
Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2015



Independent School District No. 347

Willmar, Minnesota



Preparing All Students for a Successful Tomorrow

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year ended June 30, 2015**

**WILLMAR PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 347**

**611 5th Street SW
Willmar, Minnesota 56201-3218**

**Prepared by
Business Office Staff**

INTRODUCTORY SECTION



**WILLMAR PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT 347
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INDEPENDENT SCHOOL DISTRICT 347
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**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2015**

**INDEPENDENT SCHOOL DISTRICT NO. 347
WILLMAR PUBLIC SCHOOLS**

**SCHOOL BOARD AND ADMINISTRATION
JUNE 30, 2015**

SCHOOL BOARD

| <u>NAME</u> | <u>TERM EXPIRES</u> | <u>POSITION</u> |
|------------------|---------------------|------------------|
| Liz VanDerBill | 1/8/2017 | Chairperson |
| Mike Reynolds | 1/8/2017 | Vice-Chairperson |
| Jackie Saulsbury | 1/8/2017 | Clerk |
| Laura Warne | 1/7/2019 | Treasurer |
| Jared Anez | 1/7/2019 | Director |
| Mike Carlson | 1/8/2017 | Director |
| Linda Mathiasen | 1/7/2019 | Director |

CENTRAL ADMINISTRATION

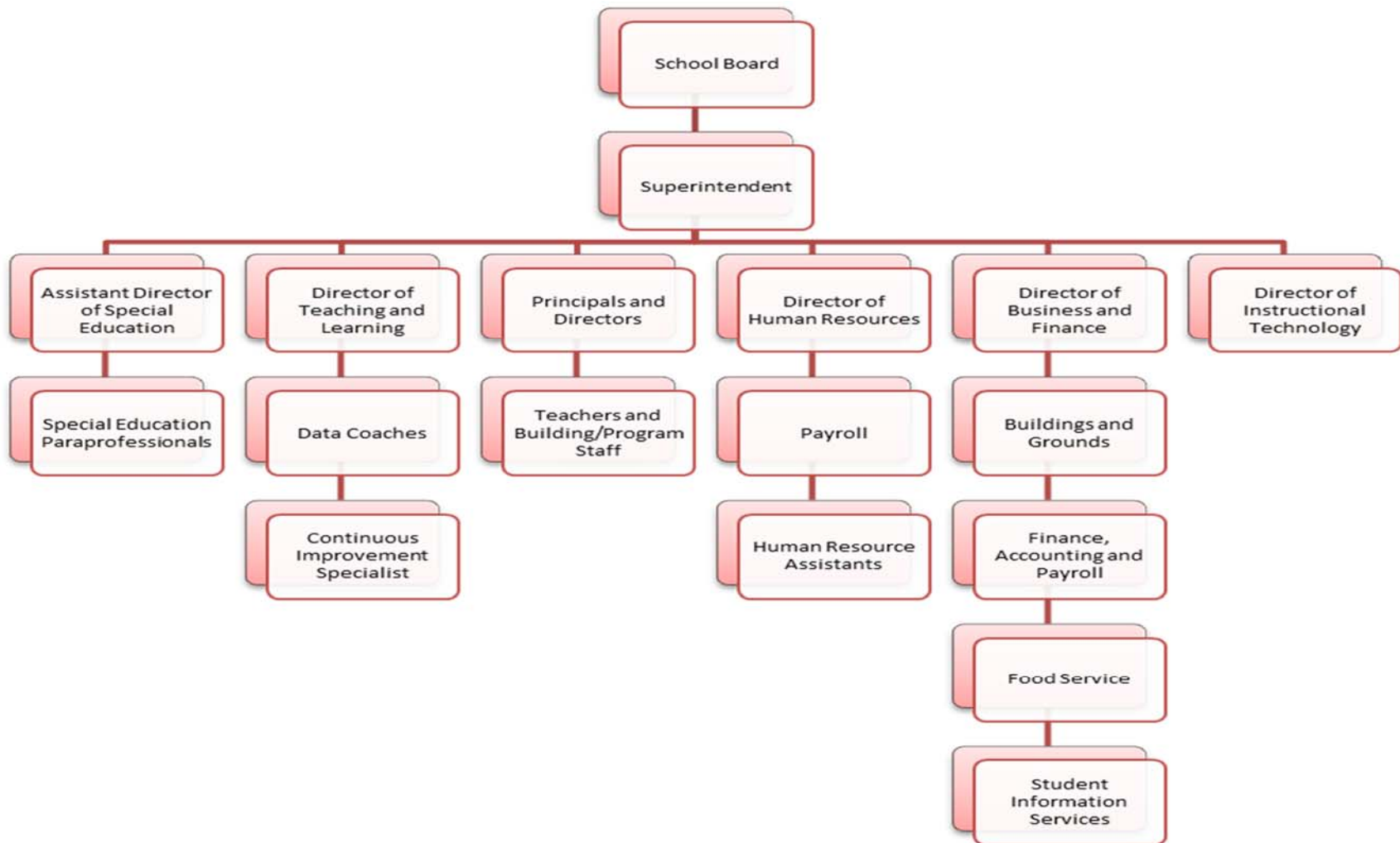
| <u>NAME</u> | <u>POSITION</u> |
|---|-----------------------------------|
| Dr. Jerry Kjergaard (Retired 6/30/2015) | Superintendent |
| Pamela Harrington | Director of Business and Finance |
| Elizabeth Fischer | Director of Human Resources |
| Cheryl Nash | Director of Teaching and Learning |

District Offices:

Willmar Public Schools
Independent School District No. 347
611 5th St. SW
Willmar, MN 56201-3218
320-231-8500
www.willmar.k12.mn.us

**INDEPENDENT SCHOOL DISTRICT NO. 347
WILLMAR PUBLIC SCHOOLS**

**ORGANIZATIONAL CHART
JUNE 30, 2015**



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Willmar Public Schools (ISD 347) – District Office
Dr. Jerry Kjergaard – Superintendent (Retired 6/30/2015)
Dr. Jeff Holm – Superintendent (As of 7/1/2015)

September 28, 2015

To: Citizens of Independent School District 347
Members of the Board of Education
Employees of the District

INTRODUCTION

The Comprehensive Annual Financial Report of Willmar Public Schools – Independent School District No. 347 (District) is submitted for the fiscal year (FY) ended June 30, 2015. The enclosed information is accurate in all material respects and reported in a manner that fairly presents the District's financial position and results of operations. The District Administration accepts full responsibility for the accuracy, completeness and fairness of this presentation.

This report is prepared in conformance with United States Generally Accepted Accounting Principles (GAAP). This report is also consistent with legal reporting requirements of the State of Minnesota. In addition to meeting legal requirements, this report is intended to present a comprehensive summary of significant financial data to meet the needs of citizens, taxpayers, employees, financial institutions, and the School Board.

Since the implementation of Governmental Accounting Standards Board (GASB) Statement No. 34, the readers of this financial report will notice that the two main financial statements created by this standard, the Statement of Net Position along with the Statement of Activities, do not contain numerous columns for various funds that have been included in past governmental financial statements. These two statements consolidate much of the information contained in fund-based financial statements of the past into two statements which help to answer the question: "Is the District better or worse off financially than it was in the previous year?" A comparison of net position should help the reader in answering that question. Also required as part of the "Required Supplementary Information" by GASB Statement No. 34 is a "Management's Discussion and Analysis" (MD&A) which allows the District to explain in layman's terms its financial position and results of operations of the past fiscal year.

REPORT FORMAT

The comprehensive annual financial report is presented in three sections.

Introductory Section – includes this letter of transmittal, an organizational chart, and a list of School Board members and administrative personnel. The Introductory Section is not audited.

Financial Section – includes the independent auditor's report, Management's Discussion and Analysis (MD&A), basic financial statements, notes to the financial statements, required supplementary information and supplementary information.

Statistical Section – includes selected financial, demographic and economic information, generally presented on a multi-year comparative basis. The Statistical Section is not audited.

REPORTING ENTITY AND ITS SERVICES

Independent School District No. 347, also known as the Willmar Public Schools, is an instrumentality of the State of Minnesota established to function as an educational institution. The District is an independent entity governed by an elected seven member School Board. The School Board has the power and duty to set budgets, certify tax levies, issue debt and perform other tasks necessary to the operation of the District. The District is subject to the oversight of the Minnesota Department of Education. The District does not have any component units within its boundaries as of June 30, 2015. Technical Academies of Minnesota (Dream Technical Academy) charter school opened in the district in FY 2015.

The District, established in 1881, serves the communities of Blomkest, Kandiyohi, Pennock and Willmar. The District is located in west-central Minnesota, approximately 100 miles west of the Minneapolis/St. Paul metropolitan area. The District encompasses an area of approximately 149,294 acres in Kandiyohi County with an estimated population of 25,570 citizens, including a population of 19,731 in Willmar. All school buildings are located in Willmar. The District currently operates seven owned buildings with a total square footage of 804,497 square feet and an average age of over 36 years, with the oldest building built in 1930.

The Willmar Public Schools enrollment for FY 2015 is 3,997 ADM's (Average Daily Membership). The District projects that enrollment will level off with just slight variations up or down from year to year. More detailed enrollment information is included in the Financial Section in the MD&A.

The District provides a full range of public education services appropriate to our students in grade levels ranging from pre-kindergarten through grade 12. These services include regular and enriched academic education, special education and career/vocational education. Food service and transportation are provided as supporting programs. The District's community education program includes Early Childhood and Family Education programs, Adult Basic Education programs, School Readiness and a wide variety of classes for lifelong learning experiences for children and adults.

ECONOMIC CONDITION AND OUTLOOK

The City of Willmar serves as a regional center for medical care, retail, trade, education and small industries. The diversity of the economic base had provided stability. The local poultry industry experienced uncertainty when the avian flu hit many area turkey barns. Many turkeys were lost and business had to temporarily reduce shifts. A few new businesses opened their doors, such as, Kandi Printing and Work Up. Unfortunately, the UPS Store closed its doors. However, Willmar has experienced some economic upturns and the unemployment rate has decreased from 3.8% in 2014 to 3.6% in 2015.

The City of Willmar was named an "All American City" in June 2005 by the National Civic League. Since 1949, only 18 Minnesota cities have received this significant honor. Vision 2040 is a new planning initiative involving the community related to future needs.

With the exception of voter approved operating and bond referendums, the District is dependent on the State of Minnesota for its revenue authority. Despite recent legislative funding increases, revenue increases are still not sufficient to meet instructional program needs and increased costs due to inflation. As a result of these pressures, the District has had to rely on a property tax referendum to support its educational programs. The voters approved an operating referendum in 2008 that began in FY 2010. In November 2011, the voters renewed an expiring operating referendum from 2001 and replaced it with a referendum of an equal amount for nine years which became available to the District in FY 2013. In 2015, the voters approved a bond referendum that begins in FY 2016 to build a new elementary school, add a science addition to the Middle School, add an addition to the Senior High School, remodel most buildings and address many deferred maintenance items.

