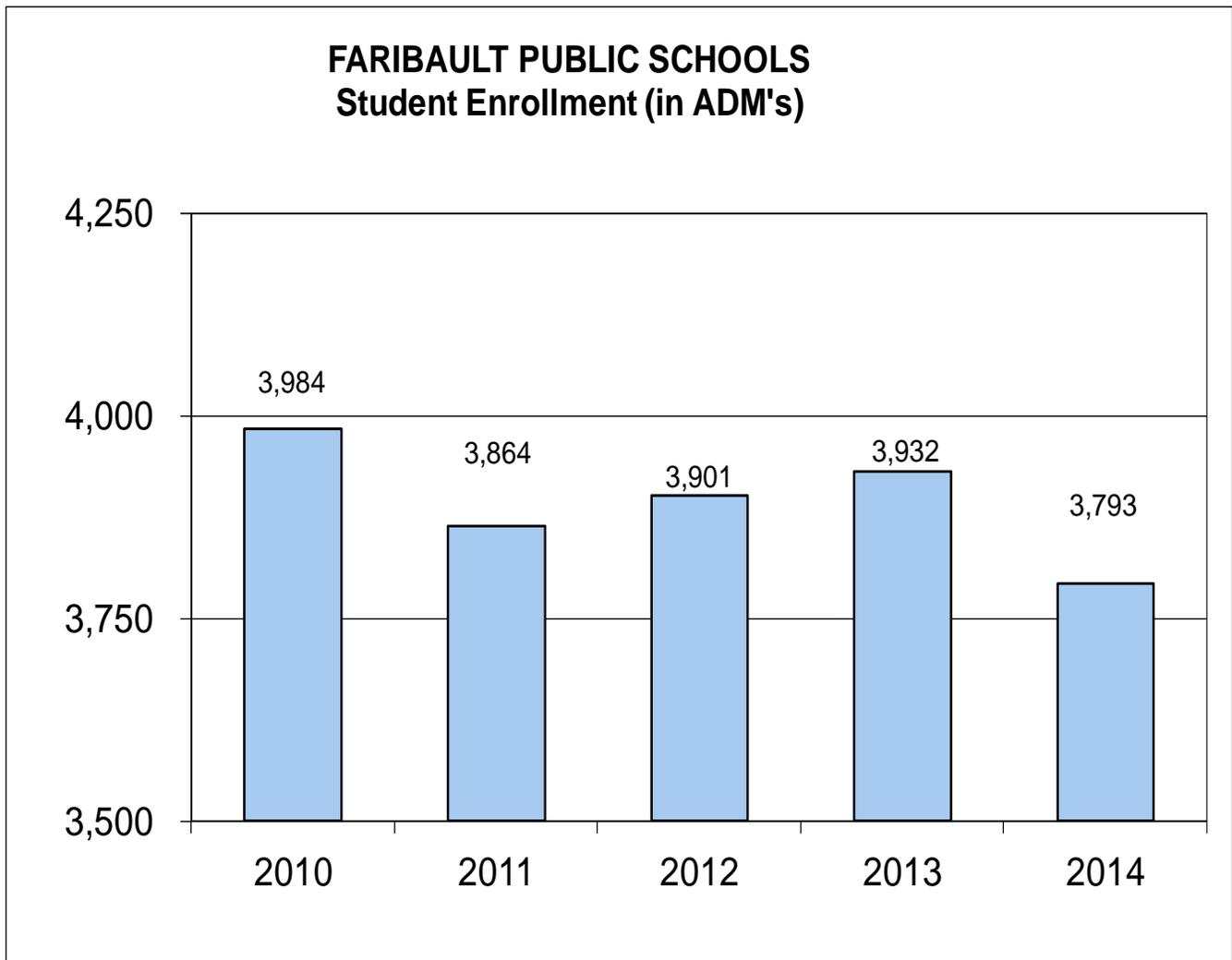
**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

Enrollment

Funding for Minnesota school districts is largely driven by enrollment. As seen in Figure A-6 below, there was an enrollment decrease for the year of 139 students from the prior year.

**Figure A-6
Independent School District No. 656
Student Average Daily Membership**



**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

General Fund

A summary of General Fund revenues and expenditures is shown in Figure A-7 below.

**Figure A-7
Independent School District No. 656
Summary of General Fund Revenues and Expenditures
For the Years Ended June 30, 2014 and 2013**

<u>Description</u>	<u>Year Ended</u>		<u>Change</u>	
	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Increase (Decrease)</u>	<u>Percent</u>
Revenues:				
Local Sources				
Property Taxes	\$ 2,423,886	\$ 3,561,426	\$ (1,137,540)	-31.9%
Earnings on Investments	3,811	4,215	(404)	-9.6%
Other	2,200,944	2,326,648	(125,704)	-5.4%
State Sources	36,859,552	34,022,546	2,837,006	8.3%
Federal Sources	2,059,454	1,927,440	132,014	6.8%
Total General Fund Revenue	<u>\$ 43,547,647</u>	<u>\$ 41,842,275</u>	<u>\$ 1,705,372</u>	4.1%
	<u>Year Ended</u>		<u>Amount of</u>	<u>Percent</u>
	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Increase (Decrease)</u>	<u>Increase (Decrease)</u>
Expenditures:				
Salaries	\$ 24,189,360	\$ 23,906,307	\$ 283,053	1.2%
Employee Benefits	8,903,782	8,591,001	312,781	3.6%
Purchased Services	5,802,064	5,723,585	78,479	1.4%
Supplies and Materials	2,281,533	1,561,165	720,368	46.1%
Capital Expenditures	1,225,361	1,372,277	(146,916)	-10.7%
Other Expenditures	46,080	63,887	(17,807)	-27.9%
Total Expenditures	<u>\$ 42,448,180</u>	<u>\$ 41,218,222</u>	<u>\$ 1,229,958</u>	3.0%

Revenues

Fiscal year 2013-14 saw a decrease in enrollment of 139 students. The formula allowance was at \$5,302 per adjusted marginal cost pupil unit for the 2013-14 year. Revenues totaled \$43,547,647 or an increase of \$1,705,372 over 2012-13. The 4.1% revenue increase is due to increased state aid in several categories.

Expenditures

Expenditures totaled \$42,448,180 – an increase of \$1,229,958 over 2012-13. Most expenditure functions saw increases due to increased costs of labor contracts. There was an increase in purchased services and supplies, while capital outlay saw a decrease in the General Fund for 2013-14.

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

General Fund (Continued)

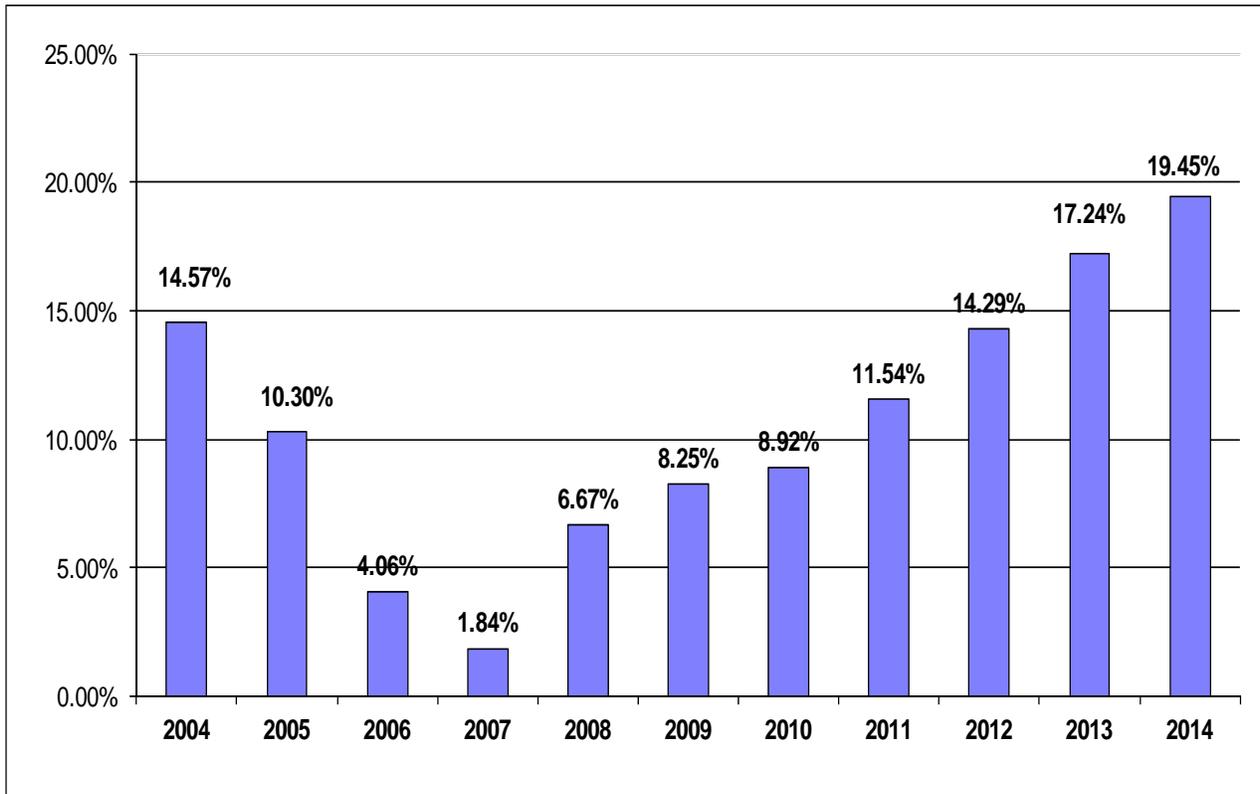
Fund Balance

The unassigned fund balance is \$8,254,263, committed fund balance for postemployment benefits is \$1,951,000, nonspendable fund balance is \$325,427 and the restricted fund balances for staff development, gifted and talented, health and safety, and operating capital total \$314,747.

