INDEPENDENT SCHOOL DISTRICT NO. 273
EDINA, MINNESOTA

Financial Statements
and Supplemental Information

Year Ended
June 30, 2015

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INDEPENDENT SCHOOL DISTRICT NO. 273

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INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 273

School Board and Administration
Year Ended June 30, 2015

SCHOOL BOARD

	Position
Randy Meyer	Chairperson
Leny Wallen-Friedman	Vice Chairperson
Cathy Cella	Treasurer
Sarah Patzloff	Assistant Treasurer
Regina Neville	Clerk
David Goldstein	Assistant Clerk
Lisa O'Brien	Assistant Clerk

ADMINISTRATION

Dr. Ric Dressen	Superintendent
Margo Bauck	Director of Business Services
Scott Brown	Controller
Robert Plombon	Assistant Controller

FINANCIAL SECTION

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MMKR
CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 273
Edina, 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. 273, Edina, Minnesota (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

(continued)

Malloy, Montague, Karnowski, Radosevich, & Co., P.A.
5353 Wayzata Boulevard • Suite 410 • Minneapolis, MN 55416 • Telephone: 952-545-0424 • Telefax: 952-545-0569 • www.mmkr.com

OPINIONS

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

EMPHASIS OF MATTER

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

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

(continued)

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

Prior Year Comparative Information

We have previously audited the District's 2014 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated October 9, 2014. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
October 8, 2015

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This section of Independent School District No. 273, Edina, Minnesota's (the District) annual financial statements presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2015. Please read it in conjunction with the other components of the District's annual financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Independent Auditor's Report;
- Management's Discussion and Analysis;
- Basic financial statements, including the government-wide financial statements, fund financial statements, and the notes to basic financial statements;
- Required supplementary information; and
- Combining and individual fund statements and schedules presented as supplemental information.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

FUND FINANCIAL STATEMENTS

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

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. For Minnesota schools, funds are established in accordance with Uniform Financial Accounting and Reporting Standards in accordance with statutory requirements and accounting principles generally accepted in the United States of America.

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

- The District can establish other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District maintains the following kinds of funds:

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

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

	2015	2014
Assets		
Current and other assets	$ 79,079,944	$ 75,511,197
Capital assets, net of depreciation	112,314,259	104,275,768
Total assets	**$ 191,394,203**	**$ 179,786,965**
Deferred outflows of resources		
Pension plan deferments – PERA and TRA	**$ 10,631,296**	**$ –**
Liabilities		
Current and other liabilities	$ 14,781,937	$ 16,728,649
Long-term liabilities, including due within one year	143,304,864	80,539,420
Total liabilities	**$ 158,086,801**	**$ 97,268,069**
Deferred inflows of resources		
Property taxes levied for subsequent year	$ 39,265,342	$ 36,271,789
Pension plan deferments – PERA and TRA	18,219,488	–
Total deferred inflows of resources	**$ 57,484,830**	**$ 36,271,789**
Net position		
Net investment in capital assets	$ 42,533,620	$ 36,988,080
Restricted	3,990,148	2,885,430
Unrestricted	(60,069,900)	6,373,597
Total net position	**$ (13,546,132)**	**$ 46,247,107**

The District's financial position is the product of many factors. For example, the determination of the District's net investment in capital assets involves many assumptions and estimates, such as current and accumulated depreciation amounts. A conservative versus liberal approach to depreciation estimates, as well as capitalization policies, may produce a significant difference in the calculated amounts.

Total net position decreased by $59,793,239. The District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, during the year, which changed employer reporting of participation in pension plans such as the Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA). This change in accounting principle reduced beginning unrestricted net position by $68,672,714. The District's net investment in capital assets increased $5,545,540 from the prior year, mainly due to capital assets acquired through the alternative facilities program or voter-approved capital project referendum tax levies. Restricted net position also increased $1,104,718, mainly in amounts restricted for capital asset acquisition or debt service.

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

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

	2015	2014
Revenues		
Program revenues		
Charges for services	$ 9,630,639	$ 10,831,332
Operating grants and contributions	13,335,745	13,160,555
General revenues		
Property taxes	39,768,073	27,631,525
General grants and aids	57,816,937	66,679,341
All other	1,050,543	1,038,671
Total revenues	121,601,937	119,341,424
Expenses		
Administration	2,822,761	3,288,777
District support services	3,016,067	2,982,575
Elementary and secondary regular instruction	51,936,220	49,824,755
Vocational education instruction	431,746	357,150
Special education instruction	16,333,926	17,015,210
Instructional support services	5,153,658	4,972,525
Pupil support services	7,857,389	7,686,018
Sites and buildings	13,075,629	13,929,573
Fiscal and other fixed cost programs	231,429	219,543
Food service	2,781,028	3,186,469
Community service	7,017,085	7,832,332
Interest and fiscal charges on debt	2,065,524	2,045,896
Total expenses	112,722,462	113,340,823
Change in net position	8,879,475	6,000,601
Net position – beginning, previously reported	46,247,107	40,246,506
Change in accounting principle	(68,672,714)	–
Net position – beginning, restated	(22,425,607)	40,246,506
Net position – ending	**$ (13,546,132)**	**$ 46,247,107**

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

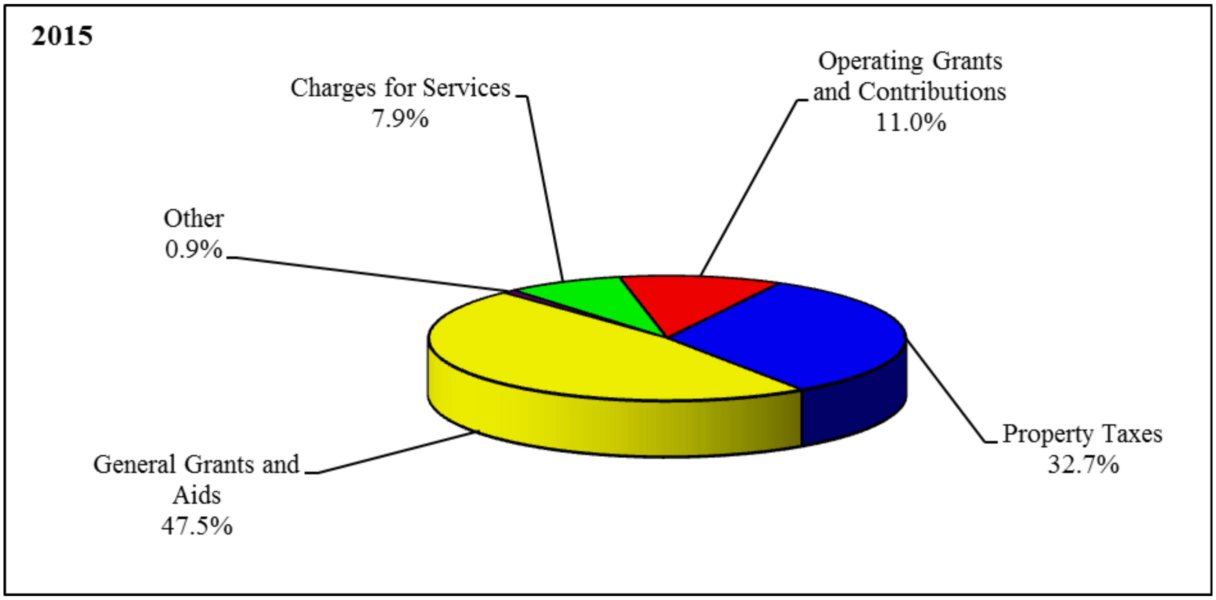
The District's overall net position increased $8,879,475 from current year operations, excluding the effect of the change in accounting principle on beginning net position.

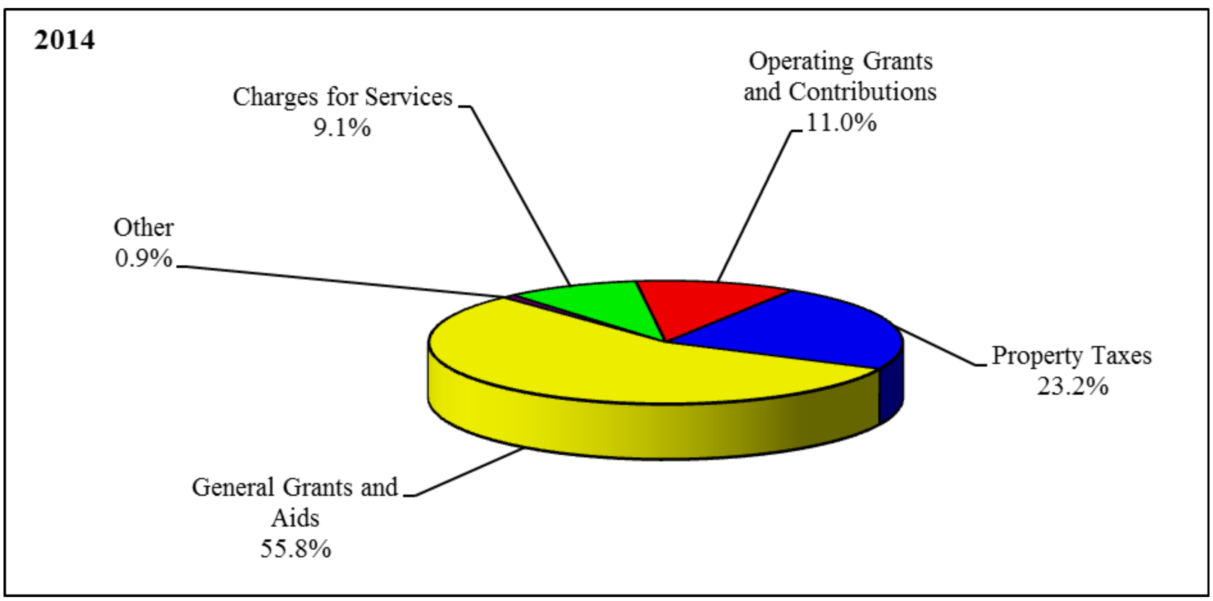
Total revenues for fiscal year 2015 were $2,260,513 higher than the prior year. Increases include enrollment, the general education formula allowance, special education aid, federal grants, and other local sources (i.e. fees, rentals, and donations).

Expenses decreased $618,361 compared to fiscal year 2014 levels. The decrease in expense is due to lower expenses for workers' compensation, utilities, fuel, tuition, and increased site carryovers. Areas of expense increases include higher than average staff retirements, one-time enhancements associated with the implementation of the strategic plan, and implementation of the 10-year alternative facilities plan. The growth in remaining expenses is consistent with regional inflationary trends.

