INDEPENDENT SCHOOL DISTRICT NO. 280
RICHFIELD, MINNESOTA

Financial Statements and
Supplemental Information

Year Ended
June 30, 2014

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INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 280

School Board and Administration
Year Ended June 30, 2014

SCHOOL BOARD

	Position
Todd Nollenberger	Chairperson
Peter Toensing	Vice Chairperson
Deb Etienne	Treasurer
John Ashmead	Clerk
Christine Maleck	Director
Timothy Pollis	Director

ADMINISTRATION

Robert Slotterback	Superintendent
Craig Holje	Executive Director of Human Resources and Administrative Services
Michael Schwartz	Executive Director of Finance and Operations
Nick Bishop	Supervisor of Financial Services

FINANCIAL SECTION

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MMKR
CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 280
Richfield, Minnesota

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 280, Richfield, Minnesota (the District) 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

(continued)

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

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2014, the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplemental information, and other district information, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis as required by the Minnesota Department of Education, and is also not a required part of the basic financial statements of the District.

The supplemental information, Schedule of Expenditures of Federal Awards, and UFARS Compliance Table are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

(continued)

Prior Year Comparative Information

We have previously audited the District's 2013 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated November 13, 2013. In our opinion, the partial 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 REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
November 13, 2014

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As management of Independent School District No. 280, Richfield, Minnesota (the District), we have provided readers of the District's financial statements with this narrative overview and analysis of the District's financial activities during the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the other components of the District's financial statements.

FINANCIAL HIGHLIGHTS

The District's assets exceeded its liabilities and deferred inflows of resources at June 30, 2014 by $12,176,160 (net position). The District's total net position increased $1,445,018 during the fiscal year ended June 30, 2014.

At June 30, 2014, the District's governmental funds reported a combined ending fund balance of $3,735,791, an increase of $1,587,556 from the prior year.

The District's General Fund, its primary operating fund, ended the most recent fiscal year with a total fund balance of $2,689,244, an increase of $1,536,555 from the prior year. The unrestricted portion of the year-end fund balance was $2,005,637, which represents approximately 3.6 percent of annual General Fund expenditures based on fiscal 2014 expenditure levels.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements consist of the following three components: the government-wide financial statements, fund financial statements, and the notes to basic financial statements. These statements also contain other supplemental information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements (Statement of Net position and Statement of Activities) report information about the District as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes *all* of the District's assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in the District's net position are indicators of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District requires consideration of additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements the District's activities are all shown in one category titled "governmental activities." These activities, including regular and special education, transportation, administration, food services, and community education, are primarily financed with state aids and property taxes.

Fund Financial Statements

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

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

- Some funds are required by state law and by bond covenants.

- The District may establish other funds to control and manage money for particular purposes.

The District maintains the following kinds of funds:

Governmental Funds – The District's basic services are included in governmental funds, which generally focus on: 1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, we provide additional information (reconciliation schedules) immediately following the governmental fund statements that explain the relationship (or differences) between these two types of financial statement presentations.

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

Fiduciary Funds – The District is the trustee, or fiduciary, for assets that belong to other organizations. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

Table 1
Summary of Net Position
as of June 30, 2014 and 2013

	2014	2013
Assets		
Current and other assets	$ 29,911,101	$ 37,123,234
Capital assets, net of depreciation	56,747,536	59,152,096
Total assets	**$ 86,658,637**	**$ 96,275,330**
Liabilities		
Current and other liabilities	$ 4,240,187	$ 17,575,823
Long-term liabilities, including due within one year	53,415,699	56,315,099
Total liabilities	**$ 57,655,886**	**$ 73,890,922**
Deferred inflows of resources		
Property taxes levied for subsequent year	**$ 16,826,591**	**$ 11,653,266**
Net position		
Net investment in capital assets	$ 21,879,228	$ 21,746,464
Restricted	237,628	361,385
Unrestricted	(9,940,696)	(11,376,707)
Total net position	**$ 12,176,160**	**$ 10,731,142**

The District's financial position is the product of many factors. For example, the determination of the District's net investment in capital assets involves many assumptions and estimates, such as current and accumulated depreciation amounts. Changes in variables such as estimated depreciable lives or capitalization policies may produce significant differences in the calculated amounts. Another major factor in the determination of net position is funding of the District's liabilities for long-term severance, pension benefits, and other post-employment benefits, which impact the unrestricted portion of net position.

The District's total net position increased $1,445,018 during the year ended June 30, 2014. The net investment in capital assets increased $132,764. Restricted net position decreased $123,757, primarily in net position restricted for food service. The unrestricted portion of net position increased $1,436,011 during the year, mainly due to the improvement in the District's General Fund unrestricted fund balance.

Table 2 presents a condensed version of the Change in Net Position of the District:

Table 2
Change in Net Position
for the Years Ended June 30, 2014 and 2013

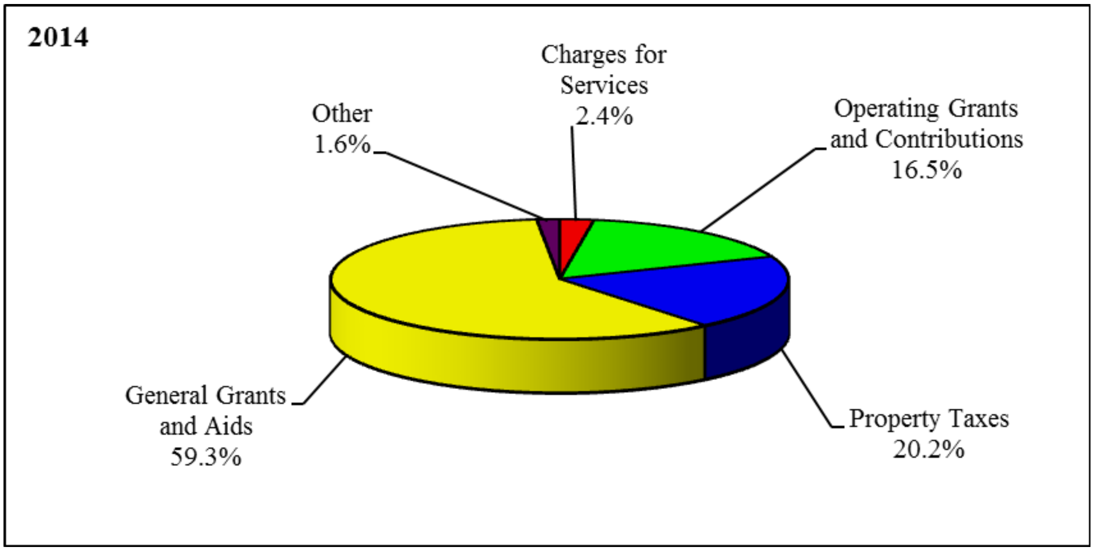
	2014	2013
Revenues		
Program revenues		
Charges for services	$ 1,583,759	$ 1,424,268
Operating grants and contributions	10,968,097	9,746,687
General revenues		
Property taxes	13,361,381	16,830,692
General grants and aids	39,261,648	33,166,877
Other	1,060,054	1,332,852
Total revenues	66,234,939	62,501,376
Expenses		
Administration	2,704,943	2,463,144
District support services	1,367,285	1,344,273
Elementary and secondary regular instruction	26,209,555	26,204,800
Vocational education instruction	523,544	552,076
Special education instruction	10,709,470	10,325,009
Instructional support services	2,665,280	1,315,674
Pupil support services	5,612,101	5,014,798
Sites and buildings	5,136,435	6,654,356
Fiscal and other fixed cost programs	279,042	251,815
Food service	2,372,816	2,086,777
Community service	1,335,512	1,245,474
Unallocated depreciation	3,296,138	3,219,889
Interest and fiscal charges	2,577,800	2,483,173
Total expenses	64,789,921	63,161,258
Change in net position	**$ 1,445,018**	**$ (659,882)**

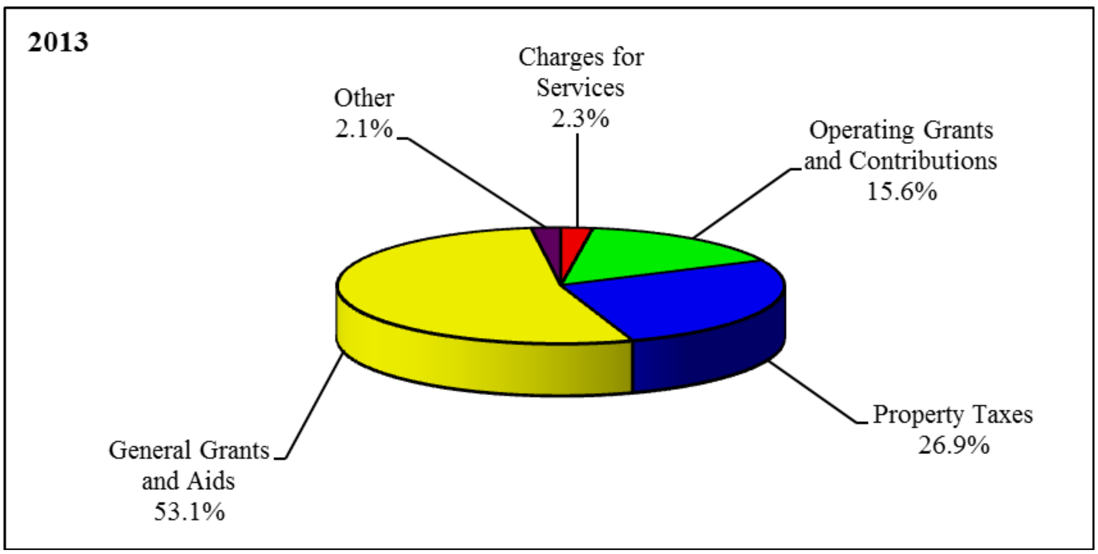
The Statement of Activities is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

Total revenue for the 2014 fiscal year was $3,733,563 higher than last year, mainly due to higher state aid related to special education; and new funding for achievement and integration aid and compensatory revenue. Property taxes were also higher due to prior year adjustments based on enrollment increases. Finally, the District made $1.11 million in budget reductions and revenue enhancements.

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

Figure A – Sources of Revenue for Fiscal Years 2014 and 2013



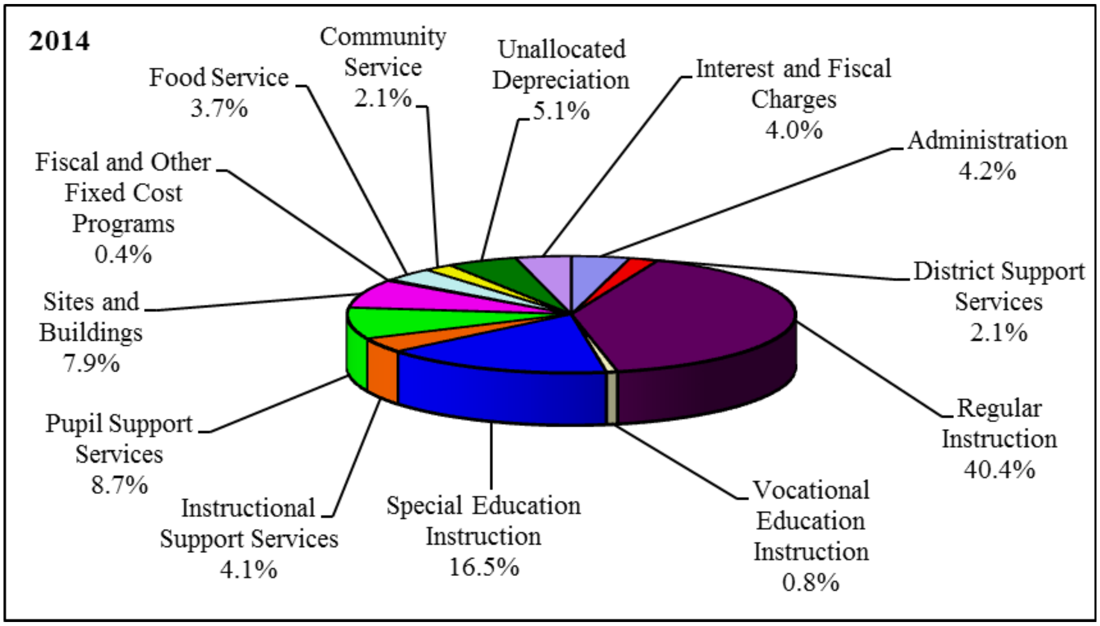


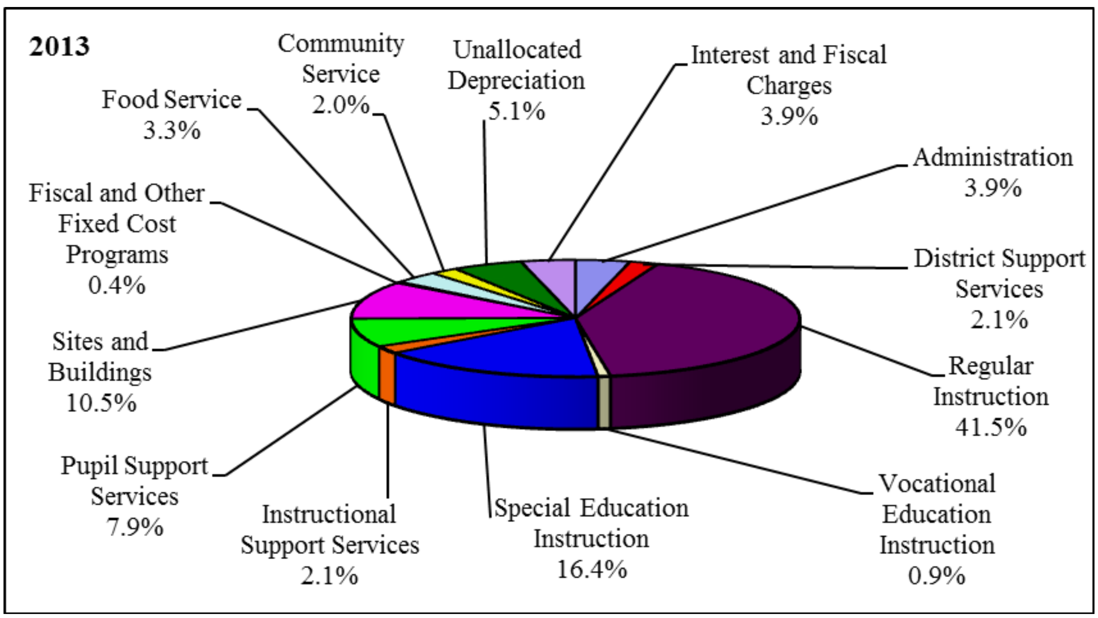
The largest share of the District's revenue is received from the state, including most of the general and operating grants. This means that the District's financial condition depends significantly on the state's current financial position.