The graph in Figure A-8, below, depicts the General Fund unassigned fund balance as a percentage of total expenditures for the 11 fiscal years ending June 30, 2004–2014. The District's unassigned fund balance offers the single best measure of the District's overall financial health. The unassigned fund balance on June 30, 2014 represents 19.45% of annual expenditures.

The District closely monitors the General Fund unassigned fund balance through the use of financial software spending controls, a detailed financial planning model, up to two budget revisions during the year, and monthly budget analysis. The Board of Education has adopted a fund balance policy to maintain a fund balance in the unassigned General Fund of not less than 9.5% of the annual operating budget for that fund.

**Figure A-8
Independent School District No. 656
General Fund Unassigned Fund Balance as a Percentage of Total Expenditures**



**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

BUDGETARY HIGHLIGHTS

The District revised the annual operating budget from the preliminary budget approved in June 2013 to the final budget approved in June of 2014.

General Fund

The District's final budget for the general fund anticipated that revenues would exceed expenditures and other financing sources by \$38,621. The actual results for the year show revenues and other financing sources exceeding expenditures by \$1,325,997.

- Actual revenues were \$712,249 above budget, with most of the difference in state general education aid and special education aid, offset by property tax revenue coming in under budget.
- Actual expenditures were \$358,597 below budget with salaries, benefits, and supplies all under budget.

Food Service Fund

The Food Service Fund revenues for 2013-14 were \$2.0 million and expenditures were \$2.0 million. The June 30, 2014 fund balance is \$433,368, an increase of \$34,811 from fiscal year 2013. The District contracts with Sodexo for management of the District food service program. Sodexo continues to provide exemplary management services.

Community Service Fund

The Community Service Fund revenues for 2013-14 totaled \$2.1 million and expenditures were \$1.8 million. The June 30, 2014 fund balance is \$443,166, an increase of \$258,791 from fiscal year 2013. The individual restricted accounts of Community Education, Early Childhood/Family Education, School Readiness, Adult Basic Education and Restricted for Other Purposes increased during the year.

Debt Service Fund

The Debt Service Fund is used to record revenues and expenditures for a school district's outstanding bonded indebtedness, whether for building construction, operating capital, or for initial or refunding bonds. The Debt Service Fund revenues for 2013-14 totaled \$5.2 million and expenditures were \$5.1 million. The June 30, 2014 fund balance is \$1,032,525, an increase of \$121,293 from fiscal year 2013. Every year the Minnesota Department of Education calculates Debt Service excess fund balance amounts and uses those amounts to reduce future levies.

Capital Projects Fund

The Capital Projects Fund is used to account for revenues and expenditures for a school district's long term capital projects. As mentioned earlier, the activity in the fund relates to deferred maintenance projects. The District spent all remaining funds during 2013-14 and has closed out the Capital Projects Fund.

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2014, the District had invested \$56,378,158 in a broad range of capital assets, including school buildings, computer equipment, audio-visual equipment, and other equipment for various instructional programs. (See Figure A-9 below.) Accumulated depreciation totaled \$33,436,596 as of June 30, 2014. More detailed information about capital assets can be found in Note 4 of the financial statements.

**Figure A-9
Independent School District No. 656
Capital Assets
June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>	<u>Percentage Change</u>
Land	\$ 1,835,754	\$ 1,835,754	0.0%
Construction in Progress	89,826	2,851,413	-96.8%
Land Improvements	6,519,168	4,880,870	33.6%
Buildings and Improvements	76,576,443	75,289,392	1.7%
Equipment	4,793,563	4,578,048	4.7%
Less: Accumulated Depreciation	<u>(33,436,596)</u>	<u>(31,279,653)</u>	6.9%
Total	<u>\$ 56,378,158</u>	<u>\$ 58,155,824</u>	-3.1%

Long-Term Liabilities

For the fiscal year ended June 30, 2014, the District had \$22.3 million in general obligation bonds outstanding. (See Figure A-10 below.) The District also had \$2.1 million in health benefits, separation and severance payable as of June 30, 2014. In 2013-14, the District's total outstanding long-term liabilities decreased by 12.6%. More detailed information about the District's long-term liabilities is presented in Note 5 of the financial statements.

**Figure A-10
Independent School District No. 656
Outstanding Long-Term Liabilities
June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>	<u>Percentage Change</u>
General Obligation Bonds	\$ 22,295,000	\$ 26,570,000	-16.1%
Net Bond Premium and Discount	29,864	88,176	-66.1%
Obligations Under Capital Leases	215,640	-	N/A
Other Postemployment Benefits Payable	947,537	625,199	51.6%
Compensated Absences Payable	<u>1,198,978</u>	<u>965,991</u>	24.1%
Total	<u>\$ 24,687,019</u>	<u>\$ 28,249,366</u>	-12.6%
Long-Term Liabilities:			
Due Within One Year	\$ 4,316,995	\$ 4,447,533	
Due in More Than One Year	<u>20,370,024</u>	<u>23,801,833</u>	
	<u>\$ 24,687,019</u>	<u>\$ 28,249,366</u>	

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of a voter approved operating referendum, the District is dependent on the State of Minnesota for its revenue authority. The most recent legislative session did offer some minimal financial increases including funding for all day kindergarten. However, in the most recent prior years, legislative revenue increases have been minimal or non-existent and have not been sufficient to meet our instructional needs and increased costs due to inflation. In the fall of 2013, the voters of our District approved an annual operating levy in the amount of approximately \$2,544,000 per year for a period of 10 years with an inflation factor change each year. This revenue will begin in the 2014-2015 school year and will allow us to restore cuts made in previous years, enhance our current educational experience and propel our students into the future.

Enrollments will be closely monitored and projections will be done using several models. Faribault Public Schools may see a decline in the numbers of students served. Declining enrollments significantly impact our state and federal revenue streams. If we anticipate declining enrollments, budget adjustments may need to be made to reflect the decreased revenue and to maintain a balanced budget.

The District will continue to seek all available sources of funding, balance revenues to expenditures, and maintain systems that ensure financial accountability and financial stability. With careful planning, regular monitoring and thoughtful adjusting, our good financial health can be maintained well into the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Colleen Mertesdorf, Director of Finance and Operations, at the ISD 656 District Office, 2800 1st Avenue NW, Suite 1, P.O. Box 618, Faribault, MN 55021, cmertesdorf@faribault.k12.mn.us or visit the District's website at www.faribault.k12.mn.us.

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BASIC FINANCIAL STATEMENTS

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**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
STATEMENT OF NET POSITION
JUNE 30, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2013)**

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and Investments	\$ 17,636,961	\$ 12,100,943
Receivables		
Property Taxes	5,195,633	4,371,084
Other Governments	4,478,950	6,310,302
Other	68,131	131,771
Prepaid Items	270,525	260,646
Inventories	59,250	52,444
Bond Issuance Costs, Net	-	116,039
Capital Assets		
Land and Construction in Progress	1,925,580	4,687,167
Other Capital Assets, Net of Depreciation	<u>54,452,578</u>	<u>53,468,657</u>
Total Assets	84,087,608	81,499,053
DEFERRED OUTFLOWS OF RESOURCES		
Loss on Bond Refunding	-	11,389
Total Deferred Outflows of Resources	<u>-</u>	<u>11,389</u>
LIABILITIES		
Salaries and Wages Payable	3,704,395	3,767,902
Accounts and Contracts Payable	653,450	803,192
Accrued Interest	248,343	258,926
Due to Other Governmental Units	119,530	149,713
Unearned Revenue	142,520	154,503
Long-Term Liabilities		
Portion Due Within One Year	4,316,995	4,447,533
Portion Due in More Than One Year	<u>20,370,024</u>	<u>23,801,833</u>
Total Liabilities	29,555,257	33,383,602
DEFERRED INFLOWS OF RESOURCES		
Property Taxes Levied for Subsequent Year	10,224,768	7,151,557
Gain on Bond Refunding	<u>23,967</u>	<u>16,155</u>
Total Deferred Inflows of Resources	<u>10,248,735</u>	<u>7,167,712</u>
NET POSITION		
Net Investment in Capital Assets	34,029,327	31,492,882
Restricted for:		
Operating Capital Purposes	444,878	488,207
State-Mandated Reserves	140,585	29,648
Food Service	433,368	398,557
Community Service	447,587	189,906
Debt Service	846,698	714,665
Capital Projects - Building Construction	-	77,176
Unrestricted	<u>7,941,173</u>	<u>7,568,087</u>
Total Net Position	<u>\$ 44,283,616</u>	<u>\$ 40,959,128</u>

See accompanying Notes to Basic Financial Statements.

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)**

	2014		
Functions	Expenses	Charges for Services	Program Operating Grants and Contributions
Governmental Activities			
Administration	\$ 1,757,905	\$ -	\$ -
District Support Services	2,004,280	177	-
Regular Instruction	19,665,438	291,630	7,895,306
Vocational Education Instruction	344,150	567	13,500
Special Education Instruction	9,970,029	1,400,136	6,090,355
Instructional Support Services	2,743,832	20,259	261,134
Pupil Support Services	3,676,505	4,488	170,856
Sites and Buildings	4,486,283	265,714	13,539
Fiscal and Other Fixed Cost Programs	142,996	-	-
Food Service	2,015,649	571,149	1,447,784
Community Service	1,861,379	954,817	744,511
Interest and Fiscal Charges on Long-Term Liabilities	901,119	-	-
Total School District	\$ 49,569,565	\$ 3,508,937	\$ 16,636,985

General Revenues

Property Taxes Levied for:
 General Purposes
 Community Service
 Debt Service
 State Aid Not Restricted to Specific Purposes
 Earnings on Investments
 Miscellaneous
 Total General Revenues
 Change in Net Position
 Net Position - Beginning
 Net Position - Ending

See accompanying Notes to Basic Financial Statements.