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

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



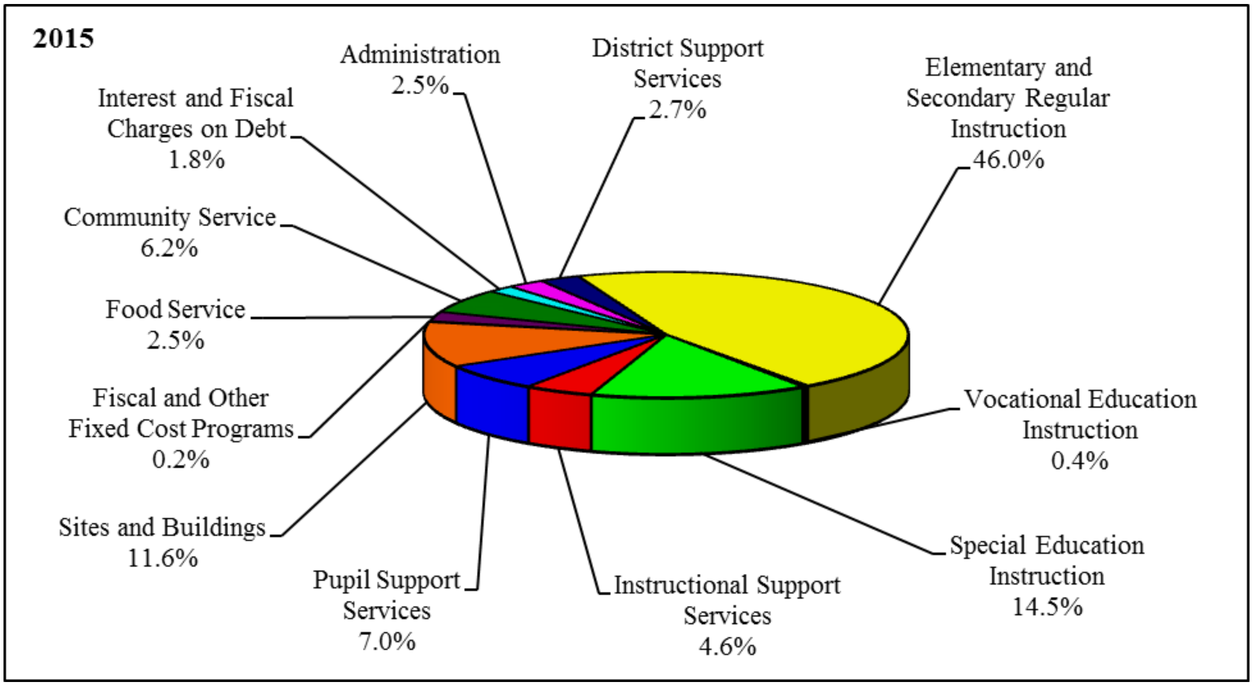


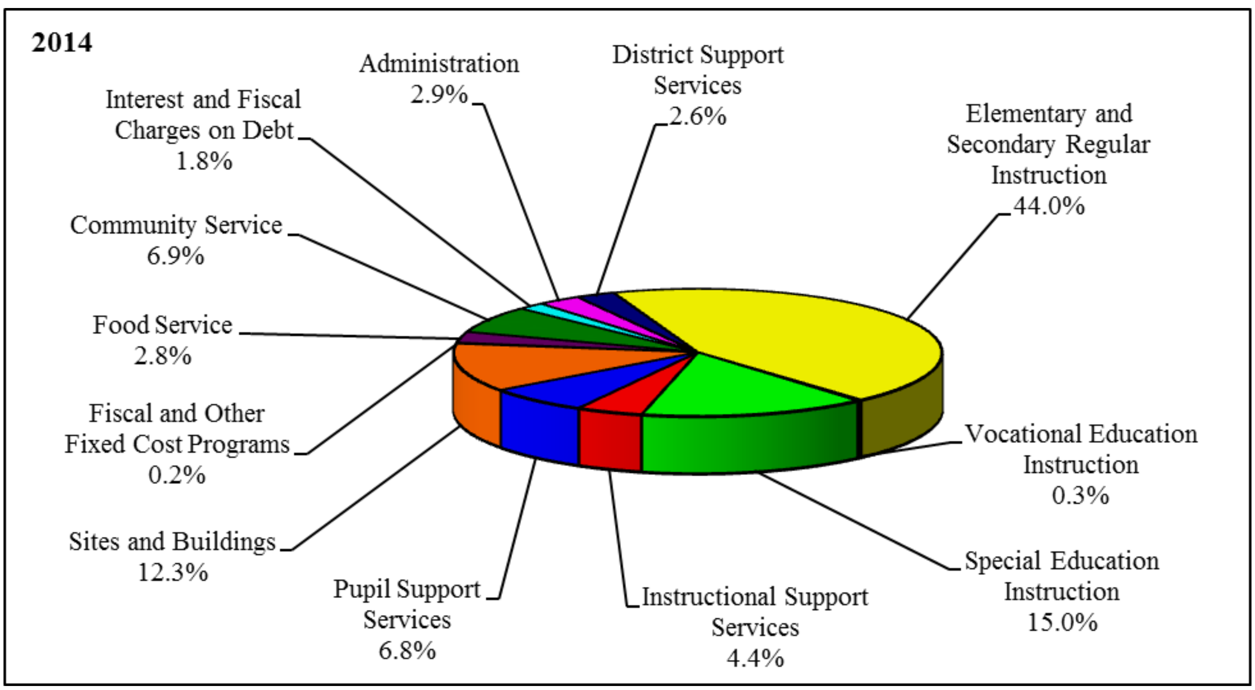
The largest share of the District's revenue is received from the state, including the aid formula and most of the operating grants. This significant reliance on the state for funding has placed tremendous pressure on local school districts as a result of limited funding due to the state's financial position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

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

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

Figure B – Expenses for Fiscal Years 2015 and 2014





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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

	2015	2014	Increase (Decrease)
Major funds			
General	$ 18,821,866	$ 15,611,503	$ 3,210,363
Capital Projects – Building Construction	3,272,278	3,987,824	(715,546)
Debt Service	1,428,414	947,081	481,333
Nonmajor funds			
Food Service Special Revenue	717,936	616,411	101,525
Community Service Special Revenue	1,223,998	1,188,788	35,210
Total governmental funds	$ 25,464,492	$ 22,351,607	$ 3,112,885

In the General Fund, nonspendable fund balances for prepaid items increased $69,681. Fund balances restricted for various purposes (including restricted fund balance account deficits) increased $240,583. A policy adopted by the District's School Board commits fund balance equal to 2 percent of unassigned General Fund expenditures for future cash flows, which increased $184,907. Fund balances assigned for various purposes increased $1,110,618, and unassigned fund balance (excluding restricted fund balance account deficits) increased $1,604,574 during the year.

The decrease in the Capital Projects – Building Construction Fund balance primarily reflects construction expenditures in fiscal 2015 funded by the proceeds of the General Obligation Alternative Facilities Bonds, Series 2014A issued in the current year, of which $3,114,393 remains restricted for alternative facilities programs at year-end.

General Fund

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

Table 4 summarizes the amendments to the General Fund budget:

Table 4
General Fund
Budget

	Original Budget	Final Budget	Increase (Decrease)	Percent Change
Revenue	$ 99,076,323	$ 94,729,344	$ (4,346,979)	(4.4%)
Expenditures	$ 97,558,110	$ 95,375,663	$ (2,182,447)	(2.2%)

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. In the fall and spring, the District amends the budget for known changes in circumstances such as enrollment levels, legislative funding, and employee contract settlements. Between the original and final budget, the District moved capital technology levy revenues and expenditures from the General Fund to the Capital Projects – Building Construction Fund. Additionally, the expenditure budget was revised for actual staffing and prior year carryover balances.

Table 5 summarizes the operating results of the General Fund:

Table 5
General Fund
Operating Results

		Over (Under) Final Budget		Over (Under) Prior Year	
	2015 Actual	Amount	Percent	Amount	Percent
Revenue	$ 95,841,833	$ 1,112,489	1.2%	$ 4,061,601	4.4%
Expenditures	92,631,470	$ (2,744,193)	(2.9%)	$ 1,773,223	2.0%
Other financing sources	–	$ –	–	$ (579,600)	(100.0%)
Net change in fund balances	$ 3,210,363				

Actual revenues for fiscal year 2015 were 1.2 percent over budget. The revenue variance was primarily in property taxes, state aids, and other local revenues. Expenditures were 2.9 percent under budget. The expenditure variance in 2015 was spread across several programs, with the largest under spending occurring in regular instruction, special education, and sites and buildings. The variances are primarily due to capital projects savings and planned site allocation savings that will carryover for the next year.

Revenue increases from the prior year were mainly due to additional general education aid from increased student enrollment and an increase to the per pupil general education formula allowance, an increase in special education aid, and other local revenues (i.e. fees, rentals, and donations).

The increase in expenditures is due to higher than average staff retirements, and one-time enhancements associated with the implementation of the strategic plan. The growth in remaining expenditures is consistent with regional inflationary trends.

Food Service Special Revenue Fund

Food Service Special Revenue Fund revenue for fiscal 2015 totaled $2,884,809 and expenditures were $2,783,284. The June 30, 2015 fund balance is $717,936, an increase of $101,525 from fiscal year 2014.

Community Service Special Revenue Fund

Community Service Special Revenue Fund revenue for fiscal 2015 totaled $7,054,845 and expenditures were $7,019,635. The June 30, 2015 fund balance is $1,223,998, an increase of $35,210 from fiscal year 2014.

Capital Projects – Building Construction Fund

Capital Projects – Building Construction Fund revenue and other financing sources for fiscal 2015 totaled $15,738,079 and expenditures were $16,453,625. The June 30, 2015 fund balance is $3,272,278, a decrease of $715,546 from fiscal year 2014.

Debt Service Fund

The Debt Service Fund is used to record revenues and expenditures for a school district’s outstanding bonded indebtedness, whether for building construction, operating capital, or for initial or refunding bonds. Debt Service Fund revenue and other financing sources for fiscal 2015 totaled $7,146,476, and expenditures were $6,665,143. The June 30, 2015 fund balance is $1,428,414, an increase of $481,333 from fiscal year 2014.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2015, the District had invested $112,314,259 in a broad range of capital assets, including school buildings, athletic facilities, and technology and equipment (see Table 6). Total depreciation expense for this year was $5,715,814.

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

Table 6
Capital Assets

	2015	2014	Change
Land	$ 1,627,557	$ 1,627,557	$ –
Land improvements	5,181,542	5,181,542	–
Buildings	194,776,276	179,398,517	15,377,759
Furniture and equipment	14,776,365	14,350,614	425,751
Construction in progress	3,568,819	5,943,718	(2,374,899)
Less accumulated depreciation	(107,616,300)	(102,226,180)	(5,390,120)
Total	$ 112,314,259	$ 104,275,768	$ 8,038,491
Depreciation expense	$ 5,715,814	$ 5,018,800	$ 697,014

The changes presented in the table above reflect the ongoing activity and completion of projects at district sites during fiscal year 2015. The most significant change from last year is in buildings. The increase in completed construction is due to the 10-year alternative facilities plan implementation.

The District only capitalizes furniture and equipment valued at $5,000 or more.

Long-Term Liabilities

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

Table 7
Outstanding Long-Term Liabilities

	2015	2014	Change
General obligation bonds payable	$ 62,870,000	$ 60,935,000	$ 1,935,000
Certification of participation payable	1,350,000	1,445,000	(95,000)
Premiums on bonds payable	6,188,027	6,819,010	(630,983)
Capital leases payable	2,503,781	2,656,102	(152,321)
Net pension liability – PERA	14,087,800	–	14,087,800
Net pension liability – TRA	45,844,276	–	45,844,276
Severance benefits payable	417,532	494,021	(76,489)
Net OPEB obligation	6,554,485	5,294,131	1,260,354
Net pension obligation	3,488,963	2,896,156	592,807
Total	$ 143,304,864	$ 80,539,420	$ 62,765,444

The District implemented GASB Statement No. 68 in 2015, and prior year balances were not restated. The increase in general obligation bonds payable is due to the issuance of General Obligation Alternative Facilities Bonds, Series 2015A, offset by scheduled principal payments during fiscal year 2015.

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

Table 8
Limitations on Debt

District's market value	$ 8,197,478,469
Limit rate	15.0%
Legal debt limit	$ 1,229,621,770

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

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

In June 2014, the School Board approved a 10-year alternative facilities plan. Goals of the plan are to support learning environment and initiatives for students, staff, and community; increase alternative facilities funding of annual deferred maintenance to meet ongoing needs; address backlog of deferred maintenance in buildings; improve energy efficiency; support strategic plan initiatives; and minimize impact to taxpayers. The plan invests $10 million in a combination of levy and bond funding annually for the next two years and $15 million in the remaining years of the plan to improve mechanical systems, exterior envelope, and paving throughout the District.