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

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

Figure B – Expenses for Fiscal Years 2014 and 2013





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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

Table 3
Governmental Fund Balances
as of June 30, 2014 and 2013

	2014	2013	Increase (Decrease)
Major funds			
General	$ 2,689,244	$ 1,152,689	$ 1,536,555
Debt Service	755,024	629,825	125,199
Nonmajor funds			
Food Service Special Revenue	139,340	250,078	(110,738)
Community Service Special Revenue	152,183	115,643	36,540
Total governmental funds	$ 3,735,791	$ 2,148,235	$ 1,587,556

In 2014, the General Fund balance increased due mainly to higher than expected state aid revenue related to special education. In addition, the District made budget reductions and revenue enhancements of $1.11 million.

The decrease in the Food Service Special Revenue Fund was mainly due to the planned purchases of kitchen equipment.

The Community Service Special Revenue Fund increase was based on reorganizing programs, increased marketing efforts, and a restructuring of staff.

The Debt Service Fund increase was primarily the result of a bond refunding that took place in 2014.

Analysis of the General Fund

Table 4 summarizes the amendments to the General Fund budget:

Table 4
General Fund
Budget

	Original Budget	Final Budget	Increase (Decrease)	Percent Change
Revenue	$ 54,182,224	$ 55,126,303	$ 944,079	1.7%
Expenditures	$ 54,090,565	$ 54,975,608	$ 885,043	1.6%

The District was required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. It is the District's practice to amend the General Fund budget during the year for known significant changes in circumstances such as: updated enrollment estimates, legislation changes, new or additional funding, staffing changes, employee contract settlements, adjustments to health insurance premiums, special education tuition changes, or utility rate changes.

The changes from the original revenue and expenditure budgets to the final budgets are due to additional grant awards, salary and benefit adjustments based on negotiated contract settlements, and a recalculation of state aid and levy using updated enrollment numbers.

Table 5 summarizes the operating results of the General Fund:

Table 5
General Fund
Operating Results

		Over (Under) Final Budget		Over (Under) Prior Year	
	2014 Actual	Amount	Percent	Amount	Percent
Revenue	$ 57,095,559	$ 1,969,256	3.6%	$ 3,138,303	5.8%
Expenditures	56,161,612	$ 1,186,004	2.2%	$ 1,224,760	2.2%
Other financing sources	602,608	$ 602,608	100.0%	$ (49,620)	(7.6%)
Net change in fund balances	$ 1,536,555				

The increase in 2014 actual revenue is largely due to an increase in special education aid and property tax increases due to adjustments from the prior year based on enrollment increases. The expenditure increase was mainly in salaries and benefits.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 6 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ended June 30, 2014 and 2013:

Table 6
Capital Assets

	2014	2013	Change
Land	$ 349,265	$ 349,265	$ –
Land improvements	6,502,270	5,826,114	676,156
Buildings	88,315,252	87,685,521	629,731
Equipment	7,576,474	7,319,652	256,822
Construction in progress	–	641,428	(641,428)
Less accumulated depreciation	(45,995,725)	(42,669,884)	(3,325,841)
Total	$ 56,747,536	$ 59,152,096	$ (2,404,560)
Depreciation expense	$ 3,484,360	$ 3,416,268	$ 68,092

The increase in land improvements is due to the completion of the Richfield High School baseball field and surfacing upgrades to a number of school parking lots. The increase in buildings is due to the completion of the intercom systems at Richfield Dual Language and Sheridan Hills Elementary Schools, and a partial roof replacement at Richfield Dual Language School.

Long-Term Liabilities

Table 7 shows the components of the District's long-term liabilities and the change from the prior year:

Table 7
Outstanding Long-Term Liabilities

	2014	2013	Change
General obligation bonds	$ 46,390,000	$ 50,925,000	$ (4,535,000)
Premiums	1,448,318	4,213	1,444,105
Discounts	(178,782)	(299,404)	120,622
Capital leases	2,197,996	2,134,230	63,766
Severance benefits	2,551,445	2,663,073	(111,628)
Compensated absences	305,574	280,670	24,904
Net pension benefits obligation	701,148	607,317	93,831
Total	$ 53,415,699	$ 56,315,099	$ (2,899,400)

The decrease in general obligation bonds is due to the scheduled debt service payments made during the year. In addition, the District did a bond refunding. The change in capital leases is based on the District's technology plan to replace and update technology on a five-year cycle. Technology equipment is being purchased under a series of five-year lease agreements. The District is also replacing school buses using a series of seven-year lease agreements.

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

Table 8
Limitations on Debt

District's market value	$	3,393,698,841
Limit rate		15.0%
Legal debt limit	$	509,054,826

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

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of the voter-approved excess operating referendum, the District is dependent on the state of Minnesota for approximately 79 percent of its annual General Fund revenues. These revenues have not been sufficient or kept pace with the (CPI-U) inflationary index over the past 10 years to meet instructional program needs and costs due to inflation.

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The basic general education formula allowance for Minnesota school districts increased $78 for fiscal 2014, to $5,302 per pupil. The Legislature has added the equivalent of another $105 per pupil to the formula for the next fiscal year. Even with the improved funding over the next two years Minnesota school districts will continue to struggle overcoming the last decade of limited funding from the state.

In November 2013, the community approved a renewal and increase to the capital projects referendum that will provide the District with approximately $2.2 million annually over the next 10 years for technology purchases. The District is in the process of upgrading its technology infrastructure to provide for a robust Wi-Fi system. The goal is to install the new system in all seven buildings during the summer of 2015.

A new Superintendent was hired and began work on July 1, 2014. One of his major goals is to develop a more transparent budgeting system for implementation with the 2015–2016 school year budget. The District is implementing two major initiatives for the 2014–2015 school year; one is to establish Professional Learning Communities (PLCs) and the other is an evaluation system for all certified staff that is based on the Alternative Teacher Compensation (Q Comp) plan that the District submitted and was approved by the state of Minnesota in the spring 2014.

The District continues to expand its enrichment opportunities for all students and is enhancing its gifted and talented programs. The District received a grant from the Kern Family Foundation to establish Project Lead The Way in its schools. This project is designed to develop engineering and technology programs at both the middle school and high school levels. The grant ended in June 2013, and the District has committed to continuing this program.

The District's enrollment was projected to level off in fiscal year 2015 after four strong years of gains. The student population of the District, based on annual October 1 student counts, has increased by over 400 students the last four years with the addition of 132 students in fiscal 2011, 170 students in fiscal 2012, 106 students in fiscal 2013, and a 17-student increase in fiscal 2014. These increases are a result of implementing changes requested by the community, some of which include all-day kindergarten, magnet schools, and higher level course offerings at the secondary level.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

These financial statements are designed to provide our 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 these statements or need additional financial information, contact the Business Office, Independent School District No. 280, 7001 Harriet Avenue South, Richfield, Minnesota 55423.

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BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Net Position
as of June 30, 2014
(With Partial Comparative Information as of June 30, 2013)

	Governmental Activities	
	2014	2013
Assets		
Cash and temporary investments	$ 7,912,114	$ 11,977,612
Receivables		
Current taxes	8,989,653	9,019,218
Delinquent taxes	55,022	52,705
Accounts and interest	250,310	243,384
Due from fiduciary fund	697,336	801,651
Due from other governmental units	7,402,186	8,707,902
Inventory	85,804	98,299
Prepaid items	311,533	281,218
Negative net other post-employment benefit obligations	4,207,143	5,941,245
Capital assets		
Not depreciated	349,265	990,693
Depreciated, net of accumulated depreciation	56,398,271	58,161,403
Total capital assets, net of accumulated depreciation	56,747,536	59,152,096
Total assets	$ 86,658,637	$ 96,275,330
Liabilities		
Aid anticipation certificates	$ –	$ 13,000,000
Salaries payable	355,548	275,278
Accounts and contracts payable	735,437	991,696
Accrued interest payable	1,033,004	1,189,973
Due to other governmental units	732,725	875,612
Unearned revenue	841,034	851,587
Claims incurred, but not reported	542,439	391,677
Long-term liabilities		
Due within one year	4,352,259	4,187,207
Due in more than one year	49,063,440	52,127,892
Total long-term liabilities	53,415,699	56,315,099
Total liabilities	57,655,886	73,890,922
Deferred inflows of resources		
Property taxes levied for subsequent year	16,826,591	11,653,266
Net position		
Net investment in capital assets	21,879,228	21,746,464
Restricted for		
Food service	106,031	214,504
Community service	131,597	135,644
Other purposes	–	11,237
Unrestricted	(9,940,696)	(11,376,707)
Total net position	12,176,160	10,731,142
Total liabilities, deferred inflows of resources, and net position	$ 86,658,637	$ 96,275,330

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Activities
Year Ended June 30, 2014
(With Partial Comparative Information for the Year Ended June 30, 2013)

		2014			2013
		Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities					
Administration	$ 2,704,943	$ 421,626	$ 8,685	$ (2,274,632)	$ (2,083,505)
District support services	1,367,285	–	–	(1,367,285)	(1,344,273)
Elementary and secondary regular instruction	26,209,555	186,583	2,565,233	(23,457,739)	(23,913,846)
Vocational education instruction	523,544	–	2,216	(521,328)	(552,076)
Special education instruction	10,709,470	202,634	5,599,226	(4,907,610)	(5,462,269)
Instructional support services	2,665,280	–	–	(2,665,280)	(1,315,674)
Pupil support services	5,612,101	7,503	426,422	(5,178,176)	(4,422,772)
Sites and buildings	5,136,435	–	–	(5,136,435)	(6,654,356)
Fiscal and other fixed cost programs	279,042	–	–	(279,042)	(251,815)
Food service	2,372,816	410,452	1,828,221	(134,143)	139,585
Community service	1,335,512	354,961	538,094	(442,457)	(426,240)
Unallocated depreciation	3,296,138	–	–	(3,296,138)	(3,219,889)
Interest and fiscal charges	2,577,800	–	–	(2,577,800)	(2,483,173)
Total governmental activities	$ 64,789,921	$ 1,583,759	$10,968,097	(52,238,065)	(51,990,303)
General revenues					
Taxes					
Property taxes, levied for general purposes				7,599,679	11,269,476
Property taxes, levied for community service				227,924	439,171
Property taxes, levied for debt service				5,533,778	5,122,045
General grants and aids				39,261,648	33,166,877
Other general revenues				1,055,293	1,320,517
Investment earnings				4,761	12,335
Total general revenues				53,683,083	51,330,421
Change in net position				1,445,018	(659,882)
Net position – beginning				10,731,142	11,391,024
Net position – ending				$ 12,176,160	$ 10,731,142

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 280

Balance Sheet
Governmental Funds
as of June 30, 2014
(With Partial Comparative Information as of June 30, 2013)

	General Fund	Debt Service Fund	Nonmajor Funds
Assets			
Cash and temporary investments	$ 277,559	$ 3,572,969	$ 803,429
Receivables			
Current taxes	6,082,431	2,692,185	215,037
Delinquent taxes	36,672	16,892	1,458
Accounts and interest	244,784	–	839
Due from other governmental units	7,276,194	8	125,984
Due from OPEB trust	687,162	–	10,174
Inventory	28,959	–	56,845
Prepaid items	297,887	–	13,646
Total assets	$ 14,931,648	$ 6,282,054	$ 1,227,412
Liabilities			
Aid anticipation certificates	$ –	$ –	$ –
Salaries payable	318,952	–	36,596
Accounts and contracts payable	664,745	–	70,692
Accrued interest payable	–	–	–
Due to other governmental units	345,703	–	387,022
Due to other funds	–	–	–
Unearned revenue	–	–	–
Total liabilities	1,329,400	–	494,310
Deferred inflows of resources			
Property taxes levied for subsequent year	10,876,332	5,510,138	440,121
Unavailable revenue – delinquent taxes	36,672	16,892	1,458
Total deferred inflows of resources	10,913,004	5,527,030	441,579
Fund balances			
Nonspendable	326,846	–	70,491
Restricted	356,761	755,024	221,032
Assigned	1,093,890	–	–
Unassigned	911,747	–	–
Total fund balances	2,689,244	755,024	291,523
Total liabilities, deferred inflows of resources, and fund balances	$ 14,931,648	$ 6,282,054	$ 1,227,412

See notes to basic financial statements

Total Governmental Funds	
2014	2013
$ 4,653,957	$ 10,017,906
8,989,653	9,019,218
55,022	52,705
245,623	236,889
7,402,186	8,707,902
697,336	801,651
85,804	98,299
311,533	276,945
$ 22,441,114	$ 29,211,515
$ –	$ 13,000,000
355,548	275,278
735,437	991,696
–	173,908
732,725	875,612
–	6,595
–	34,220
1,823,710	15,357,309
16,826,591	11,653,266
55,022	52,705
16,881,613	11,705,971
397,337	375,244
1,332,817	962,633
1,093,890	227,762
911,747	582,596
3,735,791	2,148,235
$ 22,441,114	$ 29,211,515

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INDEPENDENT SCHOOL DISTRICT NO. 280

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2014
(With Partial Comparative Information as of June 30, 2013)

