INDEPENDENT SCHOOL DISTRICT NO. 280
RICHFIELD, MINNESOTA

Financial Statements and
Supplemental Information

Year Ended
June 30, 2015

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INDEPENDENT SCHOOL DISTRICT NO. 280

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INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 280

School Board and Administration
Year Ended June 30, 2015

SCHOOL BOARD

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

ADMINISTRATION

Steven Unowsky	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 accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 280 (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

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

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

(continued)

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OPINIONS

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

EMPHASIS OF MATTER

As described in Note 1 of the notes to basic financial statements, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, during the year ended June 30, 2015. Our opinion is not modified with respect to this matter.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI 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, the Schedule of Expenditures of Federal Awards, and the UFARS Compliance Table are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

(continued)

The introductory section 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.

Prior Year Comparative Information

We have previously audited the District's 2014 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated November 13, 2014. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
December 14, 2015

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As management of Independent School District No. 280 (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, 2015. 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 liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2015 by $22,275,042 (deficit net position). The District's total net position increased $1,628,986 from operations during the fiscal year ended June 30, 2015, excluding the impact of the change in accounting principle discussed below.

- The District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, during the year, which changed reporting requirements for employers participating in pension plans such as those administered by the Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA). This change in accounting principle reduced beginning net position by $36,080,188.

- At June 30, 2015, the District's governmental funds reported a combined ending fund balance of $5,414,264, an increase of $1,678,473 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 $4,336,675, an increase of $1,647,431 from the prior year. The unrestricted portion of the year-end fund balance was $3,199,315, which represents approximately 5.5 percent of annual General Fund expenditures based on fiscal 2015 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 government-wide financial statements, the fund financial statements, and the notes to basic financial statements. This report also contains other supplementary 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, liabilities, and deferred inflows of resources, except for the fiduciary funds. 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, liabilities, and deferred inflows of resources—is one way to measure the District's financial health or *position*.

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

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

In the government-wide financial statements the District's activities are all shown in one category titled "governmental activities." These activities, including regular and special education, 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 and Community Service Special Revenue Funds) that do not meet the threshold to be classified as major funds are called "nonmajor" funds. Detailed financial information for nonmajor funds are presented 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, 2015 and 2014

	2015	2014
Assets		
Current and other assets	$ 30,056,899	$ 29,911,101
Capital assets, net of depreciation	53,896,222	56,747,536
Total assets	**$ 83,953,121**	**$ 86,658,637**
Deferred outflows of resources		
Pension plan deferments – PERA and TRA	**$ 5,419,985**	**$ –**
Liabilities		
Current and other liabilities	$ 4,099,175	$ 4,240,187
Long-term liabilities, including due within one year	81,236,373	53,415,699
Total liabilities	**$ 85,335,548**	**$ 57,655,886**
Deferred inflows of resources		
Property taxes levied for subsequent year	$ 16,655,662	$ 16,826,591
Pension plan deferments – PERA and TRA	9,656,938	–
Total deferred inflows of resources	**$ 26,312,600**	**$ 16,826,591**
Net position		
Net investment in capital assets	$ 22,111,981	$ 21,879,228
Restricted	686,237	237,628
Unrestricted	(45,073,260)	(9,940,696)
Total net position	**$ (22,275,042)**	**$ 12,176,160**

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. Long-term liabilities for severance, compensated absences, and pensions, which are basically unfunded, impact the unrestricted portion of net position.

The District's total net position decreased $34,451,202 during the year ended June 30, 2015. The District implemented GASB Statement No. 68 during the year, which changed employer reporting of participation in the state-wide PERA and TRA pension plans. This change in accounting principle reduced beginning unrestricted net position by $36,080,188, and increased deferred outflows of resources, long-term liabilities, and deferred inflows of resources as presented above.

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, 2015 and 2014

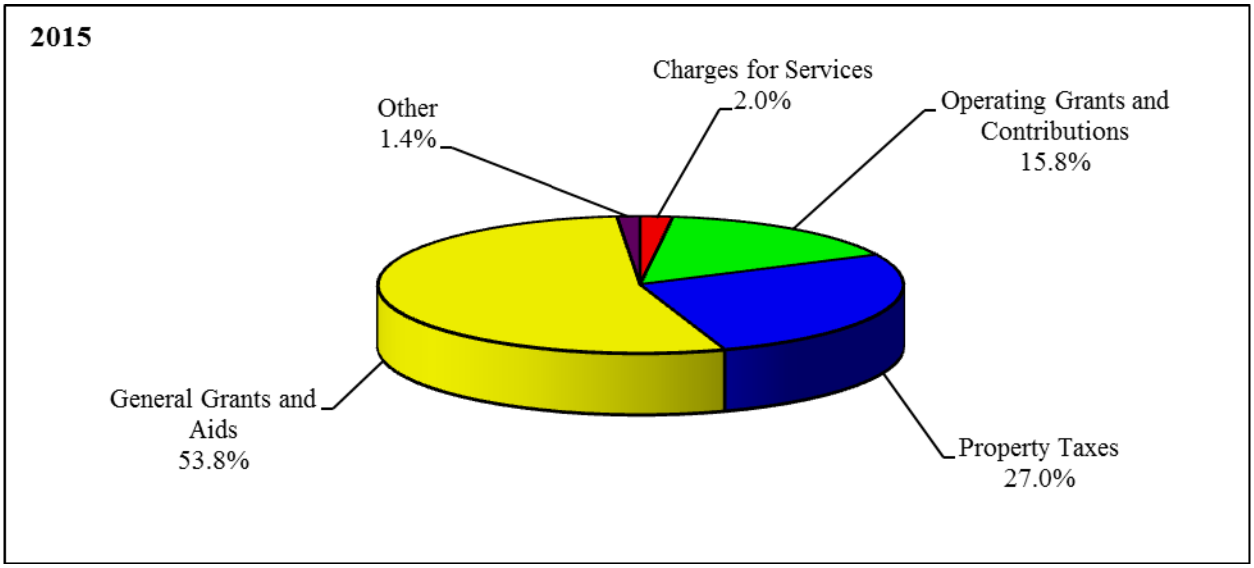
	2015	2014
Revenues		
Program revenues		
Charges for services	$ 1,381,895	$ 1,583,759
Operating grants and contributions	10,858,507	10,968,097
General revenues		
Property taxes	18,478,774	13,361,381
General grants and aids	36,866,254	39,261,648
Other	987,311	1,060,054
Total revenues	68,572,741	66,234,939
Expenses		
Administration	2,780,256	2,704,943
District support services	1,350,886	1,367,285
Elementary and secondary regular instruction	27,446,721	26,209,555
Vocational education instruction	439,443	523,544
Special education instruction	11,177,578	10,709,470
Instructional support services	2,855,239	2,665,280
Pupil support services	5,511,201	5,612,101
Sites and buildings	6,124,862	5,136,435
Fiscal and other fixed cost programs	318,428	279,042
Food service	2,390,570	2,372,816
Community service	1,344,766	1,335,512
Unallocated depreciation	3,246,459	3,296,138
Interest and fiscal charges	1,957,346	2,577,800
Total expenses	66,943,755	64,789,921
Change in net position	1,628,986	1,445,018
Net position – beginning, previously reported	12,176,160	10,731,142
Change in accounting principle	(36,080,188)	–
Net position – beginning, as restated	(23,904,028)	10,731,142
Net position – ending	**$ (22,275,042)**	**$ 12,176,160**

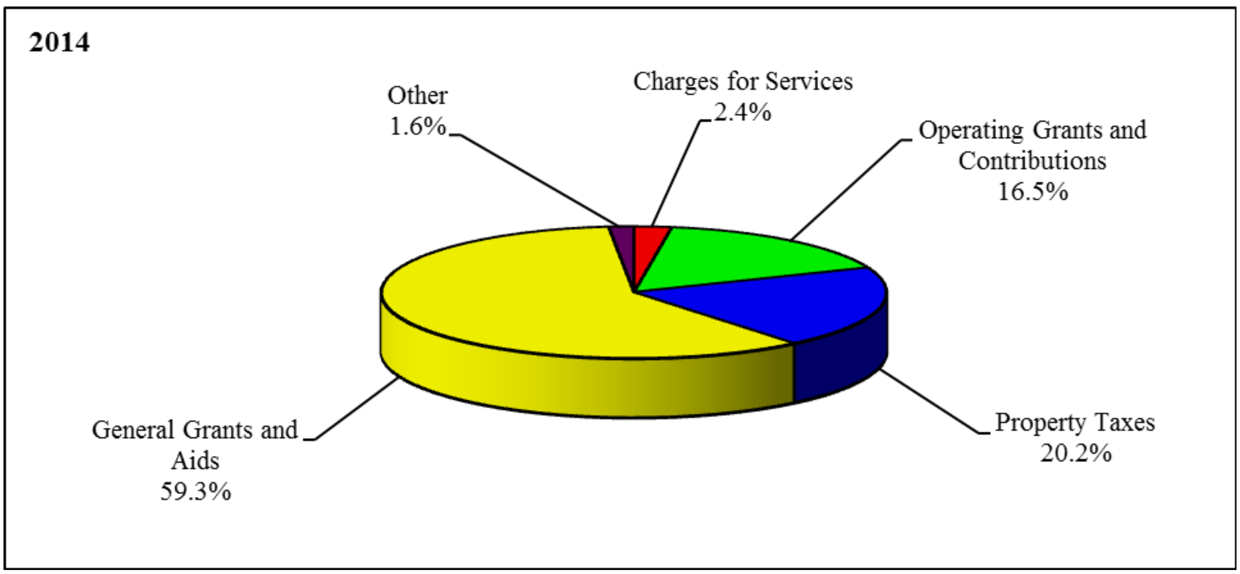
The Statement of Activities is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

Total revenue for the 2015 fiscal year was $2,337,802 higher than last year, mainly due to higher general education and special education state aid. Expenditures were $2,153,834 higher than last year, with the largest increases in elementary and secondary regular instruction, special education instruction, and sites and buildings.

