

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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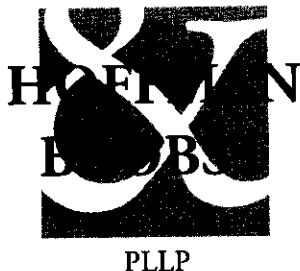
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INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
SCHEDULE OF SCHOOL BOARD MEMBERS AND OFFICIALS
JUNE 30, 2015

<u>SCHOOL BOARD MEMBERS</u>		<u>TERM EXPIRES</u>
Carnie Alex	Chairperson	2016
Eric Dahlager	Vice-Chairperson	2018
Mark Molenaar	Clerk	2016
Wendie Discher	Treasurer	2018
Ann Johnson	Director	2016
Darin Bratsch	Director	2018
Heather McLagan	Director	2016
<u>SCHOOL OFFICIAL</u>		
Michelle Mortensen	Superintendent of Schools	



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the School Board
Independent School District No. 2890
Renville County West
Renville, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2890, Renville County West, Renville, Minnesota as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2890, Renville County West, Renville, Minnesota as of June 30, 2015, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 12 to the financial statements, for the year ended June 30, 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Financial Reporting for Pension Plans – and Amendment of GASB Statement No. 25*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of funding progress and employer contributions for postemployment benefit plans, schedules of District's share of net pension liability and District's contributions for defined benefit pension plans, and budgetary comparison information, on pages 1 through 8 and pages 40 through 46 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Independent School District No. 2890, Renville County West, Renville, Minnesota's basic financial statements. The introductory section, other supplementary information, and the uniform financial accounting and reporting standards compliance table listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The uniform financial accounting and reporting standards compliance table is the responsibility of management and was derived from and relates 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 uniform financial accounting and reporting standards compliance table is fairly stated in all material respects in relation to the basic financial statements as a whole.

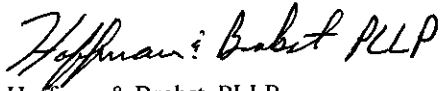
The introductory section and other supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Report on Summarized Comparative Information

We have previously audited the District's 2014 financial statements, and our report, dated November 3, 2014, expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2015, on our consideration of Independent School District No. 2890, Renville County West, Renville, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Independent School District No. 2890, Renville County West, Renville, Minnesota's internal control over financial reporting and compliance.



Hoffman & Brobst, PLLP
Certified Public Accountants
Marshall, Minnesota

November 4, 2015

REQUIRED SUPPLEMENTAL INFORMATION

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

As management of Independent School District No. 2890, Renville County West, Renville, Minnesota, we offer readers of Independent School District No. 2890, Renville County West, Renville, Minnesota's financial statements this narrative overview and analysis of the financial activities of Independent School District No. 2890, Renville County West, Renville, Minnesota for the fiscal year ended June 30, 2015.

FINANCIAL HIGHLIGHTS

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

- Net position in the Statement of Net Position decreased \$3,801,786 from the prior year to \$2,268,948. This decrease was primarily 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, deferred outflows of resources, and pension expense on the District's government-wide statements. This change in accounting principle is discussed in Note 12.
- The General Fund fund balance decreased \$237,845 to \$2,985,324. The unassigned fund balance decreased \$334,556 to \$2,633,643. This amounts to 35.8% of annual budgeted expenditures which meets the District's fund balance goal of a minimum of 10% of operating budget.
- During the current fiscal year, the District incurred new debt of \$5,360,000 to fund an addition of classrooms and a gymnasium expansion. All activity related to this project is reflected in the Building Construction Fund. The fund balance of this fund is \$5,045,512 at June 30, 2015. These funds will be used to complete the project during the fiscal year ended June 30, 2016.
- During the current fiscal year, the District spent \$634,410 from the General Fund for improvements to the windows and exterior of the building. This project was budgeted for in the General Fund to spend down a portion of the unassigned fund balance. This project will be completed during the fiscal year ended June 30, 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Independent Auditor's Report,
- Required Supplementary Information which includes the Management's Discussion and Analysis (this section),
- Basic financial statements, notes to financial statements, and
- Other supplementary information and other required reports and information.

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 governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending. The fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

OVERVIEW OF THE FINANCIAL STATEMENTS (Cont'd)

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the District's assets, 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 it has changed. Net position – the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are 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.

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

- **Governmental Activities** – Most of the District's basic services are included here, such as 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 or to show that it is properly using certain revenues.

The District has two kinds of funds:

- **Governmental funds** – The District's basic services are included in governmental funds, which generally focus on: 1) how cash and other financial assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information (reconciliation schedules) follows the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.
- **Fiduciary funds** – The District is the trustee, or fiduciary, for various funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED JUNE 30, 2015

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (GOVERNMENT-WIDE STATEMENTS)
 NET POSITION**

The District's combined net position was \$2,268,948 on June 30, 2015. This was a decrease of 62.6% from the previous year total of \$6,070,734. A summary of the District's net position is as follows:

Net Position – Governmental Activities			Percentage Change
	<u>6/30/2015</u>	<u>6/30/2014</u>	
Current and Other Assets	\$ 10,997,673	\$ 5,479,573	
Capital Assets	<u>9,667,394</u>	<u>9,120,143</u>	
Total Assets	<u>20,665,067</u>	<u>14,599,716</u>	41.5%
Related to Pensions	<u>683,826</u>	-	
Total Deferred Inflows of Resources	<u>683,826</u>	<u>-</u>	100.0%
Current Liabilities	1,197,486	718,524	
Noncurrent Liabilities	<u>15,031,658</u>	<u>6,261,652</u>	
Total Liabilities	<u>16,229,144</u>	<u>6,980,176</u>	132.5%
Property Taxes Levied for Subsequent Year's Expenditures	1,744,391	1,548,806	
Related to Pensions	<u>1,106,410</u>	-	
Total Deferred Inflows of Resources	<u>2,850,801</u>	<u>1,548,806</u>	84.1%
Net Position			
Invested in Capital Assets	3,278,107	2,415,605	
Restricted	408,102	426,293	
Unrestricted	<u>(1,417,261)</u>	<u>3,228,836</u>	
Total Net Position	<u>\$ 2,268,948</u>	<u>\$ 6,070,734</u>	(62.6%)

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (GOVERNMENT-WIDE STATEMENTS)
(Cont'd)**

CHANGE IN NET POSITION

The change in net position occurs as a result of the District implementing GASB 68, Accounting and Financial Reporting for Pensions (prior period adjustment) and revenues being greater than its expenses for the year ended June 30, 2015. A summary of the District's revenues and expenses is as follows:

Change in Net Position – Governmental Activities

	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>Percentage Change</u>
Revenues			
Program Revenues			
Charges for Services	\$ 336,462	\$ 359,157	
Operating Grants and Contributions	1,797,101	1,793,643	
General Revenues			
Property Taxes	1,774,798	2,548,457	
Unallocated Federal and State Aid	3,780,515	3,190,516	
Other	73,235	4,047	
Total Revenues	<u>7,762,111</u>	<u>7,895,820</u>	(1.7%)
Expenses			
District and School Administration	494,240	478,224	
District Support Services	360,549	408,098	
Regular Instruction	3,145,598	2,905,229	
Vocational Instruction	78,325	75,506	
Exceptional Instruction	995,642	1,038,045	
Community Education and Services	172,377	148,512	
Instructional Support Services	82,184	102,999	
Pupil Support Services	928,049	943,750	
Site, Buildings and Equipment	921,800	687,937	
Fiscal and Other Fixed Cost Programs	31,951	39,460	
Interest on Long-Term Debt	203,201	178,618	
Total Expenses	<u>7,413,916</u>	<u>7,006,378</u>	5.8%
Increase in Net Position	<u>348,195</u>	<u>889,442</u>	
Beginning of Year Net Position,			
As Originally Stated	6,070,734	5,181,292	
Prior Period Adjustment (GASB 68)	<u>(4,149,981)</u>	<u>-</u>	
Beginning Net Position, as Restated	1,920,753	5,181,592	
End of Year Net Position	<u>\$ 2,268,948</u>	<u>\$ 6,070,734</u>	(62.6%)

The District's total revenues consisted of program revenues of \$2,133,563, property taxes of \$1,774,798, unallocated federal and state aids of \$3,780,515 and a small amount from miscellaneous other sources. Expenses totaling \$7,414,516 consisted primarily of student instructional costs of \$4,219,565, student support services of \$1,010,233, administration costs of \$854,789, site, buildings and equipment costs of \$921,800, community education services of \$172,377 and minor other amounts.

The cost of all governmental activities this year was \$7,413,916.

- The users of the District's programs paid for 4.5%, or \$336,462, of the costs.
- The federal and state governments subsidized certain programs with grants and contributions. This totaled \$1,797,101 or 24.2% of the total costs.
- Most of the District's net cost of services (\$5,280,353), however, were paid for by state taxpayers based on the statewide education aid formula and by District taxpayers.

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED JUNE 30, 2015

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (FUND FINANCIAL STATEMENTS)
 FUND BALANCE**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$8,521,550. This was up from \$3,623,076 at the end of the prior year, an increase of \$4,898,474. This overall increase is primarily due to a new bond issuance in the Building Construction Fund. The General Fund decreased due to an increase in capital outlay. The Food Service Fund decreased due to a decrease in federal revenue and increase in capital outlay. The Community Service Fund saw a modest decrease. The increase in the Building Construction Fund was due to expenditures for capital outlay being less than the bond proceeds; however, it is anticipated that the fund balance will be spent in fiscal year 2016 to complete the project. The Debt Service Fund increased due to a transfer of bond proceeds as required by the bond covenant.

REVENUES AND EXPENDITURES

Revenues and other financing sources of the District's governmental funds totaled \$13,176,357. This was an increase of 66.6% from the previous year total of \$7,908,789. Total expenditures were \$8,277,883. This was an increase of 11.2% from the previous year total of \$7,443,451. A summary of the revenues, expenditures, and other sources (uses) reported on the governmental financial statements is as follows:

Revenues and Expenditures – Governmental Funds

	<u>Revenue</u>	<u>Expenditures</u>	<u>Other Sources (Uses)</u>	<u>Fund Balance Increase (Decrease)</u>
General Fund	\$ 6,867,688	\$ 7,105,533	\$ -	\$ (237,845)
Food Service Fund	323,766	375,828	-	(52,062)
Community Service Fund	172,284	173,013	-	(729)
Building Construction Fund	-	246,949	5,292,461	5,045,512
Debt Service Fund	<u>394,925</u>	<u>376,560</u>	<u>125,233</u>	<u>143,598</u>
Totals	\$ <u>7,758,663</u>	\$ <u>8,277,883</u>	\$ <u>5,417,694</u>	\$ <u>4,898,474</u>

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 twelve. Pupil transportation activities, capital purchases and major maintenance projects are also included in the General Fund.

The following schedule presents a summary of General Fund revenues:

Revenues – General Fund

	<u>Year Ended 6/30/2015</u>	<u>Year Ended 6/30/2014</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Local Sources				
Property Taxes	\$ 1,300,244	\$ 2,064,014	\$ (763,770)	(37.0%)
Tuition Contracts	76,355	54,172	22,183	40.9%
Other Local Sources	217,487	184,659	32,828	17.8%
State Sources	4,999,264	4,410,370	588,894	13.3%
Federal Sources	<u>274,338</u>	<u>251,844</u>	<u>22,494</u>	8.9%
Total Revenues	\$ <u>6,867,688</u>	\$ <u>6,965,059</u>	\$ <u>(97,371)</u>	(1.4%)

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (FUND FINANCIAL STATEMENTS) (Cont'd)
GENERAL FUND (Cont'd)**

The following schedule presents a summary of General Fund expenditures and other financing uses:

Expenditures – General Fund

	Year Ended 6/30/2015	Year Ended 6/30/2014	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries and Wages	\$ 3,935,491	\$ 3,753,100	\$ 182,391	4.9%
Employee Benefits	1,014,327	1,022,107	(7,780)	(0.8%)
Purchased Services	719,583	868,930	(149,347)	(17.2%)
Supplies and Materials	298,292	291,514	6,778	2.3%
Other Expenditures	28,514	22,872	5,642	24.7%
Capital Expenditures	987,485	379,183	608,302	160.4%
Debt Service Expenditures	<u>121,841</u>	<u>205,981</u>	<u>(84,140)</u>	(40.8%)
Total Expenditures	7,105,533	6,543,687	561,846	8.6%
Other Financing Uses				
Operating Transfer Out	-	20,000	(20,000)	100.0%
Total Expenditures and Other Financing Uses	<u>\$ 7,105,533</u>	<u>\$ 6,563,687</u>	<u>\$ 541,846</u>	8.3%

In summary, the 2014-2015 General Fund expenditures exceeded revenues by \$237,845 resulting in the total fund balance decreasing to \$2,985,324 at June 30, 2015. After deducting statutory and accounting standards restrictions and fund balance policy commitments and assignments, the unassigned fund balance decreased \$334,556 to \$2,633,643 at June 30, 2015. The District closely monitors the General Fund unassigned fund balance through its budgeting process throughout the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year ended June 30, 2015 the District revised its operating budget twice. These revisions were planned, and were necessary because when the initial budget was prepared and adopted (a budget must be in place prior to the beginning of the fiscal year on July 1) details of student enrollment numbers, salary details, staffing levels, and other significant information items were not yet known. These revisions were made in February and May to reflect significant changes in enrollment data, state funding adjustments, and unforeseen changes in revenue and expenditure categories.