	2014	2013
Total fund balances – governmental funds	$ 3,735,791	$ 2,148,235
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	102,743,261	101,821,980
Accumulated depreciation	(45,995,725)	(42,669,884)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable.		
General obligation bonds	(46,390,000)	(50,925,000)
Capital leases	(2,197,996)	(2,134,230)
Severance benefits	(2,551,445)	(2,663,073)
Compensated absences	(305,574)	(280,670)
Net pension benefits obligation	(701,148)	(607,317)
Net other post-employment benefit obligations reported in the Statement of Net Position do not require the use of current financial resources and are not reported as assets (liabilities) in governmental funds until actually due.	4,207,143	5,941,245
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(1,033,004)	(1,016,065)
Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.	(1,269,536)	295,191
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.	1,879,371	768,025
Certain revenues (including delinquent property taxes) are included in net position, but are excluded from fund balances until they are available to liquidate liabilities of the current period.	55,022	52,705
Total net position – governmental activities	$ 12,176,160	$ 10,731,142

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2014
(With Partial Comparative Information for the Year Ended June 30, 2013)

	General Fund	Debt Service Fund	Nonmajor Funds
Revenue			
Local sources			
Property taxes	$ 7,594,508	$ 5,536,616	$ 227,940
Investment earnings	2,492	2,269	–
Other	1,834,550	–	783,526
State sources	44,992,848	77	779,218
Federal sources	2,671,161	–	1,807,417
Total revenue	57,095,559	5,538,962	3,598,101
Expenditures			
Current			
Administration	2,485,240	–	–
District support services	1,322,189	–	–
Elementary and secondary regular instruction	25,989,323	–	–
Vocational education instruction	506,708	–	–
Special education instruction	10,657,828	–	–
Instructional support services	2,633,320	–	–
Pupil support services	5,470,787	–	–
Sites and buildings	6,160,962	–	–
Fiscal and other fixed cost programs	279,042	–	–
Food service	–	–	2,134,369
Community service	–	–	1,289,624
Capital outlay	–	–	248,306
Debt service			
Principal	538,842	3,140,000	–
Interest and fiscal charges	117,371	2,420,521	–
Total expenditures	56,161,612	5,560,521	3,672,299
Excess (deficiency) of revenue over expenditures	933,947	(21,559)	(74,198)
Other financing sources (uses)			
Refunding bonds issued	–	16,765,000	–
Premiums on bonds issued	–	1,541,758	–
Bond refunding payments	–	(18,160,000)	–
Capital leases	602,608	–	–
Total other financing sources (uses)	602,608	146,758	–
Net change in fund balances	1,536,555	125,199	(74,198)
Fund balances			
Beginning of year	1,152,689	629,825	365,721
End of year	$ 2,689,244	$ 755,024	$ 291,523

See notes to basic financial statements

Total Governmental Funds		
	2014	2013
	$ 13,359,064	$ 16,946,646
	4,761	11,590
	2,618,076	2,786,960
	45,772,143	38,732,297
	4,478,578	4,139,092
	66,232,622	62,616,585
	2,485,240	2,352,202
	1,322,189	1,333,360
	25,989,323	25,418,747
	506,708	531,952
	10,657,828	10,195,144
	2,633,320	1,255,126
	5,470,787	5,096,974
	6,160,962	7,905,507
	279,042	251,815
	2,134,369	2,033,384
	1,289,624	1,216,976
	248,306	41,853
	3,678,842	3,568,330
	2,537,892	2,534,717
	65,394,432	63,736,087
	838,190	(1,119,502)
	16,765,000	–
	1,541,758	–
	(18,160,000)	–
	602,608	652,228
	749,366	652,228
	1,587,556	(467,274)
	2,148,235	2,615,509
	$ 3,735,791	$ 2,148,235

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INDEPENDENT SCHOOL DISTRICT NO. 280

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2014
(With Partial Comparative Information for the Year Ended June 30, 2013)

	2014	2013
Total net change in fund balances – governmental funds	$ 1,587,556	$ (467,274)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	1,109,654	1,615,714
Depreciation expense	(3,484,360)	(3,416,268)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.	(29,854)	–
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.	(17,367,608)	(652,228)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds	21,300,000	3,115,000
Capital leases	538,842	453,330
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Severance	111,628	(65,328)
Compensated absences	(24,904)	13,227
Net pension benefit obligations	(93,831)	(47,389)
Net other post-employment benefit obligations	(1,734,102)	(1,912,281)
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.	(16,939)	45,931
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.	(1,564,727)	5,613
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities on the Statement of Activities.	1,111,346	768,025
Certain revenues (including delinquent property taxes) are included in the change in net position, but are excluded from the change in fund balances until they are available to liquidate liabilities of the current period.	2,317	(115,954)
Change in net position – governmental activities	$ 1,445,018	$ (659,882)

See notes to basic financial statements

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Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended June 30, 2014

	Budgeted Amounts			
	Original	Final	Actual	Over (Under) Final Budget
Revenue				
Local sources				
Property taxes	$ 12,045,762	$ 11,744,896	$ 7,594,508	$ (4,150,388)
Investment earnings	25,000	25,000	2,492	(22,508)
Other	1,227,798	1,341,552	1,834,550	492,998
State sources	38,979,706	39,876,620	44,992,848	5,116,228
Federal sources	1,903,958	2,138,235	2,671,161	532,926
Total revenue	54,182,224	55,126,303	57,095,559	1,969,256
Expenditures				
Current				
Administration	2,367,307	2,415,406	2,485,240	69,834
District support services	1,373,494	1,456,909	1,322,189	(134,720)
Elementary and secondary regular instruction	25,332,519	25,933,218	25,989,323	56,105
Vocational education instruction	579,001	585,605	506,708	(78,897)
Special education instruction	10,472,217	10,220,972	10,657,828	436,856
Instructional support services	2,287,883	2,348,956	2,633,320	284,364
Pupil support services	4,421,793	4,728,380	5,470,787	742,407
Sites and buildings	6,335,817	6,238,628	6,160,962	(77,666)
Fiscal and other fixed cost programs	272,393	272,393	279,042	6,649
Debt service				
Principal	459,188	459,188	538,842	79,654
Interest and fiscal charges	188,953	315,953	117,371	(198,582)
Total expenditures	54,090,565	54,975,608	56,161,612	1,186,004
Excess of revenue over expenditures	91,659	150,695	933,947	783,252
Other financing sources				
Capital leases	–	–	602,608	602,608
Net change in fund balances	$ 91,659	$ 150,695	1,536,555	$ 1,385,860
Fund balances				
Beginning of year			1,152,689	
End of year			$ 2,689,244	

See notes to basic financial statements

Statement of Net Position
Proprietary Fund
Internal Service Fund
as of June 30, 2014
(With Partial Comparative Information as of June 30, 2013)

	2014	2013
Assets		
Current assets		
Cash and temporary investments	$ 3,258,157	$ 1,959,706
Receivables		
Accounts	4,687	6,495
Due from other funds	–	6,595
Prepaid items	–	4,273
Total assets	3,262,844	1,977,069
Liabilities		
Current liabilities		
Claims payable	542,439	391,677
Unearned revenue	841,034	817,367
Total liabilities	1,383,473	1,209,044
Net position		
Unrestricted	$ 1,879,371	$ 768,025

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Revenue, Expenses, and Changes in Net Position
Proprietary Fund
Internal Service Fund
Year Ended June 30, 2014
(With Partial Comparative Information for the Year Ended June 30, 2013)

	2014	2013
Operating revenue		
Contributions from governmental funds	$ 6,716,198	$ 6,066,697
Operating expenses		
Medical benefit claims	5,604,852	5,299,417
Operating income	1,111,346	767,280
Nonoperating revenue		
Investment earnings	–	745
Change in net position	1,111,346	768,025
Net position		
Beginning of year	768,025	–
End of year	$ 1,879,371	$ 768,025

See notes to basic financial statements

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INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Cash Flows
Proprietary Fund
Internal Service Fund
For the Year Ended June 30, 2014
(With Partial Comparative Information for the Year Ended June 30, 2013)

	2014	2013
Cash flows from operating activities		
Contributions from governmental funds	$ 6,748,268	$ 6,870,974
Payments for medical claims	(5,449,817)	(4,912,013)
Net cash flows from operating activities	1,298,451	1,958,961
Cash flows from investing activities		
Investment income received	–	745
Net change in cash and cash equivalents	1,298,451	1,959,706
Cash and cash equivalents		
Beginning of year	1,959,706	–
End of year	$ 3,258,157	$ 1,959,706
Reconciliation of operating income to net cash flows from operating activities		
Operating income	$ 1,111,346	$ 767,280
Adjustments to reconcile operating income to cash provided by operating activities		
Changes in assets and liabilities		
Accounts receivable	1,808	(6,495)
Due from other funds	6,595	(6,595)
Prepaid items	4,273	(4,273)
Claims payable	150,762	391,677
Unearned revenue	23,667	817,367
Net cash flows from operating activities	$ 1,298,451	$ 1,958,961

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 280

Statement of Fiduciary Net Position
Fiduciary Funds
as of June 30, 2014

	Scholarship Private-Purpose Trust Fund	Post-Employment Benefits Trust Fund
Assets		
Deposits	$ 414,695	$ 2,757,600
Investments held by trustee, at fair value		
State and local obligations	–	6,052,081
Negotiable certificates of deposit	–	2,143,915
MNTrust Investment Shares Portfolio	–	1,296,576
Accounts and interest receivable	2,778	87,433
Total assets	417,473	12,337,605
Liabilities		
Accounts payable	111	–
Due to district	–	697,336
Total liabilities	111	697,336
Net position		
Held in trust for employee benefits and other purposes	$ 417,362	$ 11,640,269

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2014

	Scholarship Private-Purpose Trust Fund	Post-Employment Benefits Trust Fund
Additions		
Contributions		
Private donations	$ 17,056	$ –
Investment earnings	6,149	188,957
Total additions	23,205	188,957
Deductions		
Benefits	–	697,419
Scholarships	21,962	–
Total deductions	21,962	697,419
Change in net position	1,243	(508,462)
Net position		
Beginning of year	416,119	12,148,731
End of year	$ 417,362	$ 11,640,269

See notes to basic financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 280, Richfield, Minnesota (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a six-member School Board elected by the voters of the District. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

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

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

In addition to component units, the District is required to disclose its relationships with related organizations. The District is a member of Technology and Information Educational Services (TIES), a consortium of Minnesota school districts that provides data processing services and support to its member districts. TIES is a separate legal entity that is financially independent of the District. Further, the District does not appoint a voting majority of TIES' Board of Directors. Therefore, TIES is not included as part of the District's reporting entity. During the 2014 fiscal year, the District paid $1,049,615 to TIES for goods and services provided.

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, the District's School Board can elect to either control or not control extracurricular activities. The District's School Board has elected to exercise control over extracurricular activities; therefore, the extracurricular student activity accounts are included in the District's General Fund.

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported instead as general revenues.

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

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. For capital assets that can be specifically identified with, or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. For capital assets that essentially serve all functional areas, depreciation expense is reported as "unallocated depreciation." Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

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. For this purpose, the District generally considers revenues to be available if they are collected within 60 days after year-end. Grants and similar revenues are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to Minnesota Statutes. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Internal service funds are presented in proprietary fund financial statements. Internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, the internal service funds are consolidated into the governmental column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Fiduciary funds, such as the Scholarship Private-Purpose Trust Fund and Post-Employment Benefits Trust Fund, are presented in the fiduciary fund financial statements by type. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements. The fiduciary funds are reported using the economic resources measurement focus and use the accrual basis of accounting as described earlier in these notes.

Description of Funds

The existence of the various district funds has been established by the Minnesota Department of Education. Each fund is accounted for as an independent entity. 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.

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

Nonmajor Governmental Funds

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is primarily used to account for the District's child nutrition program.

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

Proprietary Funds

Internal Service Funds – The District has established an internal service fund to account for the District's liabilities for self-insured medical benefits.

Fiduciary Funds

Scholarship Private-Purpose Trust Fund – The Scholarship Private-Purpose Trust Fund is used to account for resources held in trust to be used by various other third parties to award scholarships to former students of the District.

Post-Employment Benefits Trust Fund – The Post-Employment Benefits Trust Fund is used to administer assets held in an irrevocable trust to fund post-employment insurance benefits for eligible employees.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information

The School Board adopts an annual budget for all governmental funds on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted expenditure appropriations lapse at year-end. Actual expenditures exceeded final budgeted appropriations for fiscal 2014 by $1,186,004 in the General Fund, $33,186 in the Food Service Special Revenue Fund, $48,149 in the Community Service Special Revenue Fund, and $95,725 in the Debt Service Fund. In all cases, these variances were financed with revenues and/or other financing sources in excess of budget.

F. Cash and Temporary Investments

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

Cash and investments in the Post-Employment Benefits Trust Fund represents assets contributed to an irrevocable trust established to finance the District's liability for post-employment insurance benefits. Earnings from the investments of this trust are allocated directly to this fund. Earnings from the investments of the Scholarship Private-Purpose Trust Fund are allocated directly to that fund.

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

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

G. Receivables

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

H. Inventories

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

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recorded as expenditures/expenses when consumed.

J. Property Taxes

The majority of district revenue is determined annually by statutory funding formulas. The total revenue allowed by these formulas is allocated between property taxes and state aids by the Legislature based on education funding priorities. Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes $1,537,229 of the property tax levy collectible in 2014 as revenue to the District in fiscal year 2013–2014. The remaining portion of the taxes collectible in 2014 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

Property tax levies are certified to the County Auditor in December of each year for collection from taxpayers in May and October of the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Such taxes become a lien on property on the following January 1. The county generally remits taxes to the District at periodic intervals as they are collected.

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end as a deferred inflow of resources (unavailable revenue) in the fund financial statements because it is not known to be available to finance the operations of the District in the current year.

K. Capital Assets

Capital assets are capitalized at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair market value at the date of donation. Generally, the District defines capital assets as those with an initial, individual cost of $3,000 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

L. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

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

M. Compensated Absences

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Severance

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

Severance pay based on convertible sick leave is recorded as a liability in the government-wide financial statements as it is earned and it becomes probable that it will vest at some point in the future. Severance pay is accrued in the governmental fund financial statements as the liability matures due to employee retirement.

