

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**





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INDEPENDENT SCHOOL DISTRICT NO. 2859  
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## **INTRODUCTORY SECTION**





**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
BOARD OF EDUCATION AND ADMINISTRATION  
JUNE 30, 2016**

**BOARD OF EDUCATION**

<b>NAME</b>	<b>TERM ON BOARD EXPIRES</b>	<b>BOARD POSITION</b>
Clark Christianson	December 31, 2018	Chairperson
Jamie Alsleben	December 31, 2016	Vice Chairperson
Kevin Kuester	December 31, 2016	Treasurer
Anne Twiss	December 31, 2018	Clerk
Donna VonBerge	December 31, 2016	Director
Jason Lindeman	December 31, 2018	Director

**ADMINISTRATION**

Christopher Sonju	Superintendent of Schools
Michelle Sander	Business Manager
Crystal Dahlke	Assistant Business Manger
District Offices:	Independent School District No. 2859 Glencoe-Silver Lake Public Schools 1621 E. 16 <sup>th</sup> Street Glencoe, MN 55336 (320) 864-2491

## FINANCIAL SECTION

## INDEPENDENT AUDITORS' REPORT

Board of Education  
Independent School District No. 2859  
Glencoe, 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. 2859, as of and for the year ended June 30, 2016, 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.

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

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

### ***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. 2859 as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows and the respective budgetary comparisons for the General Fund, Food Service Fund, and Community Service Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Report on Summarized Comparative Information***

We have previously audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 2859 as of and for the year ended June 30, 2015, and we expressed unmodified opinions on those audited financial statements in our report dated October 22, 2015. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Other Matters***

#### ***Required Supplementary Information***

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Independent School District No. 2859's basic financial statements. The Uniform Financial Accounting and Reporting Standards Compliance Table, as required by Minnesota Department of Education, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

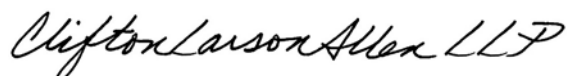
***Other Matters (Continued)***

***Other Information (Continued)***

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2016 on our consideration of Independent School District No. 2859'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 result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Independent School District No. 2859's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Austin, Minnesota  
September 22, 2016

## **REQUIRED SUPPLEMENTARY INFORMATION**

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

This section of Glencoe-Silver Lake Public Schools – Independent School District No. 2859's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### **FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2015-2016 fiscal years include the following:

- The District has been able to maintain a positive fund balance.
- Enrollment decreased by .26% from 2015. Total ADM's were 1,560.
- The Net Position of the District decreased by 32.8%.
- The fund balance in the general fund increased to \$5,372,258 compared to \$5,110,622 at June 30, 2015.
- The ending fund balance within the General Fund is still above the fund balance policy set by the board.
- Restricted accounts having fund balances at June 30, 2016 included Staff Development, Safe Schools, Teacher Evaluation, and Operating Capital.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

### **District-Wide Statements**

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the District's assets, 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 district-wide statements report the District's *net position* and how it has changed. Net Position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, – are 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.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2016**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**District-Wide Statements (Continued)**

- To assess the overall health of the District you need 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 district-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 services, 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 – not 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 (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

The District has three kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- *Internal Service funds* - The District uses internal service funds to report activities that provide supplies and services for the District's other programs and activities. The District currently has one internal service fund to accumulate resources for the future payment of other post-employment benefits.
- *Fiduciary Funds* – The District is a trustee, or fiduciary, for assets that belong to others, such as the scholarship funds. The District is responsible for ensuring that the assets reported in these funds are used for only their intended purposes and by those to whom the assets belong. All 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-wide financial statements because the District cannot use these assets to finance its operations.



**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2016**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Assets**

The District's *combined* Net Position was \$1,586,912. This was a 32.8% decrease from the prior year. (See Table A-1.)

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

	<b>Governmental Activities</b>		<b>Percentage Change</b>
	<b>2016</b>	<b>2015</b>	
Current and Other Assets	\$ 34,898,919	\$ 9,169,596	280.59%
Capital and Non-Current Assets	9,352,325	7,874,687	18.76%
<b>Total Assets</b>	<b>44,251,244</b>	<b>17,044,283</b>	<b>159.63%</b>
<b>Total Deferred Outflows of Resources</b>	<b>1,875,722</b>	<b>1,471,606</b>	<b>27.46%</b>
Current Liabilities	3,812,744	1,452,232	162.54%
Long-Term Liabilities	35,646,772	10,259,244	247.46%
<b>Total Liabilities</b>	<b>39,459,516</b>	<b>11,711,476</b>	<b>236.93%</b>
<b>Total Deferred Inflows of Resources</b>	<b>5,080,538</b>	<b>4,442,995</b>	<b>14.35%</b>
Net Position			
Net Investment in Capital Assets	5,720,462	6,551,262	-12.68%
Restricted	1,491,668	969,831	53.81%
Unrestricted	(5,625,218)	(5,159,675)	9.02%
<b>Total Net Position</b>	<b>\$ 1,586,912</b>	<b>\$ 2,361,418</b>	<b>-32.80%</b>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2016**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

**Changes in Net Position**

The District's total revenues were \$19,327,815 for the year ended June 30, 2016. Property taxes and state formula aid accounted for 65% of total revenues for the year. The remaining 35% came from other general revenues combined with investment earnings and program revenues.

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

	<b>Governmental Activities for the Fiscal Year Ended June 30,</b>		<b>Total %</b>
	<b>2016</b>	<b>2015</b>	<b>Change</b>
<b>Revenues</b>			
<u>Program Revenues</u>			
Charges for Services	\$ 1,261,643	\$ 1,461,405	-13.67%
Operating Grants and Contributions	5,050,614	4,481,826	12.69%
Capital Grants and Contributions	184,409	332,005	-44.46%
<u>General Revenues</u>			
Property Taxes	1,931,398	1,990,655	-2.98%
Unrestricted State Aid	10,683,851	10,553,038	1.24%
Investment Earnings	188,397	24,170	679.47%
Other	27,503	55,094	-50.08%
Total Revenues	19,327,815	18,898,193	
<b>Expenses</b>			
Administration	843,843	856,686	-1.50%
District Support Services	501,946	404,105	24.21%
Regular Instruction	8,344,393	7,944,929	5.03%
Vocational Education Instruction	326,900	275,331	18.73%
Special Education Instruction	3,041,968	2,948,671	3.16%
Instructional Support Services	765,887	745,513	2.73%
Pupil Support Services	1,760,439	1,817,770	-3.15%
Sites and Buildings	1,845,622	1,545,635	19.41%
Fiscal and Other Fixed Cost Programs	66,438	69,199	-3.99%
Food Service	946,306	951,760	-0.57%
Community Service	823,967	792,968	3.91%
Interest and Fiscal Charges on Long-Term Liabilities	834,612	41,256	1923.01%
Total Expenses	20,102,321	18,393,823	9.29%
<b>Change in Net Position</b>	(774,506)	504,370	
Beginning Net Position	2,361,418	1,857,048	
Ending Net Position	\$ 1,586,912	\$ 2,361,418	

Total expenses surpassed revenues by \$774,506 compared to revenues surpassing expenses of \$504,370 last year mainly due to interest from the recently issued GO Bonds.

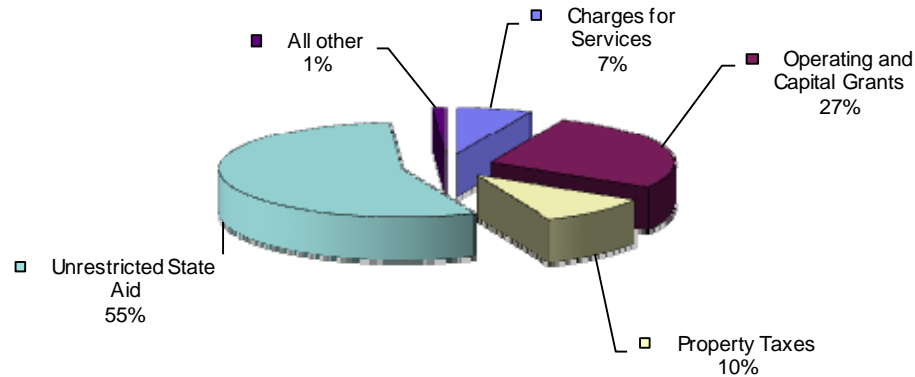
**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2016**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

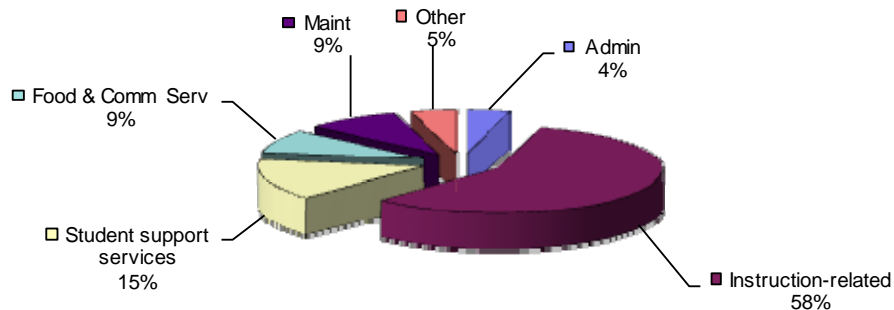
The cost of all *governmental* activities this year was \$20,102,321. The District's expenses are predominantly related to educating and caring for students.

- Some of the cost was paid by the users of the District's programs (\$1,261,643).
- The federal and state governments subsidized certain programs with grants and contributions of \$5,235,023.
- Most of the District's costs \$12,616,657, however, were paid for by District taxpayers and the taxpayers of our state.
- This portion of governmental activities was paid for with \$1,932,806 in property taxes and \$10,683,851 in state aid based on the statewide education aid formula. In addition, the District earned additional revenues of \$215,900 related to investment earnings and other general revenues.

**Figure A-1 Sources of District's Revenues for Fiscal 2016**



**Figure A-2 District Expenses for Fiscal 2016**



**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2016**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

Table A-3

**Program Costs and Net Cost of Services**

	<b>Total Cost of Services</b>		<b>Percentage Change</b>	<b>Net Cost of Services</b>		<b>Percentage Change</b>
	<b>2016</b>	<b>2015</b>		<b>2016</b>	<b>2015</b>	
Administration	\$ 843,843	\$ 856,686	-1.50%	\$ 843,452	\$ 856,686	-1.54%
District Support Services	501,946	404,105	24.21%	501,946	404,105	24.21%
Regular Instruction	8,344,393	7,944,929	5.03%	6,165,906	5,640,858	9.31%
Vocational Education Instruction	326,900	275,331	18.73%	131,719	253,167	-47.97%
Special Education Instruction	3,041,968	2,948,671	3.16%	977,993	1,079,717	-9.42%
Instructional Support Services	765,887	745,513	2.73%	562,262	545,422	3.09%
Pupil Support Services	1,760,439	1,817,770	-3.15%	1,617,485	1,763,542	-8.28%
Sites and Buildings	1,845,622	1,545,635	19.41%	1,809,206	1,331,718	35.86%
Fiscal and Other Fixed						
Cost Programs	66,438	69,199	-3.99%	66,438	69,199	-3.99%
Food Service	946,306	951,760	-0.57%	(45,098)	(25,446)	77.23%
Community Service	823,967	792,968	3.91%	139,734	158,363	-11.76%
Interest and Fiscal Charges on						
Long-Term Liabilities	834,612	41,256	1923.01%	834,612	41,257	1922.96%
<b>Total</b>	<b>\$ 20,102,321</b>	<b>\$ 18,393,823</b>	<b>9.29%</b>	<b>\$ 13,605,655</b>	<b>\$ 12,118,588</b>	<b>12.27%</b>

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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 \$27,712,242, which is more than last year's ending fund balance of \$5,349,961 due to the issuance of debt and the proceeds not being spent down.

**GENERAL FUND**

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

Table A-4 and Figure A-5 show the average daily membership for the last 7 years.

Table A-4

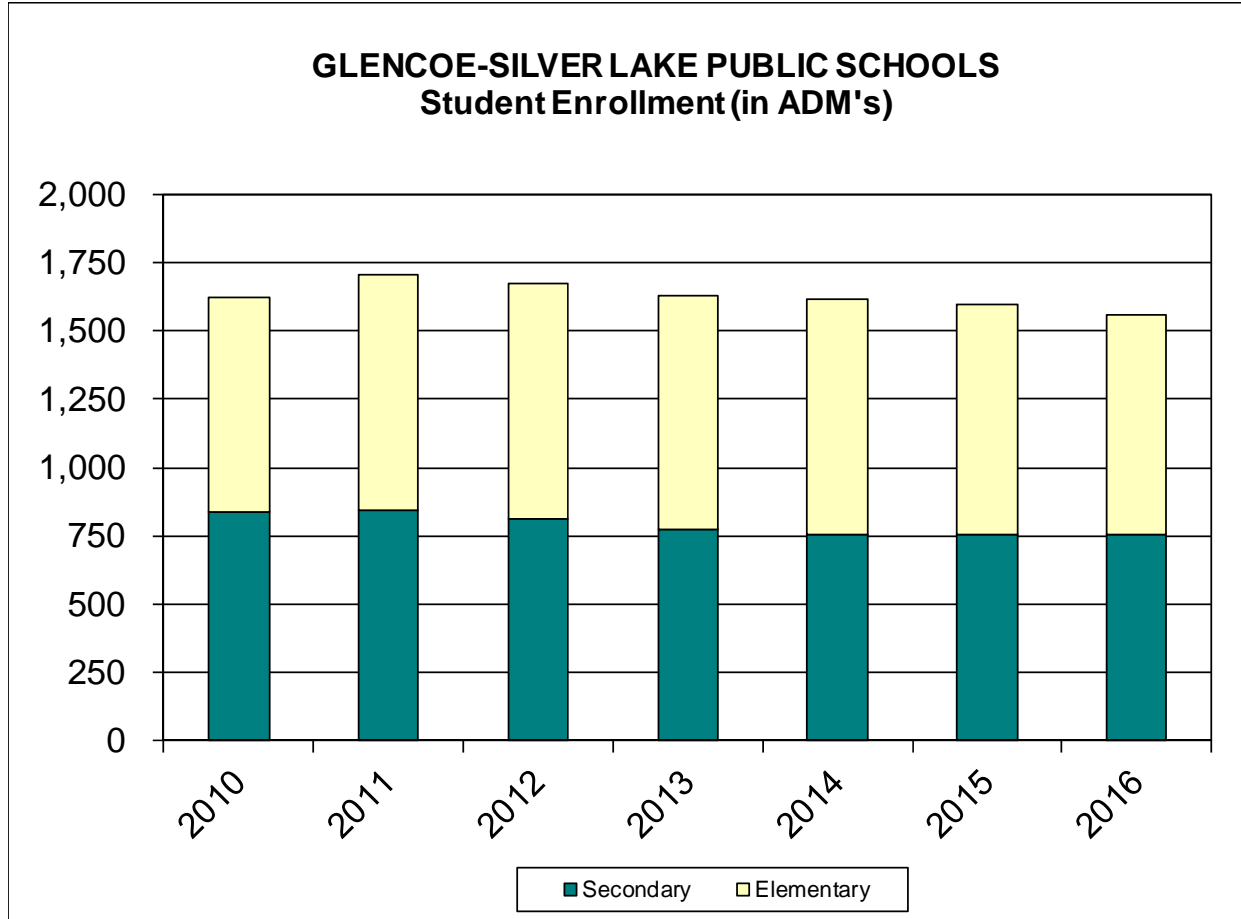
**Student Enrollment (Average Daily Membership)**

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Pre-K & KH	32	30	32	25	22	20	18
Reg K	109	116	95	120	91	96	103
Elementary	718	718	724	714	727	690	686
Secondary	837	846	810	775	757	758	752
Total Students for Aid	<u>1,696</u>	<u>1,710</u>	<u>1,661</u>	<u>1,634</u>	<u>1,597</u>	<u>1,564</u>	<u>1,560</u>
Percent change	5.46%	0.83%	-2.87%	-1.63%	-2.26%	-2.07%	-0.26%

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2016**

**GENERAL FUND (CONTINUED)**

**Figure A-5  
Student Enrollment (Average Daily Membership)**



The following schedule presents a summary of General Fund revenues.

