

INDEPENDENT SCHOOL DISTRICT #347
WILLMAR PUBLIC SCHOOLS

AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2015

Conway, Deuth & Schmiesing, PLLP
Certified Public Accountants
Willmar, Minnesota

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INDEPENDENT SCHOOL DISTRICT #347

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INDEPENDENT SCHOOL DISTRICT #347

BOARD OF EDUCATION AND ADMINISTRATION
JUNE 30, 2015

<u>Board of Education</u>		<u>Term Expires</u>
Chairperson	Liz VanDerBill	1/8/2017
Vice-Chairperson	Mike Reynolds	1/8/2017
Clerk	Jackie Saulsbury	1/8/2017
Treasurer	Laura Warne	1/9/2019
Director	Jared Anez	1/7/2019
Director	Mike Carlson	1/8/2017
Director	Linda Mathiasen	1/7/2019
<u>Administration</u>		
Superintendent	Dr. Jerry Kjergaard (Retired 6/30/2015)	
Director of Business and Finance	Pam Harrington	
Director of Human Resources	Liz Fischer	

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INDEPENDENT AUDITOR'S REPORT

To The Board of Education
Independent School District #347
Willmar, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #347, Willmar, Minnesota, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #347, Willmar, Minnesota, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Food Service and Community Service Special Revenue Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 9 to the financial statements, for the year ended June 30, 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25*. Our opinion is not modified with respect to this matter.

Report on Partial Comparative Information

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

Other Matters

Required Supplementary Information

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

Supplementary and 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 Board of Education and Administration page and the statements and schedules 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The individual fund financial schedule, UFARS Compliance Table, and the Schedule of Expenditures of Federal Awards (supplementary information) 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Board of Education and Administration page has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on the information presented.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 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.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants
Willmar, Minnesota

September 28, 2015

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REQUIRED SUPPLEMENTARY INFORMATION

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INDEPENDENT SCHOOL DISTRICT #347

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2015

This section of Willmar Public Schools – Independent School District No. 347's (District) annual financial report presents management's discussion of the District's financial performance during the fiscal year (FY) ending June 30, 2015. Please read it in conjunction with the District's financial statements, which follow this section.

The Management's Discussion and Analysis (MD&A) is an element of a reporting model that is required by the Governmental Accounting Standard Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. Statement No. 34 contains significant requirements that enhance financial reporting. These requirements are also designed to make annual reports easier for the public to understand and more useful to stakeholders. Specifically, Statement No. 34 establishes reporting requirements that include financial statements, expanded disclosure, and supplemental information, including the MD&A (this section).

FINANCIAL REVIEW

Key financial items for the 2014-2015 fiscal year include the following:

- The General Fund unassigned fund balance exceeded the School Board's fund balance minimum of 6% of expenditures with a fund balance of \$6,277,929, equivalent to 12.52% of expenditures. The fund balance also exceeded the revised budget estimate of \$5,372,630 or 10.56% of budgeted expenditures. The additional fund balance is attributed to increased revenue due to additional English learners and special education funding. In addition, severance payments are driven by retirements. Severance payments were lower than budgeted. Planned curriculum orders happened late in the year so the expenditures will appear in next year's financial statements. Staff development expenditures are lower as much of the staff development is occurring in district.
- Net Position decreased 91.77% from the prior year mainly due to the District implementing GASB 68, Accounting and Financial Reporting for Pensions which records the District's proportionate share of collective net pension liability, deferred inflows of resources and deferred outflows of resources, and pension expense on the District's government-wide financial statements.
- The combined Governmental Funds fund balance decreased by 13.12%, or \$1,557,080.
- The overall net increase to the District's long-term liabilities was \$26,921,332, or 518.54% due to the implementation of GASB 68.
- Enrollment increased by 3 ADM's (Average Daily Membership) in FY 2015. The District expects enrollment to increase and decrease slightly each year as enrollment remains fairly level. The average decrease over the past 5 years was 7 students.
- The District's comprehensive annual financial report for the year ended June 30, 2014 was awarded the Certificate of Excellence in Financial Reporting from the Association of School Business Officials International (ASBO).
- The District passed a bond referendum in May 2015 for the construction of a new elementary school, an addition on the Middle School, an addition to the Senior High, remodeling projects and deferred maintenance work. The District did not receive bond proceeds until August 2015 but expenses were incurred in FY 2015 thus the creation of the building construction fund.

INDEPENDENT SCHOOL DISTRICT #347

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of three parts. They are:

- Independent Auditor's Report,
- Required Supplementary Information, which includes the Management's Discussion and Analysis (this section), and
- Basic financial statements

The basic financial statements include two kinds of statements that present different views of the District:

- The **government-wide financial statements**, including the Statement of Net Position and the Statement of Activities, 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 government-wide statements. The District maintains three groups of fund financial statements. They are:
 - 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.
 - **Proprietary funds statements** offer **short** and **long-term** financial information about the activities the District operates like **businesses**.
 - **Fiduciary funds statements** provide information about the financial relationships in which the District acts solely as a **trustee or agent** for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Government-wide Statements

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

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

INDEPENDENT SCHOOL DISTRICT #347

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

In the government-wide financial statements the District's activities are shown in one category titled Governmental Activities:

- **Governmental Activities** – The District's basic services are reported here, including regular and special education, transportation, administration, food service, and community education. Property taxes and state aids finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's **funds** – focusing on its most significant or "major" funds – rather than the District as a whole.

Funds 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 a Scholarship fund to manage scholarship money.

The District has three kinds of funds:

- **Governmental funds** – The District's basic services are included in governmental funds, which generally focus on: 1) how **cash and other financial assets** that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed **short-term** view that helps to determine whether there are more or 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 government-wide statements, additional information (reconciliation schedules) is provided following the governmental funds statements that explains the relationship (or differences) between these two types of financial statement presentations.
- **Proprietary funds** – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's sole Proprietary fund is an internal service fund.
 - The District uses internal service funds to report activities that provide supplies and services for the District's other programs and activities. The District currently has one internal service fund for the dental self-insurance program.
- **Fiduciary funds** – The District is a trustee, or fiduciary, for assets that belong to others, such as the Private-Purpose Trust Fund and Agency Fund. The Private-Purpose Trust fund accounts for scholarship gifts and bequests. The Agency Fund accounts for funds used by a collaboration of districts for Achievement and Integration. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. These activities are excluded from the government-wide financial statements because the District cannot use these assets to finance its operations.

INDEPENDENT SCHOOL DISTRICT #347

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's *combined* net position was \$2,887,563 on June 30, 2015. This was a decrease of 91.77% from the previous year (see Table A-1 below).

**Table A-1
The District's Net Position**

	Governmental Activities		Percentage Change
	2015	2014	
Current and Other Assets	\$ 19,358,124	\$ 21,659,074	-10.62%
Capital Assets	27,758,218	28,274,044	-1.82%
Total Assets	47,116,342	49,933,118	-5.64%
Related to Pensions	\$ 5,007,554	\$	0.00%
Total Deferred Outflows of Resources	5,007,554	0	0.00%
Current Liabilities	\$ 4,906,452	\$ 5,014,349	-2.15%
Long-term Liabilities	32,113,134	5,191,802	518.54%
Total Liabilities	37,019,586	10,206,151	262.72%
Property Taxes Levied for Subsequent Year's Related to Pensions	\$ 3,973,640 8,243,107	\$ 4,645,207	-14.46%
Total Deferred Inflows of Resources	12,216,747	4,645,207	163.00%
Net Position			
Net Investment in Capital Assets	\$ 27,758,218	\$ 27,265,661	1.81%
Restricted	2,477,920	2,316,768	6.96%
Unrestricted	(27,348,575)	5,499,331	-597.31%
Total Net Position	\$ 2,887,563	\$ 35,081,760	-91.77%

The largest portion of the District's net position (961.30%) reflects its investment in capital assets (e.g., land, buildings and improvements, furniture, and equipment net of accumulated depreciation); less any related outstanding debt (such as general obligation bonds) used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Unrestricted net position is primarily the District's unassigned fund balance offset by the liability for future severance and health benefits, which is not fully funded. The reason for this significant change is due to the impact of GASB 68 implementation being reflected in the current year. Refer to Note 18 of the financial statements for additional information.

INDEPENDENT SCHOOL DISTRICT #347

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

A summary of the revenues and expenses for the last two fiscal years is presented in Table A-2 below.

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

	Governmental Activities for the fiscal year ended June 30,		Percentage Change
	2015	2014	
Revenues			
Program Revenues			
Charges for Services	\$ 2,797,607	\$ 3,020,197	-7.37%
Operating Grants and Contributions	20,372,678	20,673,342	-1.45%
Capital Grants and Contributions	698,329	573,649	21.73%
General Revenues			
Property Taxes	4,976,512	4,946,495	0.61%
Unrestricted State Aid	26,218,513	26,569,360	-1.32%
Investment Earnings	5,357	3,881	38.03%
Other	15,486	10,114	53.11%
Total Revenues	<u>55,084,482</u>	<u>55,797,038</u>	-1.28%
Expenses			
Administration	\$ 1,817,096	\$ 1,707,055	6.45%
District Support Services	1,961,768	1,727,552	13.56%
Regular Instruction	25,080,532	23,216,190	8.03%
Vocational Education Instruction	713,935	860,654	-17.05%
Special Education Instruction	8,980,243	8,097,144	10.91%
Instructional Support Services	2,782,791	2,430,927	14.47%
Pupil Support Services	3,833,631	3,725,367	2.91%
Sites and Buildings	4,721,575	4,942,012	-4.46%
Fiscal and Other Fixed Costs Programs	154,413	155,944	-0.98%
Food Service	2,896,113	2,640,628	9.68%
Community Service	3,232,372	2,727,652	18.50%
Interest and Fiscal Charges on Long-Term Liabilities	21,184	21,694	-2.35%
Total Expenses	<u>56,195,653</u>	<u>52,252,819</u>	7.55%
Change in Net Position	\$ (1,111,171)	\$ 3,544,219	-131.35%
Beginning Net Position, as Originally Stated	35,081,760	31,537,541	
Prior Period Adjustment	(31,083,026)		
Beginning Net Position, as Restated	<u>3,998,734</u>	<u>31,537,541</u>	-87.32%
Ending Net Position	<u>\$ 2,887,563</u>	<u>\$ 35,081,760</u>	-91.77%

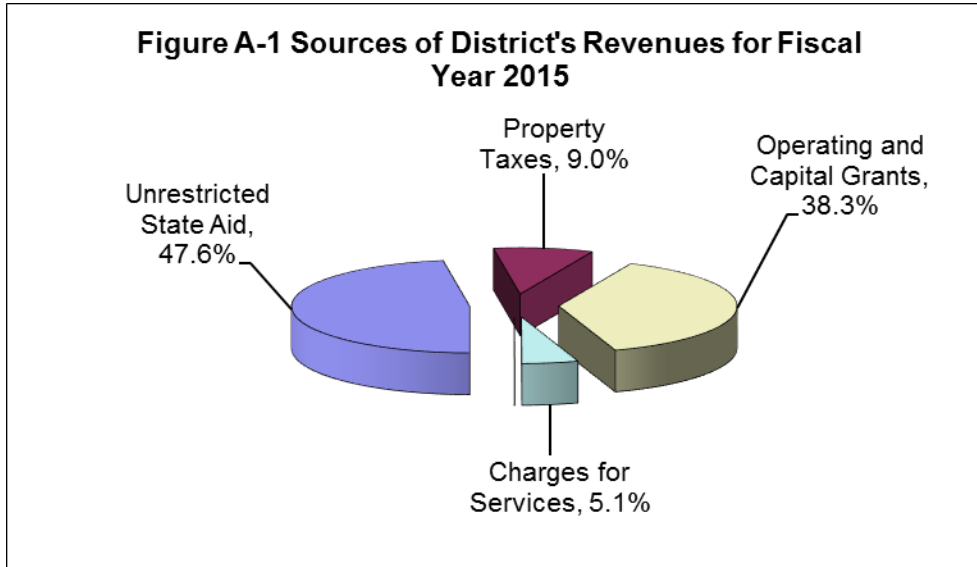
INDEPENDENT SCHOOL DISTRICT #347

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015

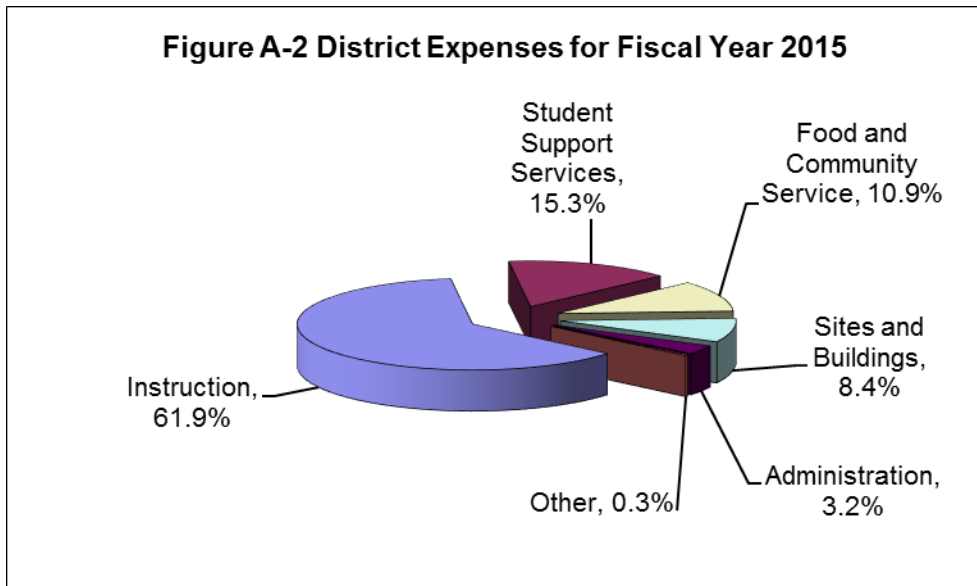
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position. The District's total revenues were \$55,084,482 for the year ended June 30, 2015. This is a 1.28% decrease from the prior year's revenues.

Unrestricted state aid along with local property taxes accounted for 56.6% of the total revenue for the year (see Figure A-1 below). Another 43.4% came from restricted state, federal and local program revenues with a negligible amount from earnings on investments and other.



The District's total expenditures for programs and services were \$56,195,653 for the year ended June 30, 2015. This is a 7.55% increase from the prior year's expenses. Salary settlements for a few collective bargaining groups were settled more than a year after the contract began causing large retro payments. The District's expenses are predominantly related to student education (77.2%). (See Figure A-2). The purely administrative activities of the District accounted for just 3.2% of total costs. Total expenses surpassed revenues, decreasing net position \$1,111,171 from last year.