O. Deferred Inflows of Resources

In addition to liabilities, statements of financial position or balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items which qualify for reporting in this category.

The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the governmental funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available.

The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the governmental funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied, and in the governmental fund financial statements during the year for which they are levied, if available.

P. Interfund Balances

The current portions of interfund balances representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reported as due to/due from other funds. Interfund balances and transactions are reported in the fund financial statements, but are eliminated in the government-wide financial statements.

Q. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Risk Management

1. **General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which it carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal year 2014.

2. **Self-Insurance** – The District has established an internal service fund to account for and finance its uninsured risk of loss for its employee medial insurance plan. Under this plan, the Internal Service Fund provides coverage to participating employees and their dependents for various healthcare costs as described in the plans.

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

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

   Changes in the balance for health insurance claim liabilites for the last two years were as follows:

Fiscal Year Ended June 30,	Claims Payable Beginning of Year	Current Year Claims and Changes in Estimates	Claim Payments	Claims Payable End of Year
2013	$ –	$ 5,299,417	$ 4,907,740	$ 391,677
2014	$ 391,677	$ 5,604,852	$ 5,454,090	$ 542,439

S. Net Position

In the government-wide and proprietary fund financial statements, net position represents the difference between assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources. Net position is displayed in three components:

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Fund Balance Classifications

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

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

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the District's policy to first use restricted resources, then use unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use, it is the District's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

U. Prior Period Comparative Financial Information/Reclassification

The financial statements include partial prior year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2013, from which such partial information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

V. Future Change in Accounting Standards

GASB Statement No. 68 replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to employer governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement will be effective for fiscal years beginning after June 15, 2014. The District has not yet determined the financial statement impact of adopting this new standard.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	$	4,036,678
Investments		16,536,403
Cash on hand		3,900
Total	$	20,576,981

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

Cash and temporary investments		
Statement of Net Position	$	7,912,114
Deposits and investments		
Statement of Fiduciary Net Position		
Scholarship Private-Purpose Trust Fund		414,695
Post-Employment Benefits Trust Fund		12,250,172
Total	$	20,576,981

B. Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the School Board, including checking accounts, savings accounts, and non-negotiable certificates of deposit.

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

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

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

The District's deposit policies do not further limit depository choices.

At year-end, the carrying amount of the District's deposits was $4,036,678 while the balance on the bank records was $4,042,393. At June 30, 2014, all deposits were insured or collateralized by securities held by the District's agent in the District's name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments

The District has the following investments at year-end:

Investment Type	Credit Risk Rating	Credit Risk Agency	Interest Risk – Maturity Duration in Years Less Than 1	1 to 5	5 to 10	Total
State and local obligations	AAA	S&P	$ 1,018,840	$ –	$ –	$ 1,018,840
State and local obligations	AA	S&P	$ –	$ 3,710,379	$ 1,322,862	5,033,241
Negotiable certificates of deposit	Not Rated		$ 1,395,609	$ 909,038	$ 209,378	2,514,025
Investment pools	AAA	S&P	N/A	N/A	N/A	7,970,297
Total investments						$ 16,536,403

N/A – Not Applicable

The amount in investment pools includes $7,969,397 invested in the MNTrust Investment Shares Portfolio and $900 in the Minnesota School District Liquid Asset Fund, which are external investment pools regulated by Minnesota Statutes not registered with the Securities Exchange Commission (SEC) that follow the same regulatory rules of the SEC under rule 2a7. The District's investment in these funds is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value.

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

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

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the District's investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. For assets held in the Post-Employment Benefits Trust Fund, the investment options available to the District are expanded to include the investment types specified in Minnesota Statute § 356A.06, Subd. 7. The District's investment policies do not further restrict investing in specific financial instruments.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The District's investment policies do not limit the maturities of investments; however, when purchasing investments the District considers such things as interest rates and cash flow needs.

Concentration Risk – This is the risk associated with investing a significant portion of the District's investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District's investment policy limits the percentage of its total portfolio invested in certain instruments as follows: bankers' acceptances (25 percent), commercial paper (85 percent), repurchase agreements (25 percent), certificates of deposit (50 percent from commercial banks and 50 percent from savings and loan associations), and local government investment pools (75 percent). At June 30, 2014, the District's investment portfolio includes the following percentages of specific issuers:

State and local obligations	
ISD No. 181, Brainerd, Minnesota	9.8%
Monroe Township, New Jersey	8.0%
ISD No. 281, Robbinsdale, Minnesota	7.4%
Metropolitan Council of Minnesota	6.2%

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	$ 349,265	$ –	$ –	$ –	$ 349,265
Construction in progress	641,428	129,092	–	(770,520)	–
Total capital assets, not depreciated	990,693	129,092	–	(770,520)	349,265
Capital assets, depreciated					
Land improvements	5,826,114	18,560	–	657,596	6,502,270
Buildings	87,685,521	516,807	–	112,924	88,315,252
Equipment	7,319,652	445,195	(188,373)	–	7,576,474
Total capital assets, depreciated	100,831,287	980,562	(188,373)	770,520	102,393,996
Less accumulated depreciation for					
Land improvements	(2,308,972)	(372,491)	–	–	(2,681,463)
Buildings	(35,240,013)	(2,683,570)	–	–	(37,923,583)
Equipment	(5,120,899)	(428,299)	158,519	–	(5,390,679)
Total accumulated depreciation	(42,669,884)	(3,484,360)	158,519	–	(45,995,725)
Net capital assets, depreciated	58,161,403	(2,503,798)	(29,854)	770,520	56,398,271
Total capital assets, net	$ 59,152,096	$ (2,374,706)	$ (29,854)	$ –	$ 56,747,536

NOTE 3 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to the following governmental functions:

Administration	$ 564
District support services	2,360
Elementary and secondary regular instruction	21,101
Special education instruction	8,050
Community education and services	316
Instructional support services	3,012
Pupil support services	131,868
Sites and buildings	3,167
Food service	17,784
Unallocated depreciation	3,296,138
Total depreciation expense	$ 3,484,360

NOTE 4 – SHORT-TERM CASH FLOW BORROWING

In August 2012, the District issued short-term aid anticipation certificates for cash flow purposes with an interest rate of 1.50 percent and a final maturity date of September 8, 2013. In January 2014, the District entered into a line of credit agreement with a local bank for cash flow purposes with an interest rate of 2.38 percent and a final maturity of March 3, 2014. Interest and fiscal charges of $42,867 were incurred in the General Fund in the current year related to this debt. Short-term borrowing activity for the year ended June 30, 2014 is as follows:

Instrument	June 30, 2013	Additions	Retirements	June 30, 2014
Aid anticipation certificates	$ 13,000,000	$ –	$ 13,000,000	$ –
Line of credit	–	1,400,000	1,400,000	–
	$ 13,000,000	$ 1,400,000	$ 14,400,000	$ –

NOTE 5 – LONG-TERM LIABILITIES

A. General Obligation Bonds

The District currently has the following general obligation bonds outstanding:

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
2006B Alternative Facilities Bonds	03/15/2006	3.85–4.05%	$ 5,300,000	02/01/2025	$ 5,300,000
2008B Alternative Facilities Bonds	07/16/2008	3.95–4.13%	$ 6,340,000	02/01/2025	6,340,000
2008C Refunding Bonds	12/09/2008	3.25–4.00%	$ 9,500,000	02/01/2015	2,925,000
2009A Taxable OPEB Bonds	03/24/2009	5.00–5.75%	$ 15,885,000	02/01/2027	15,060,000
2013A Refunding Bonds	11/14/2013	3.00–4.00%	$ 16,765,000	02/01/2025	16,765,000
Total general obligation bonds					$ 46,390,000

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

These bonds were issued to finance the acquisition or construction of capital facilities, to finance the retirement (refund) of prior general obligation bond issues, or to finance other post-employment benefits (OPEB). Assets of the Debt Service Fund, together with future ad valorem tax levies, are dedicated for the retirement of these bonds. Future annual debt service levies authorized are equal to 105 percent of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

B. Capital Leases

The District has entered into a number of capital lease agreements for the purchase of equipment. At the end of each agreement, the District either owns the assets or has the right to purchase them for $1. All lease agreements are being paid by the General Fund. Capital lease agreements outstanding at year-end are as follows:

Asset Leased	Asset Value Capitalized	Interest Rate	Lease Date	Final Maturity	Principal Outstanding
Buses, computers, energy improvements	$ 1,234,000	4.86%	07/16/2007	07/16/2021	$ 466,148
Buses	169,688	4.21%	07/17/2008	07/17/2015	53,576
Buses	171,500	4.21%	07/17/2009	07/17/2016	79,593
Computers (1)	–	3.87%	07/17/2009	07/17/2014	47,323
Buses	182,282	3.97%	08/16/2010	08/10/2015	97,401
Computers (1)	–	3.45%	08/16/2010	08/10/2015	59,614
Buses	179,072	3.09%	07/01/2011	07/01/2018	131,916
Computers (1)	–	3.45%	07/01/2011	07/01/2016	97,823
Buses	268,062	2.18%	07/01/2012	07/01/2019	232,219
Computers (1)	–	2.14%	07/01/2012	07/01/2017	138,897
Baseball field lights	212,345	2.14%	07/31/2012	09/15/2017	141,380
Solar panels – Middle School	33,490	4.00%	09/01/2012	09/01/2022	28,336
Solar panels – High School	33,600	4.00%	11/01/2012	11/01/2022	28,914
Solar panels – STEM School	34,220	4.00%	08/01/2013	08/01/2023	28,566
Buses	266,862	1.91%	07/01/2013	07/01/2020	266,862
Computers (1)	–	1.91%	07/01/2013	07/01/2020	230,524
Apple iPads (1)	–	3.59%	10/30/2013	12/04/2015	68,904
Total capital leases					$ 2,197,996

(1) The values of the individual assets acquired through theses leases were below the District's capitalization threshold.

C. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including severance benefits, compensated absences, pension benefits, and OPEB. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are paid from the General Fund and the Food Service and Community Service Special Revenue Funds.

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

D. Minimum Debt Payments

Minimum annual principal and interest payments to maturity for general obligation bonds and capital leases are as follows:

Year Ending	General Obligation Bonds		Capital Leases	
June 30,	Principal	Interest	Principal	Interest
2015	$ 3,305,000	$ 2,190,643	$ 496,768	$ 71,532
2016	3,280,000	1,914,716	443,541	55,044
2017	3,295,000	1,780,116	372,297	40,918
2018	3,430,000	1,645,560	305,738	29,157
2019	3,565,000	1,505,491	224,210	20,076
2020–2024	19,865,000	5,289,825	355,442	25,513
2025–2027	9,650,000	925,635	–	–
	$ 46,390,000	$ 15,251,986	$ 2,197,996	$ 242,240

E. Changes in Long-Term Liabilities

	June 30, 2013	Additions	Retirements	June 30, 2014	Due Within One Year
General obligation bonds	$ 50,925,000	$ 16,765,000	$ 21,300,000	$ 46,390,000	$ 3,305,000
Premiums	4,213	1,541,758	97,653	1,448,318	–
Discounts	(299,404)	–	(120,622)	(178,782)	–
Capital leases	2,134,230	602,608	538,842	2,197,996	496,768
Severance benefits	2,663,073	93,047	204,675	2,551,445	244,917
Compensated absences	280,670	305,574	280,670	305,574	305,574
Net pension benefits obligation	607,317	212,331	118,500	701,148	–
	$ 56,315,099	$ 19,520,318	$ 22,419,718	$ 53,415,699	$ 4,352,259

NOTE 6 – FUND BALANCES

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

A. Classifications

At June 30, 2014, a summary of the District's governmental fund balance classifications are as follows:

	General Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable				
Inventory	$ 28,959	$ –	$ 56,845	$ 85,804
Prepaids	297,887	–	13,646	311,533
Total nonspendable	326,846	–	70,491	397,337
Restricted				
Operating capital	356,761	–	–	356,761
Gifted and talented	–	–	–	–
Debt service	–	755,024	–	755,024
Food service	–	–	77,488	77,488
Community education programs	–	–	129,565	129,565
Early childhood family education programs	–	–	5,314	5,314
School readiness	–	–	8,665	8,665
Total restricted	356,761	755,024	221,032	1,332,817
Assigned				
Wellness expo	672	–	–	672
Ship Grant	25,347	–	–	25,347
Kern Grant	1,805	–	–	1,805
Third party special education	99,769	–	–	99,769
Synthetic turf	97,022	–	–	97,022
Carryover	298,940	–	–	298,940
Technology	450,000	–	–	450,000
Student activities	120,335	–	–	120,335
Total assigned	1,093,890	–	–	1,093,890
Unassigned				
Health and safety restricted deficit	(236,894)	–	–	(236,894)
Capital projects levy account deficit	(128,939)	–	–	(128,939)
Unassigned	1,277,580	–	–	1,277,580
Total unassigned	911,747	–	–	911,747
Total	$ 2,689,244	$ 755,024	$ 291,523	$ 3,735,791

B. Minimum Unassigned Fund Balance Policy

The School Board has formally adopted a fund balance policy that establishes a desired unassigned General Fund balance goal of between 4–8 percent of annual projected expenditures.

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

A. Plan Description

The District provides post-employment insurance benefits to certain eligible employees through the Independent School District No. 280 OPEB Plan, a single-employer defined benefit plan administered by the District. All post-employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a publicly available financial report.

All retirees of the District have the option under state law to continue their medical insurance coverage through the District from the time of retirement until the employee reaches the age of eligibility for Medicare. For members of certain employee groups, the District pays the eligible retiree's premiums for medical (single or family coverage premium at active employee rates), dental (single or family coverage premium at active employee rates), and/or life insurance (coverage to 2–3 times their basic annual salary to a maximum of $300,000), for some period after retirement. The length of the benefits to be paid by the District differ by bargaining unit, with some contracts specifying a number of months of coverage based on years of service (ranging from 48–120 months coverage for 15–30 years of continuous service), and some covering premium costs from the time of retirement until the employee reaches the age of eligibility for Medicare.