	2014	2013
Revenues	Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Capital	Total	Total
Grants and Contributions	Governmental Activities	Governmental Activities
\$ -	\$ (1,757,905)	\$ (1,652,548)
68,657	(1,935,446)	(1,910,266)
147,152	(11,331,350)	(12,023,879)
-	(330,083)	(309,435)
-	(2,479,538)	(2,353,306)
46,360	(2,416,079)	(1,843,047)
-	(3,501,161)	(3,399,114)
215,878	(3,991,152)	(3,534,554)
-	(142,996)	(125,298)
-	3,284	(118,906)
-	(162,051)	(440,978)
-	(901,119)	(1,015,351)
<u>\$ 478,047</u>	<u>(28,945,596)</u>	<u>(28,726,682)</u>

2,424,496	3,549,435
187,792	366,314
5,175,858	5,022,881
24,386,768	22,761,227
5,470	24,300
89,700	47,088
<u>32,270,084</u>	<u>31,771,245</u>
3,324,488	3,044,563
40,959,128	37,914,565
<u>\$ 44,283,616</u>	<u>\$ 40,959,128</u>

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2013)**

	<u>General</u>	<u>Food Service</u>	<u>Major Community Service</u>
ASSETS			
Cash and Investments	\$ 13,078,974	\$ 462,465	\$ 467,928
Receivables			
Current Property Taxes	2,611,436	-	171,459
Delinquent Property Taxes	43,354	-	4,421
Due from Other Minnesota School Districts	135,756	-	75,907
Due from Minnesota Department of Education	3,246,062	1,456	14,079
Due from Federal through Minnesota Department of Education	810,029	36,912	153,353
Other Receivables	43,551	-	24,580
Prepaid Items	266,177	3,307	1,041
Inventory	59,250	-	-
Total Assets	<u>\$ 20,294,589</u>	<u>\$ 504,140</u>	<u>\$ 912,768</u>
LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities			
Salaries and Wages Payable	\$ 1,678,403	\$ 13	\$ 50,359
Payroll Deductions and Employer Contributions Payable	1,975,620	-	-
Accounts and Contracts Payable	494,603	43,822	42,283
Due to Other Governmental Units	119,530	-	-
Unearned Revenue	102,612	26,937	12,971
Total Liabilities	<u>4,370,768</u>	<u>70,772</u>	<u>105,613</u>
Deferred Inflows of Resources			
Property Taxes Levied for Subsequent Year	5,035,030	-	359,568
Unavailable Revenue - Delinquent Property Taxes	43,354	-	4,421
Total Deferred Inflows of Resources	<u>5,078,384</u>	<u>-</u>	<u>363,989</u>
Fund Balance			
Nonspendable			
Prepays Items	266,177	3,307	1,041
Inventory	59,250	-	-
Restricted for			
Staff Development	119,384	-	-
Gifted and Talented	21,201	-	-
Health and Safety	(270,716)	-	-
Operating Capital	444,878	-	-
Community Education Programs	-	-	235,917
Early Childhood and Family Education Programs	-	-	20,129
School Readiness	-	-	84,193
Adult Basic Education	-	-	105,409
Other Purposes	-	430,061	-
Committed	1,951,000	-	-
Assigned			
Fitness Center	-	-	-
Unassigned	8,254,263	-	(3,523)
Total Fund Balance	<u>10,845,437</u>	<u>433,368</u>	<u>443,166</u>
Total Liabilities Deferred Inflows of Resources and Fund Balance	<u>\$ 20,294,589</u>	<u>\$ 504,140</u>	<u>\$ 912,768</u>

See accompanying Notes to Basic Financial Statements.

Funds		Total Governmental	
Capital Projects	Debt Service	Funds	
		2014	2013
\$ 72,742	\$ 3,554,852	\$ 17,636,961	\$ 12,100,943
-	2,302,447	5,085,342	4,261,541
-	62,516	110,291	109,543
-	-	211,663	422,371
-	5,396	3,266,993	4,720,531
-	-	1,000,294	1,167,400
-	-	68,131	131,771
-	-	270,525	260,646
-	-	59,250	52,444
<u>\$ 72,742</u>	<u>\$ 5,925,211</u>	<u>\$ 27,709,450</u>	<u>\$ 23,227,190</u>
\$ -	\$ -	\$ 1,728,775	\$ 1,763,225
-	-	1,975,620	2,004,677
72,742	-	653,450	803,192
-	-	119,530	149,713
-	-	142,520	154,503
<u>72,742</u>	<u>-</u>	<u>4,619,895</u>	<u>4,875,310</u>
-	4,830,170	10,224,768	7,151,557
-	62,516	110,291	109,543
-	<u>4,892,686</u>	<u>10,335,059</u>	<u>7,261,100</u>
-	-	270,525	260,646
-	-	59,250	52,444
-	-	119,384	29,648
-	-	21,201	-
-	-	(270,716)	(367,482)
-	-	444,878	488,207
-	-	235,917	144,642
-	-	20,129	(1,091)
-	-	84,193	15,696
-	-	105,409	25,255
-	1,032,525	1,462,586	1,381,676
-	-	1,951,000	1,951,000
-	-	-	4,638
-	-	8,250,740	7,105,501
-	<u>1,032,525</u>	<u>12,754,496</u>	<u>11,090,780</u>
<u>\$ 72,742</u>	<u>\$ 5,925,211</u>	<u>\$ 27,709,450</u>	<u>\$ 23,227,190</u>

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**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2013)**

	2014	2013
Total Fund Balance for Governmental Funds	\$ 12,754,496	\$ 11,090,780
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	1,835,754	1,835,754
Construction in Progress	89,826	2,851,413
Land Improvements, Net of Accumulated Depreciation	4,477,082	3,073,830
Buildings and Improvements, Net of Accumulated Depreciation	48,810,391	49,265,394
Equipment, Net of Accumulated Depreciation	1,165,105	1,129,433
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds.		
	110,291	109,543
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
	(248,343)	(258,926)
Bond issuance costs are reported as expenditures in the governmental funds.		
	-	116,039
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:		
Bonds Payable	(22,295,000)	(26,570,000)
Unamortized Premiums and Discounts	(29,864)	(88,176)
Obligations Under Capital Leases	(215,640)	-
Unamortized Deferred Loss on Refunding	-	11,389
Unamortized Deferred Gain on Refunding	(23,967)	(16,155)
Compensated Absences Payable	(1,198,978)	(965,991)
Other Postemployment Benefits Payable	(947,537)	(625,199)
Total Net Position of Governmental Activities	\$ 44,283,616	\$ 40,959,128

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)**

	Major		
	General	Food Service	Community Service
REVENUES			
Local Sources			
Property Taxes	\$ 2,423,886	\$ -	\$ 187,811
Earnings on Investments	3,811	186	36
Other	2,200,944	571,151	1,054,823
State Sources	36,859,552	100,779	556,470
Federal Sources	2,059,454	1,347,003	285,407
Total Revenues	<u>43,547,647</u>	<u>2,019,119</u>	<u>2,084,547</u>
EXPENDITURES			
Current			
Administration	1,734,967	-	-
District Support Services	1,520,944	-	-
Regular Instruction	17,217,742	-	-
Vocational Education Instruction	332,679	-	-
Special Education Instruction	9,793,975	-	-
Instructional Support Services	2,708,604	-	-
Pupil Support Services	3,731,168	-	-
Sites and Buildings	4,039,744	-	-
Fiscal and Other Fixed Cost Programs	142,996	-	-
Food Service	-	1,976,298	-
Community Service	-	-	1,797,256
Capital Outlay	1,225,361	8,010	28,500
Debt Service			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	<u>42,448,180</u>	<u>1,984,308</u>	<u>1,825,756</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,099,467	34,811	258,791
OTHER FINANCING SOURCES (USES)			
Capital Lease Proceeds	215,640	-	-
Insurance Recovery Proceeds	10,890	-	-
Payment to Refunded Bond Escrow Agent	-	-	-
Total Other Financing Sources (Uses)	<u>226,530</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	1,325,997	34,811	258,791
Fund Balances - Beginning	<u>9,519,440</u>	<u>398,557</u>	<u>184,375</u>
Fund Balances - Ending	<u>\$ 10,845,437</u>	<u>\$ 433,368</u>	<u>\$ 443,166</u>

See accompanying Notes to Basic Financial Statements

Funds		Total Governmental	
Capital		Funds	
Projects -	Debt	2014	2013
Building	Service		
Construction			
\$ -	\$ 5,175,701	\$ 7,787,398	\$ 8,961,896
35	1,402	5,470	24,300
-	-	3,826,918	3,881,072
-	53,964	37,570,765	34,562,728
-	-	3,691,864	3,445,499
35	5,231,067	52,882,415	50,875,495
-	-	1,734,967	1,664,963
-	-	1,520,944	1,598,592
-	-	17,217,742	17,252,625
-	-	332,679	310,404
-	-	9,793,975	9,261,757
-	-	2,708,604	2,202,278
-	-	3,731,168	3,614,203
-	-	4,039,744	3,815,825
-	-	142,996	125,298
-	-	1,976,298	2,102,300
-	-	1,797,256	1,938,344
77,211	-	1,339,082	3,933,421
-	4,275,000	4,275,000	4,000,000
-	834,774	834,774	1,101,405
77,211	5,109,774	51,445,229	52,921,415
(77,176)	121,293	1,437,186	(2,045,920)
-	-	215,640	-
-	-	10,890	2,387
-	-	-	(5,510,000)
-	-	226,530	(5,507,613)
(77,176)	121,293	1,663,716	(7,553,533)
77,176	911,232	11,090,780	18,644,313
\$ -	\$ 1,032,525	\$ 12,754,496	\$ 11,090,780