In the summer of 2015, the District received a top credit rating from two of the leading global rating agencies. Moody's Investors Service and Standard & Poor's reaffirmed their AAA ratings on the District, the highest assigned by both companies. The AAA ratings allow the District to obtain the lowest interest rates available when borrowing money by issuing bonds and certificates.

In May 2015, the District was successful in its request to issue $124.9 million in bonds to support a number of capital projects. Funds will be used to implement the Next Generation of Edina Public Schools Strategic Plan focusing both on short-term and long-term facility needs. Bonds were issued in July, with project planning to begin immediately.

The District strives to maintain its longstanding commitment to academic excellence and educational opportunity for learners within a framework of financial fiduciary responsibility.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

These financial statements are designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about these statements or need additional financial information, contact the Business Services Department, Independent School District No. 273, 5701 Normandale Road, Edina, Minnesota 55424, or visit the District's website at www.edinaschools.org.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	Governmental Activities	
	2015	2014
Assets		
Cash and temporary investments	$ 47,999,611	$ 43,766,839
Receivables		
Current taxes	21,302,415	19,713,206
Delinquent taxes	292,417	886,965
Accounts and interest	580,387	245,081
Due from other governmental units	8,484,654	9,333,452
Prepaid items	420,460	92,340
Restricted assets – temporarily restricted		
Cash and investments for capital asset acquisition	–	1,473,314
Capital assets		
Not depreciated	5,196,376	7,571,275
Depreciated, net of accumulated depreciation	107,117,883	96,704,493
Total capital assets, net of accumulated depreciation	112,314,259	104,275,768
Total assets	191,394,203	179,786,965
Deferred outflows of resources		
Pension plan deferments – PERA and TRA	10,631,296	–
Total assets and deferred outflows of resources	$ 202,025,499	$ 179,786,965
Liabilities		
Salaries and benefits payable	$ 8,381,392	$ 8,236,585
Accounts and contracts payable	4,224,921	4,640,637
Accrued interest payable	1,131,198	1,086,268
Due to other governmental units	407,202	741,366
Unearned revenue	637,224	2,023,793
Long-term liabilities		
Due within one year	4,695,374	4,694,498
Due in more than one year	138,609,490	75,844,922
Total long-term liabilities	143,304,864	80,539,420
Total liabilities	158,086,801	97,268,069
Deferred inflows of resources		
Property taxes levied for subsequent year	39,265,342	36,271,789
Pension plan deferments – PERA and TRA	18,219,488	–
Total deferred inflows of resources	57,484,830	36,271,789
Net position		
Net investment in capital assets	42,533,620	36,988,080
Restricted for		
Capital asset acquisition	1,702,901	1,039,702
Debt service	362,859	65,170
Food service	717,936	616,411
Community service	1,206,452	1,164,147
Unrestricted	(60,069,900)	6,373,597
Total net position	(13,546,132)	46,247,107
Total liabilities, deferred inflows of resources, and net position	$ 202,025,499	$ 179,786,965

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 273

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

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	2015 Net (Expense) Revenue and Changes in Net Position: Governmental Activities	2014 Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental activities					
Administration	$ 2,822,761	$ –	$ 4,410	$ (2,818,351)	$ (3,288,777)
District support services	3,016,067	–	1,150	(3,014,917)	(2,982,575)
Elementary and secondary regular instruction	51,936,220	815,239	460,463	(50,660,518)	(48,658,437)
Vocational education instruction	431,746	–	128	(431,618)	(357,150)
Special education instruction	16,333,926	200,885	10,535,295	(5,597,746)	(7,042,842)
Instructional support services	5,153,658	40,164	8,492	(5,105,002)	(4,947,525)
Pupil support services	7,857,389	20,890	1,405,634	(6,430,865)	(6,160,176)
Sites and buildings	13,075,629	670,465	688	(12,404,476)	(13,216,941)
Fiscal and other fixed cost programs	231,429	–	–	(231,429)	(219,543)
Food service	2,781,028	2,321,202	563,291	103,465	84,155
Community service	7,017,085	5,561,794	356,194	(1,099,097)	(513,229)
Interest and fiscal charges	2,065,524	–	–	(2,065,524)	(2,045,896)
Total governmental activities	$ 112,722,462	$ 9,630,639	$ 13,335,745	(89,756,078)	(89,348,936)
General revenues					
Taxes					
Property taxes, levied for general purposes				22,510,922	11,127,352
Property taxes, levied for community service				1,123,300	552,513
Property taxes, levied for capital projects				9,199,284	8,856,632
Property taxes, levied for debt service				6,934,567	7,095,028
General grants and aids				57,816,937	66,679,341
Other general revenues				1,036,099	1,011,896
Investment earnings				14,444	26,775
Total general revenues				98,635,553	95,349,537
Change in net position				8,879,475	6,000,601
Net position – beginning, previously reported				46,247,107	40,246,506
Change in accounting principle				(68,672,714)	–
Net position – beginning, restated				(22,425,607)	40,246,506
Net position – ending				$ (13,546,132)	$ 46,247,107

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	$ 30,175,262	$ 9,339,844	$ 4,700,016
Cash and investments held by trustee	–	–	–
Receivables			
Current taxes	14,184,249	3,341,758	3,216,620
Delinquent taxes	218,490	–	65,643
Accounts and interest	566,713	–	–
Due from other governmental units	8,452,848	–	–
Due from other funds	–	–	–
Prepaid items	148,739	264,975	–
Total assets	$ 53,746,301	$ 12,946,577	$ 7,982,279
Liabilities			
Salaries and benefits payable	$ 8,225,739	$ 31,293	$ –
Accounts and contracts payable	1,295,262	2,721,254	–
Due to other governmental units	407,187	–	–
Due to other funds	–	–	–
Unearned revenue	51,551	–	–
Total liabilities	9,979,739	2,752,547	–
Deferred inflows of resources			
Property taxes levied for subsequent year	24,726,206	6,921,752	6,488,222
Unavailable revenue – delinquent taxes	218,490	–	65,643
Total deferred inflows of resources	24,944,696	6,921,752	6,553,865
Fund balances (deficits)			
Nonspendable	148,739	264,975	–
Restricted	1,333,394	3,274,537	1,428,414
Committed	2,747,450	–	–
Assigned	4,457,719	–	–
Unassigned	10,134,564	(267,234)	–
Total fund balances	18,821,866	3,272,278	1,428,414
Total liabilities, deferred inflows of resources, and fund balances	$ 53,746,301	$ 12,946,577	$ 7,982,279

See notes to basic financial statements

	Total Governmental Funds	
Nonmajor Funds	2015	2014
$ 3,313,256	$ 47,528,378	$ 43,348,796
–	–	1,473,314
559,788	21,302,415	19,713,206
8,284	292,417	886,965
1,412	568,125	234,129
31,806	8,484,654	9,333,452
–	–	281,570
6,746	420,460	92,340
$ 3,921,292	$ 78,596,449	$ 75,363,772
$ 124,360	$ 8,381,392	$ 8,236,585
131,864	4,148,380	4,570,097
15	407,202	741,366
–	–	281,570
585,673	637,224	2,023,793
841,912	13,574,198	15,853,411
1,129,162	39,265,342	36,271,789
8,284	292,417	886,965
1,137,446	39,557,759	37,158,754
6,746	420,460	92,340
1,935,188	7,971,533	7,814,168
–	2,747,450	2,562,543
–	4,457,719	3,347,101
–	9,867,330	8,535,455
1,941,934	25,464,492	22,351,607
$ 3,921,292	$ 78,596,449	$ 75,363,772

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INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2015	2014
Total fund balances – governmental funds	$ 25,464,492	$ 22,351,607
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	219,930,559	206,501,948
Accumulated depreciation	(107,616,300)	(102,226,180)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.		
General obligation bonds payable	(62,870,000)	(60,935,000)
Certificates of participation payable	(1,350,000)	(1,445,000)
Premium on bonds	(6,188,027)	(6,819,010)
Capital leases payable	(2,503,781)	(2,656,102)
Net pension liability – PERA	(14,087,800)	–
Net pension liability – TRA	(45,844,276)	–
Severance benefits payable	(417,532)	(494,021)
Net OPEB obligation	(6,554,485)	(5,294,131)
Net pension obligation	(3,488,963)	(2,896,156)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Position.	406,954	358,455
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(1,131,198)	(1,086,268)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – PERA and TRA pension plans	10,631,296	–
Deferred inflows – PERA and TRA pension plans	(18,219,488)	–
Deferred inflows – delinquent property taxes	292,417	886,965
Total net position – governmental activities	$ (13,546,132)	$ 46,247,107

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	$ 22,950,814	$ 9,199,284	$ 7,073,281
Investment earnings	10,773	195	1,549
Other	2,783,742	–	–
State sources	68,608,136	–	–
Federal sources	1,488,368	–	–
Total revenue	95,841,833	9,199,479	7,074,830
Expenditures			
Current			
Administration	3,124,572	–	–
District support services	3,063,669	–	–
Elementary and secondary regular instruction	47,412,069	–	–
Vocational education instruction	432,541	–	–
Special education instruction	16,239,313	–	–
Instructional support services	5,063,892	–	–
Pupil support services	7,745,956	–	–
Sites and buildings	9,006,454	–	–
Fiscal and other fixed cost programs	231,429	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	15,856,199	–
Debt service			
Principal	205,829	534,492	4,115,000
Interest and fiscal charges	105,746	62,934	2,550,143
Total expenditures	92,631,470	16,453,625	6,665,143
Excess (deficiency) of revenue over expenditures	3,210,363	(7,254,146)	409,687
Other financing sources			
Bonds issued	–	6,045,600	4,400
Premium on bonds issued	–	–	67,246
Capital lease	–	493,000	–
Total other financing sources	–	6,538,600	71,646
Net change in fund balances	3,210,363	(715,546)	481,333
Fund balances			
Beginning of year	15,611,503	3,987,824	947,081
End of year	$ 18,821,866	$ 3,272,278	$ 1,428,414

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds 2015	Total Governmental Funds 2014
$ 1,139,242	$ 40,362,621	$ 27,029,768
1,927	14,444	26,775
7,882,996	10,666,738	11,843,228
424,303	69,032,439	77,587,783
491,186	1,979,554	2,252,113
9,939,654	122,055,796	118,739,667
–	3,124,572	3,100,900
–	3,063,669	2,969,022
–	47,412,069	45,074,133
–	432,541	357,150
–	16,239,313	16,841,301
–	5,063,892	4,916,476
–	7,745,956	7,544,789
–	9,006,454	9,691,920
–	231,429	219,543
2,776,284	2,776,284	3,183,720
6,847,345	6,847,345	7,652,852
179,290	16,035,489	15,828,305
–	4,855,321	4,180,000
–	2,718,823	2,764,978
9,802,919	125,553,157	124,325,089
136,735	(3,497,361)	(5,585,422)
–	6,050,000	–
	67,246	–
–	493,000	2,319,600
–	6,610,246	2,319,600
136,735	3,112,885	(3,265,822)
1,805,199	22,351,607	25,617,429
$ 1,941,934	$ 25,464,492	$ 22,351,607

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INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2015	2014
Total net change in fund balances – governmental funds	$ 3,112,885	$ (3,265,822)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital assets are recorded in net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	13,761,174	12,631,287
Depreciation expense	(5,715,814)	(5,018,800)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.	48,499	66,643
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.	(6,869)	–
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.		
General obligation bonds payable	(6,050,000)	–
Capital leases payable	(493,000)	(2,319,600)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds and certificates of participation	4,210,000	4,180,000
Capital leases payable	645,321	106,603
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.	(44,930)	33,903
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.	630,983	696,548
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Net pension liability – PERA	2,238,978	–
Net pension liability – TRA	10,822,096	–
Severance benefits payable	76,489	(16,290)
Net OPEB obligation	(1,260,354)	(1,106,019)
Net pension obligation	(592,807)	(589,609)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – PERA and TRA pension plans	6,310,860	–
Deferred inflows – PERA and TRA pension plans	(18,219,488)	–
Deferred inflows – delinquent property taxes	(594,548)	601,757
Change in net position – governmental activities	$ 8,879,475	$ 6,000,601

