INDEPENDENT SCHOOL DISTRICT NO. 47
Sauk Rapids, Minnesota

AUDITED FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

INDEPENDENT SCHOOL DISTRICT NO. 47

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BOARD OF EDUCATION AND ADMINISTRATION
For the Year Ended June 30, 2015

Board of Education	Position	Term Expires
Mark Hauck	Chairperson	December 31, 2016
Tracey Fiereck	Vice Chairperson	December 31, 2016
Phillip Rogholt	Clerk	December 31, 2018
Robyn Holthaus	Treasurer	December 31, 2018
Lisa Braun	Director	December 31, 2018
Tracy Morse	Director	December 31, 2016
Jan Solarz	Director	December 31, 2016

Administration	
Daniel Bittman	Superintendent
Kim Eisenschenk	Business Manager
JoAnn Landwehr	Business Office Coordinator

INDEPENDENT AUDITOR'S REPORT

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St. Cloud, MN
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To the School Board
Independent School District No. 47
Sauk Rapids, 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. 47, Sauk Rapids, Minnesota, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 47, Sauk Rapids, Minnesota, as of June 30, 2015, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Implementation of GASB 68 and GASB 71

As discussed in Note 10 to the financial statements, the District has adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* 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, which follows this report letter, and the Schedule of Funding Progress – Other Post Employment Benefits on page 62, Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability GERF Retirement Funds on page 63, Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability TRA Retirement Funds on page 63, Schedule of District Contributions of GERF Retirement Funds on page 64 and Schedule of District Contributions of TRA Retirement Funds on page 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) *Circular A-133*, *Audits of States, Local Governments and Nonprofit Organizations*, and is also not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the 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.

BerganKDV, Ltd.

BerganKDV, Ltd.
St. Cloud, Minnesota
October 22, 2015

INDEPENDENT SCHOOL DISTRICT NO. 47

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

As management of Independent School District No. 47 Sauk Rapids-Rice Schools (the "District"), we offer readers of our financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. All amounts, unless otherwise indicated, are expressed in thousands of dollars. Certain comparative information between the current year (2014-2015) and the prior year (2013-2014) is required to be presented in the Management's Discussion and Analysis (MD&A).

Financial Summary

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by $ 10,299 (net position).

- The District's total net position decreased by $ 18,652. The decrease was the result of a change in accounting principle brought about by the implementation of GASB 68 and 71, which requires reporting of Pension Liabilities for School District employees by each individual District. Previously this liability was reported by the State Pension plans; Teachers Retirement Plan (TRA) and Public Employee Retirement Association (PERA) on their financial statements and only disclosed in the District's notes to the financial statements. However with the GASB implementation, these liabilities are now required to be reflected in the District's, Government-Wide Statements. (See Note 10).

- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $ 25,311 an overall increase of $ 4,009. This increase was made up several different components. The unassigned fund balance in the General Fund increased by $ 2,262. Increases were also noted in the General Fund, committed and assigned fund balance categories. These improvements were mainly due to increases in state funding and student enrollment; additional dollars committed to fund severance payments in future years, as well as increases in a fund balance that accounts for department carryover funds and third party special education revenue that will be used for future personnel additions. The District again experienced an increase in enrollment in 2014-2015, which provided additional revenue in the form of General Education Aid. This additional revenue, combined with an increase in special education revenue, and the addition of referendum and location equity revenue allowed the General Fund, fund balance to increase by $ 3,835. The combined other nonmajor funds and the debt service fund also experienced increases over the balances from a year ago.

- At the end of the current fiscal year, the unassigned fund balance for the General Fund was $ 12,151, which equates to 31.75% of total General Fund expenditures and is equivalent to more than three months of operating expenditures. Although the unassigned fund balance increased by $ 2,262, the projected increase is earmarked to; continue to meet referendum promises made to the community, fund several new staffing positions and continue our phased technology initiative designed to provide equal access and opportunity to all Sauk Rapids-Rice students.

- The General Fund includes a committed fund balance for severance payments in the amount of $ 2,131, which increased by $ 168 this fiscal year. It is the District's hope to fully fund its severance liability by building up the committed fund balance account over the next several years. Eventually the District would like all severance payments to be made from this commitment (see Note 7).

OVERVIEW OF THE FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the differences between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related net cash flows. Thus, revenues and expenses are reported in the Statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the District that are principally supported by state aid-formula, grants and local property taxes. The governmental activities include general school operations, food service operations, community service operations and capital projects. The government-wide financial statements can be found on pages 20 and 21 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated from specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for basic services and serve essentially the same function as those reported in governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities – Governmental Funds can be found on page 25 of this report. In addition, the Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds can be found on page 23 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds and is handled on the accrual-basis accounting method as well.

The basic fiduciary fund financial statements can be found on page 27 of this report.

Notes to the Financial Statements

The Notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 29 to 60 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a district's financial position. In the case of the District, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by $ 10,298 at the close of the most recent fiscal year (see Table A-1); this was a decrease of $ 18,652 over the previous year due to the implementation of GASB 68 and 71.

The largest portion of the District's assets is reflected in its investment in capital assets (e.g., land, buildings and equipment). These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The current fiscal year marked a change in pupil unit weightings and a slight increase in the state funded per pupil unit general education formula allowance. The District did however take advantage of Location Equity Revenue provided by the legislature. This funding source, made up of both a levy and aid component, provided additional funds for district use. This new revenue source along with an ongoing operating referendum has provided the District future financial stability so that it will be able to focus on aligning class sizes and restoring other areas previously reduced during significant budget cuts. In the last eight years, General Fund revenues exceeded expenditures, fund balance has improved to adequate levels, and enrollment continues to increase.

Although the General Fund, fund balance increased at the end of each of the last eight fiscal years, the District still finds itself particularly dependent on the State of Minnesota and its economic condition. Changes made during a legislative session can have a significant impact on the District's cash flow situation. As the State Legislature has attempted in the past to balance the state budget, they have chosen in the past to borrow from school districts to meet their own cash flow obligations. This action, taken by the State of Minnesota, has in turn forced school districts to either borrow to fulfill local cash flow needs, or maintain higher fund balances to meet cash flow obligations, in case the State of Minnesota chooses to borrow from districts. Fortunately in recent years, the District has maintained sufficient cash flow reserves so that it has not had to borrow funds to meet its financial obligations. Currently the aid shift is at a ratio of 90.0/10.0%, the minimum statutory shift set forth in law. During the peak of the State's economic downturn, the aid shift was being funded at a 64.3%/35.7% level. As a result, the District has worked diligently to keep fund balance at an adequate level to ensure it would not have to borrow in tough economic times.

In previous years, the District found itself having difficulty providing similar programing compared to other neighboring Districts and as a result sought voter approved operating referendum authority, which was approved in November 2012. This referendum funding was used to add back programs and services that were lost in previous budget reductions and provide stability to the budget as promised to resident tax-payers. The referendum promises made were to; protect District programs from further reductions, preserve student course offerings, restore bus transportation for all district resident students, and improve class-size ratios where and when possible. The District is also in the process of improving technology District wide. At the end of the 2013-2014 school year, the District embarked on a three-phased 1:1 technology initiative. This initiative was designed to provide equal access and opportunity for all students by providing technology devices from Early Childhood through Graduation for Sauk Rapids-Rice students. The first phase of this plan was completed during the 2014-2015 school year. Phase II of the plan has been approved and funded through a capital lease purchase in June 2015 and will be implemented in the 2015-2016 school year. The third phase is currently in the planning stage and the District hopes to roll it out over the next fiscal year.

These significant events have resulted in the following:

- The District has ensured it financial stability by planning to increase fund balance in the current year to adequate levels allowing it to be able to withstand the volatility of the District's major funding source, the State of Minnesota. This fund balance will allow the District to focus on achieving and maintaining referendum promises made to tax-payers upon the successful operating referendum vote in November 2012.

- The District is in the midst of fulfilling referendum promises made to taxpayers by continuing to provide the following; bus transportation to all resident students, adding back programs when possible and adding additional staff in a measured way to maintain and lower class sizes when able. The District has also made a commitment to preserving and enhancing current programing with referendum and Location Equity revenue funds.

- Technology infrastructure improvements have been completed and implementation of a 1:1 technology initiative is underway District-wide.

STATEMENT OF NET POSITION
As of June 30, 2015
Table A-1

	Governmental Activities 2015	Governmental Activities 2014	Total Percentage Change 2015-2014
ASSETS			
Total Current Assets	$ 39,643	$ 34,436	15.12%
Total Capital Assets	62,134	63,625	-2.34%
Total Assets	101,777	98,061	3.79%
DEFERRED OUTFLOWS OF RESOURCES	3,992	-	0.00%
Total Assets, Deferred Outflows of Resources	$ 105,769	$ 98,061	7.86%
LIABILITIES			
Current Liabilities	$ 11,069	$ 10,696	3.49%
Long-Term Liabilities	69,500	50,936	36.45%
Total Liabilities	80,569	61,632	30.73%
DEFERRED INFLOWS OF RESOURCES	14,901	7,479	99.24%
NET POSITION			
Net Investment in Capital Assets	11,170	9,181	21.66%
Restricted Amounts	6,174	5,445	13.39%
Unrestricted Amounts	(7,046)	14,324	-149.19%
Total Net Position	10,298	28,950	-64.43%
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 105,768	$ 98,061	7.86%

The District's combined total position was $ 105,769 on June 30, 2015. This was an increase of 7.86% over the prior year (see table A-1). This increase in total assets was mainly due to increased enrollment and an increase in the formula allowance for General Education, increases in Special Education funding, as well as additional revenue received from the operating referendum and Location Equity revenue.

Governmental Activities

Governmental activities increased the District's net position by $ 5,649. However, due to a change in accounting principle as detailed in Note 10, the ending Net Position of the District declined. This accounting principle change required Districts to show pension liabilities, for their employees, on the government wide statements. However, with an increase in both enrollment and the per pupil formula allowance, revenues have surpassed expenditures again in the current year, improving the District's net position exclusive of the accounting change.

The District maintains five individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Change in Fund Balances for the General Fund and the Debt Service Fund, of which both are considered to be major funds. Data from the other three funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the supplementary information section of this report beginning on page 66.