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)**

	2014	2013
Net Change in Fund Balance-Total Governmental Funds	\$ 1,663,716	\$ (7,553,533)
Amounts reported for governmental activities in the statement of activities are different because:		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. Also, governmental funds report proceeds from sales of capital assets while, in the statement of activities, only the gain or loss is included.</p>		
Capital Outlays	398,666	3,062,894
Gain (Loss) on Disposal of Capital Assets	(16,804)	-
Depreciation Expense	(2,159,528)	(2,069,065)
<p>Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net assets.</p>		
Other Financing Source - Capital Lease	(215,640)	-
<p>The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:</p>		
Payment to Refunded Bond Escrow Agent	-	5,510,000
Deferred Loss on Refunding	-	13,097
Deferred Gain on Refunding	-	(19,138)
Repayment of Bond Principal	4,275,000	4,000,000
Change in Accrued Interest Expense - General Obligation Bonds	10,583	48,725
Amortization of Bond Issuance Costs	(116,039)	(52,557)
Amortization of Deferred Loss on Refunding	(11,389)	(1,708)
Amortization of Deferred Gain on Refunding	(7,812)	2,983
Amortization of Bond Premium and Discount	58,312	94,652
<p>Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds.</p>		
	748	(23,266)
<p>In the statement of activities, certain operating expenses - other post employment benefits, severance benefits, and compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).</p>		
	(555,325)	31,479
Change in Net Position of Governmental Activities	\$ 3,324,488	\$ 3,044,563

See accompanying Notes to Basic Financial Statements.

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND**

YEAR ENDED JUNE 30, 2014

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

	2014			2013	
	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Local Sources					
Property Taxes	\$ 3,567,713	\$ 3,602,713	\$ 2,423,886	\$ (1,178,827)	\$ 3,561,426
Earnings on Investments	5,000	5,000	3,811	(1,189)	4,215
Other	1,627,423	2,251,916	2,200,944	(50,972)	2,326,648
State Sources	34,931,078	34,658,823	36,859,552	2,200,729	34,022,546
Federal Sources	1,704,733	2,316,946	2,059,454	(257,492)	1,927,440
Total Revenues	<u>41,835,947</u>	<u>42,835,398</u>	<u>43,547,647</u>	<u>712,249</u>	<u>41,842,275</u>
EXPENDITURES					
Current:					
Administration	1,651,188	1,711,512	1,734,967	23,455	1,664,963
District Support Services	1,764,255	1,696,345	1,520,944	(175,401)	1,598,592
Regular Instruction	18,367,291	17,717,773	17,217,742	(500,031)	17,252,625
Vocational Education Instruction	153,606	243,056	332,679	89,623	310,404
Special Education Instruction	9,254,937	9,787,831	9,793,975	6,144	9,261,757
Instructional Support Services	2,856,301	2,906,696	2,708,604	(198,092)	2,202,278
Pupil Support Services	3,701,043	3,728,842	3,731,168	2,326	3,614,203
Sites and Buildings	3,818,413	3,850,552	4,039,744	189,192	3,815,825
Fiscal and Other Fixed Cost Programs	147,500	147,500	142,996	(4,504)	125,298
Capital Outlay	865,702	1,016,670	1,225,361	208,691	1,372,277
Total Expenditures	<u>42,580,236</u>	<u>42,806,777</u>	<u>42,448,180</u>	<u>(358,597)</u>	<u>41,218,222</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(744,289)	28,621	1,099,467	1,070,846	624,053
OTHER FINANCING SOURCES					
Capital Lease Proceeds	-	-	215,640	215,640	-
Insurance Recovery Proceeds	-	10,000	10,890	890	2,387
Total Other Financing Sources	<u>-</u>	<u>10,000</u>	<u>226,530</u>	<u>216,530</u>	<u>2,387</u>
Net Change in Fund Balances	<u>\$ (744,289)</u>	<u>\$ 38,621</u>	<u>1,325,997</u>	<u>\$ 1,287,376</u>	<u>626,440</u>
FUND BALANCE					
Beginning of Year			<u>9,519,440</u>		<u>8,893,000</u>
End of Year			<u>\$ 10,845,437</u>		<u>\$ 9,519,440</u>

See accompanying Notes to Basic Financial Statements.

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2014**

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

	2014			Over (Under) Final Budget	2013
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
REVENUES					
Local Sources					
Earnings on Investments	\$ 500	\$ 500	\$ 186	\$ (314)	\$ 273
Other - Primarily Meal Sales	679,010	570,800	571,151	351	610,482
State Sources	109,000	94,000	100,779	6,779	110,465
Federal Sources	1,244,500	1,293,000	1,347,003	54,003	1,333,932
Total Revenues	<u>2,033,010</u>	<u>1,958,300</u>	2,019,119	60,819	2,055,152
EXPENDITURES					
Current					
Food Service	2,044,479	1,865,546	1,976,298	110,752	2,102,300
Capital Outlay	<u>26,000</u>	<u>12,000</u>	<u>8,010</u>	<u>(3,990)</u>	<u>31,798</u>
Total Expenditures	<u>2,070,479</u>	<u>1,877,546</u>	<u>1,984,308</u>	<u>106,762</u>	<u>2,134,098</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (37,469)</u>	<u>\$ 80,754</u>	34,811	<u>\$ (45,943)</u>	(78,946)
FUND BALANCE					
Beginning of Year			<u>398,557</u>		<u>477,503</u>
End of Year			<u>\$ 433,368</u>		<u>\$ 398,557</u>

See accompanying Notes to Basic Financial Statements.

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2014**

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2013)

	2014			2013	
	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Local Sources					
Property Taxes	\$ 362,891	\$ 356,525	\$ 187,811	\$ (168,714)	\$ 366,867
Earnings on Investments	200	200	36	(164)	77
Other - Primarily Tuition and Fees	964,130	1,008,475	1,054,823	46,348	943,942
State Sources	237,519	412,973	556,470	143,497	375,276
Federal Sources	210,000	303,348	285,407	(17,941)	184,127
Total Revenues	<u>1,774,740</u>	<u>2,081,521</u>	<u>2,084,547</u>	<u>3,026</u>	<u>1,870,289</u>
EXPENDITURES					
Current					
Community Service	1,767,108	1,955,627	1,797,256	(158,371)	1,938,344
Capital Outlay	6,000	31,119	28,500	(2,619)	14,542
Total Expenditures	<u>1,773,108</u>	<u>1,986,746</u>	<u>1,825,756</u>	<u>(160,990)</u>	<u>1,952,886</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 1,632</u>	<u>\$ 94,775</u>	258,791	<u>\$ 164,016</u>	(82,597)
FUND BALANCE					
Beginning of Year			<u>184,375</u>		<u>266,972</u>
End of Year			<u>\$ 443,166</u>		<u>\$ 184,375</u>

See accompanying Notes to Basic Financial Statements.

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2014**

	Private- Purpose Trust
ASSETS	
Cash and Investments	\$ 7,000
Total Assets	7,000
LIABILITIES	
Accounts and Contracts Payable	500
Total Liabilities	500
NET POSITION	
Held in Trust	\$ 6,500

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2014**

	Private- Purpose Trust
ADDITIONS	
Gifts and Donations	\$ 4,500
Total Additions	4,500
DEDUCTIONS	
Scholarships Awarded	4,000
Total Deductions	4,000
Change in Net Position	500
Net Position - Beginning of Year	6,000
Net Position - End of Year	\$ 6,500

See accompanying Notes to Basic Financial Statements.

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 656 have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) 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. The GASB pronouncements are recognized as U.S. generally accepted accounting principles for state and local governments.

B. Financial Reporting Entity

Independent School District No. 656 (the District) is an instrumentality of the State of Minnesota established to function as an educational institution. The elected Board of Education (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

U.S. Generally Accepted Accounting Principles (GAAP) require that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separated from the District. In addition, the District's financial statements are to include all component units - entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. These financial statements include all funds and account groups of the District. There are no other entities for which the District is financially accountable.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. The Board of Education does have a fiduciary responsibility in establishing broad policies and ensuring that appropriate financial records are maintained for student activities. However, in accordance with Minnesota State Statutes, the District's Board of Education has not elected to control or exercise oversight responsibility with respect to the underlying student activities. Accordingly, the student activity accounts are not included in these financial statements.

C. Basic Financial Statement Presentation

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

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational; or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The District applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net position is available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

Separate fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Fiduciary funds are presented in the fiduciary fund financial statements by type: private purpose trust fund. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations or the District, these funds are excluded from the government-wide statements.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. 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.

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

1. Revenue Recognition – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and U.S. generally accepted accounting principles. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.
2. Recording of Expenditures – Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

Description of Funds

The existence of the various District funds has been established by the State of Minnesota, Department of Education. The accounts of the district are organized on the basis of funds, each of which is considered a separate accounting entity. Descriptions of the funds included in this report are 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. It includes the general operations and pupil transportation activities of the district, as well as the capital related activities such as maintenance of facilities equipment purchases, health and safety projects, and disabled accessibility projects.

Food Service Special Revenue Fund - The Food Service Fund is used to account for food service revenues and expenditures. Revenues for the Food Service Fund come from user fees, and reimbursements from the Federal and State governments.

Community Service Special Revenue Fund - The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs or other similar services. Revenues for the Community Service Special Revenue Fund are composed of user fees, local levy dollars, and State credits.