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

B. Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined annually by the District. The District has established the Post-Employment Benefits Trust Fund to finance these obligations.

The District's annual OPEB cost (expense) is calculated based on annual required contributions (ARC) of the District, an amount determined on an actuarially determined basis in accordance with the parameters of GASB Statement Nos. 43 and 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the District's net OPEB obligation to the plan:

ARC	$ 1,578,442
Interest on net OPEB obligation	(207,944)
Adjustment to ARC	363,604
Annual OPEB cost (expense)	1,734,102
Contributions made	–
Change in net OPEB obligation	1,734,102
Net OPEB obligation – beginning of year	(5,941,245)
Negative net OPEB obligation – end of year	$ (4,207,143)

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

C. Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the negative net OPEB obligation for the years ended June 30, 2012, 2013, and 2014 are as follows:

Fiscal Year Ended June 30,	Net OPEB Obligation Beginning of Year	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Negative Net OPEB Obligation
2012	$ (9,815,546)	$ 1,962,020	$ –	–%	$ (7,853,526)
2013	$ (7,853,526)	$ 1,912,281	$ –	–%	$ (5,941,245)
2014	$ (5,941,245)	$ 1,734,102	$ –	–%	$ (4,207,143)

D. Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 60.3 percent funded. The actuarial accrued liability for benefits was $20,147,944, and the actuarial value of assets was $12,148,731, resulting in an unfunded actuarial accrued liability (UAAL) of $7,999,213. The covered payroll (annual payroll of active employees covered by the plan) was $27,822,941 and the ratio of the UAAL to the covered payroll was 28.8 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress immediately following the notes to basic financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 3.5 percent investment rate of return (net of administrative expenses) based on the District's own investments; an annual healthcare cost trend rate of 7.5 percent in 2013 grading to 5.0 percent after five years for medical insurance; and an annual healthcare trend rate of 4.0 percent for dental insurance. All rates included a 2.5 percent inflation assumption. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization periods at July 1, 2013 for the various amortization layers ranged from 26 to 30 years.

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

F. Post-Employment Benefits Trust Fund

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

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

G. Membership

Membership in the plan consisted of the following as of July 1, 2013:

Retirees and beneficiaries receiving benefits	96
Active plan members	635
Total members	731

NOTE 8 – PENSION BENEFITS PLAN

A. Plan Description

The District provides pension benefits to certain eligible employees through the Independent School District No. 280 Pension Benefits Plan, a single-employer defined benefit plan administered by the District. All pension benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a publicly available financial report. These benefits are summarized as follows:

Teacher Pension Benefits – For eligible teachers (with at least 15 years of continuous service and at least 55 years of age), the District pays a lump sum pension benefit that ranges from $7,500 to $10,000, based on years of service at retirement. Eligible teachers can earn an additional lump sum benefit of $5,000 if they have unused sick leave of more than 150 days at retirement.

Other Pension Benefits – The District offers pension benefits to several other employee groups. Eligible employees (with at least 15 years of continuous service and at least 55 years of age) can earn a lump sum pension benefit that differs by bargaining unit, ranging from $3,500 up to 50 percent of their annual salary.

B. Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements.

NOTE 8 – PENSION BENEFITS PLAN (CONTINUED)

C. Annual Pension Cost and Net Pension Obligation

The District's annual pension cost (expense) is calculated based on the ARC of the District, an amount determined on an actuarially determined basis in accordance with the parameters of GASB Statement Nos. 25, 27, and 50. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual pension cost for the year, the amount actually contributed, and the changes in the District's net pension obligation:

ARC	$ 225,018
Interest on net pension obligation	21,256
Adjustment to ARC	(33,943)
Annual pension cost	212,331
Contributions made	118,500
Increase in net pension obligation	93,831
Net pension obligation – beginning of year	607,317
Net pension obligation – end of year	$ 701,148

The District's annual pension cost, employer contributions, the percentage of annual pension cost contributed to the plan, and the net pension obligation for the years ended June 30, 2012, 2013, and 2014 are as follows:

Fiscal Year Ended June 30,	Net Pension Obligation Beginning of Year	Annual Pension Cost	Employer Contribution	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2012	$ 414,118	$ 202,098	$ 56,288	27.9%	$ 559,928
2013	$ 559,928	$ 201,048	$ 153,659	76.4%	$ 607,317
2014	$ 607,317	$ 212,331	$ 118,500	55.8%	$ 701,148

D. Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $1,814,447, and the actuarial value of assets was $0, resulting in a UAAL of $1,814,447. The covered payroll (annual payroll of active employees covered by the plan) was $27,822,941, and the ratio of the UAAL to the covered payroll was 6.5 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability occurrence of events far into the future. Examples include assumptions about future employment and mortality. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress immediately following the notes to basic financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 8 – PENSION BENEFITS PLAN (CONTINUED)

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 3.5 percent investment rate of return (net of administrative expenses) based on the District's own investments and a 3.0 percent salary increase for all members. All rates included a 2.5 percent inflation assumption. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization periods at July 1, 2013 for the various amortization layers ranged from 26 to 30 years.

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Substantially all employees of the District are required by state law to belong to defined benefit, multi-employer, cost-sharing pension plans administered by the Teachers' Retirement Association (TRA) or Public Employees' Retirement Association (PERA), all of which are administered on a state-wide basis. Disclosures relating to these plans are as follows:

Teachers' Retirement Association (TRA)

A. Plan Description

All teachers employed by the District are covered by defined benefit plans administered by the TRA. TRA members belong to either the Coordinated or 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. The plans are established and administered in accordance with Minnesota Statutes, Chapter 354 and 356.

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

Two methods are used to compute benefits for the TRA's Coordinated and Basic Plan members. Members first employed before July 1, 1989 receive the greater of the Tier I or Tier II benefits as described:

Tier I

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

With these provisions:

- Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- Three percent per year early retirement reduction factor for all years under normal retirement age.
- Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

Tier II

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for Coordinated Plan members and 2.7 percent per year for Basic Plan members. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated Plan members and 2.7 percent for Basic Plan members applies. Actuarially equivalent early retirement reduction factors with augmentation are used for early retirement before the normal age of 65. These reduction factors average approximately 4.0 to 5.4 percent per year.

Members first employed after June 30, 1989 receive only the Tier II calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death of the retiree—no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans that have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is eligible for a refund of their employee contributions plus interest.

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

The TRA publicly issues a comprehensive annual financial report presenting financial statements, supplemental information on funding levels, investment performance, and further information on benefits provisions. The report may be accessed at the TRA website at www.minnesotatra.org. Alternatively, a copy of the report may be obtained by writing the TRA at Teachers' Retirement Association, 60 Empire Drive, Suite 400, St. Paul, Minnesota 55103-4000 or by calling (651) 296–2409 or (800) 657–3669.

B. Funding Policy

Minnesota Statutes, Chapter 354 sets the rates for employee and employer contributions. These statutes are established and amended by the State Legislature. Coordinated and Basic Plan members are required to contribute 7.0 percent and 10.5 percent, respectively, of their annual covered salary during fiscal year 2014 as employee contributions. The TRA employer contribution rates are 7.0 percent for Coordinated Plan members and 11.0 percent for Basic Plan members during fiscal year 2014. Total covered payroll salaries for all TRA members state-wide during the fiscal years June 30, 2013, 2012, and 2011, were approximately $3.92 billion, $3.87 billion, and $3.84 billion, respectively.

The District's contributions for the years ended June 30, 2014, 2013, and 2012 were $1,656,049, $1,516,355, and $1,355,294, respectively, equal to the contractually required contributions for each year as set by state statutes.

The 2010 Legislature approved employee and employer contribution rate increases to be phased-in over a four-year period beginning July 1, 2011. Employee and employer contribution rates increased by 0.5 percent on July 1 of each year of the four-year period, ending in 2014. Beginning July 1, 2014, TRA Coordinated Plan employee and employer contribution rates will each be 7.5 percent.

Public Employees' Retirement Association (PERA)

A. Plan Description

All non-teacher full-time and certain part-time employees of the District are covered by defined benefit plans administered by the PERA. The 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.

The 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 statutes, and vest after five 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.

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Two methods are used to compute benefits for the PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For all GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree—no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants.

The PERA issues a publicly available financial report that includes financial statements and required supplementary information for the GERF. That report may be obtained on the PERA website at www.mnpera.org; by writing to the PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling (651) 296-7460 or (800) 652-9026.

B. 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. The GERF Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.25 percent, respectively, of their annual covered salary in fiscal 2014. In fiscal 2014, the District was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members and 7.25 percent for Coordinated Plan members.

The District's contributions to the GERF for the years ended June 30, 2014, 2013, and 2012 were $583,283, $574,508, and $573,122, respectively, equal to the contractually required contributions for each year as set by state statutes.

Beginning January 1, 2015, Coordinated Plan contribution rates will increase for employees and employers to 6.50 percent and 7.50 percent, respectively.

NOTE 10 – FLEXIBLE BENEFIT PLAN

The District has established the Richfield Employees' Flex-Benefits Plan (the Plan). The Plan is a flexible benefit plan classified as a "cafeteria plan" under § 125 of the Internal Revenue Code. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the Plan for health insurance, healthcare, and dependent care benefits. Payments are made from the Plan to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the participant.

Before the beginning of the Plan year, which is from July 1 to June 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 medical expense contributions to the Plan, whether or not such contributions have been made.

The employee portion of insurance premiums (health, dental, and disability) are withheld and paid by the District directly to the designated insurance companies. The dependent care and medical expense reimbursement portions of the Plan are administered by an independent contact administrator. All plan activity is accounted for in the General Fund and special revenue funds. All property of the Plan 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 the eligible healthcare 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 11 – COMMITMENTS AND CONTINGENCIES

A. Legal Claims

The District has the usual and customary types of miscellaneous legal claims pending at year-end, mostly of a minor nature and usually covered by insurance carried for that purpose.

B. Federal and State Receivables

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

REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 280 Other Post-Employment Benefits Plan
Schedule of Funding Progress and Schedule of Employer Contributions

The following schedules present trend information about the funding progress and amounts contributed to the Independent School District No. 280 Other Post-Employment Benefits Plan administered by the District:

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
July 1, 2009	$ 17,599,688	$ 15,053,599	$ 2,546,089	85.5 %	$ 25,945,671	9.8%
July 1, 2011	$ 20,945,924	$ 13,223,909	$ 7,722,015	63.1 %	$ 28,037,573	27.5%
July 1, 2013	$ 20,147,944	$ 12,148,731	$ 7,999,213	60.3 %	$ 27,822,941	28.8%

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed	(Negative) Net OPEB Obligation
2009	$ 1,853,459	812.2 %	$ (12,521,012)
2010	$ 1,186,948	– %	$ (11,187,232)
2011	$ 1,150,261	– %	$ (9,815,546)
2012	$ 1,642,290	– %	$ (7,853,526)
2013	$ 1,731,437	– %	$ (5,941,245)
2014	$ 1,578,442	– %	$ (4,207,143)

Independent School District No. 280 Pension Benefits Plan
Schedule of Funding Progress

The following schedule presents trend information about the funding progress of the Independent School District No. 280 Pension Benefits Plan administered by the District:

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
July 1, 2009	$ 1,743,881	$ –	$ 1,743,881	– %	$ 25,945,671	6.7 %
July 1, 2011	$ 1,702,807	$ –	$ 1,702,807	– %	$ 28,037,573	6.1 %
July 1, 2013	$ 1,814,447	$ –	$ 1,814,447	– %	$ 27,822,941	6.5 %

SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 280

Nonmajor Governmental Funds
Combining Balance Sheet
as of June 30, 2014

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	$ 146,747	$ 656,682	$ 803,429
Receivables			
Current taxes	–	215,037	215,037
Delinquent taxes	–	1,458	1,458
Accounts and interest	301	538	839
Due from other governmental units	–	125,984	125,984
Due from OPEB trust	6,701	3,473	10,174
Inventory	56,845	–	56,845
Prepaid items	5,007	8,639	13,646
Total assets	$ 215,601	$ 1,011,811	$ 1,227,412
Liabilities			
Salaries payable	$ 16,154	$ 20,442	$ 36,596
Accounts and contracts payable	58,523	12,169	70,692
Due to other governmental units	1,584	385,438	387,022
Total liabilities	76,261	418,049	494,310
Deferred inflows of resources			
Property taxes levied for subsequent year	–	440,121	440,121
Deferred revenue – delinquent taxes	–	1,458	1,458
Total deferred inflows of resources	–	441,579	441,579
Fund balances			
Nonspendable	61,852	8,639	70,491
Restricted	77,488	143,544	221,032
Total fund balances	139,340	152,183	291,523
Total liabilities, deferred inflows of resources, and fund balances	$ 215,601	$ 1,011,811	$ 1,227,412

INDEPENDENT SCHOOL DISTRICT NO. 280

Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2014

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	$ –	$ 227,940	$ 227,940
Other	422,694	360,832	783,526
State sources	97,286	681,932	779,218
Federal sources	1,730,935	76,482	1,807,417
Total revenue	2,250,915	1,347,186	3,598,101
Expenditures			
Current			
Food service	2,134,369	–	2,134,369
Community service	–	1,289,624	1,289,624
Capital outlay	227,284	21,022	248,306
Total expenditures	2,361,653	1,310,646	3,672,299
Net change in fund balances	(110,738)	36,540	(74,198)
Fund balances			
Beginning of year	250,078	115,643	365,721
End of year	$ 139,340	$ 152,183	$ 291,523