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

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



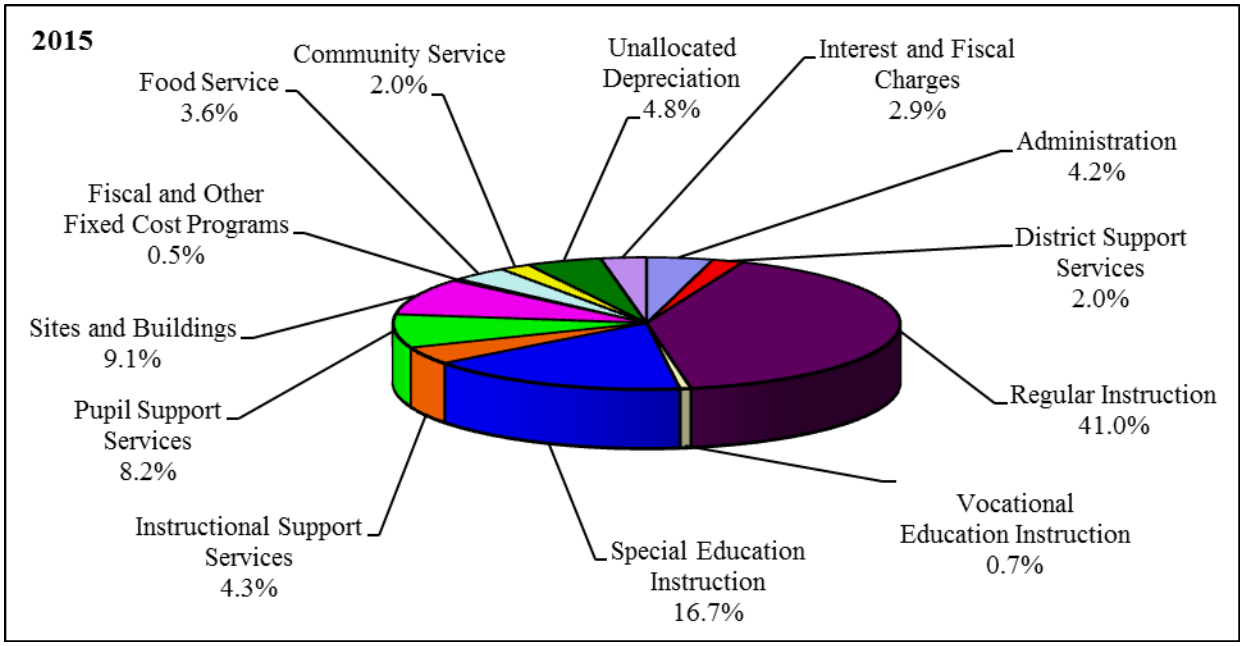


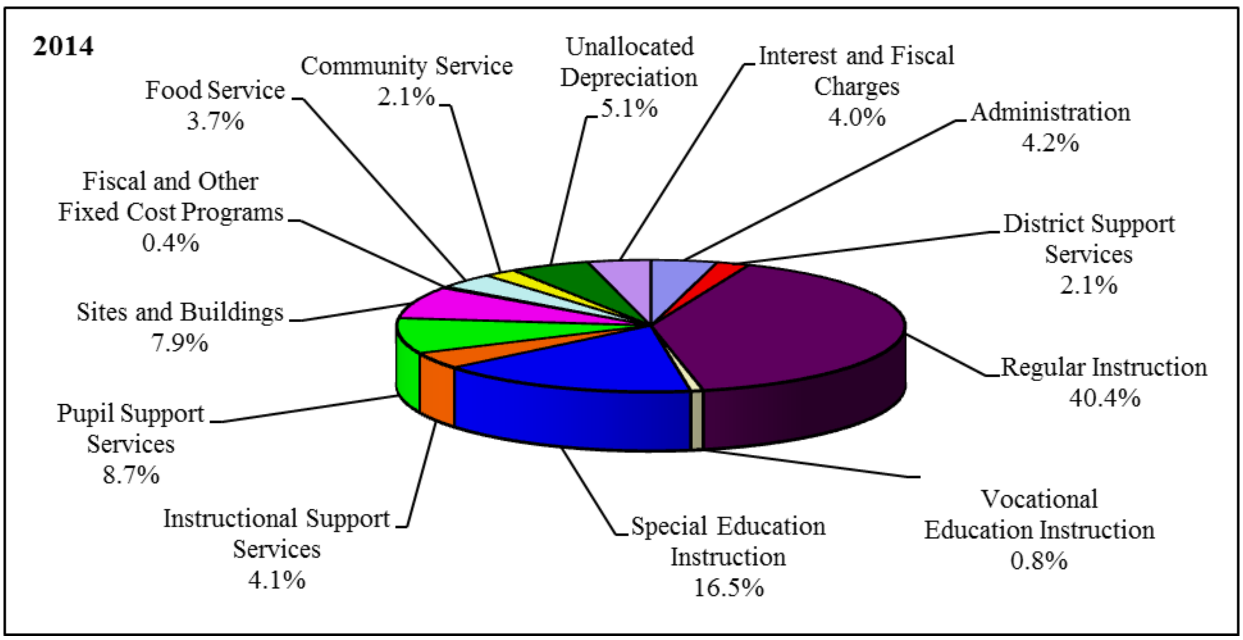
The largest share of the District's revenue is received from the state, including most of the general and operating grants. This means that the District's financial condition depends significantly on the state's current financial position.

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 2015 and 2014





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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

	2015	2014	Increase (Decrease)
Major funds			
General	$ 4,336,675	$ 2,689,244	$ 1,647,431
Debt Service	755,983	755,024	959
Nonmajor funds			
Food Service Special Revenue	132,611	139,340	(6,729)
Community Service Special Revenue	188,995	152,183	36,812
Total governmental funds	$ 5,414,264	$ 3,735,791	$ 1,678,473

In 2015, the General Fund balance increased $1,647,431, mainly due to conservative budgeting and cost containment measures.

The small decrease in the Food Service Special Revenue Fund was mainly due to higher than anticipated food and supply costs.

The Community Service Special Revenue Fund increase was mainly due to receiving more state and federal funding than anticipated.

The Debt Service Fund remained consistent with the fiscal 2014 fund balance.

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	$ 58,784,024	$ 59,532,888	$ 748,864	1.3%
Expenditures	$ 57,953,243	$ 58,491,435	$ 538,192	0.9%

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 recalculations 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	
	2015 Actual	Amount	Percent	Amount	Percent
Revenue	$ 59,162,901	$ (369,987)	(0.6%)	$ 2,067,342	3.6%
Expenditures	57,982,516	$ (508,919)	(0.9%)	$ 1,820,904	3.2%
Other financing sources	467,046	$ 467,046	100.0%	$ (135,562)	(22.5%)
Net change in fund balances	$ 1,647,431				

The increase in 2015 actual revenue is largely due to increases in state general education and special education aids. The expenditure increase was mainly in salaries and benefits, which were about $2.4 million higher than last year due to contractual increases and a new alternative compensation program. However, salaries and benefits were under budget by about $807,000, as the District budgeted conservatively for the new alternative compensation program.

Analysis of the Debt Service Fund

The funding of debt service is controlled in accordance with each outstanding debt issue's financing plan. At June 30, 2015, the Debt Service Fund had a fund balance of $755,983, an increase of $959 from last year, which was $9,108 lower than the increase projected in the budget.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

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

Table 6
Capital Assets

	2015	2014	Change
Land	$ 349,265	$ 349,265	$ –
Land improvements	6,566,870	6,502,270	64,600
Buildings	88,569,019	88,365,727	203,292
Equipment	7,371,759	7,525,999	(154,240)
Less accumulated depreciation	(48,960,691)	(45,995,725)	(2,964,966)
Total	$ 53,896,222	$ 56,747,536	$ (2,851,314)
Depreciation expense	$ 3,452,690	$ 3,484,360	$ (31,670)

The increases in land improvements and buildings are due to a roof replacement project at the Richfield Dual Language School and a number of other small improvements made throughout the District.

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

	2015	2014	Change
General obligation bonds	$ 43,085,000	$ 46,390,000	$ (3,305,000)
Premiums	1,308,158	1,448,318	(140,160)
Discounts	(162,151)	(178,782)	16,631
Capital leases	2,168,275	2,197,996	(29,721)
Net pension liability – PERA*	7,201,266	–	7,201,266
Net pension liability – TRA*	23,878,283	–	23,878,283
Severance benefits	2,480,631	2,551,445	(70,814)
Compensated absences	470,224	305,574	164,650
Net pension benefits obligation	806,687	701,148	105,539
Total	$ 81,236,373	$ 53,415,699	$ 27,820,674

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

The decrease in general obligation bonds is due to the scheduled debt service payments made during the year. 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.

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

The 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	$ 3,691,554,934
Limit rate	15.0%
Legal debt limit	$ 553,733,240

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 72 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. In the 2015 fiscal year, several funding and pupil weighting changes went into effect, which included an equivalent increase of $105, or 2.0 percent, for the basic general education formula funding. The Legislature has added $117, or 2.0 percent, per pupil to the formula for fiscal year 2016 and an additional $119, or 2.0 percent, per pupil to the formula for fiscal year 2017. The ongoing demands on limited resources continue to present challenges in funding education for Minnesota schools.

In November of 2015, the voters renewed the 2005 excess operating referendum (84 percent supporting) for another 10 years and also added an annual inflationary increase on this portion of the voter-approved excess operating referendum to be capped at no more than $15 per adjusted pupil unit (79 percent supporting).

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. An increase in the District's net tax capacity is projected over the next several years as a result of the expiration of existing tax increment financing districts, as well as increased redevelopment within the community. This will result in access to increased financial resources for this capital project.

The District has continued its efforts to develop and implement a more transparent budgeting system which is aligned with the District's new Strategic Plan and priorities. Expansion of Professional Learning Communities (PLCs) and the evaluation system for all certified staff that is based on the Alternative Teacher Compensation (Q Comp) plan continue to be priorities.

The District continues to expand its enrichment opportunities for all students and is enhancing its gifted and talented programs as well as dual-credit programs which provide opportunities for students to receive college credit while attending Richfield High School. 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 and is reviewing this as a possible pathway for continuation of the STEM program.