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Capital Projects - Building Construction Fund – The Capital Projects - Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and payment of, general long-term obligation bond principal, interest, and related costs.

Fiduciary Funds

Private Purpose Trust Fund – The Private Purpose Trust Fund is used to account for trust arrangements under which the income benefits individuals. This fund accounts for funds established for various annual scholarships that are awarded to students based on the requirements of the donor.

E. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with U.S. generally accepted accounting principles. Each June, the Board of Education adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, and Debt Service Funds. The approved budget is published in summary form in the District's legal newspaper by November 30 of each year. Reported budget amounts represent the amended budget as adopted by the Board of Education. All annual appropriations lapse at fiscal year end. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the Board of Education prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by Board of Education action. Revisions to budgeted amounts must be approved by the Board of Education.

Total fund expenditures in excess of the budget require approval of the Board of Education. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

Budget provisions for the Debt Service Fund are set by state law governing required debt service levels.

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Investments

Cash and investments consist of demand deposit accounts, certificates of deposit, deposits in the Minnesota School District Liquid Asset Fund (MSDLAF), and cash on hand.

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled cash and investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund, except for the capital projects fund.

G. Receivables

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary. The only receivables not expected to be collected within one year are current property taxes receivable.

H. Inventories

Inventories are recorded using the consumption method of accounting and consist of supplies on hand at June 30, 2014. Purchases are recorded at invoice cost, computed on a first-in, first-out method, and surplus commodities are stated at standardized cost, as determined by the Department of Agriculture. The District had no food or commodity inventory on hand at June 30, 2014.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

J. Property Taxes

Property tax levies are established by the Board of Education in December each year and are certified to the County for collection 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 January 1. Taxes are due on May 15 and October 15. The County generally remits taxes to the District at periodic intervals as they are collected. A portion of property taxes levied is paid through various state tax credits which are included in revenue from state sources in the financial statements.

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Property Taxes (Continued)

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as a deferred inflow of resources (property taxes levied for subsequent year). The majority of District revenue in the General Fund (and to a lesser extent in the District's Community Service Special Revenue Fund) is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift."

In accordance with State law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum levy (frozen at \$329,972) for the District. Starting in fiscal year 2011, the shift was expanded to include all other general and community service fund levies. State aids were then reduced by this expanded shift amount, making this portion of the tax shift revenue neutral to school districts. In fiscal year 2014, the shift was reduced to only include the 2000 pay 2001 operating referendum levy. State aids were increased by this reduction in the shift, making it revenue neutral. Certain other portions of the District's 2013 Pay 2014 levy, normally revenue for the 2014-15 fiscal years, are also advance recognized at June 30, 2014, as required by state statute to match revenue with the same fiscal year as the related expenditures.

Taxes that 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 a deferred inflow of resources because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the State which will be recognized as revenue in the next fiscal year beginning July 1, 2014, are included in Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

K. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$5,000 for capitalizing capital assets. 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.

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets (Continued)

Capital assets are recorded in the government-wide financial statement, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

Capital assets not being depreciated include land and construction in progress.

The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

L. Deferred Outflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The District has one item that qualifies for reporting as this element – loss on bond refunding, which is being amortized over the life of the bonds.

M. Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Accrued Employee Benefits

Compensated Absences Payable

The District compensates substantially all full-time classified employees for vacation benefits at various rates based on length of service. The expenditure for vacation pay is recognized when payment is made. At June 30, 2014, unpaid vacation pay totaling \$129,335 is recorded in the financial statements.

Substantially all District employees are entitled to sick leave at various rates for each month of full-time service. The District pays clerical, custodial and educational assistants for one quarter (1/4) of unused sick leave earned, above the maximum accumulation, during the contract year. The District also pays paraprofessionals for one quarter (1/4) of unused paid absence leave earned, above the maximum accumulation during the contract year. The District makes this payment during the month of July of each year.

Compensated absences payable also includes severance and early retirement incentives that are calculated based on unused sick leave days. The District maintains various severance payment plans for its employee groups. Each employee group plan contains benefit formulas based on years of service and/or minimum age requirements. For substantially all employees, early retirement incentive benefits are eliminated if retirement occurs at the normal retirement age of 65 as specified in their contracts. In addition, certain bargaining unit members are eligible to be compensated for unused accumulated sick leave upon termination subject to certain conditions.

The District has recorded a liability for accrued convertible sick leave based on the sick leave accumulated at June 30, 2014 by employees currently eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. Under this "vesting method", accruals for those employees expected to become eligible in the future are based on assumptions concerning the probability that the employees will become eligible to receive termination payments (vest) at some point in the future. The District's policy is to record a liability for the teachers lump sum payment for those individuals that are eligible to receive the payments.

During fiscal year 2014, total expenditures for early retirement incentive payments and convertible sick leave were \$578,500. At June 30, 2014, a liability for early retirement incentive payments and convertible sick leave totaling \$1,069,643 is recorded on the Statement of Net Position.

Other Postemployment Health Care Benefits

Under the terms of certain collectively bargained employment contracts, the District is required to pay a portion of health insurance premiums for substantially all retired employees until they reach age 65. All premiums are funded on a pay-as-you-go basis. This amount was actuarially determined, in accordance with GASB 45.

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resources (revenue) until that time. The District has three types of items which occur related to revenue recognition. The first occurs because property tax receivables are recorded in the current year, but the revenue will be recorded in the subsequent year. The second type of deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's year end) under the modified accrual basis of accounting. The third type of deferred inflow of resources is a gain on bond refunding, which is being amortized over the life of the bonds.

P. Unearned Revenues

Unearned revenues are those in which resources are received by the District before it has a legal claim to them. The District received excess Tax Increment Financing in previous years. The State of Minnesota has the right to adjust future funding to account for this excess revenue. This excess revenue is recorded in unearned revenue in the General Fund. In addition, the District has recorded unearned revenue in the General Fund for student deposits. The District has reported unearned revenues for 2014-2015 school lunch deposits in the Food Service Fund. The District also recorded unearned revenue in the Community Service Fund in an amount equal to prepaid daycare account balances and enrichment deposits.

Q. Fund Balance

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned. Nonspendable portions of fund balance relate to prepaids and inventories. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. The Board of Education passed a resolution authorizing the Superintendent and Director of Finance and Operations the ability to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts, usually in the General Fund only.

In accordance with the District's fund balance policy, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available; it is the District's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned and unassigned fund balance is available, it is the District's policy to use committed first, then assigned and finally unassigned fund balance.

The District has a minimum fund balance policy, which identifies a minimum unassigned fund balance in the General Fund of 9.5% of the annual expenditure budget.

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters and workers compensation.

The District has joined together with other school districts in Minnesota in the Southeast Service Cooperative Gross Self-Insured Health Insurance Plan, a public entity risk pool currently operating as common risk management and insurance program for member districts. The District pays an annual premium to this plan for its health insurance coverage. These premiums are used to purchase reinsurance through commercial companies. The administrators of the plan believe assessment to participating districts for future losses sustained is extremely remote.

The District continues to purchase commercial insurance coverage for all other risks. There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

S. Net Position

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

T. Summarized Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2013, from which the summarized information was derived. Certain comparative information has been reclassified to conform with the current year presentation.

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

Expenditures exceeded budgeted amounts in the following fund:

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Food Service Fund	\$ 1,877,546	\$ 1,984,308	\$ 106,762

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 CASH AND INVESTMENTS

A. Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's deposit policy for custodial credit risk follows Minnesota Statutes for deposits.

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Investments." In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the School District's Board.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota statutes.

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

B. Investments

The District may also invest idle funds as authorized by Minnesota Statutes, as follows:

- 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 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen 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, 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 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, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

At June 30, 2014, the District had the following investments:

	At Amortized Cost
Minnesota School District Liquid Asset Fund Plus (MDSLAF+)	\$ 386,851
Minnesota School District LAF MAX Series (MSDMAX)	16,499,647
	\$ 16,886,498

The MSDLAF and MSDMAX are external investment pools and their investments are valued at amortized cost, which approximates fair value in accordance with Rule 2a-7 of the Investment Company Act of 1940. The amortized cost method of valuation values a security at its cost on the date of purchase and thereafter assumes a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of instruments.

Credit Risk

The MSDLAF and MSDMAX pools are rated AAAM by Standard & Poor's.