INDEPENDENT SCHOOL DISTRICT NO. 280

General Fund
Comparative Balance Sheet
as of June 30, 2014 and 2013

	2014	2013
Assets		
Cash and temporary investments	$ 277,559	$ 6,070,741
Receivables		
Current taxes	6,082,431	5,938,922
Delinquent taxes	36,672	31,501
Accounts and interest	244,784	236,169
Due from other governmental units	7,276,194	8,630,854
Due from OPEB trust	687,162	788,624
Inventory	28,959	31,191
Prepaid items	297,887	271,394
Total assets	$ 14,931,648	$ 21,999,396
Liabilities		
Aid anticipation certificates	$ –	$ 13,000,000
Salaries payable	318,952	253,037
Accounts and contracts payable	664,745	948,512
Accrued interest payable	–	173,908
Due to other governmental units	345,703	499,955
Unearned revenue	–	34,220
Total liabilities	1,329,400	14,909,632
Deferred inflows of resources		
Property taxes levied for subsequent year	10,876,332	5,905,574
Unavailable revenue – delinquent taxes	36,672	31,501
Total deferred inflows of resources	10,913,004	5,937,075
Fund balances (deficits)		
Nonspendable for inventory	28,959	31,191
Nonspendable for prepaids	297,887	271,394
Restricted for operating capital	356,761	28,509
Restricted for gifted and talented	–	11,237
Assigned for wellness expo	672	471
Assigned for Ship Grant	25,347	22,796
Assigned for Kern Grant	1,805	1,805
Assigned for third party special education	99,769	13,249
Assigned for synthetic turf	97,022	53,666
Assigned for carryover spending	298,940	–
Assigned for technology	450,000	–
Assigned for student activities	120,335	135,775
Unassigned – health and safety restricted account deficit	(236,894)	(164,664)
Unassigned – capital projects levy account deficit	(128,939)	(32,255)
Unassigned	1,277,580	779,515
Total fund balances	2,689,244	1,152,689
Total liabilities, deferred inflows of resources, and fund balances	$ 14,931,648	$ 21,999,396

INDEPENDENT SCHOOL DISTRICT NO. 280

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014			2013
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 11,744,896	$ 7,594,508	$ (4,150,388)	$ 11,353,435
Investment earnings	25,000	2,492	(22,508)	9,429
Other	1,341,552	1,834,550	492,998	2,079,268
State sources	39,876,620	44,992,848	5,116,228	38,123,440
Federal sources	2,138,235	2,671,161	532,926	2,391,684
Total revenue	55,126,303	57,095,559	1,969,256	53,957,256
Expenditures				
Current				
Administration				
Salaries	1,602,608	1,607,073	4,465	1,529,786
Employee benefits	498,129	536,878	38,749	491,976
Purchased services	58,656	86,214	27,558	70,034
Supplies and materials	170,691	145,145	(25,546)	170,730
Capital expenditures	20,000	39,362	19,362	28,825
Other expenditures	65,322	70,568	5,246	60,851
Total administration	2,415,406	2,485,240	69,834	2,352,202
District support services				
Salaries	682,184	689,504	7,320	656,109
Employee benefits	324,980	261,032	(63,948)	258,601
Purchased services	325,814	325,226	(588)	283,398
Supplies and materials	50,875	37,897	(12,978)	30,330
Capital expenditures	–	–	–	52,246
Other expenditures	73,056	8,530	(64,526)	52,676
Total district support services	1,456,909	1,322,189	(134,720)	1,333,360
Elementary and secondary regular instruction				
Salaries	17,437,300	17,012,228	(425,072)	16,912,627
Employee benefits	6,213,335	6,416,357	203,022	6,097,684
Purchased services	1,214,930	1,455,867	240,937	1,589,016
Supplies and materials	581,610	726,302	144,692	635,173
Capital expenditures	193,126	347,516	154,390	146,890
Other expenditures	292,917	31,053	(261,864)	37,357
Total elementary and secondary regular instruction	25,933,218	25,989,323	56,105	25,418,747

(continued)

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014			2013
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	286,276	286,310	34	322,474
Employee benefits	104,421	106,404	1,983	113,189
Purchased services	177,458	90,834	(86,624)	76,232
Supplies and materials	17,450	23,160	5,710	20,057
Total vocational education instruction	585,605	506,708	(78,897)	531,952
Special education instruction				
Salaries	6,474,212	6,809,225	335,013	6,515,426
Employee benefits	2,598,442	2,675,845	77,403	2,675,858
Purchased services	1,034,455	1,047,711	13,256	910,431
Supplies and materials	102,620	104,361	1,741	81,630
Capital expenditures	7,700	17,886	10,186	8,937
Other expenditures	3,543	2,800	(743)	2,862
Total special education instruction	10,220,972	10,657,828	436,856	10,195,144
Instructional support services				
Salaries	1,232,713	1,210,378	(22,335)	741,810
Employee benefits	413,804	455,468	41,664	256,379
Purchased services	275,221	404,963	129,742	44,530
Supplies and materials	234,418	162,526	(71,892)	40,371
Capital expenditures	62,800	399,985	337,185	172,029
Other expenditures	130,000	–	(130,000)	7
Total instructional support services	2,348,956	2,633,320	284,364	1,255,126
Pupil support services				
Salaries	2,060,256	2,105,978	45,722	1,979,758
Employee benefits	819,550	804,631	(14,919)	746,031
Purchased services	1,460,834	1,900,584	439,750	1,749,085
Supplies and materials	383,325	382,041	(1,284)	342,682
Capital expenditures	3,500	277,183	273,683	278,993
Other expenditures	915	370	(545)	425
Total pupil support services	4,728,380	5,470,787	742,407	5,096,974

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 280

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014			2013
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	1,649,175	1,698,710	49,535	2,215,837
Employee benefits	697,012	741,014	44,002	940,570
Purchased services	2,360,223	2,330,503	(29,720)	2,095,164
Supplies and materials	859,899	838,314	(21,585)	768,303
Capital expenditures	672,319	552,421	(119,898)	1,758,720
Other expenditures	–	–	–	126,913
Total sites and buildings	6,238,628	6,160,962	(77,666)	7,905,507
Fiscal and other fixed cost programs				
Purchased services	259,393	265,865	6,472	239,724
Other expenditures	13,000	13,177	177	12,091
Total fiscal and other fixed cost programs	272,393	279,042	6,649	251,815
Debt service				
Principal	459,188	538,842	79,654	453,330
Interest and fiscal charges	315,953	117,371	(198,582)	142,695
Total debt service	775,141	656,213	(118,928)	596,025
Total expenditures	54,975,608	56,161,612	1,186,004	54,936,852
Excess (deficiency) of revenue over expenditures	150,695	933,947	783,252	(979,596)
Other financing sources				
Capital leases	–	602,608	602,608	652,228
Net change in fund balances	$ 150,695	1,536,555	$ 1,385,860	(327,368)
Fund balances				
Beginning of year		1,152,689		1,480,057
End of year		$ 2,689,244		$ 1,152,689

INDEPENDENT SCHOOL DISTRICT NO. 280

Food Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2014 and 2013

	2014	2013
Assets		
Cash and temporary investments	$ 146,747	$ 212,354
Receivables		
Accounts and interest	301	402
Due from OPEB trust	6,701	8,313
Inventory	56,845	67,108
Prepaid items	5,007	4,521
Total assets	$ 215,601	$ 292,698
Liabilities		
Salaries payable	$ 16,154	$ 5,890
Accounts and contracts payable	58,523	31,621
Due to other governmental units	1,584	278
Due to other funds	–	4,831
Total liabilities	76,261	42,620
Fund balances		
Nonspendable for inventory	56,845	67,108
Nonspendable for prepaids	5,007	4,521
Restricted for food service	77,488	178,449
Total fund balances	139,340	250,078
Total liabilities and fund balances	$ 215,601	$ 292,698

INDEPENDENT SCHOOL DISTRICT NO. 280

Food Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014			2013
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	$ –	$ –	$ –	$ 172
Other – primarily meal sales	402,500	422,694	20,194	401,283
State sources	80,000	97,286	17,286	80,325
Federal sources	1,720,000	1,730,935	10,935	1,747,408
Total revenue	2,202,500	2,250,915	48,415	2,229,188
Expenditures				
Current				
Salaries	673,517	683,029	9,512	655,709
Employee benefits	270,450	294,878	24,428	272,901
Purchased services	110,500	119,441	8,941	135,034
Supplies and materials	1,064,000	1,034,268	(29,732)	967,213
Other expenditures	5,000	2,753	(2,247)	2,527
Capital outlay	205,000	227,284	22,284	41,853
Total expenditures	2,328,467	2,361,653	33,186	2,075,237
Net change in fund balances	$ (125,967)	(110,738)	$ 15,229	153,951
Fund balances				
Beginning of year		250,078		96,127
End of year		$ 139,340		$ 250,078

INDEPENDENT SCHOOL DISTRICT NO. 280

Community Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2014 and 2013

	2014	2013
Assets		
Cash and temporary investments	$ 656,682	$ 436,729
Receivables		
Current taxes	215,037	231,626
Delinquent taxes	1,458	1,474
Accounts and interest	538	318
Due from other governmental units	125,984	76,894
Due from OPEB trust	3,473	4,714
Prepaid items	8,639	1,030
Total assets	$ 1,011,811	$ 752,785
Liabilities		
Salaries payable	$ 20,442	$ 16,351
Accounts and contracts payable	12,169	11,563
Due to other governmental units	385,438	375,379
Due to other funds	–	1,764
Total liabilities	418,049	405,057
Deferred inflows of resources		
Property taxes levied for subsequent year	440,121	230,611
Deferred revenue – delinquent taxes	1,458	1,474
Total deferred inflows of resources	441,579	232,085
Fund balances		
Nonspendable for prepaids	8,639	1,030
Restricted for community education programs	129,565	100,636
Restricted for early childhood family education programs	5,314	5,314
Restricted for school readiness	8,665	8,663
Total fund balances	152,183	115,643
Total liabilities, deferred inflows of resources, and fund balances	$ 1,011,811	$ 752,785

INDEPENDENT SCHOOL DISTRICT NO. 280

Community Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014			2013
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 573,426	$ 227,940	$ (345,486)	$ 442,257
Investment earnings	–	–	–	292
Other – primarily tuition and fees	324,620	360,832	36,212	306,409
State sources	371,601	681,932	310,331	527,398
Federal sources	–	76,482	76,482	–
Total revenue	1,269,647	1,347,186	77,539	1,276,356
Expenditures				
Current				
Salaries	500,361	355,875	(144,486)	384,788
Employee benefits	94,529	120,186	25,657	109,579
Purchased services	573,583	709,871	136,288	624,848
Supplies and materials	83,324	94,160	10,836	88,023
Other expenditures	9,700	9,532	(168)	9,738
Capital outlay	1,000	21,022	20,022	–
Total expenditures	1,262,497	1,310,646	48,149	1,216,976
Net change in fund balances	$ 7,150	36,540	$ 29,390	59,380
Fund balances				
Beginning of year		115,643		56,263
End of year		$ 152,183		$ 115,643

INDEPENDENT SCHOOL DISTRICT NO. 280

Debt Service Fund
Comparative Balance Sheet
as of June 30, 2014
(With Comparative Totals as of June 30, 2013)

	Regular Debt Service Account	OPEB Debt Service Account	Totals 2014	Totals 2013
Assets				
Cash and temporary investments	$ 2,750,894	$ 822,075	$ 3,572,969	$ 3,298,082
Receivables				
Current taxes	2,110,717	581,468	2,692,185	2,848,670
Delinquent taxes	13,090	3,802	16,892	19,730
Due from other governmental units	6	2	8	154
Total assets	$ 4,874,707	$ 1,407,347	$ 6,282,054	$ 6,166,636
Deferred inflows of resources				
Property taxes levied for subsequent year	$ 4,320,039	$ 1,190,099	$ 5,510,138	$ 5,517,081
Deferred revenue – delinquent taxes	13,090	3,802	16,892	19,730
Total deferred inflows of resources	4,333,129	1,193,901	5,527,030	5,536,811
Fund balances				
Restricted for debt service	541,578	213,446	755,024	629,825
Total deferred inflows of resources and fund balances	$ 4,874,707	$ 1,407,347	$ 6,282,054	$ 6,166,636

INDEPENDENT SCHOOL DISTRICT NO. 280

Debt Service Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2014
(With Comparative Actual Amounts for the Year Ended June 30, 2013)

	2014					2013
		Actual				
	Budget	Regular Debt Service Account	OPEB Debt Service Account	Total	Over (Under) Budget	Actual
Revenue						
Local sources						
Property taxes	$ 5,516,981	$ 4,224,123	$ 1,312,493	$ 5,536,616	$ 19,635	$ 5,150,954
Investment earnings	5,000	2,269	–	2,269	(2,731)	1,697
State sources	–	58	19	77	77	1,134
Total revenue	5,521,981	4,226,450	1,312,512	5,538,962	16,981	5,153,785
Expenditures						
Debt service						
Principal	3,140,000	2,765,000	375,000	3,140,000	–	3,115,000
Interest	2,274,796	1,441,740	833,056	2,274,796	–	2,387,240
Fiscal charges and other	50,000	145,275	450	145,725	95,725	4,782
Total expenditures	5,464,796	4,352,015	1,208,506	5,560,521	95,725	5,507,022
Excess (deficiency) of revenue over expenditures	57,185	(125,565)	104,006	(21,559)	(78,744)	(353,237)
Other financing sources (uses)						
Refunding bonds issued	–	16,765,000	–	16,765,000	16,765,000	–
Premiums on bonds issued	–	1,541,758	–	1,541,758	1,541,758	–
Bond refunding payments	–	(18,160,000)	–	(18,160,000)	(18,160,000)	–
Total other financing sources (uses)	–	146,758	–	146,758	146,758	–
Net change in fund balances	$ 57,185	21,193	104,006	125,199	$ 68,014	(353,237)
Fund balances						
Beginning of year		520,385	109,440	629,825		983,062
End of year		$ 541,578	$ 213,446	$ 755,024		$ 629,825

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OTHER DISTRICT INFORMATION

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INDEPENDENT SCHOOL DISTRICT NO. 280

Government-Wide Revenue by Type
Last Ten Fiscal Years

	Program Revenues		General Revenues			
Year Ended June 30,	Charges for Services	Operating Grants and Contributions	Property Taxes	General Grants and Aids	Investment Earnings and Other	Total
2005	$ 2,099,664	$ 7,472,080	$ 10,041,109	$ 27,095,435	$ 1,150,797	$ 47,859,085
	4.4%	15.6%	21.0%	56.6%	2.4%	100.0%
2006	2,021,183	8,113,107	8,405,734	30,406,743	8,359,309	57,306,076
	3.5%	14.2%	14.7%	53.1%	14.5%	100.0%
2007	1,713,644	8,625,652	12,332,514	29,313,277	1,759,280	53,744,367
	3.2%	16.1%	22.9%	54.5%	3.3%	100.0%
2008	1,477,447	8,581,588	13,856,102	30,186,960	2,249,216	56,351,313
	2.6%	15.2%	24.6%	53.6%	4.0%	100.0%
2009	1,336,533	8,756,114	14,821,178	31,124,669	1,484,407	57,522,901
	2.3%	15.2%	25.8%	54.1%	2.6%	100.0%
2010	1,317,261	9,590,517	15,565,797	29,656,010	1,148,554	57,278,139
	2.3%	16.7%	27.2%	51.8%	2.0%	100.0%
2011	1,351,240	10,298,601	20,230,069	27,076,258	1,021,567	59,977,735
	2.3%	17.2%	33.7%	45.1%	1.7%	100.0%
2012	1,323,815	9,293,298	15,535,989	32,608,548	1,140,976	59,902,626
	2.2%	15.5%	25.9%	54.5%	1.9%	100.0%
2013	1,424,268	9,746,687	16,830,692	33,166,877	1,332,852	62,501,376
	2.3%	15.6%	26.9%	53.1%	2.1%	100.0%
2014	1,583,759	10,968,097	13,361,381	39,261,648	1,060,054	66,234,939
	2.4%	16.5%	20.2%	59.3%	1.6%	100.0%

Note 1: The impact of legislative changes to the “tax shift” on the amount of tax revenue recognized were particularly significant in fiscal years 2006, 2011, and 2014. These changes were offset by equal adjustments to state aid payments.

