

**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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THIEF RIVER FALLS, MINNESOTA  
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THIEF RIVER FALLS, MINNESOTA  
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**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
ROSTER OF SCHOOL OFFICIALS  
June 30, 2015**

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Mike Spears	Chairman
Misty Hempel	Vice-Chairman
Shannon Boen	Clerk
Kevin Ballard	Treasurer
Jon Lindgren	Director
Chris Melbye	Director
Wayne Nomeland	Director
Tanya Monson-Ek	District Business Manager
Laine Larson	Superintendent



CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Independent School District No. 564  
Thief River Falls, 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 the Independent School District No. 564, 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. We did not audit the financial statements of the discretely presented component unit; those statements were audited by other auditors.

### ***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 did not audit the financial statements of the Thief River Falls Economic Development Association, LLC (TRF EDA), which represents 100% of the assets, net position, and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for TRF EDA, is based solely on the report of the other auditors. 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. The financial statements of the TRF EDA were not audited in accordance with *Government Auditing Standards*. 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Independent School District No. 564, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 2 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As discussed in Note 2 to the financial statements, the District has retroactively restated the previously reported Net Position in accordance with these statements.

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

#### ***Other Information***

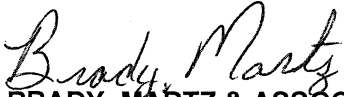
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining statements, schedules, and compliance table as listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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.

The combining statements, schedules, compliance table, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional

procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements, schedules, tables, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.  
Thief River Falls, Minnesota**

October 21, 2015

**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2015**

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This section of Independent School District No. 564's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2015. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### **Financial Highlights**

For the year ending June 30, 2015, the District's unassigned fund balance decreased from \$3,940,677 to \$3,939,498 or a decrease of \$1,179.

The District implemented new accounting standards effective July 1, 2014. The new standards require the District to change the accounting for pension costs related to the District's participation in PERA and TRA. As a result, beginning net position decreased \$14,078,601 to reflect the related net pension liability and deferred outflows of resources.

### **Overview of the Financial Statements**

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information, and supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the district-wide statements.
  - The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short-term* as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's general fund budget for the year, and supplementary information that is presented for additional analysis.

### **District-wide Statements**

The district-wide statements 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, liabilities, and deferred inflows/outflows of resources with the difference reported as net position. 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 district-wide statements report the District's *net position* and how it has changed. Net position – the difference between the District's assets, liabilities, and deferred inflows/outflows 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 District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.



**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2015**

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In the district-wide financial statements, the District's activities are shown in one category:

- *Governmental activities:* All of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

The component unit is included in the basic financial statements and consists of a legally separated entity for which Independent School District No. 564 is financially accountable and has the majority of the governing board positions being appointed by Independent School District No. 564. The discretely presented component unit of Independent School District No. 564 is the Thief River Falls Economic Development Association, LLC.

The government-wide financial statements are noted in the table of contents.

### Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues.

The District has two 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 you determine whether there are more or fewer 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 district-wide statements, reconciliations have been provided following the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances to help explain the relationship (or differences) between the governmental funds and governmental activities.

The District maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital project fund all of which are considered to be major funds. Data from the other five governmental funds are combined into a single, aggregated presentation. Individual fund data is provided in the form of combining statements elsewhere in this report.

**Fiduciary funds:** The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only by those to whom the assets belong. The District's fiduciary activities (consisting of an OPEB Trust Fund) are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2015**

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**Financial Analysis of the District as a Whole**

Net Position

The District's combined net position was \$255,406 on June 30, 2015 (see details in Table A-1). This was a decrease of 98.4 percent from the prior year. This significant decrease is due to the implementation of GASB Statement No. 68 and GASB Statement No. 71, which report estimated future Teachers Retirement Association (TRA) and Public Employees Retirement Association (PERA) liabilities.

**Table A-1  
Statement of Net Position**

	<u>2015</u>	<u>2014</u>	<u>Total Percentage Change</u>
Current and Other Assets	\$ 34,388,605	\$ 36,007,155	(4.5) %
Capital Assets	<u>45,132,647</u>	<u>45,589,078</u>	(1.0)
Total Assets	<u>79,521,252</u>	<u>81,596,233</u>	(2.5)
Deferred Outflows of Resources	<u>2,234,118</u>	<u>                    </u>	N/A
Long-term Liabilities	65,356,222	54,464,751	20.0
Other Liabilities	<u>2,898,447</u>	<u>2,950,239</u>	(1.8)
Total Liabilities	<u>68,254,669</u>	<u>57,414,990</u>	18.9
Deferred Inflows of Resources	<u>13,245,295</u>	<u>7,897,738</u>	67.7
Net Position			
Net Investment in Capital Assets	14,255,614	13,960,427	2.1
Restricted	1,353,254	2,091,852	(35.3)
Unrestricted	<u>(15,353,462)</u>	<u>231,226</u>	(6,740.0)
Total Net Position	<u>\$ 255,406</u>	<u>\$ 16,283,505</u>	(98.4) %

**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2015**

Change in Net Position

Table A-2 presents the change in net position of the District.

**Table A-2  
Change in Net Position**

	<u>2015</u>	<u>2014</u>	<u>Total Percentage Change</u>
Revenues			
Program Revenues			
Charges for Services	\$ 1,375,395	\$ 1,302,615	5.6 %
Operating Grants and Contributions	4,727,639	4,777,123	(1.0)
Capital Grants and Contributions	365,480	335,259	9.0
General Revenues			
Property Taxes	4,798,527	4,090,405	17.3
Unrestricted State Aid	13,689,100	14,156,442	(3.3)
Other Sources	477,923	409,817	16.6
Total Revenues	<u>25,434,064</u>	<u>25,071,661</u>	1.4
Expenses			
Administration	1,385,640	1,334,833	3.8
District Support Services	514,915	500,246	2.9
Elementary & Secondary Regular Instruction	9,265,300	9,341,470	(0.8)
Vocational Education Instruction	483,388	367,539	31.5
Special Education Instruction	3,092,881	2,985,391	3.6
Community Education and Services	717,445	629,041	14.1
Instructional Support Services	1,133,501	1,102,146	2.8
Pupil Support Services	2,737,284	2,646,648	3.4
Sites and Buildings	5,701,971	5,658,763	0.8
Fixed Costs	91,521	68,513	33.6
Interest on Long-Term Debt	1,796,193	1,801,103	(0.3)
Depreciation - Unallocated	463,523	475,668	(2.6)
Total Expenses	<u>27,383,562</u>	<u>26,911,361</u>	1.8
Change in Net Position	(1,949,498)	(1,839,700)	6.0
Net Position - Beginning	16,283,505	18,123,205	(10.2)
GASB 68 and 71 Adjustment - See Note 2	<u>(14,078,601)</u>		
Net Position - Beginning, Restated	<u>2,204,904</u>	<u>18,123,205</u>	(87.8)
Net Position - Ending	<u>\$ 255,406</u>	<u>\$ 16,283,505</u>	(98.4) %

**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2015**

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The District's total revenues were \$25,434,064 for the year ended June 30, 2015. Property taxes and state aid payments accounted for 87 percent of total revenue for the year.

The total cost of all programs and services was \$27,383,562. The District's expenses are predominantly related to educating and caring for students.

Total expenses surpassed revenues, decreasing net position \$1,949,498 over last year.

**Financial Analysis of the District's Funds**

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

**Table A-3  
Major Funds**

	Fund Balance		Increase (Decrease)	Percentage Increase (Decrease)
	2015	2014		
Governmental Funds				
General	\$ 5,143,941	\$ 5,523,211	\$ (379,270)	(6.9) %
Debt Service Fund	940,981	963,866	(22,885)	(2.4)
Capital Project	1,712,794	2,311,299	(598,505)	(25.9)

The Capital Project Fund Balance decreased significantly which is due to the fact that the capital projects are nearing full completion.

General Fund

The general fund includes the primary operations of the District in providing educational services to students from kindergarten through grade 12, including pupil transportation activities and capital outlay projects.

Table A-4 presents a summary of general fund revenue.

**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2015**

**Table A-4  
General Fund Revenue**

	2015	2014	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local Sources				
Property Taxes	\$ 1,842,460	\$ 1,208,479	\$ 633,981	52.5 %
Interest Earnings	8,699	20,540	(11,841)	(57.6)
Other	906,580	789,212	117,368	14.9
State Sources	16,994,210	17,406,405	(412,195)	(2.4)
Federal Sources	905,200	996,442	(91,242)	(9.2)
Other	2,319	29,335	(27,016)	(92.1)
Total General Fund Revenue	<u>\$ 20,659,468</u>	<u>\$ 20,450,413</u>	<u>\$ 209,055</u>	1.0 %

Total general fund revenue increased by \$209,055 or one percent from the previous year. Basic general education revenue is determined by a state per student funding formula. Other state-authorized revenue, including excess levy referendum and the property tax shift, involve an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change in revenue.

Table A-5 presents a summary of general fund expenditures.

**Table A-5  
General Fund Expenditures**

	2015	2014	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	\$ 13,137,675	\$ 12,718,746	\$ 418,929	3.3 %
Employee Benefits	3,637,059	3,444,112	192,947	5.6
Purchased Services	1,767,725	1,519,059	248,666	16.4
Supplies and Materials	1,135,494	1,224,079	(88,585)	(7.2)
Capital Expenditures	1,123,960	663,779	460,181	69.3
Debt Service	283,807	238,767	45,040	18.9
Other Expenditures	159,285	156,631	2,654	1.7
Total General Fund Expenditures	<u>\$ 21,245,005</u>	<u>\$ 19,965,173</u>	<u>\$ 1,279,832</u>	6.4 %

General Fund Budgetary Highlights

During the year the District revised its budget.

The District's final budget for the general fund anticipated that expenditures and other financing uses would exceed revenues and other financing sources by \$1,032,389. The actual results for the year show a deficit of \$379,270.

**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2015**

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- Actual revenue amounts were higher than budgeted in areas of property tax revenue, and other local revenues.
- The District is monitoring and controlling expenses.

**Capital Assets and Debt Administration**

Capital Assets

Note 6 to the financial statements presents an analysis of capital assets transactions occurring during the year ended June 30, 2015. Additions totaling \$1,535,152 consisted of building improvements, site improvements, and equipment.

Long-Term Debt

At year-end, the District had \$67,213,366 of long-term debt. This consisted of bonded indebtedness net of premiums and discounts of \$53,056,518, energy service payable of \$1,005,769, capital lease payable of \$317,264, accrued interest payable of \$448,840, severance payable of \$46,307 and net pension liability of \$12,338,668. Note 10 to the financial statements present details and payment provisions of these items.

**Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- Results of future labor contract negotiations will affect expenditure levels. Salaries and benefits account for 79% of general fund expenditures.
- The District has had to borrow in the past due to the state of Minnesota's general education aid and property tax shifts. The state of Minnesota's economic outlook improved in 2012-2013. As a result, school districts have now been repaid the general education revenue shift back to the normal level of 90 percent reimbursement. This has a positive impact on the District's cash flows and eliminates the need to borrow funds to fund normal operations.

**Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Administration Offices, Independent School District No. 564, 230 LaBree Avenue South, Thief River Falls, MN 56701.