INDEPENDENT SCHOOL DISTRICT #347

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

The net cost of all *governmental* activities is their total costs less program revenues applicable to each category. The total cost of all governmental activities for this year was \$56,195,653. Table A-3 presents the costs of twelve major District activities such as instruction, food service and others. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

- The users of the District's programs paid for 4.98%, or \$2,797,607 of the costs.
- The federal and state governments subsidized certain programs with grants and contributions. This totaled \$21,071,007, or 37.50% of the total costs for 2014-2015.
- The remainder of the District's costs (\$32,327,039), however, were paid for by: 1) state taxpayers based on the statewide education aid formula, 2) by District taxpayers, and 3) by investment earnings.

**Table A-3
Change in Net Position**

	<u>Total Cost of Services</u>		<u>Percentage Change</u>	<u>Net Cost of Services</u>		<u>Percentage Change</u>
	<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>	
Administration	\$ 1,817,096	\$ 1,707,055	6.45%	\$ 1,817,096	\$ 1,707,055	6.45%
District Support Services	1,961,768	1,727,552	13.56%	1,790,196	1,200,768	49.09%
Regular Instruction	25,080,532	23,216,190	8.03%	15,164,397	13,276,465	14.22%
Vocational Education Instruction	713,935	860,654	-17.05%	644,745	784,972	-17.86%
Special Education Instruction	8,980,243	8,097,144	10.91%	3,037,329	1,528,849	98.67%
Instructional Support Services	2,782,791	2,430,927	14.47%	1,697,390	1,402,898	20.99%
Pupil Support Services	3,833,631	3,725,367	2.91%	3,716,990	3,624,748	2.54%
Sites and Buildings	4,721,575	4,942,012	-4.46%	3,959,940	4,309,312	-8.11%
Fiscal and Other Fixed Costs Programs	154,413	155,944	-0.98%	154,413	155,944	-0.98%
Food Service	2,896,113	2,640,628	9.68%	(204,158)	(346,055)	-41.00%
Community Service	3,232,372	2,727,652	18.50%	527,517	318,981	65.38%
Interest and Fiscal Charges on Long-Term Liabilities	21,184	21,694	-2.35%	21,184	21,694	-2.35%
Total	<u>\$ 56,195,653</u>	<u>\$ 52,252,819</u>	7.55%	<u>\$ 32,327,039</u>	<u>\$ 27,985,631</u>	15.51%

INDEPENDENT SCHOOL DISTRICT #347

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds. At the end of the 2014-2015 fiscal year, the District's governmental funds reported a **combined** fund balance of \$10,312,569, a 13.11% decrease from last year's ending fund balance of \$11,869,649.

Revenues for the District's governmental funds totaled \$55,084,081 while total expenditures were \$57,448,249 and other financing sources net of other financing uses totaled \$807,088. As a result, the District completed the year with an excess of expenditures and other financing uses over revenues and other financing sources of \$1,557,080. Discussion about each governmental fund follows. A summary of the revenues and expenditures reported on the governmental fund financial statements for the past two years appears in Table A-4 below:

**Table A-4
Revenues and Expenditures - Governmental Funds**

	2015			Fund Balance Increase (Decrease)
	Revenues	Expenditures	Other Financing Sources(Uses)	
General Fund	\$ 47,991,009	\$ 50,131,914	\$ 807,088	\$ (1,333,817)
Food Service Fund	3,100,484	3,015,764		84,720
Community Service Fund	3,085,118	3,157,186		(72,068)
Building Construction		92,985		(92,985)
Debt Service Fund	907,470	1,050,400		(142,930)
Totals	\$ 55,084,081	\$ 57,448,249	\$ 807,088	\$ (1,557,080)
	2014			
	Revenues	Expenditures	Other Financing Sources(Uses)	Fund Balance Increase (Decrease)
General Fund	\$ 47,574,617	\$ 46,589,359	\$	\$ 985,258
Food Service Fund	2,986,842	2,877,397		109,445
Community Service Fund	2,805,979	2,724,470		81,509
Debt Service Fund	2,440,780	2,490,625		(49,845)
Totals	\$ 55,808,218	\$ 54,681,851	\$ 0	\$ 1,126,367

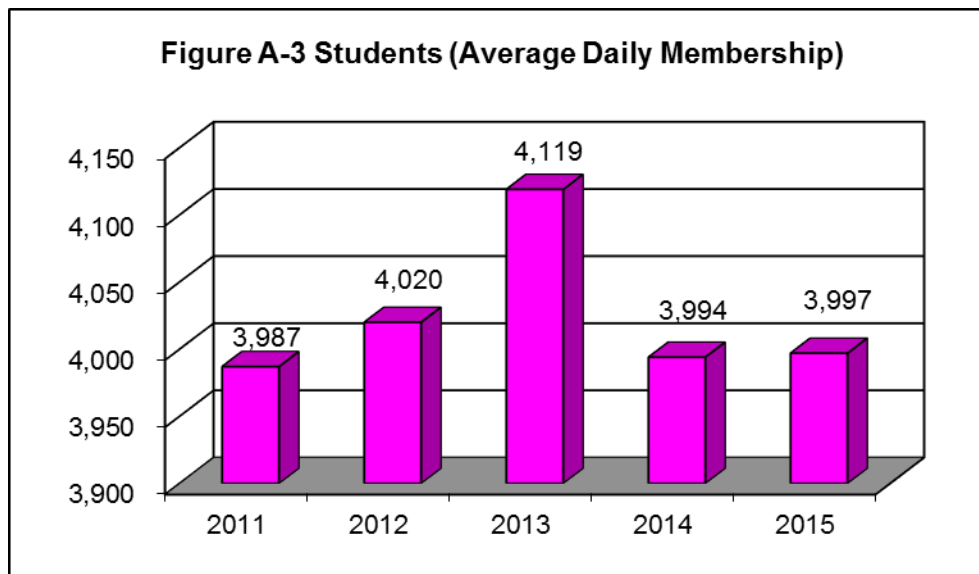
INDEPENDENT SCHOOL DISTRICT #347

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2015

GENERAL FUND

The General Fund is used by the District to record the primary operations of providing educational services to students from kindergarten through grade 12. Pupil transportation activities and capital and major maintenance projects are also included in the General Fund.

Enrollment. Funding for Minnesota school districts is largely driven by enrollment. The District had fairly stable enrollment over the last few years which include small increases or decreases in enrollment from year to year with the exception of 2013 which saw an unusual spike in enrollment as seen in Figure A-3 below. The District expects enrollment to increase and decrease slightly each year as enrollment remains fairly level.



In general, the District has been experiencing steady enrollment. However, the District faces typical enrollment challenges from open enrollment options, drop outs and competition from local private schools, public charter school and home schooling options.

Looking into the near future, demographic trends continue to point to a continued level enrollment trend. The grade level sizes are evening out. However, the leveling out will include slight increases or decreases to enrollment each year.

INDEPENDENT SCHOOL DISTRICT #347

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

GENERAL FUND (CONTINUED)

The following table presents a summary of General Fund revenues:

**Table A-5
General Fund Revenues**

Sources	Year Ended June 30,		Amount Difference	Percentage Change
	2015	2014		
Local Sources				
Property Taxes	\$ 3,704,977	\$ 2,344,504	\$ 1,360,473	58.03%
Interest Earnings	4,727	3,033	1,694	55.85%
Other	1,617,411	2,263,832	(646,421)	-28.55%
State Sources	39,884,917	39,839,288	45,629	0.11%
Federal Sources	2,778,977	3,123,960	(344,983)	-11.04%
Total General Fund Revenues	<u>\$ 47,991,009</u>	<u>\$ 47,574,617</u>	<u>\$ 416,392</u>	0.88%

Total General Fund revenue increased \$416,392, or 0.88%, from the previous year. Basic general education revenue is determined by a state per student funding formula. Other state-authorized revenue, including operating levy referendum, involves 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.

The increase to property taxes has to do with the elimination of the tax shift recognition. Other local sources decreased due to less third party billing revenue, lower tuition bills for non-resident students and the absence of a health insurance reimbursement that was received in FY 2014. Federal sources decreased due to a lower school improvement grant and lower Title I funding.

The following table presents a summary of General Fund expenditures:

**Table A-6
General Fund Expenditures**

Expenditures	Year Ended June 30,		Amount Difference	Percentage Change
	2015	2014		
Salaries	\$ 29,237,429	\$ 26,683,619	\$ 2,553,810	9.57%
Employee Benefits	9,384,736	8,739,337	645,399	7.38%
Purchased Services	7,168,651	7,408,209	(239,558)	-3.23%
Supplies and Materials	1,536,873	1,952,606	(415,733)	-21.29%
Capital Expenditures	2,532,788	1,587,666	945,122	59.53%
Other Expenditures	271,437	217,922	53,515	24.56%
Total General Fund Expenditures	<u>\$ 50,131,914</u>	<u>\$ 46,589,359</u>	<u>\$ 3,542,555</u>	7.60%

INDEPENDENT SCHOOL DISTRICT #347

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

GENERAL FUND (CONTINUED)

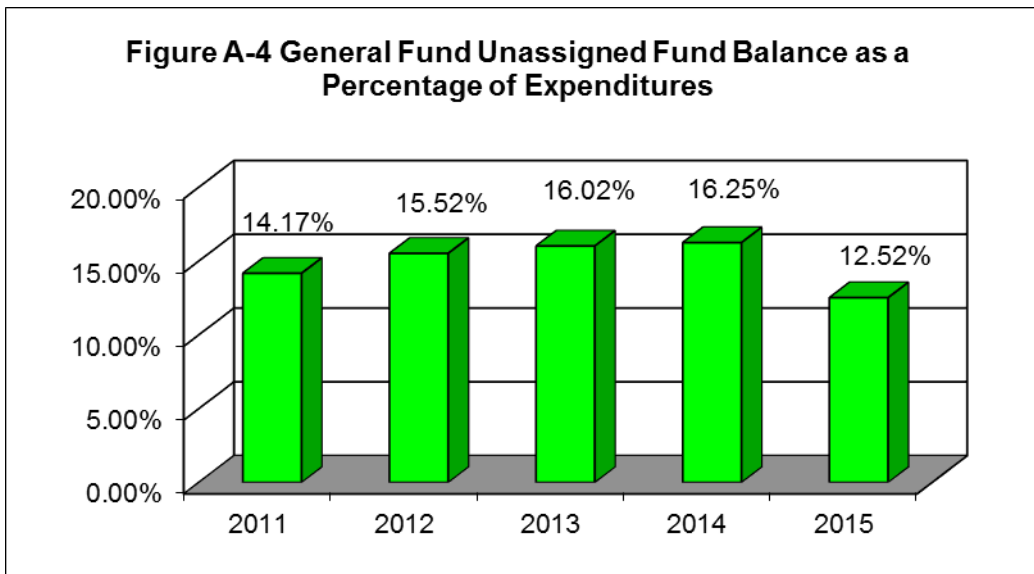
Total General Fund expenditures increased \$3,542,555 or 7.60% from the previous year.

Salaries increased due to contract settlements with teachers for the current and prior year, staffing adjustments and hiring staff to support the initiatives of the District. Employee benefits increased due to increased staffing and individual employee benefit choices. The District continues to proactively pursue various cost containment measures to minimize the effect of rising health insurance premiums on the costs of the District's employee compensation packages.

Combined non-payroll expenditures (Purchased Services, Supplies and Materials, Capital Expenditures, and Other Expenditures) increased \$343,346 or 3.10%, compared to last year. The District spent more on technology and capital projects.

In summary, 2014-2015 General Fund expenditures were more than General Fund revenues and other financing sources by \$1,333,817. As a result, the total fund balance is \$8,710,448 at June 30, 2015. After deducting statutory reserves, committed constraints, assigned and nonspendable items, the unassigned fund balance decreased from \$7,569,034 on June 30, 2014 to \$6,277,929 on June 30, 2015.

Figure A-4, below, depicts the General Fund unassigned fund balance as a percentage of expenditures for fiscal years 2011 – 2015:



The graph above describing the District's unassigned fund balance trend, offers the single best measure of the District's overall financial health. The unassigned fund balance of \$6,277,929 on June 30, 2015 represents 12.52% of annual expenditures.

The District closely monitors the General Fund unassigned fund balance through use of a detailed financial planning model, initiating necessary budget revisions during the year and with monthly budget analysis. The School Board has adopted a formal fund balance policy to maintain a minimum 6 percent (as a percentage of expenditures) fund balance in the General Fund unassigned fund.

INDEPENDENT SCHOOL DISTRICT #347

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2015

GENERAL FUND (CONTINUED)

General Fund Budgetary Highlights

The District is required to adopt an operating budget prior to the beginning of its fiscal year (July 1). Over the course of the year, the District revised the annual operating budget once. The budget amendment usually falls into two categories:

- Implementing budgets for specially funded projects, which may include grants, adjusting staffing and various instructional building allocations based on enrollment, and budgeting for certain unspent funds that are required to be carried over from fiscal year 2014.
- Changes in appropriations for significant unbudgeted costs.

While the District's final budget for the General Fund anticipated that revenues would be less than expenditures by \$3,184,364, the actual results for the year show that revenues were less than expenditures by \$1,333,817. The additional fund balance is attributed to increased revenue due to additional English learners and special education funding. In addition, severance payments are driven by retirements. Severance payments were lower than budgeted. Planned curriculum orders happened late in the year so the expenditures will appear in next year's financial statements. Staff development expenditures are lower as much of the staff development is occurring in district.

FOOD SERVICE FUND

The Food Service Fund revenue for 2014-2015 totaled \$3,100,484 and expenditures were \$3,015,764, resulting in a fund balance increase of \$84,720. The June 30, 2015 Food Service fund balance is \$910,145.

The Food Service Fund is anticipating the fund balance to decline slightly as kitchen remodel projects continue.

COMMUNITY SERVICE FUND

In 2014-2015, total revenues for the Community Service Fund were \$3,085,118 and total expenditures were \$3,157,186 resulting in a fund balance decrease of \$72,068. The Community Service fund balance as of June 30, 2015 is \$413,340. Community Service continues to monitor the fund balance and make adjustments that allow for the optimal level of programming for the District.

BUILDING CONSTRUCTION FUND

The District passed a bond referendum in May 2015 for the construction of a new elementary school, an addition on the Middle School, an addition to the Senior High, remodeling projects and deferred maintenance work. The District did not receive bond proceeds until August 2015 but expenses were incurred in FY 2015 thus the creation of the building construction fund.

DEBT SERVICE FUND

The District made the final bond payment for the Senior High. The remaining fund balance will be used to help make the first bond payment of the 2015 bonds.