In addition to passing the operating referendum, the School Board cut \$1.8 million in expenditures from the FY 2002 Budget. Additional budget cuts (primarily personnel) were enacted for FY 2006 (\$800,000) and FY 2007 (\$771,000). The District carefully added approximately \$800,000 in programming and services to positively impact student learning during the FY 2008 school year. The budget was reduced \$1,300,000 for FY 2009. Budget reductions again occurred for the FY 2010 school year in the amount of \$2.7 million and for FY 2011 in the amount of \$1.7 million. In FY 2012, the District only reduced positions that were previously funded by the American Recovery and Reinvestment Act. In addition, the District eliminated the Curriculum Director and added a Director of Teaching and Learning. The District also added an Assistant Principal to be shared by the elementary schools. In FY 2013, the District was awarded the School Improvement Grant for Kennedy Elementary School. The grant

allowed the District to add a Building Operations Manager, Continuous Improvement Specialist, Instructional/Data Coaches in math and reading, Cultural Liaisons and provide staff development to staff. In FY 2014, the District increased its English Learners (EL) staffing, hired a Coordinator of EL and Gifted and Talented Programs, an Alternative Programs Director, a Communications Coordinator and other positions to support the initiatives of the District. In FY 2015, the district was awarded a 21st Century Grant to provide unique before and after school opportunities for students.

The District will continue to be proactive in its financial management by seeking all available sources of revenue, responding to enrollment changes, controlling expenditures and seeking maximum efficiencies. Continued use of state-of-the-art enrollment and long-range financial planning software, a Finance Advisory Committee (including community members), updated budgeting processes, and a business office culture of continuous improvement will all continue contributing towards the quest for financial stability into the future.

Recent legislative sessions yielded positive changes for FY 2015. All day, every day kindergarten went from being funded at a pupil weighting of .612 to 1.0. All pupil unit weights were simplified causing increases to many of the formulas which offsets the impact of the change in the pupil unit weights. The 2013 legislators increased the general fund basic formula by \$80 per pupil unit and the 2014 legislators increased the formula an additional \$25 per pupil unit. The Uniform Education levy returned with the new name of Student Achievement levy. The District received one-time money for Teacher Evaluation System Development and Implementation. While the funding increased, it is still challenging for the District to keep up with rising costs of educating children. The District is keeping a laser-like focus on instructional improvement and student achievement gains.

MISSION STATEMENT

Preparing All Students for a Successful Tomorrow

District Strategic Planning Priorities

The School Board reviewed and revised the major District-wide priorities in FY 2013:

Priority 1: A District commitment to lifelong learning with high student expectations and academic rigor.

Priority 2: Facilities meeting the instructional needs of 21st century learners.

Priority 3: District curriculum is vertically and horizontally aligned to state standards so all students are successful with an annual percentage increase of students who are proficient in Math from 53.5% to 70% and in Reading from 46.5% proficient to 62.4% by May 2017. Each subgroup will increase MCA scores by 4% each year or 16% by May 2017.

Priority 4: To strengthen Pre K – 12 family and community partnerships ensuring learning for all students.

Priority 5: Restructure EL system-wide in order to reduce the achievement gap between EL and non-EL students in Math from 15% proficient to 57% and in Reading from 9% proficient to 54% by May 2017 as measured by MCA assessments.

A copy of the strategic plan document based on the above goals is available in the District Office or from a building Administrator.

FINANCIAL AND BUDGETARY CONTROL

The District complies with the Uniform Financial Accounting and Reporting Standards (UFARS) for Minnesota schools. UFARS, established in 1976, dictates a modified accrual basis of accounting. An audited annual financial report is required to be provided to the Minnesota Department of Education by December 31, subsequent to the year end on June 30.

The District has established and maintained internal controls designed to ensure that the assets of the District are protected from theft, misuse or losses. These controls are also designed to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with GAAP and Minnesota UFARS.

The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived, and 2) the valuation of the costs and benefits requires estimates and judgments by management.

Minnesota school finance law requires that the budget fiscal year begin July 1 and end June 30. The District develops a General Fund Budget, Food Service Fund Budget, Community Service Fund Budget, Building Construction Fund Budget, Debt Service Fund Budget and other necessary budgets on an annual basis.

The budget process is comprised of five phases – planning, preparation, adoption, implementation, and evaluation. Planning and preparation for the FY 2015 budget began in December of 2013 with approval of the budget development plan and analysis of the student enrollment trend. The current enrollment status provided the data to update allocations for site non-payroll budgets. Expenditure estimates were updated both on a site basis and District-wide in the spring. An enrollment projection was developed in early April and provided the key data for the budget's revenue projection. The FY 2015 budget was adopted in June of 2014 and implemented on July 1, 2014. The District normally completes a budget revision during the fiscal year in April.

To accurately track and report financial activities with a focus on site responsibility, approximately 11,511 account codes have been defined in the District's chart of accounts.

The District's budget and financial management practices are evidenced by the following District policies:

Fund Balance Policy #714 and #740: Requires the District to strive for a minimum General Fund unassigned fund balance of 6% of the annual operating budget. When the unassigned fund balance is equal to or less than 6% of the expenditure budget, the administration shall alert the School Board and propose alternative measures such as, seeking additional funds through a referendum and/or reducing expenditures by curtailing program services. This policy also includes guidance related to GASB 54 which changed the classifications and parameters of fund balances. The fund balance categories are assigned, committed, nonspendable, restricted and unassigned.

Budgeting Policy #701 and #701.1: Requires the District to comply with the budget process as explained above.

MAJOR INITIATIVES

Fiscal and Operational Integrity

The District is committed to maintaining the General Fund according to Board Fund Balance Policy. The Willmar Public Schools is also committed to implementing and maintaining systems that ensure financial stability and operational efficiency.

Due to the combined effort of the Community, School Board, staff and students, the District's General Fund has remained at a reasonable and responsible level.

A sophisticated long-range financial planning model, a detailed enrollment projection model, a Finance Advisory Committee, enhanced communication, consistently improved financial accuracy and compliance, and improved budgeting and accounting processes all have played a role in the District's financial stability.

The District encourages constituents to look closely at the financial performance and management. The District welcomes the opportunity to be fully accountable to the School Board, Staff and Community.

Major fiscal and operational initiatives from FY 2015 include:

- **The School Board received the School Improvement Grant for Kennedy Elementary.** The grant allowed the District to maintain a Building Operations Manager, Continuous Improvement Specialist, Instructional/Data Coaches in math and reading, Cultural Liaisons and provide staff development to staff.
- **One National Financial Award was received in 2015** – See the Financial Award section on page 14 for more information.

- **The Food & Nutrition Services Department received federal funding through the Healthy and Hunger-Free Kids Act** – The Food and Nutrition Services Department worked diligently to align lunch menus with the requirements in the Healthy and Hunger-Free Kids Act. As a result, the District receives an extra 6 cents reimbursement per reimbursable lunch served.
- **New Principal** – Roosevelt Elementary hired a new principal for the 2014-15 school year.
- **21st Century Grant awarded** – The grant provides before, after and summer programming for middle school and high school students to promote involvement and academic enrichment opportunities.

Student Achievement

The District's mission is "To Prepare All Students for a Successful Tomorrow." That mission is met with a laser-like focus at all levels of the Willmar Public Schools.

In order to have our mission become a reality, academic standards of the Willmar Public Schools are high. We use the Minnesota state standards in Mathematics, English Language Arts, Social Studies, Science and Art as the core of our curriculum. We use national or international standards in Business, Industrial Technology, Agriculture, World Languages, Health, Physical Education and Music.

Teaching our students to become contributing members of our society is also a high priority. Students, teachers and support staff participate in many community-building initiatives, such as service clubs and volunteer activities. Character education is an integrated and important part of the education of all students.

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 labeled as Focus Schools. Kennedy Elementary was a priority school and has been elevated to the status of celebration eligible. Celebration eligible means that the school is encouraged to apply for celebration status which showcases the success of student performance. Roosevelt Elementary continues to be a focus school. Data-based problem-solving is used to guide the K-8 Multi-Tiered Systems of Support to integrate intervention and instruction that is delivered to students in varying intensities based on student need. There are daily blocks of time dedicated to providing interventions for all children whether they are below, at, or above grade level. These efforts have improved the District's status with NCLB. The District will continue to provide these interventions. The focus remains on reading, math, and behavior supports. The District is making a focused effort to ensure that staff is provided with the necessary support with instructional practices by participating in professional learning communities where staff 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 reach all families in the community to ensure all stakeholders are working together with one common goal to increase student learning. Our school liaisons have utilized their time to serve as a community outreach which has a goal of improved academic and communication challenges.

Student Achievement Programs & Improvements:

- Engage teachers in ongoing Professional Learning Communities (PLCs), working collaboratively to reflect and improve instruction by learning how to become more effective in the classroom to improve student learning.
- Provide continued support to staff by utilizing instructional coaches in grades K-8 whose purpose is to provide ongoing job-embedded professional development to staff.
- Continue the process of aligning our community preschool programs with District initiatives.
- Utilize FAST testing and intervention blocks to accelerate and increase student achievement.
- Maintain and update a comprehensive strategic work plan that addresses goals and objectives for all District sites.
- Continue to offer a Mandarin Chinese language class at the Senior High School in FY 2016.

- Review curriculum for rigor and relevance keeping a focus on what the students need to learn in order to be successful at the next grade level.
- Continue to offer Project Lead the Way during the 2015-16 school year. Staff continues to be trained in this pre-engineering course of study.
- Provide Targeted Services summer and after-school programming for students needing academic and social development. Enrollment in the program continues to be very strong.
- Ensure that staff development is focused on our School Improvement plans and identified instructional strategies that drive instruction and student learning.
- Use Gifted and Talented Education dollars for enrichment activities at the building level. This allows the District to provide additional opportunities for students needing acceleration and enrichments.
- Capitalize on volunteers, foundations, and the Parent-Teacher-Student-Association's willingness to bring value added opportunities to students via curriculum enhancements, student life enhancements, and hundreds of hours of assistance in the classroom.
- Utilize Achievement and Integration funds to increase math support in grades K-8 in order to better prepare students for success in higher level math classes.
- Continue the development and refinement of a mentoring program to support staff.

CASH MANAGEMENT

Temporary cash balances during the year are invested in various securities per the District Investment Policy and statute. The District uses a twelve month cash flow projection, updated monthly, to guide investment terms. The District's investment policy is structured to minimize risk while maintaining a competitive yield. Accordingly, deposits are either insured by federal depository insurance or collateralized in compliance with Minnesota Statutes.

DEBT ADMINISTRATION

As of June 30, 2015, the District had net bonded debt (including bond premiums) of \$0, well below the legal limit of \$321,895,724, or fifteen percent of the actual value of all taxable property in the District. When the District has outstanding bonds, they are reviewed on a continuous basis by the District and its bond consultant to determine if refunding is feasible. The District's bond rating is at the Aa3 level.

RISK MANAGEMENT

The District maintains a comprehensive risk management program that includes a property/casualty insurance program specifically designed to meet school district needs. Other key aspects of the risk management program include a health & safety consultation arrangement, an active health & safety committee, annual safety inspections and periodic review of policies to assure regulatory compliance and adherence to legal constructs.

INDEPENDENT AUDIT

District policy and state statutes require an annual financial audit by independent certified public accountants. The District engaged Conway, Deuth & Schmiesing, PLLP to conduct the annual audit. The District also engaged Conway, Deuth & Schmiesing, PLLP to perform the audit of its federal programs in accordance with U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The District's federal programs are discussed in a report separate from the comprehensive annual financial report.