**INDEPENDENT SCHOOL DISTRICT NO. 564**  
**THIEF RIVER FALLS, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**June 30, 2015**

	<u>Primary Government</u> <u>Governmental Activities</u>	<u>Component Unit</u> <u>TRF EDA</u>
<b>ASSETS</b>		
Cash and Investments	\$ 8,892,485	\$ 81,938
Restricted Cash		609,707
Property Taxes Receivable, Net of Allowance	1,998,492	
Accounts Receivable	162,727	
Due From MN School Districts	9,224	
Due From Department of Education	1,710,576	
Due From Federal Govt. - DOE	322,632	
Prepaid Expenses	69,283	
Inventory	44,388	
Net Other Postemployment Benefit Asset	1,168,404	
Note Receivable - USBCDC	20,010,394	
<b>Capital Assets</b>		
Land, Construction in Process	780,844	
Other Capital Assets, Net of Depreciation	44,351,803	24,659,479
<b>Other Assets</b>		
Intangible Assets, Net of Accumulated Amortization		927,685
<b>TOTAL ASSETS</b>	<u>79,521,252</u>	<u>26,278,809</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Accrued Revenue		4,949,110
Cost Sharing Defined Benefit Pension Plan	2,234,118	
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>2,234,118</u>	<u>4,949,110</u>
<b>LIABILITIES</b>		
Accounts Payable	117,639	
Accrued Expenses		9,000
Due To Other MN School Districts	46,186	
Due To Other Governmental Units	193	
Payroll Deductions	170,605	
Interest Payable	610,242	69,500
Vacation Payable	96,438	
Long-Term Liabilities Due Within One Year	1,857,144	
<b>Long-Term Liabilities</b>		
Bonds, Net Unamortized Premiums (Discounts)	53,056,518	
Capital Lease Payable	317,264	
Energy Service Payable	1,005,769	
Notes Payable - MMCDC		18,800,000
Notes Payable - USBCDE		9,000,000
Interest Payable	448,840	
Severance Payable	46,307	
Net Pension Liability	12,338,668	
Less Amounts Due Within One Year	<u>(1,857,144)</u>	
Total Long-Term Liabilities	<u>65,356,222</u>	<u>27,800,000</u>
<b>TOTAL LIABILITIES</b>	<u>68,254,669</u>	<u>27,878,500</u>

The notes to basic financial statements are an integral part of this statement.

**INDEPENDENT SCHOOL DISTRICT NO. 564**  
**THIEF RIVER FALLS, MINNESOTA**  
**STATEMENT OF NET POSITION (CONTINUED)**  
**June 30, 2015**

	<u>Primary Government</u> <u>Governmental Activities</u>	<u>Component Unit</u> <u>TRF EDA</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - Revenue for Future Period	6,081	
Deferred Rent Payable	4,949,110	
Property Taxes Levied - Subs. Years	4,557,297	
Cost Sharing Defined Benefit Pension Plan	<u>3,732,807</u>	
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>13,245,295</u>	
NET POSITION		
Net Investment in Capital Assets	14,255,614	
Restricted for:		
Health & Safety	13,399	
Operating Capital	786,268	
Food Service	152,618	
Community Education	157,298	
ECFE	35,546	
School Readiness	22,747	
Community Service	21,144	
Capital Project	69,283	
OPEB Debt Service	28,852	
District Programs	33,082	
Permanent Fund - Non Expendable	8,017	
Permanent Fund - Expendable	25,000	
Unrestricted	(15,353,462)	
Member's Equity		<u>3,349,419</u>
TOTAL NET POSITION	<u>\$ 255,406</u>	<u>\$ 3,349,419</u>

The notes to basic financial statements are an integral part of this statement.



**INDEPENDENT SCHOOL DISTRICT NO. 564**  
**THIEF RIVER FALLS, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit TRF EDA
<b>PRIMARY GOVERNMENT</b>						
<b>GOVERNMENTAL ACTIVITIES</b>						
Administration	\$ 1,385,640	\$	\$	\$ 2,785	\$ (1,382,855)	\$
District Support Services	514,915			2,022	(512,893)	
Elementary & Secondary						
Regular Instruction	9,265,300	256,658	1,608,047	96,475	(7,304,120)	
Vocational Education Instruction	483,388		30,111	11,928	(441,349)	
Special Education Instruction	3,092,881	34,801	1,921,385		(1,136,695)	
Community Education and Services	717,445	425,494	183,961		(107,990)	
Instructional Support Services	1,133,501	50,860	357,120	42,323	(683,198)	
Pupil Support Services	2,737,284	577,785	626,442	66,906	(1,466,151)	
Sites and Buildings	5,701,971	29,797	573	143,041	(5,528,560)	
Fixed Costs	91,521				(91,521)	
Interest on Long-Term Debt	1,796,193				(1,796,193)	
Depreciation - Unallocated	463,523				(463,523)	
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 27,383,562</b>	<b>\$ 1,375,395</b>	<b>\$ 4,727,639</b>	<b>\$ 365,480</b>	<b>(20,915,048)</b>	
<b>COMPONENT UNIT:</b>						
TRF EDA	\$ 1,203,829	\$ 2,084,545	\$	\$		880,716
<b>GENERAL REVENUES</b>						
<b>Taxes</b>						
Property Taxes, Levied for General Purposes					1,837,158	
Property Taxes, Levied for Community Education and Services					153,757	
Property Taxes, Levied for Debt Services					2,580,281	
Property Taxes, Levied for OPEB Debt Services					227,331	
Unrestricted State Aid					13,689,100	
Unrestricted Investment Earnings					18,364	
Gain on Sale of Capital Asset					3,652	
Other General Revenue					455,907	
<b>TOTAL GENERAL REVENUES</b>					<b>18,965,550</b>	
Change in Net Position					(1,949,498)	880,716
Equity Distributions						(20,000)
Net Position - Beginning					16,283,505	2,621,183
Adjustment-Component Unit - See Note 2						(132,480)
GASB 68 and 71 Adjustment - See Note 2					(14,078,601)	
Net Position - Beginning, Restated					2,204,904	2,488,703
Net Position - Ending					\$ 255,406	\$ 3,349,419

The notes to basic financial statements are an integral part of this statement.

**INDEPENDENT SCHOOL DISTRICT NO. 564**  
**THIEF RIVER FALLS, MINNESOTA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2015**

	General Fund	Debt Service Fund	Capital Project	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Investments	\$ 4,221,527	\$ 2,361,298	\$ 1,643,511	\$ 666,149	\$ 8,892,485
Current Property Taxes Receivable	761,741	1,072,365		171,475	2,005,581
Delinquent Property Taxes Receivable	22,766	59,690		12,455	94,911
Accounts Receivable	121,644			41,083	162,727
Due From MN School Districts	9,224				9,224
Due From Department of Education	1,678,198	8,620		23,758	1,710,576
Due From Federal Govt. - DOE	293,183			29,449	322,632
Prepaid Expenses			69,283		69,283
Inventory				44,388	44,388
<b>TOTAL ASSETS</b>	<b>\$ 7,108,283</b>	<b>\$ 3,501,973</b>	<b>\$ 1,712,794</b>	<b>\$ 988,757</b>	<b>\$ 13,311,807</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 113,178			\$ 4,461	\$ 117,639
Due To Other MN School Districts	46,186				46,186
Due To Other Governmental Units	193				193
Payroll Deductions	125,986			44,619	170,605
<b>TOTAL LIABILITIES</b>	<b>285,543</b>			<b>49,080</b>	<b>334,623</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - Revenue for Future Period				6,081	6,081
Unavailable Revenue - Delinquent Taxes	22,766	59,690		12,455	94,911
Property Taxes Levied - Subs. Years	1,656,033	2,501,302		399,962	4,557,297
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,678,799</b>	<b>2,560,992</b>		<b>418,498</b>	<b>4,658,289</b>
<b>FUND BALANCES</b>					
Fund Balance:					
Nonspendable: Prepaid			69,283		69,283
Nonspendable: Inventory				44,388	44,388
Nonspendable: Scholarships				25,000	25,000
Restricted for Health & Safety	13,399				13,399
Restricted for Operating Capital	786,268				786,268
Restricted for Capital Project			1,643,511		1,643,511
Restricted for School Readiness				22,747	22,747
Restricted for Food Service				108,230	108,230
Restricted for Community Education				157,298	157,298
Restricted for ECFE				35,546	35,546
Restricted for Community Service				21,144	21,144
Restricted for OPEB Debt Service				65,727	65,727
Restricted for Debt Service		940,981			940,981
Restricted for Scholarships				8,017	8,017
Restricted for District Programs				33,082	33,082
Committed for Severance	46,307				46,307
Assigned for Technology	358,469				358,469
Unassigned	3,939,498				3,939,498
<b>TOTAL FUND BALANCES</b>	<b>5,143,941</b>	<b>940,981</b>	<b>1,712,794</b>	<b>521,179</b>	<b>8,318,895</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 7,108,283</b>	<b>\$ 3,501,973</b>	<b>\$ 1,712,794</b>	<b>\$ 988,757</b>	<b>\$ 13,311,807</b>

The notes to basic financial statements are an integral part of this statement.

**INDEPENDENT SCHOOL DISTRICT NO. 564**  
**THIEF RIVER FALLS, MINNESOTA**  
**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**  
**June 30, 2015**

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Total fund balances - governmental funds	\$ 8,318,895
Amounts reported for governmental activities in the statement of position are different because:	
Capital assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	
Cost of capital assets	65,133,018
Less accumulated depreciation	(20,000,371)
Net other postemployment benefit assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,168,404
Deferred outflows of resources relating to the cost sharing defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	2,234,118
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
Bonds	(53,299,458)
Capital lease payable	(317,264)
Energy service payable	(1,005,769)
Unamortized premiums (discounts)	242,940
Severance payable	(46,307)
Net Pension Liability	(12,338,668)
Deferred inflows of resources relating to the cost sharing defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	(3,732,807)
Vacation payable is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(96,438)
Notes receivable are not available to pay for current period expenditures and, therefore, are not reported as an asset in the governmental funds.	20,010,394
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the governmental funds.	94,911
An allowance has been set up for taxes receivable in the government-wide financial statements.	(102,000)
Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the debt service fund.	(1,059,082)
Deferred rent payable is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	<u>(4,949,110)</u>
Net position - governmental activities	<u>\$ 255,406</u>

The notes to basic financial statements are an integral part of this statement.

**INDEPENDENT SCHOOL DISTRICT NO. 564**  
**THIEF RIVER FALLS, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2015**

	General Fund	Debt Service Fund	Capital Project	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Local Property Tax Levies	\$ 1,842,460	\$ 2,575,638	\$	\$ 380,610	\$ 4,798,708
Other Local & County Revenues	915,279	3,652	5,266	472,589	1,396,786
Revenue From State Sources	16,994,210	86,205		223,363	17,303,778
Revenue From Federal Sources	905,200			492,777	1,397,977
Sale/Other Conversion of Asset	2,319			531,026	533,345
<b>TOTAL REVENUES</b>	<b>20,659,468</b>	<b>2,665,495</b>	<b>5,266</b>	<b>2,100,365</b>	<b>25,430,594</b>
<b>EXPENDITURES</b>					
Current					
Administration	1,373,068				1,373,068
District Support Services	509,762				509,762
Elementary & Secondary					
Regular Instruction	9,379,171			9,160	9,388,331
Vocational Education Instruction	401,525				401,525
Special Education Instruction	3,092,881				3,092,881
Community Education and Services				712,798	712,798
Instructional Support Services	1,133,501				1,133,501
Pupil Support Services	1,525,491			1,115,042	2,640,533
Sites and Buildings	2,330,318				2,330,318
Fixed Costs	91,521				91,521
Debt Service					
Principal	233,360	1,275,000		142,052	1,650,412
Interest	50,447	1,413,380		94,348	1,558,175
Capital Outlay	1,123,960		603,771	7,406	1,735,137
<b>TOTAL EXPENDITURES</b>	<b>21,245,005</b>	<b>2,688,380</b>	<b>603,771</b>	<b>2,080,806</b>	<b>26,617,962</b>
Revenues Over (Under) Expenditures	(585,537)	(22,885)	(598,505)	19,559	(1,187,368)
<b>OTHER FINANCING SOURCES (USES)</b>					
Debt Issued	213,314				213,314
Sale of Fixed Assets	1,552				1,552
Transfers In				8,599	8,599
Transfers Out	(8,599)				(8,599)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>206,267</b>			<b>8,599</b>	<b>214,866</b>
Net Change in Fund Balances	(379,270)	(22,885)	(598,505)	28,158	(972,502)
Fund Balances - Beginning	5,523,211	963,866	2,311,299	493,021	9,291,397
Fund Balances - Ending	<u>\$ 5,143,941</u>	<u>\$ 940,981</u>	<u>\$ 1,712,794</u>	<u>\$ 521,179</u>	<u>\$ 8,318,895</u>

The notes to basic financial statements are an integral part of this statement.