See notes to basic financial statements

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INDEPENDENT SCHOOL DISTRICT NO. 273

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

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenue				
Local sources				
Property taxes	$ 27,079,156	$ 22,520,439	$ 22,950,814	$ 430,375
Investment earnings	10,000	20,000	10,773	(9,227)
Other	2,377,914	2,363,882	2,783,742	419,860
State sources	67,902,085	68,233,042	68,608,136	375,094
Federal sources	1,707,168	1,591,981	1,488,368	(103,613)
Total revenue	99,076,323	94,729,344	95,841,833	1,112,489
Expenditures				
Current				
Administration	3,071,630	2,969,476	3,124,572	155,096
District support services	2,953,418	3,093,726	3,063,669	(30,057)
Elementary and secondary regular instruction	46,286,516	48,698,508	47,412,069	(1,286,439)
Vocational education instruction	353,019	276,191	432,541	156,350
Special education instruction	16,470,693	16,889,914	16,239,313	(650,601)
Instructional support services	6,034,993	5,191,631	5,063,892	(127,739)
Pupil support services	7,743,597	7,870,609	7,745,956	(124,653)
Sites and buildings	14,002,489	9,861,825	9,006,454	(855,371)
Fiscal and other fixed cost programs	229,390	229,390	231,429	2,039
Debt service				
Principal	287,613	178,275	205,829	27,554
Interest and fiscal charges	124,752	116,118	105,746	(10,372)
Total expenditures	97,558,110	95,375,663	92,631,470	(2,744,193)
Net change in fund balances	$ 1,518,213	$ (646,319)	3,210,363	$ 3,856,682
Fund balances				
Beginning of year			15,611,503	
End of year			$ 18,821,866	

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2015	2014
Assets		
Current assets		
Cash and temporary investments	$ 471,233	$ 418,043
Accounts receivable	12,262	10,952
Total assets	483,495	428,995
Liabilities		
Current liabilities		
Accounts and contracts payable	76,541	70,540
Net position		
Unrestricted	$ 406,954	$ 358,455

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2015	2014
Operating revenue		
Charges for services	$ 826,470	$ 820,368
Operating expenses		
Dental claims and expenses	777,971	753,725
Operating income	48,499	66,643
Net position		
Beginning of year	358,455	291,812
End of year	$ 406,954	$ 358,455

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2015	2014
Cash flows from operating activities		
Contributions from governmental funds	$ 825,160	$ 820,501
Dental claims and other expense payments	(771,970)	(751,883)
Net cash flows from operating activities	53,190	68,618
Cash and temporary investments		
Beginning of year	418,043	349,425
End of year	$ 471,233	$ 418,043
Reconciliation of operating income to net cash flows from operating activities		
Operating income	$ 48,499	$ 66,643
Adjustments to reconcile operating income to net cash flows from operating activities		
Changes in assets and liabilities		
Accounts receivable	(1,310)	133
Accounts and contracts payable	6,001	1,842
Net cash flows from operating activities	$ 53,190	$ 68,618

See notes to basic financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Organization

Independent School District No. 273, Edina, Minnesota (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District serves pre-kindergarten through 12th grade students attending the District either as a resident of the District or through an open enrollment option election. It is governed by a School Board elected by voters of the District to four-year terms. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

The District's policy is to include in the financial statements all funds, departments, agencies, boards, commissions, and other component units for which the District is considered to be financially accountable.

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

In addition to component units, the District is required to disclose its relationships with related organizations. The District is a member of Technology and Information Educational Services (TIES), a consortium of Minnesota school districts that provides data processing services and support to its member districts. TIES is a separate legal entity that is financially independent of the District. Further, the District does not appoint a voting majority of TIES' Board of Directors. Therefore, TIES is not included as part of the District's reporting entity. During the fiscal year ended June 30, 2015, the District paid TIES $1,358,323 for services provided.

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

C. Government-Wide Financial Statement Presentation

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. Interest on debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

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

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

1. **Revenue Recognition** – Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues to be available if they are collected within 60 days after year-end. Grants and similar revenues are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to Minnesota Statutes. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Internal service funds are presented in proprietary fund financial statements by type. Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as described earlier in these notes. Because the principal users of the internal services are the District's governmental activities, the internal service funds are consolidated into the governmental column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. An internal service fund accounts for the financing of goods or services provided by one department to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The principal operating revenue of the District's Internal Service Fund is charges to other district funds for service. Operating expenses for the Internal Service Fund includes the costs of providing services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Description of Funds

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

Major Governmental Funds

General Fund – The General Fund is the government's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Capital Projects – Building Construction Fund – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities authorized by bond issue, capital project levies, and under the alternative facilities program.

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

Nonmajor Governmental Funds

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

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

Proprietary Funds

Internal Service Fund – The District's Internal Service Fund is used to account for dental insurance offered by the District to its employees as a self-insured plan.

E. Budgetary Information

The School Board adopts an annual budget for all governmental funds prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted expenditure appropriations lapse at year-end. Actual expenditures for the year ended June 30, 2015 exceeded budgeted appropriations by $184,744, $1,729,868, and $5,215 in the Community Service Special Revenue, Capital Projects – Building Construction, and Debt Service Funds, respectively. The additional expenditures were financed with revenues or other financing sources (bond and capital lease proceeds) not anticipated in the budget, or available fund balances.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Temporary Investments

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. Bond proceeds recorded in the Capital Projects – Building Construction Fund are not pooled, and earnings on these proceeds are allocated directly to those funds.

Cash and investments held by trustee include balances held in segregated accounts that are established for specific purposes. In the Capital Projects – Building Construction Fund, this represented capital lease proceeds held in escrow for building construction. The cash and investments were reported as restricted assets in the government-wide financial statements. Interest earned on these investments was allocated directly to the escrow account.

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

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

G. Receivables

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

H. Prepaid Items

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

I. Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes $3,703,566 of the property tax levy collectible in 2015 as revenue to the District in fiscal year 2014–2015. The remaining portion of the taxes collectible in 2015 is reported as a deferred inflow of resources (property taxes levied for subsequent year).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

J. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair value at the date of donation. The District defines capital assets as those with an initial, individual cost of $5,000 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The District does not possess material amounts of infrastructure capital assets. Such items are considered to be part of the cost of buildings or other improvable property.

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

K. Long-Term Obligations

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

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

L. Compensated Absences

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

M. Severance Benefits

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

N. State-Wide Pension Plans

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

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

O. Risk Management and Self-Insurance

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

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

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

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

   Changes in the balance of dental claim liabilities were as follows:

Fiscal Year Ended June 30,	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2014	$ 68,698	$ 753,725	$ 751,883	$ 70,540
2015	$ 70,540	$ 777,971	$ 771,970	$ 76,541

P. Deferred Outflows/Inflows of Resources

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

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

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

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

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

Q. Net Position

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

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

- **Restricted Net Position** – Consists of net position restricted related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.

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

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

R. Fund Balance Classifications

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

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

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

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

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

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

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

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

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 disclosures of contingent amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

T. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District’s financial statements for the year ended June 30, 2014, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year’s presentation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Change in Accounting Principles

During the year ended June 30, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. GASB Statement No. 68 included major changes in how employers account for pension benefit expenses and liabilities. In financial statements prepared using the economic resources measurement focus and accrual basis of accounting (government-wide and proprietary funds), an employer is required to recognize a liability for its share of the net pension liability provided through the pension plan. An employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources for its share related to pensions. This standard required retroactive implementation, which resulted in the restatement of net position as of June 30 2014. The net position of governmental activities in the government-wide financial statements as of June 30, 2014 was decreased by $68,672,714. This change reflects the District's proportionate share of the net pension liabilities ($72,993,150 decrease in net position) and related deferred outflows of resources ($4,320,436 increase in net position) for the PERA and TRA pension plans, which are now reported by employers under current guidance. Certain amounts necessary to fully restate fiscal year 2014 financial information are not determinable; therefore, prior year comparative amounts have not been restated.

NOTE 2 – CASH AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	$ 9,104,083
Investments	38,889,756
Cash on hand	5,772
Cash and temporary investments	$ 47,999,611

B. Deposits

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

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

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

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

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

At year-end, the carrying amount of the District's deposits was $9,104,083, while the balance on the bank records was $9,105,193. At June 30, 2015, all deposits were fully covered by federal depository insurance or collateral held by the District's agent in the District's name.

C. Investments

The District has the following investments at year-end:

Investment Type	Credit Rating	Rating Agency	Maturity Duration	Carrying Value
U.S. treasury securities	AA	S&P	Not Applicable	$ 2,233,000
Investment pools/mutual funds				
Minnesota School District Liquid Asset Fund	AAAm	S&P	Not Applicable	13,119,848
Minnesota Trust Investment Shares Portfolio	AAA	S&P	Not Applicable	23,536,908
Total investments				$ 38,889,756

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

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

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

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

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

The District's investment policy also requires that commercial paper be of corporations organized in the United States; having at least $1 billion of outstanding corporate paper obligations; rated at the highest classification by Standard and Poor's (A-1) or Moody's Investment Services (P-1); and not be on credit watch for potential downgrades. No more than 50 percent of the District's investments can be in commercial paper on any given day. District policy does not allow investments in derivatives.

Concentration Risk – This is the risk associated with investing a significant portion of the District's investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District's policies limit the investment on any given day, in any given corporation, to $1 million.

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

NOTE 3 – CAPITAL ASSETS

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

	Balance – Beginning of Year	Additions	Deletions	Balance – End of Year
Capital assets, not depreciated				
Land	$ 1,627,557	$ –	$ –	$ 1,627,557
Construction in progress	5,943,718	12,984,829	(15,359,728)	3,568,819
Total capital assets, not depreciated	7,571,275	12,984,829	(15,359,728)	5,196,376
Capital assets, depreciated				
Land improvements	5,181,542	–	–	5,181,542
Buildings	179,398,517	15,377,759	–	194,776,276
Furniture and equipment	14,350,614	758,314	(332,563)	14,776,365
Total capital assets, depreciated	198,930,673	16,136,073	(332,563)	214,734,183
Less accumulated depreciation for				
Land improvements	(3,304,122)	(172,231)	–	(3,476,353)
Buildings	(88,207,951)	(4,578,471)	–	(92,786,422)
Furniture and equipment	(10,714,107)	(965,112)	325,694	(11,353,525)
Total accumulated depreciation	(102,226,180)	(5,715,814)	325,694	(107,616,300)
Net capital assets, depreciated	96,704,493	10,420,259	(6,869)	107,117,883
Total capital assets, net	$ 104,275,768	$ 23,405,088	$ (15,366,597)	$ 112,314,259

NOTE 3 – CAPITAL ASSETS (CONTINUED)

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

Administration	$ 4,142
Elementary and secondary regular instruction	3,727,537
Special education instruction	18,768
Instructional support services	56,665
Pupil support services	23,133
Sites and buildings	1,860,940
Food service	1,363
Community service	23,266
Total depreciation expense	$ 5,715,814

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

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

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
Alternative facilities bonds	05/08/2008	3.00–3.60%	$ 4,500,000	02/01/2019	$ 1,980,000
Refunding bonds	10/05/2011	4.00–5.00%	$ 50,370,000	02/01/2024	43,265,000
Alternative facilities bonds	02/21/2013	2.00–3.00%	$ 11,775,000	02/01/2026	11,575,000
Alternative facilities bonds	12/30/2014	3.00–3.50%	$ 6,050,000	02/01/2035	6,050,000
Total general obligation bonds payable					$ 62,870,000

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

B. Certificates of Participation Payable

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
2011C Certificates of Participation	11/17/2011	2.00–3.75%	$ 1,615,000	04/01/2027	$ 1,350,000

In November 2011, the District sold $1,615,000 of certificates of participation under Minnesota Statute § 123B.51 to finance the construction of an addition to South View Middle School. Scheduled future ad valorem lease obligation tax levies will be made to finance the retirement of principal and interest payments on the certificates. These certificates of participation are being paid by the General Fund.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

C. Capital Leases Payable

The District entered into a capital lease agreement for computer equipment. The lease has an effective interest rate of 2.5 percent, and calls for annual principal and interest payments through October 1, 2016. The lease is being paid through the Capital Projects – Building Construction Fund. The leased assets were recorded at $589,860 (the present value of future minimum lease payments as of the inception dates of the leases). Total accumulated depreciation on these assets at June 30, 2015 was $353,916.