FINANCIAL AWARD

The Association of School Business Officials (ASBO) International awarded the Certificate of Excellence in Financial Reporting to the District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014. This is the tenth year in a row the District received this award. Achieving recognition by this program provides a clear indication of the District's high standards for financial reporting and financial stewardship. It is the belief that this current report conforms to the Certificate of Excellence program requirements. This report will be submitted to ASBO to determine its eligibility for the certificate.

ACKNOWLEDGEMENTS

Preparation of this report could not have been accomplished without the efficient and dedicated services of the Business Office staff. We very much appreciate the hard work and expertise from our auditors, Conway, Deuth & Schmiesing, PLLP. Their work has been instrumental in the preparation of this document. Finally, thanks also to Mark Thompson, Kandiyohi County Auditor/Treasurer and his staff for their assistance with this report.

We would like to express our appreciation to the School Board for the interest and support in planning and conducting the financial operations of the District in a responsible and progressive manner.

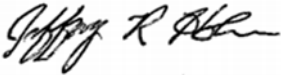
Sincerely,



Dr. Jerry Kjergaard
Superintendent (Retired 6/30/2015)



Pam Harrington
Director of Business and Finance



Dr. Jeff Holm
Superintendent (As of 7/1/2015)

Association of School Business Officials International



*The Certificate of Excellence in Financial Reporting Award
is presented to*

Willmar Public Schools ISD 347

*For Its Comprehensive Annual Financial Report (CAFR)
For the Fiscal Year Ended June 30, 2014*

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards



A handwritten signature in black ink, reading 'Terrie S. Simmons', written over a horizontal line.

Terrie S. Simmons, RSBA, CSBO
President

A handwritten signature in black ink, reading 'John D. Musso', written over a horizontal line.

John D. Musso, CAE, RSBA
Executive Director

FINANCIAL SECTION



Quality | Dedication | Integrity

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.

(16)

Members: American Institute of Certified Public Accountants, Minnesota Society of Certified Public Accountants

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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. 27*. 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 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 introductory section, individual fund schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial schedules 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 introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on the information presented.

Conway, Deuth & Schmiesing, PLLP

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

September 28, 2015

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**

| | <u>Governmental Activities</u> | | <u>Percentage Change</u> |
|--|--------------------------------|----------------------|------------------------------|
| | <u>2015</u> | <u>2014</u> | |
| Current and Other Assets | \$ 19,358,124 | \$ 21,659,074 | -10.62% |
| Capital Assets | 27,758,218 | 28,274,044 | -1.82% |
| Total Assets | <u>47,116,342</u> | <u>49,933,118</u> | -5.64% |
| Related to Pensions | <u>\$ 5,007,554</u> | <u>\$</u> | 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 | <u>32,113,134</u> | <u>5,191,802</u> | 518.54% |
| Total Liabilities | 37,019,586 | 10,206,151 | 262.72% |
| Property Taxes Levied for Subsequent Year's Related to Pensions | <u>\$ 3,973,640</u> | <u>\$ 4,645,207</u> | -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 | <u>(27,348,575)</u> | <u>5,499,331</u> | -597.31% |
| Total Net Position | <u>\$ 2,887,563</u> | <u>\$ 35,081,760</u> | -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% |

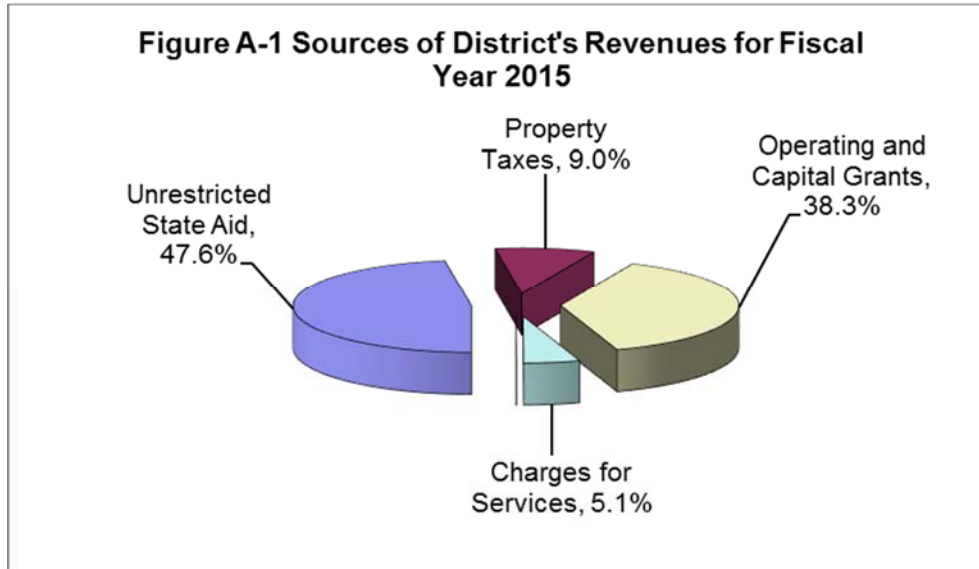
INDEPENDENT SCHOOL DISTRICT #347

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

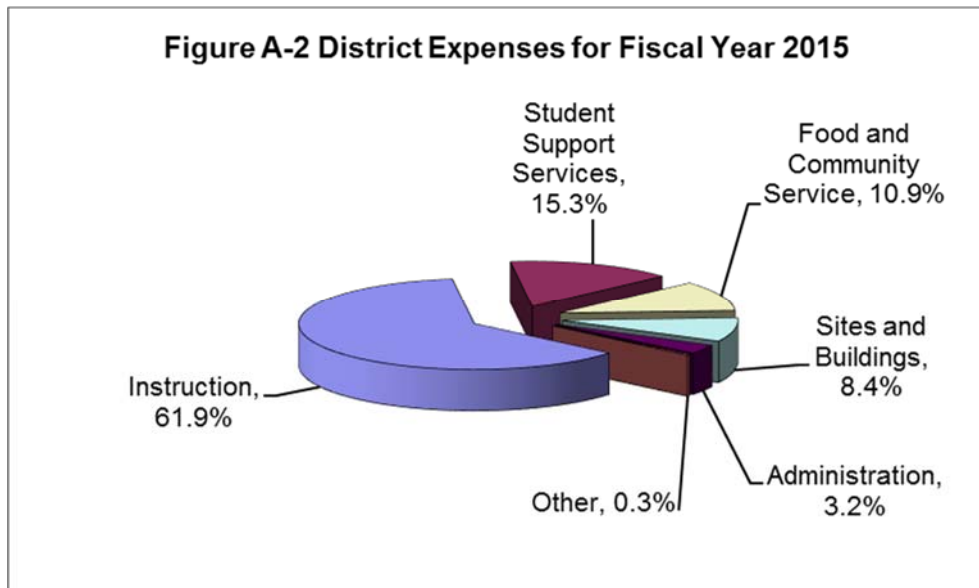
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

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 expenses 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 | | | |
|------------------------|----------------------|----------------------|--|---|
| | Revenues | Expenditures | Other Financing Sources(Uses) | Fund Balance Increase (Decrease) |
| 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 | <u>\$ 55,084,081</u> | <u>\$ 57,448,249</u> | <u>\$ 807,088</u> | <u>\$ (1,557,080)</u> |
| | 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 | <u>\$ 55,808,218</u> | <u>\$ 54,681,851</u> | <u>\$ 0</u> | <u>\$ 1,126,367</u> |

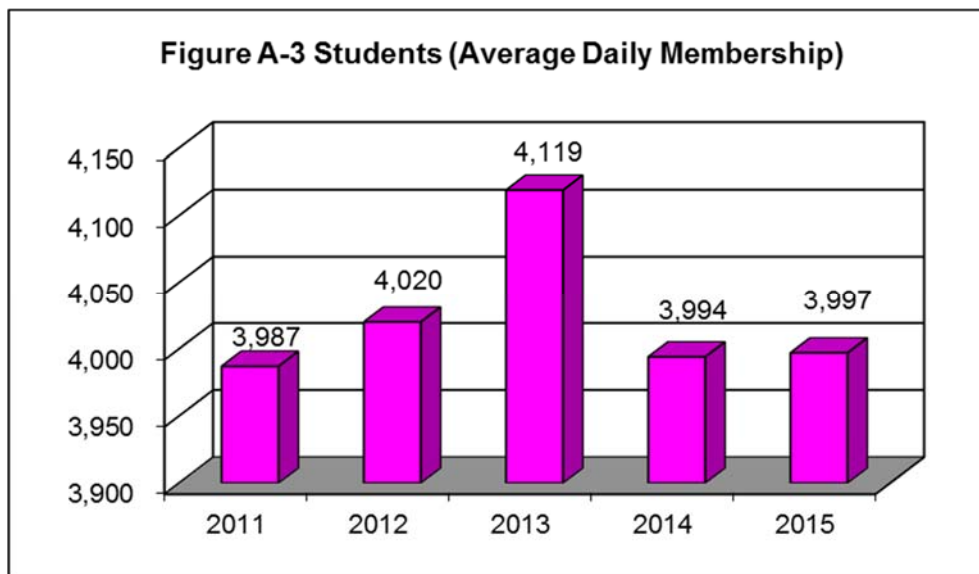
INDEPENDENT SCHOOL DISTRICT #347

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)

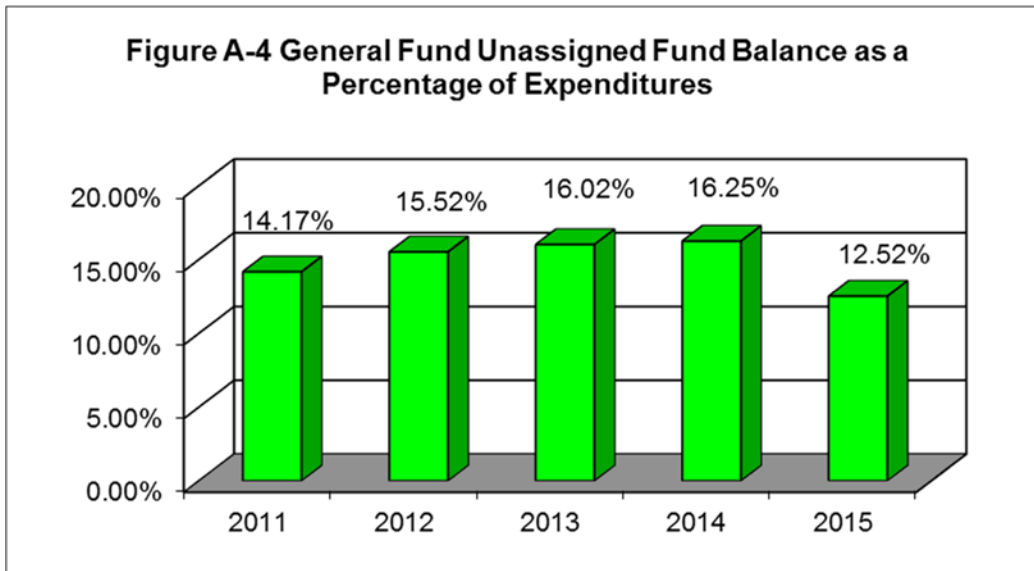
Total General Fund expenditures increased \$3,542,555 or 7.60% from the previous year.