**INDEPENDENT SCHOOL DISTRICT NO. 564  
 THIEF RIVER FALLS, MINNESOTA  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 For the Year Ended June 30, 2015**

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Total net change in fund balances - governmental funds	\$ (972,502)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over the estimated useful lives as depreciation expense.	
Capital outlays	1,400,572
Depreciation expense	(1,991,583)
The gain on trade-in of capital assets increases net position.	2,100
Payment of debt principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.	1,650,412
The issuance of long-term debt provides current financial resources to the governmental funds, but the issuance increases long-term liabilities in the statement of net position.	(213,314)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Also, governmental funds report the effect of premiums and discounts when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(238,018)
Operating leases with contractual rate increases are recognized equally over the life of the lease in the statement of activities. In the governmental funds, the expenditure is recognized when due.	(1,796,034)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(182)
Change in net pension liability	2,634,191
Change in deferred outflows and inflows of resources related to net pension liability	(2,392,947)
In the statement of activities, certain expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid.)	
Vacation payable	(2,572)
Other postemployment benefits	(26,718)
Severance payable	(2,903)
Change in net position - governmental activities	<u>\$ (1,949,498)</u>

The notes to basic financial statements are an integral part of this statement.

**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2015**

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	<u>OPEB Trust Fund</u>
ASSETS	
Investments	\$ <u>1,657,058</u>
TOTAL ASSETS	<u>1,657,058</u>
NET POSITION	
Held in Trust for OPEB	\$ <u><u>1,657,058</u></u>

The notes to basic financial statements are an integral part of this statement.

**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2015**

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	<u>OPEB Trust Fund</u>
ADDITIONS	
Investment Earnings:	
Interest	\$ <u>21,463</u>
TOTAL ADDITIONS	<u>21,463</u>
Change in Net Position	21,463
Net Position Held in Trust for OPEB - Beginning	<u>1,635,595</u>
Net Position Held in Trust for OPEB - Ending	<u>\$ 1,657,058</u>

The notes to basic financial statements are an integral part of this statement.

**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2015**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The financial statements of Independent School District No. 564 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**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 separated 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 dependent upon by the potential component unit.

Extracurricular student activities are carried on 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 basic financial statements.

**C. Component Units**

The discretely presented component unit includes the Thief River Falls Economic Development Association, LLC, which was created May 10, 2012. The Association was formed for the purposes of a joint enterprise and cooperative activity, consisting of improvement, expansion, renovation, remodeling and reconstruction of two educational facilities located in the city of Thief River Falls.

Independent School District No. 564 and Northwest Service Cooperative are the only members of the Thief River Falls Economic Development Association. Profits and losses are allocated 5% to Northwest Service Cooperative and 95% to Independent School District No. 564.

The Association's only activity is a lease of real property located in Thief River Falls, Minnesota to only one tenant, the District. Future operations could be affected by changes in the economic or other conditions that would affect the activities of the Association and the District. The Association has not experienced any losses on its lease to the District.

The Thief River Falls Economic Development Association did issue separate audited financial statements. Copies of the component unit's financial statements may be obtained from the Administration Offices, Independent School District No. 564, 230 LaBree Avenue South, Thief River Falls, MN 56701.



**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2015**

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**D. Basic Financial Statement Presentation**

The district-wide financial statements (i.e. the statement of net position and the statement of activities) display information about the reporting government as a whole. These statements include all the financial activities of the District.

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 items not properly included among program revenues are reported instead as general revenues.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function.

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

**E. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing or related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for advance amounts recognized in accordance with a statutory "tax shift". Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. Revenue and expense attributable to leasing of the TRF EDA project are recognized using the straight-line method under which contractual rent increases are recognized equally over the terms of the lease. Rental revenue and expense recorded on the straight-line method in excess of the actual rents are recognized as accrued rent revenue and deferred rent payable.

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:

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

Recording of Expenditures – Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year

**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2015**

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in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

**Description of Funds**

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

**Major Governmental Funds**

General Fund – Accounts for all financial resources and transactions except those required to be accounted for in other funds including pupil transportation and capital outlay activities, which were previously (prior to July 1, 1996) accounted for in separate special revenue funds.

Debt Service Fund – Accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Project Fund – Accounts for capital outlays related to the building construction project.

**Nonmajor Governmental Funds**

Special Revenue Funds:

Food Service Fund – Accounts for all activities associated with the preparation and serving of regular and incidental meals, lunches, or snacks in connection with school activities.

Community Service Fund – Accounts for all resources designated for programs other than those for elementary and secondary students.

Gifts and Fundraising Fund – Accounts for all resources designated for specified purposes, which supports the District's programs.

Debt Service Funds:

OPEB Debt Service – Accounts for the accumulation of resources for, and the payment of, OPEB bond principal, interest and related costs.

Permanent Fund – Accounts for all resources designated for specified purposes, which supports the District's programs.

**Fiduciary Fund**

OPEB Trust Fund – Accounts used for reporting resources set aside and held in an irrevocable trust arrangement for postemployment benefits.

**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2015**

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**F. Specific Account Information**

Cash and Investments – Primary Government – 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.

Investments are carried at fair value. The District considers certificates of deposit to be cash.

Cash and Investments – Component Unit – Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or less at the date of acquisition.

Restricted cash is not considered cash and cash equivalents, and includes cash held with financial institutions for operating, asset management fees, loan interest, audit and tax, construction disbursement, and put reserves.

Taxes Receivable – Taxes receivable represents taxes levied in 2014 which are not payable until 2015, net of the amount received prior to June 30.

Property Taxes – 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 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 the taxes are collected.

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

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as unavailable revenue (property taxes levied for subsequent years).

The majority of the revenue in the general fund 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. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the “tax shift.”

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 deferred in the fund based financial statements because it is not known to be available to finance the operations of the District in the current year. The allowance for uncollectible taxes is \$102,000.

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

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

**INDEPENDENT SCHOOL DISTRICT NO. 564**  
**THIEF RIVER FALLS, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2015**

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Capital Assets – Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$5,000 or more for capitalizing capital assets. Expenditures for major additions and improvements that extend the useful lives of property and equipment are capitalized. Routine expenditures for repairs and maintenance are charged to expense as incurred.

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

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

Intangible Assets – Component Unit – Intangible assets consist of lease acquisition costs and loan fees (the “Fees”) in the amount of \$927,685. The Fees are amortized on a straight-line basis over twenty-five years, the term of the loans and lease. As of June 30, 2015, accumulated amortization was \$114,658. For the year ending June 30, 2015, amortization expense was \$41,016, and amortization capitalized to fixed assets was \$678.

Revenue Recognition – Component Unit – Revenue attributable to leasing of the Project is recognized using the straight-line method under which contractual rent increases are recognized equally over the terms of the lease. Rental revenue recorded on the straight-line method in excess of the rents billed is recognized as accrued rent revenue.

Vacation Payable – It is the District’s policy to permit employees to accumulate earned but unused vacation. All vacation pay is accrued when incurred in the district-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Existing bonded debt is reported at the face value of remaining indebtedness. For any new indebtedness that may be issued in the future, bond premiums and discounts will be deferred and amortized over the life of the bonds using the effective interest method. Bonds payable will be reported net of the applicable bond premium or discount. Bond issuance costs will be expensed in the period incurred.

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

Pensions. For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA) and additions to/deductions from PERA and TRA’s fiduciary net position have been determined on the same basis as they are reported by PERA and TRA. For this purpose,

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plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resource (expense/ expenditure) until then. The District has one item that qualifies for reporting in this category named *Cost Sharing Defined Benefit Pension Plan* which represents actuarial differences within PERA and TRA pension plans as well as amounts paid to the plans after the measurement date. In addition, the TRF EDA also has one item that will be recognized as a deferred outflow of resource, which arises from rental revenue that is recognized using the straight line basis.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has five types of items, one of which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – delinquent taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item, *property taxes levied – subs. years*, is reported as a deferred inflow of resources for both the Balance Sheet – Governmental Funds and the Statement of Net Position as these amounts represent property tax revenue levied for a subsequent period. The third item, *unavailable revenue – revenue for future period*, represents grant funds received in advance of timing requirements. The fourth item, *deferred rent payable*, is reported as a deferred inflow of resources on the Statement of Net Position as these amounts will be recognized on a straight line basis and represents the difference between actual rent paid and the amount recognized on straight-line basis. The last item, *Cost Sharing Defined Benefit Pension Plan*, represents actuarial differences within PERA and TRA pension plans.

Net Position – Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's financial statements. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Net Position Flow Assumption – Sometimes the government will fund outlays for particular purpose for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance – The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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Nonspendable – Consists of amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted – Consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions and administered by the Minnesota Department of Education.

Committed – Consists of amounts constrained to specific purposes by a government itself, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned – Consists of amounts a government intends to use for a specific purpose. These constraints are established by the Board of Education and/or management. The Board of Education delegates the power to assign fund balances to the Business Manager.

Unassigned – Consists of amounts that are available for any purpose; positive amounts are reported only in the general fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to first use restricted resources, and 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.

The District's goal is to maintain an unrestricted general fund balance, defined as the total of the committed and unassigned fund balance categories, of not less than 10 percent and not more than 25 percent with the optimal fund balance of 15 percent of the general fund's current annual operating expenditure budget.

## **G. Use of Estimates**

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

## **NOTE 2 ACCOUNTING CHANGES AND CORRECTON OF ERROR**

### **A. Change in Accounting Principles and Restatement of Net Position**

The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements require the District to change the accounting for the pension costs related to the District's participation in the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA). In addition, the District will also be recognizing a net pension liability (asset), deferred outflows of resources, and deferred inflows of resources related to the District's proportionate share of the collective amounts in PERA and TRA.

As a result, beginning net position has been restated to reflect the related net pension liability and deferred outflows of resources as of July 1, 2014 as follows:

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Net Pension Liability	\$ (14,972,859)
Cost Sharing Defined Benefit Pension Plan	<u>894,258</u>
Decrease in Net Position	<u>\$ (14,078,601)</u>

**B. Correction of Error – Prior Period Adjustment – Component Unit**

During 2014, it was determined by the TRF EDA, LLC that the capital contribution in the amount of \$132,480 from the District, which related to the payment of construction bills for the District Service Center should not be a capital contribution. It was also determined by the TRF EDA, LLC that the balance of the contracts payable in the amount of \$231,767 should only reflect the amount the EDA owed \$72,178, and should not include the amount paid by the District, \$159,589.

As of June 30, 2014, fixed assets, net of accumulated depreciation and the District's equity were overstated by \$132,480 and construction in progress and contracts payable were overstated by \$159,589.

**NOTE 3 DEPOSITS AND INVESTMENTS**

The District maintains a cash account at its depository bank. Investments are carried at fair value. The District considers certificates of deposit to be cash.

The District's interest income for the year ended June 30, 2015, was \$39,951.