The District's final budget for the General Fund anticipated that expenditures would exceed revenues by \$553,815; the actual results for the year showed a deficit of \$237,845.

- Actual revenues were \$63,315, or 0.9 percent, more than budget. This was due to funding fluctuations in multiple areas.
- Actual expenditures were \$248,943, or 3.4 percent, less than budget. This was due to the District paying less than expected for contracted services for special education and site, buildings and equipment, lower than expected fuel costs, and paying less than expected for capital outlay for new bleachers.

FOOD SERVICE FUND

The Food Service Fund revenue for 2014-2015 totaled \$323,766 and expenditures were \$375,828, resulting in a fund balance decrease of \$52,062. Reduced federal revenue and increased capital outlay were primarily responsible for this decrease. The June 30, 2015 Food Service Fund fund balance is \$45,959.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (FUND FINANCIAL STATEMENTS) (Cont'd)
COMMUNITY SERVICE FUND**

In 2014-2015, the total revenues for the Community Service Fund were \$172,284 and total expenditures were \$173,013, resulting in a fund balance decrease of \$729. The Community Service Fund fund balance as of June 30, 2015 is \$19,355.

BUILDING CONSTRUCTION FUND

In February 2015, the District received approval to issue \$5,360,000 of General Obligation School Building Bonds. All of these funds were deposited into the Building Construction Fund, net of the issuance premium of \$57,694. These funds are to be used for the construction of new classrooms and a gymnasium expansion for the Renville County West school facility. This fund incurred \$246,949 of costs related to this project. The fund also transferred \$125,233 to the Debt Service Fund, in accordance with bond covenants. The fund balance at June 30, 2015 is \$5,045,512 restricted for Building Construction.

DEBT SERVICE

In 2014-2015, total revenues were \$394,925 and total expenditures were \$376,560. In 2014-2015 there was an operating transfer of \$125,233 from the Building Construction Fund to comply with bond covenants, resulting in a fund balance increase of \$143,598. The fund balance at June 30, 2015 is \$425,400.

TRUST FUND

The Trust Fund deductions exceeded additions by \$781 in 2014-2015. The net position balance of \$44,471 at June 30, 2015 is available for scholarships.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of June 30, 2015, the District had net capital assets of \$9,667,394 representing a broad range of capital assets, including school buildings and improvements, computer and audio-visual equipment, and various other equipment for instructional support and administrative purposes. Total depreciation expense for the year was \$353,658. Information about the District's capital assets is shown below. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Capital Assets – Governmental Activities			Percentage
	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>Change</u>
Land	\$ 10,350	\$ 10,350	0.0%
Construction in Progress	297,712	-	100.0%
Buildings and Improvements	12,069,398	11,684,592	3.3%
Equipment and Vehicles	1,619,274	1,564,241	3.5%
Less Accumulated Depreciation	<u>(4,329,340)</u>	<u>(4,139,040)</u>	4.6%
Total Net Capital Assets	<u>\$ 9,667,394</u>	<u>\$ 9,120,143</u>	6.0%

LONG-TERM LIABILITIES

At year-end, the District had \$10,525,000 in general obligation bonds outstanding. 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 \$3,653,928 at June 30, 2015. The District had various long-term liabilities as detailed below. More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.

- The District issued \$5,360,000 in General Obligation School Building Bonds on March 18, 2015.
- The District continues to pay down its debt, retiring \$321,251 of bonds and capital leases in the year ending June 30, 2015.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (FUND FINANCIAL STATEMENTS) (Cont'd)
LONG-TERM LIABILITIES (Cont'd)**

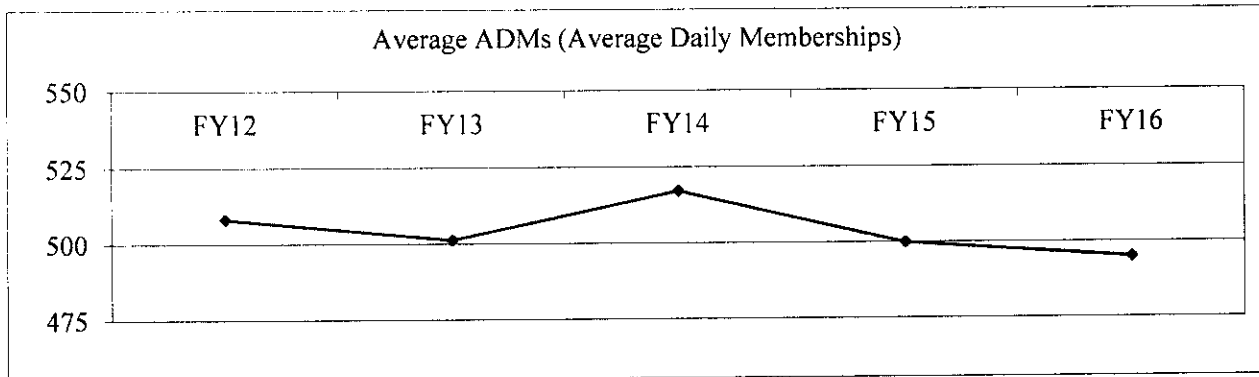
Outstanding Long-Term Liabilities			Percentage
	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>Change</u>
General Obligation Bonds	\$ 10,525,000	\$ 5,410,000	94.5%
Issuance Premiums	93,289	39,165	138.2%
Capital Lease Obligations	1,193,945	1,270,196	(6.0%)
Severance Pay Payable	151,136	137,621	9.8%
OPEB Payable (Advance Payments)	(178,902)	(221,589)	(19.3%)
Pension Benefits Payable	<u>3,653,928</u>	<u>4,414,229</u>	(17.2%)
Total Long-Term Liabilities	<u>\$ 15,438,396</u>	<u>\$11,049,622</u>	39.7%

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Legislature approved foundation formula increases for both the 2015-2016 and 2016-2017 fiscal years. This has a very positive effect for school district operations and maintaining a balanced budget. Economic conditions in Minnesota continue to get better and the Legislature in 2016 will continue to have more options available to them in providing programs and support for K-12 education.

The majority of labor contracts are in effect for two-year periods. The contract with District certified teachers is in effect for the two-year period ending June 30, 2017. The contracts with other District personnel are in effect for the two-year period ending June 30, 2017. The District tries to be fair with staff during the negotiations process, but always needs to balance that approach with the availability of resources, along with looking at the long-term financial well-being of the District. Negotiated settlements are always an area of financial challenge for the District. Labor costs and related benefits account for approximately 70% of the District's General Fund operating expenditures.

The District's future projections reflect a decline in enrollment. This impacts the District's funding since enrollment is what actually determines most of a school's funding components. Hence, if there was an increase in enrollment the District could anticipate an increase in revenues even if there were no increases to the formulas. Maintaining stability of the District's enrollment continues to be one of the District's goals.



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 one has questions about this report or needs additional financial information, contact the Business Office, Independent School District No. 2890, Renville County West, 301 NE 3rd St, Renville, MN 56284, visit the District website at rcw.k12.mn.us, or call (320) 329-8362.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 STATEMENT OF NET POSITION
 JUNE 30, 2015
 (with Partial Comparative Information as of June 30, 2014)

	Governmental Activities	
	2015	2014
ASSETS		
Current Assets:		
Cash and Investments	\$ 9,324,907	\$ 3,836,788
Property Taxes Receivable-Net	993,791	881,479
Accounts and Interest Receivable	6,352	11,048
Due From State of Minnesota	405,250	469,279
Due From Federal Government	121,114	107,020
Due From Other Minnesota Districts	144,279	171,563
Inventory	1,980	2,396
Total Current Assets	10,997,673	5,479,573
Noncurrent Assets:		
Capital Assets:		
Land	10,350	10,350
Construction in Progress	297,712	-
Other Capital Assets, Net of Depreciation	9,359,332	9,109,793
Total Noncurrent Assets	9,667,394	9,120,143
TOTAL ASSETS	20,665,067	14,599,716
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	683,826	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 21,348,893	\$ 14,599,716
LIABILITIES		
Current Liabilities:		
Salaries Payable	21,762	22,820
Accounts and Interest Payable	651,642	209,376
Due to Other Governmental Units	16	4
Payroll Liabilities	97,380	84,494
Unearned Revenue	20,548	28,089
Current Portion of Long-Term Liabilities	406,138	373,741
Total Current Liabilities	1,197,486	718,524
Noncurrent Liabilities:		
Noncurrent Portion of Long-Term Liabilities	15,031,658	6,261,652
Total Noncurrent Liabilities	15,031,658	6,261,652
TOTAL LIABILITIES	16,229,144	6,980,176
DEFERRED INFLOWS OF RESOURCES		
Property Taxes Levied for Subsequent Year's Expenditures	1,744,391	1,548,806
Related to Pensions	1,106,410	-
TOTAL DEFERRED INFLOWS OF RESOURCES	2,850,801	1,548,806
NET POSITION		
Net Investment in Capital Assets	3,278,107	2,415,605
Restricted For:		
Capital Asset Acquisition	8,337	21,508
Debt Service	261,862	200,123
Food Service	45,959	98,021
Community Service	57,135	76,593
Other Activities	34,809	30,048
Unrestricted	(1,417,261)	3,228,836
TOTAL NET POSITION	2,268,948	6,070,734
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 21,348,893	\$ 14,599,716

The accompanying notes are an integral part of these statements.

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2015
 (with Partial Comparative Information for the Year Ended June 30, 2014)

Functions/Programs	2015			2014		
	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:						
District and School Administration	\$ 494,240			\$	(494,240)	(478,224)
District Support Services	360,549				(360,549)	(408,098)
Regular Instruction	3,145,598	109,055	962,114		(2,074,429)	(1,979,697)
Vocational Instruction	78,325	-	-		(78,325)	(75,506)
Exceptional Instruction	995,642	7,136	529,139		(459,367)	(361,076)
Community Education and Services	172,377	28,844	75,777		(67,756)	(29,818)
Instructional Support Services	82,184	-	-		(82,184)	(102,999)
Pupil Support Services	928,049	189,727	230,071		(508,251)	(512,345)
Site, Buildings and Equipment	921,800	1,700	-		(920,100)	(687,737)
Fiscal and Other Fixed Cost Programs	31,951	-	-		(31,951)	(39,460)
Interest on Long-Term Debt	203,201	-	-		(203,201)	(178,618)
Total Governmental Activities	7,413,916	336,462	1,797,101	\$ -	(5,280,353)	(4,853,578)

General Revenues:

Property Taxes Levied for:					
General Purposes				1,331,912	2,078,004
Community Education and Service				64,544	91,545
Debt Service				378,342	378,908
Federal and State Aid Not Restricted to Specific Purposes				3,780,515	3,190,516
Earnings on Investments				1,583	3,501
Gain (Loss) on the Disposal of Equipment				(12,519)	(7,305)
Miscellaneous Revenues				84,171	7,851
Total General Revenues				5,628,548	5,743,020

Change in Net Position

Change in Net Position	348,195	889,442
Net Position - Beginning of Year, As Originally Stated	6,070,734	5,181,292
Prior Period Adjustment	(4,149,981)	-
Net Position - Beginning of Year, As Restated	1,920,753	5,181,292

Net Position - Ending

Net Position - Ending	\$ 2,268,948	\$ 6,070,734
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The accompanying notes are an integral part of these statements.

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 BALANCE SHEET - GOVERNMENTAL FUNDS
 JUNE 30, 2015

(with Partial Comparative Information as of June 30, 2014)

	Major Funds						Total Governmental Funds	
	General	Food	Community	Building	Debt		2015	2014
		Service	Construction	Service	Construction	Service		
ASSETS								
Cash and Investments	\$ 3,359,022	\$ 42,115	\$ 85,989	\$ 5,212,098	\$ 625,683	\$ 9,324,907	\$ 3,836,788	
Current Property Taxes Receivable	727,597	-	32,802	-	193,362	953,761	849,146	
Delinquent Property Taxes Receivable	35,553	-	1,311	-	3,166	40,030	32,333	
Accounts and Interest Receivable	5,788	143	421	-	-	6,352	11,048	
Due From State of Minnesota	400,115	1,912	1,459	-	1,764	405,250	469,279	
Due From Federal Government	108,231	12,883	-	-	-	121,114	107,020	
Due From Other Minnesota Districts	144,279	-	-	-	-	144,279	171,563	
Inventory	-	1,980	-	-	-	1,980	2,396	
TOTAL ASSETS	\$ 4,780,585	\$ 59,033	\$ 121,982	\$ 5,212,098	\$ 823,975	\$ 10,997,673	\$ 5,479,573	
LIABILITIES								
Salaries Payable	\$ 13,661	\$ 1,055	\$ 7,046	\$ -	\$ -	\$ 21,762	\$ 22,820	
Accounts and Interest Payable	366,810	12,019	6,581	166,586	-	551,996	139,951	
Due to Other Governmental Units	16	-	-	-	-	16	4	
Payroll Liabilities	97,380	-	-	-	-	97,380	84,494	
Unearned Revenue	-	-	20,548	-	-	20,548	28,089	
TOTAL LIABILITIES	477,867	13,074	34,175	166,586	-	691,702	275,358	
DEFERRED INFLOWS OF RESOURCES								
Unavailable Revenue - Delinquent Property Taxes	35,553	-	1,311	-	3,166	40,030	32,333	
Property Tax Levied for Subsequent Year's Expenditures	1,281,841	-	67,141	-	395,409	1,744,391	1,548,806	
TOTAL DEFERRED INFLOWS OF RESOURCES	1,317,394	-	68,452	-	398,575	1,784,421	1,581,139	
FUND BALANCES								
Nonspendable Fund Balance	-	1,980	-	-	-	1,980	2,396	
Restricted Fund Balances	43,146	43,979	19,355	5,045,512	425,400	5,577,392	440,477	
Committed Fund Balances	151,136	-	-	-	-	151,136	137,621	
Assigned Fund Balances	157,399	-	-	-	-	157,399	74,383	
Unassigned Fund Balances	2,633,643	-	-	-	-	2,633,643	2,968,199	
TOTAL FUND BALANCES	2,985,324	45,959	19,355	5,045,512	425,400	8,521,550	3,623,076	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 4,780,585	\$ 59,033	\$ 121,982	\$ 5,212,098	\$ 823,975	\$ 10,997,673	\$ 5,479,573	

The accompanying notes are an integral part of these statements.

INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015
 (with Partial Comparative Information as of June 30, 2014)

	2015	2014
Total Fund Balances for Governmental Funds	\$ 8,521,550	\$ 3,623,076
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Those assets consist of:</p>		
Land	10,350	10,350
Construction in Progress	297,712	-
Other Capital Assets, Net of \$4,329,340 of Accumulated Depreciation	9,359,332	9,109,793
<p>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 reported as unavailable revenue in the funds.</p>		
	40,030	32,333
<p>Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.</p>		
	(99,646)	(69,425)
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.</p>		
Deferred Outflows of Resources Related to Pensions	683,826	-
Deferred Inflows of Resources Related to Pensions	(1,106,410)	-
<p>Long-term liabilities, including bonds payable and unamortized bond premium, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:</p>		
Bonds Payable	(10,525,000)	(5,410,000)
Lease Purchase Agreements	(1,193,945)	(1,270,196)
Other Post Employment Benefits Payable	178,902	221,589
Severance Benefits Payable	(151,136)	(137,621)
Pension Benefits Payable	(3,653,928)	-
Unamortized Bond Premiums	(92,689)	(39,165)
Total Net Position of Governmental Activities	\$ <u>2,268,948</u>	\$ <u>6,070,734</u>

The accompanying notes are an integral part of these statements.

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2015
 (with Partial Comparative Information for the Year Ended June 30, 2014)

	Major Funds						Total Governmental Funds	
	General	Food Service	Community Service	Building Construction	Debt Service	2014		
						2015	2014	
REVENUES								
Local Property Tax Levies	\$ 1,300,244		\$ 64,615		\$ 377,147	\$ 1,742,006	\$ 2,534,967	
Other Local and County Revenues	244,497	31	92,009		134	336,671	342,011	
Revenue From State Sources	4,999,264	20,568	15,290		17,644	5,052,766	4,425,659	
Revenue From Federal Sources	274,338	198,091	-		-	472,429	490,919	
Sales and Other Conversion of Assets	49,345	105,076	370		-	154,791	115,233	
TOTAL REVENUES	6,867,688	323,766	172,284	-	394,925	7,758,663	7,908,789	
EXPENDITURES								
Current:								
District and School Administration	499,725	-	-	-	-	499,725	477,170	
District Support Services	343,296	-	-	-	-	343,296	382,781	
Regular Instruction	3,034,826	-	-	-	-	3,034,826	2,859,771	
Vocational Instruction	77,785	-	-	-	-	77,785	75,216	
Exceptional Instruction	1,005,404	-	-	-	-	1,005,404	1,037,695	
Community Education and Services	-	-	173,013	-	-	173,013	148,032	
Instructional Support Services	82,250	-	-	-	-	82,250	102,999	
Pupil Support Services	488,182	-	-	-	-	488,182	854,027	
Site, Buildings and Equipment	432,788	-	-	242,849	-	675,637	466,776	
Fiscal and Other Fixed Cost Programs	31,951	-	-	-	-	31,951	39,460	
Capital Outlay	987,485	32,119	-	4,100	-	1,023,704	417,183	
Debt Service:								
Principal	76,251	-	-	-	245,000	321,251	395,131	
Interest	45,590	-	-	-	131,560	177,150	187,210	
TOTAL EXPENDITURES	7,105,533	375,828	173,013	246,949	376,560	8,277,883	7,443,451	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(237,845)	(52,062)	(729)	(246,949)	18,365	(519,220)	465,338	
OTHER FINANCING SOURCES (USES)								
Bond Proceeds	-	-	-	5,360,000	-	5,360,000	-	
Bond Issuance Premium	-	-	-	57,694	-	57,694	-	
Operating Transfers In (Out)	-	-	-	(125,233)	125,233	-	-	
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	5,292,461	125,233	5,417,694	-	
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND USES	(237,845)	(52,062)	(729)	5,045,512	143,598	4,898,474	465,338	
FUND BALANCE BEGINNING OF YEAR	3,223,169	98,071	20,084	-	281,802	3,623,076	3,157,738	
FUND BALANCE END OF YEAR	\$ 2,985,324	\$ 45,959	\$ 19,355	\$ 5,045,512	\$ 425,400	\$ 8,521,550	\$ 3,623,076	

The accompanying notes are an integral part of these statements.

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
 REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2015**
 (with Partial Comparative Information for the Year Ended June 30, 2014)

	2015	2014
Total Net Change in Fund Balances - Governmental Funds	\$ 4,898,474	\$ 465,338
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceeds depreciation expense in the period.		
Capital Outlays	913,428	356,074
Depreciation Expense	(353,658)	(342,449)
Proceeds from the sale of assets are reported as other financing sources and insurance recoveries are reported as revenue, in the governmental funds, but the cost and accumulated depreciation of the disposed assets must be moved from the statement of net position, and only the gain (loss) on the disposal is shown on the statement of activities.	(12,519)	(7,305)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities on the statement of net position. In the current period these amounts consist of:		
Repayment of Bond Principal	245,000	240,000
Repayment of Capital Lease Principal	76,251	155,131
Long-term borrowing is reported as revenue (other financing sources) in governmental funds, but these proceeds increase long-term liabilities on the statement of net position. In the current period these amounts consisted of:		
Issuance of School Building Bonds	(5,360,000)	-
Premiums associated with bond financing are reported as revenue (other financing sources) in governmental funds, but these amounts increase long-term liabilities on the statement of net position.	(57,694)	-
Interest on long-term debt 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. In addition, the amortization of bond premium decreases interest expense in the statement of activities.	(26,051)	8,592
Property taxes that will not be collected for several months after the District's fiscal year end are not considered available revenues in the governmental funds, and are instead considered unavailable tax revenues. They are, however, recorded as revenues in the statement of activities.	7,697	(5,664)
In the statement of activities, other post employment benefits are measured by the amounts actuarially accrued during the year. In the governmental funds, however, expenditures for these items are measured by the amount of actual or implicit resources used.	(42,687)	12,341
In the statement of activities, pension benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid).	73,469	-
In the statement of activities, severance benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid).	(13,515)	7,384
Change in Net Position of Governmental Activities	\$ 348,195	\$ 889,442

The accompanying notes are an integral part of these statements.

INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2015
(with Comparative Actual Amounts for the Year Ended June 30, 2014)

	<u>Private-Purpose Trust Fund</u>		<u>Agency Fund</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
ASSETS				
Cash and Investments	\$ 44,436	\$ 45,217	\$ 3,648	\$ 28,423
Accounts and Interest Receivable	<u>35</u>	<u>35</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 44,471</u>	<u>\$ 45,252</u>	<u>\$ 3,648</u>	<u>\$ 28,423</u>
LIABILITIES				
Amounts Held in Trust for Others	<u>-</u>	<u>-</u>	<u>\$ 3,648</u>	<u>\$ 28,423</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>\$ 3,648</u>	<u>\$ 28,423</u>
NET POSITION HELD IN TRUST FOR SCHOLARSHIPS	<u>\$ 44,471</u>	<u>\$ 45,252</u>		

The accompanying notes are an integral part of these statements.

INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
 (with Comparative Actual Amounts for the Year Ended June 30, 2014)

	Private-Purpose Trust Fund	
	2015	2014
ADDITIONS:		
Investment Income:		
Interest	\$ 219	\$ 245
TOTAL ADDITIONS	219	245
DEDUCTIONS:		
Scholarship Awarded	1,000	1,000
TOTAL DEDUCTIONS	1,000	1,000
NET INCREASE (DECREASE)	(781)	(755)
NET POSITION BEGINNING OF YEAR	45,252	46,007
NET POSITION END OF YEAR	\$ 44,471	\$ 45,252

The accompanying notes are an integral part of these statements.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The financial statements of Independent School District No. 2890, Renville County West, Renville, Minnesota 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 U.S. generally accepted accounting principles for state and local governments.

B. FINANCIAL REPORTING ENTITY

Independent School District No. 2890, Renville County West, Renville, Minnesota (the District) is an instrumentality of the State of Minnesota established to function as an educational institution. The elected School Board (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

U.S. Generally Accepted Accounting Principles (GAAP) require that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separated from the District. In addition, the District's financial statements are to include all component units – entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. These financial statements include all funds of the District. There are no other entities for which the District is financially accountable.

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

C. BASIC FINANCIAL STATEMENT PRESENTATION

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.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The District applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015.**

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

C. BASIC FINANCIAL STATEMENT PRESENTATION (Cont'd)

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Since the resources in the fiduciary fund cannot be used for District operations, they are not included in the government-wide statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Proprietary funds are used to report business-type activities carried on by a school district. No activities of the District were determined to be of this nature, so no proprietary funds are present in the financial statements.

D. 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

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

1. Revenue Recognition – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. 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 U.S. generally accepted accounting principles. 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 investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.
2. Recording of Expenditures – Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

Fiduciary funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the period in which they are incurred and become measurable.

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:

Governmental Funds

General Fund – 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.

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JUNE 30, 2015

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

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

Food Service Fund – The Food Service Fund is used to account for food service revenues and expenditures.

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

Building Construction Fund – The Building Construction Fund is used to account for financial resources to be used for the construction of major capital facilities.

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

Fiduciary Funds

Private-Purpose Trust Fund – The Private-Purpose Trust Fund is used to account for assets held by the District in a fiduciary capacity. Major sources of revenue include gifts, donations, and interest income. Expenditures are allowed for any purpose for which the original trust was created.

Agency Fund – The Agency Fund is used to account for assets held by the District in a fiduciary capacity as a fiscal agent for another organization. Revenues and expenditures are not reported in this fund.

GASB Statement No. 34 specifies that the accounts and activities of each of the District's most significant governmental funds (termed "major funds") be reported in separate columns on the fund financial statements. Other non-major funds can be reported in total. Although only the General Fund, Building Construction Fund, and Debt Service Fund are major funds by definition, the District has elected to report all funds as major funds and therefore presents all funds in separate columns on the fund financial statements – an option permitted by GASB Statement No. 34.

E. BUDGETING

Budgets presented in this report for comparison to actual amounts are presented in accordance with U.S. generally accepted accounting principles. Each June, the School Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, Building Construction, Debt Service, and Trust 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 generally not recorded.

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JUNE 30, 2015**

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

F. CASH AND INVESTMENTS

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

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

The District has formal policies in place as of June 30, 2015 to address custodial credit risk for deposits. The District does not have formal policies in place to address credit risk, concentration of credit risk and interest rate risk for investments.

G. RECEIVABLES

Accounts receivable represent amounts receivable from individuals and others for goods and services furnished by the District. Amounts due from the State of Minnesota and from other governmental units for general education aids and reimbursements under various specific programs are reported at the estimated amounts to be received based on available information at the date of this report. In some instances adjustments and proration by these agencies, which are dependent upon the amount of funds available for distribution, may result in differing amounts actually being received. Any such differences will be absorbed into operations of the subsequent period. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary. The only receivables not expected to be collected within one year are delinquent property taxes receivable, which are generally immaterial.

H. INVENTORIES

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

I. PREPAYMENTS

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.

J. PROPERTY TAXES

The School Board annually adopts a tax levy and certifies it to the County in December for collection in the following year. The County is responsible for collecting all property taxes for the District. These taxes attach an enforceable lien on taxable property within the District on January 1 and are payable by the property owners in May and October of each year. The taxes are collected by the County Treasurer and tax settlements are made to the District periodically throughout the year.

Statutory funding formulas determine the majority of the District revenue in the General and special revenue funds. This revenue is divided between property taxes and State aids by the legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift." The remaining portion of taxes collectible in 2015 is recorded as a deferred inflow of resources (property tax levied for subsequent year's expenditures).

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

J. PROPERTY TAXES (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 (unavailable revenue) in the fund financial statements because it is not available to finance the operations of the District in the current year.