INDEPENDENT SCHOOL DISTRICT #347

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, the District had net capital assets of \$27,758,218 representing a broad range of capital assets, including school buildings, computer and audio-visual equipment, and other equipment for various instructional programs (see Table A-7 below). Total depreciation expense for the year was \$1,274,657. More detailed information about capital assets can be found in Note 5 to the financial statements.

**Table A-7
The District's Capital Assets**

<u>Assets</u>	<u>Year Ended June 30,</u>		<u>Percentage Change</u>
	<u>2015</u>	<u>2014</u>	
Capital Assets Not Being Depreciated	\$ 716,958	\$ 813,172	-11.83%
Land Improvements	4,013,606	3,931,055	2.10%
Buildings and Improvements	47,244,222	46,888,870	0.76%
Equipment	4,890,053	4,531,076	7.92%
Less: Accumulated Depreciation	<u>(29,106,621)</u>	<u>(27,890,129)</u>	4.36%
Total Net Capital Assets	<u>\$ 27,758,218</u>	<u>\$ 28,274,044</u>	-1.82%

Construction Plans

The District passed a bond referendum in May 2015 for the construction of a new elementary school, an addition on the Middle School, an addition to the Senior High, remodeling projects and deferred maintenance work. The District did not receive bond proceeds until August 2015 but expenses were incurred in FY 2015 thus the creation of the building construction fund.

Long-term Liabilities

At year-end, the District paid off their general obligation bonds outstanding including bond premium. The District issued a capital lease payable to pay for iPads - as shown in Table A-8. The estimated other post-employment benefits liability is \$1,866,306 at June 30, 2015. The District also has \$2,536,407 in compensated absences payable at June 30, 2015. The District implemented the Governmental Accounting Standards Board Statement No. 68 Accounting and Financial Reporting for Pensions (GASB 68) during fiscal year 2015. Total pension benefits payable, including those related to GASB 68, total \$27,185,765 at June 30, 2015. Other postemployment benefits payable consist of postemployment health insurance benefits available to employees as specified in the employee's employment contract upon retirement. Health benefits have been paid by the General Fund. Pension benefits payable consist of pension benefit payments available to employees as specified in the employee's employment contract upon retirement. Pension benefits are paid by the General and Special Revenue Funds. Compensated absences payable consists of unused vacation at June 30, 2015 and other compensated absences paid at retirement for certain employees based on the employment contract. In the past, vacation expense has been paid by the General, Food Service, and the Community Service Funds. Overall, the District's outstanding long-term liabilities decreased by 16.02% in fiscal year 2015. More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.

INDEPENDENT SCHOOL DISTRICT #347

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

**Table A-8
The District's Long-Term Liabilities**

Long-Term Liabilities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable	\$ 1,000,000	\$	\$ 1,000,000	\$	\$
Bond Premium	8,383		8,383		
Capital Leases Payable		797,338	272,682	524,656	258,936
Compensated Absences Payable	2,636,575	564,023	664,191	2,536,407	448,490
Other Postemployment Benefits Payable	1,541,595	775,575	450,864	1,866,306	
Pension Benefits Payable	33,054,431	8,274,276	14,142,942	27,185,765	
Total	\$ 38,240,984	\$ 10,411,212	\$ 16,539,062	\$ 32,113,134	\$ 707,426

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of a voter-approved operating referendum, the District is dependent on the State of Minnesota for its revenue authority.

Some people called the 2013 legislative session "The Education Session". The results of the session will impact schools in FY 14, FY 15 and FY 16. Special education aid will have a new formula in FY 16 with FY 14 and FY 15 as transitional years. Changes in FY 15 include funding for all day, every day kindergarten. The pupil unit weights are simplified which will make the first year a little more complicated as many of the formulas are increased to offset the change in the pupil unit weights. It will look like many of the formulas are increasing when they are really just being adjusted to provide the same amount of revenue as under the old weighting system. There is a \$105 (1.9%) increase to the general fund basic formula. The uniform general education levy returns but is called the student achievement levy. The operating capital levy will be used to offset any levy increase. School boards are allowed to convert \$300 per the new adjusted pupil unit weighting from a voter approved levy to a board approved levy. Willmar made the decision not to convert the referendum at this time. There will be location equity revenue. Safe Schools levy will increase \$4 for new money per student and \$2 for the change in the pupil weighting. Tuition billing is changed so that the resident district is responsible for 90% of the unfunded costs (vs. 100% currently) and the serving district is responsible for 10% of the unfunded costs. Adult Basic Education growth factor increases from 1.02 to 1.025.

The Willmar area has businesses that have shut its doors and others open the doors. Timeless Traditions Bakery, Sinclair Convenience and other businesses closed their doors this year. Ruffs, Schwab Gym and Taco Bell opened businesses in Willmar during the year.

INDEPENDENT SCHOOL DISTRICT #347

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2015

FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)

In 2012, the Minnesota Department of Education received a waiver from the federal No Child Left Behind mandate. In the waiver, the former system of identifying schools as not making adequate yearly progress was replaced with a new multiple measure formula. With the initial onset of this formula, schools across the state were identified based on this measurement and those schools who were in the lowest five percent achievement level in reading and/or math were named as Priority Schools. In addition, schools who are failing to close the achievement gap in specific sub-groups were identified and titled as Focus Schools. Kennedy Elementary was a priority school and Roosevelt Elementary was and is a focus school which has implications across the District. The District applied for and was awarded a School Improvement Grant again for 2014-15 which has allowed the District to retain additional administrators, instructional coaches and community liaisons for both schools. These new positions along with the focus on Response to Intervention provide additional support for all students along with a daily block of time dedicated to providing interventions for all children whether they are below, at or above grade level. The District is making every effort to ensure that the staff is provided with necessary support with instructional practices by participating in professional learning communities where staff will examine student work and then make instructional changes in order to support all of our learners. With these changes, it has been critical for the District to be transparent with all families in the community to ensure all stakeholders are working together with one common goal to increase student learning. For 2014-15, Kennedy Elementary moved out of priority status and became a celebration school.

The Senior High started a new program called Kandiyohi Creating Entrepreneurial Opportunities (CEO). The program gives students the opportunity to network with business people, start a business and have real world business experiences. The District was awarded the 21st Century grant, which is being used to provide additional support to Middle School and Senior High students outside of the school day.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide District 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 Business Office, Independent School District 347, 611 5th St SW, Willmar, MN 56201-3297, visit the Finance section of the District website at www.willmar.k12.mn.us (click on Departments and Finance), or contact Pam Harrington, Director of Business and Finance, at harringtonp@willmar.k12.mn.us or 320-231-8511.

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BASIC FINANCIAL STATEMENTS

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INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF NET POSITION

JUNE 30, 2015

WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2014

	Governmental Activities	
	2015	2014
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets		
Cash and Investments	\$ 10,212,142	\$ 11,600,090
Receivables		
Property Taxes	2,051,647	2,402,227
Other Governments	6,613,835	7,342,937
Other	224,391	163,870
Due from Agency Fund	74,340	
Prepaid Items	113,414	101,820
Inventories	68,355	48,130
Capital Assets		
Assets Not Being Depreciated	716,958	813,172
Other Capital Assets, Net of Depreciation	27,041,260	27,460,872
Total Assets	<u>47,116,342</u>	<u>49,933,118</u>
Deferred Outflows of Resources		
Related to Pensions	5,007,554	
Total Assets and Deferred Outflows of Resources	<u>\$ 52,123,896</u>	<u>\$ 49,933,118</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Liabilities		
Salaries and Wages Payable	\$ 4,179,806	\$ 3,857,973
Accounts and Contracts Payable	480,835	836,888
Due to Other Governmental Units	156,857	221,760
Accrued Interest Payable		20,833
Unearned Revenue	88,954	76,895
Noncurrent Liabilities		
Due Within One Year	707,426	1,458,570
Due in More Than One Year	31,405,708	3,733,232
Total Liabilities	<u>37,019,586</u>	<u>10,206,151</u>
Deferred Inflows of Resources		
Property Taxes Levied for Subsequent Year's Expenditures	3,973,640	4,645,207
Related to Pensions	8,243,107	
Total Deferred Inflows of Resources	<u>12,216,747</u>	<u>4,645,207</u>
Net Position		
Net Investment in Capital Assets	27,758,218	27,265,661
Restricted for		
Operating Capital Purposes	273,849	141,963
State-Mandated Reserves	860,796	343,725
Food Service	910,145	825,425
Community Service	416,590	488,752
Debt Service	16,540	516,903
Unrestricted	(27,348,575)	5,499,331
Total Net Position	<u>2,887,563</u>	<u>35,081,760</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 52,123,896</u>	<u>\$ 49,933,118</u>

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015				2014
	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
				Governmental Activities	Net (Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES					
Administration	\$ 1,817,096	\$	\$	\$	\$ (1,817,096)
District Support Services	1,961,768		171,572		(1,790,196)
Regular Instruction	25,080,532	725,430	9,190,705		(15,164,397)
Vocational Education Instruction	713,935	1,597	67,593		(644,745)
Special Education Instruction	8,980,243	304,569	5,638,345		(3,037,329)
Instructional Support Services	2,782,791		1,085,401		(1,697,390)
Pupil Support Services	3,833,631		116,641		(3,716,990)
Sites and Buildings	4,721,575	37,448	25,858	698,329	(3,959,940)
Fiscal and Other Fixed Costs Programs	154,413				(154,413)
Food Service	2,896,113	775,688	2,324,583		204,158
Community Service	3,232,372	952,875	1,751,980		(527,517)
Interest and Fiscal Charges on Long-Term Liabilities	21,184				(21,184)
Total Governmental Activities	\$ 56,195,653	\$ 2,797,607	\$ 20,372,678	\$ 698,329	(32,327,039)
GENERAL REVENUES					
Property Taxes Levied for					
General Purposes					3,702,366
Community Service					378,081
Debt Service					896,065
State Aid not Restricted to Specific Purposes					26,218,513
Interest Earnings					5,357
Miscellaneous					15,486
Total General Revenues					31,215,868
Change in Net Position					(1,111,171)
NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED					35,081,760
PRIOR PERIOD ADJUSTMENT					(31,083,026)
NET POSITION, BEGINNING OF YEAR, AS RESTATED					3,998,734
NET POSITION, END OF YEAR					\$ 2,887,563

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2014

	General	Food Service	Community Service	Building Construction	Debt Service	Total Governmental Funds	
						2015	2014
ASSETS							
Cash and Investments	\$ 8,266,415	\$ 908,783	\$ 544,671	\$	\$ 371,621	\$ 10,091,490	\$ 11,502,215
Receivables							
Current Property Taxes	1,806,052		192,087			1,998,139	2,339,370
Delinquent Property Taxes	33,718		3,250		16,540	53,508	62,857
Due from Other Minnesota School Districts	1,003,128	39,026				1,042,154	1,295,236
Due from Minnesota Department of Education	4,237,007		99,984		451	4,337,442	4,374,871
Due from Federal through Minnesota Department of Education	801,731	43,636	173,585			1,018,952	1,581,303
Due from Other Governmental Units	201,484		13,803			215,287	91,527
Other Receivables	198,328	9,141	16,922			224,391	163,786
Due from Other Funds	74,791					74,791	
Prepaid Items	94,405	1,291	17,718			113,414	101,820
Inventories	43,081	25,274				68,355	48,130
Total Assets	<u>\$ 16,760,140</u>	<u>\$ 1,027,151</u>	<u>\$ 1,062,020</u>	<u>\$ 0</u>	<u>\$ 388,612</u>	<u>\$ 19,237,923</u>	<u>\$ 21,561,115</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE							
Liabilities							
Salaries and Wages Payable	\$ 3,978,843	\$ 42,805	\$ 158,158	\$	\$	\$ 4,179,806	\$ 3,857,973
Accounts and Contracts Payable	333,194	23,927	22,032	92,985		472,138	826,774
Due to Other Governmental Units	138,055		18,802			156,857	221,760
Due to Other Funds					451	451	
Unearned Revenue	1,210	50,274	37,470			88,954	76,895
Total Liabilities	<u>4,451,302</u>	<u>117,006</u>	<u>236,462</u>	<u>92,985</u>	<u>451</u>	<u>4,898,206</u>	<u>4,983,402</u>
Deferred Inflows of Resources							
Property Taxes Levied for Subsequent Year's Expenditures	3,564,672		408,968			3,973,640	4,645,207
Unavailable Revenue - Delinquent Property Taxes	33,718		3,250		16,540	53,508	62,857
Total Deferred Inflows of Resources	<u>3,598,390</u>	<u>0</u>	<u>412,218</u>	<u>0</u>	<u>16,540</u>	<u>4,027,148</u>	<u>4,708,064</u>
Fund Balance							
Nonspendable	137,486	26,565	17,718			181,769	149,950
Restricted	763,023	883,580	395,622		371,621	2,413,846	2,283,084
Committed	1,200,000					1,200,000	1,200,000
Assigned	332,010					332,010	667,581
Unassigned	6,277,929			(92,985)		6,184,944	7,569,034
Total Fund Balance	<u>8,710,448</u>	<u>910,145</u>	<u>413,340</u>	<u>(92,985)</u>	<u>371,621</u>	<u>10,312,569</u>	<u>11,869,649</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 16,760,140</u>	<u>\$ 1,027,151</u>	<u>\$ 1,062,020</u>	<u>\$ 0</u>	<u>\$ 388,612</u>	<u>\$ 19,237,923</u>	<u>\$ 21,561,115</u>

INDEPENDENT SCHOOL DISTRICT #347

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2015
WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2014

	<u>2015</u>	<u>2014</u>
Total Fund Balances - Governmental Funds	\$ 10,312,569	\$ 11,869,649
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental funds are not financial resources and therefore are not reported as assets in the governmental funds. Those assets consist of:		
Land and Construction in Progress	716,958	813,172
Land Improvements, Net of Accumulated Depreciation	1,669,562	1,706,231
Buildings and Improvements, Net of Accumulated Depreciation	23,332,830	23,893,565
Equipment and Vehicles, Net of Accumulated Depreciation	2,038,868	1,861,076
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds.	53,508	62,857
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(20,833)
Internal service funds are used by management to charge the costs associated with Delta Dental Insurance. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.	111,955	87,845
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources Related to Pensions	5,007,554	
Deferred Inflows of Resources Related to Pensions	(8,243,107)	
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the Statement of Net Position. Balances at year-end are:		
Bonds Payable		(1,000,000)
Unamortized Premium		(8,383)
Capital Lease Payable	(524,656)	
Compensated Absences Payable	(2,536,407)	(2,636,575)
Other Postemployment Benefits Payable	(1,866,306)	(1,541,595)
Pension Benefits Payable	<u>(27,185,765)</u>	<u>(5,249)</u>
Total Net Position - Governmental Activities	<u>\$ 2,887,563</u>	<u>\$ 35,081,760</u>