The pooled cash and investment account is comprised of the following:

	Governmental Activities	Fiduciary Fund	Total
Cash	\$ 298,130	\$	\$ 298,130
Investments	8,594,355	1,657,058	10,251,413
Total	<u>\$ 8,892,485</u>	<u>\$ 1,657,058</u>	<u>\$ 10,549,543</u>

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

Investments	Fair Value
Minnesota School District Liquid Asset Fund	\$ 76,350
MnTrust	<u>10,175,063</u>
	<u>\$ 10,251,413</u>

The Minnesota School District Liquid Asset Fund and the MnTrust are common law trusts organized and existing under the laws of the State of Minnesota, in accordance with the provisions of the Minnesota Joint Powers Act. The general objective of the Fund is to provide a high yield for the participants while maintaining liquidity and preserving capital by investing only in instruments authorized by Minnesota Statutes, which govern the temporary investment of School District monies. In addition, the fixed rate/fixed term portion of the program is also structured with safety of principal as the major objective.

The Minnesota School District Liquid Asset Fund and the MnTrust are an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under 2a7. The fair value of the position is the same as the value of the pool shares.

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Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The District may invest idle funds as authorized in Minnesota Statutes, as follows:

- (a) Direct obligations or obligations guaranteed or insured issues by the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.
- (b) General obligations and revenue obligations of any state or local government with taxing powers rated "A" and "AA", respectively, and general obligations of the Minnesota Housing Finance Agency which is a moral obligation of the State of Minnesota and rated "A" or better.
- (c) Commercial paper issued by United States corporations or their Canadian subsidiaries, rated in the highest quality by at least two rating agencies, and maturing in 270 days or less.
- (d) Time deposits that are fully insured by the FDIC or bankers acceptances of U.S. banks.
- (e) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- (f) Repurchase or reverse repurchase agreements with banks that are qualified as a "depository" of public funds of the government entity, any other financial institution which is a member of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- (g) Guaranteed investment contracts (GIC's) issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories, or in the top three rating categories for long-term GIC's issued by Minnesota banks.
- (h) Securities lending agreements with financial institutions having its principal executive office in Minnesota and meeting the qualifications described in (f) above.

The Minnesota School District Liquid Asset Fund is rated AAA by Standard & Poor's, while the MnTrust is rated Aaa by Moody's Investors Services.

Concentration of Credit Risk - The District places no limit on the amount the District may invest in any one issuer.

Custodial Credit Risk - Deposits - The District does not have a formal custodial credit risk policy. In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the District's board, all of which are members of the Federal Reserve System. Minnesota Statutes require that all district deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds. As of June 30, 2015, the District was not exposed to custodial credit risk.

Custodial Credit Risk - Investments - The investment in the Minnesota School District Liquid Asset Fund and the MnTrust are not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement 40.



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**NOTE 4 RESTRICTED CASH – COMPONENT UNIT**

As of June 30, 2015, the Thief River Falls Economic Development Association’s restricted cash consisted of the following:

Audit and Tax Fee Reserve	\$	57,870
MMCDC Reserves		499,380
USBCDC Reserves		<u>52,457</u>
	\$	<u>609,707</u>

Concentration of Credit Risk – The Thief River Falls Economic Development Association maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts. The Association believes it is not exposed to any significant credit risk on these accounts.

**NOTE 5 NOTE RECEIVABLE FROM USBCDC**

As a result of the financing structure used to fund the improvement, expansion, renovation, remodeling and reconstruction of Lincoln High School and the District Service Center, the District borrowed \$20,010,394 to the Thief River Falls Investment Fund, wholly owned by US Bank Community Development Corporation (USBCDC). This arrangement was necessary to facilitate the new market tax credits used to finance part of the construction costs. The promissory note carries an annual interest rate of 1%. Accrued interest on note is payable quarterly by the last day of the months of March, June, September, and December. The entire outstanding principal balance plus all accrued and unpaid interest is due and payable on the maturity date of the note (July 10, 2020).

An investment fund put and call agreement was entered into on September 28, 2012 relating to this note. On the seventh anniversary date of this note, the District has the right and option to purchase USBCDC’s interest in the note receivable.

**NOTE 6 CAPITAL ASSETS**

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

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<b>Governmental Activities:</b>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 780,844	\$ _____	\$ _____	\$ 780,844
Capital Assets, Being Depreciated:				
Land Improvements	1,201,642	19,450		1,221,092
Buildings	57,437,068	1,126,850		58,563,918
Equipment	<u>4,962,380</u>	<u>388,852</u>	<u>784,068</u>	<u>4,567,164</u>
Total Capital Assets, Being Depreciated	<u>63,601,090</u>	<u>1,535,152</u>	<u>784,068</u>	<u>64,352,174</u>
Less Accumulated Depreciation For:				
Land Improvements	707,300	29,358		736,658
Buildings	14,120,945	1,783,707		15,904,652
Equipment	<u>3,964,611</u>	<u>178,518</u>	<u>784,068</u>	<u>3,359,061</u>
Total Accumulated Depreciation	<u>18,792,856</u>	<u>1,991,583</u>	<u>784,068</u>	<u>20,000,371</u>
Total Capital Assets, Being Depreciated, Net	<u>44,808,234</u>	<u>(456,431)</u>	<u>_____</u>	<u>44,351,803</u>
Governmental Activities Capital Assets, Net	<u>\$ 45,589,078</u>	<u>\$ (456,431)</u>	<u>\$ _____</u>	<u>\$ 45,132,647</u>

In the statement of activities, depreciation expense was charged to the following governmental functions:

Elementary & Secondary Regular Instruction	\$ 15,641
Vocational Education Instruction	2,459
Pupil Support Services	118,772
Sites and Buildings	<u>1,391,188</u>
	1,528,060
Unallocated	<u>463,523</u>
Total Depreciation Expense	<u>\$ 1,991,583</u>

Changes in capital assets for the discretely presented component unit for the period ending June 30, 2015 was as follows:

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<b>Component Unit:</b>	<u>Beginning Balance (Restated)</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated:				
Constuction in Process	\$ <u>1,654,865</u>	\$ _____	\$ <u>1,654,865</u>	\$ _____
Capital Assets, Being Depreciated:				
Building	<u>23,616,106</u>	<u>1,661,018</u>		<u>25,277,124</u>
Equipment	<u>729,755</u>	_____	_____	<u>729,755</u>
Total Capital Assets, Being Depreciated	<u>24,345,861</u>	<u>1,661,018</u>	_____	<u>26,006,879</u>
Less Accumulated Depreciation:	<u>579,074</u>	<u>768,326</u>	_____	<u>1,347,400</u>
Total Capital Assets, Being Depreciated, Net	<u>23,766,787</u>	<u>892,692</u>	_____	<u>24,659,479</u>
Total Capital Assets	\$ <u>25,421,652</u>	\$ <u>892,692</u>	\$ <u>1,654,865</u>	\$ <u>24,659,479</u>

**NOTE 7 DEFINED BENEFIT PENSION PLANS- STATEWIDE**

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

Disclosures relating to these plans follow:

**A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

Plan Description – The District participates in the following defined benefit pension plans administered by the Public Employees Retirement Association (PERA). PERA’s defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA’s defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

*General Employees Retirement Plan (GERF)*

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.

Benefits Provided – PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

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

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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.

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

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

Basic plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in calendar year 2014. Coordinated Plan members contributed 6.5% of pay in 2015. In calendar year 2014, the District was required to contribute 11.78% of pay for Basic Plan members and 7.25% for Coordinated Plan members. In 2015, employer rates increased to 7.5% in the Coordinated Plan. The District's contributions to the GERP for the year ended June 30, 2015, were \$299,328. The District's contributions were equal to the required contributions for each year as set by state statute.

Pension Costs – At June 30, 2015, the District reported a liability of \$3,311,737 for its proportionate share of the GERP's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2013, through June 3, 2014, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2014, the District's proportion was 0.0705%.

For the year ended June 30, 2015, the District recognized pension expense of \$245,848 for its proportionate share of GERP's pension expense.

At June 30, 2015, the District reported its proportionate share of GERP's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 50,825	\$
Changes in actuarial assumptions	341,307	
Difference between projected and actual investment earnings		894,828
Contributions paid to PERA subsequent to the measurement date	299,328	
Total	<u>\$ 691,460</u>	<u>\$ 894,828</u>

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\$299,328 reported as deferred outflows of resources related to pensions resulting from District contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Year Ended June 30	Pension Expense Amount
2016	\$ (92,996)
2017	(92,996)
2018	(92,997)
2019	(223,707)

Actuarial Assumptions – The total pension liability in the June 30, 2014, actual valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Active Member Payroll Growth	3.50% per year
Investment Rate of Return	7.90%

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

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004, through June 20, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%

Discount Rate – The Discount rate used to measure the total pension liability was 7.9%. The projection of cash flows used to determine the discount rate assumed that the employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity – The following 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:

District Proportionate Share of NPL		
1% Decrease		1% Increase
(6.9%)	Current (7.9%)	(8.9%)
\$ 5,338,653	\$ 3,311,737	\$ 1,644,061

Pension Plan Fiduciary Net Position – Detailed information about each defined benefit pension plan’s fiduciary net position is available in a separately issued PERA financial report. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org); or by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

**B. TEACHERS RETIREMENT ASSOCIATION**

Plan Description - The Teachers Retirement Association (TRA) is an administrator of a multiple employer, cost-sharing, defined benefit retirement fund. TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member, and three statutory officials.

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

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

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

Tier I Benefits:

<u>Tier I</u>	<u>Step Rate Formula</u>	<u>Percentage</u>
Basic	1 <sup>st</sup> ten years	2.2 percent per year
	All years after	2.7 percent per year
Coordinated	1 <sup>st</sup> ten years if service years are prior to July 1, 2006	1.2 percent per year
	1 <sup>st</sup> ten years if service years are July 1, 2006 or after	1.4 percent per year
	All other years of service if service years are prior to July 1, 2006	1.7 percent per year
	All other years of service if service years are July 1, 2006 or after	1.9 percent per year

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) 3 percent per year early retirement reduction factors 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).

or

Tier II Benefits:

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

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

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

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

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

	<u>Ended June 30, 2014</u>		<u>Ended June 30, 2015</u>	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
Basic	10.50%	11.00%	11.00%	11.50%
Coordinated	7.00%	7.00%	7.50%	7.50%

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

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

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

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

**Key Methods and Assumptions Used in Valuation of Total Pension Liability**

**Actuarial Information**

Measurement Date	June 30, 2014
Valuation Date	July 1, 2014
Experience Study	October 30, 2009
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	8.25%
Wage Inflation	3.0%
Projected Salary Increase	3.5 – 12%, based on years of service
Cost of living adjustment	2.0% until year 2034; 2.5% thereafter

**Mortality Assumption**

Pre-retirement	RP 2000 non-annuitant generational mortality, white collar adjustment, male rates set back 5 years and female rates set back 7 years.
Post-retirement	RP 2000 annuitant generational mortality, white collar adjustment, male rates set back 2 years and female rates set back 3 years.
Post-disability	RP 2000 disabled retiree mortality, without adjustment.



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The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2004, to June 30, 2008, and a limited scope experience study dated August 29, 2014. The limited scope experience study addressed only inflation and long-term rate of return for the GASB 67 valuation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Unallocated Cash	2%	0.50%

Discount Rate - The discount rate used to measure the total pension liability was 8.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2015 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability - On June 30, 2015, the District reported a liability of \$9,026,931 for its proportionate share of the 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 TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 0.1959% at the end of the measurement period and 0.1941% for the beginning of the year.

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

District's proportionate share of net pension liability	\$	9,026,931
State's proportionate share of the net pension liability associated with the district	\$	635,089

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.