The District's enrollment has leveled off in fiscal years 2014 and 2015 after three 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, 2015
(With Partial Comparative Information as of June 30, 2014)

	Governmental Activities 2015	Governmental Activities 2014
Assets		
Cash and temporary investments	$ 9,054,118	$ 7,912,114
Receivables		
Current taxes	8,823,601	8,989,653
Delinquent taxes	163,022	55,022
Accounts and interest	1,764,646	250,310
Due from fiduciary fund	522,700	697,336
Due from other governmental units	7,114,888	7,402,186
Inventory	40,651	85,804
Prepaid items	119,971	311,533
Negative net other post-employment benefit obligations	2,453,302	4,207,143
Capital assets		
Not depreciated	349,265	349,265
Depreciated, net of accumulated depreciation	53,546,957	56,398,271
Total capital assets, net of accumulated depreciation	53,896,222	56,747,536
Total assets	83,953,121	86,658,637
Deferred outflows of resources		
Pension plan deferments – PERA and TRA	5,419,985	–
Total assets and deferred outflows of resources	$ 89,373,106	$ 86,658,637
Liabilities		
Salaries payable	$ 374,514	$ 355,548
Accounts and contracts payable	798,338	735,437
Accrued interest payable	845,880	1,033,004
Due to other governmental units	427,533	732,725
Unearned revenue	969,387	841,034
Claims incurred, but not reported	683,523	542,439
Long-term liabilities		
Due within one year	4,635,997	4,352,259
Due in more than one year	76,600,376	49,063,440
Total long-term liabilities	81,236,373	53,415,699
Total liabilities	85,335,548	57,655,886
Deferred inflows of resources		
Property taxes levied for subsequent year	16,655,662	16,826,591
Pension plan deferments – PERA and TRA	9,656,938	–
Total deferred inflows of resources	26,312,600	16,826,591
Net position		
Net investment in capital assets	22,111,981	21,879,228
Restricted for		
Capital asset acquisition	360,546	–
Food service	132,611	106,031
Community service	193,080	131,597
Unrestricted	(45,073,260)	(9,940,696)
Total net position	(22,275,042)	12,176,160
Total liabilities, deferred inflows of resources, and net position	$ 89,373,106	$ 86,658,637

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 280

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

		2015			2014
		Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities					
Administration	$ 2,780,256	$ 336,801	$ 13,254	$ (2,430,201)	$ (2,274,632)
District support services	1,350,886	–	27	(1,350,859)	(1,367,285)
Elementary and secondary regular instruction	27,446,721	175,637	2,234,070	(25,037,014)	(23,457,739)
Vocational education instruction	439,443	–	7,030	(432,413)	(521,328)
Special education instruction	11,177,578	215,429	5,841,859	(5,120,290)	(4,907,610)
Instructional support services	2,855,239	–	2,181	(2,853,058)	(2,665,280)
Pupil support services	5,511,201	8,333	440,145	(5,062,723)	(5,178,176)
Sites and buildings	6,124,862	–	77	(6,124,785)	(5,136,435)
Fiscal and other fixed cost programs	318,428	–	–	(318,428)	(279,042)
Food service	2,390,570	360,286	1,986,317	(43,967)	(134,143)
Community service	1,344,766	285,409	333,547	(725,810)	(442,457)
Unallocated depreciation	3,246,459	–	–	(3,246,459)	(3,296,138)
Interest and fiscal charges	1,957,346	–	–	(1,957,346)	(2,577,800)
Total governmental activities	$ 66,943,755	$ 1,381,895	$ 10,858,507	(54,703,353)	(52,238,065)
	General revenues				
	Taxes				
	Property taxes, levied for general purposes			12,502,109	7,599,679
	Property taxes, levied for community service			442,106	227,924
	Property taxes, levied for debt service			5,534,559	5,533,778
	General grants and aids			36,866,254	39,261,648
	Other general revenues			898,179	1,055,293
	Investment earnings			89,132	4,761
	Total general revenues			56,332,339	53,683,083
	Change in net position			1,628,986	1,445,018
	Net position – beginning, as previously reported			12,176,160	10,731,142
	Change in accounting principle			(36,080,188)	–
	Net position – beginning, as restated			(23,904,028)	10,731,142
	Net position – ending			$(22,275,042)	$ 12,176,160

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	General Fund	Debt Service Fund	Nonmajor Funds
Assets			
Cash and temporary investments	$ 1,643,316	$ 3,234,711	$ 506,826
Receivables			
Current taxes	6,247,162	2,369,322	207,117
Delinquent taxes	109,116	49,821	4,085
Accounts and interest	1,753,368	–	801
Due from other governmental units	6,966,554	–	148,334
Due from Fiduciary Fund	522,700	–	–
Inventory	27,221	–	13,430
Prepaid items	119,842	–	129
Total assets	$ 17,389,279	$ 5,653,854	$ 880,722
Liabilities			
Salaries payable	$ 348,750	$ –	$ 25,764
Accounts and contracts payable	754,885	–	43,453
Due to other governmental units	386,039	–	41,494
Unearned revenue	70,000	–	20,522
Total liabilities	1,559,674	–	131,233
Deferred inflows of resources			
Property taxes levied for subsequent year	11,383,814	4,848,050	423,798
Unavailable revenue – delinquent taxes	109,116	49,821	4,085
Total deferred inflows of resources	11,492,930	4,897,871	427,883
Fund balances			
Nonspendable	147,063	–	13,559
Restricted	990,297	755,983	308,047
Assigned	1,371,388	–	–
Unassigned	1,827,927	–	–
Total fund balances	4,336,675	755,983	321,606
Total liabilities, deferred inflows of resources, and fund balances	$ 17,389,279	$ 5,653,854	$ 880,722

See notes to basic financial statements

Total Governmental Funds	
2015	2014
$ 5,384,853	$ 4,653,957
8,823,601	8,989,653
163,022	55,022
1,754,169	245,623
7,114,888	7,402,186
522,700	697,336
40,651	85,804
119,971	311,533
$ 23,923,855	$ 22,441,114
$ 374,514	$ 355,548
798,338	735,437
427,533	732,725
90,522	–
1,690,907	1,823,710
16,655,662	16,826,591
163,022	55,022
16,818,684	16,881,613
160,622	397,337
2,054,327	1,332,817
1,371,388	1,093,890
1,827,927	911,747
5,414,264	3,735,791
$ 23,923,855	$ 22,441,114

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

	2015	2014
Total fund balances – governmental funds	$ 5,414,264	$ 3,735,791
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	102,856,913	102,743,261
Accumulated depreciation	(48,960,691)	(45,995,725)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance.		
General obligation bonds	(43,085,000)	(46,390,000)
Unamortized premium/discount	(1,146,007)	(1,269,536)
Capital leases	(2,168,275)	(2,197,996)
Net pension liability – PERA and TRA	(31,079,549)	–
Compensated absences	(470,224)	(305,574)
Severance benefits	(2,480,631)	(2,551,445)
Net pension benefits obligation	(806,687)	(701,148)
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.	2,453,302	4,207,143
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(845,880)	(1,033,004)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	2,117,354	1,879,371
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – PERA and TRA pension plans	5,419,985	–
Deferred inflows – PERA and TRA pension plans	(9,656,938)	–
Deferred inflows – delinquent property taxes	163,022	55,022
Total net position – governmental activities	$ (22,275,042)	$ 12,176,160

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

	General Fund	Debt Service Fund	Nonmajor Funds
Revenue			
Local sources			
Property taxes	$ 12,429,665	$ 5,501,630	$ 439,479
Investment earnings	86,931	796	286
Other	1,580,965	–	674,198
State sources	42,796,472	–	694,895
Federal sources	2,268,868	–	1,916,153
Total revenue	59,162,901	5,502,426	3,725,011
Expenditures			
Current			
Administration	2,562,193	–	–
District support services	1,307,061	–	–
Elementary and secondary regular instruction	27,005,565	–	–
Vocational education instruction	417,657	–	–
Special education instruction	11,046,981	–	–
Instructional support services	2,816,864	–	–
Pupil support services	5,537,272	–	–
Sites and buildings	6,402,196	–	–
Fiscal and other fixed cost programs	318,428	–	–
Food service	–	–	2,339,223
Community service	–	–	1,318,495
Capital outlay	–	–	37,210
Debt service			
Principal	496,767	3,305,000	–
Interest and fiscal charges	71,532	2,196,467	–
Total expenditures	57,982,516	5,501,467	3,694,928
Excess of revenue over expenditures	1,180,385	959	30,083
Other financing sources (uses)			
Refunding bonds issued	–	–	–
Premiums on bonds issued	–	–	–
Bond refunding payments	–	–	–
Capital leases	467,046	–	–
Total other financing sources (uses)	467,046	–	–
Net change in fund balances	1,647,431	959	30,083
Fund balances			
Beginning of year	2,689,244	755,024	291,523
End of year	$ 4,336,675	$ 755,983	$ 321,606

See notes to basic financial statements

Total Governmental Funds	
2015	2014
$ 18,370,774	$ 13,359,064
88,013	4,761
2,255,163	2,618,076
43,491,367	45,772,143
4,185,021	4,478,578
68,390,338	66,232,622
2,562,193	2,485,240
1,307,061	1,322,189
27,005,565	25,989,323
417,657	506,708
11,046,981	10,657,828
2,816,864	2,633,320
5,537,272	5,470,787
6,402,196	6,160,962
318,428	279,042
2,339,223	2,134,369
1,318,495	1,289,624
37,210	248,306
3,801,767	3,678,842
2,267,999	2,537,892
67,178,911	65,394,432
1,211,427	838,190
–	16,765,000
–	1,541,758
–	(18,160,000)
467,046	602,608
467,046	749,366
1,678,473	1,587,556
3,735,791	2,148,235
$ 5,414,264	$ 3,735,791

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

	2015	2014
Total net change in fund balances – governmental funds	$ 1,678,473	$ 1,587,556
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	626,687	1,109,654
Depreciation expense	(3,452,690)	(3,484,360)
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.	(25,311)	(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.	(467,046)	(17,367,608)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances. 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.		
General obligation bonds	3,305,000	21,300,000
Unamortized premium/discount	123,529	(1,564,727)
Capital leases	496,767	538,842
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Net pension liability – PERA and TRA	7,240,076	–
Compensated absences	(164,650)	(24,904)
Severance	70,814	111,628
Net pension benefit obligations	(105,539)	(93,831)
Net other post-employment benefit obligations	(1,753,841)	(1,734,102)
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.	187,124	(16,939)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the Internal Service Fund is included in the governmental activities on the Statement of Activities.	237,983	1,111,346
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – PERA and TRA pension plans	3,180,548	–
Deferred inflows – PERA and TRA pension plans	(9,656,938)	–
Deferred inflows – delinquent property taxes	108,000	2,317
Change in net position – governmental activities	$ 1,628,986	$ 1,445,018