INDEPENDENT SCHOOL DISTRICT NO. 47

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

The following Table A-2 presents the change in net position of the District:

CHANGE IN NET POSITION
Table A-2

	Governmental Activities for the Fiscal Year Ended June 30, 2015	Governmental Activities for the Fiscal Year Ended June 30, 2014	Total Percentage Change 2015-2014
REVENUES:			
Program Revenues:			
Charges for Services	$ 3,848	$ 4,093	-5.99%
Operating Grants and Contributions	11,251	10,932	2.92%
Capital Grants and Contributions	754	605	24.63%
General Revenues:			
Property Taxes	7,853	6,567	19.58%
State Aid-Formula Grants	26,569	25,024	6.17%
Other	473	238	98.74%
Investment Income	14	10	40.00%
Gain on Sale of Assets	-	7	0.00%
Total Revenues	50,762	47,476	6.92%
EXPENDITURES:			
Administration	1,485	1,474	0.75%
District Support Services	1,260	1,220	3.28%
Elementary and Secondary Regular Education	14,933	14,213	5.07%
Vocational Education Instruction	533	471	13.16%
Special Education Instruction	7,472	6,865	8.84%
Instructional Support Services	3,266	3,112	4.95%
Pupil Support Services	3,860	3,602	7.16%
Sites and Buildings	4,611	3,818	20.77%
Fiscal and Other Fixed Cost Programs	152	143	6.29%
Food Service	2,161	1,834	17.83%
Community Service	1,104	1,096	0.73%
Unallocated Depreciation	1,937	2,200	-11.95%
Interest and Fiscal Charges on Long-Term Debt	2,339	2,408	-2.87%
Total Expenditures	45,113	42,456	6.26%
Increase in Net Position	5,649	5,020	12.53%
Beginning of Year Net Position	28,950	24,007	20.59%
Change in Accounting Principle (Note 10)	(24,301)	(77)	0.00%
Ending of Year Net Position	$ 10,298	$ 28,950	-64.43%

The increase in net position exclusive of the change in accounting principle occurred as a result of the District's revenues exceeding its overall expenses for the fiscal year ended June 30, 2015.

The District's total revenues were $ 50,762 for the year ended June 30, 2015. Property taxes and state aids accounted for 15% and 52%, respectively, of total revenues. For the fiscal year ended June 30, 2015 the overall percentage of revenue funds received from state aid has remained similar to the previous year. Low interest rates continue to erode the District's investment income for the fifth year in a row as interest rates remain at all-time lows. (see Figure A-1).

The total costs of all programs and services were $ 45,113. Most of these costs are instruction and pupil support services, 58% and 9%, respectively (see Figure A-2).

Figure A-1 Sources of District's Revenues for Fiscal 2015

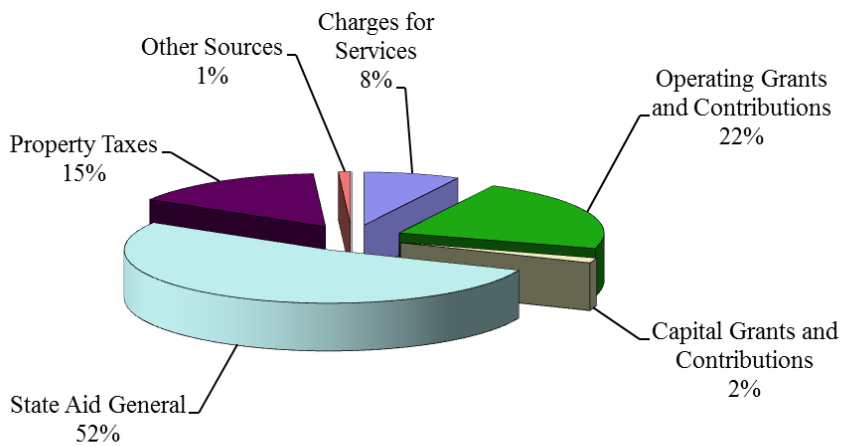
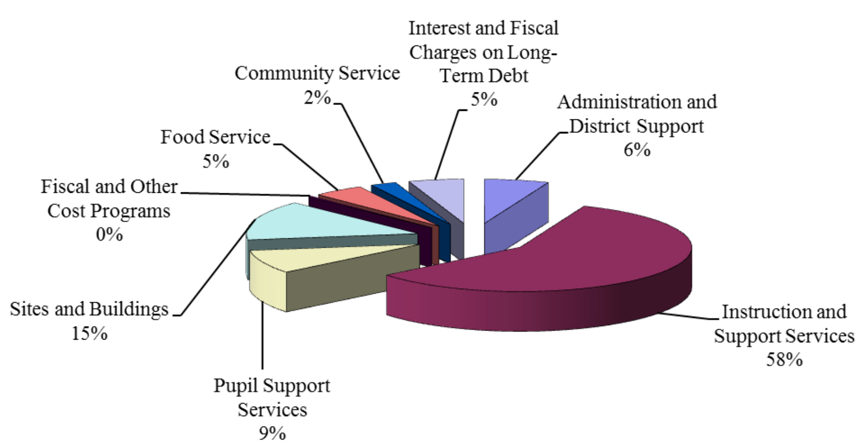


Figure A-2 District Expenses for Fiscal 2015



The significant changes in the Statement of Activities are as follows:

- State aid-formula grant revenue increased from the prior year by $ 1,545 while property tax revenue increased by $ 1,286 and other general revenues also increased by $ 232. These changes are partially the result of increased enrollment, an increase in the per-pupil formula allowance and changes in special education funding, as well as the addition of operating referendum and Location Equity revenue funding.

- In 2014-2015, the District added positions in the Special Education Instructional area and the cost for services also rose during the year. Additional programing provided resources for our students in many areas.

- The Food Service cost of services also noted a major change in 2014-2015. The District implemented a free breakfast program, district wide. As a result, the total cost for services increased by 17.83% over the prior year. Although the cost for services increased these costs were offset by additional revenue and the net cost for services showed improvement over the previous year. The addition of the free breakfast program is another way that the district is providing equal access and opportunity for all students.

Table A-3 presents the total cost of governmental activities as well as the net cost of those activities. The net cost represents total cost less program revenues applicable in each category.

NET COST OF GOVERNMENTAL ACTIVITIES
Table A-3

	Total Cost of Services		Total Percentage Change	Net Cost of Services		Total Percentage Change
	2015	2014	2015-2014	2015	2014	2015-2014
Administration	$ 1,485	$ 1,474	0.75%	$ 1,485	$ 1,474	0.75%
District Support Services	1,260	1,220	3.28%	1,260	1,220	3.28%
Elementary and Secondary Regular Education	14,933	14,213	5.07%	11,464	10,544	8.73%
Vocational Education Instruction	533	471	13.16%	533	471	13.16%
Special Education Instruction	7,472	6,865	8.84%	2,429	1,665	45.89%
Instructional Support Services	3,266	3,112	4.95%	1,890	1,810	4.42%
Pupil Support Services	3,860	3,602	7.16%	1,794	1,589	12.90%
Sites and Buildings	4,611	3,818	20.77%	3,856	3,213	20.01%
Fiscal and Other Fixed Cost Programs	152	143	6.29%	152	144	5.56%
Food Service	2,161	1,834	17.83%	(110)	(148)	-25.68%
Community Service	1,104	1,096	0.73%	231	236	-2.12%
Depreciation - Unallocated	1,937	2,200	-11.95%	1,937	2,200	-11.95%
Interest and Fiscal Charges on Long-Term Debt	2,339	2,408	-2.87%	2,339	2,407	-2.83%
Total	$ 45,113	$ 42,456	6.26%	$ 29,260	$ 26,825	9.08%

In addition, GASB Statement No. 34 requires certain revenues and expenses to be recognized in order to show a full accrual statement. The Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities – Governmental Funds is shown on page 25 and shows a net change in assets of $ 5,649.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a district's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $ 25,311, an increase of $ 4,009 in comparison with the prior year. Of the total remaining fund balance, $ 12,151 constitutes unassigned fund balance, which is available for spending at the District's discretion. The remaining fund balance has been designated as committed for severance $ 2,131 assigned; $ 329 for student activities, $ 1,283 for third party medical assistance, and $ 2,385 for budget carryovers. The remainder of fund balance is either nonspendable, $ 49 which included inventory and prepaid items already committed to for use in the next fiscal year or restricted which indicates that it is not available for new spending because it has already been committed to 1) pay debt service $ 1,308, 2) complete health and safety projects, operating capital projects as well as all other restrictions required by the State of Minnesota $ 5,007 and 3) pay for community education, food service and early childhood and family education programs $ 668.

General Fund

The General Fund includes the primary operations of the District in providing educational services to students from pre-kindergarten through grade 12 and beyond, including transportation services and capital outlay projects.

General Fund revenues are outlined in Table A-4 below:

SUMMARY OF GENERAL FUND REVENUES
Table A-4

	June 30, 2015	June 30, 2014	Amount of Increase (Decrease)	Percent Increase (Decrease)
LOCAL SOURCES:				
Property Taxes	$ 2,857	$ 1,589	$ 1,268	79.80%
Other	2,715	2,738	(23)	-0.84%
State Sources	35,236	33,677	1,559	4.63%
Federal Sources	751	760	(9)	-1.18%
Sales and Other Conversion of Assets	41	55	(14)	-25.45%
Total General Fund Revenue	$ 41,600	$ 38,819	$ 2,781	7.16%

Total General Fund revenue increased by $ 2,781, or 7.16%, from the previous year. The main reason for the increase was due to additional enrollment, the per-pupil formula increase over the previous year, changes in special education funding, and additional operating referendum and Location Equity revenue.

General Fund Expenditures are itemized in Table A-5:

SUMMARY OF GENERAL FUND EXPENDITURES
Table A-5

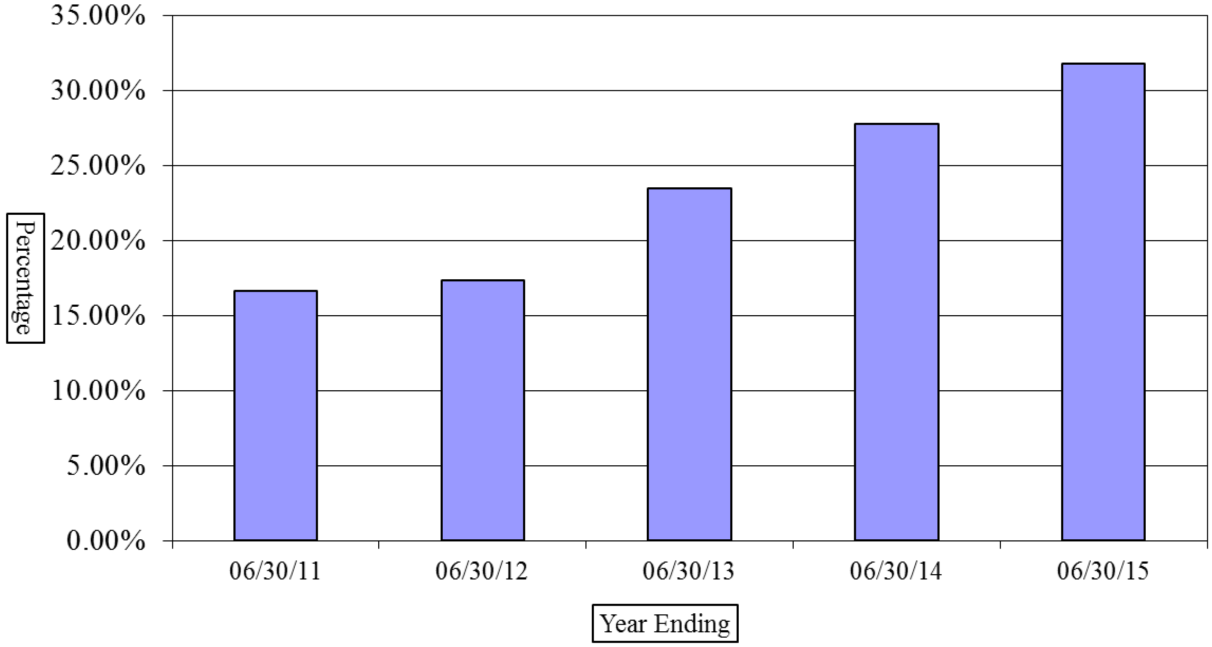
	Year Ended		Amount of Increase	Percent Increase
	June 30, 2015	June 30, 2014	(Decrease)	(Decrease)
Salaries	$ 22,556	$ 20,925	$ 1,631	7.79%
Employee Benefits	6,098	5,546	552	9.95%
Purchased Services	4,531	4,394	137	3.12%
Supplies, Material and Equipment	4,900	4,573	327	7.15%
Other Expenditures	181	163	18	11.04%
Total Expenditures	$ 38,266	$ 35,601	$ 2,665	7.49%

Total General Fund expenditures increased by $ 2,665, or 7.49% over the prior year.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the General Fund increased to $ 12,151, while the total General Fund, fund balance moved to $ 23,312. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total General Fund, fund balance to total General Fund expenditures. Unassigned fund balance represents 31.75% of total General Fund expenditures, while total fund balance represents 60.92% of that same amount.