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

For the year ended June 30, 2015, the District recognized pension expense of \$500,415. It also recognized \$27,704 as an increase to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 770,242	\$
Net difference between projected and actual earnings on plan inv.		2,837,976
Changes in proportion	85,425	
Contributions paid to TRA subsequent to the measurement date	686,991	
Total	\$ 1,542,658	\$ 2,837,976

\$686,991 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a 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 TRA pensions will be recognized in pension expense as follows:

Year Ended June 30	Pension Expense Amount
2016	\$ (530,858)
2017	(530,858)
2018	(530,858)
2019	(530,858)
2020	141,123

Pension Liability Sensitivity - The following presents the district's proportionate share of the net pension liability calculated using the discount rate of 8.25 percent as well as the liability measured using one percent lower and one percent higher.

District Proportionate Share of NPL		
1% Decrease (7.25%)	Current (8.25%)	1% Increase (9.25%)
\$ 14,918,426	\$ 9,026,931	\$ 4,115,461

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

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

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**NOTE 8 OTHER POSTEMPLOYMENT BENEFITS**

Plan Description - The District's Plan is a single-employer defined benefit healthcare plan to eligible retirees and their spouses. The authority and requirement to provide these benefits is established in Minnesota Statutes Section 471.61, Subd. 2b. The benefit levels, employee contributions and employer contributions are governed by the District and can be amended by the District through the District's collective bargaining agreements with employee groups. At June 30, 2015, 42 retired employees and spouses were eligible to participate.

Summary of Significant Accounting Policies - Postemployment healthcare expenditures have been funded through contributions to an irrevocable trust and on a pay as you go basis in the future.

Funding Policy - Retirees and their spouses contribute to the healthcare plan at the same rate as District employees. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. The District provides postemployment healthcare benefits to qualifying retirees.

The District may contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The pay as you go cost for OPEB benefits is \$346,965. The annual employer contributions were \$167,271 and \$179,694 was the implicit subsidy. These costs are recognized as an expense when claims or premiums are paid. The General Fund paid for the entire \$346,965 14-15 cost and did not transfer any funds from the OPEB trust fund.

Annual OPEB Cost and Net OPEB Obligation - The components of the District's annual OPEB (other postemployment benefit) cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan were as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Annual Required Contribution	\$ 344,259	\$ 346,437	\$ 346,437
Interest on Net OPEB Obligation	(41,829)	(49,059)	(55,654)
Adjustment to Annual Required Contribution	71,253	88,747	88,747
Annual OPEB Cost	<u>373,683</u>	<u>386,125</u>	<u>379,530</u>
Contributions or Payments Made	<u>(346,965)</u>	<u>(179,568)</u>	<u>(191,089)</u>
Increase in Net OPEB Obligation	26,718	206,557	188,441
Net OPEB Asset, Beginning of Year	<u>(1,195,122)</u>	<u>(1,401,679)</u>	<u>(1,590,120)</u>
Net OPEB Asset, End of Year	<u>\$ (1,168,404)</u>	<u>\$ (1,195,122)</u>	<u>\$ (1,401,679)</u>
Percentage of Annual OPEB Cost Contributed	92.9%	46.5%	50.3%

Funded Status and Funding Progress - The funded status of the Plan as of July 1, 2014, the date of the most recent actuarial valuation, is as follows:

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Actuarial Accrued Liability (AAL)	\$ 3,728,884
Actuarial Value of Assets	<u>1,635,595</u>
Unfunded AAL (UAAL)	<u>\$ 2,093,289</u>
Funded Ratio	43.9%
Covered Payroll	\$ 11,207,489
UAAL as % of Covered Payroll	18.7%

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of potential occurrences of certain events in the future. Examples include assumption about future employment, mortality, healthcare costs trends, inflation, etc. Amounts determined regarding the funded status of the plan and the annual required contributions of the District are subject to constant changes and modifications as actual results are compared with past expectations and new estimates and assumptions are formed regarding the future. Projections of retiree benefits for financial reporting purposes are based on current plan activities as it is handled by the District and the benefits are received by the eligible plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the District and plan members. 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 include a 3.5% a year rate of investment return, compounded annually net after investment expense, which is the expected long-term investment return on plan assets, and a base payroll growth rate of 2.5%. There were also merit and seniority salary rate increase assumptions taken into consideration and those are detailed in the actuarial study and are based on age. There was also an inflationary rate assumption factored into the calculation. Per the actuarial study, the assumed rate ranges from 7.5% to 5% for health care related costs. The UAAL is being amortized as a level percentage of active member payroll over a period of 30 years.

**NOTE 9 CAPITAL LEASE PAYABLE**

The District has entered into lease agreements as lessee for financing six buses valued at \$566,075 and one vending machine valued at \$7,695. The estimated life for a bus is 8 years and the estimated life for the vending machine is 15 years. This year, \$57,846 was included in depreciation expense. These lease agreements qualify as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015, are as follows:

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Year Ending June 30	Amount
2016	\$ 115,128
2017	112,477
2018	62,637
2019	<u>45,040</u>
Total Minimum Lease Payments	335,282
Less: Amount Representing Interest	<u>(18,018)</u>
Present Value of Minimum Lease Payments	<u>\$ 317,264</u>

**NOTE 10 LONG-TERM LIABILITIES**

The long-term debt obligations outstanding at year-end and changes in long-term debt are summarized as follows:

**Summary of Long-Term Debt**

<b>Primary Government:</b>	Beginning Balance	Additions	Retired	Ending Balance	Due Within One Year
GO Cap Appr Bonds 2013A	\$ 6,089,458	\$	\$	\$ 6,089,458	\$
GO Taxable OPEB Bond	2,005,000		140,000	1,865,000	150,000
GO Building Bond	46,620,000		1,275,000	45,345,000	1,485,000
Unamortized Discount	(406,576)		(28,545)	(378,031)	(28,545)
Unamortized Premium	147,376		12,285	135,091	12,285
Total Bonds	<u>54,455,258</u>	<u>-</u>	<u>1,398,740</u>	<u>53,056,518</u>	<u>1,618,740</u>
Energy Service Payable	1,132,162		126,393	1,005,769	131,779
Capital Lease Payable	212,969	213,314	109,019	317,264	106,625
Accrued Interest Payable	210,332	238,508		448,840	
Severance Payable	43,404	3,465	562	46,307	
Net Pension Liability	14,972,859		2,634,191	12,338,668	
Total Long-Term Liabilities	<u>\$ 71,026,984</u>	<u>\$ 455,287</u>	<u>\$ 4,268,905</u>	<u>\$ 67,213,366</u>	<u>\$ 1,857,144</u>

The District's interest expense for the year ended June 30, 2015, was \$1,793,845.

Accrued interest payable is generally liquidated by the debt service fund and severance payable and net pension liability are generally liquidated by the general fund.

<b>Component Unit:</b>	Beginning Balance	Additions	Retired	Ending Balance	Due Within One Year
Notes Payable	\$ 27,800,000	\$	\$	\$ 27,800,000	\$

The TRF EDA's interest expense for the year ended June 30, 2014 was \$272,524. The notes are secured by the project.

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**A. General Obligation Bonds**

Description	Date of Issue	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 6/30/2015
Capital Appreciation Bond	2013	3.5-4.1%	2026/31	\$ 6,089,458	\$	\$ 6,089,458
Taxable OPEB Bond	2009	4.0-5.2%	2016/25	2,410,000	140,000	1,865,000
Building Bond Series A	2012	3.3-5.4%	2027/33	18,615,000		18,615,000
Building Bond Series B	2012	1.25-3.0%	2016/25	21,500,000	165,000	21,010,000
Building Bond Series C	2012	3.0%	2016/26	7,775,000	1,110,000	5,720,000
						<u>\$ 53,299,458</u>

Annual debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest
2016	\$ 1,635,000	\$ 1,464,581
2017	1,800,000	1,438,181
2018	1,965,000	1,405,651
2019	2,150,000	1,366,014
2020	2,360,000	1,316,654
2021-2025	15,425,000	5,490,001
2026-2030	18,271,457	6,855,306
2031-2033	9,693,001	1,821,999
	<u>\$ 53,299,458</u>	<u>\$ 21,158,387</u>

**B. Energy Service Payable**

Description	Date of Issue	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 6/30/2015
Energy Service Loan	2006	4.20%	2016/22	\$ 2,036,359	\$ 126,393	\$ 1,005,769

Annual debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest
2016	\$ 131,779	\$ 39,551
2017	137,394	33,936
2018	143,248	28,082
2019	149,353	21,977
2020	155,717	15,613
2021-2022	288,278	11,550
	<u>\$ 1,005,769</u>	<u>\$ 150,709</u>

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**C. Notes Payable**

<b>Component Unit:</b>	<b>Date</b>	<b>Net</b>	<b>Maturity</b>	<b>Original</b>	<b>Current</b>	<b>Balance</b>
<b>Description</b>	<b>of</b>	<b>Interest</b>	<b>Dates</b>	<b>Amount</b>	<b>Year</b>	<b>6/30/2015</b>
	<b>Issue</b>	<b>Rate</b>			<b>Retired</b>	
MMCDC Note A-1	2012	1.00%	2020	\$ 13,800,272	\$	\$ 13,800,272
USBCDE Note A-2	2012	1.00%	2020	6,210,122		6,210,122
MMCDC Note B-1	2012	1.00%	2019/37	4,999,728		4,999,728
USBCDE Note B-2	2012	1.00%	2020/37	2,789,878		2,789,878
						<u>\$ 27,800,000</u>

Annual minimum principal payments on the notes payable are as follows:

<b>Year Ending</b>	<b>Principal</b>
<b>June 30</b>	
2016	\$
2017	
2018	
2019	400,000
2020	20,192,452
Thereafter	<u>7,207,548</u>
	<u>\$ 27,800,000</u>

**NOTE 11 INTERFUND TRANSFERS**

Interfund Transfers:

<b>Transfer In</b>	<b>Transfer Out</b>	<b>Amount</b>
<b>Nonmajor Governmental</b>	<b>General</b>	
		\$8,599

The purpose of the transfer is to cover current year operating costs in the community service fund.

**NOTE 12 OPERATING LEASES**

The District has an agreement with the City of Thief River Falls whereby the District agrees to lease the City's facilities. Payments under this lease agreement made by the District during the year ended June 30, 2015, totaled \$120,952.

**NOTE 13 SEVERANCE PAY**

The District has several severance pay plans for various groups of employees. The plans call for employees to be paid for unused portions of their sick leave upon termination of employment. At June 30, 2015, the estimated liability under these plans was \$46,307.

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**NOTE 14 JOINT POWERS AGREEMENT**

In September of 2012, Independent School District No. 564 and Northwest Service Cooperative entered into a joint powers agreement to facilitate a project consisting of the improvement, expansion, renovation, remodeling, and reconstruction of two educational facilities for the use of the District, specifically, Lincoln High School and the Northwest Area Learning Center and District Service Center, the conveyance and leasing of the real property and improvements comprising the educational facilities, and certain construction and term loan financing for such activities.

Each entity will contribute to the joint operations in the following percentages:

Independent School District No. 564	95%
Northwest Service Cooperative	5%

**NOTE 15 CONTINGENCIES**

The District receives significant financial assistance from numerous federal, state, and local governmental agencies in the form of grants and aids. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2015.

**NOTE 16 RELATED PARTY ARRANGEMENTS**

As a condition of the financing arrangement used by the District and its component unit, the TRF EDA, relating to the improvement, expansion, renovation, remodeling and reconstruction of two educational facilities ("Project"), the following lease arrangements were entered into during the year ended June 30, 2015:

**A. Ground Lease**

The District entered into a ground lease agreement with the Association for the Project, pursuant to which the District leased the Project to the Association. Pursuant to the ground lease, the Association agreed to pay the District rent in the amount of \$100. The amount was paid in a lump sum on September 28, 2012. The term of the ground lease is forty years from September 28, 2012 through October 1, 2052.