See notes to basic financial statements

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INDEPENDENT SCHOOL DISTRICT NO. 280

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

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenue				
Local sources				
Property taxes	$ 12,348,214	$ 12,509,988	$ 12,429,665	$ (80,323)
Investment earnings	25,000	25,000	86,931	61,931
Other	1,310,724	1,337,970	1,580,965	242,995
State sources	42,999,017	43,522,410	42,796,472	(725,938)
Federal sources	2,101,069	2,137,520	2,268,868	131,348
Total revenue	58,784,024	59,532,888	59,162,901	(369,987)
Expenditures				
Current				
Administration	2,421,242	2,661,277	2,562,193	(99,084)
District support services	1,424,214	1,448,047	1,307,061	(140,986)
Elementary and secondary regular instruction	27,336,970	27,937,668	27,005,565	(932,103)
Vocational education instruction	592,790	543,580	417,657	(125,923)
Special education instruction	10,599,646	10,586,481	11,046,981	460,500
Instructional support services	3,240,069	2,596,070	2,816,864	220,794
Pupil support services	4,826,631	5,169,612	5,537,272	367,660
Sites and buildings	6,486,518	6,738,426	6,402,196	(336,230)
Fiscal and other fixed cost programs	298,332	298,332	318,428	20,096
Debt service				
Principal	421,356	421,356	496,767	75,411
Interest and fiscal charges	305,475	90,586	71,532	(19,054)
Total expenditures	57,953,243	58,491,435	57,982,516	(508,919)
Excess of revenue over expenditures	830,781	1,041,453	1,180,385	138,932
Other financing sources				
Capital leases	–	–	467,046	467,046
Net change in fund balances	$ 830,781	$ 1,041,453	1,647,431	$ 605,978
Fund balances				
Beginning of year			2,689,244	
End of year			$ 4,336,675	

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	2015	2014
Assets		
Current assets		
Cash and temporary investments	$ 3,669,265	$ 3,258,157
Receivables		
Accounts	10,477	4,687
Total assets	3,679,742	3,262,844
Liabilities		
Current liabilities		
Claims payable	683,523	542,439
Unearned revenue	878,865	841,034
Total liabilities	1,562,388	1,383,473
Net position		
Unrestricted	$ 2,117,354	$ 1,879,371

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

	2015	2014
Operating revenue		
Contributions from governmental funds	$ 6,592,314	$ 6,716,198
Operating expenses		
Medical benefit claims	6,355,450	5,604,852
Operating income	236,864	1,111,346
Nonoperating revenue		
Investment earnings	1,119	–
Change in net position	237,983	1,111,346
Net position		
Beginning of year	1,879,371	768,025
End of year	$ 2,117,354	$ 1,879,371

See notes to basic financial statements

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INDEPENDENT SCHOOL DISTRICT NO. 280

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

	2015	2014
Cash flows from operating activities		
Contributions from governmental funds	$ 6,624,355	$ 6,748,268
Payments for medical claims	(6,214,366)	(5,449,817)
Net cash flows from operating activities	409,989	1,298,451
Cash flows from investing activities		
Investment income received	1,119	–
Net change in cash and cash equivalents	411,108	1,298,451
Cash and cash equivalents		
Beginning of year	3,258,157	1,959,706
End of year	$ 3,669,265	$ 3,258,157
Reconciliation of operating income to net cash flows from operating activities		
Operating income	$ 236,864	$ 1,111,346
Adjustments to reconcile operating income to cash provided by operating activities		
Changes in assets and liabilities		
Accounts receivable	(5,790)	1,808
Due from other funds	–	6,595
Prepaid items	–	4,273
Claims payable	141,084	150,762
Unearned revenue	37,831	23,667
Net cash flows from operating activities	$ 409,989	$ 1,298,451

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	Scholarship Private-Purpose Trust Fund	Post-Employment Benefits Trust Fund
Assets		
Deposits	$ 430,082	$ 3,513,400
Investments held by trustee, at fair value		
State and local obligations	–	4,968,703
Negotiable certificates of deposit	–	1,989,010
MNTrust Investment Shares Portfolio	–	1,243,925
Accounts and interest receivable	2,778	22,700
Total assets	432,860	11,737,738
Liabilities		
Due to district	–	522,700
Net position		
Held in trust for employee benefits and other purposes	$ 432,860	$ 11,215,038

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

	Scholarship Private-Purpose Trust Fund	Post-Employment Benefits Trust Fund
Additions		
Contributions		
Private donations	$ 38,861	$ –
Investment earnings	1,298	97,720
Total additions	40,159	97,720
Deductions		
Benefits	–	522,700
Scholarships	24,661	–
Administrative and other expenses	–	251
Total deductions	24,661	522,951
Change in net position	15,498	(425,231)
Net position		
Beginning of year	417,362	11,640,269
End of year	$ 432,860	$ 11,215,038

See notes to basic financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 280 (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 2015 fiscal year, the District paid $1,107,178 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.

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

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 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 2015 by $135,937 in the Food Service Special Revenue Fund, $89,496 in the Community Service Special Revenue Fund, and $21 in the Debt Service Fund. These variances were financed with revenues in excess of budget or available fund balance.

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.

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 $1,397,308 of the property tax levy collectible in 2015 as revenue to the District in fiscal year 2014–2015. The remaining portion of the taxes collectible in 2015 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as 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 is 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. State-Wide Pension Plans

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA) and additions to/deductions from the PERA's and the TRA's fiduciary net positions have been determined on the same basis as they are reported by the PERA and the TRA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

P. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. It is the deferred outflows of resources related to pensions reported in the government-wide Statement of Net Position. This deferred outflow results from differences between expected and actual experience, changes of assumptions, differences between projected and actual earnings on pension plan investments, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension standards.

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

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

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

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

Q. Interfund Balances

At June 30, 2015, the General Fund had a receivable of $522,700 due from the Post-Employment Benefits Trust Fund to reimburse other post-employment benefits (OPEB) costs paid from the General Fund. Interfund balances reported in the fund financial statements are eliminated to the extent possible in the government-wide financial statements.

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 2015.

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
2014	$ 391,677	$ 5,604,852	$ 5,454,090	$ 542,439
2015	$ 542,439	$ 6,355,450	$ 6,214,366	$ 683,523

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Net Position

In the government-wide and proprietary fund financial statements, net position represents the difference between assets, deferred outflows of resources, 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.”

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. 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.

V. 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, 2014, 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.

W. Change in Accounting Principle

During the year ended June 30, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. GASB Statement No. 68 included major changes in how employers account for pension benefit expenses and liabilities. In financial statements prepared using the economic resources measurement focus and accrual basis of accounting (government-wide and proprietary funds), an employer is required to recognize a liability for its share of the net pension liability provided through the pension plan. An employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources for its share related to pensions. This standard required retroactive implementation, which resulted in the restatement of net position as of June 30, 2014. The net position of governmental activities in the government-wide financial statements as of June 30, 2014 was decreased by $36,080,188. This change reflects the District's proportionate share of the net pension liabilities ($38,319,625 decrease in net position) and related deferred outflows of resources ($2,239,437 increase in net position) for the PERA and TRA pension plans, which are now reported by employers under current guidance. Certain amounts necessary to fully restate fiscal year 2014 financial information are not determinable; therefore, prior year comparative amounts have not been restated.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	$ 4,591,195
Investments	16,604,093
Cash on hand	3,950
Total	$ 21,199,238

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

Cash and temporary investments		
Statement of Net Position	$	9,054,118
Deposits and investments		
Statement of Fiduciary Net Position		
Scholarship Private-Purpose Trust Fund		430,082
Post-Employment Benefits Trust Fund		11,715,038
Total	$	21,199,238

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 $4,591,195 while the balance on the bank records was $4,599,494. At June 30, 2015, all deposits were insured or collateralized by securities held by the District's agent in the District's name.

C. Investments

The District has the following investments at year-end:

	Credit Risk		Interest Risk – Maturity Duration in Years			
Investment Type	Rating	Agency	No Maturity Date	Less Than 1	1 to 5	Total
State and local obligations	AA	S&P	$ –	$ 1,189,562	$ 3,779,141	$ 4,968,703
Negotiable certificates of deposit	Not Rated		$ –	$ 1,155,448	$ 1,205,102	2,360,550
Investment pools	AAA	S&P	$ 9,274,840	$ –	$ –	9,274,840
Total investments						$ 16,604,093

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

The $9,274,840 in investment pools is invested in the Minnesota School District Liquid Asset Fund and MNTrust Investment Shares Portfolio, 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.

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, 2015, the District's investment portfolio includes the following percentages of specific issuers: Independent School District (ISD) No. 181, Brainerd, Minnesota (9.6 percent), Monroe Township, New Jersey (8.0 percent), and ISD No. 281, Robbinsdale, Minnesota (7.2 percent).