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2015
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	General	Food Service	Community Service	Building Construction	Debt Service	Total Governmental Funds	
						2015	2014
REVENUES							
Local Sources							
Property Taxes	\$ 3,704,977	\$	\$ 378,175	\$	\$ 902,710	\$ 4,985,862	\$ 4,951,777
Interest Earnings	4,727	213	167		250	5,357	3,881
Other	1,617,411	845,036	1,303,044			3,765,491	4,593,423
State Sources	39,884,917	219,060	961,984		4,510	41,070,471	41,128,388
Federal Sources	2,778,977	2,036,175	441,748			5,256,900	5,130,749
Total Revenues	47,991,009	3,100,484	3,085,118	0	907,470	55,084,081	55,808,218
EXPENDITURES							
Current							
Administration	1,885,624					1,885,624	1,681,864
District Support Services	1,924,638					1,924,638	1,667,742
Regular Instruction	24,159,007					24,159,007	22,334,421
Vocational Education Instruction	752,453					752,453	786,712
Special Education Instruction	9,033,968					9,033,968	8,218,439
Instructional Support Services	2,593,209					2,593,209	2,366,902
Pupil Support Services	3,795,335		23,282			3,818,617	3,691,972
Sites and Buildings	4,098,249			92,985		4,191,234	4,123,080
Fiscal and Other Fixed Costs Programs	153,982					153,982	155,082
Food Service		2,833,718				2,833,718	2,798,755
Community Service			3,102,196			3,102,196	2,654,612
Capital Outlay	1,735,449	182,046	31,708			1,949,203	1,711,645
Debt Service							
Principal					1,000,000	1,000,000	2,320,000
Interest and Fiscal Charges					50,400	50,400	170,625
Total Expenditures	50,131,914	3,015,764	3,157,186	92,985	1,050,400	57,448,249	54,681,851
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,140,905)	84,720	(72,068)	(92,985)	(142,930)	(2,364,168)	1,126,367
OTHER FINANCING SOURCES (USES)							
Proceeds from Issuance of Capital Lease	797,338					797,338	
Sale of Equipment	9,750					9,750	
Total Other Financing Sources (Uses)	807,088	0	0	0	0	807,088	0
Net Change in Fund Balances	(1,333,817)	84,720	(72,068)	(92,985)	(142,930)	(1,557,080)	1,126,367
FUND BALANCE, BEGINNING OF YEAR	10,044,265	825,425	485,408		514,551	11,869,649	10,743,282
FUND BALANCE, END OF YEAR	\$ 8,710,448	\$ 910,145	\$ 413,340	\$ (92,985)	\$ 371,621	\$ 10,312,569	\$ 11,869,649

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	<u>2015</u>	<u>2014</u>
Total Net Change in Fund Balances - Governmental Funds	\$ (1,557,080)	\$ 1,126,367
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlay is reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful		
Capital Outlay	805,629	935,831
Depreciation Expense	(1,274,657)	(1,275,965)
Cost of Capital Assets Disposed	(104,963)	(400,730)
Accumulated Deprecation Related to Disposed Capital Assets	58,165	376,367
The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences is as follows:		
Proceeds from Issuance of Long-Term Debt	(797,338)	
Principal Retirement of Long-Term Debt	1,272,682	2,320,000
Change in Accrued Interest Payable	20,833	48,334
Amortization of Bond Premium	8,383	100,597
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	(9,349)	(11,179)
In the Statement of Activities, certain operating expenses - pension, other post-employment benefits and compensated absences - 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 actually paid).	442,414	325,877
An internal service fund is used to charge the costs associated with Delta Dental insurance. The net change in net position of the fund is reported with governmental activities.	<u>24,110</u>	<u>(1,280)</u>
Change in Net Position - Governmental Activities	<u>\$ (1,111,171)</u>	<u>\$ 3,544,219</u>

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED JUNE 30, 2015
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014	
	Budgeted Amounts		Actual	Over (Under)	
	Original	Final		Final Budget	Actual
REVENUES					
Local Sources					
Property Taxes	\$ 3,726,006	\$ 3,726,865	\$ 3,704,977	\$ (21,888)	\$ 2,344,504
Interest Earnings	2,917	4,831	4,727	(104)	3,033
Other	1,521,959	1,841,270	1,617,411	(223,859)	2,263,832
State Sources	39,354,739	39,297,108	39,884,917	587,809	39,839,288
Federal Sources	2,502,634	2,849,958	2,778,977	(70,981)	3,123,960
Total Revenues	<u>47,108,255</u>	<u>47,720,032</u>	<u>47,991,009</u>	<u>270,977</u>	<u>47,574,617</u>
EXPENDITURES					
Current					
Administration	1,823,759	1,848,151	1,885,624	37,473	1,681,864
District Support Services	1,887,570	2,012,761	1,924,638	(88,123)	1,667,742
Regular Instruction	23,653,386	24,214,751	24,159,007	(55,744)	22,334,421
Vocational Education Instruction	776,206	754,206	752,453	(1,753)	786,712
Special Education Instruction	9,304,479	9,143,383	9,033,968	(109,415)	8,218,439
Instructional Support Services	2,859,166	2,872,571	2,593,209	(279,362)	2,366,902
Pupil Support Services	3,739,774	3,891,416	3,795,335	(96,081)	3,667,451
Sites and Buildings	4,123,182	4,308,392	4,098,249	(210,143)	4,123,080
Fiscal and Other Fixed Costs Programs	155,082	155,082	153,982	(1,100)	155,082
Capital Outlay					
Administration	1,500		200	200	
District Support Services	25,300	25,000	21,596	(3,404)	36,042
Regular Instruction	451,850	498,198	688,391	190,193	315,959
Vocational Education Instruction	16,000	17,377	10,493	(6,884)	103,585
Special Education Instruction	96,000	166,850	86,445	(80,405)	20,115
Instructional Support Services	143,882	131,957	136,131	4,174	132,765
Pupil Support Services			2,980	2,980	1,789
Sites and Buildings	877,529	864,301	789,213	(75,088)	977,411
Total Expenditures	<u>49,934,665</u>	<u>50,904,396</u>	<u>50,131,914</u>	<u>(772,482)</u>	<u>46,589,359</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,826,410)	(3,184,364)	(2,140,905)	1,043,459	985,258
OTHER FINANCING SOURCES (USES)					
Proceeds from Issuance of Capital Lease			797,338	797,338	
Sale of Equipment			9,750	9,750	
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>807,088</u>	<u>807,088</u>	<u>0</u>
Net Change in Fund Balances	<u>\$ (2,826,410)</u>	<u>\$ (3,184,364)</u>	<u>(1,333,817)</u>	<u>\$ 1,850,547</u>	<u>985,258</u>
FUND BALANCE, BEGINNING OF YEAR			<u>10,044,265</u>		<u>9,059,007</u>
FUND BALANCE, END OF YEAR			<u>\$ 8,710,448</u>		<u>\$ 10,044,265</u>

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOOD SERVICE SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2015
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			Over (Under) Final Budget	2014
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Local Sources					
Interest Earnings	\$ 154	\$ 202	\$ 213	\$ 11	\$ 159
Other-Primarily Meal Sales	869,000	833,843	845,036	11,193	882,591
State Sources	211,400	209,400	219,060	9,660	178,885
Federal Sources	1,853,430	1,854,430	2,036,175	181,745	1,925,207
Total Revenues	<u>2,933,984</u>	<u>2,897,875</u>	<u>3,100,484</u>	<u>202,609</u>	<u>2,986,842</u>
EXPENDITURES					
Current					
Food Service	2,689,761	2,801,343	2,833,718	32,375	2,798,755
Capital Outlay					
Food Service	256,500	313,290	182,046	(131,244)	78,642
Total Expenditures	<u>2,946,261</u>	<u>3,114,633</u>	<u>3,015,764</u>	<u>(98,869)</u>	<u>2,877,397</u>
Net Change in Fund Balances	<u>\$ (12,277)</u>	<u>\$ (216,758)</u>	84,720	<u>\$ 301,478</u>	109,445
FUND BALANCE, BEGINNING OF YEAR			<u>825,425</u>		<u>715,980</u>
FUND BALANCE, END OF YEAR			<u>\$ 910,145</u>		<u>\$ 825,425</u>

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 COMMUNITY SERVICE SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2015
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			Over (Under) Final Budget	2014
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Local Sources					
Property Taxes	\$ 375,291	\$ 376,536	\$ 378,175	\$ 1,639	\$ 178,562
Interest Earnings	237	160	167	7	234
Other-Primarily Tuition and Fees	1,033,737	1,185,214	1,303,044	117,830	1,447,000
State Sources	955,041	962,444	961,984	(460)	1,098,601
Federal Sources	454,123	454,024	441,748	(12,276)	81,582
Total Revenues	<u>2,818,429</u>	<u>2,978,378</u>	<u>3,085,118</u>	<u>106,740</u>	<u>2,805,979</u>
EXPENDITURES					
Current					
Pupil Support Services	26,483	34,851	23,282	(11,569)	24,521
Community Service	2,868,099	3,028,507	3,102,196	73,689	2,654,612
Capital Outlay					
Pupil Support Services			9,569	9,569	
Community Service	8,206	22,358	22,139	(219)	45,337
Total Expenditures	<u>2,902,788</u>	<u>3,085,716</u>	<u>3,157,186</u>	<u>71,470</u>	<u>2,724,470</u>
Net Change in Fund Balances	<u>\$ (84,359)</u>	<u>\$ (107,338)</u>	<u>(72,068)</u>	<u>\$ 35,270</u>	<u>81,509</u>
FUND BALANCE, BEGINNING OF YEAR			<u>485,408</u>		<u>403,899</u>
FUND BALANCE, END OF YEAR			<u>\$ 413,340</u>		<u>\$ 485,408</u>

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF NET POSITION
 PROPRIETARY FUND
 JUNE 30, 2015
 WITH COMPARATIVE AMOUNTS AS OF JUNE 30, 2014

	<u>Governmental Activities- Internal Service Fund</u>	
	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets		
Cash and Investments	\$ 120,652	\$ 97,875
Accounts Receivable		84
	<u>\$ 120,652</u>	<u>\$ 97,959</u>
Total Assets		
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts Payable	\$ 8,697	\$ 10,114
Net Position		
Unrestricted	<u>111,955</u>	<u>87,845</u>
Total Liabilities and Net Position	<u>\$ 120,652</u>	<u>\$ 97,959</u>

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2015
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	Governmental Activities- Internal Service Fund	
	2015	2014
OPERATING REVENUES		
Charges for Services	\$ 228,882	\$ 229,328
OPERATING EXPENSES		
Dental Insurance Claim Payments	182,832	205,900
General Administration Costs	21,940	24,708
Total Operating Expenses	<u>204,772</u>	<u>230,608</u>
Net Change in Net Position	24,110	(1,280)
NET POSITION, BEGINNING OF YEAR	<u>87,845</u>	<u>89,125</u>
NET POSITION, END OF YEAR	<u>\$ 111,955</u>	<u>\$ 87,845</u>

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2015
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	Governmental Activities- Internal Service Fund	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Interfund Services Provided	\$ 228,911	\$ 229,299
Payments for Administrative Costs	(22,086)	(24,460)
Payments for Dental Fees and Insurance Claims	(184,048)	(203,830)
Net Increase (Decrease) in Cash and Cash Equivalents	<u>22,777</u>	<u>1,009</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>97,875</u>	<u>96,866</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 120,652</u>	<u>\$ 97,875</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 24,110	\$ (1,280)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
(Increase) Decrease in Assets		
Accounts Receivable	84	(84)
Increase (Decrease) in Liabilities		
Accounts Payable	(1,417)	2,373
Net Cash Provided (Used) By Operating Activities	<u>\$ 22,777</u>	<u>\$ 1,009</u>

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015

	Private- Purpose Trust Fund	Agency Fund
	<u> </u>	<u> </u>
ASSETS		
Cash and Investments	\$ 33,820	\$
Receivables		
Due from Other Minnesota School Districts		90,207
Interest Receivable	101	
	<u> </u>	<u> </u>
Total Assets	<u>\$ 33,921</u>	<u>\$ 90,207</u>
LIABILITIES AND NET POSITION		
Liabilities		
Salaries and Wages Payable	\$	\$ 7,618
Accounts Payable		8,249
Due to Other Funds		74,340
Total Liabilities	<u>0</u>	<u>90,207</u>
Net Position		
Held in Trust for Scholarships	<u>33,921</u>	
	<u> </u>	<u> </u>
Total Liabilities and Net Position	<u>\$ 33,921</u>	<u>\$ 90,207</u>

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2015

	Private- Purpose Trust Fund
	<u> </u>
ADDITIONS	
Interest Earnings	\$ 165
DEDUCTIONS	
Scholarship Obligations	750
Change in Net Position	<u>(585)</u>
NET POSITION, BEGINNING OF YEAR	<u>34,506</u>
NET POSITION, END OF YEAR	<u>\$ 33,921</u>

See Accompanying Notes to the Financial Statements

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INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Independent School District #347 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. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America. The more significant of the government's accounting policies are described below.

A. REPORTING ENTITY

The Independent School District #347 Board of Education ("District") is the basic level of government which has the financial accountability and control over all activities related to the public school education for the Willmar Public School District. The District receives funding from local, state, and federal sources and must comply with the expenditure requirements of these funding source entities.

The financial statements present the District and its component units. The District includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate from such. Component units are legally separate entities for which the District is financially accountable, or for which the exclusion of the component unit would render the financial statements of the District misleading.

The criteria used to determine if the District is financially accountable for a component unit includes whether or not 1) the District appoints the voting majority of the potential component unit's governing body and is able to impose its will on the potential component unit or is in a relationship of financial benefit or burden with the potential component unit, or 2) the potential component unit is fiscally dependent on and there is potential for the potential component unit to provide specific financial benefits to, or impose specific financial burdens on, the District.

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

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. The School Board has a fiduciary responsibility in establishing general policies and ensuring that appropriate financial records are maintained for student activities. However, in accordance with Minnesota Statutes, the District's School Board has elected not to control or exercise oversight responsibility with respect to the underlying student activities. Accordingly, the extracurricular student activity accounts are not included in these financial statements.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Cont'd)

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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of all charges would distort the direct costs and program revenue reported for the various functions concerned.

Separate financial statements are provided for governmental, proprietary and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

The Internal Service Fund is presented in the proprietary fund financial statements. Because the principal user of the internal services is the District's governmental activities, the financial statement of the internal service fund is consolidated into the governmental activities column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund and 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 amounts advance recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Cont'd)

The governmental fund financial statements are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting, in which revenues are recognized when they become measurable and available. Revenues are considered to be measurable when the amount of the transaction can be determined and available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except interest earnings) are recorded as revenues when received because they are generally not measurable until then. Interest earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The District does not use encumbrances for either budgeting or financial reporting purposes.