**B. Lease**

The District entered into a lease agreement with the Association for the Project, pursuant to which the Association sub-leased the Project to the District. Pursuant to the lease, the District pays quarterly base rent in varying amounts to the Association, in arrears on the first day of January, April, July, and October of each calendar year. The term of the lease is twenty-five years from September 28, 2012 through October 1, 2037. The District has the option to extend the lease for an additional term of five years commencing on October 2, 2037.



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The future minimum lease payments due from the District are as follows:

Year Ending June 30		
2016	\$	294,282
2017		300,166
2018		306,171
2019		312,294
2020		846,396
2021-2025		12,603,699
2026-2030		13,902,347
2031-2035		15,349,312
2036-2038		<u>7,412,594</u>
	\$	<u>51,327,261</u>

**NOTE 17 RISK MANAGEMENT**

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

The District has joined together with other school districts in Minnesota in the Northwest Service Cooperative's Minimum Premium Funding Plan (Plan). The Plan is a public entity risk pool established as a health insurance purchasing pool for its members. The agreement for the formation of the Plan provides that the Plan will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$300,000. The pool and its members purchase reinsurance, currently with a \$300,000 specific stop loss attachment point and 110% aggregate stop loss attachment point. If the assets of the Plan were to be exhausted, members would not be responsible for the Plan's liabilities. The Northwest Service Cooperative retains the risk of the Plan's liabilities.

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

**NOTE 18 NEW PRONOUNCEMENTS**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

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*GASB Statement No. 77, Tax Abatement Disclosures*, Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. This Statement is effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.

Management has not yet determined the effect these Statements will have on the District's financial statements.

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**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Over (Under)
	Original	Final		Final Budget
<b>REVENUES</b>				
Local Property Tax Levies	\$ 1,797,898	1,798,357	1,842,460	\$ 44,103
Other Local & County Revenues	666,051	684,051	915,279	231,228
Revenue From State Sources	16,934,911	17,051,744	16,994,210	(57,534)
Revenue From Federal Sources	872,547	896,701	905,200	8,499
Sale/Other Conversion of Asset	6,200	6,200	2,319	(3,881)
<b>TOTAL REVENUES</b>	<u>20,277,607</u>	<u>20,437,053</u>	<u>20,659,468</u>	<u>222,415</u>
<b>EXPENDITURES</b>				
Current				
Administration	1,367,570	1,417,815	1,373,068	(44,747)
District Support Services	540,508	543,467	509,762	(33,705)
Elementary & Secondary				
Regular Instruction	9,432,492	9,281,935	9,379,171	97,236
Vocational Education Instruction	403,270	413,086	401,525	(11,561)
Special Education Instruction	3,103,034	3,050,738	3,092,881	42,143
Instructional Support Services	969,722	963,961	1,133,501	169,540
Pupil Support Services	1,518,265	1,510,313	1,525,491	15,178
Sites and Buildings	2,354,369	2,464,970	2,330,318	(134,652)
Fixed Costs	177,209	346,209	91,521	(254,688)
Debt Service				
Principal	226,402	233,351	233,360	9
Interest	53,864	50,455	50,447	(8)
Capital Outlay	534,032	1,183,142	1,123,960	(59,182)
<b>TOTAL EXPENDITURES</b>	<u>20,680,737</u>	<u>21,459,442</u>	<u>21,245,005</u>	<u>(214,437)</u>
Revenues Over (Under) Expenditures	(403,130)	(1,022,389)	(585,537)	436,852
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt Issued			213,314	213,314
Sale of Fixed Assets			1,552	1,552
Transfer Out	(10,000)	(10,000)	(8,599)	1,401
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(10,000)</u>	<u>(10,000)</u>	<u>206,267</u>	<u>216,267</u>
Net Change in Fund Balances	(413,130)	(1,032,389)	(379,270)	653,119
Fund Balances - Beginning	5,523,211	5,523,211	5,523,211	
Fund Balances - Ending	<u>\$ 5,110,081</u>	<u>\$ 4,490,822</u>	<u>\$ 5,143,941</u>	<u>\$ 653,119</u>

The note to the required supplementary information is an integral part of this schedule.

**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2015**

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**NOTE 1 BUDGETARY DATA**

Budgets are prepared for District funds on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. All appropriations lapse at year end. Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting is not utilized in the governmental funds of the District.

The budget is adopted through the passage of a resolution. Administration can authorize the transfer of budgeted amounts within any fund. Any revisions that alter the total expenditures of any fund must be approved by the governing board. The legal level of budgetary control is the fund level. The annual appropriated budget is not legally binding on the District unless the District has a deficit fund balance which exceeds 2.5% of expenditures.

**INDEPENDENT SCHOOL DISTRICT NO. 564  
 THIEF RIVER FALLS, MINNESOTA  
 SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS  
 June 30, 2015**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2014	\$ 1,635,595	\$ 3,728,884	\$ 2,093,289	43.9 %	\$ 11,207,489	18.7 %
7/1/2012	1,996,342	4,015,297	2,018,955	49.7	10,446,090	19.3
7/1/2010	2,318,248	4,863,079	2,544,831	47.7	9,883,364	25.7
7/1/2008		4,752,008	4,752,008		10,023,183	47.4

Schedule of Employer Contributions:

<u>Fiscal Year</u>	<u>Actual Annual Contributions</u>	<u>Actual Required Contributions</u>	<u>Percentage Contribution</u>
2015	\$ 346,965	\$ 344,259	100.8 %
2014	179,568	346,437	51.8
2013	191,089	346,437	55.2
2012	229,213	375,205	61.1
2011	235,464	375,205	62.8
2010	2,633,494	497,699	529.1
2009	313,682	497,699	63.0

The District implemented GASB No. 45 for fiscal year ended June 30, 2009. Information for prior years is not available.

**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
LAST 10 YEARS**

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	<u>Fiscal Year Ended June 30</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
<b>PERA</b>						
	2015	\$ 299,328	\$ 299,328	\$	\$ 4,038,246	7.41 %
<b>TRA</b>						
	2015	\$ 686,991	\$ 686,991	\$	\$ 9,159,858	7.50 %

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for the prior years are not available.

**INDEPENDENT SCHOOL DISTRICT NO. 564  
 THIEF RIVER FALLS, MINNESOTA  
 SCHEDULE OF DISTRICT'S SHARE OF NET PENSION LIABILITY  
 LAST 10 YEARS**

<u>Fiscal Year Ended June 30</u>	<u>District's Proportion of the Net Pension Liability</u>	<u>District's Proportionate Share of the Net Pension Liability</u>	<u>State's Proportionate Share of the Net Pension Liability Associated with the District (if Applicable)</u>	<u>Total</u>	<u>District's Covered- Employee Payroll</u>	<u>District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- employee Payroll</u>	<u>Plan Fiduciary Net Postion as a Percentage of the Total Pension Liability</u>
<b>PERA</b>							
2014	0.0705 %	\$ 3,311,737	\$	\$ 3,311,737	\$ 3,738,454	88.58 %	78.70 %
<b>TRA</b>							
2014	0.1959 %	\$ 9,026,931	\$ 635,089	\$ 9,662,020	\$ 8,942,505	100.90 %	81.50 %

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for the prior years are not available.

**INDEPENDENT SCHOOL DISTRICT NO. 564**  
**THIEF RIVER FALLS, MINNESOTA**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2015**

	Special Revenue Funds			Debt Service	Permanent Fund	Total Nonmajor Governmental Funds
	Food Service Fund	Community Service Fund	Gifts & Fundraising Fund	OPEB Debt Service		
<b>ASSETS</b>						
Cash and Investments	\$ 82,463	\$ 315,837	\$ 33,082	\$ 201,750	\$ 33,017	\$ 666,149
Current Property Taxes Receivable		68,819		102,656		171,475
Delinquent Property Taxes Receivable		5,867		6,588		12,455
Accounts Receivable	4,153	36,930				41,083
Due From Department of Education	5,361	17,638		759		23,758
Due From Federal Govt. - DOE	29,065	384				29,449
Inventory	44,388					44,388
<b>TOTAL ASSETS</b>	<b>\$ 165,430</b>	<b>\$ 445,475</b>	<b>\$ 33,082</b>	<b>\$ 311,753</b>	<b>\$ 33,017</b>	<b>\$ 988,757</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts Payable	\$ 2,215	\$ 2,246	\$	\$	\$	\$ 4,461
Payroll Deductions	10,597	34,022				44,619
<b>TOTAL LIABILITIES</b>	<b>12,812</b>	<b>36,268</b>				<b>49,080</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Revenue - Revenue for Future Period		6,081				6,081
Unavailable Revenue - Delinquent Taxes		5,867		6,588		12,455
Property Taxes Levied - Subs. Years		160,524		239,438		399,962
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>		<b>172,472</b>		<b>246,026</b>		<b>418,498</b>
<b>FUND BALANCES</b>						
Fund Balance:						
Nonspendable: Inventory	44,388					44,388
Nonspendable: Scholarships					25,000	25,000
Restricted for Food Service	108,230					108,230
Restricted for School Readiness		22,747				22,747
Restricted for Community Education		157,298				157,298
Restricted for ECFE		35,546				35,546
Restricted for Community Service		21,144				21,144
Restricted for OPEB Debt Service				65,727		65,727
Restricted for Scholarships					8,017	8,017
Restricted for District Programs			33,082			33,082
<b>TOTAL FUND BALANCES</b>	<b>152,618</b>	<b>236,735</b>	<b>33,082</b>	<b>65,727</b>	<b>33,017</b>	<b>521,179</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 165,430</b>	<b>\$ 445,475</b>	<b>\$ 33,082</b>	<b>\$ 311,753</b>	<b>\$ 33,017</b>	<b>\$ 988,757</b>



**INDEPENDENT SCHOOL DISTRICT NO. 564  
 THIEF RIVER FALLS, MINNESOTA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2015**

	Special Revenue Funds			Debt Service	Permanent Fund	Total Nonmajor Governmental Funds
	Food Service Fund	Community Service Fund	Gifts & Fundraising Fund	OPEB Debt Service		
<b>REVENUES</b>						
Local Property Tax Levies	\$	\$ 153,404	\$	\$ 227,206	\$	\$ 380,610
Other Local & County Revenues	7,693	459,876	4,958		62	472,589
Revenue From State Sources	65,583	150,187		7,593		223,363
Revenue From Federal Sources	489,522	3,255				492,777
Sale/Other Conversion of Asset	527,405	3,621				531,026
<b>TOTAL REVENUES</b>	<b>1,090,203</b>	<b>770,343</b>	<b>4,958</b>	<b>234,799</b>	<b>62</b>	<b>2,100,365</b>
<b>EXPENDITURES</b>						
Current						
Elementary & Secondary						
Regular Instruction			9,160			9,160
Community Education and Services		712,798				712,798
Pupil Support Services	1,115,042					1,115,042
Debt Service						
Principal	2,052			140,000		142,052
Interest	598			93,750		94,348
Capital Outlay	2,759	4,647				7,406
<b>TOTAL EXPENDITURES</b>	<b>1,120,451</b>	<b>717,445</b>	<b>9,160</b>	<b>233,750</b>		<b>2,080,806</b>
Revenues Over (Under) Expenditures	(30,248)	52,898	(4,202)	1,049	62	19,559
<b>OTHER FINANCING SOURCES</b>						
Transfer In		8,599				8,599
<b>TOTAL OTHER FINANCING SOURCES</b>		<b>8,599</b>				<b>8,599</b>
Net Change in Fund Balances	(30,248)	61,497	(4,202)	1,049	62	28,158
Fund Balances - Beginning	182,866	175,238	37,284	64,678	32,955	493,021
Fund Balances - Ending	\$ 152,618	\$ 236,735	\$ 33,082	\$ 65,727	\$ 33,017	\$ 521,179