**Table A-5  
General Fund Revenues**

Fund	Year Ended		Change	
	June 30, 2016	June 30, 2015	Increase (Decrease)	Percent
Local Sources				
Property Taxes	\$ 1,784,045	\$ 1,848,139	\$ (64,094)	-3.5%
Earnings on Investments	21,626	22,300	(674)	-3.0%
Other	532,698	799,428	(266,730)	-33.4%
State Sources	14,252,313	13,838,560	413,753	3.0%
Federal Sources	735,337	624,032	111,305	17.8%
Total General Fund Revenue	<u>\$ 17,326,019</u>	<u>\$ 17,132,459</u>	<u>\$ 193,560</u>	1.1%

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2016**

**GENERAL FUND (CONTINUED)**

Revenues from state and federal sources totaled \$14,987,650 a net increase of \$525,058. Total General Fund revenues increased by \$193,560, or 1.1%, from the previous year. Property tax revenue decreased by \$64,094 or 3.5% from the prior year. Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. Other state-authorized revenue includes excess levy referendum and equity aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change in revenues.

The \$413,753 increase in state sources for fiscal 2016 is attributable to an increase in general education aid.

Federal funds increased by \$111,305 which is related mainly to the summer migrant program and Title One services.

The following Table A-6 represents a summary of General Fund expenditures.

**Table A-6  
General Fund Expenditures**

	<b>Year Ended</b>		<b>Amount of Increase (Decrease)</b>	<b>Percent Increase (Decrease)</b>
	<b>June 30, 2016</b>	<b>June 30, 2015</b>		
Salaries	\$ 9,167,442	\$ 8,880,325	\$ 287,117	3.2%
Employee Benefits	2,900,696	2,649,213	251,483	9.5%
Purchased Services	3,598,866	3,528,807	70,059	2.0%
Supplies and Materials	639,321	751,247	(111,926)	-14.9%
Capital Expenditures	412,352	1,131,567	(719,215)	-63.6%
Other Expenditures	345,706	329,308	16,398	5.0%
Total Expenditures	<u>\$ 17,064,383</u>	<u>\$ 17,270,467</u>	<u>\$ (206,084)</u>	-1.2%

Total General Fund expenditures decreased by \$206,084 or 1.2% from the previous year.

Salaries and benefits fall in line with the contract settlements and the additional staff that were hired.

The decrease in capital expenditures falls in line with the building construction projects that have been completed between fiscal year 2013, 2014 and 2015. The Early Childhood Learning Center and the tennis court complex were the two large projects that have taken place over the past years that were completed in FY15. The total fund balance of the General Fund increased to \$5,372,258 at June 30, 2016 compared to \$5,110,622 at June 30, 2015, a total increase of \$261,636.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2016**

**GENERAL FUND (CONTINUED)**

The school board and administration have worked extremely hard in monitoring the budget and controlling the spending of the school district. The fund balance policy is reviewed annually by the Business Manager, Superintendent and school board. The fund balance policy clarifies to ensure the financial strength and stability of the District. The Board will endeavor to maintain a minimum of 20% 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.

The June 30, 2016 ending unassigned general fund balance which includes fund 01 and fund 10 is \$4,444,751 and is at 26% of annual General Fund expenditures.

**General Fund Budgetary Highlights**

When budget changes are adopted by the Board they fall into one of the following categories:

- Adjusting for changes in pupil enrollment including revenue and potential staff additions.
- Adjustments for utility consumptions and costs or building repairs or maintenance.
- Implementing budgets for specially funded projects (Health and Safety), and projects which include both federal and state grants.
- Special Education
- Legislative Changes

During fiscal year 2016, General Fund revenues were over budgeted level by \$443,019. One of the biggest factors in this variance has to do with the Fund 10 Revenues, activities account, that are crosswalked and included in the total general fund revenues, but no budget amounts are assigned to the activities accounts. Investment earnings were higher than anticipated along with an increase in state aid for direct TRA received. The expenditures were lower than budget by \$187,878 or 1.1%.

**OTHER MAJOR FUNDS**

**FOOD SERVICE FUND**

The Food Service Fund experienced an increase of \$39,154 leaving the fund balance at \$173,477. The 2015-2016 school year was the seventh year that the food service program was outsourced to Compass Group, Inc. through its Chartwell's Food Service Division. The 2015-2016 school year was the second year of a new three contract with Chartwell's. The District saw a slight decrease in meals served from previous years along with the decrease in student enrollment. The mandated changes from the United States Department of Agriculture continue to challenge schools to provide a meal that students will want to eat. The menu changes that the District was required to make has found some students choosing to bring a cold lunch or not eat.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2016**

**FOOD SERVICE FUND (CONTINUED)**

Chartwell's has worked extremely well with the District to increase our food service offerings as well as provide a healthy menu that meets the dietary requirements and stay within the budget. The District continues to offer a free breakfast program to all K-12 students. The District also offered an after school snack program at the high school which seemed to be extremely successful serving an average of 100 students per day. The District was able to offer the snack program at no charge for the 2015-2016 school year based on being Area Eligible, based on the previous year's free and reduced percentages. The District also qualified for a summer food service program based on the high percentage of free and reduced students. The program ran June, July and the first week in August. The District was approved for a five-year summer program with breakfast and lunch being offered at all three building sites and at the ball field for the summer recreation program.

**COMMUNITY SERVICE**

The Community Service Fund fund balance increased from \$105,016 at June 30, 2015 to \$149,274 at June 30, 2016. From the standpoint of maintaining current operating expenditures within the range of annual revenues, the Community Service Fund continues to operate on a sound financial basis. The Community Service Fund consists of Community Education, School Readiness, Early Childhood Family Education, Pre-School Screening and Non-Public Education. All of these programs are providing a service to varying levels of the community.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2016, the District had invested \$18,873,175 in a broad range of capital assets, including school buildings, athletic facilities, vehicles; computer and audio-visual equipment (see Table A-7). Total depreciation expense for the year was \$472,205. The major increase was due the addition of the construction in progress related to the building project.

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

	<u>2016</u>	<u>2015</u>	<u>Percentage Change</u>
Land	\$ 130,000	\$ 130,000	0.0%
Construction in Progress	1,834,326	-	N/A
Land Improvements	1,140,892	1,140,892	0.0%
Buildings and Improvements	11,784,156	11,784,156	0.0%
Equipment	3,983,801	4,019,089	-0.9%
Less: Accumulated Depreciation	<u>(9,520,850)</u>	<u>(9,199,450)</u>	3.5%
<b>Total</b>	<u><u>\$ 9,352,325</u></u>	<u><u>\$ 7,874,687</u></u>	18.8%



**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2016**

**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

**Long-Term Liabilities**

At year end, the District had \$23,695,000 in general obligation bonds, \$1,066,650 in lease purchase and \$67,508 in capital leases, as shown in Table A-8. The District also had \$283,331 in severance benefits payable and \$441,922 in other post-employment benefits payable at June 30, 2016. (More detailed information about the District's long-term liabilities is presented in Note 4 to the financial statements.)

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

	<b>2016</b>	<b>2015</b>	<b>Percentage Change</b>
General Obligation Bonds	\$ 23,695,000	\$ -	N/A
Net Bond Premium and Discount	619,551	-	N/A
Capital Leases Payable	67,508	90,196	-25.2%
Lease Purchase Payable	1,066,650	1,190,900	-10.4%
Notes Payable	32,768	42,329	-22.6%
Severance Benefits Payable	283,331	144,319	96.3%
<b>Total</b>	<b>\$ 25,764,808</b>	<b>\$ 1,467,744</b>	<b>1655.4%</b>
Long-Term Liabilities:			
Due Within One Year	\$ 593,177	\$ 156,498	
Due in More Than One Year	25,171,631	1,311,246	
	<b>\$ 25,764,808</b>	<b>\$ 1,467,744</b>	

The majority of the change in the long-term liabilities is related to the issuance of general obligation bonds for the construction of a new building.

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

- The 2016 Legislative Session had little effect to school districts this year, mostly due to the fact that it was a non-funding year. A Voluntary Prekindergarten Program was established to fund approximately 6.2% of four year olds across Minnesota. Aid entitlements for this program were capped at \$27,092,000 for FY17 and \$27,239,000 for FY18 and \$26,399,000 for FY19 and later. Funding is broken down to be spread across the Minneapolis and St. Paul School Districts, Metro School Districts, Non-Metro Districts and Charter Schools. The eligibility criteria will be based on the October 1<sup>st</sup> Free and Reduced percentage from the prior year. The funding will serve approximately 33 schools. Schools with poverty levels of 75% and higher will be approved first. GSL did apply to receive the additional funding for FY17 but was not approved.
- Some of the other key points of the budget bill that affect GSL include:
  - Home Visiting levy revenue was increased from \$1.60 to \$3.00 times the population under age 5 residing in the District. This additional levy will be effective for FY18 and will appear on the Pay 17 levy run.

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INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2016**

**FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)**

- Equity Revenue for FY17-FY19 makes non-metro school districts eligible for a 16% increase in the sliding scale portion of equity revenue. Districts in the 7 County metro area will continue to receive a 25% increase over the initial calculation for this revenue. Beginning in FY2020, all districts, metro and non-metro will receive the same 25% increase over the initial calculation for this revenue. For FY 2017, the revenue increase is all paid in state aid.
- There were some minor changes regarding Intermediate/Coop Staff Development grants, changes to Q Comp, teacher shortage loan forgiveness, cash flow adjustment for charter schools, reserve requirement for a reserve account for third party revenue, ABE, Reading Corps Grants, and CTE certification and licensure.
- There was discussion about raising employer contributions for TRA by 1% but there were too many stakeholders opposed to this increase without additional funding to offset the cost so no legislative action was taken.
- A new graduation requirement was put in place that all students need to pass a Civics test in order to meet the graduation criteria.

Long-Term Facilities Maintenance Revenue was enacted into law effective in FY2017, beginning with the 2015 Pay 2016 Levy cycle. The LTFMR rolls the current deferred maintenance, health and safety and alternative facilities revenues into the new long-term facilities maintenance revenue program which is equalized with state aid. The new LTFMR equals the sum of:

1. \$193/APU for FY17, \$292 for FY18, and \$380 for FY 19 and later and
2. The lesser of 1 or the ratio of the district's average building age to 35 years' plus
3. The approved cost/debt service for indoor air quality, fire alarm and suppression, and asbestos abatement projects with a cost per site of \$100,000 or more. (Includes existing debt service for large health and safety projects issued under old law.)

The 25 large districts continue to be eligible for revenue based on approved project costs, without a state-imposed per pupil limit. Districts may choose to issue bonds for the program, levy on a pay as you go basis, or a combination of the two.

For purposes of calculating equalization aid, the ANTC is reduced by 50% of the value of Class 2a Agricultural land. The aid/levy mix for the equalized portion is calculated using an equalizing factor of 123% of the state average ANTC/PU, calculated using the 50% exclusion for ag land. For GSL the 2015 Adjusted Net Tax Capacity is 13,441,976 but the Ag Modified ANTC for Long Term Facility Maintenance Revenue is 9,939,477. For the Pay 2017 levy, the total equalized LTFMR is \$502,940.80. To determine the aid/levy ratio, the 2014-2015 adjusted pupil units of 1,715.64 is divided by the 2015 Ag Modified ANTC of 9,939,477 which equals 5,793.45 divided by the equalizing factor of 7,373.50. The levy portion is 64% and state aid is 36%. \$181,667.16 will be state aid on the \$502,940.80 and \$421,273.64 will be local levy. \$100,000.00 of the 421,273.64 is unequalized, so it becomes 100% local levy.

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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2016**

**FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)**

The end result is that districts are receiving additional levy authority that is equalized for state aid so that additional funding is available for facility projects.

Allowed uses of the Revenue include:

1. Deferred capital expenditures and maintenance projects
2. Accessibility of school facilities
3. Health and safety projects

*In other words, long term facilities maintenance revenue may be used for exactly the same purposes as the old revenue categories it replaces: health and safety, deferred maintenance and alternative facilities. The revenue may not be used for new construction or remodeling, lease purchase agreements, energy-efficiency projects or violence prevention or emergency communication devices.*

To continue to qualify for the new LTFMR, the school board had to approve a 10 Year plan and submit the plan to MDE by July 31<sup>st</sup> and the plan has to be updated yearly during the summer levy process. Health and Safety and Deferred Maintenance levy authority adjustments will be made over the next two years.