The District entered into a capital lease agreement for computer equipment. The lease has an effective interest rate of 2.8 percent, and calls for annual principal and interest payments through July 1, 2017. The assets acquired through this capital lease were not capitalized as individual asset amounts do not meet the capitalization threshold requirements. The lease is being paid through the General Fund.

The District entered into two capital lease agreements to finance the construction of several building additions. The leases have an effective interest rate of 3.43 percent, and call for annual principal and interest payments through January 15, 2029. The leases are being paid through the Capital Projects – Building Construction Fund. The leased assets were recorded at $2,233,000 (the present value of future minimum lease payments as of the inception dates of the leases). Total accumulated depreciation on these assets at June 30, 2015 was $148,867.

D. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including: severance benefits, other post-employment benefits (OPEB), and pension benefits. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are paid primarily from the General Fund.

E. Minimum Debt Payments

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

Year Ending	General Obligation Bonds Payable		Certificates of Participation		Capital Lease	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2016	$ 4,245,000	$ 2,663,732	$ 95,000	$ 43,738	$ 308,536	$ 82,536
2017	4,475,000	2,332,985	100,000	41,125	318,010	73,061
2018	4,815,000	2,116,995	100,000	38,125	128,860	63,294
2019	5,055,000	1,883,820	105,000	35,125	133,316	58,836
2020	5,365,000	1,638,350	105,000	31,975	137,929	54,224
2021–2025	28,455,000	4,453,556	580,000	108,938	764,602	196,158
2026–2030	4,410,000	1,081,188	265,000	14,838	712,528	56,081
2031–2035	6,050,000	612,700	–	–	–	–
	$ 62,870,000	$ 16,783,326	$ 1,350,000	$ 313,864	$ 2,503,781	$ 584,190

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

F. Changes in Long-Term Liabilities

	Balance – Beginning of Year	Change in Accounting Principle	Additions	Retirements	Balance – End of Year	Due Within One Year
General obligation bonds payable	$ 60,935,000	$ –	$ 6,050,000	$ 4,115,000	$ 62,870,000	$ 4,245,000
Certificates of participation payable	1,445,000	–	–	95,000	1,350,000	95,000
Plus premium	6,819,010	–	67,246	698,229	6,188,027	–
Total bonds payable	69,199,010	–	6,117,246	4,908,229	70,408,027	4,340,000
Capital leases payable	2,656,102	–	493,000	645,321	2,503,781	308,536
Net pension liability – PERA	–	16,326,778	1,040,891	3,279,869	14,087,800	–
Net pension liability – TRA	–	56,666,372	2,661,843	13,483,939	45,844,276	–
Severance benefits payable	494,021	–	65,694	142,183	417,532	46,838
Net OPEB obligation	5,294,131	–	2,228,391	968,037	6,554,485	–
Net pension obligation	2,896,156	–	1,061,735	468,928	3,488,963	–
	$ 80,539,420	$ 72,993,150	$ 13,668,800	$ 23,896,506	$ 143,304,864	$ 4,695,374

G. Subsequent Event

In July 2015, the District issued Series 2015A General Obligation Bonds to finance the construction of several building additions. The bonds have a par value of $113,385,000, interest rates ranging from 4.00–5.00 percent, and a final maturity of February 1, 2037.

NOTE 5 – FUND BALANCES

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

NOTE 5 – FUND BALANCES (CONTINUED)

A. Classifications

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

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Prepaid items	$ 148,739	$ 264,975	$ –	$ 6,746	$ 420,460
Restricted					
Staff development	38,836	–	–	–	38,836
Operating capital	1,294,558	–	–	–	1,294,558
Certificates of participation	–	16,776	–	–	16,776
Alternative facilities program	–	3,114,393	–	–	3,114,393
Capital projects levy	–	143,368	–	–	143,368
Debt service	–	–	1,428,414	–	1,428,414
Food service	–	–	–	713,091	713,091
Community education programs	–	–	–	1,121,735	1,121,735
Early childhood family education programs	–	–	–	66,103	66,103
School readiness	–	–	–	1,468	1,468
Community service	–	–	–	32,791	32,791
Total restricted	1,333,394	3,274,537	1,428,414	1,935,188	7,971,533
Committed					
Cash flow	1,852,629	–	–	–	1,852,629
Federal education jobs	894,821	–	–	–	894,821
Total committed	2,747,450	–	–	–	2,747,450
Assigned					
Separation/retirement benefits	2,892,877	–	–	–	2,892,877
Health and safety conversion	250,000	–	–	–	250,000
Bond operational costs	500,000	–	–	–	500,000
Carryover	768,309	–	–	–	768,309
Alternative compensation	13,206	–	–	–	13,206
Unemployment	33,327	–	–	–	33,327
Total assigned	4,457,719	–	–	–	4,457,719
Unassigned					
Health and safety restricted deficit	(108,018)	–	–	–	(108,018)
Capital project deficit	–	(267,234)	–	–	(267,234)
Unassigned	10,242,582	–	–	–	10,242,582
Total unassigned	10,134,564	(267,234)	–	–	9,867,330
Total	$ 18,821,866	$ 3,272,278	$ 1,428,414	$ 1,941,934	$ 25,464,492

B. Minimum Unassigned Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding maintaining a minimum unassigned fund balance for the General Fund. The policy establishes a minimum unassigned General Fund balance goal of 6 percent of the unassigned General Fund expenditures. At June 30, 2015, the unassigned fund balance of the General Fund (excluding restricted fund balance account deficits) was 11.9 percent of budgeted unassigned expenditures for fiscal 2016.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Description

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

1. General Employees Retirement Fund (GERF)

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

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

2. Teachers Retirement Association (TRA)

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

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

B. Benefits Provided

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

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

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

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

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

1. GERF Benefits

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

2. TRA Benefits

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

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

Tier I Benefits

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

With these provisions:

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

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

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

Tier II Benefits

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

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.5 percent, respectively, of their annual covered salary in calendar year 2014. Coordinated Plan members contributed 6.5 percent of pay in 2015. In calendar year 2014, the District was required to contribute 11.78 percent of pay for Basic Plan members and 7.25 percent for Coordinated Plan members. In 2015, employer rates increased to 7.5 percent in the Coordinated Plan, The District's contributions to the GERF for the plan's fiscal year ended June 30, 2015, were $1,195,515. The District's contributions were equal to the required contributions for each year as set by state statutes.

2. TRA Contributions

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

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

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2015, were $3,518,976. The District's contributions were equal to the required contributions for each year as set by state statutes.

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

D. Pension Costs

1. GERF Pension Costs

At June 30, 2015, the District reported a liability of $14,087,800 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of the PERA's participating employers. At June 30, 2014, the District's proportion was 0.2999 percent.

For the year ended June 30, 2015, the District recognized pension expense of $1,040,891 for its proportionate share of the GERF's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 216,204	$ –
Changes in actuarial assumptions	1,451,888	–
Differences between projected and actual investment earnings	–	3,806,511
District's contributions to the GERF subsequent to the measurement date	1,195,515	–
Total	$ 2,863,607	$ 3,806,511

A total of $1,195,515 reported as deferred outflows of resources related to pensions resulting from district contributions to the GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to the GERF pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2016	$ (395,597)
2017	$ (395,597)
2018	$ (395,597)
2019	$ (951,628)

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

2. TRA Pension Costs

At June 30, 2015, the District reported a liability of $45,844,276 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the TRA in relation to total system contributions including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District's proportionate share was 0.9949 percent at the end of the measurement period and 0.9878 percent for the beginning of the period.

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

District's proportionate share of net pension liability	$ 45,844,276
State's proportionate share of the net pension liability associated with the District	$ 3,225,114

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

For the year ended June 30, 2015, the District recognized pension expense of $2,521,154. It also recognized $140,689 as pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 3,911,758	$ –
Difference between projected and actual investment earnings	–	14,412,977
Changes in proportion and differences between contributions made and the District's proportionate share of contributions	336,955	–
District's contributions to the TRA subsequent to the measurement date	3,518,976	–
Total	$ 7,767,689	$ 14,412,977

A total of $3,518,976 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to the TRA will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2016	$ (2,716,248)
2017	$ (2,716,248)
2018	$ (2,716,248)
2019	$ (2,716,248)
2020	$ 700,728

E. Actuarial Assumptions

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

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

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

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

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

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

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

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

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

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

F. Discount Rate

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

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.90%	7.90%	8.90%
District's proportionate share of the GERF net pension liability	$ 22,710,101	$ 14,087,800	$ 6,993,674
TRA discount rate	7.25%	8.25%	9.25%
District's proportionate share of the TRA net pension liability	$ 75,764,888	$ 45,844,276	$ 20,900,829

H. Pension Plan Fiduciary Net Position

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

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

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

A. Plan Descriptions

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

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

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

B. Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined periodically by the District.

C. Annual OPEB Cost and Net OPEB Obligation

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

ARC	$ 2,329,607
Interest on net OPEB obligation	211,765
Adjustment to ARC	(312,981)
Annual OPEB cost (expense)	2,228,391
Contributions made	968,037
Increase in net OPEB obligation	1,260,354
Net OPEB obligation – beginning of year	5,294,131
Net OPEB obligation – end of year	$ 6,554,485

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

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year are as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	$ 2,004,788	$ 832,669	41.5%	$ 4,188,112
June 30, 2014	$ 2,243,246	$ 1,137,227	50.7%	$ 5,294,131
June 30, 2015	$ 2,228,391	$ 968,037	43.4%	$ 6,554,485

D. Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits and unfunded actuarial accrued liability (UAAL) were both $18,548,273, as the plan was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $57,774,854, and the ratio of the UAAL to the covered payroll was 32.1 percent.

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

E. Actuarial Methods and Assumptions

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

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 4.0 percent investment rate of return (net of administrative expenses) based on the District's own investments; no projected salary increases; an annual healthcare cost trend rate of 7.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after ten years for medical insurance; and an annual healthcare trend rate of 4.0 percent for dental insurance. All rates include a 2.5 percent inflation assumption. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization periods at July 1, 2014 for the various amortization layers ranged from 26 to 30 years.

NOTE 8 – PENSION BENEFITS PLAN

A. Plan Description

The District provides pension (severance) benefits to certain eligible employees through its Pension Benefits Plan, a single-employer defined benefit plan administered by the District. All pension benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. The benefits are calculated using a predetermined number of days depending on the employee group, multiplied by the employee's daily base pay, or in certain cases, a fixed amount per year of service. Payments are made in either a lump sum or installments to a 403(b) plan or in a lump sum directly to the employee. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a separate financial report.

B. Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined periodically by the District.