K. CAPITAL ASSETS

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$1,000 for capitalizing 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.

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

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

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

L. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Existing bonded debt is reported at the face value of remaining indebtedness. For any new indebtedness that may be issued, bond premiums and discounts will be deferred and amortized over the life of the bonds using the straight-line method. Bonds payable will be reported net of the applicable bond premium or discount.

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

M. DEFERRED OUTFLOWS OF RESOURCES

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

N. DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the Statement of Net Position and the governmental funds Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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JUNE 30, 2015**

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

O. DEFINED BENEFIT PENSION PLANS

Teachers Retirement Association

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

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

Public Employees Retirement Association

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

P. ACCRUED EMPLOYEE BENEFITS

Vacation Pay

Non-certified full-time employees are annually granted one to four weeks vacation depending on years of service; one week after one year, two weeks for between two and eight years of service, three weeks between eight and sixteen years of service, and four weeks after sixteen years of service. Certified employees are not granted vacations.

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 severance pay upon termination.

Severance Pay

The District has an early retirement plan for full time teachers who have completed at least fifteen years of continuous full time service and are at least fifty-five years of age.

Early retirement pay consists of the amount of unused sick leave days times their daily rate of pay, up to a maximum limit of seventy-five days. The teacher's daily rate of pay is the basic daily rate at retirement, as provided in the basic salary schedule, for the basic school year, not including any additional compensation for extracurricular activities. Severance pay will be paid by the School Board in four equal monthly installments commencing on November 1 of the year of retirement.

At June 30, 2015, a liability for severance pay totaling \$151,136 is included in long-term debt in the Statement of Net Position as described in Note 5.

The District also offers health insurance to teachers who are at least fifty-five years old and have served the District for at least ten years at retirement. The health insurance for qualified teachers will continue until they reach the age of sixty-five.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

Q. RISK MANAGEMENT

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

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.

R. 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 it is not in spendable form, such as prepaid and inventory 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 (resolution) of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned – consists of 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 School Board itself or by an official to which the School Board delegates the authority. Pursuant to School Board resolution, the Finance Officer is authorized to establish assignments of fund balance.

Unassigned – is the residual classification for the General Fund and also reflects negative residual amounts in other funds.

If resources from more than one fund balance classification could be spent, the District will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned as determined by the School Board.

The District has formally adopted a fund balance policy. To ensure the financial strength and stability of the District, the Board will endeavor to maintain at least 10% of the District's General Fund operating budget, excluding those accounts associated within the restricted category, in the combined total of the General Fund committed, assigned and unassigned fund balances.

S. NET POSITION

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

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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

T. USE OF ESTIMATES

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

U. RECLASSIFICATIONS

Certain amounts in the prior year data have been reclassified in order to be consistent with the current year's presentation. The total amount of the District's prior year fund balance did not change due to these reclassifications.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. DEFICIT FUND BALANCES

At June 30, 2015, the District had no funds with negative fund balances.

3. DEPOSITS AND INVESTMENTS

A. DEPOSITS

In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the School Board, all of which are members of the Federal Reserve System.

Minnesota Statutes require that all District deposits be secured by a bank guaranty bond or 110% of collateral valued at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk: For deposits, is the risk that, in the event of failure of a depository financial institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2015, the District's bank balance was not exposed to custodial credit risk because it was insured and properly collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

B. INVESTMENTS

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investments were not exposed to interest rate risk at June 30, 2015.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investments were not exposed to credit risk at June 30, 2015.

Concentration of Credit Risk: Concentration of credit is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District has no formal investment policy that places limits on the amount the District may invest in any one issuer. More than 5% of the District's investments are in MSDLAF and Minnesota Trust Investment Shares.

Custodial Credit Risk: For an investment, this is the risk that, in the event of the failure of the counterparty, the government 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 investments were not exposed to custodial credit risk at June 30, 2015.

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 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

3. DEPOSITS AND INVESTMENTS (Cont'd)
 B. INVESTMENTS (Cont'd)

The following table presents the District's cash and investment balances at June 30, 2015:

<u>Cash/Investment Type</u>	<u>Credit Rating</u>	<u>Average Maturities</u>	<u>Percentage of Total</u>	<u>Fair Value</u>
Pooled Cash and Investments:				
MSDLAF	N/A	N/A	6.6%	\$ 618,342
Minnesota Trust Investment Shares	N/A	N/A	79.7	7,428,391
Certificates of Deposit	N/A	4.97 Months	13.3	1,244,358
Checking Account	N/A	N/A	0.3	31,816
Petty Cash	N/A	N/A	0.1	<u>2,000</u>
Total Cash and Investments			100.0%	\$ <u>9,324,907</u>

Cash and Investments are presented in the June 30, 2015 basic financial statements as follows:

Statement of Net Position:

Current Assets:

Cash and Investments **\$ 9,324,907**

4. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 10,350			\$ 10,350
Construction in Progress	<u>-</u>	\$ <u>297,712</u>	<u>\$ -</u>	<u>297,712</u>
Total Capital Assets, Not Being Depreciated	<u>10,350</u>	<u>297,712</u>	<u>-</u>	<u>308,062</u>
Capital Assets, Being Depreciated				
Land Improvements	504,332	-	-	504,332
Buildings and Improvements	11,180,260	399,494	14,688	11,565,066
Equipment and Transportation Vehicles	<u>1,564,241</u>	<u>216,222</u>	<u>161,189</u>	<u>1,619,274</u>
Total Capital Assets, Being Depreciated	<u>13,248,833</u>	<u>615,716</u>	<u>175,877</u>	<u>13,688,672</u>
Accumulated Depreciation for:				
Land Improvements	359,961	8,492	-	368,453
Buildings and Improvements	2,960,886	211,023	2,644	3,169,265
Equipment and Transportation Vehicles	<u>818,193</u>	<u>134,143</u>	<u>160,714</u>	<u>791,622</u>
Total Accumulated Depreciation	<u>4,139,040</u>	<u>353,658</u>	<u>163,358</u>	<u>4,329,340</u>
Total Capital Assets, Being Depreciated, Net	<u>9,109,793</u>	<u>262,058</u>	<u>12,519</u>	<u>9,359,332</u>
Governmental Activities Capital Assets, Net	\$ <u>9,120,143</u>	\$ <u>559,770</u>	\$ <u>12,519</u>	\$ <u>9,667,394</u>

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 JUNE 30, 2015

4. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to functions of the District as follows:

Governmental Activities		
District and School Administration	\$	314
District Support Services		6,176
Regular Instruction		6,639
Vocational Instruction		87
Exceptional Instruction		258
Community Education and Services		860
Pupil Support Services		100,510
Site, Buildings and Equipment		<u>238,814</u>
Total Depreciation Expense, Governmental Activities		<u>\$ 353,658</u>

5. LONG-TERM LIABILITIES

A. DESCRIPTION OF LONG-TERM DEBT

Long-term liabilities are comprised of the following as of June 30, 2015:

Issue	Interest Rate	Original Amount	Maturity Date	Debt Outstanding
Alternative Facilities Bonds, Series 2012A	2.00 – 3.00%	\$6,120,000	2032	\$ 5,165,000
General Obligation School Building Bonds, Series 2015A	2.00 – 3.00%	5,360,000	2035	5,360,000
Capital Lease Payable	4.47%	620,202	2026	526,925
Capital Lease Payable	2.94%	774,000	2027	667,020
Other Post Employment Benefits Payable				(178,902)
Severance Pay Payable				151,136
Pension Benefits Payable				3,653,928
Issuance Premiums				<u>92,689</u>
				<u>\$15,437,796</u>

General Obligation Bonds

On May 24, 2012, the District issued \$6,120,000 of General Obligation Alternative Facilities Bonds, Series 2012A. The proceeds of this bond issue were used for ventilation, air handling and indoor air quality improvements to the existing facility. The District levied property taxes for the retirement of these bonds. Principal and interest payments on these bonds are recorded in the Debt Service Fund. Interest paid in 2014-2015 was \$131,560.

On March 18, 2015, the District issued \$5,360,000 of General Obligation School Building Bonds, Series 2015A. The proceeds of this bond issue were used for construction of new classrooms, weight room, and gymnasium. The District levied property taxes for the retirement of these bonds. Principal and interest payments on these bonds are recorded in the Debt Service Fund. There was no interest paid in 2014-2015.

Capital Lease Obligations

On September 23, 2011, the District entered into a fifteen year lease agreement for \$620,202 with Green Campus Partners, LLC. The lease calls for fifteen annual payments of \$57,687 including principal and interest at a rate of 4.47%. The lease proceeds were used to make improvements to the school building and will be paid for from regular General Fund revenues. The total cost of the building improvements was \$620,202. Interest paid in 2014-2015 was \$25,014.

On October 9, 2012, the District entered into a fifteen year lease agreement for \$774,000 with Kinetic Leasing, Inc. The lease calls for thirty semi-annual payments of \$32,077 including principal and interest at a rate of 2.94%. The lease proceeds were used for the new classroom building addition facility and will be paid for from regular General Fund revenues. The total cost of the new building was \$774,000. Interest paid in 2014-2015 was \$20,576.

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 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

5. LONG-TERM LIABILITIES (Cont'd)

A. DESCRIPTION OF LONG-TERM DEBT (Cont'd)

These assets are being depreciated using a straight line method over the life of the asset.

Severance Pay Payable

Severance pay payable consists of unused sick leave as described in Note 1. These obligations are paid from the ongoing operating revenues of the District.

Other Post Employment Benefits (OPEB) Payable

Other Post Employment Benefits are described in Note 6 of these financial statements. These obligations are paid from the ongoing operating revenues of the District.

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 Fund, Food Service Fund, and Community Service Fund.

B. CHANGES IN LONG-TERM LIABILITIES

Long-term liability balances and activity for the year ended June 30, 2015 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities					
Alternative Facilities Bonds, Series 2012A	\$ 5,410,000	\$ -	\$ 245,000	\$ 5,165,000	\$ 255,000
General Obligation School Building Bonds, Series 2015A	-	5,360,000	-	5,360,000	-
Capital Lease Payable	559,598	-	32,673	526,925	34,133
Capital Lease Payable	710,598	-	43,578	667,020	44,869
OPEB Payable					
(Advance Payments)	(221,589)	42,687	-	(178,902)	-
Severance Pay Payable	137,621	64,921	51,406	151,136	65,922
Pension Benefits Payable	4,414,229	51,630	811,931	3,653,928	-
Unamortized Premiums	39,165	57,694	4,170	92,689	6,214
	<u>\$11,049,622</u>	<u>\$ 5,576,932</u>	<u>\$1,188,758</u>	<u>\$15,437,796</u>	<u>\$ 406,138</u>

C. MINIMUM DEBT PAYMENTS

Minimum annual principal and interest payments to retire general obligation bonds payable are as follows:

Year Ending June 30	<u>General Obligation Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 255,000	\$ 251,893
2017	410,000	265,598
2018	415,000	257,398
2019	435,000	249,098
2020	445,000	240,398
2021 – 2025	2,350,000	1,064,887
2026 – 2030	2,805,000	767,617
2031 – 2035	<u>3,410,000</u>	<u>312,899</u>
	<u>\$10,525,000</u>	<u>\$ 3,409,788</u>

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5. LONG-TERM LIABILITIES (Cont'd)
 C. MINIMUM DEBT PAYMENTS Cont'd)

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

Year Ending June 30	Building Improvements <u>Principal</u>
2016	\$ 121,841
2017	121,841
2018	121,841
2019	121,841
2020	121,841
2021-2025	609,202
2026-2028	<u>275,758</u>
Net Minimum Lease Payments	1,494,165
Less Amount Representing Interest Present Value of Net Minimum Lease Payments	<u>(300,220)</u>
	<u>\$ 1,193,945</u>

6. OTHER POST EMPLOYMENT BENEFITS

The District follows Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*.

A. PLAN DESCRIPTION

The District provides health insurance benefits for certain retired employees under a single-employer fully-insured plan. Active employees who retire from the District when eligible to receive a retirement benefit from the Teachers Retirement Association (TRA) or Public Employees Retirement Association (PERA) and do not participate in any other health benefits program providing similar coverage, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the District's health benefits program. Retirees are required to pay 100% of the total premium cost. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. As of July 1, 2012 there were approximately 15 retirees participating in the District's group health plan. Benefit and eligibility provisions are established through individual contracts and negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The District's OPEB plan issues a stand-alone financial report that may be obtained by writing or calling the District.

B. FUNDING POLICY

The District funds its other post employment benefit (OPEB) obligation on a pay as you go basis. For fiscal year 2015, the District contributed \$120,197 to the plan.