- Ongoing changes from the 2013 Legislative Session that were effective for FY15 and for FY16:
  - Effective with FY15, pupil weights for Pre-Kindergarten is .550, K through grade 6 will be at 1.0 and weights for grades 7-12 will be 1.2. Formula rates needed to be increased to offset the reduction in weighted student counts. Marginal cost pupil units were eliminated and replaced with the new declining enrollment revenue.
  - Effective with FY 2015 (Pay 2014 Levy) a Uniform General Education Levy has been reinstated. It is now called a Student Achievement Levy and it is spread on the Net Tax Capacity for the district. The Operating Capital equalizing factor was increased to offset the Uniform General Education Levy. GSL will see \$44,193 in levy authority for this category on the Pay 2016 levy documents. This will be revenue for the FY17 school year. The levy will proportionately reduce general education aid. This is an area that districts will not want to under levy because it will affect state aids. The levy authority for Pay 2017 levy is \$18,818.77. The District's General Education Revenue will be reduced by the Student Achievement Levy. The tax rate has decreased to .0014 from .0030 due to the future phase out of this levy in 2019.
- A major overhaul was established in the 2014 Session regarding Operating Referendum Revenue's:
  - Converted from \$/Resident Marginal Cost Pupil Unit to \$/Adjusted Pupil Unit – APU.
  - Alternative attendance adjustment was eliminated/rolled into allowance per APU.
  - Allowance/APU was adjusted so that total revenue prior to caps is the same as under old law.
  - School Boards are allowed to convert up to \$300/APU from voter approved to board approved if board action is taken before September 30th of prior year so that is part of the proposed property tax statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2016**

**FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)**

- Location Equity Revenue (LER) effective in FY 2015 (Pay 2014 levy). Districts with any land area in the 7 county metro area qualifies for \$424/APU. Or, districts that are not in the 7 county metro area but have greater than 2,000 adjusted ADM in the 3<sup>rd</sup> prior FY qualify for \$212 of location equity levy. The 2014 Legislation changed the Location Equity Revenue to Local Optional Revenue (LOR). All districts in the state now qualify for the full \$424 effective with the Pay 2015 levy, or revenue for the 2015-2016 fiscal year and beyond.
  - The LER or LOR is deducted from operating referendum revenue. There is no action required by the school board if you accept the full amount of the location equity revenue. GSL qualified for the full \$424 with the Pay 2014 levy because of having property in Carver County which is part of the 7 county metro area. Districts may choose to levy for a lesser amount than the \$424.
    - The District completed the Pay 2016 levy process which is revenue for the 2016-2017 school year or FY 2017. Because of the new building bond debt, the final levy authority was a 93.2873% increase for a total of \$3,764,729.92 compared to \$1,948,460.90 for Pay 2015.
    - The preliminary proposed Pay 2017 levy authority is showing a 5.65% decrease. Total market values are showing a growth of 1.5157%.
    - The current funding of state aid IDEAS payments remains stable at 90/10%. The change back to the 90/10 was implemented in October of 2013 based on the financial status of the state budget. Law dictates that any state unrestricted fund balance as of June 30, 2013 must be directed first to school districts to pay back the borrowing that occurred from the State of Minnesota from school districts by reducing the payment percentage and to reduce the percentage of early levy recognition (tax shift).
    - The Literacy Incentive Aid was a new aid category in FY 2013. GSL received \$89,455 in FY 2013, \$97,673 in FY 2014, \$91,210 in FY2015 and \$86,694.01 in FY2016. The literacy incentive aid is calculated by using third grade enrollment to calculate proficiency aid and fourth grade enrollment to calculate growth aid. These dollars are not reserved or designated.
    - Effective in FY2014, the reserve account limits and aid and levy penalties for Community Education, Early Childhood Family Education and School Readiness have been repealed.
- Minnesota school districts are paid based on pupil units served, a decline or increase in enrollment results in variable revenue that is received for operations. The district enrollment for 2015-2016 ended at 1,560 Adjusted Pupil Units compared to 1,564 in 2014-2015. Preliminary enrollment for the 2016-2017 school year show a slight increase of 30 students to 1,600. Included in this enrollment projection is approximately 35 migrant students.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2016**

**FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)**

- The Administration and School Board continue to work on a plan for improving the school facilities. In December of 2012, the school board approved to move forward with building a 5,000 square foot Early Childhood Learning Center as an addition to the Lincoln Junior High Building. The Review and Comment Plan was submitted to the Minnesota Department of Education and final approval was received in June of 2013. The building houses the Early Childhood Special Education, (ECSE), the Early Childhood Family Education (ECFE) and the School Readiness (SR) programs. Along with office space, Director's office, Speech teacher office and a large motor room that could also be utilized as a classroom. Remodeling of the main level Lincoln restrooms and old kitchen area were included in the project plans. Total project costs are \$1,966,909. The board moved forward with a 10-year lease levy option for \$1,375,000 that will be spread to the tax payers over the 10-year period. The additional cost of the project was paid by district funds. The project was completed in January of 2014 and students and staff began using the facility at that time.
- After two failed building referendums in 2011, the school board voted to hold a special election on May 12<sup>th</sup>, 2015 asking the voters to approve a building bond referendum for \$24,190,000. The ballot question was to authorize the District to issue bonds to provide funds to relocate grades K-2 to the existing Lincoln building, repurpose current program space, construction of new space between the current Lincoln and High school buildings and to complete window upgrades at the Lakeside building. The election was successful with 1,534 yes votes and 908 no votes. The election was successful in the Brownston, Glencoe, Plato and Silver Lake precincts and failed in the New Auburn precinct. The district is working with ARY Architects to design the project.
  - The District sold the bonds on July 13, 2015 with a closing date of August 13, 2015 in the amount of \$23,695,000 with a bond obligation of 29.5 years. \$24,111,934 was wired to Security Bank on behalf of the District and was invested in a guaranteed money market investment account at .77% earnings. Ehlers and Associates was the financial institute that handled the sale of the bonds. All transactions related to the building project will be accounted for in Fund 06, Building Construction Fund to be in compliance with State, Federal and UFARS accounting procedures. All arbitrage reporting will be handled with The PFM Group, Minneapolis. An agreement has been established with PFM to complete the reporting requirements and meet the required deadlines for reporting.
  - At the September 14<sup>th</sup> 2015 school board meeting, the board moved forward with hiring Donlar Construction to act as the Construction Manager to work in collaboration with ARY Architects in overseeing the bidding and construction process.
  - At the September 14<sup>th</sup>, 2015 school board meeting, the board also held a public hearing and approved a motion to move forward with the sale of the Helen Baker Building.
  - At the close of FY16, June 30<sup>th</sup>, \$2,475,473.09 was expended towards this project. \$163,709.45 was received in the money market interest account.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2016**

**FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)**

- The November 2011 election results showed that the renewal of the operating referendum for \$727 per pupil unit was passed by the voters. There were 2,163 yes votes and 1,212 no votes. The passage of this operating referendum is for a period of 7 years. The renewal of the referendum was essential to maintain the current level of funding that the District currently has. The successful election shows a positive statement of support from the taxpayers. With the new legislative changes from the 2013 legislative session, the impact to the votes could change dramatically when putting the question to the ballot when the referendum expires in 2020. Which would indicate an election would be held in 2019. The current operating referendum was for \$727 per pupil unit. When all the conversions are completed due to the legislative changes, the new amount of the referendum is \$900.88. The location equity revenue allowance of \$424 is then subtracted from the \$900.88, so the new referendum amount is \$476.88. If the board moves forward with converting the \$300 of voter approved to board approved referendum, the amount of the referendum available is \$176.88 without seeking an election. At this point, there is no way to determine what the board needs will be in 2019 or what additional legislative changes will be made that would affect referendum funding.
- Because of the positive fund balance in both unassigned general fund and operating capital, a number of building and grounds projects have been completed. The facility committee has been active in addressing the deferred maintenance, health and safety and operating capital plans and outlining the projects to be completed. Having a positive fund balance again has proven to be a very positive reinforcement for the district, the staff and the community. Facility upgrades will continue to take place as long as the projects stay within our budget means. A number of technology upgrades have also been taking place. Computer labs have been upgraded along with additional interactive boards in more classrooms. Technology upgrades will continue to happen as 21<sup>st</sup> Century Learning continues to focus more and more towards up to date technology capabilities. Along with the construction of the new facility, a number of high school improvements will be made in conjunction with the project.
- During the summer of 2012, the field house gym floors in gym 1 and gym 2 were completely replaced with a wood performance floor at a cost of \$120,000. The field house was also completely re-painted. The board also approved the replacement of windows and doors on the Lincoln building and the north entrance doors and windows to the high school. The cost of this project was \$520,000.
- During the summer of 2013, additional projects were completed. In addition to the new Early Childhood Learning Center and remodeling that was started, an extension to the garage east of the high school was completed along with new cement and asphalt. A new track surface was installed at the Athletic Complex for \$124,900. Additional playing fields were added west of the Athletic Complex stadium at a cost of \$70,000. Integration of iPad's has taken place for grades 3-6 and all certified staff received iPad's in August of 2013. A tablet device was added for the 7<sup>th</sup> and 8<sup>th</sup> graders in the fall of 2014.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2016**

**FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)**

- During the summer of 2014, a new tennis court complex was developed in the north athletic complex. The old 8 courts were demolished and 12 new courts were put in place at a cost of \$693,000. Along with the construction of the courts, lights were installed on the front three courts at a cost of \$61,000. This portion of the project will be funded through the Panther Association over a five-year period. The District pursued a \$50,000 lease lighting agreement with the local Glencoe Light and Power similar to the agreement that had been worked out with the football field lights. The football field light lease was paid in full in August of 2014. The football field lights were re-lamped during the summer of 2014 as part of the original warranty. A partial repair and replacement was made to the Field House roof along with new asphalt surfacing in the Lincoln parking lot.
- During the summer of 2015, the District started the replacement of the hallway hall tile at the high school. This project is part of the deferred maintenance schedule and will be phased in over a two or three-year plan. The first phase was \$25,346. During the summer of 2016 another section of hallway tile was completed for \$50,670. Also completed in 2015 was a special education room remodel in the Lakeside Elementary building for \$48,115. This was funded using federal special education funds. Cement work at the Lakeside site was also completed at a cost of \$11,364. Tuck-pointing was completed at the high school for \$27,770 and \$24,800 was spent in tuck-pointing at the Lakeside building in 2016. The high school gym and hallways were painted in 2016 for a cost of \$9,840. The District continues to maintain a fund balance in the operating capital fund while addressing the needs of the district and the building sites.
- Part of the building project included window and door replacement on the Lakeside building. As part of that project, the district decided to move forward with the doors and the windows at the high school in conjunction with the Lakeside project to get better pricing and to get the high school project completed to match the new construction. The total cost of this project is \$511,600. \$260,000 will be paid out of the construction account with the remainder of the amount coming out of LTFMR and Operating Capital. The project is currently about 90% complete as of September 15<sup>th</sup>, 2016.
- The building construction project got underway in May of 2016. The project was divided into three separate bid packages. Bid package #1 was the civil package containing the ground and utility work, bid package #2 was the majority of the construction and bid package #3 was the boiler room equipment. At this time there are approximately 25 contractors involved with the project. All contractors have been approved by the school board. The District continues to work with ARY Architects and Donlar Construction as the construction management company. Estimated completion date is the fall of 2017. All construction activity will be tracked using Fund 06 and the debt for the project will be posted to Fund 07.
- As of September 15<sup>th</sup>, 2016, there remain a few unsettled contracts. Still in negotiations are the District Office staff, the Activities Director, IT Director and Desktop Specialist. All of these contracts expired June 30, 2016. The challenge of completing the contract negotiations is due to the fact of meeting the ACA health insurance requirements and the removal of the cash – in – lieu of language from the contracts.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2016**

**FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)**

- The District continues to contract with the South West/West Central Service Cooperative – Region 4 for a number of services including finance, payroll, and student assistance (MARRS) and Special Education. The Coop also offers a Special Education Level IV Program in Cosmos that our district is able to use for a limited number of students that require additional services when we are unable to meet their needs. This poses an additional transportation cost for the district but allows us to be in compliance with state and federal regulations regarding the individual learning plans for students. With all the changes in Special Education, including the state wide tuition billing, this continues to be a difficult area to monitor in the budget. The Coop continues to be a great resource for the district to be able to be a part of to assist in all of these areas of budget and financing.

**Academic Performance and State Testing**

During the 2011-2012 school year, the State of Minnesota had applied to the Federal Department of Education for a waiver for the NCLB. (No Child Left Behind Act). This waiver would allow Minnesota to establish changes to the way the AYP status is calculated and how the individual districts would address their testing status. The waiver was approved by the Federal Government. Minnesota has now implemented a new accountability system to provide a better, fairer way to measure how schools are doing. It will also allow the Minnesota Department of Education to partner with school districts, teachers and parents on finding solutions for schools that are identified in needing the most help. The system is called the Multiple Measurement Rating system or MMR. The MMR moves away from the previous measurement which was based only on proficiency. The new MMR looks at proficiency, student growth, achievement gap and graduation rates. Schools earn points in each category resulting in the final MMR score. There are three ratings that will identify schools. Priority Schools, Focus Schools and Reward Schools. Priority Schools are those schools that are consistently low-performing schools. These schools will be required to work with MDE to develop a school turnaround plan. Focus Schools will need to develop a school improvement plan that directly addresses poor performances. Reward Schools will be identified on being in the top 15% of their grade classification group and will be recognizes publicly for their good work.