**INDEPENDENT SCHOOL DISTRICT NO. 564**  
**THIEF RIVER FALLS, MINNESOTA**  
**SCHEDULE OF CHANGES IN FUND BALANCES AND NET POSITION**  
**For the Year Ended June 30, 2015**

	UFARS Balance Beginning of Year	Revenues	Expenditures	Transfers	Sale of Property	Debt Issued, Net	UFARS Balance End of Year
<b>Governmental Funds</b>							
General Fund							
Nonspendable	\$ 24,160	\$	\$	\$ (24,160)	\$	\$	
Restricted for:							
Staff Development		251,267	273,327	22,060			
Health and Safety	(17,562)	117,671	86,710				13,399
Deferred Maintenance	302,438	140,632	443,070				
Operating Capital	1,031,287	602,917	1,061,250			213,314	786,268
Committed: Severance	43,404			2,903			46,307
Assigned for Technology	181,245			177,224			358,469
Unassigned	3,958,239	19,546,981	19,380,648	(186,626)	1,552		3,939,498
Food Service Fund							
Nonspendable	49,063			(4,675)			44,388
Restricted: Food Service	133,803	1,090,203	1,120,451	4,675			108,230
Community Service Fund							
Restricted for:							
Community Education	115,651	467,437	425,790				157,298
ECFE	17,526	135,678	117,658				35,546
School Readiness	19,946	137,170	139,369	5,000			22,747
Community Service	22,115	30,058	34,628	3,599			21,144
Capital Project Fund							
Nonspendable	138,568		69,285				69,283
Restricted: Capital Project	2,172,731	5,266	534,486				1,643,511
Gifts & Fundraising Fund							
Restricted: District Programs	37,284	4,958	9,160				33,082
Debt Service Fund							
Restricted: Debt Service	963,866	2,665,495	2,688,380				940,981
OPEB Debt Service Fund							
Restricted: OPEB Debt Service	64,678	234,799	233,750				65,727
Permanent Fund							
Nonspendable	25,000						25,000
Restricted: Scholarships	7,955	62					8,017
<b>Fiduciary Fund</b>							
OPEB Trust Fund							
Held in Trust for OPEB	1,635,595	21,463					1,657,058

**INDEPENDENT SCHOOL DISTRICT NO. 564**  
**THIEF RIVER FALLS, MINNESOTA**  
**GIFTS & FUNDRAISING FUND SCHEDULE**  
**For the Year Ended June 30, 2015**

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	Fourtown Grygla	Franklin Pop	Lincoln High General	Challenger Playground	Hall of Fame	Total
FUND BALANCE - July 1	\$ 4,172	\$ 504	\$ 3,568	\$ 3,148	\$ 25,892	\$ 37,284
REVENUES						
Interest Earned	6		8		48	62
Gifts and Fundraising	<u>1,000</u>		<u>3,200</u>		<u>696</u>	<u>4,896</u>
TOTAL REVENUES	<u>1,006</u>		<u>3,208</u>		<u>744</u>	<u>4,958</u>
EXPENDITURES						
Scholarships	1,000		3,251			4,251
Other				<u>3,148</u>	<u>1,761</u>	<u>4,909</u>
TOTAL EXPENDITURES	<u>1,000</u>		<u>3,251</u>	<u>3,148</u>	<u>1,761</u>	<u>9,160</u>
FUND BALANCE - June 30	<u>\$ 4,178</u>	<u>\$ 504</u>	<u>\$ 3,525</u>	<u>\$</u>	<u>\$ 24,875</u>	<u>\$ 33,082</u>



CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

**INDEPENDENT AUDITOR’S REPORT ON MINNESOTA LEGAL COMPLIANCE**

To the Board of Education  
Independent School District No. 564  
Thief River Falls, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Independent School District No. 564 as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated October 21, 2015. Our report includes a reference to other auditors who audited the financial statements for the Thief River Falls Economic Development Association, LLC, as described in our report on Independent School District No. 564 financial statements. The financial statements of the Thief River Falls Economic Development Association, LLC were not audited in accordance with the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*.

**Legal Compliance**

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 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 considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District’s noncompliance with the above referenced provisions.

**Purpose of the 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 communication is not suitable for any other purpose.

**BRADY, MARTZ & ASSOCIATES, P.C.**  
Thief River Falls, Minnesota

October 21, 2015

**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 Board of Education  
Independent School District No. 564  
Thief River Falls, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Independent School District No. 564, 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 21, 2015. Our report includes a reference to other auditors who audited the financial statements for the Thief River Falls Economic Development Association, LLC, as described in our report on Independent School District No. 564 financial statements. The financial statements of the Thief River Falls Economic Development Association, LLC were not audited in accordance with *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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



**BRADY, MARTZ & ASSOCIATES, P.C.**  
Thief River Falls, Minnesota

October 21, 2015



CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

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

To the Board of Education  
Independent School District No. 564  
Thief River Falls, Minnesota

**Report on Compliance for Each Major Federal Program**

We have audited Independent School District No. 564’s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of 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.

***Opinion on Each Major Federal Program***

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

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and

questioned costs as item 2015-001. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of Independent School District No. 564 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-001, that we consider to be a significant deficiency.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.



**BRADY, MARTZ & ASSOCIATES, P.C.**  
Thief River Falls, Minnesota

October 21, 2015



**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2015**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Amount
<u>U.S. Department of Education</u>		
Direct Programs:		
P.L.100-297 Indian Education	84.060	\$ 8,503
Passed-Through Minnesota Department of Education:		
Title II, Part A	84.367	94,867
Title I	84.010	259,278
Special Education - Infants and Toddlers	84.181	10,915
<i>Special Education Cluster:</i>		
IDEA Part B 611	84.027	460,911
Preschool Incentives	84.173	14,767
Discretionary CIMP	84.027	5,000
<i>Total Special Education Cluster</i>		<u>480,678</u>
Passed-Through Pine to Prairie Cooperative:		
Carl Perkins	84.048A	<u>3,600</u>
Passed-Through Warren Alvarado Olso School Districts:		
PEP Grant	84.215F	<u>47,358</u>
Total Indirect		<u>896,696</u>
Total U.S. Department of Education		<u>905,199</u>
<u>U.S. Department of Agriculture</u>		
Passed-Through Minnesota Department of Education:		
Child Care Food Program	10.558	3,255
<i>Child Nutrition Cluster:</i>		
School Breakfast Program	10.553	75,597
National School Lunch Program	10.555	320,570
After School Snacks	10.555	1,194
Commodity Distribution (Nonmonetary Assistance)	10.555	51,105
Summer Food Program	10.559	41,057
<i>Total Child Nutrition Cluster</i>		<u>489,523</u>
Total U.S. Department of Agriculture		<u>492,778</u>
TOTAL FEDERAL AWARDS		<u>\$ 1,397,977</u>

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**INDEPENDENT SCHOOL DISTRICT NO. 564**  
**THIEF RIVER FALLS, MINNESOTA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2015**

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**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Independent School District No. 564 and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**NOTE 2 COMMODITY DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

**NOTE 3 PASS-THROUGH ENTITIES**

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.

**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2015**

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**Section I-Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unmodified  
Internal control over financial reporting:  
Material weakness(es) identified?     yes   x   no  
Significant deficiency(s) identified?     yes   x   none reported  
  
Noncompliance material to financial statements noted?     yes   x   no

Federal Awards

Internal Control over major programs:  
Material weakness(es) identified?     yes   x   no  
Significant deficiency(s) identified?   x   yes     none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?   x   yes     no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	<i>Special Education Cluster:</i>
84.027	Special Education Grants to States
84.173	Special Education Preschool Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?   x   yes     no

**Section II-Financial Statement Findings**

There are no findings which are required to be reported under this section.

**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
June 30, 2015**

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**Section III- Federal Award Findings and Questioned Costs**

**2015-001 FINDING**

Special Education Cluster (Special Education Grants to States, CFDA No. 84.027; Special Education Preschool Grants, CFDA No. 84.173)

Criteria

The District must receive approval from the State of Minnesota to complete semi-annual certifications as a substitute option for time and effort reporting.

Condition

The District is using semi-annual certifications for all special education employees including employees who have split time between multiple activities. This is allowed by the substitute time and effort reporting, but must be approved by the State of Minnesota before being implemented.

Questioned Costs

None

Context

A sample of 7 employees were selected for audit from a population of 69 employees. Two of the 7 employees selected for testing did not receive approval from the State to use the substitute method of approving time and effort.

Cause

Following a change in directors of the program, the District was not aware that an application needed to be made in order to follow the guidance for a federal program.

Effect

Employee time charged to special education program may not be properly supported.

Recommendation

Review the grant requirements to ensure all requirements are being properly followed.

Corrective Action Plan Prepared by the District

*Correcting Plan:* The District will review the grant to ensure all requirements are being met.

*Explanation of Disagreement:* There is essentially no disagreement with the finding.

*Official Responsible:* The District business manager is responsible for carrying out the corrective action plan.

*Completion Date:* The completion date of the corrective action plan is immediately.

*Monitor Plan:* The District business manager will monitor completion of the corrective action plan.

**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
SCHEDULE OF PRIOR AUDIT FINDINGS  
June 30, 2015**

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There are no findings which are required to be reported under this section.



CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON THE STATEMENT OF CASH RECEIPTS AND  
DISBURSEMENTS OF THE STUDENT ACTIVITY ACCOUNTS**

Members of the School Board, Advisors, and Students  
Independent School District No. 564  
Thief River Falls, Minnesota

We have audited the accompanying statement of cash receipts and disbursements of the student activity accounts of Independent School District No. 564, for the year ended June 30, 2015, and the related note to the financial statement.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity'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 statement.

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

**Basis for Qualified Opinion**

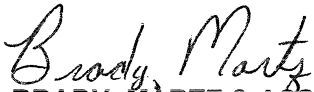
The District has not established procedures to provide assurance that all cash collections are recorded in the accounting records. Accordingly, it was not practicable for us to extend our audit of such cash collections beyond the amounts recorded. The financial statement impact cannot be reasonably determined.

### **Qualified Opinion**

In our opinion, except for such adjustments, if any, as might have been determined to be necessary had the cash collections referred to above been susceptible to satisfactory audit tests, the financial statement referred to above presents fairly, in all material respects, the cash transactions of the District's student activity accounts for the year ended June 30, 2015, and the cash balances at that date, in accordance with the cash basis of accounting as described in Note 1.

### **Basis of Accounting**

We draw attention to Note 1 to the Student Activity Accounts Financial Statement, which describes the basis of accounting; this financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.