C. Balance Sheet Presentation

Deposits and investments are presented on the combined balance sheet as follows:

Cash and Investments - Statement of Net Position	\$ 17,636,961
Cash and Investments - Statement of Fiduciary Net Position	7,000
Total Cash and Investments	\$ 17,643,961

Total cash and investments at June 30, 2014 consisted of the following:

Deposits	\$ 754,818
Cash on Hand	2,645
Minnesota School District Liquid Asset Fund Max Series (MSDMAX)	16,499,647
Minnesota School District Liquid Asset Fund Plus (MDSLAF+)	386,851
	\$ 17,643,961

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Transfers and Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 1,835,754	\$ -	\$ -	\$ 1,835,754
Construction in Progress	2,851,413	89,826	(2,851,413)	89,826
Total Capital Assets, Not Being Depreciated	4,687,167	89,826	(2,851,413)	1,925,580
Capital Assets, Being Depreciated				
Land Improvements	4,880,870	1,638,298	-	6,519,168
Buildings and Improvements	75,289,392	1,287,051	-	76,576,443
Equipment	4,578,048	234,904	(19,389)	4,793,563
Total Capital Assets, Being Depreciated	84,748,310	3,160,253	(19,389)	87,889,174
Accumulated Depreciation for				
Land Improvements	(1,807,040)	(235,046)	-	(2,042,086)
Buildings and Improvements	(26,023,998)	(1,742,054)	-	(27,766,052)
Equipment	(3,448,615)	(182,428)	2,585	(3,628,458)
Total Accumulated Depreciation	(31,279,653)	(2,159,528)	2,585	(33,436,596)
Total Capital Assets, Being Depreciated, Net	53,468,657	1,000,725	(16,804)	54,452,578
Governmental Activities Capital Assets, Net	<u>\$ 58,155,824</u>	<u>\$ 1,090,551</u>	<u>\$ (2,868,217)</u>	<u>\$ 56,378,158</u>

Depreciation expense was charged to functions of the District as follows:

Governmental Activities	
Administration	\$ 400
District Support Services	5,758
Regular Instruction	2,078,580
Vocational Education Instruction	2,563
Special Education Instruction	1,987
Pupil Support Services	2,200
Sites and Buildings	36,566
Food Service	31,341
Community Service	133
Total Depreciation Expense, Governmental Activities	<u>\$ 2,159,528</u>

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 LONG-TERM LIABILITIES

A. Components of Long-Term Liabilities

The District has issued general obligation school building bonds to finance the construction of capital facilities or refinance previous bond issues. Assets of the Debt Service Fund, together with scheduled future tax levies, are dedicated for the retirement of these bonds. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

Issue Date	Net Interest Rate	Original Issue	Final Maturity	Principal Outstanding	
				Due Within One Year	Total
3/5/2008	3.25% - 3.50%	18,965,000	6/1/2015	\$ 3,020,000	\$ 3,020,000
4/15/2009	3.00% - 4.125%	15,000,000	2/1/2024	50,000	14,735,000
6/19/2012	0.40% - 1.40%	5,500,000	12/1/2019	995,000	4,540,000
Total General Obligation Bonds				4,065,000	22,295,000
Bond Premium - Net				54,791	54,791
Bond Discounts - Net				(2,546)	(24,927)
Capital Lease Payable				70,416	215,640
Other Postemployment Benefits Payable				-	947,537
Compensated Absences Payable				129,334	1,198,978
				<u>\$ 4,316,995</u>	<u>\$ 24,687,019</u>

B. Minimum Debt Payments

Minimum annual principal and interest payments required to retire General Obligation Bonds payable are as follows:

Year Ending June 30	General Obligation Bonds Payable	
	Principal	Interest
2015	\$ 4,065,000	\$ 715,618
2016	2,295,000	602,076
2017	2,335,000	549,936
2018	2,385,000	495,651
2019	1,655,000	444,636
2020 - 2024	9,560,000	1,203,701
	<u>\$ 22,295,000</u>	<u>\$ 4,011,618</u>

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Liabilities

General Obligation Bonds

On December 1, 2003, the District issued \$2,605,000 of General Obligation Capital Facilities Bonds, Series 2003B. The proceeds of this issue were used to finance the acquisition and betterment of capital projects in the District. Future ad valorem tax levies were dedicated to retire these bonds. This bond issue was paid-off during the year ended June 30, 2014.

On March 5, 2008, the District issued \$18,965,000 of General Obligation School Building Refunding Bonds, Series 2008A. The proceeds of this issue were used to refund, in advance of their stated maturities, the remaining maturities of the District's General Obligation Refunding Bonds, Series 1998. Future ad valorem tax levies are dedicated to the retirement of these bonds.

On April 15, 2009, the District issued \$15,000,000 of General Obligation School Building Bonds, Series 2009A. The proceeds of this issue were used to finance the construction and betterment of various school sites and facilities. Future ad valorem tax levies are dedicated to the retirement of these bonds.

On June 19, 2012, the District issued \$5,500,000 of General Obligation Refunding Bonds, Series 2012B to refund the General Obligation School Building Refunding Bonds, Series 2003A and 2005A, which were scheduled to mature in 2013 through 2020, respectively. Future ad valorem tax levies are dedicated to the retirement of these bonds.

Capital Leases

The District has entered into a capital lease for the purchase of iPads. The individual assets relating to the lease are under the District's capitalization threshold and therefore were not capitalized.

The following is a schedule of the future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of June 30, 2014:

Year Ending June 30,	Lease Payments
2015	\$ 71,878
2016	71,878
2017	79,534
Total Minimum Lease Payments	223,290
Less Amounts Representing Interest	7,650
Present Value of Net Minimum Lease Payments	\$ 215,640

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Liabilities (Continued)

Compensated Absences Payable

At June 30, 2014, compensated absences payable consists of unused vacation and severance and convertible sick leave payable to employees upon retirement. In the past, compensated absences payable has been liquidated by the General Fund, the Food Service Fund, and the Community Service Fund.

D. Changes in Long-Term Liabilities

	June 30, 2013	Additions	Retirements	June 30, 2014
Bonds Payable	\$ 26,570,000	\$ -	\$ 4,275,000	\$ 22,295,000
Bond Premium	115,649	-	60,858	54,791
Bond Discounts	(27,473)	-	(2,546)	(24,927)
Lease Purchase Obligations	-	215,640	-	215,640
Other Postemployment Benefits Payable	625,199	1,004,897	682,559	947,537
Compensated Absences Payable	965,991	1,008,585	775,598	1,198,978
	<u>\$ 28,249,366</u>	<u>\$ 2,229,122</u>	<u>\$ 5,791,469</u>	<u>\$ 24,687,019</u>

NOTE 6 RESTRICTED AND COMMITTED FUND BALANCES

Fund Equity

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. The following is a summary of the restricted fund balances for the governmental funds:

A. Restricted for Staff Development

In accordance with state statute, 2% of basic General Education revenue is allocated to staff development. The cumulative excess of such revenues over staff development expenditures is reported as a restriction of fund balance in the General Fund.

B. Restricted for Gifted and Talented

Restricted for gifted and talented represents general education aid resources to be expended for gifted and talented programs.

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 6 RESTRICTED AND COMMITTED FUND BALANCES (CONTINUED)

C. Restricted for Health and Safety

Restricted for health and safety represents available resources to be used only to provide for the removal of hazardous substances and other state approved life/health safety projects. Under Minnesota statute, a deficit in this restriction generates specific future levy authority.

D. Restricted for Operating Capital

The District levies taxes and receives state aid to be used for the purchase of equipment, books and vehicles and to purchase, rent, improve, and repair school facilities as allowed by state statute. The cumulative excess of such revenues over equipment and facilities expenditures is reported as a restriction of fund balance in the General Fund.

E. Restricted for Community Education Programs

The fund balance restriction represents accumulated resources available to provide general community education programming.

F. Restricted for Early Childhood and Family Education Programs

This fund balance restriction represents accumulated resources available to provide services for early childhood family education programming.

G. Restricted for School Readiness

The fund balance restriction represents accumulated resources available to provide school readiness programming.

H. Restricted for Adult Basic Education

Represents accumulated resources available to provide services for adult basic education programs.

I. Restricted for Other Purposes

Represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

J. Committed for Separation/Retirement Benefits

This commitment represents resources segregated by the District for the payment of retirement benefits.

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 7 PENSION PLANS

Substantially all employees of the District are required by state law to belong to pension plans administered by Teachers' Retirement Association (TRA) or Public Employees' Retirement Association (PERA), all of which are administered on a statewide basis. Disclosures relating to these plans follows:

A. Teachers Retirement Association (TRA)

1. Plan Description

All teachers employed by the District are covered by a cost sharing, multiple employer defined benefit pension plan administered by the State of Minnesota Teachers Retirement Association (TRA). TRA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security and Basic members are not. All new members must participate in the Coordinated Plan. These plans are established and administered in accordance with Minnesota Statutes, Chapters 354 and 356.

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

TRA publicly issues a Comprehensive Annual Financial Report (CAFR) presenting financial statements, supplemental information on funding levels, and further information on benefits provisions. A copy of the report may be obtained by writing TRA at Teachers Retirement Association, 60 Empire Drive Suite 400, St. Paul, MN 55103 or by calling (651) 296-6449 or 1-800-657-3853.

2. Funding Policy

Minnesota Statutes Chapter 354 sets the rates for the employee and employer contributions. These statutes are established and amended by the state legislature. Coordinated and Basic Plan members are required to contribute 6.0% and 9.50%, respectively, of their annual covered salary while the District is required to contribute at an actuarially determined rate.

The District is required to contribute the following percentages of annual covered payroll: 7.0% for Coordinated Plan members and 10.0% for Basic plan members. The contribution requirements of plan members and the District are established and may be amended by State Statute. The District contributions for the years ended June 30, 2014, 2013, and 2012 were \$1,259,840, \$1,200,805, and \$1,077,555, respectively, equal to the required contributions for each year as set by state statute.

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 7 PENSION PLANS (CONTINUED)

B. Public Employees' Retirement Association (PERA)

1. Plan Description

All full-time and certain part-time employees of the District (other than teachers) are covered by a defined benefit plan administered by the Public Employees' Retirement Association of Minnesota (PERA). PERA administers the General Employees' Retirement Fund (GERF) which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. 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. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after three years of credited service. The defined retirement 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. PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF. That report may be obtained by writing to PERA, 60 Empire Drive #200, St. Paul, MN 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

2. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by State Statutes. GERF Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 6.25%, respectively, of their annual covered salary in 2014.

The District is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERF members, 7.25% for Coordinated Plan GERF members. The contribution requirements of plan members and the District are established by and may be amended by State Statute. The District's contributions for the years ending June 30, 2014, 2013 and 2012 were \$450,622, \$419,156, and \$409,055, respectively, equal to the contractually required contributions for each year as set by state statute.