The MMR scores for GSL Lakeside Grades 3-6 can be seen in the following graph:

	<u><b>2013</b></u>	<u><b>2014</b></u>	<u><b>2015</b></u>	<u><b>2016</b></u>
<b>Proficiency (25)</b>	24	24	12	0
<b>Growth (25)</b>	14	17	16	9
<b>Achievement Gap (25)</b>	14	18	16	7
<b>Graduation Rate</b>				
<b>Total</b>	<b>69%</b>	<b>74%</b>	<b>59%</b>	<b>21%</b>

The MMR Scores for GSL Lincoln Junior High are as follows:

	<u><b>2013</b></u>	<u><b>2014</b></u>	<u><b>2015</b></u>	<u><b>2016</b></u>
<b>Proficiency (25)</b>	18	10	3	0
<b>Growth (25)</b>	11	11	5	7
<b>Achievement Gap (25)</b>	11	11	4	.14
<b>Graduation Rate</b>				
<b>Total (75)</b>	<b>53%</b>	<b>42%</b>	<b>17%</b>	<b>9%</b>



**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2016**

**FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)**

The MMR Scores for GSL Senior High School are as follows:

	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>
<b>Proficiency (25)</b>	20	25	11	3
<b>Growth (25)</b>	16	14	14	11
<b>Achievement Gap (25)</b>	14	12	16	17
<b>Graduation Rate (25)</b>	25	25	25	25
<b>Total (100)</b>	<b>755</b>	<b>76%</b>	<b>66%</b>	<b>56%</b>

- The 2015-2016 will be the last year that the MMR scores will be used.
- MCA Preliminary test score results for 2015-2016 showed mixed results. Lakeside Elementary showed a slight drop in both reading and math. Lincoln showed a slight decrease in reading and stayed steady in math while the high school math dropped and the reading scores increased. MDE continues to change their testing procedures, tests and measuring tools. So most districts all saw a decrease in scores from the prior year, especially at the secondary level. Based on the test results, the district continues to work on the school academic improvement plan. Though the MCA scores were not the results the district wants, the Junior ACT test continues to surpass the State average.
- Lakeside Reading – 59% compared to 63% last year. State average was 60%.
- Lakeside Math – 65% compared to 67% last year. State average was 59%.
- Lincoln – Reading – 48% compared to 43% last year. State average was 60%.
- Lincoln Math – 51% compared to 51% last year. State average was 59%.
- High School Math – 36% compared to 48% last year. State average was 59%.
- High School Reading – 65% compared to 56% last year. State average was 60%.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2016**

**FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)**

- This data is included as part of the MD&A because it has become an important factor driving the academic direction of the district. Test scores can change the focus of direction of administrators and teachers in evaluating detailed student data and test scores. The number of EL (English Learners) has continued to increase over the past few years'. The poverty level which includes the number of students eligible for free and reduced lunches has increased to over 50% at our Helen Baker Elementary. Studies show that the higher the poverty level and the number of EL learners along with our high counts in special education, makes it harder for a district to close the Achievement Gap. The District has worked with the services of a literacy specialist in the elementary to work with teachers. New math curriculum was purchased for grades K-4 with an iPad implementation at grades 3 and 4 in FY13. The iPad technology was implemented in grades 5 and 6 in FY14. Technology devices were extended to the 7<sup>th</sup> and 8<sup>th</sup> grades for FY15 and Surface tablets were added to the high school math department in FY16. Additional Surface tablets were added to the high school for the 2016-17 school year and a cart of laptops and new iPads were added to the inventory at the Lakeside building. Interactive white boards have been placed in all classrooms K-12. By utilizing technology, increased staffing and a rigorous curriculum, it is hoped to see overall improvements. Staff turnover with retiring veteran staff also has an impact to the extent of young staff needing staff development training on the district's curriculum, technology, and RTI programs to meet the needs of the students and the goals of the district. One of the goals with the new building construction is to develop a K-12 STEM (*Science, Technology, Engineering and Math*) program and to continue to expand on the high school engineering offerings. Early implementation of the STEM programs should benefit all students as they move to the next grade level. All of these areas are taken into account when budget plans, staffing, and curriculum decisions need to be made.
- The school board did vote to approve to move forward with the full implementation of a K-12 STEM initiative in April of 2016 effective for the 2016-2017 school year. Two STEM teachers have been hired and trained to work in the elementary buildings to help train the teachers in the implementation. Additional elementary staff were trained at the 6<sup>th</sup> grade and at the Junior High Levels to move forward with the Gateway program of STEM that leads into the 9-12 Engineering programs. This is exciting curriculum advancement for our students and staff to engage students in learning.
- Glencoe-Silver Lake Public Schools is a very stable district with strong community support. The District provides a full range of public education services for Pre-school through grade 12. Food service and transportation are provided as supporting programs. The District's community education program includes early childhood, school readiness along with adult learning opportunities. The public school also provides some shared time services for the non-public schools in the district. There is currently a K-8 Lutheran School in Glencoe and a 1-6 Catholic School in Glencoe. The Catholic school has stopped providing services to Kindergarten students. The district is also providing the food service program to the Catholic School beginning in FY16 and continuing for FY17. Meals are prepared at GSL and picked up by the Catholic School and served at their site. GSL is processing the Educational Benefit Application and reporting their meals on the CLICS site at MDE. The Catholic School in Silver Lake was closed as of June 30, 2011.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2016**

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report contact the District Office, Independent School District No. 2859, 1621 East 16<sup>th</sup> Street, Glencoe, MN 55336.

## **BASIC FINANCIAL STATEMENTS**

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**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
STATEMENT OF NET POSITION  
JUNE 30, 2016  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
Cash and Investments	\$ 31,580,167	\$ 6,465,094
Receivables		
Property Taxes	1,860,496	987,476
Other Governments	1,405,778	1,656,961
Other	26,051	30,616
Prepaid Items	6,178	2,666
Inventories	20,249	26,783
Capital Assets		
Land and Construction in Progress	1,964,326	130,000
Other Capital Assets, Net of Depreciation	7,387,999	7,744,687
Total Assets	<u>44,251,244</u>	<u>17,044,283</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Related	<u>1,875,722</u>	<u>1,471,606</u>
Total Deferred Outflows of Resources	<u>1,875,722</u>	<u>1,471,606</u>
<b>LIABILITIES</b>		
Salaries and Compensated Absences Payable	1,203,543	1,093,464
Accounts and Contracts Payable	1,603,497	167,461
Accrued Interest	395,753	20,314
Due to Other Governmental Units	206	246
Unearned Revenue	16,568	14,249
Long-Term Liabilities		
Portion Due Within One Year	593,177	156,498
Portion Due in More Than One Year	25,171,631	1,311,246
Net Pension Liability	10,033,219	8,548,412
Other Postemployment Benefits	441,922	399,586
Total Liabilities	<u>39,459,516</u>	<u>11,711,476</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes Levied for Subsequent Year	3,516,577	1,698,970
Pension Related	<u>1,563,961</u>	<u>2,744,025</u>
Total Deferred Inflows of Resources	<u>5,080,538</u>	<u>4,442,995</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	5,720,462	6,551,262
Restricted for		
Operating Capital Purposes	853,224	627,235
State-Mandated Restrictions	150,599	100,816
Food Service	173,477	134,323
Community Service	152,067	107,457
Debt Service	(1,408)	-
Capital Projects - Building Construction	163,709	-
Unrestricted	<u>(5,625,218)</u>	<u>(5,159,675)</u>
Total Net Position	<u>\$ 1,586,912</u>	<u>\$ 2,361,418</u>

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)**

**2016**

Functions	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Governmental Activities</b>			
Administration	\$ 843,843	\$ 391	\$ -
District Support Services	501,946	-	-
Regular Instruction	8,344,393	357,367	1,667,681
Vocational Education Instruction	326,900	-	195,181
Special Education Instruction	3,041,968	90,007	1,973,968
Instructional Support Services	765,887	-	203,625
Pupil Support Services	1,760,439	-	142,954
Sites and Buildings	1,845,622	5,446	-
Fiscal and Other Fixed Cost Programs	66,438	-	-
Food Service	946,306	464,107	527,297
Community Service	823,967	344,325	339,908
Interest and Fiscal Charges on Long-Term Liabilities	834,612	-	-
Total School District	<u>\$ 20,102,321</u>	<u>\$ 1,261,643</u>	<u>\$ 5,050,614</u>

**General Revenues**

Property Taxes Levied for  
General Purposes  
Community Service  
State Aid Not Restricted to Specific Purposes  
Earnings on Investments  
Miscellaneous  
Total General Revenues  
Change in Net Position  
Net Position - Beginning of Year  
Net Position - Ending

See accompanying Notes to Basic Financial Statements.

		2015
	Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Capital Grants and Contributions	Total Governmental Activities	Total Governmental Activities
\$ -	\$ (843,452)	\$ (856,686)
-	(501,946)	(404,105)
153,439	(6,165,906)	(5,640,858)
-	(131,719)	(253,167)
-	(977,993)	(1,079,717)
-	(562,262)	(545,422)
-	(1,617,485)	(1,763,542)
30,970	(1,809,206)	(1,331,718)
-	(66,438)	(69,199)
-	45,098	25,446
-	(139,734)	(158,363)
-	(834,612)	(41,257)
<u>\$ 184,409</u>	<u>(13,605,655)</u>	<u>(12,118,588)</u>

1,782,619	1,835,428
148,779	155,227
10,683,851	10,553,038
188,397	24,170
27,503	55,095
<u>12,831,149</u>	<u>12,622,958</u>
(774,506)	504,370
2,361,418	1,857,048
<u>\$ 1,586,912</u>	<u>\$ 2,361,418</u>



**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	Major Funds		
	General	Food Service	Community Service
<b>ASSETS</b>			
Cash and Investments	\$ 6,221,159	\$ 169,103	\$ 179,825
Receivables			
Current Property Taxes	1,054,010	-	81,766
Delinquent Property Taxes	34,061	-	2,793
Due from Other Minnesota School Districts	-	646	43,374
Due from Minnesota Department of Education	1,215,927	-	16,379
of Education	115,485	13,967	-
Other Receivables	26,051	-	-
Prepaid Items	4,680	-	1,498
Inventory	4,517	15,732	-
Total Assets	<u>\$ 8,675,890</u>	<u>\$ 199,448</u>	<u>\$ 325,635</u>
<b>LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
Liabilities			
Salaries and Compensated Absences Payable	\$ 618,495	\$ -	\$ 5,892
Payroll Deductions and Employer Contributions Payable	579,156	-	-
Accounts and Contracts Payable	123,616	9,403	929
Due to Other Governmental Units	206	-	-
Unearned Revenue	-	16,568	-
Total Liabilities	<u>1,321,473</u>	<u>25,971</u>	<u>6,821</u>
Deferred Inflows of Resources			
Property Taxes Levied for Subsequent Year	1,948,098	-	166,747
Unavailable Revenue - Delinquent Property Taxes	34,061	-	2,793
Total Deferred flows of Resources	<u>1,982,159</u>	<u>-</u>	<u>169,540</u>
Fund Balance			
Nonspendable			
Prepaid Items	4,680	-	1,498
Inventory	4,517	15,732	-
Restricted for			
Staff Development	77,810	-	-
Deferred Maintenance	-	-	-
Teacher Development and Evaluation	23,475	-	-
Health and Safety	(85,513)	-	-
Operating Capital	853,224	-	-
Safe Schools - Crime Levy	49,314	-	-
Community Education Programs	-	-	77,460
Early Childhood and Family Education Programs	-	-	16,626
School Readiness	-	-	35,507
Building Construction	-	-	-
Other Purposes	-	157,745	-
Unassigned	4,444,751	-	18,183
Total Fund Balance	<u>5,372,258</u>	<u>173,477</u>	<u>149,274</u>
Total Liabilities and Fund Balance	<u>\$ 8,675,890</u>	<u>\$ 199,448</u>	<u>\$ 325,635</u>

See accompanying Notes to Basic Financial Statements.

Capital Projects	Debt Service	Total Governmental Funds	
		2016	2015
\$ 23,482,872	\$ 717,776	\$ 30,770,735	\$ 5,657,777
-	687,866	1,823,642	949,548
-	-	36,854	37,928
-	-	44,020	446
-	-	1,232,306	1,479,736
-	-	129,452	176,779
-	-	26,051	30,616
-	-	6,178	2,666
-	-	20,249	26,783
<u>\$ 23,482,872</u>	<u>\$ 1,405,642</u>	<u>\$ 34,089,487</u>	<u>\$ 8,362,279</u>
-	\$ -	\$ 624,387	\$ 554,916
-	-	579,156	538,548
1,469,549	-	1,603,497	167,461
-	-	206	246
-	-	16,568	14,249
<u>1,469,549</u>	<u>-</u>	<u>2,823,814</u>	<u>1,275,420</u>
-	1,401,732	3,516,577	1,698,970
-	-	36,854	37,928
<u>-</u>	<u>1,401,732</u>	<u>3,553,431</u>	<u>1,736,898</u>
-	-	6,178	2,666
-	-	20,249	26,783
-	-	-	-
-	-	77,810	29,617
-	-	-	22,773
-	-	23,475	32,566
-	-	(85,513)	(45,932)
-	-	853,224	627,235
-	-	49,314	15,860
-	-	77,460	63,990
-	-	16,626	7,093
-	-	35,507	16,523
22,013,323	-	22,013,323	-
-	3,910	161,655	117,354
-	-	4,462,934	4,433,433
<u>22,013,323</u>	<u>3,910</u>	<u>27,712,242</u>	<u>5,349,961</u>
<u>\$ 23,482,872</u>	<u>\$ 1,405,642</u>	<u>\$ 34,089,487</u>	<u>\$ 8,362,279</u>

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**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT  
OF NET POSITION GOVERNMENTAL FUNDS  
JUNE 30, 2016  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	<u>2016</u>	<u>2015</u>
<b>Total Fund Balance for Governmental Funds</b>	\$ 27,712,242	\$ 5,349,961
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	130,000	130,000
Construction in Progress	1,834,326	-
Land Improvements, Net of Accumulated Depreciation	937,213	994,038
Buildings and Improvements, Net of Accumulated Depreciation	5,473,520	5,689,394
Equipment, Net of Accumulated Depreciation	977,266	1,061,255
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue in the funds.		
	36,854	37,928
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
	(395,753)	(20,314)
Internal service funds are used by management to accumulate resources for payments of future other post employment benefits. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. Internal service fund net position at year-end is:		
	809,432	807,317
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:		
Net Pension Liability	(10,033,219)	(8,548,412)
Deferred Outflows of Resources - Pensions	1,875,722	1,471,606
Deferred Inflows of Resources - Pensions	(1,563,961)	(2,744,025)
Bonds Payable	(23,695,000)	-
Unamortized Premiums	(619,551)	-
Note Payable	(32,768)	(42,329)
Lease Purchase Payable	(1,066,650)	(1,190,900)
Capital Leases Payable	(67,508)	(90,196)
Severance Benefits Payable	(283,331)	(144,319)
Other Post Employment Benefits Payable	(441,922)	(399,586)
<b>Total Net Position of Governmental Activities</b>	<u>\$ 1,586,912</u>	<u>\$ 2,361,418</u>

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2016  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)**

		<b>Major Funds</b>	
	<b>General</b>	<b>Food Service</b>	<b>Community Service</b>
<b>REVENUES</b>			
Local Sources			
Property Taxes	\$ 1,784,045	\$ -	\$ 148,427
Earnings on Investments	21,626	483	464
Other	532,698	464,105	529,305
State Sources	14,252,313	62,628	166,965
Federal Sources	735,337	464,668	-
Total Revenues	<u>17,326,019</u>	<u>991,884</u>	<u>845,161</u>
<b>EXPENDITURES</b>			
Current			
Administration	843,857	-	-
District Support Services	381,779	-	-
Regular Instruction	7,915,457	-	-
Vocational Education Instruction	321,757	-	-
Special Education Instruction	3,040,741	-	-
Instructional Support Services	584,344	-	-
Pupil Support Services	1,717,991	-	-
Sites and Buildings	1,578,480	-	-
Fiscal and Other Fixed Cost Programs	66,438	-	-
Food Service	-	938,686	-
Community Service	-	-	785,608
Capital Outlay	412,352	14,044	14,358
Debt Service			
Principal	155,106	-	681
Interest and Fiscal Charges	46,081	-	256
Total Expenditures	<u>17,064,383</u>	<u>952,730</u>	<u>800,903</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	261,636	39,154	44,258
<b>OTHER FINANCING SOURCES (USES)</b>			
Bonds Proceeds	-	-	-
Notes Payable Proceeds	-	-	-
Bond Premium	-	-	-
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	261,636	39,154	44,258
Fund Balance - Beginning	5,110,622	134,323	105,016
Fund Balance - Ending	<u>\$ 5,372,258</u>	<u>\$ 173,477</u>	<u>\$ 149,274</u>

See accompanying Notes to Basic Financial Statements.