The fund balance of the District's General Fund increased by $ 4,009 during the current fiscal year. The key factors resulting in the increase are listed previously in this narrative in the governmental activities section and can be summarized by the following 1) additional operating referendum and Location Equity revenue, 2) additional students being served by the District combined with an increase in the per-pupil formula allowance from the State and 3) funding of the committed fund balance for future severance payments.

GENERAL FUND
UNASSIGNED – FUND BALANCE AS
A PERCENTAGE OF EXPENDITURES
Figure A-3



See Figure A-3 for the recent history of unassigned fund balance as a percentage of expenditures. Over the last five years, the unassigned fund balance has continued to increase to adequate levels which will allow the district to withstand volatility in difficult economic times. Fund Balance had been at an all-time low in 2006-2007, however, due to large budget cuts in 2007-2008 and 2008-2009, increases in student enrollment, additional State funding and a successful operating referendum vote in November 2012, the unassigned fund balance has rebounded to a level where the district can maintain programs, restore programs previously cut and begin new initiatives that will be sustainable in the future.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District investment in capital assets for its governmental activities amounts to $ 62,204 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment (see Table A-6). Additional information on capital assets can be found in Note 4 of this report.

CAPITAL ASSETS - GOVERNMENTAL ACTIVITIES
Table A-6

	2015	2014	Total Percent Change 2015-2014
Land and Land Improvements	$ 6,630	$ 6,616	0.21%
Construction in Progress	206	-	N/A
Buildings	81,171	81,086	0.10%
Equipment	6,625	6,218	6.55%
Less Accumulated Depreciation	(32,498)	(30,294)	7.28%
Total	$ 62,134	$ 63,626	-2.34%

A major capital asset event during the current fiscal year included the following:

- The continuation of a District technology initiative in which the District has embarked on phase I, and II, of a III phase, district wide 1:1 technology initiative intended to provide equal access and opportunity for all students. Phase II of the initiative has been funded by a second lease-purchase arrangement at the end of the 2014-2015 school year. The District has also begun to replace roofing and investing in other building improvements.

Long-Term Debt

At the end of the current fiscal year, the District had total long-term debt outstanding of $ 52,199. The District only has one debt obligation remaining which is a General Obligation Building bond (see Table A-7). Additional information on long-term debt can be found in Note 6 of this report.

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The District implemented GASB Statement No. 45 in the fiscal year ended June 30, 2009. The District's net other post employment benefits (OPEB) obligation at the end of the year was $ 338. Details of the District's OPEB obligation can be found in Note 9 on page 59 of this report.

State Economic Factors and Next Year's Budget

- The budget for the 2015-2016 fiscal year was completed using the latest funding information available from the State Legislature at the time of the adoption of the budget, which occurred prior to June 30, 2015.
- The District will be seeking to refinance the remaining debt service obligation, with hopes to reduce the interest rate on the remaining debt outstanding. This refinancing would ultimately provide taxpayer relief by reducing the District's overall annual tax levy.
- Estimates of changes in contract settlements were taken into consideration in the budget development process. The majority of employee contracts are currently being negotiated.
- Anticipated increases in the cost of operation of all facilities were taken into consideration in the budget development process.
- A budget revision will be done mid-year to reflect all known and anticipated changes to the budget as of that date.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Independent School District No. 47 Sauk Rapids-Rice Schools, Attention: Business Manager, 1833 Osauka Road, Sauk Rapids, Minnesota, 56379.

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BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 47

STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Assets	
Cash and Investments	$ 30,784,039
Current Property Taxes Receivable	4,195,191
Delinquent Property Taxes Receivable	292,547
Accounts Receivable	83,342
Interest Receivable	1,803
Due from Department of Education	3,255,360
Due from Federal Government through Department of Education	101,707
Due from Other Minnesota School Districts	879,593
Inventory	22,980
Prepaid Items	26,491
Capital Assets not being Depreciated:	
Land	853,206
Construction in Progress	205,860
Capital Assets Less: Accumulated Depreciation	
Buildings	81,171,641
Land Improvements	5,776,701
Equipment	6,624,698
Less Accumulated Depreciation	(32,497,914)
Total Assets	101,777,245
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources Related to Pensions	3,991,857
Total Assets and Deferred Outflows of Resources	$ 105,769,102
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
Liabilities	
Accounts Payable	$ 618,973
Contracts Payable	61,950
Salaries and Benefits Payable	4,805,156
Interest Payable	994,260
Due to Other Minnesota School Districts	141,282
Due to Other Governmental Units	1,742
Unearned Revenue	62,832
Bond Principal Payable, Net of Premium/Issuance Costs:	
Payable Within One Year	3,570,000
Payable After One Year	46,500,860
Capital Lease Payable:	
Payable Within One Year	514,839
Payable After One Year	1,183,098
Special Assessment Payable:	
Payable Within One Year	44,161
Payable After One Year	35,573
Compensated Absences Payable:	
Payable Within One Year	253,809
Payable After One Year	96,732
Other Post Employment Benefits (OPEB) Payable	338,059
Net Pension Liability	21,346,132
Total Liabilities	80,569,458
Deferred Inflows of Resources	
Property Taxes Levied for Subsequent Year's Expenditures	8,419,556
Deferred Inflows of Resources Related to Pensions	6,481,625
Total Deferred Inflows of Resources	14,901,181
Net Position	
Net Investment in Capital Assets	11,170,395
Restricted for:	
Debt Service	491,057
Other Purposes	5,682,772
Unrestricted	(7,045,761)
Total Net Position	10,298,463
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 105,769,102

The Notes to the Financial Statements are an integral part of this statement.

INDEPENDENT SCHOOL DISTRICT NO. 47

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities					
Administration	$ 1,485,140	$ -	$ -	$ -	$ (1,485,140)
District Support Services	1,259,728	-	-	-	(1,259,728)
Elementary and Secondary Regular Instruction	14,933,172	1,791,165	1,678,140	-	(11,463,867)
Vocational Education Instruction	532,580	-	-	-	(532,580)
Special Education Instruction	7,472,091	527,968	4,515,314	-	(2,428,809)
Instructional Support Services	3,266,297	-	1,376,195	-	(1,890,102)
Pupil Support Services	3,860,170	86,500	1,979,375	-	(1,794,295)
Sites and Buildings	4,610,589	-	-	754,133	(3,856,456)
Fiscal and Other Fixed Cost Programs	152,480	-	-	-	(152,480)
Food Service	2,160,730	972,714	1,298,053	-	110,037
Community Education and Services	1,104,363	469,220	403,923	-	(231,220)
Unallocated Depreciation	1,937,183	-	-	-	(1,937,183)
Interest and Fiscal Charges on Long-Term Debt	2,338,580	-	-	-	(2,338,580)
Total Governmental Activities	$ 45,113,103	$ 3,847,567	$ 11,251,000	$ 754,133	(29,260,403)

	Governmental Activities
General Revenues	
Taxes:	
Property Taxes, Levied for General Purposes	2,864,058
Property Taxes, Levied for Community Service	211,839
Property Taxes, Levied for Debt Service	4,776,982
State Aid-Formula Grants	26,568,500
Other General Revenues	472,593
Investment Income	13,872
Gain of Sale of Assets	731
Total General Revenues	34,908,575
Change in Net Position	5,648,172
Net Position - Beginning, as Previously Stated	28,950,932
Change in Accounting Principle (Note 10)	(24,300,641)
Net Position - Beginning, as Restated	4,650,291
Net Position - Ending	$ 10,298,463

The Notes to the Financial Statements are an integral part of this statement.

INDEPENDENT SCHOOL DISTRICT NO. 47

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2015

	General	Debt Service	Other Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and Investments	$ 26,405,554	$ 3,684,886	$ 693,599	$ 30,784,039
Current Property Taxes Receivable	1,706,505	2,371,188	117,498	4,195,191
Delinquent Property Taxes Receivable	76,107	206,310	10,130	292,547
Accounts Receivable	78,461	-	4,881	83,342
Interest Receivable	1,803	-	-	1,803
Due from Department of Education	3,087,894	96,751	70,715	3,255,360
Due from Federal Government through Department of Education	101,707	-	-	101,707
Due from Other Minnesota School Districts	696,640	-	182,953	879,593
Inventory	-	-	22,980	22,980
Prepaid Items	26,491	-	-	26,491
Total Assets	$ 32,181,162	$ 6,359,135	$ 1,102,756	$ 39,643,053
LIABILITIES				
Accounts Payable	$ 602,248	$ -	$ 16,725	$ 618,973
Contracts Payable	61,950	-	-	61,950
Salaries and Benefits Payable	4,704,907	-	100,249	4,805,156
Due to Other Minnesota School Districts	138,569	-	2,713	141,282
Due to Other Governmental Units	1,742	-	-	1,742
Unearned Revenue	21,104	-	41,728	62,832
Total Liabilities	5,530,520	-	161,415	5,691,935
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Delinquent Property Taxes	53,392	159,445	7,989	220,826
Property Taxes Levied for Subsequent Year's Expenditures	3,285,137	4,891,996	242,423	8,419,556
Total Deferred Inflows of Resources	3,338,529	5,051,441	250,412	8,640,382
FUND BALANCES				
Nonspendable	26,491	-	22,980	49,471
Restricted	5,006,834	1,307,694	667,949	6,982,477
Committed	2,130,918	-	-	2,130,918
Assigned	3,997,197	-	-	3,997,197
Unassigned	12,150,673	-	-	12,150,673
Total Fund Balances	23,312,113	1,307,694	690,929	25,310,736
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 32,181,162	$ 6,359,135	$ 1,102,756	$ 39,643,053

The Notes to the Financial Statements are an integral part of this statement.