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

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 | 47,116,342 | 49,933,118 |
| Deferred Outflows of Resources | | |
| Related to Pensions | 5,007,554 | |
| Total Assets and Deferred Outflows of Resources | \$ 52,123,896 | \$ 49,933,118 |
| 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 | 37,019,586 | 10,206,151 |
| 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 | 12,216,747 | 4,645,207 |
| 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 | 2,887,563 | 35,081,760 |
| Total Liabilities, Deferred Inflows of Resources and Net Position | \$ 52,123,896 | \$ 49,933,118 |

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 | Program Revenues | | Net (Expense) | Net (Expense) |
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Revenue and Changes in Net Position |
| | | | | Governmental Activities | Governmental Activities |
| GOVERNMENTAL ACTIVITIES | | | | | |
| Administration | \$ 1,817,096 | \$ | \$ | \$ (1,817,096) | \$ (1,707,055) |
| District Support Services | 1,961,768 | | 171,572 | (1,790,196) | (1,200,768) |
| Regular Instruction | 25,080,532 | 725,430 | 9,190,705 | (15,164,397) | (13,276,465) |
| Vocational Education Instruction | 713,935 | 1,597 | 67,593 | (644,745) | (784,972) |
| Special Education Instruction | 8,980,243 | 304,569 | 5,638,345 | (3,037,329) | (1,528,849) |
| Instructional Support Services | 2,782,791 | | 1,085,401 | (1,697,390) | (1,402,898) |
| Pupil Support Services | 3,833,631 | | 116,641 | (3,716,990) | (3,624,748) |
| 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) | (155,944) |
| Food Service | 2,896,113 | 775,688 | 2,324,583 | 204,158 | 346,055 |
| Community Service | 3,232,372 | 952,875 | 1,751,980 | (527,517) | (318,981) |
| Interest and Fiscal Charges on Long-Term Liabilities | 21,184 | | | (21,184) | (21,694) |
| 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 | 2,338,518 |
| Community Service | | | | 378,081 | 183,809 |
| Debt Service | | | | 896,065 | 2,424,168 |
| State Aid not Restricted to Specific Purposes | | | | 26,218,513 | 26,569,360 |
| Interest Earnings | | | | 5,357 | 3,881 |
| Miscellaneous | | | | 15,486 | 10,114 |
| Total General Revenues | | | | 31,215,868 | 31,529,850 |
| Change in Net Position | | | | (1,111,171) | 3,544,219 |
| NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED | | | | 35,081,760 | 31,537,541 |
| PRIOR PERIOD ADJUSTMENT | | | | (31,083,026) | |
| NET POSITION, BEGINNING OF YEAR, AS RESTATED | | | | 3,998,734 | 31,537,541 |
| NET POSITION, END OF YEAR | | | | \$ 2,887,563 | \$ 35,081,760 |

See Accompanying Notes to the Financial Statements

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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 | \$ 16,760,140 | \$ 1,027,151 | \$ 1,062,020 | \$ 0 | \$ 388,612 | \$ 19,237,923 | \$ 21,561,115 |
| 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 | 4,451,302 | 117,006 | 236,462 | 92,985 | 451 | 4,898,206 | 4,983,402 |
| 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 | 3,598,390 | 0 | 412,218 | 0 | 16,540 | 4,027,148 | 4,708,064 |
| 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 | 8,710,448 | 910,145 | 413,340 | (92,985) | 371,621 | 10,312,569 | 11,869,649 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | \$ 16,760,140 | \$ 1,027,151 | \$ 1,062,020 | \$ 0 | \$ 388,612 | \$ 19,237,923 | \$ 21,561,115 |

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 | (27,185,765) | (5,249) |
| 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 | | |
| Capital Outlay | 805,629 | 935,831 |
| Depreciation Expense | (1,274,657) | (1,275,965) |
| Cost of Capital Assets Disposed | (104,963) | (400,730) |
| Accumulated Depreciation 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> |

See Accompanying Notes to the Financial Statements

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> |

See Accompanying Notes to the Financial Statements

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 | 22,777 | 1,009 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 97,875 | 96,866 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 120,652 | \$ 97,875 |
| 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 | \$ 22,777 | \$ 1,009 |

See Accompanying Notes to the Financial Statements

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

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) |
|--|----|----------|

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><u>\$ 10,212,142</u></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><u>\$ 33,820</u></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:

| | Total Receivables | Amounts not Scheduled for Collection During the Subsequent Year |
|--|----------------------|--|
| <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 | <u>137,486</u> | <u>26,565</u> | <u>17,718</u> | <u>181,769</u> |
| 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 | 22,861 | | | 22,861 |
| Development | 101,741 | | | 101,741 |
| Achievement/ Integration | 30,179 | | | 30,179 |
| Safe Schools | 225 | | | 225 |
| Other Fund Activities | | 883,580 | 10,314 | 893,894 |
| Total Restricted | <u>763,023</u> | <u>883,580</u> | <u>395,622</u> | <u>2,042,225</u> |
| Committed | | | | |
| Severance | 1,200,000 | | | 1,200,000 |
| Assigned | | | | |
| Third Party Billing | 332,010 | | | 332,010 |
| Unassigned | | | | |
| | <u>6,277,929</u> | | | <u>6,277,929</u> |
| | <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.

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REQUIRED SUPPLEMENTARY INFORMATION

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.

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SUPPLEMENTARY INFORMATION

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) | Actual |
| | Original | Final | | Final Budget | |
| 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> |

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STATISTICAL SECTION (Unaudited)



This part of the comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

| Contents: | Page |
|--|-------------|
| Financial Trends <i>These schedules contain trend information to help the reader understand how the School District's financial information and well-being have changed over time.</i> | 91-97 |
| Revenue Capacity <i>These schedules contain information to help the reader assess the School District's most significant local revenue source, the property tax.</i> | 98-101 |
| Debt Capacity <i>These schedules present information to help the reader assess the affordability of the School District's current levels of outstanding debt and the School District's ability to issue additional debt in the future.</i> | 102-105 |
| Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the School District's financial activities take place.</i> | 106-107 |
| Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the School District's financial report relates to the services the School District provides and the activities it performs.</i> | 108-113 |

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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Willmar Public Schools
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

| | Fiscal Year | | | | | | | | | |
|----------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Governmental Activities | | | | | | | | | | |
| Net Investment in Capital Assets | \$ 14,125,996 | \$ 15,416,819 | \$ 16,590,276 | \$ 18,050,980 | \$ 20,076,453 | \$ 21,922,820 | \$ 24,465,065 | \$ 25,209,561 | \$ 27,265,661 | \$ 27,758,218 |
| Restricted | 1,507,933 | 2,015,439 | 1,657,445 | 1,618,837 | 1,767,076 | 2,714,707 | 1,851,436 | 1,777,984 | 2,316,768 | 2,477,920 |
| Unrestricted | 4,326,318 | 2,025,780 | 774,030 | (813,537) | 771,789 | 1,595,998 | 3,529,456 | 4,549,996 | 5,499,331 | (27,348,575) |
| Total Net Position | <u>\$ 19,960,247</u> | <u>\$ 19,458,038</u> | <u>\$ 19,021,751</u> | <u>\$ 18,856,280</u> | <u>\$ 22,615,318</u> | <u>\$ 26,233,525</u> | <u>\$ 29,845,957</u> | <u>\$ 31,537,541</u> | <u>\$ 35,081,760</u> | <u>\$ 2,887,563</u> |

Source: District Records

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Willmar Public Schools
Expenses, Program Revenues, and Net (Expense)/Revenue
Last Ten Fiscal Years
(accrual basis of accounting)

| | Fiscal Year | | | | | | | | | |
|--|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Expenses | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Administration | \$ 1,366,558 | \$ 1,614,112 | \$ 1,544,907 | \$ 1,605,548 | \$ 1,653,919 | \$ 1,524,753 | \$ 1,430,974 | \$ 1,520,367 | \$ 1,707,055 | \$ 1,817,096 |
| District Support Services | 860,710 | 919,392 | 885,154 | 986,334 | 949,578 | 1,115,708 | 1,188,409 | 1,175,730 | 1,727,552 | 1,961,768 |
| Regular Instruction | 18,967,468 | 19,617,570 | 21,704,551 | 21,236,601 | 20,103,140 | 21,090,133 | 19,995,613 | 22,758,200 | 23,216,190 | 25,080,532 |
| Vocational Education Instruction | 815,835 | 627,729 | 730,195 | 892,498 | 883,686 | 801,446 | 717,662 | 744,161 | 860,654 | 713,935 |
| Special Education Instruction | 8,314,732 | 7,731,391 | 8,055,217 | 8,355,384 | 7,752,733 | 7,557,654 | 7,191,661 | 8,097,501 | 8,097,144 | 8,980,243 |
| Instructional Support Services | 2,163,593 | 2,047,363 | 2,492,349 | 2,332,636 | 2,243,858 | 2,411,922 | 2,385,616 | 2,281,440 | 2,430,927 | 2,782,791 |
| Pupil Support Services | 3,094,558 | 3,233,078 | 3,397,152 | 3,607,987 | 3,538,480 | 3,457,085 | 3,246,201 | 3,361,335 | 3,725,367 | 3,833,631 |
| Sites and Buildings | 3,845,392 | 4,586,523 | 4,722,635 | 4,083,773 | 3,508,797 | 4,215,561 | 4,504,865 | 4,772,106 | 4,942,012 | 4,721,575 |
| Fiscal and Other Fixed Cost Programs | 314,062 | 240,254 | 159,340 | 130,872 | 130,321 | 127,098 | 134,020 | 153,756 | 155,944 | 154,413 |
| Food Service | 1,928,250 | 1,961,452 | 2,208,624 | 2,233,289 | 2,359,800 | 2,390,350 | 2,771,946 | 2,775,336 | 2,640,628 | 2,896,113 |
| Community Service | 1,990,208 | 2,049,275 | 2,094,012 | 2,054,760 | 2,064,867 | 2,257,943 | 2,440,363 | 2,456,136 | 2,727,652 | 3,232,372 |
| Interest and Fiscal Charges on | | | | | | | | | | |
| Long-Term Liabilities | 883,672 | 829,447 | 645,553 | 560,304 | 464,890 | 363,922 | 245,605 | 134,352 | 21,694 | 21,184 |
| Total School District Expenses | <u>\$ 44,545,038</u> | <u>\$ 45,457,586</u> | <u>\$ 48,639,689</u> | <u>\$ 48,079,986</u> | <u>\$ 45,654,069</u> | <u>\$ 47,313,575</u> | <u>\$ 46,252,935</u> | <u>\$ 50,230,420</u> | <u>\$ 52,252,819</u> | <u>\$ 56,195,653</u> |
| Program Revenues | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Charges for Services: | | | | | | | | | | |
| Food Service | 721,303 | 773,994 | 773,685 | 768,762 | 794,307 | 795,104 | 870,289 | 811,385 | 816,464 | 775,688 |
| Community Service | 702,499 | 690,843 | 667,133 | 702,200 | 774,253 | 794,434 | 856,637 | 831,195 | 920,732 | 952,875 |
| Other | 2,150,099 | 1,443,146 | 602,918 | 627,294 | 689,603 | 721,376 | 739,581 | 891,571 | 1,283,001 | 1,069,044 |
| Operating Grants and Contributions | 14,902,344 | 14,945,418 | 15,705,789 | 15,442,107 | 18,501,962 | 17,035,838 | 16,001,243 | 17,631,041 | 20,673,342 | 20,372,678 |
| Capital Grants and Contributions | 847,130 | 652,077 | 697,859 | 638,414 | 605,372 | 561,149 | 532,463 | 611,666 | 573,649 | 698,329 |
| Total Governmental Program Revenues | <u>\$ 19,323,375</u> | <u>\$ 18,505,478</u> | <u>\$ 18,447,384</u> | <u>\$ 18,178,777</u> | <u>\$ 21,365,497</u> | <u>\$ 19,907,901</u> | <u>\$ 19,000,213</u> | <u>\$ 20,776,858</u> | <u>\$ 24,267,188</u> | <u>\$ 23,868,614</u> |
| Net (Expense)/Revenue | | | | | | | | | | |
| Total Primary Governmental Net Expense | <u>\$ (25,221,663)</u> | <u>\$ (26,952,108)</u> | <u>\$ (30,192,305)</u> | <u>\$ (29,901,209)</u> | <u>\$ (24,288,572)</u> | <u>\$ (27,405,674)</u> | <u>\$ (27,252,722)</u> | <u>\$ (29,453,562)</u> | <u>\$ (27,985,631)</u> | <u>\$ (32,327,039)</u> |