It is generally the District's policy to use restricted resources first, then unrestricted resources as they are needed when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Description of Funds

The existence of the various District funds has been established by the State of Minnesota, Department of Education. The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. A description of the funds included in this report is as follows:

Major Governmental Funds:

The General Fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations and pupil transportation activities of the District, as well as the capital related activities such as maintenance of facilities, equipment purchases, health and safety projects, and disabled accessibility projects.

The Food Service Special Revenue Fund accounts for all activities associated with the preparation and serving of regular and incidental meals, lunches or snacks in connection with school activities. Revenues for the Food Service Fund are generated from user fees, federal reimbursements, and state credits.

The Community Service Special Revenue Fund accounts for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs or other similar services. Revenues for the Community Service Fund are generated primarily from user fees, local property taxes, federal reimbursements, and state credits.

The Building Construction Capital Projects Fund accounts for financial resources used for the acquisition or construction of major capital facilities funded by the sale of bonds.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Cont'd)

Major Governmental Funds: (Cont'd)

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

Proprietary Fund:

The Internal Service Fund accounts for financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The District's Internal Service Fund accounts for the District's dental self-insurance program. The self-insurance costs are charged to the various funds based on established premium rates.

Fiduciary Funds:

The Private-Purpose Trust Fund is used to account for trust arrangements under which principal and income benefits individuals, private organizations, or other governments. This fund accounts for gifts and bequests that are to be used for scholarships.

The Agency Fund is used to account for cash and other assets held by the District as the agent for others. These funds are used to account for the West Central Achievement and Integration Collaborative.

D. BUDGETS AND BUDGETARY ACCOUNTING

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. Each June, the School Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, and Debt Service Funds. The approved budget is published in summary form in the District's legal newspaper by November 30 of each year. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the School Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by School Board action. Revisions to budgeted amounts must be approved by the School Board.

Total fund expenditures in excess of the budget require approval of the School Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

Unencumbered expenditure appropriations lapse at year-end. Encumbrances are not recorded.

Budget provisions for the Debt Service Fund are set by state law governing required debt service levels.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND EQUITY

Cash and Investments:

The District's cash and cash equivalents are considered to be cash on hand, deposits and highly liquid debt instruments purchased with original maturities of three months or less from the date of acquisition.

The District may invest in the following types of investments as authorized by Minn. Stat. §§118A.04 and 118A.05:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. §118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers acceptances of United States bank;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Cash and investments were comprised of demand deposit accounts, non-negotiable certificates of deposit, and repurchase agreement. Investments are recorded at fair value as determined by quoted market prices.

Cash balances from all funds of the District are pooled and invested, to the extent available, in allowable cash management accounts. Earnings from such accounts are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

For purposes of the Statement of Cash Flows, the District considers cash in bank and all highly liquid instruments (including restricted assets) to be cash and cash equivalents in its proprietary fund.

The District has an investment policy in place that addresses interest rate risk, credit risk, concentration of credit risk and custodial credit risk as follows:

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND EQUITY (Cont'd)

Cash and Investments: (Cont'd)

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Minnesota Statutes require 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.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations of a state or local government rated "A" or better and revenue obligations of a state or local government rated "AA" or better; unrated general obligation securities of the District; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The District does not have a policy that further limits its collateral choices.

Custodial Credit Risk - Investments. For an investment, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy on custodial credit risk states securities shall be held in third party safekeeping by an institution designated as custodial agent. The institution or dealer shall issue a safekeeping receipt to the District listing the specific instrument, the name of the issuer, the name in which the security is held, the rate, the maturity, serial numbers and other distinguishing marks, and other pertinent information related to the securities held.

Interest Rate Risk. This is the risk that the market value of securities will fall due to the changes in market interest rates. The District's policy states investment maturities shall be scheduled to coincide with projected District cash flow needs, taking into account large routine or scheduled expenditures, as well as anticipated receipt dates of anticipated revenues. Maturities for short-term and long-term investments shall be timed according to anticipated need. Within these parameters, portfolio maturities shall be staggered to avoid undue concentration of assets and a specific maturity sector. The maturities selected shall provide for stability of income and reasonable liquidity.

Credit Risk. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law limits certain investments to the top two ratings issued by the rating organizations. The District's investment policy states it will comply with Minnesota Statutes Chapter 118A.

Concentration Risk. This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's investment policy states the District shall diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND EQUITY (Cont'd)

Accounts Receivable:

Accounts receivable represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

Current Property Taxes Receivable:

Current property taxes receivable represent current real and personal property tax levies, certified the previous December and collectible in the current calendar year, which have not been received by the District.

Delinquent Property Taxes Receivable:

Delinquent property taxes receivable represent taxes collectible in the years 2008 to 2014 that remain uncollected at June 30, 2015. They are equally offset by a deferred inflows of resources amount in the governmental fund financial statements.

Prepaid Items:

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

Inventories:

Inventories are recorded using the consumption method of accounting and consist of paper, purchased food and supplies. Food, paper and supply purchases are recorded at invoice cost, computed on a first-in, first-out method.

Property Taxes Levied for Subsequent Year's Expenditures:

Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the state which will be recognized as revenue in the next fiscal year beginning July 1, 2015, are included in this account to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

Capital Assets:

Tangible and intangible 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 for capitalizing tangible and intangible capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Tangible and intangible capital assets are recorded in the government-wide financial statements, but are not reported in the governmental 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.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND EQUITY (Cont'd)

Capital Assets: (Cont'd)

Capital assets not being depreciated include land and construction in progress.

The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

The District does not possess any material amounts of intangible capital assets.

Unearned Revenue/Deferred Inflows of Resources:

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and certain other payments received before eligibility requirements are met are also recorded as unearned revenue. On the modified accrual basis, receivables that will not be collected within the available period have been reported as deferred inflows of resources.

Long-Term Obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

Compensated Absences:

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated vacation and certain sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are accrued when incurred in the government-wide financial statements. The government-wide Statement of Net Position reports both current and noncurrent portions of compensated absences using full accrual accounting. The current portion consists of an amount based on a trend analysis of current usage of vacation and vested sick leave. The noncurrent portion consists of the remaining amount of vacation and total vested sick leave.

Vacation Pay:

Employees earn annual vacation pay at rates dependent upon each employee group labor contract. All outstanding unpaid vacation pay is payable upon termination of employment. At June 30, 2015, unpaid vacation pay totaling \$257,913 is recorded in the financial statements.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND EQUITY (Cont'd)

Compensated Absences: (Cont'd)

Sick Pay:

Substantially all District employees are entitled to sick leave at various rates. For certain employees, unused sick leave enters into the calculation of pay upon termination.

Secretarial Staff:

An unused sick leave payment is available to full-time secretaries who have completed at least 15 years of continuous service with the District and are at least 55 years of age. An eligible individual will receive an amount equal to 75% of the number of unused accumulated sick leave hours multiplied by the employee's hourly rate of pay, not to exceed 800 hours, less any TSA match the District contributed. Employees hired after July 1, 2000 are not eligible for an unused sick leave payment.

Library Clerical Staff and General Paraprofessionals:

An unused sick leave payment is available to full-time library clerical staff and full-time general paraprofessionals who have completed at least 15 years of service with the District and are at least 55 years of age. An eligible individual will receive an amount equal to 75% of the number of unused accumulated sick leave days multiplied by the employee's daily rate of pay, not to exceed 120 days.

Special Needs Paraprofessionals, Sign Language Interpreters and Job Coaches:

An unused sick leave payment is available to full-time special needs paraprofessionals, full-time sign language interpreters and full-time job coaches who have completed at least 15 years of continuous service with the District and are at least 58 years of age. An eligible individual will receive an amount equal to 75% of the number of unused accumulated sick leave days multiplied by the employee's daily rate of pay, not to exceed 805 hours, less any TSA match the District contributed. Employees hired after July 1, 2002 will not be eligible for an unused sick leave payment.

Food Service Staff:

An unused sick leave payment is available to full-time food service staff who have completed at least 15 years of continuous service with the District and are at least 55 years of age. An eligible individual will receive an amount equal to 75% of the number of unused accumulated sick leave hours multiplied by the employee's hourly rate of pay, not to exceed 600 hours.

Administrators:

An unused sick leave payment is available to administrators who have completed at least 10 years of full-time service with the District and are at least 55 years of age but not more than 65 years of age. An eligible administrator will receive an amount equal to the number of unused accumulated sick leave days multiplied by the employee's daily rate of pay, not to exceed 175 days, less any TSA match the District contributed. Administrators hired after July 1, 2000 are not eligible for an unused sick leave payment.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND EQUITY (Cont'd)

Compensated Absences: (Cont'd)

Teachers:

An unused sick leave payment is available to teachers who have completed at least 15 years of combined part-time and full-time Full-Time Equivalent (FTE) paid teaching service with the District and are at least 55 years of age. An eligible teacher will receive an amount equal to 50% of the number of unused accumulated sick leave days multiplied by the employee's daily rate of pay, not to exceed 90 days. Furthermore, an eligible teacher will receive an amount equal to the teacher's number of years of service multiplied by four and the employee's daily rate of pay, not to exceed 100 days. The maximum combined total payment shall not exceed 150 days. Any TSA match the District contributed will be deducted from the payment. Teachers hired after July 1, 2000 are not eligible for this benefit.

Custodians:

Custodians shall earn ten days of severance pay credit for each full year of service, with accumulation to 150 days. Upon resignation of the employee at age 55 or older, the District shall pay severance equal to 100% of an employee's accumulated severance pay days up to a maximum of 150 days, at the employee's daily rate of pay.

Confidential Employees:

An unused sick leave payment is available to full-time confidential employees who have completed at least 15 years of continuous service with the District and are at least 55 years of age. An eligible individual will receive an amount equal to 75% of the number of unused accumulated sick leave hours multiplied by the employee's hourly rate of pay, not to exceed 805 hours, less any TSA match the District contributed. Employees hired after July 1, 2004 are not eligible for an unused sick leave payment.

Other Postemployment Benefits:

Under the terms of previous employment contracts, when certain qualified employees retired between the ages of 55 to 65, the District provided life and health insurance benefits which would cease when such employees attain the age of 65. This benefit is no longer available to employees; however, the District continues to pay health insurance for qualified individuals that retired when this benefit was in effect. All premiums are funded on a pay-as-you-go basis.

Pensions:

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

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND EQUITY (Cont'd)

Fund Balance:

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources reported in governmental funds. These classifications are as follows:

Nonspendable - consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact, such as, inventories and prepaid items.

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

Committed - consists of amounts that are constrained for specific purposes that are internally imposed by formal action of the Board of Education. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. These constraints are established by Resolution of the Board of Education.

Assigned - consists of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to School Board Policy, the Director of Business and Finance is authorized to establish assignments of fund balance.

Unassigned - is the residual classification for the General Fund and also reflects negative residual amounts in the remaining governmental funds.

The District requires restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Board of Education formally adopted a fund balance policy for the General Fund. The District's policy is to strive to maintain a minimum unassigned fund balance of 6% of the General Fund.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND EQUITY (Cont'd)

Net Position:

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the government-wide, proprietary fund, and fiduciary fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide, proprietary fund, and fiduciary fund financial statements when there are limitations on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position consists of all other net position that does not meet the definition of restricted or net investment in capital assets.

F. REVENUES AND EXPENDITURES

Revenues:

Property tax levies are established by the Board of Education in December each year and are certified to the County for collection in the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become a lien on January 1. Taxes are due on May 15 and October 15. The County generally remits taxes to the District at periodic intervals as they are collected. A portion of property taxes levied is paid through various state tax credits which are included in revenue from state sources in the governmental fund 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 deferred inflow of resources (property taxes levied for subsequent year's expenditures). The majority of District revenue in the General Fund (and to a lesser extent in the District's Community Service Special Revenue Fund) is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between 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."

In accordance with State law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum which is frozen at \$184,153 for the District. For the year ended June 30, 2015, State law is not requiring recognition of the current operating referendum and all other levies other than Career Technical and Reemployment Insurance. Career Technical and Reemployment Insurance tax levies are recognized early based on statutory requirements in the amounts of \$64,695 and \$16,270, respectively.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

F. REVENUES AND EXPENDITURES (Cont'd)

Revenues: (Cont'd)

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as a deferred inflow of resources at the fund level because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the State which will be recognized as revenue in the next fiscal year beginning July 1, 2015, are included in Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

Expenditures:

Expenditure recognition for governmental fund types is limited to amounts represented by current liabilities. Noncurrent liabilities are not recognized as governmental fund expenditures or liabilities.

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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

H. PRIOR YEAR INFORMATION

The basic financial statements include certain prior-year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2014, from which the partial information was derived.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. VIOLATIONS OF FINANCE-RELATED OBLIGATIONS

There were no violations of finance-related obligations.

B. DEFICIT FUND BALANCES

The following fund had a deficit fund balance:

Building Construction Capital Project Fund	\$	(92,985)
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INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Cont'd)

C. EXPENDITURES EXCEEDING APPROPRIATIONS

Budgetary control for governmental funds is established by each funds' total appropriations. The following fund had expenditures that exceeded appropriations:

	<u>Expenditures</u>	<u>Appropriations</u>
Community Service Special Revenue Fund	\$ 3,157,186	\$ 3,085,716
Building Construction Fund	92,985	

The overage was considered by the District management to be the result of necessary expenditures critical to operations and were approved by the Board.

NOTE 3. CASH AND INVESTMENTS

Cash and investments are as follows:

	<u>Book Balance</u>
<u>Governmental Activities</u>	
Cash and Investments	
Petty Cash	\$ 473
Pooled Cash in Checking Accounts	27,964
Non-negotiable Certificates of Deposit	653,454
Pooled Repurchase Agreement	<u>9,530,251</u>
Total Cash and Investments	<u>\$ 10,212,142</u>
<u>Fiduciary Fund</u>	
Cash and Investments	
Pooled Cash in Checking Accounts	\$ 244
Non-negotiable Certificates of Deposit	<u>33,576</u>
Total Cash and Investments	<u>\$ 33,820</u>

A. DEPOSITS

The District's deposits were sufficiently covered by insurance through the FDIC as well as collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3. CASH AND INVESTMENTS (Cont'd)

B. INVESTMENTS

Custodial Credit Risk. For an investment, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The underlying securities of the repurchase agreement are held by the investment company who acts as the agent and serves as the custodian of the securities for the District and are uninsured.

Interest Rate Risk. This is the risk that the market value of securities will fall due to the changes in market interest rates. The District's investment in the repurchase agreement does not have a specific maturity date but is cancelable by giving the institution 30 days notice.

Concentration Risk. This is the risk of loss attributed to the magnitude of an investment in a single issuer. More than 5 percent of the District's investments are in the repurchase agreement. The repurchase agreement is 100% of the District's investments.