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6. OTHER POST EMPLOYMENT BENEFITS (Cont'd)

C. ANNUAL OPEB COST AND NET OPEB OBLIGATION

The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for fiscal year 2015 and 2014, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

	<u>2015</u>	<u>2014</u>
Annual Required Contribution (ARC)	\$ 159,548	\$ 159,548
Interest on Net OPEB Obligation	(9,972)	(9,416)
Amortization of Net OPEB Obligation with interest	<u>13,308</u>	<u>12,897</u>
Annual OPEB Cost	162,884	163,029
Contributions Made (Including Implicit Subsidy)	<u>(120,197)</u>	<u>(175,370)</u>
Increase (Decrease) in Net OPEB Obligation	42,687	(12,341)
Net OPEB Obligation, Beginning of Year	<u>(221,589)</u>	<u>(209,248)</u>
Net OPEB Obligation, End of Year	<u>\$ (178,902)</u>	<u>\$ (221,589)</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2015 and 2014 were:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
6/30/2015	\$ 162,884	73.79%	\$ (178,902)
6/30/2014	163,029	107.57	(221,589)

D. FUNDED STATUS AND FUND PROGRESS

Based upon the July 1, 2012, most recent actuarial valuation date, the District's unfunded actuarial and accrued liability (UAAL) was \$1,644,473. The annual payroll for active employees covered by the plan in the actuarial valuation was \$2,994,293, for a ratio of UAAL to covered payroll of 54.9%.

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 immediately following the notes to the basic financial statements presents required supplementary 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 (as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the July 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate, which is based on the estimated long-term investment yield on the general assets of the District. The annual healthcare cost trend rate is 8.0% initially, reduced incrementally to an ultimate rate of 5% after six years. The unfunded actuarial accrued liability is being amortized over a closed 30-year period increasing at 2.5% per year (the payroll growth rate).

The District is not required to have another actuarial valuation until July 1, 2015.

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7. FUND BALANCE CLASSIFICATION

At June 30, 2015, a summary of the governmental fund balance classifications is as follows:

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Community Service Fund</u>	<u>Building Construction Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Nonspendable:						
Inventory	\$ _____	\$ 1,980	\$ _____	\$ _____	\$ _____	\$ 1,980
	<u>_____</u>	<u>1,980</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>1,980</u>
Restricted for:						
Deferred Maintenance	962	-	-	-	-	962
Gifted and Talented	31,292	-	-	-	-	31,292
Health and Safety	7,375	-	-	-	-	7,375
Safe Schools – Crime	2,109	-	-	-	-	2,109
Teacher Development and Evaluation	1,408	-	-	-	-	1,408
Food Service	-	43,979	-	-	-	43,979
Community Education	-	-	29,442	-	-	29,442
Community Service	-	-	7,482	-	-	7,482
Early Childhood Family Education	-	-	18,900	-	-	18,900
School Readiness	-	-	(36,469)	-	-	(36,469)
Building Construction	-	-	-	5,045,512	-	5,045,512
Debt Service	-	-	-	-	425,400	425,400
	<u>43,146</u>	<u>43,979</u>	<u>19,355</u>	<u>5,045,512</u>	<u>425,400</u>	<u>5,577,392</u>
Committed for:						
Separation/Retirement Benefits	151,136	-	-	-	-	151,136
	<u>151,136</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>151,136</u>
Assigned for:						
Projected Budget Deficit	157,399	-	-	-	-	157,399
	<u>157,399</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>157,399</u>
Unassigned:	<u>2,633,643</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>2,633,643</u>
Total Fund Balance:	<u>\$ 2,985,324</u>	<u>\$ 45,959</u>	<u>\$ 19,355</u>	<u>\$ 5,045,512</u>	<u>\$ 425,400</u>	<u>\$ 8,521,550</u>

The District is reporting a negative restricted fund balance in School Readiness at June 30, 2015. Minnesota Statutes require the District to report a deficit in the restricted fund balance, when applicable, in order to permit the statutory revenue formula calculations. This deficit will be offset with future operating tax levies.

8. PENSION PLANS

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

A. TEACHERS RETIREMENT ASSOCIATION

1. Plan Description

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

Teachers employed in Minnesota's public elementary and secondary 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.

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8. PENSION PLANS (Cont'd)

A. TEACHERS RETIREMENT ASSOCIATION (Cont'd)

2. Benefits Provided

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

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

Tier I:

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

With these provisions:

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

or

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

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

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

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8. PENSION PLANS (Cont'd)

A. TEACHERS RETIREMENT ASSOCIATION (Cont'd)

2. Benefits Provided (Cont'd)

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

3. Contribution Rate

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

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

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

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

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

4. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

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

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8. PENSION PLANS (Cont'd)

A. TEACHERS RETIREMENT ASSOCIATION (Cont'd)

4. Actuarial Assumptions (Cont'd)

Key Methods and Assumptions Used in Valuation of Total Pension Liability (Cont'd)
 Actuarial Information (Cont'd)

Cost of Living Adjustment 2.0% until year 2034; 2.5% thereafter

Mortality Assumption

Pre-retirement RP 2000 non-annuitant generational mortality, white collar adjustment, male rates set back 5 years and female rates set back 7 years.

Post-retirement RP 2000 annuitant generational mortality, white collar adjustment, male rates set back 2 years and female rates set back 3 years.

Post-disability RP 2000 disabled retiree mortality, without adjustment.

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

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

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
Unallocated Cash	<u>2%</u>	0.50
Total	<u>100%</u>	

5. Discount Rate

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

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8. PENSION PLANS (Cont'd)

A. TEACHERS RETIREMENT ASSOCIATION (Cont'd)

6. Net Pension Liability

On June 30, 2015, Independent School District No. 2890, Renville County West, Renville, Minnesota reported a liability of \$2,695,638 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Independent School District No. 2890, Renville County West, Renville, Minnesota's proportion of the net pension liability was based on Independent School District No. 2890, Renville County West, Renville, Minnesota's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was 0.0585% at the end of the measurement period and 0.0576% for the beginning of the year.

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

District's proportionate share of net pension liability	\$ 2,695,638
State's proportionate share of the net pension liability associated with the District	\$ 189,588

A change in benefit provisions that affected the measurement of the total pension liability since the prior measurement date was an increase of the contribution rates for both the member and employer. Section 3 contains the rate information.

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

For the year ended June 30, 2015, the District recognized pension expense of \$153,026. It also recognized \$8,270 as an increase to pension expense for the support provided by direct aid.

On June 30, 2015, Independent School District No. 2890, Renville County West, Renville, Minnesota had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 230,011	
Net difference between projected and actual earnings on plan inv.		\$ 847,481
Change in proportion	\$ 42,713	
Contributions paid to TRA subsequent to the measurement date	\$ 215,393	
Total	\$ 488,117	\$ 847,481

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8. PENSION PLANS (Cont'd)

A. TEACHERS RETIREMENT ASSOCIATION (Cont'd)

6. Net Pension Liability (Cont'd)

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

2016	\$(154,934)
2017	\$(154,934)
2018	\$(154,934)
2019	\$(154,934)
2020	\$ 44,979

7. Pension Liability Sensitivity

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

District proportionate share of NPL		
1 percent decrease (7.25%)	Current (8.25%)	1 percent increase (9.25%)
\$4,454,966	\$2,695,638	\$1,228,966

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

8. Pension Plan Fiduciary Net Position

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

B. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

1. Plan Description

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

General Employees Retirement Plan (GERF)

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

2. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by Minnesota Statute and can only be modified by the state legislature.

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

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8. PENSION PLANS (Cont'd)

B. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Cont'd)

2. Benefits Provided (Cont'd)

The benefit provisions stated in the following paragraph 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.

3. Contributions

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

GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in calendar year 2014. Coordinated Plan members contributed 6.5% of pay in 2015. In calendar year 2014, the District was required to contribute 11.78% of pay for Basic Plan members and 7.25% for Coordinated Plan members. In 2015, employer rates increased to 7.5% in the Coordinated Plan. The District's contributions to the GERF for the year ended June 30, 2015, were \$82,241. The District's contributions were equal to the required contributions for each year as set by State Statute.

4. Pension Costs

GERF Pension Costs

At June 30, 2015, the District reported a liability of \$958,290 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 0.0204%.

For the year ended June 30, 2015, the District recognized pension expense of \$71,139 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:

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8. PENSION PLANS (Cont'd)
 B. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Cont'd)
 4. Pension Costs (Cont'd)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,707	
Changes in actuarial assumptions	\$ 98,761	
Difference between projected and actual investment earnings		\$ 258,929
Contributions paid to PERA subsequent to the measurement date	\$ 82,241	
Total	\$ 195,709	\$ 258,929

\$82,241 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	\$(26,910)
2017	\$(26,910)
2018	\$(26,910)
2019	\$(64,732)
2020	-
Thereafter	-

5. Actuarial Assumptions

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

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

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

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014.

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8. PENSION PLANS (Cont'd)

B. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Cont'd)

5. Actuarial Assumptions (Cont'd)

The following changes in GERS actuarial assumptions occurred in 2014:

- As of July 1, 2013, the postretirement benefit increase rate was assumed to increase from 1.0% to 2.5% on January 1, 2046. As of July 1, 2014, the postretirement benefit increase rate was assumed to increase from 1.0% to 2.5% on January 1, 2031.

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

6. Discount Rate

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

7. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability for the GERS, 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 (6.9%)	Discount Rate (7.9%)	1% Increase in Discount Rate (8.9%)
District's proportionate share of the GERS net pension liability:	\$ 1,544,802	\$ 958,290	\$ 475,728

8. Pension Plan Fiduciary Net Position

Detailed information about each defined benefit pension plan's fiduciary net position is available in a separately-issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org; 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.

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

9. OPERATING LEASE AGREEMENT

Equipment Lease

The District entered into an operating lease agreement in July 2014 with De Lage Landen Financial Services, Inc. for four copiers. This lease calls for monthly payments of \$890, and runs through July 2018. Lease expenditures for the year ended June 30, 2015 were \$9,790.

Future minimum lease obligations are as follows:

2016	\$ 10,680
2017	10,680
2018	10,680
2019	890
2020	-

10. OPERATING TRANSFER

During 2015, the following authorized transfer was made:

<u>From</u>	<u>To</u>	<u>Purpose</u>	<u>Amount</u>
Building Construction Fund	Debt Service Fund	To record distribution of net proceeds per bond agreement	\$ <u>125,233</u>

11. COMMISSIONER APPROVED TRANSFERS

The District obtained approval from the Commissioner of Education to transfer excess fund balances in the Community Service Fund. These approved transfers were as follows:

<u>From</u>	<u>To</u>	<u>Purpose</u>	<u>Amount</u>
Community Education	ECFE	Excess fund balance	\$ 2,000
Community Education	School Readiness	Excess fund balance	<u>54,000</u>
			\$ <u>56,000</u>

12. CHANGE IN ACCOUNTING PRINCIPLE

The beginning net position of the governmental activities has been decreased to reflect a change in accounting principle. As mentioned in Note 8, 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, deferred outflows of resources, and pension expense on the District's government-wide financial statements. Beginning governmental activities net position has been restated from \$6,070,734 to \$1,920,753 (a decrease of \$4,149,981). 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.

13. GASB STANDARD ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as they relate to governments that provide other postemployment benefits (OPEB) to their employees. Statement No. 75 requires governments providing other postemployment benefits to recognize their long-term obligation for OPEB as a liability for the first time, and to more comprehensively and comparably measure the annual costs of OPEB benefits. Statement No. 75 is effective for implementation for the year ended June 30, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
 FOR POSTEMPLOYMENT BENEFIT PLANS
 JUNE 30, 2015

SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFIT PLANS

Other Postemployment Benefits						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/01/2012	\$0	\$1,644,473	\$1,644,473	0.00%	\$ 2,994,293	54.9%
7/01/2009	0	1,910,305	1,910,305	0.00	2,808,934	68.0

SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR POSTEMPLOYMENT BENEFIT PLANS

Other Postemployment Benefits				
Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
6/30/2015	\$ 162,884	\$ 120,197	73.79%	\$ (178,902)
6/30/2014	163,029	175,370	107.57	(221,589)
6/30/2013	162,170	207,814	128.15	(209,248)
6/30/2012	173,971	216,488	124.44	(163,604)
6/30/2011	172,677	256,130	148.33	(121,087)
6/30/2010	172,111	209,745	121.87	(37,634)

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF DISTRICT'S SHARE OF NET PENSION LIABILITY AND DISTRICT'S
CONTRIBUTIONS
FOR DEFINED BENEFIT PENSION PLANS
JUNE 30, 2015

TEACHERS RETIREMENT ASSOCIATION

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY

Fiscal Year Ending	District's Proportion (Percentage) of the Net Pension Liability (Asset)	District's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability (Asset) associated with District (b)	Total (a+b)	District's Covered- Employee Payroll (c)	District's	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
						Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll (a/c)	
6/30/2014	0.0585%	\$2,695,638	\$ 189,588	\$ 2,885,226	\$2,668,401	101.0%	81.5%

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

TEACHERS RETIREMENT ASSOCIATION

SCHEDULE OF DISTRICT'S CONTRIBUTIONS

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered- Employee Payroll (d)	Contributions
					as a Percentage of Covered- Employee Payroll (b/d)
6/30/2015	\$ 215,393	\$ 215,393	\$ -	\$2,891,927	7.4%

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF DISTRICT'S SHARE OF NET PENSION LIABILITY AND DISTRICT'S
CONTRIBUTIONS
FOR DEFINED BENEFIT PENSION PLANS
JUNE 30, 2015

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT PLAN

Fiscal Year Ending	District's Proportion (Percentage) of the Net Pension Liability (Asset)	District's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	District's Covered- Employee Payroll (b)	District'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
6/30/2014	0.0204%	\$ 958,290	\$1,098,702	87.2%	78.7%