**BRADY, MARTZ & ASSOCIATES, P.C.**  
Thief River Falls, Minnesota

October 21, 2015

**INDEPENDENT SCHOOL DISTRICT NO. 564**

**THIEF RIVER FALLS, MINNESOTA**

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS OF THE STUDENT ACTIVITY ACCOUNTS**

**For the Year Ended June 30, 2015**

	Fund Balance 6-30-14	Receipts	Disbursements	Transfers In (Out)	Fund Balance 6-30-15
<u>Lincoln High School</u>					
Area Learning Center	\$	\$	\$	\$ 320	\$ 320
Girls Swim-A-Thon		80	29		51
Band	426	56,614	56,966	181	255
Baseball Fundraising		243	183		60
Boys Basketball	1,612	5,685	7,138	3	162
Boys Golf	971	930	1,905	4	
Boys Swimming	386	1,360	1,729		17
Class of 2015	3,117	6,366	10,356	1,000	127
Class of 2016	5,386	11,888	9,537	(859)	6,878
Class of 2017	1,145	5,587	4,168	320	2,884
Clay Target League		1,935	1,860	100	175
Close Up	77	17,254	16,815	180	696
Counseling	453	1,200	4,612	2,969	10
Community Action Club	285	50	66		269
Drama	1,639	3,241	4,272	181	789
Envirothon	715	209		(715)	209
F.F.A.	2,427	12,323	10,830	(100)	3,820
Football	8,157	17,530	15,578		10,109
German Club	9,030	22,280	28,668	360	3,002
Girls Basketball Fundraising	914	7,168	13,846	5,764	
Girls Golf Fundraising	477	3,790	3,649	1,017	1,635
Girls Hockey Fundraising	309	6,376	6,493	(100)	92
Girls Swimming Fundraising	10,006	7,304	8,278	(100)	8,932
Girls Tennis	324	260	590	501	495
Interest	72	47		(72)	47
Math Counts	196		105	181	272
Math League	885		140	361	1,106
Miles Club	512	2,419	2,868		63
Multicultural Student Services	56	64	43	(56)	21
National Honor Society	2,711	324	920		2,115
Orchestra	408	3,007	3,722	320	13
PE	173	1,723	1,831		65
Prowler Advertising	4,966	13,888	9,838	(8,758)	258
Prowler Fan Bus		6,458	7,519	1,061	
Prowler Potential	833	4,487	2,219	48	3,149
Retail Lab	578	23,720	14,367	(5,285)	4,646
Robotics	157	903	1,083	23	
Science Fair	1,500		35		1,465
Softball Fundraising	324	1,208	2,863	1,331	
Special Education Fundraising	93				93
Special Student Activities	925	130	595		460
Special Olympics		1,317	315		1,002
Speech	1,565	2,255	2,634		1,186
Student Activities	297	626	701		222
Student Senate	378	1,152	1,245		285

The note to the student activity accounts financial statement is an integral part of this statement.



**INDEPENDENT SCHOOL DISTRICT NO. 564**  
**THIEF RIVER FALLS, MINNESOTA**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS OF THE STUDENT ACTIVITY ACCOUNTS**  
**(CONTINUED)**  
**For the Year Ended June 30, 2015**

	Fund Balance 6-30-14	Receipts	Disbursements	Transfers In (Out)	Fund Balance 6-30-15
<u>Lincoln High School (Continued)</u>					
Tennis Fundraising	1,402	1,510	910	(100)	1,902
Track Fundraising	285		156	(100)	29
Weight Room	1,723	5,095	5,677		1,141
Wrestling Fundraising	345	1,499	399	220	1,665
Volleyball	2,432	2,670	3,427	(200)	1,475
Yearbook	1,827	12,620	10,556		3,891
Total Lincoln High School	72,499	276,795	281,736		67,558
<u>Franklin Middle School</u>					
Activity Day	3,124	4,241	4,017		3,348
Sixth Grade Book Fair	7	3,193	4,989	1,796	7
Class of 2018	670		670		
Class of 2019	5,198	2,585	6,900	2,500	3,383
Class of 2020	8,071		1,044	2,064	9,091
Class of 2021		25,189	24,724	1,250	1,715
Student Basketball	1,796		1,796		
Geckler	3,714	50,954	30,226	(8,750)	15,692
Jazz Band	137	14,261	14,213		185
Prowler Plus	9,065	298	379		8,984
School Store	14,199	3,909	3,745		14,363
Science Fair	520				520
Student Council	211	2,028	2,677	140	(298)
Sunrise Singers	17				17
Turn Around	3,261	5,285	4,580	1,000	4,966
Yearbook	1,210	3,558	3,139		1,629
Total Franklin Middle School	51,200	115,501	103,099		63,602
<u>Challenger Elementary School</u>					
Book Project	32				32
Deep Portage	18,302	53,672	60,205		11,769
Student Community Account	4,850	65	32		4,883
Kindergarten Parties	690	559	591		658
Destination Imagination	118				118
Kids in Need	457				457
Readathon	573				573
PE Activities	408	2,986	2,650		744
School Store	3,631	2,081	3,620		2,092
Science	921	38			959
Total Challenger Elementary School	29,982	59,401	67,098		22,285
Total All Funds	\$ 153,681	\$ 451,697	\$ 451,933	\$	\$ 153,445

The note to the student activity accounts financial statement is an integral part of this statement.

**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
NOTE TO STUDENT ACTIVITY ACCOUNTS FINANCIAL STATEMENT  
June 30, 2015**

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**NOTE 1      STUDENT ACTIVITY ACCOUNTS**

Student activity fund transactions are defined as extracurricular programs conducted for the motivation and enjoyment of students. These programs and activities are not offered for school credits nor required for graduation. Activities are generally conducted outside of school hours. The content of the activities is determined primarily by the students, under the guidance of a staff member or other adult.

Student activities are to be self-sustaining with all expenses paid by dues, admissions, or other student fund raising events.

The accounts of the student activity funds are maintained, and the accompanying financial statements have been prepared, on the cash basis of accounting. Consequently, receipts are recognized when received rather than when earned, and disbursements are recognized when paid rather than when the obligations are incurred.



CERTIFIED PUBLIC ACCOUNTANTS  
AND CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE**

To the School Board, Advisors, and Students  
Independent School District No. 564  
Thief River Falls, Minnesota

We have audited in accordance with auditing standards generally accepted in the United States of America, the statement of cash receipts and disbursements of the extracurricular student accounts of Independent School District No. 564, for the year ended June 30, 2015, and the related notes to the financial statement, and have issued our report thereon dated October 21, 2015, which was qualified because the District has not established procedures to provide assurance that all cash collections are recorded in the accounting records, therefore, we were unable to audit the cash collections beyond the amounts recorded.

**Compliance**

The *Manual for Activity Fund Accounting*, issued by the Minnesota Department of Education, pursuant to Minnesota Statutes, provides uniform financial accounting and reporting standards for student activities. We have performed auditing procedures to test compliance with the provisions of this manual.

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 *Manual for Activity Fund Accounting*. 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 the 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 communication is not suitable for any other purpose.

**BRADY, MARTZ & ASSOCIATES, P.C.**  
Thief River Falls, Minnesota

October 21, 2015

**INDEPENDENT SCHOOL DISTRICT NO. 564**  
**THIEF RIVER FALLS, MINNESOTA**  
**UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE**  
**June 30, 2015**

District Name: INDEPENDENT SCHOOL DISTRICT NO. 564

District Number: 564

	Audit	UFARS	Variance		Audit	UFARS	Variance
<b>01 GENERAL FUND</b>				<b>06 BUILDING CONSTRUCTION</b>			
Total Revenue	20,659,468	20,659,468		Total Revenue	5,266	5,266	
Total Expenditures	21,245,005	21,245,005		Total Expenditures	603,771	603,771	
<i>Non Spendable</i>				<i>Non Spendable</i>			
460 Non Spendable Fund Balance				460 Non Spendable Fund Balance	69,283	69,283	
<i>Restricted/Reserved:</i>				<i>Restricted/Reserved:</i>			
403 Staff Development				407 Capital Projects Levy			
405 Deferred Maintenance				409 Alternative Facility Program			
406 Health & Safety	13,399	13,398	1	413 Projects Funded By COP			
407 Capital Projects Levy				<i>Restricted</i>			
408 Cooperative Revenue				464 Restricted Fund Balance	1,643,511	1,643,511	
414 Operating Debt				<i>Unassigned:</i>			
416 Levy Reduction				463 Unassigned Fund Balance			
417 Taconite Building Maintenance				Reconciliation of Building Construction	2,321,831	2,321,831	
423 Certain Teacher Programs							
424 Operating Capital	786,268	786,268		<b>07 DEBT SERVICE</b>			
426 \$25 Taconite				Total Revenue	2,665,495	2,665,495	
427 Disabled Accessibility				Total Expenditures	2,688,380	2,688,381	(1)
428 Learning & Development				<i>Non Spendable</i>			
434 Area Learning Center				460 Non Spendable Fund Balance			
435 Contracted Alt Programs				<i>Restricted/Reserved:</i>			
436 State Approved Alt Program				425 Bond Refundings			
438 Gifted & Talented				451 QZAB Payments			
440 Teacher Development and Eval.				<i>Restricted</i>			
441 Basic Skills Programs				464 Restricted Fund Balance	940,981	940,981	
445 Career and Technical Programs				<i>Unassigned:</i>			
449 Safe Schools Levy				463 Unassigned Fund Balance			
450 Prekindergarten				Reconciliation of Debt Service	6,294,856	6,294,857	(1)
451 QZAB Payments							
452 OPEB Liab Not In Trust				<b>08 TRUST</b>			
453 Unfunded Sev & Retirement Levy				Total Revenue	5,020	5,020	
<i>Restricted</i>				Total Expenditures	9,160	9,159	1
464 Restricted Fund Balance				<i>Unassigned:</i>			
<i>Committed</i>				422 Unassigned Fund Balance	66,099	66,100	(1)
418 Committed for Separation	46,307	46,307		Reconciliation of Trust	80,279	80,279	
461 Committed							
<i>Assigned</i>				<b>20 INTERNAL SERVICE</b>			
462 Assigned Fund Balance	358,469	358,470	(1)	Total Revenue			
<i>Unassigned:</i>				Total Expenditures			
422 Unassigned Fund Balance	3,939,498	3,939,498		<i>Unassigned:</i>			
Reconciliation of General	47,048,414	47,048,414		422 Unassigned Fund Balance			
				Reconciliation of Internal Service			
<b>02 FOOD SERVICE</b>							
Total Revenue	1,090,203	1,090,204	(1)	<b>25 OPEB REVOCABLE TRUST FUND</b>			
Total Expenditures	1,120,451	1,120,449	2	Total Revenue			
<i>Non Spendable</i>				Total Expenditures			
460 Non Spendable Fund Balance	44,388	44,388		<i>Unassigned:</i>			
<i>Restricted/Reserved:</i>				422 Unassigned Fund Balance			
452 OPEB Liab Not In Trust				Reconciliation of OPEB Revocable Trust			
<i>Restricted</i>							
464 Restricted Fund Balance	108,230	108,230		<b>45 OPEB IRREVOCABLE TRUST FUND</b>			
<i>Unassigned</i>				Total Revenue	21,463	21,463	
463 Unassigned Fund Balance				Total Expenditures			
Reconciliation of Food Service	2,363,272	2,363,271	1	<i>Unassigned:</i>			
				422 Unassigned Fund Balance	1,657,058	1,657,058	
<b>04 COMMUNITY SERVICE</b>				Reconciliation of OPEB Irrevocable Trust	1,678,521	1,678,521	
Total Revenue	770,343	770,343					
Total Expenditures	717,445	717,449	(4)	<b>47 OPEB DEBT SERVICE FUND</b>			
<i>Non Spendable</i>				Total Revenue	234,799	234,799	
460 Non Spendable Fund Balance				Total Expenditures	233,750	233,750	
<i>Restricted/Reserved:</i>				<i>Non Spendable</i>			
426 \$25 Taconite				460 Non Spendable Fund Balance			
431 Community Education	157,298	157,299	(1)	<i>Restricted</i>			
432 E.C.F.E.	35,546	35,546		425 Bond Refunding			
440 Teacher Development and Eval.				464 Restricted Fund Balance	65,727	65,727	
444 School Readiness	22,747	22,747		<i>Unassigned</i>			
447 Adult Basic Education				463 Unassigned Fund Balance			
452 OPEB Liab Not In Trust				Reconciliation of OPEB Debt Service	534,276	534,276	
<i>Restricted</i>							
464 Restricted Fund Balance	21,144	21,144					
<i>Unassigned</i>							
463 Unassigned Fund Balance							
Reconciliation of Community Service	1,724,523	1,724,528	(5)				