C. Defined Contribution Plan

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the "Plan"). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. Contributions are invested in tax deferred annuities selected and owned by Plan participants. The District contributions for the years ended June 30, 2014, 2013, and 2012 are \$204,627, \$262,146, and \$216,975, respectively. The related employee contributions were \$497,090, \$523,567, and \$509,183, for the years ended June 30, 2014, 2013, and 2012, respectively.

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The District operates a single-employer retiree benefit plan (“the Plan”) that provides health insurance to eligible employees and their spouses through the District’s self-insured health insurance plan. There are 487 active participants, 65 retired participants, and 7 spouses of retirees receiving payments. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report.

B. Funding Policy

Contribution requirements are also negotiated between the District and union representatives. The District contributes up to \$400 per month of the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2014, the District contributed \$682,559 to the plan.

C. Annual OPEB Cost and Net OPEB Obligation

The District’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any un-funded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually paid from the plan, and changes in the District’s net OPEB obligation.

Annual Required Contribution	\$ 1,015,422
Interest on Net OPEB Obligation	28,134
Adjustment to Annual Required Contribution	(38,659)
Annual OPEB Cost (Expense)	<u>1,004,897</u>
Contributions Made	(682,559)
Increase in Net OPEB Obligation	<u>322,338</u>
Net OPEB Obligation - Beginning of Year	625,199
Net OPEB Obligation - End of Year	<u>\$ 947,537</u>

The District’s annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014, 2013 and 2012:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	\$ 1,004,897	67.9%	\$ 947,537
6/30/2013	873,372	81.1%	625,199
6/30/2012	876,226	80.7%	460,097

**FARIBAULT PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was \$7,722,703. The annual payroll for active employees covered by the plan in the actuarial valuation was \$19,993,402 for a ratio of UAAL to covered payroll of 38.6%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions 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, presented as required supplementary information following the notes to the financial statements, presents multiyear 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 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, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 7.5%, reduced by decrements to an ultimate rate of 5% after five years. The UAAL is being amortized as a level dollar amount on a closed basis. The remaining amortization period at June 30, 2014 doesn't exceed 30 years.

NOTE 9 FLEXIBLE BENEFIT PLAN

The District has a flexible benefit plan that is classified as a "cafeteria plan" under Section 125 of the Internal Revenue Code. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the plan for health care and dependent care benefits.

**FARIBAUT PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 FLEXIBLE BENEFIT PLAN (CONTINUED)

Before the beginning of the plan year, which is from December 31 to December 30, each participant designates a total amount of pre-tax dollars to be contributed to the plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions for the health care portion of the plan, whether or not such contributions have been made.

Payments of health insurance premiums are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General, Food Service, and Community Service Funds.

Payments for amounts withheld for medical reimbursement and dependent care are made to participating employees upon submitting a request for reimbursement of eligible expenses.

All plan property and income attributable to that property is solely the property of the District, subject to the claims of the District's general creditors. Participants' rights under the plan are equal to those of general creditors of the District in an amount equal to eligible health care and dependent care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 10 LEASE COMMITMENTS

A. As Lessee

The District has entered into various operating leases for vehicles, office equipment and buildings. Rent expense under annual operating leases for the year ending June 30, 2014 was \$790,431.

Minimum rental commitments on leases in effect at June 30, 2014 are as follows:

Year Ending June 30,	Annual Lease Payments
2014	\$ 698,015
2015	676,009
2016	6,108
2017	4,072
Total	\$ 1,384,204

B. As Lessor

The District entered into an agreement with Nerstrand Elementary School to lease a 17,700 square foot building located at 205 South Second Street, Nerstrand, Minnesota. The lease is renewed on an annual basis. The District received \$157,500 of rent for this building during the year ended June 30, 2014, as per the terms of the lease agreement. In addition to the lease of the building, the District also has in place agreements with Nerstrand Elementary School to provide Food Service and custodial service.

**FARIBAULT PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 11 COMMITMENTS AND CONTINGENCIES

Federal and State Programs

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 fund. 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.

NOTE 12 JOINT POWERS AGREEMENTS

Wind Energy

The District and 13 other school districts in Minnesota have entered into a Joint Powers Agreement to form the Minnesota Schools Wind Energy Cooperative (the Cooperative). The purpose of the Cooperative is to acquire, develop, construct, finance, operate, and maintain a wind energy project to be located in Minnesota. The Cooperative is governed by a Joint Powers Board, which consists of two members (a Board of Education member, and the superintendent or another district employee) from each of the participating district. Any district may withdraw from the Cooperative prior to the issuance of any project financing instruments, provided that the withdrawing district reimburses the Cooperative for its pro rata portion of the total development or other project costs or other obligations incurred by the Cooperative. Once financing instruments, other than Clean Renewable Energy Bonds (CREBs), have been issued, a district may withdraw provided it prepays the outstanding balance of its pro rata portion of any outstanding financing instruments. Upon issuance of the CREBs, no district may withdraw membership until the CREBs have been repaid in full. The District has not committed any financial resources to the Cooperative as of June 30, 2014.

NOTE 13 JOINTLY GOVERNED ORGANIZATION

The District is a member of the Rice County Family Services Collaborative (Collaborative). The Collaborative was established to provide comprehensive services to strengthen family functioning. As a result, the Collaborative members share certain costs related to social workers and split related time study revenues. The District received \$25,000 to reimburse it for certain salaries and benefits expenditures that the District may not otherwise have incurred.

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REQUIRED SUPPLEMENTARY INFORMATION

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**FARIBAUT PUBLIC SCHOOLS
 INDEPENDENT SCHOOL DISTRICT NO. 656
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFIT PLAN
 JUNE 30, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2009	\$ -	\$ 7,598,658	\$ 7,598,658	0.0%	\$ 20,773,506	36.6%
7/1/2011	-	7,998,988	7,998,988	0.0%	21,703,390	36.9%
7/1/2013	-	7,722,703	7,722,703	0.0%	19,993,402	38.6%

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SINGLE AUDIT AND OTHER REQUIRED REPORTS

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**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014**

Grantor/Program	CFDA Number	Agency or Pass-Through Number	Federal Expenditures
US Department of Agriculture			
Pass-Through Minnesota Department of Education			
Non-Cash Assistance (Commodities):			
National School Lunch Program	a 10.555	1-656-000	<u>\$ 25,974</u>
Total Non-Cash Assistance			\$ 25,974
Cash Assistance:			
School Breakfast Program	a 10.553	1-656-000	345,430
National School Lunch Program - Commodities Rebate	a 10.555	1-656-000	31,853
National School Lunch Program	a 10.555	1-656-000	893,500
After School Snack	a 10.555	1-656-000	18,022
Special Milk Program	a 10.556	1-656-000	258
Summer Food	a 10.559	1-656-000	<u>31,966</u>
Total Cash Assistance			<u>1,321,029</u>
Total US Department of Agriculture			<u>1,347,003</u>
US. Department of Education			
Pass-Through Minnesota Department of Education			
Cash Assistance:			
Title I, Part A - Grants to Local Education Agencies	84.010	**	704,015
Special Education - Grants to States	b 84.027	**	965,053
Special Education - Preschool Incentive	b 84.173	**	18,164
Special Education - Grants for Infants and Families with Disabilities	84.181	**	13,955
Special Education - Coordinated Early Intervening Services	b 84.027	**	98,956
Title IV, Part B - 21st Century Community Learning Centers	84.287	**	268,398
Title III - English Language Acquisition Grants	84.365A	**	105,664
Title II, Part A - Improving Teacher Quality	84.367	**	<u>136,953</u>
Total Pass-Through Minnesota Department of Education			2,311,158
Pass-Through Southern MN ABE Consortium			
Adult Basic Education	84.002	**	<u>17,009</u>
Total Pass-Through Southern MN ABE Consortium			17,009
Pass-Through Region 10			
Special Education - Discretionary Low Incidence	b 84.027	**	<u>3,196</u>
Total Region 10			3,196
Pass-Through South Central Cooperative			
Carl Perkins	84.048A	**	<u>13,500</u>
Total Pass-Through South Central Cooperative			<u>13,500</u>
Total US Department of Education - Cash Assistance			<u>2,344,863</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE EXPENDED			<u><u>\$ 3,691,866</u></u>

- a Child Nutrition Cluster
b Special Education Cluster
** Not Available

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014**

NOTE 1 GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the expenditures of all federal financial assistance programs of Independent School District No. 656. The reporting entity is defined in Note 1 to the District's financial statements. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies are included on the schedule.

NOTE 2 BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements.



**INDEPENDENT AUDITORS' 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**

Board of Education
Independent School District No. 656
Faribault, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 656, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Independent School District No. 656's basic financial statements, and have issued our report thereon dated October 7, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Independent School District No. 656'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 Independent School District No. 656's internal control. Accordingly, we do not express an opinion on the effectiveness of Independent School District No. 656's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Independent School District No. 656'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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Austin, Minnesota
October 7, 2014



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
Independent School District No. 656
Faribault, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Independent School District No. 656's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Independent School District No. 656's major federal programs for the year ended June 30, 2014. Independent School District No. 656's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Independent School District No. 656'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 Independent School District No. 656'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 Independent School District No. 656's compliance.

Opinion on Each Major Federal Program

In our opinion, Independent School District No. 656 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001. Our opinion on each major federal program is not modified with respect to this matter.

Independent School District No. 656's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Independent School District No. 656's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Independent School District No. 656's is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Independent School District No. 656'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 Independent School District No. 656's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001 to be a material weakness.

Independent School District No. 656's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Independent School District No. 656's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Board of Education
Independent School District No. 656

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 result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Austin, Minnesota
October 7, 2014

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INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education
Independent School District No. 656
Faribault, 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 respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 656, as of June 30, 2014, and the related notes to the financial statements and have issued our report thereon dated October 7, 2014.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* covers 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. Our study included all of the listed categories

In connection with our audit, nothing came to our attention that caused us to believe that Independent School District No. 656 failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivision.*, 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 Independent School District No. 656's noncompliance with the above-referenced provisions.