NOTE 3 – CAPITAL ASSETS

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

	Balance – Beginning of Year	Additions	Deletions	Balance – End of Year
Capital assets, not depreciated				
Land	$ 349,265	$ –	$ –	$ 349,265
Capital assets, depreciated				
Land improvements	6,502,270	64,600	–	6,566,870
Buildings	88,365,727	203,292	–	88,569,019
Equipment	7,525,999	358,795	(513,035)	7,371,759
Total capital assets, depreciated	102,393,996	626,687	(513,035)	102,507,648
Less accumulated depreciation for				
Land improvements	(2,681,463)	(338,585)	–	(3,020,048)
Buildings	(37,923,583)	(2,693,588)	–	(40,617,171)
Equipment	(5,390,679)	(420,517)	487,724	(5,323,472)
Total accumulated depreciation	(45,995,725)	(3,452,690)	487,724	(48,960,691)
Net capital assets, depreciated	56,398,271	(2,826,003)	(25,311)	53,546,957
Total capital assets, net	$ 56,747,536	$ (2,826,003)	$ (25,311)	$ 53,896,222

Depreciation expense was charged to the following governmental functions:

Administration	$ 98
District support services	2,360
Elementary and secondary regular instruction	18,731
Special education instruction	8,050
Instructional support services	1,778
Pupil support services	153,225
Sites and buildings	3,168
Food service	18,505
Community service	316
Unallocated depreciation	3,246,459
Total depreciation expense	$ 3,452,690

NOTE 4 – 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
2009A Taxable OPEB Bonds	03/24/2009	5.00–5.75%	$ 15,885,000	02/01/2027	14,680,000
2013A Refunding Bonds	11/14/2013	3.00–4.00%	$ 16,765,000	02/01/2025	16,765,000
Total general obligation bonds					$ 43,085,000

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 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 leases for the purchase of equipment. At the end of each agreement, the District 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, and energy improvements	$ 1,234,000	4.86%	07/16/2007	07/16/2021	$ 417,087
Buses	169,688	4.21%	07/17/2008	07/17/2015	27,340
Buses	171,500	4.21%	07/17/2009	07/17/2016	54,149
Buses	182,282	3.97%	08/16/2010	08/10/2015	70,926
Computers (1)	–	3.45%	08/16/2010	08/10/2015	20,212
Buses	179,072	3.09%	07/01/2011	07/01/2018	107,188
Computers (1)	–	3.45%	07/01/2011	07/01/2016	66,127
Buses	268,062	2.18%	07/01/2012	07/01/2019	195,586
Computers (1)	–	2.14%	07/01/2012	07/01/2017	105,267
Baseball field lights	212,345	2.14%	07/31/2012	09/15/2017	108,097
Solar panels – Middle School	33,490	4.00%	09/01/2012	09/01/2022	25,362
Solar panels – High School	33,600	4.00%	11/01/2012	11/01/2022	25,950
Solar panels – STEM School	34,220	4.00%	08/01/2013	08/01/2023	25,922
Buses	266,862	1.91%	07/01/2013	07/01/2020	230,691
Computers (1)	–	1.91%	07/01/2013	07/01/2020	186,265
Apple iPads (1)	–	3.59%	10/30/2013	12/04/2015	35,060
Bus	48,607	2.58%	07/01/2014	07/01/2017	48,607
Buses	197,094	2.11%	07/01/2014	07/01/2021	197,094
Computers (1)	–	1.80%	07/01/2014	07/01/2019	221,345
Total capital leases					$ 2,168,275

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

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

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.

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
2016	$ 3,280,000	$ 1,914,716	$ 529,289	$ 63,176
2017	3,295,000	1,780,116	458,544	48,551
2018	3,430,000	1,645,560	393,744	35,032
2019	3,565,000	1,505,491	297,393	24,157
2020	2,460,000	1,359,910	227,536	16,013
2021–2025	22,250,000	4,419,300	261,769	14,057
2026–2027	4,805,000	436,250	–	–
	$ 43,085,000	$ 13,061,343	$ 2,168,275	$ 200,986

E. Changes in Long-Term Liabilities

	June 30, 2014	Change in Accounting Principle*	Additions	Retirements	June 30, 2015	Due Within One Year
General obligation bonds	$ 46,390,000	$ –	$ –	$ 3,305,000	$ 43,085,000	$ 3,280,000
Premiums	1,448,318	–	–	140,160	1,308,158	–
Discounts	(178,782)	–	–	(16,631)	(162,151)	–
Capital leases	2,197,996	–	467,046	496,767	2,168,275	529,289
Net pension liability – PERA	–	8,345,765	532,172	1,676,671	7,201,266	–
Net pension liability – TRA	–	29,973,860	1,307,268	7,402,845	23,878,283	–
Compensated absences	305,574	–	470,224	305,574	470,224	470,224
Severance benefits	2,551,445	–	133,629	204,443	2,480,631	356,484
Net pension benefits obligation	701,148	–	212,086	106,547	806,687	–
	$ 53,415,699	$ 38,319,625	$ 3,122,425	$ 13,621,376	$ 81,236,373	$ 4,635,997

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

NOTE 5 – FUND BALANCES

The following is a breakdown of equity components of governmental funds defined earlier in this report. Any such restrictions which have an accumulated deficit rather than a 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, 2015, a summary of the District's governmental fund balance classifications are as follows:

	General Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable				
Inventory	$ 27,221	$ –	$ 13,430	$ 40,651
Prepaids	119,842	–	129	119,971
Total nonspendable	147,063	–	13,559	160,622
Restricted				
Capital projects levy	548,043	–	–	548,043
Operating capital	442,254	–	–	442,254
Debt service	–	755,983	–	755,983
Food service	–	–	119,181	119,181
Community education programs	–	–	174,720	174,720
Early childhood family education programs	–	–	5,481	5,481
School readiness	–	–	8,665	8,665
Total restricted	990,297	755,983	308,047	2,054,327
Assigned				
Wellness expo	2,748	–	–	2,748
Ship Grant	25,209	–	–	25,209
Kern Grant	1,805	–	–	1,805
Third party special education	200,731	–	–	200,731
Synthetic turf	191,589	–	–	191,589
Carryover spending	298,940	–	–	298,940
Subsequent year's budget	89,014	–	–	89,014
Technology	450,000	–	–	450,000
Student activities	111,352	–	–	111,352
Total assigned	1,371,388	–	–	1,371,388
Unassigned				
Health and safety restricted deficit	(629,751)	–	–	(629,751)
Unassigned	2,457,678	–	–	2,457,678
Total unassigned	1,827,927	–	–	1,827,927
Total	$ 4,336,675	$ 755,983	$ 321,606	$ 5,414,264

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 6 – 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 (asset) to the plan:

ARC	$ 1,676,244
Interest on net OPEB obligation	(147,250)
Adjustment to ARC	224,847
Annual OPEB cost (expense)	1,753,841
Contributions made	–
Change in net OPEB obligation	1,753,841
Net OPEB obligation (asset) – beginning of year	(4,207,143)
Net OPEB obligation (asset) – end of year	$ (2,453,302)

NOTE 6 – 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 net OPEB obligation (asset) for the years ended June 30, 2013, 2014, and 2015 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	Net OPEB Obligation (Asset)
2013	$ (7,853,526)	$ 1,912,281	$ –	–%	$ (5,941,245)
2014	$ (5,941,245)	$ 1,734,102	$ –	–%	$ (4,207,143)
2015	$ (4,207,143)	$ 1,753,841	$ –	–%	$ (2,453,302)

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 6 – 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 7 – 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 7 – 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		24,540
Adjustment to ARC		(37,472)
Annual pension cost		212,086
Contributions made		106,547
Increase in net pension obligation		105,539
Net pension obligation – beginning of year		701,148
Net pension obligation – end of year	$	806,687

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, 2013, 2014, and 2015 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
2013	$ 559,928	$ 201,048	$ 153,659	76.4%	$ 607,317
2014	$ 607,317	$ 212,331	$ 118,500	55.8%	$ 701,148
2015	$ 701,148	$ 212,086	$ 106,547	50.2%	$ 806,687

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 7 – 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 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

The PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

All full-time and certain part-time employees of the District other than teachers are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Teachers Retirement Association (TRA)

The TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. The TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member, and three statutory officials.

Teachers employed in Minnesota's public elementary and secondary schools, charter schools, and certain educational institutions maintained by the state (except those teachers employed by the cities of Duluth and St. Paul, and by the University of Minnesota system) are required to be TRA members. State university, community college, and technical college teachers first employed by the Minnesota State Colleges and Universities (MnSCU) may elect TRA coverage within one year of eligible employment. Alternatively, these teachers may elect coverage through the Defined Contribution Retirement Plan (DCR) administered by MnSCU.

B. Benefits Provided

The PERA and the TRA provide retirement, disability, and death benefits. Benefit provisions are established by state statutes and can only be modified by the State Legislature.

- **PERA** – Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given 1 percent increases.

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

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for the PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members, and are based upon years of service and average high-five salary.

2. TRA Benefits

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

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

Tier I Benefits

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

With these provisions:

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

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

(c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for Coordinated Plan members and 2.7 percent per year for Basic Plan members. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated Plan members and 2.7 percent for Basic Plan members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statutes. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.5 percent, respectively, of their annual covered salary in calendar year 2014. Coordinated Plan members contributed 6.5 percent of pay in 2015. In calendar year 2014, the District was required to contribute 11.78 percent of pay for Basic Plan members and 7.25 percent for Coordinated Plan members. In 2015, employer rates increased to 7.5 percent in the Coordinated Plan. The District's contributions to the GERF for the plan's fiscal year ended June 30, 2015, were $630,341. The District's contributions were equal to the required contributions for each year as set by state statutes.

2. TRA Contributions

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

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

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2015, were $1,899,501. The District's contributions were equal to the required contributions for each year as set by state statutes.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

D. Pension Costs

1. GERF Pension Costs

At June 30, 2015, the District reported a liability of $7,201,266 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of the PERA's participating employers. At June 30, 2014, the District's proportion was 0.1533 percent.

For the year ended June 30, 2015, the District recognized pension expense of $532,172 for its proportionate share of the GERF's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 110,517	$ –
Changes in actuarial assumptions	742,162	–
Differences between projected and actual investment earnings	–	1,945,776
District's contributions to the GERF subsequent to the measurement date	630,341	–
Total	$ 1,483,020	$ 1,945,776

A total of $630,341 reported as deferred outflows of resources related to pensions resulting from district contributions to the GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to the GERF pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2016	$ (202,218)
2017	$ (202,218)
2018	$ (202,218)
2019	$ (486,443)

2. TRA Pension Costs

At June 30, 2015, the District reported a liability of $23,878,283 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the TRA in relation to total system contributions including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District's proportionate share was 0.5182 percent at the end of the measurement period and 0.5225 percent for the beginning of the period.

The pension liability amount reflected a reduction due to direct aid provided to the TRA. The amount recognized by the District as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of net pension liability	$ 23,878,283
State's proportionate share of the net pension liability associated with the District	$ 1,679,943

A change in benefit provisions that affected the measurement of the total pension liability since the prior measurement date was an increase of the contribution rates for both the member and employer.