Source: District Records

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Willmar Public Schools
General Revenues and Total Change in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

| | Fiscal Year | | | | | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Net (Expense)/Revenue | | | | | | | | | | |
| Total Primary Government Net Expense | \$ (25,221,663) | \$ (26,952,108) | \$ (30,192,305) | \$ (29,901,209) | \$ (24,288,572) | \$ (27,405,674) | \$ (27,252,722) | \$ (29,453,562) | \$ (27,985,631) | \$ (32,327,039) |
| General Revenues and Special Item | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Property Taxes Levied for | | | | | | | | | | |
| General Purposes | 1,168,340 | 2,408,339 | 2,776,231 | 3,029,678 | 3,764,583 | 5,574,219 | 4,118,155 | 4,087,050 | 2,338,518 | 3,702,366 |
| Community Service | 125,599 | 246,165 | 281,805 | 279,779 | 289,627 | 539,070 | 366,731 | 385,635 | 183,809 | 378,081 |
| Debt Service | 2,157,880 | 2,264,179 | 2,349,549 | 2,064,562 | 2,298,717 | 2,351,381 | 2,374,961 | 2,579,207 | 2,424,168 | 896,065 |
| State Aid Not Restricted to Specific Purposes | 23,523,078 | 23,461,186 | 23,903,451 | 24,228,781 | 21,636,016 | 21,954,037 | 24,028,033 | 25,009,454 | 26,569,360 | 26,218,513 |
| Earnings on Investments | 418,315 | 491,828 | 408,458 | 123,545 | 46,184 | 39,820 | 2,541 | 3,410 | 3,881 | 5,357 |
| Miscellaneous | 29,394 | 128,986 | 36,524 | 9,393 | 12,485 | 332,417 | 9,782 | 3,047 | 10,114 | 15,486 |
| Special Item - Gain (Loss) on Sale of Land and Building | | | | | | 232,937 | | (922,657) | | |
| Total General Revenues and Special Item | <u>27,422,606</u> | <u>29,000,683</u> | <u>29,756,018</u> | <u>29,735,738</u> | <u>28,047,612</u> | <u>30,790,944</u> | <u>30,900,203</u> | <u>31,145,146</u> | <u>31,529,850</u> | <u>31,215,868</u> |
| Change in Net Position | | | | | | | | | | |
| Total Primary Government | <u>\$ 2,200,943</u> | <u>\$ 2,048,575</u> | <u>\$ (436,287)</u> | <u>\$ (165,471)</u> | <u>\$ 3,759,040</u> | <u>\$ 3,385,270</u> | <u>\$ 3,647,481</u> | <u>\$ 1,691,584</u> | <u>\$ 3,544,219</u> | <u>\$ (1,111,171)</u> |

Source: District Records

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Willmar Public Schools
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

| | Fiscal Year | | | | | | | | | |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|---------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| General Fund | | | | | | | | | | |
| Nonspendable | \$ 89,871 | \$ 49,999 | \$ 91,348 | \$ 59,660 | \$ 59,948 | \$ 86,291 | \$ 114,528 | \$ 163,468 | \$ 121,962 | \$ 137,486 |
| Restricted | 760,800 | 887,394 | 546,685 | 633,167 | 352,543 | 1,139,644 | 371,824 | 131,154 | 485,688 | 763,023 |
| Committed | 1,200,000 | 1,200,000 | 1,200,000 | 1,200,000 | 1,200,000 | 1,200,000 | 1,200,000 | 1,200,000 | 1,200,000 | 1,200,000 |
| Assigned | - | - | - | - | - | - | 50,364 | 483,504 | 667,581 | 332,010 |
| Unassigned | 5,261,943 | 5,741,785 | 4,277,454 | 2,700,834 | 4,738,521 | 5,900,273 | 6,559,698 | 7,080,881 | 7,569,034 | 6,277,929 |
| Total General Fund | <u>\$ 7,312,614</u> | <u>\$ 7,879,178</u> | <u>\$ 6,115,487</u> | <u>\$ 4,593,661</u> | <u>\$ 6,351,012</u> | <u>\$ 8,326,208</u> | <u>\$ 8,296,414</u> | <u>\$ 9,059,007</u> | <u>\$ 10,044,265</u> | <u>\$ 8,710,448</u> |
| All Other Governmental Funds | | | | | | | | | | |
| Nonspendable | | | | | | | | | | |
| Special Revenue Funds | \$ 32,564 | \$ 30,739 | \$ 37,337 | \$ 44,076 | \$ 20,368 | \$ 20,579 | \$ 21,025 | \$ 23,184 | \$ 27,988 | \$ 44,283 |
| Restricted | | | | | | | | | | |
| Debt Service Fund | 835,384 | 902,774 | 965,982 | 717,782 | 632,611 | 603,864 | 572,276 | 564,396 | 514,551 | 371,621 |
| Special Revenue Funds | 289,248 | 507,251 | 420,829 | 518,806 | 967,242 | 1,112,974 | 973,939 | 1,096,695 | 1,282,845 | 1,279,202 |
| Unassigned | | | | | | | | | | |
| Building Construction Fund | - | 412,873 | - | - | - | - | - | - | - | (92,985) |
| Total All Other Governmental Funds | <u>\$ 1,157,196</u> | <u>\$ 1,853,637</u> | <u>\$ 1,424,148</u> | <u>\$ 1,280,664</u> | <u>\$ 1,620,221</u> | <u>\$ 1,737,417</u> | <u>\$ 1,567,240</u> | <u>\$ 1,684,275</u> | <u>\$ 1,825,384</u> | <u>\$ 1,602,121</u> |

Note: The District implemented GASB Statement 54 in 2011. Prior years are reclassified into the GASB Statement 54 categories based on the guidance issued by the Minnesota Department of Education and policies adopted by the Board of Education.

Source: District Records

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Willmar Public Schools
Governmental Funds Revenues
Last Ten Fiscal Years
(modified accrual basis of accounting)

| | Fiscal Year | | | | | | | | | |
|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Federal Sources: | | | | | | | | | | |
| Federal Grants | \$ 2,585,904 | \$ 1,742,649 | \$ 1,946,008 | \$ 1,790,446 | \$ 5,195,242 | \$ 3,619,120 | \$ 2,287,454 | \$ 2,646,791 | \$ 3,205,542 | \$ 3,220,725 |
| Food Service | 1,058,230 | 1,111,782 | 1,242,815 | 1,348,149 | 1,578,267 | 1,550,022 | 1,687,421 | 1,829,506 | 1,925,207 | 2,036,175 |
| Total Federal Sources | <u>3,644,134</u> | <u>2,854,431</u> | <u>3,188,823</u> | <u>3,138,595</u> | <u>6,773,509</u> | <u>5,169,142</u> | <u>3,974,875</u> | <u>4,476,297</u> | <u>5,130,749</u> | <u>5,256,900</u> |
| State Sources: | | | | | | | | | | |
| General Education | 33,264,022 | 34,111,061 | 34,914,994 | 35,233,235 | 32,000,209 | 32,619,042 | 34,558,584 | 36,715,193 | 39,839,288 | 39,884,917 |
| Food Service | 163,578 | 159,811 | 189,131 | 190,237 | 180,270 | 175,246 | 175,131 | 186,060 | 178,885 | 219,060 |
| Community Service | 851,693 | 796,112 | 883,652 | 894,151 | 880,785 | 710,113 | 896,722 | 909,082 | 1,098,601 | 961,984 |
| Debt Service | 254,848 | 248,457 | 233,315 | 190,518 | 193,785 | 194,014 | 186,489 | 11,975 | 11,614 | 4,510 |
| Total State Sources | <u>34,534,141</u> | <u>35,315,441</u> | <u>36,221,092</u> | <u>36,508,141</u> | <u>33,255,049</u> | <u>33,698,415</u> | <u>35,816,926</u> | <u>37,822,310</u> | <u>41,128,388</u> | <u>41,070,471</u> |
| Local Sources: | | | | | | | | | | |
| Property Taxes | 3,457,394 | 4,931,199 | 5,395,510 | 5,356,117 | 6,326,095 | 8,492,117 | 6,856,528 | 7,044,463 | 4,951,777 | 4,985,862 |
| Food Service Sales | 721,303 | 780,817 | 775,699 | 782,746 | 809,821 | 812,445 | 909,609 | 855,517 | 882,591 | 845,036 |
| Other Revenues | 4,370,010 | 3,303,957 | 2,515,070 | 2,111,015 | 2,220,636 | 2,554,123 | 2,338,409 | 2,636,694 | 3,714,713 | 2,925,812 |
| Total Local Sources | <u>8,548,707</u> | <u>9,015,973</u> | <u>8,686,279</u> | <u>8,249,878</u> | <u>9,356,552</u> | <u>11,858,685</u> | <u>10,104,546</u> | <u>10,536,674</u> | <u>9,549,081</u> | <u>8,756,710</u> |
| Total Revenues | <u>\$ 46,726,982</u> | <u>\$ 47,185,845</u> | <u>\$ 48,096,194</u> | <u>\$ 47,896,614</u> | <u>\$ 49,385,110</u> | <u>\$ 50,726,242</u> | <u>\$ 49,896,347</u> | <u>\$ 52,835,281</u> | <u>\$ 55,808,218</u> | <u>\$ 55,084,081</u> |