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

CliftonLarsonAllen LLP

Austin, Minnesota
October 7, 2014

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**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

PART I: SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the basic financial statements of Independent School District No. 656.
2. No deficiencies in internal control were disclosed during the audit of the financial statements
3. No instances of noncompliance material to the basic financial statements of Independent School District No. 656 were disclosed during the audit.
4. One deficiency in internal control over compliance was disclosed during the audit of the major federal award programs. The deficiency is considered to be a material weakness. This is listed as Finding 2014-001.
5. The auditors' report on compliance for the major federal award programs for Independent School District No. 656 expresses an unmodified opinion.
6. The audit disclosed one finding, which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section 510(a).
7. The programs tested as major programs included:

U.S. Department of Education	
Special Education Cluster:	
Special Education – Grants to States	CFDA #84.027
Special Education – Preschool Incentive	CFDA #84.173
Special Education – Coordinated Early Intervening Services	CFDA #84.027
Title I, Part A – Grants to Local Education Agencies	CFDA #84.010
U.S. Department of Agriculture:	
Child Nutrition Cluster	
School Breakfast Program	CFDA #10.553
National School Lunch Program	CFDA #10.555
Summer Program for Children	CFDA #10.559
After School Snack Program	CFDA #10.555
Special Milk Program	CFDA #10.556

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Independent School District No. 656 was not determined to be a low-risk auditee.

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

PART II: FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS:

None

PART III: FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS:

FINDING: 2014-001 TITLE I, PART A, CLUSTER - CFDA # 84.010, ALL GRANT YEARS, PASS THROUGH MINNESOTA DEPARTMENT OF EDUCATION - INAPPROPRIATE TIME AND EFFORT DISTRIBUTION RECORD COMPLETION

Condition: For two Title I employees the required personal activity reports did not contain the appropriate documentation of 100% of their time as required by OMB Circular A-87.

Criteria: OMB Circular A-87, Attachment B, paragraph 8.h.(4) requires that employees who are expected to work solely on a single Federal award or cost objective, complete semi-annual time certifications. In addition, paragraph 13d requires that employees that are not 100% Federal need to prepare a "personnel activity report" or timesheet. At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports must be made.

Questioned Costs: None

Context: Two out of five of the employees tested.

Effect: The potential exists that undocumented time could be incorrectly charged to the federal program code. There was no known effect on the financial statements.

Cause: Not known.

Recommendation: Personnel activity reports should be completed by all employees paid partially from one or more Federal programs. All personnel activity reports should account for 100% of the employee's time.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The District will immediately implement the recommendation.

Official Responsible for Ensuring CAP:

Colleen Cardenuto, Director of Teaching & Learning, is the official responsible for ensuring corrective action of the deficiency.

Planned Completion Date for CAP:

December 31, 2014.

Plan to Monitor Completion of CAP:

The Board of Education and administration will monitor this corrective action plan.

PART IV: FINDINGS AND QUESTIONED COSTS – MINNESOTA LEGAL COMPLIANCE

None

**FARIBAUT PUBLIC SCHOOLS
 INDEPENDENT SCHOOL DISTRICT NO. 656
 SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
 YEAR ENDED JUNE 30, 2014**

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>If not Corrected, Provide Planned Corrective Action or Other Explanation</u>
2013-001	Improper Time Reporting Documentation	Not Corrected	See current year Finding 2014-001
2013-002	Period of Availability	Corrected	
2013-003	Internal Control Over Reporting	Corrected	

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
JUNE 30, 2014**

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$ 43,558,537	\$ 43,558,518	\$ 19	Total Revenue	\$ 35	\$ 36	\$ (1)
Total Expenditures	\$ 42,448,180	\$ 42,448,159	\$ 21	Total Expenditures	\$ 77,211	\$ 77,212	\$ (1)
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
460 Nonspendable	\$ 325,427	\$ 325,427	\$ -	460 Nonspendable	\$ -	\$ -	\$ -
<i>Restricted:</i>				<i>Restricted:</i>			
403 Staff Development	\$ 119,384	\$ 119,384	\$ -	407 Capital Projects Levy	\$ -	\$ -	\$ -
405 Deferred Maintenance	\$ -	\$ -	\$ -	409 Alternative Facility Program	\$ -	\$ -	\$ -
406 Health & Safety	\$ (270,716)	\$ (270,716)	\$ -	413 Project Funded by COP	\$ -	\$ -	\$ -
407 Capital Project Levy	\$ -	\$ -	\$ -	419 Encumbrances	\$ -	\$ -	\$ -
408 Cooperative Programs	\$ -	\$ -	\$ -	464 Other Purposes	\$ -	\$ -	\$ -
409 Deferred Maintenance	\$ -	\$ -	\$ -	<i>Unreserved:</i>			
411 Severance	\$ -	\$ -	\$ -	463 Unassigned	\$ -	\$ -	\$ -
414 Operating Debt	\$ -	\$ -	\$ -				
416 Levy Reduction	\$ -	\$ -	\$ -	07 DEBT SERVICE			
423 Certain Teacher Programs	\$ -	\$ -	\$ -	Total Revenue	\$ 5,231,067	\$ 5,231,067	\$ -
424 Operating Capital	\$ 444,878	\$ 444,878	\$ -	Total Expenditures	\$ 5,109,774	\$ 5,109,774	\$ -
426 \$25 Taconite	\$ -	\$ -	\$ -	<i>Restricted:</i>			
427 Disabled Accessibility	\$ -	\$ -	\$ -	425 Bond Refundings	\$ -	\$ -	\$ -
428 Learning & Development	\$ -	\$ -	\$ -	451 QZAB Payments	\$ -	\$ -	\$ -
434 Area Learning Center	\$ -	\$ -	\$ -	464 Other Purposes	\$ 1,032,525	\$ 1,032,525	\$ -
435 Contracted Alt. Programs	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
436 State Approved Alt. Program	\$ -	\$ -	\$ -	463 Unassigned	\$ -	\$ -	\$ -
438 Gifted & Talented	\$ 21,201	\$ 21,201	\$ -				
441 Basic Skills Programs	\$ -	\$ -	\$ -	08 TRUST			
446 First Grade Preparedness	\$ -	\$ -	\$ -	Total Revenue	\$ 4,500	\$ 4,500	\$ -
449 Safe Schools Levy	\$ -	\$ -	\$ -	Total Expenditures	\$ 4,000	\$ 4,000	\$ -
450 Prekindergarten	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
451 QZAB Payments	\$ -	\$ -	\$ -	422 Unassigned	\$ 6,500	\$ 6,500	\$ -
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -				
453 Unfunded Sev & Retirement	\$ -	\$ -	\$ -	09 AGENCY			
464 Other Purposes	\$ -	\$ -	\$ -	<i>Unreserved: Should Always Be -0-</i>			
<i>Committed:</i>				422 Unassigned	\$ -	\$ -	\$ -
418 Severance - Ins. Premium	\$ 1,951,000	\$ 1,951,000	\$ -				
461 Committed	\$ -	\$ -	\$ -	20 INTERNAL SERVICE			
<i>Assigned:</i>				Total Revenue	\$ -	\$ -	\$ -
462 Assigned	\$ -	\$ -	\$ -	Total Expenditures	\$ -	\$ -	\$ -
<i>Unassigned:</i>				<i>Unassigned:</i>			
422 Unassigned	\$ 8,254,263	\$ 8,254,265	\$ (2)	422 Unassigned	\$ -	\$ -	\$ -
02 FOOD SERVICE				25 OPEB REVOCABLE TRUST			
Total Revenue	\$ 2,019,119	\$ 2,019,119	\$ -	Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	\$ 1,984,308	\$ 1,984,308	\$ -	Total Expenditures	\$ -	\$ -	\$ -
<i>Nonspendable:</i>				<i>Unassigned:</i>			
460 Nonspendable	\$ 3,307	\$ 3,307	\$ -	422 Unassigned	\$ -	\$ -	\$ -
<i>Restricted:</i>							
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -	45 OPEB IRREVOCABLE TRUST			
464 Other Purposes	\$ 430,061	\$ 430,060	\$ 1	Total Revenue	\$ -	\$ -	\$ -
<i>Unassigned:</i>				Total Expenditures	\$ -	\$ -	\$ -
463 Unassigned	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
				422 Unassigned	\$ -	\$ -	\$ -
04 COMMUNITY SERVICE				47 OPEB DEBT SERVICE			
Total Revenue	\$ 2,084,547	\$ 2,084,552	\$ (5)	Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	\$ 1,825,756	\$ 1,825,759	\$ (3)	Total Expenditures	\$ -	\$ -	\$ -
<i>Nonspendable:</i>				<i>Restricted:</i>			
460 Nonspendable	\$ 1,041	\$ 1,041	\$ -	464 Other Purposes	\$ -	\$ -	\$ -
<i>Restricted:</i>				<i>Unassigned:</i>			
426 \$25 Taconite	\$ -	\$ -	\$ -	463 Unassigned	\$ -	\$ -	\$ -
431 Community Education	\$ 235,917	\$ 235,917	\$ -				
432 E.C.F.E.	\$ 20,129	\$ 20,129	\$ -				
444 School Readiness	\$ 84,193	\$ 84,193	\$ -				
447 Adult Basic Education	\$ 105,409	\$ 105,409	\$ -				
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -				
464 Other Purposes	\$ -	\$ -	\$ -				
<i>Unassigned:</i>							
463 Unassigned	\$ (3,523)	\$ (3,523)	\$ -				