NOTE 4. RECEIVABLES

Receivables are as follows:

	<u>Total Receivables</u>	<u>Amounts not Scheduled for Collection During the Subsequent Year</u>
<u>Governmental Activities</u>		
Receivables		
Property Taxes		
Current Property Taxes	\$ 1,998,139	\$
Delinquent Property Taxes	53,508	
Total Property Taxes	<u>2,051,647</u>	<u>0</u>
Other Governments		
Due from Other Minnesota School Districts	1,042,154	
Due from Minnesota Department of Education	4,337,442	
Due from Federal through Minnesota Department of Education	1,018,952	
Due from Other Governmental Units	215,287	
Total Other Governments	<u>6,613,835</u>	<u>0</u>
Other		
Other Receivables	<u>224,391</u>	
Total Governmental Activities	<u>\$ 8,889,873</u>	<u>\$ 0</u>

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5. CAPITAL ASSETS

Capital asset activity was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 617,518	\$	\$	\$ 617,518
Construction in Progress	195,654	160,393	(256,607)	99,440
Total Capital Assets, Not Being Depreciated	813,172	160,393	(256,607)	716,958
Capital Assets, Being Depreciated				
Land Improvements	3,931,055	82,551		4,013,606
Buildings and Improvements	46,888,870	362,402	(7,050)	47,244,222
Equipment	4,531,076	456,890	(97,913)	4,890,053
Total Capital Assets, Being Depreciated	55,351,001	901,843	(104,963)	56,147,881
Less Accumulated Depreciation for				
Land Improvements	(2,224,824)	(119,220)		(2,344,044)
Buildings and Improvements	(22,995,305)	(916,933)	846	(23,911,392)
Equipment	(2,670,000)	(238,504)	57,319	(2,851,185)
Total Accumulated Depreciation	(27,890,129)	(1,274,657)	58,165	(29,106,621)
Total Capital Assets Being Depreciated, Net	27,460,872	(372,814)	(46,798)	27,041,260
Governmental Activities Net Capital Assets	<u>\$ 28,274,044</u>	<u>\$ (212,421)</u>	<u>\$ (303,405)</u>	<u>\$ 27,758,218</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
District Support Services	\$ 1,500
Regular Instruction	855,747
Vocational Education Instruction	10,508
Special Education Instruction	7,371
Instructional Support Services	11,222
Pupil Support Services	53,984
Sites and Buildings	311,865
Fiscal and Other Fixed Cost Programs	431
Community Service	22,029
Total Depreciation Expense - Governmental Activities	<u>\$ 1,274,657</u>

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 6. INTERFUND RECEIVABLES AND PAYABLES

The District had the following interfund balances:

Due From Other Funds	Due to Other Funds	Amount
General Fund	Debt Service Fund	\$ 451
General Fund	Agency Fund	74,340
		\$ 74,791

The purpose of the above interfund loan was to cover deficit cash balances.

NOTE 7. LONG-TERM DEBT

A. COMPONENTS OF LONG-TERM DEBT

	Original Amount Issued	Final Maturity Date	Interest Rate	Balance Outstanding
<u>Governmental Activities</u>				
Capital Lease Payable	\$ 797,338	6/30/2017	0.34%	\$ 524,656
Compensated Absences Payable				2,536,407
Other Postemployment Benefits Payable				1,866,306
Pension Benefits Payable				27,185,765
Total Governmental Activities				\$ 32,113,134

B. DESCRIPTION OF LONG-TERM DEBT

Compensated Absences Payable:

Compensated absences payable consists of unused vacation at June 30, 2015 and other compensated absences paid at retirement for certain employees based on the employment contract. In the past, compensated absences have been paid by the General, Food Service, and the Community Service Funds.

Other Postemployment Benefits Payable:

Other postemployment benefits payable consist of postemployment health insurance benefits available to employees as specified in the employee's employment contract upon retirement. Health benefits have been paid by the General Fund.

Pension Benefits Payable:

Pension benefits payable consist of pension benefit payments available to employees as specified in the employee's employment contract upon retirement. Pension benefits are paid by the General and Special Revenue Funds.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7. LONG-TERM DEBT (Cont'd)

C. CHANGES IN LONG-TERM DEBT

The following table summarizes changes in long-term debt:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
Bonds Payable	\$ 1,000,000	\$	\$ (1,000,000)	\$	\$
Bond Premium	8,383		(8,383)		
Capital Lease Payable		797,338	(272,682)	524,656	258,936
Compensated Absences Payable	2,636,575	564,023	(664,191)	2,536,407	448,490
Other Postemployment Benefits Payable	1,541,595	775,575	(450,864)	1,866,306	
Pension Benefits Payable	33,054,431	8,274,276	(14,142,942)	27,185,765	
Total Governmental Activities	<u>\$ 38,240,984</u>	<u>\$ 10,411,212</u>	<u>\$ (16,539,062)</u>	<u>\$ 32,113,134</u>	<u>\$ 707,426</u>

In addition, the District has available a \$750,000 line of credit with a local financial institution. The line bears interest at variable rates (4.5% at June 30, 2015) and is unsecured. This line matures on December 31, 2015. There is no balance outstanding under this arrangement as of June 30, 2015.

D. CAPITAL LEASE PAYABLE

In 2015, the District entered into a lease agreement for the purchase of iPads. The assets under the capital lease agreement were \$797,338. The future minimum lease payments due under the existing capital lease are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 258,936	\$ 13,746	\$ 272,682
2017	265,720	6,962	272,682
	<u>\$ 524,656</u>	<u>\$ 20,708</u>	<u>\$ 545,364</u>

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 8. FUND BALANCE

The following is a summary of fund balance components.

	General	Food Service	Community Service	Subtotal
Nonspendable				
Prepaid Items	\$ 94,405	\$ 1,291	\$ 17,718	\$ 113,414
Inventories	43,081	25,274		68,355
Total Nonspendable	137,486	26,565	17,718	181,769
Restricted				
Operating Capital	273,848			273,848
Staff Development	334,169			334,169
Community Education			289,059	289,059
ECFE			42,243	42,243
School Readiness			54,006	54,006
Gifted and Talented Teacher Development	22,861 101,741			22,861 101,741
Achievement/ Integration	30,179			30,179
Safe Schools	225			225
Other Fund Activities		883,580	10,314	893,894
Total Restricted	763,023	883,580	395,622	2,042,225
Committed				
Severance	1,200,000			1,200,000
Assigned				
Third Party Billing	332,010			332,010
Unassigned				
	6,277,929			6,277,929
	<u>\$ 8,710,448</u>	<u>\$ 910,145</u>	<u>\$ 413,340</u>	<u>\$ 10,033,933</u>

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 8. FUND BALANCE (Cont'd)

The following is a summary of fund balance components.

	Building Construction	Debt Service	Subtotal	Total
Nonspendable				
Prepaid Items	\$	\$	\$	\$ 113,414
Inventories				68,355
Total Nonspendable	0	0	0	181,769
Restricted				
Operating Capital				273,848
Staff Development				334,169
Community Education				289,059
ECFE				42,243
School Readiness				54,006
Gifted and Talented				22,861
Teacher				
Development				101,741
Achievement/ Integration				30,179
Safe Schools				225
Other Fund Activities		371,621	371,621	1,265,515
Total Restricted	0	371,621	371,621	2,413,846
Committed				
Severance				1,200,000
Assigned				
Third Party Billing				332,010
Unassigned	(92,985)		(92,985)	6,184,944
	<u>\$ (92,985)</u>	<u>\$ 371,621</u>	<u>\$ 278,636</u>	<u>\$ 10,312,569</u>

Fund Equity:

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. The following is a summary of the potential restricted fund balances for the governmental funds:

A. RESTRICTED FOR OPERATING CAPITAL

The District levies taxes and receives state aid to be used for the purchase of equipment, books and vehicles and to purchase, rent, improve, and repair school facilities as allowed by state statute. The cumulative excess of such revenues over equipment and facilities expenditures is reported as a restriction of fund balance in the General Fund.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 8. FUND BALANCE (Cont'd)

B. RESTRICTED FOR STAFF DEVELOPMENT

In accordance with state statute, the District is required to restrict 2.0% of basic General Education revenue for staff development. The cumulative excess of such revenues over staff development expenditures is reported as a restriction of fund balance in the General Fund.

C. RESTRICTED FOR COMMUNITY EDUCATION

The fund balance restriction represents accumulated resources available to provide general community education programming.

D. RESTRICTED FOR ECFE (EARLY CHILDHOOD AND FAMILY EDUCATION)

This fund balance restriction represents accumulated resources available to provide services for early childhood family education programming.

E. RESTRICTED FOR SCHOOL READINESS

The fund balance restriction represents accumulated resources available to provide services for the school readiness program.

F. RESTRICTED FOR GIFTED AND TALENTED

The fund balance restriction represents accumulated resources available to provide gifted and talented programming in accordance with funding made available for that purpose.

G. RESTRICTED FOR TEACHER DEVELOPMENT AND EVALUATION

The fund balance restriction represents unspent resources available for teacher development and evaluation uses.

H. RESTRICTED FOR ACHIEVEMENT AND INTEGRATION

The fund balance restriction represents unspent resources available to provide achievement and integration programming.

I. RESTRICTED FOR SAFE SCHOOLS

The fund balance restriction represents unspent resources available from the safe schools levy.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 9. DEFINED BENEFIT PENSION PLANS - STATEWIDE

At June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. This implementation allows the District to report its proportionate share of collective net pension liability, deferred inflows of resources and deferred outflows of resources, and pension expense and to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees less the pension plan's fiduciary net position on the financial statements.

A. PLAN DESCRIPTION

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

General Employees Retirement Fund (GERF):

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

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

Teachers Retirement Fund (TRA):

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

B. BENEFITS PROVIDED

PERA and TRA provide retirement, disability and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

PERA:

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

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

B. BENEFITS PROVIDED (Cont'd)

TRA:

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

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.

GERF Benefits:

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

TRA Benefits:

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.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

B. BENEFITS PROVIDED (Cont'd)

TRA Benefits: (Cont'd)

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:

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

With these provisions:

- 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% 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-

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

B. BENEFITS PROVIDED (Cont'd)

TRA Benefits: (Cont'd)

Tier II Benefits:

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

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

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

C. CONTRIBUTIONS

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

GERF Contributions:

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Basic Plan members and Coordinated Plan members were required to contribute 9.1% 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 plan's fiscal year ended June 30, 2015, were \$631,134. The District's contributions were equal to the required contributions for each year as set by state statute.

TRA Contributions:

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

	Ending June 30, 2014		Ending June 30, 2015	
	Employee	Employer	Employee	Employer
Basic	10.50%	11.00%	11.00%	11.50%
Coordinated	7.00%	7.00%	7.50%	7.50%

The District's contributions to TRA for the plan's fiscal year ended June 30, 2015 were \$1,657,313. The District's contributions were equal to the required contributions for each year as set by state statute.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

D. PENSION COSTS

GERF Pension Costs:

At June 30, 2015, the District reported a liability of \$6,900,626 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2013 through June 30, 2014, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2014, the District's proportion was 0.1469%.

For the year ended June 30, 2015, the District recognized pension expense of \$516,914 for its proportionate share of GERF's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 105,903	\$
Changes in actuarial assumptions	711,178	
Differences between projected and actual investment earnings		1,864,543
Contributions paid to PERA subsequent to measurement date	631,134	
Totals	<u>\$ 1,448,215</u>	<u>\$ 1,864,543</u>

\$631,134 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	\$ (193,775)
2017	(193,775)
2018	(193,775)
2019	(466,137)
2020	

TRA Pension Costs:

At June 30, 2015, the District reported a liability of \$20,288,707 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportion share was 0.4403% at the end of the measurement period and 0.4367% for the beginning of the period.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

D. PENSION COSTS (Cont'd)

TRA Pension Costs: (Cont'd)

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 the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of net pension liability	\$ 20,288,707
State's proportionate share of the net pension liability associated with the District	1,427,361

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

For the year ended June 30, 2015, the District recognized pension expense of \$1,120,305. It also recognized \$62,266 as pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,731,176	\$
Differences between projected and actual investment earnings		6,378,564
Changes in proportion and differences between contributions made and District's proportionate share of contributions	170,850	
Contributions paid to TRA subsequent to measurement date	1,657,313	
Totals	\$ 3,559,339	\$ 6,378,564

\$1,657,313 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 will be recognized in pension expense as follows:

Year ended June 30,	Pension Expense Amount
2016	\$ (1,197,558)
2017	(1,197,558)
2018	(1,197,558)
2019	(1,197,558)
2020	313,695

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

E. ACTUARIAL ASSUMPTIONS

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

Assumption	GERF	TRA
Inflation	2.75% per year	3.00%
Active Member Payroll Growth	3.50% per year	3.75% based on years of service
Investment Rate of Return		8.25%

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

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

The following changes in actuarial assumptions for GERS 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.

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

The long-term expected rate of return on pension plan investments is 7.9% for GERS and 8.25% for TRA. The State Board of Investment, which manages the investments of PERA and TRA, prepares an analysis of the reasonableness of the long-term expected rates 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

F. DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.9% for GERF and 8.25% for TRA. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at a 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.

G. 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:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
<u>GERF</u>			
Discount Rate	6.90%	7.90%	8.90%
District's proportionate share of the net pension liability	\$ 11,124,088	\$ 6,900,626	\$ 3,425,711
<u>TRA</u>			
Discount Rate	7.25%	8.25%	9.25%
District's proportionate share of the net pension liability	33,530,285	20,288,707	9,249,809

H. PENSION PLAN FIDUCIARY NET POSITION

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

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report may be obtained on the Internet at www.MinnesotaTRA.org; or by writing to TRA at 60 Empire Drive #400, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-2409 or 1-800-652-9026.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10. OTHER POSTEMPLOYMENT BENEFIT PLAN

At June 30, 2009, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This implementation allows the District to report its liability for other postemployment benefits consistent with established accounting principles generally accepted in the United States of America and to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees on the financial statements.

A. PLAN DESCRIPTION

The District operates a single-employer defined benefit plan ("the Plan") that provides health, life and dental insurance to eligible employees and their families through the District's health insurance plan. There are 500 active participants and 42 retired participants. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available report.

B. FUNDING POLICY

Contribution requirements are also negotiated between the District and union representatives. The District contributes 0% - 100% of the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2015, the District contributed \$450,864 to the Plan. The Plan is financed on a pay-as-you-go basis.