INDEPENDENT SCHOOL DISTRICT NO. 47

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS
June 30, 2015

Total Fund Balances - Governmental Funds	$ 25,310,736
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of Capital Assets	94,632,106
Less Accumulated Depreciation	(32,497,914)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Bond Principal Payable	(48,570,000)
Capital Lease Payable	(1,697,937)
Special Assessment and Abatements Payable	(79,734)
Premium/Issuance Costs	(1,500,860)
Compensated Absences Payable	(350,541)
OPEB Payable	(338,059)
Net Pension Liability	(21,346,132)
Deferred Outflows of Resources and Deferred Inflows of Resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.	
Deferred Outflows of Resources related to Pensions	3,991,857
Deferred Inflows of Resources related to Pensions	(6,481,625)
Delinquent property taxes receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	220,826
Governmental funds do not report a liability for accrued interest on bonds and capital loans until due and payable.	(994,260)
Total Net Position - Governmental Activities	$ 10,298,463

The Notes to the Financial Statements are an integral part of this statement.

INDEPENDENT SCHOOL DISTRICT NO. 47

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	General	Debt Service	Other Nonmajor Funds	Total Governmental Funds
REVENUES				
Local Property Taxes	$ 2,856,506	$ 4,777,362	$ 210,173	$ 7,844,041
Other Local and County Revenues	2,714,814	1,359	538,946	3,255,119
Revenue from State Sources	35,236,489	967,513	549,649	36,753,651
Revenue from Federal Sources	751,216	-	1,084,143	1,835,359
Sales and Other Conversion of Assets	41,239	-	972,714	1,013,953
Total Revenues	41,600,264	5,746,234	3,355,625	50,702,123
EXPENDITURES				
Current				
Administration	1,506,172	-	-	1,506,172
District Support Services	1,246,952	-	-	1,246,952
Elementary and Secondary Regular Instruction	15,021,143	-	-	15,021,143
Vocational Education Instruction	541,114	-	-	541,114
Special Education Instruction	7,399,764	-	-	7,399,764
Instructional Support Services	2,428,779	-	-	2,428,779
Pupil Support Services	3,814,640	-	791	3,815,431
Sites and Buildings	3,590,065	-	-	3,590,065
Fiscal and Other Fixed Cost Programs	152,480	-	-	152,480
Food Service	-	-	2,102,187	2,102,187
Community Education and Services	-	-	1,118,192	1,118,192
Capital Outlay				
Administration	4,690	-	-	4,690
District Support Services	2,457	-	-	2,457
Elementary and Secondary Regular Instruction	115,291	-	-	115,291
Special Education Instruction	262,442	-	-	262,442
Instructional Support Services	881,203	-	-	881,203
Pupil Support Services	73,852	-	-	73,852
Sites and Buildings	532,786	-	805,000	1,337,786
Food Service	-	-	31,635	31,635
Community Education and Services	-	-	3,590	3,590
Debt Service				
Principal	671,667	3,245,000	-	3,916,667
Interest and Fiscal Charges	20,711	2,475,825	-	2,496,536
Total Expenditures	38,266,208	5,720,825	4,061,395	48,048,428
Excess of Revenues Over Expenditures	3,334,056	25,409	(705,770)	2,653,695
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	731	-	-	731
Bond Issuance	-	-	-	-
Capital Lease Issuance	549,320	-	-	549,320
Transfers In	-	-	48,201	48,201
Transfers Out	(48,201)	-	-	(48,201)
Total Other Financing Sources (Uses)	501,850	-	48,201	550,051
Net Change in Fund Balances	3,835,906	25,409	(657,569)	3,203,746
FUND BALANCES				
Beginning of Year	19,476,207	1,282,285	543,498	21,301,990
End of Year	$ 23,312,113	$ 1,307,694	$ (114,071)	$ 24,505,736

The Notes to the Financial Statements are an integral part of this statement.

INDEPENDENT SCHOOL DISTRICT NO. 47

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds	$ 3,203,746
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital Outlays	727,800
Depreciation Expense	(2,219,178)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(17,431)
OPEB are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(77,344)
Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in the net position in the Statement of Activities.	3,960,828
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	32,652
Bond Premiums are amortized on the Statement of Activities, whereas governmental funds record the entire premium at the time of issuance.	112,840
Proceeds from the issuance of bonds and capital leases are recognized as an other financing source in the governmental funds but as a liability on the Statement of Net Position.	(1,354,320)
Governmental Funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	
State Aid Related to Pension Expense	49,583
Pension Expense	415,158
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	8,838
Change in Net Position - Governmental Activities	$ 4,843,172

The Notes to the Financial Statements are an integral part of this statement.

INDEPENDENT SCHOOL DISTRICT NO. 47

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
REVENUES				
Local Property Taxes	$ 2,776,148	$ 2,790,464	$ 2,856,506	$ 66,042
Other Local and County Revenues	2,384,000	2,560,946	2,714,814	153,868
Revenue from State Sources	34,198,329	34,922,299	35,236,489	314,190
Revenue from Federal Sources	621,650	781,811	751,216	(30,595)
Sales and Other Conversion of Assets	-	4,342	41,239	36,897
Total Revenues	39,980,127	41,059,862	41,600,264	540,402
EXPENDITURES				
Current				
Administration	1,557,661	1,533,485	1,506,172	(27,313)
District Support Services	3,690,512	1,867,411	1,246,952	(620,459)
Elementary and Secondary Regular Instruction	14,709,975	15,440,699	15,021,143	(419,556)
Vocational Education Instruction	411,083	419,333	541,114	121,781
Special Education Instruction	7,597,404	8,751,950	7,399,764	(1,352,186)
Instructional Support Services	2,013,622	2,710,156	2,428,779	(281,377)
Pupil Support Services	3,834,920	4,117,819	3,814,640	(303,179)
Sites and Buildings	3,440,733	3,865,437	3,590,065	(275,372)
Fiscal and Other Fixed Cost Programs	409,000	409,000	152,480	(256,520)
Capital Outlay				
Administration	-	4,690	4,690	-
District Support Services	32,000	19,616	2,457	(17,159)
Elementary and Secondary Regular Instruction	12,510	84,181	115,291	31,110
Special Education Instruction	33,540	303,540	262,442	(41,098)
Instructional Support Services	-	207,044	881,203	674,159
Pupil Support Services	268,951	389,721	73,852	(315,869)
Sites and Buildings	710,141	941,742	532,786	(408,956)
Debt Service				
Principal	242,152	563,255	671,667	108,412
Interest and Fiscal Charges	50,554	53,500	20,711	(32,789)
Total Expenditures	39,014,758	41,682,579	38,266,208	(3,416,371)
Excess of Revenues Over (Under) Expenditures	965,369	(622,717)	3,334,056	3,956,773
OTHER FINANCING USES				
Proceeds from Sale of Capital Assets	-	-	731	731
Capital Lease Issuance	-	-	549,320	549,320
Transfers Out	(48,201)	(48,201)	(48,201)	-
Total Other Financing Sources (Uses)	(48,201)	(48,201)	501,850	550,051
Net Change in Fund Balances	$ 917,168	$ (670,918)	3,835,906	$ 4,506,824
FUND BALANCES				
Beginning of Year			19,476,207	
End of Year			$ 23,312,113	

The Notes to the Financial Statements are an integral part of this statement.

INDEPENDENT SCHOOL DISTRICT NO. 47

STATEMENT OF FIDUCIARY NET POSITION
June 30, 2015

	Agency Fund	Private Purpose Trust Fund
ASSETS		
Current		
Cash and Cash Equivalents	$ 139,028	$ 58,631
Other Receivables	664	270
Total Assets	$ 139,692	$ 58,901
LIABILITIES		
Accounts Payable	$ 139,692	$ 150
NET POSITION		
Held in Trust for Scholarships		$ 58,751

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2015

	Private Purpose Trust Fund
ADDITIONS	
Contributions	$ 522
Investment Income	108
Total Additions	630
DEDUCTIONS	
Program Expense	1,400
Scholarships	4,893
Total Deductions	6,293
Change in Net Position	(5,663)
NET POSITION	
Beginning of Year	64,414
End of Year	$ 58,751

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District operates under a school board form of government for the purpose of providing educational services to individuals within the District areas. The governing body consists of a seven member board elected by the voters of the District to serve four-year terms.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

A. Reporting Entity

The financial statements present the District and its component units. The District includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the District are financially accountable and are included within the financial statements of the District because of the significance of their operational or financial relationships with the District.

The District is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the District.

As a result of applying the component unit definition criteria above, it has been determined the District has no component units.

The student activity accounts of the District are not under the School Board's control for certain activities; for these activities, separate audited financial statements have been issued. Other activity accounts are under the School Board's control and are included with the General Fund activity.

1. Joint Powers Agreement

The District has entered into a joint powers agreement to form the Central Minnesota Area Learning Center (ALC). Other member school districts include Independent School District No. 51, Foley; Independent School District No. 738, Holdingford; Independent School District No. 739, Kimball; Independent School District No. 742, St. Cloud and Independent School District No. 748, Sartell and Stride Academy. The agreement establishes an area learning center to provide, by cooperative effort, increased educational opportunities for member students.

The agreement establishes a Joint Powers ALC Board, which consists of one representative appointed by each member district school board. Each district is entitled to one vote. Independent School District No. 742, St. Cloud, has been identified as the fiscal host district which, on behalf of the member districts, applies, receives and administers educational funding that is appropriate to an area learning center. The care, management and control of the Central Minnesota ALC are vested in the Joint Powers ALC Board. Any funding received by the Central Minnesota ALC is passed through to the member districts except for a 4% administrative fee and an additional joint powers fee allocation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity (Continued)

1. Joint Powers Agreement (Continued)

A copy of the financial statements of the Central Minnesota ALC may be obtained by writing in care of Independent School District No. 47, 1833 NE Osauka Road, Sauk Rapids, Minnesota 56379.

B. Basic Financial Statement Information

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments 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 items not properly included among program revenues are reported instead as general revenues.

The District applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net position is available. Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. Depreciation expense relating to assets that serve multiple functions is presented as unallocated depreciation in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these Statements.

Separate fund financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Private Purpose Trust and Agency Funds are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the District; these Funds are not incorporated into the government-wide statements.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Measurement Focus and Basis of Accounting (Continued)

1. Revenue Recognition

Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to *Minnesota Statutes* and accounting principles generally accepted in the United States of America. *Minnesota Statutes* include state aid funding formulas for specific years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days.

2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred. The exceptions to this general rule are that interest and principal expenditures in the Debt Service Fund, compensated absences and claims and judgments are recognized when payment is due.

The District applies resources in the following order when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available: restricted, committed, assigned and unassigned.

Description of Funds:

Major Funds:

General Fund – This Fund is the basic operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – This Fund is used to account for the accumulation of resources for, and payment of, general obligation (G.O.) bond and state loan principal, interest and related costs.

Nonmajor Funds:

Food Service Special Revenue Fund – This Fund is used to account for food service revenues and expenditures.

Community Service Special Revenue Fund – This Fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood and family education or other similar services.

Capital Projects Fund – This Fund is used to account for school construction project expenditures.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds: (Continued)

Fiduciary Funds:

Agency Fund – This Fund is used to account for resources received and held by the District as the agent for others to be used in making scholarships and for the Summer Recreation Program.

Trust Fund – This Fund is used to account for resources received and held by the District in a trustee capacity to be used in making scholarship awards.

D. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Minnesota Statutes require all deposits made by the District with financial institutions be collateralized in an amount equal to 110% of deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance.

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

Short-term, highly liquid debt instruments (including banker's acceptances and U.S. Treasury and agency obligations) purchased with a remaining maturity of one year or less are reported at amortized cost. Other investments are reported at fair value.

Cash and investments at June 30, 2015 were comprised of deposits, money market funds and shares in the Minnesota School District Liquid Asset Fund (MSDLAF). The MSDLAF is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under Rule 2.a.7. The fair value of the position in the pool is the same as the value of the pool shares.

Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a policy in place to address custodial credit risk for deposits, stating deposit type securities shall be collateralized as required by *Minnesota Statutes* 118A. *Minnesota Statutes* require all deposits be protected by federal deposit insurance, corporate surety bonds or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by FDIC insurance or corporate surety bonds.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. *Minnesota Statutes* 118A.04 and 118A.05 limit investments that are in the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy indicates the District may invest in those instruments specified in those Statutes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Deposits and Investments (Continued)

Concentration of Credit Risk: Investments should be diversified to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. The District has an investment policy in place that addresses concentration of credit risk, stating the District shall diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions and maturities. However, it places no specific limit on the amount the District may invest in any one issuer.

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy addresses custodial credit risk for investments, stating all investment securities shall be held in third party safekeeping by an institution designated as custodial agent.

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The District's investment policy addresses interest rate risk, stating investments shall be managed in a manner to attain a market rate of return through various economic and budgetary cycles. Furthermore, investment maturities shall be scheduled to coincide with projected District cash flow needs and shall provide for stability of income and reasonable liquidity.

E. Property Tax Receivable

Current property taxes receivable are recorded for taxes certified the previous December and collectible in the current calendar year, which have not been received by the District. Delinquent property taxes receivable represents uncollected taxes for the past six years and are deferred and included in the deferred inflows of resources section of the fund financial statements as unavailable revenue because they are not available to finance the operations of the District in the current year.

F. Property Taxes Levied for Subsequent Year's Expenditures

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2014, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in the fiscal year 2015. The remaining portion of the levy will be recognized when measurable and available.

G. Inventories

Inventories of commodities donated directly by the U.S. Department of Agriculture are recorded at market value. Other inventories are stated at cost as determined on a first-in, first-out (FIFO) basis. Inventories are recorded as expenditures when consumed rather than when purchased.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

I. Property Taxes

The District is located in Benton County.

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.

A portion of property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

J. Capital Assets

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements.

Capital assets are defined by the District as assets with an initial individual cost of more than $ 5,000 and an estimated useful life in excess of one year. Such assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 20 to 50 years for land improvements and buildings and 5 to 15 years for equipment.

Capital assets not being depreciated include land and construction in progress. The District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

K. 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has one item that qualifies for reporting in this category. Deferred outflow relating to pension activity is reported in the government-wide statement of net position. A deferred outflow relating to pension activity results from the net effect of the change in proportionate share and employer contributions.

In addition to liabilities, the statement of financial position and fund financial statements 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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items, which qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the governmental funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the governmental funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. The third item is deferred inflows relating to pension activity and is a result of the net difference between projected and actual earnings on plan investments and changes in proportionate share. This amount is reported in the government-wide Statement of Net Position.

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 Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

M. Compensated Absences

The District compensates various full-time classified employees upon termination of employment for unused vacation time. The accumulated liability for unpaid vacation benefits was $ 249,809 as of June 30, 2015. Vacation benefits expected to be paid within one year are recorded as a current obligation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. Compensated Absences (Continued)

District classified employees are entitled to sick leave at various rates for each month of full-time service. Employees are not compensated for unused sick leave upon termination of employment, unless taken in conjunction with severance pay as described in Note 1.N.

Certain classified employees who have 15 years of continuous service of at least 1,000 work hours a year with the District and have attained the age of 55 years receive severance pay based on 50% of unused sick leave of the maximum of 120 days.

Certain clerical employees who have at least 15 years of continuous service of at least 1,000 work hours a year with the District receive severance pay equal to 50% of the maximum of 120 days of an employee's unused accumulated sick leave days.

Certain custodians who have at least 20 years of continuous service of at least 1,000 work hours a year with the District receive severance pay equal to 50% of the maximum of 120 days of an employee's unused accumulated sick leave days.

The accumulated liability for compensated absences based on sick leave was $ 100,732 as of June 30, 2015.

N. Severance Benefits

Certain certified and classified employees, including school administration, are eligible for severance pay upon retirement.

Certain administrators who have five years of continuous service in the District are entitled to severance pay equal to a percentage of one half of one year's pay.

During the year ended June 30, 2015, the District paid out a total of $ 141,611 in severance benefits to the eight participants eligible to receive benefits.

O. Pensions

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. Additional information can be found in TRA Note 8.F.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

P. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2015.

Q. Fund Equity

In the fund financial statements, governmental funds report various levels of spending constraints.

- Nonspendable Fund Balances – These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include but are not limited to, prepaids and inventory.

- Restricted Fund Balances – These amounts are subject to externally enforceable legal restrictions.

- Committed Fund Balances – The government's highest level of decision making authority is the School Board. The formal action to establish or modify a commitment must be made by the School Board.

- Assigned Fund Balances – These are amounts that are constrained by the District's intent to be used for specific purposes that are neither restricted nor committed. Assignments are made by the Business Manager.

- Minimum Fund Balance Policy – The District will strive to maintain a minimum unassigned General Fund balance of 7% of the annual budget.

- Stabilization Arrangement – Fiscal stabilization funds in the amount of at least 3% of the prior year total General Fund expenditures shall be established by the Business Manager to protect the system from sudden shortfalls in revenue and to cover unanticipated expenditures. These stabilization funds may also be used to cover adverse financial or economic circumstances as they occur. These funds are reported as unassigned.

R. Net Position

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

S. 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. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the School Superintendent submits to the School Board, a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.

2. The Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.

3. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue and Debt Service Funds.

4. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

B. Excess of Expenditures Over Appropriations

Budgetary control for governmental funds is established by each fund's total appropriations. Expenditures exceeded appropriations in the following Funds for the year ending June 30, 2015.

	Appropriations	Expenditures
Debt Service	$ 5,717,825	$ 5,720,825

NOTE 3 – DEPOSITS AND INVESTMENTS

A. Deposits

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

Custodial Credit Risk – Deposits: As of June 30, 2015, the District's bank balance was not exposed to custodial credit risk. It was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name. The District's deposits had a book balance as listed below.

As of June 30, 2015, the District had the following deposits:

Certificates of Deposit	$ 255,000

B. Investments

As of June 30, 2015, the District had the following investments:

Investment Type	Fair Value	S&P Ratings
MSDLAF	$ 30,725,282	AAA
Money Market Funds	761	N/A
Total Investments	$ 30,726,043	

Credit Risk: As of June 30, 2015, the District's investments were rated as noted in the table above. The money market funds were unrated.

C. Deposits and Investments

The following is a summary of total deposits and investments:

Deposits (Note 3.A.)	$ 255,000
Investments (Note 3.B.)	30,726,043
Petty Cash	655
Total Deposits and Investments	$ 30,981,698

NOTE 3 – DEPOSITS AND INVESTMENTS

C. Deposits and Investments (Continued)

Deposits and investments are presented in the June 30, 2015 basic financial statements as follows:

Statement of Net Position:	
Cash and Investments	$ 30,784,039
Statement of Fiduciary Net Position:	
Cash and Cash Equivalents:	
Agency Fund	139,028
Private Purpose Trust Fund	58,631
Total Deposits and Investments	$ 30,981,698

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	$ 853,206	$ -	$ -	$ 853,206
Construction in Progress	-	205,860	-	205,860
Total Capital Assets not being Depreciated	853,206	205,860	-	1,059,066
Capital Assets being Depreciated:				
Buildings	81,085,869	85,771	-	81,171,640
Land Improvements	5,762,880	13,821	-	5,776,701
Equipment	6,218,075	422,348	15,724	6,624,699
Total Capital Assets being Depreciated	93,066,824	521,940	15,724	93,573,040
Less Accumulated Depreciation for:				
Buildings	22,705,698	1,579,765	-	24,285,463
Land Improvements	3,232,492	255,008	-	3,487,500
Equipment	4,356,270	384,405	15,724	4,724,951
Total Accumulated Depreciation	30,294,460	2,219,178	15,724	32,497,914
Total Capital Assets being Depreciated, Net	62,772,364	(1,697,238)	-	61,075,126
Governmental Activities Capital Assets, Net	$ 63,625,570	$ (1,491,378)	$ -	$ 62,134,192

NOTE 4 – CAPITAL ASSETS

Depreciation expense of $ 2,219,178 for the year ended June 30, 2015 was charged to the following governmental functions:

Elementary and Secondary Regular Instruction	$ 61,995
Special Education	100,000
Pupil Support	70,000
Food Service	50,000
Unallocated	1,937,183
Total Depreciation Expense	$ 2,219,178

NOTE 5 – INTERFUND ACTIVITY

A. Transfers

The composition of interfund transfers as of June 30, 2015 was as follows:

	Transfer In
	Community Service Fund
Transfer Out:	
General Fund	$ 48,201

The purpose of the above transfer was to provide a revenue source for certain programs.

NOTE 6 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-Term Liabilities:						
G.O. Bonds, Including Refunding Bonds:						
2006A School Building Refunding Bonds	03/22/06	4.00%-5.00%	$ 56,200,000	02/01/26	$ 47,765,000	$ 3,385,000
2014A Tax Abatement Bonds	08/07/14	3.00%	850,000	02/01/19	805,000	185,000
Total G.O. Bonds					48,570,000	3,570,000
Capital Leases					1,697,937	514,839
Special Assessments					79,734	44,161
Premium/Issuance Costs					1,500,860	-
Compensated Absences Payable					350,541	253,809
Total all Long-Term Liabilities					$ 52,199,072	$ 4,382,809

NOTE 6 – LONG-TERM DEBT

A. Components of Long-Term Liabilities (Continued)

On March 22, 2006, the District issued $ 56,200,000 G.O. School Building Refunding Bonds, Series 2006A, with an interest rate of 4% to 5%. The District issued the Bonds to crossover refund the 2000 G.O. School Building Bonds, Series 2000A and 2000B, totaling $ 61,499,958. The District completed the refunding to reduce its debt service payment over the next 20 years by $ 8,979,294. This resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $ 4,696,429.

The long-term bond and loan liabilities listed above were issued to finance acquisition and construction of capital facilities or to refinance (refund) previous bond issues. Capital Leases, Special Assessments, Tax Abatement Bonds and Compensated Absences are normally liquidated through the General Fund.

B. Minimum Debt Payments for Bonds and Loans

Minimum annual principal and interest payments required to retire bond and loan liabilities:

Year Ending	G.O. Bonds		
June 30,	Principal	Interest	Total
2016	$ 3,570,000	$ 2,345,948	$ 5,915,948
2017	3,750,000	2,159,475	5,909,475
2018	3,935,000	1,975,975	5,910,975
2019	4,100,000	1,783,325	5,883,325
2020	4,080,000	1,582,625	5,662,625
2021-2025	23,685,000	4,664,750	28,349,750
2026	5,450,000	245,250	5,695,250
Total	$ 48,570,000	$ 14,757,348	$ 63,327,348

C. Capital Lease Obligations

The District is obligated under certain leases accounted for as capital leases. The assets and liabilities under the capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset.