For the year ended June 30, 2015, the District recognized pension expense of $1,233,984. It also recognized $73,284 as pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 2,037,464	$ –
Difference between projected and actual investment earnings	–	7,507,091
Changes in proportion and differences between contributions made and the District's proportionate share of contributions	–	204,071
District's contributions to the TRA subsequent to the measurement date	1,899,501	–
Total	$ 3,936,965	$ 7,711,162

A total of $1,899,501 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to the TRA will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2016	$ (1,494,018)
2017	$ (1,494,018)
2018	$ (1,494,018)
2019	$ (1,494,018)
2020	$ 302,374

E. Actuarial Assumptions

The total pension liability in the June 30, 2014, actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments.

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of actuarial experience studies. The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2004, to June 30, 2008, and a limited scope experience study dated August 29, 2014. The limited scope experience study addressed only inflation and long-term rate of return for the GASB Statement No. 67 valuation.

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

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

The long-term expected rate of return on pension plan investments is 7.9 percent for the GERF and 8.25 percent for the TRA. The Minnesota State Board of Investment, which manages the investments of the PERA and the TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic stocks	45%	5.50%
International stocks	15%	6.00%
Bonds	18%	1.45%
Alternative assets	20%	6.40%
Cash	2%	0.50%
Total	100%	

F. Discount Rate

The discount rate used to measure the total pension liability was 7.9 percent for the GERF and 8.25 percent for the TRA. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in the statute. Based on those assumptions, each of the pension plan's fiduciary net positions were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following table presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.90%	7.90%	8.90%
District's proportionate share of the GERF net pension liability	$ 11,608,731	$ 7,201,266	$ 3,574,959
TRA discount rate	7.25%	8.25%	9.25%
District's proportionate share of the TRA net pension liability	$ 39,462,625	$ 23,878,283	$ 10,886,330

H. Pension Plan Fiduciary Net Position

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

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

NOTE 9 – 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 10 – 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.

NOTE 11 – SUBSEQUENT EVENTS

In July 2015, the District entered into a capital lease for technology equipment totaling $3,375,915 with payments over four years. The lease matures in July 2019 and has an interest rate of 1.637 percent.

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 contribution 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	Net OPEB (Asset) Obligation
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)
2015	$ 1,676,244	– %	$ (2,453,302)

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 %

INDEPENDENT SCHOOL DISTRICT NO. 280

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

Public Employees Retirement Association

	2014
District's proportion of the net pension liability (asset)	0.1533%
District's proportionate share of the net pension liability (asset)	$ 7,201,266
District's covered-employee payroll	$ 8,045,286
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	89.51%
Plan fiduciary net position as a percentage of the total pension liability	78.70%

Teachers Retirement Association

District's proportion of the net pension liability (asset)	0.5182%
District's proportionate share of the net pension liability (asset) (a)	$ 23,878,283
District's proportionate share of the state of Minnesota's proportionate share of the net pension liability (b)	1,679,943
Proportionate share of the net pension liability and the District's share of the state of Minnesota's share of the net pension liability (a + b)	$ 25,558,226
District's covered-employee payroll	$ 23,658,854
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	100.93%
Plan fiduciary net position as a percentage of the total pension liability	81.50%

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

INDEPENDENT SCHOOL DISTRICT NO. 280

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

Public Employees Retirement Association

	2015
Statutorily required contribution	$ 630,341
Contributions in relation to the statutorily required contributions	630,341
Contribution deficiency (excess)	$ –
District's covered-employee payroll	$ 8,532,242
Contributions as a percentage of covered-employee payroll	7.39%

Teachers Retirement Association

Statutorily required contribution	$ 1,899,501
Contributions in relation to the statutorily required contributions	1,899,501
Contribution deficiency (excess)	$ –
District's covered-employee payroll	$ 25,326,686
Contributions as a percentage of covered-employee payroll	7.50%

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

SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	$ 167,154	$ 339,672	$ 506,826
Receivables			
Current taxes	–	207,117	207,117
Delinquent taxes	–	4,085	4,085
Accounts and interest	208	593	801
Due from other governmental units	16,990	131,344	148,334
Inventory	13,430	–	13,430
Prepaid items	–	129	129
Total assets	$ 197,782	$ 682,940	$ 880,722
Liabilities			
Salaries payable	$ 10,872	$ 14,892	$ 25,764
Accounts and contracts payable	33,420	10,033	43,453
Due to other governmental units	357	41,137	41,494
Unearned revenue	20,522	–	20,522
Total liabilities	65,171	66,062	131,233
Deferred inflows of resources			
Property taxes levied for subsequent year	–	423,798	423,798
Unavailable revenue – delinquent taxes	–	4,085	4,085
Total deferred inflows of resources	–	427,883	427,883
Fund balances			
Nonspendable	13,430	129	13,559
Restricted	119,181	188,866	308,047
Total fund balances	132,611	188,995	321,606
Total liabilities, deferred inflows of resources, and fund balances	$ 197,782	$ 682,940	$ 880,722

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	$ –	$ 439,479	$ 439,479
Investment earnings	78	208	286
Other	383,309	290,889	674,198
State sources	146,646	548,249	694,895
Federal sources	1,839,671	76,482	1,916,153
Total revenue	2,369,704	1,355,307	3,725,011
Expenditures			
Current			
Food service	2,339,223	–	2,339,223
Community service	–	1,318,495	1,318,495
Capital outlay	37,210	–	37,210
Total expenditures	2,376,433	1,318,495	3,694,928
Net change in fund balances	(6,729)	36,812	30,083
Fund balances			
Beginning of year	139,340	152,183	291,523
End of year	$ 132,611	$ 188,995	$ 321,606

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	2015	2014
Assets		
Cash and temporary investments	$ 1,643,316	$ 277,559
Receivables		
Current taxes	6,247,162	6,082,431
Delinquent taxes	109,116	36,672
Accounts and interest	1,753,368	244,784
Due from other governmental units	6,966,554	7,276,194
Due from OPEB trust	522,700	687,162
Inventory	27,221	28,959
Prepaid items	119,842	297,887
Total assets	$ 17,389,279	$ 14,931,648
Liabilities		
Salaries payable	$ 348,750	$ 318,952
Accounts and contracts payable	754,885	664,745
Due to other governmental units	386,039	345,703
Unearned revenue	70,000	–
Total liabilities	1,559,674	1,329,400
Deferred inflows of resources		
Property taxes levied for subsequent year	11,383,814	10,876,332
Unavailable revenue – delinquent taxes	109,116	36,672
Total deferred inflows of resources	11,492,930	10,913,004
Fund balances (deficits)		
Nonspendable for inventory	27,221	28,959
Nonspendable for prepaids	119,842	297,887
Restricted for capital projects levy	548,043	–
Restricted for operating capital	442,254	356,761
Assigned for wellness expo	2,748	672
Assigned for Ship Grant	25,209	25,347
Assigned for Kern Grant	1,805	1,805
Assigned for third party special education	200,731	99,769
Assigned for synthetic turf	191,589	97,022
Assigned for carryover spending	298,940	298,940
Assigned for subsequent year's budget	89,014	–
Assigned for technology	450,000	450,000
Assigned for student activities	111,352	120,335
Unassigned – health and safety restricted account deficit	(629,751)	(236,894)
Unassigned – capital projects levy account deficit	–	(128,939)
Unassigned	2,457,678	1,277,580
Total fund balances	4,336,675	2,689,244
Total liabilities, deferred inflows of resources, and fund balances	$ 17,389,279	$ 14,931,648

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	2015			2014
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 12,509,988	$ 12,429,665	$ (80,323)	$ 7,594,508
Investment earnings	25,000	86,931	61,931	2,492
Other	1,337,970	1,580,965	242,995	1,834,550
State sources	43,522,410	42,796,472	(725,938)	44,992,848
Federal sources	2,137,520	2,268,868	131,348	2,671,161
Total revenue	59,532,888	59,162,901	(369,987)	57,095,559
Expenditures				
Current				
Administration				
Salaries	1,760,104	1,712,178	(47,926)	1,607,073
Employee benefits	552,216	565,083	12,867	536,878
Purchased services	63,431	63,268	(163)	86,214
Supplies and materials	208,316	136,235	(72,081)	145,145
Capital expenditures	5,000	21,550	16,550	39,362
Other expenditures	72,210	63,879	(8,331)	70,568
Total administration	2,661,277	2,562,193	(99,084)	2,485,240
District support services				
Salaries	715,032	743,517	28,485	689,504
Employee benefits	334,114	210,435	(123,679)	261,032
Purchased services	299,970	296,898	(3,072)	325,226
Supplies and materials	45,875	29,806	(16,069)	37,897
Capital expenditures	–	11,470	11,470	–
Other expenditures	53,056	14,935	(38,121)	8,530
Total district support services	1,448,047	1,307,061	(140,986)	1,322,189
Elementary and secondary regular instruction				
Salaries	18,872,100	18,120,259	(751,841)	17,012,228
Employee benefits	6,914,324	6,671,338	(242,986)	6,416,357
Purchased services	1,336,705	1,278,985	(57,720)	1,455,867
Supplies and materials	638,080	619,678	(18,402)	726,302
Capital expenditures	108,540	287,050	178,510	347,516
Other expenditures	67,919	28,255	(39,664)	31,053
Total elementary and secondary regular instruction	27,937,668	27,005,565	(932,103)	25,989,323

(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, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015			2014
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	255,576	256,348	772	286,310
Employee benefits	89,237	94,289	5,052	106,404
Purchased services	181,917	45,676	(136,241)	90,834
Supplies and materials	16,850	21,344	4,494	23,160
Total vocational education instruction	543,580	417,657	(125,923)	506,708
Special education instruction				
Salaries	6,842,376	7,215,429	373,053	6,809,225
Employee benefits	2,613,817	2,784,569	170,752	2,675,845
Purchased services	1,037,801	970,057	(67,744)	1,047,711
Supplies and materials	85,887	69,779	(16,108)	104,361
Capital expenditures	6,600	3,386	(3,214)	17,886
Other expenditures	–	3,761	3,761	2,800
Total special education instruction	10,586,481	11,046,981	460,500	10,657,828
Instructional support services				
Salaries	1,296,060	1,266,773	(29,287)	1,210,378
Employee benefits	510,030	464,756	(45,274)	455,468
Purchased services	267,340	213,034	(54,306)	404,963
Supplies and materials	283,600	433,970	150,370	162,526
Capital expenditures	109,040	438,331	329,291	399,985
Other expenditures	130,000	–	(130,000)	–
Total instructional support services	2,596,070	2,816,864	220,794	2,633,320
Pupil support services				
Salaries	2,430,276	2,248,938	(181,338)	2,105,978
Employee benefits	889,855	897,683	7,828	804,631
Purchased services	1,464,991	1,832,414	367,423	1,900,584
Supplies and materials	380,930	308,098	(72,832)	382,041
Capital expenditures	2,795	248,064	245,269	277,183
Other expenditures	765	2,075	1,310	370
Total pupil support services	5,169,612	5,537,272	367,660	5,470,787