C. ANNUAL OPEB COST AND NET OPEB OBLIGATION

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

Annual Required Contribution	\$ 803,062
Interest on Net OPEB Obligation	61,664
Adjustment to Annual Required Contribution	<u>(89,151)</u>
Annual OPEB Cost (Expense)	775,575
Contributions Made	<u>(450,864)</u>
Increase (Decrease) in Net OPEB Obligation	324,711
Net OPEB Obligation - Beginning of Year	<u>1,541,595</u>
Net OPEB Obligation - End of Year	<u><u>\$ 1,866,306</u></u>

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10. OTHER POSTEMPLOYMENT BENEFIT PLAN (Cont'd)

C. ANNUAL OPEB COST AND NET OPEB OBLIGATION (Cont'd)

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan and the net OPEB obligation for 2015 and the preceding two years was:

Fiscal Year Ended	Annual OPEB Cost	Annual Plan Sponsor Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 775,575	\$ 450,864	58%	\$ 1,866,306
6/30/2014	770,299	478,269	62%	1,541,595
6/30/2013	619,297	473,805	77%	1,249,565

D. FUNDED STATUS AND FUNDING PROGRESS

As of July 1, 2013, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$6,924,061 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,924,061. The covered payroll (annual payroll of active employees covered by the Plan) was \$23,003,885 and the ratio of the UAAL to the covered payroll of 30.1%.

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

E. ACTUARIAL METHODS AND ASSUMPTIONS

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

In the July 1, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumption included a 4.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 8.0% reduced by decrements to an ultimate rate of 5.0% after six years. The inflation rate is 3.0%. The UAAL is being amortized as a level dollar amount on an open basis. The remaining amortization period at June 30, 2015 was 30 years.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 11. SUPPLEMENTAL PENSION PLAN

The District engaged an actuary to determine the District's liability for its supplemental pension plan in accordance with Governmental Accounting Standards Board (GASB) Statement No. 27 as of July 1, 2013.

A. PLAN DESCRIPTION

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

As described in Note 1.E., teachers who have completed at least 15 years of combined part-time and full-time Full-Time Equivalent (FTE) paid teaching service with the District and are at least 55 years of age are eligible for a severance payment. A portion of that payment is based on the teacher's number of years of service multiplied by four and the employee's daily rate of pay. Twenty-five percent of this payment is paid to the employee's Special Pay Deferral Plan and the remaining 75% is placed into the employee's Health Care Savings Plan. The 25% is considered a pension benefit.

The Superintendent is eligible for a pension benefit upon termination of employment of 10 days pay for each year of service, up to 100 days.

B. FUNDING POLICY

Payments under the plan are made on a pay-as-you-go basis. There are no invested plan assets accumulated for payment of future benefits. The General Fund and Special Revenue Funds are used for funding of all pension benefits. The District makes all contributions.

C. ANNUAL PENSION COST AND NET PENSION OBLIGATION

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

Annual Required Contribution	\$ 31,263
Interest on Net Pension Obligation	210
Adjustment to Annual Required Contribution	<u>(304)</u>
Annual Pension Cost (Expense)	31,169
Contributions Made	<u>(39,986)</u>
Increase (Decrease) in Net Pension Obligation	(8,817)
Net Pension Obligation - Beginning of Year	<u>5,249</u>
Net Pension Obligation - End of Year	<u><u>\$ (3,568)</u></u>

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 11. SUPPLEMENTAL PENSION PLAN (Cont'd)

C. ANNUAL PENSION COST AND NET PENSION OBLIGATION (Cont'd)

The District's annual pension cost, the percentage of the annual pension cost contributed to the Plan and the net pension obligation for 2015 and the preceding two years was:

Fiscal Year Ended	Annual Pension Cost	Annual Plan Sponsor Contribution	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
6/30/2015	\$ 31,169	\$ 39,986	128%	\$ (3,568)
6/30/2014	32,053	44,452	139%	5,249
6/30/2013	38,353	29,062	76%	17,648

D. FUNDED STATUS AND FUNDING PROGRESS

As of July 1, 2013, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$342,681, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$342,681. The annual covered payroll for active employees covered by the Plan in the actuarial valuation was \$23,003,885 for a ratio of UAAL to covered payroll of 1.5%.

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

E. ACTUARIAL METHODS AND ASSUMPTIONS

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

In the July 1, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumption included a 4.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The inflation rate is 3.0%. The projected salary increase is 3.0% per year. The UAAL is being amortized as a level dollar amount on an open basis. The remaining amortization period at June 30, 2015 was 30 years.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12. SELF-INSURED DENTAL PLAN

The District has elected to self-insure their employee dental insurance program. The District has entered into an agreement with an insurance company to provide stop-loss insurance to limit the losses on individual and aggregate claims and to provide claims processing and other administrative duties. The individual stop-loss amount is \$1,200 per participant. The District established an internal service fund to account for contributions from other funds for dental insurance and to establish a reserve for catastrophic losses. Contributions during the year were based on maximum claims before reinsurance is effective. The amounts charged to expenses include administrative fees, stop-loss insurance premiums, claims paid and accruals for claims incurred but not paid at year end. The District recorded expenses of \$204,772 for the year ended June 30, 2015 which includes administrative costs of \$21,940.

The liability for unpaid claims is included in the Internal Service Fund as accounts payable.

	June 30,	
	2015	2014
Unpaid Claims, Beginning of Year	\$ 10,114	\$ 7,741
Incurred Claims	182,832	205,900
Claims Payments (cash basis)	<u>(184,249)</u>	<u>(203,527)</u>
Unpaid Claims, End of Year	<u>\$ 8,697</u>	<u>\$ 10,114</u>

NOTE 13. OPERATING LEASES

The District is committed under long-term operating leases for the rental of office equipment and vehicles. Office equipment is leased under varying terms, with leases running through August 2019. Vehicles are leased under varying terms with leases running through July 2015.

Total lease expenditures include the following:

Maintenance equipment	\$ 15,259
Facilities	10,252
Office equipment	119,281
Computer equipment	90,399
Vehicles	7,351
Miscellaneous rental	<u>53,750</u>
Total	<u>\$ 296,292</u>

Future minimum lease payments due under existing operating leases are as follows:

<u>Year Ending June 30,</u>	
2016	\$ 128,435
2017	15,245
2018	9,289
2019	9,289
2020	<u>1,548</u>
Total	<u>\$ 163,806</u>

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 14. COMMITMENTS AND CONTINGENCIES

A. FEDERAL AND STATE PROGRAMS

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

NOTE 15. 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. To mitigate these risks, the District has obtained commercial property and casualty insurance and workers' compensation coverage. The District pays an annual premium with no additional assessments.

The District has joined together with other school districts in Minnesota in the Southwest - West Central Service Cooperative Gross Self-Insured Health Insurance Plan, a public entity risk pool currently operating as a common risk management and insurance program for member districts. The District pays an annual premium to this plan for its health insurance coverage. These premiums are used to purchase reinsurance through commercial companies. The administrators of the plan believe assessment to participating districts for future losses sustained is extremely remote.

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 16. JOINT POWERS AGREEMENT

The District and the City of Willmar have entered into a Joint Powers agreement to collaborate and coordinate in the provision of social, educational, vocational and recreational services to members of the community. It is the intention of the parties to offer these services collaboratively and to coordinate their service programs in order to eliminate duplication of services and in order to maximize the effectiveness of the services provided. The Joint Powers Entity is governed by the Joint Powers Board, which includes five members appointed by the City Council, five members appointed by the School Board, and two students, one recommended by the Senior High School Student Council and one recommended by the Middle School Student Council, to be approved and appointed by the City Council and School Board. One School Board member, one City Council member, the City Administrator and the Superintendent of Schools shall serve as ex-officio members to the Board.

The District employs an individual to administer community education, which is in the Community Service Fund. The City is responsible for providing adult and youth recreation programs, adult and youth athletic programs and administer the daily operations of the Dorothy A. Olson Aquatic Center. The District is responsible for providing necessary facilities, services, and employees to provide Early Childhood and Adult Basic Education programs. This agreement is perpetual but may be canceled upon six months written notice by either party.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 17. SUBSEQUENT EVENTS

On July 8, 2015, the District awarded the General Obligation School Building Bonds, Series 2015A in the amount of \$51,615,000.

NOTE 18. PRIOR PERIOD ADJUSTMENT

The beginning net position of the governmental activities has been decreased to reflect a change in accounting principle. As mentioned in Note 9, the District implemented GASB 68, *Accounting and Financial Reporting for Pensions* which records the District's proportionate share of collective net pension liability, deferred inflows of resources and deferred outflows of resources, and pension expense on the District's government-wide financial statements. Beginning governmental activities net position has been restated from \$35,081,760 to \$3,998,734 (a decrease of \$31,083,026). Prior year partial comparative information does not reflect this change in accounting principle because the cost-sharing multiple-employer defined benefit pension plans in which the District participates have not made this information available.

REQUIRED SUPPLEMENTARY INFORMATION

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INDEPENDENT SCHOOL DISTRICT #347

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
JUNE 30, 2015

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>Pension</u>						
7/1/2013	\$	\$ 342,681	\$ 342,681	0.0%	\$ 23,003,885	1.5%
7/1/2011		406,912	406,912	0.0%	22,744,318	1.8%
7/1/2009		606,725	606,725	0.0%	22,444,970	2.7%
<u>Other Postemployment Benefits</u>						
7/1/2013	\$	\$ 6,924,061	\$ 6,924,061	0.0%	\$ 23,003,885	30.1%
7/1/2011		5,957,004	5,957,004	0.0%	22,744,318	26.2%
7/1/2009		6,228,886	6,228,886	0.0%	22,444,970	27.8%

Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Employer Contribution	Percentage Contributed	Net Obligation
<u>Pension</u>				
2015	\$ 31,169	\$ 39,986	128.3%	\$ (3,568)
2014	32,053	44,452	138.7%	5,249
2013	38,353	29,062	75.8%	17,648
2012	39,415	46,988	119.2%	8,357
2011	69,608	81,036	116.4%	16,219
2010	67,980	39,831	58.6%	28,149
<u>Other Postemployment Benefits</u>				
2015	\$ 775,575	\$ 450,864	58.1%	\$ 1,866,306
2014	770,299	478,269	62.1%	1,541,595
2013	638,983	473,805	74.1%	1,249,565
2012	637,623	497,928	78.1%	1,104,073
2011	738,086	385,054	52.2%	981,886
2010	701,059	339,551	48.4%	640,270
2009	506,567	222,745	44.0%	283,822

The District implemented GASB Statement No. 27 for fiscal year ended June 30, 2010. The District implemented GASB Statement No. 45 for fiscal year ended June 30, 2009. Information for prior years is not available.

INDEPENDENT SCHOOL DISTRICT #347

SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND
EMPLOYER CONTRIBUTIONS
JUNE 30, 2015

Schedule of Proportionate Share of the Net Pension Liability

Actuarial Valuation Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Employer's Covered- Employee Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<u>Pensions</u>					
<u>PERA</u>					
6/30/2014	0.1469%	\$ 6,900,626	\$ 7,740,462	89.2%	78.7%
<u>TRA</u>					
6/30/2014	0.4403%	20,288,707	20,120,785	100.8%	81.5%

Schedule of Employer Contributions

Year Ended June 30,	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered- Employee Payroll (d)	Contributions as a Percentage of Covered- Employee Payroll (b/d)
<u>Pensions</u>					
<u>PERA</u>					
2015	\$ 631,134	\$ 631,134	\$	\$ 8,580,142	7.4%
<u>TRA</u>					
2015	1,657,313	1,657,313		22,055,367	7.5%

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

SUPPLEMENTARY INFORMATION

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INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 BUILDING CONSTRUCTION CAPITAL PROJECTS FUND
 YEAR ENDED JUNE 30, 2015
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			Over (Under) Final Budget	2014
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
No Revenues	\$	\$	\$	\$	\$
EXPENDITURES					
Current					
Sites and Buildings			92,985	92,985	
Net Change in Fund Balances	\$ 0	\$ 0	(92,985)	\$ (92,985)	0
FUND BALANCE, BEGINNING OF YEAR					
FUND BALANCE, END OF YEAR			\$ (92,985)		\$ 0

INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 DEBT SERVICE FUND
 YEAR ENDED JUNE 30, 2015
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2014

	2015			2014	
	Budgeted Amounts		Actual	Over (Under) Final Budget	Actual
	Original	Final			
REVENUES					
Local Sources					
Property Taxes	\$ 881,948	\$ 894,206	\$ 902,710	\$ 8,504	\$ 2,428,711
Interest Earnings			250	250	455
State Sources	11,614	4,510	4,510		11,614
Total Revenues	<u>893,562</u>	<u>898,716</u>	<u>907,470</u>	<u>8,754</u>	<u>2,440,780</u>
EXPENDITURES					
Debt Service					
Bond Principal	1,000,000	1,000,000	1,000,000		2,320,000
Bond Interest	50,000	50,000	50,000		166,000
Paying Agent Fees and Other	2,000	2,000	400	(1,600)	4,625
Total Expenditures	<u>1,052,000</u>	<u>1,052,000</u>	<u>1,050,400</u>	<u>(1,600)</u>	<u>2,490,625</u>
Net Change in Fund Balances	<u>\$ (158,438)</u>	<u>\$ (153,284)</u>	(142,930)	<u>\$ 10,354</u>	(49,845)
FUND BALANCE, BEGINNING OF YEAR			<u>514,551</u>		<u>564,396</u>
FUND BALANCE, END OF YEAR			<u>\$ 371,621</u>		<u>\$ 514,551</u>

REQUIRED REPORTS

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INDEPENDENT SCHOOL DISTRICT #347