On December 20, 2006, the District entered into a lease purchase agreement for the acquisition of a bus garage. The capital lease obligation and corresponding equipment totaled $ 682,500. The capital lease agreement includes annual principal and interest payments of $ 90,114.

On April 1, 2013, the District entered into a lease purchase agreement for the acquisition of technology equipment. The capital lease obligation and corresponding equipment totaled $ 689,585. The capital lease agreement includes annual principal and interest payments of $ 137,917.

NOTE 6 – LONG-TERM DEBT

C. Capital Lease Obligations (Continued)

On June 15, 2014, the District entered into a lease purchase agreement for the acquisition of technology equipment. The capital lease obligation and corresponding equipment totaled $ 1,257,445. Because the individual equipment items were under the District's capitalization threshold none of the item were capitalized. The capital lease agreement includes annual principal and interest payments of $ 324,049.

On June 15, 2015, the District entered into a lease purchase agreement for the acquisition of technology equipment. The capital lease obligation and corresponding equipment totaled $ 549,320. Because the individual equipment items were under the District's capitalization threshold none of the items were capitalized. The capital lease agreement includes annual principal and interest payments of $ 140,412.

The future minimum lease obligations and the net present value of these minimum lease payments were as follows:

Year Ending June 30,	
2016	$ 552,079
2017	602,378
2018	464,461
2019	140,412
Total	1,759,330
Less Interest	(61,393)
Present Value of Minimum Lease Payments	$ 1,697,937

D. Special Assessments

The District is obligated to pay special assessment and abatement fees for various City of Sauk Rapids' and county projects. The minimum annual principal and interest payments required to retire long-term liabilities are as follows:

Year Ending	Special Assessments		
June 30,	Principal	Interest	Total
2016	$ 44,161	$ 4,354	$ 48,515
2017	19,265	1,824	21,089
2018	11,451	812	12,263
2019	3,237	219	3,456
2020	1,620	73	1,693
Total	$ 79,734	$ 7,282	$ 87,016

NOTE 6 – LONG-TERM DEBT

E. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-Term Liabilities:				
G.O. Bonds	$ 51,010,000	$ 805,000	$ 3,245,000	$ 48,570,000
Capital Lease Obligations	1,820,284	549,320	671,567	1,698,037
Special Assessments and Abatements	123,895	-	44,161	79,734
Premium/Issuance Costs	1,613,700	45,147	158,087	1,500,760
Compensated Absences Payable	333,110	299,778	282,347	350,541
Total Long-Term Liabilities	$ 54,900,989	$ 1,699,245	$ 4,401,162	$ 52,199,072

NOTE 7 – FUND BALANCES/NET POSITION

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities or as required by other outside parties.

A. Fund Balance

Fund equity balances are classified on the following page to reflect the limitations and restrictions of the respective funds.

NOTE 7 – FUND BALANCES/NET POSITION

A. Fund Balance (Continued)

	General Fund	Debt Service	Other Nonmajor Funds	Total
Nonspendable for:				
Inventory	$ -	$ -	$ 22,980	$ 22,980
Prepaid Items	26,491	-	-	26,491
	26,491	-	22,980	49,471
Restricted/Reserved for:				
Safe Schools - Crime Levy	213,512	-	-	213,512
Teacher Development and Evaluations	76,641	-	-	76,641
Health and Safety	96,647	-	-	96,647
Operating Capital	4,368,000	-	-	4,368,000
Gifted and Talented	252,034	-	-	252,034
Community Education	-	-	69,106	69,106
Early Childhood and Family Education	-	-	75,672	75,672
School Readiness	-	-	69,757	69,757
Adult Basic Education	-	-	37,381	37,381
Restricted for:				
Food Service	-	-	404,385	404,385
Community Service	-	-	11,648	11,648
Debt Service	-	1,307,694	-	1,307,694
Total Restricted/Reserved	5,006,834	1,307,694	667,949	6,982,477
Committed for:				
Separation Benefits	2,130,918	-	-	2,130,918
Assigned for:				
Carryover	2,384,812	-	-	2,384,812
Third Party Billing	1,283,381	-	-	1,283,381
Student Activities	329,004	-	-	329,004
Total Assigned	3,997,197	-	-	3,997,197
Unassigned	12,150,673	-	-	12,150,673
Total Fund Balance	$ 23,312,113	$ 1,307,694	$ 690,929	$ 25,310,736

Nonspendable for Inventory – A portion of the fund balance has been spent on inventory and is not available for other uses.

NOTE 7 – FUND BALANCES/NET POSITION

A. Fund Balance (Continued)

Nonspendable for Prepaid Items – A portion of the fund balance has been spent on prepaid items and is not available for other uses.

Restricted/Reserved for Safe Schools – Crime Levy – The unspent resources available from the levy must be reserved in this account for future use.

Restricted/Reserved for Teacher Development and Evaluation – This balance represents resources available for teacher development and evaluation uses listed in *Minnesota Statutes* 122A.40, subd. 8 or 122A.41, subd. 5.

Restricted/Reserved for Health and Safety – This balance represents available resources to be used for health and safety projects in accordance with an approved health and safety plan.

Restricted/Reserved for Operating Capital – This balance represents available resources in the General Fund to be used to purchase equipment and facilities.

Restricted/Reserved for Gifted and Talented – The part of general education aid revenue for the gifted and talented program that is unspent at years end must be reserved in this Balance Sheet account.

Restricted/Reserved for Community Education – This balance represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, noncredit summer programs, adult basic education programs, youth development and youth service programming, early childhood and family education and extended day programs.

Restricted/Reserved for Early Childhood and Family Education – This balance represents the resources available to provide for services for early childhood and family education programming.

Restricted/Reserved for School Readiness – This balance represents the resources available to provide for services for school readiness programs. Related to Finance Code 344, School Readiness *Minnesota Statutes* 124D.16.

Restricted/Reserved for Adult Basic Education – This account will represent the balance of carryover monies for all activity involving adult basic education.

Restricted for Food Service – This balance represents the accumulation of the activity to provide the food service program.

Restricted for Community Service – This balance represents the remaining aggregate resources for community service programs after other restrictions are removed.

Restricted for Debt Service – This balance represents the resources available for the payment of bond principal, interest and related costs.

Committed for Separation/Retirement Benefits – This balance represents resources segregated from the unassigned fund balance for retirement benefits, including compensated absences, pensions, OPEB and termination benefits (as defined in GASB Statement Nos. 16, 27, 45, 47 and 50 and *Minnesota Statutes* 123B.79, subd. 7).

NOTE 7 – FUND BALANCES/NET POSITION

A. Fund Balance (Continued)

Assigned for Carryover – This balance represents amounts segregated from unrestricted funds for unspent budget amounts.

Assigned for Third Party Billing – This balance represents amounts segregated from unrestricted funds to be spent on costs related to third party billings.

Assigned for Student Activities – This balance represents the aggregate activity for student accounts under School Board control.

B. Net Position

Net position restricted for other purposes is comprised of the total General Fund and Special Revenue Funds positive restricted balances.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association

A. Plan Description

The TRA is an administrator of a multiple employer, cost-sharing, defined benefit retirement fund. 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. 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 school, 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 College 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

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

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association

B. Benefits Provided (Continued)

Tier 1 Benefits

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

With these provisions:

- Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- 3% per year early retirement reduction factor for all years under normal retirement age.
- Unreduced benefits for early retirement under a Rule of 90 (age plus allowable service equals 90 or more).

Tier II Benefits

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

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

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association

B. Benefits Provided (Continued)

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

C. Contribution Rate

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

	Ending June 30, 2014		Ending June 30, 2015	
	Employee	Employer	Employee	Employer
Basic	10.5%	11.0%	11.0%	11.5%
Coordinated	7.0%	7.0%	7.5%	7.5%

The following is a reconciliation of employer contributions in TRA's CAFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations.

Employer contributions reported in TRA's CAFR Statement of Changes in Fiduciary Net Position	$ 299,299,837
Deduct Employer contributions not related to future contribution efforts	(398,798)
Deduct TRA's contributions not included in allocation	(370,701)
Employer contributions reported in schedule of employer and non-employer pension allocations	$ 298,530,338

Amounts reported in the allocation schedules may not precisely agree with financial statement amounts or actuarial valuations due to the number of decimal places used in the allocations. TRA has rounded percentage amounts to the nearest ten thousandths.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	
Measurement Date	June 30, 2014
Valuation Date	July 1, 2014
Experience Study	October 30, 2009
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Investment Rate of Return	8.25%
Wage Inflation	3.00%
Projected Salary Increase	3.5-12%, based on years of service
Cost of Living Adjustment	2.0% until year 2034, 2.5% thereafter
Mortality Assumption	
Pre-retirement	
	RP 2000 non-annuitant generational mortality, white collar adjustment, male rates set back five years and female rates set back seven years
Post-retirement	
	RP 2000 annuitant generational mortality, white collar adjustment, male rates set back two years and female rates set back three years
Post-disability	RP 2000 disabled retiree mortality, without adjustment

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 67 valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table on the following page.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

Asset Class	Target	Long-Term
Domestic Stocks	45 %	5.50 %
International Stocks	15	6.00
Bonds	18	1.45
Alternative Assets	20	6.40
Unallocated Cash	2	0.50
Total	100 %	

E. Discount Rate

The discount rate used to measure the total pension liability was 8.25%. The projection of cash flows used to determine the discount rate was assumed that employee contributions will be made at the fiscal 2015 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was 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.

F. Net Pension Liability

On June 30, 2015, the District reported a liability of $ 16,155,396 for its proportionate share of the net pension liability. The net pension liability was measure 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 TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was 0.3506% at the end of the measurement period and 0.3456% for the beginning of the year.

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

District's proportionate share of net pension liability	$ 16,155,396
State's proportionate share of the net pension liability associated with the district	1,136,619

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

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. Section C contains the rate information.

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

For the year ended June 30, 2015, the district recognized pension expense of $ 913,209. It also recognized $ 49,583 as an increase to pension expense for the support provided by direct aid.

On June 30, 2015, the District had deferred resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,378,493	$ -
Net difference between projected and actual earnings on plan investment	-	5,079,093
Changes in proportion	237,292	-
District's Contributions to TRA Subsequent to the Measurement Date	1,298,133	-
Total	$ 2,913,918	$ 5,079,093

$ 1,298,133 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a relation of the net pension liability in the year ended June 30, 2016.

Deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

2016	$ (932,449)
2017	(932,449)
2018	(932,449)
2019	(932,448)
2020	266,485

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association (Continued)

G. Pension Liability Sensitivity

The following presents the district's proportionate share of the net pension liability calculated using the discount rate of 8.25% as well as the liability measured using 1% lower and 1% higher.