(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, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015			2014
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	1,676,265	1,760,142	83,877	1,698,710
Employee benefits	837,954	770,115	(67,839)	741,014
Purchased services	2,288,404	2,390,063	101,659	2,330,503
Supplies and materials	937,936	684,854	(253,082)	838,314
Capital expenditures	997,867	797,022	(200,845)	552,421
Total sites and buildings	6,738,426	6,402,196	(336,230)	6,160,962
Fiscal and other fixed cost programs				
Purchased services	285,332	305,072	19,740	265,865
Other expenditures	13,000	13,356	356	13,177
Total fiscal and other fixed cost programs	298,332	318,428	20,096	279,042
Debt service				
Principal	421,356	496,767	75,411	538,842
Interest and fiscal charges	90,586	71,532	(19,054)	117,371
Total debt service	511,942	568,299	56,357	656,213
Total expenditures	58,491,435	57,982,516	(508,919)	56,161,612
Excess of revenue over expenditures	1,041,453	1,180,385	138,932	933,947
Other financing sources				
Capital leases	–	467,046	467,046	602,608
Net change in fund balances	$ 1,041,453	1,647,431	$ 605,978	1,536,555
Fund balances				
Beginning of year		2,689,244		1,152,689
End of year		$ 4,336,675		$ 2,689,244

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

	2015	2014
Assets		
Cash and temporary investments	$ 167,154	$ 146,747
Receivables		
Accounts and interest	208	301
Due from OPEB trust	–	6,701
Due from other governmental units	16,990	–
Inventory	13,430	56,845
Prepaid items	–	5,007
Total assets	$ 197,782	$ 215,601
Liabilities		
Salaries payable	$ 10,872	$ 16,154
Accounts and contracts payable	33,420	58,523
Due to other governmental units	357	1,584
Unearned revenue	20,522	–
Total liabilities	65,171	76,261
Fund balances		
Nonspendable for inventory	13,430	56,845
Nonspendable for prepaids	–	5,007
Restricted for food service	119,181	77,488
Total fund balances	132,611	139,340
Total liabilities and fund balances	$ 197,782	$ 215,601

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, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015			2014
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	$ –	$ 78	$ 78	$ –
Other – primarily meal sales	377,000	383,309	6,309	422,694
State sources	120,000	146,646	26,646	97,286
Federal sources	1,810,000	1,839,671	29,671	1,730,935
Total revenue	2,307,000	2,369,704	62,704	2,250,915
Expenditures				
Current				
Salaries	725,350	721,752	(3,598)	683,029
Employee benefits	282,746	296,897	14,151	294,878
Purchased services	132,000	95,749	(36,251)	119,441
Supplies and materials	1,024,400	1,223,278	198,878	1,034,268
Other expenditures	5,000	1,547	(3,453)	2,753
Capital outlay	71,000	37,210	(33,790)	227,284
Total expenditures	2,240,496	2,376,433	135,937	2,361,653
Net change in fund balances	$ 66,504	(6,729)	$ (73,233)	(110,738)
Fund balances				
Beginning of year		139,340		250,078
End of year		$ 132,611		$ 139,340

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	2015	2014
Assets		
Cash and temporary investments	$ 339,672	$ 656,682
Receivables		
Current taxes	207,117	215,037
Delinquent taxes	4,085	1,458
Accounts and interest	593	538
Due from other governmental units	131,344	125,984
Due from OPEB trust	–	3,473
Prepaid items	129	8,639
Total assets	$ 682,940	$ 1,011,811
Liabilities		
Salaries payable	$ 14,892	$ 20,442
Accounts and contracts payable	10,033	12,169
Due to other governmental units	41,137	385,438
Total liabilities	66,062	418,049
Deferred inflows of resources		
Property taxes levied for subsequent year	423,798	440,121
Deferred revenue – delinquent taxes	4,085	1,458
Total deferred inflows of resources	427,883	441,579
Fund balances		
Nonspendable for prepaids	129	8,639
Restricted for community education programs	174,720	129,565
Restricted for early childhood family education programs	5,481	5,314
Restricted for school readiness	8,665	8,665
Total fund balances	188,995	152,183
Total liabilities, deferred inflows of resources, and fund balances	$ 682,940	$ 1,011,811

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, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015			2014
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 560,657	$ 439,479	$ (121,178)	$ 227,940
Investment earnings	–	208	208	–
Other – primarily tuition and fees	300,701	290,889	(9,812)	360,832
State sources	373,111	548,249	175,138	681,932
Federal sources	–	76,482	76,482	76,482
Total revenue	1,234,469	1,355,307	120,838	1,347,186
Expenditures				
Current				
Salaries	490,397	397,793	(92,604)	355,875
Employee benefits	98,046	150,130	52,084	120,186
Purchased services	544,834	674,231	129,397	709,871
Supplies and materials	84,722	85,598	876	94,160
Other expenditures	10,000	10,743	743	9,532
Capital outlay	1,000	–	(1,000)	21,022
Total expenditures	1,228,999	1,318,495	89,496	1,310,646
Net change in fund balances	$ 5,470	36,812	$ 31,342	36,540
Fund balances				
Beginning of year		152,183		115,643
End of year		$ 188,995		$ 152,183

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	Regular Debt Service Account	OPEB Debt Service Account	Totals 2015	Totals 2014
Assets				
Cash and temporary investments	$ 2,436,062	$ 798,649	$ 3,234,711	$ 3,572,969
Receivables				
Current taxes	1,803,856	565,466	2,369,322	2,692,185
Delinquent taxes	38,639	11,182	49,821	16,892
Due from other governmental units	–	–	–	8
Total assets	$ 4,278,557	$ 1,375,297	$ 5,653,854	$ 6,282,054
Deferred inflows of resources				
Property taxes levied for subsequent year	$ 3,691,006	$ 1,157,044	$ 4,848,050	$ 5,510,138
Deferred revenue – delinquent taxes	38,639	11,182	49,821	16,892
Total deferred inflows of resources	3,729,645	1,168,226	4,897,871	5,527,030
Fund balances				
Restricted for debt service	548,912	207,071	755,983	755,024
Total deferred inflows of resources and fund balances	$ 4,278,557	$ 1,375,297	$ 5,653,854	$ 6,282,054

INDEPENDENT SCHOOL DISTRICT NO. 280

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

	2015					2014
		Actual				
	Budget	Regular Debt Service Account	OPEB Debt Service Account	Total	Over (Under) Budget	Actual
Revenue						
Local sources						
Property taxes	$ 5,509,513	$ 4,313,249	$ 1,188,381	$ 5,501,630	$ (7,883)	$ 5,536,616
Investment earnings	2,000	796	–	796	(1,204)	2,269
State sources	–	–	–	–	–	77
Total revenue	5,511,513	4,314,045	1,188,381	5,502,426	(9,087)	5,538,962
Expenditures						
Debt service						
Principal	3,305,000	2,925,000	380,000	3,305,000	–	3,140,000
Interest	2,145,446	1,376,336	814,306	2,190,642	45,196	2,274,796
Fiscal charges and other	51,000	5,375	450	5,825	(45,175)	145,725
Total expenditures	5,501,446	4,306,711	1,194,756	5,501,467	21	5,560,521
Excess (deficiency) of revenue over expenditures	10,067	7,334	(6,375)	959	(9,108)	(21,559)
Other financing sources (uses)						
Refunding bonds issued	–	–	–	–	–	16,765,000
Premiums on bonds issued	–	–	–	–	–	1,541,758
Bond refunding payments	–	–	–	–	–	(18,160,000)
Total other financing sources (uses)	–	–	–	–	–	146,758
Net change in fund balances	$ 10,067	7,334	(6,375)	959	$ (9,108)	125,199
Fund balances						
Beginning of year		541,578	213,446	755,024		629,825
End of year		$ 548,912	$ 207,071	$ 755,983		$ 755,024

<u>OTHER DISTRICT INFORMATION</u>

<u>(UNAUDITED)</u>

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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
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%
2015	1,381,895	10,858,507	18,478,774	36,866,254	987,311	68,572,741
	2.0%	15.8%	27.0%	53.8%	1.4%	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.