UFARS COMPLIANCE TABLE
YEAR ENDED JUNE 30, 2015

	Audited	UFARS	Difference		Audited	UFARS	Difference
<u>01 GENERAL FUND</u>				<u>06 BUILDING CONSTRUCTION</u>			
Total Revenue	\$ 47,991,009	\$ 47,991,011	\$ (2)	Total Revenue	\$	\$	\$
Total Expenditures	50,131,914	50,131,914		Total Expenditures	92,985	92,985	
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
460 Nonspendable	137,486	137,486		460 Nonspendable			
<i>Restricted/Reserved:</i>				<i>Restricted/Reserved:</i>			
403 Staff Development	334,169	334,169		407 Capital Projects Levy			
405 Deferred Maintenance				409 Alternative Facilities Program			
406 Health and Safety	(194,466)	(194,466)		413 Project Funded by COP/LP			
407 Capital Projects Levy				<i>Restricted:</i>			
408 Cooperative Revenue				464 Restricted			
414 Operating Debt				<i>Unassigned:</i>			
416 Levy Reduction				463 Unassigned	(92,985)	(92,985)	
417 Taconite Building Maintenance				<u>07 DEBT SERVICE</u>			
423 Certain Teacher Programs				Total Revenue	907,470	907,470	
424 Operating Capital	273,848	273,849	(1)	Total Expenditures	1,050,400	1,050,400	
426 \$25 Taconite				<i>Nonspendable:</i>			
427 Disabled Accessibility				460 Nonspendable			
428 Learning & Development				<i>Restricted/Reserved:</i>			
434 Area Learning Center				425 Bond Refundings			
435 Contracted Alt. Programs				451 QZAB and QSCB Payments			
436 State Approved Alt. Programs				<i>Restricted:</i>			
438 Gifted & Talented	22,861	22,861		464 Restricted	371,621	371,621	
440 Teacher Development & Eval	101,741	101,742	(1)	<i>Unassigned:</i>			
441 Basic Skills Programs				463 Unassigned			
445 Career & Technical Programs				<u>08 TRUST</u>			
448 Achievement and Integration	30,179	30,179		Total Revenue	165	165	
449 Safe Schools - Crime Levy	225	225		Total Expenditures	750	750	
450 Transition for Pre-Kindergarten				<i>Unassigned:</i>			
451 QZAB and QSCB Payments				422 Unassigned	33,921	33,921	
452 OPEB Liab Not Held in a Trust				<u>20 INTERNAL SERVICE</u>			
453 Unfunded Sev & Retirement Levy				Total Revenue	228,882	228,882	
<i>Restricted:</i>				Total Expenditures	204,772	204,772	
464 Restricted				<i>Unassigned:</i>			
<i>Committed:</i>				422 Unassigned	111,955	111,955	
418 Separation/Retirement Benefits	1,200,000	1,200,000		<u>25 OPEB REVOCABLE TRUST</u>			
461 Committed				Total Revenue			
<i>Assigned:</i>				Total Expenditures			
462 Assigned	332,010	332,010		<i>Unassigned:</i>			
<i>Unassigned:</i>				422 Unassigned			
422 Unassigned	6,472,395	6,472,395		<u>45 OPEB IRREVOCABLE TRUST</u>			
<u>02 FOOD SERVICE</u>				(1) Total Revenue			
Total Revenue	3,100,484	3,100,484		Total Expenditures			
Total Expenditures	3,015,764	3,015,764		<i>Unassigned:</i>			
<i>Nonspendable:</i>				422 Unassigned			
460 Nonspendable	26,565	26,566	(1)	<u>47 OPEB DEBT SERVICE</u>			
<i>Restricted/Reserved:</i>				Total Revenue			
452 OPEB Liab Not Held in a Trust				Total Expenditures			
<i>Restricted:</i>				<i>Restricted:</i>			
464 Restricted	883,580	883,580		464 Restricted			
<i>Unassigned:</i>				<i>Unassigned:</i>			
463 Unassigned				463 Unassigned			
<u>04 COMMUNITY SERVICE</u>							
Total Revenue	3,085,118	3,085,118					
Total Expenditures	3,157,186	3,157,186					
<i>Nonspendable:</i>							
460 Nonspendable	17,718	17,718					
<i>Restricted/Reserved:</i>							
426 \$25 Taconite							
431 Community Education	289,059	289,059					
432 E.C.F.E	42,243	42,243					
444 School Readiness	54,006	54,006					
447 Adult Basic Education							
452 OPEB Liab Not Held in a Trust							
<i>Restricted:</i>							
464 Restricted	10,314	10,315	(1)				
<i>Unassigned:</i>							
463 Unassigned							

INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2015

Federal Grantor\ Pass-Through Grantor\ Program Title	Federal CFDA Number	Agency or Pass-Through Number	Expenditures
U.S. Department of Agriculture			
Minnesota Department of Education			
Child Nutrition Cluster:			
National School Lunch Program:			
Regular Lunch	10.555	1-347-000	\$ 192,168
Free and Reduced Lunch	10.555	1-347-000	908,785
After School Snack	10.555	1-347-000	17,687
Commodities Rebates	10.555	1-347-000	678
Food Distribution (Commodities-noncash)	10.555	1-347-000	140,914
Special Milk Program for Children	10.556	1-347-000	749
School Breakfast Program	10.553	1-347-000	624,666
Summer Food Service Program	10.559	1-347-000	30,624
Total Child Nutrition Cluster			<u>1,916,271</u>
Fresh Fruit and Vegetable Program	10.582	1-347-000	104,672
Child and Adult Care Food Program	10.558	1-347-000	15,234
Total U.S. Department of Agriculture			<u>2,036,177</u>
U.S. Department of Education			
Minnesota Department of Education			
Title I Grants to Local Educational Agencies	84.010	N/A	1,187,911
Title I, Part A - School Improvement Grants	84.377A	N/A	421,631
Adult Education - Basic Grants to States	84.002	N/A	38,551
Title I, Part C - Migrant Education_State Grant Program	84.011	N/A	78,953
Title II, Part A - Improving Teacher Quality State Grants	84.367	N/A	207,808
Title III, Part A - English Language Acquisition Grants	84.365	N/A	94,356
Title VI, Part B - Rural and Low Income Schools	84.358B	N/A	71,508
Race to the Top Early Learning Challenge	84.412A	N/A	191,836
SW/WC Service Cooperative			
Special Education Cluster:			
Special Education_Grants to States:			
Federal Flow Through, P.L. 108-446	84.027	N/A	728,076
Special Education_Preschool Grants	84.173	N/A	30,836
Total Special Education Cluster			<u>758,912</u>
Pact for Families Collaborative			
21st Century Community Learning Centers	84.287	N/A	140,301
Ridgewater College			
Career and Technical Education - Basic Grants to States	84.048A	N/A	25,022
Total U.S. Department of Education			<u>3,216,789</u>
Total Federal Awards			<u>\$ 5,252,966</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2015

NOTE 1. REPORTING ENTITY

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Independent School District #347, Willmar, Minnesota. The District's reporting entity is defined in Note 1 to the financial statements.

NOTE 2. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Independent School District #347 under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the District.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 4. FOOD DISTRIBUTION

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

NOTE 5. SUBRECIPIENTS

During the year ended June 30, 2015, the District did not pass any federal money to subrecipients.

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COMPLIANCE SECTION

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To The Board of Education
Independent School District #347
Willmar, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #347, Willmar, Minnesota, as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated September 28, 2015.

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.

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.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants
Willmar, Minnesota

September 28, 2015

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

To The Board of Education
Independent School District #347
Willmar, 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, each major fund, and the aggregate remaining fund information of Independent School District #347, Willmar, Minnesota, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 28, 2015.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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. 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.

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Phone: (320) 235-3311
Toll Free: (888) 388-1040

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Morris Office
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Morris, MN 56267
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Litchfield Office
820 Sibley Avenue N
Litchfield, MN 55355
Phone: (320) 693-7975

St. Cloud Office
2351 Connecticut Avenue
Ste. 110
Sartell, MN 56377
Phone: (320) 252-7565
Toll Free: (800) 862-1337

Compliance and Other Matters

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

Purpose of this Report

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

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants
Willmar, Minnesota

September 28, 2015



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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 #347
Willmar, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Independent School District #347'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 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.

Report on Internal Control Over Compliance

Management of Independent School District #347 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants
Willmar, Minnesota

September 28, 2015

INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

I. SUMMARY OF AUDITOR'S RESULTS

A. FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? No

Noncompliance material to financial statements noted? No

B. FEDERAL AWARDS

Type of auditor's report issued on compliance for major program(s): Unmodified

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? No

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

C. IDENTIFICATION OF MAJOR PROGRAMS

CFDA No.: 10.553, 10.555, 10.556, 10.559

Name of Federal Program or Cluster: Child Nutrition Cluster

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

Auditee qualified as low-risk auditee? Yes

II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

None

III. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

None

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STUDENT ACTIVITIES

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INDEPENDENT AUDITOR'S REPORT ON STUDENT ACTIVITIES

Members of the Board of Education, Advisors, and Students
Independent School District #347
Willmar, Minnesota

Report on the Financial Statements

We have audited the accompanying Statements of Cash Receipts and Disbursements of the Student Activity Fund of Independent School District #347 for the year ended June 30, 2015, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the regulatory basis of accounting described in Note 1. Management is also responsible for 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 error or fraud.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the Independent School District #347 in accordance with the regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the financial reporting requirements of the Minnesota Department of Education.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Student Activity Funds of Independent School District #347 as of June 30, 2015, and the respective changes in financial position for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

We were unable to audit cash receipts because the District has not established procedures to provide assurance that all cash collections are recorded in the accounting records. We were unable to obtain sufficient appropriate audit evidence about the completeness of cash receipts by other auditing procedures.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effect of the matter discussed in the "Basis for Qualified Opinion on Regulatory Basis" paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash balances of the Student Activity Funds of Independent School District #347 as of June 30, 2015, and the receipts and disbursements for the year then ended in accordance with the basis of accounting described in the notes to the financial statements.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the regulatory 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.

Report on Other Legal and Regulatory Requirements

In accordance with Minnesota Statutes, we have also issued our report dated September 28, 2015, on our consideration of the District's compliance with provisions of the *Manual for Activity Fund Accounting* issued by the Minnesota Department of Education, pursuant to Minnesota Statutes §123B.49. The purpose of that report is to determine if the District has complied with Minnesota laws and regulations. That report is an integral part of an audit performed in the State of Minnesota.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants
Willmar, Minnesota

September 28, 2015

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
MIDDLE SCHOOL ACTIVITY FUND
YEAR ENDED JUNE 30, 2015

	Balance July 1, 2014	Transfers and Receipts	Disbursements	Balance June 30, 2015
Musical	\$ 146	\$ 685	\$ 691	\$ 140
Pop Concert T-Shirts	19	2,064	2,206	(123)
Yearbook	390	13,052	10,688	2,754
Student Council	790	5,334	6,487	(363)
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Total	\$ 1,345	\$ 21,135	\$ 20,072	\$ 2,408
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INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
 SENIOR HIGH ACTIVITY FUND
 YEAR ENDED JUNE 30, 2015

	Balance July 1, 2014	Transfers and Receipts	Disbursements	Balance June 30, 2015
Cardettes	\$ 792	\$ 3,481	\$ 3,582	\$ 691
F.F.A.	1,092	2,870	775	3,187
General Account (Bank Interest/Expenses)		100	100	
Cross Country	10,558	11,352	13,798	8,112
National Honor Society	1,069	2,749	2,451	1,367
Nordic Ski	101	2,947	2,996	52
Seventh Rendition	35,670	225,564	236,440	24,794
Student Council	3,207	10,727	9,473	4,461
"W" Fund	1,274	153	1,036	391
Wihisean	1,118	500	429	1,189
Orchestra	4,312	593	635	4,270
Willmar Athletics	318	14,709	12,053	2,974
Final Concessions	3,664	18,472	21,604	532
Knowledge Bowl	290	1,865	800	1,355
Art Club		1,301	642	659
High Mileage	252	710	605	357
Gymnastics	3,383	3,716	3,831	3,268
Fastpitch Softball	1,143	3,491	3,530	1,104
Tennis	473	3,209	2,325	1,357
Volleyball	8,222	7,932	6,043	10,111
Track	6,292	3,970	5,555	4,707
Girls Soccer	469	10,415	10,604	280
Boys Soccer	73	5,167	3,856	1,384
Boys Swim	274	2,851	2,950	175
Girls Swim	3,932	4,171	4,779	3,324
Wrestling	1,733	4,044	4,293	1,484
Boys Basketball	545	1,757	1,447	855
Girls Basketball	190	2,290	2,203	277
Boys Hockey	103	1,771	1,874	
Girls Hockey	67	1,620	1,484	203
Boys Baseball	3,216	6,003	7,035	2,184
Boys Golf	1,397	502	423	1,476
Girls Golf	844	391	716	519
Boys Tennis	402	5,485	5,755	132
Football	2,152	12,988	13,537	1,603
First Robotics	4,912	10,089	14,568	433
Special Needs	371	251	109	513
CEO		1,400	1,400	
Total	\$ 103,910	\$ 391,606	\$ 404,336	\$ 89,780

See Accompanying Notes and Auditor's Report on Student Activities

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE STUDENT ACTIVITY ACCOUNTS FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

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 regulatory 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.

NOTE 2. COLLATERAL

Cash balances are held in demand accounts. In accordance with Minnesota Statutes, the Student Activity Funds maintain deposits at those depository banks authorized by the Board of Education.

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.

As of June 30, 2015, the Student Activity Funds' deposits were entirely covered by federal depository insurance.

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INDEPENDENT AUDITOR'S REPORT ON STUDENT ACTIVITIES COMPLIANCE

Members of the Board of Education, Advisors, and Students
Independent School District #347
Willmar, Minnesota

We have audited Independent School District #347's compliance with the types of compliance requirements described in the *Manual for Activity Fund Accounting* issued by the Minnesota Department of Education, pursuant to Minnesota Statutes §123B.49 for the year ended June 30, 2015. The *Manual for Activity Fund Accounting* provides uniform financial accounting and reporting standards for student activities.

Management's Responsibility

Management is responsible for compliance with the requirements referred to above.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit. 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 the *Manual for Activity Fund Accounting*. Those standards and the *Manual for Activity Fund Accounting* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the District 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 with the *Manual for Activity Fund Accounting*. Our audit does not provide a legal determination of the District's compliance with those requirements.

Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the Student Activity Fund for the year ended June 30, 2015, except as described in the accompanying Schedule of Student Activity Findings as Finding 2015-001.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants
Willmar, Minnesota

September 28, 2015

INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF STUDENT ACTIVITIES FINDINGS
JUNE 30, 2015

I. FINDINGS RELATED TO STUDENT ACTIVITY COMPLIANCE

ITEM ARISING THIS YEAR

FINDING 2015-001 *MANUAL FOR ACTIVITY FUND ACCOUNTING FOR MINNESOTA SCHOOL DISTRICTS*
(MAFA) NONCOMPLIANCE

Condition: The following two funds had deficit balances:
- The Pop Concert T-Shirts account of the Middle School Activity Fund had a deficit balance of \$123.
- The Student Council account of the Middle School Activity Fund had a deficit balance of \$363.

Criteria: The MAFA indicates deficit spending is not acceptable.

Cause: The District does not have a policy in place to ensure compliance with the requirements of MAFA.

Effect: Noncompliance with the requirements of MAFA.

Recommendation: We recommend the District implement policies District-wide to ensure compliance with MAFA.

CORRECTIVE ACTION PLAN (CAP)

Explanation of Disagreement with Audit Finding:
None

Actions Planned in Response to Finding:

The requirements of the MAFA will be reviewed with the secretaries as a refresher training. A copy of the MAFA will be distributed to the advisors and student advisors. An internal audit will be completed in FY16.

Officials Responsible for Ensuring CAP:

Pam Harrington, Director of Business and Finance

Planned Completion Date of CAP:

June 30, 2016

Plan to Monitor Completion of CAP:

The internal audit will be the monitoring mechanism.