Building Construction	Debt Service	Total Governmental Funds	
		2016	2015
\$ -	\$ -	\$ 1,932,472	\$ 2,003,939
163,709	-	186,282	22,699
-	-	1,526,108	1,753,462
-	-	14,481,906	14,051,065
-	-	1,200,005	1,078,841
163,709	-	19,326,773	18,910,006
-	-	843,857	856,507
-	-	381,779	399,385
-	-	7,915,457	7,601,481
-	-	321,757	272,405
-	-	3,040,741	2,930,133
-	-	584,344	570,838
-	-	1,717,991	1,773,080
-	-	1,578,480	1,467,098
-	-	66,438	69,199
-	-	938,686	944,115
-	-	785,608	781,262
2,047,479	-	2,488,233	1,180,014
-	-	155,787	155,977
-	424,084	470,421	43,734
2,047,479	424,084	21,289,579	19,045,228
(1,883,770)	(424,084)	(1,962,806)	(135,222)
23,695,000	-	23,695,000	-
-	-	-	50,000
630,087	-	630,087	-
-	427,994	427,994	-
(427,994)	-	(427,994)	-
23,897,093	427,994	24,325,087	50,000
22,013,323	3,910	22,362,281	(85,222)
-	-	5,349,961	5,435,183
\$ 22,013,323	\$ 3,910	\$ 27,712,242	\$ 5,349,961

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN  
FUND BALANCES – GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)**

	<u>2016</u>	<u>2015</u>
<b>Net Change in Fund Balance-Total Governmental Funds</b>	\$ 22,362,281	\$ (85,222)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$2,500 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.		
Capital Outlays	1,949,843	779,073
Depreciation Expense	(472,205)	(434,109)
Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net position.		
Change in Accrued Interest Expense - Capital Leases	1,175	897
Principal Payments - Capital Leases	22,688	27,880
Pension expenditures on the governmental funds are measured by current year employee contributions. Pension expenses on the statement of activities are measured by the change in net pension liability and the related deferred inflows and outflows of resources.		
	99,372	220,218
The governmental funds report bond and lease purchase agreement proceeds as financing sources, while repayment of principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect premiums when debt is first issued, whereas this amount is reported on the statement of net position and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:		
Debt Proceeds	(23,695,000)	(50,000)
Bond Premium	(630,087)	-
Repayment of Note Payable	9,561	7,671
Repayment of Lease Purchase Payable	124,250	120,426
Change in Accrued Interest Expense - General Obligation Bonds	(378,245)	-
Change in Accrued Interest Expense - Lease Purchase Payable	1,631	1,580
Amortization of Bond Premium	10,536	-
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are shown as a deferred inflow of resources in the funds.		
	(1,074)	(13,284)
In the statement of activities, certain operating expenses - severance benefits and compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).		
	(181,347)	(72,231)
Internal service funds are used by the District to accumulate resources for payment of future other post employment benefits. The net revenue of the internal service funds is reported with governmental activities.		
	2,115	1,471
<b>Change in Net Position of Governmental Activities</b>	<u>\$ (774,506)</u>	<u>\$ 504,370</u>

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>REVENUES</b>				
Local Sources				
Property Taxes	\$ 1,791,910	\$ 1,740,521	\$ 1,784,045	\$ 43,524
Earnings on Investments	10,000	10,000	21,626	11,626
Other	407,000	332,000	532,698	200,698
State Sources	13,975,047	14,192,442	14,252,313	59,871
Federal Sources	646,676	608,037	735,337	127,300
Total Revenues	16,830,633	16,883,000	17,326,019	443,019
<b>EXPENDITURES</b>				
Current				
Administration	918,167	945,215	843,857	(101,358)
District Support Services	441,154	447,578	381,779	(65,799)
Elementary and Secondary				
Regular Instruction	7,553,243	7,653,381	7,915,457	262,076
Vocational Education Instruction	241,075	289,537	321,757	32,220
Special Education Instruction	3,057,326	3,120,638	3,040,741	(79,897)
Instructional Support Services	605,931	596,899	584,344	(12,555)
Pupil Support Services	2,003,025	1,937,750	1,717,991	(219,759)
Sites and Buildings	1,569,267	1,555,665	1,578,480	22,815
Fiscal and Other Fixed Cost Programs	95,000	95,226	66,438	(28,788)
Capital Outlay	433,125	437,040	412,352	(24,688)
Debt Service				
Principal	130,797	135,300	155,106	19,806
Interest and Fiscal Charges	36,631	38,032	46,081	8,049
Total Expenditures	17,084,741	17,252,261	17,064,383	(187,878)
Net Change in Fund Balance	\$ (254,108)	\$ (369,261)	261,636	\$ 630,897
<b>FUND BALANCE</b>				
Beginning of Year			5,110,622	
End of Year			\$ 5,372,258	

See accompanying Notes to Basic Financial Statements.



**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
FOOD SERVICE FUND  
YEAR ENDED JUNE 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Over (Under) Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	
<b>REVENUES</b>				
Local Sources				
Earnings on Investments	\$ -	\$ -	\$ 483	\$ 483
Other - Primarily Meal Sales	439,286	456,286	464,105	7,819
State Sources	60,991	60,991	62,628	1,637
Federal Sources	458,697	478,858	464,668	(14,190)
Total Revenues	<u>958,974</u>	<u>996,135</u>	<u>991,884</u>	<u>(4,251)</u>
<b>EXPENDITURES</b>				
Current				
Food Service	955,853	967,853	938,686	(29,167)
Capital Outlay	<u>1,500</u>	<u>1,500</u>	<u>14,044</u>	<u>12,544</u>
Total Expenditures	<u>957,353</u>	<u>969,353</u>	<u>952,730</u>	<u>(16,623)</u>
 Net Change in Fund Balance	 <u>\$ 1,621</u>	 <u>\$ 26,782</u>	 39,154	 <u>\$ 12,372</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>134,323</u>	
End of Year			<u>\$ 173,477</u>	

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE  
BUDGET AND ACTUAL  
COMMUNITY SERVICE FUND  
YEAR ENDED JUNE 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Over (Under)</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>REVENUES</b>				
Local Sources				
Property Taxes	\$ 154,874	\$ 152,542	\$ 148,427	\$ (4,115)
Earnings on Investments	-	-	464	464
Other - Primarily Tuition and Fees	481,305	454,305	529,305	75,000
State Sources	128,764	164,624	166,965	2,341
Total Revenues	<u>764,943</u>	<u>771,471</u>	<u>845,161</u>	<u>73,690</u>
<b>EXPENDITURES</b>				
Current				
Community Service	755,629	788,948	785,608	(3,340)
Capital Outlay	33,800	36,000	14,358	(21,642)
Debt Service				
Principal	-	-	681	681
Interest	-	-	256	256
Total Expenditures	<u>789,429</u>	<u>824,948</u>	<u>800,903</u>	<u>(24,045)</u>
Net Change in Fund Balance	<u>\$ (24,486)</u>	<u>\$ (53,477)</u>	44,258	<u>\$ 97,735</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>105,016</u>	
End of Year			<u>\$ 149,274</u>	

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2016**

	<b>Governmental Activities - Internal Service Funds 2016</b>
<b>ASSETS</b>	
Current Assets	
Cash and Investments	\$ 809,432
Total Assets	<u>\$ 809,432</u>
<b>NET POSITION</b>	
Unrestricted	\$ 809,432
Total Net Position	<u>\$ 809,432</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2016**

	<b>Governmental Activities - Internal Service Funds 2016</b>
<b>NONOPERATING INCOME</b>	
Earnings on Investments	<u>\$ 2,115</u>
Change in Net Position	2,115
Total Net Position - Beginning	807,317
Total Net Position - Ending	<u>\$ 809,432</u>

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2016**

	<b>Governmental Activities - Internal Service Funds</b>
	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Received	\$ 2,115
	<hr/>
Net Increase in Cash and Cash Equivalents	2,115
Cash and Cash Equivalents - Beginning	805,846
	<hr/>
Cash and Cash Equivalents - Ending	\$ 807,961
	<hr/> <hr/>
Displayed on Statement of Net Position as:	
Cash and Investments	\$ 809,432
	<hr/> <hr/>

*See accompanying Notes to Basic Financial Statements.*

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2016**

	<b>Private- Purpose Trust</b>
	<hr/>
<b>ASSETS</b>	
Cash and Investments	\$ 935,133
Total Assets	<u>\$ 935,133</u>
	<hr/>
<b>NET POSITION</b>	
Restricted for Scholarships	\$ 935,133
Total Net Position	<u>\$ 935,133</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2016**

	<b>Private- Purpose Trust</b>
	<hr/>
<b>ADDITIONS</b>	
Gifts and Donations	\$ 4,000
Earnings on Investments	1,422
Total Additions	<u>5,422</u>
	<hr/>
<b>DEDUCTIONS</b>	
Scholarships Awarded	15,700
Total Deductions	<u>15,700</u>
	<hr/>
Change in Net Position	(10,278)
Net Position - Beginning of Year	<u>945,411</u>
Net Position - End of Year	<u>\$ 935,133</u>

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The financial statements of Independent School District No. 2859 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments.

**B. Financial Reporting Entity**

Independent School District No. 2859 (the District) is an instrumentality of the State of Minnesota established to function as an educational institution. The elected Board of Education (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.

Accounting Principles Generally Accepted in the United States of America (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 and account groups 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 Board of Education 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 Board of Education 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 District-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the Fiduciary Fund. The Fiduciary Fund is only reported in the Statement of Fiduciary Net Position at the fund financial statement level.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basic Financial Statement Presentation (Continued)**

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other 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 is available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Generally, the effect of material interfund activity has been removed from the District-wide financial statements.

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

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

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

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Measurement Focus and Basis of Accounting (Continued)**

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 accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except 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 revenues.
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.

**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 each fund included in this report is as follows:

*Major 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, and health and safety projects.

Food Service Special Revenue Fund

The Food Service Fund is used to account for food service revenues and expenditures. Revenues for the Food Service Fund come from user fees, and reimbursements from the Federal and State governments.



**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Measurement Focus and Basis of Accounting (Continued)**

**Description of Funds (Continued)**

*Major Governmental Funds (Continued)*

Community Service Special Revenue 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, K-6 extended day programs or other similar services. Revenues for the Community Service Special Revenue Fund are composed of user fees, local levy dollars, and State credits.

Capital Projects – Building Construction Fund

The Building Construction Fund is used to account for financial resources restricted, committed, or assigned to be used for the acquisition or construction of major capital facilities. The Fund was established for building construction activity authorized by specific voter-approved bond issues.

Debt Service Fund

The Debt Service Fund is used to account for and report financial resources restricted committed, or assigned to pay general long-term obligation bond principal, interest, and related costs. The regular debt service account is used for all general obligation bond debt service.

*Proprietary Fund*

Internal Service Fund

The Internal Service Fund accounts for financing goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The District's Internal Service Fund accumulates resources for the future payment of other postemployment benefits.

*Fiduciary Fund*

Private-Purpose Trust Fund

The Private-Purpose Trust Fund is used to account for money held by the District in the capacity of trustee or custodian, where both the principal and interest may be spent.

**E. Budgeting**

Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. Each June, the Board of Education adopts an annual budget for the following fiscal year for the General, Food Service, and Community Service Funds. The approved budget is published in summary form in the District's legal newspaper. Reported budget amounts represent the original budget as adopted by the Board of Education. Legal budgetary control is at the fund level.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Budgeting (Continued)**

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the Board of Education 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 Board of Education action. Revisions to budgeted amounts must be approved by the Board of Education.

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

**F. Cash and Investments**

Cash balances consist of interest bearing accounts, deposits in the Minnesota Trust Investment Shares Portfolio and negotiable certificates of deposit. Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

**G. Accounts Receivable**

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary. The only receivables not expected to be collected within one year are current property taxes receivable.

**H. Inventories**

Inventories are recorded using the consumption method of accounting and consist of wood shop supplies and paper in the General Fund and purchased food, supplies, and surplus commodities received from the federal government within the Food Service Fund. 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. Prepaid Items**

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. Property Taxes**

Property tax levies are established by the Board of Education in December each year and are certified to the County for collection the following calendar year. In Minnesota, counties act as collection agents for all property taxes and are responsible for spreading all levies over taxable property. Such taxes become a lien on January 1. Taxes are generally due on May 15 and October 15 and counties generally remit taxes to Districts at periodic intervals as they are collected. A portion of property taxes levied is paid through state credits which are included in revenue from state sources in the financial statements.

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as a deferred inflow of resources (property taxes levied for subsequent year). The majority of District revenue in the General Fund (and to a lesser extent in the District's Community Service Special Revenue Fund) is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift."

In accordance with State law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum levy, which is frozen at \$168,353 for the District. The tax shift also includes certain other levies that are recognized early based on statutory requirements.

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 because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the State which will be recognized as revenue in the next fiscal year beginning July 1, 2016, are included in Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

**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 \$2,500 or more 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.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Capital Assets (Continued)**

Capital assets are recorded in the District-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.