District proportionate share of NPL		
1% decrease (7.25%)	Current (8.25%)	1% increase (9.25%)
$ 26,699,336	$ 16,155,396	$ 7,365,394

The Employer's proportion of the net pension liability was based on the employer contributions to TRA in relation to TRA's total employer contributions including direct aid contributions from the State of Minnesota, City of Minneapolis and Minneapolis School District.

H. Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in a separately-issued TRA financial report. That can be obtained at www.MinnesotaTRA.org, or by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, MN, 55103-4000, or by calling (651) 296-2409 or (800) 657-3669.

Public Employees' Retirement Association

A. Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plans administered by PERA. PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the District other than teachers are covered by the 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.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees' Retirement Association

B. Benefits Provided

PERA provides retirement, disability and death benefits. Benefit provisions are established by state statute 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% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to the 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 terminated their public service.

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

C. Contributions

Minnesota Statutes Chapter 353 set the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in calendar year 2014. Coordinated Plan members contributed 6.5% of pay in 2015. In calendar year 2014, the District was required to contribute 11.78% of pay for Basic Plan members and 7.25% for Coordinated Plan members. In 2015, employer rates increased to 7.5% in the Coordinated Plan. The District's contributions to the GERF for the plan's fiscal year ended June 30, 2015, were $ 463,320. The District's contributions were equal to the required contributions for each year as set by state statute.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees' Retirement Association (Continued)

D. Pension Costs

GERF Pension Costs

At June 30, 2015, the District reported a liability of $ 5,190,736 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 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 PERA's participating employers. At June 30, 2014, the District's proportion was 0.1105%.

For the year ended June 30, 2015, the District recognized pension expense of $ 385,336 for its proportionate share of GERF's pension expense.

At June 30, 2015, the District reported its proportionate share of 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	$ 79,662	$ -
Changes in Actuarial Assumptions	534,957	-
Difference Between Projected and Actual Investments Earnings	-	1,402,532
District's Contributions to GERF Subsequent to the Measurement Date	463,320	-
Total	$ 1,077,939	$ 1,402,532

$ 463,320 reported as deferred outflows of resources related to pensions resulting from District contributions to 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 GERF pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2016	$ (145,760)
2017	(145,760)
2018	(145,760)
2019	(350,633)

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees' Retirement Association (Continued)

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:

GERF

Assumptions	GERF	
Inflation	2.75 %	Per Year
Active Member Payroll Growth	3.50	Per Year
Investment Rate of Return	7.90	

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 67 valuation.

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

The long-term expected rate of return on pension plan investments is 7.9% for GERF. The State Board of Investment, which manages the investments of PERA, 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

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (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
Domestic Stocks	45%	5.50 %
Internal Stocks	15%	6.00
Bonds	18%	1.45
Alternative Assets	20%	6.40
Cash	2%	0.50
Total	100%	

F. Discount Rates

The discount rate used to measure the total pension liability was 7.9% for GERF. 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 statute. Based on those assumptions, each of the pension plan's fiduciary net position was 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	6.9%	7.9%	8.9%
District's Propionate Share of the GERF Net Pension Liability	$ 8,367,677	$ 5,190,736	$ 2,576,862

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees' Retirement Association (Continued)

H. Pension Plan Fiduciary Net Position

Detailed information about GERF's fiduciary net position is available in a separately-issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District provides a single-employer defined benefit health care plan to eligible retirees. The plan offers medical coverage. Medical coverage is administered by BlueCross BlueShield. It is the District's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees.

The District provides health insurance benefits for qualifying retired administrative employees. To qualify an employee must retire after the age of 56 and be in accordance with the provisions of the TRA. The District shall pay monthly premium payments to the District's health insurance provider on behalf of the insured group rates until Medicare.

B. Funding Policy

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with BlueCross BlueShield. The required contributions are based on projected pay-as-you-go financing requirements. For 2015, the District contributed $ 164,121 to the plan. As of June 30, 2015, there were approximately 26 retirees receiving health benefits from the District's health plan.

C. Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The table on the following page shows the components of the District's annual OPEB cost of the year, the amount contributed to the plan and changes in the District's net OPEB obligation to the plan.

NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

ARC	$ 246,519
Interest on Net OPEB Obligation	10,429
Adjustment to ARC	(15,483)
Annual OPEB Cost (Expense)	241,465
Contributions Made	(164,121)
Increase in Net OPEB Obligation	77,344
Net OPEB Obligation - Beginning of Year	260,715
Net OPEB Obligation - End of Year	$ 338,059

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the past three years.

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obigation
06/30/13	$ 213,595	$ 168,080	79%	$ 220,621
06/30/14	212,722	172,628	81%	260,715
06/30/15	241,465	164,121	68%	338,059

D. Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the District had no assets deposited to fund the plan. The actuarial accrued liability for benefits was $ 2,072,192 and the actuarial value of assets was $ 0, resulting in an unfunded actuarial accrued liability (UAAL) of $ 2,072,192. The covered payroll (annual payroll of active employees covered by the plan) was $ 19,303,444 and the ratio of the UAAL to the covered payroll was 10.7%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care 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 – Other Post Employment Benefits, presented as required supplementary information following the Notes to the 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 9 – POST EMPLOYMENT HEALTH CARE PLAN

D. Funded Status and Funding Progress (Continued)

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, consistent with the long-term perspective of the calculations.

At the July 1, 2014 actuarial valuation date, the projected unit credit with 30 year amortization of the unfunded liability method was used. The actuarial assumptions included a 4.0% discount rate. The District currently does not plan to prefund for this benefit. At the actuarial valuation date, the annual health care cost trend rate was calculated to be 7.5% initially, reduced incrementally to an ultimate rate of 5.0% after ten years. Both rates included a 2.5% inflation assumption. The UAAL is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2014 was 30 years.

NOTE 10 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* This resulted in an adjustment to the beginning net position on the Statement of Activities of $ 24,300,641 to add the beginning net pension liability.

NOTE 11 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB has issued GASB statement 75 relating to accounting and financial reporting for postemployment benefits other than pensions. The new statement requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about OPEB liabilities.

NOTE 12 – SUBSEQUENT EVENT

On September 28, 2015, the board approved the sale of the G.O. School Building Refunding Bonds, Series 2015A in the amount of $ 38,340,000 to refund the 2006A School Building Refunding Bonds.

NOTE 13 – COMMITMENTS

As of June 30, the District had the following construction commitment outstanding:

Project	Orginal Contract	Contract Completed	Contract Remaining
SRRMS Roofing	$ 427,460	$ 61,950	$ 365,510

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 47

SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS
June 30, 2015

Actuarial Valuation Date*	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/10	$ -	$ 1,774,461	$ 1,774,461	0.0%	$ 17,259,839	10.3%
07/01/12	-	1,858,384	1,858,384	0.0%	17,007,383	10.9%
07/01/14	-	2,072,192	2,072,192	0.0%	19,303,444	10.7%

* See Note 9 in the Notes to the Financial Statements for more details on this Schedule.

INDEPENDENT SCHOOL DISTRICT NO. 47

SCHEDULE OF DISTRICT'S AND NON-EMPLOYER PROPORTIONATE SHARE OF NET PENSION LIABILITY LAST TEN YEARS GERF RETIREMENT FUNDS

For Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered-Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.1105%	$ 5,190,736	$ 5,802,469	89.5%	78.75%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

SCHEDULE OF DISTRICT'S AND NON-EMPLOYER PROPORTIONATE SHARE OF NET PENSION LIABILITY LAST TEN YEARS TRA RETIREMENT FUNDS

For Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered-Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.3506%	$ 16,155,396	$ 1,136,619	$ 17,292,015	$ 16,002,213	101.0%	81.5%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 47

SCHEDULE OF DISTRICT CONTRIBUTIONS
GERF RETIREMENT FUNDS
LAST TEN YEARS

Fiscal Year Ending June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2014	$ 420,679	$ 420,679	$ -	$ 5,802,469	7.25%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

SCHEDULE OF DISTRICT CONTRIBUTIONS
TRA RETIREMENT FUNDS
LAST TEN YEARS

Fiscal Year Ending June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2014	$ 1,120,155	$ 1,120,155	$ -	$ 16,002,213	7.0%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 47

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015

	Special Revenue Funds		Total
	Food Service	Community Service	Nonmajor Funds
ASSETS			
Cash and Investments	$ 482,652	$ 210,947	$ 693,599
Current Property Taxes Receivable	-	117,498	117,498
Delinquent Property Taxes Receivable	-	10,130	10,130
Accounts Receivable	1,603	3,278	4,881
Due from Department of Education	28,265	42,450	70,715
Due from Other Minnesota School Districts	-	182,953	182,953
Inventory	22,980	-	22,980
Total Assets	$ 535,500	$ 567,256	$ 1,102,756
LIABILITIES			
Accounts Payable	$ 138	$ 16,587	$ 16,725
Salaries and Benefits Payable	66,900	33,349	100,249
Due to Other Minnesota Districts	-	2,713	2,713
Unearned Revenue	41,097	631	41,728
Total Liabilities	108,135	53,280	161,415
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Delinquent Property Taxes	-	7,989	7,989
Property Taxes Levied for Subsequent Year's Expenditures	-	242,423	242,423
Total Deferred Inflows of Resources	-	250,412	250,412
FUND BALANCES			
Nonspendable	22,980	-	22,980
Restricted	404,385	263,564	667,949
Total Fund Balances	427,365	263,564	690,929
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 535,500	$ 567,256	$ 1,102,756

INDEPENDENT SCHOOL DISTRICT NO. 47

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	Special Revenue Funds				Total
	Food Service	Community Service	Total Special Revenue	Capital Projects	Nonmajor Funds
REVENUES					
Local Property Taxes	$ -	$ 210,173	$ 210,173	$ -	$ 210,173
Other Local and County Revenues	6,538	532,408	538,946	-	538,946
Revenue from State Sources	207,633	342,016	549,649	-	549,649
Revenue from Federal Sources	1,084,143	-	1,084,143	-	1,084,143
Sales and Other Conversion of Assets	972,714	-	972,714	-	972,714
Total Revenues	2,271,028	1,084,597	3,355,625	-	3,355,625
EXPENDITURES					
Current					
Pupil Support Services	-	791	791	-	791
Food Service	2,102,187	-	2,102,187	-	2,102,187
Community Education and Services	-	1,118,192	1,118,192	-	1,118,192
Capital Outlay					
Sites and Buildings	-	-	-	805,000	805,000
Food Service	31,635	-	31,635	-	31,635
Community Education and Services	-	3,590	3,590	-	3,590
Total Expenditures	2,133,822	1,122,573	3,256,395	805,000	4,061,395
Excess of Revenues Over Expenditures	137,206	(37,976)	99,230	(805,000)	(705,770)
OTHER FINANCING SOURCES					
Bond Issuances	-	-	-	805,000	805,000
Transfers In	-	48,201	48,201	-	48,201
Total Other Financing Sources	-	48,201	48,201	805,000	853,201
Net Change in Fund Balances	137,206	10,225	147,431	-	147,431
FUND BALANCES					
Beginning of Year	290,159	253,339	543,498	-	543,498
End of Year	$ 427,365	$ 263,564	$ 690,929	$ -	$ 690,929