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

SCHEDULE OF DISTRICT'S CONTRIBUTIONS
PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT PLAN

Fiscal Year Ending	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)
6/30/2015	\$ 82,241	\$ 82,241	\$ -	\$1,137,228	7.2%

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2015
 (with Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015 Budgeted Amounts		2015 Actual	Favorable (Unfavorable) Variance	2014 Actual	Increase (Decrease) Actual
	Original	Final				
REVENUES						
Local Property Tax Levies:						
Maintenance Levy	\$ 1,276,839	\$ 1,268,213	\$ 1,275,960	\$ 7,747	\$ 1,453,950	\$ (177,990)
Health and Safety Levy	24,284	24,284	24,284	-	71,564	(47,280)
Property Tax Shift Recognition	-	-	-	-	538,500	(538,500)
	<u>1,301,123</u>	<u>1,292,497</u>	<u>1,300,244</u>	<u>7,747</u>	<u>2,064,014</u>	<u>(763,770)</u>
Other Local and County Revenues:						
County Apportionment	9,000	10,000	10,537	537	11,226	(689)
Other School Districts	59,000	63,488	76,355	12,867	54,172	22,183
Admissions and Fees	71,000	82,845	101,039	18,194	64,780	36,259
Earnings From Investments	1,400	1,500	1,395	(105)	3,196	(1,801)
Rent for School Facilities	200	1,600	1,700	100	200	1,500
Miscellaneous Revenues	20,000	14,050	53,471	39,421	103,123	(49,652)
	<u>160,600</u>	<u>173,483</u>	<u>244,497</u>	<u>71,014</u>	<u>236,697</u>	<u>7,800</u>
Revenue From State Sources:						
Endowment Fund Apportionment	13,854	14,369	15,986	1,617	14,396	1,590
General Education Aid	4,211,712	4,388,709	4,423,740	35,031	4,255,282	168,458
Literacy Incentive Aid	25,890	23,411	22,195	(1,216)	27,109	(4,914)
Disparity Aid	12,578	10,035	10,035	-	12,558	(2,523)
Homestead/Agricultural Levy Credits	8,475	6,015	6,015	-	8,475	(2,460)
Special Education	439,315	573,227	447,827	(125,400)	569,190	(121,363)
Miscellaneous State Revenue	58,261	68,076	73,466	5,390	61,860	11,606
State Aid Adjustments	-	-	-	-	(538,500)	538,500
	<u>4,770,085</u>	<u>5,083,842</u>	<u>4,999,264</u>	<u>(84,578)</u>	<u>4,410,370</u>	<u>588,894</u>
Revenue From Federal Sources:						
Title I Educationally Deprived Children	100,000	109,563	99,794	(9,769)	90,614	9,180
Migrant Education	4,300	4,600	4,600	-	4,600	-
Title II	55,245	79,244	76,449	(2,795)	43,013	33,436
Federal Special Education	80,000	-	71,855	71,855	91,424	(19,569)
Other Federal Programs	13,330	12,184	21,640	9,456	22,193	(553)
	<u>252,875</u>	<u>205,591</u>	<u>274,338</u>	<u>68,747</u>	<u>251,844</u>	<u>22,494</u>
Sales and Other Conversion of Assets:						
Sales of Materials	840	960	1,345	385	1,178	167
Insurance Recovery	-	48,000	48,000	-	956	47,044
	<u>840</u>	<u>48,960</u>	<u>49,345</u>	<u>385</u>	<u>2,134</u>	<u>47,211</u>
TOTAL REVENUES	6,485,523	6,804,373	6,867,688	63,315	6,965,059	(97,371)
EXPENDITURES						
Current:						
District and School Administration:						
Salaries and Wages	370,696	369,475	366,664	2,811	360,191	6,473
Employee Benefits	96,608	108,459	108,044	415	91,709	16,335
Purchased Services	12,000	12,050	11,412	638	14,433	(3,021)
Supplies and Materials	1,800	1,800	712	1,088	1,936	(1,224)
Other Expenditures	8,365	10,971	12,893	(1,922)	8,901	3,992
	<u>489,469</u>	<u>502,755</u>	<u>499,725</u>	<u>3,030</u>	<u>477,170</u>	<u>22,555</u>
District Support Services:						
Salaries and Wages	173,756	164,265	160,393	3,872	170,141	(9,748)
Employee Benefits	80,584	48,212	47,746	466	71,721	(23,975)
Purchased Services	123,100	107,344	105,392	1,952	109,612	(4,220)
Supplies and Materials	15,000	16,000	19,988	(3,988)	21,825	(1,837)
Other Expenditures	10,500	10,000	9,777	223	9,482	295
	<u>402,940</u>	<u>345,821</u>	<u>343,296</u>	<u>2,525</u>	<u>382,781</u>	<u>(39,485)</u>
Regular Instruction:						
Salaries and Wages	2,145,110	2,200,537	2,151,854	48,683	2,023,669	128,185
Employee Benefits	506,679	598,544	587,663	10,881	584,379	3,284
Purchased Services	95,940	102,722	160,568	(57,846)	158,406	2,162
Supplies and Materials	131,226	138,429	128,989	9,440	89,102	39,887
Other Expenditures	4,985	6,405	5,752	653	4,215	1,537
	<u>2,883,940</u>	<u>3,046,637</u>	<u>3,034,826</u>	<u>11,811</u>	<u>2,859,771</u>	<u>175,055</u>
Vocational Instruction:						
Salaries and Wages	51,777	51,777	57,436	(5,659)	54,889	2,547
Employee Benefits	13,464	13,245	14,110	(865)	13,398	712
Purchased Services	-	-	278	(278)	1,106	(828)
Supplies and Materials	4,500	4,500	5,961	(1,461)	5,823	138
	<u>69,741</u>	<u>69,522</u>	<u>77,785</u>	<u>(8,263)</u>	<u>75,216</u>	<u>2,569</u>
Exceptional Instruction:						
Salaries and Wages	686,945	701,686	693,911	7,775	692,028	1,883
Employee Benefits	173,451	167,051	162,073	4,978	171,191	(9,118)
Purchased Services	202,622	197,940	144,304	53,636	170,400	(26,096)
Supplies and Materials	5,000	5,000	5,116	(116)	4,076	1,040
	<u>1,068,018</u>	<u>1,071,677</u>	<u>1,005,404</u>	<u>66,273</u>	<u>1,037,695</u>	<u>(32,291)</u>

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2015
 (with Comparative Actual Amounts for the Year Ended June 30, 2014)

EXPENDITURES (Cont'd)	2015 Budgeted Amounts		2015 Actual	Favorable (Unfavorable) Variance	2014 Actual	Increase (Decrease) Actual
	Original	Final				
Current (Cont'd)						
Instructional Support Services:						
Salaries and Wages	\$ 24,234	\$ 11,000	\$ 5,982	\$ 5,018	\$ 34,448	\$ (28,466)
Employee Benefits	7,506	451	752	(301)	8,862	(8,110)
Purchased Services	68,000	60,840	73,066	(12,226)	57,249	15,817
Supplies and Materials	-	2,500	2,450	50	2,440	10
	<u>99,740</u>	<u>74,791</u>	<u>82,250</u>	<u>(7,459)</u>	<u>102,999</u>	<u>(20,749)</u>
Pupil Support Services:						
Salaries and Wages	305,243	235,211	303,722	(68,511)	274,075	29,647
Employee Benefits	55,617	38,095	47,417	(9,322)	51,124	(3,707)
Purchased Services	175,467	129,947	60,803	69,144	113,152	(52,349)
Supplies and Materials	83,069	83,985	76,240	7,745	78,304	(2,064)
	<u>619,396</u>	<u>487,238</u>	<u>488,182</u>	<u>(944)</u>	<u>516,655</u>	<u>(28,473)</u>
Site, Buildings and Equipment:						
Salaries and Wages	120,890	192,574	195,529	(2,955)	143,659	51,870
Employee Benefits	21,818	46,597	46,522	75	29,723	16,799
Purchased Services	219,000	172,000	131,809	40,191	205,112	(73,303)
Supplies and Materials	82,400	82,300	58,836	23,464	88,008	(29,172)
Other Expenditures	300	-	92	(92)	274	(182)
	<u>444,408</u>	<u>493,471</u>	<u>432,788</u>	<u>60,683</u>	<u>466,776</u>	<u>(33,988)</u>
Fiscal And Other Fixed Cost Programs:						
Purchased Services	<u>45,000</u>	<u>34,072</u>	<u>31,951</u>	<u>(1,591)</u>	<u>39,460</u>	<u>(7,509)</u>
Capital Outlay:						
District and School Administration	-	-	-	-	622	(622)
District Support Services	18,000	14,000	13,364	636	28,164	(14,800)
Regular Instruction	193,163	147,780	126,512	21,268	76,073	50,439
Vocational Instruction	2,000	2,000	1,536	464	203	1,333
Pupil Support Services	85,000	88,378	166,957	(78,579)	85,765	81,192
Site, Buildings and Equipment	17,250	858,205	679,116	179,089	188,356	490,760
	<u>315,413</u>	<u>1,110,363</u>	<u>987,485</u>	<u>122,878</u>	<u>379,183</u>	<u>608,302</u>
Debt Service:						
Principal	77,712	76,251	76,251	-	155,131	(78,880)
Interest	44,129	45,590	45,590	-	50,850	(5,260)
	<u>121,841</u>	<u>121,841</u>	<u>121,841</u>	<u>-</u>	<u>205,981</u>	<u>(84,140)</u>
TOTAL EXPENDITURES	<u>6,559,906</u>	<u>7,358,188</u>	<u>7,105,533</u>	<u>248,943</u>	<u>6,543,687</u>	<u>561,846</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(74,383)</u>	<u>(553,815)</u>	<u>(237,845)</u>	<u>315,970</u>	<u>421,372</u>	<u>(659,217)</u>
OTHER FINANCING USES						
Transfer Out to Other Funds	-	-	-	-	(20,000)	20,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(74,383)</u>	<u>(553,815)</u>	<u>(237,845)</u>	<u>315,970</u>	<u>401,372</u>	<u>(659,217)</u>
FUND BALANCE BEGINNING OF YEAR	<u>3,223,169</u>	<u>3,223,169</u>	<u>3,223,169</u>	-	<u>2,821,797</u>	<u>401,372</u>
FUND BALANCE END OF YEAR	<u>\$ 3,148,786</u>	<u>\$ 2,669,354</u>	<u>\$ 2,985,324</u>	<u>\$ 315,970</u>	<u>\$ 3,223,169</u>	<u>\$ (257,845)</u>
FUND BALANCE ANALYSIS						
RESTRICTED FUND BALANCE						
Deferred Maintenance			\$ 962		\$ 8,967	
Gifted and Talented			31,292		30,048	
Health and Safety			7,375		12,531	
Safe Schools - Crime			2,109		(8,590) **	
Teacher Development and Evaluation			1,408		-	
Staff Development			-		10	
TOTAL RESTRICTED FUND BALANCE			<u>43,146</u>		<u>42,966</u>	
COMMITTED FUND BALANCE						
Separation/Retirement Benefits			<u>151,136</u>		<u>137,621</u>	
ASSIGNED FUND BALANCE						
Projected Budget Deficit			<u>157,399</u>		<u>74,383</u>	
UNASSIGNED FUND BALANCE			<u>2,633,643</u>		<u>2,968,199</u>	
TOTAL FUND BALANCE			<u>\$ 2,985,324</u>		<u>\$ 3,223,169</u>	

** Required by MN Statute to record a deficit, when applicable, in order to permit statutory revenue formula calculations.