C. Annual Pension Cost and Net Pension Obligation

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

The following table shows the components of the District's annual pension cost for the year, the amount actually contributed to the plan, and the changes in the District's net pension obligation to the plan:

ARC	$ 1,110,122
Interest on net pension obligation	115,846
Adjustment to ARC	(164,233)
Annual pension cost (expense)	1,061,735
Contributions made	468,928
Increase in net pension obligation	592,807
Net pension obligation – beginning of year	2,896,156
Net pension obligation – end of year	$ 3,488,963

The District's annual pension cost, the percentage of annual pension cost contributed to the plan, and the net pension obligation for the year are as follows:

Fiscal Year Ended	Annual Pension Cost	Employer Contribution	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
June 30, 2013	$ 951,711	$ 437,462	46.0%	$ 2,306,547
June 30, 2014	$ 1,085,616	$ 496,007	45.7%	$ 2,896,156
June 30, 2015	$ 1,061,735	$ 468,928	44.2%	$ 3,488,963

NOTE 8 – PENSION BENEFITS PLAN (CONTINUED)

D. Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits and UAAL both were $8,681,337, as the plan was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $45,725,134 and the ratio of the UAAL to the covered payroll was 19.0 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability occurrence of events far into the future. Examples include assumptions about future employment and mortality. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress immediately following the notes to basic financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

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

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 4.0 percent investment rate of return (net of administrative expenses) based on the District's own investments and a 3.0 percent salary increase for all members. This rate includes a 2.5 percent inflation assumption. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization periods at July 1, 2014 for the various amortization layers ranged from 26 to 30 years.

NOTE 9 – FLEXIBLE BENEFIT PLAN

The District has a flexible benefit plan which is classified as a "cafeteria plan" (the Plan) under § 125 of the Internal Revenue Code. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the Plan for healthcare and dependent care benefits. Payments are made from the Plan to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the participant.

Before the beginning of the Plan year, which is from January 1 to December 31, each participant designates a total amount of pre-tax dollars to be contributed to the Plan during the year. The Plan is administered by the District and is accounted for in the District's General Fund. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the medical reimbursement portion of the Plan, whether or not such contributions have been made.

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

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Revenues

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

B. Construction Commitments

At June 30, 2015, the District had commitments totaling $5,258,299 under various construction contracts for which the work was not yet completed.

C. Legal Claims

The District is a defendant in various lawsuits. Although the outcomes of these lawsuits are not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

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REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress
June 30, 2015

Other Post-Employment Benefits Plan
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
July 1, 2010	$ 12,943,585	$ –	$ 12,943,585	– %	$ 50,747,706	25.5 %
July 1, 2012	$ 15,827,290	$ –	$ 15,827,290	– %	$ 54,243,749	29.2 %
July 1, 2014	$ 18,548,273	$ –	$ 18,548,273	– %	$ 57,774,854	32.1 %

Pension Benefits Plan
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
July 1, 2010	$ 6,276,813	$ –	$ 6,276,813	– %	$ 40,584,492	15.5 %
July 1, 2012	$ 7,465,933	$ –	$ 7,465,933	– %	$ 42,893,260	17.4 %
July 1, 2014	$ 8,681,337	$ –	$ 8,681,337	– %	$ 45,725,134	19.0 %

INDEPENDENT SCHOOL DISTRICT NO. 273

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

Public Employees Retirement Association

	2014
District's proportion of the net pension liability (asset)	0.2999%
District's proportionate share of the net pension liability (asset)	$ 14,087,800
District's covered-employee payroll	$ 15,747,600
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	89.46%
Plan fiduciary net position as a percentage of the total pension liability	78.70%

Teachers Retirement Association

District's proportion of the net pension liability (asset)	0.9949%
District's proportionate share of the net pension liability (asset) (a)	$ 45,844,276
District's proportionate share of the state of Minnesota's proportionate share of the net pension liability (b)	3,225,114
Proportionate share of the net pension liability and the District's share of the state of Minnesota's share of the net pension liability (a + b)	$ 49,069,390
District's covered-employee payroll	$ 45,414,080
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	100.95%
Plan fiduciary net position as a percentage of the total pension liability	81.50%

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

INDEPENDENT SCHOOL DISTRICT NO. 273

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

Public Employees Retirement Association

	2015
Statutorily required contribution	$ 1,195,515
Contributions in relation to the statutorily required contributions	1,195,515
Contribution deficiency (excess)	$ –
District's covered-employee payroll	$ 16,108,679
Contributions as a percentage of covered-employee payroll	7.42%

Teachers Retirement Association

Statutorily required contribution	$ 3,518,976
Contributions in relation to the statutorily required contributions	3,518,976
Contribution deficiency (excess)	$ –
District's covered-employee payroll	$ 46,888,324
Contributions as a percentage of covered-employee payroll	7.51%

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

SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	$ 889,089	$ 2,424,167	$ 3,313,256
Receivables			
Current taxes	–	559,788	559,788
Delinquent taxes	–	8,284	8,284
Accounts and interest	287	1,125	1,412
Due from other governmental units	–	31,806	31,806
Prepaid items	4,845	1,901	6,746
Total assets	$ 894,221	$ 3,027,071	$ 3,921,292
Liabilities			
Salaries and benefits payable	$ 2,416	$ 121,944	$ 124,360
Accounts and contracts payable	3,136	128,728	131,864
Due to other governmental units	–	15	15
Unearned revenue	170,733	414,940	585,673
Total liabilities	176,285	665,627	841,912
Deferred inflows of resources			
Property taxes levied for subsequent year	–	1,129,162	1,129,162
Deferred revenue – delinquent taxes	–	8,284	8,284
Total deferred inflows of resources	–	1,137,446	1,137,446
Fund balances			
Nonspendable	4,845	1,901	6,746
Restricted	713,091	1,222,097	1,935,188
Total fund balances	717,936	1,223,998	1,941,934
Total liabilities, deferred inflows of resources, and fund balances	$ 894,221	$ 3,027,071	$ 3,921,292

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	$ –	$ 1,139,242	$ 1,139,242
Investment earnings	509	1,418	1,927
Other	2,321,202	5,561,794	7,882,996
State sources	71,912	352,391	424,303
Federal sources	491,186	–	491,186
Total revenue	2,884,809	7,054,845	9,939,654
Expenditures			
Current			
Food service	2,776,284	–	2,776,284
Community service	–	6,847,345	6,847,345
Capital outlay	7,000	172,290	179,290
Total expenditures	2,783,284	7,019,635	9,802,919
Net change in fund balances	101,525	35,210	136,735
Fund balances			
Beginning of year	616,411	1,188,788	1,805,199
End of year	$ 717,936	$ 1,223,998	$ 1,941,934

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2015	2014
Assets		
Cash and temporary investments	$ 30,175,262	$ 26,243,718
Receivables		
Current taxes	14,184,249	13,425,239
Delinquent taxes	218,490	658,382
Accounts and interest	566,713	233,004
Due from other governmental units	8,452,848	9,278,723
Prepaid items	148,739	79,058
Total assets	$ 53,746,301	$ 49,918,124
Liabilities		
Salaries and benefits payable	$ 8,225,739	$ 8,004,816
Accounts and contracts payable	1,295,262	963,703
Due to other governmental units	407,187	741,351
Due to other funds	–	281,570
Unearned revenue	51,551	262,859
Total liabilities	9,979,739	10,254,299
Deferred inflows of resources		
Property taxes levied for subsequent year	24,726,206	23,393,940
Unavailable revenue – delinquent taxes	218,490	658,382
Total deferred inflows of resources	24,944,696	24,052,322
Fund balances (deficits)		
Nonspendable for prepaid items	148,739	79,058
Restricted staff development	38,836	47,644
Restricted for operating capital	1,294,558	1,003,010
Restricted for capital projects levy	–	36,692
Committed for cash flow	1,852,629	1,667,722
Committed for federal education jobs	894,821	894,821
Assigned for separation/retirement benefits	2,892,877	2,391,019
Assigned for health and safety conversion	250,000	–
Assigned for bond operational costs	500,000	–
Assigned for carryover	768,309	602,012
Assigned for alternative compensation	13,206	307,395
Assigned for high school ALC	–	4,150
Assigned for unemployment	33,327	42,525
Unassigned – health and safety restricted account deficit	(108,018)	(102,553)
Unassigned	10,242,582	8,638,008
Total fund balances	18,821,866	15,611,503
Total liabilities, deferred inflows of resources, and fund balances	$ 53,746,301	$ 49,918,124

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2015			2014
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 22,520,439	$ 22,950,814	$ 430,375	$ 10,666,213
Investment earnings	20,000	10,773	(9,227)	20,622
Other	2,363,882	2,783,742	419,860	2,573,245
State sources	68,233,042	68,608,136	375,094	76,710,991
Federal sources	1,591,981	1,488,368	(103,613)	1,809,161
Total revenue	94,729,344	95,841,833	1,112,489	91,780,232
Expenditures				
Current				
Administration	2,969,476	3,124,572	155,096	3,100,900
District support services	3,093,726	3,063,669	(30,057)	2,969,022
Elementary and secondary regular instruction	48,698,508	47,412,069	(1,286,439)	45,074,133
Vocational education instruction	276,191	432,541	156,350	357,150
Special education instruction	16,889,914	16,239,313	(650,601)	16,841,301
Instructional support services	5,191,631	5,063,892	(127,739)	4,916,476
Pupil support services	7,870,609	7,745,956	(124,653)	7,544,789
Sites and buildings	9,861,825	9,006,454	(855,371)	9,691,920
Fiscal and other fixed cost programs	229,390	231,429	2,039	219,543
Debt service				
Principal	178,275	205,829	27,554	95,000
Interest and fiscal charges	116,118	105,746	(10,372)	48,013
Total expenditures	95,375,663	92,631,470	(2,744,193)	90,858,247
Excess (deficiency) of revenue over expenditures	(646,319)	3,210,363	3,856,682	921,985
Other financing sources				
Capital lease	–	–	–	579,600
Net change in fund balances	$ (646,319)	3,210,363	$ 3,856,682	1,501,585
Fund balances				
Beginning of year		15,611,503		14,109,918
End of year		$ 18,821,866		$ 15,611,503

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

	2015	2014
Assets		
Cash and temporary investments	$ 889,089	$ 836,839
Receivables		
Accounts and interest	287	–
Due from other governmental units	–	17,408
Prepaid items	4,845	4,845
Total assets	$ 894,221	$ 859,092
Liabilities		
Salaries and benefits payable	$ 2,416	$ 3,413
Accounts and contracts payable	3,136	67,959
Unearned revenue	170,733	171,309
Total liabilities	176,285	242,681
Fund balances		
Nonspendable for prepaid items	4,845	4,845
Restricted for food service	713,091	611,566
Total fund balances	717,936	616,411
Total liabilities and fund balances	$ 894,221	$ 859,092

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2015			2014
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	$ 1,000	$ 509	$ (491)	$ 867
Other – primarily meal sales	2,884,250	2,321,202	(563,048)	2,770,547
State sources	61,800	71,912	10,112	57,125
Federal sources	450,000	491,186	41,186	442,952
Total revenue	3,397,050	2,884,809	(512,241)	3,271,491
Expenditures				
Current				
Salaries	102,970	117,503	14,533	77,826
Employee benefits	12,000	16,969	4,969	11,287
Purchased services	3,179,000	2,613,563	(565,437)	3,063,069
Supplies and materials	63,500	28,249	(35,251)	31,538
Capital outlay	10,000	7,000	(3,000)	–
Total expenditures	3,367,470	2,783,284	(584,186)	3,183,720
Net change in fund balances	$ 29,580	101,525	$ 71,945	87,771
Fund balances				
Beginning of year		616,411		528,640
End of year		$ 717,936		$ 616,411