Note 2: In fiscal year 2006, investment earnings and other includes a $6,378,324 gain on the sale of a district elementary school building and land.

Government-Wide Expenses by Program
Last Ten Fiscal Years

Year Ended June 30,	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction	Instructional Support Services	Pupil Support Services
2005	$ 1,797,881	$ 1,416,049	$ 18,532,065	$ 720,765	$ 7,068,962	$ 2,661,851	$ 3,627,859
	3.8%	3.0%	38.9%	1.5%	14.8%	5.6%	7.6%
2006	1,310,473	1,519,966	21,297,644	636,714	7,820,660	1,526,701	3,913,166
	2.6%	3.1%	43.0%	1.3%	15.8%	3.1%	7.9%
2007	2,805,805	1,242,098	23,423,221	548,863	8,528,487	1,568,937	3,883,555
	5.2%	2.3%	43.2%	1.0%	15.7%	2.9%	7.2%
2008	2,168,712	1,677,360	23,719,658	713,696	8,359,431	1,365,116	4,466,203
	3.9%	3.0%	42.7%	1.3%	15.0%	2.5%	8.0%
2009	2,325,051	1,352,282	24,404,170	811,352	8,683,632	1,476,300	4,725,255
	4.0%	2.3%	41.8%	1.4%	14.9%	2.5%	8.1%
2010	2,408,132	1,387,693	24,525,779	804,192	9,356,398	1,729,489	4,423,174
	4.0%	2.3%	40.8%	1.3%	15.6%	2.9%	7.4%
2011	2,364,391	1,365,550	25,498,288	752,047	9,275,816	1,439,697	4,514,682
	3.9%	2.2%	41.8%	1.2%	15.2%	2.4%	7.4%
2012	2,469,933	1,427,634	26,191,779	725,344	9,935,410	1,442,920	4,942,630
	3.9%	2.3%	41.5%	1.2%	15.7%	2.3%	7.8%
2013	2,463,144	1,344,273	26,204,800	552,076	10,325,009	1,315,674	5,014,798
	3.9%	2.1%	41.5%	0.9%	16.4%	2.1%	7.9%
2014	2,704,943	1,367,285	26,209,555	523,544	10,709,470	2,665,280	5,612,101
	4.2%	2.1%	40.4%	0.8%	16.5%	4.1%	8.7%

Sites and Buildings	Fiscal and Other Fixed Cost Programs	Food Service	Community Service	Unallocated Depreciation	Interest and Fiscal Charges	Total
$ 6,260,263	$ 250,585	$ 1,252,367	$ 1,029,239	$ 1,285,004	$ 1,779,654	$ 47,682,544
13.1%	0.5%	2.6%	2.2%	2.7%	3.7%	100.0%
5,329,398	230,866	1,297,861	1,100,530	1,574,277	1,933,361	49,491,617
10.8%	0.5%	2.6%	2.2%	3.2%	3.9%	100.0%
6,028,263	142,414	1,372,994	1,117,676	1,589,890	1,956,655	54,208,858
11.1%	0.3%	2.5%	2.1%	2.9%	3.6%	100.0%
5,917,173	221,147	1,471,722	1,271,519	2,356,446	1,825,296	55,533,479
10.7%	0.4%	2.7%	2.3%	4.2%	3.3%	100.0%
6,399,723	315,921	1,501,484	1,291,549	2,690,491	2,360,774	58,337,984
11.0%	0.5%	2.6%	2.2%	4.6%	4.1%	100.0%
6,803,508	216,135	1,570,841	1,289,240	3,014,043	2,606,195	60,134,819
11.3%	0.4%	2.6%	2.1%	5.0%	4.3%	100.0%
6,732,002	220,807	1,809,824	1,320,500	3,066,722	2,675,391	61,035,717
11.0%	0.4%	3.0%	2.2%	5.0%	4.3%	100.0%
6,635,565	233,039	1,985,798	1,307,059	3,216,881	2,613,772	63,127,764
10.5%	0.4%	3.1%	2.1%	5.1%	4.1%	100.0%
6,654,356	251,815	2,086,777	1,245,474	3,219,889	2,483,173	63,161,258
10.5%	0.4%	3.3%	2.0%	5.1%	3.9%	100.0%
5,136,435	279,042	2,372,816	1,335,512	3,296,138	2,577,800	64,789,921
7.9%	0.4%	3.7%	2.1%	5.1%	4.0%	100.0%

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INDEPENDENT SCHOOL DISTRICT NO. 280

General Fund Revenue by Source
Last Ten Fiscal Years

Year Ended June 30,	Local Property Tax Levies	State Revenue	Federal Revenue	Other Local and Miscellaneous	Total
2005	$ 6,220,060	$ 31,224,780	$ 1,804,190	$ 2,470,945	$ 41,719,975
	15%	75%	4%	6%	100%
2006	4,700,729	34,724,834	2,159,582	2,976,986	44,562,131
	10%	78%	5%	7%	100%
2007	8,724,707	34,369,539	2,069,251	2,443,927	47,607,424
	18%	72%	5%	5%	100%
2008	9,524,201	34,942,045	2,260,546	2,707,289	49,434,081
	19%	71%	5%	5%	100%
2009	10,545,970	35,683,368	2,361,394	2,036,664	50,627,396
	21%	70%	5%	4%	100%
2010	11,237,159	31,609,959	5,584,065	1,806,853	50,238,036
	22%	63%	11%	4%	100%
2011	14,917,502	31,958,208	3,358,156	1,845,918	52,079,784
	29%	61%	6%	4%	100%
2012	10,587,151	37,026,885	2,497,377	1,819,060	51,930,473
	20%	71%	5%	4%	100%
2013	11,353,435	38,123,440	2,391,684	2,088,697	53,957,256
	21%	71%	4%	4%	100%
2014	7,594,508	44,992,848	2,671,161	1,837,042	57,095,559
	13%	79%	5%	3%	100%

Note: The impact of legislative changes to the “tax shift” on the amount of tax revenue recognized were particularly significant in fiscal years 2006, 2011, and 2014. These changes were offset by equal adjustments to state aid payments.

INDEPENDENT SCHOOL DISTRICT NO. 280

General Fund Expenditures by Program
Last Ten Fiscal Years

Year Ended June 30,	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction
2005	$ 1,676,301	$ 1,409,437	$ 18,811,523	$ 720,765	$ 7,067,531
	4%	3%	44%	2%	17%
2006	1,732,357	1,358,000	21,664,472	636,714	7,819,229
	4%	3%	48%	1%	17%
2007	1,967,668	1,461,953	23,241,106	548,863	8,527,056
	4%	3%	46%	1%	17%
2008	2,164,045	1,625,689	23,842,763	699,572	8,109,396
	4%	3%	44%	1%	15%
2009	2,991,419	1,637,303	31,655,973	997,170	11,003,461
	5%	3%	49%	1%	17%
2010	2,236,456	1,344,757	23,715,332	783,680	9,090,519
	4%	3%	46%	1%	18%
2011	2,371,106	1,339,401	25,134,023	731,005	9,100,333
	4%	3%	47%	1%	17%
2012	2,353,857	1,365,761	25,066,366	695,800	9,548,848
	4%	3%	46%	1%	18%
2013	2,352,202	1,333,360	25,418,747	531,952	10,195,144
	4%	3%	46%	1%	19%
2014	2,485,240	1,322,189	25,989,323	506,708	10,657,828
	4%	2%	46%	1%	19%

Note: In 2009, General Fund expenditures were increased due to the District issuing $15.9 million of general obligation OPEB bonds and contributing the proceeds to an irrevocable trust.

Instructional Support Services	Pupil Support Services	Sites and Buildings	Other Programs	Total
$ 2,658,106	$ 3,787,447	$ 5,865,258	$ 404,554	$ 42,400,922
6%	9%	14%	1%	100%
172,018	3,865,870	6,345,374	501,104	44,095,138
3%	9%	14%	1%	100%
1,598,976	4,197,915	8,553,120	443,802	50,540,459
3%	8%	17%	1%	100%
1,494,843	4,404,722	11,085,772	748,213	54,175,015
3%	8%	21%	1%	100%
1,811,565	5,270,777	8,358,322	820,050	64,546,040
3%	8%	13%	1%	100%
1,615,364	4,525,761	7,349,636	816,402	51,477,907
3%	9%	14%	2%	100%
1,324,449	4,565,045	7,979,702	907,385	53,452,449
2%	9%	15%	2%	100%
1,312,859	4,880,377	8,306,378	894,205	54,424,451
2%	9%	15%	2%	100%
1,255,126	5,096,974	7,905,507	847,840	54,936,852
2%	9%	14%	2%	100%
2,633,320	5,470,787	6,160,962	935,255	56,161,612
5%	10%	11%	2%	100%

INDEPENDENT SCHOOL DISTRICT NO. 280

School Tax Levies and Tax Capacity Rates by Fund
Last Ten Fiscal Years

	Year Collectible	General Fund	Community Service Special Revenue Fund	Debt Service Fund	Total All Funds
Levies					
	2005	$ 6,576,224	$ 386,906	$ 3,773,146	$ 10,736,276
	2006	8,920,823	433,311	3,356,552	12,710,686
	2007	9,559,671	471,854	4,104,279	14,135,804
	2008	10,660,102	378,705	4,050,896	15,089,703
	2009	11,023,528	441,038	4,111,718	15,576,284
	2010	11,061,218	426,230	4,911,509	16,398,957
	2011	10,915,132	437,571	5,016,610	16,369,313
	2012	10,894,520	443,325	5,195,929	16,533,774
	2013	11,681,439	448,603	5,517,081	17,647,123
	2014	12,413,561	440,121	5,510,138	18,363,820
Tax capacity rates					
	2005	8.168	1.160	11.304	20.632
	2006	8.649	1.207	9.348	19.204
	2007	9.714	1.212	10.542	21.468
	2008	10.912	0.937	10.022	21.871
	2009	11.605	1.112	10.366	23.083
	2010	10.511	1.045	12.041	23.597
	2011	12.251	1.164	13.344	26.759
	2012	12.690	1.274	14.930	28.894
	2013	13.710	1.301	16.000	31.011
	2014	16.834	1.280	16.024	34.138

Source: State of Minnesota School Tax Report

INDEPENDENT SCHOOL DISTRICT NO. 280

Tax Capacities
Last Ten Fiscal Years

For Taxes Collectible	Non-Agricultural	Fiscal Disparities Contribution	Fiscal Disparities Distribution	Tax Increment	Total Tax Capacity
2005	$ 44,116,215	$ (5,376,991)	$ 3,712,492	$ (9,302,844)	$ 33,148,872
2006	48,368,155	(5,549,521)	3,835,850	(10,392,306)	36,262,178
2007	52,364,328	(6,137,733)	4,062,540	(11,254,758)	39,034,377
2008	55,347,795	(6,993,569)	4,541,436	(12,350,950)	40,544,712
2009	55,428,070	(7,867,269)	5,172,026	(12,812,496)	39,920,331
2010	51,590,968	(8,248,701)	5,840,702	(8,257,111)	40,925,858
2011	47,080,701	(7,864,995)	5,837,868	(7,011,033)	38,042,541
2012	43,229,608	(6,938,495)	6,030,051	(7,016,169)	35,304,995
2013	41,734,658	(5,994,792)	5,395,576	(6,266,994)	34,868,448
2014	42,259,288	(6,684,990)	5,690,941	(6,640,874)	34,624,365

Source: State of Minnesota School Tax Report

INDEPENDENT SCHOOL DISTRICT NO. 280

Property Tax Levies and Receivables
Last Ten Fiscal Years

For Taxes Collectible	Original Levy			
	Local Spread	Fiscal Disparities	Property Tax Credits	Total Spread
2005	$ 9,038,784	$ 1,269,004	$ 428,488	$ 10,736,276
2006	11,094,416	1,233,840	382,430	12,710,686
2007	12,299,572	1,438,017	398,215	14,135,804
2008	13,059,904	1,648,768	381,031	15,089,703
2009	13,256,011	1,930,717	389,556	15,576,284
2010	13,654,333	2,293,410	451,214	16,398,957
2011	13,543,572	2,346,823	478,918	16,369,313
2012	13,908,410	2,625,364	–	16,533,774
2013	15,083,955	2,563,168	–	17,647,123
2014	15,451,538	2,912,282	–	18,363,820

Note 1: Delinquent taxes receivable are written off after seven years.