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - FOOD SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2015
 (with Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015 Budgeted Amounts		2015 Actual	Favorable (Unfavorable) Variance	2014 Actual	Increase (Decrease) Actual
	Original	Final				
REVENUES						
Other Local and County Revenues:						
Miscellaneous Local Revenue	\$ 30	\$ 80	\$ 31	\$ (49)	\$ 82	\$ (51)
Revenue From State Sources:						
Breakfast Program Aid	4,000	5,000	8,168	3,168	3,414	4,754
Special Milk Program Aid	1,000	1,000	894	(106)	1,373	(479)
Lunch Program Aid	9,000	9,400	11,506	2,106	9,320	2,186
	<u>14,000</u>	<u>15,400</u>	<u>20,568</u>	<u>5,168</u>	<u>14,107</u>	<u>6,461</u>
Revenue From Federal Sources:						
School Lunch Aid	22,500	27,300	25,110	(2,190)	27,589	(2,479)
Free/Reduced Lunch Aid	95,000	115,000	96,976	(18,024)	114,132	(17,156)
School Breakfast Program	32,000	38,000	33,761	(4,239)	39,346	(5,585)
USDA Commodity Rebates	1,000	500	275	(225)	(85)	360
USDA Commodities	10,000	24,000	18,373	(5,627)	23,296	(4,923)
Fresh Fruit and Vegetable Program	-	-	-	-	19,008	(19,008)
Summer Food Program	10,000	15,000	16,560	1,560	15,789	771
Child and Adult Care Food Program	-	7,000	7,036	36	-	7,036
	<u>170,500</u>	<u>226,800</u>	<u>198,091</u>	<u>(28,709)</u>	<u>239,075</u>	<u>(40,984)</u>
Sales And Other Conversion Of Assets:						
Sale of Lunches and Other	<u>115,650</u>	<u>114,650</u>	<u>105,076</u>	<u>(9,574)</u>	<u>112,490</u>	<u>(7,414)</u>
TOTAL REVENUES	<u>300,180</u>	<u>356,930</u>	<u>323,766</u>	<u>(33,164)</u>	<u>365,754</u>	<u>(41,988)</u>
EXPENDITURES						
Current:						
Pupil Support Services:						
Salaries and Wages	104,502	105,047	111,291	(6,244)	100,026	11,265
Employee Benefits	24,552	24,310	25,144	(834)	23,807	1,337
Purchased Services	18,300	18,350	19,193	(843)	17,453	1,740
Supplies and Materials	165,450	186,600	187,103	(503)	194,816	(7,713)
Other Expenditures	1,700	1,000	978	22	1,270	(292)
	<u>314,504</u>	<u>335,307</u>	<u>343,709</u>	<u>(8,402)</u>	<u>337,372</u>	<u>6,337</u>
Capital Outlay:						
Pupil Support Services	<u>5,000</u>	<u>37,254</u>	<u>32,119</u>	<u>5,135</u>	<u>-</u>	<u>32,119</u>
TOTAL EXPENDITURES	<u>319,504</u>	<u>372,561</u>	<u>375,828</u>	<u>(3,267)</u>	<u>337,372</u>	<u>38,456</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(19,324)</u>	<u>(15,631)</u>	<u>(52,062)</u>	<u>(36,431)</u>	<u>28,382</u>	<u>(80,444)</u>
FUND BALANCE BEGINNING OF YEAR	<u>98,021</u>	<u>98,021</u>	<u>98,021</u>	<u>-</u>	<u>69,639</u>	<u>28,382</u>
FUND BALANCE END OF YEAR	<u>\$ 78,697</u>	<u>\$ 82,390</u>	<u>\$ 45,959</u>	<u>\$ (36,431)</u>	<u>\$ 98,021</u>	<u>\$ (52,062)</u>
FUND BALANCE END OF YEAR						
NONSPENDABLE FUND BALANCE						
Inventory			\$ 1,980		\$ 2,396	
RESTRICTED FUND BALANCE						
Food Service			<u>43,979</u>		<u>95,625</u>	
FUND BALANCE END OF YEAR			<u>\$ 45,959</u>		<u>\$ 98,021</u>	

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - COMMUNITY SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2015
 (with Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015 Budgeted Amounts		2015 Actual	Favorable (Unfavorable) Variance	2014 Actual	Increase (Decrease) Actual
	Original	Final				
REVENUES						
Local Property Tax Levies:						
Community Service Levy	\$ 64,986	\$ 64,614	\$ 64,615	\$ 1	\$ 61,444	\$ 3,171
Property Tax Shift Recognition	-	-	-	-	31,076	(31,076)
	<u>64,986</u>	<u>64,614</u>	<u>64,615</u>	<u>1</u>	<u>92,520</u>	<u>(27,905)</u>
Other Local And County Revenues:						
Tuition and Fees From Patrons	24,300	27,420	28,199	779	31,315	(3,116)
Miscellaneous Local Revenue	31,055	44,070	63,810	19,740	73,730	(9,920)
	<u>55,355</u>	<u>71,490</u>	<u>92,009</u>	<u>20,519</u>	<u>105,045</u>	<u>(13,036)</u>
Revenue From State Sources:						
Disparity Aid	1,596	1,890	1,890	-	1,596	294
Homestead Market Value	1,077	1,133	1,133	-	1,077	56
Preschool Screening	1,593	1,683	2,805	1,122	3,645	(840)
Community Education	9,435	9,880	9,880	-	9,435	445
Other State Revenues	420	-	(418)	(418)	(3)	(415)
State Aid Adjustments	-	-	-	-	(31,076)	31,076
	<u>14,121</u>	<u>14,586</u>	<u>15,290</u>	<u>704</u>	<u>(15,326)</u>	<u>30,616</u>
Sales And Other Conversion Of Assets:						
Sales of Materials	500	500	370	(130)	609	(239)
TOTAL REVENUES	<u>134,962</u>	<u>151,190</u>	<u>172,284</u>	<u>21,094</u>	<u>182,848</u>	<u>(10,564)</u>
EXPENDITURES						
Current:						
Community Education And Services:						
Salaries and Wages	111,826	108,689	112,904	(4,215)	106,138	6,766
Employee Benefits	20,779	20,538	21,066	(528)	19,599	1,467
Purchased Services	4,650	4,950	7,604	(2,654)	6,783	821
Supplies and Materials	16,970	20,544	31,439	(10,895)	15,512	15,927
	<u>154,225</u>	<u>154,721</u>	<u>173,013</u>	<u>(18,292)</u>	<u>148,032</u>	<u>24,981</u>
Capital Outlay:						
Community Education and Services	-	-	-	-	38,000	(38,000)
TOTAL EXPENDITURES	<u>154,225</u>	<u>154,721</u>	<u>173,013</u>	<u>(18,292)</u>	<u>186,032</u>	<u>(13,019)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(19,263)</u>	<u>(3,531)</u>	<u>(729)</u>	<u>2,802</u>	<u>(3,184)</u>	<u>2,455</u>
OTHER FINANCING SOURCES						
Transfer In from Other Funds	-	-	-	-	20,000	(20,000)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>(19,263)</u>	<u>(3,531)</u>	<u>(729)</u>	<u>2,802</u>	<u>16,816</u>	<u>(17,545)</u>
FUND BALANCE BEGINNING OF YEAR	<u>20,084</u>	<u>20,084</u>	<u>20,084</u>	<u>-</u>	<u>3,268</u>	<u>16,816</u>
FUND BALANCE END OF YEAR	<u>\$ 821</u>	<u>\$ 16,553</u>	<u>\$ 19,355</u>	<u>\$ 2,802</u>	<u>\$ 20,084</u>	<u>\$ (729)</u>
FUND BALANCE ANALYSIS						
RESTRICTED FUND BALANCE						
Community Education			\$ 29,442		\$ 69,770	
Community Service			7,482		5,476	
Early Childhood Family Education			18,900		(1,870)	**
School Readiness			(36,469)	**	(53,292)	**
TOTAL RESTRICTED FUND BALANCE			<u>19,355</u>		<u>20,084</u>	
TOTAL FUND BALANCE			<u>\$ 19,355</u>		<u>\$ 20,084</u>	

** Required by MN Statute to record a deficit, when applicable, in order to permit statutory revenue formula calculations.

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
 JUNE 30, 2015

1. DEFINED BENEFIT PENSION PLANS

Teachers Retirement Association

There are no factors that affect trends in the amounts reported, such as change of benefit terms or assumptions. With only one year reported in the RSI, there is no additional information to include in the notes. Details, if necessary, can be obtained from the TRA CAFR.

Public Employees Retirement Association

There are no factors that affect trends in the amounts reported, such as change of benefit terms or assumptions. With only one year reported in the RSI, there is no additional information to include in the notes.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. DEFICIT SPENDING

The fiscal year 2015 budget approved by the School Board projected deficit spending in the following funds:

<u>Fund</u>	
General Fund	\$ 553,815
Food Service Fund	\$ 15,631
Community Service Fund	\$ 3,531

B. EXPENDITURES EXCEEDING APPROPRIATIONS

For the year ended June 30, 2015, the District had the following funds with expenditures exceeding the latest amended budget:

<u>Fund</u>	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Food Service Fund	\$ 372,561	\$ 375,828	\$ 3,267
Community Service Fund	\$ 154,721	\$ 173,013	\$ 18,292

Budget revisions were last approved in May of 2015. These excesses were realized since that time and are approved by the School Board upon acceptance of this report.

OTHER SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - BUILDING CONSTRUCTION FUND
 FOR THE YEAR ENDED JUNE 30, 2015
 (with Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015 Budgeted Amounts		2015 Actual	Favorable (Unfavorable) Variance	2014 Actual	Increase (Decrease) Actual
	Original	Final				
REVENUES						
Other Local And County Revenues:						
Earnings From Investments	\$ -	\$ 100	\$ -	\$ (100)	\$ 55	\$ (55)
TOTAL REVENUES	-	100	-	(100)	55	(55)
EXPENDITURES						
Current:						
Site, Buildings and Equipment:						
Purchased Services	-	50,000	242,849	(192,849)	-	242,849
Capital Outlay:						
Site, Building and Equipment	-	5,000	4,100	900	-	4,100
TOTAL EXPENDITURES	-	55,000	246,949	(191,949)	-	246,949
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(54,900)	(246,949)	(192,049)	55	(247,004)
OTHER FINANCING SOURCES (USES)						
Bond Proceeds	-	5,360,000	5,360,000	-	-	5,360,000
Bond Issuance Premium	-	57,694	57,694	-	-	57,694
Transfer Out to Other Funds	-	(125,232)	(125,233)	(1)	-	(125,233)
TOTAL OTHER FINANCING SOURCES (USES)	-	5,292,462	5,292,461	(1)	-	5,292,461
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	-	5,237,562	5,045,512	(192,050)	55	5,045,457
FUND BALANCE BEGINNING OF YEAR	-	-	-	-	237,611	(237,611)
RESIDUAL EQUITY TRANSFER	-	-	-	-	(237,666)	237,666
FUND BALANCE END OF YEAR	\$ -	\$ 5,237,562	\$ 5,045,512	\$ (192,050)	\$ -	\$ 5,045,512
FUND BALANCE ANALYSIS						
RESTRICTED FUND BALANCE						
Building Construction			\$ 5,045,512		\$ -	

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2015
 (with Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015 Budgeted Amounts		2015 Actual	Favorable (Unfavorable) Variance	2014 Actual	Increase (Decrease) Actual
	Original	Final				
REVENUES						
Local Property Tax Levies:						
Maintenance Levy	\$ 378,881	\$ 377,744	\$ 377,147	\$ (597)	\$ 378,433	\$ (1,286)
Other Local And County Revenues:						
Earnings from Investments	-	-	134	134	132	2
	-	-	134	134	132	2
Revenue From State Sources:						
Disparity Aid	9,856	11,031	11,031	-	9,856	1,175
Homestead Market Value	6,652	6,613	6,613	-	6,652	(39)
	16,508	17,644	17,644	-	16,508	1,136
TOTAL REVENUES	395,389	395,388	394,925	(463)	395,073	(148)
EXPENDITURES						
Debt Service:						
Principal	245,000	245,000	245,000	-	240,000	5,000
Interest	131,560	131,560	131,560	-	136,360	(4,800)
TOTAL EXPENDITURES	376,560	376,560	376,560	-	376,360	200
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	18,829	18,828	18,365	(463)	18,713	(348)
OTHER FINANCING SOURCES						
Transfer In from Other Funds	-	-	125,233	125,233	-	125,233
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	18,829	18,828	143,598	124,770	18,713	124,885
FUND BALANCE BEGINNING OF YEAR	281,802	281,802	281,802	-	25,423	256,379
RESIDUAL EQUITY TRANSFER	-	-	-	-	237,666	(237,666)
FUND BALANCE END OF YEAR	\$ 300,631	\$ 300,630	\$ 425,400	\$ 124,770	\$ 281,802	\$ 143,598
FUND BALANCE ANALYSIS						
RESTRICTED FUND BALANCE						
Debt Service			\$ 425,400		\$ 281,802	

OTHER REQUIRED REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
SCHEDULE OF FINDINGS ON INTERNAL CONTROL STRUCTURE AND COMPLIANCE
JUNE 30, 2015

2015-001 Audit Adjustments

Condition: During our audit, we proposed various audit adjustments that resulted in significant changes to the District's financial statements. This finding was also reported in the prior year audit. The District's corrective action plan for the prior year audit filed with the Minnesota Department of Education stated that the District will review the prior year journal entries to determine training needs and will contract with the SW/WC Service Cooperative. The District has continued to work with the service cooperative to prepare the annual audit adjustments.

Effect: A control deficiency exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions to prevent or detect misstatements of the financial statements on a timely basis. One control deficiency that typically is considered significant is identification by the auditor of a misstatement in the financial statement not initially identified by the entity's internal controls. This could affect the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Cause: The District's personnel did not use a proper cut off when analyzing payroll liabilities. The Service Cooperative prepared a majority of the year end entries, however all accounts were not reviewed for accuracy, requiring the auditors to propose significant journal entries.

Criteria: The District's accounting staff should prepare journal entries during the year, or at a minimum, at year end to convert the cash basis general ledger to a modified accrual basis general ledger. The external auditor's staff cannot be considered to be part of the District's internal control and should not be relied upon to propose a significant number of material audit adjustments.

Recommendation: We recommend that the District's accounting staff continue to work towards its goal of preparing all required year end adjustments. If the District determines that this plan is not attainable, the plan should be amended to reflect the attainable goal.

Corrective Action Plan (CAP)

1. Explanation of Disagreement with Audit Finding

There is no disagreement with the audit finding.

2. Action Planned in Response to Finding

The District still intends to follow the corrective action plan previously filed with the Minnesota Department of Education. The District will continue to contract with SW/WC Service Cooperative.