Source: District Records

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Willmar Public Schools
Governmental Funds Expenditures and Debt Service Ratio
Last Ten Fiscal Years
(modified accrual basis of accounting)

| | Fiscal Year | | | | | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Administration | \$ 1,396,790 | \$ 1,543,232 | \$ 1,546,127 | \$ 1,740,466 | \$ 1,557,761 | \$ 1,487,485 | \$ 1,451,913 | \$ 1,520,800 | \$ 1,681,864 | \$ 1,885,624 |
| District Support Services | 855,165 | 959,115 | 872,978 | 946,171 | 942,076 | 1,100,077 | 1,210,066 | 1,167,875 | 1,667,742 | 1,924,638 |
| Regular Instruction | 17,799,589 | 18,220,574 | 19,967,831 | 19,565,445 | 18,880,393 | 19,558,378 | 19,298,161 | 21,113,134 | 22,334,421 | 24,159,007 |
| Vocational Education Instruction | 855,159 | 612,387 | 744,309 | 857,961 | 780,689 | 822,816 | 763,353 | 741,197 | 786,712 | 752,453 |
| Special Education Instruction | 8,303,384 | 7,593,015 | 8,112,649 | 8,357,364 | 7,468,689 | 7,361,512 | 7,553,749 | 8,029,433 | 8,218,439 | 9,033,968 |
| Instructional Support Services | 2,036,393 | 1,953,089 | 2,398,440 | 2,273,127 | 2,111,164 | 2,158,543 | 2,121,228 | 2,224,667 | 2,366,902 | 2,593,209 |
| Pupil Support Services | 3,098,484 | 3,158,359 | 3,393,865 | 3,587,103 | 3,567,247 | 3,570,398 | 3,585,009 | 3,697,208 | 3,691,972 | 3,818,617 |
| Sites and Buildings | 3,840,955 | 4,781,520 | 4,624,367 | 4,010,687 | 3,551,207 | 4,576,145 | 5,211,954 | 4,550,980 | 4,123,080 | 4,191,234 |
| Fiscal and Other Fixed Costs | 313,200 | 239,392 | 158,478 | 130,010 | 129,459 | 126,236 | 133,158 | 152,894 | 155,082 | 153,982 |
| Food Service | 1,877,669 | 1,951,394 | 2,156,016 | 2,213,875 | 2,246,359 | 2,354,264 | 2,799,515 | 2,684,560 | 2,798,755 | 2,833,718 |
| Community Service | 2,037,256 | 2,025,813 | 2,094,107 | 1,994,607 | 1,973,659 | 2,208,894 | 2,373,684 | 2,417,736 | 2,654,612 | 3,102,196 |
| Capital Outlay | 784,338 | 1,181,461 | 1,731,512 | 1,363,308 | 1,491,899 | 993,366 | 1,003,278 | 1,077,348 | 1,711,645 | 1,949,203 |
| Debt Service | | | | | | | | | | |
| Principal | 1,600,000 | 1,505,425 | 1,820,000 | 1,835,000 | 1,995,000 | 2,100,000 | 2,200,000 | 2,315,000 | 2,320,000 | 1,000,000 |
| Interest and Fiscal Charges | 1,057,910 | 1,028,138 | 763,830 | 686,800 | 594,700 | 495,900 | 392,000 | 282,975 | 170,625 | 50,400 |
| Total Expenditures | \$ 45,856,292 | \$ 46,752,914 | \$ 50,384,509 | \$ 49,561,924 | \$ 47,290,302 | \$ 48,914,014 | \$ 50,097,068 | \$ 51,975,807 | \$ 54,681,851 | \$ 57,448,249 |
| Debt Service as a percentage of noncapital expenditures | 5.87% | 5.48% | 5.24% | 5.18% | 5.63% | 5.42% | 5.34% | 5.06% | 4.63% | 1.85% |

Source: District Records

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Willmar Public Schools
Governmental Funds Other Financing Sources and Uses and Net Change in Fund Balances
Last Ten Fiscal Years
(modified accrual basis of accounting)

| | Fiscal Year | | | | | | | | | |
|---|-------------------|---------------------|-----------------------|-----------------------|---------------------|---------------------|---------------------|-------------------|---------------------|-----------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Excess of Revenues Over (Under) Expenditures | \$ 870,690 | \$ 432,931 | \$ (2,288,315) | \$ (1,665,310) | \$ 2,094,808 | \$ 1,812,228 | \$ (200,721) | \$ 859,474 | \$ 1,126,367 | \$ (2,364,168) |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Insurance Recovery Proceeds | 24,574 | 203,846 | 93,136 | - | - | - | - | - | - | - |
| Sale of Bonds Proceeds | 16,265,000 | 495,000 | - | - | - | - | - | - | - | - |
| Bond Premium | 913,760 | 2,242 | - | - | - | - | - | - | - | - |
| Payment to Refunded Bond Escrow Agent | (17,085,000) | - | - | - | - | - | - | - | - | - |
| Sale of Capital Assets | 500 | - | - | - | 2,100 | 50 | 750 | 1,950 | - | 9,750 |
| Issuance of Capital Lease Proceeds | - | - | - | - | - | - | - | - | - | 797,338 |
| Total Other Financing Sources (Uses) | 118,834 | 701,088 | 93,136 | - | 2,100 | 50 | 750 | 1,950 | - | 807,088 |
| Special Item | | | | | | | | | | |
| Proceeds from Sale of Building | - | 128,986 | 1,999 | - | - | 280,114 | - | 18,204 | - | - |
| Total Special Item | - | 128,986 | 1,999 | - | - | 280,114 | - | 18,204 | - | - |
| Net Change in Fund Balances | \$ 989,524 | \$ 1,263,005 | \$ (2,193,180) | \$ (1,665,310) | \$ 2,096,908 | \$ 2,092,392 | \$ (199,971) | \$ 879,628 | \$ 1,126,367 | \$ (1,557,080) |

Source: District Records

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**Willmar Public Schools
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years**

| For Taxes Collectible | Tax Capacity Valuation | | | | | Taxable Market Value | Tax Capacity as a Percentage of Market Value | Total Direct Tax Rate |
|--------------------------|------------------------|------------------|------------|---------------|---------------|-------------------------|--|--------------------------|
| | Agricultural | Non-Agricultural | Personal | Tax Increment | Total Taxable | | | |
| 2006 | \$ 2,296,089 | \$ 13,000,522 | \$ 312,655 | \$ (32,968) | \$ 15,576,298 | \$ 1,163,814,004 | 1.34% | 23.441 |
| 2007 | 2,632,195 | 14,547,853 | 307,961 | (35,833) | 17,452,176 | 1,293,283,775 | 1.35% | 22.798 |
| 2008 | 2,946,724 | 15,839,210 | 305,981 | (49,567) | 19,042,348 | 1,393,141,350 | 1.37% | 20.354 |
| 2009 | 3,174,815 | 16,719,425 | 304,326 | (22,865) | 20,175,701 | 1,459,461,675 | 1.38% | 20.713 |
| 2010 | 3,551,015 | 17,455,668 | 317,290 | (22,865) | 21,301,108 | 1,484,886,925 | 1.43% | 20.019 |
| 2011 | 3,491,560 | 17,645,655 | 359,697 | (22,865) | 21,474,047 | 1,499,389,950 | 1.43% | 20.103 |
| 2012 | 3,619,239 | 16,152,596 | 350,466 | - | 20,122,301 | 1,496,081,600 | 1.35% | 22.529 |
| 2013 | 4,350,229 | 16,229,485 | 352,149 | - | 20,931,863 | 1,485,075,300 | 1.41% | 19.897 |
| 2014 | 5,086,384 | 16,268,772 | 368,889 | - | 21,724,045 | 1,479,842,700 | 1.47% | 12.760 |
| 2015 | 5,876,379 | 16,889,938 | 408,848 | (1,506) | 23,173,659 | 1,530,996,700 | 1.51% | 8.562 |

Source: State of Minnesota School Tax Report, Kandiyohi County Auditor

Willmar Public Schools
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(rate per \$1,000 of assessed value)

| For Taxes Collectible | District Direct Rates | | | Overlapping Rates | |
|----------------------------------|--------------------------------|-----------------------------|--------------|-----------------------------|----------------------------|
| | Referendum Purposes | General Purposes | Total | Kandiyohi County | City of Willmar |
| 2006 | 0.132 | 23.309 | 23.441 | 65.319 | 24.102 |
| 2007 | 0.130 | 22.693 | 22.823 | 60.414 | 25.623 |
| 2008 | 0.125 | 20.229 | 20.354 | 56.711 | 28.236 |
| 2009 | 0.168 | 20.545 | 20.713 | 56.878 | 28.163 |
| 2010 | 0.172 | 19.847 | 20.019 | 53.358 | 28.642 |
| 2011 | 0.173 | 19.930 | 20.103 | 55.943 | 29.285 |
| 2012 | 0.174 | 22.355 | 22.529 | 60.661 | 33.416 |
| 2013 | 0.177 | 19.720 | 19.897 | 59.058 | 34.280 |
| 2014 | 0.147 | 12.613 | 12.760 | 56.403 | 34.347 |
| 2015 | 0.150 | 8.412 | 8.562 | 54.183 | 35.576 |

Source: Kandiyohi County Auditor

**Willmar Public Schools
Principal Property Tax Payers
Current Year and Nine Years Ago**

| TAXPAYER | 2015 | | | 2006 | | |
|---|----------------------|------|-----------------------------------|----------------------|------|-----------------------------------|
| | 2015 TAX CAPACITY | RANK | % OF TOTAL NET TAX CAPACITY | 2006 TAX CAPACITY | RANK | % OF TOTAL NET TAX CAPACITY |
| | | | \$ 23,173,659 | | | \$ 15,602,594 |
| Pioneer Health Systems, Inc. (Aff Comm) | \$ 214,246 | 1 | 0.92% | \$ 202,224 | 1 | 1.30% |
| Mills Properties, Inc. | 212,820 | 2 | 0.92% | - | | 0.00% |
| Wal-Mart Stores, Inc | 204,654 | 3 | 0.88% | - | | 0.00% |
| BNSF Railway Company | 199,674 | 4 | 0.86% | 79,240 | 8 | 0.51% |
| Kandi Land 1999, LLC | 185,806 | 5 | 0.80% | 185,250 | 2 | 1.19% |
| Menard, Inc. | 174,692 | 6 | 0.75% | 162,012 | 3 | 1.04% |
| Hanson Brothers Farms, LLC | 147,809 | 7 | 0.64% | - | | 0.00% |
| Willmar Ten Investors | 132,800 | 8 | 0.57% | - | | 0.00% |
| Individuals | 132,776 | 9 | 0.57% | - | | 0.00% |
| Minnegasco (Centerpoint) | 129,864 | 10 | 0.56% | 82,416 | 7 | 0.53% |
| Alliance Pipeline | - | | 0.00% | 141,452 | 4 | 0.91% |
| Jennie-O Turkey Store, Inc. | - | | 0.00% | 112,092 | 5 | 0.72% |
| Willmar Poultry Farms, Inc. | - | | 0.00% | 84,814 | 6 | 0.54% |
| Home Depot | - | | 0.00% | 74,064 | 9 | 0.47% |
| Torgerson Properties | - | | 0.00% | 70,336 | 10 | 0.45% |
| TOTAL | \$ 1,735,141 | | 7.49% | \$ 1,193,900 | | 7.65% |

Source: Kandiyohi County Auditor

**Willmar Public Schools
Property Tax Levies and Collections
Last Ten Fiscal Years**

| For Taxes Collectible | Adjusted Net Levy | Collected within the Fiscal Year of the Levy | | Delinquent Tax Collections | Total Collections to Date | |
|--------------------------|-------------------------|---|--------------|----------------------------------|---------------------------|--------------|
| | | Amount | % of Levy | | Amount | % of Levy |
| 2006 | \$ 4,807,017 | \$ 4,742,834 | 98.66% | \$ 53,404 | \$ 4,796,238 | 99.78% |
| 2007 | 5,292,329 | 5,222,338 | 98.68% | 39,311 | 5,261,649 | 99.42% |
| 2008 | 5,276,103 | 5,199,412 | 98.55% | 31,266 | 5,230,678 | 99.14% |
| 2009 | 6,283,379 | 6,177,075 | 98.31% | 49,659 | 6,226,734 | 99.10% |
| 2010 | 6,470,465 | 6,385,725 | 98.69% | 48,380 | 6,434,105 | 99.44% |
| 2011 | 6,577,742 | 6,498,484 | 98.80% | 48,275 | 6,546,760 | 99.53% |
| 2012 | 7,114,304 | 7,031,161 | 98.83% | 43,150 | 7,074,311 | 99.44% |
| 2013 | 6,757,945 | 6,674,477 | 98.76% | 55,042 | 6,729,519 | 99.58% |
| 2014 | 4,916,565 | 4,856,049 | 98.77% | 32,524 | 4,888,573 | 99.43% |
| 2015 | 4,223,076 | 2,240,620 | 53.06% | - | 2,240,620 | 53.06% |

Note: A portion of the total levy is paid through various property tax credits which are paid through state aids and have been included in collections.