INDEPENDENT SCHOOL DISTRICT NO. 280

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
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
	3.7%	2.9%	40.7%	1.2%	14.2%	2.3%	7.7%
2009	2,325,051	1,352,282	24,404,170	811,352	8,683,632	1,476,300	4,725,255
	3.9%	2.2%	40.6%	1.3%	14.4%	2.5%	7.9%
2010	2,408,132	1,387,693	24,525,779	804,192	9,356,398	1,729,489	4,423,174
	3.9%	2.3%	40.2%	1.3%	15.3%	2.8%	7.2%
2011	2,364,391	1,365,550	25,498,288	752,047	9,275,816	1,439,697	4,514,682
	3.7%	2.2%	40.4%	1.2%	14.7%	2.3%	7.2%
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%
2015	2,780,256	1,350,886	27,446,721	439,443	11,177,578	2,855,239	5,511,201
	4.2%	2.0%	41.0%	0.7%	16.7%	4.3%	8.2%

Sites and Buildings	Fiscal and Other Fixed Cost Programs	Food Service	Community Service	Unallocated Depreciation	Interest and Fiscal Charges	Total
$ 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
10.1%	0.4%	2.5%	2.2%	4.0%	3.1%	95.2%
6,399,723	315,921	1,501,484	1,291,549	2,690,491	2,360,774	58,337,984
10.6%	0.5%	2.5%	2.1%	4.5%	4.0%	97.0%
6,803,508	216,135	1,570,841	1,289,240	3,014,043	2,606,195	60,134,819
11.1%	0.4%	2.6%	2.1%	4.9%	4.3%	98.5%
6,732,002	220,807	1,809,824	1,320,500	3,066,722	2,675,391	61,035,717
10.7%	0.3%	2.9%	2.1%	4.9%	4.1%	96.7%
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%	99.9%
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%
6,124,862	318,428	2,390,570	1,344,766	3,246,459	1,957,346	66,943,755
9.1%	0.5%	3.6%	2.0%	4.8%	2.9%	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
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%
2015	12,429,665	42,796,472	2,268,868	1,667,896	59,162,901
	21%	72%	4%	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
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%	2%	46%	1%	17%
2012	2,353,857	1,365,761	25,066,366	695,800	9,548,848
	4%	2%	46%	1%	17%
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%
2015	2,562,193	1,307,061	27,005,565	417,657	11,046,981
	4%	2%	47%	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
$ 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%	8%	15%	2%	98%
1,312,859	4,880,377	8,306,378	894,205	54,424,451
2%	9%	15%	2%	99%
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%
2,816,864	5,537,272	6,402,196	886,727	57,982,516
5%	10%	11%	1%	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					
	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
	2015	12,781,122	423,798	4,848,050	18,052,970
Tax capacity rates					
	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
	2015	14.207	1.001	11.451	26.659

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
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
2015	46,463,214	(6,982,700)	5,553,498	(4,097,780)	40,936,232

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
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
2015	15,087,402	2,965,568	–	18,052,970

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, 2015			
Delinquent		Current	
Amount	Percent	Amount	Percent
$ –	– %	$ –	– %
–	–	–	–
–	–	–	–
–	–	–	–
12,864	0.08	–	–
17,148	0.10	–	–
24,102	0.15	–	–
41,434	0.23	–	–
67,474	0.37	–	–
–	–	8,823,601	48.88
$ 163,022		$ 8,823,601	

INDEPENDENT SCHOOL DISTRICT NO. 280

Student Enrollment
Last Ten Fiscal Years

	Average Daily Membership (ADM) (for Students Served and Tuition Paid)					
Year Ended June 30,	Handicapped and Pre-Kindergarten	Kindergarten	Elementary	Secondary	Total	Total Pupil Units
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	78.03	373.05	2,094.56	1,838.06	4,383.70	4,991.76
2015	90.32	368.58	2,151.30	1,760.21	4,370.41	4,722.45

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	Part-Time/All-Day Kindergarten	Elementary 1–3	Elementary 4–6	Secondary
Fiscal 2006 through 2007	Various	0.557	1.115	1.060	1.300
Fiscal 2008 through 2014	Various	0.612	1.115	1.060	1.300
Fiscal 2015	1.000	0.550/1.000	1.000	1.000	1.200

OTHER REQUIRED REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 280

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Federal Expenditures	
U.S. Department of Agriculture			
Passed through Minnesota Department of Education			
Child nutrition cluster			
School Breakfast Program	10.553	$ 453,813	
National School Lunch Program	10.555	1,297,553	
Summer Food Service Program for Children	10.559	88,306	
Total child nutrition cluster			1,839,672
U.S. Department of Education			
Passed through Minnesota Department of Education			
Title I Grants to Local Educational Agencies	84.010		1,062,445
Special education cluster			
Special Education – Grants to States	84.027	811,349	
Special Education – Preschool Grants	84.173	30,847	
Total special education cluster			842,196
Special Education Grants for Infants and Families	84.181		39,912
English Language Acquisition Grants	84.365		171,308
Improving Teacher Quality State Grants	84.367		151,901
Race to the Top – Early Learning Challenge	84.412		76,482
Passed through Southwest Metro Educational Cooperative			
Career and Technical Education – Basic Grants to States	84.048		21,422
U.S. Department of Health and Human Services			
Passed through Minnesota Department of Education			
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079		5,066
Total federal awards			$ 4,210,404

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 $108,501 is reported in this schedule at the fair market value of commodities received and disbursed for the U.S. Department of Agriculture National School Lunch Program (CFDA No. 10.555).

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

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	$ 33,311
Improving Teacher Quality State Grants	84.367	$ 24,753
English Language Acquisition Grants	84.365	$ 8,787

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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 (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 14, 2015.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

Minneapolis, Minnesota
December 14, 2015

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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's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

MANAGEMENT'S RESPONSIBILITY

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

AUDITOR'S RESPONSIBILITY

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

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

(continued)

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OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to on the previous page that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
December 14, 2015

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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 (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 14, 2015.

MINNESOTA LEGAL COMPLIANCE

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

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described in the Schedule of Findings and Questioned Costs as item 2015-001. 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.

DISTRICT'S RESPONSE TO FINDING

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

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
December 14, 2015

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

A. SUMMARY OF AUDIT RESULTS

This summary is formatted to provide federal granting agencies and pass-through 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 Agriculture child nutrition cluster consisting of:	
– School Breakfast Program	10.553
– National School Lunch Program	10.555
– 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?	__X__ Yes	____ No

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – FEDERAL SINGLE AUDIT

None.

D. FINDINGS – MINNESOTA LEGAL COMPLIANCE AUDIT

2015-001 CONTRACTING AND BID LAWS COMPLIANCE

Criteria – Minnesota Statutes § 471.345, Subd. 4.

Condition – Minnesota Statutes require Independent School District No. 280 (the District) to obtain two or more quotations for contracts from $25,000 to $100,000. The District did not obtain at least two quotes for one contract over $25,000 awarded during the year.

Questioned Costs – Not applicable.

Context – One of four contracts tested was not in compliance. This is a current year finding.

Effect – The District awarded one contract in excess of $25,000 during the year without following state statutory bid law requirements.

Cause – This was an oversight by district personnel.

Recommendation – We recommend that the District comply with Minnesota statutory bid law requirements for all contracts over $25,000 in the future.

Corrective Action Plan

Actions Planned – The District will review the contracting and bid procedures to ensure compliance with these requirements in the future.

Official Responsible – The Director of Finance.

Planned Completion Date – June 30, 2016.

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

Plan to Monitor – The Director of Finance will review the District's procedures for contracting and bids to address this condition and supervise the progress of planned corrective actions during the year.

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

None.

INDEPENDENT SCHOOL DISTRICT NO. 280

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

		Audit	UFARS	Audit – UFARS
General Fund				
Total revenue		$ 59,162,901	$ 59,162,899	$ 2
Total expenditures		$ 57,982,516	$ 57,982,515	$ 1
Nonspendable				
460	Nonspendable fund balance	$ 147,063	$ 147,063	$ –
Restricted/reserve				
403	Staff development	$ –	$ –	$ –
405	Deferred maintenance	$ –	$ –	$ –
406	Health and safety	$ (629,751)	$ (629,751)	$ –
407	Capital projects levy	$ 548,043	$ 548,043	$ –
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	$ 442,254	$ 442,254	$ –
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	$ –	$ –	$ –
440	Teacher development and evaluation	$ –	$ –	$ –
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	$ 1,371,388	$ 1,371,390	$ (2)
Unassigned				
422	Unassigned fund balance	$ 2,457,678	$ 2,457,677	$ 1
Food Service				
Total revenue		$ 2,369,704	$ 2,369,704	$ –
Total expenditures		$ 2,376,433	$ 2,376,433	$ –
Nonspendable				
460	Nonspendable fund balance	$ 13,430	$ 13,430	$ –
Restricted/reserved				
452	OPEB liability not in trust	$ –	$ –	$ –
Restricted				
464	Restricted fund balance	$ 119,181	$ 119,181	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Community Service				
Total revenue		$ 1,355,307	$ 1,355,306	$ 1
Total expenditures		$ 1,318,495	$ 1,318,493	$ 2
Nonspendable				
460	Nonspendable fund balance	$ 129	$ 129	$ –
Restricted/reserve				
426	$25 taconite	$ –	$ –	$ –
431	Community education	$ 174,720	$ 174,719	$ 1
432	ECFE	$ 5,481	$ 5,481	$ –
440	Teacher development and evaluation	$ –	$ –	$ –
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, 2015

		Audit		UFARS		Audit – UFARS	
Building Construction							
Total revenue		$	–	$	–	$	–
Total expenditures		$	–	$	–	$	–
Nonspendable							
460	Nonspendable fund balance	$	–	$	–	$	–
Restricted/reserve							
407	Capital projects levy	$	–	$	–	$	–
409	Alternative facility program	$	–	$	–	$	–
413	Project funded by COP	$	–	$	–	$	–
Restricted							
464	Restricted fund balance	$	–	$	–	$	–
Unassigned							
463	Unassigned fund balance	$	–	$	–	$	–
Debt Service							
Total revenue		$	4,314,045	$	4,314,045	$	–
Total expenditures		$	4,306,711	$	4,306,711	$	–
Nonspendable							
460	Nonspendable fund balance	$	–	$	–	$	–
Restricted/reserve							
425	Bond refundings	$	–	$	–	$	–
451	QZAB payments	$	–	$	–	$	–
Restricted							
464	Restricted fund balance	$	548,912	$	548,912	$	–
Unassigned							
463	Unassigned fund balance	$	–	$	–	$	–
Trust							
Total revenue		$	40,159	$	40,159	$	–
Total expenditures		$	24,661	$	24,661	$	–
422	Net position	$	432,860	$	432,860	$	–
Internal Service							
Total revenue		$	6,593,433	$	6,593,433	$	–
Total expenditures		$	6,355,450	$	6,355,450	$	–
422	Net position	$	2,117,354	$	2,117,354	$	–
OPEB Revocable Trust Fund							
Total revenue		$	–	$	–	$	–
Total expenditures		$	–	$	–	$	–
422	Net position	$	–	$	–	$	–
OPEB Irrevocable Trust Fund							
Total revenue		$	97,720	$	97,720	$	–
Total expenditures		$	522,951	$	522,950	$	1
422	Net position	$	11,215,038	$	11,215,039	$	(1)
OPEB Debt Service Fund							
Total revenue		$	1,188,381	$	1,188,381	$	–
Total expenditures		$	1,194,756	$	1,194,756	$	–
Nonspendable							
460	Nonspendable fund balance	$	–	$	–	$	–
Restricted							
425	Bond refundings	$	–	$	–	$	–
464	Restricted fund balance	$	207,071	$	207,071	$	–
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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