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. Deferred Outflows of Resources**

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

**M. Long-Term Obligations**

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

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

**N. Pensions**

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O. Accrued Employee Benefits**

**Vacation Pay**

Since vacation pay does not vest to employees, no long-term portion of vacation liabilities are recorded in the financial statements.

**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 and Health Benefits**

Severance consist of lump sum early retirement incentive payments. Accounting policies for severance benefits are described below.

**a. Early Retirement Incentive and Convertible Sick Leave**

Certain bargaining unit members are eligible to be compensated for unused accumulated sick leave upon termination subject to certain conditions.

Full-time employees, other than teachers, who have completed at least 15 years of continuous service with the District and who are at least 55 years of age are eligible for severance pay. Eligible employees, upon early retirement, receive as severance pay, an amount representing 66% of their unused accumulation of sick leave days.

During fiscal year 2016, the District's expenditures for early retirement incentive and convertible sick leave expenditures for convertible sick leave totaled \$0. At June 30, 2016, the long-term portion of the convertible sick leave liability is included as part of severance payable in the long-term debt.

**b. Other Postemployment Benefits Payable**

Under the terms of certain collectively bargained employment contracts, including the teachers' contract, the District is required to pay \$150 per month or \$250 per month toward the premium cost of the individual health insurance for 96 months. The employee pays the difference toward the full premium for any coverage elected. All premiums are funded on a pay-as-you-go basis. This amount was actuarially determined, in accordance with GASB 45.

**P. Deferred Inflows of Resources**

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Q. Unearned Revenue**

Unearned revenues are those in which resources are received by the District before it has a legal claim to them. The District has reported unearned revenues for the school lunch deposits.

**R. Fund Balance**

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned. Nonspendable portions of fund balance relate to prepaids and inventories. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. The District currently doesn't report any committed fund balances. The Board of Education passed a resolution authorizing the Finance Committee and the Business Manager the ability to assign fund balances and its intended uses. Unassigned fund balances are considered the remaining amounts, usually in the General Fund only.

In accordance with the District's fund balance policy, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned and unassigned fund balance is available, it is the District's policy to use committed first, then assigned and finally unassigned fund balance.

The District has a minimum fund balance policy, which identifies a minimum total of committed, assigned and unassigned fund balance in the General Fund as 20% of the District's operating budgeted expenditures.

**S. Statement of Cash Flows**

For purposes of the statement of cash flows, the District considers demand deposit accounts and investments to be cash and cash equivalents. Cash and cash equivalents are included in cash and investments.

**T. Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the District-wide, Proprietary Fund and Fiduciary Fund financial statements. Net investment in capital assets, consists of capital assets, net of accumulation 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 District-wide financial statement when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**U. Summarized Comparative Information**

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

**NOTE 2 DEPOSITS AND INVESTMENTS**

**A. Deposits**

**Custodial Credit Risk** – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Investments." In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the District's Board.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

The District's deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments**

The District may also invest idle funds as authorized by Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less.
- General obligations rated "A" or better; revenue obligations rated "AA" or better
- General obligations of the Minnesota Housing Finance Agency rated "A" or better
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less.
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories.
- Repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.



**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

At June 30, 2016, the District had the following investments:

**External Investment Pools –**

	<u>Amortized Cost</u>
MN Trust Term Series	\$ 1,000,000
MN Trust Investment Shares Portfolio	2,026,843
Total Investments	<u>3,026,843</u>

**Other Investments –**

	<u>Fair Value</u>
Negotiable Certificates of Deposit	\$ 1,494,121

The negotiable certificates of deposit are held by PMA Financial Network as temporary investments of the District's available cash.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from the maturities to meet cash requirements for ongoing operations. Information about the sensitivity of the fair values of the District's investments to market interest rate risk fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Type	Total	12 Months or Less	13 to 24 Months
Negotiable Certificates of Deposit	\$ 1,494,121	\$ 1,244,525	\$ 249,596
MN Trust Term Series	1,000,000	1,000,000	-
MN Trust Investments Shares Portfolio	2,026,843	2,026,843	-
	<u>\$ 4,520,964</u>	<u>\$ 4,271,368</u>	<u>\$ 249,596</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

**Custodial Credit Risk**

For an investment, custodial risk is the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy requires that insurance of all balances held with each investment account. As of June 30, 2016, the investment balances were fully covered by insurance for each brokerage firm.

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following chart summarizes year-end ratings for the District's investments as rated by Moody's.

<u>Type</u>	<u>Credit Quality Risk</u>
Negotiable Certificates of Deposit	Not Rated
MN Trust Investments Shares Portfolio	AAAM
MN Trust Term Series	AAAM

**C. Balance Sheet Presentation**

The deposits and investments are presented in the basic financial statements as follows:

Deposits	\$ 27,993,858
MN Trust Term Series	1,000,000
Negotiable Certificates of Deposit	1,494,121
MN Trust Investments Shares Portfolio	2,026,843
Cash on Hand	478
Total Pooled Cash and Investments	<u>\$ 32,515,300</u>
 Cash and Investments - Statement of Net Position	 \$ 31,580,167
Cash and Investments - Statement of Fiduciary Net Position	935,133
Total Cash and Investments	<u>\$ 32,515,300</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**D. Fair Value Measurement**

The District uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The District follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the District has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

- Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.
- Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.
- Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

Assets measured at fair value on a recurring basis:

Type	Level 1	Level 2	Level 3	Total
Negotiable Certificates of Deposits	\$ 1,494,120	\$ -	\$ -	\$ 1,494,120

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016**

**NOTE 3 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 130,000	-	-	\$ 130,000
Construction in Progress	-	1,834,326	-	1,834,326
Total Capital Assets, Not Being Depreciated	130,000	1,834,326	-	1,964,326
Capital Assets, Being Depreciated				
Land Improvements	1,140,892	-	-	1,140,892
Buildings and Improvements	11,784,156	-	-	11,784,156
Equipment	4,019,089	115,517	(150,805)	3,983,801
Total Capital Assets, Being Depreciated	16,944,137	115,517	(150,805)	16,908,849
Accumulated Depreciation for				
Land Improvements	(146,854)	(56,825)	-	(203,679)
Buildings and Improvements	(6,094,762)	(215,874)	-	(6,310,636)
Equipment	(2,957,834)	(199,506)	150,805	(3,006,535)
Total Accumulated Depreciation	(9,199,450)	(472,205)	150,805	(9,520,850)
Total Capital Assets, Being Depreciated, Net	7,744,687	(356,688)	-	7,387,999
Governmental Activities Capital Assets, Net	<u>\$ 7,874,687</u>	<u>\$ 1,477,638</u>	<u>\$ -</u>	<u>\$ 9,352,325</u>

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

<b>Governmental Activities</b>	
Administration	\$ 13,427
Elementary and Secondary Regular Instruction	347,414
Special Education Instruction	2,935
Instructional Support Services	40,501
Pupil Support Services	24,826
Sites and Buildings	25,479
Food Service	7,678
Community Service	9,945
Total Depreciation Expense, Governmental Activities	<u>\$ 472,205</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016**

**NOTE 4 LONG-TERM LIABILITIES**

**A. Components of Long-Term Liabilities**

Long-term liabilities consisted of the following at June 30, 2016:

Issue Date	Interest Rate	Original Issue Amount	Maturity Date	Principal Outstanding	
				Due Within One Year	Total
8/13/2015	3.0% - 4.0%	\$ 23,695,000	2/1/2045	\$ 430,000	\$ 23,695,000
Bond Premium - Net				-	619,551
Note Payable				9,951	32,768
Lease Purchase Payable				128,195	1,066,650
Capital Leases Payable				25,031	67,508
Net Pension Liability				-	10,033,219
Other Postemployment Benefits Payable				-	-
Severance Benefits Payable				-	283,331
Total Long-term Debt				<u>\$ 593,177</u>	<u>\$ 35,798,027</u>

**B. Future Minimum Debt Payments**

Minimum annual principal and interest payments necessary to retire Lease Purchase Payable and Notes Payable are as follows:

Year Ending June 30,	Lease Purchase Payable		Note Payable		G.O. Building Bonds Series 2015A	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 128,195	\$ 32,598	\$ 9,951	\$ 1,099	\$ 430,000	\$ 907,787
2018	132,265	28,528	10,356	694	440,000	894,887
2019	136,464	24,329	10,778	271	455,000	881,687
2020	140,796	19,996	1,683	3	525,000	868,037
2021	145,266	15,526	-	-	540,000	852,288
2022 - 2026	383,664	18,317	-	-	2,975,000	3,990,288
2027 - 2031	-	-	-	-	3,595,000	3,365,338
2032 - 2036	-	-	-	-	4,380,000	2,586,138
2037 - 2041	-	-	-	-	5,300,000	1,661,150
2042 - 2046	-	-	-	-	5,055,000	515,400
	<u>\$ 1,066,650</u>	<u>\$ 139,294</u>	<u>\$ 32,768</u>	<u>\$ 2,067</u>	<u>\$ 23,695,000</u>	<u>\$ 16,523,000</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016**

**NOTE 4 LONG-TERM LIABILITIES (CONTINUED)**

**B. Future Minimum Debt Payments (Continued)**

**Description of Long-Term Liabilities**

**Lease Purchase Payable**

On September 12, 2013, the District entered into a lease-purchase agreement for \$1,375,000. The debt was issued to help fund the construction of the new Early Childhood Center, along with necessary equipment and other site improvements. The District will use General Fund levy in future years to pay for the debt payments.

**Note Payable**

In August 2014, the District entered into a note payable agreement for \$50,000 at a 4.0% interest rate. The principal and interest is due in monthly installments through July 2019. The debt was issued to help fund new lights at the tennis courts. Assets of the General Fund will be used to retire this note payable.

**Capital Leases Payable**

Capital leases are utilized by the District as a means to finance the Facility projects that are too small for issuing bonds and too large for the operating capital funds to cover the costs. These projects over the years have included modifications to the field house, equipment for the field house, technology throughout the district, stadium lights, and improvements to the Helen Baker Elementary. Total cost of assets held under capital leases is \$125,295. Related accumulated depreciation of assets under capital leases at June 30, 2016 is \$37,588.

The following is a schedule of the future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2016:

<u>Year Ending June 30,</u>	
2017	\$ 31,218
2018	31,218
2019	<u>15,609</u>
Total Minimum Lease Payments	78,045
Less Amounts Representing Interest	<u>10,537</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 67,508</u></u>

**General Obligation School Building Bonds, Series 2015A**

On August 13, 2015 the District issued \$23,695,000 of General Obligation School Building Bonds, Series 2015A. The proceeds of the issues will be used to finance the betterment of school facilities.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016**

**NOTE 4 LONG-TERM LIABILITIES (CONTINUED)**

**B. Future Minimum Debt Payments (Continued)**

**Description of Long-Term Liabilities (Continued)**

**Severance Benefits Payable**

Severance benefits payable consist of convertible sick leave payable to employees upon retirement. Severance benefits have been paid by the General and Special Revenue Funds. Annual payments to retire the severance benefits liability have not been determined and will depend on actual employee turnover.

**C. Changes in Long-Term Liabilities**

	June 30, 2015	Additions	Retirements	June 30, 2016
Bonds Payable	\$ -	\$ 23,695,000	\$ -	\$ 23,695,000
Bond Premium	-	630,087	10,536	619,551
Note Payable	42,329	-	9,561	32,768
Capital Leases Payable	90,196	-	22,688	67,508
Lease Purchase Payable	1,190,900	-	124,250	1,066,650
Severance Benefits Payable	144,319	139,012	-	283,331
	<u>\$ 1,467,744</u>	<u>\$ 24,464,099</u>	<u>\$ 167,035</u>	<u>\$ 25,764,808</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016**

**NOTE 5 RESTRICTED FUND BALANCES**

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

**A. Restricted for Staff Development**

Restricted for staff development represents general education aid resources to be expended for staff development programs.

**B. Restricted for Deferred Maintenance**

This fund balance restriction represents accumulated resources available to provide maintenance on buildings with funding made available for that purpose.

**C. Restricted for Teacher Development and Evaluation**

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

**D. Restricted for Health and Safety**

Restricted for health and safety represents available resources to be used only to provide for the removal of hazardous substances and other state approved life/health safety projects. Under Minnesota statute, a deficit in this restriction generates specific future levy authority.

**E. Restricted for Operating Capital**

Restricted for operating capital represents available resources to be used only for operating capital purposes, including but not limited to the purchase, lease, repair and improvement of school buildings, and the purchase or lease of computers, vehicles, textbooks, and telecommunications equipment.

**F. Restricted for Safe Schools – Crime Levy**

The fund balance restriction represents accumulated resources available to provide for safe schools programs in accordance with funding made available for that purpose.



**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016**

**NOTE 5 RESTRICTED FUND BALANCES (CONTINUED)**

**G. Restricted for Community Education Programs**

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

**H. Restricted for Early Childhood and Family Education Programs**

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

**I. Restricted for School Readiness**

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

**J. Restricted for Building Construction**

The fund balance restriction represents accumulated resources available to be used for the acquisition or construction of major capital facilities.

**K. Restricted for Other Purposes**

Represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

**NOTE 6 DEFINED BENEFIT PENSION PLANS**

**A. Plan Description**

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

**1. General Employees Retirement Plan (GERF)**

PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. All full-time and certain part-time employees of the District other than teachers are covered by 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.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016**

**NOTE 6    DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**A. Plan Description (Continued)**

2. Teachers Retirement Fund (TRA)

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

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

**B. Benefits Provided**

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

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

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

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016**

**NOTE 6    DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**B. Benefits Provided (Continued)**

**1. GERF Benefits**

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for 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.

**2. TRA Benefits**

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

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 1 Benefits*

	Step Rate Formula	Percentage
Tier 1 Basic	First Ten Years of Service	2.2% per Year
	All Years After	2.7% per Year
Coordinated	First Ten Years of Service are Up to July 1, 2006	1.2% per Year
	First Ten Years, If Service Years are July 1, 2006 or After	1.4% per Year
	All Other Years of Service If Service Years are Up to July 1, 2006	1.7% per Year
	All Other Years of Service If Services Years are July 1, 2006 or After	1.9% per Year

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016**

**NOTE 6    DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**B. Benefits Provided (Continued)**

2. TRA Benefits (Continued)

*Tier 1 Benefits (Continued)*

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) 3.0% per year early retirement reduction factor for all years under normal retirement age.
- (c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

*Tier II Benefits*

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

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

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016**

**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**C. Contributions**

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

**1. GERF Contributions**

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in fiscal year 2016. In fiscal year 2016, the District was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members. The District's contributions to the GERF for the plan's fiscal year ended June 30, 2016, were \$157,669. The District's contributions were equal to the required contributions for each year as set by state statute.