3. Official Responsible for Insuring CAP

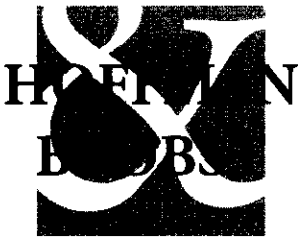
The Superintendent is the official responsible for insuring corrective action of the deficiency.

4. Planned Completion Date for CAP

This plan will be implemented during the 2015-2016 fiscal year. The District is working on gaining the knowledge needed to prepare a final working trial balance.

5. Plan to Monitor Completion of CAP

The Superintendent and the School Board will be monitoring this corrective action plan.



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CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the School Board
Independent School District No. 2890
Renville County West
Renville, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2890, Renville County West, Renville, Minnesota, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Independent School District No. 2890, Renville County West, Renville, Minnesota's basic financial statements and have issued our report thereon dated November 4, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Independent School District No. 2890, Renville County West, Renville, Minnesota's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Independent School District No. 2890, Renville County West, Renville, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of Independent School District No. 2890, Renville County West, Renville, Minnesota's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings on internal control structure and compliance we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings on internal control structure and compliance as item 2015-001 to be a material weakness.

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Compliance and Other Matters

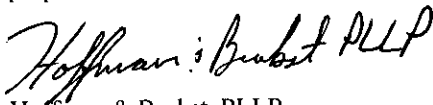
As part of obtaining reasonable assurance about whether Independent School District No. 2890, Renville County West, Renville, Minnesota's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Independent School District No. 2890, Renville County West, Renville, Minnesota's Response to Finding

Independent School District No. 2890, Renville County West, Renville, Minnesota's response to the finding identified in our audit is described in the accompanying schedule of findings on internal control structure and compliance. Independent School District No. 2890, Renville County West, Renville, Minnesota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

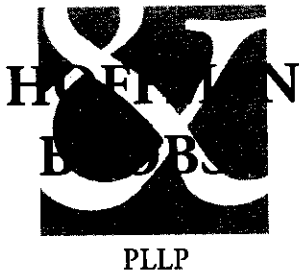
Purpose of this Report

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



Hoffman & Brobst, PLLP
Certified Public Accountants
Marshall, Minnesota

November 4, 2015



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE

Members of the School Board
Independent School District No. 2890
Renville County West
Renville, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2890, Renville County West, Renville, Minnesota, as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated November 4, 2015.

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

In connection with our audit, nothing came to our attention that caused us to believe that Independent School District No. 2890, Renville County West, Renville, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Independent School District No. 2890, Renville County West, Renville, Minnesota's noncompliance regarding the above referenced provisions.

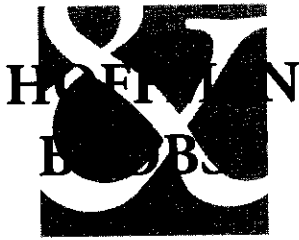
The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Hoffman & Brobst PLLP

Hoffman & Brobst, PLLP
Certified Public Accountants
Marshall, Minnesota

November 4, 2015

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CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the School Board, Advisors, and Students
Independent School District No. 2890
Renville County West
Renville, Minnesota

We have audited the statement of cash receipts and disbursements of the student activity accounts of Independent School District No. 2890, Renville County West, Renville, Minnesota for the year ended June 30, 2015. This financial statement is the responsibility of the District's management. Our responsibility is to express an opinion on this financial statement based on our audit.

Except as discussed in the following paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Because this financial statement is prepared on the basis of cash receipts and disbursements, revenue is recorded when received, and expenses are recognized when paid rather than when the obligations are incurred. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

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

Hoffman & Brobst, PLLP
Certified Public Accountants
Marshall, Minnesota

November 4, 2015

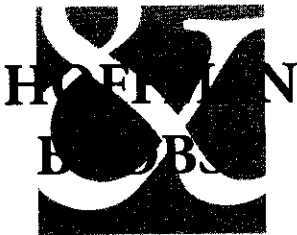
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**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA**

**STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2015**

INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2015

<u>Activity Account</u>	<u>7/1/2014</u> <u>Balance</u>	<u>Receipts</u>	<u>Disburse-</u> <u>ments</u>	<u>6/30/2015</u> <u>Balance</u>
TADA	\$ 351	\$ -	\$ 137	\$ 214
FFA	736	23,699	23,161	1,274
High School Student Council	638	4,384	4,780	242
Annual	2,787	8,254	9,816	1,225
Invision	36	5,058	4,587	507
Senior High Drama Club	407	-	44	363
FFA Greenhouse Project	6,704	26,546	18,298	14,952
Music Trip	15,030	18,720	11,749	22,001
Travel Group	434	82	-	516
Football Group	544	8,218	7,355	1,407
Class of 2017	404	-	-	404
Class of 2016	1,037	13,114	2,490	11,661
Class of 2015	7,715	28,943	36,658	-
Interest Earned	(57)	124	162	(95)
TOTALS	\$ 36,766	\$ 137,142	\$ 119,237	\$ 54,671



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CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
LAWS AND REGULATIONS APPLICABLE TO THE
STUDENT ACTIVITY ACCOUNTS**

To the School Board, Advisers, and Students of
Independent School District No. 2890
Renville County West
Renville, Minnesota

We have audited the statement of cash receipts and disbursements of the extracurricular student activity accounts of Independent School District No. 2890, Renville County West, Renville, Minnesota for the year ended June 30, 2015, and have issued our report thereon dated November 4, 2015 which was modified because the District has not established procedures to provide assurance that all cash collections are recorded in the accounting records.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Manual for Activity Fund Accounting (MAFA), issued by the Minnesota Department of Education, pursuant to Minnesota Statutes § 123.38.

The Manual for Activity Fund Accounting (MAFA) provides uniform financial accounting and reporting standards for student activities. Compliance with this manual is the responsibility of the District's management. We have performed auditing procedures to test compliance with the provisions of this manual. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, the District did not comply, in all material respects with the provisions referred to in the above paragraph. Weaknesses pertaining to compliance with the Manual for Activity Fund Accounting (MAFA) and internal control are noted on page 57. With respect to items not tested, nothing came to our attention that caused us to believe that the District had not complied, in all material respects, with those provisions.

This report is intended solely for the information and use of the School Board, management, and students of Independent School District No. 2890, Renville County West, Renville, Minnesota and the Minnesota Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Hoffman & Brobst, PLLP
Certified Public Accountants
Marshall, Minnesota

November 4, 2015

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**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
FINDINGS ON STUDENT ACTIVITY INTERNAL CONTROL STRUCTURE AND COMPLIANCE
FOR THE YEAR ENDED JUNE 30, 2015**

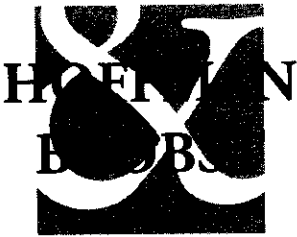
1. FINDING:

The District is not in compliance with the Manual for Activity Fund Accounting (MAFA) regarding the student activity account in these areas:

- The District does not have policies and procedures in place to govern student activity accounting.
- All groups do not maintain minutes of meetings and activities.
- All groups do not have signed statements on hand acknowledging receipt of the MAFA handbook.
- One activity account has a negative balance at year end.

CORRECTIVE ACTION PLAN (CAP)

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Action Planned in Response to Finding
The District will work towards following the Manual for Activity Fund Accounting (MAFA) to govern the student activity account fund.
3. Official Responsible for Insuring CAP
The Superintendent is the official responsible for insuring corrective action of the deficiency.
4. Planned Completion Date for CAP
The District will continue working towards compliance with MAFA.
5. Plan to Monitor Completion of CAP
The Superintendent will be monitoring this plan.



PLLP

CERTIFIED PUBLIC ACCOUNTANTS

MANAGEMENT LETTER

Members of the School Board
Independent School District No. 2890
Renville County West
Renville, Minnesota

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2890, Renville County West, Renville, Minnesota, for the year ended June 30, 2015, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of the following opportunity for strengthening internal controls and operating efficiency. We previously reported on the District's internal control and any related significant deficiencies and material weaknesses in our report dated November 4, 2015. This letter does not affect that report or our report dated November 4, 2015, on the financial statements of Independent School District No. 2890, Renville County West, Renville, Minnesota.

- Due to the limited number of office personnel within Independent School District No. 2890, Renville County West, Renville, Minnesota, segregation of the accounting functions necessary to ensure adequate internal accounting control is not always possible. The District has responded to this deficiency by implementing various oversight controls by the School Board and Management. These oversight controls help to mitigate the risk to the organization created by the lack of segregation of duties within the accounting function. However, the risks that are created by the lack of segregation of duties can never be completely eliminated. The School Board and Management should continue to be diligent in their review of financial transactions, and document these procedures by initialing invoices, and approving expenditure reports.

If you have any questions regarding this item, please contact us.

Hoffman & Brobst PLLP

Hoffman & Brobst, PLLP
Certified Public Accountants
Marshall, Minnesota

November 4, 2015

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Fiscal Compliance Report - 6/30/2015

District: RENVILLE COUNTY WEST (2890-1)

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	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$6,867,688	<u>\$6,867,687</u>	\$1	Total Revenue	\$0	<u>\$0</u>	\$0
Total Expenditures	\$7,105,533	<u>\$7,105,532</u>	\$1	Total Expenditures	\$246,949	<u>\$246,948</u>	\$1
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
<i>Restricted / Reserved:</i>				<i>Restricted / Reserved:</i>			
4.03 Staff Development	\$0	<u>\$0</u>	<u>\$0</u>	4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.05 Deferred Maintenance	\$962	<u>\$962</u>	<u>\$0</u>	4.09 Alternative Facility Program	\$0	<u>\$0</u>	<u>\$0</u>
4.06 Health and Safety	\$7,375	<u>\$7,375</u>	<u>\$0</u>	4.13 Project Funded by COP	\$0	<u>\$0</u>	<u>\$0</u>
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted:</i>			
4.08 Cooperative Revenue	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$5,045,512	<u>\$5,045,512</u>	<u>\$0</u>
4.09 Alternative Facility Program	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.13 Project Funded by COP	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.14 Operating Debt	\$0	<u>\$0</u>	<u>\$0</u>	07 DEBT SERVICE			
4.16 Levy Reduction	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$394,925	<u>\$394,925</u>	<u>\$0</u>
4.17 Taconite Building Maint	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$376,560	<u>\$376,560</u>	<u>\$0</u>
4.23 Certain Teacher Programs	\$0	<u>\$0</u>	<u>\$0</u>	<i>Non Spendable:</i>			
4.24 Operating Capital	\$0	<u>\$0</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted / Reserved:</i>			
4.27 Disabled Accessibility	\$0	<u>\$0</u>	<u>\$0</u>	4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.28 Learning & Development	\$0	<u>\$0</u>	<u>\$0</u>	4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.34 Area Learning Center	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted:</i>			
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$425,400	<u>\$425,400</u>	<u>\$0</u>
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.38 Gifted & Talented	\$31,292	<u>\$31,292</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$1,408	<u>\$1,408</u>	<u>\$0</u>	08 TRUST			
4.41 Basic Skills Programs	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$219	<u>\$219</u>	<u>\$0</u>
4.45 Career Tech Programs	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$1,000	<u>\$1,000</u>	<u>\$0</u>
4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>	4.22 Unassigned Fund Balance (Net Assets)	\$44,471	<u>\$44,471</u>	<u>\$0</u>
4.49 Safe School Crime - Crime Levy	\$2,109	<u>\$2,109</u>	<u>\$0</u>	20 INTERNAL SERVICE			
4.50 Pre-Kindergarten	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	<u>\$0</u>	25 OPEB REVOCABLE TRUST			
<i>Restricted:</i>				Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Committed:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.18 Committed for Separation	\$151,136	<u>\$151,136</u>	<u>\$0</u>	45 OPEB IRREVOCABLE TRUST			
4.61 Committed Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
<i>Assigned:</i>				Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.62 Assigned Fund Balance	\$157,399	<u>\$157,399</u>	<u>\$0</u>	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>				47 OPEB DEBT SERVICE			
4.22 Unassigned Fund Balance	\$2,633,643	<u>\$2,633,643</u>	<u>\$0</u>				
02 FOOD SERVICES							
Total Revenue	\$323,766	<u>\$323,766</u>	<u>\$0</u>				
Total Expenditures	\$375,828	<u>\$375,828</u>	<u>\$0</u>				
<i>Non Spendable:</i>							

4.60 Non Spendable Fund Balance	\$1,980	<u>\$1,980</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$43,979	<u>\$43,979</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
<i>Total Expenditures</i>			
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

04 COMMUNITY SERVICE

Total Revenue	\$172,284	<u>\$172,283</u>	<u>\$1</u>
Total Expenditures	\$173,013	<u>\$173,012</u>	<u>\$1</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.31 Community Education	\$29,442	<u>\$29,442</u>	<u>\$0</u>
4.32 E.C.F.E	\$18,900	<u>\$18,900</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.44 School Readiness	(\$36,469)	<u>(\$36,469)</u>	<u>\$0</u>
4.47 Adult Basic Education	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$7,482	<u>\$7,482</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>