INDEPENDENT SCHOOL DISTRICT NO. 47

STATEMENT OF CHANGES IN AGENCY FUNDS
ASSETS AND LIABILITIES
For the Year Ended June 30, 2015

	Balance 06/30/14	Additions	Deletions	Balance 06/30/15
ASSETS				
Cash	$ 119,426	$ 314,456	$ (294,854)	$ 139,028
Other Receivables	610	664	(610)	664
Total Assets	$ 120,036	$ 315,120	$ (295,464)	$ 139,692
LIABILITIES				
Accounts Payable	$ 120,036	$ 315,120	$ (295,464)	$ 139,692

INDEPENDENT SCHOOL DISTRICT NO. 47

UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
For the Year Ended June 30, 2015

	Audit	UFARS	Audit-UFARS
01 GENERAL FUND			
Total Revenue	$ 41,600,995	$ 41,600,995	$ -
Total Expenditures	38,266,208	38,266,211	(3)
Nonspendable:			
460 Nonspendable Fund Balance	26,491	26,491	-
Restricted/Reserved:			
403 Staff Development	-	-	-
405 Deferred Maintenance	-	-	-
406 Health and Safety	96,647	96,647	-
407 Capital Projects Levy	-	-	-
408 Cooperative Programs	-	-	-
409 Alternative Facility Program	-	-	-
413 Project Funded by COP	-	-	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
424 Operating Capital	4,368,000	4,368,000	-
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	252,034	252,034	-
440 Teacher Development and Evaluation	76,641	76,641	-
441 Basic Skills Programs	-	-	-
445 Career Technical Programs	-	-	-
448 Achievement and Integration Revenue	-	-	-
449 Safe School Crime	213,512	213,512	-
450 Transition to Pre-Kindergarten	-	-	-
451 QZAB and QSCB Payments	-	-	-
452 OPEB Liabilities not Held in Trust	-	-	-
453 Unfunded Severance and Retirement Levy	-	-	-
Restricted:			
464 Restricted Fund Balance	-	-	-
Committed:			
418 Separation Benefits	2,130,918	2,130,918	-
461 Committed	-	-	-
Assigned:			
462 Assigned Fund Balance	3,997,197	3,997,197	-
Unassigned			
422 Unassigned Fund Balance (Net Position)	12,150,673	12,150,671	2
02 FOOD SERVICES FUND			
Total Revenue	$ 2,271,028	$ 2,271,030	$ (2)
Total Expenditures	2,133,822	2,133,824	(2)
Nonspendable:			
460 Nonspendable Fund Balance	22,980	22,980	-
Restricted/Reserved:			
452 OPEB Liabilities not Held in Trust	-	-	-
Restricted:			
464 Restricted Fund Balance	404,385	404,386	(1)
Unassigned:			
463 Unassigned Fund Balance	-	-	-
04 COMMUNITY SERVICE FUND			
Total Revenue	$ 1,084,597	$ 1,084,596	$ 1
Total Expenditures	1,122,573	1,122,571	2
Nonspendable:			
460 Nonspendable Fund Balance	-	-	-
Restricted/Reserved:			
426 $ 25 Taconite	-	-	-
431 Community Education	69,106	69,106	-
432 ECFE	75,672	75,672	-
444 School Readiness	69,757	69,757	-
447 Adult Basic Education	37,381	37,381	-
452 OPEB Liabilities not Held in Trust	-	-	-
Restricted:			
464 Restricted Fund Balance	11,648	11,650	(2)
Unassigned:			
463 Unassigned Fund Balance	-	-	-

	Audit	UFARS	Audit-UFARS
06 BUILDING CONSTRUCTION FUND			
Total Revenue	$ -	$ -	$ -
Total Expenditures	805,000	805,000	-
Nonspendable:			
460 Nonspendable Fund Balance	-	-	-
Restricted/Reserved:			
407 Capital Projects Levy	-	-	-
409 Alternative Facility Program	-	-	-
413 Building Projects Funded by COP/LP	-	-	-
Restricted:			
464 Restricted Fund Balance	-	-	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-
07 DEBT SERVICE FUND			
Total Revenue	$ 5,746,234	$ 5,746,237	$ (3)
Total Expenditures	5,720,825	5,720,825	-
Nonspendable:			
460 Nonspendable Fund Balance	-	-	-
Restricted/Reserved:			
425 Bond Refunding	-	-	-
451 QZAB and QSCB Payments	-	-	-
Restricted:			
464 Restricted Fund Balance	1,307,694	1,307,695	(1)
Unassigned:			
463 Unassigned Fund Balance	-	-	-
08 TRUST FUND			
Total Revenue	$ 630	$ 630	$ -
Total Expenditures	6,293	6,293	-
Restricted/Reserved:			
419 Encumbrances	-	-	-
Unrestricted/Reserved:			
422 Unassigned Fund Balance (Net Position)	58,751	58,751	-
20 INTERNAL SERVICE FUND			
Total Revenue	$ -	$ -	$ -
Total Expenditures	-	-	-
Unassigned:			
422 Unassigned Fund Balance (Net Position)	-	-	-
25 OPEB REVOCABLE TRUST			
Total Revenue	$ -	$ -	$ -
Total Expenditures	-	-	-
Unassigned:			
422 Unassigned Fund Balance (Net Position)	-	-	-
45 OPEB IRREVOCABLE TRUST			
Total Revenue	$ -	$ -	$ -
Total Expenditures	-	-	-
Unassigned:			
422 Unassigned Fund Balance (Net Position)	-	-	-
47 OPEB DEBT SERVICE			
Total Revenue	$ -	$ -	$ -
Total Expenditures	-	-	-
Nonspendable:			
460 Nonspendable Fund Balance	-	-	-
Restricted:			
425 Bond Refundings	-	-	-
464 Restricted Fund Balance	-	-	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-

INDEPENDENT SCHOOL DISTRICT NO. 47

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

Grant Name	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Through Minnesota Department of Education:		
Child Nutrition Cluster:		
Commodities Programs	10.555	$ 117,733
School Breakfast	10.553	262,490
National School Lunch	10.555	703,920
Total Child Nutrition Cluster and U.S. Department of Agriculture		1,084,143
U.S. Department of Education		
Through Minnesota Department of Education:		
Title I, Part A Cluster:		
Title I, Part A	84.010	280,701
Title II, Part A - Improving Teacher Quality	84.367	100,965
Through Benton-Stearns Education District:		
Special Education Cluster:		
Special Education	84.027	190,735
Special Education - Discretionary Continuous Improvement	84.027	8,680
Early Childhood Special Education	84.173	4,418
Total Special Education Cluster		203,833
Carl Perkins	84.048A	31,474
Total U.S. Department of Education		616,973
Institute of Museum and Library Services		
Library Services Technology Act	45.310	134,243
Total Federal Expenditures		$ 1,835,359

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2015

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB *Circular A-133, Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2 – INVENTORY

Inventories of commodities donated by the U.S. Department of Agriculture are recorded at market value in the Food Service Fund as inventory. Revenue and expenditures are recorded when commodities are used.

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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*

INDEPENDENT AUDITOR'S REPORT

To the School Board
Independent School District No. 47
Sauk Rapids, 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. 47, Sauk Rapids, Minnesota, as of and for the year ending 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 October 22, 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified . Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Finding and Questioned Costs that we consider to be significant deficiency, Audit Finding 2001-001.

Compliance and Other Matters

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

District's Response to the Findings

The District's response to the finding identified in our audit is described in the accompanying Schedule of Finding and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the 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.

BerganKDV, Ltd.

BerganKDV, Ltd.
St. Cloud, Minnesota
October 22, 2015

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB *CIRCULAR A-133*

INDEPENDENT AUDITOR'S REPORT

To the School Board
Independent School District No. 47
Sauk Rapids, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Independent School District No. 47's, Sauk Rapids, Minnesota, compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of 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, in Accordance with OMB *Circular A-133*.

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 Nonprofit 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 legal determination of the compliance of Independent School District No. 47.

Opinion on Each Major Federal Program

In our opinion, Independent School District No. 47 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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 above. 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.

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.

BerganKDV, Ltd.

BerganKDV, Ltd.
St. Cloud, Minnesota
October 22, 2015

INDEPENDENT SCHOOL DISTRICT NO. 47

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH OMB *CIRCULAR A-133*
June 30, 2015

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	Yes, Audit Finding 2001-001
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	No
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB *Circular A-133*?	No

Identification of Major Programs

CFDA No.:	10.553 and 10.555
Name of Federal Program or Cluster:	Child Nutrition Cluster
Dollar threshold used to distinguish between type A and type B programs:	$ 300,000
Auditee qualified as low risk auditee?	No

INDEPENDENT SCHOOL DISTRICT NO.47

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH OMB *CIRCULAR A-133*
June 30, 2015

SECTION II – FINANCIAL STATEMENT FINDING:

Audit Finding 2001-001

Criteria or Specific Requirement:
Internal control that supports the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

Condition:
The District does not have adequate segregation of accounting duties.

Context:
This finding impacts the internal control for all significant accounting functions.

Effect:
The lack of adequate segregation of accounting duties could adversely affect the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Cause:
There are a limited number of office employees.

Recommendation:
Continue to review the accounting system, including changes that may occur. Implement segregation whenever practical.

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. <u>Explanation of Disagreement with Audit Finding</u>
   There is no disagreement with the audit finding.

2. <u>Actions Planned in Response to Finding</u>
   Administration will examine current segregation of accounting duties and identify areas of concern. As these areas are identified, Administration will develop policies that will address and mitigate such potential problems while working within current financial constraints. Specific areas of greatest concern will be identified first and then addressed, followed up by policies with a plan to reduce the risk of problems. Specifics will be noted in the policies as they are brought before the School Board. An individual who is responsible for the implementation of the specific control will be named as well as information on how the control added will potentially reduce risk of possible misstatement in the financial statements. As areas are addressed, other areas will be examined and corrected whenever possible.

SECTION II – FINANCIAL STATEMENT FINDING:

Audit Finding 2001-001 (Continued)

Management's Response: (Continued)

CORRECTIVE ACTION PLAN (CAP): (Continued)

3. Official Responsible for Ensuring CAP
   Daniel Bittman, Superintendent, is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP
   The planned completion date for the CAP is ongoing.

5. Plan to Monitor Completion of CAP
   The School Board will be responsible to monitor the ongoing progress towards the completion of the CAP by approving the policies brought forth by Administration and review of the annual audit.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

There were no findings or questioned costs.

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REPORT ON LEGAL COMPLIANCE

INDEPENDENT AUDITOR'S REPORT

To the School Board
Independent School District No. 47
Sauk Rapids, 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. 47, Sauk Rapids, Minnesota, as of and for the year ended June 30, 2015, and the related Notes to the Financial Statements, and have issued our report thereon dated October 22, 2015.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* promulgated by the State Auditor pursuant to *Minnesota Statutes* Sec. 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, uniform financial accounting and reporting standards for school districts and miscellaneous provisions. Our audit considered 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.* However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions.

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

BerganKDV, Ltd.

BerganKDV, Ltd.
St. Cloud, Minnesota
October 22, 2015