Source: Kandiyohi County Auditor

**Willmar Public Schools
Outstanding Debt by Type (1)
Last Ten Fiscal Years**

| Fiscal Year | Bonded Debt | Aid & Tax Anticipation Certificates | EPA Loan | Total Primary Government | % of Personal Income¹ | Per Capita¹ |
|--------------------|--------------------|--|-----------------|---------------------------------|---|-------------------------------|
| 2006 | \$ 17,410,806 | \$ 3,957,811 | \$ 425 | \$ 21,369,042 | 1.51% | \$ 514 |
| 2007 | 16,299,807 | - | - | 16,299,807 | 1.08% | 391 |
| 2008 | 14,378,808 | - | - | 14,378,808 | 0.86% | 344 |
| 2009 | 12,442,809 | - | - | 12,442,809 | 0.77% | 296 |
| 2010 | 10,346,810 | - | - | 10,346,810 | 0.60% | 245 |
| 2011 | 8,145,811 | - | - | 8,145,811 | 0.45% | 193 |
| 2012 | 5,844,812 | 3,438,321 | - | 9,283,133 | 0.49% | 219 |
| 2013 | 3,428,981 | - | - | 3,428,981 | 0.18% | 81 |
| 2014 | 1,008,383 | - | - | 1,008,383 | 0.05% | 24 |
| 2015 | - | - | - | - | N/A | - |

N/A = not available

Note 1: Details regarding the District's current outstanding debt can be found in the notes to basic financial statements.

¹ See the Schedule of Demographic and Economic Statistics for personal income and population data. These ratios were calculated using personal income and population for the prior calendar year.

Source: District Records

Willmar Public Schools
Direct and Overlapping Governmental Activities Debt
As of June 30, 2015

| Governmental Unit (1) | G.O. Bonded Debt | Estimated Applicable Percentage (2) | Estimated Share of Direct and Overlapping Debt |
|-----------------------------------|---------------------------------|--|---|
| Kandiyohi County | \$ 11,795,000 | 42.71% | \$ 5,037,515 |
| Cities: | | | |
| Kandiyohi | 49,000 | 100.00% | 49,000 |
| Willmar | 8,020,000 | 100.00% | <u>8,020,000</u> |
| Subtotal, overlapping debt | | | 13,106,515 |
| District direct debt | | | <u>-</u> |
| Total direct and overlapping debt | | | <u><u>\$ 13,106,515</u></u> |

Note 1: Only those taxing jurisdictions with general obligation debt outstanding are included in this section.

Note 2: Estimated Applicable Percentage is determined by dividing the Tax Capacity of Portion Within the School District by the Tax Capacity of the Entire Governmental Unit.

Source: Kandiyohi County Auditor

Willmar Public Schools
Legal Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)

Legal Debt Margin Calculation for Fiscal Year 2015

| | |
|------------------------------------|-----------------------|
| Assessed Value | \$ 2,145,971,493 |
| Debt Limit (15% of assessed value) | 321,895,724 |
| Debt applicable to limit | - |
| Legal debt margin | <u>\$ 321,895,724</u> |

| | Fiscal Year | | | | | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Debt Limit | \$ 211,673,997 | \$ 236,997,950 | \$ 256,901,697 | \$ 272,596,995 | \$ 290,086,515 | \$ 269,601,925 | \$ 272,130,900 | \$ 283,307,415 | \$ 296,456,175 | \$ 321,895,724 |
| Total Net Debt Applicable to Limit | <u>16,595,000</u> | <u>15,585,000</u> | <u>13,765,000</u> | <u>11,930,000</u> | <u>9,935,000</u> | <u>7,835,000</u> | <u>5,635,000</u> | <u>3,320,000</u> | <u>1,000,000</u> | <u>-</u> |
| Legal Debt Margin | <u>\$ 195,078,997</u> | <u>\$ 221,412,950</u> | <u>\$ 243,136,697</u> | <u>\$ 260,666,995</u> | <u>\$ 280,151,515</u> | <u>\$ 261,766,925</u> | <u>\$ 266,495,900</u> | <u>\$ 279,987,415</u> | <u>\$ 295,456,175</u> | <u>\$ 321,895,724</u> |
| Total net debt applicable to the limit as a % of debt limit | 7.84% | 6.58% | 5.36% | 4.38% | 3.42% | 2.91% | 2.07% | 1.17% | 0.34% | 0.00% |

Note: Under state finance law, the District's outstanding general obligation debt should not exceed 15 percent of total market value.

Source: Kandiyohi County Auditor

**Willmar Public Schools
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

| Fiscal Year | General Bonded Debt Outstanding | | | Total | Percentage of Actual Value of Taxable Property | % of Personal Income ¹ | Per Capita ¹ |
|-------------|---------------------------------|--|----|------------|--|-----------------------------------|-------------------------|
| | General Obligation Bonds | Less: Amounts Restricted to Repaying Principal | | | | | |
| 2006 | \$ 17,410,806 | \$ 835,384 | \$ | 16,575,422 | 1.17% | 1.17% | \$ 400 |
| 2007 | 16,299,807 | 902,774 | | 15,397,033 | 0.97% | 1.02% | 371 |
| 2008 | 14,378,808 | 965,982 | | 13,412,826 | 0.78% | 0.80% | 322 |
| 2009 | 12,442,809 | 717,782 | | 11,725,027 | 0.65% | 0.73% | 280 |
| 2010 | 10,346,810 | 632,611 | | 9,714,199 | 0.50% | 0.56% | 231 |
| 2011 | 8,145,811 | 603,864 | | 7,541,947 | 0.42% | 0.41% | 179 |
| 2012 | 5,844,812 | 572,276 | | 5,272,536 | 0.29% | 0.28% | 125 |
| 2013 | 3,428,981 | 564,396 | | 2,864,585 | 0.15% | 0.15% | 68 |
| 2014 | 1,008,383 | 514,551 | | 493,832 | 0.02% | 0.03% | 12 |
| 2015 | - | - | | - | 0.00% | N/A | - |

N/A = not available

Note: Details regarding the District's outstanding debt can be found in the notes to basic financial statements.

¹ See Schedule of Demographic and Economic Statistics for personal income and population data. These ratios were calculated using personal income and population for the prior calendar year.

Source: District Records and Bureau of Economic Analysis - U.S. Dept. of Commerce

**Willmar Public Schools
Demographic and Economic Statistics
Last Ten Fiscal Years**

| Fiscal Year | Kandiyohi County | | | |
|-------------|------------------|------------------|----------------------------|-------------------|
| | Population | Personal Income | Per Capita Personal Income | Unemployment Rate |
| 2006 | 41,537 | \$ 1,411,532,000 | \$ 33,983 | 3.40% |
| 2007 | 41,639 | 1,502,429,000 | 36,082 | 4.00% |
| 2008 | 41,840 | 1,672,645,000 | 39,977 | 4.50% |
| 2009 | 42,058 | 1,613,606,000 | 38,366 | 6.60% |
| 2010 | 42,245 | 1,720,455,000 | 40,726 | 6.30% |
| 2011 | 42,248 | 1,827,473,000 | 43,256 | 5.90% |
| 2012 | 42,399 | 1,890,333,000 | 44,584 | 5.10% |
| 2013 | 42,403 | 1,870,735,000 | 44,118 | 4.60% |
| 2014 | 42,285 | 1,915,886,000 | 45,309 | 3.80% |
| 2015 | 42,285 | N/A | N/A | 3.60% |

N/A = not available

Source: Bureau of Economic Analysis - U.S. Department of Commerce,
Bureau of Labor Statistics, U.S. Census Bureau, and
Minnesota Department of Employment and Economic Development

**Willmar Public Schools
Principal Employers
Current Year and Nine Years Ago**

| TAXPAYER | 2015 | | | 2006 | | |
|--------------------------------------|-----------|------|-----------------------------|-----------|------|-----------------------------|
| | EMPLOYEES | RANK | % OF TOTAL EMPLOYMENT | EMPLOYEES | RANK | % OF TOTAL EMPLOYMENT |
| | RANGE | | 24,376 | 22,532 | | |
| Jennie-O Turkey Store, Inc. | 1,800 | 1 | 7.38% | 1,500 | 1 | 6.66% |
| Rice Memorial Hospital | 900 | 2 | 3.69% | 912 | 2 | 4.05% |
| Willmar Public Schools | 632 | 3 | 2.59% | 715 | 3 | 3.17% |
| Affiliated Community Medical Centers | 600 | 4 | 2.46% | 447 | 5 | 1.98% |
| Kandiyohi County | 576 | 5 | 2.36% | 433 | 6 | 1.92% |
| Bethesda Homes | 450 | 6 | 1.85% | 350 | 7 | 1.55% |
| Cashwise Foods | 330 | 7 | 1.35% | | | 0.00% |
| Ridgewater College | 300 | 8 | 1.23% | 235 | 8 | 1.04% |
| Walmart | 210 | 9 | 0.86% | | | 0.00% |
| Woodland Centers | 200 | 10 | 0.82% | | | |
| Willmar Regional Treatment Center | | | 0.00% | 530 | 4 | 2.35% |
| MNDOT | | | 0.00% | 225 | 9 | 1.00% |
| Willmar Poultry Co. | | | 0.00% | 225 | 10 | 1.00% |

Source: Minnesota Department of Employment and Economic Development, Ehlers and Springsted, Inc.