**2. TRA Contributions**

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

	<u>Ending June 30, 2015</u>		<u>Ending June 30, 2016</u>	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
Basic	11.0 %	11.5 %	11.0 %	11.5 %
Coordinated	7.5	7.5	7.5	7.5

The District's contributions to TRA for the plan's fiscal year ended June 30, 2016, were \$517,939. The District's contributions were equal to the required contributions for each year as set by state statute.

**D. Pension Costs**

**1. GERF Pension Costs**

At June 30, 2016, the District reported a liability of \$1,855,342 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the District's proportion was 0.0358% which was a decrease of .001% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$186,563 for its proportionate share of GERF's pension expense.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016**

**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

1. GERF Pension Costs (Continued)

At June 30, 2016, the District reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources from the following sources:

GERF Pension Costs

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 17,206	\$ 93,541
Changes in Actuarial Assumptions	115,544	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	165,160
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	-	40,579
District Contributions Subsequent to the Measurement Date	157,669	-
Total	<u>\$ 290,419</u>	<u>\$ 299,280</u>

\$157,669 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, 2017. 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 Expenses Amount
2016	\$ (48,021)
2017	(48,021)
2018	(114,396)
2019	43,908
2020	-

2. TRA Pension Costs

At June 30, 2016, the District reported a liability of \$8,177,877 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.1322% at the end of the measurement period and 0.1480% for the beginning of the period.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016**

**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**2. TRA Pension Costs (Continued)**

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:

Description	Amount
District's Proportionate Share of the TRA Net Pension Liability	\$ 8,177,877
State's Proportionate Share of TRA's Net Pension Liability Associated with the District	1,002,989

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

For the year ended June 30, 2016, the District recognized pension expense of \$390,022. It also recognized \$177,316 as pension expense for the support provided by direct aid.

At June 30, 2016, the District reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 419,033	\$ -
Changes in Actuarial Assumptions	628,662	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	625,462
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	19,669	639,219
District Contributions Subsequent to the Measurement Date	517,939	-
Total	<u>\$ 1,585,303</u>	<u>\$ 1,264,681</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016**

**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

2. TRA Pension Costs (Continued)

\$517,939 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>Pension Expenses Amount</u>
2016	\$ (189,069)
2017	(189,069)
2018	(189,069)
2019	271,669
2020	98,221

**E. Merger of Duluth Teacher's Retirement Fund Association (DTRFA)**

Legislation enacted in 2014 merged the Duluth Teachers Retirement Fund Association (DTRFA) with TRA effective June 30, 2015. The beginning balances of the total pension liability and fiduciary net position were adjusted to reflect the merger of DTRFA.

	<u>6/30/14 CAFR</u>	<u>Restated</u>
Total Pension Liability (A)	\$ 24,901,612,000	\$ 25,299,564,000
Plan Fiduciary Net Position (B)	<u>20,293,684,000</u>	<u>20,519,756,000</u>
Net Pension Liability (A-B)	<u>\$ 4,607,928,000</u>	<u>\$ 4,779,808,000</u>

**F. Actuarial Assumptions**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions:

<u>Assumptions</u>	<u>GERF</u>	<u>TRA</u>
Inflation	2.75% per Year	3.50%
Active Member Payroll Growth	3.50% per Year	3.75% Based on Years of Service
Investment Rate of Return	7.90%	8.00%

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.



**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016**

**NOTE 6    DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**F. Actuarial Assumptions (Continued)**

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The actuarial assumptions used in the June 30, 2015, valuation were based on the results of the actuarial experience study for the period of 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 following changes in actuarial assumptions for GERS occurred in 2015: the discount rate was changed from 8.0 percent through June 30, 2017 and 8.5 percent thereafter to 8.0 percent for all years, the inflation assumption was changed from 3.0 percent to 2.75 percent, the payroll growth assumption was changed from 3.75 percent to 3.5 percent, assumed increases in member salaries were decreased by 0.25 percent at all ages and the assumed postretirement benefit increase rate was changed from 1.0 percent per year through 2026 and 2.5 percent thereafter to 1.0 percent per year through 2034 and 2.5 percent per year thereafter.

There was a change in actuarial assumptions that affected the measurement of the total liability for TRA since the prior measurement date. Postretirement benefit adjustments are now assumed to increase from 2.0 percent annually to 2.5 percent annually once the legally specified criteria are met. The prior year valuation assumed a 2.5 percent increase commencing July 1, 2034.

The long-term expected rate of return on pension plan investments is 7.9 percent for GERS and 8.0 percent for TRA. 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 Equity	45 %	5.50 %
International Equity	15	6.00
Bonds	18	1.45
Alternative Assets	20	6.40
Cash	2	0.50
Totals	<u>100 %</u>	

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016**

**NOTE 6 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**G. Discount Rate**

The discount rate used to measure the total pension liability was 7.9% for GERP and 8.0% for TRA. 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.

**H. Pension Liability Sensitivity**

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

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
GERF Discount Rate	6.90%	7.90%	8.90%
District's Proportionate Share of the GERP Net Pension Liability	\$ 2,917,257	\$ 1,855,342	\$ 978,363
TRA Discount Rate	7.00%	8.00%	9.00%
District's Proportionate Share of the TRA Net Pension Liability	\$ 12,447,788	\$ 8,177,877	\$ 4,614,514

**I. Pension Plan Fiduciary Net Position**

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

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016**

**NOTE 6    DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**J.    Defined Contribution Plan**

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the "Plan"). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. Contributions are invested in tax deferred annuities selected and owned by Plan participants. The District contributions for the years ended June 30, 2016, 2015 and 2014 are \$109,795, \$112,855, and \$115,286, respectively. The related employee contributions were \$193,002, \$217,478, and \$220,447, for the years ended June 30, 2016, 2015 and 2014, respectively.

**NOTE 7    OTHER POSTEMPLOYMENT BENEFIT PLAN**

**A.    Plan Description**

The District operates a single-employer retiree benefit plan ("the Plan") that provides health and dental insurance to eligible employees and their spouses through the District's health insurance plan. There are 208 active participants and 16 retired participants. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report.

**B.    Funding Policy**

Contribution requirements are also negotiated between the District and union representatives. The District contributes \$150 per month or \$250 per month, with 25 years of service and 34 years of teaching, of the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2016, the District contributed \$108,796 to the plan.

**C.    Annual OPEB Cost and Net OPEB Obligation**

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016**

**NOTE 7 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**C. Annual OPEB Cost and Net OPEB Obligation (Continued)**

The following table shows the components of the District's annual OPEB cost for the year, the amount actually paid from the plan, and changes in the District's net OPEB obligation.

Annual Required Contribution	\$ 157,808
Interest on Net OPEB Obligation	15,983
Adjustment to Annual Required Contribution	<u>(22,659)</u>
Annual OPEB Cost (Expense)	151,132
Contributions Made	<u>(108,796)</u>
Increase in Net OPEB Obligation	42,336
Net OPEB Obligation - Beginning of Year	<u>399,586</u>
Net OPEB Obligation - End of Year	<u><u>\$ 441,922</u></u>

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016, 2015, and 2014:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 151,132	72.0%	\$ 441,922
6/30/2015	152,030	69.1%	399,586
6/30/2014	167,658	68.2%	352,677

**D. Funded Status and Funding Progress**

As of July 1, 2014, the most recent actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was \$1,368,430. The annual payroll for active employees covered by the plan in the actuarial valuation was \$8,320,579 for a ratio of UAAL to covered payroll of 16.4%.

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016**

**NOTE 7 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**E. Actuarial Methods and Assumptions**

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

In the July 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 7.5%, reduced by decrements to an ultimate rate of 5% over ten years. The UAAL is being amortized as a level dollar amount on a closed basis. The remaining amortization period at June 30, 2016 does not exceed 30 years.

**NOTE 8 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; 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. In addition, there have been no settlements in excess of the District's insurance coverage in any of the prior three years.

**NOTE 9 COMMITMENTS AND CONTINGENCIES**

**Federal and State Receivables**

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

**Outstanding Contracts**

The District had construction commitments in the amount of \$2,722,744 as of the end of the year.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2016**

**NOTE 10 JOINTLY GOVERNED ORGANIZATION**

Independent School District No. 2859 is a member of the Little Crow Special Education Cooperative. The Little Crow Special Education Cooperative was established for the primary objective to provide specialized services for special education students, as defined by state law, and to provide other programs and services as approved by the Joint Powers Governing Board. The Cooperative was established by 13 separate member districts. Each member district shares in the cost of the programming, which is paid to the education district in the form of membership fees, reimbursements and other charges for services. The education district is able to recover the cost of its programs through the previously mentioned revenue sources.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFIT PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2014	\$ -	\$ 1,368,430	\$ 1,368,430	0.0%	\$ 8,320,579	16.4%
7/1/2012	-	1,496,460	1,496,460	0.0%	8,048,236	18.6%
7/1/2010	-	1,234,921	1,234,921	0.0%	7,306,964	16.9%



**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
LAST TWO YEARS**

	Measurement Date <u>June 30, 2015</u>	Measurement Date <u>June 30, 2014</u>
PERA		
District's Proportion of the Net Pension Liability (Asset)	0.0358%	0.0368%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 1,855,342	\$ 1,728,680
District's Covered-Employee Payroll	\$ 2,102,410	\$ 1,933,601
District's Proportionate Share of the Net Pension Liability (Asset) as a		
Percentage of Its Covered-Employee Payroll	88.2%	89.4%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.2%	78.7%
TRA		
District's Proportion of the Net Pension Liability (Asset)	0.1322%	0.1480%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 8,177,877	\$ 6,819,733
State's Proportionate Share of the Net Pension Liability Associated with the		
District	\$ 1,002,989	\$ 479,724
District's Covered-Employee Payroll	\$ 6,730,708	\$ 6,757,310
District's Proportionate Share of the Net Pension Liability (Asset) as a		
Percentage of Its Covered-Employee Payroll	121.5%	100.9%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.8%	81.5%

NOTE: Information prior to 2014 is unavailable.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
LAST THREE YEARS**

Schedule of District Contributions

	<u>2016</u>	<u>2015</u>	<u>2014</u>
PERA			
Contractually Required Contribution	\$ 157,669	\$ 155,347	\$ 140,186
Contributions in Relation to the Contractually Required Contribution	<u>(157,669)</u>	<u>(155,347)</u>	<u>(140,186)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 2,102,248	\$ 2,102,410	\$ 1,933,601
Contributions as a Percentage of Covered Employee Payroll	7.50%	7.39%	7.25%
TRA			
Contractually Required Contribution	\$ 517,939	\$ 504,804	\$ 475,170
Contributions in Relation to the Contractually Required Contribution	<u>(517,939)</u>	<u>(504,804)</u>	<u>(475,170)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 6,905,814	\$ 6,730,708	\$ 6,757,310
Contributions as a Percentage of Covered Employee Payroll	7.50%	7.50%	7.03%

NOTE: Information is presented prospectively and an accumulation of ten years will be provided.

## **SINGLE AUDIT AND OTHER REQUIRED REPORTS**

**INDEPENDENT AUDITORS' 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**

Board of Education  
Independent School District No. 2859  
Glencoe, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2859, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Independent School District No. 2859's basic financial statements, and have issued our report thereon dated September 22, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Independent School District No. 2859'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. 2859's internal control. Accordingly, we do not express an opinion on the effectiveness of Independent School District No. 2859'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 and Questioned Costs, we identified a 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs listed as 2016-001 to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Independent School District No. 2859'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. 2859's Response to Finding**

Independent School District No. 2859's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Independent School District No. 2859'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 result 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.



**CliftonLarsonAllen LLP**

Austin, Minnesota  
September 22, 2016

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Education  
Independent School District No. 2859  
Glencoe, Minnesota

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

We have audited Independent School District No. 2859's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Independent School District No. 2859's major federal programs for the year ended June 30, 2016. Independent School District No. 2859's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Independent School District No. 2859's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Independent School District No. 2859's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Independent School District No. 2859's compliance.

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

In our opinion, Independent School District No. 2859 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

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

Management of Independent School District No. 2859's is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Independent School District No. 2859's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Independent School District No. 2859's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Austin, Minnesota  
September 22, 2016

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2016**

Grantor/Program	CFDA Number	Agency or Pass-Through Number		Federal Expenditures
U.S. Department of Agriculture				
Pass-Through Minnesota Department of				
Non-Cash Assistance (Commodities):				
National School Lunch Program	# 10.555	1-2859-000	\$ 58,827	
Total Non-Cash Assistance				\$ 58,827
Cash Assistance:				
School Breakfast Program	# 10.553	1-2859-000	77,864	
National School Lunch Program	# 10.555	1-2859-000	297,684	
Special Milk Program for Children	# 10.556	1-2859-000	939	
Summer Food Service Program for Children	# 10.559	1-2859-000	29,355	
Total Cash Assistance				405,842
Total US Department of Agriculture				464,669
U.S. Department of Education				
Pass-Through Minnesota Department of Education				
Cash Assistance:				
Title I, Part A	84.010	@	233,694	
Title I, Part C - Migrant Education - Summer	84.011	@	195,875	
Title II, Part A - Improving Teacher Quality	84.367	@	51,131	
Title III - English Language Acq Grants	84.365	@	16,806	
Carl Perkins Vocational Education	84.048	@	6,756	
Pass-Through SW/WC Service Cooperative #991				
Cash Assistance:				
Special Education - Grants to States	& 84.027	@	223,880	
Special Education - Preschool Incentive	& 84.173	@	7,195	
Total Cash Assistance, US Department of Education				735,337
Total Federal Financial Assistance Expended				<u>\$ 1,200,006</u>
# - Child Nutrition Cluster				
& - Special Education Cluster				
@ - Unknown Agency or Pass-Through Number				

See accompanying Notes to Schedule of Expenditures of Federal Awards.



**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2016**

**NOTE 1    GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the expenditures of all federal financial assistance programs of Independent School District No. 2859. The reporting entity is defined in Note 1 to the financial statements.

**NOTE 2    BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the Independent School District No. 2859's financial statements. The District has not elected to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education  
Independent School District No. 2859  
Glencoe, 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 respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2859, as of June 30, 2016, and the related notes to the financial statements and have issued our report thereon dated September 22, 2016.

The *Minnesota Legal Compliance Audit Guide for School Districts* covers 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. Our study included 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. 2859 failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts*. 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. 2859's noncompliance with the above-referenced provisions.