Note 2: Through 2011, a portion of the total spread levy was paid through tax credits for residential homestead properties which were paid through state aids. Homestead tax credits were discontinued by the state Legislature beginning in 2012.

Source: State of Minnesota School Tax Report

Uncollected Taxes Receivable as of June 30, 2014			
Delinquent		Current	
Amount	Percent	Amount	Percent
$ –	– %	$ –	– %
–	–	–	–
–	–	–	–
3,399	0.02	–	–
–	–	–	–
–	–	–	–
16,409	0.10	–	–
35,214	0.21	–	–
–	–	–	–
–	–	8,989,653	48.95
$ 55,022		$ 8,989,653	

Student Enrollment
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (for Students Served and Tuition Paid) Handicapped and Pre-Kindergarten	Kindergarten	Elementary	Secondary	Total	Total Pupil Units
2005	48.82	279.00	1,711.26	2,178.27	4,217.35	4,904.73
2006	38.93	248.86	1,729.93	2,123.17	4,140.89	4,824.51
2007	46.86	311.20	1,635.50	2,168.15	4,161.71	4,823.84
2008	56.82	294.75	1,678.48	2,052.78	4,082.83	4,743.93
2009	86.06	297.94	1,671.79	2,002.86	4,058.65	4,705.49
2010	89.40	299.62	1,711.45	1,914.15	4,014.62	4,638.40
2011	81.61	354.20	1,861.51	1,858.49	4,155.81	4,753.31
2012	82.28	403.87	1,978.34	1,844.21	4,308.70	4,893.13
2013	97.00	407.88	2,063.44	1,853.72	4,422.04	5,017.11
2014	78.13	373.05	2,094.48	1,838.12	4,383.78	4,991.89

Note 1: Student enrollment for the most recent year is an estimate.

Note 2: ADM is weighted as follows in computing pupil units:

	Early Childhood and Kindergarten – Handicapped	Kindergarten	Elementary 1–3	Elementary 4–6	Secondary
Fiscal 2005 through 2007	Various	0.557	1.115	1.060	1.300
Fiscal 2008 through 2014	Various	0.612	1.115	1.060	1.300

OTHER REQUIRED REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 280

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Federal Expenditures	
U.S. Department of Education			
Passed through Minnesota Department of Education			
Special education cluster			
Special Education – Grants to States	84.027	$ 1,139,581	
Special Education – Preschool Grants	84.173	27,552	
Total special education cluster			1,167,133
Title I Grants to Local Educational Agencies	84.010		1,036,455
Improving Teacher Quality State Grants	84.367		168,620
English Language Acquisition Grants	84.365		232,652
Special Education Grants for Infants and Families	84.181		42,878
Race to the Top – Early Learning Challenge	84.412		76,482
Passed through Carver-Scott Educational Cooperative			
Career and Technical Education – Basic Grants to States	84.048		20,165
U.S. Department of Agriculture			
Passed through Minnesota Department of Education			
Child nutrition cluster			
School Breakfast Program	10.553	400,068	
National School Lunch Program	10.555	1,257,348	
Summer Food Service Program for Children	10.559	73,519	
Total child nutrition cluster			1,730,935
Total federal awards			$ 4,475,320

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

Note 2: Nonmonetary assistance of $94,183 is reported in this schedule at the fair market value of commodities received and disbursed for the National School Lunch Program (CFDA No. 10.555).

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

Note 4: The District provided federal awards to subrecipients as follows:

Program Title	Federal CFDA No.	Amount Provided
Title I Grants to Local Educational Agencies	84.010	$ 21,083
Improving Teacher Quality State Grants	84.367	$ 29,036

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the School Board and Management of
Independent School District No. 280
Richfield, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 280, Richfield, Minnesota (the District) 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, and have issued our report thereon dated November 13, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

(continued)

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COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

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

Minneapolis, Minnesota
November 13, 2014

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

To the School Board and Management of
Independent School District No. 280
Richfield, Minnesota

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Independent School District No. 280, Richfield, Minnesota's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

(continued)

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OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to on the previous page that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to on the previous page. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Minneapolis, Minnesota
November 13, 2014

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INDEPENDENT AUDITOR'S REPORT

ON MINNESOTA LEGAL COMPLIANCE

To the School Board and Management of
Independent School District No. 280
Richfield, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 280, Richfield, Minnesota (the District) 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, and have issued our report thereon dated November 13, 2014.

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

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described in the Schedule of Findings and Questioned Costs as item 2014-001. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions.

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

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

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

Minneapolis, Minnesota
November 13, 2014

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Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

A. SUMMARY OF AUDIT RESULTS

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

Financial Statements

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

Federal Awards

Internal controls over major federal award programs:		
Material weakness(es) identified?	__ Yes	X No
Significant deficiencies identified?	__ Yes	X None reported
Type of auditor's report issued on compliance for major programs?		X Unmodified __ Qualified __ Adverse __ Disclaimer
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	__ Yes	X No

Programs tested as major programs:

Program or Cluster	CFDA No.
The U.S. Department of Education special education cluster consisting of:	
– Special Education – Grants to States	84.027
– Special Education – Preschool grants	84.173
The U.S. Department of Agriculture child nutrition cluster consisting of:	
– National School Lunch Program	10.555
– School Breakfast Program	10.553
– Summer Food Service Program for Children	10.559

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

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

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

None.

D. FINDINGS – MINNESOTA LEGAL COMPLIANCE AUDIT

2014-001 CLAIMS AND DISBURSEMENTS

Criteria – Minnesota Statute § 471.425, Subd. 2.

Condition – Minnesota Statutes require districts to pay each vendor obligation according to the terms of each contract or within 35 days after the receipt of the goods or services or the invoice for the goods or services. If such obligations are not paid within the appropriate time period, Independent School District No. 280, Richfield, Minnesota (the District) must pay interest on the unpaid obligations at the rate of 1.5 percent per month or part of a month. For one disbursements tested, the District did not pay the obligation within the required time period, and did not pay interest on the unpaid obligation.

Questioned Costs – Not applicable.

Context – One of twenty-five disbursements tested were not in compliance. This is a current year finding.

Effect – One payment made to a vendor was not paid within the timeframe required by state statute, and the vendor was not paid interest to which they were entitled.

Cause – All general disbursement invoices are paid through the district office. Invoices must be approved by the appropriate personnel at the school and/or department that received the goods or services prior to payment. On occasion, there is a timing delay in obtaining the necessary approval for payment and returning the invoice to the district office for payment.

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

Corrective Action Plan

Actions Planned – The District will review the payment procedures and communicate the importance of paying all invoices within the 35-day time limit.

Official Responsible – Supervisor of Financial Services.

D. FINDINGS – MINNESOTA LEGAL COMPLIANCE AUDIT (CONTINUED)

2014-001 CLAIMS AND DISBURSEMENTS (CONTINUED)

Corrective Action Plan (continued)

Planned Completion Date – June 30, 2015.

Disagreement With or Explanation of Finding – The District agrees with the finding.

Plan to Monitor – The Supervisor of Financial Services will review the District's procedures for paying invoices with the district employees responsible for processing disbursements and the employees who are making purchasing requests.

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

SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER COMPLIANCE – U.S. DEPARTMENT OF AGRICULTURE CHILD NUTRITION CLUSTER – CFDA NOS. 10.553, 10.555, AND 10.559

2013-001 Internal Control Over Compliance With Federal Procurement, Suspension, and Debarment Requirements

Criteria – Management is responsible for establishing and maintaining effective internal control over compliance with requirements applicable to federal programs expenditures, including procurement, suspension, and debarment requirements applicable to child nutrition cluster federal programs.

Condition – One of the elements of effective internal control over compliance with requirements applicable to federal programs expenditures is that management establish effective control over procurement, suspension, and debarment requirements. During our audit of the year ended June 30, 2013, we noted that the District did not have sufficient controls in place within its child nutrition cluster federal programs to assure that it was not contracting for goods or services with parties that are suspended or debarred, or whose principals are suspended or debarred from participating in contracts involving the expenditure of federal program funds.

Recommendation – We recommended that the District review its internal control procedures relating to procurement, suspension, and debarment for the child nutrition cluster of federal programs. Internal controls over compliance for this area should have included verification that any vendor with which the District contracts for goods or services exceeding $25,000 is not listed as suspended or debarred on the federal Excluded Parties List System (EPLS) website.

Current Status – The recommendation was implemented and there was no similar finding in the current year.

INDEPENDENT SCHOOL DISTRICT NO. 280

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2014

			Audit		UFARS		Audit – UFARS
General Fund							
Total revenue		$	57,095,559	$	57,095,558	$	1
Total expenditures		$	56,161,612	$	56,161,612	$	–
Nonspendable							
460	Nonspendable fund balance	$	326,846	$	326,846	$	–
Restricted/reserve							
403	Staff development	$	–	$	–	$	–
405	Deferred maintenance	$	–	$	–	$	–
406	Health and safety	$	(236,894)	$	(236,894)	$	–
407	Capital projects levy	$	(128,939)	$	(128,939)	$	–
408	Cooperative revenue	$	–	$	–	$	–
409	Alternative facility program	$	–	$	–	$	–
413	Project funded by COP	$	–	$	–	$	–
414	Operating debt	$	–	$	–	$	–
416	Levy reduction	$	–	$	–	$	–
417	Taconite building maintenance	$	–	$	–	$	–
423	Certain teacher programs	$	–	$	–	$	–
424	Operating capital	$	356,761	$	356,761	$	–
426	$25 taconite	$	–	$	–	$	–
427	Disabled accessibility	$	–	$	–	$	–
428	Learning and development	$	–	$	–	$	–
434	Area learning center	$	–	$	–	$	–
435	Contracted alternative programs	$	–	$	–	$	–
436	State approved alternative program	$	–	$	–	$	–
438	Gifted and talented	$	–	$	–	$	–
441	Basic skills programs	$	–	$	–	$	–
445	Career and technical programs	$	–	$	–	$	–
448	Achievement and integration	$	–	$	–	$	–
449	Safe schools levy	$	–	$	–	$	–
450	Pre-kindergarten	$	–	$	–	$	–
451	QZAB payments	$	–	$	–	$	–
452	OPEB liability not in trust	$	–	$	–	$	–
453	Unfunded severance and retirement levy	$	–	$	–	$	–
Restricted							
464	Restricted fund balance	$	–	$	–	$	–
Committed							
418	Committed for separation	$	–	$	–	$	–
461	Committed fund balance	$	–	$	–	$	–
Assigned							
462	Assigned fund balance	$	1,093,890	$	1,093,890	$	–
Unassigned							
422	Unassigned fund balance	$	1,277,580	$	1,277,580	$	–
Food Service							
Total revenue		$	2,250,915	$	2,250,914	$	1
Total expenditures		$	2,361,653	$	2,361,651	$	2
Nonspendable							
460	Nonspendable fund balance	$	61,852	$	61,852	$	–
Restricted							
452	OPEB liability not in trust	$	–	$	–	$	–
464	Restricted fund balance	$	77,488	$	77,488	$	–
Unassigned							
463	Unassigned fund balance	$	–	$	–	$	–
Community Service							
Total revenue		$	1,347,186	$	1,347,186	$	–
Total expenditures		$	1,310,646	$	1,310,646	$	–
Nonspendable							
460	Nonspendable fund balance	$	8,639	$	8,639	$	–
Restricted/reserve							
426	$25 taconite	$	–	$	–	$	–
431	Community education	$	129,565	$	129,565	$	–
432	ECFE	$	5,314	$	5,314	$	–
444	School readiness	$	8,665	$	8,665	$	–
447	Adult basic education	$	–	$	–	$	–
452	OPEB liability not in trust	$	–	$	–	$	–
Restricted							
464	Restricted fund balance	$	–	$	–	$	–
Unassigned							
463	Unassigned fund balance	$	–	$	–	$	–

Uniform Financial Accounting and Reporting Standards
Compliance Table (continued)
June 30, 2014

		Audit	UFARS	Audit – UFARS
Building Construction				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted/reserve				
407	Capital projects levy	$ –	$ –	$ –
409	Alternative facility program	$ –	$ –	$ –
413	Project funded by COP	$ –	$ –	$ –
Restricted				
464	Restricted fund balance	$ –	$ –	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Debt Service				
Total revenue		$ 4,226,450	$ 4,226,450	$ –
Total expenditures		$ 4,352,015	$ 4,352,015	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted/reserve				
425	Bond refundings	$ –	$ –	$ –
451	QZAB payments	$ –	$ –	$ –
Restricted				
464	Restricted fund balance	$ 541,578	$ 541,578	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Trust				
Total revenue		$ 23,205	$ 23,205	$ –
Total expenditures		$ 21,962	$ 21,962	$ –
422	Net position	$ 417,362	$ 417,362	$ –
Internal Service				
Total revenue		$ 6,716,198	$ 6,716,198	$ –
Total expenditures		$ 5,604,852	$ 5,604,853	$ (1)
422	Net position	$ 1,879,371	$ 1,879,371	$ –
OPEB Revocable Trust Fund				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
422	Net position	$ –	$ –	$ –
OPEB Irrevocable Trust Fund				
Total revenue		$ 188,957	$ 188,957	$ –
Total expenditures		$ 697,419	$ 697,419	$ –
422	Net position	$ 11,640,269	$ 11,640,269	$ –
OPEB Debt Service Fund				
Total revenue		$ 1,312,512	$ 1,312,512	$ –
Total expenditures		$ 1,208,506	$ 1,208,506	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
425	Bond refundings	$ –	$ –	$ –
464	Restricted fund balance	$ 213,446	$ 213,446	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –

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

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