Willmar Public Schools
Full-Time-Equivalent District Employees by Type
Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Instruction | | | | | | | | | | |
| Teachers | 331.0 | 327.0 | 338.0 | 322.7 | 307.5 | 339.0 | 333.0 | 344.0 | 347.0 | 352.0 |
| Title Teachers | 17.5 | 16.5 | 17.0 | 15.0 | 15.0 | 19.0 | 19.0 | 19.0 | 19.0 | 10.0 |
| Deans of Students | 4.0 | 3.0 | 5.0 | 4.0 | 4.0 | 2.0 | 2.0 | 3.0 | 3.0 | 0.0 |
| Total Instruction | <u>352.5</u> | <u>346.5</u> | <u>360.0</u> | <u>341.7</u> | <u>326.5</u> | <u>360.0</u> | <u>354.0</u> | <u>366.0</u> | <u>369.0</u> | <u>362.0</u> |
| Support | | | | | | | | | | |
| Principals, Deans and District Administration | 10.0 | 10.0 | 10.0 | 9.0 | 9.0 | 7.0 | 7.0 | 9.0 | 9.0 | 13.0 |
| Directors & Community Education | 8.0 | 6.0 | 6.0 | 6.0 | 6.0 | 9.0 | 8.0 | 9.0 | 9.0 | 12.0 |
| Secretaries | 16.5 | 16.0 | 20.0 | 20.0 | 18.5 | 19.0 | 19.0 | 23.0 | 27.0 | 27.0 |
| Custodians | 25.5 | 24.5 | 27.0 | 27.0 | 27.0 | 26.0 | 26.0 | 26.0 | 26.0 | 26.0 |
| Food Service | 30.0 | 30.0 | 30.0 | 30.0 | 28.0 | 28.0 | 30.0 | 30.0 | 31.0 | 33.0 |
| Clerical/Non-affiliated | 44.5 | 44.5 | 42.0 | 42.0 | 38.0 | 45.0 | 48.0 | 70.0 | 80.0 | 91.0 |
| Paraprofessionals | 110.0 | 99.0 | 102.0 | 97.0 | 78.0 | 106.0 | 107.0 | 111.0 | 107.0 | 112.0 |
| Total Support | <u>244.5</u> | <u>230.0</u> | <u>237.0</u> | <u>231.0</u> | <u>204.5</u> | <u>240.0</u> | <u>245.0</u> | <u>278.0</u> | <u>289.0</u> | <u>314.0</u> |
| Total | <u><u>597.0</u></u> | <u><u>576.5</u></u> | <u><u>597.0</u></u> | <u><u>572.7</u></u> | <u><u>531.0</u></u> | <u><u>600.0</u></u> | <u><u>599.0</u></u> | <u><u>644.0</u></u> | <u><u>658.0</u></u> | <u><u>676.0</u></u> |

Source: District Records

As of 2015, Deans of Students are included in the Support category.

**Willmar Public Schools
Operating Statistics
Last Ten Fiscal Years**

| Fiscal Year | Enrollment (1) | Operating Expenditures (2) | Cost Per Pupil | % Change | Teaching Staff FTE's | Pupil-Teacher Ratio (3) | % of Students Receiving Free or Reduced- Price Meals |
|--------------------|-----------------------|-----------------------------------|-----------------------|-----------------|-----------------------------|--------------------------------|---|
| 2006 | 4,103 | \$ 42,312,009 | \$ 10,312 | -0.57% | 352.5 | 11.6 | 44.5% |
| 2007 | 4,077 | 43,352,344 | 10,633 | 3.11% | 346.5 | 11.8 | 46.4% |
| 2008 | 4,038 | 46,629,456 | 11,548 | 8.60% | 360.0 | 11.2 | 46.9% |
| 2009 | 4,076 | 45,960,727 | 11,276 | -2.35% | 341.7 | 11.9 | 48.0% |
| 2010 | 4,032 | 43,519,178 | 10,793 | -4.28% | 326.5 | 12.3 | 50.3% |
| 2011 | 3,987 | 45,703,206 | 11,463 | 6.20% | 360.0 | 11.1 | 51.4% |
| 2012 | 4,020 | 45,924,165 | 11,424 | -0.34% | 354.0 | 11.4 | 53.9% |
| 2013 | 4,122 | 48,177,100 | 11,688 | 2.31% | 366.0 | 11.3 | 55.8% |
| 2014 | 3,994 | 51,254,970 | 12,833 | 9.80% | 369.0 | 10.8 | 56.7% |
| 2015 | 3,997 | 55,531,839 | 13,893 | 8.26% | 362.0 | 11.0 | 58.3% |

N/A = not available

Note 1: Enrollment is measured by Average Daily Membership per the Minnesota Department of Education.

Note 2: Operating Expenditures are total districtwide expenditures less debt service and operating capital.

Note 3: This data is computed by dividing total Enrollment by total Teaching Staff FTE's.

Source: District Records and Minnesota Department of Education

**Willmar Public Schools
Teacher Base Salaries
Last Ten Fiscal Years**

| Fiscal Year | Minimum Salary | Maximum Salary |
|------------------------|---------------------------|---------------------------|
| 2006 | \$ 30,550 | \$ 58,735 |
| 2007 | 32,435 | 59,585 |
| 2008 | 33,132 | 60,931 |
| 2009 | 34,159 | 62,820 |
| 2010 | 34,159 | 62,820 |
| 2011 | 34,159 | 62,820 |
| 2012 | 34,159 | 62,820 |
| 2013 | 36,294 | 66,746 |
| 2014 | 37,383 | 68,748 |
| 2015 | 37,663 | 69,264 |

Note: Amounts do not include fringe benefits such as pension, health insurance, disability, etc.

Source: District Records

**Willmar Public Schools
School Building Information - Owned Buildings
Last Ten Fiscal Years**

| <u>School</u> | Fiscal Year | | | | | | | | | |
|---|-------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| PreK - Elementary | | | | | | | | | | |
| Jefferson (1953) | | | | | | | | | | |
| Square Feet | 46,833 | 46,833 | 46,833 | 46,833 | 46,833 | 46,833 | 46,833 | 46,833 | 46,833 | 46,833 |
| Enrollment | 252 | 258 | 253 | 264 | 32 | 33 | 37 | 32 | 34 | 31 |
| Acres | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 |
| Kennedy (1958) | | | | | | | | | | |
| Square Feet | 150,665 | 150,665 | 150,665 | 150,665 | 150,665 | 150,665 | 150,665 | 150,665 | 150,665 | 150,665 |
| Enrollment | 755 | 796 | 802 | 854 | 910 | 908 | 954 | 972 | 905 | 907 |
| Acres | 23.7 | 23.7 | 23.7 | 23.7 | 23.7 | 23.7 | 23.7 | 23.7 | 23.7 | 23.7 |
| Lafayette (1939) (sold June 15, 2007) | | | | | | | | | | |
| Square Feet | 22,953 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Enrollment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Acres | 2.3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Lincoln (1924) (sold November 16, 2012) | | | | | | | | | | |
| Square Feet | 46,004 | 46,004 | 46,004 | 46,004 | 46,004 | 46,004 | 46,004 | 0 | 0 | 0 |
| Enrollment | 326 | 325 | 313 | 254 | 0 | 0 | 0 | 0 | 0 | 0 |
| Acres | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 | 0 | 0 | 0 |
| Roosevelt (1987) | | | | | | | | | | |
| Square Feet | 95,000 | 95,000 | 95,000 | 95,000 | 105,000 | 105,000 | 105,000 | 105,000 | 105,000 | 105,000 |
| Enrollment | 683 | 698 | 720 | 767 | 883 | 906 | 931 | 938 | 940 | 955 |
| Acres | 24.0 | 24.0 | 24.0 | 24.0 | 24.0 | 24.0 | 24.0 | 24.0 | 24.0 | 24.0 |
| Washington (1951) (sold April 22, 2011) | | | | | | | | | | |
| Square Feet | 30,916 | 30,916 | 30,916 | 30,916 | 30,916 | 0 | 0 | 0 | 0 | 0 |
| Enrollment | 22 | 23 | 25 | 25 | 29 | 0 | 0 | 0 | 0 | 0 |
| Acres | 4.7 | 4.7 | 4.7 | 4.7 | 4.7 | 0 | 0 | 0 | 0 | 0 |

Willmar Public Schools
School Building Information - Owned Buildings (continued)
Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|----------------------|-------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| Secondary | | | | | | | | | | |
| Middle School (1967) | | | | | | | | | | |
| Square Feet | 154,380 | 154,380 | 154,380 | 154,380 | 154,380 | 154,380 | 154,380 | 154,380 | 154,380 | 154,380 |
| Enrollment | 648 | 609 | 539 | 552 | 871 | 868 | 841 | 882 | 880 | 894 |
| Acres | 28.7 | 28.7 | 28.7 | 28.7 | 28.7 | 28.7 | 28.7 | 28.7 | 28.7 | 28.7 |
| Senior High (1997) | | | | | | | | | | |
| Square Feet | 267,000 | 267,000 | 267,000 | 267,000 | 267,000 | 267,000 | 267,000 | 267,000 | 267,000 | 267,000 |
| Enrollment | 1,261 | 1,195 | 1,226 | 1,198 | 1,175 | 1,114 | 1,100 | 1,122 | 1,116 | 1,090 |
| Acres | 193.0 | 193.0 | 193.0 | 193.0 | 193.0 | 193.0 | 193.0 | 193.0 | 193.0 | 193.0 |
| Garfield (1930) | | | | | | | | | | |
| Square Feet | 25,536 | 25,536 | 25,536 | 25,536 | 25,536 | 25,536 | 25,536 | 25,536 | 25,536 | 25,536 |
| Enrollment | 67 | 89 | 72 | 69 | 77 | 77 | 75 | 84 | 81 | 86 |
| Acres | 2.6 | 2.6 | 2.6 | 2.6 | 2.6 | 2.6 | 2.6 | 2.6 | 2.6 | 2.6 |
| WEAC (1939) | | | | | | | | | | |
| Square Feet | 49,470 | 49,470 | 49,470 | 49,470 | 49,470 | 49,470 | 49,470 | 49,470 | 49,470 | 49,470 |
| Enrollment | 15 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Acres | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 |

Source: District Records and Minnesota Department of Education

**Willmar Public Schools
Schedule of Insurance Coverage
For the Year Ended June 30, 2015**

| Insurable Risk | Insured through Agent & Ins. Co. or Risk Pool | Policy Period | Coverage Limits | Deductible |
|----------------------------------|--|----------------------|--|-------------------|
| General Liability | Hanover Insurance Company | 7/1/14 - 7/1/15 | Gen. Agg. \$2,000,000 Each Occ. \$1,000,000 | N/A |
| Automotive Liability | Hanover Insurance Company | 7/1/14 - 7/1/15 | Liability \$1,000,000 Uninsured \$1,000,000 Under... \$1,000,000 | \$500 |
| Commercial Excess | Hanover Insurance Company | 7/1/14 - 7/1/15 | Occurance \$3,000,000 Aggregate \$3,000,000 | N/A |
| School Leaders E & O | Hanover Insurance Company | 7/1/14 - 7/1/15 | Claim \$1,000,000 Aggregate \$1,000,000 | \$2,500 |
| Basic Property (all risk) | Hanover Insurance Company | 7/1/14 - 7/1/15 | Varies by type of property | \$10,000 |
| Boiler and Machinery | Hanover Insurance Company | 7/1/14 - 7/1/15 | \$186,760,398 | \$10,000 |
| Inland Marine | Hanover Insurance Company | 7/1/14 - 7/1/15 | Various types of property | N/A |
| Workers' Compensation | Hanover Insurance Company | 7/1/14 - 7/1/15 | Accident \$500,000 Disease \$500,000 Disease \$500,000 ee | N/A |
| Crime | Hanover Insurance Company | 7/1/14 - 7/1/15 | Theft, etc. \$250,000 | \$500 |

N/A = not available

Source: District records