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



**CliftonLarsonAllen LLP**

Austin, Minnesota  
September 22, 2016

**GLENCOE-SILVER LAKE SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016**

**PART I: SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified?     x     yes            no
  - Significant deficiency(ies) identified that are not considered to be material weakness(es)?            yes     x     none reported
3. Noncompliance material to financial statements noted?            yes     x     no

**Federal Awards**

1. Internal control over major federal programs:
- Material weakness(es) identified?            yes     x     no
  - Significant deficiency(ies) identified that are not considered to be material weakness(es)?            yes     x     none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?            yes     x     no

**Identification of Major Federal Programs**

**CFDA Number(s)**

10.553, 10.555, 10.556, and 10.559  
84.010

**Name of Federal Program or Cluster**

Child Nutrition Cluster  
Title I, Part A

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee pursuant to Uniform Guidance?

           yes     x     no

**GLENCOE-SILVER LAKE SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016**

**PART II: FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS:**

**FINDING: 2016-001 ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)**

- Condition:** The District does have a control in place for the review of the drafted financial statements. However, the District does not have the expertise to ensure all disclosures required by generally accepted accounting principles are included in the annual financial statements.
- Criteria:** The District must be able to prevent or detect the omission of a material disclosure in the annual financial statements.
- Effect:** The potential exists that a material disclosure could be omitted from the financial statements and not be prevented or detected by the District's controls.
- Cause:** The District relies on the audit firm to prepare the annual financial statements and related footnote disclosures. However, management has reviewed and approved the annual financial statements and the related footnote disclosures.
- Recommendation:** The District should continue to evaluate its internal staff and expertise to determine if an internal control policy over the annual financial reporting is beneficial.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Findings**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The District will continue to have the auditor prepare the financial statements, however, the District has established an internal control policy to document the annual review of the financial statements, disclosures and schedules.

**Official Responsible for Ensuring CAP:**

Michelle Sander, Business Manager, is the official responsible for ensuring corrective action of the deficiency.

**Planned Completion Date for CAP:**

The CAP completion date is June 30, 2017.

**Plan to Monitor Completion of CAP:**

The Board of Education will be monitoring this corrective action plan.

**GLENCOE-SILVER LAKE SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2016**

**PART III: FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS**

None noted

**PART IV: PRIOR YEAR FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

**FINDING: 2015-001 ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)**

**Condition:** The District does have a control in place for the review of the drafted financial statements.

**Resolution:** The District is not able to resolve this finding due the District relying on the audit firm to prepare the annual financial statements and related footnote disclosures.

**FINDING: 2015-002 MATERIAL AUDIT ADJUSTMENTS**

**Condition:** The audit firm identified certain misstatements and proposed entries to correct them. Management reviewed the journal entries and posted them to its general ledger.

**Resolution:** The District was able to resolve this finding due to the additional internal controls implemented.

**Finding: 2015-003 CONTROL AND COMPLIANCE OVER DISBURSEMENT ACCOUNT CODING**

**Condition:** The Minnesota Department of Education requires school districts to follow the Uniform Financial Accounting and Reporting System (UFARS) when coding all financial activity. There were two invoices discovered through our procedures to evaluate internal controls that had incorrect account coding. Additional, significant transactions with incorrect account coding were discovered during the performance of our financial statement audit.

**Resolution:** The District was able to resolve this finding due to the additional internal controls implemented.

**PART IV: PRIOR YEAR FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS**

None noted

**PART V: FINDINGS AND QUESTIONED COSTS – MINNESOTA LEGAL COMPLIANCE –**

None noted

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS  
COMPLIANCE TABLE  
YEAR ENDED JUNE 30, 2016**

<b>01 GENERAL FUND</b>	Audit	UFARS	Difference	<b>06 BUILDING CONSTRUCTION</b>	Audit	UFARS	Difference
Total Revenue	\$ 17,326,019	\$ 17,326,017	\$ 2	Total Revenue	\$ 163,709	\$ 163,709	\$ -
Total Expenditures	\$ 17,064,383	\$ 17,064,381	\$ 2	Total Expenditures	\$ 2,047,479	\$ 2,047,479	\$ -
Nonspendable				Nonspendable:			
460 Nonspendable	\$ 9,197	\$ 9,197	\$ -	460 Nonspendable	\$ -	\$ -	\$ -
Restricted:				Restricted:			
403 Staff Development	\$ 77,810	\$ 77,810	\$ -	407 Capital Projects Levy	\$ -	\$ -	\$ -
405 Deferred Maintenance	\$ -	\$ -	\$ -	409 Alternative Facility Program	\$ -	\$ -	\$ -
406 Health and Safety	\$ (85,513)	\$ (85,513)	\$ -	413 Project Funded by COP	\$ -	\$ -	\$ -
407 Capital Project Levy	\$ -	\$ -	\$ -	464 Other Purposes	\$ -	\$ -	\$ -
408 Cooperative Programs	\$ -	\$ -	\$ -	Unassigned:			
411 Severance Pay	\$ -	\$ -	\$ -	463 Unassigned	\$ 22,013,323	\$ 22,013,323	\$ -
414 Operating Debt	\$ -	\$ -	\$ -				
416 Levy Reduction	\$ -	\$ -	\$ -	<b>07 DEBT SERVICE</b>			
423 Certain Teacher Programs	\$ -	\$ -	\$ -	Total Revenue	\$ -	\$ -	\$ -
424 Operating Capital	\$ 853,224	\$ 853,224	\$ -	Total Expenditures	\$ 424,084	\$ 424,084	\$ -
426 \$25 Taconite	\$ -	\$ -	\$ -	Restricted:			
427 Disabled Accessibility	\$ -	\$ -	\$ -	425 Bond Refundings	\$ -	\$ -	\$ -
428 Learning and Development	\$ -	\$ -	\$ -	451 QZAB Payments	\$ -	\$ -	\$ -
434 Area Learning Center	\$ -	\$ -	\$ -	464 Other Purposes	\$ 3,910	\$ 3,910	\$ -
435 Contracted Alt. Programs	\$ -	\$ -	\$ -	Unassigned:			
436 State Approved Alt. Program	\$ -	\$ -	\$ -	422 Unassigned	\$ -	\$ -	\$ -
438 Grad Standards Gifted & Talented	\$ -	\$ -	\$ -				
440 Teacher Develop. and Evaluation	\$ 23,475	\$ 23,475	\$ -	<b>08 TRUST</b>			
441 Basic Skills Programs	\$ -	\$ -	\$ -	Total Revenue	\$ 5,422	\$ 5,423	\$ (1)
445 Career and Technical Programs	\$ -	\$ -	\$ -	Total Expenditures	\$ 15,700	\$ 15,700	\$ -
446 First Grade Preparedness	\$ -	\$ -	\$ -	Unreserved:			
449 Safe Schools - Crime Levy	\$ 49,314	\$ 49,314	\$ -	422 Unassigned	\$ 935,133	\$ 935,133	\$ -
450 Pre-Kindergarten	\$ -	\$ -	\$ -				
451 QZAB Payments	\$ -	\$ -	\$ -	<b>09 AGENCY</b>			
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -	Unreserved:			
464 Other Purposes	\$ -	\$ -	\$ -	422 Unassigned	\$ -	\$ -	\$ -
Committed:							
418 Committed for Severance	\$ -	\$ -	\$ -	<b>20 INTERNAL SERVICE</b>			
Assigned				Total Revenue	\$ 2,115	\$ 2,115	\$ -
462 Assigned	\$ -	\$ -	\$ -	Total Expenditures	\$ -	\$ -	\$ -
Unassigned:				Unassigned:			
422 Unassigned	\$ 4,444,751	\$ 4,444,752	\$ (1)	422 Unassigned	\$ 809,432	\$ 809,431	\$ 1
<b>02 FOOD SERVICE</b>				<b>25 OPEB REVOCABLE TRUST</b>			
Total Revenue	\$ 991,884	\$ 991,887	\$ (3)	Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	\$ 952,730	\$ 952,733	\$ (3)	Total Expenditures	\$ -	\$ -	\$ -
Fund Balance				Unassigned:			
Nonspendable				422 Unassigned	\$ -	\$ -	\$ -
460 Nonspendable	\$ 15,732	\$ 15,732	\$ -				
Restricted:				<b>45 OPEB IRREVOCABLE TRUST</b>			
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -	Total Revenue	\$ -	\$ -	\$ -
464 Other Purposes	\$ 157,745	\$ 157,745	\$ -	Total Expenditures	\$ -	\$ -	\$ -
Unassigned:				Unassigned:			
463 Unassigned	\$ -	\$ -	\$ -	422 Unassigned	\$ -	\$ -	\$ -
<b>04 COMMUNITY SERVICE</b>				<b>47 OPEB DEBT SERVICE</b>			
Total Revenue	\$ 845,161	\$ 845,161	\$ -	Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	\$ 800,903	\$ 800,903	\$ -	Total Expenditures	\$ -	\$ -	\$ -
Nonspendable				Restricted:			
460 Nonspendable	\$ 1,498	\$ 1,498	\$ -	464 Other Purposes	\$ -	\$ -	\$ -
Restricted:				Unassigned:			
426 \$25 Taconite	\$ -	\$ -	\$ -	463 Unassigned	\$ -	\$ -	\$ -
431 Community Education	\$ 77,460	\$ 77,460	\$ -				
432 E.C.F.E.	\$ 16,626	\$ 16,626	\$ -				
440 Teacher Develop. and Evaluation	\$ -	\$ -	\$ -				
444 School Readiness	\$ 35,507	\$ 35,507	\$ -				
447 Adult Basic Education	\$ -	\$ -	\$ -				
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -				
464 Other Purposes	\$ 18,183	\$ 18,182	\$ 1				
Unassigned:							
463 Unassigned	\$ -	\$ -	\$ -				

## **EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS**

## INDEPENDENT AUDITORS' REPORT

Board of Education, Advisors, and Students  
Independent School District No. 2859  
Glencoe, Minnesota

### ***Report on the Financial Statement***

We have audited the statement of cash receipts and disbursements of the Student Activity Funds of Independent School District No. 2859 as of June 30, 2016, and the related note to the financial statement.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the regulatory basis of accounting described in the Note to the financial statements. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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

As described in the note to the financial statement, to meet the financial reporting requirements of the Minnesota Department of Education, the financial statement is prepared by the Independent School District No. 2859 in accordance with the financial reporting provisions of the accounting practices prescribed or permitted by the Minnesota Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

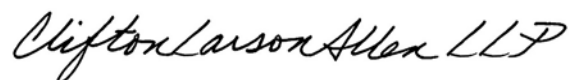
In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Student Activity Funds of Independent School District No. 2859 as of June 30, 2016, or changes in financial position for the year then ended.

***Basis for Qualified Opinion on Regulatory Basis of Accounting***

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

***Qualified Opinion on Regulatory Basis of Accounting***

In our opinion, except for the possible effect of the matter discussed in the Basis for Qualified Opinion on Regulatory Basis of Accounting paragraph, the financial statement referred to in the first paragraph presents fairly, in all material respects, the cash balances of the Student Activity Funds Independent School District No. 2859 as of June 30, 2016, and the receipts and disbursements for the year then ended in accordance with the basis of accounting described in the note to the financial statements.



**CliftonLarsonAllen LLP**

Austin, Minnesota  
September 22, 2016

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
YEAR ENDED JUNE 30, 2016**

Funds	Balance 06/30/15	Transfers and Receipts	Transfers and Disburse- ments	Balance 06/30/16
High School Yearbook	\$ 2,004	\$ 2,740	\$ 2,357	\$ 2,387
Art	3,200	1,535	1,115	3,620
Band	16,911	77,354	80,825	13,440
Business Professional Association (BPA)	2,195	15,802	17,648	349
Close-Up	1,848	18,395	18,582	1,661
Kindergarten Entertainment	-	470	470	-
Grade 1 Entertainment	-	496	496	-
Grade 2 Entertainment	-	512	512	-
Grade 3 Entertainment	-	930	930	-
Grade 4 Entertainment	-	838	838	-
Grade 5 Entertainment	-	455	455	-
Grade 6 Entertainment	-	479	479	-
FFA	9,769	40,509	43,812	6,466
History	272	960	825	407
Lincoln Student Council	2,273	3,701	3,260	2,714
Lincoln Yearbooks	201	-	161	40
HS Student Council	372	1,036	1,250	158
Interest - Admin	-	250	250	-
LS Student Council	766	1,507	875	1,398
Nat'l Honor Society	2,673	886	1,833	1,726
Schools Elem Memory Book	1,448	4,260	4,291	1,417
Class of 2015	-	840	840	-
Class of 2016	4,126	-	4,126	-
Class of 2017	3,501	13,907	9,592	7,816
Class of 2018	-	3,631	1,574	2,057
Totals	<u>\$ 51,559</u>	<u>\$ 191,493</u>	<u>\$ 197,396</u>	<u>\$ 45,656</u>

See accompanying Notes Financial Statement.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 2859  
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS  
NOTE TO FINANCIAL STATEMENT  
JUNE 30, 2016**

**NOTE 1   BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

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

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

The accounts of the Student Activity Fund are maintained, and the accompanying financial statements have been prepared, on the regulatory basis of accounting prescribed or permitted by the Minnesota Department of Education. Consequently, receipts are recognized when received rather than when earned, and disbursements are recognized when paid rather than when the obligations are incurred, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Student Activity bank deposits are covered by deposit insurance or were properly collateralized.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE  
MANUAL FOR ACTIVITY FUND ACCOUNTING**

Board of Education, Advisors, and Students  
Independent School District No. 2859  
Glencoe, Minnesota

**Report on Compliance**

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statement of cash receipts and disbursements of the Student Activity Funds of Independent School District No. 2859 as of and for the year ended June 30, 2016, and the related note to the financial statements, which collectively comprises the basic financial statements, and have issued our report thereon dated September 22, 2016. We expressed an adverse opinion on U.S. generally accepted accounting principles because the financial statement is prepared on a basis of accounting that demonstrates compliance with the regulatory basis of accounting prescribed or permitted by the Minnesota Department of Education, which differs from accounting principles generally accepted in the United States of America. In addition, our report on the regulatory basis of accounting is qualified because the District has not established procedures to provide assurance that all cash collections are recorded in the accounting records.

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

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the *Manual for Activity Fund Accounting*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above-referenced provisions.

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



**CliftonLarsonAllen LLP**

Austin, Minnesota  
September 22, 2016