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2015	2014
Assets		
Cash and temporary investments	$ 2,424,167	$ 2,590,092
Receivables		
Current taxes	559,788	563,746
Delinquent taxes	8,284	24,226
Accounts and interest	1,125	1,125
Due from other governmental units	31,806	37,321
Prepaid items	1,901	8,437
Total assets	$ 3,027,071	$ 3,224,947
Liabilities		
Salaries and benefits payable	$ 121,944	$ 228,356
Accounts and contracts payable	128,728	195,463
Due to other governmental units	15	15
Unearned revenue	414,940	445,278
Total liabilities	665,627	869,112
Deferred inflows of resources		
Property taxes levied for subsequent year	1,129,162	1,142,821
Unavailable revenue – delinquent taxes	8,284	24,226
Total deferred inflows of resources	1,137,446	1,167,047
Fund balances		
Nonspendable for prepaid items	1,901	8,437
Restricted for community education programs	1,121,735	992,965
Restricted for early childhood family education programs	66,103	185,126
Restricted for school readiness	1,468	2,011
Restricted for community service	32,791	249
Total fund balances	1,223,998	1,188,788
Total liabilities, deferred inflows of resources, and fund balances	$ 3,027,071	$ 3,224,947

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2015			2014
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 1,123,331	$ 1,139,242	$ 15,911	$ 536,211
Investment earnings	2,500	1,418	(1,082)	2,467
Other – primarily tuition and fees	5,009,790	5,561,794	552,004	6,499,436
State sources	337,396	352,391	14,995	819,667
Total revenue	6,473,017	7,054,845	581,828	7,857,781
Expenditures				
Current				
Salaries	4,014,015	4,092,706	78,691	4,832,935
Employee benefits	996,337	983,236	(13,101)	1,258,294
Purchased services	1,300,887	1,362,035	61,148	1,171,771
Supplies and materials	333,072	398,907	65,835	381,156
Other expenditures	9,224	10,461	1,237	8,696
Capital outlay	181,356	172,290	(9,066)	178,223
Total expenditures	6,834,891	7,019,635	184,744	7,831,075
Net change in fund balances	$ (361,874)	35,210	$ 397,084	26,706
Fund balances				
Beginning of year		1,188,788		1,162,082
End of year		$ 1,223,998		$ 1,188,788

INDEPENDENT SCHOOL DISTRICT NO. 273

Capital Projects – Building Construction Fund
Comparative Balance Sheet
as of June 30, 2015 and 2014

	2015	2014
Assets		
Cash and temporary investments	$ 9,339,844	$ 9,041,638
Cash and investments held by trustee	–	1,473,314
Receivables		
Current taxes	3,341,758	2,224,539
Due from other funds	–	281,570
Prepaid items	264,975	–
Total assets	$ 12,946,577	$ 13,021,061
Liabilities		
Salaries and benefits payable	$ 31,293	$ –
Accounts and contracts payable	2,721,254	3,248,323
Unearned revenue	–	1,144,347
Total liabilities	2,752,547	4,392,670
Deferred inflows of resources		
Property taxes levied for subsequent year	6,921,752	4,640,567
Fund balances (deficits)		
Nonspendable for prepaid items	264,975	–
Restricted for building projects funded by certificates of participation	16,776	18,087
Restricted for alternative facilities program	3,114,393	3,688,167
Restricted for capital projects levy	143,368	281,570
Unassigned	(267,234)	–
Total fund balances	3,272,278	3,987,824
Total liabilities, deferred inflows of resources, and fund balances	$ 12,946,577	$ 13,021,061

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2015			2014
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 9,199,284	$ 9,199,284	$ –	$ 8,856,632
Investment earnings	–	195	195	219
Total revenue	9,199,284	9,199,479	195	8,856,851
Expenditures				
Capital outlay				
Salaries	1,325,656	1,365,682	40,026	1,282,012
Employee benefits	412,968	418,503	5,535	398,708
Purchased services	334,525	153,887	(180,638)	133,554
Supplies and materials	125,968	254,166	128,198	195,088
Capital expenditures	12,406,668	13,663,961	1,257,293	13,522,748
Debt service				
Principal	109,338	534,492	425,154	106,603
Interest and fiscal charges	8,634	62,934	54,300	11,369
Total expenditures	14,723,757	16,453,625	1,729,868	15,650,082
Excess (deficiency) of revenues over expenditures	(5,524,473)	(7,254,146)	(1,729,673)	(6,793,231)
Other financing sources				
Bonds issued	6,000,000	6,045,600	45,600	–
Capital lease	493,000	493,000	–	1,740,000
Total other financing sources	6,493,000	6,538,600	45,600	1,740,000
Net change in fund balances	$ 968,527	(715,546)	$ (1,684,073)	(5,053,231)
Fund balances				
Beginning of year		3,987,824		9,041,055
End of year		$ 3,272,278		$ 3,987,824

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

	2015	2014
Assets		
Cash and temporary investments	$ 4,700,016	$ 4,636,509
Receivables		
Current taxes	3,216,620	3,499,682
Delinquent taxes	65,643	204,357
Total assets	$ 7,982,279	$ 8,340,548
Liabilities		
Accounts and contracts payable	$ –	$ 94,649
Deferred inflows of resources		
Property taxes levied for subsequent year	6,488,222	7,094,461
Unavailable revenue – delinquent taxes	65,643	204,357
Total deferred inflows of resources	6,553,865	7,298,818
Fund balances		
Restricted for debt service	1,428,414	947,081
Total liabilities, deferred inflows of resources, and fund balances	$ 7,982,279	$ 8,340,548

INDEPENDENT SCHOOL DISTRICT NO. 273

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

	2015			2014
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 7,093,181	$ 7,073,281	$ (19,900)	$ 6,970,712
Investment earnings	2,500	1,549	(951)	2,600
Total revenue	7,095,681	7,074,830	(20,851)	6,973,312
Expenditures				
Debt service				
Principal	4,115,000	4,115,000	–	4,085,000
Interest	2,539,928	2,539,928	–	2,715,516
Fiscal charges and other	5,000	10,215	5,215	1,449
Total expenditures	6,659,928	6,665,143	5,215	6,801,965
Excess of revenue over expenditures	435,753	409,687	(26,066)	171,347
Other financing sources				
Bonds issued	–	4,400	4,400	–
Premium on bonds issued	–	67,246	67,246	–
Total other financing sources	–	71,646	71,646	–
Net change in fund balances	$ 435,753	481,333	$ 45,580	171,347
Fund balances				
Beginning of year		947,081		775,734
End of year		$ 1,428,414		$ 947,081

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OTHER DISTRICT INFORMATION

(UNAUDITED)

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INDEPENDENT SCHOOL DISTRICT NO. 273

General Fund Revenue by Source
Last Ten Fiscal Years

Year Ended June 30,	Local Property Tax Levies	Other Local and County Revenues	State Revenue	Federal Revenue	Total
2006	$ 9,674,621	$ 3,872,936	$ 51,589,559	$ 1,698,955	$ 66,836,071
	14%	6%	77%	3%	100%
2007	15,915,068	2,970,232	51,257,316	1,579,151	71,721,767
	22%	4%	72%	2%	100%
2008	16,415,623	2,574,904	54,904,780	1,478,313	75,373,620
	22%	3%	73%	2%	100%
2009	18,737,025	2,248,905	58,378,178	1,713,683	81,077,791
	23%	3%	72%	2%	100%
2010	20,228,122	2,280,570	53,924,966	6,958,246	83,391,904
	24%	3%	65%	8%	100%
2011	28,851,473	2,520,934	51,887,383	3,061,247	86,321,037
	33%	3%	60%	4%	100%
2012	23,813,219	2,754,726	58,857,487	3,344,546	88,769,978
	27%	3%	66%	4%	100%
2013	27,237,931	2,487,574	62,296,085	1,683,183	93,704,773
	29%	3%	66%	2%	100%
2014	10,666,213	2,593,867	76,710,991	1,809,161	91,780,232
	12%	3%	83%	2%	100%
2015	22,950,814	2,783,742	68,608,136	1,499,141	95,841,833
	24%	3%	71%	2%	100%

Note: Legislative changes in the “tax shift” impacted the amount of tax revenue recognized in fiscal years 2006, 2011, and 2014. These changes were offset by an adjustment to state aid payments by an equal amount.

INDEPENDENT SCHOOL DISTRICT NO. 273

General Fund Expenditures by Program
Last Ten Fiscal Years

Year Ended June 30,	Administration	District Support Services	Instruction	Instructional Support Services	Pupil Support Services
2006	$ 3,268,807	$ 2,441,300	$ 43,231,893	$ 4,666,311	$ 5,359,110
	5%	3%	62%	7%	8%
2007	3,260,260	2,333,732	46,323,253	5,309,613	5,605,837
	5%	4%	61%	8%	8%
2008	3,164,236	2,405,000	48,877,070	5,041,640	5,953,006
	4%	3%	66%	7%	8%
2009	3,092,640	2,593,246	51,619,145	7,885,063	6,217,918
	4%	3%	65%	10%	8%
2010	2,891,265	2,613,421	55,612,094	6,593,566	6,345,288
	4%	3%	68%	8%	8%
2011	2,922,416	2,731,865	58,238,240	6,592,322	6,669,731
	3%	3%	68%	8%	8%
2012	2,921,447	2,701,860	58,140,863	6,760,932	7,329,686
	3%	3%	68%	8%	8%
2013	3,057,055	2,517,407	60,574,774	5,105,226	7,608,727
	3%	3%	66%	6%	8%
2014	3,100,900	2,969,022	62,272,584	4,916,476	7,544,789
	4%	3%	69%	5%	8%
2015	3,124,572	3,063,669	64,083,923	5,063,892	7,745,956
	3%	3%	70%	5%	8%

Note: Instruction includes regular, vocational, and special education instruction.

Sites and Buildings	Other Programs	Total
$ 9,417,647	$ 892,984	$ 69,278,052
14%	1%	100%
9,061,053	611,396	72,505,144
13%	1%	100%
7,917,073	521,527	73,879,552
11%	1%	100%
8,116,755	269,231	79,793,998
10%	–%	100%
7,681,111	291,515	82,028,260
9%	–%	100%
8,203,146	300,830	85,658,550
10%	–%	100%
8,714,030	381,487	86,950,305
10%	–%	100%
13,393,834	469,478	92,726,501
14%	–%	100%
9,691,920	362,556	90,858,247
11%	–%	100%
9,006,454	543,004	92,631,470
10%	1%	100%

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

	Year Collectible	General Fund	Community Service Special Revenue Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Total All Funds
Levies						
	2006	$ 15,614,487	$ 946,912	$ 1,000,111	$ 8,074,618	$ 25,636,128
	2007	16,736,821	1,050,158	1,000,243	8,368,398	27,155,620
	2008	18,851,653	893,439	1,000,553	9,181,816	29,927,461
	2009	19,822,034	938,749	1,000,300	9,947,842	31,708,925
	2010	21,451,658	957,557	1,000,406	10,133,671	33,543,292
	2011	21,276,283	982,373	1,885,932	10,554,475	34,699,063
	2012	26,739,844	1,053,989	1,730,064	10,281,370	39,805,267
	2013	26,641,579	1,093,196	4,383,529	7,194,307	39,312,611
	2014	27,084,132	1,142,821	4,640,567	7,094,461	39,961,981
	2015	28,429,772	1,129,162	6,921,752	6,488,222	42,968,908
Tax rates						
Tax capacity rates						
	2006	6.039	1.246	1.316	10.625	19.226
	2007	5.932	1.241	1.182	9.889	18.244
	2008	4.542	1.001	1.121	10.287	16.951
	2009	4.635	1.037	1.105	10.989	17.766
	2010	5.487	1.050	1.097	11.112	18.746
	2011	7.288	1.136	1.157	12.205	21.786
	2012	13.939	1.267	–	12.359	27.565
	2013	17.649	1.334	–	8.779	27.762
	2014	17.566	1.386	–	8.604	27.556
	2015	18.979	1.240	–	7.125	27.344
Market value rates						
	2006	0.154	–	–	–	0.154
	2007	0.147	–	–	–	0.147
	2008	0.177	–	–	–	0.177
	2009	0.183	–	–	–	0.183
	2010	0.194	–	–	–	0.194
	2011	0.196	–	–	–	0.196
	2012	0.215	–	–	–	0.215
	2013	0.217	–	–	–	0.217
	2014	0.223	–	–	–	0.223
	2015	0.215	–	–	–	0.215

Note 1: A tax rate based on market value is used for the District's referendum, equity, and transition levies.

Note 2: The levy for the Capital Projects – Building Construction Fund is a capital projects levy which is included as a component of the general referendum levy based on net tax capacity. Starting in 2012, the tax capacity for this levy is included in the General Fund.

Source: State of Minnesota School Tax Report

Property Tax Levies and Receivables
Last Ten Years

For Taxes Collectible	Original Levy			
	Local Spread	Fiscal Disparities	Property Tax Credits	Total Spread
2006	$ 24,734,667	$ 722,215	$ 179,246	$ 25,636,128
2007	26,277,313	740,269	138,038	27,155,620
2008	29,016,879	789,966	120,616	29,927,461
2009	30,639,825	945,589	123,511	31,708,925
2010	32,343,270	1,061,264	138,758	33,543,292
2011	33,450,877	1,083,275	164,911	34,699,063
2012	38,740,332	1,064,935	–	39,805,267
2013	38,221,083	1,091,528	–	39,312,611
2014	38,892,673	1,069,308	–	39,961,981
2015	41,891,155	1,077,753	–	42,968,908

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

Note 2: A portion of the total spread levy was paid with state aid through various property tax credits for residential homestead properties through 2011. This tax credit program ended in 2012.

Source: State of Minnesota School Tax Report

Uncollected Taxes Receivable as of June 30, 2015			
Delinquent		Current	
Amount	Percent	Amount	Percent
$ –	– %	$ –	– %
–	–	–	–
–	–	–	–
56,446	0.18	–	–
9,267	0.03	–	–
11,228	0.03	–	–
41,056	0.10	–	–
44,045	0.11	–	–
130,375	0.33	–	–
–	–	21,302,415	49.58
$ 292,417		$ 21,302,415	

Student Enrollment
Last Ten Fiscal Years

Year Ended June 30,	Average Daily Membership (ADM) (for Students Served or Tuition Paid) Handicapped and Pre-Kindergarten	Kindergarten	Elementary	Secondary	Total	Total Pupil Units
2006	69.29	496.28	3,480.79	3,482.66	7,529.02	8,671.00
2007	73.21	488.22	3,510.44	3,494.94	7,566.81	8,718.02
2008	69.49	512.62	3,600.26	3,562.08	7,744.45	8,941.35
2009	72.10	514.21	3,672.12	3,649.88	7,908.31	9,137.36
2010	69.27	510.50	3,699.26	3,774.26	8,053.29	9,321.73
2011	72.25	506.30	3,808.45	3,875.72	8,262.72	9,571.81
2012	70.30	507.92	3,821.35	3,918.16	8,317.73	9,640.67
2013	78.84	502.78	3,807.72	3,979.41	8,368.75	9,710.33
2014	61.97	537.17	3,814.26	4,017.20	8,430.60	9,770.48
2015	81.14	519.09	3,827.55	4,020.88	8,448.66	9,252.81

Note 1: Student enrollment numbers are estimated for the most recent fiscal year.

Note 2: Beginning in 2015, changes in ADM weightings as noted below reduced to calculated pupil units.

Note 3: ADM is weighted as follows in computing pupil units:

	Pre-Kindergarten	Handicapped Kindergarten	Part-Time/All-Day Kindergarten	Elementary 1–3	Elementary 4–6	Secondary
Fiscal 2006 through 2007	1.250	1.000	0.557	1.115	1.060	1.300
Fiscal 2008 through 2014	1.250	1.000	0.612	1.115	1.060	1.300
Fiscal 2015	1.000	1.000	0.550/1.000	1.000	1.000	1.200

SINGLE AUDIT AND OTHER REQUIRED REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 273

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Federal Expenditures	
U.S. Department of Agriculture			
Passed through Minnesota Department of Education			
Child nutrition cluster			
School Breakfast Program	10.553	$ 34,632	
National School Lunch Program	10.555	456,554	
Total child nutrition cluster			491,186
U.S. Department of Education			
Passed through Minnesota Department of Education			
Special education cluster			
Special Education – Grants to States	84.027	1,058,012	
Special Education – Preschool Grants	84.173	35,967	
Total special education cluster			1,093,979
Special Education – Grants for Infants and Families	84.181		25,777
Title I Grants to Local Educational Agencies	84.010		231,589
Improving Teacher Quality State Grants	84.367		92,492
English Language Acquisition Grants	84.365		38,027
Passed through Carver-Scott Educational Cooperative			
Career and Technical Education – Basic Grants to States	84.048		13,202
Total federal awards			$ 1,986,252

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

Note 2: Non-monetary assistance of $10,298 is reported in this schedule, representing the value of commodities received and disbursed for the U.S. Department of Agriculture National School Lunch Program (CFDA No. 10.555).

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

CERTIFIED PUBLIC ACCOUNTANTS

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

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

To the School Board and Management of
Independent School District No. 273
Edina, 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. 273, Edina, Minnesota (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 8, 2015.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

(continued)

Malloy, Montague, Karnowski, Radosevich, & Co., P.A.
5353 Wayzata Boulevard • Suite 410 • Minneapolis, MN 55416 • Telephone: 952-545-0424 • Telefax: 952-545-0569 • www.mmkr.com

COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
October 8, 2015

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

To the School Board and Management of
Independent School District No. 273
Edina, Minnesota

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Independent School District No. 273, Edina, Minnesota's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

MANAGEMENT'S RESPONSIBILITY

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

AUDITOR'S RESPONSIBILITY

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

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

(continued)

Malloy, Montague, Karnowski, Radosevich, & Co., P.A.
5353 Wayzata Boulevard • Suite 410 • Minneapolis, MN 55416 • Telephone: 952-545-0424 • Telefax: 952-545-0569 • www.mmkr.com

OPINION ON EACH MAJOR FEDERAL PROGRAM

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

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

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
October 8, 2015

MMKR
CERTIFIED PUBLIC
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INDEPENDENT AUDITOR'S REPORT

ON MINNESOTA LEGAL COMPLIANCE

To the School Board and Management of
Independent School District No. 273
Edina, 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. 273, Edina, Minnesota (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 8, 2015.

MINNESOTA LEGAL COMPLIANCE

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

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. 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.

PURPOSE OF THIS REPORT

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

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

Minneapolis, Minnesota
October 8, 2015

Malloy, Montague, Karnowski, Radosevich, & Co., P.A.
5353 Wayzata Boulevard • Suite 410 • Minneapolis, MN 55416 • Telephone: 952-545-0424 • Telefax: 952-545-0569 • www.mmkr.com

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

A. SUMMARY OF AUDIT RESULTS

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

Financial Statements

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

Federal Awards

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

Programs tested as major programs:

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

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

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

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

D. FINDINGS – MINNESOTA LEGAL COMPLIANCE AUDIT

None.

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

No audit findings at June 30, 2014.

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

		Audit	UFARS	Audit – UFARS
General Fund				
Total revenue		$ 95,841,833	$ 95,841,833	$ –
Total expenditures		$ 92,631,470	$ 92,631,469	$ 1
Nonspendable				
460	Nonspendable fund balance	$ 148,739	$ 148,739	$ –
Restricted/reserve				
403	Staff development	$ 38,836	$ 38,836	$ –
405	Deferred maintenance	$ –	$ –	$ –
406	Health and safety	$ (108,018)	$ (108,018)	$ –
407	Capital projects levy	$ –	$ –	$ –
408	Cooperative revenue	$ –	$ –	$ –
409	Alternative facility program	$ –	$ –	$ –
413	Project funded by COP	$ –	$ –	$ –
414	Operating debt	$ –	$ –	$ –
416	Levy reduction	$ –	$ –	$ –
417	Taconite building maintenance	$ –	$ –	$ –
423	Certain teacher programs	$ –	$ –	$ –
424	Operating capital	$ 1,294,558	$ 1,294,558	$ –
426	$25 taconite	$ –	$ –	$ –
427	Disabled accessibility	$ –	$ –	$ –
428	Learning and development	$ –	$ –	$ –
434	Area learning center	$ –	$ –	$ –
435	Contracted alternative programs	$ –	$ –	$ –
436	State approved alternative program	$ –	$ –	$ –
438	Gifted and talented	$ –	$ –	$ –
441	Basic skills programs	$ –	$ –	$ –
445	Career and technical programs	$ –	$ –	$ –
448	Achievement and integration	$ –	$ –	$ –
449	Safe schools levy	$ –	$ –	$ –
450	Pre-kindergarten	$ –	$ –	$ –
451	QZAB payments	$ –	$ –	$ –
452	OPEB liability not in trust	$ –	$ –	$ –
453	Unfunded severance and retirement levy	$ –	$ –	$ –
Restricted				
464	Restricted fund balance	$ –	$ –	$ –
Committed				
418	Committed for separation	$ –	$ –	$ –
461	Committed fund balance	$ 2,747,450	$ 2,747,450	$ –
Assigned				
462	Assigned fund balance	$ 4,457,719	$ 4,457,719	$ –
Unassigned				
422	Unassigned fund balance	$ 10,242,582	$ 10,242,582	$ –
Food Service				
Total revenue		$ 2,884,809	$ 2,884,807	$ 2
Total expenditures		$ 2,783,284	$ 2,783,282	$ 2
Nonspendable				
460	Nonspendable fund balance	$ 4,845	$ 4,845	$ –
Restricted				
452	OPEB liability not in trust	$ –	$ –	$ –
464	Restricted fund balance	$ 713,091	$ 713,091	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Community Service				
Total revenue		$ 7,054,845	$ 7,054,847	$ (2)
Total expenditures		$ 7,019,635	$ 7,019,637	$ (2)
Nonspendable				
460	Nonspendable fund balance	$ 1,901	$ 1,901	$ –
Restricted/reserve				
426	$25 taconite	$ –	$ –	$ –
431	Community education	$ 1,121,735	$ 1,121,735	$ –
432	ECFE	$ 66,103	$ 66,103	$ –
444	School readiness	$ 1,468	$ 1,468	$ –
447	Adult basic education	$ –	$ –	$ –
452	OPEB liability not in trust	$ –	$ –	$ –
Restricted				
464	Restricted fund balance	$ 32,791	$ 32,791	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –

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

		Audit	UFARS	Audit – UFARS
Building Construction				
Total revenue		$ 9,199,479	$ 9,199,479	$ –
Total expenditures		$ 16,453,625	$ 16,453,625	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted/reserve				
407	Capital projects levy	$ 143,368	$ 143,368	$ –
409	Alternative facility program	$ 3,114,393	$ 3,114,393	$ –
413	Project funded by COP	$ 16,776	$ 16,776	$ –
Restricted				
464	Restricted fund balance	$ –	$ –	$ –
Unassigned				
463	Unassigned fund balance	$ (267,234)	$ (267,234)	$ –
Debt Service				
Total revenue		$ 7,074,830	$ 7,074,830	$ –
Total expenditures		$ 6,665,143	$ 6,665,143	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted/reserve				
425	Bond refundings	$ –	$ –	$ –
451	QZAB payments	$ –	$ –	$ –
Restricted				
464	Restricted fund balance	$ 1,428,414	$ 1,428,414	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Trust				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
422	Net position	$ –	$ –	$ –
Internal Service				
Total revenue		$ 826,470	$ 826,470	$ –
Total expenditures		$ 777,971	$ 777,971	$ –
422	Net position	$ 406,954	$ 406,954	$ –
OPEB Revocable Trust Fund				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
422	Net position	$ –	$ –	$ –
OPEB Irrevocable Trust Fund				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
422	Net position	$ –	$ –	$ –
OPEB Debt Service Fund				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
425	Bond refundings	$ –	$ –	$ –
464	Restricted fund balance	$ –	$ –	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –

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

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